

## BACKGROUND

The purpose of this report is to present the City of Greater Sudbury's 2020 Budget for approval. Following budget directions established by the Finance and Administration Committee in May and an update provided in September, staff provided the Committee with the proposed 2020 Budget for the Committee's consideration. The recommended budget follows the Committee's budget directions.

The community we want for future generations starts with the decisions we make today. Outcomes anticipated by the 2020 Budget make progress on the goals Council identified in its Strategic Plan, all while maintaining the second-lowest residential property tax rates in the province among cities with more than 100,000 residents. If approved as presented, business cases City Council directed staff to produce throughout 2019 are not included in the plan, in order to adhere to the financial guidelines Council directed staff to follow at the start of the budget development process. The budget incorporates substantial operating budget adjustments resulting from provincial funding changes that affected not only the municipal corporation, but also reduced funding available for the service partners that rely on property taxes. There is particular emphasis on asset renewal and a specific focus on road and drainage infrastructure. Water and wastewater rates recommended in this plan do not affect property taxes, as they are 100% user-pay and follow the long-range financial plan associated with the service.

### Base Budget Adjustments

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

Proposed 2020 Budget		3.5%
Base Budget Adjustments		
OMPF Increase	290,000	-0.1%
Assessment Growth Decrease	(275,000)	0.1%
		3.5%

### *Ontario Municipal Partnership Fund (OMPF)*

At the time the budget was prepared, staff were not anticipating any changes to the OMPF allocation as the province indicated the formula would not change. Since preparing the budget, the province announced OMPF allocations, which included a slight change to the City's Municipal Fiscal Circumstances Index. For 2020, the City will receive \$21.7 million, which equates to \$290,000 more than anticipated. As shown above, these funds are required to offset the shortfall in assessment growth.

### *Assessment Growth*

At the time the budget was prepared, assessment growth was estimated at 0.8%. MPAC has since completed entering the changes to assessment for 2020, which reflects assessment growth of 0.7%. This results in a funding gap of approximately \$275,000.

## **Business Cases**

After the preparation of the 2020 Budget document, additional information on business cases were requested.

### *New Business Cases*

To maintain the budget's production schedule, some requests for business cases were made after the deadline for including them in the published budget document. Appendices included with this staff report present business cases made after the production deadline:

- a) Town Centre Holiday Decoration Lighting – At the October 8, 2019 Council Meeting, Council requested a business case to enhance all holiday lights that are in the “poor” category to “new” category, including other sources of funding outside the capital process. The business case can be found in ‘Appendix 1’ of this report.
- b) Lighting Along Junction Creek Waterway Park (JCWP) – At the November 12, 2019 Council Meeting, Council requested a business case to install lighting along the 2.2 km section of the JCWP trail from the Downtown to the Flour Mill. This information will be presented and tabled at the December 3, 2019 Finance and Administration Committee meeting.
- c) LED Streetlight Conversion – At the November 18, 2019 Operations Committee Meeting, a business case was requested with information on converting HPS streetlights to LED streetlights on a one-to-one basis. This information will be presented and tabled at the December 3, 2019 Finance and Administration Committee meeting.
- d) Increased Security for Social Housing Properties – At the November 19, 2019 Finance and Administration Committee meeting, a business case was requested for increased security, installation of cameras, and better lighting at properties of greatest concern. This information will be presented and tabled at the December 3, 2019 Finance and Administration Committee meeting.

### *Business Case Amendments*

Increase Security for Downtown Facilities – At the November 6, 2019 Finance and Administration Committee meeting, additional information was requested. This information can be found in ‘Appendix 2’ of this report.

Advance the Valley East Twin Pad Multipurpose Sports Complex – At the October 8, 2019 City Council meeting, Council requested additional information. This information will be presented and tabled at the December 3, 2019 Finance and Administration Committee meeting.

## **Proposed Budget**

The following chart reflects the impact of the 3.5% tax increase for a typical household (2019 CVA \$230,000) by service area subject to Property Tax Policy.

Career/Urban (former City of Sudbury)	\$105
Composite/Commuter (former City of Valley East)	\$97
Volunteer/Commuter (all other areas except annexed)	\$93
Volunteer (annexed at amalgamation)	\$90

A 3.5% municipal property tax increase represents an increase of approximately \$105 annually or \$9 monthly to the typical homeowner that has a property assessed at \$230,000 (home in the former City of Sudbury); increases would be lower in the outlying areas. These increases may vary based on individual property's valuation changes through the recent provincial reassessment process, as well as the effect of the Property Tax Policy.

## **Special Capital Levy**

Staff is once again recommending 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 \$4.1 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 and, without some infusion of additional funds like those provided by a special capital levy, will not be adequately addressed to sustain service levels or meet expected service demands. This \$4.1 million dollars, using debt financing, would equate to approximately \$80 million in capital projects.

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. If a special levy was to be introduced, the capital projects that were prioritized but not included in the capital budget should be considered for funding. These projects can be found in 'Appendix 3' of this report.

## **Tax Supported Capital Budget (excluding Police Services)**

The 2020 proposed capital budget for tax supported services, excluding Police Services, is \$119 million with \$38 million being funded from the 2020 tax levy. The largest area of these capital expenditures is in the area of roads and drains, which has a 2020 budget of \$79 million.

Pages 392-460 of the budget document provide details of the projects proposed in the 2020 capital budget, as well as a 2021-2024 capital outlook. The total tax supported capital budget is funded from the following sources:

- a) Current year tax levy
- b) Provincial and Federal grants
- c) Reserve funds and Obligatory reserve funds
- d) Development charges
- e) Third party recoveries
- f) Debt

The approval of the 2020 capital budget as tabled would include future annual increases to the operating budget of approximately \$874,000 (excluding Water/Wastewater), which is outlined on page 387 of the budget document.

### **City's Share of Outside Boards (Service Partners)**

The City provides funding to the three Outside Boards and provides staffing to the Sudbury Airport Community Development Corporation. The cost of staffing is recovered from the Airport.

The Nickel District Conservation Authority (Conservation Sudbury) requested a 2% increase to its operating grant with a 20% increase to the capital grant; thus reflecting a 6.7% increase overall, which is reflected in the 2020 budget. This was presented at the November 19, 2019 Finance and Administration meeting.

The Public Health, Sudbury & Districts are scheduled to present a 10% increase to their annual allocation at the November 26, 2019 Finance and Administration meeting.

The Greater Sudbury Police Services (GSPS) presented its budget November 19, 2019 to the Finance and Administration Committee. The Police Services budget reflects a 4.9% increase and is currently presented in the City's base budget.

The impact to the budget from the Outside Boards represents 1.3% of the municipal property tax increase.

### **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 2020 Budget:

- a. Amortization expense - \$70.6 million
- b. Post-employment benefit expenses – \$2.7 million; and
- c. Solid waste landfill closure and post-closure expenses/(recovery) - \$(0.6 million)

The effect of including these expenses for a net total of \$72.7 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 are not budgeted for.

## **Options to Reduce the Tax Levy Increase**

At the May 14, 2019 Finance and Administration Committee meeting, an amendment to the budget direction resolution was passed directing staff to prepare required budget adjustments that would result in property tax increases of 3.0% and 2.5%. The value of a 0.5% and a 1.0% tax levy reduction is \$1.4 million and \$2.7 million respectively.

The list of potential reductions that can be found in 'Appendix 4' of this report.

## **SUMMARY**

The 2020 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 2020 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. It maintains Greater Sudbury's position as a community with one of the lowest property tax levels in Ontario.

The recommended 2020 Budget document reflects a 3.5% municipal property tax. This 3.5% tax increase is in accordance with the budget direction provided by the Finance and Administration Committee in May 2019.