

Report

Date December 12, 2023
Subject 2024 Capital Expenditure Plan

File:

PURPOSE

To provide an overview of major capital projects for 2024 capital budget and seek direction regarding proposed supplemental projects.

BACKGROUND

For 2024, total capital expenditures equal just over \$73.8 million. Included in this is over \$23.5 million towards sewer and water projects which are funded by the parcel taxes and fees collected from the users of the utilities.

The General Capital Expenditure Plan for 2024 (not including sewer and water) includes over \$50 million in proposed spending. Funding for these capital projects can come from a variety of sources:

- General Revenue (property taxes)
- Gas Tax Revenue
- Appropriated Surplus
- Reserve Funds
- Development Cost Charges
- Grants and Contributions
- Borrowing

Council's Revenue, Tax and Budget Policy states that Council shall provide adequate capital funding by transferring a minimum of 15% of municipal property tax revenue within Class 1 to Class 9 from the General Operating Fund to the Capital Fund.

DISCUSSION

The budget direction in the 2023 budget process included a gradual return to a sustainable capital program from 2023-2027. To this end, the proposed capital program for 2024-2028 includes:

- *2024 Proposed Tax Contribution* - \$4,438,133 (11.7%)
- *2025 Proposed Tax Contribution* - \$5,085,695 (12.7%)
- *2026 Proposed Tax Contribution* - \$5,866,434 (14.1%)
- *2027 Proposed Tax Contribution* - \$6,345,197 (14.8%)
- *2028 Proposed Tax Contribution* - \$6,481,677 (15.0%)

It would be difficult to try and achieve Council's 15% contribution to capital without substantially increasing 2024 property taxes.

Municipal Property Improvements

The main projects proposed in 2024 are the Crofton Fire Hall and the Exhaust Extraction Systems for Chemainus, Crofton and South End Fire Halls. Additional funding is for minor capital projects throughout municipally owned buildings to ensure that our assets stay in a state of good repair. Total capital expenditure in 2024 is \$5,409,260.

Information Technology

North Cowichan has many technology needs, and in the 2024-2028 plan the majority are for replacement of existing end-of-life hardware and software assets, along with expansion where necessary to account for ongoing security improvements and increases in use. The budget for IT Capital remains relatively stable with projects for 2024 including a GIS upgrade, server upgrades and network equipment. Total capital expenditures in 2024 is \$345,000.

Community Development

The main projects for 2024 include daycare buildings in Crofton and South End (Parkside) which are both fully funded through Provincial grants. Additionally, work related to the Maple Bay Wharf and the Cowichan Sportsplex Fieldhouse is included in this category, with grant funding carried forward from previous years. Total capital expenditures in 2024 is \$23,076,850.

Police

The new building for the RCMP is currently anticipated to be ready for occupation in April 2024. \$22M of long-term borrowing was undertaken in 2022, and the remainder of the borrowing (up to \$26M) will be taken in 2024, with payments commencing in 2025 due to the timing of the Municipal Finance Authority issue. The capital funding in 2024 to complete the RCMP building is \$6,500,000.

Fire Protection

A total of \$120,000 is allocated annually to replace equipment at the fire halls. In addition to these funds, the Fire Truck Reserve is being accessed to purchase a fire engine with specifications issued in 2023 and planned purchase in 2024 with delivery anticipated in 2025. The total capital budget in 2024 is \$1,321,390.

Transportation

The transportation category includes fleet replacements from the Equipment Replacement Reserve and automated garbage trucks, including an electric garbage truck funded by the Garbage Truck Replacement Reserve and partially from the Climate Action and Energy Plan Reserve (\$110,000).

Road and drainage projects are also included in the transportation category. The 2021 flooding has resulted in the need for numerous drainage improvements, combined with other essential works through 2024. Staff has an aggressive capital plan that includes the Genoa Bay Road rebuild project, bridge rehabilitations and many culvert replacements. Total capital spending in 2024 is \$11,359,312.

Parks and Recreation

There are a number of projects for 2024 in parks and trails, including Art Mann Park playground and dock replacement, Skinner Road dog park, and the Cemetery Master Plan for a total capital funding of \$1,403,150.

Fuller Lake Arena will see some fitness equipment replaced during the year and replacement of small flat roofs for a total capital budget of \$410,000.

The Cowichan Aquatic Centre will see some fitness equipment replaced, domestic hot water upgrades for showers, front entrance accessibility upgrades and front counter reconfiguration for a total capital spending of \$390,000.

Supplemental Items

As noted during the business plan presentations, there are six capital supplemental items being proposed for 2024, totalling \$2,211,000.

The Chemainus Salt Shed has a major crack in the retaining wall and the structure is recommended to be replaced at a cost of \$100,000.

The Maple Bay Rowing Club building roof is approximately 20 years old and requires replacement for at a cost of \$400,000.

Fire Hall Extraction Systems for the Crofton, South End and Chemainus fire halls are required to remove toxic exhausts from the fire trucks while running in the buildings for a total of \$320,000. This expense is being recommended by staff to be funded through the Gas Tax Reserve.

Maple Bay Wharf replacement design and construction will include an environmental assessment and archeological study for a total of \$916,000 and is being recommended to be funded through the Land Sale Reserve.

Condition assessment of the Chemainus Wharf, piling, float and ramp is required to determine the condition of the wharf, what requires replacement and the scheduling and costs of the replacements for a total cost of \$75,000. Staff recommend this being funded through the Wharf Reserve.

Establish an Asset Management Reserve for municipal buildings with an estimated value of approximately \$224M. North Cowichan currently does not have a reserve for the capital replacement or repairs for these aging assets. Staff are recommending a contribution in the amount of \$400,000. Though this is for capital assets, the contribution is an operating expenditure and therefore, the recommendation is in the Operating Budget report.

Supplemental Funding Options

There are a few options Council may consider for funding the supplemental items:

- a) Do not approve any supplementals – no budget impact, but could result in the need to close a facility should they be considered unsafe.
- b) Fund all supplementals through property taxation – the proposed funding required for all items totals \$2,211M or 6.15% increase in taxes.

- c) Fund the Fire Hall Extraction systems, Chemainus Wharf assessment and Maple Bay Wharf replacement through the appropriate reserves as listed above, thus mitigating the tax increase by 3.65% and funding the Chemainus Salt Shed, Maple Bay Roof replacement and Asset Management Reserve for buildings through property taxation which would represent a 2.5% increase in taxes.

The Infrastructure Replacement Reserve can be used for any capital projects that do not have another reserve, such as buildings, roads and drainage. At the end of 2023, the reserve will have an approximate balance of \$1.368M. Staff do not recommend funding the remaining three supplemental items from the reserve as it will have a large impact on the fund and leave the Municipality at risk for not having the adequate funds to mitigate potential issues when they arise.

Recommended Action: THAT the Committee of the Whole direct staff to include the following supplemental items in the 2024 Capital Expenditure Plan:

- a) \$100,000 for the Chemainus Salt Shed Replacement funded through taxation;
- b) \$400,000 for the Maple Bay Rowing Club Roof Replacement funded through taxation;
- c) \$320,000 for the Fire Hall Extraction Systems funded through Gas Tax reserve;
- d) \$916,000 for the Maple Bay Wharf Replacement funded through Land Sale reserve; and
- e) \$75,000 for the Chemainus Wharf Assessment funded through Wharf reserve.

OPTIONS

(Recommended Option) THAT the Committee of the Whole direct staff to include the following supplemental items in the 2024 Capital Expenditure Plan:

- *[insert the amount and the name of supplemental item(s) here] funded through [insert name of funding source(s) here].*

IMPLICATIONS

Approving the six supplemental items will ensure the safe and continued use of the assets and maintain them in a state of good repair. If Council chooses to fund all supplementals through reserves, it would leave the reserve depleted and put the Municipality at risk of not having sufficient funds when unexpected repairs or maintenance occur in the future. Additionally, it would result in continuing to not have a reserve specifically for the Municipality's buildings which are aging and in need of additional maintenance and repairs as they continue to age.

Council may wish to consider other changes to the capital expenditure plan following review of the Operating Budget proposed for 2024.

RECOMMENDATION

THAT the Committee of the Whole direct staff to include the following supplemental items in the 2024 Capital Expenditure Plan:

- *[insert the amount and the name of supplemental item(s) here] funded through [insert name of funding source(s) here].*

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Attachments 2024-2028 Capital Expenditure Plan Presentation