

Request for Decision

Toward Fiscal Sustainability

Presented To:	Policy Committee
Presented:	Wednesday, Jul 14, 2010
Report Date	Thursday, Jul 08, 2010
Type:	Presentations

Recommendation

That Council receive the report dated July 8th, 2010, "Toward Fiscal Sustainability" and that staff report to the Finance Committee and present any recommendations for consideration and approval during the 2011 and future budget deliberations.

Signed By

Report Prepared By

Lorella Hayes
Chief Financial Officer/City Treasurer
Digitally Signed Jul 8, 10

Recommended by the Department

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Recommended by the C.A.O.

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Background

Over the next few years, the City of Greater Sudbury will face a number of challenges which will necessitate a program of fiscal restraint. The following are the key challenges over the next few years:

- Additional capital funding to support over \$5 billion of capital assets, and the large infrastructure funding deficit
- The grant allocation under the Ontario Municipal Partnership Fund Grant is at risk, as a result of the increase in valuation of the City's property tax base.
- Desire to maintain low property taxes
- Program expansion and growth related expenditures
- Council priority projects
- Increasing costs of complying with regulations and legislation

Toward Fiscal Sustainability

There is no doubt the challenges are significant, but fiscal sustainability is achievable by looking to the City's Long-Term Financial Plan (LTFP) principles, which were approved by Council in 2002 and is a foundational document of the City of Greater Sudbury. The LTFP principles are designed to be flexible and adaptable; it fits within the framework of established strategic plans, and it works to promote a healthy and sustainable service delivery model for our community. The following is a summary of the nine key principles:

1. Ensure Long-Term Financial Sustainability
2. Deliver services in a cost-effective and efficient manner
3. Ensure operating revenues are sustainable and consider community-wide and individual benefits (taxes versus user charges)
4. Meet social equity objectives through specific programs
5. Manage the City's capital assets to maximize long-term community benefit
6. Recognize that funding from senior governments is a crucial element of financial sustainability
7. Use debt financing where appropriate
8. Maintain reserves and reserve funds at appropriate levels
9. Identify and quantify long-term liabilities

A municipality would be considered fiscally sustainable if the following conditions were met:

- Generate reliable and predictable revenues sufficient to meet current and future expenses.
- Build and replace capital assets to support City's infrastructure requirements.
- Provide expected level of municipal services efficiently and effectively.
- Achieve stability in property taxes increases and intergenerational equity.
- Ensure sound financial management and health.

Much of the groundwork has already been completed to determine a way forward for our municipality. The LTFP principles promote a strategic review of corporate practices. Progress has already been made in many areas but there is more to be done to realign budget expectations, refocus activities and streamline operational priorities and procedures.

Staff has built a program of fiscal review, using the LTFP principles as the foundation. Priorities and action items have been developed within a corporate-wide business strategy that will target the following areas:

- Cost efficiencies and service delivery,
- Revenue streams,
- Capital assets,
- Social equity objectives,
- Government partnerships,
- Debt financing, reserves and quantification of long-term liabilities.

By rethinking, refocusing and rebalancing our fiscal outlook, the municipality is prepared to manage these fiscal challenges. The following plan and action items will become part of a regular business cycle that invites ongoing review, management and creative solutions. See Appendix A for the Toward Fiscal Sustainability Plan.

Certain action items and initiatives will be worked on by City staff during the summer and fall of 2010. The results of this work will be presented to Council for decision making during budget deliberations 2011. Others require a longer term perspective, and the Senior Management Team will lead these initiatives over several years, and will be presented to Council for approval during budget deliberations 2012 and beyond.

The following chart illustrates the business cycle:



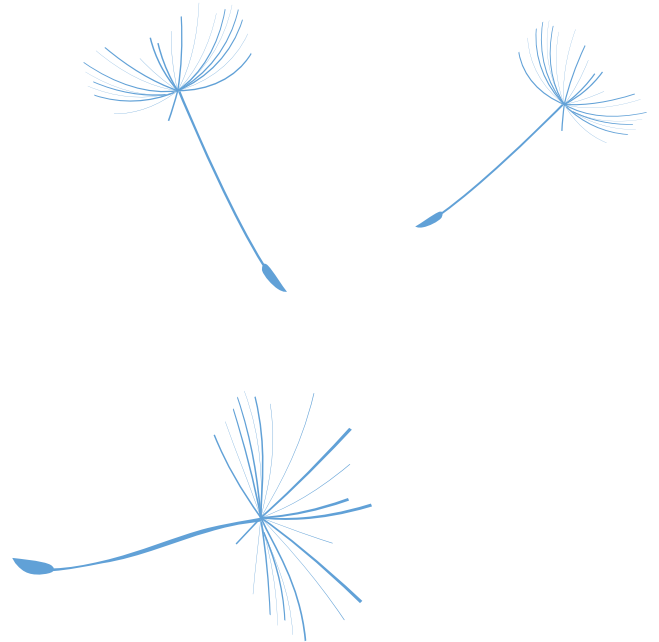
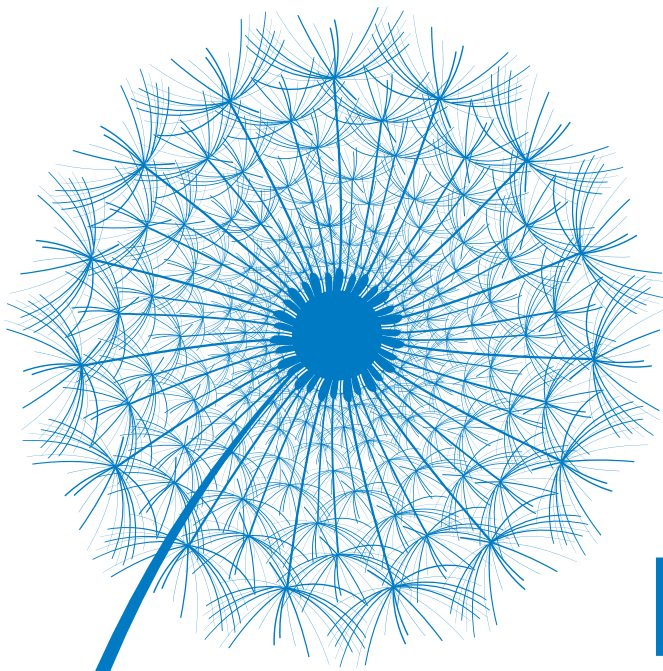
As illustrated above, regular updates to Council and citizens have been built into the cycle to ensure transparency and accountability.

Summary

The City of Greater Sudbury, like other municipalities, must continually realign budgets, refocus activities, and streamline operational priorities and procedures, to ensure value for property taxes are maximized. The LTFP financial principles and policies have been designed to ensure the City attains financial sustainability and has sufficient resources to provide the services that the community expects. Staff have developed a plan to guide Council's financial decision making for the 2011 and future budget deliberations. The goal is to build a self sustaining community, with sound infrastructure, and an excellent quality of life.

Over the next few years, the City will face a number of challenges that will require us to rethink some of the ways we work. As an organization, this is a call to action to ensure that we continue to deliver the excellent services we provide. It is an opportunity for us to rethink, refocus and rebalance what we do, why we do it, and how we do it.

Appendix A



Rethink Refocus Rebalance

Toward Fiscal Sustainability



Fiscal Sustainability

- Generate reliable and predictable revenues sufficient to meet current and future expenses
- Build and replace capital assets to support City's infrastructure requirements
- Provide expected level of municipal services efficiently and effectively
- Achieve stability in property taxes increases and intergenerational equity
- Ensure sound financial management and health

The Challenges

- Need for additional capital funding;
- Ontario Municipal Partnership Fund Grant at risk;
- Desire to maintain low property taxes;
- Program expansion and growth-related expenditures;
- Council priority projects;

Strategic Documents

- Healthy Community Strategy
- Official Plan
- Digging Deeper: Economic Strategic Plan
- Long-Term Financial Plan

There is no doubt the challenges are significant, but fiscal sustainability is achievable by looking to the City's Long-Term Financial Plan (LTFP), which was approved by Council in 2002 and is a foundational document of the City of Greater Sudbury.

The LTFP is designed to be flexible and adaptable; it fits within the framework of established strategic plans, and it works to promote a healthy and sustainable service delivery model for our community.

Much of the groundwork has already been completed to determine a way forward for our corporation. The LTFP identifies nine key principles that promote a strategic review of corporate practices. Progress has already been made in many areas but there is more to be done to realign budget expectations, refocus activities and streamline operational priorities and procedures.

The next step is to integrate identified priorities and action items within a corporate-wide business strategy that will target the following areas:

- cost efficiencies and service delivery
- revenue streams,
- capital assets,
- social equity objectives,
- government partnerships,
- debt financing,
- reserves and quantification of long-term liabilities.

Your municipality is prepared to manage fiscal challenges. Action items have been identified for short, medium and long-term implementation and delivery. A regular business cycle will invite ongoing review, management and creative solutions. (figure 1) Regular updates to Council and citizens have been built into the cycle to ensure transparency and accountability.

While the following action items are directed to corporate practices, long-term sustainability of our City as a whole rests with each of us. Collectively, we must adopt a new perspective that requires us to rethink, refocus and rebalance our fiscal outlook.



Figure 1

Key Principles and Action Items

1. Ensure long-term financial sustainability

- Regular review of the City's finances
- Prepare regular budget variance reports
- Update Long-Term Financial Plan and multi-year forecasts
- Implement Dividend Policy with Greater Sudbury Utilities Inc.
- Update financial policies and processes, including:
 - operating budget policy
 - capital budget policy
 - procure to pay process reviews

2. Deliver services in a cost-effective and efficient manner

- Review shared or common services to find synergies
- Review benchmarking indicators to identify areas where improvements can be made
- Identify efficiencies in cost and service delivery in each department and develop proposals
- Review operating contracts to identify savings
- Ensure city is maximizing value of human resources
- Implement Green IT strategy
- Investigate options for energy management
- Revisit corporate program support costs, including fleet rental rates
- Review results of Auditor General reports and implement recommendations

3. Ensure operating revenues are sustainable and consider community-wide and individual benefits

- Identify opportunities to increase revenue streams
- Explore service provision to other municipalities to increase revenues
- Enhance tax collection efforts for failed tax sales

4. Meet social equity objectives through specific programs

- Identify grants to community groups across the organization and standardize process for approval, streamlining and monitoring
- Identify activities that can and should be aligned with existing corporate strategies such as the healthy community strategy to promote social and environmental well-being
- Integrate the Healthy Communities Strategy in financial decision making processes

5. Manage the City's capital assets to maximize long-term community benefit

- Implement recommendations from the Green Space Advisory Panel and dispose of surplus parkland
- Identify and dispose of underutilized land
- Review fleet to identify and implement efficiencies
- Identify and dispose of surplus equipment and assets
- Identify municipal facilities for potential consolidation or disposal
- Update Long-Term Capital Financing Plan and recommend options to achieve sustainability

6. Recognize that funding from senior governments is a crucial element of financial sustainability

- Develop business case to support maintaining or increasing the Ontario Municipal Partnership Fund grant
- Allocate the Federal Gas Tax grant to eligible funding envelopes (2011 – 2014)
- Continue to lobby provincial and federal partners for grants

7. Use debt financing where appropriate

- Investigate use of debt financing in financial plans for specific projects

8. Maintain reserves and reserve funds at appropriate levels

- Report regularly on reserve and reserve fund balances/forecasts

9. Identify & quantify long-term liabilities

- Report long-term liabilities to Council on an annual basis

