

Finalization of the 2023 Budget

Presented To:	Finance and Administration Committee
Meeting Date:	February 15, 2023
Type:	Managers' Reports
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Recommended by:	General Manager of Corporate Services

Report Summary

This report provides a summary of the 2023 Budget and the resolutions required to put the budget into effect.

Resolutions

Resolution 1:

THAT the water/wastewater operating budget be approved in the gross expenditure amount of \$93,781,771, representing a user rate increase of 4.8%, all in accordance with the Water/Wastewater Long Term Financial Plan.

Resolution 2:

THAT the water/wastewater 2023 capital budget be approved in the amount of \$38,717,028 funded as follows:

Contributions from Water/Wastewater User Fees \$37,757,028

Contributions from Federal Grants \$960,000

Resolution 3:

THAT the municipal share of the Nickel District Conservation Authorities (Conservation Sudbury) 2023 budget in the gross expenditure amount of \$1,165,788 and a net property tax levy requirement of \$1,165,788, be approved.

Resolution 4:

THAT the municipal share of the Public Health, Sudbury & Districts 2023 budget in the gross expenditure amount of \$8,055,880 and a net property tax levy requirement of \$8,055,880, be approved.

Resolution 5:

THAT the municipal share of the Greater Sudbury Police Services 2023 budget in the gross expenditure amount of \$77,110,857 and a net property tax levy requirement of \$71,329,718, be approved.

AND THAT the capital budget for Greater Sudbury Police Services for 2023 in the amount of \$5,695,109 be approved to be funded from Police related reserve funds.

Resolution 6:

THAT the municipal share of the Greater Sudbury Public Library 2023 Budget, inclusive of Citizen Services Centres, in the gross expenditure amount of \$9,927,139 and a net property tax levy requirement of \$9,262,091, be approved.

Resolution 7:

THAT the municipal share of the tax supported budget for the Sudbury Airport Personnel 2023 budget in the gross expenditure amount of \$3,645,188 and a net property tax levy requirement of \$0, be approved.

Resolution 8:

THAT the 2023 City of Greater Sudbury tax supported base operating budget for municipal operations, inclusive of fees and charges and excluding the City's share of the Service Partners' budgets described in Resolutions 3-7 of this report, be approved in the gross expenditure amount of \$506,484,166 and the net amount of \$239,398,256, subject to the following adjustments/amendments:

- a. An increase in the Greater Sudbury Police Services budget of \$1,378,637.
- b. A decrease in Conservation Sudbury's budget of \$43,759.

Resolution 9:

THAT the City of Greater Sudbury 2023 tax supported capital budget be approved in the gross amount of \$115,878,129 funded as follows:

Contributions from the Operating Budget \$46,783,084

Contributions from Federal Grants \$23,755,820

Contributions from Provincial Grants \$17,728,961

Contributions from the City of Greater Sudbury's Reserves and Reserve Funds \$17,454,369

Contributions from the City of Greater Sudbury's Obligatory Reserve Funds \$850,000

External debt financing of \$9,115,895

Development Charges \$190,000

Resolution 10:

THAT a special capital levy of 1.5% be used as an investment towards the City's aging infrastructure.

Resolution 11:

THAT consistent with the Long Range Financial Plan and as described on page 45 of the 2023 Budget, a

special levy equivalent to 1% of the property tax levy be applied to strengthen the corporation's reserves and increase its flexibility for maximizing future community building opportunities.

Resolution 12:

THAT pursuant to Ontario Regulation 284/09, this report serves as the method for communicating the exclusion of the following estimated expenses from the 2023 Budget:

- a) Amortization expense - \$77.2 million
- b) Post-employment benefit expenses – \$6.0 million
- c) Solid waste landfill closure and post-closure expenses - \$1.7 million

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

This report refers to operational matters and has no direct impact on CEEP.

Financial Implications

If approved as presented on January 17, 2023, the net taxation levy increase for 2023 will be 4.1%.

Background

The purpose of this report is to present the City of Greater Sudbury's 2023 Budget for approval. Following budget directions established by the Finance and Administration Committee in June, an update provided in September, and a review of draft business cases in November, staff provided the Committee with the proposed 2023 Budget for the Committee's consideration. This report includes Resolution 5, which reflects the change in the Greater Sudbury Police Services budget approved by its Board at its January 16 meeting. This report also includes Resolution 3, which reflects the change in Conservation Sudbury's budget approved by its Board at its February 8 meeting.

Outcomes anticipated by the 2023 Budget make progress on the goals Council identified in its Strategic Plan. If approved as presented, the budget produces a tax levy change of 4.1% including the increased budget amount approved by the Police Services Board. Business cases presented for consideration need to be voted in by the Committee to be included as part of the approved plan. Further, consistent with the Water and Wastewater Long Range Financial Plan, rates will increase by 4.8% to reflect the need to maintain a sustainable water and wastewater service in accordance with provincial regulations.

Base Budget Adjustments

The following base budget adjustments have been identified since the budget has been finalized:

Proposed 2023 Budget		3.7%
Base Budget Adjustments:		
GSPS Increase	\$1.4 million	0.4%
Conservation Sudbury Decrease	<\$44,000>	<0.0%>
2023 Budget Increase		4.1%

Greater Sudbury Police Services

At the time the proposed budget was prepared, the Greater Sudbury Police Services Board had not

approved their 2023 budget. On January 12, the Board approved their budget for a total net property tax levy requirement of \$71,329,718.

The 2023 Capital Budget for Police Services as approved by the Greater Sudbury Police Services Board in early January consists of the following capital projects:

Project	Expenditure	Funding Sources
Police Building	\$ 2,150,000	Capital Financing Reserve Fund – Police Services
Police Fleet	\$ 693,263	Equipment and Vehicle Reserve Fund – Police Services
Police Capital Projects	\$ 1,773,711	Capital Financing Reserve Fund – Police Services
Police Body Worn Cameras/CEW/ALPR	\$ 791,712	Capital Financing Reserve Fund – Police Services
Communication Infrastructure	\$ 286,423	Communication Infrastructure Reserve Fund
Total	\$ 5,695,109	

Conservation Sudbury

At the time the proposed budget was prepared, Conservation Sudbury's Board had not approved their 2023 budget. On February 8, the Board approved their budget for a total net property tax levy requirement of \$1,165,788.

Water and Wastewater Budget

The Water and Wastewater Long-Range Financial Plan was presented on June 4, 2019 and recommended a 20-year timeframe with an annual rate increase of 4.8% during that period. The full report can be found here: <https://pub-greatersudbury.escribemeetings.com/filestream.ashx?documentid=2998>

Information supporting Resolutions 1 and 2 can be found on pages 481 to 508 of the 2023 Budget Document.

Service Partners

The following chart outlines the changes in our Service Partner's municipal share of budgets:

Service Partner	2022 Budget	2023 Budget	Dollar Change	Percentage Change
Conservation Sudbury	\$ 1,122,029	\$ 1,165,788	\$ 43,759	3.9%
Public Health Sudbury & Districts	\$ 7,808,069	\$ 8,055,880	\$ 247,811	3.2%
Greater Sudbury Police Services	\$ 68,813,938	\$ 72,708,355	\$ 3,894,417	5.7%
Greater Sudbury Public Library	\$ 8,626,537	\$ 9,262,091	\$ 635,554	7.4%

Information supporting Resolutions 3 to 7 can be found on pages 509 to 520 of the 2023 Budget Document.

Capital Budget

The 2023 Capital Budget is approximately \$154 million (including water & wastewater capital budget of \$38.7 million). This represents various investments to improve roads, bridges, drainage/stormwater, water & wastewater pipes and facilities, buildings, fleet and equipment to continue providing services throughout the community. The contribution from the property tax levy for tax supported capital projects has increased from the prior year at 5%, which is lower than the non-residential construction price index of 17.2% in early 2022. The reduction in the increase to capital funding was recommended to achieve the direction of a 3.7% tax levy increase.

Information supporting Resolution 9 can be found on pages 373 to 480 of the 2023 Budget Document.

Special Capital Levy

Staff recommends a 1.5% special capital levy to address infrastructure funding requirements. This is consistent with the options presented in the Long-Term Financial Plan approved by Council in April 2017.

This would enable the completion of infrastructure renewal work worth \$4.7 million. Numerous municipalities across the country use some form of special levy, typically to address long-standing infrastructure renewal or replacement needs. Greater Sudbury's infrastructure renewal requirements are significant. Without some infusion of additional funds like those provided by a special capital levy, the risk remains high that the city's infrastructure will not be adequate to sustain service levels or meet expected service demands.

If approved, Council has full discretion to identify the specific projects that would be funded by a special levy. Nevertheless, the Capital Budget prioritization process identifies projects that represent staff's view of the highest and best use of limited funds. Should an additional capital levy be approved for the 2023 Budget, the next most critical investment is recommended, which in this case is additional funding towards the 2023 Arterial/Collector program.

Reserves

The City's Long-Term Financial Plan recommended a strategy to improve the City's reserve fund levels for reasons explained below. This strategy consisted of a contribution from the tax levy to reserves based equal to 1% of the previous year's property tax levy. This would be a permanent budget adjustment and would be an incremental increase in each following year.

In order to achieve Council's direction for a 3.7% property tax levy increase, staff removed the planned contribution to reserves based on 1% of the previous year's tax levy. This report includes a resolution if the Committee wishes to approve a resolution to improve the reserve fund levels.

Reserves are important as they:

- Provide flexibility to address opportunities that arise throughout the year, such as unplanned senior government funding programs that call for a municipal contribution as part of the eligibility requirements
- Offer protection against unanticipated expenditure requirements or lower-than-planned revenues. For example, reserves can be a funding source when an asset like a building or piece of equipment requires some unplanned repairs or replacement. Having reserves available avoids the need to take funds from some other services in the budget to offset the additional expenditure. Or, if user fee revenues are lower than forecast, reserves can help avoid in-year service level changes to offset the lower revenue.
- Provide an alternative to debt financing and an opportunity to "smooth" annual tax rate changes when larger expenditures or some unique, one-time costs are incurred.

Our budget is designed so that ongoing services are supported by ongoing revenue sources. If reserves were used to reduce the tax levy, we would find ourselves in a situation where the reserves would be depleted and the ongoing services would either need to be reduced or funded by a different source. Typically, that would result in a higher property tax levy change. With depleted reserves, it would also reduce Council's flexibility to take advantage of senior government funding opportunities or provide a timely response to unplanned expenditure requirements.

Greater Sudbury's reserve levels are relatively low. Considering known asset renewal needs, our policy guidance and in comparison to other similar municipalities, our reserve balances should be higher (in some cases, much higher) to reduce the risk that an unplanned expenditure creates service interruptions or financial challenges for the corporation. A large portion of the reserve fund balances are committed towards Council approved projects (that haven't been fully spent or completed yet) and for future obligations (such as

sick leave, WSIB, election), or for specific service area (such as Police Services, Water and Wastewater services). The uncommitted balances within the following reserves are typically used for unplanned, emergencies or to fund deficits in operating and capital projects or where additional funds or one-time investments are needed: Tax Rate Stabilization Reserve, Holding Reserves, and Capital Financing Reserve Fund General.

Municipal Act - Ontario Regulation 284/09

In accordance with Ontario Regulation 284/09, municipalities are required to disclose amounts that are expensed in their financial statements but not included in budgeted figures prior to Council passing the annual budget. For the City of Greater Sudbury, this includes three expenses for the 2023 Budget:

- a. Amortization expense - \$77.2 million
- b. Post-employment benefit expenses – \$6.0 million; and
- c. Solid waste landfill closure and post-closure expenses/(recovery) - \$1.7 million

The effect of including these expenses for a net total of \$84.9 million in the budget would be to increase the tax levy and user fee requirements. By not including these expenses, the annual contribution to capital and reserves are lower than they will likely need to be to maintain assets in a state of good repair. Similarly, as obligations for post-employment benefits or landfill closure costs become due, future levies would be impacted if the expenses remain unbudgeted.

SUMMARY

The 2023 Budget produces a number of results that demonstrate the progress Council anticipated when it created its Strategic Plan. In addition to providing numerous programs and services that residents rely on every day, the 2023 Budget makes significant investments that improve residents' quality of life. Not only does it address key priorities like road infrastructure and winter road maintenance services, but it also enhances community safety and the environment.

The recommended 2023 Budget reflects a 4.1% municipal property tax change compared to 2022.

REFERENCES:

2023 Budget Direction Report (June 21, 2022 Finance and Administration Committee)
<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=46659>

2023 Budget Update Report (September 13, 2022 City Council)
<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=47487>

2023 Business Case Report (November 8, 2022 City Council)
<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=47755>
<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=47756>