

# **Presentations and Delegations**

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# Request for Recommendation Priorities Committee



## Type of Decision

Meeting Date	October 26, 2005				Report Date	October 19, 2005			
Recommendation		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

Update to the Capital Component of the Long Term Financial Plan  
Forecasting Capital Needs and the Financing Gap for the Years 2006 to 2015

### Policy Implications + 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
<input checked="" type="checkbox"/>	Background attached

### Recommendation

FOR INFORMATION ONLY	
<input type="checkbox"/>	Recommendation attached

### Recommended by the Department Head

*Lorella Hayes*  
Lorella Hayes  
Chief Financial Officer / Treasurer

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

Mark Mieto  
Chief Administrative Officer *[Signature]*

**Report Authored By**



Dion Dumontelle  
Acting Co-Ordinator of Capital Budget & Risk Management

**Division Review**

**BACKGROUND**

At the June strategic planning session, Council established that its top priority was to develop a comprehensive capital plan. This consists of a review of the capital needs inventory and the development of capital priority criteria. As a result, the Priorities Committee meeting on October 26, 2005 has been designated as a special meeting to address the City's capital needs and financing gap identified for the next ten years, 2006 to 2015.

The meeting will consist of two parts:

**Senior Management Team presentation** – An update to the Capital Component of the Long Term Financial Plan (LTFP) including a forecast of the capital needs and financing gap for years 2006 to 2015

**Facilitation by Gordon McIntosh** – Establishing a Capital Priorities Framework

**Highlights of the Senior Management Team Presentation**

1) Summary of the LTFP principles and policies as they relate to capital planning

In prior years, Council recognized the need for longer term financial planning and adopted principles and policies necessary to build a self-sustaining community with a sound infrastructure and an excellent quality of life. These principles and policies were set out in the LTFP report (2002) and have guided City Council and administration in managing the financial affairs of this City. With the budget process for 2006 well underway, it is the appropriate time to update the capital component of the LTFP.

2) Overview of the capital needs and financing gap for years of 2006 to 2015

Over the past few months, departments have been forecasting capital needs for the years 2006 to 2015 and identifying available financing sources. The capital needs have been based on departments' best estimates of the needs, and where applicable, have relied on the information contained in City planning documents such as the roads needs study, leisure master plan, official plan and building needs study.

The departmental capital needs have been summarized into two main categories:

Infrastructure renewal

Infrastructure renewal needs relate to the replacement or betterment of existing assets, including critical needs that have been deferred from prior years.

Growth

Growth initiatives relate to new infrastructure, projects which will enhance our community, and investments in new technologies.

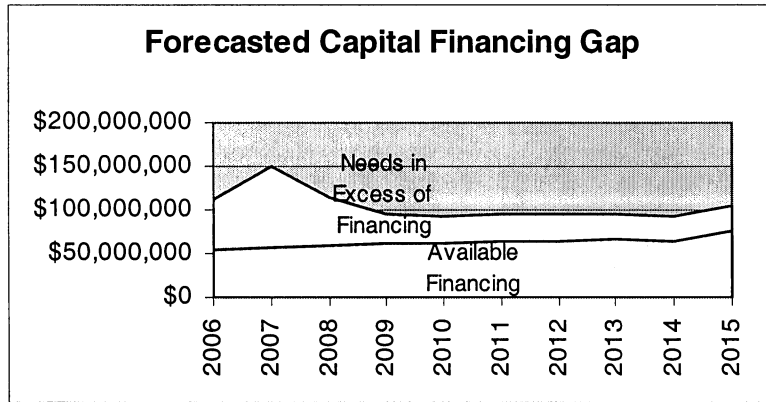
The cumulative capital financing gap for the years 2006 to 2015 is forecasted as follows:

Available capital financing for the years 2006 to 2015	\$630 million
Less: Capital needs for the years 2006 to 2015	
Infrastructure renewal	\$911 million
Growth initiatives	<u>\$136 million</u>
Cumulative capital financing gap	<u><u>(\$417 million)</u></u>

This cumulative capital financing gap represents the excess of capital needs over capital financing for the years 2006 to 2015.

It is interesting to note that the cumulative capital financing gap identified above does not vary significantly from the gap identified in the 2003 LTFP update. However there are significant changes in the composition of the gap. Community Development and Growth and Development needs have increased; as well, the water and wastewater infrastructure capital financing gap has been included. This increase in needs however, has been offset by new financing sources directed to roads and transit. Examples include Council's implementation of the capital levy in 2005 and 2006, the increased GST rebate, and funding from the Canada-Ontario Municipal Rural Infrastructure Fund (Round 1) which were all directed to reduce the capital financing gap in roads needs. In addition, the Federal and Provincial governments have committed gas tax revenues which have eliminated the transit gap.

In summary, the following chart illustrates the forecasted annual capital financing gaps:

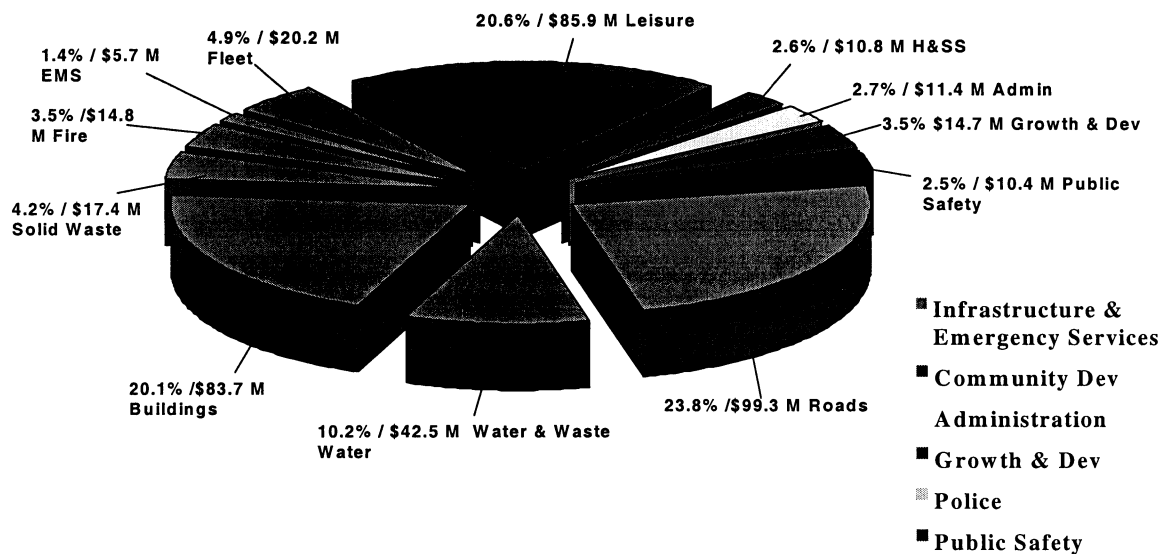


3) Departmental overview of the capital needs and financing gap for 2006 to 2015

The senior managers responsible for each envelope will present and discuss the departmental needs from the perspective of infrastructure renewal and growth initiatives.

The following pie chart illustrates the capital financing gap by envelope:

### Capital Financing Gap by Envelopes



Date: October 19, 2005

4) Options for financing the cumulative capital gap for the years 2006 to 2015

The Chief Financial Officer will present some options for Council's consideration, which will narrow the cumulative capital financing gap.

Some options include:

- ▶ Continued implementation of the capital levy subsequent to 2006 (\$185 million)
- ▶ Allocation of federal gas tax to environmentally sustainable infrastructure initiatives (\$73 million)
- ▶ Continued applications to senior levels of governments such as the Canadian Ontario Municipal Rural Infrastructure Funds
- ▶ Use of debt financing where appropriate

**Highlights of the Facilitation Session by Gordon McIntosh**

The City of Greater Sudbury and other municipalities in Canada are facing an enormous capital financing gap. Gordon McIntosh will work with Council through an interactive facilitation workshop to develop a capital priorities framework. This framework will provide Council and administration with the necessary tools to begin addressing the City of Greater Sudbury's capital financing gap. More specifically, the anticipated outcomes of Council's workshop include the development of capital spending priorities, allocations of available and new funding, and an opportunity to revise capital financing policies, if considered necessary.