

# **CITY OF NORTH BAY**

## **2012 CAPITAL BUDGET, TEN YEAR CAPITAL FORECAST, and LONG-TERM CAPITAL FUNDING POLICY**

**December 5, 2011**

# City of North Bay Long-Term Capital Funding Policies Goals & Objectives

- To provide maximum annual funding for capital projects;
- To control but not eliminate the level of long-term capital debt and commitments each year;
- To provide for the effects of inflation through annual adjustments;
- To gradually increase the level of funding for capital projects to a sustainable level;
- To ensure that the Policy continues to reflect the City's needs and its citizens' capabilities.

## ADDRESSING THE INFRASTRUCTURE INVESTMENT GAP – Current Philosophy

- The City cannot rely on ‘potential’ revenue sources from Federal and Provincial levels.
- Relying solely on Pay-As-You-GO (PAYGO) and user fees will put too much burden on existing citizens.
- Control debt and strive to achieve a healthy mix between Debt and PAYGO funding.
- Debt service costs (principal & interest payments), as a percentage of total tax levy, shall not exceed 15%.

## Moody's Credit Rating

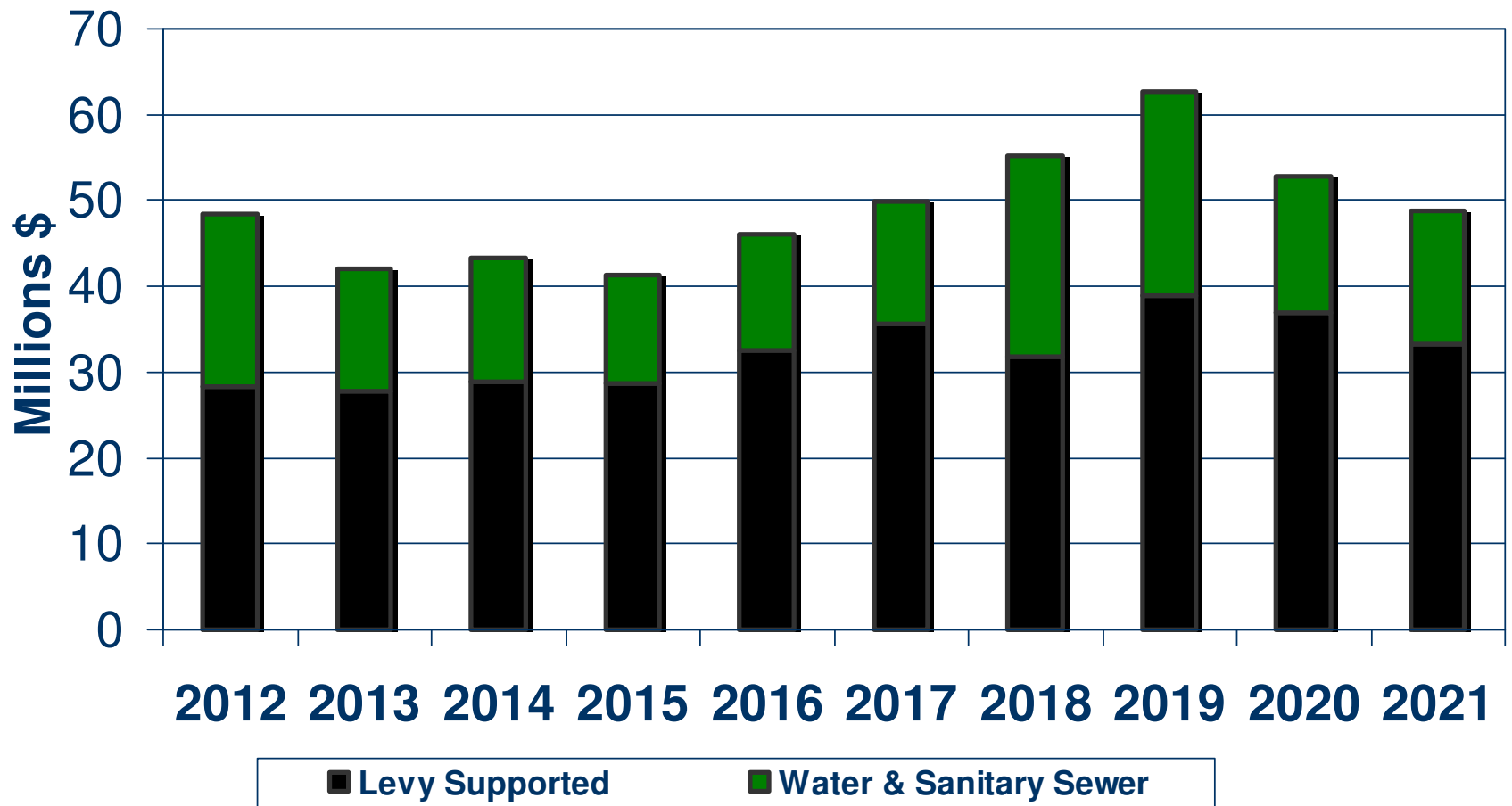
- **What is Moody's Investors Service?**  
'a credit rating agency which performs international financial research and analysis on commercial and government entities. The company also ranks the credit worthiness of borrowers using a standardized ratings scale.'
- City of North Bay has had a '**Debt Rating**' of **Aa1** since November 2006, which is the same rating as the Province of Ontario. There is only one higher rating that could be achieved. (Prior ratings include: Aa2-October 2006, Aa3-October 2005, A1-October 2004, and A2-October 2002)

# Moody's Credit Rating Report Dated, May 2010

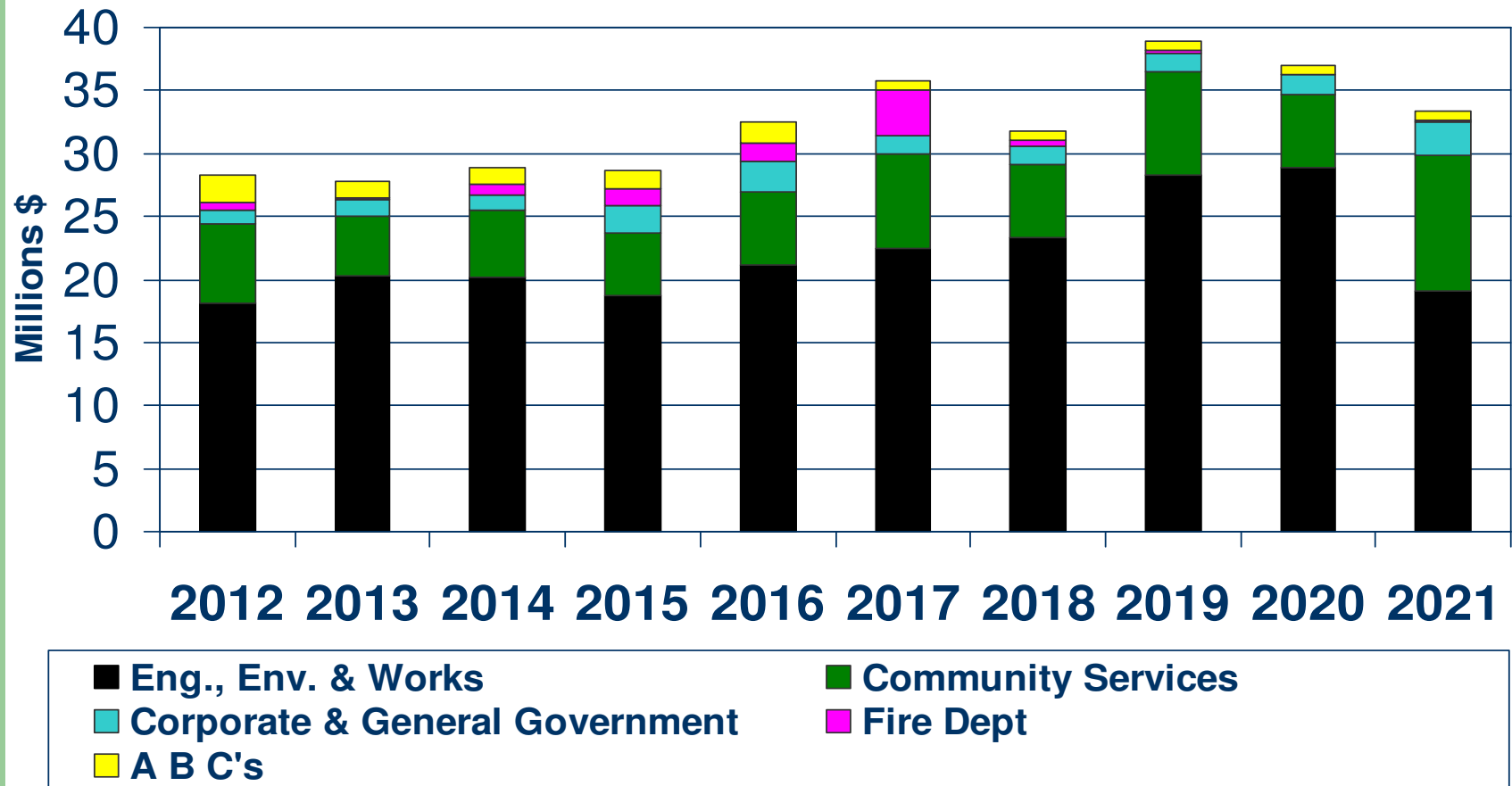
## ➤ **Moody's Summary Rating Rationale**

'The City of North Bay's **Aa1 debt rating** reflects a prudent fiscal plan as well as stable operations. North Bay has been successful in funding priority programs and infrastructure, while recording strong financial outcomes and maintaining a solid balance sheet, characterized by a low debt burden and adequate liquidity. Finally, North Bay's small yet diverse economy also supports the Aa1 rating.'

# Gross Annual City Capital Investment



# Levy Supported Capital Investment By Business Units

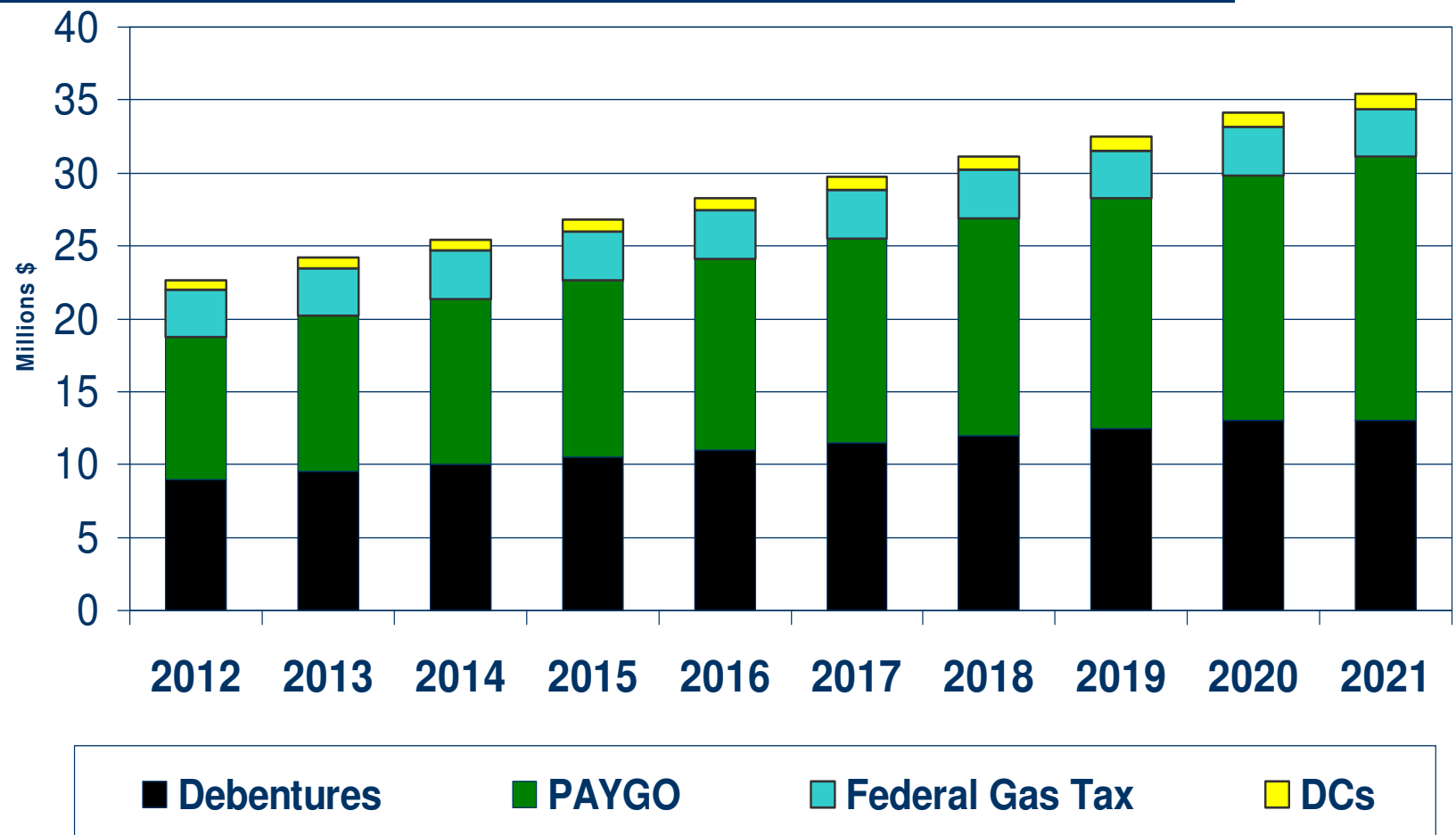


# Levy Supported Capital Funding Policy Revenue Sources

## Capital Revenue Sources

2012 PAYGO	\$9,712,000
Debentures	\$9,000,000
Federal Gas Tax	\$3,310,814
Development Charges	<u>\$600,000</u>
<b>Total Funding Policy Sources</b>	<b>\$22,622,814</b>
<b>Net Projected Capital Costs</b>	<b><u>\$22,901,620</u></b>
<b>Projected Required Funds</b>	<b>\$278,806</b>

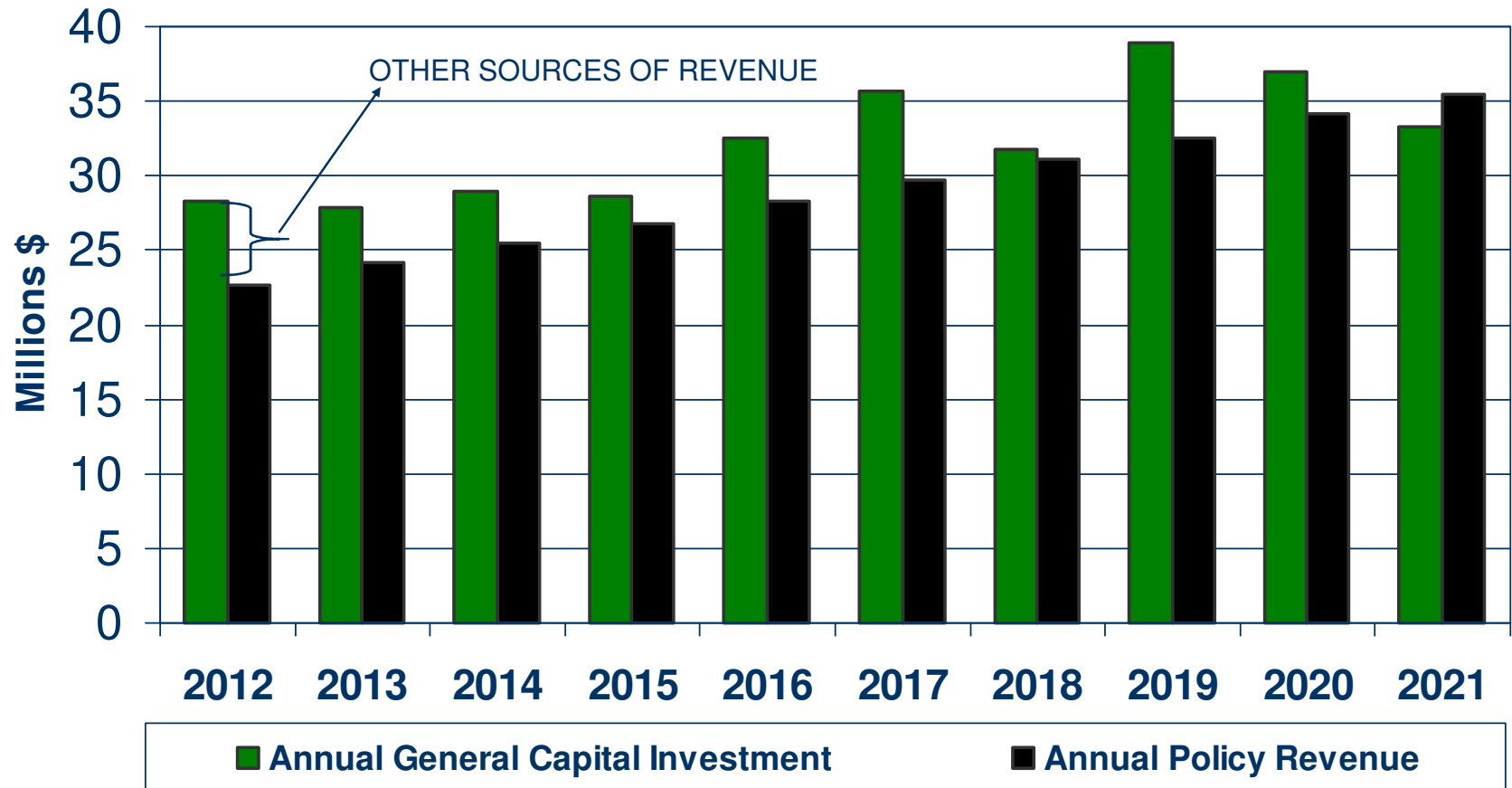
# Levy Supported Capital Investment Funding Policy Sources



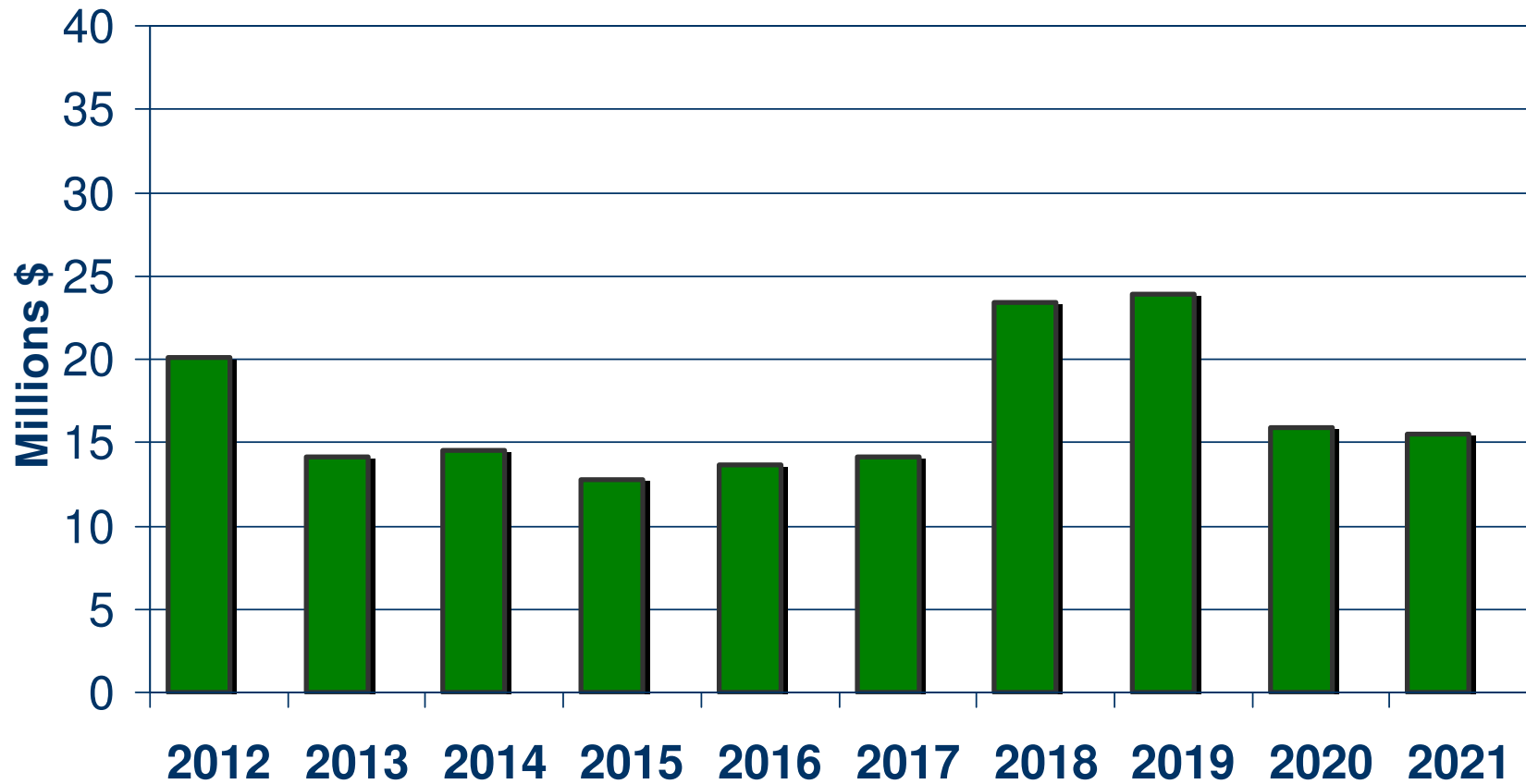
## Long-Term Capital Funding Allowance in the Operating Budget

2011 Budget		<b>\$15,793,000</b>
1% of tax levy		<b>\$712,924</b>
Inflation factor (3%)		<b><u>\$473,076</u></b>
2012 Operating Budget		<b>\$16,979,000</b>
Less: Debt service costs		
Principal	\$5,863,350	
Interest	<u>\$1,405,650</u>	<b><u>(\$7,269,000)</u></b>
PAYGO Capital Levy		<b>\$9,710,000</b>

# Levy Supported Capital Investment Annual Investment vs Policy Funding



## Gross Water & Sanitary Sewer Capital Investment



## Water & Sanitary Sewer Capital Funding Policy Revenue Sources

### Capital Revenue Sources

2012 Water/Sewer PAYGO	\$7,969,000
Debentures	\$3,000,000
Development Charges	<u>\$400,000</u>
<b>Total Funding Policy Sources</b>	<b>\$11,369,000</b>
<b>Net Projected Capital Costs</b>	<b><u>\$11,459,167</u></b>
<b>Projected Required Funds</b>	<b>\$90,167</b>

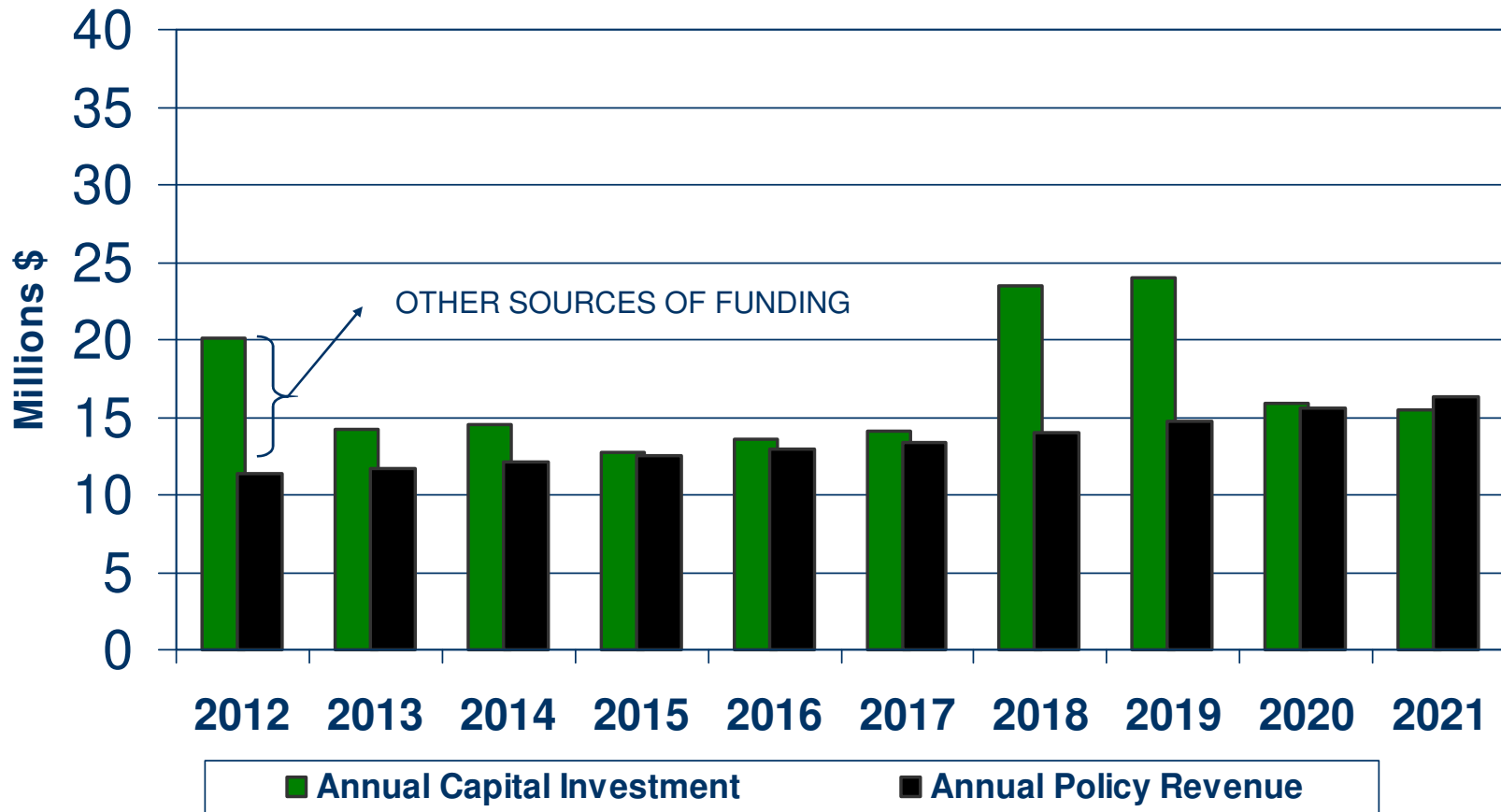
## Long-Term Capital Funding Allowance in the Water Operating Budget

2011 Budget		\$3,767,500
3% Inflation		98,132
2% of water bill revenues		<u>149,398</u>
<b>2012 Operating Budget</b>		<b>\$4,015,030</b>
Less: debt service costs:		
Principal	635,673	
Interest	<u>191,694</u>	<u>(827,367)</u>
<b>2012 PAYGO Water Levy</b>		<b>\$3,187,663</b>

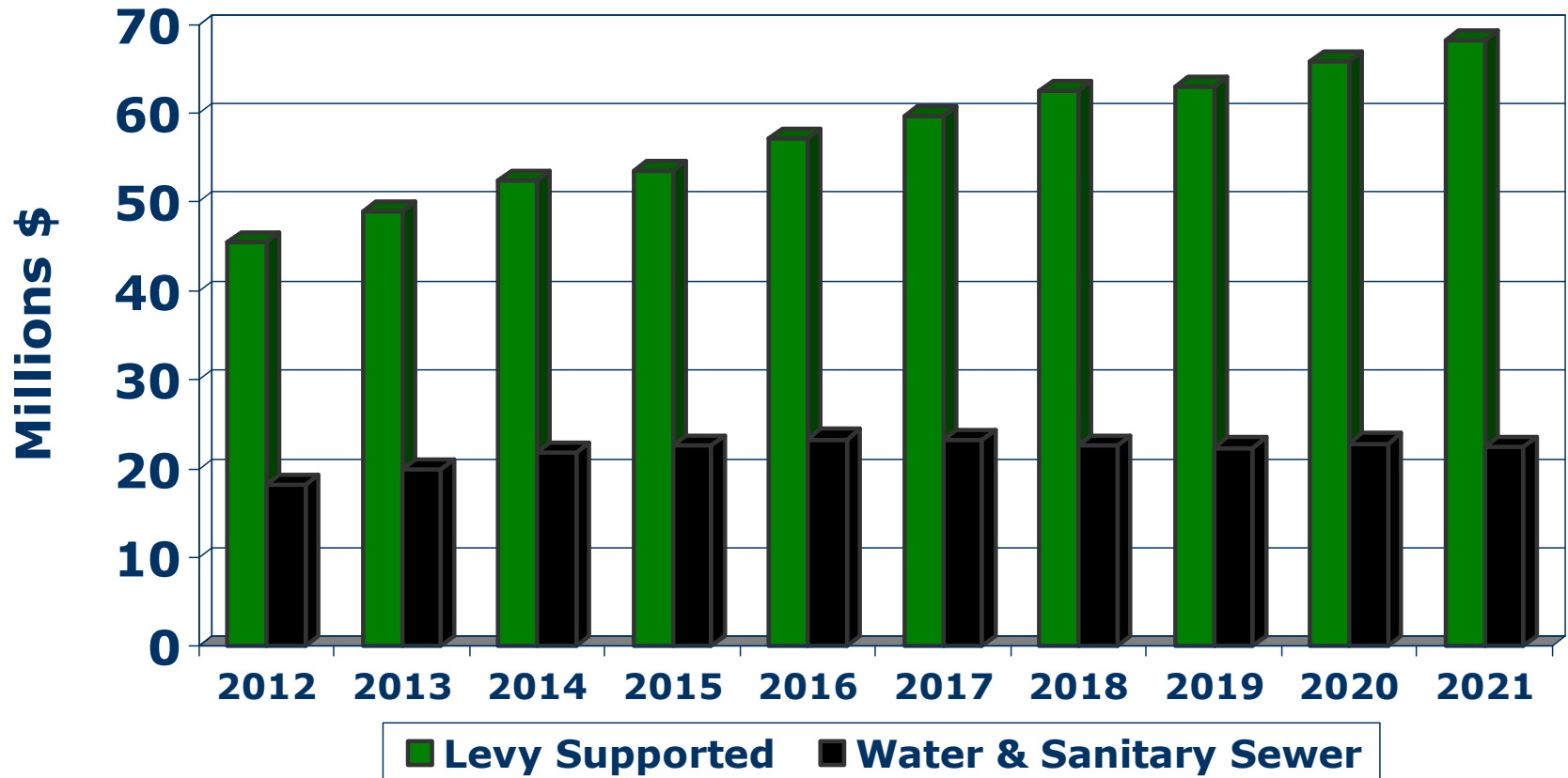
## Long-Term Capital Funding Allowance in the Sanitary Sewer Operating Budget

2011 Budget		\$4,410,200
3% Inflation		147,198
2% of water bill revenues		<u>224,096</u>
<b>2012 Operating Budget</b>		<b>\$4,781,494</b>
Less: debt service costs:		
Principal	0	
Interest	<u>0</u>	<u>(\$0)</u>
<b>2012 PAYGO Sanitary Sewer Levy</b>		<b>\$4,781,494</b>

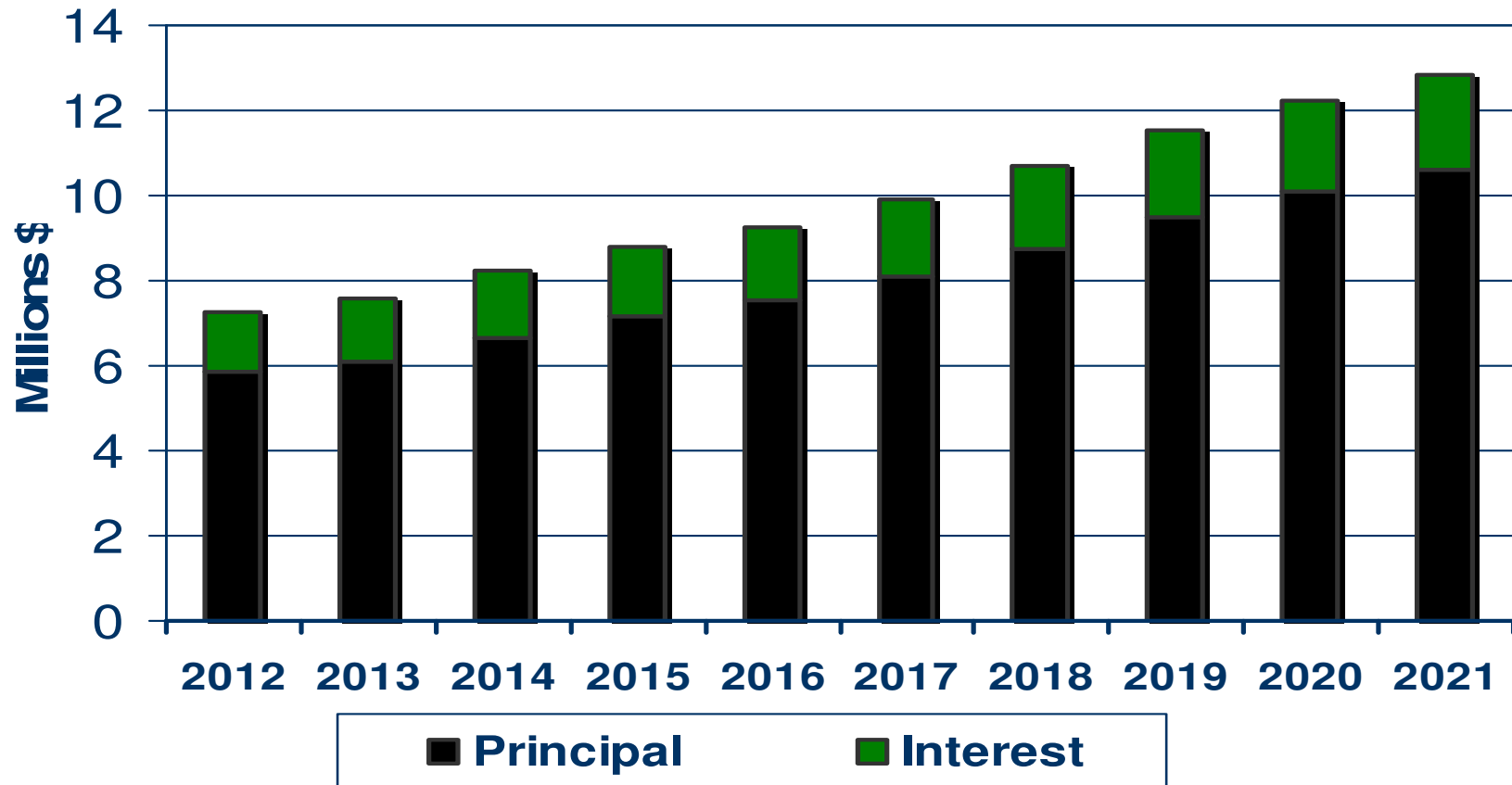
# Water & Sanitary Sewer Capital Projects Annual Investment vs Policy Funding



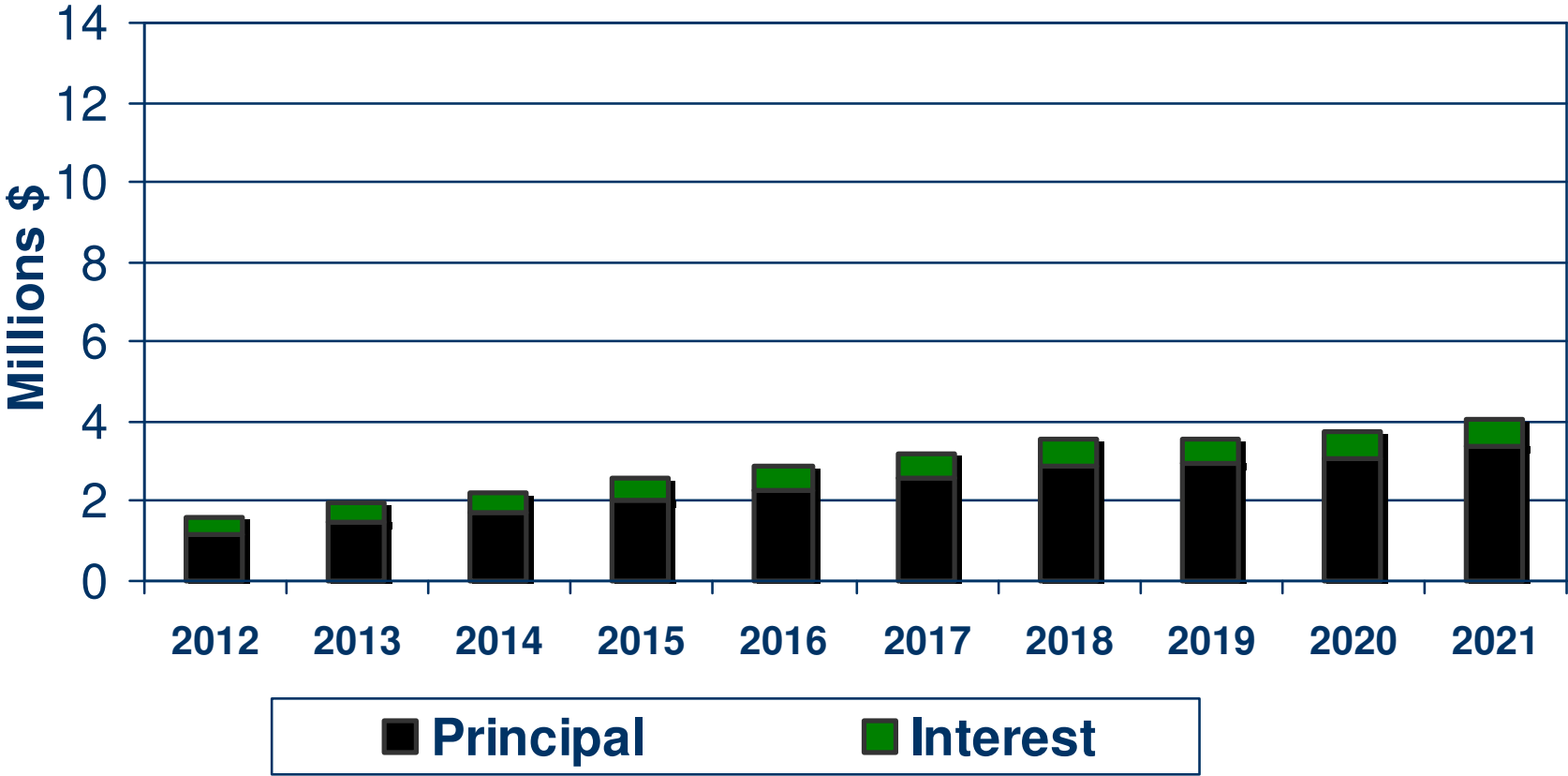
# Total Capital Debt and Commitments



# Levy Supported Capital Investments Principal and Interest Payments

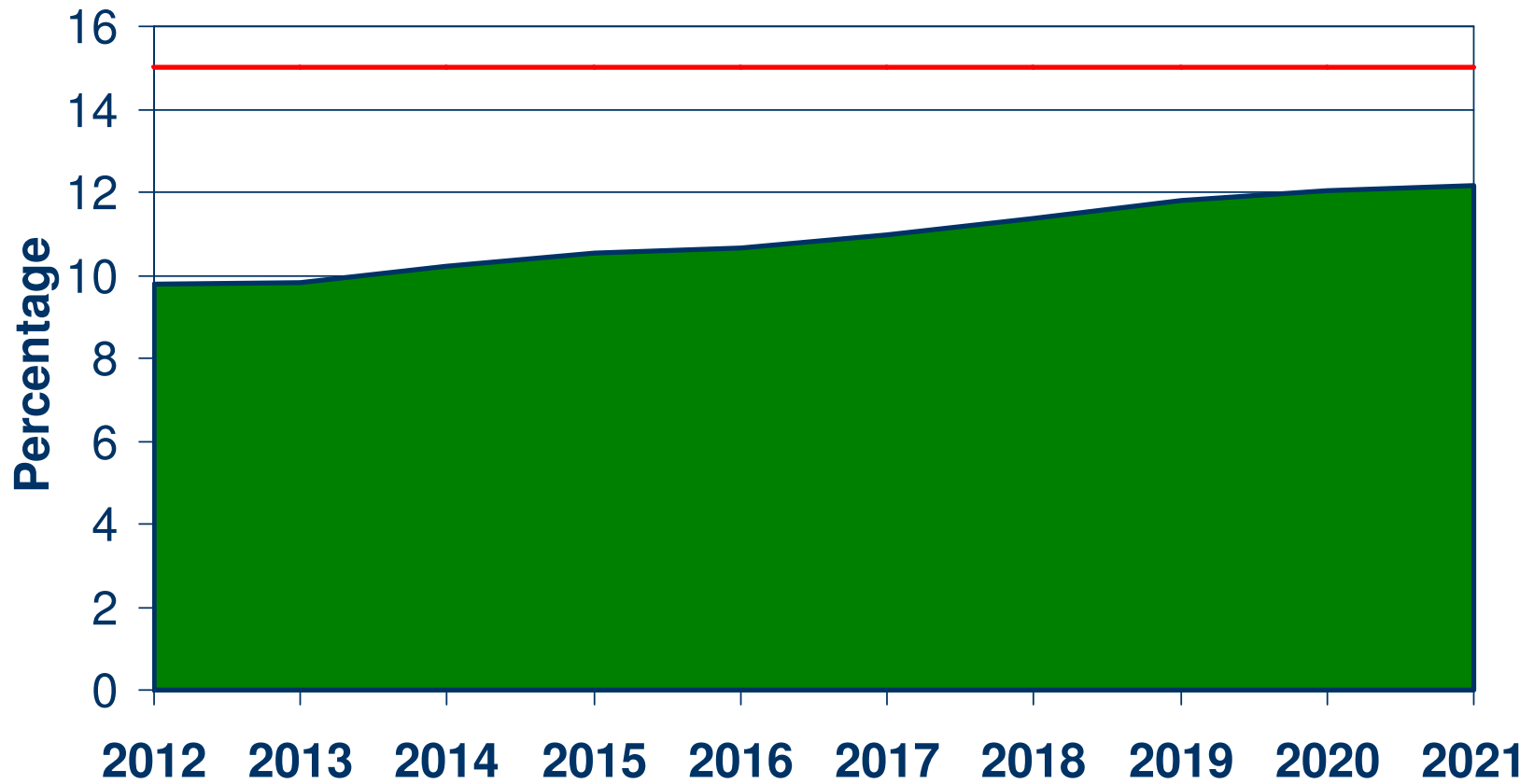


# Water & Sanitary Sewer Investment Principal and Interest Payments



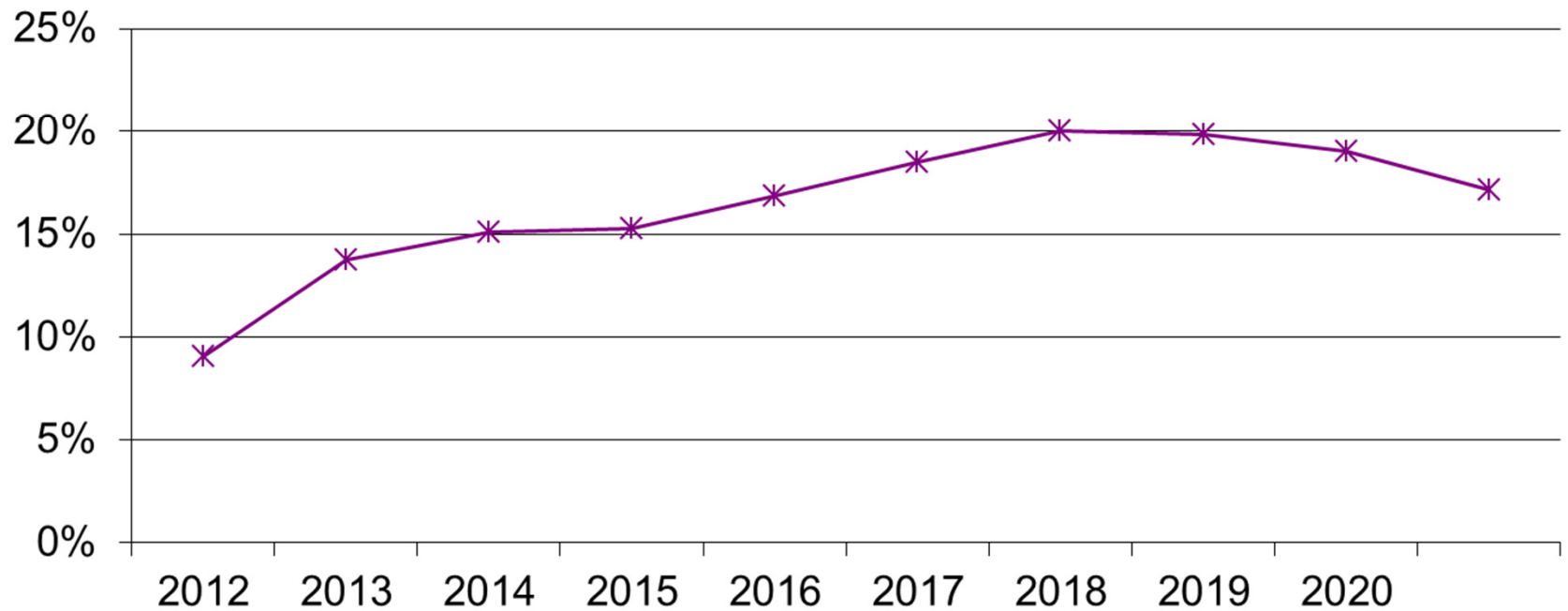
# Policy Monitoring

## Debt service Cost to Tax Levy Ratio



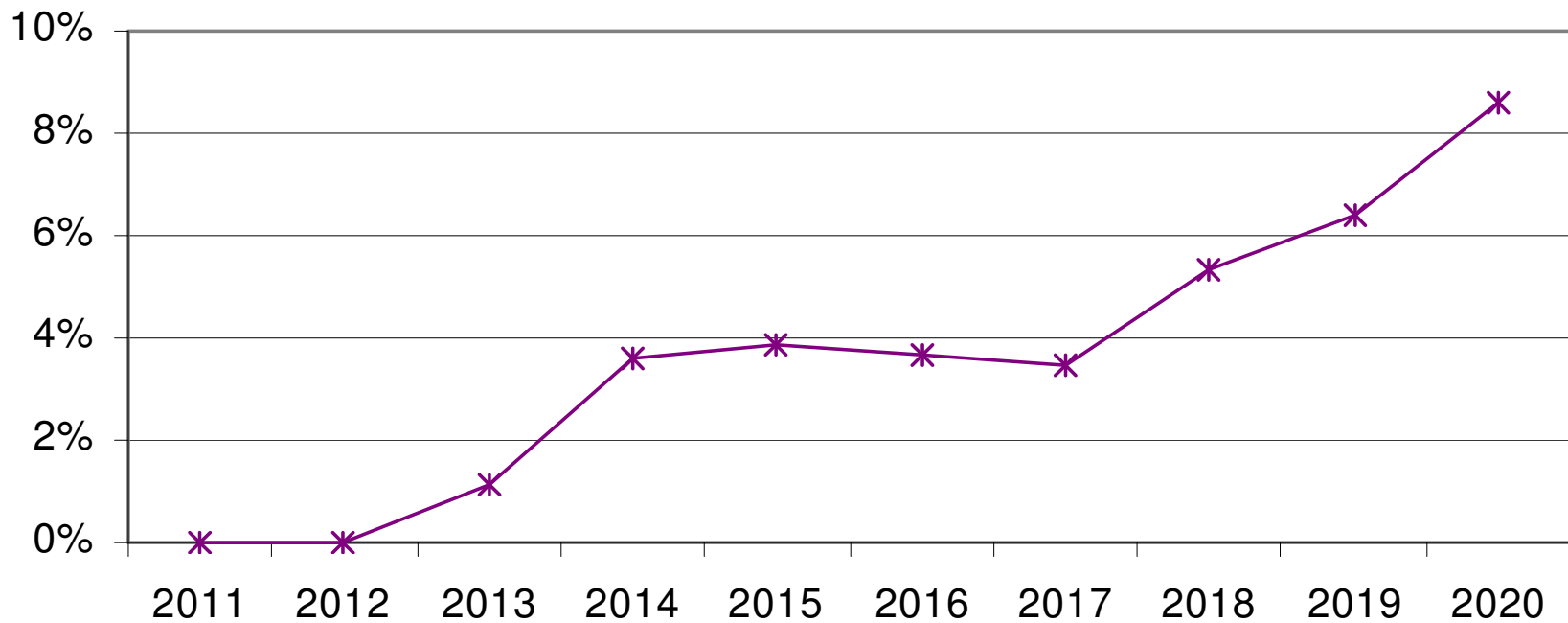
# WATER DEBT

Debt Service Charges % of Rate Revenue

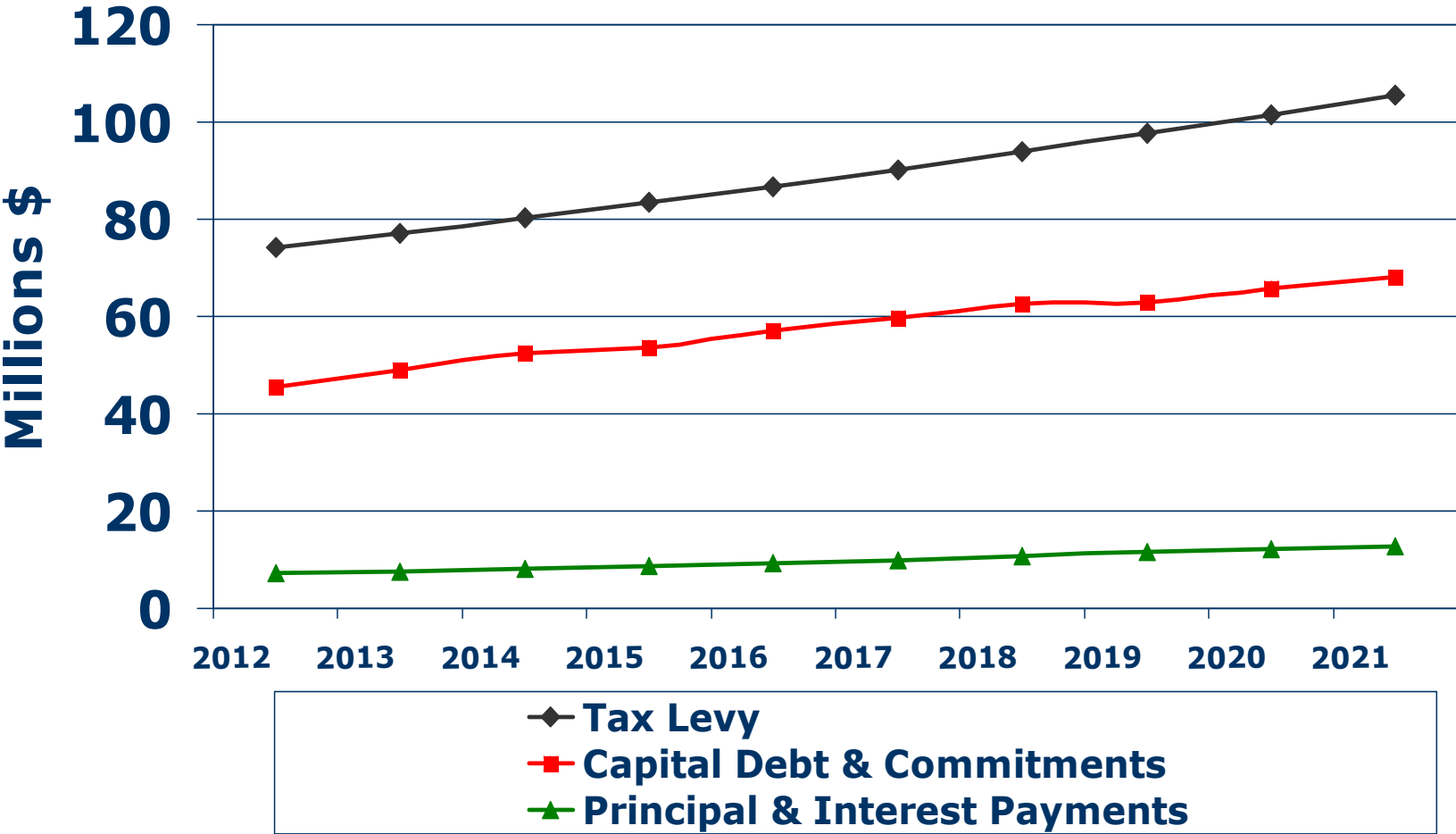


# WASTEWATER DEBT

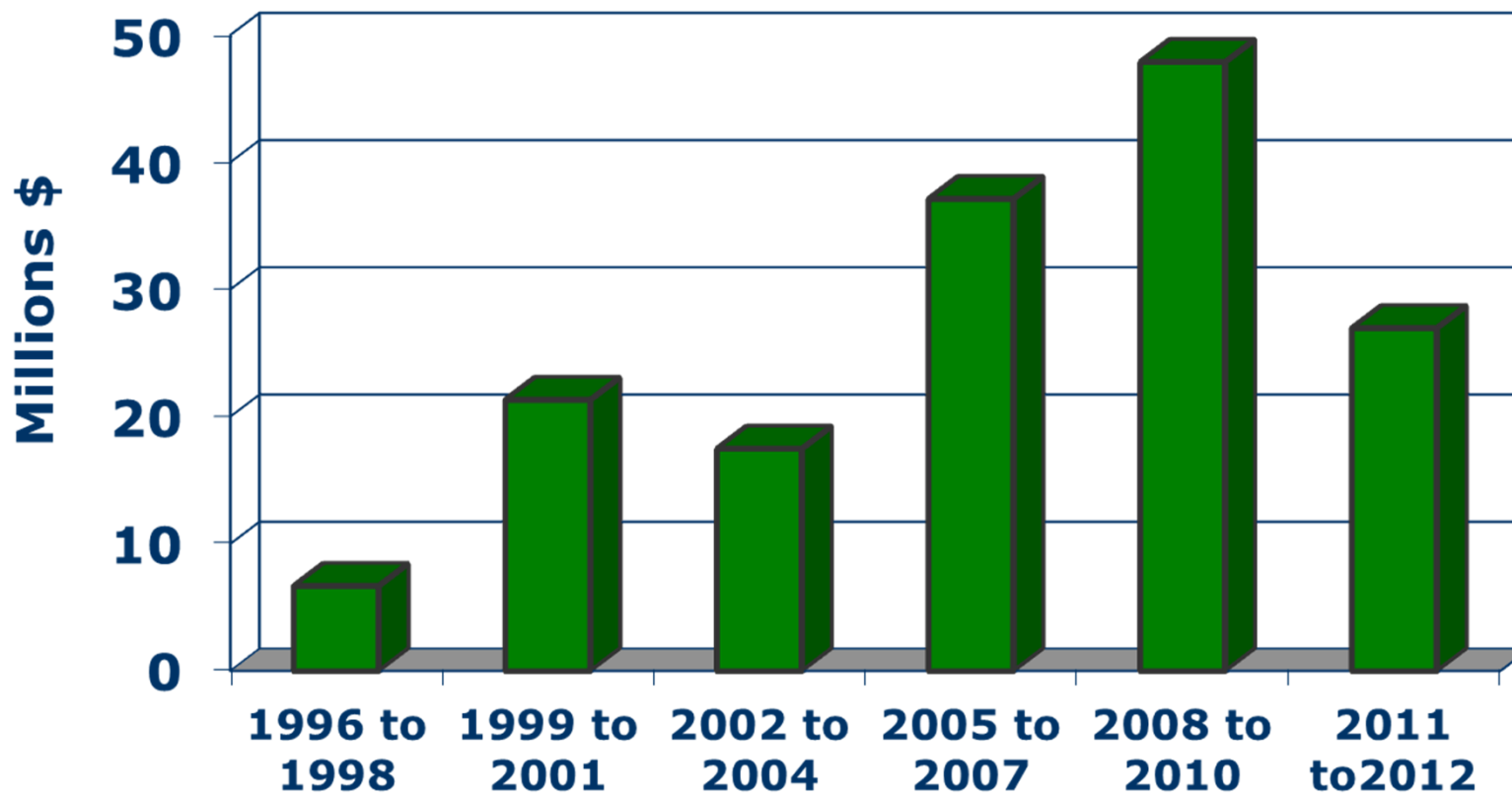
Debt Service Charges % of Rate Revenue



# Capital Debt and Commitments Relative to the Tax Levy



## Capital Investment Average Capital Spending





**Questions?**

