



Sustainability and Growth

Long-Term Financial Planning

- Capital Financing Alternatives**

Finance Committee
September 22 and December 18th, 2003
Presentation by: D. Wuksinic



Long-Term Financial Planning

Overview

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- Council Decisions
- National/Provincial Scene
- Long-Term Financial Plan
- Capital Financing Alternatives
- Water/Wastewater Capital Financing Alternatives
- Resolutions



Council Decisions - June 25, 2003

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"THAT the Roads Maintenance Budget for 2003 continue as forecasted in the Report from the General Manager of Public Works dated June 4th, 2003, and that Option "C" as outlined in that Report be approved."

- A Value of \$1.4 million to \$1.8 million in Roads Maintenance





Council Decisions - June 25, 2003

"THAT as Roads Maintenance is considered a priority of the community, and that history has shown that the Roads Maintenance Expenditure has exceeded their approved Budget by an average of \$5 million, it is recommended that \$2 million additional Roads Funding be brought forward in the 2004 Roads Maintenance Base Budget."

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Council Decisions - June 25, 2003

"THAT a Financing Plan be brought back to Council in the Fall of this year outlining various options in keeping with the Long-Term Financial Plan for funding Capital Infrastructure, and that these options include the introduction of a Capital Renewal Levy and participation in OMEIFA (Ontario Municipal Economic Infrastructure Financing Authority) funding."

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Council Decisions - March 3, 2003

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**2003 Current Budget Process -
Parking Lot Issues: Council requested that
a Report be prepared regarding funding
scheme to provide sewer and water
service to projects in the Sewer and Water
Priority List**





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National/Provincial Scene

- Municipal infrastructure is **failing**
- Municipal responsibilities have **increased**
- **No new funding** mechanisms in 2003
- **Need** for Provincial and Federal involvement
- **Changed** circumstances
 - Prime Minister Paul Martin - portion of gas tax for infrastructure
 - New Provincial Government
 - Community Reinvestment Fund (CRF)
 - New Ministry for Public Infrastructure and Renewal



National/Provincial Scene

Sources of Capital Financing in Ontario Municipalities

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Sources	1988	1996	2000
Transfers from own Funds	50.9%	49.9%	71.7%
Long-Term Borrowing	16.3%	18.3%	14.0%
Grants	25.1%	21.7%	4.2%
Other	7.7%	10.1%	10.0%

Source: Calculated from data in the *Financial Information Returns*, Ontario Ministry of Municipal Affairs and Housing

Harry Kitchen (November 2000) "Municipal Finance in a New Fiscal Environment", *Commentary* (Toronto: C.D. Howe Institute)



National/Provincial Scene

Provincial Grant Losses

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	\$ millions
1996	5.0
1997	11.3
1998	18.3
1999	18.3
2000	18.3
2001	18.3
2002	18.3
2003	18.3
Total Cumulative Loss	\$126.1



Long-Term Financial Plan

Purpose:

To provide Council and the Community with a Plan for Financial Sustainability

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New approach to financial management that shifts the emphasis from bottom line financial concerns to service delivery, within a longer-term financial planning horizon.





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Long-Term Financial Plan

Benefits:

- Helps the City to better understand/address its long-term commitments
- Provides principles to guide decision-making
- Ensures municipal responsibilities are aligned with appropriate revenue sources
- Fosters confidence in both the public and the business community by demonstrating leadership and planning by this Council



Long-Term Financial Plan

Specifics Outcomes:

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- 10 Year Financial Forecast
- 9 Principles supported by 34 Policies
- 4 Areas of Recommendations with 12 Specific Actions





Long-Term Financial Plan

Highlights

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① **Ensure Long-Term Financial Sustainability**

- **Adopt Multi-year Budgeting Process**
 - Recognize Inflation
 - Apply Life Cycle Costing Approach to Infrastructure



Long-Term Financial Plan

Highlights (Cont'd)

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⑤ Manage City's Capital Assets to Maximize Long-Term Community Benefit

- Maintain Infrastructure in "state of good repair" through Life Cycle Costing
- Implement Capital Plan to address Infrastructure Renewal Requirements





Long-Term Financial Plan

Highlights (Cont'd)

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⑦ Use Debt Financing Where Appropriate

- New, non-recurring infrastructure
- Programs and facilities which are self-supporting
- Projects where the cost of deferring expenditures exceeds debt servicing costs



Long-Term Financial Plan

Highlights (Cont'd)

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- Implement an
Levy

Infrastructure Renewal



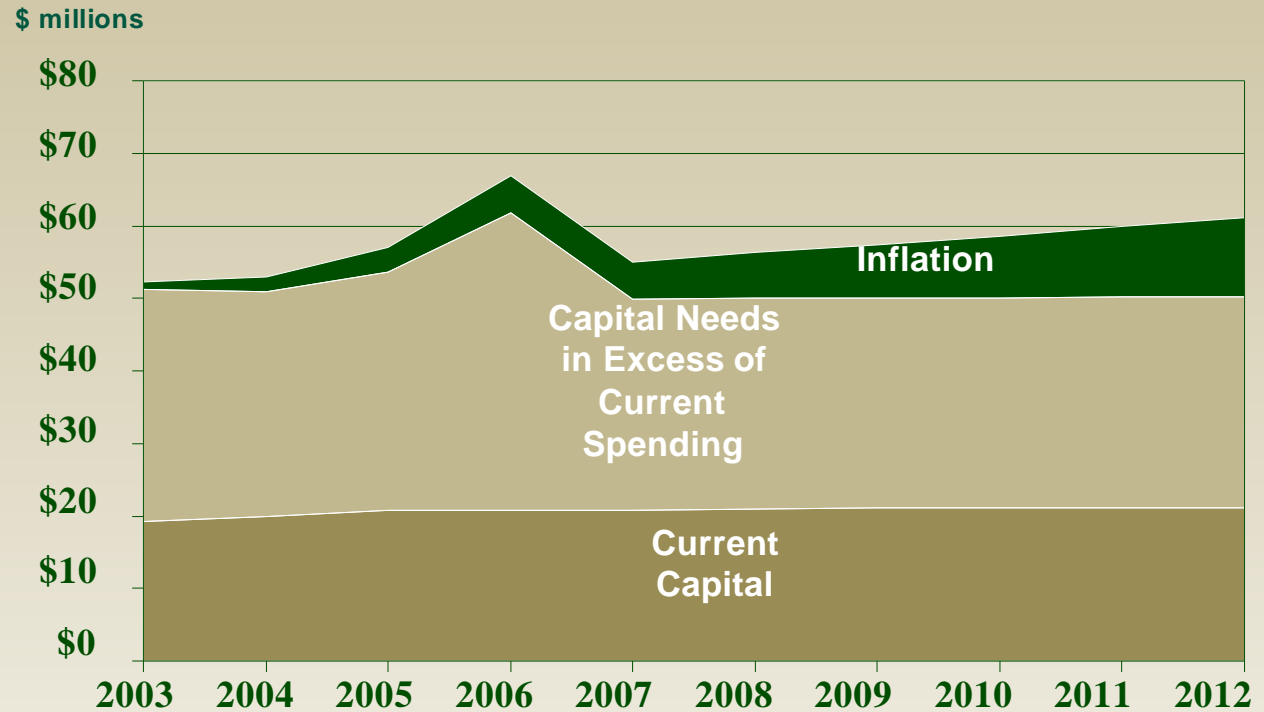


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Long-Term Financial Plan

Annual Capital Needs





Long-Term Financial Plan

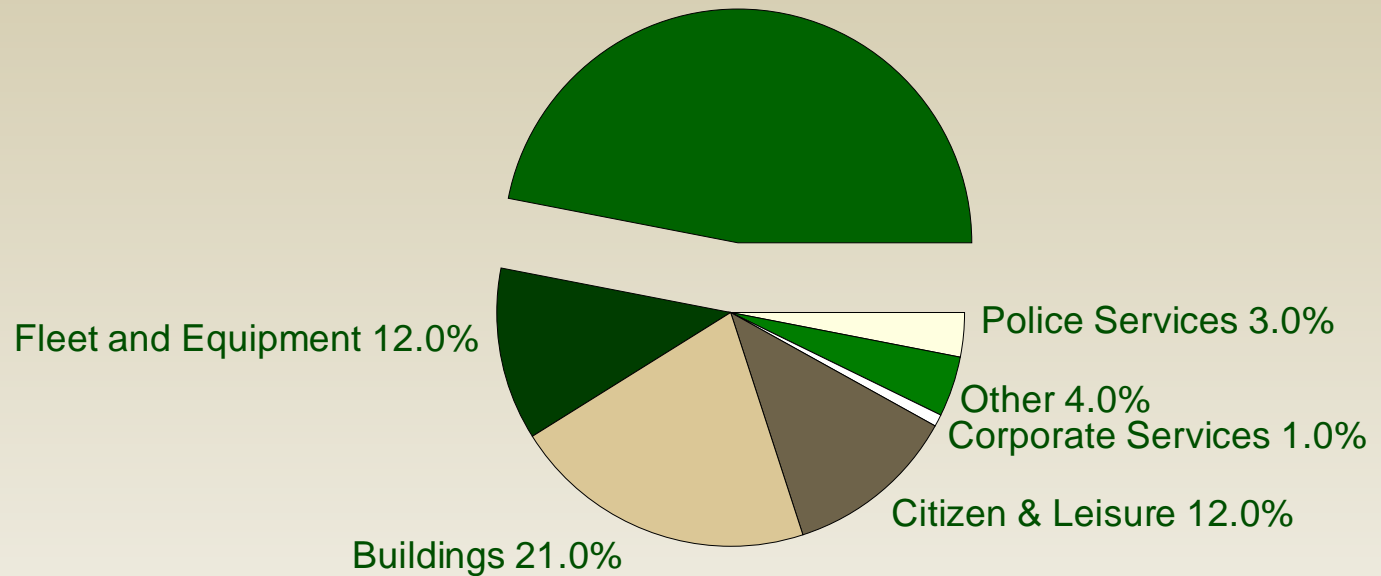
Financial Forecasts - Capital Works

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Roads are the Largest Component of Capital Needs

Roads 47.0%





Long-Term Financial Plan

Oracle Survey Importance of Service

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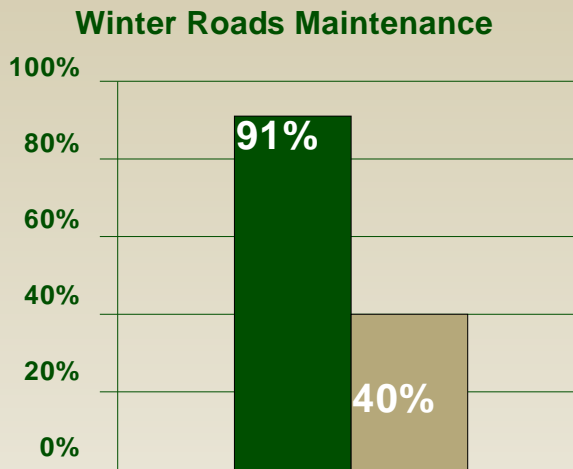
Service	1999 Priority %	2000 Priority %	2001 Priority %	2002 Priority %
Fire	N/A	N/A	73	95
Public Health Unit Services	90	96	78	94
Maintenance of Main Roads	88	94	79	91
Winter Roads Maintenance	91	95	83	91



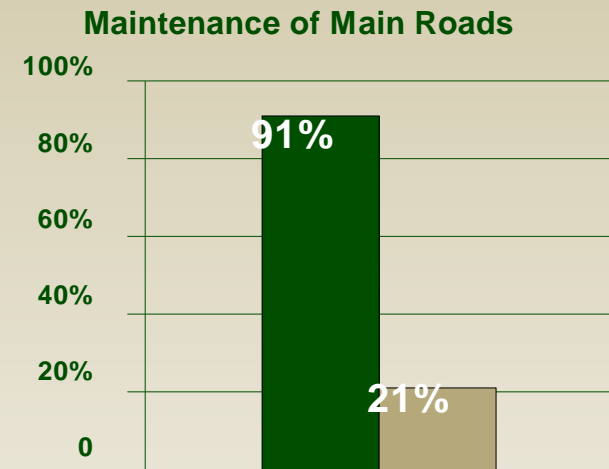
Long-Term Financial Plan

Oracle Survey Importance versus Satisfaction Roads Maintenance

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■ Importance of Service
■ Satisfaction



■ Importance of Service
■ Satisfaction



Long-Term Financial Plan

BMA Competitiveness Study

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Long-Term Financial Plan

BMA Competitiveness Study

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- **Cities Surveyed 2001**
 - 43 Ontario municipalities
 - Representing 47% of the population of Ontario
- **Cities Surveyed 2002**
 - 54 Ontario municipalities
 - Representing 71% of the population





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Long-Term Financial Plan

BMA Competitiveness Study

- **Levy Per Capita**
 - 2001 - 9th lowest
 - 2002 - 8th lowest
- **Taxes for a Detached Bungalow**
 - 2001 - 2nd lowest
 - 2002 - 3rd lowest
- **Total Taxes & Utilities
(Water, Wastewater, Hydro)**
 - 2001 - 2nd lowest
 - 2002 - 4th lowest



Long-Term Financial Plan

Tax Rate and Relative Position

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- City of Greater Sudbury's relative position in all property types are in the low to mid-range in comparison to the other municipalities.



Residential	Multi-Residential	Hotel/Motel	Shopping	Office	Industrial
Low	Low-Mid	Low	Low-Mid	Mid	Mid

City of Greater Sudbury's taxes are low, well below the average of the other 54 cities that represent 71% of Ontario's population.





Capital Financing Alternatives

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\$6.1 million per year Managed Debt Program
for 10 years

OR

\$15 million per year Managed Debt Program
for 4 years





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Capital Financing Alternatives

Common Elements

- 2.27% per year Infrastructure Renewal Levy
- plus Inflation Protection
- Annual Impact of \$39.58 on a Typical Home
- Meets 70% completion
- Meets Capital Needs in 10th Year
- Demonstrates Commitment to Sustainability
- Positions the City Well with the Province for Additional Funding



Capital Financing Alternatives

Differences

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① Staged Program of \$6.1 million per year for 10 years

- More Manageable
- Achievable with Current Resources
- More Flexible
- But Less Responsive to Current Needs
- Less Disruptive



Capital Financing Alternatives

Differences (Cont'd)

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② Accelerated Program of \$15 million per year for 4 years

- Better Value for Money Spent
- Less Manageable
- May not be Achievable with Current Resources
- Less Flexible
- But More Responsive to Current Needs
- More Disruptive



W/WW Capital Financing Alternatives

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1 Managed Debt Program of \$1.75 million per year for 10 years

2 Managed Debt Program of \$3.5 million per year for 10 years





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W/WW Capital Financing Alternatives

Common Elements

- OMEIFA Funding
- 50% Re-payment
- Municipal Up-front Financing
- Percentage Interest Rate Experienced is Interest Rate Charged
- 15 year Term



W/WW Capital Financing Alternatives

Differences

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- One Completes 50% of the Projects
- The Other Completes 100% -
All of the Projects





W/WW Capital Financing Alternatives

Impact on Average User (240 cubic metres per year)

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- .25% per year Increase in Rate versus .5%
- \$1.51 Additional Cost each year versus \$3.02 Additional Cost each year



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Review of Decisions Package

Capital Financing Alternatives

1 2.27% per year Infrastructure Renewal Levy plus Inflation Protection

Managed Debt Program of \$6.1 million per year for 10 years

OR

2 2.27% Infrastructure Renewal Levy plus Inflation Protection

Managed Debt Program of \$15 million per year for 4 years

OR

3 Other



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Review of Decision Package

W/WW Capital Financing Alternatives

1 \$1.75 million per year Managed Debt Program for 10 years

OR

2 \$3.5 Million per year Managed Debt Program for 10 years

OR

3 Other



Long-Term Financial Planning

Capital Financing Alternatives

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