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# City of Greater Sudbury Long-Term Financial Plan Update 2024

## Report Summary

This report and presentation will provide information regarding the corporation's financial condition over the next 10 years. A model of anticipated revenues and expenditures from 2025 to 2034 indicates that the City's financial condition should remain relatively and comparatively strong.

## Relationship to the Strategic Plan, Health Impact Assessment and Climate Action Plans

This report supports decisions that drive progress on fulfilling Strategic Plan objectives. Greater Sudbury can play an increasingly important role in the evolving 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 more costly than equipment based on contemporary technology. Longer term, however, energy and GHG (in the form of cost avoidance and lower operating costs) savings are anticipated to outweigh initial costs.

## Financial Implications

There are no financial implications associated with this report.

## Executive Summary

The 2025-2034 Long Term Financial Plan (LTFP) update confirms Greater Sudbury's current financial health and relative strength compared to many Ontario municipalities. It describes capital investment needs that unaddressed, will reduce the City's sustainability and increase the risk of service interruptions and/or reduced service capacity. 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 $150 million 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 3.9 per cent 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 5.9 per cent. A second scenario expands the scope of infrastructure renewal plans to address known asset management requirements by the end of the plan period, producing an average annual net taxation levy increase of 8.7 per cent over the next 10 years.

## Background

Long term financial planning is a best practice for all corporations, especially local governments, that provide large-scale, long-lasting infrastructure and critical services. It supports efforts to think about the future and carefully plan financial resources that support the delivery of desired community outcomes which typically take more than one term of Council to produce. Furthermore, the LTFP helps develop shared 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 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 funding gap, 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

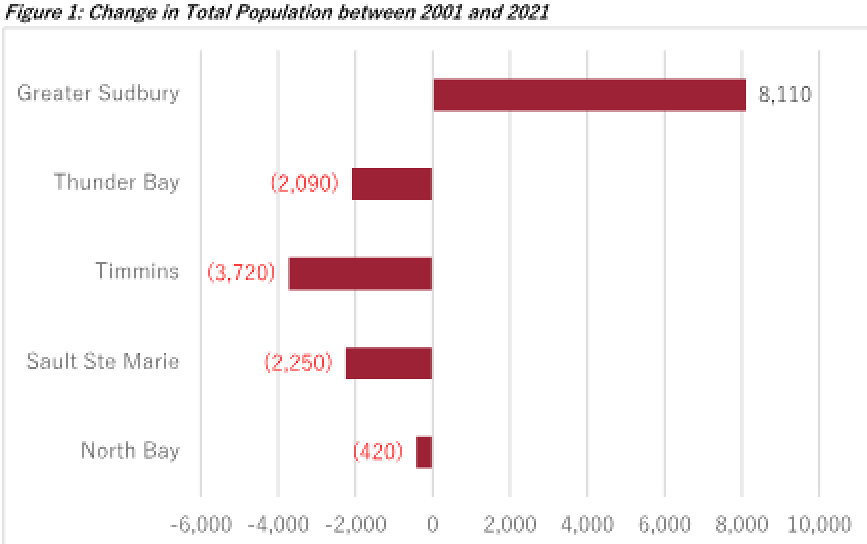
## Analysis

## 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 3,440 new households and 6,100 new residents over the next ten years. This represents the "reference" scenario developed in the 2023 Population Projections Report forecast and reflects Greater Sudbury's 2021 population of approximately 179,965 based on updated Stats Canada estimates. There are positive trends that support the view which anticipates continued growth. It is estimated that the City's population will reach 200,000 in 2051.

*Figure 1: Change in Total Population between 2001 and 2021*




Source: Statistics Canada, Annual Demographic Estimates.

**Aging infrastructure requiring significant capital investment:** detailed asset management plans were presented to Council in December of 2023. Broadly, they call for over $240 million 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 an average $110 million per year in its capital assets, resulting in an annual average infrastructure funding gap of $130 million. The special capital levy approved by Council during the 2024 to 2027 capital budget deliberations will see an additional $55 million invested in capital needs over the four year period.

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 anticipated asset levels of service. Based on past experience, this review will show investments are insufficient to sustain optimal asset condition levels.

**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 a shifting global economy, such as bilingualism and sought-after trades, adding stability to our local economy. For the corporation, this supports the view that taxation revenues will continue to be a reliable funding source. With sustained low unemployment in the short term, the corporation's vacancy management process 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 ageing and vulnerable citizens will increase the demand for some services, such as emergency services (especially Police and 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.

**Sudbury's role as a supplier of critical minerals:** 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.

## Base Model Assumptions

### Inflation

Inflation around the globe remains high and broad-based, however has slowly been easing since a peak in 2022. Canada's rate of inflation fell to 2.8 per cent in February of 2024. The Bank of Canada states a clear strategy to maintain the annual rate of inflation between one and three percent. The Bank projects that inflation will stay around 3 per cent into the second quarter of 2024, ease below 2.5 per cent in the second half of the year and return to target in 2025 (Bank of Canada Monetary Policy Report, April 2024).
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 2025 to 2026.

### Population Growth Assessment

Traditionally, our LTFP used 1 per cent as the anticipated annual assessment growth. This is comprised partially of growth in households (averaging 344 per year) and population growth (averaging 610 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 per cent for 2025-2028 and 1.5 per cent for 2029 – 2034.

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 0.9 per cent in 2024 to $9 billion and 2 per cent per year thereafter until 2028, the current endpoint for their metropolitan area GDP forecasting. The City's output will finally achieve its pre-pandemic peak in 2025. The Conference Board also notes the soft commodity pricing for nickel due to worries about the near-term prospects for electric cars and their nickel-consuming batteries, along with rising Indonesian supply. Prices for nickel peaked in March 2022 and were roughly half that in March 2024.

**Employment**

Greater Sudbury continues to experience a sustained period of historically low unemployment. There were approximately 84,100 people employed in Greater Sudbury in April of 2024 holding the unemployment rate steady at 5.2 per cent compared to 6.0 per cent nationally and 6.7 per cent provincially.

Sudbury & Manitoulin Workforce Planning identify that many sectors are experiencing labour shortages. Demand for skilled trades, personal support workers, and other occupations are not being met by the quantity supplied (Local Labour Market Plan 2023 – 2024). The Sudbury RNIP program is supporting occupations in these fields and 524 workers immigrated to Greater Sudbury through this program alone.

**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 2024 were higher compared to the same period in 2023, with 143 permits issued in 2024 versus 225 permits issued in 2023 and construction valued at $130.1 million in 2024 versus $45 million in 2023. Similarly, industrial, commercial and institutional permits were also higher, with 86 permit issued in 2024 versus 83 in 2023 valued at $29.5 million in 2024 compared to $25.1 million in 2023. Planning applications for Q1 were down slightly to 98 from 110 in Q1 of 2023. 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. On the day of this report's publication, the Bank of Canada reduced interest rates by 25 basis points (to 4.75%) and indicated the potential for future rate reductions in 2024.

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 (2024) for Greater Sudbury is $111,432 using a 2022 base of $109,247 from the BMA study. This is increased by 2 per cent 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 2025 and 2026 forecast and assumptions about 2025 – 2034. It uses the following assumptions for 2025 to 2034 to arrive at a 10-year average net taxation levy increase of 3.9 per cent:

- Salaries and Benefits reflect current collective and employment agreements and assume 2.5 per cent increases per year in 2027 for the remaining years in the period.
- Water and Wastewater user fees increase by 4.8 per cent per year in accordance with the current Water/Wastewater Financial Plan.
- Materials / Operating expenses are inflated by 4.5 per cent in 2025 and 2026 and 2.5 per cent for the remaining years in the period.
- Investment earnings reflect 4 per cent interest earned on invested funds. This includes unexpended debt proceeds 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 6.0 per cent (NRBCPI, Q1 2024) in 2025 and 2.0 per cent per year thereafter.
- Energy prices are forecast to increase by 4.8 per cent in 2025, 3.5 per cent in 2026 – 2028 and then by 2.5 per cent 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 $1.50/liter in 2025 and 2026. These increases include the currently known impact of the federal carbon tax plan.
- An annual amount equal to 1 per cent of the total 2026 levy is added in 2027 as a contribution to reserves to address chronically low reserve levels and strengthen the corporation’s financial flexibility.
- Estimates for incremental operations of a new Arena/Event Centre along with the approved plan for debt repayment and a 2 per cent increase in the Municipal Accommodation Tax have been incorporated into the plan.
- Capital and operating costs associated with the roadmap to End Homelessness as presented to Council on May 28, 2024 have been included.
- Net taxable assessment increases by 1.1 per cent per year throughout the plan period.
- All current and approved 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 cent per year, in accordance with the BMA study 2023 base.

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

Table 1: Operating Budget Forecast

**CITY OF GREATER SUDBURY**

**Forecasted Operating Budget**
**(In thousands of dollars)**

| | Budgeted 2024 | Budgeted 2025 | Budgeted 2026 | Forecasted 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | Ten Year Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | $ 409,655 | 414,852 | 423,692 | 438,309 | 446,178 | 456,669 | 464,082 | 472,848 | 481,983 | 491,502 | 501,423 | 4,591,538 |
| Expenditures | $ 765,313 | $ 800,204 | $ 837,524 | $ 882,515 | $ 916,264 | $ 941,933 | $ 968,361 | $ 995,445 | $ 1,023,417 | $ 1,052,197 | $ 1,081,864 | $ 9,499,722 |
| **Municipal Levy** | **$ 355,658** | **$ 385,352** | **$ 413,832** | **$ 444,206** | **$ 470,085** | **$ 485,264** | **$ 504,279** | **$ 522,596** | **$ 541,434** | **$ 560,695** | **$ 580,441** | **$ 4,908,184** |
| **Annual Property Tax Increase** | | **8.3%** | **7.4%** | **7.3%** | **5.8%** | **3.2%** | **3.9%** | **3.6%** | **3.6%** | **3.6%** | **3.5%** | |
| **Assessment Growth** | | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | |
| **Property Tax Increase net of Assessment Growth** | | **7.2%** | **6.3%** | **6.2%** | **4.7%** | **2.1%** | **2.8%** | **2.5%** | **2.5%** | **2.5%** | **2.4%** | |

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| **Average Annual Increase** | **5.0%** |
| **Average Annual Increase net of assessemnt growth** | **3.9%** |

The base model for years 2026 onward differs from prior versions of the long-term financial plan for many reasons. Unanticipated cost increases for materials and labour are significant drivers. This, along with increased costs for contracted services and service partners, and Council-approved service adjustments produce changes compared to previous versions of the LTFP forecasts produced in prior periods.

**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 2023. 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 in the 2024 to 2027 capital budget place additional strain on reserves and reserve funds. The plan anticipates that we are delivering on some important projects including Pioneer Manor Bed Redevelopment, Cultural Hub, Arena / Event Centre, Community Safety Station Revitalization, and LaSalle Elizabella Industrial Park to name a few.

The effects of this progress on the corporation's financial condition are to improve sustainability, reduce flexibility, and maintain vulnerability levels. For example, reserves per household decline from $2,912 in 2023 to less than $832 in 2029 (compared to an average of $3,807 among our BMA comparator municipalities). The corporation's debt to reserve ratio 8.88 in 2029 (compared to an average ratio of 0.82 among our BMA comparator municipalities). Both measures return to "normal" levels by 2034, in part due to the inclusion of a 1 per cent levy to strengthen reserve funds in 2027.Meanwile, the corporation has lower flexibility, which could constrain its ability to address unplanned financing requirements such as to match funding from other orders of government. Similarly, low reserve levels could prompt an increased reliance on debt financing or decisions to reduce the timing and/or extent of capital renewal activity.

## Future Asset Reinvestment and Retirement

Aging infrastructure has been identified as a key driver in our long-term financial planning. It is also a key corporate risk from both financial and operational perspectives. Insufficient asset reinvestments increase the day-to-day risks of service disruption and unanticipated repair. Our level of capital expenditure over the plan period is $2.06 billion.

While this is more than half of the anticipated capital expenditure required over the plan period to maintain assets in a "good" state of repair it also reflects the use of debt to progress on some asset management plans. It is important to recognize the roughly $2.4 billion 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 continue efforts to reduce the number and age of assets where possible, make life cycle interventions in accordance with asset management plans and consider, technological alternatives, service changes or asset retirements.

## Debt

A key flexibility indicator is the rate of debt and debt servicing costs (interest and principal) 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 and enable 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 $303 million of low-cost debt financing in 2020 and 2021. The ratio was 3.94 per cent in 2023, will decrease to 2.76 per cent in 2024 and is anticipated to be 3.30 per cent by the end of the plan period based on the issuance of debt approved in the 2024 to 2027 capital budget as well as debt for the Arena/Event Centre. Council's own debt policy states debt charges can be no more than 10 per cent of own source revenues; the province limits all municipalities such debt charges can be no more than 25 per cent of own-source revenues.

The low cost of debt on the first $200 million bond issuance (2.41 per cent) 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 per cent, the organization could raise $200 million for a 30-year asset investment resulting in debt servicing costs of $12 million per annum and still be within its own 10 per cent 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 $80 million contribution to capital in 2025 which, like the 1.5 per cent 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 5.9 cent per year.

This "addressing asset management" model (revenues and expenditures) is summarized in the table below:

Table 2: Forecast Operating Budget – "Addressing Asset Management" Scenario

**CITY OF GREATER SUDBURY**

**Forecasted Operating Budget**

**(In thousands of dollars)**

| | Budgeted | Budgeted | Forecasted | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | Ten Year Total |
| Revenues | $ 409,655 | 414,852 | 423,692 | 438,309 | 446,178 | 456,669 | 464,082 | 472,848 | 481,983 | 491,502 | 501,423 | 4,591,538 |
| Expenditures | $ 765,313 | $ 880,204 | $ 917,524 | $ 965,493 | $ 1,001,731 | $ 1,029,964 | $ 1,059,034 | $ 1,088,837 | $ 1,119,611 | $ 1,151,277 | $ 1,183,917 | $ 10,397,592 |
| **Municipal Levy** | **$ 355,658** | **$ 465,352** | **$ 493,832** | **$ 527,184** | **$ 555,553** | **$ 573,295** | **$ 594,951** | **$ 615,989** | **$ 637,629** | **$ 659,775** | **$ 682,494** | **$ 5,806,054** |
| **Annual Property Tax Increase** | | **30.8%** | **6.1%** | **6.8%** | **5.4%** | **3.2%** | **3.8%** | **3.5%** | **3.5%** | **3.5%** | **3.4%** | |
| **Assessment Growth** | | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | **1.1%** | |
| **Property Tax Increase net of Assessment Growth** | | **29.7%** | **5.0%** | **5.7%** | **4.3%** | **2.1%** | **2.7%** | **2.4%** | **2.4%** | **2.4%** | **2.3%** | |

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| **Average Annual Increase** | **7.0%** |
| **Average Annual Increase net of assessemnt growth** | **5.9%** |

## 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 8.7 per cent:

- Assessment growth related to household and population growth equal to 1.2 per cent in 2025 – 2028 and 1.5 per cent from 2029 to 2034
- $50 million in additional capital expenditure starting in 2025 and lasting until 2029 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 2026 and two (2) in 2030.
- A one-time reserve contribution equal to 1 per cent of the net tax levy in 2027.
- Additional funding for Community Energy and Emissions Plan (CEEP) initiatives starting in 2025 at 10 per cent 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 per cent in each year of the plan. This excess is reflected

in additional contributions to capita. The result is an additional $700,000 in 2025 for capital rising to $4.4 million by the end of the plan period.

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

<u>Table 3: Forecast Operating Budget – "Capital and Growth" Scenario</u>

**CITY OF GREATER SUDBURY**
**Forecasted Operating Budget**
**(In thousands of dollars)**

| | Budgeted 2024 | Budgeted 2025 | Budgeted 2026 | Forecasted 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | Ten Year Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | $ 409,655 | 414,852 | 423,692 | 438,309 | 446,178 | 456,669 | 464,082 | 472,848 | 481,983 | 491,502 | 501,423 | $ 4,591,538 |
| Expenditures | $ 765,313 | $ 856,592 | $946,808 | $ 1,046,226 | $ 1,137,893 | $ 1,223,535 | $1,259,125 | $ 1,295,107 | $ 1,332,238 | $ 1,370,456 | $ 1,409,848 | $ 11,877,828 |
| **Municipal Levy** | **$ 355,658** | **$ 441,740** | **$523,116** | **$ 607,917** | **$ 691,715** | **$ 766,866** | **$ 795,043** | **$ 822,259** | **$ 850,256** | **$ 878,954** | **$ 908,425** | **$ 7,286,290** |
| **Annual Property Tax Increase** | | **24.2%** | **18.4%** | **16.2%** | **13.8%** | **10.9%** | **3.7%** | **3.4%** | **3.4%** | **3.4%** | **3.4%** | |
| **Assessment Growth** | | **1.0%** | **1.0%** | **1.2%** | **1.2%** | **1.5%** | **1.5%** | **1.5%** | **1.5%** | **1.5%** | **1.5%** | |
| **Property Tax Increase net of Assessment Growth** | | **23.2%** | **17.4%** | **15.0%** | **12.6%** | **9.4%** | **2.2%** | **1.9%** | **1.9%** | **1.9%** | **1.9%** | |

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| **Average Annual Increase** | **10.1%** |
| **Average Annual Increase net of assessemnt growth** | **8.7%** |

There is an array of alternate scenarios that could be developed with different assumptions. For instance, it would be logical to use additional debt financing instead of relying on the tax levy to provide $50 million of additional capital funding. 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. In the last year the price of nickel has not fluctuated much and traded between $7.25 per pound to $10.25 per pound. Currently nickel is trading at $8.60 per pound. Copper has continued to show strength by trading between $3.60 and $5.10 per pound over the last year. Currently copper is trading at $4.45 per pound. 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. Downtown security, 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.

**Enterprise Risk Management Update and Annual Register of Key Enterprise Risks**

The Enterprise Risk Management Update and Annual Register of Key Enterprise Risks, 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.

## Resources Cited

Inflation
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