

CAPITAL ENVELOPES

December 18, 2003

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WHY THE ENVELOPE SYSTEM?

- \$40 million annual funding gap between capital needs and capital resources, excluding water and wastewater
- Allows a municipality with limited available capital funding to systematically address competing priorities
- Future allocations are known, allowing capital programs to be established
- Major capital projects can be undertaken and spread over a number of years
 - South End Rock Tunnel
 - David Street Water Project
 - Municipal Road 35

CAPITAL POLICY ADOPTED FOR THE YEARS 2001 TO 2010

- Identified new or increased capital revenue sources
- Established capital envelopes based on existing capital spending
- None of the former municipalities were contributing sufficient funds to capital
- Allowed for the creation of new envelopes, over time
- Allowed for a boost of \$1 million to Economic Development in 2003 and 2004
- Directed increased funding to the Roads Envelope after completion of MR 35

SUBSEQUENT MODIFICATIONS

- The annual increase each year for the Sustainable Capital Assets Management Plan (SCAMP) in the Water and Wastewater envelopes - \$400,000 and \$440,000 respectively
- The permanent \$2,000,000 reduction to Capital in 2002
- The permanent increase of \$588,000 to the Roads envelope in 2003

Capital Envelopes

	2003 \$	2004 \$
Citizens and Leisure Services	1,024,099	1,044,581
Corporate Services - Infrastructure	305,230	311,335
-Information Technology	100,000	102,000
-Community Projects Support	1,000,000	1,020,000
Economic Development	622,633	839,086
Emergency Services (Fire)	181,783	185,419
Health and Social Services	680,136	693,739
Police Services	478,689	488,263
Public Works -Buildings	1,903,513	1,940,831
- Roads	9,085,534	9,859,245
- Solid Waste	2,760,655	1,020,000
- Water	6,325,639	6,848,568
- Wastewater	<u>5,952,871</u>	<u>6,511,740</u>
Total Capital Envelopes	30,420,782	30,864,806

COMMITMENTS AGAINST ENVELOPES

- South End Rock Tunnel - Wastewater Envelope
 - ▶ \$1.6 million/year in each of the years 2004 to 2007
- Pioneer Manor Upgrade - Health and Social Services Envelope
 - ▶ Almost the entire envelope for ten or more years -about \$6 million in total
- Municipal Road 35 - Roads Envelope
 - ▶ \$2.6 million in 2005
- Connect Ontario/Geo Smart Project - Economic Development and Water and Wastewater Envelopes
 - ▶ \$660,000 in 2004
- Hospital Funding - Community Projects Support Envelope
 - ▶ \$1 million per year until 2023
- Numerous smaller commitments

INCREASES TO ENVELOPES

- Transition costs for the City were just over \$10 million paid for in 2001 - 2004
- As funding required for Transition costs has declined, contributions to the Envelopes has increased by a like amount
- First 'glitch' being encountered in 2004 as anticipated dividend revenue from Hydro (\$250,000) is not expected to materialize; however envelopes have been increased as budgeted
- SCAMP was approved whereby Water and Wastewater Envelopes are increased by \$400,000 and \$440,000 respectively each year
- As debt repaid, contributions to envelopes go up by a like amount

OUTSTANDING DEBT

- At the end of 2003, outstanding debt will be approximately \$27 million, for
 - ▶ 199 Larch Street - \$17 million
 - ▶ Water and Wastewater - \$8.2
 - ▶ Buildings, Transit and Fleet - remainder

- As debt repaid, contributions to capital increase by a like amount

LONG TERM FINANCIAL PLAN

- All of the previously mentioned increases were factored into the Long Term Financial Plan
- In addition, one of the components of this plan was increasing the envelopes by inflation each year
- For 2004, inflation of 2% was applied to each envelope
- Second component is to implement a Capital Levy and a managed debt program

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