

# 2009 – 2018 Preliminary Capital and Operating Budget Update

November 19, 2008

Council Budget Committee

# Agenda

1. Update of 2009 Operating Budget excluding any additional infrastructure requirements
2. Mississauga's Capital Infrastructure Gap
3. 2009-2018 Preliminary Capital Budget
4. Capital Funding Options/Scenarios
5. Impact on 2009 Total Tax Bill

# 2009 Tax Increase Recap

- In June, initial tax rate increase of 9.7% was presented to Budget Committee
- This was comprised of:
  - Additional infrastructure requirements 1.0%
  - Other operating increases 8.7%
- Budget Committee requested a 2009 Budget tax rate increase, net of any additional infrastructure requirements, of between 3-5%
- At the Sept. 17 & Oct. 15 Budget Committee meetings, approved budget reductions resulted in a 4.4% tax rate increase
- Staff have further refined estimates and are recommending a 3.5% City tax rate increase or 0.97% on the total tax bill (excludes any capital infrastructure increases)

# Update on 2009 Operating Budget

	2008 Budget Request	October 15/08			November 19/08	
		2009 Preliminary Budget Request	2009 Budget Increase	Tax Rate Impact	REVISED 2009 Budget Increase	Tax Rate Impact
Net Budget, net of additional Infrastructure Requirements	270,278.6	286,075.1	15,796.5	5.85%	13,408.5	4.97%
Less Assessment Growth			<u>-4,020.0</u>	<u>-1.50%</u>	<u>-4,020.0</u>	<u>-1.50%</u>
Net Operating Tax Rate Impact			11,776.5	4.35%	9,388.5	3.47%
<b>Impact on Total Tax Bill</b>				<b>1.22%</b>		<b>0.97%</b>

Does not include any capital infrastructure tax impacts

# Major Changes to 2009 Tax Rate Increase from October/08

	<u>\$ Millions</u>
• Revised 2009 Labour Estimates	(\$1.2)
• Increased Recovery of One-Time Budget Pressures from Operating Reserves:	(\$0.5)
– Mobility Hub Initiative	(0.4)
– Waterfront Strategy	(0.1)
• Street lighting – Maintenance Contract	(\$0.4)
• Various other changes	<u>(\$0.3)</u>
• Total Budget Reductions	(\$2.4)
• Reduction in Investment Income by \$1.0 million which is offset by \$1.0 million transfer from reserves – mitigating any potential tax rate increases	

# 2009 City Tax Rate Impact By Service

<b>Service Area</b>	<b>2009</b>
Roads, Storm Drainage & Watercourses	2.01%
Fire	1.52%
Transit	0.73%
Recreation & Parks	0.65%
Corporate Assets	0.54%
Business Services	0.48%
Land Development	0.10%
Legislated	0.08%
Library	0.06%
Arts & Culture	0.01%
Mayor & Council	0.01%
Regulatory	-0.01%
Departmental Support Services	-0.02%
Community Grants	-0.05%
Strategic Policy	-0.21%
Financial Transactions	-0.94%
<b>Subtotal</b>	<b>4.96%</b>
Less: Assessment Growth	-1.50%
Internal Debt Repayment	
<b>City Tax Rate Increase</b>	<b>3.46%</b>
<b>Total Tax Bill Impacts - (Residential)</b>	<b>0.97%</b>

# Mississauga's Long Term Capital Infrastructure Gap

# Our Reputation

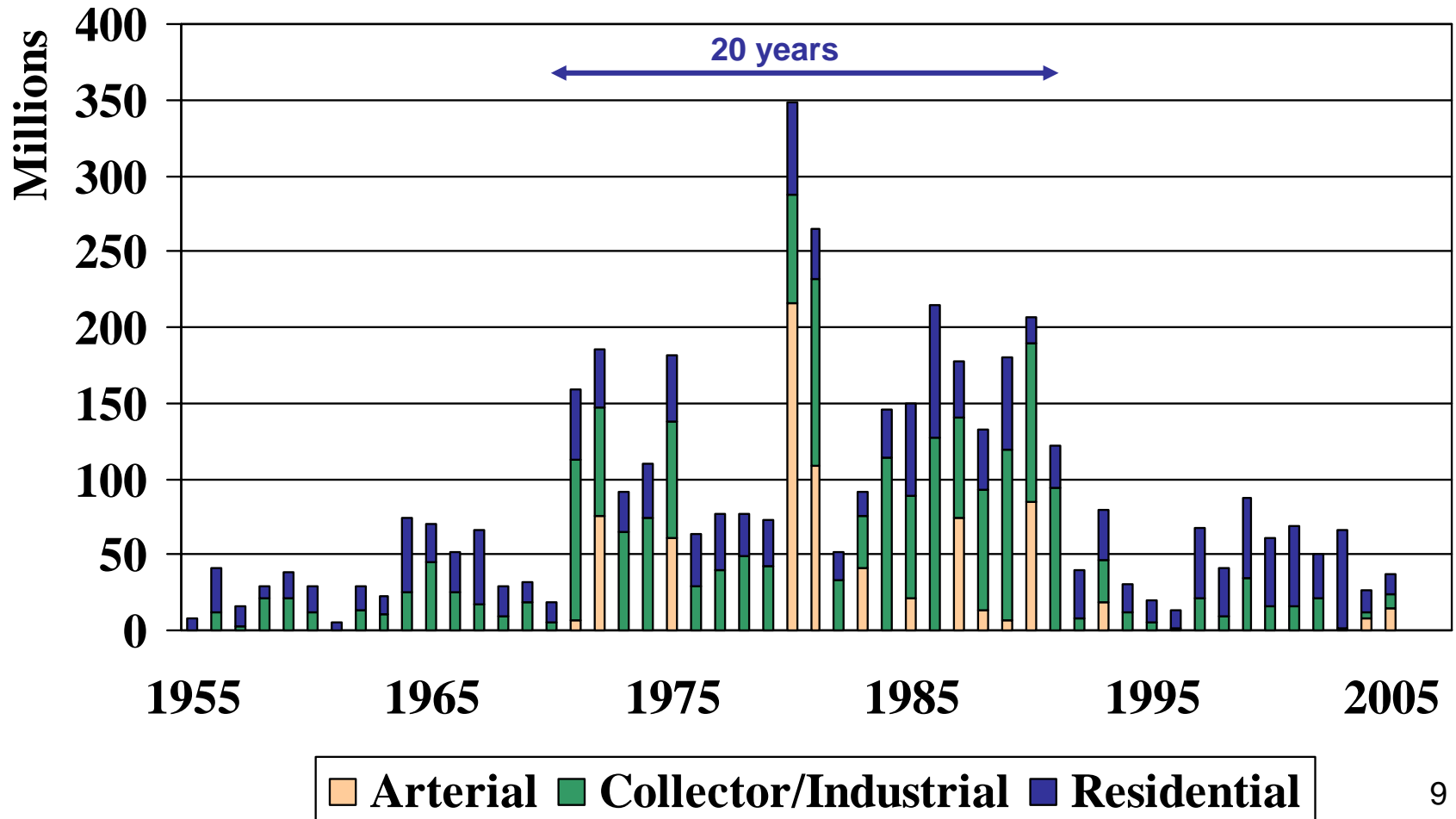


**Assets not sustainable at these standards given current funding levels...**



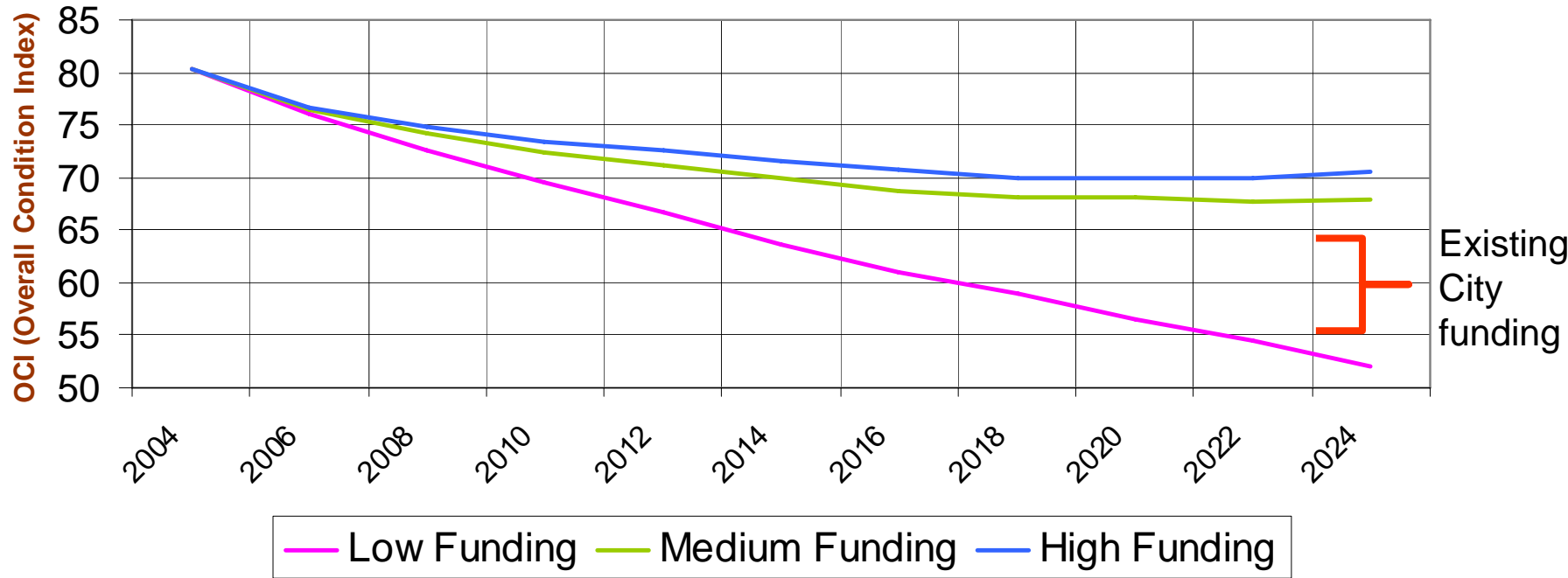
# Estimated replacement cost by year of roads built from 1955-2005

30 year cycle means high re-investments in 2010 to 2030



# Road Network Condition

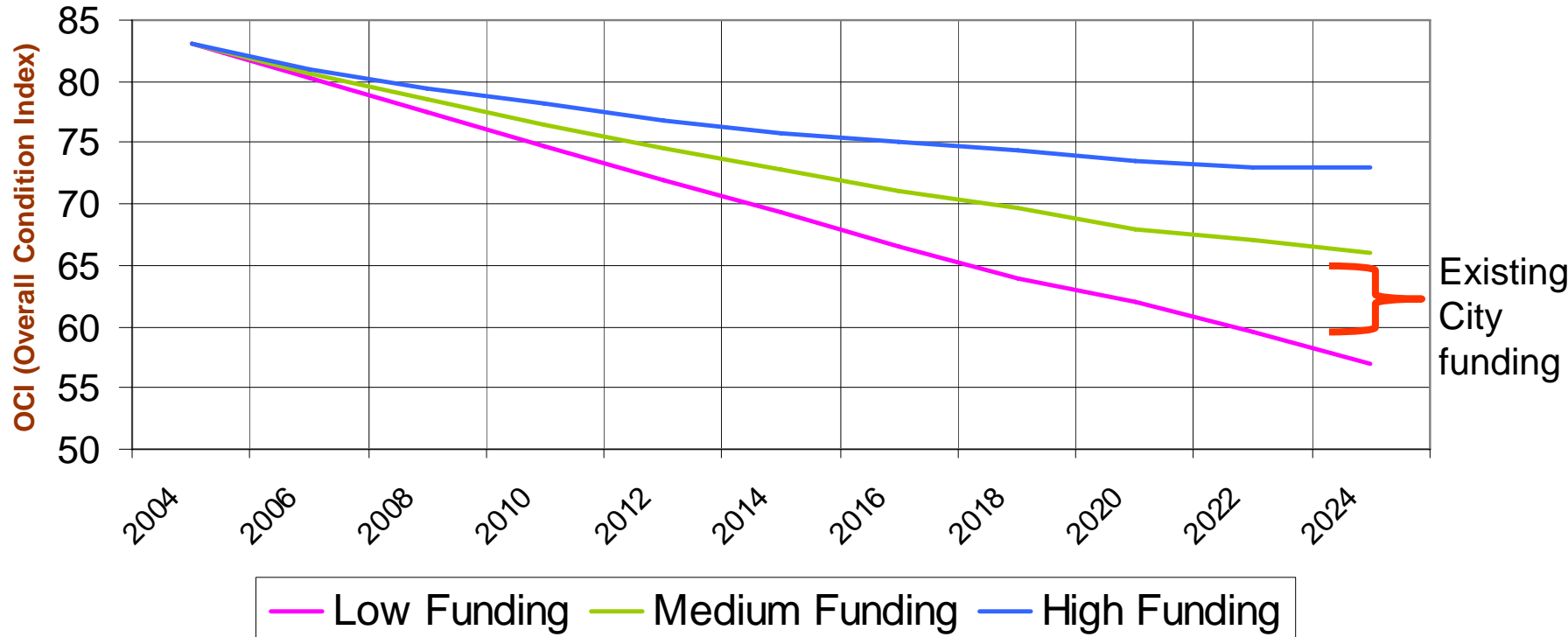
## Major, Industrial Collector Roads - Funding Comparisons



**Road quality will decline**

# Road Network Condition

## Local Roads - Funding Comparisons



**Road quality will decline**

# What is NOT being done....

- FCM: Cities are economic engine of country  
- across Canada municipalities face an Infrastructure Deficit:
  - \$123 billion & growing
- No new ongoing sustainable funding for capital investments
- **In today's economic climate investing in infrastructure can create jobs**

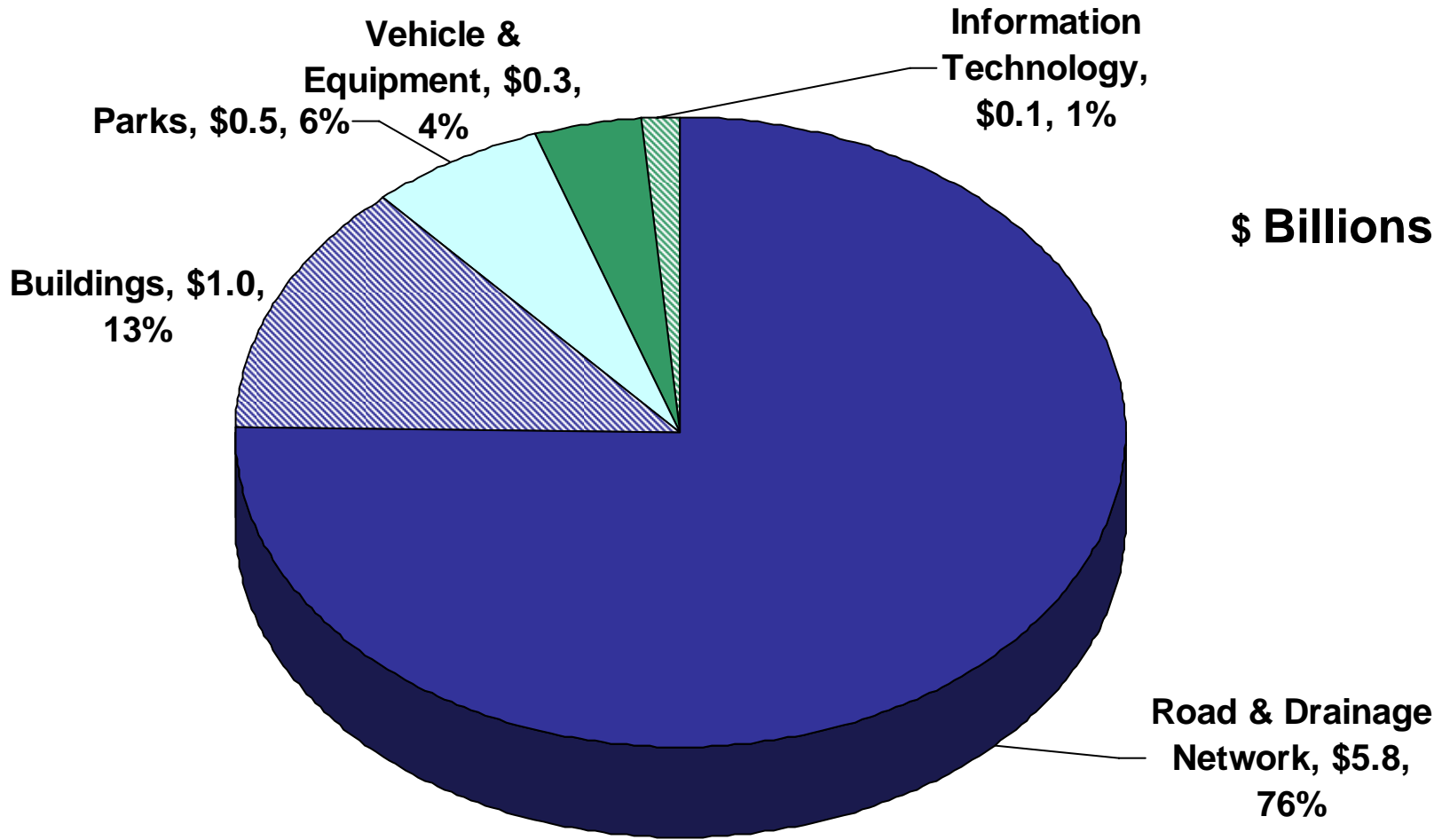
# P.M.F.S.D.R. Process

- Infrastructure table released results of funding gaps/deficit in Ontario
  - \$6 billion annual gap per year
- Total estimated uploading benefit to Region of Peel:
  - \$140 to \$155 million annually by 2018, including GTA Pooling, ODB, ODSP, OW and Court Security

# What is being done.....One-Time Funding

- Investing in Ontario Act - \$25 million
  - MIII Grant - \$12 million
  - Transit - \$10.2 million
  - Roads - \$9.5 million
  - Metrolinx:
    - \$0.7 million – bicycle racks on buses
    - \$26.5 million – higher order transit studies and hybrid buses on Hurontario St. & Dundas St.
- **Insufficient ongoing sustainable funding other than Provincial and Federal Gas Tax**

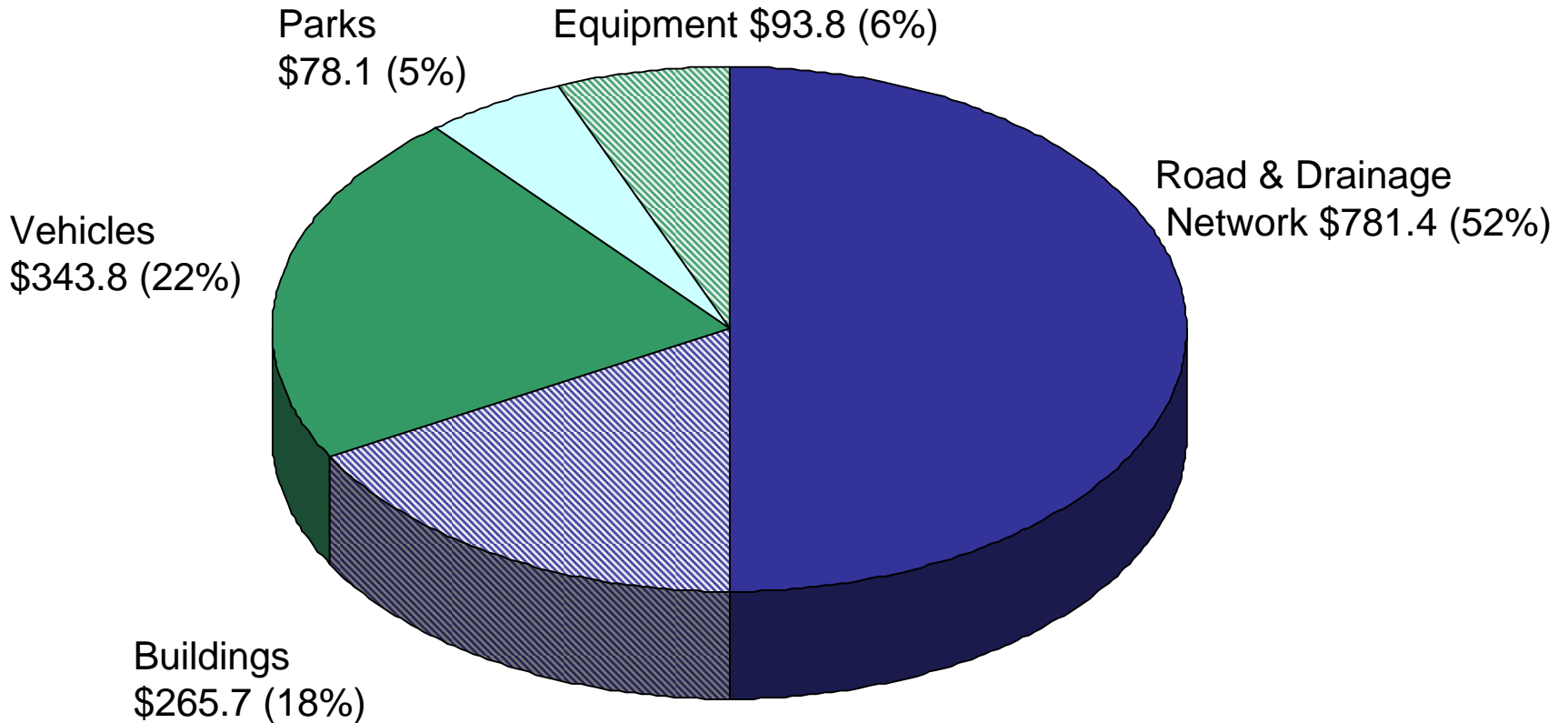
# Where is Mississauga's Infrastructure Today?



**Estimated Total Value of Assets = \$7.7 billion**

# City of Mississauga

## \$1.5 Billion 20 Year Infrastructure Deficit 2008-2027 \$(millions)

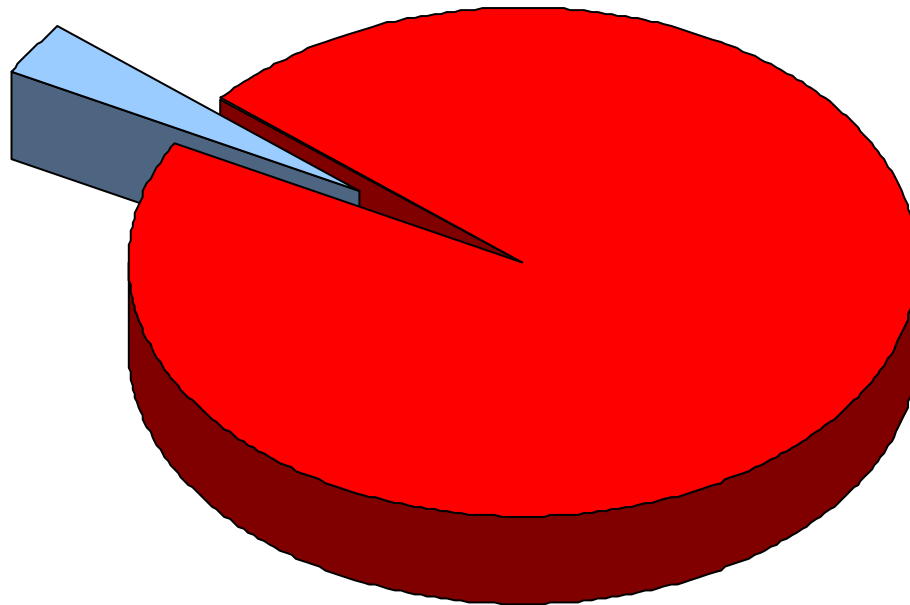


**City's needs are ongoing**



# Infrastructure Deficit Remaining After 1% City Infrastructure Levy (20 year Average Annual Gap)

**2008 Infrastructure  
Levy \$2.5 million**

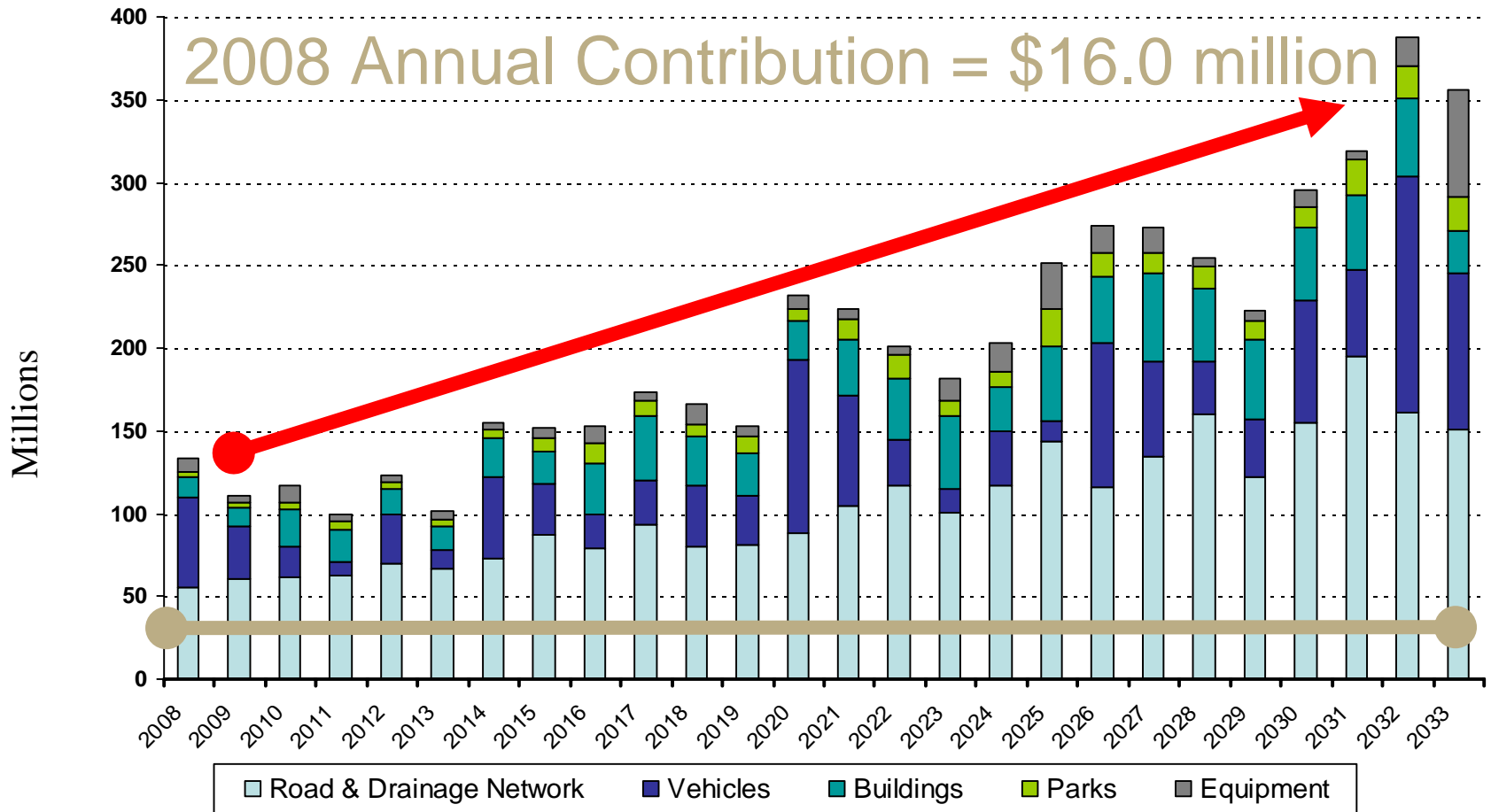


**\$75 million  
Annual  
Infrastructure  
Deficit**

**Remaining  
Infrastructure  
Deficit  
\$72.5 million**

# What Will Mississauga Need In The Future?

## Aging Infrastructure: Tax Funded Capital Needs (Adjusted for Inflation)



# Infrastructure Financing Challenges

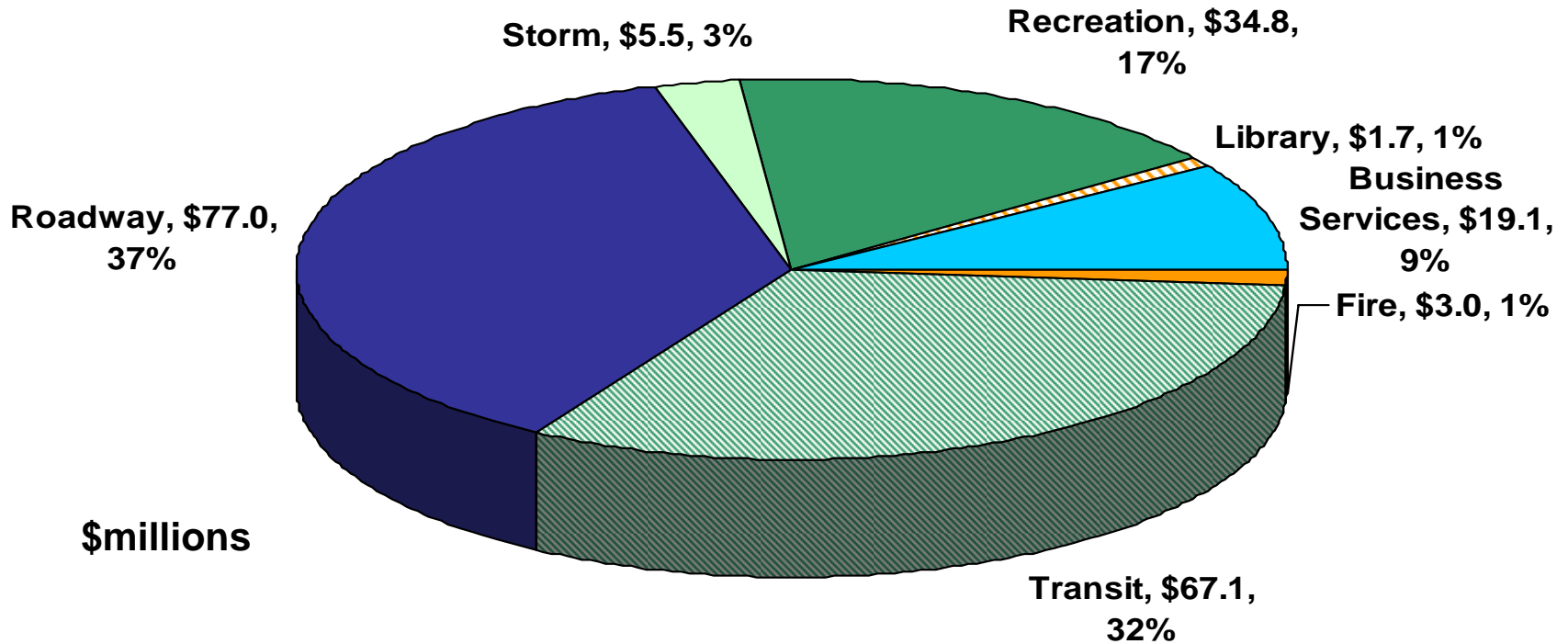
- We know that 11 to 20 year infrastructure gap is much higher than the 1 to 10 year gap
- Start preparing today, to “smooth” future financing needs

# Preliminary Capital Budget 2009-2018

# 2009 Capital Budget

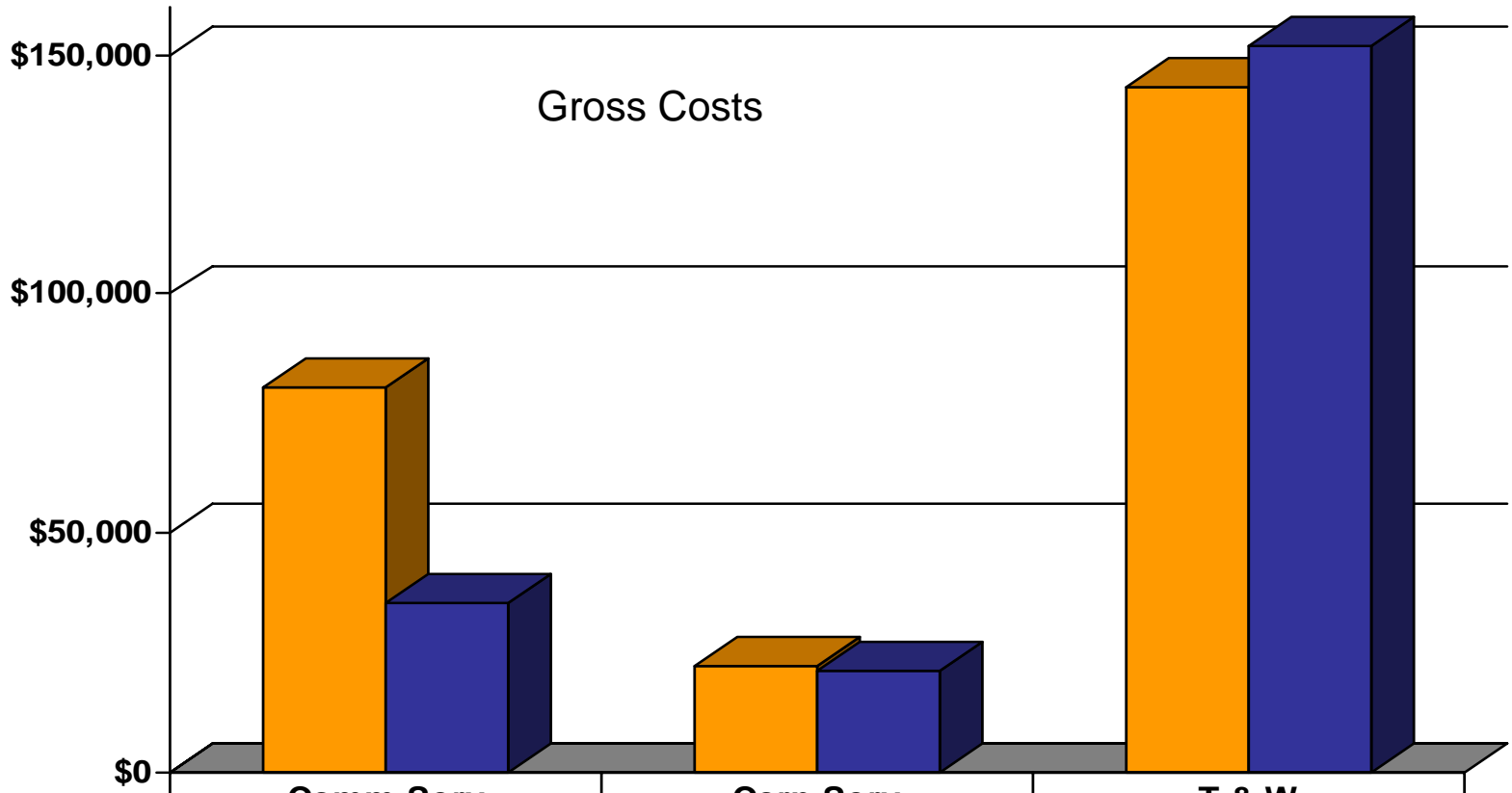
## Summary of Expenditures by Service

**Total Gross Expenditures = \$208.2 million**



# 2009 Capital Budget: Summary of Departmental Spending

Thousands



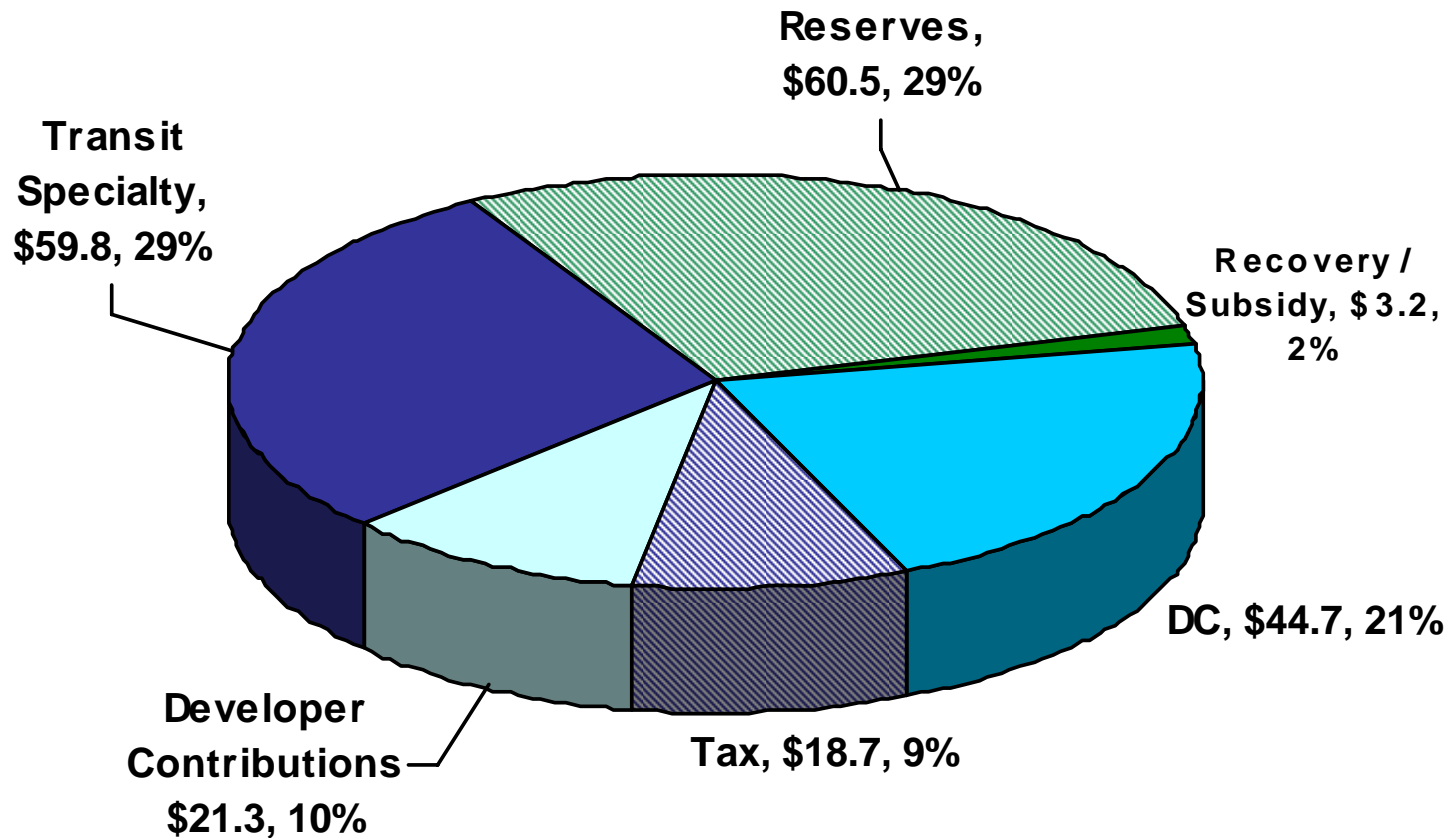
<b>2008 Plan</b>	<b>80,334</b>	<b>22,512</b>	<b>143,292</b>	<b>Total</b> <b>\$246,138</b> <b>\$208,159</b>
<b>2009 Plan</b>	<b>35,322</b>	<b>21,179</b>	<b>151,658</b>	

# 2009 Projects Highlights

	millions
Central Parkway Expansion (cashflow)	\$25.0 (Total Cost \$83.8)
Road Rehabilitation	\$21.8
BRT Construction (cashflow)	\$20.9 (Total Cost \$259.0)
Buses (replacement & expansion)	\$14.5
Port Credit Arena Redevelopment	\$11.8
Torbram Rd Grade Separation (cashflow)	\$11.0 (Total Cost \$23.9)
South East Works Depot	\$6.0
Office Accommodation	\$4.7

# 2009 Capital Budget Funding of Expenditures

Total - \$208.2 Million

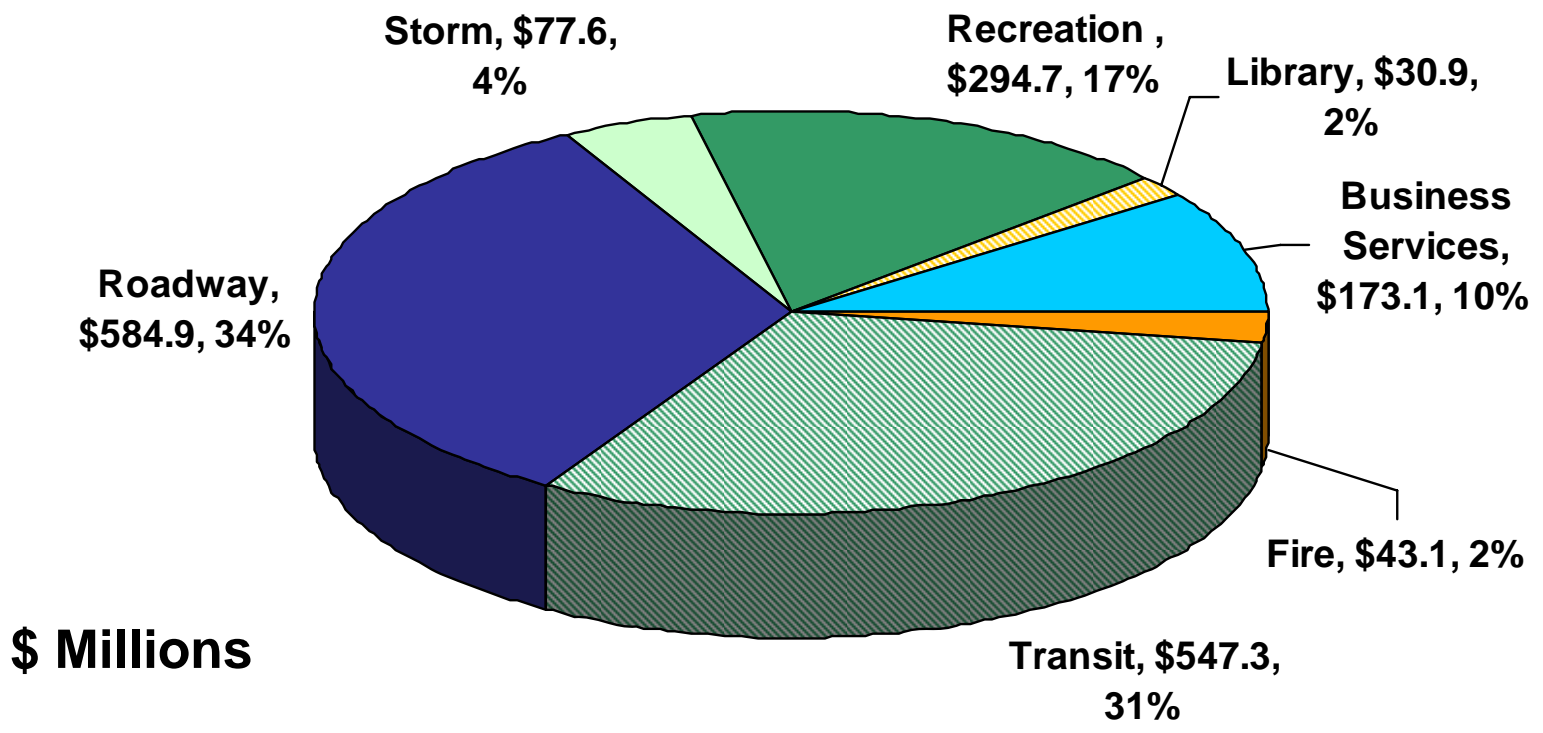


Transit Specialty includes Federal and Provincial Gas Tax and Grants



# 2009-2018 Capital Forecast Summary of Expenditures by Service

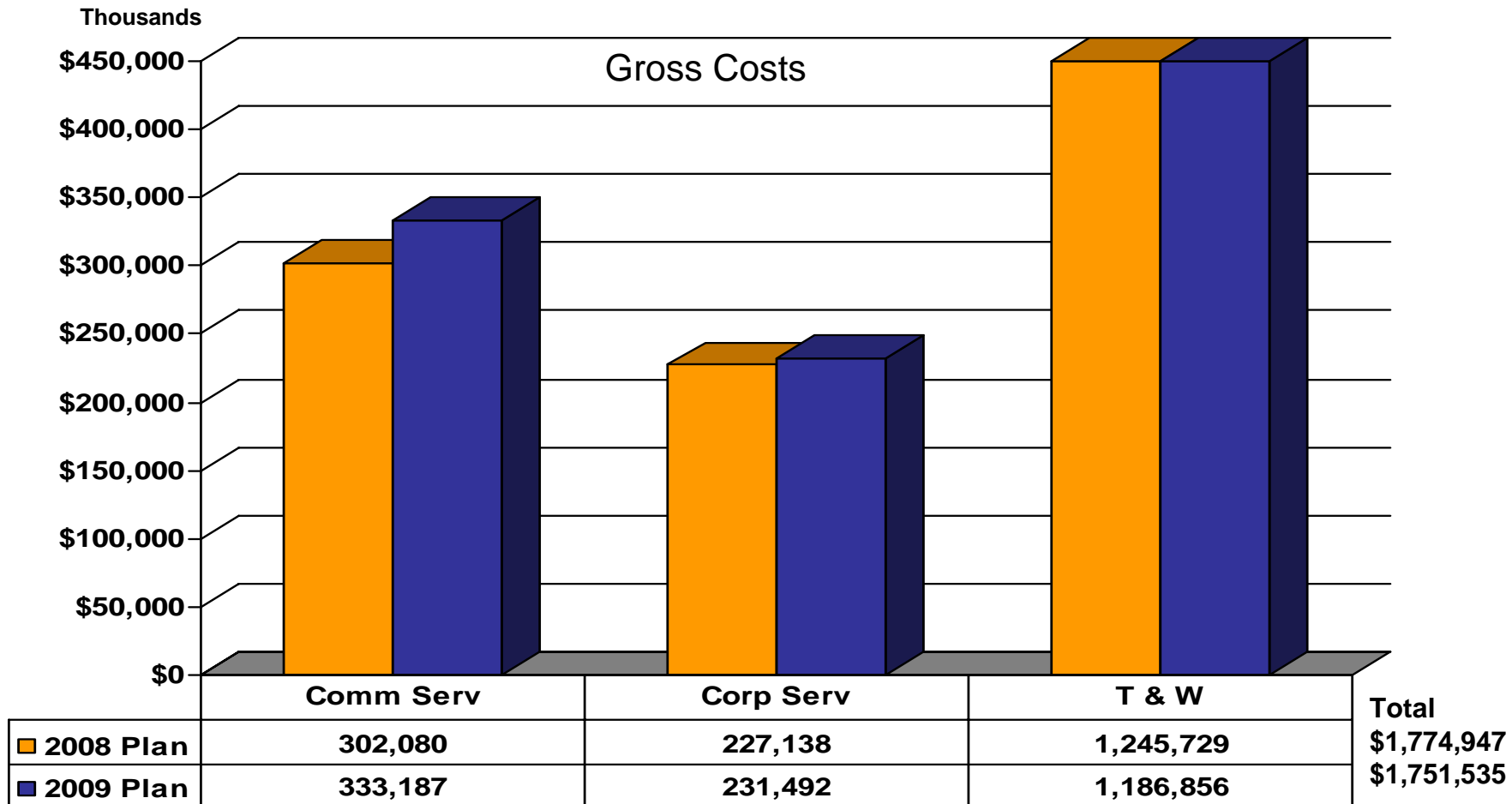
Total Gross = \$1.75 billion (uninflated)



# 2010-2018 Projects Highlights

	millions
Buses (replacement & expansion)	\$268.0
Road Rehabilitation	\$208.0
BRT Construction	\$174.0
Major Road Construction	\$111.0
Parkland Acquisition	\$82.4
Lifecycle Maintenance	\$76.2
Recreation Facilities • (Meadowvale CC, River Grove CC, Artificial Soccer)	\$38.5
IT Applications	\$50.2
Office Accommodation (renovation/new)	\$36.3
Fire Training Centre (cashflow)	\$10.2

# 2008 vs 2009 10 year Summary of Departmental Spending



# Capital Costs Rising

	Increase \$ (Millions)	% Increase
BRT Construction	\$52.5	22%
Torbram Grade Separation	\$11.0	85%
Burnhamthorpe Bridge •Based on an original budget of \$6 million in 2008	\$7.0	117%
Greenbelt Land Acquisition Costs	\$4.9	25%
Community Facility Renovations	\$2.7	10%
Artificial Soccer – Ninth Line	\$1.0	9%
IT Contingency Site	\$0.1	8%

# 2009 – 2018

## Unfunded Project Highlights

	Millions
F&PM Asset Replacement	\$60.0
BRT Cost Increase	\$52.5
Road Rehabilitation	\$45.0
Parks/Sports Field Maintenance	\$31.0
Major Parkland Redevelopment •Erindale, Wildwood, Streetsville	\$25.0
Recreation Facilities Renovations •Malton Arena, Indoor and Outdoor Pools	\$12.0
Civic Square Improvements •Proposal to use IOA funding	\$10.0
Burnhamthorpe Library Renovations	\$10.0
Fire Station Renovations	\$8.0

# Other Capital Pressures & Opportunities

- PAN AM Games
- Contribution towards College/University
- Fire Training Centre increases
- Strategic Plan Projects (other than City Centre)
- Street Trees/ Emerald Ash Borer
- Higher Order Transit/Metrolinx Plan

# 2009 – 2018 Capital Financing Forecast

- **Base Case Funding Assumptions**
  - Carry forward 2008 Budget Forecast
  - \$16 million per year transfer from operating budget to capital reserves
  - use the Revolving Fund and repay it

# 2009-2018 Capital Forecast

## Summary of Departmental Spending by Funding

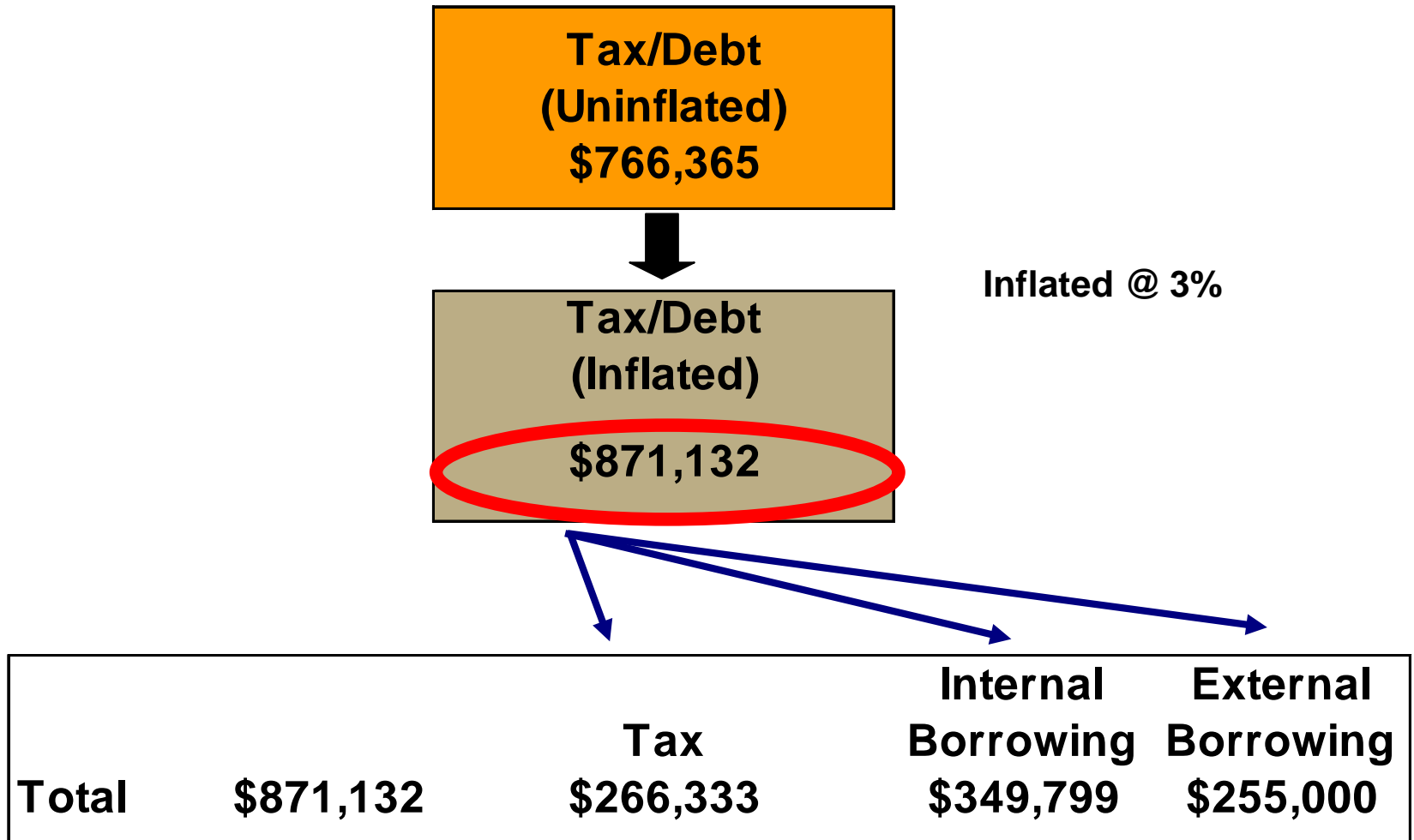
('000) Uninflated		Funding Sources				
Department	Total	DC	Tax/Debt	Transit Specialty	Developer Contribution	Recovery / Subsidy
Community Services	\$333,187	\$61,146	\$123,498		\$142,919	\$5,624
Corporate Services	\$231,492	\$720	\$230,772			
Transportation & Works	\$1,186,856	\$213,778	\$412,096	\$495,176	\$5,165	\$60,642
<b>TOTAL</b>	<b>\$1,751,535</b>	<b>\$275,644</b>	<b>\$766,365</b>	<b>\$495,176</b>	<b>\$148,084</b>	<b>\$66,266</b>

Transit Specialty includes Federal and Provincial Gas Tax and Grants



# 2009-2018 Capital Requests

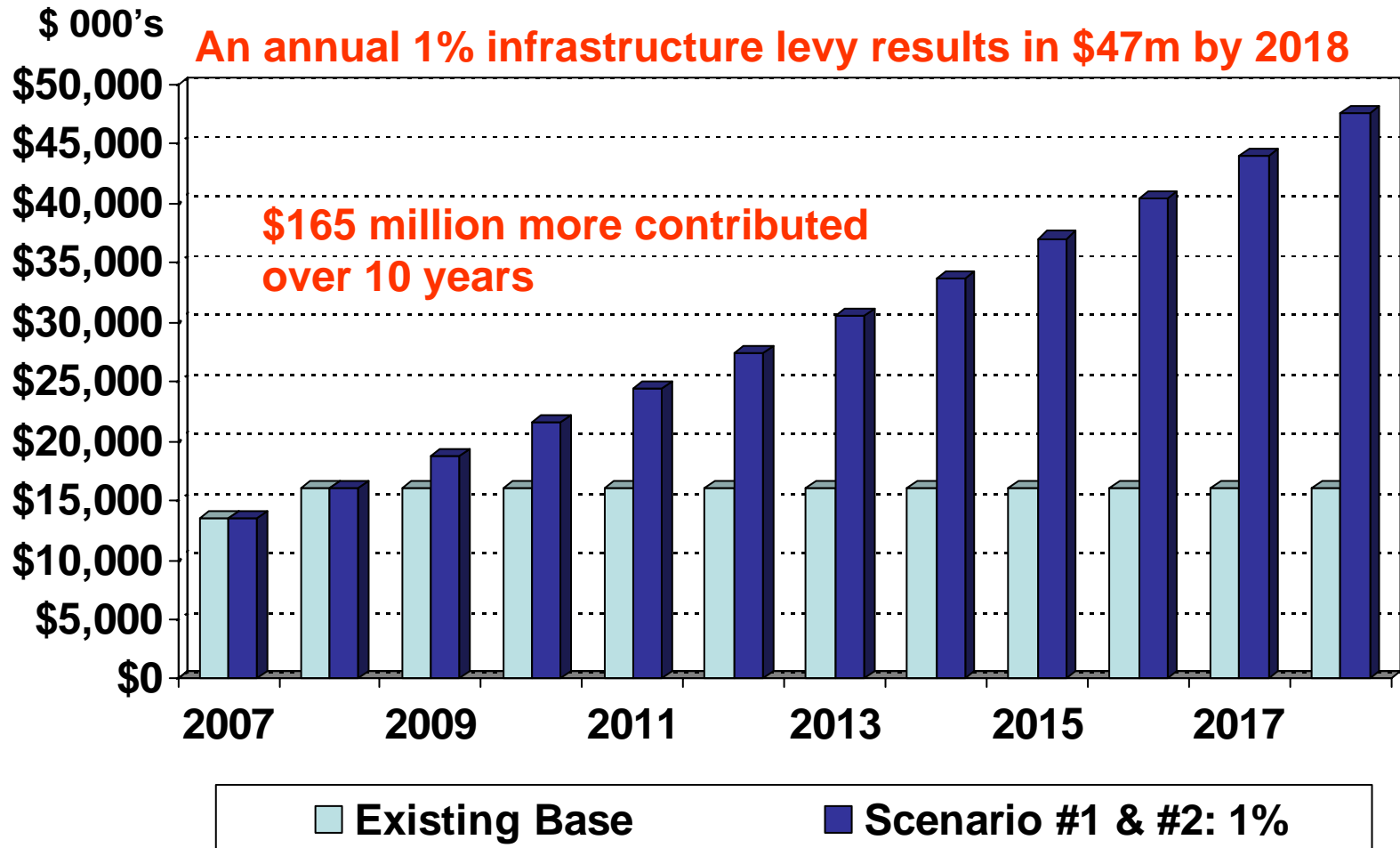
## Summary of Tax Funding Sources (000's)



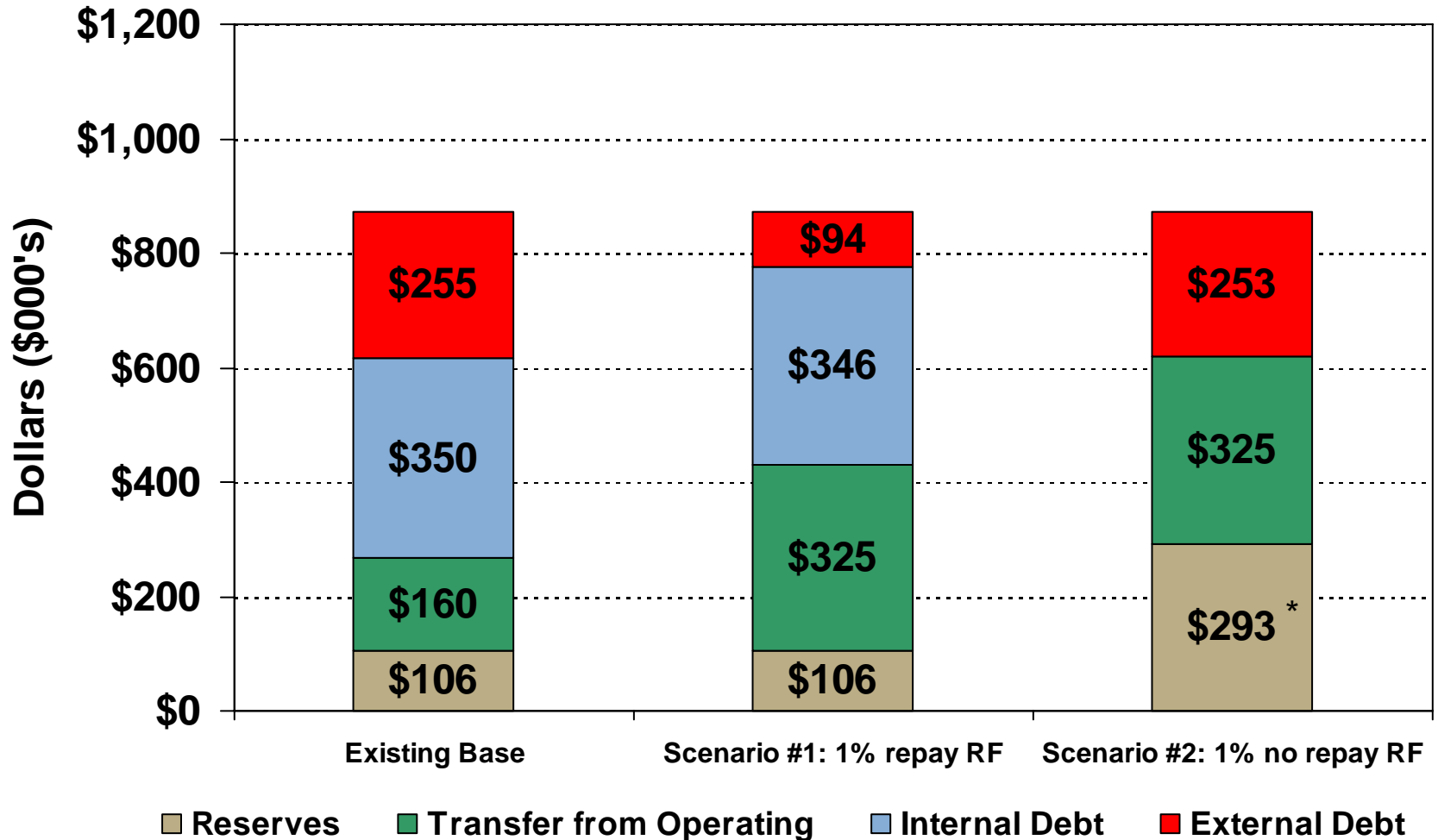
# Alternative Capital Funding Scenarios

- **2009 Scenario #1** – Increase capital transfer by 1% of tax levy per year for 10 years; repay internal debt revolving fund
- **2009 Scenario #2** – Same as #1 except revolving fund is spent down to \$0 and not repaid

# Summary of Transfers from Operating to Capital

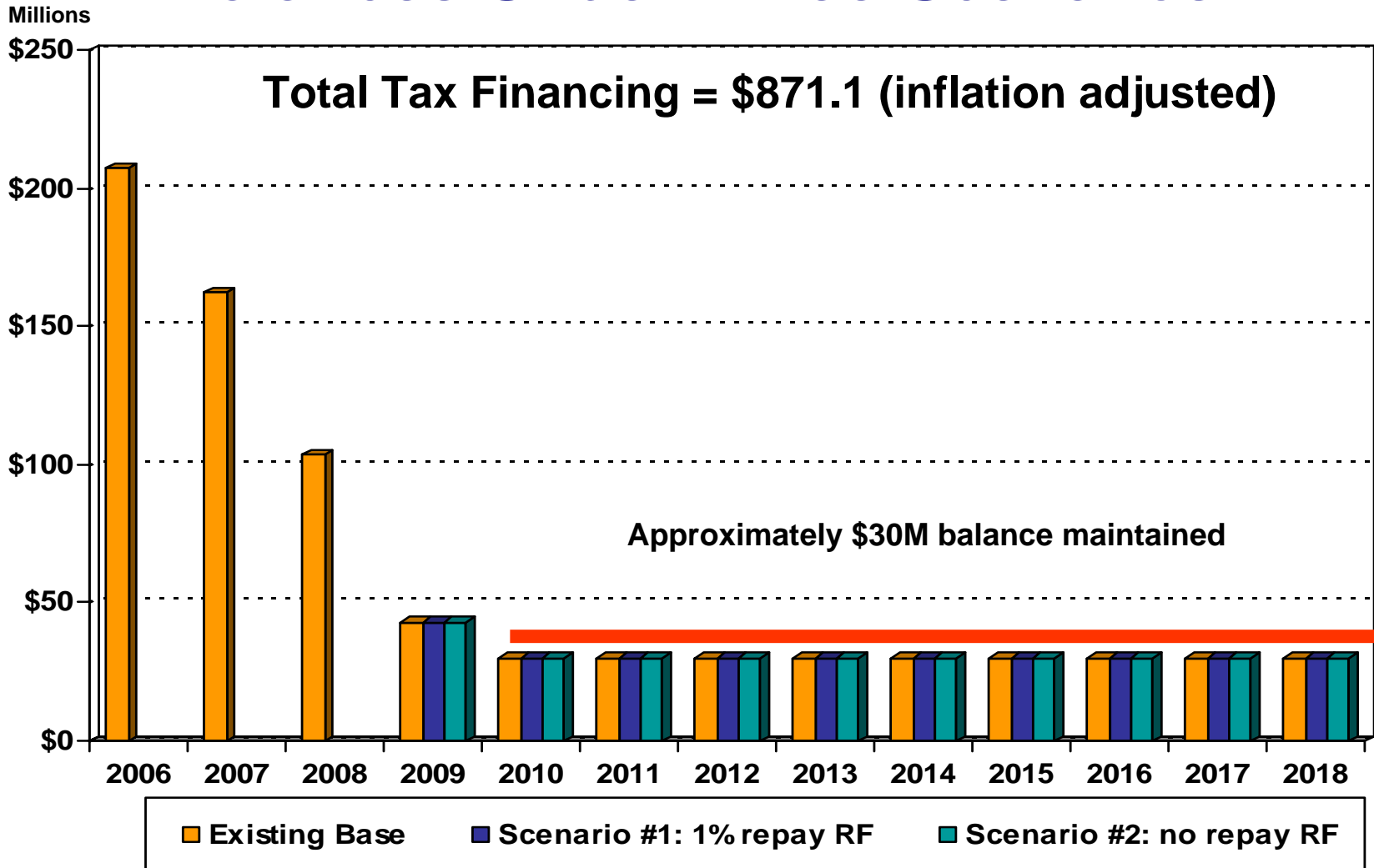


# Summary of Capital Financing Under Three Different Scenarios



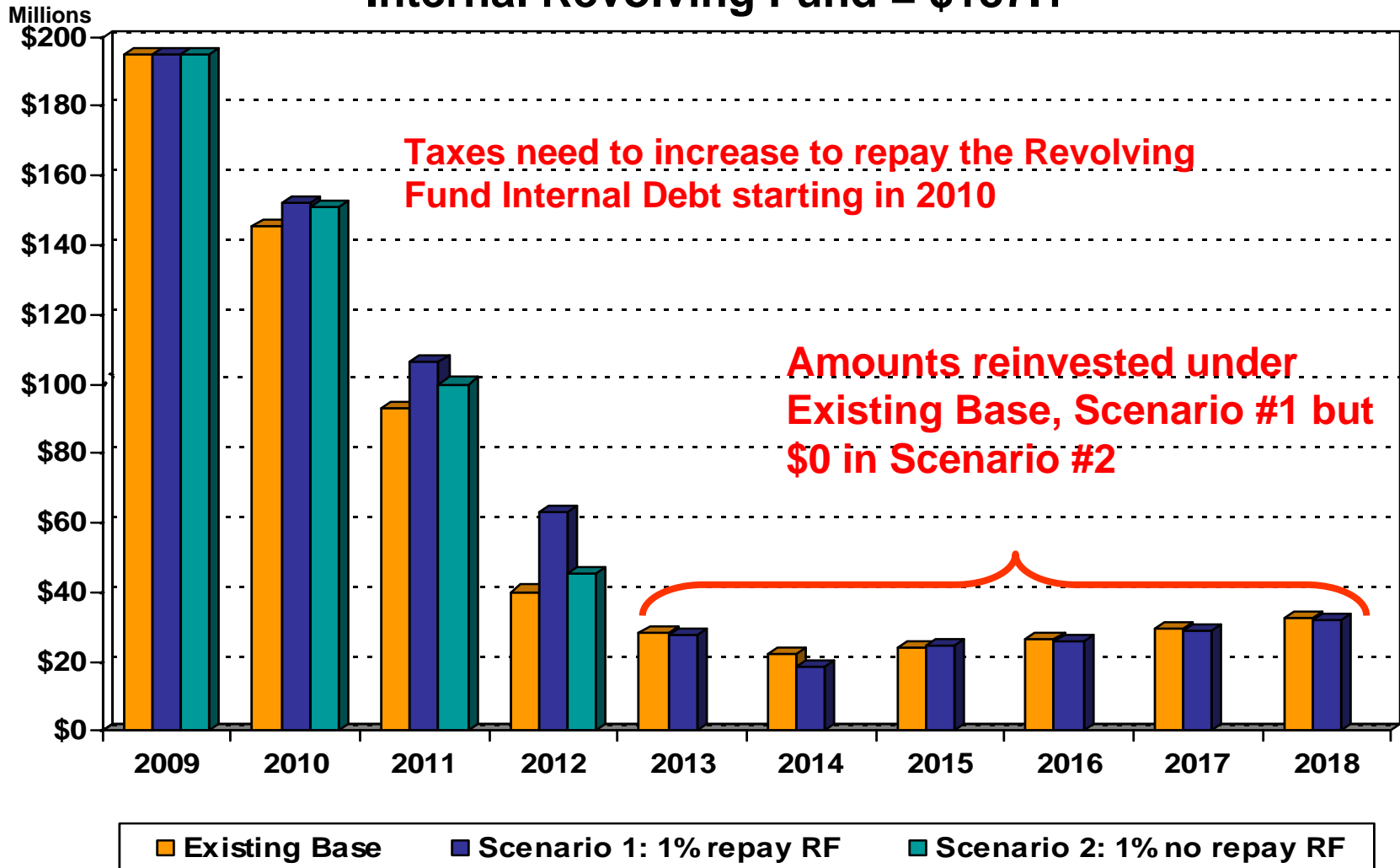
\* Includes 187 million from Revolving Fund

# Taxed Based Capital Reserve Fund Balances Under Three Scenarios



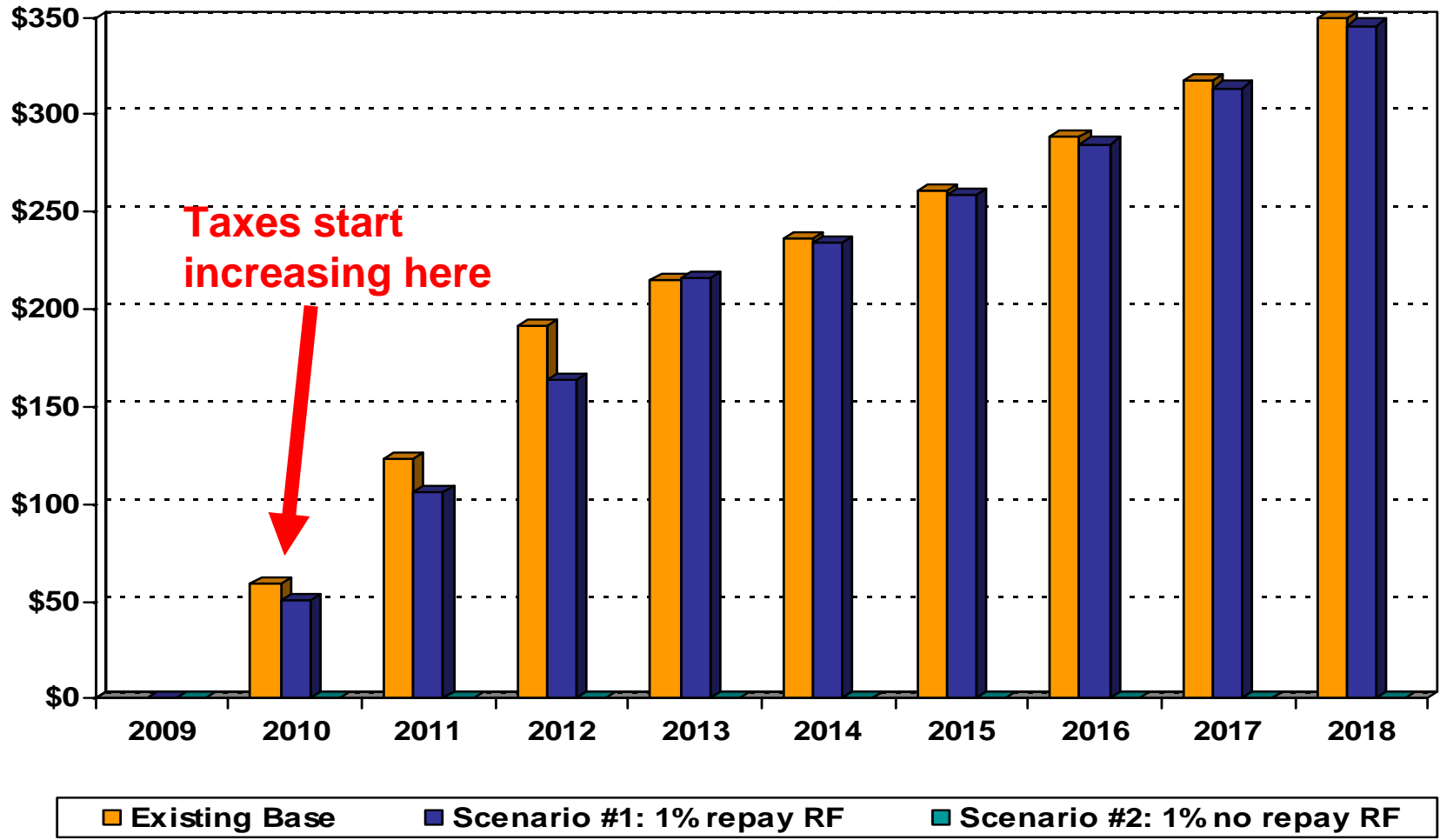
# Revolving Fund Balances Under Three Scenarios

Internal Revolving Fund = \$187.1



# Cumulative Internal Debt Issued (from Revolving Fund)

Millions

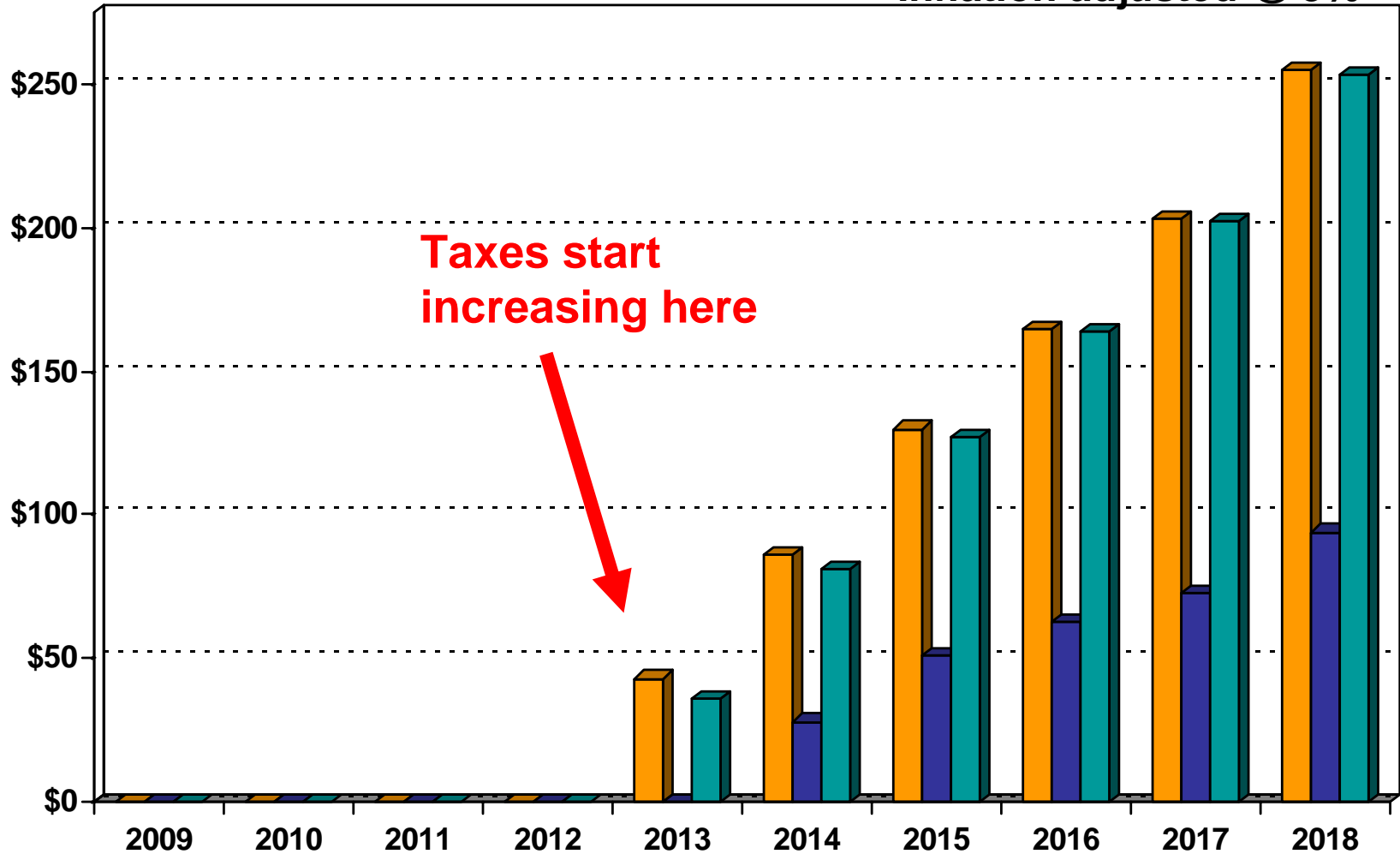


Inflation adjusted @ 3%

# Cumulative External Debt Issued

Millions

Inflation adjusted @ 3%





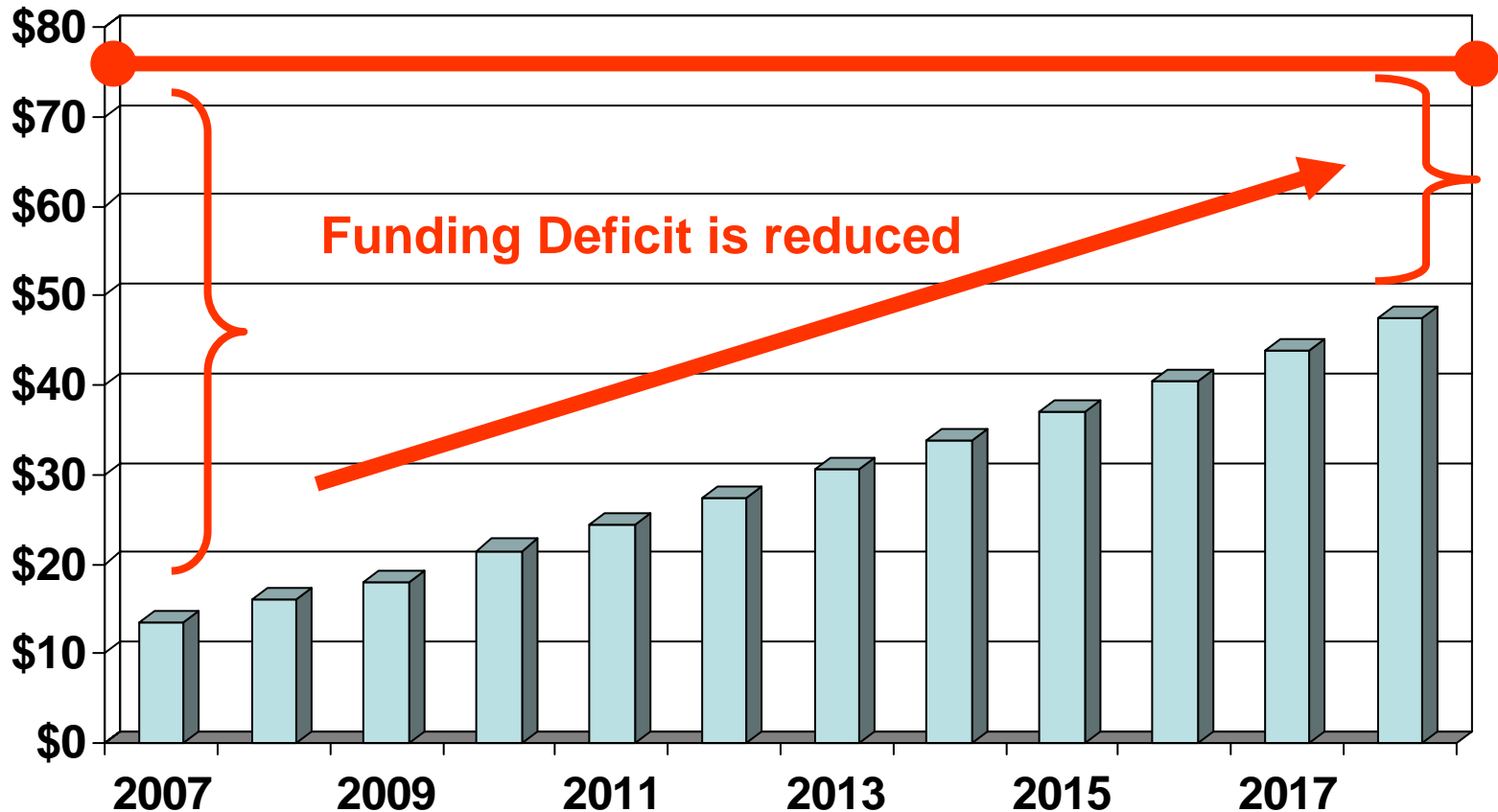
# Comparison of Three Capital Funding Scenarios

Budget Year	10 Year Contribution from Operating Budget (000's)	Year External Borrowing Starts	Total Internal Debt over 10 years (000's)	Total External Debt over 10 Years (000's)	Total Internal and External Debt	Average Annual Tax Rate Impact
<b>Existing Base</b> \$16M only per year Repay Revolving Fund	\$187,721	2013	\$349,274	\$255,000	<b>\$604,274</b>	<b>1.49%</b>
<b>Scenario #2</b> — 1% capital funding increase per year – Repay Revolving Fund	\$325,201	2014	\$345,734	\$94,000	<b>\$439,734</b>	<b>2.14%</b>
<b>Scenario #3</b> — 1% capital funding increase per year – No Repayment to Revolving Fund	\$325,201	2013	*	\$253,000	<b>\$253,000</b>	<b>1.57%</b>

\* \$187 million is withdrawn from Capital Revolving Fund over 10 year period and not repaid.

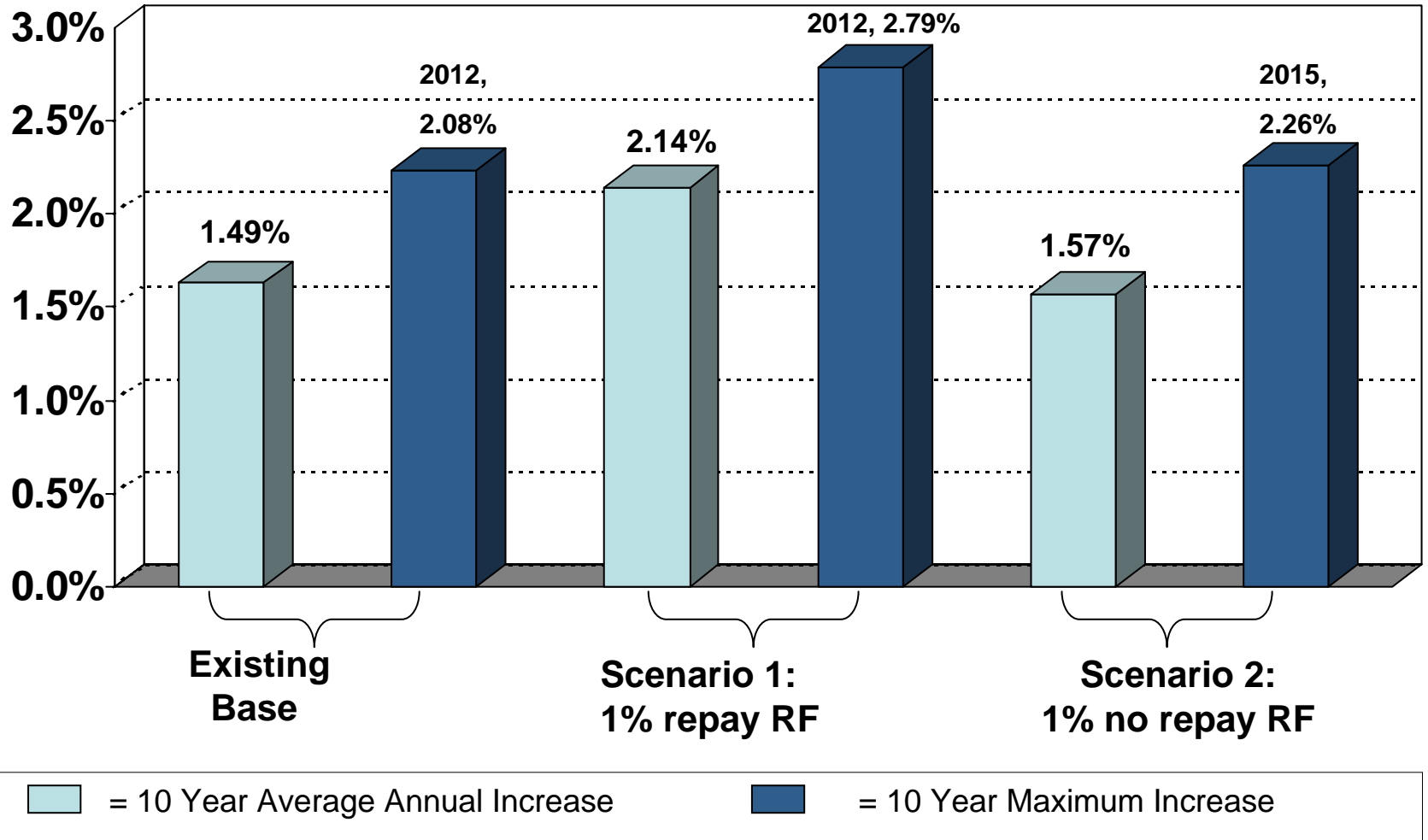
# Impact of 1% Annual Infrastructure Levy Towards Funding Deficit

Annual Capital Contribution Required = \$75 million

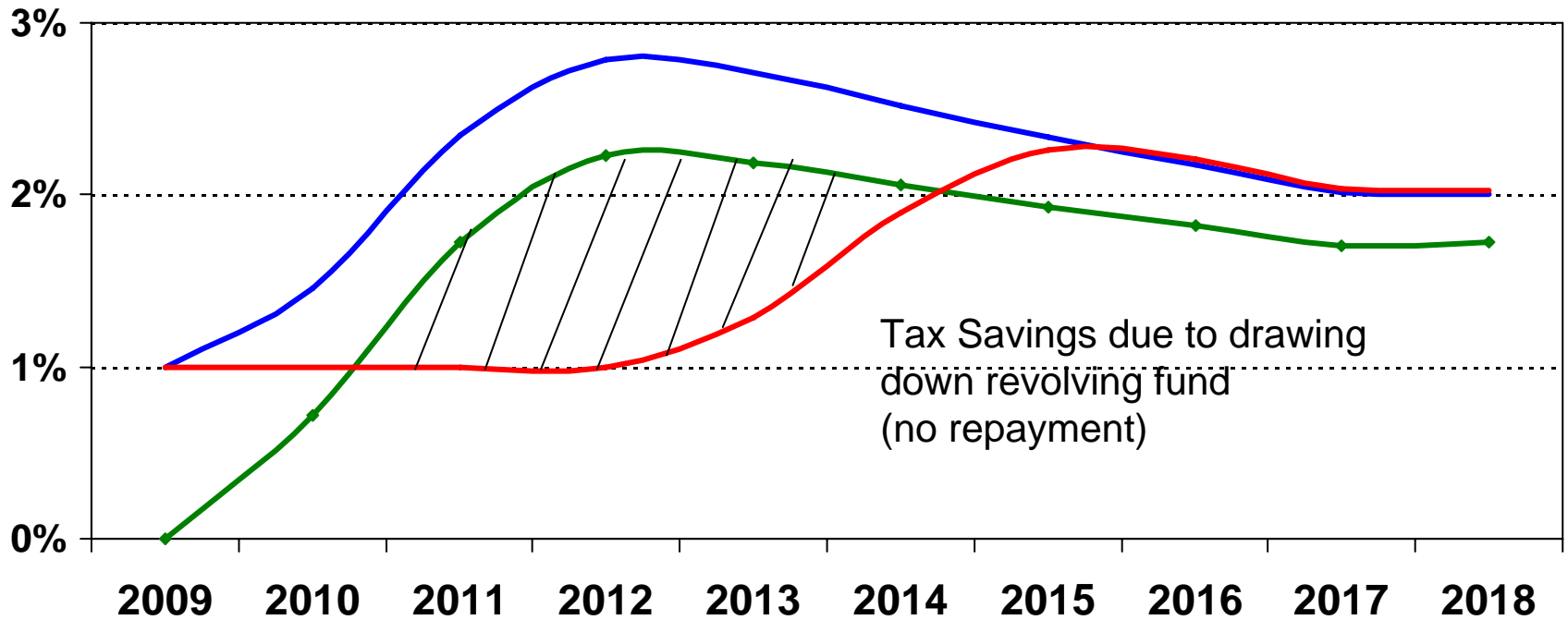


# Tax Rate Increases for Capital Financing

# Comparison of Capital Tax Rate Increases



# Annual Capital Tax Rate Impacts Under Three Financing Scenarios: Servicing External Debt versus Servicing Internal & External Debt



# City Impact on Total Tax Bill

2009 Total Tax Bill Impacts		
Tax Rate Impact	Residential	Commercial\ Industrial
Operating	0.97%	0.53%
Capital	0.28%	0.15%
<b>Combined</b>	<b>1.25%</b>	<b>0.68%</b>

# Conclusions

- Capital tax increases unrealistically high if repay Revolving Fund and do 1% Infrastructure Levy
- Could still keep a small revolving fund or use other reserves for capital projects with a payback (eg. revenues)
- Better “smoothing” of capital tax increases under Scenario 2 vs Existing Base

# Conclusions

- Budget forecast will use Scenario 2 as the City has re-evaluated its need for a Revolving Fund, alternatively adding an annual 1% Infrastructure Levy
- Council will need to decide in January/February whether to do the 1% increase to capital reserve fund



# Questions & Answers