

# 2023

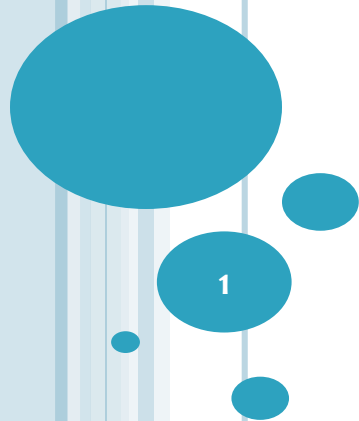
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## Capital Budget

Council-in-Budget Committee

Report No. **CBC-01-2023**

December 7, 2022





# Presentation Agenda

- 1) Overview: Inputs & Process
- 2) Budget Program Highlights
- 3) Risks & Opportunities
- 4) Next Steps
- 5) Presentation Questions
- 6) Capital Project Worksheets Review

# 1) Overview: Inputs & Process

- Council's 2018-2022 Corporate Strategic Plan
- Year-round budget cycle and processes:
  - Plan: prepare, submit & review (Aug to Dec).
  - Approve: aligned with strategies & expectations.
  - Execute: recording & manager monitoring.
  - Evaluate: auditing & reporting.
- Asset values: \$407M historical cost; >\$1B estimated replacement.
- Proposals prioritized considering numerous factors including leveraging grants/contributions, minimizing lifecycle maintenance & risk/cost to taxpayers, modernization, addressing levels of service, and creating economic opportunity.

# 1) Overview: Inputs & Process

- **Guided by policies:**

- Budget Policy (By-law [124-2022](#))
- Reserve Policy (By-law [112-2022](#))
- Asset Management Policy (By-law [78-2019](#))
- Capital Asset Policy
- Procurement Policy (By-law [123-2022](#))

- **Reporting:**

- Semi-annual capital close-out (e.g., [CS-17-2022](#)): 2022 closed 51 projects and returned \$2.8M to reserves.
- Q2 variance status ([CS-15-2022](#) Appendix “2”)
- 2022 added ~\$4.7M in additions and amendments through award.

# 1) Overview: Inputs & Process

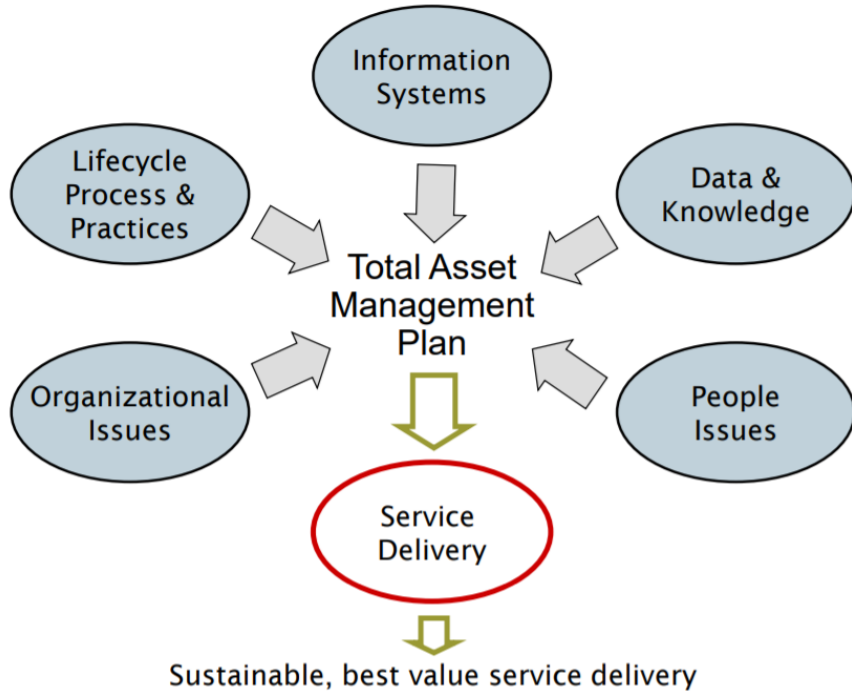
## Asset Management Plan



- Asset Management Plan (AMP): [IS-21-2019](#)
  - 2019 AMP prioritized roads, bridges, water & wastewater and facilities.
  - Required by Province for grant funding ([O. Reg 588/17](#)).
  - Identifies long term requirements over asset life cycle.
  - Proposed financial strategy for sustaining investment:
    - Current base reserve transfers: \$12.8M (Levy and W&WW)
    - Inflationary: \$948,580 increase in 2023 to existing 2022 contributions
    - Reserve Policy and targets

# 1) Overview: Inputs & Process

## AMP Update (IS-27-2022)



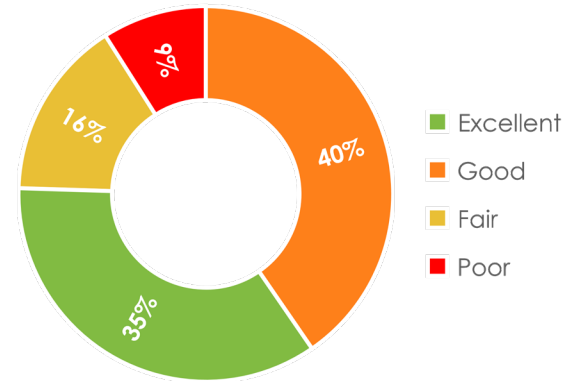
### Infrastructure Report Card

Service Category	Performance Data	Confidence in Performance Data
Roads & ROW	Condition	High ✓
Water	Break-based	Medium --
Wastewater	Condition	Medium --
Stormwater	Condition	Medium --
Bridges & Structures	Condition	High ✓
Facilities Management	Condition	High ✓

# 1) Overview: Inputs & Process

## AMP - Roads

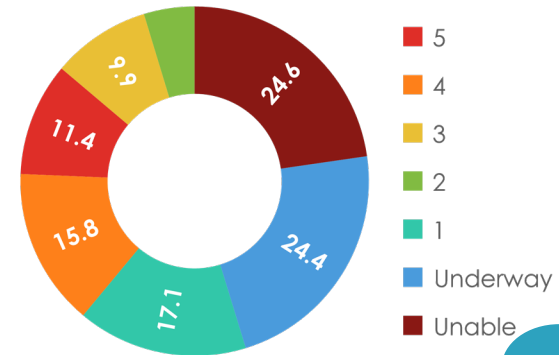
- **Condition:** 421km of roads are inspected every two years using a Pavement Condition Index (PCI) that rates roads from 0-100.
- **Score:** Average network PCI of 73 or “Good” as at 2022.
- **Target LoS:** PCI of 80
- **Forecast spend:** \$48.5M (incl Sidewalks).
- **Current Financing:** \$3,480K/yr
- **Replacement value:** \$384.0M (2019 AMP)



# 1) Overview: Inputs & Process

## AMP – Stormwater Sewer

- **Condition:** 108km of 134km inspected using NASSCO PACP and MACP rating of 1-5. Defect grades are generally interpreted as 5 - Most Significant, 4 - Significant, 3 - Moderate, 2 - Minor to Moderate, 1 - Minor Defect Grade.
- **Score:** 30% (32km) have a “Good” rating of 1-3 and 25% (27.2km) 4-5.
- **Target LoS:** Grade 1-3
- **Forecast spend:** \$22.9M
- **Current Financing:** \$1,358K/yr
- **Replacement value:** \$156.2M (2019 AMP)

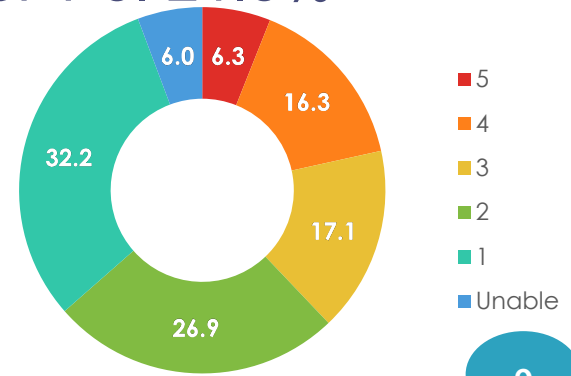




# 1) Overview: Inputs & Process

## AMP – Sanitary Sewer

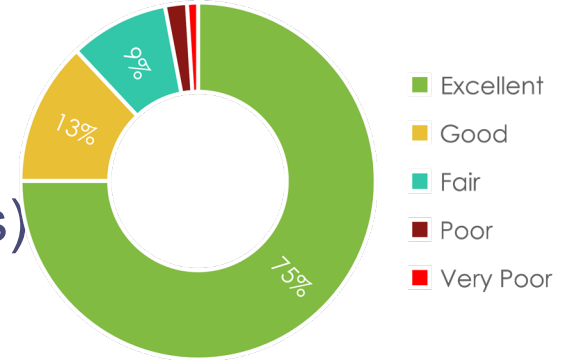
- **Condition:** 104km of 222km inspected using NASSCO PACP and MACP rating of 1-5. Defect grades are generally interpreted as 5 - Most Significant, 4 - Significant, 3 - Moderate, 2 - Minor to Moderate, 1 - Minor Defect Grade.
- **Score:** 73% (76.3km) have a “Good” rating of 1-3. 21.5% (22.6km) 4 -5. 23% (24.6km).
- **Target LoS:** Grade 1-3
- **Forecast spend:** \$25.2M
- **Current Financing:** \$1,827K/yr
- **Replacement value:** \$136.1M (2019 AMP)



# 1) Overview: Inputs & Process

## AMP – Water

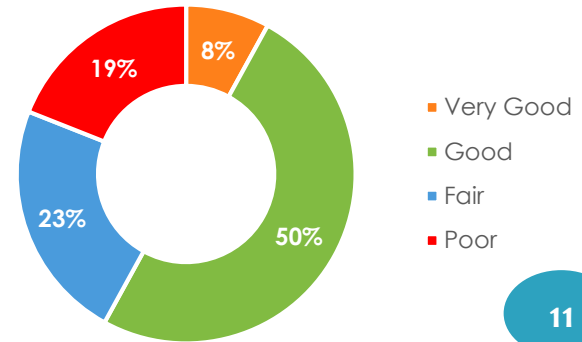
- **Condition:** 279km of watermains
- **Score:** Average number of breaks, weighted by replacement value of these assets, is 0.7 which equates to “Good”.
- **LoS:** <39 breaks/yr
- **Forecast spend:** \$30.8M
- **Current Financing:** \$2,280K/yr (incl meters)
- **Replacement value:** \$171.8M (2019 AMP)



# 1) Overview: Inputs & Process

## AMP – Bridges and Culverts

- **Condition:** 185 structures defined into 4 groups: Span structures (52), Municipal Primary structures (97), Municipal Secondary structures (26) and Retaining Walls (10). Inspection occurs every second calendar year using Bridge Condition Index (BCI) rated from 0-100.
- **Score:** 58% is Good to Very Good
- **Target LoS:** BCI of 70
- **Forecast spend:** \$11.9M
- **Current Financing:** \$502K/yr
- **Replacement value:** \$37.4M (2019 AMP)



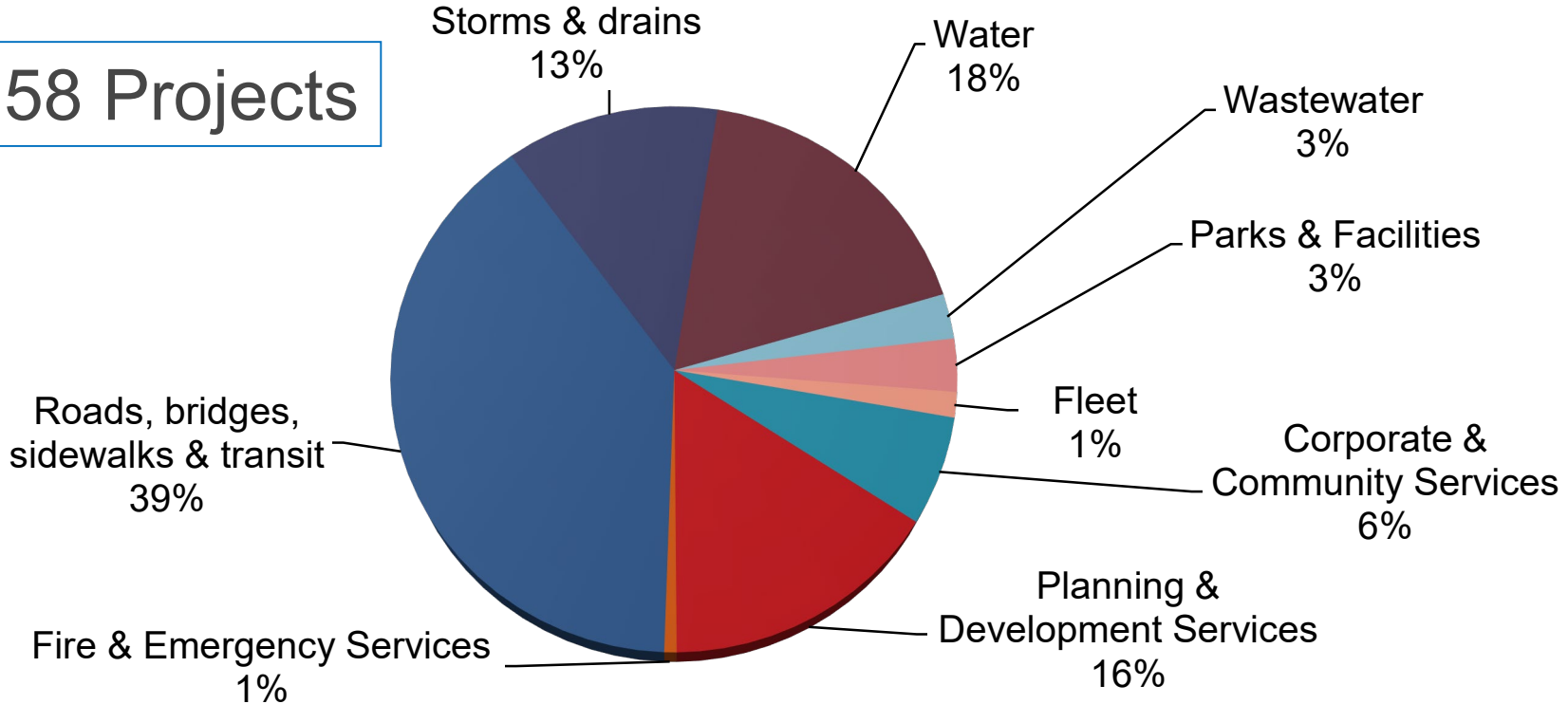
# 1) Overview: Inputs & Process

- Master Plans & condition assessments core to AMP and guide priorities to replace existing assets. For example:
  - [IS-51-2021](#) Bridge & Culvert Assessment
  - [COS-01-2021](#) Corporate Software Review
  - [IS-08-2021](#) Road Condition Assessment
  - [FES-06-2021](#) Fire MP
  - [IS-40-2020](#) Rural Ditching MP
  - [IS-15-2019](#) Wastewater MP and [IS-17-2017](#) Water MP
  - [IS-14-2018](#) Facility Condition Assessment
- 2018 DC Study ([By-law 47-2019](#)): guides new and/or growth asset development
- Consultation with external partners and agencies

## 2) Budget Program Highlights

### 2023 Request = \$26.6M

58 Projects



## 2) Budget Program Highlights Existing vs. Growth Assets

### Existing Assets

\$20.7M or 78% for replacement or rehabilitation, for example:

- \$ 4,500,000 16.9% Pt. Abino Road South
- \$ 2,125,000 8.0% Road Resurfacing program
- \$ 1,511,500 5.7% Ridgeway Rd Watermain Replacement
- \$ 1,485,000 5.6% Financial ERP System Replacement
- \$ 1,100,000 4.1% Water Meter Replacement

## 2) Budget Program Highlights Existing vs. Growth Assets

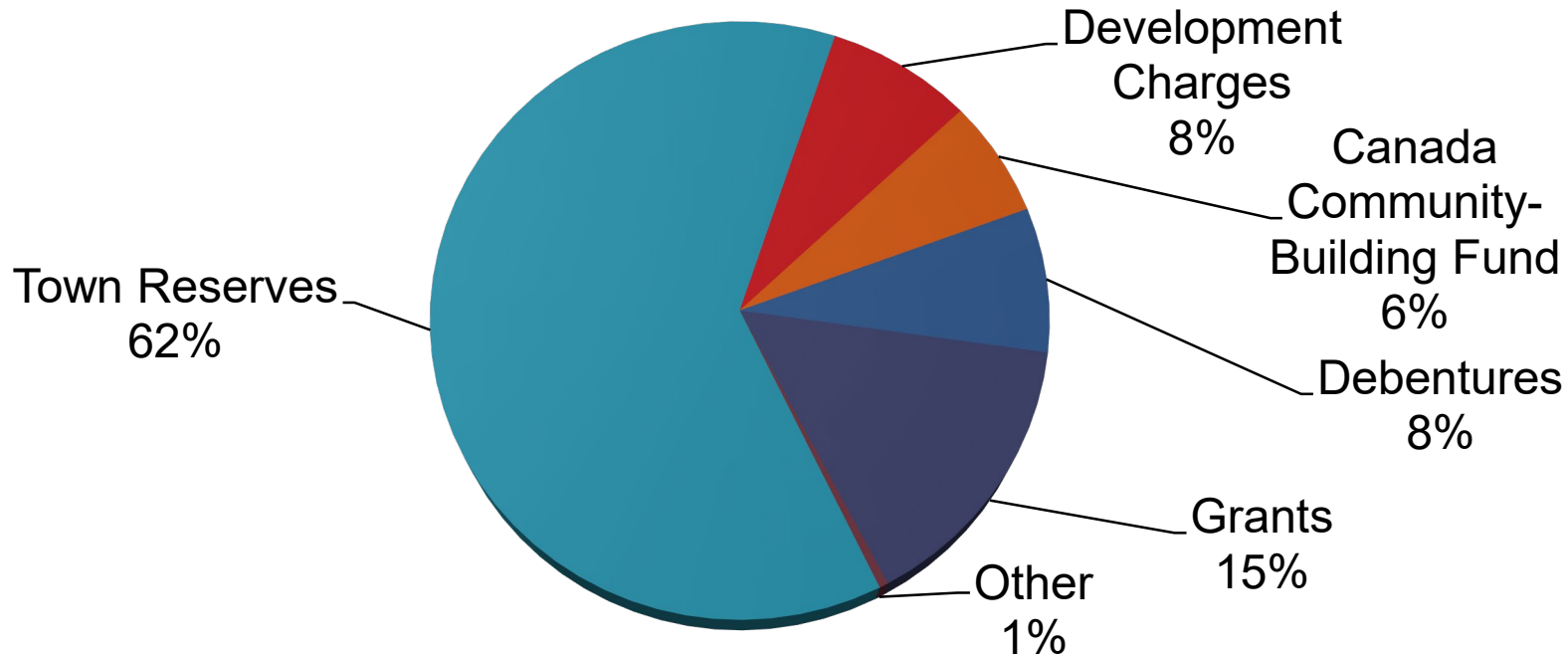
### Growth or New Assets

\$5.9M or 22% for new or growth, for example:

- \$ 2,300,000    8.7%    Douglas Park Revitalization
- \$    771,813    2.9%    Thunder Bay Road Upgrade
- \$    528,700    2.0%    King Street Upgrade

## 2) Budget Program Highlights

### Financing = \$26.6M





## 2) Budget Program Highlights Financing

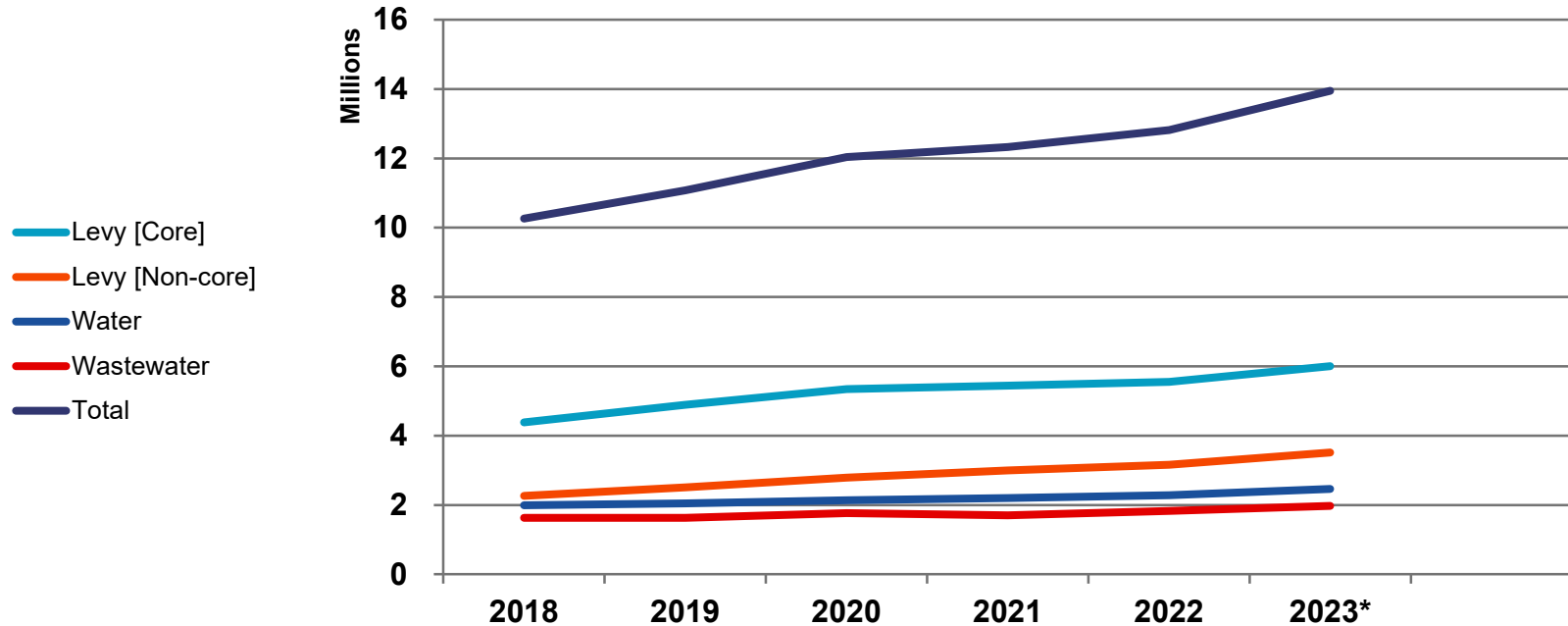
**Reserves:** \$16.6M or 62% used for 2023 program

- Available Capital Reserve balances of approx. \$27.4M.
- Total annual contribution of \$12.8M from Levy and W&WW.
- Proposed 2023 Capital Budget shows inflationary increases but future forecasts do not rely upon until approved.

# 2) Budget Program Highlights

## Financing

### Capital Reserve contributions (in millions)

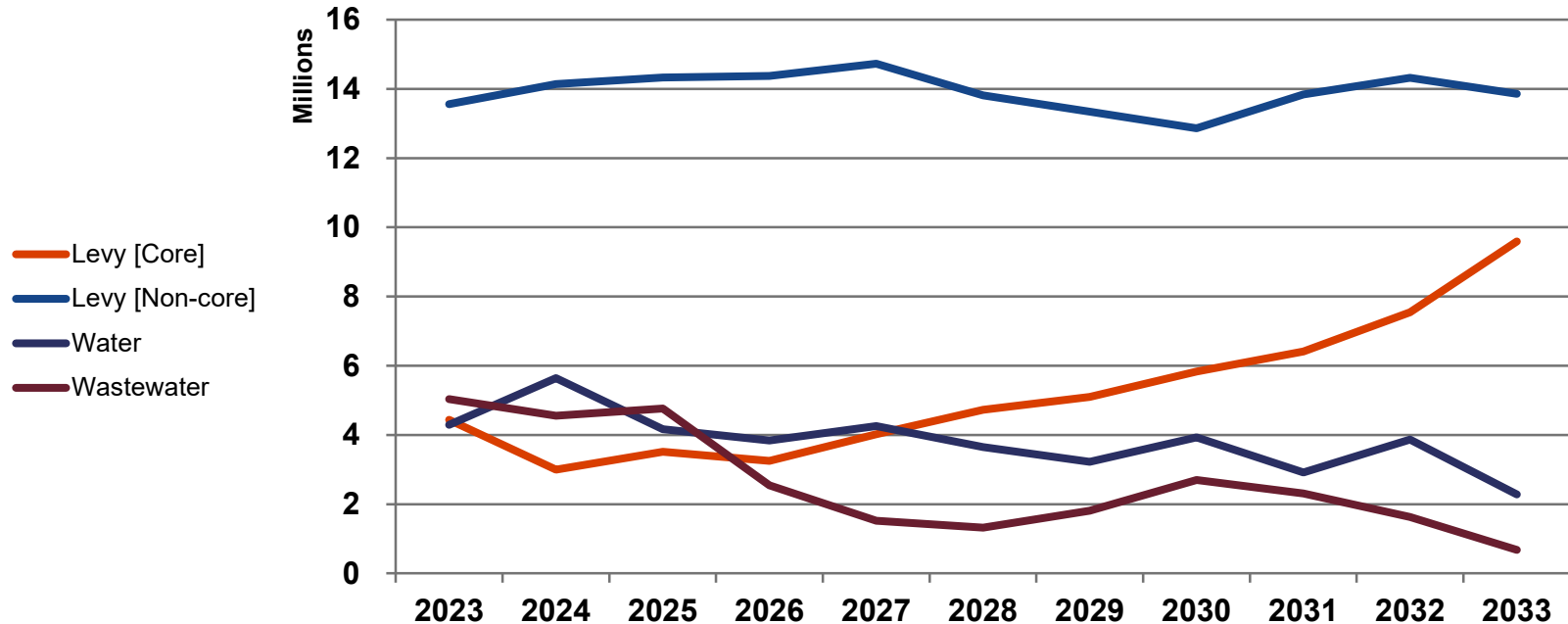


\* includes proposed increases (inflation, strategic, amortization)

# 2) Budget Program Highlights

## Financing Forecasts

### Capital Reserve balances (in millions)



## 2) Budget Program Highlights Financing

### Debt: Previously Approved (Table 3, 2023 column)

- \$3.9M for Fire Station #4 (10-year): \$80K in 2023 interest, \$478K/yr thereafter.
- \$3.2M for Bridgeburg District Streetscape (15-year): \$70K in 2023 interest, \$290K/yr thereafter ([IS-17-2022](#)).
- 2022 year-end balance: \$3.9M.
- 2023 principal payments of \$856K; interest payments of \$262K.

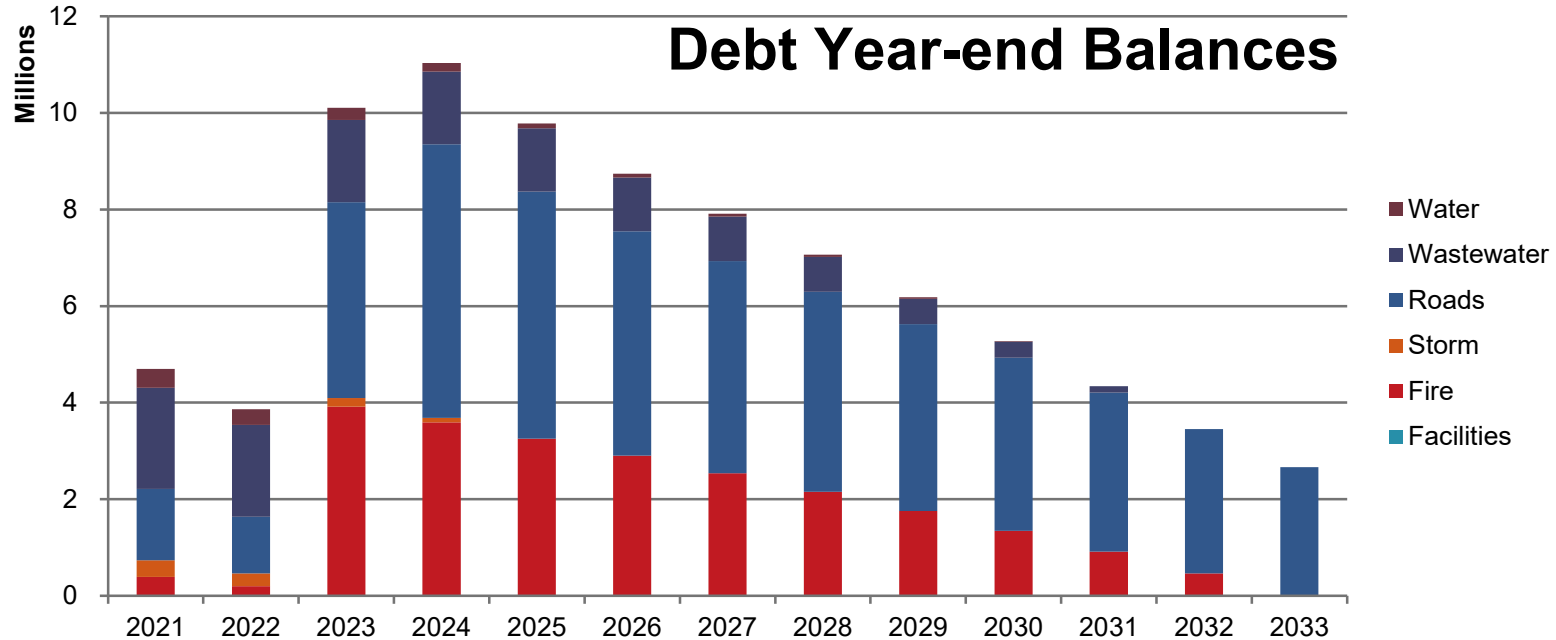
## 2) Budget Program Highlights Financing

### Debt: Proposed (Table 3, 2024 column)

- 1) Waverly Beach Trail Reconstruction (WBTR22)
  - \$2,250,000 20-year forecasted in 2022 Budget removed due to MDRA funding eligibility.
- 2) Point Abino Road South Reinstatement (PARR20)
  - \$2,080,000 20-year.
  - Levy impacts: \$48K (2024) and \$160K/yr thereafter.

**Annual Repayment Limit (ARL):** 2021: 1.76%, 2022: 1.7% and 2023: 1.9%. High of 2.8% in 2025. FE well positioned.

## 2) Budget Program Highlights Financing Forecasts



Debt charges <5% Town revenue = “low risk” (25% limit)

## 2) Budget Program Highlights Financing

**Canada Community-Building Fund (CCBF):** \$1,700,000 or 6% (\$1.02M receipt in 2023)

- \$700,000 Road Resurfacing program
- \$1,00,000 Bridges & Culvert Replacement

**Development Charges (DC):** \$2,092,344 or 8%

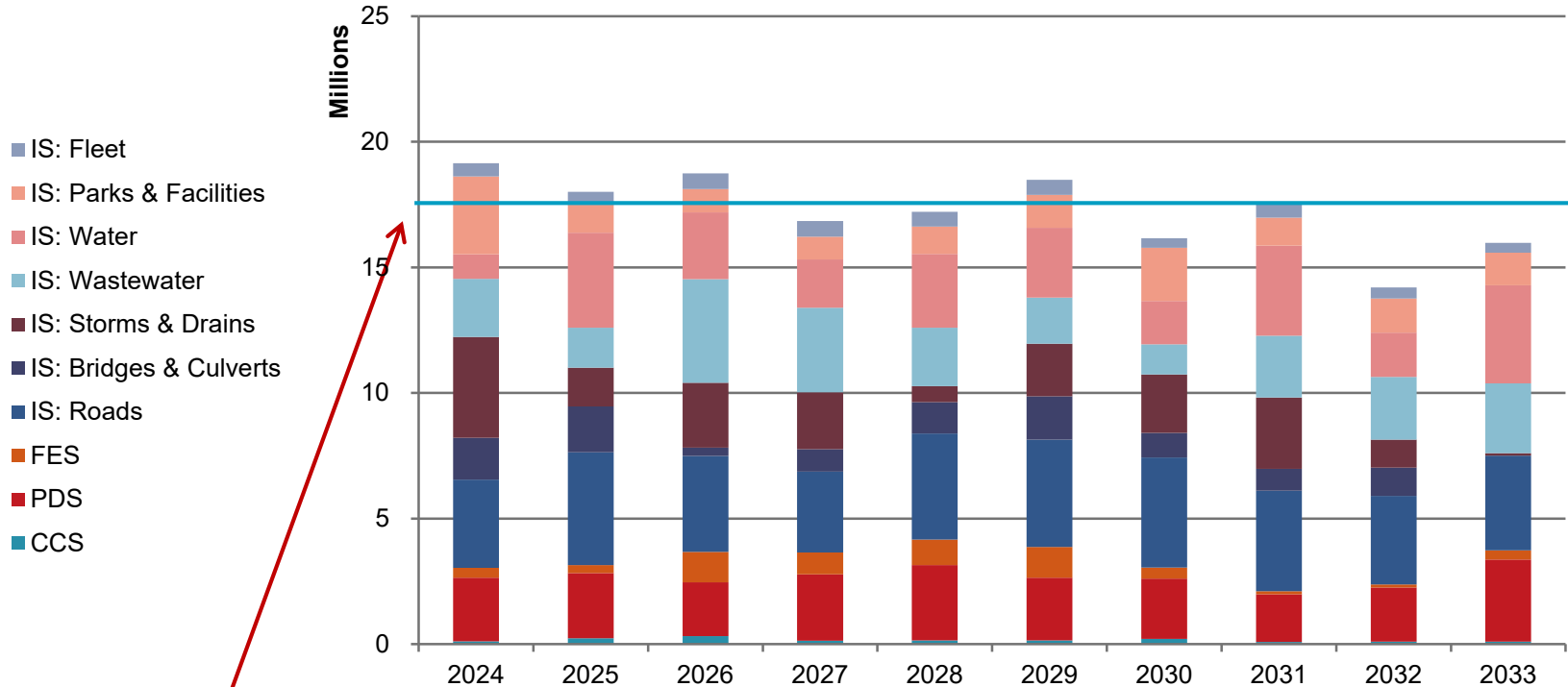
- 9 projects including \$771,813 Thunder Bay Rd Upgrade

**Grants:** \$4,008,676 or 15%

- \$1,783,000 estimated OCIF (RIDW21, TBLL23, DISW20)
- \$2,050,676 estimated MDRA (PARR20, STOL23)

# 2) Budget Program Highlights

## 10-year Forecast



Average annual Capital Program is \$18.1M (2023 to 2033)



## 2) Budget Program Highlights Approvals

### **Preliminary** approval:

- \$11,117,146 in Appendix “1”
- By-law: Dec 12/22
- Reserve funding currently available; Op Impact considerations.

### **General** approval:

- \$15,455,689 in Appendix “2”
- By-law: Feb 27/23
- Reserve funding requires 2023 levy contributions

### 3) Risks

- **Inflation:** Volatile and high. Construction indices of 26% (2023) & 22% (2022) avoided. Multi-year impacts to be tracked for gap impacts.
- **Climate Change:** Long-term risks estimated by Financial Accountability Office of Ontario at 17% to 32%.
- **Operating budget impact:** \$179K/yr; 0.6% of Levy (App “3”). Asset growth has staffing and related pressures.
- **Legislation:** Requirements and changes (e.g., Bill 23: DCs).
- **AMP:** Master plans and assessments continue to be updated and studied. Ongoing initiatives require software and human resources.
- **Unusual/extraordinary events:** Environmental risks to assets (e.g., windstorms, flooding). Need for increased resiliency.

### 3) Opportunities

- **Grant funding:** External Federal, Provincial & Region funding (e.g., CSO, OCIF Formula-based).
- **Modernization:** Staff leveraged modernization funding and following up on Corporate Software Review.
- **Debt:** Low reliance on debt for existing AMP provides capacity for new/growth assets as needs arise or opportunities emerge.
- **Operating budget impact:** Replaced assets may result in lower costs and efficiencies (e.g., energy, maintenance).
- **Condition Data:** Compiling to refine LT plan needs which may have positive or negative results in some areas.
- **Communications:** may consider options with expanded resources (e.g., Let's Talk FE, new website) to enhance engagement.

## 4) Next Steps

### Key Messages

- Proposed Capital program of \$26.6M based on Council strategy and AMP priorities. Total 11-yr horizon of \$199M.
- Funded primarily through capital reserves transferred annually from the Levy and Rate budgets.
- Capital Funding: 2019 AMP gap closed in 2022. Ongoing works to study and refine needs based on condition. Gap widened due to extraordinary inflationary challenges.
- Results in Operating budget impacts of 0.6% in 2023, 1.5% in 2024 and 1.8% in 2025.

# 4) Next Steps Calendar

## Capital Budget and User Fees:

- Dec 12 By-law approval (Appendix 1 “Preliminary”)
- Feb 27 By-law approval (together with Levy below)

## Water & Wastewater Budget:

- Jan 18 W&WW reports/presentations
- Jan 23 By-law approval

## General Levy Budget:

- Feb 15 General Levy #1: Town & Library reports/presentations
- Feb 22 General Levy #2: Town review (if necessary)
- Feb 27 By-law approvals: Levy & Capital (Appendix 2 “General”)

# 5) Presentation Questions

## Council Q&A led by Chair



Refer to Council Report No. [CBC-01-2023](#) for further information

# 6) Capital Project Worksheets Review

Refer to the Capital Budget Package included as a Council Memo with [CBC-01-2023](#) for further information (beginning on Page 4, or Page 8 of PDF)

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