



AUDIT COMMITTEE AGENDA

Audit Committee Meeting
Monday, July 6, 2020
Tom Davies Square - Council Chamber / Electronic Participation

COUNCILLOR DEB MCINTOSH, CHAIR

Mike Jakubo, Vice-Chair

11:30 a.m. AUDIT COMMITTEE, COUNCIL CHAMBER / ELECTRONIC PARTICIPATION

City of Greater Sudbury Council and Committee Meetings are accessible and are broadcast publically online and on television in real time and will also be saved for public viewing on the City's website at: <https://agendasonline.greatersudbury.ca>.

Please be advised that if you make a presentation, speak or appear at the meeting venue during a meeting, you, your comments and/or your presentation may be recorded and broadcast.

By submitting information, including print or electronic information, for presentation to City Council or Committee you are indicating that you have obtained the consent of persons whose personal information is included in the information to be disclosed to the public.

Your information is collected for the purpose of informed decision-making and transparency of City Council decision-making under various municipal statutes and by-laws and in accordance with the *Municipal Act, 2001, Planning Act, Municipal Freedom of Information and Protection of Privacy Act* and the City of Greater Sudbury's *Procedure By-law*.

For more information regarding accessibility, recording your personal information or live-streaming, please contact Clerk's Services by calling 3-1-1 or emailing clerks@greatersudbury.ca.

ROLL CALL

DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

PRESENTATIONS

1. Report dated June 22, 2020 from the General Manager of Corporate Services regarding 2019 Audit Findings Report. **4 - 23**

(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)

- Oscar Poloni, KPMG

(This report provides the audit findings with respect to the 2019 year-end.)

2. 2019 Annual Report Including Consolidated Financial Statements
(ELECTRONIC PRESENTATION) (RESOLUTION PREPARED) (REPORT TO FOLLOW)

- Jim Lister, Manager of Accounting/Deputy Treasurer

(This report provides a recommendation that the Consolidated Financial Statements of the City of Greater Sudbury and the Financial Statements of the City of Greater Sudbury Trust Funds for the year ended December 31, 2019 be adopted by Council.)

MEMBERS' MOTION

CORRESPONDENCE FOR INFORMATION ONLY

- I-1. Report dated June 19, 2020 from the General Manager of Corporate Services regarding 2019 Operating Budget Variance Report - December. **24 - 34**

(FOR INFORMATION ONLY)

(This report provides information regarding a year end projection based on expenditures and revenues to the end of December, 2019.)

ADDENDUM

CIVIC PETITIONS

QUESTION PERIOD

ADJOURNMENT

Presented To:	Audit Committee
Presented:	Monday, Jul 06, 2020
Report Date	Monday, Jun 22, 2020
Type:	Presentations

For Information Only

2019 Audit Findings Report

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to Responsive, Fiscally Prudent, Open Governance: Focus on openness, transparency and accountability in everything we do.

Report Summary

Audit standards require auditors to communicate specific information to an Audit Committee. The City's external auditors will be presenting their findings and statutory communications for the 2019 year-end.

Financial Implications

There are no financial implications associated with this report.

Signed By

Report Prepared By

Christina Dempsey
Co-ordinator of Accounting
Digitally Signed Jun 22, 20

Manager Review

Jim Lister
Manager of Accounting/Deputy
Treasurer
Digitally Signed Jun 22, 20

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed Jun 22, 20

Financial Implications

Steve Facey
Manager of Financial Planning &
Budgeting
Digitally Signed Jun 22, 20

Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed Jun 23, 20

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jun 24, 20

Background

The City of Greater Sudbury has public accountability therefore auditing standards require auditors to communicate specific information to the City's Audit Committee. The City's external auditors, KPMG LLP, will be presenting their Audit Findings Report with respect to the 2019 year-end which will include the following:

- Audit, fraud and other risks and results
- Financial Statement presentation and disclosure
- Adjustments and differences
- Control observations

In addition to reporting that the City's financial transactions appropriately followed Generally Accepted Accounting Principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, management also has a responsibility to apply their best judgment at the time in preparing accounting estimates and/or disclosures in the financial statements.

The auditors apply the concept of materiality in determining whether or not the statements are considered to be fairly stated. Materiality includes both qualitative and quantitative factors which are assessed in the light of whether or not they may influence the decisions made by persons relying on the financial statements. The external auditors have confirmed that there are no material unadjusted financial statement misstatements.

A further requirement of any audit is to obtain sufficient understanding of internal controls and to test those internal controls so that the external auditors can place reliance on them as part of the audit. As outlined in the Audit Findings Report there were no observed weaknesses in the City's system of internal controls and financial reporting processes.

The presentation will communicate a summary of any significant findings and other matters which our external auditors believe should be brought to your attention, thereby assisting the Audit Committee with respect to their review and recommendation to Council for approval of the City of Greater Sudbury's 2019 Consolidated Financial Statements.

Attached is the complete Audit Findings Report prepared by the external auditors.

City of Greater Sudbury

Audit Findings Report
for the year ended December 31, 2019

July 7, 2020

kpmg.ca/audit



Table of contents

EXECUTIVE SUMMARY	1
AUDIT RISKS AND RESULTS	3
FINANCIAL STATEMENT PRESENTATION AND DISCLOSURE	8
OTHER MATTERS	9
UNCORRECTED DIFFERENCES	10
CONTROL DEFICIENCIES	11
APPENDICES	12
APPENDIX 1: REQUIRED COMMUNICATIONS	13
APPENDIX 2: AUDIT QUALITY AND RISK MANAGEMENT	14
APPENDIX 3: KEY AUDIT MATTERS — IDENTIFICATION	15

Executive summary

Purpose of this report¹

The purpose of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audit of the financial statements as at and for the year ended December 31, 2019. This Audit Findings Report builds on the Audit Plan we presented to the audit committee.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you. We were able to complete our year-end audit fieldwork remotely during the current state of emergency and are appreciative of the assistance provided by your staff.

Finalizing the Audit

As of June 9, 2020, we have completed the audit of financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the audit committee
- Obtaining evidence of City Council's approval of the financial statements

We will update the audit committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Independence

We confirm that we are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

¹ This Audit Findings Report should not be used for any other purpose or by anyone other than the audit committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive summary

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Uncorrected differences

No uncorrected audit differences were identified as a result of our audit procedures.

Control deficiencies

Our audit procedures did not identify any instances of non-compliance with the City's system of internal controls.

Other observations

We have undertaken a high level analysis of the City's potential cybersecurity risk exposures and have provided a separate report to management. We have also discussed the following matters with management during the course of the audit:

- Potential HST risk exposures
- Best practices for changing banking information
- Best practices for conflict of interest policies

Audit risks and results

Relevant factors affecting our risk assessment

Complexity



We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

1	Significant Risk	Revenue recognition
----------	-------------------------	---------------------

Significant financial reporting risk

The potential exists for misstatements in revenue recognition for conditional funding sources due to complexity, uncertainty and/or management bias.

Our response and significant findings

- We have reviewed management's calculation of revenues and identified revenues that are conditional in nature. For significant conditional revenue sources, we tested supporting documentation demonstrating that the revenue recognition criteria have been achieved.
- We have reviewed the disposition of the prior year's opening balance sheet amounts (receivables, payables) as well as the treatment of differences between the amount of funding received and the amount recognized as revenue (i.e. current year's balance sheet amounts).

Based on our audit procedures, we did not identify any audit misstatements relating to conditional revenue sources for communication to the Audit Committee. We also did not identify any significant weaknesses in the City's system of internal controls over revenues.

Audit risks and results

Relevant factors affecting our risk assessment

Complexity



Estimate



2 Significant Risk

Employee-related liabilities and management estimates

Significant financial reporting risk

The potential exists for misstatements in liabilities relating to employee-related matters, including pay equity, grievances and arbitration, unsettled contracts, termination benefits and other personnel matters.

Our response and significant findings

- We have reviewed management's calculations with respect to employee banks (sick, vacation, OT) and have performed substantive audit procedures to assess the reasonableness of the recorded liabilities.
- We have reviewed the basis for management's estimates relating to employee-related liabilities and assessed the appropriateness of the underlying assumptions.
- We have assessed our ability to rely on the City's actuarial expert for the purposes of determining the amount of post-employment benefits and have undertaken procedures to assess the reasonableness of key assumptions and the underlying data.

Based on our audit procedures, we did not identify any audit misstatements relating to employee-related liabilities for communication to the Audit Committee.

Audit risks and results

Relevant factors affecting our risk assessment

Complexity



3 Significant Risk

Capital assets

Significant financial reporting risk

The potential exists for misstatements in capital assets due to complexity over whether the requirements for capitalization have been met (i.e. betterment) and/or management bias.

Our response and significant findings

- We have tested a sample of capital additions to assess the appropriate classification of the expenditure (capitalization vs. expense).
- We have tested a sample of repairs and maintenance expenses to identify items that could potentially qualify for capitalization as opposed to expense.
- We have tested a sample of capital asset dispositions, including the accuracy of the reported gain or loss on disposition.
- We have assessed the extent of potential indicators of an impairment in capital assets and the requirement for an impairment provision.

Based on our audit procedures, we did not identify any audit misstatements relating to capital assets for communication to the Audit Committee.

Audit risks and results

Relevant factors affecting our risk assessment

Complexity



Estimate



4 Significant Risk

Provision for assessment appeals and uncollectible taxes

Significant financial reporting risk

The potential exists for misstatements in provisions for taxation appeals, which often involve multiple years under appeal and require management to make estimates as to the City's potential exposure.

Our response and significant findings

- We have reviewed the aged listing of taxes receivable to identify instances where the assessed value of a property is less than the balance of taxes outstanding, indicating the potential requirement for a tax provision.
- We have compared management's calculation of the tax provision to the OPTA Assessment at Risk report in order to determine the adequacy of the City's tax provision.
- We have reviewed settlement of assessment appeals from prior years against the City's previous tax provision in order to determine the accuracy of the City's process for estimating tax provision.

Based on our audit procedures, we did not identify any audit misstatements relating to the provision for assessment appeals and uncollectible taxes for communication to the Audit Committee.

Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

4	Other area of focus	Additional risk areas
---	---------------------	-----------------------

Other area of focus

As outlined in our audit planning report, we have undertaken certain procedures intended to address potential reputational risks.

Our response and significant findings

- We have tested a sample of procurements to assess compliance with the City's procurement policy.
- We have tested a sample of expense reports for members of City Council and the City's management team to assess compliance with the City's policies for travel and expense reimbursement.

Based on the procedures performed, we did not identify any instances of non-compliance with the City's policies.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Company's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

Form, arrangement, and content of the financial statements	<p>The form, arrangement and content of the financial statements is consistent with the prior year and best/common practice for Ontario municipalities.</p> <p>The financial statements include note disclosure related to the current pandemic as a subsequent event.</p>
Application of accounting pronouncements issued but not yet effective	<p>There are no concerns at this time regarding future implementation of accounting pronouncements issued by not yet effective.</p>

Other matters

Professional standards require us to communicate to the audit committee Other Matters, such as material inconsistencies or material misstatements between MD&A and the audited financial statements, identified fraud or non-compliance with laws and regulations, consultations with other accountants, significant matters relating to the Company's related parties, significant difficulties encountered during the audit, and disagreements with management.

There are no matters that have been identified during the course of our audit that require communication to the Audit Committee.

Uncorrected Differences

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

The results of our audit procedures have not identified any uncorrected differences about our posting threshold.

Control deficiencies

In accordance with professional standards, we are required to communicate to the audit committee significant deficiencies in internal control over financial reporting (ICFR) that we identified during our audit.

The purpose of our audit is to express an opinion on the financial statements. Our audit included consideration of ICFR in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ICFR. The matters being reported are limited to those deficiencies that we have identified during our audit and that we have concluded are of sufficient importance to merit being reported to the audit committee.

During the course of our audit, we did not identify any weaknesses in internal control over financial reporting.

Appendices

Content

Appendix 1: Required communications

Appendix 2: Audit Quality and Risk Management

Appendix 3: Key Audit Matters – Identification



Appendix 1: Required Communications

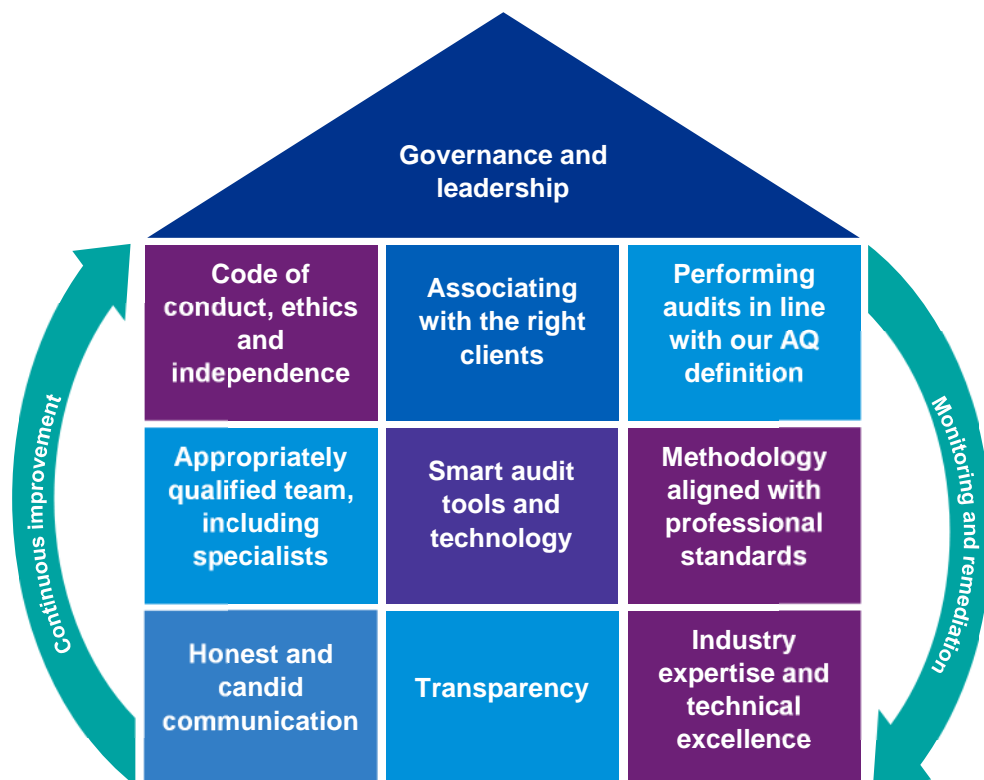
In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

Auditor's report	Management representation letter
The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.	The management representation letter is provided under separate cover.
Annual independence letter	Audit quality
We confirm that we are independent as required by professional standards.	<p>Audit Quality (AQ) is at the core of everything we do at KPMG. Appendix 2 provides more information on AQ.</p> <p>The following links are external audit quality reports for referral by the audit committee:</p> <ul style="list-style-type: none">• <u>CPAB Audit Quality Insights Report: 2019 Annual Inspections Results</u>• <u>CPAB Audit Quality Insights Report: 2019 Fall Inspection Results</u>

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the key elements of our quality control system.



What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).

Appendix 3: Key Audit Matters — Identification

Key audit matters (KAMs) are those matters that were communicated to those charged with governance which required significant audit attention in performing the audit and that, in the auditor's professional judgment, were of the most significance in the audit of the financial statements in the current period.



For Information Only

2019 Operating Budget Variance Report - December

Presented To: Audit Committee

Presented: Monday, Jul 06, 2020

Report Date: Friday, Jun 19, 2020

Type: Correspondence for
Information Only

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

Report Summary

This report provides Council with an analysis of the City's year-end position. The 2019 year end deficit is approximately \$5.9 Million. This deficit can be reduced using \$2.85 million of budgeted but unused debt payments. As a result, the remaining \$3.1 million is funded equally from the Tax Rate Stabilization Reserve and Capital Financing Reserve Fund – General, in accordance with the Reserves and Reserve Funds By-Law.

Financial Implications

There are no financial implications associated with this report.

Signed By

Report Prepared By

Steve Facey
Manager of Financial Planning &
Budgeting
Digitally Signed Jun 19, 20

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed Jun 19, 20

Financial Implications

Steve Facey
Manager of Financial Planning &
Budgeting
Digitally Signed Jun 19, 20

Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed Jun 23, 20

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jun 24, 20

2019 Year End Operating Budget Variance Report

Executive Summary

This report provides Council with an analysis of the City's year-end financial position and related service outcomes for 2019. The 2019 year end deficit is \$5.9 Million. The key drivers of the 2019 deficit are as follows:

- Increased expenditures due exceptional snowfall during the Winter seasons
- Additional costs due to maintaining aging assets
- Increased costs due to benefit changes (specifically WSIB)
- Offset by additional revenues (specifically investment income) and reduced expenditures due to vacancies throughout the corporation

This deficit will be funded by debt repayment budgeted amounts not utilized in 2019 as well as contribution from reserves. The remaining deficit will be funded equally from Tax Rate Stabilization Reserve and General Capital Financing Reserve Fund – General in accordance with the Reserves and Reserve Funds By-Law.

Background

The purpose of this report is to provide Council with an overview of year end variances and the variations in service outcomes versus planned 2019 objectives. The monitoring and reporting of variances has been conducted in accordance with the Operating Budget Policy. Council is provided with a variance report after each quarter end. This report is an update from the year end forecast provided to Council in October 2019 and the projections included in the 2020 budget binder.

Attached is an additional schedule that reflects the annual net budget (Appendix 1), year-end position and variance for each area. In accordance with the Operating Budget Policy, the following explanations relate to areas where a variance of greater than \$200,000 resulted within a division or section.

Variance Explanations and 2019 Service Performance

1) Revenue Summary

This area is reflecting a net under expenditure of \$315,000 relating to property taxes as follows:

- Decrease in tax write off expenses of \$125,000 as a result of staff's expertise and experience in defending property assessment appeals
- Unbudgeted transitional property tax mitigation funding for Non-Profit Long-Term Care Homes of \$225,000.
- Decrease in supplemental taxation revenue of \$190,000.
- Increase in OMPF provincial grant of \$130,000.

2) Other Revenues and Expenses

This area is reflecting a net under expenditure of \$840,000 as follows:

- Over expenditures related to the Junction project totaling \$180,000 primarily due to salaries and benefits.

- Increase in investment income of \$870,000 resulting from capital gains on the sale of bonds as well as better than expected interest rates on other investments.
- Increase in revenue from interest added to tax arrears of \$135,000.
- Increase in aggregate resource funding of \$170,000.
- Reduction in slot revenue of \$60,000.
- Over expenditure in miscellaneous costs including legal, credit/debit charges of \$95,000.

3) Legal & Clerks Services

This area is reflecting a net under expenditure of \$305,000 as follows:

- Under expenditure in salaries and benefits due to vacancies totaling \$390,000.
- Lower than anticipated POA revenues resulting in a net impact of \$130,000.

The corporation has been experiencing lower POA revenues for a number of years and that is a function of the charges laid by external enforcement entities. This section had a number of vacancies last year however they were spread throughout numerous sections which minimized the impact on services levels.

4) Human Resources and Organizational Development

This area is reflecting a net over expenditure of \$285,000 as follows:

- Over expenditure in Legal Services of \$210,000.
 - Expenditures in legal fees were over budget due to increased costs associated with various labour relations and employment matters, including Fire Interest Arbitration, individual employment matters, and costs associated with grievance mediation and arbitration. There is no impact on service levels and is in large part due to contractual obligations.
- Over expenditure in Job Evaluation (JE) expense of \$130,000.
 - The HR job evaluation account is only used when a job evaluation spans a number of years and multiple departments. The over expenditure is due to the resolution of the evaluations of more jobs that increased in value and had multiple incumbents and spanned more than one year for retroactivity. These outcomes can vary from year to year depending on the number of JE outcomes, arbitration awards and motion lost awards where the retroactive outcome can span multiple years and involve multiple incumbents. Once the JE outcome is known, operating budgets are adjusted for the following year to reflect JE outcomes.
- Under expenditure in Administrative Service Only fees of \$40,000.
 - The Early Referral Service (ERS/ASO) was initially used by both Fire and Pioneer Manor (bargaining units that have frozen sick leave credits instead of Short Term Disability). Pioneer Manor transitioned to STD and LTD Plans as a result of negotiated changes to their Collective Bargaining Agreement. As a result, Pioneer Manor employees no longer access ERS/ASO services. ERS/ASO only applies to Fire Services as of April 1, 2019. This has resulted in a reduction of costs related to ERS/ASO.

There we no impacts on service levels arising from these variances.

5) Housing Services

This area is reflecting a net under expenditure of \$240,000 as follows:

- Recovery of unspent GSHC 2018 Rent Supplement funding of \$90,000.
- Under expenditure in non-profit subsidy costs of \$190,000.
- Over expenditure of \$40,000 in Housing administration for consulting costs.

The net under expenditure of \$240,000 did not have an impact on service levels. It is difficult to determine if the variance will continue for future years or not since the budget is contingent upon various factors that are outside of the City's control. For instance, non-profit subsidy costs are based on provincial indices that are set annually. In addition, there are new regulations coming into effect regarding Rent Geared to Income calculations and the impact of these changes is unknown at this time.

After 2020, future rent supplement recoveries are not expected since the corporation will be taking up additional units in order to maintain our legislated service level requirements. In addition, future rent levels will increase along with the rent control guidelines.

The over expenditure of \$40,000 in Housing administration is not expected to continue into the future. It was mainly a result of one-time costs related to a council directed occupancy standard study as well as costs incurred due to regulation changes.

6) Long Term Care

This area is reflecting a net over expenditure of \$895,000 as follows:

- Over expenditure of \$900,000 for short-term and long-term sick benefits.
- An unanticipated reduction in the Case Mix Index, resulting in a funding reduction of \$370,000.
- Unbudgeted grants and contributions totaling \$225,000.
- Energy savings of \$190,000, as a result of reduced consumption from converting to LED lighting, as well as significant rebates for being a multi-unit residential facility.

The over expenditure on sick benefits was part of an arbitrated award with respect to the structure of the CUPE 148 Collective Bargaining Agreement. A significant portion of the unbudgeted grants relates to incentives with regard to a new supplier contract. Service levels have not been impacted by the above variances. Future budgets will be adjusted to reflect the change in circumstances; therefore, there are no anticipated future variances for short-term and long-term benefits.

7) Social Services

This area is reflecting a net under expenditure of \$750,000 as follows:

- Under expenditure of \$250,000 in salaries and benefits due to staff absences and vacancies in year.
- Under expenditure of \$485,000 in Service Contract expenses as the 2019 budget submission with the Provincial government was not approved until August 2019. Expenses incurred were cautiously made based on budget cut announcements

with other provincial programs in April 2019 and operating without an approved budget.

The Ontario Works Service Contract from the province has been frozen at 2018 budget levels. The Ministry of Community and Social Services did not provide a signed service contract to the Administrator until August 2019. The City provided services with an abundance of caution in the early part of 2019, based on the fact that the service was being provided without a signed agreement. This resulted in a higher than normal gap in salaries and benefits.

8) Children and Citizen Services

This area is reflecting net under expenditure of \$435,000 as follows:

- An under expenditure in Services Administration totaling \$335,000. This is primarily salaries and benefits due to vacancies of \$150,000, an under expenditure in software amounting to \$100,000, an under expenditure in electronic materials of \$60,000 and under expenses in office and furniture of \$25,000.
 - Service levels were not impacted. Projects were re-prioritized to reflect staffing levels and vacancies were backfilled internally where possible.
- An under expenditure in Museums and Libraries for \$60,000.
 - Museums are showing a net under expenditure due to under expenditures at Anderson Farm and Copper Cliff Museums. Grants received were higher than budgeted and maintenance costs were lower due a capital project that reduced maintenance costs. The remaining surplus funds were an amalgam of higher than budgeted revenues (primarily user fees) and reduced maintenance expenditures. These variances did not result in an impact on service levels.

9) Leisure - Recreation

This area is reflecting a net over expenditure of \$695,000 as follows:

- A shortfall in user fee revenue of \$170,000, primarily recreation centres.
- An over expenditure of \$250,000 due to winter control and roof top snow removal at Leisure facilities.
- An over expenditures of \$360,000 due to additional buildings and equipment maintenance, primarily arenas.
- An over expenditure of \$350,000 due to additional ground and turf maintenance.
- An under expenditure of \$435,000 in energy costs.

Overall, the net over expenditure did not have any impact on service level. As over expenditure was due to unexpected snow removal and additional repairs of aging facilities.

10) Transit

This area is reflecting a net over expenditure of \$1,650,000 as follows:

- Over expenditure in bus operator salary and benefits of \$245,000 due to changes as a result of the Collective Bargaining process and unplanned resources required for the successful launch of the new GOVA services.
- Over expenditure due to increased shelter and bus stop winter maintenance of \$180,000 as a result of harsh winter conditions.
- Over expenditure in transit bus maintenance of \$140,000 mainly due to unanticipated increases in fare box component failures and vehicle body work requirements.
- Surplus in transit fare revenues of \$140,000 as a result of increased ridership of 4% from 2018. Major contributors to this difference are due to route optimization and the overall launch of the new GOVA service, as well as continued ridership demands from post-secondary institutions.
- Transit maintenance represents an over expenditure of \$1,250,000 primarily from expenditures relating to parts/supplies \$775,000, additional contractual services \$425,000 and over expenditures of salaries and benefits \$50,000. These variances are the result of excessive snow and poor road conditions during the spring, added costs of maintaining an aging bus fleet (no replacement buses during the year), Collective Bargaining changes implemented mid-year and added resources and contracting out efforts to support the GOVA launch and ensure reliability of new schedules and response to breakdowns.

11) Engineering Services

This area is reflecting a net over expenditure of \$375,000, this is a result of the following:

- An over expenditure in salaries and benefits of \$230,000, due to an increase in part-time hours.
 - An over expenditure of \$230,000 in salaries and benefits due to an increase in part-time hours. In 2019, additional gas tax funding of \$10.2 million was approved after the budget process. This, combined with a larger than average capital program resulted in an increase in salaries and benefits over budget. For 2020, a business case was approved for additional labour resources for capital project delivery to ensure that our 2020 budget variance expectation was addressed.
- An over expenditure in operating expenses of \$100,000, specifically office, software and cellular expenses.
- An over expenditure in miscellaneous accounts totaling \$45,000.

There were no impacts on service levels arising from these variances.

12) Linear Infrastructure Maintenance

This area is reflecting a net over expenditure of \$5.9 million resulting as follows:

- The net over expenditure of \$6.1 million in roads winter maintenance is a result of record setting snowfalls, with 2019 reaching a total of 424 cm of snow compared to a 30-year average of 263 cm.
 - Staff maintained a safe roadway network and ensured compliance with provincial regulations and/or Council approved service levels.

- The annual winter control budget is adjusted based on known contract price changes and negotiated general wage increases. LIS staff further analyze a five year average of costs in five winter control work activities (Plow/Spread - City Crews, Plow/Spread - Contractors, Plow Routes - Grader Mounted, Snow Plowing - 4x4s and Loaders, Pothole Patching). This budget proposal is submitted for review and adjusted to suit Council's budget direction.
- An under expenditure in roads summer maintenance and street lighting totaling \$55,000.
- An under expenditure in public works depot maintenance of \$125,000 primarily due to energy cost savings and under expenditures in contract services.

13) Environmental Services

This area is reflecting a net under expenditure of \$865,000 as follows:

- An increase in Tipping Fee revenues of \$490,000.
 - The year-end surplus is attributed to an increase from tipping fee revenues. Tipping fee revenues can vary from year to year and a three year rolling average is typically used for future annual budgets.
- An under expenditure of \$290,000 in Blue Box Recycling processing and an under expenditure of \$80,000 in yard processing at various sites.
 - The year-end surplus is attributed to a reduction for blue box recycling and leaf & yard trimmings processing costs. These costs can vary from year to year and as a result, historical averages along with specific contractual terms and conditions will be evaluated in order to determine the impact to future annual budgets.

There we no impacts on service levels arising from these variances.

14) Planning and Development

This area is reflecting a net under expenditure of \$415,000 as follows:

- An under expenditure in Salaries and Benefits of \$335,000 as a result of vacancies.
 - Notwithstanding these vacancies, service levels were maintained through work re-prioritization, work re-allocation and non-union overtime.
- An under expenditure in Purchased Services of \$55,000, relating to Policy Development Review.
 - Notwithstanding these extensions, policy development review service levels were maintained.
- An increase in Community Energy and Emissions Plan funding totaling \$40,000, which was applied to the community Energy and Emissions Plan Project.

15) Fire Services

This area is reflecting a net over expenditure of \$640,000 as follows:

- Salaries & benefits were \$780,000 over budget due to increased overtime costs as a result of modified work and new mental health and presumptive WSIB legislation changes, partially offset by vacant positions.

- In recent years, WSIB legislation was amended by Bill 163, Supporting Ontario's First Responders Act (Posttraumatic Stress Disorder). The City of Greater Sudbury Fire Service began to realize the effects of this legislation change in 2018, continued to see this specific impact in 2019, and further expects the realization of increased WSIB claims to impact all future staffing costs. Due to the increased number of absences for extended periods of time, the current approved staffing complement of 104 career suppression firefighters does not support the minimum daily staffing complement as outlined in the SPFFA Collective Bargaining Agreement without incurring significant overtime. This challenge has become an ongoing trend that suggests a requirement to realign the budgeted staffing complement for all future years.
- Over expenditure in snow removal services due to the significant snow fall in 2019 of \$65,000, offset by a savings in materials & supplies of \$205,000 for a net savings of \$140,000.
 - The savings in materials & supplies was achieved through strategic purchases, one time operational changes, and selective deferred projects which are not available as options moving forward in future years without impacting council set service levels.

Non Tax Levy Supported Areas:

In addition to the operating variances reported above, there are a number of areas, which are not funded by the municipal tax levy, and therefore, any over or under expenditures result in increased contributions to or from Reserves. The chart below indicates the variances between the budgeted and actual contributions to reserve for these areas.

Area	Budgeted Contribution to Reserve	Actual Contribution to Reserve	Increase in Contribution to Reserve
Parking Services	\$730,204	\$594,668	(\$135,536)
Cemetery Services	\$0	\$162,030	\$162,030
Water / Wastewater	\$0	(\$234,134)	(\$234,134)

Area	Budgeted Contribution (from) Reserve	Actual Contribution (from) Reserve	Decrease in Contribution from Reserve
Building Services	(\$913,781)	(\$531,632)	\$382,149
RBC Business Centre	(\$143,710)	(\$40,776)	\$102,934

Building Services

This section experienced a net under expenditure of \$382,149. In accordance with Bill 124, revenues generated from building permits are to be used to support the Building Services department. Therefore, any surplus is contributed to the reserve to fund future deficits. In 2019 the Building Services budget included a draw from reserve of \$913,781 to balance the budget, however a slight increase in building permit revenues as well as

a decrease in salaries and benefits due to vacancies in year resulted in a lesser draw than anticipated. There were no impacts on service levels arising from these variances.

Water Wastewater Services

- User fee revenues were under budget by \$2.0 million as actual billed consumption was 12.950 million cubic metres while the budget for 2019 was 13.495 million cubic metres.
- Treatment and Compliance was over budget by \$434,000 on budgeted expenditures of \$25.5 million;
 1. Salaries and benefits were under by \$500,000 due to vacancies.
 2. Purchased Services were over by \$320,000.
 3. Energy costs were under budget by \$320,000.
 4. Chemical costs were over budget by \$410,000.
 5. Revenues in the division were under budget by \$180,000.
- Distribution and Collection was under budget by \$1.4 million on budgeted net expenditures of \$11.5 million;
 1. Underspending in road restoration costs of \$355,000.
 2. Underspending in locate costs of \$340,000.
 3. Underspending in linear repair of \$700,000.
- Infrastructure Capital Planning reflected savings in salaries and benefits of \$750,000 due to vacancies.
- In summary, there was a net over expenditure of \$234,000 in Water and Wastewater Services for 2019. Water had an under expenditure of \$1,243,000 which was contributed to the Capital Financing Reserve Fund – Water in accordance with the Reserves and Reserve Funds By-Law. Wastewater had an over expenditure of \$1,477,000 which was funded by a contribution from the Capital Financing Reserve Fund- Wastewater in accordance with the By-Law.

The above variances did not result in material service level impacts, however vacancies did delay implementing some Master Plan recommendations. Not all scheduled service cut repairs were completed in 2019 which resulted in underspending road restoration. Lastly, there were a lower number of watermain breaks in 2019 which resulted in underspending in Linear.

Summary

The City's 2019 net year end deficit was \$5.9 million. This deficit can be reduced using 2.85 million of budgeted but unused debt payments. As a result, the remaining \$3.1 million is funded equally from the Tax Rate Stabilization Reserve and Capital Financing Reserve Fund – General, in accordance with the Reserves and Reserve Funds By-Law.

City of Greater Sudbury
Net Revenue and Expenditure Projection
For the year ended December 31, 2019



	Annual Budget	YE Position	Surplus (Deficit)	Notes
Corporate Rev and Exp Summary				
Revenue Summary	(304,099,814)	(304,416,174)	316,359	1
Other Revenues and Expenses	31,421,149	30,579,152	841,997	2
TOTAL CORPORATE REVENUES	(272,678,666)	(273,837,022)	1,158,357	
Executive and Legislative				
Office of the Mayor	696,664	703,559	(6,895)	
Council Memberships & Travel	77,411	74,347	3,065	
Council Expenses	1,194,363	1,152,289	42,074	
Auditor General	382,911	385,461	(2,550)	
Office of the C.A.O. Summary	3,165,232	3,106,060	59,172	
Executive and Legislative	5,516,582	5,421,716	94,865	
Corporate Services				
Corporate Services -GM Office	542,040	457,008	85,032	
Legal & Clerks Services	2,096,100	1,789,717	306,383	3
Security and By-Law	426,612	594,260	(167,648)	
Information Technology	110,644	83,323	27,321	
Human Resources and O.D.	1,044	287,400	(286,356)	4
Finance, Assets and Fleet	13,449,802	13,259,052	190,750	
Corporate Services	16,626,242	16,470,760	155,482	
Economic Development Summary				
Economic Development	4,724,491	4,645,793	78,699	
Economic Development Summary	4,724,491	4,645,793	78,699	
Community Development Services				
G.M. Office	404,084	449,004	(44,920)	
Housing Services	21,125,986	20,883,602	242,385	5
Long Term Care-Senior Services	4,636,257	5,529,490	(893,233)	6
Social Services	5,561,819	4,812,933	748,886	7
Children and Citizen Services	10,059,155	9,624,770	434,385	8
Leisure-Recreation	20,545,864	21,241,028	(695,164)	9
Transit	14,238,559	15,886,795	(1,648,237)	10
Community Development Services	76,571,724	78,427,621	(1,855,898)	
Growth and Infrastructure				
Growth I.S. Other	215,028	206,778	8,250	
Inf Capital Planning	6,043,315	5,967,044	76,271	
Engineering Services	0	376,278	(376,278)	11
Water - Wastewater	(0)	0	(0)	
Linear Infr Maintenance	39,237,367	45,128,255	(5,890,888)	12
Environmental Services	14,873,908	14,010,975	862,933	13
Planning and Development	5,512,700	5,099,690	413,010	14
Treatment & Compliance	(0)	0	(0)	
Building Services	0	0	0	
Growth and Infrastructure	65,882,318	70,789,021	(4,906,703)	

City of Greater Sudbury
Net Revenue and Expenditure Projection
For the year ended December 31, 2019



	Annual Budget	YE Position	Surplus (Deficit)	Notes
Community Safety				
C.S. G.M.'s Office	0	0	0	
Emergency Management	471,758	436,803	34,955	
CLELC Section	(854,896)	(830,607)	(24,288)	
Emergency Medical Service	10,755,750	10,800,275	(44,525)	
Fire Services	25,725,100	26,364,237	(639,137)	15
Community Safety	36,097,712	36,770,708	(672,995)	
Outside Boards				
Outside Boards Other	7,271,988	7,271,988	0	
Police Services	59,987,608	59,987,608	0	
Outside Boards	67,259,596	67,259,596	0	
TOTAL EXPENDITURES	272,678,666	279,785,215	(7,106,549)	
TOTAL	\$0	\$5,948,193	(\$5,948,193)	

Total Deficit	(5,948,193)
Funding from Tax Rate Stabilization Reserve	1,549,096
Funding from Capital Financing Reserve Fund - General	1,549,096
Debt Repayment	2,850,000
	<u>(0)</u>