



## Audit Committee Agenda

**Monday, May 31, 2021**

**Tom Davies Square**

**Councillor Deb McIntosh, Chair**

4:00 p.m. Council Chamber / Electronic Participation

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1. **Call to Order**

2. **Roll Call**

3. **Declarations of Pecuniary Interest and the General Nature Thereof**

4. **Consent Agenda**

For the purpose of convenience and for expediting meetings, matters of business of repetitive or routine nature are included in the Consent Agenda, and all such matters of business contained in the Consent Agenda are voted on collectively.

A particular matter of business may be singled out from the Consent Agenda for debate or for a separate vote upon the request of any Councillor. In the case of a separate vote, the excluded matter of business is severed from the Consent Agenda, and only the remaining matters of business contained in the Consent Agenda are voted on collectively.

Each and every matter of business contained in the Consent Agenda is recorded separately in the minutes of the meeting.

4.1. **Routine Management Reports**

4.1.1. **Performance Audit of Water Services**

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This report provides a recommendation regarding the performance audit of the Water Services Section.

5. **Managers' Reports**

5.1. **2020 Annual Report**

A report to follow provides a recommendation regarding the 2020 Annual Report including Consolidated Financial Statements.

5.2. **2020 Audit Findings Report**

A report to follow provides information regarding the 2020 Audit Findings Report.

6. **Members' Motions**

7. **Correspondence for Information Only**

7.1. **2020 Operating Budget Variance Report**

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This report provides information regarding the City's year-end position.

8. **Addendum**

9. **Civic Petitions**

10. Question Period

11. Adjournment

## Performance Audit of Water Services

Presented To:	Audit Committee
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Meeting Date:	May 31, 2021
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Type:	Routine Management Reports
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Prepared by:	Ron Foster Auditor General
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Recommended by:	Auditor General
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## Report Summary

This report provides a recommendation regarding the performance audit of the Water Services Section.

## Resolution

THAT the City of Greater Sudbury approves the recommendations as outlined in the report entitled “Performance Audit of Water Services”, from the Auditor General, presented at the Audit Committee meeting on May 31, 2021.

## Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report supports the strategic goal of asset management and service excellence as well as the supporting initiative of optimizing asset service life through the establishment of maintenance plans and demonstrating innovation and cost-effective service delivery.

## Financial Implications

No immediate financial implications.

## Resources Cited

Report to Council - Asset Management Plan from KPMG LLP

<https://pub-greatersudbury.escribemeetings.com/Meeting.aspx?id=3bd5576a-d93d-4ee6-a7fc-9f075cd0aea6&Agenda=Agenda&lang=English>

Report to Council – Water and Wastewater Long-Range Financial Plan

<https://www.greatersudbury.ca/live/water-and-wastewater-services/projects-plans-reports-and-presentations/water-wastewater-financial-plan/wwwgreater-sudbury-final-report-april-2019-v2-pdf/>

City's Website - Water and Wastewater Master Plan

<https://www.greatersudbury.ca/live/water-and-wastewater-services/projects-plans-reports-and-presentations/water-wastewater-master-plan/>

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Performance Audit of  
Water Services

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May 18, 2021

Final Report

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## OBJECTIVE

To assess the extent of regard for economy, efficiency and effectiveness within Water Services.

## BACKGROUND

Water Services has 22 staff who are responsible for the maintenance and operation of the City's extensive water facilities which include 23 water wells, 12 pumping stations, 9 water storage facilities, 8 metering stations and 2 water treatment plants. The financial results for Water Services are summarized below.

Table 1 - Revenues and Expenses (000s)	Dec 31 2017		Dec 31 2018		Dec 31 2019		Dec 31 2020		2021
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
User Fees	16,024	15,587	17,316	17,255	16,833	16,522	14,040	14,128*	19,163
Other Revenues	100	115	100	161	100	157	110	164	110
Total Revenues	16,124	15,702	17,416	17,416	16,933	16,679	14,150	14,292	19,273
Salaries & Benefits	950	924	965	912	975	940	983	1,013	1,007
Materials	1,832	2,040	1,852	2,173	1,976	2,316	2,015	2,225	2,097
Energy Costs	2,066	1,903	1,961	1,915	2,000	1,868	2,041	1,861	2,083
Purchased Services	1,242	952	1,266	1,118	1,288	1,081	1,303	1,153	1,333
Indirect Costs	2,806	2,566	3,121	3,229	3,582	3,141	3,826	3,815	3,771
Labour Fringes	498	534	513	566	510	563	523	574	543
Engineering Costs	1,096	1,035	1,083	1,070	1,161	1,140	1,205	1,205	1,238
Debt Repayment	354	354	354	354	354	354	354	354	354
Capital Contributions	5,180	5,180	6,159	6,159	4,958	4,958	1,775	1,775	6,710
Internal Recoveries	100	121	142	164	129	156	125	170	137
Total Expenses	16,124	15,609	17,416	17,660	16,933	16,517	14,150	14,145	19,273
Net Revenues (Expenses)	0	93	0	(244)	0	162	0	147	0

*\*The revenue allocation in 2020 for Water Services was lower as a result of reduced capital contributions.*

## METHODOLOGY & SCOPE

This audit included staff interviews, site visits, analysis of policies, processes and reports and tests of controls for the period January 1, 2017 to December 31, 2020 but excluded the distribution network in Linear Infrastructure Services.

## EXECUTIVE SUMMARY

The City's water assets have been managed effectively. To ensure a sustainable and affordable supply of quality drinking water over the long-term, the water/wastewater long-range financial plan should be integrated with the City's enterprise asset management and risk management practices which have been refined in recent years. Water rates should also be restructured to reduce revenue risks and periodic compliance audits should be conducted to ensure adherence to quality management processes.

## AUDIT STANDARDS

We conducted our audit in accordance with Generally Accepted Government Auditing Standards which require that we adequately plan audits; properly supervise staff; obtain sufficient, appropriate evidence to provide a reasonable basis for audit findings and conclusions; and document audits. For further information regarding this report, please contact Ron Foster at the City of Greater Sudbury at 705-674-4455 extension 4402 or via email at [ron.foster@greatersudbury.ca](mailto:ron.foster@greatersudbury.ca)

## **OBSERVATIONS AND ACTION PLANS**

### **A. Master Plan and Long-Range Financial Plan**

In 2010, a long-term financial plan was prepared for the City's water/wastewater services. To achieve financial sustainability over the next ten years, that plan recommended an annual increase to water and wastewater rates of 7.4 percent. These recommended increases were approved between 2016 and 2019. The annual increases approved between 2011 and 2015 averaged just 3.5 percent. As a result, a significant maintenance backlog had developed for the water assets by 2017 when the last water/wastewater master plan was completed.

In November 2016, an infrastructure maintenance backlog of \$384 million was identified in the City's original asset management plan for water treatment facilities that were at the end of their theoretical useful lives or would be by 2026. Since then, the City has spent just over \$26 million upgrading these assets. While our inspections indicated that it is unnecessary to eliminate the entire backlog by 2026 to maintain reliable water treatment services, some important capital projects identified in the 2017 water/wastewater master plan are likely to be deferred beyond 2026. Table 4 summarizes the status of the upgrades to water assets with higher risks of failure that were identified in that plan.

In 2019, the City engaged consultants to develop a water/wastewater long-range financial plan to provide the City with a realistic view of the operating and capital expenditures needed over time to maintain the integrity of its water/wastewater physical infrastructure and to accommodate growth and new environmental standards. To ensure affordability, the consultants recommended a 20-year phase-in strategy for capital contributions to move toward the recommended annual replacement funding requirements.

This audit determined that the 20-year phase in strategy that was recommended in the 2019 water/wastewater long-range financial plan places insufficient emphasis on the risks of asset failure in the City's aging water facilities. As a result, a number of important capital projects which help to ensure a sustainable supply of quality drinking water across the City have been deferred.

### **Recommendation**

Following the update of the water/wastewater master plan in 2022/2023, the water/wastewater long-range financial plan in 2024 should be integrated with the City's enterprise asset management and risk management practices to ensure a sustainable and affordable supply of quality drinking water across the City.

### ***Management Response and Action Plan***

*The Long-Range Financial Plan is scheduled to be updated in 2024. Even though the current plan is following a 20-year timeframe, Ontario Regulation requires the plan to be updated no less frequently than every 5 years as part of the drinking water license renewal process. This update could include a recommendation to adjust rate forecasts. If so, an appropriate recommendation would be presented for Council's approval at that time. The 5-year renewal period also allows the identification of future capital needs (as identified in the studies, Class Environmental Assessments, and building condition assessments), new legislation requirements, new technology developments (which may reduce capital expenditures), operational changes, and updated demand data.*

*Two factors that will have a major impact on the financial plan will be the implementation of the Advanced Meter Infrastructure (AMI) project and the work of the Inflow and Infiltration (I&I) Task Force. The AMI project is*

*significant and as of mid-2022, we will have more data available about water consumption which will improve forecast quality and reliability. The Infiltration and Inflow (I&I) task force will formulate design plans and produce recommendations that will assist in Council's intent of minimizing the impact of peak weather flow on our Wastewater systems. The data collected between now and 2024 will provide an update to our risk assessments and have an impact on capital allocation that may differ from recommendations in the 2017 Master Plan and the 2019 Long-Range Financial Plan.*

*We agree with the recommendation that the water and wastewater long-range financial plan be aligned with the enterprise asset management and risk management practices. To better inform our future capital needs, we are engaging in facilities condition assessment with risk assessment as its basis to form all our capital work recommendations. We continue to positively manage risks, through asset renewal with capital projects and by implementing appropriate preventative maintenance practices and equipment replacement on a regular basis.*

## **B. Capacity and Quality Management**

The Wanapitei and David Street water treatment plants (Water Treatment Plant) have enough capacity to supply Sudbury for the foreseeable future. These plants are operated at almost half of their capacities because the water demand has decreased over time. Redundancy in the Sudbury water system increases water treatment costs but allows services to continue during repairs.

In 2017, the water/wastewater master plan identified water capacity issues in the Valley. The planning consultants concluded that an additional supply of water would be required to service growth after 2031. The water/wastewater master plan also identified quality issues in Garson that need to be addressed by 2036.

Since 2017, staff has taken steps to schedule condition assessments and repairs to maintain the supply of drinking water at the current level in the Valley. A ground water study is currently underway to assess the adequacy of the aquifer in the Valley. This study will feed the future water/wastewater master plan that will ultimately make recommendations based on forecasted population growth and economic development.

There is an environmental assessment (Environmental Assessment) currently in progress for twining the watermain trunk from the Wanapitei Water Treatment Plant to Sudbury to the safety and redundancy of the water supply. The Val Caron Booster station upgrade is underway and detailed condition assessments will be completed on the remaining booster stations later this year to ensure adequate turnover of water in the Azilda Standpipe. There are also ongoing detailed condition assessments of all water facilities that will identify future capital needs that will form the basis of the updated asset management plan.

Another environmental assessment is underway to address the quality and quantity of water in Garson. Detailed design work is planned in 2022 and construction in 2023. This initiative will have the added benefit of reducing the City's water treatment costs as it will improve the utilization of the Wanapitei Water Treatment Plant.

### **Recommendation**

As the City is a relatively high cost operator, we encourage staff to continue to rationalize the City's extensive water facilities which include 23 water wells, 12 pumping stations, 9 water storage facilities, 8 metering stations and 2 water treatment plants.

### **Management Response and Action Plan**

*We agree. The Water and Wastewater Master Plan was developed based on four (04) pillars: Efficiency, safety, regulatory requirement and land development. One of the efficiencies identified in the water system is to supply*



*Garson with water from Sudbury water system instead of the existing 3 wells. The decommissioning of these water wells, part of the rationalization of water facilities, will eliminate the ongoing operation and maintenance cost of the wells and at the same time enhance the usage of the available water supply capacity. An environmental assessment (Environmental Assessment) is ongoing to address the Garson water supply.*

*From a safety perspective, having redundancy in the water source, David Water Treatment Plant and Wanapitei Water Treatment Plant, provide the city with a safety factor to supply water during maximum day demand and during maintenance activities at either one of the water facilities or on the Wanapitei water trunk.*

*The Water and Wastewater Master Plan update will commence by 2022/2023 and we will be looking at finding additional efficiency opportunities within the water system based on future water demand and growth projections while considering the topography and the geography of our serviced communities.*

### **C. User Fees**

The City currently uses a hybrid pricing structure for monthly user fees for water. To encourage water conservation, customers are charged a variable fee that is based on the amount of water used each month. Customers are also charged a fixed fee that is dependent upon the size of the water meter used by the customer. The fixed fee is intended to reflect the costs incurred to make the system available for use regardless of how much water each customer consumes. Like any water system, most of the City's costs are for infrastructure and do not change much with the volume of water treated.

This audit determined that only 43% of the fees charged to residential customers are for the recovery of fixed fees. As a result, the City may incur annual deficits if annual water consumption is less than budgeted consumption. Research indicates that implementing tiered water rates is the most efficient and effective way to encourage residents to conserve water.

### **Recommendation**

To achieve a balance between fixed cost recovery and conservation, continue to use a hybrid rate structure with fixed charges and variable fees. To reduce the City's exposure to revenue fluctuations from changes in water demand and to provide more stable funding to the water reserve account, increase the fixed charge component to 50 percent. To support the City's conservation goals, implement a tiered variable fee structure.

### **Management Response and Action Plan**

*We agree to the recommendation to the review rate structure in the future as part of the next iteration of the long-term financial plan in 2024. Changes in water billing rate structures are examined as part of this plan and in annual budgets presented to Council. Management will ensure that a rate structure continues to support conservation measures that have proven to be extremely beneficial to the long term sustainability of the water system. In addition, management will ensure that recommendations are made to support appropriate levels of reserves to offset risks created by a variable rate structure.*

### **D. Drinking Water Quality Management Processes**

Drinking water quality standards in Ontario are regulated by Ministry of Environment, Conservation and Parks under the Safe Drinking Water Act, 2002. To ensure compliance with these standards, the City prepares annual water quality reports on the City's drinking water systems and obtains an annual audit of its quality management processes. A review of these annual audit reports indicated that periodic compliance audits should be performed

by independent staff or consultants to ensure adherence to the City's drinking water quality management processes. We note that the City invests significant time in networking, professional development, training and exchange of best practices with other municipalities. The City participates within the following peer support programs:

- The Regional Public Works Commissioners of Ontario (RPWCO) is a peer program of Commissioners and General Managers related to all activities in public works among the largest municipalities on Ontario. The RPWCO incorporates a sub-committee of peers focused on common issues within water and wastewater services;
- The Ontario Municipal Water Association is a member association of municipal organizations to consider matters affecting municipalities as relates to municipal water systems. This association has membership from both municipal staff and politicians and provides updates on trends and best practice innovations in the industry as well as a number of training and professional development courses;
- The North East Ontario Water Works Association is an affiliation of the Ontario Water works association and the America Waterworks association. These advocacy and member service organizations provide tremendous support across north America and locally in the form of training, development, member services and advocacy; and
- The Northern City Engineers group is an ad hoc association for the City Engineers of the five largest municipalities in Northern Ontario to discuss common issues. Meetings are held twice annually and attended by General Managers and Directors. Discussion includes all areas of Public Works including Drinking Water Services.

## **Recommendation**

Establish a peer review program to ensure that periodic compliance audits of the City's quality management processes are conducted by qualified professionals who are independent of staff who maintain these processes in the City.

## ***Management Response and Action Plan***

*We agree. Compliance & Operational Support, which administers the Drinking Water Quality Management System, believes that collaborating with adjacent municipalities could be beneficial to all parties involved. The Quality Management Systems & Training Coordinator will be responsible for establishing these peer relationships.*

## **E. Performance Measurement**

Management currently monitors and reports on the following performance measures within annual budgets:

- Total Operating cost of water treatment per megalitre treated of \$591 in 2019 vs. \$357 municipal median;
- 16,500 actual vs. target of 15,000 drinking water samples tested annually for bacteria, lead, sodium, triholomethanes and other prescribed organic and inorganic materials to manage drinking water quality;
- 7,520 of the 7,700 targeted hours of scheduled maintenance hours to provide service level continuity; and
- 100% of the 300 targeted risk management plans and other source protection related documents reviewed and processed to manage significant water treatment risks.

Management participates in annual benchmarking exercises such as the Municipal Benchmarking Network Canada and the National Water/Wastewater Benchmarking Index and provides relevant comparators in the

annual budget package. Management has also introduced a continual improvement initiative to identify opportunities to improve operational efficiency.

As a result, we offer no recommendation for improvement.

## **F. Significant Accomplishments**

The Water Services Section demonstrates a high degree of employee engagement and has achieved zero lost time injuries in over two years of operation. Other significant accomplishments include:

- Commencing implementation of the Advanced Meter Infrastructure (AMI) project to update aging residential water meters and establish enhanced customer service access to water meter and billing information;
- Completing phase one of chemical analysis at the Wanapitei Water Treatment Plant resulting in significant operational savings while maintaining the high quality of water provided to customers;
- Achieving the lowest lead concentrations measured in recent years, confirming that water quality levels are well positioned to meet potential future legislative requirements;
- Establishing real time metering of water delivered from the Vermilion Water Treatment Plant (owned and operated by Vale) to the CGS Vermilion Water Distribution System;
- Collaborating with Infrastructure Capital Planning and Engineering Services to complete capital projects designed to rehabilitate key assets, install additional capacity and address critical operational and environmental risks;
- Completing the water/wastewater master plan and asset management plan that serve as a road map for future capital needs for water assets;
- Managing and operating water assets successfully using a risk-based approach for capital asset renewal;
- Implementing continuous improvement by using new technology in capital projects; and
- Achieving a high degree of regulatory compliance.

## **G. Risk Management**

Risks are uncertain events which can be mitigated by applying controls related to the acquisition and application of human and contract resources; implementation of formal procedures; acquisition, maintenance and utilization of plant, equipment and tools; collection and utilization of relevant information or the acquisition of insurance.

### **Observations:**

Management has taken steps to mitigate the significant risks shown on the next page in Table 3.

### **Recommendation:**

Management should take steps to further mitigate residual risks that are above 10.

**Table 2 – Summary of Significant Risks**

Risk	Total No. of Risks	Risks (Before Controls)			Residual Risks (After Controls)		
		High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)	High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)
Reputation (R)	1	1	0	0	0	1	0
Operational (O)	5	5	0	0	0	3	2
Financial (F)	4	4	0	0	0	3	1
Legal (L)	1	1	0	0	0	0	1
<b>TOTAL</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>4</b>

**Table 3 – Significant Risks**

Type of Risk	Description of Risk	Risk Before Controls	Residual Risk*
O3	Water assets may not be managed effectively to ensure a long-term sustainable supply of water.	25	13.5
F1/O1	Water assets may not be maintained effectively in accordance with the City's strategic plan and enterprise policies for asset management and risk management.	25	13.5
F3	User fees may not be appropriate to maintain stable revenues and fund reserves.	20	12
F2/O2	Water assets may not be operated and maintained with due regard for efficiency.	20	11
R1	Issues may arise which could damage the City's reputation.	18	9
O4	Illness to the public may arise from failure to follow quality management practices.	20	8.5
F4	Purchases may not be made in accordance with the City's Purchasing By-law and with due regard to economy and effectiveness.	16	8
O5	Serious injuries to staff may arise from failure to follow health and safety practices.	18	7.5
L1	Legal and regulatory obligations may not be managed effectively.	18	7.5

*\*Note that it is not cost-effective to eliminate all residual risks.*

### **Management Response and Action Plan**

*O3 is being managed through the Water/Wastewater Master Plan with ongoing assessments of water supplies based on the amount of water produced at each well and surface water treatment facility in comparison to the limits allowed under the Permit to Take Water which is issued by the Ministry of Environment, Conservation & Parks.*

*F1/O1 are being addressed through ongoing facility assessments and continued compliance with the provincial mandate of recognizing assets as part of the overall asset management plan. Through these processes, we are able to generate an understanding of the current state of the assets and develop a prioritized capital spending plan over a 5 year period, subject to updates as required.*

*F3 is considered for change at periods not less than every 5 years and an appropriate rate structure and associated rate adjustments are recommended to Council if required.*

*O4 presents high inherent risks, but risk management practices have been implemented within capital projects and operations to ensure adherence to the strict public health requirements listed in the Ontario Safe Drinking Water Act. As a result, the residual risk of illness is low.*

*R1 is mitigated through the Standard Operating Procedures (SOPs) on which all staff are regularly trained. These SOPs serve to minimize situations that may damage the City's reputation.*

*F2/O2 are continually addressed by the Continual Improvement Program contained within the Drinking Water Quality Management System. Analysis of data is regularly conducted and any recommendations for increased operational efficiencies are implemented.*

*F4 is mitigated through the use of standard procurement practices and guidelines, and through regular engagement of procurement staff. These actions ensure that all purchases and tenders are made in full compliance with the CGS Purchasing Bylaw.*

*O5 has been designated a high inherent risk, but field data indicates this risk can be effectively mitigated. Water Treatment has seen Zero Lost Time Injuries over the last 2 years due in large part to the serious manner in which we administer both our employee engagement as well as the robustness of our health and safety program.*

*L1 is mitigated by our Compliance section which oversees and proactively recommends solutions regarding all legal and regulatory parameters for wastewater.*

**Table 4 - Status of the Higher-Risk Water Assets Identified in 2017 Master Plan**

Facility	Capital Upgrades Recommended and Status Comments	Upgrade Complete	Upgrade In Progress	Study Under Way	Plan In Progress
Wanapitei Water Treatment Plant	1. Wanapitei Water Treatment Plant Filter Assessment Benchmarking. This study should be completed this year. The next step is to implement recommendations.			x	
	2. Wanapitei Water Treatment Plant Valve Upgrades: Detail design for valve automations almost complete. Expect tender for construction this year.			x	
	3. Wanapitei Water Supply Pipeline Condition Assessment. We have completed the inspection of the pipe from the intake to the plant. A proactive and remedial action is sought for one site that may present future challenges. Implementation by this summer. The section of the water trunk from the water treatment plant to Ellis Reservoir is under Environmental assessment (Environmental Assessment) and geotechnical investigation is underway and advancing.			x	
	4. Structural assessment for surge tank upgrades is complete. The procurement phase for hiring a contractor to complete repairs is in progress.		x		
	5. Blower equipment upgrade. This project was successfully completed.	x			
	6. Wanapitei Water Treatment Plant Building Condition Assessment. This is part of the asset management strategy to complete a full detailed condition assessment of the plant including electrical, mechanical and process systems, etc. The study is underway and is expected to be completed this year.			x	
Well J	This well in the valley well presents some water quality concern from the aesthetic perspective (cause stains). A water treatment technology was assessed and selected and the detail design is almost complete. The tender for construction will be issued by this summer.			x	
Maley Booster Station	Some electrical upgrade were completed last year to alleviate immediate needs. This booster station is part of the overall Garson Water Servicing Strategy project. An environmental assessment is underway.		x		
Val Caron Tank	Water tanks project is underway by Landmark. The inspection of the tank is complete. Implementation of recommendations is coming for next phase.		x		
Notre Dame Water Well	This well is part of the Valley water well retrofit project. Construction is underway and is expected to be completed this year.		x		
Philippe Water Well	This well is part of the Valley water well retrofit project. Construction is underway and is expected to be completed this year.		x		

Facility	Capital Upgrades Recommended and Status Comments	Upgrade Complete	Upgrade In Progress	Study Under Way	Plan In Progress
Pharand Water Well	This well is part of the Valley water well retrofit project. Construction is underway and is expected to be completed this year.		x		
Well M	This well in the valley presents some water quality concern from the aesthetic perspective (cause stains). A water treatment technology was assessed and selected. The detail design is almost complete. A tender for construction will be issued this summer.			x	
Azilda Tank	This water tank is part of water tanks inspection and rehab project by Landmark. Rehab work was completed in 2020 for this tank.	x			
Montrose Booster Station	Project detail design and procurement complete. Project construction is expected to start Q2 2021.		x		
Snowdon Booster Station	Procurement for condition assessment for all water booster stations is underway. We expect to complete the condition assessment by the end of the year 2021.				x
Garson 2 Water Well	The building assessment and roof repair is scheduled to take place in coming weeks. This well is part of the overall Garson Water Servicing Strategy project. An environmental assessment is underway. Public consultation is scheduled in the coming weeks.			x	
Garson 1 and 3 Water Well	These wells are part of the overall Garson Water Servicing Strategy project. An environmental assessment is underway. Public consultation is scheduled in the coming weeks.			x	
Centennial Booster Station	Procurement for detailed condition assessment for all water booster stations is underway. The assessment is expected to be complete by the end of the year 2021.				x
David St Water Treatment Plant	Two major projects are underway: 1. The Heating Ventilation Air Conditioning system upgrade and full condition assessment. Detail design is at final stage. Tender for construction will be issued by this summer. 2. Process and membrane assessment is scheduled to take place in March. Suez technical staff are coming to the plant March 23 and 24 for the assessment and operator training.			x  x	
Ellis Reservoir	This water tank is part of inspection and rehab project by Landmark. Work completed in 2020 for this tank.	x			
Walden Tank	This water tank is part of inspection and rehab project by Landmark. Work is scheduled to be completed by summer 2021. Coordination with Vale is required.			x	
Deschene Water Well	This valley well is part of the Valley water well retrofit project by PCL. Construction is underway and is expected to be completed this year		x		
Frost Water Well	This well is part of the Valley water well retrofit project by PCL. Construction is underway and is expected to be completed this year		x		

Facility	Capital Upgrades Recommended and Status Comments	Upgrade Complete	Upgrade In Progress	Study Under Way	Plan In Progress
Kenneth Water Well	This well is part of the Valley water well retrofit project by PCL. Construction is underway and is expected to be completed this year		x		
Michelle Water Well	This well is part of the Valley water well retrofit project by PCL. Construction is underway and is expected to be completed this year		x		
Val Caron Booster Station	Project construction is underway by Belanger Construction and is expected to be complete by the end of year.		x		
Falconbridge Tank	This tank is part of the inspection and rehab project by Landmark. Work was completed in 2020 for this tank.	x			
Chelmsford Tank	This tank is part of the inspection and rehab project by Landmark. Work was completed in 2020 for this tank.	x			
Copper Park Booster Station	Procurement for detailed condition assessment for all water booster stations is underway. The assessment is expected to be complete by the end of the year 2021.				x
Falconbridge Wells	A 3-year well rehabilitation program to keep the water wells production capacity at their optimum level is under development. We are expecting to go for prequalification and tender by this summer 2021.				x
Linden Water Well	This well is part of the Valley water well retrofit project by PCL. Construction is underway and is expected to be completed this year.		x		
Chenier Water Well	A 3-year well rehabilitation program to keep the production capacity of the valley water wells at their optimum level is under development. This summer, the prequalification and tender are expected to be issued.				x
Well R	A 3-year well rehabilitation program to keep the production capacity of the valley water wells at their optimum level is under development. Prequalification and tender will be issued this summer.				x
Well rehab program	A 3-year well rehabilitation program to keep the water wells production capacity at their optimum level is under development. Prequalification and tender are expected by this summer.				x
Other Wells condition assessment	There is an ongoing wells upgrade project by PCL. An additional detailed condition assessment is planned this year for the remaining wells.				x
Valley Ground Water Study	Ongoing study on Valley ground water wells capacity and risk assessment by Pinchin Ltd.			x	
Booster stations condition assessment	Three booster stations projects are underway: Val Caron, Montrose and Kingsway. Procurement for detailed condition assessments will be completed for the remaining booster stations later this year.				x
<b>Total</b>		5	12	12	10
<b>Percentage</b>		13%	31%	31%	25%



Impact	Services	Technology	People	Strategic	Legal/Reputational	Financial
<b>Very Minor</b> <b>(1)</b>	<ul style="list-style-type: none"> <li>• Less than 90% of service objectives achieved.</li> </ul>	<ul style="list-style-type: none"> <li>• Minor disruptions of secondary systems or data loss or corruption.</li> </ul>	<ul style="list-style-type: none"> <li>• Minor reportable employee injury.</li> <li>• Increase in number of union grievances.</li> </ul>	<ul style="list-style-type: none"> <li>• Minor instances of actions that are at odds with strategic priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Small amount of negative media coverage or complaints to City.</li> <li>• Non-lasting damage or no reputational damage</li> <li>• Theft or Fraud under \$1,000.</li> </ul>	<ul style="list-style-type: none"> <li>• Uninsured loss, cost overruns or fines &lt; \$10K</li> <li>• Insured loss &lt; \$100K</li> <li>• Loss of replaceable asset.</li> </ul>
<b>Minor</b> <b>(2)</b>	<ul style="list-style-type: none"> <li>• Less than 75% of service objectives achieved.</li> <li>• Unable to perform non-essential service.</li> </ul>	<ul style="list-style-type: none"> <li>• Disruptions of systems or data loss or corruption</li> <li>• Disclosure of non-confidential but embarrassing information.</li> </ul>	<ul style="list-style-type: none"> <li>• Reportable employee injury.</li> <li>• Loss of key staff but able to recruit competent replacements</li> <li>• Significant increase (&gt;10%) in number of union grievances.</li> </ul>	<ul style="list-style-type: none"> <li>• Instances of actions at odds with strategic priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Complaints elevated to the Director level.</li> <li>• Short-term repairable damage to City's reputation</li> <li>• Public outcry for discipline of employee.</li> <li>• Moderate amount of negative media coverage</li> <li>• Theft or Fraud of \$1,000 to \$10,000.</li> </ul>	<ul style="list-style-type: none"> <li>• Uninsured loss, cost overruns or fines of \$10K to \$100K</li> <li>• Insured loss &lt; \$100K - \$1M</li> <li>• Inefficient processes</li> <li>• City's actions result in reduced economic development.</li> </ul>
<b>Moderate</b> <b>(3)</b>	<ul style="list-style-type: none"> <li>• Less than 60% of service objectives achieved.</li> <li>• Unable to perform essential</li> </ul>	<ul style="list-style-type: none"> <li>• Disruptions of significant systems or data loss or corruption</li> </ul>	<ul style="list-style-type: none"> <li>• Multiple employee injuries or long-term disability from one incident.</li> </ul>	<ul style="list-style-type: none"> <li>• Numerous actions are at odds with strategic priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Public/media outcry for removal of management</li> <li>• Long-term damage to City's reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Uninsured loss, cost overruns or fines of &gt;\$100K to \$1M</li> <li>• Insured loss &gt;\$1M to \$10M</li> <li>• Having to delay payments to contractors/suppliers.</li> </ul>

	service but alternatives exist.	<ul style="list-style-type: none"> <li>• Recoverable loss from important system.</li> </ul>	<ul style="list-style-type: none"> <li>• Inability to retain or attract competent staff.</li> <li>• Increase in stress leave, sick leave or WCB claims.</li> <li>• Work-to-rule union disagreement or short-term strike.</li> </ul>		<ul style="list-style-type: none"> <li>• Citizen satisfaction survey indicates unacceptable performance.</li> <li>• Complaints elevated to Council level.</li> <li>• Results inconsistent with commitments made to citizens</li> <li>• Theft or Fraud under \$100,000.</li> </ul>	<ul style="list-style-type: none"> <li>• City's actions results in lost revenue for significant number of City businesses.</li> </ul>
Impact	Services	Technology	People	Strategic	Legal/Reputational	Financial
<b>Major (4)</b>	<ul style="list-style-type: none"> <li>• Less than 45% of service objectives achieved.</li> <li>• Unable to perform an essential service where no alternative exists.</li> </ul>	<ul style="list-style-type: none"> <li>• Unrecoverable loss or corruption of data from important system</li> <li>• External exposure of important information</li> <li>• Unavailability of significant systems</li> </ul>	<ul style="list-style-type: none"> <li>• Serious injury of one or more employees</li> <li>• Legal judgment against the City in workplace matter.</li> <li>• Turnover of key employees</li> <li>• Sustained strike of staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Numerous actions are significantly at odds with the strategic priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Public/media outcry for change in CAO or Council</li> <li>• Public or senior officials charged or convicted</li> <li>• Legal judgment against the City in a workplace matter</li> <li>• Integrity breach resulting in decreased trust in City Council or Administration.</li> <li>• Theft or Fraud &gt;\$100,000</li> </ul>	<ul style="list-style-type: none"> <li>• Uninsured loss, cost overruns or fines of &gt;\$1M - \$10M</li> <li>• Insured loss of &gt;\$10M - \$100M</li> <li>• Unable to pay employees and contractors on time.</li> <li>• City's actions impair local economic conditions.</li> </ul>

<b>Extreme (5)</b>	<ul style="list-style-type: none"> <li>• Less than 30% of service objectives achieved.</li> <li>• Unable to perform several essential services where no alternatives exist.</li> </ul>	<ul style="list-style-type: none"> <li>• Unrecoverable loss or corruption of data from critical system</li> <li>• External exposure of confidential information</li> <li>• Unavailability of critical systems</li> </ul>	<ul style="list-style-type: none"> <li>• Death of an employee</li> <li>• Major legal judgment against the City in workplace matter.</li> <li>• Significant turnover of key employees with ELT</li> <li>• Sustained strike of staff supporting key services</li> </ul>	<ul style="list-style-type: none"> <li>• Many actions are significantly at odds with the strategic priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Public/media outcry for change in CAO or Council</li> <li>• Senior officials criminally charged or convicted</li> <li>• Severe legal judgment against the City in a workplace matter</li> <li>• Major integrity breach resulting in complete loss of trust in City Council or Administration.</li> <li>• Theft/Fraud&gt;\$1,000,000</li> </ul>	<ul style="list-style-type: none"> <li>• Uninsured loss, cost overruns or fines &gt;\$10M</li> <li>• Insured loss &gt; \$100M</li> <li>• File for bankruptcy</li> <li>• Failure to maintain financial capacity to support current demands.</li> <li>• City's actions significantly impair local economic conditions.</li> </ul>
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<b>Likelihood</b>	<b>Unlikely (1)</b>	<b>Possible (2)</b>	<b>Probable (3)</b>	<b>Likely (4)</b>	<b>Very Likely (5)</b>
	Less than 20%	>20% but < 40%	>40% but < 60%	>60% but < 80%	80% or more
	Less frequent than every 10 years	May occur in the next 2 years	Will occur this year or next year at least once	May occur regularly this year	Will occur within months may reoccur often

## 2020 Operating Budget Variance Report

Presented To: Audit Committee

Meeting Date: May 31, 2021

Type: Correspondence for Information Only

Prepared by: Liisa Lenz  
Financial Support & Budgeting

Recommended by: General Manager of Corporate Services

## Report Summary

This report provides information regarding the City's year-end position.

## Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report refers to operational matters.

## Financial Implications

There are no financial implications associated with this report

## Executive Summary

This report provides Council with an analysis of the City's year-end financial position and related service outcomes for 2020. The 2020 year end surplus is \$9.8 Million.

The surplus will be contributed equally to the Tax Rate Stabilization Reserve and Capital Financing Reserve Fund – General in accordance with the Reserves and Reserve Funds By-Law.

The city was also able to make the following contributions to Reserves and Reserve Funds:

Library & Citizen Services Reserve Fund	\$871,077
Human Resources & Organizational Development Reserve for Training and Professional Development	\$707,955
Social Housing Reserve Fund	\$961,635
Capital Financing Reserve Fund – EMS	\$826,208

## COVID-19

Covid-19 played a significant role in the City's operations in 2020. As a result of provincial direction to reduce the spread of the virus, the City experienced several facility closures, as well as changes in common practices and policies to ensure proper physical distancing. All of these adjustments to typical practices have resulted in significant financial pressures.

During 2020, Council approved several initiatives with the objective of reducing the overall impact of Covid-19 on the City's financial position. These initiatives included:

- Layoff of casual and seasonal part-time employees.
- Suspending summer student hiring
- Increasing salary gapping target
- Adapting service levels to reflect current demand.
- Temporary closure of City operated pools

At the time these initiatives were introduced, there was no indication that financial support would be provided from senior levels of government. These initiatives were critical in ensuring the City's financial position would be manageable at the end of 2020.

Late in 2020, the Province announced the Safe Restart Municipal Stream funding to support municipalities and offset the impact of Covid-19. The City received \$9.1 million dollars in 2020 as part of Phase 1. The City also received provincial funding related to Covid-19 for Transit, Paramedic Services, Social Services, and Pioneer Manor for overall funding of \$21.3 million. Appendix 1 provides a summary of the federal and provincial funding, and Covid-19 related expenses recognized in 2020. The City also recognized significant revenue shortfalls in parking, transit, leisure programming, and Pioneer Manor. In most cases, specific funding sources were identified to offset the revenue shortfall, with the exception of leisure programming. Had the City not received provincial support, and adapted service levels as directed by Council, a year end deficit of upwards of \$20 million could have materialized.

The purpose of this report is to provide Council with an overview of year end variances and the variations in service outcomes versus planned 2020 objectives. The monitoring and reporting of variances has been conducted in accordance with the Operating Budget Policy. Council is provided with a variance report on a regular basis throughout the year. This report is an update from the year end forecast provided Council in December 2020 and the projections included in the 2021 budget binder.

Attached is an additional schedule that reflects the annual net budget (Appendix 2), 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 2020 Service Performance

#### 1) Revenue Summary

This area is reflecting a net under expenditure of \$540,000 relating to property taxes as follows:

- Decrease in tax write off expenses of \$990,000 as a result of staff's expertise and experience in defending property assessment appeals.
- Decrease in supplemental taxation revenue of \$710,000.
- Increase in payment in lieu of taxation of \$280,000.
- Increase in property tax rebates for charities of \$20,000.

## **2) Other Revenues and Expenses**

This area is reflecting a net under expenditure of \$3.83 million as follows:

- Increased revenues for Covid-19 Safe Restart Municipal Stream used to offset expenses related to Covid-19 throughout the entire organization, offset by corporate expenditures related to Covid-19, resulting in a net surplus of \$6.4 million.
- A reduction in slot revenues of \$1.6 million as a result of Casino closure.
- An overall increase in interest revenue of \$4.0 million primarily due to interest on investments, offset by interest income lost on property taxes due to the deferral of tax due dates.
- An over expenditure in debt repayments with a net impact of \$3.4 million, which is offset by the additional investment earnings throughout 2020.
- Planned salary gapping of \$1 million, although the actual savings are presented within each division.
- Lower than anticipated MAT revenues with a net impact of \$190,000.
- Over expenditures related to the Junction project totaling \$195,000 primarily due to salaries and benefits.

## **3) Office of the CAO**

This area is reflecting a net under expenditure of \$270,000 as follows:

- Under expenditure in libraries of \$870,000 largely due to closures of the facilities due to Covid-19. This surplus was contributed to the reserve in accordance with the Reserve and Reserve Fund By-Law.
- Under expenditure in Communications of \$160,000 primarily in salary and benefits due to vacancies in year.
- Under expenditure in Museums of \$80,000 due to closures of the facilities as a result of Covid-19.
- Under expenditures in Strategic Initiatives of \$45,000 primarily in salary and benefits due to a vacancy and delay in hiring contract positions.

## **4) Security, By-Law and Parking**

This area is reflecting a net over expenditure of \$600,000 as follows:

- Lower than anticipated security and by-law user fees and fines resulting in a net impact of \$385,000. This is a direct impact of the Covid-19 pandemic. As a result of discontinued Parking Enforcement between March and July and further reduced until October there was a 34% reduction compared to the previous two-year average revenue associated with parking fines.
- Lower than anticipated lottery licenses resulting in a net impact of \$105,000. This is a direct impact of the Covid-19 pandemic. As a result of reduced Municipal transfer payments from OLG and significant reductions fundraising efforts for private community groups, there was a 37% reduction compared to the previous two-year average revenue for Lottery Licensing.
- Lower than anticipated user fee revenue of \$110,000 related to Animal Control canine licenses and redemption fees. This is a direct impact of the Covid-19 pandemic, As a result of reduced proactive enforcement efforts specific to animal licensing requirements, there was a 35% reduction compared to the previous two-year average revenue for animal licensing.

## **5) Human Resources and Organizational Development**

This area is reflecting a net over expenditure of \$2.4 million as follows:

- An over expenditure of \$2.1 million to record the liability relating to the Long Term Disability portion of employee benefits. When funded, the City will no longer incur interest charges on the deficit amount.
- Over expenditure in legal counsel expense of \$172,000.
  - 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 \$173,000.
  - 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.

## **6) Finance, Assets & Fleet**

This area is reflecting a net under expenditure of \$380,000 as follows:

- An over expenditure in Fleet Services totalling \$750,000. This is primarily related to Covid-19 expenditures of \$301,000, vehicle servicing of \$240,000, vehicle and equipment material of \$200,000 and insurance expense of \$20,000.
- An under expenditure in Asset Services totalling \$1,070,000. This is primarily related to the following:
  - An under expenditures in energy costs of \$490,000, which are a direct result of the Covid-19 pandemic.
  - An under expenditures in salaries and benefits of \$370,000 resulting from Covid-19 and vacancies.
  - An under expenditure in grounds maintenance of \$90,000, due to a reduction in the number of storm events and snowfall in 2020.
  - An under expenditure in structural and elevator maintenance at Tom Davies Square of \$80,000 due to reduced occupancy in the facility, as well as elevator maintenance being included in the construction contract.
  - Additional lease revenue of \$40,000.

## **7) Economic Development**

This area is reflecting a net under expenditure of \$375,000 as follows:

- Under expenditure of \$265,000 in Business Support, directly attributable to the Covid-19 pandemic. This under expenditure resulted in very little service interruptions as a result of the State of Emergency.

- Under expenditure of \$110,000 in Salaries and Benefits, primarily due to vacancies throughout the year.

## **8) Long Term Care – Senior Services**

This area is reflecting a net under expenditure of \$670,000 as follows:

- An under expenditure in salaries and benefits for \$370,000 due to in year vacancies.
- Unanticipated funding of \$200,000 for the High Wage Transition Fund and Minor Capital that was expected to end in 2019.
- An unanticipated increase in the Case Mix Index funding (CMI) resulting in additional funding of \$100,000.

## **9) Social Services**

This area is reflecting net under expenditure of \$1. 9 million as follows:

- Under expenditure of \$1.76M in Service Contract expenses as the 2020 budget submission was approved with the Provincial government permitting the municipality to apply Ontario Works administration expenses to Covid-19 related expenses throughout the year. The reduction in Ontario Works caseloads due to Federal benefits resulted in the re-direction of funds to support costs associated with homelessness supports and services.
- Employment Services were suspended for the year due to low caseloads and contract services were reduced as no new programs were offered for training through local colleges.
- The reduction in Ontario Works caseloads resulted in a reallocation of funds to support costs associated with social services programs and an overall under expenditure of \$140,000.

## **10) Children Services**

This area is reflecting a net under expenditure of \$870,000 as follows:

- A reduction in the municipal cost share requirement of \$870,000 as a result of:
  - The Ministry of Education recalculating the 2020 budget to adjust for temporary childcare program closures during the pandemic.
  - Revenue recognized from prior year adjustment.

## **11) Leisure and Cemetery Services**

This area is reflecting a net under expenditure of \$1.8 million follows:

- A shortfall in revenues of \$4.1 million, primarily in user fees, advertising and lease revenues due to closure of various recreational facilities such as arena, pool, play-field and fitness centres.
- An under expenditure in salaries and benefits of \$3.8 million due to closure of facilities, services and salary gapping.
- An under expenditure in operating expense of \$2.1 million including utilities due to closure of various recreational facilities for extended period.

Overall the service level was adapted as a result of provincial direction to prevent the spread of Covid-19 in the community.

## **12) Infrastructure Capital Planning**

This area is reflecting a net under expenditure of \$655,000, this is a result of the following:

- Under expenditure in traffic and transportation of \$605,000 as a result of the global pandemic. This includes the delay in the implementation of the red light camera program, savings in labour and vehicle rentals from not hiring summer students, and salary gapping.
- Under expenditure in administration of \$34,000 as a result of lower than anticipated labour costs from salary gapping.



### **13) Linear Infrastructure Maintenance**

This area is reflecting a net under expenditure of \$235,000, this is a result of the following:

- Under expenditure in the summer maintenance program of \$296,000. Savings realized in labour and materials were offset by over expenditures in contract services. The contract services over expenditures were due to unforeseen culvert and storm sewer repairs, asphalt patching, and guide post repairs.
- Over expenditure of \$32,000 in public works depots primarily due to additional Covid-19 expenditures.

### **14) Environmental Services**

This area is reflecting a net under expenditure of \$1.25 million, this is a result of the following:

- An increase in Tipping Fee revenues of \$216,000.
  - 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 \$468,000 in Blue Box Recycling processing.
  - The year-end surplus is attributed to the receipt of less material from the ICI sector.
- An under expenditure of \$198,000 in Collection of various materials.
  - The year-end surplus is attributed to temporary suspensions of various waste programs due to Covid-19.
- An under expenditure of \$281,000 in wood, yard and organic processing at various sites and an under expenditure of \$80,000 in Landfill operating costs.
  - The year-end surplus is attributed to a reduction of leaf & yard trimmings, organics and other waste 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.

### **15) Planning and Development**

This area is reflecting a net under expenditure of \$555,000 as follows:

- An under expenditure in Salaries and Benefits of \$550,000 as a result of in year vacancies.
- An under expenditure in Purchased Services of \$55,000, relating to the CPTED Program and Peer Review Consultant costs due to Covid-19 restrictions and to mitigate anticipated City budget shortfall due to Covid-19.

### **16) Police Services**

This area is reflecting a net over expenditure of \$570,000 which relates primarily to unbudgeted Covid-19 expenditures. These costs will be offset by the 2020 Safe Restart funds received by the City of Greater Sudbury and held in the centralized corporate account.

### **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	\$798,846	\$907,423	\$108,577
Water / Wastewater	\$0	\$449,326	\$449,326

Area	Budgeted Contribution (from) Reserve	Actual Contribution to / (from) Reserve	Decrease in Contribution from Reserve
Building Services	(\$835,873)	\$269,609	\$1,105,482
Regional Business Centre	(\$145,943)	\$34,815	\$180,758

### **Parking Services**

Parking Services experienced a significant loss in revenue as a result of Covid-19 and many people working from home. This shortfall in revenue is eligible to be funded through the Safe Restart Transit Stream Provincial Funding. As a result, Parking Services realized \$1.2 million in provincial funding.

### **Building Services**

This section experienced a net under expenditure of \$1,105,482. 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 2020, the Building Services budget included a draw from reserve of \$835,873 to balance the budget, however an increase in building permit revenues as well as a decrease in salaries and benefits due to vacancies in year resulted in a contribution to the reserve. There were no impacts on service levels arising from these variances.

### **Water Wastewater Services**

- User fee revenues were under budget by \$440,000 as actual billed consumption was 13.225 million cubic metres while the budget for 2020 was 13.350 million cubic metres. Decreased commercial consumption was offset, in part, by increased residential consumption as anticipated during varying degrees of Covid-19 lockdowns and stay at home measures.
- Treatment and Compliance was over budget by \$760,000 on budgeted expenditures of \$26.7 million;
  1. Salaries and benefits were under by \$255,000 due to administrative vacancies.
  2. Purchased Services were over by \$380,000 due to higher than normal snow plowing and removal costs as well as unplanned contracted repair work at numerous facilities.
  3. Energy costs were under budget by \$635,000, largely resulting from the energy saving initiative at the Kelly Lake Wastewater Treatment Plant.
  4. Chemical costs were over budget by \$455,000 due primarily to price increases and incremental quantities used. There were 30.57M cubic metres of wastewater treated in 2020 compared to the previous five-year average 29.9M cubic metres. Other operating materials were over budget by \$375,000 due to equipment repairs and replacements on aging infrastructure not covered by limited capital funds.
  5. Property taxes were over budget by \$200,000 due to the re-assessment of the Kelly Lake Wastewater Treatment Plant.
  6. Revenues in the division were under budget by \$240,000 primarily in the meter shop and other miscellaneous recoveries not recognized.

- Distribution and Collection was under budget by \$925,000 on budgeted net expenditures of \$11.6 million;
  1. Salaries and benefits were under budget by \$1.7 million resulting primarily from permanent and casual vacancies. The department was unable to fill vacancies due in part to Covid-19 combined with difficulty in recruiting licensed operators. As a result, the department was not able to enhance the preventative maintenance program.
  2. Purchased services and materials were over budget by \$775,000. There was a backlog in service cut repairs from 2019, which resulted in overages in road restoration costs of \$1.7 M. Offsetting this were savings in linear repairs contract services of \$925,000 as the majority of emergency repairs have been performed with City crews.
- Infrastructure Capital Planning and Business Improvement sections reflected savings in salaries and benefits of \$620,000 due to unfilled vacancies and illness. These vacancies will cause a delay in implementing some Master Plan recommendations.
- In summary, there was a net under expenditure of \$450,000 in Water and Wastewater Services for 2020. Water had an under expenditure of \$1,668,000 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 \$1,218,000 which was funded by a contribution from the Capital Financing Reserve Fund- Wastewater in accordance with the By-Law.

## Summary

The City's 2020 net year end surplus was \$9.8 million. This surplus is contributed equally to the Tax Rate Stabilization Reserve and Capital Financing Reserve Fund – General, in accordance with the Reserves and Reserve Funds By-Law.

## Appendix 1: Covid 19 Summary of Funding and Expenses

### Covid-19 Funding

Provincial	Safe Restart - Municipal	9,152,700
Provincial	Safe Restart - Transit	2,474,865
Provincial	Municipal Transit Enhanced Cleaning Grant	112,876
Provincial	Social Services Relief Fund	914,523
Federal	Reaching Home	320,575
Provincial	Social Services - Pandemic Pay	172,577
Federal	New Horizons Seniors Program	24,348
Provincial	Paramedic Services - Covid Funding	1,586,238
Provincial	Paramedic Services - Pandemic Pay	444,398
Provincial	Pioneer Manor - IPAC	5,876
Provincial	Pioneer Manor - Prenetion and Containment Funding	2,009,700
Provincial	Pioneer Manor - Pandemic Pay	1,617,975
Provincial	Pioneer Manor - Resident Revenue	423,022
Provincial	Pioneer Manor - PSW Wage Adjustment	363,424
Provincial	Pioneer Manor - Incremental Funding	1,637,500
<b>TOTAL COVID-19 FUNDING</b>		<b>21,260,597</b>

### Covid-19 Expenses

#### Corporate Rev and Exp Summary

Revenue Summary	
Other Revenues and Expenses	2,705,869
<b>TOTAL CORPORATE REVENUES</b>	<b>2,705,869</b>

#### Executive and Legislative

Office of the Mayor	54,043
Council Memberships & Travel	-
Council Expenses	768
Auditor General	729
Office of the C.A.O.	1,015,664
<b>Executive and Legislative</b>	<b>1,071,205</b>

#### Corporate Services

Corporate Services -GM Office	124,367
Legal & Clerks Services	21,887
Security, By-Law & Parking	1,000,504
Information Technology	335,945
Human Resources and O.D.	421,520
Finance, Assets and Fleet	845,782
<b>Corporate Services</b>	<b>2,750,006</b>

#### Economic Development Summary

Economic Development	302,415
<b>Economic Development Summary</b>	<b>302,415</b>

#### Community Development Services

G.M. Office	130,347
Housing Services & Operations	143,037

Long Term Care-Senior Services	5,634,475
Social Services	2,166,378
Children Services	1,776,900
Leisure & Cemetery Services	785,592
Transit	547,622
<b>Community Development Services</b>	<b>11,184,351</b>
<b>Growth and Infrastructure</b>	
Growth I.S. Other	94,689
Infrastructure Capital Planning	22,386
Engineering Services	11,250
Water - Wastewater	111,642
Linear Infrastructure Maintenance	279,253
Environmental Services	244,299
Planning and Development	11,750
Treatment & Compliance	107,336
Building Services	25,135
<b>Growth and Infrastructure</b>	<b>907,741</b>
<b>Community Safety</b>	
C.S. G.M.'s Office	113,217
Emergency Management	20,737
CLELC Section	-
Emergency Medical Service	2,111,138
Fire Services	304,356
<b>Community Safety</b>	<b>2,549,449</b>
<b>Outside Boards</b>	
Police Services	530,939
<b>Outside Boards</b>	<b>530,939</b>
<b>TOTAL COVID-19 EXPENSES</b>	<b>22,001,973</b>

## Appendix 2 - Net Operating and Expenditure Projections

### City of Greater Sudbury Net Operating Revenue and Expenditure For the year ended December 31, 2020



	Annual Budget	YE Position	Surplus (Deficit)	Notes
<b>Corporate Rev and Exp Summary</b>				
Revenue Summary	(319,766,143)	(320,306,651)	540,508	1
Other Revenues and Expenses	34,392,713	30,565,140	3,827,573	2
<b>TOTAL CORPORATE REVENUES</b>	<b>(285,373,430)</b>	<b>(289,741,510)</b>	<b>4,368,080</b>	
<b>Executive and Legislative</b>				
Office of the Mayor	736,903	731,914	4,989	
Council Memberships & Travel	77,729	77,496	233	
Council Expenses	1,210,725	1,114,542	96,183	
Auditor General	394,713	390,118	4,595	
Office of the C.A.O. Summary	11,931,973	11,664,295	267,678	3
<b>Executive and Legislative</b>	<b>14,352,043</b>	<b>13,978,364</b>	<b>373,679</b>	
<b>Corporate Services</b>				
Corporate Services -GM Office	548,692	446,434	102,258	
Legal & Clerks Services	1,314,909	1,318,055	(3,146)	
Security, By-Law & Parking	643,120	1,244,497	(601,377)	4
Information Technology	152,491	15,016	137,475	
Human Resources and O.D.	0	2,383,150	(2,383,150)	5
Finance, Assets and Fleet	13,966,262	13,588,728	377,534	6
<b>Corporate Services</b>	<b>16,625,474</b>	<b>18,995,881</b>	<b>(2,370,407)</b>	
<b>Economic Development Summary</b>				
Economic Development	4,880,056	4,506,999	373,057	7
<b>Economic Development Summary</b>	<b>4,880,056</b>	<b>4,506,999</b>	<b>373,057</b>	
<b>Community Development Services</b>				
G.M. Office	406,263	386,888	19,375	
Housing Services & Operations	19,507,210	19,507,210	0	
Long Term Care-Senior Services	5,967,986	5,302,453	665,533	8
Social Services	5,594,800	3,723,759	1,871,041	9
Children Services	1,820,243	947,461	872,782	10
Leisure & Cemetery Services	21,483,811	19,688,822	1,794,989	11
Transit	15,972,457	16,122,581	(150,124)	
<b>Community Development Services</b>	<b>70,752,770</b>	<b>65,679,175</b>	<b>5,073,595</b>	
<b>Growth and Infrastructure</b>				
Growth I.S. Other	220,402	229,786	(9,384)	
Inf Capital Planning	6,752,296	6,097,484	654,812	12
Engineering Services	0	108,363	(108,363)	
Water - Wastewater	(0)	0	(0)	
Linear Infr Maintenance	41,938,847	41,703,096	235,751	13
Environmental Services	15,694,885	14,448,244	1,246,641	14
Planning and Development	5,782,361	5,226,891	555,470	15
Treatment & Compliance	(0)	0	(0)	
Building Services	0	0	0	
<b>Growth and Infrastructure</b>	<b>70,388,790</b>	<b>67,813,863</b>	<b>2,574,928</b>	

City of Greater Sudbury  
Net Operating Revenue and Expenditure  
For the year ended December 31, 2020



	Annual Budget	YE Position	Surplus (Deficit)	Notes
<b>Community Safety</b>				
C.S. G.M.'s Office	0	10,521	(10,521)	
Emergency Management	486,799	397,828	88,971	
CLELC Section	(809,371)	(816,703)	7,332	
Emergency Medical Service	11,277,641	11,277,641	0	
Fire Services	26,750,607	26,885,320	(134,713)	
<b>Community Safety</b>	<b>37,705,676</b>	<b>37,754,608</b>	<b>(48,932)</b>	
<b>Outside Boards</b>				
Outside Boards Other	7,967,865	7,967,861	4	
Police Services	62,700,756	63,271,980	(571,224)	16
<b>Outside Boards</b>	<b>70,668,621</b>	<b>71,239,841</b>	<b>(571,220)</b>	
<b>TOTAL EXPENDITURES</b>	<b>285,373,430</b>	<b>279,968,731</b>	<b>5,404,700</b>	
<b>TOTAL</b>	<b>\$0</b>	<b>(\$9,772,780)</b>	<b>\$9,772,780</b>	
Contribution to Tax Rate Stabilization Reserve			4,886,390	
Contributuon to Capital Financing Reserve Fund - General			4,886,390	
			<u>9,772,780</u>	