



COUNTY OF WELLINGTON

COMMITTEE REPORT

To: Chair and Members of the Roads Committee
From: Ken DeHart, County Treasurer
Date: Tuesday, November 9, 2021
Subject: **Preliminary 2022-2031 Ten-Year Plan: Roads**

Background:

This forecast provides a high-level view of major budget issues and planned capital investments and serves as a guide for departments in preparing their detailed current year operating and capital budgets. The preliminary corporate ten-year plan will be considered by the Administration, Finance and Human Resources Committee on November 16, 2021 and the forecast will be updated at the time the budget is approved early in the New Year.

Major Operating Impacts

Staff are in the process of compiling the detailed 2022 operating budgets for each department. Major items to be reflected in the 2022-2031 Roads Operating Budget include the following:

- Staffing changes include:
 - Roads departmental restructuring which includes an additional Roads Operations Clerk and reduced winter control radio shift hours as this position is responsible for those duties. In addition, consideration to fill the vacant Operations Manager position with a technologist or another position with a lower job grade will result in overall savings of \$35,000 to salaries and benefits.
- Increases have been made in the roads safety devices area in order to address the following:
 - \$130,000 increase in order to address traffic signals on behalf of the lower tier municipalities. The expectation is that County roads staff will provide Traffic Signal Maintenance services to Town of Minto, Wellington North and Centre Wellington and will be fully offset by a municipal recovery for contracted services, materials and staff time.
 - \$150,000 increase for street light and crosswalk upgrades on a yearly basis that are to be pre-planned based on needs analysis as the current practice is upgrading when requests are made by residents.

Debt and Transfers

- Debt servicing costs associated with tax supported debt issues for three Roads facilities (Erin/Bruce, Harriston and Aberfoyle) and two bridges (WR 109 CR Bridge 5 and CR Bridge 10) have been incorporated into the forecast. The annual tax supported debt charges reach a peak of \$2.6 million in 2031, and are funded by the tax levy.

The ten-year forecast shows a significant change to the transfers section as the transfer to capital has been reallocated as a transfer to reserves. The County will now fund its Roads capital forecast predominantly through the Roads Capital Reserve (and the Roads Equipment Reserve for equipment purchases). Stable, predictable, long-term, sustainable funding is required for the County to address its infrastructure deficit. The reserve transfer is an easier way to fund roads capital and provide predictable and stable funding over the long-term as it isn't as dependent on the timing of projects, and availability of other funding sources – such as development charges, Canada Community Building Fund and Ontario Community Infrastructure Fund (OCIF) revenues.

This treatment is consistent with the County's Long-Term Financial Sustainability Strategy and Asset Management Plan. The transfer is approximately \$2.1 million higher in 2022 in order to address pressing needs in the County's Asset Management Plan and work towards addressing the infrastructure gap. County staff are recommending this increase in the context of the overall budget and discussion that occurred during last month's pre-2022 Budget discussion meeting. Staff are working towards meeting Council's budget targets and are confident we can afford this increase within those parameters.

Winter Maintenance

- The new norm for winter maintenance activities for the last few years has been a milder winter, requiring less materials which has resulted in significant savings to the Winter Control budget in 2020 with an expectation of additional savings in 2021. The five-year inflated average of expenditures compared to budget in Winter Control indicates that a reduction in this area can be made in order to facilitate additional expenditures elsewhere in the Roads budget. The 2022 budget has been reduced by \$218,000 as a result of this analysis.

Capital Budget Forecast

In accordance with the Budget Management Policy, the list of capital works includes those initiatives that have a long-term benefit to the corporation and whose capital cost is at least \$25,000. Capital budgets are presented as inflated by 3.5% per year, which represents the five-year average of the non-residential construction price index. The Roads capital forecast totals \$338 million and represents 68% of total capital spending across the County. Highlights of the forecast are as follows:

Roads Facilities: The County owns and operates eight roads maintenance facilities located throughout the County. Plans to upgrade facilities to meet current needs have been underway since 2012. To date, two facilities are complete (Central and Drayton) with the third in the preliminary design phase (Arthur). With each facility, construction costs are increasing significantly applying pressures on the original timing and costing estimates presented in previous budgets.

The 2022-2031 forecast totals \$41.2 million and has been updated to include:

- Arthur Shop – 2022 allocation of \$7.0 million for construction based on preliminary costing estimates bringing the total budget allocation to this project of \$9.2 million
- Erin / Brucedale Shop - budget increased based on the cost for both land (\$3 million) and construction (\$14.7 million) and adjusted the project start from 2022 to 2023. The resulting funding adjustments increased tax supported debt issues by \$6.5 million over the 2021 – 2030 forecast
- Harriston and Aberfoyle Shop - moved the project timing back one year into the forecast. A third party facilities review is currently underway and will inform future budget requirements.
- Facilities Funding Sources:
 - Reserves \$8.0 million
 - Growth Related Debt \$6.5 million
 - Tax Supported Debt \$26.7 million

Roads Equipment: The ten-year plan includes a provision of \$30.1 million for equipment replacements.

- New to the equipment budget, a provision for the purchase of electric pickup trucks (½ tonne) in 2024 and 2027. There are ¾ tonne pickups planned as gas powered vehicles in the forecast. The actual purchases will be dependent on the availability of this technology and charging infrastructure at the time of purchase.
- New to the equipment forecast are two projects to address the replacement of roads radios and the associated infrastructure.

Equipment purchases receives funding from the roads equipment reserve, which is funded from annual operating transfers.

Asset Management / Engineering: The asset management section in the roads budget continues to evolve in the 2022-2031 plan.

- New to the capital plan in 2022 an annual allocation of \$200,000 to complete speed management works and studies as recommended and approved as part of the Roads Master Action Plan.
- Asset management activities total \$24.1 million over the forecast and is funded through a mix of Canada Community Building Fund allocations (75%) and Reserves (25%).

Growth Related Construction: The County's development charge (DC) study update is underway for completion in June of 2022. The current 2017/18 study continues to inform this forecast.

- The ten-year plan identifies \$26.4 million for growth related construction and provides DC funding of \$12.5 million.
- Projects identified within this area include an \$8.7 million growth related investment to improve traffic flow on Wellington Road 124 between Guelph and Wellington Road 32, \$9.3 million for the addition of passing lanes on Wellington Road 124 north, \$3.1 million on Wellington Road 7 and \$5.3 million on various intersection improvements throughout the County.

Roads Construction: The County is responsible for the care and maintenance of 1,426 lane kilometres of roads located throughout the County. Construction projects include work on both the base, surface and storm sewer while resurfacing projects are the surface only.

- Roads construction totals \$64.7 million over the forecast.
- Of this total \$13.1 million relates to the non-growth related works on the Wellington Road 124 corridor between Guelph and Cambridge.
- An additional \$8.3 million is allocated to Peel project on Wellington Road 25 (Winston Churchill Blvd)

Bridges and Culverts: The County is responsible for 104 Bridges and 94 Culverts located throughout Wellington. Provincial legislation requires that structures are inspected on a bi-annual basis. The resulting report details the required works, timing and costs and informs the bridge and culvert budgets.

- The ten-year plan includes \$53.9 million for bridgework and \$8.4 million to address culverts.
- Wellington Road 109 bridgework includes the replacements of four structures along the same stretch of roadway. Construction start dates span from 2023-2026 with preliminary budget estimates totalling \$18 million. Project funding includes \$7.0 million in tax-supported debt, \$4.2 million in Provincial subsidy (ICIP), \$1.8 million in OCIF funding, and \$5.0 million in County reserves.

County Bridges on Local Roads: in 2008, the County Roads Committee considered a report entitled “Road Rationalization – The County Bridges on Local Roads Issue.” The committee and council passed the recommendation that “the County rebuild or close, if that was deemed appropriate, those bridges designated as County bridges on local roads on a priority basis, thereafter the responsibility of the bridge be returned to the local municipality.”

- To date, five structures are complete, two structures have transfer bylaws ready for approval, two structures are nearing completion and scheduled for transfer in 2022, one structure is included in the forecast and three structures remain outstanding.

Roads Resurfacing: Projects totalling \$88.2 million are included for resurfacing in the ten-year forecast.

Capital Funding: As budget pressure continues in the Roads Division staff are continuously seeking out funding options to help alleviate pressures on the tax levy. The current ten-year roads capital plan includes:

- 67% - Own Source Revenue (Reserves)
- 16% - Funding from Senior Levels of Government
 - 9.5% - Canada Community Building Fund
 - 5.5% - Ontario Community Infrastructure Fund
 - 1.2% - Investing in Canada Infrastructure Programme Grant
- 10% - Tax Supported Debentures
- 6% - Development Charges and Growth Related Debt
- 1% - Recoveries (shared projects)

Growth-related debentures total \$6.5 million and are recoverable from development charge collections.

- Arthur Shop (2022)

Tax-supported debentures affect the levy through debt servicing costs included in the operating budget. \$33.7 million in issues throughout the forecast address three roads shops and two bridges:

- Erin / Bruceville Shop (2023 and 2025)
- WR 109, CR Bridge 5, C109123 (2024)
- WR 109, CR Bridge 10, B109134 (2026)
- Harriston Shop (2028)
- Aberfoyle Shop (2031)

Summary

The tax levy requirements for the Roads Division are up by \$2.3 million or 7.6% in 2022. Significant capital investment in infrastructure and operations facilities continues in the 2022-2031 budget forecast. A total of \$297 million in capital investment is planned over the forecast period to maintain a safe and efficient transportation network across the County. Increases in construction costs, capital needs in growth related infrastructure, bridges, culverts and the rebuilding of County garages will continue to put significant pressure on the overall County budget and ten-year plan. Debt issues total \$40.2 million for the Roads ten-year capital forecast.

The detailed 2022 operating budget and revised ten-year plan will be presented to the Committee in January 2022. Attached to the report is the current proposed ten-year operating budget and ten-year capital budget for the Roads Division.

Recommendation:

That the preliminary 2022-2031 Roads capital plan and major operating budget impacts as set out in this report be endorsed and forwarded to the Administration, Finance and Human Resources Committee for inclusion in the County of Wellington's Preliminary Ten-Year Plan.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Ken DeHart', with a stylized flourish extending to the right.

Ken DeHart, CPA, CGA
County Treasurer