

To:	Warden Milne and Members of Grey County Council
Committee Date:	October 10, 2024
Subject / Report No:	TR-CW-31-24
Title:	Urban Road and Road Exchange Task Force Recommendations
Prepared by:	Sharon Melville, Trevor Ireton and Shaun Anthony
Reviewed by:	Pat Hoy
Lower Tier(s) Affected:	All Member Municipalities

Recommendation

1. That report TR-CW-31-24 be received; and
2. That the funding model presented for the urban road and rural road transfers be approved; and
3. That the 2025 budget reflect a levy increase of \$1,148,300 to support the funding model.
4. That staff be directed to negotiate new road agreements to take effect Fall 2025 with the affected municipalities and bring a report with the agreements and corresponding transition plans, including schedules, funding and maintenance support details, to a future Task Force meeting prior to final approval of the transfers through Grey County Council.

Executive Summary

The purpose of this report is to update Council on the status of the urban road and road exchange project and to seek approval for staff to begin discussions with municipalities to finalize agreements on rural and urban transition plans, including transfer timing, funding and maintenance as recommended by the Urban Road and Road Exchange Task Force (Task Force). If approved, over the next 10 years, the impact of the urban transfers on the levy is estimated to be a total of \$23 million. The 10-year net impact of the rural transfers and reconstruction (costs for uploaded roads less expenditure reductions for downloaded roads) is \$36 million. Some of the required funds are currently in the annual capital budget and there is an estimated \$1 million in operational savings from the urban transfers expected to offset new expenditures. The bottom-line

impact to the levy is an increase of \$1,148,273 in 2025 with inflationary increases over the remaining nine years.

Background and Discussion

Urban Transfers

The Task Force received reports outlining the rationale for transferring responsibility for the urban segments of some County roads to the member municipalities where they are located. These reports examined the financial aspects of urban maintenance and construction and suggested a funding transition model between the County and member municipalities over a 10-year period. The report proposes to transfer just over \$23 million over the next 10 years to receiving municipalities.

Table 1 – Primary and Urban Road Areas to be Transferred

	Mun.	Settlement Area	Grey Road No.	Type	Length (Km)
1.	Blue Mountains	Thornbury	13	Primary	3.521
2.	Blue Mountains	Thornbury	113	Primary	2.126
3.	Grey Highlands	Markdale	12	Primary	2.125
4.	Hanover / West Grey	Hanover	4	Primary	3.888
5.	Hanover	Hanover	10	Primary	4.326
6.	Hanover / West Grey	Hanover	28	Primary	4.158
7.	Meaford	Meaford	7	Primary	1.119
8.	Meaford	Meaford	12	Primary	2.071
9.	OS / Meaford	Owen Sound	5	Primary	6.366
10.	OS	Owen Sound	15	Primary	5.936
11.	OS	Owen Sound	1	Primary	3.069
12.	Southgate	Dundalk	9	Primary	2.727
13.	West Grey	Durham	4	Primary	2.652
14.	West Grey	Durham	27	Primary	0.453
15.	West Grey	Neustadt	9	Primary	0.627
16.	West Grey	Neustadt	10	Primary	2.249

17.	Chatsworth	Chatsworth	40	Secondary	0.367
18.	Grey Highlands	Flesherton	4	Secondary	2.029
19.	West Grey	Ayton	3	Secondary	1.422

Transition Funding

It is recommended that urban transition funding be provided to municipalities over 10 years using the ratio of the urban road sections capital replacement value to be transferred against the entire Grey County road network replacement value. Staff concluded that using the replacement values from the Asset Management Plan allows for a more equitable distribution of funding based on the assets being transferred. In contrast, allocating urban transfer funding based on the 10-year plan would result in a less balanced distribution, favoring municipalities with more County Road work scheduled in their upcoming plans. Additionally, this approach would disproportionately benefit municipalities with older infrastructure, as their roads require reconstruction within the next 10 years, compared to those with newer infrastructure, where reconstruction needs may be 10+ years away.

The table below shows the amount that will be distributed based on the proportion of urban road transfers and traffic signals within each municipality and will be used at the receiving municipalities discretion. The transition funds will be sourced from both the annual capital budget and the Development Charge funds accumulated up until the transfer date. The 2024 Major Road and Bridge Construction capital budget includes \$36.1M in expenditures for in year projects and transfers to reserve. The budget is funded through a combination of sources that include a \$10.2M levy contribution, Canada Community-Building Funding and Ontario Community Infrastructure Funding. Funds from this budget would be transferred annually over the 10 year period to the receiving municipalities.

The recommended urban road transfers result in an estimated operational (maintenance) reduction of \$1,007,607 to Grey County. The costs experienced by member municipalities will depend upon their service level standards and cost allocations.

For informational purposes relating to the Urban transfers, the following projects were completed within the past 5 years:

- 2019 Grey Road 4 – Hanover - \$361,800
 - Grey Road 4 – Durham - \$800,800
 - Grey Road 9 – Dundalk - \$3,081,200
- 2020 Grey Road 4 – Durham - \$131,300
 - Grey Road 9 – Dundalk - \$252,200
- 2022 Grey Road 15 – Owen Sound - \$2,119,200
 - Grey Road 27 – Durham - \$943,700
- 2023 Grey Road 7 – Meaford - \$1,612,600

Grey Road 15 – Owen Sound - \$103,900

Grey Road 28 – Hanover - \$1,052,400

The following projects associated with the urban transfers have been identified in the next 5 years:

2025 Grey Road 28 – Hanover - \$1.6 M (will be completed prior to transfer)

2026 Grey Road 4 – Durham - \$3.2 M

Grey Road 9 – Dundalk - \$3.7 M

Grey Road 12 – Markdale - \$1.9 M

2027 Grey Road 5 (signals & roundabout) – Owen Sound - \$10 M

Grey Road 13 – Clarksburg - \$2.1 M

2028 Grey Road 12 – Markdale - \$1.5 M

Grey Road 12 – Meaford – \$2.6 M

Grey Road 15 – Owen Sound - \$1.4 M

Table 2 – Urban Transition Funding Model

*Table 2 below provides a framework for illustrative purposes and shows the annual payments to each municipality based on predicted future levy increases of 2.55% within the Asset Management Plan and 2% standard inflation. The 2025 payment will be prorated dependent upon transfer date.

	Municipality	BM	CH	GB	GH	HA	ME	OS	SG	WG
	Number of Urban Roads kms	5.65	0.37	0.00	4.15	10.44	3.62	14.94	2.73	9.33
	% of Urban Roads Transferred	11.59%	0.70%	0.00%	8.69%	19.14%	6.15%	30.86%	6.02%	16.85%
Year	Number of Intersections	1	0	0	2	12	2	11	0	1
2025	\$2,060,971	\$230,066	\$13,684	\$0	\$177,228	\$418,711	\$127,483	\$643,710	\$117,524	\$332,564
2026	\$2,255,612	\$252,456	\$15,034	\$0	\$194,112	\$456,447	\$139,462	\$703,928	\$129,113	\$365,061
2027	\$2,475,771	\$277,801	\$16,562	\$0	\$213,213	\$499,077	\$153,009	\$772,024	\$142,235	\$401,851
2028	\$2,694,013	\$302,920	\$18,076	\$0	\$232,147	\$541,349	\$166,439	\$839,531	\$155,239	\$438,311
2029	\$2,924,946	\$329,507	\$19,679	\$0	\$252,184	\$586,060	\$180,649	\$910,958	\$169,005	\$476,904
2030	\$3,169,205	\$357,635	\$21,375	\$0	\$273,379	\$633,332	\$195,678	\$986,500	\$183,571	\$517,735
2031	\$2,766,553	\$310,753	\$18,535	\$0	\$238,327	\$556,809	\$170,950	\$862,418	\$159,180	\$449,581
2032	\$2,270,395	\$253,025	\$15,039	\$0	\$195,144	\$462,402	\$140,476	\$709,484	\$129,157	\$365,669
2033	\$1,672,243	\$183,468	\$10,827	\$0	\$143,093	\$348,485	\$103,733	\$525,079	\$92,989	\$264,568
2034	\$963,033	\$101,030	\$5,837	\$0	\$81,385	\$213,327	\$60,166	\$306,408	\$50,131	\$144,751
Total Over Next 10 Years	\$23,252,741	\$2,598,661	\$154,647	\$0	\$2,000,212	\$4,715,999	\$1,438,045	\$7,260,040	\$1,328,144	\$3,756,994

Rural Transfers

The Task Force also received reports earlier this year which identified potential rural road transfers/exchanges, the potential benefits to the overall road network as well as the initial cost projections associated with each of the road sections. The goal of the Task Force was to determine an alignment of road utilization, road standards and ownership to enhance road safety and investments. In addition to the cost of upgrading the roads, there will be costs related to title searches, land surveys, preparation of by-laws, civic address changes and signage, all of which require a significant amount of effort.

Table 3- Recommended Rural Road Exchange/Transfers

Road Being Uploaded	Road Being Downloaded	Exchange Date*	Municipality	Required Construction by Grey County
Southgate SRD 11	Grey Road 14	TBD	Southgate	2026 – Overlay to add second lift
Bentinck-Sullivan Townline	Grey Road 25	TBD	Chatsworth/ West Grey	2029 – Full Reconstruction
Concession 5/Derby Concession 6/Sullivan		TBD	Georgian Bluffs/ Chatsworth	2027 – 50 mm overlay – Concession 6 2041 – Full Reconstruction
Concession 12	Grey Road 9	TBD	West Grey	2027/2028 – 3 Bridges 2030 – Grey Road 3 to GB Line 2032 to 2034 – Hwy 6 to Grey Road 3

After extensive discussions regarding the cost of reconstructing Concession 12, the Task Force chose to move forward with the transfer.

Understanding the comprehensive costs associated with upgrading roads is vital for informed decision-making and effective infrastructure planning. The total gross project costs identified in Table 4 below are based on current 2024 construction costs; inflationary increases will be required over the 10-year period. By taking these financial considerations associated with the recommended rural road transfers/exchanges into account, staff can make more accurate budget projections and allocate resources strategically to ensure the quality and safety of the overall road network.

The **Levy Impact** identified below is the difference between the new levy funding required due to upload and the levy no longer required due to download which represents the average annual levy requirement that would be needed annually to fund the road transfers in today's dollars.

Table 4 - 10-Year Capital Funding Summary of Transferred Rural Roads

Year	Total Gross Project Cost A	Estimated DC Funding Required B	Estimated New Levy Capital Funding Required due to Upload A+B	Estimated Levy No Longer Required due to Download C	Net Levy Impact (D) A+B+C
2025	\$3,073,260	\$0	\$3,073,260	\$0	\$3,073,260
2026	\$5,825,220	\$0	\$5,825,220	\$0	\$5,825,220
2027	\$722,160	(\$39,984)	\$682,176	(\$7,289,023)	(\$6,606,847)
2028	\$10,939,500	(\$4,375,800)	\$6,563,700	\$0	\$6,563,700
2029	\$3,370,080	(\$875,976)	\$2,494,104	\$0	\$2,494,104
2030	\$10,489,680	(\$4,195,872)	\$6,293,808	(\$2,925,782)	\$3,368,026
2031	\$0	\$0	\$0	\$0	\$0
2032	\$7,691,820	(\$3,076,728)	\$4,615,092	(\$4,885,845)	(\$270,753)
2033	\$1,777,860	(\$542,640)	\$1,235,220	\$0	\$1,235,220
2034	\$7,961,100	(\$2,684,232)	\$5,276,868	\$0	\$5,276,868
Total	\$51,850,680	(\$15,791,232)	\$36,059,448	(\$15,100,650)	\$20,958,797
Average Annual	\$5,185,068	(\$1,579,123)	\$3,605,945	(\$1,510,065)	\$2,095,880

The average annual levy requirement for major road and bridge construction is expected to increase by \$2,095,880, plus an additional \$60,000 in operational maintenance costs, to accommodate the rural road transfers.

Financial and Resource Implication

This is a comprehensive plan that is based on both the urban and rural transfers taking place. Transferring the urban roads to the member municipalities with capital funding gives them control and flexibility. County expenses for providing summer and winter maintenance will decrease by \$1M.

The newly acquired County roads (rural sections) will require significant upgrades. Substantial legal work will be required for land acquisition and title transfers; these costs have yet to be quantified. The removal of urban reconstruction projects from the current 10-year plan frees up some financial resources and time. Rural roads transferred to the County will be included in the next update to the development charge by-law that will take effect January 1, 2027.

The 2023 Asset Management Plan released in July 2024 reflected a total infrastructure deficit of \$30.7 million. By adding a net \$36 million in rural project costs and transferring \$12.2 million in capital funding for urban transfers, it can be anticipated that the portion of the infrastructure deficit relating to Transportation Services will increase. Without a more substantial investment in infrastructure than accounted for in this report, the adjustment to the County road network will result in uploaded roads moving ahead of work that was presented in the 2024-2033 10 year capital forecast.

Once the \$1.1 million increase to the levy occurs in 2025, the remaining 9 years will reflect in inflationary increases. |

2025 Budget Impact	
Urban Transfers	
Operating Budget Reduction	(\$1,007,607)
Urban Transition Funding for member municipalities	\$2,060,971
Less: Funds from the capital budget	(\$2,060,971)
Net Levy Operating Budget Decrease	(\$1,007,607)
Rural Transfers	
Operating Budget Increase	\$60,000
Capital budget increase for rural road exchanges	\$2,095,880
Net Levy Capital Budget Increase	\$2,155,880
Net Operating and Capital Budget Increase in 2025	\$1,148,273

Relevant Consultation

- Internal (list)
 - AODA Compliance (describe)
 - Contribution to Climate Change Action Plan Targets (describe)
- External (list)

Appendices and Attachments

[Link to TR-UR-05-24 February Task Force Urban Detailed Report](#)

[Link to TR-UR-14-24 April Task Force Rural Detailed Report](#)

[Link to TR-UR-27-24 September Task Force Urban Financial Report](#)

[Link to TR-UR-28-24 September Task Force Rural Financial Report](#)