



Administrative Report

To: Warden MacDonald and Members of Essex County Council

From: Melissa Ryan, CPA, Director, Financial Services/Treasurer

Date: Wednesday, August 6, 2025

Subject: 2025 Update to Roadway Expansion Funding Model

Report #: 2025-0806-FIN-R22-MR

Purpose

The purpose of this report is to provide County Council with an updated funding model for the 20-year Roadway Expansion Program. This update reflects increased costs related to land acquisition and construction, and reaffirms the County's strategy to manage the financial impact of these pressures. This report is being brought forward in advance of the 2026 Budget process to provide context and transparency for what Council can expect to see reflected in future budgets.

Background

In September 2024, County Council was presented with a comprehensive funding model to support the 20-year Roadway Expansion Program. That model outlined a blended approach using levy contributions, strategic debt financing, and reserve funds to support approximately \$641.2 million in infrastructure needs over two decades. At that time, the financial model assumed relatively stable land acquisition and construction costs based on market conditions in 2023 and early 2024, and anticipated an annual \$1.5 million levy increase starting with the 2025 Budget.

Since then, significant inflationary pressure in both land and construction markets has driven up overall cost estimates. During the 2025 Budget deliberations, Council approved using \$2 million from capital reserves to fund the program, which effectively reduced the base levy allocation from \$17.5 million to \$15.5 million. While a \$750,000 levy increase was added, this was only half of the \$1.5 million increase originally anticipated, resulting in an overall erosion of the ongoing levy base for the program.

These changes, along with revised cost estimates and updated timing, have now been incorporated into the financial model. While the approach remains largely unchanged, staff have updated the assumptions to reflect current market realities. The model will continue to evolve based on ongoing design work, updated cost estimates, and project scheduling.

This report is being brought forward ahead of the 2026 Budget process and alongside a companion report on an update to the County's Development Charges initiative. Many of the projects in the Roadway Expansion Program are growth related and would typically be eligible for DC recovery under the Development Charges Act.

Discussion

Staff from Infrastructure and Financial Services have worked together to review project timelines, cost estimates, and funding assumptions to reflect updated market conditions. While the overall scope of the Roadway Expansion Program remains the same, the projected total cost of the program is now estimated at \$704,800,000, an increase of approximately \$63.6 million from the original estimate.

The updated model continues to rely on a mix of financial tools, including:

- A phased increase to annual levy contributions;
- Strategic use of long-term debt to finance major projects;
- Early use of reserves, with a plan to replenish them later in the program.

Although there is no line item for Provincial or Federal grant funding in the financial model at this time, the County will continue to pursue any eligible opportunities. If successful, those funds would be incorporated into future updates and help offset the property tax supported portion of the program.

The updated financial strategy emphasizes flexibility. The model will be reviewed annually through the County's budget process and will be adjusted based on actual construction costs, project timing, and Council's decisions related to Development Charges.

Appendix A provides a breakdown of the revised financial model and cost-sharing approach. Appendix B lists the capital projects included in the Roadway Expansion Program, organized by project stage (e.g.,

environmental assessment, detailed design, property acquisition, construction).

Financial Implications

The revised Roadway Expansion Program is now estimated to cost \$704.8 million over 20 years, up from the original estimate of \$641.2 million. This increase is primarily due to inflationary pressure on land and construction costs.

The current model continues to rely on a balanced mix of levy contributions, debt issuance, and reserve utilization. The 2025 Budget includes a base levy contribution of \$16,629,640, with annual increases of \$1.5 million built into future forecasts.

Debt will continue to be used strategically to align the timing of project construction with asset life and minimize financial pressure on the tax base in any single year. Early use of reserves will help limit debt reliance during the early stages of the program, with a plan to rebuild reserve balances starting in later phases.

At this time, the model does not include any Provincial or Federal grants, but staff will continue to monitor opportunities and apply as appropriate. Should funding be awarded, the model can be updated to reduce reliance on tax-supported funding or debt.

A Development Charges draft By-law is being brought forward later this year for Council consideration. If DCs are implemented, they would offer a significant offset for growth-related portions of the expansion program.

The updated funding model ensures the County remains fiscally responsible while continuing to invest in critical infrastructure that supports population growth, economic development, and regional mobility.

Consultations

- Hoa Du, Financial Analyst
- Allan Botham-Director, Infrastructure and Planning Services

Strategic Plan Alignment

Working as Team Essex County	Growing as Leaders in Public Service Excellence	Building a Regional Powerhouse
<input type="checkbox"/> Scaling Sustainable Services through Innovation <input checked="" type="checkbox"/> Focusing “Team Essex County” for Results <input type="checkbox"/> Advocating for Essex County’s Fair Share	<input type="checkbox"/> Being an Employer with Impact <input checked="" type="checkbox"/> A Government Working for the People <input checked="" type="checkbox"/> Promoting Transparency and Awareness	<input checked="" type="checkbox"/> Providing Reliable Infrastructure for Partners <input checked="" type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County <input type="checkbox"/> Harmonizing Action for Growth <input type="checkbox"/> Advancing Truth and Reconciliation

Recommendation

That Essex County Council receive report number 2025-0806-FIN-R22-MR, 2025 Update to Roadway Expansion Funding Model as information.

Approvals

Respectfully Submitted,

Melissa Ryan

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
A	2025 Proposed Roadway Expansion Funding Model
B	2025 County Infrastructure Expansion Projects