

For Information Only

Finance and Administration Committee




Type of Decision									
Meeting Date	October 4, 2016			Report Date	September 29, 2016				
Decision Requested	<input type="checkbox"/>	Yes	X	No	Priority	X	High	<input type="checkbox"/>	Low
	Direction Only			Type of Meeting	X	Open	<input type="checkbox"/>	Closed	

Report Title
2017 Budget Update

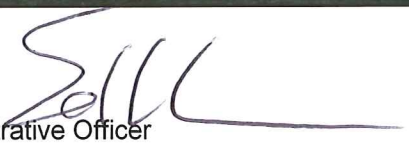
Budget Impact/Policy Implication		Resolution
X	This report has been reviewed by the Finance Division and the funding source has been identified.	For Information Only
X	Background Attached	Resolution Continued

Recommended by the Department



Ed Stankiewicz
Acting Chief Financial Officer/Treasurer

Recommended by the C.A.O.



Ed Archer
Chief Administrative Officer

Executive Summary

This report provides an update on the 2017 Business Plan and Budget as of September 29, 2016.

Background

On August 9, 2016, the Finance and Administration Committee recommended directions to Council for staff to use when preparing the 2017 Business Plan and Budget based on an analysis of current or anticipated economic conditions, planned service levels, policy changes and other factors influencing 2017 revenues and costs. Council approved the budget directions. Since then, operational departments have been preparing work plans and reviewing their budgets to ensure the recommended Business Plan and Budget that will be presented for approval in December reflects the directions provided by Council.

The following reflects the progress on Council's directions.

Direction - Resolution One

- a) THAT the City of Greater Sudbury directs staff to prepare a 2017 Business Plan that includes an operating budget for all tax supported services that considers:
- b) The cost of maintaining current programs at current service levels based on anticipated 2017 workloads;
- c) The cost of providing provincially mandated and cost shared programs;
- d) The cost associated with growth in infrastructure that is operated and maintained by the City;
- e) An estimate in assessment growth;
- f) Recommendations for changes to service levels, work processes and/or non-tax revenues so that the level of taxation in 2017 produces no more than a 3.6% property tax increase over 2016 taxation levels.

Status

Staff are continually reviewing their operating budgets and more work remains before they will be ready for consideration by the Finance and Administration Committee. Consistent with the messages provided in the August report to Finance & Administration Committee, the current status of the base budget would, if presented for approval today, require a 3.4% tax increase after factoring in assessment growth. This 3.4% increase would not allow any service level changes to be considered that increase net costs. Staff were directed to present any proposed service level changes as a business case that would be considered separately from the base operating budget.

One major outstanding item that may affect the tax levy is the Solid Waste Collection Contract that has a tender closing date of September 23, 2016. Staff are currently reviewing the submissions and will provide a verbal update regarding this tender at the October 4 committee meeting.

The Executive Leadership Team (ELT) has been meeting to review the business plans and their related operating budgets with the objective of finding approaches that fulfill Council's budget directions and support the introduction of as many service level changes as possible, all within the fiscal guidelines established by Council. The Executive Team has agreed to further review the potential for new user fees that can reduce the need for tax subsidy and to review historical spending patterns to ensure planned costs reflect actual expenditure patterns.

Direction - Resolution Two

THAT the City of Greater Sudbury directs staff to develop the 2017 Capital Budget based on an assessment of the community's highest priority needs as indicated by the application of criteria described in this report and considers:

- a) Financial affordability;
- b) Identify requirements in subsequent years for multi-year projects;
- c) The increased operating costs associated with new projects;
- d) The probability of asset failure if a project is not undertaken;
- e) Cost of deferring projects.

Status

Staff are currently finalizing the 2017 Capital Budget based on the direction provided.

Consideration is given to the Committee's highest priority needs. With the recent influx of stimulus funding from senior levels of government, additional projects have been identified for the Committee's consideration. The funding includes an eligible allocation of \$7.4 Million for Transit, \$10.5 million for the Clean Water/Wastewater Fund (cost shared with the Province) and an additional \$2.0 million in Ontario Community Infrastructure Funding (OCIF). Staff have identified the projects that will be undertaken, and are evaluating financing options. The Transit funding is cost shared with the Federal Government (50/50). The Clean Water/Wastewater allocation is as follows; Federal 50%, Provincial 25% and Municipal 25%. The OCIF is 100% Provincial, however, it can only be used for roads, bridges, stormwater and water/wastewater projects. These projects have been incorporated into the 2017 Capital Budget.

Also included in the 2017 Capital Budget are some of Council's roads priorities, that being the four-laning of Municipal Road 35 and the rehabilitation of Lorne Street. The cost of each of these projects are significant. As a result, staff will be recommending to increase our reliance on debt financing and will incorporate the debt charges into the financing plans.

Staff remain vigilant about monitoring opportunities for funding from third parties, especially the provincial and federal governments. Where the funding program criteria match our planned project requirements, funding from senior governments could reduce, but not eliminate, our reliance on debt financing.

Direction - Resolution Three

THAT the City of Greater Sudbury directs staff to identify additional capital projects that can be expedited through the use of funds approved by implementing a Capital Levy of 1.5%;

AND THAT staff analyzes the best financial use of this capital, which may include the use of external debt financing.

Status

Staff are currently reviewing infrastructure needs that are not included in the 2017 Capital Budget but are required to keep assets in a state of good repair. Staff will develop a plan and approach for applying the funds provided by any special levy. Subject to Council's approval of a special levy and the amount to be raised by applying it, the capital budget will be amended to reflect Council's decisions.

Direction - Resolution Four

THAT the City of Greater Sudbury directs staff to prepare a Business Plan for Water and Wastewater Services that includes:

- a) The cost of maintaining current approved programs at current service levels, based on anticipated workloads;
- b) The cost associated with legislative changes and requirements;
- c) The cost associated with growth in infrastructure operated and maintained by the City;
- d) Rate increases identified in the Water/Wastewater Financial Plan that requires a 7.4% increase;
- e) Opportunities to reduce operating expenses that would allow more funding towards capital;
- f) A reasonable estimate of water consumption.

Status

Water and wastewater services have a financial plan that anticipates a 7.4% rate increase. Staff's work on the 2017 rate budgets anticipate that rate increase will apply to 2017 fees, consistent with the budget direction Council provided in August. An added expenditure not identified in the 2017 forecast is the move towards monthly billing, which will impact the budget by approximately \$230,000. The details of this initiative were incorporated in a Finance and Administration Committee report on the September 20, 2016 agenda.

Staff are working with Greater Sudbury Utilities (GSU) to estimate final consumption values for 2016 based on billing to date. Actual consumption levels are below forecast. Preliminary indications reveal that the shortfall may be in the order of 200,000 cubic metres. Based on these consumption figures, the 2017 rates will be developed. For 2016, emergency repairs have been reduced from previous years as a result of a milder winter. The surplus from this account is expected to be approximately \$1.0 million. Staff will recommend that this amount be reallocated to capital in 2016 to fund some of the City's portion of the Clean Water/Wastewater Fund projects. This recommendation is contained in the Water and Wastewater Operating and Capital Expenditures report on this same agenda.

Direction - Resolution Five

THAT the City of Greater Sudbury directs staff to provide recommendations for changes to user fees that reflect:

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- a) The full cost of providing the program or services including fixed assets, net of any subsidy approved by Council;
 - a) Increased reliance of non-tax revenue;
 - b) Development of new fees for municipal services currently on the tax levy.

Status

Staff are currently reviewing existing user fees to determine if the fees provide an acceptable level of recovery for services. Staff are also considering new fees for municipal services that are currently on the tax levy. Any adjustment to fees outside the Miscellaneous User Fee By-law will be presented to the Committee for consideration. Considering the large number of user fees, this initiative will continue into 2017, with some recommendations in 2017, and the remainder in the 2018 Budget. In addition, new fees that staff consider appropriate will also be presented to the Committee.

Direction - Resolution Six

THAT the City of Greater Sudbury directs staff to present any service enhancements, changes in services, or new service proposals as Program Changes to allow Council to consider each Program Change on a case-by-case basis.

Status

Departments have been generating business cases for service enhancements, changes in service levels, and new service proposals that compliment Council's strategic direction.

The ELT will be reviewing each of the business cases for quality, completeness and to assess their relative priority. Where sufficiently high quality and complete business cases exist that align with Council's priorities, they will be presented to Committee for approval on a case-by-case basis. Business cases approved by Council will be incorporated into the 2017 budget.

Staff anticipate that work on the four Large Projects approved for further consideration are distinct from the business cases being developed to address operating needs. For example, the Committee will receive a business case regarding Place des arts funding that reflects the information presented to Council in September. From a financial impact perspective, that business case alone could consume all the financial resources available, and require further service adjustments within municipal operations, if its cost was expected to be included within the 3.6% guideline set by Council.

Direction - Resolution Seven

THAT the City of Greater Sudbury requests its Service Partners (Greater Sudbury Police Services, Nickel District Conservation Authority, Sudbury and District Health Unit) consider these directions when preparing their 2017 municipal funding requests.

Status

The City has not yet received final documents from the Outside Boards. The Nickel District Conservation Authority and Police Services Board will be presenting their budgets on November 15, 2016. It is anticipated that staff will receive the Boards' approved budgets in advance of tabling the 2017 Budget document to the Finance and Administration Committee. The

Sudbury and District Health Unit will be presenting to the Committee on December 6, 2016.

Summary

The current property tax increase as of September 29, 2016 stands at 3.4%, excluding the financial impact of any business cases that could increase the tax levy. Work continues on reviewing both operating and capital budgets to ensure the final recommended budget reflects Council's budget directions. Staff are continually reviewing their budgets in an attempt to ensure funds are properly allocated to departments, while maintaining approved service levels.