

■ CAPITAL BUDGET

AS APPROVED ON DECEMBER 15, 2020

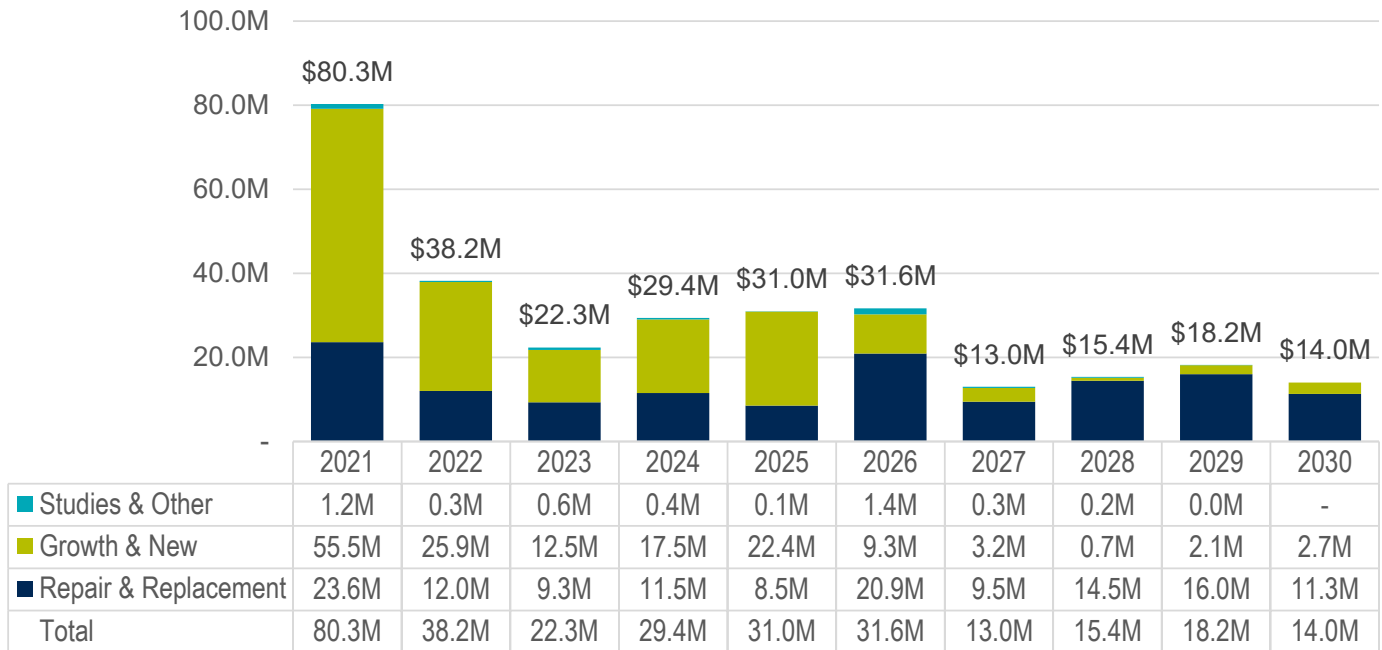


2021 CAPITAL BUDGET AND 10-YEAR PLAN

The capital plan invests in new facilities, parks and trails while also managing the repair and replacement needs of existing assets. These actions provide for a growing community and ensure that the assets residents use on a daily basis are maintained to an appropriate standard.

The capital budget includes capital spending of \$80.3 million in 2021, capital budget authority of \$185.3 million and a 10-year plan of \$293.5 million. The 10-year capital plan continues to focus its investments in asset management with repair and replacement projects representing 46.8% of the capital plan, growth and new 51.7% which includes the construction of Library Square and studies and other at 1.5%.

10-year capital plan

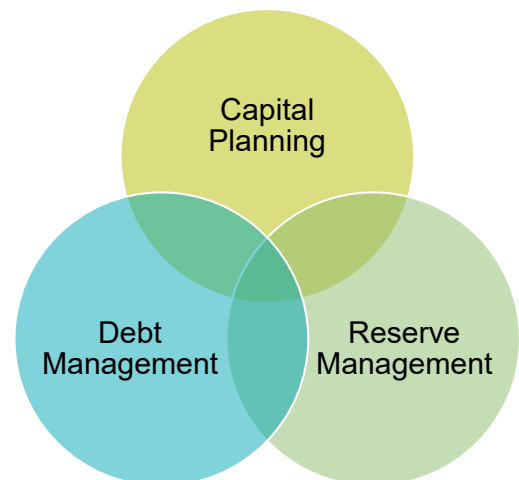


The capital budget and 10-year plan looks very different this year

The capital budget includes significant improvements to the format and content of the plan. These changes are intended to provide a clearer picture of the capital plan as a whole, the timing of the capital investments, clarity on multi-year budget commitments and flexibility to manage repair and replacement projects effectively.

These changes represent the first steps in developing fiscal policies to manage assets and capital investments in the long term. The changes in this budget focus on capital planning and reserve management which are two of the key elements for achieving financial sustainability.

Key Elements for Financial Sustainability



The capital budget now shows a complete picture of Aurora’s capital plan

Historically the capital budget has included only the budget requests for new capital projects. This year the capital budget includes:

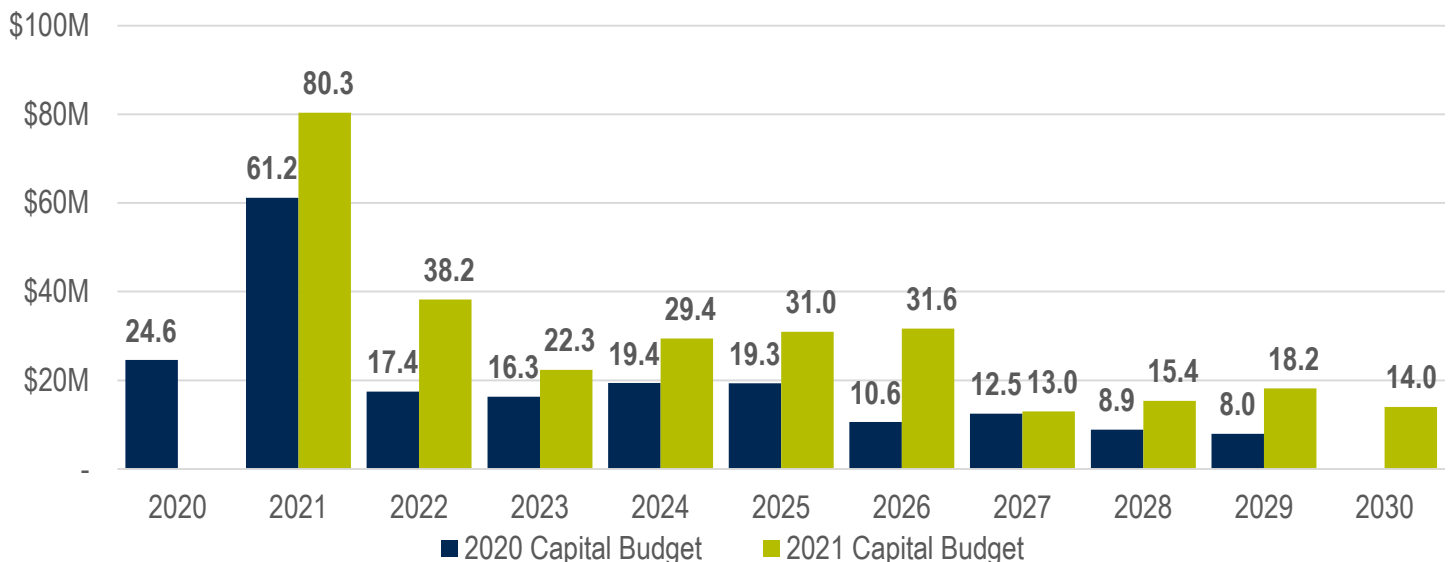
- **New capital projects** which have traditionally been included in the capital plan.
- **Active capital projects** showing the budget approved to date and any changes requested for the project budget whether it be an increase or decrease to the project cost, or the addition of future years’ capital work.
- **Conditionally approved capital projects** are reinserted into the plan and brought forward for reconsideration. These projects are clearly indicated in the project listings that can be found in Tabs 17, 18 and 19.
- **Capital projects to be closed** are also included as a separate section (Tab 20) within this budget. These projects represent the capital projects ready to be closed and no longer need to be included in the capital plan.

These four categories reflect all types of capital projects the Town manages. This year’s budget now provides a complete list of all capital projects including a detailed capital sheet for all capital projects which are seeking an increase to the previously approved budget or a new budget request. The format of these sheets has also been improved. The new format is less restrictive and enables more information to be included in the capital sheet.

The budget includes \$84.4 million of previously approved active projects

The 10-year capital plan of \$293.5 million includes \$84.4 million or 29% of active capital projects that were approved prior to this budget. The 2020 10-year capital plan included \$198.2 million in capital projects. Over the nine common years of the plan, 2021 to 2029, the 2021 capital plan includes \$105.9 million more in capital projects. The addition of the active capital projects to the capital plan is the main reason for this increase.

Proposed 10-year plan compared to last years plan



The 10-year plan now reflects the timing of planned capital investments

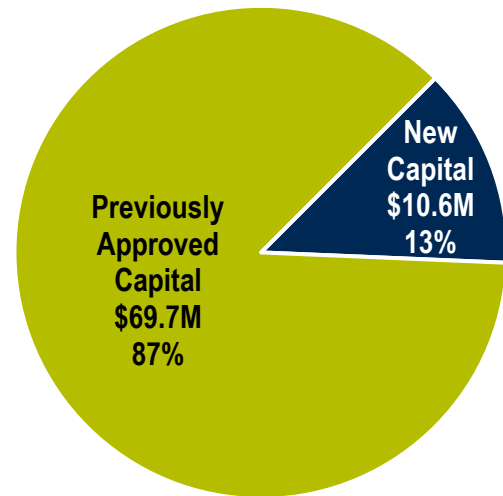
The 10-year capital plan now better reflects the timing of the planned spending on capital projects. By planning the cash flow in the 10-year capital plan, the Town is able to better manage its cash, timing of investments and reserve needs on an annual basis. The previous practice of approving the full project as a lump sum made estimating future reserve needs and cash available very difficult. This limited the Town's ability to determine the appropriate length of time available for long-term investments.

The budget shows the planned spending in 2021

In 2021 the Town of Aurora plans to spend \$80.3 million on capital projects which represents the single largest year of capital investment in the 10-year plan. The main reason for this significant investment is the planned spending on active capital projects which were added to the plan in 2021.

In the first year of the plan, previously approved projects account for 84% of the planned capital spending. This includes \$30 million for Library Square, \$9.9 million for fire hall 4-5 and \$3.7 million for the baseball diamonds on the Hallmark lands. These projects all represent previously approved projects that would not have been included in the budget in the past, as past budgets have only included previously approved project incremental and new capital project funding requests.

2021 planned capital cash flow mix



Managing available funding and resources was key in developing the capital plan

The development of the 10-year capital plan focused on ensuring that the first five years of the plan are affordable which was dependent on Council's approval of the 2021 and 2022 contributions to reserves in the operating budget. Ensuring that the capital plan is affordable was not the only consideration. The plan also considers the staffing resources required to complete the projects.

There were two approaches taken to ensure that the plan is achievable and affordable. The first, used for repair & replacement capital projects, involved prioritizing projects based upon forecasted reserve funding availability and the asset management plan, whereas the second, used for growth & new and studies & other capital projects, was a more involved process.

Projects in the growth & new and studies & other share the same reserves for their tax levy funding. The corporate management team whose members come from across the organization came together to evaluate these projects and prioritize their timing while staying within the projected available funding and staffing resources for each year. This process worked well in balancing the competing funding needs for these projects.

In future budgets more work is needed to ensure the full 10 years of the plan is affordable. This will be guided by a new fiscal strategy and policy which will be brought forward to Council in 2021.

Capital budget authority manages approval for multi-year budget commitments

Capital budget authority is a new concept in this budget which represents the required capital budget commitment for a project. This multi-year commitment can include multiple budget years as it relates to contractual commitments required to complete a project which could take two or more years. These contracts could include consulting services, the lead time for the purchase of vehicles or the construction of the project. Sometimes these contractual commitments may need to be made in the year before the spending occurs due to the longer lead time required to procure a good or service.

Capital budget authority is made up of four components:

- + Life to date actuals spent on a project to the end of the last fiscal year
- + The current year's expenditure forecast
- + The cash flow planned in the first budget year
- + The cash flow, as required, for future budget years where contractual commitments are planned.

This means the 2021 capital budget authority includes actuals to December 31, 2019, plus the 2020 forecast, plus 2021 capital cash flow and capital from 2022 and beyond only as required. This budget includes a total of \$185.3 million in capital budget authority which is made up of \$161.2 million in previously approved capital projects and \$24.1 million in new budget requests.

Proposed Capital Budget Authority

(\$000s)	Previously Approved Budget	2021 Budget		Capital Budget Authority Cash Flow			
		Capital Budget Authority*	Budget Change	Actuals to Dec/19	2020 Forecast	2021	2022+
Repair & Replacement	59,814.8	70,681.8	10,867.0	22,347.8	20,521.5	23,600.6	4,211.9
Growth & New	98,020.6	110,787.5	12,766.9	15,654.8	15,836.4	55,533.7	23,762.7
Studies & Other	3,336.4	3,781.4	445.0	1,054.3	1,282.7	1,194.4	250.1
Proposed Budget	161,171.8	185,250.7	24,078.9	39,056.8	37,640.6	80,328.6	28,224.6

* Includes all active project budgets, adjustments to project budgets and new budget commitments

To establish the capital budget authority for previously approved projects, this budget assumes the approved budgets for active capital projects (approved through a previous budget or by an in-year report) becomes that project's capital budget authority. However projects that were conditionally approved are treated as new budget requests.

Projects are grouped into three groups based on their budget request

Capital projects are grouped together on separate lists based on their budget request. The first is previously approved capital projects where there was no proposed change to the budget or there was a proposed decrease. The second is previously approved or new capital projects which had a proposed budget authority increase request. These first two groups are designed to help the

Budget Committee in its review of the capital budget. A version of each of these is included in Tab 17—Repair & Replacement Capital, Tab 18—Growth & New Capital and Tab 19—Studies & Other Capital. These tabs also include a detailed capital project page for each project seeking an increase or new capital budget authority and the 10-year capital plan listing of projects and planned spending in each year. The third group is the closed capital project list. This list can be found in Tab 20—Closed Capital Projects.

Capital programs will provide flexibility in managing repair and replacement projects

Capital programs group projects of a like funding source together. The capital program budget is the total of the budget approved for all projects within the program. The program then provides the flexibility to manage the variances to budget between projects. So if one project costs less than budgeted, these funds can be used to cover the costs of projects that cost more within the same program while not exceeding the total budget approval for the program.

Using capital programs will enable staff to more effectively manage variances of capital projects and reduces the delays needed to seek additional budget when tenders come in higher than expected. In turn this should result in staff being able to improve the delivery of capital projects resulting in projects taking less time to complete.

Capital programs will be managed under a clear set of rules

The use of the capital programs must follow the following rules:

- The savings applied to other projects should represent a true savings and not a deferral that will need to be re-budgeted in future years
- The project scope must remain the same as originally approved by Council
- The projects must have the same funding source
- The capital budget authority for the program cannot be exceeded
- The planned capital spending (cash flow) for the budget year cannot be exceeded.

Capital programs include four groups of repair & replacement projects

Capital programs include facilities, fleet, roads and storm sewer repair and replacement projects. Each of these groups of projects have their own dedicated repair and replacement reserve and are guided by the asset management plan. This makes repair & replacement projects a good choice for the flexibility that program groups provides.

Growth & new and studies & other were not recommended for capital programs. These projects represent new investments for the Town and any significant increase should come before Council for consideration prior to moving forward. These projects would still have some flexibility under the delegation of authority bylaw which provides the Treasurer the ability to move up to 10% of a similarly funded project budget from one project to another.

Proposed capital budget authority for capital programs

(\$000s)	Previously Approved Budget	2021 Budget		Capital Budget Authority Cash Flow			
		Capital Budget Authority*	Budget Change	Actuals to Dec/19	2020 Forecast	2021	2022+
Repair & Replacement Capital Programs							
Facilities	4,020.3	4,562.1	541.8	652.2	2,000.0	1,595.9	313.9
Fleet	1,518.7	2,006.5	487.8	-	67.8	1,674.8	263.9
Roads	30,362.3	32,132.3	1,770.0	9,486.7	14,275.3	8,370.2	-
Storm Sewer	4,553.6	6,263.6	1,710.0	469.6	864.0	4,850.0	80.0
Proposed	40,454.8	44,964.4	4,509.6	10,608.6	17,207.1	16,491.0	657.8

* Includes all active project budgets, adjustments to project budgets and new budget commitments

The capital budget included multiple types of approvals

Council approved the capital plan in five different ways. These approvals include:

1. Approval of each new capital project and their requested capital budget authority
2. Approval of changes to previously approved capital budget authority by project
3. Approval of the total planned 2021 spending subject to adjustments related to the variances carried forward from the 2020 forecast (both over and under spending)
4. Approval of the capital program groups subject to the rules outlined for their use
5. Approval of debt authority for specific projects which is discussed further in Tab 5—Reserves.

Capital spending planned for 2021 may be adjusted for 2020 forecast variances

The capital spending planned for 2021 assumes the forecast for 2020 is 100% accurate. It is likely that projects will have a variance to this forecast, as the forecast is just an estimate. This variance will be used to adjust the planned spending in 2021. Should the project spend less than forecasted then these funds are available in 2021 for that specific project. However, should the project spending be higher than the forecast, the 2021 available budget will be reduced by that amount. This will help manage the timing differences between the forecast year and the first budget year.

The capital budget includes three projects with conditional approval

Conditionally approved capital projects require a report back to Council prior to moving forward. In the 2021 budget there are three projects that received conditional approval:

- 14047—Computer & Related Infrastructure Renewal
- 43055—Advanced Metering Infrastructure
- 72201—Work Station Refresh Carpet and Paint

The report back to Council will provide the additional information requested so Council can consider these projects further before proceeding. These projects are included in the total approved budget and in the reserve requirements analysis.

In-year capital requests must be managed carefully going forward

In-year budget requests for new capital projects or capital budget authority increases must be managed carefully going forward. The in-year requests will need to consider the following questions:

- Is there available budget within similarly funded projects that can be moved to cover the budget increase?
- Does the forecasted total spending stay within the total budgeted?
- What is the impact on the future capital projects in the 10-year plan?
- What is the impact on the reserves?

It is highly recommended that any new capital requests be deferred to the next budget process or have the budget from a similarly funded capital project reallocated to it. Ideally all future capital investments should be included in the 10-year plan as soon as they are known.

Departmental plans now includes a capital overview

As part of bringing both the operating and capital budgets together, each departmental business plan includes a capital overview. This overview includes a table on capital budget authority, a bar graph showing the 10-year plan, information on capital programs (if applicable) and it highlights major capital projects and initiatives.

Three departments account for 84% of the capital budget authority

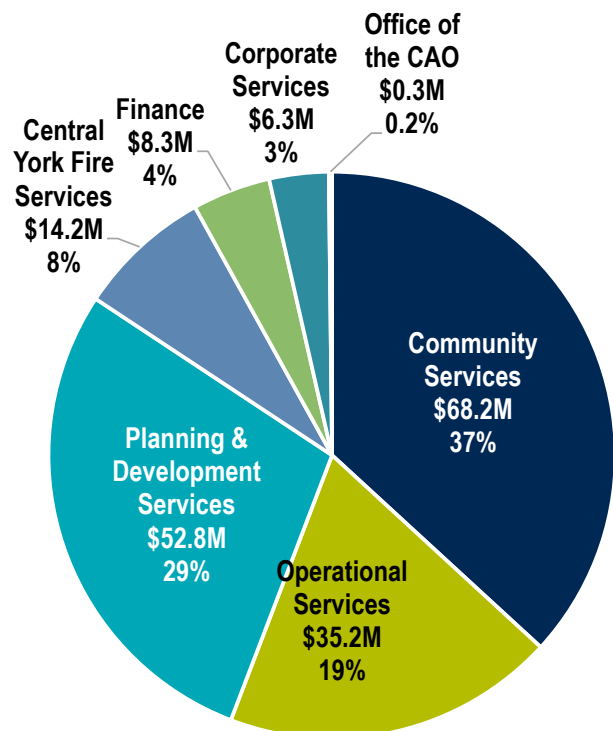
Community Services, Operational Services and Planning & Development Services represent 83% of the capital budget authority in this budget.

The mix of project types also vary across these three largest budgets. Community Services has the largest amount of growth & new capital budget authority as it includes \$51.9 million for Library Square.

Planning & Development Services total capital budget authority includes 73% for repair and replacement projects. While the Operational Services capital budget is more balanced between growth and new at 57% of their budget and repair and replacement at 42%.

More information on the capital budget priorities and initiatives can be found in the departmental business plans.

Capital budget authority by department



Capital budget authority and 2021 budget by department

(\$000s)	Previously Approved Budget	2021 Budget		Capital Budget Authority Cash Flow			
		Capital Budget Authority*	Budget Change	Actuals to Dec/19	2020 Forecast	2021	2022+
Office of the CAO							
Repair & Replacement	85.0	85.0	-	26.3	58.7	-	-
Studies & Other	155.0	255.0	100.0	61.9	10.0	156.6	26.6
	240.0	340.0	100.0	88.2	68.7	156.6	26.6
Community Services							
Repair & Replacement	4,333.9	4,895.7	561.8	875.6	2,090.2	1,615.9	313.9
Growth & New	54,706.5	62,951.5	8,245.0	2,467.0	7,112.3	31,084.5	22,287.7
Studies & Other	285.0	375.0	90.0	-	235.0	140.0	-
	59,325.4	68,222.2	8,896.8	3,342.6	9,437.5	32,840.4	22,601.6
Corporate Services							
Repair & Replacement	3,235.0	4,150.9	915.9	1,865.8	1,143.9	744.8	396.5
Growth & New	1,390.9	1,565.9	175.0	673.2	361.7	531.0	-
Studies & Other	535.0	555.0	20.0	101.1	194.9	253.0	6.0
	5,160.9	6,271.7	1,110.8	2,640.0	1,700.5	1,528.8	402.5
Finance							
Repair & Replacement	4,295.8	8,087.3	3,791.5	2,180.7	537.5	2,361.5	3,007.6
Studies & Other	100.0	185.0	85.0	-	-	185.0	-
	4,395.8	8,272.3	3,876.5	2,180.7	537.5	2,546.5	3,007.6
Operational Services							
Repair & Replacement	12,756.5	14,874.3	2,117.8	7,443.0	1,359.3	5,658.1	413.9
Growth & New	16,702.2	20,072.2	3,370.0	5,159.8	3,440.2	10,047.2	1,425.0
Studies & Other	212.4	212.4	-	96.7	115.7	-	-
	29,671.1	35,158.9	5,487.8	12,699.6	4,915.2	15,705.3	1,838.9
Planning & Development Services							
Repair & Replacement	35,108.6	38,588.6	3,480.0	9,956.4	15,332.0	13,220.2	80.0
Growth & New	11,029.1	11,979.1	950.0	6,978.2	1,564.8	3,386.2	50.0
Studies & Other	2,049.0	2,199.0	150.0	794.6	727.1	459.8	217.5
	48,186.7	52,766.7	4,580.0	17,729.2	17,623.9	17,066.2	347.5
Departmental Total	146,979.9	171,031.9	24,052.0	38,680.2	34,283.3	69,843.8	28,224.6
Central York Fire Services							
Growth & New	14,191.9	14,218.8	26.9	376.6	3,357.3	10,484.9	-
	14,191.9	14,218.8	26.9	376.6	3,357.3	10,484.9	-
Approved Budget	161,171.8	185,250.7	24,078.9	39,056.8	37,640.6	80,328.6	28,224.6

* Includes all active project budgets, adjustments to project budgets and new budget commitments

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