



Subject: 2024 Capital and Related Project Budget

To: Committee of the Whole - Budget

From: Corporate Services Department

Report Number: 2023-160

Meeting Date: September 20, 2023

Recommendation:

That the Corporate Service Department, Financial Services Division, Report No. 2023-160 Subject: 2024 Capital and Related Projects Budget, **BE RECEIVED**; and

That the 2024 Capital and Related Projects Budget as outlined in Report No. 2023-160, **BE APPROVED** and that the projects identified in the 2024 Capital and Related Projects Budget be permitted to begin immediately where feasible.

Purpose:

The purpose of this report is to propose the 2024 Capital and Related Projects Budget to the Budget Committee of the Whole.

Background:

The 2024 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 2024 Capital and Related Project Budget.

Should the 2024 Capital and Related Project Budget be approved by the Committee of the Whole on September 20, 2023, it will move forward to be ratified at the September 26, 2023, Council meeting.

The core funding model between the 2023 and 2024 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 \$11,095,881 whereas amortization is approximately \$5,859,000. 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 \$17,010,000. The difference between \$11,095,881 and \$17,010,000 identifies a funding deficit of at least \$5,914,119. Staff identify this funding gap is larger than \$5,914,119, as AMP for assets such as facilities, parks, buildings, and information technology is in development and is due to be completed in June 2024 for Ministry reporting. Once completed, the funding requirement for these assets will be added to the \$5,914,119 funding deficit.

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 2.25% (2.0% PY). This "catch-up factor" will likely need to continue growing meaningfully to replace City infrastructure moving forward.

The 2024 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
 - 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

Discussion:

2024 Capital and Related Project Budget

The 2024 Capital and Related Project Budget as outlined in Appendix A – 2024 Capital and Related Project Budget Presentation and Appendix B – 2024 Capital and Related Project detail includes 35 projects (down from 50 projects in 2023) and related transfers valued at \$21,008,280.

This budget focus on Council's strategic priorities with specific attention given to environmental sustainability as the fleet budget recommends replacing an ice resurfacer with an electric ice resurfacer, energy efficient solutions are sought for the Vale Health and Wellness Centre, and a recommendation to consider an exploration study on a new/replacement zero emission recreation facility in Sherkston.

This budget further focuses on storm and wastewater. Council approved a Disaster Mitigation Adaptation Fund (DMAF) Grant application valued over \$30 million dollars earlier this year. At the time of preparing the 2024 Capital and Related Project Budget Staff are waiting on feedback to that application. The 2024 Capital and related Project Budget is preparing to fund the City's 60% portion of that application. With respect to wastewater, the Infrastructure Needs Study is nearly complete (Public Works will present to Council this fall). That study will recommend relining wastewater pipes aggressively. Relining wastewater pipes can extend their useful life for 75 plus years. This budget recommends funding to reline approximately 1/3 of the City's wastewater pipes.

Some highlights of the 2024 Capital and Related Project Budget include:

- \$10 million for wastewater relining (approx. 1/3 of City wastewater pipes)
- \$1.54 million annual roads budget (increased 20%)
- \$1.2 million enterprise resource planning system
(Finance and HR system – shared service project with the City of Niagara Falls)
- \$884,000 to fund storm water projects related to the DMAF Grant Application
- \$610,000 OSIM Culvert and Structure Replacement
- \$600,000 annual sidewalk budget (doubled)
- \$600,000 digital radio system for Fire (budgeted \$150,000 per year for 4 years)
- \$500,000 Geographic Information System (budgeted \$250,000 per year for 2 years)
- \$300,000 to develop industrial lands

- \$300,000 Tennessee gates (heritage rehabilitation)
- \$135,000 events infrastructure
- \$100,000 Improvements to Road Ends at Lake Erie

The 2024 Capital and Related Project Budget requires \$10 million in external borrowing.

If the proposed 2024 Capital and related Projects Budget is approved as presented, the 2024 Capital and Related Project Budget would represent 1.665% increase to the levy or a \$69 increase to the average residential property valued at \$213,407 (before reduction related to assessment growth). The water increase would be approximately \$57 for the average house using 188 m³ of water, the wastewater increase would be approximately \$39 per house and the estimated storm sewer increase per house would be \$46.

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
- 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 27, 2023 has been shared
- 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 impact 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

Looking Forward

- The multi-year capital and related project funding plan (1-year approved and 4-year forecast) has been developed. Upon completion of the Asset Management Plan for Non-linear assets (June 2024) and with progress on GIS optimization, staff will assign projects for Council consideration.
 - Complete Asset Management Plan for Non-linear assets (June 2024)
 - Some “in-year” capital and related projects that will require Council direction and will come by separate report(s) in the following 3-9 months include:
 - Storm Water (Disaster Mitigation Adaption Fund) Grant Application
 - Work would coincide with downtown renewal that would require additional budget
 - Dredging and dock replacement at Sugarloaf Marina
 - Sugarloaf Marina building improvements, including possible second deck
 - Welland Canal wastewater crossing and servicing of east residential and industrial lands
 - Environmental considerations with respect to previously approved water project on Davis/Homewood/Berkley/West
 - Asset Retirement Obligations - Environmental - December 31, 2023 Financial Statements
 - Structural review of Pleasant Beach Road retaining wall
 - Waterfront developments West/Sugarloaf/King/canal
 - City-owned fire lane improvements
 - City entrance/gateway signage
 - CiBloom
 - 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 (significant progress has been made, anticipate Fall 2023/Winter 2024)
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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 2024 Capital and Related Project Budget.

Financial Implications:

Financial Services identifies the proposed 2024 Capital and Related Projects Budget is a staff recommendation that Council can adjust, if required.

Public Engagement:

The 2024 Capital and Related Project budget was published on the City's website on September 6, 2023, through the agenda process. The 2024 Capital and Related Project budget will be considered by the Budget Committee the Whole on September 20, 2023, and, if approved by Committee of the Whole, Council on September 26, 2023.

As projects in the 2024 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:

- 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 2024 Capital and related Project Budget as outlined in this report and the various appendices.

Appendices:

- a. Appendix A – 2024 Capital and Related Projects Budget Presentation
- b. Appendix B – 2024 Capital and Related Project Detail

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.