**DRAFT REPORT**

PREPARED BY HEMSON FOR TOWN OF FORT ERIE

# FINANCING STRATEGY

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# CONTENTS

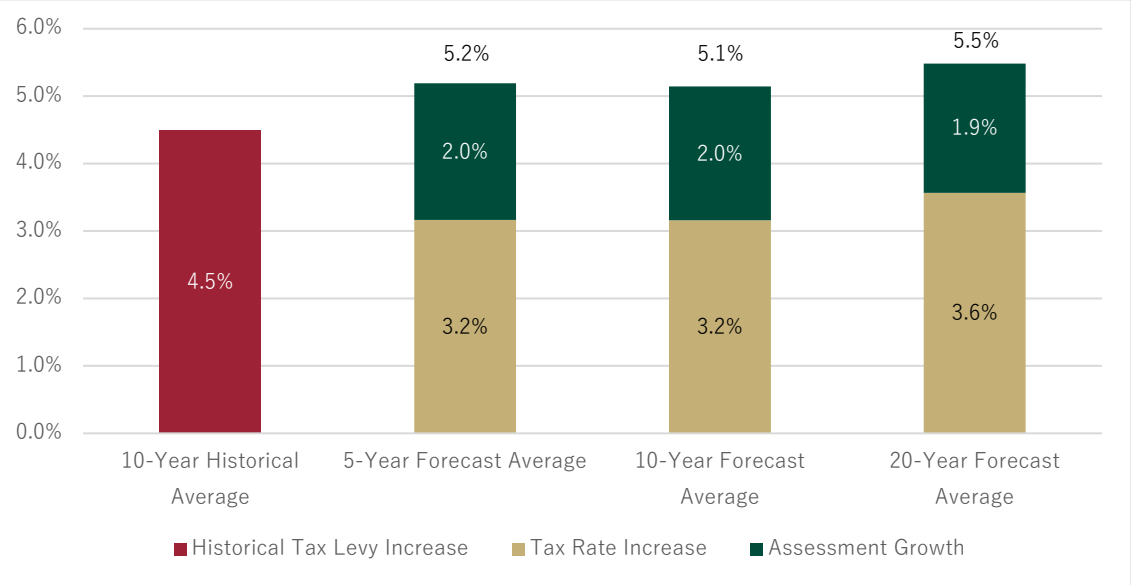
# EXECUTIVE SUMMARY

Hemson has been engaged to assist the Town of Fort Erie in developing a Financing Strategy to build on the Town's recently completed 2024 Asset Management Plan (2024 AMP). This report is one of two key deliverables as part of the Financing Strategy and accompanies an Excel-based Financing Strategy Model for tax and rate funded services.

## A. UTILIZING VARIOUS FISCAL TOOLS IS NEEDED TO ACHIEVE THE PROPOSED LEVEL OF SERVICE FOR TAX FUNDED SERVICES

Achieving the proposed level of service for tax funded services over the long-term would require tax levy increases higher than historical averages. Figure 1 shows the historical tax levy increases in the Town, when considering only the Town's portion of the overall tax bill (i.e. excluding Regional and School Board taxation requirements).[1] Over the 10-year historical period, the annual average increase hovers around 4.5%. Over the 20-year forecast period the average tax levy increase is about 5.5% per year. Given an average of about 2% assessment growth over the 20-year period this results in an average notional tax rate increase of about 3.6% per year.

***Figure 1 – Proposed Scenario - Historical vs Forecasted Average Tax Levy Increase***




[1] Historical tax levies based on previous years' FIRs have been adjusted to 2025 constant dollars.

For clarity, the historical tax levy increase represented by the red bar is comparable to the figure on the top of the coloured bars (sum of the green and gold), which represent the forecast average tax levy increase. The gold bar represents the forecast average tax rate increase, while the green bar represents forecast average assessment growth. The sum of the gold and green bars is the forecast average tax levy increase.

The proposed financing scenario reflects a balanced use of the Town's available fiscal tools to address growing service demands and long-term infrastructure needs. Some additional conclusions include:

- Operating costs and capital investment requirements are expected to rise as the Town works toward achieving its proposed levels of service, including approximately $786.7 million in non-growth capital needs over the 2025–2045 period. To achieve this objective an infrastructure levy of 1.5% of the previous year's tax levy is assumed over the 20-year period.

- While assessment growth and grant funding will provide additional revenues, they are not sufficient on their own to meet these needs. As a result, higher-than-historical tax levy increases, increased capital contributions from taxation, and the responsible use of debt financing will be required.

- Under this approach, debt levels remain within acceptable benchmarks while supporting infrastructure renewal and service sustainability. The 1.5% infrastructure levy is supplemented with tax funded debt financing over the 20-year forecast period. The infrastructure levy combined with this debt financing results in a 3.2% tax levy increase on average over the 20-year period. Alternative strategies that limit debt or hold funding flat would increase fiscal risk by eroding reserves or compromising service levels, making the proposed scenario the more sustainable long-term option.

## B. WATER AND WASTEWATER RATE INCREASES ARE NEEDED TO ACHIEVE FULL COST RECOVERY

Water and wastewater services operate on a full cost-recovery basis, unlike tax-funded services. While full cost recovery cannot be achieved in the short term without significant rate increases, the long-term financing strategy is designed to phase in cost recovery gradually. The outlook concludes:

- Moderate growth in billed consumption—from approximately 2.8 million $m^3$ in 2025 to 3.2 million $m^3$ by 2045—will support revenues, though slower-than-expected growth could require higher rates to meet funding targets.

- Significant capital investment will be required over the 2025–2045 period to maintain assets in a state of good repair and achieve the proposed level of service, amounting to about $204.1 million. This is supported through increasing rate-funded contributions to reserves.

- Although current reserve levels are below benchmark, they can be built up over 15 to 20 years with continued rate increases. Achieving full cost recovery and meeting the proposed level of service over the long term will require average annual rate increases of approximately 4.9% for water and 6.4% for wastewater over 20 years (which is intended to cover cost inflation).

- While service levels are not at immediate risk, insufficient long-term funding would create growing financial and asset-management pressures.

- The two-tier governance structure and complex supply and distribution of water and wastewater treatment in Region of Niagara and the Town of Fort Erie should be recognized. While the Town's water and wastewater rates are set to fully recover the costs of operating the two systems, there is a gap between the long-term capital needs (based on the AMP) and current funding levels. The average annual rate increases mentioned above will ensure the Town achieves full cost recovery by the end of the forecasting period and meet the long-term lifecycle needs of water and wastewater related assets. The Town's movement to full-cost recovery [2]can be influenced (and impeded) by the broader supply and treatment requirements and associated costs imposed by the Region to supply the Town.

## C. TO ACHIEVE THE PROPOSED LEVEL OF SERVICE, A SET OF FINANCING RECOMMENDATIONS ARE PROVIDED

- The Town has relatively low debt levels against other comparable municipalities. Consider the strategic use of debt, as appropriate, for major capital investments. The use of debt should be guided by considerations for affordability, equity and fairness,

[2] Full cost recovery in this context means ensuring sufficient revenues are generated to fund all operating expenses, non-growth-related debt payments, purchasing/treatment costs plus a fully funded investment program to address existing and future capital requirements as per the asset management plan.

and fiscal flexibility and sustainability. The Town can implement a self-imposed debt policy limit to provide for the efficient and effective financing of critical infrastructure. The limit could be set between 10% and up to 15% of own source revenue similar to benchmark municipalities.

- It is recommended that the Town move towards increasing tax funded contributions to asset management reserves. This can be done through an infrastructure levy beginning at 1.5% of the previous year's tax levy. For context, in 2026, 1.5% would amount to an additional $552,000 based on the 2025 tax levy of $36.8 million. This investment would be in addition to the current $10.4 million net transfer to reserve (net of transfers from reserves to operating) for capital asset management activities.

- It is recommended that the Town develop target balances/contributions for asset management reserves to ensure that reserves remain at sustainable levels. Achieving a minimum balance of asset management reserves as a percentage of replacement value ranging from 1.0% to 3.0% is recommended. For water and wastewater services, specifically, the recommended balance would be 1.0% to 3.0% plus 6 months of operating costs. It is recognized that this would be a long-term objective.

- Specifically for water and wastewater services, ensure that annual capital investment is increased over time to meet the asset management average annual needs identified in the AMP. Continued water and wastewater rate increases will be needed to achieve this objective. Of the average annual rate increases of 4.9% for water and 6.4% for wastewater, capital investment accounts for approximately 1.6% and 2.3%, respectively.

# 1. INTRODUCTION

The Town of Fort Erie, with assistance from Hemson, has developed a Financing Strategy. This report provides a financial forecast and a set of recommended actions the Town can utilize to fund the investment needs required to achieve the proposed levels of service set out in the Asset Management Plan completed in 2024. This study analyzes the Town's spending and revenues, fiscal outlook, and tax/rate impacts utilizing a 20-year forecast period from 2026-2045 with 2025 as the base year. A review of relevant financial benchmarks is also undertaken to help inform the recommended actions.

## A. BACKGROUND AND CONTEXT

Fort Erie is a lower-tier municipality within Niagara Region with a population of approximately 33,000 (2021 census). Looking forward, Fort Erie is expected to continue to grow to nearly 41,200 people by 2041[3]. Fort Erie's prime location on the southern end of the Queen Elizabeth Way (QEW), provides direct access to the GTA, the Cities of St. Catharines, and Hamilton making it an important gateway for trade and travel between Ontario and the United States.

The local economy is anchored by manufacturing — with diverse firms in aerospace, chemicals, and industrial goods — alongside strong retail trade, logistics tied to cross-border commerce, and an expanding tourism and services sector supported by waterfront attractions, historic sites, and recreational amenities. Recent commercial and industrial investments further illustrate ongoing growth and diversification of Fort Erie's economic base.

The Town is undertaking this study to investigate financial options to close the infrastructure funding gap identified through the 2024 AMP and meet proposed levels of service over the long-term. The key project objective is the development of a Financing Strategy that assesses the fiscal impact of meeting the proposed level of service, with consideration of outcomes such as tax/utility rate impacts, reserve levels and debt. The Town's Financing Strategy consists of two deliverables:

- This Financing Strategy report which is a 20-year outlook of the Town's financial position covering tax- and rate-supported assets and outlines key assumptions, capital

[3] Projections based on the 2023 Development Charges Background Study

and operating needs, funding sources, and the impact on taxes and rates under a set of scenarios.

- A Financing Strategy model, based in Excel, is a tool for staff to assess the fiscal outcomes associated to meeting the proposed level of service over the long-term. The model can be used for sensitivity testing of different funding strategies such as the use of debt, infrastructure levies and external funding to meet level of service spending needs. The model's main output is the tax and rate impact of meeting proposed levels of service over a period from 2026 to 2045 with 2025 as the base budget year.

Both deliverables are living documents which build upon the Town's existing fiscal practices. The model may be updated as needed by Town staff to account for actual outcomes and Fort Erie's changing economic and fiscal environment.

Lastly, while the primary scope of work relates to assessing the financial requirements to meet the proposed levels of service, alternative scenario has been assessed which qualitatively outlines the potential impacts of service levels should the investment requirements not achieved.

## B. KEY GUIDING DOCUMENTS, STUDIES AND POLICIES

The Financing Strategy is based on a detailed review of municipal financial documents received at a point in time and are subject to change. These documents include but are not limited to the following:

- Multi-year Operating Budget (2024-2027), as of June 2026;
- 2026 Utility Rate Budget, as of December 2026;
- 10-year Capital Forecast (2025-2035), as of June 2026;
- Financial Information Returns (FIR);
- 2024 Asset Management Plan;
- 2023 Development Charges Background Study; and
- Relevant staff reports.

Of particular importance, the 2024 Asset Management Plan is a key input of the Financing Strategy and provides the investment requirements to meet the proposed levels of service for both tax and rate supported assets. The Town's infrastructure assets are extensive and valued at approximately $2.2 billion. These assets are on average in fair condition, with approximately 67% of assets in fair condition or better. For all asset categories covered under the AMP, average annual cost/infrastructure needs to meet the proposed levels of service targets are identified and broken down by lifecycle activity. The table below

demonstrates that the average annual investment need related to the renewal, rehabilitation, and replacement of assets and service improvements for tax and rate supported assets is about $37.3 million and $15.0 million per year in 2025 dollars respectively. These investment needs are the main driver of capital costs in the Financing Strategy analysis.

***Table 1 - Annual Investment Requirement to Meet the Proposed Levels of Service***

| ASSET CATEGORY | AVERAGE ANNUAL COST AS PER PLOS (2025$) | SHARE OF TOTAL |
|---|---|---|
| Bridges and Culverts | $2,300,700 | 6.2% |
| Roads | $7,999,300 | 21.4% |
| Stormwater | $20,040,100 | 53.7% |
| Information Technology | $208,000 | 0.6% |
| Emergency Services | $1,219,400 | 3.3% |
| Facilities | $1,502,400 | 4.0% |
| Fleet | $1,277,100 | 3.4% |
| Parks and Cemeteries | $2,799,200 | 7.5% |
| **Total Tax-Supported Assets** | **$37,346,300** | **100%** |
| Water | $5,472,400 | 37% |
| Wastewater | $9,511,200 | 63% |
| **Total Rate-Supported Assets** | **$14,983,600** | **100%** |

Source: 2024 Asset Management Plan, adjusted by inflation to reflect 2025 dollars. For the Financing Strategy analysis, additional annual provisions have been made for capital costs associated with state of good repair for growth related projects beyond initial acquisition and developer contributed assets for both tax and rate funded infrastructure.

## C. BENCHMARKING ANALYSIS

A key indicator of the Town's current financial position is through a comparison to similar neighbouring municipalities. This comparison provides context to the financing strategy scenarios presented later in this report. Table 2 provides an overview and accompanying performance metrics related to debt management and asset management funding. Detailed reporting on these benchmarks is provided in Appendix B.

For the comparative measure related to asset management contributions, it is important to note that best efforts have been made to ensure comparability across municipalities, however some differences in how municipal budgets account for contributions to reserves can remain.

***Table 2 – Benchmarking Analysis Summary***

| Comparative Measure | Fort Erie Performance |
|---|---|
| **Debt Management** | The Town of Fort Erie holds a relatively small amount of debt compared to other municipalities, with annual debt payments totalling approximately 2% of own source revenue. At present, the Town is well within the Provincial Annual Repayment Limit of 25% of own source revenue.<br><br>Although the Town does not have an internally set debt policy limit, municipalities will typically set this limit around 10-15% of their own source revenue.<br><br>When compared against other communities, the current debt level is also amongst the lowest with only Grimsby and Thorold being lower on the percentage of own source revenue among comparator municipalities.<br><br>Fort Erie's low debt levels allow for the strategic use of debt to fund critical infrastructure in a fiscally sustainable approach.<br><br>As a lower-tier municipality, the Region of Niagara issues debt on behalf of the Town. This poses a risk in using debt as a financing tool since the Region could reach its limit with their own projects or those related to other lower tier municipalities. Therefore, while the benchmarking analysis demonstrates that the Town has opportunity to increase |

| Comparative Measure | Fort Erie Performance |
|---|---|
| | its debt use relative to its ARL, this may be limited by the debt levels of the Region. |
| **Tax-Supported Asset Management Contribution Relative to Replacement Value** | In comparing asset management contributions relative to replacement value of tax-supported assets amongst comparable municipalities, the Town is in the mid to high range of comparables. In terms of yearly asset management contributions, the Town has a contribution value of about 0.8% of asset replacement value with Thorold at 1.5% on the high end and Lincoln at about 0.3% on the low end. |
| **Tax-Supported Asset Management Contribution Relative to Tax Levy** | In comparing asset management contributions relative to the tax levy amongst comparable municipalities, the Town is in the high end with Grimsby at about 32% on the high end and Lincoln at about 10% on the low end. In terms of yearly asset management contributions, the Town has a contribution value of about 30% of the tax levy. |
| **Rate-Supported Asset Management Contribution Relative to Replacement Value** | In comparing asset management contributions relative to replacement value of rate-supported assets amongst comparable municipalities, the Town is in the mid-to-high end.<br><br>In terms of yearly asset management contributions, the Town has a contribution value of about 0.6% of asset replacement value which is in the mid-range of comparator municipalities with Niagara Falls at 1.2% on the high-end and West Lincoln at about 0.3% on the low-end. |
| **Rate-Supported Asset Management Contribution Relative to Rate Revenue** | In comparing asset management contributions for rate-supported assets relative to the total rate revenues amongst comparable municipalities, the Town is in the mid range with Grimsby at about 31% on the high end and West Lincoln at about 9% on the low end. In terms of yearly asset management contributions for rate-supported assets, the Town has a contribution value of about 20% of the rate revenues. |

## D. REPORT STRUCTURE AND CONTENT

The Financing Strategy is divided into the following sections:

- **Section 2** presents the key assumptions and findings of the Financing Strategy model for tax-supported assets. This section will analyze and forecast the Town's spending and funding activities for the next 20 years (2026-2045), including notional tax increases. This section will also outline alternative scenarios as well as risks and challenges that should arise if the investment needs are not met.

- **Section 3** provides the key assumptions and findings of the Financing Strategy for rate-supported assets. This section will analyze and forecast the Town's spending and funding activities for water and wastewater services for the next 20 years (2026-2045), including notional water and wastewater rate increases.

- **Section 4** concludes with a high-level overview of the key takeaways from the Financing Strategy analysis. These takeaways are then used to develop a set of recommended actions needed to meet the proposed level of service over the long-term.

# 2. Key Model Findings for Tax-Supported Assets

This section summarizes the outputs of the tax-supported Financing Strategy Model and the key results. One of the main outputs of the strategy is the calculation of the notional tax impact based on a forecast of operating costs, capital needs, debt financing, asset management reserves and assessment growth.

Three forecast scenarios were prepared as part of this report. The first forecast is discussed in the context of a "proposed" scenario, which reflects a financial forecast to meet proposed levels of service over a longer-term period while aiming to maintain a balanced fiscal approach amongst increasing tax supported contributions, maintaining healthy reserves and increasing the use of debt in a sustainable way. The following sections discuss this proposed scenario in depth.

Building on the proposed scenario, two alternative scenarios are discussed in this section which primarily focus on the different levels of debt financing and contributions to reserves from taxation. Various scenarios were tested, driven by different fiscal approaches to achieve a similar outcome of meeting proposed levels of service. The Financing Strategy utilizes this approach to ensure that outcomes of scenario testing can be compared against a baseline. The proposed scenario is the primary result of this analysis and has been determined to be the most prudent approach moving forward under the current framework. It will be critical for Town staff and council to monitor and review the fiscal position, asset management plans, asset criticality, levels of service and risk framework to validate any future changes or adjustments to this strategy.

## A. A Set of Assumptions are the Basis for the Financial Forecast

To assess the fiscal outcomes to meet proposed levels of service a set of assumptions are made:

- The financial analysis for tax funded services focuses on meeting proposed levels of service for all assets, excluding assets related to water and wastewater which are analyzed in Section 3. The forecast is presented over a 20-year forecast period from 2026-2045 with 2025 as the base year.

- The operating and capital costs assumed in the analysis have been informed based on the findings of the Town's 2024 Asset Management Plan and the proposed level of service identified. It is assumed that the expenditure levels in the forecast would meet the proposed level of service within the 20-year forecast period. Should the funding levels considered in this analysis to meet the proposed levels of service be reduced, the Town may need to consider revising the target levels of service.

- Debt financing has been assumed over the forecast period to ensure that capital projects can be undertaken to meet proposed levels of service. For the analysis, new debt financing has been assumed over a 20-year term at a 4.25% interest rate.

- Assumptions have been made as the drivers of costs. Operating costs are primarily driven by growth in the Town to meet service demand from the growing community. Capital costs are driven by the need to meet the proposed level of service. Likewise, assessment growth is the main driver of tax revenues. The assessment base is assumed to grow at just under 2% over the 20-year period.

- In addition, the forecast includes long-term inflation set at 2% annually for operating related costs and 3% annually for capital related costs.

## B. TO MEET PROPOSED LEVELS OF SERVICE, OPERATING EXPENDITURES WOULD CONTINUE TO INCREASE

The Town's 2025 budget tax levy of $36.8 million includes net operating costs of about $25.2 million which is comprised of regular operational costs including staffing, maintenance, contracts, etc. and net of non-tax revenues such as user fees. This amount excludes tax funded debt payments and contributions to asset management reserves, as these amounts are forecasted independently (in the next sections), but includes transfers to/from other operational reserves.

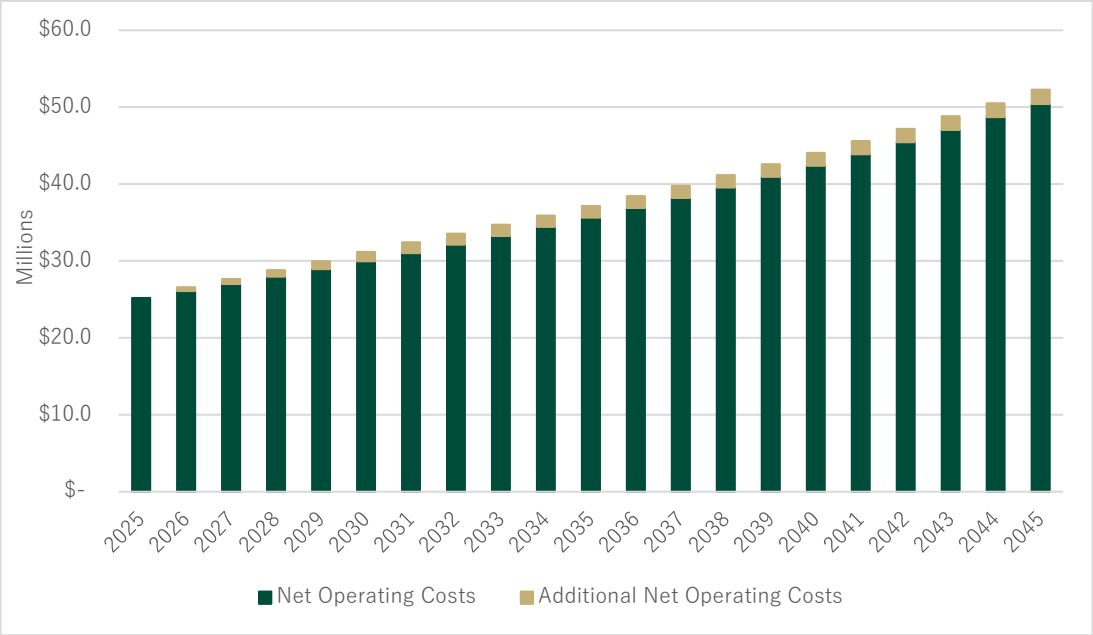
Figure 2 provides a summary of the annual forecast of net operating costs for the 2025-2045 period, with the first year of the forecast being 2026. In summary, general operating costs amount to about $25.2 million in 2025 growing to about $52.3 million by 2045. This increase is attributed to:

- Continued growth in the Town over the forecast period will increase demand for services, it has been assumed that real growth in the existing base net operating costs is about 1.5% annually.

- Additional net operating costs have been assumed amounting to about $500,000 as a one time increase plus an additional $150,000 every year for 5-years. These incremental costs are attributed to additional staffing and maintenance needs to meet proposed levels of service over the long-term.[4]

- In addition to incremental increases to meet proposed levels of service, long-term inflation amounts to 2% annually over the forecast period.

***Figure 2 – Forecast of Net Operating Costs 2025-2045***




Note: Net operating costs includes all general operating costs such as salaries/wages/benefits, maintenance, contracts, utilities, and general transfers to reserves such as those related to operating, etc. These are net of non-tax revenues such as user fees. Excludes debt payments and transfers to/from reserves asset management related reserves.

## C. CAPITAL RELATED EXPENDITURES TO MEET THE PROPOSED LEVEL OF SERVICE ARE THE MAIN DRIVER OF COSTS

The total tax funded capital expenditure forecast included in the Financing Strategy totals approximately $786.7 million for the 2025-2045 period. This amount reflects the total need

[4] The additional one-time increases were determined and discussed with staff to assess potential new FTE requirements and programs needed to meet proposed service levels. While the added expenses are estimated at this time and included for the purposes of this strategy, any new costs will be considered with Council and determined on an as needed basis.

over the 20-year period to meet proposed levels of service. Figure 3 illustrates the annual capital expenditures broken down by the Town's based capital budget projections and the additional costs associated with achieving the investment levels needed meet the proposed levels of service. Figure 3 shows:

- Fort Erie has a detailed capital plan in place for a period from 2025 to 2035. Figure 3 shows the total non-growth (state of good repair) capital-related expenditures identified in 2025 to 2035 which totals about $164.4 million (red bars). This forms the basis for this analysis. Recognizing less information is available regarding longer-term capital needs, these costs are extended to 2045 based on an average of the 10-year capital plan. This adds an additional $205.3 million to 2045 for a total base non-growth capital expenditure of about $369.7 million from 2025-2045.

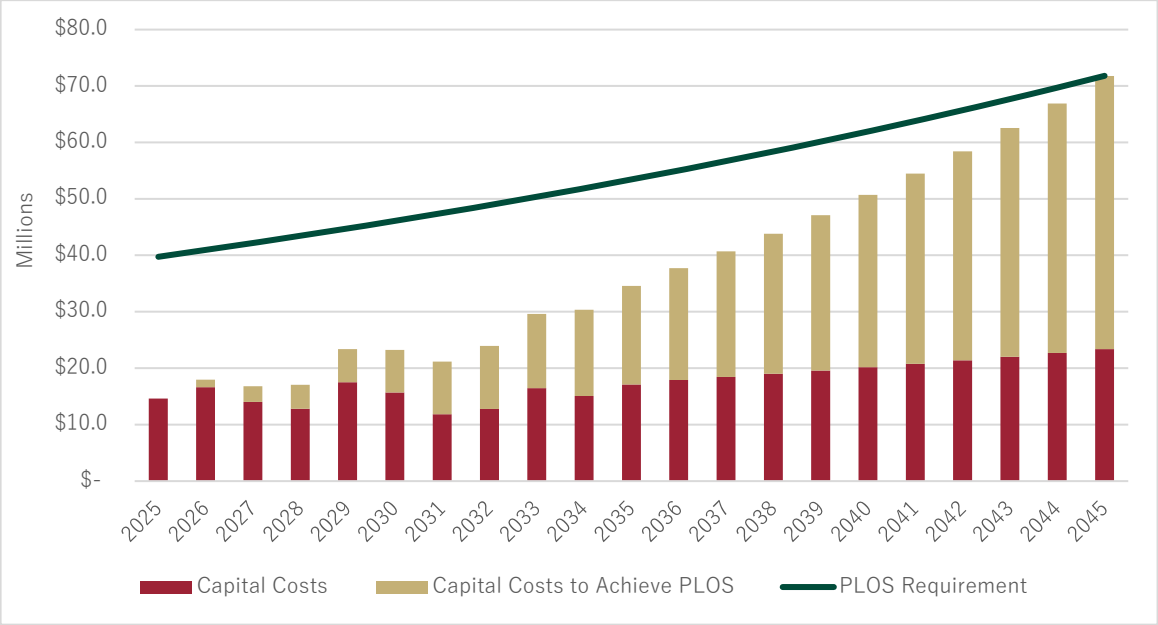
- The Town's 2024 AMP identifies a target average annual investment requirement of about $37.3 million (2025 dollars) related to the renewal, rehabilitation, and replacement of assets and service improvements necessary to achieve the proposed levels of service for all tax-supported assets. To account for capital costs associated with state of good repair for growth related projects beyond initial acquisition and developer contributed assets, an amount of $2.4 million per year is added to the target investment requirement of $37.3 million for a total annual need of about $39.7 million.[5] Based on Figure 3, by 2045, this amount would need to be about $71.8 million based on 3.0% inflation (green line).

- In addition to the Town's base capital budget, the capital expenditure forecast for this analysis includes an annual provision intended to progressively close the existing gap between the current capital investment levels and the annual investment requirement of $71.8 million by the end of the forecast period. As shown in Figure 3, this provision totals about $416.9 million over the period to 2045 (gold bars).

- Based on the points above, the cumulative expenditure shown in Figure 3, totals about $786.7 million to 2045. This cumulative non-growth capital need represents the total spending needed to meet the proposed level of service within a 20-year period.

[5] The analysis does not include the first-round acquisition costs for new assets funded from development charges, however the $2.4 million represents the long-term lifecycle needs for these assets beyond initial acquisition and contributed assets which will be assumed by the Town.

*Figure 3 – Forecast of Tax Funded Capital Expenditures*




## D. ASSET MANAGEMENT RESERVE LEVELS NEED TO BE MAINTAINED AT ADEQUATE LEVELS OVER THE LONG-TERM

Given the capital expenditure needs outlined in the previous section and calculated contributions to reserves, a forecast of the asset management reserve balance has been undertaken. The asset management reserve discussed here include; Road Refurbishing Reserve, Bridges & Culverts Refurbishing Reserve, and any reserves related to fleet, equipment and facilities. These are the primary reserves utilized for the Town's state of good repair capital projects and are primarily funded from contributions from operating.

Figure 4 shows the forecast of the asset management reserve ending balance to 2045 (green line). The estimated ending balance in 2025 amounts to about $14.0 million, then increasing to an ending balance of about $52.4 million by 2045. There are a set of fiscal strategies that are the drivers of this result:

- A typical approach is to target a reserve balance between 1% to 3% of replacement value. For this analysis, the median of 2% is used. Based on the current replacement value, in 2025 dollars, of about $1.5 billion (excluding water and wastewater), this target would be just under $30.0 million. By 2045, this target would be about $52.4 million based on 3% annual inflation. The forecast assumes reaching this target reserve balance by 2045.

- Funding for asset management reserves is assumed based on the following:

- Net transfers to reserves from tax is estimated at about $10.4 million based on the 2025 budget.[6] This contribution is increased over time based on 1.5% of the previous year's tax levy. This approach is typically called an "infrastructure levy" and is utilized by a growing number of municipalities in Ontario. In 2026, 1.5% would amount to an additional $552,000 based on the 2025 tax levy of $36.8 million.

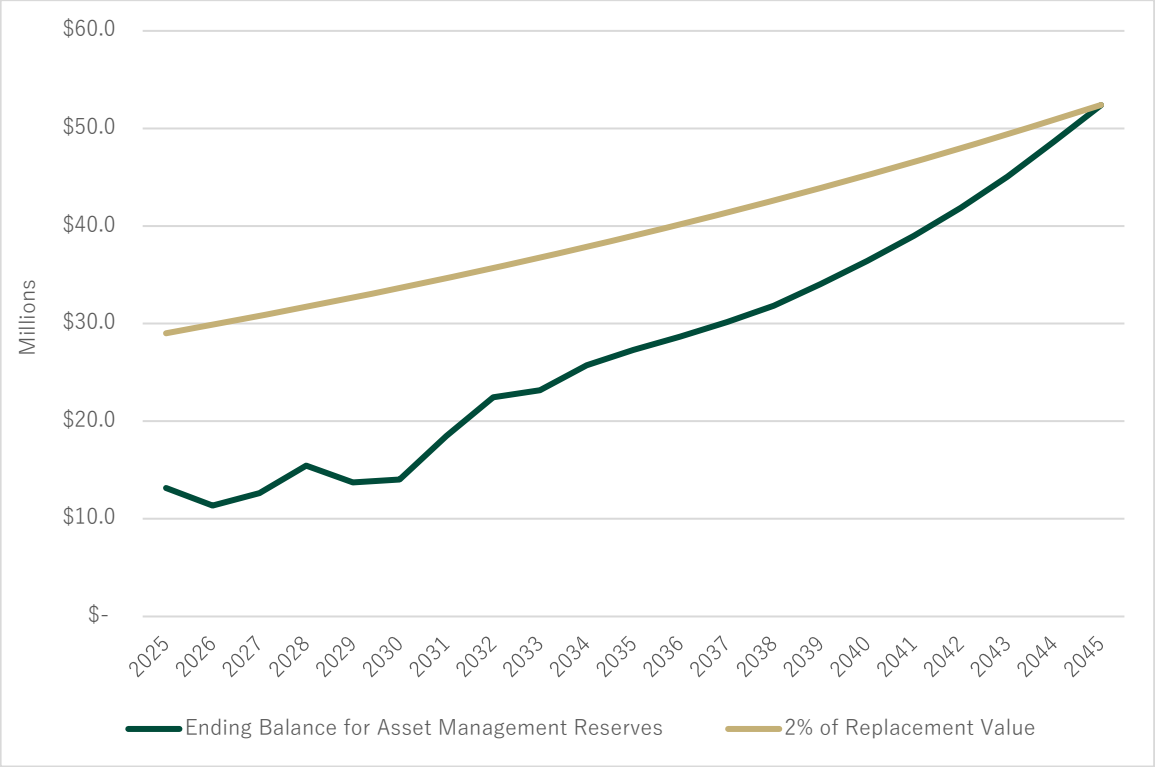
- Grant funding totaling $23.4 million from the Canada Community Building Fund (CCBF) and $23.5 million from Ontario Community Infrastructure Fund (OCIF) from 2025 to 2045. While CCBF funding is assumed to continue over the 20-year period, OCIF funding is assumed to steadily decline over time but is not assumed to be eliminated it its entirety – the forecast assumes OCIF will be reduced by about 10% per annum.

- Given the significant capital costs forecasted, the funding derived from the infrastructure levy, tax supported contributions to capital, grants and existing reserves above would not be sufficient to meet the proposed level of service over the planning period. Therefore, debt financing would be required to supplement own source contributions to undertake the capital needs over the period. As a result, debt financing totaling $354.9 million is assumed to 2045. These debt payments are funded through the tax base. The infrastructure levy of 1.5% combined with this debt financing results in a 3.2% tax levy increase on average over the 20-year period. Should the Town not utilize any debt without increasing investments to fund the necessary work, this would result in significant deterioration of existing reserves over the period. This scenario is discussed in further detail in Part I of this chapter.

- As debt obligations are retired, the Town's annual debt servicing requirements decrease, leaving fiscal capacity available in the tax levy. Consistent with the existing budget policy, this fiscal capacity is re-allocated towards contributions to reserves as tax funded debt obligations are retired.

[6] This amount is made up of about $11.1 million in transfers to asset management reserves net of about $701,200 in transfers from asset management reserves to operating.

*Figure 4 – Forecast of Ending Balance for Asset Management Reserves*




## E. DEBT FINANCING IS AN IMPORTANT FISCAL TOOL TO UNDERTAKE CRITICAL CAPITAL

Debt financing is an important fiscal tool to help undertake critical capital when it is needed without the need to up-front the required investment which could have immediate tax or rate implications. While interest costs would be realized, spreading the costs over a long-term period achieves better alignment of long-lived infrastructure with those who benefit through "intergenerational equity."

Provincial legislation sets limits on the amount of debt a municipality can carry to ensure continued operations in a fiscally sound manner. In Ontario, the *Municipal Act* mandates that a municipality's annual debt payments must not exceed 25% of annual own-source revenues. Although the Town of Fort Erie does not currently have a formal internal debt limit in place, municipalities in Ontario will typically set this limit around 10% to 15% of their own source revenue.

Figure 5 provides the Town's notional projected debt based on the financing strategy analysis. For a complete picture, Figure 5 includes the Town's existing debt obligations

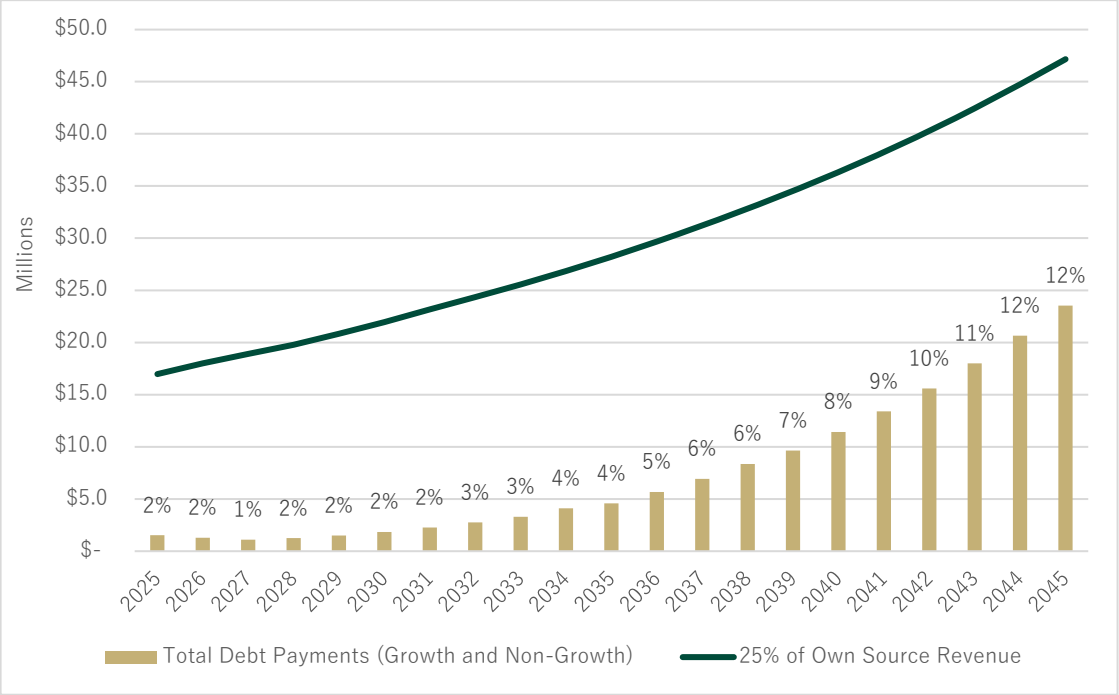
(including water and wastewater services) as well as future debt assumed for this analysis.[7] The following observations can be made:

- The Town of Fort Erie's current debt is relatively low compared to other municipalities, with debt payments totaling about 2% of own source revenue relative to the 25% limit.
- Total debt payments are driven by the need to undertake capital over the 20-year forecast period. The capital needs are extensive, about $354.9 million in tax funded debt financing is assumed for non-growth related capital.
- Total debt payments would increase, reaching about 12% of own source revenues by 2045, but remaining well below the Provincial limit of 25% and in line with the typical municipal debt limit policies of 10%-15%.

The analysis does not tie debt financing to specific projects, however it is assumed that debt financing would not be utilized to finance capital assets with a useful life less than 20-years. It assumes that debt financing could be utilized for repair or replacement of major asset such as facilities or roads, that have longer useful lives and more widespread benefits to the Town. Changes to the capital program to manage extensive projects would result in changes to the need for capital financing.

[7] No additional debt financing has been assumed for water and wastewater services. This is discussed in Chapter 4.

*Figure 5 – Forecast of Debt Payments vs Limits*




Note: Percentages above bars represent the debt payments as a percentage of own source revenues in the forecast.

## F. THE ASSESSMENT BASE WILL CONTINUE TO GROW

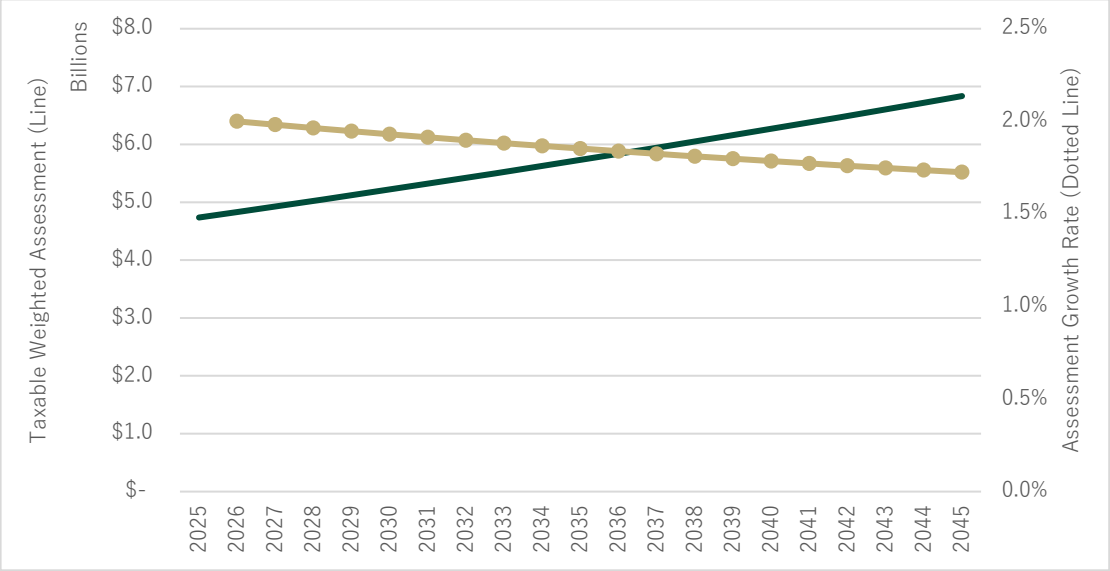
The Town of Fort Erie currently has a total weighted assessment value of approximately $4.7 billion.[8] The forecast anticipates these assessment values growing at an average rate of about 2% annually to 2045, as shown in Figure 6. This results in the overall assessment projection reaching about $6.8 billion by 2045 (green line). This assessment growth is attributed to two factors:

- Real assessment growth associated to new development amounting to about 1.25% annually.
- The Province has postponed re-assessments for an indefinite period of time and municipal assessments continue to reflect the phased-in 2016 assessment values, which was the time of the last Provincial re-assessment. However, recognizing the long-term time-frame and for potential changes to re-assessments over that period, it has

[8] The forecast uses weighted taxable assessment. For this report, any references to assessment refers to weighted taxable assessment. The gold line in Figure 6 represents the average 2% change.

been assumed that the value of the existing assessment base would increase on average by about 0.75% annually over the forecast period.

***Figure 6 – Forecast of Weighted Taxable Assessment***




## G. TAX LEVY INCREASES WOULD NEED TO BE HIGHER THAN HISTORICAL TRENDS TO MEET PROPOSED LEVELS OF SERVICE

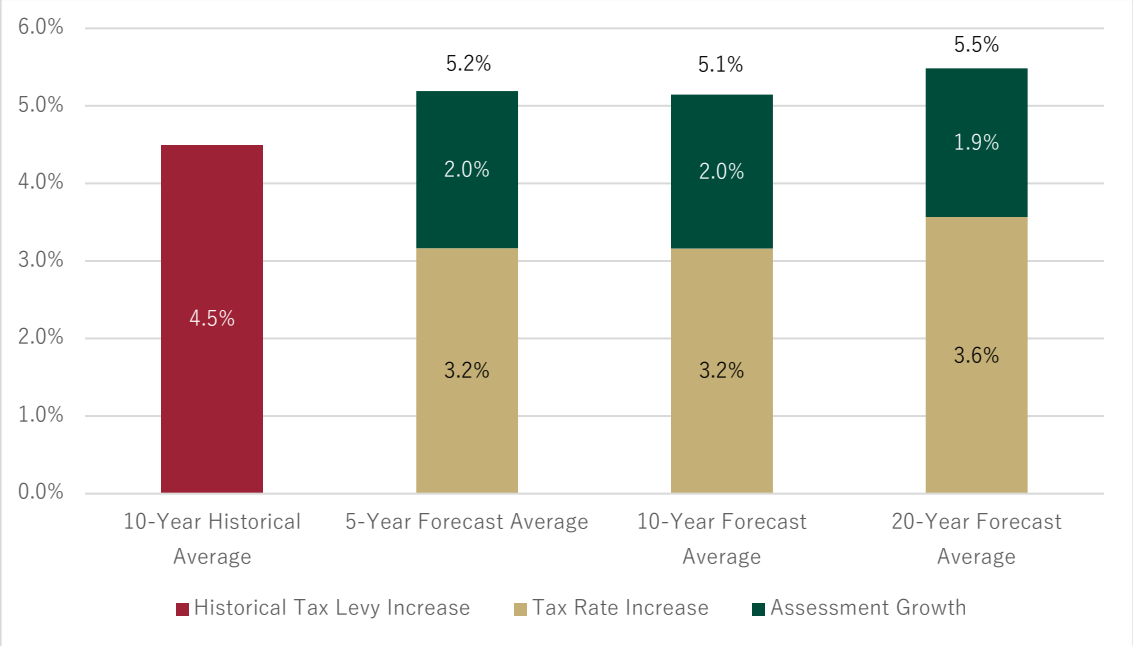
Before considering the forecasted tax increases based on the Financing Strategy model, it is important to compare them in the context of historical tax levy increases. Figure 7 shows the historical tax levy increases in the Town, when considering only the Town's portion of the overall tax bill (i.e. excluding Regional and School Board taxation requirements).[9] Over the historical period, the annual average increase hovers around 4.5%.

Figure 7 also shows that annual average increases moving forward would be higher than the historical period, highlighting the need for increased funding to meet proposed levels of service. Over the 20-year period the average tax levy increase is about 5.5% per year. Given an average of about 2% assessment growth over the 20-year period this results in an average notional tax rate increase of about 3.6% per year. This includes provisions for a dedicated 1.5% infrastructure levy, additional debt financing funded from the tax base and additional operating costs both associated to growth and meeting the proposed level of service over the 20-year period. The infrastructure levy combined with tax funded debt financing results in a 3.2% tax levy increase on average over the 20-year period. The tax

[9] Historical tax levies based on previous years' FIRs have been adjusted to 2025 constant dollars.

levy impacts shown in Figure 7 are reflective of the capital and operating needs identified in the previous sections. Note that a detailed calculation of the tax levy is provided in Appendix C.

***Figure 7 – Proposed Scenario - Historical vs Forecasted Average Tax Levy Increase[10]***




Based on the financial analysis several fiscal challenges have been identified which will have an impact on the Town's financial outlook. The primary challenges are:

- Significant capital is identified over the 20-year period which is needed to meet the proposed level of service.
- External revenues, particularly those for state of good repair, are limited. This limitation of funding from other levels of government is expected to continue. Therefore, without other sources of funding the Town will continue to be largely responsible for funding these needs.
- Undertaking the capital program creates pressure on reserves which would require debt financing for major projects with longer benefiting horizons.

[10] For clarity, the historical tax levy increase represented by the red bar is comparable to the top of the coloured bars, which represent the forecast average tax levy increase. The gold bar represents the forecast average tax rate increase, while the green bar represents forecast average assessment growth. The sum of the gold and green bars is the forecast average tax levy increase.

- Increased funding is needed to support the capital needs of the Town, with taxes being the primary source to facilitate these investments. However, the result being higher tax levy requirements than historical trends which can create affordability challenges.

- Importantly, the notional average tax rate increases will need to be maintained at a level higher than inflation over an extended period of time.

## H. ALTERNATIVE SCENARIOS REPRESENT MORE CONSTRAINED FISCAL OUTCOMES

Based on the previous sections, it was determined that increased investment levels are required to meet the proposed level of service in the Town. A number of financing strategies were undertaken to determine a "balanced" financing strategy that ensures the use of all the fiscal tools available to the Town. To ensure a "balanced" approach, the proposed scenario (labeled Scenario 1) is compared to two alternative scenarios outlined in Table 3 below.

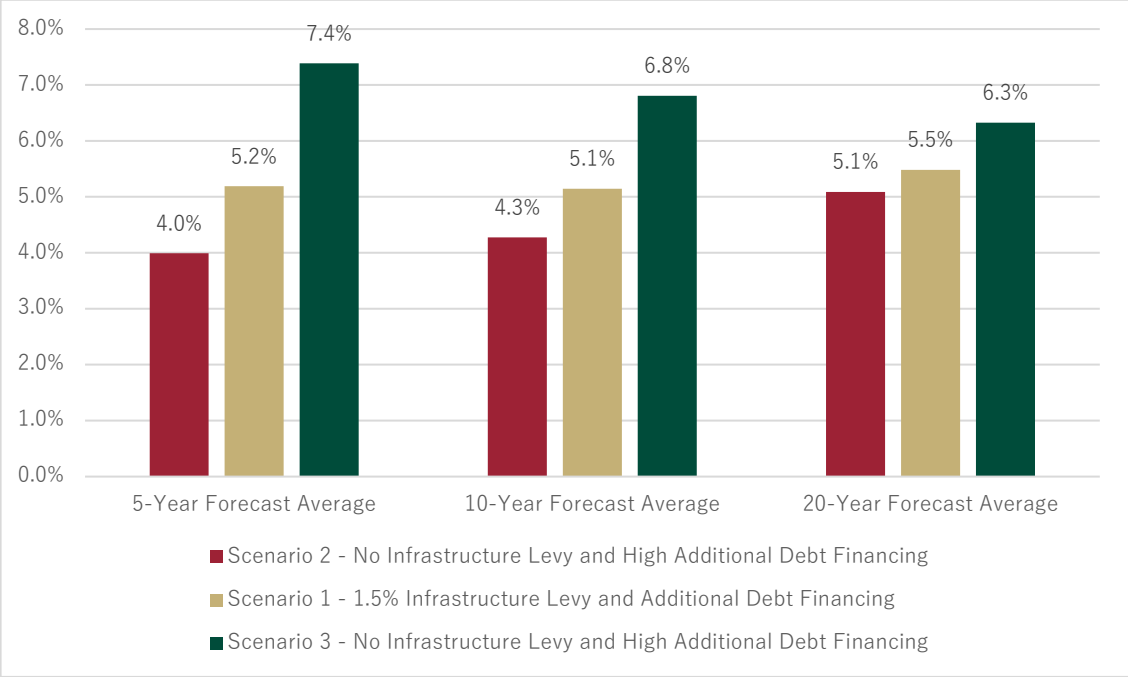
***Table 3 – Description of Scenarios***

| FINANCIAL PARAMETER | SCENARIO 1: 1.5% INFRASTRUCTURE LEVY AND DEBT FINANCING | SCENARIO 2: NO INFRASTRUCTURE LEVY AND INCREASED DEBT FINANCING | SCENARIO 3: HIGH INFRASTRUCTURE LEVY & NO ADDITIONAL DEBT FINANCING |
|---|---|---|---|
| **Infrastructure Levy** | An annual infrastructure levy of 1.5% over the 20-year period. | No infrastructure levy is proposed and contributions to asset management reserves would remain at similar levels to today. | An annual infrastructure levy of 4.2% over the 20-year period. |
| **Debt Financing** | Debt financing totalling about $354.9 million over 20-years. | Debt financing totalling about $520.2 million over 20-years. | No additional debt financing is assumed (beyond existing) for tax funded capital. |
| **Reserve Targets** | Asset management reserves are targeted at 2% of asset replacement value by the end of the forecast period across all scenarios. | | |
| **Other Factors** | Other financial assumptions including debt terms, assessment growth, operating costs remain the same across all scenarios. | | |

Figure 8 outlines the comparison of the average annual tax levy increases under each scenario.

- Scenario 2 results in the lowest average annual increases to the tax levy. This result is ultimately driven by the majority of the tax funded capital needs being debt financed in which the costs are spread and paid for over a longer-time period.
    - This scenario assumes all capital is undertaken within the planning period, but the debt servicing costs extend beyond the 20-year period.
- In comparison, Scenario 3 results in higher tax levy increases as the infrastructure levy is expanded to ensure the capital plan can be funded over the 20-year period without the use of debt financing to mitigate and smooth tax impacts.
    - This scenario assumes all capital is funded within the planning period.
- Scenario 1, the preferred scenario, by comparison, is in the middle of the two alternative scenarios which represents a mixed approach of using debt financing and a 1.5% infrastructure levy.

***Figure 8 – Comparison of Average Annual Tax Levy Increases***



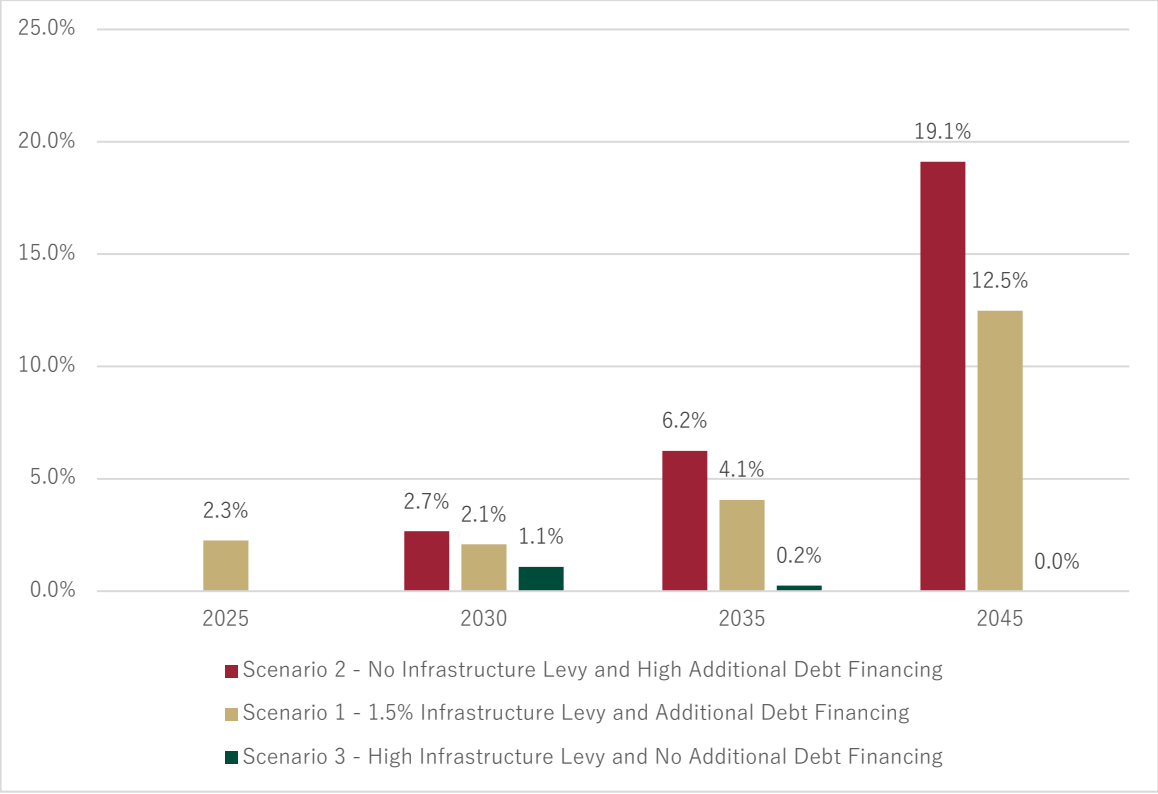

While differing levels of tax-based funding and debt financing results in different tax levy impacts, it is important to consider that overall fiscal outcomes are different. Figure 9 shows debt payments as a percent of own source revenue under each scenario.

- While Scenario 2 resulted in the lowest tax levy impacts overall, it results in the highest debt level in comparison. By the end of the forecast period, Scenario 2 results in a debt to own source revenue of just under 20%. This is well above the comparative policy limits set by other municipalities and encroaches on the maximum allowable debt allowed which is set by the province (25% limit).

- Scenario 3 would result in debt levels to become zero by the end of the forecast period as the Town's existing debt obligations retire and no new debt is issued. However, as previously shown, this no new debt option results in a much higher infrastructure levy requirement than the other scenarios.

- By the end of the planning period, Scenario 1 would result in debt to own source revenue of 12.5%. While this result is higher than current debt levels of about 2%, it is recognized this spans a longer period of 20-years and this level is within the policy limit of comparable municipalities, ranging from 10% to 15% (see Section 1).

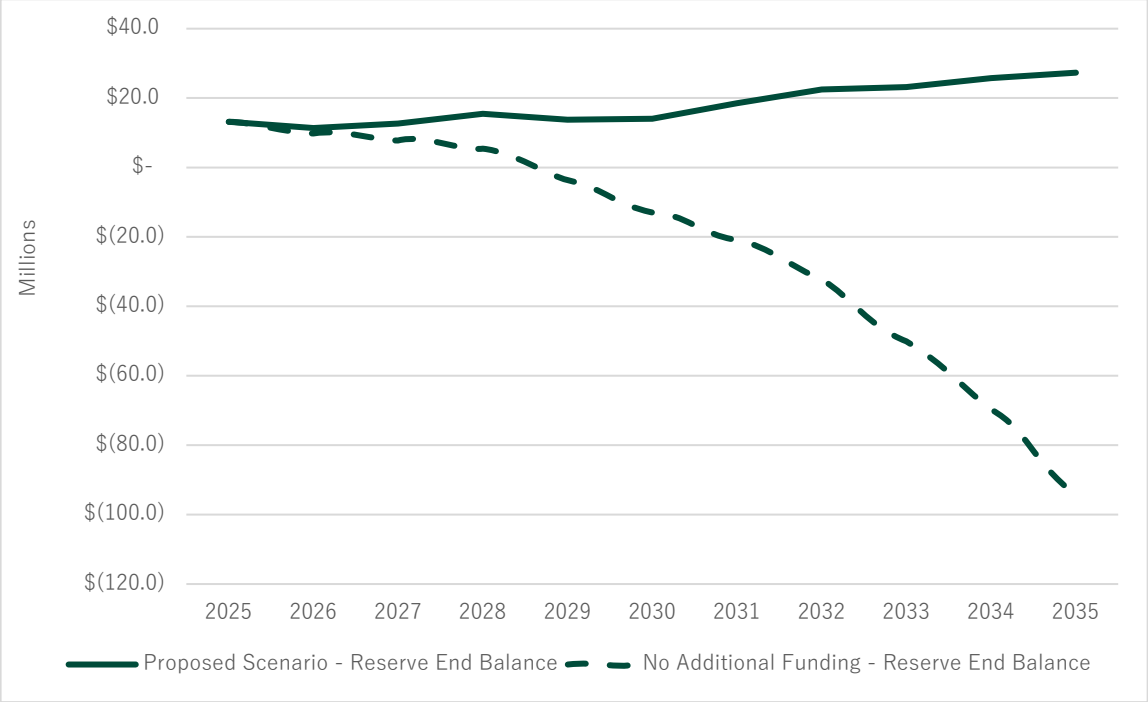
***Figure 9 – Comparison of Annual Debt Payments as a Percent of Own Source Revenue***



## I. MAINTAINING CURRENT FUNDING LEVELS WOULD CREATE UNFAVOURABLE FISCAL OUTCOMES AND CHALLENGES TO MEET THE PROPOSED LEVEL SERVICE

The proposed scenario shows a financing strategy to help guide the Town in meeting the proposed level of service over the long-term. In addition to financing strategies to meet the proposed level of service, the proposed scenario is also measured against a scenario where no additional funding for capital is assumed and contributions to reserves remain at the same levels as 2025. Figure 10 shows the reserve balance in the proposed scenario over a 10-year period, which reaches about $27.3 million by 2035 (solid line). This is compared against the no funding scenario, which shows reserves depleted and entering a negative position by 2028 (dashed line). This is attributed to the continued need for capital spending without additional funding[11].

***Figure 10 – Comparison of Reserve End Balance in Proposed Scenario vs a No Funding Scenario***




In general, the constrained funding levels can potentially create challenges in meeting the Town's proposed level of service over the long-term. The scenario illustrated above (Figure 10) would likely result in a decrease to the level of service over a longer time-period. For

[11] For this alternative scenario, a 10-year period is shown as the result over the longer term would show further decline in the reserve to 2045.

this reason, it is important to understand the risks associated to limiting funding for infrastructure renewal and replacement activities. Table 4 outlines the current and proposed levels of service outlined in the Town's 2024 AMP with a focus on the most relevant Levels of Service (LOS) measures and a discussion on the potential risks due to constrained investment.

***Table 4 – Risks to the Level of Service***

| ASSET CATEGORY | TECHNICAL LOS | PROPOSED LOS | RISK |
|---|---|---|---|
| **Roads** | For paved roads in the municipality, the average pavement condition index value. | 75 | Roads rely on minimum maintenance standards; therefore, low investment levels would result in risk to meet these standards. Long-term risks include deteriorating conditions which would result in a decreased average PCI. |
| | For unpaved roads in the municipality, the average surface condition. | 78 | Unpaved roads rely on ongoing maintenance especially after major weather events. Reduced investment results in more immediate reductions to the average condition of unpaved roads. |
| **Bridges and Culverts** | For bridges in the municipality, average bridge condition index value. | 70 | Bridge and culvert needs are identified through the Town's OSIM inspections. Critical structures must be addressed more immediately, which requires funding as structures age. Without ongoing funding, more loading restrictions must be put in place to reduce risks to drivers. |
| | For structural culverts in the municipality, average bridge condition index value. | 70 | |
| | Percent of bridges in the municipality with loading or dimensional restrictions. | 2.0% | |
| **Stormwater** | Percent of properties in municipality resilient to a 100-year storm. | TBD | Stormwater infrastructure is a long-lived asset, however changing weather conditions and flood risk have created the need to ensure stormwater infrastructure is well maintained. Increased investment may be required depending on the resilience of the system to 5 and 100-year storms. |
| | Percent of the municipal stormwater management system | TBD | |

| | | | |
|---|---|---|---|
| | resilient to a 5-year storm. | | |
| **Non-Core Asset Categories** | Percent of assets in poor and very poor condition | Differentiated by asset category | Many of the non-core assets are largely replaced based on their age particularly for rolling stock like fleet/machinery/equipment or digital service assets. Constrained investment results in these assets used past their useful life increasing the share considered in poor or very poor condition. Some assets like facilities, can be used well past their useful lives however increased investment is needed to ensure good upkeep of these facilities. |

Note: Proposed level of service based on Town's 2024 AMP.

# 3. Key Model Findings for Rate-Supported Assets

The geography and density of the Region create some challenges for structuring water and wastewater systems, infrastructure needs, servicing costs, and planning for growth. While in some Regions, like Durham and Peel, the Regions are the sole owners and operators of integrated water and wastewater systems largely for the use of customers within their respective jurisdictions.

The systems in Niagara Region are much more complex. Niagara supplies water to its eleven lower-tier municipalities, who handle local collection, storage, and distribution. The local municipalities are also responsible for the administration and billings. The analysis outlined assumes a continued two-tier service delivery approach and outlines the fiscal requirements to meet the service levels over the long-term.

## A. A FULL COST RECOVERY APPROACH IS USED FOR THE ANALYSIS

Figure 11 illustrates the overall approach used to assess rate impacts. The analysis is based on a full cost recovery approach and follow a structured, step-by-step process.

The first step is to develop a forecast of future water consumption and wastewater generation for the period 2026 to 2045, using 2025 as the base year. The forecast is then combined with current rates and rate structures, reserve balances, and annual operating and capital budgets to assess the financial position of the Town's water and wastewater systems.

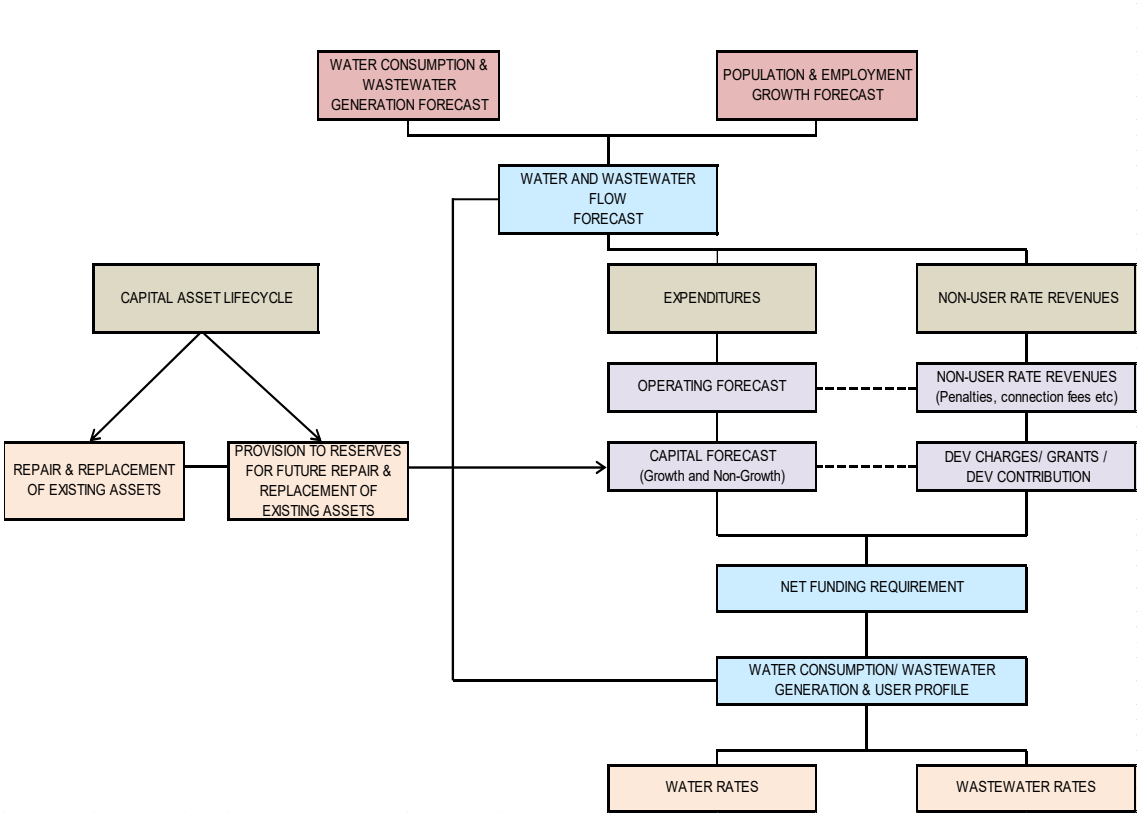
The analysis draws on a range of data sources, including 2025 capital and operating budgets, 10-year capital plans, development charge background studies, the asset management plan and other relevant financial documents.

Using this information, the full cost recovery rates required to fund the water and wastewater systems are calculated. This includes projecting capital expenditure requirements and future operating and maintenance costs. The final step is to determine the impacts of implementing the full cost recovery rates in the Town over the long-term.

To carry out the analysis, Hemson developed a tailored Excel-based financial model for both tax and rate supported assets. The model is designed to forecast future system costs, calculate

the water and wastewater rates required for full cost recovery, and evaluate the resulting rate impacts on customers.

***Figure 11: Water and Wastewater Rate Setting Model***




## B. BILLABLE CONSUMPTION ASSUMED TO INCREASE MODERATELY

Future costs of the Town's water and wastewater systems will be driven primarily by customer demand. As such, a detailed forecast of billed water consumption has been developed to inform long-term rate projections.[12]

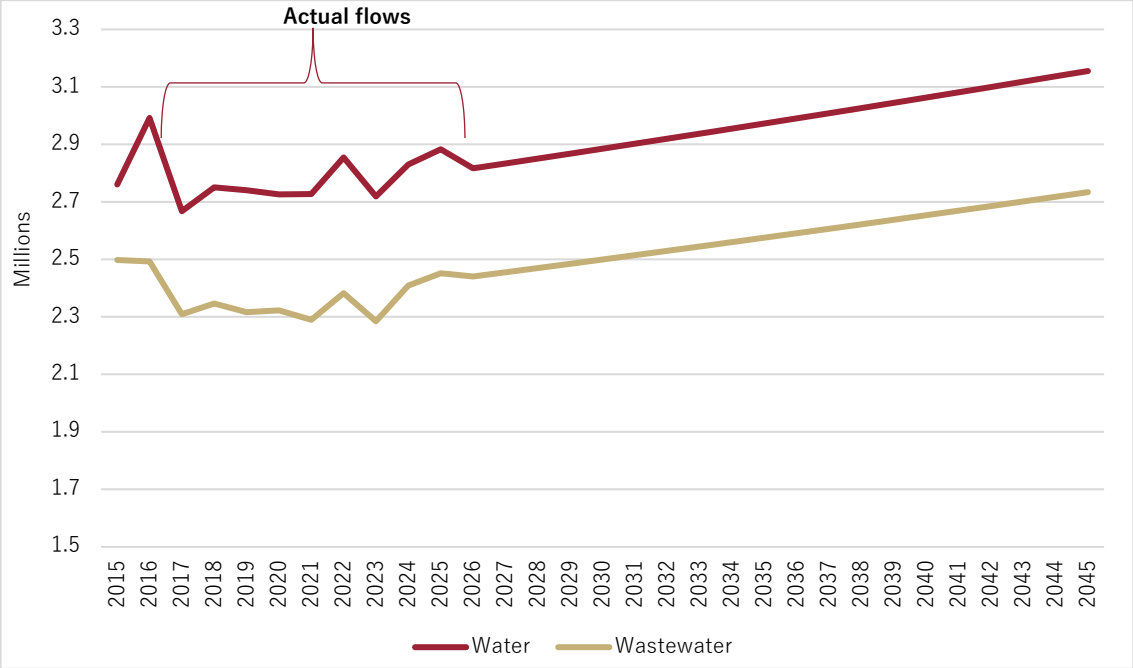
[12] Only water that is billed to the end-user is incorporated into the analysis and used to calculate utility rates. This is referred to as billable (or metered) water and includes all residential and non-residential consumption. Wastewater generation is based on billed water.

The analysis covers the period from 2026 to 2045, using 2025 as a base year. Historical metered water consumption data dating back to 2015 was used to develop the forecast. Total billed consumption is the foundation for projecting system revenues over the forecast period.

Figure 12 shows the historical and projected water demand in the Town. In 2015, Fort Erie billed about 2.76 million $m^3$ of water. By 2023, billed consumption had declined slightly to 2.72 million $m^3$, despite population growth more than 10% over the same period. This trend reflects declining per capita usage across Ontario.

Looking forward, billed water volumes are expected to rise as new development occurs. In 2025, the Town is projected to bill about 2.8 million $m^3$, increasing to about 3.0 million by 2035 and 3.2 million $m^3$ by 2045.[13] It is important to note that if actual billed volumes grow more slowly than the forecast, utility rates may need to rise further to meet cost recovery requirements shown in this report.

***Figure 12: Historical and Projection of Total Billed Water ($m^3$), 2015-2045***




Note: Reflects water volumes billed to the end user.

[13] Billable volumes over the period are estimated using historical change in year-over-year consumption from 2015. Overall, flows are projected to increase by about 0.6% per annum. Historical data provided to 2025 (YTD to September).

Wastewater flows are forecast using the same methodology as for water. Historically, wastewater flows have been approximately 15% lower than billed water volumes, and this relationship is maintained throughout the forecast.

## C. OPERATING AND MAINTENANCE COSTS WILL INCREASE TO MEET PROPOSED LEVELS OF SERVICE

Table 5 summarizes the total forecasted operating expenditures for water services. The total operating expenditures for the water system in 2025 were budgeted to be about $8.1 million and anticipated to increase to $11.0 million in 2030, then $14.1 million in 2035, and finally $21.9 million by 2045.

***Table 5 – Forecast of Water Operating Expenditures***

| Expense Category | Inflation Factor | 2025 Budget | 2030 Projected | 2035 Projected | 2045 Projected |
|---|---|---|---|---|---|
| General Operating | 2%-4% | $3,342,000 | $3,876,000 | $4,528,000 | $6,222,000 |
| Regional Charges | 5% - 9% | $4,664,000 | $6,967,000 | $9,230,000 | $15,035,000 |
| Debt Payments | - | $83,000 | $17,000 | $- | $- |
| New Initiatives and Adjustments | - | $- | $150,000 | $300,000 | $600,000 |
| **Total** | | **$8,089,000** | **$11,010,000** | **$14,058,000** | **$21,857,000** |

Table 6 summarizes the total forecasted operating expenditures for wastewater services. The total operating expenditures for the wastewater system in 2025 is budgeted to be about $12.7 million and are expected to increase to about $19.6 million in 2030, then $25.4 million in 2035, and finally $40.8 million by 2045.

***Table 6 - Forecast of Wastewater Operating Expenditures***

| Expense Category | Inflation Factor | 2025 Budget | 2030 Projected | 2035 Projected | 2045 Projected |
|---|---|---|---|---|---|
| General Operating | 2% - 4% | $2,073,000 | $2,223,000 | $2,562,000 | $3,428,000 |
| Regional Charges | 5% -9% | $10,393,000 | $17,027,000 | $22,558,000 | $36,745,000 |
| Debt Payments | - | $245,000 | $211,000 | $- | $- |
| New Initiatives and Adjustments | - | $- | $150,000 | $300,000 | $600,000 |
| **Total** | | **$12,711,000** | **$19,611,000** | **$25,420,000** | **$40,773,000** |

The escalation in costs for both water and wastewater over the long-term can generally be attributed to:

- a general increase in operational expenditures due to inflation;
- increased Regional water purchasing and wastewater treatment costs; and
- the inclusion for new initiatives, which may be required in order for the Town to continue to adapt to ongoing legislative requirements, customer demands, and potential increased costs associated with the new growth in connections anticipated over the period.

### i. Town's General Operating Expenditures Will Increase Over Time (excl. Purchasing/Treatment)

The operating cost projections are based on Town's 2025 operating budget and extend through to 2045. Using the Town's 2025 operating budget, operating expenditures are assumed to increase annually by an adjustment factor depending on the expense category. The following assumptions are applied:

- Wages and benefits – 4%
- Materials and Services – 2%
- Interdepartmental Charges – 2%

Notably, one-time adjustments using the 2026 budget have been included in the forecast for 2026 and 2027 which could result in increases above the adjustment factor identified above.

### ii. Niagara Region Water Purchasing and Treatment Costs will Increase at Higher Rate than General Operating

In order to provide water and wastewater servicing to the community, the Town relies on the Region of Niagara for the supply and treatment of water. The Town is required to purchase water from the Region for all treated water to be distributed to end users. The Town then recovers those costs, as well as the costs of distribution, maintenance, and general operations by charging the users connected to the system directly.

- The projection of water supply and treatment costs from the Region is based on discussions with staff and the recent rate increases by the Region which the costs are ultimately passed onto the Town. Based on discussions with staff, the Regional water

purchasing cost is to increase by 9% per year through to 2031 before decreasing to 5.0% per year thereafter. The Town is projected to incur about $4.7 million in Regional water costs in 2025. This amount is expected to increase to about $9.2 million by 2035 and then $15.0 million by 2045.

- The projection of wastewater collection and treatment costs is based on projections which considers the rate increases imposed by the Region. Based on discussions with staff, the Regional treatment cost is to increase by 9% per year through to 2031 before decreasing to 5.0% per year thereafter. The Town is projected to incur about $10.4 million in Regional water costs in 2025. This amount is expected to increase to about $22.6 million by 2035 and then $36.7 million by 2045.

Not all water purchased from the Region is charged out to the end user. Non-revenue water[14] is water that is purchased from the Region and not charged to any end users and represents a cost to the Town that is not recovered.

### iii. The Town has Existing Debt Obligations, but No New Debt is Projected

The Town has existing rate funded debt obligations for both water and wastewater services. In 2025, the Town will make principal and interest payments of about $83,300 for water and $244,300 for wastewater. The term of the water debenture will end by 2031 while the term for the wastewater related debenture will end by 2032. The corresponding share of debt which is growth-related is funded from development charges and included for in the analysis.

No additional debenture financing requirements are assumed to carry out the capital plan in this projection.

### iv. Adapting to Customer Demands and Legislative Changes has a Cost

Based on discussions with Town staff, in order for the Town to continue to adapt to ongoing legislative requirements and customer demands, an allocation for new initiatives, which may be required in the future has been incorporated into the analysis. A summary of the key initiatives included in the operating budget are as follows:

[14] Non-revenue water can occur for a variety of reasons, including but not limited to: authorized consumption for Town needs (flushing, testing, and fire,) as well as other losses occurring through main breaks, leaks and valve uses.

- Staffing to support Consolidated Linear Infrastructure Environmental Compliance Approval (CLI ECA)
- Staff to support future growth
- Staff to support change in delivery of services
- Sanitary flow monitoring program
- Inflow and Infiltration (I/I) Inspection Program
- Leak Detection

While all the specifics of each program have yet to be finalized, a provision for these services has been included into the analysis to be introduced over the next several years and by 2045 anticipated to represent about $600,000 for each of water and wastewater services. The programs will be reviewed during annual budget deliberations.

### v. Non-User Rate Revenues Would Decrease Over Time

Non-rate revenues are budget items which decrease the net operating budget and are not recovered through the Town's water or wastewater user rates. These non-rate revenues relate to fees for services, non-metered customers, local improvements, grants, DC revenues and any transfer from reserve to mitigate expenses.

Table 7 shows the Town is expecting to recover approximately $338,000 for water services and approximately $809,000 for the wastewater services through non-user rate revenues and reserve transfers in 2025. By 2045, these amounts are anticipated to represent approximately $243,000 and $93,000 for the water and wastewater services, respectively. The decrease in non-user rate revenue is associated with development charges revenues coming offline which support the debt payments along with a general reduction in reserve fund transfers used to support system operations over the period.

Other non-user rate revenues associated with penalties and user fee revenues were adjusted at a rate of 2% beyond 2027 in the forecast period to account for inflation. Non-user rate revenues are set out in the detailed rate calculations illustrated in Appendix D.

***Table 7 – Forecast of Non-Rate Revenues***

| System | 2025 Budget | 2030 Forecast | 2035 Forecast | 2045 Forecast |
|---|---|---|---|---|
| Water | $338,000 | $198,000 | $212,000 | $243,000 |
| Wastewater | $809,000 | $600,000 | $276,000 | $93,000 |
| **Total** | **$1,147,000** | **$798,000** | **$488,000** | **$336,000** |

## D. INCREASED RATE FUNDED CAPITAL SPENDING IS NEEDED TO MEET PROPOSED LEVELS OF SERVICE

The 2025 capital budget, the Town's 10-year capital plan and discussions with Town staff formed the basis for preparing the 20-year capital forecast. In addition to the in-year capital requirements, Hemson has included annual contributions to reserves, which would allow the Town to prepare for the future repair and replacement of existing infrastructure.

### i. Projected Non-Growth Capital Expenditures Total $204.1 million for Water and Wastewater

The total rate funded (non-growth related) capital program for the Town is summarized in Figure 13. Over the immediate 10-year forecast period (2026-2035) plus capital in the 2025 base year, about $67.5 million in rate-funded capital projects is required to support both water and wastewater services. This is made up of:

- About $34.3 million in rate-funded capital projects is required to support water services.
- About $33.3 million in rate-funded capital projects is required to support the wastewater services.

Beyond the 10-year forecast period, from 2036-2045, the forecast is based on the average non-growth-related capital expense from 2026-2035 plus a provision for capital to address the existing backlog and Very Poor condition assets identified in the 2024 AMP. In total from 2025 to 2045 total rate funded capital amounts to $204.1 million ($87.1 million for water and $117.0 for wastewater). This expenditure is used as a proxy to estimate non-growth-related capital under current investment levels[15]. However, as the Town further contributes to the asset management reserves, funds will be available for the Town to advance their capital program and carry out additional work above existing planned levels to meet service levels.

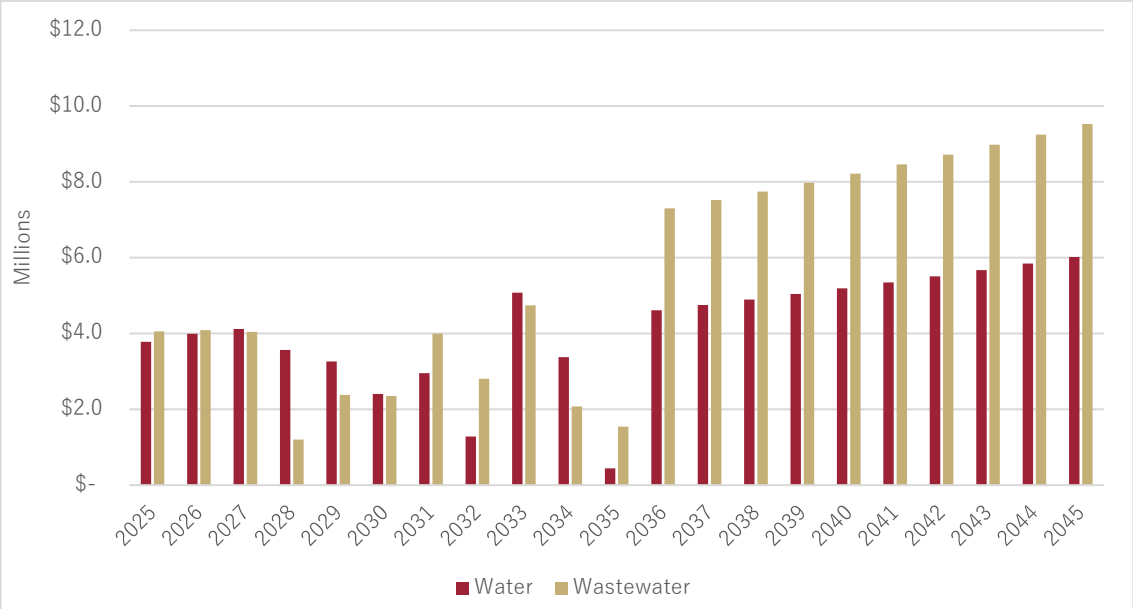
In all instances, water and wastewater reserve funds are prioritized to be used to fund the in-year capital expenditure requirements. Under the forecast, there are no instances in which in-year expenditures exceed the reserve fund balance in any year of the planning period; therefore, debt financing is not assumed. However, the Town has the authority and

[15] The average non-growth capital from 2026-2035 is $3.1 million for water with a further $2.9 million for wastewater services. The average capital expense is then inflated each year post 2036. The capital provision to address the backlog and $118M in Very Poor assets as outlined in the 2024 AMP ($31M in water + $87M for WW).

ability to utilize debt to fund system costs, and any financing costs would be funded through the utility rates going forward. The need for debt financing may be considered by Council on an annual basis through the budget process.

In addition to the known capital works, an annual contribution to reserves is included in the rate calculations to save for future repair and eventual replacement of existing assets while paying for the capital requirements identified in Figure 13.

***Figure 13 - Summary of Non-Growth-Related Capital Program - 2025-2045***




Note: The capital costs represented in this figure are adjusted for inflation to reflect the cost of the works in the year in which the work is anticipated.

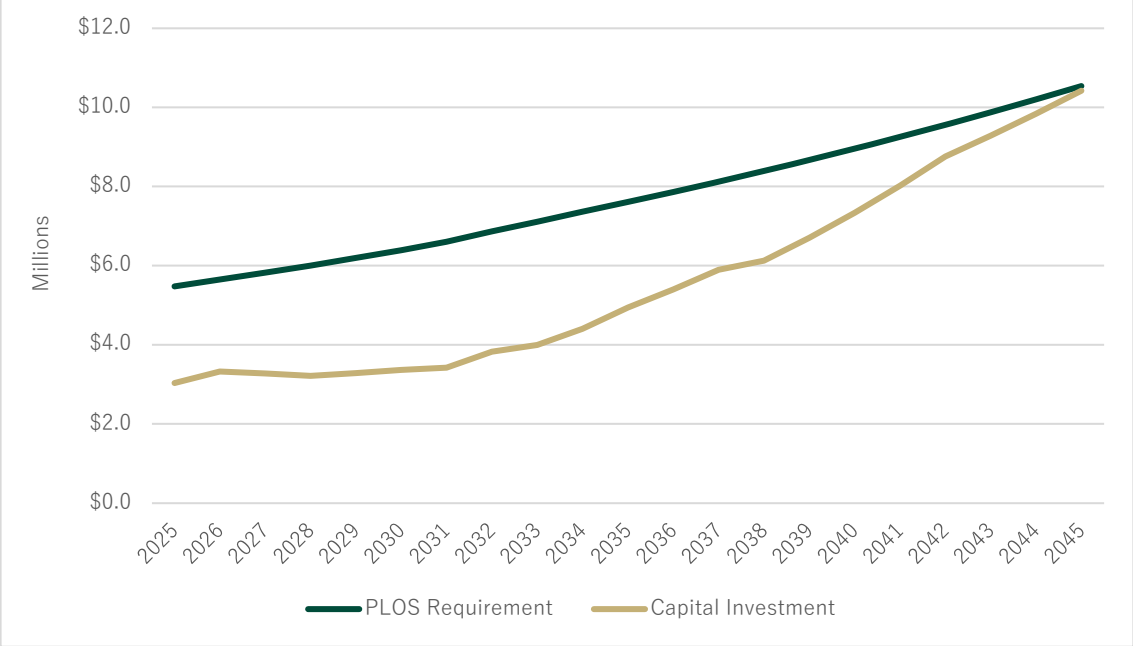
### ii. Full Cost Average Annual Contribution Requirement Amounts to $5.5 Million for Water Services and $9.8 Million for Wastewater Services

The asset rehabilitation and replacement needs were developed using the Town's existing 2024 Asset Management Plan and updated to reflect 2025 dollars. Furthermore, the annual investment needs have been modified to include savings for contributed assets which the Town will become responsible for funding over the long-term.

The calculated full cost average annual contribution requirement amounts to $5.5 million for water services and $9.8 million for wastewater services in 2025 with the figures sourced from the 2024 AMP and adjusted for inflation. This calculation is based on the infrastructure that the Town owns at the time of preparing this study. The annual contribution requirements have been identified in this analysis and detailed in Appendix D.

To mitigate an impractical increase of the user rates, reserve fund contributions are phased in gradually and managed in the context of the Town's existing accumulated funds. The figures below provide a snapshot of the rate funded capital contribution requirements over the period in order to achieve the annual investment requirements by the end of the planning horizon[16]. Despite the Town's contributions achieving cost recovery by the end of the period in 2045, it is important to recognize that the Town's capital asset investment needs remain underfunded, and it is expected that the Town will review this relationship and monitor the transition to cost recovery. The figure below illustrates the movement to investing in the required water capital asset management needs by the end of the period. As shown, the Town's investment in water infrastructure is short of the annual need and is contributing at about 55% of the required need.

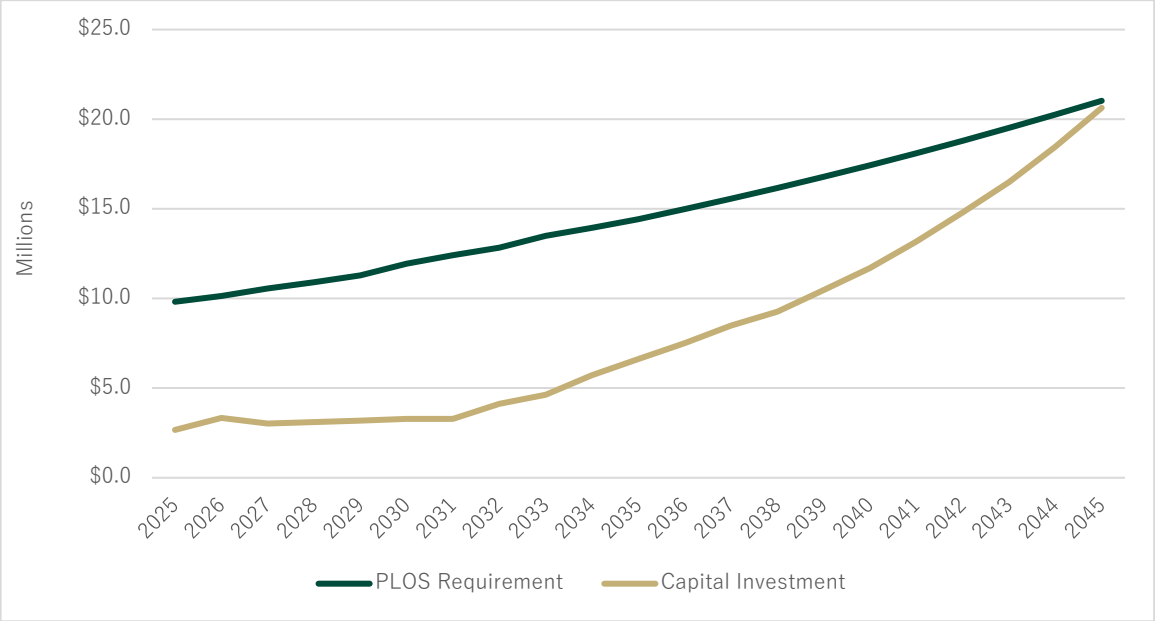
***Figure 14 - Water PLOS Requirement vs. Capital Investment 2025-2045***




Like water, the figure below illustrates the movement to investing in the required wastewater capital asset management needs by the end of the period. As shown, the Town's investment in wastewater infrastructure is short of the annual need and is contributing at about 27% of the required need.

[16] The Capital Investment referenced: include contributions to reserve (from operating), debt payments and interest earned on capital reserves funds.

*Figure 15 - Wastewater PLOS Requirement vs. Capital Investment 2025-2045*

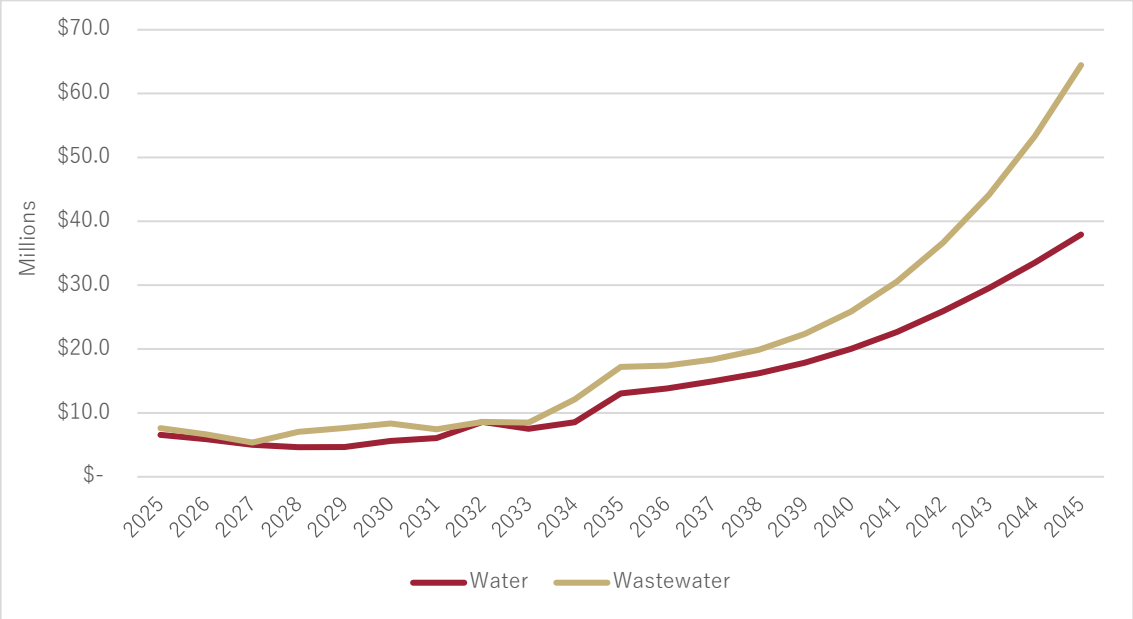



### iii. Reserve Funds Need to be Maintained to Undertake Capital

As the non-growth capital expenditures shown in Figure 13 are expected to be funded through the Town's rate-funded water and wastewater reserves, it is important to ensure that sufficient funds are available to 2045. Figure 16 illustrates the cumulative water and wastewater reserve balances resulting from both the contributions to reserves and any withdrawals required to carry out the capital program. The estimated year-end 2025 reserve fund balance is expected to be about $6.6 million for water services and about $7.6 million for wastewater services.

The analysis estimates the 2045 reserve balances to be approximately $37.9 million and $64.5 million for water and wastewater, respectively (total of $102.4 million for both services). It is important to note that although the reserve balances grow quickly towards the end of the planning period, the balances will be reduced if any rate-funded capital projects are added to the 10-year capital plan above what has been identified. The reserve fund growth is a function of the increased savings for capital asset investments, and it is expected that the Town would look to use that money to carry out much needed capital repair and replacement works.

*Figure 16 - Summary of Year-end Reserve and Reserve Fund Balances for capital (excl. stabilization)*




### iv. Projected Growth Capital Expenditures Would Continue to be Funded through Development Charges

The utility rate analysis only captures the non-growth-related shares of the Town's water and wastewater infrastructure. Infrastructure related to growth will receive funding through development charge revenues and other developer contributions and this capital is not funded from the water and wastewater rates in this study. Notably, this rate analysis does capture the non-growth related shares of water and wastewater infrastructure outlined in the Town's DC Background Study as it is assumed this infrastructure has been captured through the Town's 10-year capital plan.

While this analysis assumes that development charges will continue to fund growth-related infrastructure, future legislative changes could impact the certainty of development charges as a funding source. A recent example of such changes includes the several significant regulatory changes announced by the Provincial Government under the *Protect Ontario by Building Fast and Smarter Act, 2025* (Bill 17), enacted in June 2025. Key changes include the following:

- Permitting the merging of service categories when issuing development charge (DC) credits;
- Deferring residential DC payments from building permit issuance to occupancy;

- Limiting eligible capital costs recoverable through DCs, which includes recent limitations on the treatment of land costs;
- Prescribing a standardized methodology for determining the "benefit to existing" (BTE) share of infrastructure costs;
- Expanding the requirement to allocate or spend at least 60% of reserve funds annually to all services;
- Broadening Treasurer's DC reporting requirements and enhancing public access to reporting; and
- Standardizing DC background studies.

Collectively, these changes could reduce the DC revenues available to Ontario municipalities, and importantly, the timing of collection. The Financing Strategy models can be updated at a future date once the financial impact of the changes is better quantified.

## E. RATE IMPACTS WOULD REMAIN ELEVATED FOR AN EXTENDED PERIOD

In calculating the water and wastewater rates, a number of assumptions were applied. The water and wastewater rates are calculated to fully recover the cost of operating the system and identified in-year capital needs (inclusive of any rate-funded debt servicing requirements). Furthermore, the rates continue to provide for contributions to asset replacement reserves. An immediate implementation of a rate that fully funded the calculated asset rehabilitation and replacement contributions would result in significant impacts to all users in the Town. The analysis is based on providing for a gradual movement towards full rates. These contributions, when combined with the Town's ongoing capital works, will demonstrate a significant movement to long-term full cost recovery rates.

Table 8 below provides a summary of the 2026 net rate funding requirement for each of the water and wastewater systems. The net rate funding need represents the amount of money that must be funded through the utility rates.

*Table 8 - Calculation of the 2026 Net Rate Funding Requirement ($000)*

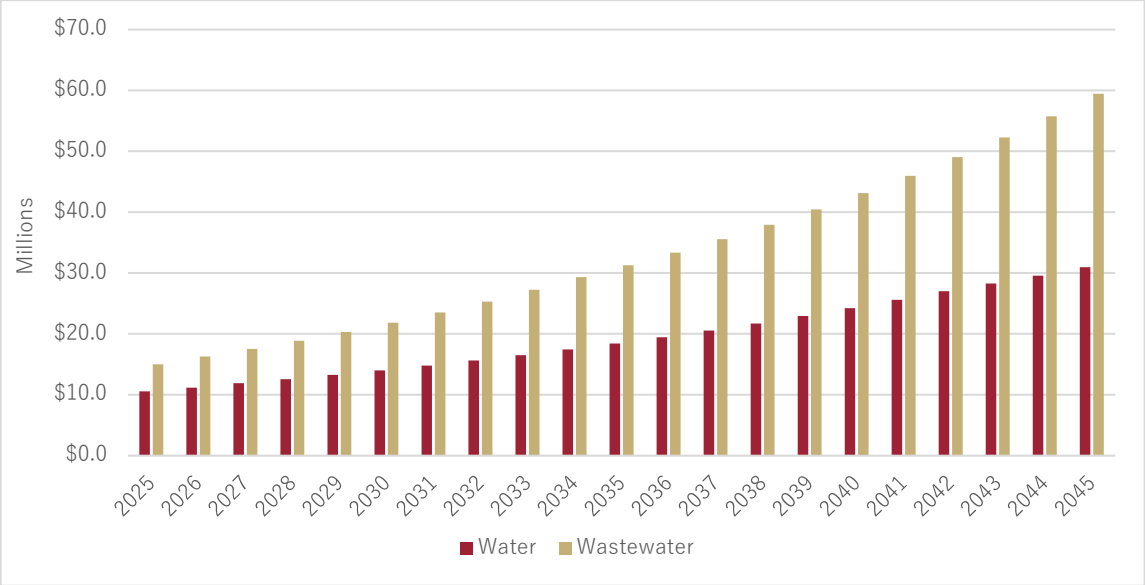
| REF | CATEGORY | WATER | WASTEWATER |
|---|---|---|---|
| 1 | Operating Expenditures | $8,300 | $13,100 |
| 2 | Contribution To/(From) Reserves | $3,100 | $3,700 |
| 3 | *Less: Non-Rate Revenue* | *($300)* | *($600)* |
| | **Total Net Rate Funding Need = (1+2+3)** | **$11,100** | **$16,200** |

### i. Water and Wastewater Net Rate Funding Requirements Projected to Increase to About $30.9 Million and $59.4 Million Respectively

Over the long-term, the net rate funding requirements for both the water and wastewater system are expected to increase. The cost increases can largely be attributed to carrying out the capital program, operational related cost increases to manage inflationary impacts, increases to the Regional water supply and wastewater treatment rates and increased costs from new initiatives. These costs are required for the Town to continue to adapt to ongoing maintenance requirements and customer demands.

The water and wastewater net rate funding requirements are projected to increase to about $30.9 million and $59.4 million over the 20-year period. Figure 17 below provides a snapshot of the annual year-over-year projections to 2045.

*Figure 17 - Projection of Net Rate Funding Need (2025-2045)*



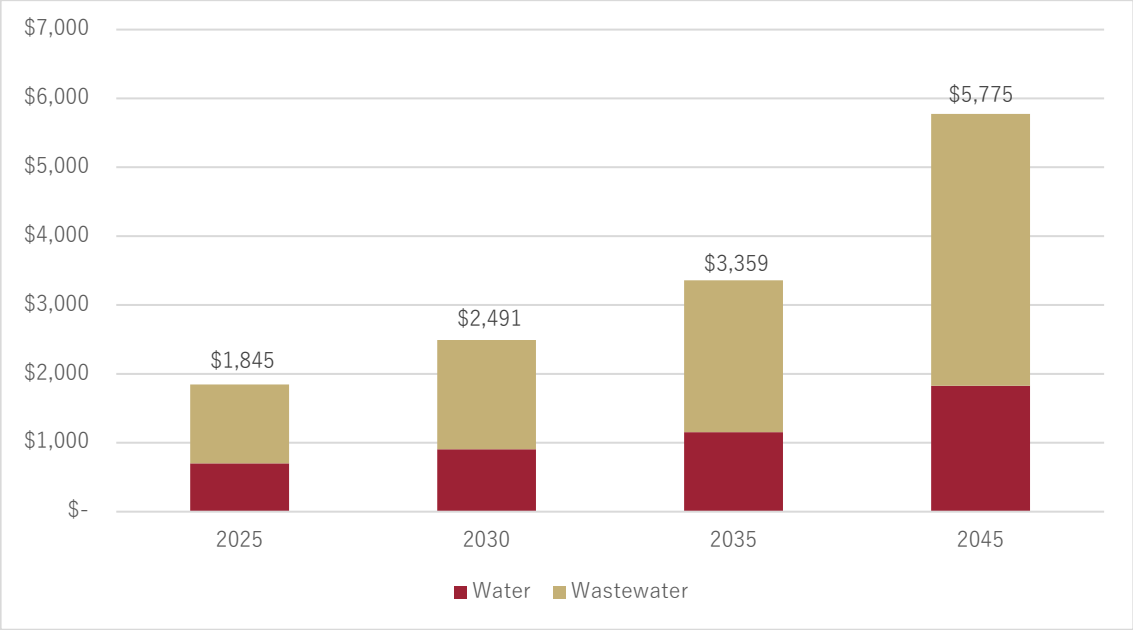

The utility rates are set to fully recover the net rate funding need, as outlined in Figure 17. This includes net operating costs (after accounting for non-rate revenues), annual capital expenditures, including debt servicing for rate-supported borrowing, and contributions to reserves for asset rehabilitation and replacement.

As shown below, the movement to cost recovery results in higher utility rate increases over the long term:

- **Water** – The 20-year average annual increase is 4.9%.
- **Wastewater** – The 20-year average annual increase is 6.4%.

To help contextualize the utility rate increases, Figure 18 presents the projected total annual water and wastewater bill for a typical household in Fort Erie consuming 192 $m^3$ per year, from 2025 through 2045. On average, the typical bill increases for a household consuming 192 $m^3$ would be 5.9% per annum over the 20-year period shown above. By 2035, a typical household would face an estimated annual bill of $3,359, which is $1,514 (or 82%) more than the current bill. By 2045, bills are calculated to reach $5,775.

*Figure 18: Total Water and Wastewater Bill for a Typical Household in Fort Erie (192 m³/annum)*




## ii. Reserves would Reach Benchmark Target over 15-20 Years

It is important to consider the implications of the calculated user rates on the Town's water and wastewater reserve fund. The Town's opening 2025 water and wastewater reserve funds are estimated at $9.0 million in water and $11.8 million in wastewater funds (excluding DC Reserves). The Town's reserve funds have been calculated over the 20-year period with the goal of ensuring reserves maintain a positive position compared to a benchmarked high and low "minimum balance" illustrated below in Figure 19[17]. For the purposes of this analysis, the minimum balance was determined to represent:

1. 2% of the Town's water and wastewater asset replacement value; plus
2. 6 months of operational expenses.

Figure 19 indicates that the Town's water and wastewater reserve funds maintain a positive position throughout the period but remain below the identified minimum thresholds due to significant drawing on these funds to carry out the non-growth-related capital program for the first ten years of the forecast period. Furthermore, reserve levels are expected to be relatively flat over the next 10-years as the Town undertakes additional rate funded capital projects to maintain

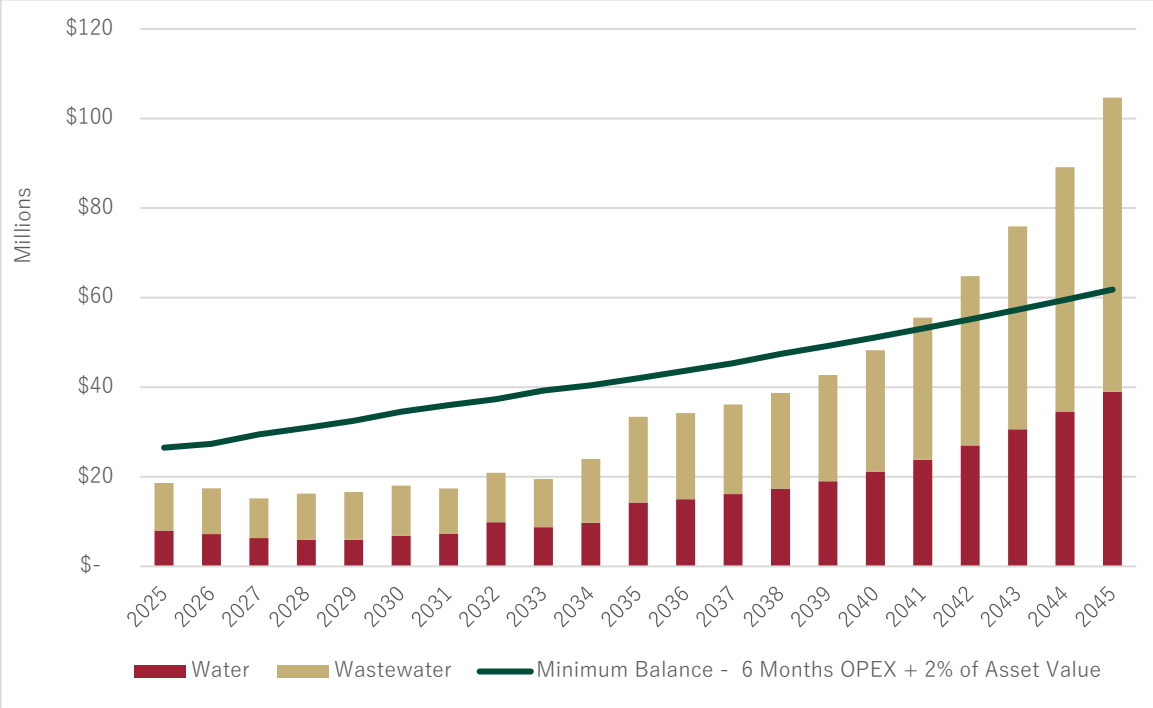
[17] The minimum balances are shown for illustrative purposes as a comparative tool, the "minimum" shown has not been endorsed by Council via a formal policy or by-law.

assets in state of good repair. From 2035 and onwards, reserve balances for water and wastewater further accelerate reaching levels greater than the minimum balance from 2041-2045.

Maintaining adequate reserve balances ensures funds are available to manage unexpected capital expenditures or other operational variances, which may be experienced over the planning period (i.e. variations in annual billable consumption). Continued contributions to these reserves to 2035 will ensure that sufficient funds are available to undertake capital works in 2035 and beyond and the Town will be able to absorb unforeseen expenditures without impacting the utility rates.

It is recommended that the Town continue to monitor and contribute to both the water and wastewater reserve funds over the period to ensure they continue to be sufficient to cover operational and capital expenditures. It is expected that the quantum of the Town's reserve funds be reviewed regularly and in conjunction with any rate study or asset management plan review.

***Figure 19 - Summary of Water and Wastewater Rate Funded Reserves vs Benchmark***



# 4. Conclusions and Recommended Actions

This section summarizes the key Financing Strategy findings and a set of recommended actions to guide the Town in achieving the proposed level of service over the long-term.

## A. Without Alternative Sources of Funding, the Town Will Need to Rely on Taxation to Meet LOS Needs for Tax Funded Services

A proposed scenario has been developed based on a review of various fiscal scenarios. This proposed scenario provides a more balanced approach in utilizing the fiscal tools available to the Town. The following conclusions can be made:

- Net operating expenditures will continue to increase to meet the needs of growing service demand from new residents and to meet proposed levels of service.
- Non-growth capital needs are extensive, totaling about $786.7 million from 2025 to 2045. This level of capital expenditure would be needed to meet the proposed level of service within the 20-year planning period. It is noted that the level of expenditure is phased-in over time.
- Achieving adequate reserve levels while undertaking capital needs would require increasing capital contributions from tax. This would be in addition to leveraging debt financing over the long-term period to carry out capital.
- Funding tools for the Town, like all municipalities, are limited. While grant funding is assumed over the forecast period, this is insufficient to meet the proposed level of service alone.
- Forecast tax levy increases are higher than historical averages driven by increased needs for operating and funding for capital to meet the proposed level of service by 2045.
- The Town's assessment base will continue to grow over the long-term creating additional tax revenue, however this assessment growth alone is insufficient to fund the needs to meet the proposed level of service.

- While capital needs are extensive, tax levy increases can be managed through the responsible use of debt financing and additional funding from taxation. The forecast shows that debt levels can be maintained within comparable benchmarks.

- Alternative scenarios, such as not utilizing debt financing or maintaining funding levels static could produce less than desirable fiscal outcomes. This creates risks by depleting reserve levels or potentially affecting service levels.

## B. THE TOWN WILL NEED TO BE PROACTIVE BY INCREASING WATER AND WASTEWATER RATES OVER TIME

- Unlike tax funded services, water and wastewater services operate on a full-cost recovery model. Full cost-recovery cannot be achieved over the short-term without significant rate increases. For this reason, the forecast approach looks at achieving full-cost recovery over the long-term.

- Billable consumption is assumed to increase moderately. In 2025, the Town is projected to bill about 2.8 million m3, increasing to about 3.2 million m3 by 2045. However, if actual billed volumes grow more slowly than the forecast, utility rates may need to rise further to meet cost recovery requirements.

- The total rate funded capital needs for water and wastewater combined totals $204.1 million from 2025-2045. This represents the total need to maintain assets in state of good repair and meet the proposed level of service.

- To meet rate funded asset management requirements the Town will need to increase capital investment over time through contributions to reserves funded from rates. This will ensure the Town can undertake capital needs over the short to medium term while saving for the long-term.

- Water and wastewater reserve levels are currently below benchmark (6 months operating plus 2% of replacement value). However, this benchmark can be achieved within a 15-20 year timeframe with continued rate increases.

- Achieving full-cost recovery and meeting the proposed level of service over the long-term would require notional rate increases averaging about 4.9% for water and 6.4% for wastewater over a 20-year period.

- While service levels are not at immediate risk, insufficient long-term funding would create growing financial and asset-management pressures.

- The two-tier governance structure and complex supply and distribution of water and wastewater treatment in Region of Niagara and the Town of Fort Erie should be recognized. The Town's movement to full-cost recovery can be influenced (and impeded) by the broader supply and treatment requirements and associated costs imposed by the Region to supply the Town.

## C. RECOMMENDED ACTIONS CAN SET THE STAGE TO MEET PROPOSED LEVELS OF SERVICE

- It is recommended that the Town consider the strategic use of debt, as appropriate, for major capital investments. The use of debt should be guided by considerations for affordability, equity and fairness, and fiscal flexibility and sustainability. It is also important to consider the Town's position as a lower-tier municipality in the Region as potential risk as the Region of Niagara issues debt on behalf of the Town. This poses a risk in using debt as a financing tool since the Region could reach its limit with their own projects or those related to other lower-tier municipalities- the Region could reach its debt capacity while issuing debt for other lower-tier municipalities. The timing, type, and term of debt should be determined with the objective of minimizing long-term costs. The following guidelines can be followed:

    - Ensuring that debt financing is reserved for major capital projects which have Town wide-benefits and assets with long useful lives (20-years or more).

    - Limitations on debt terms, including a preference for 10- and 20-year terms.

    - Consider implementing a Town self-imposed debt policy limit to provide for the efficient and effective financing of critical infrastructure. The limit could be set between 10% of own source revenue up to 15% of own source revenue similar to benchmark municipalities.

    - This self-imposed limit can be reviewed regularly and informed through the annual budget process to ensure that the limit is consistent with the needs identified in the 10-year capital program.

    - Once a debenture is fully paid, continuation of existing practice of using the available "tax room" to maintain an equivalent payment into a capital reserve, or alternatively, to debt finance other critical projects. This is a practice that is currently implemented at the Town and recommended to remain in place over the long term.

- It is recommended that the Town move towards increasing tax funded contributions to asset management reserves. This can be done through an infrastructure levy.
    - Based on the proposed scenario the Town can implement a 1.5% infrastructure levy to increase capital contributions from tax over time. For context, in 2026, 1.5% would amount to an additional $552,000 based on the 2025 tax levy of $36.8 million. This investment would be in addition to the 2025 $10.4 million net transfer to reserve (from operating) for capital asset management activities.
    - This type of levy provides more uniform incremental revenue, while being transparent to taxpayers. It can be implemented as an independent portion of a tax bill.
    - The infrastructure levy can be reviewed regularly through the budget process and can also be thoroughly reviewed at the time of next AMP update, expected in 2030 as required by O. Reg. 588/17. This review should ensure that the infrastructure levy is aligned to the needs of capital.
- It is recommended that the Town develop target balances/contributions for asset management reserves to ensure that reserves remain at sustainable levels. The following are targets the Town can consider:
    - Achieving a minimum balance of asset management reserves as a percentage of replacement value ranging from 1.0% to 3.0% is recommended. For water and wastewater services, specifically the recommended balance would be 1.0% to 3.0% plus 6 months of operating costs. For the purposes of this study, the minimum balance is illustrated at 2% of CRV, which would be about $11.9 million for water and $14.6 million for wastewater in 2025. It is recognized that this would be a long-term objective, however this benchmark can be tracked through the Town's annual asset management updates and/or the annual budget process.
    - Specifically for water and wastewater services ensuring that annual capital investment is increased over time to meet the asset management average annual needs identified in the AMP.

# APPENDIX A

# LIST OF ASSUMPTIONS AND DATA SOURCES

*Table 9 - List of Assumptions for Tax-Supported Services*

| Area | Key Assumptions | Data Source |
|---|---|---|
| **Inflation** | The forecast includes long-term inflation set at 2% annually for operating-related costs and 3% for capital-related costs. | |
| **Annual Investment Requirements to Meet the Proposed Levels of Service** | The annual investment requirements have been sourced from the 2024 AMP. Specifically, these values were sourced from the "Forecasted Infrastructure Gap" sections in each asset category chapter of the AMP.<br>▪ For the Financing Strategy, only the average annual cost as per PLOS target related to renewal, rehabilitation and replacement and service improvements have been used.<br>▪ These costs have been adjusted for inflation to 2025 dollars using the Non-Residential Building Construction Price Index (NRBCPI) | 2024 Asset Management Plan (AMP) |
| **Debt Financing** | ▪ Any new debt financing assumed over the forecasting period has been assumed over a 20-year term at an interest rate of 4.25%.<br>▪ The analysis does not attribute debt financing to specific projects, but it is assumed that any new debt will not be used to finance capital assets with a useful life less than 20-years years.<br>▪ Fiscal capacity created as existing debt retires is assumed to be re-allocated towards contributions to reserves, which is consistent with the Town's existing policy. | |
| **Assessment Growth** | The existing assessment base is assumed to grow at 0.75% annually while assessment growth from new development is assumed to be 1.25% annually. | |
| **Net Operating Costs** | The forecast assumes that the real growth in the existing base net operating costs is about 1.5% annually tied to population growth. | Population growth based on 2023 DC Study |

| Area | Key Assumptions | Data Source |
|---|---|---|
| | Additional net operating costs related to additional staffing and maintenance needs to meet the proposed levels of service have been assumed:<br>▪ Approximately $500,000 has been assumed as a one-time increase in 2026;<br>▪ Plus, an additional $150,000 per year for 5 years | Growth Forecast Average, Additional operating based on staff consultation |
| **Capital Forecast** | Forecast of capital expenditures is based on two components: the Town's 10-year capital plan (2025-2035) and the annual provisions to close the existing gap between current capital investment levels and the annual investment requirements as per the 2024 AMP.<br><br>The Town's capital plan has been extended to 2045 based on an average of the capital costs budgeted from 2025-2035.<br><br>Annual provisions intended to progressively close the existing infrastructure gap are designed so that the Town will meet the proposed levels of service by 2045. In 2025, the target annual capital investment of $39.7 million is calculated as follows:<br>▪ Average Annual Investment Requirement to Achieve the Proposed Levels of Service - $37.3 million<br>▪ Capital Costs associated with state of good repair for growth-related projects beyond initiation and developer contributed assets - $2.4 million<br>▪ By 2045, this target value would need to be about $71.8 million based on 3% inflation. | 10-year Capital Budget and 2024 AMP |
| **Reserve Target** | The target reserve balance is assumed to be set between 1%-3% of the replacement value of the Town's tax-supported assets. A median of 2% is used | |

| Area | Key Assumptions | Data Source |
|---|---|---|
| | for this analysis, resulting in a target reserve balance of about $30 million in 2025. By 2045, this target would need to be about $52.4 million based on 3% inflation. | |
| **Grant Funding** | ▪ CCBF funding from 2025-2028 are assumed to be $1.08 million in 2025 and 2026 and $1.12 million in 2027 and 2028. For the remainder of the period, the grant funding is assumed to remain at $1.12 million.<br>▪ OCIF funding in 2025 is $2.6 million. For the remainder of the period, this funding is assumed to be discounted by 10% annually. | Associate of Municipalities of Ontario (AMO) Allocations |

***Table 10 - List of Assumptions for Rate-Supported Assets***

| Area | Key Assumptions | Data Source |
|---|---|---|
| **Billable Consumption** | ▪ Only water that is billed to the end user is incorporated into the analysis and used to calculate utility rates. Wastewater generation is based on billed water.<br>▪ Overall, forecasted flows are projected to increase by about 0.6% per annum which is based on the historical year-over-year change in consumption since 2015. | Town of Fort Erie's Historical Water and Wastewater Volumes |
| **Operating Expenditures – Water and Wastewater** | ▪ Wages and Benefits are assumed to increase by 4% annually.<br>▪ Materials and Services are assumed to increase by 2% annually.<br>▪ Based on discussions with staff, Regional Treatment Costs are assumed to increase by 9% annually until 2031. For the remainder of the period, these costs are assumed to increase by 5% annually.<br>▪ Interdepartmental Charges are assumed to increase by 2% annually. | |

| Area | Key Assumptions | Data Source |
|---|---|---|
| | ▪ As informed by the 2026 Water and Wastewater budget, one time adjustments have been included in the forecast for 2026 and 2027 which could result in increases different that the adjustment factors mentioned above. | |
| **Non-Rate Revenues – Water and Wastewater** | ▪ User Fees and Interest and Penalties are increased by 2% annually beyond 2027. | |
| **Non-Growth Capital Expenditures** | ▪ The 10-year forecast for rate-funded capital projects consists of the non-growth related capital budget set by the Town.<br>▪ Beyond 2035, the forecast is based on the average of the 10-year capital budget plus a provision for capital to address existing backlog and Very Poor condition assets identified in the 2024 AMP. | 10-year Capital Budget and 2024 AMP |
| **Annual Investment Requirements to Meet the Proposed Levels of Service** | The annual investment requirements have been sourced from the 2024 AMP. Specifically, these values were sourced from the "Forecasted Infrastructure Gap" sections in each asset category chapter of the AMP.<br>▪ For the Financing Strategy, only the average annual cost as per PLOS target related to renewal, rehabilitation and replacement and service improvements have been used.<br>▪ These costs have been adjusted for inflation to 2025 dollars using the Non-Residential Building Construction Price Index (NRBCPI) | 2024 AMP |

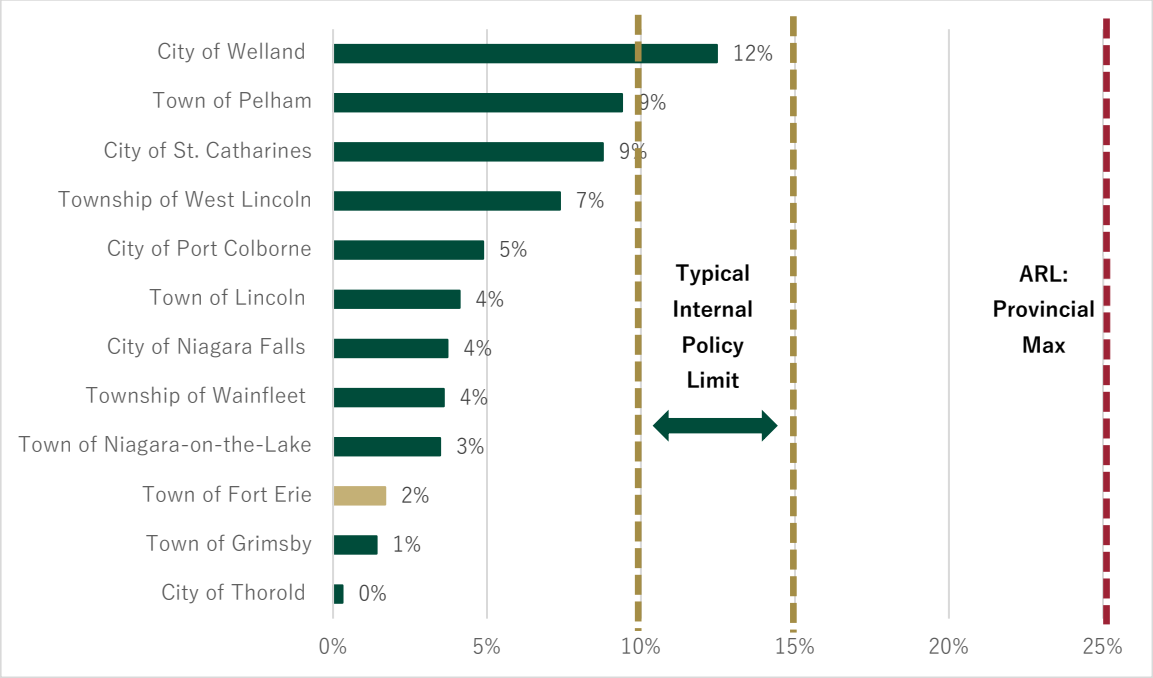
# APPENDIX B

# BENCHMARK REVIEW

## A. DEBT MANAGEMENT

Figure 20 compares annual debt levels compared to other municipalities, the Provincially mandated debt limit of 25% and the internal debt limit policy typically set by municipalities in Ontario (10%-15%). As Figure 20 shows, the Town's debt currently sits at about 2% of own-source revenue. This is well below the allowable provincial maximum of 25% and the typical municipal policy limit. Figure 20 also shows that the Town is on the lower end of existing municipal debt levels compared to other comparable municipalities. The only comparator municipalities with lower debt levels as a percentage of own-source revenue are the City of Thorold, and the Town of Grimsby. The 11 other comparable municipalities in the benchmarking analysis have a higher debt level as a percentage of own-source revenue. This suggests that the Town has been prudent in its debt management and has available debt capacity to undertake future capital works.

***Figure 20 - Comparison of Municipal Debt Levels***




Source: Annual repayment limit calculation is based on 2023 Financial Information Return data.

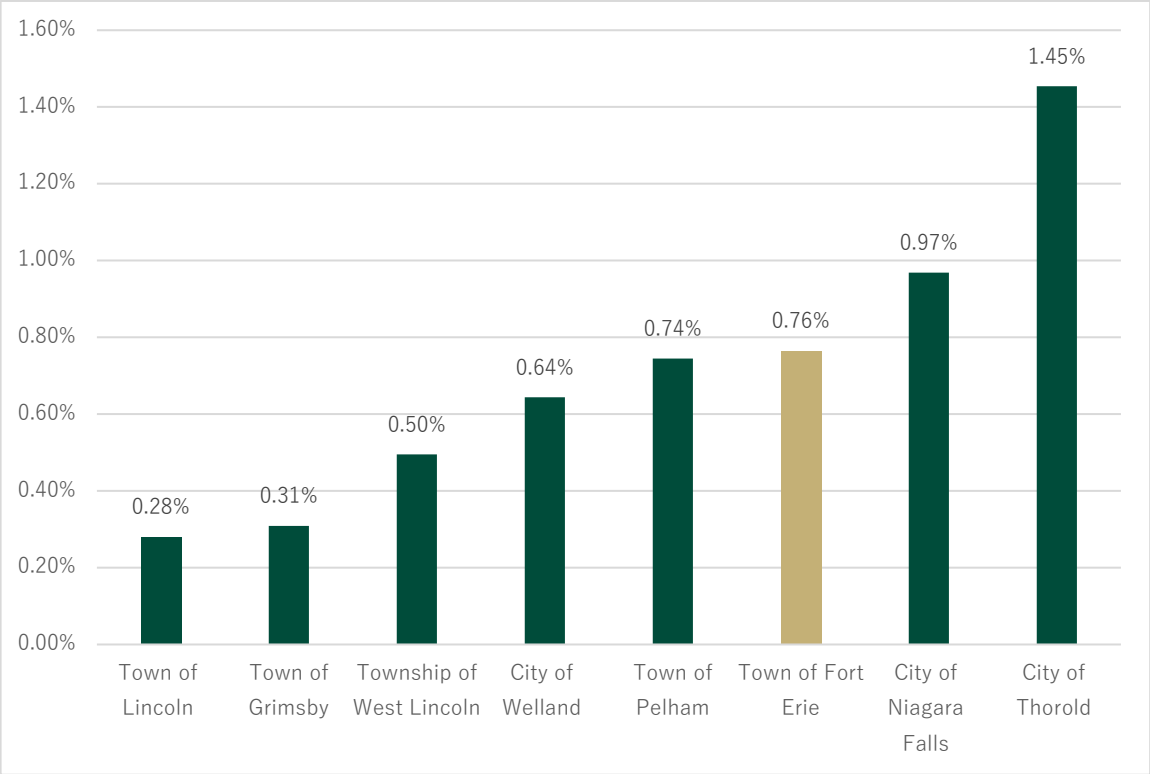
## B. ASSET MANAGEMENT

Asset management contributions are required over the long-term to maintain the regular repair and replacement of municipal infrastructure and assets. The information used in this analysis was sourced from the 2025 municipal budgets and associated documents (Operating Budgets, Reserve Overviews, Asset Management Plans, etc.) available on municipal websites. Replacement values used in the analysis have been adjusted to 2025 dollars where needed. Best efforts have been made to ensure comparability across

municipalities, however some differences in how municipal budgets account for contributions to reserves can remain. The charts therefore reflect an order of magnitude comparison. Contributions reflect best estimates of tax funded transfers to capital asset management reserves including reserves for non-DC eligible shares of growth projects.

Figure 21 shows the capital contribution towards state of good repair relative to the replacement value for tax funded infrastructure. Figure 21 below shows that the Town's yearly asset management contribution totals about 0.8% of asset replacement value. This is around the mid to high range of the comparable municipalities. These benchmarks show that the Town is somewhat well positioned in asset management contribution relative to the comparable municipalities. However, the Town has identified significant capital needs for state of good repair to meet the proposed level of service which would put additional pressure on taxes. This impact is not necessarily reflected in Figure 21, however the proposed scenario generally shows this ratio increases slightly maintained over the long-term period.

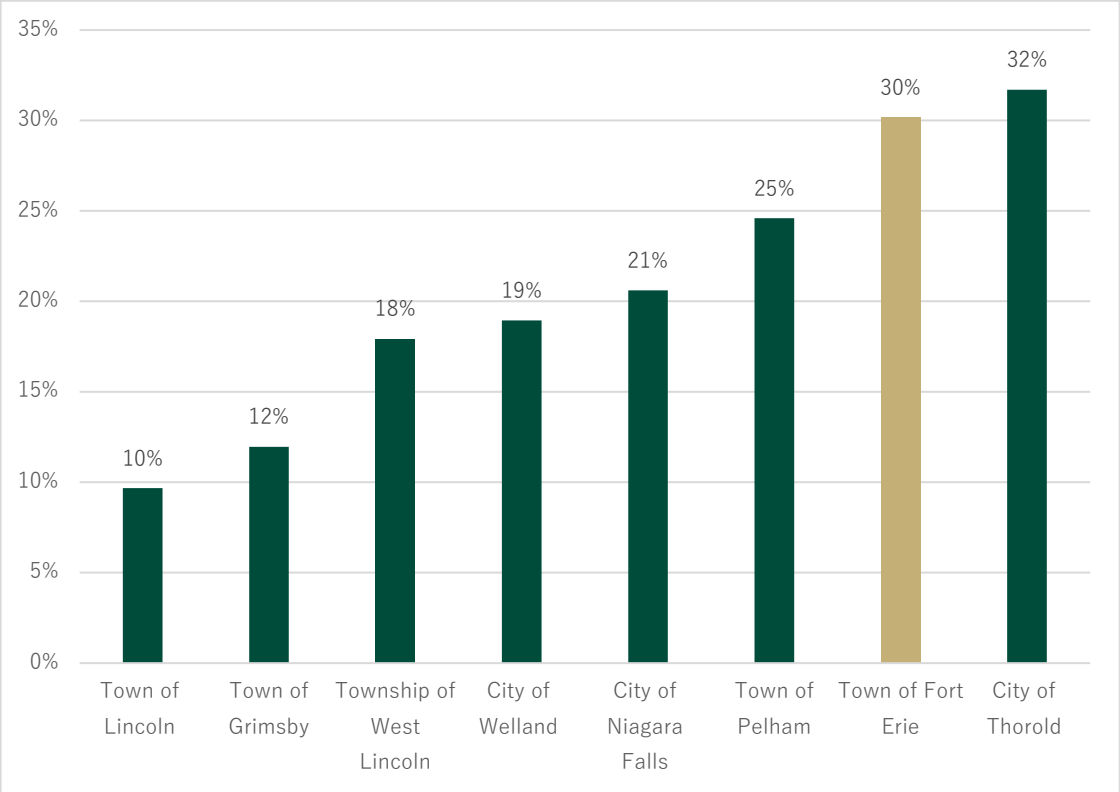
***Figure 21 - Asset Management Contribution Relative to Replacement Value (Tax Funded Services)***




Note: The contribution includes only the tax funded portion from operating to capital using the best available information from municipal budgets available online.

Figure 22 shows the capital contribution towards state of good repair of tax funded infrastructure relative to the total tax levy. Figure 22 shows that the Town's yearly asset management contribution totals about 30% of the total tax levy. This is around the high range in comparison to benchmark municipalities and similar to the City of Thorold. These benchmarks show that the Town is well positioned in asset management contributions relative to the comparable municipalities and indicates a strong commitment to maintain tax-funded infrastructure. However, it is important to note that each comparator municipality will have varying levels of investment needs to meet the proposed levels of service as identified through their own AMP processes.

***Figure 22 - Asset Management Contribution Relative to Tax Levy***

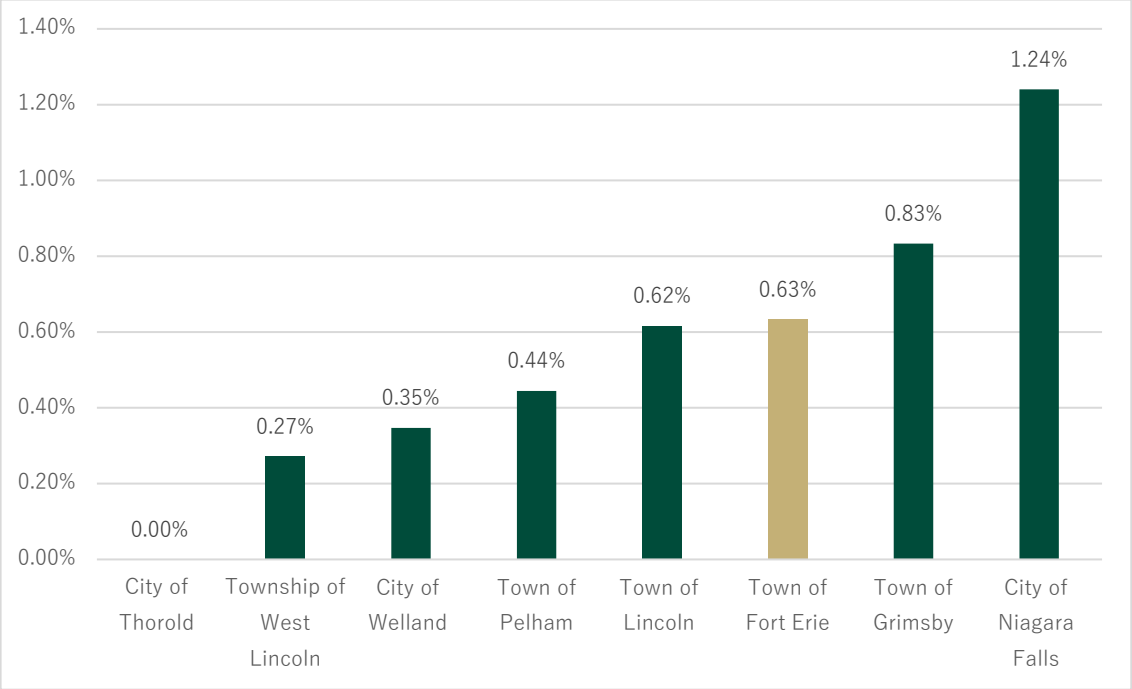



Note: The contribution includes only the tax funded portion from operating to capital using the best available information from municipal budgets available online.

Figure 23 shows the capital contribution towards state of good repair relative to the replacement value for rate funded infrastructure. Figure 23 shows that the Town's yearly asset management contribution totals about 0.6% of asset replacement value. This is on the mid-to-high end of comparable municipalities. These benchmarks show that the Town is somewhat well positioned in asset management contributions relative to the comparable municipalities with room to increase contribution levels as the Town of Grimsby and City of Niagara Falls have contributions over 1% of replacement value. However, similar to tax

funded services, it is important to note that water and wastewater needs continue to increase over time to meet proposed levels of service.

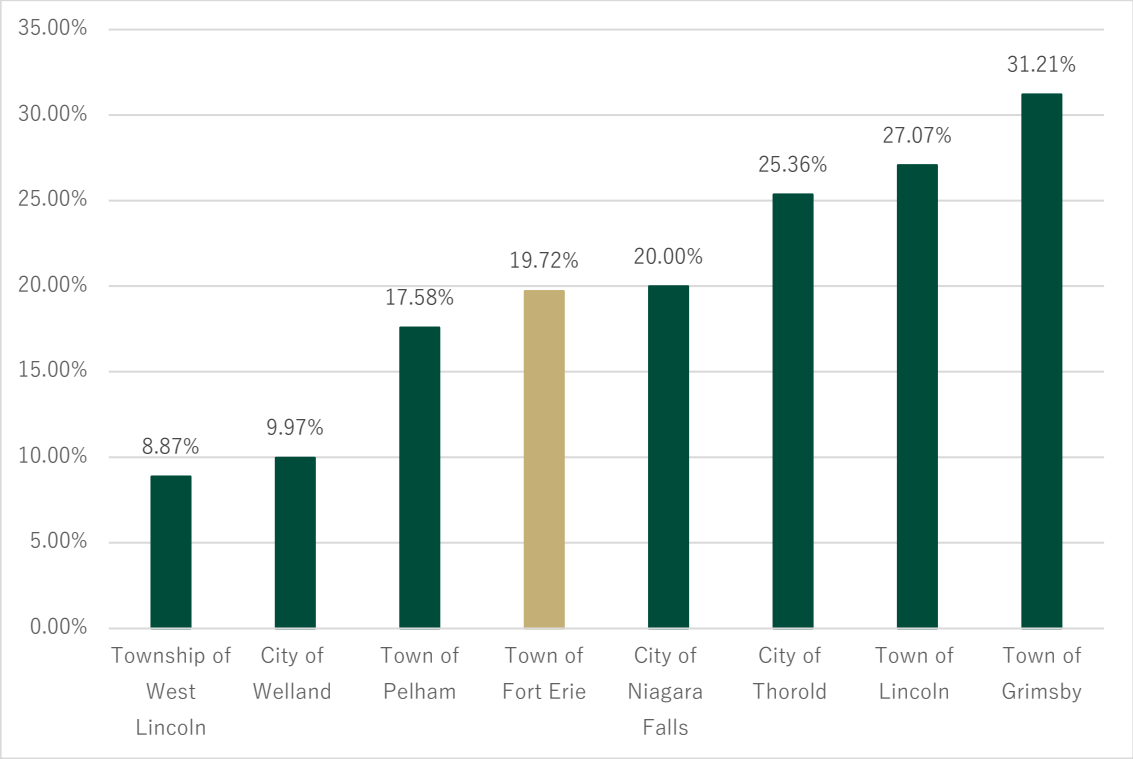
***Figure 23 - Asset Management Contribution Relative to Replacement Value (Water and Wastewater)***




Note: The contribution includes only the rate funded portion from operating to capital using the best available information from municipal budgets available online.

Figure 24 below shows the capital contribution towards state of good repair of rate funded infrastructure relative to the total water and wastewater rate revenues. Figure 24 shows that the Town's yearly asset management contribution totals about 20% of the total rate revenue. This is around the mid range in comparison to benchmark municipalities and similar to the City of Niagara Falls. These benchmarks show that the Town is in line with the comparable municipalities in terms of asset management contributions and indicates a commitment to maintain rate-funded infrastructure but there are other communities in the Region with a more robust capital investment strategy. However, it is important to note that each comparator municipality will have varying levels of investment needs to meet the proposed levels of service as identified through their own AMP processes.

*Figure 24 - Asset Management Contribution Relative to Rate Revenues (Water and Wastewater)*



# APPENDIX C

# SUMMARY OF NET

# TAX LEVY FORECAST

**Appendix C**
**Table 1**
**Summary of Tax Levy Forecast (2025-2045)**
**Scenario 1: Proposed Scenario - 1.5% Infrastructure Levy and Additional Debt Financing**

| Tax Levy Summary | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Operating Costs | $ 25,181,977 | $ 26,070,900 | $ 26,991,203 | $ 27,943,993 | $ 28,930,416 | $ 29,951,659 | $ 31,008,953 | $ 32,103,569 | $ 33,236,825 | $ 34,410,085 | $ 35,624,761 |
| Additional Net Operating Costs | $ - | $ 510,000 | $ 676,260 | $ 848,966 | $ 1,028,311 | $ 1,214,489 | $ 1,407,703 | $ 1,435,857 | $ 1,464,574 | $ 1,493,866 | $ 1,523,743 |
| Debt Payments (Tax Funded) | $ 1,203,779 | $ 1,022,625 | $ 855,772 | $ 1,012,025 | $ 1,259,529 | $ 1,603,653 | $ 2,052,670 | $ 2,613,267 | $ 3,295,595 | $ 4,107,884 | $ 4,580,748 |
| Net Transfers to Reserves | $ 10,389,279 | $ 11,472,647 | $ 12,475,760 | $ 13,267,263 | $ 13,913,122 | $ 14,590,549 | $ 15,301,315 | $ 16,049,307 | $ 16,832,908 | $ 17,655,089 | $ 18,996,989 |
| **Tax Levy** | **$ 36,775,035** | **$ 39,076,172** | **$ 40,998,996** | **$ 43,072,246** | **$ 45,131,377** | **$ 47,360,350** | **$ 49,770,641** | **$ 52,202,000** | **$ 54,829,902** | **$ 57,666,924** | **$ 60,726,241** |

| Tax Levy Summary | | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Operating Costs | | $ 36,882,315 | $ 38,184,260 | $ 39,532,165 | $ 40,927,650 | $ 42,372,396 | $ 43,868,142 | $ 45,416,687 | $ 47,019,896 | $ 48,679,699 | $ 50,398,092 |
| Additional Net Operating Costs | | $ 1,554,218 | $ 1,585,302 | $ 1,617,008 | $ 1,649,348 | $ 1,682,335 | $ 1,715,982 | $ 1,750,302 | $ 1,785,308 | $ 1,821,014 | $ 1,857,434 |
| Debt Payments (Tax Funded) | | $ 5,677,088 | $ 6,929,544 | $ 8,347,920 | $ 9,642,609 | $ 11,424,144 | $ 13,403,652 | $ 15,592,757 | $ 18,003,589 | $ 20,648,803 | $ 23,541,602 |
| Net Transfers to Reserves | | $ 19,908,037 | $ 20,868,524 | $ 21,882,209 | $ 23,252,912 | $ 24,384,999 | $ 25,582,957 | $ 26,851,518 | $ 28,195,687 | $ 29,620,755 | $ 31,132,309 |
| **Tax Levy** | | **$ 64,021,657** | **$ 67,567,631** | **$ 71,379,302** | **$ 75,472,519** | **$ 79,863,875** | **$ 84,570,733** | **$ 89,611,265** | **$ 95,004,481** | **$ 100,770,270** | **$ 106,929,437** |

**Appendix C**
**Table 2**
**Summary of Tax Levy Forecast (2025-2045)**
**Scenario 2: No Infrastructure Levy and High Additional Debt Financing**

| Tax Levy Summary | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Operating Costs | $ 25,181,977 | $ 26,070,900 | $ 26,991,203 | $ 27,943,993 | $ 28,930,416 | $ 29,951,659 | $ 31,008,953 | $ 32,103,569 | $ 33,236,825 | $ 34,410,085 | $ 35,624,761 |
| Additional Net Operating Costs | $ - | $ 510,000 | $ 676,260 | $ 848,966 | $ 1,028,311 | $ 1,214,489 | $ 1,407,703 | $ 1,435,857 | $ 1,464,574 | $ 1,493,866 | $ 1,523,743 |
| Debt Payments (Tax Funded) | $ 1,203,779 | $ 1,022,625 | $ 897,265 | $ 1,139,101 | $ 1,518,447 | $ 2,043,011 | $ 2,723,390 | $ 3,568,785 | $ 4,592,068 | $ 5,804,210 | $ 6,738,792 |
| Net Transfers to Reserves | $ 10,389,279 | $ 10,921,021 | $ 11,337,992 | $ 11,514,510 | $ 11,514,285 | $ 11,514,741 | $ 11,515,103 | $ 11,516,535 | $ 11,517,105 | $ 11,516,838 | $ 11,993,734 |
| **Tax Levy** | **$ 36,775,035** | **$ 38,524,547** | **$ 39,902,721** | **$ 41,446,569** | **$ 42,991,459** | **$ 44,723,901** | **$ 46,655,148** | **$ 48,624,745** | **$ 50,810,572** | **$ 53,224,999** | **$ 55,881,030** |

| Tax Levy Summary | | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Operating Costs | | $ 36,882,315 | $ 38,184,260 | $ 39,532,165 | $ 40,927,650 | $ 42,372,396 | $ 43,868,142 | $ 45,416,687 | $ 47,019,896 | $ 48,679,699 | $ 50,398,092 |
| Additional Net Operating Costs | | $ 1,554,218 | $ 1,585,302 | $ 1,617,008 | $ 1,649,348 | $ 1,682,335 | $ 1,715,982 | $ 1,750,302 | $ 1,785,308 | $ 1,821,014 | $ 1,857,434 |
| Debt Payments (Tax Funded) | | $ 8,361,916 | $ 10,209,673 | $ 12,295,585 | $ 14,334,047 | $ 16,939,892 | $ 19,828,865 | $ 23,017,546 | $ 26,523,375 | $ 30,364,694 | $ 34,560,791 |
| Net Transfers to Reserves | | $ 11,993,889 | $ 11,994,051 | $ 11,994,222 | $ 12,294,234 | $ 12,294,234 | $ 12,294,234 | $ 12,294,234 | $ 12,294,234 | $ 12,294,234 | $ 12,294,234 |
| **Tax Levy** | | **$ 58,792,337** | **$ 61,973,287** | **$ 65,438,980** | **$ 69,205,280** | **$ 73,288,858** | **$ 77,707,223** | **$ 82,478,770** | **$ 87,622,814** | **$ 93,159,641** | **$ 99,110,552** |

**Appendix C**
**Table 3**
**Summary of Tax Levy Forecast (2025-2045)**
**Scenario 3: High Infrastructure Levy and No Additional Debt Financing**

| Tax Levy Summary | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Operating Costs | $ 25,181,977 | $ 26,070,900 | $ 26,991,203 | $ 27,943,993 | $ 28,930,416 | $ 29,951,659 | $ 31,008,953 | $ 32,103,569 | $ 33,236,825 | $ 34,410,085 | $ 35,624,761 |
| Additional Net Operating Costs | $ - | $ 510,000 | $ 676,260 | $ 848,966 | $ 1,028,311 | $ 1,214,489 | $ 1,407,703 | $ 1,435,857 | $ 1,464,574 | $ 1,493,866 | $ 1,523,743 |
| Debt Payments (Tax Funded) | $ 1,203,779 | $ 1,022,625 | $ 780,948 | $ 779,725 | $ 779,949 | $ 779,493 | $ 779,132 | $ 777,700 | $ 777,129 | $ 777,396 | $ 300,500 |
| Net Transfers to Reserves | $ 10,389,279 | $ 12,467,385 | $ 14,569,310 | $ 16,554,692 | $ 18,494,091 | $ 20,564,751 | $ 22,773,137 | $ 25,128,023 | $ 27,628,220 | $ 30,281,547 | $ 33,574,185 |
| **Tax Levy** | **$ 36,775,035** | **$ 40,070,911** | **$ 43,017,721** | **$ 46,127,376** | **$ 49,232,767** | **$ 52,510,392** | **$ 55,968,924** | **$ 59,445,148** | **$ 63,106,748** | **$ 66,962,894** | **$ 71,023,189** |

| Tax Levy Summary | | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Operating Costs | | $ 36,882,315 | $ 38,184,260 | $ 39,532,165 | $ 40,927,650 | $ 42,372,396 | $ 43,868,142 | $ 45,416,687 | $ 47,019,896 | $ 48,679,699 | $ 50,398,092 |
| Additional Net Operating Costs | | $ 1,554,218 | $ 1,585,302 | $ 1,617,008 | $ 1,649,348 | $ 1,682,335 | $ 1,715,982 | $ 1,750,302 | $ 1,785,308 | $ 1,821,014 | $ 1,857,434 |
| Debt Payments (Tax Funded) | | $ 300,346 | $ 300,183 | $ 300,013 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net Transfers to Reserves | | $ 36,560,815 | $ 39,727,192 | $ 43,082,768 | $ 46,937,289 | $ 50,701,302 | $ 54,685,726 | $ 58,902,003 | $ 63,362,129 | $ 68,078,686 | $ 73,064,866 |
| **Tax Levy** | | **$ 75,297,693** | **$ 79,796,938** | **$ 84,531,953** | **$ 89,514,288** | **$ 94,756,034** | **$ 100,269,850** | **$ 106,068,992** | **$ 112,167,333** | **$ 118,579,399** | **$ 125,320,392** |

# APPENDIX D

# SUMMARY OF NET

# RATE REQUIREMENT FORECAST

**Appendix D**
**Table 1**
**Summary of Net Rate Funding Need (2025-2045)**
**Water Services**

| WATER SERVICES | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Rate Funding Need Summary** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** | **2031** | **2032** | **2033** | **2034** | **2035** |
| General Operating Expenditures | $ 3,424,676 | $ 3,397,994 | $ 3,553,950 | $ 3,813,309 | $ 3,926,431 | $ 4,043,465 | $ 4,164,551 | $ 4,273,836 | $ 4,554,078 | $ 4,688,835 | $ 4,828,275 |
| Regional Charges | $ 4,664,218 | $ 4,945,509 | $ 5,379,725 | $ 5,863,900 | $ 6,391,651 | $ 6,966,900 | $ 7,593,921 | $ 7,973,617 | $ 8,372,298 | $ 8,790,913 | $ 9,230,458 |
| Contribution To/(From) Reserves | $ 2,783,931 | $ 3,134,200 | $ 3,134,200 | $ 3,061,785 | $ 3,129,726 | $ 3,186,074 | $ 3,228,654 | $ 3,574,782 | $ 3,777,889 | $ 4,156,107 | $ 4,561,061 |
| Non-Rate Revenues | $ (337,821) | $ (313,703) | $ (190,699) | $ (193,133) | $ (195,616) | $ (198,148) | $ (200,731) | $ (203,366) | $ (206,053) | $ (208,794) | $ (211,590) |
| **Total** | **$ 10,535,004** | **$ 11,164,000** | **$ 11,877,176** | **$ 12,545,861** | **$ 13,252,193** | **$ 13,998,291** | **$ 14,786,395** | **$ 15,618,869** | **$ 16,498,211** | **$ 17,427,061** | **$ 18,408,204** |

| WATER SERVICES | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Rate Funding Need Summary** | | **2036** | **2037** | **2038** | **2039** | **2040** | **2041** | **2042** | **2043** | **2044** | **2045** |
| General Operating Expenditures | | $ 4,972,569 | $ 5,121,899 | $ 5,576,450 | $ 5,736,418 | $ 5,902,001 | $ 6,073,411 | $ 6,250,864 | $ 6,434,585 | $ 6,624,809 | $ 6,821,779 |
| Regional Charges | | $ 9,691,981 | $ 10,176,580 | $ 10,685,409 | $ 11,219,680 | $ 11,780,664 | $ 12,369,697 | $ 12,988,182 | $ 13,637,591 | $ 14,319,470 | $ 15,035,444 |
| Contribution To/(From) Reserves | | $ 4,994,477 | $ 5,458,188 | $ 5,654,138 | $ 6,184,393 | $ 6,751,148 | $ 7,356,729 | $ 8,003,608 | $ 8,422,690 | $ 8,860,615 | $ 9,318,188 |
| Non-Rate Revenues | | $ (214,442) | $ (217,351) | $ (220,318) | $ (223,344) | $ (226,431) | $ (229,580) | $ (232,791) | $ (236,067) | $ (239,408) | $ (242,817) |
| **Total** | | **$ 19,444,586** | **$ 20,539,316** | **$ 21,695,680** | **$ 22,917,147** | **$ 24,207,382** | **$ 25,570,258** | **$ 27,009,863** | **$ 28,258,799** | **$ 29,565,486** | **$ 30,932,594** |

**Appendix D**
**Table 2**
**Summary of Net Rate Funding Need (2025-2045)**
**Wastewater Services**

| WASTEWATER SERVICES | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Rate Funding Need Summary** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** | **2031** | **2032** | **2033** | **2034** | **2035** |
| General Operating Expenditures | $ 2,317,345 | $ 2,192,267 | $ 2,275,012 | $ 2,476,158 | $ 2,529,050 | $ 2,583,996 | $ 2,640,873 | $ 2,639,965 | $ 2,720,282 | $ 2,790,196 | $ 2,862,368 |
| Regional Charges | $ 10,392,662 | $ 10,953,572 | $ 13,147,604 | $ 14,330,888 | $ 15,620,668 | $ 17,026,528 | $ 18,558,916 | $ 19,486,862 | $ 20,461,205 | $ 21,484,265 | $ 22,558,478 |
| Contribution To/(From) Reserves | $ 3,085,971 | $ 3,700,238 | $ 2,682,000 | $ 2,636,889 | $ 2,735,814 | $ 2,826,696 | $ 2,857,625 | $ 3,728,337 | $ 4,377,876 | $ 5,367,754 | $ 6,118,374 |
| Non-Rate Revenues | $ (809,295) | $ (577,517) | $ (595,857) | $ (597,157) | $ (598,483) | $ (599,836) | $ (551,215) | $ (552,622) | $ (323,201) | $ (324,665) | $ (276,158) |
| **Total** | **$ 14,986,683** | **$ 16,268,560** | **$ 17,508,759** | **$ 18,846,778** | **$ 20,287,049** | **$ 21,837,386** | **$ 23,506,199** | **$ 25,302,542** | **$ 27,236,163** | **$ 29,317,550** | **$ 31,263,063** |

| WASTEWATER SERVICES | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Rate Funding Need Summary** | | **2036** | **2037** | **2038** | **2039** | **2040** | **2041** | **2042** | **2043** | **2044** | **2045** |
| General Operating Expenditures | | $ 2,936,879 | $ 3,013,810 | $ 3,393,248 | $ 3,475,281 | $ 3,560,001 | $ 3,647,504 | $ 3,737,890 | $ 3,831,260 | $ 3,927,723 | $ 4,027,388 |
| Regional Charges | | $ 23,686,402 | $ 24,870,722 | $ 26,114,259 | $ 27,419,972 | $ 28,790,970 | $ 30,230,519 | $ 31,742,045 | $ 33,329,147 | $ 34,995,604 | $ 36,745,384 |
| Contribution To/(From) Reserves | | $ 6,992,080 | $ 7,944,670 | $ 8,682,377 | $ 9,811,893 | $ 10,940,406 | $ 12,275,636 | $ 13,725,869 | $ 15,200,002 | $ 16,907,582 | $ 18,758,856 |
| Non-Rate Revenues | | $ (277,681) | $ (279,235) | $ (280,819) | $ (282,436) | $ (184,084) | $ (185,766) | $ (187,481) | $ (89,231) | $ (91,016) | $ (92,836) |
| **Total** | | **$ 33,337,680** | **$ 35,549,968** | **$ 37,909,064** | **$ 40,424,709** | **$ 43,107,293** | **$ 45,967,893** | **$ 49,018,322** | **$ 52,271,178** | **$ 55,739,894** | **$ 59,438,793** |