

Building a Self-sustaining Community

City Council developed a Long-Term Financial Plan in 2002 to look at the City of Greater Sudbury's fiscal needs over the next 10 years. Council retained the services of Hemson Consulting Limited to lead this process.

By focusing on the long-term, the Financial Plan will ensure that the City is in a good financial position and can finance services to the public on an ongoing basis. The goal is to build a self-sustaining community, with a sound infrastructure and an excellent quality of life.

Budget pressures facing the City, like many other municipalities throughout the province, are significant and threaten the very sustainability of the community.

With the Long-Term Financial Plan, the City recognized the need to adopt a new budgeting process with a new approach to financial management, one that shifts the emphasis from bottom line financial concerns to service delivery within a longer term financial planning horizon.

The Long-Term Financial Plan supports strategic planning tools, including City Council's 'Mapping the Vision' document which is updated annually.

Public Input

Public input was an important part of the process. A stakeholders group, which included a cross-section of the local financial and business community, was formed to work with Hemson to identify issues and develop solutions. Citizens were also invited to share their views at two public input sessions and through the City's website. In addition, separate meetings were held with the City's Youth Cabinet and Seniors' Advisory Committee.

Components of the Plan

The Long-Term Financial Plan included:

- An assessment of the City's demographic and economic environment
- Preparation of a 10-year projection of operating costs and capital spending requirements
- Identification of options for addressing the financial gap between revenues and spending requirements
- Development of financial planning principles and supporting policies to guide future budgets
- Preparation of the Long-Term Financial Plan for presentation to Council

Guiding Financial Decision-making

Adopted by City Council on December 11th, 2002, the Long-Term Financial Plan sets out the principles and policies to guide City Council and the City administration in managing the financial affairs of the City of Greater Sudbury over the next 10 years.

Financial principles are general or fundamental rules to guide financial decision making by the City through the Long-Term Financial Plan and the City's annual budget process. Financial policies are adopted courses of action designed to achieve the principles.

The financial principles and policies in the Long-Term Financial Plan have been designed to ensure the City attains financial sustainability and has sufficient resources to provide the services that the community expects.

While some of the principles and policies are already in place (for instance, performance measurement), it will take a number of years to fully implement all of the principles and policies in the Long-Term Financial Plan.

Financial Principles and Policies

1. *Ensure Long-Term Financial Sustainability*

Determine on a multi-year basis the financial requirements for the City's operating and capital needs. Identify the funding gap between revenues and expenditures.

Include in the annual budget process a detailed one year budget, three year budget forecast and annual update of the 10-year projection including identification of the long-term funding gap and the City's progress in addressing the gap.

Set revenue raising requirements giving consideration to measures of affordability and competitiveness.

Raise sufficient revenue to meet long-term operating and financial requirements, recognizing that inflation increases the cost of both operating and capital programs.

Recognize the relationship between the operating and capital budgets. Annually identify and provide for capital from current funding, annual debt servicing costs, and for changes to operating costs arising from new/replaced infrastructure.

Plan for the replacement of infrastructure through the use of life cycle costing and the development of replacement reserves.

2. *Deliver services in a cost-effective and efficient manner*

Undertake regular service level reviews giving consideration to the City's demographic profile and other relevant factors.

Undertake reviews of City programs on a regular, rotating basis, through the use of value-for-money audits, to ensure services are delivered in a cost-effective and efficient manner.

Develop key performance measures for each program area and incorporate performance measures in the annual operating budget.

3. *Ensure operating revenues are sustainable and consider community-wide and individual benefits (taxes versus user charges)*

Finance ongoing expenditure requirements from ongoing, sustainable revenue sources.

Align source and application of revenue considering community-wide and individual benefits.

Establish target proportions of program costs to be raised through user charges based on reviews of benefits received. Establish user charges at rates that will yield the target proportions.

Ensure that user fees are increased at the same (or greater) rate as increases in program operating costs.

Strive to increase user fees as a percentage of overall funding by identifying new areas where user fees can be implemented.

Ensure both operating and capital costs are considered when establishing user fees (full program costing).

Programs which are driven entirely by individual benefit should be fully self supporting through user fees. User fees should cover all operating and capital costs. New programs should only be implemented if fully financed from user fees and program reserves.

In reaching decisions concerning the implementation of new user fees to pay for services, give consideration to the relative shifts of costs between tax classes. User fees which would result in significant shifts between tax classes should be phased in.

4. *Meet social equity objectives through specific programs*

Financial Plan policies should be applied on the basis of their benefit to the community as a whole.



5. Manage the City's capital assets to maximize long-term community benefit

Maintain the City's required infrastructure in a 'state of good repair' by implementing life cycle costing to provide for the future rehabilitation/replacement of assets.

Undertake regular reviews of remaining life and condition of assets and determine required annual reserve contributions sufficient to ensure that 90 per cent of approved infrastructure rehabilitation/replacement schedules can be met at the required time.

Assets and facilities should be regularly reviewed and rationalized based on service demand and service level benchmarks. Facilities which do not achieve approved revenue/cost targets should be considered for closure.

Dispose of capital assets which are not required for long-term community purposes.

Implement a capital funding plan to address the City's infrastructure renewal requirements.

6. Recognize that funding from senior governments is a crucial element of financial sustainability

Seek additional sustainable revenues from the provincial and federal governments.

Seek senior government funding sufficient to bridge the funding gap between net required program costs and affordable tax and user charge rates/revenues.

Participate in grant/subsidy programs only if programs/projects to be supported are required or can be justified independent of the provision of the grant/subsidy.

7. Use debt financing where appropriate

Debt financing should only be considered for:

- new, non-recurring infrastructure requirements
- programs and facilities which are self-supporting, and
- projects where the cost of deferring expenditures exceeds debt servicing costs

Consider undertaking a short-term, managed program of debt financing to address the City's current infrastructure deficiency and to reduce further deterioration of the City's infrastructure.

Issue debt for terms no longer than the life of the funded assets.

As debt charges decline due to retirement of debt, apply savings to accelerate achievement of full life cycle costing for City infrastructure.

Appoint a fiscal agent for the City and obtain a credit rating in order to facilitate the issuance of debt instruments.

8. Maintain reserves and reserve funds at appropriate levels

Facility, equipment and infrastructure replacement reserves should be established and funded to ensure that 90 per cent of approved infrastructure rehabilitation/replacement schedules are met (long-term).

Establish a stabilization reserve for programs that are susceptible to significant annual expenditure fluctuations.

Establish reserves to provide funding for future liabilities.

9. Identify and quantify long-term liabilities

Identify and quantify long-term liabilities of the City.

Report long-term liabilities to Council on an annual basis. The reporting should identify the amount of liabilities and the resources available to meet the liabilities.

In 2001 and 2002, the City of Greater Sudbury invested \$56.4 million in capital projects, as follows:

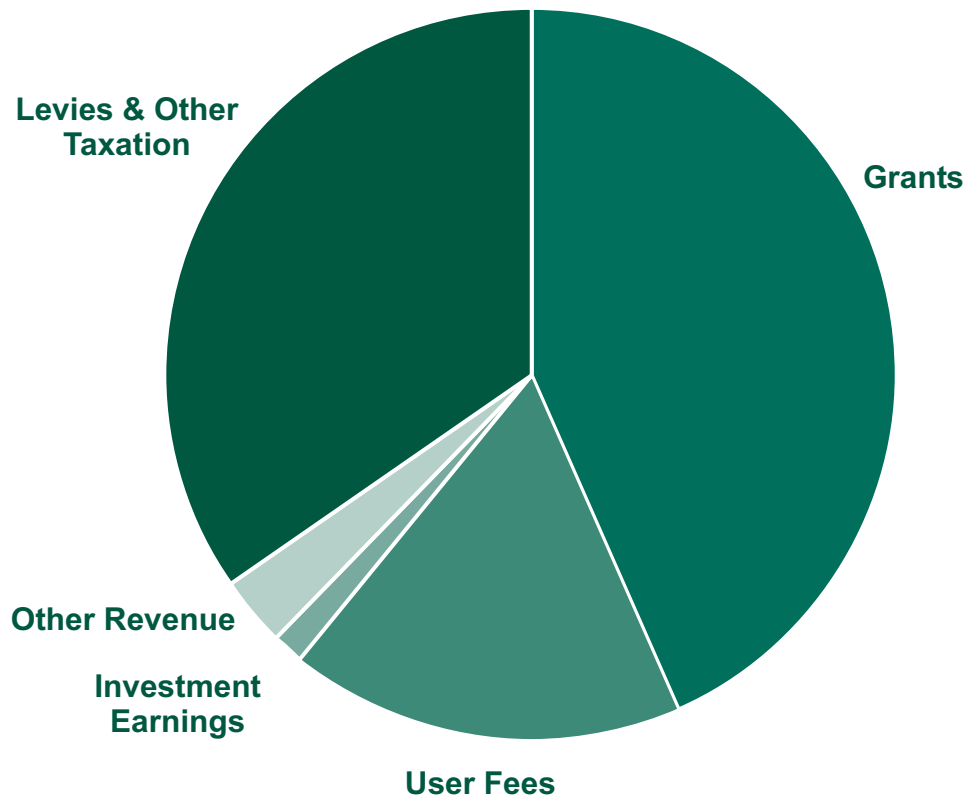
Citizen and Leisure Services <i>projects included arena upgrades, ski hill expenditures, and local parks</i>	\$2.2 million
Corporate Infrastructure <i>projects included a new docutech system for high speed copying and scanning of City documents as well as information technology equipment</i>	\$860,000
Fire Services <i>projects included the training centre and traffic control devices</i>	\$386,000
Economic Development <i>as a beginning to a permanent Economic Development envelope</i>	\$223,000
Health and Social Services <i>all dedicated to the renovations at Pioneer Manor</i>	\$1.4 million
Police Services <i>for communications and other equipment</i>	\$1.0 million
Municipal Buildings <i>for capital requirements of all municipal buildings</i>	\$4.0 million
Roads <i>projects throughout the City for roads, sidewalks and drainage</i>	\$18.1 million
Solid Waste <i>for expansion, studies, reports, and testing at the City's four operational landfill sites and several closed sites</i>	\$5.9 million
Water <i>for replacement and new systems, including the David Street Water Treatment Plant, the most significant project</i>	\$11.0 million
Wastewater <i>for replacement and new systems, including the South End Rock Tunnel, the most significant project</i>	\$10.3 million
Community Projects <i>funding for the Sudbury Regional Hospital</i>	\$1 million

A further \$5 million in capital was reallocated to several projects such as the purchase of transit buses, the acceleration of Municipal Road 35 and \$900,000 on roads.

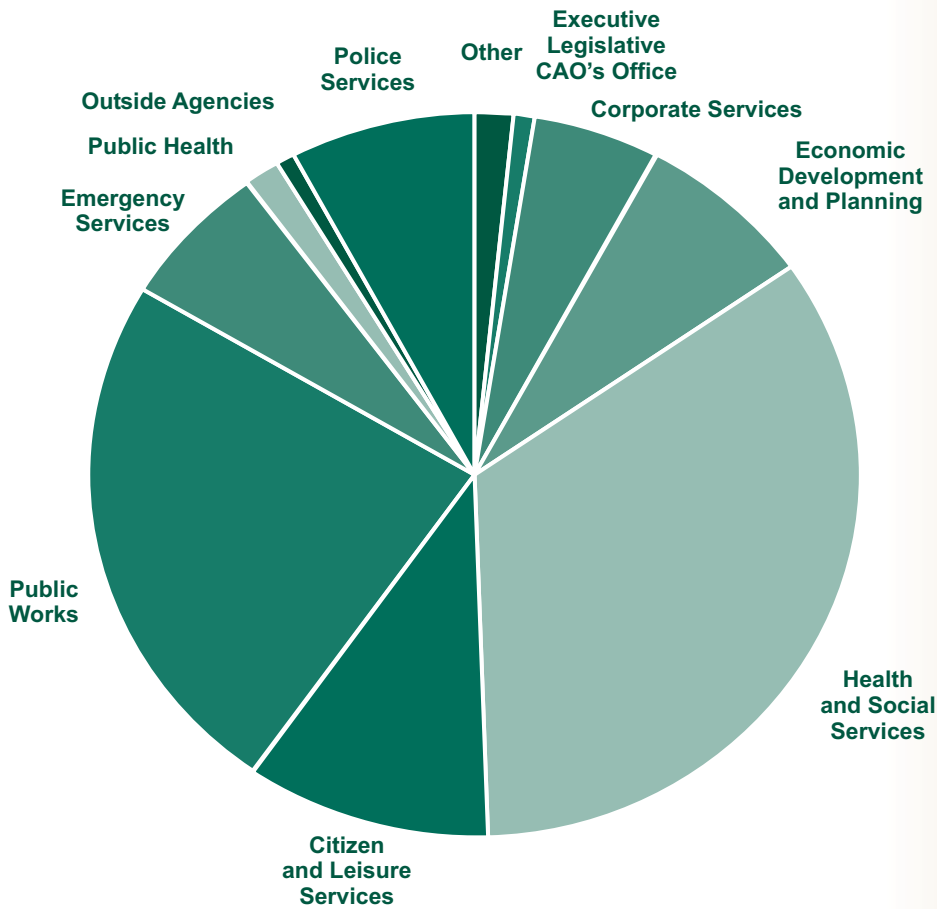
Additional funding of approximately \$4 million, related to the transition to one municipality, was also allocated to capital projects such as fire pumpers, the Police radio system, and the Enterprise Resource Planning (ERP) project.

With this capital investment, the City leveraged several more millions of dollars from senior levels of government. For example, over \$13 million will be received from the federal and provincial governments towards the David Street Water Treatment Plant, more than \$8 million will be received from the province for the South End Rock Tunnel, and another \$9 million is forthcoming from the province for the Pioneer Manor expansion project.





	\$ millions	
Grants	155.4	42.7%
User Fees	64.1	17.6%
Investment Earnings	5.9	1.6%
Other Revenue	11.0	3.0%
Levies & Other Taxation	<u>127.6</u>	<u>35.1%</u>
Total Revenues	\$364	100%



	\$ millions	
Executive/Legislative/CAO's Office	2.3	0.6%
Corporate Services	19.5	5.4%
Economic Development & Planning Services	27.2	7.5%
Health & Social Services	124.6	34.2%
Citizen & Leisure Services	37.7	10.4%
Public Works	86.4	23.7%
Emergency Services	23.2	6.4%
Public Health	5.5	1.5%
Outside Agencies	2.9	0.8%
Police Services	28.1	7.7%
Other	6.6	1.8%
Total	\$364	100%

