

Long Term Financial Plan Update 2017 - 2027

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Key Takeaways

- ▶ We continue to follow our Long Term Financial Plan.
- ▶ The model and the indicators are important financial tools that provide excellent insights into our financial condition and potential financial strategies.
- ▶ We have the flexibility to provide the services and the asset investments we need.
- ▶ More consideration needs to be applied to how we manage our reserve and reserve fund balances and make needed asset investments.

Long Range Financial Planning

- ▶ Long Range Financial planning is used to identify future financial challenges and opportunities through financial forecasting and analysis and based on that information to devise strategies to achieve financial sustainability.
- ▶ Financial sustainability is when planned service and infrastructure levels can be met without resorting to unplanned increases in rates and disruptive cuts to services.



Assumptions

- ▶ One to four (1 - 4%) percent annual increases in operating costs
- ▶ Water / Wastewater rates increase by 4.8% annually to 2029
- ▶ User fees increase by 3% per year
- ▶ Assessment growth of 1% per year
- ▶ Decrease Provincial funding by \$2.4 million 2020 and \$1.4 million in 2021 and 2022
- ▶ \$200 million in new borrowing and related payments all now included in the model.
 - ▶ Arena Event Centre
 - ▶ Place des Arts
 - ▶ The Junction *
 - ▶ Library / Art Gallery
 - ▶ Various major arterial projects (Maley Dr., MR 35, Lorne St.), Bridges, Playgrounds, McNaughton Terrace Treatment Facility)
 - ▶ Prior borrowing approvals (Biosolids, various facilities, wells)
- ▶ There remain, significant unmet infrastructure needs that are not accounted for in the model.

Goals and Council Strategy will impact future forecasts

- ▶ To be a centre of excellence and opportunity - a vibrant community of communities living together.
 1. Asset Management and Service Excellence
 2. Business Attraction, Development and Retention
 3. Climate Change
 4. Economic Capacity and Investment Readiness
 5. Housing
 6. Create a Healthier Community

Financial Condition

Ratings Score Snapshot

Table 2

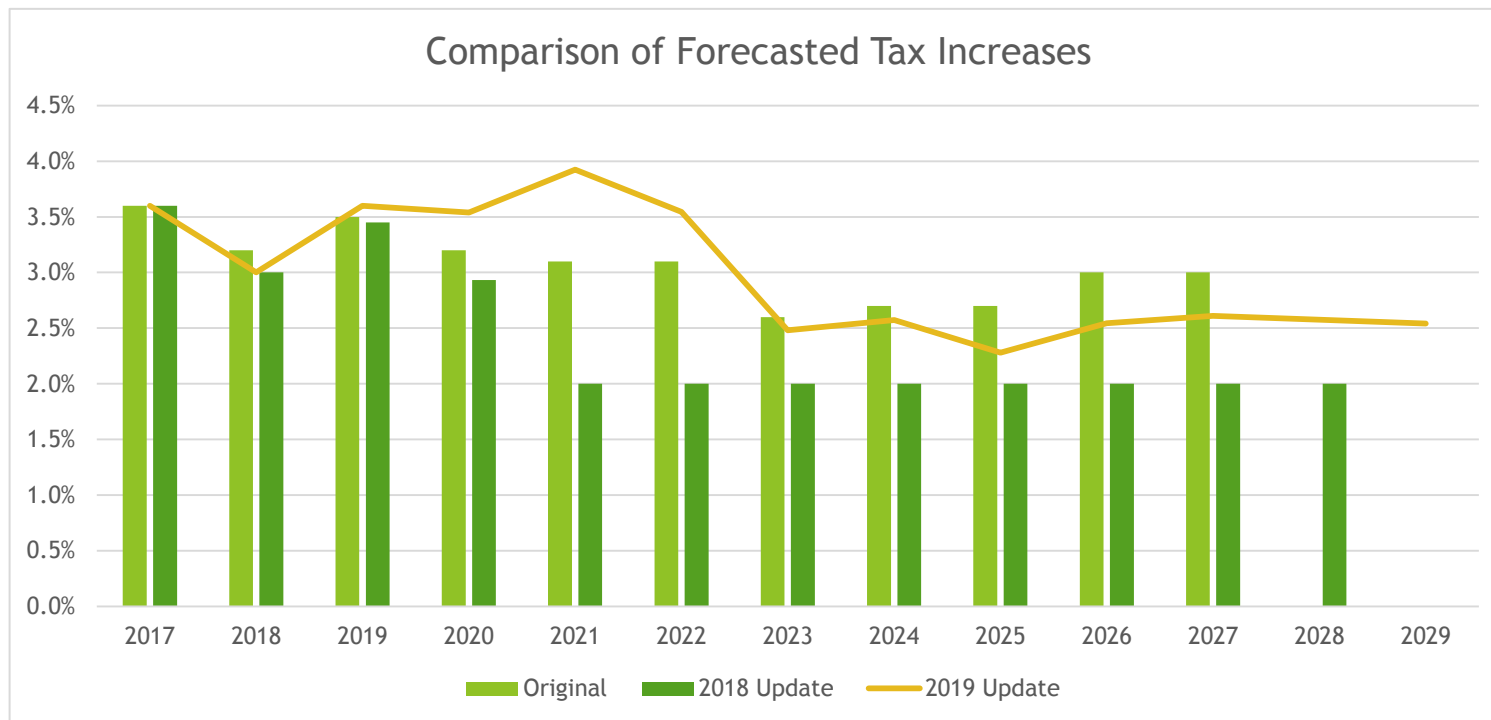
City of Greater Sudbury -- Ratings Score Snapshot

Key rating factors	Assessment
Institutional Framework	Very predictable and well-balanced
Economy	Strong
Financial Management	Strong
Budgetary Flexibility	Strong
Budgetary Performance	Strong
Liquidity	Exceptional
Debt Burden	Very low
Contingent Liabilities	Low

Note: S&P Global Ratings' credit ratings on local and regional governments are based on eight main rating factors listed in the table above. Section A of Standard & Poor's "Methodology For Rating Non-U.S. Local And Regional Governments," published on June 30, 2014, summarizes how the eight factors are combined to derive the foreign currency rating on the government.

Ten Year Outlook - Net Operating Taxation Increases

- ▶ Net taxation levy increases average 2.9% over the remaining years in the plan



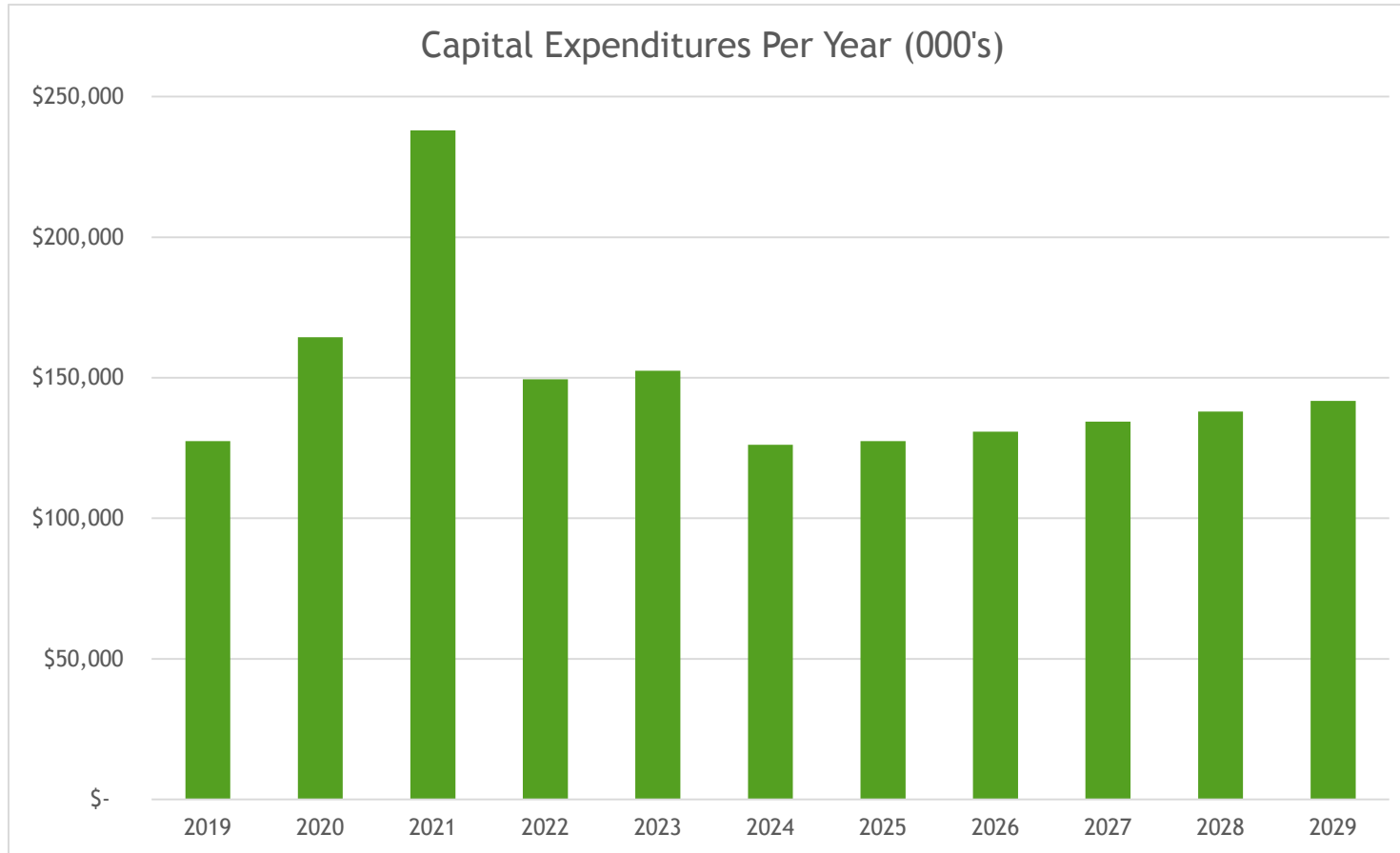
- Net tax levy increases will continue to exceed inflation in order to maintain services.

- Some of the City's costs are not controlled by the City and are increasing at a rate faster than inflation.

- Service changes are anticipated, we know there are areas of risk.

- Even with a growing capital plan, old assets are impacting operating costs and placing services at risk.

Ten Year Outlook - Capital Summary



- We believe that we can manage this growing capital plan without permanently weakening our budget performance or increasing our debt burden.

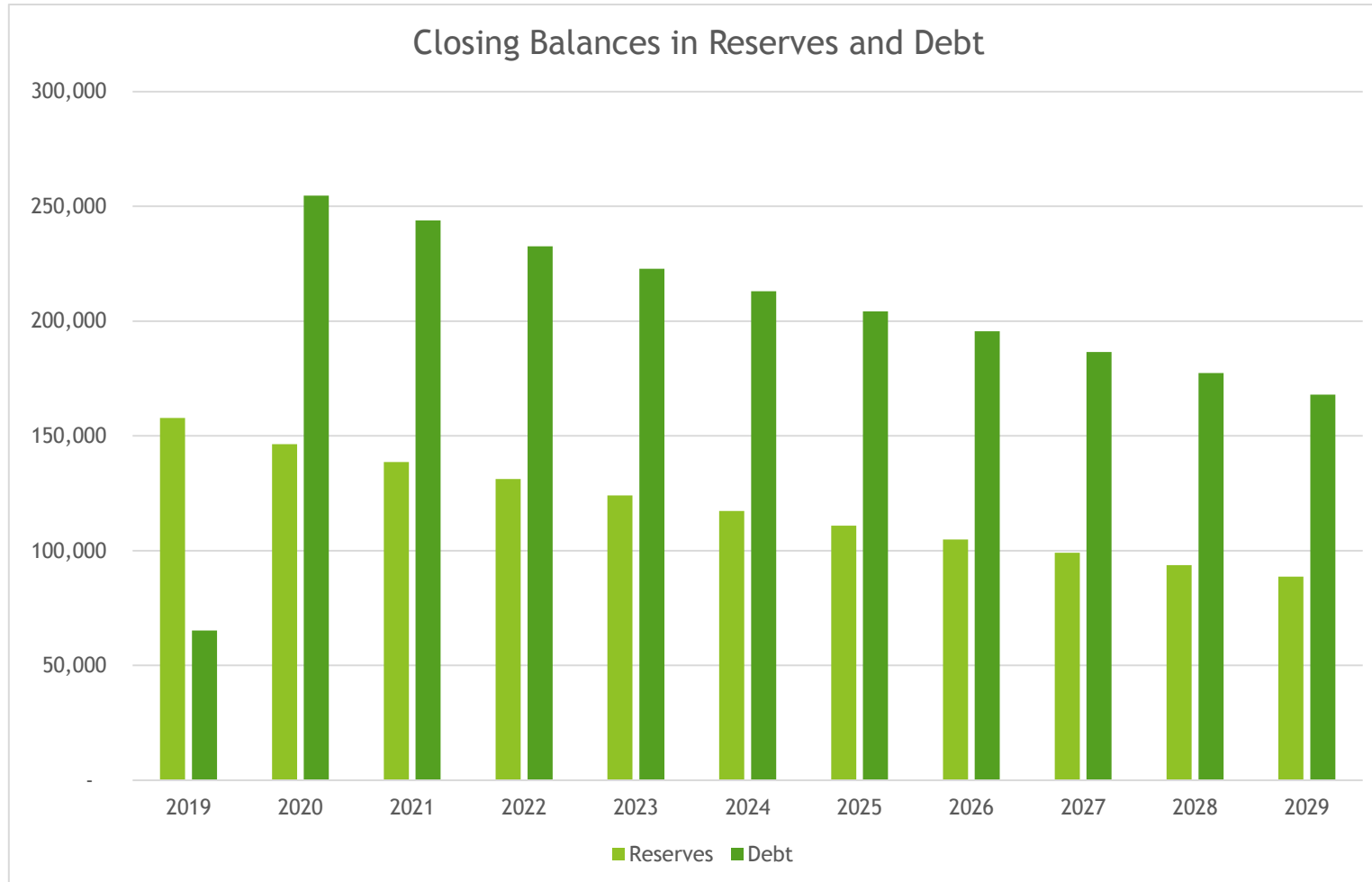
- Even with a 1.5% capital levy added to these predicted expenditures, we would be investing less than half of the anticipated “immediate infrastructure requirement” indicated in the 2016 Asset Management Plan.

Asset Management Strategy

- ▶ Asset Management Policy approved in fall of 2017
- ▶ Detailed Asset Management Planning underway, due mid-2021
- ▶ Asset Management Plan in 2016 recommended that the City consider a strategy incorporating the following components

Strategy	Progress
Capital levy (recommended at 2%)	X
Use of debt for major capital projects	✓
Realignment of the City's capital envelopes	✓
A focus on asset rationalization	>
Service rationalization to redirect funding to capital	>

Ten Year Outlook - Reserves and Debt



- Debt financing is recommended and manageable.
- Reserve balances are an issue and require a strategy for replenishment.

Long Term Financial Indicators

- ▶ 12 Indicators help us measure, compare and forecast financial condition
- ▶ Sustainability
- ▶ Flexibility
- ▶ Vulnerability

Long Term Financial Indicators - Sustainability

Indicator	2019	2020	2021-2029	2019 Comparators
Ratio of Financial Assets to Liabilities	1.17	0.76	0.76-0.77	0.41-1.61
Total Reserves and Reserve Funds Per Household	\$2,076	\$ 1,917	\$1,125-\$1,806	\$1,133-\$5,170
Total Operating Expenses as a Percentage of Taxable Assessment	2.62%	2.68%	2.72%-2.99%	1.48%-3.35%
Capital Additions as a Percentage of Amortization Expense	167.08%	207.92%	133%-288%	50%-193%

Long Term Financial Indicators - Flexibility

Indicator	2019	2020	2021-2029	2019 Comparators
Residential Taxes Per Household	\$3,742	\$3,874	\$4,027-\$4,961	\$2,950-\$4,220
Long-Term Debt Per Household	\$857	\$3,334	\$2,132-\$3,176	\$310-\$6,795
Residential Taxation as a Percentage of Household Income	3.83%	3.89%	3.97%-4.17%	3.7%-4.5%
Total Taxation as a Percentage of Total Assessment	1.21%	1.26%	1.31%-1.61%	1.12%-1.70%
Debt Servicing Costs as Percentage of Total Revenues	2.28%	3.02%	1.98%-2.94%	0.80%-7.08%
Net Book Value of Tangible Capital Assets as a Percentage of Historical Cost of Tangible Capital Assets	47.53%	48.16%	46.3%-50.0%	42%-70%

Long Term Financial Indicators - Vulnerability

Indicator	2019	2020	2021-2029	Comparators
Operating Grants as a Percentage of Total Revenues	23.0%	21.7%	17.5%-21.0%	7%-31%
Capital Grants as Percentage of Total Capital Expenditures	17.4%	13.7%	19.0%-24.1%	10%-35%