Aurora needs healthier reserves, says Treasurer

By Brock Weir

Aurora needs to have more money in the ?bank? to stay on track for the next 10 years, according to Treasurer Dan Elliot.

The Town's reserve funds need to be revamped and more money needs to be set aside in these funds to account for future projects and future growth. Mr. Elliott made his comments this month, pitching his 10-Year Capital Plan to Councillors. Over the next 10 years, the plan has a $151 million vision for Aurora including keeping what Aurora already has in check and significant investment in new infrastructure.

Reserve funds are not simply dollars stashed away for a rainy day, but are there to provide a buffer so any unexpected costs are not a direct hit on taxpayers.

?Our [funding is largely] cash to capital reserve,? explained Mr. Elliott. ?There is volatility of annual capital spending that requires some smoothing or buffering and it varies from year to year because each project is something potentially quite different using tax or utility rates, development charges, and other sources. If we don't use some form of buffering, the tax and utility rate pressures occur and they can become quite volatile. When they become volatile they become quite political, quite frankly.

?Using reserve funds helps provide the buffer and allows infrastructure to be accomplished for the community as it needs to be done, still with the scrutiny of Council, but the reserve funds provide a better financial ability to do that. The reserve funds received and the whole tax rate and utility rate from the budgets funds capital as it is required and the balance earns interests.?

To ensure reserve funds are healthy at the Town ? and not all are in the best of health at the moment ? Mr. Elliott has proposed four strategies for the decade ahead. The first is to avoid going into debt for repairing or replacing existing capital assets which could be funded through development charges. Essentially, he said, this would entail the existing community continuing to pay for a facility's operations while the incoming community ? through new business and residential developments ? would pay for its replacement.

The second strategy is to have double what you actually need stored away for repair and replacement ? two times the average 10 year requirement.

?This allows for sufficient buffering of year to year fluctuations without overbuilding the reserve balances,? said Mr. Elliott.

The third option is to divide cash to capital in proportion to needs, and the fourth is keeping cash-to-capital contributions, which is hammered out during each year's budget process ? on an even keel, keeping pace with inflation.

?Our 10 year plan is reasonable on a total spend basis,? said Mr. Elliott. ?Our funding for the 10 year capital plan for existing assets is easily manageable, a half a per cent tax increase each year sustains our infrastructure funding requirements, keeps us from needing to issue extensive debt for that kind of stuff or any debt actually.

?It assures our community that we are on top of our infrastructure, we have a plan for it, and we're not facing the crisis that many municipalities are facing. We have seen some evidence of that in the last several weeks. Finally we have this reorganization and redistribution thing of existing reserves, but no mixing of our resources is being proposed.?

The 10 year capital plan is expected to be approved by Council this August. Reviewing the plan at this month's Council meeting, Councillors praised the vision, but also expressed concerns about the reserve balances.

Councillor Gaertner, for instance, said the incumbent and the previous Town Treasurers had both warned that there is not enough money in the Repair and Replacement reserves and questioned how the plan before Council addressed that problem. She also said she did not see any solution to getting development charge reserves back into the black.

Mr. Elliott said the plan shows increasing contributions to the reserves if his four recommendations are carried out. Some accounts will dip into the red, he said, but not repair and replacement.

?Overall, we never go into the deficit on our asset sustainability reserves,? he said. ?I think this is a tremendous picture and I think this is something many municipalities would covet if they saw it.?

As for the development charges, an ongoing study due in the fall will help address getting development charges, funds paid by developers for new homes and other buildings constructed within the municipality, back on track after sharp declines due to slowing building rates.
?The DC reserves are subject to our DC study currently ongoing,? he said, noting a possible re-think on how Aurora intends to pay for the $17 million Joint Operations Centre and $7 million Youth Centre, both slated for 2014-2015.

?We also [are considering] the potential debt financing on two major projects. I think that will go a long way to alleviate some of the pressures on our total reserve picture because those are significant credits. Working with our DC consultant in the fall, I look forward to coming back with the growth-related reserves.?