



# 2024 Capital Budget

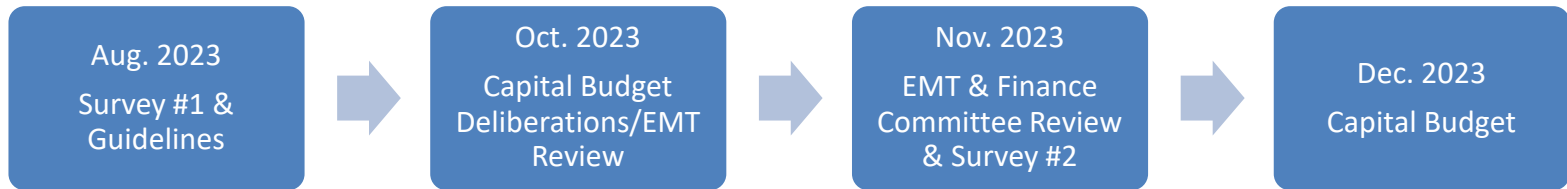
*December 6, 2023*

Brandon Ferguson  
Director of Finance/Treasurer



# Capital Budget Process

The Capital budget is the City's plan for making *significant capital expenditures to support city services*.



- Budget and Financial Controls Policy updated; to set budget guidelines and inform budget through increased community engagement
- Project alignment with the Corporations Asset Management Planning, Budget policy framework and Council guidelines
- Project list also edited and modified to ensure that the recommended Capital Budget is *manageable financially* as well as *operationally*.



# Capital Budget Process

## 2024 Capital Budget - Survey #1 *(Jul. 14 to Aug. 10)*

- Number of respondents: **422**
- Questions focusing on desired capital budget focus for consideration in Council budget guideline setting
- **Feedback:** Focus support on core infrastructure (Water, Wastewater, Transportation).



## 2024 Capital Budget - Survey #2 *(Nov. 16 to Nov 30)*

- Number of respondents: **122**
- Questions focusing on proposed 2024 Capital budget feedback for consideration in Council decision making for 2024 Capital budget approval
- **Feedback:** Continued Hillcrest Park development, police investment, Core infrastructure - Roads



# Capital Budget Process

**Capital Budget Summary** – master list of all proposed Capital Budget issues. All projects which represent the acquisition and development of new assets are highlighted in blue. All remaining projects are related to Asset Maintenance and Replacement. Impact on taxes raised is summarized on last page of summary.

No.	PROJECT DESCRIPTION	Dept	Score	2024 Budget	Proposed Financing											
					User Rate Reserve Funds			Taxation Reserve Funds		Grants		Donations / Other	Canada Comm. Building Fund	Provincial Gas Tax	Long Term Debt	
					Water	Wastewater	Parking	Amount	Fund	Amount	Fund				Taxation	User Rates
<b>COMBINED SERVICES</b>																
1.001	Avonlough Sewage PS & Bridge St West Reconstruction, incl. Sidney St Widening	EDS	93	55,000.0	6,000.0			7,395.4	DC / Asset Mgmt / Casino Dev	8,436.7	OCIF / BFF		3,800.0		2,643.9	26,724.0
<b>TOTAL COMBINED SERVICES</b>				<b>\$ 55,000.0</b>	<b>\$ 6,000.0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,395.4</b>		<b>\$ 8,436.7</b>		<b>\$ -</b>	<b>\$ 3,800.0</b>	<b>\$ -</b>	<b>\$ 2,643.9</b>	<b>\$ 26,724.0</b>
<b>TRANSPORTATION SERVICES</b>																
Surface Treatment / Road Resurfacing																
1.002	Road Resurfacing Program - Annual	OS	59	2,000.0				2,000.0	Asset Mgmt							
1.003	Shave & Pave Program - Annual	OS	59	1,450.0				1,450.0	Casino - Infra Main							
1.004	Slurry Seal & Reclamite Program - Annual	OS	49	450.0				450.0	Asset Mgmt							
Sidewalk Rehabilitation																
1.005	Sidewalk Repair Program - Annual	OS	57	300.0				300.0	Casino - Infra Main							
<b>TOTAL TRANSPORTATION SERVICES</b>				<b>\$ 4,200.0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,200.0</b>		<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



# Capital Budget Process

## Capital Budget Justification Sheets - with project details, cost and financing information

### 2024 CAPITAL BUDGET JUSTIFICATION

<b>Department:</b>	Transportation & Operations Services		<b>BUDGET AMOUNT:</b>	\$ 2,000,000.00
<b>Division:</b>	Operations		<b>Budget Reference #:</b>	1.002
<b>Category:</b> (check one)	Asset Maintenance or Replacement	<input checked="" type="checkbox"/>		
	New Asset Acquisition/Development	<input type="checkbox"/>		

#### Project Information

##### Project Name & Description

Road Resurfacing Program

##### Project Detail, Justification & Reference Map

The Resurfacing Program is an annual program for roads using a Surface Treatment application and repaving. Roads selected in this program have been aligned with the Roads Needs Study. Most of the roads do not require underground works, but the road surface is at the end of its life. This program will include full pulverization and repaving of the surface. Roads planned for 2024 are outlined below:

Bethany Rd, Mitchell Rd, Burns Drive, Zion Rd (#37 to Phillipston), Tuftsville Rd, Elmwood Dr, Bethel Rd (Willet to Foxton), Shaw Rd, Carmen Ave, Adrian St, Valleyview Cr.

##### Project Components

	<i>Budget</i>	<i>Funding</i>
Roads	\$ 2,000,000.00	Reserve Fund

##### Estimated Timeline:

**Tender Date:** Q1-2024  
**Start Date:** May-2024  
**Completion Date:** Oct-2024

#### Supporting Information

##### Project Priority

**Capital Project Prioritization Ranking:**   
*(projects ranked based on City's Budget and Financial Control Policy - Appendix A)*

*Reasons/ Highlights for Capital Project Prioritization Ranking:*

##### Asset Management Plan

**Included in Current AMP?** (Yes/No)   
*If not, provide explanation:*

*AMP Risk Assessment:* 13.5 - High

*Other Supporting Plan/Study:*  
 Roads Need Study

##### Commitments Made

Annual Program

##### Operating Impacts

**Description:**  
 Reduced maintenance costs

##### Financial:



# Capital Budget Objectives

The Proposed 2024 Capital Budget contains a variety of projects which support several objectives:

## 1. Established Council Guidelines

## 2. Asset Management

**Renewal - Support existing infrastructure using a life-cycle strategy and asset management best practices.**

- Infrastructure maintenance and renewal (Road reconstruction, building energy and HVAC replacements)
- Maintain existing service delivery levels (replacement of existing fleet and equipment, facility renewal and component replacement)

**Growth - Recommend New infrastructure where it is in alignment with the current Asset Management and Strategic Plan.**

- Enhance existing service delivery levels (Infrastructure Phasing strategy, housing / assessment growth)

## 3. Risk mitigation and prioritization by undertaking projects which improve infrastructure performance and enhance public safety



# Capital Budget Objectives

## ASSET MANAGEMENT PLAN

- O. Reg 588-17 – Asset Management Planning For Municipal Infrastructure provides for the following schedule;

Description	Due	Status
Strategic Asset Management Policy	July 1, 2019	Complete
Asset Management Plan – Phase 1 (Core Assets – standard levels of service metrics)	July 1, 2022	Complete
Asset Management Plan – Phase 2 (All Assets – standard levels of service metrics)	July 1, 2024	Underway
Asset Management Plan – Phase 3 (All Assets – custom levels of service metrics)	July 1, 2025	To be Completed

- Plans must be updated every five (5) years following Phase 3



# Capital Budget Objectives

## ASSET MANAGEMENT PLAN

<b>Area</b>	<b>AMP (Uninflated 2020)</b>	<b>2024 Proposed</b>	<b>Under (Over) funded</b>
<b>Transportation</b>	<b>\$ 17,700</b>	<b>\$ 19,215</b>	<b>\$ (1,515)</b>
<b>Water</b>	<b>12,500</b>	<b>7,095</b>	<b>5,405</b>
<b>Wastewater</b>	<b>33,000</b>	<b>32,525</b>	<b>475</b>
<b>Stormwater</b>	<b>4,800</b>	<b>5,000</b>	<b>(200)</b>
<b>City Facilities</b>	<b>7,200</b>	<b>2,600</b>	<b>4,600</b>
<b>Fire</b>	<b>500</b>	<b>1,500</b>	<b>(1,000)</b>
<b>Police</b>	<b>300</b>	<b>994</b>	<b>(694)</b>
<b>Fleet &amp; Equipment</b>	<b>2,000</b>	<b>1,275</b>	<b>725</b>
<b>Info. Technology</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Library</b>	<b>-</b>	<b>8</b>	<b>(8)</b>
<b>Parking</b>	<b>100</b>	<b>275</b>	<b>(175)</b>
	<b>\$ 78,100</b>	<b>\$ 70,487</b>	<b>\$ 7,613</b>

*\*AMP stormwater figure updated for stormwater pond investment as funded through operating*



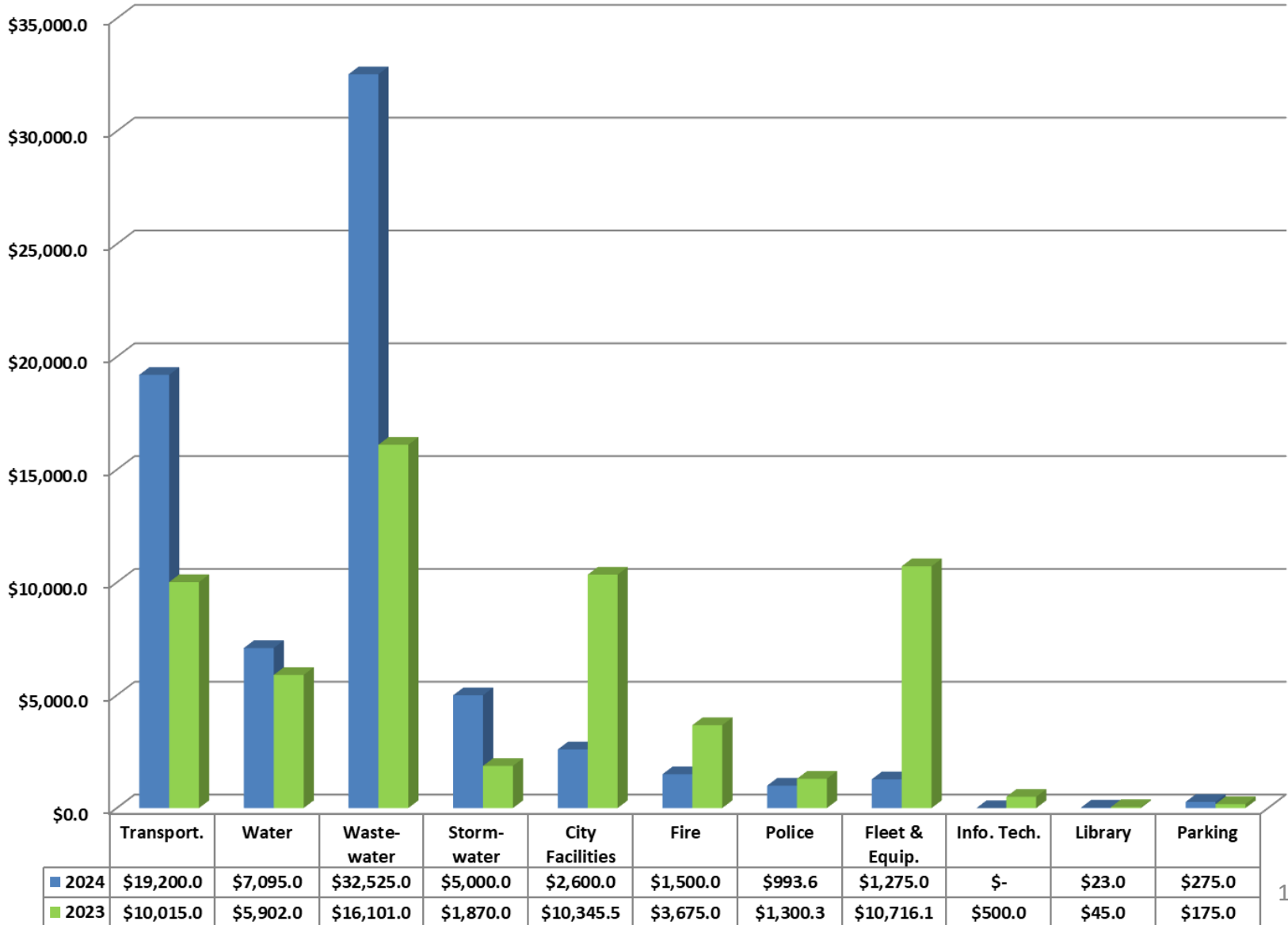


# 2024 Capital Budget

Category	Total Budget (\$000)	Number of Projects	Example
<b>Continuation of Previously Approved Projects</b>	\$ 3,790.0	5	Cannifton Stormwater PS, North Park PS & WWTP Rehab.
<b>Projects Supporting Asset Management</b>	11,486.0	22	Road Resurfacing, Fleet Replacements & Facility Maintenance
<b>Energy Efficiency Projects</b>	195.0	1	HVAC Systems Renewal
<b>New Initiatives or Development Related Projects</b>	55,015.0	2	Avonlough Sewage Pump Station Project
<b>Total 2024 Budget</b>	<b>\$ 70,486.6</b>	<b>30</b>	



# 2024 Capital Budget





# 2024 Capital Budget

## Deferrals – Future Capital Projects

- Deferral of over 120 various projects totaling \$50M

Some significant projects include:

Project	Infrastructure Category	(\$000)
Bridge St E – Herchimer to Haig	Combined Services	4,000
Sidney St / College St Intersection	Intersection	6,000
Phillipson Rd. - from Hwy 37, north 4.4km	Roads	5,700
Front St. (Upper) Bridge Rehabilitation	Bridge	4,000
McWilliams Bridge (Blessington Rd) – Replacement	Bridge	2,000
QSWC (FDC Arena) Roof Replacement	Facility	1,500
Wastewater Treatment Plant – Electrical Upgrades	Facility	3,600
Watermain Relining	Water Pipe	2,310

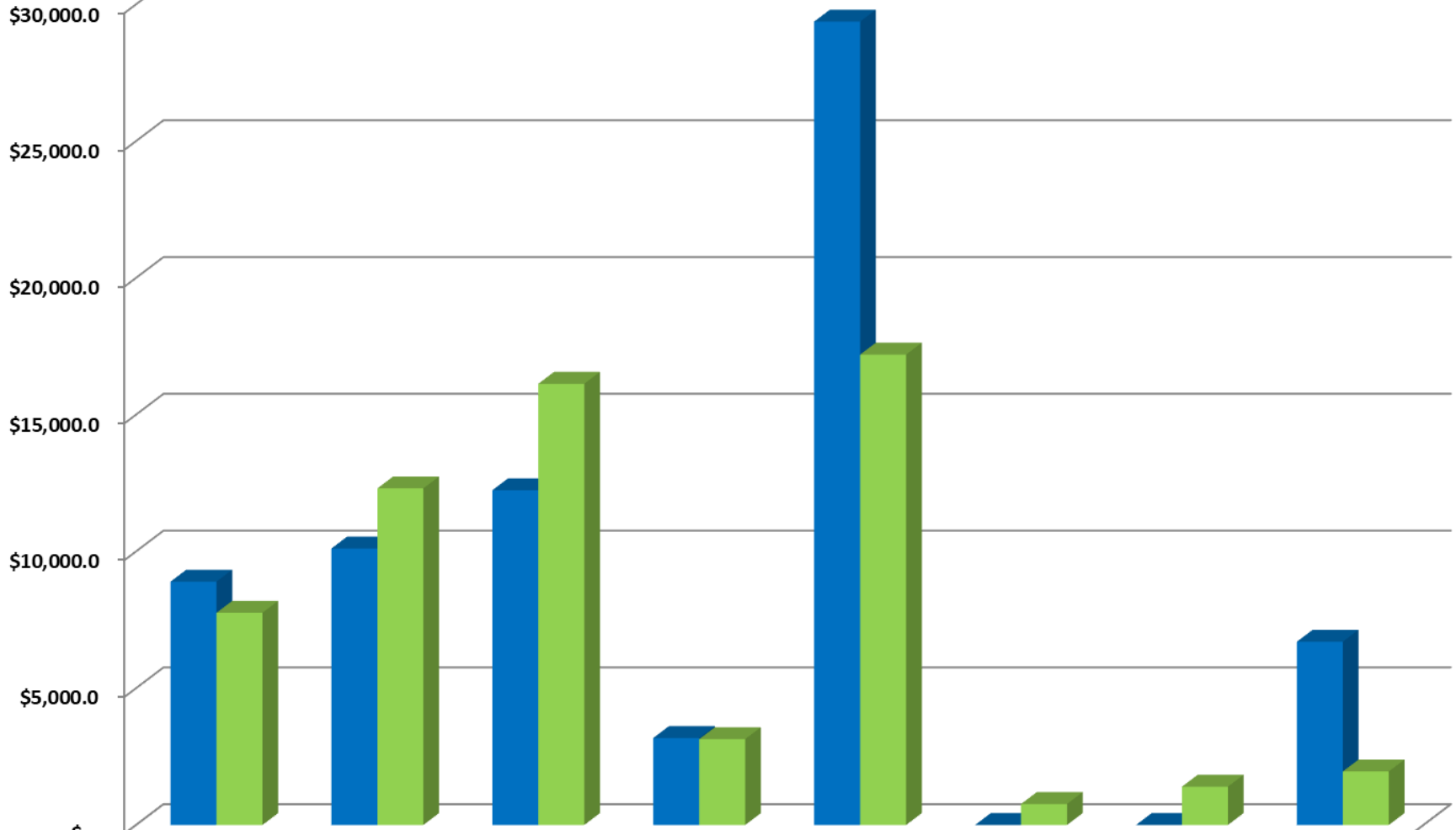


# 2024 Capital Budget Financing

	2024		2023
Source	Amount	%	%
Internal – User Rate Reserve Funds	8,895.0		
Internal – Development Charges	6,699.7		
Internal – Taxation Reserve Funds	13,287.3		
Internal - Long Term Debt	29,367.9		
<b>Total Internal Financing</b>	<b>\$ 58,249.9</b>	<b>82.6%</b>	<b>69.8%</b>
External – Grants (incl. OCIF)	8,436.7		
External – CCBF	3,800.0		
External – Prov. Gas Tax	0.0		
<b>Total External Financing</b>	<b>\$ 12,236.7</b>	<b>17.4%</b>	<b>30.2%</b>
<b>Total Capital Financing</b>	<b>\$ 70,486.6</b>	<b>100.0%</b>	<b>100.0%</b>



# 2024 Capital Budget Financing



	User Rate Reserve Funds	Taxation Reserve Funds	Grants	Casino Reserve Funds	Long Term Debt	Provincial Gas Tax	Donations	Develop. Charges
2024	\$8,895.0	10,107.3	12,236.7	3,180.0	29,367.9	-	-	6,699.7
2023	\$7,757.0	12,303.6	16,128.3	3,137.4	17,194.4	766.7	1,400.6	1,956.9



# 2024 Capital Budget Financing

## User Rate Funded Reserve Funds

Reserve funds are an accumulation of resources set aside as savings for future needs.

- **Water, Wastewater and Parking** operations are fully funded by User Fees. Rates are developed to ensure long term financial sustainability and adequate revenue to cover operations and long-term capital plan
- Funding models ensure that rates provide adequate revenue to address future capital needs as they occur

Service	Budgeted Transfer 2023	Applied to 2024 Capital
Water	\$ 9,012.1	\$ 7,095.0
Wastewater	5,006.9	1,525.0
Parking	(68.6)	275.0
<b>Total Capital Financed by User Fees</b>	<b>\$ 13,950.4</b>	<b>\$ 8,895.0</b>



# 2024 Capital Budget Financing

## Non-User Rate Funded Reserve Funds

These funds are classified as discretionary or non-discretionary (required by regulation, i.e. Building Code, Gas Tax).

- The following tables provide examples of our discretionary reserve funds, their purpose and source of funding:

Discretionary Reserve Fund	Supports	Funding Source
<b>Energy</b>	Energy projects	Allocation from Operating (Streetlighting)
<b>Municipal Accommodation Tax (MAT)</b>	Tourism and general Municipal expenditures	Allocation of MAT Tax Revenue (50%)
<b>Asset Management</b>	Corporate Capital needs	Allocation from Operating
<b>OLG (Casino)</b>	Various – per policy	Allocation from Casino Revenues
<b>Police Services</b>	Police Capital and stabilization	Allocation from Operating



# 2024 Capital Budget Financing

## Non-User Rate Funded Reserve Funds (cont'd)

The following tables provide examples of our non -discretionary reserve funds, their purpose and source of funding:

Non-discretionary Reserve	Supports	Funding Source
Provincial Gas Tax	Transit Infrastructure	Annual Provincial Gas Tax
Canada Community Building Fund	Defined Infrastructure	Annual CCBF
Building Code Act	Contingency/future capital	Operating Surplus - Building
Parkland Development	New parks infrastructure	Developer Contributions
Development Charges	Growth infrastructure	Builders

- Ensuring optimal Reserve fund contributions is an integral part of an Asset Management Funding strategy and a key priority for the City.





# 2024 Capital Budget Financing

## Asset Management Reserve Fund

- Primary source of taxation funding for capital program

Asset Management Reserve Fund	2024 Budget
Projected Balance - January 1, 2024	\$ 13,754.8
Contribution to Asset Management	
Contributions to Asset Management RF	10,141.5
<i>Operating impacts – 2023 contributed capital</i>	145.0
<i>Operating impacts – 2024 proposed capital budget*</i>	841.0
<b>Subtotal</b>	<b>\$ 24,882.3</b>
<i>Proposed 2024 project funding – Asset Management</i>	(8,813.7)
<b>2024 Closing Balance</b>	<b>\$ 16,068.6</b>

\* Operating impacts are identified in each Capital budget sheet and include total capital reserve fund contribution adjustments required of **\$841,000**



# 2024 Capital Budget Financing

## OLG (Casino) Reserve Fund

- Proceeds received are used in the Capital Budget in the year following receipt of the funds.
- The city's share of the Casino revenue is 5.25% of electronic games, 4% of table proceeds, and 4% of Sportsbook revenue

Project	OLG Revenue - Area	Amount
1.001 – Avonlough Sewage PS	Infrastructure Develop.	\$ 350.0
1.003 - Shave & Pave Program	Infrastructure Main.	1,450.0
1.005 - Sidewalk Repair Program	Infrastructure Main.	300.0
1.007 - Unit 202-13 Plow Truck Repl.	Vehicle/Equip Repl.	460.0
1.010 - HVAC Systems Renewal	Infrastructure Main.	195.0
1.011 - Roofing/Windows & Exteriors	Infrastructure Main.	425.0
<b>Total Casino Funding utilized – 2024</b>		<b>\$ 3,180.0</b>
<i>Total Casino balance – 2023 (projected)</i>		<i>\$ 4,729.6</i>



# 2024 Capital Budget Financing

## Canada Community Building Fund (CCBF) Reserve Fund

- CCBF (*previously Federal Gas Tax*) is a long-term source of funding for public infrastructure renewal and construction of a broad range of service areas including local roads and bridges, public transit, culture, tourism, recreation and sport, as well as municipal asset management planning activities.

<b>Projected Balance – January 1, 2024</b>	<b>\$ 520.5</b>
2024 Allocation ( <i>allocation TBD, using 2023</i> )	3,356.8
<b>Total Available</b>	<b>\$ 3,877.3</b>
<b>Allocated to 2024 Capital Projects</b>	
1.001 Avonlough Sewage PS Project	3,800.0
<b>Total Allocated to Projects</b>	<b>\$ 3,800.0</b>
<b>Closing Balance, 2024</b>	<b>\$ 77.3</b>



# 2024 Capital Budget Financing

## Development Charge Reserve Fund (DC's)

- The City has two Development Charge by-laws: City-wide and Stanley Park. A Development Charge Background Study is undertaken to review the City's growth-related capital plan and establish the development charges for the next 5 years.
- Contributions are dependent on the level and type of construction activity in any given year.

<b>Projected Balance – January 1, 2024</b>	<b>55,592.5</b>
2024 Estimated DC collection / waivers	10,000.0
<b>Total Available</b>	<b>65,592.5</b>
<b>Allocated to 2024 Capital Projects</b>	
1.001 Avonlough Sewage PS Project	6,699.7
<b>Total Allocated to Projects</b>	<b>6,699.7</b>
<b>Closing Balance, 2024</b>	<b>58,892.8</b>



# 2024 Capital Budget Financing

## Ontario Community Infrastructure Funding (OCIF)

- OCIF formula funding can be applied to capital projects and capital maintenance for the renewal, rehabilitation and replacement of core infrastructure assets or capital construction of new core infrastructure that addresses an existing health or safety issue.

<b>Project Balance – January 1, 2024</b>	<b>\$ 7,736.2</b>
2024 Allocation <i>(confirmed Dec 1, 2024)</i>	6,469.3
<b>Total Available</b>	<b>\$ 14,205.5</b>
<b>Allocated to 2024 Projects</b>	
1.001 Avonlough Sewage PS Project	7,610.0
<b>Total Allocated to Projects</b>	<b>\$ 7,610.0</b>
<b>Closing Balance, 2024</b>	<b>\$ 6,595.5</b>



# Debt Policy

- Debt Policy was updated in early 2020 to permit borrowing for a maximum term not to exceed 25 years or the estimated life of the asset being financed per the City's Tangible Capital Asset Policy
- **Annual Debt Repayment Limit (ADRL) & City Debt Policy**
  - Maximum amount of annual debt servicing costs the City can undertake; limited to 25% of operating revenue or \$41.9 million
  - Per the City's Debt Policy, servicing costs cannot exceed 12% of operating revenue or \$20.1 million
  - The City's forecast servicing costs appear on the following table along with the estimated % of operating revenue



# Debt Financing

- For 2024, Debt financing is proposed for:

Project	\$ (000)
1.001 Avonlough Sewage PS Project	29,367.9
<b>Total 2024 Proposed Debt Financing</b>	<b>\$ 29,367.9</b>

- Impact of annual debt payments for 2024 projects are estimated as follows;

	Tax Funded LTD	User Rate Funded
Annual Debt repayment costs	191.2	1,932.1
<b><i>Funded by:</i></b>		
Development Charges	<b>191.2</b>	<b>1,449.1</b>
Taxation / User Rates	<b>0.0</b>	<b>483.0</b>



# Debt Financing

- Forecasted Debt - Approved & Proposed (2024), but not Issued;

Year *	Debt	Projects
2024	\$ 14.5 M	NE Industrial Park, Fire Radios, Solar Fit & Herchimer Ave.
2025	\$ 30.6 M	BAS Relocation Servicing, Farnham Road, Fire Trucks & Transit Buses
2026	\$ 26.3 M	BAS Relocation Building, Hillcrest Property & Wastewater Treatment Plant
2027	\$ 29.4 M	Avonlough Pump Station
	<b>\$ 100.8 M</b>	
<i>Tax Funded</i>	<i>\$ 53.5 M</i>	
<i>User Rates</i>	<i>\$ 47.3 M</i>	

\*Debt issue timing may vary depending on project progress





# Debt Forecast

- Outstanding Debt Forecast (Millions):

	2023	2024	2025	2026	2027	2028	2029
Opening	\$106.20	\$124.00	\$131.00	\$153.60	\$170.60	\$190.10	\$179.30
Additions*	24.60	14.50	30.60	26.30	29.40	-	-
Principal	(6.80)	(7.50)	(8.00)	(9.30)	(9.90)	(10.80)	(11.20)
<b>Closing</b>	<b>\$124.00</b>	<b>\$131.00</b>	<b>\$153.60</b>	<b>\$170.60</b>	<b>\$190.10</b>	<b>\$179.30</b>	<b>\$168.10</b>
<i>Taxation</i>	<i>\$108.30</i>	<i>\$115.00</i>	<i>\$130.40</i>	<i>\$138.40</i>	<i>\$132.90</i>	<i>\$124.50</i>	<i>\$115.70</i>
<i>User Rates</i>	<i>\$15.70</i>	<i>\$16.00</i>	<i>\$23.20</i>	<i>\$32.20</i>	<i>\$57.20</i>	<i>\$54.80</i>	<i>\$52.40</i>

\*Debt issue timing may vary depending on project progress



# Debt Forecast

## Debt Servicing Costs:

	2023	2024	2025	2026	2027	2028	2029
Principal	\$6.70	\$7.50	\$8.10	\$9.30	\$9.90	\$10.80	\$11.20
Interest	\$3.20	\$4.20	\$4.60	\$6.40	\$6.80	\$7.90	\$7.50
<b>Total</b>	<b>\$9.90</b>	<b>\$11.70</b>	<b>\$12.70</b>	<b>\$15.70</b>	<b>\$16.70</b>	<b>\$18.70</b>	<b>\$18.70</b>
<i>Taxation</i>	<i>\$8.30</i>	<i>\$10.00</i>	<i>\$10.90</i>	<i>\$12.60</i>	<i>\$13.60</i>	<i>\$13.70</i>	<i>\$13.70</i>
<i>User Rates</i>	<i>\$1.60</i>	<i>\$1.70</i>	<i>\$1.80</i>	<i>\$3.10</i>	<i>\$3.10</i>	<i>\$5.00</i>	<i>\$5.00</i>
<b>Debt Servicing %</b>	<b>5.92%</b>	<b>6.74%</b>	<b>7.12%</b>	<b>8.56%</b>	<b>8.86%</b>	<b>9.63%</b>	<b>9.35%</b>



# 2024 Operating Budget Impact

## Increased Operating Costs:

- The Capital Budget includes new capital assets and infrastructure which will have direct impacts on future operating budgets (i.e. fuel, energy, staffing, maintenance, reserve contributions, etc.)
- Operating impacts are identified in each Capital budget sheet. An increase to capital reserve fund contributions totaling **\$841,000** represents additional capital requirements due to new asset additions. These will be included as base adjustments in the Operating budget.
- Additional asset management contributions will be recommended as part of the continued strategy to bridge the City's infrastructure gap



# Next Steps

## Asset Management:

- Asset Management Plan
  - Phase 2 update currently underway; completion: July 1, 2024
  - Phase 3 awarded, beginning 2024 with completion; July 1, 2025
- Updates and enhancements to include;
  - Refinement and inclusion of Non-core assets
  - Detailed 10-year capital plan
  - Council and public engagement process
  - Infrastructure condition update
- Critical to proper Asset Management decisions is the availability of reliable Asset Condition data (*Building Condition Assessments currently underway*)
- As the regulations continue to become effective, Plan Content will provide stringent influence on Capital Planning decisions and basis for multi-year capital budgeting



# Next Steps (cont'd)

## Asset Management Funding

- Enhanced reserve provisions for asset management need to be provided in the Operating Budget
- Reserve fund policy development planned for 2024 to align funding strategies with targeted contributions and balances
- Continued advocacy and exploration into new and enhanced opportunities for funding.
- **User Rate funding:**
  - Wastewater rates will continue to be impacted by recommendations from the IPS (Infrastructure Phasing Strategy) as well as the Wet Weather Master Plan
  - Rate forecasts and recommendations will continue to be updated and provided annually



# 2024 Capital Budget Questions?