# City Council Meeting Agenda

**Thursday, November 3, 2016 – 6:00 p.m.**
**Council Chambers, Guelph City Hall, 1 Carden Street**

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Disclosure of Pecuniary Interest and General Nature Thereof

## 2017 Non-Tax Supported Operating and Capital Budgets

**Recommendation:**

1. That for Water and Wastewater Services the following be approved:

    1. Proposed expansion packages in the net amounts of $449,800 for Water Services and $54,800 for Wastewater Services;

    2. 2017 Water and Wastewater Services Operating Budgets in the amounts of $30,450,665 and $30,946,448 respectively, inclusive of expansions;

    3. 2017 Water and Wastewater Services Capital Budgets and 2018-2026 Forecasts in the amounts of $180,151,100 and $137,829,500 respectively;

    4. A City of Guelph water volume charge of $1.67 per cubic metre effective January 1, 2017 and a wastewater volume charge of $1.80 per cubic metre, effective January 1, 2017;

    5. That the City of Guelph water and wastewater basic service charges remain consistent with 2016 as per the attached schedule "A" effective January 1, 2017; and

    6. That the Water Services and Wastewater Services Fees and Services By-law be passed.

2. That for Stormwater the following be approved:

    1. A 2017 Stormwater Services Operating Budget in the amount of $4,219,000.

2. A 2017 Stormwater Services Capital Budget and 2018-2026 Capital Forecasts in the amount of $40,695,000.

3. A City of Guelph stormwater fee of $4.00 per Equivalent Residential Unit effective January 1, 2017.

4. That the Stormwater Fees and Services By-Law be passed.

3. That for Court Services the following be approved:

1. Proposed expansion package in the net amount of $64,300 for Court Services.

2. A 2017 Court Services Operating Budget in the amount of $3,901,750.

3. A 2017 Court Services Capital Budget and 2018-2026 Capital Forecasts in the amount of $ 504,300.

4. That for Ontario Building Code Administration the following be approved:

1. A 2017 Ontario Building Code Administration Operating Budget in the amount of $3,390,300, and

2. The 2017 Ontario Building Code Administration Capital Budget and 2018-2026 Capital Forecasts in the amount of $ 69,000.

5. That for reserve and reserve funds the following be approved:

The proposed transfers to/from reserves and reserve funds incorporated in the 2017 non-tax supported budget attached as Schedule "B" be approved.

## 2017 – 2026 Tax Supported Capital Budget and Forecast

**Presentation:**
Derrick Thomson, CAO
Mark Amorosi, Deputy CAO, Corporate Services
James Krauter, Acting Treasurer

**Delegations:**
Steve Cuevas, Ball 4 All

**Recommendation:**

1. That the recommended 2017-2026 Tax-supported Capital Budget and Forecast, in the amount of $799,018,921, including $59,448,050 for 2017, be received for information.

2. That the recommended 2017-2026 Tax-supported Capital Budget and Forecast be referred to the December 7, 2016 Council meeting for final deliberation and approval of the 2017 requirements.

## Dedicated Infrastructure Renewal Levy

**Presentation:**
Derrick Thomson, CAO
Greg Clark, Program Manager, Capital Accounting and Planning

**Delegations:**
Tyrone Dee

**Recommendation:**
That report No. CS-2016-80 titled "Dedicated Infrastructure Renewal Levy" be referred to the December 7, 2016 Council meeting.

1. That a Dedicated Infrastructure Renewal Levy in the amount of 0.5% of the 2017 Net Tax Levy, which is equal to approximately $1,117,400, be approved as part of the 2017 Operating Budget; and

2. That this amount be transferred to the Infrastructure Renewal Reserve Fund for use in future year's capital budgets per Council approval; and

3. That Council endorse the continuation of the Dedicated Infrastructure Renewal Levy over a period of 10 years, subject to annual review and confirmation by staff of the need and appropriateness of the amount.

## Financial Implications of City Building Projects on the Capital Budget

**Presentation:**
Derrick Thomson, CAO
James Krauter, Acting City Treasurer

**Recommendation:**
1. That Report No. CS-2016-81 titled 'Financial Implications of City Building Projects on the Capital Budget' be received and that Phase 1 of the South End Community Centre as discussed on page 4 of this report be referred to the December 7, 2016 Council Budget deliberation meeting.

2. That discussion on Phase 2 of the South End Community Centre and projects related to the Downtown Secondary Plan including the Library be referred to workshops to be held in Q1 of 2017.

## Adjournment

# Staff Report

| | |
|---|---|
| To | City Council |
| Service Area | Corporate Services |
| Date | Thursday, November 3, 2016 |
| **Subject** | **2017-2026 Tax-supported Capital Budget & Forecast** |
| Report Number | CS-2016-69 |

## Recommendation

1. That the recommended 2017-2026 Tax-supported Capital Budget and Forecast, in the amount of $799,018,921, including $59,448,050 for 2017, be received for information; and

2. That the recommended 2017-2026 Tax-supported Capital Budget and Forecast be referred to the December 7, 2016 Council meeting for final deliberation and approval of the 2017 requirements.

## Executive Summary

### Purpose of Report

To introduce the recommended 2017-2026 Tax-supported Capital Budget and Forecast.

### Key Findings

2017 Capital Budget $59.4 million
2017-2026 Capital Forecast $799.0 million

### Financial Implications

The recommended 2017 Operating Budget includes a tax supported contribution to reserves of 12.68% of last year's net tax levy, which is less than the Council-approved guideline of 20%.

Debt totalling $1.3M is included in the 2017 Capital budget, this is within the City's debt ratios.

The funding breakdown of the total capital budget of $59.4M includes the following revenue sources: Transfer from tax funded reserves (52%), Grants (35%), Development Charges (9%), Debt (2%) and other (2%).

The recommended 2017-2026 Capital Budget and Forecast includes a nine year forecast which is not fully funded. Based on the current forecast it is underfunded by $191.0M. Two reports have been provided to Council, CS-2016-80 & CS-2016-81, to provide further context on this funding shortage.

## Report

The recommended 2017-2026 Capital Budget and Forecast represents administration's response to the challenge of balancing a wide and complex range of short-term and long-term needs within existing resources.

The recommended 2017-2026 Tax Supported Capital Budget and Forecast was provided to Guelph City Council and the public on October 25, 2016.

The recommended budget incorporates direction from City Council, including its Council Shared Agenda where projects are categorized by Infrastructure Renewal, Growth and City Building, continued input from community members and the City's Corporate Administrative Plan.

The following elements were considered by the City when prioritizing capital investments for 2017 and forecasting investments for 2018 through 2026.

- Take care of existing assets - investing in City's assets protects the health and safety of people in Guelph, and ensures the City meets its regulatory requirements
- Invest in new, critical projects to ensure the health and safety of the community
- Ensure there is capacity to successfully execute complex capital projects
- Sources of funding - within the capital budget there are three main sources of funding: development charges (DCs), grants and direct tax support. Each source of funding may have specific and limited requirements for their use which can impact the decision to include or exclude a project in a given year.
- An evolving budget approach - the City is open to partnerships that will provide alternate funding sources and enable the City to complete projects that deliver excellent services while creating efficiencies that benefit tax payers and reducing pressure on the capital budget

Finally, the City is mindful of the challenge of transitioning from our current approach of 'cash flow' budgeting to full project approvals as it considers the sources of funding available for individual projects and ensures that existing corporate and financial policies are adhered to.

## Departmental Consultation

All City departments and Local Boards were consulted through the budget process.

## Financial Implications

The recommended 2017 Capital Budget includes a tax supported operating contribution to reserves of 12.68% of last year's net tax levy, which is less than the Council-approved guideline of 20%.

The funding breakdown for the total $59.4M recommended capital budget is:
- 52 per cent from tax funded reserves;
- 35 per cent from grants;
- 9 per cent from development charges;
- 2 per cent from debt; and
- 2 per cent from other

The recommended 2017-2026 Capital Budget and Forecast includes a nine year forecast which is not fully funded. Based on the current forecast it is underfunded by $191.0 million. Two reports have been provided to Council, CS-2016-80 Dedicated Infrastructure Renewal Levy and CS-2016-81 Financial Implications of City Building Projects on the Capital Budget, to provide further context on this funding shortage.

## Corporate Strategic Plan

2.3 Ensure accountability, transparency and engagement.

3.1 Ensure a well designed, safe, inclusive, appealing and sustainable City.

## Communications

The recommended 2017-2026 Capital Budget and Forecast was provided to Guelph City Council and the media on October 25, 2016. A version was also made available on the City of Guelph's website.

## Attachments

None

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Mark Amorosi

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# Staff Report

| | |
|---|---|
| To | City Council |
| Service Area | Corporate Services |
| Date | Thursday, November 3, 2016 |
| **Subject** | **Dedicated Infrastructure Renewal Levy** |
| Report Number | CS-2016-80 |

## Recommendation

That report No. CS-2016-80 titled "Dedicated Infrastructure Renewal Levy" be referred to the December 7, 2016 Council meeting.

1. That a Dedicated Infrastructure Renewal Levy in the amount of 0.5% of the 2017 Net Tax Levy, which is equal to approximately $1,117,400, be approved as part of the 2017 Operating Budget; and

2. That this amount be transferred to the Infrastructure Renewal Reserve Fund for use in future year's capital budgets per Council approval; and

3. That Council endorse the continuation of the Dedicated Infrastructure Renewal Levy over a period of 10 years, subject to annual review and confirmation by staff of the need and appropriateness of the amount.

## Executive Summary

### Purpose of Report

Recommend the introduction of a Dedicated Infrastructure Renewal Levy to assist in funding the City's ongoing need for significant capital investment in existing tax funded capital infrastructure.

### Key Findings

Current funding levels for tax supported infrastructure renewal are significantly inadequate to cover future needs. The Canadian Infrastructure Report Card, released earlier this year, highlights that 35% of municipal assets across Canada are in need of attention, and that investment rates are below minimum standards and in the case of roads only 55% of the minimum. In addition to the need for investment in existing assets, the City's ability to support Growth and deliver significant City Building projects is in doubt given current infrastructure needs.

A Dedicated Infrastructure Renewal Levy of 0.5% of the current year's net levy, compounding annually will significantly improve the City's ability to renew and replace aging infrastructure based on Asset Management best practices.

Previous Councils have in the past approved a long range financial plan and concepts for funding capital in the case of Water and Wastewater Services, providing both with sustainable levels of capital funding. Council has recently approved the transition of Stormwater Services to a similar model in order to achieve the same outcome.

Staff are at this time recommending 0.5% in recognition that affordability is paramount for taxpayers; who will be remitting property taxes, water/wastewater fees and stormwater fees in 2017. Commencing a contribution toward infrastructure renewal is required, and in the long term interests of the City.

## Financial Implications

Approval of this Dedicated Infrastructure Levy will increase total taxes collected and transfers to capital reserves by approximately $1,117,400. Subsequent year's impact will be subject to annual Council approval.

### Report

As a follow up to the capital presentation that was conducted in July 2016 with Council this report will discuss a dedicated annual increase in the levy directed to infrastructure renewal. The need for increased infrastructure funding is not new, it is becoming more critical each year as significant assets continue to age and deteriorate. As the City works to ensure the overall quality of life of the community, current funding levels will require decisions about what assets can be maintained and which will need to be taken out of service. This has the potential to negatively impact service levels. In addition both the Federal and Provincial governments are requiring that municipalities make asset management a part of their capital plans in order to access currently available funding (Federal Gas Tax) and potential future opportunities. Part of a sustainable Asset Management Strategy is ensuring adequate and sustainable funding to implement the program.

It is important to place the 'business' case for a dedicated infrastructure renewal levy in context of other important initiatives currently in progress within the City.

Committee of the Whole has already approved and Council will formally approve a Business/Service Review Framework, which is intended to examine all city services over time to identify service levels, and evaluate efficiency, effectiveness and determine the most appropriate method of service delivery.

The Corporate Asset Management division established through the 2016 budget process enables the city to move towards best practice in how we inventory, assess, maintain and replace our existing infrastructure through an extensive evaluation and financial costing process. It will also inform proper planning for new assets as they are acquired, ensuring we do not end up in a similar situation in the future.

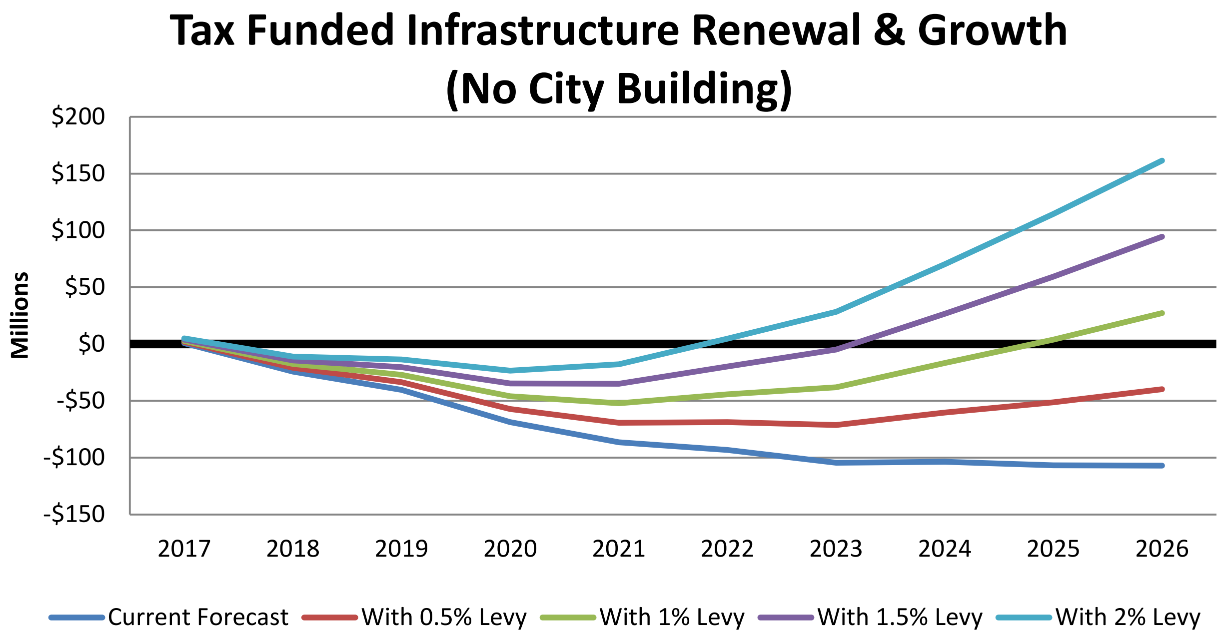
As this report indicates, a dedicated infrastructure renewal levy is being recommended and importantly Council will review annually, the need and appropriateness of any amount to be levied. This means that as the Asset Management program progresses we will have updated current financial information on the replacement costs, and priorities for replacement each year to inform recommendations to Council.

Finally, as mentioned during the Council Capital workshop in July 2016, should other funding sources emerge, such as an increase in dividends from City owned assets or tangible savings from changes in service delivery, Council could direct any portion as it sees fit, including contributions to reserves such as the Infrastructure Reserve.

## Current Position

The starting balance in the tax supported capital reserves for 2017 is forecast to be $8.8 million. Based on the current 10 year capital forecast and current levels of funding the shortfall over the next ten years is projected to be $191.0 million. This shortfall includes renewal projects for all categories of assets, including, roads, facilities, parks, vehicles and equipment. It also includes the portion of Growth not covered by Development Charges and projects such as the Downtown Secondary Plan Implementation and a new Main Library with significant City Building components.

If all City Building is stripped out and we focus only on Infrastructure Renewal and the City's Growth obligations, the forecasted shortfall is reduced to $106.9 million. In simpler terms this distinguishes needs and wants, the remainder of this report focuses on the Cities needs that relate to infrastructure renewal and growth and that shortfall of $106.9 million but not city building.




## Dedicated Infrastructure Renewal Levy Summary

(2017-2026)

| | |
|---|---|
| Current requirements (10 years) | $386 million |
| Current funding (10 years) | $279 million |

| Dedicated Infrastructure Renewal Levy per cent | $ Amount accumulated over 10 yrs | 10 yr total (current funding + $ levy) | Surplus/shortfall (current requirement – 10 yr total) |
|---|---|---|---|
| 0.5% | $67 million | $346 million | ($40 million) |
| 1.0% | $134 million | $413 million | $27 million |
| 1.5% | $201 million | $480 million | $94 million |
| 2.0% | $269 million | $548 million | $162 million |

As was mentioned during the presentation staff believe that is in the City's best interests to invest in infrastructure, as other municipalities have done, to begin to close the gap. The graph above demonstrates the impact of a Dedicated Infrastructure Renewal Levy on the projected shortfall. It is assumed that the levy will compound over time in order to provide the level of funding required.

Based on the table above, while 1% provides sustainable funding, in appreciation of affordability, staff are recommending to begin with a 0.5% levy that is directed to the Infrastructure Renewal reserve to be used for future capital projects as approved by Council through the annual capital budget. It is forecasted that with a 0.5% annual increase it would take 14 years to provide an ongoing sustainable level of capital funding. Review of the specific amount will be completed on an annual basis to ensure the long-range goals are achievable. This review would include assessment of revised needs for funding as well as potential new revenue sources such as Government Grants or increase dividends from city owned assets.

In addition realignment of timing of projects over the 2018 to 2026 period needs to occur to ensure a sustainable cash flow to allow the work to proceed. Based on Council's decision regarding the proposed funding increase staff will work to bring back an improved Capital forecast through the 2018 budget process.

**Water & Wastewater Experience**

Previous Councils have made decisions similar to this one which the organization is currently benefiting from. In 2002 the province enacted the Safe Drinking Water Act, which established a standard of care in relation to the Water Services systems, it also required municipalities to develop or update a long-range financial plan every five years in order to renew Municipal Drinking Water Licences.

In addition to satisfying Provincial requirements, the Water and Wastewater Long-range Financial Plan (2014-2019) has helped the City provide long-term financial stability, system sustainability and community safety as it relates to our water supply and wastewater treatment. The plan also helps to inform the budgets and rate increases submitted annually for Council approval. Although not required by the Province, the City proactively includes Wastewater Services in long-range financial planning to provide a more complete picture of the water and wastewater systems and to ensure more accurate forecasting.

Due to prudent decisions related to Water and Wastewater Services, the City currently has capital reserves for each which are forecasted to be sustainable over the long term, including full implementation of the asset management practices and elimination of the current infrastructure backlog.

**Coordination of Work**

Much of the work for the water and wastewater infrastructure is closely tied to roads and stormwater, therefore it is important that the timing of construction be coordinated to ensure the most efficient use of funds, the least amount of disruption to residents and businesses, ensure service levels and minimize risks to the public. Due to limited tax funding available for roads and stormwater (previously), portions of this work have been delayed to this point. Further delay may begin to negatively impact service delivery and operating budgets and therefore may require replacement of buried stormwater and wastewater infrastructure via a method that is not desirable, such as trenching and road patching, which will lead to multiple disruptions, reduced level of service from the road surface and increased overall costs to the project.

Through the non-tax budget process, Council has an opportunity to move Stormwater Services to a sustainable funding level over a period of time via the newly approved stormwater charge. Approval of a Dedicated Infrastructure Renewal levy will assist in ensuring that tax supported infrastructure has adequate funding as it is required.

## Alternative Strategies

Council could consider possible alternatives to the recommendation.

An example would be to have a higher levy for a shorter period of time, such as 2.5% for two years. Amounts collected through a 2.5% levy for two years would be $5,587,000 in 2017 and $5,866,000 in 2018 for a total of $11,453,000.

Advantages of this alternative:
This would provide a quick accumulation of monies for the City to be able to provide cost sharing funding for any federal/provincial infrastructure programs.

Disadvantages of this alternative:
This scenario would not provide for an additional amount becoming part of the base infrastructure renewal funding. Based on the estimated shortfall over the next 10 years ($106.9M), there would remain a significant need for ongoing capital funding starting in 2019. The infrastructure that we have currently in use is continuing to age and the City is assuming significant new infrastructure on an annual basis.

### Other Municipalities

As mentioned during the presentation, many municipalities have tackled their aging infrastructure problem via a dedicated infrastructure levy. Each municipality has tailored the magnitude, duration and uses of the levy to meet their needs. Below is a list of municipalities in Ontario which have or have had an Infrastructure Levy.

| | | |
|---|---|---|
| City of Mississauga | City of Thunder Bay | City of Burlington |
| City of Vaughan | City of Barrie | City of Hamilton |
| Town of Oakville | Town of Halton Hills | City of Kitchener |
| City of Brampton | Town of Newmarket | City of Kingston |
| Twp of Woolwich | Twp of Centre-Wellington | |

See ATT-2 CS-2015-101 Infrastructure Environment and Funding Options for some specifics.

## Financial Implications

The 2017 impact would be an increase of total taxes collected of $1,117,400. This funding would be directed to the Infrastructure Renewal Reserve for use in future years to fund needed capital works as approved by Council.

## Corporate Strategic Plan

2.3 Ensure accountability, transparency and engagement.

3.1 Ensure a well designed, safe, inclusive, appealing and sustainable City.

## Communications

Approval of a dedicated infrastructure renewal levy would be communicated along with and in a similar fashion to the Capital budget.

## Attachments

ATT-1 Council Presentation from July 13, 2016
ATT-2 CS-2015-101 Infrastructure Environment and Funding Options

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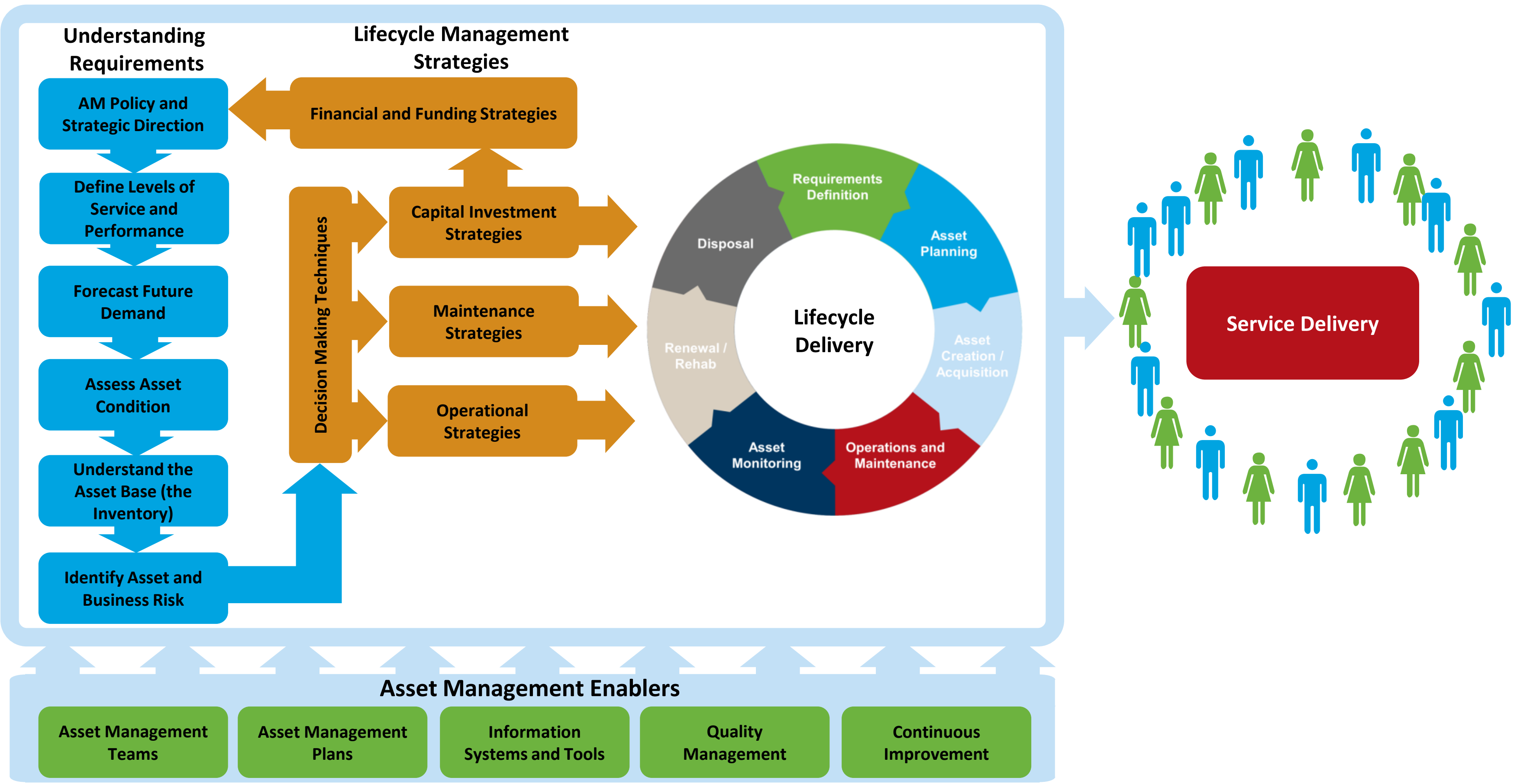
# Capital Information Session: City Council

**July 13, 2016**

# Agenda

- Asset management
- Current capital funding outlook
- Impact of prior capital funding decisions
- Risk of staying the same
- Doing things differently
  - Long-term Capital strategy
  - Reserve realignment
  - Present capital differently
- Options to consider

# Relating Asset Management and Capital Budgeting

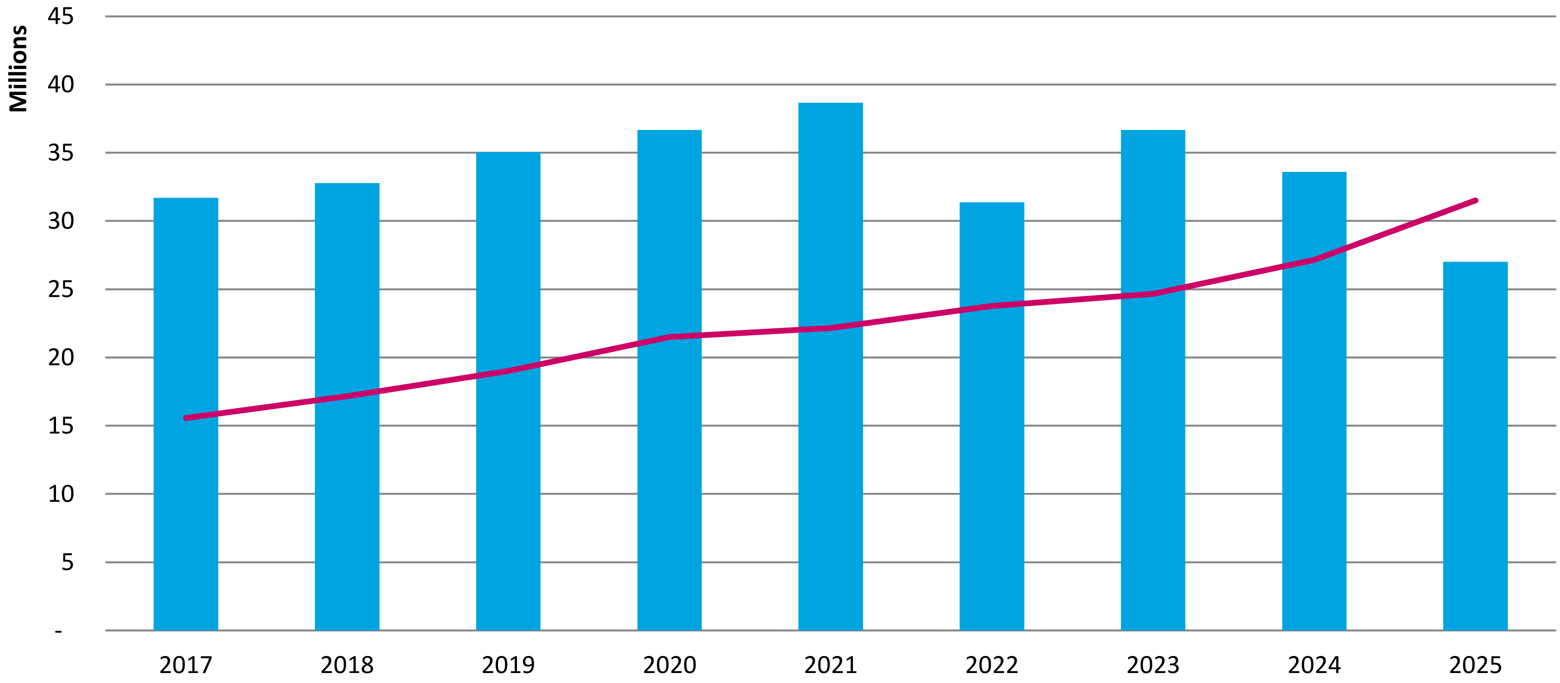


# Long Term: Asset Management Plans


- Corporate plan to be completed by December 2016
- Service area plans to be developed in 2017-2018

# Current Capital funding outlook

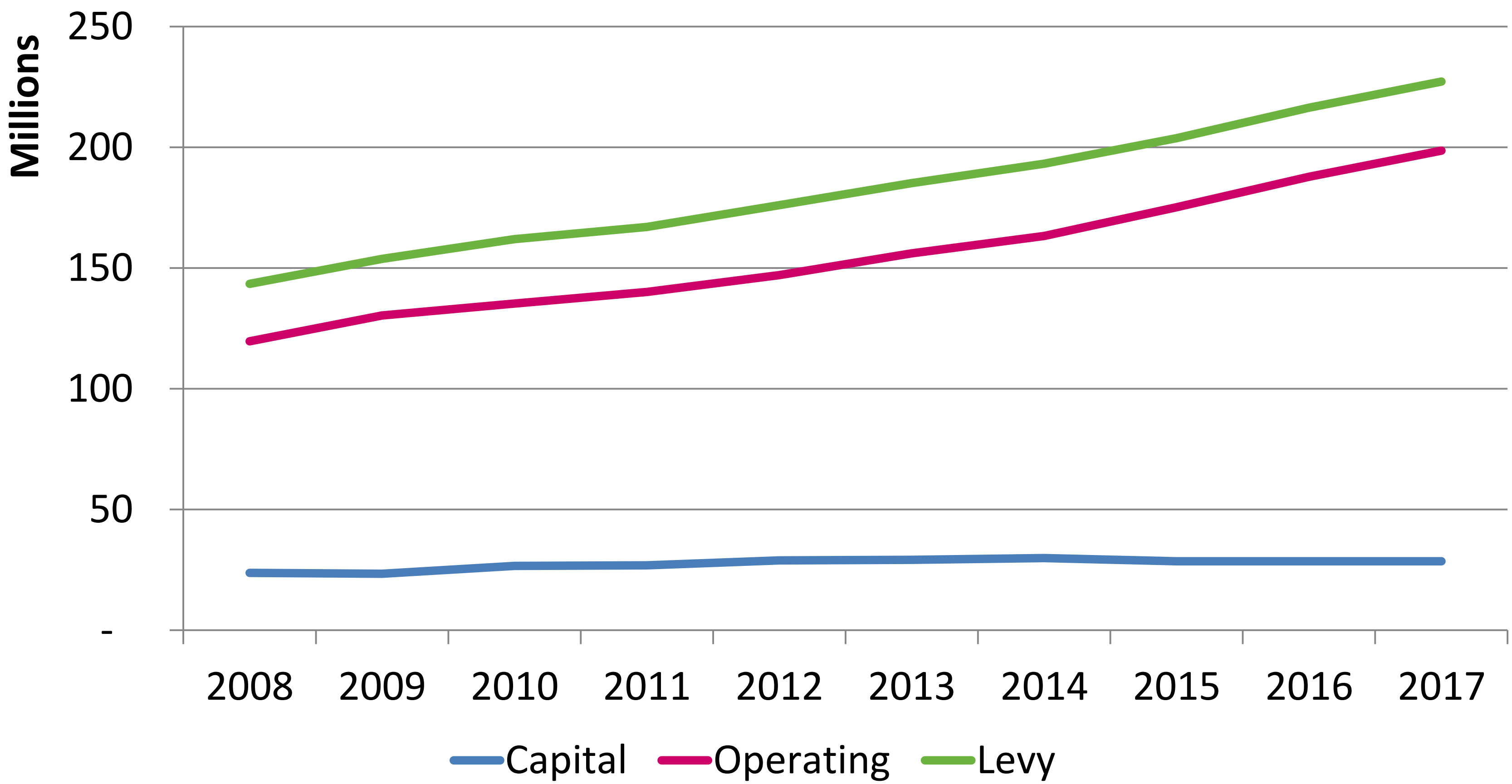
## 9 Year Capital Forecast




As per 2016 Capital Budget

# Impact of prior decisions

## Flat capital contribution



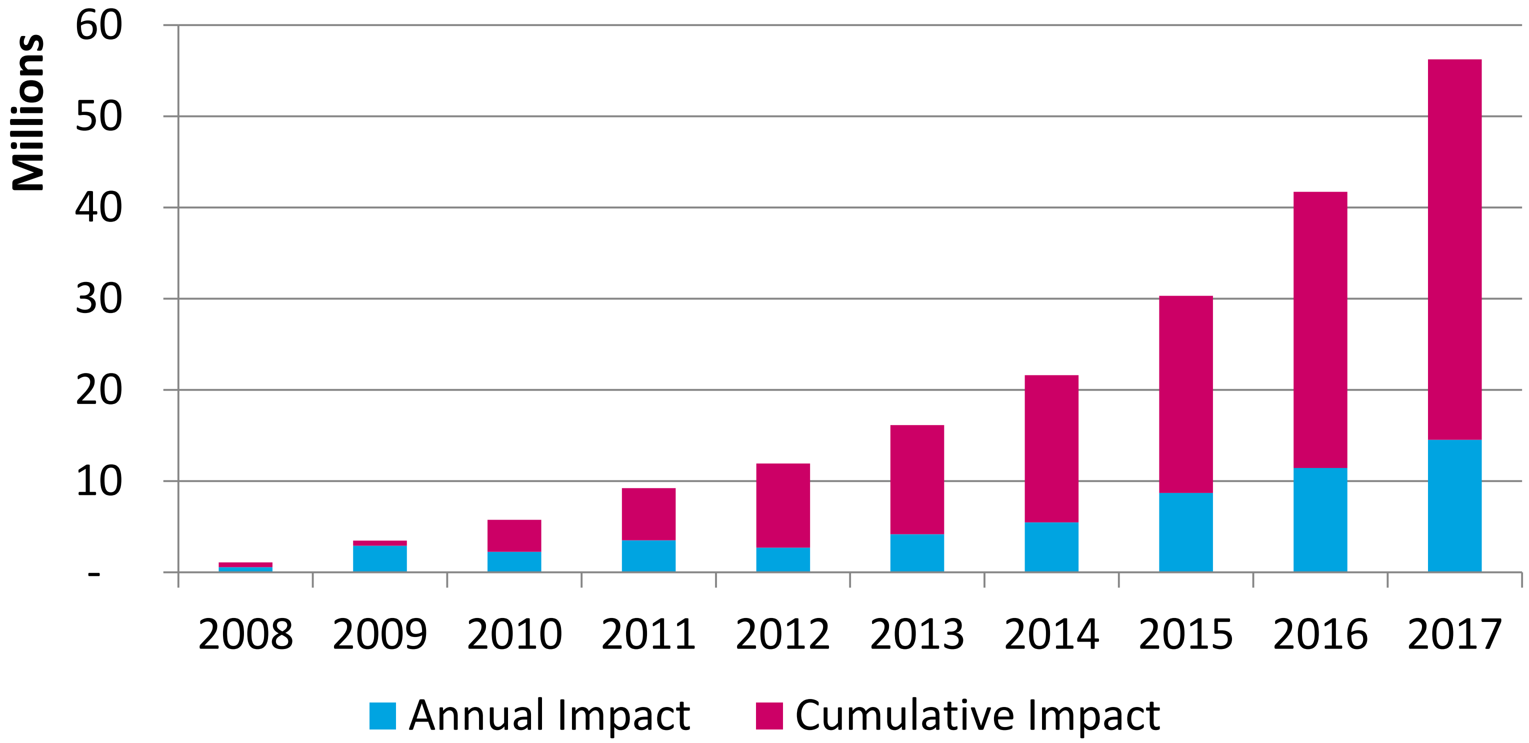
# Impact of prior decisions

Flat capital contribution

| | 2008 to 2017 | |
|---|---|---|
| | $ Increase | % of Total |
| Operating | 78,962,477 | 94% |
| Capital | 4,848,015 | 6% |
| Total | 83,810,492 | 100% |

# Impact of prior decisions

Cumulative Capital impact $56.26 million



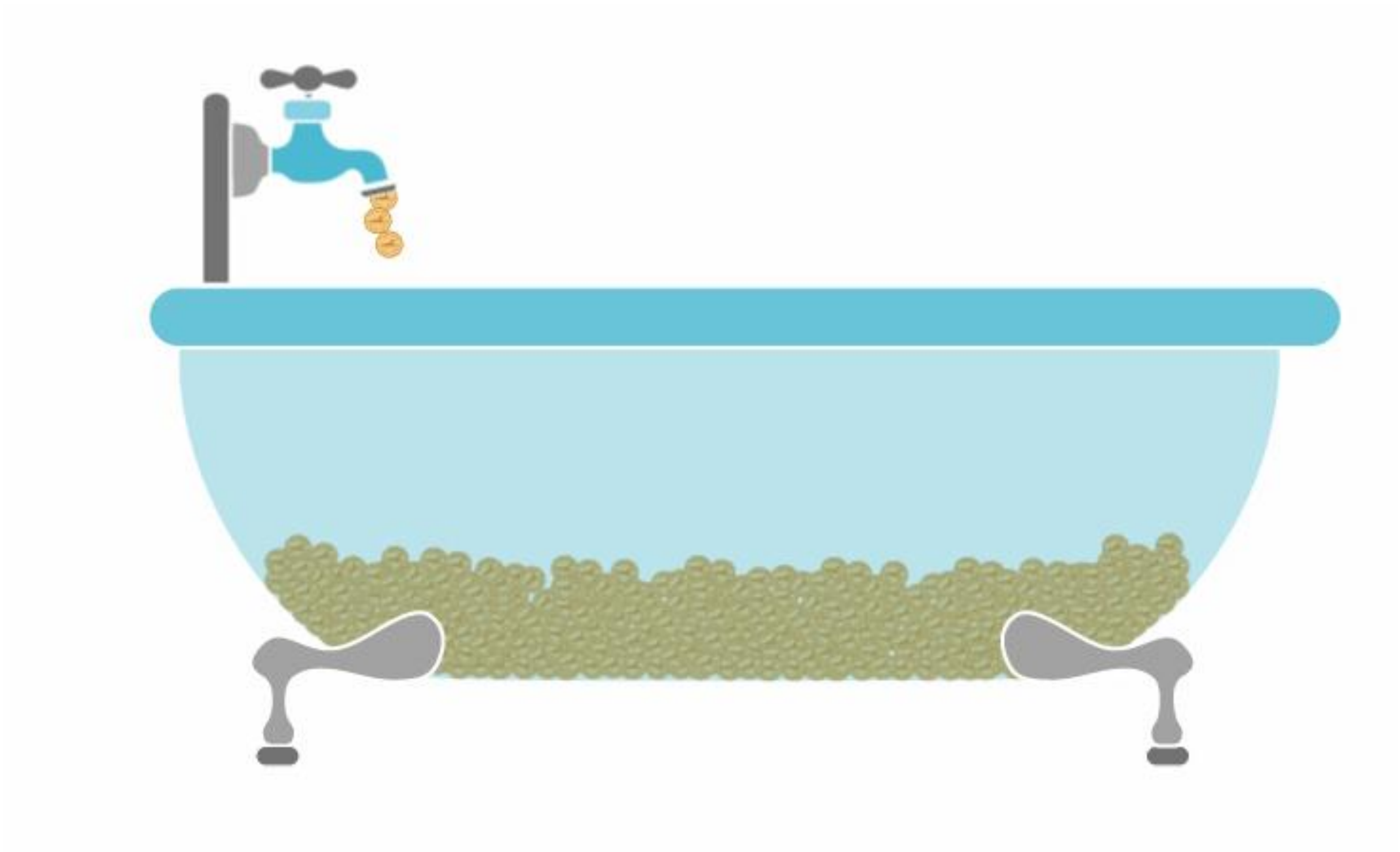
# Risks of staying the same

- Limited ability to match federal and/or provincial funding
- Reduced debt capacity
- Underfunding capital infrastructure replacement
- Delay in realizing City Building programs

## Potential impacts

- Negative impact to credit rating

# Long-term Capital strategy



# Long-term Capital strategy

## Disconnecting funding from budget

**Capital funding**

- Determine what is “sustainable capital funding”
- Achievable 10 year forecast
- Meeting City's needs

**Capital program & budget approval**

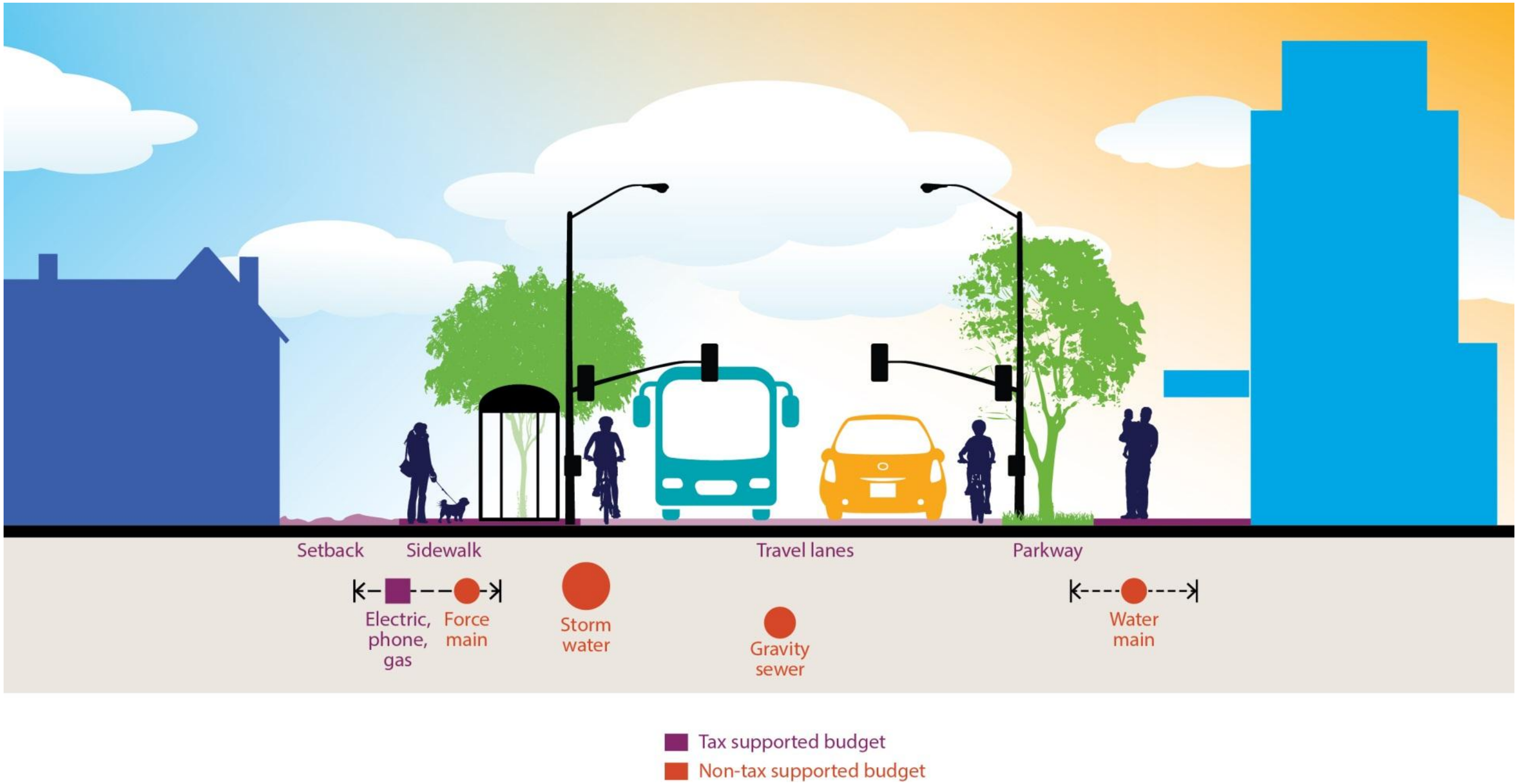
- Comprehensive program presentation
- Commitment to funding and resourcing complete program

# Reserve realignment

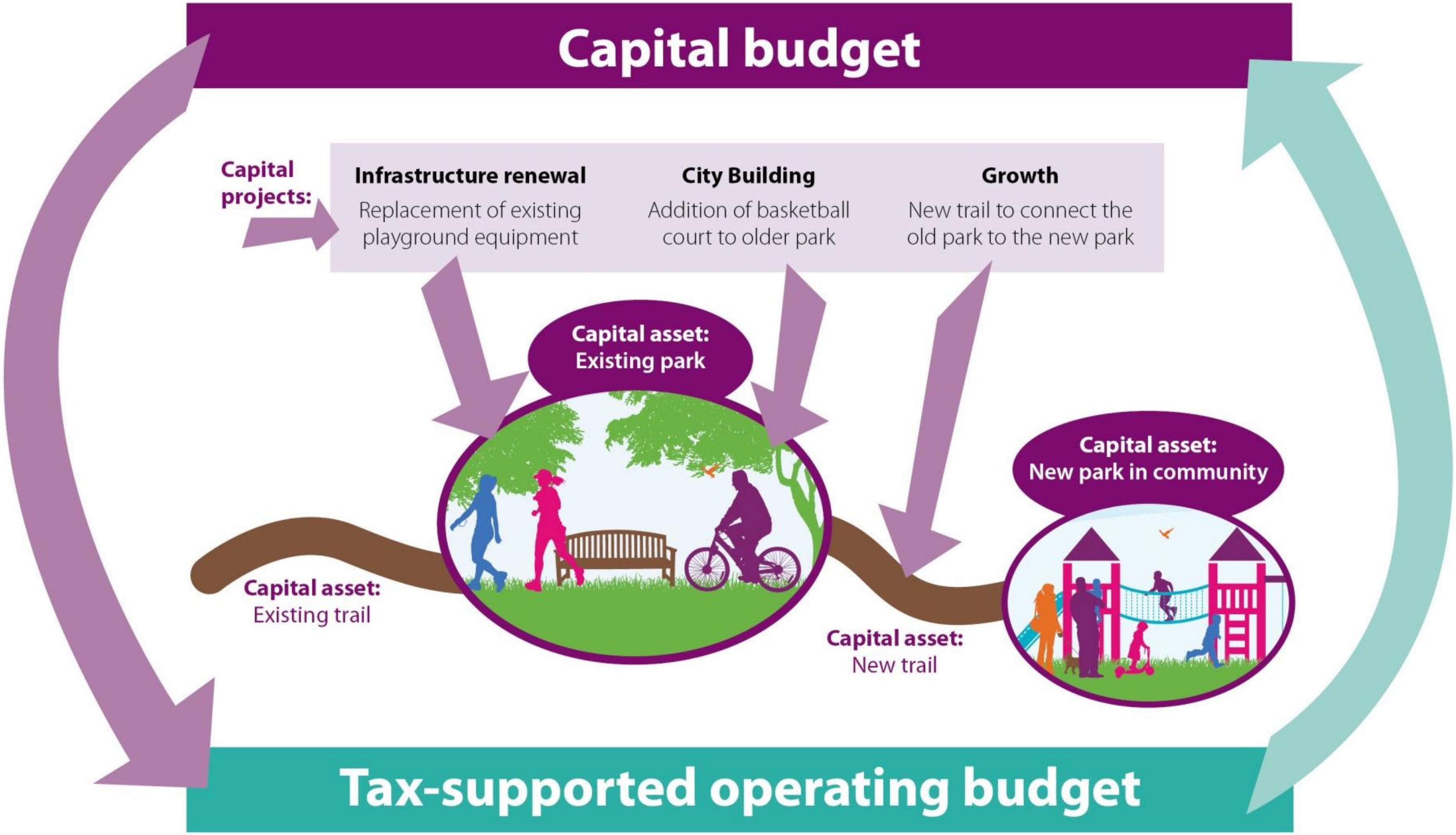
## Corporate alignment of reserve funs

- Consolidate tax funded reserves into three corporate reserve funds
  - Infrastructure Renewal
  - Growth
  - City Building
- Align with Corporate priorities
- Increased flexibility to deal with opportunities and emergencies

# Present Capital Differently



# Present Capital Differently



# Present Capital Differently

- Organized by overall programs of work
- Program information will include:
  - tier level
  - associated risks
  - program and funding time frame
  - complete capital costing
  - details of funding - complexity and interrelation
  - operating impacts

# Present Capital Differently

## Capital program portfolio framework (tiers)

| Tier-1 Project Criteria | Tier-2 Project Criteria | Tier-3 Project Criteria |
|---|---|---|
| • > $10 million<br>• High Risk<br>• Large complex scope<br>• New initiatives<br>• High-profile<br>• Multi-stakeholders / partnerships<br>• Highly controversial / political<br>• Other (specified by ET) | • $1 million ~ $10 million<br>• Medium Risk<br>• Medium scope and complexity<br>• Medium profile<br>• Mainly internal focus<br>• Other (specified by ET) | • < $1 million<br>• Low Risk<br>• Minor scope, routine / operational<br>• Low profile<br>• Departmental focus |
| 3 – 5 projects | ~20 projects | > 250 projects |
| Immediate Focus | | |

# Options to consider

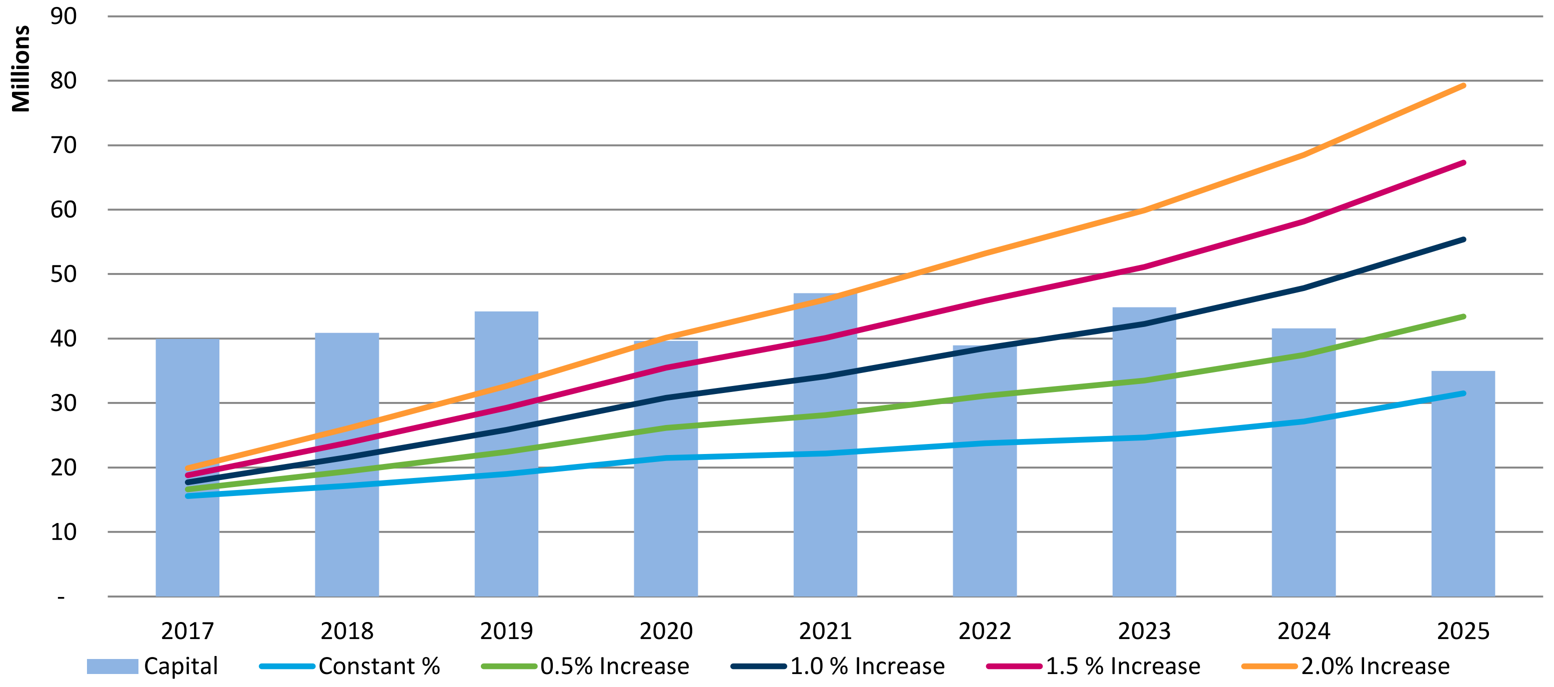
- Assessment growth
  - Currently used to reduce net levy increase – would add pressure to operating budget
- User fee surcharges
  - Direct tax on end users
- Debt
  - Requires additional net levy increase to make annual payments
- Dividend income
  - $1.5 million from GHESI, used to reduce net levy increase – would add pressure to operating budget
- Infrastructure levy
  - Dedicated source of funding, allocated to fund designated capital programs

# Comparators

- Mississauga
  - Implemented an annual two per cent per year levy that was split between funding current and servicing debt
- Barrie
  - Implemented an annual one per cent Infrastructure Levy
- Kitchener
  - Through a combination of debt and levy increases, created a $100 million plus fund for redevelopment and infrastructure renewal, as well as creating ongoing additional capital funding within the operating budget

# Capital funding options

## 9 Year Capital Forecast



# Capital funding options

| | Nine Year Total |
|---|---|
| Current Estimated Backlog | $100 million |
| Current Estimated Requirements | $372 million |
| Estimated Total Required | $472 million |
| Current Funding | $202 million |

Current nine year capital forecast is not all inclusive

| Per cent Increase | Dedicated Levy | Nine Year Total | Estimated Ending Backlog |
|---|---|---|---|
| 0.5% Increase | $56 million | $258 million | $214 million |
| 1.0% Increase | $112 million | $314 million | $158 million |
| 1.5% Increase | $168 million | $370 million | $102 million |
| 2.0% Increase | $224 million | $426 million | $46 million |

# Closing and discussion

# STAFF REPORT

| | |
|---|---|
| TO | City Council |
| SERVICE AREA | Corporate Services, Finance |
| DATE | December 9, 2015 |
| **SUBJECT** | **Infrastructure Environment and Funding Options** |
| REPORT NUMBER | CS-2015-101 |

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

Many municipalities, including Guelph, are facing significant infrastructure deficits and funding gaps. This report provides an overview of the environment as it relates to potential infrastructure funding. Further, the report outlines a number of funding options currently being used in other jurisdictions as "best practices".

### KEY FINDINGS

The report outlines a number of options available, but not limited to, addressing infrastructure funding as follows:

- Capital Fee Surcharges
- Utilization of Assessment Growth
- New Assets
- Effective Use of Debt
- Portfolio Approaches to Reserves
- Dividend Income
- Special Levies

At this time, if asked, senior management would recommend the implementation of a 2.0% infrastructure levy over a ten year period.

### FINANCIAL IMPLICATIONS

There are no financial implications to this report. If the infrastructure levy were introduced in 2016, the ongoing impacts at various annual rates and durations are outlined under the "Funding Options" section of this report.

### ACTION REQUIRED

That Report No. CS-2015-101 entitled Infrastructure Environment and Funding Options be received for information.

## RECOMMENDATION

That Report No. CS-2015-101 entitled Infrastructure Environment and Funding Options be received for information.

## BACKGROUND

### External and Internal Environment

The Association of Municipalities Ontario (AMO) through their What's Next Ontario municipal engagement strategy has reported that infrastructure is the number one concern among their member municipalities. Specifically, the document speaks to the upgrading of existing facilities and assets and the replacement of aging bridges, roads, and water and wastewater facilities.

AMO has estimated that if all other municipal revenues remain stable and services are unchanged, property taxes will need to increase by 4.51% for the next ten years to maintain current standards and service levels. Further, to address the estimated $60 billion infrastructure investment gap facing municipalities, an additional annual increase of 3.84% will be required to 2025.

The prevailing opinion among those surveyed was that the 9% (closer to 6% after removing the provincial education portion of the levy) municipal share of existing taxation in Ontario is too low. With respect to infrastructure the following suggestions were made:

- A municipal sales tax which could be coordinated at the provincial level and then allocated to dedicated infrastructure funding.
- The dedication of 1% of the HST to municipal priorities.
- The allocation of 1% of provincial gas tax revenues towards climate change initiatives and developing more resilient infrastructure.

The Federation of Canadian Municipalities (FCM) recently endorsed a proposal for an increase in the amount of dedicated federal funding for core municipal infrastructure (roads, bridges, transit; other municipal transportation infrastructure; water, wastewater and storm water infrastructure) by $1.5 billion annually through a predictable mechanism like the Gas Tax Fund.

In their election platform the Liberal party committed to the following: "near the end of the fiscal year, we will automatically transfer any uncommitted federal infrastructure funds to municipalities, through a temporary top-up of the Gas Tax Fund. This will ensure that no committed infrastructure money is allowed to lapse, but is instead always invested in our communities."

In anticipation of a potential new source of funding from senior levels of government, staff in Guelph has prepared a comprehensive inventory of projects, using a variety of criteria (or lenses) that could be considered should infrastructure funding become available.

In the City of Guelph Report dated October 29, 2015 and entitled 2015 Infrastructure Scorecard, the annual combined infrastructure funding gap is estimated at $23.3 million. Further, there is an estimated infrastructure backlog of $165.2 million for water, wastewater, storm water and transportation assets that have reached the end of their lifecycle.

The staff report is consistent with the recent findings of BMA in their Financial Condition Assessment Report. BMA was engaged to perform a review of existing financial policies for debt, reserves, asset management, capital; and a review of major reserve/reserve fund groups. Further, an analysis of capital requirements to identify infrastructure gaps and possible solutions that can be implemented to fill the gaps also formed part of the financial analysis.

BMA has recommended that the city develop a comprehensive asset management plan that combines engineering principles with sound business practices and economic theory. Such a plan would provide tools to facilitate a more organized, logical approach to decision making for the replacement/refurbishment of tangible capital assets. It was further recommended, that the City develop a comprehensive asset management plan that is integrated with the long-term strategic financial plan and all related corporate policies (e.g. corporate reserve policies, budget policies and debt policies), and incorporate replacement programs with growth programs as well as City building programs and initiatives.

Included in the 2016 budget expansion package is a request for two additional staff responsible for the development and implementation of a comprehensive Asset Management Plan (AMP). Specifically the two Corporate Asset Management positions will:

- establish measurable service standards for all City assets;
- improve quantification and understanding of the City's current infrastructure funding deficit;
- in concert with departmental staff develop long-term funding strategies to address the funding deficit and ensure continued viability of the City's key infrastructure;
- recommend the maintenance, repair and replacement of City assets while meeting established service standards, minimizing total lifecycle costs and reducing corporate risk, and
- introduce industry best practices and standardized approaches to asset management in order to deliver infrastructure effectively and efficiently.

The undertaking of this work is timely and necessary, given that the Municipal Funding Agreement for the transfer of Federal Gas tax funds requires recipients to develop and implement an asset management plan prior to December 31, 2016. Failure to do so, could put the approximately $7 million of annual funding that Guelph currently receives at risk.

## Review of Work Done to Date

Significant work has already been undertaken with respect to attempting to quantify various aspects of the infrastructure gap and/or seeking mechanisms to provide funding.

### Storm Water Funding

A growing number of municipalities have chosen to review and implement alternative funding resources for storm water infrastructure other than the traditional tax based approach that is done in most communities. Guelph is currently undertaking a Storm Water Funding Study that is reviewing various options to fund storm water infrastructure.

Council received a presentation on Monday, October 26, 2015 on the Storm Water Funding Study and as previously noted, an Information Report dated October 29, 2015 with respect to the 2015 Infrastructure Scorecard. Both the presentation and the information report highlighted the funding needs for storm water assets with respect to a sustainable funding level, funding gap and infrastructure backlog. The 2015 Infrastructure Scorecard and associated background work indicates that storm water system assets were currently funded in 2015 at only 21% of the annual sustainable funding level and that an annual funding gap of $5.9 million and an infrastructure replacement backlog of $32.4 million currently exists for storm water assets.

The current mechanism to fund storm water management program activities is through the existing tax base that is offset with some federal gas tax grant funding. The difficulty with this approach is that property taxes are not a dedicated or stable funding source and based on the funding study findings, is not equitable with respect to overall use of the storm water system. Further, tax exempt properties do not contribute to the storm water program. An alternative funding source for storm water would also allow for the allocation of additional gas tax funding to transportation system assets. Doing so would facilitate an integrated approach to addressing linear (water, wastewater, transportation, storm water) infrastructure renewal projects.

Some of the advantages of taking a user fee based approach are that:

- it provides a dedicated and sustainable source of funding;
- it can be more fair and equitable based on runoff contribution;
- it could provide a credit program that allows for incentives to property owners to reduce their storm water runoff and pollutant discharge;
- it can be a mechanism to ensure that privately owned storm water facilities are well maintained, and
- it can enable the City to influence development trends that are in line with storm water management goals and objectives.

However, depending on the approach taken, additional implementation and administrative costs may result.

As noted, Guelph is currently exploring funding options in the Storm Water Funding Study and next steps include further consultation through a stakeholder advisory group meeting, and a public open house in the 4$^{th}$ quarter of 2015; with a staff report scheduled to come to committee and Council early in 2016.

**Downtown Levy**

During 2013 and 2014, the Enterprise group through Downtown Renewal lead a discussion about improved coordination of investment planning to support long term city-building initiatives. The discussion was prompted by the need to move beyond the initial implementation of the Downtown Secondary Plan – activating the so called 'low hanging fruit' – into the longer term and more complex initiatives that will sustain investment and economic development momentum beyond the initial five year horizon.

The 'next level' of infrastructure for Downtown is a series of interconnected projects that will only be successful with consistent effort and a longer term approach to reliable and predictable funding. The investments required are both in hard and soft services (Parking, Streetscape, Library, CIP Programs, etc.) and have built-in dependencies on private sector and upper level of government confidence and partnership. Through a series of presentations to Council (November 25, 2013, February 26, 2014) Enterprise outlined the projects, timelines, interconnected nature and critical path that provided a roughly 10 year window on an investment program.

Initially the program took the label 'Guelph Economic Investment Fund', or GEIF, which proposed to talk about a dedicated investment fund with economic parameters to filter access - and that the Downtown program was the early candidate. This program was modeled on Kitchener's very successful 2003 Economic Development Investment Fund (EDIF) which coordinated a ten year approach to transforming their downtown around the innovation sectors. Kitchener's EDIF was a 1% tax dedication to partially fund a $110 million ten year plan. The 1% per year dedicated tax levy accounted for $21 million. The other $89 million was obtained through an accumulation of an additional $8.9 million per year in debt for ten years. While Guelph staff did undertake a financial model and developed scenarios and impacts around creating a fund, the direction evolved into the 'Enterprise Framework' for which future investment priorities would be tracked and presented as 'investment ready' once certain criteria had been reached.

In a scan of other cities, it is noted that the special levy approach has been utilized not just for marquee projects (City of Kitchener) but also for addressing long-term ongoing infrastructure deficits (City of Mississauga).

## Infrastructure Renewal Methods

### Capital Fee Surcharges

In this option, a capital surcharge is added on to fees required to use various City owned facilities such as recreation centres, parks, entertainment venues. The disadvantage of such an approach is that it is often perceived by the public as just another fee increase.

In 2011, the Town of Whitby adopted a capital surcharge of $25.00/hour and $9.00/hour for ice and floor rentals respectively to offset the ongoing and future capital maintenance requirements of the arena facilities. The collection of the ice and floor surcharge represented approximately $580,000 annually. This was used to partially offset the ongoing capital requirement to maintain the Town's arena facilities to the current standard. If these funds were not collected from the ice and floor user groups, then the full cost of the capital maintenance of the arena facilities would have been funded by the general taxpayer, resulting in an additional tax increase. Capital budget forecasts at that time identified an average annual cost of approximately $700,000 for the first five years to undertake the various capital improvements, lifecycle maintenance and equipment replacement projects for these facilities.

### Utilization of Assessment Growth

An approach taken by some municipalities is to use the annual incremental tax revenue generated as a result of assessment growth as a source of funding for capital projects. With this option, additional assessment growth is used each year, not to reduce the overall tax levy increase to the public, but to fund infrastructure renewal. One of the challenges is that the annual contribution may not be stable as it is dependent on the amount of new construction and growth within the community. Ultimately though, the reallocation of any new assessment growth will lead to a higher base tax levy increase.

**New Assets**

A number of municipalities have established a policy whereby as new assets are acquired, a contribution to the Capital Reserve and Reserve Funds will be made based on the annual amortization and lifecycle costing. The advantage of this approach is that new assets will not cause the infrastructure gap to grow; however, it does not address the existing infrastructure funding gap. This is the practice in the City of Burlington and the City of Mississauga.

**Effective Use of Debt**

Debt in Guelph is well below the City's guideline of repayment of 10% of own source revenues and the provincial maximum of 25% of own source revenues. Recognizing that capacity exists to use long-term debt as an interim financial measure, the 2016 capital budget proposes that 5% be funded from debt. In their recent report BMA recommended against the use of debt funding for lifecycle issues, thereby highlighting the importance of the future findings coming out of the Asset Management Plan and Long-Term Financial Plan.

**Portfolio Approaches to Reserves**

Under this option, reserves are pooled together to mitigate the risk and financial volatility that can be experienced by individual reserves. Acknowledging that Guelph has far too many reserves without clear criteria, a consolidation of reserves project was well underway at the time of the BMA review. The outcome of this review will be a better matching of reserve fund balances to the specific needs of the City and will provide additional flexibility to address priority projects.

**Dividend Income**

The Town of Milton receives an annual dividend of $0.75 million for its shares in Milton Hydro. From 2009 the Town received an additional $0.75 million in annual dividends which Council approved for the renewal and rehabilitation of existing infrastructure. The incremental dividend in the 2015 budget has been estimated at $0.25 million and has also been allocated to projects for the renewal and rehabilitation of assets.

In 2013 the County of Norfolk finalized the sale of their hydro utility to Hydro One. The net proceeds of that sale of approximately $68 million were the basis for the Norfolk Hydro Legacy Fund. The fund is designed to generate an annual indexed contribution to capital projects, while ensuring the preservation of the initial investment.

In 2016, as has been the case for a number of years the City of Guelph anticipates an annual dividend of $1.5 million from Guelph Municipal Holdings Inc. as a result of their ownership and ongoing operation of Guelph Hydro. Currently, that annual dividend is allocated in full to the operating budget.

**Special Levies**

Several municipalities have established Special Infrastructure Levies. This option provides for a dedicated source of infrastructure funding. This also creates discipline in the budget process, ensuring that contributions are made to capital replacement. These levies typically compound annually resulting in a significant opportunity to reduce the gap.

The City of Mississauga established a special Capital and Debt Levy of 2% of the prior year's levy to assist in addressing the city's infrastructure needs. On average 1% of the levy increase will be allocated to the city's tax capital reserve with the other 1% being used to pay for debt servicing costs related to capital replacement projects.

The City of Thunder Bay Council approved the Enhanced Infrastructure Renewal Program (EIRP). Beginning in 2012, the EIRP was integrated into the budget process to address ongoing capital needs through incremental and dedicated property tax increases. By 2014, the gap between the amount of funding required to implement the City's asset management plan and annual capital spending is expected to have been reduced by approximately 60%.

The City of Burlington had a dedicated infrastructure renewal levy of 0.5% which was increased to 0.75% in 2015. Over a period of approximately 10 years, this generated $43 million for infrastructure renewal.

At varying levels, this is the practice in the City of Vaughan, the City of Barrie, the City of Hamilton, the Town of Oakville and the Town of Halton Hills.

**Annual Capital Levy**

Inasmuch as the City is well into the budget process it is anticipated that additional capital levy requirements for 2016 are considered independent of the direction that may be adopted in the proposed Capital Funding Policy for 2017 and the future. That said, while the amount of the infrastructure gap facing the City is currently an unrefined estimate, the existence of that gap is a certainty.

Accordingly, an initial contribution to the "Infrastructure Renewal Reserve" is contemplated. Further delay will only exacerbate the magnitude of the infrastructure gap. Initiating a capital contribution for infrastructure renewal would provide a more seamless adoption of future measures considered with respect to ongoing capital funding.

Further, staff will develop a policy in advance of the 2017 budget cycle that builds on the 20% Tax Supported Capital Guideline, as approved in July of 2008. The **Capital Funding Policy** can be developed with support of the newly implemented Asset Management Office and will complement the work being done with respect to reserves and reserve funds, as noted previously.

A long-term Asset Management Plan (AMP) is a crucial component of the Long-Term Financial Plan (LTFP). The City's investment in tangible capital assets is significant. This underscores the need for long-term financial planning to accommodate the eventual replacement of these assets.

A LTFP provides financial projections and recommendations in support of the strategic issues identified by Council. It assists with future financial decision making. The preparation of a financial plan involves the identification of future opportunities and challenges and the creation of strategies to meet evolving needs. Long-term financial planning is a thorough, detailed process that requires research, financial analysis and forecasting.

The AMP and LTFP will provide the City with the information required to respond to capital infrastructure replacement needs and will ensure prudent capital asset management. The AMP and LTFP must be revised annually to reflect new or retired assets and to reflect changes in estimated replacement costs.

An annual capital levy is comprised of two parts:

1) Unrestricted Use
    - Annual transfer from operating to capital tax reserve(s), independent of specific project timing
    - Can be used to fund City Building, Growth or Infrastructure Renewal and /or associated debt obligations

2) Dedicated to Infrastructure Renewal
    - Annual transfer from operating to an "Infrastructure Renewal Reserve", independent of specific project timing

Going forward, to ensure that a sustainable level of funding is dedicated to infrastructure renewal, guidelines should be established regarding the annual transfer from operating to capital, both in terms of total % of the net tax levy and the portion of the transfer dedicated to infrastructure renewal. Based on current estimates of funding required to replace existing infrastructure a minimum of 25%

of the net tax levy would need to be directed to capital; and of that transfer a minimum of 75% - 85% should be dedicated to infrastructure renewal.

The implementation of a capital levy for 2016 would result in the following funding:

- .5% = $1.049 million
- 1.0% = $2.099 million
- 1.5% = $3.148 million
- 2.0% = $4.198 million

**Funding Models**

Staff has provided preliminary calculations with respect to the addition of the dedicated Infrastructure Levy if it were to commence in 2016 as outlined below.

The calculations used in these models make the following assumptions:

- The current tax funded contribution to the unrestricted use tax capital reserves will be maintained at the current 15.24% of the levy over the term of the escalating contribution to the dedicated infrastructure reserve.
- The Dedicated Infrastructure Levy would commence in 2016
- Annual Base Levy Increase (Assessment & Annual) is 5.00%
- Amount of Dedicated Levy is variable between 0.5% and 2.0% as above
- The number of years that dedicated levy would be in place varies from 5 to 10 years

Total Amount of Funding Contributed towards Infrastructure Renewal (while the dedicated Infrastructure Levy is being collected during 5 or 10 years):

**Total During Period ($)**

| | | Years | | |
|---|---|---|---|---|
| | | **1** | **5** | **10** |
| Levy Rate | **0.50%** | 1,049,486 | 16,941,293 | 68,277,716 |
| | **1.00%** | 2,098,972 | 34,102,934 | 138,529,677 |
| | **1.50%** | 3,148,458 | 51,487,359 | 210,813,998 |
| | **2.00%** | 4,197,945 | 69,097,026 | 285,190,404 |

**Conclusion**

Staff will continue to explore the various options available to provide dedicated funding for infrastructure. At this time, if asked, senior management would recommend the implementation of a 2.0% infrastructure levy over a ten year period.

## CORPORATE STRATEGIC PLAN

**Innovation in Local Government**
Deliver public services better

**City Building**
Be economically viable, resilient, diverse and attractive for business.

## DEPARTMENTAL CONSULTATION
Executive Team.
Engineering and Capital Infrastructure

## FINANCIAL IMPLICATIONS
There are no financial implications to this report. However, the report could impact how staff approaches budget and policy development.

## COMMUNICATIONS
**N/A**

## ATTACHMENTS
**N/A**

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# Staff Report

| | |
|---|---|
| To | City Council |
| Service Area | Corporate Services |
| Date | Thursday, November 3, 2016 |
| **Subject** | **Financial Implications of City Building Projects on the Capital Budget** |
| Report Number | CS-2016-81 |

## Recommendation

1. That Report No. CS-2016-81 titled 'Financial Implications of City Building Projects on the Capital Budget' be received and that Phase 1 of the South End Community Centre as discussed on page 4 of this report be referred to the December 7, 2016 Council Budget deliberation meeting.

2. That discussion on Phase 2 of the South End Community Centre and projects related to the Downtown Secondary Plan including the Library be referred to workshops to be held in Q1 of 2017.

## Executive Summary

### Purpose of Report

To provide an overview of City Building projects and highlight the financial implications on the City's Capital Budget. The report primarily focuses on the South End Community Centre and projects related to the Downtown Secondary Plan which includes the Library.

### Key Findings

- In developing the City of Guelph's tax supported capital budget, projects are categorized into infrastructure renewal, growth and city building.

- During the development of the budget and forecast, any projects that would be classified as City Building appear in the 2018 -2026 forecast but these projects are not fully funded. If Council supports them, funding will be required and the requirements will either impact the budget presented to Council in future capital budgets or staff will need to do further work in 2017 to present options, for example, removal, reduction or deferral of significant funding for other projects in order to accommodate the two large programs of work referenced above

- It is anticipated that should Council chose to proceed with construction of a South End Community Centre and the Main Library, a City Building levy of approximately 0.5% of the net tax levy would be required over a 10-year period. This would be required in addition to the infrastructure renewal levy being requested.

- City Building projects can be defined as the expansion or purchase of a capital asset to provide a higher level of service to the community, providing the same service to more existing residents or businesses or adding a new service. The quality and/or quantity of service provided increases due to the work completed or purchase made.

- For the City of Guelph, the total value of City Building projects appearing within the 2018-2026 capital budget and forecast is $120M, of which the majority of these dollars relate to the South End Community Centre and projects included within the Downtown Secondary Plan.

- Staff are recommending that workshops be held in Q1 of 2017 to discuss Downtown Secondary Planning projects and the South End Community Centre in greater detail.

## Financial Implications

In the 2017 – 2026 capital budget and forecast, the total amount of City Building projects is estimated to be $120M, with the South End Community Centre and projects related to the implementation of the Downtown Secondary Plan making up the majority of the cost. These projects are appearing within the 2018-2026 capital forecast but are unfunded because while City staff still recognize the need for these key projects, the City does not have sufficient funding available to pay for these projects. As mentioned above, the estimate cost of the South End Community Centre is expected to be approximately $60 million total, of which 10% or $6 million is City Building, and projects related to the Downtown Secondary Plan, including the Main Library, Wellington Park, and enhancements to St. Georges' Square are expected to cost in excess of $145 million, of which 42% or $61 million is City Building.

In terms of funding these key City Building projects, the City has the option of accessing primary funding sources such as development charges and tax and rate supported funding and secondary funding sources such as donations and partner contributions.

## Report

In developing the City of Guelph's tax supported capital budget, projects are categorized into the following categories:

- Infrastructure Renewal,
- Growth,
- City Building.

The 2017 capital budget process develop a balanced, fully funded budget that addressed the needs of taking care of its existing infrastructure assets in a way that is affordable and sustainable. During the development of the budget and forecast, any projects that would be classified as City Building appear in the forecast but these projects are not fully funded. If Council supports them, additional funding requirements will also have to be supported these may either impact the budget presented to Council or staff will need to do further work in 2017 to present options.

City Building projects can be defined as the expansion or purchase of a capital asset to provide a higher level of service to the community, providing the same service to additional residents or businesses or adding a new service. For the City of Guelph, the total value of City Building projects appearing within the 2017-2026 capital budget and forecast is $120M, of which the majority of these dollars relate to the South End Community Centre and projects included within the Downtown Secondary Plan including the Library, these are not fully funded.

The balance of this report will focus on providing information related to the background, status and financial implications related to the South End Community Centre, and the Downtown Secondary Plan capital projects.

**South End Community Centre**

The need for a South End Community Centre has been identified by the public as a priority build for a number of years. This need has been well documented within the Draft 2009 Parks and Recreation Master Plan and within the 2014 Recreation Facility Needs Assessment Feasibility study.

In June 2014, Council was presented with the results of the feasibility study which re-affirmed both the immediate recreation facility needs, and the future needs in the south end study area, while also addressing city-wide needs.

At that time, Council fully endorsed the staff recommendation that the location for the South End Community Centre be on the existing City owned lands located immediately south of Bishop MacDonell High School on Poppy Drive, off of Clair Road. Council also endorsed the recommendation that the facility be approximately 150,000 square feet, and the primary programming components would be two ice pads, an aquatic facility, senior's programming space, a multi-purpose gymnasium, program/meeting rooms and administration spaces.

After endorsing in June 2014 the site location and programming elements for a South End Community Centre, Council directed that staff were to continue discussions with potential partner organizations and report back on the progress of these discussions. Accordingly, staff issued an expression of interest for partnerships for the proposed South End Community Centre. Nine respondents were received with a variety of operating models presented. Staff conducted an internal review of the submissions, and also contracted Sierra Consulting to do an overall review of the submissions to evaluate potential viability.

Staff have not seen demonstration that there is a viable partner available who would take on the capital costs of building a facility of this nature that fully met the identified needs of the community. However, based on the submissions received, and in consultation with Sierra Consulting, there may be viable partnerships that would be more appropriately tied to operations of the facility – for example, working with a private commercial entity to operate a food concession.

While there is no funding currently in the 2017 capital budget, it is important for the City to move this project through to the detailed design phase. Until this detailed design work is completed, the project is not "shovel ready" and therefore would not be eligible to be considered for future infrastructure funding opportunities.

Financial Implications – South End Community Center

It is proposed that the overall project will be divided into two distinct phases:

> **Phase One:** Acquire the $3.6M funding needed to retain an architect and consulting services to move this project though to detail design. This amount is derived from $684k in tax supported funding and $2.9M from Development Charges.
>
> **Phase Two:** Once the detail design phase is completed and with a full costing report, Council will be in the position to consider funding options to assist with the remaining portion of the expected $56.4M overall cost of which a$11.4M is not eligible for funding through DCs.

Based on the Council approved 2013 Development Charge Background Study, should this project be approved and alternative funding programs not be available, the following funding allocations would be applied:

- Tax Supported Funding: $11.4 M
- Development Charge Funding: $48.6 M
- Total Project Cost: $60.0 M

For information, the projected year-end balance in the Indoor Recreation DC reserve fund as of December 31, 2016 is $11.3 M. Since there would be insufficient funding in the DC reserve fund to pay for the construction portion of the project that is DC funded, the remaining money would come from development charge supported debt.

## Downtown Secondary Plan

The Downtown Secondary Plan is a comprehensive vision for revitalizing downtown Guelph up to 2031. The Plan addresses the requirements of both municipal and provincial growth plans by planning for increased residential development to complement continued commercial and employment growth and cultural activities in the downtown core and specifically includes the building of a library .

In 2012 Guelph City Council approved '*Envision Guelph Downtown: Downtown Secondary Plan Amendment',* which is also referred to as Official Plan Amendment 43, and is now in effect, except for two site specific appeals.

The implementation of the Secondary Plan is complex, requiring the alignment of numerous projects and partnerships between the City, private landowners, institutions, downtown businesses and others. It also requires the coordination of municipal capital budgets and resources amongst numerous City departments.

At its special Council Meeting of November 15th, 2015 Guelph City Council passed the following resolution which has tasked BDE to create a strategic framework between the various City departments and non-government entities:

*'That staff be directed to develop a Downtown Implementation Strategy Framework for Council.'*

In response to this direction staff from BDE, Planning, Engineering, Parks, as well as the Project Management Office have commenced mapping all of the downtown secondary plan initiatives and their respective dependencies. While it is staff's intention to present this information to Council at a Q1 2017 workshop, preliminary findings suggest the following:

- The majority of projects are complex in nature, and will require the strategic alignment of supporting projects for them to be implemented;
- The majority of projects are multi-year in nature, and will require significant municipal resources (financial, technical and staff), which are not currently available. This suggests the unlikely delivery of all of the downtown projects within a 10 year horizon; and
- The large number of planned projects suggest the need to extend the implementation horizon beyond 10 years. This will help to better mitigate the construction logistic issues that will be created for downtown visitors, residents and businesses over a reasonable period of time.

It is with the above in mind that staff will be presenting to Council the downtown project mapping, in a workshop setting. The purpose of this workshop will be to inform Council of the various complexities involved in delivering projects, as well as to start to obtain input from Council with respect to the setting of priorities. The information that will come out of this workshop will greatly assist staff to further frame a Downtown Implementation Strategy. The setting of priorities will also help to establish a more reasonable timeframe for the implementation of the downtown strategy.

Financial Implications – Downtown Secondary Plan

To date the 10 year capital forecast has identified approximately $145.8M worth of investment that will be required to address such items as infrastructure rehabilitation and upgrading, public space and amenities, public parking, as well as a new public library. Currently the capital forecast contemplates the funding sources to come from:

- Grants: $3.3M
- Developer & Partner Contributions: $7.6M
- Development Charges: $19.7M
- Tax Funded: $103.7M
- Rate Funded: $11.5M

Of the over $145.8M of projects related to Downtown, approximately $61M meet the definition of City Building.

## Financial Implications

In the 2017 – 2026 capital budget and forecast, the total amount of City Building projects is estimated to be $120M, with the South End Community Centre and projects related to the implementation of the Downtown Secondary Plan making up the majority of the cost. These projects are appearing outside of the recommended budget, because while City staff I recognize the need for these key projects, the City does not have sufficient funding available to pay for these projects. As mentioned above, the estimate cost of the South End Community Centre is expected to be approximately $60.0 million and projects related to the Downtown Secondary Plan, including the Main Library, Wellington Park, and enhancements to St. Georges' Square are expected to cost in excess of $145 million.

In terms of funding these key City Building projects including those listed above, the City has the following options:

Primary Funding Sources

- Development Charges (DC) are available to partially fund the South End Recreation Centre and several of the projects identified for the downtown due to identification in the City's 2013 Development Charge Background Study. However, due to several factors, including slower than anticipated growth and large post-period benefits associated with projects such as the Community Centre and Main Library, there are not sufficient funds available in the respective DC Reserve Funds at this time to cover the cost of the project eligible to be funded by DC's. An alternative would be to fund the DC eligible amount that cannot be funded through the reserve funds from DC

Debt. Any debt financing would need to be considered within the constraints outlined in the City's Council approved Debt Policy, and paid from future DC's

- Tax Supported Funding for sizable projects such as the South End Community Centre and Main Library would need to be funded through debt, as accommodated under the City's Debt Policy, or through the implementation of a City Building levy that would raise funds for these projects over a defined period of time. Should Council chose to fund a South End Community Centre and a Main Library through a special levy, a levy of 0.5% compounded over 10-years would be required. This would need to be in addition to the infrastructure renewal levy being requested. While the City currently has capacity within its self-imposed debt ratios to fund, doing so would impact the City's ability to pay back the debt and fund a significant portion of other projects as the repayment would reduce the amount of funding available for other capital projects.
- Alternatively, City Building projects that are not quite as substantial could be considered in future capital projects.

Secondary Funding Sources

- External Funding in the form of partner contributions, donations, etc. This form of funding often cannot be substantiated and is difficult to incorporate into the project budget due to its uncertainty. However, experiences at other municipalities show that large community projects such as main libraries are often able to secure partial funding in the form of donations.
- Funding from other levels of government. This form of funding often requires that the project be in a shovel ready state, meaning that some initial investment needs to have been made by the municipality in order to get it to this stage. In addition, funding from other levels of requirement usually requires the municipality to provide some level of matching funds. The City does not currently have adequate funding available in the Capital Asset Renewal Reserve Fund to provide matching funds for projects of the magnitude of the South End Community Centre and Main Library.

## Corporate Strategic Plan

2.1 Build an adaptive environment for government innovation to ensure fiscal and service sustainability.

2.3 Ensure accountability, transparency and engagement.

## Communications

Communications staff have reviewed this report and incorporated messaging into the 2017-2026 Tax Supported Capital Budget and Forecast.

**Attachments**
None

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