City of Greater Sudbury Long Term Financial Plan Update 2021

Presented To:	Finance and Administration Committee
Meeting Date:	June 22, 2021
Type:	Presentations
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Report Summary

This report and presentation by Kevin Fowke, General Manager of Corporate Services, provides information regarding the corporation's financial condition over the next 10 years. A model of anticipated revenues and expenditures from 2022 – 2031 indicate that financial condition should remain relatively strong. Based on the directions provided by key documents that inform annual operating plans, the financial projections described here reflect a variety of assumptions that, overall, show Greater Sudbury can maintain its current position as a low-cost service provider compared to other Ontario municipalities with greater than 100,000 population. Council should have financial flexibility to undertake a variety of city-building initiatives over the forecast period without impairing the City's strong credit rating.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report has no direct relationship to the Strategic Plan, but it provides Council with an assessment of the corporation's most likely financial condition over the next 10 years. These details will inform decisions that drive progress on fulfilling Strategic Plan objectives. This report has no direct connection to the Community Energy & Emissions Plan (CEEP).

Financial Implications

There are no financial implications associated with this report.

Executive Summary:

Over the forecast period, the City continues to demonstrate financial strength, enjoy financial flexibility and benefit from policy choices made in prior periods that demonstrate a sustainable approach to managing services. The forecast includes:

- A 10-year projection for property taxes, which shows an anticipated annual change of 3.0% per year net of assessment growth and the potential, if Council chooses, to remain in the lowest quartile of municipal taxation, based on taxes payable per household, for municipalities with greater than 100,000 population,

- Low cost financing availability for significant asset reinvestment and renewal,
- A strategy for reserve replenishment,
- A strong credit rating signaling strong financial fundamentals at the municipal corporation and economic resilience and generally moderate growth in Greater Sudbury,
- Continued relatively low taxation rates in comparison to similar sized municipalities and as a percentage of household income,
- Continued evolution in the corporation's financial policies to further support, or strengthen, the corporation's financial condition.

Council's Strategic Plan describes service enhancements and new asset investments. These investments place upward pressure on annual budgets and taxation levels. Without adjustments in current service levels that offset that upward pressure, net costs will increase. In the short term, post-pandemic cost pressures driven by changes in input prices and new measures designed to protect residents and staff also drive operating cost increases. Other challenges highlighted in this year's update are as follows:

- Continued deterioration of assets and their effect on services and operating costs in the form of unanticipated repair and downtime,
- Lower than average levels of Reserve and Reserve Funds that would be available to address unanticipated costs and/or use for emerging/unplanned opportunities,
- Significantly constrained capital in the 10 year model unless alternate sources of funding (including the choice to assume additional debt) can be secured at reasonable costs,
- Shortages along the supply chain, combined with higher global post pandemic spending, driving significant municipal capital and operating cost inflation and, potentially, pressure on central banks to increase interest rates,
- Increased employment costs due to the addition of new staff to replace contracting arrangements, interest arbitration in Police and Fire Services, Long Term Disability and WSIB insurance premiums,
- Constrained capital funding in the earlier years of the projection (2022 – 2026), resulting from prior period commitments to fund significant capital renewal projects and the intention to strengthen reserve levels by redirecting funds that previously funded debt payments,
- The various roles Council may decide to play in the post Covid – 19 pandemic recovery, such as providing financial relief/support for other community institutions or assets.

BACKGROUND:

Experience shows how decisions taken in prior periods, sometimes decades ago, produce a consequence that affects current financial position and/or service capacity. For example, decisions to forego preventive maintenance expenditures 10 or 15, or even 20 years ago in favor of lower overall taxation levels have the effect of premature asset renewal needs, or increased repair expenditures to keep assets operational. A Long Term Financial Plan offers a view, or several potential views, to show how current decisions can accumulate to produce long-term outcomes. In this way, a long term financial plan is a tool that helps Council assess choices and understand their potential impacts now and in the future. It can provide a guide to shape service plans, budgets and strategies that consider the variety of competing priorities Council must regularly address.

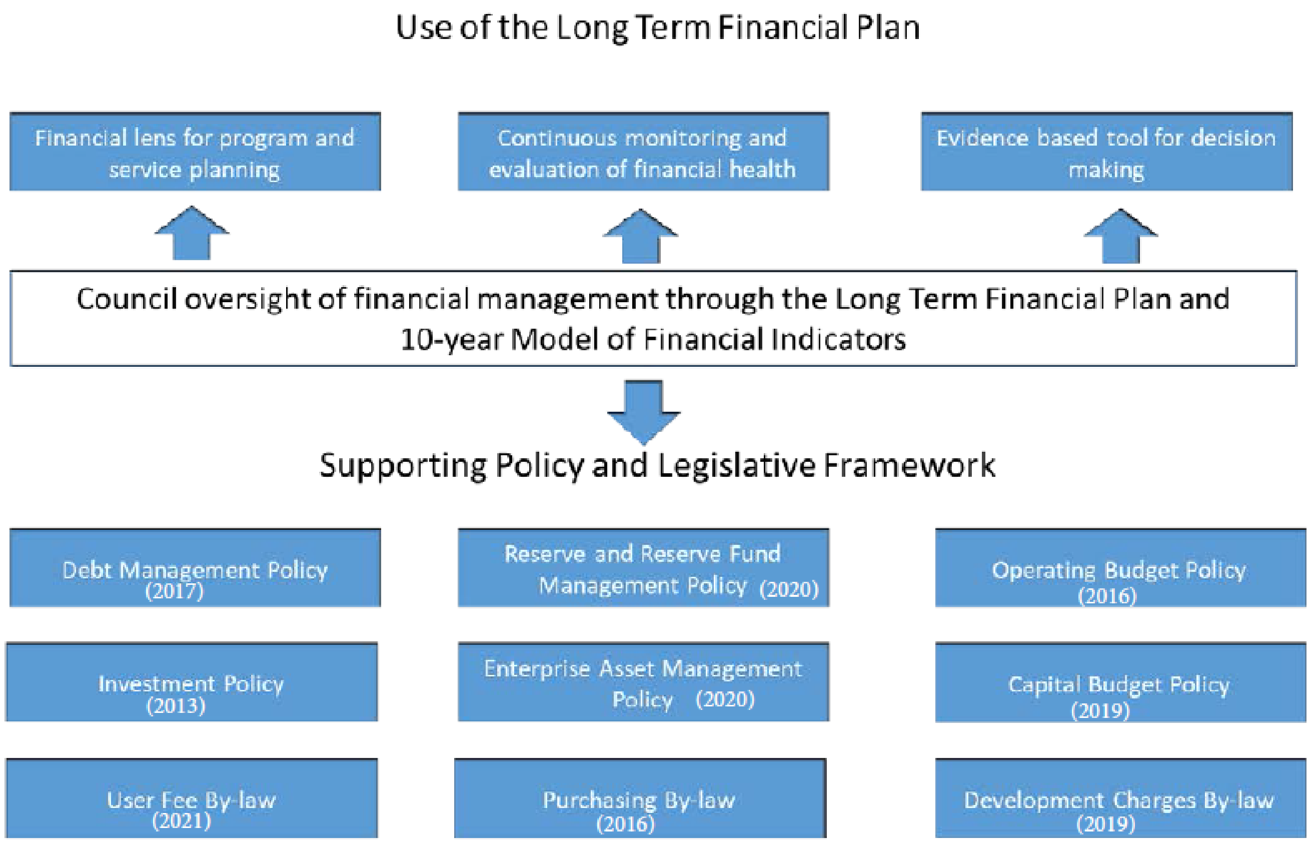
Since 2017, financial policy and annual budget choices have been made based on the principles set out in the corporation's Long Term Financial Plan. These principles include:

- ***Long-term Sustainability*****:** a long-term perspective on the City's financial position, funding sources and resource allocations
- ***Respect for the Taxpayer*****:** quality services at an affordable cost
- ***Appropriate Funding for Services:*** a fair allocation of costs based on service utilization and ability to pay

- ***Planning for Infrastructure*:** investments consider required asset levels of service in the long term and alternative means of procuring and financing

Financial Policy Framework

The Plan guides the development and maintenance of the City's financial by-laws and policies to ensure a holistic and integrated fiscal management approach. The table below provides an overview of the framework (with dates signifying the year in which the policy was introduced or was last updated):



Appendix A contains an update on updates and the status of additional financial strategies.

FACTORS INFLUENCING LONG TERM FINANCIAL PLAN ASSUMPTIONS:

Economic Condition

The long term financial plan is influenced by (and can influence) eight significant, distinct economic trends in Greater Sudbury. The 10-year forecast reflects the following assumptions about local economic trends:

- Slow to moderate growth in the medium to long term (the City's population is expected to grow by 6,900 – 15,000 persons, 6,000 – 8500 households and 6,400 – 11,000 jobs from 2016 – 2046). (Hemson, 2018)
- Aging infrastructure requiring significant capital investment (currently being further defined in the form of detailed asset management plans).
- Adverse effects of climate change and changing weather patterns, leading to increased costs for storm events, changes to the way assets need to be replaced and the emergence of green technologies and assets that may require more capital investment but also may relieve certain operating expenditures.
- Diversified, resilient labour market that has demonstrated and sustained employment growth and is rebounding well from pandemic lows. This means that the City has the flexibility to rely on taxation revenues as a reliable funding source in a stable local economy.

- Senior government funding uncertainty. Provincial debt burden and Federal investments in economic stimulus through the pandemic may create a vulnerability where senior orders of government are not able to offer operating and capital funding in future periods.
- A growing population of aging and vulnerable citizens with unique needs and service requirements.
- Rapidly changing technology that drives new costs related to how the corporation connects with residents and delivers services. This trend has the potential to add to operating cost (as service delivery continues in “traditional” forms and service efforts are expanded “on line”) but it also means that services will be delivered more efficiently in the future, perhaps without the same concentration of human resources or capital assets.
- A post-Covid-19 pandemic environment that is uncertain but is trending toward the potential for rapid reopening of economies and a “boom” cycle for the global economy.

Population Growth and Assessment

The City of Greater Sudbury continues a steady, slow growth trajectory as the only city in Northern Ontario with continued population growth. For example, as reported by Statistics Canada, Greater Sudbury’s current population is approximately 170,000, up from 160,000 in the 2016 census. This slow to moderate growth trajectory means that population and the number of households (using the most conservative assumptions) may not support business growth, labour force evolution and the quantity of increased assessment needed to sustain existing services and service levels. The higher growth assumption anticipates an increase of approximately 285 households per year approximately 0.4% per year to 2046. This means that the growth rate in terms of occupancies or households will grow by approximately 0.4% at the higher assumption in the Hemson Study.

The plan reflects 1.0% assessment growth in our model assumptions comprised partially of this growth in households and anticipated assessment growth resulting from increases in construction and renovations (net of demolitions). Efforts aimed at assessment protection (i.e. ensuring property values are properly assessed by the Municipal Property Assessment Corporation and defending appeals) are also important to make sure our assessment growth is appropriately captured and included in tax calculations.

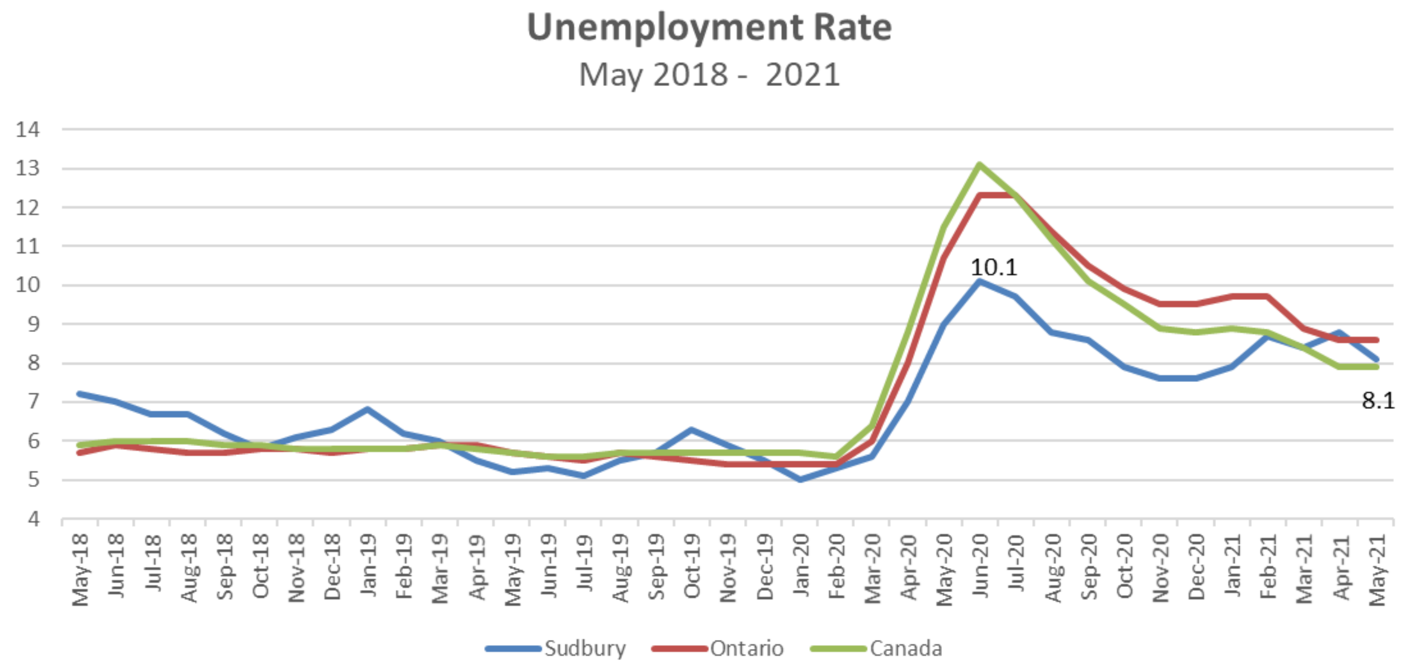
Gross Domestic Product (GDP)

According to the Conference Board of Canada (Major City Insights, March 2021), Greater Sudbury’s economy is expected to recover from the 8.1% decline it experienced due to the pandemic in 2020 with solid growth of 4.5% in 2021 and 3.6% in 2022. Gross Domestic Product for 2021 is anticipated to be $8.4 billion. This is a significant increase in the growth expectation from prior periods.

Employment

Greater Sudbury’s unemployment rate for May 2021 was 8.1%, a decrease of 0.7% compared to the previous month. This is lower than Ontario’s provincial rate of 8.6% and similar to the national rate of 8.0%. The number of people employed in the city is 81,500, which is up from 81,200 in April 2021. With the recent drawbacks, Sudbury has recovered 50% (5,500) of jobs lost since the lowest point during the COVID-19 shutdown in June 2020. The participation rate is 61.0%, down from 61.2% in April 2021.

Figure 1: Unemployment Rate, CGS/GSDC April Economic Bulletin



The Conference Board of Canada is forecasting a rebound of 3,600 jobs in 2021, followed by a further gain of 1,000 jobs in 2022. Sudbury is not expected to fully regain its 2019 employment peak of 88,300 jobs (a level which was sustained for only two months) until 2025.

Building Construction Activity

Building permit value for the first four months of 2021 is $90 million compared with $54 million for the first four months of 2020, despite ongoing societal and economic pressures from pandemic response to the COVID-19 virus. Housing starts look healthy for 2021 with 93 units with a total value of $19 million for the first four months of 2021 compared to 22 units with a total value of $5 million at this time last year. This number of new housing starts is important. Although building permit values were high in 2020, the number of new housing unit starts was negatively affected by the Covid-19 pandemic response. With 93 units in the first four months of 2021, the City is closer to the higher growth assumption in the Hemson Study. Housing starts are a stronger predictor of future assessment growth than any other economic factor. For example, a high performing mining industry and low unemployment with growing GDP is excellent but the unit of growth that matters most to growth from the municipal perspective is real growth in taxable property and growth in the value of those properties.

For the purpose of our financial modelling, this expectation of continued strength in building permits and capital investment due to lower unemployment and robust GDP growth along with assessment protection activities lead to the modelling of assessment growth at 1.0%. It is possible that stronger than anticipated economic development could move this assumption significantly higher than 1.0% and 10-year scenarios in Appendix C demonstrate that potential.

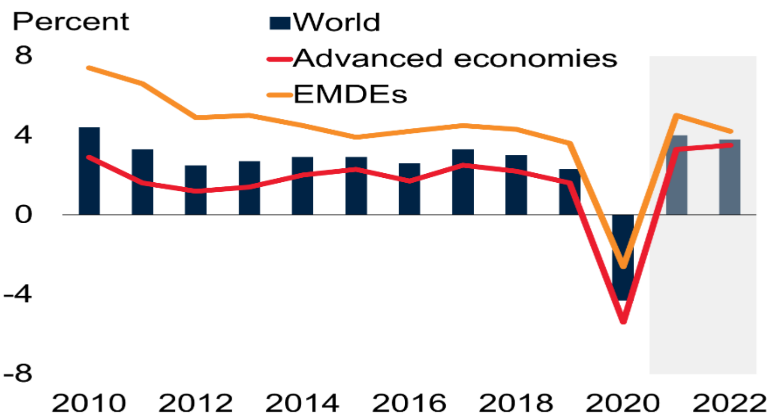
Household Income

The assumption used for average household income for the present modelling purposes (2021) for Greater Sudbury is $103,767 in line with the BMA report methodology and is increased by 2% each year thereafter in the 10-year financial model below. This level of household income is slightly lower than the provincial average.

Continued Covid – 19 Pandemic Response and Recovery

There are a variety of economic predictions available for global and Canadian growth in the pandemic recovery anticipated from 2021 to 2023. Figure 2 demonstrates a phenomenon known as the "'V' shaped" recovery and it is predicted, in particular for advanced economies like Canada by both the World Bank, McKinsey and Company, the Conference Board (International) and the International Monetary Fund (IMF).

Figure 2: World Bank Global Growth forecast for 2021 and 2022.



The response and recovery predictions for municipal services (and as a consequence some of our non-tax revenues) are anticipated to take different time frames to recover. Of those services most impacted by the Covid-19 virus the recovery time will vary. Leisure services are anticipated to recover quickly (more or less along the lines of the "V shaped" recovery predicted in the broader economy. Services like Transit and Parking though will not experience a return to 2019 levels or any real growth until 2024 or 2025 without some policy or service change. There is not consensus among Transit properties across Canada though about the exact revenue recovery timing. Factors such as the resumption of in-class University and College learning, capacities for places like restaurants and entertainment venues will drive this recovery and may lead to different timing across the Country.

This figure is representative of a situation in which the impact of reduced infection of the Covid-19 virus (and its variants) and increased regional vaccination meets increasing confidence and consumer spending in mid-2021. Current economic predictions seem to favour this scenario. World Bank predicts growth for Canada of 3.3% in 2021 and 3.5% in 2022, the IMF is even more bullish on Canadian growth anticipating 5.0% growth in 2021 and 4.7% growth in 2022. The Conference Board anticipates a growth rate for Canada and the United States in excess of 5.0% for 2021 with a return to 2.4% growth for 2023 – 2026 and 2.6% for 2026 – 2030.

This also means that strategies such as the Employment Land Strategy, efforts aimed at making our community more welcoming and inclusive need to be redoubled in order to position our local economy for growth.

Potential for Inflation to Place Upward Pressure on Interest Rates

Growth and high demand for Sudbury's resource rich domestic product is good news, but it also signals the risk of significant price inflation in many categories of goods and services, supply chain interruption and the potential for higher interest rates and a higher Canadian dollar. The Canadian all products, year over year Consumer Price Index has increased from 0.7% in December of 2020 to 3.4% in April of 2021. If inflation exceeds the 3.0% Bank of Canada target range maximum, there may be pressure to increase interest rates. This could increase the cost of future borrowing, but would not affect interest rates on existing, outstanding debt.

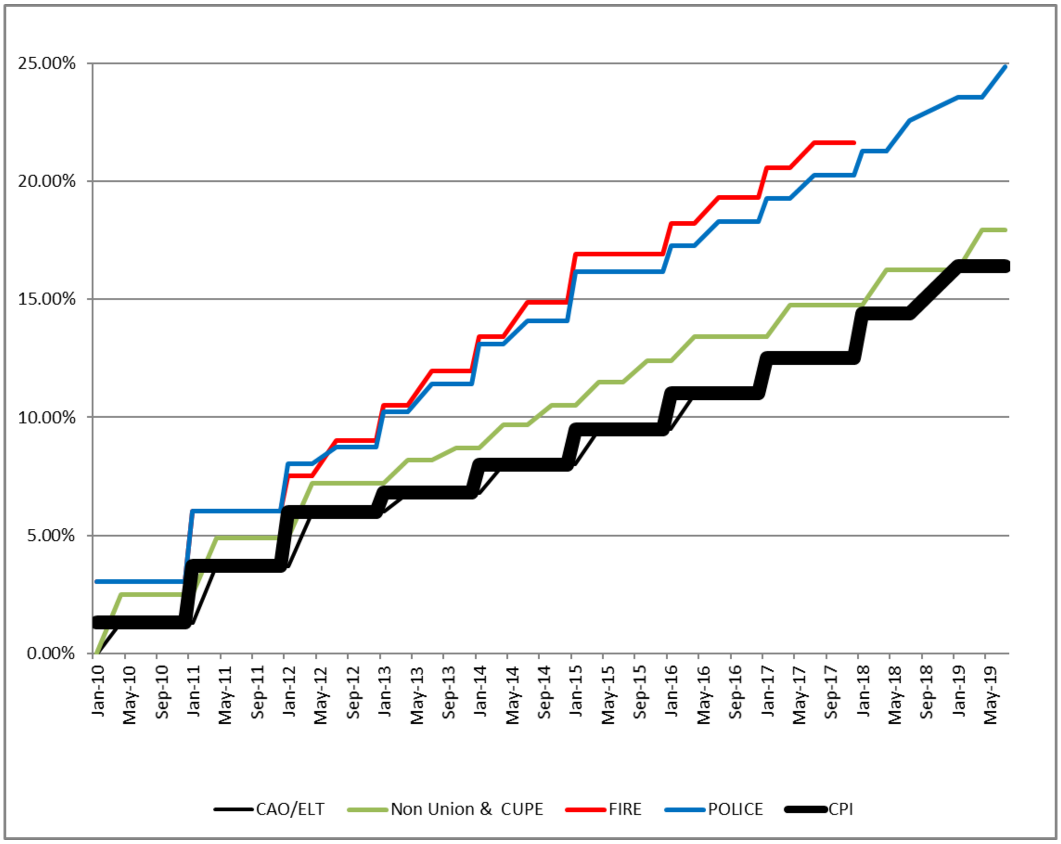
Labour and Employment Costs

The City's 58 lines of service are primarily community, resident, business or personal services, not producing and delivering products. As a result, forty three (43%) percent of total expenses are salary and benefits costs for those providing service. The value of benefits as a proportion of the roughly $284M the corporation plans to spend on salaries and benefits combined in 2022 is over $54M, or approximately 19% of total costs.

The corporation has experienced, on average 6.5% increases in the cost of benefits and 10% increases in the cost of workplace safety and insurance board (WSIB) premiums over the past 5 years. The employee population is older than the Provincial average, it is more likely in 2021 to experience a debilitating psychological or mental stress related injury or illness than in any prior period and Provincial legislation is changing to incorporate more health conditions and illness among those covered by the WSIA.

Contractual obligations also drive employment cost increases and in particular those employment obligations that feature interest arbitration as a settlement mechanism for collective bargaining are driving employment costs for municipalities, particularly in Police and Fire Services. Obviously, when additional net new positions are added to support these services, salary and benefits costs increase. These factors greatly influence the expense escalation assumptions in the base model in this report.

Figure 3. Cumulative History of General Wage Increases for Various Employee Groups 2010 – 2019



FINANCIAL CONDITION:

Standard & Poors AA (Stable) Rating

From 2018 - 2020, the municipality received an AA credit rating from S&P Global Ratings (S&P) with a stable outlook. A debt rating is intended to represent an evaluation of the creditworthiness of a debtor, anticipating ability to service and repay debt. The AA (stable) rating is an investment grade rating. That indicates the corporation has a very strong capacity to pay interest and repay principal loans. It leads to lower interest rates for Sudbury compared to municipalities with lower ratings. It also signals, for the purposes of long term financial planning, flexibility to make choices that capitalize on opportunities and/or to secure external debt financing.

The current trends and forecasts included in this long-term financial plan update are consistent with the data S&P used to develop its analysis and support its credit rating assessment. Our assessment for 2021 is anticipated in July or August of 2021. By following this plan, Council should expect similar future assessments from S&P.

Monitoring and Performance Reporting: Three Categories of Financial Condition Indicators

The Long Term Financial Plan is built on the four financial principles, measured by three groups of financial condition indicators. Each group of indicators, as defined by the Public Sector Accounting Board, provides insights into a specific aspect of financial condition. Collectively, they address how the corporation is managing its financial health. The principles and indicators also guide Council and staff when making decisions related to service and program planning. The three groups are:

- Sustainability – the ability of a municipality to maintain existing service levels and meet existing requirements without increasing its relative debt or property tax levels.
- Flexibility - the ability of a municipality to increase its financial resources to address additional commitments and changes to service levels. This is done by increasing property tax revenues, fees, reserve balances or by taking on additional debt.
- Vulnerability - the degree to which the City is susceptible to changes in funding sources outside of its control. There is a risk in relying too heavily on funding sources outside a municipality's direct control because they can be reduced or eliminated without notice.

The corporation compares its financial performance to a typical range of indicators in comparable municipalities. Since 2017, comparisons with the following municipalities provide further context for understanding the corporation's financial condition: Thunder Bay, Sault Ste. Marie, Timmins, North Bay, Barrie, Kingston, Brantford, Windsor and Chatham-Kent.

Appendix B contains comparisons on the financial indicators for 2016 – 2020.

THE 10-YEAR LONG TERM FINANCIAL PLAN MODEL:

The **"Base"** 10-year Financial Plan Model is developed using the following assumptions (some of which are covered above in line with our economic predictions):

- The model predicts that revenues impacted by the Covid-19 pandemic return to pre-pandemic levels in 2023 and reflect a quicker recovery in late 2021 and 2022 for leisure and recreation and a slower (2024-2025) for transit and parking.
- Decrease in senior level of government social housing allocations over the next ten years.
- Water and Wastewater user fees increase by 4.8% per year per the W/WW Financial Plan.
- Investment earnings are expected to return to 2% for the term of the plan.
- Expenses increase by 3.9% in 2022, 2.9% in 2023 and 2.8% thereafter, with contributions to capital increased by 4.9% in 2022, 3.5% in 2023 and 3.0% thereafter.
- Salaries and Benefits increase by contractually committed amounts and consider increases in 2021 due to higher than anticipated long term disability and WSIB premiums and the potential for increases to continue to outpace market wage outcomes in services relying on interest arbitration (Police and Fire Services).
- The Capital Levy continues at 1.5% (approved in 2020) and is included in the capital contribution amounts moving forward.
- Includes all major capital projects funded in 2021 and 2022 (Municipal Road 35, Bridge and Culvert Rehabilitation, McNaughton Terrace Treatment Facility, the Junction, Event Centre, and Playground Revitalization), the Therapeutic Pool, Pioneer Manor bed redevelopment, Transitional Housing and the associated principal and interest payments on all outstanding debt (including the $200 million debenture issued in early 2020 and the $100 million to be issued by the end of 2021 for 2021 approved capital projects).
- Includes an additional amount equal to 1% of the total 2022 levy in the 2023 forecast, and every year thereafter, as a contribution to reserves but could be used for the array of strategic initiative work in

the strategic plan, additional asset investment or to enhance services or the way services are delivered (for example, to support actions in the Community Energy and Emissions Plan, Customer Service Strategy or enhanced digitization of citizen services).

- Updates average household income ($103,767 for 2021, increased by 2% per year) in line with up to date comparator numbers from the BMA study.
- Net assessment increases by 1% per year for the entire plan period.

"Base" Plan with Assumptions Above

The 10-year operating budget (revenues and expense) projection is summarized in the table below.

Forecasted Operating Budget
(In thousands of dollars)

	Budgeted	----------	----------	----------	----------	----------	Forecasted	----------	----------	----------	----------	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Ten Year Total
Revenues:												
	332,212	335,450	339,302	345,842	352,651	359,740	367,121	374,807	382,813	391,151	399,836	3,648,713
Expenses:												
	616,305	638,446	657,564	676,614	696,269	716,545	737,464	759,050	781,325	804,313	828,033	7,295,624
Net levy before undernoted items	284,093	302,996	318,262	330,772	343,618	356,805	370,343	384,243	398,512	413,162	428,197	3,646,911
Debt repayment (existing debt)	18,377	8,564	7,068	5,906	5,311	4,779	4,779	4,779	4,764	4,606	4,606	55,162
Municipal levy before undernoted items	302,470	311,560	325,330	336,678	348,929	361,584	375,122	389,022	403,276	417,768	432,803	3,702,073
Debt Repayment 2020 - 2022 Capital Inlcudin PM and $200M		12,210	13,883	14,720	14,720	14,720	14,720	14,720	14,720	14,720	14,720	143,853
Municipal levy	$ 302,470	323,770	339,213	351,398	363,649	376,304	389,842	403,742	417,996	432,488	447,523	3,989,779
									Average annual increase		**4.0%**	

The 10-year base operating model generates a net tax levy increase which averages 4.0 % over the plan period. Net of predicted assessment growth at 1.0%, the model anticipates taxation increases in the 3.0% range over the plan period. This result is slightly higher than the model predicted in 2018 and 2019 due primarily to the sustained historic levels of capital investment from 2017 to 2020 and the planned levels of capital investment from 2021 to 2024.

Projected Financial Indicator Results in the Base 10-year Plan

FINANCIAL INDICATORS	Budgeted 2021	Forecasted 2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Sustainability											
Financial assets to financial liabilities	0.73	0.64	0.61	0.63	0.67	0.73	0.79	0.87	0.97	1.08	1.20
Reserve and reserve funds per household	$ 1,505	$ 1,254	$ 1,129	$ 1,119	$ 1,352	$ 1,647	$ 2,007	$ 2,436	$ 2,937	$ 3,512	$ 4,166
Operating expenses as a percentage of taxable assessment	2.76%	2.83%	2.88%	2.93%	2.98%	3.03%	3.09%	3.14%	3.20%	3.26%	3.32%
Capital additions as a percentage of amortization expense	166%	155%	121%	126%	115%	114%	114%	113%	113%	112%	112%
Total debt per household	$ 3,292	$ 4,065	$ 4,253	$ 4,092	$ 3,940	$ 3,786	$ 3,650	$ 3,499	$ 3,345	$ 3,190	$ 3,034
Flexibility											
Debt to Reserve Ratio	2.19	3.24	3.77	3.66	2.91	2.30	1.82	1.44	1.14	0.91	0.73
Residential taxes per household	$ 2,837	$ 3,025	$ 3,157	$ 3,259	$ 3,360	$ 3,464	$ 3,576	$ 3,690	$ 3,806	$ 3,924	$ 4,045
Residential taxation as a percentage of household income	2.73%	2.86%	2.92%	2.96%	2.99%	3.02%	3.06%	3.10%	3.13%	3.16%	3.20%
Total taxation as a percentage of total assessment	1.32%	1.39%	1.45%	1.48%	1.52%	1.56%	1.60%	1.64%	1.68%	1.72%	1.76%
Debt servicing costs as a percentage of total revenues	3.66%	3.80%	3.78%	3.60%	3.35%	3.16%	2.88%	2.80%	2.72%	2.63%	2.55%
Net book value of tangible capital assets as a percentage of historical cost	49.9%	49.6%	48.8%	48.1%	47.3%	46.5%	45.7%	44.9%	44.1%	43.3%	42.5%
Vulnerability											
Operating grants as a percentage of total revenues	22.5%	21.4%	20.8%	20.2%	19.7%	19.2%	18.6%	18.1%	17.6%	17.1%	16.7%
Capital grants as a percentage of total capital expenditures	18.1%	33.1%	23.3%	27.1%	20.6%	20.2%	19.8%	19.4%	19.0%	18.7%	18.3%

Comments on the Base Model

The model provides 10-year summary projections for the capital budget and the resulting levels of debt, debt payments and reserve and reserve funds.

Reserve and Reserve Funds

The 10-year summary projections show that our reserve and reserve funds per household remain at levels below our comparators. They rise slightly at the end of the period (2025 – 2030) as some long term debt is retired and there are increases in the reserves for capital. Also, staff anticipate that Council will want to take steps to increase reserves closer to their minimum levels and have placed an amount equal to 1% of the 2022 levy into contributions to reserves and capital in the 2023 projection. Of course, Council retains full discretion to apply these funds for other purposes, or to exclude them from the annual budget.

Reserve and reserve funds matter because they increase flexibility, protect against one-time or unanticipated pressures and they enable the corporation to respond to unplanned opportunity when, for example, new investment opportunities arise or senior orders of government introduce funding programs that require an unbudgeted municipal contribution.

Future Capital Programs

With historically large capital programs in 2017 – 2020 and anticipated multi-year projects carrying over into 2021 and 2022, contributions to capital and reserves are more committed in the early years of the base model. The Therapeutic Pool, Pioneer Manor bed redevelopment and Transitional Housing financing plans rely on redirecting funds currently reserved for capital. This means that the City needs to maximize funding opportunities from senior governments and use the most innovative ways to manage aging assets in the long term. This also calls for new capital assets to be planned with innovative design and committing to the goal of shrinking the city’s asset footprint.

Debt

Last year, the long term financial plan indicated that the 10-year projection of the City's debt per household stabilized in 2022. This reflected the full phase-in of debt payments on the existing $200 million debenture approved in 2020. Significant additions to the capital program in 2021 means that debt per household continues to climb until 2026.

The model includes all anticipated borrowing. This includes the approximately $100M in debt required to fund 2020 and 2021 capital projects. Staff will continue to analyze and make recommendations on the use of debt financing based on the types of investments required, the availability of low interest debt and the Debt Management Policy.

Current forecasts show the City remains well within the established ranges defined in the Debt Management Policy, which are much lower than the municipal debt limit prescribed by the province. It is important to recall that debt proceeds enable asset renewal that, in exchange for the debt repayments, provides important community assets that enhance the community's quality of life.

10 Year Financial Model Alternatives: Other Scenarios based on Alternate Assumptions

Appendix C contains three alternate scenarios. They represent the potential 10-year financial scenarios that alter the assumptions listed above and contain the projected financial indicators in a summary table to demonstrate how those choices, if taken by future Councils, could impact the corporation's long term financial condition.

Scenario 1 describes a **"Low Growth, Conservative Investment"** scenario in which expenses are reduced by 2% per year from 2023 to 2030 (reflecting significant planned service level reductions) and it eliminates the 1% contribution to reserve and reserve funds in 2023. This is not a recommended scenario but it demonstrates a scenario which anticipates low growth, with service and service level reductions to maintain property tax levels at the lowest level among Ontario municipalities with greater than 100,000 population.

Scenario 2 describes a **"High Growth"** model in which all other assumptions in the base model remain, financial policies are followed consistently for things like continued capital contribution and inflation to support all existing services at existing levels. Growth at this level would very likely outpace the higher growth scenario in the Hemson report and require economic development interventions and step changes in business investments in the community to be sustained over a 10-year period.

Scenario 3 demonstrates a **"Growth and Strategic Investment"** scenario in which the corporation:

a) enhances its position as an investable municipality with higher levels of capital renewal,
b) realizes stronger, long term economic growth, resulting increased taxation revenues and
c) introduces special levies to support infrastructure spending.

Similar to the base model, where a one-time investment in reserves and reserve funds is anticipated, this scenario shows the effects of additional investments in capital (modelled presently as special 1.5% capital levies) in 2025, 2027 and 2030. The disposition of these funds would be subject to Council direction. For example, they could be directed toward asset renewal for specific asset classes (e.g. a local roads levy, a facilities refurbishment levy), to advance strategic investments in plans like the Community Energy and Emission Plan, or to support specific partnership opportunities with senior orders of government on capital or strategic priorities.

FINANCIAL MODELLING RISK:

There are a number of risks that, if realized, could affect the City's ability to sustain current service levels.

Asset Condition

Thorough asset condition data for a number of asset classes are being presented this year to Council. Per the financial policy updates above, staff will present comprehensive asset condition data for the first several asset classes in July – September of 2021. These plans will highlight not only the capital financing needs to inform the financial plan but will also present strategies and alternatives for Council's consideration to close asset condition gaps and reduce this risk. Nonetheless, there remains a risk that one or more assets could deteriorate or even fail, resulting in a reduction or interruption of service to residents.

Base Metal Prices

The price of nickel, a commodity that is key to the Greater Sudbury economy continues to have good prospects thanks to its importance in the production of Electric Vehicle batteries. The Sudbury Basin also produces other critical minerals such as cobalt, copper and platinum group metals - elements that are essential to EVs and other modern technologies. In the first five months of 2021, the price of Nickel on the London Metals Exchange has been above $7 per pound with highs approaching $9 per pound, reflecting significant nickel inventory drawdowns in particular since the end of the first quarter of 2021. In addition, copper prices have increased by 60% in the last eight months which reflects confidence in the global economy. It is worth noting that the strike by production and maintenance workers at Vale, at the time of publication of this report has yet to be resolved. This is a significant risk to assumptions about economic growth and post-pandemic recovery.

Assessment Growth and Economic Development

The cost to provide services to residents continues to increase. With low assessment growth, economic development activities take on greater importance as new taxable assessment helps spread the cost of municipal services over a broader tax base. Economic growth through new private sector investments is needed to help sustain the City's taxation levels.

Funding from Senior Orders of Government

Staff continue to monitor the forecasted provincial and federal deficits (and debt). Covid - 19 pandemic stimulus and policy supports have been extensive. Yet in the last five years, the City has seen a reduction in its Ontario Municipal Partnership Fund annual funding of $7.1M from $28.4M to $21.3M. The Provincial Audit and Accountability fund continues in its second phase and Greater Sudbury has been approved for $500,000 in funding. These examples encourage municipalities to be increasingly self-reliant and develop financing plans that are less dependent on senior government funding.

Project Delivery

The scale of the capital plan is significant and continues to grow. The available staffing resources to deliver the capital plan has seen minimal change year over year. Price increases for construction materials in early 2021 may be short term in nature and reflect immediate shipping and supply chain interruption. If they persist however, cost estimates/budgets may understate actual costs.

Interest Rates

The City has approved several significant projects to be funded through the use of debt. Interest rate fluctuations and potential increases create uncertainty. The initial tranche of $200M in debt was obtained at the lowest rate for an issuance of its size in municipal history at the time of its issuance, (2.416% over 30 years). This provides certainty about debt servicing costs into the future for the majority of planned debt. The 2020 and 2021 capital programs call for an additional issuance of $100M in external debt. The rapid increase in prices in early 2021 signals higher interest rates in the near future.

The City's current public debt rating of AA stable and the rates it has been able to obtain on outstanding debt provide rate certainty. This makes this risk easier to manage in future periods.

COVID-19 Virus Response and Economic Effect:

The continued pandemic response poses the most significant risk, according to the majority of long term global financial forecasts over the plan period. This means that the single greatest potential risk is any continued presence of the virus or its variants which causes governments and health authorities to intervene in the economy.

Without a major resurgence of the virus in late 2021 or 2022, the International Monetary Fund (IMF) report on perceptions of the post-pandemic economy: *World Economic Outlook: Managing Divergent Recoveries,* (IMF, April 2021) points to two sets of potential risks. It describes two sets of major trends during pandemic: first, the variety of different global paths used for managing the health crisis, which exacerbates commercial price volatility and different financial implications, even amongst regional trading partners, and second, policy support and the lack of spending opportunity (savings).

Of most concern to advanced economies (such as ours) are:

- Covid – 19 resurgence
- High levels of national debt
- Supply chain disruption
- Asset bubbles (such as real estate and housing price increases that may not be sustainable)

Other risks, still significant in terms of concern for advanced economies though less concerning than for emerging or developing economies:

- Persistent unemployment
- Inflation
- Weak demand
- Insufficient government supports

The current global economic environment is a potential boon for our long term plans (it may result in a boom of growth and demand for local products and places like Greater Sudbury). It also comes with risk from the perspective of our corporate municipal long term plans in the form of factors beyond Council's control like interest rates, the ongoing strike at Vale, inflation and the potential for future waves of Covid-19 that prolong the pandemic response and delay recovery.

CONCLUSION:

This long term financial plan update should assure both Council and taxpayers that the City is accountable and transparent. Further, it demonstrates its commitment to ensuring the City is sustainable and maintains its fiscal health into the future.

The corporation's financial condition is strong and has been strengthened through prudent management of finances through the Covid-19 pandemic and support from senior governments. Financial condition could be further strengthened with concerted efforts to improve the corporation's level of reserve and reserve funds. Throughout the forecast period this plan shows the corporation has sufficient flexibility to finance its service efforts and make investments that fulfill Council's strategic priorities. It maintains a rate of taxation that is in the lowest quartile of municipalities with a population of greater than 100,000.

These conclusions anticipate the corporation will adopt alternate service and service level choices to address dynamic economic conditions and evolving social needs. Equally the City will be expected to lead recovery activities in the broader sense; facilitating development opportunities, supporting local businesses and institutions, and advancing infrastructure projects. Economic development, assessment protection and growth are critical to balancing anticipated increases in expenses and the potential that revenues may take longer than expected to return to pre-pandemic levels for some services.

The next formal plan update will be prepared later in 2022 in anticipation of the first budget to be directed by the 2022 – 2026 City Council. Staff will continue to include long-term financial plan impacts and financial indicator performance at key decision points and when analyzing service and service level decisions for Council throughout the year.

Resources Cited

1. Capital Budget Policy - https://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&id=1303&itemid=15 907&lang=en
2. Reserve and Reserve Fund Management Policy - https://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&lang=en&id=1507&i temid=18028
3. Development Charges By-Law – https://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&lang=en&id=1324&i temid=17074
4. Outlook for Growth – Hemson Consulting https://pub-greatersudbury.escribemeetings.com/filestream.ashx?documentid=6298
5. Conference Board of Canada – Global Economic Outlook: https://conference-board.org/topics/global-economic-outlook
6. World Bank https://www.worldbank.org/en/publication/global-economic-prospects
7. McKinsey & Company https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/the-coronavirus-effect-on-global-economic-sentiment#
8. International Monetary Fund https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021

Appendix A:

Completed Policy Recommendations and Ongoing Revision Based on Experience:

The 2017 Long Term Financial Plan made a number of policy recommendations, which have addressed by Council. In the period between 2017 and 2020, Finance and Administration Committee made significant alterations to the Operating and Capital Budget Policies, Reserve and Reserve Fund Management Policy, the Development Charges By-law and the Debt Management Policy.

In 2020 and early 2021 staff in Financial Services and Budgeting have begun to lead "running revisions" to these policies that build on experience with some of the new policy elements and tools.

The following policies have been amended or are being recommended for amendment in 2021.

Capital Budget Policy: One of the key features in changes to the Capital Budget Policy in 2018 was the evolution to enterprise prioritization of capital needs. Since that time, a staff team have been using uniform scoring criteria to rank capital projects for recommendation to Executive Leadership Team during budget preparation. The team conducted a review of the prioritization process and has recommended some minor tweaks to the weighting of some criteria scores and a change in process for new capital assets. The criteria scoring changes result in a slightly higher weighting for projects with benefits to goals in the City's Community Energy and Emission Plan. Also, in the 2022 budget documents, *new capital asset investment* will be separated from *sustaining capital asset investment* through the use of business cases during the budget process. This means that the enterprise capital prioritization tool will be used for sustaining capital only (repairs and maintenance to existing assets) focusing on the most critical asset reinvestment priorities. New assets will be truly viewed as new business opportunities with other operating improvements that are recommended in that format in budget documentation.

User Fee By-law: In December of 2020, Council approved changes to the City's Miscellaneous User Fee By-law including revised principles, a framework for rate setting and a set of formulae for setting rates based on targets for operating and capital cost recovery.

Enterprise Asset Management Policy: In Q3 of 2021 staff will be bringing forward asset levels of service and detailed asset condition data for three classes of assets: 1. Core infrastructure (including roads, bridges, water, wastewater and stormwater), 2. Fleet and Equipment and 3. Municipal Parking Lots. This data exceeds the targets set in the *Infrastructure for Jobs and Prosperity Act, 2015* for data collection and will form the basis for recommendations of alternatives and strategies available to Council to address deteriorating assets. Further, Council has directed additional work on facilities renewal and facilities location which will be completed in 2021 and reflected in future budget documents.

Status of Additional Strategies

The following additional financial strategies were highlighted in the 2017 plan and the actions taken to date are noted below:

Strategy Recommendation	Status
1. Implementation of stormwater management fees.	The asset condition data for stormwater assets has been completed and will be reported to Council in Q3 of 2021. A sustainable management model, including stormwater fee alternatives will follow.
2. Use of alternative tax classes and adjusting property tax ratios.	Property tax ratios are adjusted on an annual basis to ensure fairness to the residential taxpayer and encourage commercial or industrial development. In 2021, staff will develop recommendations on the Provincial government's new small business property tax sub-class.

3. Capital financing: using debt to fund infrastructure renewal/replacement.	The use of debt was approved in 2018 for reconstruction on Lorne Street, improvements to Municipal Road 35 and the replacement of the Sudbury Community Arena. In 2019, debt was approved for the financing plan for the development of The Junction, (Library/Art Gallery and the Greater Sudbury Convention/Performance Centre) to promote arts and culture in the community, invest in the downtown and improve quality of life for residents. Debt was also approved for bridge refurbishment. In 2021 budget deliberations, Pioneeer Manor bed redevelopment, the therapeutic pool project and enhanced transitional housing supports were all funded using a mix of future capital contributions and external debt.
4. Introduction of a capital levy to fund the infrastructure renewal/replacement requirement.	In the 2020 budget Council approved a 1.5 per cent special capital levy and directed that it to be used on the infrastructure renewal requirements that had the biggest potential impact on the City's infrastructure deficit. This levy is included in the available capital each year in the long term financial plan model.
5. Infrastructure and service rationalizations: analyzing current service levels of arenas, community centres, playgrounds, roads, municipal fleet and other.	The City has completed a core service level review and Council has evaluated many of its recommendations through the budget process. Business cases for facilities rationalization and user fees were prepared for the 2021 budget deliberations. Work is underway on facilities condition and location analysis in Emergency Services and facilities rationalization/renewal plans are anticipated in Q4 for a variety of other facilities using $500,000 of funding from the Audit and Accountability Fund – Intake 2.

Appendix B:

Sustainability

Key points about Greater Sudbury's sustainability include:

- The ratio of financial assets to liabilities at 1.41 is within the recommended range of 0.75 to 1.5, and higher than our comparators. This indicates the corporation has the financial means to meet its commitments and is within a reasonable range of liquidity and financial capacity compared to other municipalities.
- The level of Reserves and Reserve Funds per Household is low compared to other municipalities, yet an operational surplus in 2020 has placed this ratio back in the low end of the target range. The overall low levels of reserves highlights the corporation's practice of relying on reserve funding to support capital financing plans (which have been historically large in the period from 2017 to 2020), offset operating deficits and address unanticipated service requirements (such as emergency repairs). Low reserve levels indicate limited capacity to deal with cost increases or revenue losses, requiring the City to revert to taxation, user fee increases or the issuance of debt. Changes to the reserve and reserve fund policy and funding strategies presented to Council in early 2020 support efforts to reverse this trend. The Annual Report contains detailed reserve and reserve fund information.
- Greater Sudbury's operating expenses as a percentage of total assessment is very steady over time and compares favorably to our peer municipalities.
- Recent capital budgets and planned capital spending show the corporation has been reversing its historical under-investment in asset renewal. The ratio of annual capital asset additions to annual amortization expense (213.9% in 2019 and 161.1% in 2020) indicates the corporation is investing more in new assets than the value it is consuming each year to provide its services. It is noteworthy however that some of this capital addition is for new assets or in some cases, new services that the City has decided to provide. Some of the capital additions reflected in this ratio are new capital assets, not sustaining capital which is required to keep pace with amortization (or usage) of asset value.
- Taxes receivable as a percentage of taxes levied is an indication of taxpayer ability to pay and collections efforts. The ratio remains low and is a real positive in light of the Covid-19 pandemic response. This percentage is not materially different than any pre-pandemic year in this 5-year analysis.

Sustainability Indicators	Target	2020	2019	2018	2017	2016
Financial assets to financial liabilities	0.75 to 1.50	1.41	1.66	1.66	1.66	1.67
Total reserves and reserve funds per household	$2,000 to $3,500	$ 2,067	$ 1,830	$ 1,981	$ 1,931	$ 2,132
Total operating expenses as a percentage of taxable assessment	2.0% to 3.5%	2.3%	2.4%	2.3%	2.3%	2.2%
Capital additions as a percentage of amortization expense	150% to 250%	161.1%	213.9%	111.4%	133.2%	95.2%
Taxes receivable as a percentage of taxes levied	n/a	3.2%	2.8%	2.7%	3.0%	2.4%

Flexibility

Key points about Greater Sudbury's flexibility include:

- Taxation levels remain among the lowest in Ontario for Cities with a population greater than 100,000. Both residential taxes per household and residential taxes as a percentage of household income have been, and remain, well below the typical range for municipalities in the BMA study. This indicates Council has discretion to raise taxes to support changes in services or service levels.
- The corporation historically had a much lower debt per capita and other debt ratios than comparator municipalities. The typical range for debt per household among our comparators is $2,000 - $3,500. As anticipated, the issuance of $200 million in debt early in 2020 has moved us up into that range. The 2020 result of $3454 per household is still within the target range and is well within our debt

policy thresholds. This means the corporation is investing in asset renewal using debt financing more than in prior periods, but remains within typical levels for comparable cities.

- The ratio of debt servicing costs to revenue is 3.24%, which remains low compared to other municipalities but moves us beyond the target range for this indicator. This means the relative share of annual revenue to support debt servicing costs is increasing but remains, as above, within the acceptable range in comparison to other municipalities and within our debt policy limits.
- The net book value of tangible capital assets is, like the capital additions as a percent of amortization expense, a proxy for the amount of value remaining in assets…a sense of how much of the asset base is "used up" due to the passage of time from a book value perspective. It is noteworthy that despite the historic levels of capital additions in the 2017 – 2020 time period, these values have remained stable or even declined marginally. This means that despite the corporation's investments in asset renewal and in new capital assets, their net book value versus their historical cost continues to decrease. This highlights the need for fresh asset condition data and clearly established asset levels of service to yield strategies and alternatives to historical patterns of asset investments for Council's consideration.
- The ratio of debt to reserves has been impacted by an increase in debt at the same time as a decrease in reserves. At 1.67, Greater Sudbury's ratio is higher than the BMA average of 0.90.

Flexibility Indicators	Target	2020	2019	2018	2017	2016
Residential taxes per household	$3,000 to $5,000	$ 2,472	$ 2,349	$ 2,258	$ 2,176	$ 2,072
Debt per household	$2,000 to $3,500	$ 3,454	$ 927	$ 1,012	$ 1,027	$ 1,096
Residential taxes as a percentage of household income	3.0 to 5.0%	3.85%	3.79%	3.83%	3.85%	3.63%
Total taxation as a percentage of total assessment	1.0% to 2.5%	1.30%	1.27%	1.24%	1.22%	1.17%
Debt servicing costs (interest and principal) as a percentage of net revenues	2.0% to 3.0%	3.24%	1.98%	2.32%	2.19%	2.28%
Net book value of tangible capital assets as a percentage of historical cost of tangible capital assets	40% to 60%	49.2%	49.3%	48.8%	49.7%	50.3%
Ratio of debt to reserves and reserve funds	1% to 1%	1.67	0.50	0.50	0.50	0.50

<u>Vulnerability</u>

Key points about Greater Sudbury's vulnerability include:

- The corporation's vulnerability is within a typical range for comparator municipalities. Greater Sudbury relies to a lesser degree than other municipalities on senior government funding for operations.
- Reliance on operating grants from senior levels of government increases the corporation's exposure to sudden changes in funding that it does not directly control. Examples include Ontario Municipal Partnership Fund allocations, provincial and federal gas taxes, and funding agreements with numerous ministries (health and long-term care, education, community and social services, etc.).
- While this exposure increases the corporation's overall risk of a sudden change in revenue, reliance on federal and provincial funding has remained consistent as shown by minor fluctuations in government transfers to total revenue.
- A higher ratio does not always indicate greater vulnerability. Where senior government funding is directed toward specific capital projects (for example, with grants for specific capital projects), the corporation's risk of sudden revenue loss is relatively low.

Vulnerability Indicators	Target	2020	2019	2018	2017	2016
Ratio of government transfers to total revenue	n/a	0.27	0.28	0.29	0.30	0.25
Operating grants as a percentage of total revenues	10% to 25%	23.2%	22.0%	23.2%	22.6%	22.9%
Capital grants as a percentage of total capital expenditures	10% to 25%	22.6%	26.0%	40.2%	45.3%	14.1%

Appendix C:

<u>"Low Growth, Conservative Investment"</u> scenario in which expenses are reduced by 2% per year from 2023 to 2030 (reflecting significant planned service level reductions) and elimination of the 1% contribution to reserve and reserve funds in 2023.

The 10-year operating budget (revenues and expense) projection is summarized in the table below.

Forecasted Operating Budget
(In thousands of dollars)

	Budgeted	Forecasted									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Ten Year Total
Revenues:												
	332,212	335,450	339,302	340,554	342,059	343,831	345,876	348,205	350,830	353,762	357,014	3,456,883
Expenses:												
	616,305	638,446	657,564	654,034	650,942	648,296	646,101	644,363	643,092	642,296	641,982	6,467,116
Net levy before undernoted items	284,093	302,996	318,262	313,480	308,883	304,465	300,225	296,158	292,262	288,534	284,968	3,010,233
Debt repayment (existing debt)	18,377	8,564	7,068	5,906	5,311	4,779	4,779	4,779	4,764	4,606	4,606	55,162
Municipal levy before undernoted items	302,470	311,560	325,330	319,386	314,194	309,244	305,004	300,937	297,026	293,140	289,574	3,065,395
Debt Repayment 2020 - 2022 Capital Inlcudin PM and $200M		12,210	13,883	14,720	14,720	14,720	14,720	14,720	14,720	14,720	14,720	143,853
Municipal levy	$ 302,470	323,770	339,213	334,106	328,914	323,964	319,724	315,657	311,746	307,860	304,294	3,353,101
									Average annual increase in levy		0.1%	

Unsurprisingly, the 10-year net tax levy increase in this scenario is negligible and would almost certainly place the City in the lowest net tax per household position among Ontario Municipalities with greater than 100,000 population. Taxation as a percentage of household income is roughly 1% less than the base scenario. Deep cuts to services and available resources would be required to achieve this scenario and although the existing, known projects could be accomplished, capital would be scarce and in years with such steep cost reductions, sourcing additional funding through debt or capitalizing on matching funds from senior orders of government would be difficult. Also, service reductions are not easy and frequently take several years to implement and some have negative revenue consequences that would only be fully understood once the reductions were put in place. The model anticipates we would see a steady decrease in operating expenditure but if this could not be realized, there is a risk that operating deficits would further erode reserves and flexibility. Without any intervention to improve our reserves, they continue at low levels among our comparators. Decreases in service and an inability to address, for example, our aging infrastructure in this scenario could lead to lower growth estimates and reduced sustainability as well as flexibility. Service quality would be relatively low, and the risk of asset failures would increase the risk of service interruptions that decrease citizen satisfaction with city services.

FINANCIAL INDICATORS	Budgeted	Forecasted									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Sustainability											
Financial assets to financial liabilities	0.73	0.64	0.61	0.62	0.65	0.69	0.73	0.77	0.82	0.87	0.93
Reserve and reserve funds per household	$ 1,505	$ 1,254	$ 1,129	$ 1,074	$ 1,217	$ 1,373	$ 1,542	$ 1,725	$ 1,923	$ 2,136	$ 2,364
Operating expenses as a percentage of taxable assessment	2.76%	2.83%	2.88%	2.83%	2.79%	2.75%	2.71%	2.68%	2.65%	2.62%	2.59%
Capital additions as a percentage of amortization expense	166%	155%	121%	126%	115%	114%	114%	113%	113%	112%	112%
Total debt per household	$ 3,292	$ 4,065	$ 4,253	$ 4,092	$ 3,940	$ 3,786	$ 3,650	$ 3,499	$ 3,345	$ 3,190	$ 3,034
Flexibility											
Debt to Reserve Ratio	2.19	3.24	3.77	3.81	3.24	2.76	2.37	2.03	1.74	1.49	1.28
Residential taxes per household	$ 2,837	$ 3,025	$ 3,157	$ 3,098	$ 3,039	$ 2,982	$ 2,932	$ 2,885	$ 2,838	$ 2,793	$ 2,751
Residential taxation as a percentage of household income	2.73%	2.86%	2.92%	2.81%	2.71%	2.60%	2.51%	2.42%	2.33%	2.25%	2.17%
Total taxation as a percentage of total assessment	1.32%	1.39%	1.45%	1.41%	1.37%	1.34%	1.31%	1.28%	1.25%	1.22%	1.20%
Debt servicing costs as a percentage of total revenues	3.66%	3.80%	3.78%	3.60%	3.35%	3.16%	2.88%	2.80%	2.72%	2.63%	2.55%
Net book value of tangible capital assets as a percentage of historical cost	49.9%	49.6%	48.8%	48.1%	47.3%	46.5%	45.7%	44.9%	44.1%	43.3%	42.5%
Vulnerability											
Operating grants as a percentage of total revenues	22.5%	21.4%	20.8%	20.2%	19.7%	19.2%	18.6%	18.1%	17.6%	17.1%	16.7%
Capital grants as a percentage of total capital expenditures	18.1%	33.1%	23.3%	27.1%	20.6%	20.2%	19.8%	19.4%	19.0%	18.7%	18.3%

"High Growth" scenario in which all other assumptions in the base model remain, and we assume 2.0% assessment growth per year.

With all else equal and a 2.0 % growth rate, the 4.0% net tax levy increase in the base model over ten years nets to an average annual increase of 2.0%. The Financial Indicators demonstrate the value of growth in terms of flexibility. The model also features the reserve and reserve fund levy in 2023 so, as in the base model, the corporation's reserves levels are more in line with our more flexible municipal comparators and there is more potential for Council to make decisions about additional investments in reserves, debt, capital or service enhancements than in the base model.

"Growth and Strategic Investment" scenario in which the corporation:

a) enhances its position as an investable municipality with higher levels of capital renewal,
b) realizes stronger, long term economic growth, resulting increased taxation revenues and
c) introduces special levies to support infrastructure spending.

Forecasted Operating Budget
(In thousands of dollars)

	Budgeted	----------	----------	----------	----------	----------	Forecasted	----------	----------	----------	----------	----------
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Ten Year Total
Revenues:												
	332,212	335,450	339,302	345,842	352,651	359,740	367,121	374,807	382,813	391,151	399,836	3,648,713
Expenses:												
	616,305	638,446	657,564	676,614	701,540	722,027	748,892	770,935	793,685	823,622	848,114	7,381,439
Net levy before undernoted items	284,093	302,996	318,262	330,772	348,889	362,287	381,771	396,128	410,872	432,471	448,278	3,732,726
Debt repayment (existing debt)	18,377	8,564	7,068	5,906	5,311	4,779	4,779	4,779	4,764	4,606	4,606	55,162
Municipal levy before undernoted items	302,470	311,560	325,330	336,678	354,200	367,066	386,550	400,907	415,636	437,077	452,884	3,787,887
Debt Repayment 2020 - 2022 Capital Inlcudin PM and $200M		12,210	13,883	14,720	14,720	14,720	14,720	14,720	14,720	14,720	14,720	143,853
Municipal levy	$ 302,470	323,770	339,213	351,398	368,920	381,786	401,270	415,627	430,356	451,797	467,604	4,075,593
									Average annual increase in levy		4.5%	

Although the average annual increase in the levy in this scenario is 4.5%, the net taxation levy increase anticipates a 1.5% annual average assessment growth figure so the estimated 10-year increase is the same as the base model at 3%. Consequently, the ratio of taxation as a percentage of household income remains the same as the base model while the additional growth allows for the flexible use of debt and reserve replenishment to further strengthen indicators like the debt to reserve ratio, the reserves per household and capital additions. This would be a preferred scenario and would further benefit the corporation in the form of enhanced cash flows and flexibilities to be able to make investments such as investments in Community and Energy Emissions Plan projects, accelerate implementation of master plan recommendations and more facilities renewal investments.

FINANCIAL INDICATORS	Budgeted	-----	-----	-----	-----	Forecasted	-----	-----	-----	-----	-----
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Sustainability											
Financial assets to financial liabilities	0.73	0.64	0.61	0.63	0.68	0.74	0.83	0.93	1.05	1.20	1.37
Reserve and reserve funds per household	$ 1,505	$ 1,254	$ 1,129	$ 1,119	$ 1,420	$ 1,786	$ 2,293	$ 2,873	$ 3,529	$ 4,348	$ 5,253
Operating expenses as a percentage of taxable assessment	2.76%	2.83%	2.87%	2.90%	2.96%	2.99%	3.06%	3.10%	3.14%	3.21%	3.25%
Capital additions as a percentage of amortization expense	166%	155%	121%	126%	115%	114%	114%	113%	113%	112%	112%
Total debt per household	$ 3,292	$ 4,065	$ 4,253	$ 4,092	$ 3,940	$ 3,786	$ 3,650	$ 3,499	$ 3,345	$ 3,190	$ 3,034
Flexibility											
Debt to Reserve Ratio	2.19	3.24	3.77	3.66	2.77	2.12	1.59	1.22	0.95	0.73	0.58
Residential taxes per household	$ 2,837	$ 3,025	$ 3,157	$ 3,259	$ 3,409	$ 3,515	$ 3,680	$ 3,798	$ 3,918	$ 4,099	$ 4,227
Residential taxation as a percentage of household income	2.73%	2.86%	2.92%	2.96%	3.03%	3.07%	3.15%	3.19%	3.22%	3.31%	3.34%
Total taxation as a percentage of total assessment	1.32%	1.39%	1.44%	1.47%	1.52%	1.55%	1.60%	1.64%	1.67%	1.73%	1.76%
Debt servicing costs as a percentage of total revenues	3.66%	3.80%	3.78%	3.60%	3.35%	3.16%	2.88%	2.80%	2.72%	2.63%	2.55%
Net book value of tangible capital assets as a percentage of historical cost	49.9%	49.6%	48.8%	48.1%	47.3%	46.5%	45.7%	44.9%	44.1%	43.3%	42.5%
Vulnerability											
Operating grants as a percentage of total revenues	22.5%	21.4%	20.8%	20.2%	19.7%	19.2%	18.6%	18.1%	17.6%	17.1%	16.7%
Capital grants as a percentage of total capital expenditures	18.1%	33.1%	23.3%	27.1%	20.6%	20.2%	19.8%	19.4%	19.0%	18.7%	18.3%