

Report FR-CS-15-15

To: Chair Pringle and Members of the Corporate Services Committee
From: Kevin Wepler, Director of Finance
Meeting Date: June 23, 2015
Subject: **Corporate Services 2016-2020 Draft Five Year Capital Forecast**
Status: Recommendation adopted by Committee per Resolution CS65-15;
Endorsed by County Council July 7, 2015 per Resolution CC98-15;

Recommendation(s)

THAT Report FR-CS-15-15 regarding the Corporate Services 2016-2020 Draft Five Year Capital Forecast be received as presented and forwarded for inclusion in the corporate Five Year Capital & Extra-Ordinary Expenditures Forecast for consideration by County Council.

Background

Attached is a summary of the Five Year Capital & Extra-Ordinary Expenditures for 2016-2020 along with detailed capital project forms for each of the proposed projects for the Corporate Services' operations for the Committee's discussion and direction.

These proposed capital budget submissions are important as they set out proposed plans for future capital spending and provide councillors with sufficient information in order to make an informed decision from the competing projects.

The 2016-2020 Five Year Capital Forecast being presented to the Committee requires a 2016 levy commitment of \$758,119, which is an increase of \$207,027 to the approved 2015 capital budget.

Included in this increase of \$207,027 is an additional \$175,000 being transferred to reserve in 2016 in an attempt to provide funding for the proposed addition and renovation to the existing County Administration Building. This reserve funding budget amount is a planned annual increased contribution working towards providing the funding to meet the required debenture payment beginning in 2017.

Based on the estimated total build cost less the funding that has been placed into reserves and/or is being budgeted in the future to be placed into reserves, an estimated

debenture for approximately \$9.8 million would be required. The annual debt payment to fund this debenture over a loan term of 15 years at an annual interest rate of 2.73% has been calculated to equal \$802,743.

In order to phase in the funding required to meet this annual debenture payment, a reserve transfer was approved in the 2014 budget and was increased by \$125,000 in 2015 budget and it is being proposed that this increase by an additional \$175,000 in 2016, therefore requiring an additional \$202,536 in funding in 2017 to meet the estimated annual debenture payment of \$802,743.

As well the 2015 budget approved a portion (\$175,207) of the debenture funding for Grey Roots debenture that matured in 2014 to be reallocated towards meeting the annual funding required for a future debenture payment for this build.

To illustrate the estimated annual budgetary increases that have occurred and/or will be required to meet this loan, if this build was approved to proceed, the table below has been provided.

Estimated Budgetary Increases to Fund 2017 Debenture Payment

Description	2014	2015	2016	2017
Transfer to Reserve	\$125,000	\$250,000	\$425,000	
Transfer to Reserve (Reallocation of a portion of Grey Roots Debenture Funding – matured in 2014) No budget increase required		\$175,207	\$175,207	
Sub-Total – Cumulative Budgeted Reserve Contribution to Fund 2017 Debenture Payment	\$125,000	\$425,207	\$600,207	
Annual Debenture Payment – Estimated annual payment to fund the borrowing of a principal amount of approximately \$9.8M over 15 years.				\$802,743
Estimated Annual Budgetary Increase	\$125,000	\$125,000	\$175,000	\$202,536

On March 3, 2015 County Council endorsed the resolution that directed The Ventin Group to provide a Class C Construction cost estimate for the proposed new addition and renovation of the existing County Administration Building.

At the April 7, 2015 session of County Council, Mr. Paul Sapounzi from The Ventin Group provided an overview of the proposed addition and renovation to the Grey County Administration Building. Mr. Sapounzi presented a history of the process to date and provided updated plans for the proposed renovation and addition as well as

the costs associated with this project. The preliminary estimate is a total construction cost of \$11,990,700.

This building project has now been updated in the 2016-2020 Five Year Capital & Extra-Ordinary Expenditures forecast estimating a total build cost \$13,204,050, which includes Architect's Services fees and Client fees (surveyor, environmental, geotechnical and permit fees).

A Building Task Force has now been established to work with The Ventin Group during the detailed construction drawing process and will report back to the Corporate Services Committee.

There will always be a tendency when reviewing the forecast summary sheets to zero in on the first year of the forecast. Committee members are encouraged to review subsequent years that have been forecasted, as new projects have been added to the program. New to the Corporate Services 2016-2020 forecast are the following projects:

- Update of Corporate Strategic Plan, included in the General Administration forecast at an estimated cost of \$75,000;
- Job Hazard Analysis & Physical Demands Analysis, included in the Human Resources forecast at an estimated cost of \$165,000;
- Job Description and Policy Review, included in the Human Resources forecast at an estimated cost of \$110,000;
- Market Salary Review, included in the Human Resources forecast at an estimated cost of \$30,000;
- Human Resources Software Update, included in the Human Resources forecast at an estimated cost of \$68,100;
- Flag Pole Replacement, included in the Property – Administration Building forecast at an estimated cost of \$6,500

Additional details on these new projects are contained in the detailed capital project forms included in the attachment to this report.

This review is important in order that projects do not move forward which are not seen as a priority by the Committee. As well, this review provides Committee members with an opportunity to recommend projects that are deemed important that have not been put forward by staff in the forecast.

Financial / Staffing / Legal / Information Technology Considerations

The capital forecasts as presented for the budgets under the direction and control of the Corporate Services Committee, total a 2016 net levy amount equaling \$758,119,

requiring a net levy increase of \$207,027 or a 37.57% increase over the 2015 approved capital budget. This \$207,027 increase would reflect a 0.40% increase to the corporate net levy requirement for 2016.

\$175,000 of the \$207,027 increase for 2016 is related to the Administration/POA Building expansion and renovation project. This \$175,000 increase is shown as Transfer to Reserve in order to build sufficient funding into the budget to accommodate a future debenture payment to fund this estimated \$13.2 million dollar expansion and renovation project proposed for 2016.

This plan for future capital expenditures could be impacted based on recommendations brought forward from the Building Task Force.

Link to Strategic Goals / Priorities

The Capital Forecast includes ongoing capital funding to preserve the portfolio of buildings under the care and control of the Corporate Services Committee, which support Goal 1.6 of the Corporate Strategic Plan. The goal identifies the importance of accelerating Council's commitment to lifecycle planning for the long term investment of county owned capital assets.

Communication is a key value to the County's Strategic Plan. The report provides information to Council in regards to the estimated future capital funding requirements and needs.

Attachments

[Attachment to FR-CS-15-15 Corporate Services 2016-2020 Five Year Capital Forecast](#)

Respectfully submitted by,

Kevin Weppler
Director of Finance