

2010 Capital Budget & Business Case Update

Presentation to BRCOTW

October 15, 2009

Update on 2010 Business Case

- CMT has met to begin it's review of Business Cases – Oct 6 & 8
- \$2 M Mitigation Fund
- \$6 M Request
- Separate Police discussions underway
- CMT to finalize review considering “filters”
– Oct 20 & 22
- Oct 31 CMT deadline per timetable
- Nov 19 to BRCOTW

Overall Approach to 2010 Capital Budget

- 2009 Budget -introduced 10 Year “Capital Affordability Strategy”
- 2010 Budget -second year of Strategy
 - Propose budget consistent with strategy
- Strategy Update –Q1 2010
 - Cost & Affordability update /refinements

2010 Capital Budget

- 2 BRC meetings scheduled
 - October 15 –Present Draft
 - November 5 –Seek Approval
- Benefits of maintaining Capital Spending
 - Continue economic stimulus during downturn
 - Competitive costs /good value
 - Continuing low interest rates
 - Potential for incentive financing (e.g. CMHC ½% reduction & savings over \$1 M)
- Benefits of early approval
 - Lower costs early in construction season vs later

Goals

- Affordable 10 year Capital Plan
- Maintain credit rating
- Control debt within policy for Annual Repayment Limit (ARL)

October 16, 2008

AFFORDABILITY

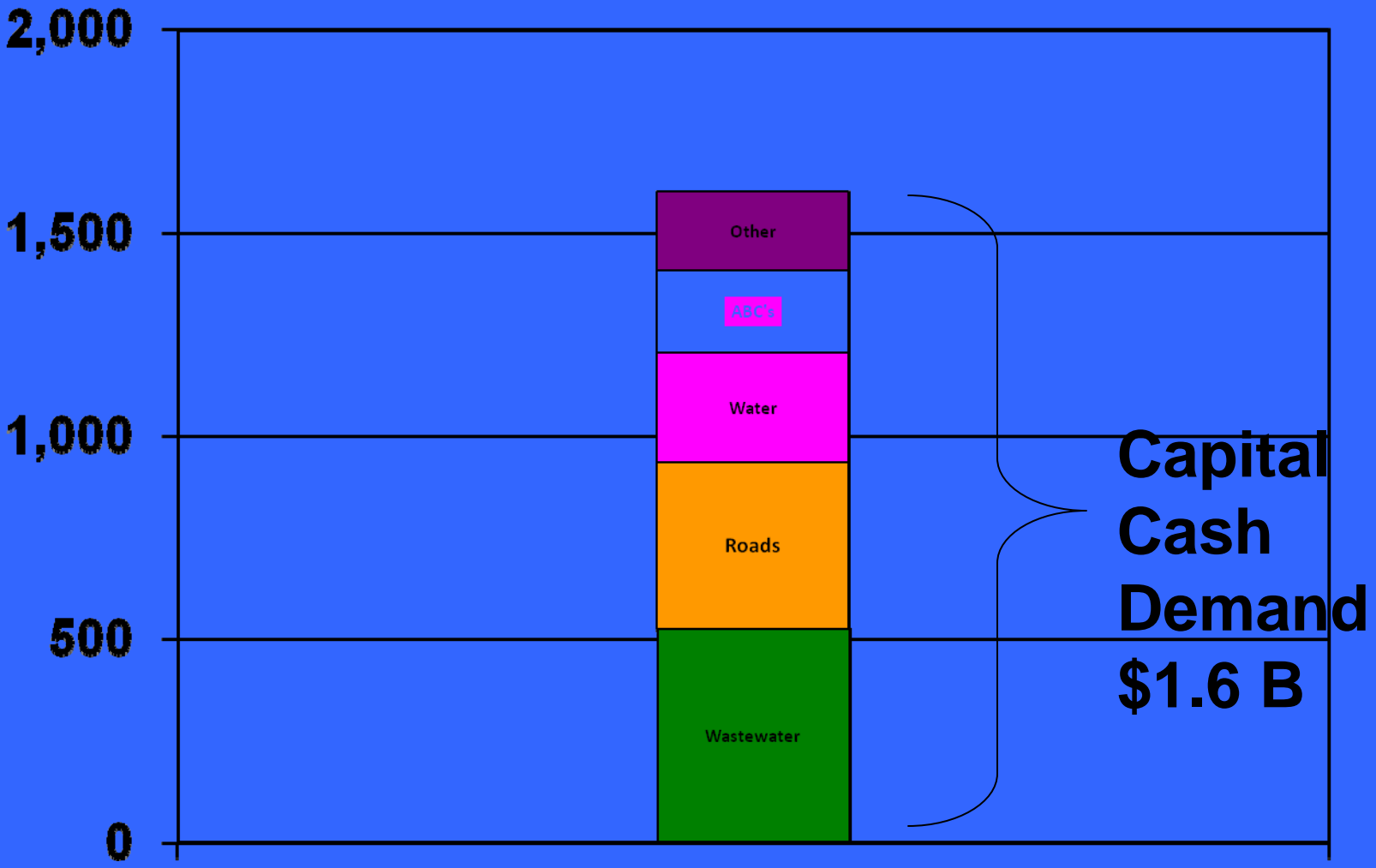
Living Within Niagara Taxpayers' Means

- Increases in rates and taxes to be less than increases in householders' income
- Capital Budget impacts consistent with Current Budget guidelines

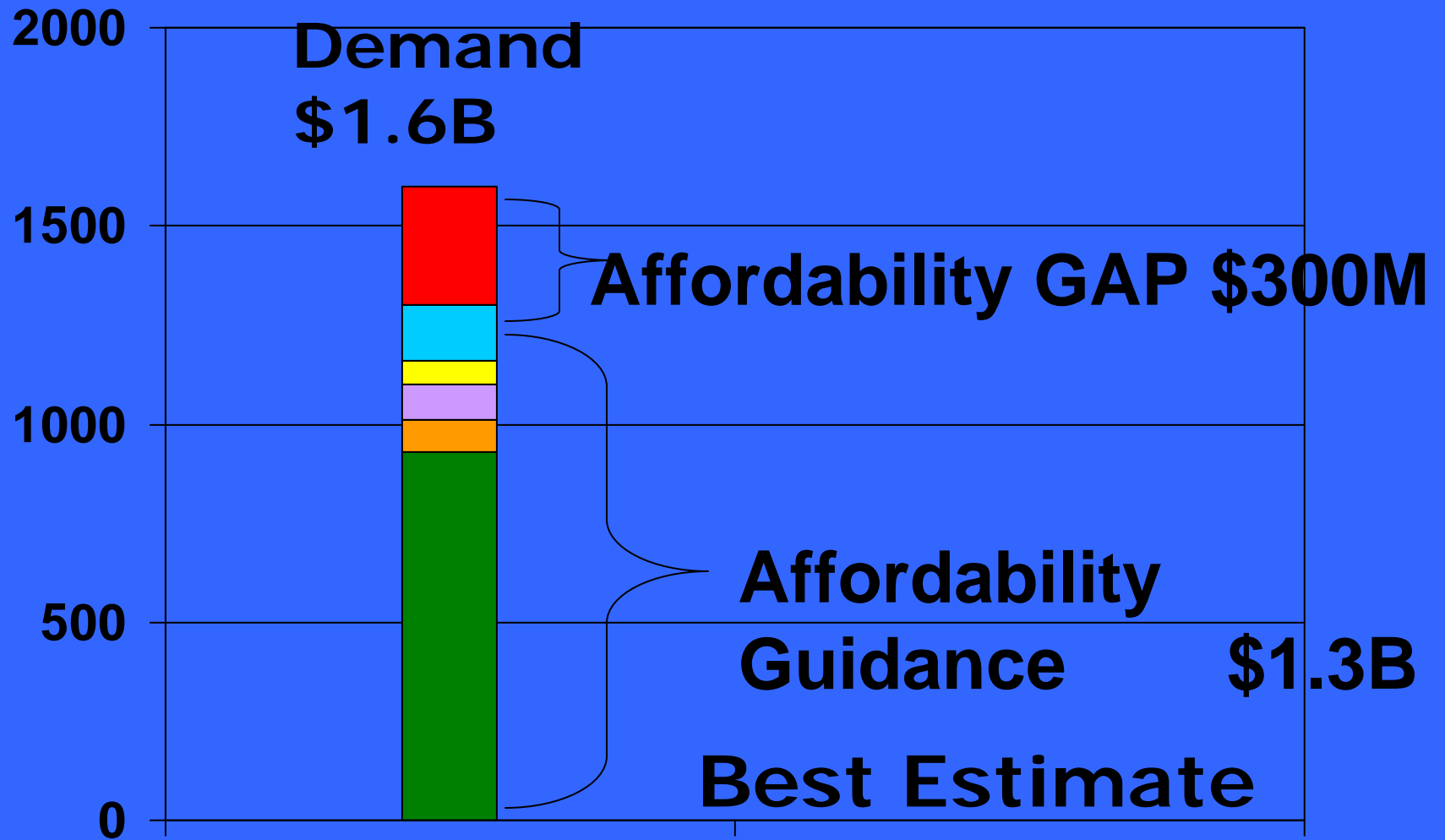
(Increase in taxes defined as after assessment growth)

October 16, 2008

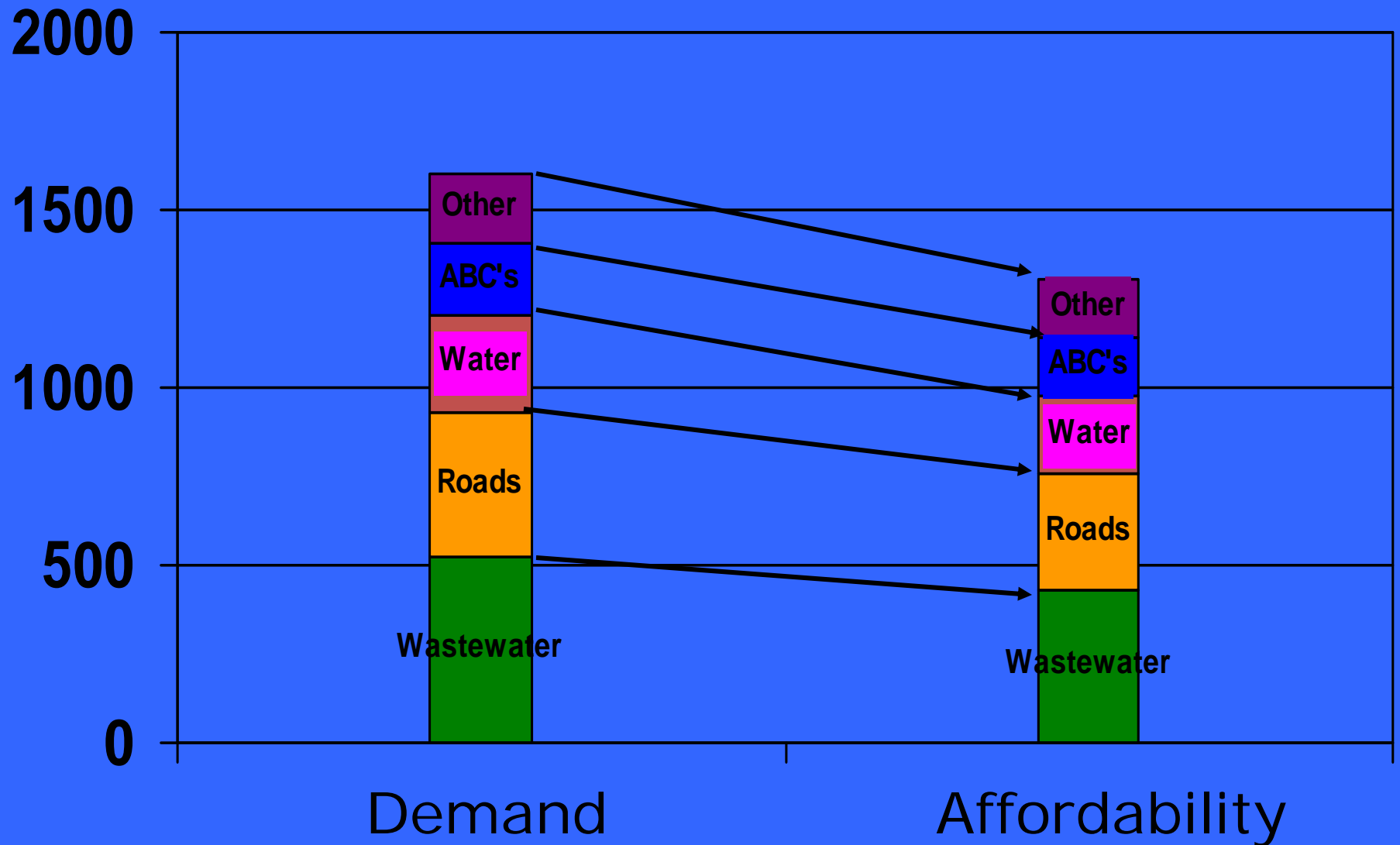
Capital Cash Demand -10 Years



Capital Affordability – 10 Years



Closing the Gap - Allocation



Typical Year Affordability

- ▣ 10 Year Estimated Requirement \$1.6 B
- ▣ 10 Year Estimated Affordability \$1.3 B
- ▣ **Typical annual affordability \$130 M**
- ▣ **Typical affordability 13/16 or 81%**

(Adjust for particular year as required)

Actual 2009 Capital Budget Approvals

Spending

▣ “Normal” Budget	\$120 M
▣ Infrastructure Stimulus	<u>\$ 88 M</u>
▣ Total budget for 2009	<u>\$208 M</u>

Region Affordability

▣ “Normal” Affordability	\$120 M
▣ Infrastructure Stimulus Funding	\$ 29 M
▣ Excess	<u>\$ 29 M</u>

Preliminary 2010 Affordability

- Typical year \$130 M
- Excess Funding in 2009 (\$ 29 M)
- Preliminary 2010 Affordability \$ 101 M
- Capital Requests \$126.5 M
- **Initial Shortfall** **\$25.5 M**
(excludes Police facilities \$14.4 M budgeted but not funded)

Preliminary Capital Requests

- Levy \$71.7 M
- Rate \$45.6 M
- ABCs \$9.2 M
- **Total** **\$126.5 M**

(excludes Police facilities \$14.4 M budgeted but not funded)

2010 Actual Affordability

	Levy Programs	Rate Programs	Total
Capital Levy (Transfers)	\$6 M	\$41.4 M	
Capital Levy (Bal)	\$6 M	\$4.2 M	
Debt Maturities			
-2010	\$15 M		
-2011	\$6.9 M		
Devel Charges	\$6 M		
Gas Tax	\$13 M		
Cost Sharing	\$11 M		
Dept. Sources	\$8.4 M		
Totals	\$72.3 M	\$45.6 M	\$117.9 M

2010 Requests vs Affordability

-Levy (\$M)

Department	Request	Dept Funding	General Alloc	Affordability
Community Svcs	\$0.9		\$0.9	\$0.9
Fleet	\$1.7	\$1.7		\$1.7
Facilities	\$4.4		\$4.4	\$4.4
General Gov't	\$1.0		\$1.0	\$1.0
Public Health	\$4.6	\$0.9	\$3.7	\$4.6
Technology	\$4.2	\$0.4	\$2.9	\$3.3
Roads	\$51.0	\$10.8	\$32.5	\$43.3
Niagara Dist Airport	\$3.9		\$3.9	\$3.9
Total	\$71.7	\$13.8	\$49.3	\$63.1

2010 Requests vs Affordability -Rate (\$M)

Department	Request	Dept Funding	General Alloc	Affordability
Water	\$16.7	\$16.7		\$16.7
Wastewater	\$24.7	\$24.7		\$24.7
Waste	\$4.2	\$4.2		\$4.2
Total	\$45.6	\$45.6	N/A	\$45.6

- ▣ Notes: Assumes Dept funding from reserves or rate funded debt

2010 Requests vs Affordability -ABCs (\$M)

Department	Request	ABC Funding	General Alloc	Affordability
NRH	\$3.3	\$2.3	\$1.0	\$3.3
NPCA	\$1.8		\$1.8	\$1.8
Police	\$4.1	\$3.1	\$1.0	\$4.1
Total	\$9.2	\$5.4	\$3.8	\$9.2

- ▣ Notes: Assumes ABC funding from reserves, Police excludes facilities \$14.4 budgeted but not funded in 2010

Preliminary Capital Budget –One Option (\$M)

	Request	Affordability
Levy (w/o ABCs)	\$71.7	\$63.1
Rate	\$45.6	\$45.6
ABCs	\$9.2	\$9.2
Subtotal	\$126.5	
2010 Affordability		\$117.9
Police (Not Funded)	\$14.4	\$14.4 (future)
Budget Approval		\$132.3

Conclusion

- Substantial affordability for 2010 in spite of ISF
 - Affordability increased from \$101 M to \$118 M
 - Shortfall reduced to \$8 M (\$118 vs \$126)
 - Affordability of ($\$118/\$126 =$) 93% (vs 81%)
- However some prioritization required
- More work needs to be done
- One option provided to launch discussion
- Detailed projects list for information

Next Steps -2010 Capital Budget

- ▣ Comments on Draft Budget from BRC Oct 15
- ▣ Further CMT review/apply filters Oct 20,22
- ▣ Committee Discussion Nov 3,4
- ▣ Seek BRC Approval Nov 5

- ▣ Capital Affordability Update Q1 2010

Questions

- Presentation ???
- Projects list ???

Historical Capital Budgets

Millions

