

# Alternative Capital Financing Scenarios

December 8, 2008

Council Budget Committee

# Agenda

1. 2009 Budget Recap
2. Capital Funding Options/Scenarios
3. Impact on 2009 Total Tax Bill

# City Impact on Total Tax Bill

2009 Total Tax Bill Impacts		
Tax Rate Impact	Residential	Commercial\ Industrial
Operating	0.97%	0.53%
Capital – 1% Infrastructure Levy	0.28%	0.15%
<b>Combined</b>	<b>1.25%</b>	<b>0.68%</b>

# Scenario Assumptions

- All funded and unfunded projects are included with the exception of the BRT cost increase (\$52.5 million)
- Capital Revolving Fund is spent down so there is no repayment in all scenarios
- Base scenario has infrastructure levy increase of 1% each year annually for 10 years

# 2009 – 2018

## Unfunded Project Highlights

Millions

F&PM Asset Replacement	\$60.0
BRT Cost Increase	\$52.5
Road Rehabilitation	\$45.0
Parks/Sports Field Maintenance	\$31.0
Major Parkland Redevelopment •Erindale, Wildwood, Streetsville	\$25.0
Recreation Facilities Renovations •Malton Arena, Indoor and Outdoor Pools	\$12.0
Civic Square Improvements •Proposal to use IOA funding	\$10.0
Burnhamthorpe Library Renovations	\$10.0
Fire Station Renovations	\$8.0

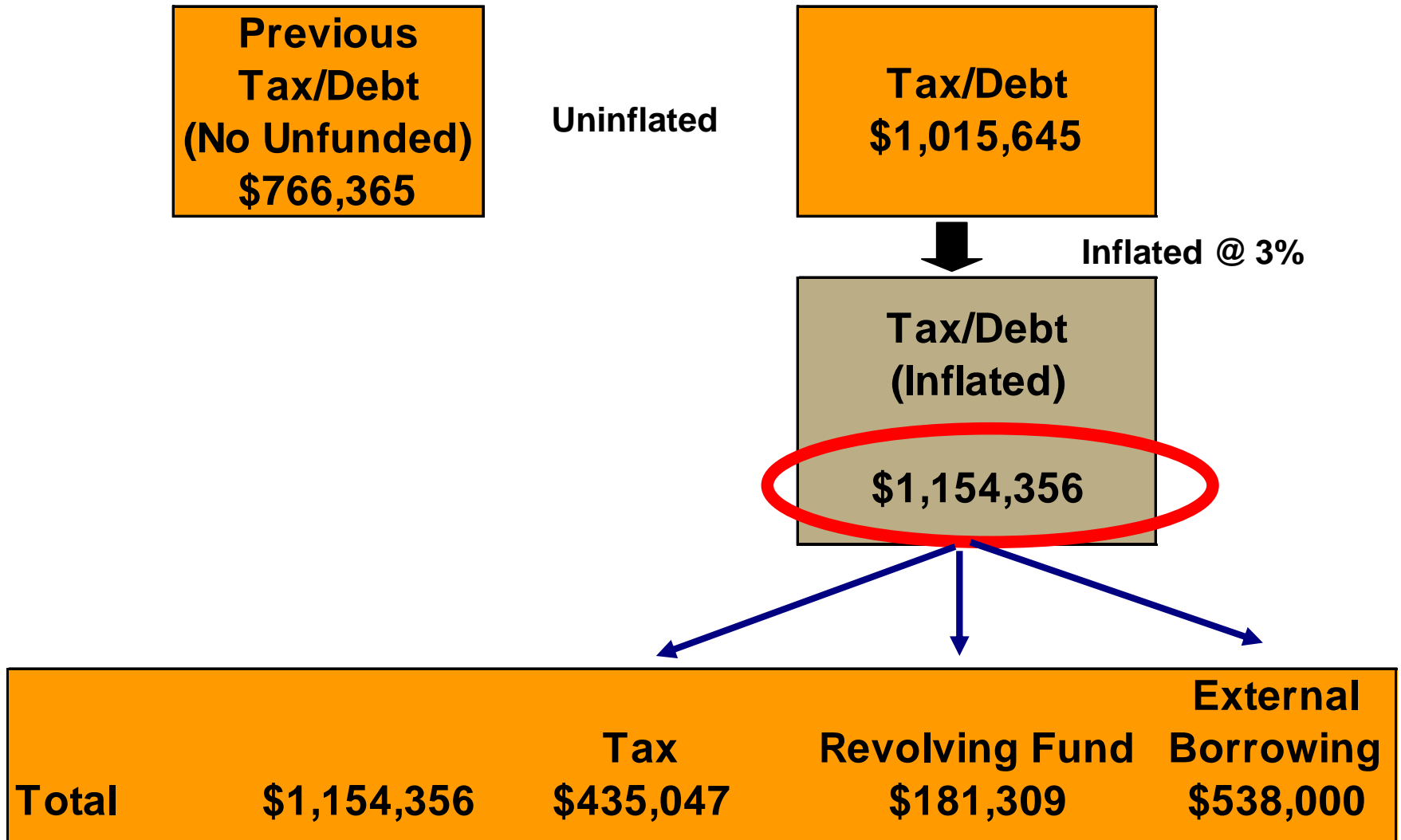
# 2009-2018 Capital Forecast Summary of Departmental Spending by Funding Source

('000) Uninflated		Funding Sources				
Department	Total	DC	Tax/Debt	Transit Specialty	Developer Contribution	Recovery / Subsidy
Community Services	\$333,187	\$61,146	\$123,498		\$142,919	\$5,624
Corporate Services	\$231,492	\$720	\$230,772			
Transportation & Works	\$1,190,956	\$215,778	\$412,096	\$497,275	\$5,165	\$60,642
<b>TOTAL</b>	<b>\$1,755,635</b>	<b>\$277,644</b>	<b>\$766,366</b>	<b>\$497,275</b>	<b>\$148,084</b>	<b>\$66,266</b>
<b>Unfunded Tax</b>			<b>\$249,280</b>			
<b>Total Tax Based Needs</b>			<b>\$1,015,646</b>			

Transit Specialty includes Federal and Provincial Gas Tax and Grants

# 2009-2018 Capital Requests

## Summary of Tax Funding Sources (000's)



Larger Increase Capital  
Investment for 2009 Only and 1%  
Thereafter



# Alternative Capital Funding Scenarios

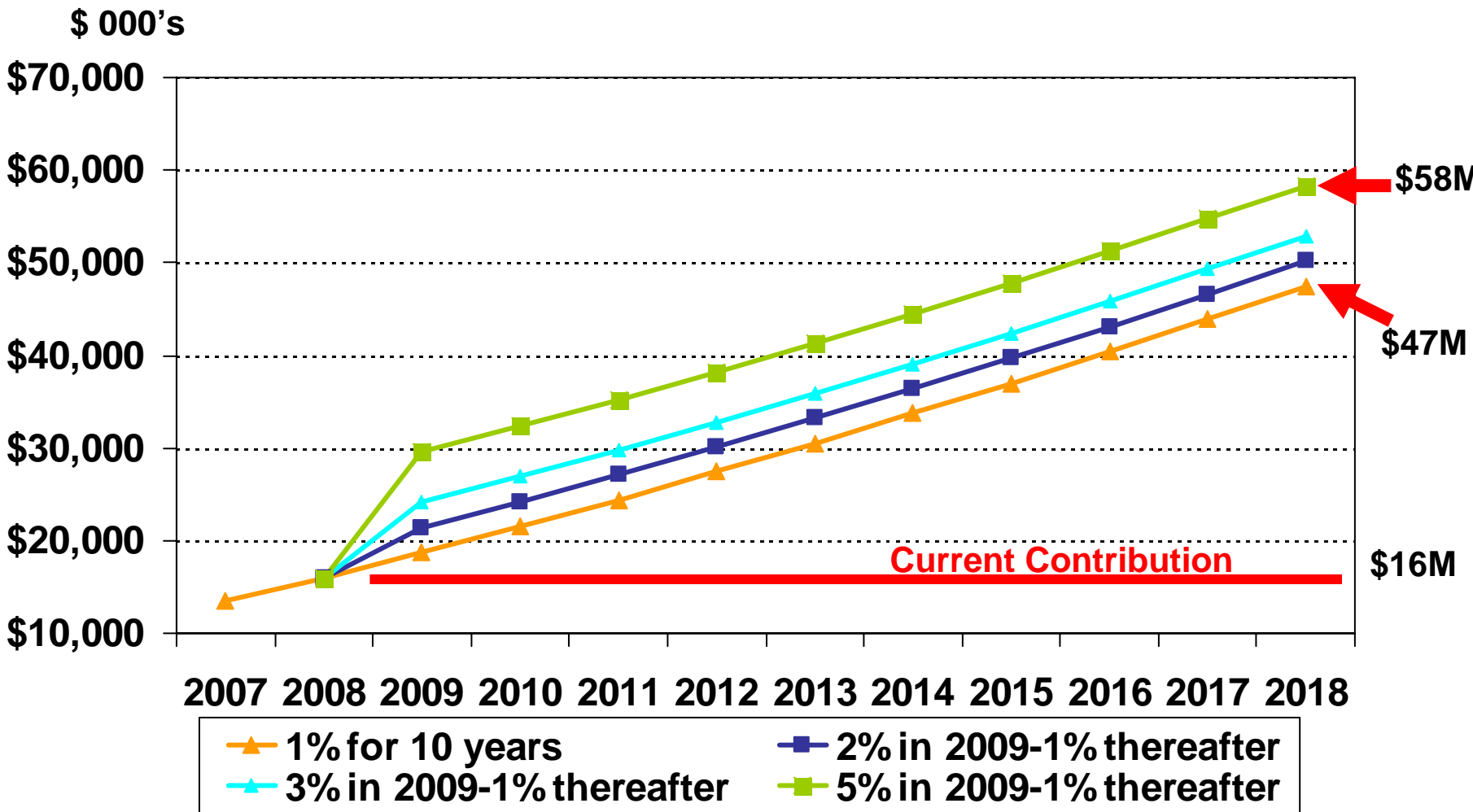
1% annual infrastructure increase  
**Impact on 2009 Total Tax Bill 0.28%**



Impact on 2009 Tax Bill	Increase Tax Funding for 2009 Only; Future Years stay at 1% Increase	Increased funding for 5 years
<b>0.56%</b>	<b>2% for 2009 and 1% thereafter</b>	2% from 2009 – 2013 and 1% thereafter
<b>0.84%</b>	<b>3% for 2009 and 1% thereafter</b>	3% from 2009 – 2013 and 1% thereafter
<b>1.4%</b>	<b>5% for 2009 and 1% thereafter</b>	5% from 2009 – 2013 and 1% thereafter

# Summary of Transfers from Operating to Capital

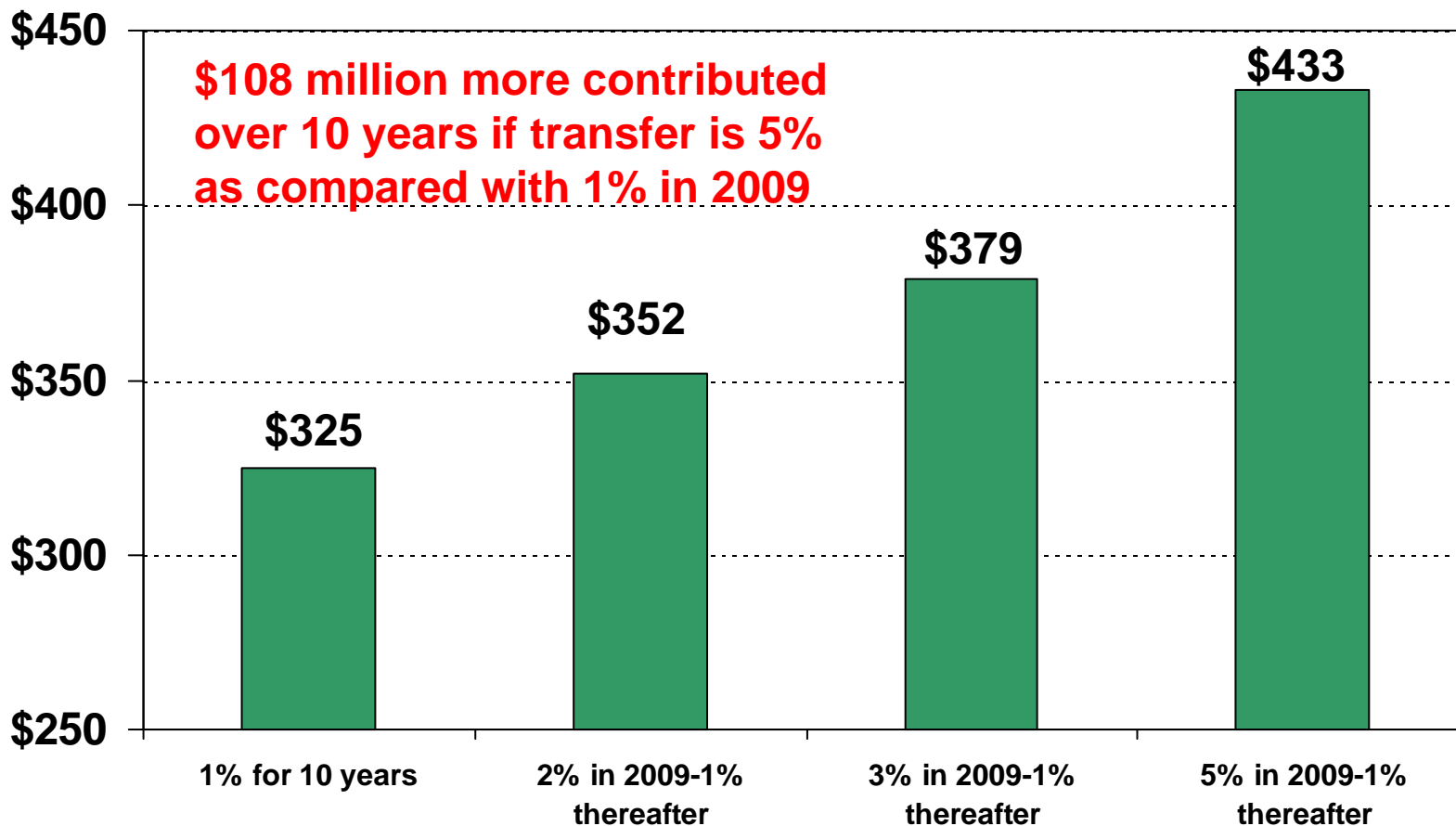
1%, 2%, 3% & 5% for 2009 – 1% Thereafter



# Summary of Transfers from Operating to Capital

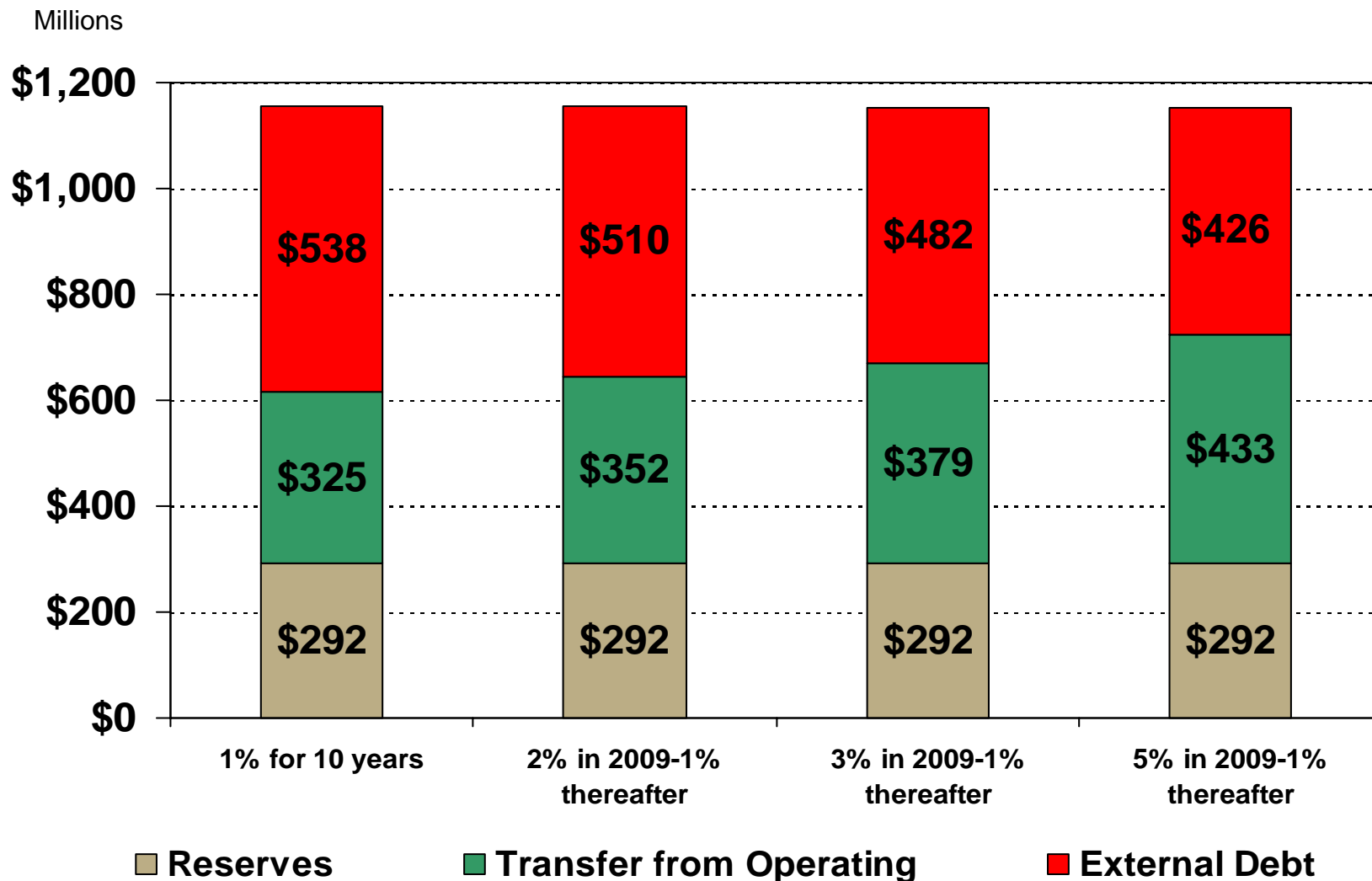
1%, 2%, 3% & 5% for 2009 – 1% Thereafter

Millions



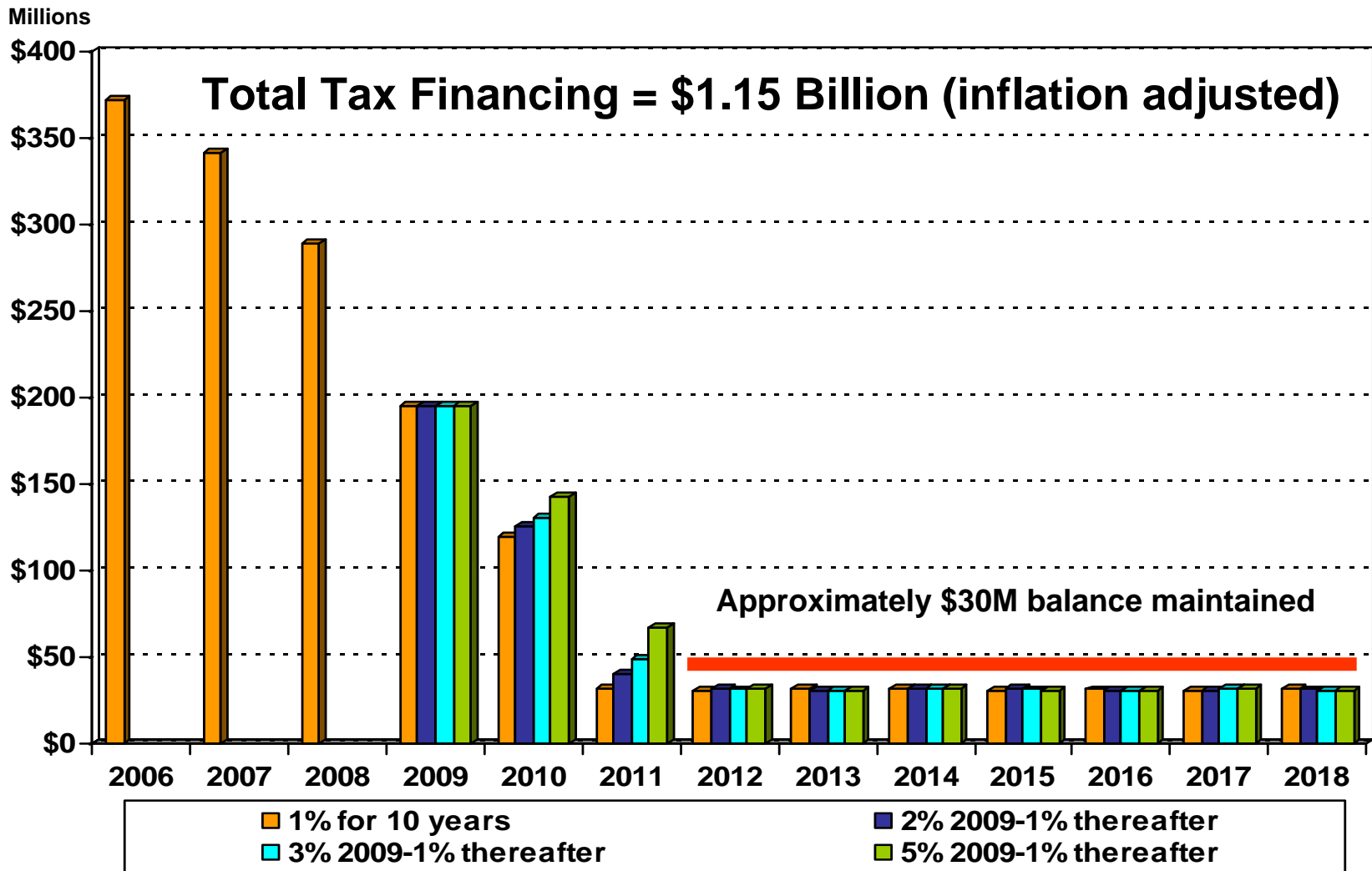
# Summary of Capital Financing

1%, 2%, 3% & 5% for 2009 – 1% Thereafter



# Taxed Based Capital Reserve Fund Balances

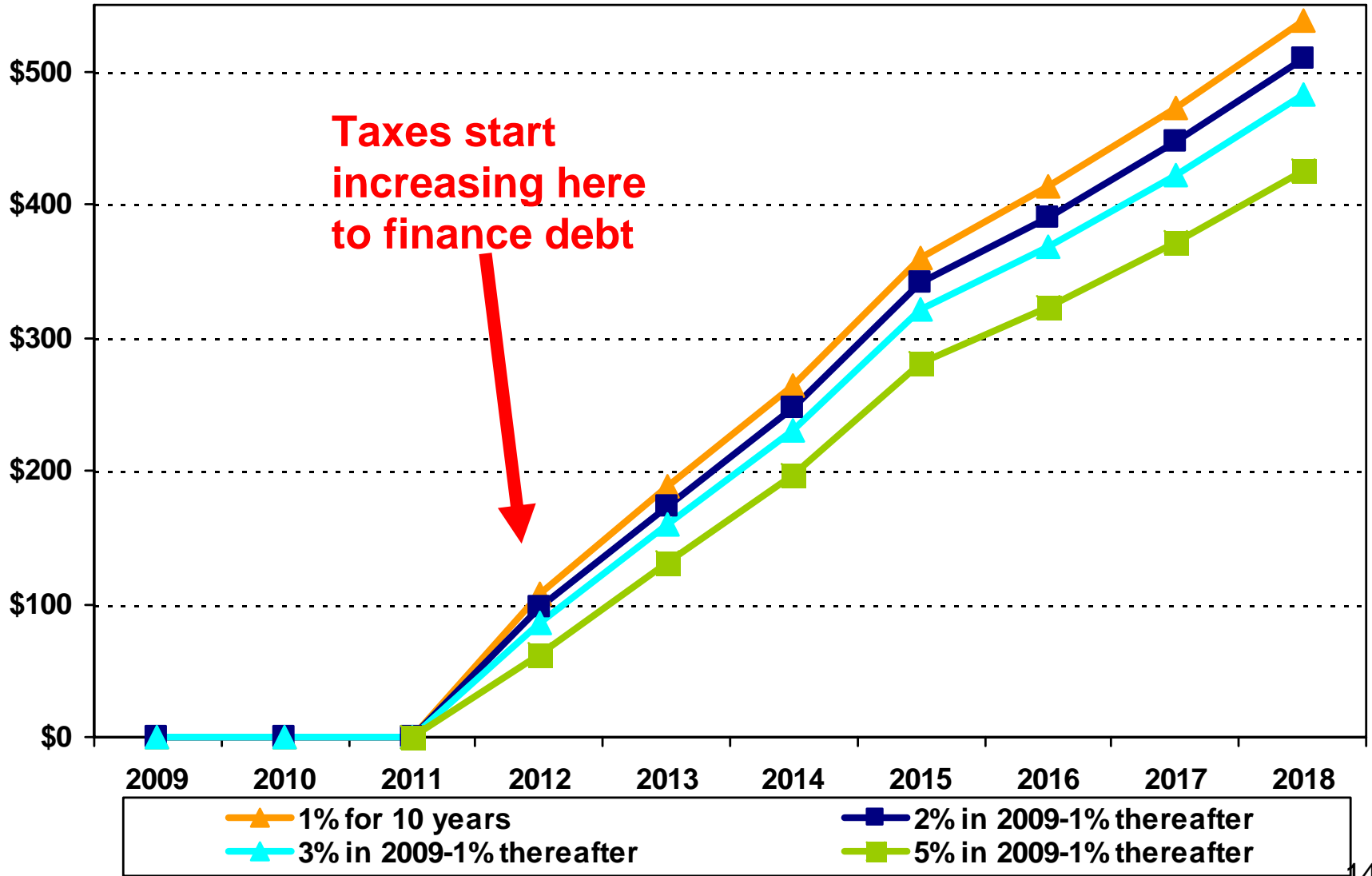
1%, 2%, 3% & 5% for 2009 – 1% Thereafter



# Cumulative External Debt Issued

1%, 2%, 3% & 5% for 2009 – 1% Thereafter

Millions



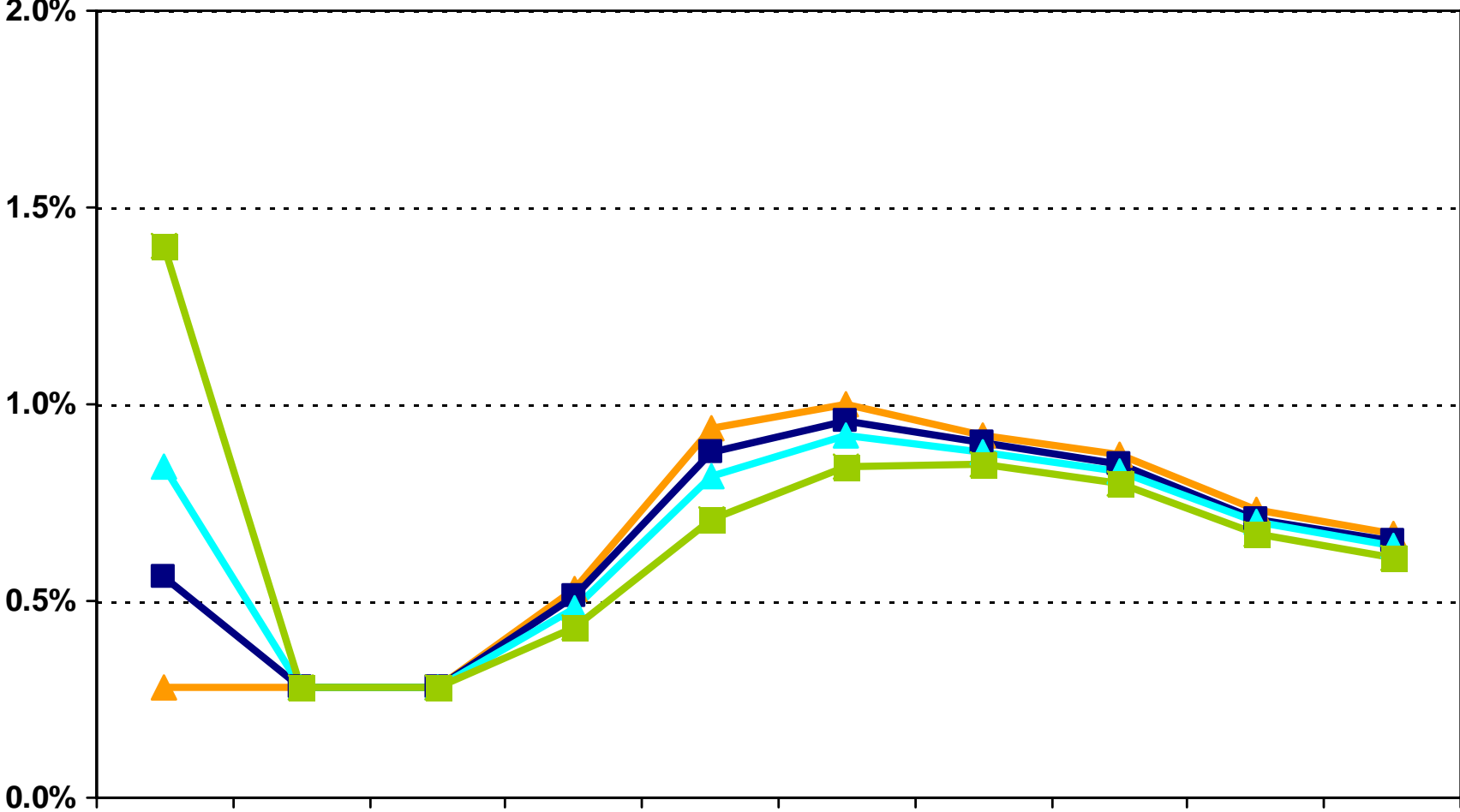
# Comparison of Three Capital Funding Scenarios

1%, 2%, 3% & 5% for 2009 – 1% Thereafter

Budget Year	10 Year Contribution from Operating Budget (000's)	Year External Borrowing Starts	Total External Debt over 10 Years (000's)
1% for 10 years	\$325,201	2012	\$538,000
2% in 2009-1% thereafter	\$352,201	2012	\$510,000
3% in 2009-1% thereafter	\$379,201	2012	\$482,000
5% in 2009-1% thereafter	\$433,201	2012	\$426,000

# Total Tax Rate Increase – Infrastructure Levy and Debt Repayment

1%, 2%, 3% & 5% for 2009 – 1% Thereafter



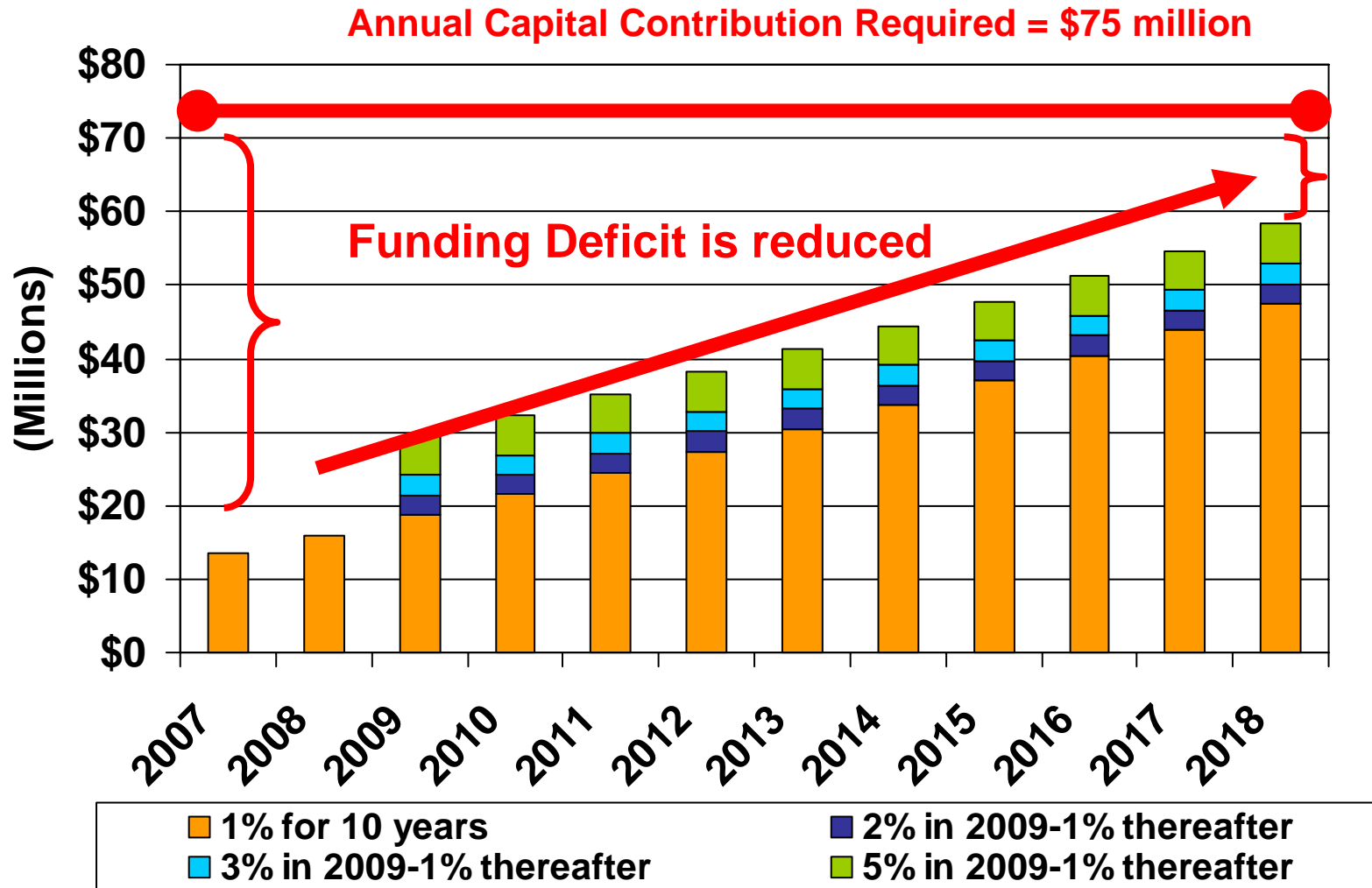


# Comparison of Capital Tax Rate Increases

1%, 2%, 3% & 5% for 2009 – 1% Thereafter

Budget Year	Tax Rate Impact		
	Average Annual Debt Repayment	Average Annual Infrastructure Levy	City Impact on Total Tax Bill
1% for 10 years	0.37%	0.28%	0.65%
2% in 2009-1% thereafter	0.35%	0.31%	0.66%
3% in 2009-1% thereafter	0.33%	0.34%	0.67%
5% in 2009-1% thereafter	0.30%	0.39%	0.69%

# 2009 Infrastructure Levy at 1%, 2%, 3% and 5% - Contributions Towards Funding Deficit



Larger Increase Capital Investment  
for 5 Years and 1% Thereafter

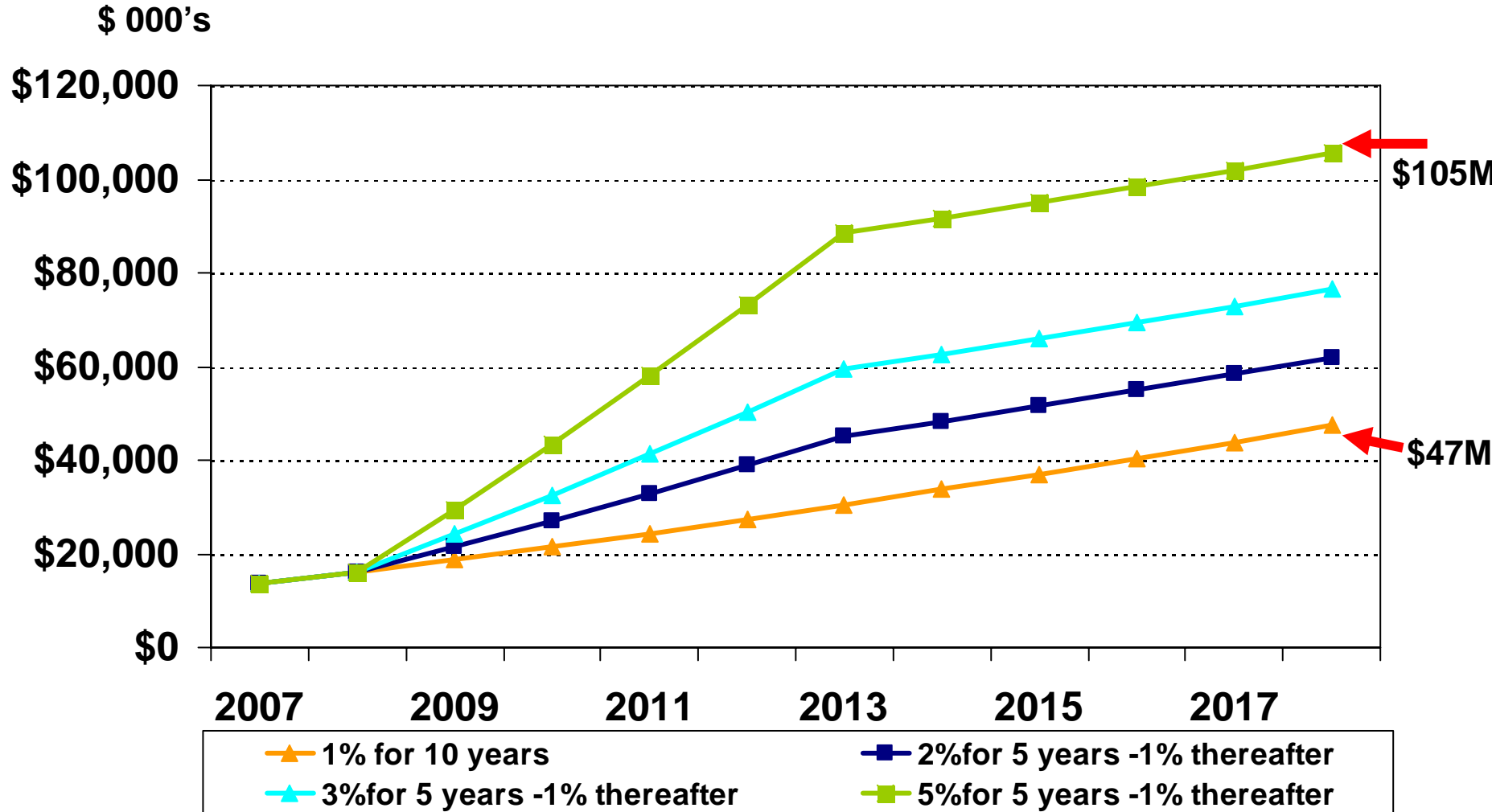
# Alternative Capital Funding Scenarios

1% annual infrastructure increase  
**Impact on 2009 Total Tax Bill 0.28%**

Impact on 2009 Tax Bill	Increase Tax Funding for 2009 Only; Future Years stay at 1% Increase	Increased funding for 5 years
<b>0.56%</b>	<b>2% for 2009</b> and 1% thereafter	<b>2% from 2009 – 2013</b> and 1% thereafter
<b>0.84%</b>	<b>3% for 2009</b> and 1% thereafter	<b>3% from 2009 – 2013</b> and 1% thereafter
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# Summary of Transfers from Operating to Capital

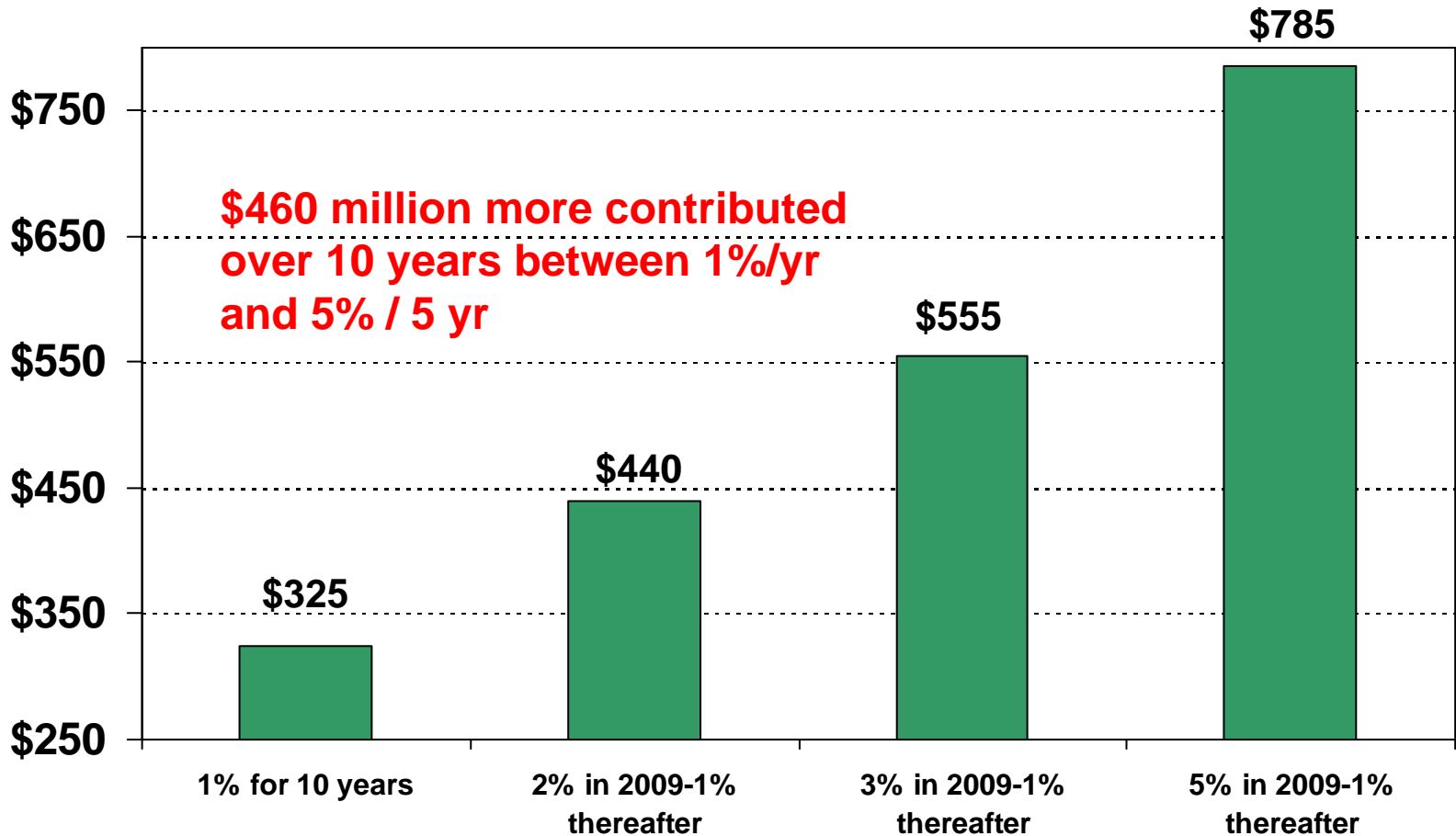
1%, 2%, 3% & 5% for 5 Years – 1% Thereafter



# Summary of Transfers from Operating to Capital

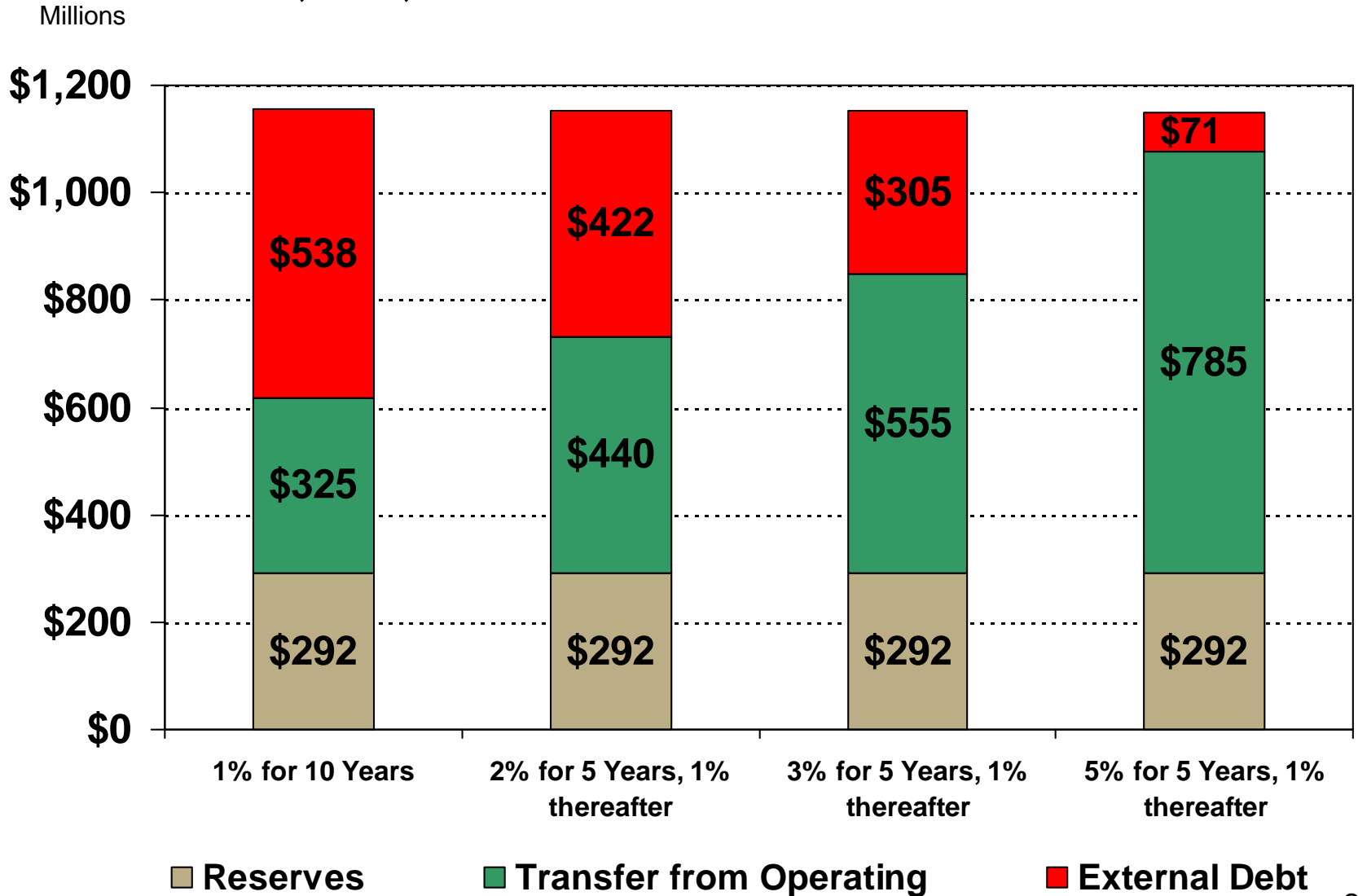
1%, 2%, 3% & 5% for 5 Years – 1% Thereafter

Millions



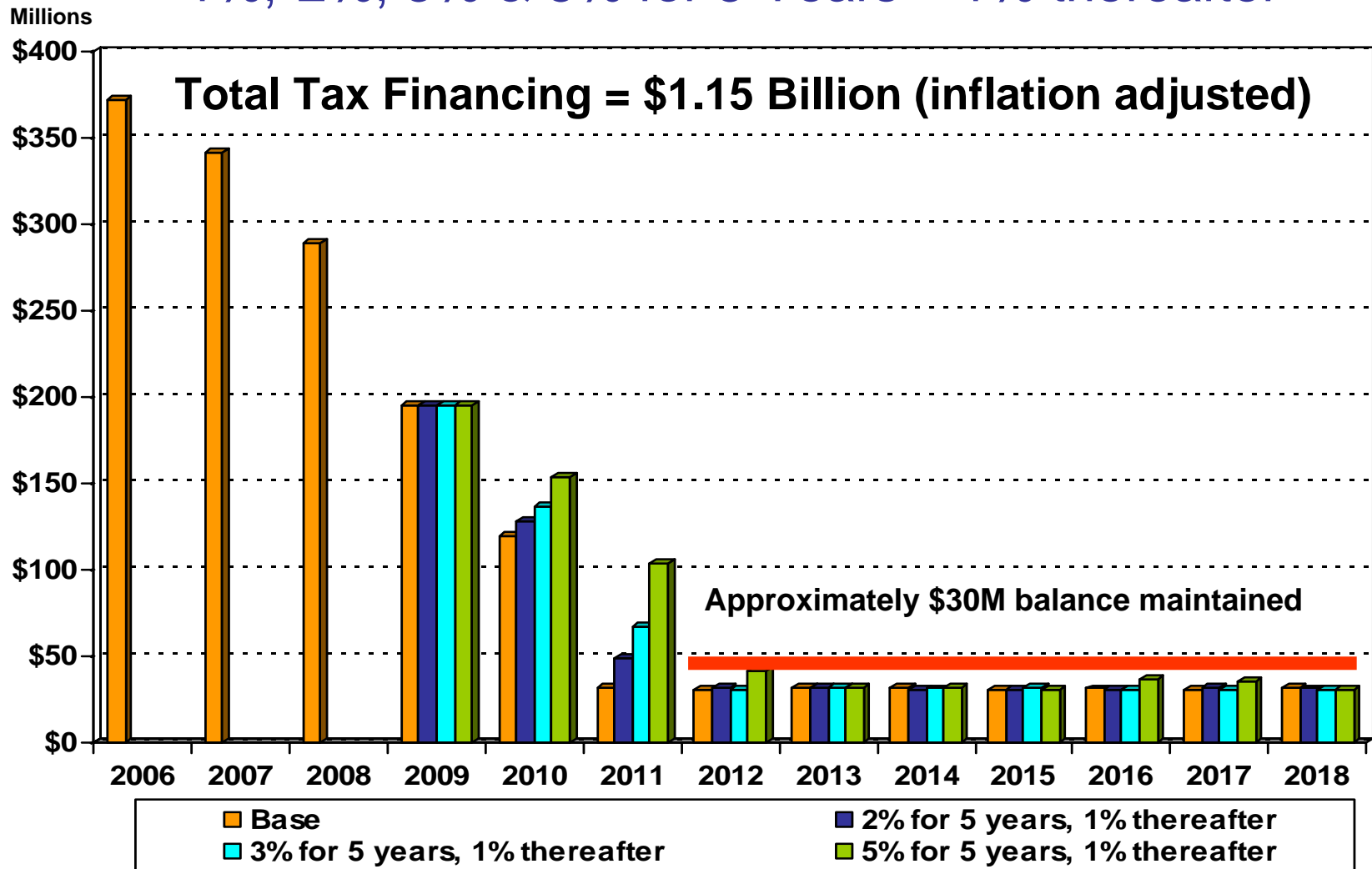
# Summary of Capital Financing

1%, 2%, 3% & 5% for 5 Years – 1% Thereafter



# Taxed Based Capital Reserve Fund Balances

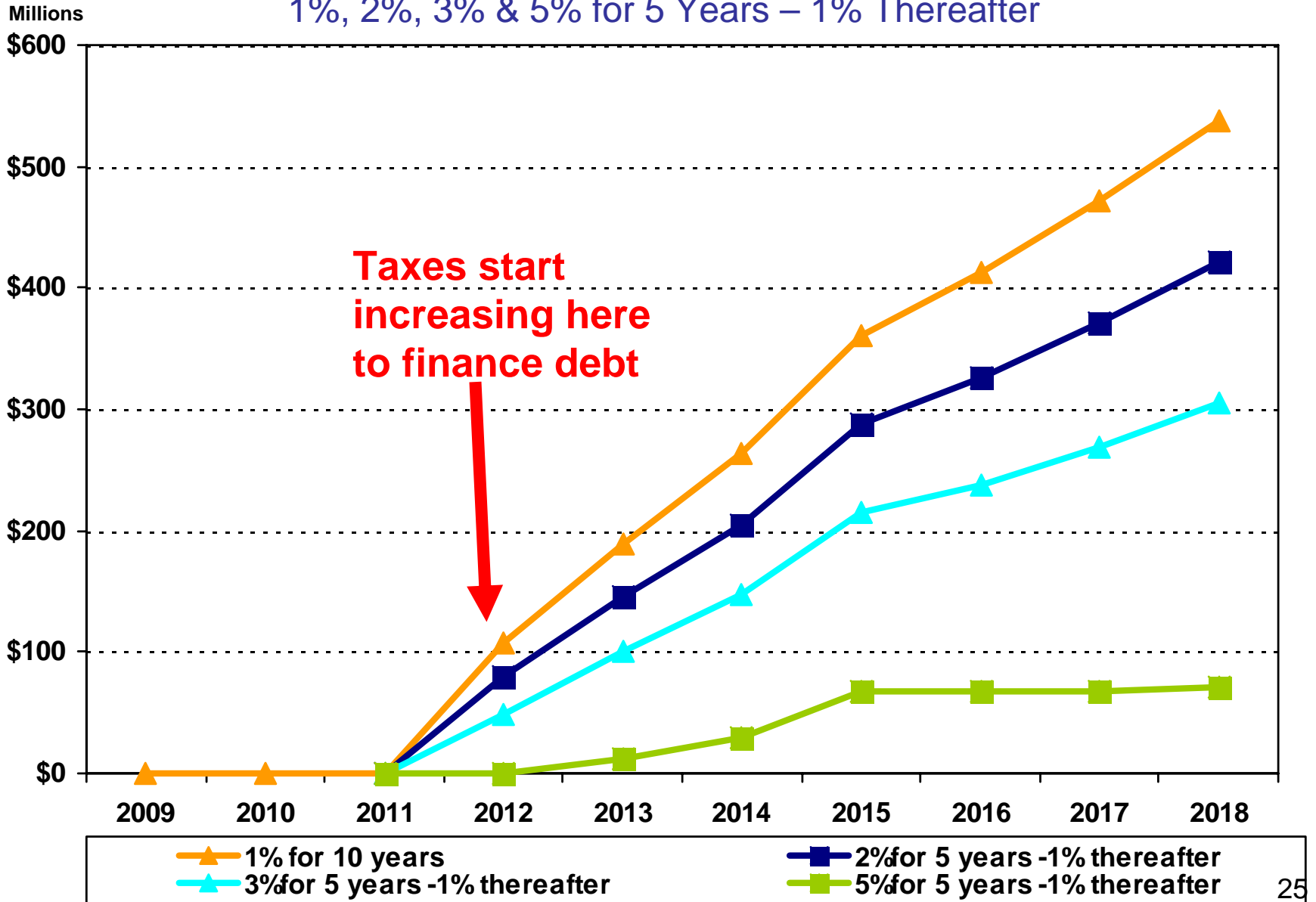
1%, 2%, 3% & 5% for 5 Years – 1% thereafter





# Cumulative External Debt Issued

1%, 2%, 3% & 5% for 5 Years – 1% Thereafter



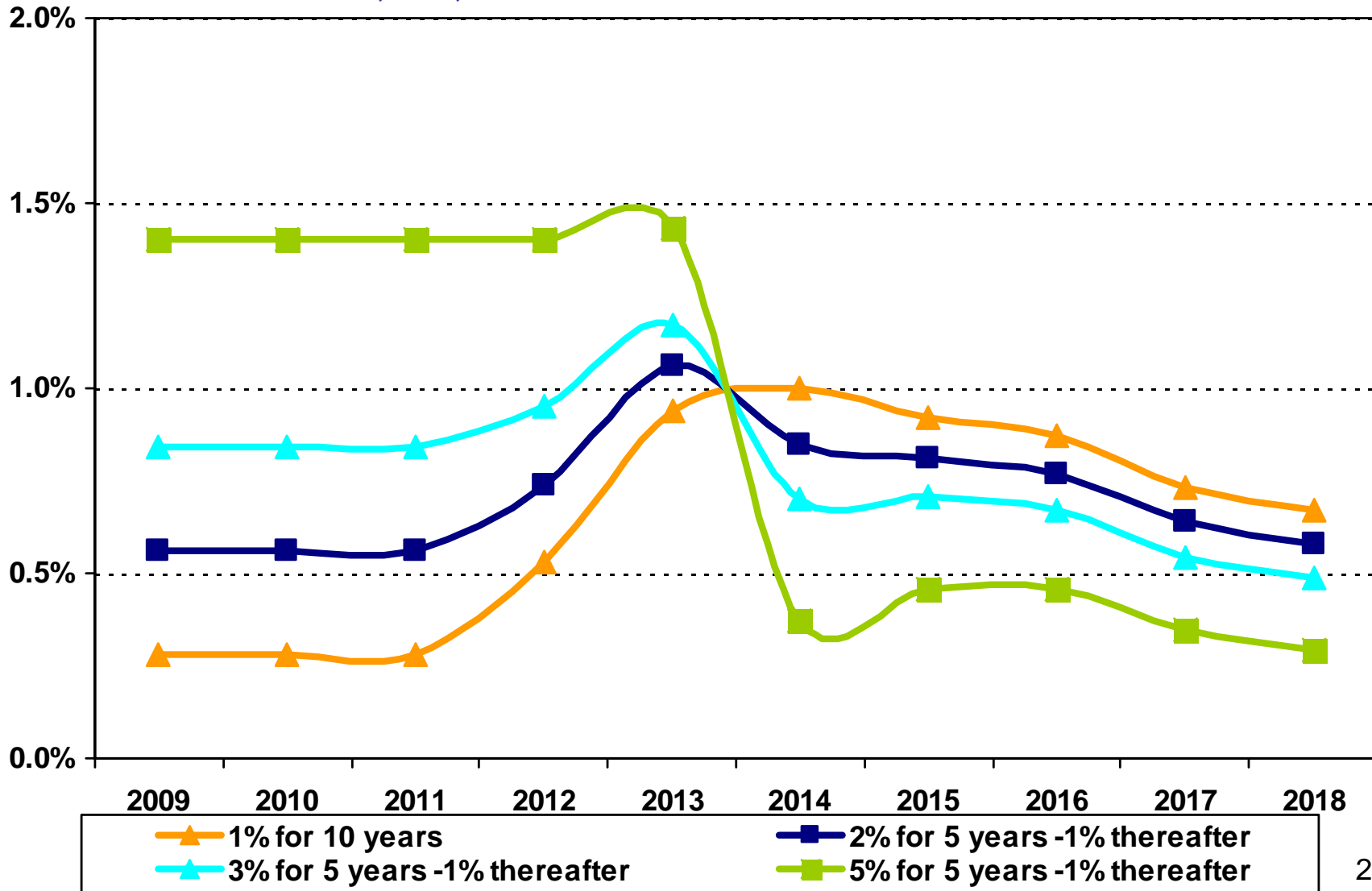
# Comparison of Three Capital Funding Scenarios

1%, 2%, 3% & 5% for 5 Years – 1% Thereafter

Budget Year	10 Year Contribution from Operating Budget (000's)	Year External Borrowing Starts	Total External Debt over 10 Years (000's)
Base – 1% per year	\$325,201	2012	\$538,000
2% for 5 years - 1% thereafter	\$440,201	2012	\$421,500
3% for 5 years - 1% thereafter	\$555,201	2012	\$305,000
5% for 5 years - 1% hereafter	\$785,201	2013	\$71,000

# Total Tax Rate Increase – Infrastructure Levy and Debt Repayment

1%, 2%, 3% & 5% for 5 Years – 1% Thereafter

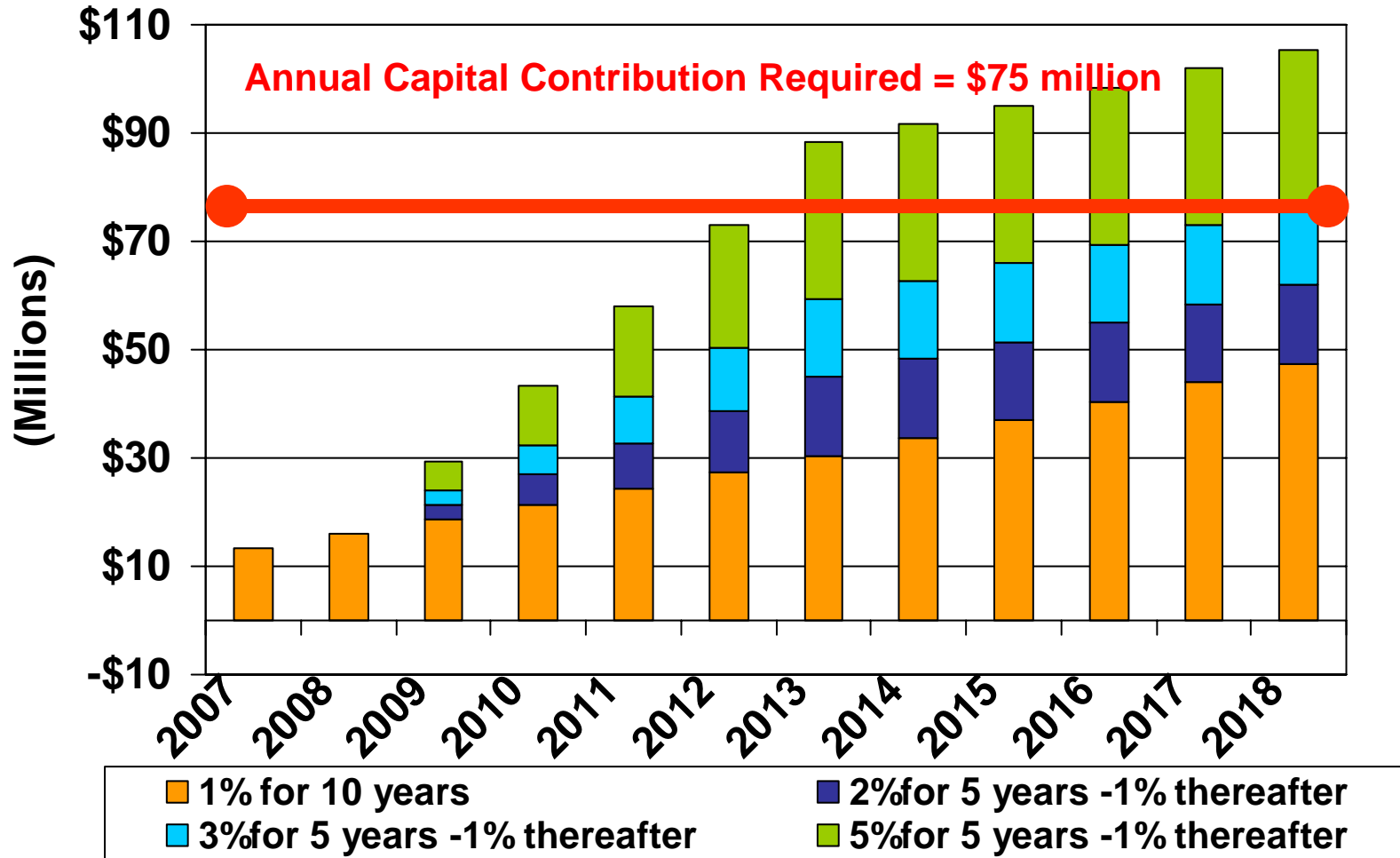


# Comparison of Capital Tax Rate Increases

1%, 2%, 3% & 5% for 2009 – 1% Thereafter

Budget Year	Tax Rate Impact		
	Average Annual Debt Repayment	Average Annual Infrastructure Levy	City Impact on Total Tax Bill
Base – 1% per year	0.37%	0.28%	0.65%
2% for 5 years - 1% thereafter	0.30%	0.41%	0.71%
3% for 5 years - 1% thereafter	0.22%	0.56%	0.78%
5% for 5 years - 1% hereafter	0.06%	0.84%	0.90%

# 2009 Infrastructure Levy at 1%, 2%, 3% and 5% for 5 Years



# Impact on Total Tax Bill for 2009

# City Impact on 2009 Total Tax Bill

Total Tax Bill Impact - Residential				
Infrastructure Requirements	1%	2%	3%	5%
Operating	0.97%	0.97%	0.97%	0.97%
Capital	0.28%	0.56%	0.84%	1.4%
<b>Combined Total</b>	<b>1.25%</b>	<b>1.53%</b>	<b>1.81%</b>	<b>2.37%</b>

# City Impact on 2009 Total Tax Bill

Total Tax Bill Impact – Commercial/Industrial				
Infrastructure Requirements	1%	2%	3%	5%
Operating	0.53%	0.53%	0.53%	0.53%
Capital	0.15%	0.30%	0.45%	0.75%
<b>Combined Total</b>	<b>0.68%</b>	<b>0.83%</b>	<b>0.98%</b>	<b>1.28%</b>



# Conclusions

- Not sustainable to repay Revolving Fund, External Debt and do an annual Infrastructure Levy
- Operating increases in 2009 are less than 1% on total tax bill - Now is a good opportunity to invest in capital
- Need to take a critical look at projects and to critically review budgets & asset management plans and timing

# Conclusions

- Average tax rate increases over the 10 years are fairly similar but higher infrastructure levy today (i.e. 3% to 5%) gives more flexibility and funding in the future
- Need Federal & Provincial governments to provide sustainable funding

# Questions & Answers