



REPORT FIN-2020-037

TO: Mayor and Members of Council

FROM: Mary Hasan, Director of Finance/Treasurer

MEETING DATE: October 28, 2020

SUBJECT: 2021 Proposed Capital Budget
File No. F26 CAP and F05 BUD

RECOMMENDATIONS

THAT Report FIN-2020-037 regarding the 2021 Proposed Capital Budget be received; and

That Council approves funding of \$_____ to be allocated to the Gravel Roads Improvement Discretionary Reserve in 2021; and

That the previous amounts budgeted in 2018 for a Municipal Class Environmental Assessment – Municipal Water and Wastewater of \$87,500 be _____; and

That the previous amounts budgeted in 2018 and 2019 related to New Flooring in the Municipal Office no longer be funded until such time as a Space Needs Analysis is completed for the Municipal Office.

DISCUSSION

Purpose

The purpose of this report is to provide Council with information regarding the 2021 Proposed Capital Budget.

The 2018 to 2030 Capital Plan Summaries including the 2021 Capital Budget Sheets are included as Schedule A to Report FIN-2020-037. The Projects by Year for each department with total budgeted costs is included as Schedule B to Report FIN-2020-037.

The 2020 completed capital projects and the balances in discretionary and restricted reserves over the forecast period will be presented at a future Council Meeting.

Background

The senior leadership team was provided with the budget model to complete their capital budgets in August 2020. The senior leadership team met to discuss the proposed capital budgets corporately prior to reporting to Council.

Current Tax Levy Impact

Based on the 2020 returned assessment roll, approximately each additional \$43,000 of taxes levied results in a 1% tax rate increase for the Township portion of taxes.

Outlined below is the proposed tax levy for capital purposes in 2021 of \$1,513,766. The estimated tax rate impact to capital is a 1.66% tax rate increase based on the 2020 returned assessment roll. Assessment growth will be factored in once the Township obtains the 2021 roll return in December.

	2020 Approved Capital Budget	2021 Proposed Capital Budget	Difference	Estimated Tax Rate Impact
Total Capital Taxation Levy	\$1,442,416	\$1,513,766	\$71,350	1.66%

Summarized below are the proposed capital items to be funded from the capital tax levy:

Department	Classification	Description of Item	Amount	Notes (ie. other funding sources)
Corporate	New Asset	Used Scissor Lift	\$7,500	
Corporate	Reserve Contribution	Asset Management (AM) Discretionary Reserve	\$1,426,416	See Section Below – Discretionary Reserves
Corporate	Reserve Contribution	Corporate Information Technology	\$10,000	See Section Below – Discretionary Reserves
Municipal Office	Study/Plan	Space Needs Analysis	\$1,350	Building Reserve - \$3,150 2020 Capital Carry forward of \$15,500
Public Works	Study/Plan	Bridge and Culvert Inspections - 2021	\$7,500	
Public Works	Study/Plan	Transportation Master Plan including Condition Index Updates	\$30,000	Administrative Studies DC - \$45,000
Public Works	Study/Plan	Storm Water Management Pond Inspections	\$5,000	
Public Works	Study/Plan	Storm Sewer Inspections and Cleaning	\$10,000	
Public Works	Study/Plan	Carroll Pond & Lesic Jassal Municipal Drain - Closed Circuit Television Inspection	\$16,000	
Proposed Tax Levy			\$1,513,766	

Gravel Roads Improvement Discretionary Reserve

The Township established a Gravel Roads Improvement Discretionary Reserve for the purpose of improving the Township's gravel roads as authorized by Council at its January 2, 2020 Budget Meeting. This was passed through By-law No. 007-2020.

The January 2, 2020 Council Budget Meeting Minutes indicate the following:

- That a discretionary reserve be established for the improvement of gravel roads and that an amount of \$114,300 be allocated in 2020.
- That the gravel roads improvement discretionary reserve can be used for paving and/or maintenance of gravel roads.

The 2021 base capital budget as presented in Report FIN-2020-037 does not include tax levy funding to be contributed to the Gravel Roads Improvement Discretionary Reserve. Township

staff are seeking Council's direction as to whether an additional amount of tax levy funding should be contributed to the Gravel Roads Improvement Discretionary Reserve in 2021.

Municipal Class Environmental Assessment (EA) – Municipal Water and Wastewater

As part of the 2018 Capital Budget, an amount of \$350,000 was included in the budget for a Municipal Class EA – Municipal Water and Wastewater. The completion of the project was contingent on receipt of third party funding. The funding associated with this project as approved in the 2018 Capital Budget is outlined below:

- \$262,500 – Third Party Funding
- \$87,500 – Tax Levy Funding

Council Resolution No. 2019-335 noted that staff are to report back if third party funding becomes available for an EA and the capital costs associated with construction. Staff are not aware of any grant funding opportunities or other third party funding opportunities associated with these works.

Township staff are seeking Council's direction as to whether the \$87,500 of tax levy funding raised in 2018 should be carried forward to 2021 or be re-allocated to the AM Discretionary Reserve for the purpose of meeting future asset management obligations.

New Flooring in the Municipal Office

It is staff's recommendation that the capital carry-forward amounts budgeted in 2018 and 2019 related to New Flooring in the Municipal Office no longer be funded until such time as a Space Needs Analysis is completed for the Municipal Office. The funding associated with this project is outlined below:

- 2018
 - AM Discretionary Reserve - \$5,119
 - Building Surplus Reserve - \$2,194
- 2019
 - AM Discretionary Reserve - \$7,000
 - Building Surplus Reserve - \$3,000

Discretionary Reserves

The Township passed By-law No. 007-2020 to establish and maintain discretionary reserves for the purpose of meeting various liabilities and/or the stabilization of the tax levy.

Outlined below are the previous approved budgeted contributions to discretionary reserves:

Year	Capital Discretionary	Operating Discretionary	Total
2013	\$100,000	\$0	\$100,000
2014	\$328,500	\$19,000	\$347,500
2015	\$208,500	\$24,000	\$232,500
2016	\$0	\$37,144	\$37,144
2017	\$190,500	\$22,787	\$213,287
2018	\$0	\$361,100	\$361,100
2019	\$271,000	\$88,750	\$359,750
2020	\$1,573,066	88,750	\$1,661,816
2021 – Proposed	\$1,676,416 – Note A	To be determined	To be determined

Note A – This amount includes the transfer of \$240K for the Aggregate Levy from operating funds to capital discretionary reserves for the purpose of funding Public Works repaving projects in 2021.

Please note, 100% of the costs related to asset replacement projects in the Capital Budget and Forecast are funded from the AM Discretionary Reserve as opposed to the Tax Levy resulting in a greater need to contribute more funds to the AM Discretionary Reserve in order to address the Township's infrastructure deficit as noted in the 2019 AM Plan.

The 2019 AM Plan recommended that the Township maintain a minimum target balance of \$2.0 million and a maximum target balance of \$4.0 million in its AM Discretionary Reserve.

Outlined in the table below is the total projected balance of the AM Discretionary Reserve as of December 31, 2021:

December 31 ,2019 Audited Balance	\$2,884,336
Add: 2020 Budgeted Contributions to AM Discretionary Reserve	\$1,208,766
Add: 2019 Surplus Allocation to AM Discretionary Reserve	\$542,282
Less: 2018 to 2020 Approved Capital Projects funded by AM Discretionary Reserve	-(\$1,784,209)
Total Projected Balance as of December 31, 2020	\$2,851,175
Less: 2021 Pre-budget approvals – 2 Tandem Dump Trucks in Public Works funded by AM Discretionary Reserve	-(\$630,000)
Less: 2021 Proposed Capital Projects funded by AM Discretionary Reserve	-(\$814,268)
Add: 2021 Proposed Budget Contributions to AM Discretionary Reserve	\$1,426,416
Total Projected Balance as of December 31, 2021	\$2,833,323

As outlined in the table above, the projected balance as of December 31, 2021 is within the \$2.0 million to \$4.0 million target.

Township staff will provide the projected balance in the AM Discretionary Reserve for the forecast period (ie. to 2030) at a future budget meeting.

2020 Surplus Allocation

Council Resolution No. 2019-347 stated that “Council allocate all budget surpluses to the Township’s AM Discretionary Reserve for the purpose of meeting future asset management obligations.”

Both the 2018 and 2019 general surpluses were fully allocated to the AM Discretionary Reserve.

Similar to previous years, Township staff will provide Council with a general status report on the surplus/deficit as of December 31, 2020 based on the results of the 2020 audit in March of 2021.

Cash in Lieu of Parkland

Below is the cash in lieu of parkland collected from 2013 to 2020 year to date:

- 2013 - \$26,008
- 2014 - \$9,726
- 2015 - \$21,665
- 2016 - \$49,574
- 2017 - \$9,000
- 2018 - \$113,455
- 2019 - \$190,280
- 2020 – \$135,000 as of September 23, 2020

Outlined in the table below is the total projected balance of the Cash in Lieu of Parkland Restricted Reserve as of December 31, 2021:

Balance as of September 23, 2020	\$622,135
Less: 2018 to 2020 Approved Capital Projects funded by Cash in Lieu of Parkland Restricted Reserve: <ul style="list-style-type: none"> • Puslinch Community Centre Back Soccer Fields Design and Construction • Fox Run Park Trail 	-\$66,318)
Less: 2021 Proposed Capital Projects funded by Cash in Lieu of Parkland Restricted Reserve: <ul style="list-style-type: none"> • Phase 1 of Parks Master Plan • Replace Lights at Old Morriston Park 	-\$229,779)
Plus: 2021 Estimated Funds Received	\$40,500 Note A
Projected Balance as of December 31, 2021	\$366,538

Note A: Based on discussions with County of Wellington Planning Staff, the number of projected consents from 2021 to 2030 is difficult to predict due to more restrictive Provincial policy and the fact that eligible properties are only allowed 1 consent since 2005. Therefore, Township staff have assumed a conservative estimate of three consents per year in order to estimate the amount of cash in lieu of parkland to be received in future years.

Township staff will provide the projected balance in the cash in lieu of parkland restricted reserve for the forecast period (ie. to 2030) at a future budget meeting.

Development Charges (DC's)

Below are the DC's collected from 2013 to 2020 year to date:

- 2013 - \$241K of which 70% of this amount was for a significant commercial development
- 2014 - \$105K
- 2015 - \$158K
- 2016 - \$248K
- 2017 - \$266K
- 2018 - \$188K
- 2019 - \$256K
- 2020 - \$631K as of August 31, 2020

Please note, the increase in DC's collected in 2020 relates to \$544K collected in DC's for a developer that entered into a development charges credit agreement with the Township in 2012.

Township staff will provide the projected balances in DC restricted reserves for the forecast period (ie. to 2030) at a future budget meeting.

The 2021 proposed projects affecting the current DC balances are outlined below by DC Service Area:

Parks and Recreation Services DC's

Balance as of August 31, 2020	\$56,240
Less: 2019 Approved – Back Soccer Field Design and Fox Run Park Trail Construction	-\$25,679)
Less: 2021 Proposed – Phase 1 of Parks Master Plan	-\$28,758)
Plus: 2021 Estimated Funds Received	\$12,807
Projected Balance as of December 31, 2021	\$14,610

Fire Services DC's

Balance as of August 31, 2020	\$530,950
Less: 2019 Approved – Cost Estimate of a Fully Serviced Fire Station	-\$2,058)
Less: 2021 Proposed – In-depth analysis of all options noted in GM BluePlan's report on the Cost Estimate of a Fully Serviced Fire Station	-\$4,000)
Plus: 2021 Estimated Funds Received	\$26,450
Projected Balance as of December 31, 2021	\$551,342

Roads and Related Services DC's

Balance as of August 31, 2020	\$718,051
Less: 2020 Approved - Concession 1 - Sideroad 20 South to Concession 7 - Repaving	-\$63,634)
Less: 2021 Proposed Projects – Concession 4, McLean Road West, McLean Road East, Gilmour Culvert	-\$137,068)
Plus: 2021 Estimated Funds Received	\$54,424
Projected Balance as of December 31, 2021	\$571,773

Please note that all Township roads projects are eligible to be DC funded at a rate of 13.6% in accordance with the Township's 2019 DC Study.

Administrative Studies DC's

Balance as of August 31, 2020	\$63,254
Less: 2020 Approved:	-\$22,500
• Community Benefits Charge Strategy/Development Charges By-law Amendment/Parkland Dedication By-law Amendment	
• Traffic Count Study	
Less: 2021 Proposed Project – Transportation Master Plan including Condition Index Updates	-\$45,000
Plus: 2021 Estimated Funds Received	\$6,320
Projected Balance as of December 31, 2021	\$2,074

Grants

The Township's major known capital grant funding including amounts per year is outlined below:

Year	Gas Tax	OCIF – Formula Based
2013	\$205,185	Nil
2014	\$209,009	Nil
2015	\$203,528	\$42,878
2016	\$213,704	\$42,878
2017	\$213,704	\$75,822
2018	\$223,880	\$107,836
2019	\$222,547	\$169,421
2019 top-up allocation	\$223,880	N/A
2020	\$222,547	\$168,923
2021	\$232,662	Not known
2022	\$232,662	Not known
2023	\$242,778	Not known

The Township has assumed that the last year of obtaining the Ontario Community Infrastructure Fund (OCIF) – Formula Based funding was 2020 based on correspondence received from the Ministry of Infrastructure dated March 14, 2019. Based on discussions with staff from the Ministry of Infrastructure, an update on the 2021 OCIF formula component has not been provided. Once an update is provided, the 2021 Capital Budget and Forecast will be updated accordingly.

Aggregate Levy Revenue

On an annual basis, a letter and cheque is received from the Ontario Aggregate Resources Corporation which represents the payment of the Township's share of the licence fees collected from aggregate producers within the Township. The amount to be received in 2021 is based on

2020 aggregate production. Outlined below is a summary of the shipments in the Township from 2013 to 2019¹:

Year	Aggregate Shipments - Metric Tonnes
2013	3.5M
2014	3.5M
2015	3.9M
2016	3.5M
2017	4.6M
2018	4.2M
2019 - Preliminary	4.2M
Average	3.9M
2021 \$ per Tonne	\$0.12
2021 Estimated Revenue	\$468,000
Operating Budget – Account No. 01-0015-5310	\$228,000 (amount is the same as 2020 budget)
Public Works Capital Roads Repaving	\$240,000

The recommended funding allocation of the aggregate levy which is calculated at \$0.12 per tonne of production is recommended to remain unchanged from the 2020 budget (ie. that more than half of the aggregate levy fund Public Works capital projects).

Capital Summary – Funding Sources by Year

The Capital Summary – Funding Sources by Year is included as Schedule D to Report FIN-2020-037.

Capital Forecast

The Township's Capital Forecast is prepared taking into consideration the following:

- 2019 Development Charges Study
- 2019 Energy Conservation and Demand Management Plan
- 2015 Recreation and Parks Master Plan
- Parks Master Plan and Recommended Phasing for the Puslinch Community Centre Park
- Master Fire Plan
- Equipment Replacement Schedule (Schedule C to Report FIN-2020-037)
- 2019 Ontario Structure Inspection Manual Report (Bridges and Culverts)
- 2019 Asset Management Plan

¹ <http://www.toarc.com/research/statistics.html>

2021 Capital Budget and Forecast Summary

Below are the previous year capital programs:

- 2013 - \$1.8M
- 2014 – \$2.0M
- 2015 - \$1.5M
- 2016 - \$1.7M
- 2017 - \$1.8M
- 2018 – \$1.6M
- 2019 - \$2.7M
- 2020 - \$5.4M
- 2021 – Proposed - \$4.6M

The 2018 to 2030 Capital Plan Summaries including 2021 Capital Budget Sheets are included as Schedule A to Report FIN-2020-037. The Projects by Year for each department with total budgeted costs is included as Schedule B to Report FIN-2020-037.

FINANCIAL IMPLICATIONS

2021 Proposed Capital Budget Compared to the 2020 and 2019 Approved Capital Budget Funding Comparisons

The total capital projects and contributions to discretionary reserves from 2019 to 2021 (proposed) are outlined below:

- 2021 – Proposed Capital Budget - \$4.6M.
- 2020 – Approved Capital Budget - \$5.4M
- 2019 – Approved Capital Budget – 2.7M

Schedule E to Report FIN-2020-037 provides this information in both chart and graphical format. The information on these pages includes the total capital including the funding sources for the 2019 to 2021 (proposed) capital programs.

Please note that the decrease in the capital program from 2020 to 2021 relates to the following non-recurring grants:

- One-time federal gas tax funding top-up payment of \$224K that was received in 2019 and utilized in the 2020 Public Works capital program.
- Investing in Canada Infrastructure Grant Program for Moyer’s Bridge and McLean Road/Concession 7 of \$866K utilized in the 2020 Public Works capital program.
- OCIF Formula funding of \$169K utilized in the 2020 Public Works capital program.

2021 Proposed Ten Year Plan Compared to the 2020 and 2019 Ten Year Plans

The ten-year plan from 2019 to 2021 (proposed) are outlined below:

- 2021 – Proposed Ten-Year Plan - \$39M ten year total and \$3.9M yearly average
- 2020 – Ten-Year Plan - \$40M ten year total and \$4.0M yearly average
- 2019 – Ten-Year Plan – \$24.4M ten year total and \$2.4M yearly average

Schedule F to Report FIN-2020-037 provides this information in both chart and graphical format.

APPLICABLE LEGISLATION AND REQUIREMENTS

Municipal Act, 2001

ATTACHMENTS

Schedule A: 2018 to 2030 Capital Plan Summary including the 2021 Capital Budget Sheets

Schedule B: Projects by Year – 2018 to 2030

Schedule C – Equipment Replacement Schedule

Schedule D – Capital Summary – Funding Sources by Year

Schedule E - 2021 Proposed Capital Budget Compared to the 2020 and 2019 Approved Capital Budget Funding Comparisons

Schedule F – 2021 Proposed Ten Year Plan Compared to the 2020 and 2019 Ten Year Plans