

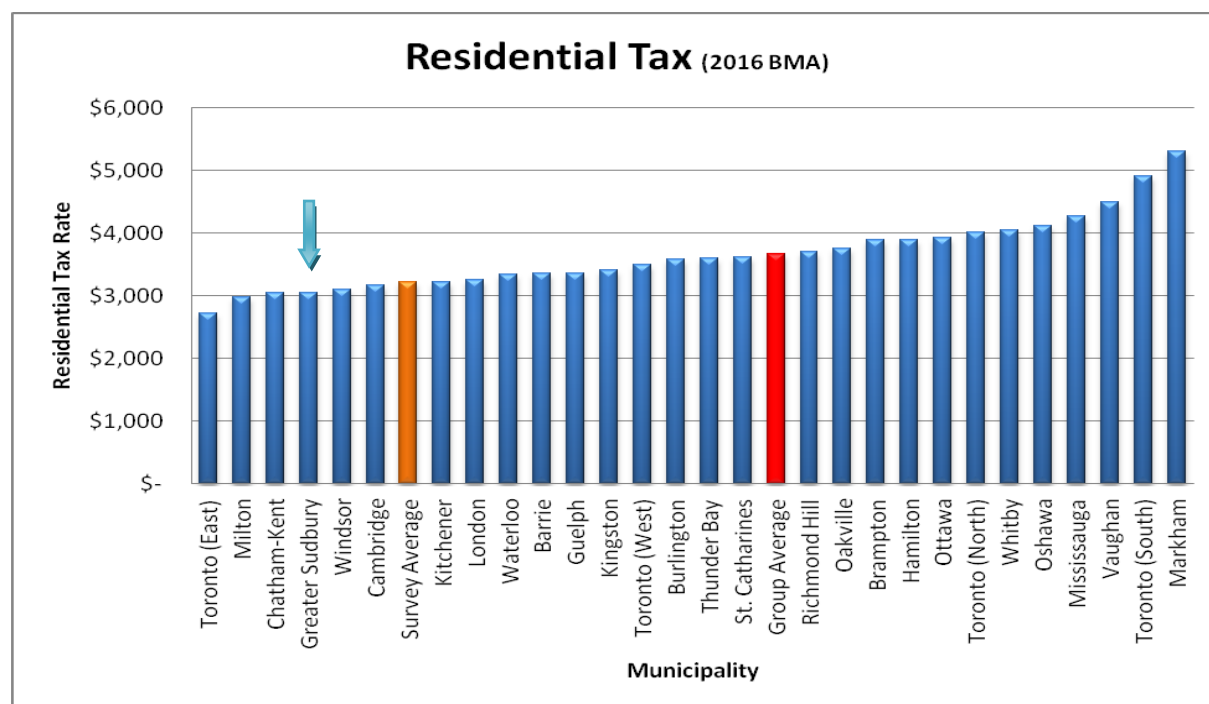
BACKGROUND

The purpose of this report is to present the City of Greater Sudbury's 2017 budget for approval. Following budget directions established by Council in August and an update provided in October, staff finalized the 2017 budget and identified service enhancements for Council's consideration. The recommended budget follows Council's budget directions.

The 2017 budget follows work done throughout 2015 and 2016 to identify and implement \$6 million in operating budget reductions. This initiative was described as "Project 6 Million (P6M)".

P6M identified permanent operating savings in excess of \$6 million, primarily through attrition of 50 full time equivalent (FTE) staff totaling \$4 million cost reductions. Other permanent cost reductions totaling \$2 million were also identified. The effect of these cost reductions are reflected in the 2016 budget and carried forward in the 2017 budget.

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 2016 BMA study, the City of Greater Sudbury ranks 4th 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 \$612 lower than the group average. 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 2017 tax supported base operating budget, as presented on November 15, 2016, reflects a municipal property tax increase of 3.4%. The 2017 base budget was developed reflecting the same services and service levels as provided in the 2016 budget adjusted for inflation and contractual obligations.

Business Cases for Service Level Changes

There are 19 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 \$433,000, which is a 0.2% tax increase. The summary of the business cases appears on page 143 of the budget document.

When combined with the base operating budget, the total property tax increase is 3.6%, consistent with Council's budget direction. The following chart reflects the impact of the 3.6% tax increase for a typical household (2016 CVA \$230,000 / 2017 CVA \$232,300) by service area subject to reassessment and Property Tax Policy.

Career/Urban (former City of Sudbury)	\$100
Composite/Commuter (former City of Valley East)	\$92
Volunteer/Commuter (all other areas except annexed)	\$88
Volunteer (annexed at amalgamation)	\$85

2017 OMPF Allocation

Subsequent to the printing of the 2017 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 2017 is \$23.47 million, which is \$2.3 million less than the 2016 allocation. However, it is marginally higher than the budgeted amount by \$130,000. These additional funds could be applied in an amendment that funds proposed or new initiatives, or it could be used to reduce the net tax levy.

Special Capital Levy

Council requested staff to identify projects that could be advanced by using a special 1.5% capital levy which is equivalent to \$3.6 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.

Consistent with Council's budget directions, page 239 of the budget document describes four projects where the additional \$3.6 million could be effectively utilized. These projects include performing condition assessments of various facilities in addition to the rehabilitating of three other facilities.

Alternatively, Council could elect to use the funds generated by a capital levy to pay debt servicing costs. The additional \$3.6 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 recommend applying the levy to the specific projects identified. Otherwise, if Council prefers to apply the levy toward debt servicing costs, it could amend the recommended motion in this report by asking staff to provide a further report regarding the most appropriate uses for the anticipated debt financing. No funds from the special levy would be expended until Council considered the additional information that would be provided by staff at a future date.

Tax Supported Capital Budget (excluding Police Services)

The 2017 draft capital budget for tax supported services, excluding Police Services, is \$163 million with \$37 million being funded from the 2017 tax levy. The largest area of these capital expenditures is in the area of Roads, which has a 2017 budget of \$134 million. The largest project in the Roads capital budget is Maley Drive, accounting for \$80 million of expenditures.

Pages 235-237 of the 2017 budget document provides highlights of the 2017 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 Budget approval of a 7.4% user rate increase with direction for a 7.4% user rate increase in 2017. The 2017 water/wastewater budget was developed on this direction and used an estimated consumption of 13.8 million cubic metres of water.

The 2017 budget allocates an additional \$2.8 million from the operating budget towards capital projects.

The draft 2017 water/wastewater capital budget is \$56 million and funded from the following sources:

- a) Current and future years' levies
- b) Federal Gas Tax
- c) Clean Water/Wastewater Fund
- d) Reserves and reserve funds

Page 291 of the 2017 budget document provides highlights of the Water/Wastewater capital budget.

City's Share of Outside Boards

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) had approved its budget after the City's document went out for reproduction. The Nickel District Conservation Authority's budget was approved by its Board at \$910 less than the estimate in the budget document. The City's final budget will include this modification.

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. The SDHU will be presenting its budget on December 6, 2016 to the Finance and Administration Committee 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 13, 2016 and the budget approved by its Board is reflected in the City's draft budget.

The impact for the budget of the Outside Boards represents 0.9% 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 2017 Budget:

- a. Amortization expense - \$67 million
- b. Post-employment benefit expenses – \$0.7 million; and
- c. Solid waste landfill closure and post-closure expenses - \$1 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.

Public Engagement

As a part of the redeveloped 2017 budget process, the public engagement portion also saw some changes. In past years citizens were invited to submit their ideas via e-mail or formal presentation to the Finance and Administration Committee. In an effort to enhance trust and credibility with residents and better educate the public on the budget process and issues facing the municipality, an online interactive tool was developed. Citizens were given the opportunity to review how the City spends tax dollars on ten services and provide feedback on how to prioritize where they would want their tax

dollars spent in 2017. Along with the online tool, a paper copy was made available for citizens to provide feedback.

The new public input process was intended to make public engagement easier, more convenient, and encourage more residents to participate.

Online Public Engagement Tool

Advertising

The new budget input tool was promoted to citizens through several communication methods during the six weeks that the online tool was available. Newspaper ads, banners on the City's website, social media, and digital billboards were all used to promote the use of the budget tool. Word of mouth from staff and Councillors, as well as e-mails to stakeholders, school boards, hospitals, post secondary institutions, and advisory panels were also beneficial in generating interest in the new process. Additionally, the new budget public input was also promoted to citizens who attended the ward budget information sessions.

Results

The results of the first ever online public engagement were promising. During the six weeks that the 2017 budget input was available, the site had 3,363 visitors with 446 completing the tool in English, and 70 visitors with 4 completing the tool in French. The results show that for the most part, citizens agree with how the budget is allocated with a few exceptions. Most citizens want increased spending in roads maintenance, winter control roads maintenance, EMS, as well as minor increases in transit services, offset by decreases in libraries, Fire Services, and Police Services. These major themes identified through the public engagement tool were consistent with those received during the ward public information sessions as reflected below.

Results and comments received from the online public input tool are attached in Appendix A. A bar graph for each question shows the total responses by incremental funding for each service with the centre bar representing the City's cost to provide the service based on the 2017 Forecast presented to the Committee in August. A vertical line shows the average amount citizens want the City to spend on the particular service, while the blue bar represents the median response when it differs from the most common response.

Please note that the opinions stated in the public engagement results report are not those of the City, nor do they reflect those of the City. Also, all rude or vulgar comments, as well as comments with an identifiable individual have been removed.

Ward Public Information Sessions

Ten ward public information sessions were held with the intent to educate the public on the municipal budget process as well as clarifying concerns from citizens on the process. As these were intended to be information sessions formal minutes were not taken, however staff responded and engaged in

conversations on comments and observations from citizens. Some of the comments and observations emanating from these sessions were as follows:

- Current property tax levels
- Local roads within their wards
- Bears in residential areas
- Winter maintenance for roads and sidewalks
- Water/wastewater rate structure and rate increases
- Volunteer firefighters
- Recently approved waste collection contract
- Active transportation alternatives
- Stormwater management

SUMMARY

The 2017 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 2017 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, especially with respect to stormwater management. It maintains Greater Sudbury's position as a community with one of the lowest property tax levels in Ontario.

The recommended 2017 operating budget reflects a 3.6% municipal property tax increase including the effect of recommended service level enhancements. This 3.6% tax increase is in accordance with the budget direction provided by Council in August 2016. Options for the special 1.5% capital levy have been made available for Council's consideration.

A 3.6% municipal property tax increase represents an increase of approximately \$100 annually or \$8.28 monthly to the typical homeowner that has a property assessed at \$230,000. 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 2017.