



**City of
Pickering
Senior Staff
Recommended
2024 Draft
Capital Budget
&
Forecast**

January 4, 2024

pickering.ca

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Budget Basics Assessment Update

Current
Market
Value

What is my home
worth today?

>

MPAC
Assessment
Value

January 1, 2016

MPAC Assessment value is based on the value of the price that your property might reasonably have sold for in its current state and condition **on January 1, 2016** between a willing buyer and seller.

House Purchased for
\$1.0 Million

Average Assessment Value would be
\$487,000

51.3% Decrease

Impact of **Delayed** Reassessment on Residential Property Taxes

| Explanation of Tax Changes From 2019 to 2020 | |
|--|---------------|
| Residential, Farmland, Pipelines & Managed Forests | |
| Final 2019 Levies | 5,396.17 |
| *2019 Annualized Taxes | 5,396.17 |
| 2020 City Levy Change | 48.16 |
| 2020 Region Levy Change | 69.15 |
| 2020 Prov. Education Levy Change | 0.00 |
| 2020 Tax Change due to Reassessment | 9.14 |
| **Final 2020 Levies | 5,522.62 |
| Total Year-Over-Year Tax Change | 126.45 |

For 2024, the reassessment is being delayed **to post 2025?** Therefore, there should be no financial impact due to reassessment.

The highlighted line should be ZERO for 2024.



How is the Residential Tax Bill Allocated?

| | |
|---------------|--------|
| Pickering | 31.20% |
| Durham Region | 55.62% |
| School Boards | 13.18% |



Residential Tax Bill

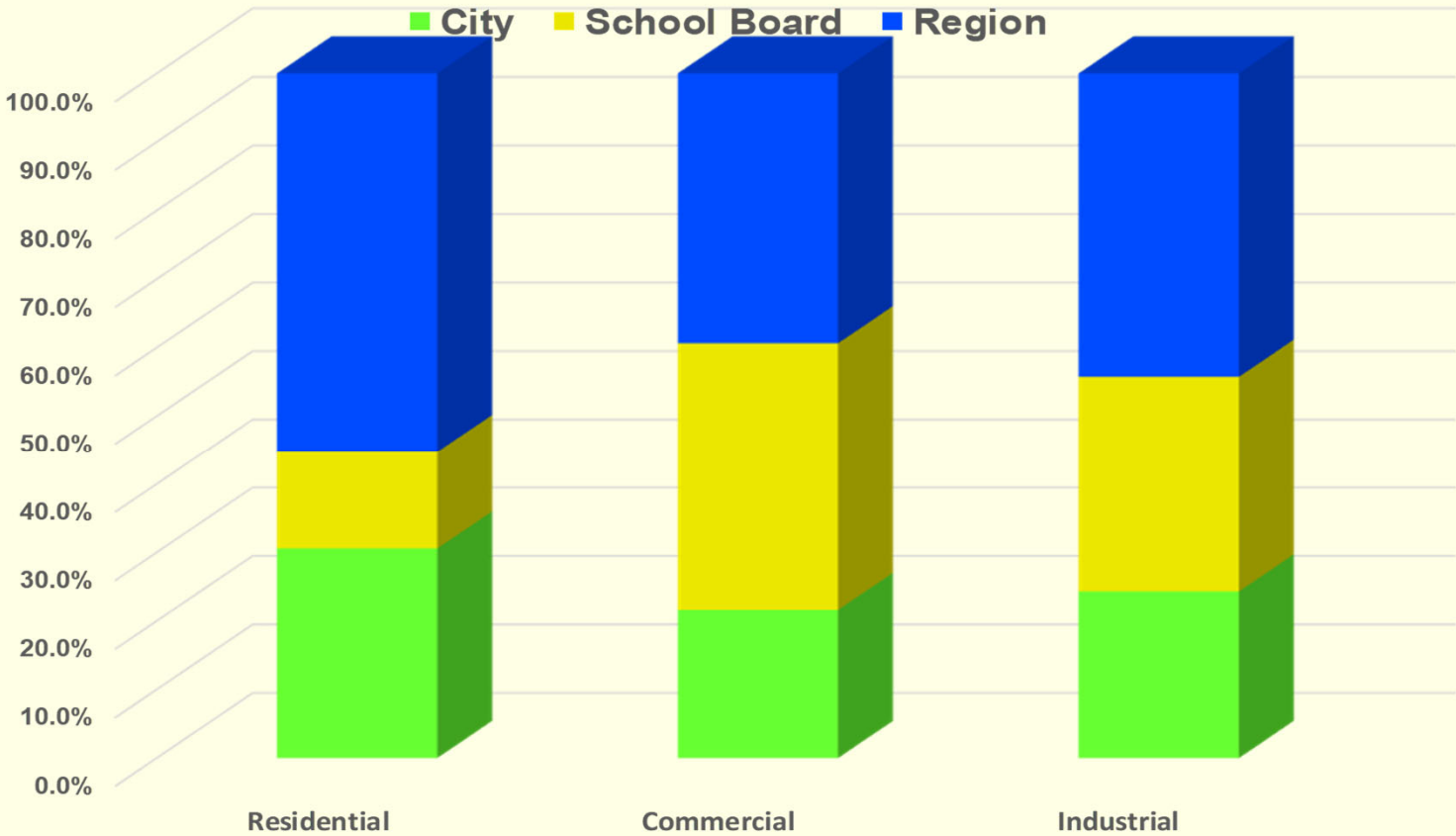
Pickering Share

2023

| | | | |
|---|---------|--|---------|
| Average Daily Cost of Municipal Services: | | \$ 6.08 | |
| 24.1% Fire Services  | \$ 1.47 | 20.1% Road & Water Network  | \$ 1.22 |
| 7.6% Library  | \$ 0.46 | 7.8% Parks & Property  | \$ 0.47 |
| 4.9% Debt Servicing Costs  | \$ 0.30 | 5.7% Community & Recreation Centres  | \$ 0.35 |
| 1.2% City Development  | \$ 0.07 | 6.2% Corporate Services  | \$ 0.38 |
| 0.7% Animal Services  | \$ 0.04 | 1.2% Streetlights  | \$ 0.07 |
| 0.9% Arenas  | \$ 0.05 | 0.9% Recreation Programs  | \$ 0.05 |
| 0.6% Customer Care  | \$ 0.04 | 1.1% Museum  | \$ 0.07 |
| 0.4% Community Grants  | \$ 0.02 | 0.5% Crossing Guards  | \$ 0.03 |
| 0.3% By-law Services  | \$ 0.02 | 9.2% All Other Areas  | \$ 0.57 |

* Calculated based on the average assessed value of \$612,000 for a residential property.

Property Tax Allocation by Major Property Tax Class



Understanding City's Capital Infrastructure Challenges

Notes 10. Tangible Capital Assets Balances As of December 31, 2022

| | Buildings | Machinery Equipment | Vehicles | Infrastructure | Information Technology |
|---|---------------------|------------------------|--------------------|----------------------|---------------------------|
| Balance - End of Year | \$120,021,423 | \$12,966,083 | \$19,191,883 | \$315,640,617 | \$2,501,920 |
| Accum Amortization - Bal End of Year | - 58,675,102 | - 7,443,196 | - 10,671,721 | - 184,398,237 | - 1,773,822 |
| Net Book Value | <u>\$61,346,321</u> | <u>\$5,522,887</u> | <u>\$8,520,162</u> | <u>\$131,242,380</u> | <u>\$728,098</u> |
| Asset Consumption (Lower is Better) | 48.89% | 57.41% | 55.61% | 58.42% | 70.90% |

Infrastructure Investments & Funding Challenges

Old Facilities:

Don Beer Arena (54 years)

Rec Complex (41 years)

George Ashe Library
Community Centre (23 years)

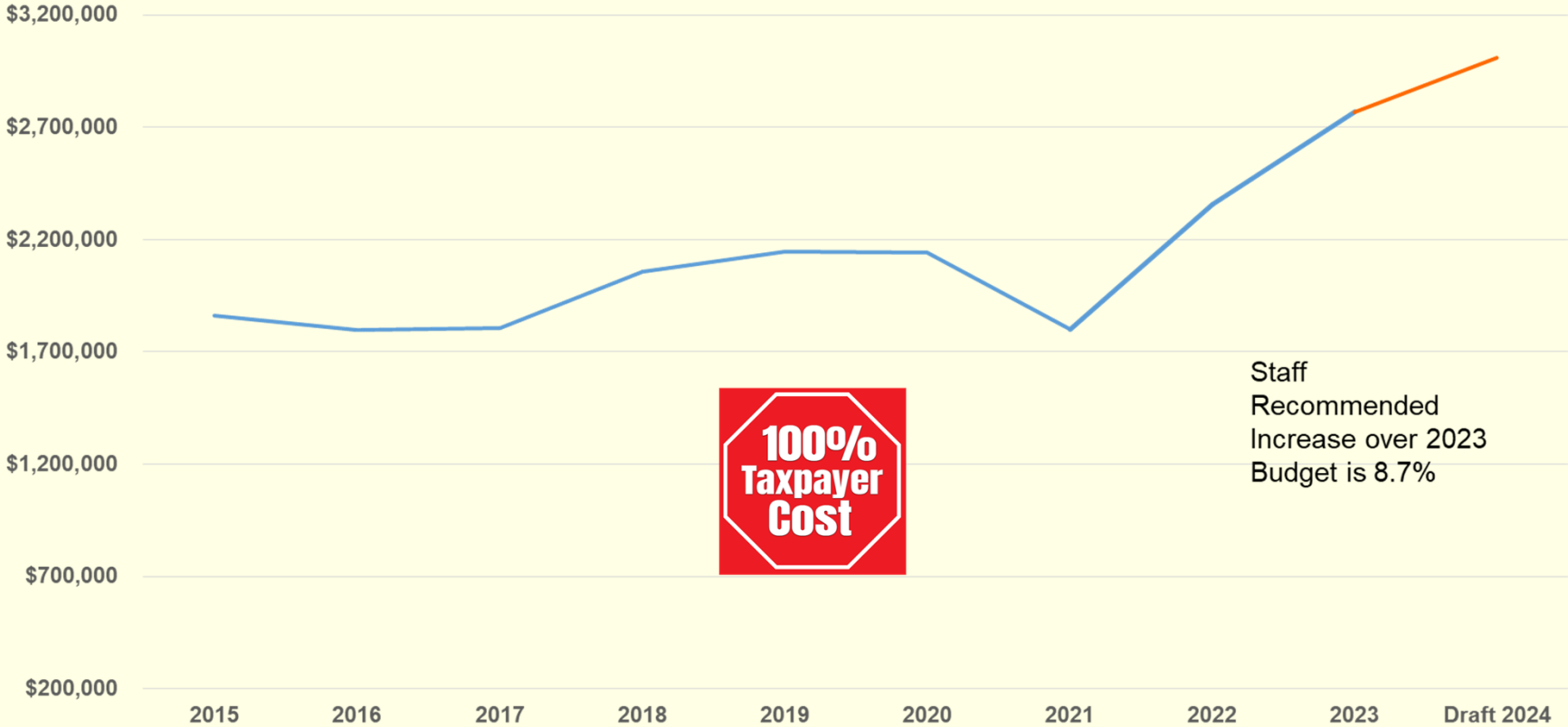


New Facilities (\$ Millions)

Animal Shelter Est. (\$9.8)

Seaton Rec Complex Est. (\$243.1)

Building Maintenance Costs



Capital Project Cost Inflation



Fire Pumper

2020 Budget - \$1.0 Million
2023 Budget - \$2.0 Million

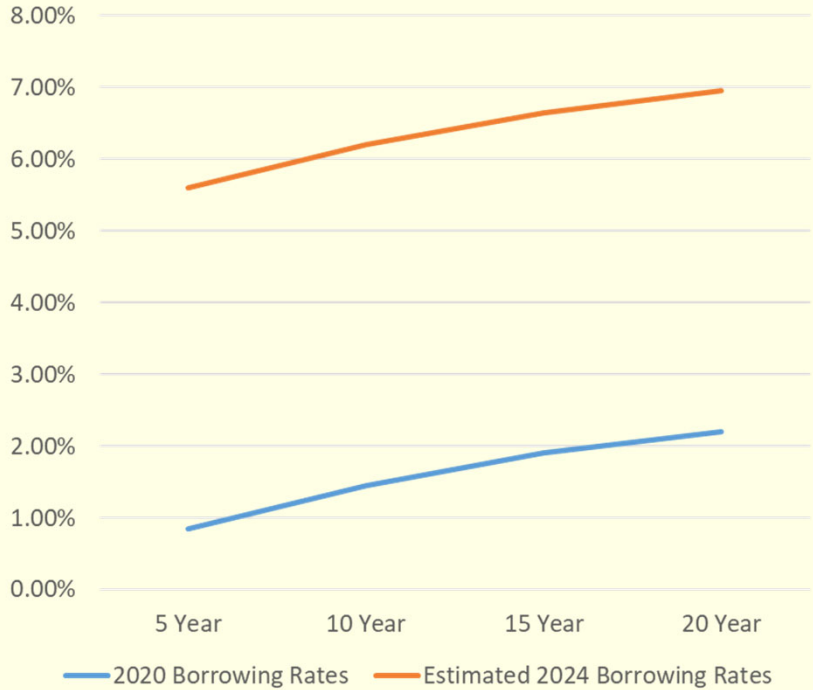
The City has 12
Large Fire Vehicles



Seaton Rec Complex & Library

2022 Budget - \$114.0 Million
2024 Est. Budget - \$243.1 Million

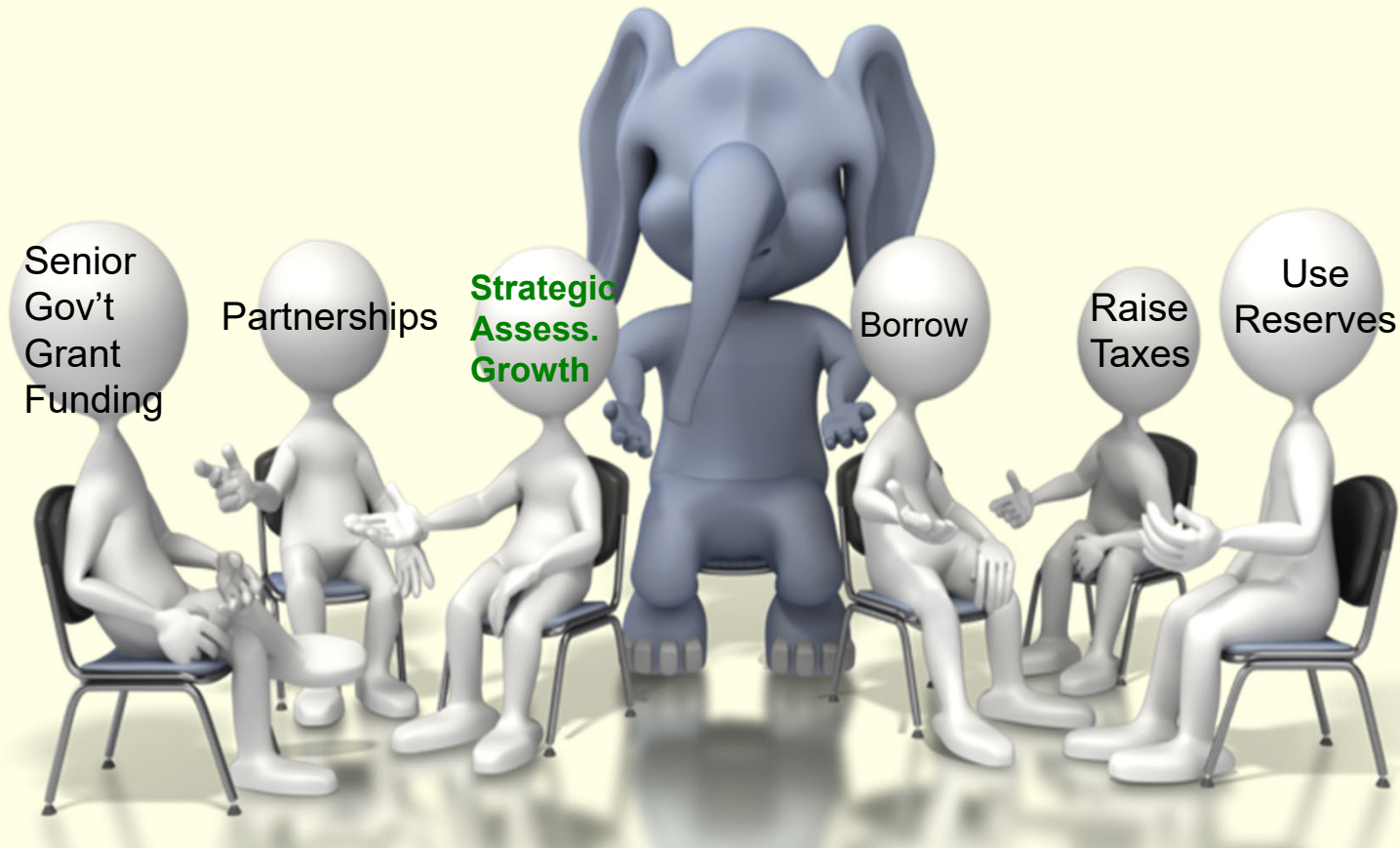
Higher Interest Rates Equals Higher Debt Costs



| Comparison of Debt Costs | Actual 2020 | Estimated 2024 |
|---|-------------|----------------|
| \$10 Million - Total Interest Cost (10 Year Debt) | \$814,715 | \$3,715,829 |
| An increase of \$2,901,114 or 456.0%. | | |



Capital Budget Funding Strategies



Senior Government Funding

| Funding Used in the Draft 2024 Capital Budget | |
|---|--------------------|
| OCIF (Provincial) | \$3,060,000 |
| CCBF or FGT | 2,689,000 |
| Federal Grants (Museum) | <u>977,000</u> |
| Total | <u>\$6,726,000</u> |

Ontario Community Infrastructure Fund or OCIF is used to fund Roads projects as listed in the capital budget document (Pages 113-119). In 2024, the Province is providing the City \$2.572 million.

Canada Community Building Fund or CCBF was formerly known as Federal Gas Tax funding. The City uses these dollars to fund road resurfacing and energy efficient projects. In 2024, the City will receive \$3,118,419 in funding from the CCBF.

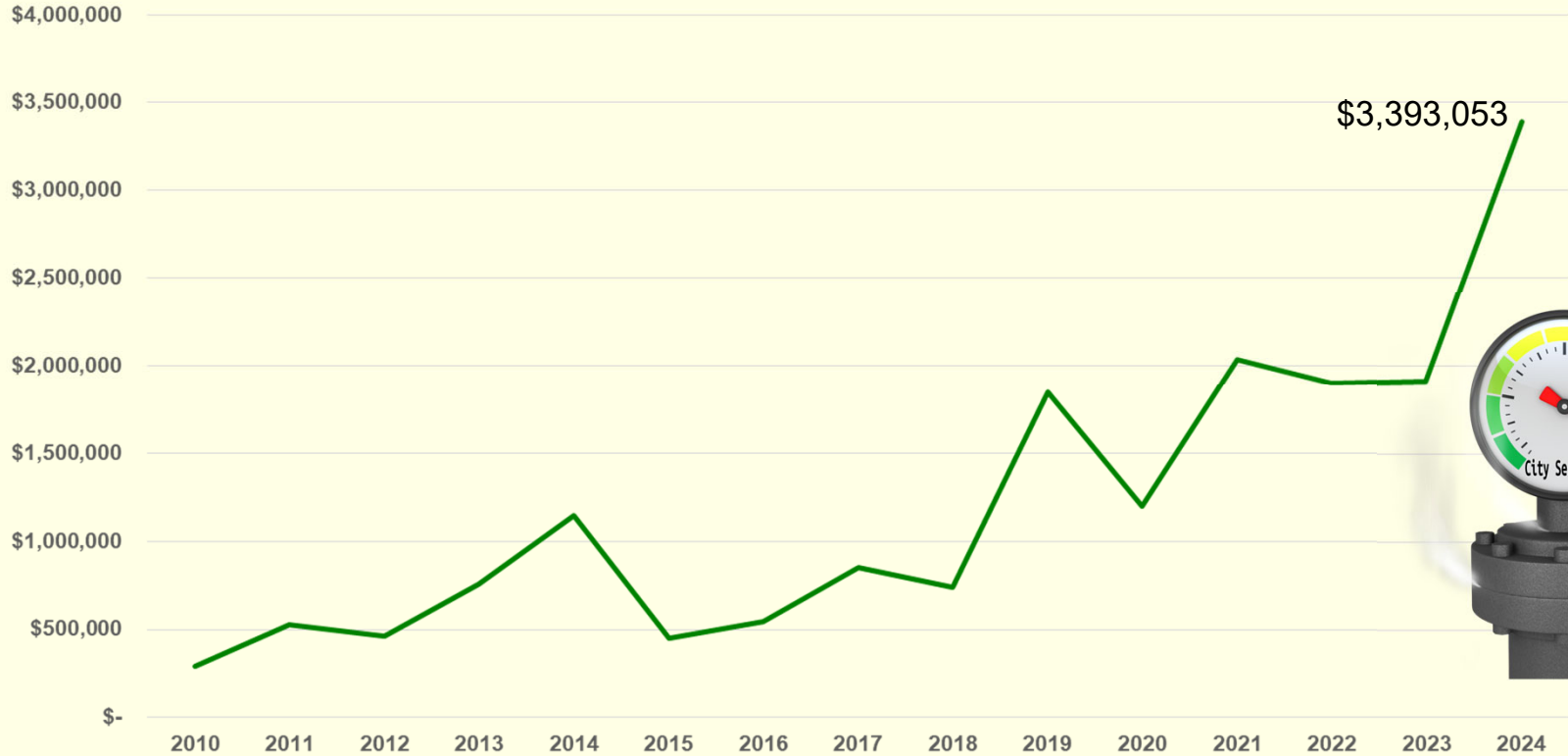
Where applicable, the City will always apply for senior government grant funding. However, it should be noted that the applications or funding requests from the many municipalities usually exceeds the dollars being provided. **Grant funding is subject to a very competitive process.**

Partnership Funding

The City is currently in a partnership funding arrangement with Chestnut Hill Developments (for naming rights) and the City receives \$75,000 per year. These dollars are applied toward the debt charges associated with the recent renovation to the facility.

The City is always willing to consider partnership funding for capital projects as long as the financial scenario results in a “win/win” for all parties.

Assessment Growth



The increase in growth is mainly in the residential property tax class.

Strategic Assessment Growth Property Taxes

Economic Development from a Property Tax Lens

Property taxes prior to development

Farm Tax Class – Pays 20% at the Residential Tax Rate

Total Property Taxes per Acre = \$37.00

Property taxes after development

Commercial Tax Class

Total Property Taxes per Acre = \$154,272

| | | Property Taxes Average Per Acre | |
|-----------------|--|------------------------------------|-------------|
| | | Farmland | Development |
| City Share Only | | \$11.00 | \$34,600 |

Strategic Assessment Growth Economic Benefits From a Property Taxes Lens Innovation Corridor

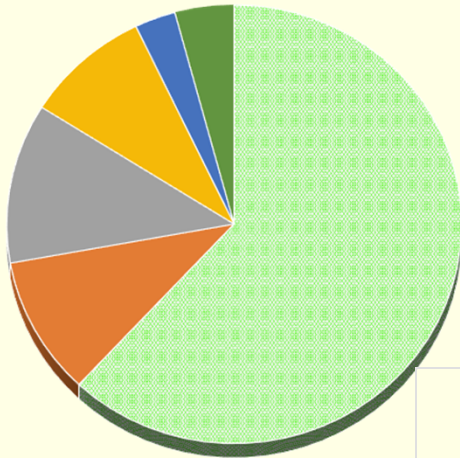
| | City Share Only | Potential Property Taxes |
|-------|--------------------|--------------------------------|
| Acres | Taxes Per Acre | |
| 750 | \$ 34,600 | \$ 25,950,000 |



In 2023, the City share of the property tax levy was \$84.073 million. The economic potential of the full development of the Innovation Corridor represents 30.87% of the total property taxes levied in 2023.

Ongoing Property Tax Revenues

Pickering's Preliminary 2024 Debt Picture



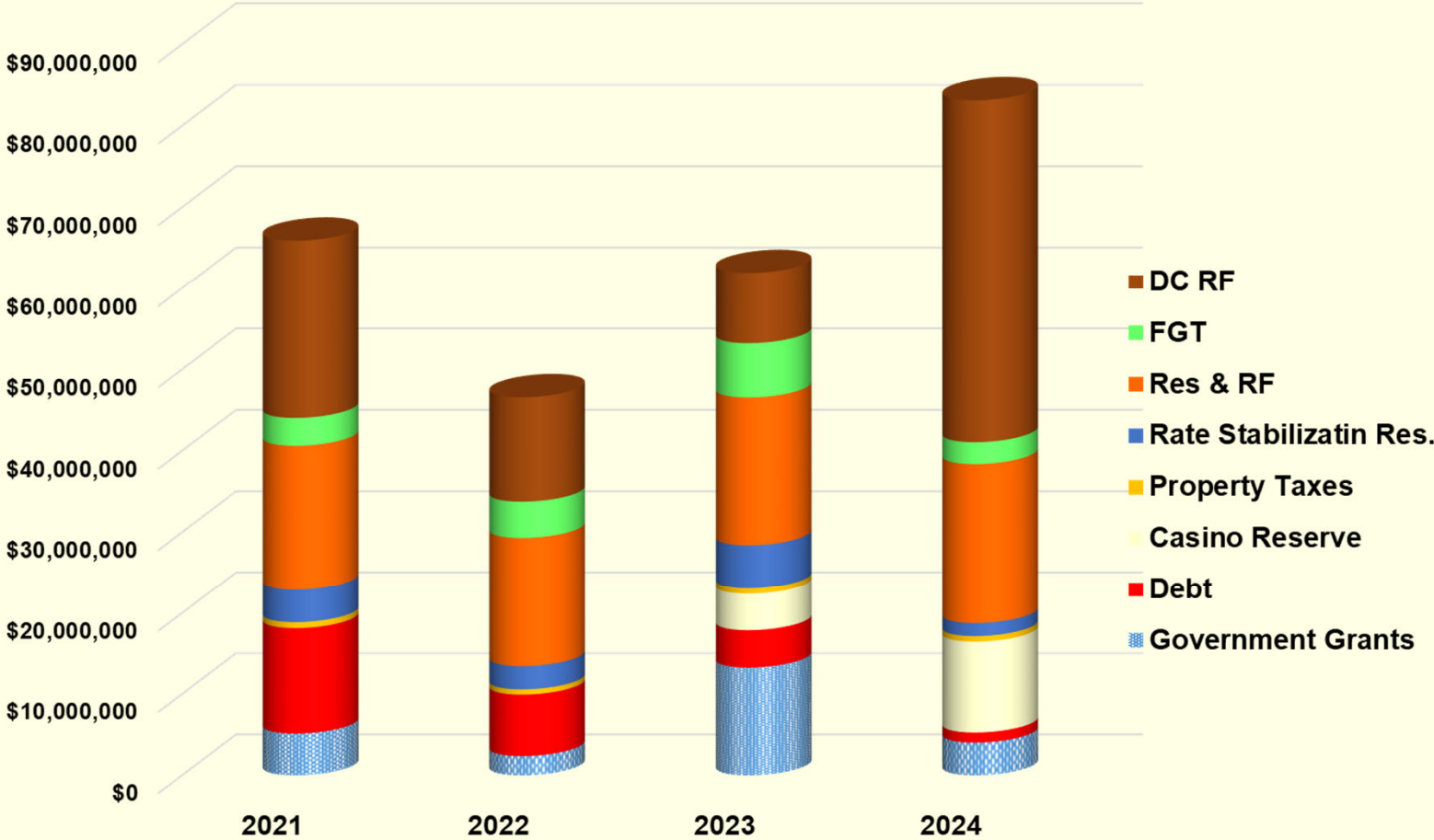
- Property Taxes
- DC - Seaton Fire Hall
- DC - Op Centre
- DC - Animal Shelter
- 3rd Party - Soccer Dome
- DC - Hwy 401 & Growth Vehicles

| | | Original Borrowed Amount (\$) | Outstanding Principal Balance |
|----------|--|-------------------------------|-------------------------------|
| A | Total "Issued" Debt Commitments-Dec 31, 2023 | \$ 56,465,116 | \$ 42,051,534 |
| | Add: | | |
| B | Debt Funded Projects from Prior Year's Budgets | | 10,401,700 |
| C | 2024 Debt Funded Projects | | 1,240,000 |
| D | Estimated City Debt Commitments - Dec 31, 2024 | | \$ 53,693,234 |

Major Debt Financed Capital Projects

| <u>Top 5 Largest Outstanding Debt Financed Projects</u> | | | | | |
|--|---------------|------|----------------------|------------------------------------|----------------|
| <u>Project</u> | Year Borrowed | Term | Borrowed Amount | Outstanding Principal Dec 31, 2023 | % Out Standing |
| New Operations Centre | 2017 | 20 | \$ 9,907,000 | \$ 7,486,000 | 75.56% |
| Construction of a New Fire Station and Headquarters on Zent Drive | 2021 | 20 | 8,978,000 | 8,246,000 | 91.85% |
| Chestnut Hill Developments Recreation Complex - Lobby & Core Area Renovations – Construction | 2021 | 20 | 5,600,000 | 5,154,000 | 92.04% |
| Purchase of Land for the Construction of 401 Overpass | 2022 | 20 | 4,373,000 | 4,227,000 | 96.66% |
| Indoor Soccer Facility | 2014 | 15 | 3,734,000 | 1,699,000 | 45.50% |
| Total | | | \$ 32,592,000 | \$ 26,812,000 | |

Debt Reduction Strategy for 2024



ARL

Annual Repayment Limit (ARL), O. Reg 403/02:

- This limit represents the maximum amount that a municipality can commit to payments relating to debt or financial obligation
- $ARL = 25\% \times \text{Net Own Source Revenues}$

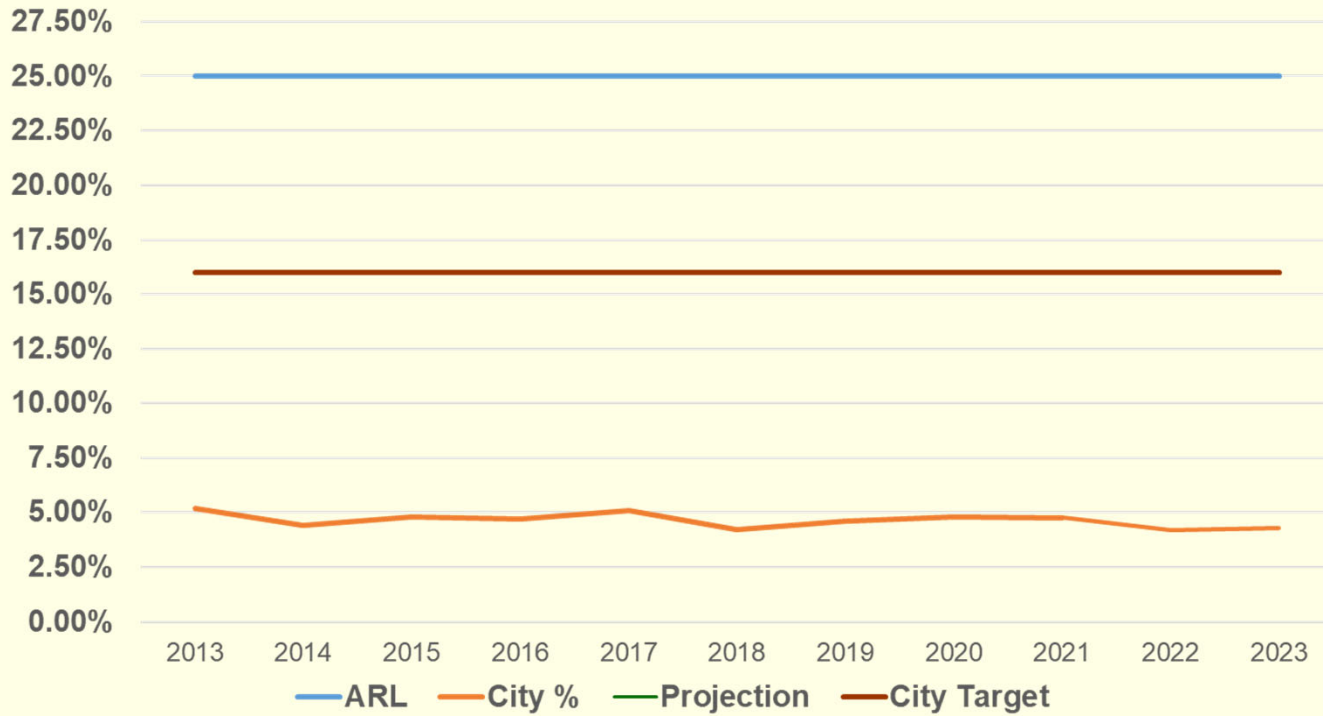
The ARL limit is capped at 25% of own source revenues

Own Source Revenues includes property taxes, user fees, investment income and casino revenues.

The ARL should be viewed as your Provincial Credit Card Debt Limit

The debt limit includes: DC Debt, Third Party Debt (Pickering Soccer Club for the Dome) and taxpayer debt.

Annual Repayment Limit



Reserves & Reserve Funds

Reserves and Reserve Funds is a mechanism to legally save money to finance purchases of future infrastructure, equipment and other requirements

- Provide a degree of financial stability by reducing reliance on indebtedness to finance capital projects
- Helps mitigate the need to raise taxes or cut services in order to finance capital projects and other requirements
- Can be viewed as a **“savings account”** with a specific intent

Reserve/reserve funds should be established with a clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the reserve/reserve fund

Reserves & Reserve Funds

Obligatory Reserve Funds: Funds created whenever a statute requires that funds received be segregated from the general revenues of the municipality (i.e. Development charges, Parkland acquisitions)

Discretionary Reserve Funds: Funds established at the discretion of Council (by law) and earmarked for a specific purpose (i.e. Roads & Bridges, Stormwater Management)

Reserve & Reserve Funds General Philosophy

The City “deposits” funds in Reserve/RF in Year A and then uses the funds in Year B.

Evidence of this approach, can be seen in our consumable reserves such as vehicles and major equipment reserves.

The 2023 Budget reflected a contribution of \$1.6 million to the vehicles reserve and these dollars will be used in the 2024 budget to fund vehicle purchases.

Reserve & Reserve Funds (Excluding DCs)

| Preliminary 2023 Ending Balance | |
|---|--------------------|
| Reserves: | |
| Casino | 21,213,946 |
| City Share DC Charges | 7,753,140 |
| Other Reserves | 14,594,687 |
| Facilities Reserve | 2,833,119 |
| Rate Stabilization | 17,091,252 |
| Senior Centre | 4,200,000 |
| Vehicle Replacement | 2,273,366 |
| 1 Total Reserves | 69,959,511 |
| Reserve Funds: | |
| CCBF (formerly FGT) | 2,190,404 |
| Operations Centre | 7,615,976 |
| Other Reserve Funds | 13,068,109 |
| Parkland in Lieu | 3,506,749 |
| Roads & Bridges | 7,297,173 |
| Stormwater Management | 3,401,332 |
| Third-Party Contributions | 3,347,346 |
| 2 Total Reserve Funds | 40,427,091 |
| 3 Total Reserves & Reserve Funds | 110,386,601 |

Senior Staff Recommended Use of the Casino Reserve

| | | |
|-------------------------------------|--|----------------------|
| Capital | | \$ 11,191,000 |
| Current | | 1,868,050 |
| Bill 23 Shortfall | | 2,500,000 |
| Preliminary Est. Dividend Shortfall | | 1,452,800 |
| Other cost Pressures | | <u>2,150,000</u> |
| Total | | <u>\$ 19,161,850</u> |

Major Capital Projects Funded By Casino Reserve

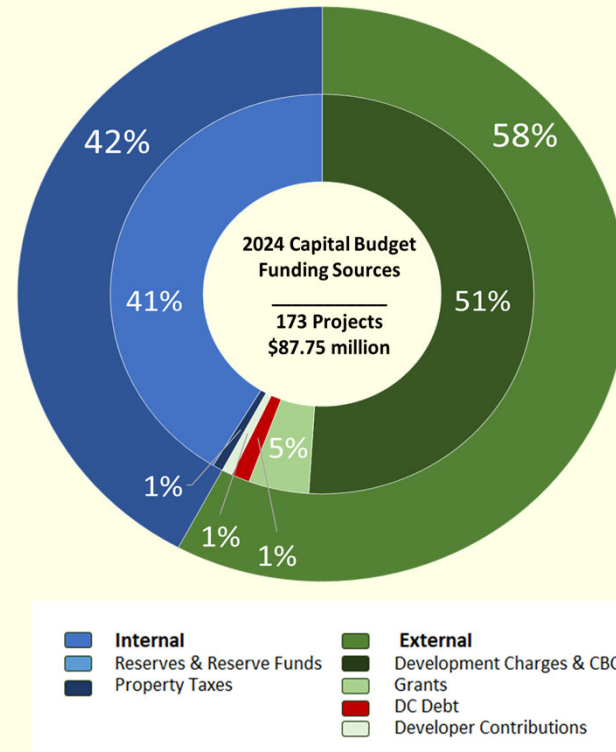
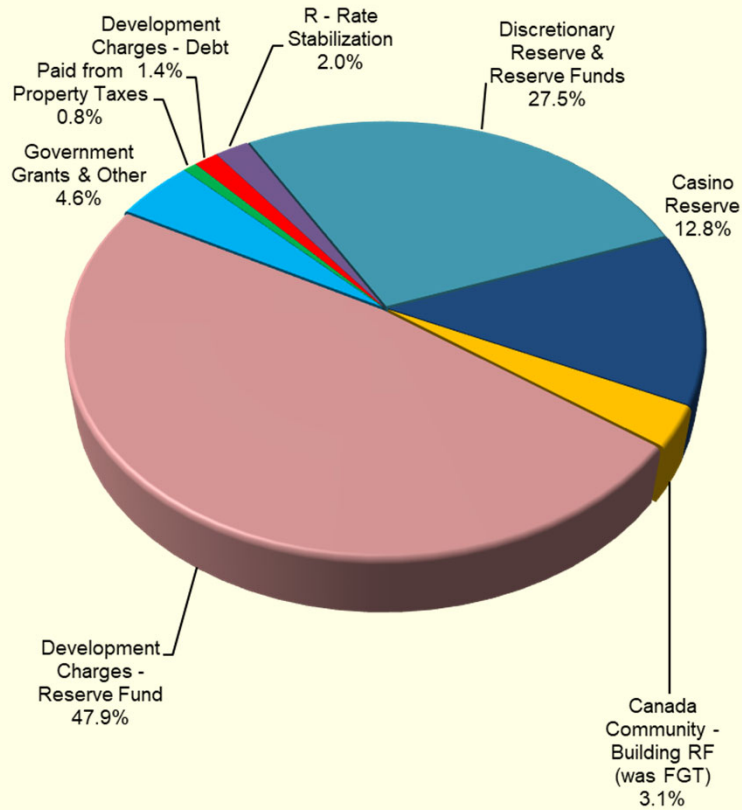
| 2024 Capital Asset Investments | | Page No. |
|--|-------------------|-----------------|
| Beachfront Park Master Plan | 5,050,000 | 145 |
| CHDRC - Tennis Court Flooring Replacement | 2,210,000 | 32 |
| CHDRC - Arena Overflow Parking | 800,000 | 39 |
| City Centre Phase 1 - Glenanna Park - Design | 750,000 | 153 |
| Brockridge Community Park - Parking Lot Improvements | 550,000 | 80 |
| Pickering Heritage Community Centre Museum and Library - Furniture & Equipment | 425,000 | 27 & 181 |
| Accessible Pedestrian Signals | 400,000 | 102 |
| Claremont Memorial Park - Playground Reconstruction | 400,000 | 148 |
| Diana, Princess of Wales Park - Playground Replacement | 200,000 | 157 |
| Ernie L. Stroud Park - New Multi-Use Court | 156,000 | 81 |
| Outdoor Pickelball Court Complex - Design | 150,000 | 143 |
| Beachlawn Park - New Multi-Use Court | 100,000 | 156 |
| | 11,191,000 | |

2024 Key Draft Capital Budget Highlights



| Department | Description | |
|----------------------|---|---------------------|
| Community Services | C10260.2101 Seaton Community Centre - Design | \$18,000,000 |
| Engineering Services | C10320.2206 Beachfront Park Master Plan | 10,100,000 |
| Library | C10905.2101 Seaton Regional Library - Design | 4,950,000 |
| Fire Services | C10700.2401 FS #5 Replacement | 4,600,000 |
| Public Works | C10300.2307 Vehicle Storage Shed | 2,350,000 |
| Engineering Services | C10572.2405 Geranium Homes - Claremont Neighbourhood Park | 2,271,200 |
| Community Services | C10225.2407 Tennis Court Flooring Replacement | 2,210,000 |
| Engineering Services | C10572.2418 Neighbourhood Park - Seaton P-107 | 2,204,400 |
| Engineering Services | C10572.2401 Neighbourhood Park, Seaton P-131 | 1,688,700 |
| Engineering Services | C10572.2414 Neighbourhood Park - Seaton P-124 | <u>1,529,700</u> |
| | | <u>\$49,904,000</u> |

2024 Financing of Draft Capital Budget



Preliminary Draft Budget 2024 Timetable

Mayor Ashe's Budget (Capital & Current) will be posted on the City's Website on January 30, 2024.

The staff work plan is to include a 2024 draft capital budget with a nine year forecast.

Ontario Regulation, 530/22, requires that the "Budget" be made available to the public by February 1 to be considered as the Mayor's Budget.

Council approved the 2024 User Fee Schedule at the December Council meeting and this document is posted on the City's website.

Summary

The City faces financial pressures/challenges as it relates to the Current and Capital Budget for this year and for the remainder of the term.

The opportunity is how to address these budget challenges in a fiscally responsible manner both for the current year, medium and long term basis.

How is the City Able To Meet this Challenge?

The City has bench strength as it relates to the composition of Council with four Members bringing the experience, wisdom and expertise of managing the City through the recent COVID environment. The new Councillors bring new business skills and perspectives and strongly complements the experienced elected team.

The Current Council working together with the experienced senior (staff) management team will develop options and financial flexibility to maximize opportunities for the short, medium and long term for the benefit of Pickering residents.

