

Finance  
Committee  
**Agenda**

to be held on  
**Thursday, December 18<sup>th</sup>, 2003**  
at  
**4:00 p.m.**

**Councillor  
Ted Callaghan,  
Chair**



**Councillor  
Eldon Gainer,  
Vice Chair**





## **Finance Committee AGENDA**

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**FIRST MEETING OF THE FINANCE COMMITTEE  
TO BE HELD ON THURSDAY, DECEMBER 18, 2003 AT 4:00 P.M. IN THE  
COUNCIL CHAMBER, TOM DAVIES SQUARE**

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**(PLEASE ENSURE CELL PHONES AND PAGERS ARE TURNED OFF)**

The Council Chamber of Tom Davies Square is wheelchair accessible. Please speak to the City Clerk prior to the meeting if you require a hearing amplification device. Persons requiring assistance are requested to contact the City Clerk's Office at least 24 hours in advance of the meeting if special arrangements are required. Please call (705) 671-2489, extension 2475. Telecommunications Device for the Deaf (TTY) (705) 688-3919. Copies of Agendas can be viewed on the City's web site at [www.city.greatersudbury.on.ca](http://www.city.greatersudbury.on.ca).

**DINNER WILL BE SERVED IN THE COUNCILLORS' LOUNGE AT 5:00 P.M.**

**COUNCILLOR CALLAGHAN, IN THE CHAIR**

1. Declarations of Pecuniary Interest

**PRESENTATIONS/DELEGATIONS**

**PAGE NO.**

2. Report dated 2003-12-18 from the Manager of Communications regarding 2004 Budget Communications Strategy.  
**(FOR INFORMATION ONLY) (REPORT TO BE TABLED AT MEETING)  
(ELECTRONIC PRESENTATION)**
- ▶ Nicole Charette, Manager of Communications & French Language Services
- (The report will provide a summary of suggested communications activities to engage the public in the 2004 budget process. The report will be circulated at the meeting.)

3. Report dated 2003-12-12, with attachments, from the General Manager of Corporate Services regarding Capital Financing Alternatives.  
**(FOR INFORMATION ONLY) (ELECTRONIC PRESENTATION)**
- 1 - 29

- ▶ Doug Wuksinic, General Manager of Corporate Services

***Recess (5:00- 5:20 p.m. for Dinner - Councillors' Lounge)***

4. Report dated 2003-12-12, with attachments, from the General Manager of Corporate Services regarding Capital Envelopes.  
**(FOR INFORMATION ONLY) (ELECTRONIC PRESENTATION)**
- 30 - 34

- ▶ Sandra Jonasson, Director of Finance/City Treasurer

**CORRESPONDENCE - INFORMATION ONLY**

5. Report dated 2003-12-12, with attachments, from the General Manager of Corporate Services regarding 2004 Water and Wastewater Rates and Charges.  
**(FOR INFORMATION ONLY)**
- 35 - 40

**MANAGERS' REPORTS**

{NONE}

**ADJOURNMENT (7:00 P.M.) (RESOLUTION PREPARED)**

**2003-12-12**

**COUNCILLOR CALLAGHAN  
CHAIR**

**KATHIE BOWSCHAR-LISCHE  
PLANNING COMMITTEE SECRETARY**

# **Presentations and Delegations**

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# Request for Recommendation Finance Committee

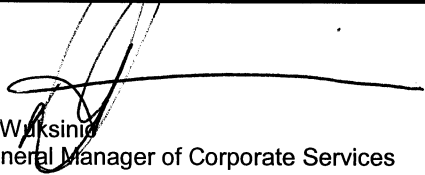



Type of Decision									
Meeting Date	December 18, 2003				Report Date	December 12, 2003			
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High		Low
Direction Only					Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title
Capital Financing Alternatives

Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
N/A	
<input checked="" type="checkbox"/>	Background Attached

Recommendation
FOR INFORMATION ONLY
Recommendation Continued

Recommended by the General Manager
 D. Waksini General Manager of Corporate Services

Recommended by the C.A.O.
 M. Mieto Chief Administrative Officer

Date: December 12, 2003

**Report Prepared By**



C. Mahaffy  
Manager of Financial Planning & Policy/Deputy Treasurer

**Division Review**



S. Jonasson  
Director of Finance/City Treasurer

**BACKGROUND**

Attached is the report which went to the Finance Committee on September 22, 2003. The General Manager of Corporate Services will be making a presentation on Capital Financing Alternatives to the Committee at the December 18<sup>th</sup> meeting.

This report will be updated in January and presented to the Committee at the Budget Review Session scheduled for January 24, 2004.

# Request for Recommendation Finance Committee



## Type of Decision

Meeting Date	September 22, 2003				Report Date	September 19, 2003			
Decision Requested	<input checked="" type="checkbox"/>	Yes		No	Priority	<input checked="" type="checkbox"/>	High		Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

## Report Title

Capital Financing Alternatives

### Policy Implication + Budget Impact

This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.

N/A

Background Attached

### Recommendation

WHEREAS Council has adopted the Long Term Financial Plan which identified the need to have a Capital Levy and which recommended the use of a managed debt program;

NOW THEREFORE BE IT RESOLVED THAT:

- ▶ Inflation be applied to all existing Capital Envelopes
- ▶ Option \_\_\_\_ of the Capital Financing Alternatives for implementation of the Long Term Financial Plan recommendations, as outlined in the report from the General Manager of Corporate Services dated September 19, 2003 be included in the 2004 Base Budget;

Recommendation Continued

### Recommended by the General Manager

  
D. Wuksinic  
General Manager of Corporate Services

### Recommended by the C.A.O.

  
M. Mieta  
Chief Administrative Officer

Date: September 19, 2003

**Report Prepared By**



C. Mahaffy  
Manager of Financial Planning & Policy / Deputy Treasurer

**Division Review**



S. Jonasson  
Director of Finance/City Treasurer

**RECOMMENDATION CONTINUED**

- ▶ The Ontario Municipal Economic Infrastructure Financing Authority program, where available, be utilized for any debenturing and the regular market be used if necessary;
- ▶ The General Managers of Public Works and Corporate Services make application to the Ontario Municipal Economic Infrastructure Financing Authority to participate in the funding scheme (if above options are approved);
- ▶ A report be prepared before the end of the year recommending capital envelope priorities, based on the additional capital funding approved.

WHEREAS Council has requested capital financing alternatives in order to address infilling of Water and Wastewater services;

**NOW THEREFORE BE IT RESOLVED THAT:**

- ▶ Option      W/WW of the Capital Financing Alternatives for Water/Wastewater extensions as outlined in the report from the General Manager of Corporate Services dated September 19, 2003 be included in the 2004 Base Budget and the calculation of future Water/Wastewater rates;
- ▶ The Ontario Municipal Economic Infrastructure Financing Authority program, where available, be utilized for any debenturing and the regular market be used if necessary;
- ▶ The General Managers of Public Works and Corporate Services make application to the Ontario Municipal Economic Infrastructure Financing Authority to participate in the funding scheme (if above options are approved);
- ▶ Council policy to maintain existing infrastructure only, and not build new infrastructure be suspended for Water and Wastewater projects on the Priority List, in order to address these servicing needs;
- ▶ The Policy on Water and Wastewater Extensions be amended as outlined in this report.

Date: September 19, 2003

## BACKGROUND

In December of 2002, Council approved the Long Term Financial Plan (LTFP), prepared by Hemson Consulting, which identified significant capital funding gaps in excess of \$40 million per year. The consultants also suggested three alternatives to funding these capital needs. The recommended option, (Option #2 found on page 27 of the LTFP) was:

“Implement an Infrastructure Renewal Levy which will generate sufficient tax dollars in 2012 to meet the annual capital gap, combined with managed use of debt financing in order to complete 70 percent of the identified Capital Financing Gap of \$343.6 million. No debt would be issued after 2012.”

This option recommended the use of debt financing of approximately \$6 million per year for 10 years for some of the infrastructure needs, together with the implementation and continuation of an annual Infrastructure Renewal Levy in the amount of 2.27% of the previous year's levy. The annual debt repayments are included in the recommended Capital Levy.

As Council is aware, every municipality in Ontario has an Annual Repayment Limit (ARL) which is a calculation provided by the Province annually, and which must be updated by the Treasurer throughout the year. All of the debt repayments calculated for the options presented in this report are well within the City of Greater Sudbury's ARL, which is in the vicinity of \$40 million.

Another component of the LTFP was to automatically increase the existing capital envelopes each year by an inflation amount. Without incorporating this increase, the funding gap will widen each year as project costs increase while capital contributions remain constant.

Although the LTFP was adopted by Council, none of the capital levy, the managed debt program, nor the inflation increases to the existing envelopes were implemented in 2003. Council did permanently increase the roads capital envelope by \$588,000 in 2003, and some of the other issues identified in the LTFP were addressed on a one-time basis, such as the contribution to the Social Housing, Ontario Works and the Sick Leave Reserves.

Since the adoption of the Plan, the Province of Ontario has introduced the Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA) financing. Under this program, municipalities may finance certain infrastructure renewal projects at a rate considerably less than that available on the open market. Were the City to take advantage of this opportunity, basically only Roads, Solid Waste, Transit, Water and Wastewater projects could be debentured. Funding the gap for other capital needs would occur through the new annual capital levy, debenturing through the regular market, and the inflation applied to each envelope. Only Roads, Solid Waste, or Transit projects can be addressed under the OMEIFA options in the first part of the report, while Water and Wastewater projects are the topic of the second part.

At the June 25<sup>th</sup> meeting of the Priorities Committee, through recommendation 2003-45, a Financing Plan was to be brought back to Council in the Fall of this year outlining various options in keeping with the LTFP for funding Capital infrastructure. The recommendations were to include a capital levy and use of the OMEIFA financing.

Date: September 19, 2003

This report will present two options to fully implement the LTFP recommendations to fund the capital gap, as adopted by Council. Each of these options includes both the annual capital levy and the inflation of existing capital envelopes. The options are:

- ▶ \$6.1 annual debenture issue for 10 years, for Roads, Solid Waste and/or Transit projects only, utilizing OMEIFA funding, if possible,
- ▶ \$15.25 annual debenture issue for 4 years, for Roads, Solid Waste and/or Transit projects only, utilizing OMEIFA funding, if possible .

In addition, during the 2003 budget process Councillor Davey requested funding options which would allow water and wastewater extensions in accordance with the approved priority list. A further two options have been developed to address this need in the second part of the report. These options also involve debenturing, again using OMEIFA funding, if possible.

The two issues are separated because water and wastewater capital needs are funded through the water and wastewater rates while all other capital is funded through the taxation levy.

***All of the charts in the report are attached, in larger print.***

Date: September 19, 2003

**Implementation of the Long Term Financial Plan Recommendations**

*(For all options, it should be noted that all debt repayments are included in the 2.27% Capital Levy, not in addition to it)*

**Option 1 - Implement a Capital Levy of 2.27% of the previous year's Net Levy and have a managed debt program of debenturing approximately \$6.1 million per year for the next 10 years, at market rates**

This is the recommendation from the Long Term Financial Plan, as adopted by Council last December. The recommendation was not implemented in 2003, but implementing the program in 2004 will achieve the same results by 2013, rather than 2012 as indicated in the study.

The chart below shows that over the ten year period, the cumulative capital levy is estimated to be about \$40 million (column 2), which will fully address the annual funding gap identified in the LTFFP, and brings the capital component of the budget to the amount necessary to meet the projected annual needs at the end of ten years. It also allows for about 70% of the outstanding capital needs to be addressed during the period.

Column 9 in each of the charts illustrates the amount of capital which can be undertaken during each of the ten years, including the amount to be debentured.

Option 1

**CITY OF GREATER SUDBURY  
Long Term Financial Plan - Capital Financing Alternatives  
Option 1 - 2.27% Capital Levy and Debentures at Market**

Year	1 Estimated * 2.27% Capital Levy \$	2 Cumulative Cap Levy \$	3 Portion for** Debt Repay. \$	4 (1-3) Net Cum. New Capital \$	5 10-Year *** Capital Policy Incr. To Env. \$	6 Est. Infla- tion - 2% \$	7 Est **** Existing Envelopes \$	8 (4+7) Total Capital Excl Debt \$	9 Capital to be Under- taken \$
2003								19,692,275	
2004	2,914,816	2,914,816	648,800	2,266,016	750,000	393,846	20,836,121	23,102,137	29,202,137
2005	3,279,168	6,193,984	1,297,600	4,896,384	749,235	416,722	22,002,078	26,898,462	32,998,462
2006	3,492,314	9,686,298	1,946,400	7,739,898	127,000	440,042	22,569,119	30,309,017	36,409,017
2007	3,687,884	13,374,182	2,595,200	10,778,982	139,279	451,382	23,159,781	33,938,763	40,038,763
2008	3,887,029	17,261,211	3,244,000	14,017,211	46,423	463,196	23,669,399	37,686,610	43,786,610
2009	4,096,929	21,358,140	3,892,800	17,465,340	-	473,388	24,142,787	41,608,127	47,708,127
2010	4,314,066	25,672,206	4,541,600	21,130,606	28,383	482,856	24,654,026	45,784,632	51,884,632
2011	4,542,712	30,214,918	5,190,400	25,024,518	82,713	493,081	25,229,820	50,254,338	56,354,338
2012	4,783,476	34,998,394	5,839,200	29,159,194	-	504,596	25,734,416	54,893,610	60,993,610
2013	5,037,000	40,035,394	6,488,000	33,547,394	-	514,688	26,249,104	59,796,498	65,896,498

\* Based on Long Term Financial Plan recommendations  
 \*\* \$6.1 million/year debt issued for 10 years for \$61 million in debentures (15 years, 6.5%)  
 \*\*\* As adopted by Council in April, 2001 and since amended (changes to envelopes plus any decreased debt repayments)  
 \*\*\*\* Excludes Water and Wastewater Envelopes

Using the regular market place to issue debentures would make the annual debenture repayments reach their maximum of \$6,488,000 in 2014, and all of the issued debt would be repaid by 2028. Using the regular market place for the debentures means any project could be debentured. The projects to be undertaken as funding becomes available would be decided by Council, on a priority basis.

Date: September 19, 2003

**Option 1 continued - Implement a Capital Levy of 2.27% of the previous year's Net Levy and have a managed debt program of debenturing approximately \$6.1 million per year for the next 10 years through OMEIFA**

The second part of Option 1 illustrates using OMEIFA for debenturing eligible projects. The cost of debenturing the projects is considerably reduced because of the lower interest rates available through OMEIFA. Again, implementing this option in 2004 will achieve the same results indicated in the study, but in 2013 rather than 2012.

The chart below shows that over the ten year period, the cumulative capital levy is still estimated to be about \$40 million, and the capital component of the budget is sufficient to meet the projected annual capital needs at the end of ten years. It also allows for 70% of the outstanding needs to be addressed during the period. The differences are that the maximum annual repayment amount is \$5.2 million rather than the \$6.5 million illustrated in the previous chart, and the total capital, shown in column 8 is \$61.1 million rather than \$59.8 million.

Column 9 shows that the total amount of capital to be undertaken is increased from the first chart, by the difference in the repayment amounts.

Option 1

**CITY OF GREATER SUDBURY  
Long Term Financial Plan - Capital Financing Alternatives  
Option 1 - 2.27% Capital Levy and Debentures through OMEIFA**

Year	1 Estimated * 2.27% Capital Levy \$	2 Cumulative Cap Levy \$	3 Portion for** Debt Repay. \$	4 (1-3) Net Cum. New Capital \$	5 10-Year *** Capital Policy Incr. To Env. \$	6 Est. Infla- tion - 2% \$	7 Est **** Existing Envelopes \$	8 (4+7) Total Capital Excl Debt \$	9 Capital to be Under- taken \$
2003							19,692,275		
2004	2,914,816	2,914,816	520,300	2,394,516	750,000	393,846	20,836,121	23,230,637	
2005	3,279,168	6,193,984	1,040,600	5,153,384	749,235	416,722	22,002,078	27,155,462	
2006	3,492,314	9,686,298	1,560,900	8,125,398	127,000	440,042	22,569,119	30,694,517	
2007	3,687,884	13,374,182	2,081,200	11,292,982	139,279	451,382	23,159,781	34,452,763	
2008	3,887,029	17,261,211	2,601,500	14,659,711	46,423	463,196	23,669,399	38,329,110	
2009	4,096,929	21,358,140	3,121,800	18,236,340	-	473,388	24,142,787	42,379,127	
2010	4,314,066	25,672,206	3,642,100	22,030,106	28,383	482,856	24,654,026	46,684,132	
2011	4,542,712	30,214,918	4,162,400	26,052,518	82,713	493,081	25,229,820	51,282,338	
2012	4,783,476	34,998,394	4,682,700	30,315,694	-	504,596	25,734,416	56,050,110	
2013	5,037,000	40,035,394	5,203,000	34,832,394	-	514,688	26,249,104	61,081,498	

\* Based on Long Term Financial Plan recommendations

\*\* \$6.1 million/year debt issued for 10 years for \$61 million in debentures (15 years, 3.25%)

\*\*\* As adopted by Council in April, 2001 and since amended (changes to envelopes plus any decreased debt repayments)

\*\*\*\* Excludes Water and Wastewater Envelopes

It should, however, be pointed out that there is no guarantee that OMEIFA funding will still be available to municipalities for the next ten year period, but that assumption has been made for purposes of this chart. Using OMEIFA to issue debentures would make the annual debenture repayments reach their maximum of \$5,203,000 in 2014, and all of the issued debt would still be repaid by 2028. Using OMEIFA financing for the debentures means only Roads, Solid Waste or Transit projects could be debentured. Other capital needs would be funded through the existing envelopes, debenturing at market, and the portion of the capital levy not required for debt repayment. Again, the other capital needs would be undertaken on a priority basis, as decided by Council.

Date: September 19, 2003

**Option 2 - Implement a Capital Levy of 2.27% of the previous year's Net Levy and have a managed debt program of debenturing approximately \$15.25 million per year for the next 4 years at market rates**

This option modifies the recommendation from the Long Term Financial Plan by accelerating the debenturing program. The total cost of debenturing the projects is identical to that in Option 1, but the debt would be fully repaid 6 years earlier. Again, implementing this option in 2004 will achieve the same results indicated in the study, but in 2013 rather than 2012.

The chart below shows that over the ten year period, the cumulative capital levy is still estimated to be about \$40 million, which fully addresses the annual funding gap, and brings the capital component of the budget to the amount necessary to meet the projected annual needs at the end of ten years. It also allows for 70% of the outstanding needs to be addressed during the period.

Column 9 illustrates the increase in capital which can be undertaken during the first four years, as compared to Option 1, and also shows that total capital undertaken would be less in the later years.

Option 2

**CITY OF GREATER SUDBURY  
Long Term Financial Plan - Capital Financing Alternatives  
Option 2 - 2.27% Capital Levy and Accelerated Debenturing at Market**

Year	1 Estimated * 2.27% Capital Levy \$	2 Cumulative Cap Levy \$	3 Portion for** Debt Repay. \$	4 (1-3) Net Cum. New Capital \$	5 10-Year *** Capital Policy Incr. To Env. \$	6 Est. Infla- tion - 2% \$	7 Est **** Existing Envelopes \$	8 (4+7) Total Capital Excl Debt \$	9 Capital to be Under- taken \$
2003								19,692,275	
2004	2,914,816	2,914,816	1,621,900	1,292,916	750,000	393,846	20,836,121	22,129,037	37,379,037
2005	3,279,168	6,193,984	3,243,800	2,950,184	749,235	416,722	22,002,078	24,952,262	40,202,262
2006	3,492,314	9,686,298	4,865,700	4,820,598	127,000	440,042	22,569,119	27,389,717	42,639,717
2007	3,687,884	13,374,182	6,488,000	6,886,582	139,279	451,382	23,159,781	30,046,363	45,296,363
2008	3,887,029	17,261,211	6,488,000	10,773,611	46,423	463,196	23,669,399	34,443,010	34,443,010
2009	4,096,929	21,358,140	6,488,000	14,870,540	-	473,388	24,142,787	39,013,327	39,013,327
2010	4,314,066	25,672,206	6,488,000	19,184,606	28,383	482,856	24,654,026	43,838,632	43,838,632
2011	4,542,712	30,214,918	6,488,000	23,727,318	82,713	493,081	25,229,820	48,957,138	48,957,138
2012	4,783,476	34,998,394	6,488,000	28,510,794	-	504,596	25,734,416	54,245,210	54,245,210
2013	5,037,000	40,035,394	6,488,000	33,547,794	-	514,688	26,249,104	59,796,898	59,796,898

\* Based on Long Term Financial Plan recommendations  
 \*\* \$15.25 million/year debt issued for 4 years for \$61 million in debentures (15 years, 6.5%)  
 \*\*\* As adopted by Council in April, 2001 and since amended (changes to envelopes plus any decreased debt repayments)  
 \*\*\*\* Excludes Water and Wastewater Envelopes

Using the regular market place to issue debentures would make the annual debenture repayments reach their maximum of \$6,488,000 in 2007, and all of the issued debt would be repaid by 2022. Using the regular market place for the debentures means any project could be debentured. The projects to be undertaken as funding becomes available would be decided by Council, on a priority basis.

Date: September 19, 2003

**Option 2 continued - Implement a Capital Levy of 2.27% of the previous year's Net Levy and have a managed debt program of debenturing approximately \$15.25 million per year for the next 4 years through OMEIFA**

The second part of Option 2 illustrates using OMEIFA for debenturing eligible projects. The cost of debenturing the projects is considerably reduced because of the lower interest rates available through OMEIFA. This is illustrated in the chart below.

Option 2

**CITY OF GREATER SUDBURY  
Long Term Financial Plan - Capital Financing Alternatives  
Option 2 - 2.27% Capital Levy and Accelerated OMEIFA Debenturing**

Year	1 Estimated * 2.27% Capital Levy \$	2 Cumulative Cap Levy \$	3 Portion for** Debt Repay. \$	4 (1-3) Net Cum. New Capital \$	5 10-Year *** Capital Policy Incr. To Env. \$	6 Est. Infla- tion - 2% \$	7 Est **** Existing Envelopes \$	8 (4+7) Total Capital Excl Debt \$	9 Capital to be Under- taken \$
2003								19,692,275	
2004	2,914,816	2,914,816	1,300,700	1,614,116	750,000	393,846	20,836,121	22,450,237	37,700,237
2005	3,279,168	6,193,984	2,601,400	3,592,584	749,235	416,722	22,002,078	25,594,662	40,844,662
2006	3,492,314	9,686,298	3,902,100	5,784,198	127,000	440,042	22,569,119	28,353,317	43,603,317
2007	3,687,884	13,374,182	5,202,800	8,171,382	139,279	451,382	23,159,781	31,331,163	46,581,163
2008	3,887,029	17,261,211	5,202,800	12,058,411	46,423	463,196	23,669,399	35,727,810	35,727,810
2009	4,096,929	21,358,140	5,202,800	16,155,340	-	473,388	24,142,787	40,298,127	40,298,127
2010	4,314,066	25,672,206	5,202,800	20,469,406	28,383	482,856	24,654,026	45,123,432	45,123,432
2011	4,542,712	30,214,918	5,202,800	25,012,118	82,713	493,081	25,229,820	50,241,938	50,241,938
2012	4,783,476	34,998,394	5,202,800	29,795,594	-	504,596	25,734,416	55,530,010	55,530,010
2013	5,037,000	40,035,394	5,202,800	34,832,594	-	514,688	26,249,104	61,081,698	61,081,698

\* Based on Long Term Financial Plan recommendations

\*\* \$15.25 million/year debt issued for 4 years for \$61 million in debentures (15 years, 3.25%)

\*\*\* As adopted by Council in April, 2001 and since amended (changes to envelopes plus any decreased debt repayments)

\*\*\*\* Excludes Water and Wastewater Envelopes

Using OMEIFA to issue debentures on an accelerated program would make the annual debenture repayments reach their maximum of \$5,203,000 in 2007, and all of the issued debt would be repaid by 2022. Again, using OMEIFA financing for the debentures means only Roads, Solid Waste, or Transit projects could be debentured. Public Works indicates that although it would be possible to undertake a Roads program at this accelerated rate, it might well be too disruptive to the public. The differences between the two charts are that maximum repayments are \$5.2 million rather than \$6.5 on the previous chart, while total capital in column 8 is \$61.1 million rather than \$59.8 million.

Column 9 shows the greater amount of total capital to be undertaken, as a result of the lower repayments.

Other capital needs would be funded through the envelopes and the portion of the capital levy not required for debt repayment. Again, the other capital needs would be undertaken on a priority basis, as decided by Council. The timing would be different than in Option 2 since more of the capital levy would be required to repay debt in the earlier years, but the debt would be repaid sooner, freeing up the funding for other capital needs.

Date: September 19, 2003

**Capital Financing Alternatives - Water / Wastewater Projects*****Water/Wastewater Priority List***

In 1998 a priority list for Water / Wastewater projects was approved by the former Region (copy attached - Appendix A). At that time this list totaled \$28 million. To allow for changes and inflation since that time, a total of \$35 million has been used for the purpose of this report.

Two options have been developed to finance Water and Wastewater projects in order for the City to begin addressing the priority list for these services. The first option would allow the City to address half of the projects, while the second allows for the full priority list to proceed. For this report, and for illustrative purposes only, it has been assumed that wastewater projects will cost about 16% more than water projects. However, each project will have different costs. Some will affect both rates, some will affect only water rates, while others will affect only wastewater rates.

***Amendments to Existing Policies***

If Council decides to proceed with these projects, two existing policies must be addressed. The first is Council's policy to maintain infrastructure only and not expand services. If the priority list is to proceed, this policy should be suspended for water/ wastewater projects until the priority list (or a portion thereof) has been serviced.

The second policy is "Policy on Sewer and Water Extensions". This policy has been attached, as Appendix B. The proposed revised policy is as follows:

***Policy on Water/Wastewater Extensions***

- That the authority provided in the Municipal Act be used for projects initiated by City Council;
- That each lot (parcel) at the time of project initiation be provided with one standard size service connection from main to lot line. Any lot (parcel) requiring a service larger than standard size must pay the difference up-front between the size required and standard size. Any additional connections requested will be paid for up-front, at actual costs;
- That any lot (parcel) created through the severance or subdivision process following project initiation be required to pay the appropriate per lot charge, plus the actual cost of any water and/or wastewater connection at that time;
- That the interest rate to be charged on repayments for those properties not paid up-front be the interest rate to be charged on debentures for the project; and
- That water and/or wastewater extension projects proceed, subject to the availability of capital funding or financing, based on the following criteria:
  - Every effort will be made to proceed with any project which receives Provincial subsidy
  - Projects must be on the Water/Wastewater Priority list, as adopted in March 1987, and as amended from time to time. It is further recommended that Council review this list annually, or as required, in order that any projects resulting from health-related issues may be added to or moved up on this list. Where possible, projects will proceed in priority order

- Per policy, all benefitting property owners must connect to newly constructed water and/or wastewater services
- Those benefitting property owners not providing up-front funding will be subject to the same per lot (parcel) charges, to be repaid annually over a period not to exceed fifteen (15) years, with the established rate of interest being used to calculate the repayment amount
- The annual repayments will be credited back to the appropriate cost centres in the current budget (either Water or Wastewater or both, depending on the project), in order to repay the debentured amounts.

Date: September 19, 2003

**Option 1 W/WW - Addressing approximately one-half of the Water/Wastewater Priority List by debenturing \$1.75 million per year for the next ten years at market rates**

The chart below illustrates financing a total of \$17.5 million in water/wastewater projects, using the market for debenturing.

Option 1 - W/WW  
CITY OF GREATER SUDBURY  
Capital Financing Alternatives - Water / Wastewater Projects  
Option 1 - \$17.5 million over 10 Years and Debenturing at Market

Year	Gross* Project Cost \$	Recovery** from Landowners \$	Net City Share \$	Amount to be Debentured \$	Annual*** Repayments \$	Recovered from Landowners \$	Net City Share \$	Water Portion \$	Wastewater Portion \$
2004	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2005	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2006	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2007	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2008	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2009	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2010	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2011	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2012	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2013	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944

\* Undertake \$17.5 million of projects over ten years, assuming that costs for wastewater are 116% of costs for water

\*\* Per policy, benefitting landowners will pay 50% of the project costs, either up-front or over the repayment period of 15 years

\*\*\* Annual repayments are based on financing at market rates (6.5%, 15 years)

In accordance with policy, benefitting landowners would be responsible for 50% of the costs of the project, whether they pay up-front, or over the term of the debentures. It has been assumed that both the City and the landowners would simply pay their respective shares over the 15 year term. The total annual repayments for each year of debenturing would be \$186,000. Of this amount, 50% would come from per lot (frontage) charges while the remainder would be raised through water/wastewater rates. At the end of the ten years, total repayments would be \$1.9 million. This debt would be paid in full by 2028.

In order to finance the City's share of the projects, the water rates would have to be increased. Although each \$1.75 million dollar debenture would result in a water rate increase of about 0.25% or \$1.51 to pay the City's share of the project, the cumulative increase over the ten year period, would result in about a 2.5% increase in rates. For the average residential customer, consuming 240 cubic metres of water annually, the total increase, including both water and wastewater, at the end of ten years would be about \$15.

Any increase would be in addition to the significant increased rates projected for the next few years to maintain the Sustainable Capital Assets Management Plan and implement any legislated water and wastewater programs.

Date: September 19, 2003

**Option 1 W/WW continued - Addressing approximately one-half of the Water/Wastewater Priority List by debenturing \$1.75 million per year for the next ten years through OMEIFA**

The chart below illustrates financing a total of \$17.5 million in water/wastewater projects, using OMEIFA for debenturing. The only difference between the two charts is the difference in repayments due to the interest rates through OMEIFA being considerably less than market. It is not known how long OMEIFA financing will be available, but every effort would be made to finance as much as possible under this financing authority.

Option 1 - W/WW

**CITY OF GREATER SUDBURY**  
Capital Financing Alternatives - Water / Wastewater Projects  
Option 1 - \$17.5 million over 10 Years using OMEIFA financing

Year	Gross* Project Cost \$	Recovery** from Landowners \$	Net City Share \$	Amount to be Debentured \$	Annual*** Repayments \$	Recovered from Landowners \$	Net City Share \$	Water Portion \$	Wastewater Portion \$
2004	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2005	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2006	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2007	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2008	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2009	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2010	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2011	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2012	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2013	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090

\* Undertake \$17.5 million of projects over ten years, assuming that costs for wastewater are 116% of costs for water

\*\* Per policy, benefitting landowners will pay 50% of the project costs, either up-front or over the repayment period of 15 years

\*\*\* Annual repayments are based on OMEIFA financing (3.25%, 15 years)

In accordance with policy, benefitting landowners would be responsible for 50% of the costs of the project, whether they pay up-front, or over the term of the debentures. It has been assumed that both the City and the landowners would simply pay their respective shares over the 15 year term. The total annual repayments for each year of debenturing would be just over \$149,000. Of this amount, 50% would come from per lot (frontage) charges while the remainder would be raised through water/wastewater rates. At the end of the ten years, total repayments would be \$1.5 million. This debt would be paid in full by 2028.

In order to finance the City's share of the projects, the water rates would have to be increased. Although each \$1.75 million dollar debenture would result in a water rate increase of about 0.20% or \$1.21 to pay the City's share of the project, the cumulative increase over the ten year period, would result in about a 2.0% increase in rates. For the average residential customer, consuming 240 cubic metres of water annually, the total increase, including both water and wastewater, at the end of ten years would be about \$12.

Any increase would be in addition to the significant increased rates projected for the next few years to maintain the Sustainable Capital Assets Management Plan and implement any legislated water and wastewater programs.

Date: September 19, 2003

**Option 2 W/WW - Addressing the full Water/Wastewater Priority List by debenturing \$3.5 million per year for the next ten years at market rates**

The chart below illustrates financing a total of \$35 million in water/wastewater projects, using the market for debenturing.

Option 2- W/WW

**CITY OF GREATER SUDBURY**  
Capital Financing Alternatives - Water / Wastewater Projects  
Option 2 - \$35 million over 10 Years and Debenturing at Market

Year	Gross* Project Cost \$	Recovery** from Landowner s \$	Net City Share \$	Amount to be Debentured \$	Annual*** Repayments \$	Recovered from Landowners \$	Net City Share \$	Water Portion \$	Wastewater Portion \$
2004	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2005	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2006	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2007	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2008	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2009	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2010	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2011	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2012	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2013	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943

\* Undertake \$35 million of projects over ten years, assuming that costs for wastewater are 116% of costs for water

\*\* Per policy, benefitting landowners will pay 50% of the project costs, either up-front or over the repayment period of 15 years

\*\*\* Annual repayments are based on financing at market rates (6.5%, 15 years)

In accordance with policy, benefitting landowners would be responsible for 50% of the costs of the project, whether they pay up-front, or over the term of the debentures. It has been assumed that both the City and the landowners would simply pay their respective shares over the 15 year term. The total annual repayments for each year of debenturing would be just over \$372,000. Of this amount, 50% would come from per lot (frontage) charges while the remainder would be raised through water/wastewater rates. At the end of the ten years, total repayments would be \$3.7 million. This debt would be paid in full by 2028.

In order to finance the City's share of the projects, the water rates would have to be increased. Although each \$3.5 million dollar debenture would result in a water rate increase of about 0.50% or \$3.02 to pay the City's share of the project, the cumulative increase over the ten year period, would result in about a 5% increase in rates. For the average residential customer, consuming 240 cubic metres of water annually, the total increase, including both water and wastewater, at the end of ten years would be about \$30.

Any increase would be in addition to the significant increased rates projected for the next few years to maintain the Sustainable Capital Assets Management Plan and implement any legislated water and wastewater programs.

Date: September 19, 2003

**Option 2 W/WW continued - Addressing the full Water/Wastewater Priority List by debenturing \$3.5 million per year for the next ten years through OMEIFA**

The chart below illustrates financing a total of \$35 million in water/wastewater projects, using OMEIFA for debenturing. The only difference between the two charts is the difference in repayments due to the interest rates through OMEIFA being considerably less than market. It is not known how long OMEIFA financing will be available, but every effort would be made to finance as much as possible under this financing authority.

CITY OF GREATER SUDBURY  
Capital Financing Alternatives - Water / Wastewater Projects  
Option 2 - \$35 million over 10 Years using OMEIFA financing

Option 2 - W/WW

Year	Gross* Project Cost	Recovery** from Landowner s	Net City Share	Amount to be Debentured	Annual*** Repayments	Recovered from Landowners	Net City Share	Water Portion	Wastewater Portion
	\$	\$	\$	\$	\$	\$	\$	\$	\$
2004	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2005	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2006	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2007	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2008	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2009	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2010	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2011	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2012	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2013	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153

- \* Undertake \$35 million of projects over ten years, assuming that costs for wastewater are 116% of costs for water  
 \*\* Per policy, benefiting landowners will pay 50% of the project costs, either up-front or over the repayment period of 15 years  
 \*\*\* Annual repayments are based on OMEIFA financing (3.25%, 15 years)

In accordance with policy, benefitting landowners would be responsible for 50% of the costs of the project, whether they pay up-front, or over the term of the debentures. It has been assumed that both the City and the landowners would simply pay their respective shares over the 15 year term. The total annual repayments for each year of debenturing would be almost \$299,000. Of this amount, 50% would come from per lot (frontage) charges while the remainder would be raised through water/wastewater rates. At the end of the ten years, total repayments would be \$3 million. This debt would be paid in full by 2028.

In order to finance the City's share of the projects, the water rates would have to be increased. Although each \$3.5 million dollar debenture would result in a water rate increase of about 0.40% or \$2.42 to pay the City's share of the project, the cumulative increase over the ten year period, would result in about a 4% increase in rates. For the average residential customer, consuming 240 cubic metres of water annually, the total increase, including both water and wastewater, at the end of ten years would be about \$24.

Any increase would be in addition to the significant increased rates projected for the next few years to maintain the Sustainable Capital Assets Management Plan and implement any legislated water and wastewater programs.

Date: September 19, 2003

## Summary

In summary, it is recommended that Council implement the Long Term Financial Plan recommendations and address the Water/Wastewater priority list by:

- Directing the existing Capital Envelopes to be further increased by inflation
- Adopting an option from the Capital Financing Alternatives for implementation of the Long Term Financial Plan recommendations
- Adopting an option from the Capital Financing Alternatives for Water/Wastewater extensions
- Applying to the Ontario Municipal Economic Infrastructure Financing Authority to participate in this funding scheme, it being understood that OMEIFA financing will be utilized by the City wherever possible and that the open market will be used where necessary
- Suspending the moratorium on constructing new infrastructure for the Water/Wastewater priority list projects; and
- Adopting a revised policy on Water and Wastewater extensions.

Regardless of which of the recommendations of this report are adopted, the end result will be increased funding available to address our capital needs. Until the end of the ten year forecast, needs still outweigh funding, and the funds should be allocated on a priority basis. A further report, recommending the allocation of the new funding will be prepared before the end of the year.

APPENDIX "A"

**PRIORITY LIST  
SEWER AND WATER  
FOR UNSERVICED AREAS  
IN THE REGIONAL MUNICIPALITY OF SUDBURY**

<b>RANK</b>	<b>POINTS</b>	<b>AREA</b>	<b>MUNICIPALITY</b>	<b>MAP PAGE NO.</b>	<b>SEWER OR WATER</b>	<b>UNITS/ VACANT PARCELS</b>	<b>PRELIMINARY ESTIMATED COST 1998</b>
1	109.44	South Shore Lake Ramsey	Sudbury	1	Water	109/35	\$ 1,466,000
2	102.24	Romford Area	Nickel Centre	2	Water	27/9	\$ 828,000
3	77.71	Laberge Lane	Sudbury	3	Sewer	3/1	\$ 185,000
4	49.93	South Shore Lake Ramsey	Sudbury	1	Sewer	116/35	\$ 4,766,000
5	42.69	Romford Area	Nickel Centre	2	Sewer	27/9	\$ 1,146,000
6	23.27	Huron Street	Sudbury	4	Sewer	2/4	\$ 140,000
7	20.78	Hwy. 17E Kingsway	Sudbury	5	Sewer	8/2	\$ 766,000
8	17.54	R.R. #86 South of Metcalf	Nickel Centre	6	Sewer	8/1	\$ 399,000
9	15.45	Skead Road	Nickel Centre	7	Sewer	142/18	\$ 6,104,000
10	15.38	School Lane	Nickel Centre	8	Sewer	3/0	\$ 83,000
11	14.56	Golf Course Road	Rayside-Balfour	9	Water	7/2	\$ 342,000
12	12.87	Valleyview Road	Valley East	10	Sewer	58/32	\$ 3,040,000
13	11.57	Parkside Drive	Walden	11	Water	5/3	\$ 293,000
14	10.72	Brabant Street	Rayside-Balfour	12	Sewer	4/4	\$ 321,000
15	10.21	Brabant Street	Rayside-Balfour	12	Water	4/4	\$ 236,000
16	9.17	Este Drive	Sudbury	13	Sewer	3/0	\$ 335,000
17	8.26	R.R. #15	Rayside-Balfour	14	Sewer	5/0	\$ 158,000
18	8.24	Parkside Drive	Walden	11	Sewer	5/3	\$ 256,000
19	7.45	Ruttan Subdivision	Onaping Falls	15	Water	16/29	\$ 631,000
20	5.87	Golf Course Road	Rayside-Balfour	9	Sewer	20/4	\$ 876,000
21	3.26	Labine Street	Rayside-Balfour	16	Sewer	31/14	\$ 1,703,000
22	2.84	Ruttan Subdivision	Onaping Falls	15	Sewer	16/29	\$ 691,000
23	2.51	Huron Street	Sudbury	4	Water	2/4	\$ 95,000
24	1.38	Este Drive	Sudbury	13	Water	3/0	\$ 286,000
25	1.31	Dominion Drive (Rose Crt. to Roma & Notre Dame to Frost St.)	Valley East	17 18	Water	39/11	\$ 1,620,000
26	0.76	Lasalle Blvd. Extension	Sudbury	19	Sewer	6/10	\$ 472,000
27	0.45	Dominion Drive (Notre Dame to 3,360 ft. Westerly)	Valley East	18	Sewer	7/4	\$ 874,000
					<b>TOTAL</b>	<b>676/267</b>	<b>\$28,112,000</b>

NOTE: Priority established March, 1987  
Costs updated February, 1998

1998/02/16  
Attachments



# Interoffice Correspondence

October 10, 1997

RECEIVED  
OCT 16 1997

FINANCIAL SERVICES

TO: P. Morrow  
FROM: Angie Haché  
RE: Policy on Sewer and Water Extensions

The following resolution #97-71 was passed by the Corporate Services Committee on September 29, 1997 and ratified by Regional Council on October 8, 1997:

That the per lot (parcel) policy, as approved by Regional Council October 9, 1991 be abandoned;

That the authority provided in the Municipal Act continue to be used for project initiation by Regional Council;

That each lot (parcel) at the time of project initiation be provided with one standard size service connection from main to lot line. Any lot (parcel) requiring a service larger than standard size must pay the difference up front between size required and standard size. Any additional connections requested will be paid for up front, at actual costs;

That any lot (parcel) created through the severance or subdivision process following project initiation would be required to pay the appropriate per lot charge, plus the actual cost of any sewer and water connection at that time;

That the interest rate to be charged on repayments for those properties not paid up-front be the interest rate used by the Ministry of Municipal Affairs and Housing when it establishes the municipal annual repayment limit; and

2. . . . .

Corporate Services Resolution #97-71 (Cont'd)

That sewer and/or water extension projects proceed, subject to the availability of capital funding, based on the following criteria:

- Every effort will be made to proceed with any project which receives Provincial subsidy.
- Projects must be on the Regional Sewer/Water Priority List, as adopted by the Public Works Committee in March 1987, and as amended from time to time. It is further recommended that the Public Works Committee review this list annually, or as required, in order that any projects resulting from health-related issues may be added to or moved up on this list. Where possible, projects will proceed in priority order.
- Before any project proceeds, the participation rate of benefitting property owners must be 100%, with those benefitting property owners funding 50% of the actual net cost of the project, through per lot charges. No less than 80% of the property owners' share must be up-front funding.
- Those benefitting property owners not providing up-front funding will be subject to the same per lot charges, to be repaid annually over a period not to exceed ten (10) years, with the established rate of interest being used to calculate the annual repayment amount.
- The annual repayments will be credited to the appropriate Capital Financing Reserve Fund (either Sewer or Water or both, depending on the project), in order to replenish the reserve funds for use in future capital projects.

That the process must be initiated by property owners submitting a petition to The Regional Municipality of Sudbury.

*A. Haché*

c.c. Doug Wuksinic  
Bill Lautenbach  
Sandra Jonasson ✓  
Ron Swiddle

Option 1

CITY OF GREATER SUDBURY  
 Long Term Financial Plan - Capital Financing Alternatives  
 Option 1 - 2.27% Capital Levy and Debentures at Market

Year	1	2	3	4	5	6	7	8	9
Estimated * 2.27% Capital Levy \$				(1-3) Net Cum. New Capital \$	10-Year *** Capital Policy Incr. To Env. \$	Est. Infla- tion - 2% \$	Est **** Existing Envelopes \$	(4+7) Total Capital Excl Debt \$	Capital to be Under- taken \$
2003									
2004	2,914,816	2,914,816	648,800	2,266,016	750,000	393,846	20,836,121	19,692,275	29,202,137
2005	3,279,168	6,193,984	1,297,600	4,896,384	749,235	416,722	22,002,078	23,102,137	32,998,462
2006	3,492,314	9,686,298	1,946,400	7,739,898	127,000	440,042	22,569,119	26,898,462	36,409,017
2007	3,687,884	13,374,182	2,595,200	10,778,982	139,279	451,382	23,159,781	30,309,017	40,038,763
2008	3,887,029	17,261,211	3,244,000	14,017,211	46,423	463,196	23,669,399	33,938,763	43,786,610
2009	4,096,929	21,358,140	3,892,800	17,465,340	-	473,388	24,142,787	37,686,610	47,708,127
2010	4,314,066	25,672,206	4,541,600	21,130,606	28,383	482,856	24,654,026	41,608,127	51,884,632
2011	4,542,712	30,214,918	5,190,400	25,024,518	82,713	493,081	25,229,820	45,784,632	56,354,338
2012	4,783,476	34,998,394	5,839,200	29,159,194	-	504,596	25,734,416	50,254,338	60,993,610
2013	5,037,000	40,035,394	6,488,000	33,547,394	-	514,688	26,249,104	54,893,610	65,896,498

\* Based on Long Term Financial Plan recommendations

\*\* \$6.1 million/year debt issued for 10 years for \$61 million in debentures (15 year, 6.5%)

\*\*\* As adopted by Council in April, 2001 and since amended (changes to envelopes plus any decreased debt repayments)

\*\*\*\* Excludes Water and Wastewater Envelopes

Option 1

CITY OF GREATER SUDBURY  
 Long Term Financial Plan - Capital Financing Alternatives  
 Option 1 - 2.27% Capital Levy and Debentures through OMEIFA

Year	1	2	3	4	5	6	7	8	9
Estimated * 2.27% Capital Levy \$		Cumulative Cap Levy \$	Portion for** Debt Repay. \$	Net Cum. New Capital \$	10-Year *** Capital Policy Incr. To Env. \$	Est. Infla- tion - 2% \$	Est **** Existing Envelopes \$	(4+7) Total Capital Excl Debt \$	Capital to be Under- taken \$
2003								19,692,275	
2004	2,914,816	2,914,816	520,300	2,394,516	750,000	393,846	20,836,121	23,230,637	29,330,637
2005	3,279,168	6,193,984	1,040,600	5,153,384	749,235	416,722	22,002,078	27,155,462	33,255,462
2006	3,492,314	9,686,298	1,560,900	8,125,398	127,000	440,042	22,569,119	30,694,517	36,794,517
2007	3,687,884	13,374,182	2,081,200	11,292,982	139,279	451,382	23,159,781	34,452,763	40,552,763
2008	3,887,029	17,261,211	2,601,500	14,659,711	46,423	463,196	23,669,399	38,329,110	44,429,110
2009	4,096,929	21,358,140	3,121,800	18,236,340	-	473,388	24,142,787	42,379,127	48,479,127
2010	4,314,066	25,672,206	3,642,100	22,030,106	28,383	482,856	24,654,026	46,684,132	52,784,132
2011	4,542,712	30,214,918	4,162,400	26,052,518	82,713	493,081	25,229,820	51,282,338	57,382,338
2012	4,783,476	34,998,394	4,682,700	30,315,694	-	504,596	25,734,416	56,050,110	62,150,110
2013	5,037,000	40,035,394	5,203,000	34,832,394	-	514,688	26,249,104	61,081,498	67,181,498

\* Based on Long Term Financial Plan recommendations

\*\* \$6.1 million/year debt issued for 10 years for \$61 million in debentures (15 years, 3.25%)

\*\*\* As adopted by Council in April, 2001 and since amended (changes to envelopes plus any decreased debt repayments)

\*\*\*\* Excludes Water and Wastewater Envelopes

Option 2

CITY OF GREATER SUDBURY  
 Long Term Financial Plan - Capital Financing Alternatives  
 Option 2 - 2.27% Capital Levy and Accelerated Debenturing at Market

Year	1	2	3	4 (1-3)	5	6	7	8 (4+7)	9
Estimated * 2.27% Capital Levy \$	Cumulative Cap Levy \$	Portion for** Debt Repay. \$	Net Cum. New Capital \$	10-Year *** Capital Policy Incr. To Env. \$	Est. Infla- tion - 2% \$	Est **** Existing Envelopes \$	Total Capital Excl Debt \$	Capital to be Under- taken \$	
2003									
2004	2,914,816	2,914,816	1,621,900	1,292,916	393,846	20,836,121	19,692,275	37,379,037	
2005	3,279,168	6,193,984	3,243,800	2,950,184	416,722	22,002,078	22,129,037	40,202,262	
2006	3,492,314	9,686,298	4,865,700	4,820,598	440,042	22,569,119	24,952,262	42,639,717	
2007	3,687,884	13,374,182	6,487,600	6,886,582	451,382	23,159,781	27,389,717	45,296,363	
2008	3,887,029	17,261,211	6,487,600	10,773,611	463,196	23,669,399	30,046,363	34,443,010	
2009	4,096,929	21,358,140	6,487,600	14,870,540	473,388	24,142,787	34,443,010	39,013,327	
2010	4,314,066	25,672,206	6,487,600	19,184,606	482,856	24,654,026	39,013,327	43,838,632	
2011	4,542,712	30,214,918	6,487,600	23,727,318	493,081	25,229,820	43,838,632	48,957,138	
2012	4,783,476	34,998,394	6,487,600	28,510,794	504,596	25,734,416	48,957,138	54,245,210	
2013	5,037,000	40,035,394	6,487,600	33,547,794	514,688	26,249,104	54,245,210	59,796,898	

\* Based on Long Term Financial Plan recommendations

\*\* \$15.25 million/year debt issued for 4 years for \$61 million in debentures (15 years, 6.5%)

\*\*\* As adopted by Council in April, 2001 and since amended (changes to envelopes plus any decreased debt repayments)

\*\*\*\* Excludes Water and Wastewater Envelopes

Option 2

CITY OF GREATER SUDBURY  
 Long Term Financial Plan - Capital Financing Alternatives  
 Option 2 - 2.27% Capital Levy and Accelerated OMEIFA Debenturing

Year	1	2	3	4 (1-3)	5	6	7	8 (4+7) Total Capital Excl Debt	9 Capital to be Under- taken \$
	Estimated * 2.27% Capital Levy \$	Cumulative Cap Levy \$	Portion for** Debt Repay. \$	Net Cum. New Capital \$	10-Year *** Capital Policy Incr. To Env. \$	Est. Infla- tion - 2% \$	Est **** Existing Envelopes \$		
2003								19,692,275	
2004	2,914,816	2,914,816	1,300,700	1,614,116	750,000	393,846	20,836,121	22,450,237	37,700,237
2005	3,279,168	6,193,984	2,601,400	3,592,584	749,235	416,722	22,002,078	25,594,662	40,844,662
2006	3,492,314	9,686,298	3,902,100	5,784,198	127,000	440,042	22,569,119	28,353,317	43,603,317
2007	3,687,884	13,374,182	5,202,800	8,171,382	139,279	451,382	23,159,781	31,331,163	46,581,163
2008	3,887,029	17,261,211	5,202,800	12,058,411	46,423	463,196	23,669,399	35,727,810	35,727,810
2009	4,096,929	21,358,140	5,202,800	16,155,340	-	473,388	24,142,787	40,298,127	40,298,127
2010	4,314,066	25,672,206	5,202,800	20,469,406	28,383	482,856	24,654,026	45,123,432	45,123,432
2011	4,542,712	30,214,918	5,202,800	25,012,118	82,713	493,081	25,229,820	50,241,938	50,241,938
2012	4,783,476	34,998,394	5,202,800	29,795,594	-	504,596	25,734,416	55,530,010	55,530,010
2013	5,037,000	40,035,394	5,202,800	34,832,594	-	514,688	26,249,104	61,081,698	61,081,698

\* Based on Long Term Financial Plan recommendations

\*\* \$15.25 million/year debt issued for 4 years for \$61 million in debentures (15 years, 3.25%)

\*\*\* As adopted by Council in April, 2001 and since amended (changes to envelopes plus any decreased debt repayments)

\*\*\*\* Excludes Water and Wastewater Envelopes

Option 1 - W/WW

CITY OF GREATER SUDBURY

Capital Financing Alternatives - Water / Wastewater Projects

Option 1 - \$17.5 million over 10 Years and Debenturing at Market

Year	Gross* Project Cost \$	Recovery** from Landowners \$	Net City Share \$	Amount to be Debentured \$	Annual*** Repayments \$	Recovered from Landowners \$	Net City Share \$	Water Portion \$	Wastewater Portion \$
2004	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2005	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2006	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2007	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2008	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2009	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2010	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2011	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2012	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944
2013	1,750,000	875,000	875,000	1,750,000	186,000	93,000	93,000	43,056	49,944

\* Undertake \$17.5 million of projects over ten years, assuming that costs for wastewater are 116% of costs for water

\*\* Per policy, benefitting landowners will pay 50% of the project costs, either up-front or over the repayment period of 15 years

\*\*\* Annual repayments are based on financing at market rates (6.5%, 15 years)

Option 1 - W/WW

CITY OF GREATER SUDBURY

Capital Financing Alternatives - Water / Wastewater Projects  
Option 1 - \$17.5 million over 10 Years using OMEIFA financing

Year	Gross* Project Cost \$	Recovery** from Landowners \$	Net City Share \$	Amount to be Debentured \$	Annual*** Repayments \$	Recovered from Landowners \$	Net City Share \$	Water Portion \$	Wastewater Portion \$
2004	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2005	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2006	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2007	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2008	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2009	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2010	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2011	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2012	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090
2013	1,750,000	875,000	875,000	1,750,000	149,300	74,650	74,650	34,560	40,090

\* Undertake \$17.5 million of projects over ten years, assuming that costs for wastewater are 116% of costs for water  
 \*\* Per policy, benefiting landowners will pay 50% of the project costs, either up-front or over the repayment period of 15 years  
 \*\*\* Annual repayments are based on OMEIFA financing (3.25%, 15 years)

Option 2 - W/WW

CITY OF GREATER SUDBURY  
 Capital Financing Alternatives - Water / Wastewater Projects  
 Option 2 - \$35 million over 10 Years and Debenturing at Market

Year	Gross* Project Cost \$	Recovery** from Landowners \$	Net City Share \$	Amount to be Debentured \$	Annual*** Repayments \$	Recovered from Landowners \$	Net City Share \$	Water Portion \$	Wastewater Portion \$
2004	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2005	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2006	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2007	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2008	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2009	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2010	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2011	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2012	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943
2013	3,500,000	1,750,000	1,750,000	3,500,000	372,200	186,100	186,100	86,157	99,943

\* Undertake \$35 million of projects over ten years, assuming that costs for wastewater are 116% of costs for water  
 \*\* Per policy, benefitting landowners will pay 50% of the project costs, either up-front or over the repayment period of 15 years  
 \*\*\* Annual repayments are based on financing at market rates (6.5%, 15 years)

Option 2 - W/WW

CITY OF GREATER SUBURBY  
 Capital Financing Alternatives - Water / Wastewater Projects  
 Option 2 - \$35 million over 10 Years using OMEIFA financing

Year	Gross* Project Cost \$	Recovery** from Landowners \$	Net City Share \$	Amount to be Debentured \$	Annual*** Repayments \$	Recovered from Landowners \$	Net City Share \$	Water Portion \$	Wastewater Portion \$
2004	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2005	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2006	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2007	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2008	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2009	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2010	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2011	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2012	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153
2013	3,500,000	1,750,000	1,750,000	3,500,000	298,500	149,250	149,250	69,097	80,153

\* Undertake \$35 million of projects over ten years, assuming that costs for wastewater are 116% of costs for water  
 \*\* Per policy, benefitting landowners will pay 50% of the project costs, either up-front or over the repayment period of 15 years  
 \*\*\* Annual repayments are based on OMEIFA financing (3.25%, 15 years)

# Request for Recommendation Finance Committee

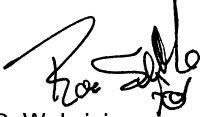


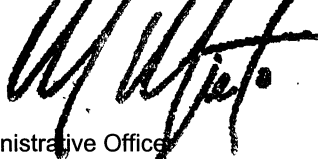
Type of Decision									
Meeting Date	December 18, 2003				Report Date	December 12, 2003			
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High		Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title
Capital Envelopes


Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
N/A	
<input checked="" type="checkbox"/>	Background Attached

Recommendation
FOR INFORMATION ONLY
Recommendation Continued

Recommended by the General Manager
 D. Wuksinic General Manager of Corporate Services


Recommended by the C.A.O.
 M. Mieto Chief Administrative Officer

**Report Prepared By**



C. Mahaffy  
Manager of Financial Planning & Policy/Deputy Treasurer

**Division Review**



S. Jonasson  
Director of Finance/City Treasurer

**BACKGROUND**

History

In 2001, a Capital Policy was adopted, and a 10-Year Capital Plan (2001-2010) was approved. This plan identified any new or increased capital revenue sources, established capital envelopes based on existing capital spending, allowed for the creation over time of new envelopes, and directed increased funding, again over time, to the Roads envelope. A copy of the chart which illustrates the plan is attached (Schedule A). Since the initial adoption of the Plan, a number of modifications have been approved, such as:

- The annual increase each year for the Sustainable Capital Assets Management Plan in the Water and Wastewater envelopes
- The permanent \$2,000,000 reduction to Capital (spread across a number of envelopes) which was approved by Council in 2002
- The permanent increase of \$588,000 to the Roads envelope in 2003.

The attached Schedule B lists of the capital envelopes for 2004 and also shows the 2003 contribution. Each of the envelopes is shown on this chart.

Envelope Funding was the chosen method of allocating capital dollars since it allows a municipality with limited available capital funding to systematically address competing priorities. The amount of funding which will be available in upcoming years has been identified, allowing capital programs to be established. Major capital projects can be undertaken and spread over more than a single year when the financing is known, and can be committed (e.g. the South End Rock Tunnel, the David Street Water Project, and Municipal Road 35).

Commitments Against Envelopes

A number of envelopes have been committed, in full or in part over the next number of years. These commitments include:

- |  |  |
|--|--|
| - Pioneer Manor Upgrade<br>(Health and Social Services Envelope) | - Almost the entire envelope for ten or more years<br>(about \$9 million in total) |
| - South End Rock Tunnel<br>(Wastewater Envelope)                 | - \$1.6 million/year in each of the years 2004 to 2007                             |
| - Municipal Road 35<br>(Roads Envelope)                          | - \$2.6 million in 2005  |
| - Hospital Funding<br>(Community Projects Support Envelope)      | - \$1 million per year until 2023  |

These commitments have allowed major projects to be undertaken with the certainty that the necessary funding would be forthcoming.

### Increases to Envelopes

As can be seen from Schedule A, as funding required for Transition purposes has declined, contributions to the Envelopes has increased. The first 'glitch' will be encountered in 2004. According to the Plan, the City was to begin receiving a dividend from Hydro in 2004. With all of the changes that have affected Hydro rates since 2001, it is not expected that this dividend will materialize and the revenue has not been budgeted; however the envelopes have still been increased in accordance with the Plan.

In 2002 the Sustainable Capital Assets Management Plan was approved by Council, whereby capital contributions to Water and Wastewater increase by \$400,000 and \$440,000 respectfully each year for ten years until the industry norm is reached (2% of asset value contributed to capital per year).

As debt is repaid, and revenue from frontage declines, the net decrease (or increase) is applied to capital. The effect is to increase the envelopes, over time, with no impact on the bottom line (levy or water/wastewater rates).

As at December 2004 the total debt will be approximately \$27 million, with \$17 million of this amount related to 199 Larch Street, which is self funding over the twenty year term. The remainder of the debt will, for the most part, be paid in full by 2007 and relates largely to Water and Wastewater (\$8.2 million) with some debt associated with the Buildings Envelope, Transit and Fleet. As the debt is repaid, the envelopes increase by the same amount as the decreased repayment.

In late 2002, Council approved the Long Term Financial Plan. All of the above increases to the envelopes were factored into the Plan. One of the components of this Plan is to apply inflation to the envelopes each year. For 2004, 2% inflation has been added to each envelope.

The Treasurer will be making a brief presentation to Council on the Capital Envelopes at the December 18<sup>th</sup> meeting.

# Ten Year Capital Plan 2001-2010

(\$)

Schedule A  
Beyond  
2010

APPROVED OPTION 1 - AS AMENDED APRIL 18, 2001

**Transition Funding/Costs**

	2000/2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals 2001-2010	Schedule A Beyond 2010
Transition Costs	28,700,000	2,300,000	1,100,000	600,000							32,700,000	
less: Provincial Grant	(22,400,000)										(22,400,000)	
<b>Net Total</b>	<b>6,300,000</b>	<b>2,300,000</b>	<b>1,100,000</b>	<b>600,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,300,000</b>	<b>0</b>

**Additional Capital Resources**

	2000/2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals 2001-2010	Schedule A Beyond 2010
Additional liability funded from 2000 operating surpluses and/or reserves of revenue	(1,400,000)	(1,900,000)	(1,900,000)	(1,900,000)	(1,900,000)	(1,900,000)	(1,900,000)	(1,900,000)	(1,900,000)	(1,900,000)	(1,400,000)	(1,900,000)
Interest on loan to Utility	(1,900,000)	(2,400,000)	(2,400,000)	(2,400,000)	(2,400,000)	(2,400,000)	(2,400,000)	(2,400,000)	(2,400,000)	(2,400,000)	(19,000,000)	(1,900,000)
Dividend paid by Utility to City	(450,000)	(300,000)	(250,000)	(250,000)	(375,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(3,125,000)	(500,000)
CO grant	(150,000)	(100,000)	(83,000)								(333,000)	
Falconbridge grant	(6,300,000)	(4,700,000)	(4,633,000)	(4,550,000)	(4,675,000)	(4,800,000)	(4,800,000)	(4,800,000)	(4,800,000)	(4,800,000)	(48,855,000)	(4,800,000)

**Proposed Allocation of New Funds**

Local Inco and Falconbridge Donations back to sewer/water customers	600,000	400,000	333,000								1,333,000	
Re-financing of Municipal Road 35 to Azilda	200,000	800,000	1,000,000	1,000,000	1,275,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	11,775,000	1,500,000
Creation of Community Projects Support Envelope		250,000	650,000	850,000	250,000	250,000	250,000	250,000	250,000	250,000	3,250,000	250,000
Creation of Economic Development Capital Envelope		0	0	0	0	0	3,050,000	3,050,000	3,050,000	3,050,000	12,200,000	3,050,000
Increase in Roads Capital Envelope	800,000	1,600,000	3,533,000	3,950,000	4,675,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	38,555,000	4,800,000

Annual (Surplus)/Deficit (for cash flow purposes)

Annual (Surplus)/Deficit (for cash flow purposes)	800,000	(800,000)									0	
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**Accumulative (Surplus)/Deficit (including interest)**

Accumulative (Surplus)/Deficit (including interest)	800,000	0										
Proposed Capital Envelopes	28,049,427	28,049,427	28,049,427	28,049,427	28,049,427	28,049,427	28,049,427	28,049,427	28,049,427	28,049,427	280,494,270	28,049,427
Existing Envelopes based on historical contributions to capital (see pg. 7 of report)	200,000	800,000	1,000,000	1,000,000	1,275,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	11,775,000	1,500,000
Now or Increased Envelopes	0	250,000	650,000	850,000	250,000	250,000	250,000	250,000	250,000	250,000	3,250,000	250,000
Community Projects Support	0	0	0	0	0	0	3,050,000	3,050,000	3,050,000	3,050,000	12,200,000	3,050,000
Economic Development	0	0	0	0	0	0	0	0	0	0	0	0
Roads	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total of Proposed Capital Envelopes</b>	<b>28,249,427</b>	<b>29,099,427</b>	<b>29,699,427</b>	<b>29,899,427</b>	<b>29,574,427</b>	<b>29,799,427</b>	<b>32,849,427</b>	<b>32,849,427</b>	<b>32,849,427</b>	<b>32,849,427</b>	<b>307,719,270</b>	<b>32,849,427</b>

Municipal Project - Municipal Road 35

Municipal Project - Municipal Road 35	0	150,000	1,550,000	2,100,000	3,150,000	3,050,000					10,000,000	0
<b>Total Capital Spending</b>	<b>28,249,427</b>	<b>29,249,427</b>	<b>31,249,427</b>	<b>31,999,427</b>	<b>32,724,427</b>	<b>32,849,427</b>	<b>32,849,427</b>	<b>32,849,427</b>	<b>32,849,427</b>	<b>32,849,427</b>	<b>317,719,270</b>	<b>32,849,427</b>

19/2001

APPROVED 10 YR CAP.123



# 2004 Capital Envelopes

SCHEDULE B

## APPROVED OPTION 1- CAPITAL POLICY adopted April, 2001

and as further amended by the inclusion of Sustainable Capital Asset Management Plan (SCAMP) for Water and Wastewater, the permanent capital reductions approved in 2002, the reallocation of MR 35 funding, further amended to include increased 2003 allocation to roads, and 2004 inflation

	2003	2004
	\$	\$
<b>Citizens and Leisure</b>		
General	674,099	694,581
Community Improvement Plans	200,000	200,000
Neighbourhood Participation Projects	<u>150,000</u>	<u>150,000</u>
	1,024,099	1,044,581
<b>Corporate Services</b>		
Corporate Infrastructure	305,230	311,335
Information Technology	100,000	102,000
Community Projects Support	<u>1,000,000</u>	<u>1,020,000</u>
	1,405,230	1,433,335
<b>Economic Development</b>	622,633	839,086
<b>Emergency Services (Fire)</b>	181,783	185,419
<b>Health and Social Services</b>	680,136	693,739
<b>Police Services</b>	478,689	488,263
<b>Public Works</b>		
Buildings (net of increased/decreased debt charges)	1,903,513	1,940,831
Roads, Drainage	9,085,534	9,859,245
Solid Waste	2,760,655	1,020,000
Water Upgrading	1,915,364	1,953,671
Water (net of debt/frontage changes plus SCAMP)	<u>4,410,275</u>	<u>4,894,897</u>
<b>Total Water</b>	6,325,639	6,848,568
Wastewater Upgrading	1,915,364	1,953,671
Wastewater (net of debt/frontage changes plus SCAMP)	<u>4,037,507</u>	<u>4,558,069</u>
<b>Total Wastewater</b>	5,952,871	6,511,740
<b>Total Public Works</b>	<u>26,028,212</u>	<u>26,180,384</u>
<b>Total Capital Envelopes</b>	<u>30,420,782</u>	<u>30,864,806</u>
<b>Accelerated Municipal Road 35 Project</b>	5,250,000	3,500,000
<b>Heritage Fund Grant</b>	-2,500,000	-2,500,000
<b>Other Projects Undertaken in 2002 and 2003 outside of Capital Envelopes (transit, NDCA, Official Plan, etc.)</b>	3,156,128	
<b>Total Capital Spending</b>	<u>36,326,910</u>	<u>31,864,806</u>

### Summary of Changes to Envelopes - 2003 to 2004

<b>2003 Total Capital Envelopes</b>		30,420,782
Increased Economic Development Envelope	200,000	
Increased Roads Funding	550,000	
Changes re Debt repayments and Frontage revenues	(4,524)	
Decrease to Solid Waste Envelope	(1,760,655)	
Sustainable Capital Assets Plan increases- Water and Wastewater	840,000	
Inflation	<u>619,203</u>	<u>444,024</u>
<b>2004 Total Capital Envelopes</b>		30,864,806

# Correspondence and Information

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# Request for Recommendation Finance Committee





Type of Decision									
Meeting Date	December 18, 2003				Report Date	December 12, 2003			
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High		Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title
2004 Water and Wastewater Rates and Charges


Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
N/A	
<input checked="" type="checkbox"/>	Background Attached


Recommendation
FOR INFORMATION ONLY
Recommendation Continued

Recommended by the General Manager
 D. Wuksinic General Manager of Corporate Services

Recommended by the C.A.O.
 M. Mieto Chief Administrative Officer

Date: December 12, 2003

Report Prepared By
 C. Mahaffy Manager of Financial Planning & Policy/Deputy Treasurer

Division Review
 S. Jonasson Director of Finance/City Treasurer

**BACKGROUND**

Under By-law 2001-138F (updated by By-law 2003-113F), Council established a new rate structure policy that provides for the full recovery of both water and wastewater costs and allows for a Sustainable Capital Asset Management Plan (scamp). In accordance with this policy and by-law, the water and wastewater rates for 2004 are projected to be as follows:

Water rates - per cubic metre service charge  miscellaneous	\$0.734 representing a 9.6% increase various rates, depending on meter size but all reflecting the same 9.6% increase various charges (e.g. sprinkler, hydrant charges) all reflecting the same increase of 9.6%
Wastewater rate	reduced to 115% (from 116%) of the water bill.

For 2004, the costs for Water are expected to be \$22.1 million, which is an increase of \$1.4 million or 7.3% over the 2003 budget of \$20.7 million.

The expenses related to compliance with the onerous regulations passed by the Province after the Walkerton Inquiry, with regard to water treatment, remain a key factor in the costs of water production. In addition, a number of factors have caused the water rates to increase by a greater amount than inflation, chiefly:

- ▶ Increases in salaries and benefits mainly due to increased staffing and the reintroduction of OMERS - \$275,000 or 20% of the increase
- ▶ Maintaining the sustainable capital assets management plan - \$400,000 or 29% of the increase
- ▶ Increases in energy costs - \$146,000 or 10% of the increase
- ▶ Inflationary increases, the finalization of grant money from Inco and Falconbridge in 2003, and other miscellaneous increases account for the balance of the increase - \$579,000 or the remaining 41% of the increase.

There has also been a small decrease in consumption predicted for 2004, based on the average consumption over the past three years. It should be pointed out that with the exception of some energy and chemical costs, there is no direct correlation between decreased consumption and costs. Many of the costs are fixed, regardless of consumption.

Date: December 12, 2003

Similar to Water, Wastewater costs are projected to be \$21.1 million, which is an increase of 7.2% over the 2003 budget of \$19.7 million. The major factors contributing to this \$1.4 million increase are:

- ▶ Increases in salaries and benefits, mainly from the reintroduction of OMERS - \$164,000 or 12% of the increase
- ▶ Substantial increases in energy costs (wastewater treatment uses considerably more energy than water treatment) - \$205,000 or 15% of the increase
- ▶ Maintaining the sustainable capital assets management plan - \$440,000 or 31% of the increase
- ▶ Inflationary increases, the finalization of grant money from Inco and Falconbridge in 2003 and other miscellaneous increases account for the balance of the increase - \$591,000 or the remaining 42% of the increase.

The calculations to reach these new rates are attached . Also attached is a chart showing the impact to the average household. Similar to last year, the average residence will see a \$55 increase in 2004, based on the same consumption as 2003.

Under Provincial legislation, and by Council policy, 100% of Water and Wastewater costs are to be recovered through the Water/Wastewater rates, with the exception of \$2.5 million of water costs, related to the provision of fire protection for publicly funded institutions (universities, etc.), which remain on the municipal levy.

For 2004, under the new Municipal Act, for any increase to water and wastewater fees:

- ▶ There must be at least one public meeting regarding the proposed increase
- ▶ Notice must be given to the public of the meeting, at least 21 days before the meeting is to be held.

Consequently, the notice is scheduled to go in The Sudbury Star and Le Voyageur on Saturday, December 20<sup>th</sup>, 2003, advising the public of the proposed 2004 Water and Wastewater Rates, and advertising that a public meeting will be held in Tom Davies Square prior to the Priorities Committee meeting on January 14<sup>th</sup>, 2004.

<p><b>CITY OF GREATER SUDBURY</b>  <b>WATER AND WASTEWATER ACCRUAL SCHEDULES</b>  <b>RECOMMENDED WATER RATES - 2004 FISCAL YEAR</b></p>
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Budgeted 2004 water costs	\$ 22,146,569
Add (less):	
Fire protection charges financed through municipal levy	(2,489,725)
	(2,489,725)
<b>Total water costs to be financed</b>	<b>19,656,844</b>
Less other revenue sources:	
INCO and Falconbridge donation	-
Frontage fees	(293,543)
Private hydrant charges	(132,616)
Private sprinkler charges	(81,104)
Penalties	(315,648)
Other recoveries	(21,970)
	(844,881)
<b>Required water billing revenue</b>	<b>18,811,963</b>
<b>Estimated revenue collected through water service charge after increase</b>	<b>(6,093,633)</b>
<b>Water revenue to be collected through variable consumption charge</b>	<b>12,718,330</b>
Projected consumption level (in cubic metres):	
2001 consumption level	18,072,762
2002 consumption level	17,416,311
2003 consumption level	16,420,976
Average	17,303,350
Consumption adjustment ( <i>see assumptions</i> )	-
Projected consumption	17,303,350
<b>Recommended water rate</b>	<b>\$ 0.734</b>
<b>Current year's water rate</b>	<b>\$ 0.670</b>
<b>Percentage increase</b>	<b>9.60%</b>

<p><b>CITY OF GREATER SUDBURY</b>  <b>WATER AND WASTEWATER ACCRUAL SCHEDULES</b>  <b>RECOMMENDED WASTEWATER RATES - 2004 FISCAL YEAR</b></p>
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Budgeted 2004 wastewater costs	\$ 21,113,632
Add (less):	
Enhanced capital expenditures relating to sustainable capital asset policy	
Inflation adjustment	-
<b>Total wastewater costs to be financed</b>	<b>21,113,632</b>
Less other revenue sources:	
INCO and Falconbridge donation	
Frontage fees	(364,862)
Private hydrant charges	-
Private sprinkler charges	-
Penalties	-
Other recoveries	-
	<b>(364,862)</b>
<b>Required wastewater billing revenue</b>	<b>20,748,770</b>
<b>Total water billing revenue</b>	<b>18,811,963</b>
Less: portion not receiving wastewater services	(752,500)
	<b>18,059,463</b>
<b>Required wastewater surcharge as a percentage of water billings</b>	<b>115%</b>

**CITY OF GREATER SUDBURY**  
**WATER AND WASTEWATER FORECASTED RATES**  
**IMPACT ON RESIDENTIAL HOMEOWNERS**

*Estimated water and wastewater costs- Typical Residential Property Owner( 240 cubic metres of water consumed)*

	Annual Cost based on Effective Rate		Annual
	2003	2004	Increase
Variable water consumption charges	\$160.80	\$176.16	\$15.36
Monthly service charges	119.52	130.99	11.47
Wastewater charges	325.17	353.22	28.05
Total water and wastewater costs	<u>\$605.49</u>	<u>\$660.37</u>	<u>\$54.88</u>