



PORT COLBORNE

Subject: 2025 Capital and Related Project Budget and Levy Budget

To: Committee of the Whole - Budget

From: Corporate Services Department

Report Number: 2024-184

Meeting Date: October 16, 2024

Recommendation:

That the Committee of the Whole recommend to Council:

That the Corporate Services Department, Financial Services Division, Report No. 2024-184 Subject: 2025 Capital and Related Project Budget and Levy (Operating) Budget, **BE RECEIVED**; and

That the recommended transfers to and from the City's capital close-out account and related accounts as outlined in Appendix C of the Corporate Services Report 2024-184, **BE APPROVED**; and

That the 2025 Capital and Related Project Budget and Levy (Operating) Budget in Report 2024-184, **BE APPROVED** and that the projects identified in the 2025 Capital and Related Project Budget and Levy (Operating) Budget be permitted to begin immediately where feasible.

Purpose:

The purpose of this report is to present the proposed 2025 Capital and Related Project Budget and Levy (Operating) Budget to the Budget Committee of the Whole.

Background:

The 2025 Capital and Related Project Budget and Levy (Operating) Budget is presented in a similar fashion as the prior year, except the Capital and Related Project Budget and Levy (Operating) budget is being presented at the same time in the same report.

Financial Services would like to thank City staff from all departments for their leadership and support in developing this 2025 Capital and Related Project and Levy (Operating) Budget.

Should the 2025 Capital and Related Project and Levy (Operating) Budget be approved by the Budget Committee of the Whole on October 16, 2024, it will move forward to be ratified at the October 22, 2024, Council meeting.

The core funding model between the 2024 and 2025 Capital and Related Project and Levy (Operating) Budget remains the same.

From the Levy perspective the model has been to fund operations in a manner that will achieve the City's Strategic Plan. Council has achieved this model with a combined increase on operations over the past 5 years of 14.75% which compares to inflation measured by the consumer price index (CPI) of 19%.

The Capital and Related Project Budget represents 55% of the total proposed Levy increase. From the Capital and Related Project perspective the model takes the prior year funding of capital and debt, adjusts for inflation, grant funding and/or adjustments between operating and/or reserves and then applies a catch-up factor to improve funding for asset replacement in recognition of the infrastructure funding deficit highlighted in the 2024 Asset Management Plan (AMP).

The 2024 AMP incorporated all capital assets for the first time as per Provincial regulations. The 2024 AMP identified an annual capital asset funding requirement of \$12.2 million related to Levy assets and \$11.5 million related to Rate assets. Rate assets include water, wastewater, and stormwater assets. Levy assets reflect all city owned assets excluding Rate assets.

This budget includes a total base funding allotment for capital and related projects of \$11.8 million which is \$12.0 million less than the AMP average annual spending requirement.

While Council has been making progress on reducing this funding gap, Staff identify the "catch-up factor" proposed in this capital and related project budget be increased to 2.5% (2.25% PY). This "catch-up factor" will likely need to continue growing meaningfully to replace City's infrastructure moving forward. In the multi-year forecast provided, the catch-up factor on the Levy is projected to increase to 2.75% in 2026 and 3.0% in 2027 going forward.

Should the City maintain the current Capital and Related Project Budget funding model as set out in the AMP, the City, based on current information, will achieve a sustainable funding level to maintain most capital asset categories within the next 6 to 8 years.

Similar to the 2024 Budget, the 2025 Capital and Related Project and Levy (Operating) Budget was developed through a process that requested Council and staff input. Staff have based their recommendations after considering:

- The City's established Vision/Mission/Values
 - The Strategic Pillars identified in the City's Strategic Plan
 - The following themes/focuses:
 - Environment and Climate Change
 - Welcoming, Livable, Healthy Community
 - Economic Prosperity
 - Increased Housing Options
 - Sustainable and Resilient Infrastructure
 - Tactically considering where the City can support and drive competitive advantages:
 - People
 - Processes – getting to simple (moving towards)
 - Community – Connection
 - Location
 - Service levels
 - Growth – achieving economies of scale
 - Impact of leading a reduction in the Infrastructure Deficit
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Discussion:

Financial Services highlights the budget is a plan to allocate resources in advance for the maximum benefit of City residents and stakeholders. It is a method to authorize revenue and expense authority. In preparing the 2025 Capital and Related Project and Levy (Operating) Budget, certain assumptions and estimates are necessary. They are based on information available to staff at the time of preparing the budget. Actual results will vary although as regulated through the *Municipal Act*, a balanced budget is required.

Property Tax Impact

If the proposed 2025 Capital and Related Project and Levy (Operating) Budget is approved as presented the change to the average residential property valued at \$214,435 would be 6% or \$139. On a blended basis the change is 3.18%. This represents the City's portion of the increase.

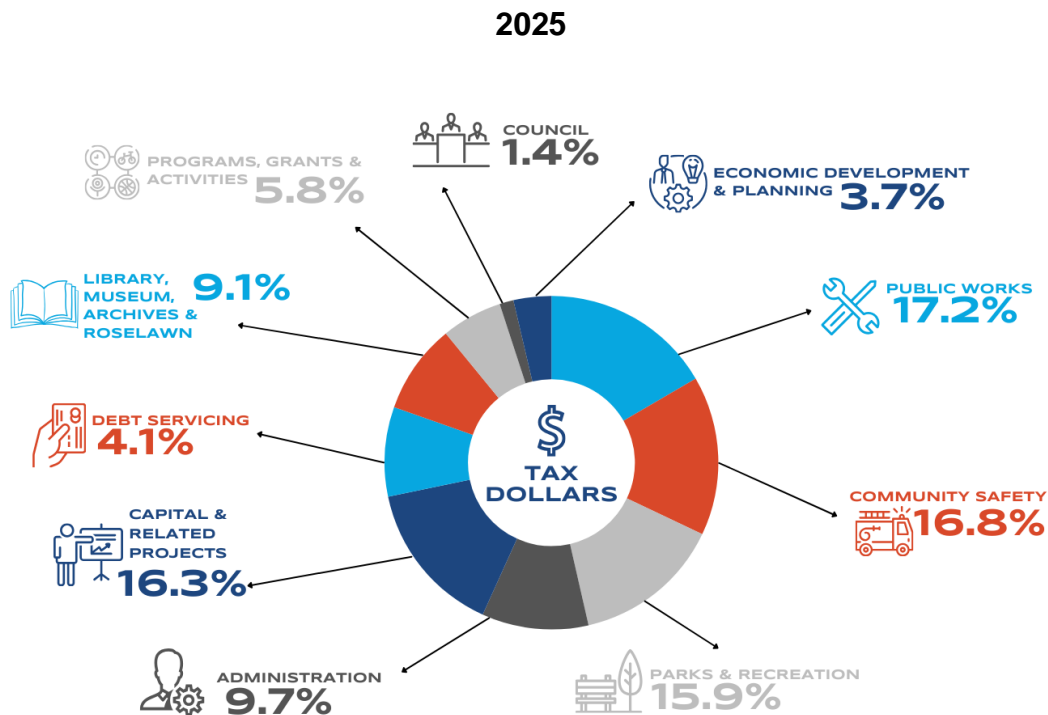
The rate change is approximately 55% related to the 2025 Capital and related Project Budget and 45% related to the Levy (Operating) Budget. In this respect, capital represents approximately 3.3% of the change and operations 2.7% of the change. The operational change compares to a consumer price index (CPI) of 2.7% and the Bank of Canada target rate of 2.0%. As identified in the background section of this report, the capital increase is driven by the AMP.

The estimated impact provides for assessment growth of approximately 2.5% and includes the tax increment grants valued at approximately \$217,000. This estimate has

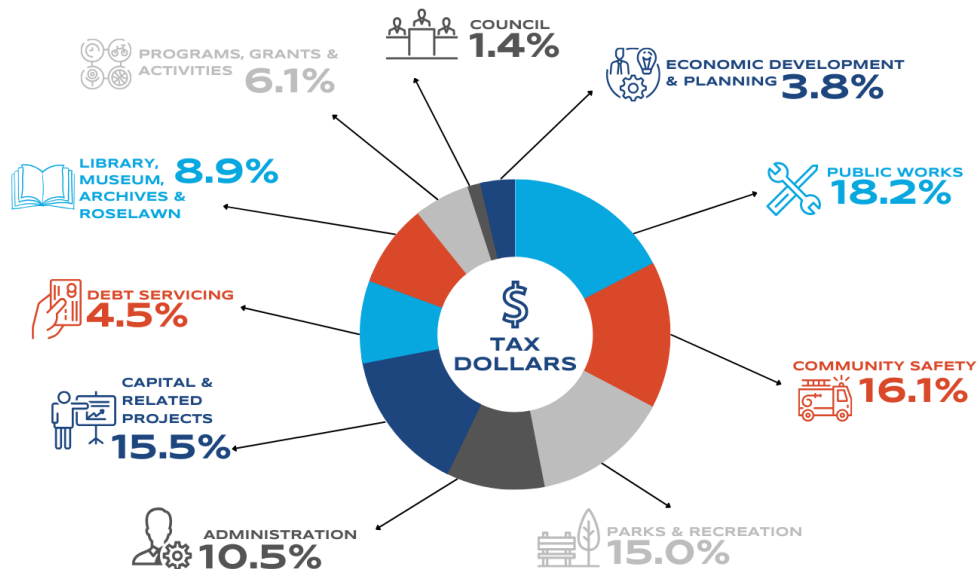
been based on the Municipal Property Assessment Corporation (MPAC) database. Should growth end the year higher or currently reported growth be adjusted lower, the estimated impact to the same residential property noted above would increase or decrease.

Budget Summary

This budget was developed to maintain current service levels and achieve the City's strategic plan. The proposed levy is \$26,861,200. In percentage terms, tax dollars support the following (as allocated in Appendix G):



2024



On a year over year basis, it is notable to identify the amount of budget allocated to capital increased to 20.5% (16.4% + 4.1%) up from 20% (15.5% + 4.5%) in the prior year. This reflects Council's strategic commitment to sustainable and resilient infrastructure.

Staff highlight the amount attributed to Parks and Recreation is a result of changes in allocated costs, including 1/3 of Nickel Beach cost on the levy and inflationary pressures such as utilities at the Vale Health and Wellness Centre.

Some Capital and Related Project highlights include:

- \$6.1 million for water line replacement, including North/South Crescent, Ash, Jefferson and Davis, West, Homewood and Berkely.
- \$4.7 million for wastewater lateral and maintenance hole rehabilitation (three-year project)
- \$670 thousand for wastewater lateral launch program (three-year project)
- \$1.6 million for storm water replacement on Olga and Clarence
- \$2.4 million for Ontario Construction Manual (OSIM) Culvert and Structure Replacements
- \$697 thousand for sidewalk upgrades (an increase of 20%)

- \$405 thousand to contribute land to a Niagara Regional Housing Partnership project on affordable housing
- \$2 million in park improvements at Lock 8, West Street, and Johnson Street and to fund construction previously approved at Lockview Park
- \$203 thousand for Vale Health and Wellness Building improvements, including rink bench floor mats and the family change room
- \$10 thousand for the accessible step up (Stop Gap) initiative to improve access to businesses in the City
- \$75 thousand for new billing software for property tax and water and wastewater which will make fixed charges the same month to month
- \$150 thousand for a fire masterplan as directed with respect to the shared service planning with Wainfleet
- \$550 thousand for a new roof on the Library building
- \$20 thousand for cedar shake roof replacement at the Sherk Log Cabin 1844 Roof
- \$25 thousand for Museum fence replacement to be supported with volunteers
- \$20 thousand for repairs to the School House 1835 Ceiling
- \$40 thousand for Phase II accessibility improvements to Roselawn
- \$15 thousand for repointing the stone on the façade at Williams Home 1861. This project will be supported by Willowbank School of Restoration

In total there are 41 projects in the Capital and Related Project Budget compared to 32 in the prior year. At the time of writing this report the total number of open Capital and Related Projects at the end of 2024 is forecasted at 46. As a result, Staff anticipate starting 2025 with 87 (41 + 46) Capital and Related Projects. This compares to 152 projects at the start of 2024.

The Capital and Related Project budget includes \$5.29 million in debt financing for water and wastewater projects as highlighted in Appendix A and B. The forecasted in-year ARL inclusive of the recommended borrowing, previously approved and current borrowing is estimated to increase to 5.5% in 2025. The City's self imposed limit is 15% and the Provincial limit is 25%.

Some community highlights of the budget include:

- The Physician recruitment reserve will grow to \$350,000 with this year's investment. This will provide the City the flexibility to recruit physicians.
- Funding to improve the City tree canopy with a goal of moving it to 40% from 32%. In 2024 the program is expected to have planted 400 trees.
- An investment of \$268,600 in the business community through the new Community Improvement Plan (CIP). Representing 1% of the Levy.
- Support community events, including the community concert series with an \$89,000 investment equalling 1/3 of 1% of the Levy.
- Continue the discounted rain barrel program which sold out in 2024.
- 55% of the tax impact supports the Capital and Related Project Budget.

Some significant budget pressures included in the 2025 Capital and Related Project and Levy (Operating) Budget are:

- Insurance and utility costs are budgeted to increase 10%. Insurance costs are the result of the most recent request for proposal. Staff continue to look for opportunities to address the increase in insurance costs. As the City looks to achieve its Net Zero goals there will be opportunities to address utility costs in the coming years.
- Personnel costs with the City moving into CUPE and Fire Association collective agreement negotiations. Adjusting for the impact of union job evaluations and planning for part-time and student resourcing as well as implementing year 2 of 2 of the enhanced Canada Pension Plan.
- Moving 1/3 of the Nickel Beach costs to the Levy in recognition of approximately 1/3 of attendees are PORTicipate members from the City of Port Colborne. In making this transition, Staff highlight the incremental costs of incremental students and operations will be covered directly by parking revenue.

The cost impact of the budget highlights and budget pressures were partially offset by some changes to the staff training and development budget, moving equipment from leased to purchase, moving the physician recruitment contribution to \$100,000 as the reserve will be \$350,000 in 2025 with this contribution, and lower auto fuel costs.

2024 Forecast

The City is forecasting a balanced budget. This forecast is noted in Appendix A and in the various appendices attached to this report. In preparing this forecast, as with this budget, certain assumptions and estimates are necessary. This forecast is based on information available to staff at the time. Actual results will vary.

The balanced budget is net of the recommended transfers in Trimester 1 to EV charges and the subject matter and working capital reserve.

If a surplus is experienced at year end, Staff anticipate recommending it to be transferred to support the contingency reserve to meet the Reserve Policy target and general tangible capital asset (infrastructure) reserve.

Risks to the Operating (Levy) Budget

Actual events and results can be substantially different from what is expected or implied as a result of risk, uncertainties, and other factors, many of which are beyond the control of Council and Staff, including, but not limited to:

- Changes to legislation, including rules and regulation
- Decisions of other levels of government
 - i.e. Ministry of the Environment, Conservation and Parks
 - i.e. the Bereavement Authority of Ontario
- Unforeseen and/or unplanned environmental considerations related to approved projects
- Economic weakness or other unforeseen factors impacting changes in past patterns of facility and service usage and/or goods purchased by users and customers
- Inflation advancing more than anticipated
- Interest rates declining which impacts investment income and related reserve transfers
- Unexpected changes or usage in infrastructure
- Unbudgeted and/or unexpected changes in needs or wants of residents resulting in Council approved changes in service levels or goods and service offerings
- A resurgence in COVID-19 or other epidemics, pandemics, or other public health crisis event
- Weather conditions that impact operations, including community events and beach operations

Some additional salient specific budget risks and mitigation include:

- Building and planning applications below forecast. Mitigation includes use of the building reserve, in-year operating budget and/or contingency reserve.
- Municipal Accommodation Tax (MAT) delayed. Mitigation includes in-year operating budget and/or contingency reserve.
- Beach and Marina users below forecast. Mitigation includes in-year operating budget and/or Beach and Marina Reserves.
- Assessment Growth below expectation. Adjust property tax rate at final setting in April 2025.

Looking Forward

As identified on many occasions, “everyday is budget day” in a municipality. Corporate Services continues to identify continuous improvement is a process. Looking forward to 2025, staff identify the following activities that will help determine the financial outcomes of the City going into the 2026 budget process:

- Continue to review opportunities to support affordability
 - Continue reviewing fees
 - Begin a review of commercial agreements
 - Explore land development opportunities
 - Complete wastewater and storm sewer 10-year master plans
 - Introduce a multi-year capital budget
 - Continue to work towards Key Performance Indicators (KPIs) and related benchmarks, where applicable
 - Achieve efficiency target
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Internal Consultations:

As stated, Financial Services would like to thank City staff from all departments for their leadership and support in developing this 2025 Capital and Related Project and Levy (Operating) Budget.

Financial Implications:

Financial Services identifies the proposed 2025 Capital and Related Project and Levy (Operating) Budget is a staff recommendation that Council can adjust, if required.

Public Engagement:

The 2025 Capital and Related Project and Levy (Operating) Budget was published on the City's website on October 3, 2024, through the agenda process. The 2025 Capital and Related Project and Levy (Operating) Budget will be considered by the Budget Committee the Whole on October 16, 2024, and, if approved by Committee of the Whole, Council on October 22, 2024.

Following the budget process, staff will continue to review service levels and operations. Should changes be requested or sought, staff will seek input and where necessary approval from Council.

Strategic Plan Alignment:

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

- Environment and Climate Change
 - Welcoming, Livable, Healthy Community
 - Economic Prosperity
 - Increased Housing Options
 - Sustainable and Resilient Infrastructure
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Conclusion:

Staff recommend that the Committee of the Whole recommend approval of the 2025 Capital and Related Project and Operating (Levy) Budget as outlined in this report and the various appendices, including the recommended trimester 2 transfers of Appendix C.

Appendices:

- a. Appendix A – 2025 Capital and Related Project and Levy (Operating) Budget Presentation
- b. Appendix B – 2025 Capital and Related Project Budget Detail
- c. Appendix C – 2024 Trimester 2 Capital and Related Project Summary
- d. Appendix D – 2025 Levy (Operating) and Self Sustaining Entities (SSE) Summary
- e. Appendix E – 2025 Levy (Operating) Divisional Summary and Detail
- f. Appendix F – 2025 Facilities, Transportation and Parks Detail
- g. Appendix G – Levy Allocation
- h. Appendix H – Reserve Forecast
- i. Appendix I – Investments
- j. Appendix J – Debt Management

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.