

# Long-Term Financial Plan Update 2021

June 22<sup>nd</sup>, 2021

Kevin Fowke, General Manager, Corporate Services



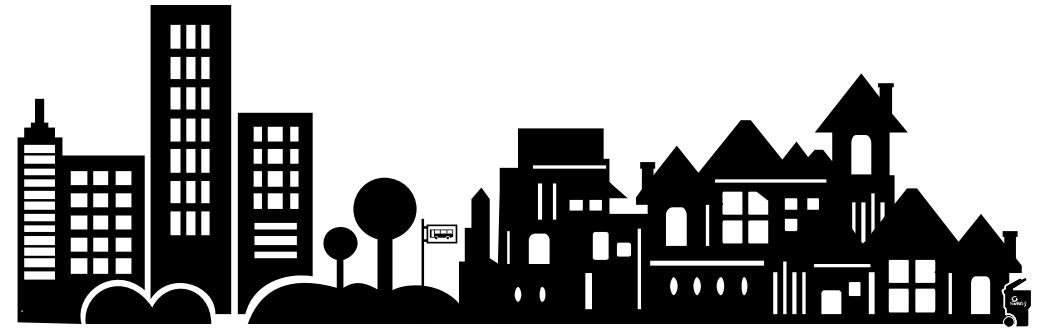
2019-2027 Strategic Plan Priorities

# Long-Term Financial Planning

Assessing Choices and reconciling competing priorities:



delivering affordable community services



maintaining assets and developing  
new strategic initiatives

# Environmental Factors

Economic Indicator	Rating
Population Growth and Assessment	★★★
Population Density	★
Demographics	★★
Unemployment Rate	★★★★
Construction Activity	★★★★★
Local Gross Domestic Product	★★★★
Household Income	★★★★
Local COVID-19 Response and Recovery	★★★★
Inflation and Interest Rates	★★★★
Labour and Employment Costs	★★

Great Rating ★★★★★

**Sudbury** Greater | Grand



# Assumptions for 2022-2031

## Sustain Existing Services



Water/  
Wastewater  
+ 4.8%  
per plan



Operating  
expenses  
+ 3.9% (2022),  
+ 2.9% (2023),  
+ 2.8%  
thereafter



Capital  
+ 4.9% (2022),  
+ 3.5% (2023),  
+ 3.0%  
thereafter



Fully financed  
major capital  
projects  
according to  
existing policy  
guidance

## Strengthen Flexibility



Additional  
1% of 2022  
budget in  
2023 as a  
reserve  
funding  
strategy



Net  
assessment  
increases  
by 1%  
each year

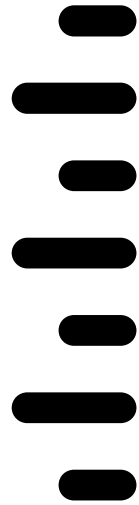
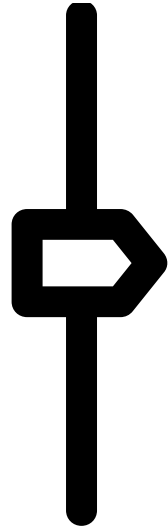


# Base Model

- Net tax levy increases average 3%
- Residential taxes remain low compared to other Ontario cities
- Strategy included for strengthening Reserves
- Sustained capital investment
- Debt repayments commence, debt to reserve ratio improves
- Debt per household decreases
- Reserve funds per household increases



# Long-Term Financial Indicators



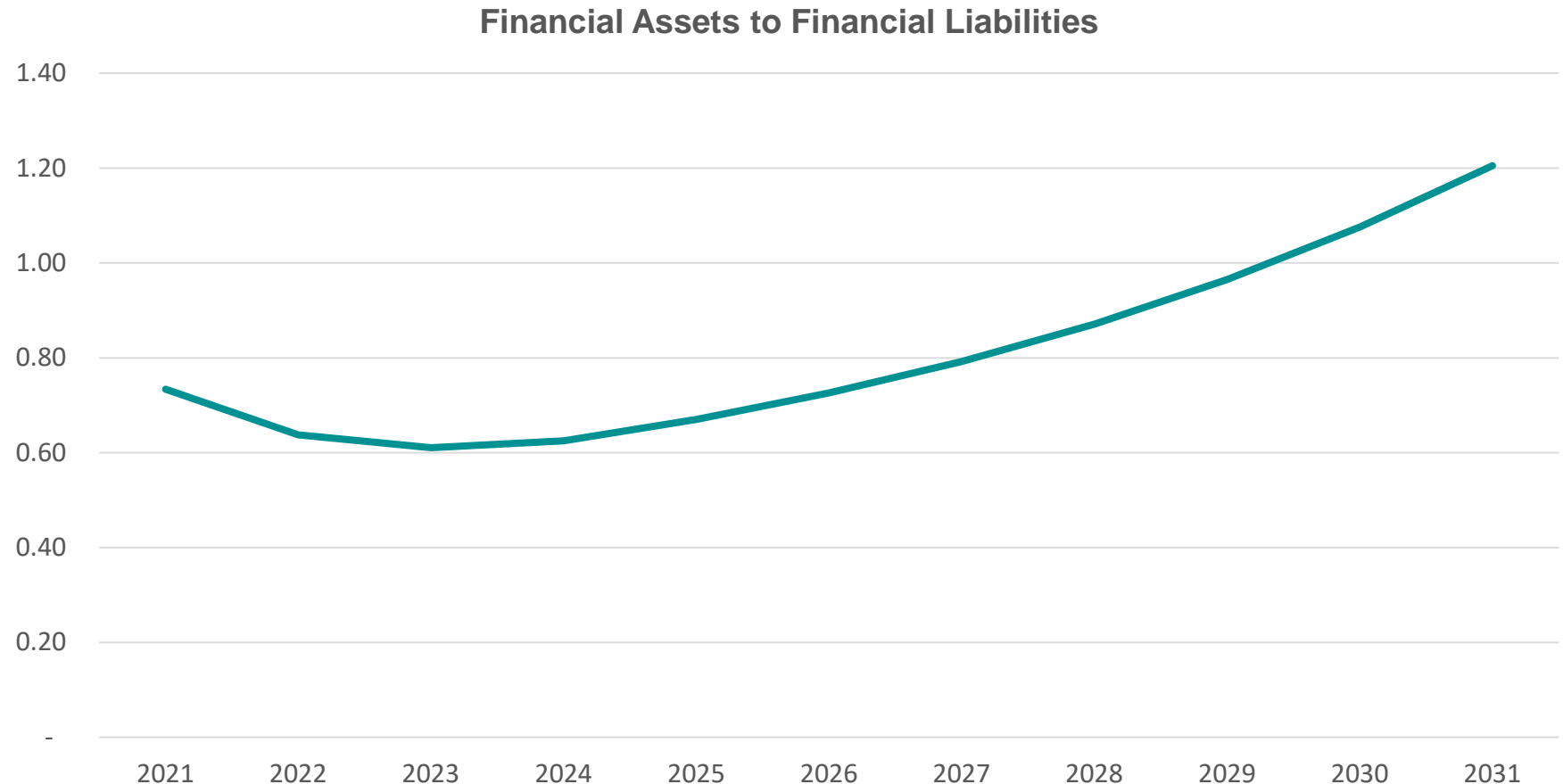
- Sustainability
- Flexibility
- Vulnerability



# Base Model: Financial Position

## Greater Sudbury's Financial Position Significantly Higher Than Peers

Average "Financial Position Per Capita" (financial assets less liabilities) was \$647 in 2019; Greater Sudbury's 2019 value was \$1243 per capita.

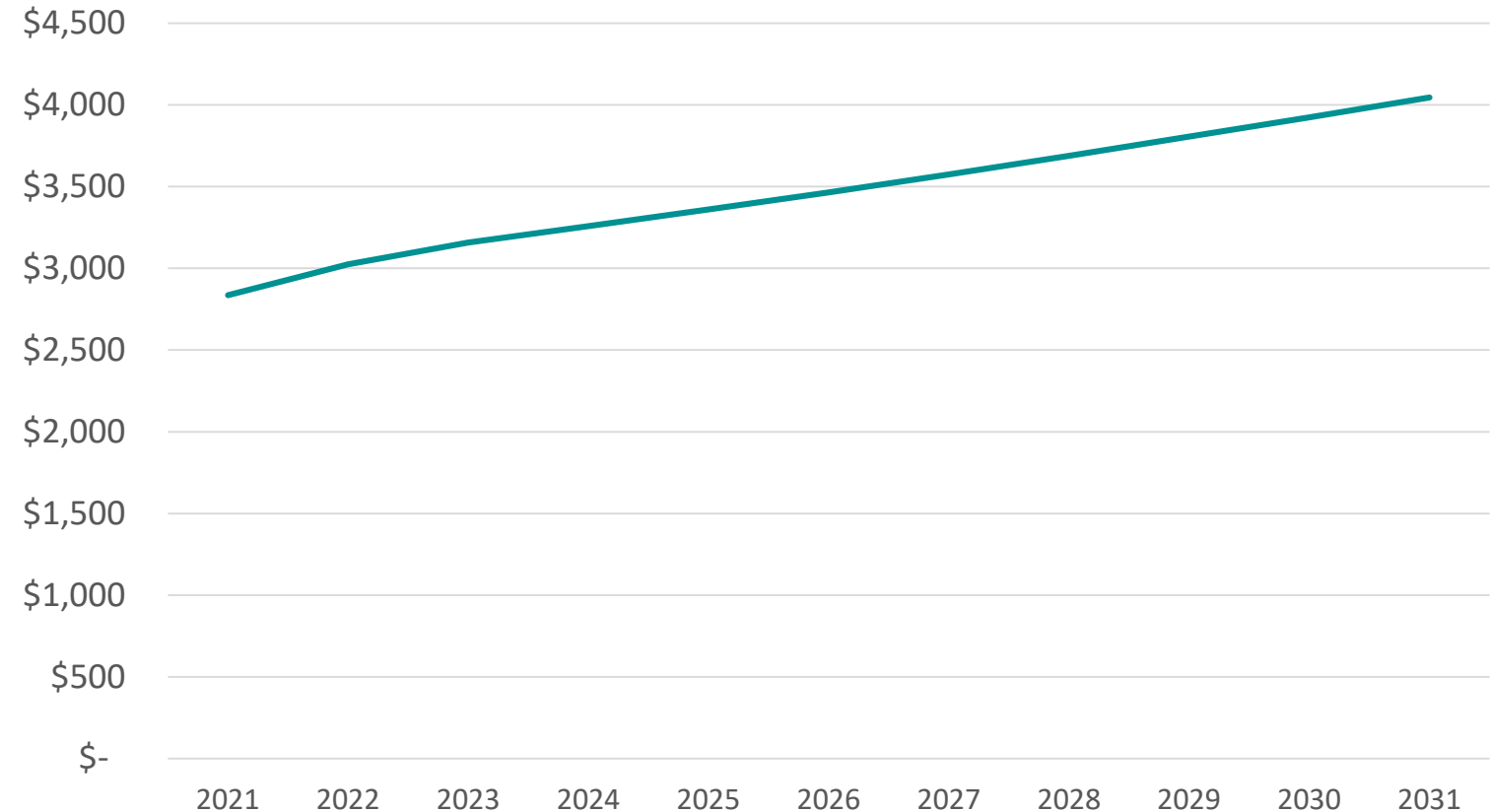


# Base Model: Net Taxation

**Greater  
Sudbury's Taxes  
Remain Low  
Compared to  
Peers**

Residential taxes  
per household  
remain among the  
lowest among  
BMA comparators  
with greater than  
100,000  
population

Residential Taxes Per Household

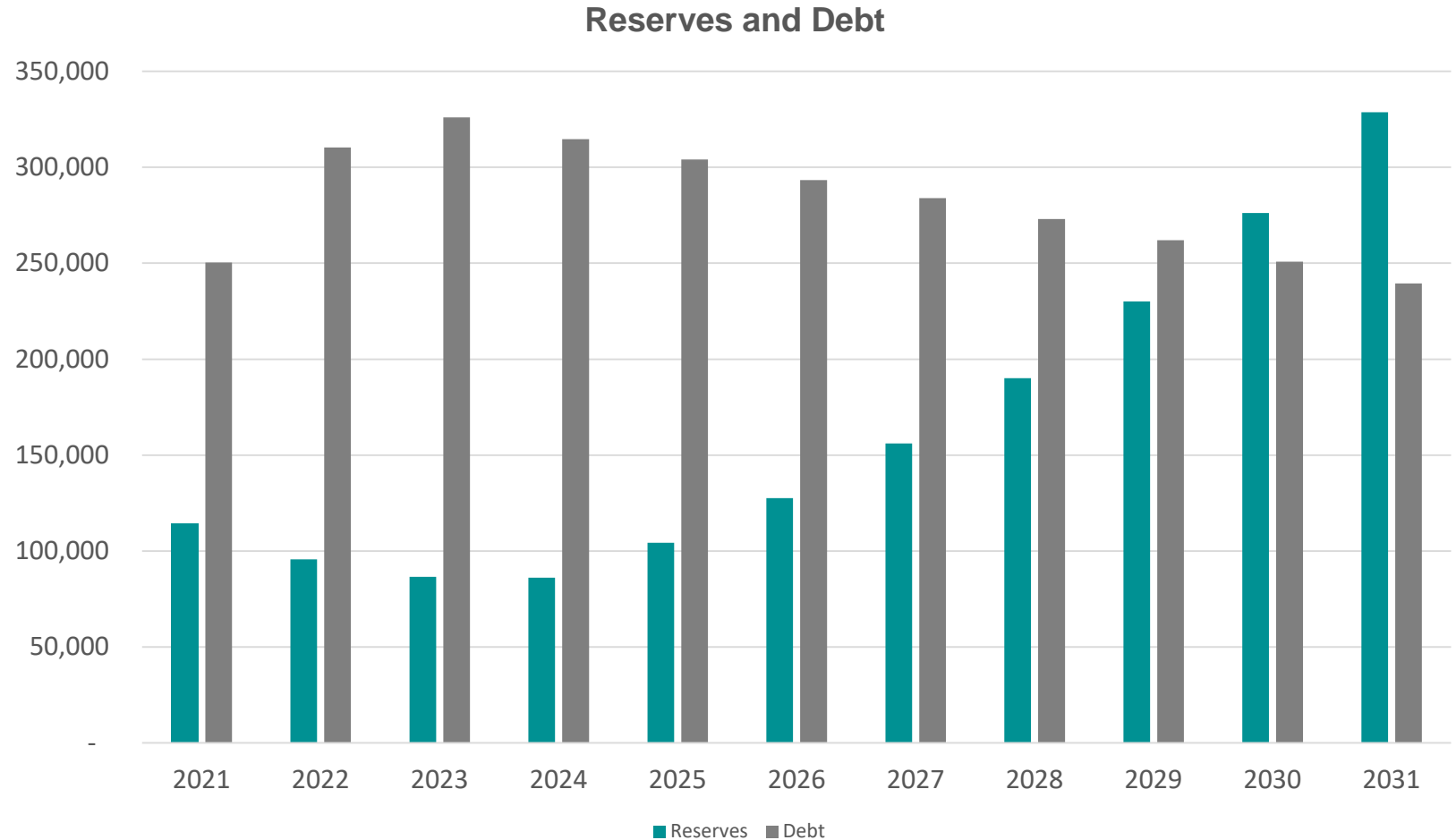




# Base Model: Debt and Reserves

## Outstanding Debt Declines Over The Plan Period

Debt to reserve ratio shows effect of increased asset renewal efforts (3.77:1 in 2023); still within the range of peers and well within the debt thresholds in Council's policy and Provincial legislation

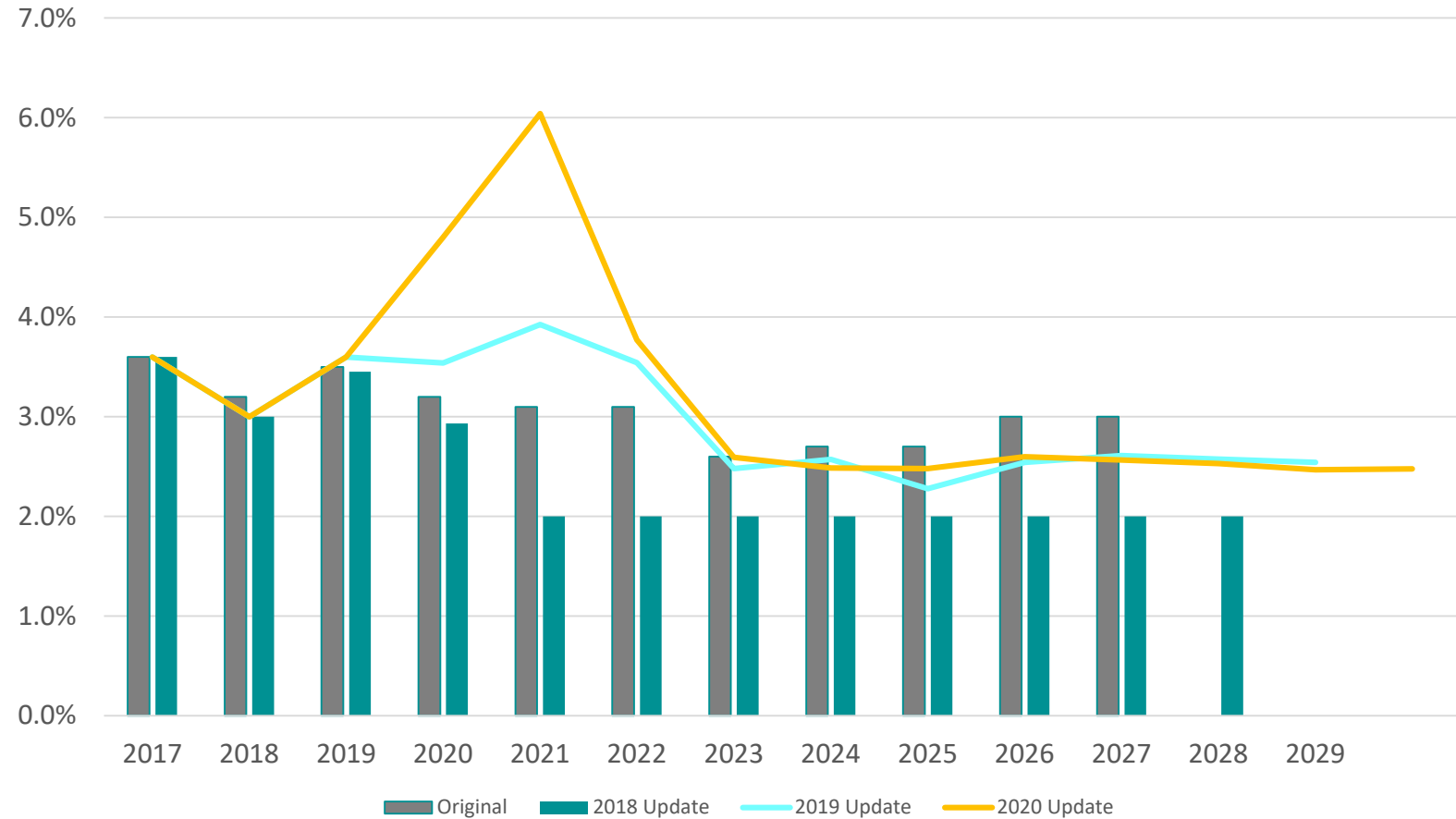


# Base Model: Net Taxation

## Property Taxes Forecast to Increase Over Plan Period

Tax change  
averages 3%, with  
relatively higher  
increases in the  
early part of the  
plan due to the  
effects of prior  
period decisions

Comparison of Forecasted Tax Increases

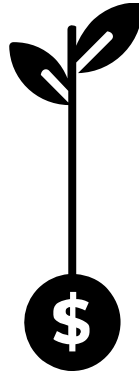


# Assumptions for 2022 - 2031

Three Scenarios:



Low Growth  
(Conservative  
Investment)



High Growth



Growth and  
Strategic Investment

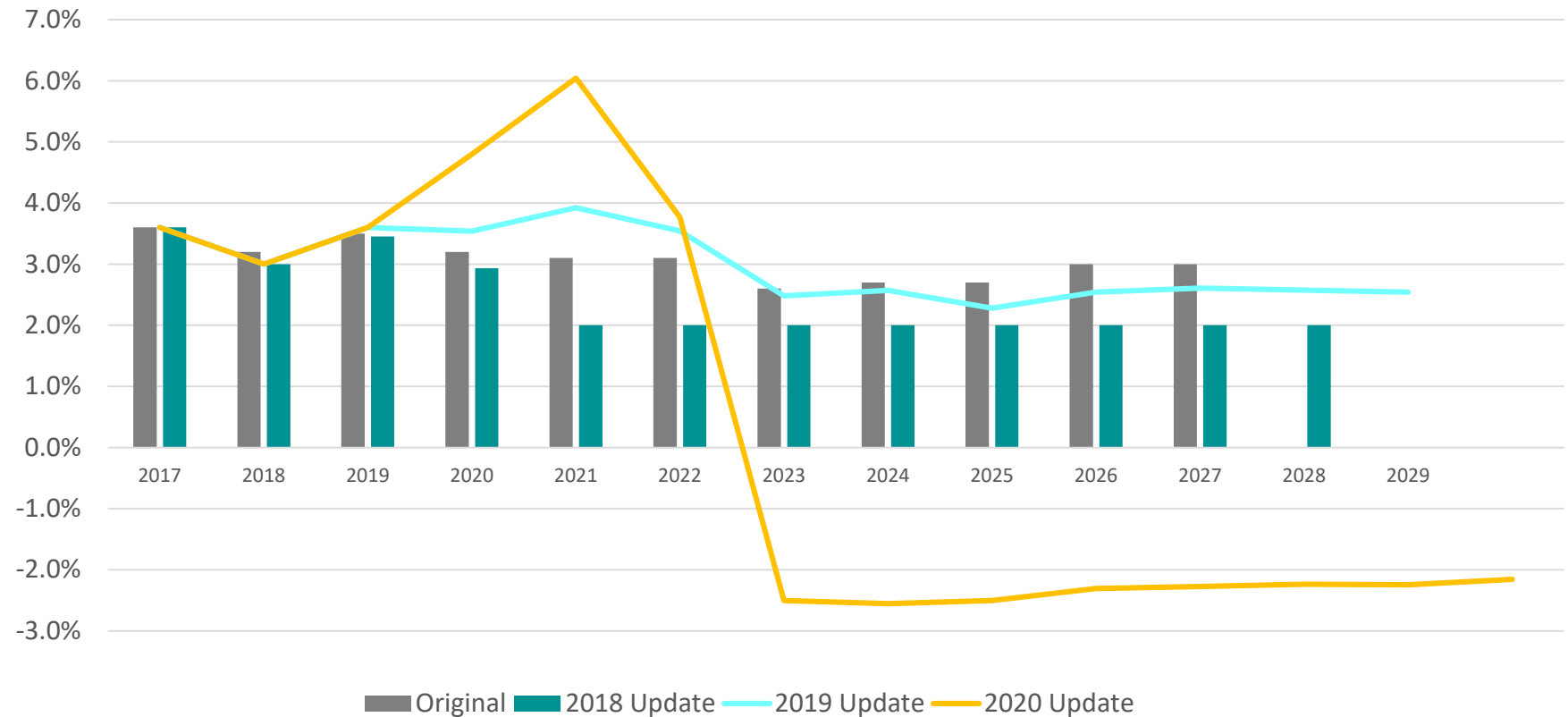


# Low Growth, Conservative Investment Scenario

Model anticipates virtually flat taxation over the plan period

Would require service reductions that would be viewed as significant

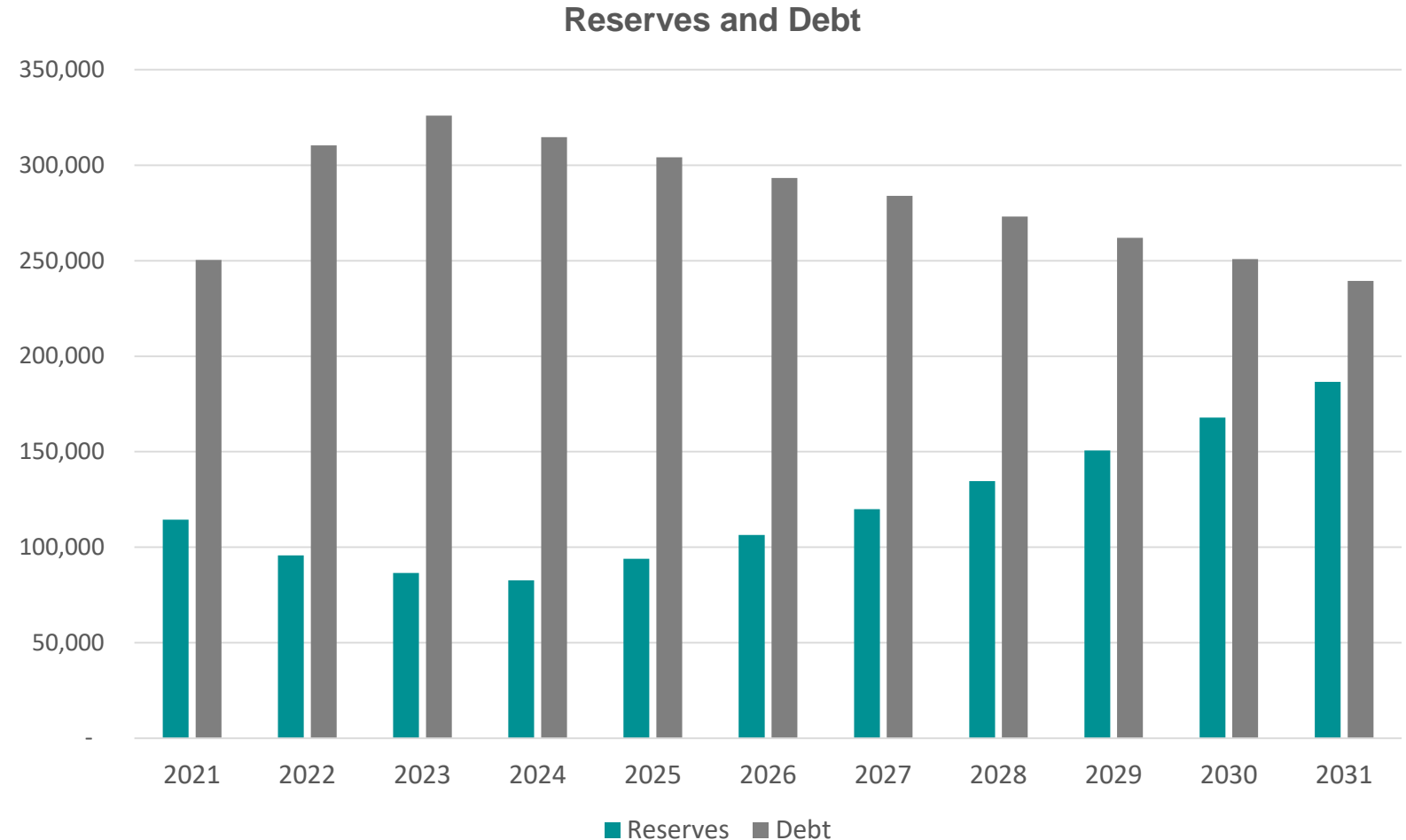
Comparison of Forecasted Tax Increases



# Low Growth, Conservative Investment Scenario

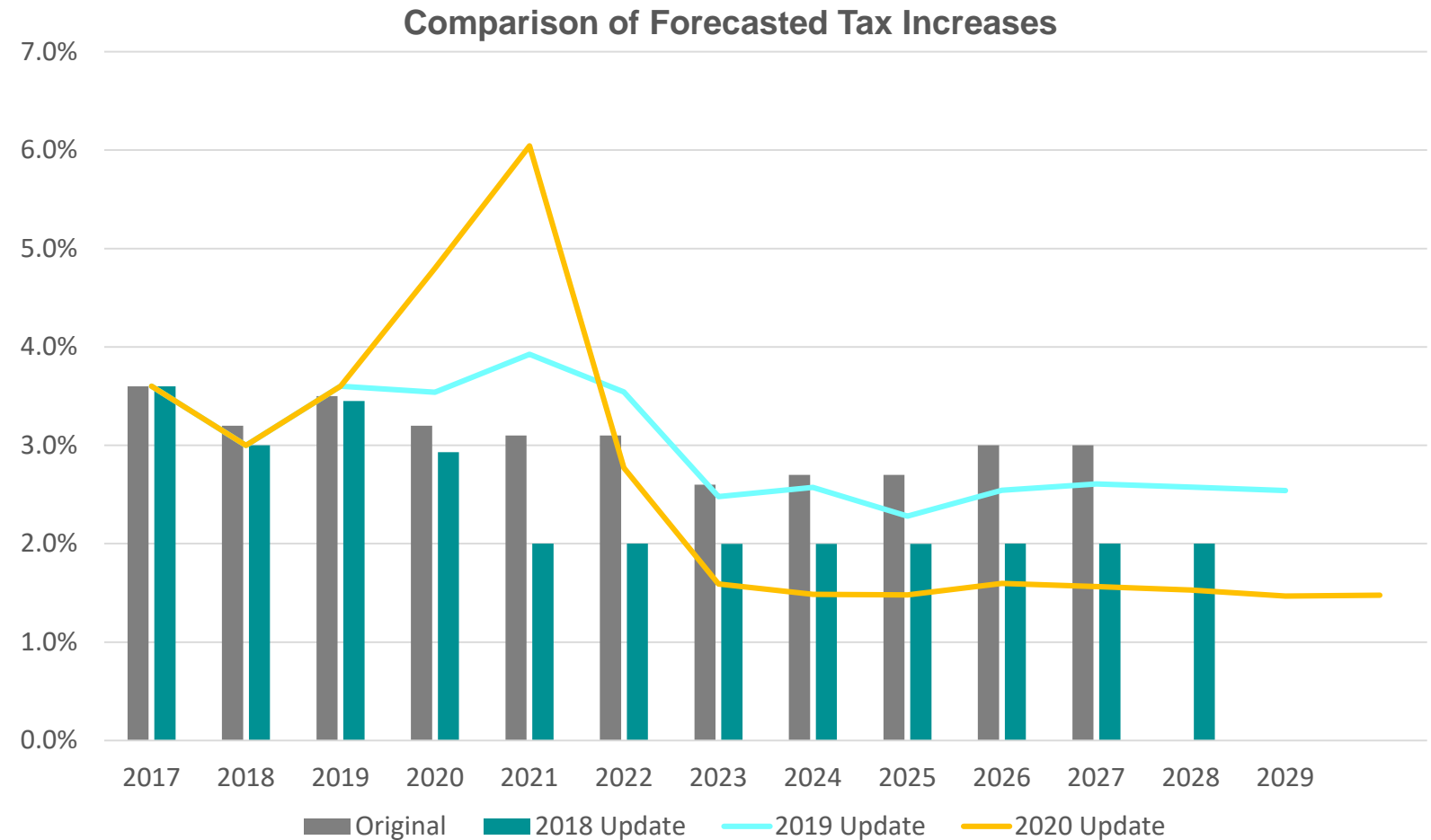
Does not include strategy to address low reserve levels

Underinvestment in capital renewal and no new major capital growth projects



# High Growth Scenario

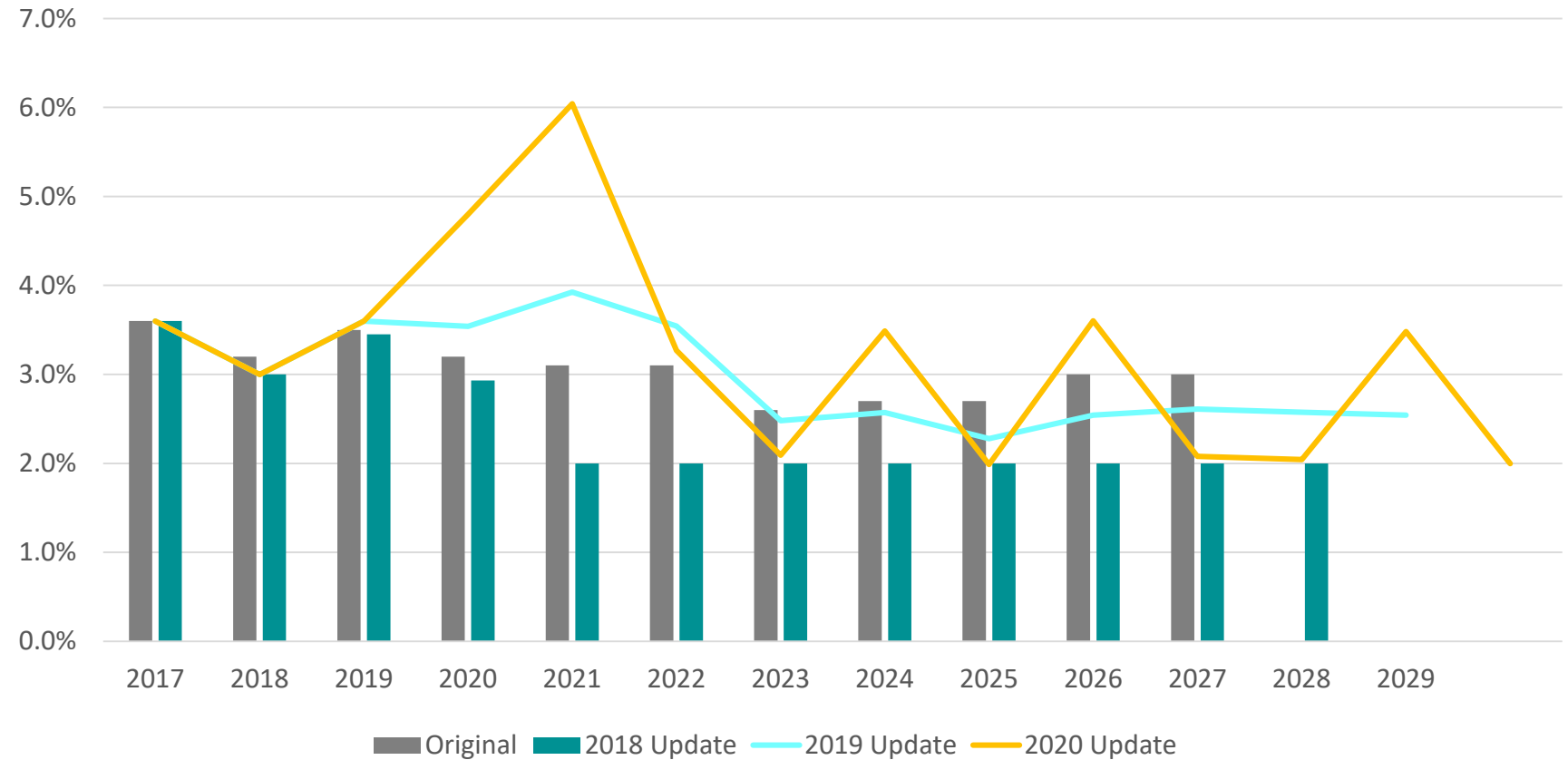
Assessment growth that supports flexibility to invest, increase reserves or reduce net taxation in all years in the plan period and 2% in 2023



# Growth and Strategic Investment Scenario

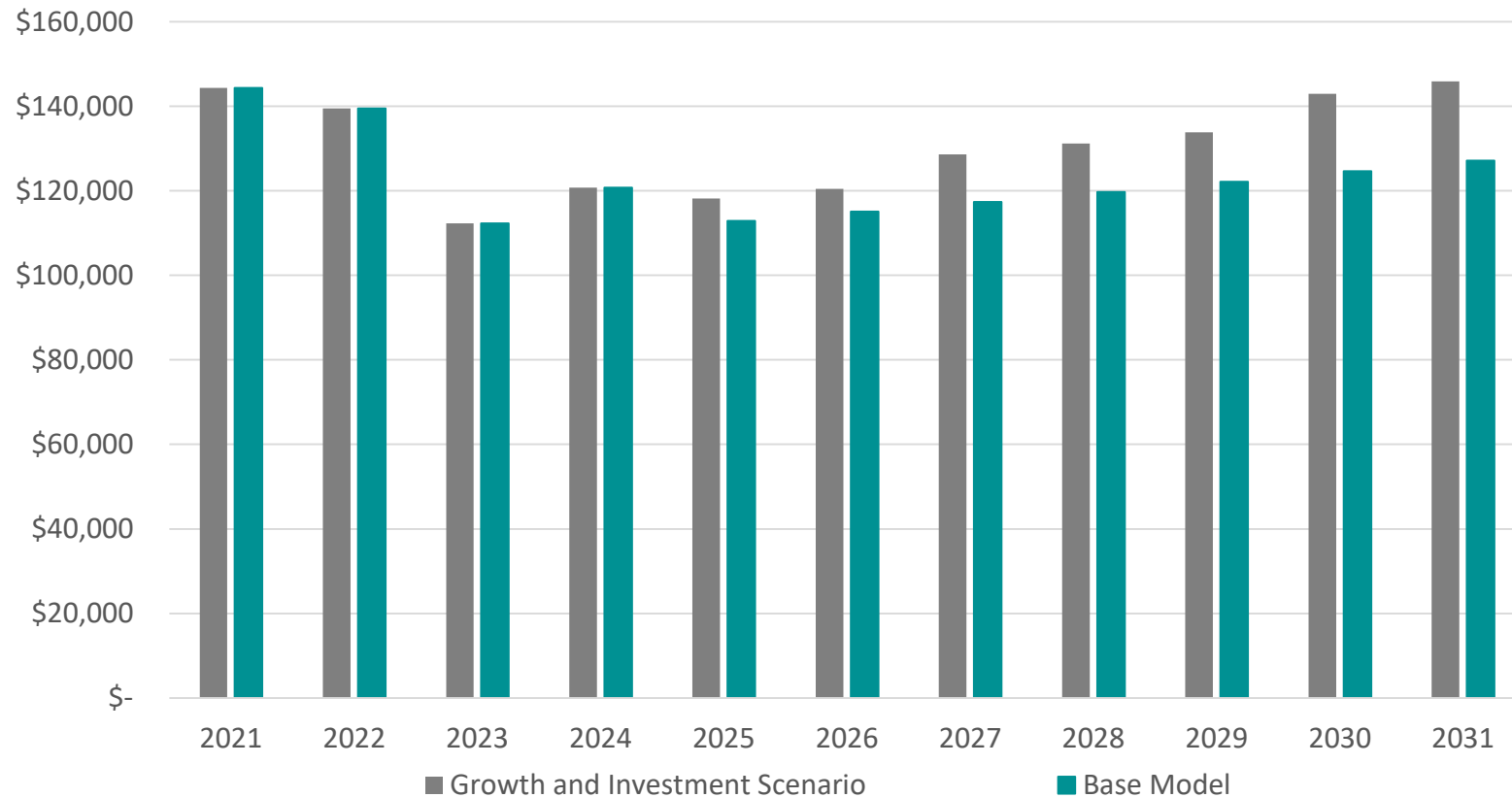
Taxation increases at the same level as in the base model (avg. 3.0%) because higher assessment growth is used to address more asset renewal and improve financial condition

Comparison of Forecasted Tax Increases



# Growth and Strategic Investment Scenario

Capital Expenditures Per Year (000's)





# Long-Term Financial Strengths

- Strong local and global economic outlook
- Prudent management of COVID-19 pandemic and recovery with assistance from senior levels of government
- Historic investment in assets in 2017-2021, supported by low cost debt
- Stable financial condition over plan period in base scenario and in higher growth scenarios



# Long-Term Financial Cautions and Risks

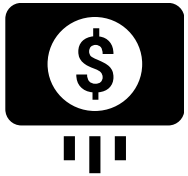
- Reserve and reserve funds are too low and need to be replenished
- Asset condition is generally declining and asset investment needs are growing
- Evolving needs in the community highlighted by pandemic recovery reveal new and generally high expectations of municipal services
- Global economic recovery could lead to higher costs due to supply chain issues, future financing costs



# Financial Fact Check



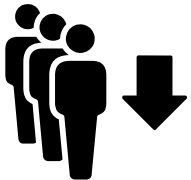
Long-term liabilities of \$261 million at the end of 2020



2020 operating surplus of \$9.8 million



No potential for insolvency or bankruptcy



Greater Sudbury a growing northern city



# Questions?



2019-2027 Strategic Plan Priorities



# Use of the Long-Term Financial Plan

