

2025 Budget Status Update Report

Presented To:	Finance and Administration Committee
Meeting Date:	September 10, 2024
Type:	Managers' Reports
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Report Summary

This report provides information regarding the status of the 2025 Budget.

Relationship to the Strategic Plan, Health Impact Assessment and Climate Action Plans

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

In 2023, Council approved a two-year operating budget and a four-year capital budget. This resulted in a net tax levy increase of 5.9% and 7.3%, respectively, for 2024 and 2025. In accordance with the Municipal Act, 2001, Council must readopt the budget for 2025.

On May 22, 2024, Council provided further direction to staff for the 2025 operating and 2025-2027 capital budget. Specifically, Council directed staff to adjust the 2025 budget such that it produced no more than a 4.9% change over 2024 taxation levels, inclusive of the 1.5% infrastructure renewal levy approved in 2024. This prompts service adjustments from current plans. Work remains on schedule to submit the 2025 Annual Budget Update Report for Council's review on November 19, 2024, with approval anticipated by December 5, 2024.

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

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

Operating Budget

Council Approved Operating Budget

In 2023, Council approved its first multi-year budget. The allocation of the approved property tax increase is as follows:

Table 1: Allocation of Approved Property Tax Increase

	2025	
	Percentage	Dollar Value
Provincially Mandated Programs	0.6%	2,161,449
Investment in Capital Increase due to Inflation	1.1%	3,744,793
Accelerated Infrastructure Renewal Levy	1.5%	5,268,972
Municipal Services (Net of Assessment Growth)	2.5%	8,770,369
Municipal Services Cost Changes	5.7%	19,945,583
Service Partners	0.3%	953,030
Greater Sudbury Police Services	1.4%	4,911,388
Council Approved Property Tax Increase	7.3%	25,810,001

The process for preparing and adopting a multi-year budget and the requirements for a municipality's budget are prescribed in the Municipal Act, 2001. Establishing an annual review process is mandatory.

2025 Budget Changes

Changes to the 2025 budget are still being analyzed and entered. In addition to the matters required to be addressed by the Municipal Act, 2001 and in accordance with the Multi-year Budget Policy, 2025 budget changes may include;

1. New or Changed Regulations
2. New or Changed Council Directions
3. Changes in Cost or Revenue Drivers

Table 2: Summary of 2025 Budget Changes by Category

	Dollar Value	Percentage
2024 Approved Levy	\$ 355,658,090	
2025 Approved Levy*	\$ 385,024,672	7.3%
Recommended Budget Changes		
Budget Reductions	\$ (1,882,773)	
Cost or Revenue Driver	\$ (1,882,773)	
Utility Analysis	\$ (172,012)	
Payment in Lieu of Taxes and Interest Revenue Updates	\$ (651,282)	
LED Streetlight Completed Internal Borrowing	\$ (1,059,479)	
Multi-Year Budget Policy Changes	\$ 2,042,190	
Cost or Revenue Driver	\$ 2,018,106	
Greater Sudbury Police Service Updates	\$ 754,565	
Renewed/Tendered Contracts	\$ 550,643	
Additional Investment in Capital due to Change in NRBCPI	\$ 535,558	
Salary/Benefit Adjustments from Negotiations, Job Evaluations, etc.	\$ 177,340	
New or Changed Regulation	\$ (0)	
Long-Term Care Additional Funding	\$ (0)	
New or Changed Council Direction	\$ 24,084	
Operating Impact from Previously Approved Capital	\$ 24,084	
Total Recommended Budget Changes	\$ 159,417	
Total Council Approved Levy with Recommended Changes**	\$ 385,184,089	7.1%
Direction from May 22 F&A Committee**	\$ 377,353,233	4.9%
Adjustments required to meet the May 22 Committee direction	\$ 7,830,855	

*Net of 1.0% assessment growth

**Net of 1.2% assessment growth

Assessment Growth

Assessment Growth is the total change in assessed value of all new properties built, less the value of properties demolished and the net impact of tax appeals each year. An increase in assessment growth allows the municipality to spread the costs required to be funded in its budget over a larger base of properties. This reduces upward pressure on property tax rates.

In 2024, assessment growth was 1.15%. Given recent population growth trends and successful assessment appeals, it is reasonable to anticipate, but it is not guaranteed, that assessment growth for 2025 may reach 1.2% instead of the 1% estimate originally included in the approved 2025 Budget.

Potential Service and Budget Adjustments

To achieve a budget direction of 4.9% (net of 1.2% assessment growth) in 2025, adjustments worth approximately \$7.8 million must be made to the 2025 Budget. This is explained further in Table 2.

Table 3 presents potential service and budget adjustments that could reduce the anticipated 2025 tax levy

change. Staff will prepare business cases for these concepts for inclusion in the 2025 Annual Budget Update Report subject to committee’s review and direction.

Table 3: Potential Service and Budget Adjustments

Items
Additional Risk
Increase Risk in Fire Marque Revenue
Increase Risk in Investment Income
Increase Risk in Streetlight Energy Costs
Increase Recycling Revenue Assumptions
Service Efficiency
Building Envelope Sealing Pilot
Negotiate Streetlight Maintenance Contract
Clarify Provincial Supportive Housing Funding Announcement
Examine Vehicle Fleet Utilization for Potential Reductions
Further Increase Risk in Winter Roads Maintenance Activities
Service Level Change
Close Some Residential Transfer Stations
Eliminate or Reduce Community Grants
Eliminate or Reduce Driveway Entrance Culvert Subsidy
Eliminate or Reduce Healthy Community Initiative Fund
Reduce Leisure Services Facilities
Reduce Leisure Services Programs
Reduce Summer Roads Maintenance
Adjust Winter Maintenance Services

Next Steps

Council directed adjustments to the approved 2025 Budget so the overall levy change would be lower than originally anticipated. Subject to further direction, staff will continue to assess potential adjustments and describe them as part of the budget update anticipated later this year. These include, but are not limited to:

- 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

During 2024-2025 budget deliberations, Council approved a four-year capital budget for the years 2024 to 2027. Consistent with the asset management policy, the four-year capital budget focuses on completion of projects approved in prior periods and new projects that meet the City’s highest needs. Council previously approved criteria to be used when considering potential capital projects. As the corporation’s asset management practices continue to evolve, one benefit is the ability to use asset condition data so that Council has greater assurance the linear (roads, bridges, drains) and vertical (buildings) assets identified in the four-year capital budget reflect the community’s highest renewal/replacement needs and support Council’s service priorities.

The four-year capital budget approved in December 2023 was based on project proposals submitted by directors and evaluated by a team of staff from across the organization. For the 2024-2027 capital budget, this team evaluated three prioritized lists of candidate projects and combined them to recommend the City's highest priority projects. Both linear and vertical assets have available asset condition data that were used to prioritize projects based on highest need. All other assets (i.e. environmental services, emergency services, information technology) considered capital project proposals and their fit with the Council-approved prioritization criteria.

The 2025 Annual Budget Update will include any changes requested by staff that relate to the three categories for budget change in the Multi-Year Budget Policy. As existing funding sources have been allocated to projects to the end of 2027, some changes may include delay or deferral of projects to fund highest priorities.

Accelerated Infrastructure Renewal Levy

There are many more capital investment needs than current funding levels can address. During 2024-2025 budget deliberations, Council approved a four-year accelerated infrastructure renewal levy of an additional 1.5% of the net levy in each year for 2024 through to 2027 for capital investment needs.

The accelerated infrastructure renewal levy for years 2024 to 2027, as shown in Table 4 below, have been allocated to projects within the 2024-2027 Capital Budget approved by Council in late 2023. This funding will continue as permanent funding after 2027 to expand the capital budget program and assist to address the significant infrastructure requirements.

Table 4: Accelerated Infrastructure Renewal Levy

Capital Levy *	2024	2025	2026	2027
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
	4,980,000	10,500,000	16,600,000	23,320,000
* after 2024 - assumes increase of 5% for NRBCPI, consistent with long-term financial plan				

Water and Wastewater Budget

Council approved the 2024-2025 Business Plan for Water and Wastewater Services that includes a rate increase of 4.8% per year, consistent with the Water and Wastewater Long-Range Financial Plan approved by the Finance and Administration Committee on June 4, 2019 and reflects:

- The cost of maintaining current approved programs at current service levels based on anticipated production volumes
- The cost associated with legislative changes and requirements
- The cost associated with growth in infrastructure operated and maintained by the City
- A reasonable estimate of water consumption

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 benefit from it. Every year staff review existing user fees to determine if the fees provide an acceptable level of cost recovery for services. Any adjustments to fees outside the 2025 Council approved fees will be presented to the Committee for consideration. 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

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 provides a 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 at the September 10, 2024 Finance and Administration Committee describing draft business cases. It will include options for service level enhancements as directed by Council or brought forward by staff. Financing options are identified within these business cases however changes to existing service levels resulting in a net savings could also 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 same direction given to staff when preparing their updates for the 2025 Budget, and to deliver their 2025 budget presentations to the Finance and Administration Committee should changes be required for their 2025 budgets.

Summary

Work continues on reviewing both operating and capital budget changes to ensure the final recommended budget reflects Council's budget direction. The 2025 Annual Budget Update Report will be presented to the Finance and Administration Committee on November 19, 2024, and, subject to a public review period, be considered by the Committee in December.

Resources Cited

- 2025 Budget Overview and Schedule Report (May 22, 2024)
<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=53392>
<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=53393>
<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=53394>
- Core Services Review Update (February 21, 2023)
<https://pub-greatersudbury.escribemeetings.com/filestream.ashx?DocumentId=48724>