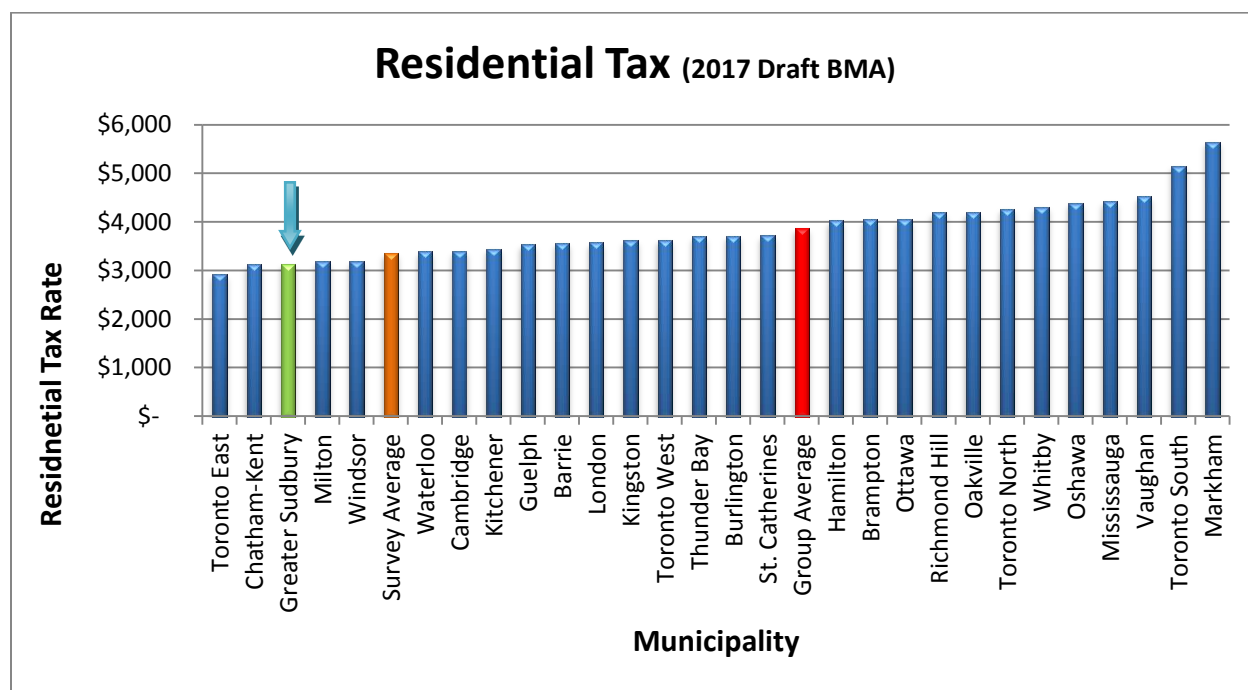


## BACKGROUND

The purpose of this report is to present the City of Greater Sudbury's 2018 budget for approval. Following budget directions established by Council in May and an update provided in September, staff provided the Committee with the draft 2018 budget and identified service enhancements for Council's consideration. The recommended budget follows Council'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 draft 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.

## **Tax Supported Budget**

The 2018 tax supported base operating budget, as presented on November 7, 2017, reflects a municipal property tax increase of 3.2%. The 2018 base budget was developed reflecting the same services and service levels as provided in the 2017 budget adjusted for inflation and contractual obligations.

## **Business Cases for Service Level Changes**

There are 20 recommended business cases for service level changes presented for Council's approval. If approved, the effect of these changes is a net operating cost increase of \$659,000, which is a 0.3% tax increase. The summary of the business cases appears on page 157 of the budget document.

When combined with the base operating budget, the total property tax increase is 3.5%, consistent with Council's budget direction. The following chart reflects the impact of the 3.5% tax increase for a typical household (2017 CVA \$230,000 / 2018 CVA \$232,300) by service area subject to reassessment and Property Tax Policy.

Career/Urban (former City of Sudbury)	\$101
Composite/Commuter (former City of Valley East)	\$93
Volunteer/Commuter (all other areas except annexed)	\$90
Volunteer (annexed at amalgamation)	\$87

## **Adjustments to the Base Budget**

**2018 OMPF Allocation:** Subsequent to the printing of the 2018 operating budget document, the Ministry of Finance released the Ontario Municipal Partnership Fund (OMPF) allocations for all municipalities in Ontario. The City of Greater Sudbury's OMPF allocation for 2018 is \$21.4 million, which is \$2.1 million less than the 2017 allocation. This is \$211,228 lower than the amount included in the 2018 budget. The City received \$3.3 million in transition funding from OMPF in 2017. This amount has been reduced to \$34,000 for the 2018 allocation, thus reducing any significant impact that future reduction in transition funding can have on the City.

**Blue Box Funding:** After the preparation of the 2018 budget, the Resource Productivity & Recovery Authority (RPR) announced the 2018 allocations for blue box funding. The City's allocation is \$290,000 greater than budgeted.

**Changes to Property Tax Policy:** Changes to the property tax policy approved on November 21<sup>st</sup> remove the sub classes for Commercial, Industrial, and Large Industrial tax classes. This results in additional assessment worth 0.6%.

**Vacancy Rebate:** The phased in approach to eliminating the vacancy rebate program was also approved in November 21<sup>st</sup>. This change will reduce the total amounts of rebates available by \$200,000.

In total, there is additional funding for the 2018 budget worth \$1.78 million. Staff recommend Council apply these funds to the business cases summarized on pg.158 of the 2018 budget. These represent

requests from City Council for service enhancements that are currently not part of the recommended budget because they could not be accommodated within Council's budget directions. As well, four additional business cases have been requested by Council or Committee for consideration. These will be distributed prior to the December 5<sup>th</sup> meeting and are detailed later in this report. Alternately, Council could choose to reduce the tax levy by as much as 0.7% resulting in an overall tax increase of 2.8%.

### **Special Capital Levy**

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

This would enable the completion of asset renewal work worth \$3.75 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 asset renewal needs are significant and, without some infusion of additional funds like those provided by a capital levy, will not be adequately addressed to sustain service levels or meet expected service demands.

Alternatively, Council could elect to use the funds generated by a capital levy to pay debt servicing costs. The additional \$3.75 million generated could be used to leverage approximately \$50 million of debt to expedite the repairs, rehabilitation, or replacement of the aging infrastructure in the City.

Staff will bring forward a report on the best use of these funds if approved by Council.

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

The 2018 draft capital budget for tax supported services, excluding Police Services, is \$122 million with \$38 million being funded from the 2018 tax levy. The largest area of these capital expenditures is in the area of Roads, which has a 2018 budget of \$103 million. The largest project in the Roads capital budget is Municipal Road 35, accounting for \$33 million of expenditures.

Pages 312-314 of the 2018 budget document provide highlights of the 2018 capital budget. The total tax supported capital budget is funded from the following sources:

- a) Current and future years' tax levies
- b) Provincial grants
- c) Federal grants
- d) Reserves and reserve funds

### **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, Council followed up the 2016 and 2017 Budget approval of a 7.4% user rate increase with direction for a 7.4% user rate increase in 2018. The 2018 water/wastewater budget was developed on this direction and used an estimated consumption of 13.7 million cubic metres of water.

The 2018 budget includes an additional \$4.2 million from the operating budget to fund capital projects.

The draft 2018 water/wastewater capital budget is \$37 million and funded from the following sources:

- a) Current and future years' levies
- b) Federal Gas Tax
- c) Reserves and reserve funds

Page 362 of the 2018 budget document provides highlights of the Water/Wastewater capital budget.

### **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 42% increase to its 2018 operating grant with a 0% increase to the capital grant; thus reflecting a 27% increase overall, which is reflected in the 2018 budget. NDCA currently has the lowest per capita funding level among all 40 conservation authorities across the province; the 2018 budget, which NDCA anticipates is part of a multi year change, would make it 35<sup>th</sup> in terms of funding levels. In its November 21 presentation to the Finance and Administration Committee, it described a variety of changed service levels it plans to introduce as a result of its recommended budget.

The Sudbury and District Health Unit (SDHU) has not yet approved its budget at the time this report was distributed. A 2% increase of the City's share of its budget was estimated based on previous years' requests. The SDHU will be presenting its budget on November 23, 2017 to its board and the appropriate modification will be made to the City's budget based on the acceptance of the SDHU's budget.

The Greater Sudbury Police Services presented its budget on November 20, 2017 to the board. The Police Services budget is currently presented in the City's base budget.

The impact to the budget from the Outside Boards represents 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 2018 Budget:

- a. Amortization expense - \$68 million
- b. Post-employment benefit expenses – \$2.6 million; and
- c. Solid waste landfill closure and post-closure expenses - \$0.2 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, capital envelopes 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 2018 Budget document, additional information regarding the business case section was requested.

Needle Recovery – At the October 24<sup>th</sup> Special Council Meeting, Council requested a business case for additional funding of needle recovery (CC2017-316). The business case can be found in Appendix 1 of this report.

Mason McCulloch Hospice – At the November 7<sup>th</sup> Finance and Administration Committee, a motion was passed to increase the proposed funding for the Mason McCulloch Hospice in the business case from \$450,000 to \$750,000. The revised business case can be found in Appendix 2 of this report.

Relocating Fire and Paramedic Services Headquarters – Appendix 3 includes an updated business case to reflect the correct debt financing rate. Appendix 4 includes a supplemental report for this business case.

Valley East Twin Pad – Appendix 5 includes a supplemental report for this business case.

### **Additional Council Requested Business Cases:**

At the November 20<sup>th</sup> Planning Committee meeting, a resolution was passed requesting an additional business case for additional funding for the Downtown Sudbury Community Improvement Plan in the amount of \$9,507,785.

At its November 21 meeting, the Finance and Administration Committee recommended to Council that staff prepare two additional business cases. One of these would, if approved during budget deliberations, increase funding by at least \$50,000 for the completion of training and investigations to support CPTED (Community Protection Through Environmental Design) audits. The second business case called for an increase to the capital budget to support the introduction of a Therapeutic/Leisure Pool.

These will be distributed prior to the December 5<sup>th</sup> Finance and Administration Committee meeting.

Business Cases for Service Level Reductions - At the May 16<sup>th</sup> Finance and Administration Committee meeting, an amendment to the budget direction resolution was passed requesting staff to prepare business cases for service level reductions in order to achieve a 3.0% and 2.5% tax increase. Appendix 6 includes the summary and business cases prepared.

## **SUMMARY**

The 2018 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 2018 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 2018 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 2017.

A 3.5% municipal property tax increase represents an increase of approximately \$101 annually or \$8.42 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 April of 2018.