Overview by the CFO
# Budget Calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 12, 2022</td>
<td>Overview, User Fees, WIP &amp; Gas Rates</td>
</tr>
<tr>
<td>Jan 9, 2023</td>
<td>Public Input Night</td>
</tr>
<tr>
<td>Jan 16, 2023</td>
<td>Operating Budget Day</td>
</tr>
<tr>
<td>Jan 23, 2023</td>
<td>Capital Budget Day</td>
</tr>
<tr>
<td>Feb 2, 2023</td>
<td>Final Budget Approval</td>
</tr>
</tbody>
</table>
Budget Overview

Operating Budget
• $512 million expenditures in total (i.e. tax supported + enterprises)
• $231 million expenditures excluding enterprises (i.e. tax supported)
• Annual delivery of programs and services for the community

Capital Budget
• $164 million in first year
• $1.6 billion over the ten-year forecast
• Projects with defined scope that help address our asset replacement needs

Reserve and Reserve Funds
• $162 million in total Reserve Funds at end of 2022
• Rate Stabilization Reserves help mitigate risk and potential budget fluctuations
• Some Reserves are established for a specific purpose and use
Capital Priority Setting

PRIORITY SETTING TO PROVIDE INPUT TO THE CAPITAL BUDGET

ASSET REPLACEMENT & REHABILITATION NEEDS
- Developed based on asset management plans & condition assessments
- Progress being made through the Water and Infrastructure Program (WIP)
- Addressing the facility infrastructure gap continues to be a priority
- Preventative maintenance activities are also important

GROWTH RELATED NEEDS
- 2022 Development Charge Study reflected in forecast
- Investments in new infrastructure to support new residents
- Maintaining the concept of ‘Growth pays for growth’

STRATEGIC ITEMS
- Implementation of items included in the Strategic Plan
- Priorities reflecting corporate and community needs
Capital Budget Summary

• $1.6 Billion in Capital Improvements

• 10-year Forecast includes 400 projects

• Majority of Capital Budget is focused on Infrastructure Renewal

• Supply chain and inflationary factors are increasing costs for some projects by 30%

• Departments have had to adjust timing of projects in the forecast to work within available funding

• Capital funding requirements/shortfalls will need to be addressed in future budgets

City’s infrastructure gap (available vs required funding) over a 10-year timeframe was estimated to be approximately $442M in 2020
Capital Funding Sources
10 Year Capital Funding Sources

- ** Enterprises: Funding transferred from the City’s seven Enterprises 
- ** Tax Supported Capital Pool: Funding from the operating budget, debt, and the gas & hydro utility investment reserves to support the tax supported capital program 
- ** Development Charges: Funding collected from development for growth related infrastructure 
- ** Reserves: Funding saved up ahead of time by the City 
- ** Canada Community Building (CCB) Fund: Formerly known as Federal Gas Tax funding 
- ** Grants: Funding from other levels of government and other agencies 
- ** Facilities Infrastructure: Funding from the facilities infrastructure reserve for City building repairs
## 10-Year Capital Funding Sources

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>2022</th>
<th>2023</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Pool</td>
<td>187,769</td>
<td>187,195</td>
<td>(574)</td>
</tr>
<tr>
<td>Development Charges</td>
<td>201,727</td>
<td>333,635</td>
<td>131,908</td>
</tr>
<tr>
<td>Enterprises</td>
<td>756,594</td>
<td>806,871</td>
<td>50,277</td>
</tr>
<tr>
<td>Reserves</td>
<td>103,563</td>
<td>110,323</td>
<td>6,760</td>
</tr>
<tr>
<td>CCB Fund</td>
<td>74,823</td>
<td>73,797</td>
<td>(1,026)</td>
</tr>
<tr>
<td>Facilities Infrastructure</td>
<td>32,544</td>
<td>36,112</td>
<td>3,568</td>
</tr>
<tr>
<td>Grants</td>
<td>53,759</td>
<td>49,184</td>
<td>(4,575)</td>
</tr>
<tr>
<td>Other</td>
<td>2,700</td>
<td>1,800</td>
<td>(900)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,413,479</strong></td>
<td><strong>1,598,917</strong></td>
<td><strong>185,438</strong></td>
</tr>
</tbody>
</table>
Tax Supported Capital Pool

• Capital Pool (aka C/C) is fully balanced in all 10 years
  – Appendix B, page B1

• Includes:
  – Capital out of Current
  – Annual Debt Issue
  – Gas Utility Investment Reserve
  – Hydro Utility Investment Reserve
Adjusting the Capital Budget

Adjustments in one area require...

- **CHANGE to OTHER CAPITAL PROJECTS**
  - Current project impact

- **CHANGE in RESERVE CONTRIBUTION**
  - Future project impact

- **CHANGE in C/C**
  - Current tax impact

- **CHANGE in DEBT**
  - Future tax impact
Debt
Debt

• Debt is funding the city has borrowed to complete capital projects
  – Similar to getting a mortgage to buy a house

• Interest rates and terms are fixed when debt is issued with no option to open and renegotiate
  – Like a closed, fixed rate mortgage
Debt History & Forecast

- City’s debt load was at its peak in 2013
- City’s debt load has generally been declining for the past decade
- May be a need to issue debt for Development Charge projects in the near future
Development Charges
Development Charges (DCs)

• Fees imposed on development to fund “growth-related” capital costs
  – Typically paid at the building permit stage
  – Provisions for delayed payment for some building types

• Principle is that “growth pays for growth”
  – Financial burden is not borne by existing taxpayers
Development Charges Act

• DC Act sets out details of the method of calculation
  – Act was recently amended via Bill 23

• City updated DC by-law & background study in 2022, with new rates effective July 1, 2022
  – City uses consultant to ensure compliance
  – Administrative changes to comply with legislation
  – Updated project costs & timing
The 2022 projected balance is positive.

DC reserves projected to turn negative and remain there for a number of years due to significant growth-related projects:
- Schlegel Park Aquatics Centre & Indoor Turf Field
- Upper Hidden Valley Pumping Station

Will also have impacts of Bill 23, which are not included in the current projection:
- City may need to defer growth projects and/or issue DC debt.
Reserve Funds (Appendix D)
Reserve Funds

- Reserve funds have been collected by the City for a specific purpose or an unanticipated event—Similar to a personal savings account or RRSP

- Reserve balances have generally been positive, but many are below the minimum funding targets

- The next few slides discuss the City’s reserve framework and show reserve levels
Reserve Fund Policy Highlights

• Reserve funds will only be used for the specific or intended use for which it was established

• Individual reserve funds should not have a negative balance

• Target levels for each individual reserve fund and for reserve funds as a collective

• Five categories of reserve fund
Reserve Fund Categories

- Summaries on next few slides broken down into the 5 different categories
Reserve Fund Forecast Corporate (App. D, p. D1, D6)
Reserve Fund Balances & Forecast Development (App. D, p. D1, D6)
Reserve Fund Forecast
Program Specific (App. D, p. D2, D6)
Reserve Fund Forecast Capital (App. D, p. D4-5, D7)
Capital Budget Format
Capital Budget Pages

• Pages are ordered by department, then division

• Subprojects have been broken out from main projects
  – Subproject titles are italicized in the Capital Forecast

• New projects identified by a ☑

• Type Column
  – “T” = Triple funded projects
    • Funded by Stormwater, Water & Sanitary
    • Used for Full Road Reconstruction projects
  – “TS” = Triple funded projects with sidewalk infill
Quality of Estimates

• Estimate qualities identified for projects over $1M (excluding general provision accounts)

• Three classes of estimates (A, B & C) based on the quality of information available
Quality of Estimates

Class A
• Based on construction drawings from detailed design
• Typically includes a contingency of 5% to 8%

Class B
• Based on preliminary functional designs
• Typically includes a contingency factor of 20% to 30%

Class C
• Based on preliminary sketches/plans with minimum scope
• Typically includes a contingency factor of 40% to 60%
Issue Papers (Appendix C) & Capital Forecast (Appendix B)
# Issue Papers – Appendix C

<table>
<thead>
<tr>
<th>IP #</th>
<th>IP Name</th>
<th>Page</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cap 01</td>
<td>Water Infrastructure Program (WIP) Update</td>
<td>C37</td>
<td>The cost of full road reconstructions is increasing significantly, reducing the ability to close the infrastructure gap.</td>
</tr>
<tr>
<td>Cap 02</td>
<td>Urban Forestry</td>
<td>C41, B58</td>
<td>$5.7M has been added throughout the 10-year forecast to achieve the canopy targets outlined in the Sustainable Urban Forestry Strategy (SUFS).</td>
</tr>
<tr>
<td>Cap 03</td>
<td>DMAF Budget Impacts from Inflationary and Project Adjustments</td>
<td>C43, B61-62</td>
<td>The costs of projects funded by the DMAF grant are going up considerably, so significant changes to the Stormwater capital program have been made.</td>
</tr>
<tr>
<td>Cap 04</td>
<td>Construction Inflation – Water Only Project Impacts</td>
<td>C45, B63</td>
<td>The costs of Water-only capital projects have increased substantially, so a number of project budgets have been increased.</td>
</tr>
</tbody>
</table>
Highlighted Budget Changes >$250,000
General, Boards & CAO p.B2-B5

• None
## Highlighted Budget Changes >$250,000

### Financial Services p.B6-B7

<table>
<thead>
<tr>
<th>Division</th>
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</tr>
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<tbody>
<tr>
<td>Asset Management</td>
<td>Clevest Upgrade and Genesis</td>
<td>B6</td>
<td>Added $362K throughout the 10-year forecast to upgrade Clevest and acquire the Genesis tool to provide greater longevity of the application.</td>
</tr>
<tr>
<td>Asset Management</td>
<td>Asset Management Plan Compliance</td>
<td>B6</td>
<td>Added $350K to 2023 and 2024 to meet legislated requirements on Asset Management for Municipal Infrastructure.</td>
</tr>
</tbody>
</table>
## Highlighted Budget Changes >$250,000

### Corporate Services p.B8-B13

<table>
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<tr>
<th>Division</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Technology Innovation &amp; Services</td>
<td>Microsoft Software</td>
<td>B10</td>
<td>Added $1.64M over 10 years due to: • Price increase between 10-15% • Increased quantity of licenses and devices due to staff mobility • Upgrade to cloud-based software and device management platform</td>
</tr>
<tr>
<td>Technology Innovation &amp; Services</td>
<td>WREPNet Fibre</td>
<td>B10</td>
<td>Added $300K throughout the 10-year forecast to fund increase in sites coming online such as Victoria Park Pavilion and Huron Community Centre.</td>
</tr>
<tr>
<td>Legislated Services</td>
<td>Council Chambers A/V Upgrade</td>
<td>B12</td>
<td>Added $750K in 2023 to upgrade the audio/visual equipment in the Council Chambers to improve the hybrid meeting experience of attendees.</td>
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<tr>
<td>Sport</td>
<td>AUD Videoboard Replacement</td>
<td>B16</td>
<td>Added $500K to 2032 for the City’s share of the Videoboard replacement in the Dom Cardillo Arena.</td>
</tr>
<tr>
<td>Neighbourhood Programs &amp; Services</td>
<td>Outdoor Winter Rinks</td>
<td>B23</td>
<td>Added $540K from 2023-2027 to address the waitlist for new winter rinks.</td>
</tr>
<tr>
<td>Fire</td>
<td>Fire Personal Protective Equipment</td>
<td>B26</td>
<td>Added $524K throughout the 10-year forecast due to the significant increased costs related to Personal Protective Equipment (PPE) required for firefighters.</td>
</tr>
</tbody>
</table>
## Highlighted Budget Changes >$250,000

### Development Services p.B27-B46

<table>
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<tbody>
<tr>
<td>Engineering</td>
<td>Stirling &amp; Courtland</td>
<td>B40</td>
<td>Added $526K in 2023 due to an increase in scope of the project based on a recent assessment of culvert condition.</td>
</tr>
<tr>
<td></td>
<td>Bridge/Culvert – 812</td>
<td></td>
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</table>
## Highlighted Budget Changes >$250,000
### Infrastructure Services p.B47-B63

<table>
<thead>
<tr>
<th>Division</th>
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<th>Page</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities Management</td>
<td>City Hall Spandrel Glass</td>
<td>B47</td>
<td>Added $770K based on updated cost estimate.</td>
</tr>
</tbody>
</table>
| Facilities Management       | State of Good Repair (SOGR) projects | B47  | Specific projects have been identified funded from the SOGR account. New large projects for 2023 include:  
  - HVAC Replacements ($500K)  
  - Salt Dome ($1.859M) - there will be a Final Budget Day adjustment to increase the original budget by an additional $1M. |
| Fleet                       | Replacement Equipment         | B48  | Adjusted the 2023 budget to reflect replacement needs based on the annual equipment replacement review process. Funded from the Equipment reserve. |
### Highlighted Budget Changes >$250,000 Infrastructure Services p.B47-B63

<table>
<thead>
<tr>
<th>Division</th>
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</table>
| Stormwater | • Schneider Creek Watercourse  
• SWMF 61 Retrofit  
• Biehn Park SWM Enhancement  
• Market Incentive Program | B61-62 | These 4 projects have been deferred to outside the 10-year capital forecast window to free up $11.4M to help fund the increased inflationary costs of projects funded by the Disaster Mitigation and Adaptation Fund (DMAF). |
| Stormwater | SWMF 79 Hydro Feasibility Study | B61 | Added $293K in 2023. Hydro One requested that a feasibility study be done to assess different configurations of this SWM facility (within Hydro One lands), to allow for continuous maintenance access to their transmission lines. |
| Water | Replacement Water Meters | B63 | Added $874K from the Sanitary utility to match the Water utility’s contribution towards this shared service program. |
Resolution
Capital Budget Resolution

- Resolution to be passed by Committee regarding follow up items for staff