

PURPOSE

The purpose of this report is to further analyze recommended options for the application of the 1.5% capital levy approved with the 2020 budget and outline capital investment recommendations based on direction received at the January 14th Finance and Administration Committee.

BACKGROUND

City Council finalized the 2020 budget on December 16th, 2019. As a part of the process, Council approved a dedicated capital levy of 1.5% toward investments in the City's "aging infrastructure". Staff returned to the January 14th meeting of the Finance and Administration Committee with a number of options for Committee's consideration and the following motion was carried by the Committee:

THAT the report regarding the allocation of the special capital levy be deferred and that staff be directed to prepare a report and additional options by the end of the first quarter of 2020 that include investments focusing on the infrastructure deficit as described in the 2016 Municipal Asset Management Plan with three lists of proposed projects for each of the following categories:

1. Arterial roads;
2. Local roads; and,
3. Buildings and Facilities,

AND THAT the report contemplate the alternatives of spending only the capital levy of \$4.1 million, borrowing over a 30 year period in the amount of \$80 million and borrowing over a 20 year period in the amount of \$61 million dollars;

AND THAT the report include information regarding the financial payback from potential energy savings for projects involving Buildings and Facilities.

ANALYSIS

Each year, the City prioritizes capital investments using a single enterprise prioritization tool based on principles in its Enterprise Asset Management Policy. Capital investment priorities are finalized by the City's Executive Leadership Team and are recommended to the Finance and Administration Committee in form of a plan containing capital projects and funding recommendations for those projects as a part of the Committee's annual budget deliberations. Further, a four year outlook is developed.

The Committee's deliberations annually include changes to the mix of projects recommended by staff and debate about the optimal funding mechanisms. The result of the debate forms the City's annual capital plan.

Decision #1 – Resolution #1

With the addition of a dedicated capital levy in 2020, Committee now has to decide how to prioritize investment of that levy. It could invest the levy directly in \$4.1 million worth of additional capital projects which would be added to the roughly \$170 million capital plan for 2020 or it could approve the

use of the capital levy to debt finance a larger source of funding for long term asset renewal. That is the first decision Committee is being asked to consider in this report.

If resolution #1 is approved, Committee will decide on projects equaled to \$4.1 million for immediate planning and execution. Below, Tables 1 – 3 outline three options for Committee’s consideration categorized into arterial roads, local roads and buildings and facilities in accordance with the January 14th motion. The project details are contained in Appendix A. These options appear in order of staff’s recommendation and Resolution #1 will be read with Option 1 as the recommended set of projects.

Table 1 – Option 1

1. Facilities and other aging infrastructure:		
Arena SMART Hub Energy Upgrades		507,000
Arena Roof Replacements and Interior Drywall Upgrades		2,270,000
Copper Cliff Library Capital Repairs		1,170,000
Transit - Implementation of Various Technological Improvements		4,987,000
		8,934,000
Less: Estimated Energy Grant for Arena SMART Hub Project		(157,669)
Less: Estimated ICIP Funding for Transit Technological Improvements		(3,640,510)
Less: Funds committed in 2021 Capital Budget towards Transit Project		(1,035,821)
		4,100,000

Table 2 – Option 2

2. Local Roads:		
Local Road Improvements for our Downtowns		4,100,000
		4,100,000

Table 3 – Option 3

3. Arterial:		
Old Hwy 69 (MR 80) North of Maley Drive to McCrea Heights (enhanced scope)		1,600,000
Capreol Road (MR 84) Cote Boulevard to Linden Drive		1,800,000
Old Hwy 69 (MR 80) South of Jean D’arc Street to North of Dominion Drive		700,000
		4,100,000

Option 1 contains a set of buildings and equipment projects that all scored very well in the enterprise capital prioritization exercise in preparation for the 2020 budget. They are projects that maximize available funding from senior levels of government and payback in terms of energy credits. The arena and Copper Cliff Library projects return these facilities to a “state of good repair” standard and while they improve energy efficiency, they do not generate savings to budget that would create a measurable payback. If Option #3 on roads is approved, then another resolution is required to be passed in order to expand scope of existing tenders for these road locations.

Decision #2 – Resolution #2

If resolution #1 is defeated, Committee will consider using the 1.5% capital levy as an annual payment to secure debt and invest in a longer list of projects depending if term of debt is over 20 or 30 years. If either of the debt financing options below are chosen, a separate resolution will have to be passed in order to authorize additional debt financing for the corresponding water and wastewater linear infrastructure improvements. This debt financing would result in debt repayments in the annual water and wastewater operating budgets starting in the 2021 Budget.

Using the capital levy to debt finance an amount over 20 years would result \$61 million available for capital expenditure and over 30 years would result in \$80 million at best available interest rates. In accordance with the City's debt management policy and the Municipal Act, debt financing would only be recommended for those projects on assets with an estimated useful life equal to or greater than the term of debt used to finance the projects.

If resolution #2 is approved and Committee uses the 1.5% capital levy as an annual payment over 20 years to generate \$61 million, the projects listed in Table 4 are recommended to Committee for investment.

Table 4 – Option 1

4. \$61 million Debt over 20 years Option:		
Lorne Street - from Power to Logan (additional funds as external grants not approved)		14,600,000
Frobisher Salt/Sand Dome Replacement		8,250,000
Maley Drive Extension (four lanes from Frood Road to MR 35 with roundabout at Frood Road)		11,000,000
Local Road Improvements for our Downtowns	3,040	18,240,000
Copper Cliff Library Capital Repairs		1,170,000
Various Pool upgrade requirements:		
- Onaping		1,600,000
- RG Dow		400,000
- Nickel District		650,000
- Gatchel		2,400,000
Greater Sudbury Housing Corporation capital projects:		
- 1960 Paris Elevator Modernization		300,000
- 1052 Belfry Make Up Air Replacement		100,000
- 166 Louis Street Make Up Air Replacement		100,000
- Walkup Apartment Make Up Air (\$35,000 per building x 4 units)		140,000
- 1960 A+B Paris Roof Replacement		1,200,000
- 1960 A Paris Balcony Railing Replacement		350,000
- 1960 B Paris Balcony Railing Replacement		500,000
Total Debt Financing for Cash Flow		61,000,000

If resolution #2 is approved and Committee uses the 1.5% capital levy as an annual payment over 30 years to generate \$80 million, the projects listed in Table 5 are recommended to Committee for investment.

Table 5 – Option 2

5. \$80 million Debt over 30 years Option:		
Lorne Street - from Power to Logan (additional funds as external grants not approved)		14,600,000
Lorne Street - from Logan to Elm		17,900,000
Frobisher Salt/Sand Dome Replacement		8,250,000
Maley Drive Extension (four lanes from Frood Road to MR 35 with roundabout at Frood Road)		11,000,000
Local Road Improvements for our Downtowns	3,193.92	19,163,510
Various Pool upgrade requirements:		
- Onaping		1,600,000
- RG Dow		400,000
- Nickel District		650,000
- Gatchel		2,400,000
Greater Sudbury Housing Corporation capital projects:		
- 1960 Paris Elevator Modernization		300,000
- 1052 Belfry Make Up Air Replacement		100,000
- 166 Louis Street Make Up Air Replacement		100,000
- Walkup Apartment Make Up Air (\$35,000 per building x 4 units)		140,000
- 1960 A+B Paris Roof Replacement		1,200,000
- 1960 A Paris Balcony Railing Replacement		350,000
- 1960 B Paris Balcony Railing Replacement		500,000
Transit - Implementation of Various Technological Improvements		4,987,000
Total Debt Financing before estimated funding sources		83,640,510
Less: Estimated ICIP Funding for Transit Project pending ICIP Approval		(3,640,510)
Total Debt Financing		80,000,000

Local Roads Improvement Program in our Downtowns

In both resolutions, there are options which provide an investment (of either \$4.1 million in option 2, \$18.2 million in option 4 and \$19.2 million in option 5) local roads improvement in the downtowns across Greater Sudbury. These options anticipate staff will bring a program forward for Committee's direction comprised of projects which will rehabilitate and/or complete road reconstruction in the City's various downtowns. These projects would result in engineering investigation and planning in 2020 and construction anticipated between 2021 and 2024 to coordinate projects and minimize impact on downtown area businesses. We would anticipate interest from Downtown BIA and local businesses which warrant sufficient planning before final design and construction commences.

These projects benefit local roads in some of the oldest areas of our community with an extended life of assets and provide economic benefits along with beautification features. Further, the downtowns across our community are areas where updates could include transportation demand management features such as cycling infrastructure and pedestrian safety features. If one of these options is directed, staff would return with recommended downtown streets across our community and any complimentary water/wastewater funding possibilities where the repair includes renewal of linear

infrastructure. Some geotechnical work is planned in 2020 in downtown Sudbury as part of the 2020 Capital Budget.

FINANCIAL IMPLICATIONS

If Option 1 is chosen, \$1,035,821 will need to be funded in the 2021 capital budget for the Transit related project. Otherwise, there are no direct financial implications should the Committee select any of the options in the report under Resolution #1 or #2. The 1.5% capital levy would fund either the direct expenditure of \$4.1 million on a set of approved capital projects or would provide the first payment toward 20 or 30 year debt financing.

Council will recall that the 2021 Capital Budget (forecast column as shown in 2020 Capital Budget) consists of the cash flow spending for capital projects approved in the 2020 Capital Budget or earlier years. In order to fund the 2021 Capital Budget as tabled, it utilized most of the annual capital contribution (as shown on the table on page 382) as well as additional \$10 million of external debt (as shown on the table on page 390). Should Committee approve Resolution #1, \$7.9 million would be available for 2021 capital prioritization (less \$1,035,821 if Option 1 is selected). Should Committee approve Resolution #2, \$3.7 million of capital funds would be available for 2021 capital prioritization. Therefore, there is minimal amount of funds available to invest in new capital projects as part of the 2021 Capital Budget, unless additional debt is acquired to fund new projects in 2021. In other words, the 2021 Capital Budget will appear as tabled in the 2020 Budget document with approximately \$3.7 million to \$7.9 million available to new capital projects in various areas such as roads, facilities, information technology, fire services, Greater Sudbury Housing Corporation and so on. It does exclude water, wastewater, fleet, paramedic services, parks equipment and Police as they have separate funding sources for its capital budgets.

There are other choices available to Council though that include the use of the \$4.1 million levy to access debt in 2021 (rather than immediately as described in Resolution #2) or additional debt financing. Staff will seek direction on the desired scope of new capital projects to be added to the 2021 budget through the budget direction report which will be presented to Committee in at its May meeting.

CONCLUSION / RECOMMENDATION

Staff recommends that Option 1 be approved for the capital levy amount in 2020 as this will address the infrastructure deficit and maximize other potential funding opportunities. This option will also commit a portion from the 2021 Capital Budget and the remainder would be available for new capital projects for Council consideration as part of the 2021 Budget deliberations.