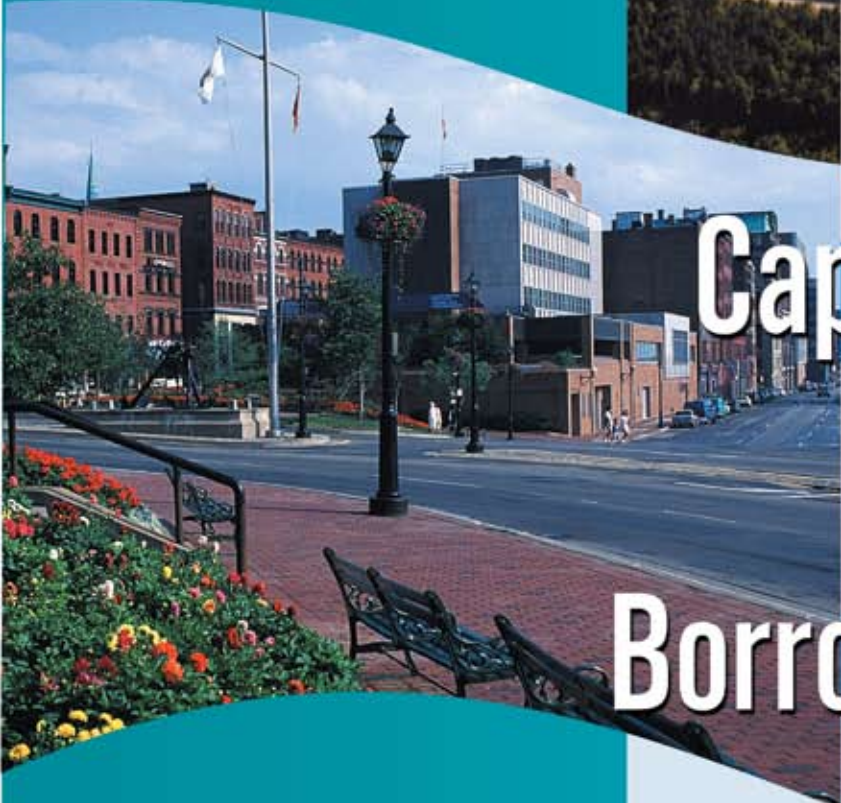


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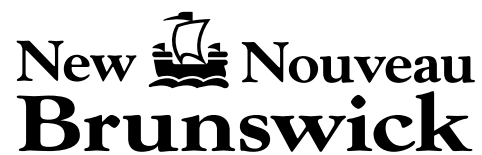
**Borrowing**





# **GUIDE TO MUNICIPAL CAPITAL BORROWING:**

## **Applying to the Municipal Capital Borrowing Board and Preparing a Municipal Capital Plan**



**Environment and Local Government**

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**Secretary  
Municipal Capital Borrowing Board  
P. O. Box 6000  
Fredericton, New Brunswick  
E3B 5H1  
Telephone: 506-453-2154  
Fax: 506-457-4991**

**Revised February, 2004**

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## INTRODUCTION

The Department of the Environment and Local Government is pleased to present the revised guide to municipal capital borrowing for municipalities and commissions applying to the Municipal Capital Borrowing Board for authorization to borrow capital funds. The guide also provides useful advice on how to develop an effective five-year capital plan in order to properly identify the optimum level of borrowing required and its effect on the municipal budget.

Numerous alternatives exist for financing capital expenditures. Each municipality or commission must decide which method best suits its needs. The appropriateness of the various alternatives must be considered in terms of a multi-year capital plan that matches periods of increased borrowing capacity.

It is interesting to note that 65% of currently outstanding long-term debt obligations will be repaid within the next five years. To take advantage of this adjustment in present debt structure municipalities are in the fortunate position to consider the following alternatives: reducing their debt service cost; undertaking new capital projects; reducing the amortization period of future borrowing; financing a portion of the capital expense on a capital from operating basis; and, placing funds in reserve for future capital expenditures.

The Municipal Capital Borrowing Board, in hearing applications for borrowing, is pleased that it has helped municipalities follow a sound financial plan. The hearing of applications also provides a legislated public forum where concerns by municipal residents, about intended borrowing, can be considered.

In preparing applications to the Board, departmental staff can provide advice and assistance, including the scheduling and amortization of loans, which is particularly important in today's financial markets.

February 2004

**▶ 1. WHO MUST APPLY**

The following is a list of the local authorities/agencies who are required to apply to the Municipal Capital Borrowing Board for approval to borrow for capital expenses:

1. **Municipalities**, to borrow, must obtain the authorization, in writing, of the Municipal Capital Borrowing Board as required by Subsection 6(1) of the *Municipal Capital Borrowing Act*.
2. **Municipalities**, to guarantee loans of the following:
  - **A corporate body** which provides a municipal service. Examples include recreation councils or associations and library boards.
  - **A Board of Police Commissioners**, established pursuant to Subsection 17.1 of the *Police Act*.
  - **A Regional Policing Authority**, established pursuant to Subsection 17.01 of the *Police Act*.
3. **Municipalities**, prior to signing purchase arrangements including capital leasing arrangements where the total to be paid exceeds twenty thousand dollars - Regulation 84-21 of the *Municipal Capital Borrowing Act*.
4. **Water and Wastewater Commissions** borrowing directly for service to the unincorporated areas and established pursuant to Subsection 15.2 of the *Clean Environment Act* are required to apply as provided for under Subsection 14 (1) of the *Municipal Capital Borrowing Act*.
5. **Solid Waste Commissions** established pursuant to Subsection 15.3 of the *Clean Environment Act*, to borrow, must obtain the authorization, in writing, of the Municipal Capital Borrowing Board as required by Subsection 14 (3) of the *Municipal Capital Borrowing Act*.

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**▶ 2. CAPITAL BORROWINGS REQUIRING AN APPLICATION**

Capital borrowings that require an application to the Municipal Capital Borrowing Board for approval are:

1. Interim financing, (including borrowing which will be reimbursed by grant funding).
2. Borrowing from:
  - Federal Government
  - Provincial Government
  - New Brunswick Municipal Finance Corporation
  - Municipal Reserve Funds established pursuant to Subsections 90 & 189 ( 7 ) and according to *Reserve Fund Regulation 97-145* under the *Municipalities Act*



- Municipal Sinking Funds established under Section 7 of the *Municipal Debentures Act*
- Trust funds for which the municipality is the trustee.

3. Leasing

Capital leases as defined in Regulation 84-21 of the *Municipal Capital Borrowing Act*.

4. Purchase arrangements

Purchase agreements as defined under Regulation 84-21 of the *Municipal Capital Borrowing Act*.

5. Guarantees

Municipalities guaranteeing loans of municipal enterprises per Subsection 6 (1) of the *Municipal Capital Borrowing Act*.

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### ► 3. WHAT IS AN ELIGIBLE CAPITAL EXPENSE?

In developing capital plans and determining borrowing strategies, municipalities should be aware of the following policy of the Municipal Capital Borrowing Board:

Under Subsection 4(1) of the Municipal Capital Borrowing Act, a capital expense means an expenditure for a tangible asset that confers a benefit on a municipality for a period exceeding one year.

Expenditures related to the purchase or construction of a tangible asset, which may be considered capital expenses for borrowing purposes include:

- Legal, title and closing costs
- Surveying, accounting and appraisal fees
- Architectural and engineering preliminary plans
- Insurance premiums and interest costs during construction
- Transportation charges and Debenture issue expenses.

Other eligible capital expense items include the provision of the initial municipal plan under the *Community Planning Act*. Similarly, a grant to a corporation to provide a municipal service to the general public (for example, a grant to a recreation association or educational institution for the construction of a swimming pool, library, or track and field facility) may be considered a capital expenditure and, therefore, eligible for long-term borrowing. The municipality must, however, have a binding commitment from the corporation or agency to provide the service for the term of the loan.

Finally, expenditures which significantly increase the life expectancy of a tangible asset or its value or service beyond its original purpose can be considered a capital expense for borrowing purposes.

Management, feasibility, market, traffic and other studies are not to be considered capital expenses for borrowing purposes. Similarly, salaries and wages of administrative personnel and full-time employees should also not form part of an application for capital borrowing as these expenditures are already funded through the municipal tax rate or user fees.





## ► 4. TIMING OF COMMITMENTS

Municipalities cannot commit, contract, or otherwise obligate the municipality for an expenditure requiring money to be borrowed, guaranteed, capital leased or purchased, or enter into a purchase arrangement, until authorization is granted by Ministerial Order (ss 6 (1) *Municipal Capital Borrowing Act*).

Negotiations may, however, proceed with an option to purchase, but authorization by Ministerial Order must be obtained prior to finalizing the agreement.

Tenders, quotes, etc. for purchases or expenditures may likewise be invited and opened, but acceptance cannot be made prior to obtaining authorization to do so.

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## ► 5. APPLICATION AND APPROVAL PROCESS

Municipalities or authorized agencies and corporations planning to borrow must follow certain steps in connection with their application to the Municipal Capital Borrowing Board:

### Step 1 - Council Resolution

Once a municipal council or board of directors has decided to proceed with a project for which borrowing is required, it must officially record its approval of the financing arrangements by adopting an appropriate resolution. An example of a typical resolution is shown below. This resolution must be certified and sealed with the municipal seal and forwarded to the Secretary of the Municipal Capital Borrowing Board. A schedule of Municipal Capital Borrowing Board hearing dates can be obtained from the Secretary of the Board.

#### Sample of a Resolution of Council

“That the Municipality of Modelville submit to the Municipal Capital Borrowing Board an application for authorization to borrow for a capital expense for the following term and amount:”

Purpose	Amount (\$)	Term
<u>Transportation Services</u>		
Paving	\$100,000	10 years

I certify that the above is a true and exact copy of a resolution passed by the council of the Municipality of Modelville on the Xth day of Month , 20 XX.

Seal

Clerk



## Step 2 - Application to the Board

Applications using Form 1 in Appendix I (page15), and Form 3 in Appendix I (page16), are to be submitted to:

Secretary, Municipal Capital Borrowing Board  
Department of the Environment and Local Government  
P. O. Box 6000  
Fredericton, NB  
E3B 5H1

The following information must accompany an application (see checklist Appendix I, page 17):

### 1. Resolution of Council

- Certified, sealed copy (see page 3 for a sample resolution).

### 2. Project Description

Since the authorization to borrow is given according to fund (General or Water and Sewer, etc.), and by services within that fund, the application must clearly indicate the service for which the project is being undertaken.

The various services are: General Government, Protective, Transportation, Environmental Health, Environmental Development, and Recreation and Cultural. (See page 18 for information on classification).

A further breakdown according to object is required, i.e. land, buildings, engineering structures, and furnishing and equipment. For example:

<u>Transportation Services</u>	
Land for right-of-way	\$ 10,000
Roof renewed, public works building	\$ 5,000
Paving, one half mile of streets	<u>\$200,000</u>
Total: Transportation Services	<b>\$215,000</b>

The following additional information should be provided when acquiring an asset:

- **Land** - its market value, supported by a qualified appraisal. The current real property assessment as determined by Service New Brunswick is also acceptable provided it is representative of the purchase price.
- **Buildings Constructed** - preliminary plans, type of construction, and pro forma operating and maintenance budget.
- **Buildings Purchased** - its market value supported by a qualified appraisal and rental income if any. The current real property assessment as determined by Service New Brunswick is also acceptable provided it is representative of the purchase price.
- **Engineering Structures** - new or replacement and description of work to be done.
- **Machinery, Equipment and Furnishings** - list items under appropriate service stating if it is new or replacement.



### 3. Capital budget

- Capital budget for the year in question showing the source and application of funds.

### 4. Capital plan

- Updated five-year plan (for General Operating Fund see Appendix III, page 33, and for Water and Sewer Utility Fund see Appendix III, page 37).

### 5. Debt profile and budget estimates

- Include details of projections used (e.g. percentage increases).

### 6. Disposition of Outstanding authority

- List all outstanding authority to borrow (see page 7, section 6) and indicate the year when long-term financing will be undertaken.

### 7. Confirmations

The following approvals and confirmations are required:

- a. **Grants** - confirmation from granting authority.
- b. **Water & Sewer projects** - technical approval by the Department of the Environment and Local Government.
- c. **Cost sharing** - Municipalities are reminded that written confirmation must be obtained from the Department of the Environment and Local Government for capital assets where Local Service Districts (L.S.D.) are participating in the acquisition.

## Step 3 - Advertisement

Municipalities wishing to borrow funds must apply to the Municipal Capital Borrowing Board using Form 3 in Appendix I (page 16), which, once completed by the Secretary of the Board, is returned to the municipality for placement in two consecutive issues of a local newspaper. After the advertisement appears in the local paper, the municipality is required pursuant to subsection 3(6.2) of *New Brunswick Regulation 84-113* under the *Municipal Capital Borrowing Act* to submit to the Secretary of the Municipal Capital Borrowing Board the complete page on which the ad appeared as proof of advertising. The Board will publish the Notice of Hearing in the Royal Gazette approximately two weeks prior to the hearing. A schedule outlining final dates to apply to the Board for a Notice of Hearing can be obtained from the Secretary of the Board.

It is important that the purpose of the proposed borrowing be clearly conveyed to the public in the Notice of Hearing (see Appendix I, page 18, Classification of Capital Projects).

## NOTE

Application to the Municipal Capital Borrowing Board for authority to borrow for a capital expense, the total sum of which shall be repaid within three (3) years by federal or provincial grants, *does not require advertising*. In such cases the Board will authorize interim financing up to the amount of the approved grant for a period not exceeding three years. An application is, however, required and all other factors involved in processing an application will be considered by the Board.



## Step 4 - Dates of Public Hearing Published

Pursuant to subsection 2(1) of *New Brunswick Regulation 84-113* under the *Municipal Capital Borrowing Act* the Municipal Capital Borrowing Board convenes for public hearings on the second Monday of each month except in the months of July and August. The date and time of each hearing is published, twice in a local paper by the applicant using form 3 (see Appendix I, page 16) and once in **The Royal Gazette** by the Board.

## Step 5 - Public Hearings

The Municipal Capital Borrowing Board holds a public hearing on the advertised date, where the application is reviewed and either accepted or rejected. On occasion, an application may be tabled until clarification or confirmation of an important aspect of the application is received.

## Step 6 - Ministerial Approval

Any authorization granted by the Municipal Capital Borrowing Board must be approved by the Minister of the Environment and Local Government before the municipality can proceed with its project. This approval is generally obtained and communicated to the applicant within two weeks of the hearing.

## Step 7 - Interim Financing

Upon receipt of the Ministerial Order, the municipality may obtain a line of credit or demand note for interim financing from a lending institution at a rate of interest negotiated but not to exceed the chartered banks' prime lending rate, in order to begin the project. Funds are drawn down as necessary to pay contractors progress payments, vendors etc. to minimize, to the extent possible, short-term interest costs. It should be noted that such costs are eligible for capital borrowing and may be included as part of the total capital cost for which borrowing authority is requested.

## Step 8 - Long-Term Financing

When the project is completed and final costs are known, arrangements for long-term financing are made with the New Brunswick Municipal Finance Corporation. The New Brunswick Municipal Finance Corporation has been established to issue debentures, on behalf of municipalities, and their approved agencies and corporations. The Corporation, in turn, loans the money to the municipalities at the same rate of interest obtained by the Corporation. This arrangement provides municipalities with significant savings in borrowing costs.

The Corporation, on a semi-annual basis, polls municipalities and commissions to determine whether sufficient interest exists to support a debenture issue. The process begins with a letter, usually sent out in February and August respectively, from the Corporation. The letter also has an "Application for Financing" attached. This application requires a resolution of council, as contained on the form, being passed thereby confirming the amount, purpose and term for the debenture. The completed document must be returned to the Secretary-Treasurer of the Corporation by the deadline contained in the letter. All requests are pooled and a determination of terms, financial market trends and investor's interest in an issue is made. If the Corporation is satisfied with the prevailing market, a debenture is sold, usually through a major institution.

This method of capital financing has resulted in major savings for municipalities and commissions given that the Corporation is able to attract investors on both volume and the strength of the Province of New Brunswick's guarantee on Corporation's debenture issues. These "savings" are passed directly onto municipalities and commissions less a small levy of \$0.015 per \$1,000 for bond issue expenses and bank charges. The ending



result is that municipalities and commissions are issuing debentures at essentially the same yields and rates of interest as the Province. A blank application for long term financing may be viewed in Appendix I, page 19).

Further information may be received from the Secretary of the Municipal Capital Borrowing Board who also holds the position of Secretary - Treasurer of the New Brunswick Municipal Finance Corporation.

Department of the Environment and Local Government  
Attn. Secretary-Treasurer of the New Brunswick Municipal Finance Corporation  
P. O. Box 6000  
Fredericton, N.B. E3B 5H1  
Tel: (506) 453-2154 Fax: (506) 457-4991

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## ▶ 6. VOIDING OF AUTHORITY

Authorization to borrow is voided if:

- the project for which the loan is authorized has not commenced within two years of the date the authority was granted.  
e.g. Authority is granted by Ministerial Order dated April 11, 2000 to purchase land. If by April 11, 2002 the municipality has not purchased the land, the authority is voided.
- the amount of the authorization exceeds the cost of the project; the excess is voided.  
e.g. The municipality or commission, at the time of its application to the Municipal Capital Borrowing Board for authority to borrow to purchase this land, expects the selling price to be \$25,000 and obtains authority for that amount. The final price is actually \$22,000 and therefore, \$3,000 is to be voided. This must be communicated to the Board when long-term financing is arranged.
- a portion of the authorization is covered by federal, provincial or other grants, therefore, that portion is voided.  
e.g. The municipality or commission, after obtaining authority to borrow \$25,000 for the purchase of land, receives an unexpected grant for the purchase in the amount of \$3,000. The authorization is reduced by the amount of the grant and is no longer available to the municipality.

It is the municipality/commission's responsibility to keep this information up-to-date and to inform the Secretary of the Municipal Capital Borrowing Board when authority should be voided.

**Reference:** *Municipal Capital Borrowing Act*, Subsection 10.

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## ▶ 7. CHANGE OF PURPOSE

Money may only be diverted to a purpose other than that for which it was obtained when such diversion is made with the approval of the Municipal Capital Borrowing Board. For example, Board authorization is obtained to undertake \$200,000 in paving of municipal streets, but council subsequently decides to purchase a new firetruck. Board authorization for a “Change of Purpose” from Transportation Services (paving) to Protective Services (firetruck) would be required. Alternatively, a decision to replace the paving project with the purchase of a new snow plow, both being under Transportation Services, would only require filing of the approved resolution of council with the Board.

A written request, accompanied by a resolution of council, must be forwarded to the Secretary of the Board. No advertising is normally needed but may be required by the Board in the better interest of ratepayers particularly, if the requested change of purpose is considered controversial.

**Reference:** *Municipal Capital Borrowing Act*, Subsection 11(2)



## ▶ 1. IMPORTANCE OF CAPITAL PLANNING

Municipalities and commissions, like many other organizations, are becoming aware of the growing need for longer term planning. For growing municipalities, there is pressure to expand capital assets while in more established ones, there usually is a need to consider the replacement of their capital assets.

Capital planning is a financial planning tool that aids a municipal council or a commission's Board of Directors in establishing priorities for its spending on services, while controlling the ultimate impact on the tax rate or user fees. Capital Planning also provides a mechanism for controlling future debt levels, thereby ensuring that a reasonable amount of financial flexibility is maintained.

A capital plan projects capital expenditure needs several years into the future, usually five. Most capital expenditures such as the installation of a water and sewerage infrastructure, or the purchase of a fire truck, can be projected well in advance. The capital plan, while prepared or revised annually, assigns priorities to meeting these needs in light of financial constraints imposed by the municipal council, usually in the form of a maximum tax rate or user fee. Other limits are also specified in the *Municipalities Act* and by policies of the Municipal Capital Borrowing Board.

Although the capital plan is maintained separately from the operating budget, they do work in unison since the debt charges on funds borrowed for capital expenditures become expense items in the annual operating budget. In addition, operating and maintenance costs of capital assets have an impact on the operating budget.

In order to have a realistic, workable capital plan, therefore, it is necessary to estimate the effect that debt service and operating costs will have on future tax rates. In this way, non-essential capital expenditures will not be undertaken at the expense of pending essential capital projects and the municipality or commission will thus be in a better position to control future debt levels.

In its review of applications, the Municipal Capital Borrowing Board must be satisfied that future revenues will be available to repay the debt. A capital plan should illustrate, not only that the proposed borrowing is within the financial capacity of the municipality, but also that consideration has been given to future capital requirements.

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## ▶ 2. CAPITAL PLANNING PROCESS

In many municipalities, the capital plan is developed by way of a special committee, usually the Finance Committee, which is made up of members of council and department heads. Upon completion, the capital plan is forwarded to council for adoption. A similar approach is also used by most commissions.



The process usually consists of the following steps:

1. Identification of services to be provided and the capital expenditures to be incurred.
2. Determination of cost estimates of capital expenditures.  
(consideration of such cost elements as land, architect/engineering fees, construction, legal fees, etc.)
3. Determination of the time periods over which the asset is to be constructed or acquired and the costs prorated accordingly.
4. Determination of all revenues to be applied to each project.

Potential revenue sources:

- External -federal/provincial grants  
-contribution from developers  
-recovery from participating Local Service Districts or other municipalities.
- Internal -capital from operating  
-reserve funds

5. Amount to be financed is determined.
6. Review by council of individual projects for acceptance or rejection.
7. Derive a total capital expenditure plan which consists of annual totals for various projects within the services (see Appendix I, page 18, and Appendix III, page 33), and totals for the various sources of financing, including long-term borrowing.
8. Analysis undertaken to measure the impact on future operating budgets.  
Factors to be considered:
  - Council policies and guidelines
  - Borrowing limits under the *Municipalities Act* (see subsection 89)
  - Debt service cost to gross expenditure ratio (see page 13)
  - Term for financing (see Appendix II, page 25)
  - Municipal Capital Borrowing Board policies
  - Impact on tax rate/user fee/tipping fee
9. Completed plan presented to council for consideration and adoption.

The capital planning process represents a combined effort between the council, most major departments and their staff. The council's role is to establish guidelines or policies that provide direction to the staff who, in turn, utilize their specialized skills to develop a plan for providing services to the taxpayers of the municipality.

The long-term capital plan should be a statement of council and therefore adopted by resolution of council. It is a most useful planning tool and as such should be utilized and updated annually. An ideal time would be in conjunction with development of the operating budget in the late fall.





### ▶ 3. ELEMENTS OF A FIVE-YEAR CAPITAL PLAN

A Capital plan should include the following (see Appendix III for detailed examples):

1. List and description of each capital project, including the purpose of the project, for a five-year period.
2. Estimate of the capital costs for each project.
3. Source of funds for each project.
4. Corresponding debt charges and operating and maintenance costs. On occasion, a project may result in a reduction of the existing operating and maintenance costs.
5. Summary of the total capital budget, by year, for the next five years.
6. Operating budget estimates over the same five-year period.

The capital plan, therefore, includes a list and description of each proposed capital project and the associated costs over a five-year period. This approach is useful in that some capital projects may take more than one year to complete, and once started, represent a commitment to a certain level of expenditure.

The first year of the five-year capital plan constitutes the municipality's current year capital budget.

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### ▶ 4. PREPARATION OF THE FINAL DOCUMENT

Appendix III contains a model of both a General Operating Fund and a Water and Sewerage Utility Fund capital budget which illustrates the elements of such budgets. The models provide a suggested format and municipalities/commissions should adopt a plan that best suits their individual requirements and characteristics. Nevertheless, the plan should comprise all of the elements previously described in section 3.

Included in the model capital budget is a statement showing the effect of the borrowing on the tax rate, debt ratios and user charge fees. (See page 34, General Operating Funds, and page 38, Water and Sewerage Utility Fund).

The following provides a walk through of the General Operating Fund Tax Rate and Debt Ratio's Projection Statement. This valuable statement provides budget estimates of the impact of the five-year capital plan on the municipality's future debt level and tax rates. The schedule is divided into two main sections with the top part providing operating fund details; the bottom portion provides debt cost figures on the proposed borrowing based on planned capital expenditures. In the bottom section, ratios are also provided to reflect the municipality's debt position.

#### **BUDGET ESTIMATE**

1. With respect to the budget estimates section, you will note that a limited number of key revenue and expenditure accounts are presented:



## REVENUES

**Warrant** - can be calculated by deducting non-tax revenues, unconditional grant and surplus of second previous year from total expenditures.

**Unconditional Grant** - as provided by the Department of Finance pursuant to the *Municipal Assistance Act*.

**Non-Tax Revenue** - all other revenues from such sources as fines, services provided to other governments etc.

**Surplus of Second Previous Year** - the audited surplus, if any, of the second previous year is to be included as a revenue item pursuant to Subsection 89(8) of the *Municipalities Act*.

## EXPENDITURES

**Debt Cost** - includes the costs of servicing present debt and planned borrowing. This line corresponds to the total debt service cost line of the debt profile section of the analysis.

**Capital from Budget** - represents capital expenditures to be financed or paid for directly from the operating fund.

**Water Costs** - Since expansions to the water system usually result in increases in the amount of water costs for fire protection, this expense item is usually helpful in highlighting increases in expenditures.

**Deficit of Second Previous Year** - the audited deficit, if any, of the second previous year is to be included as an expense item pursuant to Subsection 89(9) of the *Municipalities Act*.

**Other Expenditures** - represents all other operating costs for administration, day-to-day maintenance, salaries, wages, etc. In most cases, these costs increase annually at about the rate of inflation unless adjusted for an increase or decrease in service.

**Municipal Tax Base for Rate** – value of all real property subject to taxation by the municipality as modified for New Brunswick taxation norms and adjusted for any “risk” on Federally owned real property. A projection is usually based on a blend of historical increases in tax base and anticipated growth trends.

## DEBT PROFILE

2. The **debt profile** section provides more detail on debt costs:

**Present Debt Service Cost** - annual cost of servicing existing debt (i.e. principal and interest). These amounts can be obtained from the municipality’s debenture records and should be verified with the Municipal Capital Borrowing Board’s debt profiles on each municipality.

**Interim Financing** - this represents short-term interest costs relating to the General as well as Capital Fund. These costs as they relate to capital items will depend on the period of time over which a project is to be completed as well as on the timing of the availability of long-term financing. Bank service charges and debenture issue expenses are also included here.



**Refinancing** - This is the amount of debenture debt which has a maturity date prior to the amortization term. For example, a debenture is amortized over a 15-year term with annual principal and interest payment based on 15 years. However, due to factors such as interest rates and marketability the New Brunswick Municipal Finance Corporation or the municipality stipulates a maturity date of 10 years. The remaining principal becomes repayable at the end of year ten and may be paid out in full or part and/or refinanced for the remaining five years or less of the amortization period approved by the Municipal Capital Borrowing Board. The costs related to issuing a debenture are payable, but it is our experience that municipalities still benefit through a combination of interest savings and having the flexibility of paying down on the remaining principal. Normally better rates and yields than would have been realized during the 11-15th year if a 15-year debenture had been signed are also evidenced.

**Outstanding Authority** - represents the amount of borrowing authority already obtained from the MCBB which has yet to be financed (see interim financing). Projections should include debt repayment according to estimated date of completion and financing. Amounts should be verified with the Secretary of the Municipal Capital Borrowing Board.

**Planned Borrowing** - debt costs associated with the proposed borrowing for financing capital expenditures over the next five years. The interest rate is normally based on projected rates for debenture issues while the term should not exceed the expected useful life of the asset. See appendix II, page 25, for a listing of amortization periods. The debt cost amount is then obtained by employing a blended interest and principal payment schedule. For example, the annual debt cost on borrowing of \$400,000 at a rate of 10 percent for 10 years would be determined by multiplying \$400,000 by a factor of 0.162745, which equals \$65,000. A table of factors is presented in Appendix II, page 24.

**Total Debt Service Cost** - represents total existing, pending and planned debt costs that are to be included in the budget estimates.

## RATIOS

3. The last portion of the schedule provides a number of indicators which are utilized to measure the municipality's debt position.

**Debt Service Cost to Gross Expenditures** - a measure of the portion of a municipality's budget which is allocated to the repayment of long-term debt. Total Debt Service Cost includes:

- Principal repayment
- Interest expense
- Interim interest
- Debenture issue expenses
- Sinking fund allocations
- Bank Service Charges
- Capital lease payments
- Guarantees
- Purchase arrangements

It is calculated by dividing Total Debt Service Cost by Total Expenditures and then multiplying the result by 100.

**Outstanding Debt-December 31** - total amount of outstanding principal owing at the end of the fiscal year.



**Outstanding Debt to Assessment** - measures the portion of total outstanding debt as a percentage of the assessment base. The amount is arrived at by dividing the outstanding debt by the municipal assessment base and multiplying the result by 100. The municipal assessment base is the real property assessment of the municipality including both municipal and federal properties.

**Outstanding Debt per Capita** - a measure of the debt obligation calculated on the basis of population. This ratio displays the number of dollars each individual in the municipality would have to contribute in order to pay off debts of the municipality. The ratio is calculated by dividing the total outstanding debt by the population of the municipality.

**Debt Service Cost Effect on Tax Rate** - a measure of the portion of the tax rate used for the repayment of the debt. This amount is expressed in cents and is calculated by multiplying the debt cost ratio by the tax rate.



FORM 1

**APPLICATION FOR AUTHORIZATION**

The Municipality of \_\_\_\_\_ submits to the Municipal Capital Borrowing Board an application for authorization to borrow money (or to guarantee the repayment of money borrowed or to enter into a lease, lease-purchase or purchase arrangement) in an amount not to exceed \$\_\_\_\_\_ for the following:

<u>Purpose</u>	<u>Term</u>	<u>Amount</u>
----------------	-------------	---------------

This application is made pursuant to Section 1.1 (or Subsection 4(1)) (or Section 1.1 and Subsection 4(1)) of the Municipal Capital Borrowing Act and a resolution of the Council of the \_\_\_\_\_ of \_\_\_\_\_ on \_\_\_\_\_ 20\_\_\_\_.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Clerk



**NOTICE OF HEARING  
UNDER THE  
MUNICIPAL CAPITAL BORROWING ACT**

NOTICE is hereby given that on \_\_\_\_\_, the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, in the Conference Room, Third Floor, Marysville Place, 20 McGloin Street, Fredericton, New Brunswick, the Municipal Capital Borrowing Board will hear the applications of the \_\_\_\_\_ of \_\_\_\_\_ at \_\_\_\_\_ for authorization to borrow money (or to guarantee repayment of money borrowed) (or to enter into a lease, lease-purchase or purchase arrangement), for a capital expense, as set forth in section 1.1 (or subsection 4(1)) (or section 1.1 and subsection 4(1)) of the *Municipal Capital Borrowing Act*:

OBJECTIONS to this application, if any, may be filed in writing with the Secretary of the Municipal Capital Borrowing Board, P. O. Box 6000, Fredericton, New Brunswick, E3B 5H1, or may be made orally to the Board at the time of the hearing.

Dated the \_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

\_\_\_\_\_  
Secretary, Municipal Capital Borrowing Board

New  Nouveau  
Brunswick



# APPLICATION CHECKLIST

The following items are required for every application for authority to borrow for a capital expense. Please check those items that are included and use N/A if the item is not applicable. For those items that are not included please indicate when they will be forwarded (e.g. proof of advertising in local paper).

1. Council Resolution, certified and sealed \_\_\_\_\_
2. Proof of advertising in local paper (full page required) \_\_\_\_\_
3. Project Description \_\_\_\_\_
4. Current year capital budget \_\_\_\_\_
5. Five-year capital plan \_\_\_\_\_
6. Tax rates, debt ratios and user fees projections \_\_\_\_\_
7. Disposition of outstanding authority \_\_\_\_\_
8. Confirmations (grants, purchase agreements etc.) \_\_\_\_\_

COMMENTS:



# **CLASSIFICATION OF CAPITAL PROJECTS\***

**for advertising and applying to the Municipal Capital Borrowing Board**

## **General Government Services:**

Land, buildings, furniture and equipment for council chambers and general administrative officers.

## **Protective Services:**

Projects for police and fire protection, emergency measures, protective inspections as well as animal and pest control.

## **Transportation Services:**

Public works garages, streets and roads, sidewalks, storm sewers, traffic control, street signs, street lighting, parking, airport, wharves and public transit.

## **Environmental Health Services:**

Solid waste collection and disposal (general fund) and water and sewer (utility fund).

## **Environmental Development Services:**

Development of industrial, tourism and natural resources, housing, markets and beautification projects.

## **Recreation and Cultural Services:**

Recreation facilities, community centres, libraries, museums, theaters, historic sites and zoos.

**\* Statistics Canada - A Financial Information System for Municipalities**





## APPLICATION FOR FINANCING

Resolved that the Clerk and/or Treasurer and/or Mayor be authorized to issue and sell to the New Brunswick Municipal Finance Corporation a Municipality of \_\_\_\_\_ debenture in the principal amount of \$ \_\_\_\_\_ on such terms and conditions as are recommended by the New Brunswick Municipal Finance Corporation, and be it resolved that the Municipality of \_\_\_\_\_ agree to issue post dated cheques payable to the New Brunswick Municipal Finance Corporation as and when they are requested in payment of principal and interest charges on the above debenture.

I certify that the above is a true and exact copy of a resolution passed by the Council of the Municipality of \_\_\_\_\_ while in regular/special session held \_\_\_\_\_, 20\_\_.

SEAL

\_\_\_\_\_  
Clerk

Ministerial for Order each No. _____ Amount	Date of M. O. _____	Date of Council's Resolution authorizing Application to the MCBB _____	Purpose by function _____	Amount in Dollars _____	Term
--	------------------------	---	------------------------------	----------------------------	------

General Operating Fund

_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Water & Sewer Utility Fund

_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Other Fund (Specify: eg: Electric)

_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Transfer of proceeds: (check one)

\_\_\_\_\_ Proceeds are to be deposited to the municipality's account number \_\_\_\_\_ at

\_\_\_\_\_ (NAME AND ADDRESS OF BANK) (ONE ACCOUNT NUMBER ONLY PLEASE)

\_\_\_\_\_ The Municipality does not have access to bank and must receive cheque for the proceeds.

The application should be sent to:

Department of the Environment and Local Government  
Attn. Secretary-Treasurer, New Brunswick Municipal Finance Corporation  
P. O. Box 6000, Fredericton, New Brunswick E3B 5H1



### SUGGESTED DEBT MANAGEMENT POLICIES FOR MUNICIPALITIES

1. Long-term borrowing is only available for capital expenses as defined on page 2.
2. Amortize debentures for periods up to the maximum terms listed in Appendix II, page 25. Shorter amortization periods provide savings in interest charges as well as earlier opportunities to undertake other capital works.
3. Charge interim financing costs incurred after the completion of the project to the current operating fund budget.
4. Salaries of administrative personnel and the wages of full-time employees should not be charged to the capital budget. These expenditures are funded through the municipal tax rate or user fees and are, therefore, not appropriate for capital borrowing (page 2120, Municipal Financial Reporting Manual).
5. As soon as possible after completion of a capital project, finance borrowing from lenders listed in Section 13 (1) and 13 (3) of the *New Brunswick Municipal Finance Corporation Act*. The Corporation normally provides two debenture issues a year, one in the late spring while the other is completed by December 31.
6. Establish a portion of the annual operating budget for capital (pay-as-you-go) expenditures of a routine nature (eg: Patching streets, police and fire equipment, vehicles etc.).
7. Maintain the debt service cost to gross expenditure ratio of the general operating fund budget below 20 percent. (See page 13 for definition of this ratio)

Municipalities are also reminded that, in calculating their debt service cost, they must include their share of debt or guaranteed debt, that may exist for municipal commissions such as public transit but excluding solid waste commissions which are specifically exempted by Municipal Capital Borrowing Board Policy.



## HOW TO DETERMINE THE ANNUAL COST OF MONEY BORROWED USING SERIAL DEBENTURES WITH BLENDED PAYMENT SCHEDULES

1. Determine the term and rate of interest. Then obtain the appropriate factor from the table in this Appendix.
2. Multiply this factor by the number of dollars to be borrowed. This will give the amount required to meet the annual interest and principal payments.

For example: consider \$100,000 borrowed at 10 1/2 percent on a 10-year serial debenture dated October 1, 2001 with blended annual payments.

For estimation purposes the annual debt service cost (principal repayment and interest cost) may be calculated as follows:

Multiply \$100,000 x .16626 = \$16,626 (annual principal and interest)

First year interest cost is	\$100,000 x 10 1/2%	= \$10,500	\$10,500
First year principal repayment is	\$16,626 - \$10,500	= \$ 6,126 rounded	<u>\$ 6,000</u>
Therefore, total first year cost is			\$16,500
Second year interest cost is	\$100,000 - \$6,000	= \$94,000 x 10 1/2%	\$ 9,870
Second year principal repayment is	\$16,626 - \$9,870	= \$ 6,756 rounded	<u>\$ 7,000</u>
and total second year cost is			\$16,870

In this way, a repayment schedule can be worked out as follows:

Year	Outstanding Principal	Principal Repayment Oct. 1	Semi-Annual Interest April 1	Semi-Annual Interest Oct. 1	Total Charge
2002	\$100,000.00	\$6,000.00	\$5,250.00	\$5,250.00	\$16,500.00
2003	\$94,000.00	\$7,000.00	\$4,935.00	\$4,935.00	\$16,870.00
2004	\$87,000.00	\$8,000.00	\$4,567.50	\$4,567.50	\$17,135.00
2005	\$79,000.00	\$8,000.00	\$4,147.50	\$4,147.50	\$16,295.00
2006	\$71,000.00	\$9,000.00	\$3,727.50	\$3,727.50	\$16,455.00
2007	\$62,000.00	\$10,000.00	\$3,255.00	\$3,255.00	\$16,510.00
2008	\$52,000.00	\$11,000.00	\$2,730.00	\$2,730.00	\$16,460.00
2009	\$41,000.00	\$12,000.00	\$2,152.50	\$2,152.50	\$16,305.00
2010	\$29,000.00	\$14,000.00	\$1,522.50	\$1,522.50	\$17,045.00
2011	\$15,000.00	\$15,000.00	\$ 787.50	\$ 787.50	\$16,575.00



## HOW TO DETERMINE THE ANNUAL COST OF MONEY BORROWED USING SERIAL DEBENTURES WITH EQUAL ANNUAL PRINCIPAL PAYMENTS

- To calculate payments on a \$100,000 loan borrowed at 10½ percent on a 10-year serial debenture dated October 1, 2001 using equal annual principal payments use the following:

Divide \$100,000 by the number of years over which the loan is to be amortized. This yields the annual principal repayment.

The interest cost is then determined by multiplying the outstanding principal by the interest rate.

For example:

First year principal repayment $\$100,000 \div 10$	=	\$10,000
First year interest cost is $\$100,000 \times 10\frac{1}{2}\%$	=	<u>\$10,500</u>
Total first year cost	=	\$20,500
Second year principal repayment $\$100,000 \div 10$	=	\$10,000
Second year interest cost is $\$90,000 \times 10\frac{1}{2}\%$	=	<u>\$ 9,450</u>
Total second year cost	=	\$19,450

In this way, a repayment schedule can be worked out as follows:

<u>Year</u>	<u>Outstanding Principal</u>	<u>Principal Repayment Oct. 1</u>	<u>Semi-Annual Interest April 1</u>	<u>Semi-Annual Interest Oct. 1</u>	<u>Total Charge</u>
2002	\$100,000.00	\$10,000.00	\$5,250.00	\$5,250.00	\$20,500.00
2003	\$90,000.00	\$10,000.00	\$4,725.00	\$4,725.00	\$19,450.00
2004	\$80,000.00	\$10,000.00	\$4,200.00	\$4,200.00	\$18,400.00
2005	\$70,000.00	\$10,000.00	\$3,675.00	\$3,675.00	\$17,350.00
2006	\$60,000.00	\$10,000.00	\$3,150.00	\$3,150.00	\$16,300.00
2007	\$50,000.00	\$10,000.00	\$2,625.00	\$2,625.00	\$15,250.00
2008	\$40,000.00	\$10,000.00	\$2,100.00	\$2,100.00	\$14,200.00
2009	\$30,000.00	\$10,000.00	\$1,575.00	\$1,575.00	\$13,150.00
2010	\$20,000.00	\$10,000.00	\$1,050.00	\$1,050.00	\$12,100.00
2011	\$10,000.00	\$10,000.00	\$525.00	\$525.00	\$11,050.00



The actual method used to calculate annual principal and interest payments on a municipal debenture is somewhat more complicated. In short, once the annual blended payment amount is identified using an average coupon rate, the interest cost is calculated by applying the respective coupon rates to the annual principal amounts outstanding. The remainder rounded to the nearest thousand dollar becomes the principal payment. An example using a \$147,000 debenture with a 15-year amortization follows.

Principal amount to be borrowed	\$147,000
Average coupon rate	6%
Blended annual payment	\$15,135

<u>Year</u>	<u>Coupon Rate</u>	<u>Outstanding Principal</u>	<u>Principal payment</u>	<u>Semi-annual Interest</u>	<u>Semi-annual Interest</u>	<u>Total Annual Payment</u>
2002	3.625	\$147,000.00	\$6,000.00	\$4,486.25	\$4,486.25	\$14,972.50
2003	4.375	\$141,000.00	\$7,000.00	\$4,377.50	\$4,377.50	\$15,755.00
2004	4.875	\$134,000.00	\$7,000.00	\$4,224.38	\$4,224.38	\$15,448.75
2005	5.375	\$127,000.00	\$7,000.00	\$4,053.75	\$4,053.75	\$15,107.50
2006	5.500	\$120,000.00	\$8,000.00	\$3,865.63	\$3,865.63	\$15,731.25
2007	5.875	\$112,000.00	\$8,000.00	\$3,645.63	\$3,645.63	\$15,291.25
2008	6.250	\$104,000.00	\$9,000.00	\$3,410.63	\$3,410.63	\$15,821.25
2009	6.375	\$95,000.00	\$9,000.00	\$3,129.38	\$3,129.38	\$15,258.75
2010	6.500	\$86,000.00	\$10,000.00	\$2,842.50	\$2,842.50	\$15,685.00
2011	6.625	\$76,000.00	<u>\$76,000.00</u>	<u>\$2,517.50</u>	<u>\$2,517.50</u>	<u>\$81,035.00</u>
TOTAL			<u>\$147,000.00</u>	<u>\$36,553.13</u>	<u>\$36,553.13</u>	<u>\$220,106.25</u>

Note: \$65,000 to be refinanced on December 2, 2011 for a term not exceeding 5 years

This example includes refinancing of the debenture after 10 years for a period not exceeding five years. The municipality/commission must pay out the existing debenture and may refinance up to the balance of \$65,000 after the tenth year's principal is deducted from the \$76,000 balance on a new debenture. The applicant selected a 15-year amortization period to bring the annual repayments to the \$15,000 range, (a ten year period would have required \$20,000 in annual principal interest payments). The New Brunswick Municipal Finance Corporation required the applicant to refinance after ten years in order to achieve the best possible coupon rates while ensuring the entire group debenture issue remained marketable. Since most municipalities finance for 10 years or less the few who require longer terms do not, normally, provide a sufficient investment opportunity to buyers unless coupon rates are raised to attract the longer term investors. It is our experience that the expenses related to refinancing (approximately 1.25 percent of amount borrowed) provide greater benefits than trying to float a longer term issue at higher coupon rates. This was particularly true during the 1980's when interest rates were very high. Many municipalities and commissions have benefited significantly from lower coupon rates through refinancing than the prevailing rates in the early to mid-80's. More recently, with interest rates being lower, the Corporation uses the longer term refinancing option as presented above (10 (15) 5 years) than the shorter (5 (15) 10 and 7 (15) 8 years) refinancing options offered previously.



## FACTORS

### PERIODIC PAYMENT NECESSARY TO PAY OFF A LOAN OF \$1.00

Interest Rate	Amortization Period in Years			
%	5	10	15	20
3	.218 355	.117 231	.083 767	.067 216
3 1/4	.219 916	.118 731	.085 289	.068 779
3 1/2	.221 481	.120 241	.086 825	.070 361
3 3/4	.223 052	.121 761	.088 376	.071 962
4	.224 627	.123 291	.089 941	.073 582
4 1/4	.226 207	.124 830	.091 520	.075 220
4 1/2	.227 792	.126 379	.093 114	.076 876
4 3/4	.229 381	.127 937	.094 721	.078 550
5	.230 974	.129 504	.096 342	.080 242
5 1/4	.232 573	.131 081	.097 977	.081 952
5 1/2	.234 176	.132 667	.099 625	.083 679
5 3/4	.235 784	.134 263	.101 287	.085 423
6	.237 396	.135 868	.102 963	.087 185
6 1/4	.239 013	.137 482	.104 651	.088 962
6 1/2	.240 635	.139 105	.106 353	.090 756
6 3/4	.242 260	.140 737	.108 067	.092 567
7	.243 890	.142 377	.109 794	.094 392
7 1/4	.245 525	.144 027	.111 534	.096 234
7 1/2	.247 164	.145 685	.113 287	.098 092
7 3/4	.248 808	.147 353	.115 052	.099 964
8	.250 456	.149 029	.116 829	.101 852
8 1/4	.252 108	.150 714	.118 618	.103 754
8 1/2	.253 765	.152 407	.120 420	.105 670
8 3/4	.255 426	.154 109	.122 233	.107 601
9	.257 092	.155 820	.124 058	.109 546
9 1/4	.258 762	.157 538	.125 895	.111 504
9 1/2	.260 436	.159 266	.127 743	.113 476
9 3/4	.262 114	.161 001	.129 603	.115 461
10	.263 797	.162 745	.131 472	.117 459
10 1/4	.265 484	.164 497	.133 355	.119 470
10 1/2	.267 175	.166 257	.135 248	.121 493
10 3/4	.268 870	.168 025	.137 151	.123 528



## TERMS FOR AMORTIZING LOANS

<u>When Financing</u>	<u>Term</u>
Land	not exceeding 20 years
Buildings: Brick, concrete, metal clad, wood frame	not exceeding 20 years
Water and Sewer: Equipment - wells, lift station - filtration	not exceeding 30 years
Sewerage collection and water distribution lines	not exceeding 30 years
Street: Asphalt paving, curbs and gutters, sidewalks and storm sewers	10 - 15 years
Chipseal	5 - 10 years
Equipment and Furnishings: Light - auto, truck, office and playground equipment	3 - 5 years
Heavy - backhoe - graders	not exceeding 10 years
Fire trucks	not exceeding 15 years
Fire fighting equipment	not exceeding 5 years
General: Signage	not exceeding 5 years
Fencing	not exceeding 10 years
Entrance fees - Solid Waste Commissions	not exceeding 10 years
Ballfield lights	not exceeding 15 years



**MUNICIPALITY OF MODELVILLE**

**FIVE-YEAR CAPITAL PLAN**

**(200V-200Z)**

**RESOLUTION**

200U-353 Moved by Councilor O'Neill and seconded by Councilor LeBlanc "that the document entitled Municipality of Modelville-Five-year Capital Plan (200V-200Z) prepared by the Capital Plan Committee be adopted".

Carried.

I certify that the above resolution of the council of Modelville was passed while in regular/special session October 6, 200U.

(SEAL)

CLERK  
MUNICIPALITY OF MODELVILLE





# INTRODUCTION

This document provides a listing and description of planned capital projects for the Municipality of Modelville for the five year period 200V-200Z. It includes cost estimates and planned financing for each project.

The municipality's five-year capital plan also includes operating budget estimates of the general and the water and sewerage system for the next five years. Incorporated into these estimates are the debt costs associated with the planned borrowing and the estimated operating and maintenance costs associated with each project. The full impact of the municipality's capital plan is, therefore, reflected in these estimates.

## CAPITAL PLAN CONTENTS

### General Operating Fund Section

- 1) Description of Projects
  - General Government Services
  - Protective Services
  - Transportation Services
  - Environmental Development Services
  - Environmental Health Services (Solid Waste)
  - Recreation and Cultural Services
- 2) Five-year Capital Budget Summary
- 3) Tax Rate and Debt Ratios Projections

### Water and Sewerage Utility Fund Section

- 1) Description of Projects
- 2) Five-year Capital Budget Summary
- 3) User Charge Rates Projected



**DESCRIPTION OF PROJECTS**

**General Government Services**

The municipality plans to construct a much needed municipal administration building. The current facility no longer meets the requirements since it is too small for both the council and administrative staff needs. The present facility can be expanded and renovated to meet the needs of the police department.

<u>Year</u>	<u>Project</u>	<u>Cost</u>
200V	i) Purchase of land for site of new municipal administration building	\$ 25,000
	ii) Phase I of new municipal administration building	\$165,000
		\$190,000
200W	Phase II of new administration building	\$275,000
200X	Phase III of new administration building	\$225,000
200Y		0
200Z		0

**Protective Services**

(a) Police

The current municipal administration building will be renovated and expanded so that it can serve as a police station. This project will commence in 200Y once Phase III of the new administration building has been completed.

<u>Year</u>	<u>Project</u>	<u>Cost</u>
200Y	Expansion and renovation of former municipal administration building	\$125,000



(b) Fire

For many years, the municipality has been transferring annual amounts to the capital reserve fund. Most equipment requirements for the fire department have been met either through this reserve fund or purchased directly from the operating budget. However, the replacement of one of the fire trucks in 199Z will require capital borrowing since the reserve fund balance will probably be insufficient to meet the cost of the new truck. Other equipment needs will continue to be funded through the reserve fund or from the operating budget.

<u>Year</u>	<u>Project</u>	<u>Cost</u>
200Z	Purchase of new fire truck (cost \$175,000 less transfer from (reserve fund \$75,000)	\$100,000

### Transportation Services

a) Street surfaces

Over 2 km of streets remain unpaved in the municipality. First Street, a length of 730 m requires extensive work including surface improvements, curbs, and gutters. Storm sewers have already been installed here. Various streets are in need of resurfacing.

<u>Year</u>	<u>Project</u>	<u>Cost</u>
200V	First Street, surface improvements, curbs, gutters	\$ 75,000
	Resurface Second and Third Streets	<u>\$ 25,000</u>
		\$100,000
200W	Resurface Fourth and Fifth Streets	\$ 25,000
200X	Resurface Sixth and Seventh Streets	\$ 25,000
200Y	Resurface Eighth and Ninth Streets	\$ 25,000
200Z	Resurface Tenth and Eleventh Streets	\$ 25,000



b) Storm sewers

Extensive improvements have been made to the storm sewer system over the past few years. No work is scheduled for the year 200W. Work is scheduled for 200V on the municipality's only provincial highway, the cost of which is completely recoverable from the Department of Transportation.

<u>Year</u>	<u>Project</u>	<u>Cost</u>
200V	Cost of \$125,000 to be completely recovered from the Department of Transportation	\$ 0
200W		0
200X	Renewals	\$ 25,000
200Y	Renewals	\$ 25,000
200Z	Renewals	\$ 25,000

c) Sidewalks

Sidewalk construction has been limited to the needs of senior citizens and schools. This policy will be maintained over the next few years but funds are to be allocated for this purpose in the years 200X and 200Z.

<u>Year</u>	<u>Project</u>	<u>Cost</u>
200V		\$ 0
200W		\$ 0
200X	Sidewalk Construction	\$ 25,000
200Y	Sidewalk Construction	\$ 25,000
200Z	Sidewalk Construction	\$ 25,000

d) Equipment

The municipality's policy with respect to the equipment utilized for road maintenance and snow removal is to maintain and replace this equipment on a programmed basis.

High cost pieces of equipment with life expectancy greater than seven years are financed in part by transfers from the Capital Reserve Fund.

<u>Year</u>	<u>Project</u>	<u>Cost</u>
200V	i) Replace 198S Backhoe Cost \$100,000 less \$55,000 from General Operating Fund	\$ 45,000
	ii) Replace 197S Street Sweeper Cost \$90,000 less \$50,000 from Reserve	<u>\$ 40,000</u> \$ 85,000
200W	Replace snow blower no. 1 Cost \$100,000 less trade-in \$50,000	\$ 50,000
200X	Replace air compressor, steam jenny, jack hammers and compactor	\$ 50,000
200Y	Replace 198T Backhoe Cost \$110,000 less \$60,000 from Reserve Fund	\$ 50,000
200Z	i) Replace 199S 3 Ton Truck (chassis only)	\$ 30,000
	ii) Replace plow attachments on 199S Tandem	<u>\$ 20,000</u> \$ 50,000



## Environmental Development Services

This activity is comprised solely of the municipality's contribution to the Planning Commission and has no capital budget implications.

## Environmental Health Services (Solid Waste)

This function includes solid waste collection and disposal services which are provided by the Regional Solid Waste Commission established under Section 15.3 of the *Clean Environment Act*. Capital purchases are made by the Commission subject to approval through the Municipal Capital Borrowing Board if capital borrowing is required. No borrowing is currently required by the Commission. Pursuant to subsection 15.7(4) of the Clean Environment Act, if a Regional Solid Waste Commission defaults in any payment required to be made by the Commission, the participating municipalities, unincorporated areas and band councils of Indian Reserves are liable for payment in portions equivalent to their proportionate share of the total population of participants.

## Recreation and Culture Services

This function has received little emphasis in recent years with respect to capital spending. Of late, it has been determined that it is necessary to renew ice plant equipment in the arena and to begin a proper green areas and parks maintenance program. In the next few years the arena, the recreation centre and green areas will all need capital funds.

<u>Year</u>	<u>Project</u>	<u>Cost</u>
200V	Various park and green areas maintenance equipment	\$ 25,000
200W	1) Upgrading tennis courts and development of additional ball fields	\$ 25,000
	2) Development of parks in new subdivisions	<u>\$ 25,000</u> \$ 50,000
200X	Renewal of ice plant Cost of \$75,000 less \$25,000 from local non-profit organizations	\$ 50,000
200Y	Recreation Centre - roof renewal	\$ 50,000
200Z	Arena - roof renewal	\$ 75,000



# MUNICIPALITY OF MODELVILLE

## FIVE-YEAR CAPITAL BUDGET SUMMARY

### GENERAL OPERATING FUND

SERVICES	TERM	200V	200W	200X	200Y	200Z
<b>GENERAL GOVERNMENT</b>						
Municipal Building	20	\$190	\$275	\$225		
<b>PROTECTIVE</b>						
Building Renovation	20				\$125	
Fire truck	10					\$175
<b>TRANSPORTATION</b>						
Street surfacing	7	\$225	\$25	\$25	\$25	\$25
Storm sewers	10			\$25	\$25	\$25
Sidewalks	10			\$25	\$25	\$25
Equipment	10	<u>\$190</u>	<u>\$100</u>	<u>\$50</u>	<u>\$110</u>	<u>\$50</u>
Subtotal		<u>\$415</u>	<u>\$125</u>	<u>\$125</u>	<u>\$185</u>	<u>\$125</u>
<b>RECREATION AND CULTURE</b>						
Equipment	5	\$25				
Tennis Courts	10		\$25			
Parks	10		\$25			
Arena	10			\$75		\$75
Recreation Centre	10				\$50	
Subtotal		<u>\$25</u>	<u>\$50</u>	<u>\$75</u>	<u>\$50</u>	<u>\$75</u>
Total Capital Expenditures		<u>\$630</u>	<u>\$450</u>	<u>\$425</u>	<u>\$360</u>	<u>\$375</u>
<b>SOURCE OF FUNDS</b>						
Grants		\$125				
Reserves		\$50			\$60	\$75
Trade-Ins			\$50			
Operating Fund		\$55				
Other				\$25		
Long-term Borrowing		<u>\$400</u>	<u>\$400</u>	<u>\$400</u>	<u>\$300</u>	<u>\$300</u>
Total Sources of funds		<u>\$630</u>	<u>\$450</u>	<u>\$425</u>	<u>\$360</u>	<u>\$375</u>
<b>AMORTIZATION PERIODS</b>						
20 Years		\$190	\$275	\$225	\$125	
10 Years			\$100	\$150	\$150	\$275
7 Years		\$185	\$25	\$25	\$25	\$25
5 Years		<u>\$25</u>				
Total Long-term Borrowing		<u>\$400</u>	<u>\$400</u>	<u>\$400</u>	<u>\$300</u>	<u>\$300</u>



**BUDGET ESTIMATES**

(In Thousands)

REVENUE	AUDIT 200T	BUDGET 200U	200V	200W	PROJECTED 200X	200Y	200Z
Unconditional grant							
Warrant	\$790	\$794	\$715	\$643	\$643	\$643	\$643
Non-Tax Revenue	\$1,026	\$1,108	\$1,214	\$1,290	\$1,347	\$1,407	\$1,468
Surplus of 2nd Previous Year	\$545	\$560	\$582	\$612	\$636	\$661	\$688
<b>TOTAL REVENUE</b>	<b>\$2,361</b>	<b>\$2,462</b>	<b>\$2,511</b>	<b>\$2,545</b>	<b>\$2,626</b>	<b>\$2,711</b>	<b>\$2,799</b>

**EXPENDITURES**

Debt Cost	\$420	\$406	\$384	\$404	\$397	\$438	\$459
Capital From Budget	\$8	\$10	\$55	\$40	\$50	\$30	\$30
Water Costs	\$175	\$181	\$190	\$205	\$217	\$229	\$241
Reserves	\$10	\$10	\$10	\$10	\$20	\$13	\$9
Deficit of 2nd Previous Year	\$3	\$6	\$5				
Other Expenditures	\$1,750	\$1,849	\$1,867	\$1,886	\$1,943	\$2,001	\$2,061
<b>TOTAL EXPENDITURES</b>	<b>\$2,366</b>	<b>\$2,462</b>	<b>\$2,511</b>	<b>\$2,545</b>	<b>\$2,626</b>	<b>\$2,711</b>	<b>\$2,799</b>
Surplus (Deficit)	(\$5)	\$0	\$0	\$0	\$0	\$0	\$0

Municipal Tax Base (+3.5%)	\$100,386	\$105,669	\$109,367	\$113,195	\$117,157	\$121,258	\$125,502
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TAX RATE	\$1.0221	\$1.0486	\$1.1100	\$1.1400	\$1.1500	\$1.1600	\$1.1700
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DEBT PROFILE	200T	200U	200V	200W	200X	200Y	200Z
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Present Debt Service Cost	\$420	\$406	\$344	\$303	\$248	\$239	\$220
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Interim Financing			\$25	\$25	\$25	\$25	\$25
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Outstanding Authority MO #20-XX 10 \$100 \$15				\$15	\$15	\$15	\$15
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**Planned Borrowing**

Year	Rate	Term	Amount				
200V	8.00%	5	\$25	\$6	\$6	\$6	\$6
200V	8.00%	7	\$185	\$36	\$36	\$36	\$36
200V	8.00%	20	\$190	\$19	\$19	\$19	\$19
200W	8.00%	7	\$25		\$5	\$5	\$5
200W	8.00%	10	\$100		\$15	\$15	\$15
200W	8.00%	20	\$275		\$28	\$28	\$28
200X	8.00%	7	\$25			\$5	\$5
200X	8.00%	10	\$150			\$22	\$22
200X	8.00%	20	\$225			\$23	\$23
200Y	8.00%	7	\$25				\$5
200Y	8.00%	10	\$150				\$22
200Y	8.00%	20	\$125				\$13
200Z	8.00%	7	\$25				
200Z	8.00%	10	\$275				

<b>TOTAL DEBT SERVICE COST RATIOS</b>	<b>\$420</b>	<b>\$406</b>	<b>\$384</b>	<b>\$404</b>	<b>\$397</b>	<b>\$438</b>	<b>\$459</b>
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Debt Cost to Gross Expenditures	17.75%	16.49%	15.29%	15.88%	15.11%	16.15%	16.39%
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Outstanding Debt - Dec. 31	\$1,645	\$1,701	\$1,726	\$1,749	\$1,828	\$1,901	\$1,898
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Assessment Base	\$103,398	\$108,839	\$112,648	\$116,591	\$120,672	\$124,895	\$129,267
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O/S Debt to Assessment Base	1.59%	1.56%	1.53%	1.50%	1.51%	1.52%	1.47%
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Outstanding Debt per Capita	\$469	\$485	\$492	\$499	\$521	\$542	\$541
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Debt Service Cost Effect on Tax Rate	\$0.1814	\$0.1729	\$0.1697	\$0.1810	\$0.1738	\$0.1873	\$0.1917
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## DESCRIPTION OF PROJECTS

The water and sewerage system is in a relatively good financial position. The book value of the system amounts to \$5,200,000. The outstanding long-term debt on these assets is \$1,968,926. Council has attempted to provide a well-planned, reliable, high quality water and sewerage system to its citizens while maintaining a reasonable debt load. This five-year capital plan continues in this direction of maintaining the effort to maximize efficiency and reliability as well as allowing for the expansion of the system in order to accommodate new users.

The present user rate of \$250 is in line with the \$260 average rate of other municipalities of similar size and type.

Parts of the water system date back 40 years. Extensive repairs are required and, indeed, some sections require complete renewal. This five-year plan includes the municipality undertaking as much of this work as possible given the council's decision to limit increases in user rates to \$15 per year over the next five years.

### Water

200V	Renewal of water system on 1st street costs \$250,000 less \$50,000 provincial grant and \$50,000 from operating fund	\$150,000
200W	Extension of water system into Belliveau Heights subdivision - costs \$200,000 less \$50,000 provincial grant	\$150,000
200X	Extension of water system on second street costs \$170,000 less \$20,000 from operating fund	\$150,000
200Y	Renewal of water system on third street costs \$170,000 less \$20,000 from operating fund	\$150,000
200Z	Replacement of pumping station no. 1 costs \$170,000 less \$20,000 from operating fund	\$150,000



## Sewerage

200V	Renewal of sewerage system on 1st street costs \$200,000 less \$50,000 provincial grant	\$150,000
200W	Extension of sewerage system into Belliveau Heights subdivision - costs \$250,000 less \$50,000 provincial grant and \$50,000 from operating fund	\$150,000
200X	Renewal of sewerage system on second street costs \$170,000 less \$20,000 from operating fund	\$150,000
200Y	Renewal of sewerage system on third street costs \$170,000 less \$20,000 from operating fund	\$150,000
200Z	Renewal of lift station no. 1 costs \$170,000 less \$20,000 from operating fund	\$150,000



**MUNICIPALITY OF MODELVILLE**  
**FIVE-YEAR CAPITAL BUDGET SUMMARY**  
**WATER AND SEWERAGE UTILITY FUND**

<b>SERVICES</b>	<b>Term</b>	<b>200V</b>	<b>200W</b>	<b>200X</b>	<b>200Y</b>	<b>200Z</b>
Water						
Renewal	15	\$250		\$170	\$170	\$170
Extension	15		\$200			
Renewal	15	\$200		\$170	\$170	\$170
Extension	15	_____	<u>\$250</u>	_____	_____	_____
Total Capital Expenditures		<u>\$450</u>	<u>\$450</u>	<u>\$340</u>	<u>\$340</u>	<u>\$340</u>
<b>SOURCES OF FUNDS</b>						
Grants		\$100	\$100			
Operating Fund		\$50	\$50	\$40	\$40	\$ 40
Long-Term Borrowing (15 years)		<u>\$300</u>	<u>\$300</u>	<u>\$300</u>	<u>\$300</u>	<u>\$300</u>
Total Sources of Funds		<u>\$450</u>	<u>\$450</u>	<u>\$340</u>	<u>\$340</u>	<u>\$340</u>



**MUNICIPALITY: MODELVILLE**

**WATER AND SEWERAGE RATE PROJECTIONS**

**PREPARED BY: JOAN ARCHER, TREASURER**

**FUND: WATER & SEWERAGE UTILITY**

**BUDGET ESTIMATES**

(In Thousands)	AUDIT	BUDGET	PROJECTIONS				
	200T	200U	200V	200W	200X	200Y	200Z
User Charge Rate	\$240	\$250	\$264	\$266	\$276	\$280	\$296
% INCR/ PREV YR		4%	5%	1%	4%	1%	6%
Number of Equivalent Users	3,600	3,600	3,600	3,650	3,660	3,660	3,660
<b>REVENUE</b>							
User Charge Revenue	\$864	\$900	\$950	\$970	\$1,009	\$1,026	\$1,083
Water Cost Transfer for Fire Protection	\$175	\$181	\$190	\$205	\$217	\$229	\$241
Grants – Environment	\$35	\$35	\$35	\$35	\$35	\$35	\$35
Surplus from 2nd, 3rd, or 4th Previous Year							
Other Revenue							
<b>TOTAL REVENUE</b>	<b>\$1,074</b>	<b>\$1,116</b>	<b>\$1,175</b>	<b>\$1,210</b>	<b>\$1,261</b>	<b>\$1,290</b>	<b>\$1,359</b>
<b>EXPENDITURES</b>							
Debt Service Cost	\$472	\$478	\$513	\$504	\$531	\$524	\$553
Operation and Maintenance (5%)	\$525	\$556	\$584	\$613	\$644	\$676	\$710
Reserves	\$0	\$0	\$0	\$13	\$15	\$17	\$22
Capital from operating	\$50	\$50	\$50	\$50	\$40	\$40	\$40
Deficit from 2nd, 3rd or 4th Previous Year	\$3	\$5	\$1	\$0	\$0	\$0	\$0
Other Expenditures (5%)	\$25	\$27	\$28	\$30	\$31	\$33	\$34
<b>TOTAL EXPENDITURES</b>	<b>\$1,075</b>	<b>\$1,116</b>	<b>\$1,175</b>	<b>\$1,210</b>	<b>\$1,261</b>	<b>\$1,290</b>	<b>\$1,359</b>
Surplus (Deficit)	(\$1)	\$0	\$0	\$0	\$0	\$0	\$0
<b>DEBT PROFILE</b>							
Present Debt	\$472	\$478	\$458	\$408	\$400	\$358	\$352
Service Cost							
Interim Financing				\$20	\$20	\$20	\$20
Outstanding Authority							
MO #20-XX 15	\$50					\$6	\$6
\$6	\$6						
<b>Planned Borrowing</b>							
Year	Rate	Term	Amount				
200V	8.00%	15	\$300	\$35	\$35	\$35	\$35
200W	8.00%	15	\$300		\$35	\$35	\$35
200X	8.00%	15	\$300			\$35	\$35
200Y	8.00%	15	\$300			\$35	\$35
200Z	8.00%	15	\$300				\$35
<b>TOTAL DEBT SERVICE COST</b>	<b>\$472</b>	<b>\$478</b>	<b>\$513</b>	<b>\$504</b>	<b>\$531</b>	<b>\$524</b>	<b>\$553</b>
<b>RATIOS</b>							
DEBT SERVICE COST	\$472	\$478	\$513	\$504	\$531	\$524	\$553
CHANGE OVER PREVIOUS YEAR		1.27%	7.33%	-1.78%	5.37%	-1.31%	5.54%
DEBT SERVICE COST TO GROSS EXP		43.91%	42.83%	43.66%	41.66%	42.11%	40.63%



