

For Information Only

2011 Capital Budget

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Recommendation

For information only. (Resolution to be approved by the Finance Committee at the conclusion of 2011 Budget deliberations.)

BACKGROUND

Council adopted a Capital Policy in 2001 which recommended that the Capital Budget to be approved in the fall of each year. This year is an exception to this policy as a result of the municipal election.

The 2011 Capital budget is submitted for Council approval. In addition, acceptance of the 2012 to 2015 Capital Budget estimates provides staff with the guidance to commence preparatory work on upcoming projects.

Signed By

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Capital Envelope System and Long Term Financial Plan

The Capital Policy also established the Capital Envelope system funded from the tax levy which specifies capital allocations to the operating departments by specific function, such as Roads, Buildings, Information Technology, etc. In addition, capital envelopes are established for Water and Wastewater and are funded from user fees.

A Long Term Financial Plan (LTFP) was adopted in principle by Council in November of 2002. One of the assumptions in this Plan was that the contributions to the Capital Envelopes would increase by an inflation factor annually. A 2% inflation factor was first applied to the 2004 envelopes, and has been maintained since then. LTFP also recommended a 2.3% capital levy per year. Council also approved a 2.3% capital levy increase in 2005, 2006 and 2008 and 0.5% capital levy increase in 2007.

The increase to total envelope funding provided through the base operating budget since 2003 is as follows:

2003 Capital Envelopes -	\$32.0 million
2004 Capital Envelopes -	\$34.1 million
2005 Capital Envelopes -	\$39.6 million - includes capital levy increase of \$3.2M
2006 Capital Envelopes -	\$44.5 million - includes capital levy increase of \$3.3M
2007 Capital Envelopes -	\$47.4 million - includes capital levy increase of \$0.8M
2008 Capital Envelopes -	\$52.4 million - includes capital levy increase of \$3.7M
2009 Capital Envelopes -	\$54.8 million - includes capital levy increase of \$0.0M
2010 Capital Envelopes -	\$51.7 million - includes prior year permanent reduction of \$5.0M
2011 Capital Envelopes -	\$55.1 million (proposed)

During the 2010 Capital Budget process, Council approved a permanent reduction to the Capital Envelopes of \$5.0 million. The tax levy was reduced by \$2.7 million and Water and Wastewater user fees were decreased by \$2.3 million.

2011 Capital Budget

For the 2011 Capital Budget, staff has reallocated the capital envelopes between operating departments based on previous Council approvals and priorities, need and review of tangible capital asset replacement values.

Please refer to Appendix A that summarizes the total 2011 Capital Budget as well as the recommended funding sources.

See the Capital Budget tab within the 2011 Budget binder for the detailed list of proposed capital expenditures for 2011.

Key Highlights of 2011 to 2015 Capital Budget

The base capital funding has increased by the following:

- The 2% annual inflation, in accordance with the long term financial plan. It should be noted that 2% is less than Dec 2010 Consumer Price Index of 2.4%
- \$285,000 required for the debt financing for the replacement of the Communications Infrastructure as explained during the Greater Sudbury Police Services Board budget presentation. (an additional \$285,000 is also required for 2012 Budget)
- The estimated HST savings of \$300,000 transferred from operating budget to capital envelopes
- The Sustainable Capital Asset management Program for Water Wastewater has been added (\$400,000 for Water and \$440,000 for Wastewater) per Council policy and by-law

Maley Drive

The 2011 to 2015 Capital budget includes an allocation of \$2.6 million per year, for the Maley Drive project. Until 2014, the funds will be expended on completion of the engineering, property acquisitions, and utility relocations.

1160 Lorne Street

As approved by Council, the City of Greater Sudbury has acquired the facility located at 1160 Lorne Street for use by Transit and Fleet Services departments. The total budget less approved funding has resulted in the remaining balance of \$13.58 million, which will be funded as follows:

Remaining amount as of December 31, 2010	\$13.58 M
Capital Envelope/Reserves Contribution – 2011	\$1.0 M
Capital Envelope/Reserves Contribution – 2012	\$1.0 M
Remaining amount to be debt financed	\$11.58 M
Annual debt repayments starting in 2013 over 20 years	\$890,226

In 2013, the funding for the annual debt repayment for the facility located at 1160 Lorne Street is estimated as follows: (a) 40% funded from Provincial Gas Tax Reserve Fund and (b) 60% funded from combination of Capital Envelope, and an annual contribution from the Development Charges Reserve Fund.

The total capital envelope funding for Transit is in the amount of \$516,347 in 2011 which will increase annually by 2%. The 2011 capital envelope includes an increase of \$276,935 which is to cover the portion of the building used by Fleet Services as 1160 Lorne Street will be shared by Transit and Fleet Services. This increase was reallocated from the existing capital envelopes.

Federal Gas Tax

The annual Federal Gas Tax revenues are intended to fund environmentally sustainable municipal infrastructure projects that promote clean air, clean water, and reduced greenhouse gas emissions within eligible categories (transit, roads & bridges, water, wastewater, solid waste, capacity building and community energy systems).

Roads were identified as the largest unfunded area and consistently garnered public input to provide a better transportation network. In addition, Water and Wastewater is another significant unfunded area that requires additional funding based on the presentation of the Water and Wastewater Long Term Financial Plan. As a result, staff recommends that Federal Gas Tax revenues of \$8.1 million be allocated to Roads with another \$2.0 million allocated to Water and Wastewater. This allocation is also reflected in the Capital Budget from 2012 to 2015 for both areas.

Approval for Internal Financing

Inclusive of the 2011 budget, it is being recommended that expenditures totalling \$24.3 million be approved for spending in 2011 and 2012. These funds will be internally financed by borrowing from the capital and reserve funds and repaid through contributions from the 2011 through 2035 capital envelopes, Provincial Gas Tax and development charges. Please refer to Appendix B for a detailed listing of these internally financing projects which includes the Transit/Fleet Garage, Communications Infrastructure and New Valley Wells.

Previously Approved Internal Financing

As of February 2011, there is approximately \$17.9M of projects that have been approved by borrowing from the Capital Fund. The projects include Levack Water Supply, Countryside Arena, South Branch Library and Centre Lionel E. Lalonde Centre.

These projects have been financed internally and funds will be repaid from future capital envelopes and/or development charges.

During 2011, staff will be monitoring external borrowing rates to determine the most cost effective balance of internal and external debt financing.

SUMMARY

In conclusion, City staff is seeking approval of the 2011 Capital Budget of \$89.0 million (inclusive of capital envelopes, grants, reserve amounts and internal financing).

Lastly, that Council accepts the remaining 2012 – 2015 estimates for information only. This information will be used by City staff in planning for and developing future capital budgets.

The following resolution is recommended for the Finance's committee's approval at the conclusion of the budget deliberations:

THAT Council approve the 2011 Capital Budget and the report dated March 3, 2011 from the CFO/Treasurer, including acceptance of the 2011 Police Services Capital Budget; and

THAT total internal financing from capital and reserve funds of \$24.3 million be approved for projects to be completed in 2011 and 2012 and be repaid from future capital envelopes, Provincial Gas Tax and development charges in 2011 to 2035; and

THAT the remainder of the 2012 - 2015 Capital Budgets be accepted for information for staff to use as a planning tool.



APPENDIX A: 2011 CAPITAL BUDGET - FUNDING SOURCES

Department	Capital Envelope	Capital Envelope (W/WW User Fees)	Reserves - Capital	Reserves - Development Charges	Reserves - Gas Tax	Capital Envelopes Future Years	Government Grants	TOTAL
Infrastructure								
Roads	\$ 24,017,266	\$ -	\$ 1,500,000	\$ 300,000	\$ 8,071,744	\$ 4,730,000	\$ -	\$ 38,619,010
Water	\$ -	\$ 10,729,296	\$ -	\$ -	\$ 1,255,000	\$ 5,280,000	\$ -	\$ 17,264,296
Wastewater	\$ -	\$ 10,793,717	\$ -	\$ -	\$ 745,000	\$ 250,000	\$ -	\$ 11,788,717
	\$ 24,017,266	\$ 21,523,013	\$ 1,500,000	\$ 300,000	\$ 10,071,744	\$ 10,260,000	\$ -	\$ 67,672,023
Growth and Development								
Environmental Services	\$ 850,000	\$ -	\$ 819,000	\$ -	\$ -	\$ -	\$ -	\$ 1,669,000
Fleet	\$ -	\$ -	\$ 2,400,000	\$ -	\$ -	\$ -	\$ -	\$ 2,400,000
Facilities	\$ 1,400,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,400,000
199 Larch	\$ -	\$ -	\$ 369,848	\$ -	\$ -	\$ -	\$ -	\$ 369,848
Planning	\$ 110,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,000
Transit	\$ 516,347	\$ -	\$ 2,544,863	\$ 50,000	\$ 1,400,000	\$ -	\$ -	\$ 4,511,210
Parking	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 100,000
	\$ 2,876,347	\$ -	\$ 6,233,711	\$ 50,000	\$ 1,400,000	\$ -	\$ -	\$ 10,560,058
Emergency Services								
EMS	\$ -	\$ -	\$ 731,127	\$ -	\$ -	\$ -	\$ -	\$ 731,127
Emergency Management	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
CLELC	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
	\$ 20,000	\$ -	\$ 731,127	\$ -	\$ -	\$ -	\$ -	\$ 751,127
Fire	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Community Development								
Leisure and Citizen Services	\$ 3,027,451	\$ -	\$ 450,000	\$ 115,000	\$ -	\$ -	\$ -	\$ 3,592,451
Health & Social Services	\$ 700,000	\$ -	\$ 461,400	\$ -	\$ -	\$ -	\$ 100,000	\$ 1,261,400
CIP/NPP	\$ 410,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,000
	\$ 4,137,451	\$ -	\$ 911,400	\$ 115,000	\$ -	\$ -	\$ 100,000	\$ 5,263,851
Administrative Services								
Information Technology	\$ 200,000	\$ -	\$ 110,000	\$ -	\$ -	\$ -	\$ -	\$ 310,000
Administration	\$ 125,000	\$ -	\$ 107,136	\$ -	\$ -	\$ -	\$ -	\$ 232,136
Furniture	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
	\$ 425,000	\$ -	\$ 217,136	\$ -	\$ -	\$ -	\$ -	\$ 642,136
Police Services								
Police	\$ 523,695	\$ -	\$ 1,964,652	\$ -	\$ -	\$ -	\$ -	\$ 2,488,347
Communications Infrastructure	\$ 595,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 595,000
	\$ 1,118,695	\$ -	\$ 1,964,652	\$ -	\$ -	\$ -	\$ -	\$ 3,083,347
TOTAL	\$ 33,594,759	\$ 21,523,013	\$ 11,558,026	\$ 465,000	\$ 11,471,744	\$ 10,260,000	\$ 100,000	\$ 88,972,542

APPENDIX B: 2011 CAPITAL BUDGET - INTERNALLY FINANCED PROJECTS

Department	Project	Remaining Portion to be Financed	Remaining Repayment Period
Projects to be Approved within 2011 Capital Budget			
Growth and Development	Transit/Fleet Garage	\$ 11,580,000	2013 - 2032
Police	Communications Infrastructure	\$ 9,200,000	2011 - 2027
Infrastructure - Water	New Valley Wells (Note 1)	\$ 3,500,000	2011 - 2018
		\$ 24,280,000	
Previously Approved Projects			
Community Development	Countryside Arena	\$ 5,889,487	2011 - 2035
Infrastructure - Water	Levack Water Supply	\$ 4,814,000	2011 - 2015
Emergency Measures	Lionel E. Lalonde Centre	\$ 3,678,000	2011 - 2021
Community Development	South Branch Library	\$ 3,500,000	2012 - 2031
		\$ 17,881,487	
Projects with Future Years Capital Envelope			
Infrastructure - Roads	Maley Drive	\$ 1,000,000	2012
	Selwood (Capreol) from Dennie		
Infrastructure - Roads	Street to Ballpark Rd	\$ 200,000	2012
Infrastructure - Roads	Bowlands Bay Bridge	\$ 540,000	2012
Infrastructure - Roads	Paquette Whitson Stormwater Facility	\$ 2,200,000	2012 - 2014
	East Branch Junction Creek		
Infrastructure - Roads	Stormwater Management Study	\$ 100,000	2012
	Joanette Municipal Drain		
Infrastructure - Roads	Improvements	\$ 50,000	2012
	Capreol Storm Drainage		
Infrastructure - Roads	Improvements - Phase 1	\$ 290,000	2012
Infrastructure - Roads	Mountain Street Storm Outlet	\$ 350,000	2012
Infrastructure - Wastewater	Charette Street	\$ 250,000	2012
Infrastructure - Water	New Valley Wells	\$ 750,000	2012
	Selwood (Capreol) from Dennie		
Infrastructure - Water	Street to Ballpark Rd	\$ 1,030,000	2012
		\$ 6,760,000	
TOTAL INTERNALLY FINANCED PROJECTS		\$ 48,921,487	

Note 1: Total of these projects represents the amount of \$10,260,000 for Capital Envelopes - Future Years on 2011 Capital Budget.