



Budget 2024

Municipality of Middlesex Centre

Capital Budget Presentation - Nov. 1, 2023

Tiffany Farrell, Director of Corporate Services

Agenda

- Municipal Capital Budget Introduction
- 2024 Capital Budget Highlights
- 2024 Capital Budget Information and Funding

Budget Summary

BUDGET SUMMARY

The Big Picture

- 6.34% Tax Levy Increase (2023: 6.16%)
- 3.22% Tax Rate Increase (2023: 2.50%)
- \$49,300,886 in Operating Costs (2023: \$43,871,181)
- \$30,626,375 in Capital Projects (2023: \$26,739,581)
- \$79,927,261 Total Municipal Budget (2023: \$70,610,762)
- \$17,199,410 Transfers to Reserve Funds (2023: \$15,276,126) *
- \$31,662,955 Transfers from Reserve Funds (2023: \$22,816,167) *

**Includes all reserve funds, including Water, Wastewater, Stormwater and Building Department*

Budget Summary

Capital Budget

Middlesex Centre's capital budget covers large infrastructure and other long-term projects. The municipality presents a five-year capital budget and forecast to fund the assets that support the delivery of services to the community. How our capital assets, projects, programs of work, and funding relate is complex and understanding these relationships is key to developing an efficient and effective capital budget.

The financial decisions we make today are critical to the long-term sustainability of our municipality. The 2024 budget reflects corporate strategic plans and the needs of the community.

The capital budget is the municipality's plan to purchase, build, maintain, repair, and replace assets including infrastructure. Capital assets also directly and indirectly impact the municipality's operating budget as funds are needed to cover day-to-day operating expenses associated with the asset.

There are five main sources of funding for Middlesex Centre's capital projects: reserve funds, debt financing, development charges, donations, and grants. Projects can receive funding from a single source, but many of the projects are funded through multiple sources.

Municipal staff are faced with the challenge of balancing the needs of the community against the resources and funding sources available. To assist in the development of the budget, capital projects have been grouped into three categories:

1. Asset Management related capital projects
2. Growth related capital projects
3. Service-level changes, improvements, or efficiency improvements capital projects

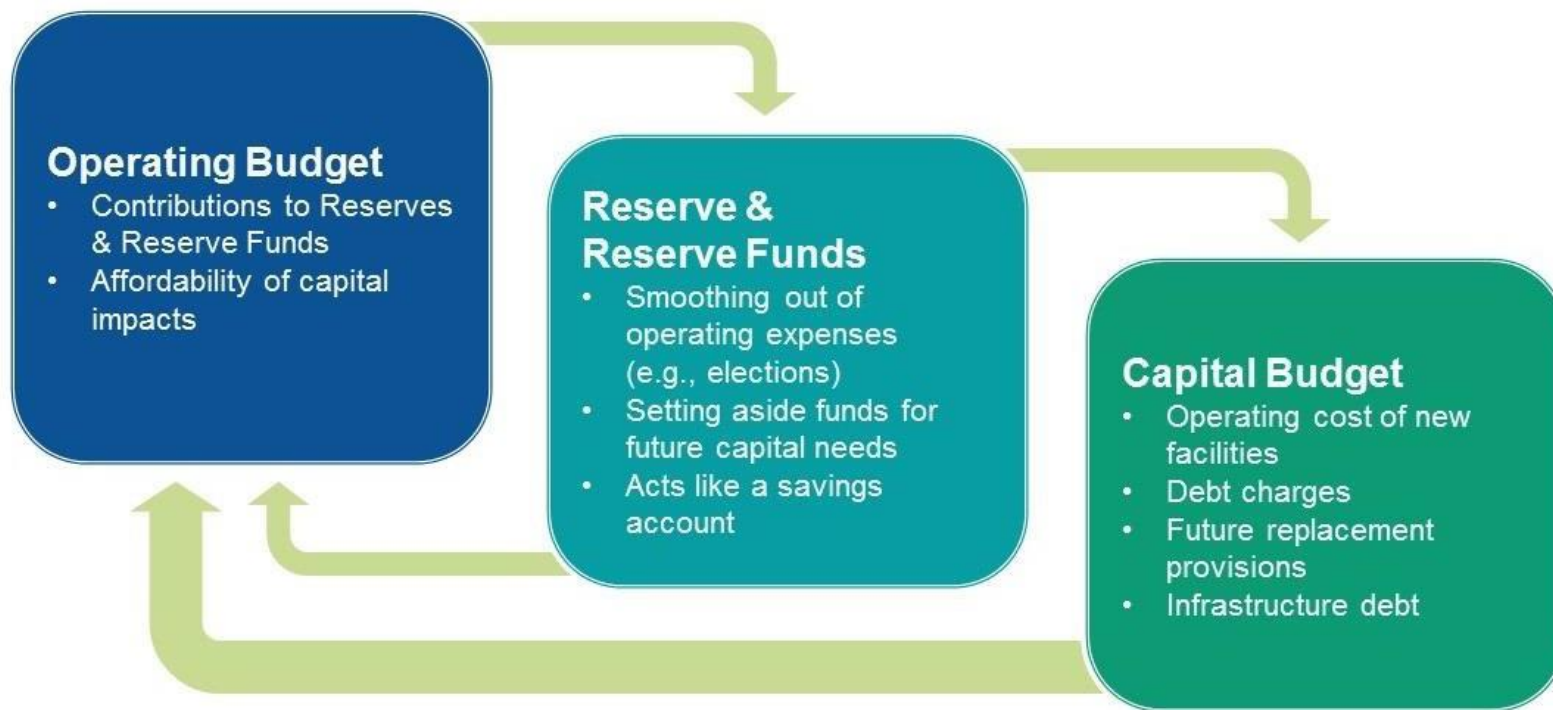
Budget Summary

Combined Operating and Capital Budget

Connecting the capital and operating budgets forms the total 2024 balanced budget. Reserves and reserve funds are used to link the budgets, with savings in these funds used to smooth out operating expenses and set money aside for future capital needs.

Note that a detailed discussion of reserve fund balances is presented later in the budget.

Figure: Illustration of the Relationship between the Capital and Operating Budgets, Capital Assets, Projects and Funding Sources



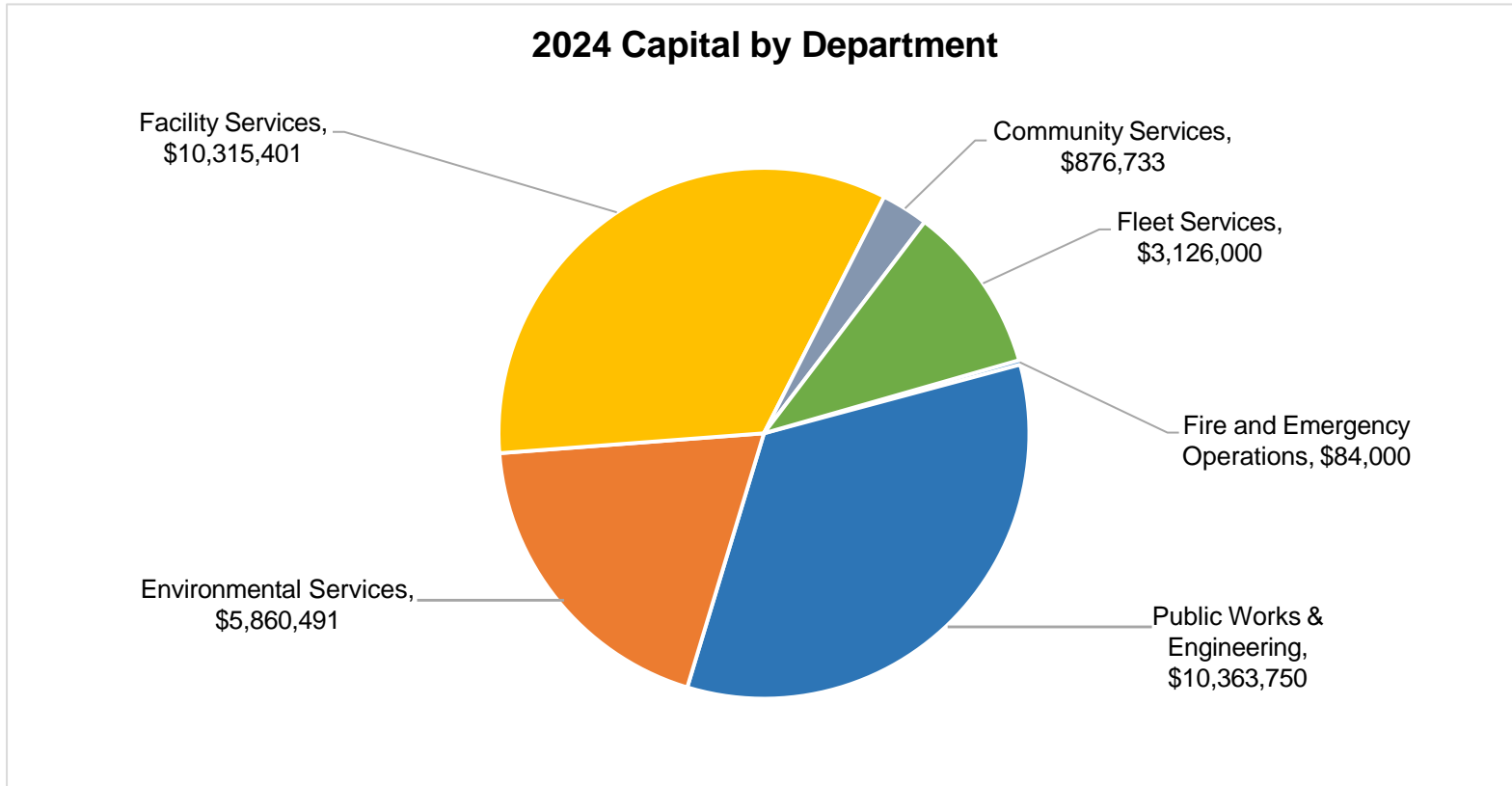
Budget Summary

Table: Summary of Recommended Capital Projects by Department

Department	2024	2023	2022
General Government	-	\$1,010,000	\$1,024,240
Fire and Emergency Operations	\$84,000	\$53,000	\$275,000
Public Works & Engineering	\$10,363,750	\$9,290,954	\$10,279,189
Environmental Services:			
Wastewater	\$2,582,571	\$3,158,602	\$4,830,987
Stormwater	\$438,915	\$906,915	\$2,289,525
Water	\$2,839,005	\$4,295,261	\$2,176,232
Facility Services	\$10,315,401	\$3,528,387	\$853,742
Community Services	\$876,733	\$1,503,898	\$1,368,588
Fleet Services	\$3,126,000	\$2,992,564	\$2,826,765
Total	\$30,626,375	\$26,739,581	\$25,924,268

Budget Summary

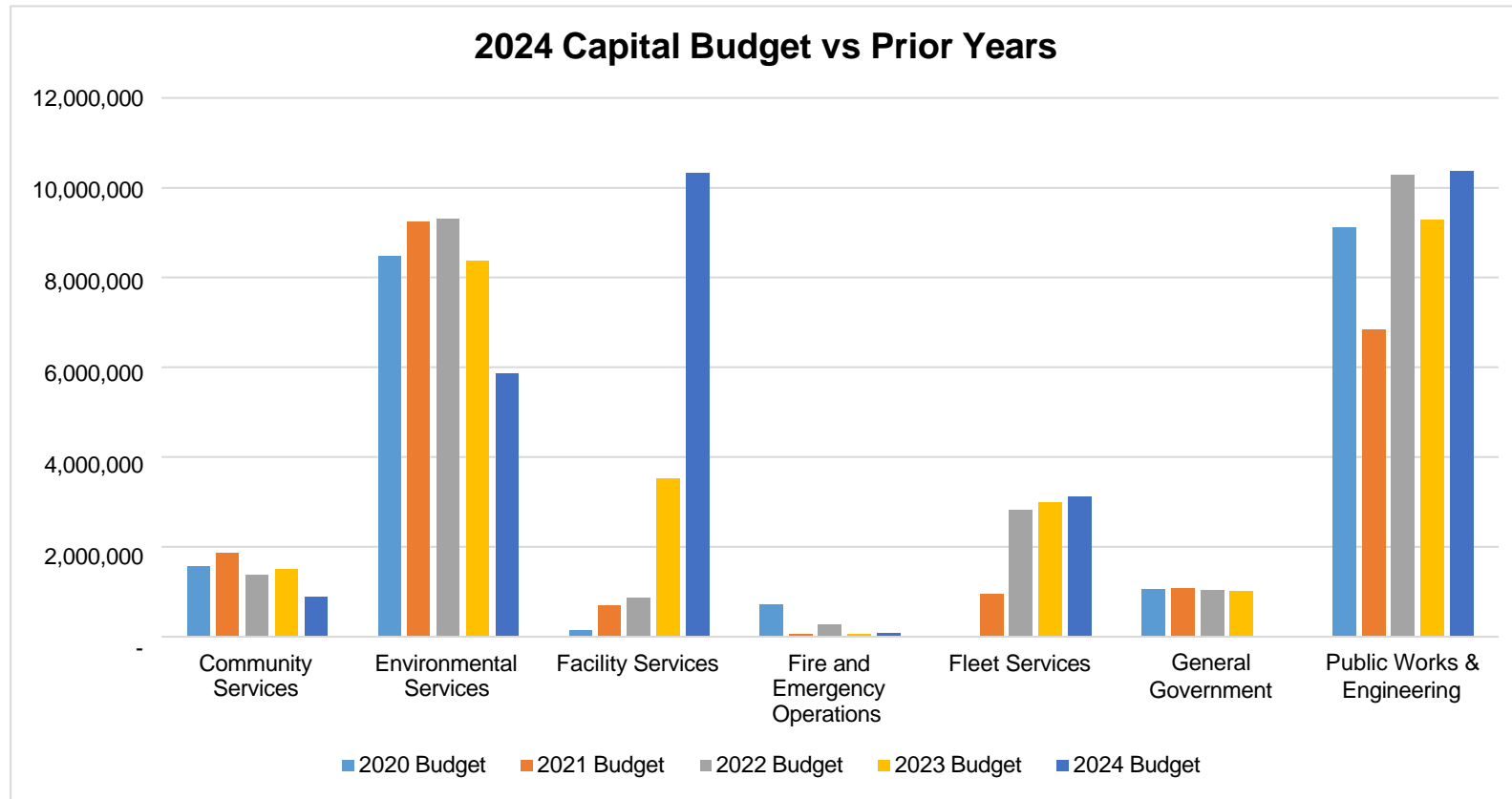
Figure: Capital Budget by Department



Note: Includes 2023 carryover and new projects for 2024

Budget Summary

Figure: Capital Budget by Department – Comparison with Previous Years



Note: Fleet displayed as separate department starting in 2021.

Budget Summary

Five-Year Capital Budget

Table: 5-Year Capital Expenditures by Department, Summary

Department	2024	2025	2026	2027	2028	Total 5-Year Forecast
Community Services	876,733	2,079,779	2,130,000	192,000	-	5,278,512
Environmental Services	5,860,491	14,345,175	4,660,000	7,550,000	-	32,415,666
Facility Services	10,315,401	2,444,837	2,148,800	425,000	705,000	16,039,038
Fire and Emergency Operations	84,000	70,000	2,145,000	115,000	-	2,414,000
Fleet Services	3,126,000	6,457,500	3,930,000	3,940,000	3,580,000	21,033,500
Public Works & Engineering	10,363,750	12,345,250	16,311,500	14,855,000	9,720,000	63,595,500
Grand Total	30,626,375	37,742,541	31,325,300	27,077,000	14,005,000	140,776,216

Community Services

Table: Capital Budget for Community Services by Cost Centre and Project

Department	Carry Forward 2023 (\$)	2024 Forecast (\$)	Total (\$)
Community Services			
Parks & Open Space			
Buildings & Fixtures			
Heritage Park Exterior Barn Upgrades	0	38,500	38,500
Komoka Park - Improve outfield fence for safety reasons	0	80,000	80,000
Komoka Park - Replace Playground	104,363	0	104,363
Weldon Park - Renovate Electrical Storage Shed	0	42,000	42,000
Buildings & Fixtures Total	104,363	160,500	264,863
Land Improvements			
Kilworth Optimist - Tridon Park Development (Phase 1)	61,834	0	61,834
Komoka Park - Turf Improvements (front soccer field)	0	45,000	45,000
Poplar Hill - baseball diamond improvements	0	85,000	85,000
Poplar Hill - Sport Lighting Replacement Red Clay Diamond	0	95,000	95,000
Land Improvements Total	61,834	225,000	286,834
Other Equipment			
Meadowcreek Park - Replace Playground	83,336	0	83,336
Timberwalk Park	0	241,700	241,700
Other Equipment Total	83,336	241,700	325,036
Parks & Open Space Total	249,533	627,200	876,733
Community Services Total	249,533	627,200	876,733

Community Services

Community Services - Capital Budget Details

Figure: Map of Community Services Capital Projects



Facility Services

Table: Capital Budget for Facility Services by Cost Centre and Project

Facility Services	Carry Forward 2023 (\$)	2024 Forecast (\$)	Total (\$)
Arenas			
Buildings & Fixtures			
Ilderton Arena - Arena Upgrades - GICB Grant	0	3,627,270	3,627,270
Ilderton Arena - Facility Lighting Replacement	0	150,000	150,000
Komoka Wellness Centre - Lighting Retrofit Phase 1	0	50,000	50,000
Komoka Wellness Centre - Replace Change Room Sinks & Counters	0	65,000	65,000
Komoka Wellness Centre - Replace Domestic Hot Water Tank #1 and # 3	0	35,000	35,000
Komoka Wellness Centre - HVAC unit replacement	0	60,000	60,000
Komoka Wellness Centre - Refrigerant Cooling Tower Replacement	0	172,500	172,500
Buildings & Fixtures Total	0	4,159,770	4,159,770
Other Equipment			
Ilderton Arena - Replace Cooling Tower	0	125,000	125,000
Ilderton Arena - Replace Rink Chiller	34,000	60,000	94,000
Komoka Wellness Centre - Replace Sound System on Coors Pad	0	60,000	60,000
Other Equipment Total	34,000	245,000	279,000
Arenas Total	34,000	4,404,770	4,438,770
Community Centres			
Buildings & Fixtures			
Delaware Community Centre - Upgrade Lighting	0	75,000	75,000
Ilderton Community Centre - Hall HVAC Replacement	0	72,500	72,500
Komoka Community Centre-Replace Upper and Lower Roof	0	345,000	345,000
Buildings & Fixtures Total	0	492,500	492,500
Land Improvements			
Delaware Community Centre - Lower Parking New Asphalt and Sport Court	0	158,500	158,500
Delaware Community Centre - Lower Parking Lot-Security Gate Arm	0	36,200	36,200
Land Improvements Total	0	194,700	194,700
Community Centres Total	0	687,200	687,200

Facility Services

Facility Services	Carry Forward 2023 (\$)	2024 Forecast (\$)	Total (\$)
Leased Properties			
Buildings & Fixtures			
Bryanston School - Replace Hydrotherm Boiler	0	92,500	92,500
Ilderton Medical Centre - Emergency generator supply and install	125,000	0	125,000
Buildings & Fixtures Total	125,000	92,500	217,500
Leased Properties Total	125,000	92,500	217,500
Libraries			
Buildings & Fixtures			
Coldstream Library Upgrades	0	41,500	41,500
Buildings & Fixtures Total	0	41,500	41,500
Libraries Total	0	41,500	41,500
Municipal Office			
Buildings & Fixtures			
Municipal Office - Consulting for Detailed Design for Renovations	0	143,878	143,878
Municipal Office - Renovations/Construction	1,500,000	3,000,000	4,500,000
Replace existing roof at Municipal Office	0	75,915	75,915
Replace HVAC units 3, 4 & 5 at Municipal Office	0	60,638	60,638
Buildings & Fixtures Total	1,500,000	3,280,431	4,780,431
Land Improvements			
Municipal Office Landscaping (Office Reno)	0	50,000	50,000
Land Improvements Total	0	50,000	50,000
Municipal Office Total	1,500,000	3,330,431	4,830,431
PWE Operations Centres			
Buildings & Fixtures			
Install Concrete Floor Denfield Operations Centre Shed	0	100,000	100,000
Buildings & Fixtures Total	0	100,000	100,000
PWE Operations Centres Total	0	100,000	100,000
Facility Services Total	1,659,000	8,656,401	10,315,401



Facility Services

Facility Services - Capital Budget Details

Figure: Map of Facility Services Capital Projects



Fire & Emergency Services

Fire & Emergency Services - Capital Budget Details



Table: Capital Budget for Fire & Emergency Services by Cost Centre and Project

Fire and Emergency Operations	Carry Forward 2023 (\$)	2024 Forecast (\$)	Total (\$)
Fire Operations			
Other Equipment			
Decontamination, Rehabilitation and Utility Operations Shelter	0	39,000	39,000
Personal Protective Equipment (PPE)	0	45,000	45,000
Other Equipment Total	0	84,000	84,000
Fire and Emergency Operations Total	0	84,000	84,000

Public Works & Engineering: Transportation & Administration

Table: Capital Budget for PWE: Transportation & Administration by Cost Centre and Project

Public Works & Engineering	Carry Forward 2023 (\$)	2024 Forecast (\$)	Total (\$)
Transportation			
Bridges & Culverts			
B-120 Bridge Repairs	0	900,000	900,000
Rehabilitate Bridge B-108	0	775,000	775,000
Rehabilitate Bridge B-530	0	700,000	700,000
Repair Bridge B-526	0	307,500	307,500
Repair Culvert C-111	0	26,250	26,250
Repair Culvert C-131	0	26,250	26,250
Replace Culvert C-153	0	50,000	50,000
Replace Culvert C-155	0	56,250	56,250
Replace Culvert C-156	0	440,000	440,000
Replace Culvert C-159	0	55,000	55,000
Replace Culvert C-563	0	600,000	600,000
Replace Culvert C-572	0	452,500	452,500
Replace Culvert C-575	0	52,500	52,500
Replace Culvert C-580	0	452,500	452,500
Bridges & Culverts Total	0	4,893,750	4,893,750
Concrete Sidewalks			
Sidewalk Expansion	0	75,000	75,000
Concrete Sidewalks Total	0	75,000	75,000
Other Equipment			
New Layout and Grade Control Equipment	0	130,000	130,000
Other Equipment Total	0	130,000	130,000

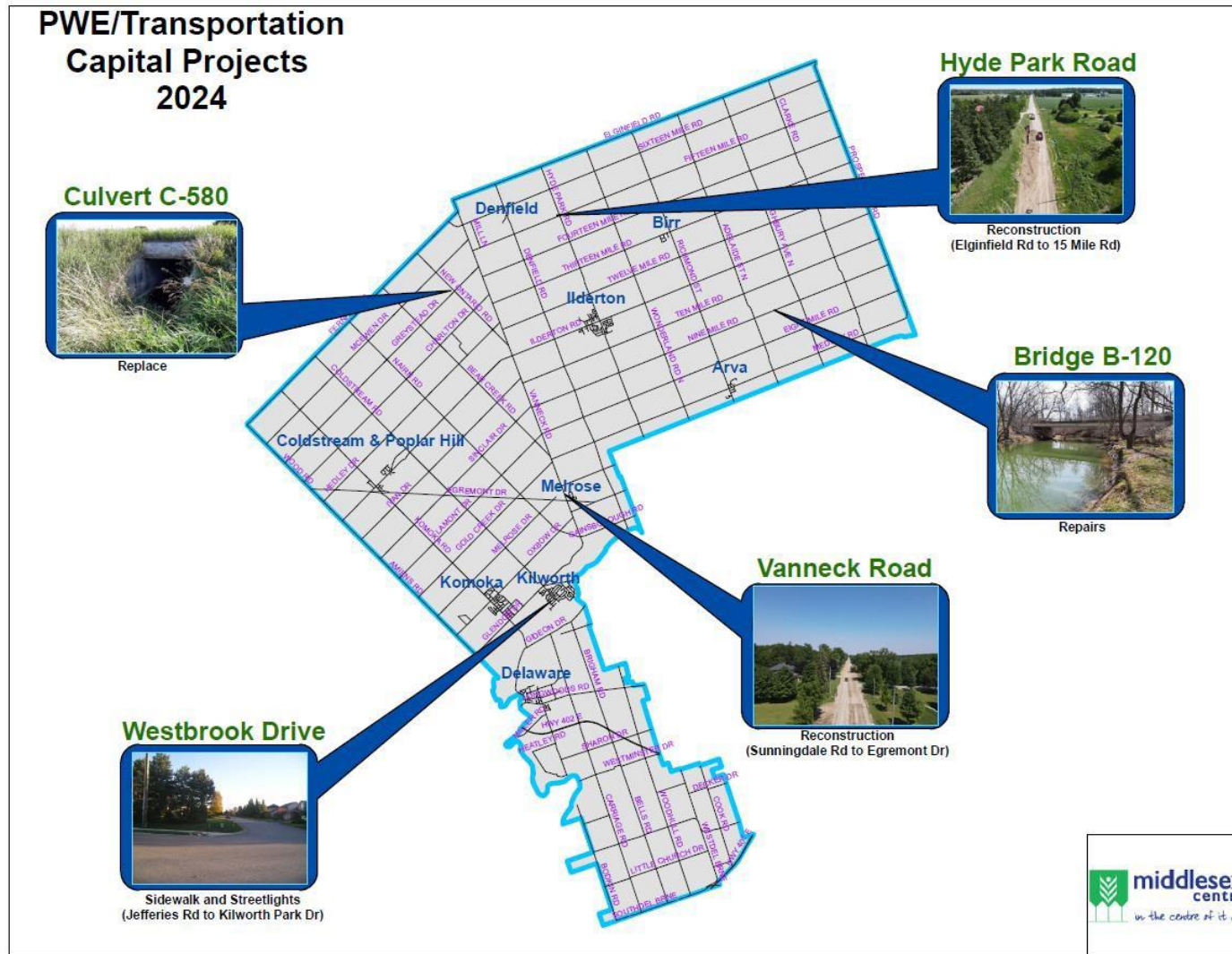
Public Works & Engineering: Transportation & Administration

Public Works & Engineering	Carry Forward 2023 (\$)	2024 Forecast (\$)	Total (\$)
Roads			
Elmhurst St & Parkland PI Urbanization	0	100,000	100,000
Hot Mix Resurfacing	0	1,450,000	1,450,000
Hyde Park Road Reconstruction (Elginfield Road to 15 Mile Road)	0	1,490,000	1,490,000
King and George Street Reconstruction	40,000	35,000	75,000
Old River Road (Glendon Dr to Pulham Rd)	950,000	0	950,000
Tar & Chip Resurfacing	0	600,000	600,000
Vanneck Road Reconstruction (Sunningdale Road and Egremont Drive)	0	600,000	600,000
Roads Total	990,000	4,275,000	5,265,000
Transportation Total	990,000	9,373,750	10,363,750
Public Works & Engineering Total	990,000	9,373,750	10,363,750

Public Works & Engineering: Transportation & Administration

PWE: Transportation & Administration - Capital Budget Details

Figure: Map of PWE: Transportation Capital Projects



Public Works & Engineering: Environmental Services

Table: Capital Budget for Public Works & Engineering (Environmental Services) by Cost Centre and Project

Environmental Services	Carry Forward 2023 (\$)	2024 Forecast (\$)	Total (\$)
Stormwater			
Stormsewer Infrastructure			
King/George Street Reconstruction	23,915	0	23,915
Melrose Stormwater System - Relocate Drainage Systems	35,000	0	35,000
Komoka Drain No. 1 - SWM pond	350,000	0	350,000
Parkland and Elmhurst Storm Water Servicing	0	30,000	30,000
Stormsewer Infrastructure Total	408,915	30,000	438,915
Stormwater Total	408,915	30,000	438,915
Wastewater			
Other Equipment			
SCADA Replacement	0	150,000	150,000
Other Equipment Total	0	150,000	150,000
Wastewater Facilities			
Ilderton Treatment Capacity Upgrades	337,650	130,000	467,650
Komoka Sewage Pump Station & Forcemain Improvements	0	350,000	350,000
Komoka WWTP - Aeration, Blower and HVAC Improvements	671,352	0	671,352
Komoka WWTP Flow Splitting Improvements	0	130,000	130,000
Wastewater Facilities Total	1,009,002	610,000	1,619,002
Wastewater Facility Equipment			
Ilderton WWTP Dissolved Oxygen Install	0	55,873	55,873
Ilderton WWTP Raw Sewage Flow Measurement Devices	0	117,696	117,696
Komoka Wastewater Treatment Plant Schedule C Environmental Assessment	0	300,000	300,000
Wastewater Facility Equipment Total	0	473,569	473,569

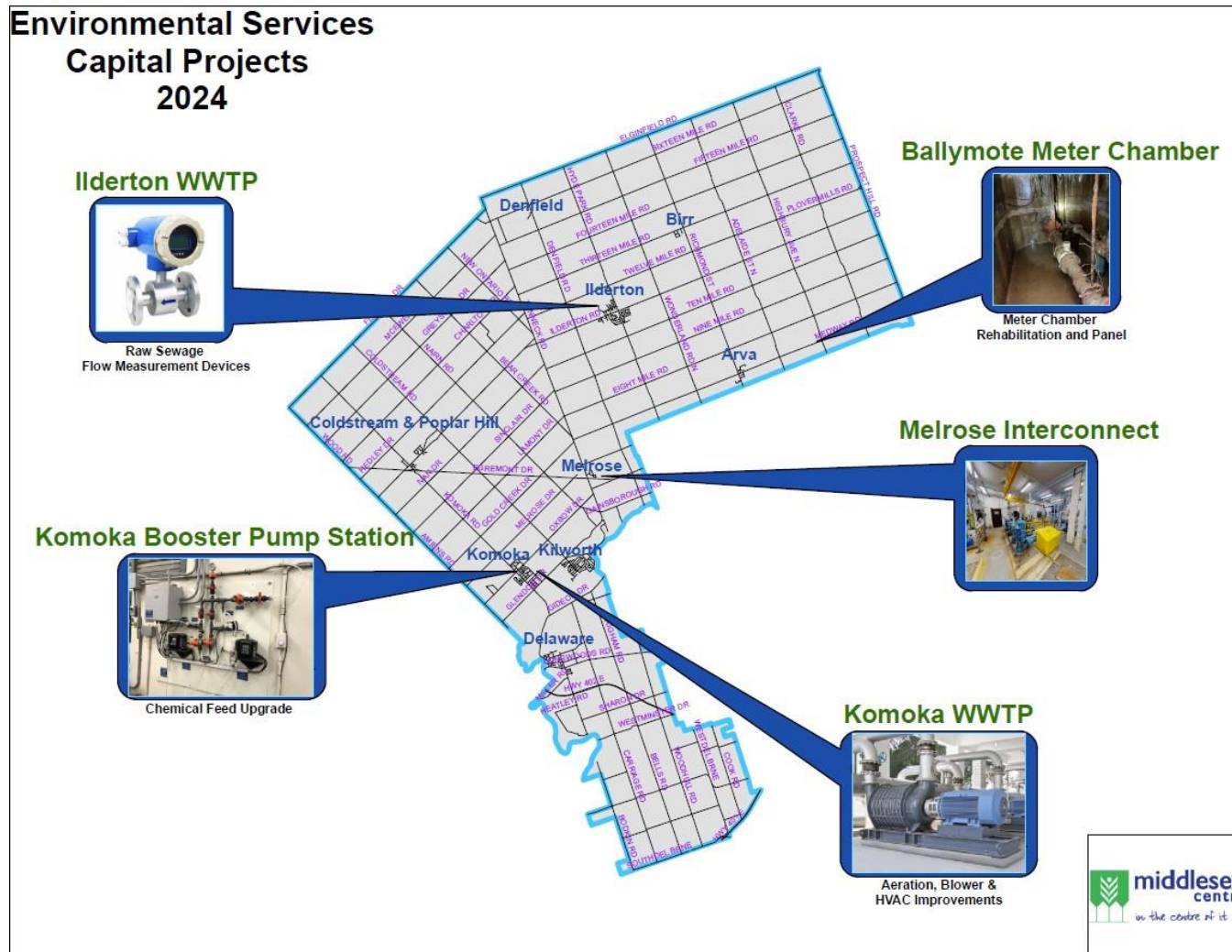
Public Works & Engineering: Environmental Services

Environmental Services	Carry Forward 2023 (\$)	2024 Forecast (\$)	Total (\$)
Wastewater Mains			
Design Komoka WWTP - Headworks	0	200,000	200,000
Parkland and Elmhurst Wastewater Servicing	0	40,000	40,000
Servicing of Tunks Lane	100,000	0	100,000
Wastewater Mains Total	100,000	240,000	340,000
Wastewater Total	1,109,002	1,473,569	2,582,571
Water			
Other Equipment			
SCADA Replacement (2 of 2)	0	150,000	150,000
Other Equipment Total	0	150,000	150,000
Wastewater Mains			
Parkland and Elmhurst Water Servicing	0	60,000	60,000
Wastewater Mains Total	0	60,000	60,000
Water Facilities			
Ballymote Meter Chamber Rehabilitation and Panel	0	65,000	65,000
Instrumentation & Control, electrical generator and ATS	0	75,000	75,000
Komoka Booster Pump Station Chemical Feed Upgrades	0	76,250	76,250
Vertical Water System Improvements	0	150,000	150,000
Water Facilities Total	0	366,250	366,250
Water Mains			
Glendon Drive Watermain Twinning	440,000	0	440,000
King/George - Street Reconstruction	30,000	0	30,000
Longwood Road Watermain Extension	0	60,000	60,000
Melrose Lake Huron Primary Water Supply Connection	1,732,755	0	1,732,755
Water Mains Total	2,202,755	60,000	2,262,755
Water Total	2,202,755	636,250	2,839,005
Environmental Services Total	3,720,672	2,139,819	5,860,491

Public Works & Engineering: Environmental Services

PWE: Environmental Services - Capital Budget Details

Figure: Map of Water, Wastewater and Stormwater Capital Projects



Fleet Services

Fleet Services - Capital Budget Details



Table: Capital Budget for Fleet Services by Cost Centre and Project

Fleet Services	Carry Forward 2023 (\$)	2024 Forecast (\$)	Total (\$)
Community Services Fleet			
Other Equipment			
New Self-Propelled Ice Painter	0	13,500	13,500
Replacement Scissor Lift	0	42,500	42,500
Other Equipment Total	0	56,000	56,000
Vehicles & Machinery			
Replacement Vehicle	0	55,000	55,000
Vehicles & Machinery Total	0	55,000	55,000

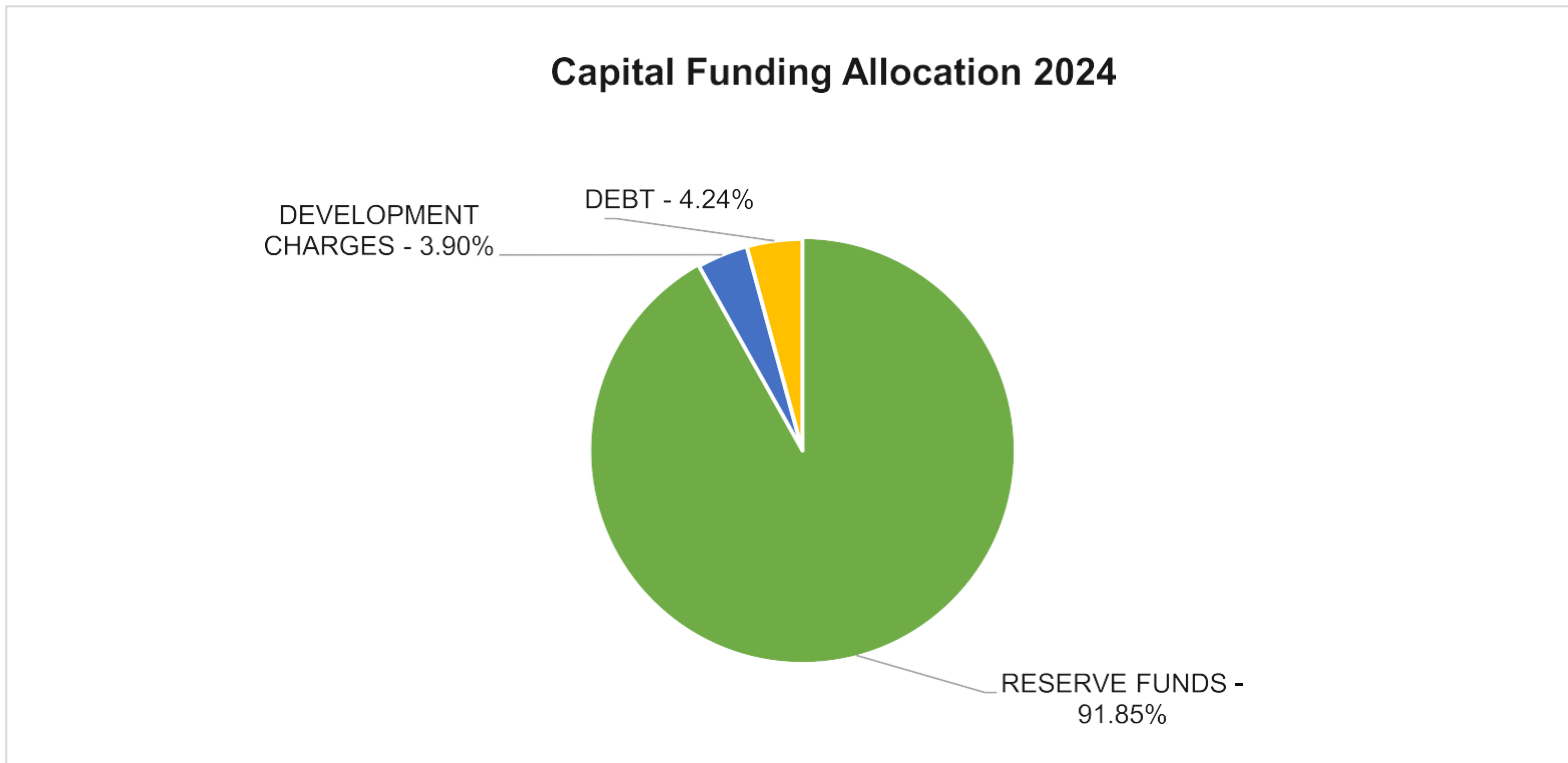
Fleet Services

Fleet Services	Carry Forward 2023 (\$)	2024 Forecast (\$)	Total (\$)
Community Services Fleet Total	0	111,000	111,000
Environmental Services Fleet			
Vehicles & Machinery			
New Dump Trailer	0	17,500	17,500
Vehicles & Machinery Total	0	17,500	17,500
Environmental Services Fleet Total	0	17,500	17,500
Fire Fleet			
Emergency Vehicles			
New Support and Response Vehicle	0	80,000	80,000
Replacement Pumper/Tanker for Arva	0	800,000	800,000
Emergency Vehicles Total	0	880,000	880,000
Fire Fleet Total	0	880,000	880,000
PWE Transportation Fleet			
Vehicles & Machinery			
New Compact Track Loader & Attachments	0	160,000	160,000
New Street Sweeper Attachment	0	160,000	160,000
Replacement 1 Ton Truck	0	135,000	135,000
Replacement 1/2 Ton Pickup Truck	0	67,500	67,500
Replacement 1/2 Ton Pickup Truck	0	85,000	85,000
Replacement Brush Chipper	0	145,000	145,000
Replacement Fleet Services- Service Vehicle	0	110,000	110,000
Replacement Hydro Vacuum Trailer	0	255,000	255,000
Replacement Loader	0	450,000	450,000
Replacement Plow Truck	0	550,000	550,000
Vehicles & Machinery Total	0	2,117,500	2,117,500
PWE Transportation Fleet Total	0	2,117,500	2,117,500
Fleet Services Total	0	3,126,000	3,126,000

Budget Summary

Funding Capital Projects

Figure: Breakdown of Capital Funding Sources



Note: Additional information on each of these funding sources is presented later in the budget.

Budget Summary

Table: Funding of Capital Projects, Reserve Fund Breakdown

Funding Source	Proposed 2024	% 2024 Allocation	Total 2023	% 2023 Allocation
Build Middlesex Centre Reserve Fund	-	-	1,122,912	4.26%
Building Department Reserve Fund	-	-	150,000	0.57%
Buildings & Facilities Reserve Fund	5,933,169	19.37%	4,072,072	15.43%
Cash-In-Lieu of Parkland	-	-	180,000	0.68%
Delaware Hydro Reserve Fund	60,000	0.20%	-	-
Development Charges	1,195,120	3.90%	1,455,741	5.52%
Fire Vehicles & Equipment Reserve Fund	884,000	2.89%	57,000	0.22%
CCBF Reserve Fund	440,000	1.44%	742,500	2.81%
General Vehicles & Equipment Reserve Fund	2,038,500	6.66%	2,516,064	9.53%
Ilderton Lions Park Reserve Fund	101,514	0.33%	-	-
Medical Centre Reserve Fund	125,000	0.41%	155,000	0.59%
Modernization Reserve Fund	-	-	10,000	0.04%
OCIF Reserve Fund	2,536,250	8.28%	1,607,500	6.09%
Roads Capital Reserve Fund	6,240,000	20.37%	4,443,454	16.84%
Stormwater Capital Reserve Fund	88,915	0.29%	291,915	1.11%
Wastewater Capital Reserve Fund	2,496,971	8.15%	3,019,412	11.44%
Water Capital Reserve Fund	2,356,505	7.69%	3,848,511	14.58%
Debt	1,300,000	4.24%	2,717,500	10.30%
Municipal Office Build Reserve Fund	4,830,431	15.77%	-	-
TOTAL	30,626,375	100%	26,389,581	100%

Note: A detailed list of Reserve Funds can be found in the Supplemental Information.

Asset Management

ASSET MANAGEMENT

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.

The main objective of an asset management plan (AMP) is to use the municipality's best available information to develop a comprehensive long-term plan for capital assets. In addition, the plan should provide a sufficiently documented framework that will enable continuous improvement and updates of the plan to ensure its relevancy over the long term.

Middlesex Centre's AMP was completed and approved June 2021. It has been used to develop the 2024-2028 capital budget.

- The plan meets the requirements for O. Reg. 588/17.
- Significant improvements on condition data included.
- The focus is on reasonable funding levels needed to sustain current service levels, which has been built into the 2024 budget.

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)

Table: Middlesex Centre Asset Classes and Replacement Cost

Asset Class	Replacement Value
Roads ¹	\$188,129,268
Sidewalks and Street Lights ²	\$25,187,427
Bridges and Structural Culverts ²	\$158,880,727
Facilities ²	\$136,200,248
Water ²	\$103,887,169
Wastewater ²	\$169,348,176
Stormwater ²	\$149,161,062
Fleet ²	\$24,750,710
Equipment ²	\$2,507,345
Total	\$958,052,134

Notes: Information from (1) Roads Needs Study 2022 and (2) Stats Canada - Non-Residential Building Construction Price Indexes

Asset Management

Asset Management Financing Strategy



One of our Asset Management goals is that the municipality's physical assets be managed in a manner that supports the sustainable provision of municipal services to residents. Through the implementation of the AMP, the municipality's practice should evolve to provide services at levels outlined in the plan. Moreover, infrastructure and other capital assets should be maintained at condition levels that provide a safe and functional environment for the municipality's residents. The AMP and progress with respect to its implementation are evaluated based on the municipality's ability to meet these goals and objectives.

The financing strategy outlines how the asset management strategy will be funded. The lifecycle management strategy illustrates the costs required to maintain expected levels of service at a sustainable level. Middlesex Centre's plan integrates both of these requirements into one strategy.

O. Reg. 588/17 requires a 10-year capital plan that forecasts the costs of implementing the lifecycle management strategy and the lifecycle activities required therein.

Various financing options, including reserve funds, debt, and grants were considered during the process of developing the financing strategy.

The lifecycle costs required to sustain established level of service targets are being recovered through several methods:

- Ontario Community Infrastructure Fund (OCIF) formula-based funding is identified for years in which the funding amount is known (2023). The 2023 level of OCIF funding is then maintained for the remaining years of the forecast, recognizing the OCIF as a stable and long-term funding source for capital projects.
- Canada Community Benefit Fund (CCBF) has been shown as a stable and long-term funding source for eligible capital projects. The 2023 level of CCBF funding is then maintained for the remaining years of the forecast, recognizing the CCBF as a stable and long-term funding source for capital projects.
- The municipality will be dependent upon maintaining healthy capital reserve funds to provide the remainder of the required lifecycle funding over the forecast period. This will require the municipality to proactively increase amounts being transferred to these capital reserve funds during the annual budget process.
- Development charge funding has been shown in years where growth-related capital needs have been identified by the municipality. It has been assumed that the development charge reserve funds will have sufficient

Asset Management

balances to fully fund all growth-related capital expenditures in the years in which they arise.

- Debt financing is shown as required in years where significant capital needs are identified. Specifically, the forecast includes no debenture issuance over the forecast period.

This financing strategy was developed to be fully funded, and therefore no funding shortfall has been identified over the next 10 years. However, this means that if identified grants are not received at expected amounts then shortfalls may present themselves. Similarly, if inflation continue unabated, shortfalls may present themselves. In such events, the difference could be made up through increases to the tax levy/user rates over-and-above those presented hereafter.

It is noted that this fully funded financing strategy phases-in annual contributions towards capital such that the municipality reaches full lifecycle funding levels by 2030.

As noted throughout this document, our financing strategy is dependent on the municipality's reserve funds.

There is a need for and benefit from further investment to protect, sustain, and maximize the use of Middlesex Centre's infrastructure assets.

- Several strategies to "close the gap" have been considered/incorporated in the 2024 budget.

Increasing the Infrastructure Gap

To measure the value of infrastructure, the municipality uses the concept of current replacement value (CRV). CRV is the current cost of rebuilding an asset with the equivalent capacity,

functionality, and performance as the original asset. CRV is adjusted for inflation and provides an estimate of asset value in today's dollars.

The municipality is facing a significant issue in that that the AMP and our financial forecasting were completed in 2021, when inflation rates were significantly lower. Given today's rates, our financial forecasts of the cost to rehabilitate or replace an asset are undervalued and causing the infrastructure gap to widen more than expected. Refer to the table "Asset Management Plan Replacement Costs to Budget" below for more details.

Debt

DEBT

As a municipality we can only incur debt to pay for large capital acquisitions – our day-to-day operations must be fully funded.

Borrowing is a way to finance capital projects and maintain major infrastructure over the longer term. Like most businesses, municipalities may borrow a portion of their capital requirements and pay it back over the life of the project being financed.

The Annual Repayment Limit (ARL) as prescribed by the Province of Ontario is 25% of own source revenue as described below. Our Municipal Debt Policy is more

conservative, allowing us to carry debt in amounts up to 17% of own source revenues.

Our borrowing as a percentage of own source review is presently at 9.08% (November 1, 2023). Overall, debt repayments account for 3.8% of the operating budget.

Staff have identified multiple projects over the next five years that may have to be financed by debt. These are discussed in more detail below.

→ Learn more about Debt at middlesexcentre.ca/budget under “Financial Reports”

Table: Debt Details: Outstanding Debt in 2024

Description of Debt	Total Loan (\$)	Interest Rate	% DC Eligible	Maturity
Kilworth Komoka Water Line – This debt borrowing was for the construction of a water line in Kilworth and Komoka.	3,142,193	3.72%	50%	2031
Denfield Operations Centre – This debt borrowing was for the construction of the road operations centre building in Denfield.	5,067,705	3.61%	18%	2032
Ilderton Timberwalk Pumping Station – This debt borrowing was for the construction of the pumping station in Ilderton.	1,097,583	4.00%	67%	2034
Roads & Street Light Upgrades – This debt borrowing was for the construction of some roads and the implementation of the LED streetlights program.	1,261,629	3.36%	0%	2037

Debt

Description of Debt	Total Loan (\$)	Interest Rate	% DC Eligible	Maturity
Komoka Wastewater Treatment Facility Expansion – This debt borrowing was for construction to expand the Komoka Wastewater Treatment Facility	7,072,293	3.63%	70%	2038
Coldstream Fire Hall – This debt borrowing was for the construction of the Coldstream Fire Hall.	2,237,008	4.00%	0%	2038
Komoka Wellness Centre – This debt borrowing was for the construction of the building for the Wellness Centre.	5,546,814	3.69%	44%	2042
Total	25,425,225			

Note: Debt details do not include municipal drain and tile drain loans.

Table: Debt Principal and Interest Details for 2024: Budget Impact

Name	2024 Principal Payment (\$)	2024 Interest Payment (\$)	Total 2024 Payments (\$)	Remaining Principal (\$)
Kilworth Komoka Water Line	224,442	64,873	289,315	1,571,096
Denfield Operations Centre	253,385	75,671	329,056	1,900,389
Ilderton Timberwalk Pumping Station	52,462	28,301	80,762	655,053
Roads & Street Light Upgrades	63,081	28,161	91,242	788,518
Komoka Wastewater Treatment Facility Expansion	344,990	178,961	523,951	4,657,364
Coldstream Fire Hall	91,173	72,356	163,529	1,740,285
Komoka Wellness Centre	184,894	128,274	313,168	3,328,089
Total	1,214,427	576,595	1,791,023	14,640,795

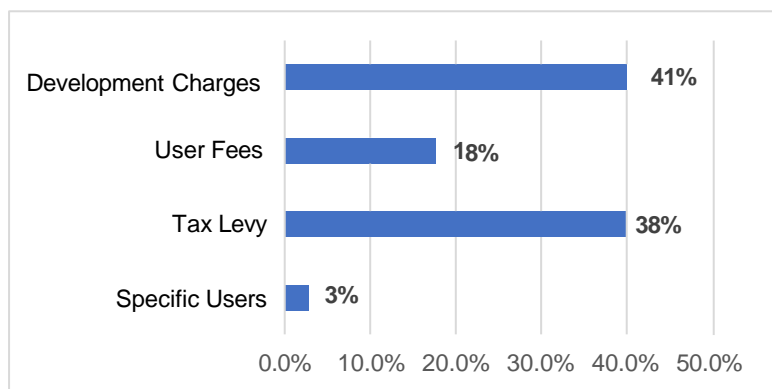
Note: Debt details do not include municipal drain and tile drain loans.

Debt

Debt Burden

While the municipal debt burden per household is high, it should be noted that this burden is not being paid entirely by taxpayers. Development charges, user fees and charges to specific users cover 62% of debt repayment costs.

Figure: Distribution of Debt Burden for 2024



Bond Rating

The municipality does not have a bond rating. In 2022, staff investigated the options of obtaining a bond (credit rating). However, currently it is not affordable. The proposed cost for a credit rating is approximately \$36,000 with an annual subscription fee thereafter. As the municipality does not issue our own bonds, this is not required.

Annual Repayment Limit

The Annual Repayment Limit (ARL) calculation is prescribed by O. Reg. 403/02 under the Municipal Act. It sets out the maximum amount that a municipality can pay in principal and interest payments in the year for new long-term debt (and in annual payments for other financial commitments).

The ARL is established through a two-step process:

- **ONE:** The Ministry of Municipal Affairs determines each municipality's limit annually using a formula in the regulation based on the financial information supplied to the ministry by the municipality through a Financial Information Return (FIR). For most municipalities, the ARL is set at 25% of their annual "own-source" revenues (a ministry-determined amount which includes property taxes, user fees, and investment income) less their annual long-term debt servicing costs and annual payments for other long-term financial obligations.
- **TWO:** The ARL is updated by a municipality for each proposed borrowing. In greater detail, when a municipality proposes to undertake long-term borrowing (or other long-term financial obligation), the municipal treasurer is responsible for updating the limit issued by the ministry and for determining whether there is capacity for the proposed additional annual debt carrying costs within the municipality's ARL to undertake the planned borrowing.

Debt

Debt Proposed for Carried Forward

Two projects were identified for debt financing for 2022, however due to timing the projects have been carried forward into 2024 and the borrowing will not occur until 2025 at the earliest:

1. Old River Road Project (Multi-Year Transportation Project)

- Old River Road including the section from Glendon Drive to Pulham Road and Glendon Drive Intersection Realignment
- Total debt borrowing for project from 2022-2026 is \$5,480,923 (project costs were identified as \$6,064,500 in 2023, and \$3,999,500 in 2022).
- Payments would occur in 2026/2027 once the project is complete.
- Debt payments will be 100% funded by the tax levy over 20 years and will be approximately \$439,803 per year based on a 5% interest rate, requiring a tax rate increase of 1.77% to cover the debt payments.
- Total interest costs would be \$3,315,146.
- Interim financing will be borrowed from internal reserve funds or capital financing loan.

2. Komoka Drain No. 1 Stormwater Management (SWM) Pond (Multi-Year Stormwater Project)

- Total debt borrowing for the project from 2024-2025 is \$4,100,000 (project costs were identified as \$4,260,000 in 2023, and \$4,550,000 in 2022).
- Payments would occur in 2025/2026 once the project is complete.
- Debt payments will be 100% funded by the Stormwater Reserve Fund over 20 years and will be approximately \$328,995 per year based on a 5% interest rate, requiring an increase in the stormwater user fee to cover the debt payments.
- Total interest costs would be \$2,479,892.
- Interim financing will be borrowed from internal reserve funds or capital financing loan.

These two projects would result in our borrowing as a percentage of own source revenues increasing to 9.08% based on the November 1, 2023, ARL calculation.

Debt Proposed for 2023-2027

One additional project has been identified for debt financing for 2023-2028 period; based on the timing the borrowing may not occur until 2027/2028. Additionally, staff will need to borrow to fund the negative cash balance in development charges, as outlined below.



Debt

3. Glendon Drive Widening (2-4 lanes) and reconstruction of portions of the road (Transportation Project 2025/2027)

- The total project costs are \$5,685,000 (2023 project costs were identified as \$4,993,824). Part of the debt payment will be funded by development charges and the other part the tax levy. The split may change as this project is analyzed during the 2024 Development Charges Study.
- Payments would occur in 2027/2028 once the project is complete.
- Debt payments that will be 84.17% funded by the tax levy, or \$4,785,000 (as the 15.83% development charge portion is funded separately with development charge debt noted below) over 20 years and will be approximately \$383,960.78 per year based on a 5% interest rate, requiring a tax rate increase of 1.71% to cover the debt payments.
- Total interest costs would be \$2,894,215.59.

If all three of the projects above are approved, this would result in our borrowing as a percentage of own source revenues becoming 10.4% based on the November 1, 2023, ARL calculation.

It should be noted that the Ilderton Recreation Facility (Ilderton Arena) project referenced in the 2023 budget for debt financing has been removed from the 2024 capital budget. This is due to financial constraints combined with the fact that the Organizational Review completed in 2023 is not indicating a new facility is needed at this time.

4. Development Charges

For many years, the development charge reserve fund balances have been in a negative position. This is because the capital costs of the projects supported by development charges are incurred before the municipality collects the development charges from the developers. The municipality obtained a line of credit to fund these projects in 2018, which has now been paid off. To continue to build the infrastructure needed for growth, the municipality must borrow funds as the cash is not in the reserve funds to support these projects prior to their implementation.

- Total debt borrowing for cash shortfall in development charges is \$8,058,398 by 2028.
- Debt payments will be 100% funded by development charges over 20 years and will be approximately \$646,627 per year based on a 5% interest rate (note this would be a capital financing loan, and payments would be made based on development charges collected over time).
- Interest costs over 20 years would be \$4,874,136.

In addition to the three projects identified above, this borrowing related to development charges would result in our borrowing as a percentage of own source revenues becoming 12.27% based on the November 1, 2023, ARL calculation.

Development Charges

DEVELOPMENT CHARGES

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, water and sewer infrastructure, community centres and fire facilities.

Over the past four years, projects have been occurring earlier than the funding is coming in, and this will continue into 2024 and beyond resulting in a cash flow issue for Development Charges.

A Development Charge Study was completed in July 2019, and a by-law was 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 was 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 five-year capital plan 2024-2028.

Finally, the Municipality will be completed a new Development Charge Study by July 2024. The projects that can be funded by Development Charges over the next 10 years will be

identified in that study. The 2024 DC study will be used to develop the 2025 operating and capital budgets.

The following services are covered under Middlesex Centre's Development Charges, as amended:

Municipal-wide Services

- Roads;
- Public Works;
- Fire Protection;
- Parks and Recreation;
- Library; and
- Administration – Studies re

Area-Specific – Water and Sewer Service Areas

- Water Services; and
- Wastewater Services

→ **Learn more about Development Charges at middlesexcentre.ca/development-charges**



Development Charges

Table – Projected Development Charge Funding of Capital Projects

Funding Source	2023	2024	2025	2026	2027	2028
Development Charges Funded Annually	\$537,834	\$657,286	\$7,140,217	\$4,102,320	\$8,821,800	\$1,287,500

Notes: Projected Development Charge Funding for 2023-2027.

Table: Development Charge Projected Balances 2022-2027

Reserve Name	2023	2024	2025	2026	2027	2028
Development Charges Reserve Fund	\$(74,635)	\$473,151	\$(4,461,994)	\$(6,359,242)	\$(10,975,970)	\$(8,058,398)

Notes: Projected Development Charge Balances 2023-2028.

Assumptions: Debt payments annually 2023-2028; Development Charges collected annually 2024 -\$2M, 205-2026 \$3M, 2027-2028 \$5M; Capital projects from 2023-2028 budget' **NOTE:** New DC study in 2024, amounts and projections to be updated for 2025 budget

Reserves and Reserve Funds

RESERVES AND RESERVE FUNDS

Reserves and reserve funds are critical to the long-term sustainability of the municipality.

Reserves and reserve funds allow us:

- to pay bills (liquidity)
- to cover liabilities and emergencies
- to plan for effective asset management (ensure funds are available to renew or replace assets)

If we do not adequately fund our reserves and reserve funds, we may face:

- cost increases (debt service costs, short-term borrowing costs, larger contingency budgets)
- reduction of capital works
- loss of flexibility to take advantage of opportunities
- liquidity problems

Managing Reserves and Reserve Funds

Creation of Reserves and Reserve Funds:

- All new reserves and reserve funds are approved by Council.

Reserve and Reserve Funds Controls and Reporting:

- All movement to and from reserves and reserve funds are approved through the budget process.

- Large increases and decreases (over 10%) outside of the approved reserve and reserve fund policies are discussed with Council as part of the quarterly capital budget to actual reports.
- Reserve Funds can fluctuate annually based on the projects that are being funded, therefore detailed reserve fund analysis is provided to council and discussed during the budget and financial statement reporting each year.
- Detailed reserve and reserve fund schedules are approved by council as part of the budgeting process. These schedules show balances and movements to and from the various reserves and reserve funds. All transfers are approved by the treasurer.

Capital Projects Financed from Reserves/Reserve Funds:

- All capital projects are included in the capital budget, which shows how they are funded. If there are any capital projects to occur throughout the year that were not included in the capital budget, they are approved by council. The report will show how the project is to be funded. There is also a five-year forecast, which shows how various projects are intended to be financed.

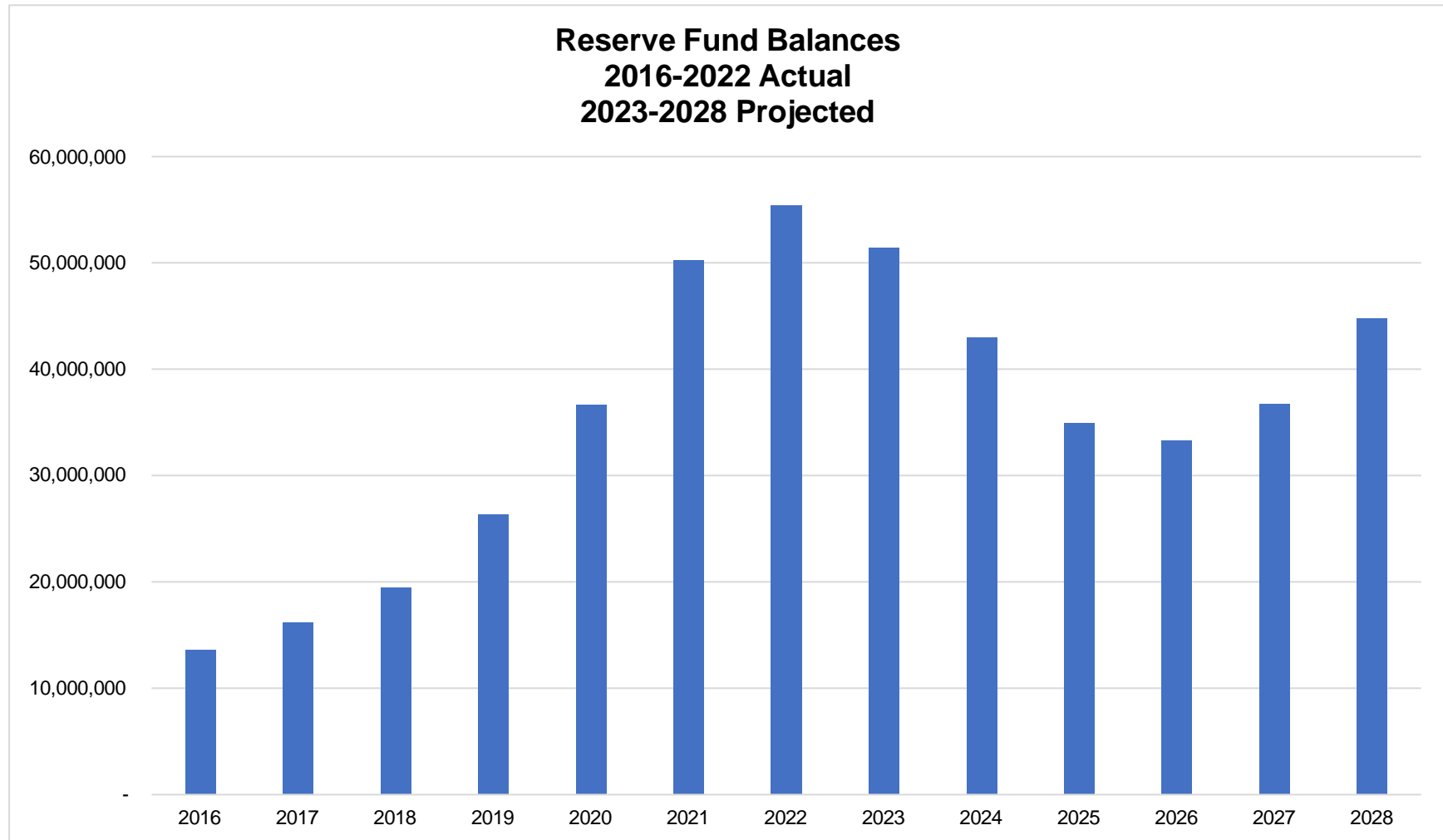
Reserves/Reserve Fund Borrowing:

- Any money that is borrowed internally from a reserve or reserve fund is charged interest and kept track of on a monthly basis until it is paid back to the appropriate reserve or reserve fund.

Reserves and Reserve Funds

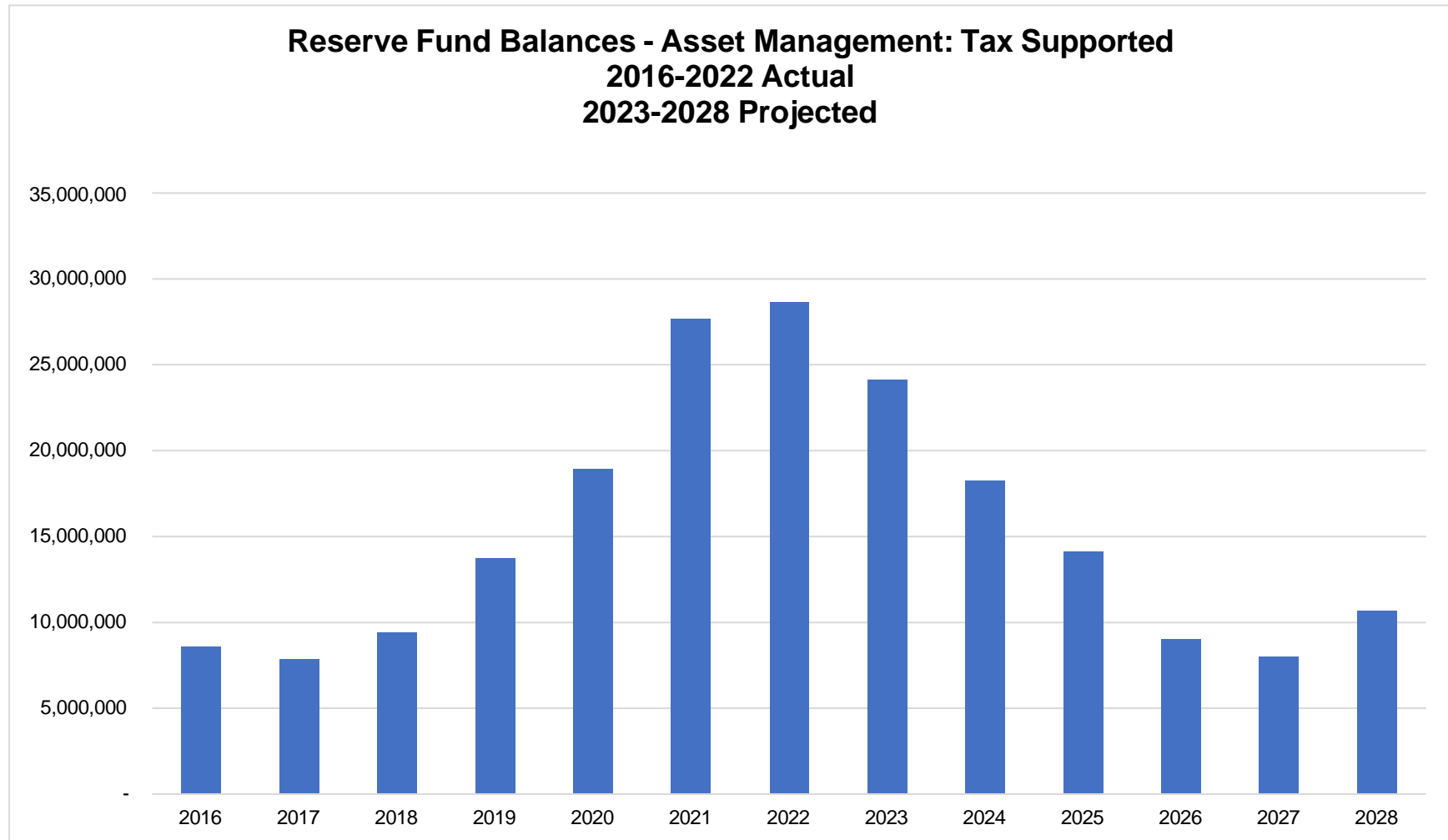
Reserve Fund Balances

Figure: Reserve Funds Over Time – All Reserve Funds (includes operating and capital)



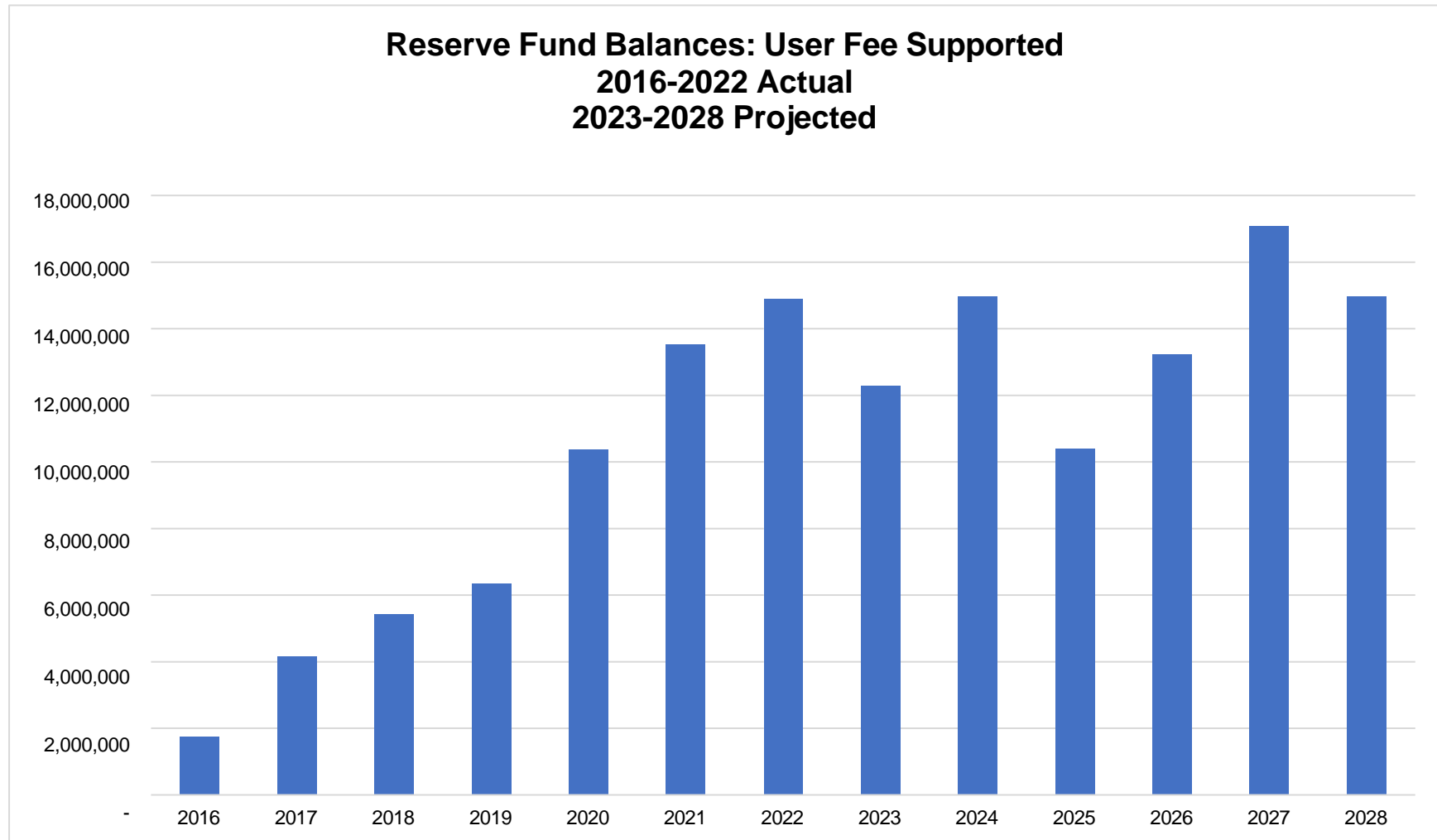
Reserves and Reserve Funds

Figure: Reserve Funds Over Time – Asset Management: Tax Levy Supported (capital only)



Reserves and Reserve Funds

Figure: Reserve Funds Over Time – Asset Management: User Fee Supported (Water, Wastewater and Stormwater only)



Final Considerations

FINAL CONSIDERATIONS

Ongoing Budget Monitoring

Monthly financial reports will be presented to Council which will explain budget variances to date and expected future budget variances for operating costs. Quarterly financial reports will be presented to Council which will explain budget variances to date and expected future budget variances for capital costs.

→ Budget monitoring information is available as part of each month's Council meeting agenda, and can be found at middlesexcentre.ca/council-meetings

Outstanding Items

There are still some outstanding items at this time:

- Federal and Provincial grant opportunities have been announced and staff continue to actively pursue all viable grant opportunities to leverage wherever possible. No funding is confirmed and included in the 2024 budget, unless it has been confirmed.
- The complete impacts of Bill 23 budget impacts related to Development Charge will be unknown, however the funding from development charges has been decreased in 2024 to reflect these changes. Additional analysis will be completed as part of the final budget booklet.
- Ontario Community Infrastructure Fund (OCIF) and Canada Community Benefit Fund (CCBF) have been announced; however, the municipal amount for 2024 has not been released. Staff have budgeted the 2024 value at the same amount as 2023.
- The final property tax assessments have not been published by MPAC. These are not expected until the end of November 2023.

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Municipal Treasurer

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