City of Greater Sudbury

Municipal Long-Term Financial Plan

Final Report

April 13, 2017

Executive Summary

A. Introduction

On December 11, 2002, City Council approved a long-term financial plan that established a series of principles that would guide its financial management over the ten year planning period. In addition to forecasting operating and capital requirements and associated sources of funding, the long-term financial plan formed the basis for financial policies for the newly amalgamated City, which would establish the guidance for budgeting, borrowing, capital financing and reserve and reserve fund management. In approving the financial plan, the City also adhered to a recommended best practice established by the Government Finance Officers Association ('GFOA').

A Council transition occurred subsequent to the development of the long-term financial plan, precluding Council from adhering to the plan. Accordingly, the City continues to face financial pressures on its operating and capital budgets, the most notable of which are arguably (i) the need to address investment requirements associated with its aging infrastructure; and (ii) concerns over the cost of municipal services from the perspective of resident affordability. As such, the City has commissioned the preparation of an updated financial plan that is intended to cover the next ten years (2018 to 2027).

B. About the long-term financial plan

The development of the long-term financial plan followed the guidance established by the GFOA, which recommended a systematic approach that considered:

- The City's financial environment, which provides an indication as to the factors that have influenced the City's present financial performance and position;
- The City's financial principles and policies, which establishes the guidelines for financial management as well as suggested changes to key financial policies;
- The City's projected financial performance and position, which reflects key assumptions over revenues, operating expenses, capital investment, long-term debt activity and reserve and reserve fund contributions and withdrawals;
- The City's key financial indicators, which form the basis for evaluating the City's financial performance and position in comparison to municipal comparators and reflect the City's performance based on sustainability, viability and flexibility.

The financial plan is based on the City's 2017 operating and capital budgets and covers a ten-year planning horizon.

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C. Key assumptions

In projecting the long-term financial plan, a number of assumptions were made that reflect the past and future financial environment and trends for the City. The main assumptions include the following:

- Operating costs will increase at annual rates ranging from a low of 1% to 4%, depending on the nature of the expenditure item;
- Capital expenditures will be consistent with the City's capital budget forecast for the period 2018 to 2021, after which capital expenditures will increase by the assumed rate of inflation (2%);
- Water and wastewater rates will increase by 7.4% per year to until 2025, followed by 2% thereafter, reflecting the continuation of rate increases recommended in the City's financial plan for water and wastewater services. Other user fees are expected to increase by 3% per year;
- Revenue received under the Ontario Municipal Partnership Fund will decrease by 8% per year, reflecting the recent trend in funding.

While the City is currently contemplating several major initiatives, only one large project – funding for the Place des arts – is sufficiently advanced to merit inclusion in the long-term financial plan. Recognizing that the City is in the process of evaluating the construction of a new Events Centre, a discussion of the impacts of this specific project is including in Section F of the executive summary.

D. Projected financial performance and position

The City's 2017 budget reflects $537 million in operating expenses and $223 million in capital expenditures. In order to finance these outlays, the City is projected to levy almost $250 million in taxes, with grants, user fees, reserve contributions accounting for the remaining revenue sources.

Over the next ten years, the City's operating expenses (including debt servicing costs and contributions to reserves and reserve funds) are expected to increase to $707 million annually, with a total of $1.3 billion spent on capital expenditures over the ten year planning horizon. By 2027, the City's annual municipal levy is forecasted to rise to $335 million, representing an annual increase of 3.0%. On a per household basis, residential property taxes are expected to be in the order of $3,260 per household by 2027, compared to the current level of $2,400 per household. The City's current level of residential taxes per household is the fourth lowest in the Province of municipalities with a population of 100,000 or more residents.

The long-term financial plan forecasts a decrease in the City's overall debt levels, with outstanding debt decreasing from a projected level of $76 million in 2017 to $49 million in 2028. At the same time, the City's reserve and reserve fund balances are projected to be in the order of $165 million, which is consistent with 2016 levels.

Key financial outcomes from the long-term financial plan are provided on the following pages.

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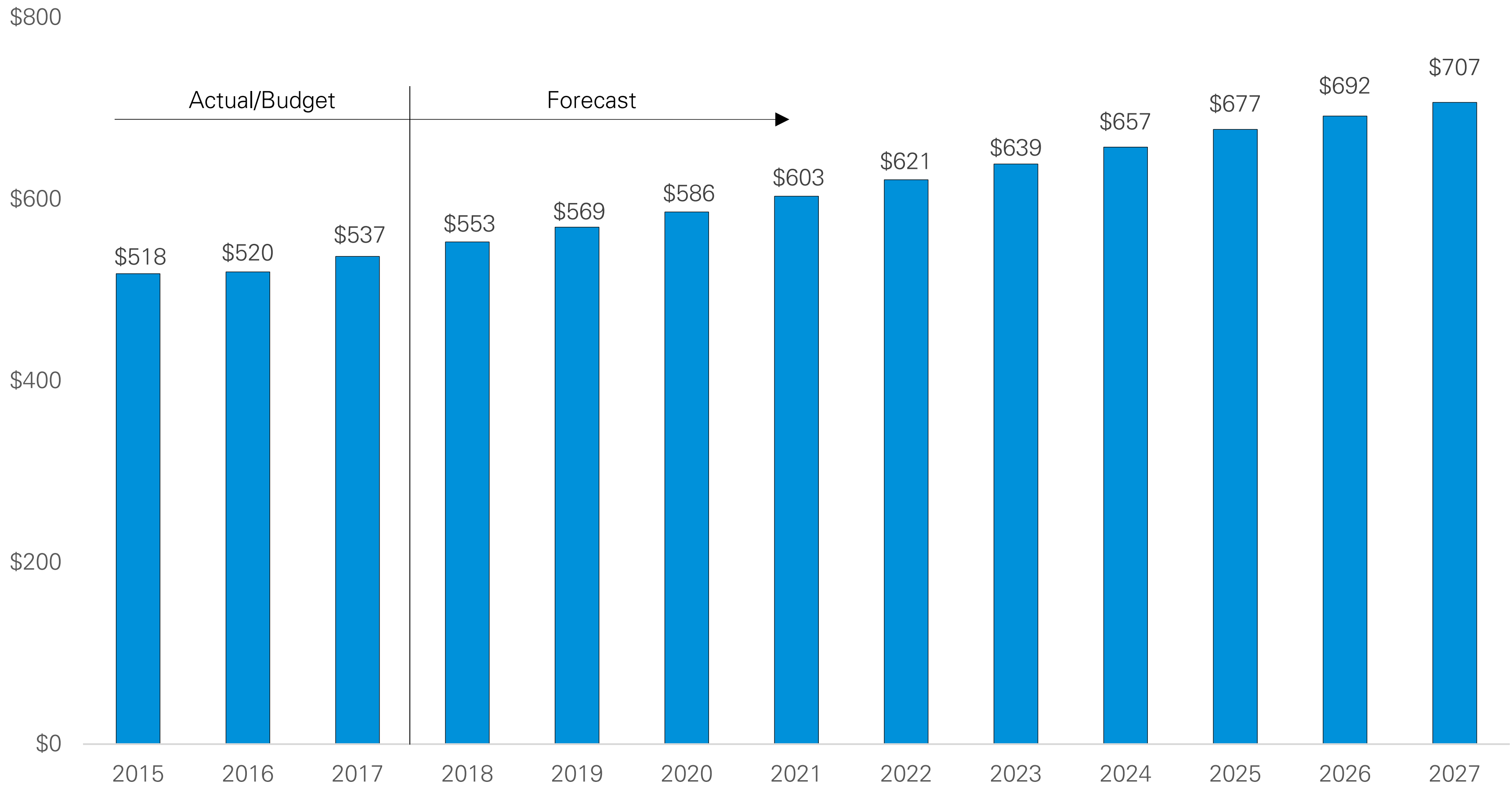
D. Projected financial performance and position (continued)

Operating expenses (in millions)



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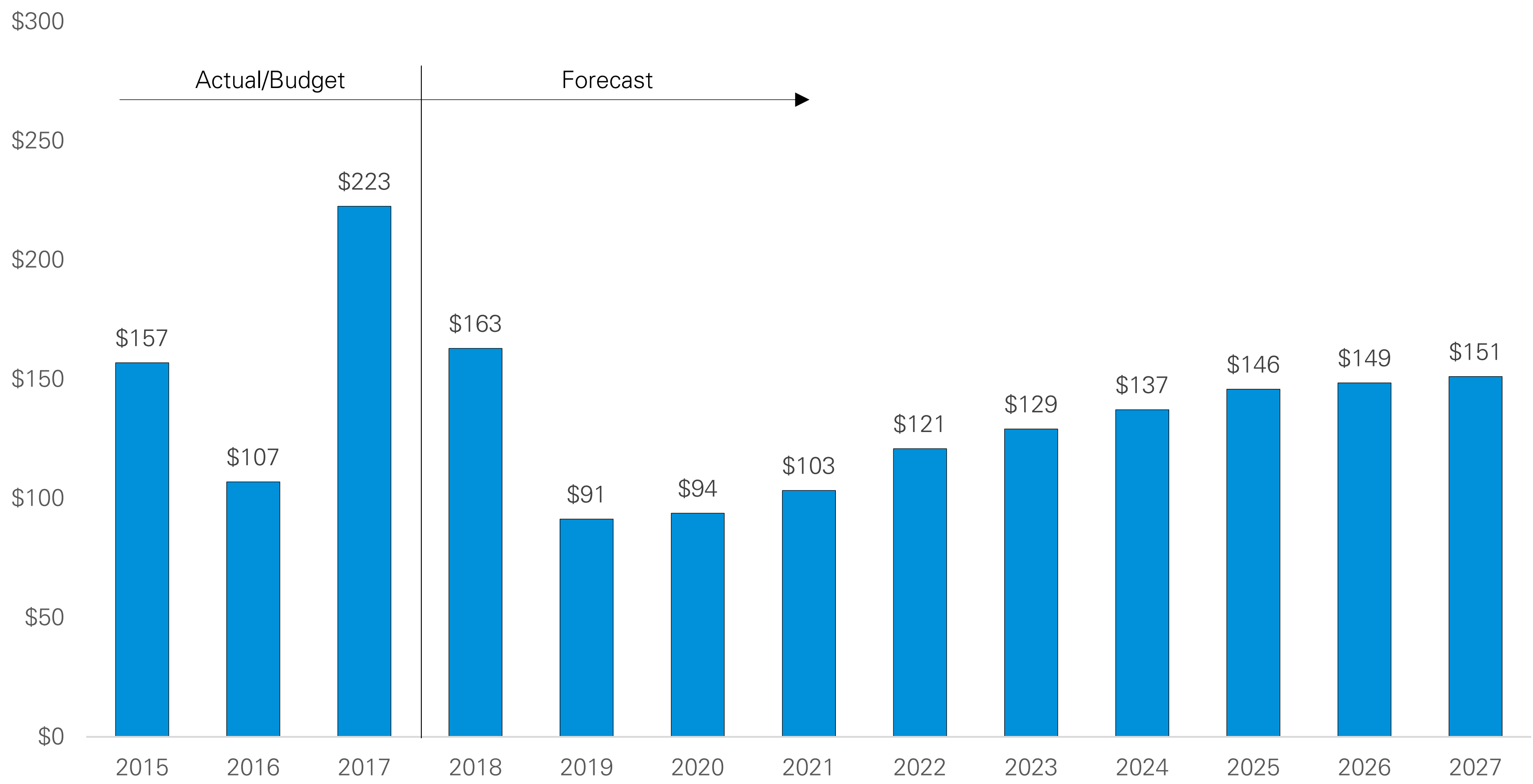
D. Projected financial performance and position (continued)

Capital expenditures (in millions)



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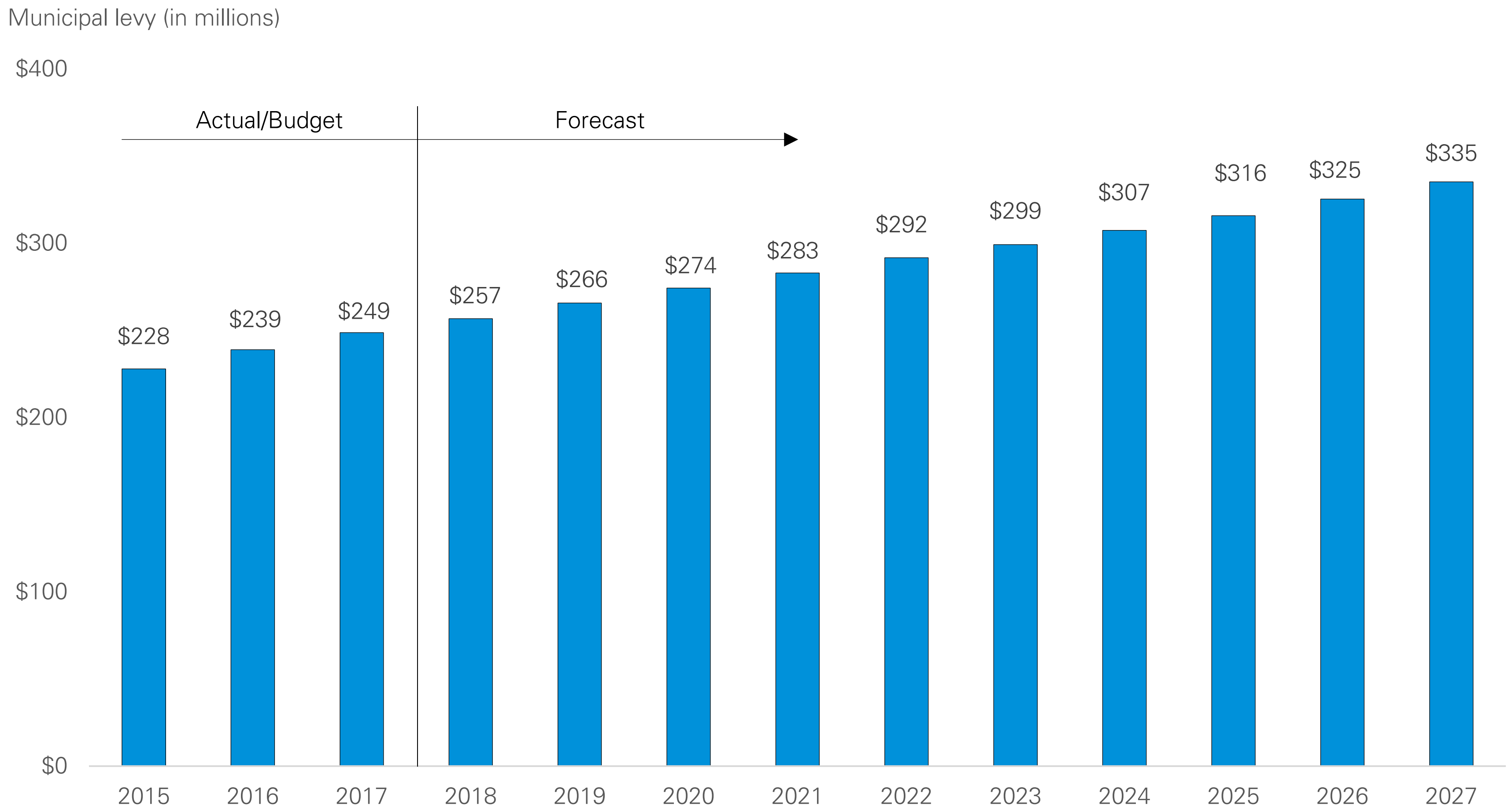
D. Projected financial performance and position (continued)



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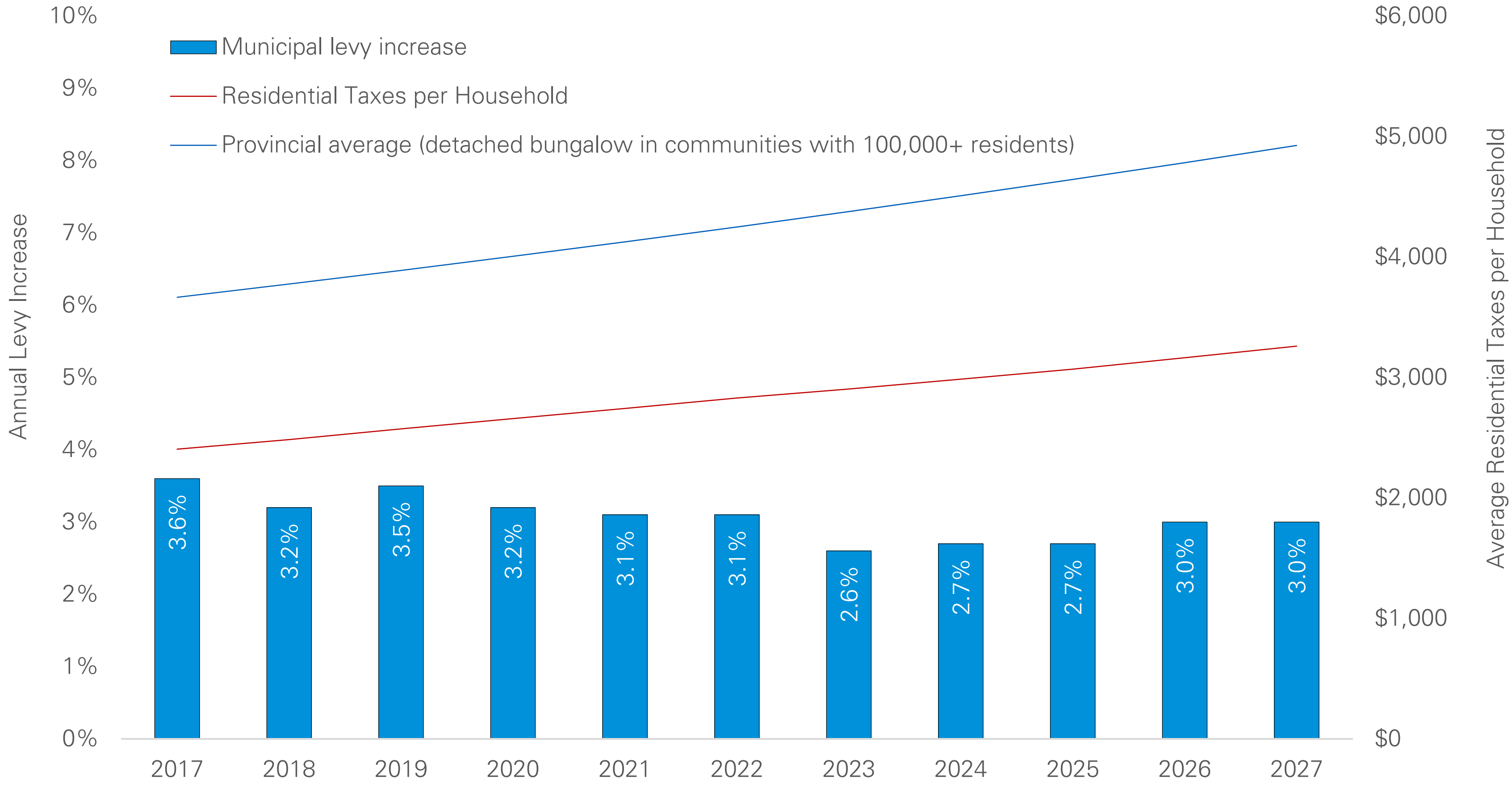
D. Projected financial performance and position (continued)

Annual Increase in Municipal Levy and Average Residential Taxes per Household



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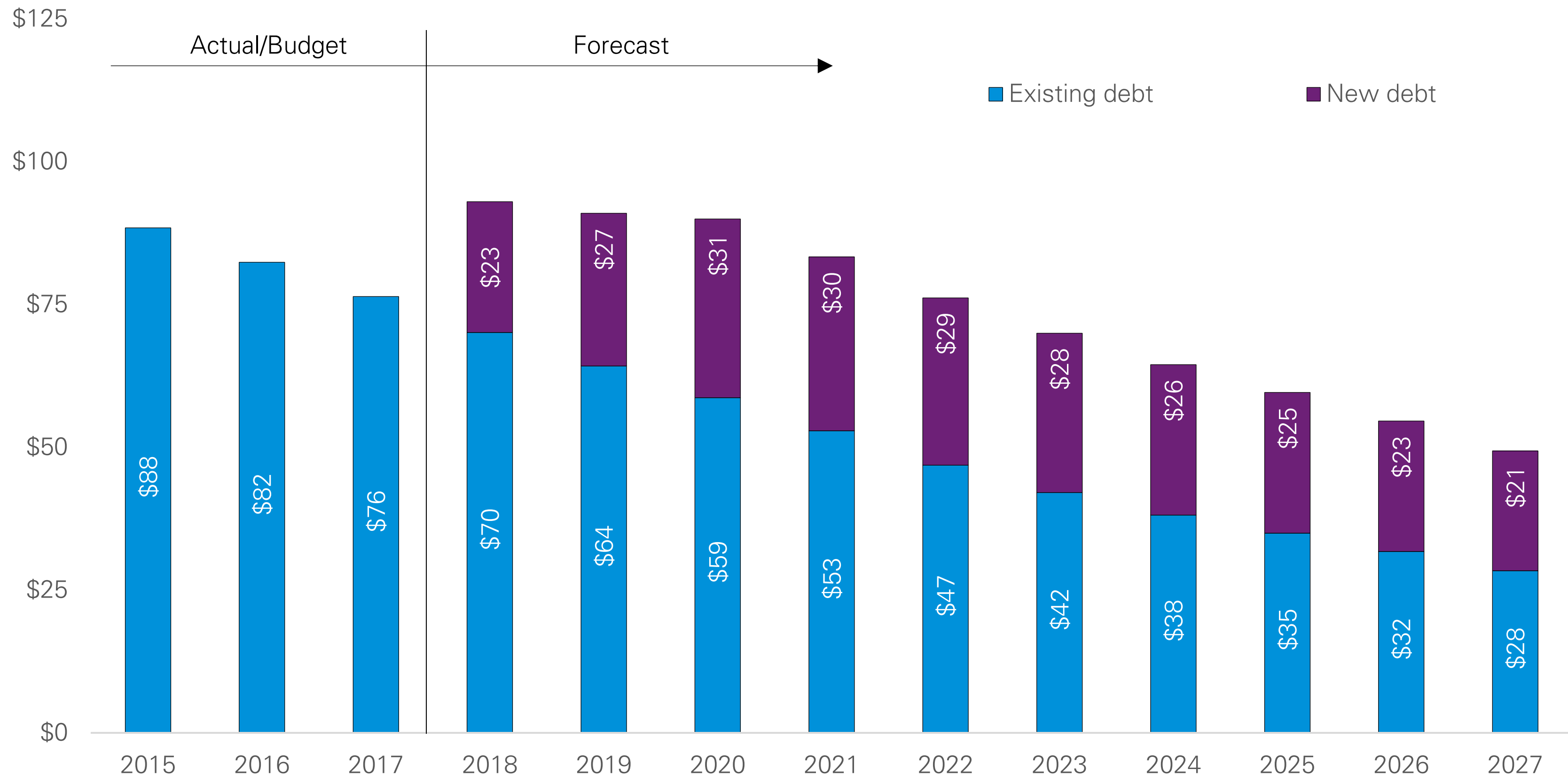
Executive Summary

D. Projected financial performance and position (continued)

Long-term outstanding debt (in millions)



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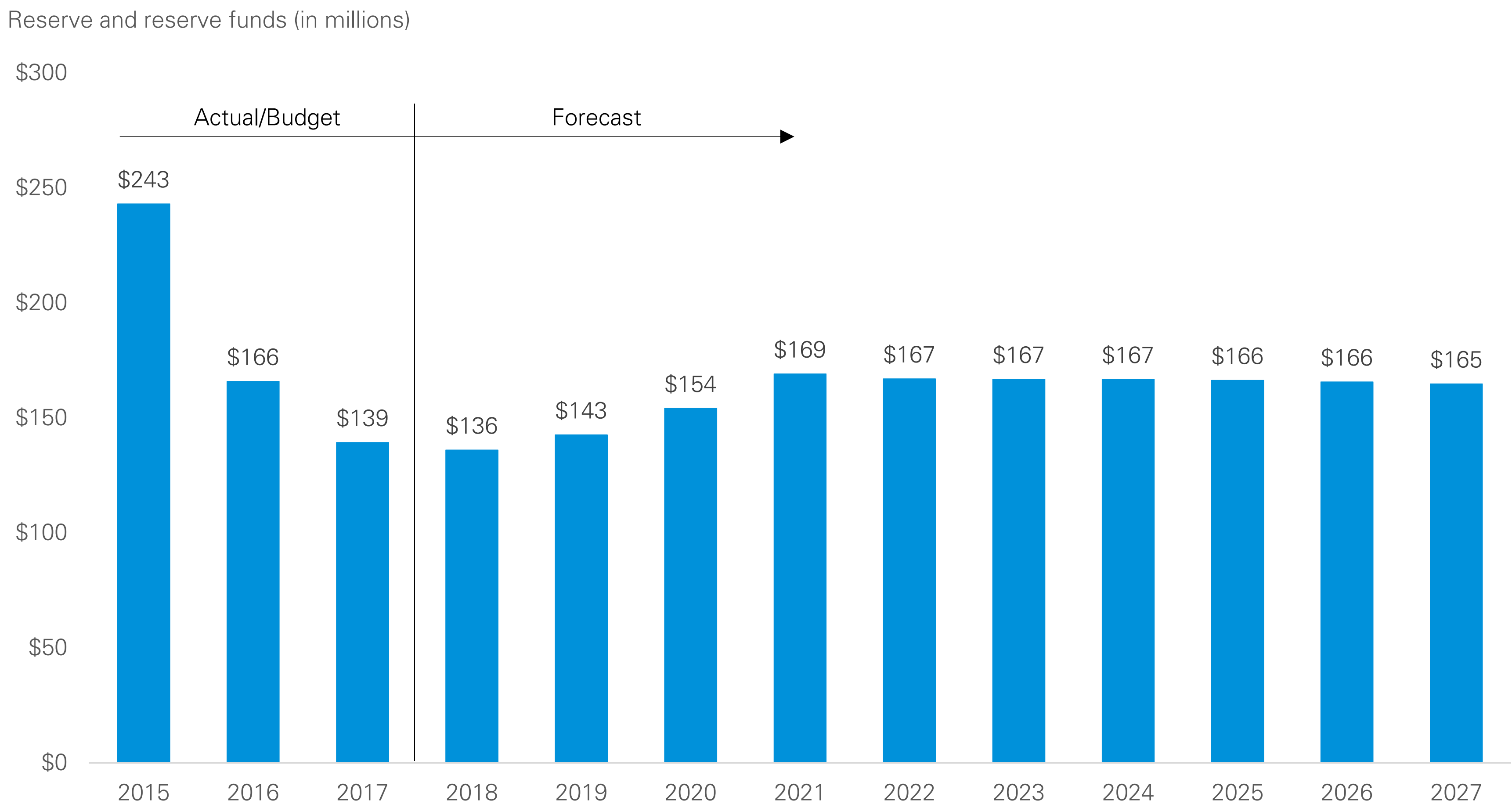
D. Projected financial performance and position (continued)



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E. Financial indicators

In Canada, the development and maintenance of principles for financial reporting fall under the responsibility of the Accounting Standards Oversight Council ('AcSOC'), a volunteer body established by the Canadian Institute of Chartered Accountants in 2000. In this role, AcSOC provides input to and monitors and evaluates the performance of the two boards that are tasked with established accounting standards for the private and public sector:

- The Public Sector Accounting Board ('PSAB') establishes accounting standards for the public sector, which includes municipal governments; and
- The Accounting Standards Board ('AcSB'), which is responsible for the establishment of accounting standards for Canadian entities outside of the public sector.

In May 2009, PSAB released a Statement of Recommended Practice that provided guidance on how public sector bodies should report on indicators of financial condition. As defined in the statement, financial condition is '*a government's financial health as assessed by its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others*'. In reporting on financial condition, PSAB also recommended that three factors, at a minimum, need to be considered:

- **Sustainability**. Sustainability is the degree to which the City can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates. To the extent that the level of debt or tax burden grows at a rate that exceeds the growth in the City's assessment base, there is an increased risk that the City's current spending levels (and by association, its services, service levels and ability to meet creditor obligations) cannot be maintained.
- **Flexibility**. Flexibility reflects the City's ability to increase its available sources of funding (debt, taxes or user fees) to meet increasing costs. Municipalities with relatively high flexibility have the potential to absorb cost increases without adversely impacting on affordability for local residents and other ratepayers. On the other hand, municipalities with low levels of flexibility have limited options with respect to generating new revenues, requiring an increased focus on expenditure reduction strategies.
- **Vulnerability**. Vulnerability represents the extent to which the City is dependent on sources of revenues, predominantly grants from senior levels of government, over which it has no discretion or control. The determination of vulnerability considers (i) unconditional operating grants such as OMPF; (ii) conditional operating grants such as Provincial Gas Tax for transit operations; and (iii) capital grant programs. Municipalities with relatively high indicators of vulnerability are at risk of expenditure reductions or taxation and user fee increases in the event that senior levels of funding are reduced. This is particularly relevant for municipalities that are vulnerable with respect to operating grants from senior levels of government, as the Municipal Act does not allow municipalities to issue long-term debt for operating purposes (Section 408(2.1)).

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E. Financial indicators (continued)

As a means of reporting the City's financial condition as determined by the financial forecast, the long-term financial plan considers the following financial indicators (*denotes PSAB recommended financial indicator).

Financial Condition Category	Financial Indicators
Sustainability	1. Financial assets to financial liabilities* 2. Total reserves and reserve funds per household 3. Total operating expenses as a percentage of taxable assessment* 4. Capital additions as a percentage of amortization expense
Flexibility	5. Residential taxes per household 6. Total long-term debt per household 7. Residential taxation as a percentage of average household income 8. Total taxation as a percentage of total assessment* 9. Debt servicing costs (interest and principal) as a percentage of total revenues* 10. Net book value of tangible capital assets as a percentage of historical cost of tangible capital assets*
Vulnerability	11. Operating grants as a percentage of total revenues* 12. Capital grants as a percentage of total capital expenditures*

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F. Events Centre

As of the date of this report, the City has commenced work on planning for a new Events Centre that would replace the Sudbury Community Arena. Given the significance of the Events Centre from a cost perspective and the current level of planning activity, we have provided a separate analysis of the financial impacts of a new Events Centre, based on the following scenarios:

	Scenario 1	Scenario 2	Scenario 3
Assumed completion date	December 31, 2019	December 31, 2019	December 31, 2019
Construction cost	$80 million	$90 million	$100 million
Financing source	Full debt financing	Full debt financing	Full debt financing

Based on an assumed interest rate of 3.6% for 30-year financing, the debt servicing cost for the Event Centre is projected to be in the range of $4.4 million to $5.5 million per year. Assuming no changes to net operating costs (i.e. the net operating costs for the Events Centre will be consistent with the Sudbury Community Arena), the projected increase in the municipal levy in 2020 as a result of debt servicing costs associated with the Event Centre is as follows:

- Scenario 1 – Construction cost of $80 million ⇧1.6%
- Scenario 2 – Construction cost of $90 million ⇧1.8%
- Scenario 3 – Construction cost of $100 million ⇧2.0%

A summary of the projected impact on the municipal levy and average residential taxes per household is included on the following page.

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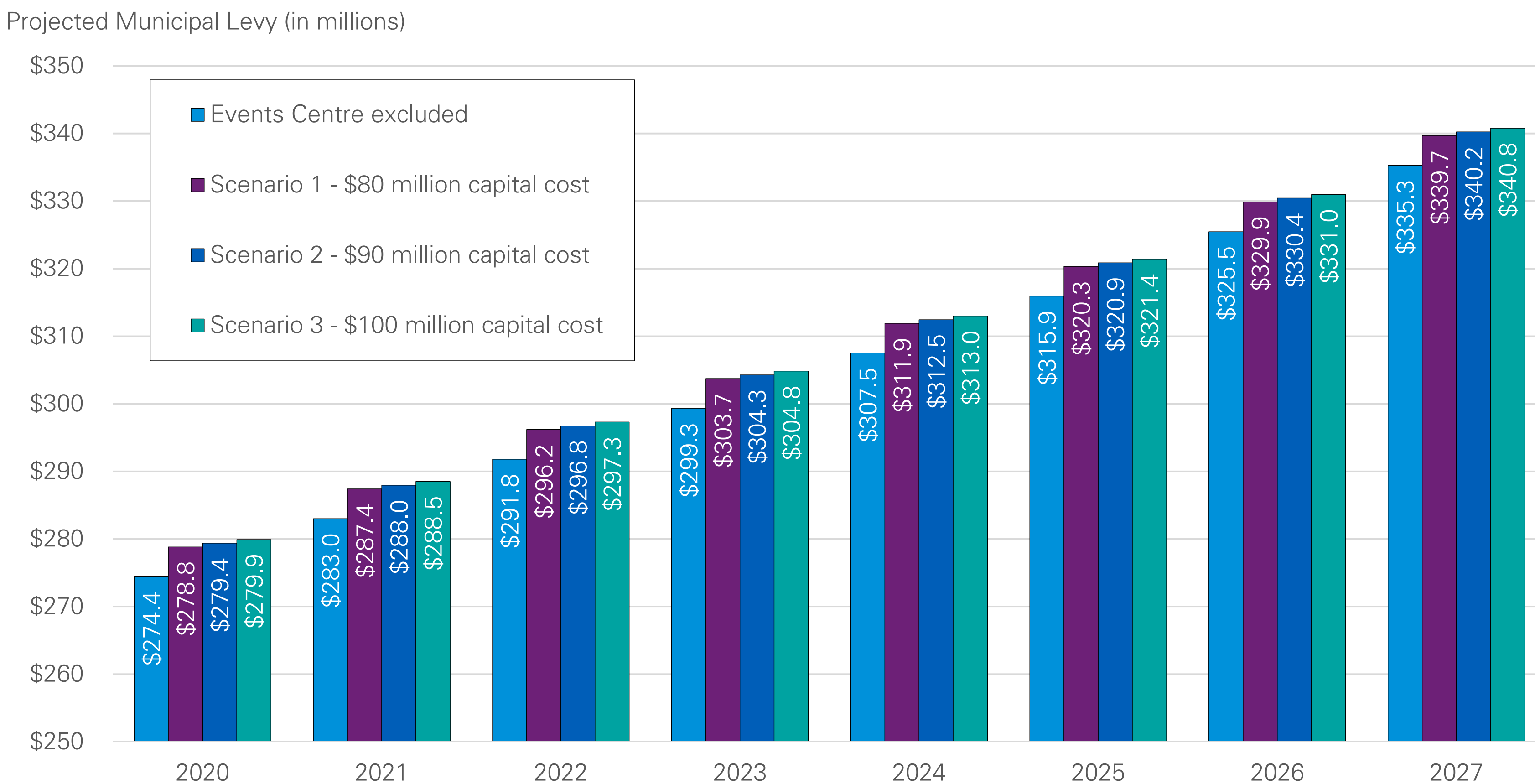
F. Events Centre (continued)

Debt servicing costs associated with the new Event Centre are expected to add $4.4 million to $5.5 million to the municipal levy. A $10 million change in construction costs is projected to impact the municipal levy by $0.6 million per year.



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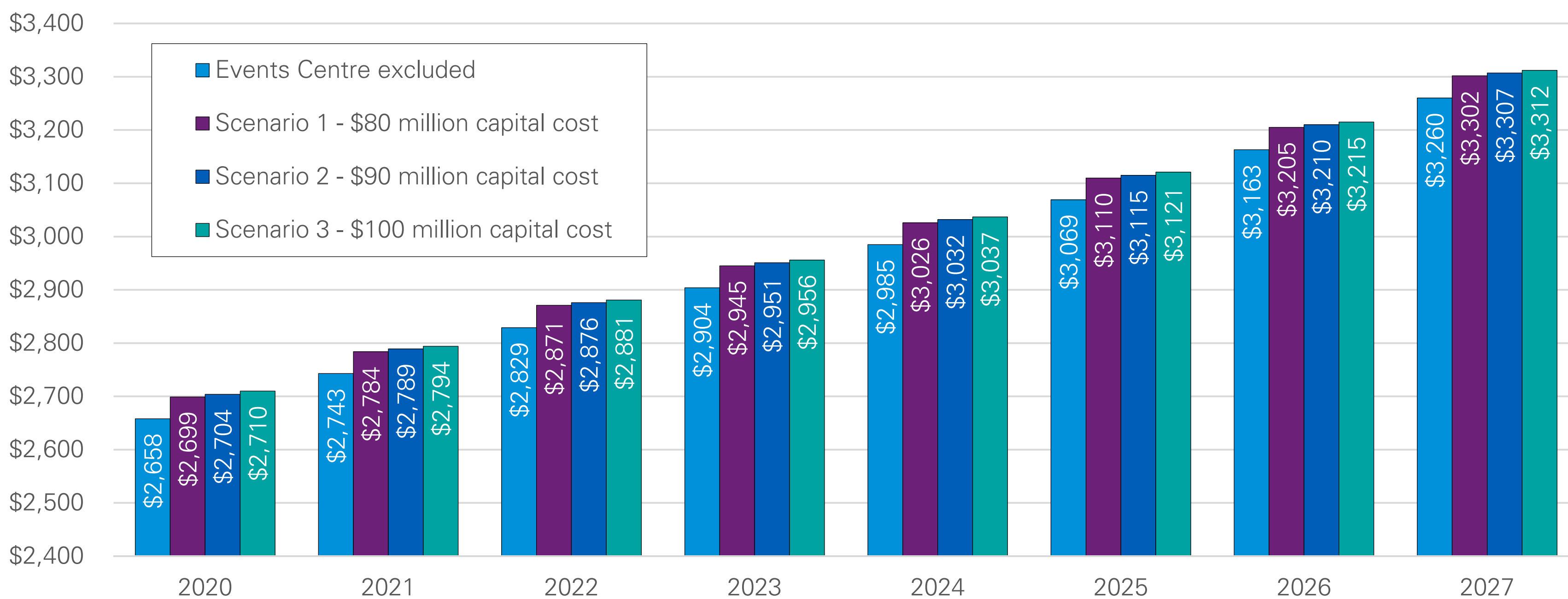
F. Events Centre (continued)

On a per household basis, the average cost per household for the proposed Events Centre is expected to range from $41 to $52 per household in 2020, with a $10 million change in construction cost equating to an average tax impact of approximately $6 per household.

- Scenario 1 - $80 million construction cost — $41 per household
- Scenario 2 - $90 million construction cost — $46 per household
- Scenario 3 - $100 million construction cost — $52 per household

Projected Residential Taxes per Household



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G. Next steps

The long-term financial plan represents a forecast of the City's financial performance and position under a series of assumptions that are documented within the plan. It is important to recognize that there is a difference between the long-term financial plan and the City's annual financial budgets, with the annual budget being the vehicle for approval of the City's spending and associated funding.

On an annual basis, the City intends to update the long-term financial plan to reflect its actual performance based on the indicators noted above. The updated long-term financial plan will also be used to assist the City in identifying and evaluating strategies that are intended to enhance financial sustainability and affordability. While contingent upon approval by Council, these strategies could include alternative revenue sources (e.g. stormwater maintenance fees) or expenditure reduction strategies through the rationalization of services and infrastructure. In addition, as major projects such as the new Events Centre proceeds from planning to execution, the long-term financial plan will be updated to reflect the final costs and associated financing.

Ultimately, the approval of any strategies will need to be incorporated into the City's budget process. The intent of the financial plan is to demonstrate the need for and impact of these strategies. While the long-term financial plan does not address service level changes, it is important to recognize that services and service levels ultimately drive the City's costs. As the City expands services or enhances service levels, its costs will increase accordingly. Similarly, the ability of the City to significantly reduce costs will need to be accompanied by a corresponding decrease in services and/or service levels.

In addition, the long-term financial plan includes suggested revisions to key financial policies that are intended to:

- Align the City's financial policies with the long-term financial plan
- Incorporate municipal best practices into the City's financial policies
- Enhance the efficiency of the City's financial processes; and
- Enhance aspects of the City's internal controls.

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City of Greater Sudbury Long-Term Financial Plan

I. Introduction

Introduction to the Long-Term Financial Plan

As defined by the Government Finance Officers Association ('GFOA'), long-term financial planning combines financial forecasting and strategizing and in doing so, allows municipalities to address future issues by developing and evaluating different financial scenarios. More formally, financial planning involves '*the process of projecting revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios and other salient variables*' thereby allowing municipalities to '*align financial capacity with long-term service objectives*'.

Recommended by the GFOA as a best practice, the City developed a long-term financial plan in 2002 that established a series of principles that would guide its financial management over the ten year planning period. In addition to forecasting operating and capital requirements and associated sources of funding, the long-term financial plan also formed the basis for financial policies for the newly amalgamated City, which would establish the processes for budgeting, borrowing, capital financing and reserve and reserve fund management. However, the City did not completely follow the main principles and recommendations outlined in the original plan.

While the City's long-term financial plan expired at the end of its ten year planning horizon, it continues to face financial pressures on its operating and capital budgets, the most notable of which are arguably (i) the need to address investment requirements associated with its aging infrastructure; and (ii) concerns over the cost of municipal services from the perspective of resident affordability. As such, the City has commissioned the preparation of an updated financial plan that is intended to cover the next ten years (2018 to 2027).

A. The objectives of long-term financial planning

Together with the City's strategic plan and annual budgets, the long-term financial plan is intended to be a component of the City's planning, budgeting and evaluation cycle. If fully effective, this cycle is intended to:

- Identify services and service levels for City residents, thereby establishing strategic intent;
- Incorporate financial considerations into the City's overall planning process, ensuring that the City's financial planning does not compromise long-term perspective by overly focusing on details;
- Prioritize financial investments based on long-term forecasts, ensuring that funding is available to support priority initiatives;
- Ensuring consistency and discipline in the financial planning and budgeting processes by establishing policies for financial decision-making; and
- Contributing towards continuous improvement by establishing and reporting on financial performance indicators.

A graphical depiction of the linkage between the various components of the City's financial planning, budgeting and evaluation cycle is provided on the following page.

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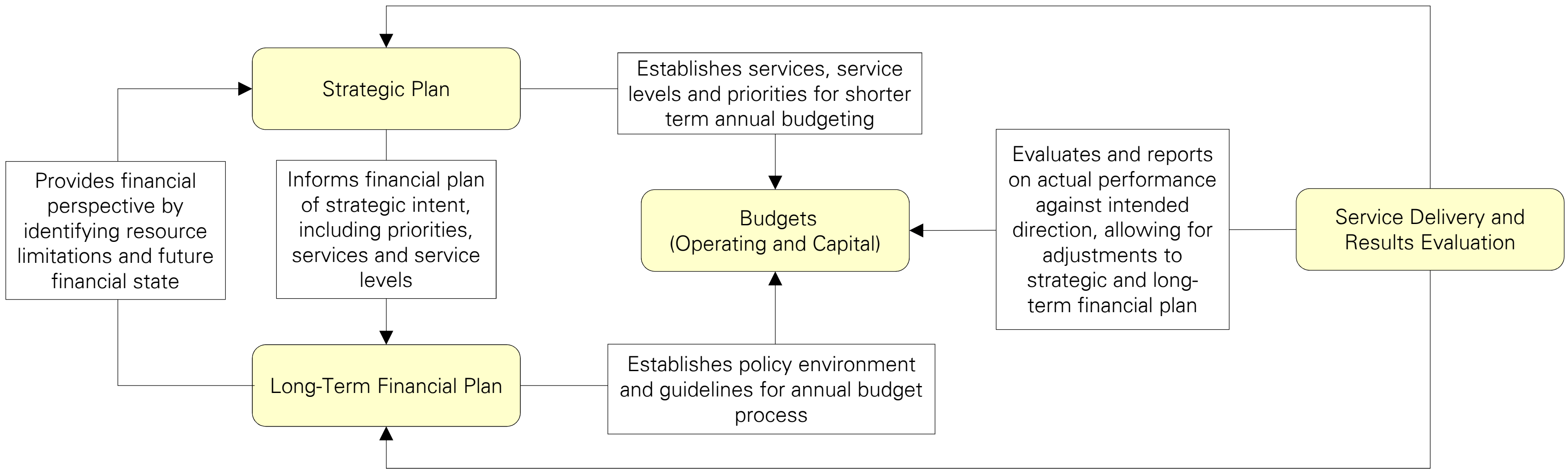
Introduction to the Long-Term Financial Plan

Reproduced from the publication 'Financing the Future: Long-Term Financial Planning for Local Government', Shayne Kavanagh



	Strategic Plan	Long-Term Financial Plan	Budgets (Operating and Capital)
Organizational vision	●	○	○
Long-term forecasting (revenue, expenditures, capital, debt, reserves)	○	●	◐
General environmental scan	●	○	○
Fiscal environment analysis	○	●	○
Service demand planning	◐	◐	◐
Service prioritization	●	○	●
Resource allocation	○	○	●
Management planning	○	○	●

○ Not applicable ◐ Partially addresses ● Fully addresses

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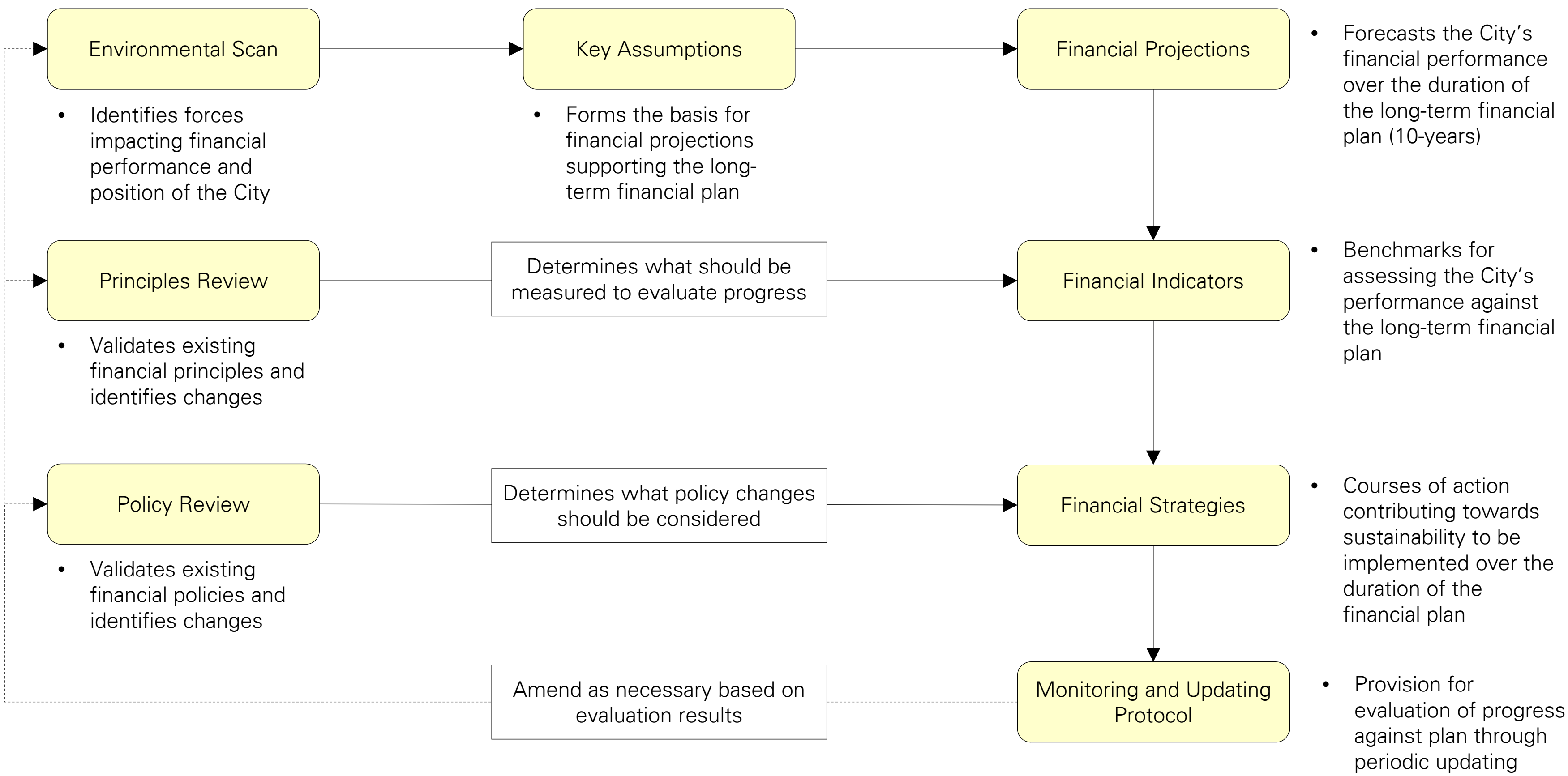
Introduction to the Long-Term Financial Plan

B. Long-term financial plan components

As discussed in more detail in this report, the long-term financial plan is comprised of the following major components:



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Introduction to the Long-Term Financial Plan

C. Terms of reference for KPMG's engagement

The terms of reference for the updated long-term financial plan were established in the City's request for proposal document CPS-162 and KPMG's subsequent engagement letter dated August 31, 2016. Pursuant to the terms of KPMG's engagement, the development of the long-term financial plan included:

- The preparation of forecasts for revenues, operating expenses, capital expenditures, reserves and reserve funds and long-term debt;
- A review of the City's current tax policy and potential options for alternative tax classes and ratios that considers municipal best practices;
- A review of the City's financial policies that ensures consistent with the long-term financial plan and municipal best practices. The selected financial policies reviewed included the following:
  - Budget preparation
  - Development charges
  - Investments
  - Capital budget
  - Accounts receivable
  - Travel and expenses
  - Debt management
  - Procurement
  - User fees
  - Operating budget
  - Reserves and reserve funds
  - Procurement cards
- An assessment of the financial impact of potential service level strategies under consideration by the City;
- Suggested changes to the City's financial policies intended to contribute to long-term financial sustainability and address potential risk exposures;
- Potential service level strategies that are intended to alleviate upward pressure on the financial levy, including infrastructure rationalization, service level reductions and alternative strategies for the delivery of municipal services; and
- Other strategies and potential courses of action that could be considered by the City for the purposes of long-term financial planning.

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Introduction to the Long-Term Financial Plan

D. Restrictions

This report is based on information and documentation that was made available to KPMG at the date of this report. KPMG has not audited nor otherwise attempted to independently verify the information provided unless otherwise indicated. Should additional information be provided to KPMG after the issuance of this report, KPMG reserves the right (but will be under no obligation) to review this information and adjust its comments accordingly.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and recommendations as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the City of Greater Sudbury. This report includes or makes reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.

Comments in this report are not intended, nor should they be interpreted to be, legal advice or opinion.

KPMG has no present or contemplated interest in the City of Greater Sudbury nor are we an insider or associate of the City of Greater Sudbury or its management team. Our fees for this engagement are not contingent upon our findings or any other event. Accordingly, we believe we are independent of the City of Greater Sudbury and are acting objectively.

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City of Greater Sudbury Long-Term Financial Plan

II. Environmental Scan

Introduction to the Long-Term Financial Plan

With a total population of 161,900 residents[1] and a geographic area of more than 3,600 square kilometres[2], the City is the 15th largest municipality in the Province of Ontario by population (lower and single tier municipalities only) and the largest by geographic area. With reported operating expenses (excluding amortization) of $447 million in 2015, the City has the 15th highest level of operating costs for Ontario municipalities (upper, lower and single tier)[3].

In common with a number of other Ontario municipalities, there are a number of issues that pose potential challenges to the City's long-term financial sustainability, the most notable of which include the following:

1. Although steady, there is an absence of significant population growth
2. Assessment shift; increasing reliance on taxes from residential households compared to industrial and commercial properties
3. Provincial funding changes
4. Infrastructure investment requirements

Each of these challenges are discussed in further detail in this chapter.

[1] Greater Sudbury 2015 Financial Information Return

[2] www.greatersudbury.ca/living/lakes-facts/

[3] KPMG analysis of Financial Information returns. https://efis.fma.csc.gov.on.ca/fir/Welcome.htm

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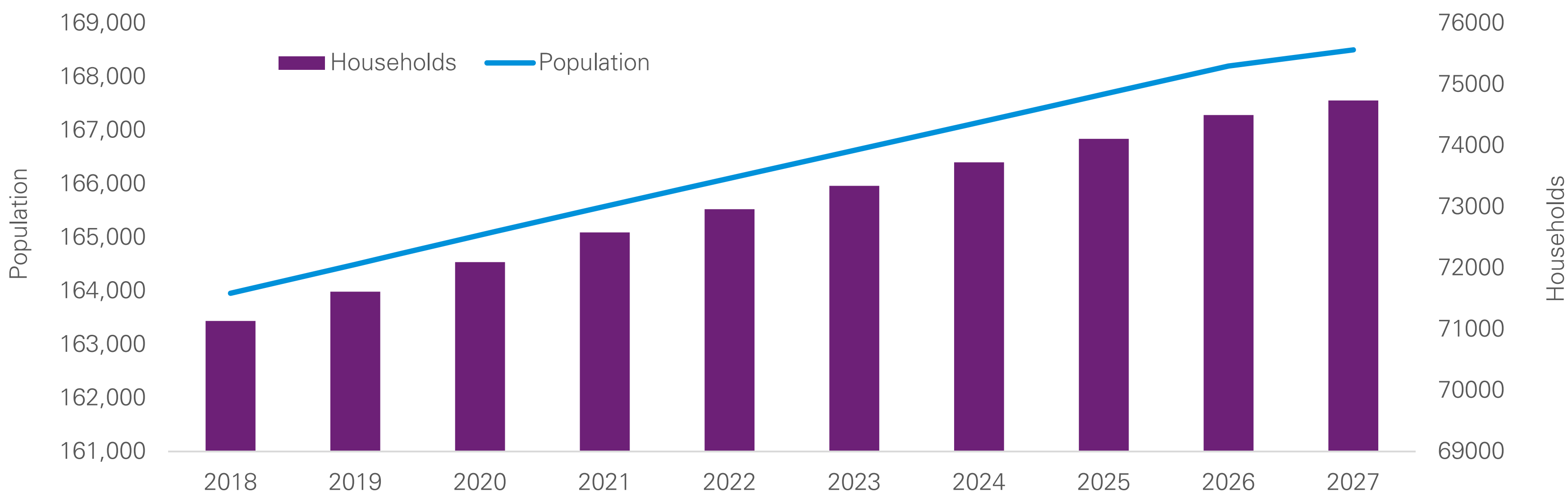
Introduction to the Long-Term Financial Plan

A. Limited population and household growth

Population and household projections prepared as part of the City's development charges background study indicate that the City's population and number of households are both expected to grow over the next ten years. Over the 10 year projection period, the City's population is expected to increase by approximately 5,800 residents (3.4%), while total households are projected to increase by approximately 4,700 households (6.5%)[1].

Projected Population and Households



The absence of significant growth in the City's population base poses a challenge from a financial sustainability perspective as the total number of taxpayers is not anticipated to increase at the same rate as the City's operating and capital costs. While the total tax burden for City residents will increase over the duration of the long-term financial plan, taxes as a percentage of household income are forecasted to remain relatively low in comparison to peer municipalities.

[1] Population, Household and Employment Forecast, 2011 to 2036, prepared by Hemson Consulting Ltd.

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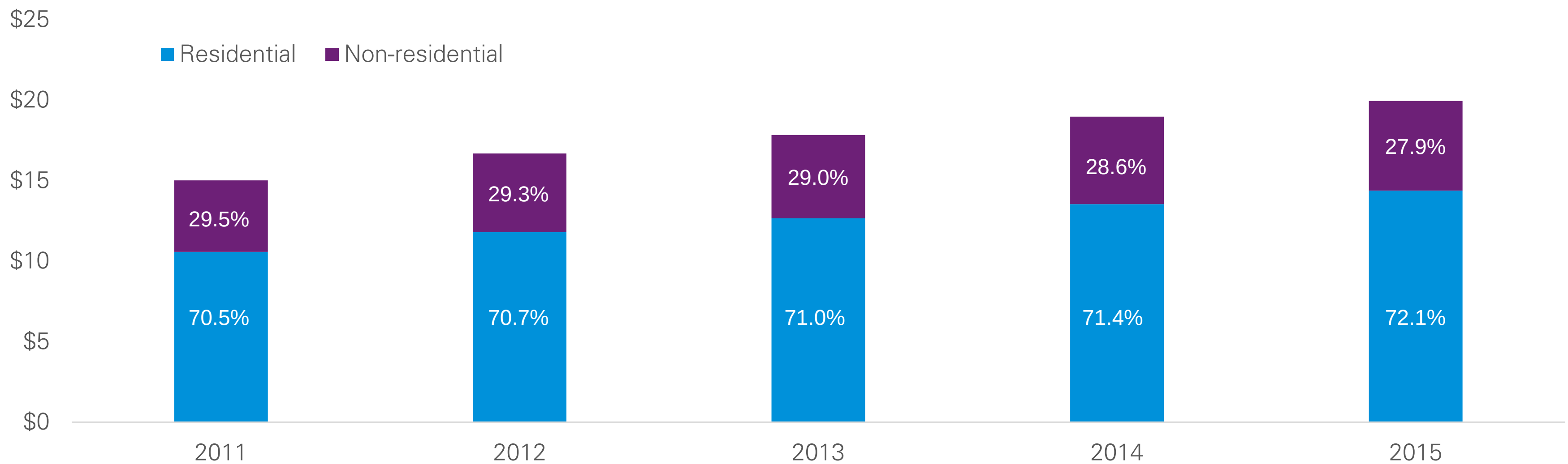
Introduction to the Long-Term Financial Plan

B. Assessment shift

Over the last five years, the City has experienced a shift in composition of its total taxable assessment base, with non-residential assessment accounting for 27.9% in 2015 compared to 29.5% in 2011 (an average shift of 0.4% per year)[1]. This change in assessment base represents the equivalent of $3.7 million in municipal taxes shifted from non-residential to residential taxpayers.

Taxable assessment (phase-in weighted and discounted), in billions



In addition to changes in the relative assessed values of residential and non-residential properties as determined by the Municipal Property Assessment Corporation ('MPAC'), the shift between residential and non-residential tax classes is also impacted by ongoing assessment appeals. During the ten year period from 2006 to 2015, the total reduction in tax revenues experienced by the City due to the appeal process amounted to $11 million, with the City potentially exposed to another $8.8 million in tax losses as a result of unresolved assessment appeals.

[1] KPMG analysis of financial information returns.

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Introduction to the Long-Term Financial Plan

C. Provincial funding changes

Introduced in 2005, the Ontario Municipal Partnership Fund is the Province's main unconditional transfer payment mechanism for Ontario municipalities. In the first year of the OMPF program (2005), a total of $656 million was available to Ontario municipalities, increasing to $870 million in 2008[1].

In 2008, the consensus report on the *Provincial-Municipal Fiscal and Service Delivery Review* (jointly developed by the Province, the Association of Municipalities of Ontario and the City of Toronto) was released. Intended to examine the funding relationship and distribution of costs between the Province and municipalities, the report recommended the uploading of funding for certain programs from municipalities to the Province. Of the five programs identified for uploading, four involved social services (the fifth upload related to court security), with uploading commencing in 2008. As noted below, the uploading of funding responsibility is being phased in, with the full benefit of uploading for certain programs not being fully realized until 2018.

Program	Percentage of Municipal Funding Responsibility Uploaded to Province										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ontario Drug Benefit	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Ontario Disability Support Program											
• Administration		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
• Benefits		90%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Ontario Works			3%	6%	14%	29%	43%	57%	71%	86%	100%
Court Security			3%	6%	14%	29%	43%	57%	71%	86%	100%

With the implementation of uploading, the amount of OMPF funding has been reduced every year, amounting to $550 million in 2014 with a further decrease to $500 million by 2016. For the 2017 fiscal year, the Province has announced OMPF funding totalling $505 million[1], with an estimated $1.9 billion in upload benefits.

Province-wide, total OMPF funding has decreased by 42% ($505 million in 2017 vs. $870 million in 2008). During the same period, the City's OMPF funding has decreased by 60% ($23.5 million in 2017 vs. $58.4 million in 2008).

[1] www.fin.gov.on.ca

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Introduction to the Long-Term Financial Plan

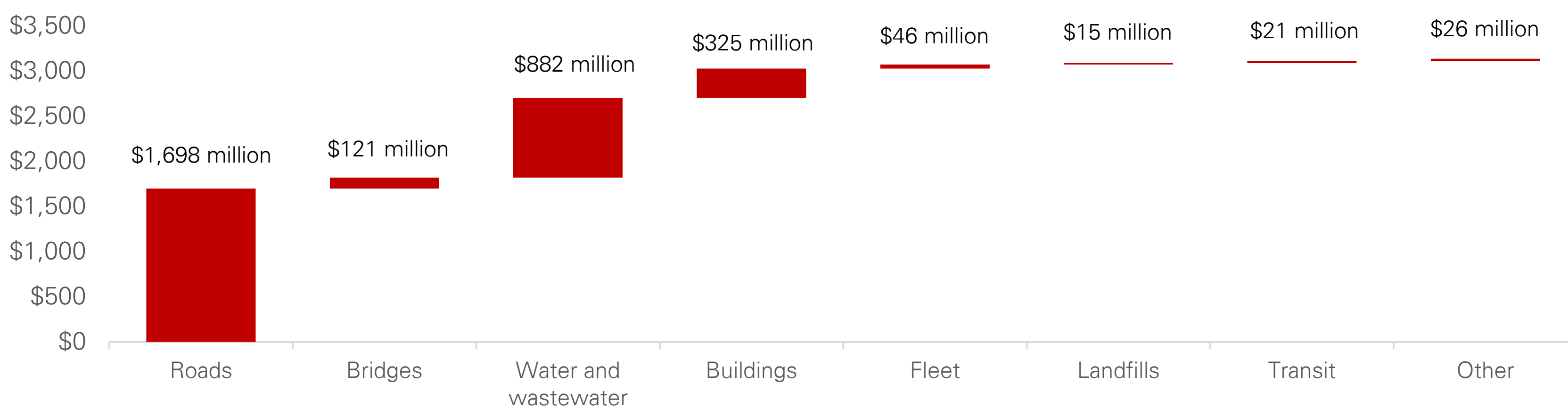
C. Provincial funding changes (continued)

During the 2017 fiscal year, the City's OMPF allocation amounts to $23.5 million, which includes $3.3 million in transitional assistance, the purpose of which is to compensate municipalities for reductions that would have occurred as a result of changes to the OMPF formula. Since 2011, the City's total OMPF allocation has decreased from $38.5 million, a reduction of $15.0 million. With the ongoing uploading of programs by the Province and the potential for additional OMPF reductions, the City is expected to experience continued reductions in OMPF funding over the horizon of the long-term financial plan.

D. Infrastructure investment requirements

The City's recently completed asset management plan has quantified the replacement value of its tangible capital assets to be in the order of $7.2 billion, of which $1.9 billion is in operating beyond the end of their useful lives with another $1.2 billion expected to reach the end of their useful lives within the duration of the long-term financial plan. As noted below, this infrastructure investment requirement relates to all of the City's asset categories.

Infrastructure Requirement Over the Next Ten Years (in millions)



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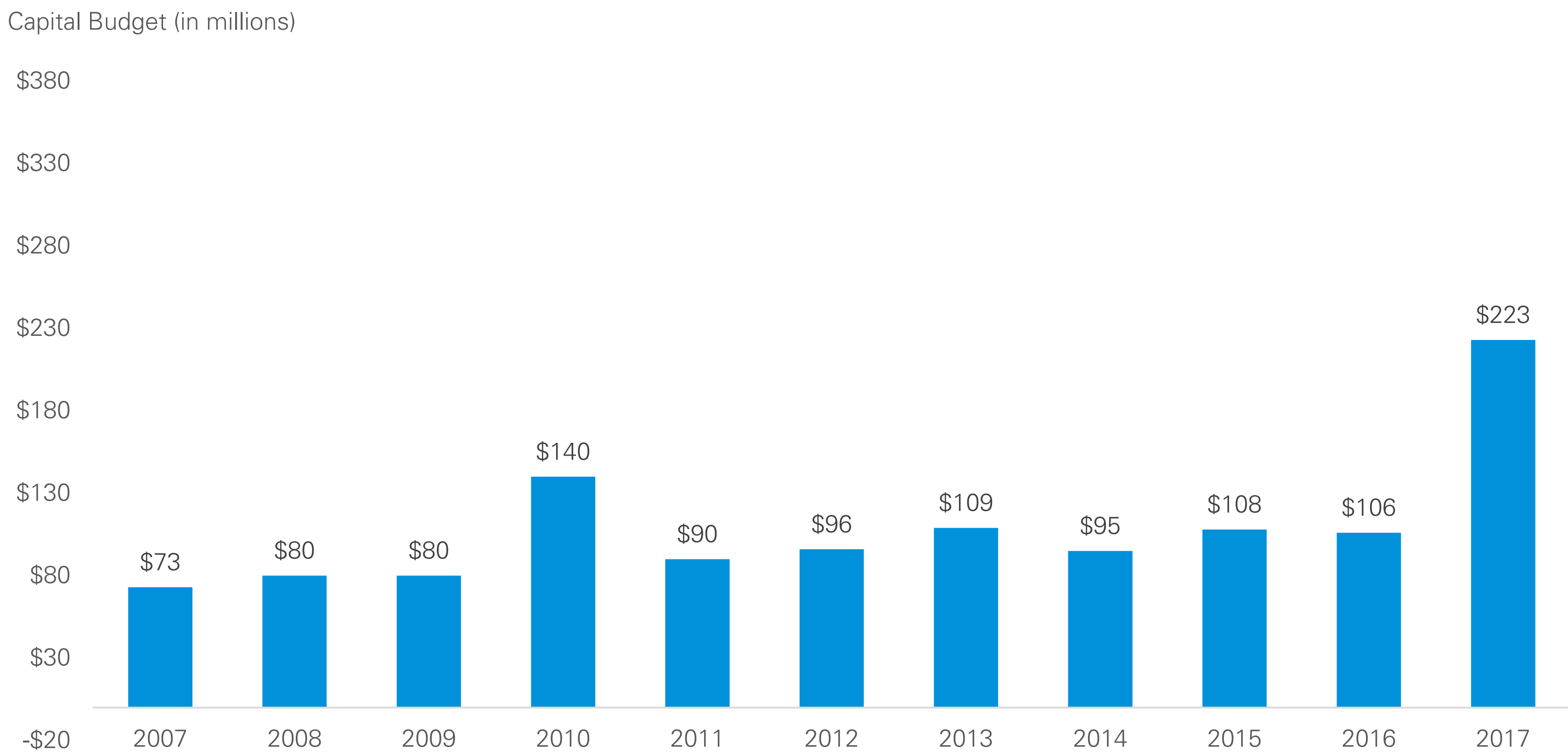
Introduction to the Long-Term Financial Plan

D. Infrastructure investment requirements (continued)

In comparison to the City's infrastructure investment requirement of $3.1 billion over the next ten years, the City has budgeted a total of $223 million in capital funding for 2017, which is significantly higher than the level of capital spending over the last ten years and reflects a major increase in roads spending.



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City of Greater Sudbury Long-Term Financial Plan

III. Financial Principles

Financial Principles

The City's original long-term financial plan outlined nine financial principles that were intended to reflect the City's approach to services, expenditures and funding sources. For the current long-term financial plan, these principles have been refined and consolidated as considered appropriate in order to reflect the City's focus on four key areas:

- Long-term sustainability;
- Respect for the taxpayer;
- Appropriate funding for services; and
- Planning for infrastructure.

Financial Principle	What It Means	How Will It Be Achieved
Long-term sustainability	• The City's financial decision-making will not respond to short-term perspectives but rather will consider long-term implications • The City's financial position, funding sources and resource allocations (i.e. operating expenditures, capital investments), will allow it to continue to achieve its intended role and responsibility over the long-term	• Preparation of operating and capital forecasts in support of budgeting and other planning. Spending and financing plans should have an appropriate planning horizon of at least one year and up to four years for operating expenditures, with capital forecasts covering a planning period of at least 10 years • Establishing appropriate reserve and reserve fund balances • Balancing affordability with resource demands when establishing taxation levies and user fees • Ensuring the appropriate use of debt, including (i) appropriate matching of long-term financing with long-term assets; and (ii) maintaining debt servicing costs within an acceptable level
Respect for the taxpayer	• Acting in the best interest of the taxpayer by providing quality service at an affordable cost	• Considering the affordability of City charges (taxes and user fees) as part of the financial decision-making process • Adopting a continuous improvement mentality intended to realize cost reductions while maintaining service levels • Ensuring sufficient communication of the financial rationale for key decisions • Performing service delivery costs analysis to assess economic feasibility of operating and capital initiatives.

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Financial Principles

Financial Principle	What It Means	How Will It Be Achieved
Appropriate funding for services	• The City's approach to financing services reflects a fair allocation of costs to residents based on (i) usage; and (ii) ability to pay • The City's approach to funding will be consistent with the timeframe of the expenditure • New programs and services will be adopted contingent upon a sustainable funding source	• The City's annual budget process will consider the appropriate allocation of funding between taxation and user fees and the use of area rating, recognizing that residents that use municipal services the most often can afford them the least • Long-term investments will be funded through long-term funding sources, including but not limited to debt, specific levies or reserve and reserve fund contributions • New services and service level enhancements will need to have identified funding sources (including but not limited to user fees, taxation increases or cost reductions in other areas) prior to adoption
Planning for infrastructure	• The City's investment in infrastructure, both for the replacement/rehabilitation of existing infrastructure and the establishment of new infrastructure, will be based on long-term requirements and consider the level of service that is intended to be delivered • The City's infrastructure management processes will consider alternative means of procuring and financing infrastructure	• Capital planning will consider long-term demographic and demand trends for the City and invest where demand is expected to exist, not where it has historically existed • Capital planning will link infrastructure investments with the desired service level, with investment levels adjusted upwards or downwards to match the resultant service level • Capital planning will consider potential strategies such as leasing or P3 arrangements

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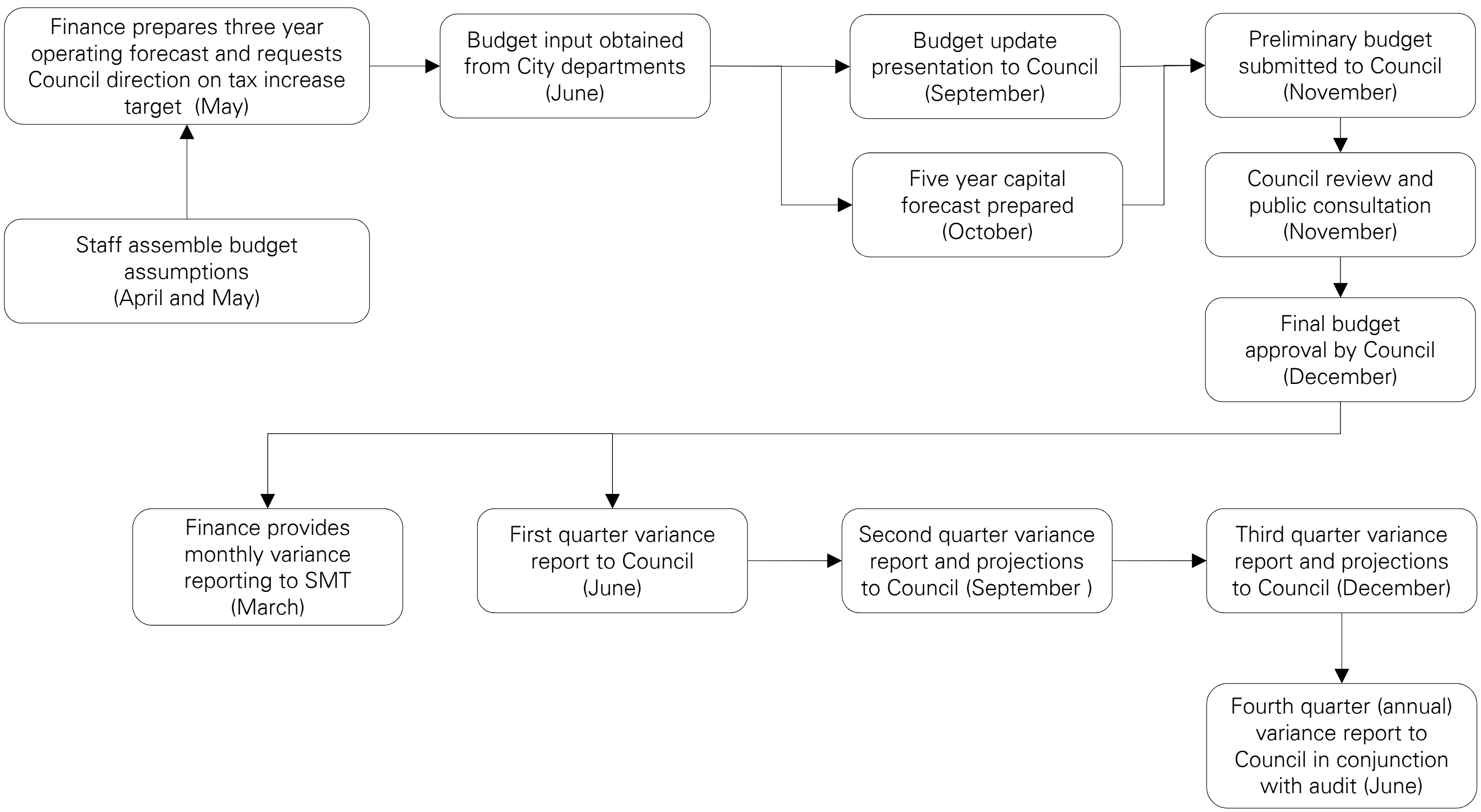
City of Greater Sudbury Long-Term Financial Plan

IV. Financial Policies

Financial Policies

As depicted below, the City's financial planning, budgeting and evaluation cycle occurs throughout the year, with the budget process commencing in April/May and the evaluation of actual to budgeted results commencing at the end of the first fiscal quarter (March).



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Financial Policies

In support of its financial planning, budgeting and evaluation cycle, the City has developed financial policies relating to:

- Budget preparation
- Capital budget
- Operating budget
- Reserves and reserve funds
- Development charges
- Investments
- Debt management
- Procurement
- Travel and expenses
- User fees
- Procurement cards

During the course of the long-term financial plan development, the above-noted policies were reviewed from a best-practices perspective based on policies adopted by other Canadian municipalities. Based on this review, the changes listed on the following pages are suggested for the City's consideration.

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Financial Policies

<table>
<tr><th>Financial Policy</th><th>Potential Change for Consideration</th></tr>
<tr><td>Budget preparation policy</td><td>Consider adoption of a multi-year budget as permitted under Section 291 of the Municipal Act. This would require Council to review and approve the budget for the year in question.</td></tr>
<tr><td>Capital budget</td><td>Consider expanding reporting on capital projects to include reporting on projects in progress (as opposed to the current requirement to report only on completed projects).
Consider the adoption of a five-year capital levy that would be used exclusively for capital purposes (including debt or reserve contributions).</td></tr>
<tr><td>Operating budget</td><td>Consider establishing the requirement for key performance indicators to be included in annual operating budgets.</td></tr>
<tr><td>Reserve and reserve funds</td><td>While the City has established minimum and maximum amounts for some reserve and reserve funds, consideration could be given to undertaking a detailed reserve and reserve fund review that will establish minimum amounts for all reserve funds so as to ensure the sufficiency of these funds. This review would include a reevaluation of reserves and reserve funds where minimum and maximum amounts have already been established.</td></tr>
<tr><td>Development charges</td><td>No changes suggested. We understand that the City will be updating its development charges bylaw based on an updated development charge study to be commissioned in the near term.</td></tr>
<tr><td>Investments</td><td>The City’s investment policy lists eligible investments based on the provisions of Ontario Regulation 438/97 and requires the Treasurer to report to Council where an investment is made that is inconsistent with the regulation. Given that this situation represents a contravention of not only the City’s policy but also Provincial regulation, the City may wish to revise its investment policy to reflect:
The requirement for City staff to verify compliance with the policy prior the acquisition of any investment and maintain appropriate documentation until such time as the investment matures or is otherwise disposed of; and
The requirement for the City to dispose of any non-compliant investments within a specific timeframe (e.g. five days).
The reporting provisions of the City’s policy contains language that is not gender neutral. The City may wish to revise this wording accordingly.</td></tr>
</table>

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Financial Policies

Financial Policy	Potential Change for Consideration

Debt management	• Provincial regulation precludes the issuance of debt denominated in foreign currency but this restriction is not currently listed in the City's debt management policy. Consideration could be given to amending the debt management policy to reflect this restriction.
	• The debt policy does not address the issue of fixed vs. variable interest rates on long-term debt. Given that variable rates can expose the City to potential increased costs as a result of rate increases, consideration could be given to prohibiting the issuance of variable rate debt.
	• The current debt policy establishes a limit of debt based on 5% of net revenues or own source revenues, which is lower than the maximum established by the Province (25%). At the present time, this would allow the City to incur debt servicing costs of approximately $20 million per year. While this exceeds the 2017 budgeted debt servicing costs of $10 million, it is possible that the City will be required to exceed this debt servicing limit due to:
	  • Investments in large community projects. For example, the new Events Centre alone could potentially add $7 million annually to the City's debt servicing costs; and
	  • Debt financing for the renewal of existing infrastructure, including new police headquarters and road improvements to Lorne Street and Municipal Road 35.
	The increased use of debt, while representing a departure from the City's traditional pay-as-you-go strategy would also bring the City in line with its peer municipalities, the majority of which have higher levels of debt servicing costs than the City (see next page).
	
	Based on the above, we recommend that the City consider increasing its debt limit to 10% of net revenues. This would allow the City to support up to $559 million in total debt, as summarized below.

Own Source Revenue (2015)	Debt Servicing Maximum	Maximum Debt Servicing Costs	Maximum Outstanding Debt (20 years @ 3.5%)
$388 million	5%	$19.4 million	$279 million
$388 million	10%	$38.8 million	$559 million

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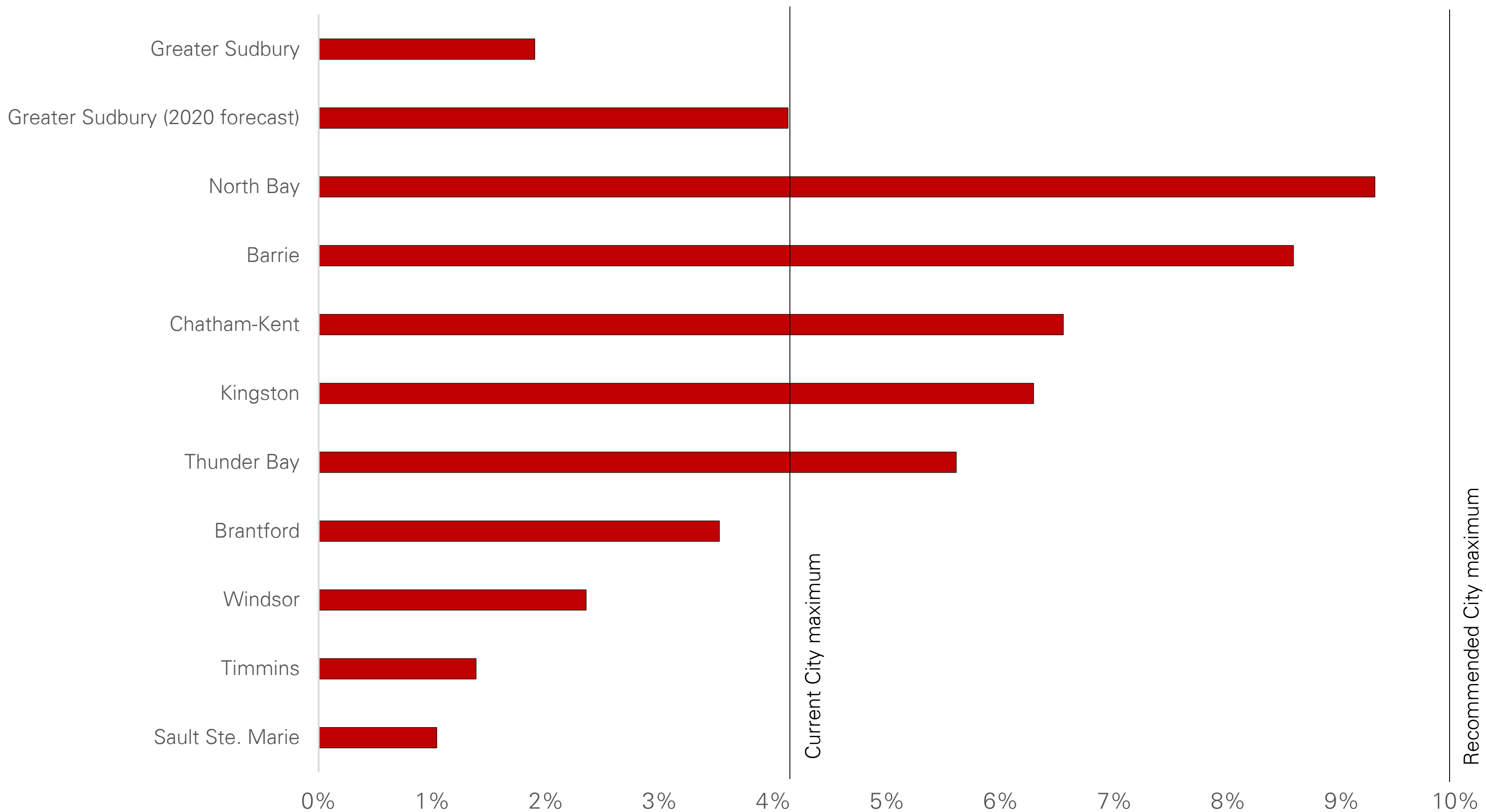
Financial Policies

Debt servicing as a percentage of own source revenues (2015)



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Financial Policies

Financial Policy	Potential Change for Consideration
Development charges	• No changes suggested. We understand that the City will be updating its development charges bylaw based on an updated development charge study to be commissioned in the near term.
Procurement	• The City's procurement policy currently requires staff to obtain three quotations for all contracts with fees of $10,000 to $50,000, with formal requests for proposal/tenders required for contracts with fees in excess of $50,000. In addition, the procurement policy requires certain reporting to and approvals from Council for procurements in excess of $50,000. Given the level of resources needed to undertake a formal request for proposal/tender process and the precedence established by other municipalities and the Provincial Broad Public Service Procurement Directive, the City may wish to consider revising its procurement policy to reflect a higher threshold for formal request for proposal/tender (e.g. $100,000). In connection with this change, the City may also wish to adjust its thresholds for Council reporting and approvals accordingly. • The City's procurement policy does not delineate between the procurement of consulting services and other goods and services. We note that certain municipalities, as well as the BPS Directive, establish different thresholds for consulting services. Given the potential sensitivity surrounding consulting services, the City may wish to establish separate thresholds for consulting services and other goods and services. • The City's procurement policy includes a conflict of interest section that defines the conditions where a potential conflict of interest exists (spouse, children, parents), in which case City employees are required to disclose the potential conflict and recuse themselves from the procurement process. The City may wish to consider revising its procurement policy to include siblings in the list of family members where potential conflicts of interest may exist.
Travel and expenses	• We note that Council expense reports are not required to be reviewed or approved by another individual prior to payment by the City. Rather, we understand that the City will issue payment for Council expense reports based solely on the information provided by the member of Council. In order to ensure compliance with the provisions of the Bylaw, as well as to demonstrate appropriate oversight and stewardship of public funds, the City may wish to revise the provisions of the Bylaw to include the requirement for Council expense reports to be reviewed and approved by another individual prior to payment. We note that a similar requirement for independent review of Council expense reports is in place in other municipalities.

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Financial Policies

Financial Policy	Potential Change for Consideration
User fees	• Consider adoption of a multi-year user fee policy. This would allow the City to enact user fee increases over multiple years without the need for annual Council approval. • The City's current user fee policy includes a provision for annual increases to account for inflation. While this may address operational cost pressures, funding requirements associated with capital may not be addressed. Accordingly, the City may wish to consider including a provision for the recovery of capital costs through user fees.
Procurement cards	• No changes suggested.

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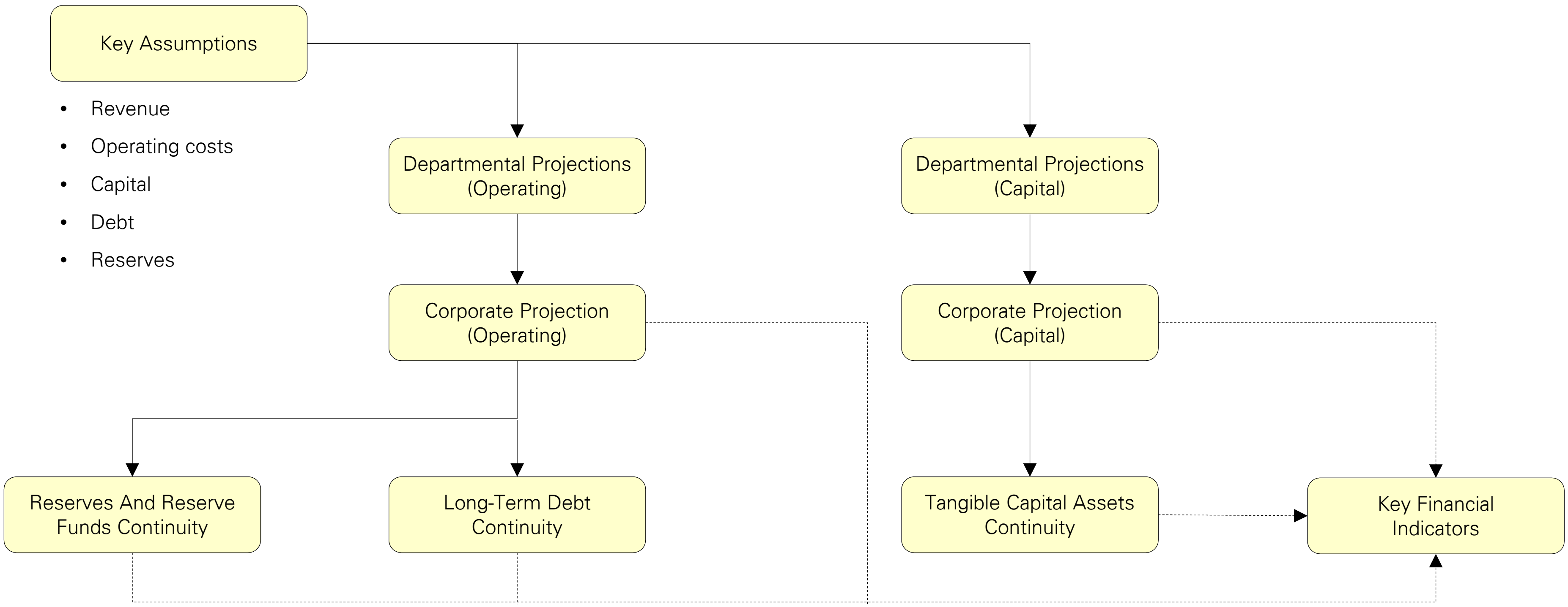
City of Greater Sudbury Long-Term Financial Plan

V. Financial Forecast

Financial Forecast

A key component of the long-term financial plan is the development of a financial forecast that considers the impacts of those forces identified in the environmental scan that will ultimately influence the City's financial performance over the ten-year planning horizon. The financial forecast is based on the City's 2017 final budget and reflects a so-called bottom-up approach, whereby forecasts are first developed at the divisional level, with these forecasts then consolidated into departmental forecasts and ultimately, a corporate forecast the encompasses all of the City's operations.

A graphical depiction of the financial forecast is presented below.



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Financial Forecast

A. Key assumptions

The financial forecast encompasses a number of key assumptions that are used to project the City's anticipated financial performance, including the following:

Operating expenses

- Payroll and benefit related costs are projected to increase at a rate of 2.5% per year, reflecting anticipated settlements under the City's collective bargaining agreements, corresponding increases for management personnel, escalations in benefit costs and other staffing adjustments. Over the five year period preceding the long-term financial plan (2010 to 2015), the City's reported personnel costs increased by an annual average (compounded) of 2.5%.
- Transfers to external agencies are forecasted to increase at a rate of 1% per year, based on the increase in reported external transfers during the five year period preceding the long-term financial plan (2010 to 2015).
- Energy costs are projected to increase at a rate of 4% per year, which represents the assumed general increase in energy costs due to inflation and the impact of energy saving initiatives undertaken by the City.
- Other operating expenses are projected to increase at a rate of 2% per year, which represents the assumed general rate of increase in operating costs due to inflation[2] and the impact of regulatory changes, with the City recommended to find efficiencies to offset cost increases. This is consistent with the increase in other operating expenses during the five year period preceding the long-term financial plan (2010 to 2015).

Expenditure Category	Reported Operating Expenses (in millions)			Percentage of Total		
	2010	2015	Annual Increase	2010	2015	Average
Wages and benefits	$209.415	$231.337	2.5%	50.3%	52.0%	51.2%
External transfers	$42.129	$43.647	0.9%	10.1%	9.8%	10.0%
Other operating expenses[1]	$164.882	$169.514	0.7%	39.6%	38.1%	38.8%
Total	$416.43	$440.50	1.6%	100.0%	100.0%	100.0%

[1] Excludes debt servicing costs and amortization expense as these are addressed in the analysis of long-term debt and tangible capital assets, respectively

[2] RBC Economics projects increases of 1.6% to 2.1% in government expenditures, while TD Economics projects increases of 1.5% to 2.1%.

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Financial Forecast

A. Key assumptions (continued)

Non-taxation revenues

- The City's OMPF allocation is projected to decrease at the rate of 8% per year over the 10 year forecast period. This level of decrease is consistent with the Province's annual reduction in OMPF funding since 2014 and reflects the so-called guaranteed level of support, whereby the Province establishes total OMPF funding for the City based on percentage of the prior year's OMPF funding, with transitional assistance adjusted to arrive at total OMPF funding.
- The level of grants associated with social assistance and courthouse security programs is expected to increase in 2018, reflecting the final year of uploading for these programs. For subsequent years, these grants are expected to increase at a rate of 3% per year, reflecting the expected increase in operating costs during the remainder of the projection period.
- Water and wastewater user fee revenues are projected to increase at a rate of 7.4% per year to 2025, with 2% increases thereafter, which is consistent with the City's financial plan for water and wastewater services.
- User fees and other non-taxation revenues are projected to increase at a rate of 3% per year, which is consistent with the weighted average increase in operating expenses during the five year period preceding the long-term financial plan (see prior page).

Capital expenditures and associated funding

- Projected capital expenditures and associated funding for the years 2018 to 2021 are based on the four year capital outlook included in the City's 2017 capital budget. The total amount of capital expenditures during this period is forecasted to be $551.1 million, which includes the following major projects:
  - Maley Drive extension (internally financed)
  - Police headquarters renovations
  - Reconstruction of Lorne Street
  - Four-laning of Municipal Road 35
- Projected capital expenditures and associated funding for the years 2022 to 2027 are based on the forecasted capital expenditures and funding for the 2021 fiscal year, adjusted by 2% to reflect inflation.

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Financial Forecast

A. Key assumptions (continued)

Large capital projects

In April 2016, City Council endorsed in principle four large capital projects, the cost of which are not included in the 2017 budget:

- *Events Centre* – Representing the proposed replacement for the Sudbury Community Arena, the City is advancing the Events Centre based on the recommendations of a recently completed consultant's report. Based on the proposed schedule, the Events Centre is expected to be completed in 2019 at an estimated cost of $100 million.
- *Place des arts* – As part of the 2017 budget process, the City conditionally committed $5 million to the Places des arts, a proposed multipurpose Francophone Arts facility.
- *Synergy Centre* – The Synergy Centre is a proposed multi-use conference and performing arts centre to be located in downtown Sudbury. The estimated construction cost of the Synergy Centre is in the order of $65 million. City staff continue to work with the project's proponents to determine the overall feasibility of the Synergy Centre and required level of funding, with a report expected to be delivered to Council in 2017.
- *Art Gallery and Library* – The City and the Art Gallery of Sudbury (the 'Art Gallery') are investigating the potential benefits of co-locating the main branch of the Greater Sudbury Public Library with the Art Gallery in a new downtown facility. While subject to further review, the estimated cost of the new facility is expected to be in the range of $35 million to $50 million. A project manager has been retained to assist in reviewing the benefits of integrating the two facilities and the City continues to review the project in coordination with the Art Gallery and other stakeholders.

Based on the current state of the large capital projects, only the Places des arts has been included in the capital forecast, with debt servicing costs commencing in 2019.

Recognizing that the City is in the process of evaluating the construction of a new Events Centre, a discussion of the impacts of this specific project is including later in this chapter.

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Financial Forecast

A. Key assumptions (continued)

Taxation assumptions

- The City's total taxable assessment is projected to increase at a rate of 0.8% per year, which is consistent with its total assessment growth during the five year period preceding the long-term financial plan. This growth in assessment reflects:
  - An increase in the number of households during the 10 year projection period. The most recent Hemson Consulting Limited's growth forecast estimates an additional 4,700 households will be added to the City throughout a 10 year period;
  - An increase in the amount of commercial and industrial properties. The City's development charge background study forecasted a total of 4.72 million square feet of non-residential floor space to be constructed between 2014 and 2023; and
  - Valuation increases on new properties.
- The historical shift of taxable assessment from non-residential to residential properties is expected to continue over the duration of the financial model, with an assessment shift of 0.5% occurring from non-residential properties to residential properties.
- No changes will occur with respect to tax ratios for non-residential properties.

Fire and paramedic optimization

The City's fire and paramedic services optimization project is a proposed restructuring of how fire protection services are delivered. The optimization project, if approved by Council, would see a phased reduction in the number of fire stations, with associated reductions in volunteer firefighters and vehicles. At the same time, the number of full-time firefighters would increase as the City expands composite fire protection (i.e. combined full-time and volunteer staffing). From a financial perspective, the adoption of the fire and paramedic services optimization would result in an increase in operating costs and a decrease in capital costs.

As the fire and paramedic services optimization has not been approved by Council as at the date of our report, we have not included the anticipated operating and capital impacts in the financial model.

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Financial Forecast

B. Projected financial performance

A summary of the City's financial performance and position over the next ten years is provided on the following pages. Specifically, we have included a summary of the following:

- Total operating expenditures
- Total operating revenues
- Total capital expenditures
- Reserve and reserve fund balances
- Long-term debt balances

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Financial Forecast

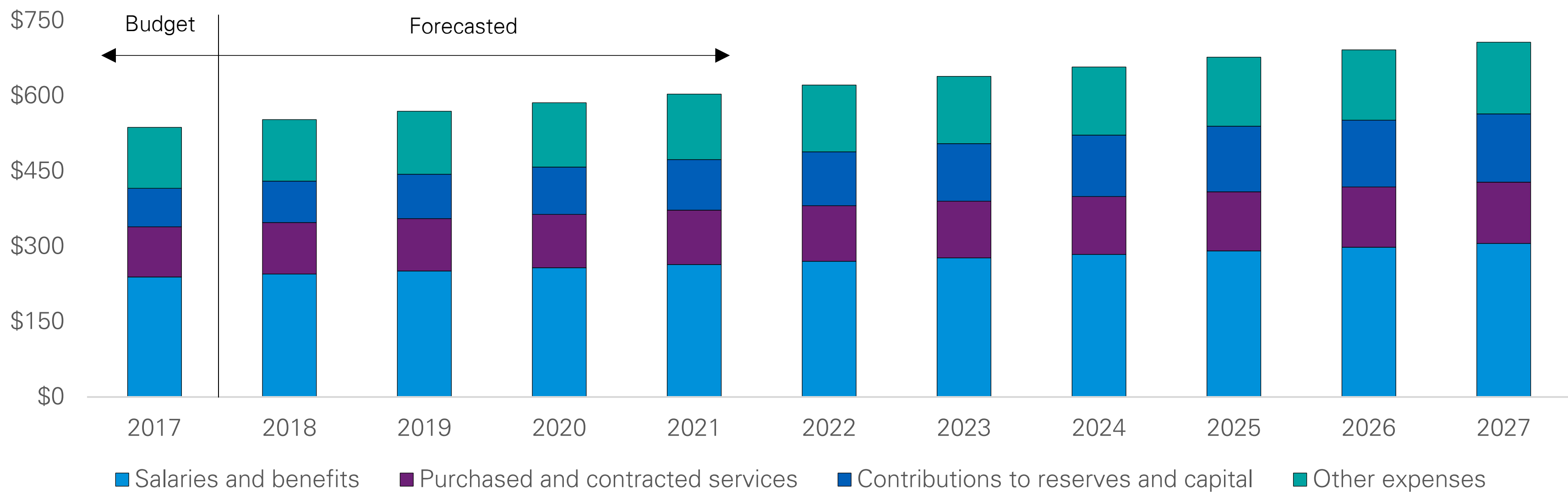
B. Projected financial performance (continued)

Operating expenditures

Total operating expenses are projected to increase from $537 million in 2017 to $706 million in 2027, representing an average increase of 2.8% per year. Major components of operating expenditures are projected to increase as follows:

- Salaries and benefits increasing from $239 million in 2017 to $306 million in 2027;
- Purchased and contracted services increasing from $100 million in 2017 to $122 million in 2027;
- Contributions to reserves and capital are projected to increase from $77 million to $136 million; reflecting the anticipated increase in capital financing over the duration of the financial projection period; and
- All other expenses are projected to increase from $121 million in 2017 to $143 million in 2027.

Operating expenses (in millions)



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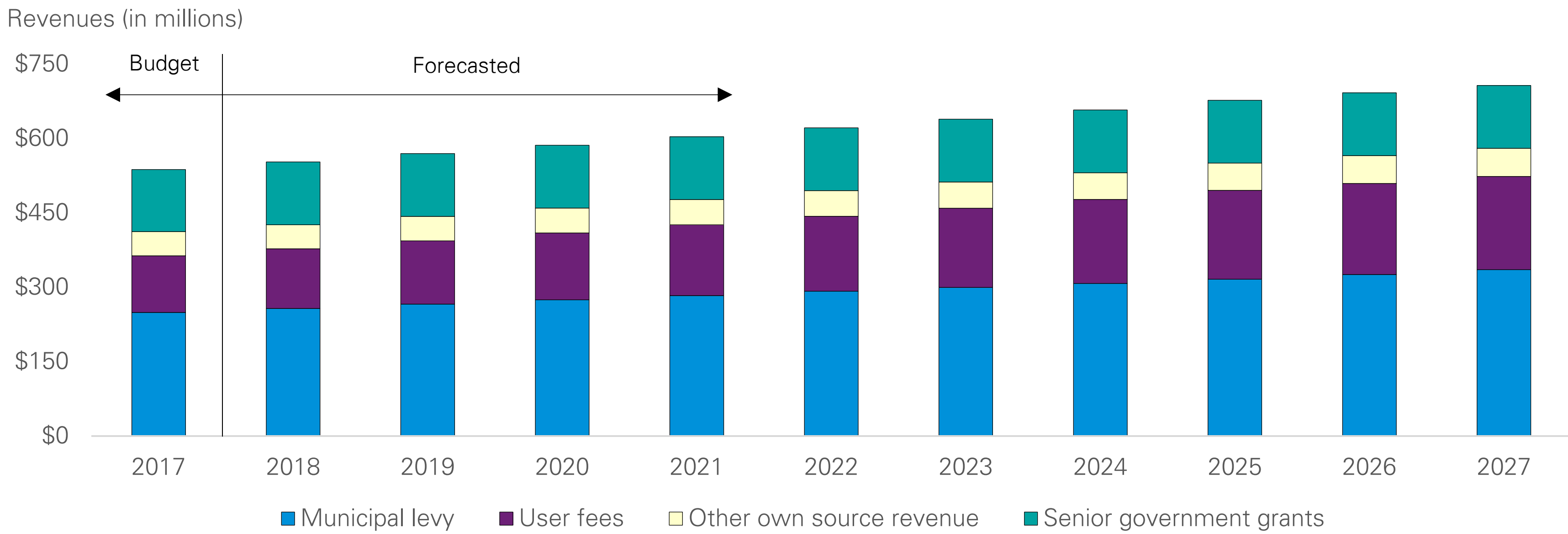
Financial Forecast

B. Projected financial performance (continued)

Operating revenues

Total operating revenues are projected to increase from $537 million in 2017 to $714 million in 2027, a compound annual growth rate of 2.9%. With respect to projected operating revenues:

- The total municipal levy is forecasted to increase from $249 million in 2017 to $335 million in 2027, representing an annual increase of 3.0%. Overall, residential taxes per household are projected to increase from $2,405 in 2017 to $3,260, an annual increase of 3.1%. The rate of change in average taxes per household reflects a number of factors, including the projected increase in households offset by assessment shift from non-residential to residential properties.
- Own source revenues (which include the municipal levy, user fees and other revenue sources) are projected to increase from 77% of total operating revenues in 2017 to 82% in 2027, reflecting the assumption that senior government grants will not increase, requiring the City to rely exclusively on own source revenue to fund operating cost increases.



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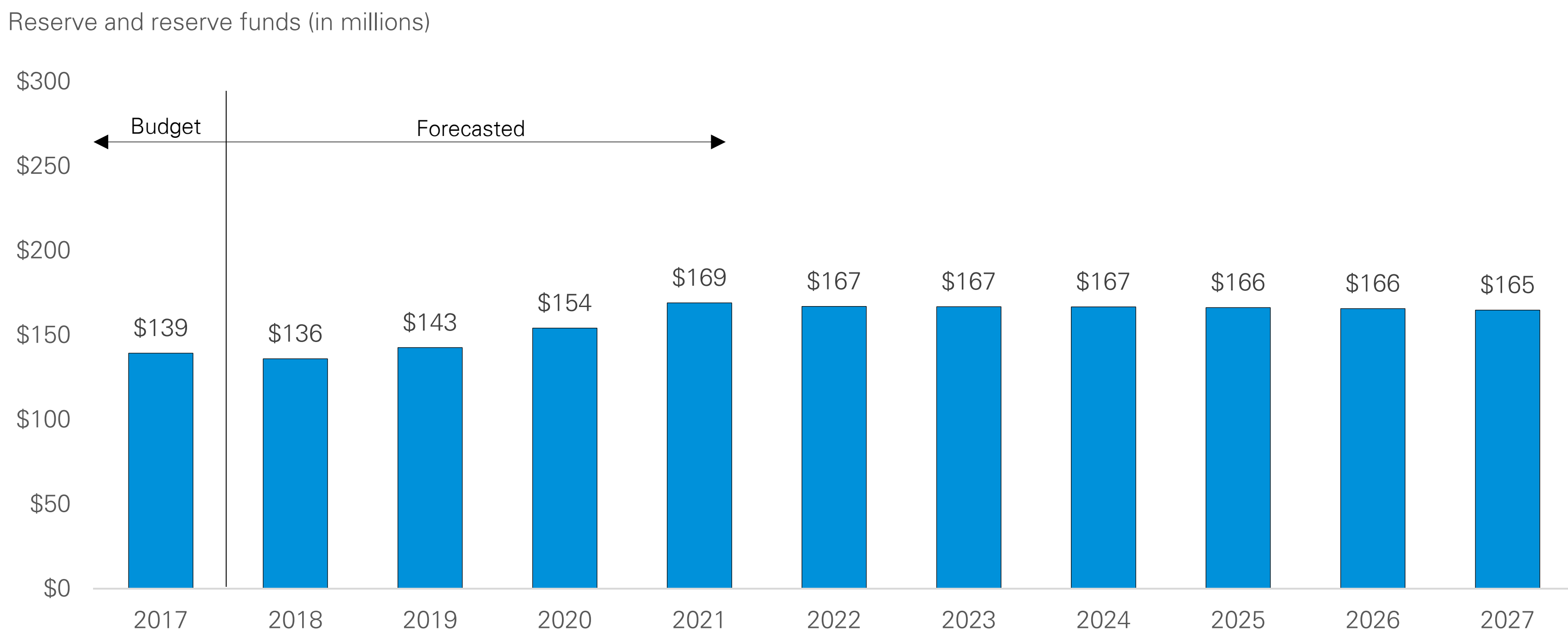
Financial Forecast

B. Projected financial performance (continued)

Reserves and reserve funds

Reserve and reserve funds are projected to remain relatively consistent during the projection period, reflecting $1.11 billion in reserve and reserve fund contributions offset by $1.08 billion in reserve and reserve fund contributions to capital ($1.01 billion) and operations ($70 million). Overall, reserve and reserve funds per household are projected to remain relatively constant, increasing from $1,859 in 2017 to $2,069 in 2027.

It should be noted that the City's reserves and reserve funds include significant committed reserve funds previously approved by Council for capital projects to be spent over multiple years.



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Financial Forecast

B. Projected financial performance (continued)

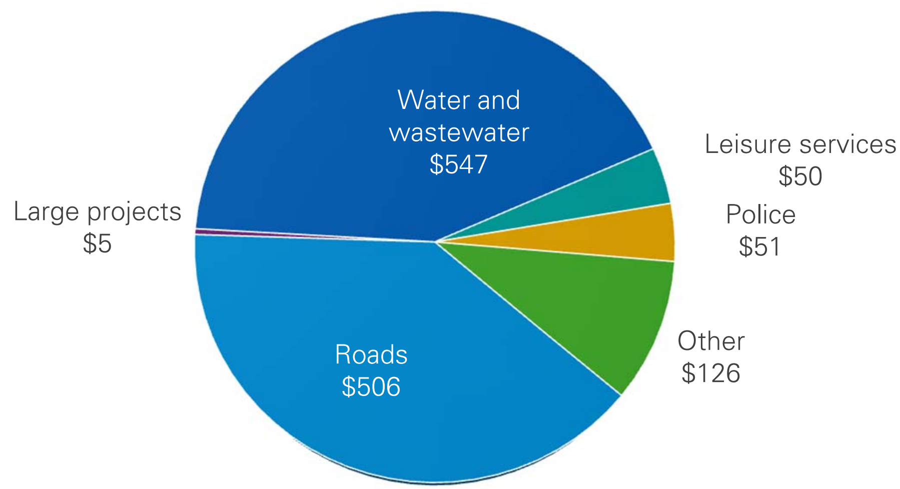
Capital expenditures

Over the duration of the financial plan, total capital expenditures are projected to amount to $1.30 billion. The majority of capital expenditures are projected to relate to water and wastewater infrastructure (43%) and roads (39%).

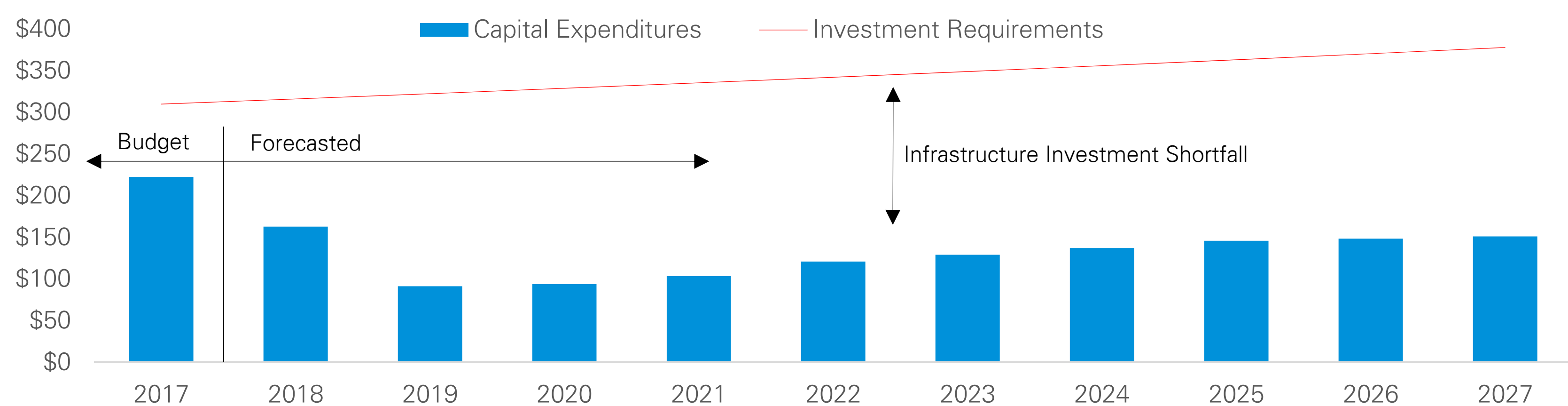
The City has infrastructure investment requirements of $3.10 billion during the financial planning period, projected capital expenditures of $1.30 billion is insufficient to meet the level of investment needed to replace assets operating beyond their useful lives.

As noted earlier, certain projects have not been included the projected capital expenditures. In addition, the financial model does not contemplate the introduction of a special levy for capital purposes.

Projected capital expenditures (in millions)



Capital expenditures (in millions)



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Financial Forecast

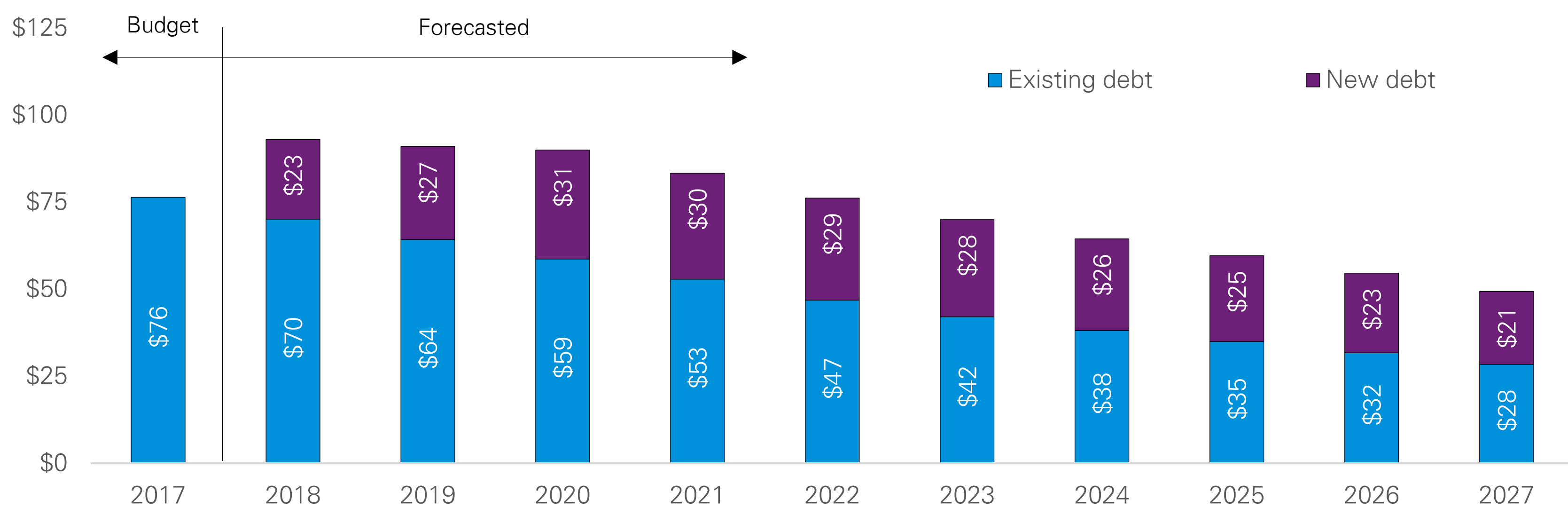
B. Projected financial performance (continued)

Projected long-term debt

The City is projected to have a total of $82.4 million in outstanding debt at the beginning of the 2017 fiscal year, with an additional $33 million in new debt issued over the next ten years:

• Police headquarters renovations (2018 to 2020)	$14.8 million
• Lorne Street reconstruction and Municipal Road 35 four-laning (2019)	$13.3 million
• Place des arts (2018)	$5.0 million

Long-term debt (in millions)



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Financial Forecast

C. Events Centre

As of the date of this report, the City has commenced work on planning for a new Events Centre that would replace the Sudbury Community Arena. Given the significance of the Events Centre from a cost perspective and the current level of planning activity, we have provided a separate analysis of the financial impacts of a new Events Centre, based on the following scenarios:

	Scenario 1	Scenario 2	Scenario 3
Assumed completion date	December 31, 2019	December 31, 2019	December 31, 2019
Construction cost	$80 million	$90 million	$100 million
Financing source	Full debt financing	Full debt financing	Full debt financing

Based on an assumed interest rate of 3.6% for 30-year financing, the debt servicing cost for the Event Centre is projected to be in the range of $4.4 million to $5.5 million per year. Assuming no changes to net operating costs (i.e. the net operating costs for the Events Centre will be consistent with the Sudbury Community Arena), the projected increase in the municipal levy in 2020 as a result of debt servicing costs associated with the Event Centre is as follows:

- Scenario 1 – Construction cost of $80 million ⇧1.6%
- Scenario 2 – Construction cost of $90 million ⇧1.8%
- Scenario 3 – Construction cost of $100 million ⇧2.0%

A summary of the projected impact on the municipal levy and average residential taxes per household is included on the following page.

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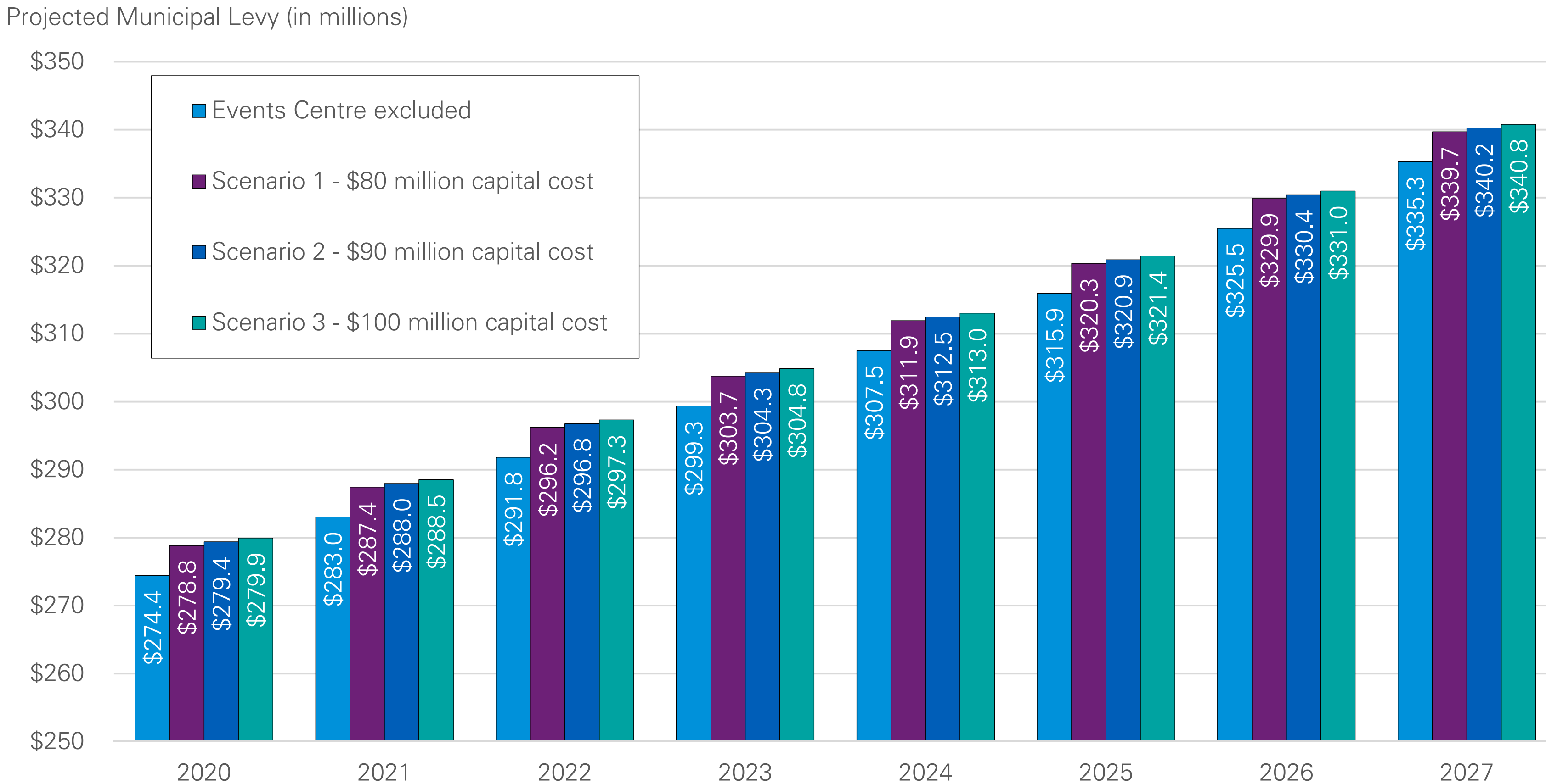
Financial Forecast

C. Events Centre (continued)

Debt servicing costs associated with the new Event Centre are expected to add $4.4 million to $5.5 million to the municipal levy. A $10 million change in construction costs is projected to impact the municipal levy by $0.6 million per year.



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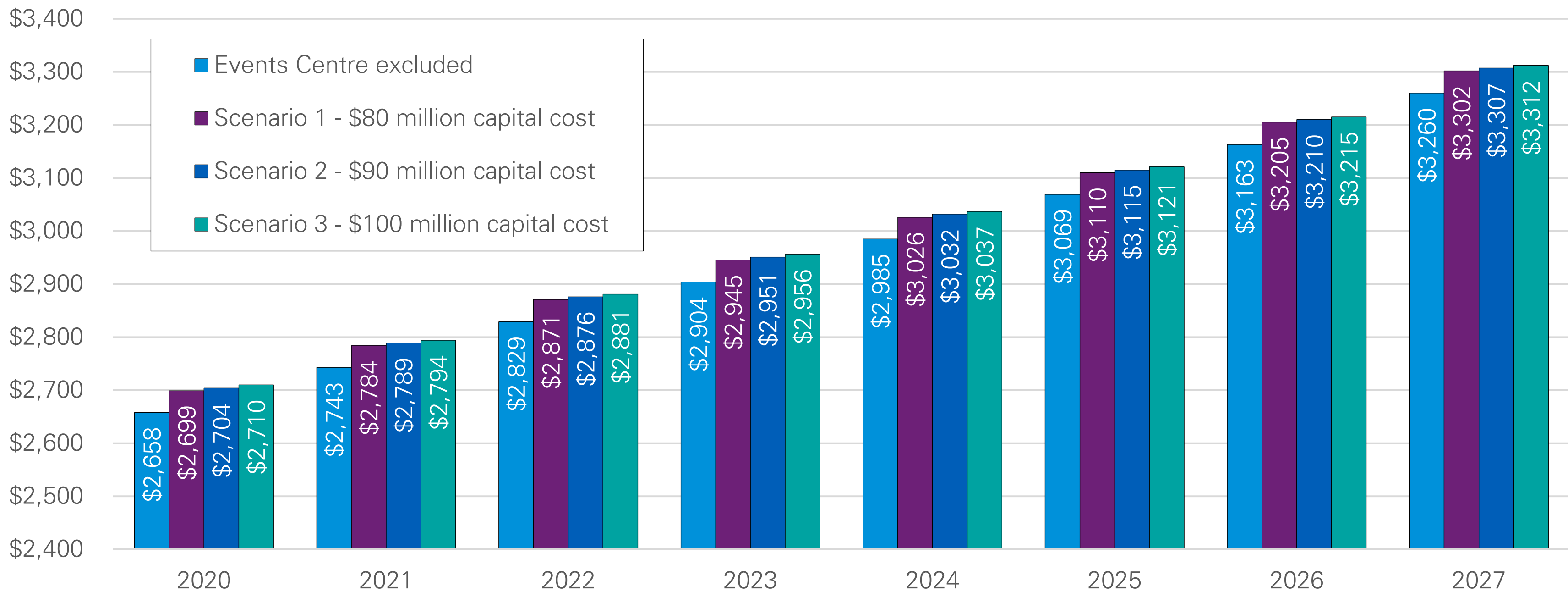
Financial Forecast

C. Events Centre (continued)

On a per household basis, the average cost per household for the proposed Events Centre is expected to range from $41 to $52 per household in 2020, with a $10 million change in construction cost equating to an average tax impact of approximately $6 per household.

- Scenario 1 - $80 million construction cost — $41 per household
- Scenario 2 - $90 million construction cost — $46 per household
- Scenario 3 - $100 million construction cost — $52 per household

Projected Residential Taxes per Household



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City of Greater Sudbury Long-Term Financial Plan

VI. Financial Strategies

Financial Strategies

For the most part, the financial model considers the continuation of the City's status quo with respect to services, service levels, infrastructure and sources of financing. Potential new strategies for the City's consideration, which have not been reflected in the financial model, are discussed in this chapter.

A. Stormwater management fees (incremental revenue source)

For Ontario municipalities, the most prevalent strategy for the funding of stormwater management costs is to include these costs in the determination of the municipal levy. However, an increasing number of municipalities are implementing stormwater management fees that are intended to finance both operating and capital costs associated with the maintenance of stormwater management infrastructure. The use of a stormwater management user fee, as opposed to municipal taxation, is intended to address the following principles:

- **Fairness and equity** – Similar to water and wastewater user fees, the use of stormwater management fees is viewed a providing a measure of fairness and equity by correlating the cost of stormwater management with the amount of runoff contributed by a specific property. This differs from municipal taxes, which allocates the cost of stormwater management based on assessed values with no consideration given to the level of runoff contributed.

  In addition to the above, stormwater management fees are seen as addressing a perceived inequity that arises from the so-called heads and beds tax structure that applies to universities, colleges, jails and hospitals, whereby these institutions are only charged $75 per bed in lieu of property taxes. Given that they often have large parking lots and other impervious areas that generate significant volumes of runoff.

- **Sufficiency of financing** – Often times, the financial requirements for stormwater management (both operating and capital) are not considered to be priorities and as such, may be underfunded when attempting to balance municipal levy pressures with affordability concerns. The use of stormwater management user fees are intended to specifically identify and fund these financial requirements without the need to compete with other priorities.

- **Environmental incentives** – Where stormwater management costs are funded through the municipal levy, there is no direct incentive for property owners to adopt source controls that will reduce the volume of runoff generated (e.g. the establishment of additional greenspaces). Stormwater management user fee structures may consider the amount of impervious area within a property, providing owners with a financial incentive to reduce these areas. In addition, stormwater management user fee structures may also incorporate credits that provide financial incentives for other runoff mitigation strategies.

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Financial Strategies

A. Stormwater management fees (incremental revenue source)

Generally speaking, stormwater management user fees involve one of three alternatives:

- **Flat fee structures**, whereby all customers are charged the same amount regardless of property type and size;
- **Tiered flat fee structures**, which involve the establishment of differing flat fees based on the type of customer (residential, commercial, industrial, institutional) and the size of the customer's property (e.g. small residential, medium residential, large residential)
- **Variable rate structure**. A variable rate structure typically involves charging customers based on the amount of impervious area, which includes parking lots, roofs, sidewalks and other areas that cannot be penetrated by rainwater and as such, generate stormwater runoff. We understand that while these rate structures are relatively rare in Canada, they are prevalent in the United States.

While a variable rate structure provides the best linkage between cost and runoff generated, it is seen as the most complex (and costly) to administer as the impervious area of all properties in the municipality would need to be measured and updated on a periodic basis.

During 2015, the City spent a total of $2.2 million [1] on stormwater management operating activities, with an additional $240,000 in capital expenditures. In total, stormwater management represented approximately 1% of the municipal levy in 2015, with the total financial requirement for stormwater management expected to increase in the future as a result of:

- The anticipation of increased Provincial legislation for stormwater management, which is expected to translate into increased operating costs;
- Continued development in Greater Sudbury, which will result in an increase in urban stormwater management infrastructure; and
- The need to reinvest in the City's stormwater management infrastructure, which has an estimated replacement cost of $26.5 million.

Based on these considerations, the City may wish to consider the implementation of a stormwater management user fee which would shift funding for stormwater management activities from the municipal levy to individual users.

[1] Calculated as Total of Urban and Rural storm sewer system expenses less amortization as per Schedule 40 of the Greater Sudbury 2015 Financial Information Return

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Financial Strategies

B. Property taxation strategies (incremental revenue source)

For the purposes of determining municipal property taxes, the Municipal Property Assessment Corporation ('MPAC') allocates properties into seven mandatory categories:

- Residential
- Multi-residential
- Commercial
- Industrial
- Pipelines
- Managed forests
- Farmlands

In addition to these property classes, Ontario municipalities are permitted to establish additional optional property classes for which separate tax rates can be established. Optional property classes include the following:

- New multi-residential units, which are comprised of multi-residential units constructed under a building permit issued after the creation of the new property class;
- Office buildings
- Shopping centres
- Parking lots
- Residual commercial, representing commercial properties that are not categorized as office buildings, shopping centres or parking lots.
- Large industrial

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Financial Strategies

B. Property taxation strategies (incremental revenue source)

In establishing tax rates, the City is required to develop tax ratios, which indicate the proportionate weighting of the various property tax classes as a percentage of the residential tax class (which has a ratio of 1.00000). The determination of tax ratios considers parameters established by the Province of Ontario:

- **Range of fairness** – The Province has established upper and lower limits for tax ratios for non-residential property classes that are intended to ensure that municipalities do not unfairly shift tax burden from residential to non-residential properties through a change in tax ratios. Where a municipality chooses to adjust its non-residential tax ratios, it can only move towards the range of fairness. For example, where the tax ratio for a non-residential property class exceeds the upper limit of the range of fairness, a municipality is not permitted to increase the ratio but rather can (i) maintain the ratio at the current figure; or (ii) decrease the ratio.
- **Threshold ratios** – In addition to the restrictions imposed by the range of fairness, the Province has also established threshold ratios for non-residential property taxes which preclude municipalities from increasing municipal taxes on property classes where the ratios exceed the threshold ratios.

In all cases, the City's 2016 ratios exceed the upper end of the range of fairness, with ratios for commercial and industrial properties also exceeding the threshold ratios.

Property Class	2016 Ratio	Range of Fairness		Threshold Ratio
		Low	High	
Multi-residential*	2.15738	1.00	1.10	2.74
Commercial	2.09421	0.60	1.10	1.98
Industrial	3.06941	0.60	1.10	2.63

* Due to recently implemented Ministry of Finance Regulations, effective 2017, the threshold ratio for Multi-residential properties is 2.00

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Financial Strategies

B. Property taxation strategies (incremental revenue source)

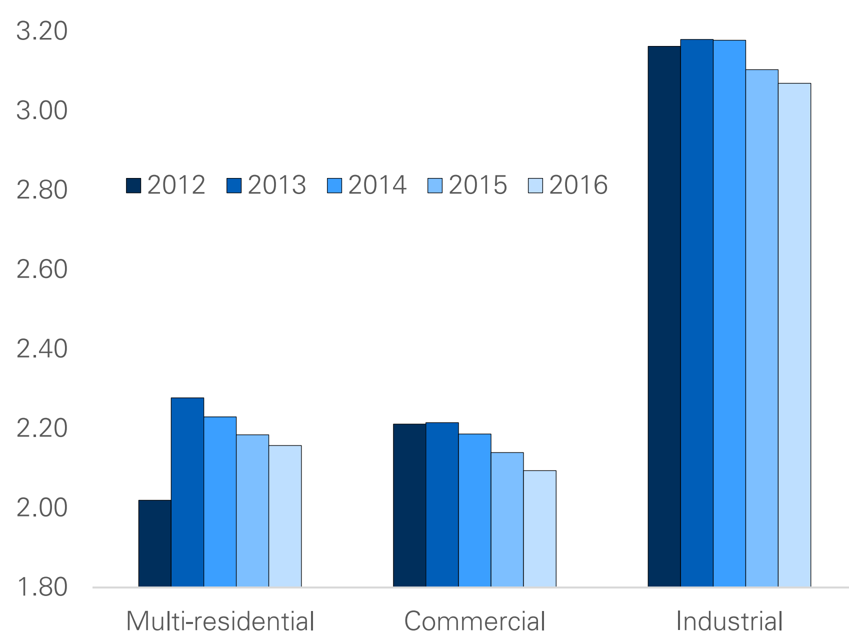
Notwithstanding these limitations, the Province allows municipalities to adopt so-called revenue-neutral ratios, which allow municipalities to adopt transition ratios that maintain the non-residential tax distribution at the same proportion as the prior year. Under a revenue-neutral scenario, ratios for non-residential properties may increase notwithstanding the fact that they are above the upper range of fairness or the threshold ratio.

Over the last five years, the City has raised non-residential tax ratios only once (2013), which corresponded with the first year of the most recent property assessment cycle (covering 2013 to 2016). The downward movement in non-residential tax ratios reflect two factors:

- The nature of changes to the City's assessment base did not require the City to implement transition (revenue-neutral) ratios; and
- As the City's ratios were in excess of the threshold ratios, it was not permitted by legislation to increase taxes for commercial and industrial properties.

In comparison to the selected municipal comparators and as noted on the following page, the City's property tax ratios are among the highest in all of the non-residential classes.

Non-residential Tax Ratios (2012 to 2016)



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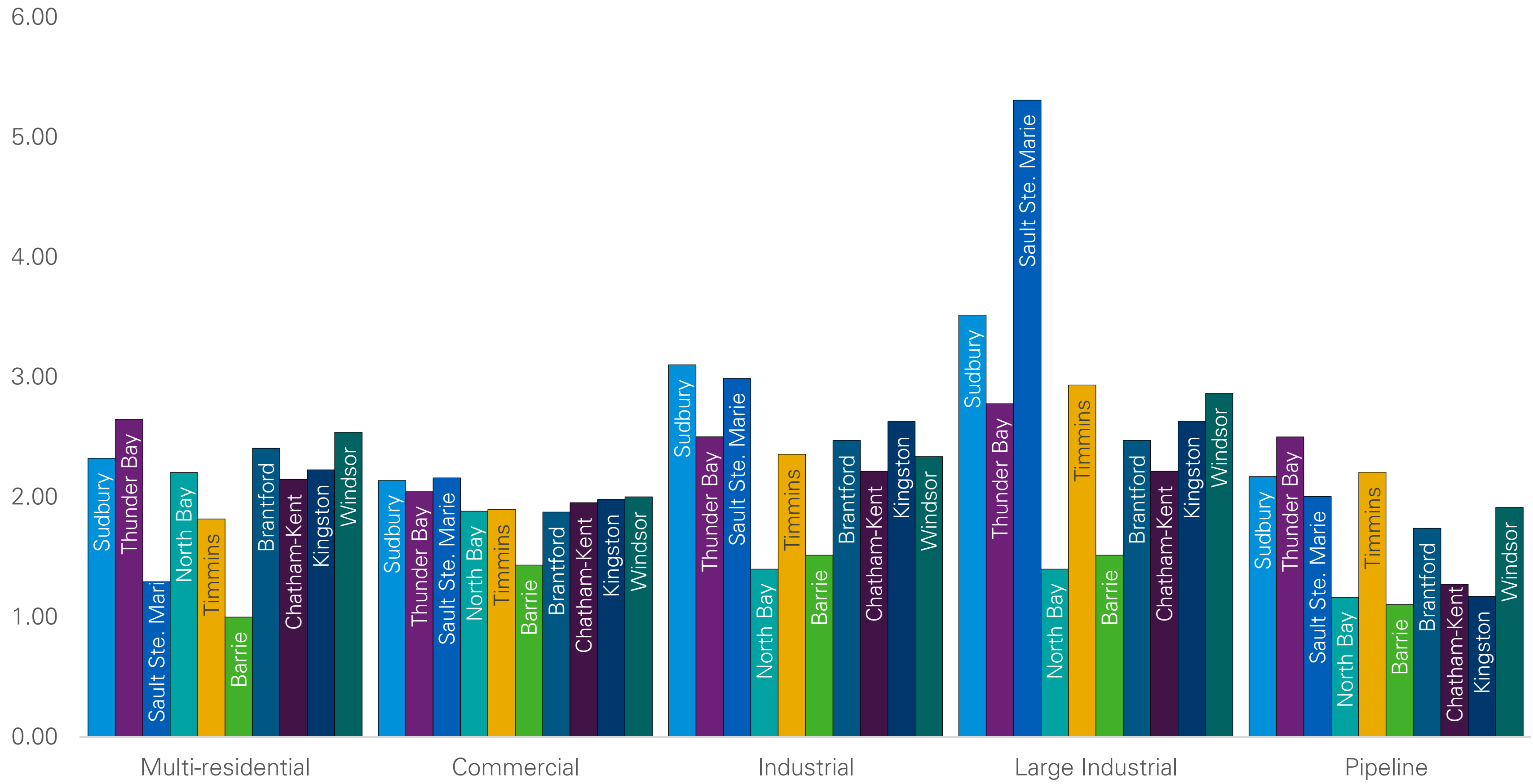
Financial Strategies

B. New property classes (incremental revenue source)

Non-Residential Property Ratios (2015)



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Financial Strategies

B. Property taxation strategies (incremental revenue source)

While Provincial legislation limits the City's ability to minimize residential property tax increases by changing ratios, a potential strategy exists with respect to vacant and excess land, which are taxed at a lower rate than occupied properties. Currently, the City charges 65% of taxes for vacant and excess industrial properties and 70% for vacant and excess commercial properties. As a single tier municipality, the City is permitted to establish a single rate for commercial and industrial vacant and excess properties, allowing it to set the property tax rate at 70% of the regular tax rate for commercial properties. This has the potential to increase the City's taxation revenue by approximately $65,000 per year.

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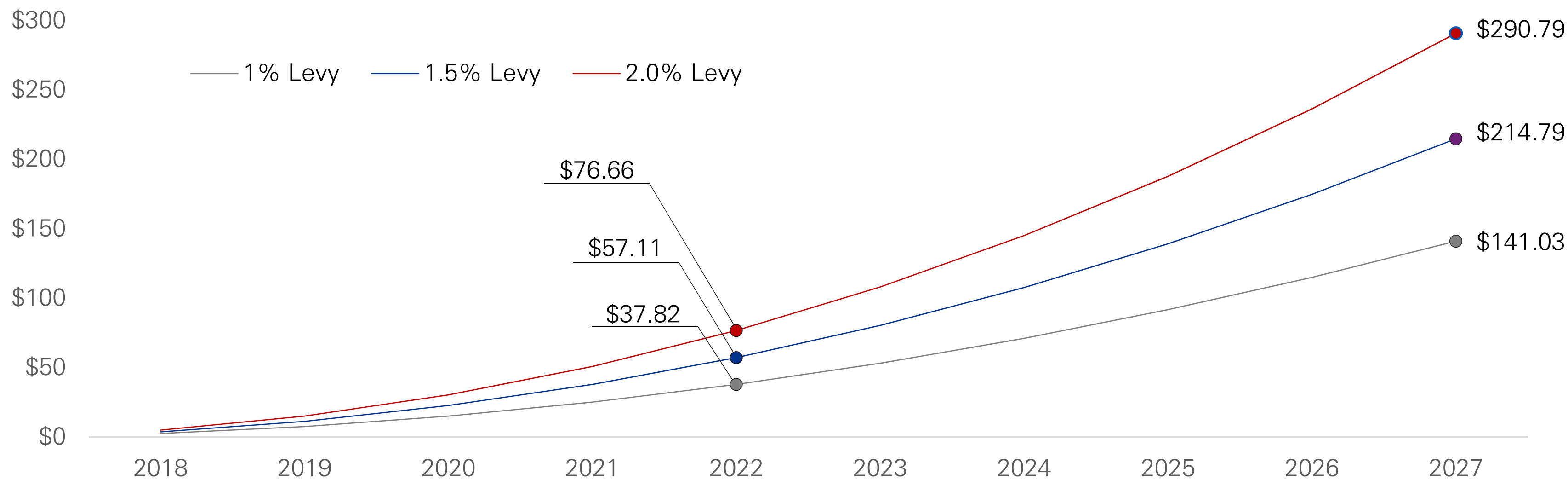
Financial Strategies

D. Capital levy (incremental revenue source)

The City's recently completed asset management plan has identified a total of $3.1 billion in tangible capital assets that are at, or will reach, the end of their useful lives within the planning horizon of the long-term financial plan. In comparison, the financial model forecasts $1.4 billion in capital expenditures over the next ten years, resulting in a shortfall of $1.7 billion.

Practically, the City will be unable to generate the necessary level of incremental funding for capital expenditures due to constraints from an affordability and debt capacity perspective. However, in order to ensure sufficient financing for future capital expenditures, the City may wish to consider expanding the level of available capital funding through the implementation of a multi-year capital levy. Similar to the 10-year series of water and wastewater rate increases implemented by the City in 2001, this strategy would involve a recurring increase in the City's budget specifically allocated to capital purposes, including capital expenditures, debt servicing costs or reserve fund contributions. As noted below, a multi-year capital levy has the potential to generate as much as $77 million in incremental capital funding over five years or $290 million in incremental capital funding over the next ten years.

Annual Incremental Funding from Capital Levy (in millions)



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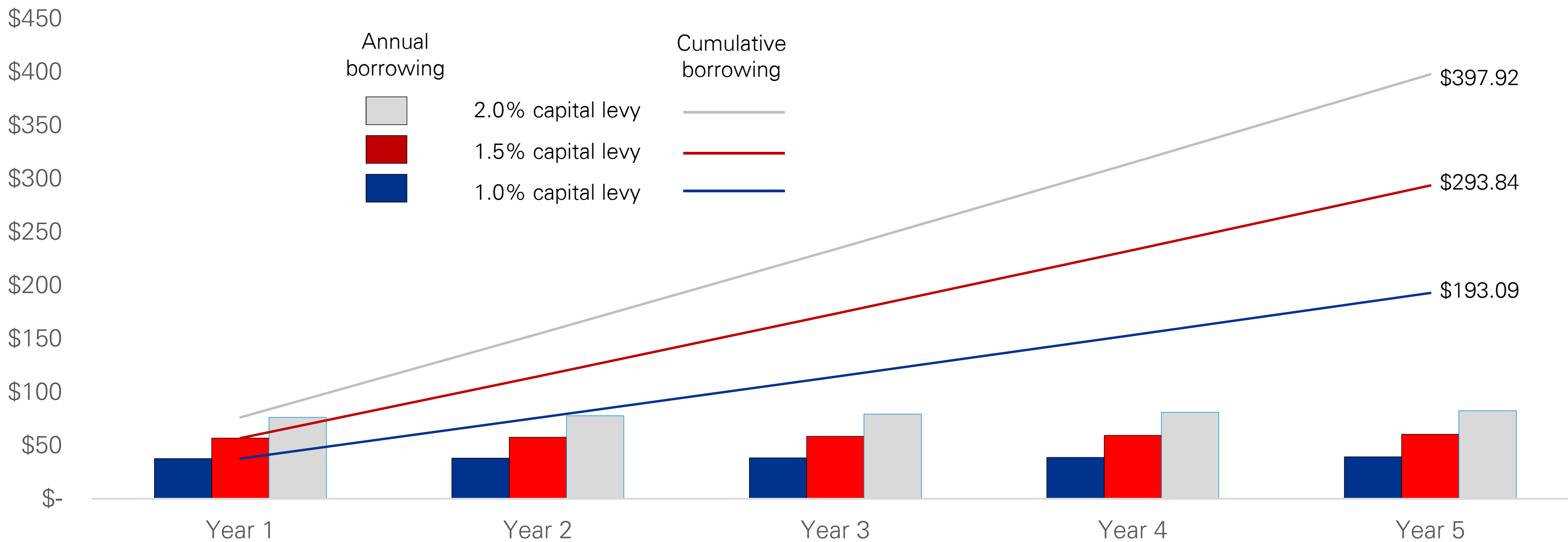
Financial Strategies

D. Capital levy (incremental revenue source) (continued)

The City currently has a lower level of long-term debt than the selected comparator municipalities, reflecting its traditional pay-as-you-go approach to capital funding that avoided the use of debt in most circumstances. However, the City's continued focus on infrastructure investment, both reinvestment in existing infrastructure as well as new projects, combined with relatively low borrowing rates (3.34% for 20 year borrowing through infrastructure Ontario) and a focus on affordability, the expanded use of debt for capital projects may represent a strategy of interest for the City.

To the extent that the City chooses to expand the use of debt financing for capital purposes, it may wish to consider doing so in conjunction with the suggested capital levy, with the proceeds of the capital levy used to fund debt servicing costs. As noted below, the projected revenues assuming a five year capital levy will be sufficient to support as much as $397 million in borrowings over the next five years.

Cumulative borrowings financed through five year capital levy (in millions)



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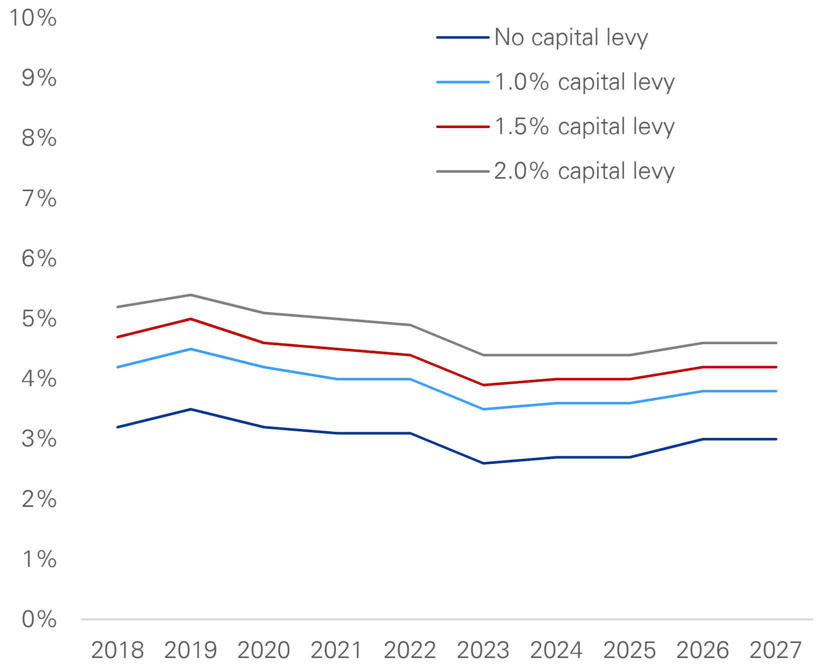
Financial Strategies

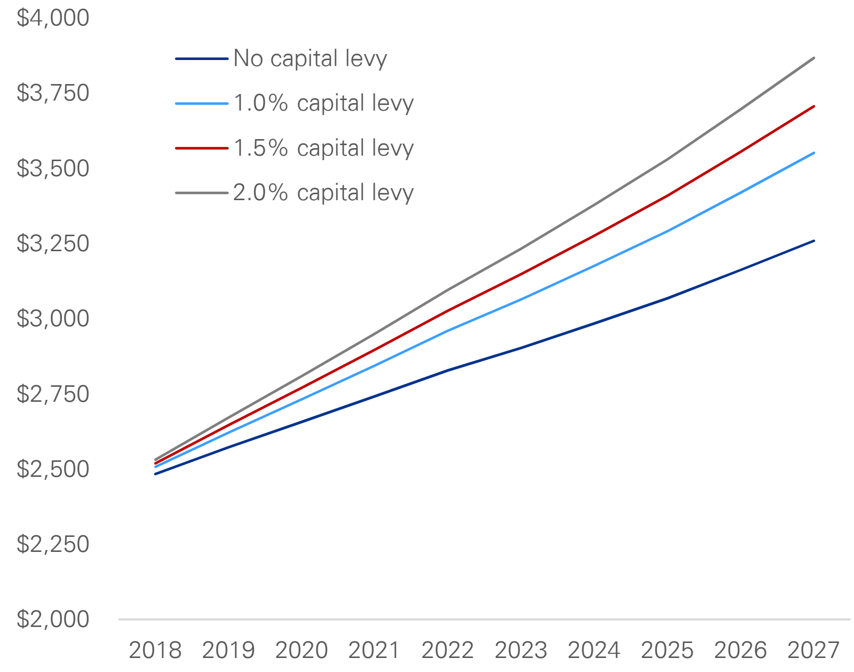
D. Capital levy (incremental revenue source) (continued)

A summary of the impact of a proposed capital levy on the municipal levy and average residential taxes per household is provided below.

Municipal levy increase (in millions)



Average residential taxes per household



Given the magnitude of the City's infrastructure deficit, the current rate environment and the relatively low level of its indebtedness, we suggest that the implementation of a 2% capital levy, either to directly fund capital or to supporting borrowing, would contribute toward the long-term financial sustainability of the City. With respect to the levy, consideration will need to be given to (i) other financial changes that will result in increases or decreases to the municipal levy; and (ii) the issue of affordability.

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Financial Strategies

E. Infrastructure and service rationalizations

With respect to certain municipal services, it can be argued that the City's approaches to the delivery of service have remained generally unchanged since amalgamation. Regardless of whether it is adopted, the fire and paramedic optimization represents a new way of delivering municipal services. This approach can also be applied to other City services and infrastructure, including:

- **Arenas**. With the anticipated construction of the new Events Centre, the potential exists to consolidate arena operations to better reflect the level and distribution of the demand for ice time;
- **Community centres.** The City currently operates a number of community centres that are legacy from the pre-amalgamation period. Given technological advancements, the potential may exist to use different approaches to customer service, including self-service kiosks.
- **Playgrounds.** Demographic changes within specific neighbourhoods may significantly impact the demand for parks and playgrounds, providing the City with the opportunity to rationalize playgrounds.
- **Municipal roads.** The City's approach to municipal road maintenance (both summer and winter) could potentially be revised to (i) reductions in maintenance levels for roads with low traffic volumes; and/or (ii) changes to road construction, with lower cost alternatives employed for low traffic roads (e.g. surface treatment instead of asphalt)
- **Municipal fleet.** As the City's operations change, the nature of its supporting infrastructure will change as well, with the potential opportunity to (i) reduce the City's overall fleet size; (ii) consider alternative procurement methods (e.g. leasing or renting vs. purchasing); and/or (iii) changing the types or vehicle and equipment purchased.

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City of Greater Sudbury Long-Term Financial Plan

VII. Financial Indicators

Financial Indicators

A. Reporting on financial condition

In Canada, the development and maintenance of principles for financial reporting fall under the responsibility of the Accounting Standards Oversight Council ('AcSOC'), a volunteer body established by the Canadian Institute of Chartered Accountants in 2000. In this role, AcSOC provides input to and monitors and evaluates the performance of the two boards that are tasked with established accounting standards for the private and public sector:

- The Public Sector Accounting Board ('PSAB') establishes accounting standards for the public sector, which includes municipal governments; and
- The Accounting Standards Board ('AcSB'), which is responsible for the establishment of accounting standards for Canadian entities outside of the public sector.

In May 2009, PSAB released a Statement of Recommended Practice that provided guidance on how public sector bodies should report on indicators of financial condition. As defined in the statement, financial condition is '*a government's financial health as assessed by its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others*'. In reporting on financial condition, PSAB also recommended that three factors, at a minimum, need to be considered:

- **Sustainability**. Sustainability is the degree to which the City can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates. To the extent that the level of debt or tax burden grows at a rate that exceeds the growth in the City's assessment base, there is an increased risk that the City's current spending levels (and by association, its services, service levels and ability to meet creditor obligations) cannot be maintained.
- **Flexibility**. Flexibility reflects the City's ability to increase its available sources of funding (debt, taxes or user fees) to meet increasing costs. Municipalities with relatively high flexibility have the potential to absorb cost increases without adversely impacting on affordability for local residents and other ratepayers. On the other hand, municipalities with low levels of flexibility have limited options with respect to generating new revenues, requiring an increased focus on expenditure reduction strategies.
- **Vulnerability**. Vulnerability represents the extent to which the City is dependent on sources of revenues, predominantly grants from senior levels of government, over which it has no discretion or control. The determination of vulnerability considers (i) unconditional operating grants such as OMPF; (ii) conditional operating grants such as Provincial Gas Tax for transit operations; and (iii) capital grant programs. Municipalities with relatively high indicators of vulnerability are at risk of expenditure reductions or taxation and user fee increases in the event that senior levels of funding are reduced. This is particularly relevant for municipalities that are vulnerable with respect to operating grants from senior levels of government, as the Municipal Act does not allow municipalities to issue long-term debt for operating purposes (Section 408(2.1)).

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Financial Indicators

B. Selected financial indicators

As a means of reporting the City's financial condition as determined by the financial forecast, the long-term financial plan considers the following financial indicators (*denotes PSAB recommended financial indicator).

Financial Condition Category	Financial Indicators
Sustainability	1. Financial assets to financial liabilities* 2. Total reserves and reserve funds per household 3. Total operating expenses as a percentage of taxable assessment* 4. Capital additions as a percentage of amortization expense
Flexibility	5. Residential taxes per household 6. Total long-term debt per household 7. Residential taxation as a percentage of average household income 8. Total taxation as a percentage of total assessment* 9. Debt servicing costs (interest and principal) as a percentage of total revenues* 10. Net book value of tangible capital assets as a percentage of historical cost of tangible capital assets*
Vulnerability	11. Operating grants as a percentage of total revenues* 12. Capital grants as a percentage of total capital expenditures*

A detailed description of these financial indicators is included on the following pages, including:

- A comparison of the City's performance against other municipalities. For the purposes of the long-term financial plan, we have presented comparative information for two peer groups:
  - Larger municipalities located in Northern Ontario, which include Thunder Bay, Sault Ste. Marie, North Bay and Timmins; and
  - Similar sized single tier municipalities (i.e. populations in the range of 100,000 to 250,000 residents), which include Barrie, Kingston, Brantford, Windsor and Chatham-Kent. Lower or upper tier municipalities were not included in the comparative analysis due to the allocation of services between two different levels of government.
- Recommended ranges for the financial indicators, developed by KPMG based on the City's projected financial performance, the indicators of the comparative municipalities and our suggestions as to recommended levels that consider sustainability, flexibility and vulnerability.

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Financial Indicators

FINANCIAL ASSETS TO FINANCIAL LIABILITIES

This financial indicator provides an assessment of the City's solvency by comparing financial assets (including cash, investments and accounts receivable) to financial liabilities (accounts payable, deferred revenue and long-term debt). Low levels of financial assets to financial liabilities are indicative of limited financial resources available to meet cost increases or revenue losses.

TYPE OF INDICATOR

Sustainability ✓

Flexibility

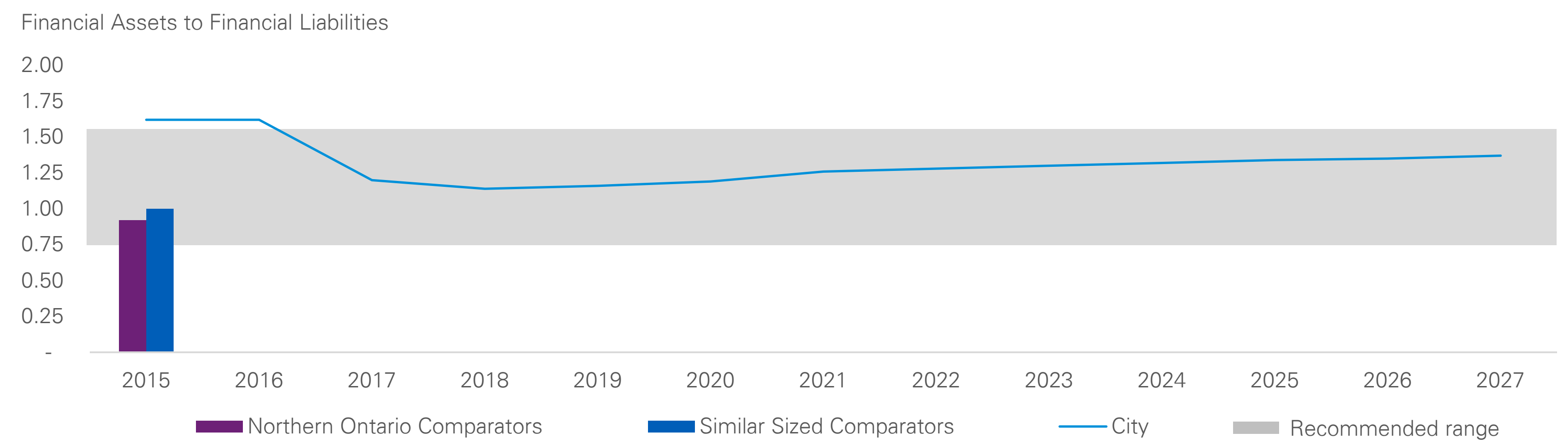
Vulnerability

FORMULA

FIR Schedule 70, Line 9930, Column 1 divided by FIR Schedule 70, Line 9940, Column 1

POTENTIAL LIMITATIONS

- Financial assets may include investments in government business enterprises, which may not necessarily be converted to cash or yield cash dividends
- Financial liabilities may include liabilities for employee future benefits and future landfill closure and post-closure costs, which may (i) not be realized for a number of years; and/or (ii) may not be realized at once but rather over a number of years



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Financial Indicators

TOTAL RESERVES AND RESERVE FUNDS PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to absorb incremental expenses or revenue losses through the use of reserves and reserve funds as opposed to taxes, user fees or debt. Low reserve levels are indicative of limited capacity to deal with cost increases or revenue losses, requiring the City to revert to taxation or user fee increases or the issuance of debt.

TYPE OF INDICATOR

Sustainability ✓

Flexibility

Vulnerability

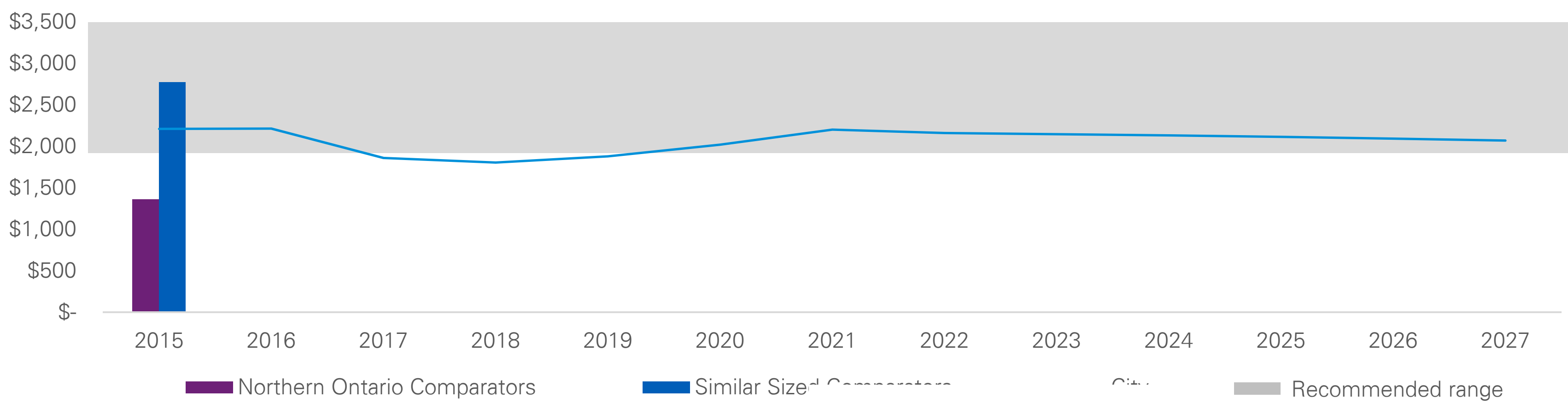
FORMULA

FIR Schedule 70, Line 6420, Column 1 divided by FIR Schedule 2, Line 40, Column 1

POTENTIAL LIMITATIONS

- Reserves and reserve funds are often committed to specific projects or purposes and as such, may not necessarily be available to fund incremental costs or revenue losses
- As reserves are not funded, the City may not actually have access to financial assets to finance additional expenses or revenue losses

Reserves and Reserve Funds per Household



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Financial Indicators

TOTAL OPERATING EXPENSES AS A PERCENTAGE OF TAXABLE ASSESSMENT

This financial indicator provides an assessment of the City's solvency by determining the extent to which increases in operating expenses correspond with increases in taxable assessment. If increases correspond, the City can fund any increases in operating costs without raising taxation rates.

TYPE OF INDICATOR

Sustainability ✓

Flexibility

Vulnerability

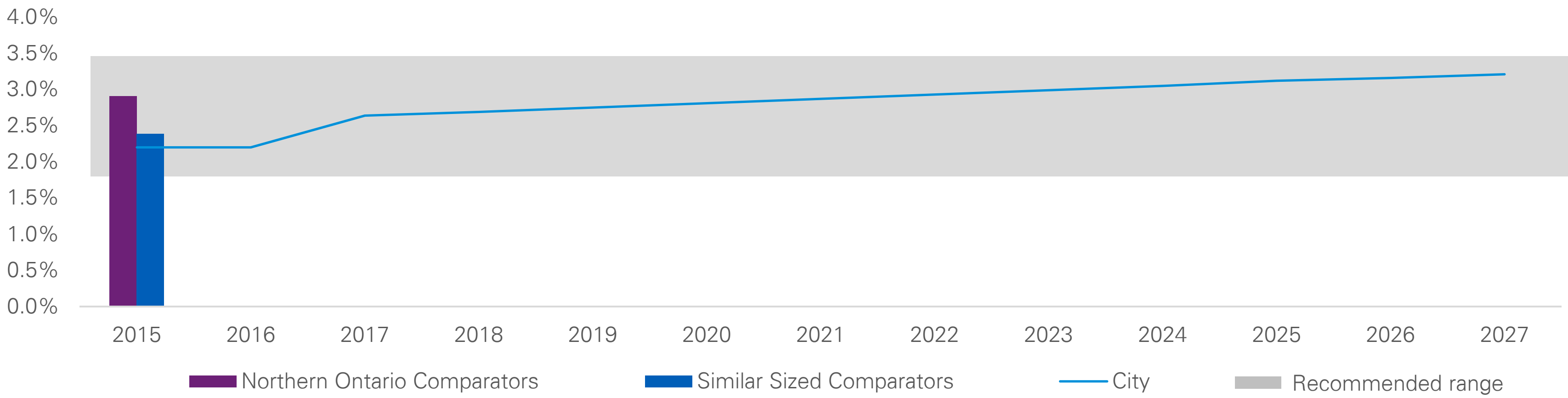
FORMULA

FIR Schedule 40, Line 9910, Column 7 less FIR Schedule 40, Line 9910, Column 16 divided by FIR Schedule 26, Column 17, Lines 9199 and 9299

POTENTIAL LIMITATIONS

- As operating expenses are funded by a variety of sources, the City's sustainability may be impacted by reductions in other funding sources that would not be identified by this indicator.

Operating Expenses as a Percentage of Taxable Assessment



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Financial Indicators

CAPITAL ADDITIONS AS A PERCENTAGE OF AMORTIZATION EXPENSE

This financial indicator provides an assessment of the City's solvency by assessing the extent to which it is sustaining its tangible capital assets. In the absence of meaningful reinvestment in tangible capital assets, the City's ability to continue to deliver services at the current levels may be compromised.

TYPE OF INDICATOR

Sustainability ✓

Flexibility

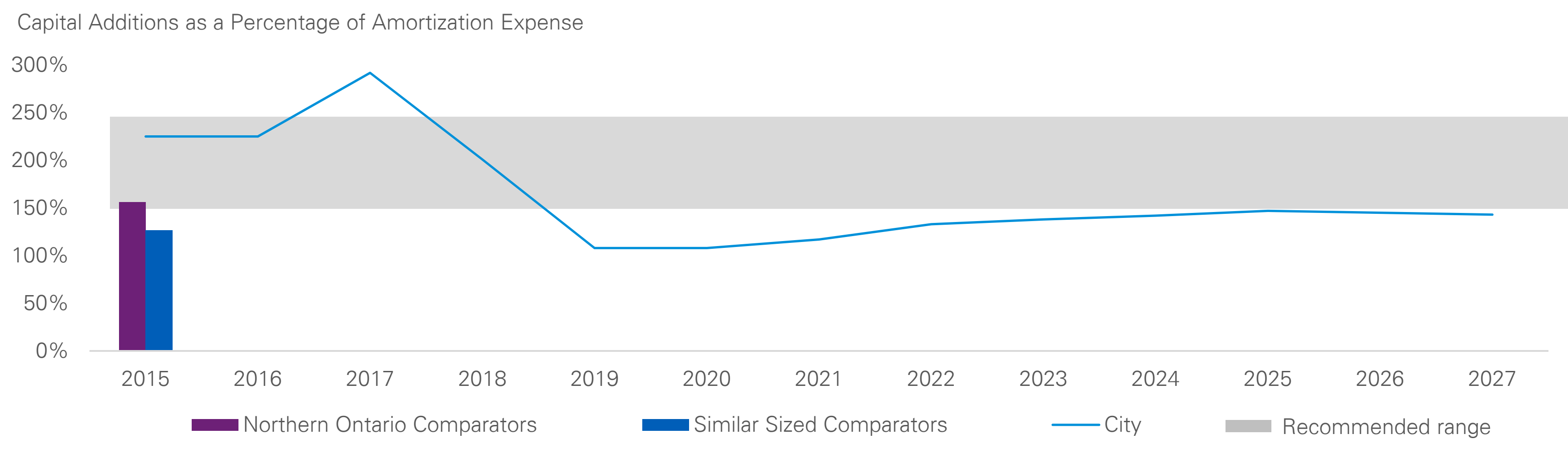
Vulnerability

FORMULA

FIR Schedule 51, Line 9910, Column 3 divided by FIR Schedule 40, Line 9910, Column 16

POTENTIAL LIMITATIONS

- This indicator considers amortization expense, which is based on historical as opposed to replacement cost. As a result, the City's capital reinvestment requirement will be higher than its reported amortization expense due to the effects of inflation.
- This indicator is calculated on a corporate-level basis and as such, will not identify potential concerns at the departmental level.



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Financial Indicators

RESIDENTIAL TAXES PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to increase taxes as a means of funding incremental operating and capital expenditures.

TYPE OF INDICATOR

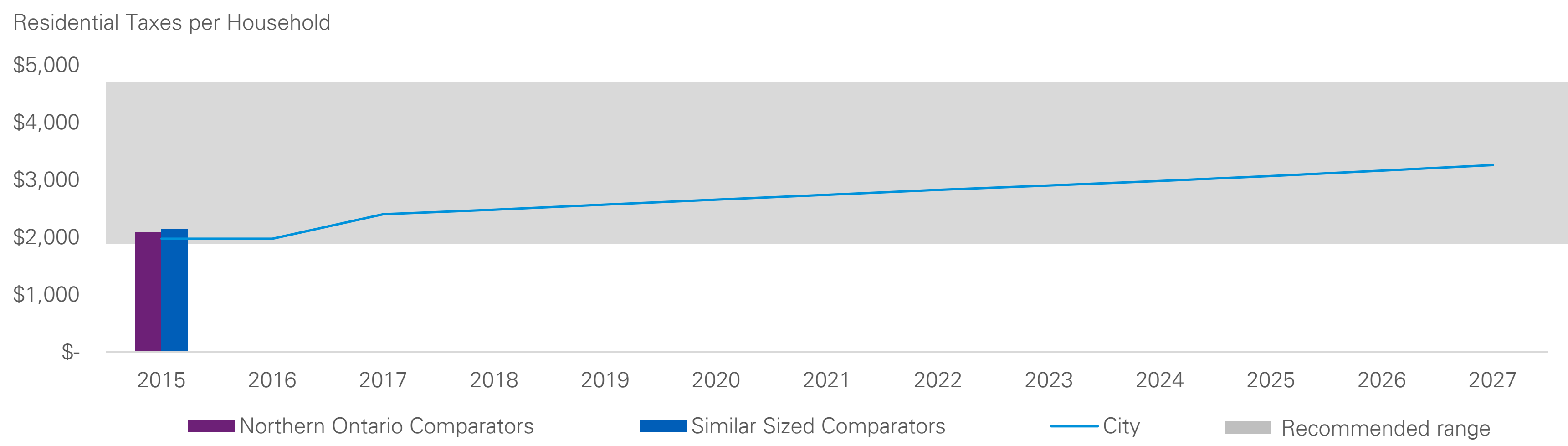
Sustainability	
Flexibility	✓
Vulnerability	

FORMULA

FIR Schedule 26, Line 0010 and Line 1010, Column 4 divided by FIR Schedule 2, Line 0040, Column 1

POTENTIAL LIMITATIONS

- This indicator does not incorporate income levels for residents and as such, does not fully address affordability concerns.



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Financial Indicators

TOTAL LONG-TERM DEBT PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to issue more debt by considering the existing debt loan on a per household basis. High debt levels per household may preclude the issuance of additional debt.

TYPE OF INDICATOR

Sustainability

Flexibility ✓

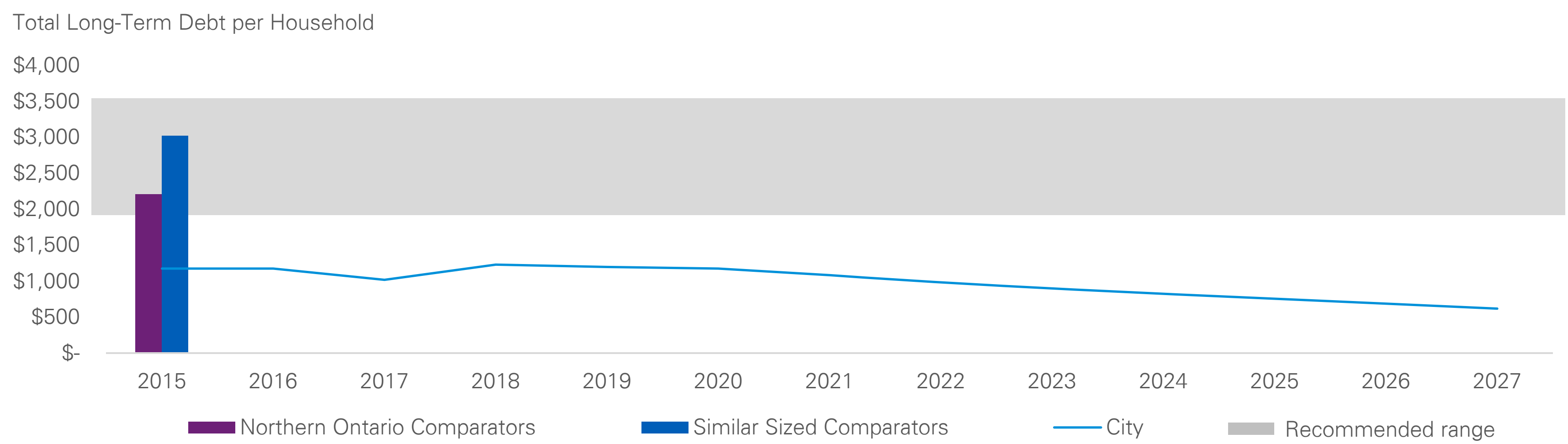
Vulnerability

FORMULA

FIR Schedule 70, Line 2699, Column 1 divided by FIR Schedule 1, Line 0040, Column 1

POTENTIAL LIMITATIONS

- This indicator does not consider the Provincial limitations on debt servicing cost, which cannot exceed 25% of own-source revenues unless approved by the Ontario Municipal Board



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Financial Indicators

RESIDENTIAL TAXATION AS A PERCENTAGE OF HOUSEHOLD INCOME

This financial indicator provides an indication of potential affordability concerns by calculating the percentage of total household income used to pay municipal property taxes.

TYPE OF INDICATOR

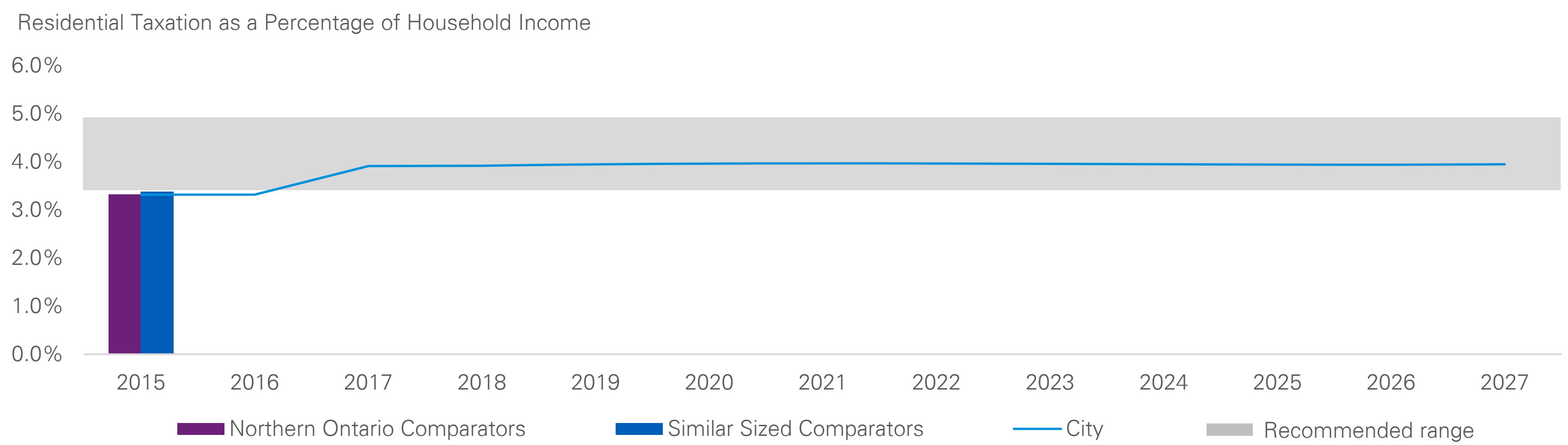
Sustainability	
Flexibility	✓
Vulnerability	

FORMULA

FIR Schedule 26, Line 0010 and Line 1010, Column 4 divided by FIR Schedule 2, Line 0040, Column 1 (to arrive at average residential tax per household). Average household income is derived from the National Housing Survey.

POTENTIAL LIMITATIONS

- This indicator considers residential affordability only and does not address commercial or industrial affordability concerns.
- This indicator is calculated on an average household basis and does not provide an indication of affordability concerns for low income or fixed income households.



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Financial Indicators

TOTAL TAXATION AS A PERCENTAGE OF TOTAL ASSESSMENT

This financial indicator provides an indication of potential affordability concerns by calculating the City's overall rate of taxation. Relatively high tax rate percentages may limit the City's ability to general incremental revenues in the future.

TYPE OF INDICATOR

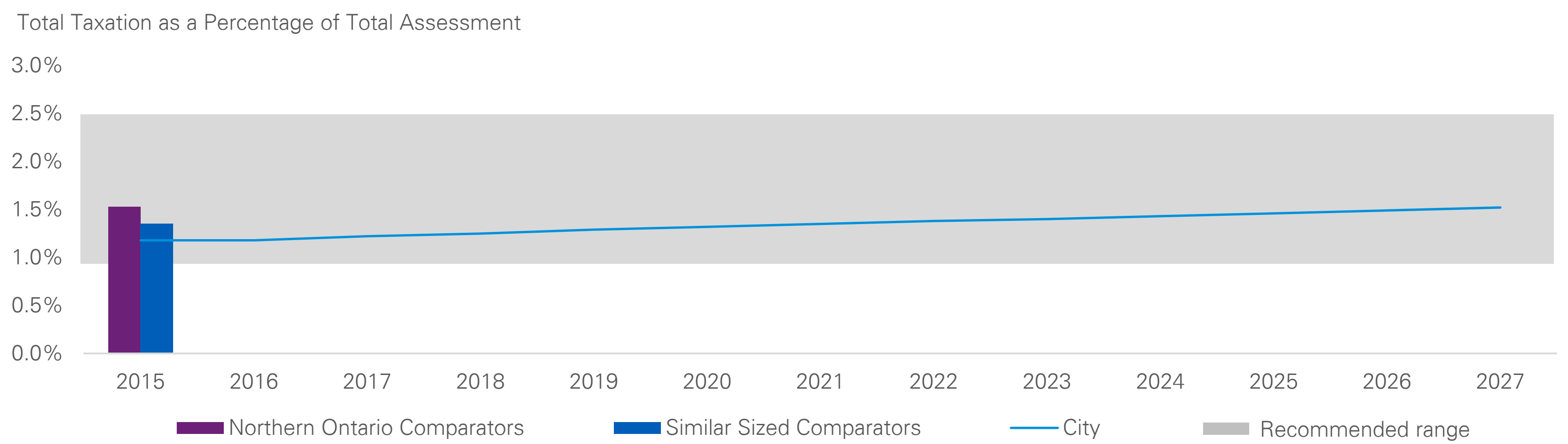
Sustainability	
Flexibility	✓
Vulnerability	

FORMULA

FIR Schedule 26, Line 9199 and Line 9299, Column 4 divided by FIR Schedule 26, Line 9199 and 9299, Column 17.

POTENTIAL LIMITATIONS

- This indicator considers the City's overall tax rate and will not address affordability issues that may apply to individual property classes (e.g. commercial).



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Financial Indicators

DEBT SERVICING COSTS (INTEREST AND PRINCIPAL) AS A PERCENTAGE OF TOTAL REVENUES

This financial indicator provides an indication as to the City's overall indebtedness by calculating the percentage of revenues used to fund long-term debt servicing costs. The City's ability to issue additional debt may be limited if debt servicing costs on existing debt are excessively high.

TYPE OF INDICATOR

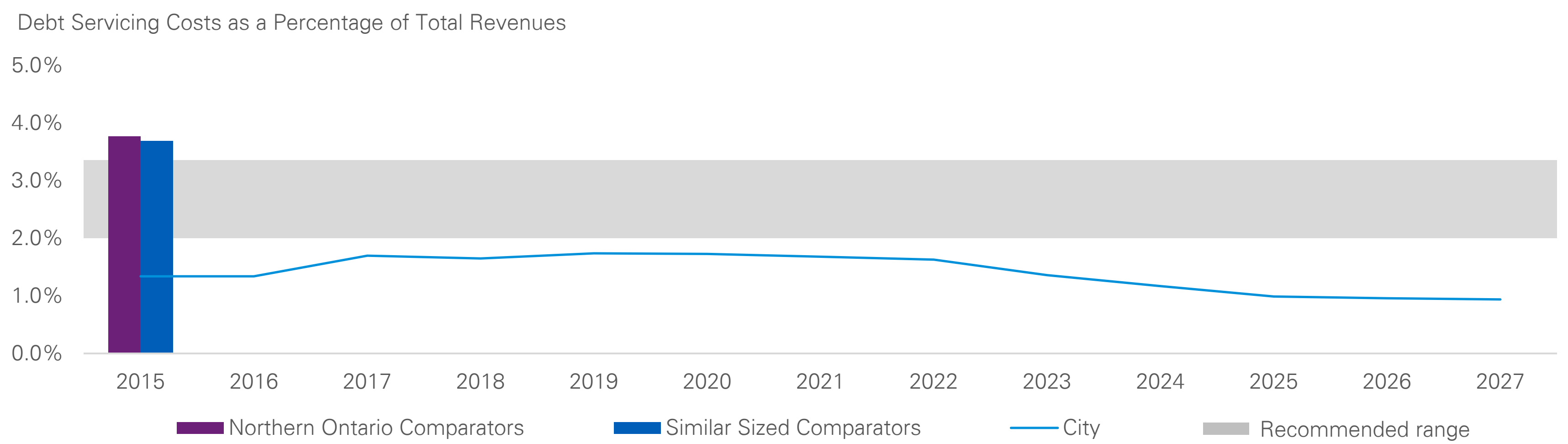
Sustainability	
Flexibility	✓
Vulnerability	

FORMULA

FIR Schedule 74C, Line 3099, Column 1 and Column 2 divided by FIR Schedule 10, Line 9910, Column 1.

POTENTIAL LIMITATIONS

- No significant limitations have been identified in connection with this indicator



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Financial Indicators

NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS AS A PERCENTAGE OF HISTORICAL COST OF TANGIBLE CAPITAL ASSETS

This financial indicator provides an indication as to the extent to which the City is reinvesting in its capital assets as they reach the end of their useful lives. An indicator of 50% indicates that the City is, on average, investing in capital assets as they reach the end of useful life, with indicators of less than 50% indicating that the City's reinvestment is not keeping pace with the aging of its assets.

TYPE OF INDICATOR

Sustainability

Flexibility ✓

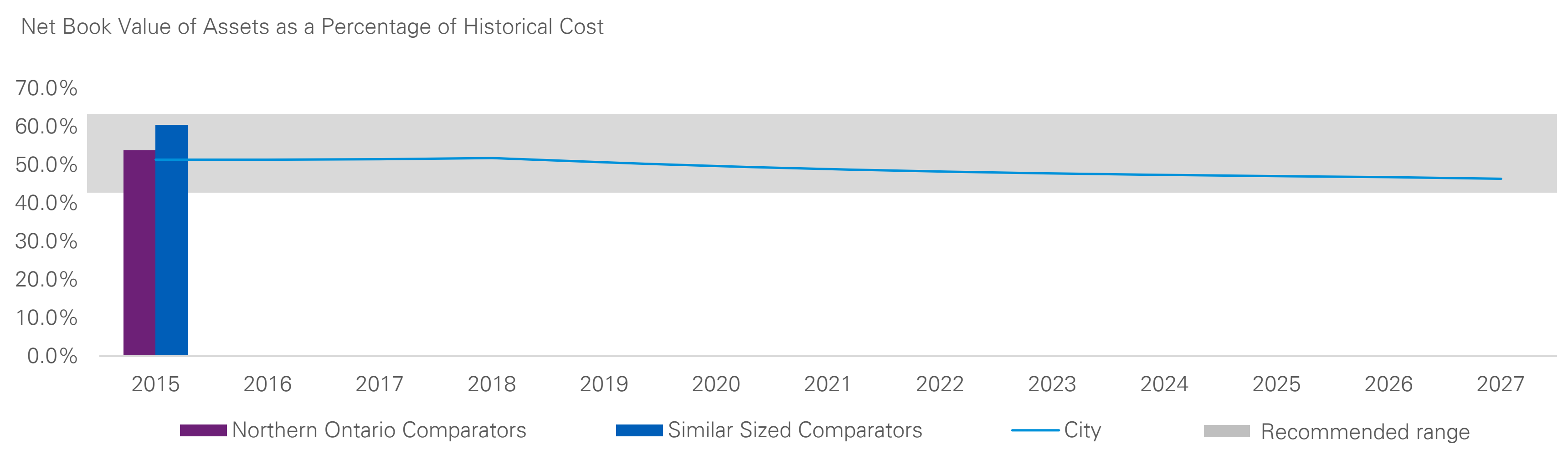
Vulnerability

FORMULA

FIR Schedule 51A, Line 9910, Column 11 divided by FIR Schedule 51A, Line 9910, Column 6.

POTENTIAL LIMITATIONS

- This indicator is based on the historical cost of the City's tangible capital assets, as opposed to replacement cost. As a result, the City's pace of reinvestment is likely lower than calculated by this indicator as replacement cost will exceed historical cost.
- This indicator is calculated on a corporate-level basis and as such, will not identify potential concerns at the departmental level.



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Financial Indicators

OPERATING GRANTS AS A PERCENTAGE OF TOTAL REVENUES

This financial indicator provides an indication as to the City's degree of reliance on senior government grants for the purposes of funding operating expenses. The level of operating grants as a percentage of total revenues is directly proportionate with the severity of the impact of a decrease in operating grants.

TYPE OF INDICATOR

Sustainability

Flexibility

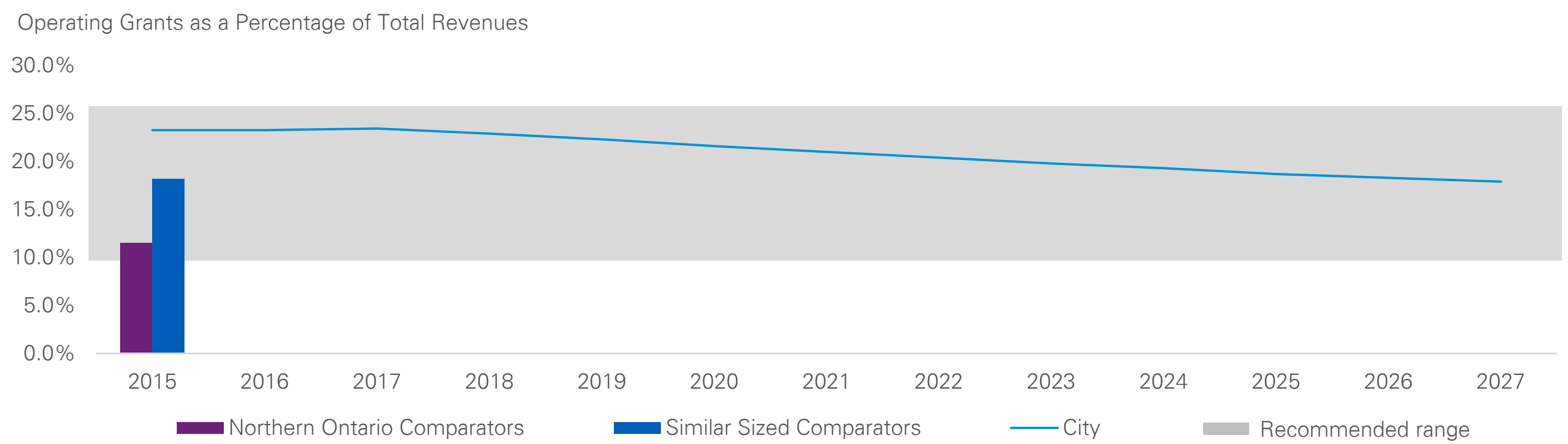
Vulnerability ✓

FORMULA

FIR Schedule 10, Line 0699, Line 0810, Line 0820, Line 0830, Column 1 divided by FIR Schedule 10, Line 9910, Column 1.

POTENTIAL LIMITATIONS

- To the extent possible, the City should maximize its operating grant revenue. As such, there is arguably no maximum level associated with this financial indicator.



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Financial Indicators

CAPITAL GRANTS AS A PERCENTAGE OF TOTAL CAPITAL EXPENDITURES

This financial indicator provides an indication as to the City's degree of reliance on senior government grants for the purposes of funding capital expenditures. The level of capital grants as a percentage of total capital expenditures is directly proportionate with the severity of the impact of a decrease in capital grants.

TYPE OF INDICATOR

Sustainability

Flexibility

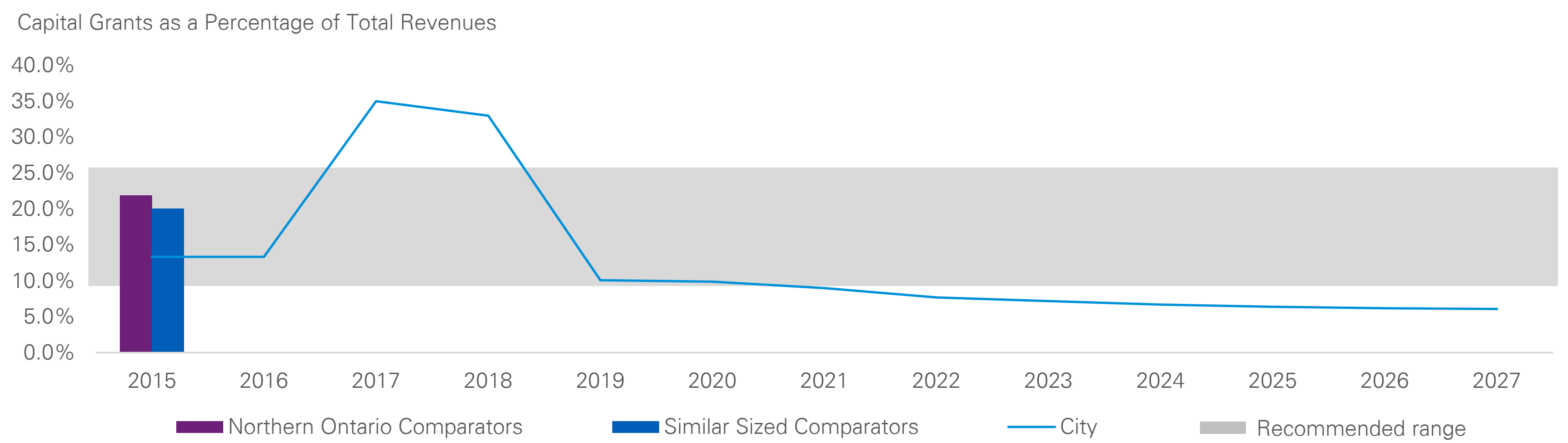
Vulnerability ✓

FORMULA

FIR Schedule 10, Line 0815, Line 0825, Line 0831, Column 1 divided by FIR Schedule 51, Line 9910, Column 3.

POTENTIAL LIMITATIONS

- To the extent possible, the City should maximize its capital grant revenue. As such, there is arguably no maximum level associated with this financial indicator.



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City of Greater Sudbury Long-Term Financial Plan

VIII. Monitoring and Updating Protocol

Monitoring and Updating Protocol

A. Maintaining the long-term financial plan

The long-term financial plan outlined in this report represents a forecast of the City's financial performance and position under a series of assumptions that are documented within the plan. As noted earlier in the document, there is a differentiation between the purpose of the long-term financial plan and the City's annual financial budgets.

The City intends to update the long-term financial plan annually, based on:

- The most recent operating and capital budgets, which will update the financial forecasts of revenues and expenditures by forming the base year for the remainder of the projection period;
- The most recent financial position of the City, including but not limited to reserve and reserve fund balances, investment balances, long-term liabilities and debt outstanding, which will be used to form the base year for the remaining portion of the projection period; and
- Revised key assumptions, which will reflect changes to the financial operating environment since the initial financial forecast considered in the long-term plan.

The annual updating of the long-term financial plan is anticipated to occur in January, following the finalization of the City's operating and capital budgets.

As a process that supports the City's overall planning, budgeting and evaluating structure, the maintenance of the long-term financial plan, more specifically the updating of the supporting financial forecast, will provide the City with updated indicators that can be used to determine (i) whether the City's financial performance and position is within the ranges established within the financial plan; and (ii) the extent to which trends in the financial indicators demonstrate either current or impending financial challenges that require the City to adjust its financial principles and policies.

Concurrent with the annual updating of the financial forecasts, the maintenance of the long-term financial plan will also involve the calculation of updated indicators for the peer municipalities selected for comparative purposes. Based on FIR information from the immediately preceding fiscal year, the updated municipal comparators will provide an indication as to the City's financial performance vis a vis the selected peer communities.

B. Communicating results

As a means of communicating the City's achievement of the financial principles identified in the long-term financial plan, it is recommended that the annual budget process include reporting on the City's financial indicators, including (i) trends in the financial indicators; (ii) outliers from the established ranges; and (iii) a comparison of the City's indicators to the selected peer communities, with City staff providing Council with an indication as to how the annual budget addresses issues or opportunities identified by the indicators.

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City of Greater Sudbury

Municipal Long-Term Financial Plan

Appendix A
Financial Model Output

CITY OF GREATER SUDBURY
Long-Term Financial Plan

Model Output (in thousands except per houshold amounts)

	Budgeted	Forecasted									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total levy	$ 248,810	$ 256,799	$ 265,828	$ 274,425	$ 283,014	$ 291,799	$ 299,337	$ 307,499	$ 315,926	$ 325,484	$ 335,291
Annual levy increase	3.6%	3.2%	3.5%	3.2%	3.1%	3.1%	2.6%	2.7%	2.7%	3.0%	3.0%
Total operating costs	$ 537,074	$ 552,523	$ 569,281	$ 586,083	$ 603,381	$ 621,414	$ 638,776	$ 657,381	$ 676,907	$ 691,619	$ 706,714
Total capital expenditures	$ 222,601	$ 163,010	$ 91,400	$ 93,906	$ 103,401	$ 120,953	$ 129,219	$ 137,279	$ 145,920	$ 148,542	$ 151,207
Total reserves and reserve funds	$ 139,416	$ 136,134	$ 142,699	$ 154,261	$ 169,192	$ 167,094	$ 166,899	$ 166,829	$ 166,400	$ 165,760	$ 164,906
Total financial assets	$ 426,023	$ 422,741	$ 429,306	$ 440,868	$ 455,799	$ 453,701	$ 453,506	$ 453,436	$ 453,007	$ 452,367	$ 451,513
Total financial liabilities	$ 355,681	$ 372,298	$ 370,261	$ 369,256	$ 362,632	$ 355,462	$ 349,277	$ 343,761	$ 338,913	$ 333,888	$ 328,658
Total long-term debt	$ 76,393	$ 93,010	$ 90,973	$ 89,968	$ 83,343	$ 76,174	$ 69,989	$ 64,472	$ 59,625	$ 54,600	$ 49,370
Total households	75,000	75,470	75,940	76,410	76,880	77,350	77,820	78,290	78,760	79,230	79,700
Total assessment	$ 20,354,241	$ 20,517,075	$ 20,681,212	$ 20,846,662	$ 21,013,435	$ 21,181,542	$ 21,350,994	$ 21,521,802	$ 21,693,976	$ 21,867,528	$ 22,042,468
Residential assessment percentage	72.50%	73.00%	73.50%	74.00%	74.50%	75.00%	75.50%	76.00%	76.50%	77.00%	77.50%
FINANCIAL INDICATORS											
Financial assets to financial liabilities	1.20	1.14	1.16	1.19	1.26	1.28	1.30	1.32	1.34	1.35	1.37
Reserve and reserve funds per household	$ 1,859	$ 1,804	$ 1,879	$ 2,019	$ 2,201	$ 2,160	$ 2,145	$ 2,131	$ 2,113	$ 2,092	$ 2,069
Operating expenses as a percentage of taxable assessment	2.64%	2.69%	2.75%	2.81%	2.87%	2.93%	2.99%	3.05%	3.12%	3.16%	3.21%
Capital additions as a percentage of amortization expense	292%	201%	108%	108%	117%	133%	138%	142%	147%	145%	143%
Residential taxes per household	$ 2,405	$ 2,484	$ 2,573	$ 2,658	$ 2,743	$ 2,829	$ 2,904	$ 2,985	$ 3,069	$ 3,163	$ 3,260
Total debt per household	$ 1,019	$ 1,232	$ 1,198	$ 1,177	$ 1,084	$ 985	$ 899	$ 824	$ 757	$ 689	$ 619
Residential taxation as a percentage of household income	3.91%	3.92%	3.95%	3.96%	3.97%	3.97%	3.96%	3.95%	3.94%	3.94%	3.95%
Total taxation as a percentage of total assessment	1.22%	1.25%	1.29%	1.32%	1.35%	1.38%	1.40%	1.43%	1.46%	1.49%	1.52%
Debt servicing costs as a percentage of total revenues	1.70%	1.65%	1.74%	1.73%	1.68%	1.63%	1.36%	1.17%	0.99%	0.96%	0.94%
Net book value of tangible capital assets as a percentage of historical cost	51.5%	51.8%	50.7%	49.7%	48.9%	48.3%	47.8%	47.4%	47.1%	46.8%	46.4%
Operating grants as a percentage of total revenues	23.4%	22.9%	22.3%	21.6%	21.0%	20.4%	19.8%	19.3%	18.7%	18.3%	17.9%
Capital grants as a percentage of total capital expenditures	35.0%	33.0%	10.1%	9.9%	9.0%	7.7%	7.2%	6.7%	6.4%	6.2%	6.1%

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