

STAFF REPORT TO FINANCE AND AUDIT COMMITTEE

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DATE: November 27, 2020

TO: STANDING COMMITTEE ON FINANCE AND AUDIT

NAME AND TITLE: Kris Dalio, Director of Finance

SUBJECT: Draft 2021 – 2025 Capital Plan

ATTACHMENT(S): Draft 2021 – 2025 Capital Plan - Funded

RECOMMENDATION(S):

THAT the Standing Committee on Finance and Audit RECEIVES FOR INFORMATION, the report dated November 27, 2020 from the Director of Finance titled “Draft 2021 – 2025 Capital Plan”.

PURPOSE:

The purpose of this report is to facilitate discussion of the Draft 2021 - 2025 Capital Plan.

STRATEGIC PRIORITIES:

The draft 2021 - 2025 Capital Plan includes projects that are consistent with Council’s Priorities and balances service provision with financial sustainability.

POLICY/REGULATORY ANALYSIS:

The Year 2021 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. Due to the COVID-19 pandemic, the City shifted to an all online engagement program in 2020, which involved a budget survey and an online town hall hosted by the Mayor. The Finance and Audit Committee is receiving a summary of these results at the December 7th meeting under a separate report.

Budget meetings are currently scheduled for January. 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.

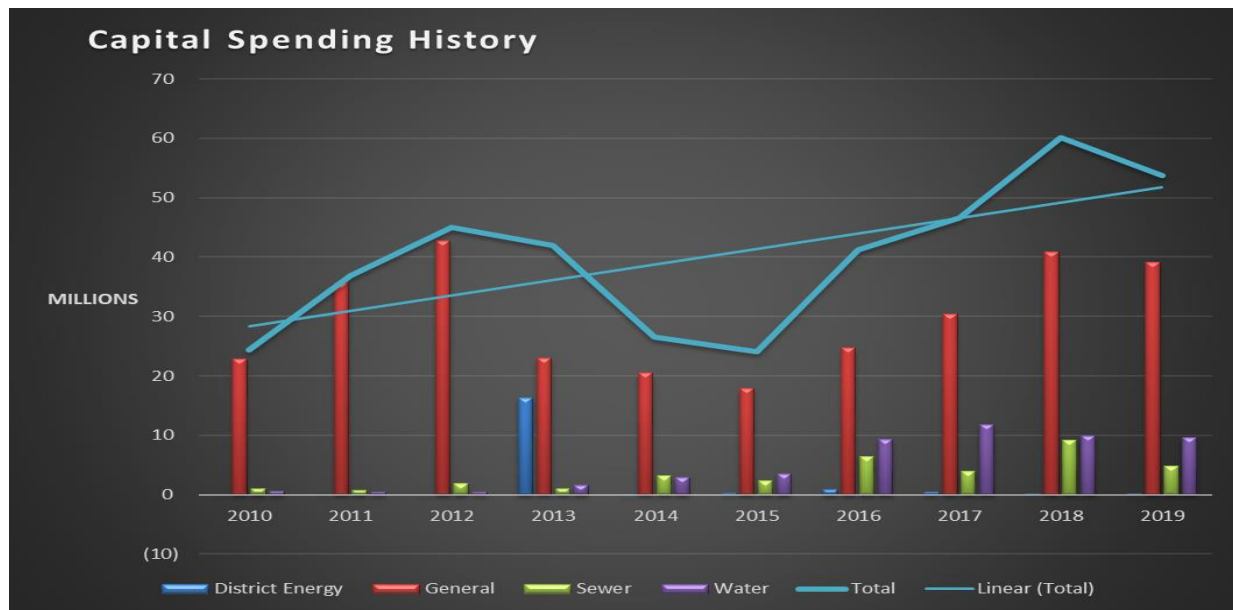
FINANCIAL CONSIDERATIONS:

The attached draft 2021 - 2025 Capital Expenditure Plan has been prepared in conjunction with a separate report to the Standing Committee on Finance and Audit on December 7th, 2020 concerning Year 2021 – 2023 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 \$3,300,000;
- General Infrastructure Reinvestment Fund Levy of \$2,675,000;
- and other contributions of \$250,000.

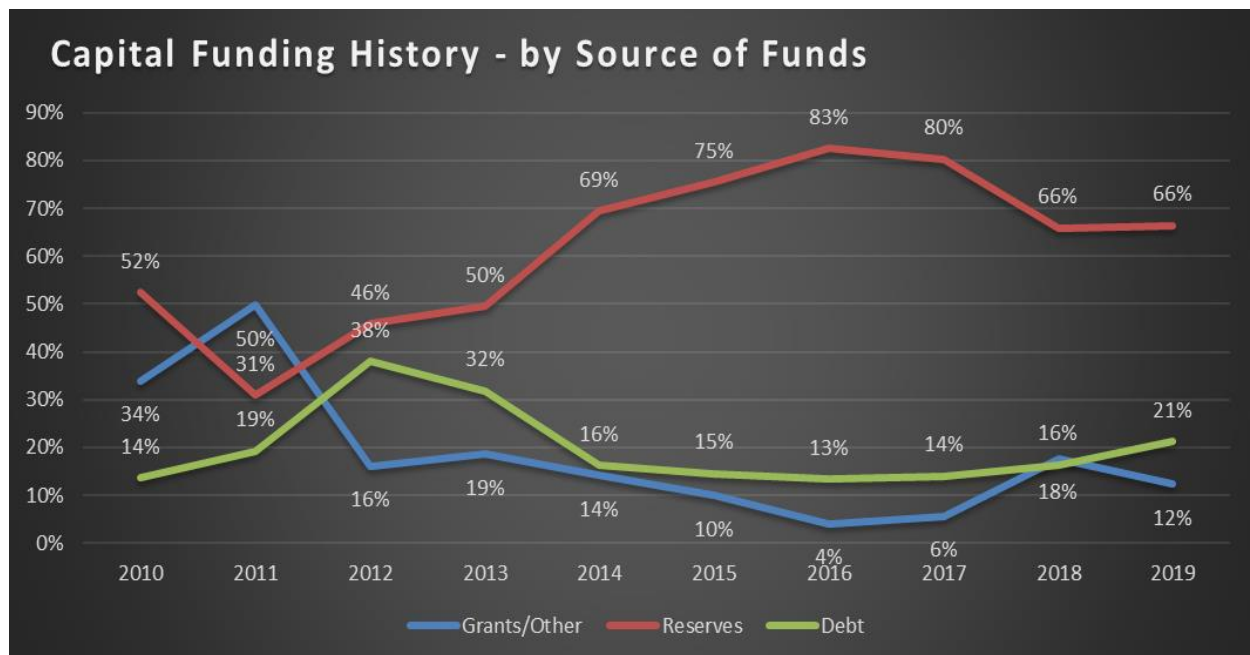
Gaming contributions of \$2,400,000 are usually also considered a reliable source of funds for capital but the COVID-19 pandemic has rendered casinos closed since March of 2020 and so that source of funding is temporarily not available.



Capital investment in City infrastructure declined slightly in 2019 but spending on assets, new and old, continues to be robust. Reserves in 2017 and 2018 were at low levels because of the increased investment, but in 2019 and beyond, reserves start to increase again.

In 2020, the City received a significant grant from other levels of government: The Northern Capital and Planning Grant, in the amount of \$6,527,000 helped to bolster declining reserve balances in 2020. Lastly, if the City and Fortis BC terminate their lease-in lease-out agreement at the 17-year point at the end of 2021, there will be an approximate \$25,000,000 payment that will also help buoy reserves.

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.



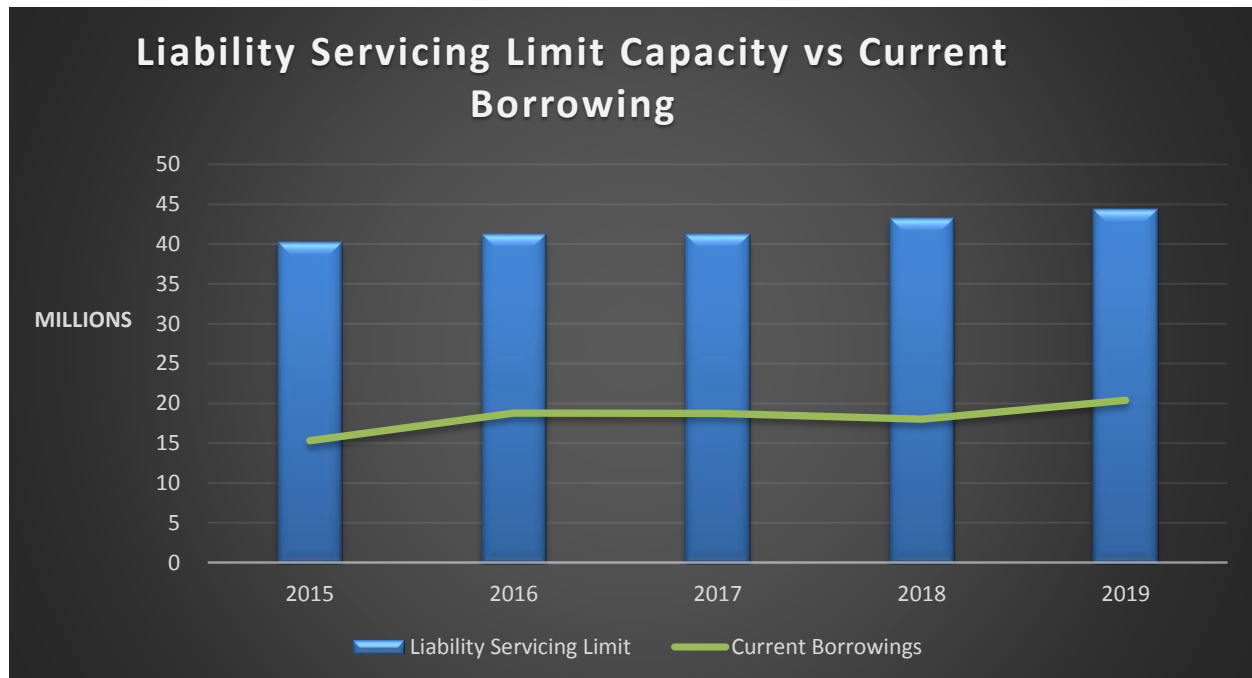
Debt

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. 2020 figures were not available at the time of this report.



The City is projected to be at less than 50% of its borrowing capacity for the next five years and debt payments will decrease sharply in 2022 when the City no longer has the Fortis Lease-In Lease-Out agreement debt as part of its overall portfolio.

There are no new debt funded projects proposed for 2021. However, the City does finance its fleet equipment purchases every year through the Municipal Finance Authority, which requires an elector assent process. The next outstanding debt item that the City will provide final payment for is the Fortis loan that will end in 2021.

SUMMARY AND CONCLUSION:

Discussion of this report's recommendations will enable Administration to continue to develop the 2021 - 2025 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

APPROVED:

Walter Babicz, Acting City Manager
Meeting date: December 7, 2020