

Finance and Administration
Committee



Type of Decision								
Meeting Date	December 8 th , 2020				Report Date	December 4 th , 2020		
Decision Requested	X	Yes		No	Priority	X	High	Low
	Direction Only				Type of Meeting	X	Open	Closed

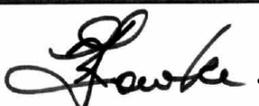
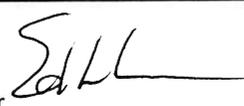
Report Title
2021 Capital Budget Update

Resolution	Relationship to the Strategic Plan/Health Impact Assessment
<p>THAT the City of Greater Sudbury authorize staff to proceed with the roof replacement at 1960 Paris Street housing building immediately due to an ongoing leak that has impacted the housing supply with funding from the 2021 capital budget;</p> <p>THAT the City of Greater Sudbury authorize staff to proceed with the tendering process in the first quarter of 2021 for projects included in the 2021 Budget document with the clause in tenders and contracts that they will be awarded if Council approves the project budget.</p>	<p>This report refers to operational matters.</p>
<p>Resolution Continued</p>	<p>X Background Attached</p>

Report Summary	Financial Implications
<p>This report is to provide an update on the draft 2021 Capital Budget as well as analysis for consideration of debt.</p>	<p>This report has no financial implications.</p>

Report Prepared By	Manager Review
 Apryl Lukezic Co-Ordinator of Budgets	 Steve Facey Manager of Financial Planning & Budgeting

Division Review	Financial Implications
 Ed Stankiewicz Executive Director of Finance, Assets & Fleet	 Steve Facey Manager of Financial Planning & Budgeting

Recommended by the Department	Recommended by the C.A.O.
 Kevin Fowke General Manager of Corporate Services	 Ed Archer Chief Administrative Officer

Date: December 8, 2020

Background

On October 20, 2020, the Finance & Administration Committee approved the following resolution:

THAT staff present an analysis of options for capital planning that anticipates additional debt financing, including recommendations for capital projects that would be appropriate to debt finance as part of the 2021 budget process for Council consideration.

This report is to provide the Committee with analysis on potential debt for the 2021 Capital Budget as well as debt options for consideration.

Proposed 2021 Capital Budget

At this point, staff are recommending a draft capital budget for 2021 of approximately \$134 million. This draft budget includes the following capital investments in infrastructure to continue to support and improve the City’s aging infrastructure and strategic priorities.

New capital projects being recommended for approval by Council in 2021:

a) From separate reserve funds:

Project Name	2021 Amounts	Reserve Fund
199 Larch Lightning Protection System Upgrades	48,000	199 Larch RF
Ambulances	575,000	Paramedic Services RF
Larch Tower Mechanical Upgrades and Refurbishments	351,657	199 Larch RF
Park Equipment	130,000	Parks Equipment RF
City Fleet	3,605,000	City Fleet RF
New Sudbury Library Front Entrance Floor Grille Replacement & Renewals	65,000	Library RF
	4,774,657	

b) From approximately \$21 million of capital funding available:

	2021	2022	2023	2024	2025	Beyond	Total
Condenser Replacement – Chelmsford Arena	145,000						145,000
Frobisher Salt / Sand Storage Facility	4,000,000						4,000,000
Waterfront Equipment Replacement	69,300						69,300
1920 Paris Heating and Hot Water Boiler Replacement	600,000						600,000
Lifting Equipment and Tub Replacement	108,000	108,000	108,000	108,000	108,000		540,000
TSSA Compliance - Landfill Gas System at Sudbury Landfill	500,000						500,000
IT Server Software Infrastructure Replacement	569,700						569,700
Bridges and Culverts Replacement and Rehabilitation - 2021	10,000,000	1,300,000					11,300,000
Recycling Tipping Floor Replacement	1,162,000						1,162,000
1960 Paris Roof Replacement	1,456,500						1,456,500
Next Generation 911	483,000	657,000	657,000	657,000	657,000	1,314,000	4,425,000
Outdoor Court Resurfacing	438,000						438,000
HARC - Track Surface & Lighting Replacement	115,000						115,000
Second Avenue Stormwater Facility	350,000						350,000
Arterial / Collectors Rehabilitation & Resurfacing	1,452,000						1,452,000
Total	21,448,500	2,065,000	765,000	765,000	765,000	1,314,000	27,122,500

Date: December 8, 2020

- c) Water & Wastewater – preliminary budget for these services is approximately \$45 million. This may change depending on finalization of the 2021 Operating and Capital Budget (in terms of shared projects with Roads).
- d) Previous Council approvals of approximately \$59 million for projects ongoing in 2021:
- \$41.8 million in various Roads capital projects including Arterials/Collectors, Bridges, Roads with W/WW Improvements, Maley Drive, new sidewalks, cycling infrastructure, Lorne Street, etc.
 - \$250,000 for subwatershed planning
 - \$700,000 for Sudbury Landfill Upgrades
 - \$6.5 million for various ICIP funded projects for Transit
 - \$3.6 million for various facilities improvements
 - \$2.7 million for information technology projects
 - \$500,000 for Healthy Community Initiatives
 - As well as repayment for past projects such as South End Library and the Gerry McCrory Countryside Complex.

The draft 2021 Capital Budget includes \$10 million of debt that was approved as part of the 2020 Capital Budget based on projects approved in 2020 with cash flow spending in 2021.

With the delay in the presentation of the 2021 Budget and anticipated approval in March, staff is requesting the Committee to allow staff to start the tendering process in January for construction projects that will be in the 2021 Budget. There will be a clause in the tender and contract documents stating that the work will not commence until Council approves the budget. This will allow staff to meet tendering schedule and ensure that the contractors have a full construction season for some contracts. Otherwise, construction will be delayed if tender process starts after the budget is approved.

Recent Debt Amounts

Debt financing has been used as part of the 2018, 2019 and 2020 Budgets, in order, to address the infrastructure deficit or strategic projects. This includes \$200 million which was secured in March 2020 for the Kingsway Entertainment District & Arena, The Junction, MR 35, Playground Revitalization, and McNaughton Terrace. In addition, there is another \$43 million that will be secured during 2021 as this was approved towards various road programs in the 2020 Capital Budget for 2020 and 2021.

Consideration of Additional Debt

It is recommended that securing debt is deferred for 2021. Issuing debt now limits Council's ability to do so in the future. Currently, there is a clear shift toward social services and support for vulnerable populations that requires more operating budget investments than Council traditionally incurred. It remains unclear how long the effects of the City's COVID-19 response will be required, but staff anticipate it will remain in place for at least the first half of 2021. It is likely that it will continue to influence service levels and expenditures throughout the year, and in that context, additional capital investments may be lower priorities than service to vulnerable populations.

Date: December 8, 2020

The virus response has also accelerated other societal changes that could influence Council's choices about capital investment priorities. Shifts in working patterns, related impacts on transportation services, and the increased value associated with outdoor activities that present lower risk of contacting the COVID-19 virus are all examples that could influence Council's perspectives and priorities on the capital budget. Staff continue to work on analysis, such as the Facility Rationalization and User Fee business cases, which hopefully provides clarity on which services or facilities could be reduced or how the organization can re-prioritize how fees are calculated. All of these are part of a long-term view that Council must consider, and their influence on capital priorities cannot yet be fully assessed.

Nevertheless, there are capital assets and expected outcomes that Council want for the community that, regardless of the specific changes that might occur in response to the effects of the COVID-19 virus, would be included in any view of Greater Sudbury's future. The existing capital plan already addresses many of those assets, and will help produce the expected outcomes that Council believes are important in any scenario.

To provide additional context to Council, staff have provided the following information to consider when analyzing the use of debt:

- Infrastructure Requirement
 - In 2016, an estimated infrastructure requirement of approximately \$1.9 billion was presented to Council. This presentation included an additional \$1.2 billion of infrastructure that is reaching the end of its useful life within the next 10 years.

- Large Key Projects
 - Included in previous capital budgets as well as various master plans are the following large projects to consider:
 - Police Headquarters – \$65 million
 - Pioneer Bed Redevelopment – \$60 million (and then any potential subsequent additional reinvestment of existing wing once moved to new building)
 - Valley East Twin Pad – \$28 million
 - Lorne Street – additional \$33 million
 - Maley Drive Phase 2 - \$70 million
 - Salt/Sand Domes and Public Work Depots including new Frobisher Administration Building – over \$115 million
 - Other Road long-term projects per Transportation Master Plan (ie. Paris / Notre Dame bikeway, Kingsway 5 laning, South End improvements (Four Corners intersection / Ramsey Lake Road); etc)
 - Other Leisure or Citizen Service Facilities for replacement including arenas & pools.
 - Significant investment may be required into Tom Davies Square complex (all three buildings) as well as Greater Sudbury Housing Corporation buildings – were constructed in the 1970's and approaching 40-50 years at and beyond useful life.
 - Projects for Water & Wastewater.

Date: December 8, 2020

- Debt Management Policy
 - This Policy outlines that debt should be coordinated with the City's long-term plans and strategies, as well as must be affordable and sustainable. It states that the previous Long-Term Financial Plan says should only be considered for:
 - New, non-recurring infrastructure requirements
 - Programs and facilities that are self-supporting (not on property tax levy), and
 - Projects where the cost of deferring expenditures exceeds debt servicing costs.
 - If debt were to be secured, it is staff's recommendation that the life of the asset were to match or exceed the life of the planned asset, as well as the above criteria be adhered to.

- Debt Limits
 - Council approved setting a limit of 10% of City's own purpose revenue for annual debt repayment. Included in the most recent Annual Repayment Limit (ARL) report are the following:
 - Council has the capacity to increase annual debt repayments by \$31.9 million which equates to a limit of \$625 million to be borrowed over 30 years, at 3%. During 2020, the City issued a bond of \$200 million for large projects results in a revised remaining borrowing limit of \$425 million.

- Consideration on Reduced Service Levels and/or Reduction of Facilities
 - Council requested staff to complete analysis and recommendations on facility rationalizations and/or service level reductions as part of the 2021 Budget process. These decisions should be made first before the City considers acquiring debt that may be used for investments in facilities or services that may be closed or reduced as part of building rationalization or service level reviews (or decisions from core service review).

- Capital Budget and Capacity
 - Approved as part of the 2020 Budget process was \$10 million for future year capital spending, specifically 2021.
 - Due to COVID-19, a number of projects that were planned for completion in 2020 have been delayed which puts further pressure on 2021 and may result in capacity issues.

Date: December 8, 2020

Debt Options

The following are debt financing options for consideration as part of the 2021 Capital Budget with implications to the capital and operating budgets:

Assumptions: term of debt must match estimated life of asset					
25 year term @ 2.8%					
30 year term @ 3.0%					
2020 Operating Tax Levy =		\$289,445,167			
Debt Amount	25 Year	Impact to Operating Tax Levy		30 Year	Impact to Operating Tax Levy
\$20 million	1,123,113	0.4%	1,020,385	0.4%	
\$30 million	1,684,670	0.6%	1,530,578	0.5%	
\$40 million	2,246,226	0.8%	2,040,770	0.7%	
\$100 million	5,615,565	1.9%	5,101,926	1.8%	- includes estimated \$60M for Pioneer Manor Bed Redevelopment

Based on prioritized ranking & with useful life beyond 25 years:	Potential Useful Life	2021	2022	2023	2024	2025	Beyond	Total	Debt for Projects
Condenser Replacement – Chelmsford Arena	25	145,000	-	-	-	-	-	145,000	
Frobisher Salt / Sand Storage Facility	25	4,000,000	-	-	-	-	-	4,000,000	
1920 Paris Heating and Hot Water Boiler Replacement	25	600,000	-	-	-	-	-	600,000	
Bridges and Culverts Replacement and Rehabilitation - 2021	25-75	10,000,000	1,300,000	-	-	-	-	11,300,000	
Outdoor Court Resurfacing / Conversion	30	438,000	657,000	657,000	657,000	657,000	1,314,000	4,380,000	20,425,000
1960 Paris Roof Replacement	25	1,456,500	-	-	-	-	-	1,456,500	
Paris-Notre Dame Bikeway	30	5,500,000	-	-	-	-	-	5,500,000	
Second Ave Stormwater Management Facility Design	50	350,000	4,500,000	-	-	-	-	4,850,000	32,231,500
Arterial/Collector Roads Rehabilitation & Resurfacing - 2021	15-54	8,050,000	1,850,000	-	-	-	-	9,900,000	42,131,500

If projects are financed with debt of up to \$40 million, then the following projects can be funded with the \$21 million of capital funding (along with future year cash flow impact of \$11 million in 2022 and \$2.5 million in 2023):

Date: December 8, 2020

	2021	2022	2023	2024	2025	Total	
Waterfront Equipment Replacement	69,300					69,300	
Lifting Equipment and Tub Replacement	108,000					108,000	
TSSA Compliance - Landfill Gas System at Sudbury Landfill	500,000					500,000	
IT Server Software Infrastructure Replacement	569,700					569,700	
Howard Armstrong Recreation Centre Track Surface and Lighting Re	115,000					115,000	
Arena Mechanical, Electrical and Life Safety Equipment Upgrades	224,400					224,400	
Whitson River Trail	1,677,510					1,677,510	
Replacement of eight Support Apparatus	455,000					455,000	
Multi-Year Camera System Migration to Ivision	280,400	147,300	126,500			554,200	
Pool refurbishments	313,476	104,110	176,065			593,650	
Arena upgrades	1,438,029	3,899,888	1,133,770			6,471,687	
Delki Dozzi Cycling Track Reinstatement/Upgrades	559,285	-	-			559,285	
TDS Exterior Refurbishments	272,886	-	-			272,886	
Capreol CSC AODA Entrance and Chair Lifts Replacement	135,000	295,000	-			430,000	
Surface Treatment - 2021	5,000,000	-	-			5,000,000	
IT Storage and Backup Replacement	277,000	130,000	89,000			496,000	
Arena Roof Replacements and Interior Drywall Upgrades	1,379,173	859,448	-			2,238,621	
Fieldhouse buildings refurbishments	378,299	329,601	-	-	-	707,900	
1160 Lorne Structural and Electrical system improvements	110,278	394,080	3,826	18,764	68,010	594,959	
Recycling Center Fire Protection Sprinkler System Upgrade	750,000	-	-	-	-	750,000	
Backstop Replacement at Baseball Complexes	109,200	-	-	-	-	109,200	
Local Roads Rehabilitation & Resurfacing - 2021	4,270,000	-	-	-	-	4,270,000	
Larch tower mechanical upgrades and refurbishments	351,657	-	-	-	-	351,657	
Tool Surveillance Monitor Room- Sudbury Housing	30,000	-	-	-	-	30,000	
Dr Ed LeClair Arena Parking Lot Upgrade	312,500	-	-	-	-	312,500	
Final Cover of Stage 2 - Hanmer Landfill	125,000	1,350,000	-	-	-	1,475,000	
Final Cover of Stage 2 - Azilda Landfill	125,000	1,350,000	-	-	-	1,475,000	
Fire Halls - Updates Staircase Refurbishments	318,692	1,097,501	-	-	-	1,416,193	
Community Centers Refurbishments and Repairs	302,000	1,045,149	921,345	-	-	2,268,494	
Beach Site Facility Refurbishments (Bell Park, Moonlight)	434,153	-	-	-	-	434,153	
	Total	20,990,936	11,002,077	2,450,506	18,764	68,010	34,530,294

2021 Special Capital Levy

Based on the Long-Term Financial Plan, it recommends that the City approves a Special Capital Levy to address the infrastructure deficit. Therefore, staff will be presenting an option for the Committee's consideration for the 2021 Budget to approve a 2021 Special Capital Levy in the amount of approximately \$4.34 million. If approved, this amount may be used for the following options:

- Increase capital funding for 2021 capital projects of \$4.34 million and fund the next highest priority projects as follows:
 - Arterial / Collectors Rehabilitation and Resurfacing
 - Roads Projects with W/WW Improvements
- Fund debt repayments of \$4.3 million for the next 25 which would result in external debt of \$75 million (at 2.8% over 25 years) to fund the following capital projects:

Date: December 8, 2020

Dept	Est. Useful Life (years)	Estimated Cost and Timing of Cash Flows							Total
		2021	2022	2023	2024	2025	Beyond		
1920 Heating and Hot Water Boiler Replacement	25	600,000	-	-	-	-	-	600,000	
TSSA Compliance - Landfill Gas System at Sudbury Landfill	25	500,000	-	-	-	-	-	500,000	
Bridges and Culverts Replacement and Rehabilitation - 2021	25-75	10,000,000	1,300,000	-	-	-	-	11,300,000	
Outdoor Court Resurfacing / Conversion	30	438,000	657,000	657,000	657,000	657,000	1,314,000	4,380,000	
1960 Paris Roof Replacement	25	1,456,500	-	-	-	-	-	1,456,500	
Howard Armstrong Recreation Centre Track Surface and Lighting Repl	20-45	115,000	-	-	-	-	-	115,000	
Paris-Notre Dame Bikeway	30	5,500,000	-	-	-	-	-	5,500,000	
Second Ave Stormwater Management Facility Design	50	350,000	4,500,000	-	-	-	-	4,850,000	
Arterial/Collector Roads Rehabilitation & Resurfacing - 2021 to 2025	15-54	8,050,000	1,850,000	-	-	-	-	9,900,000	
Roads Projects with Water/Wastewater Improvements - 2021 to 2023	15-54	1,050,000	9,980,000	-	-	-	-	11,030,000	
Arena Mechanical, Electrical and Life Safety Equipment Upgrades	25-45	224,400	-	-	-	-	-	224,400	
Whitson River Trail	15-50	1,677,510	-	-	-	-	-	1,677,510	
Pool refurbishments	25-45	313,476	104,110	176,065	-	-	-	593,650	
Arena upgrades	25-50	1,438,029	3,899,888	1,133,770	-	-	-	6,471,687	
Delki Dozzi Cycling Track Reinstatement/Upgrades	20-45	559,285	-	-	-	-	-	559,285	
TDS Exterior Refurbishments	40	272,886	-	-	-	-	-	272,886	
Capreol CSC AODA Entrance and Chair Lifts Replacement	15-50	135,000	295,000	-	-	-	-	430,000	
Arena Roof Replacements and Interior Drywall Upgrades	25	1,379,173	859,448	-	-	-	-	2,238,621	
Fieldhouse buildings refurbishments	25	378,299	329,601	-	-	-	-	707,900	
1160 Lorne Structural and Electrical system improvements	25-60	110,278	394,080	3,826	18,764	68,010	-	594,959	
Recycling Center Fire Protection Sprinkler System Upgrade	20	750,000	-	-	-	-	-	750,000	
Backstop Replacement at Baseball Complexes	30	109,200	-	-	-	-	-	109,200	
Local Roads Rehabilitation & Resurfacing - 2021	25-50	4,270,000	-	-	-	-	-	4,270,000	
Dr Ed LeClair Arena Parking Lot Upgrade	20	312,500	-	-	-	-	-	312,500	
Fire Halls - Updates Staircase Refurbishments	50	318,692	1,097,501	-	-	-	-	1,416,193	
Community Centers Refurbishments and Repairs	25-50	302,000	1,045,149	921,345	-	-	-	2,268,494	
Beach Site Facility Refurbishments (Bell Park, Moonlight)	25-50	434,153	-	-	-	-	-	434,153	
Grace Hartman Amphitheatre Sound system refurbishment	45	57,500	57,500	-	-	-	-	115,000	
Camp Site Facility Refurbishments (Camp Sudaca, Waskakwa)	25-50	152,931	-	-	-	-	-	152,931	
Parks Depot Envelope Repairs (Azilda and Valley East)	25	378,750	-	-	-	-	-	378,750	
TDS Mechanical upgrades and refurbishments	25-45	485,287	-	-	-	-	-	485,287	
720 Bruce Emergency Generator Replacement	20-40	290,000	-	-	-	-	-	290,000	
Fielding Park Improvments	20-30	80,000	-	-	-	-	-	80,000	
Renovations to Gerry McCrory Countryside Sports Complex Hall of Fan	50	127,000	-	-	-	-	-	127,000	
								74,591,905	

Conclusion

Staff is recommending that no additional debt be considered for the 2021 Capital Budget. This should be considered for the 2022 Capital Budget and towards strategic and long-term capital projects, as opposed to expanding annual capital programs.

Furthermore, the 2021 Budget will include business cases as requested by Council, for the Valley East Twin Pad and Pioneer Manor Bed Redevelopment which will incorporate debt as the financing plan. Therefore, the Committee may recommend that additional debt for 2021 be possibly considered for these projects.

References:

2020 Annual Repayment Limit Report -
<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=12&id=1512>