

**Report from** Parks, Recreation and Culture Services, Business Planning and Strategic Services and Financial Management Services, Budget & Capital

**Date of Report:** May 1, 2018

**Date of Meeting:** May 23, 2018

**Report Number:** PRCS/FMS-B024-2018 **File:** 68.31.16, 10.57.99

**Subject:** Park Renewal Plan - Funding

## Recommendation

That Budget Standing Committee (BSC) approve an increase of 1% to the infrastructure levy, with one half of the 1% being dedicated to the renewal of parks playgrounds and courts for the 2019 capital budget and four year forecast; and

That the other half of the 1% infrastructure levy increase be utilized for other projects as indicated in the infrastructure levy policy; and

That this report be referred to Council for approval.

## Background

On January 22, 2018 staff presented the Budget Standing Committee (BSC) with the [Park Renewal Plan – 2018 Update report](#) for information purposes.

At the same meeting, the Budget Standing Committee approved the following motion made by Councillor Britton:

“That the Budget Standing Committee receive the report for information purposes; and

That staff report back to the Budget Standing Committee on the increase to the infrastructure levy required to address the Park Renewal Plan.”

This report provides that information.

The City of St Catharines owns, operates and maintains infrastructure with an estimated replacement value of over \$4.1 billion. The nature of this infrastructure is varied and complex. While these infrastructure assets can be grouped and classified in several ways, the City’s assets (and their estimated replacement values) have been categorized as presented in table 1 below.

**Table 1 – City of St Catharines – Asset Categories and Replacement Values**

Asset Category	Inventory	Asset Replacement	
		Value (\$M)	% of Total
Roads	562 km	\$808.0	19.6%
Bridges & Major Culverts	74 ea	48.0	1.2%
Water Distribution System	610 km	1,150.0	27.9%
Sanitary Sewer Collection System	570 km	820.0	19.9%
Storm Sewer Collection System	403 km	641.0	15.5%
Sidewalks	583 km	134.5	3.3%
Facilities & Improved Lands	113 sites	456.5	11.1%
Playgrounds / Courts	109 ea	12.8	0.3%
Paid Parking Facilities	14 sites	56.3	1.4%
<b>Total</b>		<b>\$ 4,127.1</b>	<b>100.0%</b>

The City's Infrastructure Deficit for a particular asset is being defined as the replacement value of known deficiencies for that asset. A summary of the infrastructure deficit by asset category for the city is provided in Table 2 below.

**Table 2 – City of St Catharines – Asset Categories - Replacement Values & Infrastructure Deficit**

Asset Category	Asset Replacement		Infrastructure Deficit	
	Value (\$M)	% of Total	Value (\$M)	% of Replacement Value
Roads	\$ 808.0	19.6%	\$ 45.0	5.6%
Bridges & Major Culverts	48.0	1.2%	4.8	10.0%
Water Distribution System	1,150.0	27.9%	34.5	3.0%
Sanitary Sewer Collection System	820.0	19.9%	106.6	13.0%
Storm Sewer Collection System	641.0	15.5%	32.1	5.0%
Sidewalks	134.5	3.3%	6.7	5.0%
Facilities & Improved Lands	456.5	11.1%	32.8	7.2%
Playgrounds / Courts	12.8	0.3%	5.8	45.0%
Paid Parking Facilities	56.3	1.4%	3.9	6.9%
<b>Total</b>	<b>\$4,127.1</b>	<b>100.0%</b>	<b>\$ 272.1</b>	<b>6.6%</b>

Playground/Courts deficit represents 45% of their asset replacement value, even though they are a small percentage of the City's overall infrastructure deficit (2.1%). When considering increases funding to address the infrastructure deficit, it is important to consider all asset classes throughout the Corporation. This is the approach that has historically been taken by the City as there are deficits in all asset classes and funding a portion of all classes addresses the infrastructure deficit in every class. In addition, the corporation prioritizes annual infrastructure spending in order to manage and minimize corporate risk related asset management.

## Report

Staff has been directed to report on the level of funding required to address the required renewal of playground, basketball and tennis courts over the next 5 years (2018 – 2022). While this report addresses the direction of BSC, Staff is of the opinion that an increase to the infrastructure levy be more evenly shared across all asset categories. If the increase to the infrastructure levy is solely directed at playgrounds/courts, this would substantially reduce the infrastructure deficit for the Playgrounds/Courts asset classification but ignore all other asset categories with larger infrastructure deficits.

The Parks Renewal Plan is targeted at approximately \$6,535,000. This 5 year forecast has risen by \$1.54 million (from \$5 million) since originally reported to Council on August 22, 2016. A full report can be accessed [here](#).

In 2018 \$325,000 was funded towards the renewal of playgrounds (Douglas Park) and courts (Pearson Park tennis and Clifford's Creek Park basketball). This funding is reflected below and these project are in the procurement stage and expected to be completed in 2018. The following two charts show the impact of an infrastructure levy of 1% being directed solely to Playgrounds/Courts

### Chart 1

Year	Level of funding required	1% increase*	Capital Budget**	Total Funding	Amount under funded
2018***	\$1,307,000	-	\$325,000	\$325,000	\$982,000
2019	\$1,307,000	\$978,000	\$325,000	\$1,303,000	\$4,000
2020	\$1,307,000	\$978,000	\$325,000	\$1,303,000	\$4,000
2021	\$1,307,000	\$978,000	\$325,000	\$1,303,000	\$4,000
2022	\$1,307,000	\$978,000	\$325,000	\$1,303,000	\$4,000
<b>Total</b>	<b>\$6,535,000</b>	<b>\$3,912,000</b>	<b>\$1,625,000</b>	<b>\$5,537,000</b>	<b>\$998,000</b>

\*Approximate based on 2018 budget

\*\*Assumes 2018 funding levels are allocated in future capital budgets

\*\*\*Complete

A 1% increase to the infrastructure levy implemented in 2019, along with the maintenance of the 2018 Capital Budget funding levels for playgrounds and courts of \$325,000 in 2019 – 2022 will result in approximately \$1 million underfunding at the end of the 5 year period. This funding gap is addressed below and included in the funding required in Chart 2.

### **Funding required in years 6 – 10 (2023 – 2027)**

If the funding levels listed in Chart 1 are approved, the funding required in years 2023 – 2027 is \$2,700,000. The addition of the \$998,000 that was not funded between 2018 – 2022 is deferred to 2023 and 2024 below. The assets deferred to this time period from the 2018 – 2022 renewal phase would be those assessed in the best condition of the group and would also be prioritized to be completed first.

### **Chart 2**

<b>Year</b>	<b>Level of funding required</b>	<b>1% increase*</b>	<b>Capital Budget**</b>	<b>Total Funding</b>	<b>Amount under funded</b>
2023	\$1,039,000*	\$978,000	\$60,000	\$1,038,000	\$1,000
2024	\$1,039,000*	\$978,000	\$60,000	\$1,038,000	\$1,000
2025	\$540,000	\$978,000	0	\$978,000	(\$438,000)
2026	\$540,000	\$978,000	0	\$978,000	(\$438,000)
2027	\$540,000	\$978,000	0	\$978,000	(\$438,000)
<b>Total</b>	<b>\$3,698,000</b>	<b>\$4,890,000</b>	<b>\$120,000</b>	<b>\$5,010,000</b>	<b>(\$1,312,000)</b>

\*\$998,000 funding gap from 2018 – 2022 shown in Chart 1 has been added to 2023 and 2024 required funding.

There is a reduction of \$265,000 (from \$325,000 to \$60,000) required from Capital Budget funding in years 2023 – 2024 and a reduction to \$0 from 2025 – 2027; there is also a positive funding variance in years 2025 – 2027. Should the 1% infrastructure levy be approved for Playgrounds/Courts alone, this would result in a positive variance starting in 2025. It is recommended that this variance support additional infrastructure renewal needs, as prioritized through the City's asset management plan, of which playgrounds and courts will be included.

Charts 3 and 4 show the funding targeting Playgrounds/Courts should ½ of the additional 1% infrastructure levy be considered.

### Chart 3

Year	Level of funding required	1/2% increase	Capital Budget	Total Funding	Amount under funded
2018***	\$1,307,000	-	\$325,000	\$325,000	\$982,000
2019	\$1,307,000	\$489,000	\$325,000	\$814,000	\$493,000
2020	\$1,307,000	\$489,000	\$325,000	\$814,000	\$493,000
2021	\$1,307,000	\$489,000	\$325,000	\$814,000	\$493,000
2022	\$1,307,000	\$489,000	\$325,000	\$814,000	\$493,000
<b>Total</b>	<b>\$6,535,000</b>	<b>\$1,956,000</b>	<b>\$1,625,000</b>	<b>\$3,581,000</b>	<b>\$2,954,000</b>

### Chart 4

Year	Level of funding required	1/2% increase	Capital Budget	Total Funding	Amount under funded
2023	\$1,307,000	\$489,000	\$325,000	\$814,000	\$493,000
2024	\$1,307,000	\$489,000	\$325,000	\$814,000	\$493,000
2025	\$1,307,000	\$489,000	\$325,000	\$814,000	\$493,000
2026	\$1,193,000	\$489,000	\$325,000	\$814,000	\$379,000
2027	\$540,000	\$489,000	\$325,000	\$814,000	(\$274,000)
<b>Total</b>	<b>\$5,654,000</b>	<b>\$2,445,000</b>	<b>\$1,625,000</b>	<b>\$4,070,000</b>	<b>\$1,584,000</b>

The amount underfunded at the end of 2022 of \$2,954,000 is carried forward to the years 2023 to 2025. Annual funding requirements in 2023 to 2027 are forecasted to be \$540,000.

Beginning in year 2027, the annual replacement cost of \$540,000 that is required would be covered by the capital budget allocation of \$325,000 plus less than one-quarter of the additional infrastructure levy amount. Although, there is still an underfunded amount at the end of 2027 of \$1.584 million, there is a shift in that the level of funding required is less than the funding available. Therefore, beginning in 2028 the unfunded amount at the end of 2027 will be continue to be reduced and will be fully eliminated by 2033. This is based on the ½% increase in the infrastructure levy is maintained towards this asset renewal and replacement and the capital funding remain at \$325,000. This is longer

than the five years requested by BSC. However, this approach still allows for other asset categories to also benefit from an increase of the infrastructure levy.

Staff will continue to monitor and pursue grant and other external funding opportunities and report back with updates to these forecasts that consider any new funding sources for the renewal of playgrounds and courts.

## **Financial Implications**

The estimated impact on a median household (based on 2018 figures) for an increase of the infrastructure levy by 1% is \$14.06 per household.

The dollar amount of the 1% infrastructure levy increases as the budget increases with the cost of living is expected to support annual cost increases to playground and courts projects.

### **Prepared and Submitted by:**

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### **Approved by:**

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