

Presentations and Delegations

Request for Recommendation Finance Committee



Type of Decision

Meeting Date	April 29, 2004				Report Date	April 23, 2004			
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

2004 Property Tax Policy - Educational Process

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

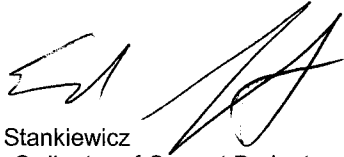
Recommended by the General Manager


D. Wulsiuk
General Manager of Corporate Services

Recommended by the C.A.O.


M. Mieto
Chief Administrative Officer

Report Prepared By



E. Stankiewicz
Co-Ordinator of Current Budget

Division Review



S. Jonasson
Director of Finance/City Treasurer

BACKGROUND

As was the case last year, John Hughes of Hemson Consulting Ltd. will once again conduct the City's property tax policy analysis. The results of this analysis and the recommendations will be presented at the May 12, 2004 Priorities meeting.

Since there are many new Councillors this term, and property tax policy is a complex issue, Hemson Consulting Ltd. was asked to prepare a background briefing on tax policy, a copy of which is attached. This paper provides some basic information on assessment and tax policy and the tax policy decisions made by the City of Greater Sudbury in the past. Mr. Hughes will be making a presentation to the Finance Committee on April 29, 2004.

TAX POLICY BACKGROUND BRIEFING

City of Greater Sudbury

HEMSON Consulting Ltd.

April 2004

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I BACKGROUND

- The property tax is a tax on the capital value of real estate. It is not a tax on the income of the property owner (like the income tax). Nor is it a tax on consumption like the sales tax.
- The property tax has been a feature of local municipal finances in Ontario since 1793 and has been criticized for probably just as long. Despite the criticisms, no satisfactory alternative has been found and it is now the “colossus” among local revenue sources.
- The basic manner in which the tax operates is very simple. Each year the amount that has to be raised through the tax (the levy) is divided by the relevant assessed values of the properties to be taxed. The resultant tax rate is then applied to the individual assessments to determine each property’s tax bill.
- In Ontario, the basic approach has modified the application of “weightings” to the various classes of properties with the result that a property in a given class will pay more or less tax than a property of the same value in a different class.
- The assessed values of properties in Ontario are based on what is referred to as “Current Values” which are synonymous with market values.
- The framework of the current assessment and taxation regime was introduced in 1998. This represented the first major reform to the system since 1970. Since 1998 numerous other smaller changes have been made, most of which have been designed to overcome shortcomings of the original reforms or to ease the effect of tax shifts caused by reassessments.
- The first part of this review provides a short introduction to the assessment component of the overall system. This is followed by a brief description of the municipality’s role in taxation system. Finally information regarding the property tax situation in Greater Sudbury is reviewed.

II ASSESSMENT IN ONTARIO

A. ADMINISTRATION

- In Ontario the assessment process is governed by the provisions of the Assessment Act. The requirements of the Act are fulfilled by the Municipal Property Assessment Corporation (MPAC) which is jointly owned by municipalities. MPAC's head office is in Pickering and there are branch offices in centres across the Province including one in Sudbury. Although there are local staff, many specialised types of properties (such as mines, paper mills, or shopping centres) are valued by assessors with Province wide responsibility.
- MPAC is responsible for preparing an annual Assessment Roll. The Roll is delivered in preliminary form in November when Assessment Notices are sent out to owners. The Roll is delivered in final form by the third Tuesday in December. MPAC also provides municipalities with Supplementary Assessment Rolls during the course of the year which contain assessments of properties which change during the year and of amounts that were omitted when the roll was originally returned.

B. WHAT IS ASSESSED

- Currently the assessed values on the Roll are updated each year in relation to a valuation date of June 30th of the prior year. This annual reassessment process has been moved to gradually since 1998.
- With certain specific exceptions, all real property is subject to assessment and taxation.
- The categories of properties that are exempt from taxation is extensive. It includes the following main categories:
 - Federal, Provincial and Municipal property
 - Schools, universities, libraries and hospitals
 - Churches, Cemeteries, Seminaries, etc.
 - Red Cross, St. John's Ambulance, Boy Scouts, Girl Guides, Children's Aid Societies

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- Battlefields
 - Conservation lands
 - Airports
 - Theatres for “live” performances
 - Many types of electrical generating facilities
- Also exempted is machinery and equipment used... “for the purpose of a concentrator or smelter of ore or metals including the foundations on which they rest...”
 - Of particular relevance to Sudbury, the Act also exempts... “The buildings, plant and machinery under mineral land and the machinery in or on the land only to the extent and in the proportion that the buildings, plant and machinery are used for obtaining minerals from the ground, and all minerals, other than diatomaceous earth, limestone, marl, peat, clay, building stone, stone for ornamental or decorative purposes, or non-auriferous sand or gravel, that are in, on or under land.” (Assessment Act - Section 3.20)
 - Although the types of properties noted above are exempt from taxation, municipalities are provided with “Payments in Lieu” of taxes (PIL) for both Federally and Provincially owned properties. As well, many electrical generating facilities make payments on a PIL basis. While most PIL are equivalent to full properties taxes, payments for certain types of properties and facilities such as hospitals and universities are not tied to property values but instead are calculated on a per bed or per student basis.

C. VALUATION APPROACHES

- To assess properties, three main valuation approaches are used by MPAC assessors.

1. Direct Sales Approach

This involves analysing sales that have occurred using relevant property characteristics and then applying the results to the properties being valued. It is the approach most commonly used for valuing residential properties. MPAC conducts its analyses using a technique known as ‘Multiple Regression Analysis.’ The analysis is computerised.

2. **Income Approach**

This approach is based on the investment principle that a property is worth the capitalised value of the net revenue it is capable of generating. It is used to value properties which are owned and operated for their income potential. Such properties include apartment building, office building, shopping centres, hotels and motels. The method, by its nature relies primarily on the revenue and expense characteristics of properties and only indirectly on the physical characteristics.

3. **Cost Approach**

Under the cost approach, property values represent the sum of the value of land (calculated using the direct sales approach) and the replacement cost of buildings less allowances for depreciation and obsolescence. The approach is used to value properties which are not normally rented or which do not sell on a regular basis. Large special purpose properties, particularly industrial properties, are usually valued using this approach. MPAC has recently changed to a new computerised costing system (ACS) which has had some start-up difficulties. As a result of the switch over, values of some properties have changed very significantly.

D. **PROPERTY CLASSIFICATION**

All properties are also classified according to use. The broad classes that are specified in the Assessment Act are:

- Residential
 - Farm
 - Managed Forest
 - Multiple Residential
 - Commercial
 - Industrial
 - Pipeline
- Within the Commercial and Industrial classes there are 'optional' classes which municipalities can choose to adopt for tax policy purposes. They are:

Commercial

- Office Building
- Shopping Centre
- Parking Lot

Industrial

- Large Industrial

- In both the commercial and industrial classes, properties which do not fall into the optional classes characteristics are maintained within the residual commercial or industrial class. Properties within the office building and shopping centre optional classes also have the first 20,000 square feet of building assigned to the commercial class.
- Commercial and industrial properties can also have portions of their sites classified as excess or vacant.

E. APPEALS

- Owners of properties (and others) have the right to appeal assessments to the Assessment Review Board (ARB). The ARB is an independent administrative tribunal under the responsibility of the Attorney General. Municipalities can also appeal assessments. As well, they have the right to participate in hearing under certain conditions.
- Most appeals are heard within the year. However appeals involving complex properties with large assessments often take several years to resolve. Only a small percentage of appeals require a hearing. A large majority are resolved through discussions and negotiations.
- In addition to a formal appeal, owners can make a “Request for Reconsideration” to MPAC. This is a less formal approach and is completely within the discretion of the assessor as to whether or not a change is made to the assessment.

III TAX POLICY & THE MUNICIPALITY

- As described in the Background the largest source of revenue for most municipalities is the property tax. It is used to raise the required municipal levy. The share of the levy to be paid by each property is based on three factors; the property’s assessment, the classification of the property and the tax rates applicable to the property class.
- While the assessment of each property is established by MPAC, municipalities are responsible for setting tax rates within parameters of the Municipal Act and its associated regulations.
- The key areas in which municipalities have a policy role are:
 - Decisions concerning the establishment of area rating
 - Weighting to be applied to tax rates for particular property classes
 - Adoption of optional classes and/or graduated tax rates for commercial and industrial properties
 - Discounts to be applied to vacant or excess industrial and commercial land and to farmland awaiting development
 - The manner in which property tax caps on multiple residential, commercial and industrial properties are funded
 - Arrangements for phasing in the effects of reassessments

Each of these policy areas are discussed.

A. AREA RATING

- Where a service is not being provided generally throughout a municipality or is being provided at different levels or in a different manner in parts, councils can choose to designate the service for area rating. In doing so the net costs of providing the service in the defined area(s) are raised through a property tax that is applied only to properties within the area(s).

B. CLASS TAX RATE RATIOS

- The most significant tax policy decision that council can make relates to the weighting to be placed on the tax rates for each property class. The weighting is controlled by property class tax ratios. These ratios are set in relation to the class ratios of 1 which the Province has set for the residential class across the Province.
- Property classes which have ratios set at greater than 1 will pay more for given amount of assessment than residential properties of the same value. Properties in classes with ratios that are less than 1 will pay proportionately lower taxes for a given amount of assessment.
- The Province has established fixed tax ratios for both the residential and managed forest class. It has set target ranges for the other classes. The ratios ranges are referred to as “The Range of Fairness” and are the ranges within which the Province would prefer municipalities to set tax rate weightings. The range of ratios is follows.

RANGE OF FAIRNESS		
	Low	High
Residential	1	1
Multiple Residential	1	1.1
Commercial	0.6	1.1
Industrial	0.6	1.1
Pipeline	0.6	0.7
Farmlands	0.01	0.25
Managed Forest	0.25	0.25

In 1998, Farmlands were originally given a fixed ration of 0.25.

- Prior to 1998, the tax system did not operate on the basis of tax ratios. Taxes were based on the application of either commercial or residential tax rates to assessed values that had no specific relationship to the current market of properties. In addition, properties occupied by businesses were liable for a business tax, which varied according to the type of business of the occupant.

- In 1998, the Province calculated the effective tax ratios for each property class that applied in 1997 for each County, Region District and Separated City. On a simplified basis, the effective or “transition” ratios were calculated in two steps.
 1. First, effective class tax rates were calculated by dividing the total amount of taxes paid by properties in each class by the total CVA of the properties in the class.
 2. Second, the transition ratio was calculated by dividing the effective tax rate for each tax class by the effective tax rate for the residential class. For example:

$$\frac{\text{Effective Commercial Tax Rate (4.50\%)}}{\text{Effective Residential Tax Rate (2.25\%)}} = \frac{\text{Commercial Class}}{\text{Transition Ratio (2.0)}}$$

- Because the effective tax rates varied from place to place and from class to class, each municipality had its own unique set of transition ratios for 1998. For the majority of municipalities, the transition ratios were above the Province’s “Range of Fairness.” As a result the tax rates applied to properties not in the residential or farm classes were higher than the Province’s target in relation to the rates applied to residential properties.
- Municipalities are permitted to maintain ratios that are outside the “Range of Fairness” but have been encouraged to reduce them in order to bring taxes more in line with Provincial policy objectives.
- In municipalities where ratios for either the multi-residential, commercial or industrial classes are greater than the average of the ratios for the class province wide, it has been prohibited to increase applicable class tax rates to pay for increases in levy requirements. For 2004 this prohibition has been modified and now municipalities will be permitted to pass on half of any proportionate increase in the levy.
- A key factor in a municipality’s decision concerning the adjustment of tax ratios is that until 2004 they could only be moved closer to the “Range of Fairness.” The only exception was for ratios that were within the “Range of Fairness” in which case they could be moved up or down within the range.

- The Province has recently modified the rules regarding the movement of ratios. For 2004 municipalities can request the Province to establish new transition ratios for the municipality that are further from the “Range of Fairness” than current ratios, but only to bring the tax share of the affected class back to a revenue neutral position compared to 2003 taxes. This change has been permitted because of the effects of the 2003 annual reassessment on some classes of property that would have reduced that classes share of the levy.
- It is most important to understand that when a tax ratio change is made it will affect the taxes paid by other classes of property. This effect can be counteracted by also making ratio changes to other classes which are permitted to have variable ratios. However, for the residential class which has a fixed ratio, effects cannot be modified. Since in most municipalities, including Greater Sudbury the ratios on most classes are above the “Range of Fairness” any ratio change (excluding the recent exception noted above) is likely to lead to an increase in the share of the levy to be paid by residential properties.

C. OPTIONAL CLASSES

- A second tax policy tool available to municipalities is the power to adopt “optional” commercial or industrial classes. Since each optional class also has its own tax ratio, municipalities can use this tool to establish differential tax responsibilities for specific types of property within a broad class. The most commonly adopted “optional” class, and the one that has since 1998 been maintained in Sudbury is the “Large Industrial” class. This class encompasses properties which contain buildings of more than 100,000 square feet and that are used for manufacturing or processing.

D. GRADUATED TAX RATES

- Councils also have the authority to apply differential tax rates to properties within the commercial or industrial classes on the basis of the value of properties. This is done by the council setting a number of parameters. They are:
 - Setting CVA value(s) as the boundary(ies) between the differential tax “bands.” There can be either two or three tax bands.

- Establishing which percentage of the rate for properties in the highest value band that will be applied to properties in the other one or two bands of value.
- An example of such a graduated tax rate approach would be where the CVA boundary for commercial properties is set at five million dollars with properties below the boundary value paying a tax rate of 80% of the rate applied to properties in the high band. It is to be noted however that on an overall class basis the share of the levy remains the same. It is the distribution of taxes within the class that is altered by the policy.

E. DISCOUNTS

- Councils are permitted to modify the tax rate discount which must be applied to vacant or excess commercial and industrial land. The standard discount is 30% for commercial properties and 35% for industrial properties. It is to be noted that municipalities are also required to provide tax refunds for commercial and industrial building space that is vacant. Refunds are made on the basis of approved applications by property owners. Where farmland is awaiting development, Councils can also provide discounts.

F. TAX CAPPING FOR MULTIPLE-RESIDENTIAL, COMMERCIAL AND INDUSTRIAL PROPERTIES

- One of the most significant elements of the 1998 system reforms was the imposition of mandatory caps on tax increases for properties in the multiple-residential, commercial and industrial classes. This was not originally part of the reforms but was introduced after it became clear that the taxes on many properties, particularly in municipalities that have not been reassessed for many years were increasing by amounts that some owners and tenants could not afford to pay.

1. The Basic Approach

In simple terms, the tax cap program that was implemented had the following features:

- Base taxes on a property (excluding levy increases) in 1998, 1999 and 2000 could not rise by more than 10%, 5%, and 5% for the three years. Base taxes were the amounts paid in 1997.
- The difference between the total amount of taxes that should have been paid by “increasing” properties (CVA taxes) and the “capped” taxes was held back from the tax decreases that other properties in the class would otherwise have received. In this way “capping” could be revenue neutral compared to properties in other classes.
- Municipalities could choose not to hold back decreases by funding all or part of the “capping” requirement from other sources.

2. Capping Now a Permanent Tax Fixture

- In 2001 tax capping was made permanent with annual increases being limited to 5% (plus any levy increase requirement). Because reassessments now occur annually capping requirements and the decreases or the class available to fund them are continually changing.

3. Shortfalls

- Since within a capped class decreases are not always sufficient to cover the capping requirement, shortfalls must either be paid for from reserves or through an addition to the levy. However councils can affect the size of a shortfall by adjusting class ratios. If a ratio is lowered, the tax responsibility for the class drops which in turn reduces the amount of the required cap. Although it is possible to eliminate shortfalls in this way, any required change in tax ratios cannot be reversed in future years.

4. Treatment of New Construction and Properties New to a Capped Class

- The tax capping provisions of the Municipal Act have been amended several times in regard to the treatment of properties with new construction and properties that become part of a capped class. In both situations these “new” properties have their starting point taxes set at the lower of either the level of taxes being paid on comparable properties in the class or full CVA taxes.

5. Administration

- The administrative requirements arising from the tax capping provisions are very substantial. This is because each year it is necessary to undertake a complex analysis to establish the capped or clawed back tax position of each affected property. It is also necessary to make numerous post-billing adjustments to reflect revised tax responsibilities that arise because of events such as appeals, supplementary assessments, class changes, etc.

G. RE-ASSESSMENT PHASE-INS

- The final significant tax policy tool within the jurisdiction of Councils relates to the phasing in of the effects of reassessments. Phase-in programs can be quite flexible in their terms, including the period of time over which they run, the rate at which increases and decreases are implemented and the scale of any threshold amounts. However today the practicality of phase-in programs is significantly limited because reassessments now occur annually and because multiple residential, commercial and industrial properties are already covered by the mandatory capping program.

H. ESTABLISHING TAX RATES

- The process by which tax rates are calculated is relatively straight forward. Once the various tax policies have been set, it involves the following steps:
 1. Multiply the total assessed value of properties in each class by the class ratio. This produces the weighted assessment.

2. Apply the relevant discounts to the weighted assessment of excess and vacant industrial and commercial property. This produces the discounted weighted assessment.
 3. Sum the total weighted, discounted assessment and divide it into required municipal levy. This produces the residential tax rate.
 4. Apply each class ratios to the residential tax rate. This produces the tax rates for all other classes.
 5. Apply the discount factor to the commercial and industrial rates to determine the tax rates for excess and vacant commercial and industrial properties.
- Municipalities can choose whether or not to include or exclude the assessments of properties subject to Payments in Lieu (PIL's) when calculating tax rates. If they are included, the anticipated revenues from PIL's are excluded from the levy requirement calculation. Alternatively if the PIL assessment is not considered, the levy requirement must be reduced by the anticipated PIL revenue.
 - Where area rates are applicable the normal rate calculation process is followed except that only the assessed of the properties covered by each respective area rate is used in the calculation.
 - The process described above is used to calculate municipal tax rates. The Province sets education tax rates. There is a Province-wide rate for residential properties. Non-residential education tax rates are established using the assessed values for the municipality and a provincially set levy requirement.

IV THE PROPERTY TAX POLICY ENVIRONMENT IN GREATER SUDBURY

- In 2003, Greater Sudbury had a municipal levy of \$128.4 million, and education taxes of \$50.2 million were also levied, based on Provincially-set rates..
- The breakdown of taxes by class were as follows:

	\$ (millions)	%
Residential	80.0	62.2
Multi-Residential	10.5	8.2
Commercial	25.5	19.9
Industrial	4.5	3.5
Large Industrial	7.1	5.5
Pipelines	0.7	0.2
Farmlands/Managed Forests	0.1	0.1
Total	128.4	100

- Greater Sudbury’s starting tax ratios by class for 2004 are as follows:

Residential	1
Multiple Residential	1.957
Commercial	1.6614
Industrial	2.4463
Large Industrial	2.7518
Pipelines	1.2853
Farmland	0.25
Managed Forests	0.25

- All ratios that are within the control of Council are above the Provincial “Ranges of Fairness.”

- The broad industrial class ratio (which is the weighted average of the industrial and large industrial ratios) is 2.6339. This is slightly above the Provincial average ratio which is 2.63. If Council does not reduce the ratio, only 50% of any applicable levy increase could be passed onto the industrial class. This is similar to 2003 where the City was above the threshold as well. The decision was made to reduce the tax ratio marginally below the provincial average to allow the City to pass on the levy change to the industrial class. This reduction will be recommended in 2004 as well.
- Under the provisions of the 2004 tax policy regulations, Council can request the Minister of Finance to set higher ratios for the Multiple Residential and Pipeline classes. This is because as a result of reassessment shifts, the tax responsibility for properties within these classes will be reduced. The 2004 regulations would permit ratios to be raised as follows in order to achieve revenue neutrality by class compared to the year end 2003 situation.

Multiple Residential	2.0596
Pipelines	1.3725

- Alternatively Council could maintain existing ratios which would result in residential properties picking up a somewhat larger share of the tax levy than they did in 2003. A second alternative would be for the City to request ratios somewhere in between the existing ratios and the revenue neutral ratios.
- In 2003 the Tax Capping Program had the following key elements:

Class	Tax Cap Requirement	Decrease Clawback
Multi-Res	\$ 24,210	0.8%
Commercial	\$ 2,334,900	68.7%
Industrial¹	\$ 1,016,500	100.0%

¹Tax capping is calculated on a broad class basis.

- In the industrial class there were insufficient decreases to fund the required cap. This resulted in a shortfall of approximately \$ 277,000 which was funded on a municipal wide basis.
- Capping results for 2004 will depend upon the outcome of Council's tax policy decisions, particularly with regard to tax ratios.

Request for Recommendation Finance Committee

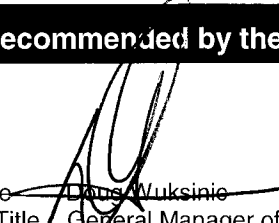


Type of Decision									
Meeting Date	THURS. APR. 29, 2004				Report Date	FRI. APR. 23, 2004			
Decision Requested	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed

Report Title
Value-for-Money Audits: 2003 and 2004


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.
No impact.	
<input checked="" type="checkbox"/>	Background Attached

Recommendation	
That a Value-for-Money Audit be conducted, under the direction of the Co-ordinator of Internal Audit / Performance Measurement, in the area specified as Option ____.	
<input type="checkbox"/>	Recommendation Continued

Recommended by the General Manager
 Name: Denis Wuksinic and Title: General Manager of Corporate Services


Recommended by the C.A.O.
 Name: Mark Mietz and Title: Chief Administrative Officer

Report Prepared By



Sue McCullough
Internal Auditor

Division Review



Dean Bergeron,
Co-ordinator of Internal Audit & Performance Measurement

BACKGROUND:

Council will hear a two-part presentation by the Co-ordinator of Internal Audit & Performance Measurement.

Part 1 provides an overview of the 2003 Value-for-Money Audit of the City's Wanapitei Water Treatment Plant. The audit conclusion was that the Plant has efficiently provided clean, safe drinking water.

In early March, Councillors were sent the Value-for-Money audit report, entitled "Review and Evaluation of the Wanapitei Water Treatment Plant" (dated February 10, 2004). Councillors are asked to bring their copies of that report to the Finance Committee meeting, or to contact the Clerk's Office for another copy.

A summary report dated March 5 was included with "Review and Evaluation" report, and is attached for Council's information.

Part 2 of the presentation will outline five short-listed options for the 2004 Value-for-Money Audit. Council is asked to select one only, from among the following options:

- Option A: Water Distribution – high unaccounted-for water losses (unbilled water);
- Option B: Wastewater Collection – high operating costs per kilometre of wastewater main;
- Option C: Energy Costs – confirm paybacks on past retrofits, to determine feasibility of future retrofits;
- Option D: Winter Roads Maintenance – survey of best practices, equipment and methods;
- Option E: Winter Roads Maintenance – impact of quality standards (bare road policy) on costs.

Staff recommends Option C: Energy Costs. The City expects to spend millions of dollars for future retrofits of its buildings and facilities. In addition, this project does not relate to a mandated municipal service and the analysis should be relatively straight-forward.

Request for Recommendation Finance Committee




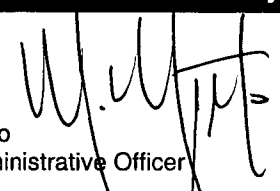
Type of Decision									
Meeting Date					Report Date	March 5 th , 2004			
Decision Requested		Yes		No	Priority		High		Low
Direction Only				Type of Meeting		Open		Closed	

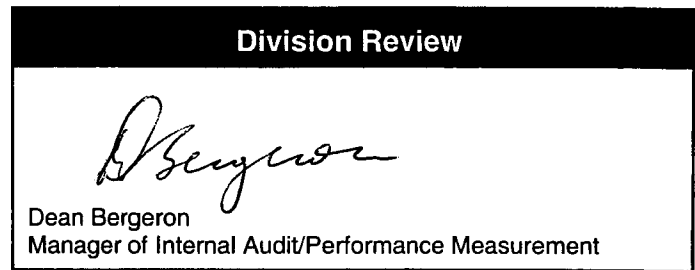
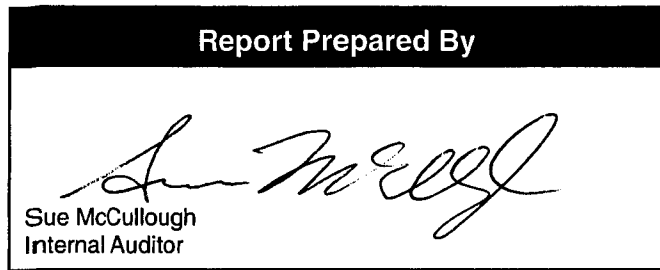
Report Title
Value-for-Money Audit Report: Wanapitei Water Treatment Plant

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.
No impact.	
<input checked="" type="checkbox"/>	Background Attached

Recommendation	
FOR INFORMATION ONLY	
Attached is a comprehensive Report detailing the results of a Value-for-Money (VFM) evaluation of processes at the City's Wanapitei Water Treatment Plant. This Plant is the single largest facility in the City of Greater Sudbury providing water treatment.	
The Report concludes that the Plant has efficiently provided clean, safe drinking water.	
<input type="checkbox"/>	Recommendation Continued

Recommended by the General Manager
 Doug Wiksanic General Manager of Corporate Services

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



REPORT HIGHLIGHTS:

The overall conclusion of the Internal Audit Section, as expressed in the Executive Summary of the attached binder Report, is that:

"... the Plant has achieved its stated objective of providing clean, safe drinking water to residents; and the Plant has operated efficiently while doing so."

The Report, whose findings are supported by technical (process) reviews from two external water-works experts and financial analysis by KPMG, does note potential, as yet unquantifiable, improvement factors/issues. Management is analyzing these and will implement as and when deemed feasible. The Report cautions, however, that Management's flexibility to optimize cost savings is tempered by the requirement to adhere to strict and pervasive regulations which continue to grow, post-Walkerton.

BACKGROUND:

One of the Long-term Financial Plan principles, which were approved by Council (Priorities Committee Resolution 2002-37, December 11, 2002), states: *"Deliver Services in a Cost-effective and Efficient Manner"*. A supporting policy to this principle is the use of Value-for-Money Audits. The Finance Committee, on April 23, 2003, approved Resolution 2003-06, as follows:

"That a Value-for-Money Audit be conducted under the direction of the Manager of Internal Audit & Performance Measurement on Water/Wastewater Services."

WHAT A VALUE-FOR-MONEY AUDIT DOES:

A VFM Audit assesses the effectiveness and efficiency of the process under review.

- 1) Effectiveness refers to *what* is accomplished: the stated goals or mandates of the process.
- 2) Efficiency refers to *how* the goals are achieved: using a relevant process or technology that maximizes output for the inputs used (capital investment, operating materials and labour). In other words, keeping the unit cost of production reasonably low while maintaining appropriate quality.

DETERMINATION OF AUDIT FOCUS:

Given the very broad mandate of the Resolution, and Council's expectation of a Report within one year, the Internal Audit Section necessarily narrowed the focus of the Value-for-Money Audit (VFM) effort. To do so, the Internal Auditor considered three major information sources:

- 1) Analysis of the current financial information (cost centres) for Water and Wastewater services;
- 2) Review of MPMP data (2002) for Water and Wastewater services; and
- 3) Discussions with the General Manager of Public Works and Water Plants Manager, to obtain their impressions of potential areas for improvement within the waterworks area.

Consideration of all three sources led to Internal Audit's selection of the Wanapitei WTP, the City's single largest and most costly water treatment facility, as the focus of the City's first VFM Audit.

Note: MPMP data alone is limited as a determinant of the efficiency of a given process compared to that of other municipalities. Unique factors such as service levels and standards, population density, topography, weather, accounting practices, and age/type of infrastructure all affect MPMP numbers. To determine efficiency, it is more meaningful to consider costs at the direct operating level, which was the approach taken within this review.

FUTURE VALUE-FOR-MONEY AUDITS:

The 2004 Business Plan for the Internal Audit & Performance Measurement Section includes a VFM Audit. A short-list of possible initiatives will be determined using a risk-based methodology, and will be presented to Council for their approval of the final selection.

The Presentation of this Report and the short-list of possible initiatives will be presented to Council in the Spring, once the Budget is complete.

Routine Management Reports

Request for Recommendation Finance Committee



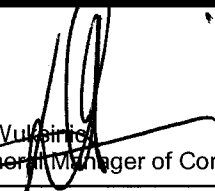
Type of Decision									
Meeting Date	April 29, 2004				Report Date	April 23, 2004			
Decision Requested	<input checked="" type="checkbox"/>	Yes		No	Priority	<input checked="" type="checkbox"/>	High		Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title
2004 Reserves, Reserve Funds and Trust Funds 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.
N/A	
<input checked="" type="checkbox"/>	Background Attached

Recommendation
<p>THAT the recommendations contained in the 2004 Report on Reserves, Reserve Funds and Trust Funds, from the General Manager of Corporate Services and dated April 23, 2004 be approved, and By-law 2003-110F be amended accordingly.</p>
Recommendation Continued

Recommended by the General Manager


 D. Wulfsberg
 General Manager of Corporate Services

Recommended by the C.A.O.


 M. Mieto
 Chief Administrative Office

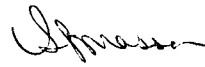
Date: April 23, 2004

Report Prepared By



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

Division Review



S. Jonasson
Director of Finance/City Treasurer

BACKGROUND

Value of Reserves

As Council is aware, reserves and reserve funds are a critical component of a municipality's long-term financial plan. Reasons for maintaining reserves are outlined in the BMA report, which Council received in the 2004 budget binder. Reserves help to provide stability of tax rates, are used for short term financing and ensure adequate cash flows. They also offer liquidity which enhances the municipality's flexibility, both in addressing unplanned operating requirements and in permitting the municipality to temporarily fund capital projects internally.

The level of reserves and reserve funds is a measure of the financial health of a municipality. Compared to other municipalities in Ontario, the City is considerably below the average as it pertains to reserves and reserve funds as a percentage of total expenditures. The City of Greater Sudbury is at 14.8% while the average is 44.4%. The City of Greater Sudbury is also considerably below the average as far as reserves and reserve funds as a percentage of total taxation, at 46% as compared to the average of 87%. This indicates that other municipalities have been able to direct more funding, on a relative basis, to their reserves and reserve funds.

The City's financial health is not good when compared to other Ontario municipalities. Not only should the reserves and reserve funds be maintained, they should be increased. The need to not only maintain, but to increase reserves was addressed in the Long Term Financial Plan. In order to achieve life cycle funding for capital assets (infrastructure), reserves must be built up. In addition, there are outstanding liabilities which the City must honour. The largest of these is the liability for Sick Leave. In total, there is about \$10 million in Sick Leave liability while the reserve funds have a balance of only \$2.3 million.

Contingency reserves should also be maintained. These are reserves which are intended to be used to minimize any large impacts from changes in programs, such as in the Ontario Works area; or any uncontrollable overexpenditure such as an exceptionally bad winter where the Roads budget would be dramatically overspent.

One of the factors considered when a bond rating is being developed is the financial health of the municipality, including its level of reserves and reserve funds. Should the City desire to issue debt in the future, a rating by a bond rating service could prove beneficial in that a more favourable interest rate may be achieved. Although the City has very little debt, it also does not have 'healthy' reserves compared to other municipalities. Sudbury's debt and reserve per capita are \$430 compared to the average of about \$570. Every effort should be made to build up the reserves.

Date: April 23, 2004

Recommended Updates to the Schedules

Each year, the By-law and policies relative to Reserves, Reserve Funds and Trust Funds is reviewed, and recommendations are made with regard to creating, amalgamating, deleting and changing same. Changes are recommended, keeping in mind the City's financial health, through reserve policies and by making changes to meet the Long Term Financial Plan objectives. The following are the recommended updates, and the revised wording to the by-law is attached.

New Reserves as a Result of the 2004 Current Budget

Property Evaluation Reserve - new reserve to be funded (\$100,000) from annual contributions from the Current Fund approved in 2004 Budget, and to be used only for property evaluation (insurance purposes) updates. This will be a working reserve.

West Nile Virus Reserve - new reserve to be funded (\$92,000) initially from the Tax Rate Stabilization Reserve and the Capital Financing Reserve Fund General. To be used only to cover the City's share of any West Nile Virus billings from the Health Unit. This will be a working reserve.

Amalgamation of Reserves

Employee Health Benefits Reserve - \$695,000

Reserve for Weekly Indemnity Claims - \$366,000

Human Resources Management Reserve Fund - \$171,000

Consolidate these reserves into one Management Reserve Fund as the City is now on premium-based benefits plans, and a separate reserve for each is not required. Surpluses and deficits in employee benefits programs (health, weekly indemnity, life, and long term disability) are to be credited to or funded from this reserve fund with no further authorization required.

There should be a substantial reserve fund in place as the City could be billed by the carrier should benefit costs exceed the premiums paid. Should this happen, either a lump sum payment would be required, or there would be substantial premium increases to be paid the following year.

Any other contributions to or expenditures from this reserve fund must be authorized by Council.

Capital Financing Reserve Fund - Replace/Upgrade Water/Wastewater Systems Reserve Fund - \$409,000 - it is recommended that this reserve fund be collapsed and that the balance be contributed to the Capital Financing Reserve Funds - Water and Wastewater in equal amounts. There is no need to maintain a separate reserve fund for replacement of the systems.

Deletions

Reserve - Official Plan Program - \$4,000 - the recommendation is to contribute the balance of this reserve to the Official Plan capital project presently underway and collapse the reserve.

Date: April 23, 2004

Ontario Works Child Benefit Reserve - \$0 - collapse this reserve as it is no longer required. The National Child Benefit is fully expended each year.

Changes

Tree Purchases Reserve Fund - change the wording to be consistent with all other reserves / reserve funds which have surpluses / deficits contributed to or funded from them. The intent was to have the wording the same for all of the programs, but somehow the wording was accidentally not updated when the by-law was passed. The change makes the contribution of surpluses or the funding of deficits automatic, as was the intent. This is only a minor housekeeping change.

Reserve for Future Development Charges Study - as a study must be undertaken this year, the recommended change in wording will allow the study to be automatically funded from the reserve, as was the intent. Using the reserve for any other purpose would have to be approved by Council. This is only a minor housekeeping change.

Replace Recycling Equipment Reserve Fund - add the word 'recycling' to clarify that the proceeds from the sale of only recycling equipment or vehicles is credited to this reserve fund. This is only a minor housekeeping change.

Pioneer Manor Reserve Fund - wording changes required to allow the balance in this reserve fund to be used in financing the capital project underway at Pioneer Manor, as intended. Any other expenditures from this reserve fund would require the authorization of Council. This is only a minor housekeeping change.

199 Larch Street Building Maintenance Reserve Fund - wording change required to ensure full amount of any operating surplus is credited to this reserve. The building is self-funded and has no impact on the levy. Consequently any surplus should be credited in full to this reserve fund first, before any other surplus allocations. Deficits would still be funded from this reserve.

Social Housing Capital Reserve Fund - capital needs for Social Housing were identified as \$5 million over the next ten years. It is recommended that the provisions for this reserve fund remain in place until the reserve fund reaches the \$5 million after which surpluses will be contributed only to maintain a \$5 million balance. Deficits would still be funded from this reserve. The balance in this fund is presently \$3.7 million.

Reallocation of Funds

The recommendation is to transfer \$1 million of the balance in the Workers Safety Insurance (WSIB) Schedule 2 Reserve Fund as follows:

Sick Leave Reserve Fund	\$750,000
Sick Leave Reserve Fund - Police	\$250,000

Both of these reserve funds are extremely underfunded, as has been recognized in the Long Term Financial Plan. The total liability between the City regular and the Police is about \$10 million. The recommended amounts to be transferred are based on the approximate 'premiums' that were generated by the two entities and contributed to the WSIB reserve fund.

Date: April 23, 2004

When employees retire, they are entitled to 50% of their Sick Leave credits, to a maximum of six months pay. If a number of employees choose to retire in the very near future, there will not be sufficient funds in reserve to cover their entitlements, and the expense would have to be included in the Current Budget. Transferring the \$1 million as recommended will help to avoid any substantial impact on the operating budget.

At present, it would appear that \$1 million of the balance in the WSIB Schedule 2 Reserve Fund can be safely transferred, without impairing the City's ability to fund liabilities related to WSIB. The present balance is about \$2.7 million. Transferring the \$1 million leaves \$1.7 in the WSIB Reserve Fund. Actuarial liabilities were calculated at \$700,000 and the remaining million would be in place should there be any substantial claims.

BY-LAW 2004-108F

**A BY-LAW OF THE CITY OF GREATER SUDBURY
TO ESTABLISH AND CONTINUE RESERVES, RESERVE
FUNDS AND TRUST FUNDS**

WHEREAS the Council of the City of Greater Sudbury deems it desirable to pass a By-law to establish and continue Reserves, Reserve Funds, Capital Financing Reserve Funds and Trust Funds for the City of Greater Sudbury;

**NOW THEREFORE THE COUNCIL OF THE CITY OF GREATER
SUDBURY HEREBY ENACTS AS FOLLOWS:**

1. The Reserves as set out in Schedule "A" are hereby established or continued for the City of Greater Sudbury.
2. The Reserve Funds as set out in Schedule "B" are hereby established or continued for the City of Greater Sudbury.
3. The Capital Financing Reserve Funds as set out in Schedule "C" are hereby established or continued for the City of Greater Sudbury.
4. The Trust Funds as set out in Schedule "D" are hereby established or continued for the City of Greater Sudbury.
5. Reserves, Reserve Funds, Capital Financing Reserve Funds and Trust Funds which are designated in Schedules "A", "B", "C", or "D" respectively as working funds may be used for the purposes identified therein without further authorization from Council.
6. The City Treasurer is hereby authorized to pay out any trust funds to the parties entitled thereto when she or he deems it appropriate to do so without further authorization from Council.

7. By-law 2004-110F of the City of Greater Sudbury is hereby repealed.

8. Each of the following Schedules:

Schedule "A" Reserves;

Schedule "B" Reserve Funds;

Schedule "C" Capital Financing Reserve Funds; and

Schedule "D" Trust Funds

attached hereto forms part of this By-law.

9. This By-law shall come into force and take effect on the day of passing thereof.

READ THREE TIMES AND PASSED IN OPEN COUNCIL this 29th day of April,
2004.

_____ Mayor

_____ Clerk

SCHEDULE "A"
to By-law 2004-108F
of the City of Greater Sudbury

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RESERVES

2. Tree Purchases Reserve

(1) Any annual surplus in the Land Reclamation operating budget shall be credited to this Reserve, if such contribution will not put the City in a deficit position or increase a deficit.

(2) Any annual deficit in the Land Reclamation operating budget may be charged against this Reserve.

(3) Funds from this Reserve shall be used to offset any price fluctuations in annual tree purchases for the Land Reclamation Program.

(4) Authorization of Council shall be required to spend funds from this Reserve for any purpose except (2).

2. Reserve for Various Expenses

(1) This Reserve is funded from Current Budget, on authorization of Council, for specific programs or projects for which there was a budget, but which were not completed by year-end.

(2) Expenditures shall be made from this Reserve only to finalize those programs for which the funds had been reserved.

SCHEDULE "A"

**to By-law 2004-108F
of the City of Greater Sudbury**

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3. Reserve for Ex Gratia Grants

- (1) Any budgeted amount for ex gratia grant payments for sewer back-ups for a given year which are not expended at the end of that year shall be credited to this Reserve.
- (2) Any expenditures for ex gratia grant payments for sewer back-ups beyond the amount budgeted in any given year shall be expended from this Reserve.
- (3) This Reserve is a working fund.

4. Reserve for Water Meter Installation

- (1) Amounts paid for water meters, as part of the Building Permit process, shall be credited to this Reserve.
- (2) Costs for installation of water meters in new homes shall be charged to this Reserve.
- (3) This Reserve is a working fund.

5. Ontario Works Emergency Housing Reserve

- (1) This Reserve may be used to fund any project related to emergency housing.
- (2) Authorization of Council shall be required to add to or spend from this Reserve.

SCHEDULE "A"
to By-law 2004-108F
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6. Reserve - Pioneer Manor Fundraising

- (1) Net revenue resulting from fund-raising activities at Pioneer Manor shall be credited to this Reserve at year-end.
- (2) Expenditures shall be made from this Reserve to fund projects deemed beneficial to Pioneer Manor and its residents by the Fund-Raising Committee and the administrative staff at Pioneer Manor, and approved by Council.

7. Reserve for Future Development Charges Study

- (1) Expenditures may be made from this Reserve to fund future development charges studies.
- (2) Authorization of Council is required to add to or spend from this Reserve for any purpose other than (1).

8. Tax Rate Stabilization Reserve

- (1) This Reserve provides for year-to year variances in the operating budget. One-half of any operating surplus shall be credited to this Reserve and one-half of any operating deficit shall be charged to this Reserve.
- (2) This Reserve is a working fund.

SCHEDULE "A"
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9. Library/Citizen Service Centre Reserve

- (1) This Reserve provides for year-to-year variances in the operating budget.
- (2) Any annual surplus in the library/citizen service centre operating budget shall be credited to this Reserve if such contribution will not put the City in a deficit position or increase an existing deficit.
- (3) Any annual deficit in the library/citizen service centre operating budget may be charged against this Reserve.
- (4) Any other expenditure from this Reserve shall require the authorization of Council.

10. Valley East Heritage Committee Reserve

- (1) Expenditures shall be made from this Reserve at the request of the Valley East Heritage Committee, following appropriate established guidelines, and as approved by the City Treasurer.
- (2) This Reserve is a dedicated reserve.

11. Election Expenses Reserve

- (1) Annual contributions shall be made to this Reserve from the Current Fund.
- (2) This Reserve shall be used to offset election expenses in election years.
- (3) This Reserve is a working fund.

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12. Cultural Exchange Reserve

- (1) This Reserve, which is carried forward from the former City of Sudbury shall be used to offset expenses of Cultural Exchanges, such as those incurred regarding the former City of Sudbury's Twin City in Finland.
- (2) Expenditures shall be made from this Reserve at the discretion of the Mayor of the City of Greater Sudbury.

13. Agricultural Drains Reserve

- (1) This Reserve shall be funded through the Current Budget.
- (2) This Reserve shall be used to offset the municipal share of agricultural drains maintenance charges.
- (3) This is a Working Reserve.

14. Property Evaluation Reserve

- (1) This Reserve shall be funded through the Current Budget.
- (2) This Reserve shall be used to fund property evaluation projects for insurance purposes.
- (3) This is a working reserve.

SCHEDULE "A"
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15. West Nile Virus Reserve

- (1) This Reserve shall be funded through contributions from the Tax Rate Stabilization Reserve and the Capital Financing Reserve Fund - General in the amount of \$46,000 each.
- (2) This Reserve shall be used to fund any billings from the Sudbury & District Health Unit for expenditures related to West Nile virus.
- (3) This is a working reserve.

16. O.W. Community Placement Reserve

- (1) This Reserve is funded through Provincial subsidies.
- (2) This Reserve shall be used to fund Ontario Works / Employment Support programs and projects only.
- (3) Authorization of Council is required to add to or spend from this Reserve.

17. Market Square Reserve

- (1) Funding of this Reserve is from net rent revenues received from the Market Square property.
- (2) The Reserve shall be used to fund projects related to the Market Square property.
- (3) Authorization of Council is required to spend from this Reserve.

SCHEDULE "A"
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18. Ontario Works Reserve

- (1) This Reserve is funded through Provincial subsidies.
- (2) This Reserve shall be used to offset funding fluctuations in Ontario Works programs and projects.
- (3) Authorization of Council is required to add to or spend from this Reserve.

SCHEDULE "B"
to By-law 2004-108F
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RESERVE FUNDS

1. Sick Leave Reserve Fund

- (1) This Reserve Fund shall be funded from the budgeted contributions from current funds for this purpose.
- (2) Expenditures may be made from this Reserve Fund to pay sick leave to retiring employees in accordance with the policies of the City of Greater Sudbury.
- (3) This Reserve Fund is a working fund.

2. Sick Leave Reserve Fund - Police

- (1) This Reserve Fund shall be funded from the budgeted contributions from current funds.
- (2) This Reserve Fund shall be used to pay sick leave to retiring Greater Sudbury Police Service employees in accordance with policies of the City of Greater Sudbury.
- (3) This Reserve Fund is a working fund.

3. Human Resources Management Reserve Fund

- (1) This Reserve Fund shall be funded from surpluses in employee benefit programs (excluding WSIB)
- (2) Deficits in these same programs shall be charged to this Reserve Fund.
- (3) Any contributions to or expenditures from this reserve fund not covered by (1) and (2) above shall be authorized by Council.

SCHEDULE "B"
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4. WSIB Schedule 2 Reserve Fund

- (1) This Reserve Fund shall be funded annually through the Current Budget.
- (2) This Reserve Fund shall be used for payment of invoices under Schedule 2 of the WSIB Act, and other related expenses including any Stop Loss insurance coverage.
- (3) Expenditures may be made from this Reserve Fund for Workplace Health and Safety Claims Management, Early Intervention and Rehabilitation of Disabled Workers, Training Seminars relating to the NEERS Program and other related programs, subject to approval by Council.
- (4) This is a working reserve fund.

5. Insurance Reserve Fund

- (1) This Reserve Fund shall be funded by an annual contribution from the Operating Budget.
- (2) This Reserve Fund shall be used only for payment of insurance claims at or below the deductible limit, and other related expenses, such as adjusters' fees.
- (3) This is a working reserve fund.

6. Equipment and Vehicle Replacement Reserve Fund

- (1) Annual equipment rates in the budget shall contain a provision for straight-line depreciation, which shall form contributions to this Reserve Fund.

SCHEDULE "B"
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- (2) Salvage values received from the sale of used equipment or vehicles shall be credited to this Reserve Fund.
- (3) This Reserve Fund shall be used to purchase new equipment and vehicles as outlined in the 10-year equipment replacement plan.
- (4) This is a working reserve fund.

7. Replace Recycling Equipment Reserve Fund

- (1) Annual contributions to this Reserve Fund shall be made from the operating budget.
- (2) Salvage values received from the sale of used **recycling** equipment or vehicles shall be credited to this Reserve Fund.
- (3) This Reserve Fund shall be used only for replacement of recycling equipment in accordance with the Recycling Equipment Replacement Plan.
- (4) Expenditures may be made from this Reserve Fund only with authorization of Council.

8. Land Acquisition Reserve Fund

- (1) Net proceeds from the sale of any City lands or buildings declared surplus shall be credited to this Reserve Fund.
- (2) Costs of advertising, surveys, realtor fees, etc. incurred in the sale of surplus land shall be charged to this Reserve Fund.

SCHEDULE "B"

**to By-law 2004-108F
of the City of Greater Sudbury**

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(3) Expenditures shall be made from this Reserve Fund only with authorization of Council.

9. Parking Improvements Reserve Fund

(1) Net proceeds from all parking operations shall be credited to this Reserve Fund.

(2) This Reserve Fund shall be used for capital improvements to parking facilities.

(3) Expenditures shall be made from this Reserve Fund only with authorization of Council.

10. Pioneer Manor Reserve Fund

(1) Net proceeds of High Wage Subsidy received from the Ministry of Health - Long Term Care and additional subsidy received as a result of reconstruction shall be credited to this Reserve Fund.

(2) This Reserve Fund shall be used to fund approved projects of a capital nature at Pioneer Manor.

(3) Any other expenditures shall be made from this Reserve Fund only with authorization of Council.

11. Pioneer Manor Donations Reserve Fund

(1) All monetary donations received by or for Pioneer Manor shall be credited to this Reserve Fund.

(2) This Reserve Fund shall be used only to assist in the improvements of the front grounds and courtyards at Pioneer Manor.

(3) Expenditures from this Reserve Fund shall be authorized by Council.

SCHEDULE "B"
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of the City of Greater Sudbury

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12. Industrial Reserve Fund

- (1) All net revenues from land sales in the City's industrial parks and other industrial lands shall be deposited into this Reserve Fund.
- (2) Expenditures that pertain directly to these land sales, such as legal fees, lot survey fees, mortgage payments, real estate commissions, and similar expenses may be charged against this Reserve Fund.
- (3) Expenditures may also be made from this Reserve Fund for the improvement of City's lands within the Industrial Parks or other City industrial lands, including landscaping, lighting, fencing and the placing of signs, and for costs incurred in the development of the Industrial Parks.
- (4) Expenditures may also be made from this Reserve Fund for the acquisition and development of additional land for industrial purposes as outlined in this By-law.
- (5) Authorization of Council is required to spend from this Reserve Fund, except for subsection (2) expenses.

13. Economic Development/Community Loan Reserve Fund

- (1) No expenditures shall be made from this Reserve Fund until the Council of the City of Greater Sudbury has approved a detailed plan for this Reserve Fund, as first approved by the Board of the City of Greater Sudbury Community Development Corporation.

SCHEDULE "B"
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14. Business Centre Reserve Fund

- (1) This Reserve Fund was first established by the former Regional Municipality of Sudbury (contribution from Industrial Reserve Fund), subsequent contributions were made by partners in the Business Centre.
- (2) Expenditures may be made from this Reserve Fund only for Business Centre purposes.
- (3) Any year-end surpluses in Business Centre operations shall be credited to this Reserve Fund and any year-end deficits in Business Centre operations shall be funded from this Reserve Fund.
- (4) This is a working reserve fund.

15. Capital Lot Levy Reserve Fund

- (1) This Reserve Fund shall be funded from any payments made to the City from the public as Lot Levies, pursuant to the former Regional Municipality of Sudbury By-laws 79-111 and 89-111, as amended, for the purposes of upgrading the wastewater systems and for upgrading the water systems in the City.
- (2) This Reserve Fund shall be used only for the purposes of upgrading the wastewater systems and upgrading the water systems in the City.

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16. Centennial Drive Booster Station Reserve Fund

(1) This Reserve Fund shall be funded from the \$2,000 per lot charge to be collected on registration of Plans of Subdivision and any approvals of lot severances, within the area listed below

FIRSTLY: Lot 2, Concession 3, Township of Hanmer

SECONDLY: West Half of Lot 1, Concession 3, Township of Hanmer.

(2) This Reserve Fund shall be used only to fund the upgrade of the Centennial Drive Booster Station in the former City of Valley East.

(3) All expenditures from the fund shall be made in accordance with Council Policies for the purposes set out in subsection (2) above or shall be otherwise authorized by resolution of Council.

(4) This is a working reserve fund.

17. Water and Wastewater Payments Reserve Fund

(1) This Reserve Fund shall be funded from payments made to the City from the public pursuant to Subdivision Agreements, Site Plan Control Agreements or other similar Agreements for specific water and/or wastewater upgrading projects.

(2) All expenditures from this Reserve Fund shall be for water/wastewater upgrading projects for which the payment was made in every case.

(3) This is a working Reserve Fund.

SCHEDULE "B"
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18. Road Levy Payments Reserve Fund

- (1) This Reserve Fund shall be funded from payments received from the public pursuant to the Road Levy policy of the City of Greater Sudbury and the former Regional Municipality of Sudbury.
- (2) This Reserve fund shall be used only for road upgrading projects for which the payment was made in every case.
- (3) This is a working reserve fund.

19. Municipal Road No. 80 Reserve Fund

- (1) This Reserve Fund shall be funded from funding received from the Province of Ontario for that purpose.
- (2) This Reserve Fund shall be segregated from all other Reserve Funds and invested separately.
- (3) All interest earned from these investments made from funds in this Reserve Fund shall be credited directly back to this Reserve Fund.
- (4) The money in this Reserve Fund shall be used only to fund the Municipal Road No. 80 widening project.
- (5) Expenditures from this Reserve Fund shall be made only with authorization of Council.

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20. Roads Winter Control Reserve Fund

- (1) All Roads Winter Control under-expenditures shall be credited to this Reserve Fund to allow it to rise to the level of \$3,000,000 provided the contribution in any year would not place the City into a deficit position or worsen a deficit position.
- (2) Any Roads Winter Control over-expenditures may be funded from this Reserve Fund.
- (3) This is a working Reserve Fund.

21. VETAC Reserve Fund

- (1) This Reserve Fund shall be funded from donations made for this purpose.
- (2) All expenditures from the Reserve Fund shall be authorized by Council, upon recommendation from the VETAC Committee.

22. Parks Reserve (Section 50) Reserve Fund

- (1) This Reserve Fund is funded through 5% and 2% deposits received for parks purposes pursuant to the Planning Act.
- (2) This Reserve Fund is to be used for park land acquisition and improvements.
- (3) Authorization of Council is required to spend from this Reserve Fund.

23. Fitness Centre Reserve Fund

- (1) Expenditures shall be made from this Reserve Fund only for the Fitness Centre in the former Town of Rayside-Balfour.
- (2) Any expenditure from this Reserve Fund shall be authorized by Council.

SCHEDULE "B"
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24. Museum Reserve Fund

- (1) Expenditures from this Reserve Fund shall be made only for the benefit of the museum in the former Town of Rayside-Balfour.
- (2) Any expenditure from this Reserve Fund shall be authorized by Council.

25. Subdivision Deposits Reserve Fund

- (1) This Reserve Fund shall be funded by non-refundable deposits received from Developers under the terms of subdivision agreements.
- (2) This Reserve Fund shall be used by Public Works to carry out required work in the applicable subdivisions.
- (3) This is a working reserve fund.

26. Site Plan Deposits Reserve Fund

- (1) This Reserve Fund shall be funded by non-refundable deposits received from Developers pursuant to site plan agreements.
- (2) This Reserve Fund shall be used by Public Works to carry out required improvements.
- (3) This is a working reserve fund.

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27. Tree Planting Reserve Fund

- (1) This Reserve Fund shall be funded by non-refundable deposits received from Developers.
- (2) This Reserve Fund shall be used by Public Works for tree planting in applicable sites.
- (3) This is a working reserve fund.

28. Cemeteries Reserve Fund

- (1) This Reserve Fund is funded through annual operating surpluses of cemeteries.
- (2) This Reserve fund shall be used for cemetery capital projects.
- (3) Authorization of Council is required for spending from this Reserve Fund.

29. Emergency Services - Ambulance Reserve Fund

- (1) Any excess funding from ongoing ambulance capital projects shall be credited to this Reserve Fund.
- (2) This Reserve Fund shall be used to fund capital projects for Emergency Services - Ambulance.
- (3) Expenditures from this Reserve Fund shall be authorized by Council.

SCHEDULE "B"
to By-law 2004-108F
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30. Greater Sudbury Police Service Board Reserve Fund

- (1) This Reserve Fund shall be funded from the Greater Sudbury Police Service Board Auction held annually, interest earned from fund investments, and monies recovered as a result of seized property.
- (2) This Reserve Fund shall be used for any purpose that the Greater Sudbury Police Service Board considers in the public interest in accordance with Sections 132 and 133 of the *Police Services Act* and for such charitable events as the Board deems suitable, without further authorization from Council.
- (3) A Statement of Revenues and Expenditures shall be provided to the Financial Services Division of the City of Greater Sudbury by the Greater Sudbury Police Service Board no later than February 15 in each year, prepared as at December 31st of the previous year.

31. Gazebo Concert Series Reserve Fund

- (1) This Reserve Fund is funded by donations from the public for the concert series at Bell Park.
- (2) This Reserve Fund shall be used only to cover expenses of the concert series at Bell Park.
- (3) This is a Working Reserve Fund.

SCHEDULE "B"
to By-law 2004-108F
of the City of Greater Sudbury

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32. Equipment and Vehicle Reserve Fund - Police

- (1) Annual contributions to this reserve fund shall be made from the Greater Sudbury Police Services Board operating budget.
- (2) Salvage values received from the sale of used vehicles and equipment shall be credited to this reserve fund.
- (3) This reserve fund shall be used to purchase new equipment and vehicles as determined by the Greater Sudbury Police Services Board, and in accordance with the Police equipment replacement plan.
- (4) This is a working reserve fund.

33. Police Services Donations Reserve Fund

- (1) This reserve fund shall be funded by an annual contribution of any excess donation proceeds net of expenditures in that year.
- (2) This reserve fund shall be used only for the purpose of crime prevention initiatives as the Greater Sudbury Police Services Board deems suitable, without further authorization from Council.
- (3) This is a working reserve fund.

34. South Branch Library Reserve Fund

- (1) Funding of this Reserve Fund shall be from net rents received.
- (2) This Reserve Fund is intended to fund the future repairs / renovations to the building.
- (3) Authorization of Council is required to add to or spend from this Reserve Fund.

Request for Recommendation Finance Committee



Type of Decision

Meeting Date	April 29, 2004				Report Date	April 23, 2004			
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

2004 Reserves, Reserve Funds and Trust Funds Report

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

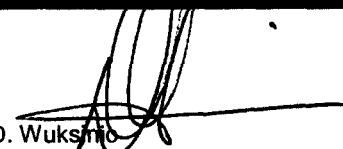
Background Attached

Recommendation

AS AMENDED

Recommendation Continued

Recommended by the General Manager


 D. Wuksino
 General Manager of Corporate Services

Recommended by the C.A.O.


 M. Mieto
 Chief Administrative Officer

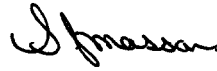
Date: April 23, 2004

Report Prepared By



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

Division Review



S. Jonasson
Director of Finance/City Treasurer

BACKGROUND

In the preparation of the above report and attached by-law, two minor housekeeping modifications were inadvertently missed.

The changes are on the attached pages, in bold.



SCHEDULE "B"
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RESERVE FUNDS

1. Sick Leave Reserve Fund

- (1) This Reserve Fund shall be funded from the budgeted contributions from current funds for this purpose.
- (2) Expenditures may be made from this Reserve Fund to pay sick leave to retiring employees in accordance with the policies of the City of Greater Sudbury.
- (3) This Reserve Fund is a working fund.

2. Sick Leave Reserve Fund - Police

- (1) This Reserve Fund shall be funded from the budgeted contributions from current funds.
- (2) This Reserve Fund shall be used to pay sick leave to retiring Greater Sudbury Police Service employees in accordance with policies of the City of Greater Sudbury.
- (3) This Reserve Fund is a working fund.

3. Human Resources Management Reserve Fund

- (1) This Reserve Fund shall be funded from surpluses in employee benefit programs (excluding WSIB)
- (2) Deficits in these same programs shall be charged to this Reserve Fund. **In addition, this fund can be utilized for initiatives targeted to reduce or control expense to the benefit plans and sick leave reserve fund. Funding of such initiatives are subject to a positive cost / benefit analysis and further subject to the approval of the General Manager of Corporate Services.**

SCHEDULE "B"

**to By-law 2004-108F
of the City of Greater Sudbury**

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- (3) Any contributions to or expenditures from this reserve fund not covered by (1) and (2) above shall be authorized by Council.

4. WSIB Schedule 2 Reserve Fund

- (1) This Reserve Fund shall be funded annually through the Current Budget.
- (2) This Reserve Fund shall be used for payment of invoices under Schedule 2 of the WSIB Act, and other related expenses including any Stop Loss insurance coverage.
- (3) Expenditures may be made from this Reserve Fund for Workplace Health and Safety Claims Management, Early Intervention and Rehabilitation of Disabled Workers, Training Seminars relating to the NEERS Program and other related programs, subject to approval by Council.
- (4) This is a working reserve fund.

5. Insurance Reserve Fund

- (1) This Reserve Fund shall be funded by an annual contribution from the Operating Budget.
- (2) This Reserve Fund shall be used only for payment of insurance claims at or below the deductible limit, and other related expenses, such as adjusters' fees.
- (3) This is a working reserve fund.

6. Equipment and Vehicle Replacement Reserve Fund

- (1) Annual equipment rates in the budget shall contain a provision for straight-line depreciation, which shall form contributions to this Reserve Fund.

SCHEDULE "B"
to By-law 2004-108F
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Page 13 of 14

32. Equipment and Vehicle Reserve Fund - Police

- (1) Annual contributions to this reserve fund shall be made from the Greater Sudbury Police Services Board operating budget.
- (2) Salvage values received from the sale of used vehicles and equipment shall be credited to this reserve fund.
- (3) This reserve fund shall be used to purchase new equipment and vehicles as determined by the Greater Sudbury Police Services Board, and in accordance with the Police equipment replacement plan.
- (4) This is a working reserve fund.

33. Police Services Donations Reserve Fund

- (1) This reserve fund shall be funded by an annual contribution of any excess donation proceeds net of expenditures in that year.
- (2) This reserve fund shall be used only for the purpose of crime prevention initiatives as the Greater Sudbury Police Services Board deems suitable, without further authorization from Council.
- (3) This is a working reserve fund.

34. South Branch Library Reserve Fund

- (1) Funding of this Reserve Fund shall be from net rents received.
- (2) This Reserve Fund is intended to fund the future repairs / renovations to the building.
- (3) Authorization of Council is required to add to or spend from this Reserve Fund.

SCHEDULE "B"
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35. 199 Larch Building Maintenance Reserve Fund

- (1) ~~The Reserve Fund provides for year-to-year variances in operating budget.~~
- (1) **This Reserve Fund shall be used for capital undertakings at 199 Larch.**
- (2) Any annual operating surplus shall be contributed to this Reserve Fund.
- (3) ~~Any annual operating deficit shall be funded from this Reserve Fund.~~
- (3) Any other expenditures from this Reserve Fund shall be authorized by Council.

36. Social Housing Capital Reserve Fund

- (1) This Reserve Fund shall be used for Social Housing capital undertakings, as authorized by Council.
- (2) Any annual surplus in the Social Housing operating budget shall be credited to this Reserve Fund, **to allow it to rise to \$5 million**, if such contribution will not put the City in a deficit position or increase an existing deficit.
- (3) Any annual deficit in the Social Housing operating budget shall be funded from this Reserve Fund.
- (4) Any other expenditures from this Reserve Fund shall be authorized by Council.

SCHEDULE "C"
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of the City of Greater Sudbury

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CAPITAL FINANCING RESERVE FUNDS

1. Capital Financing Reserve Fund - General

- (1) This Capital Financing Reserve Fund shall be used to provide for year-to-year variances in the operating budget: one-half of any operating surplus shall be credited to this Capital Financing Reserve Fund and one-half of any operating deficit shall be charged to this Operating Capital Reserve Fund.
- (2) This Capital Financing Reserve Fund may be used for any project of a capital nature upon authorization of Council.
- (3) This is a working capital financing reserve fund.

2. Capital Financing Reserve Fund - Corporate Infrastructure

- (1) This Capital Financing Reserve Fund shall be funded from unallocated or excess funds from the capital envelope for Corporate Infrastructure Envelope.
- (2) This Capital Financing Reserve Fund shall be used only for Corporate Infrastructure capital projects.
- (3) All expenditures from this Capital Financing Reserve Fund shall be authorized by Council.

SCHEDULE "C"
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3. Capital Financing Reserve Fund - Information Technology

- (1) This Capital Financing Reserve Fund shall be funded from unallocated or excess funds from the capital envelope for Information Technology.
- (2) Existing funds in the Computer Equipment Reserve Fund shall be transferred to this Capital Financing Reserve Fund.
- (3) Any annual surplus in the Information Technology operating budget shall be credited to this Capital Financing Reserve Fund only if such contribution will not put the City in a deficit position, or increase an existing deficit.
- (3) Expenditures from this Capital Financing Reserve Fund shall be made only for Information Technology capital projects.
- (4) Expenditures may be made from this Capital Financing Reserve Fund only with authorization from Council.

4. Capital Financing Reserve Fund - Public Works Buildings

- (1) This Capital Financing Reserve Fund shall be funded through unallocated or excess funds from the capital envelope for Public Works Buildings.
- (2) This Capital Financing Reserve Fund shall be used only for Public Works Buildings capital projects.
- (2) Expenditures from the Capital Financing Reserve Fund shall be made only upon authorization by Council.

SCHEDULE "C"
to By-law 2004-108F
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5. Capital Financing Reserve Fund - Police

- (1) This Capital Financing Reserve Fund shall be funded from unallocated or excess funds in capital envelope for Police and from development charges proceeds.
- (2) This Capital Financing Reserve Fund shall be used only for Police capital projects.
- (3) Expenditures may be made from this Capital Financing Reserve Fund only upon authorization by the Greater Sudbury Police Services Board.

6. Capital Financing Reserve Fund - Roads

- (1) This Capital Financing Reserve Fund shall be funded through unallocated or excess funds from the capital envelope for Roads, and development charges proceeds.
- (2) This Capital Financing Reserve Fund shall be used only for Roads capital projects.
- (3) Expenditures from this Capital Financing Reserve Fund shall be made only upon authorization by Council.

7. Capital Financing Reserve Fund - Wastewater

- (1) This Capital Financing Reserve Fund shall be funded from unallocated or excess funds from the capital envelope for Wastewater, development charges proceeds and net operational surpluses from the Wastewater Operating Budget.
- (2) This Capital Financing Reserve Fund shall be used to fund any operational deficits in the Wastewater Operating Budget.
- (3) This is a working Reserve Fund.
- (4) Expenditures may be made from this Capital Financing Reserve Fund for wastewater projects of a capital nature, upon authorization by Council.

SCHEDULE "C"
to By-law 2004-108F
of the City of Greater Sudbury

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8. Capital Financing Reserve Fund - Water

- (1) This Capital Financing Reserve Fund shall be funded from unallocated or excess funds from the capital envelope for Water and net operational surpluses in the Water Operating Budget.
- (2) This Capital Financing Reserve Fund shall be used to fund any operational deficits in the Water Operating Budget.
- (3) This is a working Reserve Fund.
- (4) Expenditures may be made from this Capital Financing Reserve Fund for water projects of a capital nature, upon authorization by Council.

9. Capital Financing Reserve Fund - Health and Social Services

- (1) This Capital Financing Reserve Fund shall be funded from unallocated or excess funds from the capital envelope for Health and Social Services.
- (2) This Capital Financing Reserve Fund shall be used for Health and Social Services capital projects.
- (3) Expenditures may be made from this Capital Financing Reserve Fund upon authorization by Council.

10. Capital Financing Reserve Fund - Emergency Services (Fire)

- (1) This Capital Financing Reserve Fund shall be funded through unallocated or excess funds from the capital envelope for Emergency Services - Fire.
- (2) This Capital Financing Reserve Fund shall be use only for Emergency Services - Fire capital projects.
- (3) Expenditures may be made from this Capital Financing Reserve Fund only upon authorization of Council.

SCHEDULE "C"
to By-law 2004-108F
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11. Capital Financing Reserve Fund - Citizen and Leisure Services

- (1) This Capital Financing Reserve Fund shall be funded through unallocated or excess funds from the capital envelope for Citizens and Leisure.
- (2) This Capital Financing Reserve Fund shall be used only for Citizens and Leisure capital projects.
- (3) Expenditures from this Capital Financing Reserve Fund shall be made only upon authorization of Council.

12. Capital Financing Reserve Fund - Solid Waste

- (1) This Capital Financing Reserve Fund shall be funded from unallocated or excess funds in the capital envelope for Solid Waste.
- (2) This Capital Financing Reserve Fund shall be used only for solid waste projects of a capital nature.
- (3) Expenditures may be made from this Capital Financing Reserve Fund only with authorization from Council.

SCHEDULE "D"
to By-law 2004-108F
of the City of Greater Sudbury

Page 1 of 5

TRUST FUNDS

1. Pioneer Manor Residents' Trust Fund

(1) This Trust Fund shall consist of monies being held on behalf of Residents in Pioneer Manor for:

- (a) accommodation payments for Residents on family benefits;
- (b) accommodation payments for Residents that are controlled by the Public

Guardian and Trustee; and

- (c) Residents' assets or monies.

(2) Payment from this Trust Fund may be made to Residents, or their legal representatives, or may be applied to outstanding accounts of the City of Greater Sudbury.

2. Retirees' Pension Trust

(1) This Trust Fund shall consist of payments to be made to retired employees in future years as part of an incentive package.

(2) Residual amounts for interest earned shall be returned to the Human Resources Management Reserve Fund.

(3) The City Treasurer for the City of Greater Sudbury is authorized to enter into arrangements with a financial institution for the management of this Trust Fund and payments are to be made in accordance with by-laws 99-66F and 98-54A of the former Regional Municipality of Sudbury.

SCHEDULE "D"
to By-law 2004-108F
of the City of Greater Sudbury

Page 2 of 5

3. SSAB Contingencies Trust Fund

- (1) This Trust Fund shall be used for any potential contingencies relative to the former Social Services Administration Board that may arise.
- (2) This Trust Fund shall be maintained until January 12, 2006, after which time, any funds remaining in this Trust Fund shall be distributed in accordance with the main severance formula as used in the distribution of assets of the former Board.
- (3) The City Treasurer is authorized to continue financial arrangements with a financial institution to maintain this Trust Fund in a separate account.
- (4) The City of Greater Sudbury shall be entitled to an administrative fee for the management of this Trust Fund equal to the amount of the interest earned on this Trust Fund.

4. Business Centre Trust Fund

- (1) This Trust Fund shall consist of funds contributed by the Province of Ontario to allow the Regional Business Centre to advance to clients that wish to start up a new business, a loan to 90% of the cost of preparing a business plan, to a maximum of \$5,000.
- (2) Expenditures from this Trust Account shall be made in accordance with decisions made by the partners in the Business Centre. Funds in this Trust Account are also subject to return to the Province of Ontario upon request.

SCHEDULE "D"

to By-law 2004-108F of the City of Greater Sudbury

Page 3 of 5

5. Ontario Home Renewal and Ontario Home Renewal (Rental) Trust Fund

(1) This Trust Fund shall consist of money received by the former Regional Municipality of Sudbury as reimbursement from Ontario Home Renewal Program and Ontario Home Renewal Rental Program payments.

(2) Funds in this Trust Account may be transferred to the Province of Ontario after the administrative fee of the City of Greater Sudbury and of the former Regional Municipality of Sudbury is deducted.

6. Deposits by Contractors

(1) This Trust Fund shall consist of all money given to the City of Greater Sudbury as deposits, guarantees, or other security under Subdivision Agreements, Site Plan Agreements, Construction Lien Agreements, Removal of Building Agreements, Test Manhole Agreements, Servicing Agreements and other similar arrangements.

(2) Expenditures may be made from this Trust Fund with authorization from City Council, the City Solicitor or the City Treasurer.

7. Cemetery Care and Maintenance Trust Fund

(1) A portion of the price of cemetery plots and markers shall be set aside in this Trust Fund for perpetual care, as required pursuant to the *Cemeteries Act (Revised)* and regulations thereunder.

(2) No expenditures from the capital of this Trust Fund shall be permitted.

(3) Interest from this Trust Fund shall be transferred to the Cemeteries Current Budget.

SCHEDULE "D"
to By-law 2004-108F
of the City of Greater Sudbury

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8. Cemetery Pre-Need Assurance Fund

- (1) Monies paid for pre-need services at the cemeteries, such as prepayment of grave opening and closing charges, and prepayment of charges for grave-side services shall be deposited to this Trust Account.
- (2) Interest earned by this Trust Fund shall be credited directly to the Trust Fund.
- (3) Deposits to and expenditures from this Trust Account shall be made on advice from the Manager of Cemeteries and in accordance with the Cemeteries Act and regulations thereunder.

9. Airport CDC Trust Fund

- (1) This Trust Fund was created by the former City of Sudbury for the purposes of depositing operating surpluses from the Airport Community Development Corporation and funding received from the Federal Government.
- (2) Surpluses in the monthly airport operating budget shall be credited to this Trust Fund and deficits in the monthly airport operating budget shall be charged to this Trust Fund.
- (3) All interest earned by this Trust Fund shall be credited directly to the Trust Fund.
- (4) Expenditures shall be made from this Trust Fund for uses established by the Sudbury Airport CDC by resolution of the Board of the Sudbury Airport CDC.

Correspondence for Information Only

Request for Recommendation Finance Committee




Type of Decision									
Meeting Date	April 29, 2004				Report Date	April 23, 2004			
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
2003 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.
N/A	
<input checked="" type="checkbox"/>	Background Attached


Recommendation
FOR INFORMATION ONLY
Recommendation Continued

Recommended by the General Manager



D. Mulsinic
General Manager of Corporate Services

Recommended by the C.A.O.



M. Mieto
Chief Administrative Officer

Date: April 23, 2004

Report Prepared By

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

Division Review

S. Jonasson
Director of Finance/City Treasurer

BACKGROUND

The City has a policy in place whereby any year-end corporate surplus or deficit is contributed to or funded from the Capital Financing Reserve Fund - General and the Tax Rate Stabilization Reserve in equal amounts.

Also, included in the City's Reserve / Reserve Fund By-law are policies where certain program-specific surpluses or deficits are contributed to or funded from related reserves. There is, of course, the proviso that such contributions cannot create or increase a deficit for the City overall. The five programs covered by these policies are:

- Information Technology
- the 199 Larch Street building
- Land Reclamation
- Social Housing and
- Libraries / Citizen Service Centres.

For 2003, each of these programs experienced positive variances totaling \$2.96 million. However, contributing this amount to the respective reserves would have put the City into a deficit position. Consequently, based on each program's share of the total amount, the contributions to the reserves were pro-rated, as follows:

1.	Capital Financing Reserve Fund - Information Technology -	\$ 222,230
2.	199 Larch Street Building Maintenance Reserve Fund -	66,230
3.	Tree Purchases Reserve -	13,934
4.	Social Housing Capital Reserve Fund -	798,146
5.	Reserve for Libraries / Citizen Service Centres -	<u>31,513</u>
	Total	<u>\$1,132,053</u>

After contributing to reserves for the above five programs, in accordance with policy, the City's final position, is a balanced budget for 2003. This is subject to verification through the annual audit, which is presently underway.

Date: April 23, 2004

Differences from the October Projection

A 2003 Variance Report was presented to Council last October based on July projections, projecting an overall deficit of about \$1.5 million, mainly in the area of Roads Maintenance. Council had approved an overexpenditure of approximately \$2 million for Roads in 2003. Other variances (mostly positive) materialized which moved the corporate position from the negative \$1.5 million to a positive \$1.1 million.

The major changes between the October report and the year-end actual are summarized below (positive variances are in brackets):

• Grants and Subsidies	\$ (800,000)
• Increased allowance for Tax Write-offs	800,000
• Economic Development and Planning (mainly Social Housing)	(2,200,000)
• Health and Social Services	(400,000)
• Leisure and Recreation Services	400,000
• Public Works (largely in Roads)	400,000
• Emergency Services	(400,000)
• Other small variances throughout the corporation	<u>(400,000)</u>
Total	<u>\$(2,600,000)</u>

Variance Chart

The attached chart lists the over and under expenditures throughout the corporation. Favourable variances are in brackets, while overexpenditures are shown without brackets. An explanation has been provided for any section with a variance in excess of \$250,000.

Major Variances

General Revenues

Grants and Subsidies (\$1.2 million)

There is a \$1.2 million positive variance in grants and subsidies made up of two items. The first is \$800,000 in adjustments from the Province related to the 2001 and 2002 reconciliation of the Community Reinvestment Fund (CRF) as follows:

- \$350,000 for 2002 Ontario Works, Sole Support and non-resident adjustments
- \$350,000 for 2001 and 2002 adjustments regarding the City's share of Health Unit expenditures
- \$100,000 for 2002 Land Ambulance

These adjustments are one-time funding, and a windfall to the City.

Date: April 23, 2004

The balance of just over \$400,000 relates to net increased expenditures in 2003 for the reconcilable programs, which include:

- Sole Support
- National Child Benefit
- Ontario Disabled Support Program
- Public Health
- Child Care
- Ambulance

Taxation Levy \$900,000

The \$900,000 shortfall in Taxation is largely due to tax write-offs. Many multi-residential properties had assessments reduced substantially, while others converted to condominiums which yield a much reduced weighted assessment. In addition, a review of the Tax Sale properties indicated a need to increase the allowance for Tax Write-offs to reflect a realistic write-off value for properties in arrears.

Executive, Administration and Corporate Services

Information Technology (\$358,000)

This section had a net underexpenditure of \$358,000 which was largely attributable to not hiring the budgeted staff in 2003.

Human Resources \$430,000

The overexpenditure in this section was due to two factors:

- \$250,000 is in Legal fees, due to high arbitration activity related to restructuring decisions. An explanatory report has been sent to Council on this.
- \$208,000 in Pensioner expenses due to increased benefit premiums and the number of retirements.

Small underexpenditures throughout the section helped to reduce the overexpenditure somewhat.

Solicitor Services (\$357,000)

Overall this section had an underexpenditure of \$357,000 relating to four areas:

- The Solicitor section was overspent by \$119,000. The overexpenditure in legal counsel expense exceeded the underexpenditure in the salaries area which resulted from not hiring the budgeted lawyer and support staff. In addition, cost recoveries were not as high as anticipated.
- Clerk's Services was overspent by \$395,000 all of which related to election expenses. The major overexpenditures related to the election were salaries for the election workers (\$253,000) and the vote tabulators (\$293,000). More machines than budgeted were obtained in order to make the process easier for the voters. This was the first year of using the new voting equipment and more staff was hired for the process. Small underexpenditures throughout the section coupled with increased revenues helped to offset some of the overexpenditure.
- Administration and Miscellaneous Properties had an underexpenditure of \$124,000 most of which related to 199 Larch Street.
- Provincial Offences had a positive variance of \$749,000 from increased fines and collections.

Date: April 23, 2004

Economic Development and Planning

Social Housing (\$1.3 million)

Social Housing had a net underexpenditure of almost \$1.3 million:

- \$145,000 related to the administration section where the software support and related expenses including staff training did not materialize as budgeted.
- Greater Sudbury Housing expenditures were underbudget by \$459,000 all related to decreased taxes resulting from lower assessments.
- The largest underexpenditure was in the Non-Profit Housing section which had an underexpenditure of \$1.48 million, as follows:
 - It was anticipated that building condition assessments would have to be undertaken (and paid for in 2003), but the deadline was extended by the Social Housing Services Corporation (Provincial) to 2004 and most of the non-profit providers opted to delay their assessments.
 - Mortgage renewals were obtained at lower rates than anticipated.
 - The biggest variance was as a result of a new funding mechanism based on Provincial Benchmarks. It was anticipated that the new system would result in higher subsidies being paid to the providers. However, this system was not implemented in 2003 as budgeted. It is anticipated that the Province will implement the system in 2004 instead.
- These underexpenditures allowed for a \$800,000 contribution to the Social Housing Reserve Fund, in accordance with policy.

Health and Social Services

Ontario Works (\$1.6 million)

Ontario Works was underspent by \$1.6 million. Of this amount, \$1 million related to Sole Support Assistance which resulted in a corresponding decrease to the CRF. The remainder of the underexpenditure is throughout the section, with salaries and benefits being \$368,000 under because of caseworker vacancies and short term disability vacancies not being backfilled. The budgeted \$225,000 lease payment for Caseworker Technology was not required, but the Province did not advise of this until well after the budget was established.

Ontario Disability Support Program \$1.8 million

This is a benefit not administered by the City, but simply billed by the Province. The 2004 expenditures for this program were almost \$1.8 million higher than budgeted. This overexpenditure is fully offset by an increase in the CRF transfer.

Date: April 23, 2004

Citizen and Leisure Services***Leisure and Recreation Services \$992,000***

These areas of the budget experienced a significant overexpenditure, and the major variances are outlined as follows:

- Leisure Programs were overspent by \$315,000 due to harmonization of student wages, not receiving anticipated grants through Federal programs, decreased revenues due to the Inco strike and cool weather, increased costs due to the Provincially-mandated water testing, and an increase in vandalism.
- Parks and Playgrounds were overspent by \$334,000 also for a number of reasons. Last year saw increased charges for winter snow removal, increased costs for grounds and turf maintenance, unbudgeted repairs for aging facilities, and increased costs for playground safety inspections, compounded by decreased revenues from playfield rentals and concessions.
- Waterfront / Pools also had an overexpenditure of \$239,000 resulting from harmonization of wages, flooding of the Nickel District Pool, unscheduled repairs to the Onaping pool, higher than budgeted energy costs, and lower revenues at the Howard Armstrong Recreation Centre.
- Community Arenas were overspent by \$147,000 largely due to unanticipated repairs to aging facilities and revenues not materializing as budgeted as well as a \$50,000 revenue loss during the Power Emergency.

Expenditures were minimized wherever possible to try to offset some of the shortfall, and staff vacancies in the Administration section were phased.

Public Works***Water and Wastewater***

The water section actually experienced a small deficit of \$357,000 while the Wastewater section had an even smaller surplus of \$95,000. The water variance was mainly due to a shortfall in revenues. Although wastewater also experienced a shortfall in revenues, this was fully offset by underexpenditures throughout the section.

These two sections are treated as utilities, and in accordance with policy, any surpluses or deficits are fully contributed to or funded from the respective Capital Financing Reserve Funds for these utilities.

Roads / Fleet \$2.5 million

Council was advised last June that there was a substantial overexpenditure in the Roads area, and authorized spending in the summer program to continue as budgeted, with the full understanding that there would be a \$2 million shortfall in Roads. The total overexpenditure in this area is \$2.5 million. This is mainly due to road sanding and salting, which is strictly a factor of weather conditions. A portion of the overexpenditure is attributable to summer road maintenance in the areas of traffic signal repairs, sign maintenance, and streetlighting. The additional costs in the roads section generated more use of the fleet, which in turn increased equipment credits in the Fleet section, slightly offsetting the overexpenditures.

Date: April 23, 2004

Solid Waste (\$326,000)

Overall this section had a positive variance of \$326,000 which was a result of:

- Reductions throughout the Administration and Projects and Studies areas from vacant positions during the year, and underspending on monitoring and landfill surveys
- Reductions in Garbage Collection costs throughout the cost centre due to reduced equipment usage, and reduced costs from contractors
- Increased sales of blue box materials
- Reduced operational costs for the new small vehicle transfer station because of a delay in completion of the capital project

The above positive variances were somewhat offset by a \$470,000 reduction in tipping fee revenue from major haulers, as has been previously reported to Council.

Emergency Services

Fire Services (\$304,000)

Fire Services had a favourable variance due almost entirely to underexpenditures in salaries and benefits. Some full time positions were vacant for a large part of the year, and fortunately there were fewer fires last year, resulting in fewer call-outs for volunteers. Volunteer salaries are budgeted based on average number of call-outs, and 2003 was a lower than average year.

Emergency Medical Services (\$299,000)

The underexpenditure in EMS was mostly in the area of salaries and benefits. There is a province-wide shortage of paramedics (most specifically Advanced Care Paramedics). The Division operated below approved staffing levels throughout 2003 due an inability to recruit sufficient qualified staff to meet service demands.

Audit and Filing of Financial Information Returns

As was the case in 2003, the Financial Information Returns (FIRs) must be filed with the Province by May 31st. Failure to meet the deadline will result in the Province withholding transfer payments, which would have an extremely detrimental effect on the City's cash flow and investment income. The Finance Division is on target to meet the deadline, since the FIR's and statements are almost complete, and the audit is underway presently.

Once the FIRs are filed and the statements prepared, our auditors will be presenting the financial statements and FIRs to Council. Hopefully this will occur by the second meeting of Council in June. The Municipal Performance Measurement Program (MPMP) will be presented by our Internal Auditor sometime later in the year.

CITY OF GREATER SUDBURY
COST CENTRE REPORT
for the year ended December 31, 2003
(\$000's)

	Budget	Actual	Surplus Contributed	(Surplus) Deficit
Grants and Subsidies	(54,685)	(55,884)		(1,199)
Taxation Levy	(133,151)	(132,249)		902
Corporate Revenue / Capital	(7,900)	(7,919)		(19)
General Revenues	<u>(195,736)</u>	<u>(196,052)</u>	<u>-</u>	<u>(316)</u>
Executive and Administrative	1,048	971		(77)
Office of the CAO	1,257	1,165		(92)
Corporate Services				
General Manager / Capital	1,779	1,780		1
Information Technology	4,003	3,423	222	(358)
Financial Services	4,506	4,734		228
Human Resources	2,800	3,230		430
Supplies and Services	384	379		(5)
Solicitor, Clerk, Property and POA	1,186	763	66	(357)
Assessment	1,492	1,490		(2)
Executive, Administrative & Corporate	18,455	17,935	288	(232)
General Manager / Capital	885	891		6
Economic Development	1,761	1,689		(72)
Planning and Development	2,639	2,414	14	(211)
Social Housing	17,004	14,922	798	(1,284)
Economic Development & Planning	22,289	19,916	812	(1,561)
General Manager / Capital	1,127	1,116		(11)
Children's Services	3,047	2,839		(208)
Long Term Care and Seniors	382	369		(13)
Ontario Works	10,107	8,466		(1,641)
Ontario Disability Support Program	11,633	13,395		1,762
Health & Social Services	26,296	26,185	-	(111)
General Manager / Capital	1,196	1,160		(36)
Cemetery Services	-	-		-
Public Libraries / Citizen Service Centres	-	-		-
Leisure and Recreation Services	5,494	5,411	32	(51)
Transportation Services	9,774	10,766		992
Citizen and Leisure Services	7,373	7,202		(171)
	23,837	24,539	32	734
Earthcare				
Eng. Services / Buildings and Facilities	218	282		64
Water Maintenance	3,776	3,630		(146)
Waste Water Maintenance	2,429	2,429		-
Roads Maintenance / Capital / Fleet	-	-		-
Public Works Depots	32,306	34,821		2,515
Waste Management	394	413		19
Public Works	10,546	10,220		(326)
	49,669	51,795	-	2,126
General Manager / Capital	290	280		(10)
Emergency Preparedness	117	37		(80)
Fire Services	13,179	12,875		(304)
Emergency Medical Services	5,795	5,496		(299)
Emergency Services	19,381	18,688	-	(693)
Sudbury Airport Operations	-	-		-
Nickel District Conservation Authority	247	247		-
Public Health Unit	5,694	5,710		16
Police Services	29,868	29,905		37
Outside Boards	35,809	35,862	-	53
Total Expenditures	<u>195,736</u>	<u>194,920</u>	<u>1,132</u>	<u>316</u>
Total Budget	<u>-</u>	<u>(1,132)</u>	<u>1,132</u>	<u>-</u>

Request for Recommendation Finance Committee

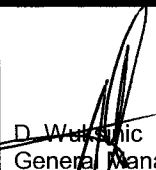


Type of Decision									
Meeting Date	April 29, 2004				Report Date	April 23, 2004			
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High		Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title
2003 Unaudited Reserves 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.
N/A	
<input checked="" type="checkbox"/>	Background Attached

Recommendation
FOR INFORMATION ONLY
Recommendation Continued

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

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

Date: April 23, 2004

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

Further to the comprehensive report on Reserves and Reserve Funds presented to the Finance Committee at the March 8th meeting, the attached chart presents the pre-audit final balances in the Reserves and Reserve Funds of the City of Greater Sudbury. A number of the balances have changed; some due to year-end adjustments and five of the reserves increased because of the allocation of underexpenditures in Information Technology, the 199 Larch Street Building, Land Reclamation, Social Housing and Libraries / Citizen Service Centres. Council will be advised if there are any changes to these balances as a result of the audit.

Need for Reserves

As outlined in the BMA study, reserves and reserve funds are a critical component of a municipality's long-term financing plan. Reasons for maintaining reserves are outlined in the report, and are as follows:

- ▶ Provide stability of tax rates in the face of variable and uncontrollable factors
- ▶ Provide financing for one-time or short term requirements without permanently impacting tax and utility rates
- ▶ Make provisions for replacements/acquisitions of assets/infrastructure that are currently being consumed and depreciated
- ▶ Avoid spikes in funding requirements of the capital budget
- ▶ Provide a source of internal financing
- ▶ Ensure adequate cash flows
- ▶ Provide for future liabilities incurred in the current year but paid for in the future

Reserves offer liquidity which enhances the municipality's flexibility, both in addressing unplanned operating requirements and in permitting the municipality to temporarily fund capital projects internally.

Financial Health of Municipalities

The level of reserves and reserve funds is a measure of the financial health of a municipality. Compared to other municipalities in Ontario, the City is considerably below the average as it pertains to reserves and reserve funds as a percentage of total expenditures, as identified in the 2003 BMA municipal study. The City of Greater Sudbury is at 14.8% while the average is 44.4%. Only six participants in the study have a lower percentage than Sudbury. The City of Greater Sudbury is also considerably below the average as far as reserves and reserve funds as a percentage of total taxation, at 46% as compared to the average of 87%. This indicates that other municipalities have been able to direct more funding, on a relative basis, to their reserves and reserve funds. Also, Sudbury's debt and reserves per capita are \$430 compared to the average of about \$570. In summary, the City's financial health is not good when compared to other Ontario municipalities. Not only should the reserves and reserve funds be maintained, they should be increased.

Date: April 23, 2004

Subsequent Report

A further report has been prepared, for this same agenda, dealing with the annual 'housekeeping' regarding reserves and reserve funds.

CITY OF GREATER SUDBURY

**Unaudited Reserve and Reserve Fund Balances
as at December 31, 2003**

NAME	RESERVES	Fully Committed \$	Future Requirements \$
Reserve for Employee Health Benefits	Originally established to pay direct billings from the carrier for claims, and funded from any surplus generated by budgeted amounts exceeding actual claims expenses. The City is now on a premium based benefit plan, but some billings are still materializing from old claims. Funds are required for these billings and also to offset any future benefit rate fluctuations. Under the current premium rate structure, the City could incur a deficit if actual costs covered by the carrier exceed the premiums remitted. The carrier can recover any such deficits from the City the year after they occur, either by heavy rate increases or a lump sum payment. Funds need to be held in reserve to avoid major increases.		695,337
Reserve Libraries / Citizen Service Centre	Because libraries receive Provincial operating grants, a working reserve is required to fund any library deficits. When the City is in a surplus position overall, any Library surplus is contributed to this reserve. Also used to finance capital and special projects. Approximately \$60,000 has been approved for use in 2004 Capital for South Branch.	60,000	79,166
Tree Purchases Reserve	Fund created from surpluses due to revenues being greater than budgeted in the Land Reclamation project, over the years. Balance used to offset fluctuations in the cost of purchasing seedlings each year, which eliminates fluctuations in operating costs.		169,948
Reserve for Various Expenses	Created at year-ends, through resolution of Council, to allow funds budgeted in current year to be carried forward to the following year to pay for certain items. Council approved three reports related to 2003 year-end reserves. The most significant item is the \$1.4 million set aside for the purchase of shares in Sudbury Hydro.	2,552,251	
Reserve for Ex-Gratia Grants	\$25,000 is budgeted each year for ex-gratia grants, which are grants given to residents to help off-set clean-up costs in the event of a sewer back-up. In years where the grants do not total \$25,000 the difference is credited to this reserve and in years where grants exceed the budget, the difference is funded through this reserve.		109,713

NAME	RESERVES	Fully Committed \$	Future Requirements \$
W.I Claims Reserve	Originally established to pay direct billings from the carrier for claims, and funded from any surplus generated by budgeted amounts exceeding actual claims expenses. The City is now on a premium based benefit plan. Funds are required to offset any future benefit rate fluctuations. Under the current premium rate structure, the City could incur a deficit if actual costs covered by the carrier exceed the premiums remitted. The carrier can recover any such deficits from the City the year after they occur, either by heavy rate increases or a lump sum payment. Funds need to be held in reserve to avoid major increases.		366,232
Water Meter Installation Reserve	Deposits collected from developers and / or individuals at the Building Permit stage for installation of water meters in new homes when construction is completed. As homes have meters installed, the funding is taken from the reserve.	198,459	
Official Plan Reserve	Funds set aside for new Official Secondary Plan and to be used in 2004 project.	4,050	
Ontario Works Reserve	In accordance with recommendations in the Long Term Financial Plan, this Reserve was established in 2002 to help offset fluctuations in programs or changes in Provincial funding. This money should be retained for the purpose intended, in compliance with the Long Term Financial Plan.		340,000
Ontario Works - Community Placement Reserve	Provincial funding received as a result of exceeding targets in the Employment Support Services area. Funding must be used for Ontario Works related programs. Any funds not used by the end of 2005 must be returned to the Province. Much of the balance has been committed to specific projects through Council resolution.	1,709,225	
Ontario Works - Emergency Housing Reserve	Funding set aside to be used for emergency housing. This is Provincial funding and must be kept aside for this purpose.	22,541	
Pioneer Manor Fundraising Reserve	Net revenue resulting from fund-raising activities at Pioneer Manor (mainly through auxiliary). Committee of residents, auxiliary, staff recommend expenditures from this reserve (i.e. prints for walls, etc.). Not truly City's money.	35,655	
Future Development Charges Study Reserve	The Development Charges By-law expires in 2004 and a new study must be undertaken this year.	58,500	

NAME	RESERVES	Fully Committed \$	Future Requirements \$
Tax Rate Stabilization Reserve	This reserve provides for year-to-year variances in the operating budget. One half of any operating surplus shall be credited to this reserve and one half of any operating deficit shall be funded from this reserve. Funding of \$175,202 for physician recruitment, NDCA, and West Nile virus has been committed through the 2004 budget process.	641,229 175,202	
Valley East Heritage Committee Reserve	Funds that came forward from the former City of Valley East. To be used as required to fund the Valley East book and heritage celebrations.	42,903	
Reserve for Agricultural Drains	Funded through contributions from the Current Budget to ensure sufficient funds on hand for municipal portion of agricultural drains maintenance. A number of new drains have been approved by Council for 2004.	66,212	
Reserve for Cultural Exchange	Under control of the Mayor, and to be used for projects related to cultural exchange (e.g. events with Sudbury's twin city in Finland).		2,518
	Sub Total	\$5,566,227	\$1,762,914

NAME	RESERVE FUNDS	Fully Committed \$	Future Requirements \$
Sick Leave Reserve Fund	Annual contributions from current budget to be used to pay out accumulated sick leave credits. Most employees no longer receive sick leave credits, but are covered through weekly indemnity and long term disability. Sick leave credits in existence at the time of the change were left intact, and employees are entitled to a payout of 50% of these credits, to a maximum of 6 months pay, when they retire. Employees at Pioneer Manor and Fire Services still accumulate 1.5 days per month of sick leave. The present liability (at 50% and to the maximum of 6 months) is in excess of \$4 million.	1,853,586	
Sick Leave Reserve Fund - Police	The Police still accumulate sick leave credits of 1.5 days per month, and are entitled to a pay out of 50% of accumulated credits, up to six months of pay, when they leave. The present liability, calculated at the 50% and 6 month maximum, is close to \$5 million.	479,006	
Human Resources Management Reserve Fund	A working reserve funded from any surpluses in Life and Long Term Disability Plans. Again, the City is now premium based, but the balance needs to be kept aside to fund any deficits incurred with the carrier.		170,813
WSIB (Workers Compensation Insurance Board) Schedule 2 Reserve Fund	Established through contributions from Current Fund by assessing 'premiums' on payroll. In the early years of being a Schedule 2 employer, the premiums charged were equal to those that would be charged by WSIB. The premiums being charged in 2003 and 2004 are just sufficient to meet expenses. The reserve is used to pay invoices from WSIB, to top up salaries in accordance with Collective Bargaining Agreement requirements (Police and Fire), to pay rehabilitation expenses and to fund the premium for stop loss coverage. The reserve ensures there is no detrimental impact on the current budget. It is strongly recommended that the balance in this reserve fund be maintained in order to have funds available should the City experience any catastrophic loss. The stop loss coverage has a deductible of \$300,000. All City employees except Pioneer Manor are under Schedule 2. The actuarial evaluation of liabilities related to WSIB was \$700,000 at the end of 2003. To allow for this liability and to allow for up to two major claims, a minimum of \$1.3 should be considered as committed in this reserve fund.	1,368,744	1,400,000
WSIB Reserve Fund	Money set aside, through Council resolution in regard to ongoing litigation.	900,000	

NAME	RESERVE FUNDS	Fully Committed \$	Future Requirements \$
Insurance Reserve Fund	Funded through contributions from Current Fund and used to fund adjuster expenses and the deductible portion of claims. There are many outstanding claims, with the deductible portion of each claim being \$50,000. The fund is required to ensure that claims can be covered with no impact on the Current Fund. A minimum of \$1.8 million should be regarded as committed, although the conservative approach would be to consider the full balance as committed. An RFP for insurance will be done in 2004, and if deductible limits increase, the annual contributions to this reserve may also have to be increased. The City should undertake an actuarial study to determine the appropriate levels of reserves.	1,809,872	500,000
Equipment and Vehicle Replacement Reserve Fund	Funded through contributions from Current Fund by equipment credits. Annual contribution is not sufficient to fund capital needs of Public Works, Transit and Fire. The capital program for 2004 recommends the use of all of this reserve fund plus \$1.3 of the 2004 contribution.	2,487,145	
Police Vehicle and Equipment Reserve Fund	Funded through contributions from Current Fund. Annual contribution is scheduled to be fully utilized. The capital program for 2004 recommends the use of all of this reserve fund plus \$403,000 of the 2004 contribution. This Reserve Fund is controlled by the Police Services Board.	635,552	
Recycling Equipment Replacement Reserve Fund	Funded through contributions from Current Fund. Much of the recycling equipment is 13 years old and has almost reached the end of its useful life. It is anticipated that the equipment will have to be replaced within the next few years, and the full balance of this fund will be required.	1,260,513	
Land Acquisition Reserve Fund	Funded from net proceeds of sale of surplus property and used to fund purchases of any required property.		1,529,822
Pioneer Manor Reserve Fund	Funded through grants from the Province and committed to the Pioneer Manor renovations project.	428,410	
Pioneer Manor Donations Reserve Fund	Funded through donations and to be used specifically for improvements to the grounds and courtyards at Pioneer Manor.	62,770	
Social Housing Capital Reserve Fund	Established with Provincial Funding and needed to fund any major capital undertakings for the housing stock. The Long Term Financial Plan recognizes a need for \$5 million in capital projects over the next ten years. Operating surpluses in this section are to be credited to this reserve fund if the City is in an overall surplus position. Deficits are funded from this reserve fund.		3,691,345

NAME	RESERVE FUNDS	Fully Committed \$	Future Requirements \$
Industrial Park Reserve Fund	Established from proceeds of land sales in the Industrial Park and to be used for the expansion or creation of Industrial Parks. Has been used in recent years to provide leverage funding for Economic Development. There is also a committed portion of this reserve fund, in the amount of \$437,398. The most significant item included in this amount is the \$225,000 budgeted as a contribution from the reserve fund in the 2004 budget, to be used as leverage funding for grants.	437,398	293,645
Economic Development / Community Loan Reserve Fund	Established by the former Region and funded from the Industrial Reserve Fund. To be used to promote economic development in the form of loans. Legal implications not yet ironed out. If not used for this purpose, should be returned to the Industrial Park Reserve Fund.		1,012,978
Business Centre Reserve Fund	Originally established through a contribution from the Industrial Reserve Fund, has continued through contributions from partners in the Regional Business Centre. The balance therefore is not completely attributable to the City. The Business Centre was created to help businesses become established and viable. Surpluses and deficits in the Regional Business Centre are credited to or debited from this fund.	156,007	
Centennial Drive Booster Reserve Fund	Funded through \$2,000 per lot charge collected on registration of Plans of Subdivision in area near Centennial Drive. Funds must be used to provide booster for water service.	8,093	
Roads Winter Control Reserve Fund	Established in 2003 in accordance with Long Term Financial Plan recommendations. May be used to offset Winter Control overexpenditures.	737,718	
Vegetation Enhancement Technical Advisory Committee (VETAC) Reserve Fund	Funded through donations and to be used for projects recommended by the Vegetation Enhancement Technical Advisory Committee, as authorized by Council.	3,518	
Museum Reserve Fund	Carried forward from the former Rayside-Balfour and to be used for projects related to that museum.	21,295	
South Branch Library Reserve Fund	Net rent proceeds from the tenant at the South Branch location were credited to this reserve fund to be used for required renovations. The 2004 capital budget approved fully utilizing this reserve fund for renovations at the South Branch.	66,141	

NAME	RESERVE FUNDS	Fully Committed \$	Future Requirements \$
Police Services Donations Reserve Fund	Under control of the Police Services Board and to be used for crime prevention initiatives.	5,304	
Subdivision Deposits Reserve Fund	Funded through non-refundable deposits received from developers under the terms of subdivision agreements, to be used for work for which deposits were made.	1,289,769	
Tree Planting Reserve Fund	Funded through non-refundable deposits received from developers under the terms of site plan agreements, etc. and to be used by Public Works for tree planting at applicable sites.	658,399	
Gazebo Concert Series Reserve Fund	Funded by donations for the concert series and to be used to offset expenses of the concert series.	825	
Cemeteries Reserve Fund	Cemetery Services is self-funding; therefore this reserve is funded through any annual operating surpluses of cemeteries and is to be used only for funding deficits and for cemetery capital projects. The 2004 Capital Budget approved the use of \$250,000 of this fund.	65,152 250,000	
Emergency Services - Ambulance Reserve Fund	Funded through contributions from Current and Provincial grants. To be used for ambulance capital projects including all vehicle and equipment. May be subject to having to return funds to Province if not used for projects specific to EMS. \$933,000 of this reserve fund will be utilized for 2004 EMS capital projects.	1,804,701 933,000	
199 Larch Street Building Maintenance Reserve Fund	Established at time of purchase of 199 Larch, with small annual contributions. To be used to offset any major capital repairs not budgeted, thus preventing a substantial impact on the current fund. Surpluses in this section shall be credited to the reserve fund, if the City is in a surplus position overall. Deficits are to be funded from this reserve fund.		671,998
	Sub Total	\$17,722,918	\$9,270,601

NAME	CAPITAL FINANCING RESERVE FUNDS (CFRF)	Fully Committed \$	Future Requirements \$
CFRF - Information Technology	Funded from any surplus in the Information Technology section, if the City is in a surplus position. Also funded from any underexpenditures in related capital projects. To be used for information technology projects only. The Long Term Financial Plan identifies \$3.4 million of projects to be undertaken.		1,394,679
CFRF - Replace Sewer and Water Systems	Funded from underexpenditures in related capital projects. To be used only for water and wastewater projects.	408,988	
CFRF - Solid Waste	Funded from annual contributions from the current budget and underexpenditures in related capital projects. To be used only for solid waste projects. The balance of this reserve fund is required for projects identified in the approved Certificate of Approval for the landfill sites, in particular the Sudbury site which is slated to become the only landfill site in the City once all other sites are closed. \$1.9 million of this reserve fund has been approved to fund the 2004 Solid Waste capital program.	2,000,000 1,900,000	2,577,645
CFRF - General	One half of any annual current operating surplus or deficit is funded from or contributed to this reserve fund. It is also the only source of funding for capital projects that have no capital envelope. \$238,802 of this envelope has been committed for funding for physician recruitment, NDCA, West Nile virus, the Dow Pool and the Rayside-Balfour Youth Centre through the 2004 current budget process. A sum was also set aside, through Council resolution in regard to ongoing litigation - \$900,000; and \$50,000 for a clock tower at Market Square.	838,583 238,802 950,000	
CFRF - Corporate Infrastructure	Originally funded by contributions from current, now only from any underexpenditures in related capital projects. To be used only for corporate infrastructure (i.e. telephone systems, docutech equipment, etc.). The balance of this reserve fund has been identified as required in the Long Term Financial Plan.		237,157
CFRF - Public Works Buildings	Funded from underexpenditures in related capital projects. To be used only for public works buildings projects. In excess of \$80 million has been identified in the Long Term Financial Plan as required for buildings.		137,966
CFRF - Police	Funded from underexpenditures in related capital projects. Will be used only for Police projects. \$140,000 has been utilized in the 2004 capital program. Reserve is under the control of Police Services Board.	34,086 140,000	
CFRF - Roads	Funded from underexpenditures in related capital projects. To be used only for Roads projects. Close to \$280 million has been identified in the Long Term Financial Plan as required for roads. \$80,000 of this amount was committed to Long Lake Road in 2004.	80,000	385,074

NAME	CAPITAL FINANCING RESERVE FUNDS (CFRF)	Fully Committed \$	Future Requirements \$
CFRF - Waste Water	Originally funded from current fund, now funded from underexpenditures in related capital projects. In addition, surpluses and deficits in this utility are contributed to or funded from this reserve fund. To be used only for Wastewater projects. Used to address any emergency upgrades which may be required, upon authority of Council. A commitment of \$1,165,000 has been made for the Rock Tunnel Project.	2,579,139 1,165,000	
CFRF - Water	Originally funded from current fund, now funded from underexpenditures in related capital projects, (in 2003 the proceeds from a recently settled litigation were repaid to this reserve fund). In addition, surpluses and deficits in this utility are contributed to or funded from this reserve fund. To be used only for water projects, and will be required for the Capreol Water Supply project, the Levack/Onaping and Falconbridge water supply projects, as well as projects necessitated by the Ministry of the Environment. \$1.2 million of this reserve has been utilized in the 2004 capital program.	5,137,696 1,200,000	
CFRF - Health and Social Services	Originally funded from current fund, now funded only from underexpenditures in related capital projects. To be used only for Health and Social Services projects. Will be required for the Pioneer Manor project.	33,143	
CFRF - Fire Services	Funded from underexpenditures in old related capital projects. To be used only for Fire Services Projects. The Long Term Financial Plan identifies about \$34 million of needs for Fire Services.		113,300
CFRF - Citizen / Leisure Services	Funded from underexpenditures in old related capital projects. To be used only for Citizen and Leisure Services projects. Close to \$50 million of projects were identified in the Long Term Financial Plan for Recreation, Leisure and Library Services.		107,644
	Sub Total	\$16,705,437	\$4,953,465

NAME	OBLIGATORY RESERVE FUNDS	Fully Committed \$	Future Requirements \$
Road Levy Payments Reserve Fund	Funded through payments from the public pursuant to Subdivision Agreements, Site Plan Agreements, etc. Must be used for upgrading roads for which the payment was made.	535,940	
Water and Wastewater Payments Reserve Fund	Funded through payments from the public pursuant to Subdivision Agreements, Site Plan Agreements, etc. Must be used for upgrading water and wastewater services for which the payment was made.	285,882	
Parking Improvements Reserve Fund	Funded from net proceeds of parking facilities and can be used only on improvements or expansions to parking facilities. \$110,000 of this fund has been approved for use in the 2004 capital budget.	865,964 110,000	
Capital Lot Levies Reserve Fund	Funds collected under the terms of old capital levy by-laws, and related to some subdivisions. Funds collected can be used only on water and / or wastewater capital projects.	73,619	
Regional Road 80 Reserve Fund	Funds advanced from the Province, and which can be used only for the Municipal Road 80 project.	4,698,477	
Parks Section 50 Reserve Fund	Funds collected under Section 50 of the Planning Act for the creation of parks. Can be used for this purpose and no other.	615,259	
Site Plan Agreement Deposits Reserve Fund	Deposits from contractors for specific projects which must be undertaken. Can be used for no other purpose.	585,317	
	Sub Total	\$7,770,458	

	TOTAL	\$47,765,040	\$15,986,980
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GRAND TOTAL	\$63,752,020
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