

REPORT

REPORT TO: The Chair and Members of the Budget Committee

REPORT FROM: Duncan Robertson, Budgets and Financial Reporting
Supervisor
Moya Jane Leighton, Treasurer and Manager of Accounting

DATE: November 6, 2017

REPORT NO.: CORPSERV-2017-0029

RE: 2018 Capital Budget and 2019-2027 Capital Budget Forecast
File No.: F05/BU

RECOMMENDATION:

THAT Report No. CORPSERV-2017-0022 dated November 6, 2017 regarding the 2018 Capital Budget and 2019-2027 Capital Budget Forecast be received;

AND FURTHER THAT the 2018 Capital Budget in the amount of \$18,934,900 be approved;

AND FURTHER THAT staff be authorized to proceed with the 2018 capital program, with any acquisitions or approval of awards being subject to the usual Town policies, by-laws and procedures governing same and receipt of final approval by Council where required.

BACKGROUND:

The Town's 2018 Capital Budget was developed in consideration of Council's strategic priorities with a focus on supporting growth, maintaining appropriate service levels and addressing aging infrastructure. Various documents such as the Town's Strategic Plan, the Corporate Work Plan, in-year Council and Committee reports, the Long Range Financial Plan (LRFP) and the Citizen Satisfaction Survey results were used in the development of the 2018 Capital Budget.

A cross-representational team of staff vetted the proposed capital projects based on the Capital Scoring Matrix and provided recommendations regarding the ranking of projects; the recommended project list was then reviewed and finalized by the Senior Management Team. Staff subsequently developed a funding strategy that ensures that the 2018 capital program is financially sustainable and does not compromise the overall fiscal health of the corporation. The capital budget package provides details of the proposed 2018 projects that fall within the funding guidelines.

Council was also engaged in the development of the 2018 capital budget package. On August 28, 2017, the Treasurer and Manager of Accounting made a presentation to the Budget Committee of Council with information on changes to the budget preparation process, the role of the Long Range Financial Plan, and specific to the Capital Budget, some of the anticipated projects. Report No. CORPSERV-2017-0005, which accompanied this presentation, also sought direction on the guidelines to be considered in preparing the 2018 Capital and Operating budgets. Council approved a levy increase in the Town portion of no greater than 3.9%, consisting of a base budget increase not exceeding 3.3%, plus 0.6% dedicated to the Fire Services Levy, representing an expected overall property tax increase of 2.4% including Town (3.9%), Region (2.0%) and school board (0.0%) portions. In addition to this overview, the Mayor and Members of Council participated in Ward meetings in November intended to provide a more comprehensive review of the preliminary Capital Budget, including the guiding principles, the funding sources, and the specific projects being proposed.

COMMENTS:

The following table summarizes the proposed 2018 capital program:

Town of Halton Hills
2018 Capital Budget
Projects within Funding Guidelines

Department	Gross Cost	Development Charges	Capital Reserve	Other
Council	50,000		14,000	36,000
Office of the CAO	365,000	43,350	296,650	25,000
Corporate Services	280,000		15,000	265,000
Library	511,900		443,133	68,767
Fire Services	461,000			461,000
Transportation & Public Works	12,552,000	4,153,500	1,894,000	6,504,500
Planning & Sustainability	215,000	80,000	120,000	15,000
Recreation & Parks	4,500,000	1,300,500	2,121,500	1,078,000
Totals	18,934,900	5,577,350	4,904,283	8,453,267

The highest valued projects scheduled for 2018, totaling \$9,718,000, are highlighted below; these ten projects account for just over half of the total proposed 2018 Capital Budget:

Department	Project	Gross Cost
Transportation & Public Works	Pavement Management	1,950,000
Transportation & Public Works	Halton Hills Drive Extension	1,900,000
Transportation & Public Works	Equipment Replacement	1,041,000
Transportation & Public Works	22 Sd Rd Limehouse Construction Hwy 7 to Limehouse (5th Line)	1,000,000
Transportation & Public Works	Construction Bridge 23208 - River Drive	884,000
Transportation & Public Works	Upgrade Surface Treatment to Asphalt - 4th Line from 5 to 10 SdRd	850,000
Recreation & Parks	Georgetown Sports Action Park	800,000
Transportation & Public Works	Eighth Line - Main St Steeles to Maple Ave EA	519,000
Recreation & Parks	Asset Management Information System	400,000
Library	Library Materials	374,000
Total		9,718,000

Operating Budget Impact

In approving capital projects, there may be an impact on the Operating Budget and staff needs to take the financial impact into consideration before the Committee begins its consideration of the Operating Budget. This is important because some projects, such as new software purchases, may have an associated subscription fee which would need to be factored into the Operating Budget. The total impact of the Town's capital program on the 2018 Operating Budget is \$103,100, consisting of amounts approved as part of prior year capital budgets and the 2018 Capital submission as outlined below:

Project	Amount	Description	
Office of the CAO			
1200-10-1701	Redevelopment of Town Website	1,000	Additional resources related to the annual upkeep of the Town website project that was approved and implemented in 2017
Corporate Services			
2200-05-1401	Payroll System Upgrade	82,000	This represents the additional annual amount required for the payroll system upgrade that was approved in 2014 and will be implemented in 2018
2300-05-1502	CLASS Replacement	1,300	In addition to the \$26,000 increase to the 2017 budget for the annual cost of the PerfectMind service contract
Transportation & Public Works			
6100-28-1703	Pedestrian Crossings (8 Locations)	2,000	Additional resources related to annual maintenance for new pedestrian crossings
6100-21-0107	Streetlight & Pole Replacement	1,000	Estimated increase in annual maintenance costs
6200-27-0114	Halton Hills Drive Extension	5,400	Additional maintenance costs related to new road construction
6500-18-0110	Traffic Infrastructure	3,000	Estimated increase in annual maintenance costs

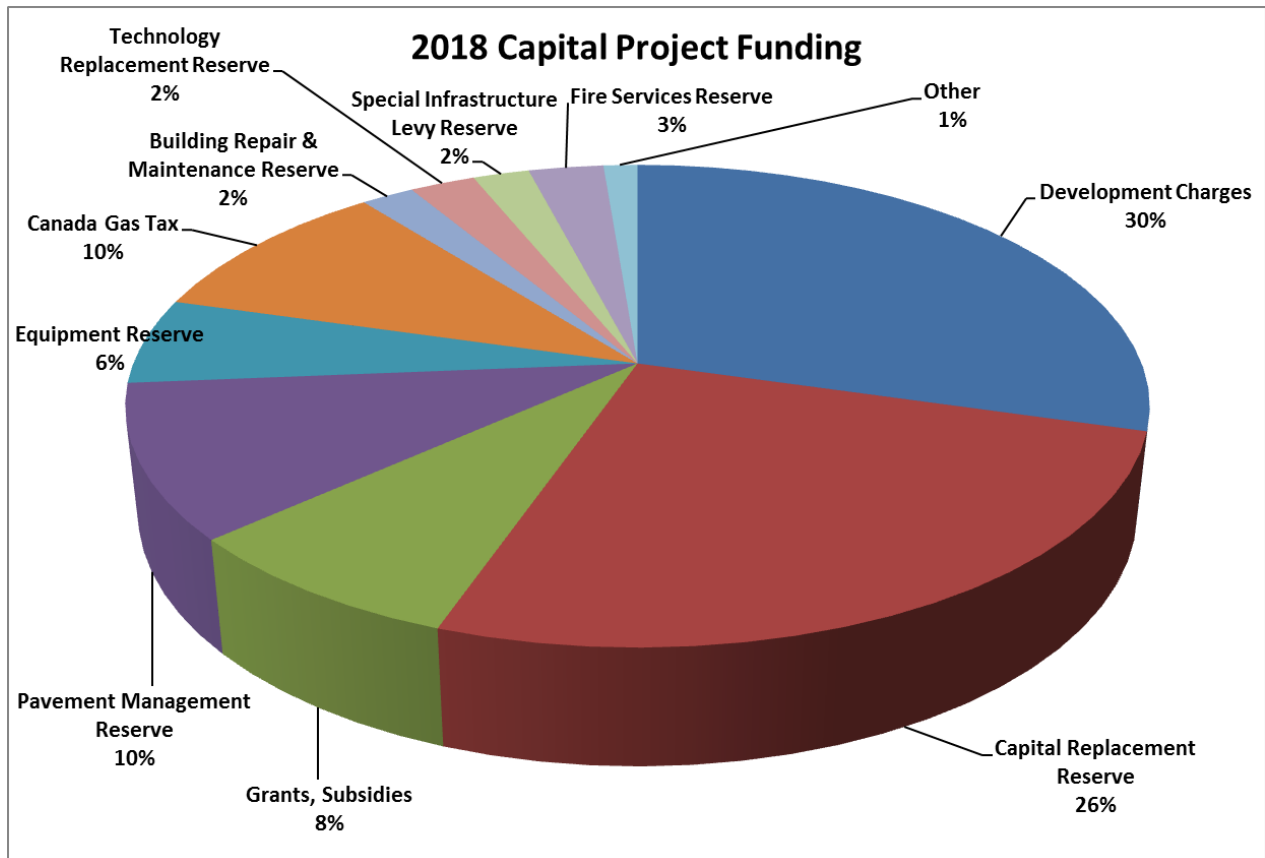
Project		Amount	Description
6100-21-1701	Rural Streetlighting	1,000	Additional maintenance costs related to new infrastructure
6100-05-1801	Traffic Engineering Software (TES)	6,000	Estimated cost for annual software subscription
6100-17-1801	Infill Sidewalk Connections	1,000	Annual maintenance costs of new sidewalk construction
Total 2018 Operating Budget Impact		103,700	

Additionally, approval of 2018 Capital projects will have an operating budget impact on future budget years based upon the timing of implementation. The following table outlines the estimated 2019 Operating Budget impact from the approval of the 2018 Capital Budget:

Project		Amount	Description
Corporate Services			
2300-05-1804	Corporate Server and Data Backup	2,000	Annual upkeep costs
2300-04-1805	Backup Network Link w/ Fire Services	20,000	Ongoing operating costs for additional network support
Fire Services			
5200-06-1701	Drone & Camera System	1,900	Estimate for annual insurance and operating costs
Recreation & Parks			
8000-10-1802	Asset Management Information System	40,000	Estimated cost for annual software subscription
8500-11-1702	Georgetown Sports Action Park	2,000	Additional resources related to grounds maintenance
8500-11-1801	Maple Creek Park Ph 2	4,000	Additional resources related to grounds maintenance
8500-11-0103	Cemetery Revitalization & Renewal	1,000	Additional resources related to grounds maintenance
Total 2019 Operating Budget Impact		70,900	

Capital Budget Funding

There are various funding sources for capital projects including Town reserves, development charges and gas tax subsidies. The proposed 2018 Capital Budget of \$18.9 million will be funded through the following funding sources:



Highlights of the Proposed Capital Budget

- A number of critical plans and studies including Council's Strategic Plan, the Recreation and Parks' Strategic Action Plan, the Employment Land Needs Study, the Green Economic Development Plan, the Foreign Investment Strategy, the Community Improvement Plan, the Active Transportation Master Plan, the Halton Hills-Wenjiang Action Plan and the Town Hall Master Plan.
- The design and engineering of the Acton Youth Centre (the construction phase is scheduled for 2019).
- The construction of the Sports Actions Park (skate park and multi-purpose court at Gellert Community Park).
- The implementation of new software solutions including the Asset Management Information System.

- The repair and replacement of existing Town assets including roads, vehicles, equipment, technology and furnishings as well as parks, trails and the tree canopy; many of the road upkeep projects are funded through the Pavement Management program.
- The Halton Hills Drive extension between Maple Avenue and Princess Anne Drive, allowing for water, wastewater, storm water and utility servicing in that corridor.

The proposed 2019 to 2027 Capital Forecast and unfunded list faces significant financial pressures due to several major capital projects identified in the forecast. An update to the Long Range Financial Plan is scheduled for the spring of 2018, and these challenges will be addressed at that time.

Council's Debt Limit Policy

In 2011, the Long Range Financial Plan (LRFP) outlined key policies adopted by Council as it relates to the issuance of debt:

1. Future debt service payments will be made with a view to the following considerations:
 - The provision of essential services is not jeopardized.
 - Financial flexibility is maintained by ensuring that there are sufficient revenues to accommodate unanticipated expenditures and revenue fluctuations.
 - Outstanding debt obligations will not threaten long-term financial stability
 - The amount of outstanding debt will not place an undue burden on taxpayers.
2. The Town's debt charges, including those charges related to development charges, as a percentage of the tax levy, will not exceed 10% as considered acceptable by credit rating agencies.

The LRFP estimated that in 2016/17 the Town would have debt charges of approximately 11% of the annual tax levy. By December 31, 2017, the Town will have debt charges of 10.4% of the annual tax levy, which is well within the Province's debt limit and just above the Town's own policy of 10%. The Town's current debt load will continue to decrease gradually as repayments are made.

Halton Hills Citizen Satisfaction and Service Delivery Survey

The 2015 Citizen Satisfaction Survey was the third undertaken by the Town. The objectives of the survey were to measure the level of satisfaction and the level of importance related to a multitude of services provided by the Town, gain an understanding of citizens' needs, as well as perceptions related to areas of improvement and to compare the current results against findings from previous years.

Based on the findings of the 2015 research, the quality of life in the Town has moved slightly higher compared to the last two surveys with a solid 9 out of 10 respondents

rating positively on this measure. Significantly more citizens rated the quality of life as “excellent” in 2015, compared to 2011 and 2005.

Citizens continue to value the small town atmosphere, friendliness and quietness of the Town as well as the sense that Halton Hills is safe and enjoys a low crime rate.

Satisfaction with specific Halton Hills’ services either increased slightly or remained the same for many measured services compared to 2011. The largest increases in satisfaction were represented by recreation and culture, safety/community services and planning and development. Satisfaction with Public Works services remain the same in 2015 as compared to 2011. Interestingly, the relative importance of many services has decreased slightly since 2011. This may suggest that since residents’ satisfaction has continued to steadily increase, there may be a diminished level of importance placed on specific areas by respondents as they believe they are being adequately served.

The building and maintenance of Town roads continued to have the largest negative difference between rated importance and satisfaction. It is consistently one of the highest rated services in importance in 2015 and remains a focus area for the Town.

The biggest improvements in satisfaction can be seen in recreation and culture, which is not unexpected given recent capital investments in several Town recreation and cultural facilities.

Growth/development is cited as the most important issue facing the community, with one-third of those respondents selecting this issue, followed by transportation and infrastructure.

Town departments utilized this feedback to ensure their respective business plans addressed some of the high priority areas that were identified as requiring enhancements.

RELATIONSHIP TO STRATEGIC PLAN:

The annual Capital Budget is a major funding and decision-making tool and is used to support and advance Council’s Strategic Priorities.

FINANCIAL IMPACT:

The proposed 2018 Capital Budget is being recommended at \$18,934,900 and may be revised through the Capital Budget review process. Although the financial impact in this report is limited to the Capital Budget, there are additional financial impacts associated with the Operating Budget based on the approval of capital projects. The 2018 operating impact is anticipated to be \$103,700.

The 2019 to 2027 Capital Forecast and the list of unfunded projects are stated in 2018 dollars and have not been inflated.

COMMUNICATIONS IMPACT:

The Town's budgets are an important tool in determining the service requirements needed and wanted by the community. Public input is important when determining the priorities for the Town. With this in mind, staff advertises the budget meetings in the local papers and on the Town's website. The public is invited to delegate to Budget Committee on November 15, 2017.

Upon approval of the Capital Budget, it will be posted on the Town website for the public to download. Copies can be purchased from the Finance department or viewed at the Acton and Georgetown branches of the Halton Hills Public Library.

SUSTAINABILITY IMPLICATIONS:

The Town is committed to implementing our Community Sustainability Strategy, Imagine Halton Hills. Doing so will lead to a higher quality of life. The relationship between this report and the Strategy is summarized below:

Do the report's recommendations advance the Strategy's implementation? Yes
The sustainability implications associated with this report were reviewed against the requirements of the Town's Sustainability Implications Worksheet. Sustainability implications can be found on the detailed project sheets in the budget binder for the 2018 Capital Budget projects.

Which pillar(s) of sustainability does this report support?

This report supports all pillars of sustainability through financing capital projects related to the pillars as outlined on the detailed project sheets.

In Summary, the Sustainability Implications of this report are as follows:

Overall, the alignment of this report with the Community Sustainability Strategy is:
Excellent

CONSULTATION:

The preparation of the proposed Capital Budget involved a careful review and ranking exercise by representatives from every department as well as the Senior Management Team. In turn, the departments may have used input from various internal and external individuals/groups in developing their budget proposals.

CONCLUSION:

The proposed 2018 Capital Budget is being submitted at \$18,934,900 for Budget Committee's consideration. The proposed 2019-2027 Capital Forecast will continue to put pressure on Town reserves and reserve funds. Staff will monitor and work to develop funding strategies that will optimize resources.

Respectfully submitted,

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Reviewed and Approved by,

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Commissioner of Corporate Services

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