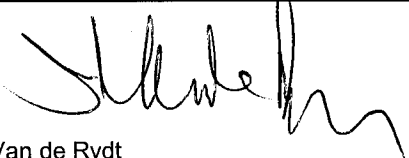


# Manager's Reports

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**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Resolution 2001-20, for the approval of temporary funding for the second phase of the Civic Memorial Mausoleum, be rescinded.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>
<b>Total Surplus Funding returned to Reserves/Reserve Funds</b>	<b>\$ <u>5,187,205.10</u></b>

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

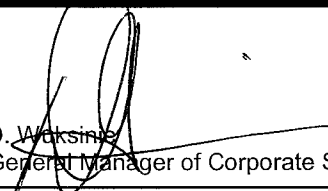



Type of Decision									
Meeting Date	April 23, 2003				Report Date	April 17, 2003			
Decision Requested	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" 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 17<sup>th</sup>, 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 9<sup>th</sup>, 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 13<sup>th</sup> 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	Year-end Balance	Pending 2002 Adjustments	Adjusted 2002 Balance	2003 Commitments	Residual Balance
<b>Reserves</b>						
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
D	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
	<b>TOTAL RESERVES</b>	<b>\$9,932,479.39</b>	<b>\$0.00</b>	<b>\$9,932,479.39</b>	<b>(\$1,725,041.50)</b>	<b>\$8,207,437.89</b>

	Purpose	Year-end Balance	Pending 2002 Adjustments	Adjusted 2002 Balance	2003 Commitments	Residual Balance
<b>Reserve Funds - Various</b>						
A	Sick Leave Reserve Fund	\$1,634,724.48		\$1,634,724.48		\$1,634,724.48
A	Police Sick Leave Reserve Fund	365,160.55		365,160.55		365,160.55
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
D	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
A	Pioneer Manor Reserve Fund	584,469.73		584,469.73	(400,000.00)	184,469.73
C	Industrial Park Reserve Fund	28,062.61		28,062.61		28,062.61
C	Infrastructure Development Reserve Fund	154,123.59		154,123.59	200,000.00	354,123.59
C	Industrial Park Committed Reserve Fund	978,512.83		978,512.83		978,512.83
C	Economic Development/Community Loan Reserve Fund	141,269.31		141,269.31		141,269.31
C	Business Centre Reserve Fund					

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
<b>C</b> Upgrade Waste Water Plants Reserve Fund	1,118,993.59		674,943.21		674,943.21
<b>C</b> 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
<b>D</b> Transit Attendance Reserve Fund	0.00		0.00		0.00
<b>N</b> 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		668,699.33
Gazabo Concert Series Reserve Fund	3,171.96		3,171.96	(30,000.00)	3,171.96
<b>C</b> 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
<b>D</b> Donations for Burial Reserve Fund	0.00		0.00		0.00
Greater Sudbury Police Services Board Reserve Fund	0.00		0.00		0.00
<b>D</b> Onaping Falls Sewer/Water Reserve Fund	0.00		0.00		0.00
<b>D</b> Whitewater Lake Park Reserve Fund	0.00		0.00		0.00
<b>N</b> 199 Larch St Building Maintenance Reserve Fund	0.00		0.00		0.00
Emergency Services Ambulance Reserve Fund	2,768,592.59		2,768,592.59		2,768,592.59
Reserve Funds - Various	\$23,729,981.49	(\$448,998.42)	\$23,280,983.07	(\$813,710.00)	\$22,467,283.07
<b>Capital Financing Reserve Funds (R/F)</b>					
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
<b>Capital Financing Reserve Funds</b>	<b>\$24,900,165.77</b>	<b>(\$335,661.56)</b>	<b>\$24,564,504.19</b>	<b>(\$297,500.00)</b>	<b>\$24,267,004.19</b>
<b>Purpose</b>					
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
<b>Obligatory Reserve Funds</b>	<b>\$6,050,899.40</b>	<b>\$0.00</b>	<b>\$6,050,899.40</b>	<b>\$0.00</b>	<b>\$6,050,899.40</b>
<b>TOTAL RESERVE FUNDS</b>	<b>\$54,681,056.66</b>	<b>(\$784,660.00)</b>	<b>\$53,896,396.66</b>	<b>(\$1,111,210.00)</b>	<b>\$52,785,186.66</b>
<b>TOTAL RESERVES and RESERVE FUNDS</b>	<b>\$64,613,536.05</b>	<b>(\$784,660.00)</b>	<b>\$63,828,876.05</b>	<b>(\$2,836,251.50)</b>	<b>\$60,992,624.55</b>

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 16<sup>th</sup>, 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.

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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]

<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
<b>Social Housing Reserve</b>	<b>1,348,612.63</b>
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
<b>Reserve for Ontario Works</b>	<b>0.00</b>
Market Square Reserve	0.00
Pioneer Manor Fundraising Reserve	23,490.46
Future Development Charges Study Reserve	58,500.00
<b>Tax Rate Stabilization Reserve</b>	<b>2,399,201.51</b>
V.E. Heritage Committee Reserve	19,417.13
Agricultural Drains Reserve	50,000.00
Cultural Exchange Reserve	2,518.46
<b>TOTAL RESERVES</b>	<b>\$8,207,437.89</b>

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

	<b>Dec 31, 2002</b>
	<b><u>Residual Balance</u></b>
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
<b>Roads Winter Control Reserve Fund</b>	<b>124,960.42</b>
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
<b>Emergency Services Ambulance Reserve Fund</b>	<b>2,768,592.59</b>
<b>Reserve Funds - Various</b>	<b><u>\$21,317,268.41</u></b>

**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
<b>Cap Fin R/F - General</b>	<b>2,440,824.67</b>
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]

	<b>Dec 31, 2002</b>
<b>Residual Balance</b>	
Cap Fin R/F - P/W Buildings	133,272.32
Cap Fin R/F - Police	56,737.89
<b>Cap Fin R/F - Roads</b>	<b>3,747,579.07</b>
Cap Fin R/F - Waste Water	3,475,894.14
Cap Fin R/F - Water	6,332,407.55
Cap Fin R/F - H & S.S.	32,014.97
Cap Fin R/F - Fire	108,873.33
Cap Fin R/F - Citizen/Leisure	100,310.75
<b>Capital Financing Reserve Funds</b>	<b>\$25,417,018.85</b>

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	\$903,160.41
Capital Lot Levies Reserve Fund	58,678.05
Municipal Road 80 Reserve Fund	4,538,617.21
Parks (Sect 50) Reserve Fund	550,443.73
<b>Obligatory Reserve Funds</b>	<b>\$6,050,899.40</b>

**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	

**TOTAL RESERVE FUNDS**

**\$52,785,186.66**

**TOTAL RESERVES and RESERVE FUNDS**

**\$60,992,624.55**

# Request for Recommendation Finance Committee



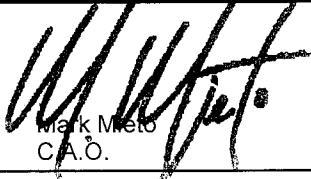
Type of Decision									
Meeting Date	Wed. April 23, 2003				Report Date	Fri. April 11, 2003			
Decision Requested	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input 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 &amp; 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 &amp; 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 Meto C.A.O.</p>

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Date: APRIL 11, 2003

**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)	<b>\$ 11.8</b>	Directly funded by tax levy.
WATER or WASTEWATER SERVICES (Approximately equal expenditures in each)	<b>\$ 37.2</b>	\$2.4 million in fire protection costs on levy; balance of \$34.8 fully recovered from consumers through user fees.
ENERGY COSTS	<b>\$ 6.2</b>	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](http://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](http://www.nalga.org)."