STAFF REPORT TO COUNCIL

1100 Patricia Blvd. I Prince George, BC, Canada V2L 3V9 I www.princegeorge.ca

DATE:	March 5, 2019
TO:	MAYOR AND COUNCIL
NAME AND TITLE:	Kris Dalio, Director of Finance
SUBJECT:	Debt Summary for Major Capital Projects
ATTACHMENT(S):	None

RECOMMENDATIONS:

That Council RECEIVES FOR INFORMATION, the report dated March 5, 2019 from the Director of Finance, titled “Debt Summary for Major Capital Project."

PURPOSE:

This report is a summary of the City’s capital projects’ debt for which the City will need to budget repayment. The summary is to give Council and the public more information regarding the tax years in which these project debt repayments will likely impact the tax levy as well as potential offsets in the form of user fees or grants.

STRATEGIC PRIORITIES:

Debt financing of major priority capital projects supports Council’s Priorities of “Sustainable Infrastructure” and “Sustainable Fiscal Management”.

Sustainable Finance Guideline 13, along with Part 6 Division 3 of the *Community Charter*, provides the framework for the City’s use of external debt.

The City uses long term debt to finance major capital projects. Using long term debt allows the costs of acquiring capital assets to be spread out over their useful lives and to be paid for by their current and future beneficiaries.

FINANCIAL CONSIDERATIONS:

Table 1 below summarizes the City’s current capital projects’ debt for the next four years and illustrates how the impact of large capital projects is spread over multiple years.

Some assumptions have been made:

- when the work will be completed
- when repayments will start with the Municipal Finance Authority (MFA)
- Four Seasons Leisure Pool Replacement and Fire Hall #1 Replacement require early borrowing to pay costs associated with project before it is complete. Other large projects may require similar arrangements. If this is necessary, repayment would start slightly earlier than indicated below.

Table 1 – Capital Projects, Borrowing, and Estimated Repayment Impacts on Levy						
Project Name	Cost of Project ($)	Annual Debt Servicing Costs ($)	Estimated Tax Levy Impact (%)			
			2020	2021	2022	2023
PREVIOUSLY APPROVED DEBT						
Public Works Yard Development	1,450,000	103,118	Project is on hold			
Nechako Riverside Park	630,000	44,803	0.04	-	-	-
Hart Ind. – Storm Drainage	1,470,000	104,540	-	0.10	-	-
Four Seasons Leisure Pool Replacement (a)	35,000,000	2,489,050	-	-	-	2.27
Fire Hall #1 Replacement	15,000,000	1,066,736	-	-	-	0.97
Kelly Road North Culvert Replacement	1,100,000	78,227	-	0.07	-	-
Temporary Borrowing on Fire Hall/4SLP			0.71	0.70	(0.89)	(0.67)
	54,650,000	3,886,474	0.75	0.87	(0.89)	2.57
NEW DEBT						
5-year borrowing						
Willow Cale Haggith Creek Repair (b)	6,800,000	1,466,245	1.34	-	-	-
-already incorporated in 2019 levy	(3,700,000)	(797,810)	(0.73)			
Winnipeg Sinkhole Remediation	1,708,359	368,364	0.34	-	-	-
	8,508,359	1,834,609	0.95	-	-	-
10-year borrowing						
Equipment Financing	2,919,583	415,184	-	0.25	-	0.13
20-year borrowing						
Mausoleum Expansion Phase 2 (c)	1,400,000	101,102	-	0.09	-	-
Civic Facility Roofs Replacements 2019 – 2022	4,670,450	337,280	-	-	-	0.31
Aquatic Centre Renewal and Upgrade (d)	10,205,500	736,997	-	-	-	0.67
Masich Stadium Amenities Refurbish	2,701,000	195,055	-	-	0.18	-
Ron Brent Park Redevelopment Phase 2 & 3	1,675,000	120,961	-	-	0.11	-
14th Avenue Upgrades (Irwin St to Freeman St)	1,200,000	86,659	-	0.08	-	-
Domano and St. Lawrence Signalization	500,000	36,108	-	-	0.03	-
Hwy 16 W Frontage – Heyer Road to Henry Road	800,000	57,773	-	0.05	-	-
Goose Country Road Culvert Replacement	1,100,000	79,437	-	0.07	-	-
Critical Street Light & Traffic Signal Replacement	5,000,000	361,079	-	-	-	0.33
	29,251,950	2,112,450	-	0.29	0.32	1.31
TOTAL DEBT	95,329,892	8,248,717	1.70	1.41	(0.57)	4.01
POTENTIAL OFFSETS OF FEES AND GRANTS						
Mausoleum Expansion Phase 2 Fees (c)	(1,400,000)	(101,102)	-	(0.09)	-	-
Aquatic Centre Building Envelope Grant (d)	(6,300,000)	(454,959)	-	-	-	(0.41)
Four Seasons Leisure Pool Replacement Grant (a)	(10,000,000)	(711,157)	-	-	-	(0.65)
TOTAL DEBT INCLUDING POTENTIAL OFFSETS	77,629,892	6,981,499	1.70	1.32	(0.57)	2.95

(a) Four Seasons Leisure Pool Replacement Grant

The City has submitted a funding proposal to a BC-Canada Infrastructure Program in the amount of $10 million. If successful, this grant has the potential to reduce the tax levy impact of the borrowing that was projected at the time of the referendum. The outcome of this application is not yet known.

(b) Willow Cale Debt Servicing Costs

The 2019 tax levy already has incorporated the debt servicing costs associated with $3,700,000 of the project costs. When calculating the 2020 impact, it is only necessary to estimate the debt servicing costs on the remaining $3,100,000.

(c) Mausoleum Expansion Fees and Charges

The Mausoleum Expansion is being approached as a full cost recovery opportunity. The expansion would allow for the sale of approximately 860 new niches, projected at forty niches annually at an average price of $4,000 each. Taking into account the 15% charge that is included for the Cemetery Perpetual Care Fund, annual revenue targets are expected to be $136,000. If revenue targets are achieved, there should be no net impact on future tax levies.

(d) Aquatic Centre Building Envelope Grant

Included in the Aquatic Centre Renewal and Upgrades Project is the reconstruction of the facility's walls and roof estimated at $8,580,000. Under a separate report on the March 11th agenda, Administration is requesting Council's approval to apply for a $6,300,000 grant from the Clean BC Communities Fund. If successful, this grant has the potential to reduce the tax levy impact of the borrowing. CleanBC funding would allow the City to increase the energy efficiency of the pool and reduce greenhouse gas emissions. Funding under the grant program is available for up to 73.33% of the eligible project costs (40% Government of Canada, 33.33% Province of British Columbia).

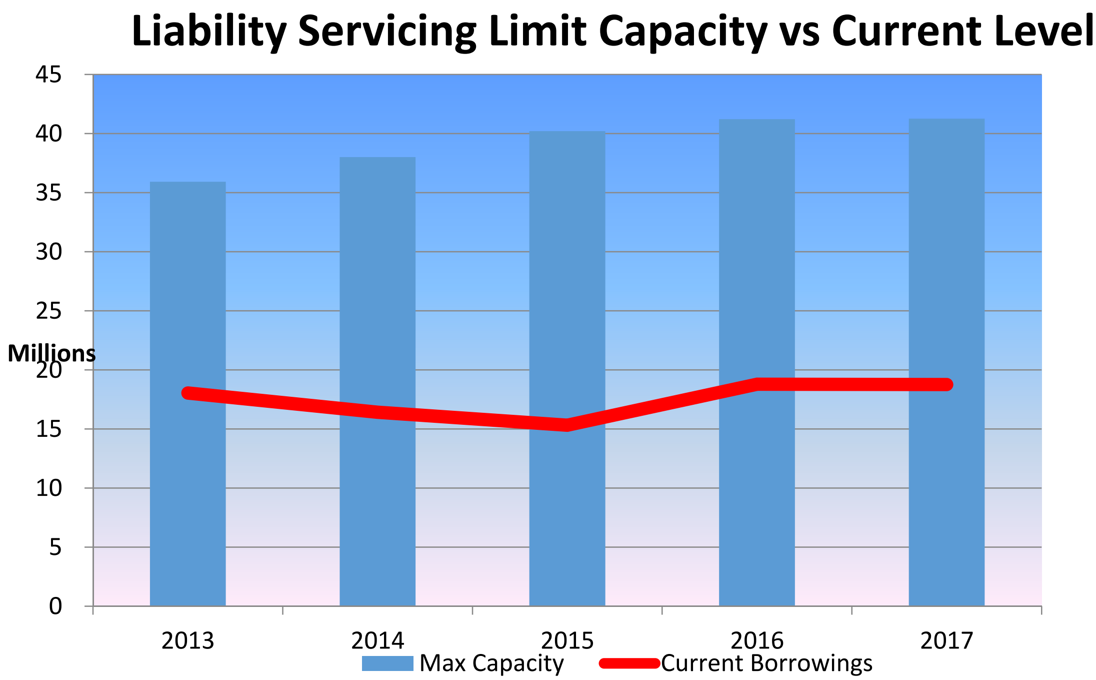
Debt Servicing Costs:

BC municipalities' financial liabilities (e.g. under leases, partnering, and long-term debt agreements) are subject to liability servicing limits. They also require elector approval if they are:

- a loan guarantee or are of a capital nature; and
- the agreement is for more than five years; or
- the agreement could be for more than five years if an extension were exercised.

A municipality cannot incur a liability if it would cause their total annual cost of debt servicing (principal and interest payments) to exceed the regulated amount. The regulated amount is currently based on 25% of a municipality's controllable revenues such as: property taxes; payments in lieu of taxes; user fees; and unconditional grants.

The following chart provides the debt capacity and available capacity as determined by the Municipal Liabilities Regulation. The total amount of all approved loan authorization bylaws are included in the liability servicing limit regardless of whether the funds have actually been borrowed. 2018 figures were not available at the time of this report.



SUMMARY AND CONCLUSION:

Infrastructure is a critical need in Prince George. The City's infrastructure needs are greater than its capacity to fund on a "pay as you go" basis and debt borrowing through the MFA is the most viable option. The projects for which MFA Financing has been proposed were identified as high priority projects. MFA has a AAA-credit rating that enables the City to borrow at the lowest interest rates in the market by using the collective borrowing power of all of its local government members. The City is currently at less than 50% of its authorized borrowing capacity.

RESPECTFULLY SUBMITTED:

Kris Dalio

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Kris Dalio, Director of Finance

APPROVED:

K. Soltis

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Kathleen Soltis, City Manager
Meeting date: March 11, 2019