



Subject: 2025-2034 Capital Program

Department: Corporate Services

Division: Finance

Report #: CPS-2024-090

Meeting Date: 2024-12-09

Recommendations

That report CPS-2024-090, 2025-2034 Capital Program, be received; and

That Council endorse the updated ten-year capital program, as presented in CPS-2024-090 dated December 9, 2024; and

That Council direct staff to include approval of the 2025-2034 capital program in 2025 Consolidated Budget resolutions on December 10, 2024.

Overview

The 2025 Budget is the third budget of this term of Council. Staff have worked diligently throughout the summer and fall to develop a 2025 Consolidated Budget that balances service and infrastructure pressures with affordability for tax- and ratepayers. The 2025 Consolidated Budget builds from investments and strategies initiated in 2024 that will continue into 2025 and future years.

Part of the annual budget process includes a review of infrastructure needs across all services to update the ten-year capital program to reflect asset renewal in accordance with asset management plans and new investments in infrastructure needed to support growth as identified in various master plans and the Town's official plan. This is an iterative process that considers the criticality of need, resource capacity and funding availability in determining the timing of these projects.

The Town undertook several reviews and updates during 2024 that have a financial impact on the funding plan for the capital program. A water and wastewater rate study recalculated user rate requirements to support, in part, capital funding needs over the next ten years. Additionally, the Town has updated its Development Charge (DC) background study and by-law to increase DC rates to maximum permissible rates in accordance with prescribed calculations to ensure that, to the greatest extent possible,

the cost of growth is recovered from the development of new properties within the Town.

The proposed 2025-2034 capital program provides \$72 million in investments in critical infrastructure in 2025 and \$312 million across the ten-year planning horizon. Approximately \$43 million of the 2025 capital budget relates to works such as sidewalk rehabilitation and expansion, road renewal, trail and park development, and water meter upgrades that are being carried forward from 2024 into 2025 and \$29 million relates to new works such as road reconstruction, municipal vehicles, water and wastewater infrastructure renewal, facility upgrades and a new pump track at Alder being undertaken. The proposed capital program contemplates total debt issuance of \$67 million across the ten-year planning horizon, of which \$19 million is identified in 2025.

Background

On December 2, 2024, staff formally tabled the 2025 Budget Report, which included the proposed 2025 operating budget, 2025-2034 capital program, and a multi-year operating budget forecast. An accompanying staff presentation provided additional context on several key drivers within the 2025 Budget, including service level changes, a summary of base budget adjustments for the 2025 budget, a review of capital program allocations and a long-term outlook for debt and reserve funds.

The primary purpose of this report is to provide Council with a high-level overview of the proposed 2025-2034 Capital Program expenditure and funding plan. Key 2025 capital projects included in the proposed 2025-2034 capital program are highlighted in the following table:

Infrastructure Services	Community Services	Corporate Services
<ul style="list-style-type: none"> • Transportation master plan • Road resurfacing program • Road reconstruction – Bythia St., St. Andrew St., Third Ave. • Filter Media Rehabilitation • Water Treatment, Rehabilitation & Optimization 	<ul style="list-style-type: none"> • Economic Development & Culture tree sculptures and banner poles with hardware • Facilities Building Condition Assessments of Orangeville Firehall, Public Library, Seniors Centre and Town Hall • Rotary Park Playground • Fire Engine Pumper • Recreation & Events Block Box Replacement 	<ul style="list-style-type: none"> • Enterprise Asset Management • Dayforce Optimization and Enhancement Initiative • Website Update Project

Analysis/Current Situation

The 2025-2034 Capital Program is updated annually to reflect progress on the Town's Strategic Plan and other planning documents. The Town deploys best practices in municipal asset management in building a long-term, sustainable infrastructure investment plan.

Asset Management and Funding Gap

The Town's Asset Management Plan (AMP) for core infrastructure assets was approved in 2022. This plan helps to better define the state of infrastructure, and the Town's fiscal capacity to maintain, repair, and replace critical infrastructure assets over the long-term. The Town's AMP for non-core infrastructure assets was approved in 2024. This plan describes the actions required for the Town to manage its non-core portfolio of assets in a way that supports current service levels while managing risks and costs. The next Asset Management Plan, that will incorporate future levels of service needs, is underway and will be presented for Council consideration in mid-2025.

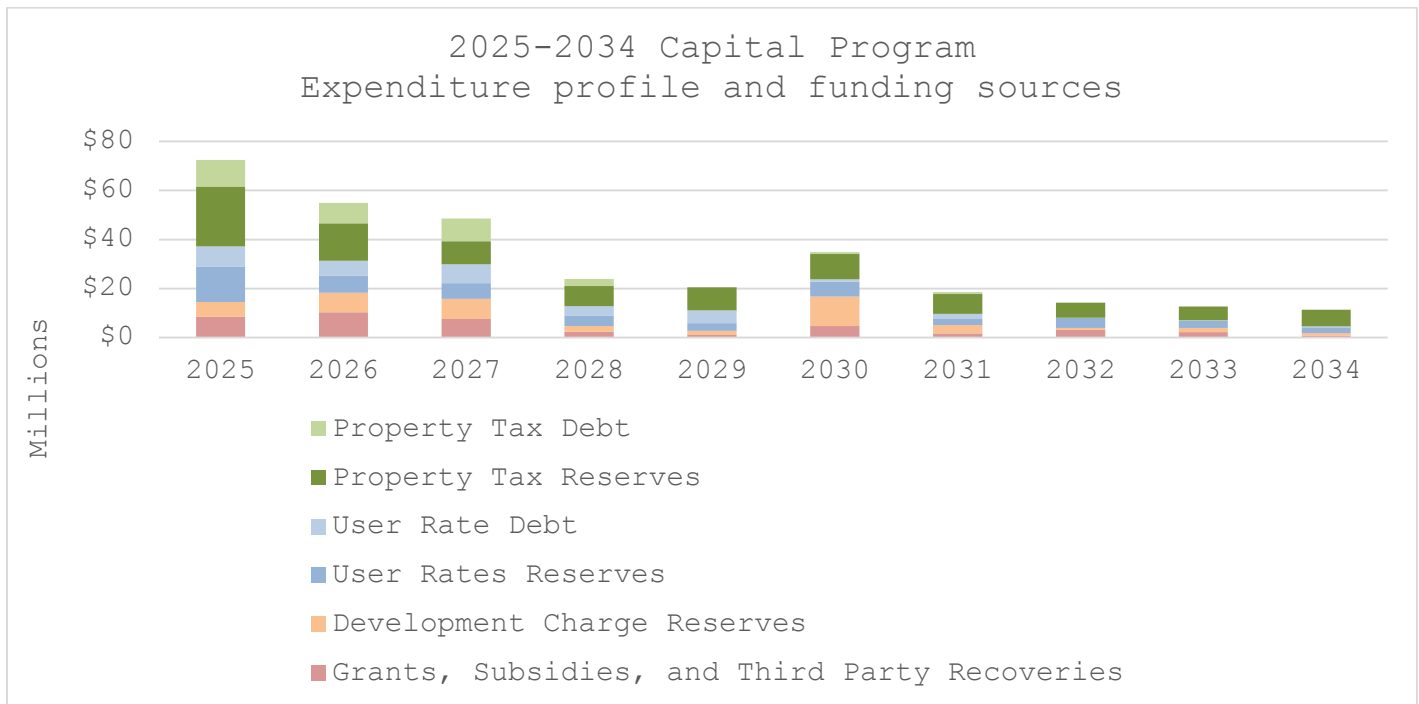
As outlined in staff report CPS-2024-061 Reserve and Reserve Fund Policy Update presented on October 7, 2024 staff identified significant funding shortfalls for capital reserves that total over \$6.3 million annually. To get at this shortfall, staff will be developing an integrated long-term financial strategy that will outline a plan to close the funding gap. In the interim, staff propose to introduce a gapping provision into the 2025 operating budget to account for staff vacancies throughout the year and repurpose this budget capacity to additional funding for capital. Staffing gapping is a primary source of operating budget surpluses and rather than relying on these surpluses to fund a portion of capital, we should budget funding allocations where they are actually needed – for capital.

2025 Capital Budget and Nine-year Forecast

In looking at funding capacity from all sources (tax levy, debt, reserves, grants), and coupled with the significant workload of numerous "carry-forward" initiatives, staff have drafted the 2025-2034 capital program to more accurately reflect when expenditure will be incurred rather than showing a project commitment 100% in the year in which it is planned to begin. This approach optimizes funding sources according to when they will actually be needed, rather than committing funding upfront and impinging on the ability to work on more projects concurrently.

Over the longer-term capital forecast period of 2026-2034, staff are challenged with predicting capital needs across all services areas and rely on other planning documents such as the asset management plan, the development charge study and the Town's official plan to determine future need. The capital forecast is updated annually to capture changes arising from external factors including economic conditions, long lead times, capital cost escalation, environmental impacts, legislative changes and technological advancements.

Spending in the 2025-2034 Capital program averages at \$31 million annually, with funding allocated from a variety of sources: grants and subsidies, user rates reserves and debt, property tax reserves and debt, and development charges. Planned expenditure for 2025 totals \$72 million. The following chart outlines planned investment by year and how the Town plans to pay for these investments.

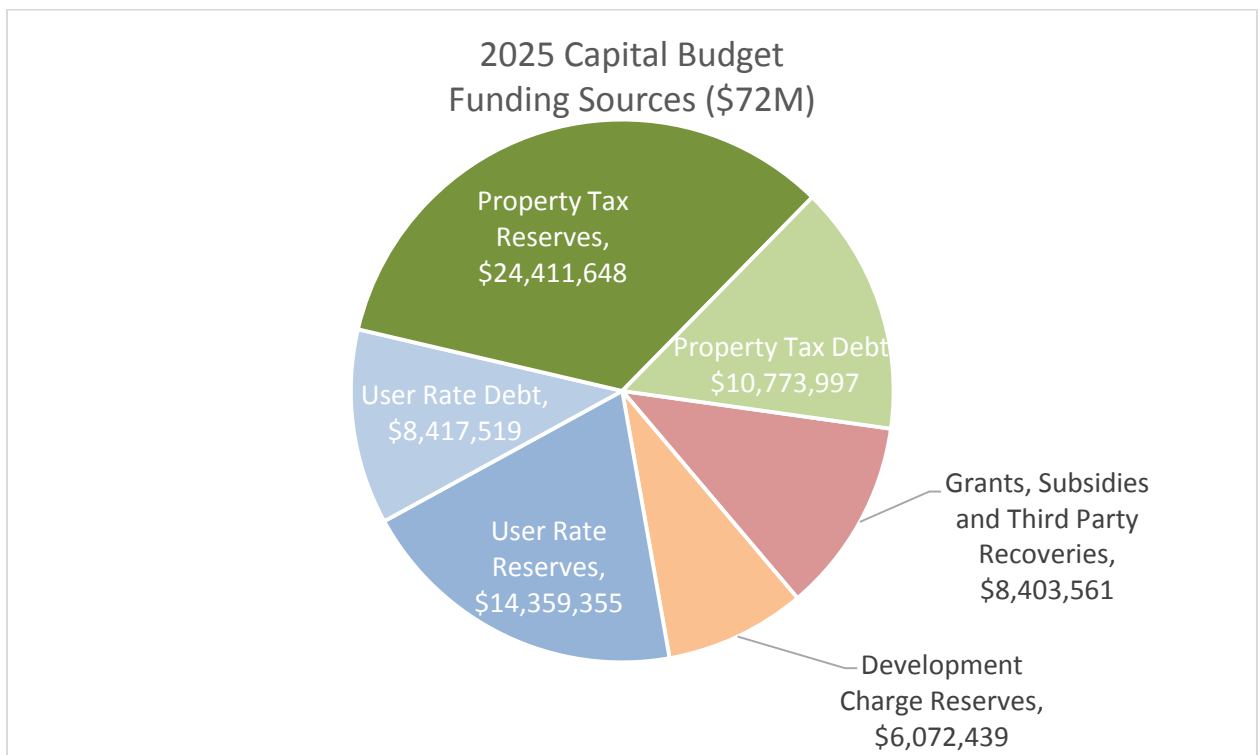
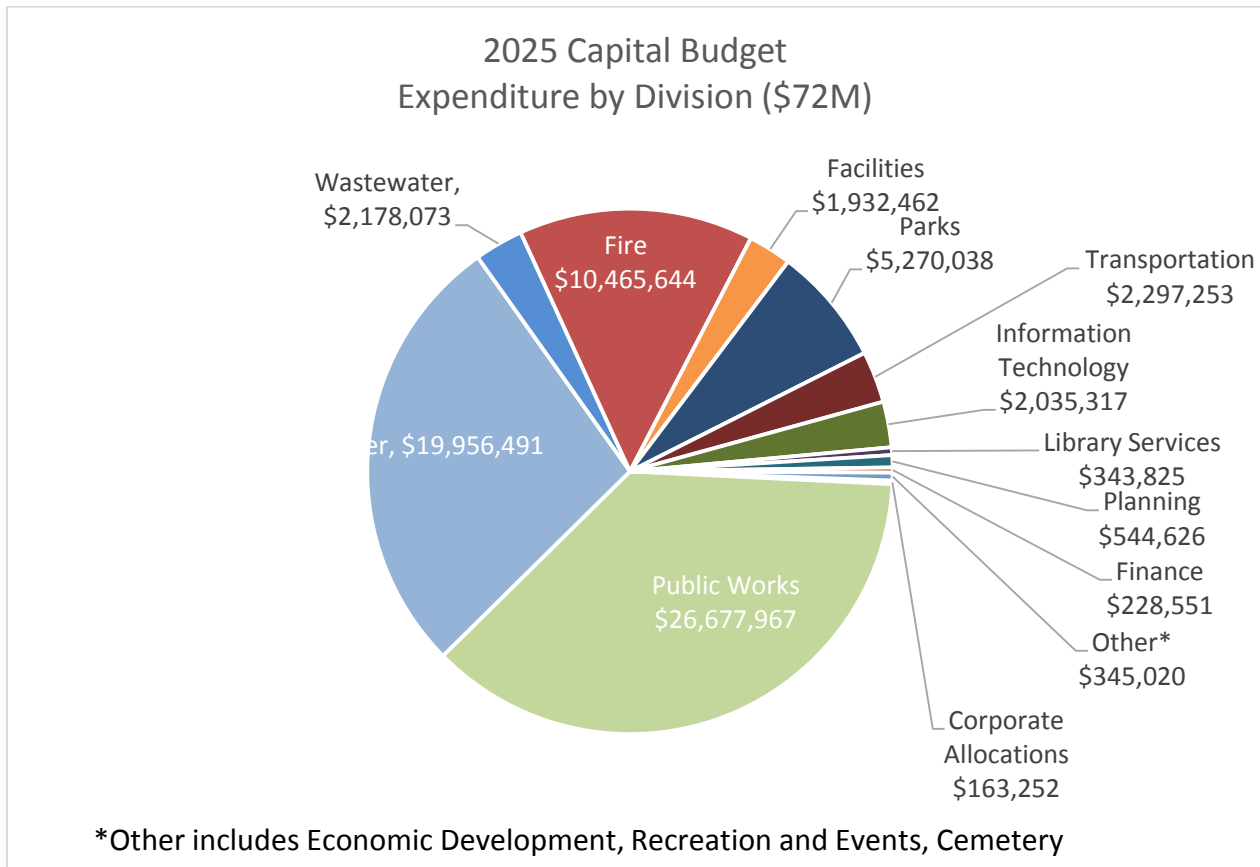


Overall, staff have drafted the 2025-2034 capital program to recognize fiscal capacity and strategic priorities, with a focus on clearing a backlog of outstanding capital initiatives.

Recent changes to the Development Charges Act imposed by the Province introduce exemptions and deferrals for certain types of developments and as a result, a municipality may collect less DCs to cover infrastructure costs. Additionally, many infrastructure funding programs with senior levels of government are application-based and do not guarantee a stable source of funding for capital works. With the mounting uncertainty of alternative funding sources such as development charges and grants/subsidies from senior levels of government, it is imperative to maintain funding from own-source revenues (property taxes and user rates) and to utilize reserves to smooth out the funding needs across the planning horizon.

Corporate Implications

The 2025 Capital Budget, including projects being carried forward from 2024, totals approximately \$72 million. The following two pie charts outline the programs and services for which investments are planned as well as how the Town proposed to pay for these investments.



Debt requirements associated with the capital program put added pressure on future operating budgets in the form of debt servicing costs. More work will continue on the long-term integrated financial strategy in 2025 with the development of a debt management strategy. This will provide guidance to the development of future capital plans to ensure the right amount of debt is taken out on the right projects at the right time and ensure the capital program is balanced and funded in a sustainable way.

Conclusion

The 2025-2034 capital program is one component part of the 2025 Consolidated Budget. Approval of the 2025 Consolidated Budget is scheduled for December 10, 2024.

Strategic Alignment

Strategic Plan

Strategic Goal: Future-Readiness

Objective: Sustainability

Sustainable Neighbourhood Action Plan

Theme: Corporate and Fiscal

Strategy: Demonstrate municipal leadership by considering the environmental, social and economic impacts of all Town decisions

Notice Provisions

Not applicable

Respectfully submitted and Reviewed by,

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Prepared by:

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Treasurer, Corporate Services

Attachment(s): 2025 Capital Budget Summary