

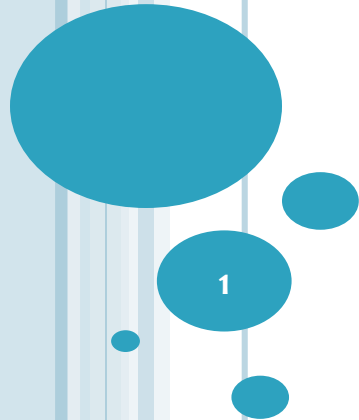
2024

Capital Budget

Council-in-Budget Committee

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

November 15, 2023





Presentation Agenda

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

1) Overview: Inputs & Process

- Council's 2023-2026 Corporate Strategic Plan
- Year-round budget cycle and processes:
 - Plan: prepare, submit & review (Aug to Dec).
 - Approve: aligned with strategies & expectations.
 - Execute: recording & manager monitoring.
 - Evaluate: auditing & reporting.
- Asset values: \$425M historical cost; >\$1.5B est. replacement.
- Proposals reviewed/prioritized considering numerous factors: leveraging grants/contributions, minimizing lifecycle maintenance & risk/cost to taxpayers, modernization, addressing levels of service, creating economic opportunity.

1) Overview: Inputs & Process

Threats and Pressures

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

1) Overview: Inputs & Process

- **Guided by policies:**

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

- **Reporting:**

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

1) Overview: Inputs & Process

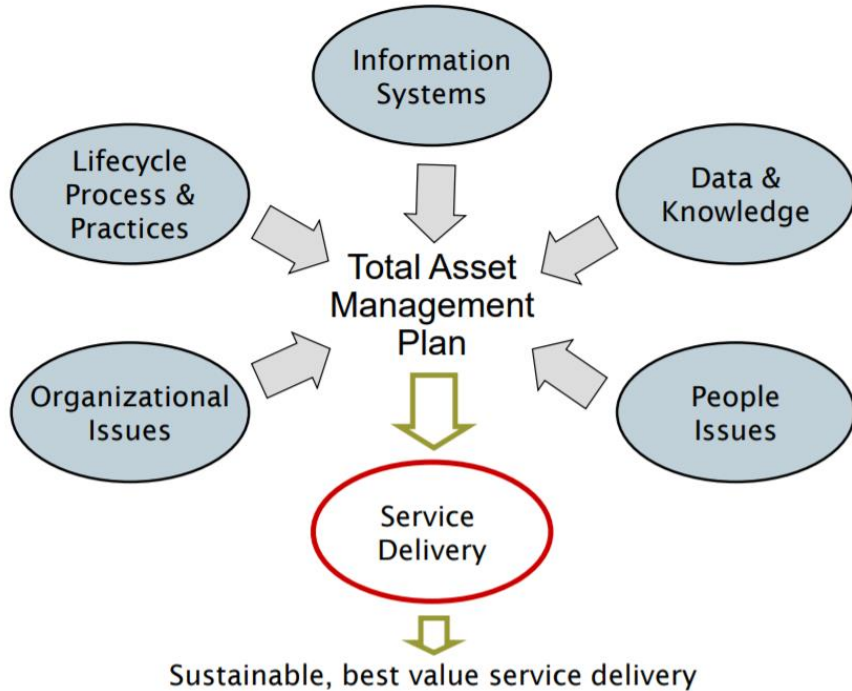
Asset Management Plan



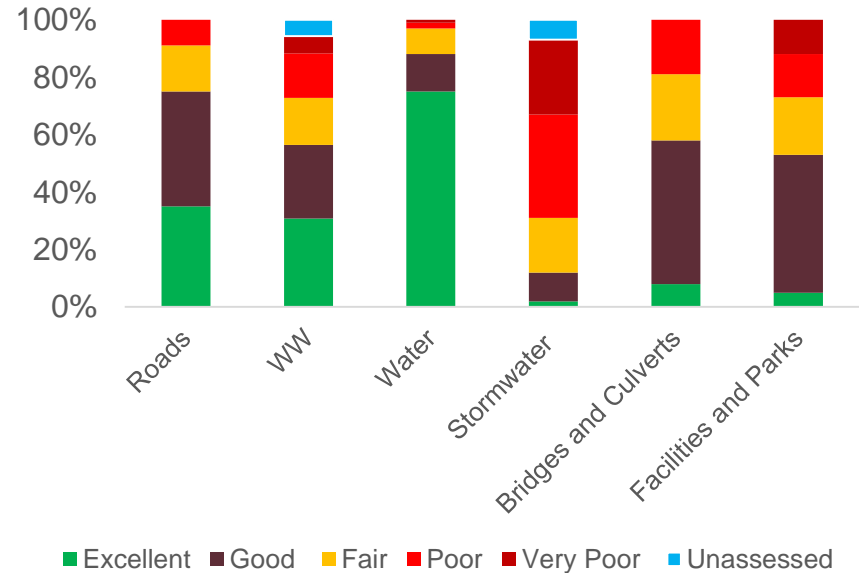
- Asset Management Plan (AMP): [IS-21-2019](#)
 - 2019 AMP: Roads, bridges, water & wastewater, facilities.
 - 2024 AMP Update: Will include all assets & identified LoS.
 - Required by Province for grant funding ([O. Reg 588/17](#)).
 - Long term requirements identified for asset life.
 - Proposed financial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

1) Overview: Inputs & Process

AMP Update (IS-18-2023)



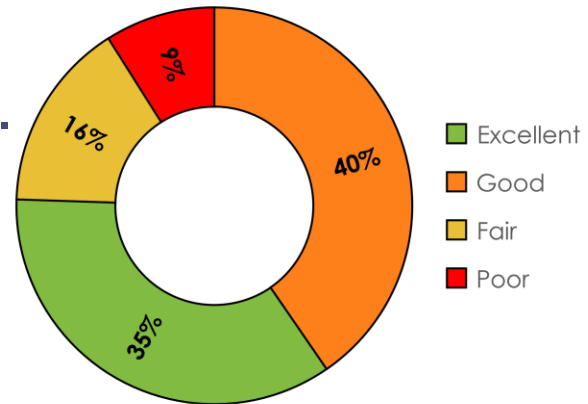
Infrastructure Status Summary



1) Overview: Inputs & Process

AMP - Roads

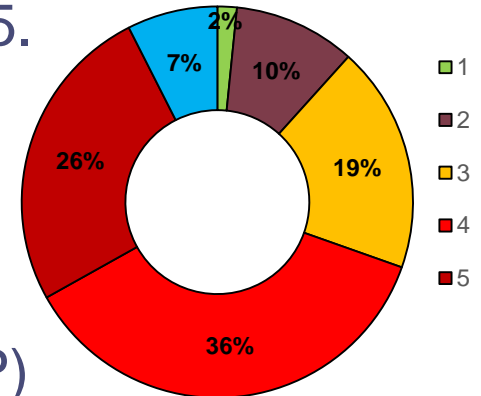
- **Condition:** 422km of roads are inspected every two years using a Pavement Condition Index (PCI) that rates roads from 0-100.
- **Score:** Average network PCI of 73 or “Good” as at 2023.
- **Target LoS:** PCI of 80
- **Forecast spend:** \$64.1M (incl Sidewalks).
- **Current Financing:** \$3.75M/yr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



1) Overview: Inputs & Process

AMP - Stormwater Sewer

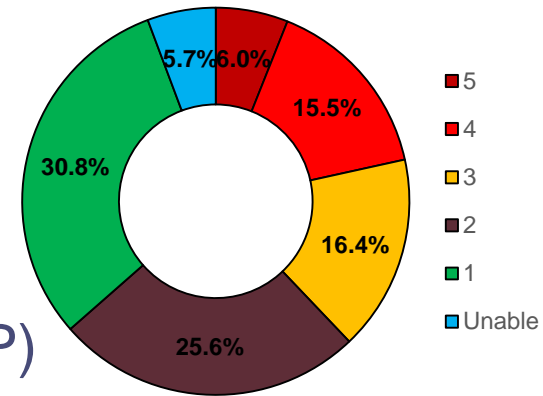
- **Condition:** Network is inspected using NASSCO PACP and MACP rating of 1-5. Defect grades are generally interpreted as 5 - Most Significant, 4 - Significant, 3 - Moderate, 2 - Minor to Moderate, 1 - Minor Defect Grade.
- **Score:** 56% of the network has been inspected. 31% have a “Good” rating of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



1) Overview: Inputs & Process

AMP - Sanitary Sewer

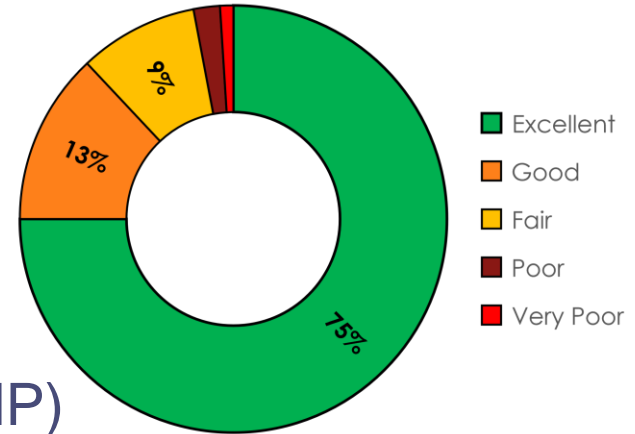
- **Condition:** Similar to the above the network is inspected using NASSCO PACP and MACP rating of 1-5.
- **Score:** Based on 50% network inspections, 73% have a “Good” rating of 1-3. 21.5% is rated 4 -5.
- **Target LoS:** Grade 1-3
- **Forecast spend:** \$25.2M
- **Current Financing:** \$1.97M/yr
-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



1) Overview: Inputs & Process

AMP - Water

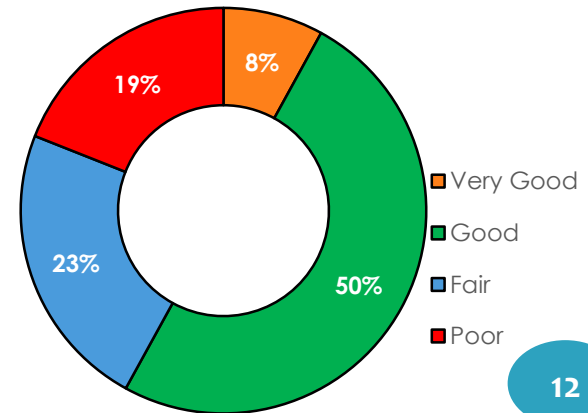
- **Condition:** 282km of watermains
- **Score:** Average number of breaks, weighted by replacement value of these assets, is 0.7 which equates to “Good”.
- **LoS:** <39 breaks/yr
- **Forecast spend:** \$30.8M
- **Current Financing:** \$2.46M/yr
(incl meters)
- **Replacement value:** \$171.8M (2019 AMP)



1) Overview: Inputs & Process

AMP - Bridges and Culverts

- **Condition:** 185 structures defined into 4 groups: Span structures (52), Municipal Primary structures (97), Municipal Secondary structures (26) and Retaining Walls (10). Inspection occurs every second calendar year using Bridge Condition Index (BCI) rated from 0-100.
- **Score:** 58% is Good to Very Good
- **Target LoS:** BCI of 70
- **Forecast spend:** \$15.3M
- **Current Financing:** \$0.54M/yr
- **Replacement value:** \$37.4M (2019 AMP)

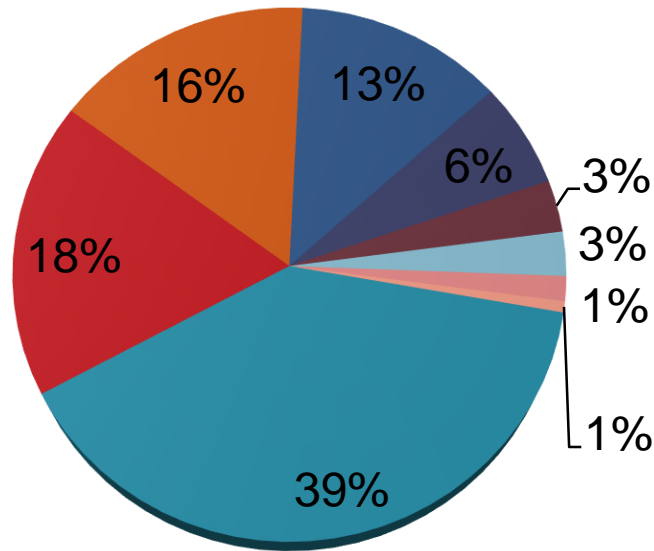


1) Overview: Inputs & Process

- Master Plans & condition assessments core to AMP and guide priorities to replace existing assets. For example:
 - [IS-51-2021](#) Bridge & Culvert Assessment
 - [COS-01-2021](#) Corporate Software Review
 - [IS-08-2021](#) Road Condition Assessment
 - [FES-06-2021](#) Fire MP
 - [IS-15-2019](#) Wastewater MP and [IS-17-2017](#) Water MP
 - [IS-14-2018](#) Facility Condition Assessment
- 2018 DC Study ([By-law 47-2019](#)): expiring Mar/24.
- 2023 DC Study (draft): replacing previous study. Guides new and/or growth asset development. Scheduled for Dec 11/23 meeting.
- Provincial Drinking Water requirements.
- Consultation with external partners and agencies.

2) Budget Program Highlights

2024 Request = \$27.2M (72 projects)



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

2) Budget Program Highlights Existing vs. Growth Assets

Existing Assets

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

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

2) Budget Program Highlights Existing vs. Growth Assets

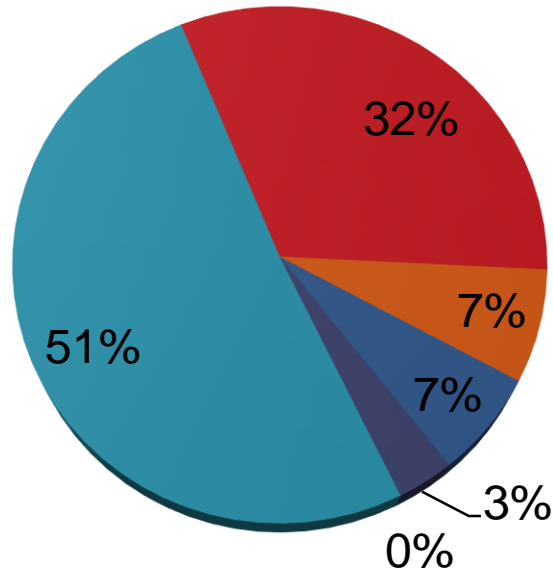
Growth or New Assets

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

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

2) Budget Program Highlights

2024 Financing = \$27.2M



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

2) Budget Program Highlights

Financing Strategy - Reserves

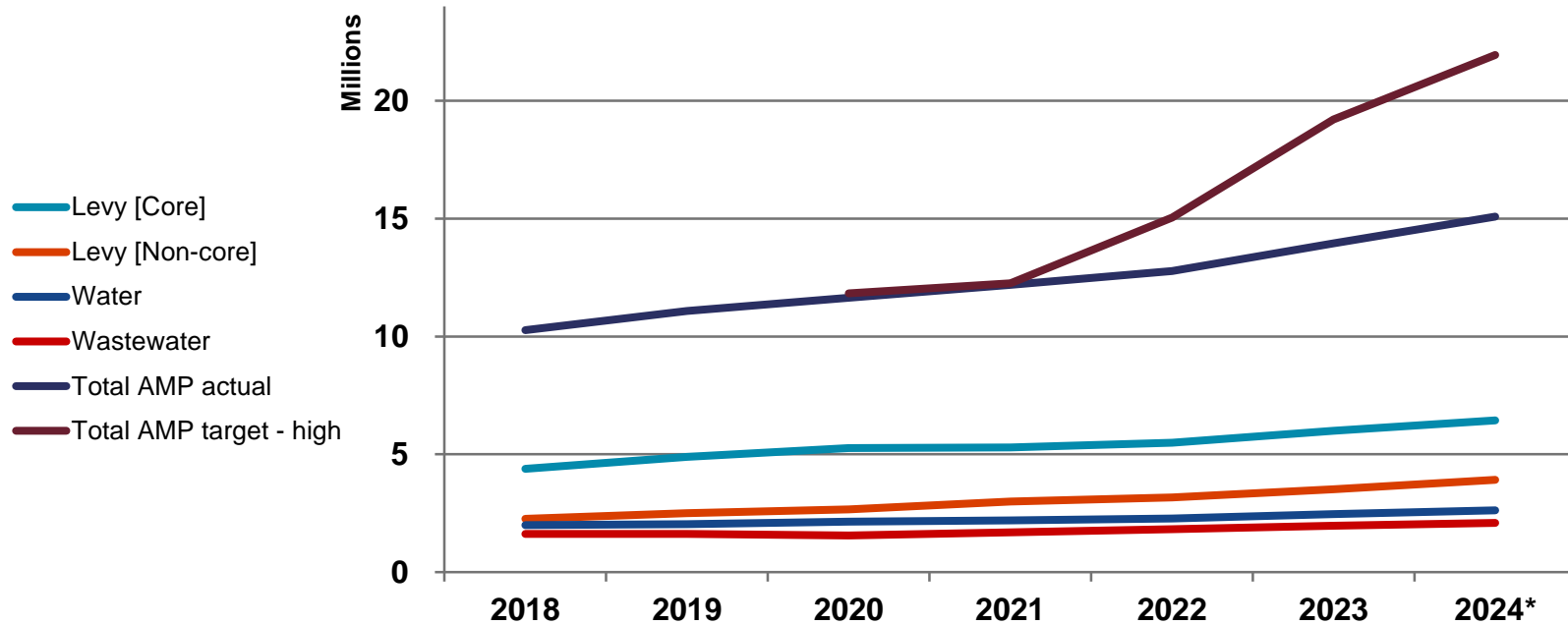
Reserves: \$13.9M or 51% used for 2024 program

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

2) Budget Program Highlights

Financing Strategy - Reserves

Capital Reserve contributions (in millions)

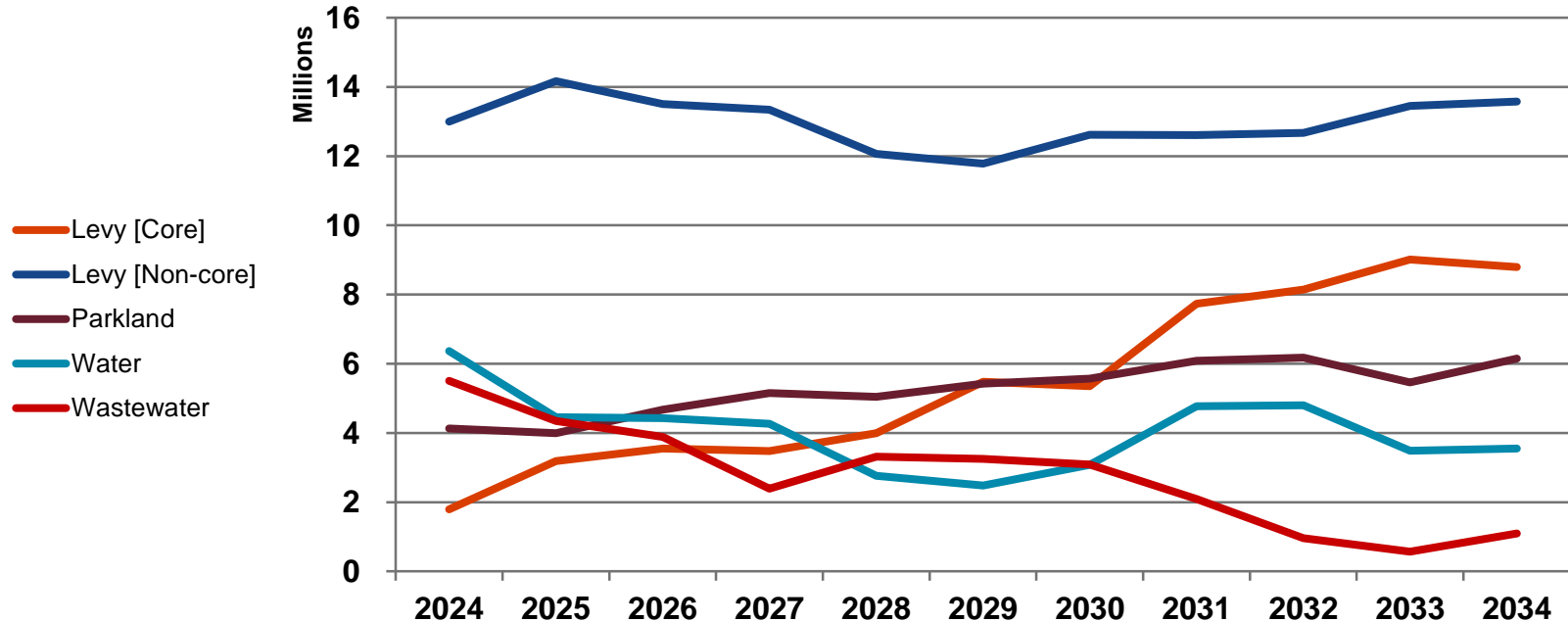


* includes proposed increases (inflation, strategic, amortization)

2) Budget Program Highlights

Financing Strategy - Reserves

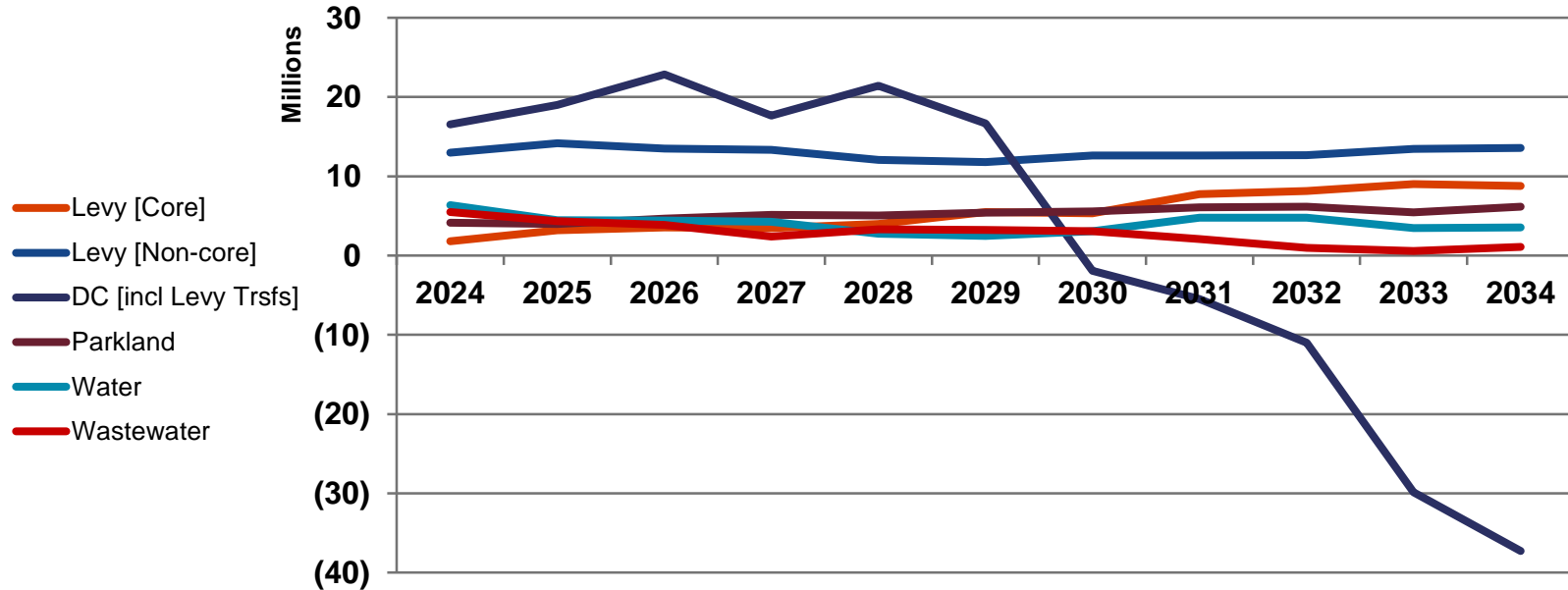
Capital Reserve balances (in millions)



2) Budget Program Highlights

Financing Strategy - Reserves

Capital Reserve balances (in millions) - incl DCs



2) Budget Program Highlights Financing Strategy - Debt

Debt: Expiring

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

Debt: Previously Approved (Table 3, 2024 column)

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

2) Budget Program Highlights Financing Strategy - Debt

Debt: Proposed (Table 3, 2025 column)

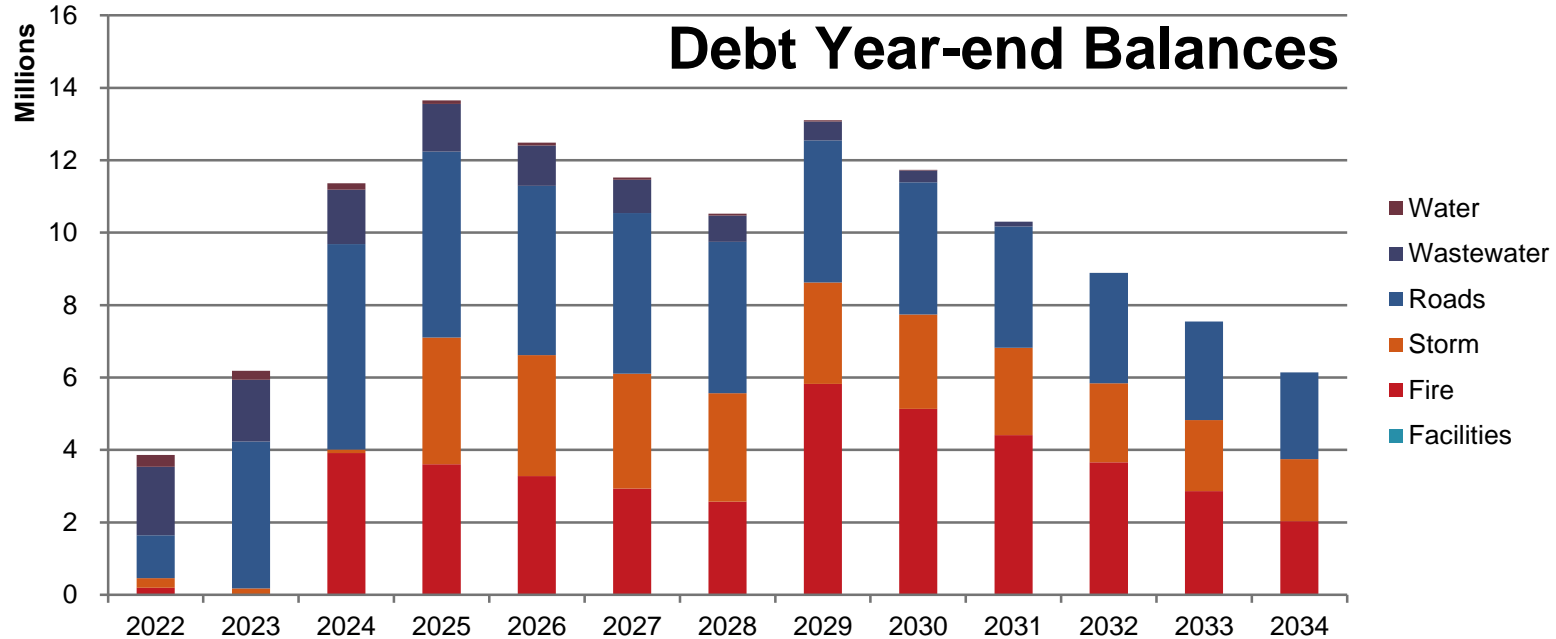
1) Six Mile Creek Flooding (SMCF23)

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

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

2) Budget Program Highlights

Financing Strategy - Debt Forecasts



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

2) Budget Program Highlights Financing Strategy

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

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

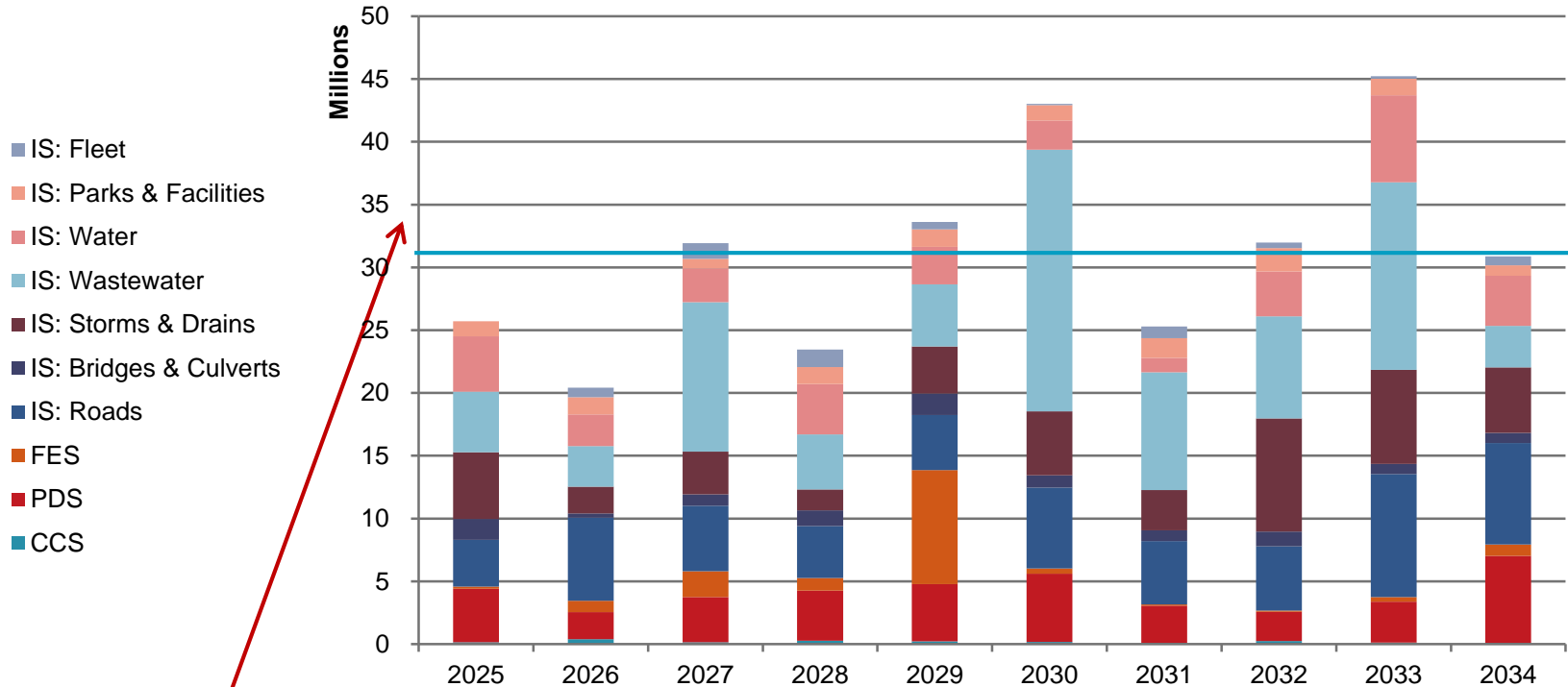
Development Charges (DC): \$8,712,499 or 32%

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

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

- OCIF (ELMS19, RSRF24, WEST24)

2) Budget Program Highlights 10-year Forecast



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

2) Budget Program Highlights Approvals

Preliminary approval:

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

General approval:

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

3) Risks

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

3) Opportunities

- **Grant funding:** Advocating for external Federal, Provincial & Region funding (e.g., CSO, OCIF Formula-based, application-based).
- **Modernization:** New corporate systems to assist in prioritizing plans.
- **Debt:** Low current debt provides capacity for new/growth assets as needs arise or opportunities emerge.
- **Operating budget impact:** Replaced assets may result in lower costs and efficiencies (e.g., energy, maintenance).
- **AMP:** Long-term needs to be reviewed in detail and consider changes to Levels of Service.
- **Communications:** may consider options with expanded resources (e.g., Let's Talk FE, new website) to enhance engagement.

4) Next Steps

Key Messages

- Proposed Capital program of **\$27.2M** based on Council strategy and AMP priorities. Total 11-yr horizon of \$338M.
- Funded primarily through capital reserves transferred annually from the Levy and Rate budgets. Large increased reliance on DCs.
- Capital Funding: 2019 AMP gap was closed in 2022 but widened due to extraordinary inflation. Ongoing works to study and refine needs based on condition.
- Program results in Operating budget impacts of 0.8% in 2024, 1.0% in 2025 and 1.1% in 2026.

4) Next Steps Calendar

Capital Budget and User Fees:

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

Water & Wastewater Budget:

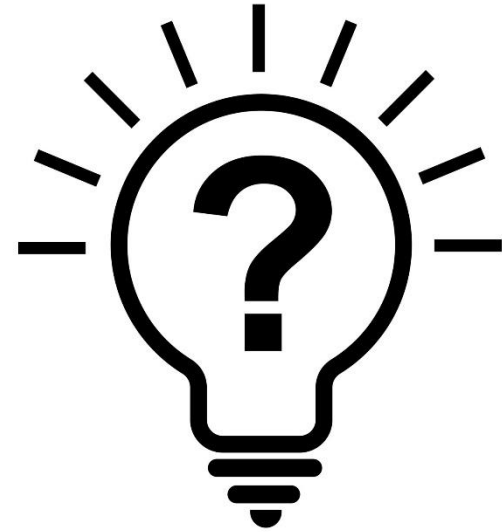
- Dec 6 W&WW reports/presentations
- Dec 18 By-law approval

General Levy Budget:

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

5) Presentation Questions

Council Q&A led by Chair



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

6) Capital Project Worksheets Review

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

Jonathan Janzen
Director, Corporate Services
905-871-1600 ext. 2300
jjanzen@forterie.ca