

TOWN OF RICHMOND HILL

BUDGET COMMITTEE OF THE WHOLE

July 6, 2010

SRCFS.10.030

Corporate and Financial Services
Financial Services Division

**SUBJECT: 2011 Ten Year Capital Forecast
(SRCFS.10.030)**

PURPOSE:

To provide Council with an updated Ten Year forecast for the Town's capital program reflective of updated priorities and available funding.

RECOMMENDATIONS:

- a) That the staff report *2011 Ten Year Capital Forecast* – (SRCFS.10.030) be received.
- b) That staff include a Development Charges Study and a Lifecycle Replacement Funding Model Study in the 2011 Budget submission for consideration during budget deliberations.

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Submitted by:

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Commissioner, Corporate & Financial Services

Approved by:

M. Joan Anderton
Chief Administrative Officer

BACKGROUND:

The Town of Richmond Hill's financial planning and budget cycle involves four annual processes:

1. Ten Year Capital Forecast
2. Tariff of Fees Update
3. Annual Budget Preparation (Operating & Capital) and the Four Year Operating Forecast
4. Budget Committee of the Whole deliberations and Council adoption

Ten Year Capital Forecast Process

All areas of the Town have been involved in varying degrees to develop the necessary forecasts.

The Ten Year Capital Forecast involves reviewing and updating assumptions used in prior year's forecast, with a stronger focus on the earlier years and emphasis on the 2011 forecast to resemble closely to the 2011 Capital Budget submission. The Strategic Plan, Official Plan, Development Charges Background Study and approved Council motions are key reference material in compiling the forecast. To make it comparable, the figures are in constant dollars with no adjustment for inflation. The details are provided in a binder that includes a Corporate Summary.

The Ten Year Capital Forecast is comprised of investments in Existing assets and Growth assets. Existing assets forecasts major repairs or rehabilitation to extend the life or replacement of an asset at the end of its useful life. It does not include land, major earthworks, significant upgrade of capacity, nor routine maintenance for state of good repair. Growth assets forecasts requirements for new residential services to be constructed such as local roads, water and wastewater infrastructure, sidewalks, streetlights, and storm water management infrastructure.

Ten Year Capital Forecast Objectives

The Ten Year Capital Forecast is undertaken with the following objectives:

- (a) Provide a capital forecast that considers corporate priorities that align with the Town's Strategic Plan.
- (b) A "living plan" that allows for updating and reprioritizing as opportunities arise.
- (c) Identifies funding sources, limitations and funding opportunities.
- (d) Identifies to Council any significant future projects that potentially could be added to the forecast that could not be quantified at this time.
- (e) Identify potential challenges in the upcoming budget based on the Ten Year Capital Forecast that could impact the overall Budget Strategy.
- (f) Provides a guideline for 2011 Capital Budget preparation.



FINANCIAL/STAFFING/OTHER IMPLICATIONS:

Ten Year Capital Forecast Summary

The 2011 Ten Year Capital Forecast is \$528 million (\$492 in 2010) of which \$266 million (\$283 million in 2010) relates to Existing assets (Appendix "A") and \$262 million (\$209 million in 2010) relates to Growth assets (Appendix "B").

2011 Capital Forecast

The first year of the forecast is \$53 million. The replacement of existing assets forecast is \$33 million and the growth related assets forecast is \$20 million. Significant capital projects include:

Existing Assets Capital

1. Facility repairs
2. Oak Ridges Waterfront Trail
3. Application Enhancements technology
4. Road and Watermain reconstruction
 - a. Bathurst Street Watermain
 - b. Snively Street
 - c. Libby Boulevard, Bridgeport Street area
 - d. Elka Drive, Zelda Crescent area
 - e. Olde Bayview Avenue
 - f. Bayview Watermain

Growth Assets Capital

1. East Beaver Creek road widening and intersection improvements
2. Hwy 404 Bridge north of 16th Avenue
3. East Humber Trail
4. New Fire Station construction and equipment at Yonge Street and Gamble Road
5. Website and eService technology

2012 to 2014 Capital Forecast

The next three years of the forecast (2012 to 2014) is \$116 million. The replacement of existing assets forecast is \$80 million and the growth related assets forecast is \$36 million. Significant capital projects forecasted include:

Existing Assets Capital

1. Parks Redevelopment
2. Oak Ridges Water Park & Trails
3. Oak Ridges Youth Park

Growth Assets Capital

1. Operations Centre Phase II Expansion
2. Oak Ridges Library
3. Rawlinson/Perryman Park
4. Land acquisition for Town-Wide Indoor Facility

2015 to 2020 Capital Forecast

The last six years of the forecast (2015 to 2020) amounts to \$358 million. The replacement of existing assets forecast is \$153 million and the growth related assets forecast is \$206 million. Significant capital projects forecasted include:

1. Town-Wide Indoor Facility (2015, \$42 million)
2. North Leslie Indoor Facility (2016, \$61 million)
3. Arena Twinning (2017, \$19 million)
4. Fire Station (2016, \$6 million)
5. Library (2018, \$4 million)

Historical Capital Program Levels and Funding Implications

The Town's annual capital program averages approximately \$32 million or \$35 million including water and wastewater capital assets (WWCA). The historical value of the capital asset inventory constructed, purchased or assumed is valued at \$699 million or \$807 million including WWCA with an annual usage or depreciation of \$22 million or \$24 million including WWCA.

A detailed review of the Water and Wastewater ten year capital forecast was recently undertaken by staff and approved by Council on June 28, 2010 (*Water and Wastewater Financial Plan – SRCFS.10.033*). For the remainder of this report, the figures will exclude WWCA.

The following table summarizes the Capital Asset inventory by categories:

(in millions)	<u>Original Cost</u>	<u>Acc. Depn</u>	<u>Net Book Value</u>
Roads	\$ 234	\$ 141	\$ 93
Buildings	180	67	113
Storm Water	162	35	127
Parks & Parking Lots	75	27	48
Library	17	10	7
Vehicles	12	7	5
Information Technology	10	6	4
Machinery & Equipment	9	5	4
Total Capital	\$ 699 *	\$ 298	\$ 401

*excludes land and traffic lights

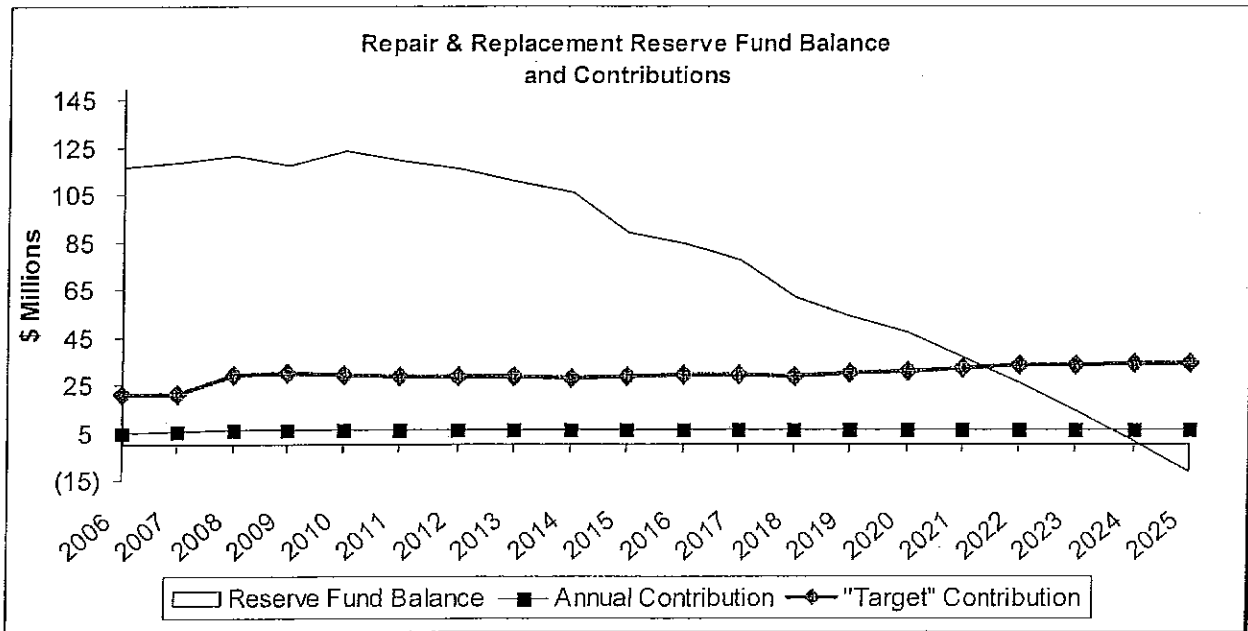
The \$298 million accumulated depreciation represents from an accounting perspective the amount required to replace the assets the Town owns. This is comparable to the \$117.7 million available in the Repair and Replacement Reserve Funds balance as shown in Appendix "C".

The Town's funding sustainability can also be compared by the annual contribution from the Operating Budget to the Repair and Replacement Reserve Fund. As shown in Appendix "C", our annual contribution is \$6 million compared to the \$22 million annual depreciation expense. If interest earned from the investment portfolio is included, the annual contribution is \$11 million.

The depreciation numbers are based on historical cost. If staff factored in future replacement costs, the amount is higher.

The last Capital Asset Replacement Study was completed in 2008. Based on the past analysis, the replacement value of the same assets was \$1.4 billion, and the recommended annual contribution from the Operating Budget to the Repair and Replacement Reserve Fund ranged from \$21 million to \$33 million. Compared to the \$11 million annual contribution including interest earned in the reserve fund, there is a minimum funding gap of \$10 million in the 2010 Operating Budget.

Previous infrastructure protection initiatives such as eliminating minor capital funding from the reserve fund and gradual increases to the contribution to reserve funds of \$900,000 and \$600,000 in the years 2007 and 2008 respectively, prolonged the reserve fund life by two years after each initiative. In addition the Infrastructure Stimulus Funds and Recreational Infrastructure Funds received in 2009 prolonged the life of the reserve funds by an additional four years. Without further changes to the annual contribution, the Repair and Replacement Reserve Fund will be depleted by 2025.



Tax Rate Funding

The Ten Year Capital Forecast identifies \$2.6 million of Tax Rate Funded Capital projects. The amount included in the 2009 and 2010 budget was under \$1 million. This is another area to focus on during the 2011 Budget. If the Tax Rate Funding cannot be sustained in the 2011 budget, alternative sources, such as Federal Gas Tax and Other Grants must be used.

Federal Gas Tax and Other Grants

Upon review of the studies and plans that are underway, there will be more projects which are likely to be Federal Gas Tax (or other grant) eligible. It is anticipated that projects will be recommended for addition to the forecast as the studies receive approval:

- Official Plan
- Accessibility Audit
- Pedestrian and Cycling Master Plan
- Facility Energy Audits
- Environmental and Green Purchasing Strategy
- Economic Development Strategy

For the 2011 Budget, staff are changing the Town of Richmond Hill's previously derived annual funding envelopes for capital projects from the Federal Gas Tax funding, as follows (with the previous allocations in brackets):

- New building LEED upgrades \$1.5 million (\$2.5 million)
- Existing building energy retrofits \$1.5 million (\$0.5 million)
- Pedestrian & cycling infrastructure \$600,000 (\$200,000)
- Other eligible projects \$1.4 million (\$1.3 million)

The specific project details recommended for Federal Gas Tax funding will be provided during the 2011 Budget deliberations, along with the operating budget impact of projects previously accelerated grant funded capital projects ready for opening. A listing of capital projects funded by grants is included in the Ten Year Capital Forecast binder.

RELATIONSHIP TO THE STRATEGIC PLAN:

Presentation of the Ten Year Capital Forecast and Financial Outlook demonstrates responsible municipal management in which the following objectives are being met:

- a) Stronger connections in Richmond Hill to improve access to local information and services; and
- b) Wise management of resources in Richmond Hill to serve as a role model for municipal management.

CONCLUSION:

Richmond Hill is faced with issues of growing infrastructure needs for a growing population and rehabilitation/replacement of existing assets. In recognizing these challenges and being responsive, a plan must be developed in order to accommodate the demands of infrastructure grants and infrastructure rehabilitation.

APPENDIX "A"

2010 Ten Year Capital Forecast

Existing Assets

The Town of Richmond Hill
2011 Ten Year Capital Forecast
Corporate Summary

	2011 Forecast	2012 Forecast	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast	Ten Year Forecast
Existing Assets											
Information Technology	4,057,000	1,430,000	1,014,000	1,014,000	1,014,000	1,014,000	1,014,000	1,014,000	1,014,000	1,014,000	13,599,000
Fire - V&I:	280,000	100,000	975,000	330,000	2,830,000	435,000	205,000	170,000	820,000	70,000	6,215,000
Design & Construction											
- Roads reconstruction & Sidewalks	7,974,400	4,623,900	4,670,600	4,779,000	6,628,200	5,902,100	6,222,300	4,721,300	4,182,000	3,650,000	53,353,800
- Road overlays	1,098,300	1,098,300	1,098,300	1,098,300	1,098,300	553,300	553,300	553,300	553,300	553,300	8,258,000
- Watermain & SS replacement.	6,345,800	1,717,200	4,735,300	3,108,800	4,068,800	3,532,900	3,057,800	1,660,300	1,568,400	1,337,700	31,133,000
Storm Water Management	15,418,500	7,439,400	10,504,200	8,986,100	11,795,300	9,988,300	9,833,400	6,934,900	6,303,700	5,541,000	92,744,800
Water Meter	676,200	3,106,200	1,295,500	1,131,200	750,900	896,000	1,454,100	2,781,500	770,300	935,000	13,796,900
Library - Materials, Collection, P&I:	379,200	501,600	361,600	329,100	357,200	473,100	524,400	588,300	347,000	395,000	4,256,500
Property - Facilities and buildings Property - East Beaver Creek	1,683,700	2,674,300	1,498,700	1,226,900	1,569,100	1,569,100	1,287,300	2,419,700	1,182,400	1,182,400	16,293,600
Fleet & Equipment: LPW	630,000	1,112,000	1,035,000	1,003,000	1,016,000	820,000	440,000	780,000	1,300,000	643,100	8,779,100
PRC	427,600	497,200	355,000	1,164,500	105,300	944,300	115,900	353,200	384,500	1,060,000	5,407,500
Recreation Equipment	1,057,600	1,609,200	1,390,000	2,167,500	1,121,300	1,764,300	555,900	1,133,200	1,684,500	1,703,100	14,186,600
Parks - Repair & Replacement of Existing Facilities & Parks	385,000	280,700	255,500	447,300	360,000	477,800	874,600	554,400	348,700	-	3,984,000
Total Existing Assets	32,886,800	28,150,100	28,892,600	23,246,000	39,424,400	23,191,400	21,628,100	26,494,400	21,214,000	20,975,600	266,103,400

APPENDIX "B"

2010 Ten Year Capital Forecast

Growth Assets

The Town of Richmond Hill
2011 Ten Year Capital Forecast
Corporate Summary

	2011 Forecast	2012 Forecast	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast	Ten Year Forecast
Growth Assets											
Information Technology	1,050,000	945,000	450,000	226,000	226,000	226,000	226,000	226,000	226,000	226,000	4,027,000
Highway 404 Flyovers - Bridge Const *	6,533,300	-	-	200,000	500,000	3,561,700	-	-	-	-	10,795,000
Weldrick Road Widening & Grade Sep.	-	-	-	-	250,000	1,025,000	4,300,000	11,800,000	-	-	17,375,000
East & West Beaver Creek Widening & Improvements	2,458,600	80,000	107,500	960,000	4,365,000	-	-	-	-	-	7,971,100
Other Roads	-	-	123,000	610,000	-	200,000	1,000,000	150,000	500,000	-	2,583,000
Operations Centre Expansion	8,991,900	80,000	230,500	1,770,000	5,115,000	4,786,700	5,300,000	11,950,000	500,000	-	38,724,100
	-	1,000,000	8,863,000	-	-	-	-	-	-	-	9,863,000
Arena Winning - Feasibility & Construc	-	-	-	-	-	100,000	18,900,000	-	-	-	19,000,000
Crosby Park Field House Renovations	-	-	-	-	-	-	-	-	-	-	-
North Leslie Multi-Purpose	-	-	-	-	-	-	-	-	-	-	-
Recreational Facility - C.C., Pool, Fitness, Twin Pad Arena	-	-	100,000	-	5,000,000	61,233,000	-	-	-	-	66,333,000
Indoor Town Wide Recreational Facility - Richmond Green & Wave Pool	-	-	-	4,060,000	41,553,000	-	-	-	-	-	45,613,000
Fire Station	5,318,700	-	750,000	-	1,500,000	6,302,700	-	-	-	-	13,871,400
Library - Furniture & Equipment	198,300	-	-	-	-	-	-	-	-	-	198,300
Library Branch	-	-	-	-	-	-	-	4,453,000	-	-	4,453,000
Oak Ridges Library Branch	-	-	500,000	4,453,000	-	-	-	-	-	-	4,953,000
Library Material Development	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000	336,000	3,360,000
Central Library Oversizing - DC Loan Repayment	-	-	-	-	-	-	-	-	-	-	-
Water Meter	127,000	127,000	127,000	127,000	127,000	127,000	127,000	127,000	127,000	127,000	1,270,000
Fleet & Equipment EPW	-	308,000	100,000	-	-	-	-	-	-	-	408,000
PRC	196,200	-	-	-	130,700	91,000	114,300	130,700	100,000	-	762,900
	196,200	308,000	100,000	-	130,700	91,000	114,300	130,700	100,000	-	1,170,900
Planning Development & Engineering	570,000	845,000	1,030,000	420,000	570,000	470,000	20,000	20,000	145,000	320,000	4,410,000
Parks - Design and Development	3,597,500	2,193,100	702,500	5,817,700	4,198,900	9,626,300	8,775,100	3,082,200	5,149,100	1,692,400	44,834,800
Total Growth Assets	20,385,600	5,834,100	13,189,000	17,209,700	58,756,600	83,298,700	33,798,400	20,324,900	6,583,100	2,701,400	262,081,500
Total Assets	53,272,400	33,984,200	42,081,600	40,455,700	98,181,000	106,490,100	55,426,500	46,819,300	27,797,100	23,677,000	528,184,900

APPENDIX "C"

Repair & Replacement Reserve Funds

