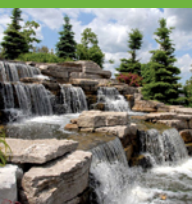




# Financial Sustainability Strategy

Capital Sustainability Steering Committee  
June 22, 2020



# Background

## Capital Sustainability Steering Committee (CSSC) Work Plan

- To evaluate opportunities to deliver long-term capital investments that are in line with community expectations and fiscal sustainability
- To review and provide recommendations to Council on the financial impacts of the City's various Master Plans
- To update the Ten Year Capital Forecast
- To draft a Financial Sustainability Strategy

# Process to date

- There have been six (6) CSSC meetings throughout 2019 and early 2020.
- The City's various Capital-related Master Plans/Strategies and financial impacts were presented by staff.
  - I.T Strategy, Fire Master Plan, Operations Centre Master Plan, Parks Plan, Recreation Plan, DDO Master Plan, Transportation Master Plan, Urban Master Environmental Servicing Plan, and Rural to Urban Roads Program.
- From these Committee meetings/reviews several recommendations were approved by the Committee and forwarded to Council, and subsequently approved.

# Significant Recommendations

- Target of \$3 million annual tax supported capital funding for the revitalization and repair/replacement of parks;
- Explore and report back on opportunities to optimize the use of CIL of Parkland funds for both park acquisition and the revitalization and repair/replacement of parks;
- Rural to urban conversion program be paused until the completion of the strategy (Outer years in Ten Yr Capital Forecast);
- Extend the timeframe for the implementation of the RH DDO early priorities;
- 16<sup>th</sup> Avenue entrance improvements to RH DDO be advanced and considered as part of the early priorities;
- Other recommendations part of updates in various Master Plans

# Ten Year Capital Forecast (\$875.82M)

Asset Category	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Draft 2021-2030 Forecast
Road	9.53	28.89	22.45	17.54	31.21	27.07	38.49	27.99	22.64	30.18	255.99
Parks	4.28	20.68	12.26	14.20	18.79	10.76	12.56	13.64	10.58	5.41	123.17
Facilities	7.90	8.71	22.61	9.73	78.59	7.33	12.59	7.33	7.33	7.33	169.45
Water & Wastewater	14.57	6.31	10.93	9.54	7.69	7.31	7.47	3.68	3.91	5.55	76.95
Library	2.57	2.78	4.22	13.80	9.19	7.44	5.51	10.71	4.55	4.97	65.75
Information Technology	3.65	4.93	4.55	4.40	4.70	4.70	4.70	4.70	4.70	4.70	45.73
Equipment & Fleet	2.73	3.35	3.63	3.39	3.70	4.55	4.63	3.06	3.34	4.40	36.78
Stormwater Management	1.17	0.60	5.33	2.32	6.08	3.68	5.10	4.90	2.62	0.45	32.25
Fire	0.60	1.87	6.34	2.62	2.10	2.33	1.56	2.34	0.50	1.87	22.10
Other	1.54	2.92	1.02	2.13	1.45	2.28	0.45	1.06	1.61	1.02	15.48
Development Engineering	0.80	0.30	0.30	-	0.30	-	-	0.30	-	-	2.00
Flood Remediation	-	-	-	-	-	11.97	-	-	-	18.20	30.17
<b>Total Forecast</b>	<b>49.34</b>	<b>81.35</b>	<b>93.65</b>	<b>79.67</b>	<b>163.80</b>	<b>89.41</b>	<b>93.05</b>	<b>79.71</b>	<b>61.78</b>	<b>84.06</b>	<b>875.82</b>
Tax Supported	21.02	29.97	30.07	31.22	38.69	36.06	34.39	30.62	29.23	27.38	308.65
Rate Supported	14.37	6.86	16.70	12.47	15.15	11.94	13.82	9.44	7.52	6.30	114.58
Development Charges	5.48	36.81	35.74	25.16	82.51	22.70	27.08	28.55	15.24	30.70	309.96
Cash in Lieu of Parkland	1.22	0.58	4.69	2.89	19.55	3.75	10.57	3.53	3.13	2.56	52.46
Gas Tax	5.38	4.87	5.38	5.38	5.45	6.04	5.56	5.38	5.38	5.38	54.18
Other Sources	0.42	2.05	0.37	0.53	0.60	0.38	0.29	0.65	0.29	0.35	5.92
External Funding Sources	1.46	0.22	0.70	2.02	1.85	8.53	1.35	1.55	0.99	11.40	30.07
<b>Total Funding</b>	<b>49.34</b>	<b>81.35</b>	<b>93.65</b>	<b>79.67</b>	<b>163.80</b>	<b>89.41</b>	<b>93.05</b>	<b>79.71</b>	<b>61.78</b>	<b>84.06</b>	<b>875.82</b>

# Forecast Changes by Asset Category

- Overall decrease of \$90.6 million from \$966.4M
- Removed from forecast
  - Civic Precinct Project \$199.4M
- Additions to forecast
  - Roads, Water and Wastewater - \$71.9M (Roads-\$48.9M)
  - Facilities - \$32M (Annual amount from \$4.1M to \$7.3M)
  - Library - \$14M (Library collections and developments – previously not included in forecast)

# Roads – Growth Related

- ▶ Roads projects beyond the previous 10-Year Capital Forecast have been included;
- ▶ Key Roads and Active Transportation projects from the ongoing Transportation Master Plan (TMP) update have been included;
- ▶ Project costs have been updated based ongoing work for TMP update;
- ▶ Project costs may be further refined once the TMP update is complete and/or Environmental Assessment (EA) Studies and Detail Designs have been completed;
- ▶ Only \$16.6M of the \$113.1M of Growth-related Roads projects in the proposed 10-Year Capital Forecast are tax-supported.

Type	Project	Project Status	2021 Forecast	2019 Forecast	Variance
Growth	Vogell Road	New	\$ 22.4	\$ -	\$ 22.4
Growth	Bayview Ave/Briggs Ave	New	\$ 1.2	\$ -	\$ 1.2
Growth	Priority Spines 1-7	New	\$ 7.3	\$ -	\$ 7.3
Growth	New Road Parallel to Yonge	New	\$ 9.6	\$ -	\$ 9.6
Growth	West Beaver Creek Road Widening	Update	\$ 21.2	\$ 13.3	\$ 7.9
Growth	Weldrick Road	Update	\$ 4.4	\$ 19.5	\$ (15.1)

# Roads – R&R

- Cost Escalations due to Construction cost increases from 2018-2020;
- Environmental Compliance Cost, TRCA – e.g. LID technologies for storm water treatment on roads;
- Cost related to changing priorities and scheduling new projects into the 2021 forecast;
- Project Scope Changes – Increase in limits of projects;
- Regional Projects impacts - sidewalks, illumination, multiuse paths.

Type	Project	Project Status	2021 Forecast	2019 Forecast	Variance
R&R	Coons Road	Shovel ready / Deferred	\$ 5.7	\$ -	\$ 5.7
R&R	Walkway Illumination	New	\$ 2.1	\$ -	\$ 2.1
R&R	Oxford Street	New	\$ 1.6	\$ -	\$ 1.6
R&R	Stouffville Road Widening	New	\$ 1.7	\$ -	\$ 1.7
R&R	19 <sup>th</sup> Avenue	Update	\$ 4.3	\$ 0.6	\$ 3.8
R&R	Arnold Crescent	Update	\$ 6.0	\$ 4.4	\$ 1.6
R&R	Olde Bayview Avenue	Update	\$ 3.0	\$ 1.4	\$ 1.6



# Water and Wastewater – R&R

- ▶ Standalone Watermains Program- Community Services prioritization system
- ▶ Prioritization is based on breakage rates, cost of repair vs capital cost of replacement, criticality of the watermain within the overall system;
- ▶ Cost escalations due to construction cost increases from 2018-2020;
- ▶ Project Scope Changes – increases in the limits of projects;
- ▶ Regional Projects impacts – watermains with Region's ROW

# Facilities

## How it is established:

- ▶ Manage accurate inventory of facility asset components
- ▶ Maintain up-to-date understanding of the condition of these components
- ▶ Forecast future capital requirements (Annual amount from \$4.1M to \$7.3M)
- ▶ Forecasted costs do not include for growth related expenditures

# Facilities (cont'd)

## Factors impacting forecast: (2021 - 2030)

- ▶ Facility portfolio will reach its peak of life-cycle renewal requirements within the next 10 years
- ▶ Recent growth of City's facility portfolio (acquired & newly constructed)
- ▶ Forecasted increase in construction costs over next 10 years



# Financial Considerations

- Based on our current capital program assessment:
  - Average tax supported capital program requirement \$30.9 million per year over next 10 years
  - Tax Supported Capital Reserve Funds (R&R and Cash to Capital) will be depleted in 2025
  - Utilize debt as part of a long term financial sustainability strategy
  - \$402 million growth capital projects that may require debt financing to bridge timing of DC collections
  - Water Quality Protection Reserve Fund (Stormwater related capital) will be depleted in 2025 (without grant assumption)

# Tax Supported Capital Forecast (\$308.65M)

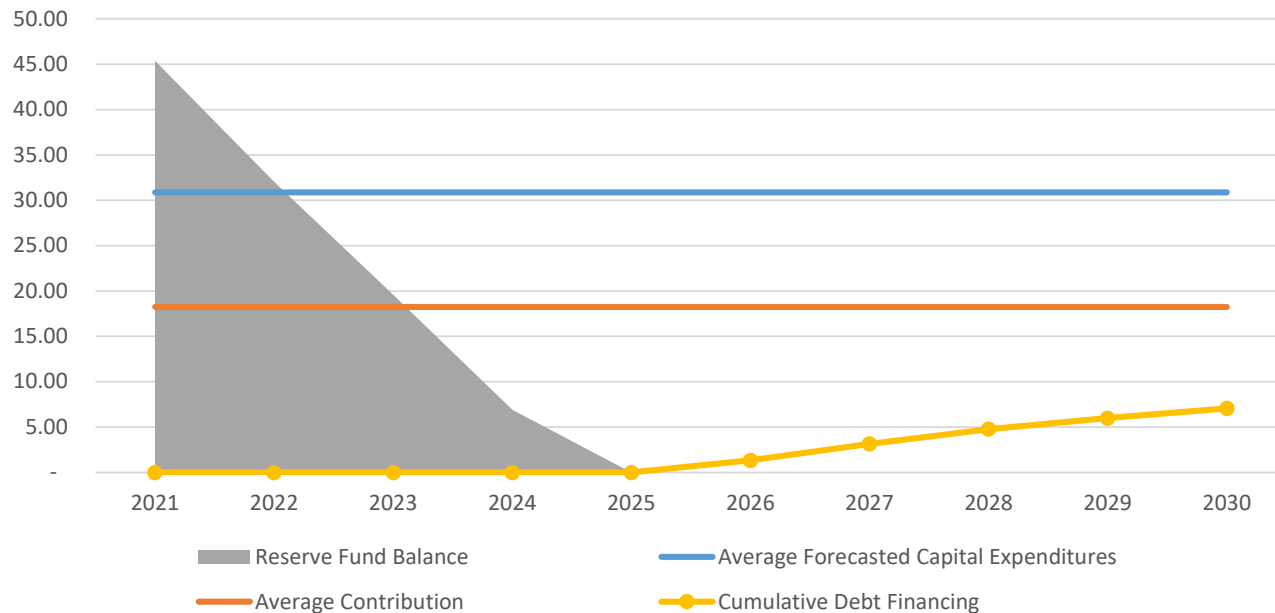
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Road	6.16	10.90	14.59	13.87	18.36	16.51	15.91	12.96	12.68	9.60	131.54
Parks	2.70	5.29	2.83	4.36	5.64	3.19	4.45	2.24	2.34	2.90	35.94
Facilities	3.73	3.10	2.93	2.93	2.93	2.93	2.93	2.93	2.93	2.93	30.28
Library	1.94	2.09	2.26	2.44	2.66	2.89	3.16	3.47	3.82	4.22	28.97
Information Technology	3.65	4.93	4.55	4.40	4.70	4.70	4.70	4.70	4.70	4.70	45.73
Equipment & Fleet	1.60	1.67	1.45	1.49	1.46	1.49	1.51	1.77	2.04	2.06	16.55
Fire	0.47	1.87	1.34	1.32	1.95	2.33	1.56	2.34	0.50	0.72	14.37
Other	0.77	0.13	0.13	0.42	1.00	2.01	0.18	0.20	0.22	0.25	5.29
<b>Total Forecast</b>	<b>21.02</b>	<b>29.97</b>	<b>30.07</b>	<b>31.22</b>	<b>38.69</b>	<b>36.06</b>	<b>34.39</b>	<b>30.62</b>	<b>29.23</b>	<b>27.38</b>	<b>308.65</b>
Transportation Network Reserve	5.36	10.03	12.16	10.69	12.65	12.18	10.79	9.14	8.42	7.66	99.09
Infrastructure R&R	4.72	5.65	5.25	5.29	6.13	7.43	6.62	5.75	4.33	5.00	56.17
Capital Asset Continuity	2.18	2.39	2.51	3.15	3.87	5.18	3.44	3.77	4.12	4.52	35.14
Theatre R&R Reserve	0.04	0.17	0.07	0.10	0.10	0.10	0.10	0.10	0.10	0.31	1.19
Cash to Capital	8.72	11.73	10.09	12.00	15.93	11.16	13.44	11.86	12.26	9.89	117.07
<b>Total Funding</b>	<b>21.02</b>	<b>29.97</b>	<b>30.07</b>	<b>31.22</b>	<b>38.69</b>	<b>36.06</b>	<b>34.39</b>	<b>30.62</b>	<b>29.23</b>	<b>27.38</b>	<b>308.65</b>

# Financial Sustainability Strategy – Tax Supported Capital Program

- Principles for Tax Supported Capital Program:
  - Maintain a base balance of \$40 million in Tax-Supported Reserve Funds
  - Continue the annual contribution to R&R Reserve Funds in the operating budget and the increase in CAS levy each year
  - Consider use of debt as part of the financial tool kit
  - Using the interest earned from the base balance in these reserve funds to pay a portion of the debt servicing costs

# Financial Sustainability Strategy – Status Quo

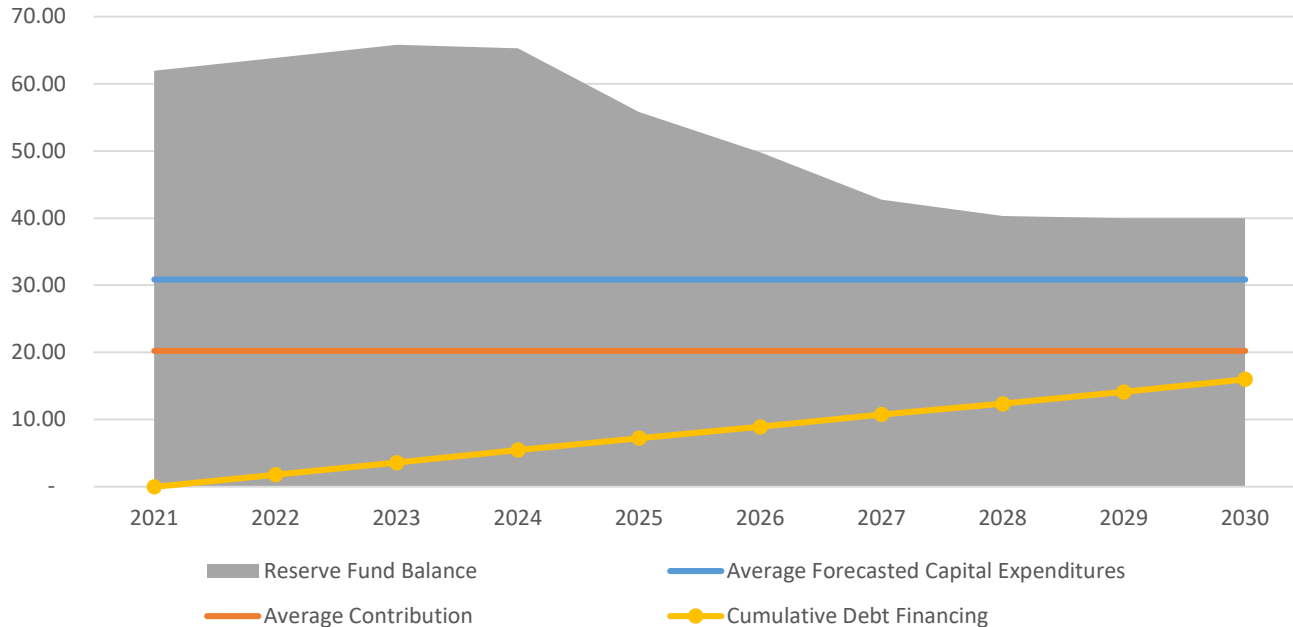
Tax Supported Capital Program - Status Quo



- Average tax supported capital expenditures and contribution
- Tax Supported Capital RFs provide for net shortfall, reserve funds depleted in 2025
- Debt financing in 2025 into future years, repayment starting in 2026
- CAS levy transitions to debt levy

# Financial Sustainability Strategy – 1%

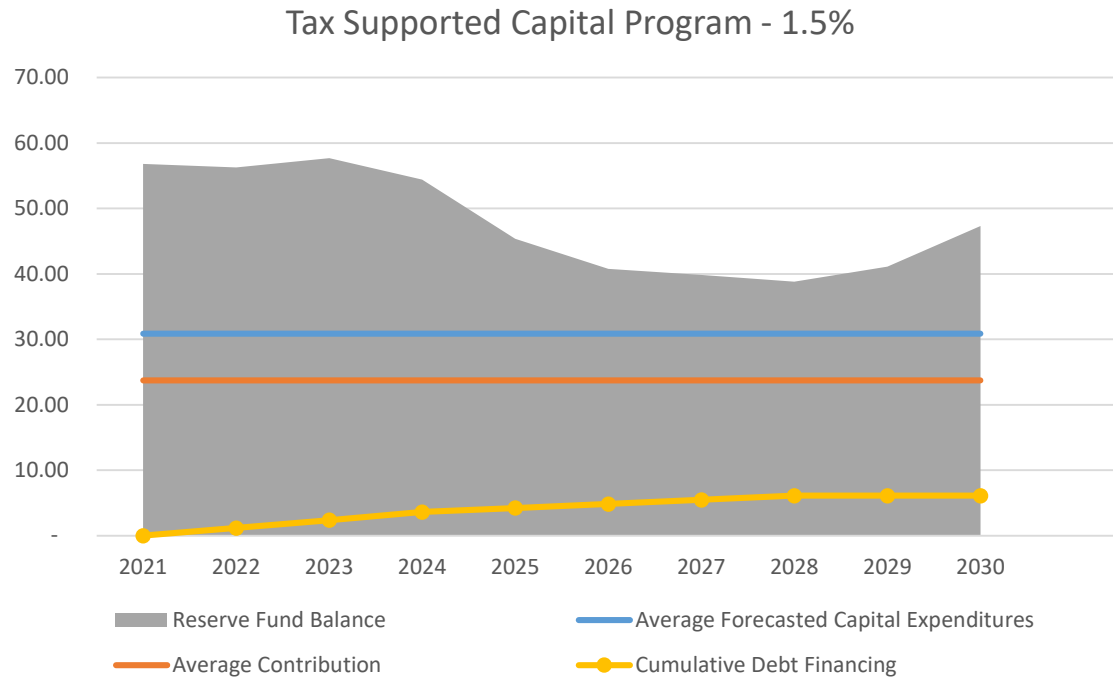
Tax Supported Capital Program - 1%



- Debt financing in 2021 into future years, to smooth out impact to residents
- CAS levy increase at 1% to 2030, debt levy increase at 1.5% to 2030
- Average annual debt payments \$8.03M
- Average reserve fund interest \$1.35M, to partially offset debt financing
- Average annual debt to maintain the RF at \$40M (\$16.3M)



# Financial Sustainability Strategy – 1.5%



- Debt financing in 2021 into future years, to smooth out impact to residents
- CAS levy increase at 1.5% to 2030, debt levy increase at 1.0% (2022 to 2024), 0.5% (2025 to 2028), flattens out with no new debt in 2029 and 2030
- Average annual debt payments \$4.02M
- Average reserve fund interest \$1.2M, to partially offset debt financing
- Average annual debt to maintain the RF at \$40M (\$6.2M)

# Considerations for Discussion

- Increase CAS Levy by 1% or more?
- Utilize debt starting in 2021 as part of a long term Financial Sustainability Strategy?
- Target Tax Supported Reserve Fund base balance at \$40 million?

# Recommendations

- a) That the presentation by David Dexter, Director, Financial Services and Treasurer, regarding the Financial Sustainability Strategy be received;
- b) That all comments from members of the Capital Sustainability Steering Committee regarding the Financial Sustainability Strategy be received and referred to staff;
- c) That staff be directed to report back to Council in September 2020 on a Financial Sustainability Strategy