



Subject: 2022 Capital and Related Project Budget

To: Committee of the Whole - Budget

From: Corporate Services Department

Report Number: 2021-240

Meeting Date: September 16, 2021

Recommendation:

That the Corporate Service Department, Financial Services Division, Report No. 2021-240 Subject: 2022 Capital and Related Projects Budget, **BE RECEIVED**; and

That the 2022 Capital and Related Projects Budget as outlined in Report 2021-240, **BE APPROVED** and that the projects identified in the 2022 Capital and Related Projects Budget be permitted to begin immediately where feasible; and

That Council delegate authority to the Chief Administrative Officer (CAO) plus one of the Director, Corporate Services/Treasurer or Director, Public Works to award and sign contracts and related documents associated to projects in the 2022 Capital and Related Projects Budget following a procurement process as set out in the City of Port Colborne Procurement Policy, provided the related project has confirmed funding.

Purpose:

The purpose of this report is to propose the 2022 Capital and Related Projects Budget.

Background:

The 2022 Capital and Related Projects Budget is presented in accordance with the timeline approved by Council through report 2021-174.

Financial Services would like to thank City Staff from all departments for their leadership and support in developing this 2022 Capital and Related Project Budget.

Should the 2022 Capital and Related Project Budget be approved by the Budget Committee of the Whole on September 16, 2021, it will move forward to be ratified at the September 27, 2021, Council meeting.

The significant differences between the 2021 and 2022 Capital and Related Project Budget format are as follows:

1. Projects are grouped by function/type instead of by department
2. Each project has an individual high-level project summary indicating rationale, linkage to the City's Strategic Pillars, project timing and funding requirements including estimated operating budget impacts.

The core funding model between years remains the same, although some of the rates have changed. That model takes the prior year funding of capital and debt and adjusts for inflation, a catch-up factor to improve funding for asset replacement, changes in donor and/or grant funding and any other adjustments that may be required between operating and/or reserves.

As background and a reminder to the current state of asset replacement funding, the City does fund the Capital and Related Project Budget in excess of amortization. Asset replacement funding in the proposed budget is approximately \$6.7 million whereas amortization is approximately \$5.7 million. However, amortization represents historical cost at the time an asset was originally purchased and replacing aged assets in today's inflation adjusted dollars is often significantly more expensive. In 2019, a review was conducted by a subject matter expert that estimated the required annual replacement cost of the City's infrastructure to be approximately \$10.8 million in 2019 dollars. The difference between \$6.7 million and \$10.8 million identifies a funding deficit of at least \$4.1 million based on the 2019 figure of \$10.8 million. While Council has been making progress on reducing this funding gap, Staff identify the "catch-up factor" proposed at 1.75% for the levy, water and wastewater and 7% for storm sewer are required and will continue to be required moving forward to replace City infrastructure.

Approving the 2022 Capital and Related Project Budget at this time will allow Staff appropriate time to prepare and seek competitive pricing. Staff acknowledge this was also the intent with the 2021 Capital and Related Project Budget and, while the budget was approved on schedule, changes within certain departments of the City going into and during the early part of 2021 slowed the deployment of the 2021 Capital and Related Project budget.

Last year, to accommodate for potential changes in the needs and wants of the Capital and Related Projects Budget, the 2021 Capital and Related Project Budget included a levy contingency of approximately \$225,000. At the time of writing this report, approximately \$137,000 of that contingency remains. The 2022 Capital and Related Project Budget does not include an additional contingency.

The 2022 Capital and Related Project Budget was developed through a process that requested Council and Staff input. Staff have based their recommendations after considering:

- Our Vision/Mission/Values

- Our Strategic Pillars
- A need to connect the community
- A desire to come out of the COVID-19 pandemic stronger
- Planning and building for growth
- Organization capacity to complete the Capital and Related Projects budget
- Organizational financial flexibility

Financial Services, working with the Senior Management Team, acknowledge certain budget requests were not included in the proposed 2022 Capital and Related Project Budget. Two specific projects that will require future budget consideration include a fire truck replacement and dispatch/radios for the fire department. Another relates to the Vale Health and Wellness (VHWC) roof for which the 2022 Capital and Related Project Budget only includes funding to design a solution as the potential construction cost is not known at this time.

Discussion:

The 2022 Capital and Related Project Budget as outlined in Appendix A – 2022 Capital and Related Project Budget Presentation and Appendix B – 2022 Capital and Related Project detail includes 96 projects and related transfers valued at \$22,897,956.

Some highlights of the 2022 Capital and Related Project Budget includes:

- A \$3.3 million plan to *Connect the City* through trails, parks, and related city facility infrastructure and public WIFI funded 94% through grants and other non-levy funding sources
- A new Waterfront Centre subject to securing alternative funding
- 20% increase in roads spending (base and surface) budget to \$1.072 million
- 20% increase in sidewalk budget to \$150,000
- Significant fleet replacement, including a Haul All Waste Vehicle (2006), Dump Trucks (2004 & 2007) with multiple uses including snow removal and salt/sand, Street Sweeper (2009) and Roads Backhoe (2013)
- \$7.2 million in Water, Wastewater and Storm water projects subject to grant funding applications of \$4.3 million

In addition to this 2022 Capital and Related Project Budget, Council through Report 2021-205 recently approved the Erie St. water project for \$1.88 million.

The 2022 Capital and Related Project Budget requires no external borrowing. The City's outstanding borrowing is projected to decline by approximately \$1.42 million in 2022.

If the proposed 2022 Capital and related Projects Budget is approved as presented, the 2022 Capital and Related Project Budget would result in a 1.1% or \$41 increase to the average residential property valued at \$207,501. The water increase would be 2.2% or \$13 for the average house using 150 m3 of water, the wastewater increase would be 1.9% or \$19 per house and the estimated storm sewer increase would be 7% or \$8. The storm sewer estimate is based on boundary changes that Staff will be proposing to Council in October. The boundary change will reduce the number of houses in the boundary. Any refunds that may result from the boundary change will be funded from storm sewer reserves. In addition to the boundary change Staff, will be proposing residential vs. commercial and industrial billing ratios during the Rate budget process.

Internal Consultations:

As stated, Financial Services would like to thank City Staff from all departments for their leadership and support in developing this 2022 Capital and Related Project Budget.

Financial Implications:

Financial Services identifies the proposed 2022 Capital and Related Projects Budget is a staff recommendation that Council can adjust, if required.

Public Engagement:

The timeline for the 2022 Capital and Related Project budget was approved at the June 28, 2021 Council meeting. The 2022 Capital and Related Project budget was published on the City's website on September 3, 2022 and submitted through the agenda process at the end of the week of September 6, 2022. The 2022 Capital and Related Project budget will be considered by the Budget Committee the Whole on September 16, 2022 and, if approved by Committee of the Whole, Council on September 27, 2022.

As projects in the 2022 Capital and Related Project Budget progress, Staff will seek additional Council and public input with respect to design and other improvements on projects that require or lend themselves or that may be directed for additional input (i.e. park design).

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Service and Simplicity - Quality and Innovative Delivery of Customer Services
 - Attracting Business Investment and Tourists to Port Colborne
 - City-Wide Investments in Infrastructure and Recreational/Cultural Spaces
 - Value: Financial Management to Achieve Financial Sustainability
 - People: Supporting and Investing in Human Capital
 - Governance: Communications, Engagement, and Decision-Making
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Conclusion:

Staff recommend Council approve the 2022 Capital and related Project Budget.

Appendices:

- a. Appendix A – 2022 Capital and Related Projects Budget Presentation
- b. Appendix B – 2022 Capital and Related Project Detail
- c. Appendix C – 2021 and Prior Capital and Related Projects Budget Forecast

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.