



# 2020 Capital Budget

*November 27-28, 2019*

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Director of Finance/Treasurer



# Capital Budget Objectives

The Proposed 2020 Capital Budget contains a variety of projects which support the following broad objectives:

- Delivering initiatives previously identified in the Strategic Plan
- Infrastructure maintenance and renewal (Road reconstruction, building energy and HVAC replacements)
- Maintain existing service delivery levels (replacement of existing fleet and equipment, information technology updates)
- Enhance existing service delivery levels (Road widening, new equipment to support maintenance in parks and playgrounds)



# Capital Budget Process

- Capital Budget process is outlined in the Budget and Financial Controls Policy.
- Each Department submitted their Capital Budget requests and forecasts to Finance in early September
- A series of meetings were held to collectively review each Capital issue with department staff, CAO and Treasurer and members of the Finance Committee
- Project lists were reviewed, refined, edited and abbreviated prior to the preparation of the Council package.



# Capital Budget Process

Each proposed Capital Budget project is evaluated based on the following factors:

- **Prioritization:** A key part of a sustainable, coordinated capital program is the ability to compare competing needs and priorities across the City. As noted in the Budget documents section, each project is analyzed and assigned scores based on a number of factors. A copy of the Prioritization matrix used for evaluation is as follows:



# Capital Budget Process

**Appendix A**  
**City of Belleville**  
**Capital Project Prioritization**  
 v.1

<b>Public Safety</b>	Health & Safety	Extent to which project eliminates, prevents, or reduces an immediate hazard to health and safety	15
	Legislated, Mandated, or Required by Law	Extent to which the project is required for regulatory reasons, or satisfies Federal/Provincial/County/Municipal recommendations or pending regulations. (i.e. - AODA)	10
			<b>25</b>
<b>Service Levels</b>	Maintain Current Level of Service	Extent to which project is necessary for the City to continue to provide one or more services at current standards, and extent to which affects all customers	10
	Improving Access	Extent to which project improves citizen access to current services	5
	Service Improvement	Extent to which project improves the quality of exiting services	5
Extent to which project increases the quantity of exiting services			
			<b>20</b>
<b>Strategic Initiatives</b>	Goals/Objectives	Extent to which project meets strategic planning goals & objectives of Council	10
	Mandates	Extent to which project helps council meet existing or new mandates. (i.e. Energy Savings initiative, Green initiative, etc.)	5
			<b>15</b>
<b>Financial</b>	Budget Impact	Projects that lower future operating expenses, increase own source revenues, or avoid future capital cost receive a positive score, ranging from 0 to 12. Projects that have no effect on operating expenses, own source revenues, or future capital cost receive a score of 0. Projects that increase operating expenses, decrease own source revenues, or increase future capital cost score anywhere from 0 to -12. Ranking of budget impact should be base on the relative return on investment.	12
	Financing	Extent to which project can be financed with non-general fund revenue sources	3
			<b>15</b>
<b>Economic</b>	Economic Impact	Extent to which project enhances economic development in City or directly/indirectly adds to tax base	5
	Growth	Extent to which the project increase infrastructure capacity; a) to service existing population, b) to meet future growth needs	5
			<b>10</b>
<b>Other</b>	Timing/Linkages	Extent to which is project is timely, a continuation of project currently underway, related to other high priority projects etc.	5
	Timeliness of Submission	Extent to which project request is submitted in a timely way	5
			<b>10</b>
<b>Community Support</b>	Community Support	Extent to which project has broad and/or strong support from the community	5
			<b>5</b>
<b>TOTAL</b>			<b>100</b>



# Capital Budget Process

The following factors are also considered when evaluating projects:

- **Resourcing:** - The ability of each department to manage and complete projects within their area.
- **Readiness:** - The status of each project presented for development of the capital budget was reviewed to determine if it was ready to proceed to the phase proposed. Many projects require more than one year to complete so balancing workload is important.
- **Affordability:** - Staff have reviewed available funding sources and applied funding in a manner which maximizes use of external financing, applies current taxation and reserve funding in a conservative manner, and minimizes the issue of future debt.



# Ontario Construction Act (OCA)

- Ontario passed the Construction Act in 2018 to:
  - modernize the construction lien and holdback rules
  - help make sure that workers and businesses get paid on time for their work
  - help make sure payment disputes are addressed expediently and efficiently.
- The amendments to the construction lien and holdback rules came into effect on July 1, 2018.
- **New prompt payment and adjudication processes, and amendments related to liens against municipalities, came into effect on October 1, 2019**



# Ontario Construction Act (OCA)

- The Construction Act applies to an “improvement” defined as:
  - any alteration, addition, capital repair, construction, erection or installation of industrial, mechanical, electrical or other equipment that is essential to the normal or intended use of the land, building, structure or works, or
  - the complete or partial demolition of any building, structure or works
- Also applies to any contract which may lead to the improvement of an asset (i.e. design, EA, etc.)
- 2020 Capital Budget highlights in pink all projects which fall under the rules of the Construction Act





# Ontario Construction Act (OCA)

- **Prompt payment rules require:**
  - Receipt of proper invoices as opposed to Payment Certificates
  - Owner/Municipality must pay General Contractor's proper invoice no later than 28 days from receipt of invoice
  - For General Contractor, payment of sub-contractors 7 days from receipt of payment from municipality
  - For Sub-Contractors, payment of sub-sub contractors 7 days from receipt of payment from General Contractor
- Applies to all contracts where procurement process commenced on or after October 1, 2019
- Owner/Municipality has 14 days from receipt of proper invoice to deliver notice of intention to withhold full or partial payment.
- Rules require staff to begin review of "proper invoice" immediately upon receipt to ensure payment compliance under the Act.



# Ontario Construction Act (OCA)

- What does this mean for us?
  - More projects which require comprehensive project management
  - Difficult for departmental staff to manage projects and fulfill other operational responsibilities at the same time
  - To ensure compliance, a re-alignment of existing project management resources and additional project management resources will be necessary
  - Re-work of Contract documents, and Purchasing By-Law to reflect OCA requirements. January 2020: target for document compliance and ability to send out first contract under new rules
  - Presentation by City's legal counsel on the implications of the OCA is currently being arranged.



# Capital Budget Documents

## Budget documents include:

- **Capital Budget Summary** – master list of all proposed Capital Budget issues. All projects which represent the acquisition and development of new assets are highlighted in blue. All remaining projects are related to Asset Maintenance and Replacement. Impact on taxes raised is summarized on last page of summary.
- **Capital Budget Justification Sheets** - with project details, cost and financing information
- Other supporting documents including photos of existing fleet and equipment as appropriate and staff reports.

CITY OF BELLEVILLE  
2020 Capital Budget Summary

- Asset Maintenance & Replacement
- New Asset Acquisition & Development
- Ontario Construction Act applicable

No.	PROJECT DESCRIPTION	Dept	Score	2020 Budget	Proposed Financing								
					Taxation	User Rates			Reserve Funds		Grants	Donations	Federal Gas Tax
						Water	Wastewater	Parking	Amount	Fund			
<b>COMBINED SERVICES</b>													
1.001	Bell Blvd. Widening - Sidney St - 1.5km Westerly	EDS	78	13,500.0	305.0	85.0	60.0		6,633.5	DC, Capital Levy, Casino	6,416.5	ICIP - Rural & OCIF	
1.002	Ann St. (Bridge to Alexander) / Forin St. (George to Charles) - Sewer Separation - Design	EDS	77	300.0	100.0	100.0	100.0						
1.003	Farnham Rd. (Maitland to Kipling) - Servicing and Reconstruction - Design	EDS	68	200.0	125.0	50.0	25.0						
1.004	Avondale Rd. (Dundas to Harder) - Reconstruction	EDS	56	4,000.0	250.0		250.0						3,500.0
1.005	Bridge St. W / Marshall Rd. Watermain Ext. & Road Reconstruction - EA	EDS	35	250.0	125.0	125.0							
<b>TOTAL COMBINED SERVICES</b>					\$ 905.0	\$ 360.0	\$ 435.0	\$ -	\$ 6,633.5	\$ -	\$ 6,416.5	\$ -	\$ 3,500.0

No.	PROJECT DESCRIPTION	Dept	Score	2020 Budget	Taxation
<b>2020 Capital Budget Projects by Type</b>					
67	Asset Maintenance & Replacement			35,886.0	6,523.0
14	New Asset Acquisition & Development			1,729.3	125.0
81				37,615.3	\$ 6,648.0
<b>2019 Capital Budget Projects by Type</b>					
78	Asset Maintenance & Replacement			26,266.8	4,714.8
31	New Asset Acquisition & Development			19,027.4	840.0
109				45,294.2	\$ 5,554.8

	Budget 2019	Proposed 2020	
Capital Budget - Taxation			
2019 Taxation Levied			101,354.2
City Departments- excluding Boards			
Total departmental Capital funded by Taxation	\$ 4,847.70	\$ 5,612.00	0.75%
City Boards			
Police	\$ 682.10	\$ 1,036.00	0.35%
Library	\$ 25.00	\$ -	-0.02%
Total City Boards	\$ 707.10	\$ 1,036.00	
Total Capital Projects funded by Taxation	\$ 5,554.80	\$ 6,648.00	
Increase (Decrease) to Operating Contribution			1,093.2
Resulting Capital Budget Increase (decrease)			19.68%
2020 Preliminary Municipal tax increase (decrease)			1.08%
2019 Preliminary Municipal tax increase (decrease)			0.26%

## 2020 CAPITAL BUDGET JUSTIFICATION

<b>Department:</b>	Engineering and Development	
<b>Division:</b>	Engineering	
<b>Category: (check one)</b>	Asset Maintenance or Replacement	X
	New Asset Acquisition/Development	

<b>BUDGET AMOUNT:</b>	13,500,000.00
<b>Budget Reference #:</b>	1.001

### Project Name & Description

Bell Boulevard Widening - Sidney Street - 1.5 km Westerly

### Project Detail, Justification & Reference Map

Development along the Bell Boulevard corridor west of Sidney Street is progressing at a rapid pace. As development progresses, traffic volumes and turning movements into businesses along this section of Bell Boulevard continue to increase. Additional traffic lanes will be required to accommodate the continued traffic growth and Bell Boulevard will need to be widened from 2 lanes to 4 lanes to accommodate growth.

This project will see the completion of construction for the widening of Bell Boulevard from Sidney Street westerly 1500m. Now that the Environmental Assessment has been completed the City will be able to proceed into design and construction phases of the improvements.

The project will also include the planning and design of sidewalks along Bell Boulevard.

### Commitments Made

The 2017 Capital Budget included a project to complete a preliminary storm sewer design for the future widening of Bell Boulevard. This 2017 study is nearing completion and the recommendations from that study will be incorporated into this 2019 Environmental Assessment project.

### Effects on Future Operating Budgets

**Description:**

**Financial:**

### Project Components

	<i>Budget</i>	<i>Funding</i>
Roads	11,855,000.00	
Sanitary Sewer	60,000.00	
Storm Sewer	1,500,000.00	
Water	85,000.00	
	13,500,000.00	

### Project Priority

**Capital Project Prioritization Ranking:** 78

*(projects ranked based on City's Budget and Financial Control Policy - Appendix...)*

### Reasons/ Highlights for Capital Project Prioritization Ranking



# Capital Budget Scope

- Capital projects are presented for all City operations including the Library and Police Services Boards
- The Capital Budget needs to reflect Council's priorities as outlined in the Strategic Plan and our Asset Management Plan.
- Projects have been identified as those which address the highest priority and most critical needs.
- Once the Strategic Plan is updated, projects to support new initiatives may be presented in future Budgets



# Capital Budget Scope

## Parks & Recreation Master Plan

- During Budget discussions, a number of new requests for Parks Infrastructure were presented:
- Need to consider the capital, operating and replacement costs for new projects in the context of our existing Parks & Recreation infrastructure,
- Staff are recommending that the Parks & Recreation Master Plan, which was partly funded in 2018, be fully funded and completed in 2020.
- Once the Plan is completed, Council will be provided with project options to consider for 2021.
- Council will be asked to consider Operating pre Budget approval to fund the remaining \$125,000 required to complete the plan (CAO Report is included in Budget package)



# Capital Budget Scope

- A number of projects are recommended for deferral to 2021 or later.
- Some projects of significance include; (\$000)
  - Sidney St/College St W Intersection property/utilities \$ 1,000.0
  - Blessington Creek Bridge Westbound - Design \$ 150.0
  - Alexander St – Sewer Separation \$ 3,400.0
  - Herchimer Ave. Reconstruction \$ 2,500.0
- Complete listing provided with budget package





# Capital Budget Scope

Category	Total Budget (\$000)	Number of Projects	Example
<b>Continuation of previously approved projects</b>	\$22,420.0	9	Next phase of Bell Boulevard Widening, Avondale Rd
<b>New Projects supporting Asset Management</b>	\$13,256.0	56	Shave and Pave, and Resurfacing programs, Watermain relining
<b>Energy efficiency projects</b>	\$ 210.0	2	HVAC Replacements & Energy retrofits
<b>New initiatives or development related projects</b>	\$ 1,729.3	14	All Terrain Mower, Bus Stop Upgrades, Veterans Park Play Structure
<b>Total 2020 Budget</b>	<b>\$37,615.3</b>	<b>81</b>	



# 2020 Proposed Capital Projects

- The 2020 Capital Budget is \$37,615.3 versus \$45,294.2 million in 2019:

## 2020 Capital Budget Projects by Type

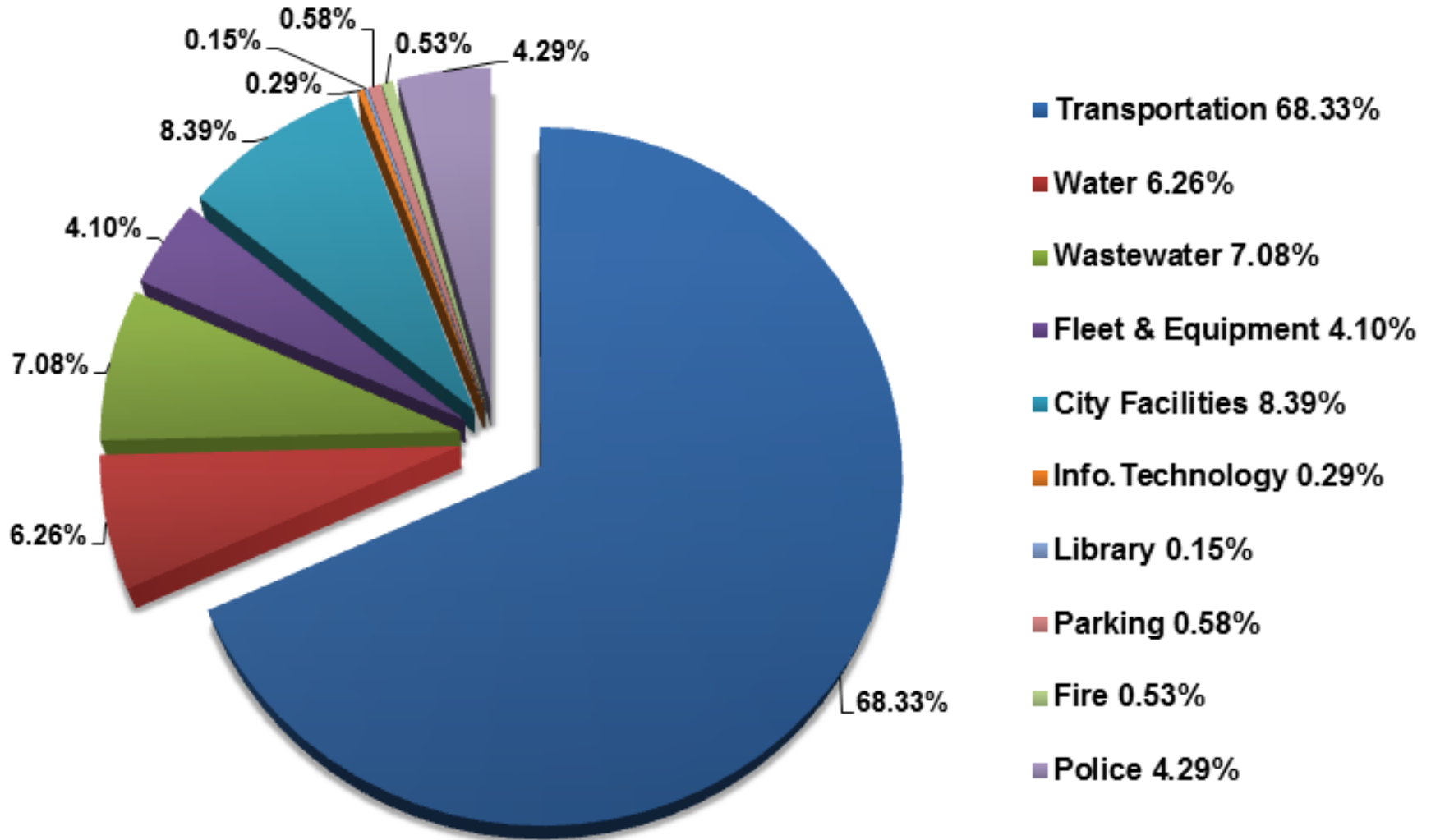
67	<i>Asset Maintenance &amp; Replacement</i>	35,886.0
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81		37,615.3

## 2019 Capital Budget Projects by Type

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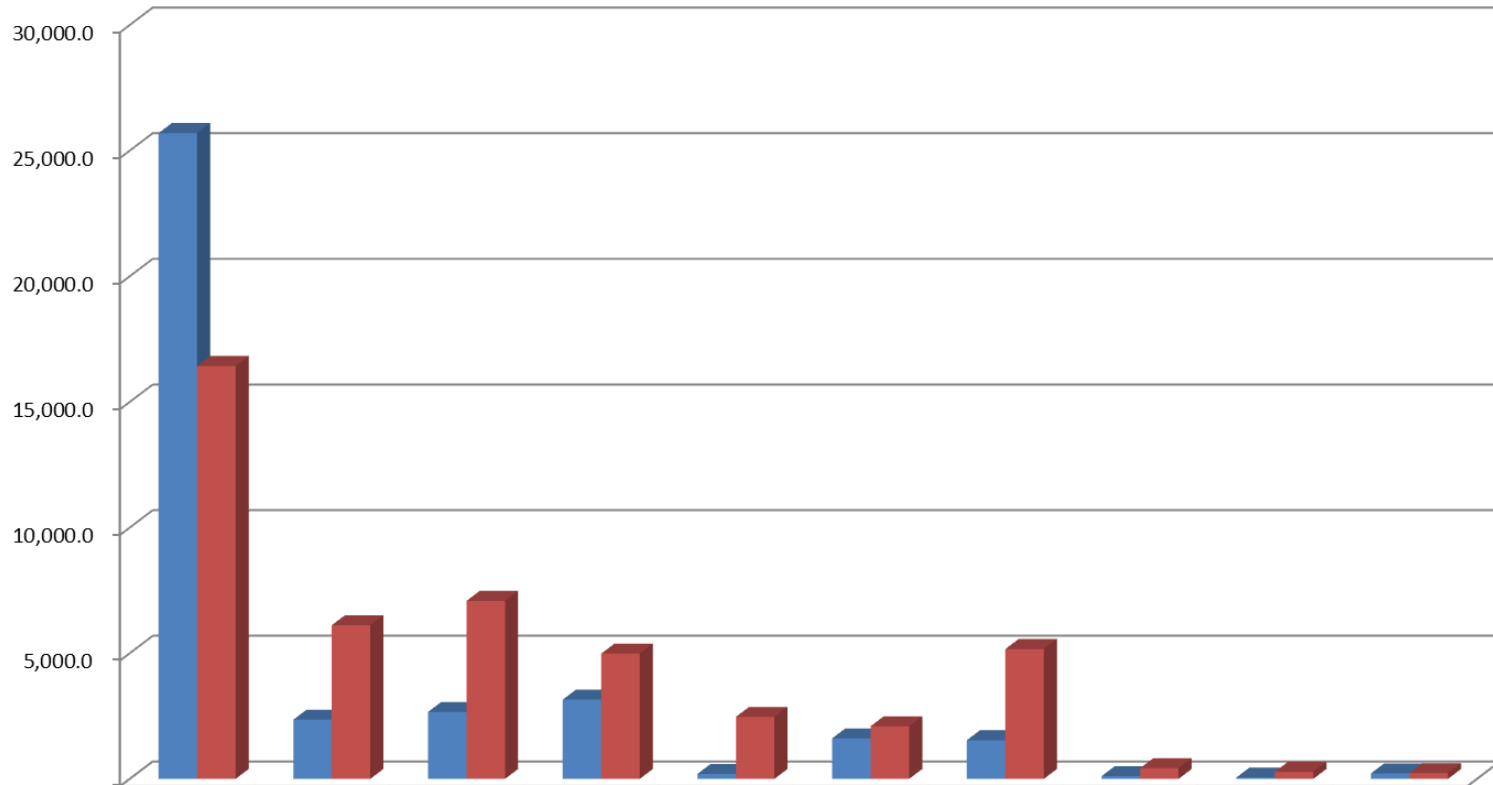
# 2020 Proposed Capital Projects





# 2020 Proposed Capital Projects

2020 Capital Budget  
by Infrastructure Area



	Transportation	Water	Wastewater	City Facilities	Fire	Police	Fleet & Equipment	Information Technology	Library	Parking
2020	25,700.0	2,355.0	2,665.0	3,155.0	200.0	1,614.3	1,541.0	110.0	55.0	220.0
2019	16,430.0	6,117.7	7,085.0	4,986.1	2,470.0	2,097.9	5,167.5	425.0	280.0	235.0

■ 2020 ■ 2019

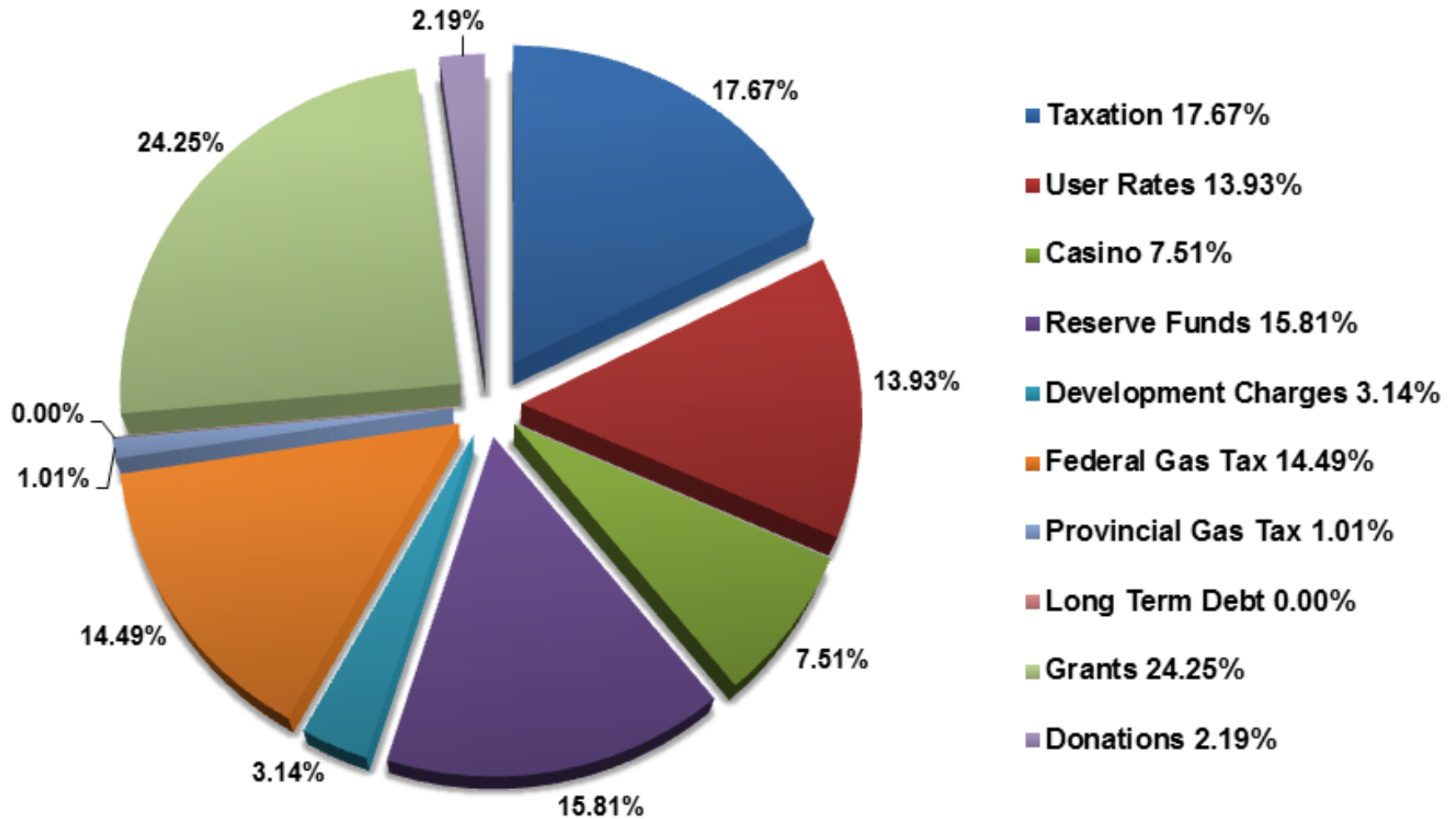


# 2020 Capital Budget Financing

Source	Amount	%
Internal – Taxation	\$ 6,648.0	
Internal – User Fees	\$ 5,240.0	
Internal – Reserve Funds	\$ 9,950.8	
Internal - Long Term Debt	\$ ----	
<b>Total Internal Financing</b>	<b>\$21,838.8</b>	<b>58.06%</b>
External – Grants	\$ 9,121.5	
External – Donations	\$ 825.0	
External – Fed Gas Tax	\$ 5,450.0	
External – Prov. Gas Tax	\$ 380.0	
<b>Total External Financing</b>	<b>\$15,776.5</b>	<b>41.94%</b>
<b>Total Capital Financing</b>	<b>\$37,615.3</b>	<b>100.0%</b>



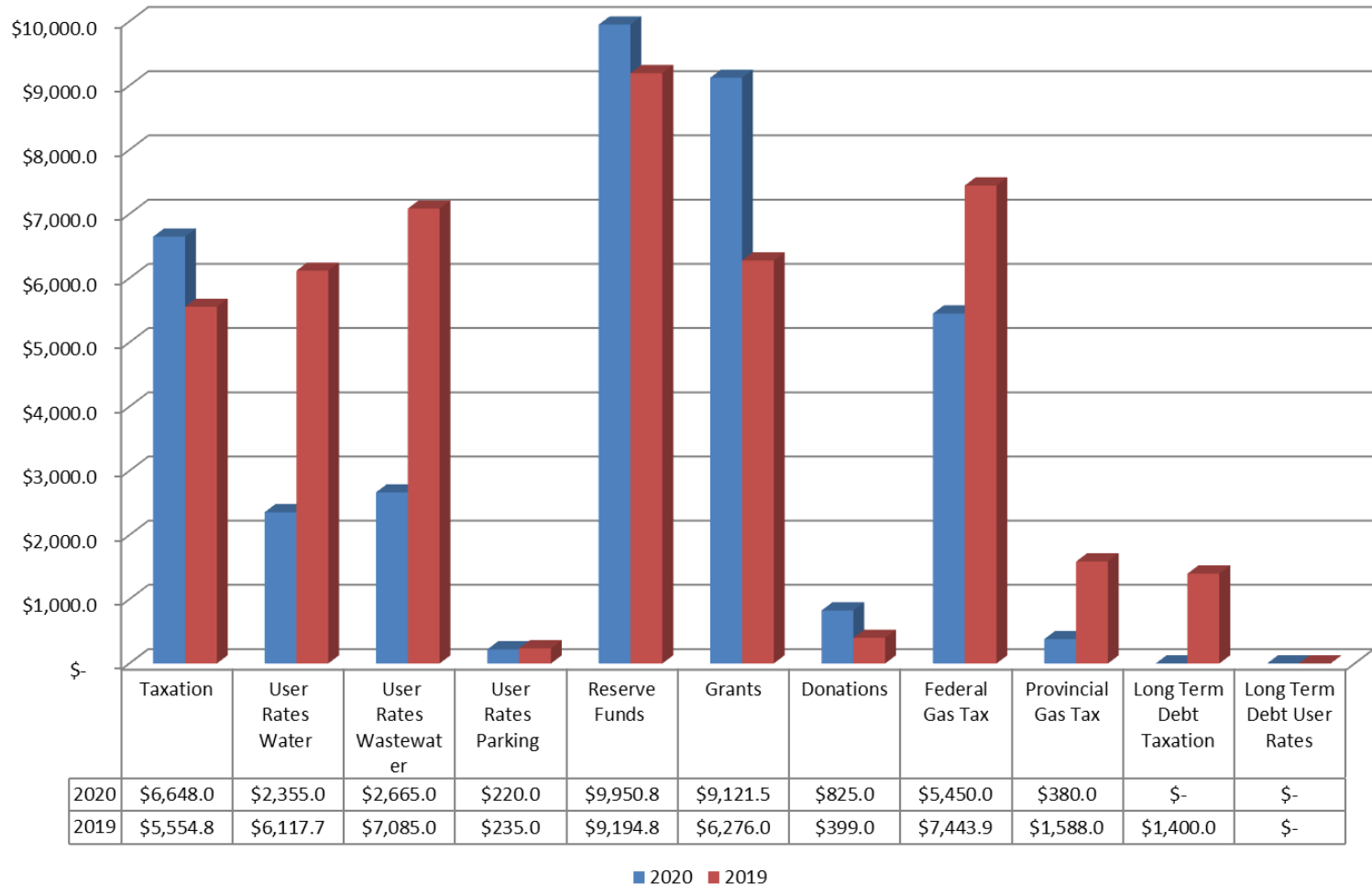
# 2020 Capital Budget Financing





# 2020 Capital Budget Financing

2020 Capital Budget  
Funding Breakdown





# 2020 Capital Budget Financing

- **Taxation** - funds raised annually in taxation to fund capital projects; 2020 - \$6,648,000 ; 2019 - \$5,554,800 representing 6.6% of total taxation raised in 2019
- Taxation also funds a \$3,960,000 contribution to Asset Management

Raised in Taxation	2020 Budget	2019 Budget
Capital Project – Direct Funding	\$ 6,648.0	\$ 5,554.8
Contribution to Asset Management *		
Capital Levy	2,500.0	2,500.0
Police Facility	1,000.0	1,000.0
Fleet	460.0	460.0
<b>Total Capital Financed by Taxation</b>	<b>\$ 10,608.0</b>	<b>\$ 9,514.8</b>

*\* increase to be recommended in 2020 Operating Budget*





# 2020 Capital Budget Financing

- **User Fees** – Water, Wastewater and Parking are not tax supported and are fully funded by User Fees. Rates are developed in accordance with regulation for Water and Wastewater to ensure long term financial sustainability and adequate revenue to cover both current operations and long term capital replacement.

Service	2020 Budget	2019 Budget
Water	\$ 2,355.0	\$6,117.7
Wastewater	\$ 2,665.0	\$ 7,085.0
Parking	\$ 220.0	\$ 235.0
<b>Total Capital Financed by User Fees</b>	<b>\$5,240.0</b>	<b>\$13,437.7</b>



# 2020 Capital Budget Financing

- **Reserve funds** - are an accumulation of resources set aside as savings for future needs. These funds are classified as discretionary or non- discretionary (required by regulation, i.e. Building Code, Gas Tax). The following tables provide examples of our discretionary and non-discretionary reserve funds, their purpose and source of funding:



# 2020 Capital Budget Financing

Discretionary Reserve Fund	Supports	Funding Source
<b>Capital Levy</b>	Capital financing	Allocation from Operating
<b>Environmental Remediation</b>	Environmental Liabilities	Allocation from Operating
<b>Industrial Land</b>	Purchase & servicing	Allocation from Operating & land sales
<b>Police Facility</b>	Construction of new facility	Allocation from Operating
<b>Capital Equipment</b>	Fleet & equipment purchases	Departmental allocations from Operating
<b>Sidewalks</b>	Sidewalk construction	Funds unspent in prior Capital Projects
<b>Museum Improvements</b>	Glanmore capital	Donations
<b>Election Expenses</b>	Future election costs	Annual allocation from Operating Budget
<b>Winter Control</b>	Contingency for operations	Operating surplus
<b>Wastewater</b>	Contingency for operations/Capital Funding	Operating Surplus per Financial Plan
<b>Canada Day</b>	Contingency for operations	Operating Surplus



# 2020 Capital Budget Financing

## Reserve Funds (cont'd)

Non-discretionary Reserve	Supports	Funding Source
Provincial Gas Tax	Transit Infrastructure	Annual Provincial Gas Tax
Federal Gas Tax	Defined Infrastructure	Annual Federal Gas Tax
Building Code Act	Contingency/future capital	Operating Surplus- building
Parkland Development	New parks infrastructure	Developer contributions

- Reserve Funds represent 26.45% of financing proposed for the 2020 Capital Budget.
- Integral part of an Asset Management Funding strategy and a key priority for the City as we commence Long Term Planning.



# 2020 Capital Budget Financing

- **OLG Casino Proceeds**: City continues to benefit financially from OLG proceeds from the Shorelines Casino.
- Consistent with the City's policy for use of OLG funding, the proceeds received are used in the Capital Budget in the year following receipt of the funds.
- The city's share of the Casino revenue is 5.25% of electronic games and 4% of table proceeds.
- These funds have been allocated to a variety of high priority capital projects and are a key funding source for the 2020 capital program



# 2020 Capital Budget Financing

## Allocation of OLG Annual Proceeds Policy – Rates (revised January 14, 2019)

Area	Share %
Infrastructure – Maintenance and Rehab	65%
Vehicle & Equipment Replacement	5%
Economic Development	10%
Development Infrastructure	5%
Social Infrastructure	10%
Disaster Mitigation/Contingency	5%
	<b>100%</b>



# 2020 Capital Budget Financing

- A detailed listing of the 2020 capital projects funded from the OLG proceeds is as follows:

Project	OLG Revenue - Area	Amount
1.001 Bell Blvd Widening	Infrastructure	\$ 2,350.0
1.001 Bell Blvd Widening	Development	\$ 150.0
1.025 Zamboni Replacement	Vehicle	\$ 125.0
1.056 Flood Mitigation - JFP	Disaster/Contingency	\$ 200.0
<b>Total Casino Funding</b>		<b>\$ 2,825.0</b>



# 2020 Capital Budget Financing

- **Federal Gas Tax Fund (GTF)** is a long-term source of funding to help build and revitalize public infrastructure.
- Funds are generated from the 10 cents per litre charge on all gasoline sold in Canada and can be used for infrastructure renewal and construction of a broad range of service areas including local roads and bridges, public transit, culture, tourism, recreation and sport.
- Based on population, the City's share of GTF, is **expected to increase from \$3.077 million in 2019 to \$3.357 million in 2023**. These funds can be accumulated in a dedicated reserve fund until projects meeting the requirements of the program are brought forward.





# 2020 Capital Budget Financing

- Federal Gas Tax (GTF) funding has been applied to 2020 Capital Projects as follows:

<b>Opening Balance, 2020</b>	<b>\$ 2,630.3</b>
2020 Allocation	\$ 3,077.1
<b>Total Available</b>	<b>\$ 5,707.4</b>
<b>Allocated to Projects</b>	
1.004 Avondale Road	\$ 3,500.0
1.006 Shave & Pave	850.0
1.007 Resurfacing Program	1,100.0
<b>Total Allocated to Projects</b>	<b>\$ 5,450.0</b>
<b>Closing Balance, 2020</b>	<b>\$ 257.4</b>



# 2020 Capital Budget Financing

- **Provincial Gas Tax** - Created in 2004, the Provincial Gas Tax Fund is a long-term source of transit funding to improve and expand municipal transit through a 2 cent per litre tax, part of the current total 14.7 cents collected on every unleaded litre sold in Ontario.
- Allocations are announced annually and are based on 70% ridership as derived from CUTA data and 30% population based on the most recent census.
- Unlike the Federal GTF, Provincial Gas Tax can be used for the initial funding of new transit operating initiatives (i.e. new routes).

*Note: Previous Liberal government had promised to increase the municipal gas tax from 2 to 4 cents per litre by 2021/22. This increase was cancelled by the current Provincial government.*



# 2020 Capital Budget Financing

- Provincial Gas Tax has been applied to the 2020 Capital Budget as follows:

<b>Opening Balance, 2020</b>	<b>\$ 430.5</b>
2020 Allocation (estimated)	\$ 737.7
<b>Total Available</b>	<b>\$ 1,168.2</b>
<b>Allocated to Projects</b>	
1.050 Bus Stop Upgrades – AODA	\$ 300.0
1.051 New Bus Shelters	\$ 80.0
<b>Total Allocated to Projects</b>	<b>\$ 380.0</b>
<b>Closing Balance, 2020</b>	<b>\$ 788.2</b>



# 2020 Capital Budget Financing

- **Donations** – The Budget reflects Donation funding of \$75,000 from the Medigas group for play structure improvements to Veterans Park as well as \$750,000 from Quinte West for construction of the Wallbridge Loyalist Road overpass.
- **Grants** - The City continues to actively pursue all current external financing options including government grants, to reduce the portion of capital investment allocated to our taxpayers
- Council has been provided with a summary of the City's grant funding, both application and formula based for the years 2013 forward.



# 2020 Capital Budget Financing

- **Ontario Community Infrastructure Funding– Formula component Grant (OCIF)** - OCIF formula funding can be applied to capital projects and capital maintenance for the renewal, rehabilitation and replacement of core infrastructure assets or capital construction of new core infrastructure that addresses an existing health or safety issue.

<b>Opening Balance, 2020</b>	<b>\$ 3,250.0</b>
<b>Allocated to Projects</b>	
1.001 Bell Boulevard	\$ 2,250.0
1.009 Sagonaska Bridge	450.0
1.010 Wallbridge Loyalist Rd Overpass	550.0
<b>Total Allocated to Projects</b>	<b>\$ 3,250.0</b>



# 2020 Capital Budget Financing

- Investing in Canada Infrastructure Program
  - 43.3 % Federal; 30% Provincial funding

Project	Stream	Submitted	Funding	Status
<b>2020 Capital Budget</b>				
<i>Bell Boulevard Widening</i>	<i>Rural &amp; Northern</i>	<i>May 13-19</i>	<i>\$4,166.5</i>	<i>Awaiting Federal approval</i>
<i>Trail Paving &amp; Lighting</i>	<i>Recreation</i>	<i>Nov 12-19</i>	<i>675.0</i>	<i>Recently submitted</i>
<i>Cannifton Rd Pump Station</i>	<i>Green</i>	<i>Jan 22-20</i>	<i>1,030.0</i>	<i>To be submitted upon approval</i>
<b>Previous Budgets</b>				
Purchase of 4 Buses	Transit	Jun 27-19	2,442.3	Awaiting Federal approval
Industrial Park Transit and Trails	Transit	Jun 27-19	2,419.9	Awaiting Federal approval
Meyers Pier Boardwalk	Recreation	Nov 12-19	366.7	Recently submitted



# 2020 Capital Budget Financing

- **Development Charges (DC's)**- The City currently has two Development Charge by-laws: City-wide and Stanley Park. Every 5 years, the city undertakes a Development Charge Background Study to review the City's development related capital program and establish the development charges for the next 5 years.
- To date the City has collected \$2.7 million in 2019 as compared to \$2.3 million of DC's in 2018 and \$3.4 million in 2017. The amount collected is dependent on the level and type of construction activity in any given year.
- The City can use Development Charges as funding for projects 2020, we have applied previous By-Law DC's to fund the acquisition of 2 new Parks related vehicles.



# 2020 Capital Budget Financing

- Following Council approval, Capital Projects are established for each issue and the expenditure tracking begins.
- Some projects can take over a year to complete.
- We currently have 224 active projects with only 73 more than 60% complete to October
- Capital Project Reports are prepared monthly and Council is provided with a summary on a quarterly basis.
- Finance Committee reviews year end report and makes recommendations to Council to effectively close projects and address any over or under expenditures consistent with our Budget and Financial Controls Policy.
- Recommendations are addressed by Council at the same time as our audited financial statements.





# Debt Policy

- Debt was re-introduced as financing in 2013
- Current Debt Policy has a 15 year maximum borrowing term
- Most municipalities use debt terms of 15-25+ years.
- Update to Debt Policy permitting borrowing for a term of 15 to 20 years, depending on asset being financed will be promoted to the Finance Committee and Council in early 2020 prior to debt issue
- Extending the repayment term will reduce the annual principal and interest payments



# Debt Policy

- No additional debt is being recommended as financing for the 2020 Capital Budget
- **All budget calculations are based on the current 15 year maximum borrowing term.**
- **Tax Impact** - Based on current financing rates , the financing charges for each additional \$1 million in new debt represents \$81,344 annually
- The impact of shifting to a 20 year repayment term is shown below:
  - 15 year - 2.67%
  - 20 year - 2.79%

	\$1 Million Loan		
	15yr	20yr	Difference
Annual Payment	81,343.58	65,579.78	15,763.80
Total Interest expense	220,153.70	311,595.44	(91,441.74)



# Debt Policy

## **Annual Debt Repayment Limit (ADRL) & City Debt Policy**

- Maximum amount of annual debt servicing costs the City can undertake; limited to 25% of operating revenue or \$24.8 million for 2020
- Per the City's Debt Policy, servicing costs cannot exceed 10% of operating revenue
- The City's forecast servicing costs appear on the following table along with the estimated % of operating revenue



# Debt

## Debt Servicing Costs:

	2019	2020	2021	2022	2023	2024	2025
Principal	\$ 6.2	\$ 6.9	\$ 7.6	\$ 9.4	\$ 9.8	\$ 10.5	\$ 11.2
Interest	\$ 3.6	\$ 3.6	\$ 4.0	\$ 4.6	\$ 4.4	\$ 4.2	\$ 4.1
<b>Total</b>	<b>\$ 9.8</b>	<b>\$ 10.5</b>	<b>\$ 11.6</b>	<b>\$ 14.0</b>	<b>\$ 14.2</b>	<b>\$ 14.7</b>	<b>\$ 15.3</b>
<i>Taxation</i>	\$ 7.2	\$ 8.0	\$ 9.8	\$ 12.3	\$ 12.4	\$ 12.4	\$ 12.6
<i>User Rates</i>	\$ 2.6	\$ 2.5	\$ 1.8	\$ 1.7	\$ 1.8	\$ 2.3	\$ 2.7

<b>Debt Servicing Ratio</b>	<b>6.2%</b>	<b>6.7%</b>	<b>7.4%</b>	<b>8.9%</b>	<b>9.0%</b>	<b>9.4%</b>	<b>9.7%</b>
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Ratio if amortized over 20 years **9.0%**



# Debt

- Approved but not Issued Debt Forecast:

Year *	Debt	Projects
2020	\$ 21.1 M	Haig/Station, Downtown - Phase 3, Bardon Building, LED Streetlights, Fire Vehicle
2021	\$ 39.3 M	QSWC Power and Energy, Sidney St Corridor (design and property), Environmental Remediation, Police Station, Mineral & Maitland, NE Industrial Park
2023	\$ 4.2 M	Herchimer Ave Reconstruction
2024	\$ 10.8 M	Wastewater Treatment Plant
	<b>\$ 75.4 M</b>	
<i>Tax Funded</i>	<i>\$ 62.4 M</i>	
<i>User Rates</i>	<i>\$ 13.0 M</i>	

\*Debt issue timing may vary depending on project progress



# Debt

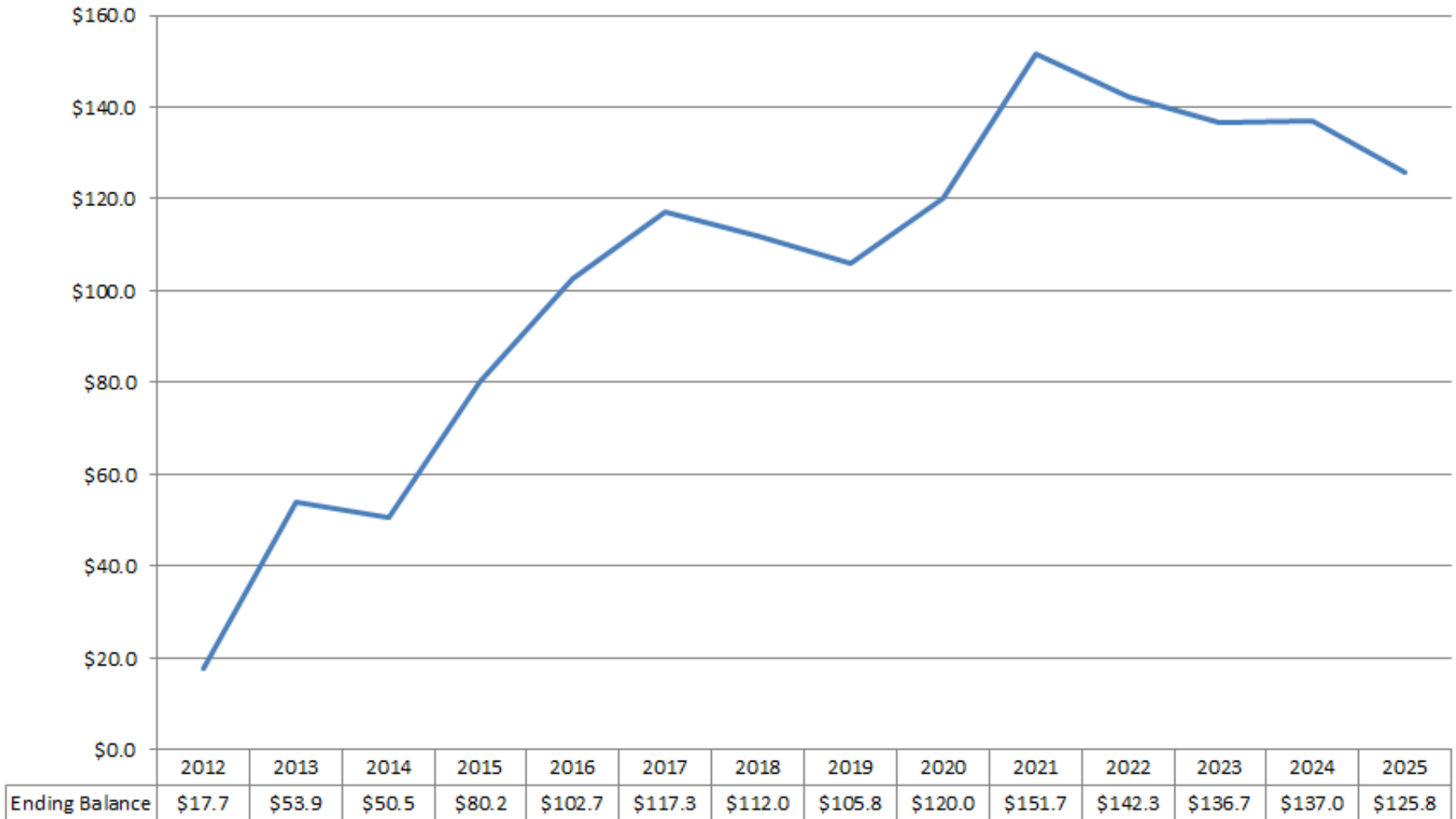
- Outstanding Debt Forecast (Millions):

	2019	2020	2021	2022	2023	2024	2025
Opening	\$ 112.0	\$ 105.8	\$ 120.0	\$ 151.7	\$ 142.3	\$ 136.7	\$ 137.0
Additions *	-	21.1	39.3	-	4.2	10.8	-
Principal	(6.2)	(6.9)	(7.6)	(9.4)	(9.8)	(10.5)	(11.2)
<b>Closing</b>	<b>\$ 105.8</b>	<b>\$ 120.0</b>	<b>\$ 151.7</b>	<b>\$ 142.3</b>	<b>\$ 136.7</b>	<b>\$ 137.0</b>	<b>\$ 125.8</b>
<i>Outstanding Debt if amortized over 20 years</i>							<b>\$ 131.2</b>
<i>Taxation</i>	\$ 85.4	\$ 101.4	\$ 134.3	\$ 126.0	\$ 121.6	\$ 123.4	\$ 114.2
<i>User Rates</i>	\$ 20.4	\$ 18.6	\$ 17.4	\$ 16.3	\$ 15.1	\$ 13.6	\$ 11.6

\*Debt issue timing may vary depending on project progress



# Debt 2012 - 2025





# 2020 Operating Budget Impact

The impact on the Operating Budget should be a critical consideration when deciding whether or not the City should accept a proposed capital project :

1. **Funding for Projects:** We currently raise almost \$7 million annually through taxation and \$11 million from User fees to directly fund our capital program.
2. **Debt Costs:** The servicing costs for new debt issues must be reflected in the Operating Budget and raised through Taxation or User Fees.
3. **Cost Savings and Efficiencies:** Projects which reduce energy consumption (LED lighting as an example) result in decreased operating costs.





# 2020 Operating Budget Impact

- 4. Increased Operating Costs:** The Capital Budget includes new capital assets and infrastructure which may have a direct impact on future operating budgets. Any combination of additional costs (i.e. fuel, energy, staffing, maintenance) may be associated with the operation of these assets going forward.

**While external financing (i.e. Prov. Gas Tax) is available to finance capital infrastructure cost (i.e. new bus purchase) the on-going operating costs are the municipality's responsibility and impact Taxation and User Fees.**



# Asset Management Plan

Based on report dated May 2014 prepared by Dillion Consulting Limited the City should allocate at least \$23 million to ensure sustainability of its assets:

Infrastructure Network	Replacement Value	2% Annual Investment
Watermain	\$198 million	\$4.0 million
Storm Sewer	\$ 80 million	\$1.6 million
Sanitary Sewer	\$110 million	\$2.2 million
Roads	\$217 million	\$4.3 million
Buildings/ Facilities	\$351 million	\$7.0 million
Bridges/ Culverts	\$106 million	\$2.1 million
Other Assets	\$ 91 million	\$1.8 million



# Asset Management Plan

- Completed in 2014 – Policy was created in 2019
- \$1.152 billion in replacement cost assets
- “Rule of Thumb” – a 2-4% investment would require annual asset maintenance and replacement by the City of \$23-46 million
- In addition, the current “backlog” of repairs was identified as over \$175 million
- City has been making significant efforts in the past to address this issue



# Asset Management Planning

- O. Reg. 588/17 “*Asset Management Planning for Municipal Infrastructure*” required all municipalities to significantly intensify their Asset Management efforts commencing in 2019.
- In 2019 the City created a strategic asset management policy that addresses governance, budget integration, climate change, TCA thresholds, and incorporation with other City plans.



# Asset Management Planning

## Regulation Overview

### Strategic Asset Management Policy (by July 1, 2019)

Requires municipalities to outline commitments to best practices and continuous improvement

### Asset Management Plan: Phase 2 (by July 1, 2023)

Builds out the Phase 1 plan to include **all assets**

#### Additional Information

- Municipalities under 25,000 are not required to discuss detailed risk analysis and growth.
- Plans must be updated every five years; annual progress reviewed by municipalities.

### Asset Management Plan: Phase 1 (by July 1, 2021)

For **core assets\***:

- **Inventory of assets**
- **Current levels of service** measured by standard metrics
- **Costs to maintain levels of service**

### Asset Management Plan: Phase 3 (by July 1, 2024)

Builds on Phase 1 and 2 by adding:

- **Proposed levels of service**
- **Lifecycle management and Financial strategy**

\*Core assets are municipal roads, bridges water, wastewater and stormwater assets



# Next Steps

- In order to comply with the OCA, documentation will need to be addressed and staff resources will need to be addressed
- Parks and Recreation Master Plan must be completed in 2020 to be considered in the 2021 Capital Budget
- Asset Management and Sustainability requires the effort of staff and Council and related planning will need to be a major focus as we prepare to update the Asset Management plan in 2021.
- Long term Planning is key to funding capital program going forward.
- Enhanced reserve provisions for asset management need to be established in the Operating Budget, closely aligned with the Asset Management Plan.
- Need to continue to explore new opportunities for financing.

# THE CORPORATION OF THE CITY OF BELLEVILLE

## ADDENDUM AGENDA

2020 CAPITAL BUDGET MEETING

NOVEMBER 27 & 28, 2019 at 9:00 a.m.

Addendum Starting  
Page No.

### 8. a. REPORTS

*The agenda shall include under Reports items that warrant individual attention from Council...*

#### 8.a.1 2020 CAPITAL BUDGET

Director of Finance/Treasurer's Presentation

1

#### RESOLUTION

"THAT the 2020 Capital Budget Presentation be received."