

FINANCE COMMITTEE REPORT

Report Date	July 09, 2019
Meeting Date	July 18, 2019

Chairman Councillor Merrithew and Members of Finance Committee

SUBJECT: 2020 and 2021 Proposed Draft General Fund Capital Budgets

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of the Finance Committee.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Craig Lavigne</i>	<i>Kevin Fudge/Cathy Graham</i>	<i>John Collin</i>

RECOMMENDATION

It is recommended that Finance Committee approve the 2020 and 2021 Proposed Draft General Fund Capital Budget and submit to Common Council for the July 29th meeting for receive and file.

EXECUTIVE SUMMARY

Staff presented to the Finance Committee the Proposed Draft General Fund Capital Budget at the May 29th meeting for receive and file. The following are the summary of changes since the previous meeting. The majority changes relate to a potential new source of Capital funding for the District Energy Project and Deep Municipal Energy Retrofit Project.

Also changes were made to ensure Financial Principles, Debt Management and the draft Long Term Capital plan are aligned.

2020 Proposed General Fund Capital Budget	
Summary of Changes	
Market Place Playground	-\$100,000.00
Air Handling Units - Phase 1 - Municipal Operations Building	\$75,000.00
Fundy Quay - Seawall Refurbishment	-\$1,362,500.00
Canada Games Aquatic Centre (Windows/Exterior)	-\$350,000.00
Deep Municipal Energy Retrofit	\$1,101,667.00
District Energy Phase 1 - Market Square	\$2,440,000.00
Asphalt Renewal	\$1,175,000.00
2020 - Total Summary of Changes	\$2,979,167.00

2021 Proposed General Fund Capital Budget	
Summary of Changes	
Air Handling Units - Phase 1 - Municipal Operations Building	\$75,000.00
Carleton Community Centre -Foundation	-\$25,000.00
Fundy Quay - Seawall Refurbishment	\$1,362,500.00
Canada Games Aquatic Centre (Windows/Exterior)	-\$300,000.00
Deep Municipal Energy Retrofit	\$1,048,333.00
District Energy Phase 1 - Market Square	\$2,440,000.00
Asphalt Renewal	\$1,045,151.00
2021 - Total Summary of Changes	\$5,645,984.00

This draft budgets continue to focus on multiple priorities; such as the City’s infrastructure deficit, environmental factors, safety and growth opportunities. The proposed list of individual projects concentrates on addressing multiple priorities.

These budgets keep the emphasis on affordability and reducing borrowing to \$11 million in 2020 and \$10.5 million in 2021. The recently approved Debt Management policy will ensure debt continues to decrease as it has in the last several years with a balance of \$119.3 million end of 2014 and estimated to be \$102.4 million by the end of 2019.

PREVIOUS RESOLUTION

May 25, 2019 – Finance Committee Meeting - It is recommended that Finance Committee reflect upon the attached document and make any and all inquiries and recommendations to staff; and receive and file this report.

STRATEGIC ALIGNMENT

The proposed 2020 and 2021 proposed draft General Fund Capital Budgets are aligned with Councils’ priorities, Capital Budget Policy, Asset Management Plan,

Central Peninsula Neighborhood Plan, Play SJ, Move SJ, Plan SJ with a focus on growth.

REPORT

The 2020 and 2021 proposed draft General Fund Capital Budgets align with Council's priorities to support investment in creating a **Vibrant, Safe City**, offering **Valued Service Delivery, Growth and Prosperity** and being **Fiscally Responsible**. The budgets align with the Capital Budget Policy and the Asset Management Policy.

The 2020 and 2021 proposed draft General Fund Capital Budgets total \$50,621,551 over the 2 years with \$29,131,401 to be funded from other funding sources, pay as you go, operating and capital reserves and the remainder \$21,490,150 to be funded by debt issue. The budget has funding from federal gas tax fund, federal disaster mitigation adaptation fund, proposed bi-lateral (federal and provincial) funding and other green funding.

Over half of the overall budget is coming from other sources. Bi-lateral funding expressions of interest are currently being received by the Province and the first round deadline for submission was June 28, 2019. If the City is not successful in obtaining, staff will come back to Finance Committee with a recommendation to reallocate City funds.

2020 and 2021 PROPOSED CAPITAL BUDGET HIGHLIGHTS

The capital budget decision making was guided by the Capital Budget Policy, along with the Asset Management Plan. These documents assist in addressing the infrastructure deficit, while factoring in the needs replace existing assets with the need for new assets. It is aligned with Council Priorities and various City of Saint John plans, with Plan SJ being the overarching plan. Other factors in the decision making revolved around environmental consideration such as mitigation and reduction of greenhouse gas and focusing on growth areas.

Capital Budget Policy guided staff in prioritizing the capital budgets based on the following criteria:

1. Mandatory
2. Risk
3. Priority of Council
4. Positive Financial Impact
5. Discretionary

The capital budget is investing heavily in asset renewal in order to address the large infrastructure deficit identified in the State of the Infrastructure Report as part of the Asset Management Plan.

State of the Infrastructure (SOTI) Report

The General Fund infrastructure deficit was \$121.4 million with an estimated replacement cost of \$1.29 billion for those assets. The largest portion of the deficit identified relates to Transportation and Environment. The majority of projects being recommended as part of the capital budget have an “**F**” letter grade, as measured in the SOTI report, meaning the asset is at high risk of failure and near or beyond its useful life.

Focus on Tax Base Growth

Fundy Quay – The City was awarded a significant amount of funding from the Federal government through the Disaster Mitigation Adaption Fund (DMAF). This funding will split the almost \$8.175 million dollar seawall refurbishment between the City (\$4.905 million) and Federal Government (\$3.27 million) over two years.

This project is considered one the largest transformational projects the City is pursuing. The goal is to transform the City’s waterfront, encourage development and create significant **tax base growth** opportunities for the City.

The seawall project also involves raising the height of the wall. This will be key to future development. It will ensure development can happen on the site and deal with climate change events.

Other **strategic investments** involve a storm project in Millidgeville for \$1.0 million that will allow more storm water capacity which will enable more growth in that area of the City. Another area of focus will be a number of major street reconstruction and beautification projects along the St. James Street corridor. This area is a key part of the Central Peninsula Neighborhood Plan to encourage growth and these projects will invest \$1.925 million in the St. James Street area.

Balancing Infrastructure Replacement with Climate Change

The proposed budget includes over \$8.9 million in sewer separation projects. Much of this infrastructure due for replacement is from the 1800’s and will involve complete street reconstruction. Sewer separation is a key component in dealing with climate change and the extreme weather events that occur with climate change.

The budget also includes \$7.78 million for replacement of infrastructure that is beyond its useful life with assets that will reduce our carbon footprint. The City has applied for funding for the District Energy Project and Deep Municipal Energy retrofit project and is confident that the City will be successful in receiving funding. These assets being replaced involve various energy efficiency projects, new exterior heat pump replacements at Harbour station, and HVAC upgrades at

City Market pedway. As well under the District Energy Project, Market Square, which has the largest infrastructure deficit of all the City's buildings, will receive major upgrades that will occur with or without funding.

Infrastructure Deficit

The multi-year budget focuses on some assets that are past their useful life, assets at high risk of failure and assets that are considered extreme risk of failure. This would include new roofs at three of the City's fire stations at a cost of \$200K, exterior and foundation work at Carleton Community Centre for \$325K, replacing the roof at St. Patrick Street Pedway for \$30K and replacing part of the roof at City Market for \$700K.

The annual street rehabilitation program that includes curbs and sidewalks will see a two year investment of \$10.1 million dollars. This program has been a focus of Council for several years. The SOTI report and excellent grade mark shows that the reinvestment in roads has been a successful asset renewal program.

There are limited resources being put into arenas until a comprehensive arena strategy is completed. However, there is a need to replace chillers at the Charles Gorman and Peter Murray Arena for a total cost of \$200K. As well, the LBR requires replacement of its main electrical service for \$100K and ice plant compressor for \$75K.

The Trade and Convention Centre requires several pieces of equipment replaced that are beyond its useful life and could have safety issues and impact business if the assets fail. Over 2020 and 2021, \$261K will be allocated to replace flooring, banquet equipment, refrigeration, kitchen equipment, point of sale system and LED lighting upgrades.

Harbour Station will be replacing a Zamboni for \$115K to ensure two reliable Zamboni's are on sight as required by the Quebec Major Junior Hockey League.

The City's Information Technology department will replace \$1.67 million of equipment over two years as part of its annual equipment replacement program and this money is all funded from internal reserves. The department will be leading the project to replace its 20 year old enterprise reporting system for \$3.0 million over two years. This will be a transformational project for all service areas in the City and will require a significant amount of planning, testing and resource requirements to make it successful. This will be a major first step to enable the City to offer more technology based solutions for citizens.

Parking commission is continuing to move forward with replacing its aging parking machines with more up to date pay by plate machines and will invest

\$226K over the next two years. Saint John Transit is focused on replacing several bus shelters that are deemed to be safety concerns for a total of \$50K.

Fleet will budget \$4.13 million over two years to replace vehicles and equipment that are past useful lives and with high operating cost. These funds will come from the vehicle reserve. Council will receive a detailed list of vehicles and equipment to approve as the replacement list is compiled.

New Capital Investments/Service Enhancements

The proposed 2020 and 2021 has a total of \$1.014 million for new capital. The last payment towards the Exhibition Field House will be made for \$564K in 2020. Also, Harbour Station must upgrade its dasher board and glass system at a cost of \$450K to meet requirements of the Quebec Major Junior Hockey League.

CONCLUSION

Planned capital expenditures total \$50,621,551 over the 2 years with \$29,131,401 to be funded from other funding sources, pay as you go, operating and capital reserves and the remainder \$21,490,150 to be funded by debt issue. The annual funding from other government programs, along with Council's fiscal restraint, has helped reduce projected borrowing costs while still investing in needed infrastructure improvements.

This multi-year budget is the first step in the long term capital plan which will guide decision making to ensure strategic reinvestments are being made, at the right time, that infrastructure deficit is being addressed, fiscal responsibility is being maintained, while ensuring the City continues to invest in assets to encourage growth.

SERVICE AND FINANCIAL OUTCOMES

The City's share of the 2020 and 2021 Proposed Draft General Fund Capital budget will be funded from capital from operating with the balanced being borrowed. The projects chosen for the capital program borrowing have a useful life of approximately 15 years or more.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Input has been received from all Service Areas, the ABCs, and Senior Leadership Team.

ATTACHMENTS

Exhibit 1 – 2020 and 2021 Proposed Draft General Fund Capital Budget
Exhibit 2 – Alternative 2020 and 2021 Proposed Draft General Fund Capital Budget