

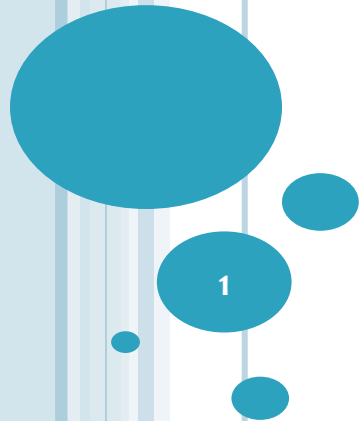
2024

Capital Budget

Council-in-Budget Committee

Report No. **CBC-01-2024**

November 15, 2023



1

A map of the Fort Erie region in Ontario, Canada. The map shows the Niagara River at the top, flowing into Lake Erie at the bottom. Key locations labeled include the City of Niagara Falls to the north, Stevensville to the west, and Fort Erie in the center. Other nearby areas like Bridgeburg, South End, Gateway, Lakeshore, and Point Abino are also marked. Major roads such as Highway 3, Highway 10, and the Peace Bridge are shown. A north arrow is located in the top right corner.

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 2023-2026 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: \$425M historical cost; >\$1.5B est. replacement.
- Proposals reviewed/prioritized considering numerous factors: leveraging grants/contributions, minimizing lifecycle maintenance & risk/cost to taxpayers, modernization, addressing levels of service, creating economic opportunity.

1) Overview: Inputs & Process

Threats and Pressures

- Threats: Storm brewing in Ontario
 - Inflation: sustainability/affordability impacts with widening lifecycle replacement gap.
 - Growth demands (e.g., Housing targets/needs, immigration, labour markets).
 - Timing: Significant upcoming info to refine programs such as Master Plans (e.g., W&WW, Space Study, Health/medical needs), DC Study, legislative changes (e.g., Bill 23, urban boundaries), staff transfer of knowledge (e.g., PDS forecasting development and revenues).
 - Funding constraints (e.g., DCs, debt costs).
 - Other constraints: Levy/rate impacts (e.g., amort, wages) offset by ass't/customer base benefits.
- Good news: Ways to weather it
 - Inflation: settling.
 - Balance Sheet: Positioned relatively well (e.g., reserve balances benefit from higher rates).
 - 2024 AMP Update: To consider Levels of Service and reset priority needs/funding.
 - 2024 DC Study: To consider revised rate structure to support growth.

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-10-2023](#)): 2023 returned \$1.3M to reserves.
- Q2 variance status ([CS-10-2023](#) Appendix “2”)
- 2023 added ~\$6.1M in additions through award and amendments.

1) Overview: Inputs & Process

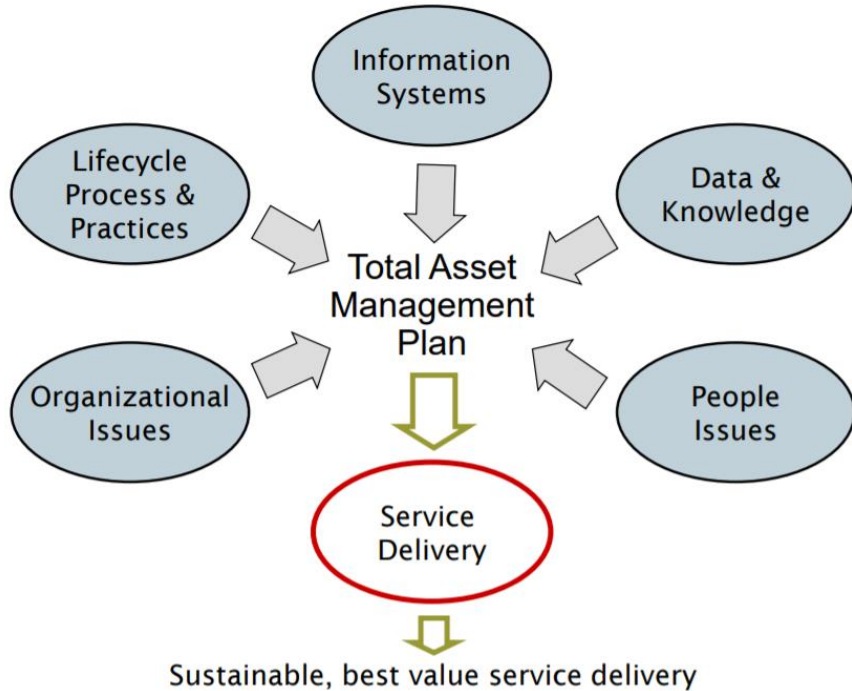
Asset Management Plan



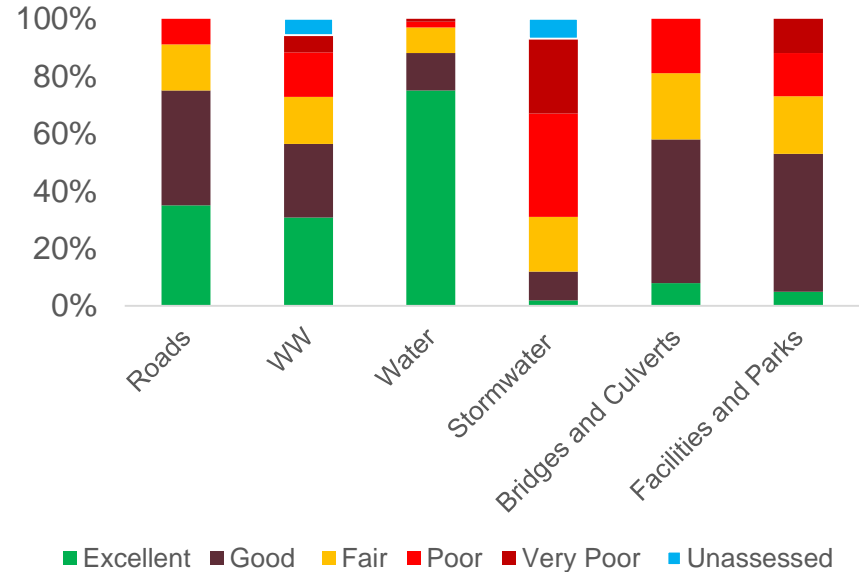
- Asset Management Plan (AMP): IS-21-2019
 - 2019 AMP: Roads, bridges, water & wastewater, facilities.
 - 2024 AMP Update: Will include all assets & identified LoS.
 - Required by Province for grant funding (O. Reg 588/17).
 - Long term requirements identified for asset life.
 - Proposed financial strategy for sustaining investment:
 - Current base reserve transfers: \$13.9M (Levy and W&WW)
 - Inflationary: \$884,480 increase in 2024 to existing 2023 contributions
 - Reserve Policy and targets

1) Overview: Inputs & Process

AMP Update (IS-18-2023)



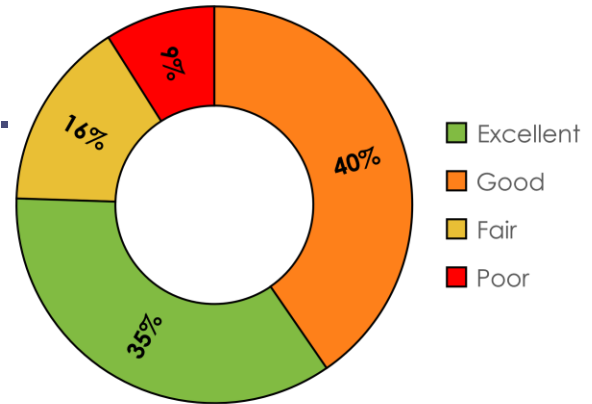
Infrastructure Status Summary



1) Overview: Inputs & Process

AMP - Roads

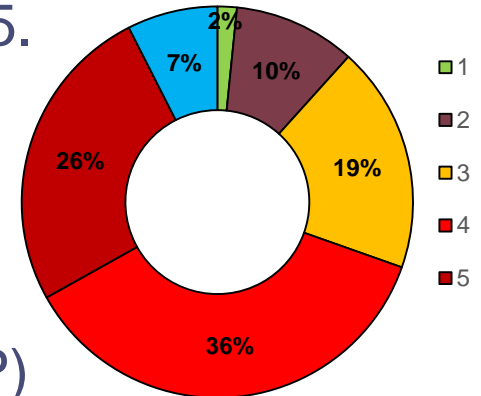
- **Condition:** 422km of roads are inspected every two years using a Pavement Condition Index (PCI) that rates roads from 0-100.
- **Score:** Average network PCI of 73 or “Good” as at 2023.
- **Target LoS:** PCI of 80
- **Forecast spend:** \$64.1M (incl Sidewalks).
- **Current Financing:** \$3.75M/yr
- **Replacement value:** \$384.0M (2019 AMP)



1) Overview: Inputs & Process

AMP - Stormwater Sewer

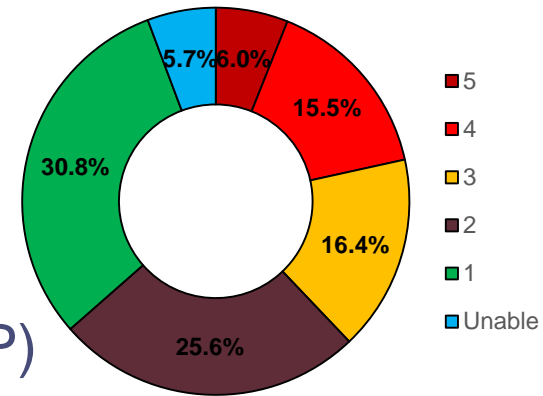
- **Condition:** Network is inspected using NASSCO PACP and MACP rating of 1-5. Defect grades are generally interpreted as 5 - Most Significant, 4 - Significant, 3 - Moderate, 2 - Minor to Moderate, 1 - Minor Defect Grade.
- **Score:** 56% of the network has been inspected. 31% have a “Good” rating of 1-3 and 62% (27.2km) 4-5.
- **Target LoS:** Grade 1-3
- **Forecast spend:** \$22.9M
- **Current Financing:** \$1.48M/yr
- **Replacement value:** \$156.2M (2019 AMP)



1) Overview: Inputs & Process

AMP - Sanitary Sewer

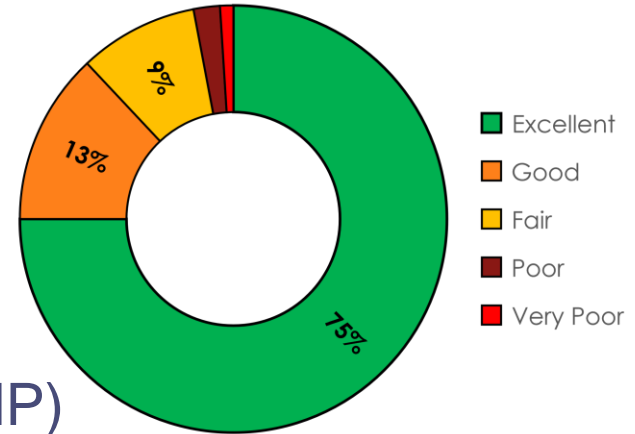
- **Condition:** Similar to the above the network is inspected using NASSCO PACP and MACP rating of 1-5.
- **Score:** Based on 50% network inspections, 73% have a “Good” rating of 1-3. 21.5% is rated 4 -5.
- **Target LoS:** Grade 1-3
- **Forecast spend:** \$25.2M
- **Current Financing:** \$1.97M/yr
- **Replacement value:** \$136.1M (2019 AMP)



1) Overview: Inputs & Process

AMP - Water

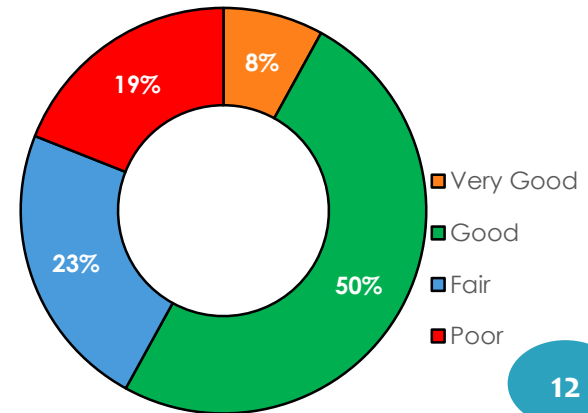
- **Condition:** 282km of watermains
- **Score:** Average number of breaks, weighted by replacement value of these assets, is 0.7 which equates to “Good”.
- **LoS:** <39 breaks/yr
- **Forecast spend:** \$30.8M
- **Current Financing:** \$2.46M/yr
(incl meters)
- **Replacement value:** \$171.8M (2019 AMP)



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:** \$15.3M
- **Current Financing:** \$0.54M/yr
- **Replacement value:** \$37.4M (2019 AMP)

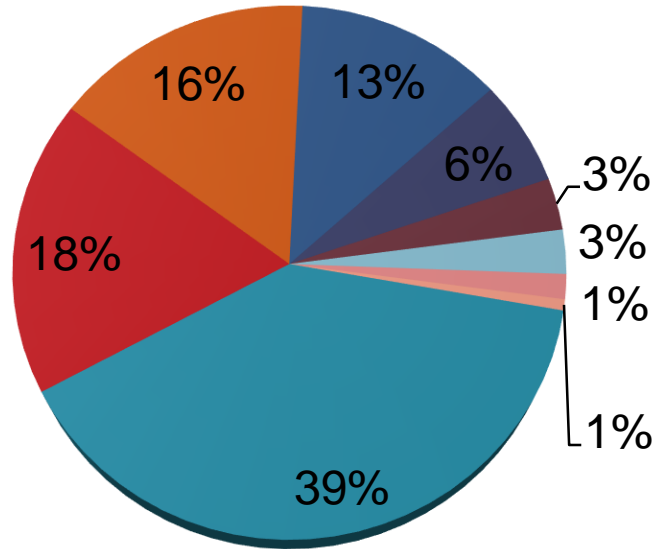


1) Overview: Inputs & Process

- 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-15-2019](#) Wastewater MP and [IS-17-2017](#) Water MP
 - [IS-14-2018](#) Facility Condition Assessment
- 2018 DC Study ([By-law 47-2019](#)): expiring Mar/24.
- 2023 DC Study (draft): replacing previous study. Guides new and/or growth asset development. Scheduled for Dec 11/23 meeting.
- Provincial Drinking Water requirements.
- Consultation with external partners and agencies.

2) Budget Program Highlights

2024 Request = \$27.2M (72 projects)



Roads, bridges & sidewalks	\$10.5M	39%
Water	4.8M	18%
Planning & Development	4.2M	16%
Storms & drains	3.3M	13%
Corporate & Community Services	1.7M	6%
Parks & Facilities	0.8M	3%
Wastewater	0.7M	3%
Fleet	0.4M	1%
Fire & Emergency Services	0.1M	1%

2) Budget Program Highlights Existing vs. Growth Assets

Existing Assets

\$18.3M or 67% for replacement or rehabilitation, for example:

- \$ 2,022,900 7.4% West Main St Storm Sewer Replacement
- \$ 1,744,000 6.4% Point Abino Municipal Drain
- \$ 1,500,000 5.5% Point Abino Rd S Storm PS
- \$ 1,351,000 5.0% Wastewater Trenchless Repair
- \$ 1,300,000 4.8% Road Resurfacing Program

2) Budget Program Highlights Existing vs. Growth Assets

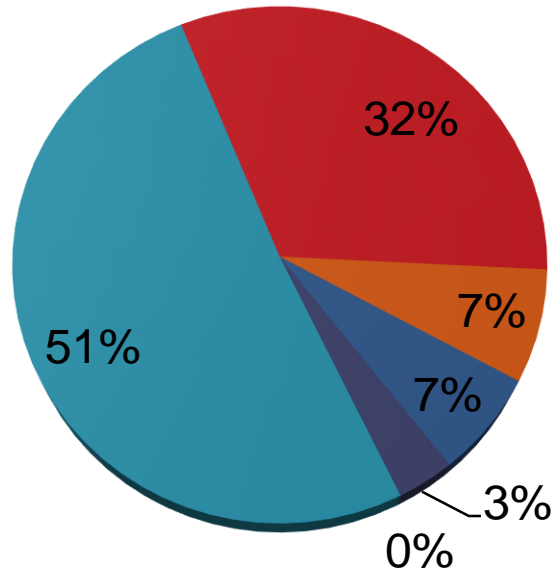
Growth or New Assets

\$9.0M or 33% for new or growth, for example:

- \$ 2,550,000 9.4% Gibson Centre Expansion
- \$ 1,492,900 5.6% West Main St Storm Sewer Replacement
- \$ 1,463,000 5.4% Gibson Centre Vehicle Bay Expansion

2) Budget Program Highlights

2024 Financing = \$27.2M



Town Reserves	\$13.9M	51%
Development Charges	8.7M	32%
Canada Community-Building Fund	1.9M	7%
Grants	1.8M	7%
Other	0.9M	3%
Debentures	N/A	-

2) Budget Program Highlights

Financing Strategy - Reserves

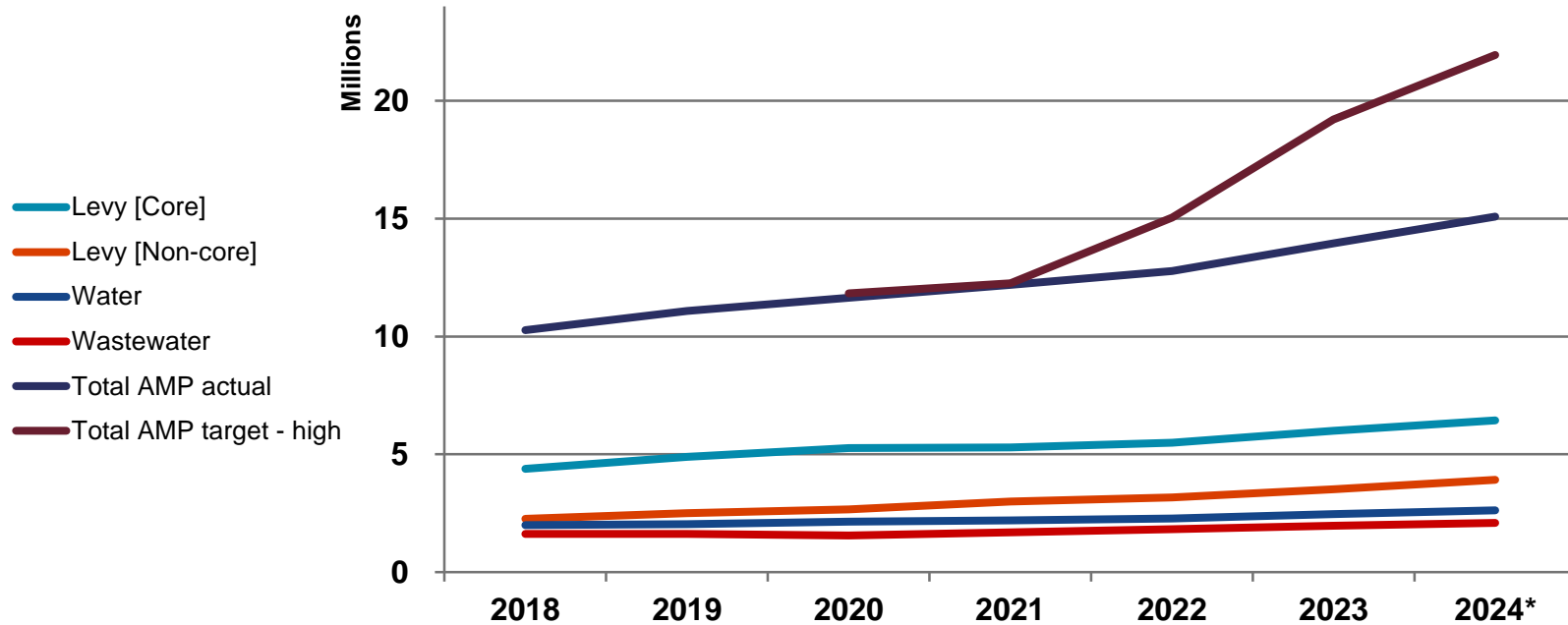
Reserves: \$13.9M or 51% used for 2024 program

- Available Capital Reserve balances of approx. \$27.6M.
- Total annual contribution of \$13.9M from Levy and W&WW.
- Proposed 2024 Capital Budget shows inflationary increases but future forecasts do not rely upon until approved.

2) Budget Program Highlights

Financing Strategy - Reserves

Capital Reserve contributions (in millions)

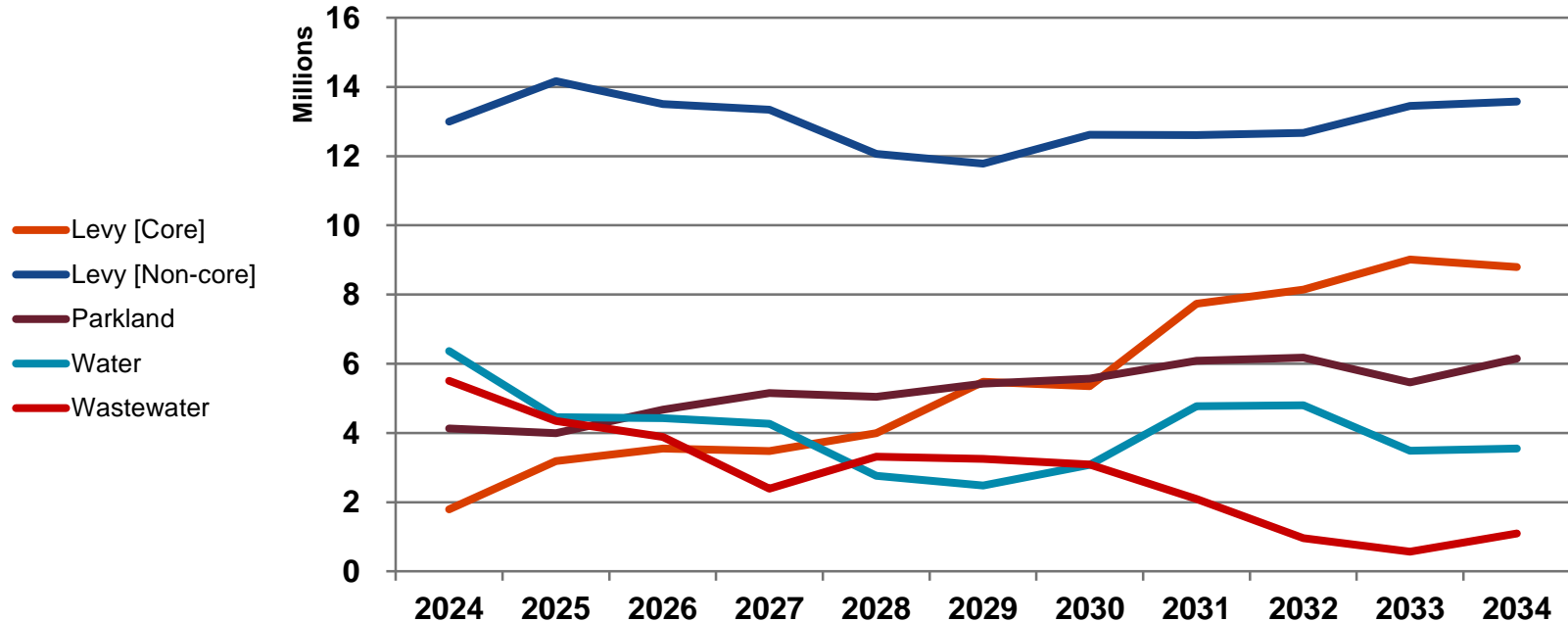


* includes proposed increases (inflation, strategic, amortization)

2) Budget Program Highlights

Financing Strategy - Reserves

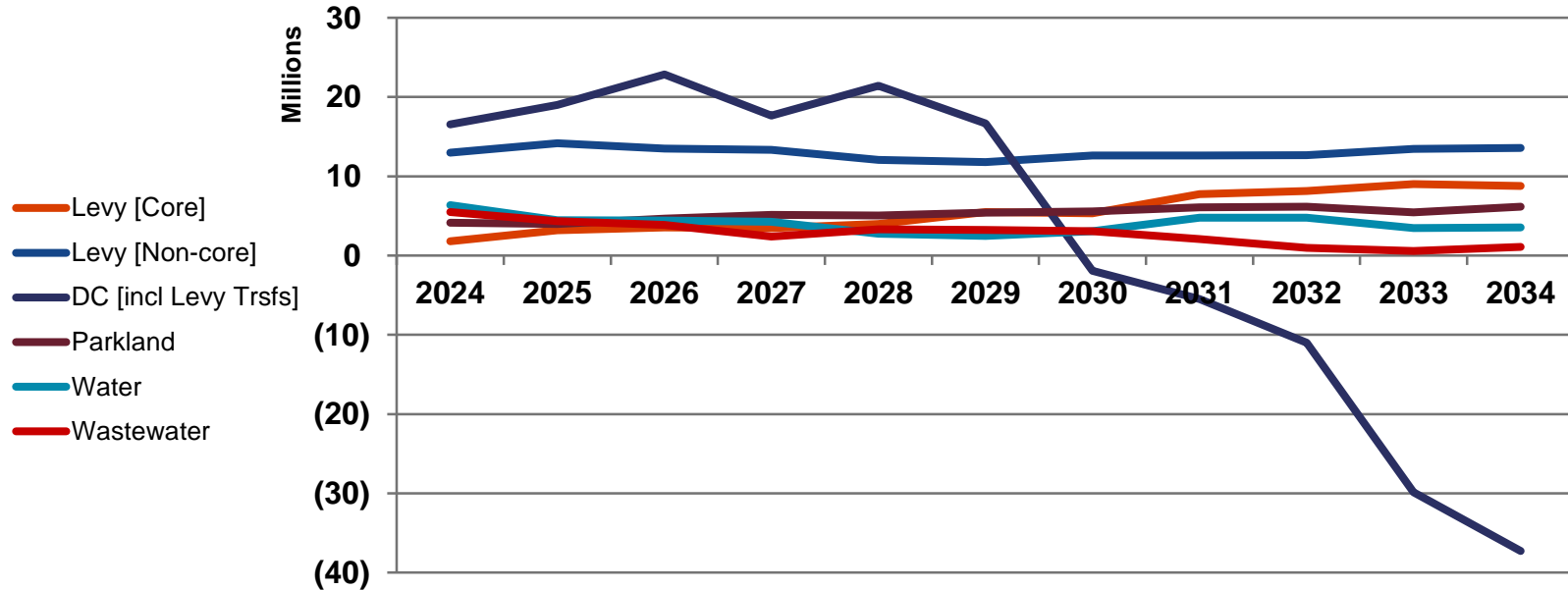
Capital Reserve balances (in millions)



2) Budget Program Highlights

Financing Strategy - Reserves

Capital Reserve balances (in millions) - incl DCs



2) Budget Program Highlights

Financing Strategy - Debt

Debt: Expiring

- \$1.78M for Central Fire Station #4 (10-year): \$200K in 2023.

Debt: Previously Approved (Table 3, 2024 column)

- \$3.9M for Fire Station #4 (10-year): \$97K in 2024 interest, \$499K/yr thereafter.
- \$2.1M for Point Abino Rd S Reinstatement (20-year): \$54K in 2024 interest, \$168K/yr thereafter.
- 2023 year-end balance: \$6.2M.
- 2024 principal payments of \$820K; interest payments of \$393K.

2) Budget Program Highlights Financing Strategy - Debt

Debt: Proposed (Table 3, 2025 column)

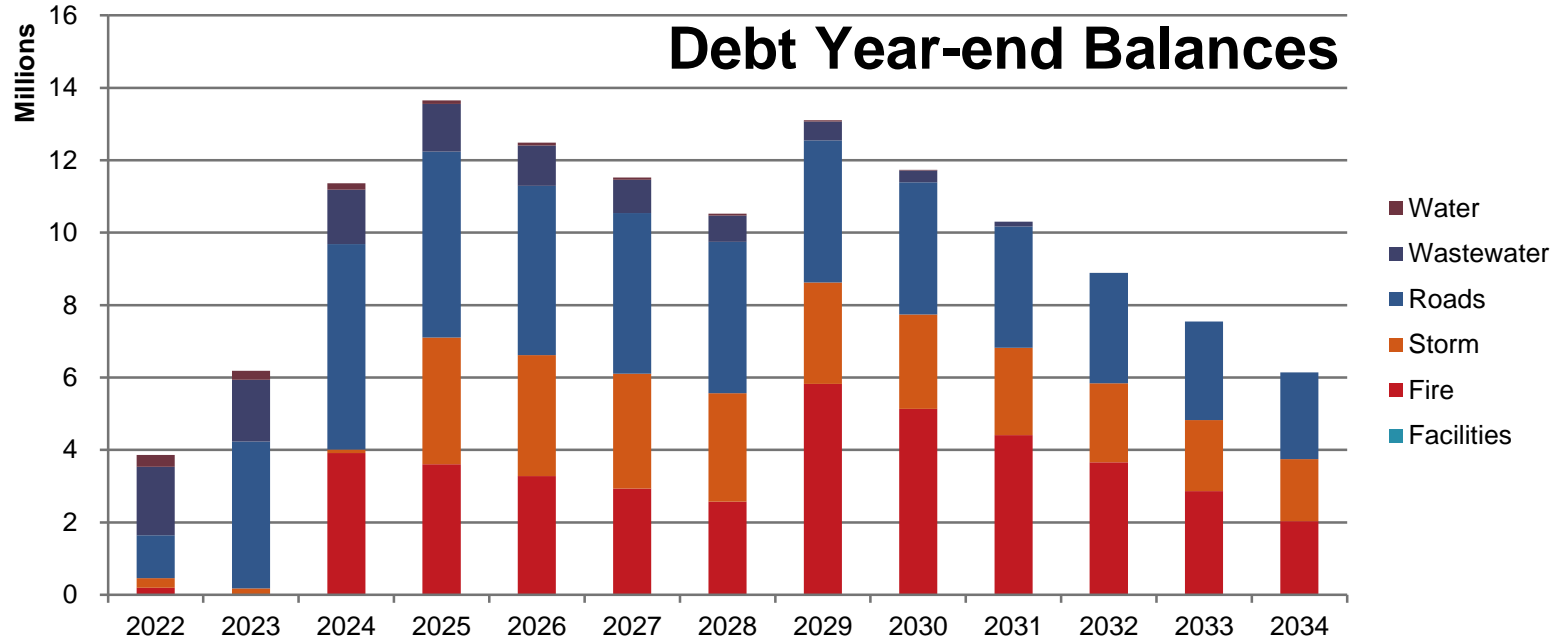
1) Six Mile Creek Flooding (SMCF23)

- \$3,500,000 15-year.
- Levy impacts: \$90K (2025) and \$336K/yr thereafter.

Annual Repayment Limit (ARL): 2022: 1.61%, 2023: 1.9% and 2024: 1.9%. High of 2.8% in 2025. FE well positioned.

2) Budget Program Highlights

Financing Strategy - Debt Forecasts



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

2) Budget Program Highlights Financing Strategy

Canada Community-Building Fund (CCBF): \$1,928,611 or 7% (\$1.02M receipt in 2024)

- \$1,00,000 Bridges & Culvert Replacement

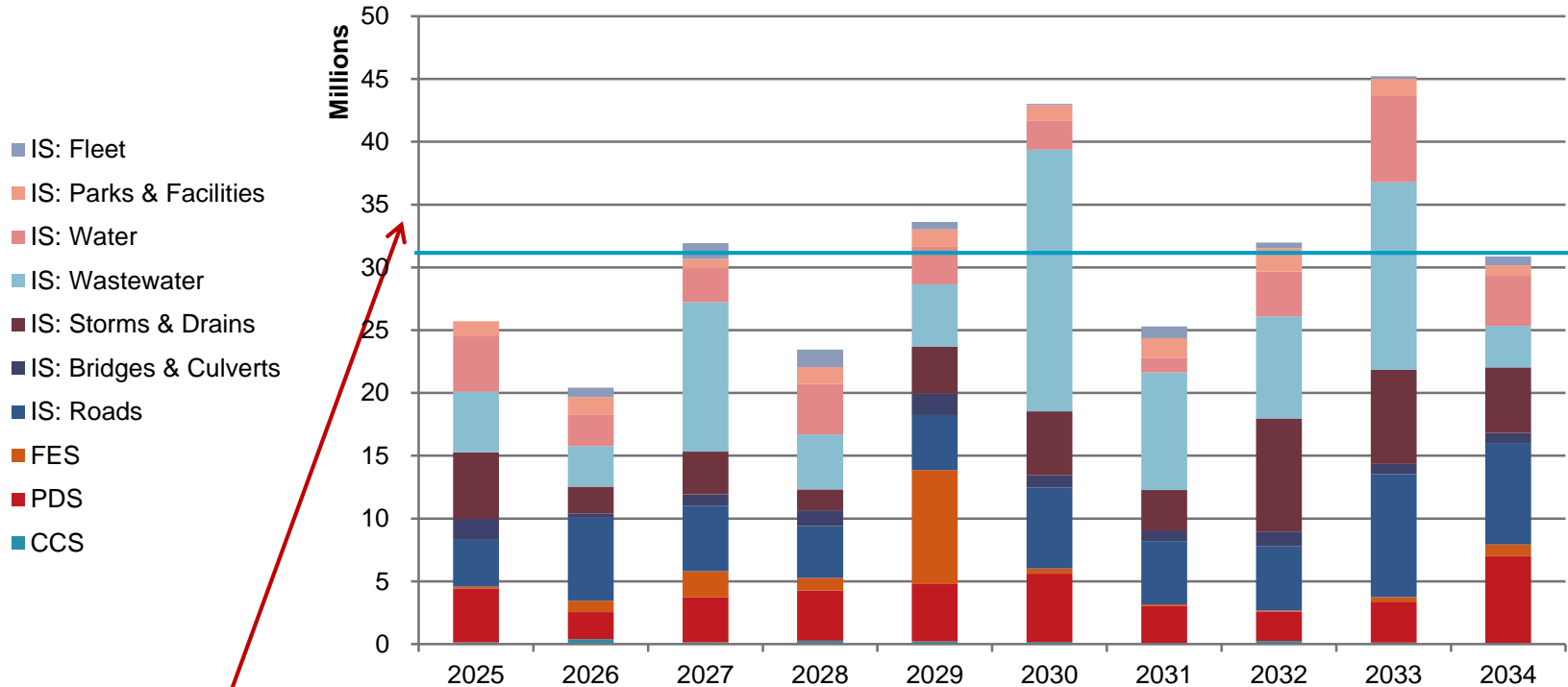
Development Charges (DC): \$8,712,499 or 32%

- 24 projects including \$4.0M for Gibson Centre Expansions
- 2024 DC Study to introduce new rates and consider options for burden of growth costs

Grants: \$1,774,000 or 7%

- OCIF (ELMS19, RSRF24, WEST24)

2) Budget Program Highlights 10-year Forecast



Average annual Capital Program is \$31.2M (2024 to 2034)

2) Budget Program Highlights Approvals

Preliminary approval:

- \$10,809,861 in Appendix “1”
- By-law: Dec 18/23
- Reserve funding currently available; Op Impact considerations.

General approval:

- \$16,413,800 in Appendix “2”
- By-law: Feb 26/24
- Reserve funding requires 2024 levy contributions

3) Risks

- **DCs:** Program outpaces rates; needs debt. Province “to make whole”.
- **Inflation:** 2022-24 construction indices show gap of \$2.3M to \$6.9M/yr. 2024 increase of 6.5% (1.9% Levy impact) a compromise.
- **Operating budget impact:** \$261K/yr; 0.8% of Levy (App “3”). Asset growth has staffing and related pressures.
- **AMP:** Master plans and assessments continue to be updated and studied. Ongoing initiatives require software and human resources.
- **Debt:** Limited Regional access under IO.
- **OCIF Funding:** Forecast includes ~\$1M/yr; not guaranteed >2026.
- **Legislation:** Requirements and changes (e.g., Bill 23: DCs).
- **Climate Change:** Ontario estimate of 17% to 32%. Extraordinary events (e.g., windstorms, flooding) shows impact/need for resiliency.

3) Opportunities

- **Grant funding:** Advocating for external Federal, Provincial & Region funding (e.g., CSO, OCIF Formula-based, application-based).
- **Modernization:** New corporate systems to assist in prioritizing plans.
- **Debt:** Low current debt 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).
- **AMP:** Long-term needs to be reviewed in detail and consider changes to Levels of Service.
- **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 **\$27.2M** based on Council strategy and AMP priorities. Total 11-yr horizon of \$338M.
- Funded primarily through capital reserves transferred annually from the Levy and Rate budgets. Large increased reliance on DCs.
- Capital Funding: 2019 AMP gap was closed in 2022 but widened due to extraordinary inflation. Ongoing works to study and refine needs based on condition.
- Program results in Operating budget impacts of 0.8% in 2024, 1.0% in 2025 and 1.1% in 2026.

4) Next Steps Calendar

Capital Budget and User Fees:

- Dec 18 By-law approval (Appendix 1 “Preliminary”)
- Feb 26 By-law approval (together with Levy below)

Water & Wastewater Budget:

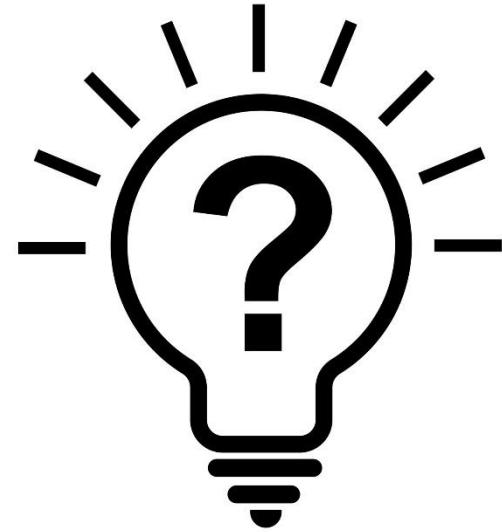
- Dec 6 W&WW reports/presentations
- Dec 18 By-law approval

General Levy Budget:

- Jan 31 General Levy #1: Town & Library reports/presentations
- Feb 7 General Levy #2: Town review (if necessary)
- Feb 26 By-law approvals: Levy & Capital (Appendix 2 “General”)

5) Presentation Questions

Council Q&A led by Chair



Refer to Council Report No. [CBC-01-2024](#) for further information

6) Capital Project Worksheets Review

Refer to the Capital Budget Package included as a Council Memo with [CBC-01-2024](#) for further information (beginning on Page 4, or Page 9 of PDF)

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