



middlesex
centre

in the centre of it all

2022 CAPITAL BUDGET

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Director of Corporate Services

Presentation to Municipal Council | November 24, 2021

Agenda

- ▶ Municipal Budget Introduction
- ▶ 2022 Capital Budget Highlights
- ▶ 2022 Capital Budget Information and Funding



What is a Budget?

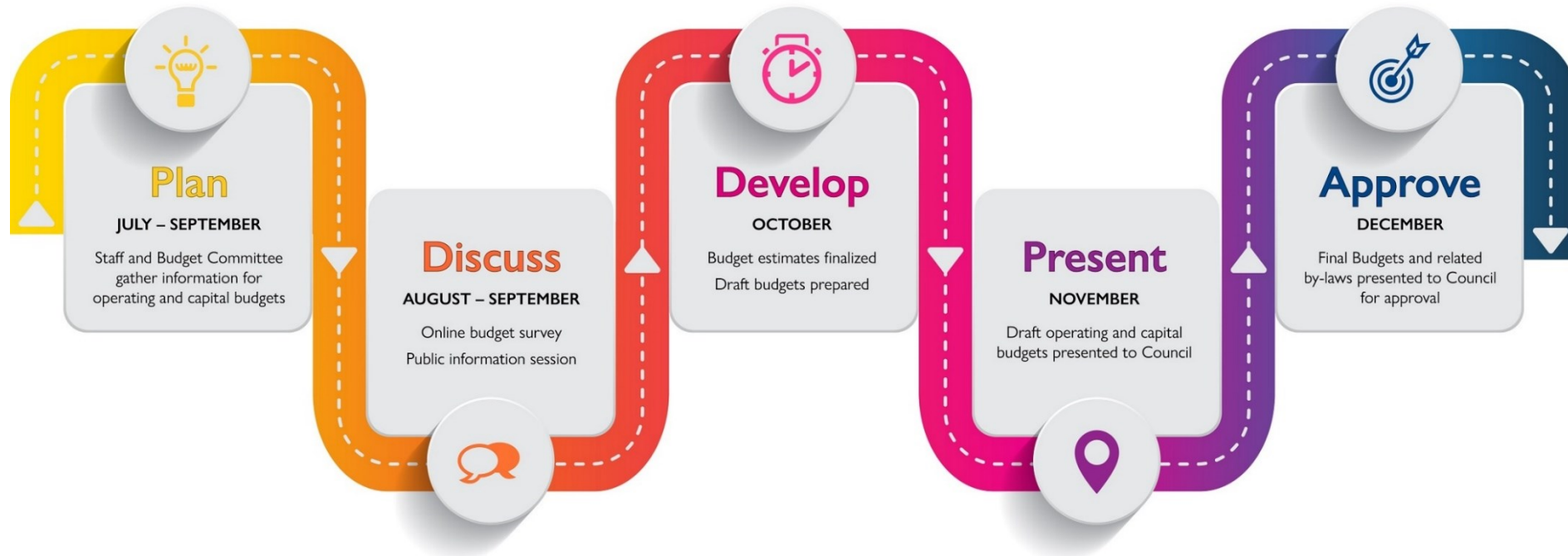
The budget is a key planning document in achieving the municipality's strategic priorities.



Budget Development

- ▶ Developed with input from Council, staff and the public

Middlesex Centre BUDGET ROAD MAP



Understanding the Budget Process

- ▶ Municipalities must present a balanced budget, as mandated by provincial legislation.
 - Can incur debt to pay for large capital acquisitions
 - Cannot incur a deficit to fund day-to-day operations
- ▶ Careful analysis must be done regarding the level of services required to meet the expectations of the community balanced against realistic taxation and user fee levels.



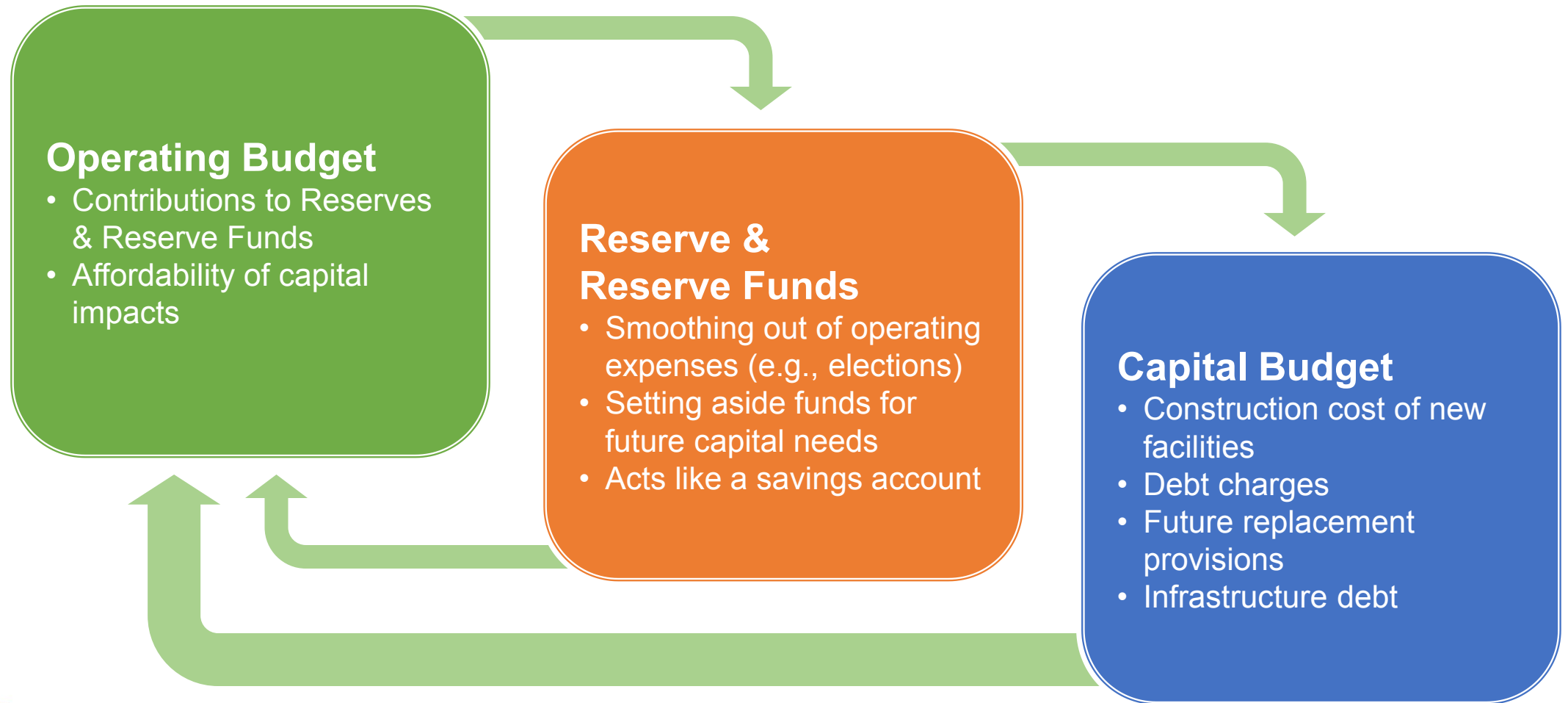
Operating vs. Capital Budgets

Operating Budget	Capital Budget
Normal operating expenditures and revenues associated with the day-to-day provision of services.	Significant expenditures to acquire, construct or improve land, buildings, engineering structures or machinery and equipment used to provide municipal services with a benefit lasting beyond one year.
Annual Planning - Driven by Departmental Business Plans	Long-term Planning - Five-year Forecast

While both provide services and programs, the types of expenditures and the sources of finance differ.



Operating and Capital Budgets: Separate yet Independent



The Capital Budget

Sets out the municipality's anticipated capital expenditures and how they are to be financed.



What is the Capital Budget?

- ▶ Funds the purchases and rehabilitation or upgrades to large municipal-owned assets including buildings, lands and roads, as well as the purchase of equipment such as vehicles.
- ▶ Capital items have a life expectancy of more than one year and meet the eligibility requirements under the Public Sector Accounting Board (PSAB).
- ▶ Budget based on a five-year plan, where the costs of a project may be spread-out over more than one year.



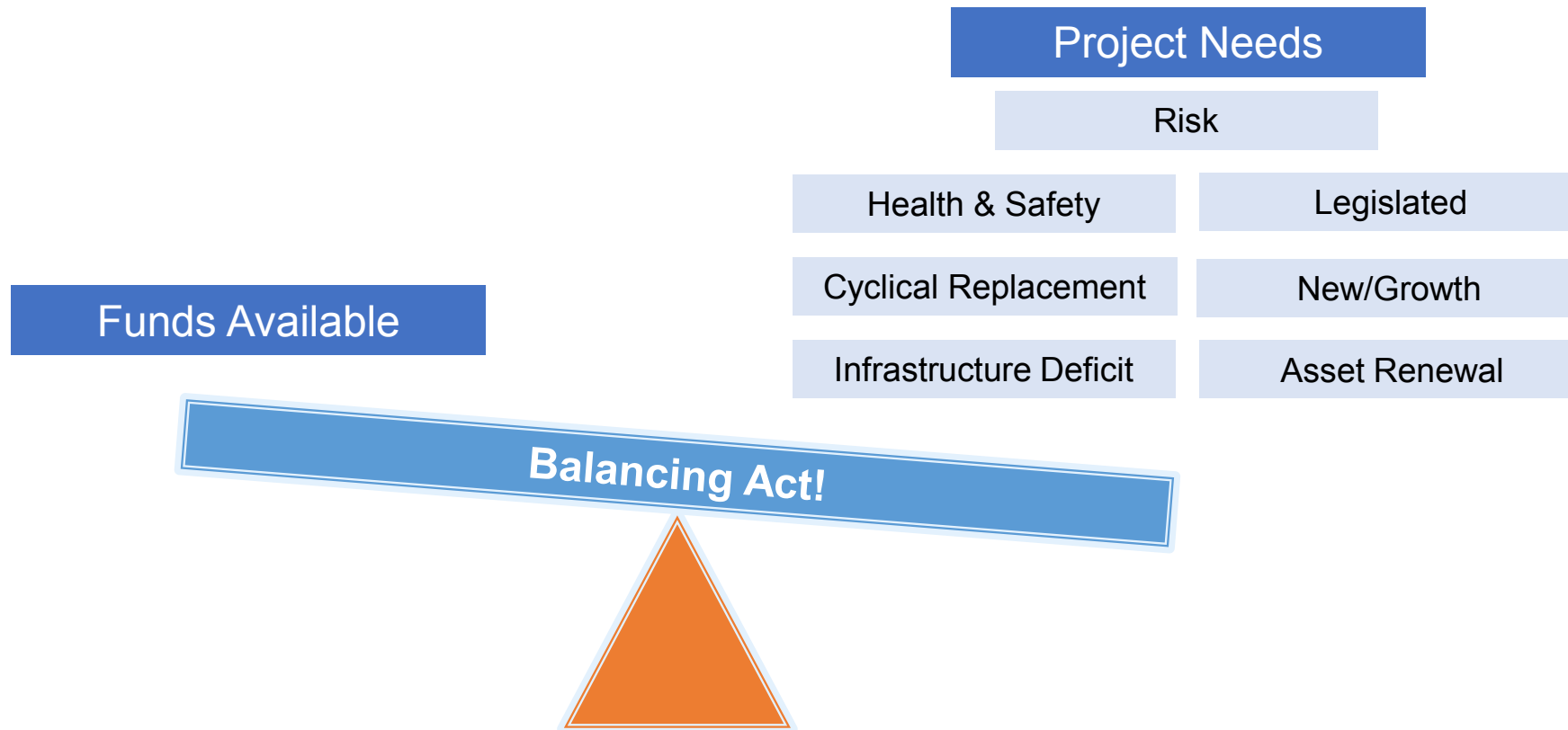
Revenue for Capital Projects



- ▶ Municipalities have access to other forms of funding for capital projects:
 - Grants from Provincial or Federal Governments and Donations
 - Proceeds from borrowing
 - Reserve Funds (funds saved up over a time for large projects)
 - Development Charges
- ▶ Part of Council's decision-making process each year is to determine what levels of funding for services should come from the various sources of revenue.

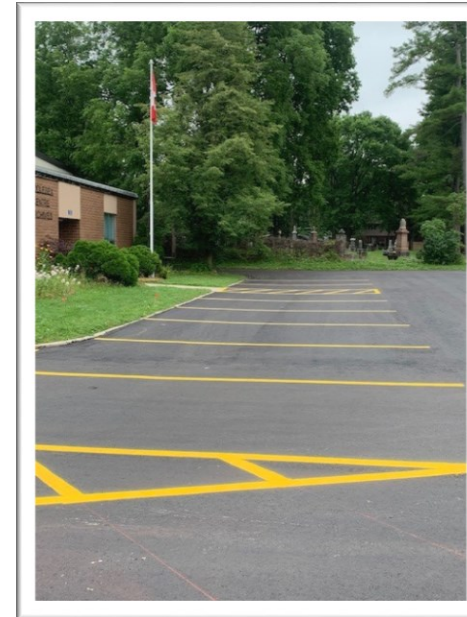


Capital Budget: A Balancing Act



What is considered when building the capital budget?

- ▶ Strategic Plan
- ▶ Asset Management Plan and Strategic Policy
- ▶ Long-Range Financial Plan
- ▶ Water Financial Plan
- ▶ Debt Policy
- ▶ Reserve and Reserve Fund Policy
- ▶ Development Charge Study
- ▶ Community Services Master Plan
- ▶ Fire Master Plan
- ▶ Budget Survey (Public Engagement)



Capital Budget Challenges

- ▶ Municipality's aging infrastructure needs repair and ongoing maintenance
- ▶ Climate change and weather events (for example, adding pressures on stormwater management)
- ▶ Lack of predictable government funding
- ▶ Uncertainty with respect to Federal and Provincial Governments
- ▶ Lack of business and industrial growth
- ▶ Balance between services and costs
- ▶ Uncertainty of operating in a pandemic and pandemic pricing
- ▶ Oil prices impacting cost of asphalt and tar and chip
- ▶ Instability and increase of fuel prices
- ▶ Material price increases in general



Capital Budget Challenges

– COVID-19 Pandemic Prices

- ▶ The Municipality has been experiencing many impacts to capital and operating budgets due to the ongoing COVID-19 pandemic. Specifically:
 - Increase in material and manufacturing costs
 - Increase in project delays
 - Supply issues
 - Equipment and vehicles pricing increases for 2022 expected to increase 6%-10% over 2021



Capital Budget Challenges

– COVID-19 Pandemic Prices: Example

- ▶ Westbrook Park Playground replacement
 - In 2022 this project is expected to cost \$160,000
 - In 2019 this project would have cost \$120,000
 - Accounting for 2019 in today's dollars with normal inflation (historical) at approximately 3% a year, this project should be \$130,800
 - Therefore the estimated increase due to COVID-19 pricing is approximately \$30,000 or 23%



Capital Budget Challenges

– COVID-19 Pandemic Prices: Example

- ▶ Construct New Storage Shed - Denfield
 - At the beginning of 2021 this project was expected to cost \$100,000
 - In 2021, mid-year, Council approved an increase in the budget to \$137,500
 - Staff have amended the budget for 2022 to \$200,000
 - Overall increase of \$100,000 or 100%



Capital Budget Challenges

– Vandalism and Security Costs

- ▶ Additional spending in 2022 operating and capital due to the ongoing vandalism problem in Middlesex Centre and the increase in required security
 - Capital costs:
 - \$21,500 for security cameras at park buildings
 - \$42,500 security system upgrade for the Wellness Centre
 - Operating costs:
 - \$47,200 for repairs and maintenance of park buildings due to vandalism in 2022
 - \$50,000 for security on site at the Wellness Centre and Ilderton Arena due to mandatory COVID-19 vaccination requirements





2022 CAPITAL BUDGET HIGHLIGHTS

2022 Budget Issues and Drivers

- ▶ Create enhanced transparency and accountability
- ▶ Include public feedback
- ▶ Delivery of a fiscally responsible budget
- ▶ Maintaining a sustainable financial position for the municipality
- ▶ Continue analysis on reducing costs and creating more efficient processes
- ▶ Build Municipal Reserve Funds
- ▶ Priority focus on funding efforts in 2022 to address infrastructure deficit
- ▶ Implementing the priorities of the Strategic Plan



2022 Budget Issues and Drivers – Strategic Plan

The capital budget presentation directly responds to:

- ▶ **Responsive Government** - Objective 5.3 – Foster a culture of innovation, continuous improvement, and cost-effective service delivery
 - By sharing information and gathering input, continuing our timely and effective communication to the public.
- ▶ **Sustainable Infrastructure and Services** - Objective 4.3 – Continue with our asset management plan and apply a financial sustainability lens to all municipal assets and infrastructure
 - By progressively updating our asset management plan and building the reserve funds for the timely repair/replacement of our assets, and expanding our current practice of making annual reserve fund contributions toward the cost of projected asset management expenditures
 - By communicating our approach to capital projects, and communicating clearly with the public on capital spending priorities in terms of costs, benefits, funding sources and timing.



2022 Budget Issues and Drivers – Budget Survey

Residents provided feedback to the 2022 budget through the annual budget survey.

Here are three examples of comments received through the survey, and how they are reflected in the capital budget.

- ▶ Example 1
“Appropriate and sustainable funding to maintain infrastructure at a reasonable level (fair to excellent condition).”
 - Roads was rated the most important asset with 64.24% of respondents voting this way.
 - Asphalt resurfacing \$1,100,000 (various roads)
 - Tar & Chip resurfacing \$600,000 (various roads)
 - Vanneck Road reconstruction \$1,370,000



2022 Budget Issues and Drivers – Budget Survey

▶ Example 2

“I would love to see more parks and trails in the Ilderton area. I think outdoor activity is so important for physical and mental health, it's important that we have the facilities to support that for our community members, young and older.”

- Clear Skies primary and secondary trails - \$387,679
- Ilderton Optimist Park – Replace playground equipment - \$85,000
- Kilworth Optimist-Tridon Park Development - \$246,609
- Westbrook Park – Replace playground equipment - \$160,000



2022 Budget Issues and Drivers – Budget Survey

▶ Example 3

“I have read repeatedly about funds being put into reserve accounts for future use, one being the monies paid in lieu of a new municipal building in Komoka. The municipality needs to be more forthcoming as to where these funds have been directed or will be directed before explaining that costs are going up and hinting that taxes must go up, or service be reduced”

- Additional \$1,000,000 contribution to Reserve Funds to support Asset Management in 2022 budget
 - Buildings and Facilities Reserve Fund - \$150,000
 - Fire Vehicles and Equipment Reserve Fund - \$50,000
 - General Vehicles and Equipment Reserve Fund - \$250,000
 - Roads Capital Reserve Fund - \$550,000



2022 Notable Changes

- ▶ Ontario Community Infrastructure Fund (OCIF) funding has been included in the 2022 budget, however the amount for 2022 is unknown
 - The Municipality received \$992,950 in 2021. Staff have budgeted for receiving this in 2022, however if not received the project identified for OCIF funding will be funded by Roads Capital Reserve Fund.
 - If more money is received, a project that is currently being funded by Roads Capital Reserve Fund will be funded by OCIF.
- ▶ Five year (5 year) capital financing and cash flow projections for capital
 - Includes debt funded projects



Where we started – Public Works & Engineering

- ▶ First draft of the capital budget discussed with budget committee October 14, 2021
- ▶ Started capital budget discussion at \$11,659,000
- ▶ (Not including water, wastewater and stormwater)

Capital Project Changes during Discussion: Public Works & Engineering

- Deferred Arva & Westbrook street light expansion to 2026, \$745,000
- Deferred gravel road conversions to 2026, \$415,000
- Reduced Amiens Road overpass drainage improvements to \$40,000
- Deferred Cul-De-Sac Construction to 2026, \$75,000



Where we started – Fire Services

- ▶ First draft of the capital budget discussed with budget committee
October 14, 2021
- ▶ Started capital budget discussion at \$338,000

Capital Project Changes during Discussion: Fire Services

- Removed new half-ton truck saving \$57,500



Where we started – Community Services

- ▶ First draft of the capital budget discussed with budget committee
October 14, 2021
- ▶ Started capital budget discussion at \$1,850,888

Capital Project Changes during Discussion: Community Services

- Deferral of asphalt paving of parking lots, \$305,000
- Deferral of Deerhaven tennis repaint & multi-use court, \$30,000
- Remove proposed Kilworth/Komoka dog park, \$50,000
- Defer Heritage Park pavilion upgrades to pursue potential grant, \$100,000
- Defer Poplar Hill baseball diamond backstop, \$28,000
- Douglas B. Weldon Park pond restoration to be completed in-house, \$14,500



Where we started – Facility Services

- ▶ First draft of the capital budget discussed with budget committee October 14, 2021
- ▶ Started capital budget discussion at \$926,640

Capital Project Changes during Discussion: Facility Services

- Deferred:
 - Komoka Community Centre HVAC replacement, \$49,500
 - Komoka Community Centre library flooring, \$5,400
 - Ilderton Arena refrigeration & heat improvements, \$18,500
 - Komoka Wellness Centre entrance door upgrade, \$27,500
 - Delaware Fire Hall digital sign, \$40,000
- Cancelled: KWC large ceiling fans, \$13,000



5-Year Capital Plan

Municipality of Middlesex Centre Capital Expenditure Summary by Department 2022 Budget 5-Year Forecast

Department	2022	2023	2024	2025	2026	Total 5-Year Plan
General Government	1,024,240	0	0	0	0	1,024,240
Fire and Emergency Operations	275,000	15,000	120,000	80,000	0	490,000
Community Services	1,218,588	2,054,600	2,279,900	250,000	111,000	5,914,088
Facility Services	853,742	3,708,850	10,121,070	16,219,850	909,500	31,813,012
Environmental Services	9,296,744	11,893,665	13,541,307	2,650,175	1,551,685	38,933,576
Public Works & Engineering	10,279,189	12,036,600	9,600,000	9,013,824	4,855,000	45,784,613
Fleet Services	2,027,250	3,342,000	3,024,000	3,977,000	2,484,000	14,854,250
Grand Total	24,974,753	33,050,715	38,686,277	32,190,849	9,911,185	138,813,779



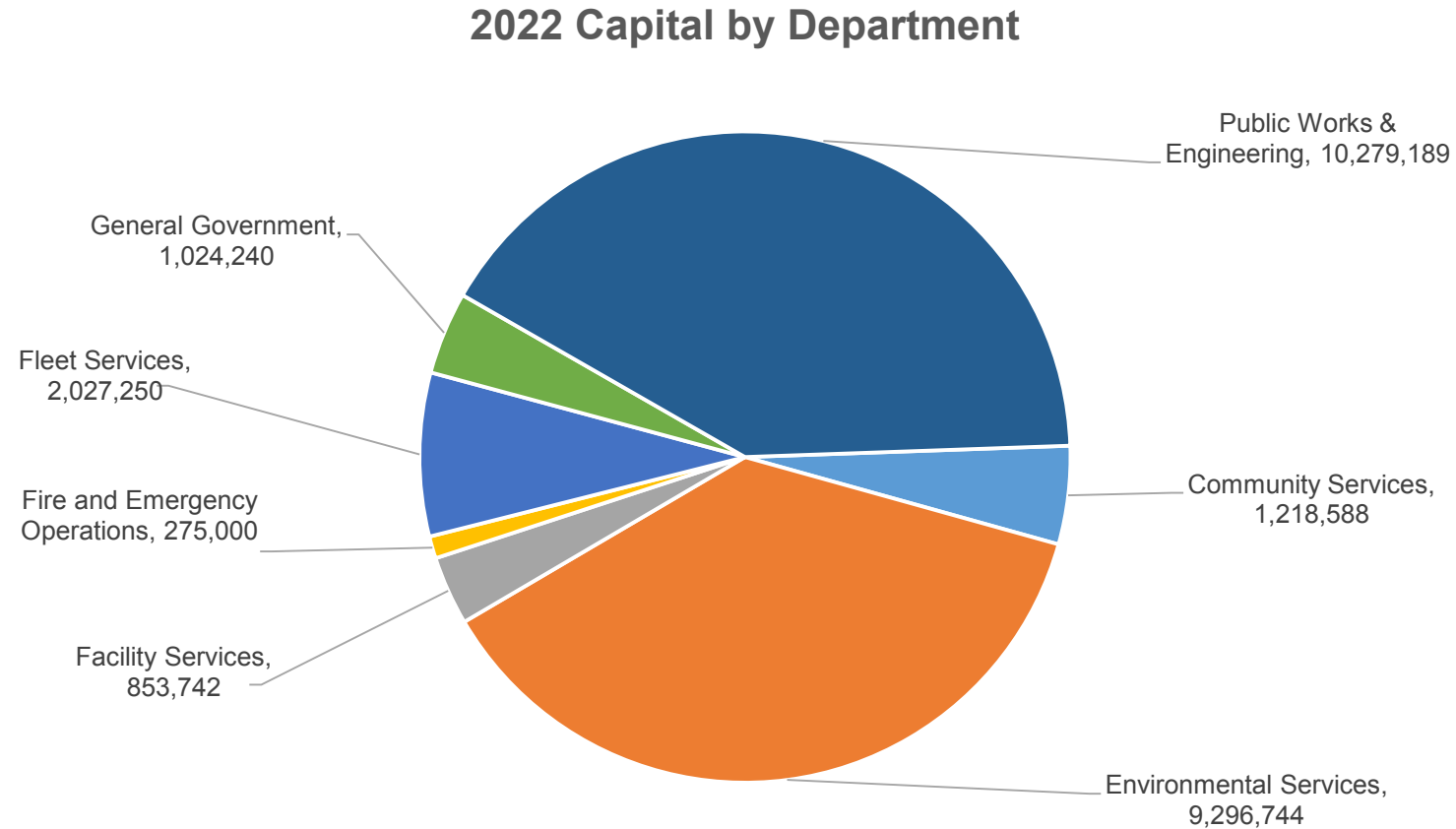
Recommended Capital Projects

Department	2022	2021
General Government	\$1,024,240	\$1,084,400
Building Department	\$0	\$0
Fire Department	\$275,000	\$65,600
Community Services	\$1,218,588	\$1,772,000
PWE - Transportation	\$10,279,189	\$7,653,000
Environmental Services:		
Water & Wastewater	\$7,007,219	\$7,637,836
Stormwater	\$2,289,525	\$1,625,000
Facility Services	\$853,742	\$891,000
Fleet Services	\$2,027,250	\$0
Total	\$24,974,753	\$20,728,836

Change in presentation compared to past years as Fleet Services are now being shown as a separated rather than being included in departmental budgets.



Capital Projects by Department

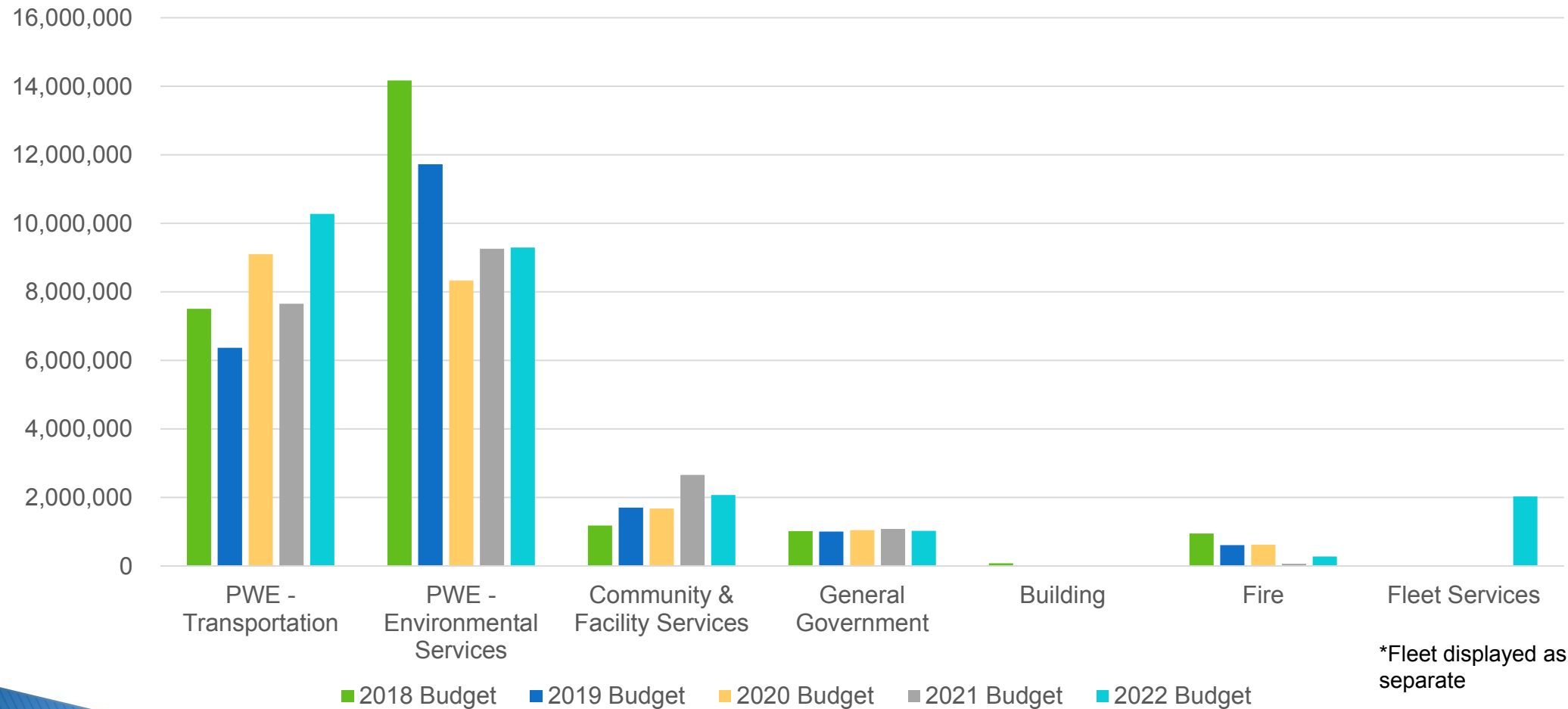


*Includes 2021
carryover and new
projects for 2022*



What has Changed?

2022 Capital Budget vs Prior Years



Capital Projects Carried Forward

- ▶ Each year, capital projects are carried forward for a number of reasons:
 - Projects that span multiple years and have multiple components (design, construction)
 - Deferral of projects due to contractor/municipal staff capacity
 - Deferral due to change (increase) in project costs
 - Waiting on other governmental approvals to proceed with a project
- ▶ Projects being carried forward into 2022 are valued at \$9,196,773 (in 2021 dollars) and \$12,876,013 (in 2022 dollars). The change in value is due to increases in cost or adding the next phases/new components of the projects (construction).



Capital Projects Carried Forward

2021 Carried Forward Projects	2022 Cost (\$)
Industrial Land Purchase	1,000,000
Municipal Office Phone System*	24,240
Clear Skies Primary Trail	215,000
Ilderton Optimist Park – Replace Playground Equipment*	85,000
Kilworth Optimist Park – Tridon Park development	246,609
Prince Andrew – Replace Hydrotherm Boiler	47,202
Denfield Ops – Construct New Storage Shed*	200,000
Denfield Ops – Replace Hard Surface Flooring*	22,000

*Amount increased for 2022



Capital Projects Carried Forward, cont.

2021 Carried Forward Projects	2022 Cost (\$)
Delaware Municipal Drain Replacement	97,110
Garden Avenue / Wellington Road Reconstruction*	1,404,000
Komoka Drain No. 1 – Stormwater Management Pond*	500,000
Komoka Drain No.3 - Union Ave. Branch*	233,000
Arva Wastewater Environmental Assessment	166,263
Demolishing of the Kilworth WWTP	1,070,000
Design Komoka WWTP – Headworks	140,000
Ilderton WWTP Treatment Capacity Upgrades	337,650

*Amount increased for 2022



Capital Projects Carried Forward, cont.

2021 Carried Forward Projects	2022 Cost (\$)
Komoka - Upgrade Pumping Station	60,000
Komoka Road Forcemain Replacement	120,000
Komoka WWTP - Filter Upgrades*	1,565,000
SCADA Replacement - wastewater	140,000
Servicing of Tunks Lane - wastewater	100,000
Delaware Water Supply Interconnection Phase 2	250,000
Melrose Lake Huron Primary Water Supply Connection	93,750
SCADA Replacement - water	150,000

*Amount increased for 2022



Capital Projects Carried Forward, cont.

2021 Carried Forward Projects	2022 Cost (\$)
Servicing of Tunks Lane - water	60,000
Garden Avenue / Wellington Road Reconstruction*	909,000
Melrose Street Light Pole Replacement*	460,000
Old River Road (Glendon Dr to Pulham Rd)*	1,050,000
Replace Superstructure on Bridge B-124*	950,000
Replace Superstructure on Bridge B-146*	950,000
Street Light Replacement/Expansion Program*	170,189

*Amount increased for 2022



Capital Projects Carried Forward, cont.

2021 Carried Forward Projects	2022 Cost (\$)
Vanneck Road (Ilderton to Sinclair)	35,000
Willow Ridge Road - Road, Pathway & Park Drainage I	25,000
Total	12,876,013



2022 Department Highlights – General Government

- ▶ \$4,240 Municipal Office Phone System – Phase 2



2022 Department Highlights – Fire Department

- ▶ \$200,000 Extrication Equipment
- ▶ \$60,000 Personal Protective Equipment
- ▶ \$15,000 Hose & Hose Accessories



2022 Department Highlights – Community Services

Parks & Open Spaces

- ▶ \$4,800 Denfield Park – Replace tennis net posts & ground sleeves
- ▶ \$25,000 Poplar Hill Park – Grandstand improvements
- ▶ \$20,000 Deerhaven Park – Solar park lighting & poles
- ▶ \$172,679 Hyde Park – Clear Skies secondary trail
- ▶ \$160,000 Westbrook Park – Replace playground equipment
- ▶ \$85,000 Ilderton Optimist Park – Replace playground equipment
- ▶ \$246,609 Kilworth Optimist-Tridon Park Development



Community Services Capital Projects 2022

Denfield Park



Replace Tennis Net & Posts & Ground Sleeves

Deerhaven Park



Solar Park Lighting and Poles

Ilderton Clear Skies



Clear Skies Secondary Trail

Westbrook Park



Replace Play Equipment

Replacement Ice Resurfacer



Poplar Hill Park



Grand Stand Improvements - North side

2022 Department Highlights – Facilities

- ▶ \$18,000 Delaware Community Centre – Replace meeting room floor
- ▶ \$21,500 Ilderton Library - Parking lot improvements
- ▶ \$28,500 Komoka Wellness Centre – C2 compressor replacement
- ▶ \$5,600 Ilderton Arena – CO + CO2 gas detection system
- ▶ \$42,500 Komoka Wellness Centre security camera system upgrade
- ▶ \$10,000 Ilderton Community Centre kitchen & washroom exhaust fan replacement



2022 Department Highlights – Facilities

- ▶ \$6,500 Coldstream Fire Hall UV light water treatment system
- ▶ \$100,000 Municipal Office consulting for detailed renovation design
- ▶ \$200,000 Denfield Operations Centre new storage shed
- ▶ \$22,000 Denfield Operations Centre air quality monitoring system
- ▶ \$15,000 Ilderton Medical Clinic parking lot improvements



2022 Department Highlights – Public Works & Engineering

Transportation - Construction

- ▶ \$1,370,000 Vanneck Rd reconstruction (Sinclair to Medway)
- ▶ \$40,000 Amiens Rd CN Rail overpass drainage improvements
- ▶ \$1,070,000 Carriage Rd rebuild
- ▶ \$1,100,000 Asphalt resurfacing
- ▶ \$950,000 Replace superstructure on bridge B-146 (16 Mile east of Hwy 4)
- ▶ \$950,000 Replace superstructure on bridge B-124 (10 Mile Rd, east of Hyde Park Road)



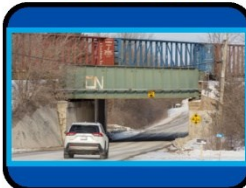
PWE/ Transportation Capital Projects 2022

Vanneck Road



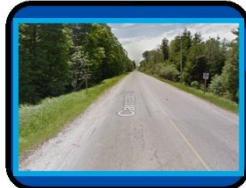
Ilderton Road - Sinclair Road
Road Reconstruction

Amiens Road



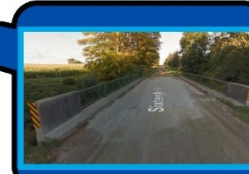
Amiens Road CN Overpass
Drainage Improvements

Carriage Road



Carriage Road Rebuild

Bridge B-146



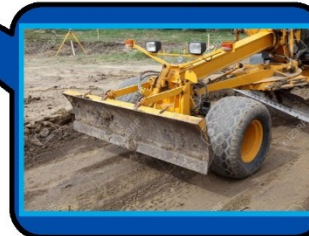
Replace Superstructure on Bridge B-146

Coldstream & Vanneck Road



Coldstream Road Realignment

Delaware Ops Centre



Replacement Grader

2022 Departmental Highlights – Fleet

- ▶ \$140,000 New 1-ton truck
- ▶ \$485,000 Replacement grader
- ▶ \$30,000 Replacement mower
- ▶ \$180,000 Replacement stacker
- ▶ \$380,000 Replacement tandem truck
- ▶ \$225,000 Replacement tractor & attachments



2022 Departmental Highlights – Fleet

- ▶ \$8,250 Towed leaf vacuum
- ▶ \$150,000 Replacement ice resurfacers
- ▶ \$130,000 Replacement tractor & snow blade
- ▶ \$40,000 Replacement tri-plex mower
- ▶ \$25,000 Replacement zero turn mower



2022 Department Highlights – Public Works & Engineering

Water

- ▶ \$37,300 Arva water plant upgrades
- ▶ \$36,000 Birr equipment improvements
- ▶ \$440,000 Glendon Dr watermain twinning
- ▶ \$150,000 Instrumentation & control electrical generator & ATS
- ▶ \$38,000 Komoka & Ilderton water tanks & reservoir clean-out
- ▶ \$150,000 Vertical water systems improvements
- ▶ \$47,700 Water facility process mechanical improvements



2022 Department Highlights – Public Works & Engineering

Wastewater

- ▶ \$75,256 Concrete rehab & sealing
- ▶ \$64,068 Hand rail & kick plate installation
- ▶ \$50,000 Horizontal wastewater system rehabilitation
- ▶ \$236,250 Influent channel flow monitoring design
- ▶ \$500,000 Komoka WWTP aeration, blower & HVAC improvements
- ▶ \$60,000 Vertical wastewater system facilities improvements
- ▶ \$75,000 Wastewater pump station equipment improvements
- ▶ \$55,000 Wastewater submersible pump replacement & rebuild



2022 Department Highlights – Public Works & Engineering

Stormwater

- ▶ \$97,110 Delaware municipal drain replacement
- ▶ \$23,915 King/George St Reconstruction – design component
- ▶ \$350,000 Komoka drain No. 1 – SWM pond
- ▶ \$233,000 Komoka drain No. 3 – Union Ave branch



2022 Multi-Department Highlights

Public Works & Engineering

- ▶ \$2,780,000 Garden Ave/Wellington Rd reconstruction
- ▶ \$160,000 Tunks Lane servicing
- ▶ \$1,300,000 Coldstream Rd realignment (Glendon to Rail Underpass)



Water/Wastewater/Stormwater Capital Projects- 2022

Birr Reservoir Hatch



Komoka WWTP



Influent channel flow monitoring design

Delaware: Wellington St & Garden Ave



Garden Avenue / Wellington Road Reconstruction

King/George Street



King/George Street Reconstruction

Vanneck Road & Coldstream Road



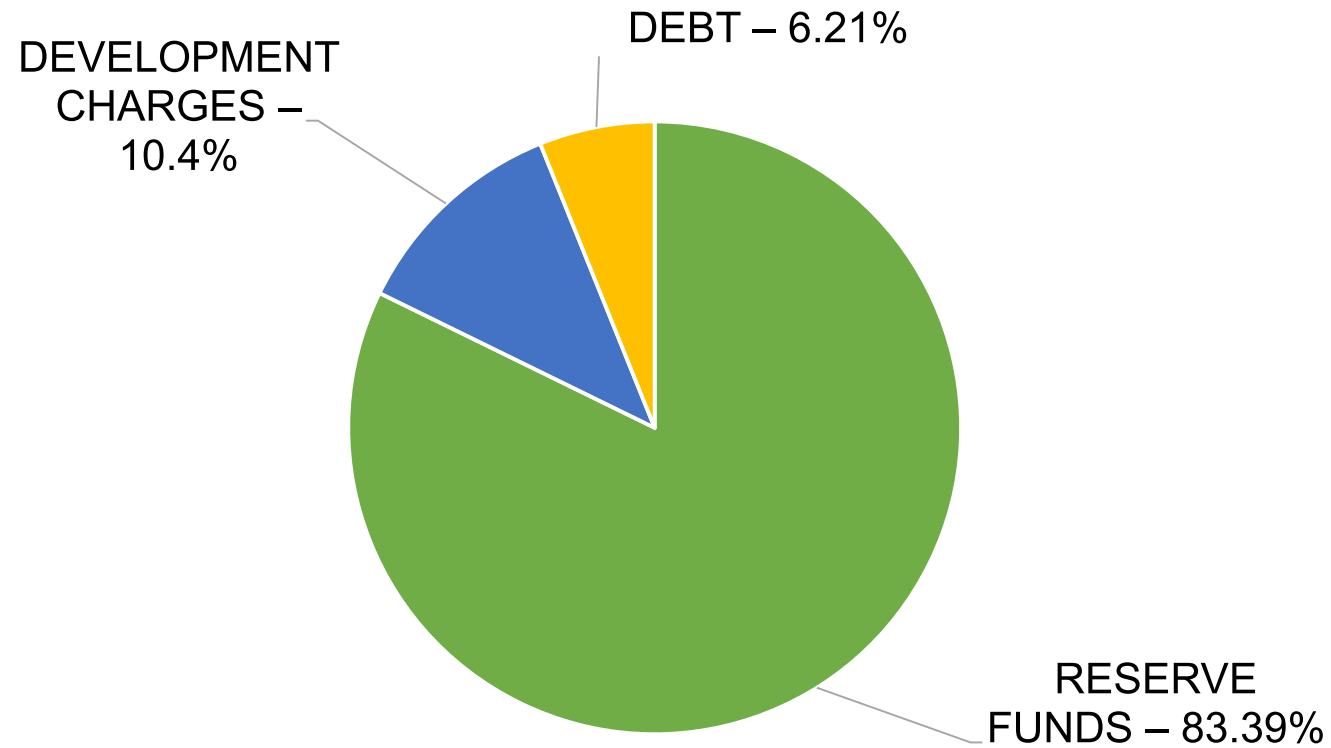
Coldstream Road Realignment - Storm Servicing

Komoka: Glendon Drive



Glendon Drive Watermain Twinning

Funding of Capital Projects, 2022



Funding of Capital Projects, Reserve Fund Breakdown

Funding Source	Total 2022	% Allocation
BUILD MIDDLESEX CENTRE RESERVE FUND	\$ 1,154,475	5.54%
BUILDING DEPARTMENT RESERVE FUND	\$ -	0.00%
BUILDINGS & FACILITIES RESERVE FUND	\$ 1,025,542	4.92%
DELAWARE HYDRO RESERVE FUND	\$ 60,000	0.29%
FIRE VEHICLES & EQUIPMENT RESERVE FUND	\$ 281,000	1.35%
GAS TAX REBATE RESERVE FUND	\$ 1,900,000	9.12%
GENERAL VEHICLES & EQUIPMENT RESERVE FUND	\$ 1,727,750	8.30%
ILDERTON LIONS PARK RESERVE FUND	\$ -	0.00%
MEDICAL CLINIC FURNITURE & EQUIPMENT RESERVE FUND	\$ 27,500	0.13%
MODERNIZATION RESERVE FUND	\$ 24,240	0.12%
OCIF RESERVE FUND	\$ 1,135,000	5.45%
ROADS CAPITAL RESERVE FUND	\$ 6,194,195	29.74%
STORM WATER CAPITAL RESERVE FUND	\$ 1,789,525	8.59%
WASTEWATER CAPITAL RESERVE FUND	\$ 3,812,904	18.31%
WATER CAPITAL RESERVE FUND	\$ 1,694,732	8.14%
TOTAL	\$ 20,826,863	100%





2022 CAPITAL BUDGET INFORMATION



Asset Management Plan (AMP)

- ▶ Asset Management is the coordinated activity of an organization to put a value on its assets. It is the balancing of costs, opportunities and risks against the how the assets should last and perform over their life cycle to achieve the municipality's organizational objectives.
- ▶ Middlesex Centre's AMP was completed and approved June 2021. It has been used to develop the 2022-2026 capital budget.
 - The plan meets the requirements for Ont. Reg. 588/17.
 - Significant improvements on condition data included.
 - Focus is on reasonable funding levels needed to sustain current service levels. This is built into the 2022 budget.



Asset Management Plan (AMP), cont.

- ▶ The AMP helps the municipality make the best possible decisions regarding the construction, operation, maintenance, renewal, replacement, expansion and disposal of infrastructure assets while minimizing risk and cost to taxpayers and maximizing service delivery.
- ▶ The AMP integrates a number of business-specific infrastructure asset plans:
 - Roadways
 - Facilities and Buildings
 - Parks and Land Improvements
 - Stormwater Management
 - Fleet and Equipment
 - Structures Inventory Reports (Bridges and Culverts)



Asset Management Plan (AMP), cont.

- ▶ Financial sustainability requires that a municipality ensure there are sufficient resources to support the delivery of services for which the municipality bears responsibility.
- ▶ This financing strategy is dependent on the municipality's reserve funds.
 - Our strategy has been improved for the 2022 budget (tax levy supported and water assets)
 - More work is needed on Wastewater and Stormwater financing strategy in 2022
- ▶ There is a need for and benefit from further investment in order to protect, sustain, and maximize the use of Middlesex Centre's infrastructure assets.
 - A number of strategies to “close the gap” have been considered/incorporated in the 2022 budget.



Asset Management Plan (AMP), cont.

- ▶ 63% of all capital projects planned for 2022 was from the Municipality's Asset Management Plan (AMP)
 - Example: Replacement of Ice Resurfacer - \$150,000
 - Example: Replace Superstructure on Bridge 124 (Located on 10 Mile Road just east of Hyde Park Road) and Bridge 146 (located on 16 Mile Road just east of Richmond Street) - \$1,900,000
- ▶ 6% of the projects planned is growth related
 - Example: Kilworth Optimist-Tridon Park - \$246,609
- ▶ 31% of the projects planned for 2022 is related to service level changes, improvements, or efficiency improvements (and combined other criteria, such as growth and AMP)
 - Example: Amiens Road CN Overpass Drainage Improvements (AMP and Efficiency) - \$40,000



Debt

- ▶ Annual Repayment Limit as prescribed by the Province of Ontario is 25% of own source revenues
- ▶ Middlesex Centre's internal Municipal Debt Policy is limited at 17% of own source revenues
- ▶ Our borrowing as a percentage of our own source revenues is presently at 10.07%
- ▶ Two projects have been identified for Debt Financing in 2022
 - Old River Road Transportation Project
 - Komoka Drain No. 1 Storm Water Management (SWM) Pond



Debt Allocation 2022

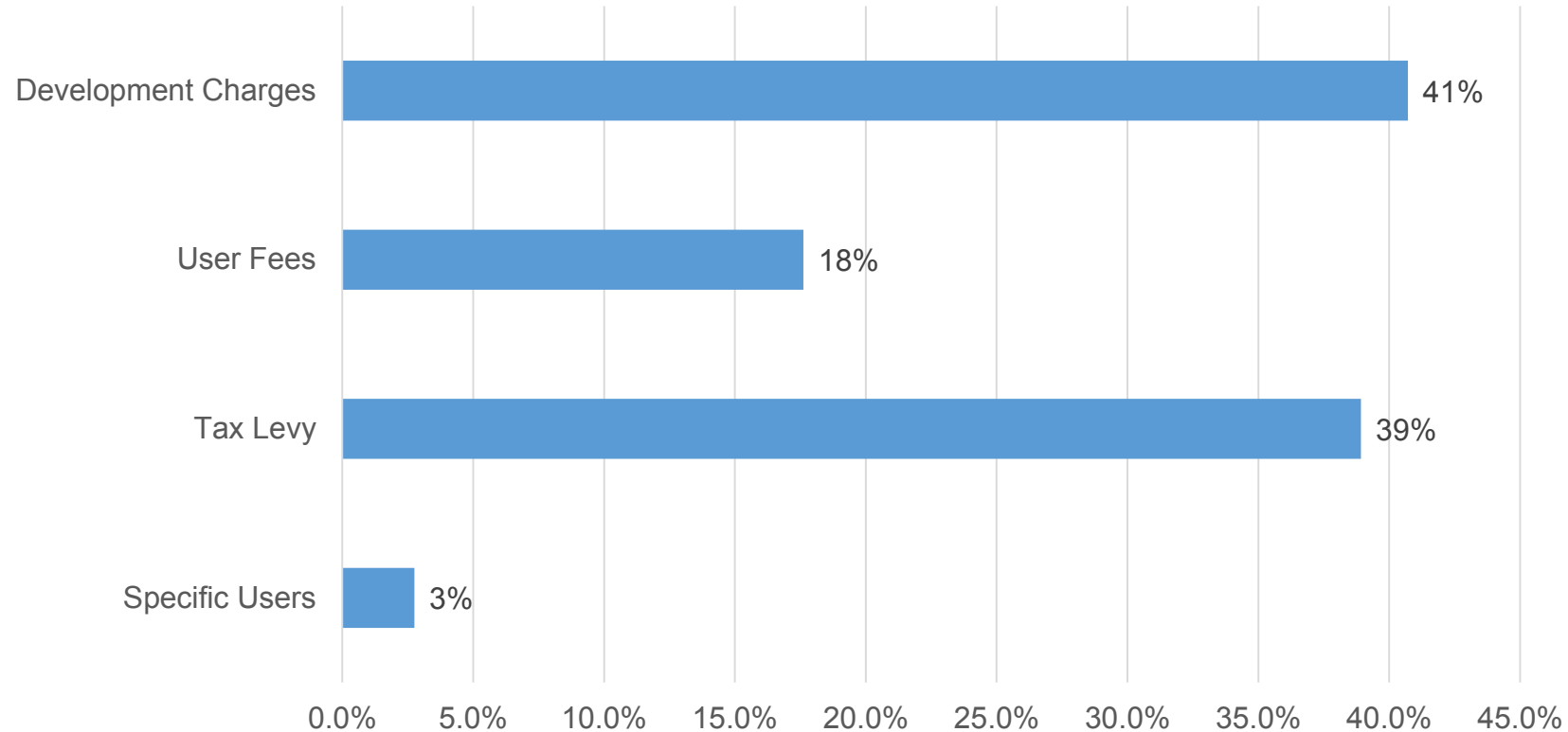
Debt Details				
Description	Total Loan	Interest Rate	% DC Eligible	Maturity
Ilderton Medical Clinic	311,419	0.00%	0%	2023
Kilworth Komoka Water Line	3,142,193	3.72%	50%	2031
Denfield Operations Centre	5,067,705	3.61%	18%	2032
Ilderton Timberwalk Pumping Station	1,097,583	4.00%	67%	2034
LED & Street Lights Upgrades	1,261,629	3.36%	0%	2037
Komoka Wastewater Treatment Facility Expansion	7,072,293	3.63%	70%	2038
Coldstream Fire Hall	2,237,008	4.00%	0%	2038
Komoka Wellness Centre	5,546,814	3.69%	44%	2042
Total	27,836,645			

Note: the above chart does not include specific user debt for tile drain loans and municipal drain loans



Debt: Who Pays?

- ▶ The municipal debt burden per household is high, however this burden is not being paid entirely by taxpayers.



New Debt Proposed 2022

▶ Two projects have been identified for Debt Financing for 2022:

1. Old River Road Project (multi-year Transportation project)

- Glendon Drive to Pulham Road and Glendon Drive Intersection Realignment
- Total Debt borrowing for project from 2022-2024 - \$3,999,500
- Debt payments will be 100% funded by the tax levy over 20 years and will be approximately \$294,290 based on a 4% interest rate
- Payments would occur in 2024/2025 once project is complete
- Interim financing will be borrowed from internal reserve funds or capital financing loan



New Debt Proposed 2022, continued

2. Komoka Drain No. 1 SWM Pond (multi-year Stormwater project)

- Total Debt borrowing for project from 2022-2023 - \$4,550,000
- Debt payments will be 100% funded by the Stormwater Reserve Fund over 20 years and will be approximately \$334,797 based on a 4% interest rate
- Payments would occur in 2023/2024 once project is complete
- Interim financing will be borrowed from internal reserve funds or capital financing loan



New Debt Proposed 2022, continued

- ▶ Debt Financing for 2022/2023:
 - Old River Road Project (multi-year Transportation project) 2022-2024 - \$3,999,500
 - Komoka Drain No. 1 SWM Pond (multi-year Stormwater project) 2022-2023 - \$4,550,000
 - Our borrowing as a percentage of our own source revenues will become 12.13%



New Debt Proposed 2022 – 2026, continued

► Four projects have been identified for Debt Financing for 2022-2026 period:

1. Old River Road Project (multi-year Transportation project) 2022-2024 - \$3,999,500
 - Glendon Drive to Pulham Road and Glendon Drive Intersection Realignment
 - Debt payments will be 100% funded by the tax levy over 20 years and will be approximately \$294,290 based on a 4% interest rate
2. Komoka Drain No. 1 SWM Pond (multi-year Stormwater project) 2022-2023 - \$4,550,000
 - Total Debt borrowing for project from Debt payments will be 100% funded by the Stormwater Reserve Fund over 20 years and will be approximately \$334,797 based on a 4% interest rate



New Debt Proposed 2022 – 2026

3. Glendon Drive Widening (2-4 lanes) Transportation Project 2025 - \$4,993,824

- Total Debt borrowing for project from Debt payments will be 60% funded by the tax levy and 40% funded by Development Charges over 20 years and will be approximately \$367,454 based on a 4% interest rate

4. Ilderton Recreation Facility (Ilderton Arena) 2023-2025 - \$23,848,520

- Total Debt borrowing for project from Debt payments will be 92.1% funded by the tax levy and 7.9% funded by Development Charges over 40 years and will be approximately \$1,204,910 based on a 4% interest rate

- ▶ Annual Repayment Limit will become 17.28%, which is above our approved municipal limit, however own source revenues will increase and this will be adjusted down.



Development Charge Impact

- ▶ Development charges are fees collected from developers at the time a building permit is issued. The fees help pay for the cost of infrastructure required to provide municipal services to new development, such as roads, transit, water and sewer infrastructure, community centres and fire facilities.
- ▶ Over the past 4 years, projects have been occurring earlier than the funding is coming in, and this will continue into 2022 and beyond resulting in a cash flow issue for Development Charges.
- ▶ A Development Charge Study was completed July 2019 and by-law passed by Council at that time. The projects that can be funded by Development Charges were identified in that study.
- ▶ Additionally, a Development Charge Amendment is being completed Fall 2021, and additional projects and adjustments have been included. All projects identified for Development Charge funding have been included and financed accordingly in the 5 year capital plan 2022-2026.



Development Charge Funding of Capital Projects

Funding Source	Carry Forward from 2021	2022	Total 2022	2023	2024	2025
DEVELOPMENT CHARGES FUNDED ANNUALLY	\$ 1,851,609	\$ 865,398	\$ 2,963,615	\$ 5,877,410	\$ 12,228,833	\$ 6,373,530

- ▶ Projected Development Charge Funding for 2022-2026
- ▶ Line of credit for underfunded Development Charges will be paid off by end of year 2022
- ▶ Additional borrowing to support Development Charges projected for 2024



Development Charge Projected Balances 2021-2026

Reserve Name	2021	2022	2023	2024	2025	2026
Development Charges Reserve Fund	\$ (4,623,354)	\$ (1,319,560)	\$ (2,985,779)	\$ (9,483,222)	\$ (11,687,560)	\$ (7,518,369)

- ▶ Projected Development Charge Balances 2021-2026
- ▶ Assumptions: \$5,000,000 Development Charges collected annually



Reserve & Reserve Funds

Reserves ensure that Middlesex Centre can “weather the storms” and sustain critical infrastructure over the long term without significant fluctuations to the tax rate.

Examples:

- ▶ Tax Rate Stabilization Reserve Fund
 - Used to offset unanticipated costs such as a pandemic
- ▶ Water, Wastewater and Stormwater Reserve Funds
 - Rate supported
- ▶ Development Charges and Parkland Reserve Fund
 - Obligatory



Reserve Funds – How they Work



**Established by
Council or Province**



**Strategy for Funding Programs
and Projects**

Funds part of an overall strategy for funding operations and projects



**Flexible or Committed
Funds**

Discretionary – council has flexibility on use

Obligatory – used only for intended purpose



**Tool for Long-term Financial
Sustainability**

Having funds set aside for unavoidable events and large projects reduces need for long-term borrowing or sudden tax increases



Reserve Funds – Strategic Management Tool



Set aside funds for uncontrollable but predictable events like floods, forest fires and pandemics



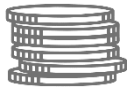
Integrate with and facilitate long-term debt financing strategies



Provide one-time or short-term funding for special purposes



Plan ahead for repairs and upgrades



Give flexibility to deal with fluctuating cash flow



Used to control property tax rates if the economy suddenly takes a downturn



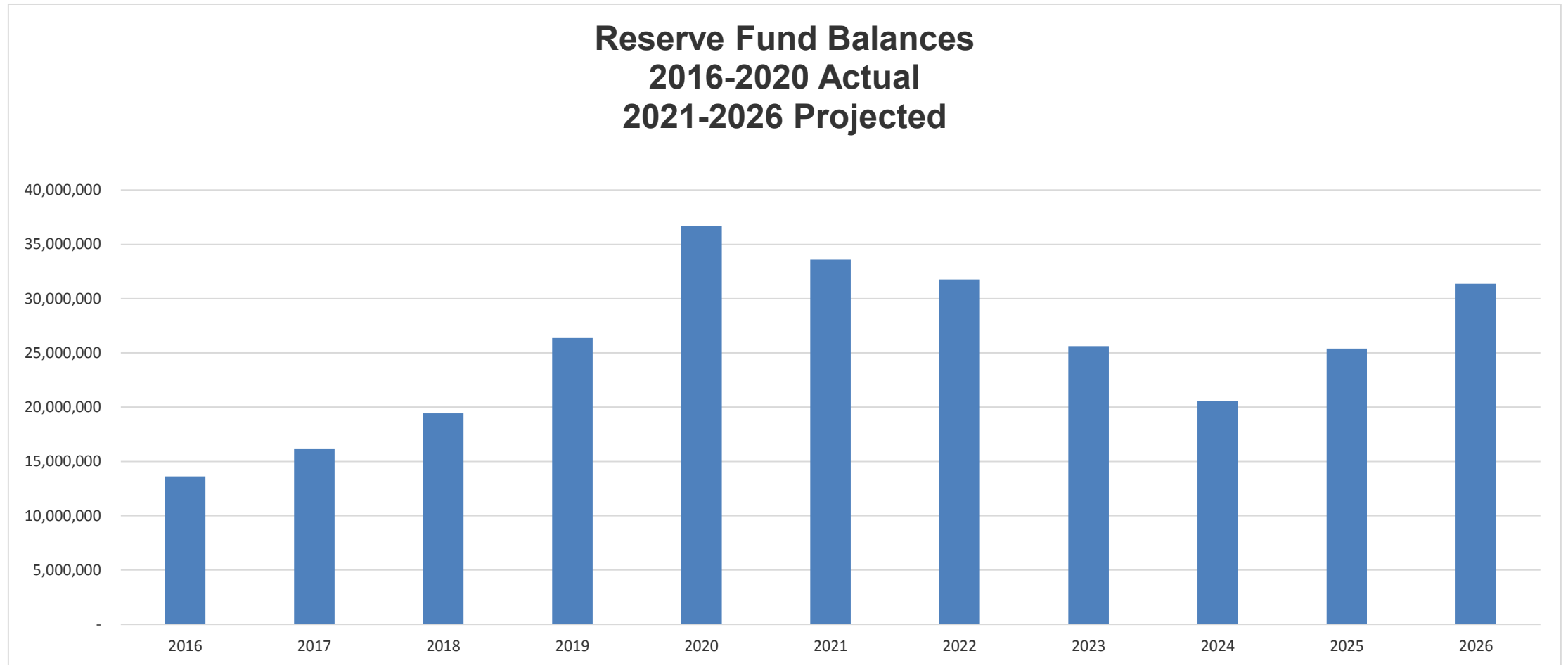
Align with long-term asset management plans to ensure municipalities can invest in important infrastructure projects



A key consideration for credit rating agencies

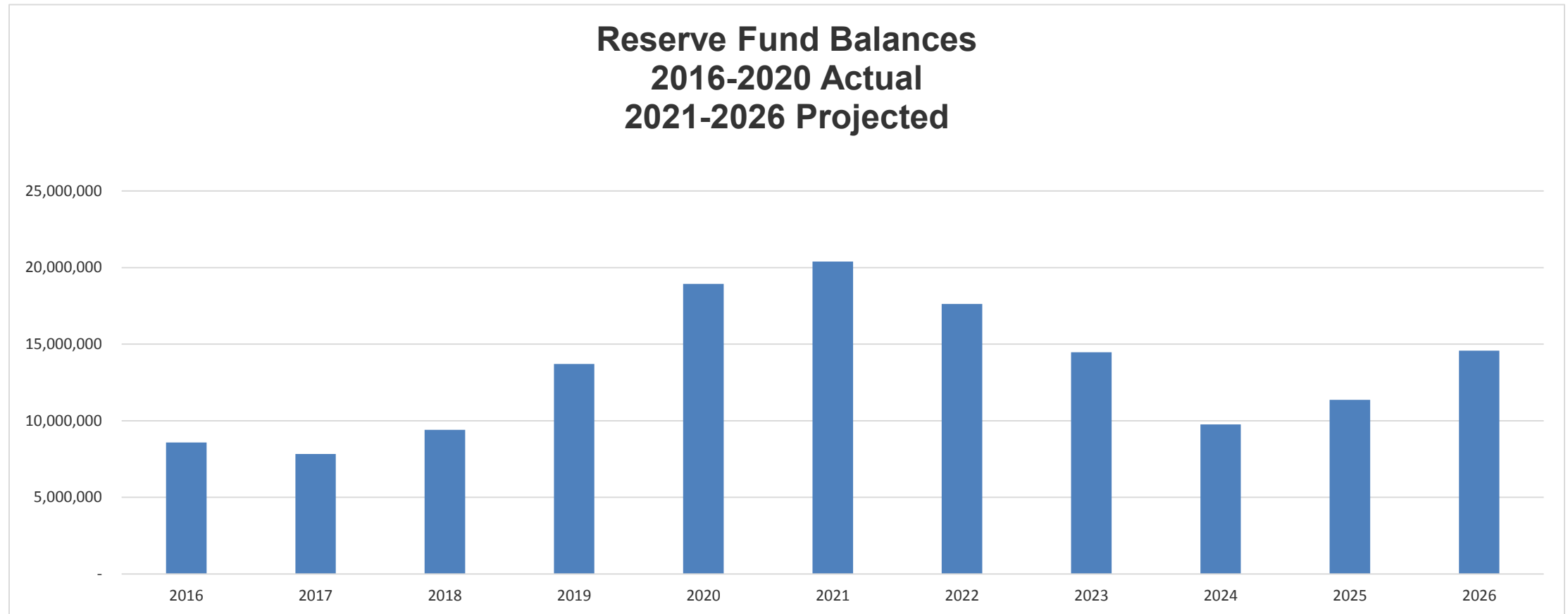


Reserve Funds Over Time – All



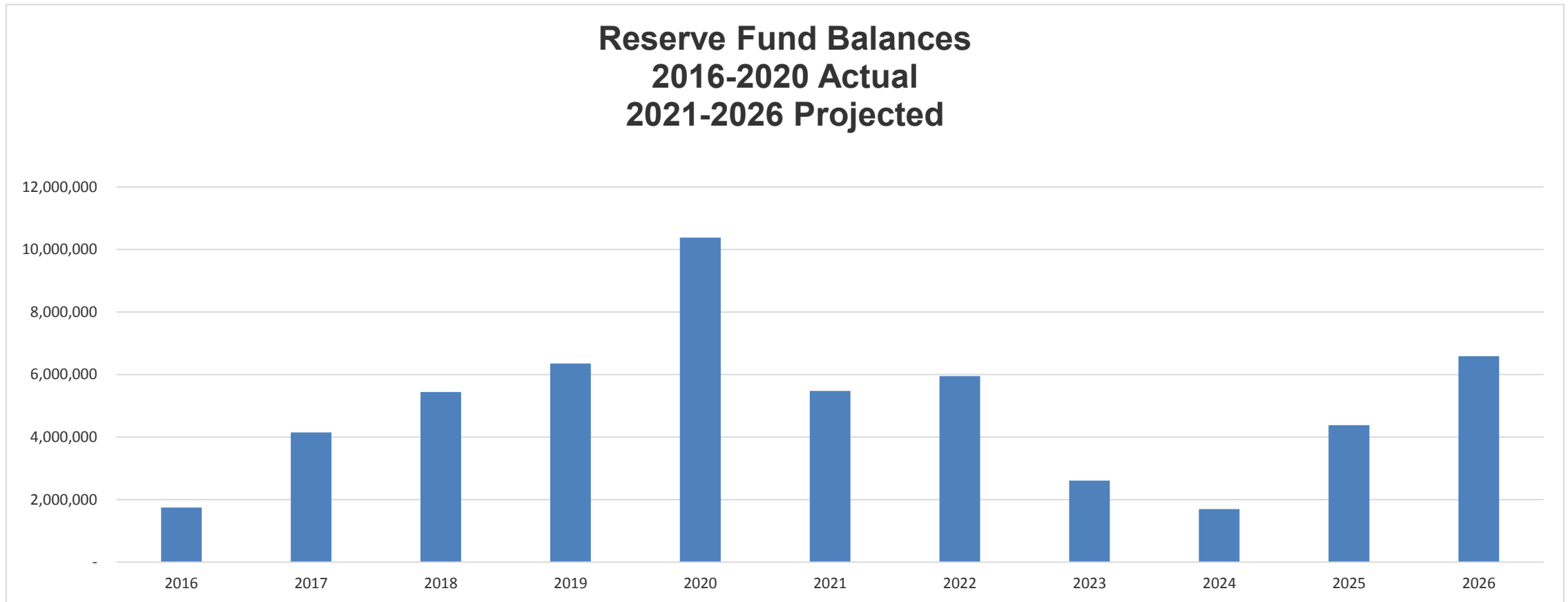
Reserve Funds Over Time

– Asset Management – Tax Levy Supported



Reserve Funds Over Time

– Asset Management – Rate Supported



Reserve Fund Balances

Account	Reserve Name	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
		Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected
3412	Cash-in-Lieu of Parking Reserve Fund	7,393	7,465	7,538	7,629	7,721	7,792	7,864	7,937	8,010	8,084	8,159
3415	Delaware Hydro Reserve Fund	863,140	838,605	846,219	854,379	863,694	870,728	813,782	776,310	778,117	780,315	782,533
3420	Insurance Claims Reserve Fund	153,748	355,068	357,194	441,787	497,052	481,643	486,099	490,595	495,133	499,713	504,335
3421	Legal Reserve Fund					100,000	100,921	101,854	102,797	103,748	104,707	105,676
3425	Election Reserve	-	-	-	15,000	30,222	45,501	421	15,425	30,567	45,850	46,274
3426	Winter Maintenance Reserve Fund	109,835	310,175	311,861	365,594	369,680	373,095	376,546	380,029	383,544	387,092	390,672
3427	Computer Replacement Reserve Fund	-	-	50,000	50,450	51,057	51,528	52,005	52,486	52,971	53,461	53,956
3428	Future Roads Capital Reserve Fund	-	-	-	59,977	88,610	133,721	134,958	136,207	137,466	138,738	140,021
3429	Modernization Reserve Fund	-	-	-	610,207	613,746	414,915	345,166	348,359	351,581	354,833	358,116
3430	Employee Benefits Reserve Fund	183,334	194,908	213,005	233,429	256,462	270,831	283,336	295,957	308,695	321,550	334,524
3436	Medical Centre Reserve Fund	25,643	63,509	97,269	129,447	189,804	265,435	315,390	348,307	396,529	445,197	524,315
3445	Waste Management	169,735	171,192	172,873	174,942	177,046	178,681	180,334	182,002	183,686	185,385	187,100
3450	Gravel Pit Rehabilitation	453,000	472,790	489,667	517,323	536,960	553,920	571,043	588,326	605,768	623,371	641,137



Reserve Fund Balances, Continued

Account	Reserve Name	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
		Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected
3455	Buildings and Facilities Reserve Fund	1,744,734	847,186	1,861,023	3,154,462	5,435,307	5,183,788	5,851,398	4,229,073	3,628,142	3,173,853	4,284,711
3460	Fire Vehicles and Equipment Reserve Fund	1,062,462	877,906	324,641	426,776	619,402	834,526	886,246	1,248,443	943,992	726,723	1,302,446
3463	Fire Public Education Reserve Fund	72,132	87,751	96,807	140,080	141,696	150,505	144,897	139,238	133,525	127,761	121,942
3465	General Vehicles and Equipment Reserve Fund	596,427	674,809	911,914	1,494,128	1,916,968	1,903,482	1,398,339	1,655,273	1,968,585	2,346,794	2,296,502
3470	Build Middlesex Centre Reserve Fund	676,095	771,340	956,175	954,700	956,702	3,536,538	3,384,776	3,386,085	2,134,907	2,124,655	2,114,308
3473	Ontario Community Infrastructure Fund (OCIF) Reserve Fund	-	-	-	281,174	674,566	28,316	(78,472)	(79,198)	(79,930)	(80,670)	(81,416)
3475	Federal Gas Tax Reserve Fund	679,564	323,346	54,425	1,009,825	447,139	840,032	(254,732)	(43,318)	387,551	532,406	(141,399)
3478	Ilderton Lions Park Reserve Fund	22,736	36,080	53,238	53,875	66,575	79,190	91,922	(227)	(229)	(232)	(234)
3479	Safe Restart Reserve Fund					80,000	0	0	0	0	0	0
3490	Poplar Hill Log Cabin Reserve Fund	22,736	36,080	6,473	6,550	6,629	6,690	6,752	6,815	6,878	6,941	7,006
3495	Tax Rate Stabilization Reserve Fund	1,975,789	1,986,397	2,005,897	2,896,907	2,808,474	2,859,417	2,885,866	2,912,561	2,939,502	2,966,692	2,994,134



Reserve Fund Balances, Continued

Account	Reserve Name	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
		Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected
3508	Building Department Reserve Fund	110,278	466,676	756,178	1,292,007	2,094,888	2,378,243	2,800,242	3,046,144	3,474,321	3,906,459	4,342,594
3509	Administrative Support Reserve Fund	40,436	81,364	122,721	164,882	207,414	249,329	291,636	334,333	377,426	420,917	464,811
3510	Road Capital Reserve Fund	2,908,555	3,396,628	4,296,640	4,677,363	7,057,672	6,305,861	4,865,184	2,556,627	(794,724)	907,925	3,086,323
3520	Wastewater Capital Reserve Fund	184,206	1,021,700	1,806,189	1,633,870	3,737,968	1,828,403	1,711,353	70,118	(1,254,250)	(471,158)	554,007
3525	Storm Water Capital Reserve Fund	773,881	1,121,214	1,372,687	1,954,441	2,184,393	945,710	1,137,042	592,145	521,372	826,195	1,133,837
3530	Water Capital Reserve Fund	783,962	2,001,834	2,261,267	2,766,107	4,461,921	2,702,077	3,102,374	1,941,384	2,426,972	4,022,450	4,901,196
	Total Reserve Fund	13,619,821	16,144,024	19,431,901	26,367,311	36,679,767	33,580,820	31,893,624	25,720,233	20,650,229	25,486,386	31,457,965

- Assumes \$1,000,000 additional reserve fund transfer annually from 2022-2026 for tax supported asset management reserve funds.
- Assumes a 4% increase in Wastewater Reserve Fund Transfers
- Assumes transfers according to Water Financial Plan, 2021



Continuous Improvement of the Capital Budget

- ▶ Incorporated into the 2022 Budget:
 - Proposed Council approval of multi-year capital budget with project commitments along with cash flow forecasting projected for 2022-2026
 - Developed long-term reserve fund requirements for tax levy supported assets that aligns with the Municipal Asset Management Plan (AMP)
 - Ensured the AMP recommendation on funding level required has been included in the future capital budget for tax levy supported assets
- Aligned Fiscal Strategy with Development Charge Study amendment 2021
- Aligned Fiscal Strategy with AMP
- Managed capital commitments with cash flows (5 year projected) including debt financing
- Considered short-term and long-term impacts of budgetary decisions
- Aligned Fiscal Strategy and capital projects with Strategic Plan



Continuous Improvement of the Capital Budget, cont.

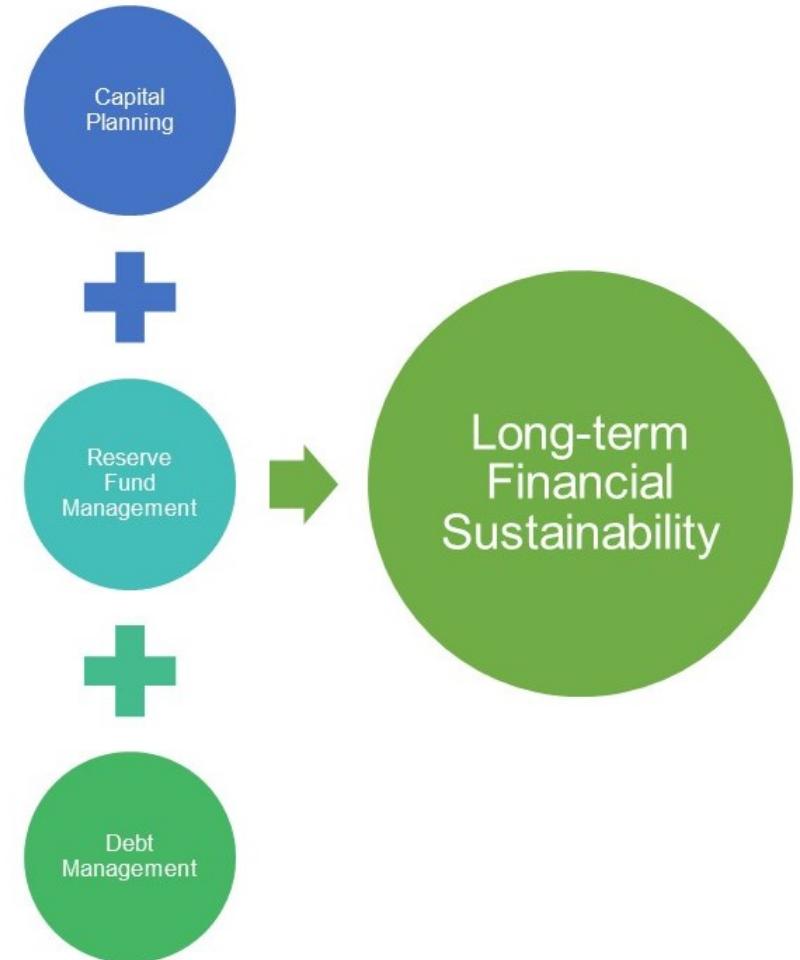
▶ Ongoing Improvements:

- Council approval of multi-year capital and operating project commitments along with cash flow forecasting projected for 2023-2026 capital budget
- Develop long-term reserve fund requirements that aligns with the Municipal Asset Management Plan (AMP) for Water, Wastewater and Stormwater supported assets
- Ensure the AMP recommendation on funding level required has been included in the future capital budget for Water, Wastewater and Stormwater supported assets
- Refine the fiscal strategy and set financial policy



Achieving Long-Term Financial Sustainability

- ▶ Further develop the Municipal Fiscal Strategy
- ▶ Align Fiscal Strategy with AMP for all assets
- ▶ Further alignment of Fiscal Strategy with Strategic Plan
- ▶ Further alignment of Fiscal Strategy with Development Charge Study and new 2023 Development Charge Study
- ▶ Managing capital commitments and cash flows
- ▶ Determine future funding needs
- ▶ Balancing the cost between today's residents and future residents
- ▶ Budgetary decisions should consider both short-term and long-term impacts



Stay Tuned!

- ▶ **2022 Operating Budget Presentation
December 8, 2021**



Stay in Touch!



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