

**Vision:** *The City of Greater Sudbury is a growing, world-class community bringing talent, technology and a great northern lifestyle together.*



# Agenda

## Finance Committee

meeting to be held

Monday, March 7<sup>th</sup>, 2011

**at 4:00 pm**

Council Chamber, Tom Davies Square

## **FINANCE COMMITTEE AGENDA**

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For the 7<sup>th</sup> Finance Committee Meeting  
to be held on **Monday, March 7, 2011**  
**Council Chamber, Tom Davies Square at 4:00 pm**

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**COUNCILLOR TERRY KETT, CHAIR**

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**Frances Caldarelli, Vice-Chair**

**(Please ensure that cell phones and pagers are turned off)**

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### **DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF**

## **PRESENTATIONS**

**6 - 12**

1. Report dated March 3, 2011 from the Chief Financial Officer/City Treasurer regarding 2011 Capital Budget.

### **(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)**

(This report provides information regarding the 2011 Capital Budget and the 2012 to 2015 Capital Budget outlook. At the conclusion of the 2011 budget deliberations, a resolution approving the capital budget will be presented.)

### **(PLEASE BRING YOUR COPY OF THE BASE BUDGET DOCUMENT TO THE MEETING)**

## **CAPITAL BUDGET REVIEW**

2. The Chair of the Finance Committee will review the Capital Budget in the Base Budget Document.

3. Review of Infrastructure Services  
**(ELECTRONIC PRESENTATION)**

- Greg Clausen, General Manager of Infrastructure Services

**(Refer to Base Budget Document - Tab: Capital Budget 2011-2015 - Pages 4 to 11)**

4. Review of Growth and Development Services  
**(ELECTRONIC PRESENTATION)**

- Bill Lautenbach, General Manager of Growth and Development

**(Refer to Base Budget Document - Tab: Capital Budget 2011-2015 - Pages 14 to 26)**

5. Review of Emergency Services

- Tim Beadman, Chief of Emergency Services

**(Refer to Base Budget Document - Tab: Capital Budget 2011-2015 - Pages 27 to 28)**

6. Review of Fire Services

- Marc Leduc, Fire Chief

**(Refer to Base Budget Document - Tab: Capital Budget 2011-2015 - Pages 29 to 30)**

7. Review of Community Development Services  
**(ELECTRONIC PRESENTATION)**

- Catherine Matheson, General Manager of Community Development

(Refer to Base Budget Document - Tab: Capital Budget 2011-2015 - Pages 31 to 38)

#### 8. Review of Administrative Services

- Caroline Hallsworth, Executive Director, Administrative Services

(Refer to Base Budget Document - Tab: Capital Budget 2011-2015 - Pages 39 to 42)

### **MANAGERS' REPORTS**

#### 9. Water Wastewater Services 10-Year Financial Plan (RECOMMENDATION PREPARED)

(The Water Wastewater Services 10-Year Financial Plan was presented on March 3, 2011. To provide time for Council to review the report, the vote on the recommendation was held over until March 7, 2011.

##### **RECOMMENDATION:**

THAT the report of the Chief Financial Officer/Treasurer and General Manager of Infrastructure dated March 2, 2011 entitled Financial Plan for Water and Waste Water Services as required under Ontario Regulation 453/07 be received;

AND THAT the Finance Committee recommend that Council endorse the Financial Plan for Water and Wastewater Services as financially viable;

AND THAT the Finance Committee recommend that Council, as the owner of the City of Greater Sudbury municipal drinking water and wastewater systems, approve the Financial Plan for Water and Wastewater Services in compliance with Ontario Regulation 453/07;

AND THAT staff submit the Financial Plan for Water and Wastewater Services to the Province in compliance with Ontario Regulation 453/07;

AND THAT the Financial Plan for Water and Wastewater Services be updated on a regular basis and included in the Water and Waste budgets presented to Council.)

#### 10. Report dated March 3, 2011 from the Chief Financial Officer/City Treasurer regarding Ontario Regulation 284/09 - Budget Matters. (RECOMMENDATION PREPARED)

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(Reporting requirements as per Reg 284/09 of the Municipal Act, information for expenses that were excluded from the budget but will be included in the audited financial statements.)

### **PARKING LOT REVIEW**

11. The Chair of the Finance Committee will review each of the items placed in the Parking Lot. The consensus of Council will be required for each item listed in the Parking Lot.

### **FOLLOW UP REPORTS TO PARKING LOT ITEMS**

### **ADJOURNMENT (Resolution Prepared)**

**ANGIE HACHÉ, CITY CLERK**

**FRANCA BORTOLUSSI, COUNCIL SECRETARY**

## For Information Only

### 2011 Capital Budget

Presented To:	Finance Committee
Presented:	Monday, Mar 07, 2011
Report Date	Thursday, Mar 03, 2011
Type:	Presentations

### Recommendation

For information only. (Resolution to be approved by the Finance Committee at the conclusion of 2011 Budget deliberations.)

### BACKGROUND

Council adopted a Capital Policy in 2001 which recommended that the Capital Budget to be approved in the fall of each year. This year is an exception to this policy as a result of the municipal election.

The 2011 Capital budget is submitted for Council approval. In addition, acceptance of the 2012 to 2015 Capital Budget estimates provides staff with the guidance to commence preparatory work on upcoming projects.

#### Signed By

**Report Prepared By**

Apryl Lukezic  
Co-ordinator of Capital  
*Digitally Signed Mar 3, 11*

**Recommended by the Department**

Lorella Hayes  
Chief Financial Officer/City Treasurer  
*Digitally Signed Mar 3, 11*

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

Doug Nadorozny  
Chief Administrative Officer  
*Digitally Signed Mar 3, 11*

## **Capital Envelope System and Long Term Financial Plan**

The Capital Policy also established the Capital Envelope system funded from the tax levy which specifies capital allocations to the operating departments by specific function, such as Roads, Buildings, Information Technology, etc. In addition, capital envelopes are established for Water and Wastewater and are funded from user fees.

A Long Term Financial Plan (LTFP) was adopted in principle by Council in November of 2002. One of the assumptions in this Plan was that the contributions to the Capital Envelopes would increase by an inflation factor annually. A 2% inflation factor was first applied to the 2004 envelopes, and has been maintained since then. LTFP also recommended a 2.3% capital levy per year. Council also approved a 2.3% capital levy increase in 2005, 2006 and 2008 and 0.5% capital levy increase in 2007.

The increase to total envelope funding provided through the base operating budget since 2003 is as follows:

2003 Capital Envelopes -	\$32.0 million
2004 Capital Envelopes -	\$34.1 million
2005 Capital Envelopes -	\$39.6 million - includes capital levy increase of \$3.2M
2006 Capital Envelopes -	\$44.5 million - includes capital levy increase of \$3.3M
2007 Capital Envelopes -	\$47.4 million - includes capital levy increase of \$0.8M
2008 Capital Envelopes -	\$52.4 million - includes capital levy increase of \$3.7M
2009 Capital Envelopes -	\$54.8 million - includes capital levy increase of \$0.0M
2010 Capital Envelopes -	\$51.7 million - includes prior year permanent reduction of \$5.0M
2011 Capital Envelopes -	\$55.1 million (proposed)

During the 2010 Capital Budget process, Council approved a permanent reduction to the Capital Envelopes of \$5.0 million. The tax levy was reduced by \$2.7 million and Water and Wastewater user fees were decreased by \$2.3 million.

### **2011 Capital Budget**

For the 2011 Capital Budget, staff has reallocated the capital envelopes between operating departments based on previous Council approvals and priorities, need and review of tangible capital asset replacement values.

Please refer to Appendix A that summarizes the total 2011 Capital Budget as well as the recommended funding sources.

See the Capital Budget tab within the 2011 Budget binder for the detailed list of proposed capital expenditures for 2011.

## Key Highlights of 2011 to 2015 Capital Budget

The base capital funding has increased by the following:

- The 2% annual inflation, in accordance with the long term financial plan. It should be noted that 2% is less than Dec 2010 Consumer Price Index of 2.4%
- \$285,000 required for the debt financing for the replacement of the Communications Infrastructure as explained during the Greater Sudbury Police Services Board budget presentation. (an additional \$285,000 is also required for 2012 Budget)
- The estimated HST savings of \$300,000 transferred from operating budget to capital envelopes
- The Sustainable Capital Asset management Program for Water Wastewater has been added (\$400,000 for Water and \$440,000 for Wastewater) per Council policy and by-law

### Maley Drive

The 2011 to 2015 Capital budget includes an allocation of \$2.6 million per year, for the Maley Drive project. Until 2014, the funds will be expended on completion of the engineering, property acquisitions, and utility relocations.

### 1160 Lorne Street

As approved by Council, the City of Greater Sudbury has acquired the facility located at 1160 Lorne Street for use by Transit and Fleet Services departments. The total budget less approved funding has resulted in the remaining balance of \$13.58 million, which will be funded as follows:

Remaining amount as of December 31, 2010	\$13.58 M
Capital Envelope/Reserves Contribution – 2011	\$1.0 M
Capital Envelope/Reserves Contribution – 2012	\$1.0 M
Remaining amount to be debt financed	\$11.58 M
Annual debt repayments starting in 2013 over 20 years	\$890,226

In 2013, the funding for the annual debt repayment for the facility located at 1160 Lorne Street is estimated as follows: (a) 40% funded from Provincial Gas Tax Reserve Fund and (b) 60% funded from combination of Capital Envelope, and an annual contribution from the Development Charges Reserve Fund.

The total capital envelope funding for Transit is in the amount of \$516,347 in 2011 which will increase annually by 2%. The 2011 capital envelope includes an increase of \$276,935 which is to cover the portion of the building used by Fleet Services as 1160 Lorne Street will be shared by Transit and Fleet Services. This increase was reallocated from the existing capital envelopes.



## **Federal Gas Tax**

The annual Federal Gas Tax revenues are intended to fund environmentally sustainable municipal infrastructure projects that promote clean air, clean water, and reduced greenhouse gas emissions within eligible categories (transit, roads & bridges, water, wastewater, solid waste, capacity building and community energy systems).

Roads were identified as the largest unfunded area and consistently garnered public input to provide a better transportation network. In addition, Water and Wastewater is another significant unfunded area that requires additional funding based on the presentation of the Water and Wastewater Long Term Financial Plan. As a result, staff recommends that Federal Gas Tax revenues of \$8.1 million be allocated to Roads with another \$2.0 million allocated to Water and Wastewater. This allocation is also reflected in the Capital Budget from 2012 to 2015 for both areas.

## **Approval for Internal Financing**

Inclusive of the 2011 budget, it is being recommended that expenditures totalling \$24.3 million be approved for spending in 2011 and 2012. These funds will be internally financed by borrowing from the capital and reserve funds and repaid through contributions from the 2011 through 2035 capital envelopes, Provincial Gas Tax and development charges. Please refer to Appendix B for a detailed listing of these internally financing projects which includes the Transit/Fleet Garage, Communications Infrastructure and New Valley Wells.

## **Previously Approved Internal Financing**

As of February 2011, there is approximately \$17.9M of projects that have been approved by borrowing from the Capital Fund. The projects include Levack Water Supply, Countryside Arena, South Branch Library and Centre Lionel E. Lalonde Centre.

These projects have been financed internally and funds will be repaid from future capital envelopes and/or development charges.

During 2011, staff will be monitoring external borrowing rates to determine the most cost effective balance of internal and external debt financing.

## **SUMMARY**

In conclusion, City staff is seeking approval of the 2011 Capital Budget of \$89.0 million (inclusive of capital envelopes, grants, reserve amounts and internal financing).

Lastly, that Council accepts the remaining 2012 – 2015 estimates for information only. This information will be used by City staff in planning for and developing future capital budgets.

The following resolution is recommended for the Finance's committee's approval at the conclusion of the budget deliberations:

**THAT** Council approve the 2011 Capital Budget and the report dated March 3, 2011 from the CFO/Treasurer, including acceptance of the 2011 Police Services Capital Budget; and

**THAT** total internal financing from capital and reserve funds of \$24.3 million be approved for projects to be completed in 2011 and 2012 and be repaid from future capital envelopes, Provincial Gas Tax and development charges in 2011 to 2035; and

**THAT** the remainder of the 2012 - 2015 Capital Budgets be accepted for information for staff to use as a planning tool.

## APPENDIX A: 2011 CAPITAL BUDGET - FUNDING SOURCES

Department	Capital Envelope	Capital Envelope (W/WW User Fees)	Reserves - Capital	Reserves - Development Charges	Reserves - Gas Tax	Capital Envelopes Future Years	Government Grants	TOTAL
<b>Infrastructure</b>								
Roads	\$ 24,017,266	\$ -	\$ 1,500,000	\$ 300,000	\$ 8,071,744	\$ 4,730,000	\$ -	\$ 38,619,010
Water	\$ -	\$ 10,729,296	\$ -	\$ -	\$ 1,255,000	\$ 5,280,000	\$ -	\$ 17,264,296
Wastewater	\$ -	\$ 10,793,717	\$ -	\$ -	\$ 745,000	\$ 250,000	\$ -	\$ 11,788,717
	\$ 24,017,266	\$ 21,523,013	\$ 1,500,000	\$ 300,000	\$ 10,071,744	\$ 10,260,000	\$ -	\$ 67,672,023
<b>Growth and Development</b>								
Environmental Services	\$ 850,000	\$ -	\$ 819,000	\$ -	\$ -	\$ -	\$ -	\$ 1,669,000
Fleet	\$ -	\$ -	\$ 2,400,000	\$ -	\$ -	\$ -	\$ -	\$ 2,400,000
Facilities	\$ 1,400,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,400,000
199 Larch	\$ -	\$ -	\$ 369,848	\$ -	\$ -	\$ -	\$ -	\$ 369,848
Planning	\$ 110,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,000
Transit	\$ 516,347	\$ -	\$ 2,544,863	\$ 50,000	\$ 1,400,000	\$ -	\$ -	\$ 4,511,210
Parking	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 100,000
	\$ 2,876,347	\$ -	\$ 6,233,711	\$ 50,000	\$ 1,400,000	\$ -	\$ -	\$ 10,560,058
<b>Emergency Services</b>								
EMS	\$ -	\$ -	\$ 731,127	\$ -	\$ -	\$ -	\$ -	\$ 731,127
Emergency Management	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
CLELC	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
	\$ 20,000	\$ -	\$ 731,127	\$ -	\$ -	\$ -	\$ -	\$ 751,127
<b>Fire</b>	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
<b>Community Development</b>								
Leisure and Citizen Services	\$ 3,027,451	\$ -	\$ 450,000	\$ 115,000	\$ -	\$ -	\$ -	\$ 3,592,451
Health & Social Services	\$ 700,000	\$ -	\$ 461,400	\$ -	\$ -	\$ -	\$ 100,000	\$ 1,261,400
CIP/NPP	\$ 410,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,000
	\$ 4,137,451	\$ -	\$ 911,400	\$ 115,000	\$ -	\$ -	\$ 100,000	\$ 5,263,851
<b>Administrative Services</b>								
Information Technology	\$ 200,000	\$ -	\$ 110,000	\$ -	\$ -	\$ -	\$ -	\$ 310,000
Administration	\$ 125,000	\$ -	\$ 107,136	\$ -	\$ -	\$ -	\$ -	\$ 232,136
Furniture	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
	\$ 425,000	\$ -	\$ 217,136	\$ -	\$ -	\$ -	\$ -	\$ 642,136
<b>Police Services</b>								
Police	\$ 523,695	\$ -	\$ 1,964,652	\$ -	\$ -	\$ -	\$ -	\$ 2,488,347
Communications Infrastructure	\$ 595,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 595,000
	\$ 1,118,695	\$ -	\$ 1,964,652	\$ -	\$ -	\$ -	\$ -	\$ 3,083,347
<b>TOTAL</b>	\$ 33,594,759	\$ 21,523,013	\$ 11,558,026	\$ 465,000	\$ 11,471,744	\$ 10,260,000	\$ 100,000	\$ 88,972,542

## APPENDIX B: 2011 CAPITAL BUDGET - INTERNALLY FINANCED PROJECTS

Department	Project	Remaining Portion to be Financed	Remaining Repayment Period
<b>Projects to be Approved within 2011 Capital Budget</b>			
Growth and Development	Transit/Fleet Garage	\$ 11,580,000	2013 - 2032
Police	Communications Infrastructure	\$ 9,200,000	2011 - 2027
Infrastructure - Water	New Valley Wells (Note 1)	\$ 3,500,000	2011 - 2018
		<b>\$ 24,280,000</b>	
<b>Previously Approved Projects</b>			
Community Development	Countryside Arena	\$ 5,889,487	2011 - 2035
Infrastructure - Water	Levack Water Supply	\$ 4,814,000	2011 - 2015
Emergency Measures	Lionel E. Lalonde Centre	\$ 3,678,000	2011 - 2021
Community Development	South Branch Library	\$ 3,500,000	2012 - 2031
		<b>\$ 17,881,487</b>	
<b>Projects with Future Years Capital Envelope</b>			
Infrastructure - Roads	Maley Drive	\$ 1,000,000	2012
	Selwood (Capreol) from Dennie		
Infrastructure - Roads	Street to Ballpark Rd	\$ 200,000	2012
Infrastructure - Roads	Bowlands Bay Bridge	\$ 540,000	2012
Infrastructure - Roads	Paquette Whitson Stormwater Facility	\$ 2,200,000	2012 - 2014
	East Branch Junction Creek		
Infrastructure - Roads	Stormwater Management Study	\$ 100,000	2012
	Joanette Municipal Drain		
Infrastructure - Roads	Improvements	\$ 50,000	2012
	Capreol Storm Drainage		
Infrastructure - Roads	Improvements - Phase 1	\$ 290,000	2012
Infrastructure - Roads	Mountain Street Storm Outlet	\$ 350,000	2012
Infrastructure - Wastewater	Charette Street	\$ 250,000	2012
Infrastructure - Water	New Valley Wells	\$ 750,000	2012
	Selwood (Capreol) from Dennie		
Infrastructure - Water	Street to Ballpark Rd	\$ 1,030,000	2012
		<b>\$ 6,760,000</b>	
<b>TOTAL INTERNALLY FINANCED PROJECTS</b>		<b>\$ 48,921,487</b>	

Note 1: Total of these projects represents the amount of \$10,260,000 for Capital Envelopes - Future Years on 2011 Capital Budget.

## Request for Decision

### Ontario Regulation 284/09 - Budget Matters

Presented To:	Finance Committee
Presented:	Monday, Mar 07, 2011
Report Date	Thursday, Mar 03, 2011
Type:	Managers' Reports

### Recommendation

That the report dated March 02, 2011 from the Chief Financial Officer/Treasurer, as required by Municipal Act Regulation 284/09, be approved.

### Background

The Public Sector Accounting Board (PSAB) has issued several new requirements for financial reporting that all municipalities had to comply with starting in the 2009 reporting period. As reported to Council and as per the annual audited financial statements, the equity of a municipality is defined as "accumulated surplus". The accumulated surplus consists mainly of:

- Equity in Tangible Capital Assets
- Reserves and Reserve Funds
- Capital Funds
- Less Unfunded Liabilities such as Employee Future Benefits and Post Closure Landfill sites

Ontario Regulation 284/09 states that for budget purposes, municipalities may continue to exclude amortization, post-employment benefits, and solid waste landfill closure and post-closure expenses.

Further, Ontario Regulation 284/09 requires that municipalities that have excluded expenses in the 2011 and future budgets must present a report to Council providing the impact of the following, which must be adopted by a resolution of Council prior to Council adopting the budget:

1. Impact of excluded expenses on the accumulated surplus, and
2. Impact on future tangible capital asset funding requirements.

### Impact of Excluded Expenses on Accumulated Surplus

The Public Sector Accounting Board's (PSAB) new financial reporting requirements for the 2009 and future reporting periods incorporates the capitalization of tangible capital assets and amortization expenses in the financials for all municipalities in Canada. For budget purposes, Ontario Regulation 284/09 allows municipalities to exclude the expenses identified above from the budget. The City of Greater Sudbury's 2011 budget, like all past budgets, was completed on a funding basis where operating and capital budgets are balanced. Accordingly, on a funding basis, there is no projected impact to the City's accumulated surplus. The purpose of this report is to identify the impact of the 2011 budget on the City's accumulated surplus after converting the 2011 budget and assumptions to the full accrual basis of accounting.

#### Signed By

##### Report Prepared By

Apryl Lukezic  
Co-ordinator of Capital  
*Digitally Signed Mar 3, 11*

##### Recommended by the Department

Lorella Hayes  
Chief Financial Officer/City Treasurer  
*Digitally Signed Mar 4, 11*

##### Recommended by the C.A.O.

Doug Nadorozny  
Chief Administrative Officer  
*Digitally Signed Mar 4, 11*

These adjustments that convert the balanced 2011 budget prepared on the funding basis of accounting results in an estimated \$5.7M reduction to the City's accumulated surplus.

Explanations of the significant adjustments are outlined below:

### 1. Amortization Expense on Tangible Capital Assets

The annual financial statements now include amortization expense on tangible capital assets as required by the new PSAB standards. Although the City's 2011 Budget does not include amortization expense on tangible capital assets, provisions are made for contributions to capital and transfer to capital reserves to fund capital expenses. The 2011 budget is based on planned capital expenditures for the year. In addition, the ten year capital plan will be updated and developed in advance of the 2013 budget deliberations and will incorporate the tangible capital asset data and replacement values.

As amortization expense is not included in the budget, the impact of amortization is an estimated \$64.4M reduction to the City's accumulated surplus. However, offsetting amortization is the funding for the acquisition of tangible capital assets. The estimated 2011 impact of the accounting for tangible capital assets is a net of \$4.5M reduction to the accumulated surplus.

### 2. Post-Employment Benefits Expenses

PSAB standards do not require liabilities associated with post-employment benefits to be fully funded by setting aside any portion of the accumulated surplus as reserves and reserve funds. The City's financial statements report liabilities and expenses relating to post-employment benefits while the City's budget includes estimated expenditures based on expected cash payments to be made during the year for retirement benefit plans, sick leave benefit plans, long-term disability plans, *Workplace Safety and Insurance Act* benefits, vacation agreements and retirement plans. The City has some reserves associated with these liabilities. The future payments for these liabilities and expenses for some transfers to reserves are included in the 2011 budget.

The impact of post-employment benefits expense is a reduction to the accumulated surplus and is estimated to be \$1.6M in 2011.

### 3. Solid Waste Landfill Closure and Post-Closure Expenses

The PSAB standards do not require liabilities associated with solid waste landfill closure and post-closure care activities to be fully funded by setting aside any portion of the accumulated surplus as reserves and reserve funds. The City's financial statements report liabilities for landfill closure and post-closure. The City does not maintain a reserve for these liabilities. Capital construction costs are included in the capital budget as they are known.

The impact of solid waste landfill closure and post-closure expenses is a reduction to the accumulated surplus and is estimated to be \$277,000 in 2011.

## **Summary**

The proposed 2011 Budget is estimated to decrease the City's accumulated surplus by \$5.7 million.

Additional work and funding is required in future years to meet the anticipated requirements to repair/replace existing/aging infrastructure and to fund the City's portion of growth-related infrastructure.

Regulation 284/09 requires this report be approved by Council and adopted by resolution prior to adoption of the 2011 Budget.