Committee Report

To: Warden Janice Jackson
Members of the Corporate Services Committee

From: Edward Henley
Director of Corporate Services

Date: October 28, 2021

Re: 2022 Amended Budget Approval in Principle

Staff Recommendation:

That the 2022 budget be approved in principle, as presented, including the adjustments noted in the October 21, 2021 report, at a net increase of 4.80% with any adjustments due to variances in estimated new tax base growth to be assigned to transfers to reserves for transit and/or roads and bridges infrastructure; and

That an Infrastructure Renewal Capital Levy be instituted starting in 2022 at a 1.50% increase to the County levy and to be increased annually by an additional 1.50% levy increase, and be reviewed during each annual budget process; and

That a by-law be prepared for Council adoption establishing the levy and corresponding tax rates and tax ratios.

Background:

During 2022-2026 Budget and Forecast discussions at the October 21, 2021 Corporate Services Committee Meeting the issue of funding current and future roads and bridges infrastructure renewal was discussed. Staff was directed to provide options for addressing the gap in spending.

The initial budget presentation identified three major bridge projects being funded by long term debt and highlighted the associated interest costs. The proposed borrowing of approximately $13 million for the replacement of the Teeswater Bridge in Paisley (2021-2024) and the Durham Street Bridge in Walkerton (2024-2026) would result in extra interest costs of over $5.3 million. The $830,000 in interest costs for the Oswald Bridge in Chesley are already committed as the loan was finalized in 2020.

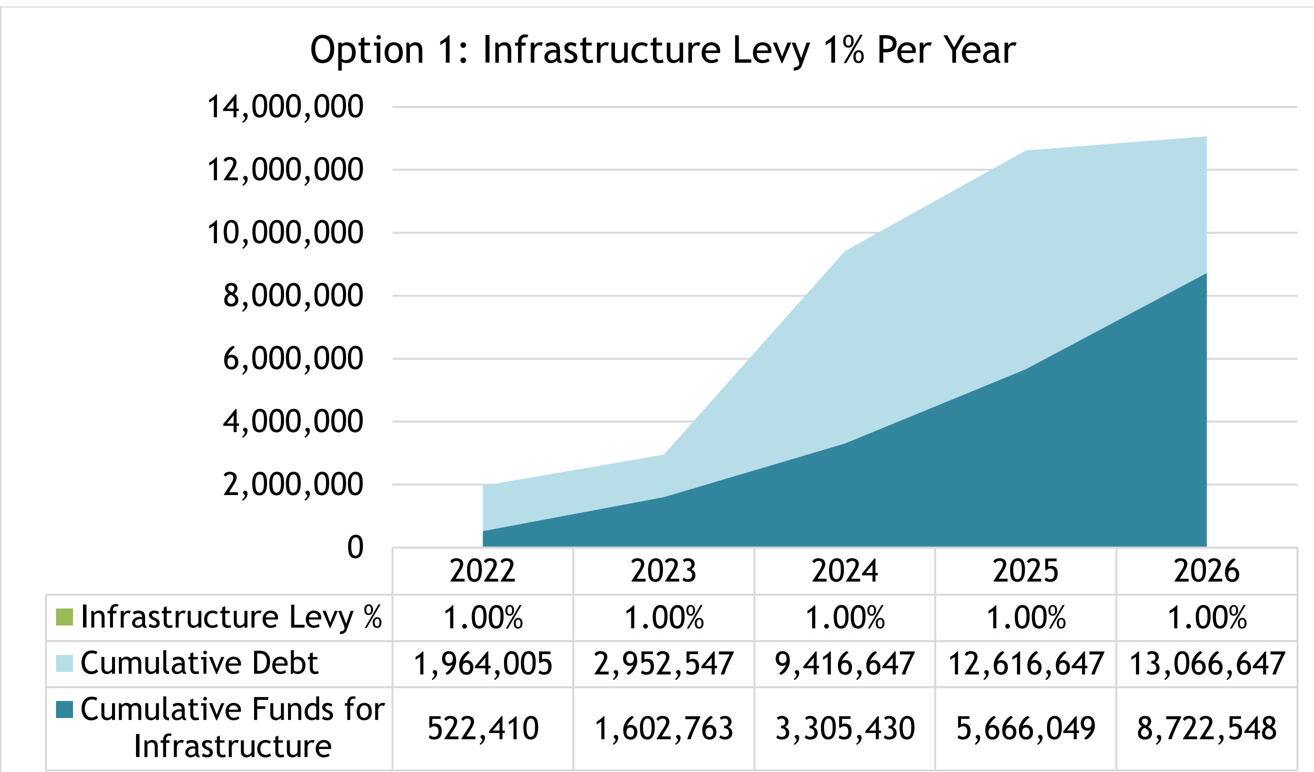
The extra interest costs required by borrowing can be reduced or eliminated by creating an Infrastructure Renewal Capital Levy. The following table shows 4 options that moves towards reducing or eliminating the need to borrow:

Option	2022 % Increase	2023-2026 % Increase	2022 Funds	Total 2022-2026 Funds	% of Debt for Bridges
Option 1	1.00%	1.00%	522,410	8,722,548	66.75%
Option 2	1.50%	1.00%	783,614	10,054,955	76.95%
Option 3	2.00%	1.00%	1,044,819	11,387,363	87.15%
Option 4	1.50%	1.50%	783,614	13,167,962	100.78%

The following charts show additional information for each option.

Financial/Staffing/Legal/IT Considerations:

Option 1: Annual Infrastructure Levy of 1% Per Year

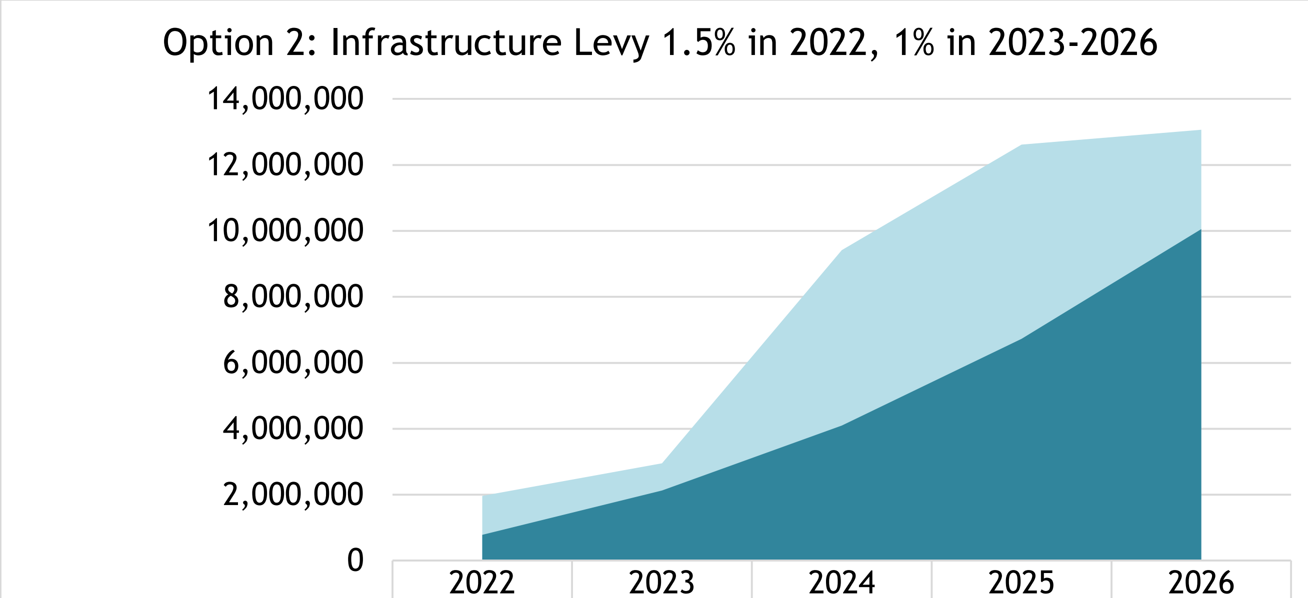


By directing an additional 1.00% of the levy to Infrastructure projects each year for the next five years the county will contribute an additional $8,722,548 towards capital projects. This would allow the county to eliminate up to 66.75% of the proposed debt in the 5-year forecast for bridges or take on additional high demand projects

Dependent on the continuation of the Canada Community Building Fund past 2023 there may be the potential to eliminate the need for debt utilization on bridge projects entirely. Debt repayments associated with these projects could then be redirected back towards other Infrastructure projects.

Over 20 years $3,552,003 in interest charges would be saved.

Option 2: Annual Infrastructure Levy of 1.5% in 2022 and 1% Per Year 2023-2026



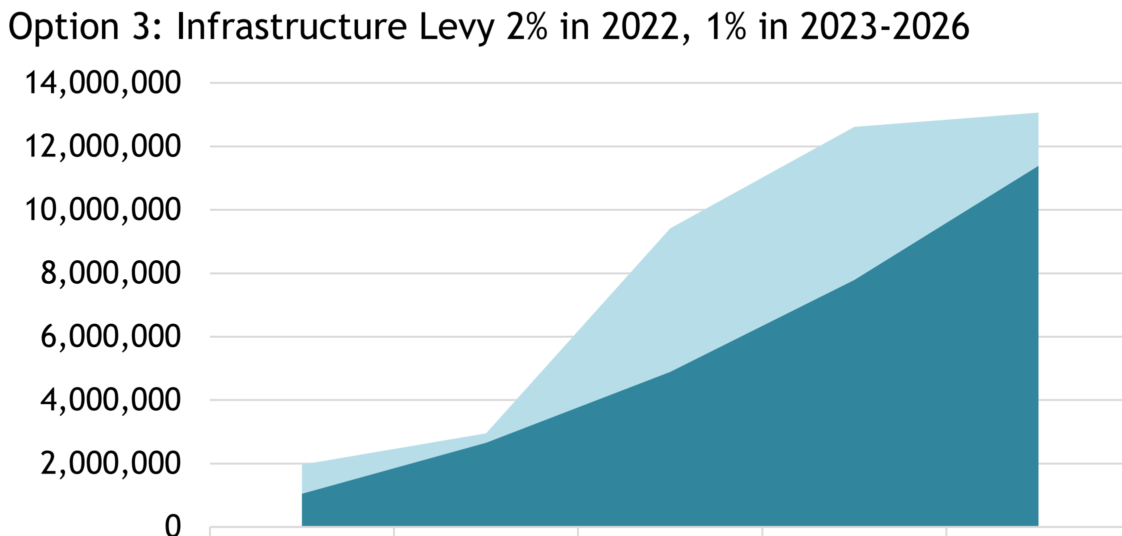
	2022	2023	2024	2025	2026
Infrastructure Levy %	1.50%	1.00%	1.00%	1.00%	1.00%
Cumulative Debt	1,964,005	2,952,547	9,416,647	12,616,647	13,066,647
Cumulative Funds for Infrastructure	783,614	2,127,785	4,096,907	6,726,646	10,054,955

By directing an additional 1.50% of the levy to Infrastructure projects in 2022 and 1.00% each year for 2023-2026 the county will contribute an additional $10,054,955 towards capital projects. This would allow the county to eliminate up to 76.95% of the proposed debt in the 5-year forecast for bridges or take on additional high demand projects.

Dependent on the continuation of the Canada Community Building Fund past 2023 there may be the potential to eliminate the need for debt utilization on bridge projects entirely. Debt repayments associated with these projects could then be redirected back towards other Infrastructure projects.

Over 20 years $4,094,588 in interest charges would be saved.

Option 3: Annual Infrastructure Levy of 2% in 2022 and 1% Per Year 2023-2026



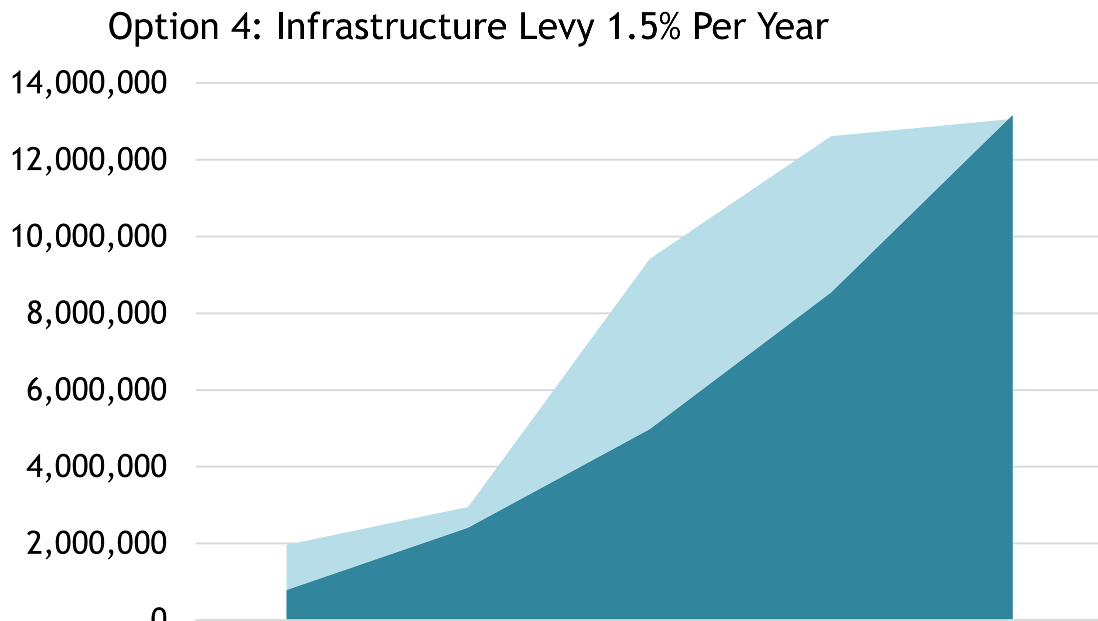
	2022	2023	2024	2025	2026
Infrastructure Levy %	2.00%	1.00%	1.00%	1.00%	1.00%
Cumulative Debt	1,964,005	2,952,547	9,416,647	12,616,647	13,066,647
Cumulative Funds for Infrastructure	1,044,819	2,652,806	4,888,383	7,787,242	11,387,363

By directing an additional 2.0% of the levy to Infrastructure projects in 2022 and 1.00% each year for 2023-2026 the county will contribute an additional $11,387,363 towards capital projects. This would allow the county to eliminate up to 87.15% of the proposed debt in the 5-year forecast for bridges or take on additional high demand projects.

Dependent on the continuation of the Canada Community Building Fund past 2023 there may be the potential to eliminate the need for debt utilization on bridge projects entirely. Debt repayments associated with these projects could then be redirected back towards other Infrastructure projects.

Over 20 years $4,637,172 in interest charges would be saved.

Option 4: Annual Infrastructure Levy of 1.50% Per Year



	2022	2023	2024	2025	2026
Infrastructure Levy %	1.50%	1.50%	1.50%	1.50%	1.50%
Cumulative Debt	1,964,005	2,952,547	9,416,647	12,616,647	13,066,647
Cumulative Funds for Infrastructure	783,614	2,408,062	4,974,142	8,540,102	13,167,962

By directing an additional 1.50% of the levy to Infrastructure projects each year for the next five years the county will contribute an additional $13,167,962 towards capital projects. This would allow the county to eliminate up to 100% of the proposed debt in the 5-year forecast for county bridges or take on additional high demand projects.

Any additional funds received from the Canada Community Building Fund past 2023 would be able to be directed towards additional infrastructure projects not included in the current 5 year forecast. Debt repayments associated with these projects could also be redirected back towards other Infrastructure projects.

Over 20 years $5,321,013 in interest charges would be saved, and an additional $101,315 would be available in the reserves.

There are no staffing, legal or IT considerations associated with this report.

Interdepartmental Consultation:

The Senior Management Team reviewed the updates and support the recommendation.

Link to Strategic Goals and Elements:

None identified.

Approved for Submission:

Sandra Datars Bere
Chief Administrative Officer