

# LONG TERM CAPITAL FINANCING UPDATE

GENERAL/FINANCE COMMITTEE

– APRIL 15, 2026



# OVERVIEW

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- Recap of Reserve Policy update request
- Growth of the 10-year Capital Outlook – 2019 to now
- Review of the 2024 Asset Management Plan
- Asset Level of Service Study – Financing Plan (2025)
- Review of the Financing Plan for 2026 10-year Capital Outlook
- Next Steps



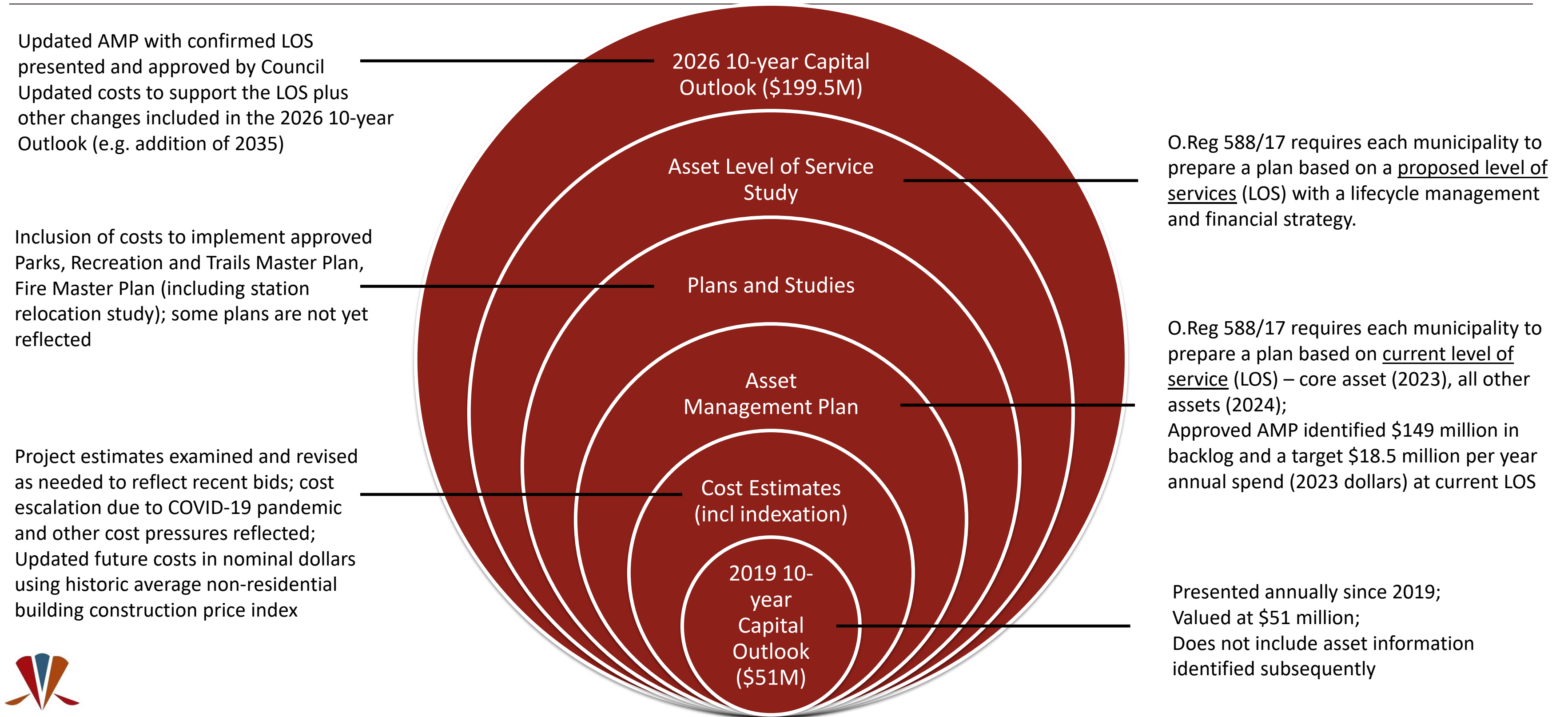
# RESERVE POLICY

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- Policy C-FS-03 was approved in 2021
  - Para 8: Staff shall present a proposed reserve contribution target level for each operating and capital reserve for Council's consideration and approval as part of the annual budget process.
- Council requested the policy be revisited to establish a formulaic contribution level for the budget based on the future expected capital needs
- Use of capital reserve funds have been outpacing contributions for several years
  - Capital reserve funds expected to be depleted by 2028 under the current plan
  - Increasing reliance of debt financing to execute the capital outlook
- Staff presented to Committee a 'sinking fund' model for a new policy for information only
- Consider amended focus for policy on minimum balances for emergencies



# INCREASING 10 -YEAR OUTLOOK

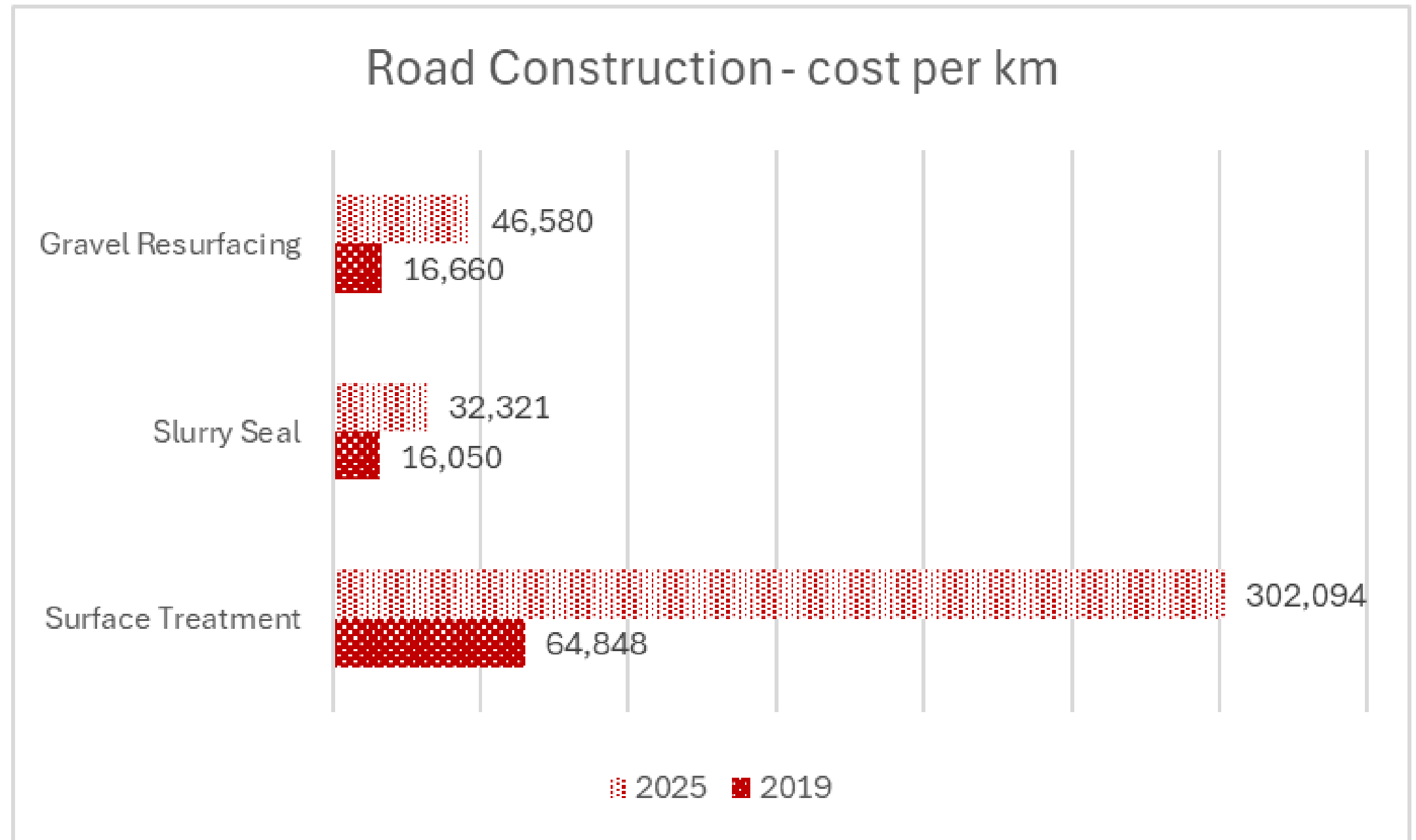


# IMPACT OF INCREASING COSTS

Beyond adding new projects (e.g. playgrounds, docks, and boat launches), the cost of renewing existing assets has risen dramatically – e.g. road construction

The scope of road construction work required has expanded to address climate resilience, as we are experiencing more frequent freeze, thaw cycles, heavier rainfall events, and an increased risk of flooding.

The Township has recognized ownership of multiple structures since 2019 – e.g. bridge and wharf structures that require inspection through the OSIM process



# GREAT THINGS ARE HAPPENING



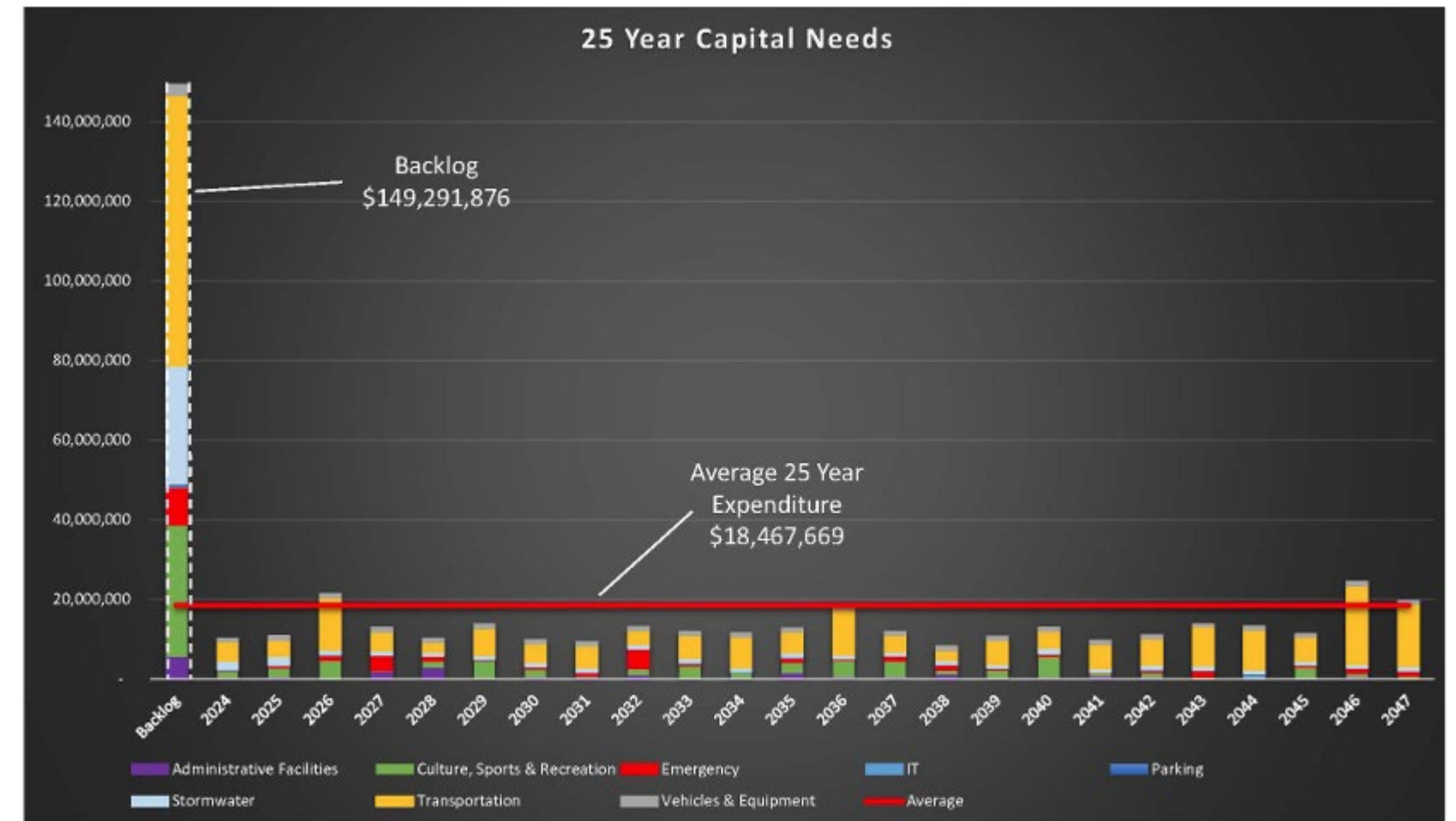
# ASSET MANAGEMENT PLAN (2024)

The TOTAL ESTIMATED REPLACEMENT COST of all township assets was valued at **\$620.2 MILLION** (2023 dollars):

CORE ASSETS (ROADS, STORMWATER)	\$437,908,100
NON-CORE ASSETS	\$182,303,000

with an estimated backlog of work valued at **\$149.3 MILLION** (2023 dollars)

The ESTIMATED AVERAGE 25-YEAR EXPENDITURE required to sustain the infrastructure in a state of good repair is **\$18.5 MILLION** (2023 dollars)



Asset Management Plan: Figure 17, Page 108

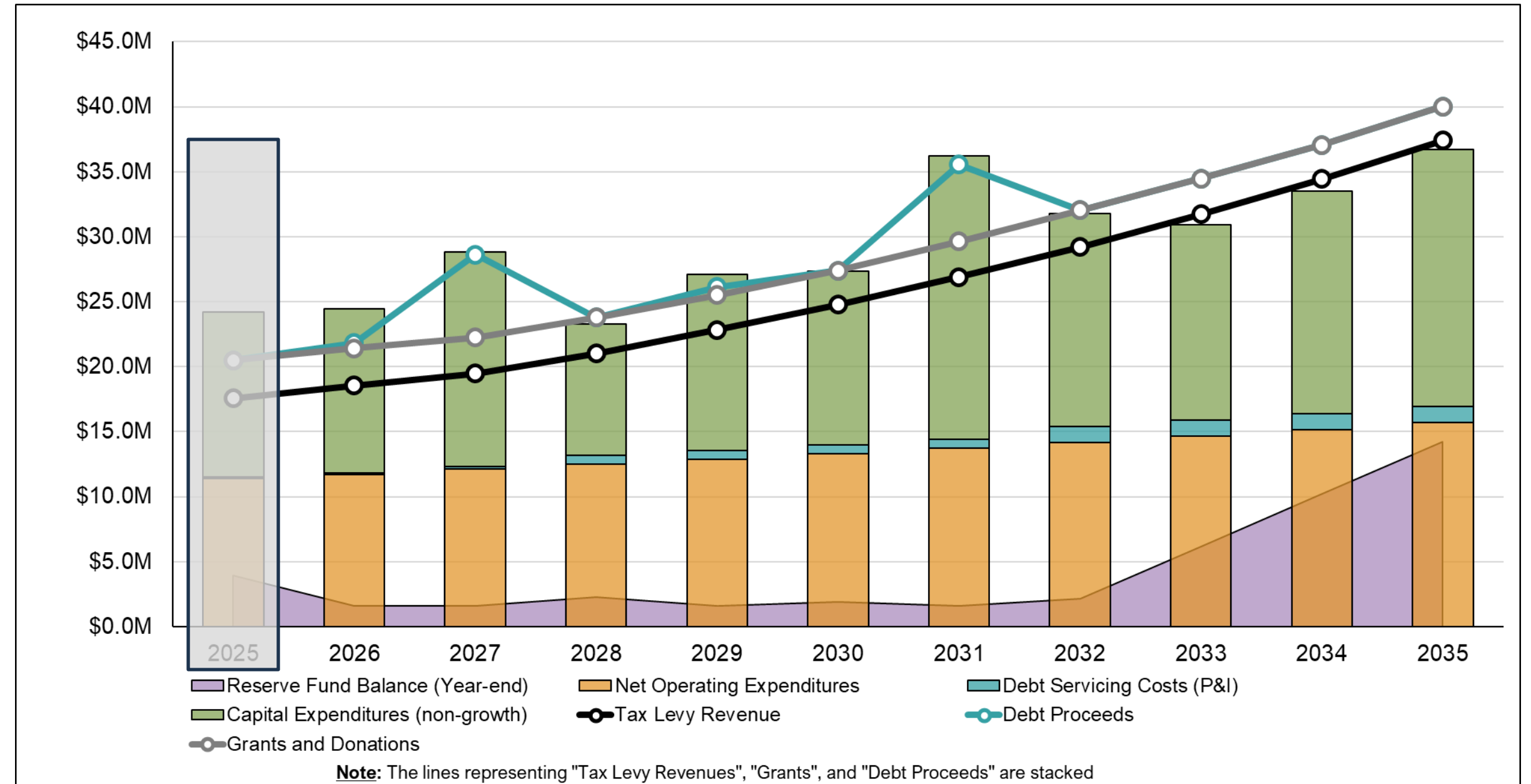
“The overall rating based on current funding levels of expenditure is F indicating the Township is underfunding its infrastructure to a significant degree.”



# LEVEL OF SERVICE STUDY (2025)

Based on the approved Asset Level of Service Study:

- Total capital spend - **\$163 million** over 10 years (2025 - 2034)
- Debt - **\$13.3 million** (2027, 2031)
- Levy - **\$37.4 million** (in 2035)
  - \$20.5 million for capital
- Capital funded from the levy - **\$128.6 million** over 10 years (2026 - 2035)
- Debt servicing - **\$1.2 million** (in 2035)
- Discretionary capital reserve fund balance - **\$14.2 million** (in 2035)



Rate per \$100,000 of assessment will increase to \$304.09 by 2035



# WE ARE NOT ALONE

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## North Bay asset plan reveals \$42.6M annual infrastructure shortfall

City Staff say this year's gap looks larger partly because new provincial rules no longer allow certain funding, like grants, to be counted

## Tiny's \$320m in assets underfunded by two-thirds: report

'The hard conversations do need to be had with constituents,' said asset management director to Tiny council during 2023 budget, as asset plan shows 69% more funding required over next 20 years

## Greater Sudbury's degrading roads underfunded by \$77.8M annually

Approximately \$110M needs to be spent on asphalt rehabilitation in Greater Sudbury to maintain them in their current overall condition, but an average of \$32.2M is currently being spent

## City of Dryden analyzing infrastructure deficit

The City of Dryden has some challenges when it comes to its infrastructure deficit.

## Property taxes could rise by 50% in next 10 years in Bracebridge

Staff say municipalities are responsible for infrastructure and are seeing increases in requirements

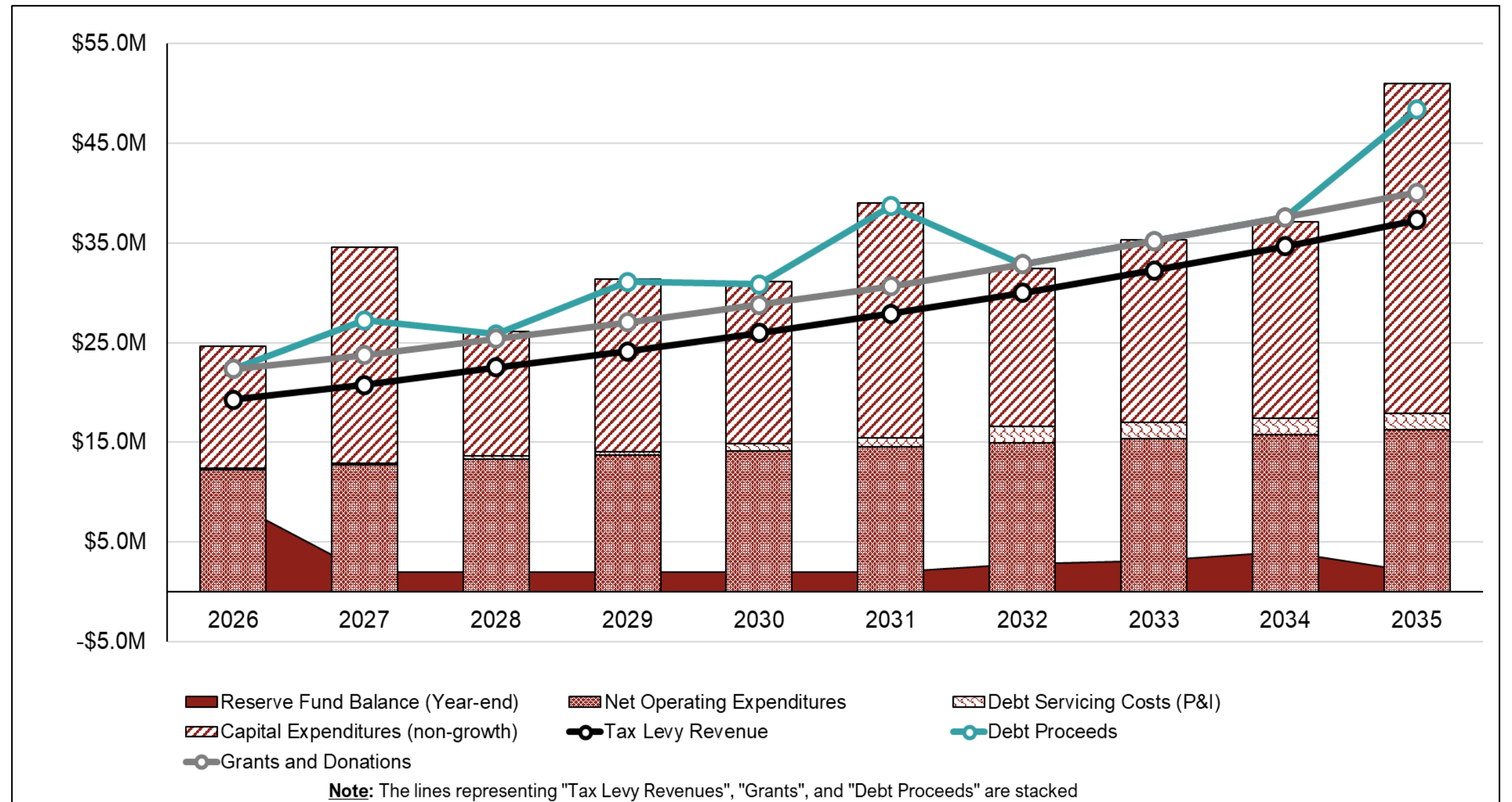
## New report lists 40% of Kingston municipal assets in 'very poor' condition



# CURRENT CAPITAL OUTLOOK (2026)

Based on the updated 2026 10-YEAR Capital Outlook:

- Total capital spend - **\$197.5 million** over 10 years
- Debt - **\$26.5 million** (2027, 2031)
- Levy - **\$37.4 million** (in 2035)
  - \$19.4 million for capital
- Capital funded from the tax levy - **\$122.6 million** over 10 years
- Debt servicing - **\$1.6 million** (in 2035); increasing above \$2M in 2036
- Discretionary capital reserve fund balance - **\$2 million minimum** (in 2035)



Rate per \$100,000 of assessment will increase to \$303.90 by 2035



# IMPLEMENTING THE PLANS

## WHAT'S IN THE 2026 10-YEAR CAPITAL OUTLOOK?

- Arena floors and roofs - \$8.6 million
- Fire hall (new and renovate) - \$28.5 million
- Docks and wharfs - \$7.8 million
- Transportation services level enhancements - \$24.2 million

**TOTAL - \$69.1 million**

## WHAT'S NOT IN THE 10-YEAR PLAN?

- Climate Adaptation and Mitigation Plan – \$28.5 million
- Transportation Master Plan - \$49.7 million
- Building Condition Assessment - \$1.2 million
- Public Works Yards Location Study - \$5-10 million (estimate)

**ESTIMATED TOTAL - \$84.4 to \$89.4 million**



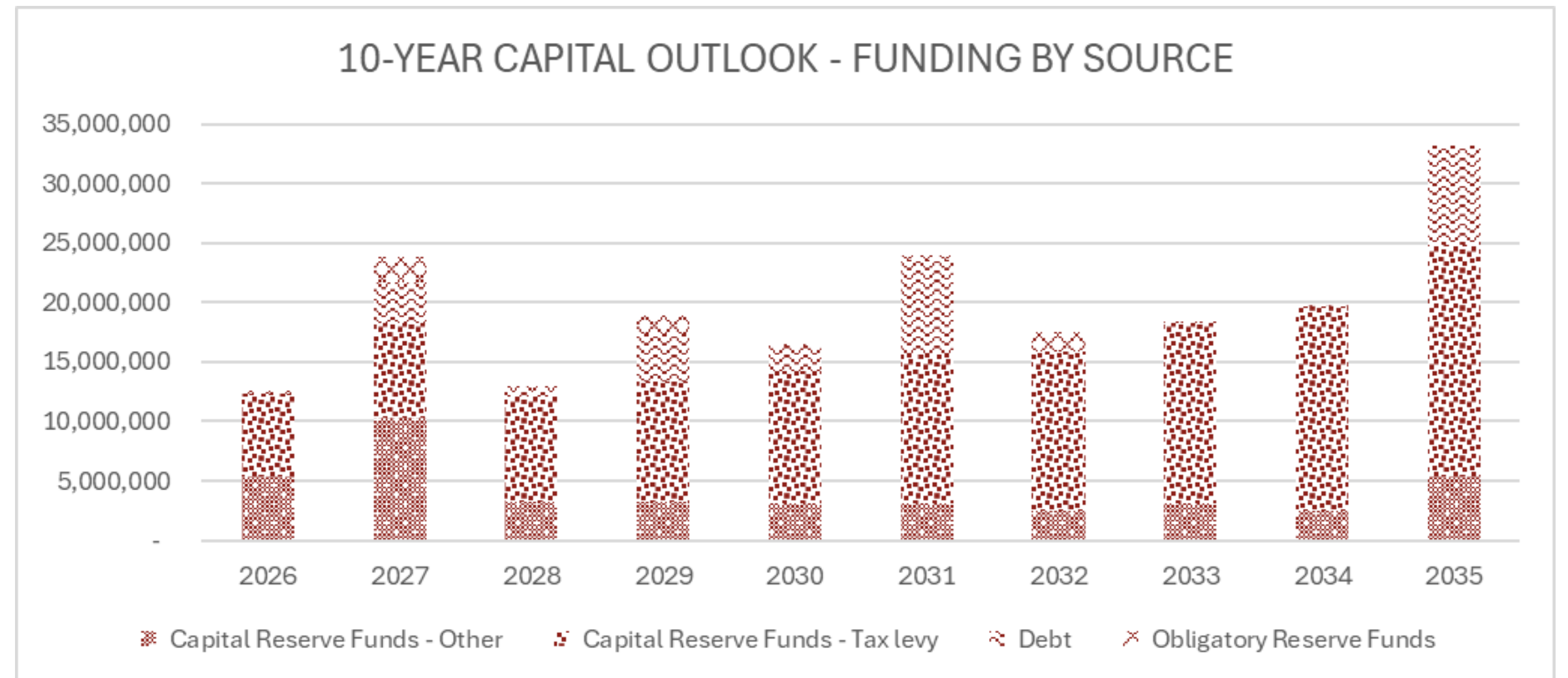
# FUNDING THE 10 -YEAR OUTLOOK

Funding for capital will come from three identified sources:

- **capital reserve funds** funded from:
  - current balances
  - Grants (OMPF, OCIF, CCBF) and interest
  - tax levy
- **obligatory reserve funds** (i.e. growth, park and recreation renewal, building inspection activities)
- **debt financing**

Other sources not assumed:

- asset disposals
- donations
- other one-time grant or loan funding



# RISKS TO THE FINANCING PLAN

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## NET OPERATING EXPENSE CURRENT PEGGED TO HISTORIC INFLATION (CPI) OF 2.3% PER YEAR

- Actual CPI may vary from assumptions (e.g. energy prices)
- Changes in service levels may increase future operating costs (staffing, utilities, maintenance)

## UNEXPECTED FAILURE OF A CRITICAL ASSET

- Deferred maintenance needs may emerge mid-plan, while aging assets can fail unexpectedly, forcing reprioritization of capital funds away from planned projects

## CAPITAL COST ESCALATION

- Assumed indexation of 4.5% annually
- Materials, labour shortages, and/or supply chain issues may result in a variance in pricing
- Keeping approved projects within scope over time (regulatory changes, community demands), increasing costs beyond original estimates

## INTEREST RATE AND DEBT RISK

- Borrowing assumed at 4.35% (15-year term); rising interest rates increase the cost of borrowing can reduce affordability of planned debt-financed projects and crowd out future capital capacity based on the annual repayment limit (ARL) calculation



# PATH FORWARD

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Policy focus to maintain a minimum capital reserve fund balance for unanticipated emergencies

Monitor debt levels and debt servicing costs; ensure provincial compliance

Continued advocacy to senior levels of government to support municipal infrastructure renewal

Update the Asset Management Plan by 2029 (per O.Reg 588/17, para 7)

Update project estimates and ensure priority projects are delivered on time, on budget

Continue to explore other revenue sources as a means of funding asset renewal

- Surplus asset sales
- Donations / fundraising with local community



# THANK YOU

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## LONG-TERM CAPITAL FINANCING UPDATE

[www.muskokalakes.ca](http://www.muskokalakes.ca)



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