

Finance
Committee
Agenda

to be held on
Wednesday, April 23rd, 2003
at
4:30 p.m.

**Councillor
Ted Callaghan,
Chair**



**Councillor
Lionel Lalonde,
Vice Chair**





Finance Committee AGENDA

**FIRST MEETING OF THE FINANCE COMMITTEE
TO BE HELD ON WEDNESDAY, 2003-04-23
AT 4:30 P.M. IN THE COUNCIL CHAMBER,
TOM DAVIES SQUARE, 200 BRADY STREET, SUDBURY**

(PLEASE ENSURE CELL PHONES AND PAGERS ARE TURNED OFF)

The Council Chamber of Tom Davies Square is Wheel Chair accessible. Please speak to the City Clerk prior to the meeting if you require a hearing amplification device. Persons requiring assistance are requested to contact the City Clerk's Office at least 24 hours in advance of the meeting if special arrangements are required. Please call (705) 671-2489, extension 2475. Telecommunications Device for the Deaf (TTY) (705) 688-3919. Copies of Agendas can be viewed on the City's web site at www.city.greatersudbury.on.ca.

COUNCILLOR TED CALLAGHAN, IN THE CHAIR

1. Declarations of Pecuniary Interest

PRESENTATIONS/DELEGATIONS

2. Report dated 2003-04-17, with attachments from the General Manager of Corporate Services regarding Tax Policy Presentation by Hemson Consulting. **1-20**
- John Hughes, Hemson Consulting

(OVERHEAD PRESENTATION)

3. Report dated 2003-04-16 from the General Manager of Corporate Services regarding Property Tax Policy Issues. **(RESOLUTION PREPARED) 21-24**
4. Report dated 2003-04-14, with attachments, from the General Manager of Corporate Services regarding 2003 Final Property Tax Rates. **(RESOLUTION PREPARED) {REPORT TO BE TABLED}**

CORRESPONDENCE - INFORMATION ONLY

5. Report dated 2003-04-17, with attachments, from the General Manager of Corporate Services regarding Projected 2002 Year-End Position. **(FOR INFORMATION) 25-29**

MANAGERS' REPORTS

6. Report dated 2003-04-17, with attachments, from the General Manager of Corporate Services regarding 2002 Capital Variance Report. **(RESOLUTION PREPARED) 30-34**
7. Report dated 2003-04-17, with attachments, from the General Manager of Corporate Services regarding 2002 Reserve/Reserve Fund Status and By-law Amendments. **(RESOLUTION PREPARED) 35-41**
8. Report dated 2003-04-17, with attachments, from the General Manager of Corporate Services regarding Outstanding Long Term Financial Plan Issues. **(RESOLUTION PREPARED) 42-48**
9. Report dated 2003-04-11 from the Chief Administrative Officer regarding Value for Money Audits. **(RESOLUTION PREPARED) 49-52**

ADJOURNMENT (6:55 P.M.) (RESOLUTION PREPARED)

2003-04-17

**COUNCILLOR TED CALLAGHAN,
CHAIR**

**GLORIA WARD
COUNCIL SECRETARY**

Presentations and Delegations

Request for Recommendation Finance Committee



Type of Decision

Meeting Date	April 23, 2003			Report Date	April 17, 2003				
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority		High		Low
	Direction Only				Type of Meeting		Open		Closed

Report Title

Tax Policy Presentation by Hemson Consulting Inc.

Policy Implication + Budget Impact

This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.

N/A


Background Attached

Recommendation

FOR INFORMATION ONLY

Recommendation Continued

Recommended by the General Manager


D. Wuker
General Manager of Corporate Services

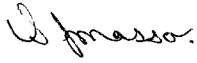
Recommended by the C.A.O.


M. Mieto
Chief Administrative Officer

L

Date: April 17, 2003

Report Prepared By



S. Jonasson
Director of Finance / City Treasurer

Division Review

BACKGROUND

Attached is a copy of a report from John Hughes of Hemson Consulting Inc. with respect to Tax Policy issues. Mr. Hughes will be making a presentation at the Finance Committee meeting of April 23, 2003.

**REVIEW OF ISSUES CONCERNING
TAX RATIOS & OPTIONAL CLASSES**

POLICY DECISIONS FOR 2003

City of Greater Sudbury

HEMSON CONSULTING LTD.

April 2003

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I BACKGROUND

Since the Province reformed the property assessment and taxation system in 1998, municipalities have been required to establish policies regarding a number of taxation issues.

Of these policy decisions, those affecting the share of property taxes to be borne by the Multiple Residential, Commercial, Industrial and Pipeline classes of property are the most significant. Their share of taxes is governed by two factors, the total C.V.A. of the properties within each class and the class ratio. The class ratio is set by Council and is used as a multiplier against the tax rate for the Residential/Farm class. The higher the class ratio, the higher the tax rate and proportionate tax share that will be borne by a class.

For 2003, a key factor for consideration is the municipal levy increase restriction for classes with ratios that are above the Provincial average. The City must also decide whether to maintain the optional Large Industrial class. Other tax policy options for consideration of Council this year concern the choice of the class ratio for farm properties and the establishment of a new class for new multiple residential buildings.

Council is required to make these decisions by the 31st of May. This report addresses the options available to Council and provides a recommended course of action. The recommendations are made in light of projected effects of the 2003 reassessment data, changes in education tax rates and the 2003 budget that has been approved by Council.

II EFFECTS OF THE 2003 REASSESSMENT

Before considering tax policy issues and the effects of 2003 levy changes, it is important to understand the underlying assessment situation for 2003. This has changed from 2002 because of the third Province-wide reassessment since the 1998 reforms. This year the valuation base has moved up from June 1999 to June 2001. As with the two previous reassessments, different types of property have experienced different rates of change in values over the two year period. Consequently, there has been a further shift in the shares of each class relative to the overall tax base.

A. C.V.A. COMPARISONS

Over the five year period from 1998 to 2003 during which two reassessments have occurred, there have been substantial changes in the shares by class of Current Value Assessment (CVA) and weighted assessment¹. Exhibit 1 shows the comparative amounts for 1998, 2001 and 2003. Overall, the CVA for the City has remained relatively stable over the period – \$7.48 billion (1998) vs \$7.16 billion (2003). However, on a weighted assessment basis there has been a noticeable decline of 6.0% – \$9.23 billion (1998) vs \$8.67 billion (2003).

This change in weighted assessment is largely attributable to significant valuation adjustments from assessment appeal and reassessments involving Multiple Residential and Industrial properties. By comparison, the Commercial class has gained slightly. In 2003 its share of the weighted assessment base is 19.3% compared to 18.4% in 1998. The Farmland and Managed Forests classes have also experienced very substantial increases. However, overall they represent an extremely small share of the tax base, particularly on a weighted assessment basis when their 0.25 class ratio is taken into account. The Residential class now accounts for 75.2% of the City's CVA and 62.1% of the weighted assessment base. In relation to its share in 1998, it has risen about 5.0%. Some of this increase is attributable to growth – 987 units were built between 1998 and 2003. To the extent that the increase was not attributable to these new units, the result has been a tax shift onto residential property owners.

¹ *Weighted Assessment is the product of multiplying the Class CVA by the Class Ratio.*

It is to be noted that because of the declines in the values, the City has taken steps to have the CVA's of properties in both the Large Industrial and the Multiple Residential classes reviewed.

**CITY OF GREATER SUDBURY
Assessment Base Comparisons**

Exhibit 1

Unweighted Assessment

	A	B	C	D	E	F	G	H
RTC	1998 CVA	1998 Share of CVA	2001 CVA	2001 Share of CVA	2001 Share vs 1998 Share % Change	2003 CVA	2003 Share of CVA	2003 Share vs 1998 Share % Change
Residential	5,461,574,920	73.033%	5,383,341,711	73.609%	0.788%	5,387,073,211	75.224%	3.000%
Multi-Residential	444,674,120	5.946%	493,675,034	6.750%	13.521%	353,792,695	4.940%	-16.917%
Commercial	1,070,021,350	14.308%	1,038,293,955	14.197%	-0.779%	1,024,993,236	14.313%	0.031%
Industrial	194,843,640	2.605%	142,671,109	1.951%	-25.127%	138,122,265	1.929%	-25.975%
Large Industrial	269,061,850	3.598%	206,185,240	2.819%	-21.642%	196,886,215	2.749%	-23.587%
Farm	6,034,905	0.081%	6,851,190	0.094%	16.084%	8,672,232	0.121%	50.060%
Managed Forest	1,073,715	0.014%	7,503,198	0.103%	614.551%	14,715,225	0.205%	1331.139%
Pipeline	30,944,000	0.414%	34,937,000	0.478%	15.448%	37,094,000	0.518%	25.179%
Total Base	7,478,228,500	100%	7,313,458,437	100%		7,161,349,079	100%	

Weighted Assessment

	A	B	C	D	E	F	G	H
RTC	1998 Weighted CVA	1998 Share of Weighted CVA	2001 Weighted CVA	2001 Share of Weighted CVA	2001 Share vs 1998 Share % Change	2003 Weighted CVA	2003 Share of Weighted CVA	2003 Share vs 1998 Share % Change
Residential	5,461,574,920	59.182%	5,383,341,711	59.900%	1.212%	5,387,073,211	62.119%	4.962%
Multi-Residential	870,227,253	9.430%	966,118,092	10.750%	13.998%	692,372,304	7.984%	-15.335%
Commercial	1,701,826,349	18.441%	1,696,912,903	18.881%	2.386%	1,677,511,562	19.344%	4.894%
Industrial	427,442,293	4.632%	328,087,981	3.651%	-21.185%	319,549,071	3.685%	-20.447%
Large Industrial	725,757,635	7.864%	564,308,961	6.279%	-20.159%	542,112,172	6.251%	-20.513%
Farm	1,508,726	0.016%	1,712,798	0.019%	16.572%	2,168,058	0.025%	52.918%
Managed Forest	268,429	0.003%	1,875,800	0.021%	617.555%	3,678,806	0.042%	1358.401%
Pipeline	39,772,323	0.431%	44,904,351	0.500%	15.933%	47,676,918	0.550%	27.563%
Total Base	9,228,377,927	100%	8,987,262,597	100%		8,672,142,103	100%	

B. OVERALL TAX IMPACTS

Exhibit 2 shows the tax impacts of the 2003 reassessment **excluding the effects of the 2003 budget decisions**. The Exhibit does take account of 2003 changes in Provincial education taxes. These changes are significant in the residential class. They amount to a reduction of \$2.4 million or 11.5%. In total, education taxes paid by all properties in Greater Sudbury will decline in 2003 by \$3.4 million or 6.2%. In the case of residential properties, the reduction comes as a result of the Province wide rate being reduced to compensate for Province wide reassessment increases.

The effect of the reassessment alone has been to sharply reduce the tax share for the Multiple Residential class – a 22.6% decline. This has led to increased shares for all other classes. In the case of the key residential class, the reassessment shift is 2.45%. However, because of the reduced education tax rate, the net shift is 0.62% before the effect of the 2003 municipal levy change is considered.

It is very important to emphasize that the impacts discussed above relate to the combined value of properties within classes as a whole, not to individual properties. Individual properties may experience tax and value changes that are different from those for the class as a whole.

Exhibit 2

CITY OF GREATER SUDBURY

**Tax Impacts of Reassessment
Including Education Changes - Excluding Municipal Levy Change**

Class	A		B		C		D		E		F		G		H		I		J		K		L	
	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education
Residential/Farm	72,430,264	20,414,551	92,844,815	74,211,722	18,053,393	92,265,115	1,781,458	2.46%	-2,361,158	-11.57%	-579,700	-0.62%												
Multi-residential	12,716,777	1,775,184	14,491,960	9,845,447	1,185,206	11,030,652	-2,871,330	-22.58%	-589,978	-33.23%	-3,461,308	-23.88%												
Commercial	23,234,278	21,829,782	45,064,060	23,681,370	21,358,628	45,039,998	447,092	1.92%	-471,155	-2.16%	-24,063	-0.05%												
Industrial	3,933,329	3,434,964	7,368,294	4,348,630	3,544,913	7,893,543	415,301	10.56%	109,949	3.20%	525,249	7.13%												
Large Industrial	7,077,827	6,061,780	13,139,607	7,511,606	6,013,914	13,525,519	433,778	6.13%	-47,866	-0.79%	385,912	2.94%												
Pipelines	610,007	559,566	1,169,574	648,539	559,566	1,208,105	38,531	6.32%	0	0.00%	38,531	3.29%												
Farmlands	20,760	6,150	26,910	29,085	7,443	36,527	8,325	40.10%	1,293	21.03%	9,618	35.74%												
Managed Forests	23,561	7,041	30,602	47,878	12,383	60,261	24,317	103.21%	5,342	75.87%	29,659	96.92%												
Total	120,046,803	54,089,019	174,135,822	120,324,275	50,735,445	171,059,721	277,472	0.23%	-3,353,573	-6.20%	-3,076,101	-1.77%												

III ISSUES CONCERNING TAX RATIOS FOR BROAD CLASSES

The first decision to be made by Council concerns the tax ratios to be used in setting tax rates for 2003. The Province originally established ratios in 1998. These ratios have largely been maintained since then with only small modifications being made. At the time of restructuring, slightly revised ratios were set by the Province to account for the inclusion of properties from the unorganized areas. The revised ratios had only a small effect.

The table below shows the ratios currently in effect.

	CURRENT TAX RATIOS
Residential/Farm	1.0000
Multi-Residential	1.9570
Commercial	1.6622
Industrial (Broad)	2.6340
Industrial (Residual)	2.4500
Industrial (Large)	2.7560
Pipelines	1.2853
Farms & Managed Forests	0.2500

The long-term policy objective of the Province is for all classes (excluding Farmland and Managed Forests) to have tax ratios of between 0.9 and 1.1. This is the so called Range of Fairness. Municipalities are permitted to leave ratios where they are or move them closer to the Range of Fairness. However, they may not move ratios further away. In Greater Sudbury, all affected ratios are currently above the range of fairness. Any change therefore would require a downward adjustment. Such adjustments would inevitably increase taxes on properties in the Residential/Farm, Farmland and Managed Forests classes (and on other classes if their ratios were also left unchanged). Three specific broad class issues warrant Council's attention.

A. BROAD INDUSTRIAL CLASS

Provincial legislation restricts municipalities from passing on municipal levy increases to properties in classes which have tax ratios above Province-wide average tax ratios. In Greater Sudbury this restriction currently applies to the broad Industrial Class. It has a rate of 2.634 which is slightly above the Provincial average ratio for the Industrial class which is 2.630.

The impact of reducing the ratio down to the provincial average is nominal since it would result in a tax shift onto other classes estimated to be less than \$15,000. By reducing the ratio, industrial properties would then be required to pay their share of the 2003 municipal levy increase which otherwise would have to be absorbed by properties in other classes.

It is accordingly recommended that the ratio for the broad Industrial class be set at 2.630.

B. NEW MULTIPLE RESIDENTIAL PROPERTY CLASS

The *Municipal Act* now empowers municipalities to establish a property tax class for New Multiple Residential buildings. These buildings can be either new construction or buildings converted from other uses. With the new class, the tax ratio can be set at 1.000, which is well below the ratio for existing multiple residential buildings. In Greater Sudbury the Multiple Residential class ratio is 1.957. No ratio change is recommended for this class, particularly given the substantial tax reductions that properties in this class have experienced as a result of assessment appeals and reassessments.

The objective of the new multiple residential class is to encourage the development of new rental residential units by placing them for property tax purposes on a 'level playing field' with condominium units. Condominiums are included in the residential class and therefore have a tax ratio of 1.0.

A particular reason for the City to consider establishing the new class is that it could act as catalyst to conversion projects in the downtown core involving office buildings which currently are largely vacant. There is a general benefit to Greater Sudbury from new development but especially so if it occurs in the core area which the City is making

strong efforts to revitalise. While conversion projects would result in the transfer of properties from a higher ratio class (commercial) to a lower ratio class, because of the tax rebate that must be provided to vacant commercial properties, the net tax difference would likely be small. It could result in a positive tax impact if the assessed value of a converted property were to be higher than its existing values.

It is accordingly recommended that Council establish a New Multiple Residential property tax class and that the class ratio be set at 1.0.

C. FARMLAND CLASS

A new policy option that is available to municipalities is to reduce the ratio applicable to Farmland. This option will be extended to include Managed Forests in 2004. While there are only a very small number of farm properties in Greater Sudbury, their values have risen substantially since 1998. However, since the tax rate on these properties is very low because of the provincially set 0.25 class ratio, it is not recommended that a lower ratio be set. To do so would be contrary to the approach taken with other classes where ratios have maintained except for the industrial class where changes have been necessary in order to permit levy increases to be applied.

It is recommended that Council maintain the tax ratio on the Farmland class at 0.2500.

IV ISSUES CONCERNING OPTIONAL CLASSES

The second main issue for Council to consider is the use of optional classes. Optional classes were a tax tool that was introduced following the 1998 reassessment in order to help limit tax shifts between different types of Commercial and Industrial properties. The Region chose to adopt the Large Industrial optional class and the City has maintained this approach. The Large Industrial optional class is higher than the broad class. Currently the broad ratio is 2.6340¹ whereas the large industrial ratio is 2.7560. The residual (small industrial ratio) is accordingly lower (2.4500). As a result of this policy choice, taxes for both large and small Industrial properties were maintained closer to the amounts that they had paid in 1997 prior to the introduction of the new system. Had the Region not adopted the optional class, taxes for smaller industrial properties would have risen more while taxes on large industrial properties would have declined. It is to be noted that due to reconsiderations and reassessments, the values of properties in the large industrial class have declined which has led to lower taxes on these properties notwithstanding the higher optional class ratio.

Council has a choice of maintaining the optional class in which case ratios would not be changed (except to account for the minor change related to the levy change restriction). If it were to cancel the optional class taxes for large industrial properties would decline while those for smaller industrial properties would rise.

The traditional argument for adopting broad class ratios is that they result in greater equity and hence comparable tax responsibility for all properties within a class. As well, there could be somewhat less administrative complexity. However, the key drawback to eliminating the optional class is that smaller properties in the residual Industrial class would be disadvantaged. Since the tax responsibility of the overall class is maintained, the decrease flowing to Large Industrial properties in the optional class must be made up by the other properties in the class.

As a result, properties in the residual Industrial class would experience greater increase than if the optional class were retained. It should be noted that capping legislation

¹ If Council adopts the recommendation made earlier in this report, the ratio would be reduced very slightly to 2.6300.

would soften any increases in the short run since an annual 5% cap would continue to apply. However, over time, increases would occur. To some extent, the negative impact on the small industrial properties would also be moderated because of the 2003 education tax reductions.

On the other hand, the result for large industrial properties would be better even if in the short term some of the tax reductions were offset by clawbacks. Again it should be emphasised that these impacts apply to the class as a whole, not to individual properties. The impacts on individual properties will depend on reassessment changes as well as on capping and clawback.

Overall, despite the offsetting effect of the lower education taxes it is clear that small industrial properties would be disadvantaged if the optional Large Industrial class were to be dropped. There are no compelling reasons for lowering the tax responsibility for the Large Industrial class to balance out this disadvantage.

It is our recommendation that the optional Large Industrial class be maintained. It is also recommended that in order to permit levy increases to be applied, the ratio for the optional Large Industrial class be reduced to 2.7518 and for the residual Industrial class to 2.4463.

V OVERALL TAX IMPACTS CONSIDERING REASSESSMENT, TAX POLICY AND RATE AND LEVY CHANGES

Analysis has been carried out to quantify the overall impacts that will occur in 2003 as a result of the four factors that will influence the distribution of taxes. The four factors are:

- The 2003 Reassessment
- Provincial Education Tax Rates for 2003
- Recommended Reduction in Broad Industrial Class Ratio
- Increased Municipal Levy for 2003

The results of this analysis are shown on Exhibit 3. It shows that the City-wide net tax change for 2003 will be 2.87%. This is the net result of the increase in the municipal levy which will be partially balanced by a decrease in education taxes. In the residential class, the increase will be 4.9% which is in part attributable to the 2.5% impact of the reassessment shift. Because of the substantial reduction in the CVA's of Multiple Residential properties, taxes for the class will decline by 19.6%.

The impacts on individual properties will differ from the average because the effect of the 2003 reassessment will vary from property to property. There will also be differences because of variations in levy changes for the various service area rates. Exhibit 4 indicates the approximate change in taxes for average value detached homes in each service area. The average change is estimated to range from \$73.41 (4.38%) to \$108.23 (6.20%).

Exhibit 5 provides the overall distribution of tax changes for residential properties expressed in terms of dollar increases and decreases. It shows that of the 42,679 residential properties that will experience increases, 23,293 will see increases averaging \$49. In contrast, 8,329 properties will see decreased taxes averaging \$37. Exhibit 6 displays the same distributional effects in terms of percentage increases and decreases.

Exhibit 3

CITY OF GREATER SUDBURY

**Tax Impacts by Property Class
Including Education and Municipal Levy Change**

Property Class	A		B		C		D		E		F		G		H		I		J		K		L	
	2002 Total Year End Taxation		2003 Estimated Total Taxation (\$)		Total 2002		Municipal		Education		Total 2003		Municipal		Education		Total Change		Municipal		Education		Total Change	
	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education
Residential/Farm	72,430,264	20,414,551	92,844,815	79,309,585	18,053,393	97,362,978	6,879,321	9.50%	-2,361,158	-11.57%	4,518,163	4.87%												
Multi-residential	12,716,777	1,775,184	14,491,960	10,471,889	1,185,206	11,657,094	-2,244,888	-17.65%	-589,978	-33.23%	-2,834,866	-19.56%												
Commercial	23,234,278	21,829,782	45,064,060	25,215,754	21,358,628	46,574,381	1,981,476	8.53%	-471,155	-2.16%	1,510,321	3.35%												
Industrial	3,933,329	3,434,964	7,368,294	4,638,751	3,544,913	8,183,664	705,422	17.93%	109,949	3.20%	815,371	11.07%												
Large Industrial	7,077,827	6,061,780	13,139,607	7,992,982	6,013,914	14,006,896	915,155	12.93%	-47,866	-0.79%	867,289	6.60%												
Pipelines	610,007	559,566	1,169,574	693,887	559,566	1,253,454	83,880	13.75%	0	0.00%	83,880	7.17%												
Farmlands	20,760	6,150	26,910	31,238	7,443	38,681	10,478	50.47%	1,293	21.03%	11,771	43.74%												
Managed Forests	23,561	7,041	30,602	51,466	12,383	63,849	27,905	118.44%	5,342	75.87%	33,247	108.64%												
Total	120,046,803	54,089,019	174,135,822	128,405,552	50,735,445	179,140,997	8,358,749	6.96%	-3,353,573	-6.20%	5,005,176	2.87%												

*Broad Class Industrial Ratio set at 2.63

Exhibit 4

CITY OF GREATER SUDBURY
Estimated Detached Home Tax Changes by Service Area
2003 vs. 2002

Service Areas	A	B	C	D	E	F
	2002 Residential Tax Rate	2002 Taxes on Avg. Det. Home*	Estimated 2003 Residential Tax Rate	Estimated 2003 Taxes on Avg. Det. Home**	Tax Change \$	Tax Change %
Career Fire and Transit Area	1.755422%	\$ 1,862.50	1.866132%	\$ 1,951.97	\$ 89.47	4.80%
Composite Fire and Transit Area	1.644290%	\$ 1,744.59	1.771344%	\$ 1,852.83	\$ 108.23	6.20%
Volunteer Fire and Transit Area	1.615531%	\$ 1,714.08	1.718163%	\$ 1,797.20	\$ 83.12	4.85%
Volunteer Fire - No Transit	1.580093%	\$ 1,676.48	1.672930%	\$ 1,749.89	\$ 73.41	4.38%

* City wide average assessment - 2002 \$106,100

**City wide average assessment - 2003 \$104,600

CITY OF GREATER SUDBURY
Residential Frequency Distribution
By Dollars

Exhibit 5

Properties with Increases										Properties with Decreases				
A	B	C	D	E	F	G	H	I	J					
Dollar Increase	Number of Properties	% of Total	Average \$ Change	Total Dollar Increase	Dollar Decrease	Number of Properties	% of Total	Average \$ Change	Total Dollar Decrease					
0 - 100	23,293	54.58	49	1,133,243	0 - 100	8,329	74.51	37	305,382					
100 - 200	13,159	30.83	140	1,835,933	100 - 200	1,783	15.95	138	245,230					
200 - 300	3,440	8.06	240	826,621	200 - 300	658	5.89	242	159,563					
300 - 500	1,939	4.54	377	731,589	300 - 500	282	2.52	363	102,269					
500 - 700	477	1.12	583	277,925	500 - 700	78	0.70	587	45,756					
700 - 1,000	249	0.58	836	208,266	700 - 1,000	29	0.26	787	22,811					
1000 - 1,500	62	0.15	1,187	73,575	1000 - 1,500	15	0.13	1,219	18,281					
1500 - 2,000	17	0.04	1,740	29,577	1500 - 2,000	0	0.00		0					
2000 - 3,000	3	0.01	2,751	8,254	2000 - 3,000	2	0.02	2,702	5,403					
3000 - Over	40	0.09	8,275	331,020	3000 - Over	3	0.03	10,330	30,989					
Total	42,679	100	128	5,456,004	Total	11,179	100	84	935,685					

CITY OF GREATER SUDBURY
Residential Frequency Distribution
By Percentage Change

Exhibit 6

Properties with Increases										Properties with Decreases					
A	B	C	D	E	F	G	H	I	J						
Dollar Increase	Number of Properties	% of Total	Average \$ Change	Total Dollar Increase	Dollar Decrease	Number of Properties	% of Total	Average \$ Change	Total Dollar Decrease						
0.00 - 3.00	8,636	20.23	36	311,294	0.00 - 3.00	4,738	42.38	19	91,991						
3.00 - 6.00	13,397	31.39	80	1,069,527	3.00 - 6.00	2,254	20.16	62	139,874						
6.00 - 10.00	14,738	34.53	138	2,035,404	6.00 - 10.00	2,013	18.01	101	202,939						
10.00 - 15.00	3,588	8.41	298	1,068,935	10.00 - 15.00	1,249	11.17	163	203,223						
15.00 - 20.00	1,049	2.46	329	345,116	15.00 - 20.00	409	3.66	224	91,708						
20.00 - 30.00	717	1.68	358	256,330	20.00 - 30.00	396	3.54	309	122,392						
30.00 - 50.00	330	0.77	347	114,637	30.00 - 50.00	100	0.89	420	41,951						
50.00 - 80.00	97	0.23	670	65,032	50.00 - 80.00	18	0.16	2,217	39,908						
80.00 - 100.00	24	0.06	3,437	82,479	80.00 - 100.00	2	0.02	849	1,698						
100.00 - Over	103	0.24	1,041	107,251	100.00 - Over	0	0.00	0	0						
Total	42,679	100	128	5,456,004	Total	11,179	100	84	935,685						

Request for Recommendation Finance Committee




Type of Decision									
Meeting Date	April 23, 2003				Report Date	April 16, 2003			
Decision Requested	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed

Report Title
Property Tax Policy Issues

Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
<input checked="" type="checkbox"/>	Background Attached

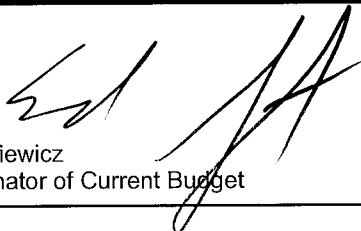
Recommendation	
<p>WHEREAS all property tax policies which are currently in place were passed under The Municipal Act, R.S.O. 1990, and</p> <p>Whereas The Municipal Act, 2001 took effect on January 1, 2003, and</p> <p>Whereas the City of Greater Sudbury wishes to reaffirm its position relating to property tax policy decisions to conform to The Municipal Act, 2001,</p>	
<input checked="" type="checkbox"/>	Recommendation Continued

Recommended by the General Manager
 D. Wyksiniak General Manager of Corporate Services

Recommended by the C.A.O.
 M. Mieto Chief Administrative Officer

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Report Prepared By



E. Stankiewicz
Co-Ordinator of Current Budget

Division Review



S. Jonasson
Director of Finance/City Treasurer

RECOMMENDATION

Therefore, be it resolved that Council reaffirm

- 1) its adoption of the Large Industrial Optional Class,
- 2) its policy to provide tax reductions for vacant commercial and industrial properties,
- 3) its policy to provide tax rebates to registered charities occupying commercial and industrial property,
- 4) its policy regarding property tax deferrals for low income seniors and low income disabled residential property owners,
- 5) its policy regarding the vacancy rebate program for properties in the commercial and industrial property classes, and

That Council adopt the same tax ratios for 2003 as were approved in 2002 with the exception of the Industrial and Large Industrial Class, and

That Council adopt the new Multi-Residential Class, and

That all property tax policy bylaws passed under The Municipal Act, R.S.O. 1990 be rescinded, and

That the City Solicitor prepare the necessary property tax policy bylaws under The Municipal Act, 2001.

BACKGROUND

The Municipal Act, 2001 came into effect on January 1, 2003, and sections from the old Municipal Act do not necessarily align themselves with this new Municipal Act. All current property tax policy bylaws reference the old Municipal Act and new bylaws should be passed for all property tax policy decisions made by Council to ensure compliance under the new Act.

Optional Class - Large Industrial Class

In 1998, Council chose to adopt the Large Industrial Class as an optional class within the Broad Industrial Class. This ensured that the tax burden placed on the large industrial property owners collectively in 1997 would be the same in 1998. This option ensured that the residual industrial property owners would not experience an additional tax burden from 1997 to 1998 as a result of the province wide reassessment and the new valuation methodology.

It is recommended that Council reaffirm its position to retain the Large Industrial Class to ensure no tax shift to the residual Industrial Property Class.

Tax reductions for vacant Commercial and Industrial properties

Under provincial legislation, municipalities are required to provide tax reductions for these properties that have excess land or are vacant land. Currently, the City provides a 30% tax reduction to Commercial properties and a 35% reduction to Industrial properties.

It is recommended that Council reaffirm its position to continue with the current tax reductions.

Tax rebates for Registered Charities occupying Commercial and Industrial properties

Under provincial legislation, municipalities are required to rebate a minimum of 40% of the taxes paid by a registered charity occupying Commercial or Industrial property. Currently, the City provides a tax rebate of 40% to Registered Charities.

It is recommended that Council reaffirm its policy on Charity rebates.

Tax deferrals for Low Income Seniors and Low Income Disabled Persons residential property owners

Under provincial legislation, municipalities are required to provide tax relief to Low Income Seniors and Low Income Disabled residential property owners, beginning in a taxation year in which a general reassessment occurs. Currently, the City provides the option for these individuals to have a tax deferral on their property for any increase greater than \$100 on their residential property tax bill.

It is recommended that council reaffirm this policy.

Vacancy Rebate Program for properties in the Commercial and Industrial Property Classes

Under provincial legislation, municipalities are required to provide vacancy rebates to owners who have vacant units within their building and who apply for the rebate. Currently, the City reviews the application and provides the rebate to the property owners for the period that the units were vacant.

It is recommended that Council reaffirm its policy on vacancy rebates.

Tax Ratios

John Hughes of Hemson Consulting will be making a presentation to the Finance Committee on April 23, 2003, relating to tax policy issues. At this presentation, Mr. Hughes will explain the need to adjust the tax ratios marginally lower for the Industrial and Large Industrial classes.

It is recommended that Council adopt the same tax ratios in 2003 as were approved in 2002 with the exception of the Industrial and Large Industrial classes.

New Multi-Residential Class

Mr. Hughes addresses the issue of adopting a New Multi-Residential Class with a tax ratio of 1.0000 (same as residential). The creation of this new class may spur development of additional multi-residential units.

It is recommended that Council adopt the New Multi-Residential Class with a ratio of 1.0000.

Tax Rates

The final tax rates cannot be developed until the tax ratios have been adopted. After adoption of the tax ratios, the City will develop the tax rates based on the revised roll, as in the past two years. This roll would be the returned roll updated with changes such as reconsiderations of assessment, demolition of properties, and Court decisions (results of tax appeals). This revised roll will not be available until April 17, 2003. The presentation that Mr. Hughes will be making deals with tax rates based on the returned roll. The rates will have to be adjusted marginally, when the revised roll is being used.

The tax rate report will be tabled at the Finance Committee meeting of April 23, 2003, detailing all tax rates.

Tax capping of Multi-Residential, Commercial and Industrial properties

The Online Property Tax Analysis (OPTA) system that the City uses to determine the capping and clawback calculations is currently only in test mode for calculations of the tax capping. It is anticipated that the final numbers will not be materially different from the current test numbers. However, it is imperative that the most accurate information is used in order to generate the final capping numbers.

A report dealing with capping and setting capped class due dates will be brought forward in May or June. In past years some municipalities have had insufficient funds to fund the cap and preliminary numbers indicate that this may be the case for the Industrial Class in Sudbury this year. A contribution from reserves may be required to fund the shortfall.

Summary

This report addresses the tax policy issues that Council must deal with. With the exception of the revised ratios for the Industrial and Large Industrial Class and the adoption of the new Multi-Residential Class, this is a housekeeping exercise to ensure that the City is in compliance with the new Municipal Act, 2001.

Correspondence and Information

Request for Recommendation Finance Committee




Type of Decision									
Meeting Date	April 23, 2003				Report Date	April 17, 2003			
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High		Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title
Projected 2002 Year-End Position

Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
<p>A small surplus of \$2.9 million was generated in 2002. This amount represents about 0.75% of the 2002 gross budget.</p> <p>In accordance with Capital Policy, this surplus has been contributed to the Capital Financing Reserve Fund - General and the Tax Rate Stabilization Reserve, in equal amounts.</p>	
<input checked="" type="checkbox"/>	Background Attached

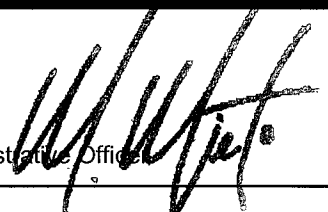
Recommendation
N/A
Recommendation Continued

Recommended by the General Manager



D. Wukosic
General Manager of Corporate Services

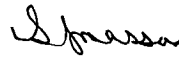
Recommended by the C.A.O.



M. Mieto
Chief Administrative Officer

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Date: April 17, 2003

Report Prepared ByC. Mahaffy
Manager of Financial Planning & Policy/Deputy Treasurer**Division Review**S. Jonasson
Director of Finance/City Treasurer**BACKGROUND**

The purpose of this report is to inform Council of the 2002 year-end position of the City of Greater Sudbury, including information on the finalization of the 2001 Community Reinvestment Fund (CRF), and estimates of the 2002 CRF.

For the most part, revenue and expenditure transactions have been finalized for 2002, and a small surplus of \$2.9 million is anticipated. This figure will not be finalized until completion of the annual audit, which is presently underway. This surplus represents about 0.75% of the 2002 gross budget. For all intents and purposes, a variance of less than one percent is considered to be 'on budget'. In accordance with Council policy regarding surpluses / deficits, contributions are made to or from the Capital Financing Reserve Fund - General and the Tax Rate Stabilization Reserve, in equal amounts. Consequently, contributions of approximately \$1.45 million have been made to each of these reserves.

The Province very recently announced that the Financial Information Returns (FIR's) deadline for filing has been changed from June 30 to May 31. Staff and the auditors are striving to meet this new deadline. Once the audit is complete, the FIR's filed, and the statements prepared, our auditors will be presenting the financial statements and FIR's to Council. Hopefully, this will occur at the second meeting in June. The Municipal Performance Measurement Program information will be presented sometime later in the year.

The attached chart lists the projected over / under expenditures. Favorable variances are in brackets, while unfavorable variances are shown without brackets. There are seven areas where the variance is in excess of \$1 million, and explanations for each follows:

Major Variances***Grants and Subsidies - \$1.2 million***

The 2001 Community Reinvestment Fund reconciliation was received at the end of November, and resulted in \$1.3 million in additional revenue being recognized in 2002. The Province had originally indicated that the CRF would be reduced by \$1.4 million dollars in recognition of additional costs the Province is incurring since the funding of Children's Aid was transferred from municipalities. This did not occur as anticipated. Other anticipated reconciling items for the Health Unit and Social Housing also differed from the amounts originally set up. The 2002 projected CRF funding is slightly less than budgeted, bringing the variance to \$1.2 million overall.

Date: April 17, 2003

Corporate Revenue - \$1.3 million

Interest revenue on investments exceeded budget by \$775,000 due to more favourable interest rates than budgeted. In addition interest on current taxes and tax arrears resulted in \$250,000 more than budgeted, while the additional \$211,000 in revenue from the Ontario Lottery Corporation accounts for the balance.

Solicitor and Clerk - \$1.1 million

A \$750,000 shortfall in Provincial Offences (POA) net revenue and a \$700,000 overexpenditure in outside legal counsel were offset by other savings throughout the department to result in this shortfall. It should be noted that the POA program is no longer reconcilable, consequently there was no offsetting increase in CRF funding.

Social Housing - \$2.7 million

A number of factors contributed to this surplus in 2002. The major item was additional federal / provincial money received from the Province related to the non-profit projects. At the time the 2002 budget was prepared for Social Housing, the amount of the funding to be received was not known, so none was budgeted. In fact, some \$2 million additional money, most of which is one-time funding, was received overall. Some of this related to administration expenses for taking over the non-profit housing. Council authorized close to \$400,000 of this money to be reserved late in 2002. In addition, the Province returned some \$300,000 for projects they had billed the City for, but should not have. Expenditures for the non-profit and housing corporation were under budget by about \$600,000 and the payable to the Province for non-profit projects set up in 2001 did not materialize as expected.

Employment Support Services / Ontario Works - \$3.1 million

Additional revenues were received from the Province for Levels funding which accounts for \$1.4 million, while reduced caseloads at Ontario Works and delays in staffing (GWA, Sole Support and ODSP) accounts for the balance. Some of the underexpenditure is tied to CRF funding, and this decrease has been taken into consideration when calculating the CRF funding for 2002.

Leisure and Recreation Services - \$1.2 million

Overexpenditures in this section are spread throughout all areas, with \$200,000 being overspent in parks and playgrounds, another \$300,000 in the waterfront / pools program, and \$700,000 in community centres and arenas.

Public Works - \$3.3 million

Public Works, overall is \$3.3 million overspent, with the major variances being in Summer Roads Maintenance which was \$1.1 million overspent, and in Winter Roads Maintenance which was \$3.2 million overspent (after the \$900,000 contribution from capital approved by the Priorities Committee). Both of these overexpenditures have been highlighted to Council in earlier reports. Waste Management was \$1.2 million underspent as a result of lower costs for purchased services, some delays in programs, and a \$400,000 increase in tipping revenue over budget. This helped to offset the roads overexpenditures.

Date: April 17, 2003

Other Variances

Numerous other over and under expenditures occurred throughout the organization, and brief explanations of those in excess of \$250,000 follow:

Taxation Levy - \$371,000 increase

Payments in lieu of taxation exceeded budgeted revenue.

Financial Services - \$339,000 overexpenditure

The Canada Customs and Revenue Agency accounts for \$194,000 of this overexpenditure and the settlement with regard to the lease on the building on Lisgar Street accounts for a further \$230,000. In addition, a review of outstanding accounts receivable indicated that the allowance for doubtful accounts was not sufficient, and a further \$300,000 was set aside. The annual contribution to this allowance is only \$10,000. Other underexpenditures throughout the section held the overexpenditure to the \$339,000.

Human Resources - \$303,000 overexpenditure

Legal fees as a result of negotiations and arbitration were about \$200,000 over budget, the cost of benefits for pensioners exceeded budget by an additional \$130,000, and accruals for job evaluation expenses of \$160,000 contributed to this overexpenditure. Underexpenditures throughout the section also occurred to help offset the total.

Fire Services - \$415,000 underexpenditure

Vacancies throughout the year and fewer than normal fire call outs requiring volunteers resulted in this surplus.

Police Services - \$552,000 overexpenditure

Overexpenditures in salaries, primarily for overtime, the increased costs of benefits for pensioners, and the loss of Firearms Act revenue all contributed to this deficit.

**City of Greater Sudbury
2002 Variances**

	Budget	Actual	(Surplus) Deficit
	\$	\$	\$
Taxation Levy	(124,041,205)	(124,412,274)	(371,069)
Grants and Subsidies	(53,225,756)	(54,393,181)	(1,167,425)
Corporate Revenue - Capital	(6,528,000)	(7,865,184)	(1,337,184)
General Revenues	(183,794,961)	(186,670,639)	(2,875,678)
Executive Legislative	1,015,909	942,071	(73,838)
Chief Administrative Officer	1,246,794	1,213,342	(33,452)
Executive and Administrative	2,262,703	2,155,413	(107,290)
GM Corporate Services	1,572,199	1,649,613	77,414
Information Technology	3,676,531	3,676,531	-
Financial Services	4,574,757	4,914,055	339,298
Human Resources	2,530,702	2,833,889	303,187
Supplies and Services	383,808	368,870	(14,938)
Solicitors and Clerks	262,660	1,403,042	1,140,382
Assessment	1,537,611	1,537,611	-
Corporate Services	14,538,268	16,383,611	1,845,343
Economic Development	2,032,719	2,146,312	113,593
Planning and Development	2,164,663	1,931,918	(232,745)
Social Housing	16,003,117	13,345,290	(2,657,827)
Economic Development and Planning	20,200,499	17,423,520	(2,776,979)
GM H & SS	1,106,623	1,062,646	(43,977)
Children's Services	2,940,419	2,886,003	(54,416)
Employment Support	(134,738)	(1,549,918)	(1,415,180)
Pioneer Manor	382,341	317,136	(65,205)
Ontario Works	22,445,691	20,784,606	(1,661,085)
Health and Social Services	26,740,336	23,500,473	(3,239,863)
GM Citizen Leisure	1,180,677	1,157,247	(23,430)
Cemetery	23,639	21,822	(1,817)
Libraries, Citizen Service Centres	5,405,441	5,423,796	18,355
Leisure and Recreation	9,198,182	10,364,414	1,166,232
Transportation Services	6,793,106	6,566,617	(226,489)
Citizen and Leisure Services	22,601,045	23,533,896	932,851
Earthcare	202,000	192,156	(9,844)
Agricultural Drains	140,000	167,626	27,626
Municipal Buildings	4,100,195	4,194,043	93,848
Water	2,374,000	2,374,000	-
Wastewater	-	-	-
Roads	29,342,177	33,823,189	4,481,012
Fleet	445,363	409,224	(36,139)
Solid Waste	10,263,823	9,041,968	(1,221,855)
Public Works	46,867,558	50,202,206	3,334,648
GM Emergency Services	286,136	289,762	3,626
Emergency Preparedness	31,000	30,280	(720)
Fire Services	11,942,550	11,527,978	(414,572)
Emergency Medical Services	5,259,987	5,101,510	(158,477)
Emergency Services	17,519,673	16,949,530	(570,143)
NDCA	225,000	225,000	-
Public Health	5,537,289	5,536,127	(1,162)
Police Services	27,302,590	27,854,937	552,347
Outside Boards	33,064,879	33,616,064	551,185
Net Surplus.....		(2,905,928)	(2,905,928)

Allocation per Capital Policy

Contribution to Capital Financing Reserve Fund	1,452,964
Contribution to Tax Rate Stabilization Reserve	<u>1,452,964</u>

Balance.... -

Manager's Reports

Request for Recommendation Finance Committee



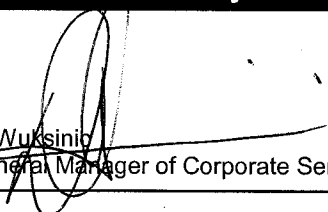
Type of Decision														
Meeting Date					April 23, 2003					Report Date		April 17, 2003		
Decision Requested			<input checked="" type="checkbox"/>	Yes		No	Priority		<input checked="" type="checkbox"/>	High		Low		
			Direction Only			Type of Meeting		<input checked="" type="checkbox"/>	Open		Closed			

Report Title
2002 Capital Variance Report

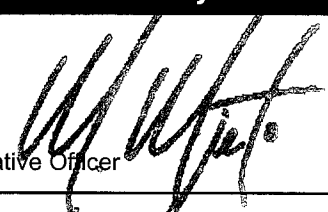
Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
Surplus funding returned to reserves/reserve funds	\$ 5,187,205.10
Additional funding requirements	<u>784,660.00</u>
Net funds	\$ <u>4,402,545.10</u>
<input checked="" type="checkbox"/>	Background Attached

Recommendation
RECOMMENDATION ATTACHED
<input checked="" type="checkbox"/> Recommendation Continued

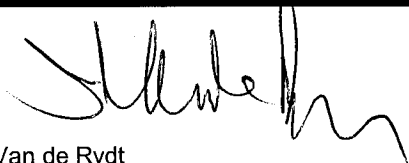
Recommended by the General Manager


 D. Wuksinic
 General Manager of Corporate Services

Recommended by the C.A.O.

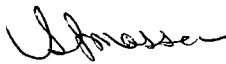

 M. Mieto
 Chief Administrative Officer

Report Prepared By



J. Van de Rydt
Co-Ordinator of Capital Budget & Risk Management

Division Review



S. Jonasson
Director of Finance/City Treasurer

RECOMMENDATION

That additional funding for the following project shortfalls be provided as follows:

<u>Project</u>	<u>Amount</u>	<u>Funding Source</u>
1998 Sewage Treatment Plants	\$ 424,664.01	Upgrade Wastewater Plants Reserve Fund
Natural Gas Franchise	\$ 167,555.31	Capital Financing Reserve Fund - General
2001 Bridge Structures	\$ 146,302.82	Capital Financing Reserve Fund - Roads
Centre for Life	\$ 21,803.45	Capital Financing Reserve Fund - General
1999 Sewer/Water Projects	\$ 19,386.37	Upgrade Wastewater Plants Reserve Fund
2001 Cemetery Projects	\$ <u>4,948.04</u>	Cemetery Reserve Fund
 Total Additional Funding	 \$ <u>784,660.00</u>	

AND FURTHER,

that Council Resolution 2001-20, for the approval of temporary funding for the second phase of the Civic Memorial Mausoleum, be rescinded.

BACKGROUND

Each year Council approves fund allocations to several capital envelopes. Since the capital project budgets are based on best estimates of the costs of the projects to be undertaken, it is inevitable that, over time, the original project estimates vary from the actual costs incurred, generating surpluses and deficits within annual capital envelope allocations. Policy allows for the transfer of funding between years from the same envelopes.

The status of all capital projects have been reviewed to determine which projects have been completed or which are ongoing, which are underfunded, and which have surplus funding. In accordance with the City of Greater Sudbury's Capital Policy, many capital projects have been closed out by re-allocating some funding to same or similar projects from different years. However, for some projects this was not possible and as a consequence additional funding is required. The projects are listed in the resolution and an appropriate funding source has been identified for each.

Many projects were finalized and funding has been returned to appropriate reserves/reserve funds. The net result, after directing additional funding to those projects identified in the resolution, is \$4.4million to reserves/reserve funds.

Additional Funding Requirements

In the case of several projects, cost over-runs were not able to be offset with funding from other sources.

Additional funds are required to cover unfunded costs of \$167,555.31 for consultant and legal costs related to the Natural Gas Franchise project. It is recommended that funding for this over-expenditure be drawn from the Capital Financing Reserve Fund - General. The Centre for Life project had a deficit of \$21,803.45 resulting from construction cost over-runs, which can also be financed from the Capital Financing Reserve Fund - General. After funding these two shortfalls, the balance in the Capital Financing Reserve Fund - General will be \$ 2.4 million.

The 2001 cemetery projects for niche walls and cemetery management software were over-drawn by \$4,948.04. It is recommended that this deficit be financed from the Cemetery Reserve Fund, which will leave it with a balance of \$245,000.

The 1998 and 1999 sewer and water treatment plant project deficits were \$19,386.37 and \$424,664.01 respectively. The shortfalls, for the most part, can be attributed to engineering/consultant cost over-runs - the largest being associated with energy retrofits. It is recommended that funding for these two projects be drawn from the Upgrade Wastewater Plants Reserve Fund, which will leave it with a balance of \$675,000.

2001 bridge structure projects were over-budget in total by an amount of \$146,302.82 due to cost over-runs for bridge rehabilitation projects at the Main Street bridge over the Whitson River in Chelmsford and the CPR/MR55 Overpass West. It is recommended that funding for this over-expenditure come from the Capital Financing Reserve Fund - Roads, which will leave it with a balance of \$3.7 million.

Rescind Funding Approval

During the course of our review, it was also noted that a portion of the funding approvals for the \$1.1 million construction project of the second phase of the Civic Memorial Mausoleum had been duplicated. It is in order to rescind Council Resolution 2001-20 which approved \$600,000 temporary funding for the project. This resolution was made redundant with the passage of Council Resolution 2002-274 which approved funding by means of a \$1.1 million loan from the Capital Fund.

Surplus Funding returned to Reserves/Reserve Funds

A number of other projects have also been identified as having been completed and the related surplus funding has been returned to reserves/reserve funds. Just over \$5.2 million has been returned and is now available for future capital projects. In the aggregate, the reserves/reserve funds had the following sums returned:

Capital Financing Reserve Fund - Water	\$ 2,459,124.09
Capital Financing Reserve Fund - Solid Waste	\$ 1,066,100.40
Emergency Services Ambulance Reserve Fund	\$ 578,177.64
Capital Financing Reserve Fund - Information Technology	\$ 364,902.79
Capital Financing Reserve Fund - Water/Wastewater Replacement	\$ 234,034.46
Equipment Replacement Reserve Fund	\$ 102,374.00
Capital Financing Reserve Fund - Roads	\$ 85,708.50
Capital Financing Reserve Fund - PW Buildings	\$ 77,546.55
Industrial Park Reserve Fund	\$ 74,638.24
Land Acquisition Reserve Fund	\$ 50,038.75
Capital Financing Reserve Fund - Corporate Infrastructure	\$ 32,075.98
Capital Financing Reserve Fund - Fire	\$ 25,039.31
Capital Financing Reserve Fund - General	\$ 23,020.66
Pioneer Manor Reserve Fund	\$ 6,155.04
Cemetery Reserve Fund	\$ 5,067.00
Parking Improvements Reserve Fund	\$ 3,106.45
Library Reserve	\$ <u>95.24</u>
Total Surplus Funding returned to Reserves/Reserve Funds	\$ <u>5,187,205.10</u>

Many of the project accounts which were closed to reserves/reserve funds were necessary to remove completed projects "off the books" to clean up capital cost centres. Explanations for those projects which had \$100,000+ surplus funds returned follows.

Capital Financing Reserve Fund - Water

Kingsway Booster \$601,687.11: This project originally anticipated installing a 30" bypass around the booster station but a smaller bypass was installed in its place and has not caused any flow problems. The replacement with a 30" pipe has been delayed indefinitely.

Trunk Watermain Phase 3 McLeod St \$403,119.18: The anticipated expansion of the main to Martindale St has been held up awaiting reconstruction work on Lorne St, so funds have been returned to the reserve fund pending this road project.

1999 Water Projects \$437,262.66: The amount being returned to reserve funds is a combination of project surpluses for Second Ave trunk watermain, Falconbridge trunk watermain, swab launch stations and water meter replacement.

1999 Water Project Financing \$250,163.95: This surplus is related to the insurance claim for the David St flooding repairs. This is simply a "housekeeping" matter. The project had been funded from the reserve fund so the insurance recovery should be returned to the reserve fund.

2001 Water Projects \$385,164.17: The funds being returned to the reserve fund represent a combination of savings for the Ramsey Lake Road watermain improvements done with the road construction, and a very favourable bid price on the Falconbridge trunk watermain from Huntington to Lebel.

Capital Financing Reserve Fund - Solid Waste

1999 Solid Waste \$596,243.37: The EPA study for the preferred landfill site was completed ahead of schedule, and work on the Sudbury Wetland Enhancement Study was postponed to coincide with expansion work at Sudbury site. The closure cost for the Nickel Centre landfill site was also under budget.

2000 Solid Waste \$230,016.87: The cost centre was under budget in several projects, the largest being the work associated with a cell closure and scale at the Walden site.

2001 Solid Waste \$206,744.90: The Onaping Falls landfill site closure was under budget because costs were reduced since the successful contractor had a gravel pit right next to the landfill property.

Emergency Services Ambulance Reserve Fund

EMS Services - Ambulance Capital \$546,060: This account held the 2000 CRF bonus amount that had been allocated to Ambulance for projects that had yet to be identified. No specific projects were ever established, so the amount has been allocated to the reserve fund with the same intention of using the funds in the future for ambulance capital purposes.

Capital Financing Reserve Fund - Information Technology

Information Technology - 1998 Projects \$252,098.38: These projects were not started as planned pending the outcome of amalgamation discussions. The return of these funds to reserve funds is a matter of "housekeeping" and will be available to fund future IT undertakings.

Capital Financing Reserve Fund - Water/Wastewater Replacement

2000 Water/Wastewater Upgrading \$234,034.46: The amount being returned is a combination of two factors - one being sewer and water projects which were intended to go in concert with former area municipality road projects had been put on hold (and funds not returned to reserves at year-end), and second, favourable pricing obtained on the Bancroft Dr project by doing the work in concert with the road project.

Request for Recommendation Finance Committee

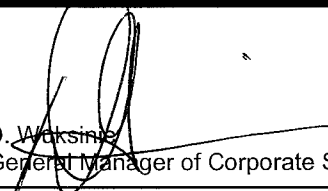



Type of Decision									
Meeting Date	April 23, 2003				Report Date	April 17, 2003			
Decision Requested	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed

Report Title
2002 Reserve / Reserve Fund Status and By-law Amendments

Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
<p>This is a "housekeeping" report recommending deletions, additions, and consolidations of the City's reserves and reserve funds.</p>	
<input checked="" type="checkbox"/>	Background Attached

Recommendation
<p>THAT the report from the General Manager of Corporate Services, dated April 17th, 2003, regarding the 2002 Reserve / Reserve Fund Status and By-law amendments be approved, and that By-law 2001-287F be amended accordingly.</p>
Recommendation Continued

Recommended by the General Manager
 D. Waksins General Manager of Corporate Services

Recommended by the C.A.O.
 M. Mieto Chief Administrative Officer

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Date: April 17, 2003

Report Prepared By



C. Mahaffy
Manager of Financial Planning & Policy/Deputy Treasurer

Division Review



S. Jonasson
Director of Finance/City Treasurer

BACKGROUND

By-law 2001-287F is the by-law which establishes all reserves, reserve funds, and trust funds of the City of Greater Sudbury, and outlines the authority required to add to or spend from these accounts as well as the specific or general uses for which the funds are intended.

Attached is a schedule showing the unaudited balances of all reserves, and reserve funds as at December 31, 2002 after all year-end entries, including the entry for the projected surplus have been made. Also shown on this schedule are the transfers recommended in the 2002 Capital Variance report, and any commitments made in 2003.

Each reserve and reserve fund has been established and committed for specific purposes, which have been briefly outlined in the 'Purpose' column of the attached spreadsheet. As Council is aware, the City of Greater Sudbury faces a large capital needs funding gap, and the reserves established for capital purposes are not anywhere near sufficient to address these needs.

The balances of the trust funds have not been included in this schedule since no changes in the specific uses of the trusts have occurred. Generally, trust funds are not City funds, but are funds of others being held in trust for specific uses only. An example is deposits from subdividers, which are either used to finalize subdivision agreement conditions or returned to the subdividers.

With regard to the reserves and reserve funds, the sources of funding as well as the needs to be addressed change somewhat over time; and it is appropriate to do a periodic "housekeeping" review of these funds in order to recommend amendments, deletions, and consolidations.

Funds no Longer Required [marked as "D" on chart]

Reserve for TQI - fully allocated to the 2002 Current Budget as part of the contribution from reserves to the operating budget. Reserve depleted; can be removed from the by-law.

Debt Retirement Reserve - fully allocated to the 2002 Current Budget as part of the contribution from reserves to the operating budget. Reserve depleted; can be removed from the by-law.

Transit Attendance Reserve - no longer required as the incentive is no longer part of the Collective Bargaining Agreement. Balance was transferred to the Capital Financing Reserve Fund - General. Reserve depleted; can be removed from the by-law.

Onaping Sewer/Water Reserve Fund - balance was transferred to the Capital Financing Reserve Funds - Water and Wastewater. Reserve fund depleted; can be removed from the by-law.

Date: April 17, 2003

Whitewater Lake Park Reserve Fund - this fund has no balance, and future power boat races have been cancelled. It is therefore appropriate to delete this reserve fund from the by-law.

Donations for Burial Reserve Fund - fully expended on the intended purposes. Reserve Fund depleted; can be removed from the by-law.

Funds to be Consolidated [marked as "C" on chart]

Infrastructure Development Reserve Fund (\$28,062.61) - all commitments have been met and the residual balance can be returned to the **Industrial Reserve Fund**, as intended. This reserve fund can then be removed from the by-law.

Fire Defibrillator Reserve Fund (\$13,788.32) - transfer the balance in this reserve fund to the **Capital Financing Reserve Fund - Fire Services**. This reserve fund can then be removed from the by-law.

Upgrade Wastewater Treatment Plants (\$674,943.21) and **Upgrade Water Treatment Plants** (\$461,283.13) - transfer the balances in these reserve funds to the **Capital Financing Reserve Fund - Wastewater and Capital Financing Reserve Fund - Water** respectively. These reserve funds can then be removed from the by-law.

Funds to be Added [marked as "N" on chart]

OW Community Placement Reserve - this reserve was authorized by Council at the Priorities meeting of October 9th, 2002 and needs to be added to the By-law:

- ▶ funding of this reserve was through Provincial subsidies
- ▶ the reserve shall be used to fund Ontario Works / Employment Support programs and projects only
- ▶ authorization of Council required to add to or spend from this reserve.

South Branch Library Reserve Fund - this reserve was authorized by Council last May when Council authorized the purchase of the building and needs to be added to the By-law.

- ▶ funding of this reserve shall be from net rents received
- ▶ the reserve is intended to fund future repairs / renovations to the building
- ▶ authorization of Council required to add to or spend from this reserve.

Market Square Reserve - this is a new reserve, to be created in keeping with the former City's intent to create a reserve for Market Square.

- ▶ funding of this reserve is from net rent revenues received for the rental of the old AT & T building only
- ▶ the reserve shall be used to fund projects related to Market Square
- ▶ authorization of Council is required to spend from this reserve.

Date: April 17, 2003

199 Larch Building Maintenance Reserve Fund - on March 13th of this year, Council approved the financing of 199 Larch Street, including the establishment of a building maintenance reserve fund.

- ▶ provides for year to year variances in operating budget
- ▶ any annual operating surplus to be contributed to this reserve if such contribution will not put the City in a deficit position or increase an existing deficit
- ▶ any annual operating deficit shall be funded from this reserve fund
- ▶ any other expenditures from this reserve fund shall be authorized by Council.

Funds Requiring Amendments [marked as "A" on chart]

Library Rate Stabilization Rate Reserve - change title and references to **Library / Citizen Service Centre Reserve**

This change in title is necessary since it is not possible to segregate the operating expenses of the Citizen Service Centre function from the Library function.

Social Housing Reserve - change to Social Housing Capital Reserve Fund

- ▶ to be used for Social Housing capital undertakings, as authorized by Council
- ▶ any annual surplus in the Social Housing operating budget shall be credited to this reserve fund if such contribution will not put the City in a deficit position or increase an existing deficit
- ▶ any annual deficit in the Social Housing operating budget shall be funded from this reserve fund
- ▶ any other expenditures from this reserve fund shall be authorized by Council

Social Housing will have a number of capital needs in the future, and it is recommended that this reserve be moved to a reserve fund status, similar to all other capital reserve funds.

Employee Health Benefits Reserve and Reserve for Weekly Indemnity Claims - eliminate reference to 'self administered' plans. *These plans are no longer self administered.*

Replace Recycling Equipment - change to read annual contributions to this reserve fund shall be made from the operating budget. *The present reference is to equipment rates whereas in practice a straight contribution is made annually.*

Pioneer Manor Reserve Fund - add 'and additional subsidy received as a result of reconstruction' as a source of funding. *Pioneer Manor is receiving some of the additional per diem funding related to the reconstruction project. As authorized by Council, this additional funding is to be directed to future debt repayment, and for now should be reserved.*

Capital Financing Reserve Fund - Police - change to require Police Services Board authorization for expenditures rather than Council. *This is in keeping with all other Police reserves.*

City of Greater Sudbury
Reserve and Reserve Fund Balances
as at December 31, 2002

[Note: year-end balance includes current year (2002) surplus]

	Purpose	Unadjusted Year-end Balance	Pending 2002 Adjustments	Adjusted 2002 Balance	2003 Commitments	Residual Balance
Reserves						
A	Election Reserve	\$258,960.92		\$258,960.92		\$258,960.92
A	Employee Health Benefits Reserve	791,269.74		791,269.74		791,269.74
A	Library Rate Stabilization Reserve	147,001.40		147,001.40	(25,000.00)	122,001.40
A	Tree Purchases Reserve	166,013.97		166,013.97	(10,000.00)	156,013.97
A	Social Housing Reserve	1,548,612.63		1,548,612.63	(200,000.00)	1,348,612.63
A	Reserve for Various Expenses	783,096.50		783,096.50	(783,096.50)	0.00
A	Reserve for Ex-Gratia Grants	93,875.00		93,875.00		93,875.00
A	W.I. Claims Reserve	594,929.46		594,929.46		594,929.46
A	Water Meter Installation Reserve	208,929.13		208,929.13		208,929.13
D	TQI Reserve	0.00		0.00		0.00
N	Official Plan Reserve	4,050.13		4,050.13		4,050.13
N	O/W Community Placement Reserve	2,445,071.53		2,445,071.53	(391,945.00)	2,053,126.53
N	O/W Emerg Housing Reserve	22,541.42		22,541.42		22,541.42
N	O/W Child Benefit Reserve	0.00		0.00		0.00
N	Market Square Reserve	0.00		0.00		0.00
N	Pioneer Manor Fundraising Reserve	23,490.46		23,490.46		23,490.46
N	Future Development Charges Study Reserve	58,500.00		58,500.00		58,500.00
N	Tax Rate Stabilization Reserve	2,714,201.51		2,714,201.51	(315,000.00)	2,399,201.51
N	V.E. Heritage Committee Reserve	19,417.13		19,417.13		19,417.13
N	Agricultural Drains Reserve	50,000.00		50,000.00		50,000.00
N	Cultural Exchange Reserve	2,518.46		2,518.46		2,518.46
	TOTAL RESERVES	\$9,932,479.39	\$0.00	\$9,932,479.39	(\$1,725,041.50)	\$8,207,437.89

	Purpose	Unadjusted Year-end Balance	Pending 2002 Adjustments	Adjusted 2002 Balance	2003 Commitments	Residual Balance
Reserve Funds - Various						
A	Sick Leave Reserve Fund	\$1,634,724.48		\$1,634,724.48		\$1,634,724.48
A	Police Sick Leave Reserve Fund	385,160.55		385,160.55		385,160.55
A	HR Management Reserve Fund	189,438.29		189,438.29	(24,910.00)	164,528.29
A	WSIB Schedule 2 Reserve Fund	2,616,449.63		2,616,449.63	(258,800.00)	2,357,649.63
A	WSIB Committed Reserve Fund	900,000.00		900,000.00		900,000.00
A	Insurance Reserve Fund	2,152,547.98		2,152,547.98	(300,000.00)	1,852,547.98
A	Equipment Replacement Reserve Fund	2,219,903.11		2,219,903.11		2,219,903.11
A	Police Vehicle and Equipment Reserve Fund	885,360.00		885,360.00		885,360.00
A	Recycling Equipment Replacement Reserve Fund	1,155,647.70		1,155,647.70		1,155,647.70
A	Land Acquisition Reserve Fund	1,359,059.38		1,359,059.38		1,359,059.38
D	Debt Retirement Reserve Fund	0.00		0.00		0.00
A	Pioneer Manor Reserve Fund	222,710.84		222,710.84		222,710.84
A	Pioneer Manor Donations Reserve Fund	45,703.14		45,703.14		45,703.14
C	Industrial Park Reserve Fund	584,469.73		584,469.73	(400,000.00)	184,469.73
C	Infrastructure Development Reserve Fund	28,062.61		28,062.61		28,062.61
C	Industrial Park Committed Reserve Fund	154,123.59		154,123.59	200,000.00	354,123.59
C	Economic Development/Community Loan Reserve Fund	978,512.83		978,512.83		978,512.83
C	Business Centre Reserve Fund	141,269.31		141,269.31		141,269.31

City of Greater Sudbury
Reserve and Reserve Fund Balances
as at December 31, 2002

[Note: year-end balance includes current year (2002) surplus]

	Unadjusted Year-end Balance	Pending 2002 Adjustments	Adjusted 2002 Balance	2003 Commitments	Residual Balance
C Upgrade Waste Water Plants Reserve Fund	1,118,993.59	(444,050.38)	674,943.21		674,943.21
C Upgrade Waste Water Plants Reserve Fund	461,283.13		461,283.13		461,283.13
Waste Water & Water Payments Reserve Fund	270,706.58		270,706.58		270,706.58
Valley East Centennial Drive Booster Station Reserve Fund	2,005.68		2,005.68		2,005.68
Road Levy Payments Reserve Fund	517,705.26		517,705.26		517,705.26
Roads Winter Control Reserve Fund	124,960.42		124,960.42		124,960.42
V.E.T.A.C. Reserve Fund	3,397.96		3,397.96		3,397.96
Fitness Centre Reserve Fund	41,002.03		41,002.03		41,002.03
Museum Reserve Fund	20,570.40		20,570.40		20,570.40
D Transit Attendance Reserve Fund	0.00		0.00		0.00
N South-end Library Reserve Fund	12,202.31		12,202.31		12,202.31
Police Services Donations Reserve Fund	5,123.13		5,123.13		5,123.13
Subdivision Deposit Reserve Fund	1,329,510.21		1,329,510.21		1,329,510.21
Site Plan Deposits Reserve Fund	485,337.51		485,337.51		485,337.51
Tree Planting Reserve Fund	668,699.33		668,699.33	(30,000.00)	638,699.33
Gazabo Concert Series Reserve Fund	3,171.96		3,171.96		3,171.96
C Fire Defibrillator Program Reserve Fund	13,788.32		13,788.32		13,788.32
Cemeteries Reserve Fund	249,797.91	(4,948.04)	244,849.87		244,849.87
D Donations for Burial Reserve Fund	0.00		0.00		0.00
Greater Sudbury Police Services Board Reserve Fund	0.00		0.00		0.00
D Onaping Falls Sewer/Water Reserve Fund	0.00		0.00		0.00
D Whitewater Lake Park Reserve Fund	0.00		0.00		0.00
N 199 Larch St Building Maintenance Reserve Fund	2,768,592.59		2,768,592.59		2,768,592.59
Emergency Services Ambulance Reserve Fund	0.00		0.00		0.00
Reserve Funds - Various	2,768,592.59		2,768,592.59		2,768,592.59
	\$23,729,981.49	(\$448,998.42)	\$23,280,983.07	(\$813,710.00)	\$22,467,283.07
Capital Financing Reserve Funds (R/F)					
Cap Fin R/F - Information Technology	\$1,132,557.80		\$1,132,557.80		\$1,132,557.80
Cap Fin R/F - Replace S/W Systems	395,072.57		395,072.57		395,072.57
Cap Fin R/F - Solid Waste	6,212,066.71		6,212,066.71		6,212,066.71
Cap Fin R/F - General	2,907,683.43	(189,358.76)	2,718,324.67	(277,500.00)	2,440,824.67
Cap Fin R/F - Committed	1,020,319.10		1,020,319.10		1,020,319.10
Cap Fin R/F - Corporate Infrastructure	229,087.98		229,087.98		229,087.98
Cap Fin R/F - P/W Buildings	133,272.32		133,272.32		133,272.32
Cap Fin R/F - Police	56,737.89		56,737.89		56,737.89
Cap Fin R/F - Roads	3,893,881.89	(146,302.82)	3,747,579.07		3,747,579.07
Cap Fin R/F - Waste Water	2,800,950.93		2,800,950.93		2,800,950.93
Cap Fin R/F - Water	5,871,124.42		5,871,124.42		5,871,124.42

City of Greater Sudbury
Reserve and Reserve Fund Balances
as at December 31, 2002

[Note: year-end balance includes current year (2002) surplus]

	Unadjusted	Pending 2002	Adjusted 2002	2003	Residual
	Year-end Balance	Adjustments	Balance	Commitments	Balance
Cap Fin R/F - H & S.S.	32,014.97		32,014.97		32,014.97
Cap Fin R/F - Fire	115,085.01		115,085.01	(20,000.00)	95,085.01
Cap Fin R/F - Citizen/Leisure	100,310.75		100,310.75		100,310.75
Capital Financing Reserve Funds	\$24,900,165.77	(\$335,661.56)	\$24,564,504.19	(\$297,500.00)	\$24,267,004.19
Purpose					
mandatory reserve fund for parking improvements	\$903,160.41		\$903,160.41		\$903,160.41
obligatory reserve fund for use in sewer or water projects	58,678.05		58,678.05		58,678.05
provincial funds received to complete Municipal Rd 80	4,538,617.21		4,538,617.21		4,538,617.21
obligatory reserve fund for use in new park projects	550,443.73		550,443.73		550,443.73
Obligatory Reserve Funds	\$6,050,899.40	\$0.00	\$6,050,899.40	\$0.00	\$6,050,899.40
TOTAL RESERVE FUNDS	\$54,681,056.66	(\$784,660.00)	\$53,896,396.66	(\$1,111,210.00)	\$52,785,186.66
TOTAL RESERVES and RESERVE FUNDS	\$64,613,536.05	(\$784,660.00)	\$63,828,876.05	(\$2,836,251.50)	\$60,992,624.55

LEGEND	
A	Amend
D	Delete
C	Consolidate
N	New

Request for Recommendation Finance Committee




Type of Decision									
Meeting Date	April 23, 2003				Report Date	April 16, 2003			
Decision Requested	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed

Report Title
Outstanding Long Term Financial Plan Issues

Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
<input checked="" type="checkbox"/>	Background Attached

Recommendation
<p>THAT the reserve and reserve fund reallocations, as detailed in the April 16th, 2003 report from the General Manager of Corporate Services be approved.</p>
Recommendation Continued

Recommended by the General Manager
 D. Wuksinic General Manager of Corporate Services

Recommended by the C.A.O.
 M. Mieto Chief Administrative Officer

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Date: April 16, 2003

Report Prepared By

C. Mahaffy
Manager of Financial Planning & Policy/Deputy Treasurer

Division Review

S. Jonasson
Director of Finance/City Treasurer

BACKGROUND

Late last fall Council approved, in principle, the Long Term Financial Plan as presented by Hemson Consulting Ltd. The plan identified funding gaps for both the operating and current budgets, recommended the establishment or increased contributions to reserve funds, and recommended an option which would see 70% of the capital funding gaps eliminated over the next ten years. In order to achieve this, current needs and increased contributions to reserves had to be addressed by increasing the levy, and capital needs were to be addressed by adding a capital component to the levy and embarking on a short-term (10 year) managed debt program.

However, because of budget constraints in 2003 Council was not able to address the long term plan recommendations, with the exception of permanently redirecting \$588,333 to the Roads capital program.

In reports presented to the Committee earlier in the evening, a surplus of almost \$3 million for 2002 was detailed, and net capital funding of \$4.4 million was returned to the reserves and reserve funds.

These additional contributions to the reserves and reserve funds present Council with a unique opportunity to address some of the outstanding long-term issues on a one-time basis. The recommendation being made is to reallocate some of this reserved money to specific programs and reserves that will address some of the long-term needs.

Needs to be Addressed***Create a Reserve for Ontario Works - \$340,000***

One of the recommendations in the Plan was to establish stabilization reserves for programs that are susceptible to significant annual expenditure fluctuations, such as Ontario Works. It is now being recommended that a Reserve for Ontario Works be established in 2003. This reserve will better position the City to offset the initial impact of any future increase in rates or any significant increase in the number of individuals receiving financial assistance.

Make a one-time contribution to the Sick Leave Reserve Fund - \$200,000

As at year-end 2002 the sick leave liability for the City (excluding Police) was just over \$4 million dollars whereas the reserve fund has only \$1.6 million. Many of the City's employees are reaching retirement age, and a significant portion of the \$4 million will be needed over the next few years. The original recommendation in the report, and in the current budget options was to permanently increase the contribution to the reserve fund by \$200,000 per year. While not an ongoing increase to fund the liability, this one-time infusion of funds will help to address the needs.

Date: April 16, 2003

Make a one-time contribution to the Social Housing Capital Reserve Fund - \$1.3 million

Social Housing will be facing substantial capital requirements over the next few years, and the 'ties' to the Community Reinvestment Fund (CRF) are now cut. Any additional expenditures will have to be financed 100% by the City.

During 2002, the Social Housing section received substantial one-time Federal / Provincial funding from the province and this funding formed a large portion of the City's overall surplus position. It is now being recommended that about one-half of the amount of the Social Housing 2002 surplus be directed to the Social Housing Reserve Fund.

Make a one-time transfer to Roads Capital - \$1.8 million

As part of the 2003 Current Budget options, a Capital levy and debenture issue were proposed, most of which was to be directed to roads. Public Works provided a supplementary Roads Program for 2003 which would have been funded through this option. This listing will now be revisited, and a modified list will be brought forward to Council, recommending a Roads capital program for this \$1.8 million as well as the \$588 thousand that Council previously approved.

Make a one-time contribution to the Roads Winter Maintenance Reserve Fund - \$600,000

This reserve fund was established to help offset fluctuations in winter maintenance expenditures when the City experiences severe winters, and the goal is to build the balance to \$3 million. Unfortunately, in the first two winters of the new City, budget overexpenditures were experienced and no opportunity was presented to contribute to this reserve fund. This small contribution could help offset severe winter expenditures in the future.

Make a one-time transfer to the Equipment Replacement Reserve Fund - \$1.7 million

Funding gaps have been identified for all of the City's fleet requirements - Public Works, Fire, and Transit. There should be additional contributions of \$3.4 million to fleet replacement each year in order to properly sustain the fleet. This one-time funding does not address the long-term shortfall, but will help to bring the fleet more in line with needs in the short-term. This funding, together with the uncommitted balance in the reserve fund will fund one year of equipment needs. A report recommending equipment purchases will be forthcoming from Public Works in the future.

Summary of Recommended Transfers

Ontario Works Reserve	\$ 340,000
Sick Leave Reserve Fund	200,000
Social Housing Reserve Fund	1,300,000
Capital Roads Expenditures	1,800,000
Roads Winter Reserve Fund	600,000
Equipment Reserve Fund	<u>1,700,000</u>
Total.....	<u>\$5,940,000</u>

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Date: April 16, 2003

Funding Sources Identified

The attached spreadsheet summarizes the reserves and reserve funds and the following potential funding sources have been identified:

Capital Financing Reserve Fund - General - \$1.4 million

This reserve fund, established to fund capital projects, has an uncommitted balance of \$2.4 million at the end of 2002.

Tax Rate Stabilization Reserve - \$1.4 million

This reserve, established to absorb fluctuations in year-to-year expenditures also has an uncommitted balance of \$2.4 million at the end of 2002.

Capital Financing Reserve Fund - Roads - \$2.7 million

The balance in this reserve fund for the most part comes from the former Region. In 2000 when the Canada-Ontario Infrastructure (COIW) program was first announced, with no details, Public Works set aside a portion of each of the major capital envelopes to be directed to possible COIW projects. However, no COIW funding materialized for roads projects. The reserve fund presently has an uncommitted balance of \$3.7 million.

Ambulance Reserve Fund - \$440,000

Some of the funding set aside for ambulance in 2000 has not been required, and it is being recommended that a portion of it be redirected to other needs. At the end of 2002 the Ambulance Reserve Fund had a balance of almost \$2.8 million.

Summary of Recommended Funding Sources

Capital Financing Reserve Fund - General	\$1,400,000
Tax Rate Stabilization Reserve	1,400,000
Capital Financing Reserve Fund - Roads	2,700,000
Ambulance Reserve Fund	<u>440,000</u>
Total.....	<u>\$5,940,000</u>

Summary

The recommendation is to transfer \$5.9 million from reserve funds to address, on a one-time basis, some of the identified long-term financial needs of the City of Greater Sudbury.

HS

**City of Greater Sudbury
Unaudited Reserve and Reserve Fund Balances
as at December 31, 2002**

[Note: year-end balance includes current year (2002) surplus]

<u>Reserves</u>	Dec 31, 2002
<u>Purpose</u>	<u>Residual Balance</u>
Election Reserve	\$258,960.92
Employee Health Benefits Reserve	791,269.74
Library Rate Stabilization Reserve	122,001.40
Tree Purchases Reserve	156,013.97
Social Housing Reserve	1,348,612.63
Reserve for Various Expenses	0.00
Reserve for Ex-Gratia Grants	93,875.00
W.I. Claims Reserve	594,929.46
Water Meter Installation Reserve	208,929.13
Official Plan Reserve	4,050.13
O/W Community Placement Reserve	2,053,126.53
O/W Emerg Housing Reserve	22,541.42
O/W Child Benefit Reserve	0.00
Reserve for Ontario Works	
Market Square Reserve	0.00
Pioneer Manor Fundraising Reserve	23,490.46
Future Development Charges Study Reserve	58,500.00
Tax Rate Stabilization Reserve	2,399,201.51
V.E. Heritage Committee Reserve	19,417.13
Agricultural Drains Reserve	50,000.00
Cultural Exchange Reserve	2,518.46
TOTAL RESERVES	\$8,207,437.89

<u>Reserve Funds - Various</u>	Dec 31, 2002
<u>Purpose</u>	<u>Residual Balance</u>
Sick Leave Reserve Fund	
Police Sick Leave Reserve Fund	\$1,634,724.48
HR Management Reserve Fund	365,160.55
WSIB Schedule 2 Reserve Fund	164,528.29
WSIB Committed Reserve Fund	2,357,649.63
Insurance Reserve Fund	900,000.00
Equipment Replacement Reserve Fund	
Police Vehicle and Equipment Reserve Fund	1,852,547.98
Recycling Equipment Replacement Reserve Fund	2,219,903.11
Land Acquisition Reserve Fund	885,360.00
	1,155,647.70
	1,359,059.38

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**City of Greater Sudbury
Unaudited Reserve and Reserve Fund Balances
as at December 31, 2002**

[Note: year-end balance includes current year (2002) surplus]

	Dec 31, 2002
	<u>Residual Balance</u>
Pioneer Manor Reserve Fund	222,710.84
Pioneer Manor Donations Reserve Fund	45,703.14
Industrial Park Reserve Fund	212,532.34
Industrial Park Committed Reserve Fund	354,123.59
Economic Development/Community Loan Reserve Fund	978,512.83
Business Centre Reserve Fund	141,269.31
Waste Water & Water Payments Reserve Fund	270,706.58
Valley East Centennial Drive Booster Station Reserve Fund	2,005.68
Road Levy Payments Reserve Fund	517,705.26
Roads Winter Control Reserve Fund	124,960.42
V.E.T.A.C. Reserve Fund	3,397.96
Fitness Centre Reserve Fund	41,002.03
Museum Reserve Fund	20,570.40
South-end Library Reserve Fund	12,202.31
Police Services Donations Reserve Fund	5,123.13
Subdivision Deposit Reserve Fund	1,329,510.21
Site Plan Deposits Reserve Fund	485,337.51
Tree Planting Reserve Fund	638,699.33
Gazebo Concert Series Reserve Fund	3,171.96
Cemeteries Reserve Fund	244,849.87
Greater Sudbury Police Services Board Reserve Fund	0.00
199 Larch St Building Maintenance Reserve Fund	0.00
Emergency Services Ambulance Reserve Fund	2,768,592.59
Reserve Funds - Various	<u>\$21,317,268.41</u>

Capital Financing Reserve Funds (R/F)

Cap Fin R/F - Information Technology	\$1,132,557.80
Cap Fin R/F - Replace S/W Systems	395,072.57
Cap Fin R/F - Solid Waste	6,212,066.71
Cap Fin R/F - General	2,440,824.67
Cap Fin R/F - Committed	1,020,319.10
Cap Fin R/F - Corporate Infrastructure	229,087.98

Purpose

for Information Technology capital projects
for water/wastewater capital projects
for future Solid Waste projects
funds capital and operating deficits
committed to specific projects
for Corporate Infrastructure capital projects

**City of Greater Sudbury
 Unaudited Reserve and Reserve Fund Balances
 as at December 31, 2002**

[Note: year-end balance includes current year (2002) surplus]

	Dec 31, 2002
Residual Balance	
133,272.32	
56,737.89	
3,747,579.07	
3,475,894.14	
6,332,407.55	
32,014.97	
108,873.33	
100,310.75	
\$25,417,018.85	

- Cap Fin R/F - P/W Buildings
- Cap Fin R/F - Police
- Cap Fin R/F - Roads**
- Cap Fin R/F - Waste Water
- Cap Fin R/F - Water
- Cap Fin R/F - H & S.S.
- Cap Fin R/F - Fire
- Cap Fin R/F - Citizen/Leisure

Capital Financing Reserve Funds

- for Building projects
- for Police projects
- for Road projects
- for wastewater capital projects
- for water capital projects
- for Health & Social Services projects
- for Fire projects
- for Citizen & Leisure projects

Obligatory Reserve Funds

- Parking Improvement Reserve Fund
- Capital Lot Levies Reserve Fund
- Municipal Road 80 Reserve Fund
- Parks (Sect 50) Reserve Fund
- Obligatory Reserve Funds**

Purpose

- mandatory reserve fund for parking improvements
- obligatory reserve fund for use in sewer or water projects
- provincial funds received to complete Municipal Rd 80
- obligatory reserve fund for use in new park projects

\$903,160.41	
58,678.05	
4,538,617.21	
550,443.73	
\$6,050,899.40	

TOTAL RESERVE FUNDS

\$52,785,186.66

TOTAL RESERVES and RESERVE FUNDS

\$60,992,624.55

Request for Recommendation Finance Committee



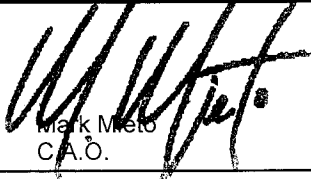
Type of Decision									
Meeting Date	Wed. April 23, 2003				Report Date	Fri. April 11, 2003			
Decision Requested	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed

Report Title
VALUE-FOR-MONEY AUDITS

Policy Implication + Budget Impact	
<input type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
<p>FUNDS TO PERFORM VALUE-FOR-MONEY AUDIT ARE WITHIN THE COST CENTER OF THE INTERNAL AUDIT & PERFORMANCE MEASUREMENT DIVISION (0280).</p>	
<input type="checkbox"/>	Background Attached

Recommendation	
<p>That A VALUE-FOR-MONEY AUDIT BE CONDUCTED, UNDER THE DIRECTION OF THE MANAGER OF INTERNAL AUDIT & PERFORMANCE MEASUREMENT, IN ONE OF THE THREE AREAS, AS FOLLOWS:</p> <p>WINTER ROADS MAINTENANCE; WATER/WASTEWATER SERVICES; ENERGY RETROFITS.</p>	
<input type="checkbox"/>	Recommendation Continued

Recommended by the General Manager
<p>Name and Title</p>

Recommended by the C.A.O.
<p> Name and Title Mark Melo C.A.O.</p>

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Report Prepared By

Name and Title SUE McCULLOUGH, INTERNAL AUDITOR

Division Review

Name and Title

The Long-Term Financial Plan adopted on December 11, 2002 by City Council, includes the following item:

“Undertake reviews of City programs on a regular, rotating basis, through the use of value-for-money audits, to ensure services are delivered in a cost effective and efficient manner.”

The Internal Audit and Performance Measurement division (which operates within the CAO’s Office) has sufficient resources to undertake at least one value-for-money audit this year. Depending on the complexity of and time required to complete that audit, more will be initiated during the year.

Historically, value-for-money auditing (also known interchangeably by the names comprehensive, performance, operational and management auditing) originated with not-for profit organizations and governments (federal and provincial). These organizations have, by definition, measured success *not* in terms of profit, but rather in terms of achieving a set of program objectives at a reasonable cost and with efficiency. Thus, the audit scope was broadened to include independent evaluations of economy, efficiency and effectiveness.

- Economy: obtaining goods and services at the least cost commensurate with the need for quality;
- Efficiency: getting maximum output for minimum inputs;
- Effectiveness: objective of the program or expenditure was met.

DEFINITION: Value-for-money auditing is an independent and comprehensive analysis and determination of whether a particular set of expenditures or the use of human resources and money devoted to a specific program had been conducted with due regard to economy, efficiency and effectiveness.

Or, simply put: Is a quality service provided at a reasonable cost ?

Performance measures are key to determining the efficiency and effectiveness of programs and expenditures. By comparing measures internally (year-over-year changes) and externally (with other municipalities), one can identify opportunities for improvement.

NOTE: The above information about value-for-money audits was obtained from the Canadian Institute of Chartered Accountants’ (CICA) publication entitled, *“Getting Value for Your Internal Audit Dollar”*, by S.J. Gaston, FCA (2000).

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Criteria for Selecting an Area for Value-for-Money Audit:

Due to its comprehensive nature, value-for-money audits are time-consuming and require the commitment not only of the audit staff directing the efforts, but also of managers and staff in the area chosen. As with any audit assignment, the decision to devote scarce resources to the task should be based upon:

- risk assessment;
- perceived benefits to be derived from the audit process.

Virtually any City process or program has some potential to improve. However, in order to be considered for a value-for-money audit, the program or expenditure must have a high potential for improved effectiveness and/or efficiency. Expenditures should be significant, and current performance measures be such that either service delivery improvements to end-users can be achieved and/or expenditures can be reduced without sacrificing service delivery i.e. a positive impact on tax levy.

Based upon the above factors, and following input from the Senior Management team, the Internal Audit and Performance Measurement division suggests that any of the three areas indicated below has good potential to yield significant measurable performance improvements, if subjected to a value-for-money audit. The Internal Auditor seeks final direction from the Finance Committee as to which area to address.

EXPENDITURE CATEGORY	ACTUAL 2002 EXPENDITURES (in millions) <small>(Current, non-capital, only)</small>	IMPACT ON TAX LEVY
ROADS (Winter Maintenance)	\$ 11.8	Directly funded by tax levy.
WATER or WASTEWATER SERVICES (Approximately equal expenditures in each)	\$ 37.2	\$2.4 million in fire protection costs on levy; balance of \$34.8 fully recovered from consumers through user fees.
ENERGY COSTS	\$ 6.2	Costs related to water/wastewater are fully recovered through user fees; balance funded by tax levy.

2001 MPMP statistics indicate that the City spends more per capita, compared to other Ontario municipal jurisdictions, in the first two categories above. While climate considerations influence Road costs, and infrastructure realities affect the City's Water/Wastewater costs, the higher than average performance measures suggest some room for improvement that could have significant positive financial impacts.

Time-line for Completion of Value-for-Money Audit:

We anticipate that a final Audit Report will be delivered to Council in the Fall. In addition to that final report, status updates on the value-for-money audit will be provided to senior management, and the Finance Committee, on a periodic basis.

Date: APRIL 11, 2003

Addendum: More Information About Value-for-Money Audits

Value-for-money (VFM) audits have been performed within governmental bodies for several decades. The Office of the Auditor General for Canada includes VFM audits in its annual Strategic Plan. Municipalities such as Toronto and Ottawa have empowered their internal audit divisions to perform VFM audits.

The Ottawa-based Canadian Comprehensive Auditing Foundation (www.ccaf-fcvi.com) has published reports and studies for several decades outlining the benefits of comprehensive, or value-for-money, audits. (A CCAF brochure will be distributed to Councillors at the meeting.)

Further support for VFM audits is shown in the following article from the website of the National Association of Local Government Auditors (NALGA), a U.S.-based group whose membership includes several Canadian municipalities.

"AUDIT FUNCTION RESTORES CREDIBILITY

Mark Funkhouser, May 1, 2000

The audit function in local government is an essential element of public control and accountability. By independently reviewing and reporting on programs, functions, activities and organizations, auditors provide the public, elected officials and management with a fair, objective and reliable assessment of local government performance. In addition, the opportunity for independent review strengthens managers' credibility when they provide information about performance and the results of services they provide.

Virtually the only way to judge the viability of government programs is to ask the managers of the programs about them. Those managers, of course, are not neutral. Even when they are honest and careful in their dealings with elected officials, the news media and the public, doubts may remain as to whether the information they provide is complete, balanced and accurate.

A local government audit function can help restore credibility to government. A critical component of local government assessment is **performance (VFM) auditing**. First developed in the late 1960s and shepherded by the United States General Accounting Office (GAO) -- the chief audit arm of the federal government -- performance auditing has spread to most state governments and nearly all of the best managed local governments.

Government auditing standards, promulgated by the GAO, define performance auditing as "an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function." A performance audit can help a local government determine not only the cost of an activity, but also its effectiveness.

Unfortunately, many local governments have no audit function of any kind. The only audit work they have done is the annual review of their financial statements by a public accounting firm. That process only confirms whether the financial statements have been prepared in accordance with generally accepted government accounting standards; it does not address the central questions of effectiveness, efficiency and equity.

Competent government managers recognize that the best organizations do not deny the existence of problems. They also know that it is critical to try to form partnerships with citizens to create solutions to problems. The local government audit function can be a critical component in the ongoing process of identifying problems and opportunities and enabling officials to engage the community in a discussion about how to deal with them.

For more information on how to establish a local government audit function or strengthen an existing one, contact the National Association of Local Government Auditors at (606) 276-0686 or www.nalga.org."