

Request for Recommendation  
Finance and Administration Committee





Type of Decision									
Meeting Date	July 10, 2012			Report Date	July 10, 2012				
Decision Requested	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed

Report Title
Financial Plan for Roads and Transportation Services

Budget Impact/Policy Implication	Recommendation
<p><input checked="" type="checkbox"/> This report has been reviewed by the Finance Division and the funding source has been identified.</p>	<p>Whereas the City of Greater Sudbury maintains approximately 3,600 lane kilometres of roads infrastructure that has a replacement value of approximately \$3.0B, and requires an annual investment in operating and capital of approximately \$117M to be sustainable;</p> <p>Whereas the City of Greater Sudbury - Strategic Plan includes roads infrastructure as a key priority, and specifically an action item to complete the Roads 10-Year Financial Plan;</p> <p>Therefore, be it resolved that Council accept the report dated July 10, 2012 from the Chief Financial Officer and General Manager of Infrastructure Services outlining the financial requirements over the next 10 years to ensure municipal roads and related infrastructure are sustainable.</p>
<b>Background Attached</b>	<b>Recommendation Continued</b>

Recommended by the Department	Recommended by the C.A.O.
<p></p> <p>Lorella Hayes Chief Financial Officer/Treasurer</p>	<p></p> <p>Doug Nadorozny Chief Administrative Officer</p>
<p></p> <p>Greg Clausen General Manager of Infrastructure Services</p>	

Report Prepared By	Division Review
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## Background

During the presentation of the Summer Maintenance – Zero Base Budget to the Finance Committee on November 21, 2011, Council was advised that the Infrastructure Services Department and Finance Department were developing a Ten Year Fiscal Sustainability Plan for Roads. With the assistance of KPMG, the financial plan has been developed and outlines the annual operating requirements as well as the 10 year capital requirements for the assets under the administration of the Roads Division.

The 3,600 lane kilometre municipal road network is the City's largest asset class with an estimated replacement value of approximately \$3.0B and includes (in millions of dollars):

Land	\$11
Drains	\$23
Streetlights	\$18
Bridges & Culverts	\$253
Urban & Rural Roads	\$2,527
Signals & Signs	\$23

In recognition of the significance of future investment requirements, the plan considers two scenarios:

Scenario 1: Capital funding is increased in order to preserve the current infrastructure until a sustainable funding level is reached. The only growth in the asset base considered in this scenario is Maley Drive. The summer maintenance zero-base budget is phased in over five years and the winter roads budget remains constant, excluding inflationary adjustments.

Scenario 2: In addition to the assumptions in the first scenario, Scenario 2 includes additional growth projects including but not limited to MR 35 (Azilda to Chelmsford), Kingsway Boulevard realignment and various storm water management projects.

The resulting funding requirement for each scenario and subsequent funding gap can be seen in Table 1 below.

<b>TABLE 1</b>					
<b>Operating and Capital Funding Required (in 2012 dollars)</b> <b>(in millions of dollars)</b>					
	<b>Funding Required</b>	<b>Current Funding</b>	<b>Funding Gap</b>	<b>Operating Funding Gap</b>	<b>Capital Funding Gap</b>
<b>Scenario 1</b>	117	75	42	4	38
<b>Scenario 2</b>	122	75	47	4	43

The complete Roads Financial Plan is attached. Some of the highlights of the plan are listed below.

#### **Highlights of the Roads Financial Plan**

-\$700M immediate infrastructure deficit, a further \$480M required within 5 years and \$90M in the next 10 years when applying Ontario Good Roads Association guidance.

-Approximately \$75M recommended for sustainable capital expenditures at the present time, as compared to the 2012 Roads capital budget of approximately \$37M. Over time, this difference will increase due to the effects of inflation.

-Investment of \$117M annually under scenario 1. Roads will require an additional \$6.2M in capital funding each year for the next 10 years to close the identified capital funding gap and address the impacts of inflation. Without other sources of funding this would equate to a 3.3% annual increase to the tax levy.

- Investment of \$122M annually under scenario 2. Roads will require an additional \$6.7M in capital funding each year for the next 10 years to close the identified capital funding gap and address the impacts of inflation. Without other sources of funding this would equate to a 3.5% annual increase to the tax levy.

-Replacement cycle for City roads reduced from 83 to 40 years which is a closer reflection of the useful life of a road.

-Summer roads maintenance - zero-based budget phased in over 5 years.

-Winter Roads budget maintained at current levels, excluding inflationary increases.

-Financial sustainability reached by 2022 if plan implemented for 10 years commencing 2013.

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-Financial plan contemplates a required investment for 2013 of approximately \$80M. This is a \$5M increase over 2012 and is comprised of a \$3M increase in the capital budget and a \$2M increase in the operating budget including the phase in of the summer maintenance zero-based budget. Without other sources of funding this would equate to a 3.5% increase to the tax levy.

The Financial Plan for Roads and Transportation Services does not address the allocations within the Roads Capital Budget. Staff will report on and review the allocations with Council in September 2012.

### **Summary**

It is recommended that Council accept the Financial Plan for Roads and Transportation Services. The financial plan may differ from the annual Roads budget to the degree to which Council approves the annual budget. It is recommended that Council use the information and assumptions inherent in the financial plan, including future amendments to assist with budget decisions and strategies to achieve fiscal sustainability. Staff will continue to pursue funding from senior levels of government and seek to maximize efficiencies and reduce costs.