

2023 Approved Capital Budget

Municipality of Bluewater, Ontario



Photo credit: Lindsay Whalen

Municipality of Bluewater

2023 Capital Budget

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Capital Budget Overview

The 2023 Capital Budget has been prepared by reviewing all the capital needs and prioritizing them on a number of conditions including health and safety, meeting regulatory requirements, operational conditions, and service level standards.

The 2023 Draft Capital Budget includes projects totaling \$6,633,217. The proposed funding sources are \$1,072,820 funded by grants, \$381,430 funded by Vibrancy Funds, and \$5,178,967 funded by reserves and reserve funds. The capital request exceeds funds available by \$241,602, primarily because the Fire Reserve and the Landfill Reserve are forecast to be in a deficit position at the end of the year. The Fire Reserve is in a deficit position because the Zurich Fire Hall renovation was approved with the intent of repaying it over approximately four years, and the Landfill Reserve is in a deficit position because contributions to the reserve have not been high enough historically to cover the costs anticipated over the next two years.

There are also capital projects from 2022 and earlier that will be carried on in 2023. A 2022 fourth quarter capital report will be brought to Council after year-end close to estimate the unspent funds for those projects that will be requested to transfer into the reserve to ensure adequate funds are available in the reserves for those projects in the future. Those committed projects have been included in the reserve and reserve fund forecasts, which detail projects from 2022 and earlier which are still committed from the reserves. The exception to this is the Public Works Shop Expansion Design, which was approved in 2022 as an operating item but is being added to the capital budget for 2023 to ensure the costs can be tracked and reported.

New Budget Format

The 2023 Budget for the Municipality of Bluewater has been prepared with a new format, separating the Operating and Capital Budgets into two separate budget documents. In addition, a five-year forecast of capital spending has been prepared, including expenditures, debt levels, and estimated reserve and reserve fund balances. Reserve forecasts will help report on commitments against the reserves, identify funds available, reduce year-over-year fluctuations and help smooth out the impact of capital needs. It will aid in strategizing and prioritizing projects as well as seeking additional sources of funding, including grants.

Capital Budget Overview

Planning for debt will allow Council to anticipate the impact of future projects on the annual debt repayment limit and monitor the potential impact of the municipality's financial position on borrowing costs. Along with the Asset Management Plan, the financial forecast will help the municipality develop a comprehensive financial plan that will allow it to fund the repair, rehabilitation and renewal of its asset base as it ages and breaks down.

As the first year of presenting the budget in this format, extensive effort has been made to ensure accuracy, verifying that commitments against reserves and projects carried forward have been captured. As such, the forecast has been prepared based on the best information available at this time. Any changes to assumptions or new information that is received will change the forecast.

In addition, the first step has been a five-year plan, but a ten-year plan should be prepared at minimum in the near future, ideally extending as far as twenty years to ensure the Municipality is able to plan and prepare for longer term costs.

Budget Drivers

A number of factors impact the estimated costs and the revenue sources for the capital budget. These include:

1. Regulatory requirements
2. Health and safety requirements
3. Council priorities
4. The Asset Management Plan
5. Infrastructure assessment and maintenance of service level standards
6. Borrowing Costs, with recently rising interest rates
7. Inflation, with recent historical levels
8. Availability of grant funding

Capital Budget Overview

Capital Grants

The budget includes funding of \$1,072,820 in capital grants as follows:

Roads

- Canada Community Building Fund (formerly Federal Gas Tax), \$661,661
- Ontario Community Infrastructure Fund, \$236,159

Facilities and Parks

- Ontario Trillium Fund, \$100,000 for the Hensall Playground
- Great Lakes Action Fund, \$75,000 for the Huronview Park Bank Naturalization

A key strategy for staff has been to seek and apply for grant funding. Grant funding helps reduce the cost of capital projects that are borne by the reserves and reserve funds (which are funded through the tax levy and the water and sanitary sewer rates). Staff will continue to investigate grant funding opportunities for current year and forecast projects, and any grant funding received beyond what is in the forecast will improve the reserve and reserve fund levels, or reduce debt.

Debentures and Debt

The budget does not propose any additional debt or debentures for 2023 capital projects. The forecast includes the issuance of a debenture of \$5,000,000 for the Zurich Water Line, which was approved in the 2022 budget. There is also \$1,115,000 in debt to be issued for the Hensall Water Tower, also approved in the 2022 budget, however it is assumed that the debenture for that project will be issued in 2024.

The Province establishes a limit in the amount of debt a municipality can issue without obtaining additional approval, which is debt payments at a maximum of 25% of Net Revenues. The Municipality of Bluewater's

Capital Budget Overview

Financial Principles Policy establishes an internal limit of 10% which is based on best practice and common in many municipalities. The Treasurer has prepared a debt forecast and adjusted estimate of the Annual Repayment Limit based on the capital plan outlined in this budget. Based on the forecast, it is estimated that Bluewater's debt will reach 9% of Net Revenues in 2025 based on existing debt and debt already approved. That number could change if debt is issued for a different term or at different interest rates than the estimate. If the capital forecast is carried out, debt payments will reach as high as 13.8% of Net Revenues in 2027, which would exceed the internal debt limit.

The Treasurer recommends that the municipality seek sources of funding other than debt. Grant funding is the most important source that can be investigated. In addition, there may be opportunity to borrow a modest amount from the related reserves or reserve funds (for example, water or sanitary sewer projects from their respective reserves), however care must be taken to ensure all commitments against the reserves have been captured and that sufficient monies are left in the reserves to provide the needed funding for future projects. A longer term financial forecast will be essential to evaluate this decision. If this strategy is employed for projects being charged as local improvement charges, it is possible that the reserves would earn a higher rate of interest than they otherwise would at the bank, which would benefit the municipality overall.

Transfers to Reserves and Tax Levy Contribution

In order to help provide a comparison of capital contributions in the current year (transfers to capital reserves), an analysis has been prepared based on the capital expenditures exceeding capital revenues in the previous two years' budget books. The analysis indicates that the tax levy contribution to capital projects has decreased by approximately \$500,000 per year for the last two years. The capital forecast contained in this budget, in agreement with the Asset Management Plan, indicates that increased capital contributions will be required to maintain and repair the Municipality's tangible capital assets. This will also be critical to

Capital Budget Overview

reduce reliance on debt, which is limited to 25% of Net Revenues by the Province and 10% of Net Revenues as per the Municipality's Policy.

The capital forecast assumes that increased transfers to reserves will be made in future years, in order to fund capital infrastructure based on the capital forecast. In order to complete the capital projects in the capital forecast within the specified years and maintain debt levels in the projection (which are forecast to exceed the limit established by municipal policy), the Municipality would need to increase tax levy supported reserve transfers from 2023 to 2027, and increased transfers of approximately \$1,900,000 are required in 2024, which is approximately 22% of the tax levy (before growth and other budget changes).

It is important to note that this forecast is based on a large number of assumptions, including future capital costs, timing of project completion, interest rates, and available grant funding. Any change to these variables would result in changes to the forecast. The Municipality is actively pursuing grant funding and seeking cost-saving measures to minimize the impact on the tax levy. In February of 2022, Council passed a resolution directing staff to review and report on reserve funds that may be eliminated, amalgamated, or allocated within the budget, and the five-year forecast is a step in this process. In addition, the Asset Management Plan, section 6.0, outlines potential funding strategies, such as stormwater management funding, a special infrastructure levy, public-private partnerships, and prioritization of high, medium, and low priority projects.

It should also be noted that building up reserves, reducing debt, and considering the tax levy impact can be competing goals. It is recommended that debt be minimized as a first priority, because debt is a long-term commitment that reduces financial flexibility as circumstances change. Secondly, that increased transfers to reserves be prioritized to ensure sustainability.

Capital Budget Overview

Conclusion

The 2023 Capital Budget has been prepared in challenging economic times, with high levels of inflation and increasing borrowing rates. Bluewater, like many municipalities, has an “infrastructure gap”, meaning that required capital expenditures exceed funding sources available, but the increased infrastructure needs are on a short-term horizon which presents a challenge. A recommended strategy for Bluewater will be to pursue grant funding, seek alternative funding options, increase transfers to reserves, and evaluate the timing of projects in the forecast.

There are many projects planned for 2023. Equipment renewal and replacement will ensure that staff can continue to provide services to the residents and the community. The Fire Department bunker gear will help the department provide protection services to the residents of Bluewater. Roads, Water, and Sanitary Sewer projects such as repaving Airport Line and completing the Hensall Water Tower will enhance the quality of life for residents and ensure that infrastructure is maintained at levels that meet needs. Facility repairs and maintenance and the replacement of the Hensall Playground will support the needs of this vibrant and active community.

2023 Capital Budget Summary

Tax Levy Supported	Requested	Grants	Vibrancy	Reserve/ Reserve Fund	Total Funding
General Government & Information Technology	\$ 32,000	\$ -	\$ -	\$ 32,000	\$ 32,000
Fire	230,200		50,000	180,200	230,200
Roads	2,054,000	897,820	90,000	1,066,180	2,054,000
Fleet	572,500			572,500	572,500
Landfill	500,000			500,000	500,000
Facilities and Parks	932,267	175,000	241,430	515,837	932,267
Cemeteries	-			-	-
Total Tax Levy Capital Request	\$ 4,320,967	\$ 1,072,820	\$ 381,430	\$ 2,866,717	\$ 4,320,967
Estimated Funds Available	(4,079,365)	(1,072,820)	(381,430)	(2,625,115)	(4,079,365)
Total Capital Exceeding Funds Available	\$ 241,602	\$ -	\$ -	\$ 241,602	\$ 241,602

Water and Sanitary Sewer Rate Supported					
Water	\$ 2,070,750			\$ 2,070,750	\$ 2,070,750
Sanitary Sewer	\$ 241,500			241,500	241,500
Total Water and Sanitary Sewer Capital Request	\$ 2,312,250	\$ -	\$ -	\$ 2,312,250	\$ 2,312,250
Estimated Funds Available	(2,312,250)			(2,312,250)	(2,312,250)
Total Capital Exceeding Funds Available	\$ -	\$ -	\$ -	\$ -	\$ -

2023 General Government Capital Budget

Photo Credit: Thinc Design



**General Government and I.T.
2023 Capital Budget Summary**

Project #	Project Name	Description	Justification	Proposed Budget
				\$
GG 23-01	Laptop Replacement/ New	Replacing laptops that have reached the end of their lifespan, or purchasing new devices to meet current needs.	Staff laptops are nearing end of life, they are slow and some are not able to operate the programs we use.	22,000
GG 23-02	Corporate Services Office Furniture	Office furniture and storage.	Providing furniture to ensure staff needs are met, as well as material required for proper records management storage.	10,000
Total Budget				32,000

**General Government and I.T.
2023 Capital Budget Summary**

Project #	Project Name	Funding Sources				Total Funding	Grant/Other Description
		Grants	Vibrancy	Other	Reserve for Equipment Replacement		
		\$	\$	\$	\$	\$	
GG 23-01	Laptop Replacement/ New				22,000	22,000	
GG 23-02	Corporate Services Office Furniture				10,000	10,000	
Total Budget		-	-	-	32,000	32,000	

**General Government and I.T.
2023 Four Year Capital Forecast**

Year	Project Name	Forecast Budget	Funding Sources		Total Funding	Grant/Other Description
			Grants	Reserve for Equipment Replacement		
		\$	\$	\$	\$	
2024	Laptop Replacements	22,000		22,000	22,000	
	Software Upgrades	30,000		30,000	30,000	
				-	-	
Total		52,000		52,000	52,000	
2025	Laptop Replacements	22,000		22,000	22,000	
				-	-	
Total		22,000		22,000	22,000	
2026	Laptop Replacements	22,000		22,000	22,000	
				-	-	
Total		22,000	-	22,000	22,000	
2027	Server	55,000		55,000	55,000	
	Laptop Replacements	22,000		22,000	22,000	
				-	-	
Total		77,000	-	77,000	77,000	

**Reserve for Equipment Replacement
2023 Five Year Reserve Forecast**

	2022 \$	2023 \$	2024 \$	2025 \$	2026 \$	2027 \$
Projected Balance - Start of Year	105,494	80,494	68,494	38,494	41,494	49,494
Additions to Reserve						
Contributions from Operating Budget	20,000	20,000	22,000	25,000	30,000	36,000
Reductions in Reserve						
Estimated 2022 Capital Projects	(45,000)					
Estimated Carryforward Projects	-					
Capital Spending (from 5 Year Forecast)		(32,000)	(52,000)	(22,000)	(22,000)	(77,000)
Projected Balance - End of Year	80,494	68,494	38,494	41,494	49,494	8,494
Target Balance per Policy						
Annual forecast increase in operating reserve transfer %			10%	10%	20%	20%
Annual forecast increase in operating reserve transfer \$ (rounded '000)			\$2,000	\$3,000	\$5,000	\$6,000

2023 Fire Capital Budget



Fire
2023 Capital Budget Summary

Project #	Project Name	Description	Justification	Proposed Budget
				\$
FD 23-01	Bunker Gear Replacement	Regular replacement of aging bunker gear (27 full sets - 45 helmets - 25 sets of boots).	Bunker gear needs to be replaced every 10 years to ensure firefighters have adequate working gear to respond to calls.	88,200
FD 23-02	Zurich Fire Hall Antenna	Antenna for the Zurich Fire Hall.	Needed for communication.	10,000
FD 23-03	Bayfield Fire Hall Bay Heaters	Two (2) radiant tube heaters for the Bayfield Fire Hall.	Needed to heat the bay areas.	6,000
FD 23-04	Fire Hall Air Treatment Units	Air Treatment (Centurion Units) for each Fire Hall - four (4) in total.	Installed in the truck bays and purifies the diesel fumes from the trucks.	68,000
FD 23-05	Zurich Fire Hall Furniture	Table and chairs for the Zurich Fire Hall meeting room, which may be used as a future Emergency Operations Centre.	There are no chairs and tables at the firehall currently. Staff are using makeshift tables and chairs.	8,000
FD 23-06	Fire Chief Truck	To purchase a new 1/2 ton pick-up truck for the new Full-time position of Fire Chief.	Chief vehicle/response vehicle will be required to allow management of department	50,000
Total Budget				230,200

Fire
2023 Capital Budget Summary

Project #	Project Name	Funding Sources				Total Funding	Grant/Other Description
		Grants	Development Charges	Other	Fire Reserve		
		\$	\$	\$	\$	\$	
FD 23-01	Bunker Gear Replacement				88,200	88,200	
FD 23-02	Zurich Fire Hall Antenna				10,000	10,000	
FD 23-03	Bayfield Fire Hall Bay Heaters				6,000	6,000	
FD 23-04	Fire Hall Air Treatment Units				68,000	68,000	
FD 23-05	Zurich Fire Hall Furniture				8,000	8,000	
FD 23-06	Fire Chief Truck			50,000			To be funded by the Vibrancy Reserve Funds
Total Budget		-	-	50,000	180,200	180,200	

**Fire
2023 Four Year Capital Forecast**

Year	Project Name	Forecast Budget	Funding Sources		Total Funding	Grant/Other Description
			Grants	Fire Reserve		
		\$	\$	\$	\$	
2024	Brucefield Fire Hall Lot Paving	50,000		50,000	50,000	
	Zurich Fire Rescue	400,000		400,000	400,000	
	Bayfield Fire Hall	35,700		35,700	35,700	
	Brucefield Fire Hall	21,500		21,500	21,500	
				-	-	
Total		507,200	-	507,200	507,200	
2025	Bayfield Fire Hall	4,100		4,100	4,100	
	Brucefield Fire Hall	71,000		71,000	71,000	
	Hensall Fire Hall	6,800		6,800	6,800	
	Bunker Gear - 17 sets	40,800		40,800	40,800	
				-	-	
Total		122,700	-	122,700	122,700	
2026	Bayfield Fire Hall	49,000		49,000	49,000	
	Brucefield Fire Hall	32,740		32,740	32,740	
	Hensall Fire Hall	2,500		2,500	2,500	
	Bunker Gear - 4 sets	9,600		9,600	9,600	
				-	-	
Total		93,840	-	93,840	93,840	
2027	Bayfield Fire Hall	2,500		2,500	2,500	
	Bunker Gear - 16 sets	38,400		38,400	38,400	
	Pumper Truck	1,000,000		1,000,000	1,000,000	
				-	-	
Total		1,040,900	-	1,040,900	1,040,900	

Fire Reserve

2023 Five Year Reserve Forecast

	2022 \$	2023 \$	2024 \$	2025 \$	2026 \$	2027 \$
Projected Balance - Start of Year	292,946	(476,330)	(242,480)	(60,680)	302,620	699,780
Additions to Reserve						
Contributions from Operating Budget	228,000	402,000	407,000	204,000	209,000	214,000
Zurich Fire Hall Repayment (estimated)			282,000	282,000	282,000	282,000
Transfer from Fleet Reserve		166,000				
Reductions in Reserve						
Estimated 2022 Capital Projects	(944,631)					
Estimated Association Donations	(3,800)					
Estimated Carryforward Projects						
Estimated Unfunded Capital Projects in Progress	(48,845)					
Capital Spending (from 5 Year Forecast)		(180,200)	(507,200)	(122,700)	(93,840)	(1,040,900)
Operating Expenses from Reserve		(153,950)				
Projected Balance - End of Year	(476,330)	(242,480)	(60,680)	302,620	699,780	154,880
	Note 1					

Note 1: In 2022 the Zurich Fire Hall renovation was approved, to be repaid to the reserve over approximately four years (the exact cost to be determined on project completion).

Note 2: Fire vehicles are being budgeted from the Fire Reserve moving forward, to simplify budgeted transfers between departments.

Target Balance per Policy	At the discretion of Council
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Annual forecast increase in operating reserve transfer %		1%	-50%	2%	2%
Annual forecast increase in operating reserve transfer \$ (rounded '000)	\$8,000	\$5,000	(\$203,000)	\$5,000	\$5,000

2023 Roads Capital Budget



Roads
2023 Capital Budget Summary

Project #	Project Name	Description	Justification	Proposed Budget
				\$
RD 23-01	Richmond Street North Reconstruction	Reconstruction of Richmond Street North, Hensall from Highway 4 to Lorne Ave Design in 2023.	Road is in poor condition and has been identified in roads needs study for construction.	40,000
RD 23-02	Public Works Shop Expansion	Design - Expansion of Stanley Public Works Shop in Varna.	Zurich Fire Department space requirements resulted in Public Works giving up 2 bays at the Zurich Firehall. Additionally, Hay Shop on Blind Line has reached the end of its useful life.	92,000
RD 23-03	Durand Subdivision Culvert Replacement	Replacement of culverts on Durand Street, as per council direction half of cost is to be shared with the developer.	Council direction to replace, as per Road Assumption Policy.	95,000
RD 23-04	B27 Bridge Replacement	Design & Construction.	Bridge is closed and requires replacement.	700,000
RD 23-05	Dashwood Main Street Reconstruction	Joint project between Huron County, South Huron and Bluewater. Primarily affects sidewalks for Bluewater. Design in 2023, with construction in 2024.	Sidewalks are in poor condition and require replacement. Costs saving due to economy of scales with joint project.	15,000
RD 23-06	Box Culvert Replacement	Replacement of culvert east of Blake.	In poor condition and requires replacement.	15,000
RD 23-07	Blackbush Line Culvert	Replacement of culvert.	In poor condition and requires replacement.	6,000
RD 23-08	Paving - Airport Line from Kippen Road to Mill Road	Repaving of road surface.	Identified in 2019 road needs study, road in poor condition and requires repaving.	810,000

Roads
2023 Capital Budget Summary

Project #	Project Name	Description	Justification	Proposed Budget
				\$
RD 23-09	B15 Deck Replacement	Deck replacement costs for the B15 bridge located on Centennial Road east of Bannockburn Line.	Identified in 2022 OSIM inspections. 1/2 of cost was included in 2022 budget.	36,000
RD 23-10	Post Installation in Right of Ways (Bayfield)	Installation of posts to prevent vehicular access in unopened right of ways in Bayfield.	Council direction to include in 2023 budget deliberations.	17,000
RD 23-11	Colina Street Erosion Protection	Design and construction of erosion protection at the end of Colina Street at the beach.	Council direction to include in 2023 budget deliberations	153,000
RD 23-12	Hensall Road East Paving	Repaving of Hensall Road east of Highway 4. Approximately 500m of road is under joint jurisdiction between the municipalities of Huron East and Bluewater.	The Municipality of Huron East is planning to repave Hensall Road in 2023 in which the municipality would share half of the cost of the portion of the road that is under joint jurisdiction.	45,000
RD 23-13	Hensall Main Street Reconstruction - Design	Joint Project between Huron County and the Municipality of Bluewater.	County's construction schedule indicates construction in 2025.	30,000
Total Budget				2,054,000

Roads
2023 Capital Budget Summary

Project #	Project Name	Funding Sources					Total Funding	Grant/Other Description
		Grants	Vibrancy	Lakeshore Reserve	Bridge Reserve	Roads Paving & Construction Reserve		
		\$	\$	\$	\$	\$		
RD 23-01	Richmond Street North Reconstruction					40,000	40,000	
RD 23-02	Public Works Shop Expansion		90,000			2,000	92,000	\$90,000 in vibrancy funding was budgeted for 2022. Requested as a rollover to be funded in 2023.
RD 23-03	Durand Subdivision Culvert Replacement			95,000		-	95,000	
RD 23-04	B27 Bridge Replacement	236,159			238,841	225,000	700,000	CCBF Grant
RD 23-05	Dashwood Main Street Reconstruction					15,000	15,000	
RD 23-06	Box Culvert Replacement					15,000	15,000	
RD 23-07	Blackbush Line Culvert					6,000	6,000	
RD 23-08	Paving - Airport Line from Kippen Road to Mill Road	661,661				148,339	810,000	OCIF Grant

Roads
2023 Capital Budget Summary

Project #	Project Name	Funding Sources					Total Funding	Grant/Other Description
		Grants	Vibrancy	Lakeshore Reserve	Bridge Reserve	Roads Paving & Construction Reserve		
		\$	\$	\$	\$	\$		
RD 23-9	B15 Deck Replacement				36,000	-	36,000	
RD 23-10	Post Installation in Right of Ways (Bayfield)					17,000	17,000	
RD 23-11	Colina Street Erosion Protection					153,000	153,000	
RD 23-12	Hensall Road East Paving					45,000	45,000	
RD 23-13	Hensall Main Street Reconstruction - Design					30,000	30,000	
Total Budget		897,820	90,000	95,000	274,841	696,339	2,054,000	

Roads
2023 Four Year Capital Forecast

Year	Project Name	Forecast Budget	Funding Sources					Total Funding	Grant Desc.
			Grants	Development Charge Debenture	Debenture	Bridges Reserve	Roads Paving & Construction Reserve		
		\$	\$	\$	\$	\$	\$	\$	
2024	Rural Road Paving (4km)	500,000	236,159				263,841	500,000	OCIF
	Richmond Street Road North East	500,000			500,000		-	500,000	
	Sidewalk Replacement	30,000					30,000	30,000	
	Dashwood Main Street Reconstruction (sidewalks)	150,000					150,000	150,000	
	Public Works Shop Expansion	1,800,000		1,114,964	685,036			1,800,000	
	New Salt Dome Design	8,000					8,000	8,000	
	B25 Replacement	1,000,000	661,661			338,339	-	1,000,000	CCBF
	Road Reconstruction Design (roads)	35,000					35,000	35,000	
Total		4,023,000	897,820	1,114,964	1,185,036	338,339	486,841	4,023,000	
2025	Road Paving (4km)	510,000	236,159				273,841	510,000	OCIF
	Sidewalk Replacement	31,000					31,000	31,000	
	King Street, Hensall Reconstruction (sidewalk)	100,000					100,000	100,000	

Roads
2023 Four Year Capital Forecast

Year	Project Name	Forecast Budget	Funding Sources					Total Funding	Grant Desc.
			Grants	Development Charge Debenture	Debenture	Bridges Reserve	Roads Paving & Construction Reserve		
		\$	\$	\$	\$	\$	\$	\$	
	Bayfield Works Shop - Building Maintenance	15,000					15,000	15,000	
	Salt Dome Construction	300,000					300,000	300,000	
	B62 Replacement	460,000				235,000	225,000	460,000	
	B12 Repair	540,000	460,000			80,000	-	540,000	CCBF
	B76 Replacement	360,000	201,661			158,339	-	360,000	CCBF
	Road Reconstruction	400,000					400,000	400,000	
	Road Reconstruction Design (roads)	37,500					37,500	37,500	
Total		2,753,500	897,820	-	-	473,339	1,382,341	2,753,500	

Roads
2023 Four Year Capital Forecast

Year	Project Name	Forecast Budget	Funding Sources					Total Funding	Grant Desc.
			Grants	Development Charge Debenture	Debenture	Bridges Reserve	Roads Paving & Construction Reserve		
		\$	\$	\$	\$	\$	\$	\$	
2026	Road Paving (4km)	520,200	236,159				284,041	520,200	OCIF
	Sidewalk Replacement	32,000					32,000	32,000	
	B37 Structure Replacement	400,000	400,000				-	400,000	CCBF
	B38 Structure Replacement	390,000	261,661			128,339	-	390,000	CCBF
	Road Reconstruction	400,000					400,000	400,000	
	Road Reconstruction Design (roads)	40,000					40,000	40,000	
Total		1,782,200	897,820	-	-	128,339	756,041	1,782,200	
2027	Road Paving (4km)	530,604	530,604				-	530,604	CCBF
	Sidewalk Replacement	33,000					33,000	33,000	
	B73 Structure Replacement	360,000	131,057			228,943		360,000	CCBF
	Road Reconstruction	425,000	236,159				188,841	425,000	OCIF
	Road Reconstruction Design (Roads)	42,500					42,500	42,500	
Total		1,391,104	897,820	-	-	228,943	264,341	1,391,104	

**Roads Paving & Construction Reserve
2023 Five Year Reserve Forecast**

	2022 \$	2023 \$	2024 \$	2025 \$	2026 \$	2027 \$
Projected Balance - Start of Year	1,603,818	171,203	124,044	309,203	270,862	858,821
Additions to Reserve						
Contributions from Operating Budget	85,000	149,180	672,000	1,344,000	1,344,000	1,344,000
Transfer from Fleet Reserve - Note 1		500,000				
Estimated 2022 Rollovers - Operating	55,000					
Reductions in Reserve						
Estimated 2022 Capital Projects	(889,868)					
Estimated Carryforward Projects	(150,000)					
Estimated Unfunded Capital Projects in Progress	(532,747)					
Capital Spending (from 5 Year Forecast)		(696,339)	(486,841)	(1,382,341)	(756,041)	(264,341)
Projected Balance - End of Year	171,203	124,044	309,203	270,862	858,821	1,938,480
Target Balance per Policy	At the discretion of Council.					
Annual forecast increase in operating reserve transfer %		2%	350%	100%	0%	0%
Annual forecast increase in operating reserve transfer \$ (rounded '000)		\$64,180	\$522,820	\$672,000	\$0	\$0

Note 1: There are a significant number of capital commitments for Roads. Due to the sufficient funds available in the Fleet Reserve, it is recommended that \$500,000 be transferred to the Roads Paving & Construction Reserve.

**Bridges/Roads Reserve
2023 Five Year Reserve Forecast**

	2022 \$	2023 \$	2024 \$	2025 \$	2026 \$	2027 \$
Projected Balance - Start of Year	926,191	284,902	10,061	21,722	38,383	400,044
Additions to Reserve						
Contributions from Operating Budget	-	-	350,000	490,000	490,000	490,000
Reductions in Reserve						
Estimated 2022 Capital Projects	(402,680)					
Estimated Carryforward Projects	(51,500)					
Estimated Unfunded Capital Projects in Progress	(187,109)					
Capital Spending (from 5 Year Forecast)		(274,841)	(338,339)	(473,339)	(128,339)	(228,943)
Projected Balance - End of Year	284,902	10,061	21,722	38,383	400,044	661,101
Target Balance per Policy	At the discretion of Council.					
Annual forecast increase in operating reserve transfer %				40%	0%	0%
Annual forecast increase in operating reserve transfer \$ (rounded '000)		\$0	\$350,000	\$140,000	\$0	\$0

**Lakeshore Reserve
2023 Five Year Reserve Forecast**

	2022 \$	2023 \$	2024 \$	2025 \$	2026 \$	2027 \$
Projected Balance - Start of Year	307,074	192,128	172,128	247,128	322,128	397,128
Additions to Reserve						
Contributions from Operating Budget	75,000	75,000	75,000	75,000	75,000	75,000
Reductions in Reserve						
Estimated 2022 Capital Projects	(83,333)					
Estimated Carryforward Projects	(83,400)					
Estimated Unfunded Capital Projects in Progress	(23,213)					
Capital Spending (from 5 Year Forecast)		(95,000)				
Projected Balance - End of Year	192,128	172,128	247,128	322,128	397,128	472,128
Target Balance per Policy	At the discretion of Council.					
Annual forecast increase in operating reserve transfer %			0%	0%	0%	0%
Annual forecast increase in operating reserve transfer \$ (rounded '000)		\$0	\$0	\$0	\$0	\$0

2023 Fleet Capital Budget



Fleet
2023 Capital Budget Summary

Project #	Project Name	Description	Justification	Proposed Budget
				\$
FL 23-01	Plow truck	Plow truck, ordered in 2022 with delivery in 2023. Half of cost was budgeted in 2022 and will be requested as a rollover to the fleet reserve.	1/2 cost allocated in 2022 with council directing other half to be applied to the 2023 budget.	332,500
FL 23-02	Pickup Truck	Replacement of pickup truck in fleet.	Pickup Trucks have a asset life of 10 years. One Truck is scheduled for replacement.	50,000
FL 23-03	Back Hoe	Replacement of current backhoe.	Current backhoe (2011) is scheduled for replacement in 2023.	190,000
Total Budget				572,500

Fleet
2023 Capital Budget Summary

Project #	Project Name	Funding Sources				Total Funding	Grant/Other Description
		Grants	Vibrancy	Other	Fleet - Equipment Reserve		
		\$	\$	\$	\$	\$	
FL 23-01	Plow truck				332,500	332,500	
FL 23-02	Pickup Truck				50,000	50,000	
FL 23-03	Back Hoe				190,000	190,000	
Total Budget		-	-	-	572,500	572,500	

Fleet
2023 Four Year Capital Forecast

Year	Project Name	Forecast Budget	Funding Sources			Total Funding	Grant/Other Description
			Grants	Development Charges	Fleet - Equipment Reserve		
		\$	\$	\$	\$	\$	
2024	Pickup Truck	50,000			50,000	50,000	
	1 Tonne Pickup Truck	70,000			70,000	70,000	
	Plow Truck	360,000			360,000	360,000	
					-	-	
Total		480,000	-	-	480,000	480,000	
2025	Pickup Truck	51,000			51,000	51,000	
					-	-	
Total		51,000	-	-	51,000	51,000	
2026	Pickup Truck	52,000			52,000	52,000	
	Plow Truck	368,000		276,000	92,000	368,000	
	Municipal Office Vehicle	35,000			35,000	35,000	
					-	-	
Total		455,000	-	276,000	179,000	455,000	
2027	Pickup Truck	53,000			53,000	53,000	
	Sidewalk Plow	160,000		120,000			
	1 Tonne Pickup Truck	80,000			80,000	80,000	
					-	-	
Total		293,000	-	120,000	133,000	133,000	

**Reserve for Fleet - Equipment
2023 Five Year Reserve Forecast**

	2022	2023	2024	2025	2026	2027
	\$	\$	\$	\$	\$	\$
Projected Balance - Start of Year	1,742,818	1,462,165	370,512	140,512	345,512	429,512
Additions to Reserve						
Contributions from Operating Budget - Roads	197,500	96,500	199,000	203,000	208,000	213,000
Contributions from Operating Budget - Facilities	50,347	50,347	51,000	53,000	55,000	57,000
Contributions from Operating Budget - Fire	200,000					
Reductions in Reserve						
Estimated 2022 Capital Projects	(728,500)					
Transfer to Fire Reserve for Fleet - Note 1		(166,000)				
Transfer to Roads Reserve - Note 2		(500,000)				
Estimated Carryforward Projects						
Estimated Unfunded Capital Projects in Progress						
Capital Spending (from 5 Year Forecast)		(572,500)	(480,000)	(51,000)	(179,000)	(133,000)
Projected Balance - End of Year	1,462,165	370,512	140,512	345,512	429,512	566,512
Target Balance per Policy	At the discretion of Council.					
Annual forecast increase in operating reserve transfer %			Note 3	2%	2%	2%
Annual forecast increase in operating reserve transfer \$ (rounded '000)		(\$101,000)	\$103,153	\$6,000	\$7,000	\$7,000

Note 1: Fire vehicles are being budgeted from the Fire Reserve moving forward.

Note 2: There are a significant number of capital commitments for Roads. Due to the sufficient funds available in the Fleet Reserve, it is recommended that \$500,000 be transferred to the Roads Paving & Construction Reserve.

Note 3: The Reserve and Reserve Fund Policy requires an annual Capital Cost Recovery charge per vehicle plus a 25% surcharge. For 2024, this has been estimated at approximately \$200,000 based on amortization expense in the financial statements, adjusting for inflation but removing Fire vehicles which are budgeted separately. The requirement should be evaluated for the 2024 Budget.

2023 Landfill Capital Budget



Landfill
2023 Capital Budget Summary

Project #	Project Name	Description	Justification	Proposed Budget
				\$
LF 23-01	Landfill Transfer Station	Design and Construction of a transfer station, or costs to join Mid Huron Landfill.	Stanley Landfill is nearing its capacity and an alternative waste disposal option is required to maintain the same level of service to Bluewater Residents.	500,000
Total Budget				500,000

**Landfill
2023 Capital Budget Summary**

		Funding Sources				
Project #	Project Name	Grants	Other	Waste Site Closure Costs Reserve	Total Funding	Grant/Other Description
		\$	\$	\$	\$	
LF 23-01	Landfill Transfer Station			500,000	500,000	
Total Budget		-	-	500,000	500,000	

**Landfill
2023 Four Year Capital Forecast**

Year	Project Name	Forecast Budget	Funding Sources		Total Funding	Grant/Other Description
			Grants	Waste Site Closure Costs Reserve		
		\$	\$	\$	\$	
2024	Stanley Landfill - Final Cover	500,000		500,000	500,000	
Total		500,000	-	500,000	500,000	
2025				-	-	
Total		-	-	-	-	
2026				-	-	
Total		-	-	-	-	
2027				-	-	
Total		-	-	-	-	

**Consolidated Waste Site Closure Costs Reserve
2023 Five Year Reserve Forecast**

	2022	2023	2024	2025	2026	2027
	\$	\$	\$	\$	\$	\$
Projected Balance - Start of Year	225,928	219,928	(153,072)	-	75,000	152,000
Additions to Reserve						
Contributions from Operating Budget	24,000	127,000	653,072	75,000	77,000	79,000
Reductions in Reserve						
Estimated 2022 Capital Projects	(30,000)					
Estimated Carryforward Projects						
Capital Spending (from 5 Year Forecast)		(500,000)	(500,000)	-	-	-
Projected Balance - End of Year	219,928	(153,072)	-	75,000	152,000	231,000
Target Balance per Policy	Up to 100% of the estimated future closure and post closure liability costs.					
Annual forecast increase in operating reserve transfer %			2%	2%	2%	2%
Annual forecast increase in operating reserve transfer \$ (rounded '000)		103,000	526,072	(578,072)	2,000	2,000

2023 Sanitary Sewer Capital Budget



**Sanitary Sewer
2023 Capital Budget Summary**

Project #	Project Name	Description	Justification	Proposed Budget
				\$
SS 23-01	Sanitary Capital Items	OCWA recommended capital items.	Capital Items required for replacement.	126,500
SS 23-02	Bayfield WWTP Expansion - Additional Engineering	Inflationary increase and additional site administration costs for detailed design expansion of Bayfield wastewater treatment plant.	Additional costs resulting from inflation and administration.	30,000
SS 23-03	Valve Actuator at Bayfield Lagoons	Replacement of Valve Actuator.	Valve is past its useful life and requires replacement.	10,000
SS 23-04	Bayfield Lagoon Sand Filter	Replacement of filter medium at Bayfield lagoon.	Current filter medium requires replacement.	75,000
Total Budget				241,500

OCWA = Ontario Clean Water Agency

**Sanitary Sewer
2023 Capital Budget Summary**

Project #	Project Name	Funding Sources				Total Funding
		Grants	Development Charges	Sewer Reserve	Sewer Reserve Fund	
		\$	\$	\$	\$	
SS 23-01	Sanitary Capital Items				126,500	126,500
SS 23-02	Bayfield WWTP Expansion - Additional Engineering			30,000	-	30,000
SS 23-03	Valve Actuator at Bayfield Lagoons			10,000	-	10,000
SS 23-04	Bayfield Lagoon Sand Filter			75,000	-	75,000
Total Budget		-	-	115,000	126,500	241,500

OCWA = Ontario Clean Water Agency

**Sanitary Sewer
2023 Four Year Capital Forecast**

Year	Project Name	Forecast Budget	Funding Sources			Total Funding	Grant/Other Description
			Development Charge Debenture	Sewer Reserve	Sewer Reserve Fund		
		\$	\$	\$	\$	\$	
2024	Bayfield WWTF Expansion	8,000,000	7,120,001		879,999	8,000,000	
	Hensall Wet Well - Roof Replacement	7,000			7,000	7,000	
	Bayfield Lagoon House Roof Replacement	6,000			6,000	6,000	
	Richmond Street North Reconstruction - Sanitary	30,000			30,000	30,000	
	OCWA Capital	120,000			120,000	120,000	
	Road Reconstruction Design - Sanitary	10,000			10,000	10,000	
	King Street, Hensall Reconstruction (Sanitary) - Design	15,000			15,000	15,000	
					-	-	
Total		8,188,000	7,120,001		1,067,999	8,188,000	
2025	OCWA Capital	120,000			120,000	120,000	
	Zurich Lagoon House - Concrete Floor Repair/ Replacement	8,000			8,000	8,000	
	Hensall King Street Reconstruction (Sanitary Replacement)	100,000			100,000	100,000	
	Road Reconstruction (Sanitary)	35,000			35,000	35,000	
	Road Reconstruction (Sanitary) - Design	11,000			11,000	11,000	
					-	-	
Total		274,000	-	-	274,000	274,000	

**Sanitary Sewer
2023 Four Year Capital Forecast**

Year	Project Name	Forecast Budget	Funding Sources			Total Funding	Grant/Other Description
			Development Charge Debenture	Sewer Reserve	Sewer Reserve Fund		
		\$	\$	\$	\$	\$	
2026	Door Replacement at Lagoon House and Wet Well Facilities (Multiple)	15,000			15,000	15,000	
	OCWA Capital	120,000			120,000	120,000	
	Road Reconstruction (Sanitary)	40,000			40,000	40,000	
	Road reconstruction (Sanitary) - Design	12,000			12,000	12,000	
					-		
Total		187,000	-	-	187,000	187,000	
2027	OCWA Capital	120,000			120,000	120,000	
	Bayfield Lagoon Well House Roof Replacement	7,000			7,000	7,000	
	Road Reconstruction (Sanitary)	45,000			45,000	45,000	
	Road Reconstruction (Sanitary) - Design	13,000			13,000	13,000	
					-	-	
Total		185,000	-	-	185,000	185,000	

OCWA = Ontario Clean Water Association

Sewer Reserve 3018
2023 Five Year Reserve Forecast

	2022	2023	2024	2025	2026	2027
	\$	\$	\$	\$	\$	\$
Projected Balance - Start of Year	281,247	23,928	17,757	129,757	244,757	362,757
Additions to Reserve						
Contributions from Operating Budget	-	108,829	112,000	115,000	118,000	121,000
Reductions in Reserve						
Estimated 2022 Capital Projects	(257,319)					
Estimated Carryforward Projects	-					
Estimated Unfunded Capital Projects in Progress						
Capital Spending (from 5 Year Forecast)		(115,000)	-	-	-	-
Projected Balance - End of Year	23,928	17,757	129,757	244,757	362,757	483,757
Target Balance per Policy						
Annual forecast increase in operating reserve transfer %		2%	2%	2%	2%	2%
Annual forecast increase in operating reserve transfer \$ (rounded '000)		108,829	3,171	3,000	3,000	3,000

Sewer Reserve Fund 3250
2023 Five Year Reserve Forecast

	2022	2023	2024	2025	2026	2027
	\$	\$	\$	\$	\$	\$
Projected Balance - Start of Year	1,905,926	2,220,086	2,765,162	2,351,463	2,747,185	3,269,646
Additions to Reserve						
Billings to Reserve as per 2021-2027 Financial Plan	520,165	545,133	571,300	598,722	627,461	657,579
Zurich Arena Loan Repayment	76,602	59,443				
Estimated Interest (rounded '000)	45,000	67,000	83,000	71,000	82,000	98,000
Reductions in Reserve						
Estimated 2022 Capital Projects	-					
Estimated Carryforward Projects	-					
Estimated Unfunded Capital Projects in Progress	(327,607)					
Capital Spending (from 5 Year Forecast)		(126,500)	(1,067,999)	(274,000)	(187,000)	(185,000)
Projected Balance - End of Year	2,220,086	2,765,162	2,351,463	2,747,185	3,269,646	3,840,225
Target Balance per Policy						
Estimated Interest Rate		3%	3%	3%	3%	3%
Annual forecast increase in operating reserve transfer \$ (rounded '000)		\$7,809	(33,276)	27,422	\$28,739	\$30,118

2023 Water Capital Budget



Water
2023 Capital Budget Summary

Project #	Project Name	Description	Justification	Proposed Budget
				\$
WTR 23-01	Hensall Water Tower Replacement	Replacement of Hensall Water Tower.	Current tower is in poor condition and requires replacement. \$4,329,750 approved in 2022, project expected to be over budget.	1,220,250
WTR 23-02	Zurich Water Line - Engineering	Additional engineering costs resulting from on site supervision.	Additional budget required for completion of project.	346,000
WTR 23-03	OCWA Recommended Capital Items	Miscellaneous capital items (valves, transmitters) as recommended by the municipal water contractor.	Items are recommended by OCWA for safe operation of the Municipal Drinking Water System.	126,500
WTR 23-04	Water Tower Recoating	Recoating (painting) of Bayfield Watertower. Additional request above \$250,000 budget for 2022.	Current exterior coating is failing. New coating required to maintain the capital asset.	258,000
WTR 23-05	Vienna Street, Varna - Water Main Replacement	Replacement of water main from Well House to Huntley Street.	Current main is in poor condition and at risk of failure.	120,000
Total Budget				2,070,750

OCWA = Ontario Clean Water Agency

**Water
2023 Capital Budget Summary**

Project #	Project Name	Funding Sources			Total Funding	Grant/Other Description
		Grants	Water Reserve	Water Reserve Fund		
		\$	\$	\$		
WTR 23-01	Hensall Water Tower Replacement			1,220,250	1,220,250	
WTR 23-02	Zurich Water Line - Engineering			346,000	346,000	
WTR 23-03	OCWA Recommended Capital Items			126,500	126,500	
WTR 23-04	Water Tower Recoating			258,000	258,000	
WTR 23-05	Vienna Street, Varna - Water Main Replacement			120,000	120,000	
Total Budget		-	-	2,070,750	2,070,750	

OCWA = Ontario Clean Water Agency

Water
2023 Four Year Capital Forecast

Year	Project Name	Forecast Budget	Funding Sources			Total Funding	Grant/Other Description
			Grants	Water Reserve	Water Reserve Fund		
		\$	\$	\$	\$	\$	
2024	Richmond Street North Reconstruction	80,000			80,000	80,000	
	OCWA Capital	125,000			125,000	125,000	
	King Street, Hensall Reconstruction (Water) - Design	90,000			90,000	90,000	
	Blind Line Watermain	366,500			366,500	366,500	
	Lakeshore Distribution System - Twining - Design	15,000			15,000	15,000	
	Road Reconstruction - Design (water)	10,000			10,000	10,000	
					-		
Total		686,500			686,500	686,500	
2025	Hensall Main Street Reconstruction - water	600,000			600,000	600,000	
	OCWA Capital	125,000			125,000	125,000	
	Road Reconstruction - Design (Water)	11,000			11,000	11,000	
	Twinning Design	15,000			15,000	15,000	
	Road Reconstruction (water)	84,000			84,000	84,000	
					-	-	
Total		835,000	-	-	835,000	835,000	

Water
2023 Four Year Capital Forecast

Year	Project Name	Forecast Budget	Funding Sources			Total Funding	Grant/Other Description
			Grants	Water Reserve	Water Reserve Fund		
		\$	\$	\$	\$	\$	
2026	OCWA Capital	125,000			125,000	125,000	
	Road Reconstruction	87,500			87,500	87,500	
	Road Reconstruction 2027 - Design (water)	12,000			12,000	12,000	
					-	-	
Total		224,500	-	-	224,500	224,500	
2027	Road Reconstruction (Water)	90,000			90,000	90,000	
	Road Reconstruction 2028 - Design (water)	13,000			13,000	13,000	
	OCWA Capital	125,000			125,000	125,000	
					-	-	
Total		552,000	-	-	228,000	228,000	

Water Reserve 3019
2023 Five Year Reserve Forecast

	2022	2023	2024	2025	2026	2027
	\$	\$	\$	\$	\$	\$
Projected Balance - Start of Year	5,423,213	5,045,343	5,276,635	5,512,635	5,753,635	5,999,635
Additions to Reserve						
Contributions from Operating Budget		231,292	236,000	241,000	246,000	251,000
Reductions in Reserve						
Estimated 2022 Capital Projects	(250,000)					
Estimated Carryforward Projects						
Estimated Unfunded Capital Projects in Progress	(127,870)					
Capital Spending (from 5 Year Forecast)		-	-			-
Projected Balance - End of Year	5,045,343	5,276,635	5,512,635	5,753,635	5,999,635	6,250,635
Target Balance per Policy	At discretion of Council.					
Annual forecast increase in operating reserve transfer			2%	2%	2%	2%
Annual forecast increase in operating reserve transfer \$ (rounded '000)		\$231,292	\$4,708	\$5,000	\$5,000	\$5,000

Water Reserve Fund 3260
2023 Five Year Reserve Forecast

	2022	2023	2024	2025	2026	2027
	\$	\$	\$	\$	\$	\$
Projected Balance - Start of Year	4,749,472	5,314,345	4,247,825	4,504,824	4,653,140	5,449,914
Additions to Reserve						
Billings to Reserve as per 2021-2027 Financial Plan	756,141	785,787	816,499	848,316	881,274	915,412
Zurich Arena Loan Repayment	76,602	59,443				
Estimated Interest (rounded '000)	110,000	159,000	127,000	135,000	140,000	163,000
Reductions in Reserve						
Estimated 2022 Capital Projects	(250,000)					
Estimated Carryforward Projects						
Estimated Unfunded Capital Projects in Progress	(127,870)					
Capital Spending (from 5 Year Forecast)		(2,070,750)	(686,500)	(835,000)	(224,500)	(228,000)
Projected Balance - End of Year	5,314,345	4,247,825	4,504,824	4,653,140	5,449,914	6,300,326
Target Balance per Policy	At discretion of Council.					
Estimated Interest Rate		3%	3%	3%	3%	3%
Annual forecast increase in operating reserve transfer \$ (rounded '000)		12,487	(\$28,731)	\$31,817	\$32,958	\$34,138

2023 Facilities And Parks Capital Budget



**Facilities and Parks
2023 Capital Budget Summary**

Project #	Project Name	Description	Justification	Proposed Budget
				\$
FAC 23-01	Zurich & Hensall Arena Girder Repair	Sand blast and refinish steel girders above the ice rinks. Estimate \$40,000 per ice rink.	Paint delamination and surface corrosion observed.	80,000
FAC 23-02	Zurich Arena HVAC Replacement	Zurich Arena HVAC Replacement.	Zurich HVAC is original to the construction of the building and past its useful life.	30,000
FAC 23-03	HVAC Replacement Outstanding Balance	Tender BW-FAC-04-2022 was awarded in 2022, project completion slated for March 2023. Project came in over asking. Outstanding balance was approved to be included in 2023 capital budget - Sept 6 2022 Meeting of Council.	Already approved and tendered and as per councils direction has been approved in the 2023 budget.	9,767
FAC 23-04	Zurich Arena Grease Trap Replacement	Grease trap replacement in kitchen and food booth.	It has been observed to be in poor condition.	7,000
FAC 23-05	Hensall Arena Entrance Door Replacement	Replace aluminum-framed glazing doors and 2 8'x3' sidelights at Community Centre entrance.	Entrance door is original to construction of the building and is in poor condition.	12,000
FAC 23-06	Hensall Arena Rubber Flooring Replacement	Rubber flooring replacement in Arena changerooms (4) and walkways. Lobby and washrooms completed in 2022.	Flooring in poor condition, creating cleaning challenges.	35,000
FAC 23-07	Hensall Arena Reciprocating Compressor Motor Replacement	Replace 50HP motor.	Motor is in poor condition and requires replacement.	15,000
FAC 23-08	Hensall Arena Interior Lighting Replacement	Replacement and upgrade to LED lighting in community centre, lobby, changerooms and office.	Original to the construction of the building. Upgrades to LED will improve energy saving and illumination quality. Rebate incentives available in the short term.	35,000

**Facilities and Parks
2023 Capital Budget Summary**

Project #	Project Name	Description	Justification	Proposed Budget
				\$
FAC 23-09	Stanley Complex Door Replacement	Council Chambers and Community Centre entrance doors and sidelight replacement.	Entrance door and sidelights are in poor condition and require replacement.	18,500
FAC 23-10	Stanley Complex Water Heater Replacement	Water heater replacement.	The water heater is original to the construction of the building. Based on age, the water heater is considered to be in poor condition.	8,500
FAC 23-11	Stanley Complex Community Centre Light Replacement	Replacement and upgrade to LED lighting in community centre.	Original to the construction of the building. Upgrades to LED will improve energy saving and illumination quality. Rebate incentives available in the short term.	32,500
FAC 23-12	Municipal Office Furnace & HRV Replacement	Replacement of two gas-fired furnaces and 2 heat recovery ventilators (HRVs).	The furnaces and HRVS are original to the building and appear to be in poor condition.	30,000
FAC 23-13	Municipal Office A/C Replacement	Replacement of split-type condensing units.	The condensing units are original to the building and appear to be in poor condition.	6,000
FAC 23-14	Hensall Library Furnace Replacement	Replacement of gas-fired forced-air furnace located in basement.	Furnace was installed in 1995 and is due for replacement.	8,000
FAC 23-15	Hensall Library Condenser Unit (2) Replacement	Replacement of two condenser units and one evaporative unit located in the basement.	Units were observed to be in poor condition overall with deterioration noted throughout.	15,000
FAC 23-16	Clan Gregor Square Gazebo Roof Replacement and Repairs	Cedar shingles and wood decking require replacement.	Gazebo roof and flooring observed to be in fair condition.	15,000

**Facilities and Parks
2023 Capital Budget Summary**

Project #	Project Name	Description	Justification	Proposed Budget
				\$
FAC 23-17	Hensall Park Storage Shed Upgrade	Hensall storage building located in Hensall Park is an essential storage building for the Facilities Department. Upgrades include concrete floor (dirt floor currently), eavestroughs, new siding and new roof.	Upgrades required to extend its useful life.	40,000
FAC 23-18	Hensall Playground Replacement	Replacement of Hensall Playground and surface.	Playground is past its useful life.	115,000
FAC 23-19	Huronview Park Bank Naturalization	Concrete block removal and bank naturalization.	Grant funding received to remove concrete blocks (failed shoreline erosion control measure).	75,000
FAC 23-20	Playground Replacements	Reoccurring capital budget line for playground replacement.	Aging playgrounds are high risk to the public and do not meet CSA and AODA standards.	15,000
FAC 23-21	Lake Access Stairs	Reoccurring capital budget line for lake access stair replacement.	Aging stairs increase risk to the public.	40,000
FAC 23-22	Hensall and Zurich Complex Road Signs	Replacement of outdated road signs.	Improve staff safety and appearance of facility.	60,000
FAC 23-23	Master Key Program	Master key system replaces mismatched locks with one key system.	Improve security in facilities and time saved in locating correct keys for facilities.	15,000
FAC 23-24	Howard Street Stair Replacement	Stairs are past their useful life.	One of the busiest beach accesses, and stairs are in poor condition.	20,000
FAC 23-25	Riding Lawn Mower	Replace the 2014 72-inch Kubota Mower. Fac. Dept has 3 lawn mowers used daily for grass cutting operations. The 2014 Kubota has a replacement year of 2019.	Mower is past its useful life. The risk of equipment failure is high resulting in decreased level of service for grass cutting operations in municipal parks and cemeteries.	25,000

**Facilities and Parks
2023 Capital Budget Summary**

Project #	Project Name	Description	Justification	Proposed Budget
				\$
FAC 23-26	Zurich Ball Diamond Light Replacement	Replace lighting fixtures on diamond light standards.	Current lighting is inadequate and unsafe. Complaints are being received by user groups.	65,000
FAC 23-27	Bayfield Arena Roof Replacement	Roof repair/replacement.	BFIT reported leaks.	80,000
FAC 23-28	BFIT Capital Expenditure	Annual allowance for BFIT capital expenditure. Any unspent funds will be retained in its reserve.	Approved by Council as part of the Bayfield Community Complex Agreement. Agreement by-law 39-2020	25,000
Total Budget				932,267

**Facilities and Parks
2023 Capital Budget Summary**

Project #	Project Name	Funding Sources					Total Funding	Grant/ Other Description
		Grants	Vibrancy	Development Charges	BFIT Reserve	Rec & Park Reserve for Contingency		
		\$	\$	\$	\$	\$		
FAC 23-01	Zurich & Hensall Arena Girder Repair					80,000	80,000	
FAC 23-02	Zurich Arena HVAC Replacement					30,000	30,000	
FAC 23-03	HVAC Replacement Outstanding Balance					9,767	9,767	
FAC 23-04	Zurich Arena Grease Trap Replacement					7,000	7,000	
FAC 23-05	Hensall Arena Entrance Door Replacement					12,000	12,000	
FAC 23-06	Hensall Arena Rubber Flooring Replacement					35,000	35,000	
FAC 23-07	Hensall Arena Reciprocating Compressor Motor Replacement					15,000	15,000	
FAC 23-08	Hensall Arena Interior Lighting Replacement					35,000	35,000	

**Facilities and Parks
2023 Capital Budget Summary**

Project #	Project Name	Funding Sources					Total Funding	Grant/ Other Description
		Grants	Vibrancy	Development Charges	BFIT Reserve	Rec & Park Reserve for Contingency		
		\$	\$	\$	\$	\$		
FAC 23-09	Stanley Complex Door Replacement					18,500	18,500	
FAC 23-10	Stanley Complex Water Heater Replacement					8,500	8,500	
FAC 23-11	Stanley Complex Community Centre Light Replacement		32,500			-	32,500	
FAC 23-12	Municipal Office Furnace & HRV Replacement					30,000	30,000	
FAC 23-13	Municipal Office A/C Replacement					6,000	6,000	
FAC 23-14	Hensall Library Furnace Replacement					8,000	8,000	
FAC 23-15	Hensall Library Condenser Unit (2) Replacement					15,000	15,000	
FAC 23-16	Clan Gregor Square Gazebo Roof Replacement and Repairs		15,000			-	15,000	

**Facilities and Parks
2023 Capital Budget Summary**

Project #	Project Name	Funding Sources					Total Funding	Grant/ Other Description
		Grants	Vibrancy	Development Charges	BFIT Reserve	Rec & Park Reserve for Contingency		
		\$	\$	\$	\$	\$		
FAC 23-17	Hensall Park Storage Shed Upgrade					40,000	40,000	
FAC 23-18	Hensall Playground Replacement	100,000				15,000	115,000	Ontario Trillium Fund
FAC 23-19	Huronview Park Bank Naturalization	75,000				-	75,000	Great Lakes Local Action Fund
FAC 23-20	Playground Replacements		15,000			-	15,000	
FAC 23-21	Lake Access Stairs		40,000			-	40,000	
FAC 23-22	Hensall and Zurich Complex Road Signs		60,000			-	60,000	
FAC 23-23	Master Key Program					15,000	15,000	
FAC 23-24	Howard Street Stair Replacement					20,000	20,000	
FAC 23-25	Riding Lawn Mower		25,000			-	25,000	

**Facilities and Parks
2023 Capital Budget Summary**

Project #	Project Name	Funding Sources					Total Funding	Grant/ Other Description
		Grants	Vibrancy	Development Charges	BFIT Reserve	Rec & Park Reserve for Contingency		
		\$	\$	\$	\$	\$		
FAC 23-26	Zurich Ball Diamond Light Replacement		53,930			11,070	65,000	
FAC 23-27	Bayfield Arena Roof Replacement				80,000	-	80,000	
FAC 23-28	BFIT Capital Expenditure				25,000	-	25,000	
Total Budget		175,000	241,430	-	105,000	410,837	932,267	

**Facilities and Parks
2023 Four Year Capital Forecast**

Year	Project Name	Forecast Budget	Funding Sources				Total Funding
			Grants	Vibrancy	BFIT Reserve	Rec & Park Reserve for Contingency	
		\$	\$	\$	\$	\$	\$
2024	Zurich Arena Asphalt Parking Lot Replacement	160,000				160,000	160,000
	Zurich Arena EPDM Roof Replacement (low slope roof over refrigeration room)	35,000				35,000	35,000
	Zurich Arena Radiant Tube Heater (4) Replacement	60,000				60,000	60,000
	Zurich & Hensall Arena (2) Cooling Tower Replacement	180,000		180,000		-	180,000
	Zurich Arena Circulation Pump Replacement (2)	15,000				15,000	15,000
	Zurich Arena Reciprocating Compressor and Motor (2) Replacement	134,000		61,430		72,570	134,000
	Zurich Arena Plate & Frame Heat Exchanger Replacement	100,000				100,000	100,000
	Zurich Arena LED Lighting Upgrade (Community Centre & Ice Rink)	80,000				80,000	80,000
	Hensall Arena Distribution Transformer Replacement	8,000				8,000	8,000
	Hensall Arena Brine System and Concrete Pad Replacement	500,000				500,000	500,000
	Hensall Ice Rink LED Lighting Upgrade	35,000				35,000	35,000
	Stanley Complex Metal Siding Replacement	73,000				73,000	73,000
	Municipal Office LED Lighting Upgrade (Interior & Exterior)	52,500				52,500	52,500
	Hensall Library Foundation Repair	16,000				16,000	16,000
	Hensall Library Concrete Slab Repair	20,000				20,000	20,000
	Hensall Library Upper Floor System Repair	12,500				12,500	12,500
	BFIT Capital Expenditure	25,000			25,000	-	25,000
						-	-
Total		1,506,000	-	241,430	25,000	1,239,570	1,506,000

**Facilities and Parks
2023 Four Year Capital Forecast**

Year	Project Name	Forecast Budget	Funding Sources				Total Funding
			Grants	Vibrancy	BFIT Reserve	Rec & Park Reserve for Contingency	
		\$	\$	\$	\$	\$	\$
2025	Zurich & Hensall Arena Security System (2) Upgrade	15,000		15,000		-	15,000
	Hensall Arena Furnace (3) Replacement	35,000		35,000		-	35,000
	Hensall Arena Heat Recovery System Replacement	15,000		15,000			15,000
	Zurich & Hensall Arena Main Fire Panel (2) Replacement	10,000		10,000			10,000
	Hensall Arena Switchboard and Panel Board Replacement	43,000		43,000			43,000
	Stanley Complex Window Replacement	40,000		40,000		-	40,000
	Hensall Library Carpet Replacement	22,000		22,000		-	22,000
	Hensall Library Hot Water Heater Replacement	2,500		2,500			2,500
	Houston Heights Pavilion Repairs/Replacements (service doors, metal partitions, distribution panel, LED Upgrades)	18,000		18,000		-	18,000
	Kinsmen Pavilion Water Piping Replacement	5,000		5,000			5,000
	BFIT Capital Expenditure	35,000			35,000	-	35,000
						-	-
Total		240,500	-	205,500	35,000	-	240,500

**Facilities and Parks
2023 Four Year Capital Forecast**

Year	Project Name	Forecast Budget	Funding Sources				Total Funding
			Grants	Vibrancy	BFIT Reserve	Rec & Park Reserve for Contingency	
		\$	\$	\$	\$	\$	\$
2026	Zurich Arena Emergency Lighting Replacement	30,000		30,000			30,000
	Hensall Arena Lavatory (22) & Urinal (9) Replacement	22,000		22,000		-	22,000
	Hensall Arena Radiant Tube Heater Replacement (3)	36,000		36,000			36,000
	Hensall Arena Circulation Pump Replacement	10,000		3,430		6,570	10,000
	Hensall Arena Reciprocating Compressor (2) Replacement	100,000		100,000		-	100,000
	Hensall Arena Dehumidifier Replacement	15,000				15,000	15,000
	Stanley Complex Exterior Door Replacement	12,000				12,000	12,000
	Stanley Complex Community Centre Tile Replacement	10,000				10,000	10,000
	Hensall Library Entrance Door Replacement	5,000				5,000	5,000
	Hensall Library LED Lighting Upgrade	16,000				16,000	16,000
	Houston Heights Pavilion Replacements (siding, soffits and fascia)	9,000				9,000	9,000
	Clan Gregor Square Lamp Post Replacement and LED Upgrade	50,000		50,000			
						-	-
Total		315,000	-	241,430	-	73,570	265,000

**Facilities and Parks
2023 Four Year Capital Forecast**

Year	Project Name	Forecast Budget	Funding Sources				Total Funding
			Grants	Vibrancy	BFIT Reserve	Rec & Park Reserve for Contingency	
		\$	\$	\$	\$	\$	\$
2027	Hensall Arena Interior Door (24) Replacement	6,000		6,000		-	6,000
	Hensall Community Centre Concrete Sealant Refinish	10,000		10,000		-	10,000
	Hensall Arena Overhead Door Replacement	12,000		12,000			12,000
	Hensall Arena Kitchen Upgrade	20,000		20,000			20,000
	Stanley Complex Exit and Emergency Signage Replacement	17,000		17,000			17,000
	Hensall Library Window Wall System Replacement	8,000		8,000		-	8,000
						-	-
Total		73,000	-	73,000	-	-	73,000

**Rec & Park Reserve for Contingency
2023 Five Year Reserve Forecast**

	2022	2023	2024	2025	2026	2027
	\$	\$	\$	\$	\$	\$
Projected Balance - Start of Year	705,102	713,584	568,185	32,615	244,615	388,045
Additions to Reserve						
Contributions from Operating Budget	168,152	265,437	704,000	212,000	217,000	222,000
Reductions in Reserve						
Estimated 2022 Capital Projects	(66,670)					
Estimated Carryforward Projects	(93,000)					
Capital Spending (from 5 Year Forecast)		(410,837)	(1,239,570)	-	(73,570)	-
Projected Balance - End of Year	713,584	568,185	32,615	244,615	388,045	610,045
Balance is comprised of:						
General	357,280	63,729	(139,994)	(96,146)	(120,868)	(67,020)
Lake Access Stair	70,000	90,000	130,000	170,000	210,000	250,000
Hensall Arena Floor & Dressing Room	286,304	414,456	42,608	170,760	298,912	427,064
	713,584	568,185	32,615	244,615	388,045	610,045
Target Balance per Policy	At discretion of Council					
Annual forecast increase in operating reserve transfer (rounded '000)			165%	-70%	2%	2%
Annual forecast increase in operating reserve transfer \$ (rounded '000)		97,285	\$438,563	(\$492,000)	\$5,000	\$5,000

**BFIT Reserve
2023 Five Year Reserve Forecast**

	2022 \$	2023 \$	2024 \$	2025 \$	2026 \$	2027 \$
Projected Balance - Start of Year	46,490	70,146	146	10,146	10,146	10,146
Additions to Reserve						
Contributions from Operating Budget	35,000	35,000	35,000	35,000		
Reductions in Reserve						
Estimated 2022 Capital Projects	(11,344)					
Estimated Carryforward Projects	-					
Capital Spending (from 5 Year Forecast)		(105,000)	(25,000)	(35,000)	-	-
Projected Balance - End of Year	70,146	146	10,146	10,146	10,146	10,146

Target Balance per Policy

Annual forecast increase in operating reserve
transfer %
Annual forecast increase in operating reserve
transfer \$ (rounded '000)

- - - -100% N/A
- - - (35,000) -

Debentures and Debt

The Municipality of Bluewater currently has external debt in the form of debentures owed to the Ontario Infrastructure Projects Corporation (OIPC) and a small amount of tile drain loans owed to the Ministry of Finance.

Existing Debentures

As of December 31, 2022, the Municipality expects to have outstanding debentures of \$9,106,104. The 2023 Debenture Schedule outlines the projected balance for those debentures at December 31, 2023 as well as the related projects.

Proposed Debentures

The 2023 budget does not propose to issue any new debt. However, the Municipality previously approved two projects for debenture: the Zurich Water Line and the Hensall Water Tower. The budget has assumed that the Zurich Water Line debenture will be issued in December of 2023, with payments commencing in 2024. It has been assumed that the Hensall Water Tower debenture will be issued in 2024, with payments commencing in 2024.

The Municipality of Bluewater's debt servicing costs, as a percentage of net revenues, are not projected to exceed the provincial annual repayment limit of 25%.

Sources of Funding for Debentures

The Municipality of Bluewater uses different revenue sources to pay for the principal and interest payments on debentures.

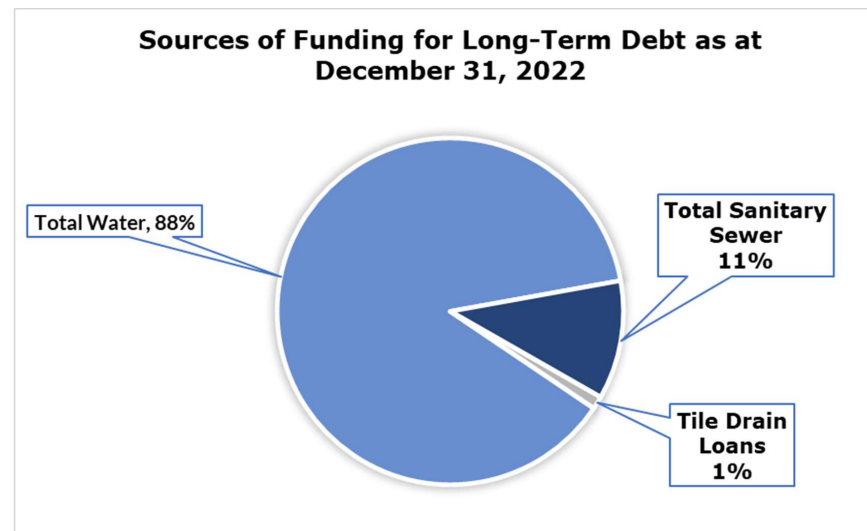
Water Utility Debt is paid for by recoveries and charges through taxation and the principal and interest payments, as well as the revenues called "debenture added to taxation" are included in Water operating budget.

Debentures and Debt

Wastewater Utility Debt is paid for by recoveries and charges through taxation and the principal and interest payments, as well as the revenues called “debenture added to taxation” are included in Sanitary Sewer operating budget.

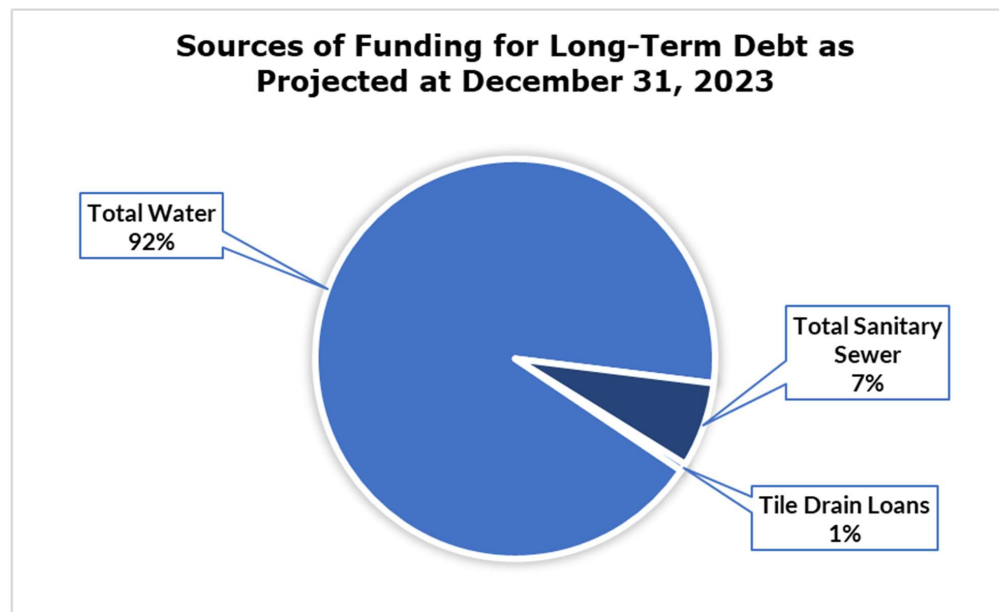
Tile Drain Debt is paid for by the property owners and the principal and interest payments, as well as the revenues called “debenture recovery” are included in the Culture, Planning and Development operating budget.

As of the beginning of 2023, no debentures will be paid for by the tax levy. \$7,987,478, or 88% of the existing debentures are for Water, \$1,009,558 or 11% of the existing debentures are for Sanitary Sewer, and \$109,068, or 1% of the existing debentures are for Tile Drain Loans. Total long-term debt is expected to be \$9,106,104.



Debentures and Debt

As of the end of 2023, no debentures will be paid for by the tax levy. \$12,627,048, or 92% of the existing debentures are for Water, \$934,301 or 7% of the existing debentures are for Sanitary Sewer, and \$84,838, or 1% of the existing debentures are for Tile Drain Loans. Total long-term debt is expected to be \$13,646,187.



Debentures and Debt

Long-term Debt and the Annual Repayment Limit

Provincial limits on municipal debt are set based on a maximum percentage of “own-source revenues” that may be used to service debt costs (e.g. interest and principal payments) on an annual basis. In Ontario, municipalities may incur long-term debt for municipal infrastructure as long as annual debt payments do not exceed 25% of “own-source” revenues without prior approval of the Local Planning Appeal Tribunal (LPAT). This is referred to as the Annual Repayment Limit (ARL). The ARL is essentially the maximum amount that a municipality can pay in principal and interest payments in the year for new long-term debt without first obtaining approval from LPAT.

“Own-source” revenues (or “Net Revenues”) are determined by the ministry and include items such as property taxes, user fees and investment income. It excludes revenue such as grants, gain/loss on sale of tangible capital assets, and revenue from obligatory reserve funds such as development charges and parkland dedication.

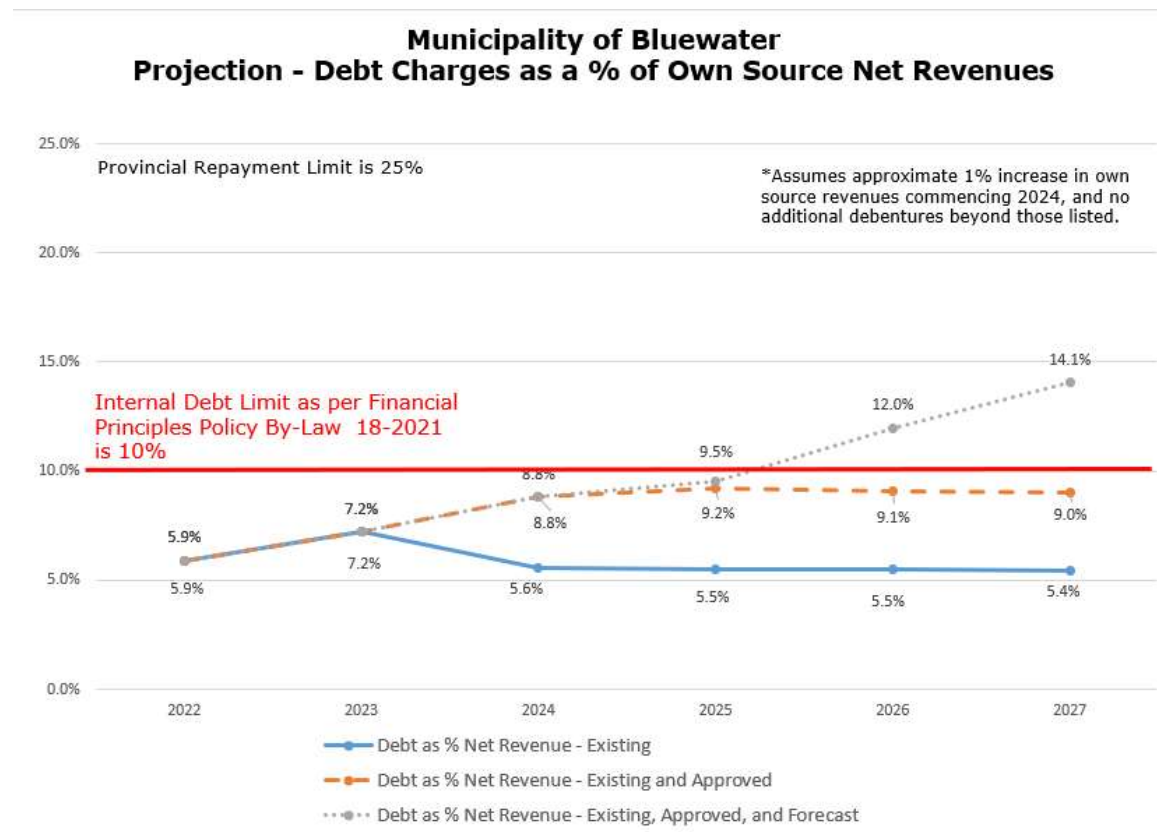
There are two important steps in the ARL process.

First, the Ministry of Municipal Affairs determines each municipalities’ limit annually using a formula in the regulation based on the most recent Financial Information Return (FIR) available at that time. The Province provides an annual statement for municipalities known as the Annual Repayment Limit Statement, under *Ontario Regulation 403/02*, outlining the revenue and debt servicing calculations. It calculates 25% of annual “own-source” revenues, subtracts existing debt servicing costs, and the remaining amount is the estimated ARL.

The Municipality’s 2022 Annual Repayment Limit Statement, which is based on the 2020 FIR, is included with this report. It shows the Municipality was using \$879,523, or 5.9% of Net Revenues to service debt. This calculation was based on existing revenue and debt at that time, and did not include future proposed debt. The estimated ARL, which is the additional amount of principal and interest payments the municipality could incur without LPAT approval, was almost \$2.9 million.

Debentures and Debt

Second, according to Section 401(5) of the *Municipal Act*, the Council of the municipality shall have the Treasurer calculate an updated ARL for any additional approved debt payments and disclose it to Council before any new debt issuance is approved in order to assist Council with decisions regarding capital programs and debt. The ARL must also be updated prior to the undertaking of significant lease agreements, contractual obligations, or liabilities for which payment will be required beyond the term of the present Council. A projected update of the ARL is presented below.



Debentures and Debt

This projection is based on a number of assumptions based on the best information available at this time. For 2022, the estimated net revenues are taken from the 2020 FIR based on the results of the 2022 Annual Repayment Limit Statement. Interest rates on debt are estimated at 6%. The projection assumes a half-year principal and interest payment in the year the debenture is issued, and that the debenture is issued in the year subsequent to the budget approval year. A 1% increase in own source revenues is assumed each year.

The dotted line at the top of the graph is a projection of debt as a percentage of net revenues if the 5-year budget forecast were carried out in the future. This is provided for information purposes, and none of these capital projects, nor the associated debt have been approved by Council. The Treasurer recommends grants, and other sources of funding as an alternative to debt wherever possible.

In 2021, Bluewater Council approved the Corporate Financial Principles Policy, By-Law 18-2021, which provides strategic direction and guidance to Council and staff when evaluating corporate financial decisions. The policy includes an internal debt limit, which is lower than the provincial limit, of 10%. This limit is also depicted on the graph. The Corporate Financial Principles Policy also establishes principles related to debt, including:

Principle #2: Maximum debt load of 25% of annual debt repayments from general rate payers

Principle #3: Debt financing is a last resort for one-time projects where insufficient life cycle costing funds are unavailable

Principle #4: Debt charges to gross current expenditures not to exceed 15%

Principle #5: Debt per capita not to exceed \$400 per capita

The 2023 capital plan is compliant with Policy By-Law 18-2021 because future year projects beyond 2023 have not been approved by Council, however the current capital plan would exceed the internal debt limit in 2025 (based on projects scheduled for 2024). The Municipality will need to seek alternative sources of funding such as grants, increase contributions to reserves to reduce the need for debt, and evaluate the timing of capital projects in the forecast.

Debentures and Debt

Short-term Borrowing

The Municipality has a short-term construction financing agreement with Infrastructure Ontario (IO) for the Zurich Water Line. Interest expense was not included in the 2023 Operating Budget because it is considered to be a part of the capital project and is anticipated that it will be recovered from the benefiting land owners. The estimated interest charges have been included in the calculation of the Annual Repayment Limit.

Operating Leases

The Municipality currently has two operating lease agreements for a front-end wheel loader and a grader. As the leases are considered operating in nature, they do not impact the ARL.

Capital Forecast

The current capital forecast indicates the following debt will be taken out in the next five years (assuming debt is issued in the year following the budget year when the project is completed):

2024 \$1.19 Million – Tax Levy Supported (Richmond St, Public Works Shop Expansion)
2024 \$1.11 Million – Development Charge Supported (Public Works Shop Expansion)
2024 \$7.12 Million – Development Charge Supported (Bayfield Wastewater Treatment Facility)

None of this debt has been approved by Council, nor is it being approved in the 2023 capital budget; it is forecast from 2024 to 2027 based on capital requirements in excess of reserves and reserve funds available in the future. It should also be noted that the Development Charge (DC) Reserve Fund does not have sufficient funds to pay for the projects listed above, which is why it is included as DC Debt, and it will need to be evaluated whether anticipated collection levels would be sufficient to pay for the debt.

Source regarding ARL:

Ministry of Municipal Affairs, "Understanding Municipal Debt". <https://www.ontario.ca/document/tools-municipal-budgeting-and-long-term-financial-planning/understanding-municipal-debt>, 18 Jan 2023.

**Municipal Treasurer's Forecast and Adjustment of Annual Repayment Limit
Based on 2023 Capital Budget and Forecast
as at January 17, 2023**

Estimated Net Revenues, based on submitted 2020 Financial Information Return

2020 Net Revenues	\$ 14,904,497
25% of Net Revenues	3,726,124
Less: 2020 Net Debt Charges	(879,523)
Unadjusted Estimated ARL	<u>\$ 2,846,601</u>

2020 Net Revenues above	\$ 14,904,497
Add: 2021 Incremental Tax Increase	218,233
Add: 2021 Incremental Water & Wastewater Fee Increase	357,481
Estimated 2021 Net Revenues for 2023 ARL	<u>\$ 15,480,211</u>

2021 Net Revenues above	\$ 15,480,211
Add: 2022 Incremental Tax Increase	132,448
Add: 2022 Incremental Water & Wastewater Fee Increase	142,729
Estimated 2022 Budgeted Net Revenues for 2024 ARL	<u>\$ 15,755,388</u>

**Municipal Treasurer's Adjustment and Forecast of ARL
Based on 2023 Capital Budget and Forecast
as at January 17, 2023**

	2022 Debt Charges as % Net Revenues	2022	2023	2024	2025	2026	2027
Estimated Net Revenues (1% estimated annual increase commencing 25% of Net Revenues above		\$ 14,904,497 3,726,124	\$ 15,480,211 3,870,053	\$ 15,755,388 3,938,847	\$ 15,912,942 3,978,235	\$ 16,072,071 4,018,018	\$ 16,232,792 4,058,198
Existing Debt Charges - Water	5.14%	(766,106)	(766,106)	(766,106)	(766,106)	(766,106)	(766,106)
Existing Debt Charges - Sewer	0.76%	(113,507)	(113,507)	(113,507)	(113,507)	(113,507)	(113,507)
Existing Debt Charges - Construction Bridge Financing	Estimated 0.00%		(237,500)				
Future Approved Debt Charges - Water	0.00%			(507,570)	(582,516)	(582,516)	(582,516)
Future Potential Debt Charges - Capital Forecast, Tax Levy Supported	0.00%			-	(51,658)	(103,317)	(103,317)
Future Potential Debt Charges - Capital Forecast, DC Supported	0.00%			-	-	(358,981)	(717,962)
Future Potential Debt Charges - Capital Forecast, Rate Supported	0.00%			-	-	-	-
Estimated Adjusted ARL		\$ 2,846,511	\$ 2,752,940	\$ 2,551,664	\$ 2,464,448	\$ 2,093,591	\$ 1,774,790
Debt Charges as % Net Revenues		5.9%	7.2%	8.8%	9.5%	12.0%	14.1%
Estimated Allowable Borrowing Amount, 7%, 10 years (Illustration Only)		\$20,000,000	\$19,300,000	\$17,900,000	\$17,300,000	\$14,700,000	\$12,500,000
Estimated Allowable Borrowing Amount, 5%, 20 years (Illustration Only)		\$35,500,000	\$34,300,000	\$31,800,000	\$30,700,000	\$26,100,000	\$22,100,000

Notes:

- 1) Does not take into account changes in other operating revenue; assumes steady level of other revenues.
- 2) Assumes 1/2 payment in year of debt issue in year subsequent to Budget Year. Borrowing interest at 6% over 20 years for all projects except Hensall Water Tower for 10 years.

2022 ANNUAL REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403 / 02)

MMAH CODE:	52406		
MUNID:	40010		
MUNICIPALITY:	Bluewater M		
UPPER TIER:	Huron Co		
REPAYMENT LIMIT:		\$	2,846,601

The repayment limit has been calculated based on data contained in the 2020 Financial Information Return, as submitted to the Ministry. This limit represents the maximum amount which the municipality had available as of December 31, 2020 to commit to payments relating to debt and financial obligation. Prior to the authorization by Council of a long term debt or financial obligation, this limit must be adjusted by the Treasurer in the prescribed manner. The limit is effective January 01, 2022

FOR ILLUSTRATION PURPOSES ONLY,

The additional long-term borrowing which a municipality could undertake over a 5-year, a 10-year, a 15-year and a 20-year period is shown.

If the municipalities could borrow at 5% or 7% annually, the annual repayment limits shown above would allow it to undertake additional long-term borrowing as follows:

5% Interest Rate			
(a)	20 years @ 5% p.a.	\$	35,474,944
(a)	15 years @ 5% p.a.	\$	29,546,748
(a)	10 years @ 5% p.a.	\$	21,980,700
(a)	5 years @ 5% p.a.	\$	12,324,294
7% Interest Rate			
(a)	20 years @ 7% p.a.	\$	30,156,934
(a)	15 years @ 7% p.a.	\$	25,926,599
(a)	10 years @ 7% p.a.	\$	19,993,336
(a)	5 years @ 7% p.a.	\$	11,671,627

DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403/02)

MUNICIPALITY:

Bluewater M

MMAH CODE:

52406

Debt Charges for the Current Year

		1
		\$
0210	Principal (SLC 74 3099 01)	411,822.
0220	Interest (SLC 74 3099 02)	506,600
0299	Subtotal	918,422
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)0.
9910	Total Debt Charges	918,422

Amounts Recovered from Unconsolidated Entities

		1
		\$
1010	Electricity - Principal (SLC 74 3030 01)0.
1020	Electricity - Interest (SLC 74 3030 02)	0
1030	Gas - Principal (SLC 74 3040 01)0.
1040	Gas - Interest (SLC 74 3040 02)	0
1050	Telephone - Principal (SLC 74 3050 01)0.
1060	Telephone - Interest (SLC 74 3050 02)	0
1099	Subtotal	0
1410	Debt Charges for Tile Drainage/Shoreline Assistance (SLC 74 3015 01 + SLC 74 3015 02)	38,899.
1411	Provincial Grant funding for repayment of long term debt (SLC 74 3120 01 + SLC 74 3120 02)0.
1412	Lump sum (balloon) repayments of long term debt (SLC 74 3110 01 + SLC 74 3110 02)	0
1420	Total Debt Charges to be Excluded	38,899
9920	Net Debt Charges	879,523

		1
		\$
1610	Total Revenue (SLC 10 9910 01)	17,241,451
Excluded Revenue Amounts		
2010	Fees for Tile Drainage / Shoreline Assistance (SLC 12 1850 04)	8,456
2210	Ontario Grants, including Grants for Tangible Capital Assets (SLC 10 0699 01 + SLC 10 0810 01 + SLC10 0815 01)	2,218,148
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	45,447.
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 830 01)	0
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 831 01)	0
2230	Revenue from other municipalities including revenue for Tangible Capital Assets (SLC 10 1098 01 + SLC 10 1099 01)	36,833.
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	0
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)0.
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	0
2252	Donated Tangible Capital Assets (SLC 53 0610 01)0.
2253	Other Deferred revenue earned (SLC 10 1814 01)	0.
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)0.
2255	Other Revenue (SLC 10 1890 01 + SLC 10 1891 01 + SLC 10 1892 01 + SLC 10 1893 01 + SLC 10 1894 01 + SLC 10 1895 01 + SLC 10 1896 01 + SLC 10 1897 01 + SLC 10 1898 01)	28,070
2299	Subtotal	2,336,954
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	0
2610	Net Revenues	14,904,497
2620	25% of Net Revenues	3,726,124
9930	ESTIMATED ANNUAL REPAYMENT LIMIT	2,846,601
	(25% of Net Revenues less Net Debt Charges)	

* SLC denotes Schedule, Line Column.

Debenture Schedule

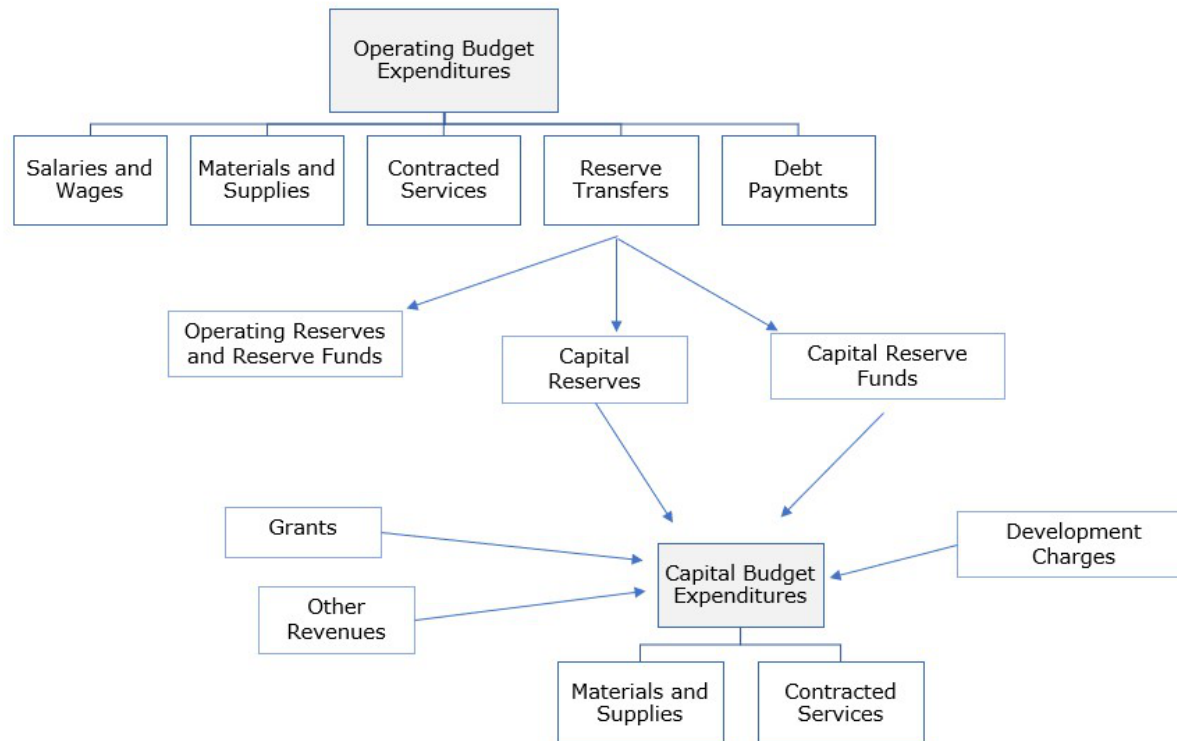
	2023 Beginning Year Balance	2023 Debt Proposed	Principal	Interest	2023 Closing Balance	Year Debt Completed	Comments
<u>Water Utility Debt</u>							
Hensall Water	\$ 1,179,697	\$ -	\$ 157,019	\$ 58,987	\$ 1,022,678	2029	
Hensall Water 2	5,753,802	-	99,587	316,254	5,654,215	2049	
Bayfield Water	1,053,979	-	103,824	30,435	950,155	2031	
							Estimated issuance in December 2023, 5% interest, 20 year term
Zurich Water	-	5,000,000			5,000,000	2043	
Total Water	7,987,478	5,000,000	360,430	405,676	12,627,048		
<u>Sanitary Sewer Utility Debt</u>							
Zurich Sewer Lagoon	1,009,558	-	75,257	38,250	934,301	2033	
Total Sanitary Sewer	1,009,558	-	75,257	38,250	934,301		
<u>Tile Drain Loans</u>							
Tile drains	109,068	-	24,230	6,544	84,838	2030	
Total Tile Drain Loans	109,068	-	24,230	6,544	84,838		
<u>Total</u>	\$ 9,106,104	\$ 5,000,000	\$ 459,917	\$ 450,470	\$ 13,646,187		

Reserves and Reserve Funds

In 2021, the Municipality of Bluewater's Council approved a Reserves and Reserve Fund Policy, By-law 16-2021, to ensure that monies are set aside for the long-term goals of the Municipality and that those funds will be available when needed.

Reserves and Reserve Funds are established by Council to assist with long-term financial stability and planning. By maintaining reserves, the Municipality can accumulate funds for future expenditures or contingent liabilities.

The municipal operating budget includes reserve transfers, which are used to fund operating projects, capital projects and other significant expenditures. An illustration of the relationship between the operating budget, capital budget, and reserves is below:



Reserves and Reserve Funds

Reserves are established at the discretion of Council, often as part of a financial strategy to fund programs or capital projects. Reserves are an allocation from the accumulated surplus of the Town. They are not associated with any specific asset, but are defined in the Reserves and Reserve Funds Policy as monies set aside by approval of Council. A reserve is generally used to mitigate the impact of fluctuations in operating costs and revenue.

Discretionary Reserve Funds are similar to reserves as described above, but they require the physical segregation of cash and liquid assets. They are legislated by municipal by-law. If Council should decide to spend the money for purposes other than what it was originally intended for, then a new by-law must be passed under section 417 (4) of the Municipal Act. Some discretionary reserve funds are “rate- supported” because they receive revenues and incur expenses on their own without support from the general tax levy. These funds cannot be used for other purposes. Examples of rate-supported discretionary reserve funds are the Building Department Reserve, Water Reserve Fund, and Wastewater Reserve Fund.

Obligatory Deferred Revenue Funds are segregated and restricted for a specific purpose. They represent monies set aside either by a by-law of the municipality, an external agreement, or the requirement of provincial legislation. Interest earned on obligatory reserve funds must be allocated to the specific reserve fund that earned it and used for that purpose. Obligatory reserve funds are included in deferred revenue, and the revenue is recognized when eligible expenditures are made using those funds.

Capital Reserves and Reserve Funds are set aside to fund capital purchases or projects. They often accumulate large sums of money because capital projects usually have a high dollar value and the timing of major projects is not normally distributed evenly from year to year. Examples include the Paving and Construction Reserve or the Recreation and Park Reserve for Contingency.

Operating Reserves and Reserve Funds are set aside to fund operating expenditures. Examples include the Building Department Reserve or the Elections Reserve.

Discretionary reserves generally do not earn interest. Interest is earned on discretionary reserve funds and obligatory deferred revenue funds based on the rate earned in the bank each month.

The Municipality of Bluewater has a number of Reserves, Reserve Funds, and Obligatory Deferred Revenue Funds, which are listed in the Financial Statements in the “Consolidated Schedule of Continuity of Reserves, Reserve Funds and Deferred Revenue”. The Mid-Huron Landfill Reserve and Reserve Funds are proportionately consolidated in the financial statements and are not controlled by the Municipality, and have therefore been excluded from this budget and forecast.

Reserve and Reserve Fund Forecast

A 5-year reserve forecast summary and a 5-year reserve fund forecast summary has been prepared to illustrate the long-range financial planning of the Municipality. Many of the balances can be difficult to predict as their use is affected by uncertain future events, interest rates, and the timing of capital projects, and final costs of previously approved projects. However, the following table illustrates projections based on the current capital plan, with reserve transfers from the operating budget increasing each year in most cases, to meet the capital funding requirements of the forecast. Should the approved transfers to reserve differ from those in the projection, or additional expenditures be incurred, the balances will be reduced. This forecast has assumed that some projects will be debentured beginning in 2024, in accordance with the 5-year capital forecast.

2023 Reserve Forecast Summary

	Actual Balance Dec. 31, 2021	Forecast Balance Dec. 31, 2022	Forecast Balance Dec. 31, 2023	Forecast Balance Dec. 31, 2024	Forecast Balance Dec. 31, 2025	Forecast Balance Dec. 31, 2026	Forecast Balance Dec. 31, 2027	Notes
Reserves	\$	\$	\$	\$	\$	\$	\$	
Working Funds	900,890	814,890	814,890	814,890	814,890	814,890	814,890	Note 1
Building Fees (Bill 124)	659,698	557,268	307,391	307,391	307,391	307,391	307,391	Note 2
Sewer Operating	281,247	23,928	17,757	129,757	244,757	362,757	483,757	*
Water Operating	5,423,213	5,045,343	5,276,635	5,512,635	5,753,635	5,999,635	6,250,635	*
Equipment Replacement	105,494	80,494	68,494	38,494	41,494	49,494	8,494	*
Bluewater Capital Buildings	492,691	315,303	315,303	315,303	315,303	315,303	315,303	Note 3
Self Insured Sick Leave Plan	27,350	27,350	27,350	27,350	27,350	27,350	27,350	Note 4
Election Expenses	30,000	15,000	30,000	45,000	60,000	-	20,000	Note 5
Municipal Drain Construction	168,161	168,161	168,161	168,161	168,161	168,161	168,161	Note 6
Works - Lakeshore Roads	307,074	192,128	172,128	247,128	322,128	397,128	472,128	*
Fleet - Equipment	1,742,818	1,462,165	320,512	90,512	295,512	379,512	516,512	*
Public Works - Paving & Construction	1,603,818	171,203	124,044	309,203	270,862	858,821	1,938,480	*
Public Works - Bridges	926,191	284,902	10,061	21,722	38,383	400,044	661,101	*
Tree Plantings - Developments	7,200	7,200	7,200	7,200	7,200	7,200	7,200	Note 11
Public Works - Subdivision Agreements	49,315	49,315	49,315	49,315	49,315	49,315	49,315	Note 11
Rec & Park Contingency	705,102	713,584	568,185	32,615	244,615	388,045	610,045	*

2023 Reserve Forecast Summary

	Actual Balance Dec. 31, 2021	Forecast Balance Dec. 31, 2022	Forecast Balance Dec. 31, 2023	Forecast Balance Dec. 31, 2024	Forecast Balance Dec. 31, 2025	Forecast Balance Dec. 31, 2026	Forecast Balance Dec. 31, 2027	Notes
Reserves	\$	\$	\$	\$	\$	\$	\$	
Friends of the Hay Twp Hall	23,226	3,226	3,226	3,226	3,226	3,226	3,226	Note 8
Economic Development	25,000	25,000	25,000	25,000	25,000	25,000	25,000	Note 9
Strategic Plan Communications	15,000	15,000	15,000	15,000	15,000	15,000	15,000	Note 7
Area Health Care Capital Projects	279	279	279	279	279	279	279	Note 7
Environment Committee	56,581	56,581	56,581	56,581	56,581	56,581	56,581	Note 10
Bayfield Community Centre (BFIT)	46,490	70,146	146	10,146	10,146	10,146	10,146	*
Bayfield Community - Rec & Park Capital	18,500	18,500	18,500	18,500	18,500	18,500	18,500	Note 7
Hensall Reserve - Infrastructure	12,713	12,713	12,713	12,713	12,713	12,713	12,713	Note 7
Hensall Reserve - Waste Site Closure	4,116	4,116	4,116	4,116	4,116	4,116	4,116	Note 12
Stanley Working Funds	48,878	48,878	48,878	48,878	48,878	48,878	48,878	Note 7
Consolidated - Waste Site Closure Costs	225,928	219,928	(153,072)	-	75,000	152,000	231,000	
COVID-19 Safe Restart	218,443	99,943	118,500	-	-	-	-	Note 13
Cemetery Maintenance	22,267	20,267	18,267	16,267	14,267	12,267	10,267	Note 14
Marina - Operating	85,452	85,452	85,452	85,452	85,452	85,452	85,452	Note 15
Fire Departments	292,946	(476,330)	(242,480)	(60,680)	302,620	699,780	154,880	*

2023 Reserve Forecast Summary

	Actual Balance Dec. 31, 2021	Forecast Balance Dec. 31, 2022	Forecast Balance Dec. 31, 2023	Forecast Balance Dec. 31, 2024	Forecast Balance Dec. 31, 2025	Forecast Balance Dec. 31, 2026	Forecast Balance Dec. 31, 2027	Notes
Reserves	\$	\$	\$	\$	\$	\$	\$	
Total Reserves	14,526,081	10,131,933	8,288,531	8,352,153	9,632,773	11,668,983	13,326,799	
Other Additions to Reserves								
Mid Huron Landfill Reserve - 3.8% Share	2,849							
Total Reserves as Per Audited Financial Statements	14,528,930							

Notes

- On December 19, 2022, Council approved that any unfavourable variance due to the increased wheelie bin prices would be taken from the Working Funds Reserve, estimated at \$86,000.
 - The Building Permit Reserve Fund target as per Municipal Policy is 30 months of projected operating expenses, to mitigate unanticipated decreases in revenue. The target based on the 2023 budget is \$1,449,068. The forecast balance is being decreased because the budget for 2022 and 2023 for the department require transfers from the reserve to balance, due to expenditures exceeding revenues.
 - The Reserve for Bluewater Capital Buildings includes \$232,520 in Investing in Ontario Act Funds, of which \$177,388 will be spent on Tuyl Street. There is \$69,879 for Library renovations, and the remainder of \$190,291 is unallocated.
 - The Self Insured Sick Leave Plan should be analyzed to determine the funds that are required to offset historical costs.
 - Assumed that \$15,000 per year will be contributed and spent in an election year. Commencing 2027, assumed \$20,000 per year.
 - This reserve is to cover Bluewater's portion of drain construction costs which are not recovered from benefiting properties. The reserve forecast will be updated.
 - This reserve should be investigated to determine if all funds are needed or if it can be reallocated.
 - \$20,000 to be taken from reserve for Hay Town Hall Windows.
 - Economic Development Reserve funds the Community Improvement Plan program (4-5 applications per year).
 - Environment Committee Reserve relates to Blue Flag. This reserve should be investigated to determine if all funds are needed or if it can be reallocated.
 - Payments from development that must be used toward costs of related infrastructure.
 - Funds from this reserve are recommended to be transferred to the Consolidated Waste Site Closure Costs Reserve.
 - All COVID-19 funding is anticipated to be used by the end of 2023.
 - Assumed funds gradually used for maintenance.
 - Assumed \$5,000 increase per year as per budget.
- * See Capital Forecast

2023 Reserve Funds Forecast Summary

	Actual Balance Dec. 31, 2021	Forecast Balance Dec. 31, 2022	Forecast Balance Dec. 31, 2023	Forecast Balance Dec. 31, 2024	Forecast Balance Dec. 31, 2025	Forecast Balance Dec. 31, 2026	Forecast Balance Dec. 31, 2027	Notes
Reserve Funds	\$	\$	\$	\$	\$	\$	\$	
Hay Reserve Fund Sale of								
Dashwood Utility	10,612	10,930	11,258	11,596	11,944	12,302	12,671	
Bayfield Sewer Extensions	979,711	1,009,102	1,039,375	1,070,557	1,102,673	1,135,754	1,169,826	Note 1
Hensall Sewer Capital	629	648	667	687	708	729	751	Note 2
Zurich Sewer Capital	14,861	15,307	15,766	16,239	16,726	17,228	17,745	Note 2
Bluewater Sewer	1,905,926	2,220,086	2,765,162	2,351,463	2,747,185	3,269,646	3,840,225	*
Hay Water Capital	153,297	157,896	162,633	167,512	172,537	177,713	183,045	Note 2
Bayfield Water Capital	20,543	21,159	21,794	22,448	23,121	23,815	24,529	Note 2
Hensall Water Capital	208,965	215,234	221,691	228,342	235,192	242,248	249,515	Note 2
Stanley Water Capital	55,277	56,935	58,643	60,403	62,215	64,081	66,004	Note 2
Water Reserve Fund	4,749,472	5,314,345	4,247,825	4,504,824	4,653,140	5,449,914	6,300,326	*
Grand Bend Wind Community Fund	639,525	763,711	841,622	971,871	1,106,027	1,244,208	1,386,534	Note 3
Goshen Wind Community Fund	56,393	73,880	91,891	110,443	129,551	149,233	169,505	Note 3
Varna Wind Community Fund	176,247	230,854	287,100	345,033	404,704	466,165	529,470	Note 3

2023 Reserve Funds Forecast Summary

	Actual Balance Dec. 31, 2021	Forecast Balance Dec. 31, 2022	Forecast Balance Dec. 31, 2023	Forecast Balance Dec. 31, 2024	Forecast Balance Dec. 31, 2025	Forecast Balance Dec. 31, 2026	Forecast Balance Dec. 31, 2027	Notes
Reserve Funds	\$	\$	\$	\$	\$	\$	\$	
Total Reserve Funds	8,971,458	10,090,088	9,765,429	9,861,416	10,665,723	12,253,035	13,950,145	
Other Additions to Reserve Funds								
Bluewater - Mid-Huron Landfill 3.8% Share	191,698							
Total Reserve Funds as per Financial Statements	9,163,156							

Notes

1. To be investigated whether these funds can be applied to the Bayfield Wastewater Treatment Facility.
 2. It should be investigated how the separate reserve fund for each ward can be combined into one consolidated reserve fund or applied to specific projects in those wards.
 3. 30% of vibrancy funds are being invested for sustainability, plus interest. It is recommended that these funds be used when the agreements end to smooth out the impact of the reduction on the tax levy. The Fire Chief vehicle will be purchased from Vibrancy.
 4. Annual interest has been assumed at 3%.
- * See Capital Forecast

Obligatory Reserve Funds

Forecasts have not yet been prepared for the Obligatory Deferred Revenue Funds. These include:

- Development Charges
- Recreational Land / Parklands (the Planning Act)
- Bluewater Greenlands – Subdivider Contributions
- Canada Community Building Fund (formerly Federal Gas Tax)
- Ontario Community Infrastructure Fund and Other Grants

Many of the balances can be difficult to predict as their use is affected by uncertain future events, interest rates, and the timing of capital projects. Furthermore, the timing of collections is dependent on external factors such as rate of growth and development of the Municipality, or approval of transfers from the federal and provincial governments. These factors cannot be controlled by the Municipality.

A brief explanation of some of these reserve funds is included below.

Development Charge (DC) Reserve Fund

As at December 31, 2021, the DC Reserve Fund had a balance of \$894,777 in aggregate, which is split between different service areas. There are not sufficient funds in the DC Reserve Fund to cover the cost of associated projects contained within the 5-year forecast because DCs are collected over a multi-year timeframe, therefore it has been assumed that the Municipality will take out debt for those projects, and the DC Reserve Fund will pay the principal and interest on that debt. This assumes that collections for the DC Reserve Fund will be sufficient to pay for the debt. A further analysis will need to be completed before the projects are approved with DC funding to ensure that it is estimated that collections will be sufficient.

Canada Community-Building Fund (CCBF) Reserve Fund (formerly Federal Gas Tax)

As at December 31, 2021, the CCBF Reserve Fund had a balance of \$1,022,381, which was approved by Council for application against the Bayfield Main Street Revitalization Project, along with approximately \$550,700 in funding received in 2022.

The Municipality has an agreement with the Association of Municipalities of Ontario pertaining to Canada Community-Building Fund (formerly Federal Gas Tax) grant funding. Certain capital projects are eligible for funding and the 5-year capital forecast has been prepared on the assumption that the same amount will continue to be received each year and all CCBF funds will be applied toward Roads capital projects in the year the funds are received.

Due to the uncertainty of the amount of future funding, any change in the actual amount received in future years will impact the forecast and the funds that will be required from the Municipality's own sources of revenues.

Obligatory Reserve Funds

To continue receiving this funding, it is required that the Municipality continue to spend over and above the “base amount”, which is essentially the Municipality’s own spending on capital infrastructure from 2000 to 2004. This means the Municipality must continue to spend, on average, approximately \$2,600,000 of its “own spending” per year on capital. “Own spending” excludes development charges and monies received under federal and provincial infrastructure programs. “Infrastructure” means municipal or regional, publicly or privately owned, tangible capital assets primarily for public use or benefit in Ontario.

Ontario Community Infrastructure Fund (OCIF) Reserve Fund

As at December 31, 2021, the OCIF Reserve Fund had a balance of \$323,082 which was approved by Council to be applied against the Bridge 35 capital project in 2022. The Town has an agreement with the provincial government pertaining to OCIF funding. The amount of funding that will be received in 2023 is \$661,661, which is higher than the amount received in 2022 by \$86,304. The capital budget has been prepared on the assumption that the funding will be applied to Roads capital projects. The capital forecast assumes that the same amount will be received in future years and that all OCIF funds will be spent within the year.

Due to the uncertainty of the amount of future funding, any change in the actual amount received in future years will impact the forecast and the funds that will be required from the Municipality’s own sources of revenues.

Reserve Transfers and the Asset Management Plan

The Asset Management Plan (AMP) was completed for core infrastructure and for those assets it predicts a \$95M capital need over 10 years (including low risk needs), which is not representative of historical spending levels, and does not account for recent inflationary pressures. The high and medium-risk needs were concentrated from 2022 to 2026, and the comprehensive condition assessments for fleet and facilities were not included in the report. Additionally, water and wastewater capital needs for 2028 to 2031 were not included because the Financial Plans for those rates only identify needs to 2027. A forecast is needed to plan for the debt, predict the debt repayment limit, and determine the impact on the tax levy and user rates in future years. The capital financial forecast needs to be extended to at least a ten-year timeframe.

According to the AMP, on average, Bluewater spent \$1.5 million per year on capital renewal and maintenance from 2017 to 2020 so there is a significant gap in terms of the need to address medium and high-risk projects. The AMP is clear that the municipality needs to develop a comprehensive financial plan that will allow it to fund the repair, rehabilitation and renewal of its asset base as it ages and breaks down.

The table "Tax Levy Contribution to Capital Trend Analysis" illustrates the estimated tax levy contribution to capital expenditures from 2020 to 2022, and shows that contributions to capital have decreased approximately \$500,000 per year for the last two years. It will be very important to increase the reserve transfers to ensure adequate funds are available for future capital projects. In particular, the Paving and Construction, Bridge, and Fire Reserves are significantly underfunded. Decreased capital reserve transfers usually have a cumulative effect over time. For example, if a \$100,000 increase is required, and it is delayed a year, the following year a \$200,000 increase is required to make up for the first year and provide the funding needed for the second year. Therefore, it is prudent to begin increasing reserve transfers when the need is identified.

The Municipality's Corporate Financial Principles Policy, By-Law 18-2021, Principle #4, indicates that the Capital levy should be annually adjusted by the last quarter StatsCan index multiplied by the previous year's capital levy. The estimated increase should be \$193,542 plus approximately \$203,554 in increased transfers to the Fire Reserve because the Zurich Fire Hall was approved to be repaid over approximately four years (the final cost is to be determined), for a total of \$397,096. Due to rapidly rising inflation and cost pressures, the draft budget includes an increase of \$98,944, a shortfall of \$298,152. Increasing the tax levy by \$298,152 would result in an approximate 3.51% further increase in the levy, excluding growth.

Finally, the table "Summary of Capital Reserve Transfers, Debt, and Forecast Tax Levy Impact" provides a calculation of the total changes that are outlined in the capital forecast and the potential impact to the tax levy based on the current forecast. This is an estimate based on a number of assumptions and the current capital forecast as it is. Additional sources of funding, capital expenditures which exceed the estimate, interest rates, timing, and other factors will all impact the outcome. It is also important to note that the tax levy increase from capital does not take into consideration other budget adjustments which are part of the operating budget, or additional tax revenues generated from growth within the Municipality. This is only an isolation of the impact of the capital forecast on the tax levy needs in the future based on the current capital forecast.

Tax Levy Contribution to Capital Trend Analysis

	2020 Approved Budget	2021 Approved Budget	2022 Approved Budget	2023 Draft Budget
General Government	\$ 29,700	\$ -	\$ -	\$ 20,000
Fire	291,481	441,000	458,000	402,000
Protection to Persons and Property	46,069	17,896		
Roads	917,382	365,524	115,887	224,180
Fleet	1,000	-	-	146,847
Marina	-	-	-	-
Solid Waste	126,500	200,000	30,000	127,000
Cemeteries	-	-	-	
Facilities and Recreation	651,395	616,733	517,633	300,437
Planning & Culture	34,253			
Total Tax Levy Contribution to Capital	\$ 2,097,780	\$ 1,641,153	\$ 1,121,520	\$ 1,220,464
Dollar Change from Previous Year		\$ (456,627)	\$ (519,633)	\$ 98,944
% Change from Previous Year		-21.8%	-31.7%	8.8%
Cumulative Change since 2020		-21.8%	-53.4%	-44.6%
Construction Price Index annual increase, previous third quarter		2.5%	11.7%	15.6%

Note: The classification of "capital" above is as per the approved budgets for those years. The tax levy contribution to capital from 2020 to 2022 is defined as Capital Expenditures minus Capital Revenues. For 2023, the tax levy contribution to capital is defined as reserve transfers to capital reserves. Water and Sanitary Sewer are excluded because they are rate-supported.

Source for Construction Price Index: Statistics Canada. Table 18-10-0135-01 Building construction price indexes, by type of building

Summary of Capital Reserve Transfers, Debt, and Forecast Tax Levy Impact

	2022 Budgeted Capital Revenues less Capital Expenditures	2023 Draft Budget	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
	\$	\$	\$	\$	\$	\$
Reserve Transfers						
Equipment Replacement	-	20,000	22,000	25,000	30,000	36,000
Fire Reserve	458,000	402,000	407,000	204,000	209,000	214,000
Rec & Park Contingency	482,633	265,437	704,000	212,000	217,000	222,000
Bayfield Community Centre (BFIT)	35,000	35,000	35,000	35,000	-	-
Public Works - Paving & Construction	40,887	149,180	672,000	1,344,000	1,344,000	1,344,000
Public Works - Bridges	-	-	350,000	490,000	490,000	490,000
Public Works - Lakeshore Roads	75,000	75,000	75,000	75,000	75,000	75,000
Fleet - Equipment	-	96,847	250,000	256,000	263,000	270,000
Waste Site Closure Costs	30,000	127,000	653,072	75,000	77,000	79,000
Tax Levy Supported Capital Reserve Transfers	1,121,520	1,170,464	3,168,072	2,716,000	2,705,000	2,730,000
Change from prior year		48,944	1,997,608	(452,072)	(11,000)	25,000
Sewer Reserve	-	108,829	112,000	115,000	118,000	121,000
Sewer Reserve Fund	520,165	604,576	571,300	598,722	627,461	657,579
Water Reserve	-	231,292	236,000	241,000	246,000	251,000
Water Reserve Fund	756,141	785,787	816,499	848,316	881,274	915,412
Street Lights Reserve	119,132	112,453	112,453	112,453	112,453	112,453
Rate Supported Capital Reserve Transfers	1,395,438	1,842,937	1,848,252	1,915,491	1,985,188	2,057,444
Grand Total Forecast Capital Reserve Transfers	2,516,958	3,013,401	5,016,324	4,631,491	4,690,188	4,787,444

a

Summary of Capital Reserve Transfers, Debt, and Forecast Tax Levy Impact

	2022 Budgeted Capital Revenues less Capital Expenditures	2023 Draft Budget	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	
	\$	\$	\$	\$	\$	\$	
"Self-funded" capital projects being repaid to reserves							
Zurich Arena Loan	153,204	118,886					
Estimated Fire Hall (final to be determined)			282,000	282,000	282,000	282,000	
Total Payments for Self-Funded	153,204	118,886	282,000	282,000	282,000	282,000	
Change in Payments for Self-Funded		(34,318)	163,114	-	-	-	b
Estimated Tax Levy Supported Debt Payments on Newly Issued Debt				51,658	103,317	103,317	
Increase Over Prior Year				51,658	51,659	-	c
Summary of Increases							
Change in Tax Levy Supported Capital Reserve Transfers Above		48,944	1,997,608	(452,072)	(11,000)	25,000	a
Change in Payments for Self-Funded		(34,318)	163,114	-	-	-	b
Change in Tax Levy Supported Debt Payments		-		51,658	51,659		c
Estimated Tax Levy Increase from Capital - \$		14,626	2,160,722	(400,414)	40,659	25,000	
Estimated Tax Levy Increase from Capital - %		0.17%	25.42%	-4.71%	0.48%	0.29%	

Note that the tax levy increase from capital does not take into consideration other budget adjustments which are part of the operating budget, or additional tax revenues generated from growth within the Municipality. This is only an isolation of the impact of the capital forecast on the tax levy needs in the future based on the current capital forecast.