

## 2024-2025 Budget Update Report

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### Report Summary

This report and presentation provides information regarding the status of the 2024-2025 Budget.

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

This report refers to operational matters and has no direct connection to the Community Energy & Emissions Plan.

### Financial Implications

There are no financial implications associated with this report.

### Background

On June 20, 2023, the Finance and Administration Committee provided 2024-2025 budget directions following deliberations regarding a variety of service demands and affordability considerations. Staff have been preparing draft business plans and budgets that reflect Council's directions. Work remains on schedule to submit a budget for Council's review on November 15, 2023, with approval anticipated by December 19, 2023.

Greater Sudbury's budget emphasizes the relationship between expected service levels and the costs required to provide them. The focus is on describing planned service levels and outputs based on the resources assigned in the budget. City Council sets the service levels it wants the community to receive, and the budget reflects those choices.

### Analysis

#### "Strong Mayor" Process Changes

In anticipation of a housing pledge requested by the province from mayors with populations greater than 50,000 residents, recent changes to the *Municipal Act, 2001* would provide "strong mayor" powers that would affect the municipality's annual budget process. Section 284.16 of the Act outlines a statutory process for the approval of municipal budgets beginning with the presentation of the Mayor's proposed budget, amendment

of the proposed budget by City Council, veto of amendments by the Mayor and override of vetoes by City Council.

The authority to prepare and propose the budget rests solely with the Mayor, which cannot be delegated to Council or staff. However, the Mayor can issue a direction to staff to prepare a draft budget that follows the process currently in use.

Once a draft budget is presented, Council has 30 calendar days to meet and suggest, via resolution, budget amendments. The Mayor could veto any amendment within 10 calendar days, subject to a requirement that a veto is provided in writing and accompanied by the reasons for the veto. Budget amendments vetoed by the mayor are considered not to have been passed by Council. If no vetoes are made, the budget is deemed to be passed. Within 15 calendar days of the end of the veto period, Council could meet to attempt to override a veto with a vote that would require support from two-thirds of Council members. After the amendment, veto and veto override periods are complete, the budget is deemed to be adopted.

While this differs from the current annual budget process, the Mayor can instead issue a direction to staff to prepare and present an annual budget to all members of council including the mayor based on Council's directions. **Appendix A** provides an example of such a direction.

## **Budget Development Status**

The following is a status update on the directions given by Council:

### Operating Budget

The draft 2024-2025 budget remains under development. Currently, draft plans would require an average property tax levy increase of 6.3% (net of a 1% assessment growth), which does not meet the 4.7% direction. Work continues to adjust plans that produce a net cost reduction of 2024-2025 by approximately \$10.5 million, which required to meet the 4.7% guideline.

Since preparing the forecast reported in the 2024-2025 Budget Direction Report, staff have further developed plans and anticipated financing requirements. Table 1 provides a summary of the significant items influencing the 2024-2025 budget.

Table 1: Summary of Major 2024-2025 Draft Budgetary Changes

Category	2024 Change	Effect on Tax Levy	2025 Change	Effect on Tax Levy
Sustaining Services				
Linear Infrastructure Services (Roads)	\$ 4,220,000	1.3%	\$ 1,670,000	0.5%
Fire Services	\$ 2,680,000	0.8%	\$ 1,550,000	0.4%
Housing Services and Operations	\$ 1,770,000	0.5%	\$ 1,130,000	0.3%
Environmental Services	\$ 1,040,000	0.3%	\$ 2,050,000	0.6%
Remaining Services	\$ 6,450,000	1.9%	\$ 4,310,000	1.2%
<b>Total Sustaining Services</b>	<b>\$ 16,160,000</b>	<b>4.9%</b>	<b>\$ 10,710,000</b>	<b>2.9%</b>
Contribution to Capital increase in accordance with Capital Budget Policy (NRBCPI 9.9%/5%)	\$ 7,210,000	2.2%	\$ 3,500,000	1.0%
Greater Sudbury Police Services	\$ 6,940,000	2.1%	\$ 3,910,000	1.1%
Other Service Partners	\$ 870,000	0.3%	\$ 690,000	0.2%
Phase Out Administrative Efficiencies	\$ 650,000	0.2%	\$ 650,000	0.2%
Supervised Consumption Site	\$ (1,100,000)	-0.3%	\$ -	0.0%
Investment Income	\$ (1,750,000)	-0.5%	\$ 2,000,000	0.5%
Sub-Total	\$ 28,980,000	8.7%	\$ 21,460,000	5.8%
Estimated Annual Assessment Growth		-1.0%		-1.0%
Annual Levy Change (Net)		7.7%		4.8%
<b>Average Annual Levy Change (Net)</b>				<b>6.3%</b>
Council Direction				4.7%
Special Capital Levy	\$ 4,980,000	1.5%	\$ 5,520,000	1.5%
Contribution to Reserve	\$ 1,660,000	0.5%	\$ (1,660,000)	-0.5%
Total	\$ 35,620,000	9.7%	\$ 25,320,000	5.9%

### *Sustaining Services*

The 2024 and 2025 budgetary changes for sustaining services reflects the net cost difference to maintain Council approved service levels. As in prior years, there are familiar, significant financial pressures including contractual obligations affected by inflation (assumed to be 3% in each 2024 and 2025) and required legislated changes. Some significant challenges include:

- Linear Infrastructure Maintenance (Roads) is experiencing significant price increases with operations contracts.
- Following the Auditor General's report "Investigation of Firefighter Overtime", Fire Services has included estimates for overtime requirements due to staffing requirements, ongoing absences, and WSIB as well as legislated training requirements. A business case will be prepared for 2024 deliberations that will outline the process to hire additional staff to reduce dependence on overtime.
- Housing Services and Operations is experiencing pressures from the community housing provider's annual subsidy allocation which increases annually by provincial indices. Furthermore, increased operating costs are expected for the Lorraine Street building due to open in 2024.
- Environmental Services is experiencing significant price increase with multiple contracts and a decrease in revenue based on actuals trends for 2024. For 2025, there is an overall CPI increase for various contracts and uncertainty regarding blue box transition. Loss of revenue upon transition on April 1, 2025, confirmed but related expenses are unknown and will need to be updated once details are finalized.

### *Contribution to Capital*

The non-residential building construction price index (NRBCPI) reached 9.9% as of the fourth quarter of 2022 (released in first quarter of 2023) while the 2025 NRBCPI is estimated to reach 5%. Consistent with the Capital Budget Policy, the contribution to capital is increased by the greater of 2% or this index. Along with increases due to the reallocation of retired debt payments as per the Debt Management Policy, the contribution to capital increased by \$7.2 million (2.2%) and \$3.5 million (1%) for 2024 and 2025, respectively. Reductions are possible, with the consequence being fewer capital projects included in the recommended plan, or additional financing support from other sources (such as senior governments or debt).

### *Service Partners*

Preliminary 2024-2025 budgets for Greater Sudbury Police Services, Nickel District Conservation Authority, Greater Sudbury Public Library Board, Public Health Sudbury & Districts represent an overall increase of \$7.8 million (2.4%) and \$4.6 million (1.2%) for 2024 and 2025, respectively. Additional pressure may be forthcoming depending on final board approved budgets.

### *Supervised Consumption Site*

Council approved tentative funding in the amount of \$1.1 million in the form of a grant to Public Health Sudbury and Districts to operate a supervised consumption site. While efforts to engage the provincial government remain ongoing, no provincial funding has yet been committed. The 2024 and 2025 operating budgets do not include continued funding for this service unless otherwise directed by Council.

### *Investment Income*

Based on the City's average rate of return and anticipated timing of capital expenditures, it is expected that investment income will increase in 2024 and subsequently decrease in 2025. If actual income is higher, the additional funds will form part of the year-end position, which will be contributed to, or funded from, the Tax Rate Stabilization Reserve and Capital Financing Reserve Fund – General in accordance with the Reserves and Reserve Funds By-Law.

### *Next Steps*

Adjustments will be required to achieve the recommended taxation level such as continuing examination of the following areas:

- On-going review of contractual obligations
- Ensure alignment of user fees with approved subsidy levels
- Continue conversations with Service Partners
- Review and propose changes to service levels in alignment with Core Service Review Update

## **Capital Budget**

Consistent with our asset management policy, the four-year capital budget focuses on completing projects approved in prior periods and on approving projects that meet the City's highest needs. Council previously approved criteria to be used when considering potential capital projects to be recommended for Council's consideration. As the City is progressing on asset management planning, there has been additional focus on utilizing this data on linear (roads, bridges, drains) and vertical (buildings) assets to recommend a four-year capital budget. This will evolve to incorporate 10-year capital forecasts.

ELT recommends capital projects for Council's consideration based on project proposals submitted by directors that are evaluated by a team of staff comprising subject matter experts from across the organization. For the 2024-2027 capital budget, this team will evaluate three prioritized lists of candidate projects and combined them to recommend the City's highest priority projects. Both linear (roads, water and wastewater) and vertical (building) assets have available asset condition data to prioritize projects based on highest need. All other assets (i.e. environmental services, emergency services, information technology) will consider capital project proposals and their fit with the Council-approved prioritization criteria. Council retains the ability to review and amend capital priorities as a part of their budget deliberations.

An influencing factor affecting the potential to include new projects in the 2024 to 2027 capital budget relates to prior period decisions and ongoing work on large projects. Recent capital budgets, such as the 2021 to 2023 capital budgets, included several multi-year projects. Funds have been committed towards these projects, which results in a lower amount of funding available for new projects recommended in the 2024 Capital Budget and may impact timing of projects over the next four years.

Additional planned and potential funding sources for the 2024-2027 capital budget includes:

- Recurring annual funding of \$10.7 million from the Canada Community Building Fund (previously known as Federal Gas Tax) has been included for capital projects. This amount is estimated based on annual funding from 2023. The actual amount may differ when a new funding agreement is signed.

- Funding from Investing in Canada Infrastructure Program (ICIP) will be used towards Transit capital projects.
- Annual funding from Ontario Community Infrastructure Fund (OCIF) will be used towards infrastructure capital projects as per program parameters.
- Continued use of Provincial Gas Tax funding towards Transit capital projects as per program parameters.
- Remaining \$800,000 funding from the Northern Ontario Resource Development Support (NORDS) Fund.
- Consideration and use of external debt to expand the capital budget program.
- Consideration and use of existing reserve funds. Staff will consider setting aside funds for unanticipated needs or changes in estimates/scope of projects to minimize future changes to the four-year capital budget. Also, the capital reserve fund is used to offset corporate operating deficits (if any) in future years.

### Special Capital Levy

There are many more capital investment needs than current funding levels can address. The Finance and Administration Committee passed a resolution in June 2023 with the Budget Direction report to present “a capital budget that reflects a level of investment which aligns with the “base scenario” described in the long-term financial plan plus a special capital levy for accelerated road asset renewal equivalent to 1.5% of the net levy in each year of the four-year capital plan”.

The Budget Document will include capital projects that would be completed with the approval of the special capital levy of 1.5% per year and results in additional funding for each of the four years as shown in Table 2 below. This funding will continue as permanent funding after 2027 to expand the capital budget program and assist to address the significant infrastructure requirements.

Table 2: Special Capital Levy

<b>Capital Levy *</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
2024 Additional Capital Levy	4,980,000	5,230,000	5,500,000	5,770,000
2025 Cumulative Capital Levy		5,270,000	5,530,000	5,810,000
2026 Cumulative Capital Levy			5,570,000	5,850,000
2027 Cumulative Capital Levy				5,890,000
	<b>4,980,000</b>	<b>10,500,000</b>	<b>16,600,000</b>	<b>23,320,000</b>
* after 2024 - assumes increase of 5% for NRBCPI, consistent with long-term financial plan				

### **Water and Wastewater Budget**

Water and Wastewater Services have a financial plan that anticipates a 4.8% rate increase as presented in April 2019. Staff's work on the 2024-2025 water and wastewater budget anticipates that the rate increase will apply to 2024-2025 fees, consistent with the budget direction Council provided in June. The 4.8% rate increase translates into an anticipated additional \$700,000 and \$1.9 million for 2024 and 2025, respectively, allocated to Water and Wastewater capital projects.

The Water Wastewater Master Plan and Asset Management Plan will be completed in 2024. In accordance with O.Reg. 453/07, the Water and Wastewater Long-Range Financial Plan will also be updated in Q4 2024. Given the rising rate of inflation in recent years, the recommended 4.8% annual rate increase is anticipated to change as the current allocations to capital are unlikely to satisfy the long-term financial needs to maintain services at levels approved by Council.

### **User Fees**

User fees reduce tax levy requirements. Instead of a tax subsidy where everyone pays for a portion of the service, a user fee assigns the responsibility for funding a service to the people that actually use it. Every year staff review their existing user fees to determine if the fees provide an acceptable level of cost recovery for services. Any adjustments to fees outside the Miscellaneous User Fee By-Law will be presented to the

Committee for consideration. In addition, new fees will also be presented for the committee's consideration in the form of a business case. In addition to changing user fee rates, council can also direct a change in service level which would directly relate to a change in funding from either user fees or tax subsidy.

The User Fee Framework was approved through 2022 budget deliberations and was established to support an expectation that fees, or the lack of fees, demonstrate a thoughtful perspective about how services fit into the community's quality of life. The framework is based on a set of principles that are reflected in cost recovery targets for each fee-based service. It also serves as useful criteria when introducing new services or making service level adjustments.

Staff anticipate preparing fee change options for Committee's consideration that would change the ratio of tax support for fees that fall within the four framework categories. The following describes the categories within the framework:

**1. Community benefit:**

Benefit to a large portion of the community or the whole community benefits from a service. For example, streetlighting can be highlighted as it benefits the entire community, but a user fee is not charged for it, and it is funded by the property tax levy.

**2. Primarily community benefit / less individual benefit:**

Benefits a large portion of the community or community as a whole but includes individual benefits. For example, this could include bus fares charged for transit services.

**3. Less Community benefit / primarily individual benefit:**

Services in this category benefit individuals or households with some benefit to the overall community. For example, user fees for fitness centres would fall under this category.

**4. Individual benefit:**

Services under this category benefit one person or a household and prevent usage from another non-paying person. Services in this category include private swimming lessons or trailer parks.

## **Business Cases for Service Level Change**

A report will be presented to the Finance and Administration Committee in the fourth quarter of 2023 describing draft business cases. Along with including options for service level enhancements, this report will also include business cases that examine revenue generating and service reduction options for Council's consideration as one measure to achieve the 4.7% budget direction and additional option for a further 0.8% reduction. Alternatively, changes to existing service levels resulting in a net savings could be used to fund business cases without requiring an increase in the property tax levy.

## **Service Partners**

The service partners have been requested to follow the direction given to staff for their own budget development, and to deliver their 2024-2025 budget presentations to the Finance and Administration Committee.

## **Contribution to Tax Rate Stabilization Reserve**

A contribution to reserve of 0.5% is included in the 2024 budget (and subsequently removed for the 2025 budget) and may be used to reduce risk of cost fluctuations from implementing a multi-year budget.

## **Summary**

Work continues on reviewing both operating and capital budgets to ensure the final recommended budget reflects Council's budget direction. The draft budget will be presented November 15, 2023 and, subject to a public review period, be considered by the Committee in December.

## Resources Cited

- 2024-2025 Budget Direction Report (June 20, 2023)  
<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=49864>
- Core Services Review Update (February 21, 2023)  
<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=48724>
- Strong Mayor Powers  
<https://www.ontario.ca/laws/statute/s22018>

## **Appendix A: Draft Mayoral Direction Regarding the Budget Development Process**

### Direction to the Chief Administrative Officer regarding the 2024-2025 Budget:

In accordance with subsection 284.3 and 284.16 of the *Municipal Act, 2001* (the "Act"), the Mayor hereby directs the Chief Administrative Officer to:

1. Prepare a draft City of Greater Sudbury 2024-2025 Operating and Capital Budget and Forecast in accordance with the requirements of the Act;
2. Provide the Mayor with periodic updates on the 2024-2025 Draft Budget; and,
3. Provide the draft budget to each Member of Council and the public no later than [date], 2023.