



City of
Peterborough

2008 BUDGET HIGHLIGHTS

Part 3

2008 Capital Budget

Non-Departmental

2008 Capital Budget - \$37.9 million

The 2008 Capital Budget provides for a \$37.9 million Capital program for 128 separate projects including the top 18 projects as set out in Chart P3-1 that account for \$27.2 million (72%) of the total \$37.9 million.

Chart P3-1 Top 18 Capital projects Arranged in descending dollar order

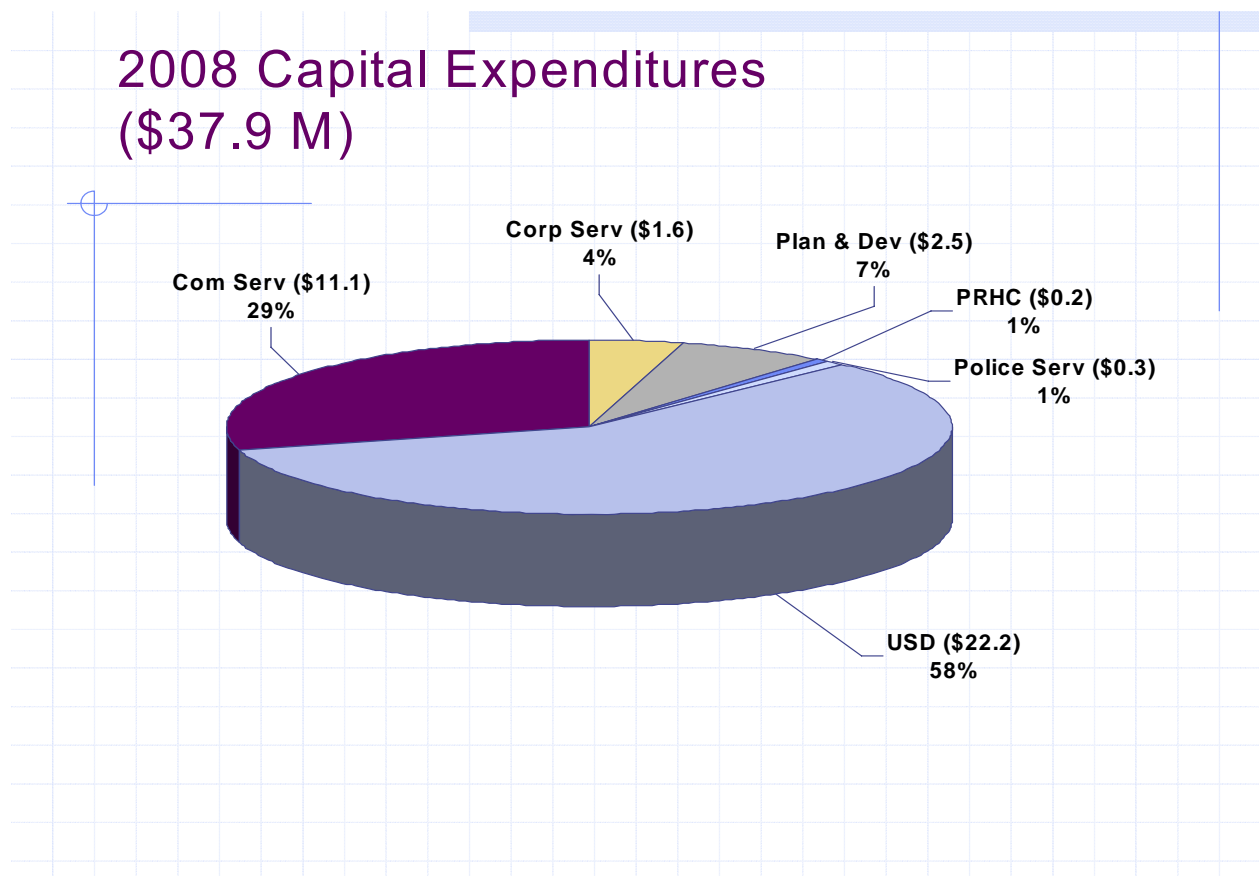
| Ref | Project Description | Ref | 2008 | | | | | | |
|-----|--|---------|-------------|----------|----------|----------|---------|---------|---------|
| | | | TOTAL COSTS | REV | NET COST | CAP LEVY | DEV CHG | DEB | OTHER |
| 1 | PCMA Expansion (Note 1) | 6-3.03 | 7,167.6 | 4,572.1 | 2,595.5 | 0.0 | | 2,595.5 | |
| 2 | Peterborough Landfill Site | 5-9.01 | 4,045.0 | 2,022.5 | 2,022.5 | | | | 2,022.5 |
| 3 | Aylmer - Dalhousie Sewer Replacement | 5-6.01 | 4,000.0 | 1,200.0 | 2,800.0 | 525.0 | 1,500.0 | | 775.0 |
| 4 | Hwy #115/Parkway Interchange | 5-2.02 | 2,350.0 | 1,500.0 | 850.0 | | 400.0 | 450.0 | |
| 5 | B-210 Sanitary Sewer Relining & Repair | 5-15.09 | 1,201.3 | | 1,201.3 | | | | 1,201.3 |
| 6 | Dobbin Ave Reconstruction | 5-3.02 | 1,000.0 | 250.0 | 750.0 | | | | 750.0 |
| 7 | Equipment Upgrades & Replacements | 5-8.02 | 932.0 | | 932.0 | | | | 932.0 |
| 8 | Parkway - Costco Intersection | 5-2.01 | 900.0 | 847.0 | 53.0 | 53.0 | | | |
| 9 | PW Vehicle & Equipment Replacement/Additions | 5-1.05 | 868.0 | | 868.0 | 55.0 | 45.0 | | 768.0 |
| 10 | Sidewalk Reconstruction | 5-1.01 | 800.0 | | 800.0 | | | 800.0 | |
| 11 | Soccer Complex | 6-1.01 | 681.4 | | 681.4 | 531.4 | | | 150.0 |
| 12 | Airport Development | 7-5.01 | 550.0 | | 550.0 | 550.0 | | | |
| 13 | DNA Cluster | 7-3.01 | 500.0 | | 500.0 | 500.0 | | | |
| 14 | Asset Management Project | 1-3.01 | 459.4 | 48.8 | 410.6 | 410.6 | | | |
| 15 | Fire Vehicle & Equipment Replacement/Additions | 6-7.02 | 454.0 | | 454.0 | | | | 454.0 |
| 16 | C-210 Disconnect Foundation Drains | 5-15.10 | 450.0 | | 450.0 | | | | 450.0 |
| 17 | Various Road Resurfacing | 5-3.01 | 425.0 | | 425.0 | 325.0 | | 100.0 | |
| 18 | Conger Street Reconstruction | 5-6.02 | 425.0 | 100.0 | 325.0 | | | | 325.0 |
| | | | | | | | | | |
| | Total | | 27,208.7 | 10,540.4 | 16,668.3 | 2,950.0 | 1,945.0 | 3,945.5 | 7,827.8 |

Note 1 The PCMA Expansion project is a proposed three-year project. Possible Council approval will be dependent on external financing. The 2008 City funding is a pre-commitment of 2009 tax supported debt and does not affect the balance of the 2008 capital program.

2008 Capital Expenditure by Department / Function

The 2008 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
2008 Capital Expenditure By Department



City of Peterborough Capital Budget Summary (000's)

2008 to 2017 & Subsequent Years

| Project Description | Ref | Project Total | Approved Pre-2008 | 2008 | | | | | | | 2009 | | 2010 | | 2011 | | 2012 & After | | |
|---------------------------------|-----|------------------|-------------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|----------|
| | | | | TOTAL COSTS | REV | NET COST | CAP LEVY | DEV CHG | DEB | OTHER | TOTAL | NET | TOTAL | NET | TOTAL | NET | TOTAL | NET | |
| CAPITAL PROGRAM SUMMARY | | | | | | | | | | | | | | | | | | | |
| Corporate Services | 1 | 28,777.7 | 589.4 | 1,597.8 | 48.8 | 1,549.0 | 1,164.0 | | | | 385.0 | 1,907.3 | 1,907.3 | 1,918.4 | 1,918.4 | 1,014.8 | 1,014.8 | 21,750.0 | 21,750.0 |
| Police Services | 3 | 8,750.0 | | 350.0 | 13.9 | 336.1 | 336.1 | | | | | 350.0 | 336.1 | 350.0 | 336.1 | 350.0 | 336.1 | 7,350.0 | 7,058.7 |
| Health Services | 4 | 13,510.9 | 13,335.9 | 175.0 | | 175.0 | 175.0 | | | | | | | | | | | | |
| Utility Services | 5 | 436,556.8 | 49,013.4 | 22,210.4 | 6,055.1 | 16,155.3 | 2,626.5 | 1,945.0 | 1,350.0 | 10,233.8 | 45,587.6 | 43,370.7 | 31,275.5 | 30,835.3 | 18,751.9 | 18,121.0 | 269,718.0 | 258,327.4 | |
| Community Services | 6 | 56,460.7 | 7,565.4 | 11,114.6 | 4,637.1 | 6,477.5 | 2,246.9 | 197.6 | 2,595.5 | 1,437.5 | 10,351.2 | 5,666.1 | 11,318.8 | 6,429.9 | 3,603.8 | 3,578.8 | 12,506.9 | 12,156.9 | |
| Planning & Development Services | 7 | 68,085.0 | 14,843.8 | 2,474.0 | | 2,474.0 | 1,611.0 | 463.0 | | 400.0 | 8,565.0 | 8,545.0 | 5,355.0 | 5,355.0 | 4,035.0 | 4,035.0 | 32,812.2 | 32,812.2 | |
| Total | | 612,141.0 | 85,347.9 | 37,921.8 | 10,754.9 | 27,166.9 | 8,159.5 | 2,605.6 | 3,945.5 | 12,456.3 | 66,761.1 | 59,825.2 | 50,217.7 | 44,874.7 | 27,755.5 | 27,085.7 | 344,137.1 | 332,105.2 | |

Utility Services Department to spend \$22.2 million

The Utility Services Department will spend \$22.2 million on various categories of projects listed on Chart P3-3.

Chart P3-3
Utility Services Department 2008 Capital Expenditures By Type

| Project Description | Ref | 2008 | | | | | | |
|--------------------------------------|--------|-----------------|----------------|-----------------|----------------|----------------|----------------|-----------------|
| | | TOTAL COSTS | REV | NET COST | CAP LEVY | DEV CHG | DEB | OTHER |
| Utility Services Summary | | | | | | | | |
| Public Works | 5 - 1 | 2,118.6 | | 2,118.6 | 464.3 | 45.0 | 800.0 | 809.3 |
| Arterial | 5 - 2 | 3,250.0 | 2,347.0 | 903.0 | 53.0 | 400.0 | 450.0 | |
| Collector & Local | 5 - 3 | 1,425.0 | 250.0 | 1,175.0 | 325.0 | | 100.0 | 750.0 |
| Bridges | 5 - 4 | 100.0 | | 100.0 | | | | 100.0 |
| Sidewalks | 5 - 5 | 300.0 | | 300.0 | 300.0 | | | |
| Sanitary Sewers | 5 - 6 | 4,425.0 | 1,300.0 | 3,125.0 | 525.0 | 1,500.0 | | 1,100.0 |
| Storm Sewers | 5 - 7 | | | | | | | |
| Environmental Protection Services | 5 - 8 | 982.0 | | 982.0 | | | | 982.0 |
| Environment Waste Management | 5 - 9 | 4,545.0 | 2,095.8 | 2,449.2 | | | | 2,449.2 |
| Transit | 5 - 10 | 164.2 | | 164.2 | 164.2 | | | |
| Parking | 5 - 11 | 445.0 | | 445.0 | 300.0 | | | 145.0 |
| Traffic | 5 - 12 | 420.0 | | 420.0 | 420.0 | | | |
| Demand Management | 5 - 13 | 75.0 | | 75.0 | 75.0 | | | |
| Other | 5 - 14 | | | | | | | |
| Flood Reduction Master Plan Projects | 5 - 15 | 3,960.6 | 62.3 | 3,898.3 | | | | 3,898.3 |
| Total | | 22,210.4 | 6,055.1 | 16,155.3 | 2,626.5 | 1,945.0 | 1,350.0 | 10,233.8 |

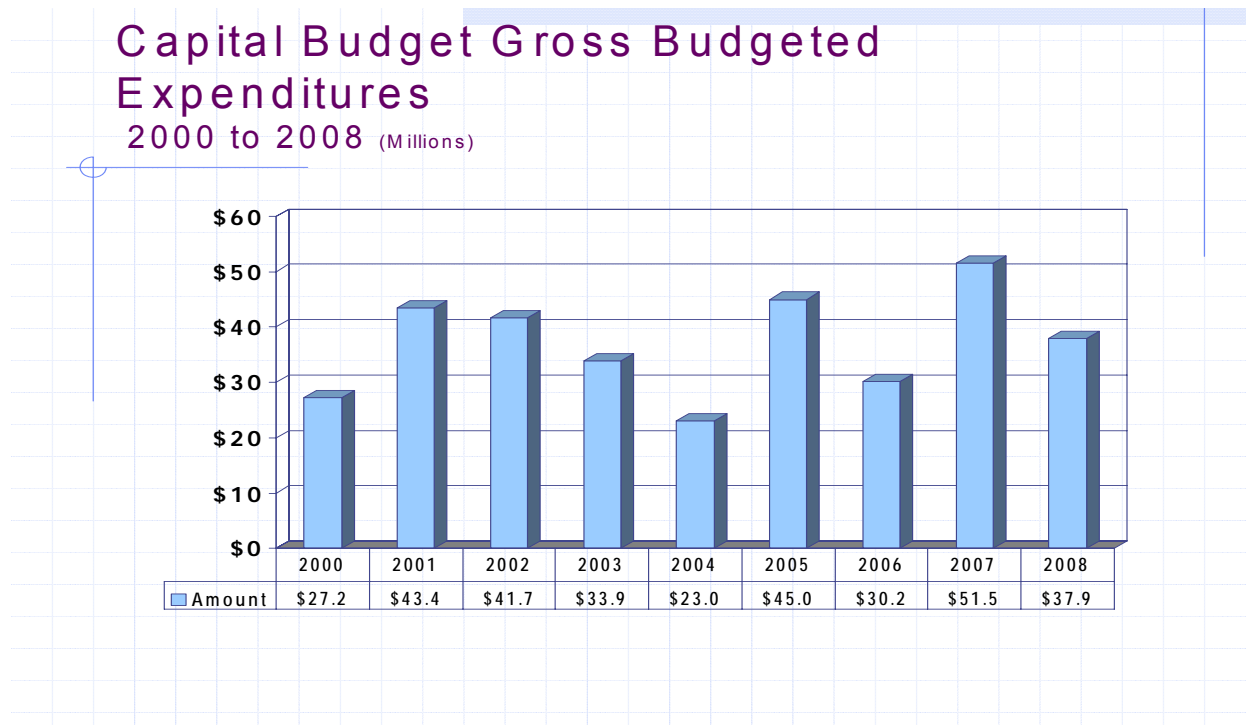
The expenditures include \$4.0 million to undertake various Flood Reduction Master Plan Implementation projects.

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 2000 – 2008 Budget (\$M)

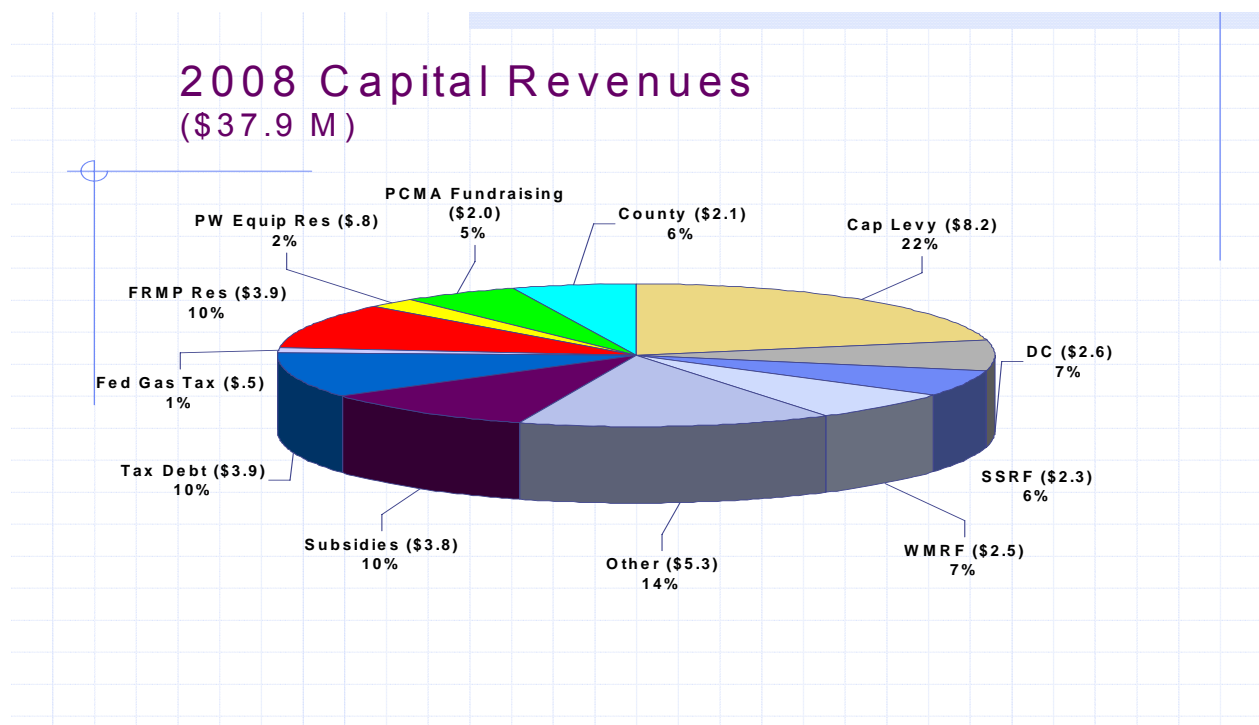


Over the years when the Capital program has been above \$30 million, it is usually due to a specific major project. For instance, in 2001, the Capital program included the \$14.0 M Peterborough Sport and Wellness Centre construction, in 2002, it included the Peterborough Memorial Centre \$10.9 M renovation, in 2005 it included a \$12 M Waster Water Treatment Upgrade and in 2007 it included the Ontario Disaster Relief Assistance Program (ODRAP) projects for \$10.2 M and the Police Headquarters renovation for \$6.0M. The 2008 program includes the Peterborough Centennial Museum and Archives (PCMA) Expansion for \$7.2 M.

2008 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
2008 Capital Revenues (\$millions)



Capital levy calculation (\$8.2 million)

Capital levy is the amount of money raised through taxation that appears in the 2008 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
2008 Capital Levy Calculation

| <u>2008 Capital Levy Calculations</u> | | | | |
|--|--|-------------------|-------------------|--|
| Ref Col 1 | Description Col 2 | 2007 Col 3 | 2008 Col 4 | |
| | <u>Tax Debt Service/Capital Levy Base</u> | | | |
| 1 | Total capital levy before COPHI returns | 7,495,261 | 6,044,693 | |
| 2 | Plus tax supported debt charges | 4,169,239 | 4,056,701 | |
| 3 | Subtotal | 11,664,500 | 10,101,394 | |
| 4 | % increase as per Previous Council recommendation | | 5% | |
| 5 | 5% Increase in Cap Levy as per 5-year policy (Rounded) | | 505,000 | |
| | <u>Changes made during 2007 Budget Deliberations</u> | | | |
| 6 | OMPF 2007 Allocations | 45,183 | | |
| 7 | Downtown Store Front Capital project | 20,000 | | |
| 8 | Reduce 2007 Debt/Capital Levy Base by 2006 Road/Bridge grant | (615,000) | | |
| 9 | 2007 Contribution to Reserve projects moved from Capital to Operating | (1,013,750) | | |
| 10 | Additional 2008 Contribution to Reserve projects moved from Capital to Operating - not in 2007 | | (649,000) | |
| 11 | Subtotal Adjusted base | 10,100,933 | 9,957,394 | |
| 12 | Estimated Tax supported debt charges for 2008 | (4,056,240) | (4,748,594) | |
| 13 | Portion of Capital Levy transferred to the Flood Reduction Master Plan | (1,500,000) | (1,398,500) | |
| 14 | Base 2008 capital levy | 4,544,693 | 3,810,300 | |
| 15 | COPHI returns from prev year | 4,223,000 | 4,349,700 | |
| 16 | Capital Levy in 2007 operating budget | 8,767,693 | 8,160,000 | |

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 (22% of total financing), but it also has a direct impact on the 2008 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 P3-6:

- **Lines 1 and 2 - Base starting points (\$10.1 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 2007 Capital levy / tax supported debt total was not increased by 5% as a means of limiting the 2007 tax rate increase.
- **Line 5 - \$ Value by which cap increases (\$505,000)**
The \$505,000 figure is 5% times the \$10.1 million starting base and is additional Capital levy in 2008 under the 2004 policy.
- **Line 6 – OMPF 2007 Allocation (\$45,183)**
The \$45,183 for 2007 was additional OMPF funding that was added to Capital levy during the 2007 Budget Committee discussions. .
- **Line 7 – Downtown Store Front Capital Project (\$20,000)**
The \$20,000 figure for 2007 represented an amount that was added to Capital levy during the 2007 Budget Committee discussions to fund a downtown store front initiative.

- **Line 8 – Reduction in base by the 2006 Road and Bridge Grant (-\$615,000)**
In 2006, the Capital levy requirement was reduced by applying \$615,000 of the one-time Road and Bridge Grant. In 2007, this \$615,000 was made a permanent reduction to the Capital levy requirement.
- **Line 9 – Projects moved from Capital to Operating – Contribution to Reserves (\$1.0 million)**
The \$1.0 million represents the 2007 Capital projects that were “Contribution to Reserve” projects. These projects are now shown in the Operating budget.
- **Line 10 – Additional 2008 Transfer to Reserve projects (\$.6 million)**
The \$.6 million represents the 2008 Capital projects that were “Contribution to Reserve” projects that did not have a “base” in 2007. These projects are now shown in the Operating budget.
- **Line 11 – Sub-total Adjusted Base (\$10.0 million)**
This is the adjusted debt service/Capital levy base.
- **Line 12 - Tax supported debt charges 2008 (-\$4.7 million)**
The \$4.7 million represents the principal and interest expected to be paid on tax-supported debt during 2008.
- **Line 13- Portion of Capital levy to be transferred to Flood Reduction Master Plan Reserve Fund (-\$1.4 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 15 - Utilities dividend and interest (\$4.4 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 16 - Capital levy provision current year (\$8.2 million)**
This is the amount that has been raised in the Operating Budget and transferred to the Capital fund directly.

5% Capital levy/Debt base increase has been very successful

The first 5-year program of increasing the Capital levy/debt base by 5% started in 1999. A new 5-year program started in 2004 and it was hoped it could be implemented for 2004 – 2008. 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. However, budget pressures resulted in the 2006 program being cut in half and elimination of the 2007 program. Still, during the years 2004-2006, the program increased the Capital levy by \$1.3 million and an accumulative \$2.8 million.

For the 2008 budget process, the 5% increase has been included as was recommended in Report FAFS07-002 (a) 2008 Budget Timetable, which was approved by Council March 19, 2007. Recommendation c) of the report stated:

That the 2008 draft Budget assume the 2008 base Capital levy (excluding the COPHI Dividend and Interest portion) and tax supported debt charge total be increased by 5% over the approved 2007 base.

While the \$505,000 is an approximate 0.6% increase in the tax rate, the Capital budget requirements for 2008 were as intense as they have been for several years. Without the \$505,000, more cuts and postponements would have had to be made.

Continue 5% per year increase for another five years

As noted above, the year 2008 is the last of the planned five-year 5% annual increase to the Capital levy / debt service cap proposed back in 2003. Given the success of the plan, even with some limitations and given the extreme pressure on the Capital budgets, it is proposed that a similar plan be adopted for the next five years.

While 2009 and 2010 will be the responsibility of this Council, future years will be the ultimate responsibility of a new Council, and therefore any recommendation needs to be worded in such a way so as to give future Councils an opportunity to review the policy.

It is recommended that, subject to annual budget discussions, the combined tax supported debt charge and base Capital levy provision be increased by at least 5% in each of the years 2009 through 2013 as a means of financing a larger portion of Capital projects directly and reducing future debenture requirements.

The estimated impact of the proposed policy over the five-year period 2009 through 2013 is

set out in Chart P3-7. The annual increase represents how much the Capital levy would increase each year under the policy.

Chart P3-7
Impact of 5% Increase in Capital Levy/Debt base
For the years 2009 – 2013

| Year Col 1 | Cap Levy/Debt Base Col 2 | Annual Impact of 5% Col 3 | Accumulative Impact Col 4 |
|-----------------------------|---|--|--|
| 2008 | \$9,957,400 | | |
| 2009 | \$10,455,400 | \$498,000 | \$498,000 |
| 2010 | \$10,978,400 | \$523,000 | \$1,021,000 |
| 2011 | \$11,527,400 | \$549,000 | \$1,570,000 |
| 2012 | \$12,103,400 | \$576,000 | \$2,146,000 |
| 2013 | \$12,708,400 | \$605,000 | \$2,751,000 |
| | | \$2,751,000 | \$7,986,000 |

Change in Presentation of “Contribution to Reserve” projects

Traditionally, the Capital Budget has included numerous projects that transferred funds to a reserve or reserve fund for a specific future Capital purchase. There were also some contributions to reserves that were included in the Operating Budget. For 2008, all transfers to reserves and reserve funds have been included in the Operating Budget. This was also a necessary step in preparing for the Public Sector Accounting Board (PSAB) changes that municipalities must implement for January 2009.

To provide comparable 2007 amounts and a “base” from which to fund the 2008 transfers, the 2007 operating budget has been re-stated. This included reducing the 2007 Capital levy and increasing the appropriate divisional budget. There were also some new allocations in the 2008 budget that had traditionally been in Capital but had not been in the specific 2007 Capital budget. These amounts were deducted from the 2008 Capital levy amount. Chart P3-8 lists the applicable projects for 2007 and 2008.

**Chart P3-8
Contributions to Reserves and Reserve Funds
Traditionally in the Capital Budget**

| Project | 2007 Amount | 2008 Amount |
|--|------------------|----------------|
| MicroSoft Office Licences | 14,600 | 10,400 |
| Contribution to Fire Vehicle Equipment Reserve | 150,000 | 50,000 |
| Contribution to Fire Fighting & Safety Equipment Reserve | 20,000 | |
| Contribution to Bridge Reserve | 250,000 | |
| Contribution to SFA Post Closure Cost | 117,950 | |
| Contribution to USD Reserve | 150,000 | |
| Contribution to a Roof Reserve | 155,000 | 30,000 |
| General Property Repairs and Maintenance | 20,000 | |
| KLLiC Library System Upgrade | 36,200 | 23,600 |
| Parking Operations Equipment Purchase | 50,000 | |
| Upgrade Playing Fields | 50,000 | |
| Transfer to Asbestos Abatement Reserve | | 100,000 |
| Transfer to Reserve for Electronic Ticket Issuing System | | 20,000 |
| Transfer to Reserve - Marina Reserve | | 10,000 |
| Contribution to General Property Reserve | | 400,000 |
| Transfer to Garage Equipment Maintenance Reserve - Transit | | 5,000 |
| | | |
| | | |
| Subtotal | 1,013,750 | 649,000 |

\$0.5 Million Federal Gas Tax Reserve Funding used in 2008 Capital Budget

Two projects appear in the 2008 Capital Budget requiring some Federal Gas Tax Reserve Fund funding as listed on Chart P3-9.

**Chart P3-9
2008 Capital projects to be funded from Federal Gas Tax Reserve Fund**

| Project Description | Ref | 2008 | | | | | | FEDERAL GAS TAX |
|--------------------------------------|--------|----------------|----------------|----------------|--------------|----------------|--------------------|--------------------|
| | | TOTAL COSTS | REV | NET COST | CAP LEVY | DEV CHGS | SEWER SURCHARGE | |
| Dobbin Ave Reconstruction | 5-3.02 | 1,000.0 | 250.0 | 750.0 | | | 375.0 | 375.0 |
| Aylmer - Dalhousie Sewer Replacement | 5-6.01 | 4,000.0 | 1,200.0 | 2,800.0 | 525.0 | 1,500.0 | 650.0 | 125.0 |
| TOTAL | | 5,000.0 | 1,450.0 | 3,550.0 | 525.0 | 1,500.0 | 1,025.0 | 500.0 |

An additional \$1.8 million in Federal Gas Tax funding will be received during 2008 and has been allocated to the Lansdowne Street – from Kawartha Heights to City limits reconstruction project in 2009.

Development Charges Reserve Funds (\$2.6 million)

The Capital program assumes \$2.6 million will be drawn from various Development Charge Reserve Funds to fund growth related Capital projects to be undertaken during 2008.

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 that will be in effect for 2008 cannot yet be calculated as they will be based on the 2007 3rd Quarter Statistics Canada Construction Price Index which is not yet available. The 2007 rates are set out in Chart P3-10.

Chart P3-10
Development Charge Rate Structure for 2007

| 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 Development Charge rates reflected in Chart P3-10 were generated from very high level cost estimates in advance of the completion of the Functional Planning Studies for the growth areas. In addition, there was no cost assigned to the building of the Parkway or Alternative Corridor(s) in the present DC calculation.

During 2007, staff have been working with Hemson Consulting to review all of the functional planning studies and update the DC calculations. It is expected that a report will be presented to Council early in 2008 providing an updated DC study and by-law with some recommended DC rate changes.

DC commitments as of December 31, 2006 exceed current balances by \$6.0 million

The new development charge rates approved in December of 2004, generated \$3.0 million in 2005, \$3.6 million in 2006 and are expected to be approximately the same in 2007.

The balance in the DC reserve funds as of December 31, 2006 was \$8.6 million. However, outstanding budgeted commitments against the DC reserve funds were \$14.6 million, therefore, exceeding the current balance by \$6.0 million.

The top five projects included in the \$14.6 million are:

- Waste Water Treatment Plant upgrade \$8.0 million
- Peterborough Sport and Wellness Centre \$1.2 million
- Jackson Creek/Lily Lake Trunk Sewer \$.8 million
- Oversizing Other Lands - not in a specific growth area \$.7 million
- Lansdowne St – Kawartha Hts to City Limit \$.7 million

Some Development Charge Sub Reserve Funds will become overdrawn

In addition, some of the future work, to be financed from Development charges, must proceed in advance of the development and, therefore, some of the DC sub reserves will become overdrawn. They will, however, be replenished as the growth actually occurs and development charges are collected.

Reserves and Reserve Funds

Reserve and Reserve Fund Balances (\$61.6 million at December 31, 2006)

Reserves and Reserve Funds play a critical role in municipal budgeting and financial strength. As of December 31, 2006, the Reserve and Reserve Funds amounted to \$61.6 million.

Chart P3-11 shows the Reserve and Reserve Funds by category for 2005 and 2006.

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 \$61.6 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 \$61.6 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.

Chart P3-12 show the balances in the Reserve and Reserve Funds as of December 31, 2006, the commitments outstanding to each reserve and the uncommitted balance.

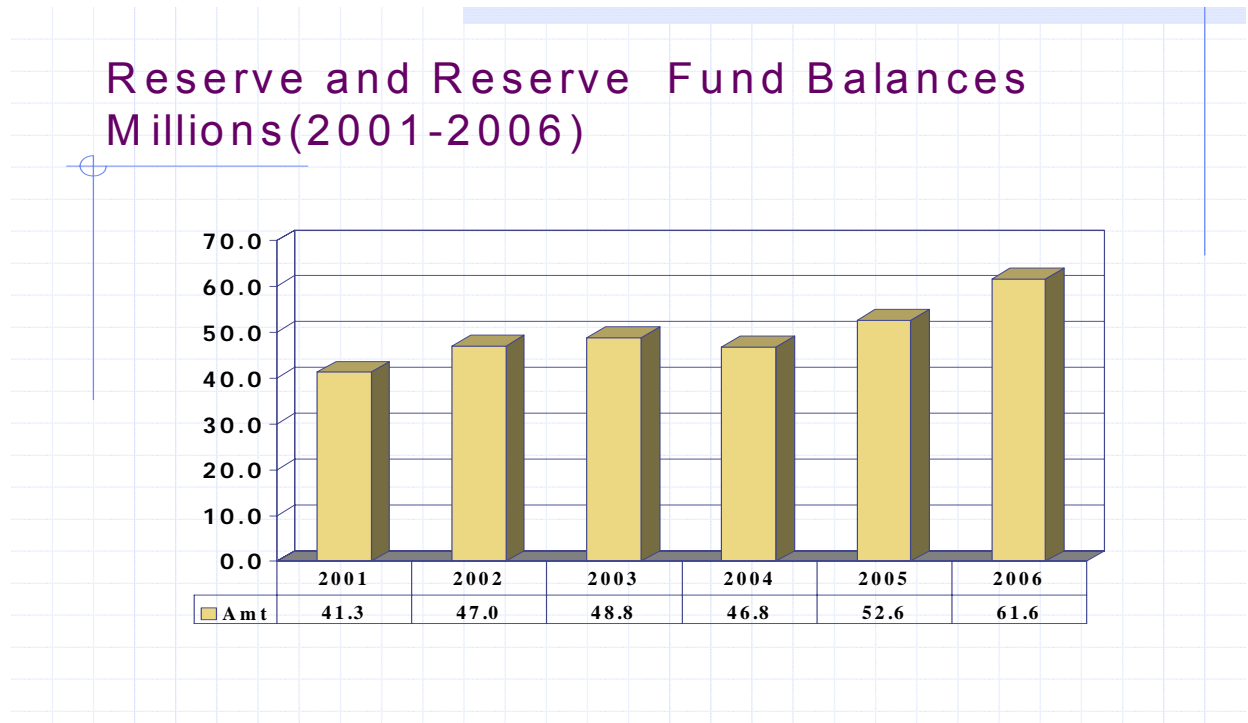
Chart P3-12
Reserve and Reserve Funds Balances and Commitments
As of December 31, 2006

| Ref | Description | Balance as of Dec 31 2006 | Loans | Commitments | Uncommitted as of Dec 31 2006 |
|----------------------------|----------------------------------|------------------------------|--------------------|---------------------|-------------------------------------|
| Col 1 | Col 2 | Col 3 | Col 4 | Col 5 | Col 6 |
| 1 | New Subdivision Trees | 222,648 | | (5,451) | 217,197 |
| 2 | Federal Public Transit Gas Tax | 585,722 | | | 585,722 |
| 3 | Provincial Gas Tax | 1,399,454 | | | 1,399,454 |
| 4 | Federal Gas Tax | 2,066,782 | | (1,998,370) | 68,412 |
| 5 | Parks In lieu | 613,618 | (30,000) | (102,500) | 481,118 |
| Development Charges | | | | | |
| 6 | DC Gen Govt | 119,743 | | | 119,743 |
| 7 | DC Police | 87,279 | | (55,400) | 31,879 |
| 8 | DC Transit | 238,841 | | (584,662) | (345,821) |
| 9 | DC Indoor Recreation | | | (1,215,131) | (1,215,131) |
| 10 | DC Library | 269,881 | | (28,800) | 241,081 |
| 11 | DC Fire | 665,549 | | (312,000) | 353,549 |
| 12 | DC City Wide Engineering | 5,428,456 | | (4,430,655) | 997,801 |
| 13 | DC Eng Ser Sewage | 44,855 | | (8,000,000) | (7,955,145) |
| 14 | DC Park Dev & Facilities | 337,839 | | | 337,839 |
| 15 | DC Parking | 72,880 | | | 72,880 |
| 16 | DC Public Works | 344,070 | | | 344,070 |
| 17 | DC Jackson | 459,126 | | | 459,126 |
| 18 | DC Carnegie | 243,636 | | | 243,636 |
| 19 | DC Liftlock | 41 | | | 41 |
| 20 | DC Coldspring | 10,051 | | | 10,051 |
| 21 | DC City-Wide Dev Area | 343,579 | | | 343,579 |
| | DC Sub total | 8,665,826 | 0 | (14,626,648) | (5,960,822) |
| 22 | Parking | 75,035 | | | 75,035 |
| 23 | Vehicle Reserve | 73,913 | | | 73,913 |
| 24 | Museum Accession | 33,858 | | | 33,858 |
| 25 | Parkland Acquisition | 260,139 | | | 260,139 |
| 26 | New Athletic Fields | 79,618 | | | 79,618 |
| 27 | Public Works Depreciation | 2,182,641 | | (49,000) | 2,133,641 |
| 28 | Fire Equipment Reserve | 513,468 | (37,000) | | 476,468 |
| 29 | Waste Management Reserve Fund | 5,939,084 | | (1,610,631) | 4,328,453 |
| 30 | Landfill Closure | 882,801 | | | 882,801 |
| 31 | Affordable Housing Property | 306,180 | | | 306,180 |
| 32 | Affordable Housing Partnership | 414,792 | | | 414,792 |
| 33 | Sewer Surcharge Reserve Fund | 7,827,393 | (110,148) | (6,899,097) | 818,148 |
| 34 | Fairhaven Debt Service | 587,569 | | | 587,569 |
| 35 | PRHC | 5,379,975 | | | 5,379,975 |
| 36 | Police Various | 373,846 | | | 373,846 |
| 37 | Working Funds | 1,979,231 | (1,519,750) | | 459,481 |
| 38 | Sick Leave | 1,385,086 | | | 1,385,086 |
| 39 | PIDC Economic Development | 395,214 | | | 395,214 |
| 40 | Property Purchase | 859,914 | | | 859,914 |
| 41 | EDP Equipment | 262,712 | | (85,000) | 177,712 |
| 42 | Winter Control | 533,857 | | | 533,857 |
| 43 | Court House 70 Simcoe Street | 310,501 | | | 310,501 |
| 44 | Fire Fighting & Safety Equipment | 32,368 | | | 32,368 |
| 45 | Kinsmen Equipment | 34,920 | | | 34,920 |
| 46 | Ontario Works | 2,247,200 | (889,522) | | 1,357,678 |
| 47 | General Equipment | 37,332 | | | 37,332 |
| 48 | Insurance | 1,694,816 | | | 1,694,816 |
| 49 | Building Division | 808,061 | | (58,000) | 750,061 |
| 50 | Wellness Centre Equipment | 103,442 | | | 103,442 |
| 51 | USD Capital | 527,093 | | | 527,093 |
| 52 | PSWC Capital Conservation | 179,259 | | | 179,259 |
| 53 | Doctor Recruitment | 110,836 | | (65,000) | 45,836 |
| 54 | Social Housing | 1,691,778 | | | 1,691,778 |
| 55 | Social Housing Capital | 156,800 | | | 156,800 |
| 56 | FRMP Sew Surcharge | 2,026,788 | | (503,900) | 1,522,888 |
| 57 | FRMP Capital Levy | 876,515 | | (309,400) | 567,115 |
| 58 | Transit Capital | 2,732,762 | | (2,634,955) | 97,807 |
| 59 | Contingent Lease Liability | 250,000 | | | 250,000 |
| 60 | Future Assessment Loss | 1,393,871 | | | 1,393,871 |
| 61 | OW Employment | 545,282 | | | 545,282 |
| 62 | Bridge Reserve | 715,533 | | (280,000) | 435,533 |
| 63 | Org Dev & Ben Res | 327,233 | | | 327,233 |
| 64 | PHC Capital Reserve | 411,094 | | | 411,094 |
| 65 | Strike Contingency | 60,000 | | | 60,000 |
| 66 | Energy Conservation | 90,549 | | | 90,549 |
| 67 | Accessibility Improvements | 162,707 | | | 162,707 |
| 68 | Others (Under \$25,000) | 133,655 | | | 133,655 |
| | Total | 61,560,772 | (2,586,420) | (29,227,952) | 29,746,400 |

Reserve and Reserve funds have increased steadily since 2001

As shown in Chart P3-13, Reserve and Reserve funds have increased steadily since 2001.

Chart P3-13
Reserve and Reserve Fund Balances 2001 – 2006



Long Term Debt

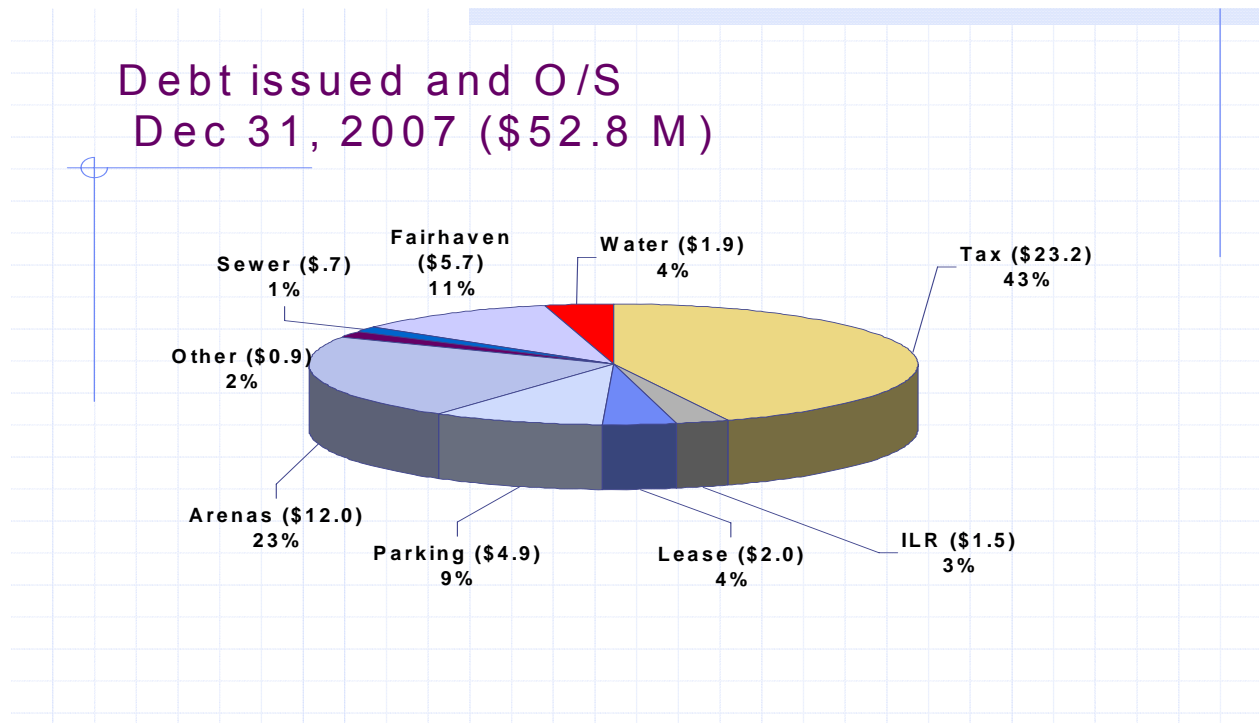
Long-term debt plays an integral part in financing the City’s Capital works, and related principal and interest payments affect the Operating Budget directly.

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, 2007 - \$52.8 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 P3-14 represent outstanding principal only and do not include any interest cost.

Chart P3-14
Debt issued and outstanding as of December 31, 2007



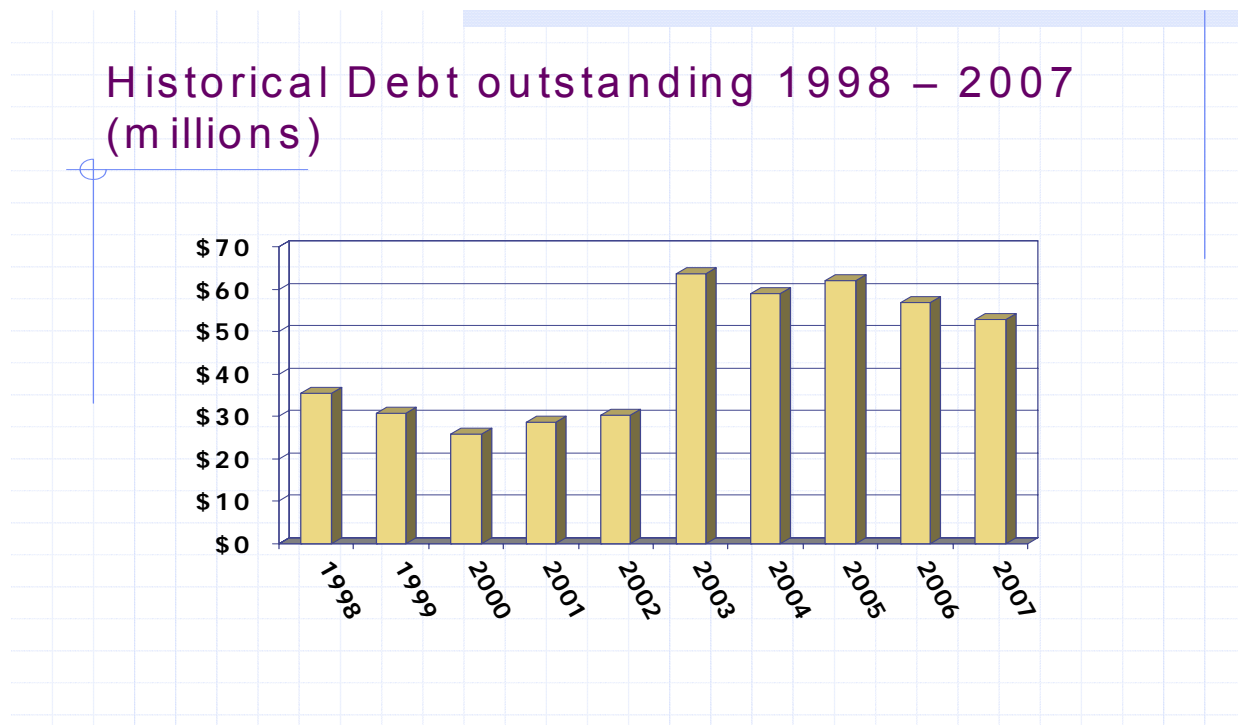
The \$0.7 million sewer related debt plus related interest is recoverable from the Sewer Surcharge Reserve Fund. The Sewer Surcharge Reserve Fund is discussed in more detail in Part 4.

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 P3-15.

Chart P3-15
Historical Debt Outstanding 1998 to 2007



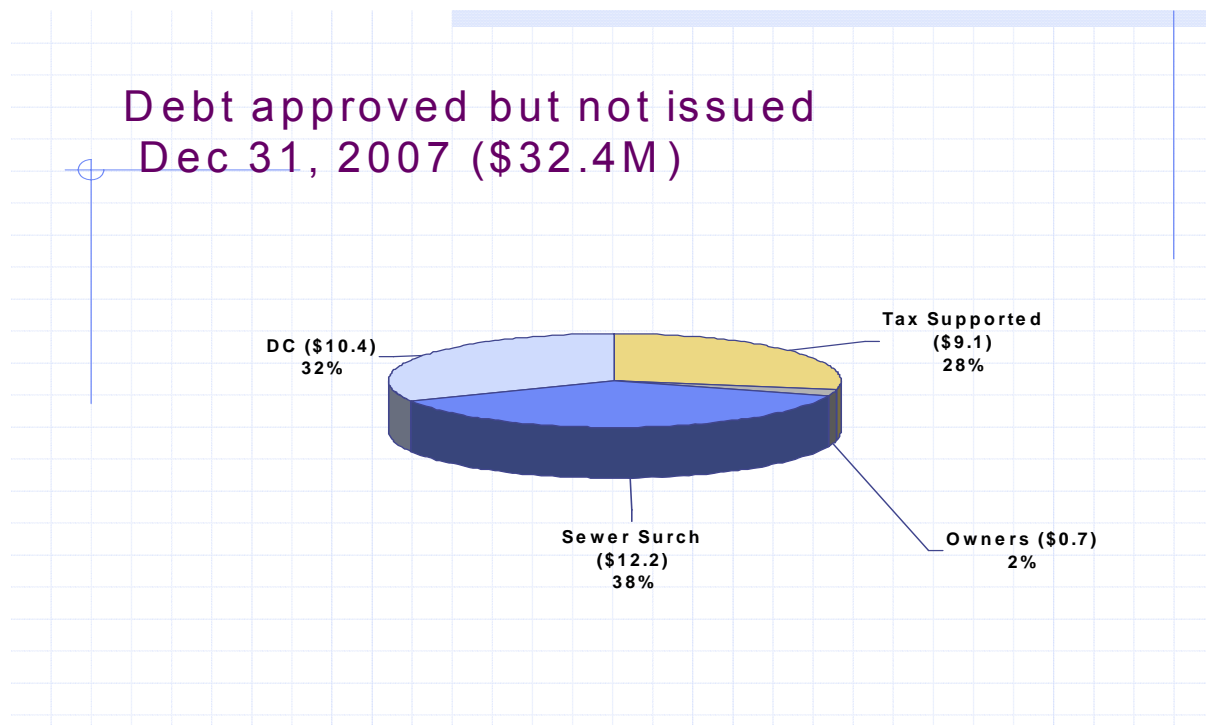
The sharp increase between 2002 and 2003 reflects the fact that debentures were issued in 2003 to finance the Memorial Centre (\$11.7 million), Fairhaven (\$6.8 million net of Provincial Share), Major Bennett (\$2.2 million), Leasehold Improvements for the Charlotte

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 P3-16 shows the details.

Chart P3-16
Debt approved by not Issued as of December 31, 2007

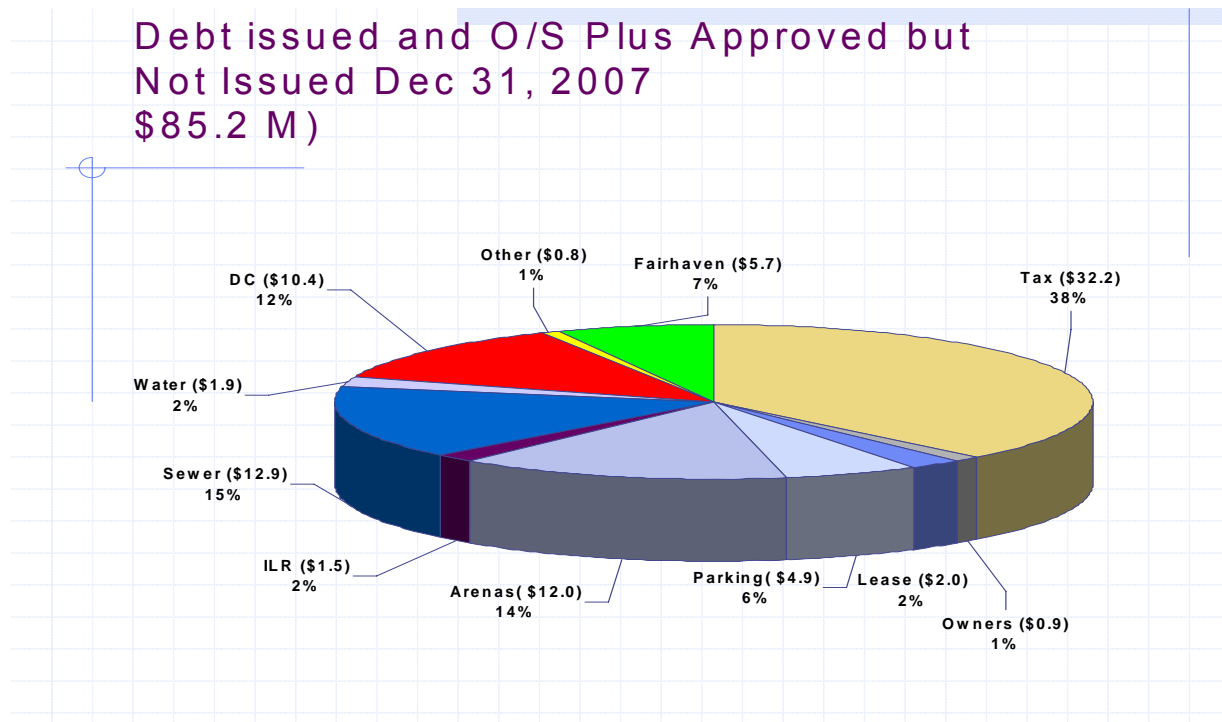


The \$12.2 million sewer debt shown in this category may not have to be issued if Council is prepared to carry large unfunded Capital expenditures for a number of years so that sufficient sewer surcharge can be generated to cover the expenditures. The Sewer Surcharge is discussed further in Part 4 of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

Debt Issued and approved plus approved but not issued - \$85.2 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 \$85.2 million as shown in Chart P3-17.

**Chart P3-17
Debt Issued and Outstanding Plus
Approved but not Issued December 31, 2007**



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 \$140 million in debt assuming a ten year term at 7%. Notwithstanding the “room” available, however, Council should be cognizant of the debt loads and look for ways to limit future debt requirements.

2008 Capital Budget uses \$4.0 million tax supported debt - \$2.6 of which is pre-committed from 2009

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 2008 draft Capital Budget uses \$4.0 million of tax supported debt to fund its Capital program, \$1.4 is within the current year provision, which is the full amount available and leaves no amount to carry forward, and \$2.6 is a pre-commitment of 2009 tax supported debt, identified under the PCMA Expansion project.

Federal/Provincial Subsidies (\$3.8 million)

The \$3.8 million identified in Chart P3-5 includes funding from three different Federal or Provincial programs for three Capital projects as identified in Chart P3-18.

Chart P3-18
2008 Capital projects to be funded from Federal/Provincial Subsidies

| Project Description | Ref | 2008 | | | | | | |
|------------------------------|--------|----------------|----------------|----------------|----------------|--------------|--------------|----------------|
| | | TOTAL COSTS | SUB | OTHER REV | NET COST | CAP LEVY | DEV CHGS | DEB |
| Asset Management Project | 1-3.01 | 459.4 | 48.8 | | 410.6 | 410.6 | | |
| Hwy #115/Parkway Interchange | 5-2.02 | 2,350.0 | 1,500.0 | | 850.0 | | 400.0 | 450.0 |
| PCMA Expansion (Note 1) | 6-3.03 | 7,167.6 | 2,276.4 | 2,295.7 | 2,595.5 | | | 2,595.5 |
| TOTAL | | 9,977.0 | 3,825.2 | 2,295.7 | 3,856.1 | 410.6 | 400.0 | 3,045.5 |

Note 1 - Estimated amount pending final approval

Other sources of 2008 Capital revenue

Other sources of revenue identified in Chart P3-7, such as Sewer Surcharge Reserve Fund (\$2.3 million), Waste Management Reserve Fund (\$2.5 million), Flood Reduction Master Plan Reserve Funds (\$3.9 million) and PCMA Fundraising (\$2.0 million) will be discussed during the detailed departmental reviews in Part 4.

Capital Budget focus is on the 2008 program

The focus on the annual Capital Budget preparation is to establish the most critical projects that need to proceed in 2008 and then fit the program within available financing for the current year.

2009 Capital program projects \$20.9 million funding shortfall

The 2009 Capital request as submitted and shown in the 2008 Capital document shows gross expenditures of \$66.8 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 a \$20.9 million dollar Capital levy – tax supported debt shortfall.

The 2009 program is not sustainable and many of the projects will have to be deferred further as part of the 2009 budget process.

Approval of 2008 Budget provides authority to proceed in most cases

By approving projects in the 2008 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.

2009 and after Capital projects will be subject to future years' budgets

If a project shows 2008 and 2009 Capital financing, and the project is approved as part of the 2008 Budget process, there is an implied level of support for the 2009 and after components. All other 2009 and after projects that do not show any 2008 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 2008 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.

The City's Capital Financing Policies

(Approved by Council October 2, 2000)

2.3 LONG TERM DEBT REPAYMENT LIMITS

2.3.1 The City's maximum annual debt repayment limit shall equal the amount established by the Province of Ontario, and updated by the Treasurer.

The City shall use the most recent limit provided to it by the Ministry to determine whether Ontario Municipal Board approval is required in respect of the following categories of financial obligations:

- A. Long-term debt assumed, for which repayment will be required beyond the term for which the council was elected, and;
- B. Other financial commitments, liabilities and contractual obligations, for which payment may be required beyond the term for which the council was elected, including financial commitments to hospitals and universities.

2.3.2 All by-laws passed that authorize capital works requiring long-term financial commitments, and all debenture by-laws passed, shall be reviewed by the Treasurer prior to approval so that the ability to assume the proposed obligation can be confirmed.

2.4 INTERNAL RULES AND RESTRICTIONS

2.4.1 As evidence that the Treasurer has updated the annual repayment limit before Council authorizes any specific work that would require a long term debt or financial obligation, the following preamble must be added to debenture by-laws:

"AND WHEREAS the Treasurer has calculated an updated limit for the Corporation of the City of Peterborough using its most recent financial debt and obligation limit determined by the Ministry of Municipal Affairs in accordance with the provisions of Ontario Regulation 799/94 (the "Limit");

AND WHEREAS the Treasurer has calculated the estimated annual amount payment in respect of the portion of the capital work described in this by-law to be financed by debenture and has determined that such estimated annual amount payable will not cause the Corporation's total annual debt repayment to exceed the Limit."

2.4.2 The amount of new tax-supported debt approved in any budget year will be limited to the amount of tax supported principal retired in the previous year plus any accumulated unused balance from previous years.

2.4.3 The annual budgeted increases for total tax-supported principal and interest repayments, plus the capital levy provision, will be established by Council as part of the annual budget guideline establishment process.

The City's Capital Financing Policies (continued)

2.4.4 The amount of any new debt, in a given year, that is to be financed from sources other than taxation as follows is limited as follows:

- A. Parking Reserve Fund - limited to the estimated annual repayment amounts that can be financed from any uncommitted balance in the Parking Reserve Fund plus the estimated parking charges to be collected during the term of the proposed new debt
- B. Development Charge Reserve Fund - limited to the estimated annual repayment amounts that can be financed from any uncommitted balance in the Development Charge Reserve Fund plus the estimated development charges to be collected during the term of the proposed new debt
- C. Sewer Surcharge Reserve Fund - limited to the estimated annual repayment amounts that can be financed from any uncommitted balance in the Sewer Surcharge Reserve Fund plus the estimated amounts to be raised from the sewer and sewer service rates to be imposed during the term of the proposed new debt
- D. Waste Management Reserve Fund - limited to the estimated annual repayment amounts that can be financed from any uncommitted balance in the Waste Management Reserve Fund plus the estimated amounts

to be raised from tipping fees and garbage tax levies during the term of the proposed new debt that can be transferred to the fund

- E. Industrial Reserve Fund - limited to the estimated annual principal repayment amounts that can be financed from any uncommitted balance in the Industrial Land Reserve Fund plus the estimated proceeds from future land sales

2.4.5 If, in any budget year, estimated non-tax revenues identified in 2.4.4 are insufficient to meet annual obligations for debt that has already been issued, the shortfall shall be considered as part of the annual tax-supported debt charge allocation which forms part of the capital levy formula.

2.5 ADDITIONAL SOURCES OF FINANCING

2.5.1 The City may explore, where appropriate, other methods of financing capital projects. including the following:

- (a) Borrowing internally from reserve funds (Section 167 of Municipal Act and Ontario Regulation 438/97)
- (b) Fund-raising
- (c) Partnerships with the private sector for the construction of facilities
- (d) Sponsorship of facilities by private sector firms, and;
- (e) User pay systems.