AGENDA

BUDGET COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

WEDNESDAY, OCTOBER 19, 2011 –
IMMEDIATELY FOLLOWING GENERAL COMMITTEE

COUNCIL CHAMBERS
SECOND FLOOR, CIVIC CENTRE
300 CITY CENTRE DRIVE, MISSISSAUGA, ONTARIO, L5B 3C1
www.mississauga.ca

Members

Mayor Hazel McCallion	(CHAIR)
Councillor Jim Tovey	Ward 1
Councillor Pat Mullin	Ward 2
Councillor Chris Fonseca	Ward 3
Councillor Frank Dale	Ward 4
Councillor Bonnie Crombie	Ward 5
Councillor Ron Starr	Ward 6
Councillor Nando Iannicca	Ward 7
Councillor Katie Mahoney	Ward 8 (ACTING MAYOR)
Councillor Pat Saito	Ward 9
Councillor Sue McFadden	Ward 10
Councillor George Carlson	Ward 11

CONTACT PERSON: Julie Lavertu, Legislative Coordinator
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Julie.Lavertu@mississauga.ca

CALL TO ORDER

DECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTEREST

APPROVAL OF AGENDA

DEPUTATIONS

A. Wendy Alexander, Director, Transportation and Infrastructure Planning, with respect to the Transportation and Works Pavement Investment Review.

B. Ken Owen, Director, Facilities and Property Management, with respect to the Facility Asset Management Program.

C. Patti Elliott-Spencer, Director, Finance, with respect to the 2012-2014 Business Plan Update and 2012 Budget, Infrastructure Gap and Funding Challenges.

MATTERS TO BE CONSIDERED

1. Staffing for Garry W. Morden Centre (Ward 9)

Corporate Report dated September 12, 2011 from the Commissioner of Community Services with respect to staffing for the Garry W. Morden Centre located in Ward 9.

Recommendation
That Council approve the hiring of the Facility Manager for the Garry W. Morden Centre as identified in the Fire and Emergency Services 2011-2014 Business Plan and Budget with a start date of November 1, 2011 and the complement be increased by 1 FTE.

2. Option to Reduce the 2012 Budget: Suspension of the Driveway Windrow Snow Clearing Pilot Program

Corporate Report dated September 27, 2011 from the Commissioner of Transportation and Works with respect to the option to reduce the 2012 budget: suspension of the driveway windrow snow clearing pilot program.

Recommendation
That the Budget Committee provide direction on the option to reduce the 2012 Budget through the suspension of the Driveway Windrow Snow Clearing Pilot Program commencing with the 2011-2012 winter season as outlined in the report dated September 27, 2011 from the Commissioner of Transportation and Works.

3. Transit Route Map Charge

Memorandum dated October 5, 2011 from the Commissioner of Transportation and Works with respect to transit route map charge (Council referred this Item to the Budget Committee during its meeting on September 28, 2011 via Resolution 0229-2011).

4. Toronto Service Review

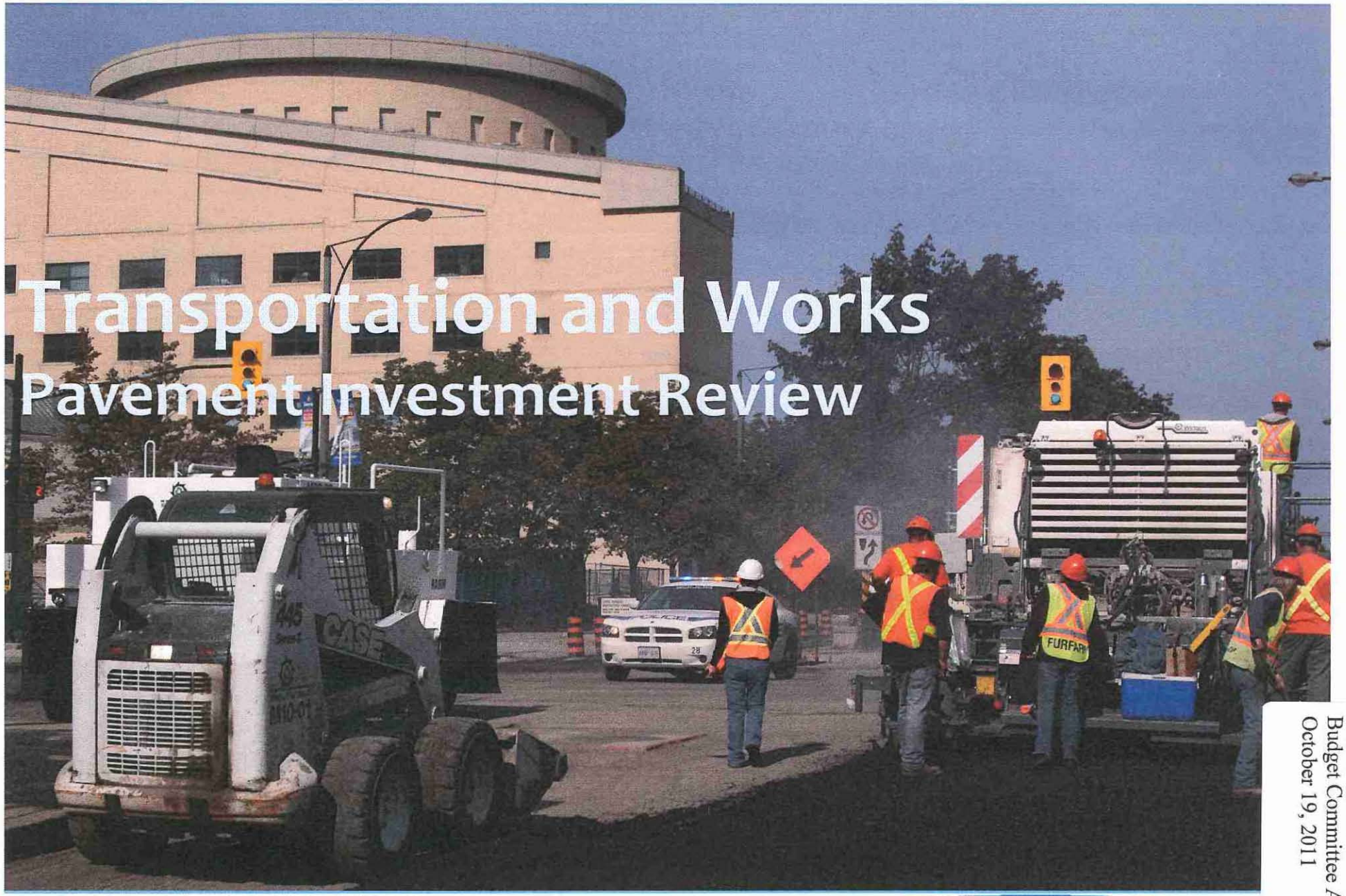
Corporate Report dated October 7, 2011 from the Commissioner of Corporate Services and Treasurer with respect to the Toronto Service Review.

Recommendation

1) That the report dated October 7, 2011, from the Commissioner of Corporate Services and Treasurer entitled "Toronto Service Review" be received; and
2) That Budget Committee provide direction with regard to any service reduction or elimination opportunities identified in the Toronto Service Review which they would like more information on or to be considered for the City of Mississauga.

CLOSED SESSION – Nil

ADJOURNMENT



Transportation and Works

Pavement Investment Review

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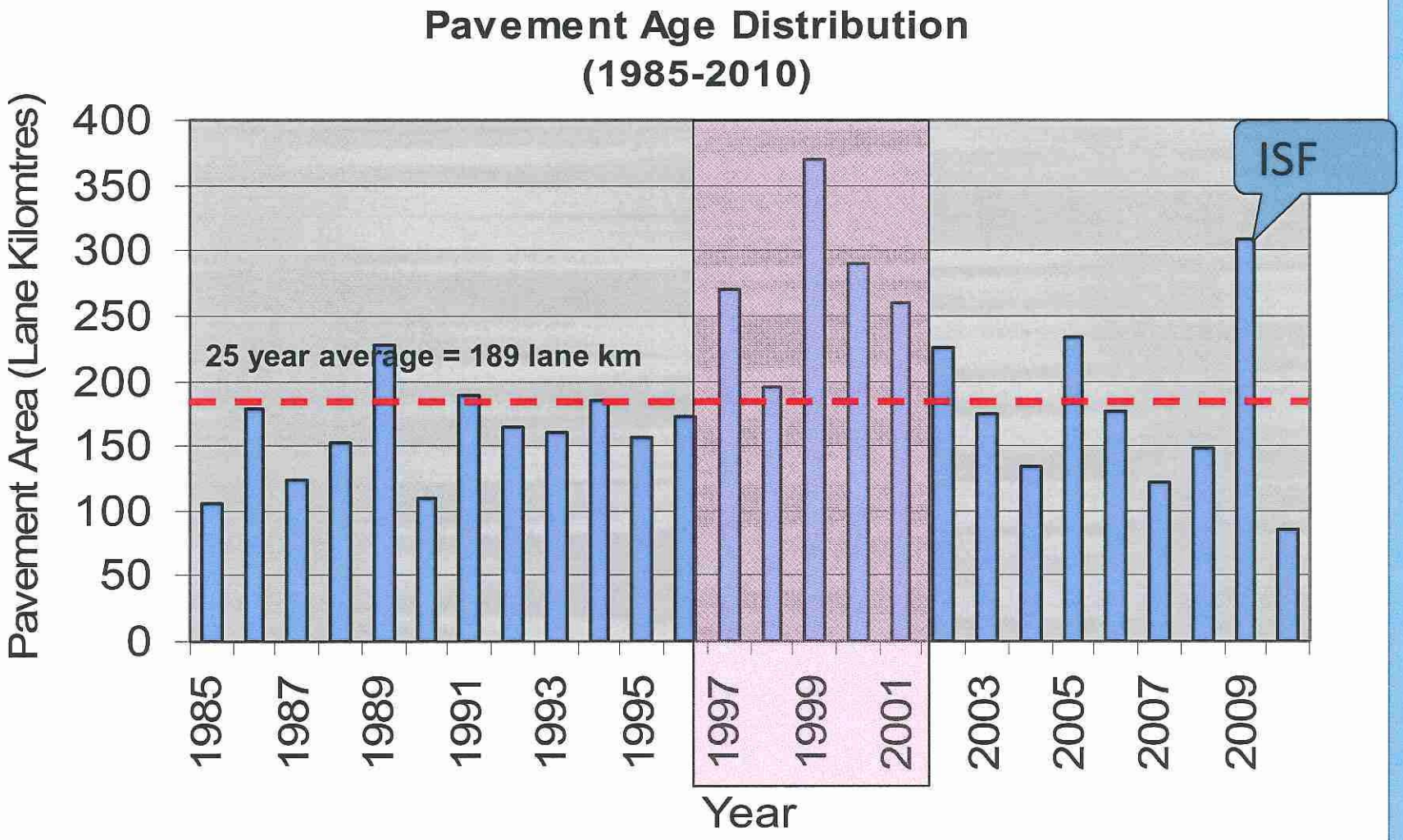
Deputation A
Budget Committee Agenda –
October 19, 2011

Agenda

- Pavement Trends
- Pavement Management
- 2005 Findings
- Current Findings
- Conclusions

❖PAVEMENT TRENDS

Effective Pavement Age



Mississauga's Road Network Condition will Decrease Over Time

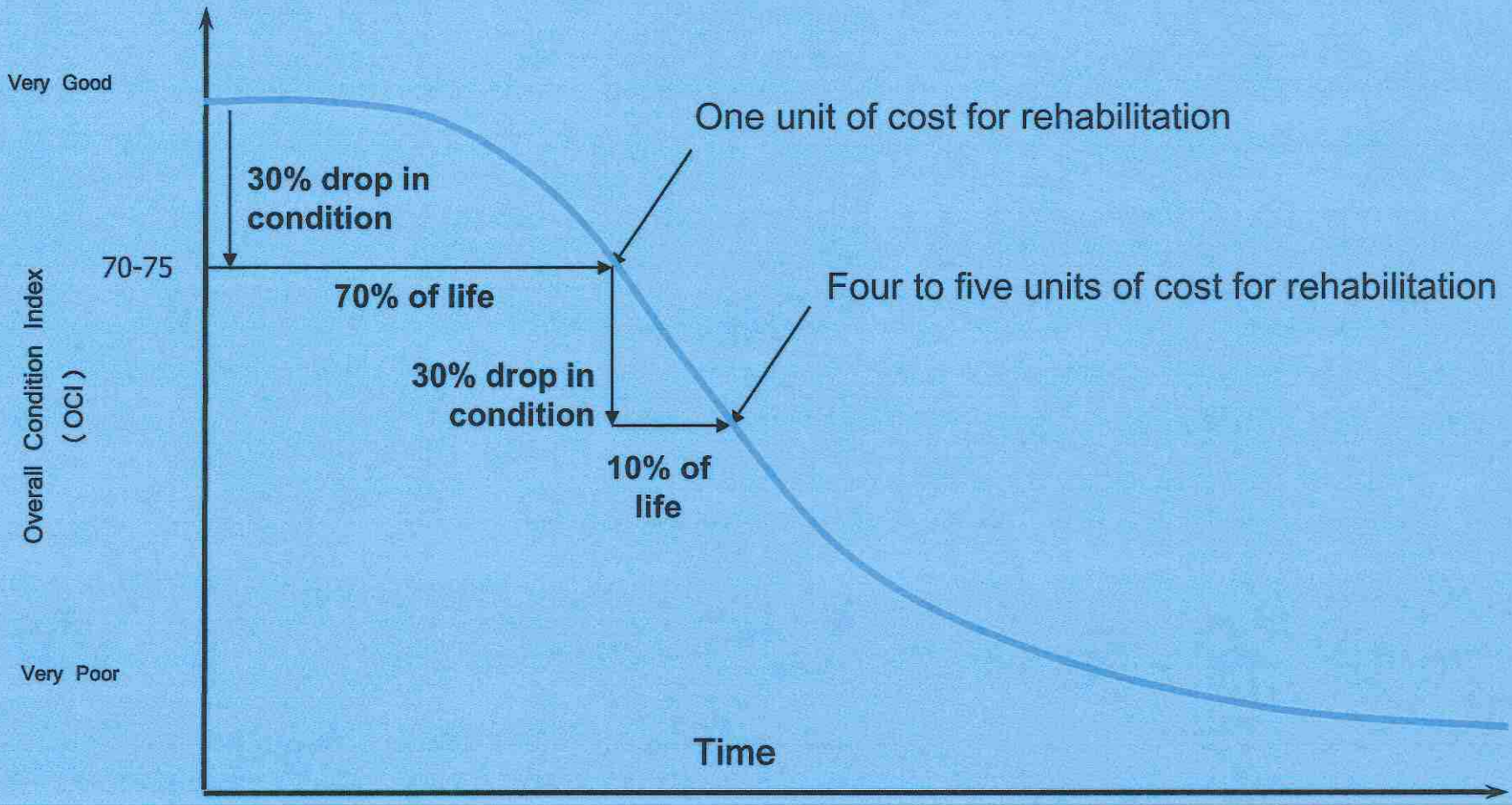
- High average network condition due to number of new roads built during growth period
- Growth is slowing and substantial portion of road network is reaching rehabilitation stage
- Pavement management actions to extend life cycle

❖PAVEMENT MANAGEMENT

The Goal of a Pavement Management System

To evaluate present pavement conditions and forecast future conditions while developing appropriate rehabilitation strategies to minimize the life cycle cost of pavement assets

Pavement Deterioration



The Challenge

How to maintain Mississauga's road network at a reasonable level while controlling costs

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IMS

Very Good Condition

52% of Network

- **OCI 80 - 100**
- Pavement is in excellent condition with smooth ride
- Possible minor surface distresses

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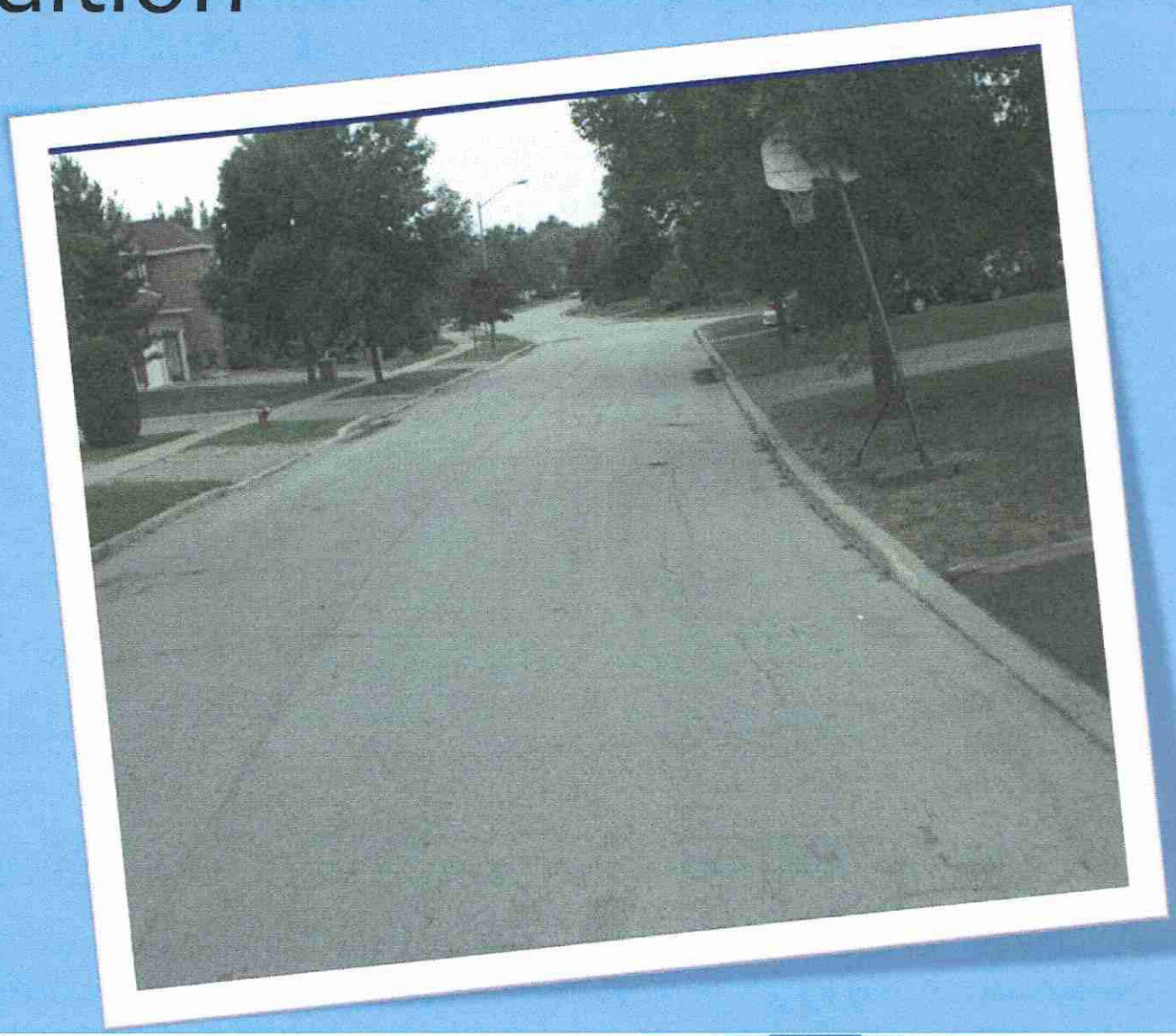
Good Condition

25% of Network



- **OCI 70 - 79**
- Pavement is in **good** condition with smooth ride
- Slight to moderate surface deformation distresses
- Good candidate for minor spot repairs and preservation treatments

Fair Condition

16% of Network

- **OCI 60-69**
- Pavement is in **fair** condition with acceptable ride
- Intermittent to frequent surface defects and/or cracking distresses
- Localized cracking may be present

Poor Condition

7% of Network

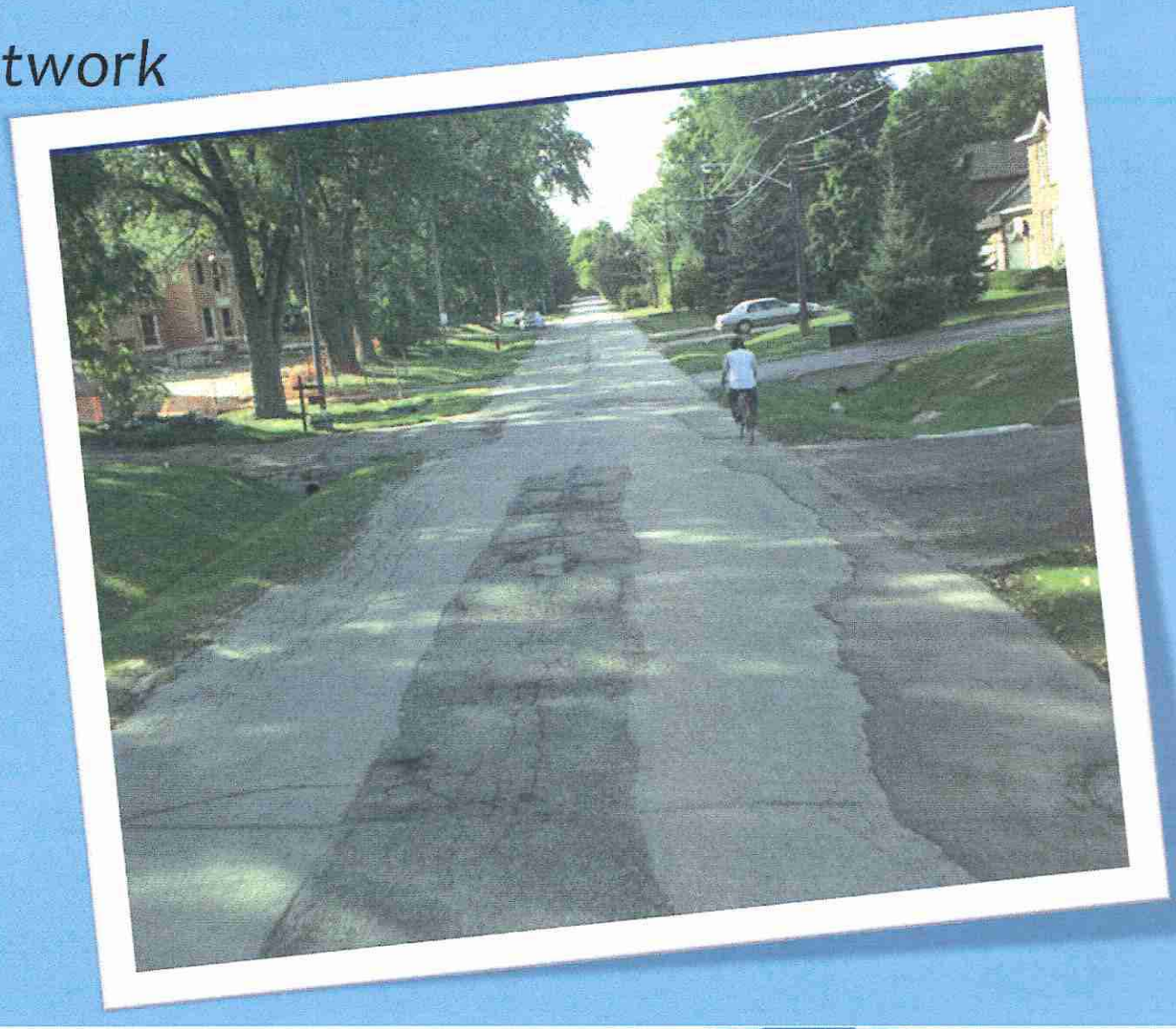
OCI 40-59

- Pavement is in **poor** condition with barely acceptable ride from frequent bumps
- Moderate to severe frequent surface defects and/or localized cracking distresses
- Good candidate for rehabilitation

Very Poor

less than 1% of Network

- Pavement is in **very poor** condition with uncomfortable ride
- Frequent to extensive bumps with frequent to extensive surface defects and/or cracking distresses
- Good candidate for reconstruction



❖2005 FINDINGS

Recommendations from 2005

Recommendation	Status
Adopt a network pavement condition target of between 70-75 Overall Condition Index (OCI) "**GOOD**"	Ongoing
Add no additional roads to the existing 10 year program for local road "upgrade to curb and gutter"	Implemented
Pursue methods for maximizing value for money in delivering the road rehabilitation program	Ongoing

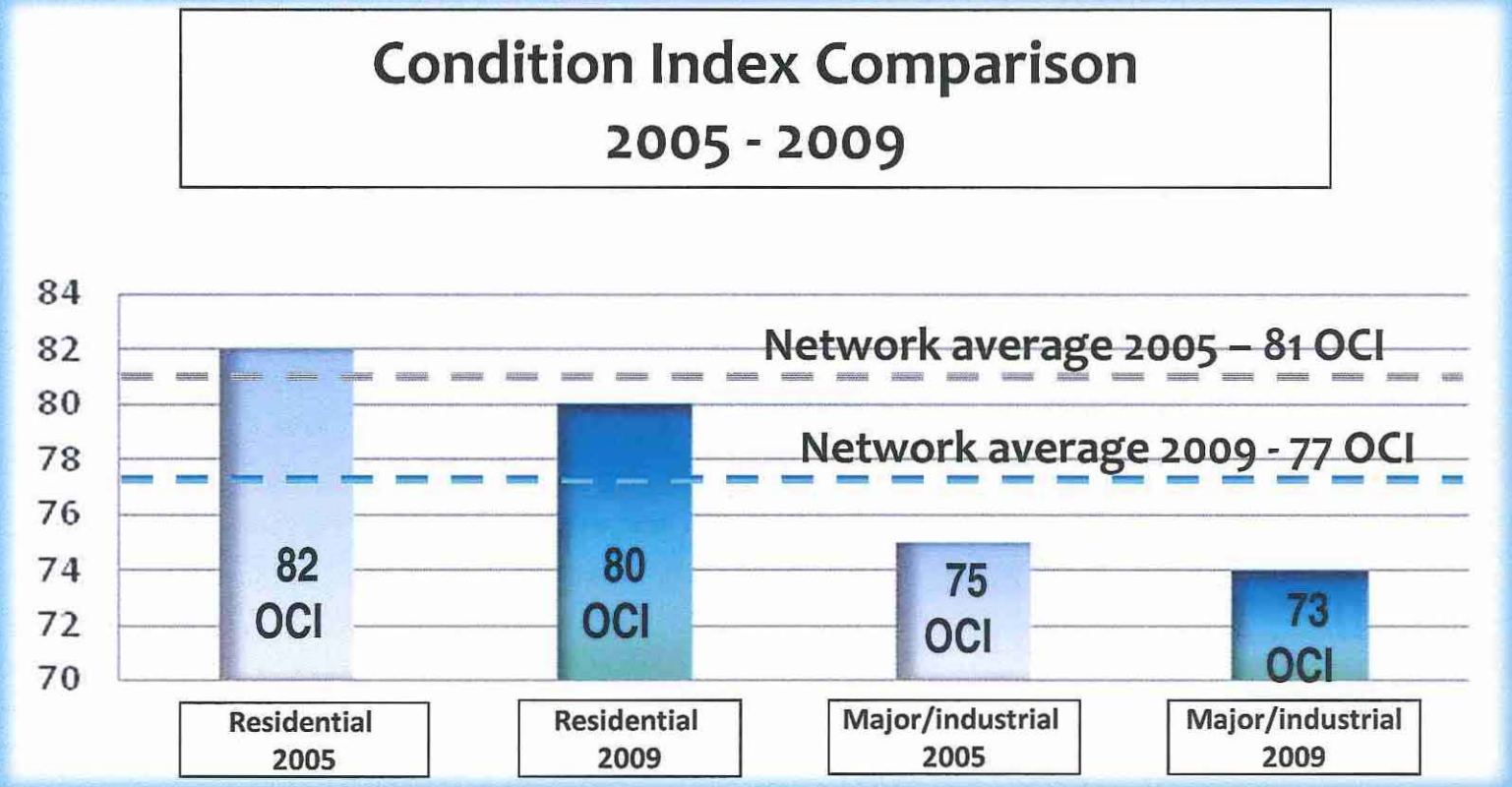
Recommendations from 2005

Recommendation	Status
Amend annual road rehabilitation budget to $26M	$23.5M plus $2.5M
Establish an annual road rehabilitation budget target of $30 million as of 2010	Not implemented
Establish a funding target of $18M for major and industrial roads (60% funding split) as of 2010	$16.5M plus $2.5M (70% split)
Establish a funding target of $12M for residential roads (40% funding split) as of 2010	$7M (30% split)

❖CURRENT FINDINGS

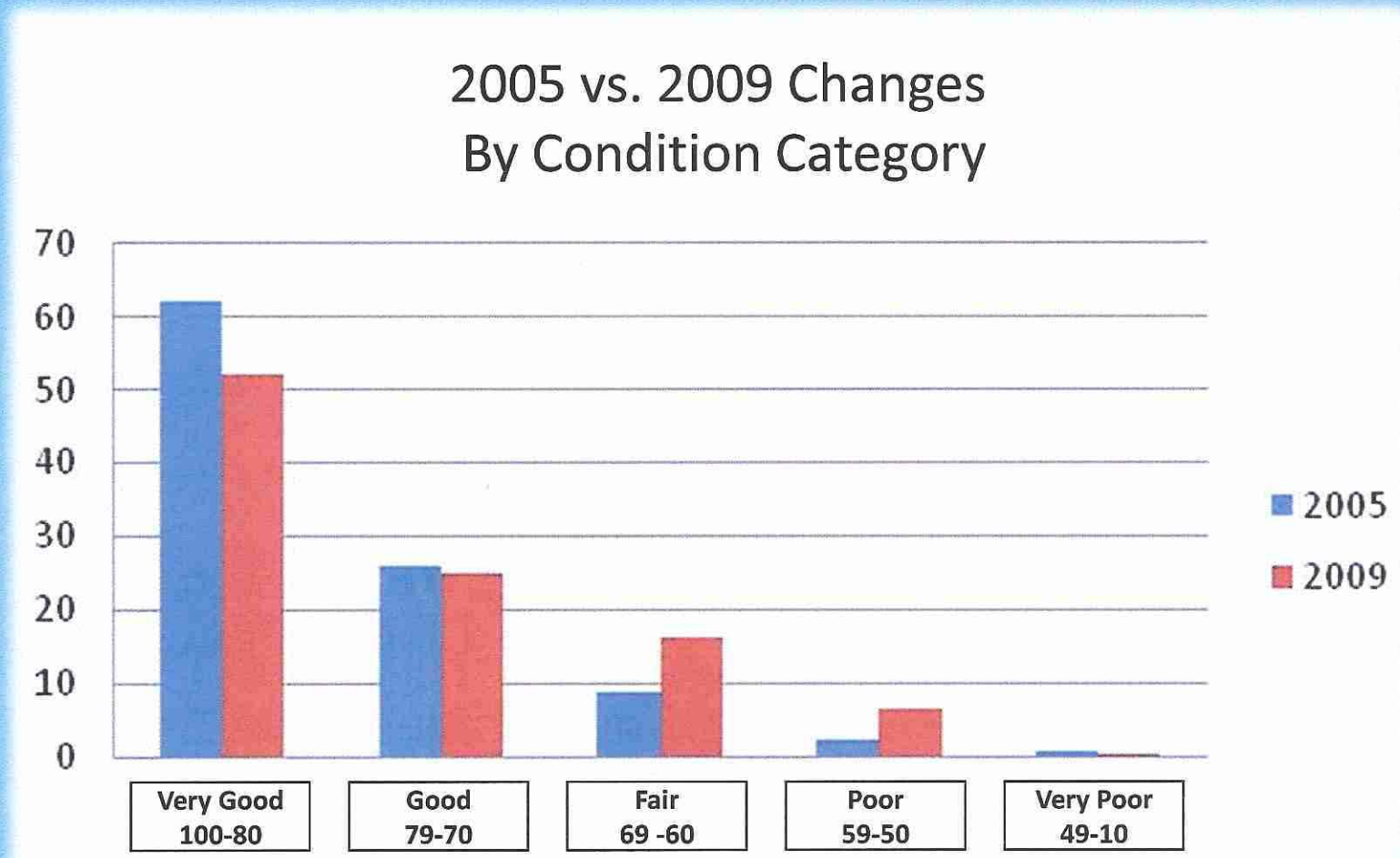
Residential vs. Major/Industrial Roads

OCI = Overall Condition Index (10-100)

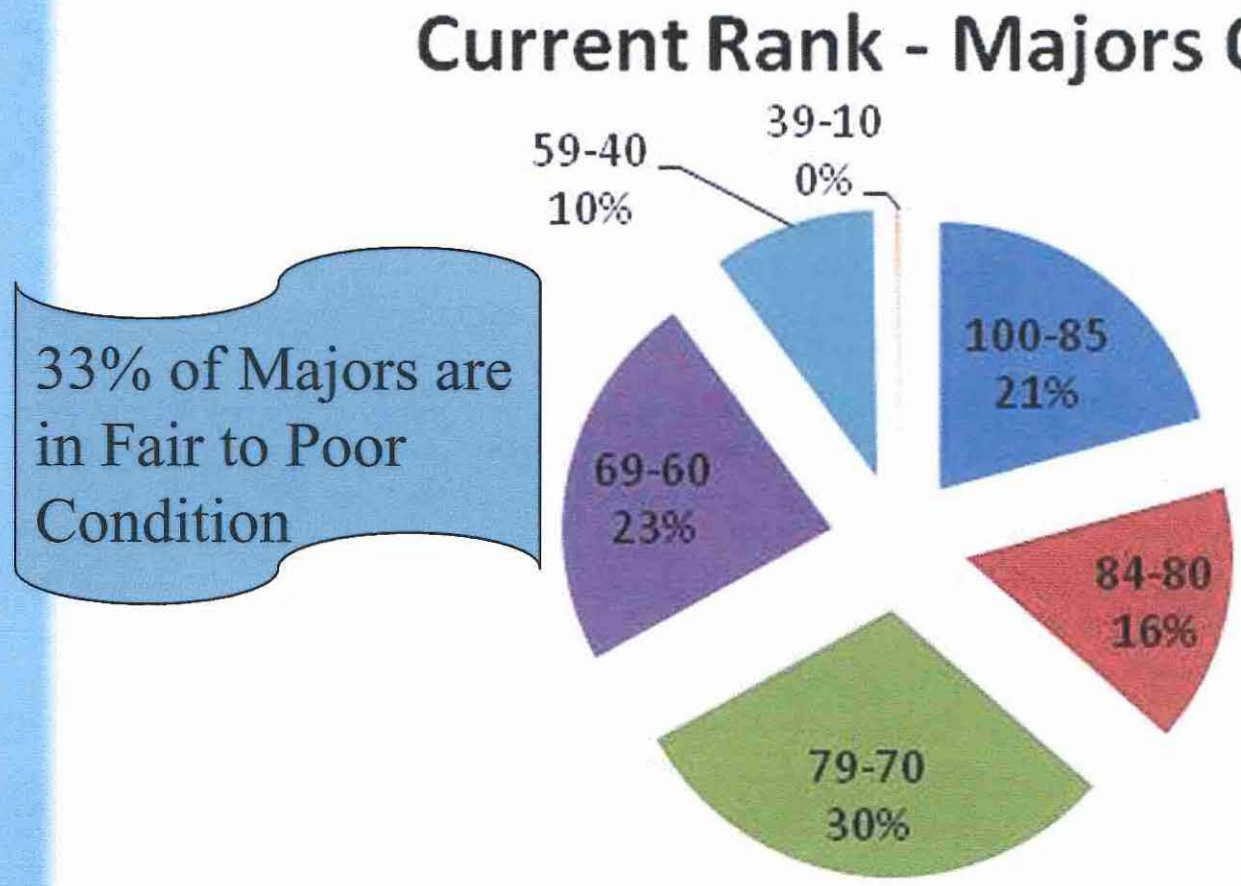


Percentage Comparisons

OCI = Overall Condition Index (10-100)



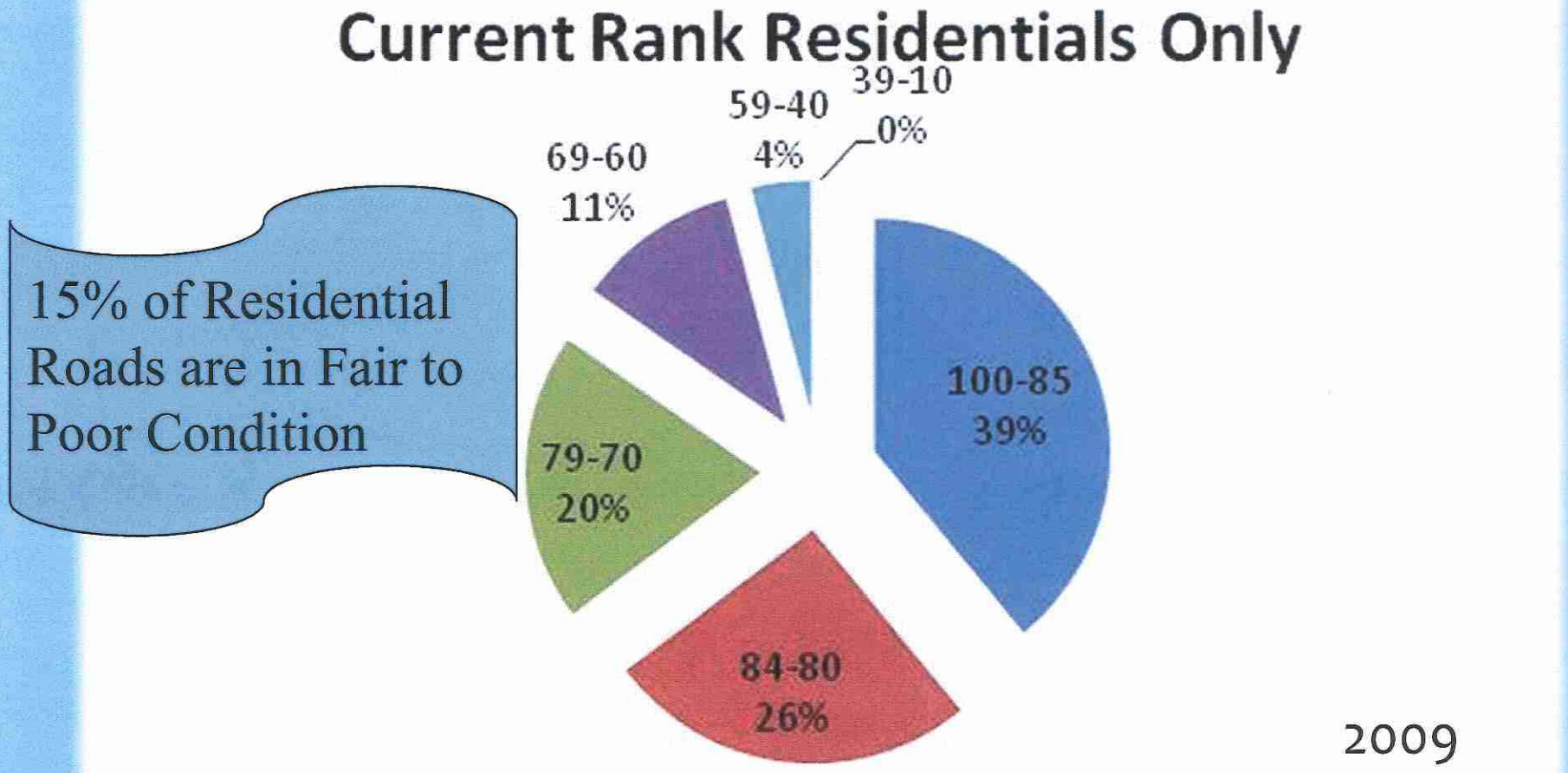
Major/Industrial Road Condition Results



33% of Majors are in Fair to Poor Condition

2009

Residential Road Condition Results



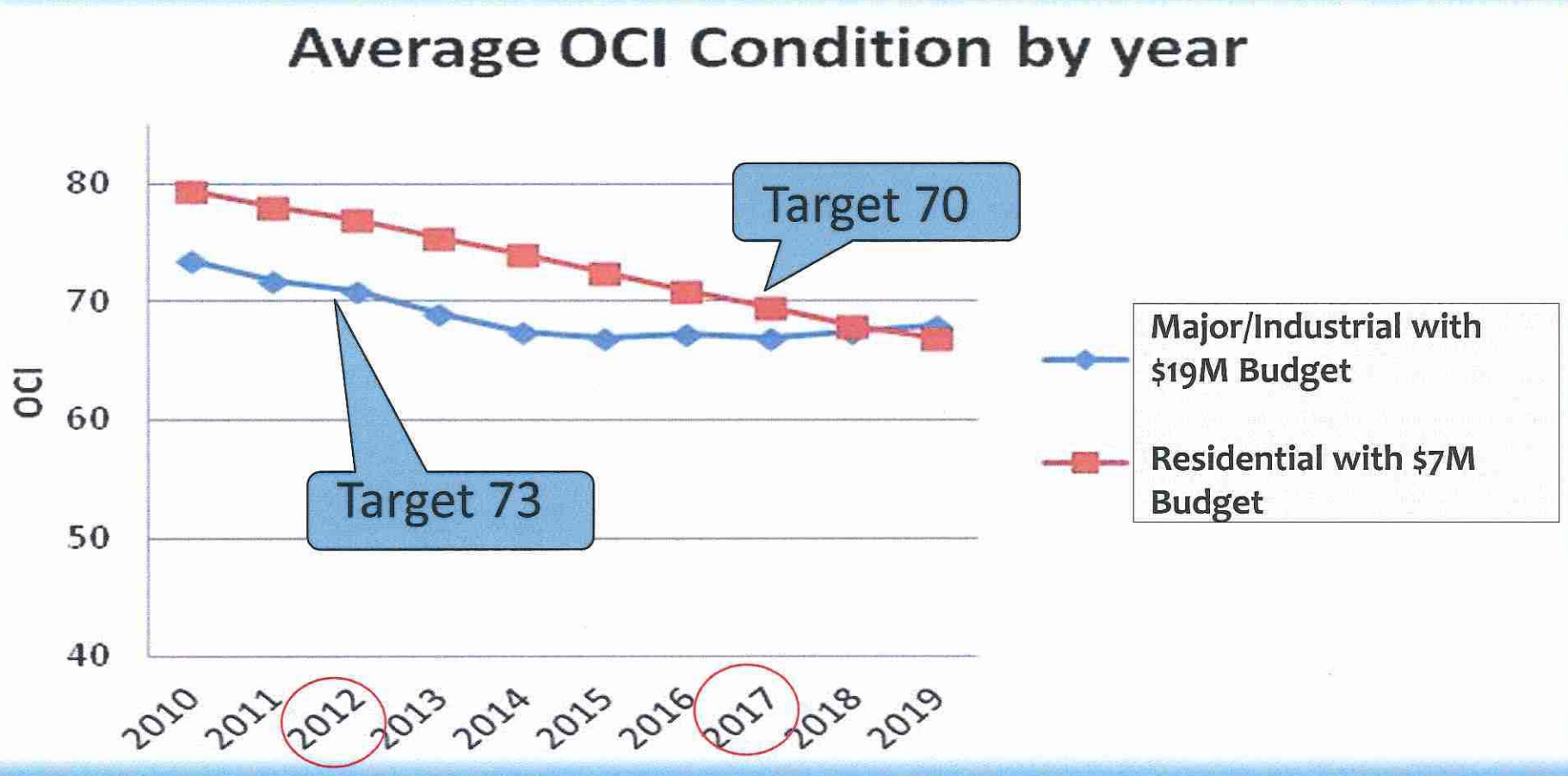
Network Statistics - Changes

Indicator	2005	2009	Increase/ Decrease
Total lane kms	4612	5191	26% increase
Average Network Condition	81	77	5% decrease
Roads rated good or better	83%	77%	6% decrease

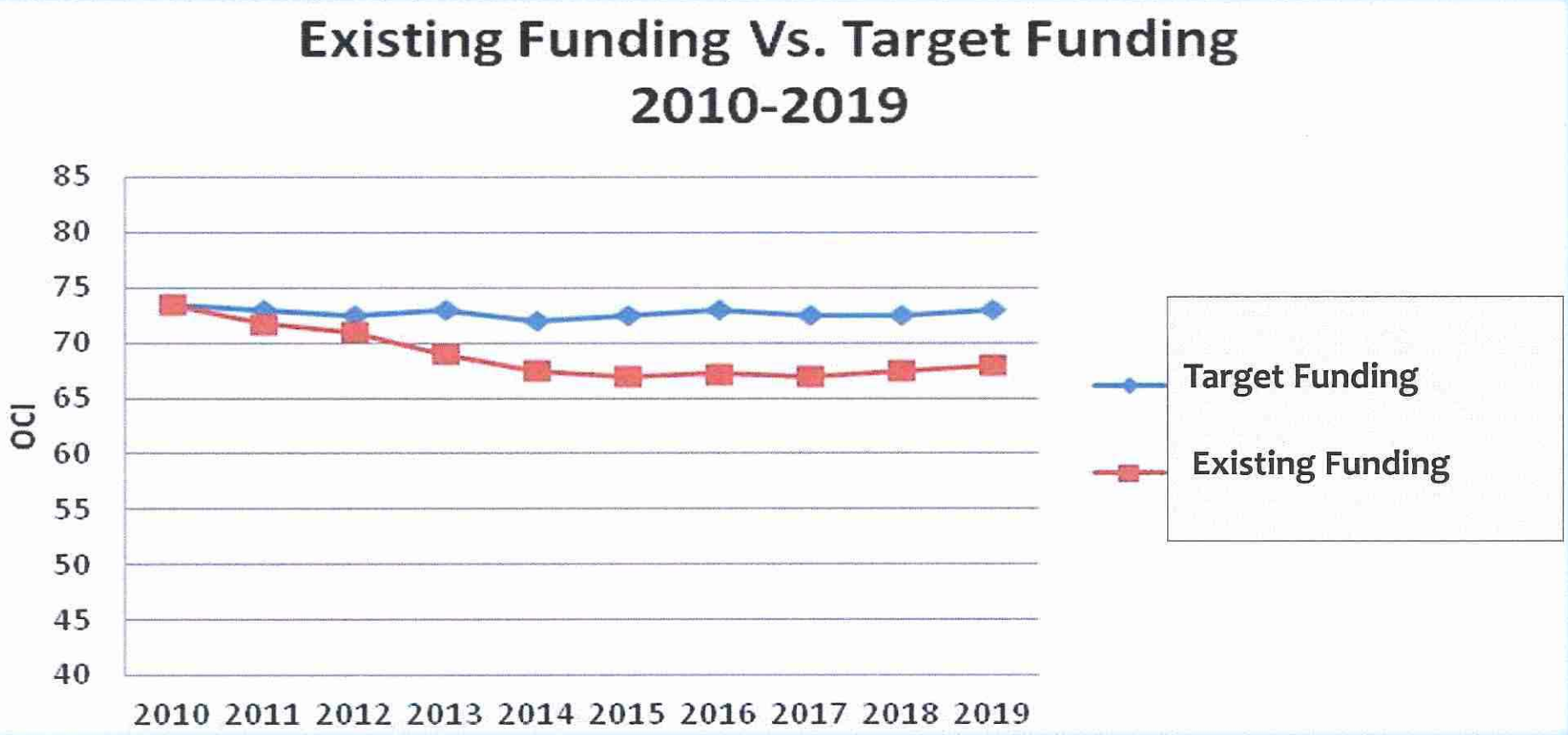
What the Pavement Management System is Telling Us

- At current funding level, the network OCI will deteriorate to about 67 by 2019
- Major/industrial roads are slightly underfunded
- Local residential roads will require additional funding to maintain appropriate OCI over time

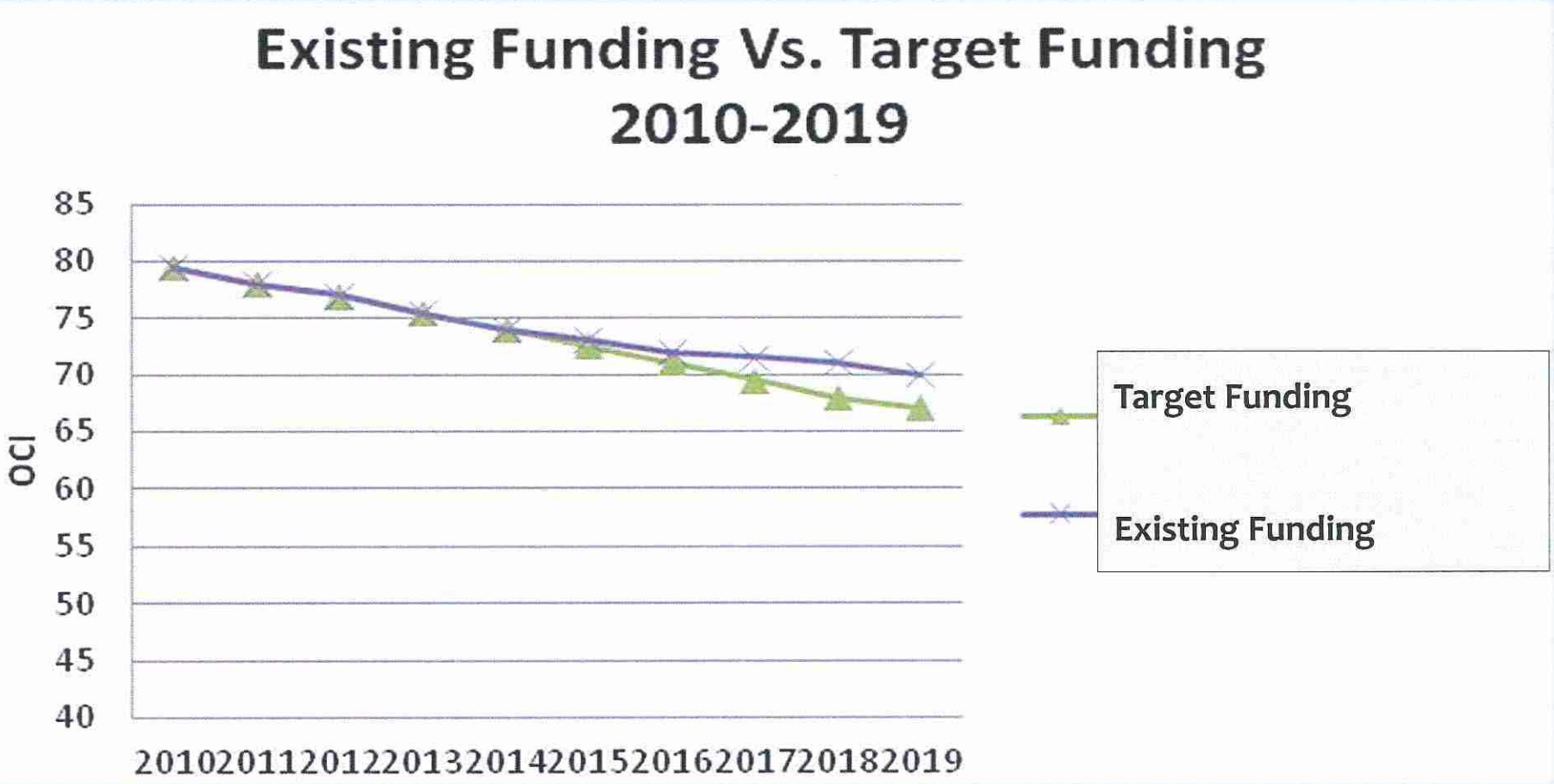
Effect of Current Investment
(2010-2019)



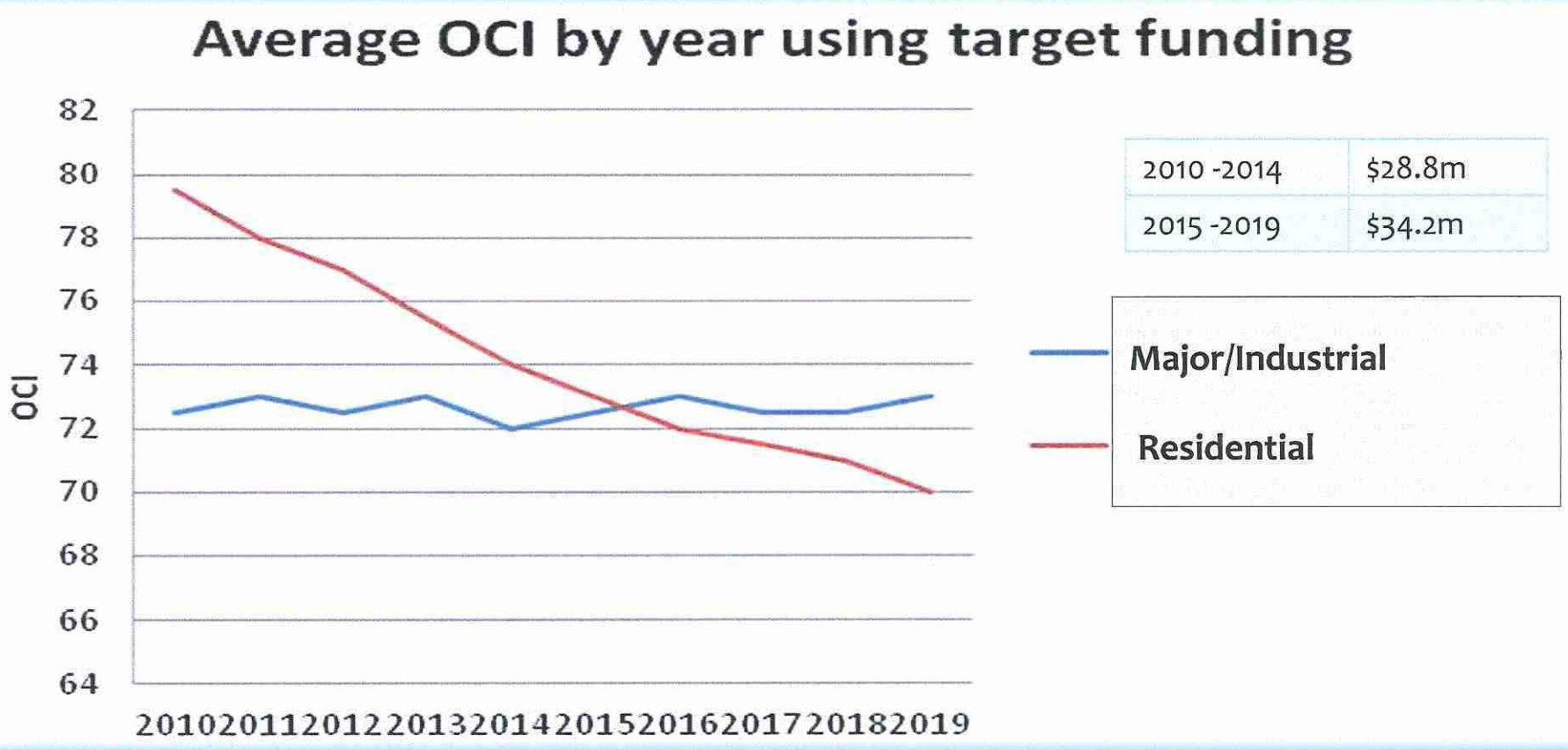
Major/Industrial Roads Condition



Residential Road Condition



Effect of Target Investment
(2010-2019)



2010 -2014	$28.8m
2015 -2019	$34.2m

Gap Analysis

Road Class	Existing Annual Funding	Target OCI	Required Funding Years 1-5 (2010 – 2014)	Required Funding Years 6-10 (2015-2019)
Major/industrial	$19M	73	$19.4M	$20.9M
Residential	$7M	70	$9.4M	$13.3M
Network Totals/Average	**$26M**	**72**	**$28.8M**	**$34.2M**

The average annual funding gap is forecasted to be $2.8M till 2014
Beginning in 2015 the average annual gap is forecasted to be $8.2M

❖CONCLUSIONS

- Our most important streets (Major/industrial Roads) are slightly underfunded until 2015 for target service level 73 OCI
- Post 2015, Major/industrial roads require $2M more annually
- Major/industrial OCI will drop to 68 by 2019 without additional funding
- Our Local streets are underfunded by $2.4M per year now and $6M per year from 2015
- Local residential OCI will drop to 66 by 2019 without additional funding
- **Additional $2.8M annually should be provided now and additional $8.2M annually after 2015**
- Big pressure coming post 2019 to reflect aging roads

2011 Recommendations

1. Target 73 OCI for major/industrial roads and 70 OCI for residential roads

2. Continue average funding split for major/industrial and residential road categories at 70/30

3. Refine funding recommendations in 2012 for input to Business Planning and corporate financial long term strategy processes – where do we find the required funding?

4. Re-assess the target condition level for residential roads in the future if no additional funding is available for road rehabilitation

Facility Asset Management Program

Budget Committee

October 19, 2011

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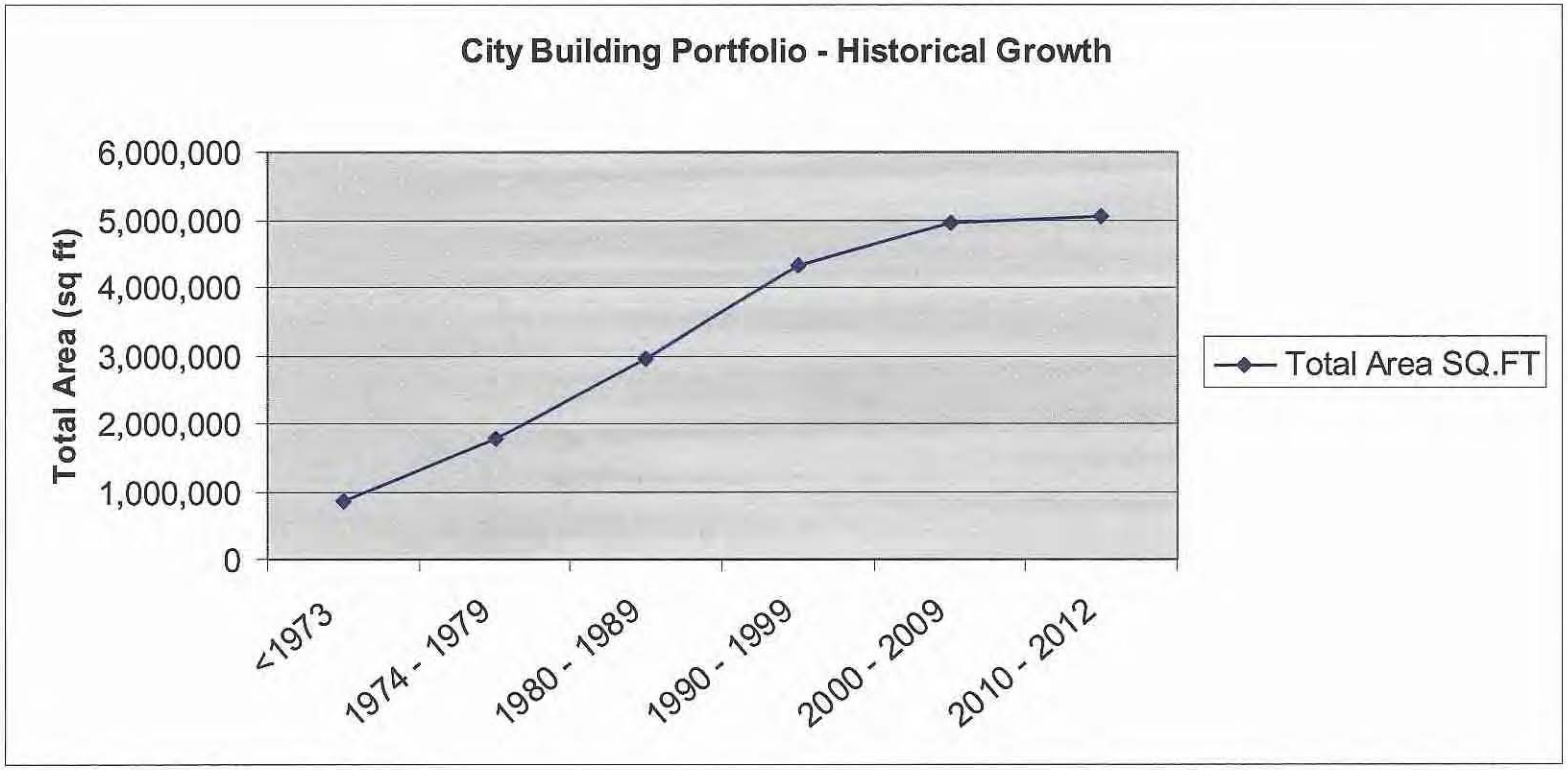
Facility Asset Management Program

- 5 million sq. ft. of building assets City-wide
- 4000 light poles and associated infrastructure for pathways, sports fields and parking lots
- Replacement value approximately $1.3 Billion
- Form the basis of all services offered by the City of Mississauga

Facility Asset Management Program

- Significant increase in infrastructure as the City grew over the last 37 years
- Inventory was relatively new
- Capital budget allocated to life cycle maintenance has not kept pace
- Periodic infusions of one time capital (eg. SuperBuild, ISF)
- Long range plan for the sustainability of the asset portfolio required

Facility Asset Management Program



Facility Asset Management Program

- Hansen – Enterprise asset data/work order management system
- VFA Facility – Building specific asset management and modelling software
- Using data extracted from Hansen and supplemented with condition audit data VFA provides modelling capability to forecast cost and condition

Facility Asset Management Program

Primer on FCI

- FCI = Total Cost of Deferred Capital Maintenance

$$\frac{\text{Total Cost of Deferred Capital Maintenance}}{\text{Current Replacement Value}}$$

- If DCM = 0 then FCI = 0
- If DCM = CRV then FCI = 1

Facility Asset Management Program

Primer on FCI

- Industry standard norms for FCI:
  - 0 - .05 Excellent
  - .05 - .10 Good
  - .10 and up Fair to Poor
  - .30+ Critical – Significant Risk of Failure

Facility Asset Management Program

FCI Targets for City Facilities

- Selection of FCI target determines cost of Asset Management Program
- Sensitivity of businesses in City buildings varies
- Varying the FCI target according to building type helps manage cost

Facility Asset Management Program

Facility Category	Current FCI	Target FCI	Rationale
Corporate	.12	0.10	City's core brand facilities
Culture	.18	0.15	Daily Public use and front line service delivery facilities
Library	.01	0.15	Daily Public use and front line service delivery facilities
Recreational	.11	0.15	Daily Public use and front line service delivery facilities
Fire	.14	0.20	Front line service delivery and support facilities
Transit	.08	0.20	Front line service delivery and support facilities
Parks	.29	0.25	Seasonal public use & Service support facilities
Works	.32	0.25	Seasonal public use & Service support facilities

Facility Asset Management Program

Financial Model

10 Year Forecast - Total cost of requirements to achieve target FCI

- Assumes FCI targets achieved over 10 years
- Forecast Cost = Total Requirements less Planned Deferred Capital Maintenance

Facility Asset Management Program

Funding Year	Forecasted Funding	Funding Required to Reach Target FCI by Building Category	Funding Shortfall Amount
2012	$7,046,000	$9,622,340	$2,576,340
2013	$6,976,000	$11,968,133	$4,992,133
2014	$7,559,000	$21,655,541	$14,096,541
2015	$7,897,000	$24,951,007	$17,054,007
2016	$8,204,000	$35,439,821	$27,235,821
2017	$9,319,000	$22,122,655	$12,803,655
2018	$12,251,000	$30,650,309	$18,399,309
2019	$9,059,000	$46,094,553	$37,035,553
2020	$8,746,000	$37,681,489	$28,935,489
2021	$9,000,000	$49,783,090	$40,783,090
10 yrs Total Funding Required:	**$86,057,000**	**$289,968,938**	**$203,911,938**

Facility Asset Management Program

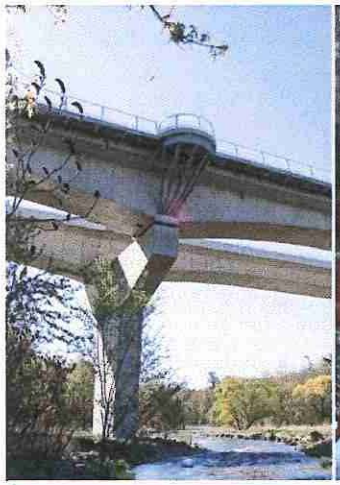
Annual Capital Budget - Allocation of funding

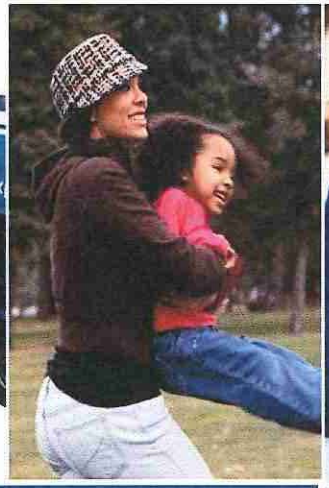
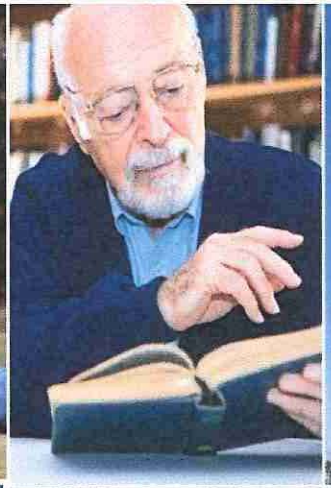
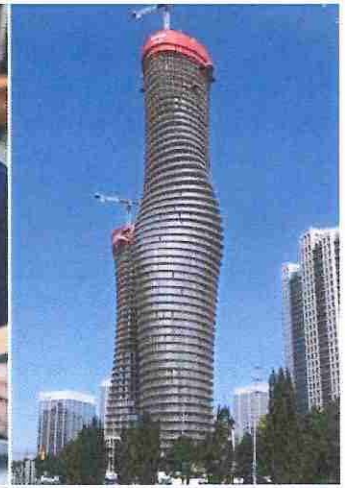
- System is based on there always being a backlog
- Available funding must be allocated to highest priority requirements
- Ranking Strategy
  - Why
  - When
  - What
  - Current FCI
  - Asset Use

Facility Asset Management Program

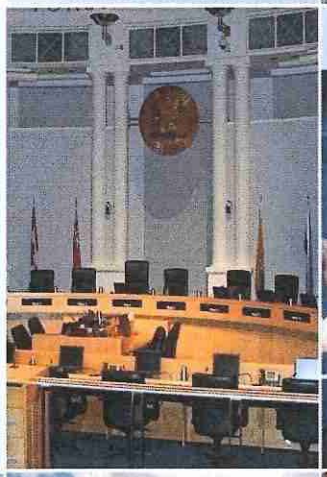
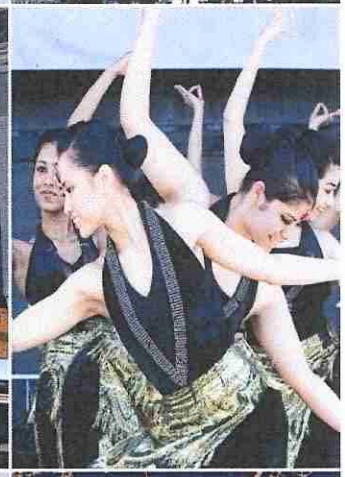
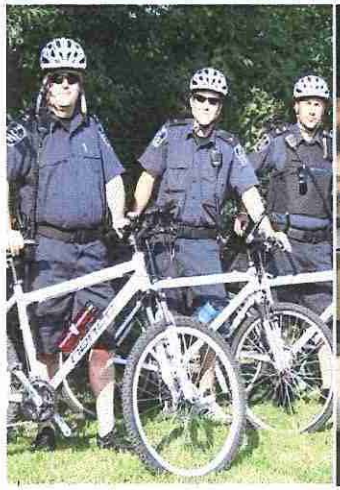
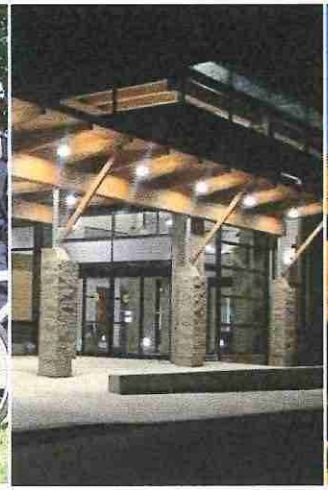
Conclusion

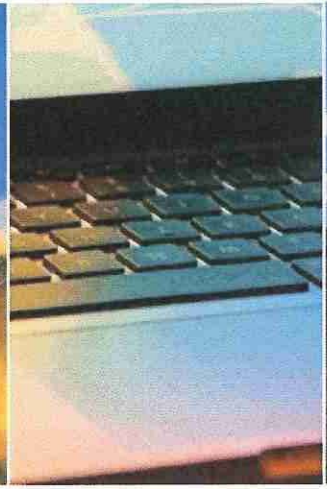
- Detailed condition audit inspections completed
- VFA Facility/Hansen implemented
- Asset Management Program developed
- Facilities Infrastructure Deficit $203.9 million
- Failure to address this deficit would result in reaching critical level in 2019
- Need for infrastructure levy increases
- Impact of funding decisions measurable

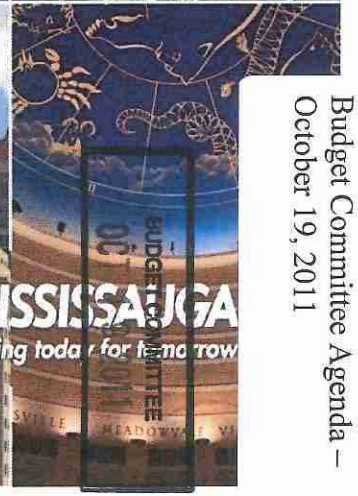


2012-2014 Business Plan Update & 2012 Budget
Budget Committee October 19, 2011
Infrastructure Gap & Funding Challenges



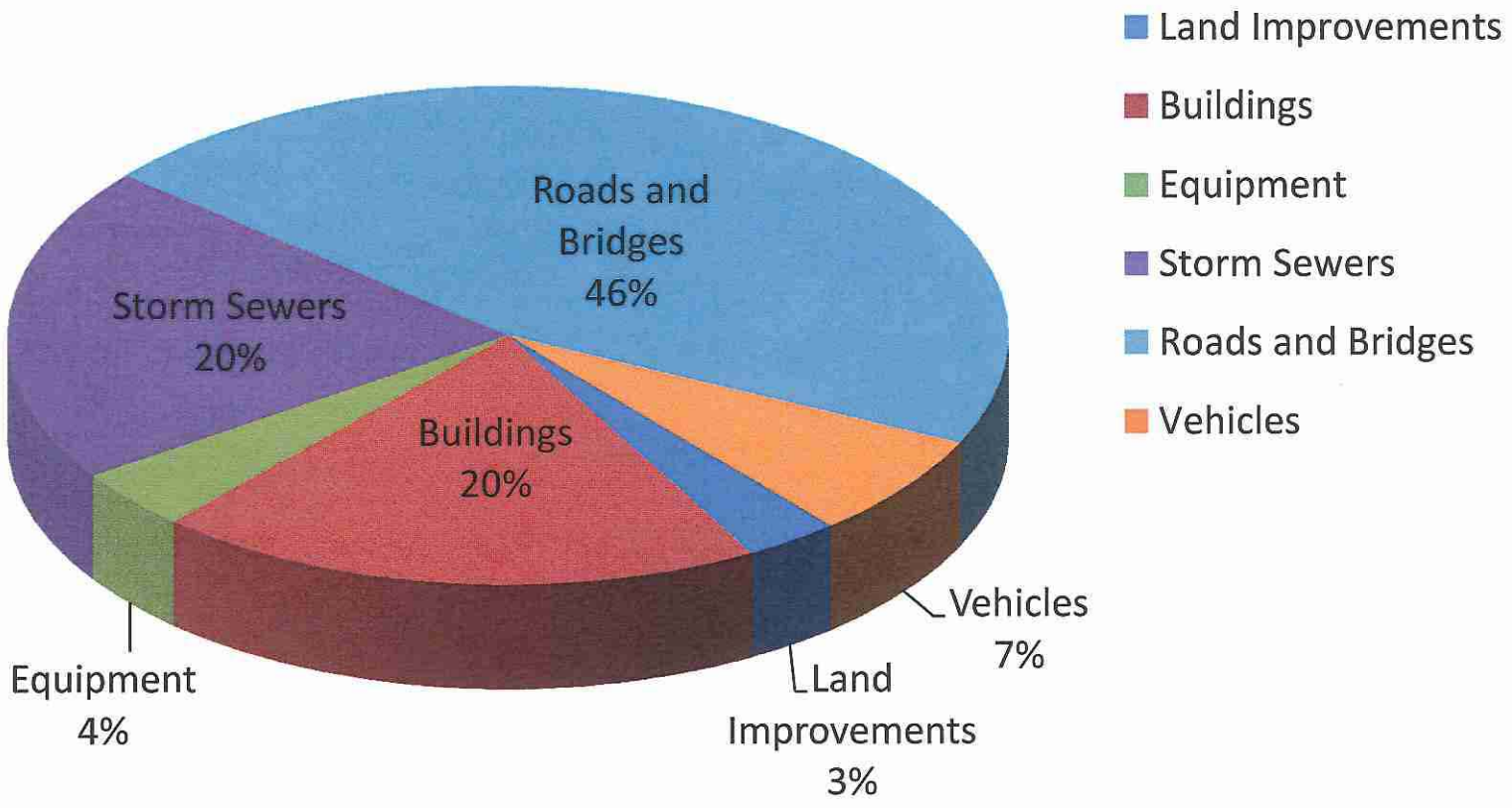



Deputation C
Budget Committee Agenda –
October 19, 2011

2012 - 2014 Business Plan Update & 2012 Budget
City of Mississauga, Ontario, Canada

City Owns $6.7 Billion In Infrastructure

$3.8 Billion Historical Cost



What Is Infrastructure?

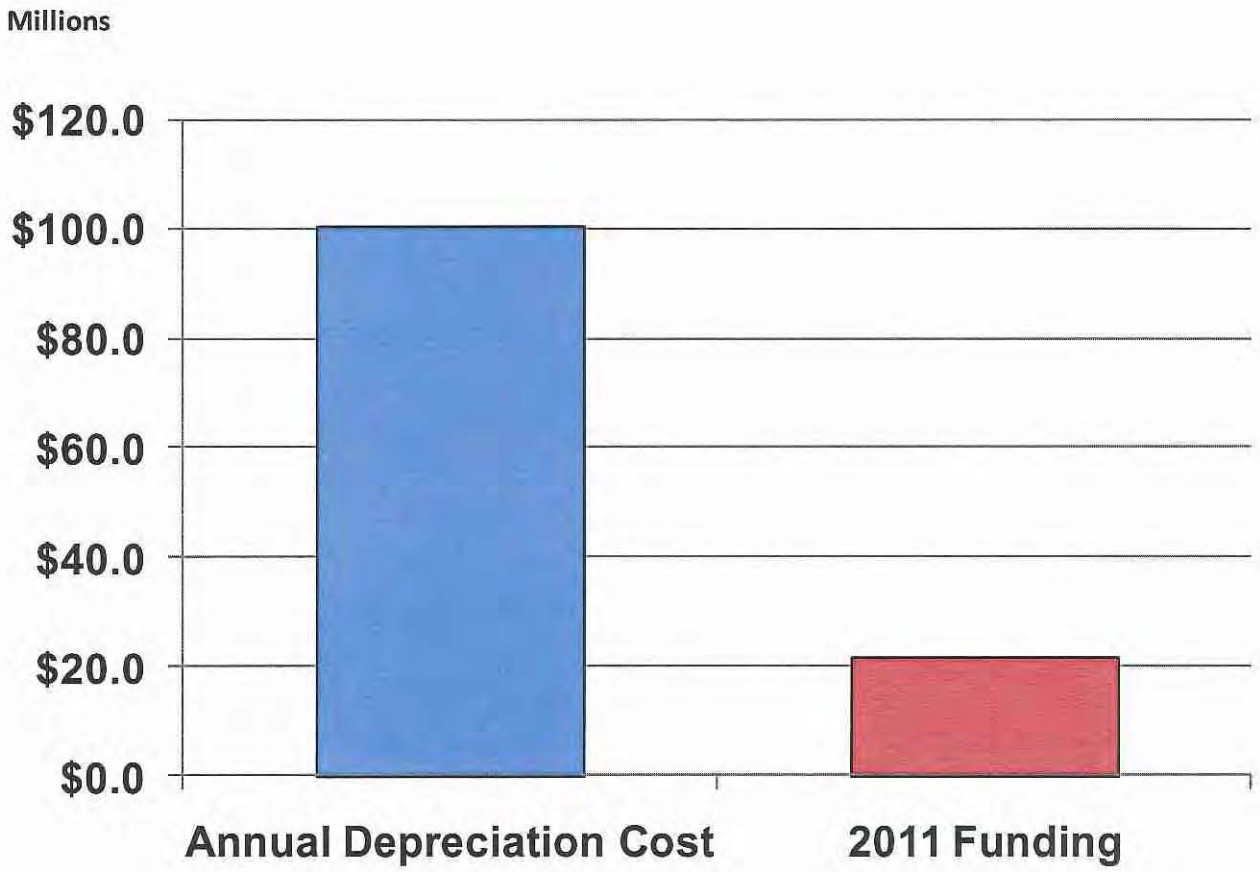
- Roads, Bridges, Culverts, Sidewalks, Streetlights, Traffic Lights, Works yards
- Storm Sewers, Storm Ponds
- Buses, Shelters, Garage
- Buildings – Community Centres, Fire Stations, Administration Buildings, Maintenance Facilities, Pools, Arenas, Libraries
- Parks, Playground equipment, Trails, Gazebos, Pathway lighting
- Vehicles and equipment

What Is Amortization or Depreciation?

- Reflects the annual cost of the deterioration of infrastructure, due to aging and usage based on asset acquisition cost.
- Represents the minimum amount that should be set aside annually to meet future infrastructure rehabilitation needs.
- Same principal as an RESP.
- If depreciation was measured based on REPLACEMENT values amount would be considerably higher
- Municipalities must recognize this expense in their financial statements but currently do not have to budget for it

The Infrastructure Gap

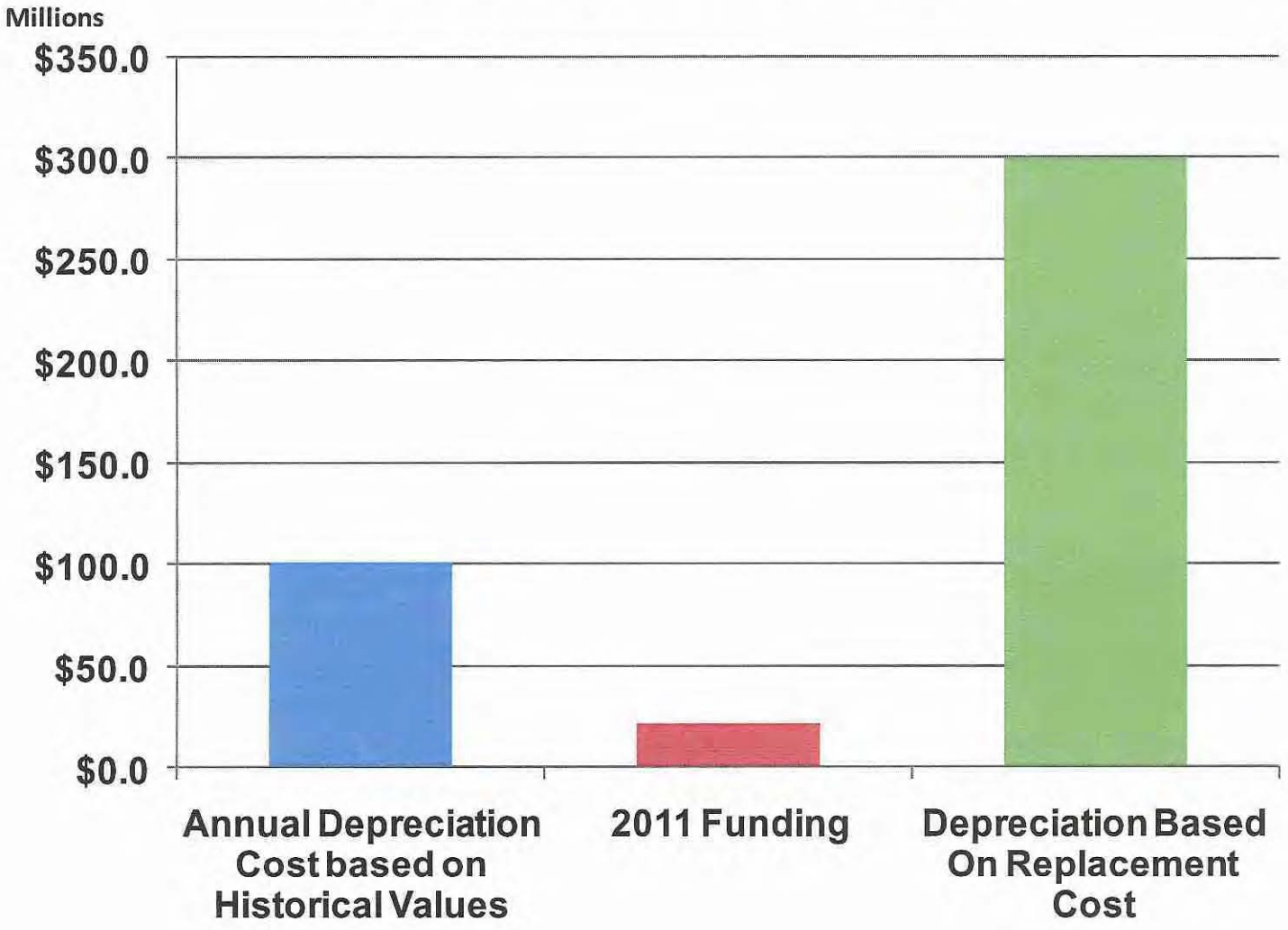
Based on $100.3 million in Annual Depreciation - Based on Historical Cost



Excludes growth and new initiative capital requirements

2012 - 2014 Business Plan Update & 2012 Budget
City of Mississauga, Ontario, Canada

Infrastructure Gap Based On Replacement Cost

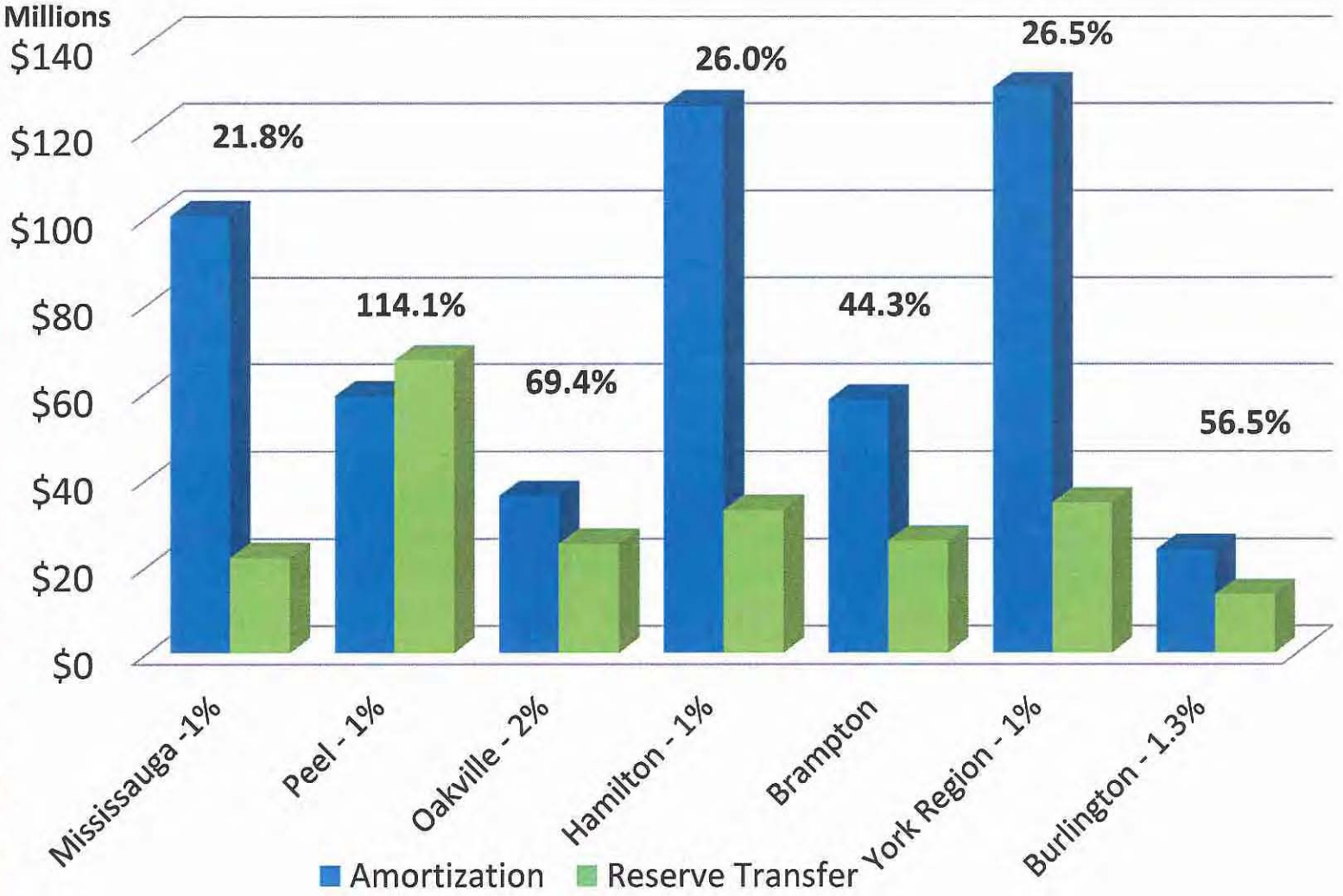


2012 - 2014 Business Plan Update & 2012 Budget
City of Mississauga, Ontario, Canada

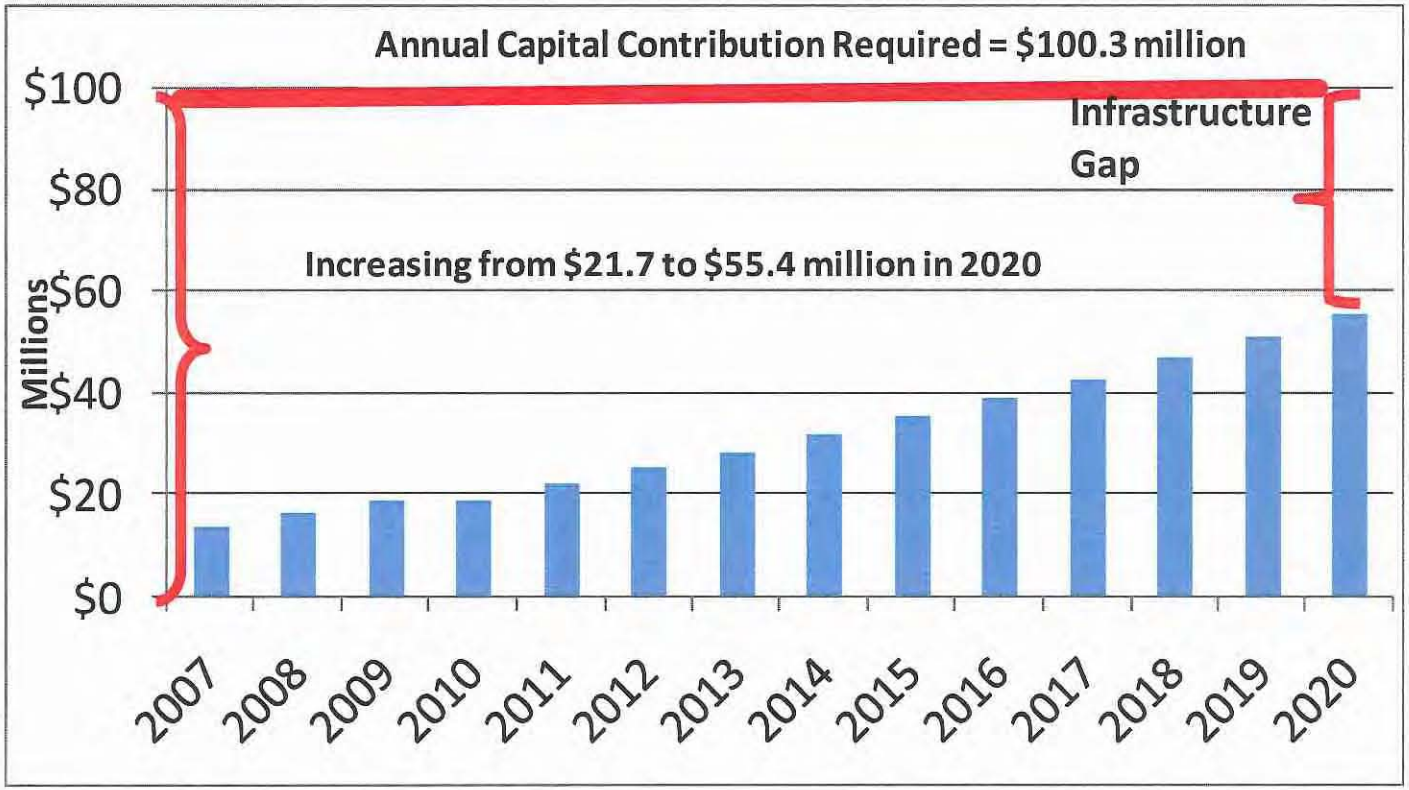
How Do We Compare?

Transfers to Reserve Vs. Amortization Expense

Based on 2010 Budget – Excludes Water/Wastewater



Narrowing the Annual Infrastructure Gap by Increasing Capital Transfers from Operating by 1% per year

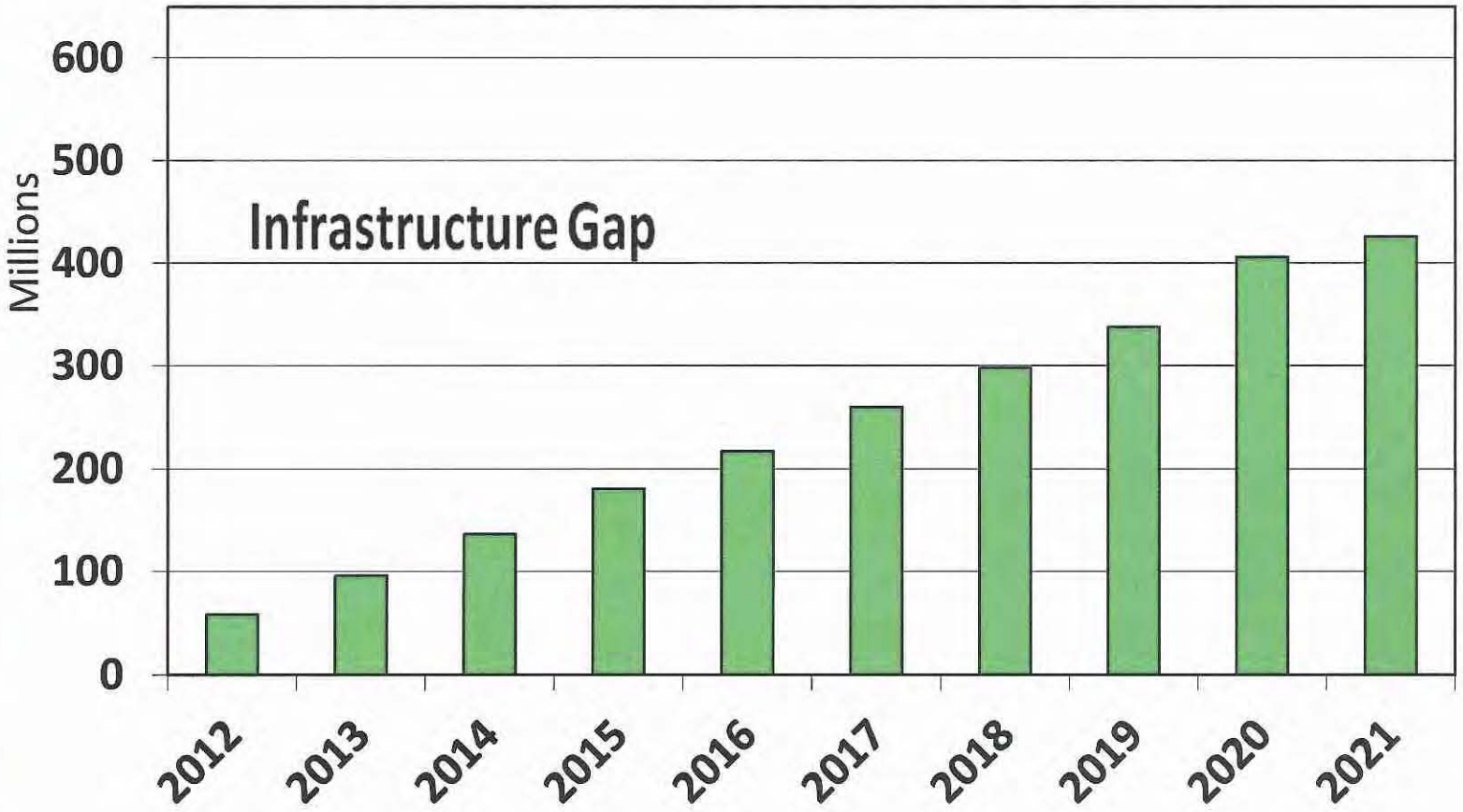


2012 - 2014 Business Plan Update & 2012 Budget
City of Mississauga, Ontario, Canada

Impact of the Infrastructure Levy on the Cumulative Infrastructure Gap

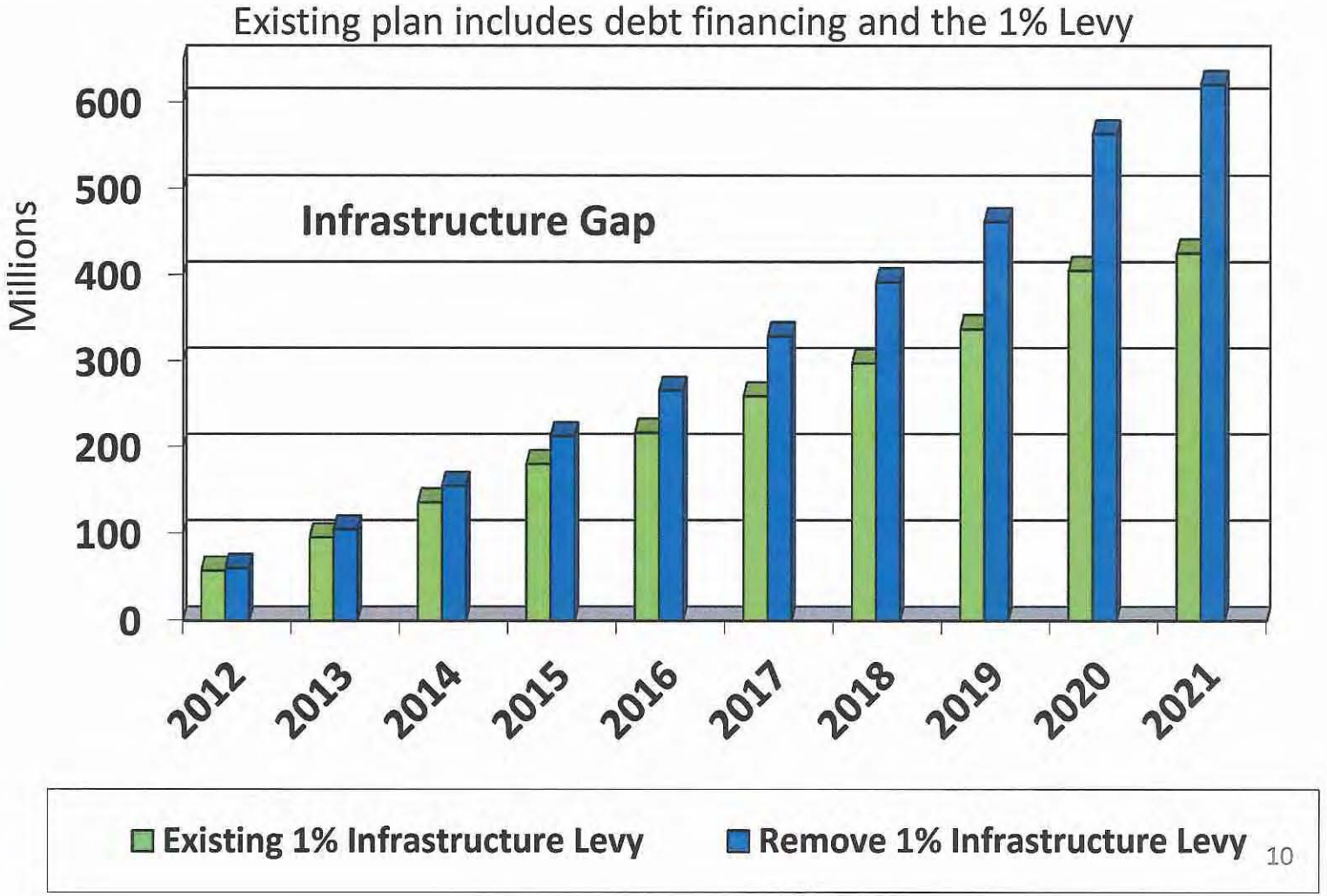
Even with a 1% Infrastructure Levy Infrastructure Gap Grows to $425 M By 2012

Existing plan includes debt financing and the 1% Levy



Impact of the Infrastructure Levy on the Cumulative Infrastructure Gap

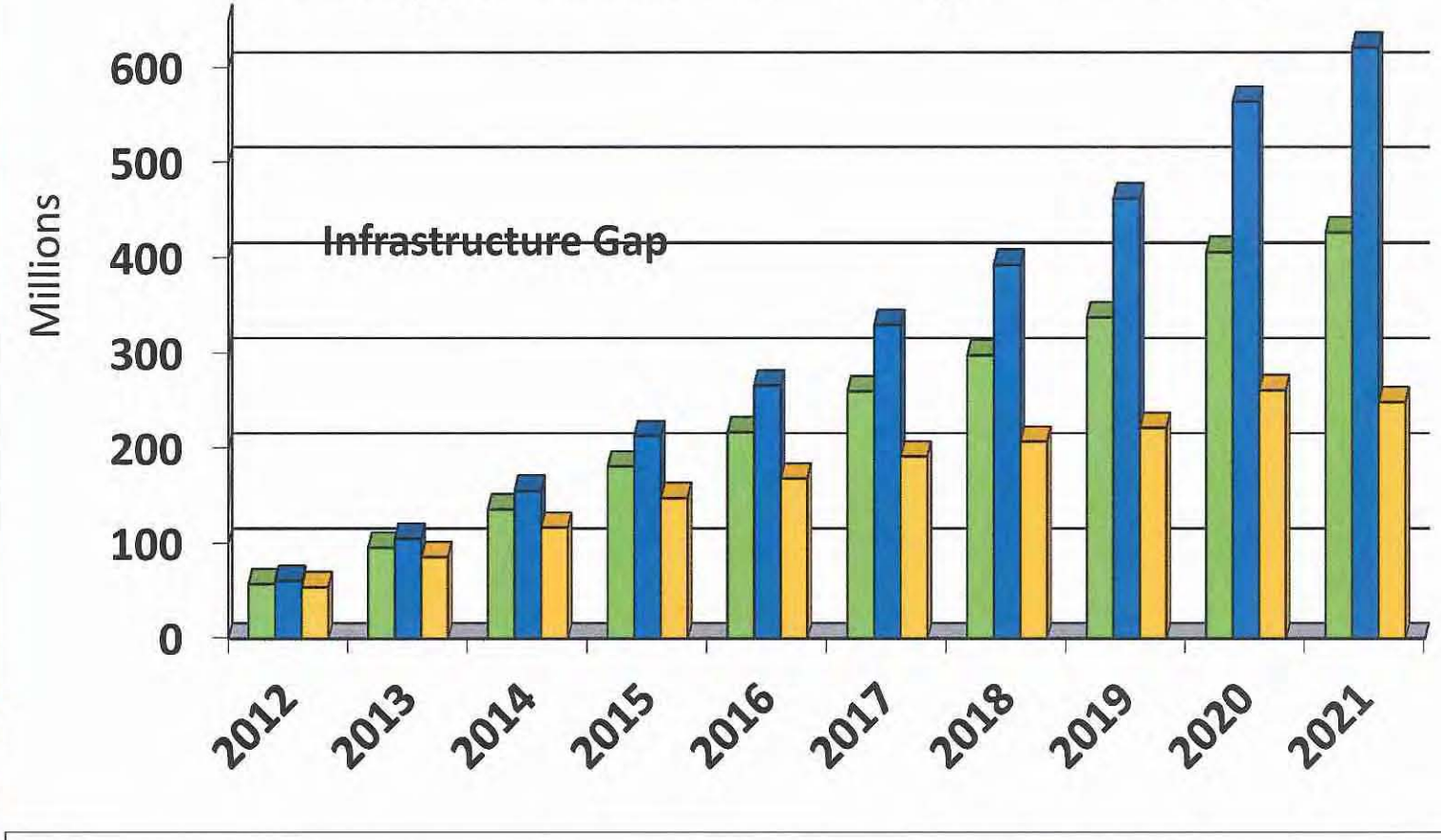
With No Infrastructure Levy Gap Grows to $620 M by 2021



Impact of the Infrastructure Levy on the Cumulative Infrastructure Gap

A 2% Infrastructure Levy Reduces the Gap to $250 By 2021

Existing plan includes debt financing and the 1% Levy



One Year Elimination of Infrastructure Levy Adds $30 Million in Debt over Ten Years

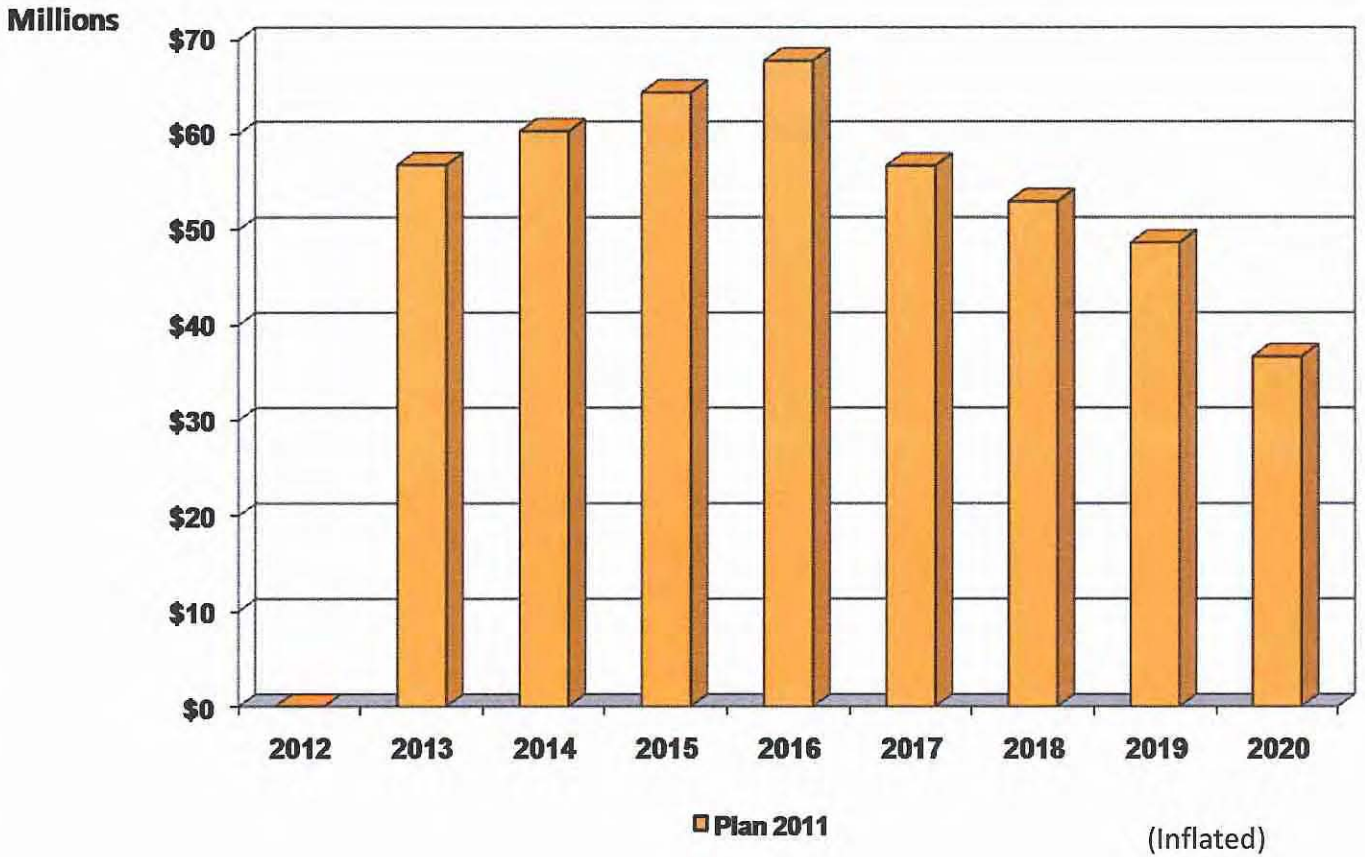
- An additional $30 million in debt costs future taxpayers **$12.6 million in interest charges**
- Each dollar of debt costs $1.42 to repay
  - (15 year debt @ 4.75%)
- Debt Charges are fixed costs – reduce flexibility in future years

Debt Issuance per Year

Based on 2011 to 2020 Capital Forecast

2011-2020 Capital Forecast = $998.8 million

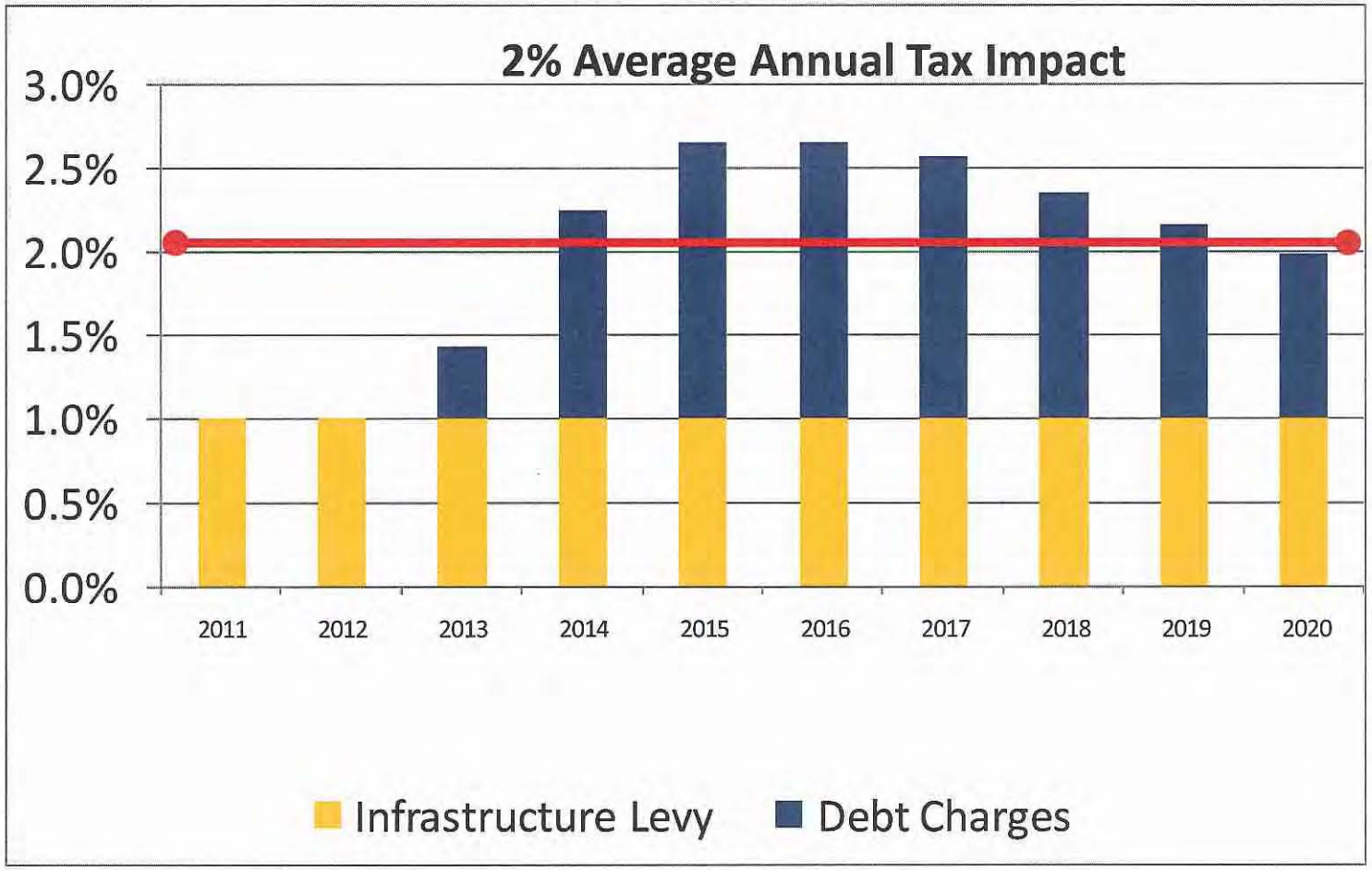
Total Debt Issued = $450 million



(Inflated)

Tax Rate Increase Required to Fund Debt and Annual Infrastructure Levy

2011- 2020 Capital Forecast

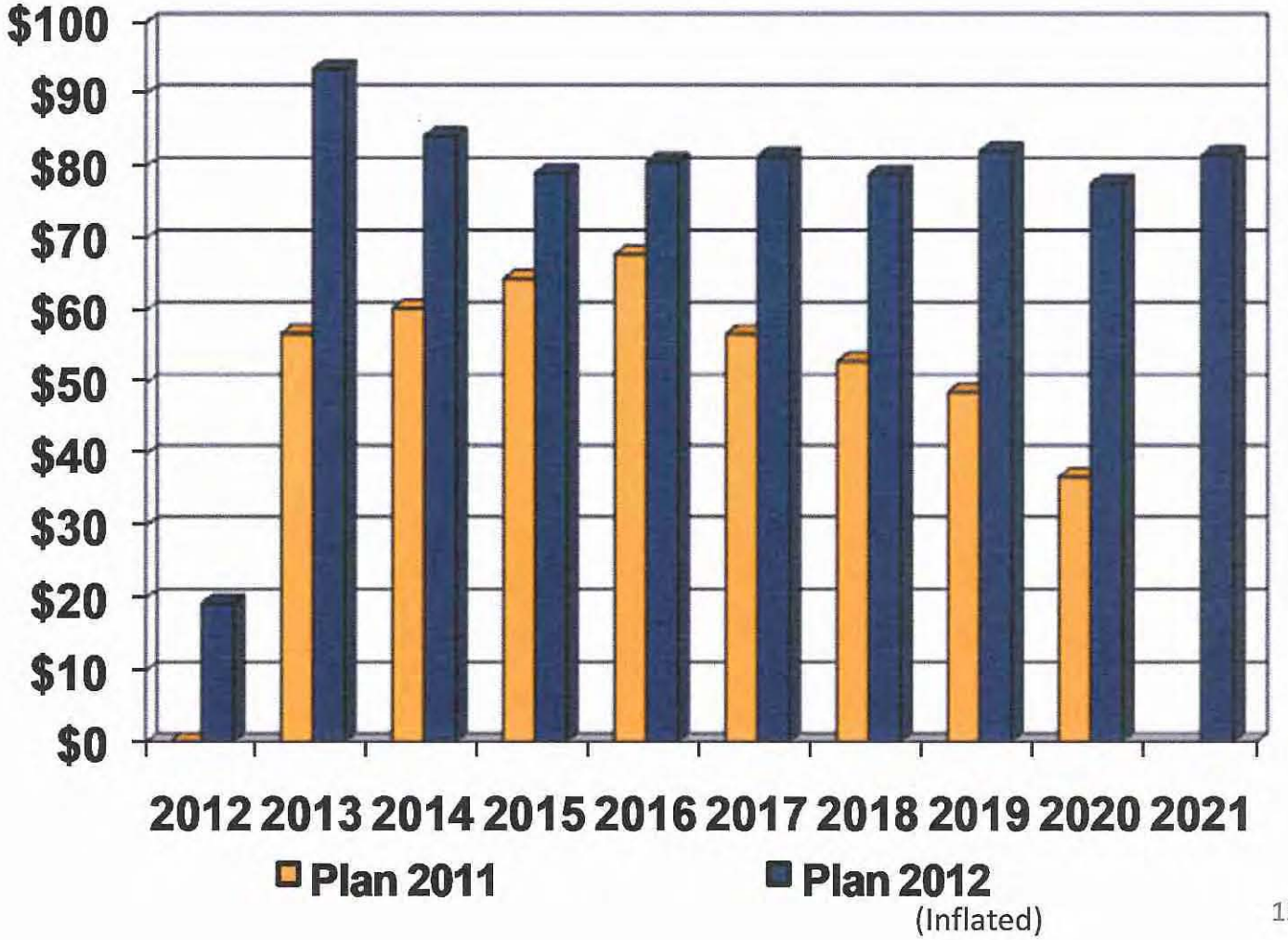


Revised Debt Issuance per Year

Including Additional Roads & Facility Needs

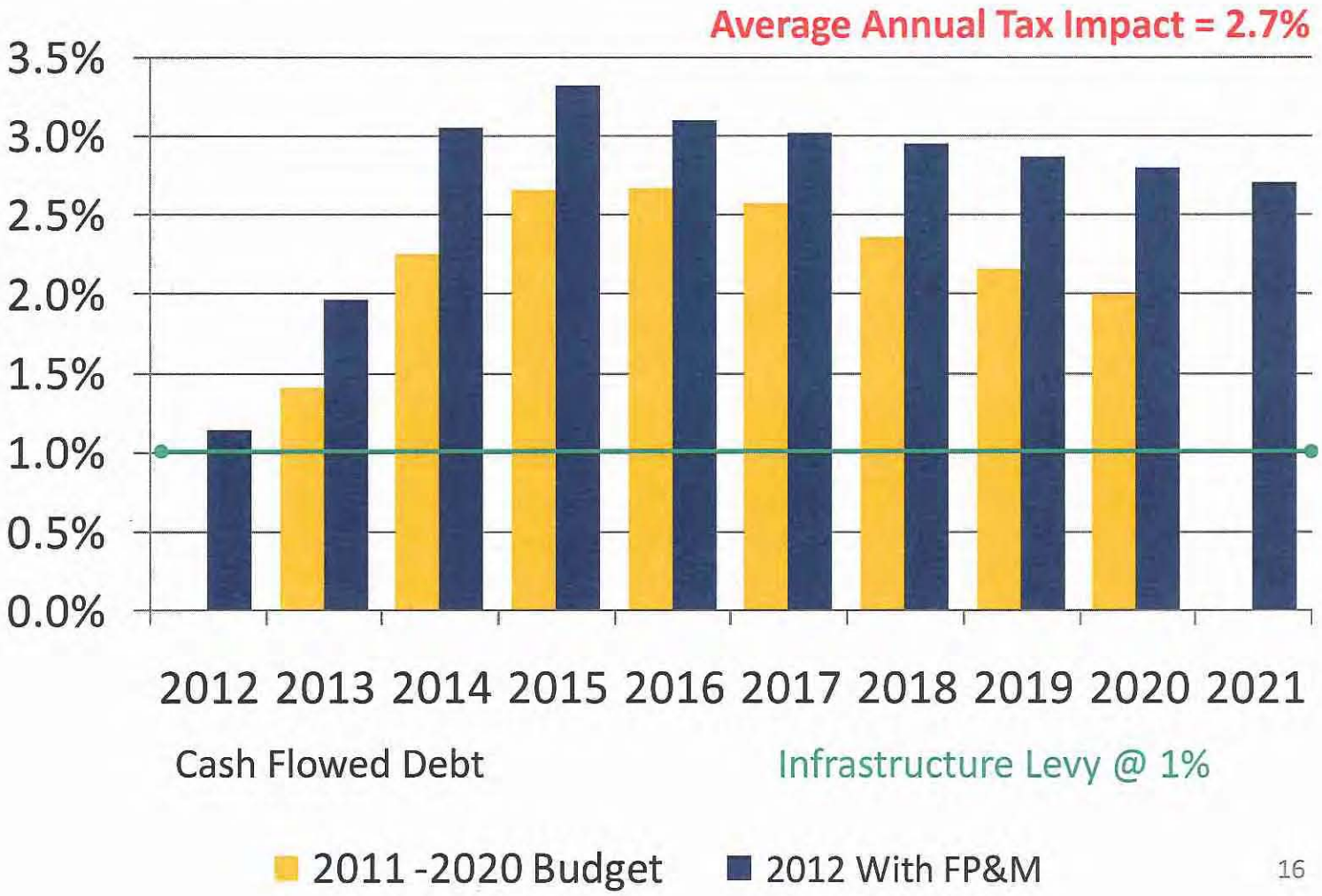
2012 – 2021 Preliminary Capital Program = $1.3 billion

Total Debt Issued = $750 million



Revised Debt Charges & Infrastructure Levy Impact on Taxes

Including Additional Roads and Facility Needs 2012- 2021



2012 - 2014 Business Plan Update & 2012 Budget
City of Mississauga, Ontario, Canada

What Does All This Mean?

- City requires a dedicated infrastructure levy of 2-3% per year to fund debt and to build transfer to reserves
  - over and above operating requirements

- Eliminating the 1% City tax increase for Infrastructure would increase debt
  - Each year without a 1% Infrastructure Levy increases debt by $30 million over ten years
  - Debt will increase by $165 million over the next ten years without a 1% annual Infrastructure Levy
  - Would result in significant increase in debt charges and future tax requirements
  - Would impact credit rating and liquidity

Options

- Implement a 2% to 3% Dedicated Infrastructure Levy
  - to fund debt charges and build reserve transfers
- Reduce Capital Program
  - Quality of infrastructure will be at a lower standard
  - New initiatives will be deferred
- Continue to request Senior Levels of Government for increased, sustainable infrastructure funding