

STAFF REPORT TO FINANCE AND AUDIT COMMITTEE

1100 Patricia Blvd. | Prince George, BC, Canada V2L 3V9 | www.princegeorge.ca

DATE: November 25, 2022

TO: **STANDING COMMITTEE ON FINANCE AND AUDIT**

NAME AND TITLE: Kris Dalio, Director of Finance & IT Services

SUBJECT: Draft 2023 – 2027 Capital Plan

ATTACHMENT(S): Draft 2023 – 2027 Capital Plan – Funded

RECOMMENDATION(S):

THAT the Standing Committee on Finance and Audit APPROVES the projects as presented in the report dated November 25, 2022 from the Director of Finance & IT Services titled “Draft 2023 – 2027 Capital Plan” for the purpose of starting procurement processes.

PURPOSE:

The purpose of this report is to facilitate communication of the draft 2023 – 2027 Capital Plan. It also requests that the Standing Committee on Finance and Audit approve, in principle, the projects presented in the draft so the City can begin procurement processes. The budget and the proposed funding sources for these projects are best estimates at the time of this report. Budget and funding sources will be finalized and presented to Council for their final approval at the January 30th Budget Meeting.

STRATEGIC PRIORITIES:

The draft 2023 - 2027 Capital Plan includes projects that are consistent with Council’s Priorities and balances service provision with financial sustainability.

POLICY/REGULATORY ANALYSIS:

The Year 2023 budget process is compliant with the Financial Plan requirements of the *Community Charter* and is consistent with the guidance provided in the City’s Sustainable Finance Guidelines.

Public Consultation

According to the *Community Charter*, a council must undertake a process of public consultation regarding the proposed financial plan before it is adopted. In 2023, the City conducted five different service satisfaction surveys as well as the Citizen Budget online budget survey. The Finance and Audit Committee is receiving a summary of these results at its December 5th meeting under a separate report.

Budget meetings are currently scheduled for January 30th and February 1st, 2022. At that time a presentation on budget related consultation will be provided for the benefit of all members of

Council and the public through the live stream of the meeting. These meetings are public and the agendas will also include opportunities for public presentations and written submissions.

FINANCIAL CONSIDERATIONS:

The attached draft 2023 - 2027 Capital Plan has been prepared in conjunction with a separate report to the Standing Committee on Finance and Audit on December 5th, 2022 concerning Year 2023 – 2025 Operating Budget Guidelines and assumes the capital levy contributions as reflected in that report.

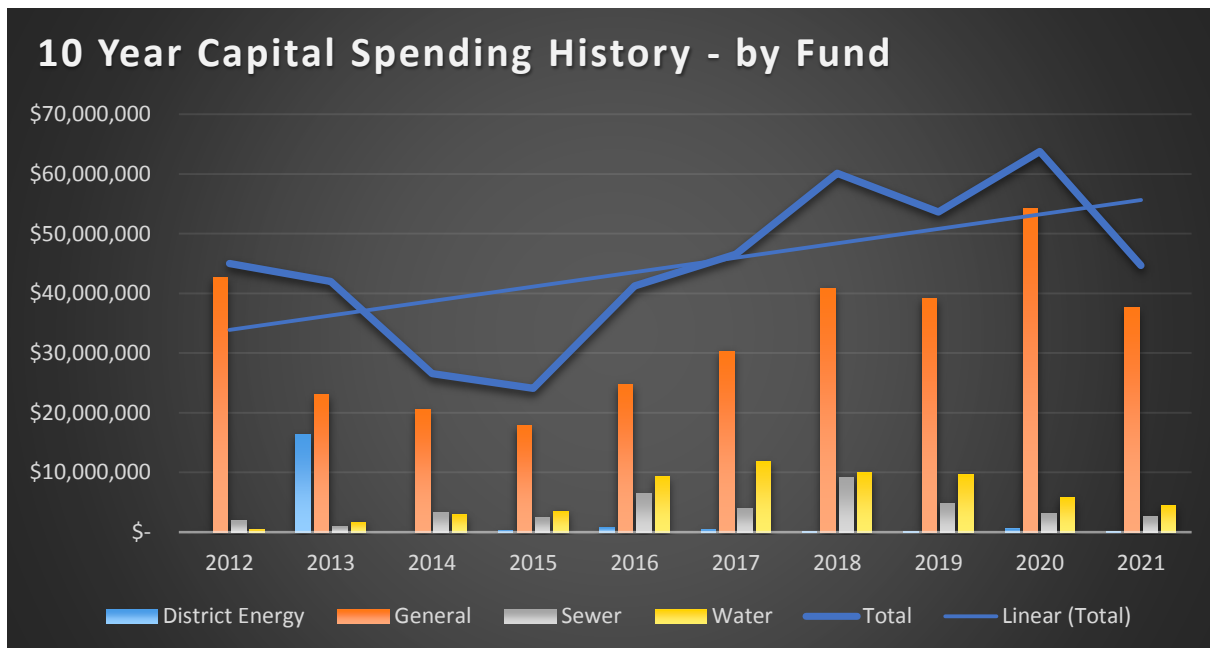
Many categories of the City's operations and infrastructure have dedicated funding sources (Road Rehabilitation, Snow Control, Sewer, Water, Solid Waste, Off-Street Parking). However, excluding those examples, the reliable sources of funds the City receives in a given year that can be allocated to general capital projects are:

- Community Works (Gas Tax) funds of approximately \$3,400,000;
- General Infrastructure Reinvestment Fund Levy of \$2,950,000;

Gaming contributions of \$2,600,000 are also considered a reliable source of funds for capital but the COVID-19 pandemic had rendered casinos closed from March of 2020 to June of 2021. Casinos reopened on July 1, 2021 but should restrictions tighten again, this would have large impacts on the available funding for the capital plan.

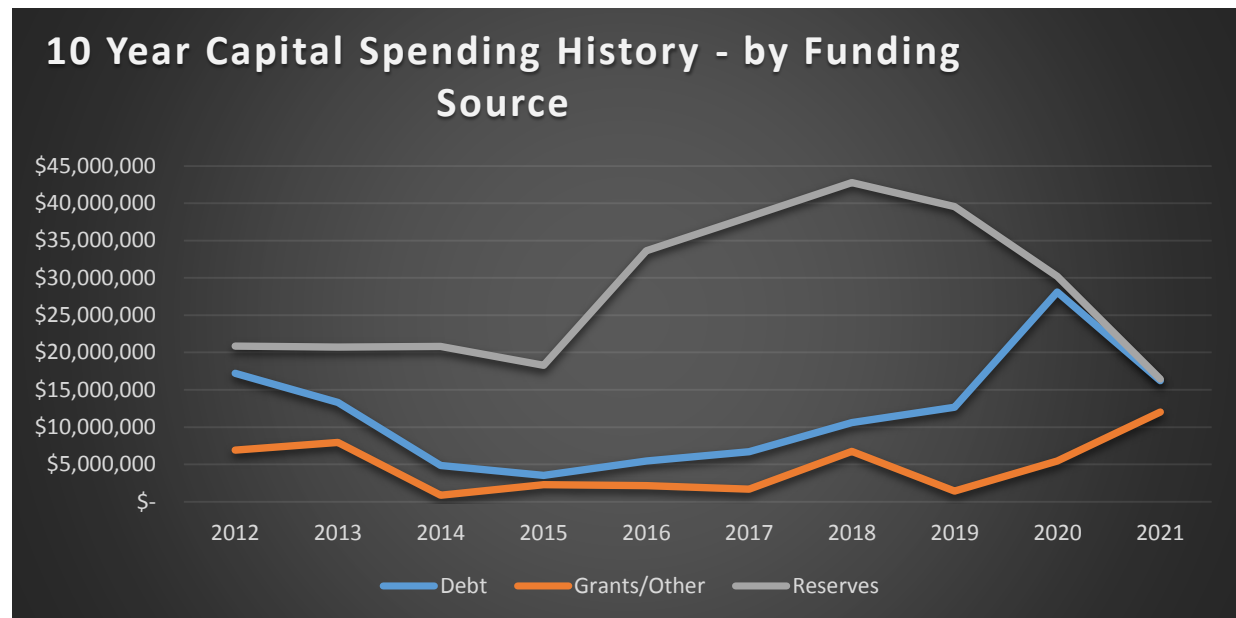
This plan also assumes available reserve funds that were bolstered by the cancellation of a few previously approved capital projects. The cancelled projects are as follows:

Project #	Project Name	Approval Year
3344	Firefighter Decontamination/Rehab Trailer	2020
3402	Renewable Natural Gas (RNG) Plant	2022



Capital investment in City infrastructure has historically trended upwards. However, in 2021, there was a decrease over prior year, with \$44.7 million spent including maintenance projects funded from reserve. Reserves continue to be heavily committed to current and future capital spending.

It is important to note that some of the increased spending from reserves has been a result of a “pay as you go” approach, as opposed to debt funding, that the City has applied in areas such as sewer, water and solid waste. The following graph helps illustrate that point.



Debt

BC municipalities’ financial liabilities (e.g. under leases, partnering, and long-term debt agreements) are subject to liability servicing limits. They also require elector approval if they are:

- a loan guarantee or are of a capital nature; and
- the agreement is for more than five years; or
- the agreement could be for more than five years if an extension were exercised.

A municipality cannot incur a liability if it would cause their total annual cost of debt servicing (principal and interest payments) to exceed the regulated amount. The regulated amount is currently based on 25% of a municipality’s controllable annual revenues such as: property taxes; payments in lieu of taxes; user fees; and unconditional grants.

The City relies on debt financing for new infrastructure and for major repair of existing infrastructure. The City also enters into financing agreements for the purchase of general use mobile equipment. The following chart provides the debt capacity and available capacity as determined by the Municipal Liabilities Regulation. The total amount of all approved loan authorization bylaws is included in the liability servicing limit regardless of whether the funds have actually been borrowed. 2022 figures were not available at the time of this report.

Year	Municipal Controllable Revenue	Liability Servicing Limit	Payment Capacity Available	Approximate Principal Borrowing Available
2017	\$165,029,633	\$41,257,408	\$22,496,328	\$249,959,200
2018	\$172,759,289	\$43,189,822	\$25,154,282	\$279,492,022
2019	\$177,512,689	\$44,378,172	\$23,982,421	\$266,471,344
2020	\$171,514,757	\$42,878,689	\$15,422,526	\$194,975,044
2021*	\$178,008,247	\$44,502,062	\$24,915,473	\$289,042,610

*2021 figures are estimates as the official figures were not available at the time of this report.

There are no new debt funded projects proposed for 2023. However, the City does finance its fleet equipment purchases every year through the Municipal Finance Authority, which requires an elector assent process.

In 2023, the following long-term debt issues have maturity dates in 2023: five sewer issues, two water issues and the district energy system issue all reach maturity.

SUMMARY AND CONCLUSION:

The Standing Committee on Finance and Audit's discussion and recommendations will enable Administration to continue to develop the 2023 - 2027 Capital Plan, which will be recommended to Council for approval during budget meetings to be held in January.

RESPECTFULLY SUBMITTED:

Kris Dalio, Director of Finance & IT Services

APPROVED:

Walter Babicz, City Manager

Meeting date: December 5, 2022