



Memorandum

Finance Services

Date: January 11, 2019
To: Mayor Dan Carter and Members of Council
From: Stephanie Sinnott, Commissioner, Finance Services
Re: 2019 Capital Budget

Capital investment is an important contributor to economic growth and the service delivery capabilities of the City. The capital budgeting process is an important determinant of the quality of investment projects and their implementation. A number of important results flow from an effective capital plan including an examination of goals and needs capabilities, resource waste avoidance, improves community awareness and it facilitates sound financial management. Investment in capital assets is also required to mitigate future risks of failure and/or liability exposure to the City.

A Capital Budget is prepared annually which outlines all proposed capital projects for the upcoming budget year plus a forecast of capital projects for the following nine years. Not only is a ten-year budget a best practice, the information is also required to satisfy the requirements of the Asset Management legislation.

Corporate capital items are generally comprised of expenditures for major assets or projects that benefit the City as a whole and are normally greater than \$20,000. All capital projects are scored and ranked using the interim prioritization model approved by Council on October 15, 2013. Funding is then determined based on priority score, tax levy funding envelope and available reserve funds.

All departments and the Corporate Leadership Team worked collaboratively to prepare the 2019 capital budget submission and 2020 – 2028 capital forecast. Operating departments prepared their project submission lists based on identified need. Needs were based on minimum standards as they relate to provincial legislation and to reflect any Council directed service standards.

2019 Proposed Capital Projects

The total gross cost of the 2019 proposed capital budget is \$27,284,000 and is funded as follows:

| Funding Source | Amount |
|--------------------------------------|---------------|
| Reserve and Development Charge Funds | \$18,628,000 |
| Federal Gas Tax | 5,661,000 |
| Operating Funds | 1,030,000 |
| Other sources of funding | 1,965,000 |

The following is a summary of the allocation by category of the proposed 2019 capital budget:

| Category | Amount |
|-------------------------------|---------------|
| Building and Equipment | \$8,547,000 |
| Downtown | 625,000 |
| Information Technology | 1,115,000 |
| Other Initiatives | 345,000 |
| Parks, Recreation and Culture | 4,163,000 |
| Transportation | 12,489,000 |

The proposed capital program includes \$655,000 of time sensitive projects which were approved by Council on June 21, 2018 report FIN-18-49.

The proposed 2019 capital project list is approximately \$5 million greater than the capital projects approved in 2018. This is primarily due to an increase in park redevelopment and watercourse related projects, corporate fleet acquisition (including the replacement of an aerial fire truck for \$1.6M), parking lot rehabilitation, and culvert replacements.

2020 – 2028 Capital Forecast

Oshawa, similar to other municipalities, has not had the capacity to invest in infrastructure resulting in an infrastructure deficit. The capital forecast helps to identify future financial requirements however the specific projects are likely to change over time as priorities change. The development of the 2020-2028 capital budget identified infrastructure projects of approximately \$505.7 million that are required throughout the forecast period.

Asset Management Plan

On December 9th, 2016 Council approved the City's first consolidated asset management plan. The adoption of an asset management plan is not only a recognized best practice but is also fulfills the Provincial requirement for all Ontario municipalities to have an asset management plan to remain eligible for Federal Gas Tax funding. The Asset Management Plan was a good initial plan however was acknowledged as a living document to evolve and be refined over time as better information became available.

Asset management is closely linked to the City's Financial Strategy and the annual budgeting process. A key component of an asset management plan is the identification of sustainable financing strategies. More robust asset management practices developed through the plan will provide better data over time that will support Council in making decisions on the capital budget.

A number of initiatives related to the Asset Management Plan are underway to comply with the revised Provincial regulation. These initiatives include activities related to the determination of service levels, replacement cost valuations, establishing a change management framework, identification of resource requirements and alignment with the Financial Strategy.

Committing the necessary resources to the Asset Management Plan is vital to meeting the deliverables in the Provincial regulation as well as having a well-founded, fully integrated, fiscally responsible asset management plan.

An Executive Sponsor has been identified to lead the plan development, which is being done through a cross departmental Asset Management Steering Committee (AMSC). An existing vacant position in Finance Services has been repurposed as a dedicated full-time resource whose primary job responsibilities relate to corporate asset management. The Asset Management Coordinator position is expected to be filled by mid-2019 and will report through the Finance.

The Strategic Asset Management Policy (SAMP) is currently under development and will include among other requirements: municipal goals, how the AMP will be considered in the development of budgets; approach to continuous improvement; commitment to contemplate as part of Asset Management planning, operational considerations (i.e. increased maintenance); levels of service and lifecycle management. The SAMP must be approved by Council before July 1 2019.