

Request for Decision

2010 Budget Process and Timelines

Presented To:	City Council
Presented:	Wednesday, Sep 23, 2009
Report Date	Thursday, Aug 13, 2009
Type:	Managers' Reports

Recommendation

For direction.

Background

The purpose of this report is to:

- 1) Provide Council with an overview of the preliminary 2010 to 2012 Financial Forecast, including impacts if the Ontario Municipal Partnership Fund (OMPF) Grant is reduced.
- 2) Provide Council with an overview of the 2010 Budget plan and timelines.
- 3) Seek direction on the 2010 Budget process.

Signed By

Report Prepared By

Lorella Hayes
Chief Financial Officer/City Treasurer
Digitally Signed Sep 17, 09

Recommended by the Department

Lorella Hayes
Chief Financial Officer/City Treasurer
Digitally Signed Sep 17, 09

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Sep 17, 09

Three year Financial Forecast – 2010, 2011 and 2012

The Finance Division and the operating departments have collaborated to provide Council with a forecast of the 2010 to 2012 Budgets required to “deliver the same level of service that is currently in place for the City of Greater Sudbury”.

The following is a high level summary of the preliminary forecast of municipal tax increase:

	2010	2011	2012
Base Budget (excluding outside boards)	5.2%	3.2%	3.0%
Less: Assessment Growth	(1.5%)	(1.5%)	(1.5%)
Subtotal – Before Capital Levy and Outside Boards	3.7%	1.7%	1.5%
Outside Boards (estimate based on prior 3 year's budget increases and forecast)	0.8% to 1.3%	0.8% to 1.3%	0.8% to 1.3%
Capital Levy (if approved by Council)	0 to 2.3%	0 to 2.3%	0 to 2.3%
Forecasted Tax Increase	4.5% to 7.3%	2.5% to 5.3%	2.3% to 5.1%

Additional Tax Increase Due to Potential Loss of OMPF Grant (see below)	3% to 4%	1.5%	1.5%
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There are a number of budget pressures which will challenge the City of Greater Sudbury during the upcoming fiscal year. Some include contractual salary and benefits increases, \$500,000 increase for grant to Northern Ontario School of Architecture, no increase in transit user fees revenue. There are also a number of budget increases that are directly related to the state of the economy. For instance, the City has experienced declines in rates of return on investments resulting in forecasted shortfall of approximately \$1 million, reductions in Provincial Offences revenues of \$200,000, flat lining of many revenue sources such as per diem rates for Provincial Subsidies at Pioneer Manor, Tipping Fees and a decline in sale of recycling revenues. These budget pressures are somewhat offset by forecasted reductions in diesel fuel rates from \$1.00 to \$.90, reduction in natural gas rates of 13% as a result of the most recent commodities contract, a 3% increase in User Fees Rates in accordance with the By-law, and finally, the record low inflation rates. Currently, CPI is -0.9, while core CPI is 1.8%.

Uncertainty of the OMPF Grant for 2010

Since 2005, the Ministry of Finance has maintained the OMPF Grant and allowed municipalities to retain any “one- time funding”. As reported to Council in the report dated April 22nd, 2009 the City of Greater Sudbury is at risk to losing the one-time funding of \$5.5 million that was provided in the 2009 Budget. Depending on the OMPF formula for 2010, the one-time funding at risk could grow to between \$6 to \$8 million in the 2010 budget.

The main factor that has caused this significant decline in unconditional grant is the large increase in the valuation of the assessment base, as determined by MPAC as of January 1, 2008 for fiscal years 2009 to 2012.

The City of Greater Sudbury is participating at the AMO/Ministry of Finance working group table. This group have been requested to provide consultation on mitigation options, should the Provincial Government determine to not provide mitigation or one-time funding in 2010 budget.

It is anticipated that the Assessment Equalization Grant could decline by up to \$12 million in total, by the fiscal year 2012 if no changes are made to the formula.

In 2008, the Ministry of Finance released the 2009 allocations on November 14th, 2008. It is hopeful that municipalities will be advised by no later than mid November 2009 regarding the level of funding for this extremely vital grant from the Province of Ontario. If there is a delay in the release of this information, the 2010 Budget schedule will be delayed.

2010 Budget Plan and Timeline

In light of the budget pressures the City is facing for 2010, staff, in coordination with the Mayor and the Finance Chair, are proposing the following plan:

Steps	Description	Timeline and Council Meeting Dates
1	Preparation of 2010 to 2012 Financial Forecast	May 2009 to August 2009
2	Preparation of 2010 Base Budget	July 2009 to October 2009
3	2009 Year End Projection: Variance Report to Council	<ul style="list-style-type: none">September 23rd, 2009October 28th, 2009November 23rd, 2009 (Finance Meeting)
4	Public Input Meeting - Tom Davies Square and Website	September 30, 2009
5	Review of 2010 Base Budget <ul style="list-style-type: none">Presentation of 2010 Base Budget BinderSMT overview presentationsUpdate to 2009 Year end projection	<ul style="list-style-type: none">October 13th, 2009October 19th, 2009October 26th, 2009
6	Review of Capital Budget	November 4 th & 5 th , 2009
7	Further Council/Finance Meetings Regarding: <ul style="list-style-type: none">Next StepsOutside Boards PresentationsBase Budget Enhancement OptionsBudget Reduction Options and StrategiesVoting of Budget OptionsFunding Options for One-time Expenditures	<ul style="list-style-type: none">November 16th, 2009November 23rd, 2009November 30th
8	Tentative: Approval of 2010 Budget	<ul style="list-style-type: none">November 30th (Finance Committee Meeting)December 2nd (Special Council meeting) or December 9th

Additional meeting dates can be added as determined necessary by the Finance Committee. This schedule is subject to change depending on the value of the 2010 OMPF Grant.

Budget Options

In prior years, budget enhancement options have been generated from four main sources:

1. Council Requests
2. Council Resolutions
3. Public Input/Community Consultation
4. Departmental requests

Certainly, looking ahead at the challenges facing the 2010 fiscal year, and the economic situation in Sudbury, Council will have difficult choices that must be made. For the last three years, City Council has focused on four strategic priorities: community growth and development; infrastructure development; fiscal sustainability; and excellence in governance. Significant financial investments have been made over this past term of Council.

For 2010 Budget, it has been suggested that the public make financial requests with an emphasis on the following three areas:

- Safety
- Health
- Quality of Life

All budget options, enhancements and reductions, will be reviewed by Council in late October and November once the base budget has been reviewed. In addition, the Resident Survey currently taking place captures key questions which will generate certain information that Council will need from the citizens to assist in making budget decisions. The resulting information will be provided to the community at large, with detailed breakdowns for each ward, and presented to Council on October 14, 2009.

Financial Plan for City's 1/3 Funding of Stimulus Capital Projects

As Council is aware, CGS was successful at receiving approval to undertake \$48.6 million of capital projects, funded 1/3 from each of the Federal and Provincial Governments and CGS. The City's share of these capital projects is \$16.2 million. A detailed financial plan will be presented to Council during the 2010 Capital Budget deliberations on November 4th and 5th, 2009.

Direction:

Staff is seeking direction on three main items:

1. Capital Levy for 2010 Budget
2. Budget enhancement options
3. Base budget reduction targets/options

Conclusion:

The Clerk's Office will be scheduling the 2010 Budget meetings as outlined in this report. The schedule is subject to change, depending on the OMPF Grant announcements and the timelines requested by the Finance Committee.