

DATE: January 20, 2017

TO: **MAYOR AND COUNCIL**

NAME AND TITLE: Kris Dalio, Director of Finance

SUBJECT: 2017 – 2021 Capital Plan

ATTACHMENTS: Capital Plans

RECOMMENDATION:

That Council approve the 2017 – 2021 Capital Plan.

PURPOSE:

The Capital Plan provides for the purchase, construction, rehabilitation and major maintenance (betterment) of capital assets. Capital assets include land and improvements, buildings, vehicles, machinery and equipment, infrastructure (roads, drainage, water, sewer and parks), and leasehold improvements. The 2017-2021 Capital Plan is presented to Council by fund and by service category.

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.

Over the past few years, Administration has prioritized the proposed capital plan using a Cross Functional Scoring Team. This was a process in which a team of approximately ten staff members representing key divisions scored every project in the capital plan with a scoring matrix based on the myPG Community Plan. While this process showed value, the cost of staff time was extensive and Administration is in the process of determining a more efficient way to prioritize the City's capital needs. Administration will bring back a new process for Council's information in 2017.

The capital plan was prioritized without a scoring matrix this year. In lieu of that matrix, Directors and General Managers submitted their highest priority projects based on the professional expertise and advice of their respective departments' teams. Senior Administration then discussed and prioritized all high priority projects through a series of meetings considering inputs and factors such as facility assessments, asset master plans, public consultation, and social, economic and environmental impacts.

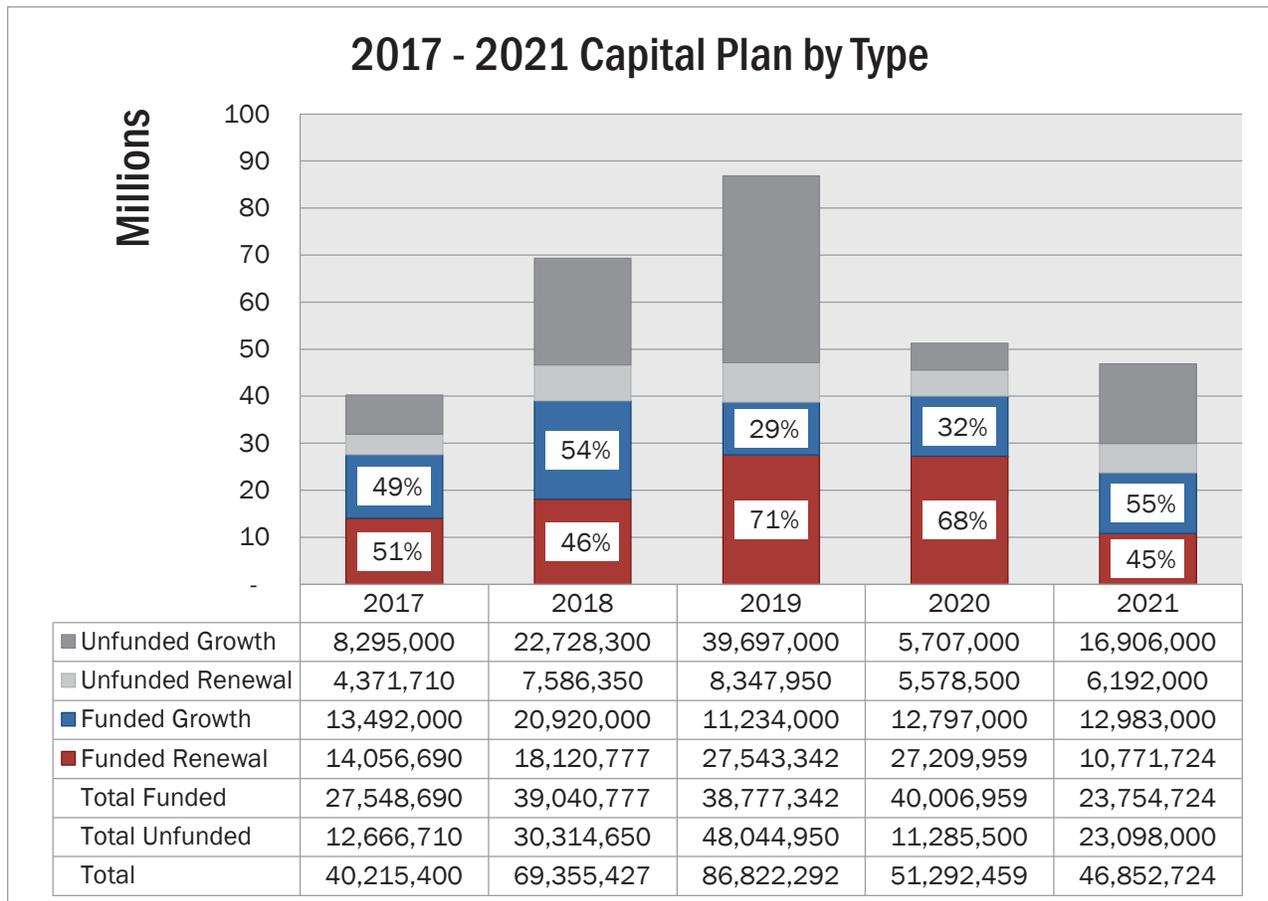
Lastly, Administration has changed the way in which the capital plan is presented. When the scoring matrix was in place, the projects were presented in descending order of the project's total score. The feedback on that presentation style was that it was not very user friendly. Administration has changed the presentation to be organized by Service Category. This has the benefits of following the same style of presentation of the Operational budget in the Financial Plan as well as making specific projects easier to find for the reader.

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:

The 2017 - 2021 Capital 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 budget amendment. The chart below provides both the funded and unfunded amounts by type of project in the current capital plan.



Descriptions of project types are as follows:

Growth

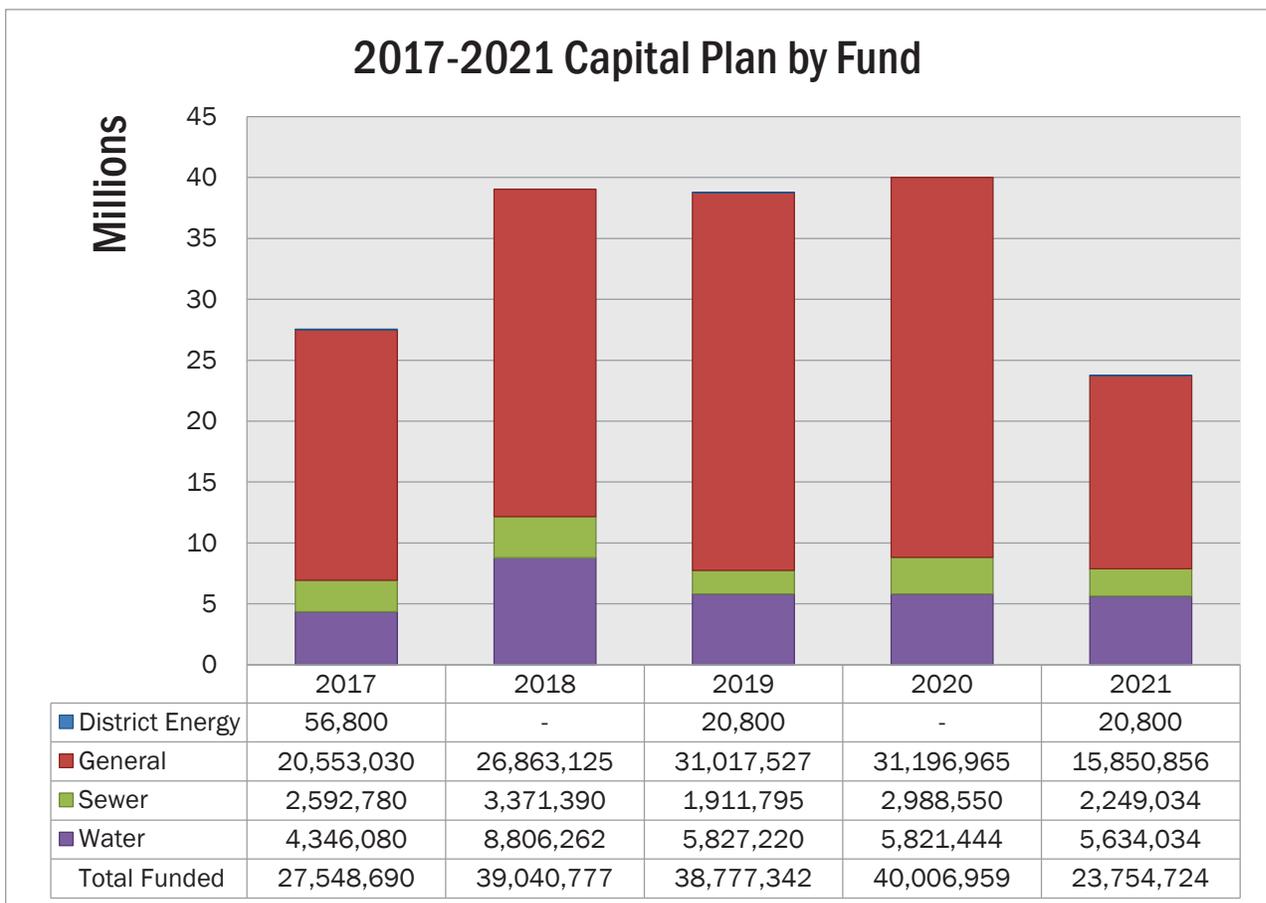
- An addition to the asset inventory through construction or purchase of a new capital asset.
- Costs incurred to enhance an asset’s service potential including: extending the asset’s life beyond its original expected life; reducing operating costs; improving the quality of the asset’s output; or increasing the asset’s physical output or capacity.
- Projects not tangible asset related (i.e., programs, plans or studies).

Renewal

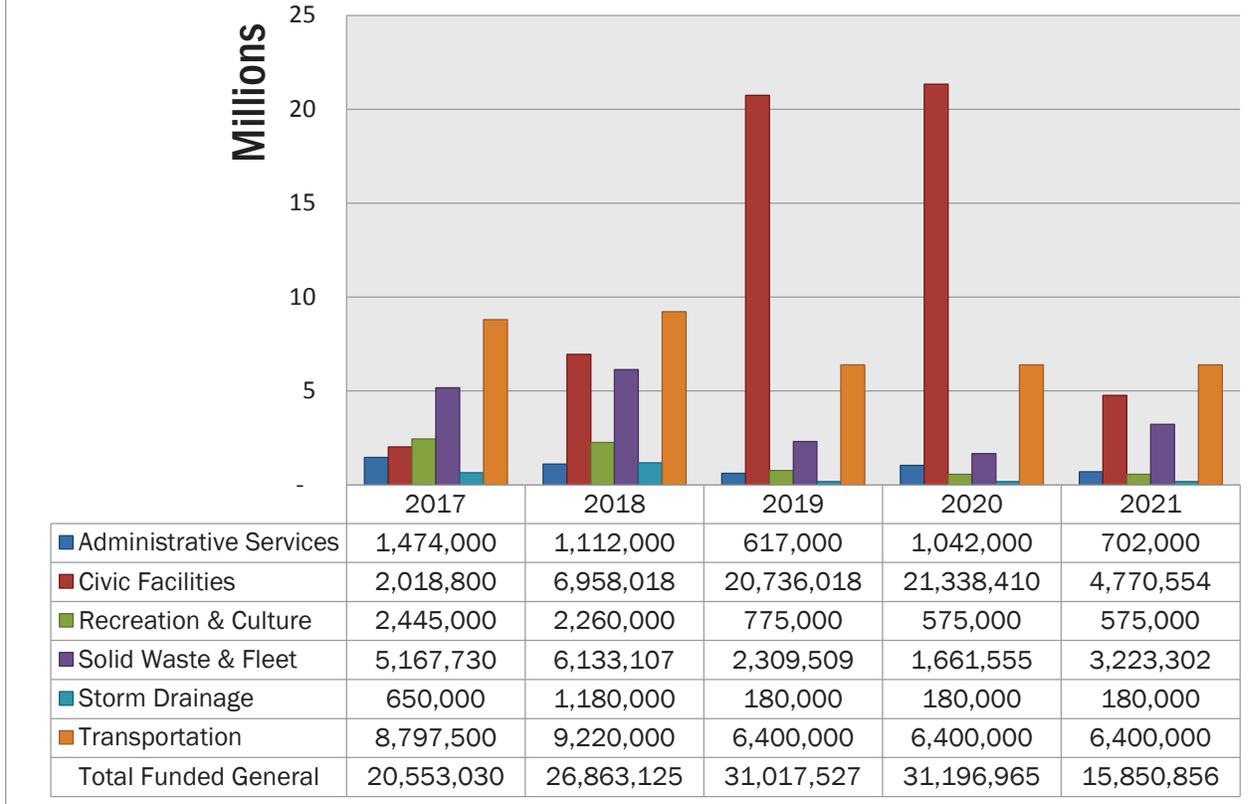
- Replacement of an asset that has been in use with a new or similar asset. It is the cost of replacing an asset with another that will render the same service.
- Maintaining the pre-determined service potential of an asset for a given useful life to keep the asset in its usual condition and at its expected 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.

Capital 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 tables provide a summary by general, sewer and water fund for the five year plan as well as a further breakdown of the general fund by service type of the City.



2017-2021 Capital Plan: General by Service Type



Administrative Services includes development planning and administration, engineering, and IT services.

Civic Facilities manages the structural capital needs for all buildings owned by the City. This includes the facilities in Community Services such as the two aquatic facilities, CN Centre, Civic Centre, and Kin Centres. It also includes other government facilities like City Hall, the 18th Avenue Yard, the RCMP building, and the fire halls.

Recreation and Culture includes cemetery and parks, as well as non-structural projects in aquatics, Civic Centre, CN Centre, and community arenas.

Solid Waste and Fleet includes solid waste mobile equipment, as well as other fleet-related tools and equipment.

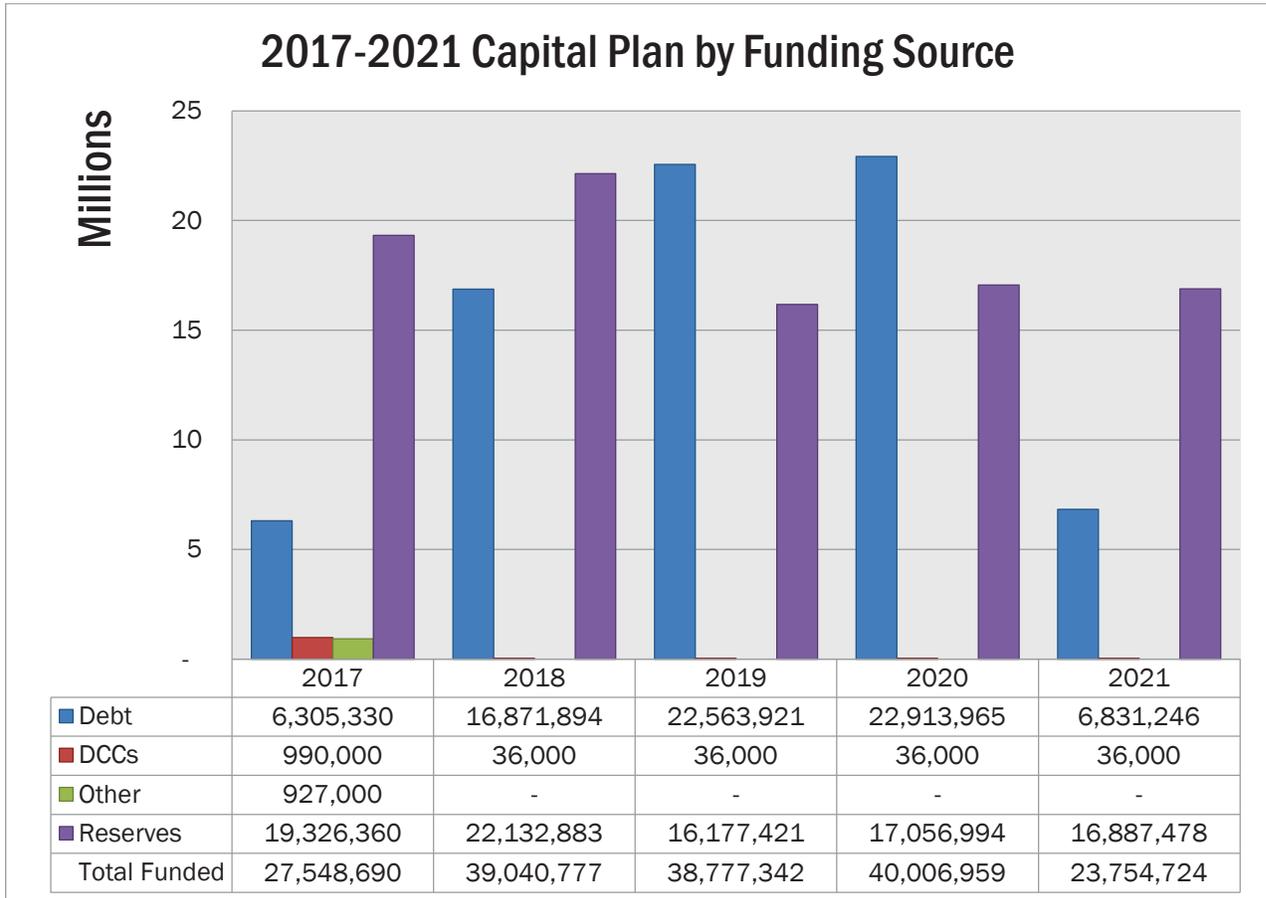
Storm Drainage includes catchbasins, culverts, and other forms of drainage control.

Transportation includes roads, snow control, and street lighting.

Capital Plan by Funding Source

The City utilizes debt, deferred revenue (DCCs), grants, 3rd party contributions, and reserves 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 reserves and DCCs 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.



Debt is 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. Equipment loans are currently in place for funding of the City’s Mobile Equipment Replacement Program. Debt 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.

DCCs are 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 (2022-2026) are included in the overall plan.

Other consists of 3rd party contributions by individuals or developers that are used to fund specific projects as well as capital grants. 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.

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.

SUMMARY AND CONCLUSION:

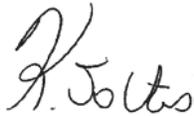
This report and the capital project reports on the pages that follow in the budget book provide the details of the 2017 - 2021 proposed Capital Plan. City administration has prioritized the projects organizationally and sorted the projects to present the investment in assets. Known funding sources have been identified and utilized. Projects that are not funded for 2017-2021 and projects that are anticipated for future years (2022-2026) have been listed for Council's information.

RESPECTFULLY SUBMITTED:



Kris Dalio, Director of Finance

APPROVED:



Kathleen Soltis, City Manager
Meeting date: February 1, 2017