

FOLLOW-UP TO DEVELOPMENT SERVICES COMMITTEE
MEETING JUNE 11

ROAD RECONSTRUCTION OF MAIN STREET MARKHAM
FROM HIGHWAY 7 TO BULLOCK DRIVE

GENERAL COMMITTEE
JUNE 17, 2013

Agenda

- Background
- Unfunded Potential Capital Projects
- Life Cycle Replacement and Capital Reserve Fund
- Various Funding Options
- Recommended Option
- Next Steps

Background

- At the June 11 DSC meeting, the following resolution was approved by Committee:
- “That Council endorse Option 1 as the preferred option as it relates to the funding shortfall for the project: Maintain streetscaping level and obtain additional funding from sources to be determined.”
- The funding shortfall for the project is:

Total Award	\$4.12 M
Approved Funding	<u>\$3.16 M</u>
Funding Shortfall	<u>-\$0.96 M</u>
- This presentation outlines various funding options for the \$0.96M shortfall.

Unfunded Potential Capital Projects

- City Wide Hard and Soft Services Non-Growth Component
- Emerald Ash Borer Infestation
- Milliken Mills Community Centre and Library, Renovation and Fit-Out
- Pathways and Trails
- Stormwater Management
- Watercourse Erosion Control Remediation
- Watercourse Management
- 9404 Markham Road (heritage house adjacent to the Museum)
- Facility upgrades (Civic Centre Master Plan, Museum, Theatre & Other Recreation upgrades)

- Morgan Pool retrofit
- Anti-whistling
- Stiver Mills Expansion – Phase 2
- Daniel Fairty House
- Tremont Hotel
- Park Renaissance
- Public Realm and Public Art
- Main Street Markham Bullock Drive to 16th Avenue (Streetscaping)
- Main Street Markham Hwy 7 to Bullock Drive (Streetscaping)

Life Cycle Replacement and Capital Reserve Fund

- The Life Cycle Replacement and Capital Reserve Fund established in 2005 is an interest-earning reserve to primarily fund the replacement of the City's aging infrastructure and for the major capital expenditures to repair and replacement City assets (excluding Waterworks)
- A reserve study update is conducted annually to ensure sufficient funds for the major replacement and rehabilitation of existing assets to restore them to original condition with known work programs for the next 25 years
- The reserve has three ongoing annual funding sources:
 1. Operating budget
 2. MEC Interest Income and Dividends
 3. MDEI Interest Income and Dividends

Various Funding Options

1. Corporate Rate Stabilization Reserve
2. Life Cycle Replacement and Capital Reserve Fund
3. Operating non-life cycle (new acquisitions and non-DC growth items)
4. Municipal tax increase
5. Gas Tax Fund

1. Corporate Rate Stabilization Reserve

- The City has a policy to maintain the reserve balance equivalent to 15% of the local tax levy
- This reserve is used to maintain the City's cash flows, minimize short-term borrowing and fund urgent expenditure requirements
- The fund is replenished annually using year-end operating surpluses if funds are available
- Based on the criteria the Corporate Rate Stabilization reserve can be used to fund the \$0.96M unfunded balance for Main Street Markham Road Reconstruction
- Based on the 2013 assessment growth and the \$0.96M unfunded balance for Main Street Markham Road Reconstruction project, the City will need \$1.71M from Operating surplus to bring the reserve to the required 15% threshold

This option is not recommended as it poses a risk, if used, of not being able to maintain the policy at 15% of the local tax levy.

2. Life Cycle Replacement and Capital Reserve Fund

- The Life Cycle Replacement and Capital Reserve Fund is an interest-earning reserve to primarily fund the replacement of the City's aging infrastructure and for the major capital expenditures to repair and replacement City assets (excluding Waterworks)
- \$0.52M of the initial shortfall was funded from Life Cycle for the road resurfacing section of the project
- The unfunded \$0.96M project shortfall is not included in the Life Cycle Replacement and Capital Reserve
- If the funding shortfall is taken from the Life Cycle reserve this will reduce the future replacement and preventative maintenance of other City capital assets from 25 to 24 years

This option is not recommended as it has an impact on completing the projects identified in the Life Cycle Replacement and Capital Reserve Fund

3. Operating Non-Life Cycle (new acquisitions and non-DC growth projects)

- 2014 Capital Budget includes \$3.2M for projects that are not accounted for in the Life Cycle Replacement and Capital Reserve.
- Examples are:
 - Non-DC growth Component for Parks Construction, Engineering Recreation & Library Projects
 - Public Art and Public Realm
 - New initiatives/items: e.g. IT, Sustainability, Recreation, Library, Fleet & Waste
 - Trees for Tomorrow
 - Adopt A Park, Volunteer Ice Rink, TRCA Community Projects
 - Pedestrian Accessibility Improvements
 - Museum Pottery Studio

This option is not recommended as one or more of the above noted projects will have to be eliminated/deferred to fund the \$0.96M shortfall

4. Municipal Tax Increase

- To fund the shortfall of \$0.96M from taxes will require an increase of \$0.19M (based on a 5 year payback) to the 2014 Operating Budget, equivalent to a one-time tax rate increase of 0.16% or \$1.80 per homeowner per year
- This is a potential funding option to address the project shortfall

This option is not recommended as there is a more viable alternative funding option

5. Canada Gas Tax Funding

- Canada's Gas Tax Fund which began in 2005 provides predictable, long-term funding for Canadian municipalities to help them build and revitalize public infrastructure that achieves positive environmental results
- The Fund supports municipal infrastructure projects that contribute to cleaner air, water and reducing greenhouse gas emissions, and fall into the following categories: public transit; wastewater infrastructure; community energy systems; solid waste management; local roads and active transportation
- Markham receives annual funding of \$8M in Federal Gas Tax Funding, \$4M of which is allocated to MDEI and the balance of \$4M used to fund eligible projects

5. Canada Gas Tax Funding (cont'd)

- Examples of projects funded by Gas Tax are:
 - Settlers Park Landfill Site Management
 - Sidewalk Construction
 - Cycling Programs
 - Pathways Master Plan Implementation
 - Thornhill Storm Sewers Upgrades
 - Greenprint Community Sustainability Plan
 - Facility Energy Retrofits
 - Bridge Improvements and Structure Rehabilitation
 - Streetlights – LED Conversion
 - Mission Green and Multi-Residential Organics Containers

This is option is a viable option to fund the \$0.96M project shortfall

Recommended Option

- Council approved \$1.44M funding from the 2013 Gas Tax for the Main Street Markham Stormwater upgrade project, from Bullock Drive to 16th Avenue
- It is recommended that the \$0.96M project shortfall be funded from Main Street Markham Stormwater upgrade project, from Bullock Drive to 16th Avenue (Project 13034)
- The Main Street Markham Stormwater upgrade project, from Bullock Drive to 16th Avenue Project will not be required for at least 7 years
- This initiative will be included as part of the City-wide stormwater rehabilitation project and the associated financial costs will be incorporated as part of the Stormwater management rate and program as required

Next Steps

- Request Council approval to fund the shortfall of \$0.96M for the road reconstruction of Main Street Markham Highway 7 to Bullock Drive from Main Street Markham Stormwater upgrade project, from Bullock Drive to 16th Avenue (Project 13034)
- Award the contract for "Tender Award of 081-T-13 Road Reconstruction of Main Street Markham From Highway 7 To Bullock Drive" to Four Seasons Site Development in the amount of \$3,104,887.38, inclusive of HST
- Staff will prepare a fiscal outlook to be presented to the Budget Subcommittee as part of the 2014 budget process in the fall of 2013
- Any road reconstruction/streetscaping from Bullock Drive to 16th Avenue may be considered as part of future budget plans