

# Proposed 2021 Tax-Supported Capital Budget

## Special Council Meeting

November 12, 2020

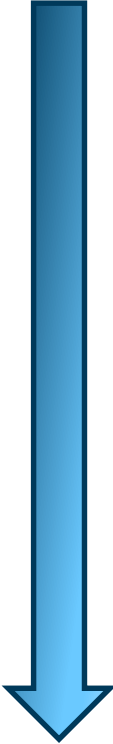


# Corporate Strategic Plan

- Provides overall corporate direction and guidance.
- Helps the City answer overarching questions such as:
  - What are the guiding vision, mission and values of the City?
  - What are the City's strategic goals, priorities and enablers?
  - How can the City strive for and achieve excellence in the provision of municipal services?
  - With what guiding principles should plans, strategies, studies, budgets and other official documents align?

# Chain of Alignment: From the Corporate Strategic Plan to Capital Budgets

- Municipal Service Levels
  - Determined by Council in alignment with the Corporate Strategic Plan and legislation through master plans and strategies, service reviews and policy.
- Asset Management Plan and Development Charges Study
  - Determine the capital needs arising from established municipal service levels.
- Long-Term Financial Plan (LTFP)
  - Provides the financial strategy required to support capital and operating needs and secure long-term financial sustainability.
- Capital Budgets
  - Facilitate the programs and projects that address capital needs.



# Long-Term Financial Plan

- Helps the City answer the following important questions:
  - What financial strategies, plans and support are required to meet established municipal service levels?
  - How can the City achieve and maintain long-term financial sustainability in a realistic, prudent yet affordable manner?
  - How can short-run budget decisions be made with appropriate consideration for the long-run financial health of the City?

# Long-Term Financial Plan: 2018-2021

2018-2021 Tax Increases (%)			
Year	Planned	Actual or Projected	Incremental Deficiency
2018	4.00%	3.25%	0.75%
2019	4.00%	2.85%	1.15%
2020	4.00%	3.50%	0.50%
2021	4.00%	3.00%	1.00%

2018-2021 Tax Increases (\$)			
Year	Planned	Actual or Projected	Incremental Deficiency
2018	4,174,841	3,395,240	779,601
2019	4,379,116	3,120,120	1,258,996
2020	4,522,313	3,957,024	565,289
2021	4,751,594	3,563,695	1,187,898

Projected Foregone Tax Revenue Due to 2018-2021 Tax Increase Deficiencies (\$)			
Year	Incremental	Annual	Cumulative
2018	779,601	779,601	779,601
2019	1,258,996	2,069,780	2,849,381
2020	565,289	2,717,861	5,567,242
2021	1,187,898	4,014,474	9,581,715
2022		4,134,908	13,716,623
2023		4,258,955	17,975,578
2024		4,344,134	22,319,712
2025		4,431,017	26,750,729
2026		4,519,637	31,270,366
2027		4,610,030	35,880,396
2028		4,702,231	40,582,627
2029		4,796,275	45,378,902
2030		4,892,201	50,271,103

# Long-Term Financial Plan: 2018-2021

2018-2021 Capital Reserve Continuity Schedule: Planned (\$)				
Source	2018	2019	2020	2021
<b>Opening Balance</b>	<b>0</b>	<b>14,709,293</b>	<b>7,102,809</b>	<b>6,598,801</b>
Capital Budget Financing	(13,642,131)	(19,102,918)	(19,157,891)	(20,067,351)
Contribution from Tax Levy	2,500,000	10,133,795	14,631,853	17,882,792
Transfer from DC Reserve	1,229,585	0	3,900,000	0
Transfer from Fire Fleet Reserve	0	0	0	0
Infusion from Special Debenture	25,000,000	0	0	0
Infusion from Prior Year Operating Surplus	0	0	0	0
Release of Pre-2018 Commitments	0	1,167,500	0	0
Interest Earned	421,839	195,139	122,030	55,970
Project Closures and Funding Adjustments	(800,000)	0	0	0
<b>Closing Balance</b>	<b>14,709,293</b>	<b>7,102,809</b>	<b>6,598,801</b>	<b>4,470,212</b>

2018-2021 Capital Reserve Continuity Schedule: Actual or Projected (\$)				
Source	2018	2019	2020	2021
<b>Opening Balance</b>	<b>0</b>	<b>11,762,168</b>	<b>2,777,592</b>	<b>2,065,552</b>
Capital Budget Financing	(13,642,131)	(19,176,168)	(12,522,519)	(10,670,853)
Contribution from Tax Levy	0	6,858,523	9,105,019	9,105,019
Transfer from DC Reserve	1,229,585	0	2,658,460	0
Transfer from Fire Fleet Reserve	0	1,200,000	0	0
Infusion from Special Debenture	25,000,000	0	0	0
Infusion from Prior Year Operating Surplus	0	2,079,995	0	0
Release of Pre-2018 Commitments	0	0	0	0
Interest Earned	574,814	53,073	47,000	15,000
Project Closures and Funding Adjustments	(1,400,100)	0	0	0
<b>Closing Balance</b>	<b>11,762,168</b>	<b>2,777,592</b>	<b>2,065,552</b>	<b>514,718</b>

# Long-Term Financial Plan: 2018-2021

2018-2021 Distribution of Deficiencies in Contributions to Capital Reserve (\$)					
Source	2018	2019	2020	2021	Cumulative
Operating Pressures	1,720,399	1,205,492	2,808,973	4,763,300	10,498,164
Foregone Tax Revenue	779,601	2,069,780	2,717,861	4,014,474	9,581,715
<b>Total</b>	<b>2,500,000</b>	<b>3,275,272</b>	<b>5,526,834</b>	<b>8,777,773</b>	<b>20,079,880</b>

2018-2021 Manifestations of Deficiencies in Contributions to Capital Reserve (\$)					
Metric	2018	2019	2020	2021	Cumulative
Capital Financing	0	73,250	(6,635,372)	(9,396,498)	(15,958,620)
Non-Tax Levy Transfers	447,125	(1,970,429)	1,316,570	40,970	(165,765)
2021 Reserve Balance				(3,955,494)	(3,955,494)
<b>Total</b>	<b>447,125</b>	<b>(1,897,180)</b>	<b>(5,318,802)</b>	<b>(13,311,023)</b>	<b>(20,079,880)</b>

# Long-Term Financial Plan: 2018-2021

- Adherence to the LTFP has been challenged by three main factors:
  - Operating pressures were larger than originally anticipated (primarily contractual obligations ie winter maintenance, waste etc).
  - Tax increases have been lower than planned (actual average of 3.2%/year vs. planned 4%/year for 2018-2020), generating a substantial cumulative tax levy deficiency (projected to be \$50M by 2030).
  - Unanticipated capital programs have been added to the plan.
- Resulted in some capital programs not being completed as planned and reserve balances being lower than anticipated.



# Proposed 2021 Tax-Supported Capital Expenditure

Proposed 2021 Tax-Supported Capital Expenditure			
Responsible Department	Replacement and Upgrade (\$)	Growth-Related (\$)	Total (\$)
Engineering	18,226,000	920,000	19,146,000
Public Works	3,527,675	77,325	3,605,000
Corporate Services	619,000	-	619,000
Fire Service	1,546,505	150,495	1,697,000
Paramedic Service	679,000	-	679,000
Human Services	123,000	-	123,000
Community Services	1,048,000	384,000	1,432,000
<b>Total</b>	<b>25,769,180</b>	<b>1,531,820</b>	<b>27,301,000</b>

# Proposed 2021 Tax-Supported Capital Financing

Proposed 2021 Tax-Supported Capital Financing		
Category	Source	Amount (\$)
Reserves / Reserve Funds	Capital Reserve	10,670,853
	DC Reserve	1,531,820
	Federal Gas Tax Reserve	5,000,000
	Provincial Gas Tax Reserve	-
	PW Fleet Reserve	3,205,000
	Fire Fleet Reserve	735,625
	Haul Routes Reserve	1,425,000
	Library Reserve	201,000
	Parkland Reserve	210,000
	Streetlights Reserve	100,000
	KL Police Reserve	20,000
	Victoria Manor Reserve	238,000
	Property Reserve	179,000
Grants / Deferred Revenue	ICIP Grant	322,675
	OCIF Grant	2,002,027
	Ministry of HLTC Grant	155,000
	Wilson Estate Grant	55,000
	Community Partner(s)	-
	Other Municipality / Owner	100,000
Debenture	Regular Debenture	1,150,000
	Special Debenture	-
<b>Total</b>		<b>27,301,000</b>

# Proposed 2021 Tax-Supported Capital Budget Highlights

- A total capital investment of \$27.3M, of which \$16.8M is directed toward roads and related infrastructure.
- Due to the pandemic, +/- \$25M of 2020 capital projects are being carried over to 2021.
- Continuation of downtown Lindsay reconstruction and revitalization with a \$6.8M investment in road and streetscape assets for Cambridge Street and Kent Street.
  - Received early-start approval by Council on September 15, 2020.
- An investment of \$1.5M to replace the Mill Pond Bridge in Omeme.

# Proposed 2021 Tax-Supported Capital Budget Highlights

- A final investment of \$0.5M to relocate the Bobcaygeon Library to the Bobcaygeon Service Centre for enhancement and growth-related expansion of the library service.
- Capital reserve funding based on a freeze to the 2020 contribution of \$9.1M from the tax levy to the capital reserve as compared to the \$17.9M contribution forecasted for 2021 as per the LTFP.
- A forecasted 2021 year-end uncommitted balance of \$0.5M in the capital reserve as compared to the \$4.5M balance forecasted for 2021 as per the LTFP.
- Targeting a +/- 3% tax levy increase as compared to the 4% tax levy increase forecasted for 2021 as per the LTFP.

# 2021 Debt Analysis and History

	Limit		Balance 2019	Balance 2020
Tax Levy	\$25,000,000		\$16,333,585	\$22,537,140
Tax - Special	41,303,762		24,144,371	26,204,994
DC Debt			16,494,573	23,665,262
WWW	49,500,000		40,824,305	42,675,870
KLH Debt			11,764,697	10,602,227
NWT Debt			10,670,285	10,003,185
Tile Drain			222,998	253,713
<b>TOTAL DEBT</b>			<b>\$120,565,814</b>	<b>\$135,942,391</b>

# Tax Levy Debt Limit

Type of Debt	Limit	2019 Balance	2020 Balance*	Purpose
<b>Council Imposed Limit</b>				
2005	\$21M			
2009	\$2M			
2015	<u>\$2M</u>			
	<b>\$25M</b>	<b>\$16.3M</b>	<b>\$22.5M</b>	
<b>Special Debentures</b>				
2014	\$1.7M	\$0.9M	\$0.8M	Honeywell
2017	\$25.0M	\$19.6M	\$17.2M	10 Yr Financial Plan
2017	\$8.7M	\$3.6M	\$8.2M	68 Lindsay St
2020	\$3.5M	-	-	Bobcaygeon Beach Park
2020	\$1.9M	-	-	Ops Arena
2020	\$0.5M	-	-	St Mary's Bridge
	<b>\$41.3M</b>	<b>\$24.1M</b>	<b>\$26.2M</b>	

\* Projected balance

# Debt Comparisons

Debt as a Percentage of Assets	
Total Fair Market Value of CKL Assets	\$3.2 B
Total Debt	\$135.9 M
Debt as a Percentage of Fair Market Value	4.25%

- For comparative purposes, equates to a mortgage of approximately \$20,000 on the average CKL home (\$475,000)

# Debt Ratios

Annual Repayment Limit (ARL)	
2020 Debt Principle and Interest	\$16.7M
Total Annual Repayment Limit 2020	\$43.7M
Remaining ARL Available in 2020	\$27.0M
Remaining Debt Room (based on 3%)	\$313M - \$526M

**Debt Servicing Cost    7.1%**

- For comparative purposes, using CKL median household income, equates to a monthly mortgage payment of approximately \$475



# Projected Reserves 2021

Reserve	2020 Closing Balance	2021 Closing Balance*
Infrastructure	21,828,844	23,800,775
Rate	6,506,358	6,294,941
Contingency	9,201,792	9,651,792
Economic Development	752,868	632,868
City Working Capital	2,875,285	2,875,285
Development Charge	(28,078,677)	(30,175,457)
Former Municipal	205,341	208,341
Other	26,798,941	26,907,136
<b>Total Reserves</b>	<b>40,090,753</b>	<b>40,195,682</b>

\* Projected balance

# Capital Asset Reserve

Reserves as a Percentage of Assets	
Total Fair Market Value of City Assets	\$3.2 B
Total Capital Related Reserves	\$23.8 M
Reserves as a Percentage of Assets	< 1%

- For comparative purposes, equates to household savings of approximately \$3,500 for the maintenance of an average CKL home

# Development Charges Reserve

## DC RESERVE DEBIT

- Balance in the Development Charge reserve is in a negative position (+/- \$30M)
- Results from emplacing infrastructure to support growth
- Based on current Lindsay Development Charge rates, +/- 1,200 homes will be required to be constructed to bring the DC reserve to zero

# Long-Term Financial Plan: Next Steps

- Re-establish an appropriate and affordable annual tax increase benchmark (e.g. 3%/year).
- Improve the operating strategy and enhance integration of capital and operating budget forecasting.
- Revisit service levels where appropriate.
- Develop a reserve and debt strategy as part of the overall financial plan.
- An updated LTFP will be prepared for Council's consideration in Q2 of 2021.

# 2021 Budget: Next Steps

November 6	Capital Budget made available
November 12	Capital budget overview to Council
December 1	Capital Budget deliberations and approval
December 11	Budget available (Operating, Water and Wastewater, Special Projects)
Q1 2021	<ul style="list-style-type: none"><li>▪ Department Overviews</li><li>▪ Agency, Boards, Committee budget presentations</li><li>▪ Budget Deliberations (Operating, Water and Wastewater, Special Projects)</li></ul>