

EXECUTIVE SUMMARY

This report is a follow up to the August 11, 2020 Budget Direction report. The purpose of this report is to recommend an approach for addressing the Committee's desire to review the factors influencing the 2021 Budget.

Even with extraordinary provincial support in response to the COVID-19 virus, Council guidance is required to support the development of a 2021 Budget that meets expectations for service results and affordability.

BACKGROUND

The Finance and Administration Committee was presented the projected 2020 Year End Position. This report highlighted the organization's overall financial position and included a projected \$6.2 million deficit to the end of 2020. Even though this amount includes all operating departments, the majority of the deficit is a direct result of COVID-19.

The Finance and Administration Committee was presented both a Long-term Financial Plan update and a request for budget direction on August 11 2020. Both reports highlighted a recommended property tax increase of 3.9%, after assessment growth. In order to reach this, service adjustments are required. Approximately \$13.1 million of net levy savings is required to achieve the target.

The Finance and Administration Committee deferred a decision about budget directions to November 3, 2020. Staff were requested to schedule additional meetings to continue to the conversation and receive direction from the Finance and Administration Committee on November 3, 2020.

MEETING PREPARATION

There are several years' worth of reports and data that provide important details about service performance and the City's financial position. Building on that body of knowledge, staff anticipate two special meetings would occur focused on Budget 2021 issues and solutions.

Prior to the meetings, each Councillor would be contacted for in-person/telephone meetings to gather some preparatory details which would create a report that staff would prepare in advance of the proposed sessions.

The report would include some historical information/links to previous reports about prior budgets that have been adjusted (highlighting both expenditure reductions and service level increases), and show anticipated revenues for expenditures for 2021. Based on the 2021 Forecast, the issues are more than an expenditure requirement. The corporation is forecasted to experience service capacity issues and revenue reductions due to the influence of COVID-19.

The objectives would be to:

1. Clarify Council's expectations about service priorities
2. Develop Council consensus/direction about approaches for addressing budget challenges

SERVICE PRIORITIES AND EXPECTATIONS

The goal of the conversations around service priorities and expectations is to produce a shared understanding and the impact on the 2021 Budget.

The second stage of the additional meetings would include the following:

- Compiled Councillor feedback from in-person/telephone consultations.
- A review of Strategic Plan directions.
- An assessment of the impact of new/pending policy guidance, such as the Community Energy and Emissions Plan.
- Consideration of short versus long-term priorities and the impact on the 2021 Budget (i.e. COVID-19).
- An illustration of what Council controls and what costs/legislations are not under Council's influence.

CONSENSUS FOR BUDGET DIRECTION

The purpose of these discussions would be to produce direction for staff that identifies where more analysis is required in preparation for a November Budget Directions decision. In order to reach consensus, the conversations should:

1. Review current service levels.
2. Review planned service/financing changes in 2021.
3. Explores adjustment approaches and specific options. Included in Appendix A is a summary from the Core Service Review – Phase 1. Potential solutions include:
 - a. Explore changes to how we deliver services. There are a number of potential opportunities that are presenting themselves due to COVID-19 that may provide long-term savings with a capital investment today. For example, there could be services we suspend or reduce in 2021 that are reintroduced in 2022.
 - b. Explore where services can be changed. These could be changes that reflect low demand services, service level adjustments, or replace high-cost service approaches with lower-cost alternatives.
 - c. Elimination of services.
 - d. Increase user fees and work toward a full recovery of costs for some services.
 - e. Assess the implications of increasing the property tax levy.

MEETING FORMAT

Two special meetings are recommended in the coming weeks. The first meeting will:

1. Review feedback and 2021 issues/priorities
2. Review financial gap anticipated for 2021 Budget and nature of the factors influencing it (one-time or ongoing).
3. Review priorities and desired outcomes defined in 2019 and since then through various policy approvals (i.e. CEEP).
4. Review and define all service levels and identify whether potential for change exists.

The second meeting will:

1. Communicate mitigation approaches guided by Councillor's comments.
2. Clarify the impact of changing, reducing or eliminating services as well as increasing user fees and/or the property tax levy.
3. Communicate whether there are any approaches that do not work for Council or If there are any non-starter services.

ADDITIONAL INFORMATION

The following information has been provided either as an update for the Finance and Administration Committee's information or reference material to aid with the conversations mentioned above.

Financial Relief from Senior Levels of Government

On August 12, 2020, the corporation received funding letters from senior levels of government. The Phase 1 allocations totaled \$12,671,980, which is comprised of the following:

- Municipal Operating Funding - \$9,152,700
- Municipal Transit Funding - \$3,519,280

If the organization is able to demonstrate that the Phase 1 allocations are insufficient, the organization will be able to apply for additional funding in Phase 2.

The organization also has the ability to place excess funds into a reserve account to offset future pressures. The reporting and eligibility requirements have not yet been finalized, and staff expect to receive additional information in the coming weeks.

Current Financing Alternatives

The corporation did not solely rely on senior levels of government to fund the 2020 deficit. Above and beyond the mitigation strategies to reduce the budget (i.e. Salary Gapping), Council has the following alternate funding sources to fund the 2020 deficit, if required:

- Capital Holding Account Reserve
 - Approved in June of 2020, Council approved funding of up to \$5.2 million from Capital Holding Account Reserve to fund the year-end deficit. These funds were a result of completed, cancelled or projects that could be reduced.
- Special Capital Levy
 - The capital levy allocation of \$4.1 million was deferred to December 2020. Staff are to provide updated recommendations at that time to address aging infrastructure needs in the community and to include the potential for applying the amount towards the 2020 financial position.

It should be noted that these are one-time financing alternatives and if, as is generally expected, the issues due to COVID-19 continue, additional mitigation strategies will need to be implemented. Staff will continue to analyze and refine the information. The Finance and Administration Committee will be presented an updated year-end position in October, based on August month end.

Guiding Documents

The guiding documents have also been provided for the Finance and Administration Committee's information within the reference section. Over the last number of years, Council has progressed on a number of key decisions and discussions. Examples of these are as follows:

- Strategic Plan
- Community Energy and Emissions Plan
- Short and long-term priorities (i.e. Large Projects)

CONCLUSION AND NEXT STEPS

Staff continue to work on preparing the 2021 Budget within existing service levels. Staff recommend scheduling two additional meetings dedicated to supporting the Finance and Administration Committee's deliberations of 2021 Budget Directions.

References

Long-term Financial Plan Update -

<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=3&id=1513>

2021 Budget Direction and Two Year Financial Forecast

<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=4&id=1513>

2020 Operating Budget Variance Report – June

<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&attachment=30878.pdf>

Core Service Review (Phase 1)

<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=5&id=1329>

Core Service Review (Final Report)

<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=18&id=1466>