

STAFF REPORT TO FINANCE AND AUDIT COMMITTEE

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DATE: November 27, 2023

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

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

SUBJECT: Draft 2024 – 2028 Capital Plan

ATTACHMENT(S): Draft 2024 – 2028 Capital Plan – Funded

RECOMMENDATION(S):

THAT the Standing Committee on Finance and Audit APPROVES the projects as presented in the report dated November 27, 2023 from the Director of Finance & IT Services titled “Draft 2024 – 2028 Capital Plan” for the purpose of starting procurement processes.

PURPOSE:

The purpose of this report is to facilitate communication of the draft 2024 – 2028 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 22nd, January 24th and January 29th Budget Meetings.

STRATEGIC PRIORITIES:

The draft 2024 - 2028 Capital Plan includes projects that are consistent with Council’s Priorities and balances service provision with financial sustainability.

POLICY/REGULATORY ANALYSIS:

The Year 2024 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 Policy.

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. The Finance and Audit Committee is receiving a summary of these results at its December 4th meeting under a separate report.

Budget meetings are currently scheduled for January 22nd, January 24th and January 29th, 2024. 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:

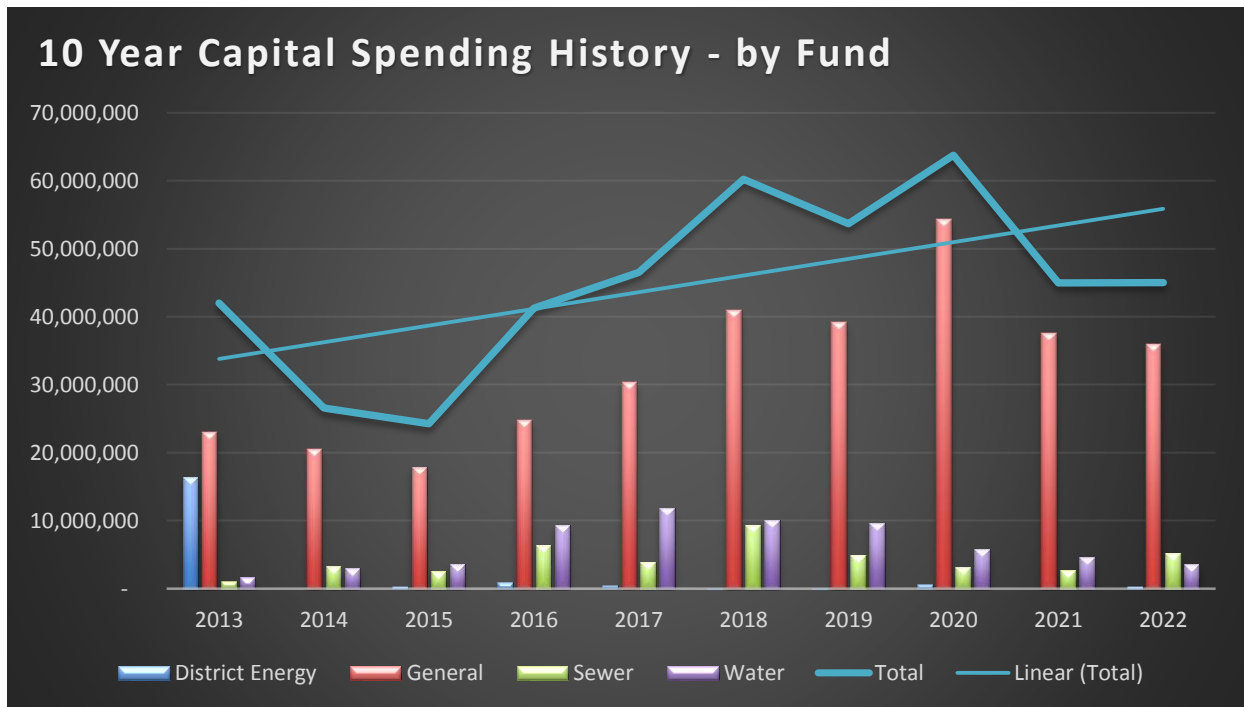
The attached draft 2024- 2028 Capital Plan has been prepared in conjunction with a separate report to the Standing Committee on Finance and Audit on December 4th, 2023 concerning Year 2024 – 2026 Operating Budget Guidelines and assumes the capital levy contributions as reflected in that report.

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:

- General Infrastructure Reinvestment Fund Levy of \$4,242,482;
- Canada Community Building Fund (Gas Tax) funds of approximately \$3,500,000;
- Gaming funds of \$2,700,000 (if casinos close, ie. pandemic, this would affect available funding for the capital plan)

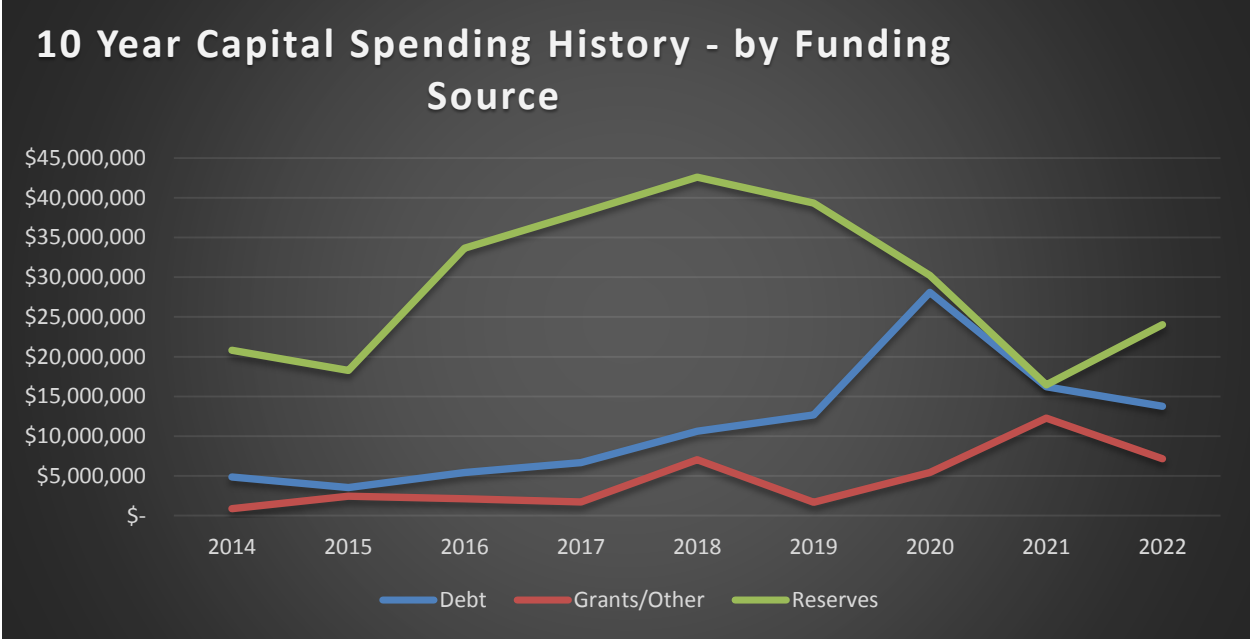
This plan also assumes available reserve funds that were bolstered by the cancellation of a few previously approved capital projects. The cancelled projects are as follows:

Project #	Project Name	Approval Year
1459	CH-Glazing Replacement Phase 2	2020
1388	Aquatic Centre Parking Lot	2022
3386	New Loader Water/Sewer	2023



Capital investment in City infrastructure has historically trended upwards. 2022 spending was in line with the prior year with \$45 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. 2023 figures were not available at the time of this report.

Year	Municipal Controllable Revenue	Liability Servicing Limit	Payment Capacity Available	Approximate Principal Borrowing Available
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	\$178,208,247	\$44,552,062	\$24,965,473	\$289,622,657
2022	\$188,567,032	\$47,141,758	\$33,029,835	\$369,048,436

There are two new debt funded projects proposed for 2024:

- 3409 - PW126 Hart Sewage Lift Station Replacement - \$7,300,000
- 3321 - Stormwater System Renewal - \$2,550,000

The City also finances its fleet equipment purchases every year through the Municipal Finance Authority, which requires an elector assent process.

In 2024, the following long-term debt issues have maturity dates in 2024: one general issue, one sewer issues and two water issues 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 2024 - 2028 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 4, 2023