



City of
Peterborough

2009 BUDGET HIGHLIGHTS

Appendix D

2009 Capital Budget

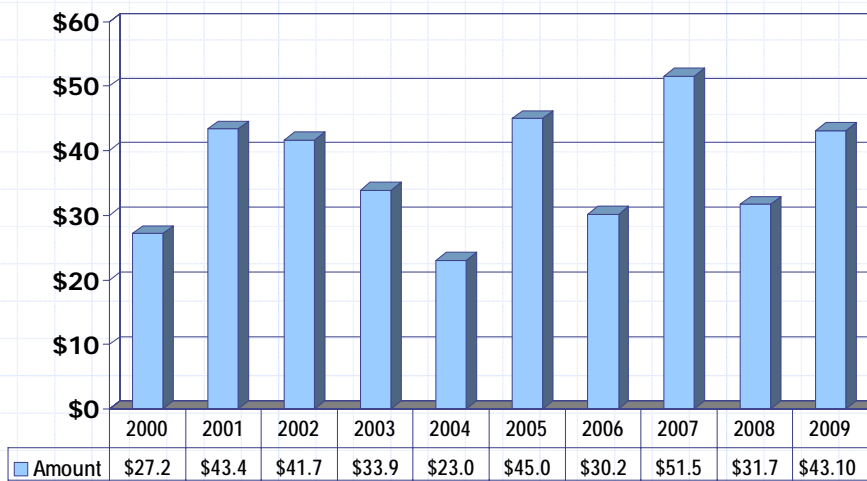
Supplementary Information

Historical Capital expenditures

Capital expenditures over the years 2000 to 2009 are shown on Chart 1 below.

Chart 1
Budgeted Capital expenditures 2000 – 2009 Budget (\$M)

Capital Budget Gross Budgeted Expenditures 2000 to 2009 (Millions)



Over the years when the Capital program has been above \$30 M, 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 Waste 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 2009 program includes the Peterborough Regional Health Centre Access Road Improvements for \$6.1M.

Capital levy calculation (\$7.7 million)

Capital levy is the amount of money raised through taxation that appears in the 2009 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 2 below:

Chart 2
2009 Capital Levy Calculation

2009 Capital Levy Calculations			
Ref Col 1	Description Col 2	2008 Col 3	2008 Col 4
Tax Debt Service/Capital Levy Base			
1	Total capital levy before COPHI returns	6,044,693	5,578,800
2	Plus tax supported debt charges	4,056,240	4,748,572
3	Subtotal	10,100,933	10,327,372
4	% increase as per Previous Council recommendation	5%	5%
5	5% Increase in Cap Levy as per 5-year policy (Rounded)	505,000	516,000
6	Reverse 5% Increase in cap levy as per Directors meeting		(516,000)
Changes made during 2008 Budget Deliberations			
7	Increase due to Assessment increase	500,000	
8	2007 Contribution to Reserve projects moved from Capital to Operating	(25,000)	
9	Additional Contribution to Reserve projects moved from Capital to Operating	(648,903)	(750,000)
10	Subtotal Adjusted base	10,432,030	9,577,372
11	Estimated Tax supported debt charges for 2009	(4,748,594)	(4,846,572)
12	Portion of Capital Levy transferred to the Flood Reduction Master Plan	(1,398,500)	(1,500,000)
13	Base 2008 capital levy	4,284,936	3,230,800
14	COPHI returns from prev year	4,349,700	4,480,200
15	Capital Levy in 2009 operating budget	8,634,636	7,711,000

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 (18% of total financing), but it also has a direct impact on the 2009 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 2:

- **Lines 1 and 2 - Base starting points (\$10.3 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%)**
For the years 2004 to 2008, a five-year plan was in place to increase the combined tax supported debt charge and Capital levy provision, before considering City of Peterborough Holdings Inc. (CPH) revenues, by 5%. This was done except it was only 2.5% in 2006 and was eliminated for 2007 as a means of limiting the tax rate increases.

During the 2008 budget process, the following recommendation was approved.

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.

- **Line 5 - \$ Value by which cap increases (\$516,000)**
The \$516,000 figure is 5% times the \$10.3 million starting base and would be additional capital levy in 2009 as directed by Council during the 2008 budget process.
- **Line 6 – Cap increase not included (-\$516,000)**
Given the intense pressure to limit the net tax levy increase in 2009, the 5% annual increase is not being recommended.
- **Line 9 – Additional 2009 Transfer to Reserve projects (\$750,000)**
The \$750,000 represents the 2009 Capital projects that were “Contribution to Reserve” projects that did not have a “base” in 2008. These projects are now shown in the Operating Budget.
- **Line 10 – Sub-total Adjusted Base (\$9.6 million)**
This is the adjusted debt service/Capital levy base.

- **Line 11 - Tax supported debt charges 2009 (-\$4.8 million)**
The \$4.8 million represents the principal and interest expected to be paid on tax-supported debt during 2009.
- **Line 12- Portion of Capital levy to be transferred to Flood Reduction Master Plan Reserve Fund (-\$1.5 million)**
The 2009 line represents an appropriation of the Capital levy in the Operating Budget that is transferred to the Flood Reduction Master Plan Reserve Fund
- **Line 14 - Utilities dividend and interest (\$4.5 million)**
At its meeting held March 27, 2000, based on report FAFS00-005 dated March 20, 2000, 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 5% policy.
- **Line 15 - Capital levy provision current year (\$7.7 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 2009 to 2013. Funding Capital projects with Capital levy means less debt financing and, therefore, less cost over the long run.

For the 2009 Budget process, the 5% increase was recommended in the 2008 Draft Budget document as follows:

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.

However, given the intense pressure to limit the net tax levy increase in 2009, the 5% annual increase is not being recommended.

Continue 5% per year increase

While the 5% increase is not being recommended for 2009, the recommendation from 2008, noted above, will be in place until 2013. If future budgets include the increase, Chart 3 sets out the estimated impact of the proposed policy over the five-year period 2009 through 2013. The annual increase represents how much the Capital levy would increase each year under the policy.

Chart 3
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
2009	\$9,577,400		
2010	\$10,056,400	\$479,000	\$479,000
2011	\$10,559,400	\$503,000	\$982,000
2012	\$11,087,400	\$528,000	\$1,510,000
2013	\$11,641,400	\$554,000	\$2,064,000
		\$2,064,000	\$5,035,000

Change in Presentation of “Contribution to Reserve” projects

Traditionally, the Capital Budget 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. Starting in 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.

In 2008, to provide comparable 2007 amounts and a “base” from which to fund the 2008 transfers, the 2007 Operating Budget was 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.

In 2009, there are three Contribution to Reserve projects included in the 2009 Operating Budget totalling \$750,000 that have been deducted from Capital Levy (Line 9 in the Capital Levy Calculation above). The projects and corresponding amounts are as follows:

- Contribution to Museum Renovation Reserve \$500,000
- Contribution to Capital Levy Reserve \$200,000
- Contribution to Airport Equipment Reserve \$ 50,000

Should any of these projects be deleted or reduced, the 2009 Capital levy would be increased by that amount.

Federal Gas Tax Program

During 2005, the Federal government announced Municipalities would receive some funding as part of the Federal Gas Tax Program.

At the December 12, 2005 Council meeting, based on recommendations outlined in Report FAFS05-046 dated December 5, 2005, Council ratified a Municipal Funding Agreement for the Transfer of Federal Gas Tax Revenues under the New Deal for Cities and Communities.

The Federal Gas Tax is allocated to each municipality based solely on each municipality's population compared to that of Ontario's total population. Peterborough's population represents 0.81% of Ontario's total population.

The City's allocation by year is set out in Chart 4.

**Chart 4
Federal Gas Tax Allocations**

Description Col 1	Stats Canada Population 2001 Col 2	Federal Gas Tax Allocation					
		Year 1 (2005-06) Col 3	Year 2 (2006-07) Col 4	Year 3 (2007-08) Col 5	Year 4 (2008-09) Col 6	Year 5 (2009-10) Col 7	5 year Total Col 8
Dollar allocation							
Ontario Share		172,586,637	172,586,637	230,089,821	287,593,006	575,186,012	1,438,042,113
City of Peterborough	71,446	1,393,152	1,393,152	1,857,328	2,321,505	4,643,009	11,608,145
Peterborough's share as % Of Ontario's Allocation		0.81%	0.81%	0.81%	0.81%	0.81%	0.81%
Estimated payment amounts and timing							
By December 31, 2005		1,393,152					1,393,152
July			696,576	928,664	1,160,752	2,321,505	5,107,497
November			696,576	928,664	1,160,752	2,321,505	5,107,497
Budget year availability							
Available for Budget year 2006			2,786,303				2,786,303
Available for Budget year 2007				1,857,328			1,857,328
Available for Budget year 2008					2,321,505		2,321,505
Available for Budget year 2009						4,643,009	4,643,009
Notes:							
1. The City received \$1,393,152 during first quarter of 2006							

Federal Gas Tax funds must be spent within 3 years after receipt

Municipalities have up to three years after the year the money was received to spend the funds on eligible environmentally sustainable municipal infrastructure projects. All monies must be expended on eligible infrastructure projects no later than December 31, 2012.

Types of infrastructure that can be funded by Federal Gas Tax

Environmentally sustainable municipal infrastructure projects within the following categories can be funded with the Federal gas tax revenues: public transit, water, wastewater, solid waste, local roads, bridges and tunnels, including active transportation infrastructure (e.g. bike lanes), capacity building and community energy systems (e.g. retrofit municipal buildings and infrastructure). Municipalities can undertake more than one category for investment.

Federal Gas Tax expenditures must be used for incremental expenditures

The Federal Government is recognizing that there is a significant infrastructure deficit and the goal of the Federal gas tax is to address this deficit. Municipalities must, therefore, be able to clearly demonstrate that the funding used for a project is incremental. In other words, the funding either enables a project's implementation, enhances its scope, or accelerates its timing.

Special rules apply in order to use the gas tax for local roads and bridges

Municipalities, with a population under 500,000, can invest in local roads and bridges. Municipalities who choose to use funding for the local roads, bridges and tunnel category, must submit, in advance of expending the funds, a plan outlining the sustainability outcomes of investing in local roads and bridges. Certain supporting documents must be submitted prior to spending.

\$6.7 Million Federal Gas Tax Reserve Funding used in 2009 Capital Budget

The City will receive \$4.6 million in the 2009 Budget year. However, the 2009 Capital Budget includes an allocation of \$6.7 million. Three projects appear in the 2009 Capital Budget requiring some Federal Gas Tax Reserve Fund funding as listed on Chart 5.

**Chart 5
2009 Capital projects to be funded from Federal Gas Tax Reserve Fund**

Project Description	Ref	2009						
		TOTAL COSTS	REV	NET COST	CAP LEVY	DEV CHGS	SEWER SURCHARGE	FEDERAL GAS TAX
PRHC Road Improvements	5-2.01	6,100.0		6,100.0				6,100.0
Aylmer St. N - Wolsely St. to Bellevue St.	5-6.03	450.0		450.0	30.0		225.0	195.0
Oton River Trail - CPR Bridge to Del Cray	7-1.05	435.0		435.0				435.0
TOTAL		6,985.0		6,985.0	30.0		225.0	6,730.0

The Federal Gas tax allocation is made up of the 2009 allocation of \$4.6 million; \$1.8 million reallocation from the Lansdowne Street – from Kawartha Heights to the City limits reconstruction project; and \$0.3 million representing a combination of accumulated interest on the Federal Gas Tax reserve and unallocated funding from previous years.

Development Charges Reserve Funds (\$5.0 million)

The Capital program assumes \$5.0 million will be drawn from various Development Charge Reserve Funds to fund growth related Capital projects to be undertaken during 2009. The largest project is the Water Street Sanitary Sewer, from Marina Boulevard to Argyle Street, for \$3.6 million which is 100% funded from the Carnegie East Development Charge Reserve Fund as it provides the required infrastructure for future development in this growth area.

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 reflected a City wide uniform rate plus eight different area specific rates for various growth areas within the City. On July 7, 2008, Council adopted By-laws 08-126 through 08-134, which amended the area specific rates and those will be in effect from August 1, 2008 to July 31, 2013.

The Development Charge rates that will be in effect for 2009 cannot yet be calculated as they will be based on the 2008 3rd Quarter Statistics Canada Construction Price Index which is not yet available. The 2008 rates, effective as of August 1, 2008 are set out in Chart 6.

**Chart 6
Development Charge Rate Structure as of August 1, 2008**

City of Peterborough										
Development Charge Rates as of August 1, 2008										
Planning Area		Residential Charge Per Unit								
		Residential A - Singles & Semi			Residential B - Other Multiples			Residential C - Apartments		
		Planning Area Charge	City-Wide Uniform Charge	Total Charge	Planning Area Charge	City-Wide Uniform Charge	Total Charge	Planning Area Charge	City-Wide Uniform Charge	Total Charge
C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11
1.	Jackson	\$2,855	\$8,359	\$11,214	\$2,461	\$7,206	\$9,667	\$1,673	\$4,902	\$6,575
2.	Carnegie East	\$6,421	\$8,359	\$14,780	\$5,535	\$7,206	\$12,741	\$3,764	\$4,902	\$8,666
3.	Carnegie West	\$3,585	\$8,359	\$11,944	\$3,091	\$7,206	\$10,297	\$2,102	\$4,902	\$7,004
4.	Lily Lake	\$3,968	\$8,359	\$12,327	\$3,421	\$7,206	\$10,627	\$2,326	\$4,902	\$7,228
5.	Chemong	\$2,331	\$8,359	\$10,690	\$2,009	\$7,206	\$9,215	\$1,366	\$4,902	\$6,268
6.	Liftlock	\$7,278	\$8,359	\$15,637	\$6,274	\$7,206	\$13,480	\$4,266	\$4,902	\$9,168
7.	Coldspring	\$1,870	\$8,359	\$10,229	\$1,612	\$7,206	\$8,818	\$1,096	\$4,902	\$5,998
8.	City-Wide Dev. Area	\$807	\$8,359	\$9,166	\$696	\$7,206	\$7,902	\$473	\$4,902	\$5,375
Total										
Average		\$3,639	\$8,359	\$11,998	\$3,137	\$7,206	\$10,343	\$2,133	\$4,902	\$7,035
Non-Residential Development Charge										
All Areas of The City		Non-Residential Charge (\$/sq.m) (By-law 04-209)								
Total City-Wide Uniform		\$46.70								

DC commitments as of December 31, 2007 exceed current balances by \$2.0 million

The new development charge rates approved in December of 2004, generated \$3.0 million in 2005, \$3.6 million in 2006 and \$4.4 million in 2007.

The balance in the DC reserve funds as of December 31, 2007 was \$12.3 million. However, outstanding budgeted commitments against the DC reserve funds were \$14.3 million, therefore, exceeding the current balance by \$2.0 million.

The top five projects included in the \$14.3 million are:

- Waste Water Treatment Plant upgrade \$7.8 million
- Peterborough Sport and Wellness Centre \$0.8 million
- New Transit Buses \$0.8 million
- Soccer Field Complex \$0.8 million
- Lansdowne St – Kawartha Heights to City Limit \$0.7 million

Some Development Charge Sub Reserve Funds overdrawn

Some 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. This has happened in 2007 with the Lily Lake Area Specific DC Reserve that was overdrawn at the end of 2007 by \$1.3 million. It will be replenished as the growth actually occurs and development charges are collected. The Carnegie East DC sub reserve will do the same when it is drawn up to fund the Water Street work in the 2009 Budget.

Reserves and Reserve Funds

Reserve and Reserve Fund Balances (\$74.0 million at December 31, 2007)

Reserves and Reserve Funds play a critical role in municipal budgeting and financial strength. As of December 31, 2007, the Reserve and Reserve Funds amounted to \$74.0 million.

Chart 7 shows the Reserve and Reserve Funds by category for 2006 and 2007.

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 \$74.0 million includes a \$0.8 million balance on a loan from the Social and Family Assistance Reserve through which leasehold improvements undertaken at the Charlotte Mews complex during 2003 were financed. The \$74.0 million also includes a \$1.4 million balance on the 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 8 show the balances in the Reserve and Reserve Funds as of December 31, 2007, the commitments outstanding to each reserve and the uncommitted balance.

Appendix D
2009 Capital Budget Supplementary Information

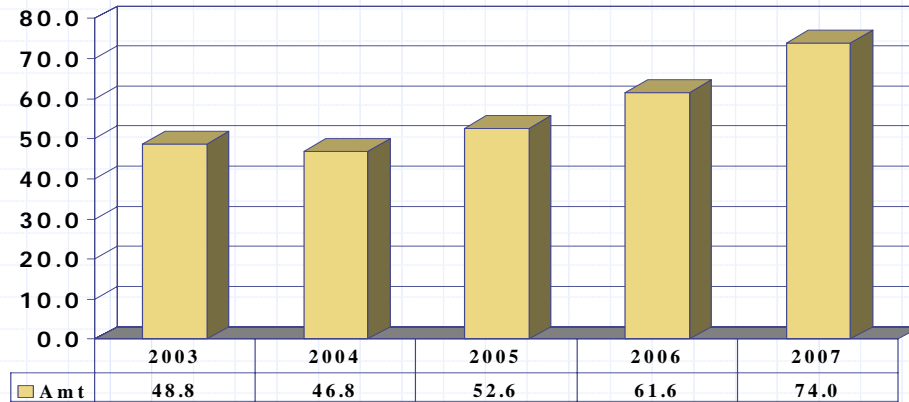
Chart 8					
Reserve & Reserve Fund Balances and Commitments					
As of Dec 31, 2007					
Ref	Description	Balance as of Dec 31 2007	Loans	Commitments	Uncommitted as of Dec 31 2007
Col 1	Col 2	Col 3	Col 4	Col 5	Col 6
1	New Subdivision Trees	291,608		(85,951)	205,657
2	Federal Public Transit Gas Tax	613,529			613,529
3	Provincial Gas Tax	1,349,381			1,349,381
4	Federal Gas Tax	3,352,754		(3,178,100)	174,654
5	Parks In lieu	946,491		(680,500)	265,991
6	Building Division	603,242		(18,000)	585,242
	Development Charges				
7	DC Gen Govt	155,311		(110,900)	44,411
8	DC Police	131,444		(240,084)	(108,640)
9	DC Transit	440,115		(775,262)	(335,147)
10	DC Indoor Recreation			(809,762)	(809,762)
11	DC Library	346,014			346,014
12	DC Fire	595,530		(86,650)	508,880
13	DC City Wide Engineering	8,396,736		(1,156,600)	7,240,136
14	DC Eng Ser Sewage	0		(7,826,727)	(7,826,727)
15	DC Park Dev & Facilities	475,249		(765,000)	(289,751)
16	DC Parking	208,641			208,641
17	DC Public Works	427,253		(75,000)	352,253
18	DC Jackson	874,782		(400,000)	474,782
19	DC Carnegie	688,326		(457,234)	231,092
20	DC Lily Lake	(1,259,080)			(1,259,080)
21	DC Chemong	162,766		(356,166)	(193,400)
22	DC Auburn			(317,000)	(317,000)
23	DC Lifflock	14,692		(40,176)	(25,484)
24	DC Coldspring	66,907		(120,473)	(53,566)
25	DC City-Wide Dev Area	550,533		(754,450)	(203,917)
	DC Sub total	12,275,219	0	(14,291,484)	(2,016,265)
26	Parking	87,433		(87,000)	433
27	Vehicle Reserve	77,661		(50,000)	27,661
28	Museum Accession	35,252			35,252
29	Parkland Acquisition	260,139		(260,000)	139
30	New Athletic Fields	79,618		(79,000)	618
31	Public Works Depreciation	2,088,011		(697,900)	1,390,111
32	Fire Equipment Reserve	626,703	(27,000)	(156,500)	443,203
33	Waste Management Reserve Fund	5,589,248		(4,587,166)	1,002,082
34	Landfill Closure	916,116			916,116
35	Affordable Housing Property	242,265			242,265
36	Affordable Housing Partnership	371,404			371,404
37	Sewer Surcharge Reserve Fund	8,131,351	(95,791)	(1,714,930)	6,320,630
38	Fairhaven Debt Service	580,892			580,892
39	PRHC	1,647,727			1,647,727
40	Police Various	491,460			491,460
41	Working Funds	2,020,062	(1,408,637)		611,425
42	Sick Leave	1,433,368			1,433,368
43	PIDC Economic Development	361,315			361,315
44	Property Purchase	377,665			377,665
45	EDP Equipment	377,667		(85,000)	292,667
46	Winter Control	438,474			438,474
47	Court House 70 Simcoe Street	376,475			376,475
48	Fire Fighting & Safety Equipment	59,226			59,226
49	Arena Equipment	7,815			7,815
50	Ontario Works	2,744,840	(765,334)		1,979,506
51	General Equipment	37,332			37,332
52	Insurance	1,831,814			1,831,814
53	Election	170,550			170,550
54	Wellness Centre Equipment	109,246			109,246
55	USD Capital	359,062			359,062
56	PSWC Capital Conservation	347,632			347,632
57	Doctor Recruitment	110,794		(57,500)	53,294
58	Social Housing	1,857,358			1,857,358
59	Social Housing Capital	163,136			163,136
60	Social Housing DOOR funds	3,917,628			3,917,628
61	FRMP Sew Surcharge	4,088,013		(3,294,772)	793,241
62	FRMP Capital Levy	1,443,040		(1,443,040)	0
63	Transit Capital	3,999,941		(2,740,812)	1,259,129
64	Contingent Lease Liability	100,000			100,000
65	Future Assessment Loss	1,393,871			1,393,871
66	OW Employment	545,282			545,282
67	Best Start	899,802			899,802
68	Bridge Reserve	903,969		(500,075)	403,894
69	Org Dev & Ben Res	714,373			714,373
70	PHC Capital Reserve	630,737			630,737
71	Strike Contingency	90,000			90,000
72	Energy Conservation	90,549		(90,549)	0
73	General Property	126,696			126,696
74	Air Conditioning	169,827			169,827
75	City Hall Maintenance	124,784			124,784
76	Roof Rehabilitation	564,250		(260,000)	304,250
77	Asbestos Abatement	71,370		(71,370)	0
78	Accessibility Improvements	123,609			123,609
79	Others (Under \$30,000)	161,264			161,264
	Total	74,000,340	(2,296,762)	(34,411,649)	36,688,687

Reserve and Reserve funds increasing

Chart 9 shows the balances in the Reserve and Reserve funds since 2003.

Chart 9
Reserve and Reserve Fund Balances 2003 – 2007

Reserve and Reserve Fund Balances Millions(2003-2007)



The significant \$12.4 million increase from 2006 to 2007 is primarily from the following reserves:

- Social Housing DOOR funds - \$3.9 M
- Development Charges - \$3.6 M
- FRMP – Sewer Surcharge - \$2.3 M
- Federal Gas Tax - \$1.3 M
- Best Start - \$0.9 M

Long Term Debt

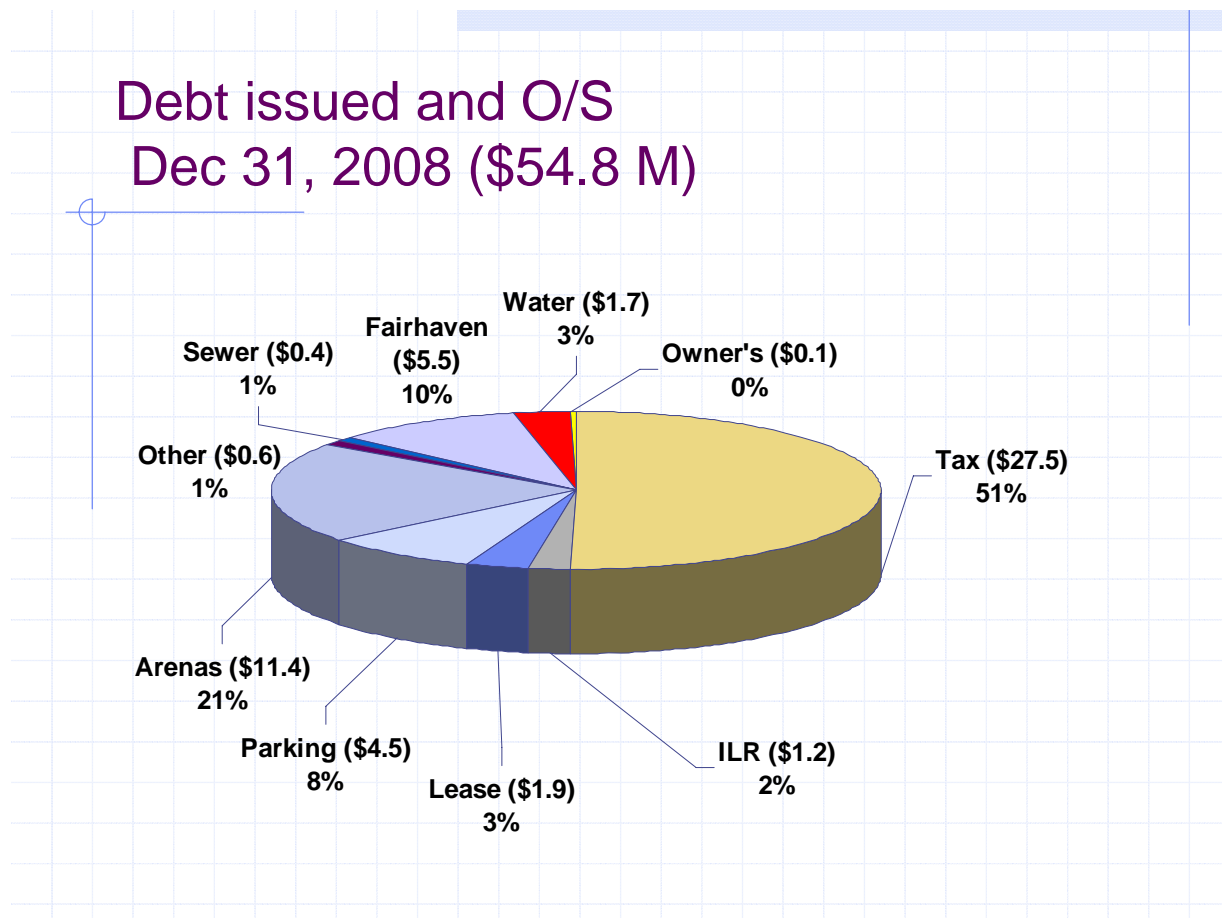
Long term debt plays an integral part in financing the City's Capital works, and related principal and interest payments affect the Operating Budget directly.

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, 2008 - \$54.8 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 10 represent outstanding principal only and do not include any interest cost.

Chart 10
Debt issued and outstanding as of December 31, 2008



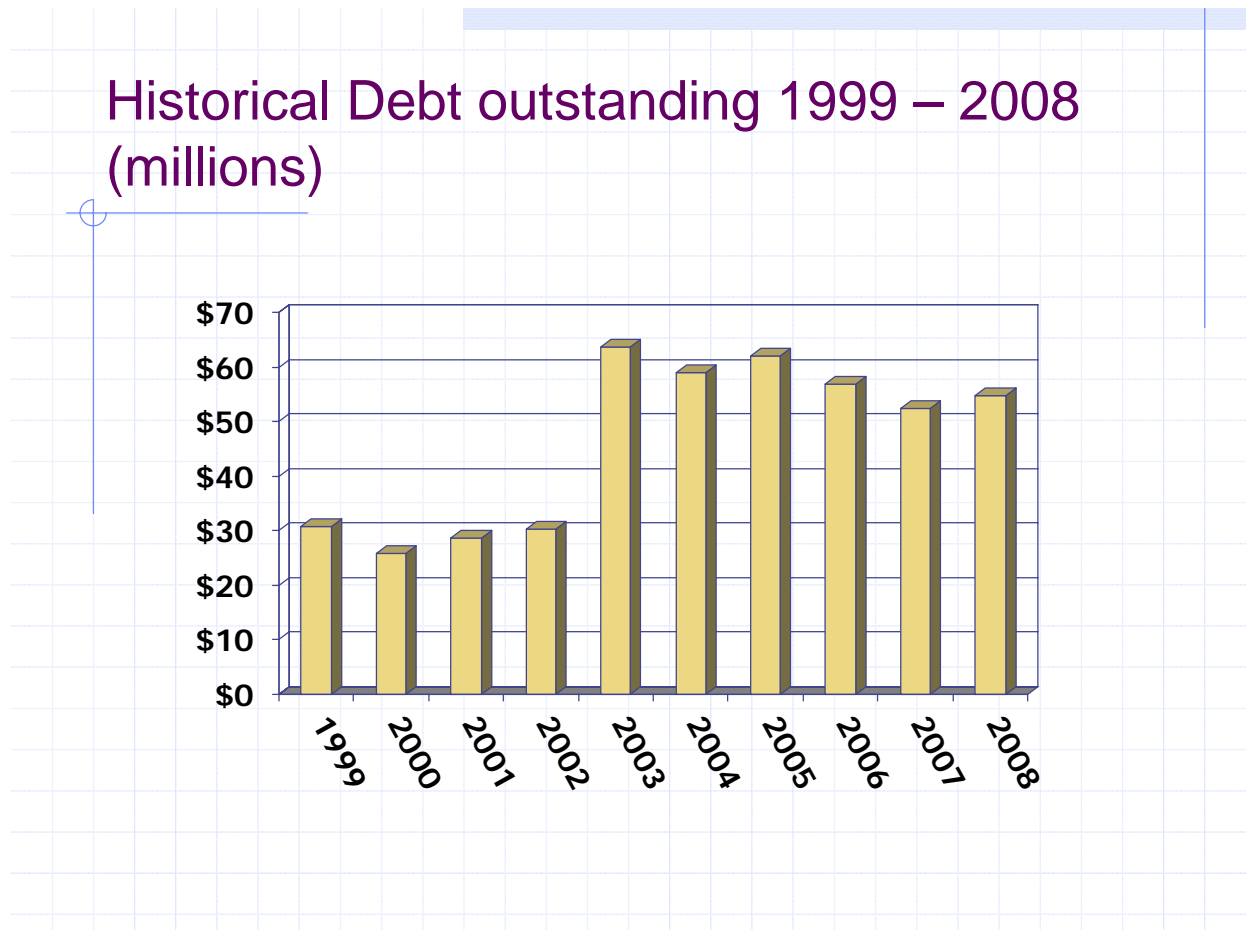
The \$0.4 million sewer related debt plus related interest is recoverable from the Sewer Surcharge Reserve Fund. The Sewer Surcharge Reserve Fund is discussed in more detail in Part 2.

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 11.

Chart 11
Historical Debt Outstanding 1999 to 2008

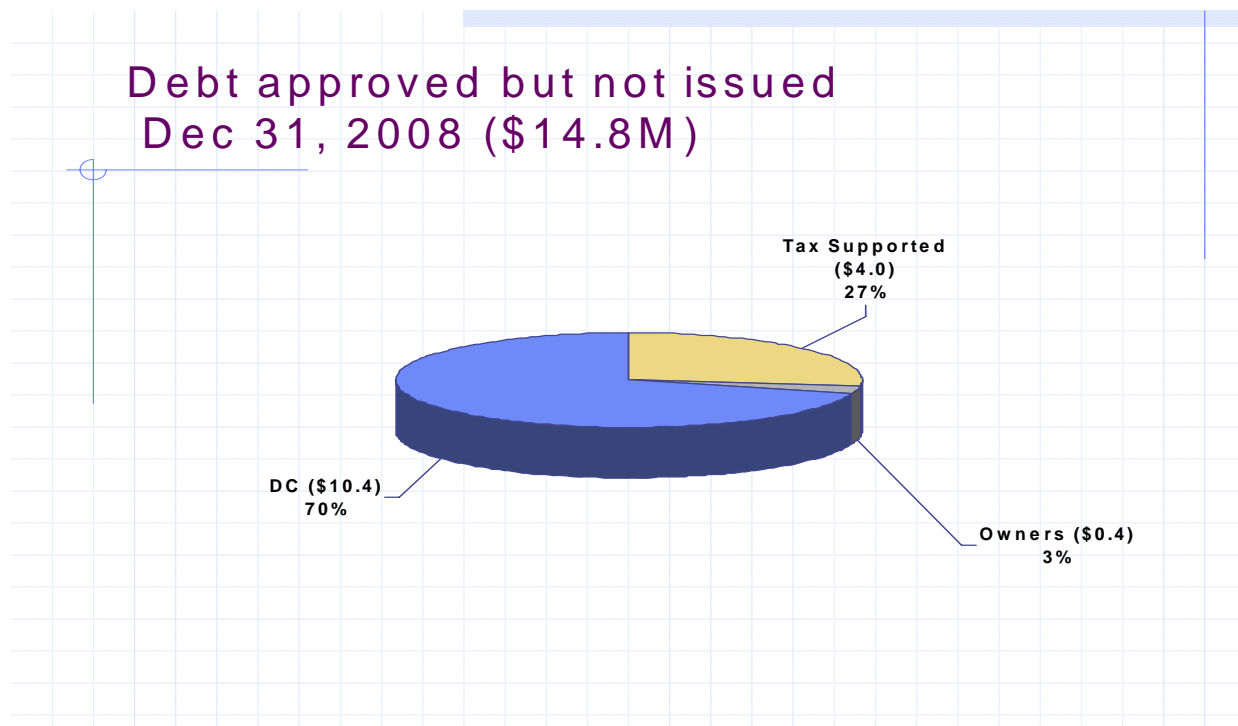


The sharp increase between 2002 and 2003 reflects the fact that debentures were issued in 2003 to finance the Memorial Centre (\$11.7 million), Fairhaven (\$6.8 million net of Provincial Share), Major Bennett (\$2.2 million), Leasehold Improvements for the Charlotte Mews Complex re: the Social Services relocation (\$1.3 million), and the Simcoe Street Parking garage (\$1.1 million).

Debt Approved but not Issued - December 31, 2008 - \$14.8 million

In addition to debt issued and outstanding, \$14.8 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 12 shows the details.

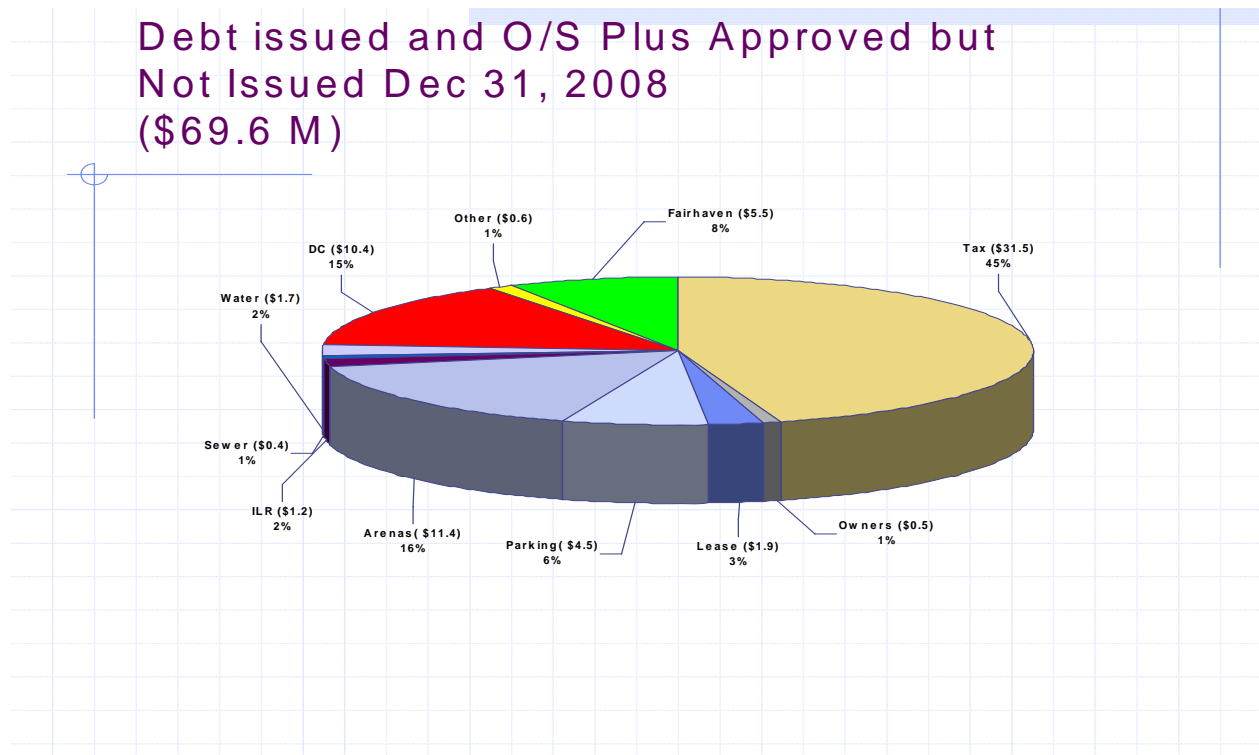
Chart 12
Debt approved by not Issued as of December 31, 2008



Debt Issued and approved plus approved but not issued - \$69.6 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 \$69.6 million as shown in Chart 13.

Chart 13
Debt Issued and Outstanding Plus
Approved but not issued December 31, 2008



Levels of debt well within limits

The City’s debt limits are well within the debt capacity limit as set by the Province, which would suggest the City could handle up to an additional \$187 million in debt assuming a ten year term at 5%. Notwithstanding the “room” available, however, Council should be cognizant of the debt loads and look for ways to limit future debt requirements.

Capital Budget focus is on the 2009 program

The focus on the annual Capital Budget preparation is to establish the most critical projects that need to proceed in 2009 and then fit the program within available financing for the current year.

2010 and 2011 Capital program projects \$25.3 million funding shortfall

The 2010 and 2011 Capital requests as submitted and shown in the 2009 Capital document show gross expenditures of \$51.5 and \$51.2 million respectively. After deducting all other sources of revenue, including the Federal gas tax allocations, and assuming no limitations on development charge revenues available, there will be a \$9.9 and \$15.4 million respectively Capital levy – tax supported debt shortfall.

The 2010 and 2011 programs are not sustainable and many of the projects will have to be deferred further as part of the 2010 Budget process.

Approval of 2009 Budget provides authority to proceed in most cases

By approving projects in the 2009 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.

2010 and after Capital projects will be subject to future years' budgets

If a project shows 2009 and 2010 Capital financing, and the project is approved as part of the 2009 Budget process, there is an implied level of support for the 2010 and after components. All other 2010 and after projects that do not show any 2009 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 2009 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.