

## Request for Decision

### 2021 Operating Budget Update

Presented To: Finance and  
Administration  
Committee

Presented: Monday, Dec 21, 2020

Report Date Thursday, Dec 10, 2020

Type: Referred & Deferred  
Matters

### Resolution

#### Cancelled Capital:

THAT the City of Greater Sudbury approves funding from the Capital Holding Account of \$5.2 million within the 2021 Operating Budget to offset one-time operating and COVID-19 pressures, if required, as outlined in the report entitled “2021 Operating Budget Update”, from the General Manager of Corporate Services, presented at the Finance and Administration Committee meeting on December 8, 2020.

#### 2020 Special Capital Levy:

THAT the City of Greater Sudbury authorizes the 2020 Special Capital Levy of \$4.1 million to be transferred to the Tax Rate Stabilization Reserve and, if required, utilized to fund one-time operating and COVID-19 related expenditures within the 2021 Operating Budget, as outlined in the report entitled “2021 Operating Budget Update”, from the General Manager of Corporate Services, presented at the Finance and Administration Committee meeting on December 8, 2020.

#### User Fees:

THAT the User Fee Principles , as outlined in the report entitled “2021 Operating Budget Update”, from the General Manager of Corporate Services, presented at the Finance and Administration Committee meeting on December 8, 2020, be approved;

AND THAT the City of Greater Sudbury directs staff to prepare a business case for the potential new user fees;

#### Signed By

##### Report Prepared By

Steve Facey  
Manager of Financial Planning &  
Budgeting  
*Digitally Signed Dec 10, 20*

##### Division Review

Ed Stankiewicz  
Executive Director of Finance, Assets  
and Fleet  
*Digitally Signed Dec 10, 20*

##### Financial Implications

Steve Facey  
Manager of Financial Planning &  
Budgeting  
*Digitally Signed Dec 10, 20*

##### Recommended by the Department

Kevin Fowke  
General Manager of Corporate  
Services  
*Digitally Signed Dec 10, 20*

##### Recommended by the C.A.O.

Ed Archer  
Chief Administrative Officer  
*Digitally Signed Dec 10, 20*

AND THAT the City of Greater Sudbury directs staff to prepare a business case describing changes to the fees listed in Appendix D.

### **Relationship to the Strategic Plan / Health Impact Assessment**

This report refers to operational matters.

### **Report Summary**

This report informs Council on the 2021 budget process and provides an update on the number of resolutions given to staff to aid with developing the budget document.

### **Financial Implications**

This report has no direct financial implications.

A number of alternatives have been presented for Council's information which may be included in the base budget in order to reach the budget direction target of 3.9%.

This report also provides updates on business cases, specifically User Fees and Facility Rationalization.

Finance and Administration  
Committee



Type of Decision							
Meeting Date	December 8 <sup>th</sup> , 2020			Report Date	December 4 <sup>th</sup> , 2020		
Decision Requested	X	Yes	No	Priority	High	Low	
	Direction Only			Type of Meeting	X	Open	Closed

Report Title
2021 Operating Budget Update

Resolution	Relationship to the Strategic Plan/Health Impact Assessment
Resolutions are included on page 3 of this report.	This report refers to operational matters.
<b>Resolution Continued</b>	X <b>Background Attached</b>

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Report Prepared By

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Name: Steve Facey  
Title: Manager of Financial Planning & Budgeting

Division Review

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Recommended By the Department

*Kevin Fowke*

Name: Kevin Fowke  
Title: General Manager of Corporate Services

Financial Implications

*SF*

Name: Steve Facey  
Title: Manager of Financial Planning & Budgeting

Recommended by the C.A.O.

*Ed Archer*

Ed Archer  
Chief Administrative Officer

## **Resolutions**

### **Cancelled Capital**

THAT the City of Greater Sudbury approves funding from the Capital Holding Account of \$5.2 million within the 2021 Operating Budget to offset one-time operating and COVID-19 pressures, if required.

### **2020 Special Capital Levy**

THAT the City of Greater Sudbury authorizes the 2020 Special Capital Levy of \$4.1 million to be transferred to the Tax Rate Stabilization Reserve and, if required, utilized to fund one-time operating and COVID-19-related expenditures within the 2021 Operating Budget.

### **User Fees**

THAT the User Fee Principles described in the report entitled 2021 Operating Budget Update from the General Manager of Corporate Services presented to Finance and administration Committee on December 8th, 2020, be approved;

AND THAT CGS Council direct a business case be prepared for the potential new user fees as outlined in the report entitled 2021 Operating Budget Update from the General Manager of Corporate Services presented to the Finance and Administration Committee on December 8th, 2020,

AND THAT CGS Council direct a business case be prepared describing changes to the fees listed in Appendix D.

## **EXECUTIVE SUMMARY**

This report informs Council on the 2021 budget process and provides an update on the number of resolutions given to staff to aid with developing the budget document.

## **INTRODUCTION**

Businesses across all sectors face new uncertainties preparing budgets for 2021. The most significant uncertainties are revenue estimates, especially from front line services most susceptible to regulation or response requirements for Covid-19, supply chain disruption and employee absence. Pandemic response is also prompting shifts in focus. For example, increased emphasis on support for vulnerable populations drives more investment in social services. To help manage risk, infrastructure renewal plans are deferred or changed so that funds can be redirected to other, more immediate service needs. Some evolving changes have been accelerated, such as the rate of service digitization. This prompts new perspectives on the future of work and challenges the continued success of retailers and service businesses that rely on office workers.

Municipalities across Canada are preparing budgets that anticipate less than normal revenues for services like transit, leisure services and parking. At the same time, they are facing increased demand for social services and the protection of health and safety of vulnerable populations. Expenses like personal protective equipment, IT hardware and supplies, cleaning and facility ventilation were unanticipated for 2020 but need to be incorporated into plans for 2021 and very likely permanently moving forward. There is sincere interest in and new efforts introduced that are intended to support local businesses and downtowns. There are new safeguards in congregate care settings such as long term care. The utilization rates of municipal facilities are being reduced as a result of new requirements for the health and safety of employees and the public that significantly reduces occupancy and utilization. There are no indications that requirements will change in 2021, further increasing the downward pressure on municipal revenues.

In Greater Sudbury, staff believe the actions associated with the 2019 - 2027 Strategic Plan objectives continue to be relevant and useful for designing planned outcomes for 2021. In addition to continued progress toward the four large projects, the corporation is planning actions aligned with Community Energy and Emission Plan aspirations, several significant digitization projects and a customer focus that is creating new options for residents and businesses to interact with the City and obtain services. Homelessness and addiction, in particular in the City's downtown, has led to the addition of new services and supports anticipated to continue throughout 2021. Demand for maintenance and refurbishment of the road network will continue to be a priority in all years within the longer term plan.

The corporation continues to follow a long term financial plan characterized by the need for significant capital investment in aging infrastructure, a moderate growth forecast and the need to replenish financial and capital reserves. The corporation's fundamental flexibilities and vulnerability indicators remain strong and our service decisions for 2021 could lead to permanent changes, which could introduce opportunities to enhance service sustainability in the long run.

## **BACKGROUND**

On October 13<sup>th</sup>, staff received five directions for preparing the 2021 Budget. **Appendix A** presents the motions as approved. Briefly, directions to staff included:

1. Present options for additional debt financing to support the capital budget, and include advice about projects that would be appropriate candidates for debt financing
2. Present options for user fee adjustments that include an approach for supporting low income citizens such that fees do not become a barrier to access, and that also include estimates of projected usage rates
3. Prepare a business case for rationalizing facilities to improve utilization levels.
4. Where there are plans to use one-time funds in 2021 to cover COVID related shortfalls, such as Safe Restart Funding, the Special Capital Levy or other similar funding sources, staff ensure that:
  - a. Ongoing service expectations are supported by ongoing revenue sources, and
  - b. The use of non-recurring or “one-time” funds is limited to funding “one-time” or temporary expenditures
5. Ensure the 2021 capital budget includes sufficient funds to fulfil multi-year projects approved in prior periods and support new projects that reflect Council’s Strategic Plan prioritizes.

This report provides an update on items 2-4 as well as an update on strategies to reach the budget directions Council approved.

At the November 3<sup>rd</sup> Finance and Administration Committee meeting, staff were directed to produce a recommended plan that required no more than a 3.9% property tax increase. Staff were also directed to provide options for reducing the property tax increase to 3.0% and 2.2%.

## **ANALYSIS**

### *Budget Update*

Currently, draft service plans anticipate a property tax increase of 9.0%, before accounting for assessment growth. With a projected assessment growth of 0.5% and a direction to produce no more than a 3.9% tax levy change, there needs to be adjustments in 2021 service plans and financing choices that produce a \$14 million reduction in net expenditures. In the options where the tax levy change is 3.0% or 2.2%, the required adjustments are, respectively, \$16.6 million and \$18.9 million.

Further to Direction #4, there are one-time funding sources available to support the 2021 budget that would not be available in future periods if they were used to fund service plans next year. These include:

- Savings from 2020 Service adjustments – City Council reduced a variety of service levels in 2020 as part of its Covid-19 response, which avoided expenditures worth approximately \$20 M. It also received approximately \$12M in funding from federal and provincial governments intended to offset unplanned revenue shortfalls or extraordinary expenditures. The unused funds, as identified in the August budget variance report of approximately \$3.9M, can be carried forward to offset 2021 financing needs.
- The 2020 Special Capital Levy – City Council intended to undertake additional infrastructure renewal work in 2020 and included a special capital levy worth \$4.1 M to do so. With the virus response disrupting virtually every aspect of municipal operations, Council directed these funds remain unspent pending further review of the community’s needs. The disposition of these funds is subject to further discussion on this agenda.

- Cancelled Capital Projects – Certain capital projects were removed from the capital plan in 2020 and Council directed that the funding available to support them be held in the Capital Holding Account. These funds, \$5.2M, can be applied to offset one-time pressures in 2021.

It is recommended to utilize the one-time funding sources for one-time expenditures and revenue losses for 2021. Two resolutions have been prepared within this report direct staff to contribute unspent funds from the 2020 Special Capital levy to a reserve and provide authority to draw on these funds to offset 2021 budget pressures.

#### *Fire Arbitration Award*

The recent arbitration award to change the service model in the Valley East area has not yet been included in the budget. Subject to Council's decision about how it wants to respond to the arbitrator's decision, the financial impact in 2021 is a potential increase of approximately \$1.4 million.

#### *2021 Budget Changes*

Staff identified a variety of approaches that could be taken to produce a balanced budget:

1. Service level adjustments within the highest-cost services – these are adjustments within Winter Control and the community's Emergency Services. As the corporation's highest-cost services, the potential financial impact of service level changes could be significant. Similarly, the service level changes are themselves also significant, affecting the entire community. These adjustments require more analysis to assess their financial and service implications.
2. Enterprise-wide service level adjustments – these are adjustments to service levels that affect the whole corporation, either because they represent adjustments within Corporate Services that affect all departments, or because they involve adjustments to resources that are found in many/most departments across the corporation.
3. Selected service level adjustments – these are adjustments within specific services that reduce net costs. They include choices that adjust service levels, change access to the service by reducing service capacity, maintain the suspension of services prompted by the corporation's 2020 Covid response and/or introduce an alternate form of service delivery. Like with enterprise-wide service level adjustments, the implications of adopting them are relatively straightforward and the risk of implementing them can be generally well understood.
4. Accept increased risk – these are adjustments that have indirect implications on service levels. They include, for example, adjustments to financing plans that extend repayment timelines, adjustments to assumptions that influence revenue estimates, or adjustments to estimates of the amount of senior government funding available to support municipal operations. While this category may be appealing because they won't directly or immediately affect service levels, the financial implication of incorrectly estimating these adjustments could be significant.

#### ***Core Service Review***

The Core Service Review reflected approximately \$4 million in total potential financial benefits, which include a combination of one-time and ongoing benefits. This analysis, performed by KPMG, reflected a number of potential improvements to some of the City's services. The top 10 opportunities are as follows:



	Opportunity	Estimated Cost Saving for re-allocation	Status
1	Facilities Rationalization	\$1,000,000	Analysis underway; part of 2021 Budget
2	Create a Digital City	600,000	Pending
3	Lean Management System	350,000	Pending
4	Review Shared Use Agreements	175,000	Analysis underway; part of 2021 Budget
5	Modernize Phone Systems	75,000	Analysis underway; part of 2021 Budget
6	Review User Fees & Cost Recovery	245,000	Analysis underway; part of 2021 Budget
7	Expand Facilities Management Systems	156,000	Pending
8	Optimize Office Space	193,000	Pending
9	Review Maintained Parkland Requirements	980,000	Analysis underway; part of 2021 Budget
10	Outsource Ski Hills	243,000	Pending

Staff are analyzing these strategies and, subject to Council's direction, will be presented in the 2021 Budget document via business case, or presented in future year's budgets along with recommendations.

***Service Level Adjustments within the Highest-Cost Services***

Work to analyze current service levels remains ongoing. In response to Council's budget directions for 2021, the Executive Leadership Team identified the following potential service level adjustments. These were selected because they are among the corporation's highest-cost services. Their service levels are within Council's direct control:

- Winter control (plowing, sanding, salting, snow removal, spring clean-up)
- Community Safety, specifically Fire Services

Winter Control

The 2021 Budget for Winter Control is approximately \$22.4 million. This is a 9.8% increase, year over year, primarily due to increasing contractual obligations (\$736,000 increase) and internal fleet recoveries (\$438,000 increase).

Currently, the basis of the existing service levels can be summarized as follows. Staff are guided by the Provincial Regulation for Minimum Maintenance Standards (MMS), O. Reg 239/02 which provides guidance for addressing snow, ice and slushy conditions, including sidewalk snow conditions. The MMS also establishes a standard road classification system. Council has a policy that determines when snow plowing services should be initiated based on the classification of the road and the depth of snow. The approved policy also establishes that winter maintenance should be completed within 24 hours following the end of a winter event. For the purposes of establishing the size of work force and necessary equipment, snow plow routes are designed mostly around two distinct classifications of winter maintenance service:

- Class 1-3 roads
- Class 4-6 roads

The last comprehensive review of winter control service levels was in 2005. Staff could produce an analysis in 2021 that identifies a new method for determining when to initiate plowing services and how much time the operation would be allowed to complete the service. Potential savings could be realized in future years, assuming at least a portion of the service levels were reduced from the existing service levels. For example, a potential new system of service levels could be based on three categories of services and service levels instead of the current two categories:

1. Priority One: Class 1-3 Roads (Paris Street, Notre Dame, Regent Street, MR 35 and MR 55)
  - a. This priority service level would largely remain unchanged with respect to winter maintenance.
2. Priority Two: Most Class 4 Roads, priority City Transit Routes, and challenging geometric conditions (Fairbanks Road, Second Avenue South, Old Falconbridge Road)
  - a. The level of service for these specific roads would be similar to the service provided for the existing Class 4 to 6 roads, with some consideration for the depth of snow where services are initiated, and the length of time to complete the service delivery.
3. Priority Three: All remaining Roads (Subdivision Roads, Cul-de-sacs, lanes, remote rural roads)
  - a. The level of service provided to these roads would be reduced. For example, the standard would be adjusted to establish deeper accumulations of snow before service is initiated and longer periods of time for the service to be completed.

It is understood that winter road and sidewalk maintenance will attract significant attention from the public. Staff's analysis would include extensive public consultation and some third party assessment so that the result would be, and would be seen to be, a thorough, transparent and comprehensive review of all aspects of the service.

If Committee directed staff to conduct this analysis, it would commence in early 2021. Results would be reported so that there would be potential for implementation prior to the start of the 2021/22 winter season. This would likely result in re-prioritization of plow routes, modifying equipment used to provide snow plowing and snow removal services, and could adjust the balance of contracted versus in-house services. It is reasonable to anticipate staff could identify service level changes worth at least \$1 million annually. For example, decreasing the service level from an 8 cm. accumulation to 15 cm. accumulation or increasing the response time from 24 to 48 or even 72 hours could result in increased snowpack on residential roads. This would require graders to provide snow plowing services rather than multi-function plows.

#### Community Fire and Paramedic Services

An additional approach to balancing the 2021 Budget could be to further analyze service levels provided by the Community Services department, which includes Fire and Paramedic Services. There is a motion being tabled at the Council meeting of December 15 and, if passed, would result in a public report on options available to address the recent staffing award at Val Therese. Council is currently undertaking an analysis of options, three of which could mitigate some or all of the arbitration award costs.

A number of building condition reports have been presented over the past two years, as part of the Station Revitalization project. Staff is finalizing a report going to F&A in January 2021, seeking authority to single source a consultant who will complete a comprehensive analysis on the number and locations of stations needed to provide Paramedic and Fire Services. The consultant will model options for different configuration of stations, which will involve assessing options with fewer career and volunteer sites. A phased plan will be developed for the next ten years that identifies steps required to move towards the optional deployment of resources. It is expected that these plans will include the consolidation of several stations. It is anticipated the analysis and final report would be brought to Council in the second quarter of 2021.

Options have been presented to Council that would reduce or eliminate the \$1.4M cost to implement the award. If Council were to direct staff to implement any of these options, this amount would not be required for 2021.

### ***Enterprise-Wide Service Level Adjustments***

Throughout 2020, Council and staff implemented a number of adjustments affecting service levels and producing net cost reductions. To balance the 2021 Budget, these strategies could be applied in 2021 as well. The adjustment options include:

- Not hiring summer students
  - The estimated impact of this initiative was \$1.7 million for 2020
- Casual and seasonal part-time layoffs
- Administrative adjustments of approximately \$600,000
  - Staff have also prepared a series of administrative adjustments that could reduce budgeted amounts in Human Resources and Organizational Development, Finance, Legal Services and By-law Services by upwards of \$600,000, with an annualized impact of approximately \$800,000. The impact of these adjustments would be reduced service capacity and in the case of the By-law Services area, reduced responsiveness and increased case management cycle times. A description of these changes will be presented during the closed session of the January 19th Finance and Administration Committee.
- Reduction in travel budgets
  - As a result of COVID-19, the organization's operations have changed substantially. In order to adapt to the changing environment, a reduction in travel budgets is an opportunity for 2021. If Council directs staff to include this change, it would be permanent in nature. If it is taken as a temporary measure, this would put further pressure on the 2022 Budget.
  - The total budget for travel related to Professional Development is approximately \$625,000 for levy supported areas. A reduction worth approximately 40% of planned expenditures, which equates to approximately \$250,000 is identified for Council's consideration.

Any adjustments in these categories have direct service level impacts. Adjustments could create longer wait times for requests, unsupervised areas of the City (such as Waterfronts) as well as reductions in

summer and winter leisure programming. Summer students often provide direct service to the public. For reference, the organization hires summer students for the following services:

- Economic Development
- Building Services
- Traffic & Transportation
  - Without students, the organization is not performing traffic counts. These are used to analyze stop sign warrants, traffic signal warrants and traffic calming warrants.
- Roadside litter abatement on high traffic roads
- Emergency Management
- Recreation Programming
  - Provision of Neighbourhood Playground programs (1,200 spaces offered annually).
  - Provision of Day Camps including operation of Camp Sudaca, Sports Camps and Creative Arts Camps (1,100 spaces offered annually).
- Waterfront Programs
  - Provision of lifeguard services at 7 municipal beach locations.
- Parks Services
  - Maintenance activities related to parkland (regional, community and neighbourhood parks), play fields (ball diamonds and soccer fields), playgrounds, splash pads, non-motorized trails, sports courts, skate parks and horticulture and beautification services.
- Special Events
  - Administration of CGS special events and support to summer special event organizers.

Partially curtailing the use summer students, part-time employees and administrative adjustments could conservatively result in cost reductions of approximately \$1.85 million.

### ***Selected Service Level Adjustments***

Due to COVID-19, certain services were suspended and/or adapted service levels were required. This included adaptations to the following services:

- Museums
  - The Core Service Review noted an opportunity existed to further analyze Museum and Library Services as they are currently delivered by separate teams. There is an opportunity to combine the delivery of these services to reduce operating costs.
  - Whether or not an analysis occurs that investigates the potential to combine Museum Services and Library Services, staff believe Museum Services deserves a comprehensive reassessment. There are significant asset renewal needs, operating policy changes to properly manage artifacts and strategies required to maximize the value of the City's heritage asset investments. Staff believe these services could be suspended until this reassessment is complete, which would reduce net costs by up to \$345,000 on an annual basis. If this was directed for 2021, the City would realize  $\frac{3}{4}$  of this due to the timing of the budget approval which is approximately \$259,000.
- Archives
  - This service could be temporarily suspended to produce a reduction that includes lower staffing costs and most of its current operating expenditures. This represents a net

reduction of up to \$340,000 in 2021 on an annual basis. If this was directed for 2021, the City would realize ¾ of this due to the timing of the budget approval which is approximately \$255,000.

- Pools
  - This service is under review as part of the Facility Rationalization business case.
  - The Core Service Review included a number of opportunities for pool services, such as:
    - Improving partnerships with communities and organizations (i.e. universities) to improve pool services and share costs.
    - Rationalize the number of pools given the aging conditions of some of the facilities, low cost recovery rates and increased number of outdoor lakes across the City.
  - As per the Parks, Open Space & Leisure Master Plan, there is a surplus of 0.5 aquatic facilities.
- Arenas
  - This service is under review as part of the Facility Rationalization business case.
  - Similar to pools, the Core Service review highlighted the following opportunities:
    - Review shared use agreements of arenas and recreation facilities.
    - Assess staffing models for parks and arenas to identify greater efficiencies between seasons.
  - As per the Parks, Open Space & Leisure Master Plan, there is a surplus of 1.5 ice pads.
- Parkland maintenance
  - Possible service level changes could include reduced maintenance activity levels on certain classifications of parkland and prioritizing resources on achieving activity levels at Regional and Community parks.
  - Analysis will include options for naturalizing parkland and repurposing parkland space as community gardens.
  - Recommendations of these changes will be included within the Facility Rationalization business case.
- Waterfront programs
  - As stated above, by not hiring summer students, the organization was able to mitigate approximately \$1.7 million for 2020. This included amounts for Lifeguards providing services at City waterfronts.
  - Continuing the elimination of waterfront programs would result in a net levy savings of approximately \$234,000 on an annual basis. The full amount of these savings could be realized for 2021.

The analysis is underway for the Facility Rationalization business case. The expected outcome of this analysis is the identification of facility closure recommendations that help avoid future capital costs, but it is likely to produce minimal operating budget impacts for 2021. The current types of facilities being analyzed are as follows:

Administrative Facilities	Soccer Fields	Splash Pads	Outdoor Basketball Courts
Fire Halls	Maintained Parkland	Tennis Courts	Non-motorized trails
Libraries	Community Halls	Pools	Trailer Parks
Arena Ice Pads	Field Houses	Playgrounds (Structures)	Fitness Centres

Ball Diamonds	Ski Hills	Outdoor Rinks	
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If there are any facilities that are non-starters for the majority of Council, staff would appreciate limiting the scope of the analysis to provide the best information in the business case.

It should be noted that these service level adjustments overlap with the enterprise-wide adjustments listed above, and may not be included in the base budget. Changes in these areas such as pools, arenas and parkland maintenance will be included in the Facility Rationalization business case.

Staff have also engaged facility management leaders at Laurentian University and the NEO YMCA regarding opportunities to collaborate on the delivery of leisure, fitness and aquatics services and deal with the considerable deferred maintenance and future capital requirements each organization is challenged with when providing these services in our Community.

The full savings of these initiatives will not be realized in 2021. However, staff estimate approximately \$650,000 could be realized in 2021 if these service level changes were directed by Council.

**Accepting Increased Risk**

Over the past several years, the City took on risk in order to balance budgets and meet budget direction targets. This remains a viable strategy. While there are direct financial implications, initiatives that may be implemented to balance the 2021 budget are as follows:

- Winter Control Averaging
  - Part of the analysis when preparing the budget includes an averaging exercise on winter maintenance expenditures. This analysis highlighted a requirement of approximately \$350,000 which was added to the 2021 budget. The analysis included the 2019 winter season, which was an anomaly. If the 2021 winter season is expected to be in line with previous years (other than 2019), the budget may be able to be reduced.
  - An additional alternative for Council’s consideration is to take additional risk with respect to Winter Control. Given the pressures that the organization is facing for 2021 and the milder months of 2020, it is possible to reduce the Winter Control budget by an additional \$500,000 in order to reach the budget direction target of 3.9%.
  - This amount could potentially be removed from the budget but could result in a deficit position by the end of 2021. It should be noted that the Winter Control Reserve has a \$0 balance.
- Reducing the capital recovery for Fleet Services
  - Included in the 2021 Budget is an increased capital recovery for Fleet Services. Over time, this increase is necessary to fully fund fleet capital purchases and ensure that the organization is abiding by asset management principles.
  - The current capital recovery rate is budgeted at 90% of replacement value. This was increased from 80% for 2021. This increase is worth approximately \$500,000. If Council directed staff to include 85% capital recovery for 2021, the reduction would be approximately \$250,000.
- Deferring debt repayment amounts to 2022

- Included in the 2020 and 2021 Budgets are amounts for debt repayment for approved capital projects. This debt repayment is approximately \$2.2 million and could be deferred or phased in over two years as the debt will not be secured until late 2021. For Council's consideration is a partial deferral of approximately \$1.6 million.
- This alternative has a direct financial impact as any deferral or phase in will put immediate pressure on the following year's budget and is strictly a short-term solution.
- Budget for additional COVID-19 funding
  - Through conversations with other municipalities, a number are contemplating adding additional revenue to cover COVID-19 expenditures. For example, the City of Ottawa included COVID-19 related budget pressures expected in 2021. These budget pressures are shown separately within each service area. Ottawa assumed that both the Province of Ontario and the Government of Canada, having much broader fiscal capacity, will continue to support municipalities in offsetting these extraordinary one-time costs.
  - It is not recommended to take this approach as it is not believed to be fiscally prudent. If the funding does not materialize, service level reductions would be required to balance 2021 within a limited time frame.

Given the above noted changes, it is anticipated that approximately \$2.7 million can be removed from the 2021 Budget in an attempt to achieve the 3.9% property tax increase.

### **Summary of Alternatives**

As mentioned previously, the organization requires approximately \$14 million (\$15.4 million with the fire arbitration award) in net levy savings to reach a target of 3.9%. The report includes recommendations to fund COVID related expenditures and revenue losses of approximately \$8.8 million, if required.

Once these changes are included, the net levy savings required is \$6.6 million. The potential strategies listed above within the four categories equate to more than \$6.6 million. There are direct financial implications, as well as inherent risk, if Council were to proceed with the alternatives presented.

**Appendix B** includes the breakdown of funds required and potential solutions to reach the budget direction target.

### **Review of User Fees**

At its November 3rd, 2020 Finance and Administration Committee meeting, Committee directed that staff consider all current User Fees and services which do not currently charge a user fee. It directed staff to produce recommendations for changes that reflect:

- a. The full cost of providing the program or services including capital assets, net of any subsidy approved by Council;
- b. Increased reliance on non-tax revenue;
- c. Development of new fees for municipal services currently on the tax levy;
- d. A multi-year user fee schedule for years 2021 and 2022.

*Draft Set of User Fee Principles*

The proposed principles signal the intention that this work is not designed simply to provide support for simple adjustments to existing fees as part of the budget development process, although that is ultimately where the results are evident. These principles will certainly inform Council decisions about fees, but they also show Council's strategic intent and an expectation that fees, or the lack of them, demonstrate a thoughtful perspective about how services fit into the community's quality of life. Staff have also included additional information on User Fees which can be found in **Appendix C**.

Proposed User Fee Principles are:

- **Equity:** those who receive benefits from a service should pay for that service according to the level of benefit received. This recognizes that services have both individual and societal benefits, and costs should be shared accordingly so that taxpayer subsidies pay for the societal benefits and users pay for the individual benefits.
- **Full Cost Recovery:** the starting point for determining how to calculate a fee requires knowledge about all operating costs (direct and indirect) as well as current and future capital costs required to provide the service.
- **Sustainability:** User fees produce sufficient revenue to support both continued operations and sufficient, appropriate asset renewal investments.
- **Choice:** User fees apply to services where users have a choice about whether, or how much, service to consume and the benefits provided by the service are more individual than public.
- **Access:** User fees reflect situational conditions that promote efficient access and maximizing capacity. This means fees can be adjusted for variables like the time of day, season, ability to pay, or when capacity is challenged.
- **Strategic Objectives:** Fees help produce City Council's desired outcomes, as described in Council's Strategic Plan.
- **Transparency:** User fees are the result of a fully transparent, methodical and consistent process that includes a principles-based approach to determining when a fee should apply, standard costing methods, and public input and dialog about user fee choices.

### *Categories of Services*

Staff are analyzing a number of user fees. Emphasis is placed on services for which the city is already charging fees (outside of Water/Wastewater fees, fees which recover the full cost of providing service or legislated fees like fines and licenses) AND services which are not currently funded by user fees but provide some level of individual benefit. This analysis will categorize each fee into one of four categories:

- Community Benefit- large portions of the community or the community as a whole benefits from the service (e.g. street lighting)
- Primarily Community / Less Individual Benefit- large portions of the community or the community as a whole benefit but there are individual benefits to the service as well (e.g. landfill tipping)
- Less Community / Primarily Individual Benefit- individuals or households derive the primary benefit from the service but there is some overall community benefit (e.g. transit)
- Individual Benefit - consumption of the service benefits one person or a household or business (e.g. a private swimming or skiing lesson)



Once each fee is categorized the total costs associated with a unit of service will be analyzed as follows:

- Direct Operating Costs – Salaries and benefits, materials, energy costs (fuel, hydro, natural gas), purchased/contract services (rent, janitorial, security services), internal recoveries (interdepartmental chargebacks), equipment expenses, and transfer payments (grants)
- Indirect Operating Costs – Debt and insurance costs, professional development and training, contributions to reserve and internal recoveries (program support costs)
- Current Capital Costs – Capital items associated with providing the service
- Future Capital Costs – Allocation towards future capital costs and/or replacement costs, whichever may be most reasonable.

**Appendix D** contains a list of existing services and associated user fees that would likely change if this report's recommendation is approved. This means, for example, that they are services that provide individual benefits but have a fee that recovers less than the total costs listed above or they have no user fee funding.

If the recommended motion is approved, staff would continue analyzing these fees and arrive at standard cost recovery targets for each category of service, incorporating changes to fees into a business case for consideration during budget deliberations.

#### *Next Steps: Further Analysis and Council Decisions*

In its Core Service Review, KPMG recommended the corporation capture up to \$275,000 in potential user fee changes that would shift the balance for funding a service away from the tax levy to individual users. Further analysis, if approved, will assist in determining fee changes that could be included in the 2021 Budget.

Alongside the analysis for determining potential fee changes, the following new user fees will be presented as a business case, if directed:

- Boat Launch User Fees
- Commercial Recycling Tipping Fees
- Landfill Gate Fees

Throughout 2021, the principles outlined in this report will be further refined and brought to Committee for adoption as a part of the User Fee By-law. They will assist in the community's understanding of our approach to fees and in future fee setting discussions.

#### **Business Cases**

As part of the budget direction resolutions, staff presented a number of staff initiative business cases for inclusion in the 2021 budget document. **Appendix E** represents the summary list presented to the Finance and Administration Committee on November 3<sup>rd</sup>. A number of business cases included in this list will not be presented within the budget document. The reasoning is as follows:

#### *Council Directed*

4 – Electric Vehicle Charging Stations

The proposed 2021 Capital Budget incorporates the purchase of 2 light duty electric vehicles. As a result of applying for funding for electric vehicle charging stations via the Zero Emission Vehicle Infrastructure Program, Finance Committee resolution FA2020-45 proposed that a business case for electric vehicle charging stations be prepared for the 2021 budget. The application for funding was successful, however there are stipulations regarding the implementation and use of the charging stations that are not favourable for implementation at this time. The funding program would require the City to purchase 20 charging stations and that they must be available for public use. As the City will only have 2 electric vehicles commencing in mid to late 2021, it would not be prudent to purchase 20 charging stations. Further, making the charging stations available for public use would be of concern in respect to having the charges available for City vehicles as well as undesired traffic patterns in City facilities. As a result, staff will retrofit existing electrical infrastructure to allow for the overnight charging of the two vehicles and will no longer be producing a business case. Staff understand that this initiative is consistent with the Community Energy and Emissions Plan, however the timing is not favourable. Staff will investigate further funding opportunities for EV related initiatives and report to Council on the results.

#### *Staff Initiatives*

#### 4 – Transit Action Plan – One Year Extension to Service Increase Options and Fare Incentive Programs (Pilot)

As a result of COVID-19 and timing pressures, this business case will be deferred to the 2022 Budget. Service levels under this Pilot will remain in effect but will be absorbed into 2021 operations and funded by reducing other service levels in response to COVID-19. It should be noted that there is complexity of this transition and staff will prepare a report subsequent to the 2021 Budget which will describe the project scope and implementation strategies.

#### 18 – NWSC Boardroom Rentals and 19 – Walking Group Fee at Capreol Millenium Centre

These business cases will be incorporated into the base budget. It is not a creation of a new user fee, but an alternate method of collecting fees already being charged by the organization.

#### 20 – Return of Aerial Mapping Programming to 5 Year Cycle

This business case will be incorporated into the base budget. This business case represents an increase to the aerial mapping budget with an offset by reducing an FTE within Planning Services. By including this in the base budget, the net levy is reduced.

#### 21 – Category Separation of User Fees and Increase in Fee for ICI Requests

This business case will be incorporated into the base budget. It is not the creation of a new user fee, however it is an increased recovery of plans for industrial and commercial properties. Any increased revenue as a result of these increased recoveries will have zero impact on the levy as it falls within the funded area of Building Services.

#### 22 – Gymnasium Drop in Punch Card and 23 – Fitness Room Punch Card

These business cases will be incorporated into the base budget. It is not a creation of a new user fee, but an alternate method of collecting fees already being charged by the organization.

## **Conclusion**

Staff continue to work through a very challenging budget process. This report provides an update on the following categories:

- An update on the potential 2021 Budget alternatives.
- A summary of Core Service Review opportunities and potential service level changes in order to reach the directed target(s).
- An update on the work being completed on the user fee and facility rationalization business cases.

In summary, this report highlights the gap between draft plans and the approved budget direction. Due to the pressures the organization continues to face and the overall uncertainty 2021 and future years will bring, staff are seeking additional direction and feedback on the information included in this report.

## Appendix A – Resolutions

1. FA2020-53 – THAT staff present an analysis of options for capital planning that anticipates additional debt financing, including recommendations for capital projects that would be appropriate to debt finance as part of the 2021 budget process for Council consideration.
2. FA2020-54 – THAT staff develop a business case for adjustments to user fees that, among other details, reflect the following features:
  - a. Includes allowances/offsets to allow for continued support to low income citizens such that fees do not become a barrier to access
  - b. Provides estimates, where applicable, of projected usage rates to identify both maximum and most likely revenue levels
3. FA2020-55 – THAT staff develop a business case for rationalizing facilities to improve utilization levels.
4. FA2020-56 – THAT where there are plans to use one-time funds in 2021 to cover COVID related shortfalls, such as Safe Restart Funding, the Special Capital Levy or other similar funding sources, staff ensure that:
  - a. Ongoing service expectations are supported by ongoing revenue sources, and
  - b. The use of non-recurring or “one-time” funds is limited to funding “one-time” or temporary expenditures
5. FA2020-58 – WHEREAS the capital budget is intended to address the community’s significant infrastructure renewal needs and those investments help minimize operating expenditures for repairs and maintenance, the 2021 capital budget should include sufficient funds to fulfil multi-year projects approved in prior periods and support new projects that reflect Council’s Strategic Plan prioritizes.

## Appendix B - Summary of Alternatives

2020 Net Levy	289,445,167
Budget Direction - 3.9% (4.4% with assessment growth)	302,180,754
Current Levy	<u>316,171,061</u>
Required savings before adjustments	13,990,307
Less: COVID related expenditures	(8,827,931)
Add: Arbitration award estimate not yet budgeted	<u>1,414,000</u>
Required Levy Savings	6,576,376

### Service Level Adjustments within the Highest Cost Services

Winter Control - Route Prioritization	TBD
Community Fire & Paramedic Services	<u>(1,414,000)</u>
	(1,414,000)

### Enterprise-Wide Service Level Adjustments

Limited hiring summer students	(1,000,000)
Casual and seasonal part-time layoffs	(250,000)
Reduction in Travel Budgets	<u>(600,000)</u>
Administrative Adjustments	(1,850,000)

### Selected Service Level Adjustments

Museums	
Archives	
Pools	(650,000)
Arenas	
Parkland Maintenance	
Waterfront Programming	<u>(650,000)</u>

### Accepting Increased Risk

Winter Control Averaging	(350,000)
Winter Control - Additional Risk	(500,000)
Capital Recovery for Fleet Services (90% to 85%)	(250,000)
Deferring Debt Repayment	<u>(1,600,000)</u>
	(2,700,000)

Required Levy Savings	6,576,376
Savings from Recommendations	(6,614,000)

## **Appendix C – Additional User Fee Information**

### *The Context for User Fees:*

User fees signal that City Council recognizes a municipal service can provide both private (ie individual) and public (ie societal) benefits. Where a fee exists, the amount should reflect the community's view of the value of the individual benefit provided by the service. The amount of taxpayer subsidy used to support the service represents the public benefit it provides.

Where the value of a service mostly comes from the benefit provided to the community as a whole – such as fire protection services, road maintenance, or parks – taxpayers typically fund the service's full cost. Where there is some private benefit – for example, renting a public facility for private use, participating in a recreation program, riding a bus, or applying for a building permit – a user fee exists. This way, the person/group that enjoys an individual benefit from the service pays some portion of the cost of providing it.

Many municipal services provide both private and public benefits. When the City provides these services, it does so in consideration of enhancing the public good—to contribute to quality of life, to attract and retain talent, to address social issues within the community and to keep the City economically competitive.

There is a perception among some that user fees are simply another form of taxation. In fact, the opposite is true. User fees exist when:

- There is a recognition that a service produces both private and public benefits, and there is a desire to ensure taxpayers only pay for the “public benefit” portion of the service
- The market for a service might be insufficient to make it a sustainable business at an acceptable price, but a community nonetheless wants the service and is willing to provide a subsidy so it can be available, or more widely available, than the market could otherwise provide
- Individuals have a choice about whether, or how much, to use the service
- The ability to use public facilities for services that produce a private benefit helps share the fixed cost of providing public services, and offers the potential to make overall costs lower

User fees, in other words, are about much more than simply revenue—they are a valuable tool the City can use to work toward achieving its financial, economic, social and environmental goals and objectives. All of these aspects should be considered when determining which services should have a user fee and how much of the cost of the service should be covered by them.

For example, work is proceeding on the establishment of a stormwater management fee for precisely this reason. Although it is not a recommendation for 2021 budget, it is anticipated that the cost associated with providing storm water and source protection management will in future be supported by a user fee. This is because, in accordance with the principles above, stormwater management provides benefits to both an individual property owner and to the community as a whole.

Currently, the corporation does not have one single approach to determining user fees. The basis for existing fees includes a variety of methods to determine the amount to charge users. This report, if approved as presented, would establish a consistent basis for helping City Council determine where a fee should exist and, if so, how to calculate it.

### *Deciding which Services Should Have User Fees:*

An important consideration in the applicability of user fees is understanding who benefits from the service.

A service creates purely private benefits if those benefits accrue only to the individual using the service. A service creates purely public benefits if those benefits accrue to society at large. Between those two extremes lies a spectrum of services that benefit both the user individually as well as society at large. Most municipal services lie within this spectrum, producing both an individual or private benefit to the user of the service, as well as a broader societal or public benefit.

A good example of a service that benefits individuals and society at large is the City's transit service. When an individual uses transit, the direct private benefit is obvious—they get where they want to go. But there are also numerous public benefits that arise from that individual's transit trip and transit service in general: traffic congestion (and the productivity losses associated with it) is reduced, vehicular air pollutants and greenhouse gas emissions are reduced and economic productivity and community connectedness are enhanced by providing a low-cost transportation option.

Staff propose a set of principles that will assist in determining which services should be paid for in whole or in part by user fees. Overall, the principles reflect the view that municipal services that produce a purely individual benefit should be fully funded by user fees that cover the cost of providing the service. Services that provide both public and private benefits should be paid partially by user fees and partially by property taxes according to City Council's choice about how the benefits of the service accrue to either individuals or the community as a whole.

**Appendix D - User Fee Changes**

User Fee Area	Facility/Sub Service	User Fee Schedule	Benefits	Costing Model	Net Expenses	User Fee Revenue	% Recovered Through User Fees	Notes
Anderson Farm Museum	Anderson Farm Museum	CD-1						
Aquatics	Gatchell	CD-2						
	Nickel District							
	R.G. Dow							
	Howard Armstrong							
	Onaping							
Ice Use Charges	Sudbury Arena	CD-3						
	Carmichael Arena							
	McClelland Arena							
	Centennial Arena							
	Cambrian Arena							
	Chelmsford Arena							
	TM Davis Arena							
	Dr Edgar Leclair Arena							
	Raymond Plourde Arena							
	Garson Arena							
	Coniston Arena							
	Capreol Arena							
	Jim Coady Arena							
	Countryside Arena							
Special Rates for Arena Ice Time	Rayside-Balfour Annual Jug Curling Committee	CD-4						
	Walden Oldtimers							
	Valley East Jug Curling Association							
	Walden Winter Carnival Committee							
	Royal Canadian Legion							
Camping/Parks	Centennial Park	CD-5						
	Ella Lake Trailer Park							
	Whitewater Lake Trailer Park							
Cemetery	Civic Memorial Cemetery	CD-6						
	St John's Cemetery							
	Maplecrest Cemetery							
	St Joseph's Cemetery							
	Valley East Cemetery							
	St Stanislaus Cemetery							
	Waters Cemetery							
	Whitefish Cemetery							
Beaver Lake Cemetery								
	Capreol Cemetery							
Community Halls/Meeting Rooms/Arena Floors	Capreol Community Centre	CD-7						
	Centennial Community Centre							
	Chelmsford Community Centre							
	Dr Edgar Leclair Community Centre							
	Dowling Leisure Centre							
	Falconbridge Recreation Centre							
	Fielding Memorial Park							
	Garson Community Centre							
	Howard Armstrong Recreation Centre							
	Kinsmen Hall							
	McClelland Community Centre							
	Naughton Community Centre							
	Onaping Falls Community Centre							
	Tom Davis Community Centre							
	Northern Water Sports Centre							
	White Water Comfort Station Hall							
	Adanac Chalet							
Fitness and Recreation Centres	Howard Armstrong	CD-8						
	Capreol Fitness Centre							
	Rayside-Balfour Workout Centre							



User Fee Area	Facility/Sub Service	User Fee Schedule	Benefits	Costing Model	Net Expenses	User Fee Revenue	% Recovered Through User Fees	Notes
	Dowling Leisure Centre							
Leisure Services	Program Fees	CD-9						
Advertising	Arena Marquee Sign	CD-10						
	Bell Park Digital Billboard							
	James Jerome Complex Outside Fence Panel							
Playing Fields	Terry Fox	CD-11						
	Delki Dozzi							
	James Jerome							
	Sudbury Arena							
	Rayside Balfour							
	Walden							
	Valley East							
	Nickel Centre							
	Onaping							
Capreol								
Ski Hills	Adanac	CD-12						
	Lively							
Summer Camps	Camp Sudaca	CD-14						
	Sensational Summer Day Camp							
	Howard Armstrong Recreation Centre							
	Neighbourhood Playgrounds							
Administrative Matters	Consents	CS-1						
	Minor Variances							
	Copies							
	Election Related Matters							
	Line Fences Act							
	Liquor License Matters							
	Assessment Matters							
	Human Resources Department							
	Commissioning							
Burial Permit Fees								
Legal Services	Legal Services	CS-2						
	Prosecutorial Services							
	Agreements/Documents							
	Other Fees							
	Disbursements							
Licensing	Lottery Licensing	CS-3						
	Photographs							
	Parking Control Licensing							
	Campground Licensing							
Services Under The Marriage Act	Marriage License	CS-4						
	Solemnization of Civil Marriages							
	Witness to the Solemnization of Civil Marriages							
Animal Care and Control	Impound Fee	CS-8						
	Boarding Fee							
	Microchip Services							
	Licence Fees							
	Adoption Fee							
Parking	Attended Lots	CS-9						
	Automated Lots							
	Municipal Lots							
	On Street							
Lionel E. Lalonde Centre	Lionel E. Lalonde Centre	CSD-5						
Culverts	Culvert Subsidy	G&I-1						

## Appendix E - Business Case Summary

Council Directed		Resolution	Department	Division	Revenue	Expenses	2021 Impact
1	Enhanced Catch Basin Cleaning	OP2020-17	Growth and Infrastructure	Linear Infrastructure Services	-	590,000	590,000
2	Pot Hole Patching Equipment	OP2020-18	Growth and Infrastructure	Linear Infrastructure Services	(10,500)	400,000	389,500
3	Circles Sudbury: Community Driven Poverty Reduction	CC2020-56	Community Development	Social Services	-	213,250	213,250
4	Electric Vehicle Charging Stations	FA2020-45	Corporate Services	Asset Services	(25,000)	50,000	25,000
5	Bus Pass Subsidy - Children's Aid Society	CS2020-19	Community Development	Transit Services	-	-	Pending
6	Nodes and Corridors Land Use Study Phase 2	PL2020-41	Growth and Infrastructure	Planning	-	-	Pending
7	Recurring Grant for Kivi Park Property Taxes	FA2020-50	Corporate Services	Finance	-	-	Pending
8	Adjustments to User Fees	FA2020-54	Corporate Services	Corporate Services	-	-	Pending
9	Rationalizing Facilities to Improve Utilization Levels	FA2020-55	Community Development/Corpor	Leisure Services/Asset Services	-	-	Pending
10	Community Improvement Plan 2020 Intake	Pending	Growth and Infrastructure	Planning	-	-	Pending
11	Plan to Electrify Transit Fleet by 2035	Directed - No resolution	Community Development	Transit Services	-	200,000	200,000
12	Used Syringe Recover Services	Directed - No resolution	Community Development	Social Services	-	25,000	25,000
13	Increase Resources for the Regreening Program	Directed - No resolution	Community Development	Planning	-	-	Pending
<b>Staff Initiative</b>							
1	COMPASS - Comprehensive Organization Management, Productivity, Activity and Service System		Corporate Services	Information Technology		1,625,000	1,625,000
2	Pioneer Manor Bed Redevelopment		Community Development	Long-Term Care	-	1,158,000	1,158,000
3	Civic Cemetery Mausoleum Expansion		Community Development	Leisure Services	-	1,000,000	1,000,000
4	Transit Action Plan - One Year Extension to Service Increase Options and Fare Incentive Programs (Pilot)		Community Development	Transit Services	(110,000)	760,000	650,000
5	Municipal Easement Database		Growth and Infrastructure	Planning	-	500,000	500,000
6	Increase in Personal Support Workers (PSW)		Community Development	Long-Term Care	-	475,009	475,009
7	Increase Registered Practical Nurse (RPN) - Infection Prevention and Control (IPAC) Nurses		Community Development	Long-Term Care	-	161,500	161,500
8	Roads and Transportation Studies		Growth and Infrastructure	Infrastructure Capital Planning	-	150,000	150,000
9	Tree Stumping Service Improvement		Growth and Infrastructure	Linear Infrastructure Services	-	97,300	97,300
10	Strategic Planning for Greater Sudbury Museums		Community Development	Leisure Services	-	60,000	60,000
11	Development of a Film Office for Greater Sudbury with One FTE		Economic Development	Economic Development	-	58,430	58,430
12	Fee Reduction for Broadband Projects for Underserved Areas		Corporate Services	Information Technology	-	50,000	50,000
13	Animal Shelter Relocation - Feasibility Study		Corporate Services	By-Law/Security	-	25,000	25,000
14	Solid Waste Management Planning		Growth and Infrastructure	Environmental Services	-	25,000	25,000
15	Software Licensing to Support Work from Home Initiatives		Corporate Services	Information Technology	-	14,000	14,000
16	Data Digitalization and Migration Project		Growth and Infrastructure	Building Services	(56,881)	56,881	-
17	Increase in Part Time Hours for Engineering Services		Growth and Infrastructure	Engineering Services	(490,000)	490,000	-
18	NWSC Boardroom Rentals - User Fees		Community Development	Leisure Services	(690)	-	(690)
19	Walking Group Fee at Capreol Millennium Centre - User Fees		Community Development	Leisure Services	(2,358)	-	(2,358)
20	Return of Ariel Mapping Program to 5 Year Cycle		Growth and Infrastructure	Planning	-	(16,141)	(16,141)
21	Category Separation of User Fees and Increase in Fee for ICI Requests - User Fees		Growth and Infrastructure	Building Services	-	-	-
22	Gymnasium Drop In Punch Card - User Fees		Community Development	Leisure Services	-	-	-
23	Fitness Room Punch Card (Capreol Millennium Centre & Falconbridge Wellness Centre) -		Community Development	Leisure Services	-	-	-
					(695,429)	8,168,229	7,472,800