



City of
Peterborough

2007 BUDGET HIGHLIGHTS

Part 3

2007 Capital Budget

Non-Departmental

2007 Capital Budget - \$51.5 million

The 2007 Capital Budget provides for a \$51.5 million Capital program for 136 separate projects including the top 25 projects as set out in Chart P3-1 that account for \$40.7 million (79%) of the total \$51.5 million.

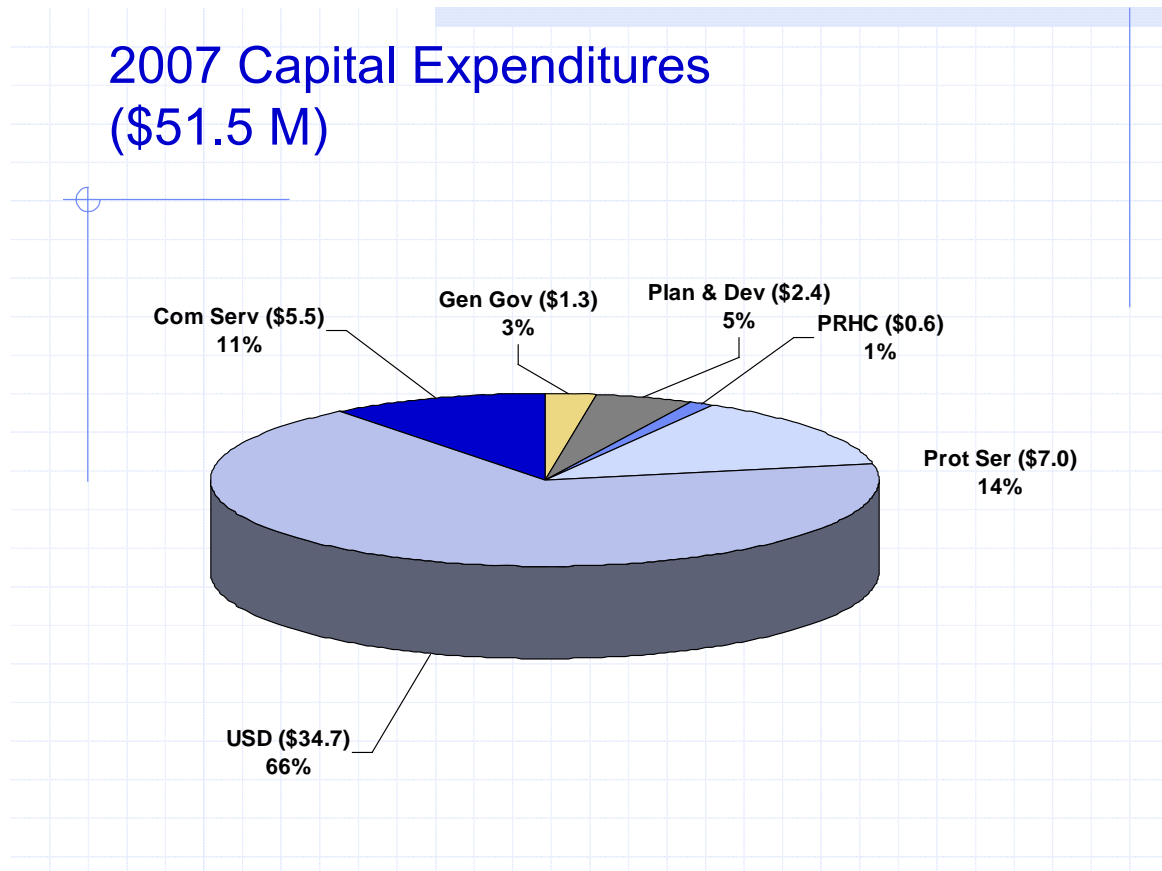
Chart P3-1
Top 25 Capital projects
Arranged in descending dollar order

Ref	Project Description	Ref	2007						
			TOTAL COSTS	REV	NET COST	CAP LEVY	DEV CHG	DEB	OTHER
1	ODRAP Funded 2004 Flood Related Repairs	5-14.03	10,200.0	10,200.0					
2	Headquarters Renovations	3.02	6,032.9		6,032.9	0.0	210.9	5,822.0	
3	Centralized Composting Facility	5-9.03	2,750.0	1,175.0	1,575.0				1,575.0
4	Soccer Complex	6-1.01	2,482.0	750.0	1,732.0	200.0	765.0		767.0
5	PW Vehicle & Equipment Replacement/Additions	5-1.05	1,925.0		1,925.0	55.0	45.0		1,825.0
6	New Buses	5-10.02	1,680.0	1,138.0	542.0		190.6		351.4
7	YMCA Capital Campaign	6-10.01	1,550.0		1,550.0	1,550.0			
8	B-210 Sanitary Sewer Relining & Repair	5-15.14	1,500.0		1,500.0				1,500.0
9	Peterborough Landfill Site	5-9.01	1,464.8	732.4	732.4				732.4
10	King St Reconstruction	5-3.01	1,320.0		1,320.0	347.6			972.4
11	Traffic Signal LED Conversion Program	5-12.03	1,200.0		1,200.0				1,200.0
12	Material Recycling Facility Optimization	5-9.05	1,000.0	350.0	650.0				650.0
13	Lansdowne St over the Otonabee	5-4.02	800.0		800.0				800.0
14	Sidewalk Reconstruction	5-1.01	800.0		800.0	800.0			
15	D-140 Curtis Creek EA Capital Projects	5-15.17	750.0		750.0				750.0
16	Contribute to the PRHC Cap Reserve Fund	4.01	627.0		627.0	627.0			
17	Asset Management Project	1-3.01	529.4		529.4	62.6			466.8
18	Buses for the Disabled	5-10.01	518.4	345.6	172.8				172.8
19	DNA Cluster	7-3.01	500.0		500.0	500.0			
20	Purchase Composting Equipment	5-9.04	500.0		500.0				500.0
21	Various Road Resurfacing	5-3.03	500.0		500.0			500.0	
22	Park St over Jackson Creek	5-4.05	488.0	325.3	162.7				162.7
23	Princess St - Aylmer to George	5-3.02	462.0		462.0	231.0			231.0
24	C-210 Disconnect Foundation Drains	5-15.15	450.0		450.0				450.0
25	ITS Computerized Signal Control	5-12.02	450.0		450.0				450.0
	Total		40,479.5	15,016.3	25,463.2	4,373.2	1,211.5	6,322.0	13,556.5

2007 Capital Expenditure by Department / Function

The 2007 Capital Budget is comprised of departmental and functional expenditures as set out in Chart P3-2. The next page shows a more extensive summary.

Chart P3-2
2007 Capital Expenditure By Department



City of Peterborough

Capital Budget Summary (000's)

2007 to 2016 & Subsequent Years

Project Description	Ref	Project Total	Approved Pre-2007	2007							2008		2009		2010		2011 & After	
				TOTAL COSTS	REV	NET COST	CAP LEVY	DEV CHG	DEB	OTHER	TOTAL	NET	TOTAL	NET	TOTAL	NET	TOTAL	NET
CAPITAL PROGRAM SUMMARY																		
General Government Services	1	19,412.3	286.4	1,264.5		1,264.5	700.1	60.0		504.4	1,730.9	1,730.9	1,042.3	1,042.3	943.4	943.4	14,144.8	14,144.8
Fire Services	2	5,086.7	227.0	564.4		564.4	325.4	25.0		214.0	573.6	573.6	1,130.9	1,130.9	234.4	234.4	2,356.4	2,356.4
Police Services	3	9,674.9	367.0	6,382.9	13.9	6,369.0	336.1	210.9	5,822.0		325.0	312.1	325.0	312.1	325.0	312.1	1,950.0	1,872.6
Health Services	4	13,946.6	12,708.9	627.0		627.0	627.0				610.7	610.7						
Utility Services	5	432,947.2	58,550.8	34,731.3	14,576.9	20,154.4	3,703.0	612.0	500.0	15,339.4	28,202.6	27,355.2	26,414.3	24,808.7	23,755.8	23,197.7	261,292.4	248,045.1
Community Services	6	39,034.8	2,866.3	5,556.6	847.0	4,709.6	2,775.7	779.4		1,154.5	2,908.9	2,868.9	15,941.5	4,676.5	1,439.5	1,429.5	10,322.0	9,947.0
Planning & Development Services	7	73,873.5	15,358.0	2,377.3	275.0	2,102.3	1,249.0	453.3		400.0	6,885.0	6,885.0	5,500.0	5,500.0	5,030.0	5,030.0	38,723.2	38,723.2
Total		593,976.0	90,364.4	51,504.0	15,712.8	35,791.2	9,716.3	2,140.6	6,322.0	17,612.3	41,236.7	40,336.4	50,354.0	37,470.5	31,728.1	31,147.1	328,788.8	316,089.1

Utility Services Department to spend \$34.7 million

The Utility Services Department will spend \$34.7 million on various categories of projects listed on Chart P3-3.

Chart P3-3
Utility Services Department 2007 Capital Expenditures By Type

Project Description	Ref	2007						
		TOTAL COSTS	REV	NET COST	CAP LEVY	DEV CHG	DEB	OTHER
Utility Services Summary								
Public Works	5 - 1	3,341.0	21.0	3,320.0	1,290.8	165.0		1,864.2
Arterial	5 - 2	1,200.0	50.0	1,150.0	925.0	225.0		
Collector & Local	5 - 3	2,282.0		2,282.0	578.6		500.0	1,203.4
Bridges	5 - 4	1,908.6	512.4	1,396.2	250.0			1,146.2
Sidewalks	5 - 5	150.0		150.0	150.0			
Sanitary Sewers	5 - 6	280.0		280.0				280.0
Environment Waste Management	5 - 9	5,734.8	2,270.7	3,464.1				3,464.1
Transit	5 - 10	2,198.4	1,483.6	714.8		190.6		524.2
Parking	5 - 11	65.0		65.0	40.0			25.0
Traffic	5 - 12	1,950.0		1,950.0	268.6	31.4		1,650.0
Other	5 - 14	10,400.0	10,200.0	200.0	200.0			
Flood Reduction Master Plan Projects	5 - 15	5,221.5	39.2	5,182.3				5,182.3
Total		34,731.3	14,576.9	20,154.4	3,703.0	612.0	500.0	15,339.4

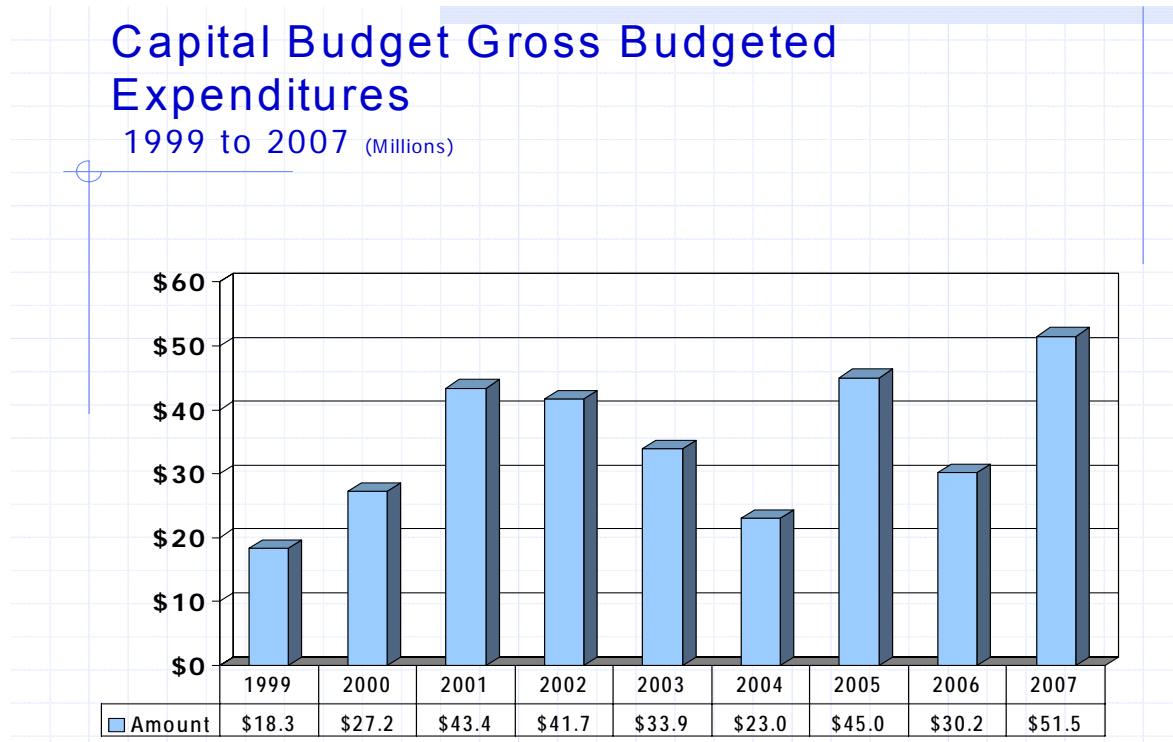
The expenditures include \$5.2 million to undertake various Flood Reduction Master Plan Implementation projects.

Additional details of the Utility Services Department Capital expenditures and all other Capital projects will be discussed further in Part 4.

Historical Capital expenditures

Capital expenditures over the years 1999 to 2007 are shown on Chart P3-4 below.

Chart P3-4
Budgeted Capital expenditures 1999 – 2007 Budget (\$M)

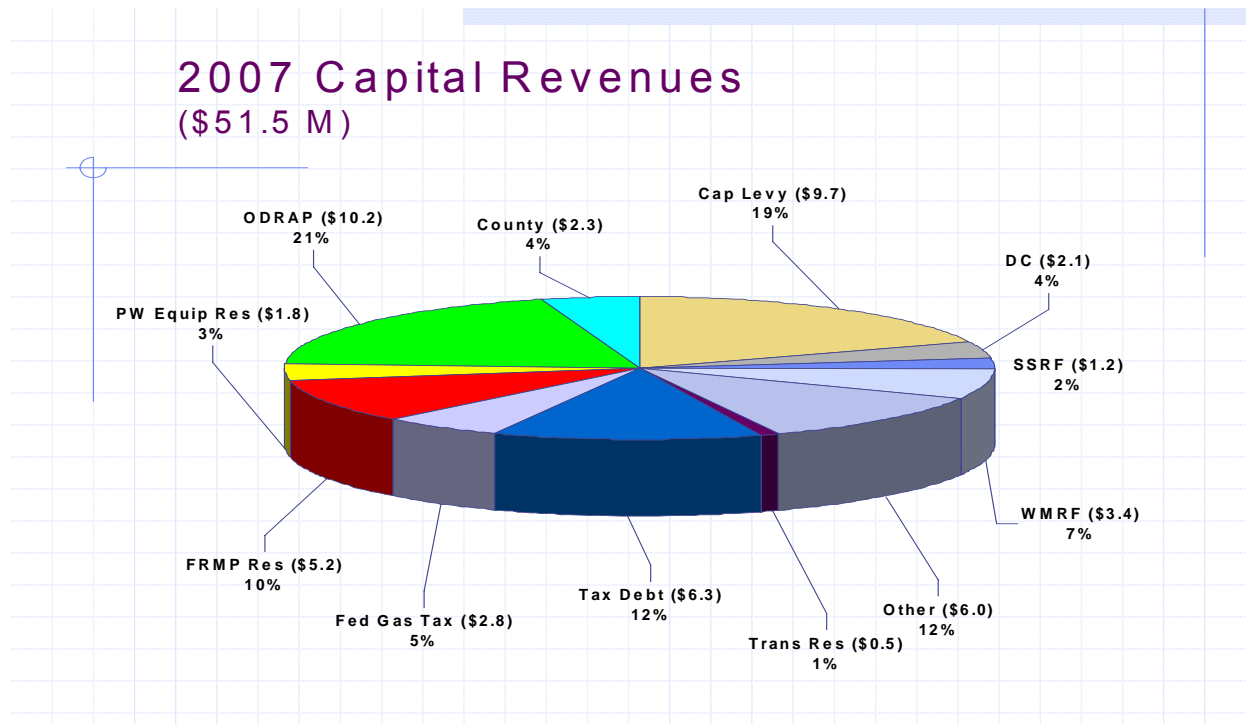


Over the years when the Capital program has been above \$30 million, it is usually due to a specific major project. For instance, in 2001, the Capital program included the \$14.0 M Peterborough Sport and Wellness Centre construction, in 2002, it included the Peterborough Memorial Centre \$10.9 M renovation and in 2005 it included a \$12 M Waster Water Treatment Upgrade. The 2007 program includes the Ontario Disaster Relief Assistance Program (ODRAP) projects for \$10.2 M, the Police Headquarters renovation for \$6.0M and the Soccer Complex for \$2.5 M.

2007 Capital Revenues

Funding for the Capital program comes from a variety of sources as set out in Chart P3-5 below. Capital Levy, Tax Supported Debt, Reserve and Reserve Funds, and Development Charge revenues will be discussed in detail in subsequent sections of Part 3.

Chart P3-5
2007 Capital Revenues (\$millions)



Capital levy calculation (\$9.7 million)

Capital levy is the amount of money raised through taxation that appears in the 2007 Operating Budget that is transferred over to the Capital fund to be used to help pay for Capital projects.

Details of the Capital Levy calculation are shown on Chart P3-6 below:

Chart P3-6
2007 Capital Levy Calculation

Ref Col 1	Description Col 2	2006 Col 3	2007 Col 4
<u>Tax Debt Service/Capital Levy Base</u>			
1	Total capital levy before COPHI returns	7,405,400	7,495,261
2	Plus tax supported debt charges	3,644,100	4,169,239
3	Subtotal	11,049,500	11,664,500
4	% increase as per Previous Council recommendation	5%	
5	5% Increase in Cap Levy as per 5-year policy (Rounded)	552,000	
6	Less one-time reduction proposed for 2006 to help limit 2006 net tax levy increase	(251,000)	
7	Estimated additional debt charges for special TS debt approved in 2001 Budget	314,000	
8	Reduce 2007 Debt/Capital Levy Base by 2006 Road/Bridge grant		(615,000)
9	Subtotal Adjusted base	11,664,500	11,049,500
10	Estimated Tax supported debt charges for 2007	(4,169,239)	(4,056,240)
11	Portion of Capital Levy transferred to the Flood Reduction Master Plan	(1,500,000)	(1,500,000)
12	Portion of one-time road & bridge grant as a one-time adjustment	(615,000)	
13	Base 2007 capital levy	5,380,261	5,493,260
14	COPHI returns from prev year	4,100,000	4,223,000
15	Capital Levy in 2007 operating budget	9,480,261	9,716,260

Capital levy impacts net tax levy requirement

The Capital levy calculation is important as it not only is one of the largest source of Capital financing (32% of total financing), but it also has a direct impact on the 2007 tax rate calculation and reduces the amount of debenture financing required.

Supporting notes to Capital levy calculation

The following provides some additional explanation to the calculations as provided in Chart P3-7:

- **Lines 1 and 2 - Base starting points (\$11.7 million)**
The starting point for the Capital calculations is the base Capital levy and tax supported debt charges from the previous year.
- **Line 4 – Percentage increase to last year’s base Capital levy and tax supported debt (5.0%)**

As part of the 2004 Budget guidelines Council resolved that “As was recommended by the previous Council as part of the 2003 Budget process, Council resolved to commence a five-year plan, subject to annual reviews, to increase the combined tax supported debt charge and Capital levy provision, before considering City of Peterborough Holdings Inc. (CPH) revenues, by 5% for the years 2004 to 2008.”

The 5% shown in the 2006 column on line 4 is this 5% figure. **It is recommended, that as a means of limiting the 2007 tax rate increase, the 2007 capital levy / tax supported debt total not be increased by 5% (\$583,000) over the 2006 base as would otherwise occur as per Council’s policy as was established as part of the 2004 Budget process.**

- **Line 5 - \$ Value by which cap increases (\$552,000)**
The \$552,000 figure is 5% times the \$11.1 million starting base and would be additional Capital levy in 2006 under the 2004 policy.
- **Line 6 - \$ Value limitation (-\$251,000)**
This \$251,000 negative number is the portion of the total \$552,000 staff proposed to pull back to help reduce the 2006 net tax levy amount which left a net \$0.3 million additional amount.

- **Line 7 - Amount Capital levy increases related to special tax supported issued in 2003 (\$314,000)**

The \$314,000 figure in line 9 for 2006 represented the debt charges expected to be incurred in 2006 for the Special \$4.1 million Tax Supported Debt approved as part of the 2003 Budget. One of the stipulations with the 2003 Special Tax Supported Debt was that related debt charges should increase the Capital levy/tax supported debt charge “cap”. The 2006 amount is the last year the adjustment is required.
- **Line 8 – Reduction in base by last year’s Road and Bridge Grant (-\$615,000)**

(See Line 12 for the one-time reduction in 2006.) **In 2007, it is recommended that the 2007 capital levy and tax supported debt total not be increased by the \$615,000 amount required to offset the reduction in the 2006 capital levy requirement that was made possible by applying a \$615,000 portion of the one-time Road and Bridge Grant to reduce the 2006 capital levy requirement.**
- **Line 9 – Sub-total Adjusted Base (\$11.1 million)**

The adjusted debt service/Capital levy base is the same as the 2006 base.
- **Line 10 - Tax supported debt charges 2007 (-\$4.1 million)**

The \$4.1 million represents the principal and interest expected to be paid on tax-supported debt during 2007.
- **Line 11- Portion of Capital levy to be transferred to Flood Reduction Master Plan Reserve Fund (-\$1.5 million)**

The 2007 line represents an appropriation of the Capital levy in the Operating Budget that is transferred to the Flood Reduction Master Plan Reserve Fund as expenditure in the Operating Budget.
- **Line 12 - Portion of one-time Road and Bridge Grant (-\$615,000)**

The 2006 amount was a portion of the Provincial Road and Bridge grant. Through Report FAFS06-010, Council approved this as a one-time adjustment to the Capital Levy.
- **Line 14 - Utilities dividend and interest (\$4.2 million)**

At its meeting held March 27, 2000, based on report FAFS00-005 dated March 20, 2000 of the Director of Finance and Administrative Services, Council resolved that the tax supported debt and Capital levy provision be increased by the estimated total revenues to be received in each year from the restructured Peterborough Utilities Commission Ontario Business Corporations Act companies. The amount is considered over and above the base amount for the 5% calculation under the current 5-year - 5% policy.

- **Line 15 - Capital levy provision current year (\$9.7 million)**

This is the amount that has been raised in the Operating Budget and transferred to the Capital fund directly.

Impact from no 5% increase and \$615,000 reduction

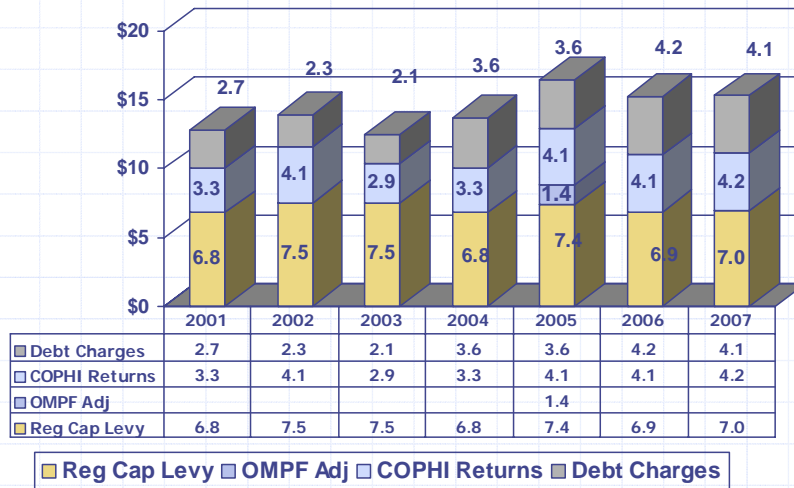
Staff are reluctant to recommend the \$615,000 reduction and eliminating the 5% program to reduce the tax rate increase for 2007 due to the pressures on the Capital program and the success in the past of the 5% phase in.

The current and previous 5-year programs have been very successful in increasing the amount of Capital levy available that can be used to pay for Capital projects. Funding Capital projects with Capital levy means less debt financing and, therefore, less cost over the long run. Over the first five-year program, that ran from 1999-2003, the program increased the annual Capital levy by \$2.1 million and an accumulative \$6.1 million.

Chart P3-7 shows the Capital levy and tax supported debt charges over the years 2001 through to 2007. The 2005 - 2007 Capital levy amounts include the transfer to the Flood Reduction Master Plan Reserve Fund. The portion of Capital levy that comes from COPHI returns is shown separately due to the fluctuation that has caused, however, the trend from 2001 – 2005 has been to increase the total tax supported debt/Capital levy provision while 2006 and the proposed 2007 Budget have dropped the provision slightly.

Chart P3-7
Capital levy and tax supported debt
service provisions 2001 – 2007

Capital Levy & Tax Supported Debt Charges (Millions) –2001 to 2007



As shown in Chart P3-8, under the second 5-year 2004-2008 program, if the \$615,000 one-time adjustment from 2006 could be added back in the debt service/Capital levy base and the 5% program could be re-instated, the Capital levy amounts for 2007 and 2008 would be \$1.8 million more than they are proposed to be and would go a long way to assist the Capital program. The cumulative affect of no 5% phase-in increase and the \$615,000 reduction over years 2006-2008 is \$3.6 million.

Chart P 3 – 8
Impact on the base Capital levy of the \$615,000 reduction and eliminating the 5% annual increase

Impact of \$615,000 reduction and eliminating capital levy increase from 2007 onward

Ref Col 1	Year Col 2	Base Cap-levy & Tax supported From Previous Year Col 3	Annual Impact of 5% Col 4	Debt charges on 2003 Special Tax Supported Debentures Col 5	Roads & Bridges Grant Col 6	Accumulative Annual Impact Col 7	Cap-levy & Tax supported Total to Appear In Budget Col 8
As per policy approved in 2004 but with a one-time reduction in 2006							
1	2004	9,636,700	481,800			481,800	10,118,500
2	2005	10,118,500	510,000			991,800	10,628,500
3	2006	11,049,500	301,000	314,000		1,606,800	11,664,500
4	2007	11,664,500	583,000			2,189,800	12,247,500
5	2008	12,247,500	612,000			2,801,800	12,859,500
6		54,716,700	2,487,800			8,072,000	57,518,500
As per recommended 2007 capital budget							
7	2004	9,636,700	481,800			481,800	10,118,500
8	2005	10,118,500	510,000			991,800	10,628,500
9	2006	11,049,500	301,000	314,000	(615,000)	991,800	11,049,500
10	2007	11,049,500				991,800	11,049,500
11	2008	11,049,500				991,800	11,049,500
12		52,903,700	1,292,800			4,449,000	53,895,500
13	Difference	(1,813,000)				(3,623,000)	(3,623,000)

By reducing the 2007 number by \$615,000 and not increasing the cap by 5% for the years 2007 and 2008, by the end for the year 2008, the 2007 decision will have lowered the 2008 annual capital levy by \$1,198,000 and the total capital levy available for the years 2007-2008 by \$3,623,000

A recommendation outlined in Part 1, proposes that if the 2007 OMPF allocation for 2007 is greater than the \$6.9 million reflected in the draft 2007 Budget, the excess be added to the 2007 Capital levy provisions as a means of recovering all or a portion the intended \$615,000 one-time 2006 reduction and all or a portion of the 5% annual increase that has not been reflected in the 2007 Capital levy provision.

Capital financing includes \$0.5 million from 2006 surplus or previously approved Capital levy

After the extensive reviews and deferring many Capital projects, the 2007 Capital program was under funded by \$0.5 million.

The Budget as presented, assumes there will be at least \$0.5 million surplus funds available from 2006 operations, or previously approved Capital levy, for other projects that may now not be proceeding to fund this shortfall.

Staff will provide additional information during the Budget Committee discussion.

\$2.8 Million Federal Gas Tax Reserve Funding used in 2007 Capital Budget

Five projects appear in 2007 Capital Budget requiring some Federal Gas Tax Reserve Fund funding as listed on Chart P3-9.

Chart P3-9
2007 Capital projects to be funded from Federal Gas Tax Reserve Fund

Project Description	Ref	2006					
		TOTAL COSTS	REV	NET COST	CAP LEVY	SEWER SURCHARGE	FEDERAL GAS TAX
Traffic Signal LED Conversion Program	5-12.03	1,200.0		1,200.0			1,200.0
Lansdowne St over the Otonabee	5-4.02	800.0		800.0			800.0
ITS Computerized Signal Control	5-12.02	450.0		450.0			450.0
King St. Reconstruction	5-3.01	1,320.0		1,320.0	347.6	660.0	312.4
Aylmer St over Jackson Creek	5-4.01	90.0		90.0			90.0
TOTAL		3,860.0		3,860.0	347.6	660.0	2,852.4

Of the \$2.8 million, \$1.8 million is new Federal Gas Tax funding to be received during 2007 and transferred to the Federal Gas Tax Reserve Fund and \$1.0 million was previously received and allocated to the Brealey Drive project in the 2006 Budget.

Brealey Drive project to be deleted - Federal Gas Tax funding re-directed

Utility Services staff presented Report USEC06-004 to the February 20, 2006 Committee of the Whole and follow up Report USEC06-004A to the March 20, 2006 Committee of the Whole proposing the re-construction of Brealey Drive. Both reports have been referred back to City staff. The total amount of Federal Gas Tax allocated to Brealey Drive was \$1,559,000. Through report USED06-022 on May 15, 2006, Council approved \$563,930 of the funding be re-directed to the Benson/O'Carroll/Geraldine/Kingan reconstruction. The remaining \$995,070 is included in the 2007 Budget to assist in funding the above projects.

It is recommended that the Brealey Drive Capital project be deleted and the remaining budgeted \$995,070 draw from the Federal Gas Tax Reserve Fund be re-allocated to other projects.

Development Charges Reserve Funds (\$2.1 million)

The Capital program assumes \$2.1 million will be drawn from various Development Charge Reserve Funds to fund growth related Capital projects to be undertaken during 2007.

At its meeting held December 6, 2004, Council adopted a series of Development Charges By-laws 04-209 through 04-217 which established new development charges for the period January 1, 2005 to December 31, 2009.

The by-laws reflect a City Wide Uniform rate plus eight different area specific rates for various growth areas within the City. The Development Charge rates currently in effect are set out in Chart P3-10.

Chart P3-10
Development Charge Rate Structure

City of Peterborough
Development Charge rates in effect
January 1, 2007 to December 31, 2007

Planning Area		Residential Charge Per Unit								
		Residential A - Singles & Semi			Residential B - Other Multiples			Residential C - Apartments		
C1	C2	Planning Area Charge C3	City-Wide Uniform Charge C4	Total Charge C5	Planning Area Charge C6	City-Wide Uniform Charge C7	Total Charge C8	Planning Area Charge C9	City-Wide Uniform Charge C10	Total Charge C11
1.	Jackson	\$3,735	\$7,856	\$11,591	\$3,220	\$6,773	\$9,993	\$2,190	\$4,607	\$6,797
2.	Carnegie	\$2,663	\$7,856	\$10,519	\$2,295	\$6,773	\$9,068	\$1,561	\$4,607	\$6,168
3.	Lily Lake	\$4,157	\$7,856	\$12,013	\$3,584	\$6,773	\$10,357	\$2,436	\$4,607	\$7,043
4.	Chemong	\$4,358	\$7,856	\$12,214	\$3,757	\$6,773	\$10,530	\$2,555	\$4,607	\$7,162
5.	Auburn	\$3,188	\$7,856	\$11,044	\$2,748	\$6,773	\$9,521	\$1,869	\$4,607	\$6,476
6.	Liflock	\$7,062	\$7,856	\$14,918	\$6,089	\$6,773	\$12,862	\$4,141	\$4,607	\$8,748
7.	Coldspring	\$1,078	\$7,856	\$8,934	\$929	\$6,773	\$7,702	\$632	\$4,607	\$5,239
8.	City-Wide Dev. Area	\$865	\$7,856	\$8,721	\$746	\$6,773	\$7,519	\$508	\$4,607	\$5,115
Average		\$3,388	\$7,856	\$11,244	\$2,921	\$6,773	\$9,694	\$1,987	\$4,607	\$6,594

Non-Residential Development Charge after indexing

All Areas of The City	Non-Residential Charge (\$/sq.m) (By-law 04-2009)
Total City-Wide Uniform Charge	\$43.89

The area specific Development Charges were generated from very high order cost estimates in advance of the completion of all Functional Planning Studies. In addition, there is no cost assigned to the building of the Parkway or Alternative Corridor(s) in the present DC calculation.

Accordingly, the 2007 Capital budget includes a project for the City to hire a consultant to review all of the functional planning studies, the original cost estimates for the current DC calculation and collaborate with staff to confirm the projects and costs. The same consultant, or a separate consultant, would then update the DC studies and by-laws as required. Funding for the project will be drawn from the DC fund.

DC commitments as of December 31, 2006 expected to exceed current balances by \$8.2 million

The new development charge rates approved in December of 2004, generated \$3.0 million in 2005, and are expected to generate \$3.5 million in 2006 and to slow down slightly in 2007.

The balance in the DC reserve funds as of December 31 2006 is estimated to be approximately \$9.6 million. However, outstanding budgeted commitments against the DC reserve funds are \$17.8 million, therefore, exceeding the current balance by \$8.2 million.

The top five projects included in the \$17.8 million are:

- Waste Water Treatment Plant upgrade \$8.0 million
- Brealey Drive – SSFC Drive to Lansdowne..... \$1.8 million
- Peterborough Sport and Wellness Centre..... \$1.6 million
- Jackson Creek/Lily Lake Trunk Sewer \$.9 million
- Lansdowne/Kawartha Heights to City Limit..... \$.7 million

Some Development Charge Sub Reserve Funds will become overdrawn

Not only are there outstanding commitments beyond the Development Charge Reserve Fund balances but under the new Development Charge structure some of the work, to be financed from Development charges, will proceed in advance of the development and, therefore, some of the DC sub reserves will become overdrawn. They will be replenished as the growth actually occurs and development charges are collected.

Reserves and Reserve Funds

Reserve and Reserve Fund Balances (\$52.6 million at December 31, 2005)

Reserves and Reserve Funds play a critical role in municipal budgeting and financial strength. As of the 2007 budget print date, the projected Reserve and Reserve Fund balances as of the end of 2006 were not available.

As of December 31, 2005, the Reserve and Reserve Funds amounted to \$52.6 million.

Chart P3-11 shows the Reserve and Reserve Funds by category for 2004 and 2005.

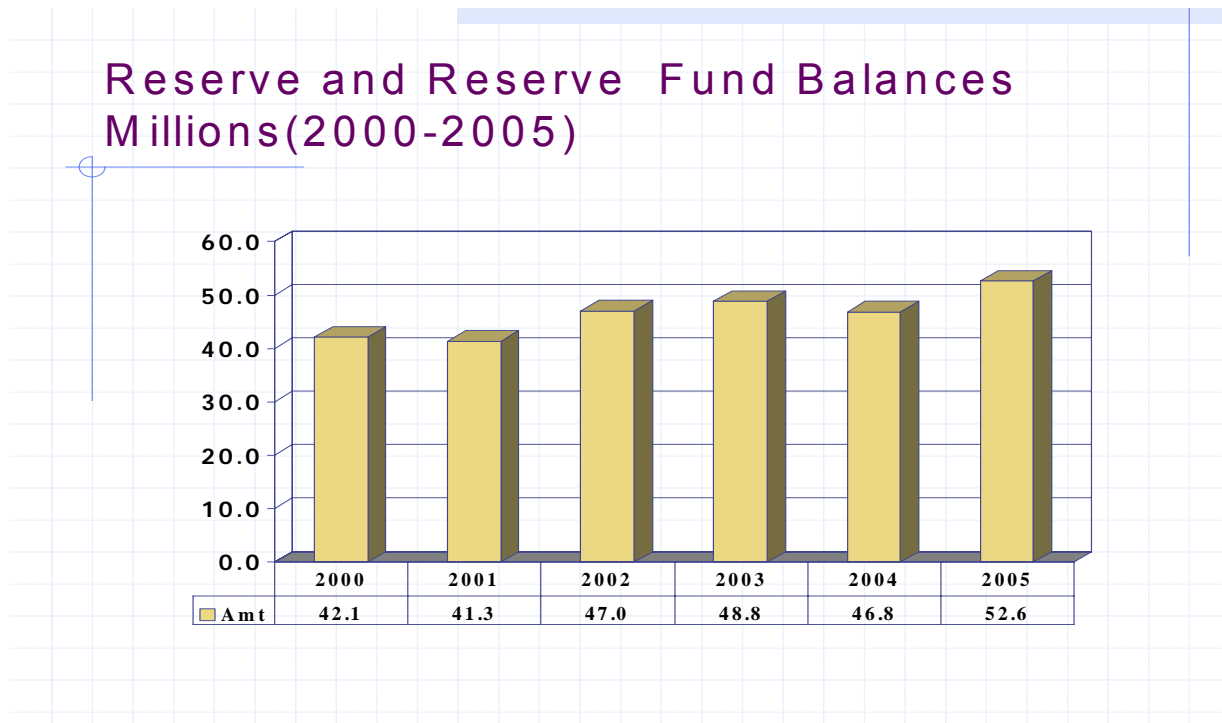
Although the Reserve and Reserve Fund balance is a significant number, most of the fund balances are committed by legislation or specific resolutions of Council for very specific purposes and form an integral part of the City's long term Capital financing plan.

The \$52.6 million includes a \$1.0 million loan from the Social and Family Assistance Reserve through which leasehold improvements undertaken at the Charlotte Mews complex during 2003 were financed. The \$52.6 million also includes a \$1.6 million loan from the Working Funds reserve through which the Peterborough Industrial Development Corporation (PIDC) properties were purchased. In both cases, an annual principal and interest repayment is charged to the Operating Budget and credited back to the reserves. Although these loans are considered an asset still in the reserves, they have reduced the amount of cash on hand in the reserves.

Reserve and Reserve funds have increased steadily since 2000

As shown in Chart P3-12, Reserve and Reserve funds have increased steadily since 2000.

Chart P3-12
Reserve and Reserve Fund Balances 2000 – 2005



Long Term Debt

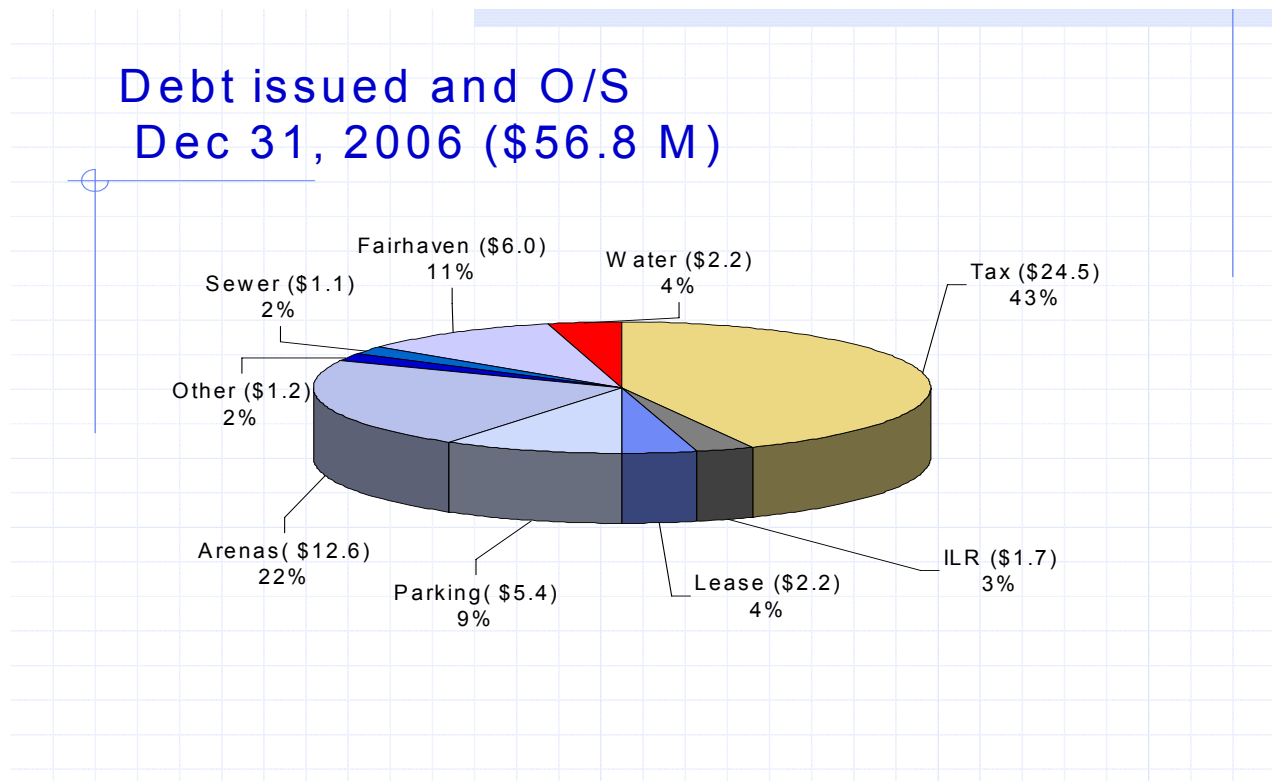
Long-term debt plays an integral part in financing the City’s Capital works, and related principal and interest payments affect the Operating Budget directly.

There are two basic types of long-term debt. One is debt that has been issued and is outstanding and the second is debt that has been approved in previous years’ budget documents but is not yet issued.

Debt issued and outstanding - December 31, 2006 - \$56.8 Million

This is the debt where some type of debt has been incurred and for which the City is locked into paying principal and interest repayments until maturity. The debt to be recovered from general tax revenues is called “tax supported”. The numbers shown on Chart P3-13 represent outstanding principal only and do not include any interest cost.

Chart P3-13
Debt issued and outstanding as of December 31, 2006



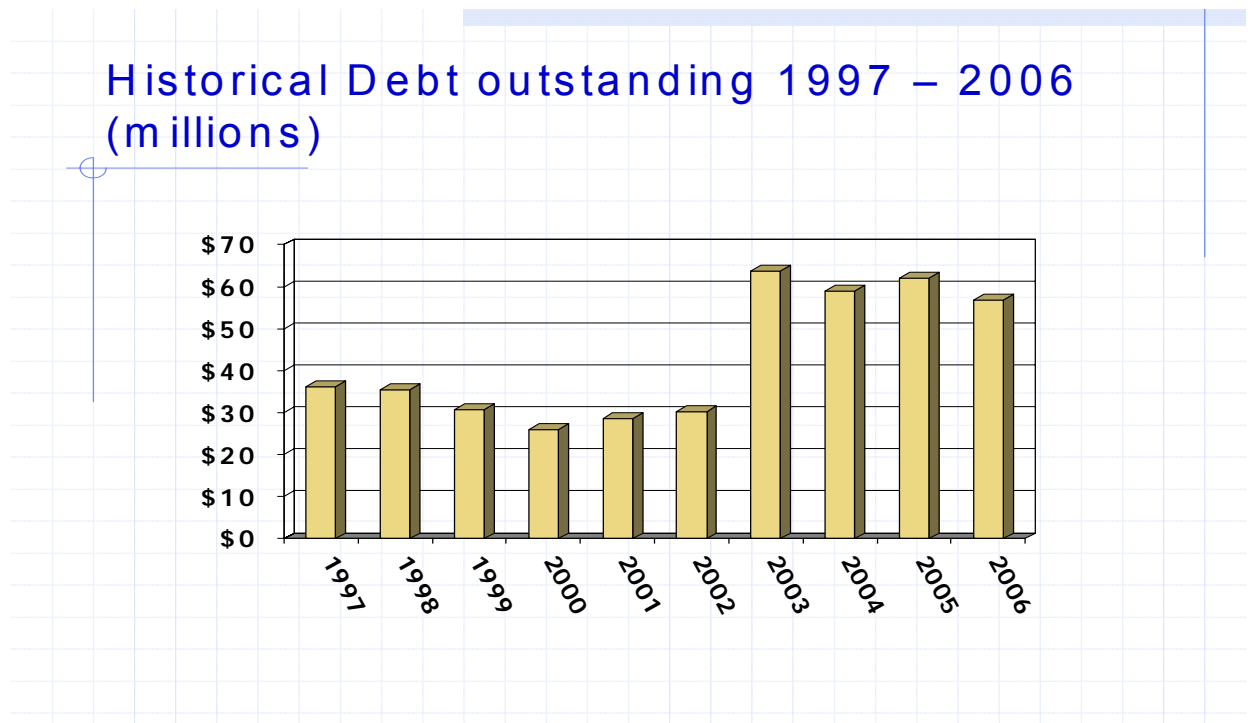
The \$1.1 million sewer related debt plus related interest is recoverable from the Sewer Surcharge Reserve Fund. The Sewer Surcharge Reserve Fund is discussed in more detail in Part 4.

ILR stands for Industrial Land Reserve and, under the existing Capital financing policies, the principal repayments are to be recovered through industrial land sales. In recent years, however, industrial land sales have been insufficient to cover all of the annual principal payments and they have become a draw against the general tax revenue.

Debt issued and outstanding levelling off

The level of debt issued and outstanding is tracked on Chart P3-14.

Chart P3-14
Historical Debt Outstanding 1997 to 2006



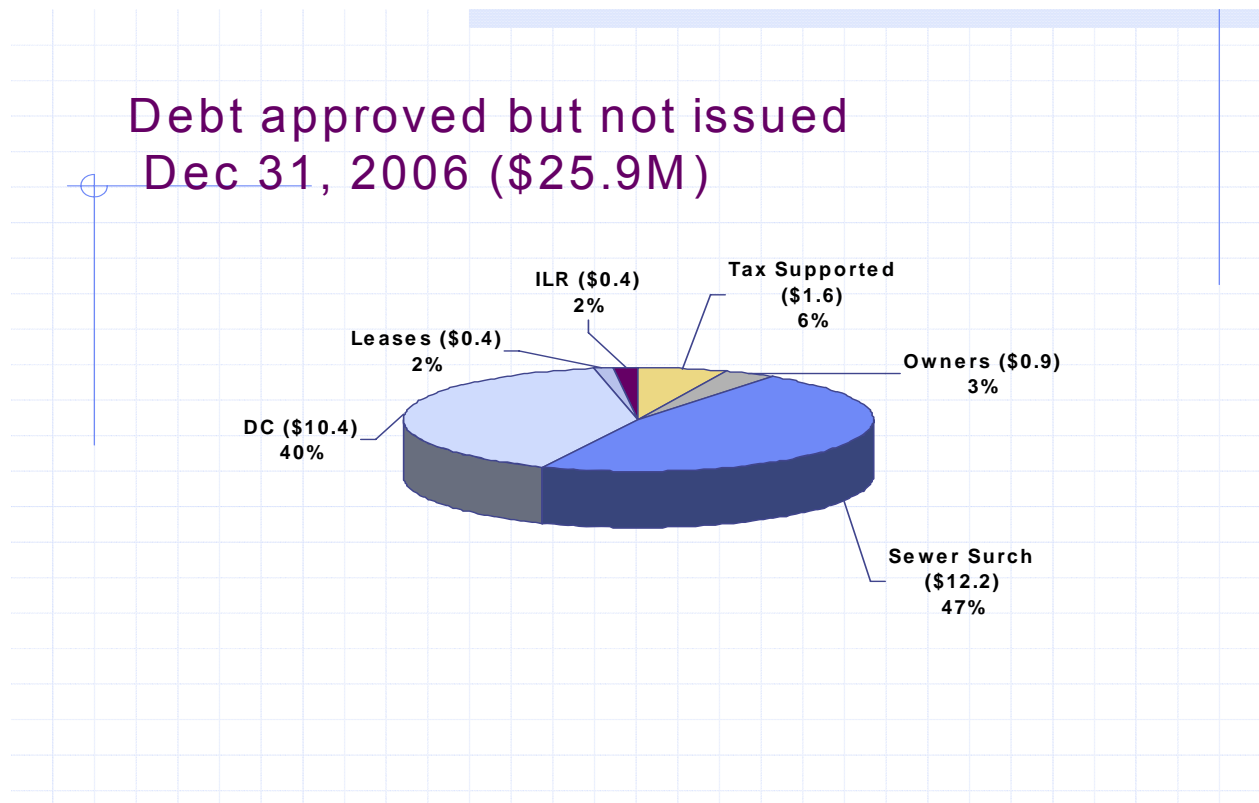
The sharp increase between 2002 and 2003 reflects the fact that debentures were issued in 2003 to finance the Memorial Centre (\$11.7 million), Fairhaven (\$6.8 million net of Provincial Share), Major Bennett (\$2.2 million), Leasehold Improvements for the Charlotte

Mews Complex re: the Social Services relocation (\$1.3 million), and the Simcoe Street Parking garage (\$1.1 million).

Debt Approved but not Issued - December 31, 2006 - \$25.9 million

In addition to debt issued and outstanding, \$25.9 million debenture financing has been approved in previous years' budgets but has not yet been issued. Reasons may be the project has not been fully completed or the project has been delayed. Chart P3-15 shows the details.

Chart P3-15

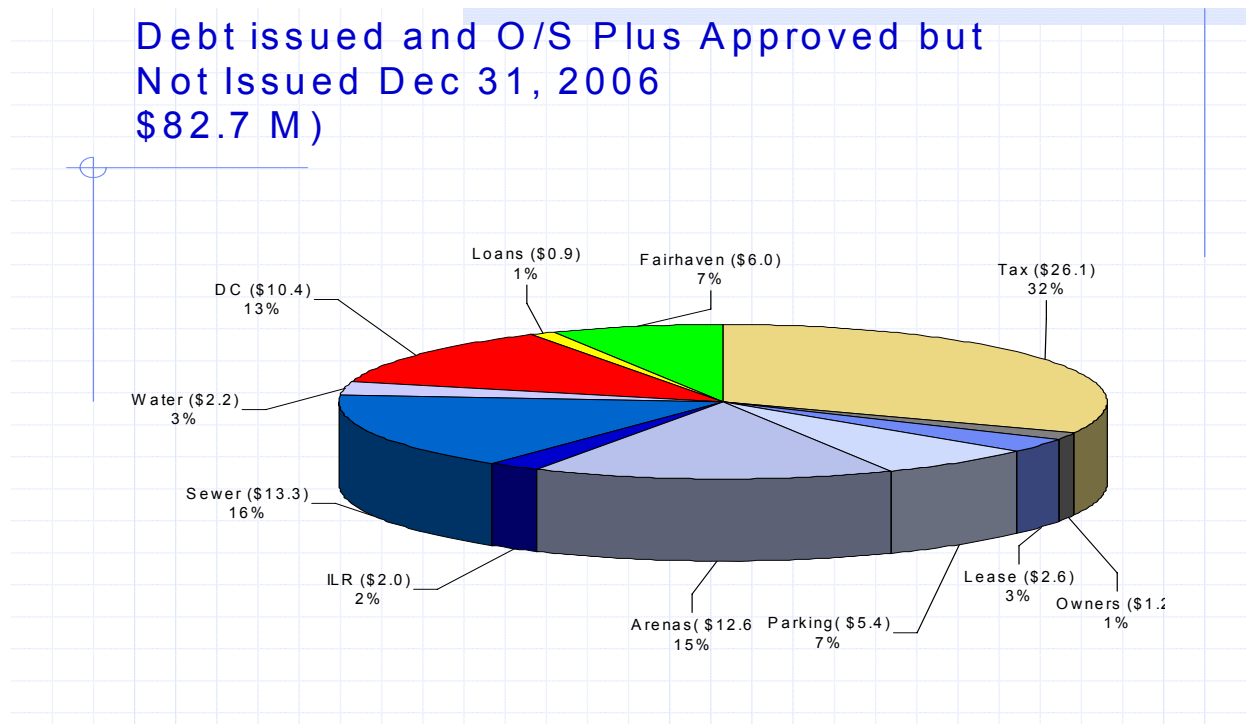


The \$12.2 million sewer debt shown in this category may not have to be issued if Council is prepared to carry large unfunded Capital expenditures for a number of years so that sufficient sewer surcharge can be generated to cover the expenditures. The Sewer Surcharge is discussed further in Part 4 of the Highlight book.

Debt Issued and approved plus approved but not issued - \$82.7 million

When both “Issued and Approved” and “Approved But Not Issued” types of debt are added together, the total debt load on the Municipality is \$82.7 million as shown in Chart P3-16.

Chart P3-16
Debt Issued and Outstanding Plus
Approved but not Issued December 31, 2006



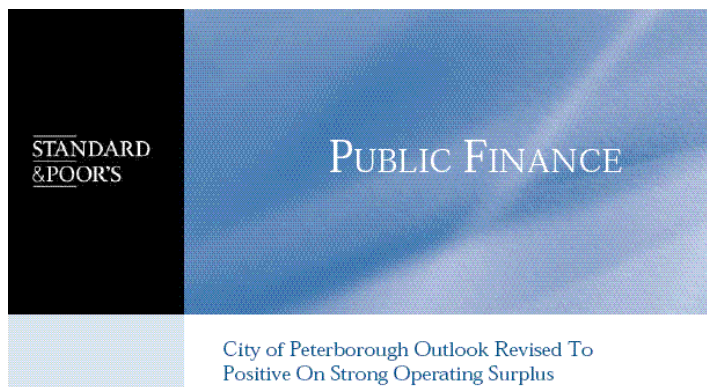
Levels of debt well within limits

Although the debt levels are high, they are well within the debt capacity limit as set by the Province, which would suggest the City could handle up to an additional \$133 million in debt assuming a ten year term at 6%. Notwithstanding the “room” available, however, Council should be cognizant of the debt loads and look for ways to limit future debt requirements.

\$6.3 million tax supported debt used in the 2007 – only \$57,000 carried forward

The City’s Capital financing policy limits the amount of new tax supported debt approvals in any budget year to the amount of tax-supported principal retired in the previous years. Any unused tax supported debt in a year is carried forward to become available for future years as required.

The 2007 draft Capital Budget uses \$6.3 million, basically the full amount available, which leaves only \$57,100 available for 2008 projects.



Standard & Poor’s improves City’s rating

The debt outstanding and projected figures are important financial benchmarks and are some of the factors considered by Standard & Poor’s who announced in late December of 2006 the City of Peterborough’s credit rating would remain an “A+” but with an improved

“Positive” outlook as compared to the previous “Stable” outlook.

The rating service has historically looked favourably on Council’s decision to establish a long term financing plan that will increase Capital financing from sewer surcharge revenues and current tax levies, to use the Utilities Revenues to fund Capital works, and the way the City has responded to Capital pressures caused by the 2004 Flood while limiting the amount of capital works to stay within available financing, and strong consolidated operating surpluses.

Other sources of 2007 Capital revenue

Other sources of revenue identified in Chart P3-7, such as Sewer Surcharge Reserve Fund (\$1.2 million), Transit Reserve (\$0.5 million), Waste Management Reserve Fund (\$3.4 million), Flood Reduction Master Plan Reserve Funds (\$5.2 million) will be discussed during the detailed departmental reviews in Part 4.

Capital Budget focus is on the 2007 program

The focus on the annual Capital Budget preparation is to establish the most critical projects that need to proceed in 2007 and then fit the program within available financing for the current year.

2008 Capital program projects \$8.4 million funding shortfall

The 2008 Capital request as submitted and shown in the 2007 Capital document shows gross expenditures of \$41.2 million. After deducting all other sources of revenue, including the federal and provincial gas tax allocations, and assuming no limitations on development charge revenues available, there will be an \$8.4 million dollar Capital levy – tax supported debt shortfall.

The 2008 program is not sustainable and many of the projects will have to be deferred further as part of the 2008 budget process.

Approval of 2007 Budget provides authority to proceed in most cases

By approving projects in the 2007 Capital Budget, Council is authorizing staff to proceed to the next step.

The City of Peterborough's Purchasing By-law 06-175 was approved October 23, 2006 based on report FAFS06-028.

For projects over \$100,000 (excluding the USD major construction projects), Council must approve the award report. Projects between \$50,000 and \$100,000 can proceed without any further specific Council approval but require the approval of the Administrative Staff Committee and minutes of those meetings are forwarded to Council to keep them informed.

Projects under \$50,000 can be approved at various staff levels, depending on the specific value.

For USD major construction projects, as long as the award of the contract is within budget and it is being awarded to the lowest bidder, approval can be granted by the Administrative Staff Committee without specific Council approval.

A debenture by-law must be passed before any work can start on any project requiring debenture financing.

2008 and after Capital projects will be subject to future years' budgets

If a project shows 2007 and 2008 Capital financing, and the project is approved as part of the 2007 Budget process, there is an implied level of support for the 2008 and after components. All other 2008 and after projects that do not show any 2007 funding, will be subject to the annual review during future years' budget processes and their order and priority levels will most certainly change.

City's Capital Financing Policies

The financing of the 2007 Capital Budget is in accordance with the City's approved Capital Financing Policies as approved by Council October 2, 2000 and as set out in the following exhibit.