10 Year Capital Program

Budget Committee
February 11, 2015
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

Water & Wastewater
$1,203m
33%

Rocks
$899m
25%

Public Transit
$857m
24%

Facilities
$174m
5%

Everything else
$459m
13%

Total expenditure $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

- Development Charges
  $1,089m
  30%
- Debentures
  $737m
  21%
- Grants & Subsidy
  $520m
  14%
- Property tax reserves
  $653m
  18%
- User rates reserves
  $593m
  17%

Total financing:
$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

- Down Payment
- Debt
2015-2024 Capital Plan
Sources of Financing for Major Infrastructure
$millions

- Housing Services
- Waste Management
- Transit Services
- Facilities
- Transportation
- Water Services

- Grants, Subsidies & Recoveries
- Debt Financing
- Development Charges - Reserves & Debt
- User Rate Reserves
- Tax Levy Reserves
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
• 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

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

- 100% Profile
- Discounted Profile
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