



Finance  
Committee  
**Agenda**

to be held on  
**Monday, September 22<sup>nd</sup>, 2003**  
at  
**5:30 p.m.**

**Councillor  
Ted Callaghan,  
Chair**



**Councillor  
Lionel Lalonde,  
Vice Chair**





## Finance Committee AGENDA

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THIRD MEETING OF THE FINANCE COMMITTEE  
TO BE HELD ON **MONDAY, SEPTEMBER 22, 2003** AT 5:30 P.M. IN THE  
COUNCIL CHAMBER, TOM DAVIES SQUARE

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

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### **COUNCILLOR TED CALLAGHAN, IN THE CHAIR**

1. Declarations of Pecuniary Interest

**PRESENTATIONS/DELEGATIONS**

1. Report dated 2003-09-19, with attachments, from the General Manager of Corporate Services regarding Capital Financing Alternatives. **1 - 27**  
**(ELECTRONIC PRESENTATION) (RESOLUTION PREPARED)**

- Mr. D. Wuksinic, General Manager of Corporate Services

(This report presents various capital financing alternatives in accordance with the Long Term Financial Plan for Council's consideration.)

**CORRESPONDENCE - INFORMATION ONLY**

**{NONE}**

**MANAGERS' REPORTS**

2. Report dated 2003-09-19 from General Manager of Corporate Services regarding 2004 Budget Process. **28 - 32**  
**(FOR INFORMATION ONLY)**

(This report outlines the 2004 current and capital budget process.)

**ADJOURNMENT (6:45 P.M.) (RESOLUTION PREPARED)**

**2003-09-19**

**COUNCILLOR TED CALLAGHAN,  
CHAIR**

**CORRIE-JO CAPORALE  
COUNCIL SECRETARY**

# **Presentations and Delegations**

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# 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	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	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	
<p>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;</p> <p>NOW THEREFORE BE IT RESOLVED THAT:</p> <ul style="list-style-type: none"> <li>▶ Inflation be applied to all existing Capital Envelopes</li> <li>▶ 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;</li> </ul>	
<input checked="" type="checkbox"/>	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: 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	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

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.

CITY OF GREATER SUDBURY									Option 2
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.

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

Option 1 - W/WW

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)

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, 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 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**

RANK	POINTS	AREA	MUNICIPALITY	MAP PAGE NO.	SEWER OR WATER	UNITS/ VACANT PARCELS	PRELIMINARY ESTIMATED COST 1998
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
					TOTAL	676/267	\$28,112,000

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. Hache*

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 *			(1-3)	10-Year ***	Est. Infla-	Est ****	(4+7)	Capital
	2.27%	Cumulative	Portion for**	Net Cum.	Capital Policy	tion - 2%	Existing	Total	to be
	Capital Levy	Cap Levy	Debt Repay.	New Capital	Incr. To Env.	tion - 2%	Envelopes	Capital	Under-
	\$	\$	\$	\$	\$	\$	\$	Excl Debt	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 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 (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	520,300	2,394,516	750,000	393,846	20,836,121	19,692,275	29,330,637
2005	3,279,168	6,193,984	1,040,600	5,153,384	749,235	416,722	22,002,078	23,230,637	33,255,462
2006	3,492,314	9,686,298	1,560,900	8,125,398	127,000	440,042	22,569,119	27,155,462	36,794,517
2007	3,687,884	13,374,182	2,081,200	11,292,982	139,279	451,382	23,159,781	30,694,517	40,552,763
2008	3,887,029	17,261,211	2,601,500	14,659,711	46,423	463,196	23,669,399	34,452,763	44,429,110
2009	4,096,929	21,358,140	3,121,800	18,236,340	-	473,388	24,142,787	38,329,110	48,479,127
2010	4,314,066	25,672,206	3,642,100	22,030,106	28,383	482,856	24,654,026	42,379,127	52,784,132
2011	4,542,712	30,214,918	4,162,400	26,052,518	82,713	493,081	25,229,820	46,684,132	57,382,338
2012	4,783,476	34,998,394	4,682,700	30,315,694	-	504,596	25,734,416	51,282,338	62,150,110
2013	5,037,000	40,035,394	5,203,000	34,832,394	-	514,688	26,249,104	56,050,110	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								19,692,275	
2004	2,914,816	2,914,816	1,621,900	1,292,916	393,846	20,836,121	22,129,037	37,379,037	
2005	3,279,168	6,193,984	3,243,800	2,950,184	416,722	22,002,078	24,952,262	40,202,262	
2006	3,492,314	9,686,298	4,865,700	4,820,598	440,042	22,569,119	27,389,717	42,639,717	
2007	3,687,884	13,374,182	6,487,600	6,886,582	451,382	23,159,781	30,046,363	45,296,363	
2008	3,887,029	17,261,211	6,487,600	10,773,611	463,196	23,669,399	34,443,010	34,443,010	
2009	4,096,929	21,358,140	6,487,600	14,870,540	473,388	24,142,787	39,013,327	39,013,327	
2010	4,314,066	25,672,206	6,487,600	19,184,606	482,856	24,654,026	43,838,632	43,838,632	
2011	4,542,712	30,214,918	6,487,600	23,727,318	493,081	25,229,820	48,957,138	48,957,138	
2012	4,783,476	34,998,394	6,487,600	28,510,794	504,596	25,734,416	54,245,210	54,245,210	
2013	5,037,000	40,035,394	6,487,600	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

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 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 \$
	Estimated * 2.27% Capital Levy \$	Cumulative Cap Levy \$	Portion for** Debt Repay. \$	Net Cum. New Capital \$					
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 SUBBURY

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)

Option 2- W/WWW

CITY OF GREATER SUBBURY  
 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 SUDBURY  
 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)

# Manager's Reports

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# Request for Recommendation Finance Committee





Type of Decision									
Meeting Date	September 22, 2003				Report Date	September 19, 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 Budget Process

Policy Implication + Budget Impact	
<input 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	
<input type="checkbox"/>	Recommendation Continued

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

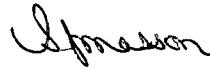
Recommended by the C.A.O.
 M. Mieto Chief Administrative Officer

**Report Prepared By**



E. Stankiewicz  
Co-Ordinator of Current Budget

**Division Review**



S. Jonasson  
Director of Finance/City Treasurer

**BACKGROUND**

This report will outline the process to be followed for the 2004 Current and Capital Budgets, provide a budget schedule for 2004 and highlight budget pressures Council will face for 2004.

Based on general feedback received from Councillors and staff, combined with the results of the Councillors budget survey, the budget process structure has been developed. The process will both streamline the system and provide clarity regarding all requests for information. Most of the information has already been conveyed to Council in a memo dated June 6, 2003 and Finance Committee Report dated June 25, 2003.

Attached is the 2004 budget schedule providing the dates of the public input sessions, budget overview and budget review sessions. The schedule proposes that the 2004 Current Budget be approved by March 8, 2004. However, if additional meetings are required, they will be scheduled during the week of March Break (March 15 - 19, 2004).

Based on concerns that were addressed during the 2003 budget process, the following procedures were adopted:

**1. Public Input Session**

There will be two public input sessions:

- ▶ one in early January to allow groups to make requests of Council as well as comment on the budget process,
- ▶ one after the budget document is released to provide the opportunity for the public to comment on the proposed budget only.

**2. Performance Measures**

In previous years the performance measures were contained in the Executive Summary of the budget document. In future, these measures will be included in the Business Plans.

### **3. Condensed Base Budget Document and Reports**

For 2004, the base budget document will be condensed into fewer cost centres. Most of the cost centres displayed will be at the division level (ie: Human Resources will be displayed but it would include Human Resources Administration, Health and Safety and the Pensioners cost centre). This will allow Council more time to concentrate its efforts in reviewing and debating the options.

The budget document will continue to be reviewed from a paper copy, as will all subsequent reports.

Any reports requested during the budget review sessions must have the consensus of Council before staff is directed to proceed.

### **4. Schedule of Meeting Dates**

As reflected in the budget schedule, there is a minimum of one day off between meetings to allow staff adequate time to respond to Councillors' requests for information. All meetings will be scheduled to commence at 5:30 pm and end at 10:00 pm, with two fifteen (15) minute breaks. No Saturday meetings have been scheduled.

### **5. Options**

For 2004, there will be no efficiency options in the budget document. Any efficiencies identified throughout the year will be implemented and simply flagged in the budget document.

Council will be presented with a number of budget options to consider.

New options proposed during budget sessions must receive the consensus of Council before being incorporated into the budget voting package.

To avoid confusion, when budget options are split, a new option page will be generated for each increment of an originally proposed option.

In addition, options will be compiled in order of magnitude which will allow Council to allocate the appropriate amount of time to debate each option, based on the impact on the budget.

### **6. Voting and Tabulation of Votes**

Council indicated that the options in the voting package did not always provide enough detail. For 2004, a more detailed description will be provided, referencing the option and identifying the page number.

As in past years, the 1 to 10 voting scale will be used when dealing with the reduction option package. However, there will be verbiage above the numbers to assist Council in the voting process. Over the 1 - 3 area, the words "Disagree with proposal" will be displayed while over the 4 - 7 area "Neutral" will be displayed and above the 8 - 10 area, the wording "Agree with proposal" will appear.

The tabulation of the voting is a lengthy process, as all input must be verified to ensure accuracy. The results will be returned to Council in the afternoon of the day following the meeting. Staff is investigating the use of electronic voting which would speed up the process. As this point in time, it is not known whether electronic voting is a viable option.

## **OTHER ISSUES**

### **Budgetary Pressures**

Every year brings new budgetary pressures and 2004 is no different. These pressures include:

- ▶ The rising costs of crude oil
- ▶ Negotiated wage settlements
- ▶ Escalating costs of employee health benefits
- ▶ The acceleration of the Ontario Municipal Employees Retirement System (OMERS) premiums to full recovery with premiums being higher than prior to the contribution holiday
- ▶ Council approval of an additional \$2 million for the roads maintenance budget to assist in providing adequate standards
- ▶ Inflationary increases in Local Services Realignment (LSR) programs not offset by the Community Reinvestment Fund (CRF)
- ▶ The implementation of the recommendations made under the Long Term Financial Plan.

### **2004 Capital Budget Process**

The 2004 Current Budget will provide allocations for each of the Capital Envelopes in accordance with Council Policy and the Long Term Financial Plan (LTFP).

Once the recommendations from the LTFP are implemented, and priority lists are established by Council, the annual envelope allocations will be known in advance of the budget sessions. Commencing in the fall of 2004, the 2005 Capital Budget can be dealt with separately, and in advance of the Current Budget process. This will allow design work and tender documents to be completed in a timely fashion, thus allowing for an earlier start in the construction season.

The LTFP will be updated annually and presented to Council in the fall of each year. This will provide Council with a multi year forecast of both current and capital needs.

## 2004 Budget Schedule (Draft)

January To be announced	-Council Priority Review
January 5, 2004 5:30 - 10:00	-First Public Input Session
February 12, 2004 7:00	-Budget Overview -Distribution of document
February 16, 2004 5:30 - 10:00	-Review of Base Budget
February 18, 2004 5:30 - 10:00	-Review of Base Budget -review of current budget alternatives and enhancement options
February 23, 2004 5:30 - 10:00	-Second Public Input Session
*February 25, 2004 5:00 - 7:00	-Presentations from the Outside Boards
March 1, 2004 5:30 - 10:00	-review of current budget alternatives and enhancement options -voting on Current Budget alternatives -review of budget enhancement options
March 3, 2004 5:30 - 10:00	-review of voting results for current budget alternatives -review of budget enhancement options -voting on Current Budget enhancement options
March 8, 2004 5:30 - 10:00	-review of voting results for enhancements -finalization of Current Budget -review of Capital Budget options -voting on Capital Budget options
March - April 2004	-Tax Policy Review

Note: Additional meetings may be scheduled during March Break.

\* The presentations for the Outside Boards will be held prior to the Priorities Committee meeting on February 25, 2004.