



2017 Capital Budget Presentation

October 11, 2016

Agenda

- * 2017 Capital Budget Timeline
- * Capital Budget Process
- * Changes to Preliminary 2017 Capital Budget tabled October 3rd (Handout)
- * Notable Differences & Comparison to 2016 Budget

2017 Capital Budget Timeline

- * **October 3rd:** Preliminary 2017 Capital Budget was provided to Council at the October 3rd Council meeting (RTC No. 2016-101) and was referred to Committee.
- * **October 11th:** Purpose of tonight's presentation is to provide Council and the public with an introduction to the 2017 Capital Budget and discuss some notable differences from 2016.
- * **October 18th & 19th:** A Special Committee Meeting is scheduled for next Tuesday, October 18th at 5:30 p.m. to provide Council with an opportunity to review the 2017 Capital Budget in more detail and to discuss specific projects. October 19th has also been tentatively scheduled should more time be need.

2017 Capital Budget Timeline cont'd

- * **November 7th:** If required, a Supplemental Report to Council will be presented to incorporate any changes discussed during the Special Committee Meeting.
- * **November 14th:** Capital Budget to be approved by Council.
- * **November 28th:** Council to authorize a By-Law approving the 2017 Capital Budget.

Project Identification & Prioritization

General Capital Budget

- Roads
- Bridges
- Storm
- Transit
- Landfill
- Fleet
- Trails
- Parks
- Recreational Facilities
- Fire
- Information Technology
- Service Partners

Assigned to an Asset Category

- **Asset Improvements & Maintenance**
- **Strategic Investments**
- **Growth**

Water and Wastewater Capital Budget

- Water Treatment Plant
- Water Distribution Infrastructure
- Wastewater Treatment Plant
- Wastewater Distribution Infrastructure

Assigned to an Asset Category

Capital Funding Sources

- * Reserve Funds (i.e. Development Charges, Methane Sales, etc.)
 - * Grants and Other Funding Sources
 - * Long Term Capital Funding Limit consists of:
 - PAYGO (Capital Levy in Operating Budget)
 - Debenture / Long-term Debt
 - Federal Gas Tax
 - Ontario Community Infrastructure Fund (OCIF) Grant
 - Hydro Loan Proceeds (Mayor's Plan) *New 2016
- General & Water and Wastewater Capital Budgets
- General Capital Budget

Finalizing the Capital Budget for Council's Consideration

Gross Planned Expenditures

Less

Capital Funding Sources

= Funding Shortfall (Surplus)

- Budget is reviewed by SMT to establish priorities on a Corporate level with the objective of aligning the overall capital needs with available funding sources
- Year 1 of the 10 year plan is aligned first as this is the year that is pending Council approval. Year 2 to 10 are for information purposes.
- As funding sources decline, there is a greater need to defer projects to future years. In 2017, projects were eliminated from the Capital Budget.

General Capital Budget Funding Envelope

- * 2017 represents the first year projects (or components of projects) have been eliminated from the plan as deferring projects to later years is no longer viable
- * Ongoing pressures in the last several years have resulted in reductions to the Pay As You Go funding (also referred to as the capital levy):
 - * 2013 - \$1,000,000
 - * 2014 - \$272,237
 - * 2015 - \$1,700,000 plus \$605,557 of OCIF applied to reduce the capital levy
- * Reductions have a compounding effect
- * 2016 moratorium placed on the 1% capital levy policy

General Capital Budget Funding Envelope cont'd

- * Funding Envelope further reduced by changes to the debt authority:
 - * Original Plan provided for an increase in debt authority of \$500,000 until such time total debt authority reached \$13 million
 - * 2012 to 2014 - Debt held to \$9m
 - * 2015 – Debt reduced to \$8.5m
 - * 2016 to 2018 – Debt reduced to \$5m; increasing to \$8.5m in 2019 and thereafter
- * Collectively, the changes to the Funding Envelope have created challenges in meeting the capital needs of the City and its Service Partners

General Capital Budget Funding Envelope cont'd

- * The following illustrates how the 2017 General Capital Funding Envelope has changed from what was projected for 2017 in the 2012 General Capital Budget:

	2017 (from 2012 Ten Year Capital Forecast)	2017 (Current Year Draft Budget)*	Difference (Reduction)/ Increase in Funding Plan
Capital Funding Policy Limit			
Capital Levy in Operating Budget	14,020,000	7,616,804	(6,403,196)
Debenture and Long-term Debt	11,500,000	5,000,000	(6,500,000)
Hydro Money to Invest in Capital	-	4,000,000	4,000,000
Federal Gas Tax	3,310,814	3,262,323	(48,491)
Less: Memorial Gardens Pre-Flow	-	(250,000)	(250,000)
Target Policy for Net Expenditures	28,830,814	19,629,127	(9,201,687)

*2017 Capital Levy presented above is before the recommended 0.5% adjustment

- * Therefore, it is recommended that 0.5% levy increase be added to the 2017 Capital Budget – results in \$404,671 additional funding in 2017 and \$10,085,422 over the 10 year plan

New Funding Announcement

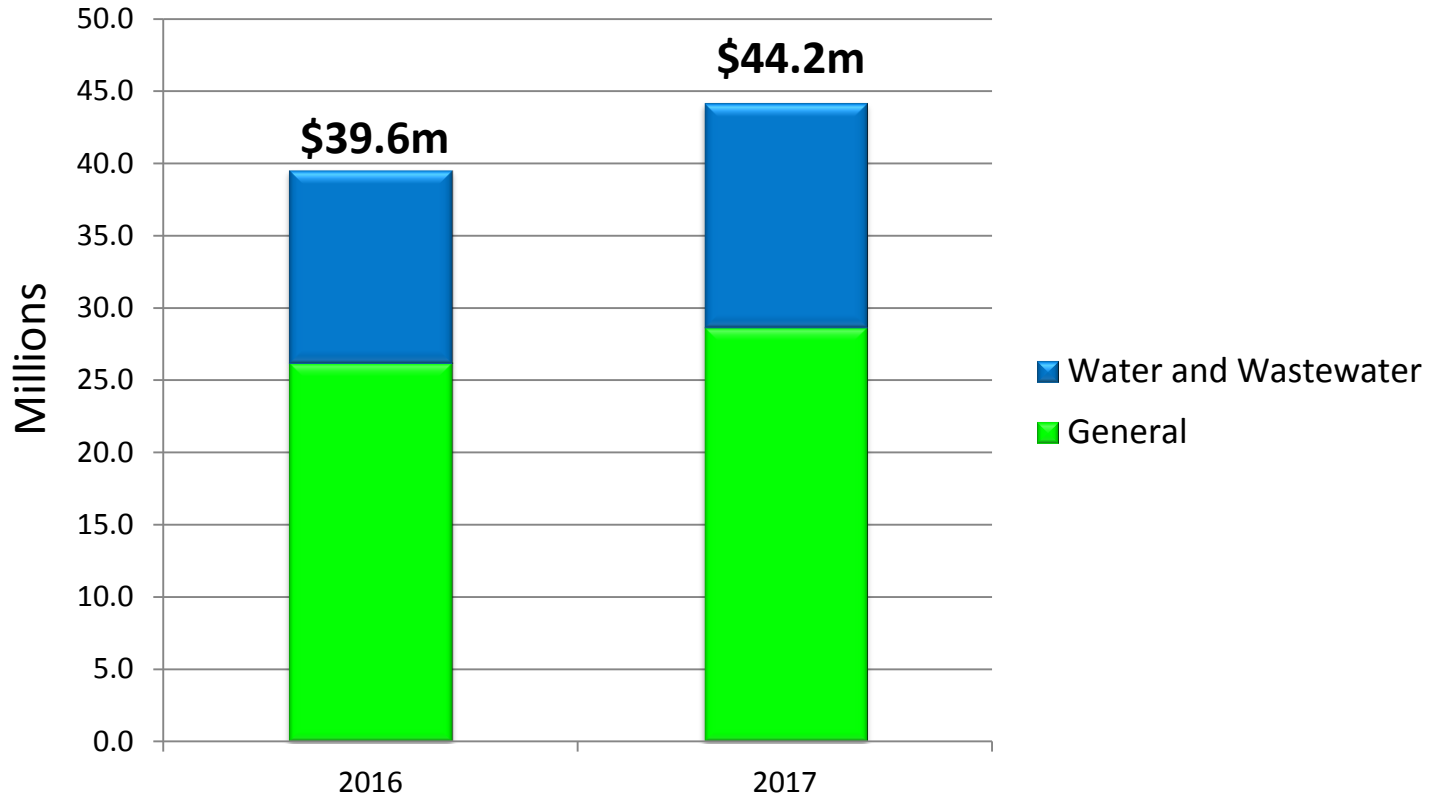
- * Amendments to the Preliminary 2017 Capital Budget and Forecast since October 3rd:
 - * City received notification that it is eligible to receive up to \$2,287,004 in federal funding and up to \$1,143,502 in provincial funding
 - * Funding is part of Federal Government's new Clean Water and Wastewater Fund (CWWF) – to be spent on water, storm water, and/or wastewater infrastructure projects
 - * Project Funding Allocation: 50% Federal; 25% Provincial and 25% City of North Bay - total project value of \$4,574,008
 - * Costs are expected to be incurred prior to March 31, 2018
 - * Introduction of new funding required amendment to the 2017 Capital Budget and Forecast

Enhanced Investment in Infrastructure

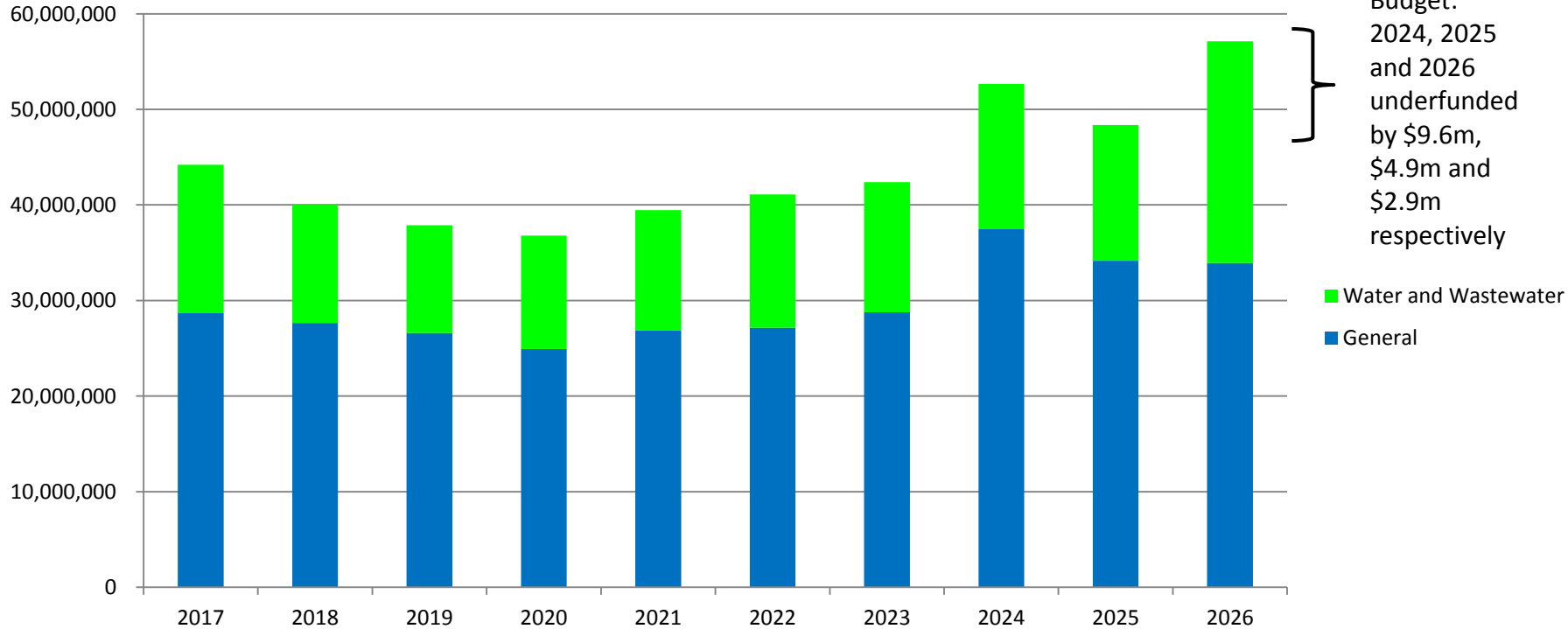
- * Accelerate the completion of the Cedar Heights Phase 2 project from 2019 to 2017. Approximately \$6m project.
- * Accelerate the completion of Lakeshore Drive Area Trunk Watermain and Sewer Project. Design work in 2017 with construction to occur in 2019 rather than in 2023. Approximately \$11.9m project.
- * 2017 General Budget: Increased Grant Funding of \$714,285 and Reserve Funding of \$450,022
- * 2017 Water and Wastewater Capital Budget: Increased Grant Funding of \$2,716,221 and Reserve Funding of \$1,476,999
- * 10 year forecast was realigned to leverage the new funding and accelerate the completion of the above noted projects.

2017 Capital Budget and Forecast 2018 to 2026

2017 Total Gross Capital Investment



2017-2026 Total Gross Capital Investment



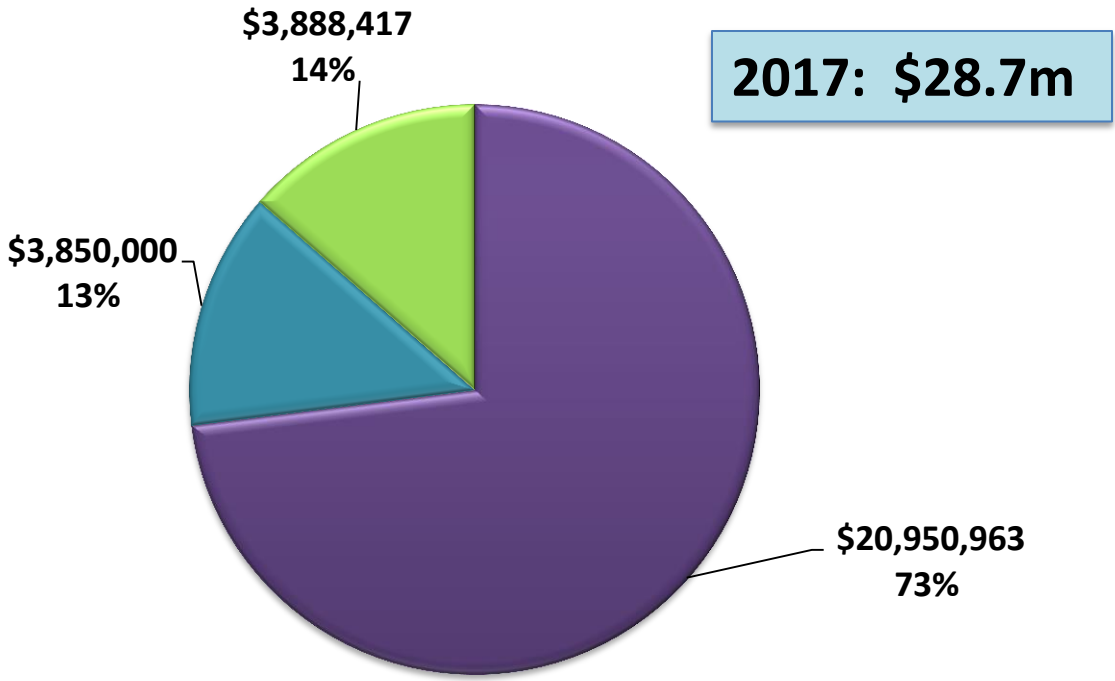
***Note: Fluctuations in gross capital investment occur due to changes in anticipated Grant/Third Party Funding and Reserve Funds*

2017 General Capital Budget

Notable Changes to the 2017 General Capital Budget

- * OCIF Funding has increased from \$605,557 in 2016 to \$1,180,761 in 2017 with further increases expected in 2018 and 2019. Funding is expected to continue to 2026. The additional grant funding was used to grow the capital plan rather than to offset the Capital Levy in the Operating Budget.
- * Capital levy increased by 0.5% of the prior year Operating Levy or \$404,671 in 2017.
- * New CWWF funding of \$714,285 and City reserve funds of \$450,022

2017 Gross General Capital Investment by Project Categorization



■ Asset Improvement and Maintenance

■ Growth

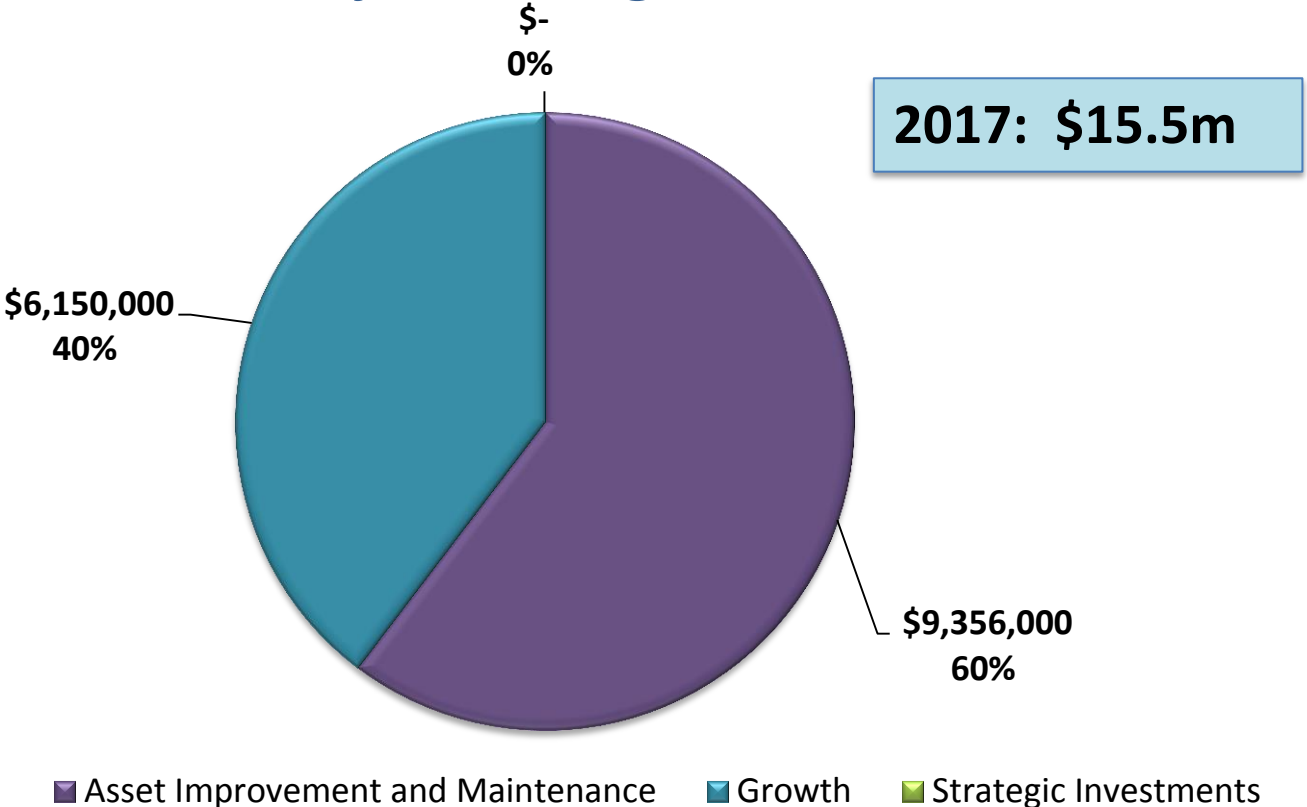
■ Strategic Investments

2016 Water and Wastewater Capital Budget

Notable Changes to the 2017 Water and Wastewater Capital Budget

- * In 2016, there was a reduction approved to the baseline funding in the amount of \$479,770. It is recommended that \$200,000 be reinstated to the baseline funding to mitigate the long term consequences to the capital plan.
- * New CWWF funding of \$2,716,221 and City reserve funds of \$1,476,999

2017 Gross Water and Wastewater Investment by Project Categorization



Next Steps

- * October 18th Special Committee Meeting of Council to review specific projects included in the Capital Budget