

## Council Report

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<b>Report Number:</b>	<b>CA2025-005</b>
<b>Meeting Date:</b>	August 26, 2025
<b>Title:</b>	<b>Capital and Special Projects Forecast</b>
<b>Description:</b>	This report provides an update on preparation of the Long-Term Financial Plan and seeks Council adoption of the capital and special projects forecast to guide that preparation.
<b>Author and Title:</b>	Dr. Adam Found, Manager of Corporate Assets

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### Recommendation(s):

**That** Report CA2025-005, **Capital and Special Projects Forecast**, be received;

**That** the capital and special projects forecast, attached as Appendix A to Report CA2025-005, be adopted as a guide for the Long-Term Financial Plan, Water-Wastewater Rate Study, and Development Charges Background Study;

**That** the supplemental rural arterial road resurfacing capital forecast, attached as Appendix B to Report CA2025-005, be adopted as a guide for the Development Charges Background Study; and

**That** the Long-Term Financial Plan reflect, in addition to general inflationary adjustments, an increase to the temporary annual escalation rate of the Dedicated Capital Levy from 1.5% to 2.0% of the prior year's total tax levy.

**Department Head:** \_\_\_\_\_

**Financial/Legal/HR/Other:** \_\_\_\_\_

**Chief Administrative Officer:** \_\_\_\_\_

## **Background:**

At its meeting on June 21, 2022, Council passed the following resolution:

### **CW2022-145**

**That** Report CA2022-007, Long-Term Financial Plan 2022-2031, be received; and

**That** the Long-Term Financial Plan 2022-2031, attached as Appendix A to Report CA2022-007, be adopted for planning and budgeting purposes.

As signalled to Council over past year, staff is working toward replacing and improving upon the 2022 Long-Term Financial Plan (LTFP), work which has been coordinated with ongoing preparation of the Water-Wastewater Rate Study and the Development Charges Background Study. This report is being tabled to update Council on this work and to obtain Council direction on the capital and special projects forecast, a key element of the LTFP.

## **Rationale:**

For most of the past year, financial planning by staff proceeded with the expectation that the LTFP would remain a standalone document, however staff is changing direction on that front. To better integrate financial planning and budgeting functions, staff is now planning to incorporate the LTFP as a new chapter in the annual budget book. Under this new approach, the first year of each LTFP would match the corresponding budget, and the LTFP would thus be regularly updated as part of the annual budget development process. For the immediate term, this means the 2025 LTFP will now come forward to Council as part of the 2026 Budget Book.

While this report is not presenting Council with a LTFP for approval as originally planned, staff is taking this opportunity to obtain Council direction on the capital and special projects forecast, a key element of the LTFP. Informed by the Asset Management Plan (AMP), service master plans, departments and legislation, this forecast represents the long-term capital and special projects needs arising from prevailing service levels. Without delving into the details of any particular capital or special project, given the sheer volume of such projects, the following subsections summarize the components of this forecast, which is attached hereto as Appendix A.

### **Tax-Supported State-of-Good-Repair Capital Forecast: 2026-2035**

Contained in Tables 1A, 1B and 1C of Appendix A, this 10-year forecast is primarily informed by the AMP. Tables 1A and 1B show financing and expenditure summaries, respectively, while Table 1C details forecasted expenditures at the project level for

2026-2030. For purposes of Tables 1A and 1B, annual needs reflected by Table 1C are extrapolated at the capital program level for 2031-2035. This represents a significant improvement over the 2022 LTFP, which forecasted tax-supported state-of-good-repair (SGR) capital needs at the capital program level only.

As Council will recall, a critical feature of the AMP is the Dedicated Capital Levy (DCL), which is a special tax levy whose exclusive purpose is to generate the annual contribution to the Asset Management (AM) Reserve. In the AMP, annual escalation of the DCL, beyond inflation, increases from 1.5% to 2% of the prior year's total tax levy until such time the annual contribution to the AM Reserve is equal to 70% of total annual tax-supported SGR capital expenditure (projected to be 2033-2034). By adopting the AMP, Council provided staff direction to reflect this increase in Table 1A, which shows how increased reliance on the AM Reserve translates into decreased reliance on debenture.

This shift aligns with the adage "short-term pain for long-term gain"; it is essential to securing the City's long-term financial sustainability, reserving the City's debt servicing capacity primarily for expansionary capital needs, and enhancing the City's self-reliance. Given the criticality of this shift in the City's financial planning framework, the recommendations of this report seek Council's reaffirmation of direction respecting the DCL specifically.

### **Supplemental Rural Arterial Road Resurfacing Capital Forecast: 2025-2051**

Contained in Appendix B is a supplemental rural arterial road resurfacing capital forecast, which is informed in part by the Urban/Arterial Resurfacing capital forecast in Appendix A and has been prepared for purposes of the Development Charges Background Study (DCBS) only. While road resurfacing is primarily SGR capital work, a portion of it may be considered expansionary to the extent resurfacing results in road surface widening. In the case of the City's rural arterial roads, which are numbered 2, 3, 4, etc., resurfacing typically results in widening the road surface so as to produce a paved shoulder suitable to active transportation, mainly bicycling.

Since the 2024 Active Transportation Master Plan identifies growth-related needs relating to expansion of the City's active transportation network through the installation of paved shoulders for rural arterial roads, staff prepared Appendix B as an input for the DCBS. This forecast identifies rural arterial road segments expected to receive paved shoulders upon resurfacing during 2025-2051. For purposes peculiar to the DCBS, the forecast commences in 2025. Due to limited information from the Roads Needs Study, timing shown in the balance of the forecast is not specified by year for 2031-2051.

The forecast excludes rural arterial roads that received paved shoulders through pre-2025 capital projects or whose platform is of insufficient width to accommodate paved shoulders. The increase in the unit capital cost of rural arterial road resurfacing reflects the planned increase in asphalt thickness from 40mm to 50mm to achieve greater road integrity and useful life. Calculations in the forecast relating to recoverability of capital costs from development charges (DCs) remain subject to review through the DCBS.

### **Tax-Supported Expansionary Capital Forecast: 2025-2051**

Contained in Tables 2A, 2B and 2C of Appendix A, this forecast is primarily informed by the City's various master plans for tax-supported services. Tables 2A and 2B show financing and expenditure summaries, respectively, while Table 2C details forecasted expenditures at the project level for 2025-2051. As indicated by Table 2A, this forecast relies heavily upon debenture, both tax-supported and DC-supported, which is a consequence of its expansionary nature driving significant and highly variable annual expenditures. As this forecast is designed to inform not only the LTFP but also the DCBS, the structure of its project-level table differs from that of the tax-supported SGR capital forecast in three notable ways.

First, the starting year of the planning horizon is 2025 instead of 2026, given the growth forecast entering the DCBS commences with 2025. Second, it has a column with the heading "DC / CC %", which indicates the estimated share of a project's cost that is recoverable from DCs levied under the Development Charges Act or capital charges levied under the Municipal Act. Finally, while the ending year of the planning horizon is 2035 at a minimum, it varies by capital program according to service master plans. For example, the end of the planning horizon for roads services is 2051, whereas it is 2040 for fire services and 2035 for parks and recreation services. To keep them tractable, however, summary tables are truncated to the standard 10-year forecast period, which in the present case is 2026-2035.

### **Water-Wastewater State-of-Good-Repair Capital Forecast: 2026-2035**

Contained in Tables 3A, 3B and 3C of Appendix A, this 10-year forecast is primarily informed by the AMP. Tables 3A and 3B show financing and expenditure summaries, respectively, while Table 3C details forecasted expenditures at the project level for 2026-2035. In the latter part of the forecast, pending more detailed forecasting information, some projects are entered as allowances to generally maintain overall expected capital program expenditures. Despite that limitation, this forecast represents a significant improvement over the 2022 LTFP, which forecasted WWW SGR capital needs at the capital program level only.

It should be noted that this forecast deviates materially from the AMP due to project coordination done after the AMP was adopted, particularly with respect to road reconstruction and resurfacing and growth-related watermain and sewer upsizing. In Table 3A, this translates into greater reliance on debenture, while reliance on reserves remains consistent with WWW user rates increasing at 3%/year as per the 2020 WWW Rate Study. As part of the 2025 WWW Rate Study underway, the financing and user rate implications of the WWW SGR capital forecast will be re-examined.

### **Water-Wastewater Expansionary Capital Forecast: 2025-2051**

Contained in Tables 4A, 4B and 4C of Appendix A, this forecast is primarily informed by the 2025 WWW Master Plan. Tables 4A and 4B show financing and expenditure summaries, respectively, while Table 4C details forecasted expenditures at the project level for 2025-2051. As indicated by Table 4A, this forecast relies heavily upon debenture, both WWW user rate-supported and DC-supported, which is a consequence of its expansionary nature driving significant and highly variable annual expenditures. As this forecast is designed to inform not only the LTFP but also the WWW Rate Study and DCBS, the structure of its project-level table differs from that of the WWW SGR capital forecast in four notable ways.

First, the starting year of the planning horizon is 2025 instead of 2026, given the growth forecast entering the DCBS commences with 2025. Second, it has a column titled "Master Plan Project Number", which links projects to those identified in the WWW Master Plan. Third, it has two columns with the headings "LS %" and "DC / CC %", which indicate the estimated share of a project's cost that, respectively, is a local service responsibility of developers and is recoverable from DCs or capital charges. Finally, the ending year of the planning horizon is 2051, as compared to 2035 in the WWW SGR capital forecast. To keep them tractable, however, summary tables are truncated to the standard 10-year forecast period, which in the present case is 2026-2035.

### **Special Projects Forecast: 2026-2035**

Contained in Tables 5A, 5B and 5C of Appendix A, this 10-year forecast is primarily informed by departments, service master plans and legislation. As Council is aware, the Special Projects Budget was introduced to the budget process in 2020 to manage tax-supported operating initiatives that are typically (i) not capitalizable into a tangible asset owned by the City, (ii) more than one year in duration, and (iii) best budgeted and managed in a manner similar to the approach taken with capital projects. Tables 5A and 5B show financing and expenditure summaries, respectively, while Table 5C details forecasted expenditures at the project level for 2026-2035.

The 2026-2029 part of the forecast is unusually heavy due primarily to the elevated needs of Public Works and Corporate Services and to the significant one-time expense of the multiyear Solid Waste EA special project. Staff is developing strategies for addressing this pressure. The 2030-2035 part of the forecast is more representative of the City's long-run special project's needs. In addition to informing the LTFP, Council adoption of the special projects forecast informs the DCBS, given the significant number of special projects that are DC-eligible. As with Tables 2C and 4C, the column with heading "DC / CC %" in Table 5C indicates the estimated share of a project's cost that is recoverable from DCs or capital charges.

### **Other Alternatives Considered:**

As the recommendations of this report are based on accommodating growth and maintaining prevailing service levels, and as they are necessary for purposes of the DCBS, staff is not advancing any alternative recommendations for Council's consideration currently.

### **Alignment to Strategic Priorities**

By supporting both SGR and expansionary capital needs with a view toward ratepayer affordability and long-term financial sustainability, the recommendations of this report align with the strategic priorities of "A Vibrant and Growing Economy" and "Good Government" identified in the City's 2024-2027 Strategic Plan.

### **Financial/Operation Impacts:**

The financial implications of the capital and special projects forecast contained in Appendices A and B of this report are as indicated in those documents. These implications will be further addressed once capital and operating forecasts are integrated and refined in the LTFP to be incorporated into the 2026 Budget Book. In particular, expected recoverability of costs from DCs or capital charges will be refined as work on the DCBS continues.

### **Consultations:**

City Treasurer

Director of Corporate Services

### **Attachments:**

Appendix A: Capital and Special Projects Forecast



Master Capital and  
Special Projects Forec

## Appendix B: Supplemental Rural Arterial Road Resurfacing Capital Forecast



Supplemental Rural  
Arterial Road Resurfa

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