



# **City of Niagara Falls 10 Year Capital Plan Update**

**November 14, 2011**

# 10 Year Capital Needs Update

1. **Tangible Capital Assets (TCA)**
2. **Municipal Works Infrastructure**

# Tangible Capital Assets



- Staff Initiatives to date
- What are Tangible Capital Assets?
- What are the changes in accounting treatment?
- Why is this important to Council?
- How are replacement and new Capital Assets investments funded?
- What is the City's existing position of Tangible Capital Assets?

# Staff Initiatives to Date



- **PSAB 3150 Accounting Changes**
- **TCA – Tangible Capital Assets**
- **Compliance 3 Year Corporate Project**
- **Balance Sheet impact of Tangible Capital Asset inclusion**
- **Departmental 10 Year Needs**

# What are Tangible Capital Assets?



**Are Non Financial assets that:**

- a) Are held for use**
- b) Have economic lives beyond this year**
- c) Are used on a continuing basis**
- d) Not held for sale in normal operations**

**Examples:**

- Roads, bridges, sidewalks, traffic lights, etc.**
- Water and sewer systems**
- Land and buildings**
- Vehicles and machinery**
- Information technology, office equipment**

# Tangible Capital Asset related Changes in Accounting



## Old System

### Fund Accounting:

- Tangible Capital Assets not included

## New Basis

- Assets Valued
- Estimated Life
- Cost of Use (amortization)

# Why is Tangible Capital Asset Accounting important to Council?



## Strategic Goals

- **Sustainable Infrastructure**
- **Long term Fiscal Sustainability**

# Why is Tangible Capital Asset Accounting important to Council?



## Implications

- Require long term funding to replace assets
- Require long term funding for new assets
- Capital Investments must be consistent with core municipal services

# How are Replacement of Capital Assets Funded?



- Allocation from Tax Budget (General Purposes)
- Allocation from Water Utility Budget
- Allocation from Sewer Utility Budget
- Federal Gas Tax
- Provincial Gas Tax – Transit
- Federal Provincial Grants
- Regional Cost Sharing
- Third Party Contributions
- Debt Use with subsequent change in Operating Budget

# Current (2011) Approved City Funding Sources



Allocation of Tax Budget	\$4,449,265
Allocation of Water Utility Budget	4,100,000
Allocation of Sewer Utility Budget	4,245,000
Federal Gas Tax	2,520,944
Provincial Gas Tax - Transit	612,040
Federal/Provincial Grants	No guarantee
Regional Cost Sharing	No guarantee
Third Party	No guarantee
<b>Total</b>	<b>\$15,927,249</b>

\* Development Charges are available on growth related projects

# Tangible Capital Asset Balance as at December 31, 2010



	Average Age in Years	Historical Costs	Accumulated Amortization	Net Book Value
Roads	40	172,748,198	89,069,963	83,678,235
Water	36	107,747,495	38,738,025	69,009,470
Storm/Sanitary Sewers	42	408,760,713	132,685,289	276,075,424
Buildings	33	71,181,735	15,575,667	55,606,068
Vehicles	10	32,706,715	17,965,311	14,741,404
Equipment	15	4,072,879	1,384,389	2,688,490
Land Improvements (playground equip, paths, etc.)	20	9,712,730	3,671,296	6,041,434
Land	N/A	6,395,850	N/A	6,395,850
<b>Total</b>		<b>813,326,314</b>	<b>299,089,939</b>	<b>514,236,375</b>

**2010 Annual \$15,452,196 Amortization**

# Comparison of Age to Estimated Life



	<b>Average Age in Years</b>	<b>Estimated Useful Life</b>	<b>Investment Required</b>
<b>Roads</b>	<b>40</b>	<b>25-75 years</b>	<b>Significant</b>
<b>Water</b>	<b>36</b>	<b>15-100 years</b>	<b>Significant</b>
<b>Storm/Sanitary Sewers</b>	<b>42</b>	<b>80 years</b>	<b>Significant</b>
<b>Buildings</b>	<b>33</b>	<b>15-60 years</b>	<b>Significant</b>
<b>Vehicles</b>	<b>10</b>	<b>10-20 years</b>	<b>Significant</b>
<b>Equipment</b>	<b>15</b>	<b>10-20 years</b>	<b>Significant</b>
<b>Land Improvements (playground equip, paths, etc.)</b>	<b>20</b>	<b>15-40 years</b>	<b>Significant</b>
<b>Land</b>	<b>N/A</b>		

# What Long Term Financial Commitment Is Appropriate?



- 1) Historical Cost Approach – Amortization
- 2) Historical Approved Amount (existing budget)
- 3) Needs Assessed Approach
- 4) Debt Management Strategy

# Action Steps for 2012 Capital Budget



- **10 year Capital needs by department completed**
- **Long term financing strategy commitment of Council**
- **Enhanced Reporting**
  - Current projects tied to 10 year plan
  - Bi-annual reports to Council on status
  - Pre-approval of capital needs