



# ***Finance Committee Meeting***

***November 8, 2011***

Presented By: Doug Nadorozny  
Lorella Hayes



# Budget12

# Agenda

- Setting the Stage: Economy in Sudbury
- 2012 Budget Overview and Highlights
- Toward Fiscal Sustainability
- 2012 Proposed Budget Enhancements



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# Setting the Context

## – Opportunity

- We have a tremendous opportunity
- Experts predict a 20 year window of strong commodity demand
- \$130 billion worth of investment projected over the next five years for the Canadian mining industry - \$5.2 billion in CGS



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# Setting the Context

## – Opportunity

*“Sudbury, with its richly diversified mining cluster, is well-positioned to capitalize on this opportunity not only for the commodities it produces, but as a Canadian supply and services centre and a key educator and trainer for the next generation of mine workers.”*

**Pierre Gratton**  
**President**  
**Canadian Mining Association**



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# Setting the Context

## – On the Horizon

### ➤ Enormous Projects

#### – Vale AER Project

- Up to \$2 billion investment
- Expected to start in 2012 with 800 workers
- As many as 2,000 workers at peak (2013-2015)

#### – Quadra FNX Victoria Mine

- \$750 million investment
- 250 to 300 construction jobs (2013-2017)
- 200 permanent jobs



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# Setting the Context

## – On the Horizon

### ➤ Enormous Potential

#### – Cliffs Natural Resources

- \$1 billion investment
- Up to 2,000 construction jobs, 300 permanent

#### – Additional Projects

- Xstrata Smelter Renewal
- Vale Totten Mine re-opening
- First Nickel Lockerby Mine re-opening
- \$170 million in exploration in 2010



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# Setting the Context

## – A Building Year

- Strong results for first ten months of 2011
  - Net total building permits = \$211.7 million
    - +4.8% increase over 2010
  - Net value of new residential permits = \$72.7 million
    - +166% over 2010
  - New home average price \$370,000 (up 2.7%)
  - Resale market strongest in 3 years
    - Prices and sales volume up over 2010
  - Vacancy rate 3.1% (-2.3% from 2010)



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# Setting the Context

## – Strengthened Economy

- Unemployment rate now 5.8%
  - Down from 7.3% in December 2010
  - 3,000 jobs added in 2011
- Average income \$75,633 in 2010
  - Near provincial median
- Laurentian University at record enrolment
  - Up 3% overall from 2010
- Forecast for net in-migration for 2011, reversing small outflow during recession

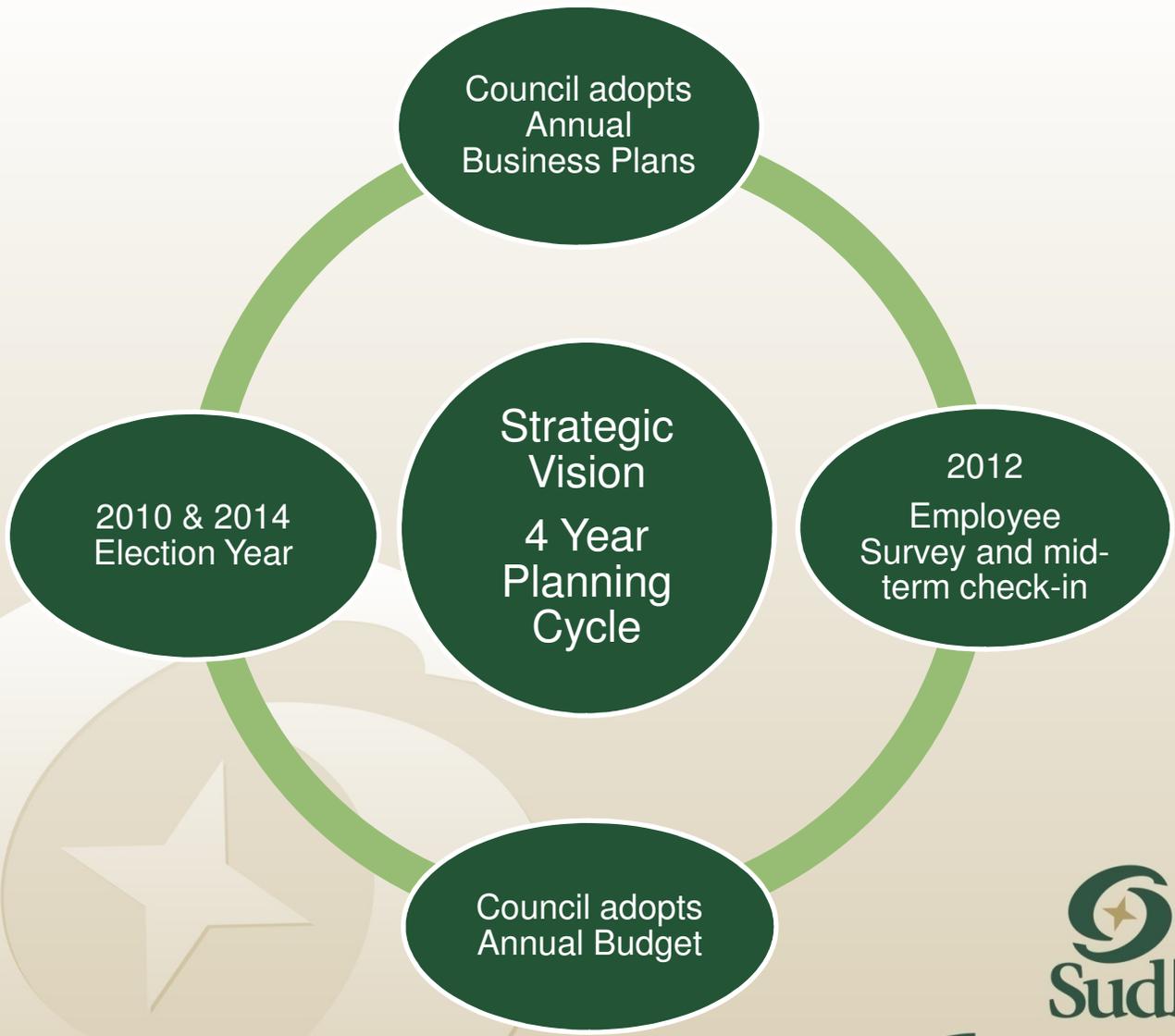
# Setting the Context

## – Mature Investments

- Grace Hartman Amphitheatre opens
  - Summer festivals enjoy record crowds
- Countryside / Cambrian Arena
- Living with Lakes Centre
- Villa St. Gabriel
  - 128 LTC beds provide much-needed capacity



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# May Finance Working Session

## Key Financial Themes

- Maintain low property taxes and financial sustainability
- Need for additional capital funding
- Maintain Reserve and Reserve Funds and debt at appropriate levels

## Other Priorities Identified

Fleet reduction strategies, efficiencies across departments, rationalization of municipal buildings and land, staffing levels, opportunities to increase revenues

## Changes to Budget Option Process

Public Input Early; staff prioritization, HCI,  
Council approval for options



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# The Annual Budget Process

## - Three Stages

1. Preliminary Forecast - May
2. Preparation of Budget - June to November
  - Staff preparation and detailed analysis
  - Assumptions and inflationary guidelines
  - Review of public input submissions
  - Reports to Policy/Standing Committee regarding Budget Enhancements
3. Council Review and Approval
  - November to January



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	<b>2011 Budget (Final)</b> (in millions)	<b>2012 Budget (Proposed)</b> (in millions)
Total Expenditures	\$473	\$484
Less: Revenues	(\$268)	(\$271)
Municipal Tax Levy	\$205	\$213

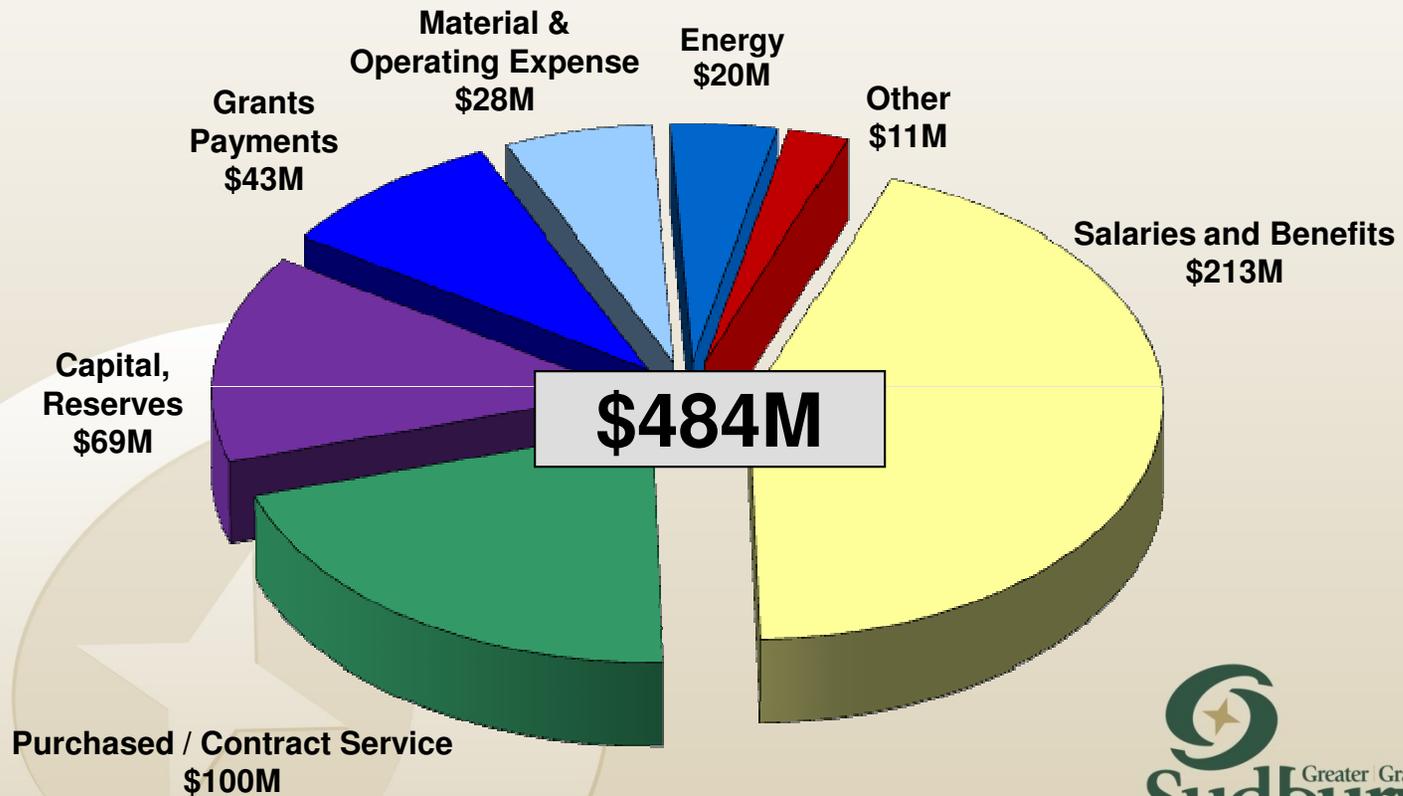


**\$8 Million Levy  
Increase**



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# 2012 Proposed Budget



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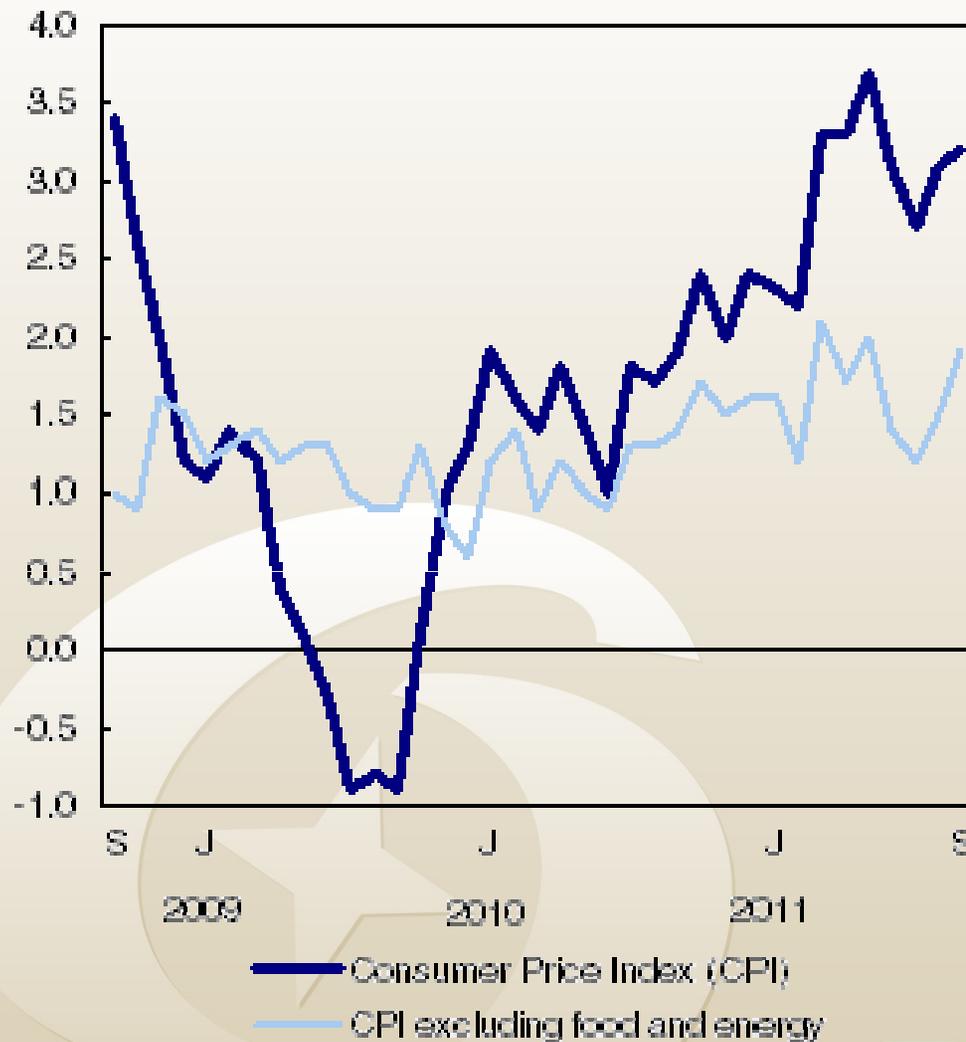
# Municipal Tax Increase

Base Budget Increase	3.9%
Add: Proposed Budget Options (\$1.4 Million)	- %
Less: Estimated Assessment Growth	<u>(1.3%)</u>
Municipal Tax Increase	<u>2.6%</u>



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12-month % change



← Sept Consumer Price Index: 3.2%



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# Ontario Municipal Partnership Fund (OMPF)

- Staff estimate – reduction of \$0.5M
- \$4 million of transition funding included in 2012 Budget
  - Consistent with 2011
  - To be confirmed by the Province by end of year



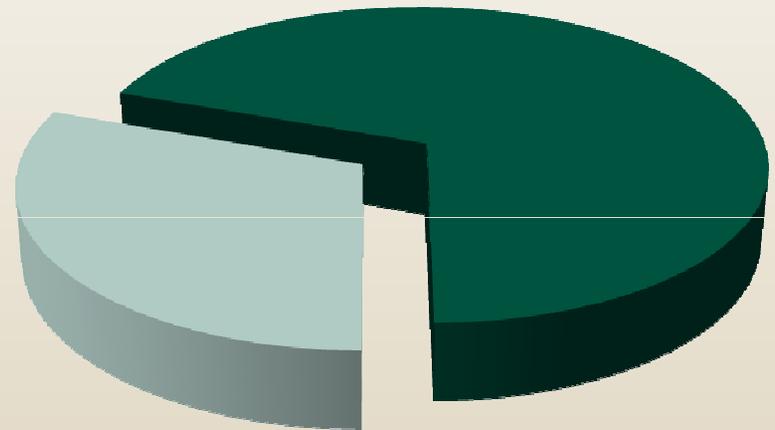
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# Our Employees

- 2,008 Full-time
- 1,021,005 Part-time / Temporary Hours

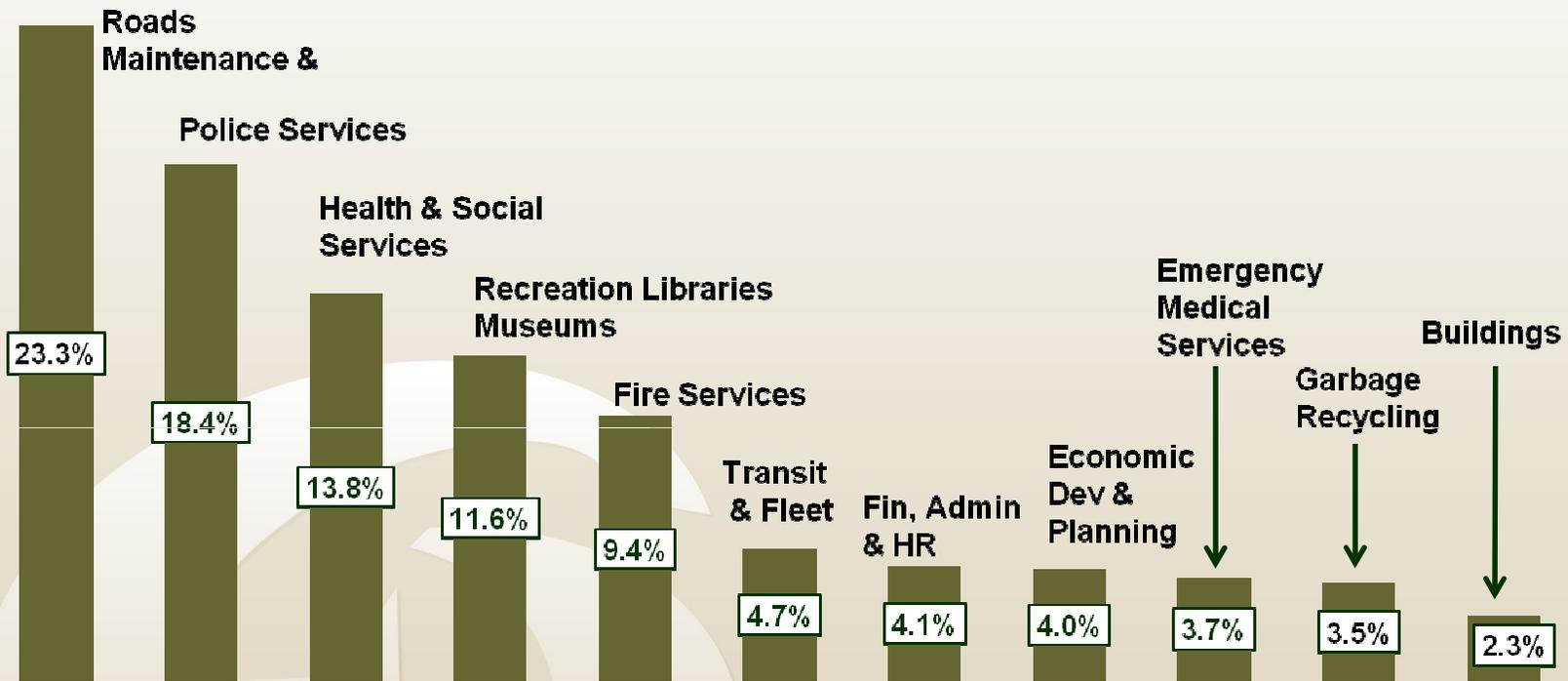


44% of 2012 Gross Budget



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# 2012 Budget Net Expenditures (funded by the levy)



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# Estimated Assessment

	<b>Total</b>	<b>Growth</b>
Residential (weighted)	\$10.1 Billion	\$175 Million
Non-Residential (weighted)	\$ 5.1 Billion	\$ 21 Million
<b>Total Assessment</b> (weighted)	<b>\$15.2 Billion</b>	<b>\$196 Million</b>
		= 1.3%

Residential includes Multiple-residential and Farm



# Key Highlights

	\$ (millions)	%
2011 Budget Approvals	\$1.3	0.6%
Provincially Mandated Programs	\$0.5	0.2%
Municipal Base Budget (costs to maintain service levels net of assessment)	\$4.3	0.9%
Outside Boards	\$1.9	0.9%
<b>Total Levy Increase</b>	<b>\$8M</b>	<b>2.6%</b>

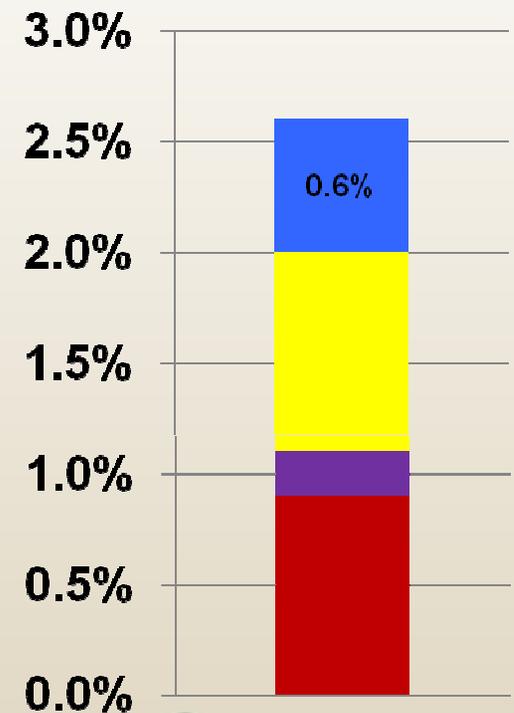


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# Highlights

## 2011 Budget Approvals \$1.3M or 0.6%

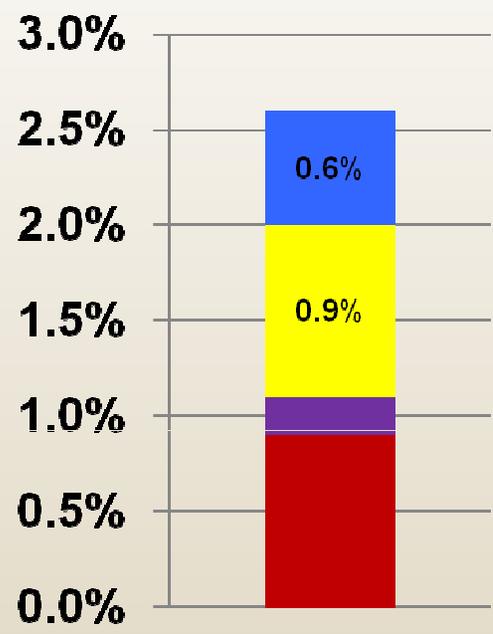
- Healthy Communities Funding - \$190,000
- Operating budget impacts identified through budget enhancements and capital projects - \$130,000
- Phase in of Transit Sunday Service - \$292,000
- Removal of one-time funding from Tax Rate Stabilization Reserve - \$713,000



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# Highlights of Budget Pressures Outside Boards \$1.9M or 0.9%

- NDCA and SDHU: City staff estimate
- Police: Base budget, plus phase in of 5 officers, and \$285,000 in capital for communications system replacement

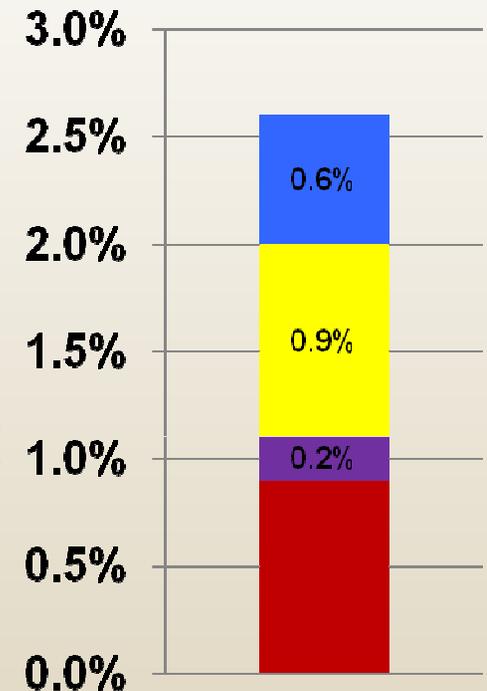


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# Highlights of Budget Pressures

## Provincially Mandated \$0.5M or 0.2%

- Legislated increase in grants to GSHC and non-profit housing providers
- Ontario Works - Upload of benefits - offset by reduction in OMPF Grant
- Child Care
- Emergency Medical Share - City/Province 50:50 share



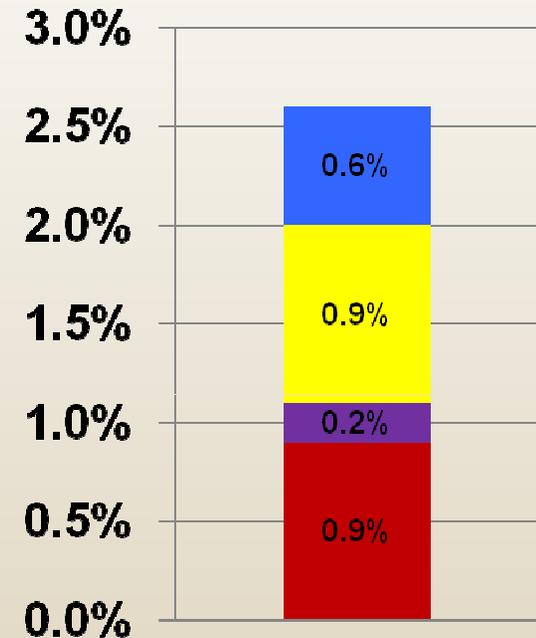
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# Highlights of Budget Pressures

## Municipal Base Budget \$4.3M or 0.9%

(Net of Assessment Growth of 1.3%)

- Contractual Salaries and Benefits
- OMERS
- Energy
- Inflation on Capital Envelopes
- Pioneer Manor staffing
- Phase in of Fire Protection costs as per WWW 10 year Financial plan

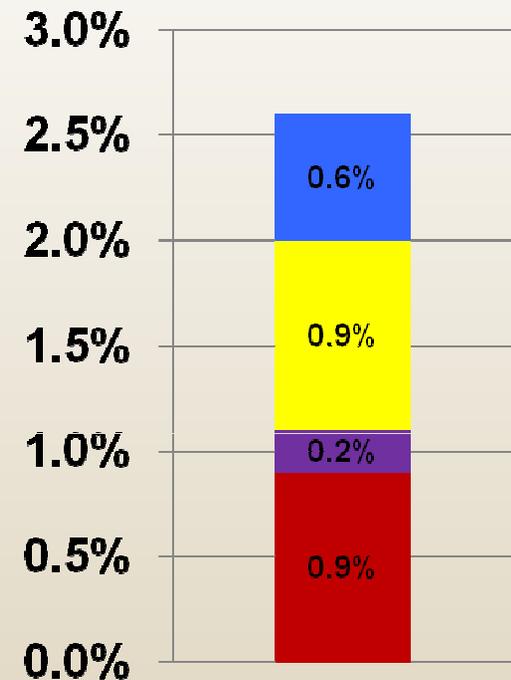


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# Highlights of Budget Pressures: Municipal Base Budget \$4.3M or 0.9% (Net of Assessment Growth of 1.3%)

## Offsetting items

- Fiscal Sustainability Reductions  
\$580,000
- Increase in User Fee rates
- Investment Income



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# Toward Fiscal Sustainability: Over \$1 Million of Initiatives

- \$580,000 of tax levy reductions in 2012
  - \$488,600 included in Base Budget
  - \$91,000 in proposed Budget Options
  
- \$495,684 increase to Parking Capital Reserve
  - \$71,374 included in Base Budget
  - \$424,310 in proposed Budget Options to increase parking fees



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# Toward Fiscal Sustainability: \$580,000 Permanent Tax Levy Reductions

- Changes to the way snowplowing of municipal facilities are performed
- Consolidation of advertising practices
- Increase in user fees to align with actual costs
- Increase of parking fines



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# Toward Fiscal Sustainability: \$580,000 Permanent Tax Levy Reductions

- Changes to standby pay in Winter Control contracts
- Fleet reductions (leases and vehicles)
- Mailroom efficiencies
- Reduction in contracting out



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# **Toward Fiscal Sustainability: \$495,000 Annual Increase for Parking Capital Funding**

- Changes to snowplowing of parking lots and other efficiencies
- Proposed increase in parking rates in accordance with the Strategic Parking Plan



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# Toward Fiscal Sustainability: Medium and Long Term Proposals 2012 & Beyond

- Review of City owned lands and buildings: possible consolidation, disposal
- Review of Fleet Services for efficiencies and synergies with Transit
- GIS initiatives
- Operational synergies within WWW and Roads Operations



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# 2012 Proposed Budget Enhancements

Budget Enhancement	\$	Tax Levy	
One-time Physician Recruitment Grants	\$400,000	—	2011 Projected Surplus (Tax Rate Stabilization Reserve)
One-time Grants for Operational Top Up Homelessness	\$351,736	—	2011 Projected Surplus and \$50K Grant (Tax Rate Stabilization Reserve)
One-time Grant to Hospice	\$56,545	—	2011 Projected Surplus (Tax Rate Stabilization Reserve)
Permanent Parking Fee Increase	\$424,310	—	Parking Fees to be Contributed to Parking Capital Reserve Fund



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# 2012 Proposed Budget Enhancements

<b>Budget Enhancement</b>	<b>\$</b>	<b>Tax Levy</b>	
Permanent Increase in User fees	\$126,000	(\$91,000)	Balance of \$35,000 Contributed to Roads Capital Reserve
Solid Waste Advisory Panel Recommendations	\$120,000	\$100,000	Balance of \$20,000 to come from User Fees
Additional Transit Route	\$93,420	-	Option to Fund from Provincial Gas Tax Funding



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# Tax Burden as a % of Income

(2010 BMA Study)

	<b>Property Taxes</b>	<b>Relative Ranking</b>
Sudbury	3.8%	Low
Min	2.8%	
Max	6.3%	
Average	4.1%	

Property Taxes: \$2,905

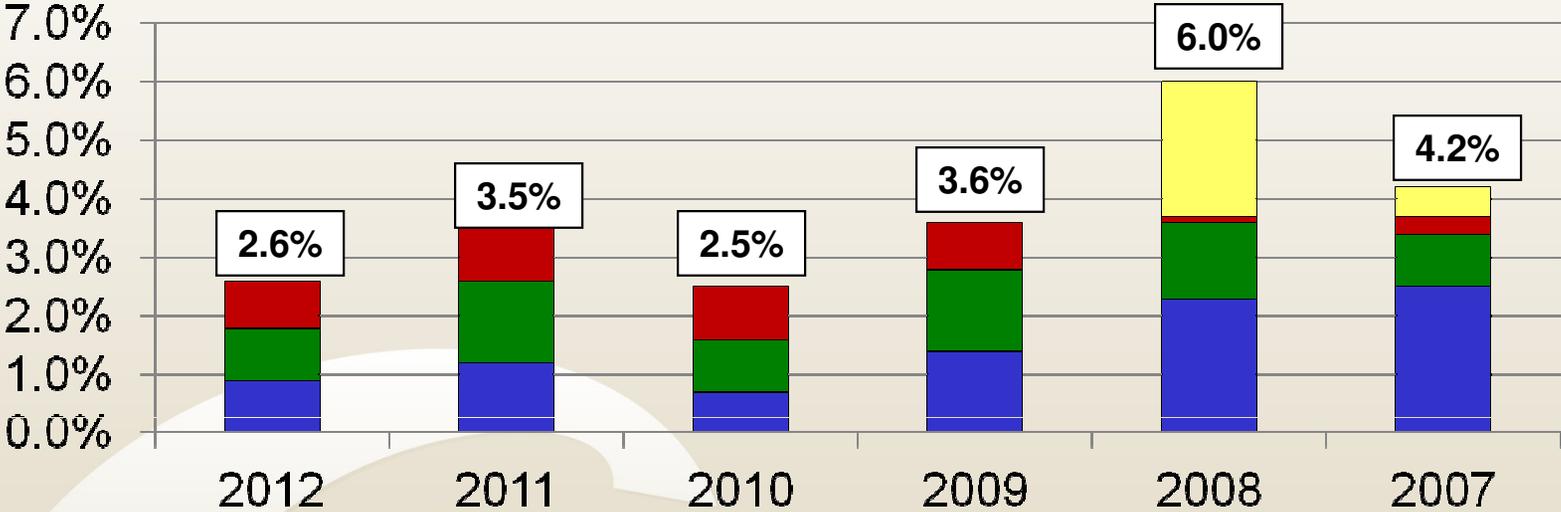
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Avg. Household Income: \$75,633



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# Tax Increases from 2007 to 2012



- Municipal Base Budget (net of assessment growth)
- Outside Boards
- Annualized Budget Approvals & Prov. Mandated
- Capital Levy



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# Impact of 2.6% Municipal Tax Increase

<b>Typical Bungalow Assessed at \$186,000</b>	<b>Senior Executive Home Assessed at \$395,000</b>
\$63 Per Annum Increase	\$133 Per Annum Increase



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# Increase Inflation on Capital

	<b>Change Policy on Inflation Index</b>
Proposed Budget (Including Enhancements)	2.6%
Add: Capital Enhancement	0.4%
Proposed Budget (Including Capital Enhancement)	3.0%



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# 2012 Budget Schedule

<b>Capital Budget</b>	<b>October 5<sup>th</sup></b>
<b>Budget Overview and Tabling of Budget</b>	<b>November 8<sup>th</sup></b>
<b>Presentation from Outside Boards</b>	<b>November 8<sup>th</sup> &amp; 21<sup>st</sup></b>
<b>Review of Base Budget</b>	<b>November 14<sup>th</sup> and 21<sup>st</sup></b>
<b>Water and Wastewater Budget Review (Operating and Capital)</b>	<b>November 24<sup>th</sup></b>
<b>Review and Voting on Proposed Budget Options</b>	<b>December 7<sup>th</sup></b>
<b>Final Overview and Approval by Council</b>	<b>January 24<sup>th</sup></b>
<b>Property Tax Policy</b>	<b>Spring 2012</b>



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***Questions***



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