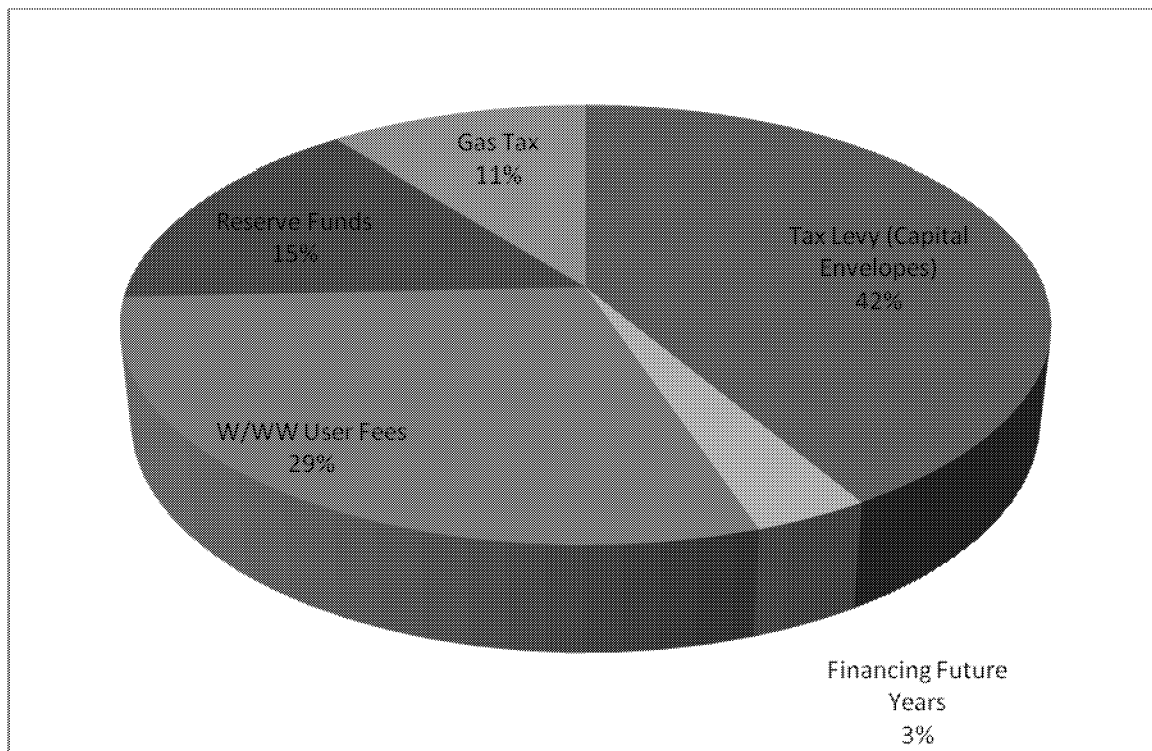


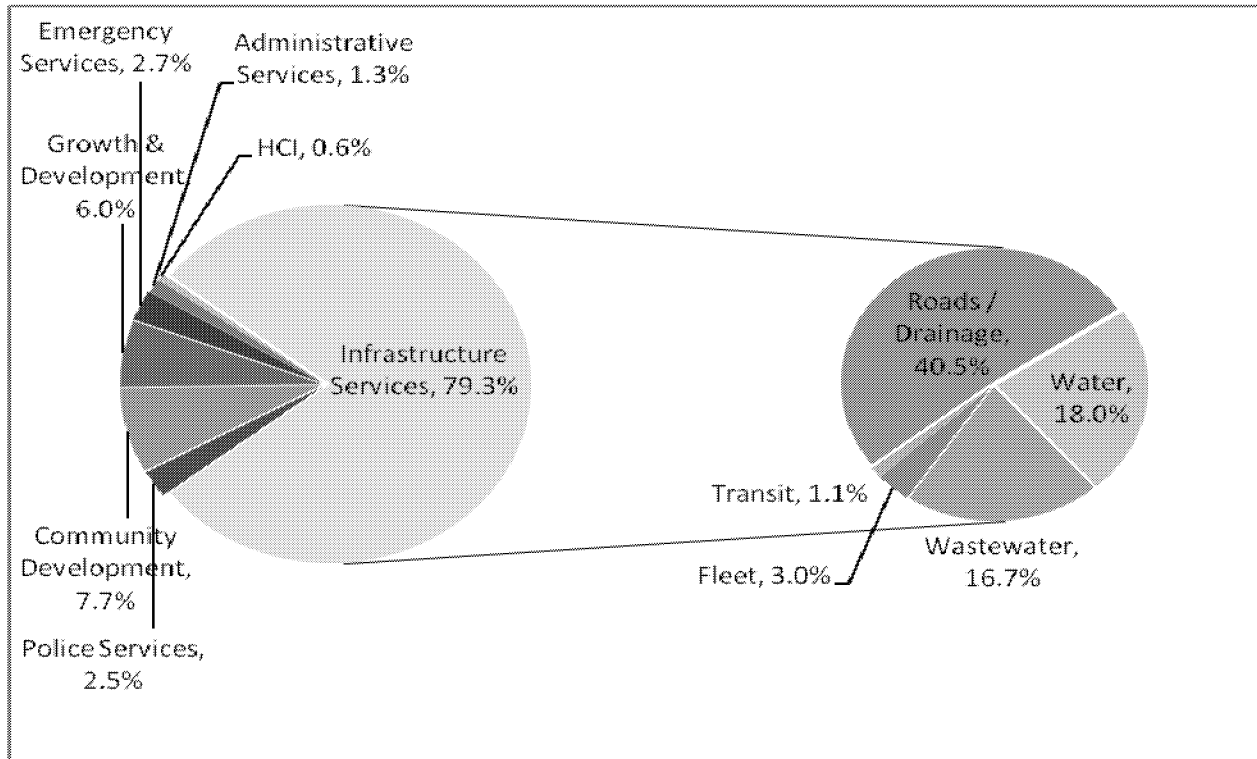
## Capital Budget Overview

This Capital Budget overview is a summary of the highlights of the approved 2014 Capital Budget including Water, Wastewater and Police and a 2015 to 2018 Capital Budget Outlook which will be used to commence any necessary preparatory work on upcoming capital projects.

The approved 2014 Capital Budget including Water/Wastewater Services and Police Services is \$95 million. This represents a decrease of \$14.5 million from the final 2013 Capital Budget. The chart below shows the 2014 capital budget of \$95 million by the funding source:



Furthermore, the chart below illustrates the split of the capital budget by department. As Infrastructure Services is the largest area (79%) of the Capital Budget, it is split further to show the portion for each division.



Please refer to the attached detailed list of capital projects included in the 2014 approved Capital Budget and the outlook for 2015 to 2018.

## Key Highlights of 2014 to 2018 Capital Budget

### ***Base Capital Envelopes***

The Capital Policy provides authority for the Capital Envelopes funded from the tax levy which specifies capital allocations to the operating departments by specific function, such as Roads, Buildings, Information Technology, etc. In addition, capital envelopes are established for Water and Wastewater and are funded from user fees.

There are continued capital funding pressures due to the age and condition of the City's infrastructure assets that require replacements and/or improvements in addition to residential, commercial and industrial growth demands. The 2014 capital envelopes have increased by a 2% inflationary factor based on the Capital Policy as the Non-Residential Building Construction Price Index (NRBCPI) was below 2%. Historically, the Capital Budget envelopes were increased by a 2% inflationary factor in accordance with the Long Term Financial Plan. This was changed for last year's Capital Budget in accordance with the Capital Policy, in which the capital envelopes are increased on the greater of 2% and NRBCPI. For 2014, the increase of capital envelopes based on the 2% inflationary factor equates to an overall increase to the tax levy of approximately \$750,000, and has been applied on a prorated share to each capital envelope. In addition, the 2% has been applied to the Water and Wastewater Envelopes and equates to approximately \$520,000

increase to the W/WW user fees as well as additional \$1.3 million of phase-in for the Biosolids project.

The increase to total envelope funding (including W/WW and Police) provided through the base operating budget and capital levy since 2003 is as follows:

<b>Year</b>	<b>Capital Envelopes Amount</b>
2003	\$32.0 million
2004	\$34.1 million
2005	\$39.6 million (includes capital levy increase of \$3.2 million)
2006	\$44.5 million (includes capital levy increase of \$3.3 million)
2007	\$47.4 million (includes capital levy increase of \$0.8 million)
2008	\$52.4 million (includes capital levy increase of \$3.7 million)
2009	\$54.8 million
2010	\$51.7 million (includes prior year permanent reduction of \$5 million)
2011	\$55.1 million
2012	\$60.1 million
2013	\$64.4 million
2014	\$66.9 million

According to the Capital Budget Policy, capital expenditures are non-financial assets having physical substance that:

- a) Are held for use in the production or supply of goods or services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets.
- b) Have useful economic lives extending beyond one year.
- c) Are to be used on a continuing basis.
- d) Are not held for sale in the ordinary course of operations (ie.inventory).

### ***Roads and Drains Capital Budget***

The Roads and Drains 2014 Capital Budget is approximately \$38M million (2013 - \$37 million) and represents 40% of the capital budget. Approximately \$10.4 million relates for road expansions and intersection improvements which consists of \$4.9 million for Second Avenue (Sudbury), \$2 million for MR 15 MR 80 Intersection Improvements, \$1.25 million for Crean Hill Road and annual funding for Maley Drive project. In addition, there is \$12.5 million for replacement of existing arterial and collector roads, \$4.5 million for replacement of existing local roads and \$2.1 million for various bridges and culverts. Furthermore, there is \$750,000 set aside for miscellaneous Streetlight Upgrades, which is higher than historical amounts set aside due to conversion of existing HPS bulbs to LED bulbs and ESA (Electrical Safety Authority) upgrades.

### ***Maley Drive***

The 2014 to 2018 Capital Budget includes an allocation of \$2.3 million per year, for the Maley Drive project. Funds set aside from previous budgets will be expended on completion of the engineering, property acquisitions, and utility relocations. Funds

included in the 2014 to 2018 capital budget will be included in a committed reserve fund towards the future construction costs. This allocation of \$2.3 million along with \$300,000 from development charges would closely approximate the annual debt repayments for 1/3 of the total project costs, should the Federal and Provincial governments approve 2/3 capital funding. If this project is approved, external debt financing will be required.

## **Municipal Roads, Structures and Related Infrastructure – 10 Year Financial Plan**

Based on the 10 Year Financial Plan as presented to Council on July 10, 2012, there is an overall infrastructure deficit of \$700 million with an annual investment requirement in operating and capital of approximately \$117 million to be sustainable. Currently, the combined funding for operating and capital is approximately \$75 million with a funding gap of \$42 million. This funding gap of \$42 million consists of \$38 million for Capital and \$4 million for Operating. Furthermore, to close this gap, it was forecasted that a capital levy of 3% per year for 10 years be considered.

### ***Water***

The significant areas of the capital budget are for water treatment plants, watermain replacement/priority projects as well as strategic initiatives.

The watermain replacement/priority projects in the amount of \$3.5 million include the following projects planned for 2014: Watermain Rehabilitation (lining) in the amount of \$1 million; Dollard Avenue in the amount of \$550,000; Elgin Street in the amount of \$550,000; Ellen Street in the amount of \$450,000; and Afton Avenue in the amount of \$300,000. Typically, the timing of watermain replacement projects is coordinated with timing of Roads capital projects.

The budget for water treatment plants is in the amount of \$6.8M with the most significant project for the Phase 2 Upgrades at the Wanapitei Water Treatment Plant. Furthermore, approx \$2.6 million is set aside for strategic initiatives which includes \$1 million for Automatic Meter Reading (AMR) Water Meters, \$400,000 for Bulk & Residential Water Filling Station Upgrades (5) as well as \$300,000 for Automatic Vehicle Locator (AVL) software and capital equipment.

### ***Wastewater***

Similar to the capital budget for water, there are sewermain replacements budgeted at \$3.3 million and include the following projects planned in 2014: Gatchell Outfall Sewer (design and contract administration) in the amount of \$1 million; Dollard Avenue in the amount of \$400,000; Ellen Street in the amount of \$325,000; and Charette Sewers in the amount of \$350,000 which are additional funds required as the estimated costs based on detailed design is higher than the budget approved in 2013/2011 Capital Budgets of \$1,500,000. There are significant projects relating to the wastewater plants in the amount of \$3.4 million which includes \$800,000 for

Sudbury WWTP Equipment Upgrades; and \$730,000 for Lift Station Upgrades at various locations for standby power, pump replacements and inflow protection.

Approximately \$6.8 million of the capital budget relates to previous Council approvals which includes \$4.8 million for the Biosolids facility and \$1 million for the Walden WWTP Expansion.

Procurement for the Biosolids Facility at the Sudbury Wastewater Treatment Plant was awarded in late 2012. This project will be debt financed by the City and the successful bidder.

### ***Water and Wastewater Long Term Financial Plan***

The Long Term Financial Plan for Water and Wastewater recommended that capital expenditures should approximate 2% of the projected replacement value of the City's water and wastewater assets to be sustainable. For 2014 that amount would be \$52.9 million, and by 2021 that amount should be increased to \$65 million, once inflation is taken into account.

The Plan recommended a smoothed annual rate increase of 7.4% which would effectively phase-in the required increase in capital spending to achieve 2% of the projected replacement value.

During 2014 budget deliberations Council approved a capital budget enhancement option to increase the water capital budget by \$600,000.

### ***Federal Gas Tax***

The annual Federal Gas Tax revenues are intended to fund environmentally sustainable municipal infrastructure projects that promote clean air, clean water, and reduced greenhouse gas emissions within eligible categories (transit, roads & bridges, water, wastewater, solid waste, capacity building and community energy systems).

The next phase of Federal Gas Tax funding has not been announced for each municipality for 2014 and future years. However, based on preliminary information received and the funding formula, it is anticipated that the City will receive a lower amount than prior years as our population growth has not increased at the same level as the rest of the country. Therefore, it has been estimated that the Federal Gas Tax funding will decrease by approximately \$300,000 within the 2014 Capital Budget. A future report to Council will be presented once the funding amount is announced and any related impact to the 2014 Capital Budget.

Roads were identified as the largest unfunded area and consistently garnered public input to provide a better transportation network. In addition, Water and Wastewater is another significant unfunded area that requires additional funding based on the presentation of the Water and Wastewater Long Term Financial Plan during 2011. Consistent with prior year, staff continues to recommend that Federal Gas Tax revenues of approximately \$7.7 million be allocated to Roads with another

\$1.96 million allocated to Water and Wastewater. This allocation is also reflected in the Capital Outlook from 2015 to 2018 for both areas.

### ***Fleet Services***

During 2014, the cost for all planned vehicle and equipment replacements is approximately \$2.8 million. These replacements will be funded through the annual contribution to the Fleet Reserve Fund of \$2.3 million within the operating budget as well as an additional draw of \$503,000 from the Fleet Reserve Fund. There are insufficient funds available within the reserve fund to pay for all of the required replacements; therefore staff has set up a project for vehicle/equipment rebuilds in order to extend the useful life of existing vehicles/equipment.

### ***Provincial Gas Tax***

Provincial Gas Tax revenues received by the City is determined from the total provincial gas tax funding available which is allocated to each municipality based on ridership and population growth and are to be used for public transit expenditures. During 2013, this funding has been identified by the Provincial Government to be a permanent funding source for municipalities. Within the 2014-2018 Capital Budget, these funds have been forecasted to remain stable and are used towards bus replacements and debt repayments for the acquisition/renovation of the facility located at 1160 Lorne Street.

### ***Automatic Vehicle Locator (AVL) Units and Software***

During 2013, Council approved AVL units and associated software for Roads, Water/Wastewater, Solid Waste, Building Services/By-Law as it represents a significant opportunity to improve services to the public. The total cost is estimated at \$2.1 million.

### ***Elgin Street Greenway***

The Elgin Greenway will transform Elgin Street into a new green, active and balanced transportation corridor that will connect Downtown to the Junction Creek Waterway Park, Bell Park, Ramsey Lake and Science North.

Within the 2015-2016 Capital Outlook, there are funds set aside for partial funding towards this capital project. There is \$1 million set aside in the 2015 Roads Capital Budget and \$100,000 in 2015 and 2016 Health and Social Services Capital Budget. City staff will pursue other funding opportunities for the Elgin Street Greenway.

### ***Leisure and Citizen Services***

The 2014 Capital Budget for Leisure and Citizen Services is \$6.2 million, which consists of \$5.3 million for Leisure (including facilities) and \$840,000 for Citizen Services (including Library, Museums and Cemetery Services).

Significant Leisure related projects planned for 2014 include: Chelmsford Arena Renewal Upgrades (explained further below) of \$2.335 million, internal debt repayments for Gerry McCrory Countryside Complex of \$404,732; Ski Lift Assessment and Upgrades of \$302,500; Accessibility for Arenas and Pools of \$300,000; and Mandatory Fire, Health and Safety Retrofits for Arenas and Buildings of \$300,000.

In addition, the significant Citizen Services related projects include: internal debt repayments for South Branch Library of \$278,000; Road Realignment for Civic Cemetery of \$275,000; and Library Automated System of \$125,000.

### ***Chelmsford Arena Renewal Upgrades***

The renewal of the Chelmsford Arena is estimated at \$2.335 million and will be funded through the 2014/2015 Capital Envelopes of \$500,000, surplus from Gerry McCrory Countryside Complex, and a draw from the Capital Financing Reserve Fund – Leisure Services of \$1.235 million. Major components of the renewal of this arena includes: ice pad; bleachers; dasher board and shielding system; lighting and painting; accessibility; and dressing room enhancements.

### ***Bell Park/Grace Hartman Amphitheatre***

Funds have been approved towards Bell Park and the Grace Hartman Amphitheatre (GHA) in past Capital Budgets, which are unspent pending receipt of a consultant report for capital recommendations for this site.

Within the 2013 Capital Budget, \$807,070 was set aside for additional hard seats for the Grace Hartman Amphitheatre. This project was conditional on receipt of funding of \$402,930 through the Community Infrastructure Improvement Fund. The City's application was unsuccessful and therefore the City funds of \$807,070 are in the committed reserve fund for additional GHA hard seats.

In addition, \$300,000 was set aside in the 2012 Capital Budget for Bell Park – Special Events Site Development. These funds will be used for recommendation from the consultant's report.

### ***Cemetery Services***

Cemetery Services has a total capital budget of \$270,000 which consists of Columbria Niche Walls, Civic Cemetery Road Realignment and internal debt repayments for Phase 5 of the Civic Cemetery Mausoleum. Capital projects for Cemetery Services are funded from the Cemetery Services Reserve Fund as well as the Citizen Services Capital Envelope due to insufficient funds within the reserve fund to support all of its capital needs.

### ***Health and Social Services***

The 2014 capital envelope in the amount of \$775,000 has been allocated to Pioneer Manor. Significant projects include installation of a ventilation and sprinkler system in Ramsey and Lilac Home Areas costing \$230,000 as well as introduction of Point of Care (a Resident Information Software System) valued at \$150,000.

### ***Environmental Services***

Capital budget of Environmental Services is approximately \$1.1 million, which is funded by \$942,000 from the capital envelope and a contribution of \$217,000 from the Capital Financing Reserve Fund – Environmental Services. The main project in 2014 is for the cell closure at the Hanmer Landfill Site. Also, there are funds set aside for AVL software.

### ***Facilities***

Facilities capital budget for 2014 is approximately \$3.2 million, which is funded from the capital envelope of \$1.6 million and Capital Financing Reserve Fund – General of \$1.5 million and Capital Financing Reserve Fund – Buildings of \$116,000. Significant projects include: \$2.2 million for Tom Davies Square (excluding 199 Larch Street); \$405,000 that was borrowed from 2014 within the 2013 Capital Budget for two projects (Concourse and Roof relating to Tom Davies Square); Various Roof Repairs of \$140,000; and \$100,000 for Building Condition/Engineering Assessments.

### ***Tom Davies Square Complex (Excluding 199 Larch Street)***

Included within the Assets 2014 Capital Budget is approximately \$2.2 million of capital projects for Tom Davies Square Complex (excluding 199 Larch Street). The significant projects include the elevator replacement/upgrade of \$1.5 million and \$200,000 for roof replacement of remaining areas over TDS. During 2013, City staff has obtained building condition reports on various buildings including Tom Davies Square.

### ***199 Larch Street***

There are several capital projects to be completed for the 199 Larch Street building during 2014 for a total cost of \$890,000. The significant projects planned for 2014 include: Repairs to the Garage and Podium/Concourse Waterproofing of \$200,000; Security Access System Upgrade and CCTV Provision of \$160,000; Skylight Replacement/Waterproofing of \$80,000; and Energy Conservation/Upgrades of \$75,000.

Based on the lease agreement for 199 Larch Street, the Province pays a portion of the operating expenditures for the building. Several projects are included in the capital budget as opposed to the operating budget for improved tracking/management of projects as may be completed over several years.



However, some of these projects are considered operating expenditures in terms of the lease agreement and will be partially funded by the Province.

### ***Growth Related Projects***

The capital envelope of approximately \$212,000 is for growth related projects, City's share of project costs from the Development Cost Sharing Policy and the Industrial Land Strategy.

### ***Fire***

Total 2014 capital budget for Fire is approximately \$1.3 million for various vehicles (Light Rescue Vehicles of \$365,000 and Commercial Pumpers of \$314,000) as well as a Prevention – Virtual Office and Scheduling Optimization System for \$130,000 and an Incident Management – Integrated Communication Solutions for \$100,000.

### ***EMS (Emergency Medical Services)***

Capital budget for EMS is approximately \$1.2 million, which will be used to purchase three ambulances for \$456,000, power stretchers (qty of 24) for \$385,000 and Toughbooks (qty of 39) of \$194,000. EMS capital projects are funded from the Emergency Service Ambulance Reserve Fund. The City and Ministry of Health and Long Term Care each contribute 50% funding to this reserve fund for capital projects.

### ***Administrative Services***

The overall capital budget for Administrative Services is approximately \$1.2 million of which \$800,000 is funded from the capital envelope and \$385,000 mainly from the Capital Financing Reserve Fund – Information Technology. The significant capital projects planned for 2014 include: \$340,000 for Various ERP Projects; Business Applications Implementation of \$200,000; and \$100,000 each for GIS Enhancements and Audit Logging Software.

### ***Security Improvements***

The safety and security of CGS employees is a priority of the organization. These funds will be used to implement strategies to manage access to CGS facilities, provide appropriate controls on entrances to work spaces and establish separation where appropriate between public and non-public areas of buildings. Initially, the focus of this funding will be on areas of higher prominence, as for example the TDS/199 Larch Street complex. Reports will be provided to Council as plans to implement security enhancements are developed.

### ***Healthy Community Initiatives (HCI) Fund***

Capital envelopes of \$600,000 for all twelve City Councillors will be used for various grants/donations/capital assets in accordance with the HCI Policy.

## **Police Services**

The Greater Sudbury Police Service aims to ensure that funding is available for capital assets. The total capital budget is \$1.34 million of which approximately \$760,000 is for fleet vehicle replacements and equipment with the balance for projects in automation, communication user gear, specialized police equipment, leasehold improvements and security.

As previously communicated with Council on June 12, 2012, the replacement of the Greater Sudbury Police, Fire/Transit radio system (Communication Infrastructure) will be completed in 2013/2014 and will be paid for from funds previously set aside for this purpose with the remainder to be debt financed using the Communications Infrastructure Replacement Capital Envelope that is included within the Police Services capital budget.

The Police Services have also identified costs that may be associated with NG911 (Next Generation 911) which are reflected in the unfunded section for the Public Safety/Communication Infrastructure capital budget.

## **Development Charges**

City staff and Hemson Consulting Ltd are developing the 2014 Development Charges (DC) Background Study. A separate report will be presented to Council in November 2013 to provide an update on development charges and the plan for approval of the 2014 DC Background Study and related by-law before July 2014.

There are capital projects within the annual capital budgets that has a growth portion that either has been included in the 2009 DC Background Study or will be included in the 2014 DC Background Study. The 2014 Capital Budget does not include development charge revenues for projects identified in the 2009 DC Background Study except for the South Branch Library and the Gerry McCrory Countryside Complex.

## **Debt Management Policy**

City Council approved the Debt Management Policy in August 2013 in light of the anticipated capital projects and capital needs facing the municipality.

This policy demonstrates the commitment to long-term capital and financial planning, as well as ensures a common understanding of the City's approach to debt financing.

The municipal debt limit in the policy is based on debt servicing costs is 5% of Net Revenues or Own Purpose Revenues (as defined in the Ministry's Annual Repayment Limits). This refers to the total revenue the municipality receives and it is discounted for items such as the Ontario and Canada grants, deferred revenue earned and gain/loss on sale of land and capital assets.

## **Approval for Internal Financing**

Inclusive of the 2014 budget, it is recommended that expenditures of \$3.25 million be approved for internal financing. These funds relate to projects within Wastewater Services (\$3 million) and Leisure Services (\$250,000). These funds will be internally financed by borrowing from the capital and reserve funds and repaid through contributions from the 2015 through 2018 capital envelopes.

## **Previously Approved Internal Financing/External Debt Financing**

As of September 2013, there is approximately \$27 million of projects that have been approved and internally financed over the long term. In addition, the Transit/Fleet Garage and Biosolids Facility and other projects to be determined will be externally debt financed over the long term. The projects internally and externally debt financed include Transit/Fleet Garage, Communications Infrastructure, Gerry McCrory Countryside Complex, Levack Water Supply, South Branch Library, Centre Lionel E. Lalonde Centre, New Valley Wells and Sudbury WWTP Upgrades (Headhouse/Standby Power).

To date, these projects have been financed internally and funds will be repaid from future capital envelopes and/or development charges.

## **Proposed Projects with Debt Financing within 2015-2018 Capital Budget Outlook**

In addition, there are significant capital projects included within the 2015-2018 Capital Budget Outlooks that may require debt financing in excess of \$94.6M.

As these projects proceed in 2014 and 2015, staff will be monitoring external borrowing rates to determine the most cost effective balance of internal and external debt financing.