



COUNTY OF WELLINGTON

COMMITTEE REPORT

To: Chair and Members of the Roads Committee
From: Ken DeHart, County Treasurer
Date: Tuesday, November 8, 2022
Subject: **Preliminary 2023-2032 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 29, 2022 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 2023 operating budgets for each department. Major items to be reflected in the 2023-2032 Roads Operating Budget include the following:

- Staffing changes include:
 - A new mechanic position to be responsible for County vehicles for various departments. The cost of this position will be fully offset in Roads by internal charges to these departments and corresponding reductions to vehicle repairs budgets in the departments being serviced, resulting in no levy impact.
- Increases have been made in the fleet maintenance and roads safety devices areas in order to address the following:
 - \$400,000 increase in fuel costs in order to address the significant increase to gas prices experienced in 2022 and expectations going forward at this time
 - \$100,000 increase in parts and equipment based on amounts expensed to date in 2022 and to address the inflationary increases experienced throughout the year
 - \$230,000 increase to the line painting budget, bringing the overall amount to \$820,000. The 2022 cost for this service exceeded the budgeted amount and staff have been notified of expected additional inflationary increases for 2023
- Minor Capital expenditures have been reduced by \$180,000 to reflect expenditure in 2022 and expectations in 2023 and beyond.

Debt and Transfers

- Debt Charges
 - Debt servicing costs associated with tax supported debt issues for the Erin and Brucedale Roads facilities (in 2025) have been incorporated into the forecast. The annual tax supported debt charges reach a peak of \$594,500 in 2026. With the retirement of a debt issue for the Drayton Garage (in 2026) tax supported debt charges decrease to \$461,200 for the remainder of the forecast period. These debt charges are funded by the tax levy.
 - Debt servicing costs for growth related debt issues are for three Roads facilities (Erin/Brucedale, Harriston and Aberfoyle) and one road project (WR10 at WR8). These debt charges are funded from development charges and have no impact on the tax levy.

- Transfers
 - Transfers to the Roads Equipment Reserve have increased by \$500,000 annually starting in 2023 and ramped up to accommodate changes from the 10-Year Plan from there. The capital forecast for Roads Equipment has increased by over \$10 million in this year's 10-Year Plan due to inflationary pressures and increased costs. An increased transfer is required to accommodate the increased capital costs
 - Transfers to the Roads Capital Reserve have increased by \$900,000 in 2023 to deal with increased costs of construction and accommodating planned capital spending in the 10-Year Plan. The Roads Capital Reserve balance is projected to decrease by over \$10 million in the first three years of the 10-Year Plan to a balance of just over \$1 million in 2025. The Roads Capital Reserve transfer cannot be reduced without delaying or deferring capital projects in the 10-Year forecast.

Winter Maintenance

- As indicated in the October variance report, the 2022 winter control budget is likely to be slightly over budget, due in part, to increased fuel costs. The 2023 budget has been largely maintained, with an increase of \$218,600 (3.4%) to deal with inflationary increases. The current Winter Control Reserve balance sits at \$4.3 million, but may need to be accessed to accommodate a projected overage in the 2022 budget. Staff believe the Winter Control Reserve has an adequate balance that could deflect another potential overage in 2023.

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 15% for 2023, 5% for 2024 and 3.5% for 2025-2032. The inflation factor for 2023 represents the current non-residential construction price index. It is anticipated that inflation will return to historical levels and the future forecast reflects this expectation. The Roads capital forecast totals \$352 million and represents 66% 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 construction of the Arthur shop anticipated to begin in late 2023. Construction costs are increasing significantly applying pressures on the original timing and costing estimates presented in previous budgets.

The 2023-2032 forecast totals \$35.1 million and has been updated to include:

- Erin / Brucedale Shop - budget of \$3.0 million for land, design and preliminary site works and \$14.7 million for construction with a start date of 2023. This project is funded \$0.5 million from reserves, \$7.4 million from development charges, and \$9.8 million from debt (\$3.8 million growth-supported, \$6.0 million tax supported).
- Harriston Shop is anticipated for construction in 2028 (\$7.4 million) and Aberfoyle Shop construction is anticipated for 2031 (\$8.1 million).
 - Harriston and Aberfoyle Funding Sources:
 - Reserves \$7.2 million
 - Growth Related Debt \$8.3 million

Roads Equipment: The ten-year plan includes a provision of \$40.9 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.
- The equipment forecast includes 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 2023-2032 plan.

- Annual allocation of \$200,000 to complete speed management works and studies as recommended and approved as part of the Roads Master Action Plan. For 2023, additional funding of \$300,000 has been included in the speed management project to allow for automated speed enforcement implementation.
- 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 was in effect for the latter half of 2022. The new 2022 study has been used to inform this forecast.

- The ten-year plan identifies \$41.3 million for growth related construction and provides DC funding of \$21.9 million.
- Projects identified within this area include an \$8.9 million growth related investment to improve traffic flow on Wellington Road 124 between Guelph and Wellington Road 32, \$9.6 million for the addition of passing lanes on Wellington Road 124 north, \$5.3 million on Wellington Road 7 and \$17.7 million on various intersection improvements throughout the County.

Roads Construction: The County is responsible for the care and maintenance of 1,434 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 \$74.8 million over the forecast.
- Of this total \$20.1 million relates to the non-development charge eligible works on the Wellington Road 124 corridor for roads construction and resurfacing.
- Additional projects include:
 - \$4.7 million allocated to Peel project on Wellington Road 25 (Winston Churchill Blvd)
 - \$6.3 million allocated to Wellington Road 109 for works from Teviotdale to Harriston and from Arthur to the Dufferin County border
 - \$6.4 million allocated to Wellington Road 16 for works from Highway 89 to Wellington Road 16
 - \$7.6 million allocated to Wellington Road 123 in Palmerston
 - \$12.3 million allocated to Wellington Road 12 for works from Wellington Road 109 to Wellington Road 86.

Bridges and Culverts: The County is responsible for 103 Bridges and 95 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 \$61.1 million for bridgework and \$9.9 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 2024-2027 with preliminary budget estimates totalling \$18.3 million. Project funding includes \$4.2 million in Provincial subsidy (ICIP), \$8.9 million in OCIF funding, and \$5.2 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, nine structures are complete, one structure is included in the forecast and three structures remain outstanding.

Roads Resurfacing: Projects totalling \$63.2 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:

- 69.9% - Own Source Revenue (Reserves)
- 15.8% - Funding from Senior Levels of Government
 - 8.1% - Canada Community Building Fund
 - 6.6% - Ontario Community Infrastructure Fund
 - 1.2% - Investing in Canada Infrastructure Programme Grant
- 11.8% - Development Charges and Growth-Related Debt
- 1.7% - Tax Supported Debentures
- 0.8% - Recoveries (shared projects)

Growth-related debentures total \$13.4 million and are recoverable from development charge collections.

- Erin and Bruce Dale Shops (2025)
- Harriston Shop (2028)
- Aberfoyle Shop (2031)
- WR 10 at WR 8, Intersection Improvements and Overlay (2030)

Tax-supported debentures affect the levy through debt servicing costs included in the operating budget. The forecast includes \$6.0 million in debt issues for the Erin and Bruce Dale Shops (2025).

Summary

The tax levy requirements for the Roads Division are up by \$2.6 million or 8.0% in 2023. Significant capital investment in infrastructure and operations facilities continues in the 2023-2032 budget forecast. A total of \$351.6 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 \$19.4 million for the Roads ten-year capital forecast, of which \$13.4 million is growth related debt. Inflationary impacts are being felt in the operating budget with significant increases required to the fuel, parts and line painting reflecting the need to address higher costs.

The detailed 2023 operating budget and revised ten-year plan will be presented to the Committee in January 2023. 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 2022-2032 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