City of North Bay
Report to Council

Report No: CORP-2026-001 Date: December 8, 2025

Originator: Blair Grant

Business Unit:Corporate Services Department:Financial Services Department

Subject: 2026 Capital Budget and 2027-2035 Capital Forecast Plan

Closed Session: yes ☐ no ☒

Recommendation

1. That Council receive the City of North Bay's 2026 General Capital Budget and 2026 Water and Wastewater Capital Budget as attached to Report to Council CORP 2026-001 dated December 8, 2025, from Blair Grant.
2. That Report to Council CORP 2026-001 be referred to the General Government Committee for a Special Committee Meeting.

Background

The City's Capital Budget outlines the planned investments in infrastructure and assets that support the delivery of municipal services. These investments include the acquisition, construction, rehabilitation, and renewal of assets such as roads, bridges, fleet and equipment, parks, recreational facilities, water and wastewater treatment plants, and other major infrastructure.

Each year, the City prepares a one-year Capital Budget alongside a nine-year Capital Forecast, providing a long-term view of anticipated capital needs and funding strategies. The Capital Budget and Forecast are divided into two distinct components based on their respective funding sources:

- General Capital Budget and Forecast: Funded through the City's General Operating Budget, primarily supported by property tax revenues. This funding is commonly referred to as the capital levy or PAYGO (pay-as-you-go) amount.
- Water and Wastewater Capital Budget and Forecast: Funded through the Water and Wastewater Operating Budget, supported by user fees collected from water and wastewater services.

The proposed 2026 General Capital Budget and 2026 Water & Wastewater Capital Budget, along with the respective 2027–2035 Capital Forecasts, are presented in Appendix A of this report.

Format of the Capital Budget Package

The 2026 Capital Budget and the associated 2027–2035 Capital Forecast have been organized by Business Unit to provide clarity and alignment with departmental responsibilities. Each capital project is further categorized by asset type, using the following classifications:

- **Asset Improvement and Maintenance (AIM)**
  Projects under this category focus on the rehabilitation, renewal, and maintenance of existing City infrastructure, facilities, and equipment. These investments are

essential to sustain asset performance, extend service life, replace end-of-life components, and incorporate technological upgrades that enhance operational efficiency and service delivery.

- **Strategic Investments (SI)**
  These initiatives are designed to enhance, expand, or transform the level of service provided to the community. Strategic Investments often reflect Council priorities, community needs, and long-term planning objectives.
- **Growth (G)**
  Growth-related projects address increased demand for municipal services resulting from population growth, economic development, or strategic expansion. These investments support the City's capacity to accommodate future development and ensure infrastructure readiness.

It is important to note that certain projects may align with multiple asset categories. For reporting purposes, each project has been assigned to the category that best represents its primary objective.

Financial/Legal Implications

See Options Analysis section for financial implications.

Corporate Strategic Plan

☐ Natural North and Near
☐ Economic Prosperity
☒ Affordable Balanced Growth
☒ Spirited Safe Community
☒ Responsible and Responsive Government

Specific Objectives

- Maintain infrastructure across the City in a good state of repair
- Consider all aspects of decisions to fund new infrastructure
- Ensure the efficient and effective operations of the city, with particular consideration to the impact of decisions on the property tax rate
- Maximize funding opportunities with other governments
- Develop and provide recreational and community centre services geared to meeting the broad spectrum of needs in the community

Options Analysis

The purpose of this report is to present the 2026 General and Water and Wastewater Capital Budgets for Council's consideration and approval. The enclosed Capital Budget package outlines a total gross capital investment of $82.7 million for 2026, supporting strategic infrastructure renewal, service delivery enhancements, and long-term community development.

Capital budgets are funded through a mix of:

- Property taxes
- Development charges
- Government grants
- User fees
- Reserves and reserve funds
- Debentures (long-term borrowing)

2026 Major General Capital Investments

The 2026 General Capital Budget includes a total gross capital investment of $59.6 million. It includes funding for several key projects that align with Council's strategic priorities and the City's long-term asset management and financial plans. Notable projects include:

- 24/7 Low Barrier Shelter/ Connections Centre: Development of a 24/7 low barrier shelter/ connections centre with wrap around healthcare and social services *(Project 3068CD - $3,000,000)*
- Conventional Bus Replacement: Replacement of conventional transit buses *(Project 3077FL - $4,441,950)*
- Pinewood Park & Lakeshore Drive Intersection Reconstruction: Reconstruction of the intersection of Pinewood Park and Lakeshore Drive *(Project 3715RD - $4,250,000)*
- Queen St. Culvert Replacement: Engineering and construction services to replace the Queen St. culvert *(Project 4106RD - $1,070,000)*
- Trout Lake Rd. & Laurentian Ave. Intersection Reconstruction: Engineering and construction services to align the two Laurentian Ave. side street approaches that intersect with Trout Lake Road *(Project 4109RD - $3,400,000)*
- Leachate Management – Future Cells: Closing the existing cell and opening a new cell *(Project 4203GD - $3,500,000)*
- Downtown Waterfront Park Construction: Engineering and construction services for the Downtown Waterfront Park (*Project 4306PR - $4,914,000)*
- Cricket Pitch Construction: Engineering and construction services for the new cricket pitch *(Project 4348PR - $2,370,000)*
- Kodiak Reconstruction: Engineering and construction services for the complete reconstruction of the roadway and storm system on Kodiak *(Project 4355RD/ST - $1,930,000)*
- Asphalt Resurfacing Program: Annual road surface rehabilitation *(Project 6111RD - $4,000,000)*
- Vehicle and Equipment Lifecycle Replacement: Fleet renewal to maintain service levels *(Project 8026FL - $1,957,346)*
- Service Partner Capital Needs:
  - *Cassellholme Redevelopment (Project 6483AA - $3,250,000)*
  - *North Bay Police Services (Projects 4499PD - $100,000, 6663PD - $1,593,000)*

General Capital Funding Strategy

The 2026 General Capital Budget has been developed in accordance with the City's Long-Term Capital Funding Policy, with the following amendments and considerations:

- The policy's provision for a 1% annual increase to the capital funding allowance based on the prior year's tax levy has been included. A comprehensive review of the policy is scheduled for 2026, with recommendations to be brought forward to Council.
- The inflationary adjustment has been excluded from the capital funding allowance calculation, consistent with prior years. This factor will also be considered in the 2026 policy review.
- Debenture authority of $8.5 million has been included to support priority capital investments.

Preliminary General Funding Allotment and Pre-Commitments

Council previously approved a preliminary funding allotment for the 2026 General Capital Budget. This preliminary funding allotment was separated in two buckets: up to 50% of the prior year's general funding allowance being $13,236,609 and up to 75% of the prior year's Fleet Capital Budget being $2,250,000, through Report CORP 2025-115.

As of the date of this report, three pre-commitments have been made against the 2026 General Capital Budget:

- Project 6663PD – North Bay Police Services 2026 On-going: Pre-commitment of $240,000 (plus HST) was approved through Report to Council CORP 2025-072 for the purchase of Police patrol vehicles.
- Project 3077FL – Conventional Bus Replacement – Report to Council 2025-105 was for the purchase of five (5) conventional buses of which two (2) of these buses were committed using pre-approved 2025 capital dollars. This Report to Council represents the pre-commitment $1,016,209 (plus HST) for the purchase of the remaining three (3) conventional buses. This pre-commitment amount relates to the City's share of the commitment and does not represent the amount funded under ICIP.

2026 Major Water & Wastewater Capital Investments

The 2026 Water and Wastewater Capital Budget includes a total gross capital investment of $23.1 million. The package includes funding for several key projects that align with Council's strategic priorities and the City's long-term asset management and financial plans. Notable projects include:

- Trout Lake Road and Northgate Square CIPP: Engineering and construction services for the rehabilitation of the Trout Lake Road and Northgate Square watermains *(Project 3021WS - $2,500,000)*
- Premier Pumping Station Replacement: Replacement of the Premier lift station and associated equipment *(Project 3818SS - $2,000,000)*
- Wastewater Treatment Plant – Intake Chamber Replacement: Replacement of the intake chamber at the Wastewater Treatment Plant as well as the replacement of aging collection system infrastructure *(Project 3825SS - $5,220,508)*
- Ellendale Second Feed: Engineering design and construction services for a second trunk watermain feed to the Ellendale Reservoir *(Project 3931WS - $5,000,000)*

Water & Wastewater Capital Funding Strategy

The 2026 Water and Wastewater Capital Budget has been developed in accordance with the Long-Term Capital Funding Policy, with the following amendments and considerations:

- The policy's provision for a 2% annual increase to the capital funding allowance based on the prior year's user rate revenues has been included. A comprehensive review of the policy is scheduled for 2026, with recommendations to be brought forward to Council.
- The inflationary adjustment to the capital funding allowance has been adjusted to equal 55% of the calculated inflationary increase (inflation calculated at 3.39% discounted to 1.86%). The 2026 Water and Wastewater Operating Budget has been approved on this basis. This factor will also be considered in the 2026 policy review.
- Debenture authority of $3 million has been included to support priority capital investments.

Preliminary Water and Wastewater Funding Allotment and Pre-Commitments

Council previously approved a preliminary funding allotment for the 2026 Water and Wastewater Capital Budget of up to 50% of the prior year's water and wastewater funding allowance being $7,512,755, through Report CORP 2025-115.

As of the date of this report, one pre-commitment has been made against the 2026 Water and Wastewater Capital Budget:

- Project 4366WS – Water Meter & Radio Upgrade: Pre-commitment of $245,000 (plus HST) was approved through Report to Council CORP 2025-073 for the efficient installation and completion of the water meter replacement program.

On December 9, 2025, City Council authorized the execution of Amendment 2 of the Contribution Agreement with His Majesty the King in Right of Canada, as represented by the Minister of National Defense, through the Department of National Defense, for PFAS environmental remediation at the North Bay Jack Garland Airport as outlined in Report to Council IO 2025-018. This execution represents a pre-commitment of $3,080,116, representing the City's share, against the 2027 capital budget.

Additional Considerations

The 2026 Capital Budget reflects a balanced approach to infrastructure investment, fiscal responsibility, and alignment with Council's strategic objectives. Staff will continue to monitor funding opportunities and project delivery to ensure optimal outcomes for the community.

Capital Reserves

In alignment with the City's Reserve Fund Policy, performance targets have been established to promote long-term financial sustainability and to support the objectives outlined in the Corporate Long-Term Strategic Plan. Specifically, the target for discretionary capital reserve funds is set at a minimum of 40% of the Capital Funding Policy Expenditure Limit. Based on the proposed 2026 General Capital Budget and 2026 Water & Wastewater Capital Budget, the performance target for discretionary capital reserves is calculated as follows:

Performance Target:	
2026 General Capital Funding Policy Expenditure Limit	$30,985,504
2026 Water and Wastewater Capital Funding Policy Expenditure Limit	$16,638,486
Total 2026 Capital Funding Policy Expenditure Limit	$47,623,990
	* 40%
Performance Target for Discretionary Capital Reserves	**$19,049,596**

This target serves as a benchmark to assess the adequacy of reserve contributions and to ensure that the City maintains sufficient financial flexibility to address future infrastructure needs, mitigate risk, and respond to unforeseen capital pressures.

As of October 31, 2025, the projected balance of the City's total discretionary capital reserve funds is:

Projected Total Discretionary Capital Reserve Funds*:	
Completed General Capital Projects Reserve (99537R)	$3,579,164
Water Systems Completed Capital Reserve (99522R)	$3,567,211
Sanitary Sewer Completed Project Reserve (99575R)	$4,033,147
Other Capital Reserves	$14,539,075
Projected Total Discretionary Capital Reserve Funds	**$25,718,597**

*Authorized net transfers in the estimated amount of $24.3 million have not been transferred out of the reserve funds as at the date of this report. $4.2 million of the authorized net transfers includes the reserve transfers as presented through a Special Committee meeting on November 17, 2025 through the 2026 Water and Wastewater Operating Budget presentation. Funds remain in the reserve and are not withdrawn until the associated expenditure has been incurred. The balance reported above is shown "as if" the outstanding net transfers have been withdrawn from the related reserve balances to reflect the uncommitted balance remaining in each reserve. The projected reserve balances are subject to year-end adjustments and accruals.

In assessing the adequacy of reserve balances against established performance targets, the following factors should be taken into consideration:

- Fleet Replacement Funding: The reserve balances include approximately $6 million in unspent capital allocations designated for vehicle replacements. These funds are intentionally retained within the reserve to support the City's Fleet Lifecycle Methodology. The methodology incorporates vehicle usage rates and prescribes a replacement schedule that ensures the sustainability and operational readiness of the municipal fleet.
- Unexpended Capital Project Funds: As part of the 2026 Capital Budget process, a comprehensive review of all open and active capital projects was undertaken to identify potential surplus funds eligible for closure to reserves. The outcomes of this review will be reflected in the December 31, 2025, Capital Year-end Report. It is important to note that these potential transfers have not yet been incorporated into the projected reserve balances presented herein.
- Planned Reserve Transfers: The reserve balances outlined above do not account for recommended transfers included in the proposed 2026 Capital Budget and 2027–2035 Capital Forecasts.

Asset Management Plan

On December 9, 2025, City Council approved the 2025 Asset Management Plan (AMP). Moving forward, the City will continue to strengthen alignment between the AMP and the Capital Budgets and Forecasts, recognizing this will be an ongoing process that will require annual review, planning, and updates. In 2026, the City plans to review and update the Long-Term Capital Funding Policy, which is expected to be the next step to achieve better alignment between future Capital Budgets and the City's AMP.

Risks

The 2026 Capital Budget incorporates anticipated grant funding for select projects based on current program criteria and historical trends. However, these funding sources are not guaranteed. In the event that expected grants are not secured, the affected projects will be deferred until alternative funding mechanisms, such as reallocation of internal resources, external partnerships, or revised financing strategies can be identified and approved. This approach ensures fiscal prudence and alignment with Council's commitment to responsible capital planning.

Next Steps

The proposed 2026 Capital Budget is recommended to be referred to the Special Committee Meetings of Council scheduled for January 12, 2026. Additional meetings are planned throughout January, with the budget expected to be approved by the Council at the Meeting of Council on January 27, 2026.

Recommended Option

1. That Council receive the City of North Bay's 2026 General Capital Budget and 2026 Water and Wastewater Capital Budget as attached to Report to Council CORP 2026-001 dated December 8, 2025, from Blair Grant.

2. That Report to Council CORP 2026-001 be referred to the General Government Committee for a Special Committee Meeting.

Respectfully submitted,

Name: Blair Grant, CPA, CA

Title: Capital Budget and Reporting Specialist

I concur with this report and recommendation

Name: Laura Boissonneault, CPA, CGA
Title: Director, Financial Services / Deputy Treasurer

Name: Ian Kilgour, MCIP, RPP
Title: Director, Community Services

Name: Alan Korell, P.Eng.
Title: Interim City Engineer

Name: Jason Whiteley
Title: Fire Chief

Name: Shannon Saucier, CPA, CA
Title: Chief Financial Officer /Treasurer

Name: John Severino, P.Eng., MBA
Title: Chief Administrative Officer

Personnel designated for continuance:
Name: Blair Grant, CPA, CA

Title: Capital Budget and Reporting Specialist

Attachments: Appendix A – 2026 General Capital Budget and 2026 Water and Wastewater Capital Budget with Capital Forecast for 2027 to 2035