



Subject: 2023 Capital and Related Project Budget

To: Committee of the Whole - Budget

From: Corporate Services Department

Report Number: 2022-248

Meeting Date: December 7, 2022

Recommendation:

That the Committee of the Whole recommend to Council:

That the Corporate Service Department, Financial Services Division, Report No. 2022-248 Subject: 2023 Capital and Related Projects Budget, **BE RECEIVED**; and

That the recommended project changes, closures and funding transfers for projects approved prior to this report as outlined in Report No. 2023-248, Appendix C, **BE APPROVED**; and

That the 2023 Capital and Related Projects Budget as outlined in Report No. 2022-248, **BE APPROVED** and that the projects identified in the 2023 Capital and Related Projects Budget be permitted to begin immediately where feasible.

Purpose:

The purpose of this report is to propose the 2023 Capital and Related Projects Budget to the Budget Committee of the Whole.

Background:

The 2023 Capital and Related Projects Budget is presented in a similar fashion as the prior year Capital and Related Projects Budget.

Financial Services would like to thank City Staff from all departments for their leadership and support in developing this 2023 Capital and Related Project Budget.

Should the 2023 Capital and Related Project Budget be approved by the Committee of the Whole on December 7, 2022, it will move forward to be ratified at the December 13, 2022, Council meeting.

The core funding model between the 2022 and 2023 Capital and Related Project Budget 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 \$8,574,000 whereas amortization is approximately \$5,720,000. 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. The City's Asset Management Plan (AMP) for roads, sidewalks, water, wastewater and stormwater ("linear capital assets") estimates the required annual replacement cost of the identified linear capital assets is approximately \$16,200,000. The difference between \$8,574,000 and \$16,200,000 identifies a funding deficit of at least \$7,626,000. While Council has been making progress on reducing this funding gap, Staff identify the "catch-up factor" proposed at 2% for the levy is required and will likely need to continue and grow to meaningfully replace City infrastructure moving forward.

The 2023 Capital and Related Project 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
 - Supporting economic prosperity initiatives
 - Supporting environmental sustainability initiatives
 - Supporting a welcoming and livable community
 - Supporting increased and enhanced housing options
- 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

Discussion:

2023 Capital and Related Project Budget

The 2023 Capital and Related Project Budget as outlined in Appendix A – 2023 Capital and Related Project Budget Presentation and Appendix B – 2023 Capital and Related Project detail includes 50 projects (down from 96 projects in 2022) and related transfers valued at \$8,351,363.

Some highlights of the 2023 Capital and Related Project Budget include:

- Wastewater lining project budgeted at \$500,000
- Stormwater outlet backflow control budgeted at \$300,000
- Watermain replacement (2 of 5 funding allotments) budgeted at \$266,700. This is part of a \$5,000,000 project funded 73% from grants.
- 20% increase in the annual road (base and surface) budget to \$1,286,400
- 100% increase in the annual sidewalk budget to \$300,000
- Playground replacement at Victoria Park budgeted at \$252,000 funded 80% from grants
- Fire Engine 2 Replacement budgeted at \$910,000
- Permanent H.H. Knoll event lighting budgeted at \$140,000 and funded 71% from grants

The 2023 Capital and Related Project Budget requires no external borrowing. The City's outstanding borrowing is projected to decline by approximately \$1,289,000 to \$26,123,000 in 2023.

If the proposed 2023 Capital and related Projects Budget is approved as presented, the 2023 Capital and Related Project Budget would represent 51% of the \$114 increase to the average residential property valued at \$212,035.

To minimize 2023 rate increases and provide time to catch up on almost \$8,400,000 in rate related capital and related projects, approved and unspent, the non-debt capital funding levels in the rate budgets have declined by \$74,216 to \$1,831,711.

2022 and Prior Capital and Related Projects

Updated forecasts of the 2022 and Prior Capital and Related Projects can be found in the presentation in Appendix A with the details in Appendix C.

At the time of writing this report Staff identify there were 162 projects at the beginning of 2022. Subject to approved project closures and forecast completion, Staff anticipate 80 of these projects will be opened by year end. The value of these remaining 80 projects is \$19,569,114.

To clear the backlog two Project Manager positions, one senior and one junior, are to be hired. These positions will not result in new headcount or full-time equivalent (FTEs) of the City, as other vacant positions will be declared redundant. Project Manager positions are common in organizations. At the time of writing this report, the City has no Project Managers.

In Appendix A it is identified that projects completed and closed result in a transfer of \$825,333 to the Capital over/short account. This account is utilized to fund a project that may experience cost overruns and support new capital projects. The 2023 Capital and Related Project Budget utilizes \$617,063 to fund new projects.

The recommendation to cancel projects came after the reorganizing of Public Works with a goal to reduce the capital and related project list to a manageable list of high priority projects. It was further identified that inflation had made certain projects less feasible. Further, when they related to facilities, it was identified the City's Building Condition Assessments are currently being done, waiting for them when possible, would be prudent.

Risks to the Capital and Related Project 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.
 - i.e. Bill 39, Better Municipal Governance Act, 2022 was introduced subsequent to the development of this budget and is still being reviewed at the time of printing this presentation.
- Decisions of other levels of government :
 - i.e. Ministry of the Environment, Conservation and Parks.
 - i.e. the Bereavement Authority of Ontario.
 - i.e. Niagara Region water and wastewater charges have not been published or approved, only guidance from July 21, 2022 has been shared.
- 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 – note inflation was budgeted differently for different expenses ranging from 0% to the 35% range (fuel costs increased 70% over 2 years).
- Interest rates declining which impacts investment income.
- Poor weather impacting attendance at Nickel Beach or events such as Canal Days.
- Higher precipitation and lake levels compared to 2022 increasing inflow and infiltration or changing water usage.
- 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.

Looking Forward

Emphasis is on project completion. The addition of Project Management capability will support this action.

- Development of a multi-year (5-year) capital plan to be introduced with the 2024 Capital and Related Project budget (1 year for approval and 4-year forecast).
- Some in-year capital and related project considerations will likely include:
 - Dredging at the Marina.
 - Vale roof (presentation scheduled January 24th).
 - Consideration to be provided to the assumption of cemeteries and other related cemetery matters.
 - Human Resource and Finance System (partnership with other municipalities).
 - Parking lot options to facilitate greater off beach parking at Nickel Beach.
 - Energy efficiency upgrades and opportunities to produce energy.
- Completing Building Condition Assessments (BCAs) on all facilities to support a multi-year/multi-generational planning discussion with Council.
- Review the Parks and Recreation Master plan.
- Further internal discussions to be had on a joint capital request by the Museum and Library to assess the need for another facility. This project was held back from the 2023 Capital and Related Project Budget.

Internal Consultations:

As stated, Financial Services would like to thank City Staff from all departments for their leadership and support in developing this 2023 Capital and Related Project Budget.

Financial Implications:

Financial Services identifies the proposed 2023 Capital and Related Projects Budget is a staff recommendation that Council can adjust, if required.

Public Engagement:

The 2023 Capital and Related Project budget was published on the City's website on November 28, 2022, through the agenda process. The 2023 Capital and Related Project budget will be considered by the Budget Committee the Whole on December 7, 2022, and, if approved by Committee of the Whole, Council on December 13, 2022.

As projects in the 2023 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
-

Conclusion:

Staff recommend that the Committee of the Whole recommend approval of the 2023 Capital and related Project Budget as outlined in this report and the various appendices.

Appendices:

- a. Appendix A – 2023 Capital and Related Projects Budget Presentation
- b. Appendix B – 2023 Capital and Related Project Detail
- c. Appendix C – 2022 and Prior Capital and Related Projects Budget Forecast

Respectfully submitted,

Bryan Boles, CPA, CA, MBA
Director of Corporate Services / Treasurer
(905) 835-2900 Ext. 105
Bryan.Boles@portcolborne.ca

Steve Shypowskyj
Director, Public Works Services
(905) 835-2900 Ext. 220
Steve.Shypowskyj@portcolborne.ca

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.