

INCLUDED WITH THE AGENDA OF THE NOVEMBER 12TH MEETING

October 31, 2024 Response to Springfield Taxpayers Rights Corporation 5-year Capital Plan Chart. The chart published by the Springfield Taxpayers Rights Corporation (STRC) titled the "Current Proposed Total of RM of Springfield Capital Spending", which claims that if the RM of Springfield's capital projects shown on the chart are undertaken, interest charges on the borrowing amount for these projects may result in tax increases of approximately \$1,000 per household in a year, is misleading. The RM would like to inform its residents/rate payers that the information disseminated by STRC does not portray the full picture of the capital budget planning process, the scrutiny management and council applies on projects, and the various funding sources identified before large capital projects are undertaken. Management Responsibility It is the responsibility of management to plan based on council's strategic direction, to identify challenges and proffer solutions. It is management that has the responsibility to identify opportunities no matter how challenging they might seem, and then find ways to solve them. This is not the responsibility of the STRC. Capital Planning provides management with the opportunity to identify projects to undertake and the various funding necessary to bring them to fruition. Usually, at the inception of a project, the total project cost may be known but not all funding sources may have been identified. Therefore, the project funding is usually assumed to be solely funded through borrowing. However, as discussions are held with stakeholders, other funding sources necessary to implement the project are identified and the borrowing amount is reduced. STRC is fully aware of this process and have deliberately ignored this fact. Assumptions of STRC The chart published by STRC was based on a couple of assumptions that are not factual. • It assumes that all the capital projects on the chart will be funded solely by borrowing. This is misleading! For example, the Dugald Oakbank Water Systems (DOWS) project was not financially feasible for both council and management until other funding sources apart from borrowing were identified. Three funding sources were identified by the RM for the DOWS project to move forward: reserves, grants and borrowing. As discussions were held with various stakeholder (the province, engineers, financial institutions, Manitoba Water Services Board and Municipal Relations), the RM secured grant funding from the province up to 49.0% of the total project cost of \$29.4m., 21.0% internal reserve funding and only 30.0% borrowing is being considered. Management is still considering the possibility of reducing the borrowing portion to below 30% which is currently about \$8.8m with all things being equal. • It assumes that all projects will be funded by the RM only. As explained below, the Dugald Wastewater Lift Station project on the charts is not an RM funded project. It will be done by the developer as an on-site service and is not part of the RM's 5-year capital plan. • The assertion made by STRC that borrowing for these projects will increase by \$1,000 in interest payments and another \$1,000 in principal payments assumes that the RM's tax base will remain constant over a 20-year period. This is misleading. Twenty years is a very long time from now and many things will change over that period. But for debentures, once they are entered, they are fixed rate borrowing vehicles, meaning the annual payments will be constant over a 20-year term. On the other hand, The RM's assessment value has increased every tax re-assessment year and will continue to increase not just on the value of existing homes but also new ones that will be built due to increased water capacity from the DOWS project. This means that the mill rate for those debenture payments will decrease as the RM's property assessment increases and therefore less expensive for the RM and its residents. RM's Borrowing Capacity and Outstanding Debt STRC has been portraying the RM to its residents as being in financial difficulty or that borrowing for capital projects will put the RM in a difficult financial position. This is not factual. The RM is in a very strong financial position and not in any financial difficulty as suggested by the STRC. In 2024 the RM had a Borrowing Capacity of \$118,633,605 of which only \$7,478,335 was outstanding compared to \$8,558,034 in 2023. Only 6.3% of the RM's Borrowing Capacity was outstanding. This means the RM does not have a significant amount of debt. As previous debts mature each year and are paid off, the borrowing capacity has continued to increase. The 2024 current debt ratio is less than 1.0% of a total assessment of \$1,694,765,780 at 0.40%. The RM's council and management are very conscious of their fiduciary duty and do not intend to sway from that. Capital Projects on STRC's Chart and Funding considerations Below are brief notes on the capital projects published by STRC's chart. Lagoon Expansion – the current cost estimate for the lagoon expansion is \$52m. This project is still at the inception stage; therefore, as explained above, it is assumed that \$52m will be borrowed. However, management has been engaging stakeholders to obtain grant funding and other funding sources for the project to be financially feasible. One of the options being considered by council and management is to undertake the project in a phased approach. The estimated phase 1 cost is +/- \$37m. If a phased approach is undertaken, the RM would only focus on the cost of a phase for a period as opposed to the cost of the entire project. It is worth noting though that a phased approach will cost more in the long run. Dugald Wastewater Lift Station – planned cost of the project is \$2.9m - This work is to be done by the developer as onsite services and is not included in the RM's capital work. The information presented by the STRC is misleading as the project is not part of the RM's works program. Twinning of Force Main from Dugald – the estimated cost of this project is \$2.4m, to be funded through a combination of Capital Wastewater Levies, Utility Reserve and Grant funding (if available). Borrowing is not in consideration for this project. Dugald Oakbank Water Systems (DOWS) – as stated above, council and management have secured grant funding up to 49.0% (\$14.35m) of the total project cost from the province, 21% (\$6.23m) in reserve funding, with only 30% (\$8.8m) of total cost to be funded by borrowing.