

Town of Markham

2008 LIFE CYCLE RESERVE STUDY UPDATE

**General Committee
June 9, 2008**

Agenda

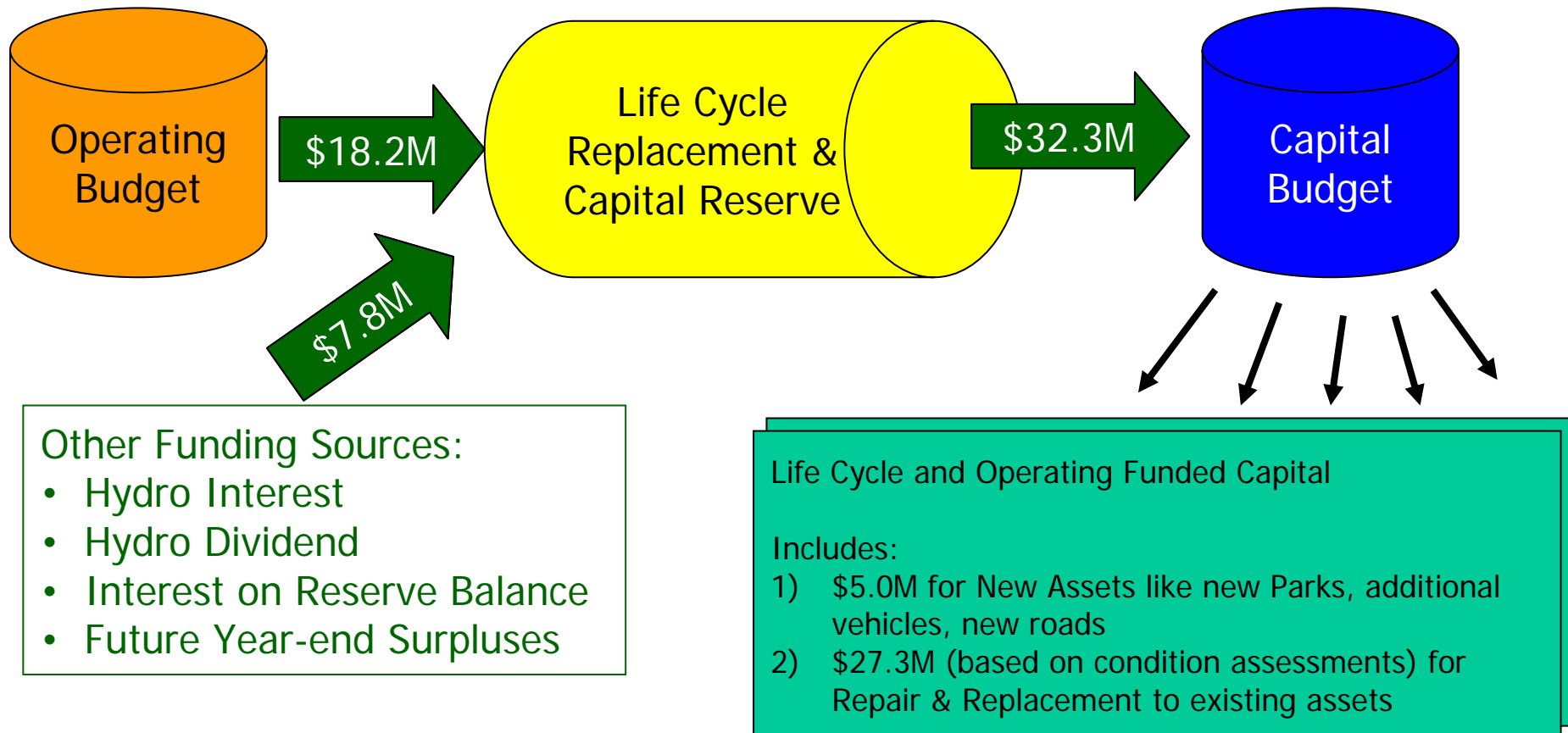
- 2008 Life Cycle Reserve Study Update Process
- Inflows
- Outflows
 - Short Term - Over next 5 years
 - Long Term - Over next 20 years
 - Long Term – By Asset Category
- Projected Reserve Balance
- Summary / Funding the Shortfall
- Assets Not Included in Current Reserve Study
- Next Steps
- Recommendations

2008 Life Cycle Reserve Study Update Process

- 2007 Update covered the years 2008 – 2032
2008 Update covers the years 2009 - 2033
- No change in assumption on inflation rate of 2%/year for all assets (except Fleet vehicles) and 3.2%/year for Fleet vehicles
- Included all assets as identified by the departments to the end of December 2007
- Reconciled to 2008 Capital Budget
 - Adjusted for items accelerated to 2008 and their subsequent future replacements
 - Adjusted for items deferred to future years and their subsequent future replacements
 - Accounted for future replacements of new items as approved in the 2008 Capital Budget
 - Accounted for replacement of items included in the 2008 Capital Budget
- Adjusted for items requiring additional or reduced funding
- Added missed items and their projected future replacements
- Cash inflows updated based on current information

2008 Life Cycle Reserve Study Update Process

For Fiscal Year **2008**



Inflows

(2009 – 2028)

<u>Inflow Item</u>	<u>2007 Update</u>	<u>2008 Update</u>
Operating Budget Transfer to Capital	Incremental Increase of \$0.5M/yr	No Change
Interest (PowerStream, MEC, MDE)	\$3.5M/yr	No Change
Dividend (PowerStream)	\$3.8M/yr	No Change
Dividend (MDE)	\$0.3M (2009 - 2011) \$0.4M (2012 & onwards)	\$0.3M (2014 - 2016) \$0.4M (2017 & onwards)
Interest Revenue from Reserve Balance	3.5%	No Change

Overall decrease of \$0.5M over next 20 years

Outflows

Short Term (5 years)

(\$ Millions)

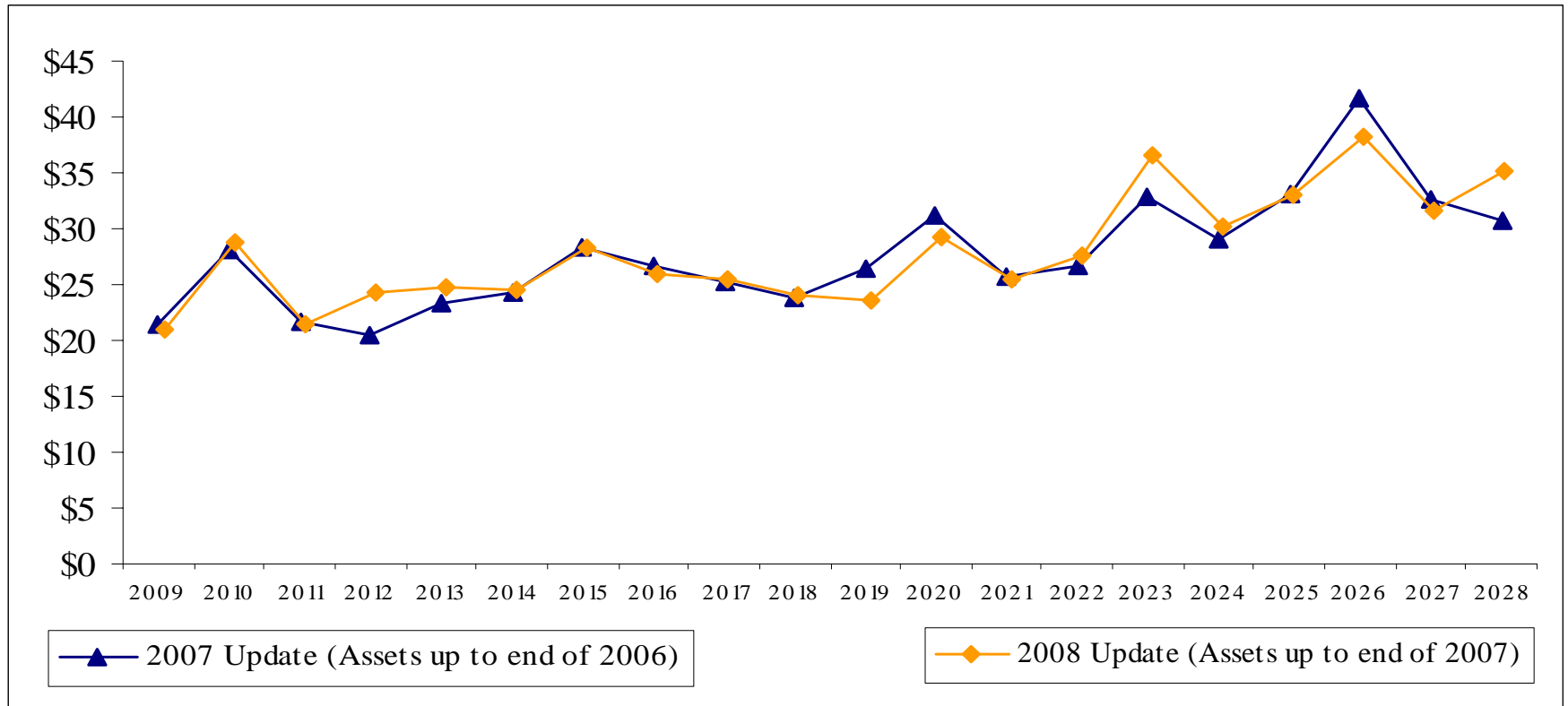
	2009	2010	2011	2012	2013	Total
2007 Update	21.8	28.5	22.1	21.0	23.7	117.2
2008 Update	21.6	28.7	21.9	24.5	25.1	121.9
Increase / (Decrease)	(0.2)	0.2	(0.2)	3.5	1.4	4.7

	<u>2007</u>	<u>2008</u>
Reserve Study Update	22.2	24.4
Approved Capital Budget	17.9	27.0
Carry Forward / (Accelerated) Funding	<u>4.3</u>	<u>(2.6)</u>

Outflows

Long-Term (20 years)

(\$ Millions)



Overall increase of \$7.1M over next 20 years (2009-2028)

Outflows by Asset Category Long-Term (20 years)

(\$ millions)

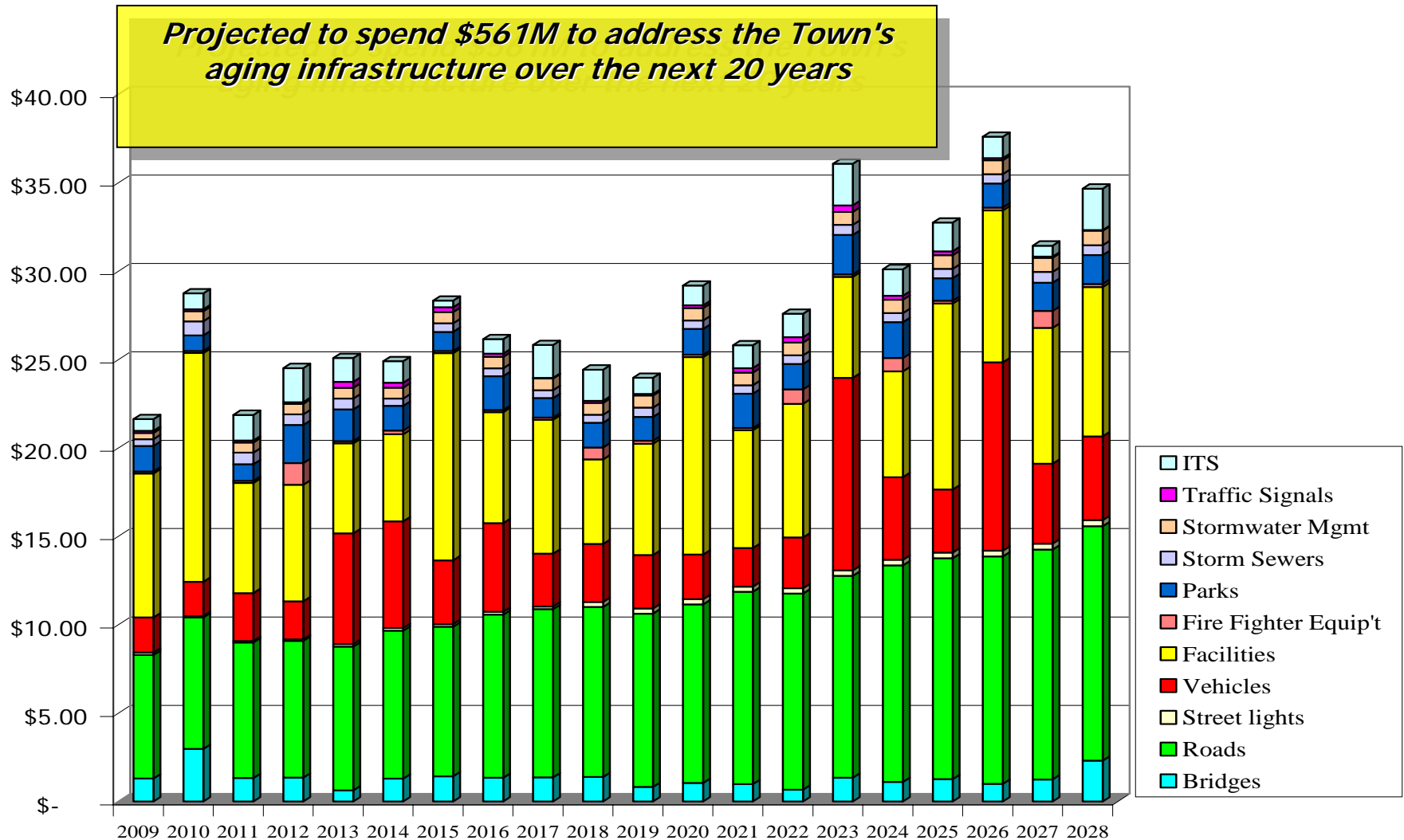
<u>Asset Category</u>	<u>Total in Reserve Study (2009 - 2028)</u>	<u>% of Total</u>	<u>Increase/Decrease from 2007 Update</u>
Roads	\$200.3	35.7%	\$1.5
Facilities	152.9	27.3%	-2.6
Fleet	85.6	15.3%	1.3
Parks	30.4	5.4%	4.2
ITS	26.7	4.8%	-2.8
Bridges	26.2	4.7%	-2.2
Storm Water Management	13.4	2.4%	7.1
Storm Sewers	10.6	1.9%	0.9
Fire	6.6	1.2%	-0.1
Streetlights	4.2	0.8%	0.0
Traffic Signals	3.5	0.6%	-0.3
Totals	\$560.4	100.0%	\$7.1

- See attached for details (Appendix A)

Outflows by Asset Category

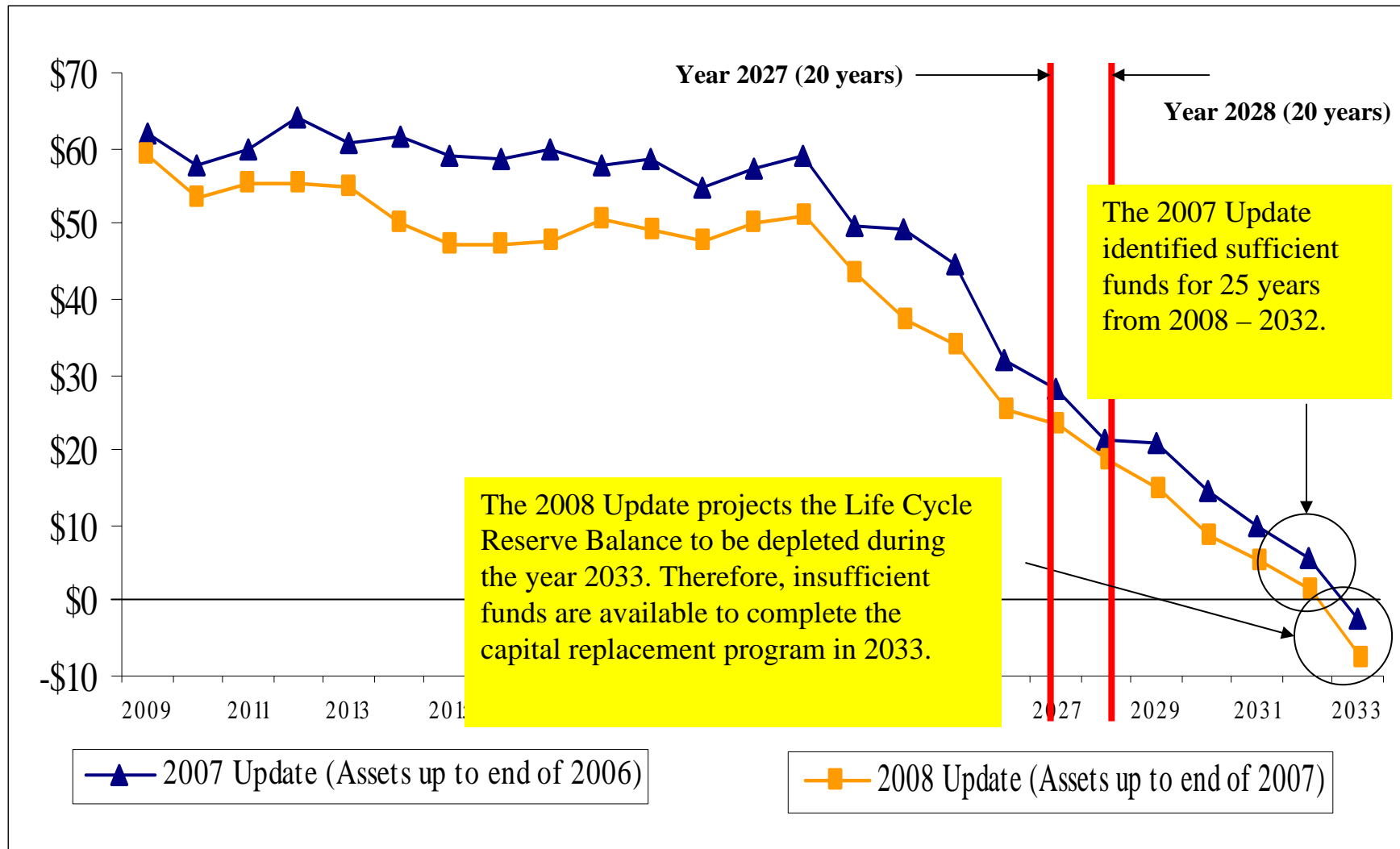
Long-Term (20 years)

(\$ Millions)



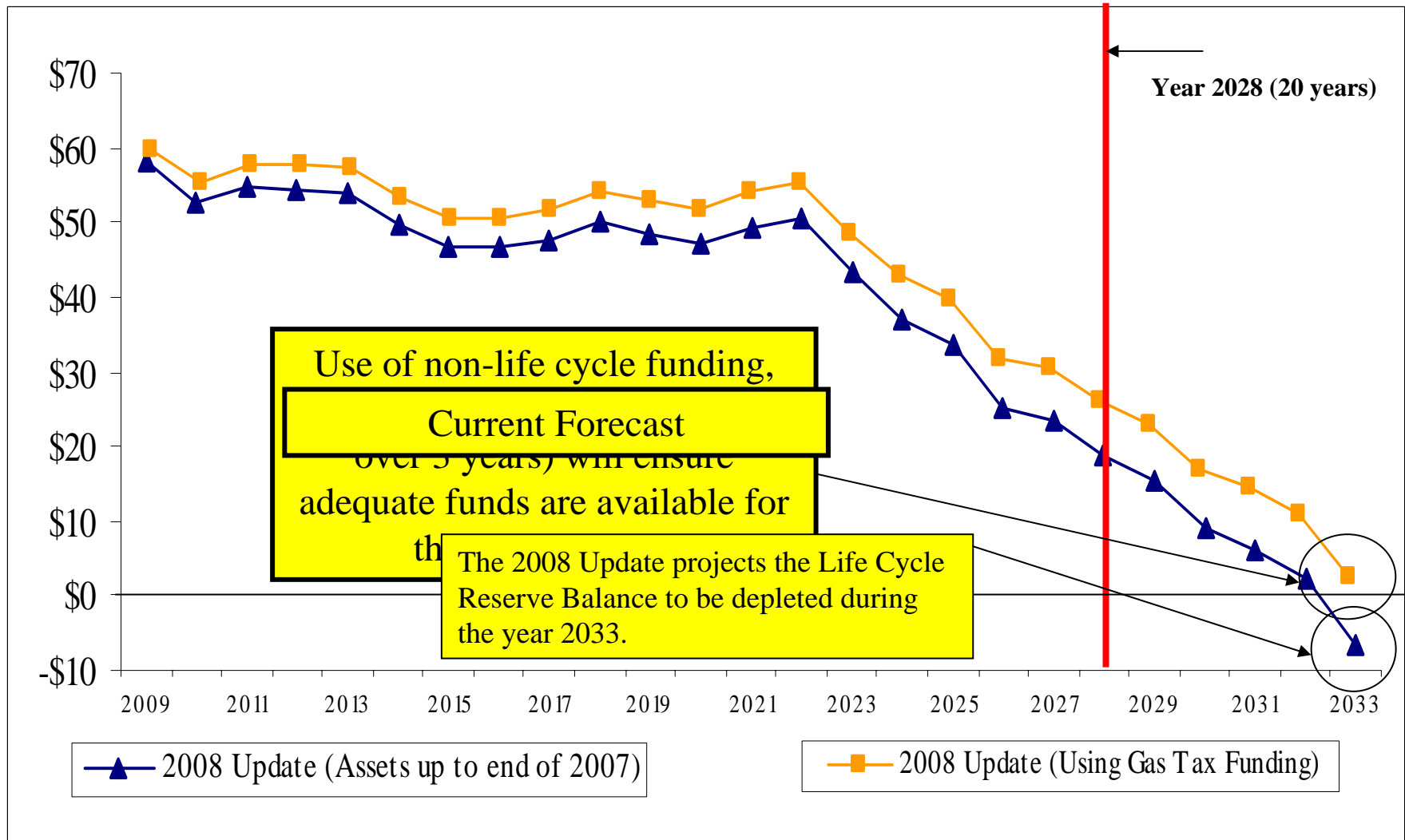
Projected Reserve Balance

(2008 Update vs. 2007 Update)
(\$ Millions)



Summary / Funding the Shortfall

(\$ Millions)



Assets Not Included in Current Reserve Study

- The following environmental projects were included in the 2008 Budget;
 - Rehabilitation of the Gas System at Sabiston Landfill (\$255k)
 - Restoration of Pomona Mills Creek (\$500k)
- A consultant has been retained to conduct field investigations and computer modelling in order to determine the Town's future requirements for environmental projects
- A plan to include environmental projects will be developed and incorporated in the 2009 Reserve Study update

Next Steps

- The 2009 replacement/rehabilitation requirements as identified in the Reserve Study will establish the basis for the 2009 capital submissions contingent on condition assessments
- Jun. - DHF review of the 2009 proposed capital budget
- Sept. – CCC review of the 2009 proposed capital budget
- Oct. – Meeting with the Mayor and the Budget Chief
- Oct. to Dec. – Budget Sub-Committee review of the 2009 Budget

Recommendations

- That the presentation entitled “2008 Life Cycle Reserve Study Update” be received; and,
- That Gas Tax funding be utilized to fund Stormwater Management Ponds in the minimum amount of \$1.5 million total over the 3 years 2009 - 2011, in order to sustain sufficient funds in the Life Cycle and Capital Reserve Fund for the next 25 years (to year 2033); and,
- That Staff will review the impact of supplementing the funding of qualified life cycle assets with future Gas Tax funding and report back during the 2009 budget discussion; and,
- That staff be authorized and directed to do all things necessary to give effect to this resolution.