



STAFF REPORT TO COUNCIL

FINANCE DEPARTMENT

DATE: November 19, 2015
TO: Mayor and Council
FROM: Kris Dalio, Director of Finance
SUBJECT: **2016 – 2020 Capital Financial Plan**
ATTACHMENT: **Capital Plan Reports**

RECOMMENDATIONS:

1. That Council approve the 2016-2020 Capital Financial Plan.

PURPOSE:

The Capital Financial Plan provides for the purchase, construction, rehabilitation and major maintenance (betterment) of capital assets. Capital assets are classified as land and improvements, buildings, vehicles, machinery and equipment, infrastructure (roads, drainage, water, sewer and parks), and leasehold improvements. The 2016-2020 Capital Financial Plan is presented to Council in organizational priority by fund for each year of the five year plan. The plan includes all requests for capital work for the five year period; however not all projects have been funded. Unfunded projects have been listed so that Council and the community are able to view the full complement of project requests. A project that is unfunded may meet grant criteria at a future date and could thus be considered for approval through a capital plan amendment.

STRATEGIC PRIORITIES:

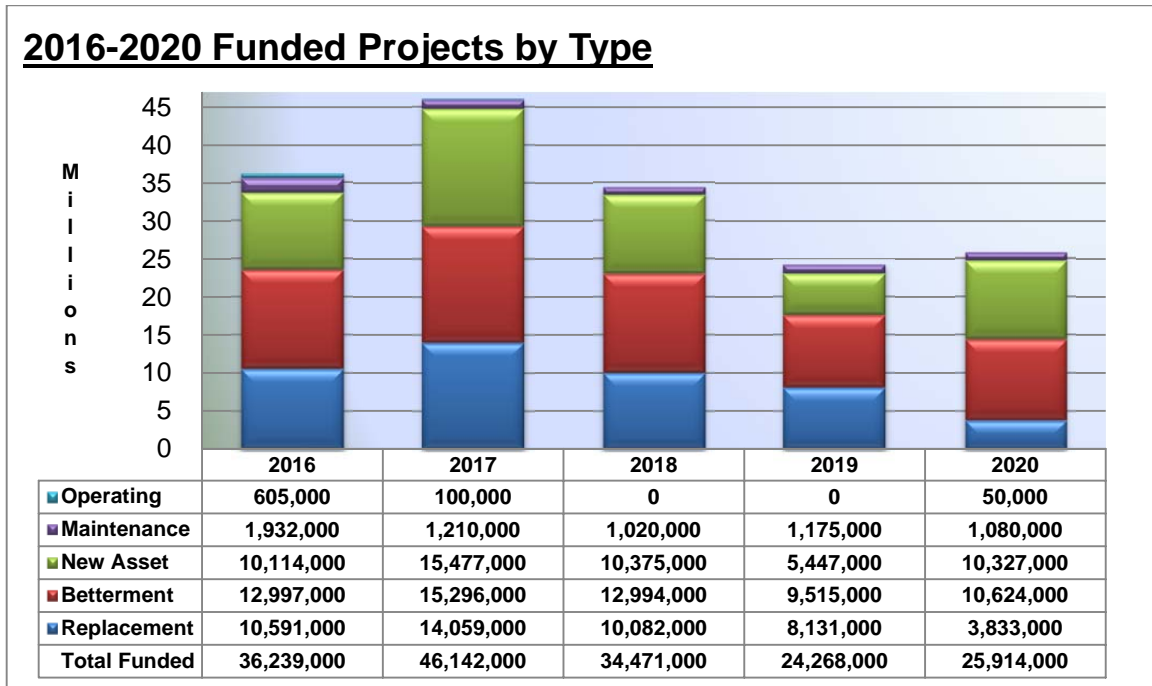
The prioritization of capital projects has been governed by Council's myPG Strategic Framework which identifies community and corporate goals and has established strategies and supporting policies to move the City of Prince George toward a sustainable future.

POLICY / REGULATORY ANALYSIS:

The Community Charter requires a municipality to adopt by bylaw a financial plan with a planning period of five years. This report describes the capital planning process for the City's five year financial plan.

FINANCIAL CONSIDERATIONS:

As a result of the asset management program and the move toward reporting tangible capital assets as required by the Public Sector Accounting Board, the Capital Financial Plan has been developed and funded by Council priority and presented and summarized by fund. Council priority was applied by a Cross-Functional Scoring Team that reviewed and ranked the projects.



Descriptions of project types are as follows:

New Asset: An addition to the asset inventory through construction or purchase of a new capital asset.

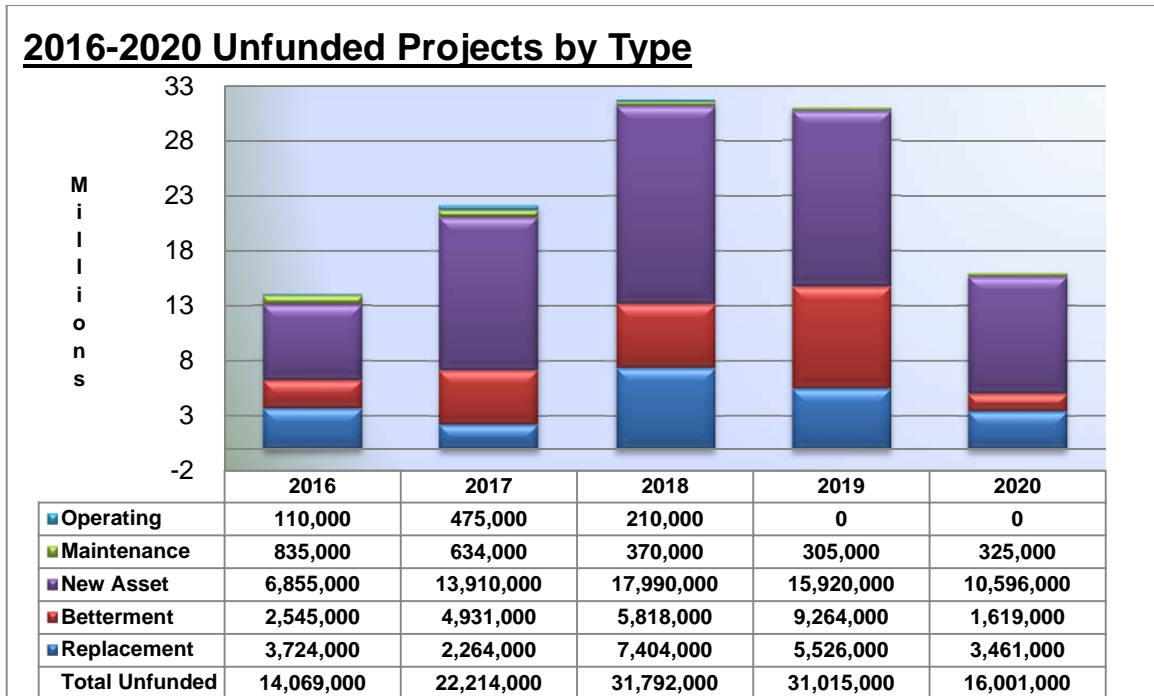
Betterment: Costs incurred to enhance an asset's service potential including: extending the asset's life beyond its original expected life, reducing operating costs, improving the quality of the asset's output, or increasing the asset's physical output or capacity.

Replacement: Replacement of an asset that has been in use with a new or similar asset. It is the cost of replacing an asset with another that will render the same service.

Maintenance: Maintaining the pre-determined service potential of an asset for a given useful life to keep the asset in its usual condition and at its expected operating standard. These expenses are recurring in nature and do not extend the asset's life, reduce operating costs, improve the quality of the output, or increase the output.

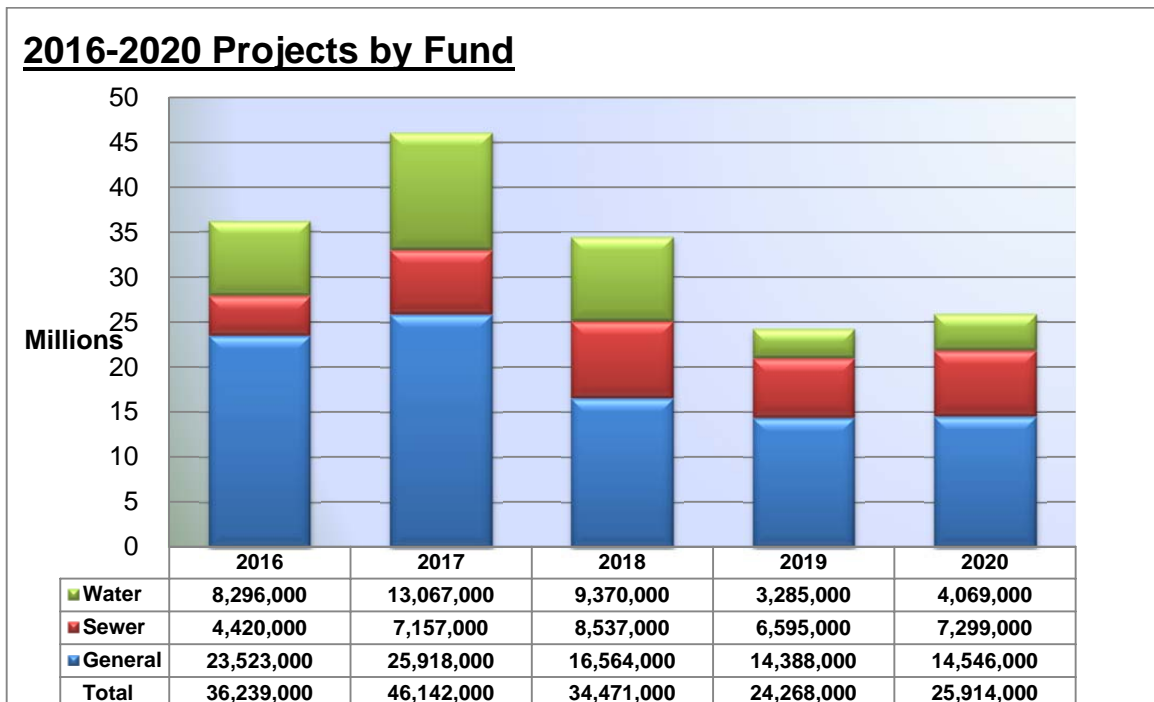
Operating: Projects not tangible asset related (i.e., programs, plans or studies).

The 2016 – 2020 Capital Financial Plan also contains many projects that do not have funding sources. The chart below provides the amount and types of projects that are unfunded in the current capital plan.



Capital Financial Plan by Fund

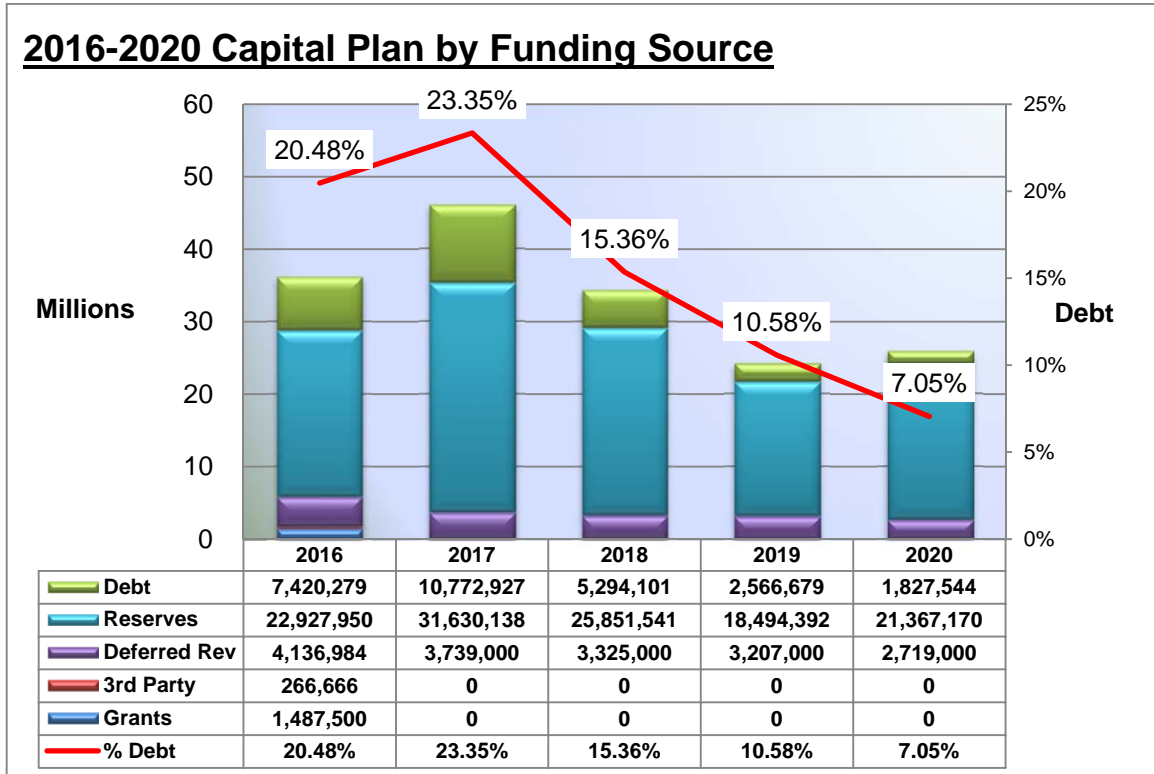
The general capital program encompasses projects for all areas of the city except for specific areas such as water and sewer. The following table provides a summary by general, sewer and water fund for the five year plan.



Capital Financial Plan by Funding Source

The City utilizes reserves, Development Cost Charges (DCCs), grants, 3rd party contributions and debt to fund its capital program. Wherever possible the City applies for federal and provincial grants.

The sewer and water utility projects are funded from capital and DCC reserves specific to those funds. Current debenture payments as a result of previous debt financing are recovered through the utility user rates. There is no new water or sewer debt in this plan.



The **Capital Expenditure Reserve** is used to fund most general capital projects. The Capital Expenditure Reserve is replenished through transfers from operating, gaming revenue and Endowment Reserve interest. Other reserves such as the General Infrastructure Reinvestment Fund, local area services, road rehabilitation, storm drainage and community works, are used for funding capital projects that meet the specific funding criteria of these reserves.

Deferred Revenue (DCCs) is used to fund expansion of infrastructure assets. DCC levies are calculated for projects that are included in the capital plan. For that purpose unfunded and future year projects (2021-2025) are included in the overall plan.

3rd Party refers to contributions by individuals or developers that are used to fund specific projects.

Capital Grants from other levels of government often require that the municipality have a project in their capital plan that is approved by Council. As such the funding source “grants” is listed but the project is contingent on grant funding being approved through a grant application process or grant program.

Debenture Debt and Capital Leases are used to provide funding for projects that are necessary but for which reserve funds are insufficient, or for projects that expand the City's infrastructure. Capital leases are currently in place for funding of the City's Mobile Equipment Replacement Program. Debt/lease repayments are made from operating funds and these payments must be within the liability servicing limit provided by the Ministry of Community, Sport and Cultural Development.

SUMMARY AND CONCLUSION:

This report and the capital project reports on the pages that follow in the budget book provide the details of the 2016 – 2020 Capital Financial Plan and future projects prepared to 2025. City Administration has prioritized the projects organizationally and sorted the projects to present the investment in assets. Known funding sources have been identified and utilized. Projects that are not funded for 2016-2020 and projects that are anticipated for future years (2021-2025) have been listed for Council's information.

Respectfully submitted,



Kris Dalio
Director of Finance

TO: MAYOR AND COUNCIL