



City of North Bay Report to Council

Report No: CORP-2024-020

Date: March 6, 2024

Originator: Shannon Saucier

Business Unit:

Corporate Services

Department:

Financial Services Department

Subject: 2024 Capital Budget and 2025-2033 Capital Forecast Plan

Closed Session: yes ☐ no ☒

Recommendation

1. That Council receive the City of North Bay's 2024 General Capital Budget and 2024 Water and Wastewater Capital Budget as attached to Report to Council CORP 2024-20 dated March 6, 2024 from Shannon Saucier.
2. That Report to Council CORP 2024-20 be received and referred to the General Government Committee for a Special Committee Meeting.

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 one year Capital Budget and 9-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 2024 General Capital Budget and 2024 Water and Wastewater Capital Budget and respective Capital Forecast (2025-2033) is attached as

Financial/Legal Implications

See Options/Analysis section for financial implications.

Corporate Strategic Plan

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|---|---|
| ☐ Natural North and Near | ☐ Economic Prosperity |
| ☒ Affordable Balanced Growth | ☒ Spirited Safe Community |
| ☒ 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
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Options Analysis

1. 2024 General Capital Budget and Forecast

The enclosed Capital Budget Package includes a total gross capital investment for 2024 General Capital Projects in the amount of \$56.6 million. Major capital projects included in the 2024 capital budget include:

- McKeown Ave. Widening - Gormanville to Cartier (3801RD/ST)
- Construction of Sidewalks for Transit Routes (4021TR)
- Premier Sidewalk and Resurfacing (4303RD)
- Laurentian Heights Stormwater Management Pond (4340ST)
- Community and Recreation Centre (4510RF)
- Asphalt Resurfacing (6763RD)
- Vehicle and Equipment Life Cycle (8024FL)
- Capital Needs of Service Partners such as Cassellholme (6483AA), North Bay Police Services (4498/4499/6792PD), and North Bay Jack Garland Airport (6790AT)

The General Capital Funding Policy Limit for 2024 was prepared based on the Long-Term Capital Funding Policy, with amendments, as follows:

- The Capital Funding Allowance increased by 1% of the prior year's tax levy.
- Consistent with the approach adopted over the last several years, the inflationary adjustment has been removed from the calculation of the

Capital Funding Allowance.

- \$2,904,500 in debenture authority is included to fund capital projects.

Council approved a preliminary funding allotment for the 2024 General Capital Budget of up to 50% of the prior year's funding allowance in the amount of \$10,016,800 through Report to Council CORP 2024-010. Procurement planning is underway for several projects; however, there are no formal commitments as at the date of this report.

2. 2024 Water and Wastewater Capital Budget and Forecast

The enclosed Capital Budget Package includes a total gross capital investment for 2024 Water and Wastewater Capital Projects in the amount of \$19.6 million. Major capital projects included in the 2024 budget include:

- McKeown Ave. Widening - Gormanville to Cartier (3801SS/WS)
- Wastewater Treatment Plant - Intake Chamber Replacement (3825SS)
- Sanitary Sewer Relining (4030SS)
- Lee Park Watermain Rehab (4364WS)

The Water and Wastewater Capital Funding Policy Limit for 2024 was prepared based on the Long-Term Capital Funding Policy and includes the following adjustments:

- The Capital Levy includes an inflationary adjustment equal to 55% of the calculated amount. The 2024 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 2024 General and Water and Wastewater Capital Budgets, the performance target is as follows:

Performance Target:	
2024 General Capital Funding Policy Expenditure Limit*	\$24,528,786
2024 Water and Wastewater Capital Funding Policy Expenditure Limit	\$14,931,335
Total 2024 Capital Funding Policy Expenditure Limit	\$39,460,121
	* 40%
Performance Target for Discretionary Capital Reserves	\$15,784,048

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

As of December 31, 2023, 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)	\$2,951,167
Water Systems Completed Capital Reserve (99522R)	\$5,198,002
Sanitary Sewer Completed Project Reserve (99575R)	\$4,420,365
Other Capital Reserves	\$12,799,846
Projected Total Discretionary Capital Reserve Funds	\$25,369,380

**Authorized net transfers in the estimated amount of \$10.7 million have not been transferred out of the reserve funds as at the date of this report. Funds remain in the reserve and 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 to reflect the uncommitted balance remaining in each reserve. The projected reserve balances 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 \$6.2 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 2024 Capital Budgets and 2025 to 2033 Forecasts have not been deducted from the above noted balances.

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 2024 Capital Budgets and related Forecasts have been grouped according to Business Unit. In addition, asset categories for each project are denoted on the summary pages using the following abbreviations:

- 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 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 2024 Capital Budget is recommended to be referred to the Special Committee Meetings of Council scheduled to discuss the 2024 Operating and Capital Budgets together with a review of options and associated risks. It is expected that the Capital Budget will be discussed in detail commencing March 18th. The 2024 budgets are expected to be approved by Council at a Special Meeting to be held on April 2nd, 2024.

Recommended Option

1. That Council receive the City of North Bay's 2024 General Capital Budget and 2024 Water and Wastewater Capital Budget as attached to Report to Council CORP 2024-20 dated March 6, 2024 from Shannon Saucier.
 2. That Report to Council CORP 2024-20 be received and referred to the General Government Committee for a Special Committee Meeting.
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Respectfully submitted,

Name: Shannon Saucier, CPA, CA

Title: Director, Financial Services / Deputy Treasurer

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 Alan Korell P.Eng.

Title: Interim City Engineer

Name Jason Whiteley

Title: Fire Chief

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

Name John Severino, P.Eng., MBA

Title: Chief Administrative Officer

Personnel designated for continuance:

Shannon Saucier, CPA, CA

Director, Financial Services / Deputy Treasurer

Attachments: Appendix A – 2024 General Capital Budget and 2024 Water and
Wastewater Capital Budget with Capital Forecast for 2025 to 2033