

## Request for Decision

### Finalization of the 2019 Budget

Presented To: Finance and  
Administration  
Committee

Presented: Tuesday, Feb 19, 2019

Report Date Friday, Feb 08, 2019

Type: APPROVAL OF  
BUDGET

### Resolution

#### Resolution #1:

THAT the water/wastewater operating budget be approved in the gross expenditure amount of \$82,182,509, representing a user rate increase of 7.4%.

#### Resolution #2:

THAT the water/wastewater 2019 capital budget be approved in the amount of \$39,959,667 funded as follows:

Contributions from Water/Wastewater User Fees \$33,431,663

Contributions from Federal Grants \$960,000

Contributions from Provincial Grants \$507,078

Third party recoveries \$1,760,617

Contributions from the City of Greater Sudbury's Reserves and Reserve Funds \$3,300,309

#### Resolution #3:

THAT the City's share of the tax supported budget for the Nickel District Conservation Authority 2019 budget in the gross expenditure amount of \$954,014 and a net property tax levy requirement of \$954,014, be approved.

#### Resolution #4:

THAT the City's share of the tax supported budget for the Police Services 2019 budget in the gross expenditure amount of \$65,940,450 and a net property tax levy requirement of \$59,987,608, be approved.

#### Resolution #5:

THAT the City's share of the tax supported budget for the Sudbury and District Health Units 2019 budget in

### Signed By

#### Report Prepared By

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#### Division Review

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#### Financial Implications

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the gross expenditure amount of \$6,317,974 and a net property tax levy requirement of \$6,317,974, be approved.

Resolution #6:

THAT the City's share of the tax supported budget for the Sudbury Airport Personnel 2019 budget in the gross expenditure amount of \$2,865,798 and a net property tax levy requirement of \$0, be approved.

Resolution #7:

THAT the 2019 City of Greater Sudbury's tax supported base operating budget for municipal operations, inclusive of fees and charges and excluding the City's share of the Outside Boards' budgets be approved in the gross expenditure amount of \$430,661,411 and the net amount of \$202,833,443.

Resolution #8:

THAT the City of Greater Sudbury's 2019 tax supported capital budget be approved in the gross amount of \$76,689,652 funded as follows:

Contributions from the Operating Budget \$37,988,385

Contributions from Federal Grants \$10,130,484

Contributions from Provincial Grants \$10,526,943

Contributions from the City of Greater Sudbury's Reserves and Reserve Funds \$9,451,002

Contributions from the City of Greater Sudbury's Obligatory Reserve Funds \$1,145,738

External debt financing of \$6,900,000

Third party recoveries of \$322,100

Development Charges \$225,000

Resolution #9:

THAT the recommended tax supported staffing conversion changes with a net cost of \$26,491 as listed on page 161, and detailed on pages 164 to 175 of the 2019 budget document be approved.

Resolution #10:

THAT the recommended tax supported service level changes with a net cost of \$1,510,354 as listed on page 162, and detailed on pages 176 to 214 of the 2019 budget document be approved.

Resolution #11:

THAT a special capital levy of 1.5% be used as an investment towards the City's aging infrastructure.

Resolution #12:

THAT pursuant to Ontario Regulation 284/09, this report serve as the method for communicating the exclusion of the following estimated expenses from the 2019 Budget:

a) Amortization expense - \$69.3 million

b) Post-employment benefit expenses – \$3.4 million

c) Solid waste landfill closure and post-closure expenses - \$0.5 million

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

This report refers to operational matters.

## **Report Summary**

The report provides a summary of the 2019 Budget.

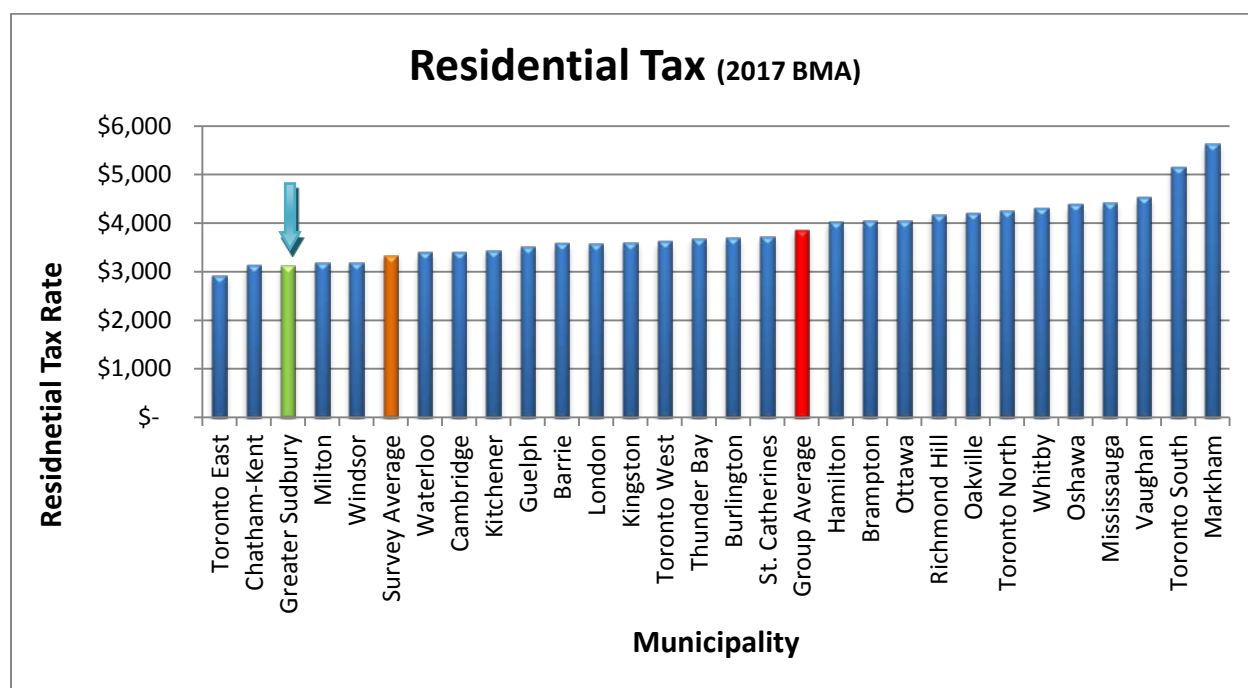
## **Financial Implications**

If approved, the taxation levy increase for 2019 will be 3.5%.

## BACKGROUND

The purpose of this report is to present the City of Greater Sudbury's 2019 budget for approval. Following budget directions established by the Finance and Administration Committee in May and an update provided in September, staff provided the Committee with the draft 2019 budget and identified service enhancements for the Committee's consideration. The recommended budget follows the Committee's budget directions.

Continued efforts to reduce the operating budget have allowed the City of Greater Sudbury to keep property taxes among the lowest in Ontario. As identified in the 2017 BMA study, the City of Greater Sudbury ranks 3<sup>rd</sup> lowest in levels of taxation for a typical bungalow when compared to the 28 municipalities in Ontario with a population greater than 100,000.



The City's taxes for a typical household are \$728 (\$612 in 2016) lower than the average for all cities in Ontario with greater than 100,000 population. This group average is a reasonable comparator for Greater Sudbury because cities of greater than 100,000 population generally deliver the same services to their residents, although service levels may vary. It is noteworthy, however, that Greater Sudbury's taxes are also lower than the survey average, which includes municipalities of all sizes across the province. In smaller communities, it is possible that the mix of services provided there is less than Greater Sudbury's, yet property taxes here are lower.

## **Ontario Municipal Partnership Fund (OMPF)**

At the time that the 2019 proposed base budget was finalized, staff were anticipating that the 2019 OMPF allocation would remain the same as the 2018 allocation of \$21.4 million based on the current formula that is in place. As the City receives more correspondence from the Ministry of Finance it is becoming more evident that the City may see a reduction. In order to maintain the 3.5% tax increase directed by the Committee, staff must either find savings in the base budget equal to the amount of the OMPF reduction by proposing service level cuts, or reducing the proposed business cases for service level change. The actual OMPF allocation is not anticipated to be announced before the final approval of the 2019 budget. Staff will provide a report to Council to identify savings in the form of service level changes in the event that the City's OMPF allocation is significantly lower than budgeted.

## **Tax Supported Budget**

The 2019 tax supported base operating budget, as presented on January 22, 2019, reflects a municipal property tax increase of 3.0%. The 2019 base budget was developed reflecting the same services and service levels as provided in the 2018 budget adjusted for contractual obligations. Budget areas such as winter control and fleet maintenance were also increased to better reflect the cost of providing these services.

## **Business Cases**

**Staffing Conversions:** There are six recommended business cases for staffing conversions, presented for the Committee's approval. These represent proposed conversions from permanent part time to regular full time positions to provide better consistency in service delivery. Some of the proposed conversions include the Active Transportation Coordinator, and the Municipal Accommodation Tax Administrator. These conversions have a minimal impact to the overall budget as the part time hours are already considered in the proposed base budget. If approved the total impact of recommended staffing conversions is \$26,491. A detailed list appears on page 161 of the 2019 budget document.

**Service Level Changes:** There are 11 recommended business cases for service level changes presented for the Committee's approval. These represent proposed service level changes that have been endorsed by the Executive Leadership Team and include a financing plan for The Junction, additional resources to undertake capital projects, the development of additional universal recreation programs, as examples. If approved, the total impact of recommended service level changes is \$1.5 million. A detailed list appears on page 162 of the 2019 budget document.

The recommended business cases require a net operating cost increase of \$1,536,845, which is a 0.5% tax increase.

## **Proposed Budget**

When combining the proposed base budget and the recommended business cases, the total property tax increase is 3.5%, consistent with the Committee's budget direction. The following chart reflects the

impact of the 3.5% tax increase for a typical household (2018 CVA \$230,000) by service area subject to Property Tax Policy.

|   |       |
|---|-------|
| Career/Urban (former City of Sudbury)               | \$103 |
| Composite/Commuter (former City of Valley East)     | \$95  |
| Volunteer/Commuter (all other areas except annexed) | \$92  |
| Volunteer (annexed at amalgamation)                 | \$89  |

### **Special Capital Levy**

Staff recommends a 1.5% special capital levy. This is consistent with the options presented in the Long-Term Financial Plan approved by Council in April 2017.

This would enable the completion of infrastructure renewal work worth \$3.9 million. Numerous municipalities across the country use some form of special levy, typically to address long-standing infrastructure renewal or replacement needs. Greater Sudbury's infrastructure renewal requirements is significant and, without some infusion of additional funds like those provided by a special capital levy, will not be adequately addressed to sustain service levels or meet expected service demands.

If approved, it is recommended that the \$3.9 million be used to fund road capital projects during 2019, specifically \$1.35 million for surface treatment and \$2.25 million for large asphalt patches. Details can be found on page 285 of the budget document.

### **Tax Supported Capital Budget (excluding Police Services)**

The 2019 draft capital budget for tax supported services, excluding Police Services, is \$73 million with \$38 million being funded from the 2019 tax levy. The largest area of these capital expenditures is in the area of roads and drains, which has a 2019 budget of \$49 million.

Pages 287-362 of the 2019 budget document provide details of the projects proposed in the 2019 capital budget, as well as a 2020-2023 capital outlook. The total tax supported capital budget is funded from the following sources:

- a) Current year tax levy
- b) Provincial and Federal grants
- c) Reserve funds and Obligatory reserve funds
- d) Development charges
- e) Third party recoveries
- f) Debt

The approval of the 2019 capital budget as tabled would include future annual increases to the operating budget of approximately \$800,000 which is outlined on page 283 of the budget document. This includes incremental operating costs of approximately \$456,000 as well as \$345,000 for salaries and benefits for four full time staffing positions to continuously support these capital projects and programs once they are completed.

The 2019 Capital Budget has been prepared and presented in accordance with the Capital Budget Policy that was presented at the City Council meeting on January 15, 2019. The Capital Budget Policy included the consolidation of numerous Capital Financing Reserve Funds and the creation of Holding Accounts as reserves that will be funded by surpluses on capital projects and will be used to fund over-expenditures on other capital projects, subject to limits.

### **Water/Wastewater Budget**

In accordance with the 2011 Financial Plan for Water/Wastewater, which called for a 7.4% user rate increase for 10 years to attain fiscal sustainability of the assets, the Committee followed up the 2016, 2017, and 2018 Budget approval of a 7.4% user rate increase with direction for a 7.4% user rate increase in 2019. The 2019 water/wastewater budget was developed on this direction and used an estimated consumption of 13.5 million cubic metres of water.

The 2019 budget includes \$33.4 million from the operating budget to fund capital projects.

The draft 2019 water/wastewater capital budget is \$40 million and funded from the following sources:

- a) Current year water/wastewater user fees
- b) Provincial and Federal grants
- c) Reserves and reserve funds
- d) Third party recoveries

Pages 373-414 of the 2019 budget document provides detailed descriptions of the capital projects proposed for 2019, as well as the 2020-2023 capital outlook.

### **City's Share of Outside Boards (Service Partners)**

The City provides funding to the three Outside Boards and provides staffing to the Sudbury Airport Community Development Corporation. The cost of staffing is recovered from the Airport.

The Nickel District Conservation Authority (Conservation Sudbury) requested a 14% increase to its 2019 operating grant with a 0% increase to the capital grant; thus reflecting a 10% increase overall, which is reflected in the 2019 budget. NDCA currently has the lowest per capita funding level among all 40 conservation authorities across the province. In its January 22, 2019 presentation to the Finance and Administration Committee, it described a variety of the pressures it faces in the upcoming years primarily due to aging infrastructure.

The Public Health, Sudbury & Districts presented a 3% increase to their annual allocation at the January 22, 2019 Finance and Administration meeting.

The Greater Sudbury Police Services (GSPS) presented its budget on December 12, 2018 to the GSPS board and the Finance and Administration Committee of January 22, 2019. The Police Services budget reflects a 3.8% increase and is currently presented in the City's base budget.

The impact to the budget from the Outside Boards represents 1.1% of the municipal property tax increase.

#### **Municipal Act - Ontario Regulation 284/09**

In accordance with Ontario Regulation 284/09, municipalities are required to disclose amounts that are expensed in their financial statements but not included in budgeted figures prior to Council passing the annual budget. For the City of Greater Sudbury, this includes three expenses for the 2019 Budget:

- a. Amortization expense - \$69.3 million
- b. Post-employment benefit expenses – \$3.4 million; and
- c. Solid waste landfill closure and post-closure expenses - \$0.5 million

The effect of including these expenses in the budget would be to increase the tax levy and user fee requirements. By not including these expenses, the annual contribution to capital and reserve contributions are lower than they will likely need to be to maintain assets in a state of good repair to support existing services and service levels in the future. Similarly, as obligations for post-employment benefits or landfill closure costs become due, not including these expenses now increases the impact on future tax levies.

#### **Update to Business Case section**

After the preparation of the 2019 Budget document, additional business cases were requested.

MacLennan Drive – At the December 11, 2018 Council Meeting, Council requested a business case to reclassify MacLennan Drive from a Class 5 roadway to a Class 3 roadway such that winter maintenance services would be enhanced from the fire hall to its terminus (CC2018-308). The business case can be found in Appendix 1 of this report.

Trail Maintenance – At the January 15, 2019 Council Meeting, Council requested a business case for year round maintenance of any of the City's trails that provide active transportation connections (CC2019-05). The business case will be distributed prior to the February 19<sup>th</sup> Finance and Administration Committee meeting and will be appended to this report.

#### **Options to Reduce the Tax Levy Increase**

At the May 15, 2018 Finance and Administration Committee meeting, an amendment to the budget direction resolution was passed directing staff to prepare required budget adjustments that would result in property tax increases of 3.0% and 2.5%. The value of a 0.5% and a 1.0% tax levy reduction is \$1.3 million and \$2.6 million respectively.

As a result of the new Capital Budget Policy, Council has a one-time opportunity to reapply funds from projects that have had no activity in the last 24 months. Under the new policy these funds would normally be subject to review and would be redirected to a capital holding account. Any cancelled project would be subject to future prioritization. The projects listed below, totaling approximately \$3.5 million, have had no activity for 24 months and could be applied to adjust the levy requirement or redirected to Council priorities that are currently not in the recommended plan. It should be noted that



if these funds are used for operating costs in 2019 there will a need to find alternate funding sources to sustain services in 2020.

Capital Projects with Funding Available to Redeploy:

- Farmers Market Building \$1.4 million
- MMMS Replacement \$900,000
- Various Building Repairs for 199 Larch and Tom Davies Square \$665,000
- Barrydowne Extension Environmental Assessment \$498,000

**SUMMARY**

The 2019 Budget produces a number of results that demonstrate the progress Council anticipated when it created its Strategic Plan. In addition to providing numerous programs and services that residents rely on every day, the 2019 budget makes significant investments that improve residents' quality of life. Not only does it address key priorities like road infrastructure and winter road maintenance services, but it also enhances community safety and the environment. It maintains Greater Sudbury's position as a community with one of the lowest property tax levels in Ontario.

The recommended 2019 operating budget document reflects a 3.5% municipal property tax increase including the effect of recommended service level enhancements. This 3.5% tax increase is in accordance with the budget direction provided by the Finance and Administration Committee in May 2018.

A 3.5% municipal property tax increase represents an increase of approximately \$103 annually or \$8.58 monthly to the typical homeowner that has a property assessed at \$230,000 (home in the former City of Sudbury); increases would be lower in the outlying areas. These increases may vary based on individual property's valuation changes through the recent provincial reassessment process, as well as the effect of the Property Tax Policy, which will be developed for Council's consideration in May of 2019.

# Business Case for Service Level Change

**Request/Project Name:** Request for Enhanced Winter Maintenance on MacLennan Drive in Skead

**Department:** Growth & Infrastructure

**Division:** Linear Infrastructure Services

**Council Resolution (if applicable):** CC2018-306

## I. Executive Summary

### Overview of Proposal

A motion was brought forth at the April 10th, 2018 council meeting that directed staff to prepare and analyze options which would enhance winter plowing/sanding/salting services on MacLennan Drive in Skead from the Fire Hall to its terminus. Council has since directed staff to prepare a business case to have MacLennan Drive reclassified in December, 2018 (CC2018-306). This business case represents the analysis of converting MacLennan Drive from a Class 5 roadway to a Class 3 roadway for winter maintenance. Staff is recommending against the conversion of MacLennan Drive due to environmental concerns, inconsistency in service delivery concerns which may create a precedence for all other Class 4-6 roadways.

## II. Background

### Current Service Level

For maintenance purposes, the City's road network is classified according to the Ontario Municipal Act, 2001 (Minimum Maintenance Standards for Municipal Highways, O. Reg. 239/02) (revised May 2nd, 2018). Road classification under this system is determined by a combination of Average Annual Daily Traffic (AADT) and posted speed limit. Hence, MacLennan Drive, north and east of the Fire Hall, to its terminus, is considered to be a class 5 road.

#### Class 1 to 3 Roads (Major Roads):

Plows are typically dispatched to salt and/or sand the Class 1 to 3 road network when the snow fall begins. Once a snow accumulation of 5 cm has been reached on the road surface, the City commences the plowing operation and continues this until the snow fall concludes and the roadways are cleared. The City has up to 8 hours after the snow fall ends to clear the Class 1 to 3 roadways of snow. However, in very cold weather conditions, snow packed conditions can be expected to remain on these roads. Snow accumulation is the measure of snow depth, on snow pack or bare surface, measured on a traveled lane with more than 50% of that lane covered in snow of similar depth. Commence salting or sanding operations as soon as icy conditions are detected on Class 1 to 3 roads. The City treats its Class 1 to 3 roads within 4 hours of ice detection.

#### Class 4 to 6 Roads (Local Roads):

Plows are dispatched to plow and sand the Class 4 to 6 road network once a snow accumulation of 8 cm has been reached. The City continues to plow and spot sand until the snow fall concludes and the roadways are cleared. The City has up to 24 hours after the snow fall ends to complete its clearing effort of Class 4 to 6 roadways. Class 4 to 6 roads are maintained to a snow packed state. Commence sanding operations as soon as icy conditions are detected on Class 4 to 6 roads. The City treats its Class 4 to 6 roads within 24 hours of ice detection.

### Drivers for Proposed Course of Action

The driver for this proposed course of action is the request to enhance plowing, sanding, and salting services for MacLennan Drive.

## III. Recommendation

### Categorize your specific request (mark an 'X' for all that apply):

|                                     |                                   |                          |                                    |
|-------------------------------------|-----------------------------------|--------------------------|------------------------------------|
| <input checked="" type="checkbox"/> | Change to base operating budget   | <input type="checkbox"/> | Change to base FTE allocation      |
| <input type="checkbox"/>            | Change to fees (unit price)       | <input type="checkbox"/> | Change to revenues (volume change) |
| <input type="checkbox"/>            | Investment in project (Operating) | <input type="checkbox"/> | Investment in project (Capital)    |

### Recommendation

In 2007, staff presented Council with options for providing winter control services consistently across all areas of the City. Therefore, staff is recommending that MacLennan drive remains unchanged as it relates to winter control road plowing (Class 4 to 6 standard) as it does not meet the warrants of a Class 1-3 road for winter maintenance. This approach would ensure MacLennan Drive is treated in conformance with City service levels and in compliance with the minimum maintenance standards and thereby reducing risk. There are numerous class 4-6 roads throughout the City that are similar to MacLennan Drive. All of these roads would have to be considered for a similar upgrade to level of service in order to maintain uniformity throughout the City.

**How does this align with Council's Strategic Plan?**

|                                 |   |   |
|---------------------------------|---|---|
| Growth and Economic Development |   | Responsive, Fiscally Prudent, Open Governance |
| Quality of Life and Place       | x | Sustainable Infrastructure                    |

The project supports Council's Strategic Plan in the area of Sustainable Infrastructure. Converting MacLennan Drive would enhance the quality of the City's roads, specifically during the winter months.

**IV. Impact Analysis****Qualitative Implications**

Converting from a Class 1-3 road would provide the following:

- Expedited plowing to 5cm of accumulation compared to 8cm for Class 4-6
- The City would clean snow within 8 hours compared to the 24 hours for Class 4-6
- Salting and/or sanding services would be within 4 hours of ice detection, rather than 24 hours

Converting the road would also have an impact on the use of chemical road deicers. According to the Salt Management Plan (SMP), the main objective of the SMP is to take all actions necessary to provide effective winter maintenance to ensure the safety of road users in keeping with applicable legislation and accepted standards while striving to minimize adverse impacts to the environment. Approval of this business case would result in a negative environmental impact with the increased requirement for chemical road deicers.

Conversion of the road would also set precedent for conversion of all Class 4-6 roads to Class 1-3. This would have much larger financial impacts as well as the environment due to the increased need for chemical road deicers.

**Quantifiable Implications**

Staff are not recommending the conversion of the road, however, conversion would cost approximately \$7,500 per annum to enhance plowing, sanding and salting services on MacLennan Drive.

**Operating Revenue - Incremental****Detail**

| Description | Duration | Revenue Source | 2019 \$ | 2020 \$ | 2021 \$ | 2022 \$ | 2023 \$ |
|-------------|----------|----------------|---------|---------|---------|---------|---------|
|             |          |                |         |         |         |         |         |
|             |          |                |         |         |         |         |         |
|             | On-Going |                | \$ -    | \$ -    | \$ -    | \$ -    | \$ -    |
|             | One-Time |                | \$ -    | \$ -    | \$ -    | \$ -    | \$ -    |
| Total       |          |                | \$ -    | \$ -    | \$ -    | \$ -    | \$ -    |

**Operating Expenditures - Incremental****Detail**

| Description | Duration | Funding Source | 2019 \$ | 2020 \$ | 2021 \$ | 2022 \$ | 2023 \$ |
|-------------|----------|----------------|---------|---------|---------|---------|---------|
|             |          |                |         |         |         |         |         |
|             |          |                |         |         |         |         |         |
|             | On-Going |                | \$ -    | \$ -    | \$ -    | \$ -    | \$ -    |
|             | One-Time |                | \$ -    | \$ -    | \$ -    | \$ -    | \$ -    |
| Total       |          |                | \$ -    | \$ -    | \$ -    | \$ -    | \$ -    |

**FTE Table**

| Position | Bargaining Unit | Duration  | Permanent / Part Time | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------|-----------------|-----------|-----------------------|------|------|------|------|------|
|          |                 |           |                       |      |      |      |      |      |
|          |                 |           |                       |      |      |      |      |      |
|          |                 | Permanent |                       | -    | -    | -    | -    | -    |
|          |                 | PT Hours  |                       | -    | -    | -    | -    | -    |

| Net Impact | 2019 \$ | 2020 \$ | 2021 \$ | 2022 \$ | 2023 \$ |
|------------|---------|---------|---------|---------|---------|
| On-Going   | \$ -    | \$ -    | \$ -    | \$ -    | \$ -    |
| One-Time   | \$ -    | \$ -    | \$ -    | \$ -    | \$ -    |
| Total      | \$ -    | \$ -    | \$ -    | \$ -    | \$ -    |

**Implementation**

Assuming the business case were approved, MacLennan road would require additional plowing, sanding and salting services. The plow that currently services Skead Road would be used for this additional work. This proposed service level change will result in a slight increase in the total time required to complete a single pass on this snow plow route (approximately 15-30 minutes, depending on severity of the winter event).

**Advantages/Disadvantages**

| Advantages   | Disadvantages  |
|--|--|
| <ul style="list-style-type: none"> <li>Converting the roadway would provide increased customer satisfaction</li> </ul> | <ul style="list-style-type: none"> <li>Converting the roadway would result in increased use of chemical deicers</li> <li>Converting the roadway would create precedent for all other Class 4-6 roadways</li> </ul> |

**V. Alternatives****Alternatives Considered**

| Solution Options   | Advantages/Disadvantages   | Financial Impact |
|--|--|------------------|
| Status Quo   | Advantages<br>- Remains in line with Minimum Maintenance Standards as well as Salt Management Plan<br>- Does not create precedent for Class 4-6 roadways             | None             |
| Convert MacLennan Drive to Class 1-3 Roadway                         | Advantages<br>- Increased customer satisfaction<br><br>Disadvantages<br>- Increased use of chemical deicers<br>- Creates precedent for Class 4-6 roadways            | \$ 7,500         |
| Convert All Class 4 and 5 Roadways to Class 3 for Winter Maintenance | Advantages<br>- Consistent service levels throughout the City<br><br>Disadvantages<br>- Affects 2,856 km of road, therefore would result in a large financial impact | TBD              |