



FINANCE AND ADMINISTRATION COMMITTEE AGENDA

Finance and Administration Committee Meeting
Tuesday, August 11, 2020
Tom Davies Square - Council Chamber

COUNCILLOR MIKE JAKUBO, CHAIR

Deb McIntosh, Vice-Chair

10:30 a.m. CLOSED SESSION, COMMITTEE ROOM C-12 / ELECTRONIC PARTICIPATION

1:00 p.m. FINANCE AND ADMINISTRATION COMMITTEE MEETING COUNCIL CHAMBER /
ELECTRONIC PARTICIPATION

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ROLL CALL

Resolution to move to Closed Session to deal with one (1) Personal Matters (Identifiable Individual(s)) regarding a performance review in accordance with the *Municipal Act*, 2001, s. 239(2)(b).
(RESOLUTION PREPARED)

RECESS

ROLL CALL

DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

MATTERS ARISING FROM THE CLOSED MEETING

At this point in the meeting, Vice-Chair McIntosh will rise and report the results of the closed session. The Committee will then consider any resolutions.

REGULAR AGENDA

PRESENTATIONS

1. Report dated July 30, 2020 from the General Manager of Corporate Services regarding Long Term Financial Plan Update. **6 - 21**
(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)
 - Kevin Fowke, General Manager of Corporate Services(This presentation provides an update on the long term financial plan for the City of Greater Sudbury.)
2. Report dated July 30, 2020 from the General Manager of Corporate Services regarding 2021 Budget Direction and Two Year Financial Forecast. **22 - 37**
(ELECTRONIC PRESENTATION) (RESOLUTION PREPARED)
 - Ed Archer, Chief Administrative Officer(This presentation provides an overview of the forecasted budget for 2021 and to seek Council's guidance for 2021 property tax increase.)

MANAGERS' REPORTS

- R-1. 2020 Operating Budget Variance Report - June
(FOR INFORMATION ONLY) (REPORT TO FOLLOW)

(This report provides information regarding the financial implications associated with the Corporation's response to COVID-19 developments projected to August 31, 2020.)

- R-2. Report dated July 27, 2020 from the General Manager of Corporate Services regarding Sudbury Community Arena Roof Repairs. **38 - 41**

(RESOLUTION PREPARED)

(This report provides a recommendation regarding repairs to the Sudbury Community Arena's south roof and interior repairs required due to water damage.)

- R-3. Report dated July 27, 2020 from the General Manager of Community Development regarding Non Competitive Procurement Greater Sudbury Housing Corporation (GSHC) Security Services. **42 - 44**

(RESOLUTION PREPARED)

(This report provides a recommendation regarding the non competitive extension of the existing GSHC Security Services Contract until a new CGS contract that includes GSHC is awarded.)

MEMBERS' MOTION

Motion to Define 2021 Budget Preparation Methodology

As presented by Councillor Vagnini:

WHEREAS cost of living over the last six (6) years from 2014 to 2020 has risen by 9%; and

WHEREAS the population of Greater Sudbury has seen a 2% decline over six (6) years; and

WHEREAS the demographics are rapidly shifting from high income earners to fixed income or income tied to cost of living; and

WHEREAS the 2016 Statistics Canada Census determined that 54% of Greater Sudbury earners are earning less than the Canadian poverty line; and

WHEREAS Property Taxes over six (6) years have increased by 26%; and

WHEREAS Greater Sudbury over six (6) years has increased by 23%; and

WHEREAS Greater Sudbury cost impact on City residents has increased by more than 27% over the last six (6) years; and

WHEREAS Property Taxes constitute 50% of Greater Sudbury spending; and

WHEREAS User Fees constitute 22% of Greater Sudbury spending; and

WHEREAS cost reductions promised by amalgamation have not materialized; and

WHEREAS fewer employees promised by amalgamation have actually increased by 4% and the associated cost has increased by 21%; and

WHEREAS household debt to income ratios have reached 176%; and

WHEREAS traditional budget preparation techniques have not provided opportunities to allow Greater Sudbury to keep spending more closely aligned with public ability to fund

that spending; and

WHEREAS Greater Sudbury has been becoming increasingly reliant on debt financing; and

WHEREAS debt financing imposes another layer of cost on the Greater Sudbury population; and

WHEREAS there are other budget preparation techniques that readily allow preparation of Zero-Based Budget (ZBB) preparation; and

WHEREAS the application of ZBB has resulted in many corporations and an increasing number of municipalities to become more efficient and more cost effective;

THEREFORE BE IT RESOLVED that City staff is hereby directed to prepare a two page report for next Council Meeting on the resources and time requirements to replace the traditional budget preparation process with a ZBB process for the 2021 Budget Year.

CORRESPONDENCE FOR INFORMATION ONLY

- I-1. Report dated July 27, 2020 from the General Manager of Corporate Services regarding Development Charges - Treasurer's Annual Statement. **45 - 51**
(FOR INFORMATION ONLY)

(Pursuant to Section 43 of the Development Charges Act, the Treasurer shall furnish to Council a financial statement relating to the Development Charges reserve funds.)

- I-2. Report dated July 17, 2020 from the General Manager of Corporate Services regarding Payment-In-Lieu of Parkland (Parks Reserve Fund) - Treasurer's Annual Financial Statement. **52 - 54**
(FOR INFORMATION ONLY)

(This report provides information regarding the annual financial statement of the Parks Reserve Fund for payment-in-lieu of parkland in accordance with the Planning Act.)

ADDENDUM

CIVIC PETITIONS

QUESTION PERIOD

ADJOURNMENT

For Information Only

Long Term Financial Plan Update

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Aug 11, 2020

Report Date Thursday, Jul 30, 2020

Type: Presentations

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report provides Council with a long-term financial assessment of the conditions in which goals and objectives in the strategic plan will be accomplished along with the ongoing provision of municipal services at desired levels over the next 10 years.

Report Summary

This report provides an update on the Long Term Financial Plan. The 2019 financial indicators results are updated and compared to prior year actuals. A 10-year modelling of the operations and capital budget allow for projections for future tax levy changes, reserve and reserve fund balances and levels of debt and capital investment taking into account future desired service levels and project plans.

Financial Implications

There are no financial implications associated with this report.

Signed By

Report Prepared By

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed Jul 30, 20

Financial Implications

Steve Facey
Manager of Financial Planning &
Budgeting
Digitally Signed Jul 30, 20

Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed Jul 30, 20

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jul 30, 20

Executive Summary:

The City demonstrates real financial strength, flexibility in the future and financial policies and strategies aimed at tackling its key financial challenges:

- A 10-year projection for property tax increases that, controlling for the impact of COVID–19 and net of assessment growth approximates anticipated 10-year inflation (net of assessment growth averaging 2.5% per year),
- Low cost financing allowing for significant asset reinvestment and large transformative projects,
- A strategy to replenish reserves,
- Debt capacity and strong credit rating,
- Continued relatively low taxation rates in comparison to similar sized municipalities and as a percentage of household income.

The City is facing some significant environmental influences and has strategic plan aspirations that will place upward pressure on operating budgets over the course of the plan period. Chief among them are:

- Continued deterioration of assets and their effect on services and operating costs in the form of unanticipated repair and downtime,
- Lower than average levels of Reserve and Reserve Funds for unanticipated costs and use for emerging opportunities,
- In the short run, significant revenue impacts from decreased demand and service alterations in response to the COVID-19 virus,
- Increasing employment costs due to the addition of in-house staff to replace contracting arrangements, contractual obligations and significant increases in Long Term Disability and WSIB insurance premiums,
- Increasing capital and operating requirements to meet service commitments, strategic objectives and goals and continue to grow the City as a centre of excellence and opportunity.

Background:

Purpose and Outcome

The Long Term Financial Plan provides a consistent lens to help evaluate the long-term financial condition of the municipal corporation and serves as a guide for developing financial plans, budgets and service strategies that optimally balance target outcomes with fiscal prudence.

Purpose: The purpose of the plan is to ensure the long-term financial sustainability of municipal services.

Outcome: City services are financially sustainable at desired levels into the future.

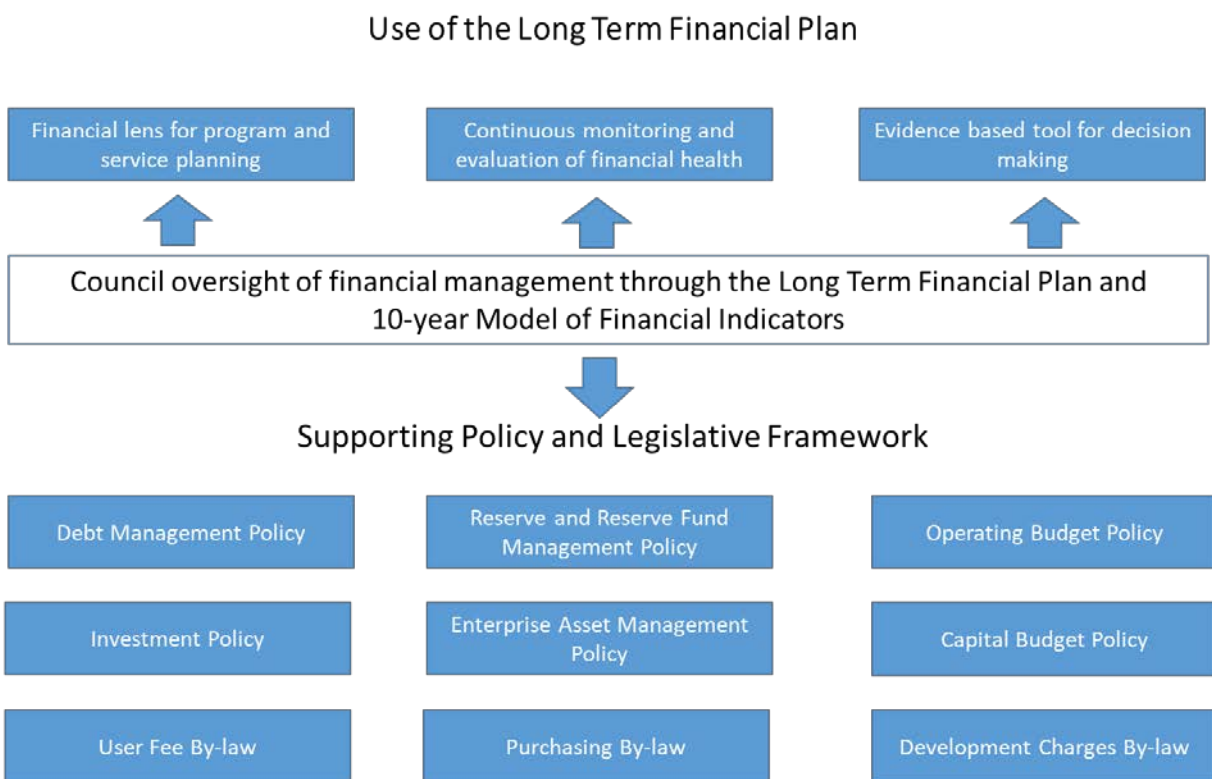
Introduction

Since 2017, the policy and annual budget choices have been made based on the financial principles set out in its Long Term Financial Plan.

- Long-term Sustainability: a long-term perspective on the City's financial position, funding sources and resource allocations
- Respect for the Taxpayer: quality services at an affordable cost
- Appropriate Funding for Services: a fair allocation of costs based on service utilization and ability to pay
- Planning for Infrastructure: investments consider required asset levels of service in the long term and alternative means of procuring and financing

Financial Policy Framework

The Plan guides the development and maintenance of the City's financial by-laws and policies to ensure a holistic and integrated fiscal management approach. The table below provides an overview of the framework:



Completed Policy Recommendations:

The 2017 Long Term Financial Plan made a number of policy recommendations, which have been completed.

Policy Recommendation	Status
<u>Operating Budget Policy</u> : consider multi-year budget recommendation, establish requirement for key performance indicators	Complete – 2019-2020
<u>Capital Budget Policy</u> : consider capital levy, eliminate	Complete - 2017 for 2018 budget

“envelopes” in favour and in line with enterprise approach, improve reporting and capital reserve management	process
<u>Reserve and Reserve Fund Management Policy</u> : establish minimums for each reserve, develop funding strategy	Complete - 2020
<u>Development Charges By-law</u> : complete update in accordance with legislation	Complete - 2019
<u>Debt Management Policy</u> : consider raising debt limit to 10% of own source revenues and move away from “pay as you go” capital funding strategy and use long term debt for long term asset investment	Complete - 2018

Status of Additional Strategies

The following additional financial strategies were highlighted in the 2017 plan and the actions taken to date are noted below:

Strategy Recommendation	Status
1. Implementation of stormwater management fees.	Work continues with the stormwater sustainable funding study in 2020, a return to Council is expected in the first half of 2021 and with the implementation of fees targeted for 2023.
2. Use of alternative tax classes and adjusting property tax ratios.	The commercial and industrial subclass discounts were eliminated in 2018. The commercial and industrial vacancy rebate program will continue to be phased out over 2019 and 2020. Property tax ratios are adjusted to ensure fairness to the residential taxpayer and encourage commercial or industrial development.
3. Capital financing: using debt to fund infrastructure renewal/replacement.	The use of debt was approved in 2018 for reconstruction on Lorne Street, improvements to Municipal Road 35 and the replacement of the Sudbury Community Arena. In 2019, debt was approved for the financing plan for the development of The Junction, (Library/Art Gallery and the Greater Sudbury Convention/Performance Centre) to promote arts and culture in the community, invest in the downtown and improve quality of life for residents. Debt was also approved for bridge refurbishment.
4. Introduction of a capital levy to fund the infrastructure renewal/replacement requirement.	In the 2020 budget Council approved a 1.5 per cent special capital levy and directed that it to be used on the infrastructure renewal requirements that had the biggest potential impact on the City’s infrastructure deficit.

5. Infrastructure and service rationalizations: analyzing current service levels of arenas, community centres, playgrounds, roads, municipal fleet and other.	The City has completed a core service level review and recommendations are still being reviewed by City Council.
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Strategy Plan Guidance of Long-Term Financial Planning

Although municipalities may differ in their approach to financial planning, effective municipalities rely on Council-approved strategies and a community vision to guide their plans. For example, some have a high growth strategy and will make policy and financing choices that emphasize an ability to be ready to respond to unplanned opportunities. They may rely more heavily on long-term and developer financing strategies than communities that are not pursuing a high growth strategy. Most cities want to maximize quality of life by making decisions to preserve services and make them sustainable over the long term.

The financial policy framework completed over the past three years is greatly supportive of our renewed strategic plan and its seven strategic priorities. The strategy envisions Greater Sudbury as a “*centre of excellence and opportunity – a vibrant community of communities living together.*” The corporation’s financial policies support Council’s vision and strategic priorities. For example:

Asset Management and Service Excellence: policies such as the Enterprise Asset Management Policy, the Capital Budget Policy and changes to the Debt Policy underscore the relationship between services and service levels and the long-term costs of asset acquisition and maintenance. This means Council’s decisions are informed by analysis and data that accounts for both current and long-term financial implications.

Business Attraction, Development and Retention: the use of debt for strong growth oriented investments such as arterial road work and investments in public infrastructure in the downtown as well as assessment protection work are financial policy changes and strategies supportive of this strategic objective. This means limited financial resources can be applied to infrastructure that have the greatest potential to generate economic activity and growth.

Climate Change: the stormwater guidelines and the potential for fee generation will assist with this strategic objective. The City’s Community Energy and Emissions Plan also has the potential to reduce operating cost and mitigate the increasing demand for City services to respond to climate and weather related events in the long run. It drives investments that may present increased costs for the corporation, but that also provide long-term community benefits for both residents and businesses.

Economic Capacity and Investment Readiness: core service review and other reports, like this one, about the City’s long-term financial plan enable responsiveness to emerging issues and changes in the operating environment. This means Council has assurance its services and service levels provide competitive, effective services that allow Greater Sudbury to compare favourably with peer municipalities and will have financial flexibility to respond to unplanned economic opportunities.

Housing: in 2019, the corporation moved housing operations into the Community Development Department to support tenants and advance revitalizing and improving the existing housing stock. The City’s asset management planning approach, changes to capital prioritization and debt policy allows

these investments to be planned and executed in the context of the City's overall facility investment requirements. This means Council has consistent, comprehensive information about asset condition and service performance to confidently make financing decisions that directly address community needs.

Create a Healthier Community: since 2005, the City has pursued goals associated with well being, environmental sustainability, civic engagement and social capital. These are quality of life goals and they require a clear picture of how they can be sustained in an organization that also provides mandatory, regulated services such as roads and transportation and water/wastewater services. The Long Term Financial plan provides insights into the long-term affordability and sustainability of the services that promote healthy community. It also assists in planning for the sustainability of these services anticipating the balance of fees versus tax funding and long-term reinvestment into infrastructure like City facilities, leisure, parks and open space and related programming. This means Council has a "whole of government" picture of its services and service levels and can be assured the community's physical, social, economic and environmental needs are considered when making annual budget decisions.

Strengthen Community Vibrancy: the Capital Budget Policy and its Capital Prioritization tool can be tailored to favour investments that support and enhance vibrancy. Like investments in healthy community, the Long Term Financial Plan model offers insights into the future policy choices available to Council of various policy choices that can be sustained to support this strategic priority.

Growth and the Economy:

Economic Condition

Council's strategic priorities were crafted in an environment indicating (at least) seven macro-economic trends:

- Slow to moderate growth in the medium to long term (the City's population is expected to grow by 6,900 – 15,000 persons, 6,000 – 8500 households and 6,400 – 11,000 jobs from 2016 – 2046)
- Aging infrastructure requiring significant capital investment (currently being further defined in the form of detailed asset management plans)
- Adverse effects of climate change and changing weather patterns
- Diversified, resilient labour market that has demonstrated and sustained employment growth
- Provincial debt and municipal funding uncertainty (and uncertain, as yet unstated objectives for the Provincially funded 2019 core service review exercise)
- A growing population of aging and vulnerable citizens with unique needs and service requirements
- Rapidly changing technology which impacts how the corporation connects with residents and delivers services.

These challenges are poised to place increased financial pressure on the corporation to continue delivering its targeted outcomes and maintain desired service levels.

Population Growth

Over the past three years, the City of Greater Sudbury has continued a steady, slow growth trajectory as the only city in northern Ontario with continued population and assessment growth.

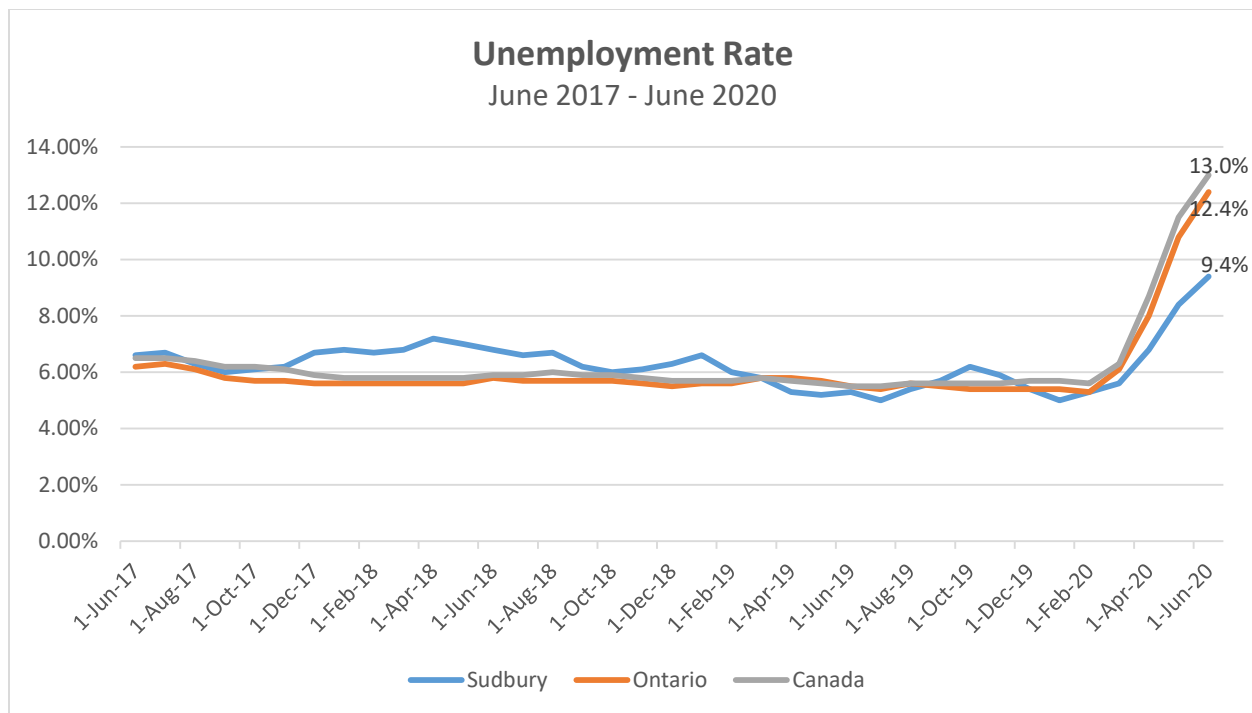
This slow to moderate growth trajectory means that population (using the most conservative assumptions) may not support business growth, labour force evolution and the quantity of increased assessment needed to sustain existing services and service levels. The higher growth assumption anticipates an increase of approximately 285 households per year approximately 0.4% per year to 2046. New infrastructure will be required alongside or in combination with spending on municipal assets that are already in need of investment in order to maintain service levels.

Gross Domestic Product

According to the Conference Board of Canada (Metropolitan Outlook, Winter 2020), growth in the local economy measured by Gross Domestic Product was 1.2% in 2019 and is projected at 1% for 2020, 0.8% for 2021 and 0.8% for 2022.

Employment

Unemployment dropped to a low of 5% in 2019 and lead both the provincial and national unemployment levels for most of the year. Since the beginning of the COVID-19 virus response, Greater Sudbury employment contraction has been less than provincial and national rates. Taking into account changes in labour force participation the net gain in jobs in 2019 was 4,000. It is anticipated that job losses, many in part-time and contract work will be regained in the second half of 2020 after reopening announcements by the Province in July. It is also expected that a deep v-shaped recovery with a quick rebound to historical employment levels is likely not a reasonable assumption and that unemployment above the three year averages from 2017 to 2020 will persist through 2020 and 2021.



Building Construction Activity

Building permit value for the first six months of 2020 is \$127.1 million compared with a \$124.4 million for the first six months of 2019, despite ongoing societal and economic pressures from pandemic response to the COVID-19 virus. Housing starts have also remained in a normal range for the first six months of the year. There were 37 new housing starts in the first six months of 2020, compared to 41 for the same period last year.

Household Income

Incomes in Greater Sudbury continue to climb but remain below provincial averages. Average household total income was \$90,179 in 2015 dollars at the time of the 2016 Canadian Census versus the Ontario average of \$97,856. The assumption used for average household income for the present modelling purposes (2019) for Greater Sudbury is \$101,733 in line with the BMA report.

Financial Condition:

Standard & Poors AA (Stable) Rating

In 2018 and 2019, the municipality received an AA credit rating from S&P Global Ratings (S&P) with a stable outlook. A debt rating is intended to represent an evaluation of the creditworthiness a debtor, anticipating ability to service and repay debt. The AA (stable) rating is an investment grade rating. That indicates the corporation has a very strong capacity to pay interest and repay principal loans. In reviewing the corporation's financial position and projected debt levels, S&P noted that:

- Greater Sudbury's institutional framework is very predictable and well-balanced
- Our economy, financial management, budgetary flexibility and performance is strong
- Our liquidity is exceptional,

- Our debt burden is very low,
- Our level of contingent liabilities is low.

This rating anticipates tax-supported debt burden will remain modest and that financial management practices will remain strong. It also anticipates plans and administration remain stable, political direction reflects current or consistent policies, and key staff positions do not experience turnover. In determining an appropriate rating, S&P took several factors into consideration, including the City's plan to issue debt to fund capital projects to reduce the infrastructure funding requirement, current economic conditions, such as significant exposure to the mining industry and the volatility in base metal prices and the City's relatively high population of seniors.

The current trends and forecasts included in the long-term financial plan are consistent with the data S&P used to develop its analysis and support its credit rating assessment. By following this plan, Council should expect similar future assessments from S&P.

Monitoring and Performance Reporting: Three Categories of Financial Condition Indicators

The Long Term Financial Plan is built on the four financial principles, measured by three groups of financial condition indicators. Each group of indicators, as defined by the Public Sector Accounting Board, provides insights into a specific aspect of financial condition. Collectively, they address how the corporation is managing its financial health. The principles and indicators also guide Council and staff when making decisions related to service and program planning. The three groups are:

- Sustainability – the ability of a municipality to maintain existing service levels and meet existing requirements without increasing its relative debt or property tax levels.
- Flexibility - the ability of a municipality to increase its financial resources to address additional commitments and changes to service levels. This is done by increasing property tax revenues, fees, reserve balances or by taking on additional debt.
- Vulnerability - the degree to which the City is susceptible to changes in funding sources outside of its control. There is a risk in relying too heavily on funding sources outside a municipality's direct control because they can be reduced or eliminated without notice.

The corporation compares its financial performance to a typical range of indicators in comparable municipalities. Since 2017, comparisons with the following municipalities provide further context for understanding the corporation's financial condition: Thunder Bay, Sault Ste. Marie, Timmins, North Bay, Barrie, Kingston, Brantford, Windsor and Chatham-Kent.

Sustainability

Key points about Greater Sudbury's sustainability include:

- The ratio of financial assets to liabilities at 1.66 is higher than the recommended range of 0.75 to 1.5, and much higher than our comparators. This indicates the corporation has the financial means to meet its commitments, the capacity to secure more debt and still remain within the recommended range of the Long-Term Financial Plan.
- The level of Reserves and Reserve Funds per Household is low compared to other municipalities, and continues to decrease. This highlights the corporation's practice of relying on reserve funding to support capital financing plans (which have been historically large in the period from

2017 to 2020), offset operating deficits and address unanticipated service requirements (such as emergency repairs). Low reserve levels indicate limited capacity to deal with cost increases or revenue losses, requiring the City to revert to taxation, user fee increases or the issuance of debt. Changes to the reserve and reserve fund policy and funding strategies presented to Council in early 2020 support efforts to reverse this trend.

- Greater Sudbury's operating expenses as a percentage of total assessment is very steady over time and compares favorably to our peer municipalities.
- Recent capital budgets and planned capital spending show the corporation has been reversing its historical under-investment in asset renewal. The ratio of annual capital asset additions to annual amortization expense (213.9% in 2019) indicates the corporation is investing more in new assets than the value it is consuming each year to provide its services.
- Taxes receivable as a percentage of taxes levied is an indication of taxpayer ability to pay and collections efforts. The ratio is low and stable and staff will monitor in light of the one-time changes to tax due dates and penalty reductions established in response to the Covid-19.

		2019	2018	2017	2016	2015
Sustainability Indicators	Target					
Financial assets to financial liabilities	0.75 to 1.50	1.66	1.66	1.66	1.67	1.62
Total reserves and reserve funds per household	\$2,000 to \$3,500	\$1,830	\$1,981	\$1,931	\$2,132	\$2,209
Total operating expenses as a percentage of taxable assessment	2.0% to 3.5%	2.4%	2.3%	2.3%	2.2%	2.2%
Capital additions as a percentage of amortization expense	150% to 250%	213.9%	111.4%	133.2%	95.2%	225.0%
Taxes receivable as a percentage of taxes levied	n/a	2.8%	2.7%	3.0%	2.4%	2.3%

Flexibility

Key point about Greater Sudbury's flexibility include:

- Compared to other municipalities, discretionary reserve funds are lower than the average, which indicates we do not have as much flexibility as the comparators to use reserve funds to immediately address unanticipated expenditure or stabilize large, unforeseen taxation impacts.
- The corporation historically had a much lower debt per capita and other debt ratios than comparator municipalities. The typical range for debt per household among our comparators is \$2,000 - \$3,500. As anticipated, the issuance of \$200 million in debt early in 2020 has moved us up into that range. The 2019 result and 2020 budgeted amount are \$927 per household and \$3,365 per household respectively. This means the corporation is investing in asset renewal using debt financing more than in prior periods, but remains within typical levels for comparable cities.

- Taxation levels remain among the lowest in Ontario for Cities with a population greater than 100,000. Both residential taxes per household and residential taxes as a percentage of household income have been, and remain, well below the typical range for municipalities in the BMA study. This indicates Council has discretion to raise taxes to support changes in services or service levels.
- The ratio of debt servicing costs to revenue is 1.98%, which is quite low compared to other municipalities. This means the relative share of annual revenue to support debt servicing costs is lower than other municipalities. The 2020 projection on this indicator (found in the 10-year model below) moves to 3.43% considering the issuance of \$200 million debenture, slightly above the typical range of comparator municipalities.

		2019	2018	2017	2016	2015
Flexibility Indicators	Typical Range					
Residential taxes per household	\$3,000 to \$5,000	\$2,349	\$2,258	\$2,176	\$2,072	\$1,978
Debt per household	\$2,000 to \$3,500	\$927	\$1,012	\$1,027	\$1,096	\$1,178
Residential taxes as a percentage of household income	3.0 to 5.0%	3.79%	3.83%	3.85%	3.63%	3.76%
Total taxation as a percentage of total assessment	1.0% to 2.5%	1.27%	1.24%	1.22%	1.17%	1.18%
Debt servicing costs (interest and principal) as a percentage of net revenues	2.0% to 3.0%	1.98%	2.32%	2.19%	2.28%	1.90%
Net book value of tangible capital assets as a percentage of historical cost of tangible capital assets	40% to 60%	49.3%	48.8%	49.7%	50.3%	51.4%

Vulnerability

Key points about Greater Sudbury's vulnerability include:

- The corporation's vulnerability is within a typical range for comparator municipalities. Greater Sudbury relies to a lesser degree than other municipalities on senior government funding for operations.
- Reliance on operating grants from senior levels of government increases the corporation's exposure to sudden changes in funding that it does not directly control. Examples include Ontario Municipal Partnership Fund allocations, provincial and federal gas taxes, and funding agreements with numerous ministries (health and long-term care, education, community and social services, etc.).

- While this exposure increases the corporation's overall risk of a sudden change in revenue, reliance on federal and provincial funding has remained consistent as shown by minor fluctuations in government transfers to total revenue.
- A higher ratio does not always indicate greater vulnerability. Where senior government funding is directed toward specific capital projects (for example, with grants for specific capital projects), the corporation's risk of sudden revenue loss is relatively low.
- Vulnerability indicator ratios remain within the typical range for the remainder of the plan period. The increase from historical norms indicates a more aggressive capital program, with greater levels of funding from senior levels of government.

		2019	2018	2017	2016	2015
Vulnerability Indicators	Typical Range					
Ratio of government transfers to total revenue	n/a	0.28	0.29	0.30	0.25	0.27
Operating grants as a percentage of total revenues	10% to 25%	22.0%	23.2%	22.6%	22.9%	22.8%
Capital grants as a percentage of total capital expenditures	10% to 25%	26.0%	40.2%	45.3%	14.1%	14.8%

10-year Financial Model:

Staff worked with KPMG to refresh the 10-year financial model from 2021 to 2030.

The following assumptions were used to generate the model:

- Projections for 2021 reflect the most up to date forecast information and match the direction recommendation published with this agenda for 2021 budget direction (3.9% net of assessment growth).
- Given forecasted revenue losses (most due to decreased demand for some City services due to COVID-19) and increases in costs in 2021, achieving this direction (3.9% net of assessment growth) will require a mix of service and capital program adjustments, fee changes or one time reserve contributions / funding from senior orders of government.
- Decrease in provincial social housing allocations of \$550,000 over the next ten years.
- Water and Wastewater user fees increase by 4.8% per year per the W/WW Financial Plan.
- Investment earnings remain at their current level.
- Expenses increase by 2% per year on average, with contributions to capital increased by 2.5%.
- Salaries and Benefits increase by contractually committed amounts and consider increases in 2021 due to higher than anticipated long term disability and WSIB premiums.
- The Capital Levy continues at 1.5% (approved in 2020).
- Includes all major capital projects funded in 2021 and 2022 (Municipal Road 35, Bridge and Culvert Rehabilitation, McNaughton Terrace Treatment Facility, the Junction, Event Centre, and

Playground Revitalization) and the associated principal and interest payments on all outstanding debt (including the \$200 million debenture issued in early 2020).

- Includes an additional amount equal to 1% of the total 2022 levy in 2023 in contributions to reserves and capital (which shows in the indicators as an increase to reserves) but could be used for the array of strategic initiative work in the strategic plan, additional asset investment or to enhance services or the way services are delivered (in line with actions in the Community Energy and Emissions Plan, Customer Service Strategy or enhanced digitization of citizen services).
- Updates average household income (\$101,733 for 2019, increased by 2% per year) in line with up to date numbers from the BMA study.
- Net assessment increases by 0.5% in 2021 and 1% per year for the balance of the period.

10-year Projections:

Operating Budget Projections

The 10-year operating budget (revenues and expense) projection is summarized in the table below.

10-year Long Term Financial Plan Operating Model

	Budgeted	Forecasted										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Ten Year Total
Revenues:												
	322,581	326,872	333,936	340,601	347,533	354,745	362,249	370,059	378,186	386,646	395,452	3,596,279
Expenses:												
	594,620	609,129	630,885	648,598	666,831	685,601	704,922	724,816	745,301	766,395	788,113	6,970,590
Municipal levy	\$ 289,445	302,181	316,873	327,087	337,697	348,524	359,915	371,999	384,357	396,980	409,730	3,555,342
Average annual increase in tax levy before assessment growth												3.5%
Annual increases in tax levy before assessment growth		4.40%	4.86%	3.22%	3.24%	3.21%	3.27%	3.36%	3.32%	3.28%	3.21%	

The 10-year operating model is consistent with prior year estimates of a net tax levy increase which averages 3.5% over the plan period. Net of predicted assessment growth at 0.5 – 1.0%, the results approximate anticipated inflation over the balance of the 10-year period.

Projected Financial Indicators over 10-year Plan

The model also provides 10-year summary projections for the capital budget and the resulting levels of debt, debt payments and reserve and reserve funds which are reflected in updated, projected financial indicators below.

FINANCIAL INDICATORS	Budgeted	Forecasted											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
Reserve and reserve funds per household	\$ 1,384	\$ 1,043	\$ 831	\$ 703	\$ 820	\$ 984	\$ 1,197	\$ 1,461	\$ 1,779	\$ 2,152	\$ 2,584		
Operating expenses as a percentage of taxable assessment	2.66%	2.72%	2.79%	2.83%	2.88%	2.92%	2.97%	3.02%	3.08%	3.13%	3.18%		
Capital additions as a percentage of amortization expense	204%	167%	142%	131%	114%	113%	113%	112%	112%	112%	111%		
Debt to Reserve Ratio	2.43	3.65	4.38	4.97	4.10	3.28	2.60	2.05	1.61	1.27	1.01		
Residential taxes per household	\$ 2,714	\$ 2,823	\$ 2,950	\$ 3,033	\$ 3,120	\$ 3,208	\$ 3,301	\$ 3,399	\$ 3,500	\$ 3,601	\$ 3,704		
Total debt per household	\$ 3,365	\$ 3,808	\$ 3,643	\$ 3,498	\$ 3,360	\$ 3,230	\$ 3,118	\$ 2,992	\$ 2,865	\$ 2,738	\$ 2,611		
Residential taxation as a percentage of household income	2.62%	2.67%	2.73%	2.75%	2.78%	2.80%	2.82%	2.85%	2.88%	2.90%	2.93%		
Debt servicing costs as a percentage of total revenues	3.43%	4.04%	3.91%	3.54%	3.28%	3.04%	2.73%	2.65%	2.58%	2.51%	2.42%		
Operating grants as a percentage of total revenues	22.2%	21.9%	21.3%	20.8%	20.2%	19.7%	19.2%	18.7%	18.2%	17.7%	17.2%		
Capital grants as a percentage of total capital expenditures	17.8%	27.7%	29.8%	27.0%	16.8%	16.5%	16.2%	15.8%	15.5%	15.2%	14.9%		

Reserve and Reserve Funds

The 10-year summary projections show that our reserve and reserve funds per household continue to decline and then rise slightly at the end of the period (2025 – 2030) as some long term debt is retired and creates capacity in the reserves for capital. Also, staff has anticipated that Council will want to take steps to increase reserves closer to their minimum levels and have placed an amount equaled to 1% of the 2022 levy into contributions to reserves and capital in the 2023 projection. Of course, Council retains full discretion to apply these funds for other purposes, or to exclude them from the annual budget.

Future Capital Programs

With historically large capital programs in 2017 – 2020 and anticipated multi-year projects carrying over into 2021 and 2022, contributions to capital and reserves will be somewhat constrained in the early years of the plan period for new capital. Staff will continue to work with Mayor and Council though to make sure the City maximizes funding opportunities from senior orders of government and will report clearly the timing of debt retirements and funding available that could be used at Council's discretion to reduce the tax levy, reinvest in capital or secure additional debt to perform capital works.

Debt

The 10-year projection of the City's debt per household stabilizes in 2022 after the full phase in of debt payments on the \$200 million debenture has occurred. The model does include additional borrowing beyond 2022 to support capital programs. Staff will continue to analyze and make recommendation on the use of debt financing based on the types of investments required, the availability of low interest debt and make recommendations to Council in line with the Debt Management Policy. Our debt to reserve ratio continues to climb until 2024, in line with assumptions above about the declining levels of reserves.

Financial Modelling Risk:

There are a number of risks that, if realized, could affect the City's ability to sustain current service levels.

Asset Condition

Although a high level Asset Management Plan has been presented, there is still an absence of thorough asset condition information on the majority of the City's assets. There is a risk that one or more assets could deteriorate or even fail, resulting in a reduction of service to residents. The development of strong asset condition information, and plans to address asset weaknesses, is a priority in the coming years. Securing low interest debt in early 2020 provides a solid basis for capital financing needs and as the financial model demonstrates and reduces interest rate risk in the long term.

Base Metal Prices

Base metal prices, overall, fell in the first three quarters of 2019 and are anticipated to rebound in 2020 amid increasing demand from electrification of vehicles and the potential for infrastructure funding from governments around the world as the global economy recovers from impact of the COVID-19 virus.

Assessment Growth and Economic Development

The cost to provide services to residents continues to increase. With low assessment growth, economic development activities take on greater importance as new taxable assessment helps spread the cost of municipal services over a broader tax base. Economic growth through new private sector investments is needed to help sustain the City's taxation levels.

Provincial Funding

Staff continue to monitor the forecasted provincial deficit, especially in light of the negative economic consequences of the COVID-19 virus. In the last five years, the City has seen a reduction in its Ontario Municipal Partnership Fund annual funding of \$7.1 million from \$28.4 million to \$21.3 million. This should be the last reduction to this fund, however, in 2019, the Province provided funding for large municipalities to perform core service reviews.

Project Delivery

The scale of the capital plan is significant and continues to fluctuate. The available staffing resources to deliver the capital plan has seen minimal change year over year. Additional costs may be incurred if projects are not completed based on the timelines estimated in the capital plan.

Interest Rates

The City has approved several significant projects to be funded through the use of debt. Interest rate fluctuations and potential increases create uncertainty. All debt included in the model though has been obtained on a long-term basis at very competitive rates. After the major issue of \$200 million in early 2020, there is certainly about debt servicing costs into the future for the majority of any debt the City could take on within its 10% debt threshold.

The City's current public debt rating of AA stable and the rates it has been able to obtain on outstanding debt make this risk easier to manage moving forward.

COVID-19 Virus Response and Economic Effect:

The effect of COVID-19 on user fee revenues is a highly uncertain variable in our planning and at the time of publishing this report it is virtually unknown whether a second wave of infection will occur in the City in late 2020, if virus response will persist beyond 2021 or if some type of vaccine or immunity will develop sufficient to moderate the future effects of the virus on the local economy. The effect of the COVID-19 virus is certain to have lasting, as yet unknown, macro-economic impacts globally and this will affect the City's projections. While we have maintained our assessment growth forecast at 1% per year from 2022 to 2030 it is possible that actuals could be lower if the spread of the virus persists.

Conclusion:

The corporation's financial condition is strong and will be further strengthened with concerted efforts to improve its level of reserve and reserve funds. It has sufficient flexibility to finance its service efforts and make investments that fulfill Council's strategic priorities.

The corporation will need to consider alternate service and service level choices to address the economic and social reality of continued pandemic response and recovery. Equally the City will be expected to lead recovery activities in the broader sense; facilitating development opportunities, supporting local businesses and advancing infrastructure projects. Economic development, assessment protection and growth are critical to balancing anticipated increases in expenses and lost revenues.

In addition to a formal annual review of the plan, staff will continue to include long-term financial plan impacts and financial indicator performance at key decision points and when analyzing service and service level decisions for Council.

Request for Decision

2021 Budget Direction and Two Year Financial Forecast

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Aug 11, 2020

Report Date Thursday, Jul 30, 2020

Type: Presentations

Resolution

Resolution One:

THAT the City of Greater Sudbury directs staff to prepare a 2021 Business Plan, as outlined in the report entitled "2021 Budget Direction and Two Year Financial Forecast", from the General Manager of Corporate Services presented at the Finance and Administration Committee meeting on August 11, 2020, that includes an operating budget for all tax supported services and considers:

- a. The cost of providing provincially mandated and cost shared programs;
- b. The cost associated with growth in infrastructure that is operated and maintained by the City;
- c. An estimate in assessment growth;
- d. Recommendations for changes to service levels and/or non-tax revenues so that the level of taxation in 2021 produces no more than a 3.9% property tax increase over 2020 taxation levels, in accordance with the Long-Term Financial Plan.

Resolution Two:

THAT the City of Greater Sudbury directs staff to develop the 2021 Capital Budget as outlined in the report entitled "2021 Budget Direction and Two Year Financial Forecast", from the General Manager of Corporate Services presented at the Finance and Administration Committee meeting on August 11, 2020, based on an assessment of the community's highest priority needs consistent with the application of prioritization criteria described in this report and that considers:

- a. Financial affordability;
- b. Financial commitments and workload requirements in subsequent years for multi-year projects;
- c. The impact on operating costs associated with new projects;

Signed By

Report Prepared By

Steve Facey
Manager of Financial Planning &
Budgeting
Digitally Signed Jul 30, 20

Division Review

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Financial Implications

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Manager of Financial Planning &
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Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
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Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jul 30, 20

- d. The probability and potential consequences of asset failure if a project is not undertaken;
- e. The financial cost of deferring projects.

Resolution Three:

THAT the City of Greater Sudbury directs staff to prepare a Business Plan for Water and Wastewater Services as outlined in the report entitled "2021 Budget Direction and Two Year Financial Forecast", from the General Manager of Corporate Services presented at the Finance and Administration Committee meeting on August 11, 2020, that includes:

- a. The cost of maintaining current approved programs at current service levels based on anticipated production volumes;
- b. The cost associated with legislative changes and requirements;
- c. The cost associated with growth in infrastructure operated and maintained by the City;
- d. A reasonable estimate of water consumption;
- e. A rate increase not to exceed 4.8%, consistent with the Water and Wastewater Long-Range Financial Plan approved by the Finance and Administration Committee on June 4, 2019.

Resolution Four:

THAT the City of Greater Sudbury directs staff to provide recommendations for changes to user fees as outlined in the report entitled "2021 Budget Direction and Two Year Financial Forecast", from the General Manager of Corporate Services presented at the Finance and Administration Committee meeting on August 11, 2020, that reflect:

- a. The full cost of providing the program or services including capital assets, net of any subsidy approved by Council;
- b. Increased reliance on non-tax revenue;
- c. Development of new fees for municipal services currently on the tax levy;
- d. A multi-year user fee schedule for years 2021 and 2022.

Resolution Five:

THAT the City of Greater Sudbury directs staff to present any service enhancements, changes in services, or new service proposals as Business Cases for consideration by City Council on a case-by-case basis, as outlined in the report entitled "2021 Budget Direction and Two Year Financial Forecast", from the General Manager of Corporate Services presented at the Finance and Administration Committee meeting on August 11, 2020, subject to the following conditions;

- a. All businesses cases must be approved by resolution of Council or Committee to be incorporated into the 2021 Budget Document;
- b. Any business case with a value of \$100,000 or less be incorporated into the base budget where the Executive Leadership Team supports the change, with a summary of such changes disclosed to Council;

Resolution Six:

THAT the City of Greater Sudbury requests its Service Partners (Greater Sudbury Police Services, Nickel District Conservation Authority, and Public Health Sudbury & Districts) to follow the directions in resolution

as outlined in the report entitled "2021 Budget Direction and Two Year Financial Forecast", from the General Manager of Corporate Services presented at the Finance and Administration Committee meeting on August 11, 2020, when preparing their 2021 municipal funding requests.

Resolution Seven:

THAT the City of Greater Sudbury approves the proposed 2021 Budget Schedule in Appendix A as outlined in the report entitled "2021 Budget Direction and Two Year Financial Forecast", from the General Manager of Corporate Services presented at the Finance and Administration Committee meeting on August 11, 2020.

Relationship to the Strategic Plan / Health Impact Assessment

This report is informed by all of the Strategic Objectives outlined in the 2019-2027 City of Greater Sudbury Strategic Plan.

Report Summary

This report provides an overview of the recommended tax increase as well as recommendations for directions to guide staff in the preparation of the 2021 Business Plan. In addition, budget pressures for 2021 have also been identified.

Financial Implications

There are no direct financial implications associated with this report. Budget directions provide staff with Council approved guidelines for producing service plans that drive the City's operating, capital and rate supported budgets. The 2021 Budget is subject to City Council review and approval, which is anticipated to be provided in the first quarter of 2021.

Executive Summary

The purpose of this report is to obtain directions from City Council that will guide the development of the 2021 Budget. Recommended directions address:

- a) Process steps to produce the Budget (that includes a tax-supported operating budget, a capital budget and a user-rate supported budget) and a schedule that anticipates final Council approval by March 2021
- b) Forecasted tax increases for 2021 and 2022 are consistent with the 2020 Long-term Financial Plan Update.
- c) Criteria for adjusting services and service levels, if required, for 2021 operating and user rate budgets, and for prioritizing new projects recommended in the 2021 capital budget.

The continued presence of the COVID-19 virus presents several ongoing risks and cost drivers that influence 2021 budget planning.

Consistent with budget presentations over the past four years, the 2021 operating budget will reflect Council's Strategic Plan, key planning documents such as Master Plans, the Asset Management plan, the Customer Service Strategy, the Population Health Calls to Action and the Community Energy and Emissions Plan (CEEP). It will emphasize the relationship between services, service levels and expected costs.

Business plans for each Service, supported by key performance indicators derived from our benchmarking network and other internal measures of service performance, will serve as the foundation for decisions and demonstrate accountability for results. While reduced revenue forecasts and preliminary cost projections indicate a higher tax increase would be needed to support existing service levels, staff recommend a direction that reflects the guidance provided by the Long-term Financial Plan (LTFP). The LTFP anticipated a 3.9% property tax change in 2021.

This means capital investment and service adjustments or alternate means of financing will need to be considered to maintain a balanced budget. Staff will develop broad categories of adjustments for Council's review. There are several considerations required to assess the balance between appropriate taxation levels and service adjustments. As the community continues to adjust and recover from the effects of the COVID-19 virus, the corporation will need to be ready to play a key role in facilitating development opportunities, supporting local businesses, advancing infrastructure projects and continuing to deliver services to residents. For a complete picture of the City's service plans and related financial commitments, all Outside Boards are requested to submit their board-approved budgets for 2021 no later than September 30, 2020 so that the Finance and Administration Committee can consider these along with the City's budget during deliberations in early 2021.

The revenue and expenditure projections described in this report reflect several inputs. They include decisions approved in the 2020 budget process, anticipated revenues and costs associated with maintaining current service levels, larger service contracts that are subject to renewal/renegotiation, projected workload volumes and the financial implications of changes in legislation. These forecasts help provide context, but will be adjusted throughout the budget development process as new/more information becomes available.

Planned Outcomes and Key Deliverables

The recommended motions recognize both current, approved service levels and work required to the vision of the 2019-2027 City of Greater Sudbury Strategic Plan: to be a Centre of excellence and opportunity – a vibrant community of communities living together. The seven strategic initiatives of the Strategic Plan are:

- Asset Management and Service Excellence
- Business Attraction, Development and Retention
- Climate Change
- Economic Capacity and Investment Readiness
- Housing
- Create a Healthier Community
- Strengthen Community Vibrancy

The Strategic Plan shapes other enterprise planning efforts such as the Community Energy and Emissions Plan, the Customer Service Strategy, advancing the Population Health agenda and the Information Technology Strategy, among many others. The 2021 workplan contains a number of important milestones that support Council's Strategic Plan and accomplish specific outcomes included in various enterprise plans including, but not limited to:

- Deliver the community-wide Automated Water Meter Project
- Introduce a new Land Management Information System
- Continue to achieve goals of the Customer Service Strategy, including completing Customer Service Training for all staff, continue development of the new Customer Relationship Management System, and improve one-stop-shop customer service centre at Tom Davies Square.
- Produce of a community safety and wellness plan.
- Implement recommendations of the Communications Review, including the development of a community engagement strategy.
- Deliver the first phase of detailed Asset Management plans for core

infrastructure.

- Continued implementation of actions associated with the Community Energy and Emissions Plan.
- Continued progress on the four Large Projects.

Factors Influencing the 2021 Operating Budget

The following forecasts anticipate the same services and level of service approved in the 2020 Budget. **Appendix A** provides additional details:

Category	Forecast 20-21 Change
General Inflation	\$1.4 million
Transit Revenue	\$1.6 million
Leisure Revenue	\$2.3 million
Hydro	\$270,000
Salaries & Benefits	\$6.4 million
WSIB	\$585,000
Contribution to Capital	\$1.2 million
Service Partners	\$4.9 million
Large Projects	\$2.4 million
Insurance	\$600,000
New Software	\$440,000
Roads Contractual Obligations	\$1.2 million
Housing Funding	\$550,000
Waste Collection Contract	(\$950,000)
Total Significant Increases	\$22.9 million

In order to reach the recommended direction of 3.9%, Municipal Services can only increase by 1% net of assessment growth. The following table summarizes the forecast changes:

	2021 Forecast %	2022 Forecast %
Tax Levy Increase (As forecast by the Long Range Financial Plan)	4.4	4.9
Less: Impact of Assessment Growth	(0.5)	(1.0)
Projected Municipal Tax Increase	3.9	3.9
Tax Increase Consists of:		
Service Partners	1.8	1.0
Provincially Mandated Services	0.8	0.5
Capital Projects	0.3	0.3
Municipal Services (net of assessment growth)	1.0	2.1
Forecasted Municipal Tax Increase	3.9	3.9

Including an estimated assessment growth of 0.5%, the directed tax increase is 3.9% which is consistent with the 2019 Long-term Financial Plan.

Plans for service level changes or service enhancements will be presented separately and supported by a business case so that the Finance and Administration Committee can consider them on their individual merits and decide whether to include them in the 2021 Budget.

As more information becomes known, staff will provide further report(s) on the implications of changes to provincial funding. Changes in funding for services provided directly by the municipality could prompt a further review of service levels. Nevertheless, at this point staff do not anticipate such changes should alter the recommended budget directions presented in this report.

In February 2020, staff presented a revised Reserves, Reserve Funds and Trust Funds By-law report. Included in this report were minimum reserve and reserve fund balances. In order to achieve these minimum levels, staff recommended a plan that increased annual contributions to reserves starting in 2021. Due to the pressures of lost revenues because of COVID-19, along with increasing contractual obligations, staff have not incorporated these increases. Staff anticipate increased reserve contributions will be included in the 2022 Budget Direction report and budget process.

Continuous Improvement & Service Adjustments

Greater Sudbury has maintained its low-cost position relative to other municipalities while continuing to deliver Council approved service levels. This has included

enhancing some services, all with tax increases consistent with the approved Long-term Financial Plan. Achieving these results has been possible, in part, by ongoing efforts to identify process improvements and service changes.

Greater Sudbury has for many years identified savings and reallocated resources to priority areas to address program pressures and service levels without exceeding Council's budget directions. Many of these savings and efficiencies have been identified in the budget book, with approximately \$15.4 million in cost avoidance or cost adjustments identified between 2016 and 2020 for the Tax and Rate Supported budgets. Continuing this practice through the 2021 budget development process, staff will continue to work to identify savings and opportunities for reallocation of resources to address pressures.

Mitigation Strategies to Achieve Budget Direction

Service adjustments will be required to achieve the recommended taxation level identified in Recommended Motion #1. In order to achieve the target, approximately \$13.1 million of net levy savings is required. To confirm the adjustments as part of the budget development process, staff will prepare further analysis that builds on reports previously presented to Council about services and service levels.

The purpose of this analysis will be to support further review by Council that identifies acceptable approaches to service adjustments and maintains the required balance between services, service levels and cost. Adjustment options will include:

- Further review of discretionary services (from the Core Services Review)
- Changes to existing service levels that reduce net costs, which could include fee increases that offset subsidy requirements
- Maintaining current service suspensions/reductions that reflect reduced service demand prompted by the ongoing presence of the COVID-19 virus
- Reducing the size of the capital plan
- Potential reallocation of the Special Capital Levy

It should also be noted that the Core Service Review reflected approximately \$4 million in total potential financial benefits. Included in the analysis performed by KPMG were potential improvements to some of the City's services. Detailed service reviews were prepared for the following:

- Community grants
- Roadways – operations and maintenance
- Facilities management

- Arenas
- Parks
- Long-term care

Also included in the review were service profiles, which outlined both qualitative and quantitative information for each of the corporation's 58 lines of service. The service profiles also highlight the net levy impact. For the 2021 Budget, each 1% is worth approximately \$2.9 million. This information is a good starting point for conversations impacting tax levies. The recommendations within that report may help reduce future tax levies.

Risk

In collaboration with the Auditor General, the Executive Leadership Team has developed an enterprise-wide risk assessment to identify key corporate risks and their potential consequences if the risks become real. "Risk" is defined as anything that can impair the achievement of the corporation's objectives. The corporation has a variety of risks that could influence its ability to achieve results. These include:

- Changes to our population mix that produce changes in service expectations or in the demand for certain services
- Legislative changes that influence how service is delivered and/or how much it costs. As discussed above, the impact of changes in provincial funding is not yet known and therefore poses a higher risk compared to prior periods.
- Aging infrastructure and the related risk of service interruptions
- Climate change that brings more severe/adverse weather and prompts more, or different, service responses
- Technology changes that present opportunities for the corporation to adapt how it provides service, or how it interacts with residents
- Economic conditions that influence perceptions of municipal financial sustainability, service affordability, access to trained workers and/or the relative competitiveness of local businesses

This assessment will inform choices about the emphasis that should be placed in the budget on discrete initiatives that could, among other results, help reduce or at least manage risk.

Property Taxes and Household Income

The 2019 BMA Municipal Study provides information regarding the percentage of household income required to pay for total property taxes of a typical bungalow. For the City of Greater Sudbury, 3.8% of household income is required to support payment

of property taxes. The BMA average and median is also 3.8%.

When comparing to other municipalities with a population of greater than 100,000, Sudbury ranks as the second lowest in property taxes for a typical detached bungalow.

2022 Forecast

The 2022 forecast was developed using the same assumptions as 2021 with adjustments for known contractual increases, and decisions made by Council in the 2020 budget process. The cost to provide the same level of service represents a 4.9% taxation levy increase before the estimated assessment growth of 1.0%. This results in a net tax impact of 3.9%. These projections are based on current information and are not final. These estimates will change as more information becomes available, and the 2021 budget submissions are completed.

Assessment Growth

The current assessment growth forecast is 0.5%. It is difficult to project assessment growth as new construction is offset by demolitions and other tax write-offs. To maximize the potential for assessment growth, staff are providing building plans electronically to assist MPAC in assessing new properties, but the timing of their addition to tax rolls is not within staff's full control.

To put the estimated growth into perspective, the value of 0.5% growth each year would have to generate an increased weighted assessment of approximately \$113 million over the current assessment of over \$22.5 billion. This is net of all tax write-offs, which reduces the assessment growth. The majority of the City's growth over the last few years has come from the residential class. The Finance and Administration Committee will receive updated assessment information through the budget process.

Factors Influencing the 2021 Capital Budget

The Capital Budget Policy guides the preparation of the City's short and long term capital plans. This policy builds on direction from City Council about the City's asset management strategy and the City's Long-term Financial Plan.

It is typical for a local government's capital renewal or replacement needs to exceed its available funds. This makes choices about capital spending particularly sensitive since tradeoffs are often necessary that can lead to unmet service expectations, unplanned emergency repair or maintenance costs, or higher overall costs.

Identifying capital budget priorities incorporates data about the serviceability of assets, their state of repair, impact on emissions and expected service levels. An enterprise-wide prioritization process is used for determining the greatest service needs and

reflects the expertise of a cross-functional staff team from across the corporation. With these priorities in place, potential financing sources are identified to fund the work in a fiscally sustainable manner.

The Capital Budget Policy increases the assurance that the corporation's highest priority projects are included in the budget. Similarly, the published Budget will include details about each planned project. This increases the likelihood that Council's priority projects will be appropriately considered in the capital budget.

The 2021 capital prioritization process (similar to 2020) will include the following criteria and the corresponding weights:

1. Strategic Priority	13
Link to the Strategic Plan	7
Project Integration	2
Shared Vision with Community Partners	1
Societal/Qualitative ROI	3
2. Financial Considerations	6
External Funding Opportunities	4
Return on Investment	2
3. Risk Management	22
Legislative Requirements	8
Health and Safety Impact	4
Probability and Consequence of Failure	10
4. Asset Renewal/Restoration	9
Link to Asset Renewal Life Cycle Costing	3
Impact on Service Level	3
Overall City Asset Footprint	1
Environmental ROI	2
Total	50

Water/Wastewater

In June 2019, the Finance and Administration Committee approved the Water and Wastewater Long-Range Financial Plan. The timeframe of the Plan is 20 years, until 2039, with an annual rate increase of 4.8% each year during this period to achieve financial sustainability. Staff anticipate rates will increase by 4.8%, as planned.

Service Partners

Once the Committee provides budget direction to staff, a letter will be sent requesting the city's service partners (i.e. Greater Sudbury Police Services, Nickel District Conservation Authority, Greater Sudbury Public Library Board and Public Health Sudbury

& Districts) to present their budgets to the Finance and Administration Committee. Staff will be requesting their approved budgets in advance of the draft budget being distributed to the Committee. If the approved budget is not available, staff will be requesting an estimate of their budgets. Recommended Resolution Seven, if approved, requests the service partners follow the same guidance staff are using to set the 2021 municipal budget so that the total financial impact is no more than a 3.9% change in taxation.

2020 Budget – Debrief

Staff conducted debrief meetings with members of the Finance and Administration Committee to discuss the 2020 budget process. Suggestions or recommendations from these meetings have been considered for the 2021 budget process.

2021 Budget Schedule

The 2021 budget schedule has been attached for the Committee's review in **Appendix B**. The budget schedule reflects a similar process as prior budgets and requires the committee's approval to reschedule existing meeting dates to accommodate time for budget deliberations. Public input into the municipal budget is fundamental to strategic goals to encourage meaningful resident engagement. Given the uncertainties in the annual projections for 2021 and 2022, the continued global pandemic response underway, and in alignment with feedback from the 2020 budget process, staff will begin engagement activities in the coming days. Although more formal opportunities for engagement are scheduled for November and December of this year, online engagement will begin as soon as possible to ensure a fulsome opportunity to engage in feedback and expectations for the 2021 budget.

Summary

Staff recommends the 2021 Budget include a 3.9% property tax increase, consistent with the forecast presented in the Long-term Financial Plan. This will require service adjustments that will be subject to further review by Council as part of the budget development process. Staff also recommend a 4.8% Water and Wastewater rate increase, consistent with the financial plan adopted by Council in 2019. Further, staff recommend the City's Service Partners follow the same directions presented in this report to facilitate Council's desired level of taxation, services and service levels.

The forecast information presented here is based on the best estimates available at this time. It is important to note that the figures and related assumptions about these forecasts will change throughout the budget process. Staff anticipate the budget will be presented in January 2021.

References

Core Services Review -

<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=25&id=1462>

Long-term Financial Plan (2019 Update) –

<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&attachment=27551.pdf>

Council Strategic Plan –

<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=2&id=1434>

2020 Budget Process Evaluation –

<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=6&id=1558>

Greater Sudbury Community Energy and Emissions Plan (CEEP) –

<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=9&id=1332>

Appendix A: Additional Information about Economic Assumptions Influencing the 2021 Budget

The following economic assumptions influence the figures included in the 2021 operating budget, the cumulative effect would produce an unacceptably high tax increase:

1. General inflation factors applied to costs, unless otherwise noted are based on the Bank of Canada inflationary control target of 2.0%. Inflation projections from three of the major banks that have inflation forecasts for 2021 ranging from 1.1 to 1.9%. A 2.0% inflationary increase is worth approximately \$1.4 million.
2. The lasting effects of COVID-19 and the organization's response may continue into 2021 and beyond. Staff anticipate lost revenues, such as Transit user fees, as a result of a decline in ridership. Increased expenditures are also expected, which include cleaning and safety supplies.

Transit User Fees are forecasted to decrease by approximately \$1.6 million.

The Government of Canada, through Provincial allocations, will contribute up to \$2 billion to support municipalities with COVID-19 operating costs. In addition, the Government will cost-match approximately \$1.8 billion to support public transit. This funding will help local governments maintain the critical services people rely on every day, including public transit, over the next six to eight months. This funding is part of the province's made-in-Ontario plan for renewal, growth and economic recovery. If the mitigation strategies in place by the corporation result in a surplus, some funds may be used to offset 2021 lost revenues.

3. Leisure Services are also forecasting decreased revenue for pools and arenas. These amounts total \$2.3 million.
4. Staff are forecasting a 5% increase in natural gas costs as well as an increase of 2% for hydro costs. The financial impact for natural gas is \$100,000 and \$270,000 for hydro.
5. Overall, salaries and benefits reflect the effects of negotiated collective bargaining agreements as well as additional personnel approved through previous budgets.

The anticipated premium increase for the LTD benefit starting January 1, 2021 is approximately 49%.

Overall, salaries and benefits account for a \$6.4 million (excluding Police) increase over the 2020 budget.

6. In addition WSIB premiums have significantly increased. The total impact is forecasted to be an additional \$585,000 in 2021.

7. Contributions for capital have been increased by 2.9% for 2021 in accordance with the Capital Budget Policy, which calls for the greater of 2.0% or the first quarter increase in the Non-Residential Building Construction Price Index (Ottawa) (NRBCPI Ottawa), or the most current NRBCPI Ottawa available at the time of developing the forecast. As of the fourth quarter of 2019, this index was 2.9%. This increases capital spending on the tax levy by approximately \$1.2 million.
8. Preliminary estimates from the outside Boards includes Nickel District Conservation Authority (2% increase to the operating grant and 14% increase to the capital grant), and Greater Sudbury Police Service (GSPS). It also includes staff's estimate of a change in Public Health Sudbury & Districts' budget (10% to remain consistent with the Provincial cap) resulting in an increase to the 2020 budget by \$4.9 million. The GSPS preliminary budget includes staffing in accordance with the Strategic Staffing Plan and NG911 needs, significant WSIB and Long Term Disability premium hikes as noted and an additional contribution to the facilities improvement plan. There are also substantial revenue reductions particularly in Paid Duty Fees and Police Clearance letters, all of which have been impacted by COVID-19. The Police Board has not yet been engaged in budget discussions and will commence this activity once the budget direction has been set.
9. As approved in the 2017-2020 budgets, funding for the large projects including Place des arts and the Kingsway Arena and Event Centre, as well as The Junction have been included in the 2021 forecast resulting in an increase of \$2.4 million on the tax levy.
10. Insurance – an increase of approximately 18%.
11. Software Expenses – an increase of 54% due to the LPMS, CRM and Modern Employee Tools being finalized.
12. A number of contractual increases such as the operation of snow plowing equipment, street sweeping and a contract for various linear maintenance activities.
13. Social housing provincial funding allocations for 2021 are decreasing by approximately \$550,000. The allocations will be phased out entirely by 2031.
14. The organization will be collecting garbage and leaf and yard trimmings every two weeks starting in February, 2021. Due to this change and renewal of contract, the organization is anticipating an estimated savings of \$950,000 for 2021.

2021 Budget Schedule

2021 Budget Update	October 13, 2020
Community Consultation Session <ul style="list-style-type: none"> • On-Line Submissions 	November, December 2020
Table Budget Document 2021 Operating and Capital Budget Overview Presentation (CAO & CFO) Presentation from Outside Boards (tentative)	Early January 2021
Budget Meeting <ul style="list-style-type: none"> • Review and approve Operating and Capital Budgets and Water/Wastewater Rates • Three consecutive meetings have been scheduled 	February/March 2021 – 6 Meetings
City Council Approval of 2021 Operating and Capital Budget	March 2021
Approval of 2021 Property Tax Policy	May 2021

Request for Decision

Sudbury Community Arena Roof Repairs

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Aug 11, 2020

Report Date Monday, Jul 27, 2020

Type: Managers' Reports

Resolution

THAT the City of Greater Sudbury directs staff to proceed with the roof replacement and interior repairs at the Sudbury Community Arena in the amount of \$359,500 from the Capital General Holding Account Reserve, as outlined in the report entitled "Sudbury Community Arena Roof Repairs", from the General Manager of Community Development presented at the Finance and Administration Committee meeting on August 11, 2020.

Relationship to the Strategic Plan / Health Impact Assessment

This report supports strategic initiative 1. *Asset Management and Service Excellence Planning*.

Report Summary

This report is provided to Council for approval to proceed with the partial roof replacement and interior repairs due to the identified roof failure on the south side of the Sudbury Community Arena.

The current leaks have directly affected various sections of operations (arena and tenants) and it is expected that without the partial roof system replacement and interior repairs these areas will continue to be affected, causing future damage and additional mold development.

The work is estimated to be approximately \$359,500.

Financial Implications

If approved, the \$359,500 (including contingency) required to complete roof and interior repairs would be funded through the Capital General Holding Account Reserve.

Signed By

Report Prepared By

Jody Cameron
Manager of Arenas
Digitally Signed Jul 27, 20

Division Review

Jeff Pafford
Director of Leisure Services
Digitally Signed Jul 27, 20

Financial Implications

Steve Facey
Manager of Financial Planning &
Budgeting
Digitally Signed Jul 27, 20

Recommended by the Department

Steve Jacques
General Manager of Community
Development
Digitally Signed Jul 28, 20

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jul 28, 20

Purpose

This report seeks approval to proceed with the partial roof replacement and interior repairs required due to the identified roof failure on the south side of the Sudbury Community Arena to be funded through the Capital General Holding Account reserve.

Background

In 2018, staff identified several roof leaks causing water to enter the facility on the south side of the Sudbury Community Arena. Areas affected are the main lobby, VIP/Catering room, Eastlink broadcast area/Sudbury 5 ticket office, lower level training room and coach's office/washroom. The south end areas (VIP on the west, and ticketing on the east) have been repaired on several occasions in the last few years, but the condition of the roof system has deteriorated to the point that they are no longer able to be repaired, and partial replacement is the only option available.

In late 2019 and into 2020, additional leaks were reported to be reoccurring in the south areas of the building. Upon review by a roofing contractor, City of Greater Sudbury (City) staff were advised that the main roofing membrane has failed in those areas identified and that the insulation between the membrane and the plastic covering the metal roof is saturated with water.

In February 2020, Sudbury Community Arena tenants (Sudbury Wolves/Sudbury Five) reported the presence of water in tenant areas as well as the suspected presence of mold. City staff hired a firm who tested the air quality and tested for mold/asbestos. The mold and air quality report confirmed the presence of mold in all four areas as well as asbestos in the Eastlink room / Sudbury Five office. Tenant staff working in those areas were relocated. Further, alternate arrangements for broadcasting the Wolves / Five games were made as the Eastlink broadcast room was unavailable due to the conditions.

The leaks identified are directly affecting operations that service patrons the arena and support tenant operations. The water has affected the equipment, caused tenant staff and/or activity to relocate to other areas of the Sudbury Arena until the interior damage is remediated.

During the period of May / June 2020 contractors removed the materials that were damaged by the roof leaks and the mold/asbestos has been remediated. Restoration work remains outstanding. The cost of remediation was approximately \$23,500.

The image below identifies the three areas of the roof that are in need of replacement due to failure. The east and west upper roof areas are currently not leaking and not included in the estimates provided.



Conclusion / Next Steps

The roof failure and leaking have directly affected various sections of operations of the arena and for tenants of the Sudbury Community Arena. It is expected that without roof system replacement, these areas will continue to be affected, cause notable damage and mold development.

The Sudbury Community Arena is currently closed. Ideally, repairs would commence prior to the next winter season. The Ontario Hockey League Board of Governors met in early July to determine start dates for the 2020-2021 season. The City has not received a tentative start date for the Sudbury Wolves as of the timing of this report. The National Basketball League of Canada (Sudbury Five) recently announced its intentions to start their next season in December 2020.

The estimated costs for work are \$310,000 for roof repairs plus \$26,000 for the interior repairs and an additional \$26,500 for remediation totaling \$359,500. Any requests from the capital holding accounts in excess of \$250,000 require Council approval.

Request for Decision

Non Competitive Procurement Greater Sudbury Housing Corporation (GSHC) Security Services

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Aug 11, 2020

Report Date Monday, Jul 27, 2020

Type: Managers' Reports

Resolution

THAT the City of Greater Sudbury in its capacity as Shareholder and Board of Directors for the Greater Sudbury Housing Corporation (GSHC) approves the Single Source purchase of security services as outlined in the report entitled "Non Competitive Procurement Greater Sudbury Housing Corporation (GSHC) Security Services" from the General Manager of Community Development presented at the Finance and Administration Committee meeting on August 11, 2020.

Relationship to the Strategic Plan / Health Impact Assessment

This report supports Council's strategic plan in the area of Quality of Life and Place as it aligns with the Population Health Priorities of Housing and Families.

Report Summary

This report requests Council's approval for a single source purchase to allow the extension of the existing GSHC Security Contract on a month to month basis until a new CGS corporate security contract is tendered and awarded. The existing CGS security contract expires in September 2020.

Financial Implications

The estimated cost of the extension of GSHC's security services contract will be covered within the GSHC's 2020 operating budget. The budgeted value of the GSHC contract extension is approximately \$30,000 per month (for 4 to 5 months) until the CGS enterprise-wide security contract is tendered and awarded.

Signed By

Report Prepared By

Nicole Piquette
Chief Financial Officer, Housing
Services
Digitally Signed Jul 27, 20

Manager Review

Barbara Dubois
Director, Housing Operations
Digitally Signed Jul 27, 20

Financial Implications

Steve Facey
Manager of Financial Planning &
Budgeting
Digitally Signed Jul 27, 20

Recommended by the Department

Steve Jacques
General Manager of Community
Development
Digitally Signed Jul 28, 20

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jul 28, 20

Non-Competitive Purchase (Single Source)-Greater Sudbury Housing Corporation (GSHC) Security Services

Purpose

This report seeks Council's approval of a Single Source Purchase related to security services as required by the City of Greater Sudbury's Purchasing By-Law (By-Law 2014-1) which requires Council's approval of any Non-Competitive Purchase where the total acquisition costs is \$100,000 or more (paragraph 8.(1) d).

Executive Summary

GSHC's contract for security services (S.F.T. 2017-14) has expired with no extension or renewal terms available. This report is recommending a single source extension with existing vendor Paragon Protection Ltd, (operating as Paragon Security) while a comprehensive enterprise-wide procurement for security services currently in development and is to be tendered and awarded in the fall of 2020.

Background

GSHC through a short form tender S.F.T. 2017-14 entered into a contract with Paragon Security for the provision of security and by-law enforcement services on July 1 2017. After having exercised two one-year renewal options, the existing contract expired on June 30, 2020. Paragon security has expressed its intention to continue on a month-to-month under the same terms and conditions until the City of Greater Sudbury (CGS) awards a new enterprise-wide contract. The Purchasing By-law requires Council approval if the non-competitive acquisition or extension exceeds \$100,000. The existing CGS security contract is due to expire on September 30, 2020.

Security Services are provided for at three GSHC locations; 159-166 Louis Street, 1920 and 1960 Paris Street and 720-744 Bruce Avenue.

Analysis

The annual value of security services is budgeted at \$351,231 or approximately \$30,000 per month for 2020. The estimated value of a 4 to 5 month extension is \$120,000 to \$150,000. As per the City's Purchasing By-Law, a Request for Tender or Request for Proposal is required for goods, services or constructions with an estimated total acquisition cost in excess of \$100,000. GSHC staff is working with the Manager of By-law and Security to develop an enterprise-wide tender that will include GSHC within its scope of work. The Purchasing By-Law does contemplate Single Source Purchases if the purchase is in the best interests of the GSHC.

Paragon Security has performed above standard during the three-year contract and is familiar with GSHC operations, challenges and applicable by-laws. The GSHC would extend based on the previous year's terms, conditions and rates. This alternative allows the GSHC to maintain established service levels within existing budgets and to ensure for quality services until the CGS tender is awarded in the Fall of 2020.

Next Steps

This report recommends a Non-Competitive Purchase (Single Source) for security services with Paragon Security on a month-to-month basis until a new enterprise-wide security contract is awarded. It is in the best interest of the GSHC to single source this service, maintaining service levels and rates, until a more comprehensive City-wide contract is completed.

GSHC will continue to work with the Purchasing, Security, By-Law and other operating areas toward a comprehensive enterprise-wide procurement for security services for future years.

Resources Cited

City of Greater Sudbury Purchasing By-Law 2014-1

<https://citylinks.greatersudbury.ca/?LinkServID=5B29B70D-0B5B-8BE7-EF7E908703E551C2>

For Information Only

Development Charges - Treasurer's Annual Statement

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Aug 11, 2020

Report Date Monday, Jul 27, 2020

Type: Correspondence for
Information Only

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report relates to operational matters.

Report Summary

This report provides detail relating to Development Charges including a financial statement for development charges collected during 2019 along with reserve fund transactions and balances.

Financial Implications

There are no financial implications associated with this report.

Signed By

Report Prepared By

Apryl Lukezic
Co-ordinator of Budgets
Digitally Signed Jul 27, 20

Manager Review

Steve Facey
Manager of Financial Planning &
Budgeting
Digitally Signed Jul 27, 20

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed Jul 28, 20

Financial Implications

Steve Facey
Manager of Financial Planning &
Budgeting
Digitally Signed Jul 28, 20

Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed Jul 30, 20

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jul 30, 20

Purpose

This report provides a financial statement relating to development charges collected during 2019 including reserve fund transactions and balances.

Overview - How Development Charges Are Recorded

Development charges collected are included in an obligatory reserve fund by each service area as outlined in the 2014 and in the 2019 DC background studies. At the end of each year, staff reviews the spending on growth related projects as identified in the background study and transfers the DC's collected that can be earned during the year. The funds are transferred to fund the respective growth related projects, which creates a project surplus and is transferred to the respective Capital Financing Reserve Fund. These reserve funds can then be used towards future capital projects.

Currently, DC's are not shown as a funding source in the annual Capital Budget as the funding amount is unknown until collected at the building stage which is based on the development activity that varies year to year. As well, there are DC instalments where DC's will be collected over 5 or 20 years when certain types of buildings are first occupied, as well as exemptions from the DC Act and DC By-Law 2014-151 and 2019-100.

1. Treasurer's Annual Statement

The Development Charges Act, section 43(1) states that "The treasurer of a municipality shall each year on or before such date as the council of the municipality may direct, give the Council a financial statement relating to development charge by-laws and reserve funds established under section 33." In addition, Paragraphs 12 and 13 of Ontario Regulation 82/98 indicate the information to be included in the report.

Schedule "A" provides a summary of the development charges collected during 2019 as per this By-Law including reserve fund transactions and balances. Schedule "B" provides a list of growth related capital projects that have received contributions from the development charges reserve funds in 2019. The City prefunds the growth related portion of capital projects until development charges are collected in future years.

A summary of the Development Charges activities and obligatory reserve funds relating to by-law 2014-151 and 2019-100 is detailed below:

January 1, 2019 – opening balance	\$ 2,059,100
Development Charges received	2,828,298
Interest earned	82,518
Transfers to capital projects	(2,872,609)
December 31, 2019 – closing balance	<u>\$ 2,097,307</u>

The balance in the obligatory reserve funds is made up of the following major categories:

General services	\$ 2,097,307
Engineered services	0
Total Development Charge reserve funds	<u>\$ 2,097,307</u>

Funds remaining in the Development Charges Reserve Funds are considered to be committed for projects as identified in the 2019 Development Charges Background Study. In addition, these funds have been reflected in the 2019 Development Charges Background Study under the column of “Available DC Reserves” which decreases DC eligible costs to be collected in the future as this amount has already been collected for projects not yet started (ie. new buildings for Fire Services, Paramedic Services and Police Services). The funds will be transferred to the capital projects when growth related costs are incurred.

No amounts have been borrowed from the funds during the year or in any previous years. Therefore, no amounts have been repaid for any previous borrowings as there have been no previous borrowings.

Furthermore, the City is in compliance with respect to the following “A municipality shall not impose, directly or indirectly, a charge related to a development or a requirement to construct to service related to development, except as permitted by this Act or another Act.” This statement prohibits municipalities from requesting “voluntary, but mandatory” payments for the 10% discount, ineligible services and post period shares as it relates to the calculation of the DC rates within the DC background study, which is completed every 5 years.

Conclusion

Pursuant to Section 43 of the Development Charges Act, the Treasurer shall furnish to Council a financial statement (Schedule A, B and C) relating to the Development Charges By-Law and reserve funds.

Appendices

Appendix A – Development Charges Obligatory Reserve Funds

Appendix B – Annual Development Charges Transfers by Project

Appendix C – Development Charges – Credits Outstanding

Appendix A
Development Charges Obligatory Reserve Funds
Annual Continuity Statement by Service Category
For the Year Ended December 31, 2019

	Balance at January 1, 2019	Development Charges Collected	Interest	Subtotal	Transfers to Capital	Transfers to Operating	Balance at December 31, 2019	
General Services								
General Government	\$ 11,767	\$ 30,028	\$ 586	\$ 42,381	\$ 42,381	\$ -	\$ 0	
Library (Buildings)	0	83,563	972	84,535	84,535	-	0	
Fire (Buildings and Equipment)	1,277,082	31,036	34,302	1,342,420	80,389	-	1,262,031	Note 1
Police (Buildings and Equipment)	304,345	49,398	8,533	362,276	19,210	-	343,066	
Public Safety	0	17,869	179	18,048	18,048	-	0	
Parks and Recreation (Facilities & Parkland Development)	0	287,373	3,267	290,640	290,640	-	0	
Cemetery	-	481	8	488	488	-	0	
Public Works (Equipment)	48,741	-	1,291	50,033	-	-	50,033	
Ambulance (Buildings)	287,975	20,149	7,847	315,971	4,290	-	311,681	
Transit (Buildings)	129,190	98,192	3,114	230,496	-	100,000	130,496	
Emergency Preparedness (Buildings and Equipment)	0	54,281	521	54,802	54,802	-	0	
Total General Services	\$ 2,059,100	\$ 672,370	\$ 60,620	\$ 2,792,090	\$ 594,784	\$ 100,000	\$ 2,097,307	
Engineered Services								
Roads and related	\$ 0	\$ 1,360,955	\$ 13,877	\$ 1,374,832	\$ 1,374,832	\$ -	\$ 0	
Water	0	132,010	1,386	133,396	133,396	-	0	
Waste Water	0	526,508	5,276	531,784	531,784	-	0	
Drains	0	136,454	1,359	137,813	137,813	-	0	
Total Engineered Services	\$ 0	\$ 2,155,928	\$ 21,898	\$ 2,177,826	\$ 2,177,826	\$ -	\$ 0	
Total - January 1, 2019 to December 31, 2019	\$ 2,059,100	\$ 2,828,298	\$ 82,518	\$ 4,969,916	\$ 2,772,609	\$ 100,000	\$ 2,097,307	
Comparative Balances - January 1, 2018 to December 31, 2018	\$ 1,774,222	\$ 4,487,181	\$ 84,103	\$ 6,345,507	\$ 4,186,407	\$ 100,000	\$ 2,059,100	

Note 1 In 2019, overtransferred \$23,603 from Development Charges Reserve Fund - Fire, and will be returned to this reserve fund in 2020.

Appendix B							
Annual Development Charges Transfers by Project for Growth Related Projects Identified in 2019 Development Charges Backlog							
For the Year Ended December 31, 2019							
		Net Growth Related Share (Development Charges)					
Project Description	Cost to December 31, 2019	Amount Funded by Development Charges Collected During 2019	Amount Funded by Development Charges Collected up to December 2018	Municipal Contribution to be Repaid by Development Charges Collected in the Future (Note 1)	Grants / Subsidies / Other	Municipal Contribution (Benefit to Existing / 10% Statutory Deduction)	Total Funding to December 31, 2019
General Services							
General Government							
Official Plan Update	265,912	32,381	47,778	39,501		146,252	265,912
Development Charges Study	93,066		47,971	35,788		9,306	93,066
Population Project Forecast	35,879	10,000		22,291		3,588	35,879
Subtotal	394,857	42,381	95,750	97,580	-	159,146	394,857
Library (Buildings)							
South Branch Library Expansion	5,713,696	84,535	890,377	2,286,351	138,888	2,313,545	5,713,696
Mackenzie Library Study	50,625			20,048		30,577	50,625
Main Library-Business Plan/Study/Consultant	260,375			103,109		157,267	260,375
Circulation Materials	4,144,144			67,135		4,077,009	4,144,144
Subtotal	10,168,841	84,535	890,377	2,476,643	138,888	6,578,398	10,168,841
Fire (Buildings and Equipment)							
Training Vehicles	48,460	72,063		(23,603)		-	48,460
Two Generators	102,786	2,261		-		100,525	102,786
Records Management System	161,847	3,561		-		158,286	161,847
Prevention Inspection Scheduling System	43,897	966		-		42,931	43,897
Mobile for Public Safety	61,332	1,349		-		59,983	61,332
Mobile Responder (Cellular Dispatch)	8,609	189		-		8,420	8,609
Subtotal	426,931	80,389	-	(23,603)	-	370,145	426,931
Police (Buildings and Equipment)							
Equipment for 4 new officers	19,210	19,210				0	19,210
	19,210	19,210	-	-	-	0	19,210
Public Safety							
Communications Infrastructure	12,582,035	18,048	526,091	560,884	304,000	11,173,013	12,582,035
Next Generation 911	109,026			2,399		106,627	109,026
	12,691,061	18,048	526,091	563,283	304,000	11,279,640	12,691,061
Parks and Recreation (Facilities & Parkland Development)							
Gerry McCrory Countryside Sports Complex - 2nd Ice Pad	10,375,315	115,000	2,720,753	6,491,951	11,200	1,036,411	10,375,315
James Jerome Sports Complex Renewal Program	3,584,492	175,640		115,661	2,505,598	787,593	3,584,492
Subtotal	13,959,807	290,640	2,720,753	6,607,612	2,516,798	1,824,004	13,959,807
Cemetery							
Columbaria Niche Walls (Civic, Valley East and St. Joseph Cemeteries)	289,787	488	6,548			282,751	289,787
Columbaria Niche Walls (Lasalle Cemetery)	54,825		562			54,263	54,825
Columbaria Niche Walls (St John's & Capreol Cemeteries)	84,694		2,510			82,184	84,694
Civic Cemetery - Columbarium	95,902		2,843			93,059	95,902
Subtotal	525,209	488	12,463	-	-	512,257	525,209
Transit							
Transit Garage	18,098,787	100,000	1,141,607	2,821,810	8,648,980	5,386,390	18,098,787
	18,098,787	100,000	1,141,607	2,821,810	8,648,980	5,386,390	18,098,787
EMS							
Equipment for two FTE's-ACP and PCP	4,766	4,290				476	4,766
	4,766	4,290	-	-	-	476	4,766
Emergency Preparedness (Buildings and Equipment)							
CLELC Phase II	2,284,795	54,802	432,676	668,838	1,000,000	128,479	2,284,795
Garage for Mobile Command Unit	354,042			318,638		35,404	354,042
Subtotal	2,638,837	54,802	432,676	987,476	1,000,000	163,883	2,638,837
Total General Services	58,928,304	694,783	5,819,716	13,530,800	12,608,666	26,274,339	58,928,304

Project Description	Cost to December 31, 2019	Amount Funded by Development Charges Collected During 2019	Amount Funded by Development Charges Collected up to December 2018	Municipal Contribution to be Repaid by Development Charges Collected in the Future (Note 1)	Grants / Subsidies / Other	Municipal Contribution (Benefit to Existing / 10% Statutory Deduction)	Total Funding to December 31, 2019
Engineered Services							
Roads and related							
Property Acquisition (2014 and after)	2,209,047		1,349,703	(245,239)		1,104,583	2,209,047
Lasalle Notre Dame Intersection Improvements	8,051,462		1,342,151	661,057	38,630	6,009,623	8,051,462
Lasalle Notre Dame Intersection - Engineering / Property Acquisition / Utilities	2,273,907		1,523,518	750,389		-	2,273,907
MR80 - Valleyview to Donaldson	10,745,020	1,374,832	2,795,995	1,005,406	3,350,401	2,218,386	10,745,020
Maley Drive	75,888,603		815,547	13,791,382	46,674,743	14,606,931	75,888,603
MR 15 MR80 Intersection Improvements	2,859,068		223,741	474,973	64,210	2,096,144	2,859,068
Barry Downe Road from Westmount Road to Kingsway	299,734			17,433		282,301	299,734
MR35 from Notre Dame West to Hwy 144	12,529,123			594,524	2,307,746	9,626,853	12,529,123
MR4 from Highway 17 to C. Johnson Road	19,636,493		373,727	184,075	16,847,483	2,231,208	19,636,493
Four Laning MR 80 - Frost to Glenn	6,965,587			3,287,849	1,485,838	2,191,900	6,965,587
Second Avenue (Sudbury) Donna Drive to Kenwood Drive	6,200,652			4,233,365	152,986	1,814,301	6,200,652
Crean Hill Road from MR4 to Victoria Mine	10,968,806			562,841	8,154,597	2,251,368	10,968,806
Moonlight Ave from Kingsway to Bancroft Drive	2,956,304			171,952		2,784,352	2,956,304
Kingsway Realignment	3,457,499			218,732		3,238,767	3,457,499
Silver Hills Drive	914,274		914,274	-		(0)	914,274
Montrose Avenue	1,211,553		602,000	5,338	301,000	303,215	1,211,553
Elgin Greenway from Nelson St to Cedar Street	165,520			9,627		155,893	165,520
Active Transportation	1,585,056			54,453	648,854	881,749	1,585,056
Subtotal	168,917,708	1,374,832	9,940,656	25,778,157	80,026,488	51,797,574	168,917,708
Water							
New Valley Wells	7,195,171	6,498	578,332	3,013,132		3,597,210	7,195,171
Wanapitei Alternate Trunk - Preliminary Design Geotechnical Study	47,499			2,452		45,047	47,499
Regent Street - Bouchard to Walford and Bouchard - Regent to Southview	2,234,533		55,694	59,670		2,119,169	2,234,533
MR 35	40,998			2,075		38,923	40,998
Second Avenue Sudbury	721,757	16,186		21,077		684,494	721,757
Lorne Street	2,473,439	55,467		72,231		2,345,741	2,473,439
Maley Drive (Barrydowne to Railway Tracks)	2,329,777	55,246		68,036		2,206,495	2,329,777
Lorne Street (Kelly Lake Rd to Elm)	158,509			8,184		150,325	158,509
Subtotal	15,201,682	133,396	634,026	3,246,856	-	11,187,404	15,201,682
Waste Water							
BioSolids Management Facility	70,049,434			8,200,330	11,475,646	50,373,458	70,049,434
Walden WWTP Expansion - Design/Admin/Construction	1,382,375	20,773	211,464	293,065		857,073	1,382,375
WWTP Upgrades for Azilda	2,711,207	-	124,852	(64,780)		2,651,134	2,711,207
Sudbury WWTP Phase I	10,184,732	511,011	2,210,105	1,454,623		6,008,992	10,184,732
Sudbury WWTP Phase II	16,641,885			6,823,173		9,818,712	16,641,885
Jacob St Sewer (Lively Phase 1)	2,796,422			1,062,641		1,733,781	2,796,422
Gatchell Outfall Sewer	2,135,988			110,277		2,025,711	2,135,988
Algonquin Forcemain	1,277,708			226,719	824,269	226,720	1,277,708
Laurier Lift Station	1,537,791			34,074		1,503,717	1,537,791
Subtotal	108,717,541	531,784	2,546,422	18,140,122	12,299,915	75,199,297	108,717,541
Drains							
Minnow Lake Stormwater Treatment Station	3,666,102			231,930		3,434,171	3,666,102
Green Ave Stormwater Pond and Channel	46,512			23,256		23,256	46,512
Countryside Stormwater Pond and Channel	2,626,016			1,952,396	22,822	650,798	2,626,016
Rockwood Storm Sewer	805,408	137,813	-	466,243		201,352	805,408
Subtotal	7,144,038	137,813	-	2,673,825	22,822	4,309,577	7,144,038
Total Engineered Services	299,980,968	2,177,825	13,121,105	49,838,961	92,349,226	142,493,852	299,980,968
Total	358,909,273	2,872,609	18,940,821	63,369,761	104,957,892	168,768,190	358,909,273
Note - The projects identified above are for projects with development charges collected and transferred during 2019 and/or earlier years.							
Note 1 - The amount to be repaid by development charges collected in the future may vary based upon limitations under DC Act, actual growth forecast, exemptions, final costs, growth related portion of these projects and timelines.							

Appendix C - Development Charges - Credits Outstanding
For the Year Ended December 31, 2019

The credits outstanding are in accordance with Section 38 of the Development Charges Act, 1997. The project noted below is a growth related project within the 2019 Development Charges Background Study that was constructed by the DC Credit Holder below. This growth related project is partially funded by development charges as noted on Schedule B and DC Credits (DC Credit at time of building permit issuance or cash payments based on negotiated agreement) is provided to the DC Credit Holder as form of payment for the constructed project.

DC Credit Holders	Service Area - Project	Opening Balance, January 1, 2019	Credits Granted	Credits Used / Transferred	Closing Balance, December 31, 2019
1721169 Ontario Inc.	Roads - Silver Hills Drive	772,703	-	-	772,703
		772,703	-	-	772,703

For Information Only

Payment-In-Lieu of Parkland (Parks Reserve Fund) - Treasurer's Annual Financial Statement

Presented To: Finance and
Administration
Committee

Presented: Tuesday, Aug 11, 2020

Report Date Friday, Jul 17, 2020

Type: Correspondence for
Information Only

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters. This report is to present an annual financial statement in accordance with the Planning Act.

Report Summary

The Planning Act requires the City Treasurer to present an annual financial statement about the payment-in-lieu of parkland (Parks Reserve Fund). This report provides a 2019 financial statement of this reserve fund.

Financial Implications

There are no financial implications associated with this report.

Signed By

Report Prepared By

Apryl Lukezic
Co-ordinator of Budgets
Digitally Signed Jul 17, 20

Manager Review

Steve Facey
Manager of Financial Planning &
Budgeting
Digitally Signed Jul 22, 20

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed Jul 27, 20

Financial Implications

Steve Facey
Manager of Financial Planning &
Budgeting
Digitally Signed Jul 27, 20

Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed Jul 27, 20

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Jul 27, 20

Purpose:

A municipality may require, as a condition of development, that land be conveyed to the municipality for park or other public recreational purposes. Alternatively, Council may require payment-in-lieu to the value of the land otherwise to be conveyed with rates of 2% for commercial/industrial purposes and in all other cases a rate of 5% of the land value instead of parkland development.

The City has been collecting payment-in-lieu of parkland funds for many years and has been maintaining a dedicated reserve fund to record and track the use of those funds.

Under Section 42 of the *Planning Act*, 2015, the Treasurer shall present a statement relating to Cash in Lieu of Parkland. The Treasurer's statement must include, for the preceding year:

- (a) Statements of the opening and closing balances of the special account and of the transactions relating to the account;
- (b) Statements identifying:
 - i. Any land or machinery acquired during the year with funds from the special account,
 - ii. Any buildings erected, improved or repaired during the year with funds from the special account,
 - iii. Details of the amounts spent, and
 - iv. For each asset mentioned in subclauses (i) and (ii), the manner in which any capital cost not funded from the special account was or will be funded.

Annual Financial Statement:

January 1, 2019 balance	\$887,713
Interest income earned	\$23,704
New deposits received	\$118,897
Expenses incurred	<u>\$0</u>
December 31, 2019 balance	\$1,030,314

There were no expenses funded from the Parks Obligatory Reserve Fund during 2019.

There are specific project commitments in this reserve fund as follows:

1. Val Caron Splash Pad (previously for Bell Park)	\$49,892	(Note 1)
2. Purchase of Parkland	\$10,088	(Note 2)
3. Pinecrest Gardens Phase 1	\$12,000	(Note 3)
4. Lighting on Junction Creek Waterway Park Trail	\$90,300	(Note 4)
5. Azilda Splash Pad	\$35,770	(Note 5)
6. Green Space (as per Green Space Advisory Panel)	<u>\$115,179</u>	(Note 2)
Total Commitments	\$313,229	

Note 1 – Funds were originally set aside in the 2011 Capital Budget in relation to an ACT Partnership to install a new splash park at Bell Park. However, the partnership/application for grant funding was not successful, so the funds have since been cancelled for this splash park and can be used for future projects. Community Services Committee approved that these funds be reallocated to fund the remaining splash pads (ie. Val Caron) in the parks and open space master plan.

Note 2 – In accordance with by-law 2010-158, funds from the sale of surplus parkland would be deposited in this Reserve Fund. Fifty percent of the funds from any particular sale will be directed towards acquisition of parkland based on the adopted Green Space priority list (funds available of \$115,179 at end of 2019). The other fifty percent of the funds from any particular sale will be directed towards acquisition of parkland or park development in the ward in which the sale was made (funds available of \$10,088 relates to Ward 2).

Note 3 – Represents a deposit towards developing the parkland at Pinecrest Gardens Subdivision. This deposit will be returned to the developer once conditions around developing the parkland have been fulfilled.

Note 4 – In December 2019, Council approved a business case as part of the 2020 Budget for lighting on Junction Creek Waterway Park Trail.

Note 5 – In February 2020, Council approved these funds (were received from Azilda subdivision developments in the past five years) to advance the Azilda splash pad project to be located at Whitewater Lake Park.

Conclusion:

This report is to meet annual requirements of the Planning Act to provide Council with a financial statement of this reserve fund.