



Council Report

Report Number:	CA2023-002
Meeting Date:	February 14, 2023
Title:	Proposed 2023 Tax-Supported Capital Budget
Description:	This report tables the Proposed 2023 Tax-Supported Capital Budget for deliberation by Council and makes related recommendations.
Author and Title:	Adam Found, Manager of Corporate Assets

Recommendation(s):

That Report CA2023-002, **Proposed 2023 Tax-Supported Capital Budget**, be received;

That the Proposed 2023 Tax-Supported Capital Budget, attached as Appendix A to Report CA2023-002, be tabled for deliberation by Council;

That Kagawong Road be deleted from the proposed 2023 Gravel Resurfacing capital program, thereby relinquishing \$111,000.00 in Asset Management Reserve financing;

That Kagawong Road be added to the proposed 2023 Rural Resurfacing capital program and assigned a budget therein of \$440,000.00 financed 50% by the Capital Contingency Reserve and 50% by the funds received from the associated community trust;

That \$678,266.00 in Asset Management Reserve financing of the proposed 2023 Gravel Resurfacing capital program be replaced with \$678,266.00 in Ontario Community Infrastructure Fund (OCIF) financing;

That the Manager of Corporate Assets be authorized to reallocate program-level financing across approved 2023 gravel resurfacing capital projects with the aim of exhausting the City's 2023 OCIF grant allocation; and

That \$789,266.00 be transferred from the Asset Management Reserve to the Capital Contingency Reserve.

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

Background:

In accordance with the Municipal Act, this report presents Council with the Proposed 2023 Tax-Supported Capital Budget for deliberation. It also provides Council with complementary information and makes related recommendations arising from developments since the Proposed 2023 Budget Book was prepared and circulated for public consumption. Having regard for existing Council direction and prevailing economic conditions, those recommendations are designed to reset the Proposed 2023 Tax-Supported Capital Budget for deliberation by Council.

At its meeting of June 21, 2022, Council adopted the following resolution recommended to it by the Committee of the Whole:

CW2022-160

That Report CA2022-006, **Cost-Shared Upgrade of Kagawong Road**, be received;

That a project to upgrade Kagawong Road from a gravel to highfloat surface be added to the 2023 Tax-Supported Capital Budget with a budget of \$440,000.00 financed 50% by the Capital Contingency Reserve and 50% by funds to be received from a community trust fund established by project proponents, if the contribution from the community trust fund is received by the City Treasurer by December 9, 2022; and

That, upon completion and closure of the project, any surplus in the project be returned on a proportionate basis to the community trust fund without interest.

Carried

In part, this report addresses that direction as well as the unanticipated increase of \$678,266 in the City's 2023 Ontario Community Infrastructure Fund (OCIF) allocation, given these matters involve material financial developments directly related to the Proposed 2023 Tax-Supported Capital Budget.

Rationale:

On June 7, 2022, Council adopted the City's substantially revised Long-Term Financial Plan (LTFP), which is based on established municipal service levels and Council direction, resets the 10-year planning horizon to 2022-2031, and is designed to inform and guide budgets accordingly. Concurrent with the 2022 update of the LTFP, staff mapped and streamlined the annual budget preparation process. As a result of those initiatives and determined efforts to prioritize capital needs while managing ongoing inflationary pressures, the Proposed 2023 Tax-Supported Capital Budget aligns

remarkably well with the LTFP, as demonstrated by Tables 1 and 2 below. Indeed, total capital expenditure and financing proposed for 2023 are within 1% of plan.

Note that Tables 1 and 2 account for the removal from the LTFP of the \$10,000,000 capital project which Council approved for the Coboconk Wellness Centre just after the LTFP was adopted and that the tables do not reflect the recommendations of this report. Primarily because of unanticipated greater capacity in the Asset Management Reserve due to the 2021 tax-supported operating surplus disposition, reliance on debenture in the Proposed 2023 Tax-Supported Capital Budget is considerably (approximately \$4,100,000) less than planned.

Capital Program	LTFP	Proposed	Variance
Multiyear Capital Projects	1,990,000	2,897,000	907,000
Bridges	3,474,689	2,580,000	(894,689)
Culverts and Municipal Drains	433,228	540,000	106,772
Urban/Rural Reconstruction	9,171,268	5,090,000	(4,081,268)
Urban/Arterial Resurfacing	6,871,895	6,425,000	(446,895)
Rural Resurfacing	4,375,377	5,367,000	991,623
Gravel Resurfacing	1,861,880	1,778,000	(83,880)
Lifecycle Management	1,789,542	2,033,000	243,458
Sidewalks	865,370	351,000	(514,370)
Streetlights and Traffic Signals	884,871	40,000	(844,871)
Parking Lots	79,825	225,000	145,175
Airport Siteworks and Facilities	286,287	200,000	(86,287)
Landfill Siteworks and Facilities	3,201,764	6,092,000	2,890,236
Landfill Equipment	12,400	-	(12,400)
Roads, Fleet and Transit Facilities	2,786,350	188,000	(2,598,350)
Transit Siteworks	56,650	360,000	303,350
Public Works Fleet Equipment	5,052,178	10,200,000	5,147,822
Information Technology Systems	530,450	726,000	195,550
Fire Facilities	640,773	720,000	79,228
Fire Fleet and Equipment	2,781,000	3,070,000	289,000
Paramedic Facilities	176,325	45,000	(131,325)
Paramedic Fleet and Equipment	732,943	1,947,000	1,214,057
Victoria Manor	154,500	155,000	500
Building and Property Facilities	2,584,926	1,485,000	(1,099,926)
Building and Property Equipment	144,200	-	(144,200)
Parks Siteworks and Facilities	2,866,414	2,133,000	(733,414)
Recreation Facilities	1,828,836	1,530,000	(298,836)
Parks and Recreation Equipment	133,900	155,000	21,100
Cemetery Siteworks and Facilities	113,300	140,000	26,700
Wilson Estate Capital Projects	110,000	110,000	-
Total	55,991,140	56,582,000	590,860

Table 2: Proposed 2023 Tax-Supported Capital Financing			
Source	LTFP	Proposed	Variance
Asset Mgt. Reserve	13,115,000	17,335,325	4,220,325
DC Reserve	6,594,043	3,454,400	(3,139,643)
Federal Gas Tax Reserve	4,784,104	4,744,000	(40,104)
Provincial Gas Tax Reserve	80,000	43,700	(36,300)
Public Works Fleet Reserve	4,039,178	6,206,000	2,166,822
Fire Fleet Reserve	2,369,000	2,708,000	339,000
Haul Routes Reserve	918,000	900,000	(18,000)
Library Reserve	-	-	-
Parkland Reserve	50,000	1,037,206	987,206
Cemetery Reserve	-	13,522	13,522
Streetlights Reserve	55,000	-	(55,000)
Water-Wastewater Reserve	-	-	-
Victoria Manor Reserve	50,000	155,000	105,000
Property Reserve	-	48,720	48,720
Capital Conting. Reserve	-	-	-
ICIP Grant	618,000	93,100	(524,900)
OCIF Grant	4,521,027	4,521,027	-
Ministry of HLTC Grant	155,000	552,000	397,000
Safe Restart Grant	-	-	-
Connecting Links Grant	-	-	-
Wilson Estate	55,000	55,000	-
Community Partner(s)	-	-	-
Other Municipality / Owner	-	191,000	191,000
Debenture	18,587,789	14,524,000	(4,063,789)
Total	55,991,140	56,582,000	590,860

Since circulation of the Proposed 2023 Tax-Supported Capital Budget for public consumption, two material financial developments have given rise to the need to amend that budget ahead of deliberation as follows:

1. Kagawong Road Upgrade: As Council was made aware at its meeting of December 13, 2022, the City Treasurer confirmed receipt of the \$220,000 in community trust funding required for staff to implement Council Resolution CW2022-160 and thus pave Kagawong Road. This entails shifting Kagawong Road from the Gravel Resurfacing to the Rural Resurfacing capital program within the Proposed 2023 Tax-Supported Capital Budget, thereby relinquishing \$111,000 in Asset Management Reserve financing. As a matter of prudence, staff is recommending that this \$111,000 be transferred to the Capital Contingency Reserve so as to better position the City to manage ongoing inflationary pressures on capital costs.

2. OCIF Allocation Increase: As Council was made aware at its meeting of December 13, 2022, the City is receiving an unanticipated increase of \$678,266 in its 2023 OCIF allocation. As a matter of prudence, staff is recommending that this be dedicated to the 2023 Gravel Resurfacing program and that the resulting \$678,266 in displaced Asset Management Reserve financing be transferred to the Capital Contingency Reserve so as to better position the City to manage ongoing inflationary pressures on capital costs.

While staff has made best efforts to estimate 2023 capital costs more than a year in advance, it is nonetheless anticipated that the Capital Contingency Reserve will remain under heavy pressure throughout 2023 and even into 2024. The infusion of the Capital Contingency Reserve in the amount of \$789,266 will certainly help the City weather that pressure. Hence, staff recommends the foregoing amendments and transfers be made prior to deliberation of the Proposed 2023 Tax-Supported Capital Budget.

To further inform that deliberation, this report also brings forward to Council the list of deferred capital needs not in the Proposed 2023 Tax-Support Capital Budget and the list of decision units pertaining to the same. For Council's reference, these lists are attached hereto as Appendices B and C, respectively. To promote efficient deliberation, the decision unit list is organized to align with the order in which capital programs appear in the Proposed 2023 Tax-Supported Capital Budget.

Other Alternatives Considered:

Due to concerns over ongoing inflationary pressures on capital costs, no alternatives to the recommendations of this report are being considered by staff at this time. Since adoption of the City's 2022 budgets, however, Council and staff forwarded to the 2023 budget process certain capital projects as decision units to be considered during deliberation of the Proposed 2023 Tax-Supported Capital Budget. As indicated in Appendix C, the two decision units forwarded by staff, which are restricted to matters arising from material changes in financial circumstances, are addressed by this report. As per standard practice, the other decision units were formally forwarded by Council resolution.

Alignment to Strategic Priorities

The recommendations of this report support responsible financial and asset management, and hence align with the strategic priority of "Good Government" identified in the City's 2020-2023 Strategic Plan.

Financial/Operation Impacts:

The expected financial implications of the Proposed 2023 Tax-Supported Capital Budget are outlined therein, understanding that the actual implications will depend on the version of that budget adopted by Council. As Council is aware, staff plan to update the LTFP to account for 2023 budgets as adopted and other financial developments. That update is expected to occur in June, 2023.

Consultations:

Senior Management Team
City Treasurer

Attachments:

Appendix A: Proposed 2023 Tax-Supported Capital Budget



Proposed 2023
Tax-Supported Capi

Appendix B: Deferred Capital Needs Not in the Proposed 2023 Tax-Supported Capital Budget



Deferred Capital
Needs Not in Propo:

Appendix C: Decision Units Forwarded to Deliberations for the Proposed 2023 Tax-Supported Capital Budget



Decision Units for
Proposed 2023 Tax-S

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Department Head: Juan Rojas, Director of Engineering and Corporate Assets