COUNCIL REPORT

REPORT DATE: May 06, 2026
MEETING DATE: June 22, 2026

File No. 5200-Capital Projects

TO: Mayor and Councillors

FROM: David Dougherty, Director of Engineering and Public Works

SUBJECT: 2026 Roads and Utilities Project Update

RECOMMENDATION

That Council direct staff to reduce the scope of the 2026 Roads and Utilities project by separating the Penrith Avenue underground utility and surface works from the 2026 projects and proceed with the underground utility replacement work on the Lane South of Maryport and the Lane South of Windermere.

And that, staff report back to Council on design costs and considerations for parking and standardization of the Penrith Avenue surface works improvements and underground utility infrastructure replacement portion of the scope to be allocated under a separate project.

THAT Council approve the expenditure of up to $1,106,660 for 2026 underground utility replacement work for the Lane South of Maryport and Lane South of Windermere with

- $156,940 to be funded through Storm Drain Development Cost Charge Reserve; and
- $656,660 to be funded through Linear Asset Renewal Reserve; and
- $293,060 to funded through Sewer Development Cost Charge Reserve to be paid back from the Linear Asset Renewal Reserve with interest.

THAT Council direct staff to bring forward an amendment to the adopted 2026-2030 Financial Plan Bylaw to reflect this budget increase.

PURPOSE

The purpose of this report is to present an update to Council on design and implementation of the linear asset renewal program for 2026. The 2026 Roads and Utilities Project (2026 R&U) is part of a strategic program as a priority for the Village to ensure linear assets like watermains, sewer mains, storm infrastructure, and roadways are renewed or replaced in an economical and sustainable way while maintaining a reliable level or service.

Staff also require direction from Council on this project's scope to ensure project budgets, surface improvements and critical infrastructure get implemented efficiently. There is currently a budget shortfall in the current capital project plan to fund the entire area targeted for improvements in the Penrith Avenue corridor. This is due to a number of factors both internally and externally.

Staff are seeking council support to proceed with a reduced scope of work for 2026 R&U project detailed below in *Table A* that better aligns with the current financial plans for funding reserves and targets critical underground linear assets that are a high risk of failure or impose a risk to downstream operating impacts. Tendering the projects for the reduced scope for 2026 will confirm actual costs and the contract from that process will come back to Council for approval. Also requested is direction to defer the surface improvements and underground utility replacements listed in Table B for the Penrith Avenue corridor from First Street to Fourth Street until 2027 so staff may address a number of design challenges raised during the public engagement around functionality, standardization of parking and maintenance, implementation of the automated cart system and the transportation master plan (TMP).

PREVIOUS COUNCIL DIRECTION

Date	**Resolution**
December 8, 2025	THAT Council direct staff to continue planning the 2026 Roads and Utilities Capital Works Projects to include Penrith Avenue from First Street to Fourth Street redesign as set out in the Penrith Avenue Improvements Project Drawing, November 2025.
September 15, 2025	THAT Council direct staff to bring forward a Penrith Avenue Road Improvement concept design drawing for the proposed one-way street and further inform the Penrith Avenue block from Fourth Street to Third Street to let them know the block is included in the project.
September 15, 2025	THAT Council receive the public engagement report for the Penrith Avenue Roads and Utilities upgrades project; THAT Council approve the expenditure of up to $472,500 for Penrith: Third to Fourth Street Infrastructure Replacement with: • $307,500 to be funded through the Linear Asset Renewal Reserve and • $165,000 to be funded through the Community Works Funds Gast Tax Reserve; and, THAT Council direct staff to bring forward an amendment to the amended 2025- 2029 Financial Plan Bylaw to reflect this expenditure.
March 24, 2025	THAT Council accept the proposed amenity contribution from the applicant of $5,000 for frontage improvements along Second Street or Penrith Avenue.

BACKGROUND

The 2025 Roads and Utilities project is currently in implementation with underground utility replacements to separate combined sewer and storm and replace watermains that are past end of serviceable life. The project also includes some surface improvements along Ulverston by adding sidewalks for mobility improvements. This project is near completion and has seen a few unforeseen conditions that have required the contingency monies to be utilized but ultimately should be completed within the approved budget.

In 2024, staff and its design consultant began planning the next priority sections of underground utility work and focused on the conceptual roadway design cross section for Penrith. This work was packaged into the current 2026 R&U project. It will continue to replace underground utilities in areas of the Village that are at the end of their serviceable life by separating the sewer and storm systems with new standardized piping and services where still combined for:

- Lane south of Windermere between Second Street and Fifth Street with sewer and storm separation
- Lane south of Maryport between Third Street and Seventh Street with sewer and storm separation
- Penrith Avenue watermain replacement between First Street and Fourth Street.
- Penrith Avenue sewer and storm separation between Second Street and Fourth Street.

Due to the impacts to the asphalt surface, staff and the consultant completed a public engagement in 2025 to identify restoration options to include with the design. The goal was to develop a standardized cross section and formalize parking for other Village corridors that will allow for the current conditions and for the future development of commercial frontages as intended under the Official Community Plan on this corridor. The road configuration and parking were major components to this engagement, and a number of challenges have been formally and informally identified to the design team since this engagement.

Feedback from the engagement was mixed overall depending on which block the resident resided or in general. From the July 2025 engagement, it was clear from the public that they wanted the Village to pursue a one-way street to maximize street trees and green spaces, put a lower priority on cycling infrastructure due to the presence of bike lanes on Dunsmuir, and preserve street parking on both sides of the road while providing traffic calming and improving sightlines.

Council directed staff to expand the scope of the project beyond the initial two blocks from First Street to Third Street to extend to Fourth Street. This made sense due to the one-way concept and the differing cross section between the existing road alignments.

A one-way concept was developed for the full three blocks and presented to council in November 2025. During that meeting, residents from the easternmost block between Third and Fourth Street expressed concerns about how this change would impact their parking. Council approved the progression of the design and an amended budget for the consultant to continue to a 95% ‘pre-tender design’ which was submitted to the Village early February 2026 with the intention of getting it out to market for construction within the same year.

In furthering the design and cost estimates to the state of completion and to consider the Penrith corridor surface improvements, it has been noted that the 2026 financial plan approved budget is much lower than the estimate provided for the scope of work. This is likely due to the expanded scope of work, external pressures such as rising material and oil costs, and staff vacancies over the last couple of years, which have delayed the development of updated asset management budget estimates reflecting this level of improvement. Most communities are also seeing much higher labour and construction rates over this same period, making the budgets further constrained.

Table A provided below demonstrates the current budget, the engineers' estimate and the reserve available to amend the budget. This reduced scope of work will allow the continuation of sanitary sewer separation in the laneway south of Windemere and the laneway south of Maryport. Table B demonstrates the current scope of Penrith Avenue and is recommended to be deferred. Consideration may be given to including the underground utility replacement along Penrith at this time, as any failures that require repairs will be temporary.

FINANCIAL IMPLICATIONS

As mentioned above, the 2026 Financial Plan approved for the project budget is segregated by street location and linear asset type. There are several locations that have conflicting approved budgets and do not align with the current engineer estimates for this project or the project locations and limits differ from the engineers' design. The following Tables A and B summarize the project as included in the current budget and compares against the engineers' estimate with added contingency and soft costs. Total funds needed for the recommended budget increase of $1,106,662 in Table A below are $156,942 from the Storm Drain Development Cost Charge (DCC) Reserve, $656,667 from the Linear Asset Renewal Reserve, and $293,054 to be borrowed from the Sewer DCC Reserve to be paid back with interest from the Linear Asset Renewal Reserve (see details below regarding internal borrowing).

ID	Location/Description of Asset Renewal	Limits (Street)	Current 2026 Budget ($)*	Engineers Estimate *	Variance	Funding for Budget Shortfall
1	Lane S. Windermere (Sewer)	2nd to 5th	$248,124	$452,419	*-$204,295*	Borrow Sewer DCCs
2	Lane S. Windermere (Storm)	2nd to 5th	$280,854	$437,796	*-$156,942*	Storm DCCs (I&I)
A	*Lane South Windermere*	2nd to 5th	**$528,978**	***$890,214***	***-$361,236***	
3	Lane S. Maryport (Sewer)	3rd to 4th	$97,605	$186,364	*-$88,759*	Borrow Sewer DCCs
4	Lane S. Maryport (Storm)	3rd to 4th	$92,620	$191,289	*-$98,669*	Linear Asset Rsv_SD
5	Lane S. Maryport (Sewer)	4th to 5th	$97,142	$151,442	*-$54,300*	Linear Asset Rsv_SW
6	Lane S. Maryport (Storm)	4th to 5th	$91,442	$126,502	*-$35,060*	Linear Asset Rsv_SD
7	Lane S. Maryport (Sewer)	5th to 6th	$0	$131,764	*-$131,764*	Linear Asset Rsv_SW
8	Lane S. Maryport (Storm)	5th to 6th	$0	$135,079	*-$135,079*	Linear Asset Rsv_SD
7	Lane S. Maryport (Sewer)	6th to 7th	$92,550	$195,486	*-$102,936*	Linear Asset Rsv_SW
8	Lane S. Maryport (Storm)	6th to 7th	$92,550	$191,409	*-$98,859*	Linear Asset Rsv_SD
B	*Lane South Maryport*	3rd to 7th	**$563,909**	***$1,309,335***	***-$745,426***	
	Total		**$1,092,887**	**$2,199,549**	***-$1,106,662***	**$1,106,662**

Table A: Portion of current scope that can be funded and completed in 2026.

ID	Location/Description of Asset Renewal	Limits (Street)	Current 2026 Budget ($)*	Engineers Estimate *	Variance	Funding for Budget Shortfall
9	Penrith Ave. - (Roads)	1st to 2nd	$130,837	$415,764	*-$284,927*	2027 Budget Process
10	Penrith Ave. - (Water)	1st to 2nd	$116,697	$249,714	-$133,017	2027 Budget Process
10	Penrith Ave. - (Storm)	1st to 2nd	$0	$149,241	*-$149,241*	2027 Budget Process
11	Penrith Ave. - (Roads)	2nd to 3rd	$165,120	$499,956	*-$334,836*	2027 Budget Process
12	Penrith Ave. - (Sewer)	2nd to 3rd	$75,627	$103,193	-$27,566	2027 Budget Process
13	Penrith Ave. - (Storm)	2nd to 3rd	$65,707	$136,164	*-$70,457*	2027 Budget Process
14	Penrith Ave. - (Water)	2nd to 3rd	$120,000	$242,491	*-$122,491*	2027 Budget Process
15	Penrith Ave. - (Roads)	3rd to 4th	$167,358	$437,394	*-$270,036*	2027 Budget Process
16	Penrith Ave. - (Water)	3rd to 4th	$124,249	$246,937	*-$122,688*	2027 Budget Process
17	Penrith Ave. - (Sewer)	3rd to 4th	$84,249	$0	$84,249	2027 Budget Process
18	Penrith Ave. - (Storm)	3rd to 4th	$69,249	$162,641	*-$93,392*	2027 Budget Process
C	*Penrith Ave*	1st to 4th	**$1,119,093**	***$2,643,495***	***-$1,524,402***	To Be Determined

Table B: Portion of scope that requires additional funding resources and completion of design.

*Note: Budgets reflect Design effort to date and Engineers Estimate has been adjusted to consider inflation and soft costs.

There is sufficient funding for the budget shortfall for the Table A, laneway underground capital works totaling $1,106,662; however, at this point, there is insufficient funding regarding the budget shortfall for Table B, Penrith Avenue capital works.

Given the substantial increases in costs for recent linear asset replacement works, Staff will review the projects currently included for 2027 to 2030 during the 2027 financial planning process. Staff will also review the fee structure to ensure enough revenues are collected every year to cover for the increased costs that the Village has recently seen for linear asset renewal projects. The Storm Drain DCC Reserve will be depleted with this recommended budget increase.

Pending the outcome of the Federal Active Transportation Fund (ATF) grant that the Village applied for in 2025 and has still not been notified about, Council has committed to contribute to the projects in this grant application from the Linear Asset Reserve and Community Works Funds. Council was presented with this grant opportunity at the February 24, 2025 Council meeting (Page 12 of February 24, 2026 agenda) and the report outlined to Council that if this grant is approved, funding is still needed to fund the Village's portion of the ATF which totals $3,747,100.

Interfund Borrowing

The Legislation allows local governments to borrow internally from reserve. Prior to proceeding with interfund borrowing, the local government must consider the timing and amount of the capital spending related to both the lending and borrowing funds. Section 189 of the Community Charter identifies the statutory requirements to be met prior to undertaking interfund borrowing:

- The money in the lending fund must not be currently required for the purpose of the fund.

- The borrowing fund must repay the lending fund, with the interest that the amount would have earned if it had not been loaned, before the lending fund requires the money.
- While elector approval is not required for interfund borrowing, the proposed interfund borrowing must be included in the financial plan, which requires public consultation.

Council could consider borrowing from the Sewer DCC Reserve Fund to cover for the remaining shortfall for 2026 R&U reduced scope of work. Staff recommend borrowing an estimated $293,000 from the DCC – Sewer Reserve Fund which has an estimated balance of $964,264 at the end of 2026 and $1,032,934 at the end of 2030.

Financial implications and amounts could be confirmed once the project costs are known in the contract award report to Council to be prepared following the tender process.

OPERATIONAL IMPLICATIONS

For the Penrith Avenue capital works to not proceed this year, there is potential risks of the underground infrastructure that is past its serviceable life to fail. These failures may be impactful to residents and further erode the condition of the surface and potential other underground utilities. Other operational considerations are the additional costs to repair infrastructure failures should this risk be realized as the repairs would be temporary.

Alternatively, Council has the option of proceeding with the underground infrastructure on Penrith in 2026 to avoid these potential failures and finalizing the surface works in 2027. This would result in the road surface being temporarily finished with gravel during this period. In this case, Operations would increase monitoring and maintenance efforts of this temporary running surface until the permanent surface works can be implemented. Funding would need to be found for the underground infrastructure on Penrith for this option.

CLIMATE CHANGE IMPLICATIONS

The project will separate sewer systems that are currently combined with storm. This will result in the diversion of less storm water run-off entering the treatment plant and reducing energy to manage liquid waste. The surface works will target areas to reduce hard surfaces where practical and install boulevards with landscaped elements.

ALTERNATIVES

1. Council may consider including the replacement of the underground utility work (watermain, sewer main and storm drain) along Penrith with the scope of work in 2026 and defer only the surface works to the 2027 financial planning process. This would require additional funding and would result in a gravel road for Penrith in the interim.
2. Not proceed with any action at this time.

STRATEGIC OBJECTIVE

☐ Diverse & Healthy Community
☒ Sustainable Service Delivery & Asset Management
☒ Community Planning

ATTACHMENTS

No Attachments.

CONCURRENCE

Annie Bérard-Ball, Director of Corporate Services ***ABB***

Respectfully submitted,

D. Dougherty

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David Dougherty
Director of Engineering and Public Works

M. Mason

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Michelle Mason
Chief Administrative Officer