

Request for Recommendation Finance Committee



Type of Decision									
Meeting Date	April 9, 2011			Report Date	April 8, 2011				
Decision Requested		Yes	X	No	Priority	X	High		Low
	Direction Only			X	Type of Meeting	X	Open		Closed

Report Title
Potential Budget Savings

Budget Impact/Policy Implication		Recommendation	
X	This report has been reviewed by the Finance Division and the funding source has been identified.	For Direction	
X	Background Attached		Recommendation Continued

Recommended by the Department
 Lorella Hayes Chief Financial Officer/Treasurer

Recommended by the C.A.O.
 Doug Nadorozny Chief Administrative Officer

Report Prepared By	Division Review
Lorella Hayes Chief Financial Officer/Treasurer	

EXECUTIVE SUMMARY

At the conclusion of the April 6, 2011 Finance Committee Meeting, Mayor Matichuk provided the Chief Administrative Officer with a list of potential budget savings. The potential budget savings have been identified as the difference between the 2011 Base Budget and the 2010 Projected Actual.

The attached spreadsheet (Appendix A) provides the Finance Committee with Management's comments and findings regarding these variances.

BACKGROUND

The City prepares the annual budget in accordance with the "Base Budget Preparation Policy". See Appendix B attached. The annual budget is an estimate of future revenues and expenses. It almost always differs from actual results.

Since these variances identified in the attached spreadsheet are at the detailed line accounts, it is important to identify the City's internal practices regarding budget variances.

After an annual budget is approved, staff monitor expenditures and revenues on a regular basis. The department head is responsible to ensure that the net expenditures are within the approved authorized budget. Individual expense categories may be over budget and/or revenue categories under budget as long as the net expenditures are within the approved budget for their cost centre, section, division or department.

A variance report is prepared for Council on a quarterly basis and variance explanations are provided for all variances in excess of \$200,000 within a division or section.

The Finance Department is in the process of developing an operating and capital budget policy, which will be presented to the Policy Committee in 2011.

Budget Preparation

During 2010, staff identified a number of financial challenges that would be present for the 2011 budget. In light of this, the Chief Administrative Officer kicked off the 2011 budget process at a Management Offsite Meeting on June 25, 2010. The Toward Fiscal Sustainability Plan was presented and the top three tiers of management began to work. The 116 attendees were asked four questions to solicit ideas on the issue of fiscal sustainability. The group was divided into twelve working teams and asked to brainstorm around the four questions/discussion points. Each group verbally presented a brief summary of their ideas to the larger group.

The four questions were as follows:

1. Brainstorm changes to service delivery that could be investigated (e.g. service level changes, elimination of service, alter the way the service is delivered).
2. Develop a list of examples where the use of contractors/purchased services can be changed to produce savings (e.g. expanded, minimized, performed internally by pooling resources).
3. Explore ideas to increase revenues.
4. How can we ensure that the healthy communities strategies are integrated in our decision making?

The discussions resulted in 173 individual ideas/notes. Some of these ideas formed the short-term action items already approved by Council, and over 2011 and 2012 will save the Municipality almost \$680,000. Many of the remaining list of ideas, coupled with feedback from Councillors formed the medium and longer term action items.

In addition, general inflation equal to the Canadian Consumer Price Index of 2.4% in December 2010 was not applied to the line accounts, except where the amount was contractually obligated or was justified by the operating department. This resulted in savings of \$1 million that was not added to the tax levy.

Since the budget was not tabled until mid-February, staff had the opportunity to more closely look at 12 months of operating results and evaluate if further savings could be identified. This process reduced the tax levy increase from almost 5% to 3.9%. This meant that the tax levy was reduced by more than \$2 million by staff before the budget binder was tabled. Examples of the reductions include, reduction of WSIB internal premium, refining the budget estimates for the Environmental Services Contracts based on historical actual results, detailed accounting of Fleet inventory and related cost allocations to departments, a closer look at historical revenues to ensure levels were adequate.

There is more work to be done. The Senior Management Team looks forward to working with Council and staff to further define and add more ideas and suggestions to the Toward Fiscal Sustainability Plan.

CONCLUSION

Staff reviewed the lists of potential savings, and consolidated the results in the attached spreadsheet for your consideration and direction.

APPENDIX A									
Item	Division	Cost Centre	Expenditure Category	Potential Budget Savings Identified	2011 Budget	2010 Budget	2010 Projected Actual	2010 Unaudited Actuals	Variance Explanation
1	HR Admin	1305	Purchased Contracts	\$50,000	\$233,114	\$220,113	\$285,205	\$314,087	Purchased Services - Primary components are legal fees (\$170k) and Employee Assistance Program costs (EAP) (\$100k). Legal spending last year was over budget at \$240k causing overall purchased services to be over budget with offsets in other areas of the HR/OD budget.
2	IT: Network and Support	1120	Purchased Contracts	\$107,524	\$698,590	\$591,178	\$591,066	\$585,420	Due to a growth in the number of users and the number of applications, the actual cost of licences has increased by \$100,000 in 2011. This has been partially offset by savings from a reduction in the number of fax lines and a freeze on printers. Telecommunications costs relate to the actual costs of the City's fibre network, which provides data and VOIP to all CGS buildings. This line is budgeted to reflect actual expenditures which have increased due to growth. The Managing IT Growth Plan includes strategies such as a review of licences against job functionality and use of hosted solutions where practical.
3	Clerks Services	1510	Purchased Contracts	\$25,380	\$72,208	\$72,208	\$46,828	\$43,311	Due to the Municipal Election which occurred in 2010, staff in Clerk's did not have the time necessary to complete routine records maintenance last year. Most of these costs are associated with destruction of records whose retention period has expired as per the Retention By-Law. and avoids cost associated with long term storage of unnecessary records and the budget is expected to be fully expended in 2011. Advertising costs for meetings of Council and Committees as well as citizen appointments have been reduced over a period of years to an historical average of \$57,000. To date in 2011, \$23,748 has been expended from this account, which reflects in part the additional advertising associated with filling the positions on Boards and Advisory Panels. This budget will be fully expended or possibly slightly over expended in 2011. As part of Fiscal Sustainability savings identified for 2012, a review of advertising practices and issuance of an RFP for print advertising is expected to reduce costs in this area.

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4	Greater Sudbury Dev Corp Adr	2105	Materials	\$230,437	\$298,497	\$78,447	\$68,060	\$66,782	<p>60940-01-2105-500220 B Purchase of Land in the Valley East Industrial Park - A \$200,000 increase addresses the purchase of land in the Valley East Industrial Park which was previously approved by Council. This purchase is being offset by a contribution from the Industrial Land Reserve Fund; a fund intended for this purpose. The land became available in 2010 but the transaction was not to be completed until 2011. A Council by-law was October 13, 2010 approving this transaction.</p> <p>60940-01-2105-500145 B Settlement Program /Material & Supplies - The increase of \$13,750 is related to the Local Immigration Partnership Program B Settlement Program. The department has committed to lead the development of a settlement strategy for newcomers/immigrants to Greater Sudbury. The program is being funded 100% by Citizenship Immigration Canada through federal grant (42003-01-2105-500145).</p> <p>61695-01-2105-500145 B Settlement Program/Material & Supplies - The increase of \$4,200 is related to the Local Immigration Partnership Program B Settlement Program and travel expenses related to the Local Immigration Partnership Coordinator. They are required to travel to various meetings throughout the Province at the Ministry=s request. The department has committed to lead the development of a settlement strategy for newcomers/immigrants to Greater Sudbury. The program is being funded 100% by Citizenship Immigration Canada through federal grant (42003-01-2105-500145).</p> <p>61055-01-2105-500400 B Cultural Mapping Project /Miscellaneous Expenses - The increase of \$10,100 is related expenses to the completion of the Cultural Mapping Project. The project was initiated in 2010 and is being completed in 2011. The increase in expenditure is being offset by provincial grants from the Ministry of Tourism and Culture (41255-01-2105-500400 and 41267-01-2105-50400). Further, the project also received a financial commitment of \$41,000 from the GSDC through the Economic Development Projects Fund through a motion passed at the November 12, 2009 Board meeting. This commitment was reported to Council in the GSDC Quarterly report on investments in January 2010.</p>
5	MySudbury	2194	Purchased Contracts	\$92,542	\$361,162	\$249,480	\$268,620	\$289,535	<p>The consultants costs in acct. 65620-01-2194-500206 is for a funding program titled Immigration Portal Phase 3. The project was funded at 100% by the Ministry of Citizenship and Immigration for the development of iPhone/iPad applications. The consultants line for the project totalled \$158,000 with \$21,400 spent in 2010 and \$136,600 to be spent in 2011. All funds are required to be spent before March 31, 2011 as per our contract with the province.</p> <p>The Community Engagement costs in acct. 65582-01-2194-500206 is for the funding project titled Immigration Portal Phase 3. The project was funded at 100% by the Ministry of Citizenship and Immigration for the development of iPhone/iPad application. The Community Engagement line account for the project totalled \$50,000 used for community data collection, content development and partnerships. Those funds were not spent in 2010 and are required to be spent in 2011 as per our funding contract with the province.</p>

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6	MySudbury	2194	Salaries and Benefits	\$45,838	\$346,958	\$320,369	\$301,120	\$292,143	Cost difference between actual and 2010 budget is due to staff vacancy of 3 months prior to yearend which was filled in 2011. The City was also successful in obtaining a Provincial intern funded by NOHFC at \$27,000 but this required top up of salary of \$7,200. The staff permanent vacancy has been now filled but at lesser rate resulting in a budget reduction option of \$13,400.
7	Land Rec	2445	Materials	\$295,829	\$440,418	\$462,812	\$144,589	\$136,900	Last year the Regreening Program received large donations totaling \$490,000 from Vale and Xstrata Nickel. The City's portion of the Regreening budget is about \$170,000. The donations are given with the understanding that the City will be maintaining its share of the costs. Since 2010 was the first year that we received such a large donation, most of the amount was put into the MATERIALS AND EQUIPMENT expenses account with the understanding that from there it would be used to supplement other accounts as needed (e.g., you can see that the Wages, Purchased/Contract Services/Biodiversity are over spent). This approach provides much-needed flexibility in dealing initially with a large new donation. The Regreening Program budget has many variables from year to year. In 2010, for example, we received an unexpected donation of \$73,000 from Tree Canada. Given the time of the donation we applied the amount toward trees that had already been ordered, which decreases the amount required from the donations from Vale and Xstrata Nickel. In the end about \$249,000 was put back into reserve in 2010. This will not always be the case. We require additional funding for larger numbers of much more expensive plant material to fulfill objectives of the Biodiversity Action Plan
8	Bldg. Serv	2410	Purchased Contracts	\$52,290	\$106,503	\$91,864	\$54,213	\$53,898	The additional costs are to capture costs to hire Professional Engineers to validate opinions by staff related to Order to Comply and unsafe building orders under the Ontario Building Code Act prior to going to court and/or demolishing buildings or structures such as collapsing retaining walls. As well renovation costs unspent in 2010 are placed in the Building Reserve to be spent in 2011. This component does not impact on the Levy as these are recoverable through the Ontario Building Code Act through fees.

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9	Transit: Administration	4760	Purchased Contracts	\$39,056	\$66,330	\$66,330	\$27,274	\$27,274	The purchased service is primarily involved in transit marketing. The average historical actuals are \$68,000. In 2011 two major public marketing campaigns will be undertaken to inform the public of transits real time information opportunities for passengers waiting for buses tied to all bus stops and bus service. As well a major marketing campaign is required to move persons with disabilities onto our accessible bus fleet and off or the handi transit system thereby saving the transit system large amounts of dollars and avoided costs.
10	Transit : Depot	5480	Energy Costs	\$443,490	\$2,592,695	\$2,508,408	\$2,149,205	\$2,149,205	The increase is based on the City's best estimate of 2011 diesel fuel and other fuel cost required to run the buses in 2011. This is based on 4 years of historical actual costs and the price of diesel fuel. In 2010 diesel fuel averaged less than \$0.90 per litre and in 2011 it was estimated the average price would be \$1.05 per litre or an increase of over 17 %. This \$400,000 accounts for this price differential over which the City has little or no control. Given current prices at the pumps this fuel budget now seems understated.
11	Parking: Sudbury Arena Lot	4720	Salaries and Benefits	\$87,672	\$128,516	\$125,829	\$40,844	\$2,527	The Arena Parking Lot carries the Part Time Wages budget for parking lot attendants for Parking Lot Cost Centres at Tom Davies Square (4726), Centre for Life (4729), Shaughnessy Street East/West Lots (4738) and the CPR Lot (4742). These cost centres have no corresponding staffing budget. Actuals for all of these lots in 2010 was \$105,000 however this is dependent on the number of yearly events which require attendants i.e. Sudbury Wolves playoffs etc. Total wages in Parking overall have decreased by \$35,000 between the 2010 and 2011 budgets. Any reduction in hours of attendants is a reduction in level of service. Any surplus in the parking area is placed in the Parking Reserve

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12	199 Larch St.	1541	Purchased Contracts	\$64,616	\$664,983	\$647,578	\$600,367	\$658,782	199 Larch Street purchased service costs are shared with the province with the province having the majority share of 71% . Year end actual costs were 1.7% higher than the budget for 2010. The Purchased Service line accounts reflect fixed contracted service costs such as Maintenance , Janitorial , Security ,Garbage Collection plus breakdown and repair costs which are unpredictable and based on historical actuals. All painting and decorating was reduced in 2010 to less than 50% of the budget for 2010 to offset unexpected breakdowns throughout the year and to balance the total facility Expenses to within 1% of the Budget. The 2011 proposed budget increase primarily reflects the 2.7 increases in the fixed contracted service costs as well as a prediction of 1.4% increase to the historical maintenance costs. This is a balanced cost centre with no impact on the levy.
13	TD Square	5150	Purchased Contracts	\$142,011	\$896,777	\$868,098	\$754,766	\$796,365	200 Brady Street purchased services costs are a combination of fixed Security , Janitorial , Garbage Collection ,ESA , Elevator Maintenance plus breakdown and repair costs which are unpredictable and based on historical actuals. Historically the results of unpredictable repair and maintenance can vary from the predicted budget by as much as 20%. Although the city benefited from less than expected Snow removal, and repair costs at the site during 2010 , the saving was offset by an increase in energy costs for the same period resulting in the overall facility expenses to be within 2% of the 2010 budget . The 2011 proposed 3.3 % budget increase primarily reflects the increases in the fixed contracted service costs as well as a 1.4% increase to the historical maintenance costs.
14	Environmental Services: Project/Studies	5510	Purchased Contracts	\$62,984	\$300,002	\$290,283	\$237,018	\$237,017	This area fluctuates based on the type of reports or work the City is required to submit or complete on an annual basis. Every 3 years we are required to conduct additional reports for the MOE based on various Certificate of Approvals. These additional reports are due in 2011. There are also new guidelines currently under review by the MOE that could impact this area by approximately \$50,000 to \$75,000 per year and another \$15,000 every 3 years.
15 (a)	Waste Collection	5530	Purchased Contracts	\$200,000	\$2,858,961	\$2,801,180	\$2,687,988	\$2,687,988	This area fluctuates year to year based on various reasons (fuel, CPI, depot servicing etc.). 2010 is the first year in 3 years that the City has been under budget. The 2011 budget estimate was established by taking 2010 actual cost and adding increases as per contractual obligations such as fuel, HST, household growth and consumer price index.

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16	Blue Box Recycling	5550	Purchased Contracts	\$183,796	\$5,436,151	\$5,416,463	\$5,252,355	\$5,220,028	This area fluctuates year to year based on various reasons (fuel, CPI, depot servicing, service requests, tonnes recycled etc). 2010 is the first year in 3 years that we've been under budget. The 2011 budget estimate was established by taking 2010 actual cost and adding increases as per contractual obligations such as fuel, HST, household growth and consumer price index.
17	Geographic Info Surveys and Maps	2470	Purchased Contracts	\$38,631	\$163,891	\$98,054	\$125,260	\$146,930	This increase is due to the City obtaining an unlimited corporate ESRI software license agreement for all CGS work stations and all ESRI products instead of paying for a limited number of CGS work stations for ESRI software licenses (@ 7 work stations) as was the current practice. In 2010, the ESRI license is a contract that was signed for a period of 3 years at \$80,000 per year. As GIS applications have now become common place though out the workplace, it is important that all Divisions have direct access to the information this technology offers. This is an efficiency initiative for cost effective service delivery and is a corporate service to all CGS computer work stations. (\$40,000 for 7 work stations to \$80,000 for all work stations).
19	Home Composting	5555	Purchased Contracts	\$97,535	\$640,176	\$630,176	\$542,641	\$543,203	This area fluctuates year to year based on various reasons (fuel, CPI, depot servicing, tonnes diverted etc.). The 2011 budget estimate was established by taking 2010 actual cost and adding increases as per contractual obligations such as fuel, HST, household growth and consumer price index. The 2011 budget also includes a service enhancement approved by council in 2010 for curbside multi-unit residential building. These buildings will now be participating in the City's Green Cart organics and the leaf and yard trimmings program.
20 (a)	Housing	2485	Consultants	\$50,000	\$57,000	\$57,000	\$7,160	\$7,160	Budget estimate for potential forensic audits
	- removed from Revised List								

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23	Ontario Works: General Admin	3405	Purchased Contracts	\$305,738	\$551,517	\$308,447	\$245,779	\$141,485	Increase of \$308,020 is offset with corresponding revenue due to the way the province is reflecting the incentive funding program (Provincial subsidy account #41206 01 3405)
24	Ontario Works: Special Needs	3460	Purchased Contracts	\$69,164	\$1,107,748	\$1,038,584	\$1,038,584	\$742,588	These expenditures are client driven as they are to cover items such as prosthesis, dentures and orthodontics. Revenue to cover part of this expenditure is based on a funding formula from the Province. \$45,000 x 18.8% = \$ 8,145 would be the respective municipal cost
25	Children Services: Admin	3105	Materials	\$16,265	\$23,065	\$23,065	\$6,800	\$9,363	Depends on office needs that year. Funding formula is 80/20 so the savings is not 100%.
26	Cemeteries: Area Cemetery Services	4120	Purchased Contracts	\$39,414	\$165,000	\$118,473	\$125,586	\$210,832	Equipment and Maintenance up as grass cutting contract for cemeteries were renewed this year and were up from previous contract. Realigned the accounts for flower beds. There are no increased costs or changes in service. This area has no impact on the Levy as net revenues are contributed to reserves.
27	Parks General Mtce.	4425	Purchased Contracts	\$295,990	\$573,374	\$573,374	\$277,384	\$274,319	This account has been under spent due to the fact that activities in this cost centre have to be re-allocated to reflect the actual activities under purchased contract services in other parks dept. cost centers (4405 , 4410 , 4415 and 4420). Security services budgeted at \$206,040 has a variance of: \$59,448.09. Kevan has tendered the projects for 2011. We are expecting the tender to come in high due to increase in gas prices and staff wages. Snow and ice control: variance of \$39,132. We have experience savings in snow removal in leisure services in 2010 due to a mild winter and we have charged some of the snow removal under work done for others MMMS labour - 50001-01-4425-23851.The garbage disposal: variance of \$60,961.36 has been charged against the respective cost centers listed earlier (4405 , 4410 , 4415 and 4420).
See WWW tab for items 28 - 31									
32	Roads: Surface Shoulder	5310	Purchased Contracts	\$72,971	\$821,100	\$814,040	\$748,129	\$762,700	This cost centre was \$300,000 overspent due to a mild winter, early spring and extended summer season. Contract Services were purposely underspent by \$65,000 to reduce the over expenditure. Internal budgets within costs centres are reviewed and adjusted annually based on anticipated needs.

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33	Winter Ditching Spring Clean up	5343	Purchased Contracts	\$254,177	\$478,850	\$370,870	\$224,673	\$227,140	The winter ditching and spring clean up was underspent by \$250,000 in 2010 due to a mild and short winter. This specific cost centre was overspent in both 2008 and 2009.
34	Lionel E Lalonde Centre	2315	Materials	\$76,474	\$180,832	\$196,554	\$104,358	\$107,376	The 2010 actuals were approximately \$107,376 and under budget due to: As a result down turn in the economy, Staffmanaged spending on these accounts in 2010 in order to off-set a reduction in revenue to bring in a balance budget. 5 yr average spending is 165,164 and further this cost centre was reduced by (15,722) for the 2011 budget to minimize the overall budget increase. These accounts are used to maintain the 136,000 sq ft facility that houses approx. 260 employees for Police, Fire and Emergency Services. Materials would include: cleaning supplies, toilet paper, garbage bags, garbage disposal, paper towels, floor maintenance supplies, mops, brooms, pails, materials for equipment repairs, pumps, filter, ceiling tiles, bearings, belts etc. In addition, the CLELC has a number of external clients (45) who generated approximately \$ 250,000 per year in revenues for the corporation. Repairs and Maintenance include: Costs associated with maintaining all building systems such HVAC, boilers, fire safety, automation, structural etc. These funds were intended for the purchase of rooftop fans and are included in the report for transfer to various reserve. Reductions to the proposed 2011 budget will impact the daily maintenance and cleaning of this facility for both internal and external clients.
35	Emergency Medical Services: Admin	6305	Purchased Contracts	\$21,582	\$36,934	\$42,951	\$15,352	\$16,859	The budget actuals were approximately \$16,860 and under budget due to: 1. Spending in the later part of 2010 was closely monitored and spending practices were adjusted to mitigate the overall deficit of the division. Further this cost centre was reduced by (6,017) for the 2011 budget to minimize the overall budget increase. 2. Any reduction in the EMS budget will result in an equal reduction to the Provincial Land Ambulance Grant due to the 50:50 cost sharing agreement (a reduction of \$100,000 will result in a \$200,000 budget reduction). Failure to maximize the Grant could result in claw backs from the Ministry which would cause the Municipality to absorb more than the 50% cost of Land Ambulance Service thus increasing impact on the levy.

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40	Legal Fees in Financial Services	1215	Insurance Costs	0	\$400,000	\$365,170	\$349,029	\$602,714	Legal fees are charged through to the insurance accounts when a lawsuit is commenced by a plaintiff and the city insurance company is defending the action. The city receives the billing from the insurer for our deductible portion and division is based on the expenses; legal fees, adjusters fees, other professionals and or claims payments to the plaintiffs. If it is a small claims court case and a legal professional is required based on the recommendation of the city adjuster it has been forwarded to the same lawyer our insurance company has used in similar cases for their expertise in that matter. Typically only a few cases per year are in small claims court and require a lawyer. Finance (risk management) has approached legal services for assistance on small claims court actions (Value of claim is capped at \$25,000) and they are currently reviewing resources and expertise to see where they will be able to accommodate.
41	Police Budget - Reduce								
42	Professional Development, Training Out of town conferences								Budget reduced by \$245k in 2010. Staff reduced spending and where possible prioritized and centralized development activities to realize a surplus of \$81k. In 2011 SMT directed that PD budget be built from scratch by all budget preparers in new account values and a longer term systems approach be developed by HR/OD. These measures are aimed at continuing to provide for the development of Employees and control costs in this area.
43	Postage and Courier in Clerks	1510	Postage/Courier	0	\$242,846	\$247,486	\$237,000	\$237,209	

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44	Hiring Freeze								CGS has strict policies in place on the authority to hire or fill permanent full time employees (by the GM and CAO if in budget, by Council as a budget option or specific direction). On the use of temporary and part time wages, staff are expected to remain within the total budget allocated for salaries and benefits for their areas. There is a great benefit to the flexibility this affords in terms of filling vacancies of unknown durations, dealing with peak/seasonal demand for services or addressing unplanned service requirements. Staff will work on a policy based approach to address the issues raised by Finance Committee in 2011 budget deliberations.

Item	Division	Cost Centre	Expenditure Category	Potential Budget Savings Identified	2011 Budget	2010 Budget	2010 Projected Actual	Final Projected Actual	Variance Explanation
28	Water Treatment	5226	Materials	\$216,228	\$1,435,177	\$1,435,177	\$1,218,949	\$1,071,690	Chemical costs were favourably impacted by weather conditions in 2010. In addition, some of this decrease can be attributed to the timing of chemical purchases and some to a decrease in the consumption of water. At this point in time we cannot identify how much of the decrease is attributable to each of these components. If this budget item were reduced, then the possible impact in a normal or adverse weather year will see chemical costs increase and the budget over expended.
29	Water Meter Mtce.	5241	Materials	\$53,545	\$207,580	\$173,580	\$154,035	\$138,158	Of this increase, \$34,000 has been reallocated from another budget account and has no net impact on the overall WWW budget. Therefore the favourable variance is only \$16,000 and the variance was achieved by deferrals in the meter replacement program. The impact of a permanent reduction would mean that the rate of failing meters will increase thus having a negative impact on revenue collected and/or the program budget will be over expended in the future.
30	Waste Water Treatment	5256	Materials	\$213,952	\$1,335,580	\$1,335,580	\$1,121,628	\$888,046	Chemical costs were impacted by favourable weather conditions in 2010. In addition, some of this decrease can be attributed to the timing of chemical purchases. Of this favourable variance in 2010, \$100,000 has been allocated to pay for new chemical costs related to the new de-chlorination processes that became operational in 2010 at the Sudbury Wastewater Treatment Plant and the Valley East Wastewater Treatment Plant as a result of Environment Canada regulations. If this budget item were reduced, then the possible impact in a normal or adverse weather year that will see chemical costs increase and the budget over expended as well as insufficient budget dollars to pay for the new chemical requirement related to de-chlorination.
31	W/WW Misc.	5290	Materials	\$47,782	\$164,450	\$123,450	\$116,668	\$100,054	The favourable variance was achieved by deferrals in the acquisition of small tools as part of the 2010 initiative to curtail expenditures. The impact of a permanent reduction is not sustainable in the long run and replacement of required tools will over expend the budget.
Salary Variances Raised									
37	Water/Wastewater Administration	5201	Salaries and Benefits	\$350,333	\$979,800	\$629,467	\$956,775	\$956,457	The increase in 2011 budget is to cover increases in negotiated contractual wages and benefits, reallocation of two staff which has no net impact on the WWW budget. Any reduction in the budget line result in an over expenditure in 2011.
			Potential Savings	\$881,840					

Item	Division	Cost Centre	Expenditure Category	Potential Budget Savings Identified	2011 Budget	2010 Budget	2010 Projected Actual	Final Projected Actual	Variance Explanation
General Comments									
<p>It is important to put the discussion of individual line items into the context of the bigger picture of WWW Services. The operating results for WWW over the past three years are as follows; 2008 \$3.6 M deficit 2009 \$4.2 M deficit 2010 (projected) 0.8 M surplus. What made the difference in 2010? There are two major factors that impacted on 2010 results. Greater Sudbury had very wet weather in 2008 and 2009. When it is wet the cost of chemicals is higher for both water and wastewater treatment. The reason chemical costs are higher is because the quality of the water being treated fluctuates and in the case of wastewater the volume of water being treated fluctuates. Similarly if there is extremely dry weather the costs of chemicals can be much higher. 2010 was a moderate weather year and uneventful summer and therefore the cost of chemicals were less than 2008 and 2009. The expenditure variances that are highlighted in this report are a normal part of the WWW business cycle. The cost of operations varies from year to year due to environmental factors (similar to winter maintenance) that are uncontrollable. In any given year WWW operations will experience expenditure fluctuations that result in either a surplus or deficit. To manage these fluctuations so that there are not erratic WWW rate changes, surpluses are contributed to the WWW Reserve Funds and are available to offset deficits, thereby smoothing WWW rates over time. The second major factor that has influenced the 2010 results is several initiatives undertaken this year. These include: 1. Assigned a full time financial person to WWW Services 2. Analyzed line accounts to better understand actual expenditures relative to budgeted amounts 3. Undertook quarterly variance analysis and reported to Council 4. Analyzed and realigned budget line accounts to more closely approximate actual operational expenditures 5. Analyzed and realigned internal allocations as necessary 6. Developed the WWW Financial Plan 7. Curtailed discretionary operating expenditures to achieve expenditure reductions. For example: reduced the swabbing program, reduced the inventory of critical spare parts, reduced tank inspections and painting, deferred fibre repairs at David Street, reduced the vactoring program, reduced casual and overtime wages. It should be noted once again that the deferral of many of these expenditures although it has positive short term results may have significant long term results in both increased repairs and maintenance costs. Deferring expenditures in the short term is not operationally or financially sustainable in the long term.</p>									
Towards 2012 Budget									
<p>1. The 2010 surplus will begin to replenish the depleted WWW reserves 2. With variances that are primarily attributable to uncontrollable weather factors and the deferral of operating programs no budget reductions are recommended in 2011 3. Staff continues to analyze the fixed and variable costs to determine more accurately potential cost savings related to declining consumption and will ensure that these are reflected in the 2012 operating budget. As the City moves forward with a new maintenance management system, the level of accurate data will improve our ability to identify these costs and budget accordingly 4. Staff continue to realign and analyze budget and actual expenditures and looking for savings opportunities 5. Staff continue to work on the Strategic Business Improvement Plan which includes initiatives related to: Plant process optimization including energy, chemicals and bypass reduction plans. Complete the Master Plan which will focus on the infrastructure requirements in the long term and potential infrastructure rationalization. Strategic technology and business improvement studies that will focus on ways to work smarter and leveraging technology to provide efficiencies. Results of this work will be reflected in the 2012 budget and beyond as necessary.</p>									

Appendix B

THE CITY OF GREATER SUDBURY POLICIES AND PROCEDURES

DEPARTMENTS: All Departments

SECTION: All Sections

TITLE: Budget Preparation Policy

APPROVED BY: Chief Administrative Officer

DATE: December 4, 2006
Revised: June 22, 2007

1.0 CONTEXT AND NEED FOR A POLICY

To ensure that effective policies and procedures governing budget preparation are developed and maintained.

2.0 POLICY

The City of Greater Sudbury's strategic plans and priorities are established and implemented, through the allocation of resources in the budget. An allocation of resources is required to accomplish the desired goals necessary to meet the municipal mandate and Council's priorities.

The objectives of this policy are to encourage initiative, responsibility, and planning, while ensuring effective budget preparation control.

Each Senior Management Team (SMT) member is responsible and accountable to the CAO for ensuring that their budgets are prepared in accordance with the procedures outlined in this policy.

Key Principles of a base budget:

1. Council's approved initiatives are to be funded within the budget.
2. Legislative and contractual obligations must be satisfied.
3. Council approved service and standard levels are maintained.
4. Cost of providing services is minimized.
5. Other revenues sources are maximized, to minimize impact on property taxes.

Appendix B

3.0 PROCEDURES

3.1 Salaries and Benefits

3.1.1 Permanent Full Time Employee (FT)

1. Additions to the permanent FT complements are not permitted unless the FT increase was previously authorized by Council Resolution.
2. If not previously authorized, a budget enhancement option must be prepared for Council's consideration requesting the permanent FT.
3. Authorized Permanent FTs may be transferred between divisions/departments, if determined necessary by the Senior Management Team member. In addition, the budget reallocation form must be:
 - a. Reviewed by Finance; and
 - b. Approved by Chief Administrative Officer; and
 - c. The transfer disclosed in the official budget document.

3.1.2 Part-time, Crew Hours, Overtime Hours

1. Additions to temporary part-time, crew hours or overtime hours are not permitted unless:
 - a. Hours were previously authorized by Council Resolution or
 - b. Offsetting savings and/or a funding source identified,
2. Authorized part time, crew hours, and overtime hours may be transferred between divisions/departments, if determined necessary by the SMT member(s).

3.2 Non-salary Expenses

1. The non-salary expenses are permitted to increase from the prior year's budget based on the inflationary guidelines, which are set out by Finance at the commencement of the budget process. The SMT member is responsible to determine if the inflationary budget increases are required, based on anticipated future costs and historical spending patterns or less, if there are efficiencies that will be implemented.
2. The non salary expenses are permitted to increase in excess of inflation where there are cost increases resulting from contractual obligations and/or legislated matters.

Appendix B

3. The non-salary expenses should reflect the budgeted cost to deliver the Council approved historical service level or standard.

If an analysis of historical spending patterns illustrates a need to increase base budget (beyond inflationary levels), the matter should be brought to the attention of the Finance Department and the Chief Administrative Officer, who will determine whether a budget enhancement option should be prepared or if it should be added to the base budget.

4. Where the service level or standard approved by Council requires a budget increase in excess of the amount previously reported to Council, a separate report or budget enhancement option shall be prepared for Council approval. If however, the SMT member identifies a funding source, a budget transfer may be initiated.
5. Any significant change in service level or standard requires Council approval via budget enhancement or reduction option.

4.0 LEGISLATED HEALTH / SAFETY MATTERS

1. When on-going legislated and/or health and safety matters arise that were not previously budgeted, best efforts should be made to find efficiencies or cost savings to absorb these items in the base budget without significant increases. Budget increases less than \$25,000 are required to be approved by the Senior Management Team member.
2. If an increase greater than \$25,000 is required to the on-going base budget, the matter should be brought to the attention of the Finance Department and the Chief Administrative Officer, and a budget enhancement option should be prepared. A separate category -“Legislated/Health and Safety” enhancement options will be presented to Council for approval.
3. All one-time items which are legislated / Health and Safety are to be funded from the base Capital Budget. Large items that can not be funded from capital envelopes should be brought to the attention of the Finance Division and the CAO.

Appendix B

5.0 REVENUES

5.1 User Fee Revenues

1. Estimates for user fee revenues should be based on:
 - a. Reasonable best efforts to predict activity levels, based on anticipated changes, historical revenue patterns etc.
 - b. User fees should be increased in accordance with the User Fee By-law.
2. The following should be considered when determining user fee rates:
 - a. Costs of service, including direct, indirect costs, allocation of capital costs etc.
 - b. Levels of cost recoveries.
3. When there is a recommended increase to the User Fee rate in excess of the rate determined in the fee by-law, the increase should be:
 - a. Approved by the Senior Management Team member; and
 - b. Budget reduction option prepared; and
 - c. Approved through subsequent amendment of the User Fee By-law.

6.0 ONE TIME REVENUES/EXPENDITURES

- 6.1 Revenues that are not expected to be of an ongoing nature should normally not be used to fund ongoing expenditures. These revenues should be used to offset current or future one-time expenditures. The City will endeavour not to balance the current budget at the expense of future budgets.

7.0 BASE BUDGET REDUCTION TARGETS

- 7.1 In year enhancements to base budget approved by Council, will be excluded when determining budget reduction targets.