

Request for Decision City Council

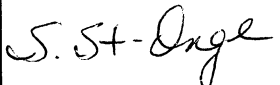



Type of Decision									
Meeting Date	September 15, 2005				Report Date	September 7, 2005			
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High		Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title
Public Sale under the Municipal Act

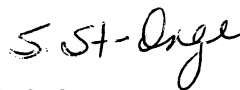
Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
N/A	
<input checked="" type="checkbox"/>	Background Attached

Recommendation
N/A
Recommendation Continued

Recommended by the Department Head
 S. Jonasson Acting Chief Financial Officer / Treasurer

Recommended by the C.A.O.
 M. Mieto Chief Administrative Officer

Date: September 7, 2005

Report Prepared ByT. Derro
Supervisor of Tax / Chief Tax Collector**Division Review**S. St-Onge
Acting Manager of Current Accounting Operations**Executive Summary**

Part XI of the Municipal Act provides the authority for a municipality to collect property tax arrears through tax registration and public sale. On Monday, September 26, 2005, the City of Greater Sudbury will conduct a public tax sale in accordance with this legislation. Approximately fifteen (15) properties will be offered for sale. Tenders will be accepted until 3:00 pm on the day of the sale and tenders will be opened at 3:30 p.m.

Background

On September 26, 2005, the City of Greater Sudbury will conduct a Public Sale for properties with tax arrears, under the authority of the Municipal Act. The Finance Division, with the assistance of Supplies and Services, will be co-ordinating the Public Sale in accordance with the Rules and Procedures as outlined in Provincial Legislation.

Approximately fifteen (15) properties will be offered for sale on September 26, 2005 and full payment by certified funds will be accepted up until 3:00 p.m. Tenders will be opened at 3:30 p.m. the same day.

The following outlines the procedures undertaken with respect to the collection of tax arrears:

- ▶ Regularly throughout each year, arrears notices are sent to the assessed owners of all properties on which realty taxes remain unpaid.
- ▶ Under the authority of the Municipal Act, for those properties which are three (3) years in arrears, a notice of upcoming legal action is sent to the owner.
- ▶ If payment is not received or if satisfactory repayment arrangements are not made, a tax arrears certificate representing a lien against the property is registered on title in accordance with the Municipal Act. Notices are sent by registered mail to the assessed owner and all parties having an interest in the property. An administration charge representing costs of collection is levied on the property.
- ▶ The property owner has one (1) year from the date of registration to pay the taxes and administration fee in full or enter into a tax extension agreement with the municipality.
- ▶ A final notice is sent by registered mail to the assessed owner and all interested parties 280 days after the lien has been registered.
- ▶ If taxes still remain unpaid after the redemption period (one year), the Municipal Act authorizes the Treasurer of the Municipality to offer the property for public sale. For all of the properties proceeding to tax sale, the one year redemption period has expired.
- ▶ A notice is sent to the assessed owner by registered mail advising of pending tax sale action.
- ▶ All affected properties are advertised for sale in accordance with procedures outlined in the Municipal Act.

Request for Decision City Council



Type of Decision

Meeting Date	September 15, 2005				Report Date	September 9, 2005			
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority		High	<input checked="" type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title

2005 Annual Repayment Limit

Policy Implication + Budget Impact

This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.

Background Attached

Recommendation

FOR INFORMATION ONLY

Recommendation Continued

Recommended by the Department Head

S. Jonasson
Sandra Jonasson
Acting Chief Financial Officer / Treasurer

Recommended by the C.A.O.

Mark Mieto
Mark Mieto
Chief Administrative Officer

Date: September 9, 2005

Report Prepared By


John Van de Rydt
Acting Co-ordinator of General Accounting

Division Review


for
Cheryl Mahaffy
Manager of Financial Planning & Policy**BACKGROUND**

Each year, the Province calculates an Annual Repayment Limit (ARL) for every municipality in the Province. The 2005 Annual Repayment Limit for the City of Greater Sudbury has just been received and is attached to this report. It is based on information extracted from the 2003 Financial Information Return (FIR). The 2004 FIR which was filed in May will form the basis for the calculation of the 2006 annual repayment limit.

Under Provincial guidelines, no municipality should spend more than 25% of it's net revenues on debt repayment. Based on this percentage, the ARL indicates how much additional debt repayment a municipality could support. Under the Provincial formula, the City of Greater Sudbury has the capacity to increase debt repayments by \$53.4 million.

Under the Municipal Act, before recommending to Council any further debt or capital leases, the Treasurer must update the Annual Repayment Limit and certify that any proposed commitment is within the recalculated limit. The attached spreadsheet updates the 2005 Annual Repayment Limit to include all commitments the City has made to date. The updated ARL is actually about \$44.9 million. All of the commitments have been or will be budgeted for either through the Current or Capital Budgets. No budget increases will be necessary to meet these additional commitments.

For illustrative purposes, the Province indicates that, based upon the stated \$53.4 million annual repayment limit and a 7% interest rate over an amortization period of 20 years, the City could undertake a further \$566 million in long-term borrowing. A more conservative illustration would be to use the updated repayment limit of \$44.9 million at a more realistic 5.25% interest rate over an amortization period of 15 years - the normal time-frame for roads borrowing. Under these assumptions, the City would be able to borrow up to \$458 million. Of course, if this were done, the operating budget would have to increase by the \$44.9 million necessary for the debt repayments.

At 2004 year-end, the total long-term debt of the City of Greater Sudbury was \$32.6 million with annual debt repayments totalling \$4.5 million.

Updated Annual Repayment Limit

Annual Repayment Limit per Ministry Notice dated May 12, 2005

53,456,543

Less annual commitments:

	Maturity Date	Total Future Commitment	Current Year's Commitment
Sudbury Regional Hospital	2023	13,071,218	700,000
NE Ontario Regional Cancer Care Centre	2016	5,628,782	300,000
Police/Fire Voice Radio Dispatch	2007	207,384	69,128
Pioneer Manor Rebuild	2011	3,393,129	416,744
South-end Library	2012	695,941	83,859
AlerTech	2005	51,000	51,000
Sudbury Neutrino Observatory	2006	50,000	25,000
Deep Mining Research Consortium	2007	120,000	40,000
Municipal Road 35	2005	2,600,000	2,600,000
Coniston Medical Offices	2008	144,000	36,000
South-end Rock Tunnel Sewer Project	2007	4,800,000	1,600,000
Music & Film in Motion	2006	100,000	50,000
SmartSudbury Connect Ontario	2006	70,274	35,137
Library procurement & cataloguing	2006	160,000	80,000
Fire Equipment Procurement Lease Plan	2009	1,797,836	399,519
Paris Street Bridge	2005	1,300,000	1,300,000
Waste Management contract extension	2006	296,000	231,000
Scan & Digitize Engineering Drawings	2005	90,000	90,000
Dynamic Earth	2007	1,000,000	95,000
Hazardous Household Waste Program	2007	795,672	265,224
MR 80 Upgrading Valleyview to Main	2006	427,000	0
Eco-Industrial Network Strategy	2006	116,400	58,200
Alternative Energy Centre	2006	33,000	16,500
		<u>36,947,636</u>	<u>8,542,311</u>
			-8,542,311

Updated Annual Repayment Limit

[as of August 31, 2005]

44,914,232

Ministry of Municipal Affairs and Housing
777 Bay Street,
Toronto, Ontario.
MSG 2E5

Ministère des affaires municipales et du logement
777 rue Bay
Toronto (Ontario)
MSG 2E5

ANNUAL REPAYMENT LIMIT (UNDER ONTARIO REGULATION 403/02)

MMA CODE:	23103
MUNID:	53005
MUNICIPALITY:	Greater Sudbury C
UPPER TIER:	n.a.
REPAYMENT LIMIT:	C \$53,456,543

The repayment limit has been calculated based on data contained in the 2003 Financial Information Return, as submitted to the Ministry. This limit represents the maximum amount which the municipality had available as of December 31, 2003 to commit to payments relating to debt and financial obligations. Prior to the authorization by Council of a long term debt or financial obligation, this limit must be adjusted by the Treasurer in the prescribed manner. The limit is effective January 01, 2005.

FOR ILLUSTRATION PURPOSES ONLY,

the additional long-term borrowing which a municipality could undertake over a 5 - year, a 10 - year, a 15 - year and a 20 - year period is shown.

DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

MUNICIPALITY: Greater Sudbury C

MMAH CODE: 23103

1.0	GROSS DEBT CHARGES		
1.1	Principal	SLC 74 3099 01	2,154,752
1.2	Interest	SLC 74 3099 02	1,266,434
1.3	SUBTOTAL	Add Lines 1.1, 1.2	3,421,186
2.0	DEBT CHARGES ON O.C.W.A. PROVINCIAL PROJECT		
2.1	Water Projects -- this municipality only	SLC 74 2810 03	0
2.2	Water Projects -- share of integrated project(s)	SLC 74 2820 03	0
2.3	Sewer Projects -- this municipality only	SLC 74 2830 03	0
2.4	Sewer Projects -- share of integrated project(s)	SLC 74 2840 03	0
2.5	SUBTOTAL	Add Lines 2.1 thru 2.4	0
3.0	PAYMENT IN RESPECT OF LONG TERM COMMITMENTS AND LIABILITIES	SLC 42 6010 01	0
4.0	SUBTOTAL - DEBT CHARGES	Add Lines 1.3,2.5,3.0	3,421,186
5.0	DEBT CHARGES FOR MUNICIPAL UTILITIES		
5.1	Electricity	SLC 40 3099 02 + SLC 40 3099 08	0
5.2	Gas	SLC 40 3299 02 + SLC 40 3299 08	0
5.3	Telephone	SLC 40 3499 02 + SLC 40 3499 08	0
Amounts Recovered from Unconsolidated Entities			
5.4	Electricity (Principal)	SLC 74 3030 01	0
5.5	Electricity (Interest)	SLC 74 3030 02	0
5.6	Gas and Telephone (Principal)	SLC 74 3040 01 + SLC 74 3050 01	0
5.7	Gas and Telephone (Interest)	SLC 74 3040 02 + SLC 74 3050 02	0
5.8	SUBTOTAL	Add Lines 5.1 thru 5.7	0
6.0	PAYMENTS TO PROVINCE FOR DOWNTOWN REVITALIZATION PROGRAM LOANS	SLC 42 5410 01	0
7.0	DEBT CHARGES FOR TILE DRAINAGE AND SHORELINE ASSISTANCE	SLC 40 1850 02 + SLC 40 1850 08	0
8.0	SUBTOTAL - DEBT CHARGES TO BE EXCLUDED	Add Lines 5.8,6.0,7.0	0
9.0	NET DEBT CHARGES		3,421,186

DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

MUNICIPALITY: Greater Sudbury C
MMAH CODE: 23103

10.0	TOTAL REVENUE FUND REVENUES	SLC 10 9910 01	400,068,345
11.0	FEEs FOR REPAYING THE PROVINCE FOR DOWNTOWN REVITALIZATION LOANS	SLC 42 5410 01	0
12.0	FEEs FOR TILE DRAINAGE AND SHORELINE ASSISTANCE	SLC 12 1850 04	0
13.0	GRANTS FROM GOVERNMENT OF ONTARIO, GOVERNMENT OF CANADA AND OTHER MUNICIPALITIES		
13.1	Ontario Grants	SLC 10 0699 01 + SLC 10 0810 01	171,680,919
13.2	Canada Grants	SLC 10 0820 01	876,509
13.3	Other Municipalities	SLC 10 1099 01	0
13.4	SUBTOTAL	Add Lines 13.1 thru 13.3	172,557,428
14.0	FEEs AND REVENUES FOR JOINT LOCAL BOARDS FOR HOMES FOR THE AGED		0
15.0	NET REVENUE FUND REVENUES	Lines 10 less Lines 11,12,13.4,14	227,510,917
16.0	25% OF NET REVENUE FUND REVENUE		56,877,729
17.0	ANNUAL REPAYMENT LIMIT 25% of Net Revenue Fund Revenues less Net Debt Charges		53,456,543

SLC denotes Schedule, Line, Column

FOR ILLUSTRATION PURPOSES ONLY

If the municipality could borrow at 7.0% or 9.0% annually, the annual repayment limit shown in 17 above would allow it to undertake additional long-term borrowing as follows:

<u>7.0% Interest Rate:</u>	
(a)	20 years @ 7.0% p.a. 566,319,381
(b)	15 years @ 7.0% p.a. 486,877,599
(c)	10 years @ 7.0% p.a. 375,456,390
(d)	05 years @ 7.0% p.a. 219,182,382
<u>9.0% Interest Rate:</u>	
(a)	20 years @ 9.0% p.a. 487,980,496
(b)	15 years @ 9.0% p.a. 430,896,540
(c)	10 years @ 9.0% p.a. 343,065,796
(d)	05 years @ 9.0% p.a. 207,927,311

Request for Decision City Council



Type of Decision									
Meeting Date	September 15, 2005				Report Date	July 18, 2005			
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High		Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title
Social Housing Benchmarks and the New Funding Formula

Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
<input checked="" type="checkbox"/>	Background Attached

Recommendation
FOR INFORMATION ONLY
Recommendation Continued

Recommended by the General Manager
 Catherine Matheson General Manager, Community Development

Recommended by the C.A.O.
 Mark Mito Chief Administrative Officer

Date: September 15, 2005

Report Prepared ByDenis Desmeules
Manager, Housing Services**Division Review****PURPOSE**

This report provides an overview of the Province's social housing benchmarking exercise and describes the role of benchmarks in the new funding model prescribed for housing providers by the *Social Housing Reform Act, 2000* (SHRA).

BACKGROUND

When the Province administered social housing, funding for housing providers was set each year based on provincial calculations of increases in operating costs in relation to expected increases in rent revenue.

Under the SHRA, the City as service manager, is required to provide funding based on a complicated formula that relies on a set of funding benchmarks. The Province was unable to set these benchmarks prior to the program transfer in 2001. Since the new legislated formula required benchmarks to be operational, the Province annually prescribed interim benchmarks.

The interim benchmarks essentially recast the previously used Provincial funding formula into the new system. Unfortunately, the old formulae were in need of significant updating. The interim benchmarks were not keeping pace with housing provider market conditions and cost experience. As a result, service managers were required to make on-going project specific funding adjustments to keep projects viable.

Service managers do not have the legal authority to establish benchmarks. Legislative responsibility rests with the Province.

It is important to note that the new benchmarks and funding formula apply only to housing providers developed under former provincial programs. We have 36 such providers in our portfolio. Providers funded under a federal program and the Greater Sudbury Housing Corporation will continue to be funded as per their original operating agreements and framework.

SHRA Funding Formula

The SHRA funding formula is intended to allow housing providers to operate more like private sector businesses. Benchmarks are set initially to determine:

1. How much revenue the housing provider could reasonably be expected to generate if all units were rented at a market based rent; and
2. How much should be required for operating expenses excluding mortgage and property tax costs.

Provider property taxes and the mortgage payments are subsidized by the service manager as housing provider revenues are typically too low to fully support these costs. Any benchmark revenue not required for operating expenses becomes the provider's contribution to the mortgage.

The service manager also provide a subsidy to make up the difference between the market rent and the reduced rents (rent-geared-to-income rents) paid by social housing tenants.

Date: September 15, 2005

Benchmarks in the SHRA Funding Formula

In order to calculate subsidy entitlements under the SHRA formula, service managers need a comprehensive set of benchmarks. The Province has therefore determined a set of benchmarks for each housing provider.

These achievable benchmarks are critical to the housing providers' long-term viability. Benchmarked costs effectively become a new base year budget. In all subsequent years, housing providers' increased spending on operating costs is limited by their capacity to generate increased rent revenue. Housing providers will no longer be entitled to cost based subsidy increases. Housing provider's with incorrect benchmarked costs will either benefit from a windfall or be unable to meet their financial obligations. It is therefore imperative that the benchmarks correctly balance costs and revenues.

The benchmarks address all of the major operating cost components: maintenance, administration, utilities, insurance, bad debt, and capital reserve fund contributions. The Province has also determined the market rents for each type of rental unit.

Provincial Process to Establish Benchmarks

The Province began developing benchmarks before social housing administration was transferred to service managers. A consultant was engaged to perform the requisite statistical analysis and an advisory group was formed, with representation from service managers and the social housing providers' sector associations.

The Province released their benchmark working papers in July 2004, affording service managers their first opportunity to assess the approach to benchmarks and the potential impact on program costs. The Province asked service managers to comment on the proposed methodology. Service managers were also asked to assess the accuracy of the housing provider information used for benchmarking purposes.

Conceptually, benchmarks are based on comparing the performance of similar organizations. Unfortunately, social housing buildings are more disparate than they are similar. For example, the cost experience of a housing provider with a 30 unit seniors building in a remote northern community cannot readily be compared to that of an 800 unit family housing provider in a large urban centre.

Consequently, the Province proposed a hybrid approach, with maintenance and administration benchmarks based on comparative data, and all other benchmarks based on each individual provider's cost and revenue experience. In many cases, the Province's projected individual numbers varied considerably from housing provider's current costs. Throughout the consultation, service managers recommended strategies to produce more reliable benchmarks.

Housing Services staff participated in several Provincial work groups overseeing the development of the benchmarks. Staff used the opportunity to advocate for local issues and provider needs. They were also able to negotiate fairer benchmarks which are more reflective of local conditions and local provider experience.

The Province has now compiled the data and is releasing the revised benchmark figures. As part of this process, they are giving housing providers the ability to appeal the figures should they feel that the benchmarks will negatively impact the viability of their project.

Housing Services has worked very closely with local providers throughout the benchmark setting process in order to establish realistic project benchmarks. Staff undertook an extensive provider consultation process. They met with each housing provider board of directors. At the meetings, staff explained the

Date: September 15, 2005

new formula illustrating how the new system would impact on provider budgets.

Housing Services also met with housing provider staff on several occasions to discuss revisions and impacts resulting from Ministry changes to the methodology and formula assumptions. Although initial indications are that providers are very satisfied with our approach, we cannot predict how many local providers, if any, will petition the Province requesting additional funding. The role of the service manager in this final process has yet to be determined. Given the opportunity, Housing Services staff will once again take an active role in the final review.

Should the Province set new benchmarks based on these requests, the service manager will be required to fund providers at the new level. The social housing subsidy payments are mandatory City expenses prescribed under the SHRA and related regulations.

It is likely that the new benchmarks and funding formula will be implemented in 2006.

FINANCIAL IMPLICATIONS

The actual budget impact of benchmarks and the new funding model cannot not be accurately determined until the Province finalizes their benchmarking process later this year. With the majority of the work now complete, it is possible to estimate the impact of the new benchmarks. Based on this review, it is likely that when benchmarks are approved, the cost to the City will increase above current funding levels.

Initial benchmarks from the Ministry projected an increase in provider subsidies of \$930,000. Refinement of the benchmark calculations along with negotiations by Housing Services staff have reduced the increase by some \$250,000. This has been done without jeopardizing the long term viability of providers. It is now expected that the new formula will generate a \$680,000 increase in subsidies when compared to the previous funding methodology.

Indications are that provincially, all service managers are seeing increases in their subsidy costs as a result of the implementation of the new benchmarks and funding formula. The funding change reflects the rising costs faced by housing providers.

CONCLUSION

Benchmarks are required to implement the new funding formula prescribed by the SHRA. Benchmarks that accurately reflect achievable costs and revenues are essential to the long term sustainability of the program. Service managers are required to implement the new benchmarks and funding formula.

The Province has been working on the benchmarks for several years and is now releasing the new numbers for implementation. The official Provincial sign-off on the benchmarks is expected later this year and is to take effect in 2006. The final impact of benchmarks on housing subsidies, once determined, will be included in the CGS 2006 budget submission.