



Staff Report for Capital Sustainability Steering Committee

Date of Meeting: September 17, 2024

Report Number: SRCFS.24.037

Department: Corporate and Financial Services

Division: Financial Services

Subject: **SRCFS.24.037- Recommendations for Capital Sustainability Steering Committee to Inform the 2025 Capital Budget and Forecast**

Purpose:

This report will update the Capital Sustainability Steering Committee ("CSSC") on the comments received from the past five CSSC meetings and staff recommendations to reflect the insights from these meetings that will play a significant role in informing the 2025 Capital Budget and Forecast.

Recommendation(s):

- a) That Staff Report SRCFS.24.037 be received;
- b) That the Capital Sustainability Steering Committee approve the following staff recommendations:
 - i) Revise the timing of the key Indoor Recreation and Parks projects as set out in SRCFS.24.037.
 - ii) Minimize the acquisition of parkland and measures taken to ensure available funds in Parks and Recreation Development Charges and Cash-in-lieu of Parkland for future construction of the North Leslie Community Centre.
 - iii) Increase contributions to tax and rate-supported reserve funds to close the funding gap and address the infrastructure backlog.
 - iv) Explore alternate funding sources such as public-private partnerships and grants.
 - v) Explore debt financing options to manage the shortfall in the near term.
 - vi) Reassess service levels to align them with the City's financial capabilities.
 - vii) Pause on adding new Master Plans until the Financial Sustainability Strategy is updated in light of long-term financial implications.

Page 2

Contact Person(s):

- Muhammad Raza, Manager Fiscal Strategy and Long-Term Planning
- Gigi Li, Director Financial Services and Treasurer, extension #6435

Report Approval:

Submitted by: Sherry Adams, Commissioner of Corporate and Financial Services

Approved by: Darlene Joslin, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the report's approval are attached.

Page 3

Key Messages:

- From January 2024 to June 2024, staff provided presentations to the CSSC on the status of the various Master Plans, including detail reports on the Recreation & Culture Plan and the Parks Plan Implementation, along with the Capital Budget Strategy considerations for 2025.
- Staff presented the City's funding needs, various cost mitigation strategies, the need to align with the City's Asset Management Plan, and the potential impact of legislative changes on its abilities to collect development related revenues.
- These efforts were intended to inform the Committee members about the challenges faced in establishing a sustainable and effective Capital Budget for the City.
- Comments from CSSC members were primarily focused on addressing urgent community needs and maintaining service levels while maximizing benefits by prioritizing critical projects. The committee members also directed staff to seek alternative funding sources like grants that are related to climate change, housing, and community development and consider public-private partnerships for cost-sharing purposes to address some of the identified challenges.
- As a result, given the long-term financial constraints, staff are recommending revised timelines for some key projects, as outlined in the financial impact section of the report.
- Other recommendations include debt financing, reassessing service levels, increasing contributions to the tax and rate-supported reserve funds and pausing on adding new Master Plans.

Background:

The previously planned CSSC agenda for September 17 has been revised. This meeting will focus on providing updates to CSSC members on the progress of the capital budget development and staff recommendations based on feedback received at the previous meetings and the Operations Centre and Yard Improvements.

The annual capital planning process not only addresses immediate capital investment needs but also identifies longer-term future capital requirements. The Master Plans often have significant financial implications for both capital and operating budgets. By seeking directions from the Capital Sustainability Steering Committee (CSSC), staff can implement a capital budget strategy aimed at achieving long-term sustainability.

Page 4

The mandate of the CSSC is to evaluate long-term capital investment needs that align with community expectations and fiscal sustainability.

From January 2024 to June 2024, there have been five CSSC meetings, each generating insightful discussions on various topics. These meetings have been instrumental in shaping financial strategies and ensuring that the City's infrastructure needs are met without compromising fiscal responsibility.

The comments received primarily focused on addressing urgent community needs and prioritizing critical projects to maximize benefits. Committee members directed staff to seek alternative funding sources, such as grants and explore the possibility of public-private partnerships for key projects.

In response to CSSC's comments, staff began working on the 2025 capital budget and forecast. The aim is to balance fiscal responsibility with the City's infrastructure needs, ensuring that capital investments are made in a sustainable and community-focused manner.

Discussion:

This report provides a comprehensive overview of the City's strategic planning and financial management efforts, focusing on key areas such as capital investments while maintaining financial sustainability. Each section delves into specific recommendations and strategies to address funding deficits, optimize resources, and ensure the City's growth and development align with community needs and legislative changes.

The following section summarizes the 2024 CSSC reports thus far and the proposed recommendations from staff.

SRCFS.24.004 – CSSC Work Plan and 2024 Meeting Schedule

Staff outlined the 2024 work plan and meetings scheduled for the Capital Sustainability Steering Committee (CSSC). It described the committee's mandate of reviewing and providing recommendations on capital investments that align with community expectations and fiscal sustainability.

The report also discussed the City's ability to fund growth-related capital expenditures given the recent legislative changes such as Bill 23. It further reaffirmed CSSC's significant role in informing the City of Richmond Hill's future.

SRCFS.24.012 – 2025 – 2033 Capital Forecast

Staff presented the City's 2025-2033 Capital Forecast, emphasizing the need for \$1.7 billion in funding to support projected expenditures and align with the City's long-term growth plans.

The expenditures can be further broken down as follows:

- Growth/Enhancement Projects: \$808.0 million
- State of Good Repair Projects: \$870.2 million

Page 5

The report highlighted the condition of the City's funding sources, indicating that if all forecasted projects are approved the City would face a funding deficit of \$362 million, and stressing the need to carefully prioritize projects and explore alternative funding sources. Additionally, economic pressures from inflation and rising interest rates, along with legislative constraints from recent changes like Bill 23 and Bill 108, limit the City's ability to raise funds through development charges.

To address these challenges, staff presented CSSC committee members with the following considerations:

- Projects that address critical needs and provide the greatest benefit to the community should be prioritized by deferring or scaling down lower-priority projects.
- Seek alternative funding sources, such as public-private partnerships, grants, and potentially increasing contributions from utility rates or taxes.
- Continually refine the assumptions to reflect realistic cost projections and funding availability.
- Continue to collaborate with external partners to leverage efficiencies and maximize the impact of capital investments.

SRCS.24.07 – Recreation and Culture Master Plan and 10 Year Capital Forecast for Growth

Based on the Council approved Recreation and Culture Plan (RCP), proposed capital projects from 2022 to 2032 were outlined with financial implications and cost mitigating strategies highlighted.

The Recreation and Culture forecast anticipates a total of \$387 million in expenditures with expected revenues of \$208 million from Development Charges (DCs) resulting in a projected shortfall of \$129.5 million. The North Leslie Community Centre alone is estimated to cost \$253 million, which constitutes 65% of the total forecasted expenditures.

To address the anticipated funding deficits, staff presented CSSC committee members with the following cost mitigation strategies:

- Explore cost-sharing opportunities for the Indoor Turf Project.
- Reduce Design Costs for North Leslie Community Centre and seek naming rights and sponsorship opportunities.
- Eliminating or postpone certain components of the community centre through more detailed needs analysis and service level assessments.
- Seek grants aligned with climate change initiatives, housing, and complete communities.
- Accelerate the sale of Recreation Assets (for example the Lake Wilcox Community Hall) to generate funds for new projects.
- Explore alternate financial tools such as cash-in-lieu of parkland, Community Enhancement and Economic Vitality Reserve and debt financing.

Page 6

- Defer the construction of North Leslie Community Centre to align with population growth allowing the City to accumulate additional forecasted DC revenues.

SRCS.24.054 – Parks Plan Implementation and 10 Year Capital Forecast for Growth

Based on the Council approved Parks Plan, the Policy Planning Division outlined the 10-Year Capital forecast for parks and outdoor recreational facilities highlighting the following future funding needs:

- \$75 million for park revitalization, development, and outdoor recreation facility construction.
- \$411 million for the monetary value of total parkland needs to 2031.
- \$107.8 million for outdoor recreational needs.

The primary funding sources are Development Charges, Parkland Dedication or Cash-in-lieu of Parkland, and Community Benefits Charges.

To mitigate growth-related parks costs and address future funding needs, various strategies were presented for discussion with the CSSC.

- Acquire parkland outside of Planning Act applications only if sufficient funds are available from Cash-in-Lieu of Parkland or Community Benefits Charges.
- Seek cost sharing or in-kind partnership opportunities with other public agencies to provide interim parks or to pilot park and recreation facilities on lands not owned by the City.
- Defer Town Park Revitalization Phase 3 from 2030 to beyond 2031.
- Defer Mill Pond Park Revitalization Phase 3 from 2031 to beyond 2031.
- Defer Bayview Hill Park Revitalization Phase 2 from 2030 to beyond 2031.
- Extend the RHDDO Park Early Priorities from 8 years to 10 years.
 - In addition, defer the Late Term Projects to beyond the 10 Year Capital Plan.
- Seek relevant grants (i.e., Disaster Mitigation and Adaptation Fund, Active Transportation grants, Habitat Stewardship Program grants, Inclusivity grants, etc.)

SRCFS.24.029 – 2025 Capital Budget Strategy Considerations

Staff provided CSSC with an update on the 2025 capital planning process highlighting essential factors impacting the process, such as Asset Management Plan (AMP) and legislative changes.

Asset Management Plan (AMP)

The 2024 AMP suggests an asset renewal plan to keep the City's assets, valued at approximately \$11.4 billion, in "Good" to "Very Good" condition. It highlights the need for annual investments of \$80 to \$87 million from 2024 to 2033, rising to \$145 to \$173 million from 2034 to 2051, while addressing a \$284 million infrastructure backlog caused by past underfunding.

Page 7

Legislative Changes

The proposed Bill 185, “Cutting Red Tape to Build More Homes Act, 2024,” will affect the City’s ability to collect Development Charges (DCs). Key changes include eliminating the mandatory phase-in of DCs, reinstating studies as eligible capital costs, and shortening the freeze period for DC rates, which should reduce revenue losses and better support infrastructure costs.

The report outlined three scenarios, each indicating a funding deficit and suggesting the need to review service levels and increase contributions to reserve funds.

- 2024 Capital Forecast: This scenario results in a significant funding deficit by 2033.
- Modified Phased-in AMP: This scenario results in a growing deficit by 2033.
- Indexed Historical Capital Budget Average: This scenario maintains a positive reserve fund balance throughout the forecast period but trends towards a deficit.

The report also discusses the rate-supported funding envelope suggesting a need for detailed review to maintain financial sustainability.

Staff discussed the following options to be considered for future CSSC discussions:

- Increase contributions to tax and rate-supported reserve funds to close the funding gap and address the infrastructure backlog.
- Refine service levels to better reflect community desires balancing needs with financial capabilities.
- Explore debt financing options to manage the shortfall in the near term.
- An updated Financial Sustainability Strategy to guide the capital budget process.

Financial Implications:

As outlined in this report, a strategic approach to capital investments is needed to align the City’s fiscal constraints with its long-term sustainability goals, while meeting the needs of a growing community. The strategies include but are not limited to:

- Extending the time or adjust the scope and scale of some projects while focusing on critical community needs to help mitigate the immediate financial pressures.
- Exploring alternate funding sources such as public-private partnerships and grants.
- Considering debt financing with careful monitoring to avoid future financial strain.
- Increasing contributions to reserve funds to address the infrastructure backlog.
- Aligning service levels to City’s financial resources, this will require a balance between maintaining essential services and understanding community expectations.
- Pausing on adding new Master Plans and ensuring a comprehensive financial analysis is included as part of all future Master Plans for financial due diligence long-term financial planning.

Page 8

Staff will be exploring these strategic measures to enhance financial sustainability and plan to provide an update to CSSC as part of the Financial Sustainability Strategy in 2025. Overall, the intent of these strategies is to ensure that the City remains on a path of fiscal responsibility while continuing to invest in necessary infrastructure projects.

Based on the feedback from previous CSSC meetings and recently updated information, staff have been able to reconsider the timelines of some of the key projects:

Revised Project Timelines following 2024 CSSC meetings

Project Name	Initial Timeline	Proposed Timeline	Estimated Amount (\$million)
Town Park Revitalization Phase 3	2030	2032	\$5.35
Bayview Hill Park Revitalization Phase 2	2030	2034	\$4.0
Tollbar Park	2027	2029	\$3.9
North Leslie West Local Park (NLMPA)	2026	2031	\$5.45
North Leslie Community Centre	2026	2031	\$233.95
RH David Dunlap Observatory			
Assignment 4	2025-2026	2026-2027	\$7.5
Assignment 5	2025-2026	2026-2027	\$5.0
Assignment 6	2024	2025	\$1.0
Assignment 7	2025-2026	2027-2028	\$4.43
Assignment 7B	2027-2029	2032-2034	\$10.37
Assignment 8	2027-2029	2028-2030	\$4.92
Assignment 9	2028-2030	2029-2031	\$5.40
Assignment 10	2029-2032	2030-2033	\$2.55
Assignment 11	2030-2032	2031-2033	\$1.60
Total			\$295.87

Given the fiscal constraints, these deferrals are being considered as part of the City's 2025 Capital Budget and Forecast to prioritize projects that deliver the greatest community benefits. Staff will present the draft 2025 Capital Budget and Forecast to CSSC on October 22nd, 2024.

North Leslie Community Centre (NLCC)

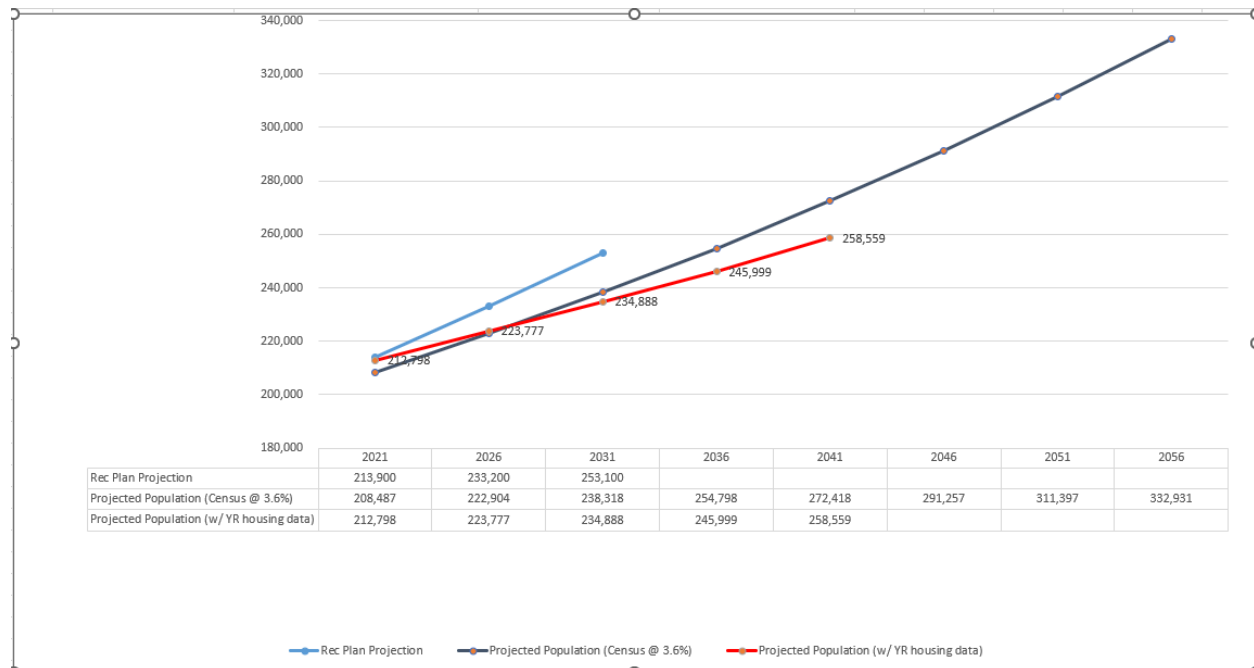
The need for the North Leslie Community Centre is triggered when Richmond Hill's population reaches 240,000. Target service levels recommended in the City's Recreation Plan indicate that a population of 240,000 generates a need for an additional gymnasium and three additional multi-purpose rooms. The need for other components of the North Leslie Community Centre (for example, the pool, first ice pad and fitness centre) are generated at a City population of 243,000 to 255,000.

Page 9

In the case of gymnasiums, the approved target service level is one per 24,000 people and the City currently has 9 gymnasiums resulting in the need for a 10th gymnasium arising at a population of 240,000 people. Similarly, the City currently operates 64 multi-purpose rooms (including the 3 conversions/renovations currently underway at Richvale and Bayview Hill community centers and the Richmond Green dome field house) which provide for a population of 230,400 at a target service level of one per 3,600 people. The need for the 3 additional multi-purpose rooms planned for the North Leslie community Centre (for a total of 67 rooms) will arise at a population of 241,200.

The Recreation Plan was completed in 2021 and made recommendations that were reflected in the 2023 10 Year Capital Forecast using a population projection based on 2016 census data, which anticipated that the City would reach a population of 240,000 sometime between 2026 and 2031 (as illustrated by the blue line in Figure 1 below). 2021 census data and up-to-date York Region population data (based on actual housing units built to mid-2024) result in updated population projections, which are illustrated by the black and red lines in Figure 1 below respectively. In both cases, the up-to-date population data anticipates that the City is not likely to reach a population of 240,000 until sometime between 2031 and 2036 (rather than between 2026 and 2031 as previously projected) and, based on facility need, construction timing for the North Leslie Community Centre should therefore be adjusted to start in 2031 for approximate completion in 2034.

Figure 1: Comparison of population projection data used in the Recreation Plan (based on 2016 Census Data) vs current population projects (based on 2021 Census data and housing starts).



Page 10

When planning for the timing of the North Leslie Community Centre it should also be considered that measures could be undertaken to mitigate the need for gymnasiums and multi-purpose rooms. For example, the gymnasium need could be pushed further into the future with provision of a new indoor turf facility that could accommodate some uses currently being accommodated in gymnasiums. Similarly, potential opportunities for bringing additional multi-purpose rooms online in advance of the construction of the North Leslie Community Centre can be investigated given that multi-purpose rooms are relatively easy to site in relation to other recreation facility types (for example a pool or arena).

Additionally, the fact that pushing the community center into the future will result in escalated costs for the community center should be given consideration. To realize an improved financial position by moving the community center further into the future, measures should be taken to ensure that funds available in the Parks and Recreation DC or Cash-in-Lieu of Parkland Dedication are increased over the period (to avoid the need to debt finance).

As part of the continuous review of the timing and needs assessment for the North Leslie Community Centre, staff will also investigate opportunities to advance an additional indoor turf facility and multi-purpose rooms sited outside the community centre.

Relationship to Strategic Plan 2024-2027:

This update and staff's recommendation in this report relates to Pillar 3, Strengthening our Foundations, specifically, Priority 1 where the City aims to enhance financial sustainability, customer experience, and operational efficiency through strategic investments, best practices, and an aligned management framework.

Page 11

Report Approval Details

Document Title:	SRCFS.24.037 Recommendations for Capital Sustainability Steering Committee to Inform the 2025 Capital Budget and Forecast.docx
Attachments:	
Final Approval Date:	Sep 12, 2024

This report and all of its attachments were approved and signed as outlined below:

Gigi Li - Sep 11, 2024 - 6:55 PM

Sherry Adams - Sep 12, 2024 - 9:17 AM

Darlene Joslin - Sep 12, 2024 - 9:33 AM