



City of North Bay Report to Council

Report No: CORP-2023-014

Date: February 8, 2023

Originator: Blair Grant

Business Unit:

Department:

Corporate Services

Financial Services Department

Subject: 2023 Capital Budget and 2024-2032 Capital Forecast Plan

Closed Session: yes no

Recommendation

1. That Council receive the City of North Bay's 2023 General Capital Budget and 2023 Water and Wastewater Capital Budget as attached to Report to Council CORP 2023-014 dated February 8, 2023 from Blair Grant.
2. That Report to Council CORP 2023-014 be received and referred to the General Government Committee for a Special Committee Meeting to take place on February 23, 2023.

Background

This City's capital budget includes the cost to purchase, construct, repair, and renew assets that support service delivery, such as roads, bridges, equipment, parks, arenas, water and wastewater treatment plants, and other major infrastructure projects. The City's annual capital budget process involves the completion of a 10-year Capital Forecast which is separated into two parts based on funding source as follows:

- a) General Capital Budget and Forecast – supported by capital funding in the City's General Operating Budget (revenue from property tax base) referred to as the capital levy or PAYGO amount.
- b) Water and Wastewater Capital Budget and Forecast – supported by capital funding in the City's Water and Wastewater Operating Budget (revenue from water and wastewater user fees) referred to as the capital levy or PAYGO amount.

The proposed 2023 General Capital Budget and 2023 Water and Wastewater

Capital Budget is attached as Appendix A to this report.

Financial/Legal Implications

See Options/Analysis section for financial implications.

Corporate Strategic Plan

- | | |
|---|---|
| <input type="checkbox"/> Natural North and Near | <input type="checkbox"/> Economic Prosperity |
| <input checked="" type="checkbox"/> Affordable Balanced Growth | <input checked="" type="checkbox"/> Spirited Safe Community |
| <input checked="" type="checkbox"/> Responsible and Responsive Government | |

Specific Objectives

- Maintain infrastructure across the City in a good state of repair
- Consider all aspects of decisions to fund new infrastructure
- Ensure the efficient and effective operations of the city, with particular consideration to the impact of decisions on the property tax rate
- Maximize funding opportunities with other governments
- Develop and provide recreational and community centre services geared to meeting the broad spectrum of needs in the community

Options Analysis

1. 2023 General Capital Budget and Forecast

The enclosed Capital Budget Package includes a total gross capital investment for 2023 General Capital Projects in the amount of \$52.1 million. Major capital projects included in the 2023 capital budget include:

- City of North Bay Community and Recreation Centre (3711RF)
- McKeown Ave. Widening - Gormanville to Cartier (3801RD/ST)
- Main St. Rehabilitation (3934RD)
- Construction of Sidewalks for Transit Routes (4021TR)
- Asphalt Resurfacing (6693RD)
- Vehicle and Equipment Life Cycle (8023FL)
- Capital Needs of Service Partners including Cassellholme (6483AA), North Bay Police Services (6720PD), and North Bay Mattawa Conservation Authority (6749CA)

Gross spending in the amount of \$52.1 million is allocated as follows:

- 49% towards Growth Projects;
- 41% towards Asset Improvement and Maintenance Projects; and
- 10% towards Strategic Investment Projects

The General Capital Funding Policy Limit for 2023 was prepared based on the Long-Term Capital Funding Policy, with amendments, as follows:

- The City's Long-Term Capital Funding Policy stipulates that the Capital Funding Allowance is to increase by 1% of the prior year's tax levy annually; however, it was reduced to 0.5% after a review of the 2023 Capital Budget requirements and in consideration of Council's request to review the Long-Term Capital Funding Policy
- \$500,000 in debenture authority has been included to fund capital projects
- Consistent with the approach adopted over the last several years, the inflationary adjustment has been removed from the calculation of the Capital Funding Allowance

Included in the General Capital Budget is a preliminary funding plan for the Community and Recreation Centre, Capital Project No. 3711RF. A combination of Special Debt, Federal Gas Tax Funding, Reserves (special dividend payments received previously and Municipal Accommodation Tax), Green and Inclusive Grant Funding, and Capital Levy Funding is anticipated to be used to fund this project. It is important to note that the cost estimates included in the enclosed budget are subject to change as the project has not yet been tendered and financing rates used to forecast future principal and interest payments are subject to change based on changing market conditions between preparation of the 2023 budget and finalization of the debt issuance. The financing plan for this project will be updated after the tendering process has been authorized by Council and construction values are known. Formal approval to issue the special debt will be requested from Council at the time of the tender award.

The City's estimated share of annual financing costs associated with Cassellholme's Redevelopment, Capital Project No. 6483AA, has been included in the General Capital Budget Package. These estimates are based on information provided to the City by Cassellholme. These amounts are subject to change as final construction costs become known and the long-term financing rate is determined at the end of the project.

Council approved a preliminary funding allotment to the 2023 General Capital Budget of up to 50% of the prior year's funding allowance in the amount of \$13,466,164 through Report to Council CORP 2023-016. There is one pre-commitment against the 2023 General Capital Budget as follows:

- \$259,876.89 (plus HST) for project 6720PD – North Bay Police Services 2023 On-going

2. 2023 Water and Wastewater Capital Budget and Forecast

The enclosed Capital Budget Package includes a total gross capital investment for 2023 Water and Wastewater Capital Projects in the amount of \$13.8 million. Major capital projects included in the 2023 budget include:

- Digester Replacement (3719SS)
- Wastewater Treatment Plant - Intake Chamber Replacement (3825SS)
- Wastewater Treatment Plant Expansion (4103SS)

- Wastewater Treatment Plant – Roof Rehab (4204SS)
- Wastewater Treatment Plant - Structural Repair (4337SS)
- Watermain Rehab and Restoration (6695WS)

Gross spending in the amount of \$13.8 million is allocated as follows:

- 90% towards Asset Improvement and Maintenance Projects;
- 8% towards Growth Projects; and
- 2% towards Strategic Investment Projects

The Water and Wastewater Capital Funding Policy Limit for 2023 was prepared based on the Long-Term Capital Funding Policy and includes the following adjustments:

- For the 2022 Water and Wastewater Capital Budget, the inflationary adjustment was removed from the calculation of the capital levy as it was not required to balance the 10-year Capital Budget. However, as outlined in the 2023 Water and Wastewater Operating Budget Report to Council CORP 2023-012, staff recommended to phase the inflationary adjustment back into the capital levy calculation due to significant inflationary pressures experienced in 2022. The inflationary adjustment for 2023 is at a rate of 50% of the calculated amount; followed by 75% in 2024, and 100% in 2025. The 2023 Water and Wastewater operating budget has been approved on this basis.
- \$3 million in debenture authority has been included to fund capital projects

3. Capital Reserves

The City’s Reserve Fund Policy includes performance targets that are intended to achieve long-term financial stability and to support the Corporate Long-Term Strategic Plan. The performance target for discretionary capital reserve funds is at least 40% of the Capital Funding Policy Expenditure Limit. Based on the proposed 2023 General and Water and Wastewater Capital Budgets, the performance target is as follows:

Performance Target:	
2023 General Capital Funding Policy Expenditure Limit*	\$20,033,547
2023 Water and Wastewater Capital Funding Policy Expenditure Limit	\$13,650,363
Total 2023 Capital Funding Policy Expenditure Limit	\$33,683,910
	* 40%
Performance Target for Discretionary Capital Reserves	\$13,473,564

*Excludes special debt and Federal Gas Tax top-up for the Community Centre

As of December 31, 2022, the projected balance of the City’s total discretionary capital reserve funds is:

Projected Total Discretionary Capital Reserve Funds**:	
Completed General Capital Projects Reserve (99537R)	\$3,182,789
Water Systems Completed Capital Reserve (99522R)	\$4,667,067
Sanitary Sewer Completed Project Reserve (99575R)	\$3,167,191
Other Capital Reserves	\$10,540,674
Projected Total Discretionary Capital Reserve Funds	\$21,557,721

**Anticipated net transfers in the estimated amount of \$12,465,809 have not yet been transferred out of the reserve funds. Funds are not withdrawn until the associated expenditures have been incurred. The balance reported above is shown “as if” the outstanding net transfers have been withdrawn from the related reserve balances. The amounts shown are subject to year-end adjustments and accruals.

The reserve balances include the following amounts that need to be considered when evaluating the actual reserve balance against the performance target:

- Reserves include approximately \$4.8 million of unspent capital funding for vehicle replacements. The vehicle usage rates calculated as part of the Fleet Life Cycle Methodology include a vehicle replacement amount that is to be held in the reserve to maintain the City’s Fleet on a life cycle basis.
- Recommended transfers from reserve included in the enclosed capital budget have not been deducted.

4. Risks – General Capital Budget and Forecast

The City’s Asset Management Plan (AMP) was approved by Council in 2022, at which time only core infrastructure such as, roads, bridges, culverts, stormwater, and water and wastewater distribution and plants, were required to be identified in the AMP. Senior Management is working to ensure the AMP is updated to comply with upcoming legislative changes and to ensure that all assets are incorporated into the revision. Currently, certain grant programs restrict funding to projects that have been identified in the City’s approved AMP. This requirement limits the City’s ability to use grants to fund projects outside of the current AMP.

The capital forecast includes estimated future grant funding that may be available for certain projects. Should the grant funding not materialize for these projects, then the projects will not proceed until other sources of funding are identified.

5. Format of the Capital Budget Package

Projects within the 2023 Capital Budgets and related Forecasts have been

grouped according to Business Unit. However, the asset categories as previously recommended by the Special Review Committee – Long-Term Financial Policies have been denoted on the summary pages for the Budget Reports with the following abbreviations added beside each project name:

- a. Asset Improvement and Maintenance (AIM):** These projects address existing capital assets and major repairs, rehabilitation, and maintenance to City infrastructure, facilities, and equipment. These investments are intended to support expected asset life cycles, replacement of assets that have reached their end of life, and technological upgrades to assist in managing operating costs and improve on the delivery of services.
- b. Strategic Investments (SI):** These projects include those that improve, enhance, or expand the level of service offered in the community.
- c. Growth (G):** Projects that primarily address increased demand for services or are to stimulate growth and development of the City.

It is important to note that it is possible for some projects to be related to more than one of the above categories; however, these projects have been included in the category for which the majority of the project falls.

6. Process Moving Forward

The 2023 Capital Budget is recommended to be referred to the Special Committee Meetings of Council scheduled to discuss the 2023 Operating and Capital Budgets together with a review of options and associated risks. The first meeting is scheduled for February 23rd, 2023. Additional meetings will take place on the 27th of February and the 1st, 2nd, and 6th of March. The Capital Budget is tentatively scheduled to be approved by Council at a Regular Council Meeting on March 14, 2023.

Recommended Option

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2. That Report to Council CORP 2023-014 be received and referred to the General Government Committee for a Special Committee Meeting to take place on February 23, 2023.

Respectfully submitted,

Name: Blair Grant, CPA, CA

Title: Coordinator, Financial Reports

I concur with this report and recommendation

Name Ian Kilgour, MCIP, RPP

Title: Director, Community Development and Growth

Name Steven W. Melnichuk

Title: Director, Information Systems

Name Domenic Schiavone

Title: Director Public Works and Parks

Name Jason Whiteley

Title: Fire Chief

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

Name John Severino, P.Eng., MBA

Title: Interim Chief Administrative Officer

Personnel designated for continuance:

Shannon Saucier, CPA, CA

Director, Financial Services / Deputy Treasurer

Attachments: Appendix A – 2023 General Capital Budget and 2023 Water and
Wastewater Capital Budget with Capital Forecast for 2024 to 2032