

10 Year Capital Program

Budget Committee

February 11, 2015



Region of Waterloo

Objectives

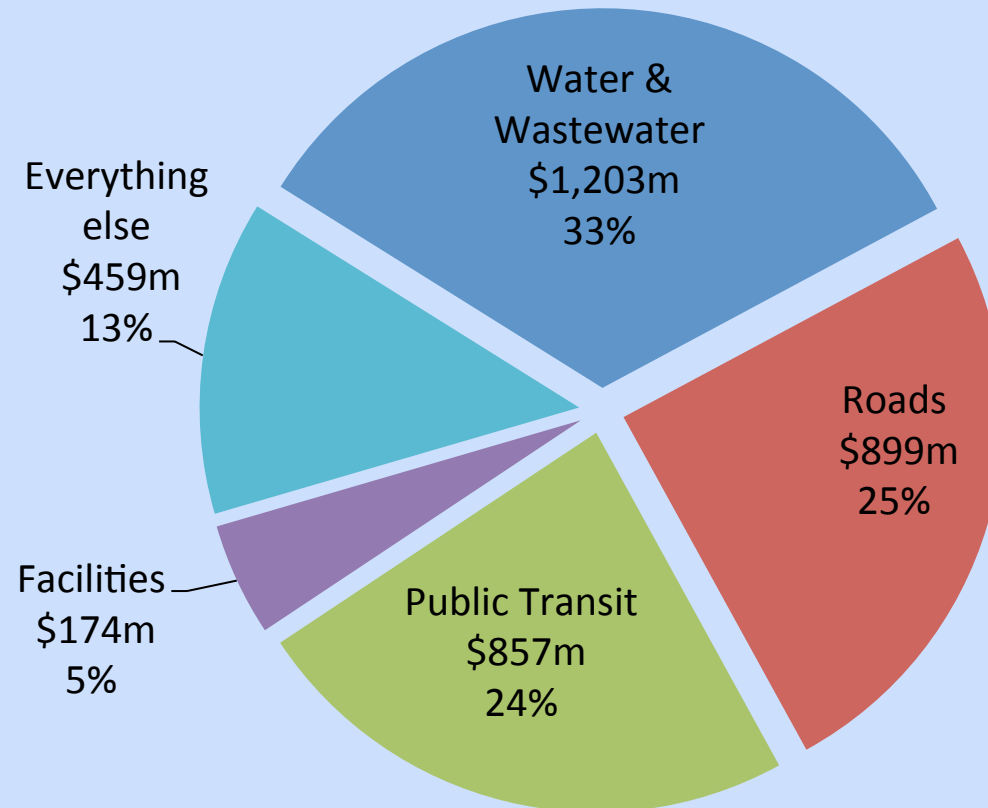
- To provide an overview of 10 year capital program (Capital budget and 9 year Capital forecast) at the Region; and
- To outline the Region's financing plans for the capital program.

Capital Expenditure

- Acquisition, installation, construction or significant improvement / rehabilitation of land, buildings, engineering structures, facilities, machinery, equipment or information technology

Capital Expenditure

**Total expenditure
2015-2024 capital plan
\$3.6b**

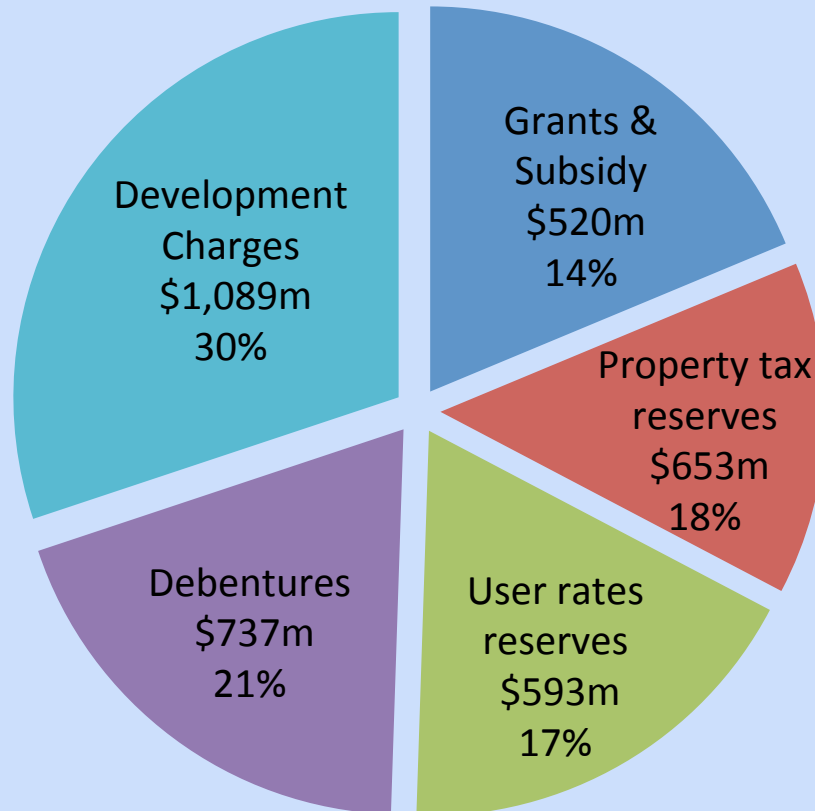


Capital Financing

- Grants / Subsidies / Recoveries
- Development Charges
- Property taxes and user rates
 - From previous years' budget and surplus allocations to Reserves and Reserve Funds
 - From the current year's budget
 - From future budgets: long term borrowing

Capital Financing

**Total financing
2015-2024 capital plan
\$3.6b**



Capital Financing Principles

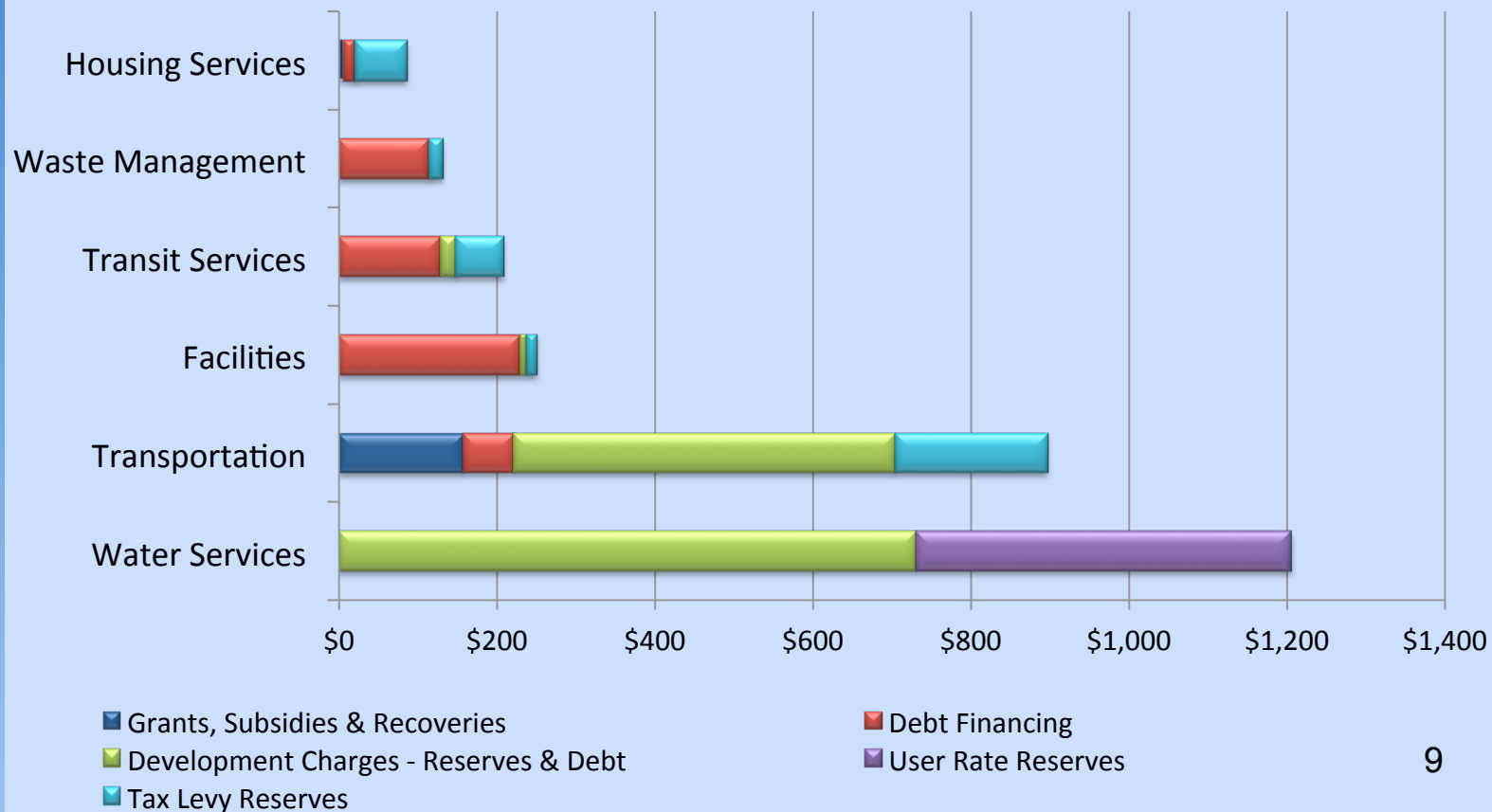
- Debenture financing focused on significant property acquisition, facilities and fixed infrastructure
- Increased use of current year revenues (property taxes and user rates) and reserves for replacement vehicles and renewal of existing buildings/facilities

Finding the balance



Capital financing sources

2015-2024 Capital Plan
Sources of Financing for Major Infrastructure
 \$millions





Regional Asset Valuation

- Water Services – \$1.9B
- Transportation – \$1.8B
- Housing and Facilities – \$1.2B
- Grand River Transit - \$135M
- Waste Management - \$100M
- Airport - \$50M
- Fleet - \$42M

Capital Program: Roads

- **Ten year investment: \$899m**
 - Rehabilitation - \$428m
 - Expansion - \$443m
 - Vehicles, equipment, buildings - \$28m
- Projects listed in Appendix pg. 102-156
- Capital program designed to fit into funding envelope

Capital Program: Roads

- **Ten year financing:**
 - RDC - \$384m (43%)
 - Rehab reserve fund - \$161m (18%)
 - Federal gas tax   \$150m (17%)
 - RDC debentures - \$99m (11%)
 - Debentures for expansion - \$64m (7%)
 - Capital levy reserve & cycle path - \$20m (2%)
 - Vehicle reserve - \$14m (1%)
 - Other - \$7m (1%)

Capital Program: Wastewater

- **Ten year investment: \$756m**
 - Major wastewater treatment plant upgrades at Waterloo and Kitchener WWTP - \$293m
 - Galt WWTP and SCADA upgrades
 - Expansion projects
 - East Side lands pumping station
 - Baden-New Hamburg WWTP
 - Hespeler WWTP
 - Waterloo (St. Jacobs) WWTP
 - Projects listed in Appendix pg. 182-184

Capital Program: Wastewater

- **Ten year financing:**
 - Wastewater reserve fund - \$371m (49%)
 - RDC - \$261m (35%)
 - RDC debentures - \$123m (16%)
 - Vehicle reserve - \$1m (<1%)

Wastewater Reserve

- Reserve balance will drop in the next 2 years due to significant capital investments
- Region has issued \$93m in growth related debentures, resulting in \$7.1m annually to be funded from development charges
- Wastewater reserves needed as a backstop in the event that RDC collections are not sufficient

Capital Program: Rapid Transit

- **Ten year investment: \$632m**
 - LRT construction - \$438m
 - Vehicles - \$73m
 - Hydro corridor and civil works - \$42m
 - aBRT construction - \$9m
 - Project development, Phase 2 EA & Cambridge Transit Initiatives - \$20m
 - Other costs - \$50m
 - Budget book – pg. 150

Capital Program: Rapid Transit

- **Ten year financing:**
 - Canada and Ontario - \$493m (78%)
 - Debentures - \$68m (11%) – mostly issued
 - GrandLinq long term debt - \$31m (5%)
 - RTMP reserve fund - \$30m (5%)
 - Other municipalities - \$10m (2%)

Capital Program: Water

- **Ten year investment: \$438m**
 - Master plan focuses on optimizing and sustaining the existing water supply and distribution systems
 - Projects include:
 - Combine William St and Strange St systems
 - Optimize water system in Cambridge
 - Implement Waterloo North Water Supply System
 - Replace/upgrade aging existing infrastructure
 - Projects listed in Appendix pg. 175-179

Capital Program: Water

- **Ten year financing:**
 - Water reserve fund - \$257m (59%)
 - RDC - \$173m (39%)
 - Transfer from Wastewater - \$4m (1%)
 - Vehicle reserve - \$4m (1%)

Capital Program: Grand River Transit

- **Ten year investment: \$224m**
 - Vehicles, expansion & replacement - \$106m
 - New maintenance facility (Northfield) - \$65m
 - Other – shelters, passenger station, technology - \$38m
 - Facilities renewal - \$15m
 - Projects listed in Budget Book pg. 162

Capital Program: Transit (GRT)

- **Ten year financing:**
 - Debentures - \$143m (64%)
 - Reserves (transit capital, transmission, bus, Mobility plus) - \$61m (27%)
 - RDC - \$20m (9%)

Capital Program: Facilities Management

- **Ten year investment: \$213m**
 - Acquisition and construction - \$105m
 - Refurbish and replace - \$80m
 - Vehicles and voice radio - \$28m
 - Projects listed in Budget Book pg. 38-44

Capital Program: Facilities Management

- **Ten year financing:**
 - Debentures - \$194m (92%)
 - RDC - \$8m (4%)
 - Lifecycle reserve - \$4m (2%)
 - Capital levy reserve fund - \$3m (1%)
 - Vehicle reserve - \$2m (1%)

Capital Program: Waste Management

- **Ten year investment: \$135m**
 - Current site - \$100 m
 - Vehicles and equipment - \$17m
 - Decommissioned sites - \$4m
 - Other project - \$4m
 - Projects listed in Budget Book pg. 156

Capital Program: Waste Management

- **Ten year financing:**
 - Debentures - \$118m (87%)
 - Vehicle & equipment reserve - \$17m (13%)

Capital Program: Community Services

- **Ten year investment: \$109m**
 - Housing - \$86m
 - Seniors' Services - \$12m
 - Children's Services - \$11m
 - Projects listed in Budget Book pg. 210, 214, 233

Capital Program: Community Services

- **Ten year financing**
 - Housing reserve fund* - \$56m (51%)
 - Debentures - \$37m (34%)
 - Grants & subsidies - \$6m (6%)
 - Lifecycle reserve - \$6m (6%)
 - Tax - \$3m (3%)
 - Other - \$1m (<1%)
- * Note: not sustainable as reserve fund is not replenished through property tax

Capital Program: Other

- **Ten year investment: \$122m**
 - Airport - \$27m
 - Museum & Cultural Sites - \$25m
 - Paramedic Services - \$21m
 - Tax Increment Grants - \$14m
 - Information Technology - \$13m
 - All other services - \$22m
 - Projects listed in Budget Book

Capital Program: Other

- **Ten year financing**
 - Debentures - \$38m (31%)
 - Various reserve funds - \$22 (18%)
 - RDC - \$14m (11%)
 - CLRF - \$12m (10%)
 - Vehicle/equip. reserves - \$19m (16%)
 - Tax - \$17m (14%)

2015 Capital Program Financing

Program area	% of 2015 capital budget financed from debt	2015 property tax/user rate contribution to capital reserves
Water & Wastewater	14%	\$58.2 m
Transportation	8%	22.1 m
Grand River Transit	51%	5.0 m
Housing Services	8%	0.9 m
Airport	0%	1.5 m
Waste Management	88%	1.0 m
Facilities Management	90%	0.9 m

Tax Supported Capital – Completion rates

- Actual \$ spent vs. Budget \$
 - 2014 – 43% (estimated)
 - 2013 – 45%
 - 2012 – 59%
- Comment: many projects are multi-year construction or rehabilitation projects for which timelines for expenditures are difficult to predict

Tax Supported Capital – Completion rates

- Over the last three years, divisional completion rates have ranged between 45% and 60%, with some as high as 80%
- Many projects are complex with lengthy timelines for design, approval, tendering and construction

User Rate Capital – Completion Rates

- Actual \$ spent vs. Budget \$
 - 2014 – 69% (estimated)
 - 2013 – 60%
 - 2012 – 79%
- Comment: smaller number of significant projects (e.g. Waterloo and Kitchener WWTP)

Internal Capital Program Reviews

- Annual CAO/CFO reviews of all capital programs
- Need, scope, cost and timing of all projects in first 5 years of program reviewed in detail
- Many projects adjusted after review

Debt Profile

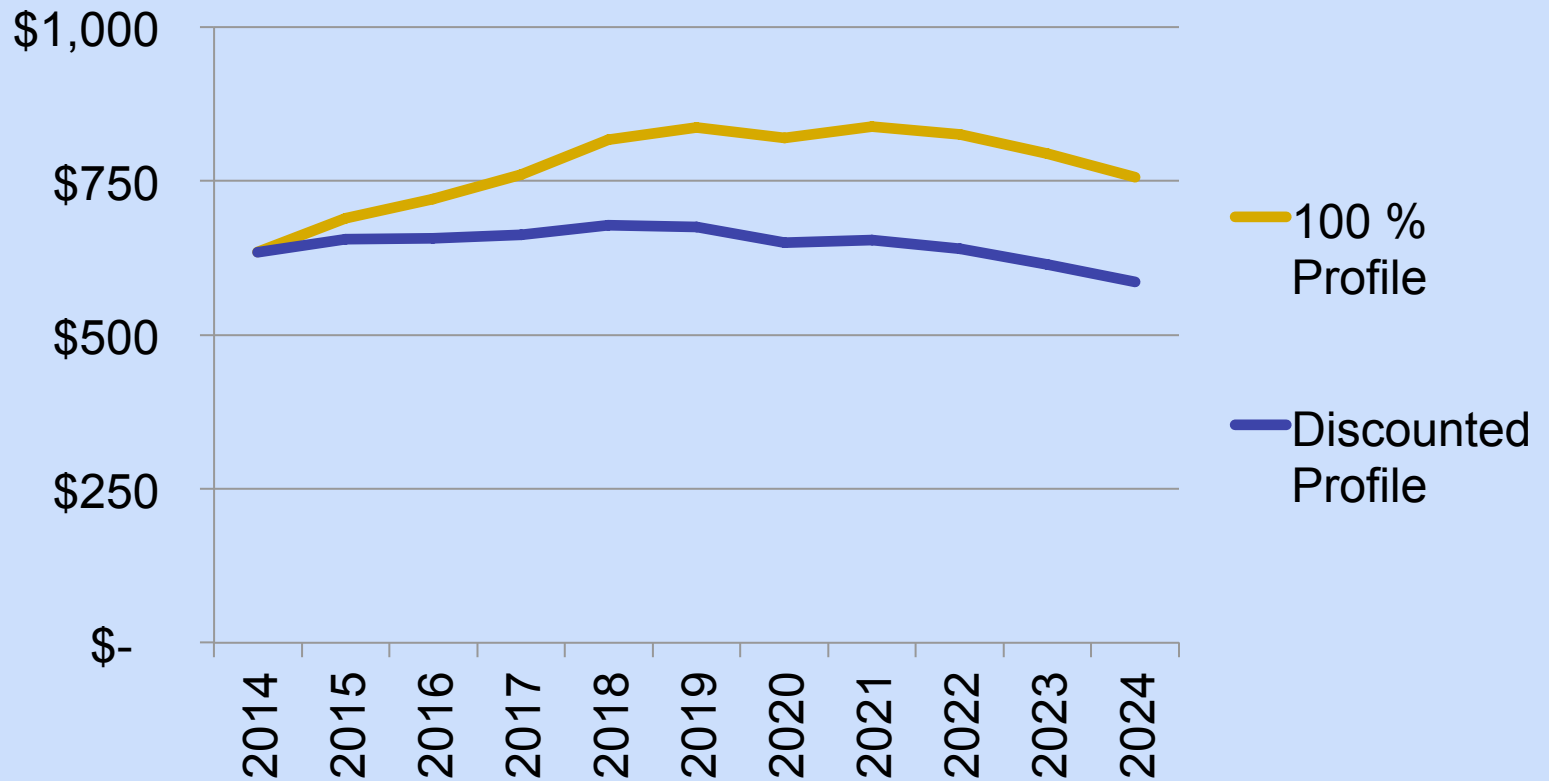
- Current completion rates range from 40-80%
- Need to improve completion rate - work started for 2015 budget, more work to do
- In the interim, discounting capital plan spending estimates provides a better projection of long term financing needs
- As estimates are improved and achievement rates increase, the need for discounting will diminish

Debt outstanding profile

- 100% profile depicts projected debt outstanding per draft capital program
- Discounted profile depicts projected debt outstanding assuming discounted capital spending levels

Debt outstanding profile

Debt Outstanding Profile per spending scenarios



Capital Financing Challenges

- Infrastructure renewal is reasonably well funded in Roads, Water and Wastewater
- but... is not well funded in Housing, Grand River Transit, Waste Management, and Facilities Management

The Region's Approach

- Focus future debt on new assets
- Increase property tax funding for:
 1. Infrastructure renewal (lifecycle provision) and replacement (GRT vehicles)
 2. Smaller, non-debenturable projects (CLRF)
- Development Financing Plan, Asset Management and Reserve/Reserve Fund policy