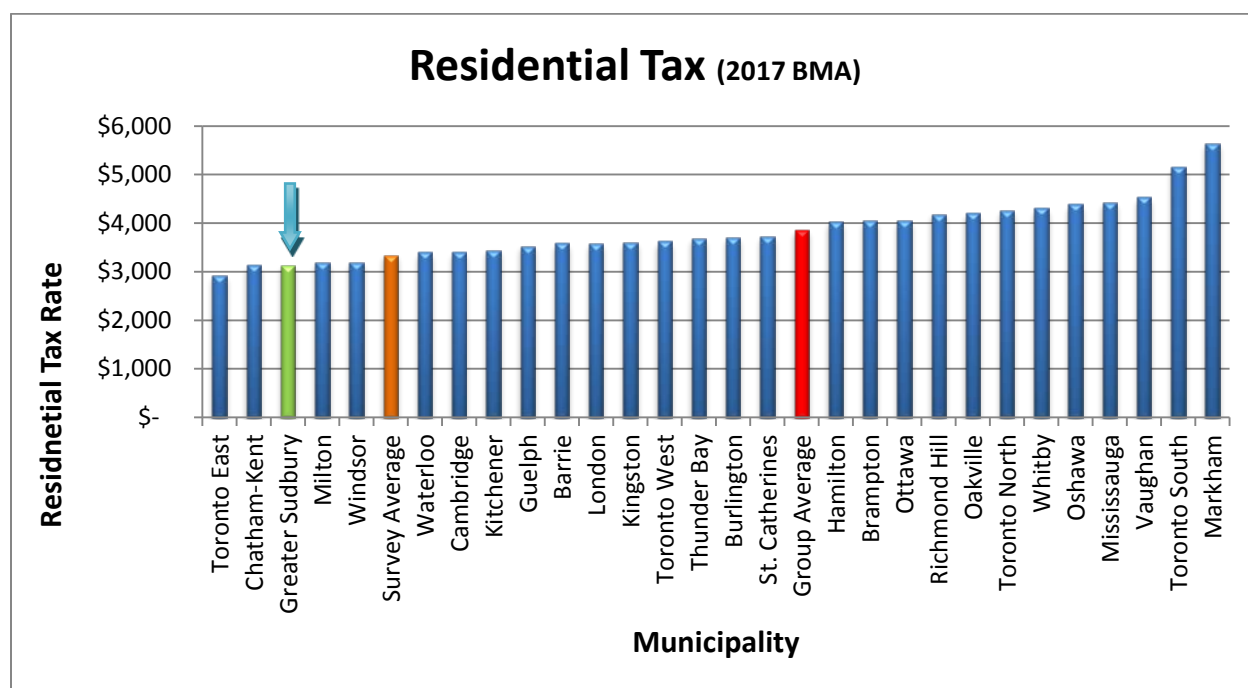


## BACKGROUND

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.