

# FINANCE COMMITTEE AGENDA

to be held on  
Tuesday, July 13, 2004  
at  
**4:30 p.m.**

**Councillor  
Eldon Gainer  
Chair**



**Councillor  
Frances Caldarelli  
Vice-Chair**



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**FIFTEENTH MEETING OF THE FINANCE COMMITTEE  
TO BE HELD ON TUESDAY, JULY 13, 2004 AT 4:30 P.M.  
IN THE COUNCIL CHAMBER, TOM DAVIES SQUARE**

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**(PLEASE ENSURE CELL PHONES AND PAGERS ARE TURNED OFF)**

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

**COUNCILLOR GAINER, CHAIR**

1. Declarations of Pecuniary Interest

2. Report dated 2004-07-02 from the General Manager of Corporate Services regarding Adoption of Multi-Year Budgeting.  
**(ELECTRONIC PRESENTATION)**

**1 - 15**

- ▶ D. Wuksinic, General Manager, Corporate Services

(The above item remained outstanding from the 2004-06-23 Finance Committee meeting.)

**RECOMMENDATION:** WHEREAS the Mission of the Council of the City of Greater Sudbury is to provide excellent access to quality municipal services and leadership in the social, environmental and economic development in the City of Greater Sudbury;

AND WHEREAS focusing on providing excellent value to Citizens and exceptional customer service, while striving for cost-effective, efficient, open, accountable and accessible local government, are the priorities of this Council;

AND WHEREAS it is necessary to put in place sound financial planning in order to maintain the public's trust and confidence in its ongoing financial stewardship of the public purse through long-term financial forecasting and budgeting;

AND WHEREAS Council as part of its financial stewardship recognizes the need to balance municipal services and the ability to pay taking into account inflationary pressures and the fact that 60 - 70% of a municipal budget is outside of its direct control;

AND WHEREAS the current traditional budget model does little to facilitate long-term financial planning and impedes effective expenditure management in that financial resources are made on a piecemeal basis while the implications of past and present decisions beyond the next year are neglected;

AND WHEREAS Council is committed to developing more effective ways of preparing and presenting the City's Budget;

AND WHEREAS multi-year budgeting offers the following potential benefits over the traditional practice of annual budgeting:

- ▶ decreased staff time;
- ▶ enhanced long-range planning;
- ▶ improved program evaluation; and,
- ▶ facilitates the integration of financial and strategic planning with a more strategic approach to resource allocation;

THEREFORE BE IT RESOLVED THAT Council adopts for the 2005 - 2006 budget years the multi-year budgeting approach outlined in the Report from the General Manager of Corporate Services dated June 18th, 2004;

AND THAT Council directs staff to prepare a 2005 - 2006 Multi-Year Budget, using all of the tools at their disposal; e.g. efficiencies, new or enhanced revenues, service reviews, new ways of doing business, assessment growth, etc. to present an Operating Budget not to exceed the rate of inflation;

AND THAT Council directs staff to prepare a Capital Budget inclusive of inflation and the new Capital Levy.

**ROUTINE MANAGEMENT REPORTS**

{NONE}

**CORRESPONDENCE - INFORMATION ONLY**

3. Report dated 2004-07-09, with attachments, from the General Manager of Corporate Services regarding May 2004 Current Budget Variance Report. **16 - 19**  
(FOR INFORMATION ONLY)

**MANAGERS' REPORTS**

{NONE}

**5:00 P.M. ADJOURNMENT (RESOLUTION PREPARED)**

**COUNCILLOR ELDON GAINER  
CHAIR, 2004 FINANCE COMMITTEE**

**CORRIE-JO CAPORALE  
COUNCIL SECRETARY**

# **Presentations and Delegations**

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# Request for Recommendation Finance Committee



Type of Decision										
Meeting Date	Tuesday, July 13, 2004				Report Date	Friday, July 2, 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	

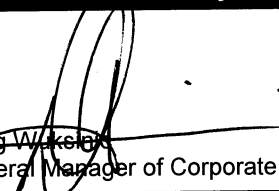
## Report Title

**ADOPTION OF MULTI-YEAR BUDGETING**

Policy Implication + Budget Impact	
<b>N/A</b>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
<b><u>POLICY</u></b>	
<p>One item remained outstanding from the June 23, 2004 Finance Committee meeting. This was a recommendation regarding the adoption of Multi-Year Budgeting by the City of Greater Sudbury.</p> <p>Attached is the report dated June 18, 2004 from the Finance Committee Agenda of June 23, 2004.</p>	
<b><u>BUDGET IMPACT</u></b>	
There is no immediate budget impact associated with this Request for Decision.	
<input checked="" type="checkbox"/>	Background Attached

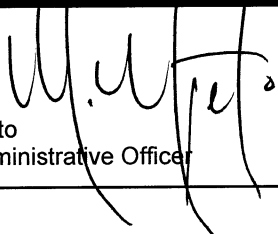
Recommendation	
<p>It is recommended that the Finance Committee adopt the proposed recommendation for multi-year budgeting by the City of Greater Sudbury.</p> <p>The proposed recommendation is appended to this Report for the information of the Committee.</p>	
<input checked="" type="checkbox"/>	Recommendation Continued

**Recommended by the General Manager**



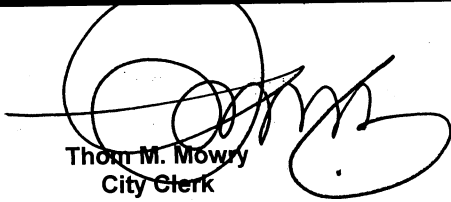
Doug Wickel  
General Manager of Corporate Services

**Recommended by the C.A.O.**



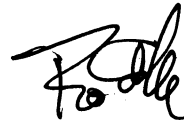
Mark Mieto  
Chief Administrative Officer

Report Prepared By



Thom M. Mowry  
City Clerk

Division Review



Ron Swiddle  
Director of Legal Services and City Solicitor

**Recommendation continued:**

“WHEREAS the Mission of the Council of the City of Greater Sudbury is to provide excellent access to quality municipal services and leadership in the social, environmental and economic development in the City of Greater Sudbury;

AND WHEREAS focussing on providing excellent value to Citizens and exceptional customer service, while striving for cost-effective, efficient, open, accountable and accessible local government, are the priorities of this Council;

AND WHEREAS it is necessary to put in place sound financial planning in order to maintain the public's trust and confidence in its ongoing financial stewardship of the public purse through long-term financial forecasting and budgeting;

AND WHEREAS Council as part of its financial stewardship recognizes the need to balance municipal services and the ability to pay taking into account inflationary pressures and the fact that 60 - 70% of a municipal budget is outside of its direct control;

AND WHEREAS the current traditional budget model does little to facilitate long-term financial planning and impedes effective expenditure management in that financial resources are made on a piecemeal basis while the implications of past and present decisions beyond the next year are neglected;

AND WHEREAS Council is committed to developing more effective ways of preparing and presenting the City's Budget;

AND WHEREAS multi-year budgeting offers the following potential benefits over the traditional practice of annual budgeting:

- decreased staff time;
- enhanced long-range planning;
- improved program evaluation; and,
- facilitates the integration of financial and strategic planning with a more strategic approach to resource allocation;

THEREFORE BE IT RESOLVED THAT Council adopts for the 2005 - 2006 budget years the multi-year budgeting approach outlined in the Report from the General Manager of Corporate Services dated June 18th, 2004;

AND THAT Council directs staff to prepare a 2005 - 2006 Multi-Year Budget, using all of the tools at their disposal; e.g. efficiencies, new or enhanced revenues, service reviews, new ways of doing business, assessment growth, etc. to present an Operating Budget not to exceed the rate of inflation;

AND THAT Council directs staff to prepare a Capital Budget inclusive of inflation and the new Capital Levy.”

\*

# Request for Recommendation Finance Committee

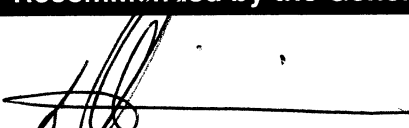



Type of Decision									
Meeting Date	June 23, 2004				Report Date	June 18, 2004			
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High		Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title
Preliminary Financial Forecasts 2005 - 2007, and Draft 2005 Budget Process

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.
<input checked="" type="checkbox"/>	Background Attached

Recommendation	
FOR INFORMATION ONLY	
<input type="checkbox"/>	Recommendation Continued

Recommended by the General Manager
 _____ Doug Wukosinic General Manager of Corporate Services

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

Date: June 18, 2004

**Report Prepared By**

Doug Wuksinic  
General Manager of Corporate Services

**Division Review**

**Background:**

The purpose of this Report is to outline to Council:

- a) Preliminary financial forecasts for 2005, 2006 and 2007;
- b) A new multi-year budgeting process that will be initiated in the Fall of 2004 for the 2005 Budget, along with a draft Budget Schedule; and
- c) An update on the City's Performance Measurement Initiative.

A requirement of the first principle of the Long-Term Financial Plan; i.e. to *"ensure long-term financial sustainability,"* is the determination on a multi-year basis of the financial requirements of the City's Operating and Capital Needs, and the identification of funding gaps between revenues and expenditures.

City Council took a bold step in 2002 and looked at the City of Greater Sudbury's fiscal needs over the longer term. As such, Council created and approved a Long-Term Financial Plan.

By focussing on the long-term, the Financial Plan was to ensure that the City was in a good financial position, and could finance services to the public on an on-going basis. The goal was and is to build a self-sustaining community with a sound infrastructure and excellent quality of life.

Along with the Long-Term Financial Plan, the City recognized the need to adopt a new budgeting process with a new approach to financial management; one that shifts the emphasis from the bottom line financial accounts to service delivery within a longer term financial planning horizon. With this agreement, Council also recognized the need for longer term financial planning, and adopted the principles and policies necessary to achieve sustainability.

The Long-Term Financial Plan set out the principles and policies that will guide City Council and the City's administration in managing the financial affairs of the City. The nine principles, broadly stated, are:

- 1) Ensure long-term financial sustainability;
- 2) Deliver services in a cost-effective and efficient manner;
- 3) Ensure operating revenues are sustainable and consider community-wide and individual benefits (taxes versus user charges);
- 4) Meet social equity objectives through specific programs;
- 5) Manage the City's Capital Assets to maximize long-term community benefit;

- 6) Recognize that funding from Senior Governments is a crucial element of financial sustainability;
- 7) Use Debt Financing where appropriate;
- 8) Maintain Reserves and Reserve Funds at appropriate levels; and
- 9) Identify and quantify long-term liabilities.

Council has consistently moved along in applying these principles, and the 2004 Budget Process was no exception. During the 2004 Budget, several actions taken by Council further established these principles fundamental to the budget exercise. For example and to mention a few, the following actions were taken:

**Principle #1 - "Ensure long-term financial sustainability"**

Council has directed staff to move to a multi-year budgeting process and to move the process up earlier in the year. To this end, which will be dealt with later in this Report, the Draft Budget Cycle for 2005 is targeted to begin in November 2004, with a presentation of the 2005 Budget Document, which this year will include projections for both 2005 and 2006.

**Principle #2 - "Deliver services in a cost-effective and efficient manner"**

The City continues to be an active player in the Ontario Municipal CAO's Benchmarking Initiative (OMBI), a voluntary group of municipalities working together to push for service excellence in municipal government. The City also voluntarily participates in the annual BMA Study to compare data from participating municipalities. And a joint Union and Management Continuous Improvement Program (CIP) was established to provide employees with an opportunity and a forum to suggest cost saving ideas. Also in support of this principle, Council established a number of Solution Teams, and later this week will review the issue of a Council Auditor.

**Principle #3 - "Ensure operating revenues are sustainable and consider community-wide and individual benefits (taxes versus user charges)"**

Following the 2004 Budget Process, and in response to public input, Council approved a number of user fee reductions/service enhancements in the solid waste area. These changes include the following: effective July 1, 2004, there will be a tipping fee exemption for the first 100 kilograms of residential waste brought to the landfill sites. In addition, graduated tipping fees for concrete, brick and block waste and an increase in tipping fee refunds for certain charitable organizations have been approved. These changes will be financed through Waste Diversion Ontario (WDO) funding. Once the annual amount of WDO funding is known, as many of these programs as possible will be implemented.

**Principle #4 - "Meet social equity objectives through specific programs"**

Council increased the Rebate to low income seniors by 50 percent, moving it from \$100 to \$150.

**Principle #5 - "Manage the City's Capital Assets to maximize long-term community benefit"**

Council has agreed in principle to doubling the Roads Budget by 2007.

Although this is only a partial listing, these decisions of Council, as previously stated, have enshrined the principles of the Long-Term Financial Plan in the budgeting process.

### Three-Year Financial Projection

A key component of the Long-Term Financial Plan is the development and ongoing maintenance of a multi-year projection of the City's financial requirements. This multi-year projection is the underpinning to long-term financial planning, and is important since it provides context for the Annual Budget Review Process, and is essential to meeting the goal of multi-year budgeting. This Three-Year Preliminary Projection (attached) is based on the forecasted needs for each of the Programs as identified by the Program Managers.

The information contained in this Report is based on what we know as of today, and will be refined before the Budget Document and the final financial projections are made to Council in November 2004.

The following financial forecasts are based on delivering *"the same level of service that is currently in place for the City of Greater Sudbury"*, and the following assumptions:

- 1) General Inflation Factors applied to costs, unless otherwise noted, has been 2 percent for 2005, 2006, and 2007;\*
- 2) General Inflation Factors applied to energy costs are 5 percent for 2005, 2006 and 2007;
- 3) General Wage Increases and escalation of WI, LTD and Life Insurance Benefits have been introduced based on both known; i.e. Police, as well as projected increases, for those with outstanding Contracts; i.e. at inflation;
- 4) Escalation of Medical and Dental Benefits have been increased by 13 percent, 10 percent and 10 percent for the three years respectively to reflect industry projections and local utilization;
- 5) The Community Reinvestment Grant from the Province has been reconciled as historically experienced;
- 6) User Fees for those services partially funded through User Fees; eg. transit services, have been increased by General Inflation Rates;
- 7) Water/Wastewater, Cemetery and Parking Programs have been assumed to be self-supporting;
- 8) A Hydro Interest Payment of \$3.7 million has been included in each year;
- 9) A 0.5 percent increase in Assessment Growth has been included in each of the three years.

\*April/04 Core CPI (excluding volatile components) 1.8%; March/04 Canada-Ontario Series Construction Index 4.0%

Date: June 18, 2004

### Major Variances

In addition to these assumptions, a number of major variances have been included in the 2005 Base Budget, the majority of which are the effects of decisions made during the 2004 Budget:

- 1) An estimated \$683,000 in additional costs have been included in the 2005 Base Budget for the annualized effect of actions taken in the 2004 Budget; i.e. staffing in Police and Fire;
- 2) \$145,000 increase related to HandiTransit Service;
- 3) \$505,000 of additional Revenues have been added to the 2005 Base Budget, based on the annualized effect of decisions made in the 2004 Budget;
- 4) An additional \$3.2 million has been added to the 2005 Base Budget, an additional \$3.3 million in 2006, and an additional \$3.6 million in 2007 as a Capital Levy;
- 5) \$100,000 of increased contributions to the Police' Sick Leave Provisions have been included in each year of the forecasted period.
- 6) Municipal Insurance costs have been increased by \$100,000 in each of the three years;
- 7) A \$1 million Contingency Allowance has been introduced for the 2006 and 2007 Budgets as part of the multi-year budgeting process to allow for unforeseen events and funding for new initiatives. This is not a spending allowance, rather an annual allocation before setting tax rates.

### **City of Greater Sudbury Three-Year Preliminary Financial Forecast**

Based on all of the above, the projected Financial Forecast for the City, by major expense categories, is outlined in Appendix "A". In summary, total Expenditures are predicted to rise by 3.1 percent in 2005; 3 percent in 2006; and 2.9 percent in 2007. On the Revenue side, Revenues are expected to increase by 2.6 percent in 2005; 2.1 percent in 2006; and 2.1 percent in 2007. These projections, once again, highlight that costs, although in keeping with inflation, surpass anticipated Revenue increases. This difference would result in Tax Levy increases of 4.1, 4.8 and 4.6 percent, respectively.

In addition, once the Capital Levy and the 0.5 percent assessment growth have been factored in, the preliminary Tax Rate increases for 2005, 2006 and 2007 are expected to be 5.9, 6.4 and 6.2 percent, respectively.

### Challenges and Opportunities

The issues that face the City of Greater Sudbury in 2005 and beyond are not new, and are not unique to the City of Greater Sudbury. Earlier this year, Ms. Pat Vanini - Executive Director of AMO, in her presentation to the NOMA Conference in Thunder Bay stated the following:

*"We are in what appears to be a time of considerable opportunity - opportunity for promoting the municipal agenda of strong, autonomous and sustainable municipalities in every part of Ontario."*

- *The Federal Government has committed to a New Deal for municipalities;*
- *The Provincial Government has committed to fulfilling its election promise of building strong communities;*
- *Federal/Provincial relations in Ontario are good;*
- *And both the Federal and Provincial Governments are beginning to demonstrate that they are serious about working in partnership with municipalities.”*

Ms. Vanini, in her presentation to NOMA, also emphasized what the City of Greater Sudbury has been making public for many years; specifically:

*“What we already know is that there is a serious systemic unsustainable financial imbalance:*

- *It is a financial imbalance that makes the current situation of municipal services and funding responsibilities unsustainable;*
- *It is an imbalance that has compromised municipal government's ability to invest in much needed infrastructure and infrastructure repairs and maintenance; and*
- *It is an imbalance that sees tax revenues going to the wrong order of government.*

*To understand the problem, consider the following:*

- *Ontario's Municipal Property Tax burden is already over-burdened and therefore insufficient to bridge the revenue gap for infrastructure;*
- *Provincially mandated health and social service costs have grown over time and can only balloon in a recession;*
- *60 - 70 percent of the municipal costs are fixed by the Provincial and Federal Governments, fundamentally limiting municipal flexibility - at least without raising property taxes;*
- *Municipalities currently receive just 6 cents on every tax dollar collected in Canada;*
- *Municipalities shoulder the heaviest deficit of any order of government, and they lack the independent authority and tools needed to tackle their structural deficit problems.”*

Ms. Vanini went on to validate representations that this Council has already made to the public and the two senior levels of Government whereby she stated:

*“... Simply put, however, even with good sources of revenue municipal governments don't have control over large portions of their budgets. It is a fundamental problem that, if not rectified over time, will limit progress on municipal financial sustainability.”*

The projections presented in this Report for 2005, 2006 and 2007 substantiate the issues identified by AMO and Ms. Vanini at the NOMA Conference in Thunder Bay earlier this year; specifically, that:

- ▶ There are insufficient revenues to support the services that municipalities currently provide;
- ▶ That municipalities in general have the majority of their budgets controlled by either the Provincial or Federal levels of government; and lastly
- ▶ When municipal governments need to reduce budgets, they can only turn to that 30 percent of the budget that is directly under their control, and as a consequence, reduce capital and/or those services that directly affect economic development, quality of life, and to some degree, protection of life and property.

In addition to these challenges, there are three unique circumstances at the City of Greater Sudbury that could materially affect the 2005 Budget; specifically, they are:

- 1) The Community Reinvestment Fund (CRF) is a significant operating revenue for the City of Greater Sudbury. The Grant has been budgeted at \$58.2 million in 2004. There are two issues of concern with respect to this Grant: 1) the scheduled review of the CRF for 2005; and 2) the possibility that this grant will not be reconciled commencing with the 2003 year end, therefore not offsetting the increased costs of downloaded services.

In December 2003, the City received the 2002 CRF reconciliation which noted that *"a review of the CRF for 2005 will be part of an extensive and broad consultation process to determine how public services can be sustained and adequately funded in the long term"*. This same document said, *"municipalities are asked to recognize that the government cannot commit in advance to a Fall 2004 reconciliation"*.

This was followed by the Provincial Budget, which did not specifically address the CRF, but showed CRF expenditures of \$622 million in 2002 - 2003, \$652 million in 2003 - 2004, and \$656 million 2004 - 2005.

Because the Provincial Budget made no specific reference to CRF and cost estimates were basically flat lined, the Province was contacted to try to obtain some information about the program design for the 2005 CRF and when, or even if, the CRF would be reconciled for 2003 and 2004. To date, Provincial staff have provided no answers; the format of the CRF for 2005 is not known; it is not known if there will be a 2003 or 2004 reconciliation. Staff could not even advise when any of these questions might be answered.

**If the CRF is not reconciled for 2003 and 2004, it means a potential funding shortfall of \$400,000 for 2003 and \$3.6 million for 2004 as the CRF for these two years would be frozen at \$54.6 million which is the 2002 amount.** Council will recall that the major increase in the CRF for 2004 was primarily related to increased Ontario Disability Support Program (ODSP) costs. For 2005, the downloaded costs of ambulance services, social services (child care, sole support and ODSP) and health unit will increase. The recent Provincial Budget mandated a 3 % increase in shelter allowance and spoke to increased levels of service in public health. Under the previous reconciliation philosophy, these increased costs should result in an increase to the CRF estimated at \$700,000 in 2005, with further increases in 2006 and 2007 of \$500,000 each year.

It is evident that there is a tremendous amount of uncertainty around the CRF - what the new Grant Formula will look like and whether the Grant will continue to be reconciled. It is impossible to predict what the value of this Grant will be in 2005, let alone for 2003 and 2004, or whether it will continue to be an offset to the increased costs of downloaded services. As an example, **if the Grant is frozen at the 2003 level, it is estimated that the City will not realize \$4.3 million in revenue and therefore the levy forecast for 2005 would have to be increased by 3.1 per cent.**

- 2) The Draft Master Fire Plan has not been factored into this forecast. In that Plan, annual Capital Needs were identified to be in the order of \$1.5 million; and increased operating requirements associated with various staffing options ranged from \$1.6 million to \$2.9 million;
- 3) The Capital Levy will begin to address the Capital Needs identified in the Long-Term Financial Plan, specifically roads, however, the demand for other Capital Needs such as fleet, equipment and building have not been addressed in this forecast. While other Capital Needs rank relatively equal, Fleet and Equipment will likely emerge as the most urgent Need requiring a funding solution to bridge an estimated \$4.4 million annual funding gap in the order of \$1.6 million for Public Works, \$1.5 million for Fire Services (as referenced in Note #2 above), \$750,000 for Transit Services and \$550,000 for Emergency Medical Services.

The opportunities and the promised additional financial aid by way of a portion of the Gas Tax (Provincial and Federal), as well as the challenges itemized above, have not been included in this Preliminary Financial Forecast.

### **2005 Draft Budget Process**

#### **Multi-year Budgeting**

The City of Greater Sudbury is committed to the development of a multi-year budgeting process. The first step of this process will be in conjunction with the 2005 Budget. The budget document for 2005 will reflect expenditure and revenue estimates for both 2005 and 2006. This will result in the approval of the 2005 Budget and the 2006 Forecast. For each subsequent budget cycle, the budget document will reflect estimates for the current year and the following two years, thus presenting a three-year budget review and approval of the current year's Budget and a two-year forecast.

The format of the 2005 budget document will be similar to that of 2004. However, it will also include a 2006 forecast. Each executive summary page will include 2004 actual expenditures (estimated until the end of the year), the 2004 Budget, the 2005 Proposed Budget, the 2005 percentage increase over 2004, the 2006 forecast, and the 2006 percentage increase over the 2005 Proposed Budget. The cost centres in the 2005 document will be similar to that of 2004, updated for the CAO's restructuring exercise and the reallocation of GST to Roads Capital, that took place in 2004.

Date: June 18, 2004

Staff are currently working on a new budget system for 2006. The ability to have three years of estimates (2006 to 2008 in this instance) will be incorporated into the new system. The following reflects the 2005 Budget Schedule:

Current Budget Call 1 - Salary Items	mid June 2004
Capital Budget Call	mid June
Current Budget Call 2 - Non Salary Items	mid August
Council Strategic Priorities	September
Public Input Session	early October
Distribution of Capital Budget	early November
Distribution of Current Budget	mid November
Review and approval of Capital Budget	November
Review and Approval of Current Budget	November/December

As a result of the earlier timeline for review and completion of the 2005 Current Budget document, the process has already been initiated. The first budget call requesting departmental assistance in compiling payroll data will be sent out in mid-June. The second budget call dealing with non-salary items will be sent out in mid-August. Both of these earlier dates for budget call are required to meet the late November budget distribution date to Council. This will result in approval of the 2005 Budget and the 2006 Forecast by December of 2004. The Long-Term Financial Plan will not be updated this year, but will be presented in conjunction with the 2006 Budget Process to be reviewed in November and December of 2005.

For the 2006 budget cycle, the timeline has been moved up to allow for the approval of the 2006 Budget and the 2007 and 2008 forecasts by December 31, 2005. This type of multi-year budgeting has been implemented in the City of Lethbridge with great success. If a similar format is adopted here, it will mean less review time on the Base Budget, allowing Council to focus its attention on changes in levels of service instead.

The Council Strategic Priorities Session will be held in September, and any budget information or changes emanating from that Session will be incorporated into the budget document. The Public Input Session(s) are proposed for the Fall, however, no structure or dates have yet been determined.

In addition to the preparation of the 2005 Budget, work still continues on the 2004 Budget. There are two Variance Reports to be provided to Council. The first Report will be based on the May 31, 2004 month-end and will provide Council with information regarding potential year-end variances within the Corporation. This Report will be provided to Council in July. The second Variance Report will be produced with considerable involvement of the Departments. This Report will provide Council with a year-end projection for the Corporation based on the August 31, 2004 month-end report. Council will receive this Report in October.

**Performance-Based**

Over the past few years, the City of Greater Sudbury has been moving towards using performance measurement as a management tool to help evaluate the efficiency and effectiveness of its service delivery - to assess how the City is doing. We are still in the very early stages of a multi-year process that is continually evolving.

Date: June 18, 2004

The City continues to be an active member of the Ontario Municipal CAOs Benchmarking Initiative (OMBI), a partnership project to push for service excellence in municipal government. Participating municipalities are working together in a spirit of innovation and entrepreneurship to identify and develop appropriate service specific performance measures, capture performance data, and analyze and benchmark results, in order to identify best practices of service efficiency and quality in Ontario municipalities. The expectation is to provide a useful management tool that integrates financial and performance data to assist in decision-making within municipalities. This voluntary group has been working together over the past few years in the areas of EMS, long-term care, roads, solid waste and water/wastewater. Work in additional service areas is planned in upcoming years. In addition, OMBI serves in an advisory role to the Province on the Municipal Performance Measurement Program (MPMP).

In addition to the OMBI, the City collects and compares municipal data by participating in initiatives such as the BMA Municipal Study and the Federation of Canadian Municipalities Quality of Life Report. The collection of this type of data allows the City to continually assess where it "stands" in relationship to other municipalities and to look for opportunities to improve.

Ideally, there is a continuous management cycle of "plan, do, measure and improve". The planning is in the form of Council's "Mapping the Vision", the Long-Term Financial Plan, Corporate and Departmental Business Plans and the Budget. The City of Greater Sudbury does this planning cycle, but like many municipalities, it struggles to link and align this planning cycle together, as well as assess progress towards objectives through good performance measurement.

The OMBI Group has just set up a sub-committee to address this specific issue, as many municipalities are having a difficult time with incorporating good performance indicators into their planning and reporting cycle. A group of municipalities in Alberta is also working together to try to tackle the same issue. This problem is not isolated to small municipalities but also exists in medium and large-sized municipalities like Toronto, Edmonton, London, Hamilton and Waterloo.

As progress is made by these groups, the future of performance measurement and performance management in municipal government will be shaped and evolve over the next few years. The City of Greater Sudbury will participate and help in the development of this future through the OMBI Group.

In the meantime, the City of Greater Sudbury will continue to move forward in developing for all Departments, wherever possible and feasible, performance measurement data, systems to track the data, and processes to evaluate the results of the data. Training and information will be provided to management and staff so that performance measurement can be used as a management tool to evaluate the efficiency and effectiveness of City Service Delivery, and to make better decisions and allocations of resources. It will be incorporated into business plans, budgets and day-to-day management over a multi-year time period.

**CITY OF GREATER SUDBURY  
THREE YEAR FINANCIAL FORECAST  
(\$000'S)**

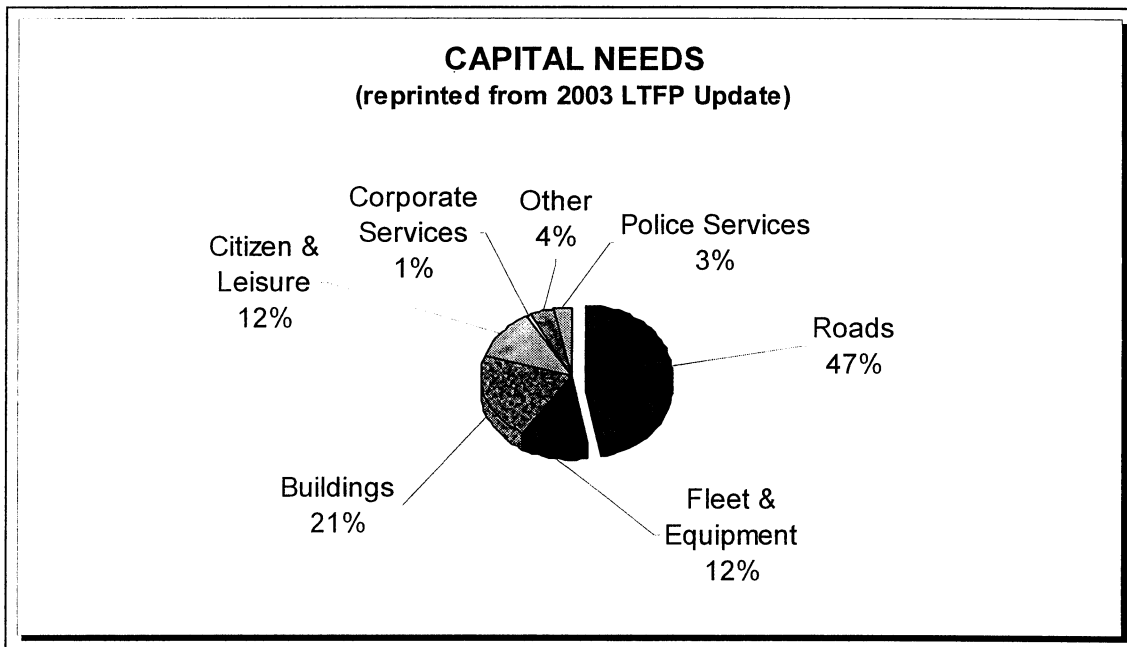
**Appendix A**

SUMMARY BY EXPENDITURE CATEGORY	Base Year 2004	FORECAST PERIOD					
		2005	% chg	2006	%chg	2007	% chg
Salaries & benefits	143,532	149,487	4.1%	155,223	3.8%	160,918	3.7%
Materials & operating expenses	28,301	28,867	2.0%	30,464	5.5%	32,093	5.3%
Equipment expenses	719	733	1.9%	748	2.0%	763	2.0%
Energy costs	6,646	6,978	5.0%	7,327	5.0%	7,693	5.0%
Purchased/Contract services	144,695	148,330	2.5%	151,193	1.9%	154,217	2.0%
Professional development & training	1,329	1,356	2.0%	1,383	2.0%	1,411	2.0%
Debenture/Insurance/Taxes	7,261	7,361	1.4%	7,461	1.4%	7,561	1.3%
Grants - Transfer payments	39,820	41,015	3.0%	41,836	2.0%	42,673	2.0%
Internal recoveries	-722	-634	-12.2%	-545	-14.0%	-454	-16.7%
Provision to reserves/capital	42,693	43,751	2.5%	44,830	2.5%	45,931	2.5%
<b>TOTAL EXPENDITURES</b>	<b>414,274</b>	<b>427,244</b>	<b>3.1%</b>	<b>439,920</b>	<b>3.0%</b>	<b>452,806</b>	<b>2.9%</b>
<b>REVENUES</b>							
Levies	8,382	8,675	3.5%	8,979	3.5%	9,293	3.5%
Provincial grants	175,965	179,717	2.1%	182,525	1.6%	185,392	1.6%
Federal grants	955	955	0.0%	955	0.0%	955	0.0%
User fees	67,033	69,980	4.4%	72,588	3.7%	75,275	3.7%
Licencing & lease revenues	3,768	3,768	0.0%	3,768	0.0%	3,768	0.0%
Investment earnings	8,510	8,510	0.0%	8,510	0.0%	8,510	0.0%
Contributions from reserves	3,531	3,531	0.0%	3,531	0.0%	3,531	0.0%
Other revenues	7,050	7,302	3.6%	7,375	1.0%	7,449	1.0%
<b>TOTAL REVENUES</b>	<b>275,194</b>	<b>282,438</b>	<b>2.6%</b>	<b>288,231</b>	<b>2.1%</b>	<b>294,173</b>	<b>2.1%</b>
<b>TAX LEVY before new capital provisions</b>	<b>139,080</b>	<b>144,806</b>	<b>4.1%</b>	<b>151,689</b>	<b>4.8%</b>	<b>158,633</b>	<b>4.6%</b>
Capital Levy (2.27% of prior year's levy)	0	3,157		6,516		10,107	
Capital Needs Debenture	0	0		0		0	
<b>TOTAL TAX LEVY</b>	<b>139,080</b>	<b>147,963</b>	<b>6.4%</b>	<b>158,205</b>	<b>6.9%</b>	<b>168,740</b>	<b>6.7%</b>

Projected assessment growth	0.5%	0.5%	0.5%
Tax Rate Impact	5.9%	6.4%	6.2%

**ADDITIONAL NOTES**

- 1 If the Province does not reconcile the 2004 CRF then there would be a revenue short-fall of \$3.6 million in 2004, the 2005 CRF revenues would be overstated by \$4.3 million and the 2006 and 2007 forecasted CRF revenues would be over-stated by the annual increments of \$531K and \$542K respectively.
- 2 The Draft Master Fire Plan has not been factored into this forecast. In that Plan, annual capital needs were identified to be in the order of \$1.5 million; and increased operating requirements associated with various staffing options ranged from \$1.6 million to \$2.9 million.
- 3 The Capital Levy will begin to address the capital needs identified in the Long-Term Financial Plan, specifically roads, however the demand for other capital needs such as fleet, equipment and building have not been addressed in this forecast. While other capital needs rank relatively equal, Fleet and Equipment will likely emerge as the most urgent need requiring a funding solution to bridge an estimated \$4.4 million annual funding gap in the order of \$1.6 million for Public Works, \$1.5 million for Fire Services (as referenced in note 2 above), \$750K for Transit Services and \$550K for Emergency Medical Services.



**Correspondence  
For Information Only**

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# Request for Recommendation Finance Committee




Type of Decision										
Meeting Date	July 13, 2004				Report Date	July 9, 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
<b>Current Budget Variance Report - May 2004</b>

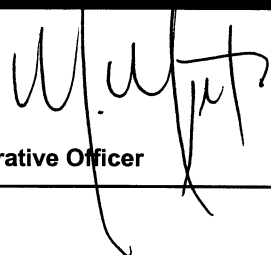
Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
<input checked="" type="checkbox"/>	Background Attached

Recommendation
<b>FOR INFORMATION ONLY</b>
Recommendation Continued

**Recommended by the General Manager**

  
**D. Wukshinic**  
 General Manager of Corporate Services

**Recommended by the C.A.O.**

  
**M. Mieto**  
 Chief Administrative Officer

Date: July 9, 2004

**Report Prepared By**



E. Stankiewicz  
Co-ordinator of Current Budget

**Division Review**



S. Jonasson  
Director of Finance/City Treasurer

**BACKGROUND**

The purpose of this report is to provide Council with a preliminary vision of potential year-end variances for the Corporation. The source used is the May Cost Centre Report, which includes expenditures and revenues for the first five months of the year. In many areas, only five months of data is not sufficient to identify potential variances; however in other areas, there may have been significant factors that have contributed to current variances which may also result in year-end variances.

A more detailed projection will be undertaken in early fall based on the expenditures and revenues contained in the August 2004 Cost Centre Report. During this process, each department will be requested to project a year-end value for each account. Based on the information returned by the departments, a corporate year-end projection will be made. Council will receive this report in October of 2004.

The following are areas where potential material year-end variances may occur:

**1. Tax Write-Offs**

The budgeted amount of \$1.9 million may be exceeded due to a number of multiple residential appeals that date back to 1998. This will include six years of refunds to property owners. Staff, realizing that some appeals would be successful, set aside an additional \$1,000,000 in 2003 to be used to offset these tax losses. The City is being proactive in trying to resolve the appeals prior to litigation. This allows the City to minimize tax losses and create a more stable assessment base. By year-end the tax write-offs should not have a negative affect on the corporate financial position as a result of the accrual in 2003.

**2. Community Reinvestment Fund**

During the 2004 budget process, the Community Reinvestment Fund was adjusted to reflect \$3.6 more revenue. This was based on the premise that the Province would continue to reconcile the CRF to the Local Services Realignment (LSR) changes. The recent provincial budget made no mention of continuing reconciliation for LSR/CRF issues. Staff have contacted the Ministry of Municipal Affairs staff, but have received no information whether or not the Province will continue with the reconciliation. If the Province cuts the ties between LSR and CRF (no reconciliation) the City will have a deficit of \$4 million in this area: \$400,000 receivable set up in 2003 and \$3.6 million for 2004. Staff is in continuous dialogue with Ministry staff and will report back to Council once the Province discloses it's position.

**3. Slot Revenue**

For 2004, the slot revenue was based on the historical trends of previous years. However, based on the last quarter of 2003 payment and the first quarter of 2004, a much different pattern has evolved. Revenue has been declining substantially. Based on these two periods, it is anticipated that slot revenue may be in a deficit position of approximately \$250,000 to \$400,000.

Date: July 9, 2004

#### **4. Information Technology**

This area should experience a surplus by year-end as four positions within this area remain vacant. However, in accordance with current policy, the Information Technology division keeps its surplus (contribution to reserve) if the Corporation is also in a surplus position at year-end.

#### **5. Provincial Offences**

This section is currently reflecting a shortfall in revenue. The two collection clerks approved in the 2004 budget have not yet been hired. Once these individuals have been hired and trained there should be an increase in the revenue received. There may be a slight year-end deficit in this area.

#### **6. Building Services**

This has been an exceptional year for building activity as projections have 2004 experiencing the strongest housing activity in ten years. The industrial commercial and institutional (ICI) sector is also strong as some large multi-year permits have been issued, two of which are the North Eastern Ontario Medical School and the expansion of the Sudbury Neutrino Observatory. This section will be in a surplus position by year-end. However, Bill 124 comes into effect on July 1, 2005 and this section must justify all costs and surpluses must be contributed to a reserve. It may be prudent to contribute this year's surplus to a reserve to ensure future years' stability.

#### **7. Ontario Works**

Overall, caseloads are lower than budgeted levels. However, sole support cases and the Ontario Disability Support Program cases are reflecting the largest reduction. If these two services remain tied to the CRF reconciliation, they will have no impact on the bottom line as the CRF will be reduced accordingly, thus providing no surplus. The general welfare caseload is only down marginally, thus representing a small surplus.

#### **8. Transit Services**

Transit revenues are in line with budget, however this section has been impacted by the higher cost of fuel. The price of fuel will determine whether this section ends up in a surplus or deficit position.

#### **9. Road Maintenance**

As a result of winter control conditions, this area may experience a year-end variance. Higher fuel costs and a higher than normal winter maintenance costs are being offset somewhat by a deliberate reduction in the summer maintenance program. Since this section is dependant on winter conditions in November and December, it is not known whether this section will be in a surplus or deficit position at year-end.

Date: July 9, 2004

**10. Fire Services**

To date, there has been a decrease in the number of call-outs, thus reducing the cost of overtime. If this trend continues this section will experience a small surplus. However, given the unpredictable nature of this service, it is impossible to predict a year-end position with any certainty.

**11. Other**

As identified in a presentation to Council, there are a number of 2003 audit adjustments that do affect the 2004 budget and these are as follows:

Settlement from Sal-Dan	(\$330,000)
Receivable from Greater Sudbury Housing	(\$295,000)
Ontario Works payable to Province	\$450,000
Decrease receivable re 199 Larch	<u>\$125,000</u>
	<u>(\$ 50,000)</u>

This credit will be a favourable adjustment to the Corporation's bottom line. The balance of the adjustments are being absorbed within the affected budgets and have minimal impact.

**Summary**

A number of potential variances have been identified, the most serious being the reconciliation of the CRF, valued at approximately \$4.0 million. As outlined earlier in this report, City staff are in contact with Ministry staff regarding the status of a CRF reconciliation. Council, at the last Finance Committee meeting has taken a proactive position with the Province that the revenue neutrality of the LSR and CRF is maintained.

In addition, departments continue to monitor their budgets and continue to make adjustments to balance controllable items. This has been a preliminary review of the revenues and expenditures for the first five months of 2004. A more comprehensive review will take place after the August 2004 month-end and Council will be presented with a corporate year-end projection in October.