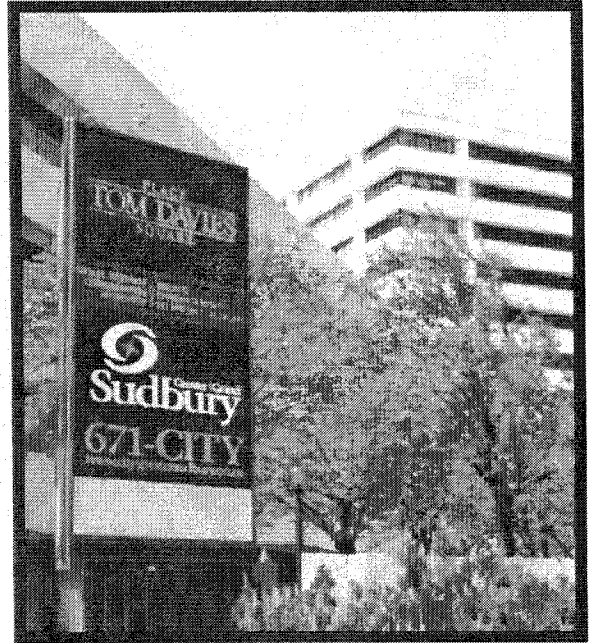


Agenda Ordre du Jour

Councillor/Conseiller
Ted Callaghan
Chair/Présidente

Councillor/Conseiller
Russ Thompson
Vice-Chair/Vice-Président



For the
Finance Committee
Meeting to be held

Monday, October 15, 2007

at 7:00 p.m

Council Chamber
Tom Davies Square

Pour la réunion du
Comité des finances
qui aura lieu

lundi 15 octobre 2007

à 19 h

dans la Salle du Conseil
Place Tom Davies

Finance Committee AGENDA

**TENTH MEETING OF THE FINANCE COMMITTEE
TO BE HELD ON MONDAY, OCTOBER 15, 2007 AT 7:00 P.M.
IN THE COUNCIL CHAMBER, TOM DAVIES SQUARE**

COUNCILLOR CALLAGHAN, CHAIR

(PLEASE ENSURE CELL PHONES AND PAGERS ARE TURNED OFF)

The Council Chamber of Tom Davies Square is wheelchair accessible. Please speak to the City Clerk prior to the meeting if you require a hearing amplification device. Persons requiring assistance are requested to contact the City Clerk's Office at least 24 hours in advance of the meeting if special arrangements are required. Please call (705) 671-2489, extension 2471. Telecommunications Device for the Deaf (TTY) (705) 688-3919. Copies of Agendas can be viewed on the City's web site at www.greatersudbury.ca.

1. Declarations of Pecuniary Interest

MANAGERS REPORTS

PAGE NO.

CAPITAL BUDGET

2. Report dated 2007-10-09 from the Chief Financial Officer/Treasurer regarding 2008 Capital Budget and 2009 and 2010 Capital Estimates. **1 - 4**
(ELECTRONIC PRESENTATION) (RECOMMENDATION PREPARED)
(CAPITAL BUDGET BINDER UNDER SEPARATE COVER)

- ▶ Lorella Hayes, Chief Financial Officer/Treasurer
- ▶ Mark Mieto, Chief Administrative Officer

(This report contains the resolution approving the 2008 Capital Budget and accepting the 2009-2010 Capital Budgets estimates for information purposes.

The Chair of the Finance Committee will review the Capital Budget commencing on Page 1 of the 2008 Budget Document.)

3. Report dated 2007-10-09, from the Chief Financial Officer/Treasurer regarding Capital Levy Allocation for 2008. **5 - 9**
(RECOMMENDATION PREPARED)

(The purpose of this report is to seek direction from Council regarding the allocation of the capital levy for 2008.)

2008 PARKING LOT REVIEW

4. The Chair of the Finance Committee will review each of the items placed in the Parking Lot during the meeting. The consensus of Council will be required for each item listed in the Parking Lot.

ADJOURNMENT **(RESOLUTION PREPARED)**

COUNCILLOR TED CALLAGHAN
CHAIR, FINANCE COMMITTEE

FRANCA BORTOLUSSI
COUNCIL SECRETARY

Request for Recommendation Finance Committee



Type of Decision							
Meeting	October 15, 2007			Report Date	October 9, 2007		
Decision Requested		Yes	No	Priority		High	Low
	Direction Only			Type of Meeting		Open	Closed

Report Title
2008 Capital Budget

Budget Impact / Policy Implication	Recommendation
<input checked="" type="checkbox"/> This report has been reviewed by the Finance Division and the funding source has been identified.	

THAT Council approve the 2008 Capital Budget as summarized in the report dated October 9, 2007 from the CFO/Treasurer, including acceptance of the draft 2008 Police Services Capital Budget and;

THAT total pre-spending of \$4 million from the 2009 and the 2010 Roads Capital Envelope be approved for preliminary design / engineering / property acquisition, and;


THAT the remainder of the 2009 and 2010 Capital Budgets be accepted for information for staff to use as a planning tool.

<input type="checkbox"/>	Background Attached
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<input type="checkbox"/>	Recommendation Continued
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Recommended by the Department
 Lorella Hayes Chief Financial Officer

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

Report Prepared By	Division Review
 Shawn Turner Financial Analyst	

BACKGROUND

Early Approval of Capital Budget

Although approval of the Capital Budget in advance appears to be a change in procedure, Council adopted a Capital Policy in 2001 which recommended that the Capital Budget to be approved in the Fall of each year. This allows the operating departments to prepare for the upcoming construction season and tender early, in order to achieve the best possible prices for the projects to be undertaken. Tender documents can be prepared, advertised and awarded with work commencing in 2007 or 2008.

Acceptance of the 2009 and 2010 Capital Budget estimates provides staff with the guidance to commence preparatory work on upcoming projects.

Capital Envelope System and Long Term Financial Plan

The Capital Policy also established the Capital Envelope system which specifies capital allocations to the operating departments, by specific function, such as Roads, Buildings, Information Technology, etc.

A Long Term Financial Plan (LTFP) was adopted in principle by Council in November of 2002. One of the assumptions in this Plan was that the contributions to the Capital Envelopes would increase by an inflation factor annually. A 2% inflation factor was first applied to the 2004 envelopes, and has been maintained since then. Water and Wastewater Envelopes have also been increased annually by an additional \$400,000 and \$450,000 respectively each year in accordance with the Sustainable Capital Asset Program adopted by Council.

The LTFP also recommended a cumulative annual Capital Levy of 2.27% of the total levy of the previous year. Over time, this levy together with a short-term, managed debt program and continued applications to senior levels of government, the plan anticipated that the capital financing gap would be addressed. The recommended Capital Levy was approved in 2005 and 2006, and was directed to the Roads Envelope on a permanent basis. For 2007 a 0.5% Capital Levy was approved and allocated to Facilities.

The increase to total envelope funding since 2003 is as follows:

2003 Capital Envelopes –	\$32.0 million
2004 Capital Envelopes –	\$34.1 million
2005 Capital Envelopes –	\$39.6 million
2006 Capital Envelopes –	\$44.5 million
2007 Capital Envelopes –	\$47.4 million
2008 Capital Envelopes –	\$49.1 million

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).

Roads were identified as the largest unfunded area and consistently garnered public input to provide a better transportation network. As a result, staff are recommending that the Federal Gas Tax revenue of \$4 million be allocated 100% to this area for 2008, consistent with 2007.

Pre-Engineering and Property Acquisition

Inclusive of the 2008 budget, it is being recommended that pre-spending totaling \$4 million from the 2009 and 2010 Roads Capital Envelope be approved for preliminary engineering, property acquisition and utility relocation for future projects. These funds will be internally financed by borrowing from the Capital Fund balance.

Carrying out the preliminary design and pre-engineering in advance of capital projects allows for accurate cost-estimating and early identification of utility impacts and property requirements. Utility relocation and property acquisition carried out in advance of tendered contracts provides some protection for the City from costly construction delays and associated contractor claims.

As well, early identification and acquisition of property in advance of construction allows the City better negotiating room to purchase required properties at fair market value. Where properties cannot be acquired through negotiation, an 18-month time frame is required under the property expropriation process. This leads to costly delays in construction.

In addition, completing preliminary design and engineering in advance of major capital projects enables the City to be prepared to tender work in a timely manner should additional funding become available from senior levels of government.

Staff has identified \$365,000 for pre-engineering and \$750,000 for property acquisition in the 2009 Capital Budget to be approved for pre-spending in 2008. In addition \$2.885 million has been identified in the 2010 Capital Envelope for Pre-Engineering and Property Acquisition required for roads and bridge projects, including the Maley Drive extension. Staff is requesting that these monies be approved for pre-spending over 2008 and 2009.

Department	Funding Sources				
	Capital Envelope	Reserves or Reserve Funds	Grants or Recoveries	Federal Gas Tax	2008 Capital Budget
Infrastructure	\$44,556,646	\$10,738,227	\$1,860,000	\$4,035,112	\$61,189,985
Emergency Services		2,180,886	1,000,000		3,180,886
Fire	194,647	399,519			594,166
Community Development	3,396,656	1,290,000	730,000		5,416,656
Growth & Development		372,837	2,297,163		2,670,000
Administrative Services	434,000	1,220,059			1,654,059
Police Services	512,713	1,140,000			1,652,713
Total	\$49,094,662	\$17,341,528	\$5,887,163	\$4,035,112	\$76,358,465

SUMMARY

In conclusion, City staff is seeking approval of the 2008 Capital Budget of \$76 million (inclusive of capital envelopes, grants, and reserve amounts).

Further, City staff is seeking approval to pre-spend a total of \$4 million from the 2009 and 2010 Roads Capital Envelope for preliminary engineering, property acquisition and utility relocation for future projects.

Lastly, that council accepts the remaining 2009 and 2010 estimates for information only. This information will be used by City staff in planning for and developing future capital budgets.

Request for Recommendation Finance Committee



Type of Decision							
Meeting	October 15, 2007			Report Date	October 9, 2007		
Decision Requested		Yes	No	Priority		High	Low
	Direction Only			Type of Meeting		Open	Closed

Report Title
Capital Levy Allocation for 2008


Budget Impact / Policy Implication	Recommendation
<input checked="" type="checkbox"/> This report has been reviewed by the Finance Division and the funding source has been identified.	

Background Attached

<p>THAT Council approve the proposed allocation of the Capital Levy as outlined in the report dated October 9, 2007 from the CFO/Treasurer and;</p> <p>THAT staff be directed to prepare four budget options for a Capital Levy in the range of .5% to 2.27% for Council's consideration during the 2008 budget deliberation.</p>
Recommendation Continued

Recommended by the Department
 Lorella Hayes Chief Financial Officer

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

Report Prepared By	Division Review
 Shawn Turner Financial Analyst	

OVERVIEW

The purpose of this report is to seek direction from council regarding the allocation of the Capital Levy for 2008.

Further to this, staff will prepare budget options in accordance with the approved allocation and present them to Council during December's budget deliberations.

BACKGROUND

As a result of the City creating a Long Term Financial Plan, there were a number of initiatives recommended to ensure the long-term financial stability of the City of Greater Sudbury. In particular, the implementation of an annual Capital Levy was recommended. The Capital Levy is calculated as a percentage of the previous years' net levy, and is to be used to assist in closing the City's capital financing gap related to the renewal and replacement of existing infrastructure.

During the 2007 Capital Budget deliberations Council was informed that the ten-year capital financing gap was approximately \$480 million. Of this total, \$331 million or 69% is for renewal and replacement of existing capital assets, and the remaining 31% is for growth related projects. The capital financing gap is summarized as follows.

**City of Greater Sudbury
2007-2016 Capital Needs & Financing Gap
Renewal vs. Growth**

Envelope	Renewal Gap	New Initiatives /Growth Gap	Total Renewal & New Initiatives/Growth Gap	Percentage of Total Gap
Transit	0	0	0	0
Parking	0	0	0	0
Planning	450,000	2,545,000	2,995,000	1%
Econ Development	0	27,421,829	27,421,829	6%
Admin./ I.T.	3,782,392	4,553,740	8,336,132	2%
Community Support	0	-4,188,959	-4,188,959	-1%
I & E.S. Facilities	42,622,753	0	42,622,753	9%
Water/Wastewater	27,101,492	10,434,858	37,536,350	8%
Solid Waste	19,068,351	755,000	19,823,351	4%
Roads	109,508,011	48,184,002	157,692,013	33%
Fire	18,930,912	0	18,930,912	4%
EMS	699,997	0	699,997	0%
EM	2,483,179	0	2,483,179	1%
SSS	1,812,098	620,000	2,432,098	1%
Fleet	16,177,741	0	16,177,741	3%
Police	67,100	0	67,100	0%
Public Safety	11,400,000	0	11,400,000	2%
Health & Social Services	8,100,000	0	8,100,000	2%
CD - Facilities	54,008,635	0	54,008,635	11%
Citizen & Leisure	15,160,007	58,611,070	73,771,077	15%
Totals	\$331,372,668	\$148,936,540	\$480,309,208	100%

Recognizing the need to invest further in the City's capital assets, council adopted a .5% Capital Levy in 2007 and directed it entirely towards City facilities. Similarly, council also adopted a Capital Levy in 2005 and 2006. The levy adopted in these years by Council was a more aggressive 2.27% and was dedicated to roads capital projects. The water/wastewater capital financing gap will be partially addressed by the Sustainable Capital Asset Management Policy.

2008 Capital Financing Pressures

The current practice in determining the capital envelopes is to inflate the previous year's envelope by 2% per year in order to keep pace with inflation. Although this increase is in-line with the general level of price inflation, it is well below the more applicable level of inflation as indicated by the Construction Cost Index. The Construction Cost Index measures price inflation in labour and building materials and has averaged 3.7% over the last five years. As a result, there is inherent growth in the capital financing gap due to the calculation of our capital envelopes. In nominal terms the implementation of the Construction Cost Index would have an estimated budget impact in 2009 of approximately \$870,000.

2008 Proposed Capital Levy Allocations

To facilitate the assessment of the individual departmental capital needs, staff has reviewed departmental capital needs submissions, external recommendations, and public input. By means of these three sources it is recommended that the capital priorities should be as follows:

Roads

Council has been very active in providing increased funding to roads projects. This commitment has resulted in a 100% increase in the roads capital envelope from \$11 million in 2004 to \$22 million in 2008, excluding funding from senior levels of government. The 2008 roads capital budget is forecasted at \$28 million, including \$4 million of Federal Gas Tax allocation and \$2 million of COMRIF grants. While this increase has helped narrow the annual funding gap, as Council is well aware, the need to invest further in roads still exists. With an average annual need of \$42 million over 10 years, roads are still grossly under funded. The forecasted 10 year capital financing gap for roads was \$158 million which represents 33% of the municipalities \$480 million capital financing gap. This gap in financing has resulted in road upgrades being deferred well beyond their recommended timeframe. In addition, the need to increase investment in roads represents a large proportion of the comments received via public input.

Leisure Services

With a forecasted 10-year capital financing gap of \$72 million, Leisure represents 15% of the total municipal capital financing gap. This funding dearth represents projects such as upgrades to soccer fields, ski hills, parks and playgrounds, that are critical to the lifestyle and health of our community. As well, leisure projects have been a top priority during public input sessions in all jurisdictions of our city.

Facilities (I/ES/F/CD)

The forecasted 10-year capital financing gap for municipal facilities, such as arenas, pools, buildings, community halls, was \$97M. This represented the second largest unfunded area, second only to roads. Likewise, the current capital envelopes represent approximately .34% of current replacement value of municipal facilities. The recommendation in The American Public Works Association Special Report #60 prepared by the Building Research Board for the National Research Council recommends that 2% of the building replacement cost be used as a guide for setting capital budgets for facilities. The continued allocation of the capital levy to these department will assist in narrowing this deficiency, and provide much needed funding to maintain the greater than 600 municipally owned facilities throughout the City of Greater Sudbury.

Fire

An analysis was undertaken of the Greater Sudbury Fire Services expenditures in order to gauge past financial performance and future budgetary requirements. One obvious shortfall identified was the lack of capital funding. The report recommends that Fire Services requires an average of \$985,000 per year for capital expenditures based on a 17.5 year estimated useful life. Currently, Fire Services has a capital budget of \$594,000 (including repayment of aerial), which represents an annual financing gap of 40%. If Council approved the partial allocation of the Capital Levy to Fire Services in 2008 and 2009, this will serve to eliminate their annual capital financing gap by 2010.

With consideration to the above mentioned needs, the following is an example of the proposed allocation of various Capital Levy rates:

2008 Capital Levy Options

Department	Option 1 0.5%	Option 2 1%	Option 3 1.5%	Option 4 2.27%
Roads	151,793	553,585	1,005,378	1,530,939
Leisure	140,000	450,000	600,000	1,000,000
Facilities - I. & E.S.	150,000	200,000	300,000	450,000
Facilities - C.D.	180,000	240,000	360,000	550,000
Fire	200,000	200,000	200,000	200,000
Totals	821,793	1,643,585	2,465,378	3,730,939

SUMMARY

In conclusion, City Staff is seeking Council's approval on the proposed allocation of the Capital Levy. City Staff will prepare the above noted budget options for various Capital Levy rates and will present them to council for approval during budget deliberations in December 2007.