

2025 Capital Budget

Budget Review Committee of the Whole
September 12, 2024

2025 Capital Budget



Key Themes

2025 Capital Budget

1. Asset Management Plan (AMP) reaffirmed that backlog exists as funding available is less than funding required
2. Projects prioritized based on risk
3. Internal funding available has been assigned to projects using the approved Capital Financing Policy
 - Development Charge funding has been applied to all growth projects
 - No new debt
4. Projects considered in alignment with Council's strategic priorities

Committed to Our Core Services
75% of capital budget for sustainability

2025 Capital Budget

What we're going to cover:

- 2025 Key Drivers
- Financing Strategy
- 2025 Capital Budget Outcomes
- Risks & Considerations
- Next Steps

2025 Key Drivers

Average Annual Renewal Investment (AARI)

- Average renewal investment required per year to sustain existing assets and the current level of service
- Incorporates end-of-life and major capital lifecycle activities
 - Addresses \$2.4B capital backlog
- Includes future renewal of growth-related assets
 - Acquisition funded through DCs
- 10 Year AARI is \$444M
- Current Replacement Value is \$9.8 billion

Determines what we need, not what we have

2025 Key Drivers

AARI Capital Contributions & Financing Strategy

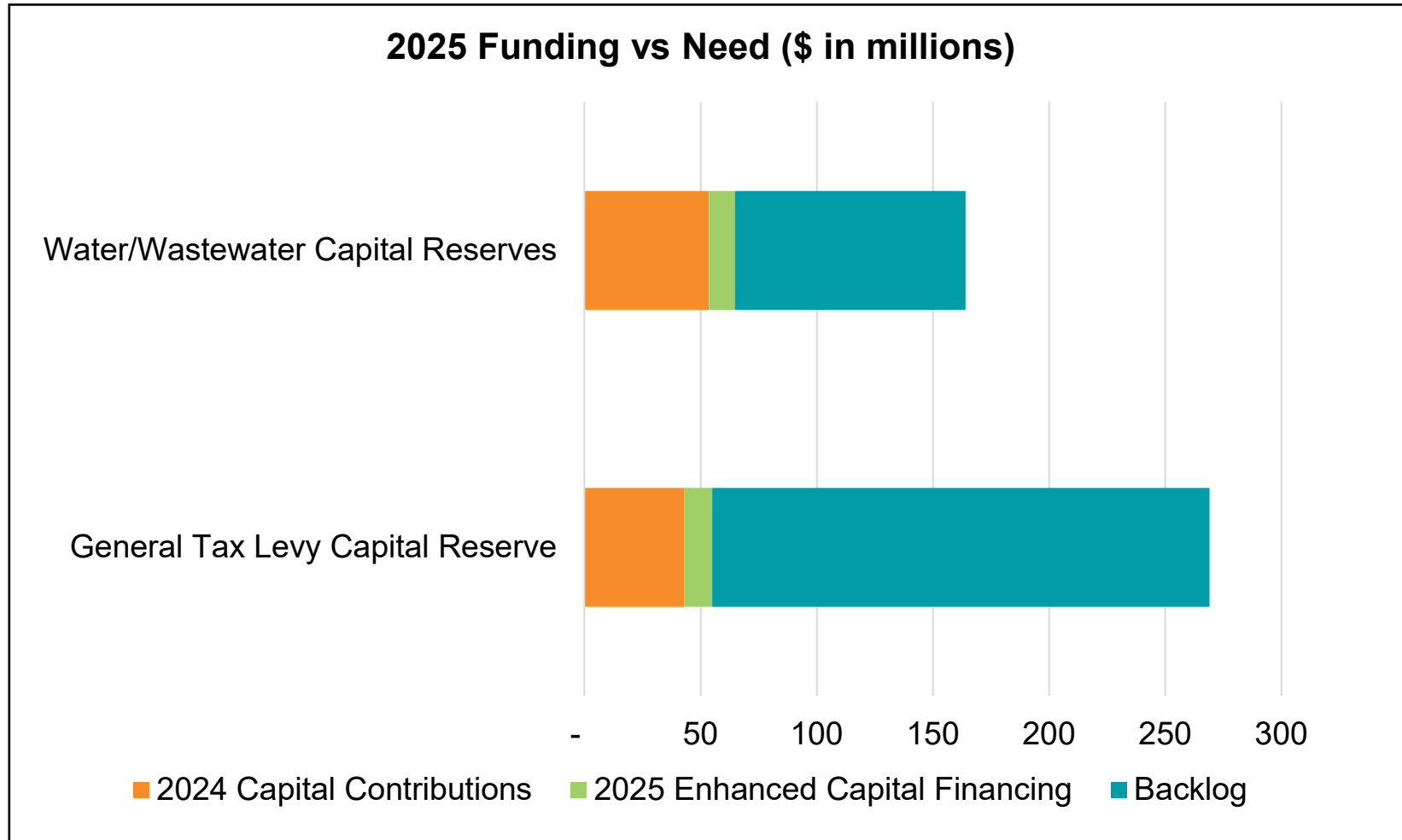
Operating Budgets	2024 Capital Contributions	2025 Proposed Capital Contributions	10-year AARI + Backlog Strategy	50-year AARI Strategy
General Tax Levy	\$42.9	\$55.0	\$269	\$158
Water/ Wastewater Rates	\$53.6	\$64.7	\$164	\$122
Waste Management	\$1.8	\$1.8	\$5	\$10
Special Tax Levy				
Transit Special Tax Levy	\$2.2	\$4.4	\$6	n/a
Total	\$100.5	\$125.9	\$444	\$290

(\$ in millions)

Total of **\$25.4M** + **\$1.4M** for Landfill Liability + **\$0.3M** for NRPS = **\$27.1M**

2025 Key Drivers

AARI Capital Contributions & Financing Strategy



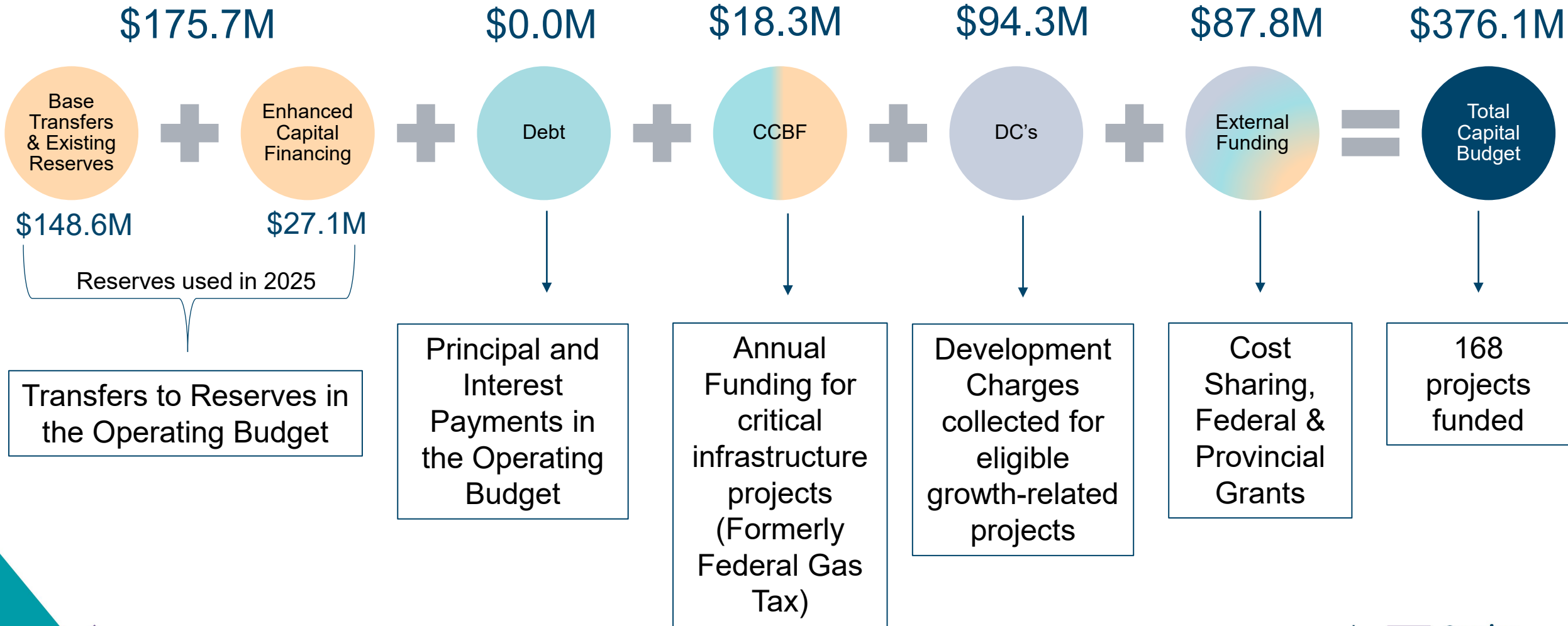
Financing Strategy

Capital Financing Policy

Niagara Region's Capital Plan				
Project Type	Asset Management Plan <ul style="list-style-type: none"> Responsible Growth and Infrastructure Planning Current tax base maintaining existing level of service 		Strategic Investments <ul style="list-style-type: none"> Debt required to support projects with future beneficiaries 	Growth <ul style="list-style-type: none"> Business/Economic growth Growth pays for growth
	Funding Source	Other External Sources <ul style="list-style-type: none"> Grants, Subsidies, Local Area Municipality Cost Share, etc. 		
Pay as you go (Reserves) <ul style="list-style-type: none"> Utilize funding set aside from Operating budgets 		Canada Community Building Fund <ul style="list-style-type: none"> Federal Funding to support local infrastructure priorities 		Development Charges <ul style="list-style-type: none"> Used for growth projects based on DC Study & Receipts
		Debt <ul style="list-style-type: none"> Funds raised from creditors for capital projects Required to transition to the policy 		

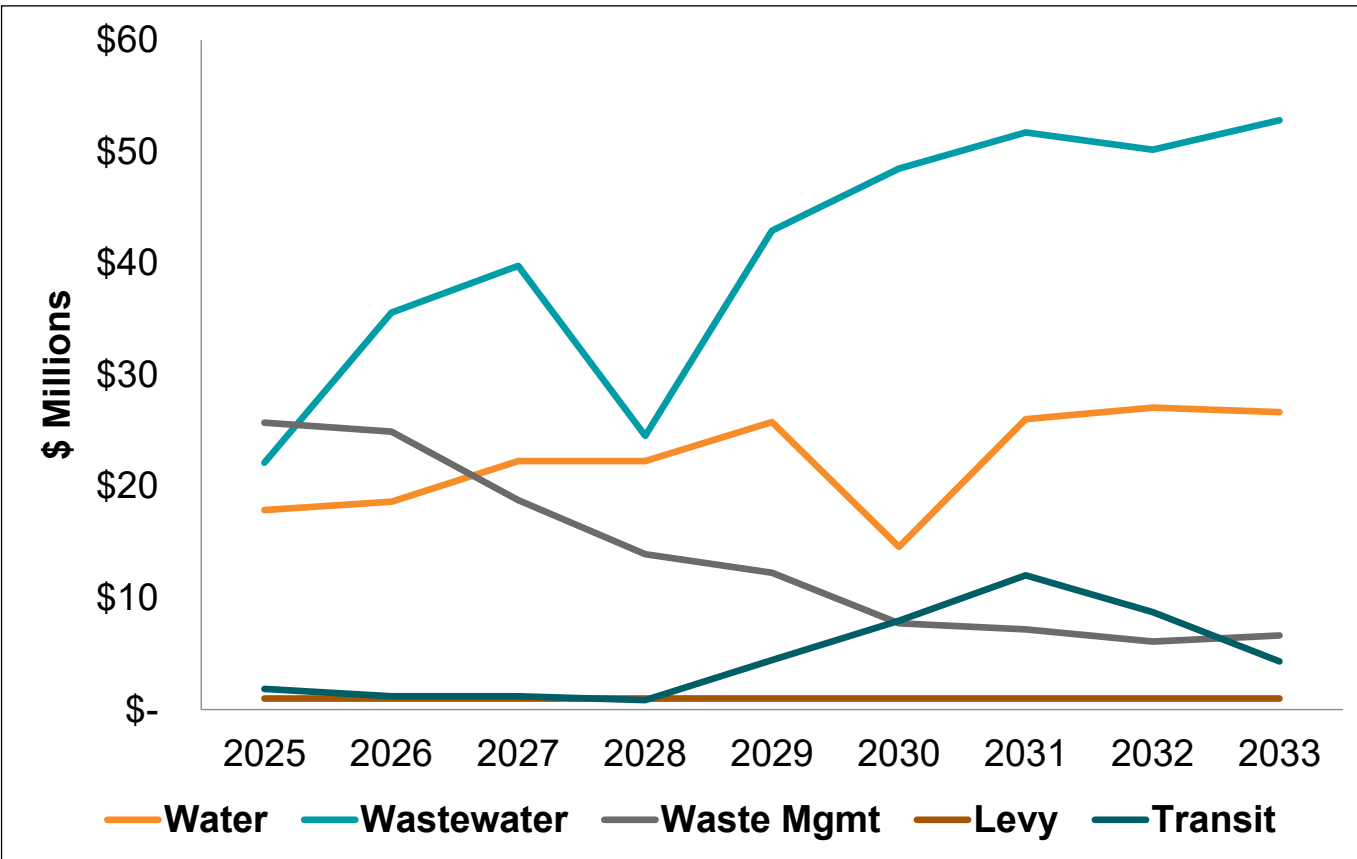
Financing Strategy

Recommended Capital Funding - \$376.1M



Financing Strategy

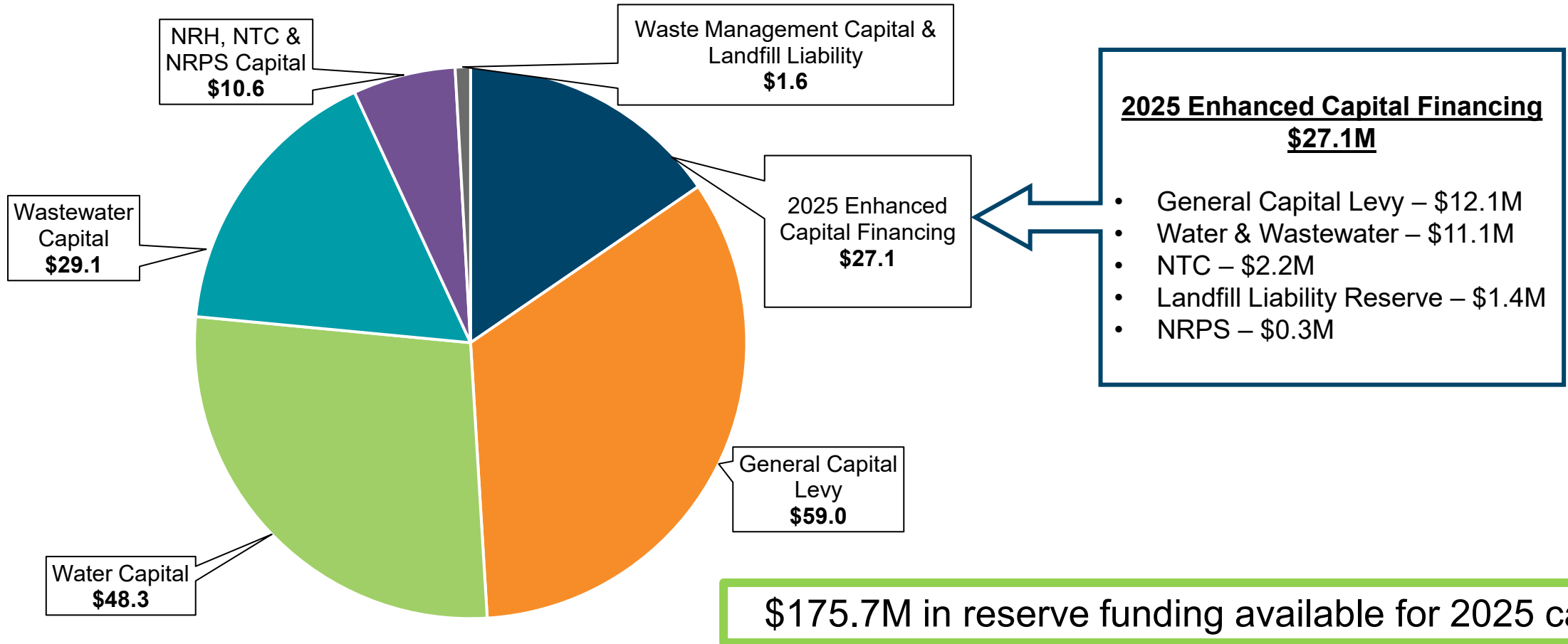
Reserve Forecast



- Levy – fully utilized each year to address backlog
- Waste Management (excluding Landfill Liability) – capital is at targeted balance
- Water/Wastewater – progressing towards targeted balances in the Safe Drinking Water Act (SDWA) financial plan
- Transit – strategy in progress to aim for a target balance

Financing Strategy

Reserve Funding - \$175.7M



Financing Strategy

Debt

Metric	Key Threshold	Average of Comparable Regions ³	Current State	2025 Forecast ⁵
Consolidated Debt Outstanding/Operating Revenues ¹	60.0% ²	42.1%	62.0% ⁴	63.4%
Annual Repayment Limit (ARL)	25.0%	4.1%	5.8%	7.5%
Debt Servicing Costs as % of Total Revenues	N/A	2.5%	3.3%	4.0%
Debt per Capita (upper tier)	N/A	\$920	\$705	\$909

¹ Referred to as the Standard & Poor's (S&P) Debt Ratio

² 120.0% is the S&P upper limit, however, S&P recommends that the Region remain under 60.0% to maintain current credit rating

³ Comparable regions include York, Peel, Halton, Durham and the City of Hamilton

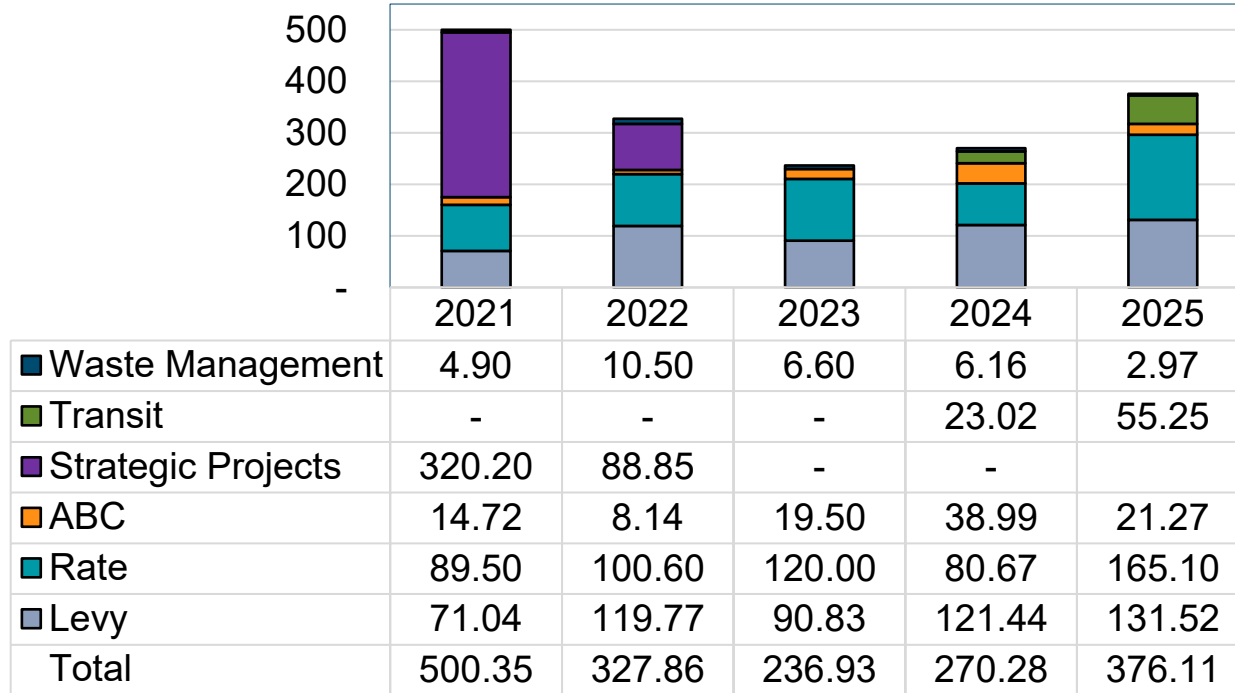
⁴ Per 2023 S&P Rating Report

⁵ Assumes issuance of \$100.0 million for lower tiers and a previously approved \$51.9 million for the upper tier

No new debt planned for 2025 capital projects

2025 Capital Budget Outcomes

Recommended 2025 Capital Budget and Historical Trend



- 5 year historical average of renewal and growth investments is \$342.2M
- 5 year historical average excluding strategic projects is \$228.5M


In millions (\$)

Strategic Projects include the South Niagara Wastewater Treatment Solution (SNWWTS) and Gilmore Lodge/Linhaven Long Term Care homes

2025 Capital Budget Outcomes

10-Year Plan Historical Trend

Increase of \$979 million



Historical 10-Yr Plan (Millions)	2021	2022	2023	2024	2025
10 Year Capital Plan	\$3,028	\$2,979	\$3,466	\$4,278	\$5,257
Funded Capital	\$2,204	\$2,034	\$2,696	\$2,349	\$2,581
Deficit	\$824	\$945	\$770	\$1,929	\$2,676

2025 Capital Budget Outcomes

Budget Planning By-Law Principles

Sustainability

- 75% of the 2025 budget focuses on sustainability/renewal investment
- Funding allocated per the Capital Financing Policy

Transparency

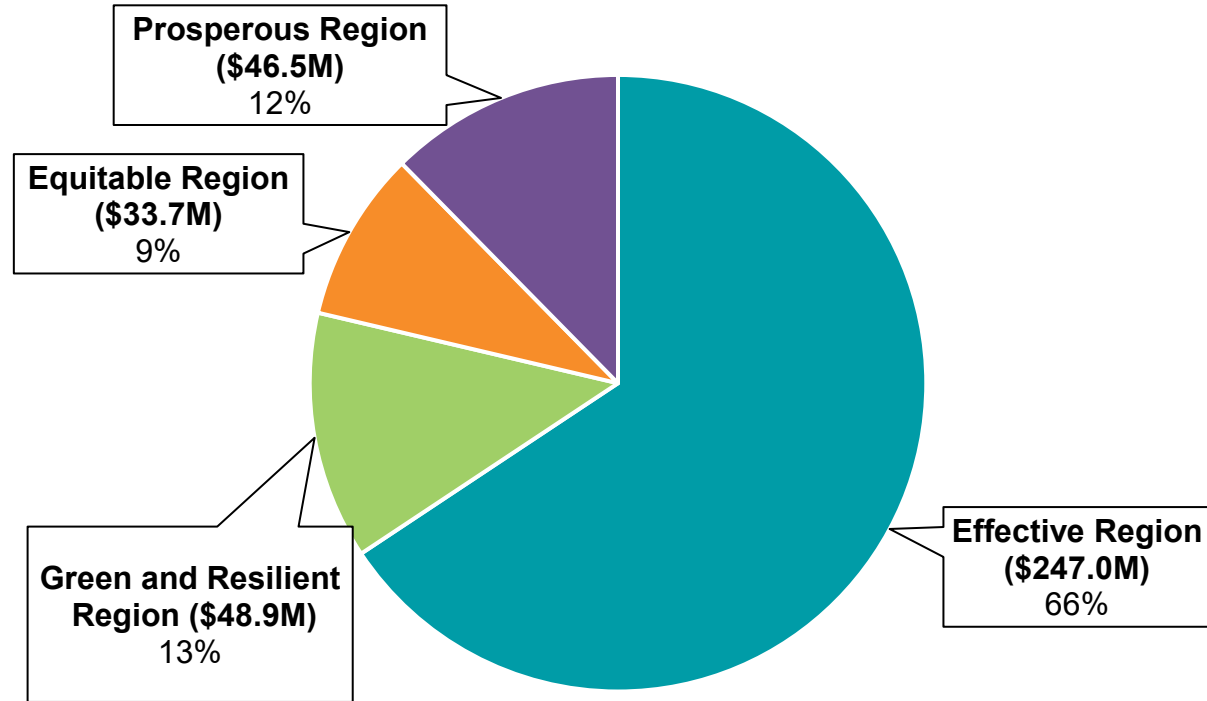
- Highest ranked projects based on risk and alignment to corporate/council strategic priorities

Affordability

- Funding of backlog uses the 50-year AARI (Levy) and 10-year AARI (Rate)
- 2.5% Levy budget strategy and 7.22% WWWW budget strategy in alignment with 2021 AMP

2025 Capital Budget Outcomes

Alignment to Council Strategic Priorities



Projects align with Council's strategic priorities

Risks and Considerations



Community Building Fund Agreement

Bond Rating & Interest Rates

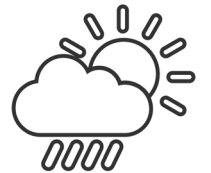


Inflation & Construction Index



External Funding Confirmation for SNWWTs

Extreme Weather Events



Continuous Improvement

External Funding



Next Steps

- CSD 46-2024 recommends approval of the 2025 Capital Budget in principle
 - Initiating all but four NTC projects (\$42.2M)
- Operating Budget will consider recommendation for incremental capital transfers:
 - \$12.1M (General Levy), \$11.1M (Rate), \$2.2M (NTC), \$1.4M (Waste Management Landfill Liability) and \$0.3M (NRPS)
- If incremental transfers not approved by Council, the capital program will have to be modified (See CSD 46-2024 Appendix 3)
- Capital Budget By-law to be approved concurrent with Operating Budget By-law in December



Questions?

