

Capital-Related Outlook for 2019 Long-Term Financial Plan Update

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Presentation Themes

- Long-Term Financial Plan (2018-2027)
- Successes and Challenges Under the Long-Term Financial Plan
- Implications of Bill 108 (More Homes, More Choice Act)
- Update on Major Capital Grants

Long-Term Financial Plan

- The Long-Term Financial Plan (LTFP) was adopted by Council on July 11, 2017 for a 10-year planning horizon.
- The LTFP is based on and informed by:
 - 2017 Asset Management Plan
 - 2015 Development Charges Study
 - Service Master Plans
 - Other Council Direction
 - General Operating Needs Forecast
- Aligned with the Corporate Strategic Plan, the LTFP is to guide the development of capital and operating budgets.

Long-Term Financial Plan

- The LTFP is designed to:
 - Guide the City toward long-term financial independence and sustainability.
 - Phase in financial capacity expansion to meet established municipal service levels in a prudent and affordable manner.
 - Strategically allocate financial capacity across various capital and operating needs over the long term.
 - Serve as the financial strategy of the Asset Management Plan.
 - Eliminate the infrastructure deficit (i.e. chronic capital underfunding).

Successes and Challenges Under the Long-Term Financial Plan

- Successes thus far include:
 - Management of major 2018-2019 operating pressures amounting to about \$10.8M/year by 2019.
 - Unprecedented levels of capital investment, especially in roads.
 - Better-than-forecasted assessment-related tax levy growth.
 - Better-than-forecasted water-wastewater revenue and user rate increases due to conservative forecasting.

Successes and Challenges Under the Long-Term Financial Plan

- As with any such plan, deviations from the LTFP are expected:
 - LTFP provides a guiding framework, not an inflexible prescription.
 - Intent with LTFP is progress, not perfection.
- Progress, however, has faced some challenges thus far:
 - Under-estimation of 2019 operating pressures by about \$4.2M/year.
 - Unplanned capital projects (e.g. Bobcaygeon Beach Park, Ops Arena Renewal, Electronic Document and Records Management System etc.).
 - Sensitivity to the 4% tax increases planned for 2018-2021.

Successes and Challenges Under the Long-Term Financial Plan

- These challenges have resulted in lower-than-planned contributions from the tax levy to the Capital Reserve:
 - A deficiency of about \$3.6M in the 2019 contribution.
 - A deficiency of about \$5.3M in the 2019 balance.
- The 2019 update to the LTFP, targeted for September, 2019, is expected to account for the foregoing through:
 - Enhancement to the operating needs forecast.
 - Delayed building of required capital reserve and capital financing capacity.
 - Levelling of planned tax increases to around the 3% mark.

Implications of Bill 108

- Bill 108 (More Homes, More Choice Act) became law on June 6, 2019.
- Bill 108 amends the Planning Act and Development Charges (DC) Act, among other acts.
- Most relevant to municipal long-term financial planning, Bill 108:
 - Removes soft municipal services (e.g. parks, etc.) from the DC Act and places recovery of their growth-related capital costs under a new Community Benefits Charge (CBC) regime under the Planning Act.
 - Introduces measures restricting applicability of DC rates and delaying and compromising collection of DCs.

Implications of Bill 108

- According to Watson & Associates, Bill 108 removes 20% of DC recoveries for the average single-tier municipality.
- Structure, adequacy and effectiveness of the new CBC is unclear:
 - New cost recovery regime is to be defined by future regulations under the Planning Act after consultations with municipalities.
- Rules for transitioning from soft service DCs to CBCs are expected in summer, 2019:
 - Further consultation with Watson & Associates required to determine precise impact on the City's 2019 DC by-law update and strategy.

Implications of Bill 108

- Concern over Bill 108 from the municipal sector has been vocal:
 - *“Bill 108 will have a devastating impact on municipal finances and local land use planning control...growth will pay even less of the cost of growth, leaving taxpayers to make up the difference.”*

Marianne Meed Ward
Mayor of Burlington

- “Cities will be forced to consider increasing taxes or fees, cutting services, raiding reserves, or deferring infrastructure and capital projects,”.

Cam Guthrie
Chair of Large Urban Mayor’s Caucus of Ontario
Mayor of Guelph

Update on Major Capital Grants

- Ontario Community Infrastructure Fund (OCIF):
 - An allocation-based annual capital grant introduced in 2016, with funding increases phased in over 2017-2020.
 - City's 2019 allocation is \$1,804,566.
 - City's 2020 and beyond allocation was to be \$2,002,027, but will now be frozen at the 2019 level until further notice by Province.
 - City typically allocates the grant entirely to the Rural Resurfacing capital program.

Update on Major Capital Grants

- Provincial Gas Tax Fund:
 - A transit-dedicated annual grant allocated based on transit ridership and population; eligible for operating and capital.
 - City's 2019 allocation is \$574,021.
 - City's allocation was expected to double over 2019-2022; current provincial government has announced this will not occur.
 - City typically allocates \$200-\$250K of the grant annually to capital (e.g. bus replacement, transit stop upgrades etc.).

Update on Major Capital Grants

- Federal Gas Tax Fund:
 - An annual capital grant allocated based on population.
 - City's 2019 allocation is \$4,576,100; will increase to \$4,784,104 in 2021 and then \$4,992,109 in 2023.
 - Canada has doubled the 2019 allocation on a one-time basis; City has placed the unexpected \$4.6M in its Federal Gas Tax Reserve for future capital needs.
 - City typically allocates the grant entirely to the Urban/Rural Reconstruction capital program.

Update on Major Capital Grants

- Investing in Canada Infrastructure Program – Rural Stream:
 - A one-time, competitive, application-based capital grant for northern and rural Ontario municipalities; released in early 2019.
 - Targeted toward transportation infrastructure, primarily roads and bridges.
 - Canada and Ontario will fund up to 83.33% of eligible capital project cost subject to a \$5M cap.
 - City has submitted the Colborne St. Bridge and Colborne St. W. Reconstruction (2020-2024) project for its 2019 application intake.

Update on Major Capital Grants

- Investing in Canada Infrastructure Program – Transit Stream:
 - A one-time, allocative, application-based capital grant for Ontario municipalities receiving Provincial Gas Tax Funding; released in early 2019.
 - Targeted toward transit and active transportation infrastructure, facilities and equipment.
 - Canada and Ontario will fund up to 73.33% of eligible capital project cost subject to the City's maximum allocation of \$1,735,725.
 - City has submitted the Transit Improvement and Expansion (2020-2025) project for its 2019 application intake.

Update on Major Capital Grants

- Ontario Connecting Links Program:
 - A one-time, competitive, application-based capital grant for Ontario municipalities with a connecting link between provincial highways.
 - Targeted toward improvements to municipal road sections defined as connecting links by the Province (relevant to 77 municipalities).
 - Ontario will fund up to 90% of eligible capital project cost subject to a \$3M cap.
 - City has submitted the King Street Resurfacing and Downtown Omemee Reconstruction (2019-2021) project (the only connection link the City has) for its 2019 application intake.

Update on Major Capital Grants

- Investing in Canada Infrastructure Program – Forthcoming Streams:
 - Community, Culture and Recreation Stream.
 - Green Infrastructure Stream.
 - Release of both streams expected in Q3-Q4, 2019.
 - City plans to apply to both streams to the extent it is eligible.

Federal and Provincial Funding

In 2019 the Federal and Provincial government made several announcements that provided additional one-time funding to the City totaling more than \$5.6 million.

Federal Gas Tax

- The Federal Government provided all municipalities with a one-time infusion of Federal Gas Tax funding
- The City's allocation is anticipated to be \$4.66 million

Federal Gas Tax

Gas Tax funding is restricted and can only be used for: local roads and bridges; regional and local airports; broadband connectivity; public transit; drinking water; wastewater; solid waste; brownfield redevelopment; sport; recreation; culture; tourism

Federal Gas Tax

On April 23, 2019 Council approved

***That** the one-time funding of approx. \$4.66 million, be transferred to the Federal Gas Tax reserve; and*

***That** staff report back to Council upon completion of the update to the Long Range Financial Plan as to the best use of these funds*

CR2019-274

Provincial Small and Rural Municipalities

- The Provincial Government provided all small and rural municipalities with a one-time infusion of funding to become more efficient and reduce expenditure growth in the longer term
- The City's allocation is \$725,000

Provincial Small and Rural Municipalities

The funding is unconditional, but it is intended to help modernize service delivery and reduce costs through investment in projects such as:

- Service delivery reviews
- Development of shared services agreements
- Capital investments

Provincial Small and Rural Municipalities

On April 23, 2019 Council approved

***That** the one-time Provincial funding of \$725,000 be transferred to the Contingency reserve; and*

***That** staff report back to Council upon completion of the update to the Long Range Financial Plan as to the best use of these funds*

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Provincial Small and Rural Municipalities

Staff have identified several opportunities for these funds including, but not limited to:

- EOWC review of Paramedic Services
- Paramedic master plan
- Review of the financial impacts of Bill 108
- Audit of financial business processes

Provincial Small and Rural Municipalities

The following recommendation is proposed to Council:

That the Chief Administrative Officer be authorized to commit up to \$75,000 from the Contingency reserve for initiatives that support the modernization of service delivery or result in reduced costs

Provincial Cannabis

- The Provincial Government provided municipalities who opted to allow the sale of cannabis with funding to support: policing, by-law enforcement, public health, and paramedics
- The City's allocation is \$225,061

Provincial Cannabis

On April 23, 2019 Council approved

That the Provincial cannabis funding be retained as a deferred revenue; and

That staff report back to Council upon completion of the update to the Long Range Financial Plan as to the best use of these funds

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