



CITY OF ESTEVAN



January 26, 2015

To: His Worship the Mayor
Members of City Council

From: Amber Smale, City Manager

RE: 2015-2019 General Capital Budget

RECOMMENDATION

1. That City Council approve the 2015 General Capital Budget at a total cost of \$7,990,000.
2. That City Council approve the 2015-2019 General Capital Program, as outlined in the attached Appendix A – 2015-2019 General Capital Program.
3. That City Council issue debt in the amount of \$5,000,000 to cover the City's portion of capital programs for which the City is legally and/or legislatively bound.
4. That City Council delegate authority to the City Treasurer to take out the required debt at a time when interest rates make it most suitable to secure a loan and in advance of the project tender being awarded.
5. That City Council pass the appropriate borrowing bylaw to allow this debt and once public notice has been given.

CONCLUSION

The purpose of this report is to submit the 2015 General Capital Program for consideration by Council.

The proposed 2015 General Capital Program is \$7,990,000. This represents year one of a five year capital program beginning in 2015 so that longer term financial requirements are identified and budgeted for accordingly. The project planned for 2015 in large part has a legislative or legal requirement to move forward and/or are tied to significant provincial funding being provided.

Overall, the 2015 General Capital Program is designed to meet capital costs of projects already committed to by City Council or where provincial funding for the project is expiring in 2015. Many of these projects were deferred from previous years and the City is contractually bound to proceed with them. The 2015 General Capital Program tries to find a balance between public and corporate needs with funding being applied to areas that have been excluded from earlier

budgets or deferred. The program falls short of meeting the requirements to maintain existing infrastructure and meet the community's long-term needs.

BACKGROUND AND DISCUSSION

The purpose of this report is to submit for review the 2015 General Capital Program. Each year, the City of Estevan develops an annual General Capital Program. The City Manager's Bylaw 2014-1937 requires that the City Manager prepare and present the Capital Budget to Council. The development and review of the capital program is an integral part of the overall budget process and is important for long-term planning, however the past practice in Estevan has been to present this program on an annual basis. City Council will be able to plan better for the future seeing the full picture over the next five years.

Attached is the 2015-2019 General Capital Program. The proposed five year program totals \$45,260,000. This does not include the five years Utility Capital Program of approximately \$30,000,000. Highlights with respect to the proposed capital program are listed in Appendix A. The five year program is considered a base starting point and it's anticipated that the priority of projects may change over the course of five years with new programs being added annually as the City's infrastructure information becomes clearer.

Capital assets are integral to the services delivered by the City of Estevan. Categories of assets are:

- Infrastructure such as roads, bridges, sidewalks, parks, athletic fields, and irrigation systems.
- Facilities and structures. The development and long-term maintenance of these facilities and structures is funded through the capital program.
- Vehicles and other equipment – This includes the vehicles and equipment maintained through the central fleet operation plus the vehicles used by Fire and Police. Other equipment and technology includes hardware, software, traffic signals, bleachers, backstops and playground equipment.

The City has a substantial "infrastructure deficit" in terms of capital requirements that can't be addressed within existing capital funding levels. Increases in existing sources of funding along with new sources of capital funding are required if the capital requirements are to be adequately addressed.

Key points to note with respect to funding of the 2015 General Capital Program include:

- The City of Estevan has not adequately sought out grants and funding programs where some capital projects may qualify. This is a result of staff turnover and lack of corporate knowledge about what may be available or was applied for in the past. Achieving the 2015-2019 plan will require proactively pursuing these opportunities and will be a strategic focus for the City's financing model.

- While City Council may choose to delete or defer specific capital projects, **deferring capital programs increases the impacts in future years and may impact the benefit of provincial funding sources for 2015.**
- **There are significant concerns about the capital funding available through development charges.** Development charges are levied on new development pursuant to the authority in *The Planning and Development Act, 2007*. Development charges are collected for roadways, parks and recreation, utilities and the administration of servicing agreements. The development charge rates are determined based on long-term projections of future capital requirements and costs, and projections of land to be developed along with future maintenance requirements. Infrastructure investment must be made before full development occurs. There is no projected revenue from land sales in the 2015 program. If development levies are received this will be a positive impact for the capital program in the future.
- **There is \$5,000,000 in debt financing proposed for the 2015 General Capital Program.** While the City has made significant progress on their current debt in the last year, the City will be required to issue debt in order to deliver a capital program in 2015. A separate report will fully discuss this need and while it is anticipated the City will receive \$3.2 million in provincial funding, these payments will not be received until the completion of the projects.

The portion of the General Operating Budget directed towards funding of capital (current contributions to capital and debt costs) is accounted for at zero. **The most significant concern is the increase to capital as a percentage of the total operating budget through the use of debt rather than current contributions. Over the last five years, the portion of the operating budget directed to capital requirements increased to an unsustainable level. The 2015 General Operating Budget will show a decrease in funding due to not factoring in tentative land sales revenue, however the operating budget will also show a decrease in expenditures as well to achieve a balanced budget. In addition to debt issuance, the City will require a property tax increase and fee increases in order to fund the remaining portion of the Capital Program.**

Concerns with respect to the level of capital funding provided through current contributions are:

- For several years, capital programs have been developed based on projected future increases in current contributions to capital. However, given the fiscal pressures on the general operating budget, increases in current contributions to capital have been deferred. This has resulted in the City being bound to contracts beyond its ability to pay and a requirement to phase in a capital program of nearly \$20 million of deferred projects. The 2015 Capital Program will clear out the remaining deferred projects with the exception of Milne Crescent which will be budgeted for in 2016.
- Capital requirements continue to escalate as infrastructure continues to age and the capital needs of the community increase as the community grows. There is currently no proposed funding plan to address a moderate increase in the Capital program annually just to respond at the level needed to address the growing annual infrastructure deficit. It is anticipated this will be the primary focus of the asset management and infrastructure plan in the future.

- Development does not pay for itself and increases costs for the City over time given the long term maintenance is rarely factored in. The City of Estevan has not fully recovered those costs through the development levy prior to 2013, therefore a significant gap exists in the City's ability to maintain and it will take time for the City to recover from that loss of revenue.

RECOMMENDATION IMPLICATIONS

Financial Implications

The budget implications of the General Capital Program are detailed in the attached document. For 2015, the primary budget impact is a requirement for \$7,990,000 in current contributions to capital (Police and Civic combined). The City will need to consider issuing debt of \$5,000,000 in order to lessen the property tax burden.

Environmental Implications

Environmental implications are dealt with, as necessary, in the implementation of each project.

COMMUNICATION PLAN

The General Capital Program document will be available on the City's web site at Estevan.ca.

DELEGATED AUTHORITY

The disposition of this report requires City Council approval.

Respectfully submitted,

Amber Smale
City Manager

Appendix A

City of Estevan 2015-2019 General Capital Program

Project Description	2015	2016	2017	2018	2019
Legislated/Binding Projects (2015)					
Airport Taxi/Runways	5,000,000				
Landfill Perimeter/Litter Control Fence	300,000				
Landfill Groundwater/Leachate Control Study	150,000				
Milne Crescent Road Rehabilitation		700,000			
Transportation Master Plan	250,000				
Truck Route – Souris Avenue & 6 th Street Rehabilitation	1,200,000				
Proposed Annual Capital Program					
Concrete/Sidewalk Renewal Program		250,000	250,000	250,000	250,000
Fire Command Unit Replacement	45,000				
Fleet/Equipment Renewal Program	250,000	250,000	250,000	250,000	250,000
Manhole Replacement/Rehab Program (10 per year)		50,000	50,000	50,000	50,000
Pedestrian/Traffic Signal Program		250,000	250,000	250,000	250,000
Police Equipment	150,000				
Residential Road Renewal Program		1,000,000	1,000,000	1,000,000	1,000,000
Water/Sewer Cut Restoration Program		250,000	250,000	250,000	250,000
WCR Ramps Program – Accessibility		30,000	30,000	30,000	30,000
Proposed One-Time Roadway Projects					
Affinity Place – Paving Gravel Driveway/Rd		100,000			
Gravel Road Rehabilitation		500,000	500,000	500,000	500,000
King Street – Road Renewal/Construction		2,500,000	1,500,000	1,500,000	
Sister Roddy Road Construction (Wellock to City Limits)			3,000,000		
Sister Roddy Road Construction (Wellock to Hwy 39)				3,000,000	
Proposed Underpass – Souris Avenue & 6 th Street					10,000,000
Proposed One-Time Building/IT Infrastructure Projects					
Affinity Place – Audio System Upgrade		25,000			
Affinity Place – Digital Advertising Sign		30,000			
Affinity Place – Hallway Flooring					200,000

Appendix A

Affinity Place – Sport Court Flooring (MPR)	55,000				
Agenda Preparation Software			150,000		
Audit & Upgrade – IT Network/Server	50,000				
City Hall Renovations	30,000		750,000	750,000	750,000
City Wide Asset Enterprise Software Modules		30,000	30,000	30,000	
Lift Station Painting	10,000				
Parks – Office Space/Quonset			500,000		
Public Works Building Renovations		500,000			
Public Works Storage Building Improvements	30,000				
Records Management Software		200,000			
Structural Engineering Study	150,000				
Proposed One-Time Community Service Projects					
Affinity Place – Ice Plant Back Up Compressor		70,000			
Affinity Place – Tot Waterslide Replacement				50,000	
Cactus Park – Pathway Paving	30,000				
Civic Arena – Ice Plant Compressor	30,000				
Dominion Heights Pathway		50,000			
Hillside Park Upgrade	15,000				
Hot Water Tank on Demand - Zamboni			20,000		
Kensington Greens Park Rehabilitation	35,000				
Landscaping – Skateboard Park/Tennis Courts			30,000		
Luscar Ball Diamonds Upgrade		15,000			
Pathway Master Plan Implementation		50,000	50,000	50,000	50,000
Pleasantdale Pathway Amenities/Fence Repair	20,000	20,000			
Royal Heights Pathway and Spray Park		220,000			
Soccer Field Drainage/Grading/Lifting	20,000				
Souris Avenue Median Landscaping	170,000	25,000			
Total Capital Costs	7,990,000	7,115,000	8,610,000	7,960,000	13,580,000