2023 Long Term Financial Plan Update

Presented To:	Finance and Administration Committee
Meeting Date:	June 20, 2023
Type:	Presentations
Prepared by:	Kevin Fowke Corporate Services
Recommended by:	General Manager of Corporate Services

Report Summary

This report and presentation provides information regarding the corporation's financial condition over the next 10 years. A model of anticipated revenues and expenditures from 2024 to 2033 indicates that the City's financial condition should remain relatively and comparatively strong. The report provides a base "steady state" operating scenario and two scenarios that addresses asset renewal, community change initiatives and growth-related projects.

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

This report supports decisions that drive progress on fulfilling Strategic Plan objectives. Greater Sudbury can play an increasingly important role in the developing electric vehicle industry due to its strong metal mining sector, which aligns indirectly with Goals 9 and 10 of the Community Energy & Emissions Plan (CEEP). Council's direction to achieve net-zero (Green House Gas) GHG emissions by 2050, which serves as the CEEP's overarching goal, will create short-term challenges as asset replacements and retrofits (Goals 2, 3 and 4) must consider high performing and energy efficient options that tend to be much more costly than ones based on current standards. Longer term, however, energy and GHG savings are anticipated to outweigh initial costs.

Financial Implications

There are no financial implications associated with this report.

Executive Summary

The 2024 – 2033 LTFP update will assist Finance and Administration Committee in taking a long-term view when providing budget direction for 2024 and 2025.
The update confirms Greater Sudbury's current financial health and relative strength compared to many Ontario municipalities. It describes capital investment needs that without attention will reduce the City's sustainability and service levels. It reiterates messages noted in previous versions of this plan - the City cannot rely on reserves to offset short or long-term financial pressures to the same extent as peer

municipalities.
The plan reflects major influences such as:

- Strong population and household growth prospects
- Greater Sudbury's role as a supplier of critical minerals and a global mining supply and service leader
- Aging infrastructure prompting renewal/replacement needs worth in excess of $150M per year
- The anticipated effects of weather and climate change patterns
- A need for workforce resilience and strategies to attract and retain talent in a tight labour market
- Uncertainty in future funding from senior orders of government
- New service demands, especially for social and emergency services
- Rapid changes in technology and demands for digital services

The base plan calls for an average annual net taxation levy increase of 4.7% in each of the next ten years. Two alternative scenarios are presented. One scenario anticipates additional capital expenditures to address "core infrastructure" renewal, producing an average annual net taxation levy increase of 6.6%. Another scenario expands the scope of the infrastructure renewal to address known asset management requirements by the end of the plan period, producing an average annual net taxation levy increase of 10.7% over the next 10 years.

Background

Since 2019 the practice of presenting the LTFP update in concert with annual budget directions serves several objectives. First, long term financial planning is a best practice for all corporations, especially local governments, that provide large-scale, long-lasting infrastructure and critical services. Second, the LTFP supports efforts to carefully plan financial resources over the long term. Third, the LTFP helps develop perspectives about the corporation's service sustainability, flexibility and vulnerability.

There are several emerging challenges and opportunities. The City is in a period of sustained economic growth, low unemployment and surging demand for its mineral assets and services. Municipal services, and the costs of providing them at desired service levels, play an important role in creating an environment where workers want to live and businesses can effectively fulfill their objectives. Council's challenge is assessing how best to balance service expectations, risk and affordability in ways that enhance, or at least do not diminish, the positive conditions that currently exist.

The corporation is in a strong financial position with prudent fiscal management, strong budgetary performance, relatively low property taxes, manageable debt, debt capacity and robust liquidity underpinning its AA+ (stable outlook) rating from Standard and Poor's (S&P) Global Ratings. There are financial constraints such as a significant infrastructure deficit, limited ability to fund large infrastructure projects without assistance from senior governments, constraints on a municipality's ability to earn revenues, and low reserve levels.

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:

- <u>Long-term sustainability:</u> a long-term perspective on the City's financial position, funding sources and resource allocations
- <u>Respect for the taxpayer:</u> quality services at an affordable cost
- <u>Appropriate funding for services</u>: a recognition that service levels are the key driver for the corporation's costs, with non-tax revenues based on fair allocation of costs based on service utilization and ability to pay
- <u>Planning for infrastructure:</u> investments consider required asset levels of service in the long term and alternative means of procuring and financing

Analysis

Factors influencing the Long Term Financial Plan

The LTFP reflects the following assumptions and information about local trends:

Improved growth in the medium to long term: For the base scenario, staff anticipate growth of approximately 4500 new housing units and 7500 new residents over the next ten years. This represents the “high” scenario developed in the 2018 Hemson forecast and reflects Greater Sudbury’s 2021 population is approximately 166,000 (up from 161,500 in 2016). Forecasts are being updated based on the 2021 census data and they indicate a significant upside. Greater Sudbury’s 2021 Census population is approximately 166,000 up from 161,500 in the 2016. Factoring in Census undercoverage, the City’s current population is likely closer to 170,000. Staff are currently finalizing revised population projections report that revises the high scenario building on strong growth since 2018. It is reasonable to anticipate the city’s population will exceed 200,000 persons by 2051.

Aging infrastructure requiring significant capital investment: detailed asset management plans will be completed for all asset classes by the end of Q3. Broadly, they call for over $300M per year to be invested in capital renewal over the next 10 years. Historically, (even including growth related capital expenditure), the corporation has invested less than $150M per year on average.

The *Infrastructure for Jobs and Prosperity Act* (O.Reg 588/17) requires all Ontario municipalities to produce asset management plans accompanied by a lifecycle management and financial strategy for the 10 year period following July 1, 2025 (for core municipal infrastructure) and July 1, 2026 (for all other municipal infrastructure assets). This means that the provincial government will be reviewing the extent to which our financial strategies match our required asset levels of service.

The anticipated effects of climate change and changing weather patterns: As described in several reports, the nature and extent of asset renewal is changing. Both public and private corporations are changing the nature of their infrastructure investments to address increased costs for responding to storm events, introduce new features that reflect sustainable practices and new technologies, and revised lifecycle expectations.

Our workforce will continue demonstrating resiliency and its unique skills: Our residents generally offer needed skills in our country’s shifting economy, such as bilingualism and sought-after trades, adding stability to our local economy. For the municipality this supports the view that taxation revenues will continue to be a reliable funding source. With sustained low unemployment in the short term though, vacancy management and low labour supply will require a combination of significant in-migration (anticipated by population growth projections) and technological change.

Senior government funding will be uncertain: Cost-shared programs or infrastructure projects that rely on senior funding in their financing plans may not proceed at the same level/pace compared to prior periods without some further intervention by the municipality.

New service demands from existing residents can be expected: A growing population of aging and vulnerable citizens will increase the demand for some services, such as emergency services (especially paramedic services), leisure, transit, health and social services supports. There will also be calls for changes to existing services to ensure an appropriate balance between access, taxpayer subsidy and user fees.

Rapidly changing technology: There will be new costs associated with how the corporation connects with residents and delivers services resulting from the continued introduction of technology. This reflects resident expectations to access services in ways that are at least as convenient as the private sector options they enjoy, as well as the need to serve a segment of the population that is comfortable with current processes and/or that may not have access to technology to take advantage of digital service access. This generational shift will last throughout the plan period and will add cost in the short term while delivering the potential for new data solutions and enhanced service process efficiency.

<u>Sudbury's role as a supplier of critical minerals:</u> Higher population and household growth scenarios will rely on higher rates of GDP growth and employment. The role nickel and cobalt must play in battery/electrical vehicle supply and production in that scenario is important as is Sudbury's mining supply and service companies who will be busy supplying the world's lithium and copper producers.

<u>Key Municipal Budget Drivers for 2023, 2024 and Beyond:</u> Ontario's Regional and Single Tier Treasurers developed a list of key budget drivers in March of 2023 that is notable for the shared perspective it brings to a long-term financial planning discussion in the Ontario municipal context. It offers insight into factors keeping Ontario municipal treasurers "awake at night" when they consider the longer term for municipal services and finances.

The list included increasing service level expectations such as:

- Public transit ridership, revenue and service hours
- Homelessness and emergency shelter systems
- Mental health and addiction services
- Affordable housing funding and incentives
- Refugee and immigration services
- Investments in equity, diversity, reconciliation and inclusion
- Investments to achieve climate action goals

The list also described the impacts of several financial and economic factors:

- Staff recruitment and retention
- Inflation and capital cost escalation
- Insurance costs: property, liability and cyber liabilities
- Cost of police and fire services, including arbitrated settlements
- Bill 23 and funding of growth
- Long term supply chain issues
- Cost of borrowing
- Capital Asset Renewal

Base Model Assumptions

Inflation

Inflation around the globe remains high and broad-based. Despite some softening in energy prices, the current rate of inflation rose slightly to 4.4% in April of 2023. The Bank of Canada states a clear strategy to reduce inflation to historic norms falling to around 3% in the middle of 2023 and reaching a target of 2% in 2024 (Bank of Canada Monetary Policy Report, January 2023). These assumptions have been incorporated into the LTFP model but staff believe the potential for higher inflation exists based on the Bank's own growth and demand assumptions about the Canadian economy, especially in the early years of the plan from 2024 to 2026.

Population Growth Assessment

Traditionally, our LTFP used 1% as the anticipated annual assessment growth. This is comprised partially of growth in households (averaging 425 per year) and population growth (averaging 660 persons per year) and anticipated assessment growth resulting from increases in construction and renovations (net of demolitions). Two additional scenarios have been developed for this year's update. An "Asset Management" scenario which uses asset management plans to suggest what a minimum level of asset investment could look like and a "Capital and Growth" demonstrating how the City could capitalize on anticipated growth. The capital and growth scenario presents assessment growth at 1.2% for 2024-2027 and 1.5% for 2028 – 2033. All efforts aimed at encouraging net in-migration of population and employment growth are required to meet or exceed the high growth scenario. According to the 2021 census, there were 3,555 non-permanent residents living in Greater Sudbury. This group presents an excellent retention opportunity if they can be welcomed, housed and integrated into the community in the longer term.

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

Greater Sudbury's Gross Domestic Product (GDP) is anticipated by the Conference Board of Canada to grow by 2.7% in 2023 to $9.22B and 2% per year thereafter until 2026, the current endpoint for their metropolitan area GDP forecasting. It is noteworthy that their forecast for 2023 for Greater Sudbury was 0.8% only one year ago when staff presented the LTFP update. This difference is a regional reflection of higher than anticipated growth across the Canadian economy that is extending into 2023.

Employment

Greater Sudbury continues to experience a sustained period of historically low unemployment. There were approximately 88,300 people employed in Greater Sudbury in April of 2023 holding the unemployment rate steady at 4.0% compared to 5.0% nationally and 4.9% provincially.

This trend matches (and is no doubt related to) the positive outlook for growth in Greater Sudbury in 2023. It does present a challenge to businesses (and local government) in recruiting new employees to address growth and opportunities. Sudbury Manitoulin Workforce Planning identify that almost all sectors are experiencing labour shortages. Demand for skilled trades, personal support workers, retail trade employees and employees in the category "professional scientific technical services" is not being met by the quantity supplied. (Local Labour Market Plan 2022 – 2023). Five thousand of the 9,850 immigrants living in Greater Sudbury have arrived in our community since 2000. This Plan underscores the need to accelerate efforts to connect new immigrants to labour and employment opportunities.

Labour Resourcing Challenges and Rising Costs

A significant factor in realizing the service outcomes and financial projections in this year's update will be contingent upon the corporation and the City being able to fill vacant positions in the workforce. The demand for labour, especially in certain sectors and occupations experiencing shortages in quantity supplied will naturally drive wage and benefit increases.

Building Construction Activity

Residential construction values for the first quarter of 2023 were lower compared to the same period in 2022 (225 versus 305, valued at $31.8M versus $45M). Similarly, Industrial, Commercial and Institutional permits were also lower (61 for Q1 2023 versus 83). While no new industrial or institutional gross floor area was added in Q1 of 2023, new commercial area of 5722 square feet was added compared to 3719 square feet in Q1 2022. Planning applications for Q1 were up to 110 from 92 in Q1 of 2022 signaling strong potential future growth. Uncertainty about Canadian interest rates seems to be holding back the kind of building growth that would normally follow strong population and GDP growth and historically low unemployment. The capital and growth scenario anticipates stronger construction activity driven by increased households and populations in the latter half of the plan period.

Household Income

The assumption used for average household income for the present modelling purposes (2023) for Greater Sudbury is $107,699 using a 2021 base of $105,587 from the BMA study. This 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.

10-year Financial Plan Model – Base Scenario

The base scenario updates our plan using the 2024 and 2025 forecast and assumptions about 2024 – 2033. It uses the following assumptions for 2024 to 2033 to arrive at a 10-year average net taxation levy increase of 4.7%.

- Salaries and Benefits reflect the current bargaining mandate and assume 2.5% increases per year in 2027 for the remaining years in the period.
- Water and Wastewater user fees increase by 4.8% per year in accordance with the current Water/Wastewater Financial Plan.
- Materials / Operating expenses are inflated by 5.8% in 2024, 3.0% in 2025 and 2.5% for the remaining years in the period.
- Investment earnings reflect 5% interest earned on invested funds. This includes unspent debt for capital projects (large projects) which is assumed to be entirely expended from 2025 – 2028. Investment earnings are anticipated to return to historical levels after 2028.
- Capital contributions from the operating fund are inflated by 9.9% (NRBCPI, Q4 2022) in 2024 and 5.0% per year thereafter
- $6.6M in additional capital is added in 2026 to accelerate capital renewal/investment activities
- $3M in additional funding is added in 2026 to be used for community change initiatives that Council may identify
- Energy prices are forecast to decrease slightly in 2024, increase by 2.9% in 2025 – 2027 and then by 2.5% for the balance of the plan period. Fuel costs have also stabilized and are predicted to grow only slightly to a gas/diesel combined rate of $1.45/liter in 2024 and $1.50/liter in 2025. These increases include the currently known impact of the federal carbon tax plan.
- An annual amount equal to 1% of the total 2025 levy is added in 2026 as a contribution to reserves to address chronically low reserve levels and strengthen the corporation's financial flexibility.
- Net taxable assessment increases by 1% per year throughout the plan period.
- All current debt is fully incorporated for the full term of issuance and in accordance with the sinking fund by-law. No new debt is anticipated.
- Average household income increases an average 2% per year, in accordance with the BMA study 2021 base.

This base model (revenues and expenditures) is summarized in the table below:

CITY OF GREATER SUDBURY
Long-Term Financial Plan

Forecasted Operating Budget
(In thousands of dollars)

	Budgeted 2023	Forecasted 2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Ten Year Total
Revenues	$ 384,783	391,566	393,291	399,998	407,310	413,410	421,233	429,382	437,872	446,718	455,936	4,196,716
Expenditures	$ 717,105	$ 751,982	$ 773,899	$ 813,685	$ 841,638	$ 870,719	$ 901,065	$ 932,561	$ 965,280	$ 999,590	$ 1,035,403	$ 8,885,822
Municipal Levy	**$ 332,322**	**$ 360,417**	**$ 380,608**	**$ 413,687**	**$ 434,329**	**$ 457,309**	**$ 479,833**	**$ 503,179**	**$ 527,408**	**$ 552,871**	**$ 579,467**	**$ 4,689,106**
Annual Property Tax Increase		**8.5%**	**5.6%**	**8.7%**	**5.0%**	**5.3%**	**4.9%**	**4.9%**	**4.8%**	**4.8%**	**4.8%**	
Assessment Growth		**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	
Property Tax Increase net of Assessment Growth		**7.5%**	**4.6%**	**7.7%**	**4.0%**	**4.3%**	**3.9%**	**3.9%**	**3.8%**	**3.8%**	**3.8%**	

Average Annual Increase	**5.7%**
Average Annual Increase net of assessemnt growth	**4.7%**

Monitoring and Performance Reporting: Financial Indicators

The Long-Term Financial Plan is built on 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.

Appendix A contains comparisons on the financial indicators for 2018 to 2022. The corporation compares its financial performance to a typical range of indicators in selected municipalities whose features are like Greater Sudbury’s. Since 2018, comparisons with the following municipalities have provided further context for understanding the corporation’s financial condition: Thunder Bay, Sault Ste. Marie, Timmins, North Bay, Barrie, Kingston, Brantford, Windsor and Chatham-Kent.

Financial Indicators on the Base Model

The output of the base model as it relates to anticipated financial indicators over the next 10-year period is attached as Appendix B.

Reserve and Reserve Funds

Capital project decisions during 2022 and 2023 budgets have placed additional strain on levels of reserve and reserve funds. The plan does anticipate that we are delivering on some important projects ($38M for general infrastructure projects funded from the tax levy, $15M in Water/Wastewater services projects and $9.5M for housing projects). The downside is that indicators like reserves per household fall substantially from $2,565 in 2022 to less than $950 in 2027 (compared to an average of $3550 among our BMA comparator municipalities). This is also reflected in the trajectory of our debt to reserve ratio. Even though the base plan anticipates no new debt is added during the plan period, the debt to reserve ratio rises to 4.50 in 2027 (compared to an average ratio of 0.73 among our BMA comparator municipalities). Both measures return to their 2023 levels by 2033, (in part due to the inclusion of a 1% levy to strengthen reserve funds in 2026), but in the intervening period the corporation lacks flexibility to be able to respond to opportunities and match funding from other orders of government. The uncommitted portion of these reserves (approximately $77M) is also low and impacts flexibility in the short term for unanticipated cost overruns, emergencies or project opportunities. Such low reserve levels could lead to increased debt financing or lower overall capital renewal activity.

Future Asset Reinvestment

Aging infrastructure has been identified as a key driver in our long term financial planning. It is also a key corporate risk financially and operationally and puts day-to-day service at risk of disruption and unanticipated repair. Our level of capital expenditure over the plan period is $1.313B, ranging from $92M (in 2024) to $175M (in 2033).

This is less than half of the anticipated capital expenditure required over the plan period to maintain assets in a “good” state of repair. It is important to recognize the roughly $3B expenditure identified in asset management plans does not replace every asset; it simply maintains current service levels by maintaining or repairing existing assets to a “good” state of repair (in many cases improving an older asset from a “fair” or “poor” state of repair). This means that the corporation must capitalize on opportunities to shrink the number and age of assets where possible, make life cycle interventions in accordance with asset management plans and consider, where possible, technological alternatives or service changes.

Debt

A key flexibility indicator is the rate of debt and debt servicing costs (interest and principle) required by any service organization compared to own source revenues. It measures the degree to which the use of debt as a financing choice consumes revenue that can be used to provide services, allow for future debt financing. Greater Sudbury has flexibility with a low ratio of debt and debt servicing costs to own source revenues. This ratio has declined since the issuance of approximately $303M of low cost debt financing in 2020 and 2021. The ratio was 3.59% in 2022, will decrease to 3.11% in 2023 and 1.90% by the end of the plan period. Our comparators average 3.72%. Council’s own debt policy states debt charges can be no more than 10% of own source revenues; the province limits all municipalities such debt charges can be no more than 25% of own-source revenues.

The low cost of debt on the first $200M bond issuance (2.41%) is a key factor in this positive forecast and the flexibility it describes. The rates available to Greater Sudbury on 25 and 30 year debt instruments have almost doubled since the time. Notwithstanding, using a rate of 4.5%, the organization could raise $450M for a 30-year asset investment resulting in debt servicing costs of $26M per annum and still be within its own 10% debt policy limit.

10-year Financial Plan Model – “Addressing Asset Management” Scenario

Appendix C contains the first of two alternate scenarios. This scenario emphasizes increased roads investments in accordance with the Roads Asset Management Plan. It demonstrates the impact of an $80M contribution to capital in 2024 which, like the 1.5% infrastructure renewal levy approved in 2020, simply becomes a new base for asset reinvestment which is inflated each year in accordance with the capital budget policy. This model results in an annual net taxation levy increase of 6.6% per year.
This “addressing asset management” model (revenues and expenditures) is summarized in the table below:

CITY OF GREATER SUDBURY
Long-Term Financial Plan

Forecasted Operating Budget
(In thousands of dollars)

	Budgeted	Forecasted									
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Ten Year Total
Revenues	$ 384,783	391,566	393,291	399,998	407,310	413,410	421,233	429,382	437,872	446,718	455,936	4,196,716
Expenditures	$ 717,105	$ 837,256	$ 849,870	$ 893,628	$ 925,723	$ 959,125	$ 993,980	$ 1,030,177	$ 1,067,797	$ 1,107,216	$ 1,148,352	$ 9,813,124
Municipal Levy	**$ 332,322**	**$ 445,691**	**$ 456,579**	**$ 493,630**	**$ 518,413**	**$ 545,715**	**$ 572,747**	**$ 600,795**	**$ 629,925**	**$ 660,497**	**$ 692,416**	**$ 5,616,408**
Annual Property Tax Increase		**34.1%**	**2.4%**	**8.1%**	**5.0%**	**5.3%**	**5.0%**	**4.9%**	**4.8%**	**4.9%**	**4.8%**	
Assessment Growth		**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	
Property Tax Increase net of Assessment Growth		**33.1%**	**1.4%**	**7.1%**	**4.0%**	**4.3%**	**4.0%**	**3.9%**	**3.8%**	**3.9%**	**3.8%**	

Average Annual Increase	**7.6%**
Average Annual Increase net of assessemnt growth	**6.6%**

10-year Financial Plan Model – “Capital and Growth” Scenario

Appendix D contains an alternate scenario reflecting a few different assumptions about how the City will grow over the period and the kinds of investments that staff recommend to address growth and known financial and service challenges. It incorporates the following additional assumptions to arrive at a 10-year average net taxation levy increase of 10.7%:

- Assessment growth related to household and population growth equal to 1.2% in 2024 – 2027 and 1.5% from 2028 to 2033
- $50M in additional capital expenditure starting in 2024 and lasting until 2028 which (when compounded) addresses the capital infrastructure gap defined in asset management plans. At currently anticipated service levels and required asset level of service, the City’s infrastructure gap would be addressed by 2035 – 2038. Six (6) additional FTEs are added to plan and execute capital works; four (4) in 2025 and two (2) in 2029.
- A one-time reserve contribution equal to 1% of the net tax levy in 2026.
- Additional funding for Community Energy and Emissions Plan (CEEP) initiatives starting in 2024 at 1% of the total capital program and subject to inflation at the capital rate for the remainder of the plan period.
- As an alternate method for funding either growth related capital, (or reserves or CEEP initiatives) a revenue policy has been reflected which would allocate an amount equal assessment growth in excess of 1% in each year of the plan. This excess is reflected in additional contributions to capital…the result is an additional $600,000 in 2024 for capital rising to $4.4M by the end of the plan period.

This alternate model (revenues and expenditures) is summarized in the table below:

CITY OF GREATER SUDBURY
Long-Term Financial Plan

Forecasted Operating Budget
(In thousands of dollars)

	Budgeted	Forecasted									
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Ten Year Total
Revenues	$ 384,783	391,566	393,291	399,998	407,310	413,410	421,233	429,382	437,872	446,718	455,936	4,196,716
Expenditures	$ 717,105	$ 807,921	$ 871,789	$ 960,855	$ 1,047,494	$ 1,140,494	$ 1,184,125	$ 1,229,178	$ 1,276,308	$ 1,325,300	$ 1,376,381	$ 11,219,843
Municipal Levy	**$ 332,322**	**$ 416,355**	**$ 478,498**	**$ 560,857**	**$ 640,184**	**$ 727,083**	**$ 762,893**	**$ 799,796**	**$ 838,436**	**$ 878,582**	**$ 920,445**	**$ 7,023,127**
Annual Property Tax Increase		**25.3%**	**14.9%**	**17.2%**	**14.1%**	**13.6%**	**4.9%**	**4.8%**	**4.8%**	**4.8%**	**4.8%**	
Assessment Growth		**1.2%**	**1.2%**	**1.2%**	**1.2%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	
Property Tax Increase net of Assessment Growth		**24.1%**	**13.7%**	**16.0%**	**12.9%**	**12.1%**	**3.4%**	**3.3%**	**3.3%**	**3.3%**	**3.3%**	
							Average Annual Increase				**10.7%**	
							Average Annual Increase net of assessemnt growth				**9.5%**	

There are an array of alternate scenarios that could be developed with different assumptions. For instance, it would be logical to use additional debt financing rather than assume $50M of additional capital should be borne immediately by the tax levy. This alternate scenario is provided to Council to provoke discussion and debate with one (rather levy focused) approach to address known asset renewal needs, low reserves and a need for funding for CEEP (or other) strategic projects.

Key Enterprise Risks

There are several risks that, if realized, could affect the City’s ability to sustain current service levels in the coming years.

Asset Condition and Construction Price Inflation

Asset condition, generally, increases the risk of asset failure and service interruptions. In contrast, efforts to address asset renewal needs or introduce new assets are subject to contractor availability and labour supply challenges. These conditions, if realized, would increase planned costs.

Base Metal Prices and Substitution of Nickel and Cobalt in Battery-Electric Growth

The price of nickel, a commodity that is key to the Greater Sudbury economy, continues to indicate strong futures because of its importance in the production of electric vehicle (EV) batteries. The Sudbury Basin also produces other critical minerals such as cobalt, copper and platinum group metals – also important to EVs and other modern technologies. Supply of Nickel has remained strong in anticipation of this demand and in the past four months, inventories have built and the price of Nickel has decreased from $14/lb. to $9.50/lb. Copper has continued to show strength by trading above $3.50 per pound over the last year. Greater Sudbury is a clear base metals production leader and yet, there is risk in addressing the opportunities battery-electric vehicle growth presents as a commodity producer only. There is a risk of substitution in the production of non-combustion vehicles that would be better addressed by encouraging opportunities further down the channel in battery or power source recycling and supply.

Economic Capacity and Growth Readiness

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 Levels of Government

Staff continue to monitor the forecasted provincial and federal deficits (and debt) as this may impact existing funding sources and new opportunities. Many of the new services that are being demanded are traditionally federal or provincial accountabilities that are now being expected of the municipality. Supervised consumption, transitional housing, housing for seniors, addiction and mental health supports are extremely important and would not have been a part of a municipal service conversation only a decade ago. These examples encourage municipalities to be increasingly self-reliant and develop financing plans that are less dependent on senior government funding.

Transformational 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 2022 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. More recently, shortages and turnover of professional and skilled labor and project managers are causing project schedule delays related risks. Delay in Greater Sudbury's large projects for a variety of reasons has lead to cost overruns for initial new asset service configuration. Budget allocations, even for altered plans for the events center and library / art gallery projects may no longer be sufficient to address expected project budgets.

Enterprise Risk Management Update and Annual Register of Key Enterprise Risks

The Enterprise Risk Management Update and Annual Register of Key Enterprise Risks, subject to more detailed review in 2023, notes the following enterprise risks:

- Misalignment may exist between financial resource allocations and Council's priorities.
- Asset renewal investments may be insufficient to maintain acceptable condition and service levels.
- The corporation, or the City as a whole, is insufficiently resilient to respond to environmental or economic shocks.
- Global connections and business attraction/development efforts may be insufficient for ensuring Greater Sudbury's economic competitiveness.

- Communications and engagement efforts may be insufficient for building resident trust and confidence.
- Existing human capital management policies and practices may be insufficient for attracting, managing, developing, and retaining top talent to support existing and future operations.
- The corporation may be unprepared for the effects of climate change.
- Corporate service delivery may be insufficiently supported by appropriate technology, datasets, training, or equipment.
- Information entrusted to the corporation may be inadequately protected from unauthorized access.

Summary

The LTFP is updated annually to provide Council a framework for longer-term financial and strategic decision making. It also should assure taxpayers that the City is accountable and transparent about future risks and mitigation strategies for those risks.

Greater Sudbury is poised to play an increasingly important role in the rapidly evolving, broad-scale electric vehicle industry due to its strong metal mining sector, which bodes well for its economic future and concomitant benefits to municipal growth and financing.

The corporation’s financial condition is strong and could be further strengthened with concerted efforts to improve the corporation’s level of reserve and reserve funds and address known asset replacement and life-cycle intervention needs. 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. There are options, like those presented in the Capital and Growth scenario, that improve outcomes and leverage growth to address the corporation’s key financial and service challenges.

The LTFP complements the analysis required for the 2024 and 2025 Budget Direction Report. The 2024 and 2025 Budget Direction Report recommends an average 4.7% net taxation levy increase over two years and seeks directions to guide staff in the preparation of the 2024 and 2025 Business Plan.