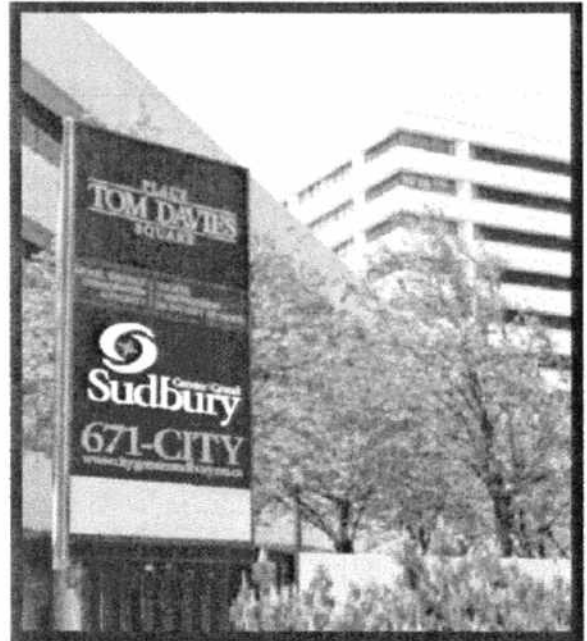


Agenda

Ordre du Jour

Councillor/Conseiller
Ted Callaghan
Chair/Présidente

Councillor/Conseiller
Russ Thompson
Vice-Chair/Vice-Président



For the
Finance Committee
Meeting to be held

Tuesday, December 16, 2008

at 4:30 p.m

Council Chamber
Tom Davies Square

Pour la réunion du
Comité des finances
qui aura lieu

mardi le 16 décembre 2008

à 16 h 30

dans la Salle du Conseil
Place Tom Davies

***TWENTY-NINETH MEETING OF THE FINANCE COMMITTEE
TO BE HELD ON TUESDAY, DECEMBER 16, 2008 AT 4:30 P.M.
IN THE COUNCIL CHAMBER, TOM DAVIES SQUARE***

COUNCILLOR CALLAGHAN, CHAIR

(PLEASE ENSURE CELL PHONES AND PAGERS ARE TURNED OFF)

The Council Chamber of Tom Davies Square is wheelchair accessible. Please speak to the City Clerk prior to the meeting if you require a hearing amplification device. Persons requiring assistance are requested to contact the City Clerk's Office at least 24 hours in advance of the meeting if special arrangements are required. Please call (705) 674-4455, extension 2471. Telecommunications Device for the Deaf (TTY) (705) 688-3919. Copies of Agendas can be viewed on the City's web site at www.greatersudbury.ca.

1. Declarations of Pecuniary Interest and the General Nature Thereof

MANAGERS' REPORTS

PAGE NO.

2. Report dated December 10, 2008, 2008 from the Chief Financial Officer/Treasurer regarding Potential Reductions to the 2009 Base Budget. **1 - 9**
(ELECTRONIC PRESENTATION) (RECOMMENDATION PREPARED)

- ▶ Doug Nadorozny, Acting Chief Administrative Officer
- ▶ Lorella Hayes, Chief Financial Officer/Treasurer

(This report provides Council with a summary of base budget reductions as identified by the City's Senior Management Team.)

CORRESPONDENCE FOR INFORMATION ONLY

3. Report dated December 10, 2008 from the Chief Financial Officer/Treasurer regarding Funding Sources for 2009 Budget Options. **10 - 19**
(FOR INFORMATION ONLY)

(This report identifies funding sources for 2009 budget options.)

4. Report dated December 10, 2008 from the Chief Financial Officer/Treasurer regarding Reserves and Reserve Funds Balances. **20 - 40**
(FOR INFORMATION ONLY)

(This report provides Council with the projected Reserves and Reserve Funds balance as of December 31, 2008 and 2009.)

5. Report dated December 3, 2008 from the Chief Financial Officer/Treasurer regarding 2008 Operating Budget Variance Report - September. **41 - 56**
(FOR INFORMATION ONLY)

(This report identifies areas where material variances in the operating budget may occur based on results from the quarter ended September 30, 2008.)

2009 BUDGET OPTIONS **(REVISED BUDGET PACKAGE TO BE TABLED)**

6. Review of the Budget Options.

DEMONSTRATION OF VOTING PROCESS

- ▶ Ron St. Onge, Manager of Software and Business Applications

FINAL VOTING ON BUDGET/WATER/WASTEWATER OPTIONS

REVIEW OF BUDGET VOTING RESULTS

REVIEW OF WATER/WASTEWATER BUDGET VOTING RESULTS

2009 PARKING LOT REVIEW

7. The Chair of the Finance Committee will review each of the items placed in the Parking Lot during the meeting. The consensus of Council will be required for each item listed in the Parking Lot.

8:30 P.M. ADJOURNMENT (RESOLUTION PREPARED)

NEXT FINANCE COMMITTEE MEETING

DATE: MONDAY, JANUARY 5 OR 12, 2009 (to be determined)
TIME: 4:30 P.M.
PLACE: COUNCIL CHAMBER

COUNCILLOR TED CALLAGHAN
CHAIR, FINANCE COMMITTEE

FRANCA BORTOLUSSI
COUNCIL SECRETARY

Request for Recommendation Finance Committee




Type of Decision							
Meeting Date	December 16, 2008			Report Date	December 10, 2008		
Decision Requested	X	Yes	No	Priority	X	High	Low
	Direction Only			Type of Meeting	X	Open	Closed

Report Title
Potential Reductions to the 2009 Base Budget

Budget Impact / Policy Implication	Recommendation
X This report has been reviewed by the Finance Division and the funding source has been identified.	

	<p>THAT the Finance Committee approve the proposed reductions to the 2009 Tax Levy in the amount of \$1,867,000 and the proposed reductions to the 2009 Water /Wastewater Budget in the amount of \$408,896 as outlined in the report dated December 10, 2008 from the Chief Financial Officer / Treasurer.</p>
X Background Attached	Recommendation Continued

Recommended by the Department	Recommended by the C.A.O.
 Lorella Hayes Chief Financial Officer / Treasurer	 Doug Nadrozny Acting Chief Administrative Officer

Report Prepared By	Division Review
 Ed Stankiewicz Manager of Financial Planning and Policy	

EXECUTIVE SUMMARY

This report provides Council with potential reductions to the 2009 base budget.

A summary of the reductions is as follows:

Materials, Equipment and Purchased Services	\$ 298,000
Professional Development	\$ 22,000
Fuel	\$ 367,000
Provisions to Reserves	\$ 60,000
Transit – Budget Option	\$ 400,000
Handi-Transit – Contract Costs funded through OBRP Grant	\$ 100,000
Ontario Disability Support Program	\$ 350,000
Insurance	\$ (100,000)
Tipping Fee Revenue	\$ (200,000)
Emergency Medical Services / Fire Services	\$ 119,000
Other Miscellaneous Items	\$ 98,000
Subtotal (See Appendix B)	\$1,514,000
Adjustments to Base Previously Identified (See Appendix A)	\$ 353,000
Total Reductions to Base	\$1,867,000

If accepted, these reductions would result in a reduction to the proposed tax levy of 1.1%. As reflected in Appendix A, the revised base budget would reflect a tax increase of 2.9%.

If water waste/water reductions of approximately \$409,000 are accepted, the revised water/wastewater rate would be 5% as reflected in Appendix A.

BACKGROUND

During the review of the 2009 Operating Budget, the Finance Committee requested staff to revisit the assumptions used in developing the base budget in an attempt to reduce expenditures in the 2009 Budget. As a result of the worldwide economic downturn, which has also been felt by Canadians and Sudburians, the Committee made this request as the inflationary pressures are not so prevalent today as they were just three months ago. This report will identify areas where base budgets may be reduced. However, there is some risk associated with revision of assumptions and this could potentially lead to a 2009 corporate deficit if the new assumptions do not come to fruition.

Consumer Price Index

When the base budget was being compiled in the late summer and early fall, the August Consumer Price Index (CPI) for a year over year increase was at 3.4%. The latest statistics for October 2008 reflect a year over year increase of 2.6%. The core inflation rate is steady at 1.7%. However, when food and energy costs are removed from the calculation, the inflation is reduced to 0.9% on a year over year basis. Based on this figure, staff is suggesting that the inflationary rates used in the preparation of the base budget may be reduced to align to this 1% increase in CPI.

Materials, Equipment and Purchased Services

Based on a number of factors impacting various expense categories, the following preliminary inflationary factors were populated for the following categories:

Materials	2%
Equipment	4%
Purchased Services	2%

In addition, the operating departments adjusted budgets based on historical expenditures and contractual agreements that varied from these inflationary factors. Staff have now reviewed guidelines and evaluated where general inflation increases could be reduced. In the most current analysis, it is being recommended that the materials accounts only utilize a 1% inflationary factor, while equipment accounts be flat lined to zero percent from 2008 levels.

The issue of purchased services varies significantly throughout municipal operations and were handled on a case by case basis as some contracts have specific increases that must be adhered to. The municipal savings identified in the materials, equipment and purchased services accounts are identified at \$298,000 throughout the municipality.

Professional Development

Professional development accounts received a 2% inflationary increase in the preparation of the base budget. Corporately this can be rolled back to zero percent as the City has a policy in place that allow under-expenditures in these account to be contributed to a reserve to ensure sufficient funding is available for special or additional training opportunities that may come up. In both 2006 and 2007, corporately, there was a net under-expenditure in this category, therefore staff is recommending no inflationary increase as any over-expenditure may be back stopped with a contribution from this reserve. The savings from these revisions are \$22,000.

Fuel

In June 2008 when staff delivered the three-year budgetary forecast, crude oil was at \$147 per barrel and there was fear that this would hit \$200 a barrel based on analysts' forecasts. At that time the City was paying \$1.38 per litre (50% higher than the 2008 budgeted litre cost), staff was projecting an average cost for diesel in 2009 of \$1.29 per litre. Since that time the price of crude and diesel has pulled back significantly. At the time the budget was being prepared, crude oil was still over \$100 per barrel and diesel fuel was approximately \$1.15 per litre. The actual average cost per litre for 2008 was \$1.15. Staff recognized that the demand for this commodity was deteriorating, and as a result, diesel was budgeted at \$1.05 per litre or a 15% increase over 2008 budgeted values.

Currently the City is paying \$.88 per litre for diesel fuel with a barrel of crude oil hovering between \$40 and \$45. Staff have been investigating what market analysts have been projecting and there is no clear consensus. The analysts' projections range from \$45 per barrel to \$115 per barrel as the average commodity price for 2009. The City is projecting a range of between \$75 - \$95 per barrel with a target price for diesel at \$1.00 per litre, representing savings in the 2009 base budget of \$367,000. Should fuel costs rise significantly during 2009, over expenditures could be funded from the Equipment Reserve Fund or the Provincial Gas Tax for Transit fuel.

Natural Gas and Hydro

Currently the City is in a contract for natural gas at a firm price until November 2009, which provides no ability to adjust the budgets downward. Information from Greater Sudbury Utilities indicates that the budgeted increase for hydro in the 2009 operating budget is a reasonable estimate. Therefore, there are no savings available in these two categories.

Investment Income

The result of the economic downturn has provided lower fuel costs and inflation rates. However, it is also responsible for lower interest rates in order to attempt to spur economic activity and growth. This has resulted in a forecasted decrease in investment income for 2009. From the three-year forecast to the preparation of the budget, investment income budgeted was reduced by \$500,000 as a result of falling interest rates. Our current cash flow model projected a Bank of Canada rate cut of 1/4% in December. The Bank of Canada reduced its key landing rate by 3/4% with another anticipated rate cut of 1/4% in January. Given our current investment practices, investment income may not reach budgeted values. However, staff will be investigating the use of all investment instruments available under the City's Investment Policy in order to realize the 2009 budgeted values. This may involve additional risk, however, staff will use best efforts to manage this risk to an acceptable standard while attempting to maximize returns on investments. No adjustment to the budgeted investment income is recommended at this time.

Provisions to Reserves

Previous practice involved increasing the provision to reserves and reserve funds by 2% annually to maintain a minimum inflationary increase to deal with expenditures that will be funded from these funds.

For 2009, there is the opportunity to reduce the inflationary increase from 2% to 1% on the annual contributions to reserves and reserve funds. This would have an effect of saving approximately \$60,000 off the levy. Staff is of the opinion that this will not impair the balances of reserve and reserve funds as forecasted through 2009.

Provisions to Capital Envelopes

In accordance with policy, the capital envelopes are inflated annually by 2% to partially offset rising costs associated with capital projects. The 2009 Capital Budget was approved by Council on October 29, 2008. Inclusive of this budget were the capital envelopes at their 2009 inflated values. The effect of reducing the inflationary component would result in the scaling back of the approved capital projects for 2009. In light of this, it is recommended that there be no reduction to the inflation on capital envelopes for 2009.

Transit (Including Budget Reduction Option)

In the option package there is one budget reduction in the Transit area which proposes a \$400,000 contribution from the Provincial Gas Tax to the operating budget to offset ridership growth issues related to the Laurentian University U-pass initiative. This would reduce the budget by \$400,000. The option would continue for an additional three years with the contribution being \$300,000, \$200,000 and \$100,000 for 2010, 2011 and 2012 respectively.

There is an opportunity to offset the cost of Handi-Transit by using \$100,000 in Ontario Bus Replacement Program (OBRP) grants to fund the capital component of the third party contracts.

In total, these two items would reduce the net levy by \$500,000.

Ontario Disability Support Program (ODSP)

Based on the most recent Municipal / Provincial cost sharing summary from the Ministry of Communities and Social Services, City staff have refined the ODSP caseload projection downward for 2009, reflecting a net savings of \$350,000.

Insurance

As a result of the Insurance RFP, insurance costs must be increased by \$175,000. However, with additional in-house insurance expertise and a change to an hourly fee for service structure, the broker fees can be reduced by \$75,000 from the current budget of \$95,000. This translates into a net budget increase of \$100,000.

Tipping Fee Revenue

Again, as a result of the world economic slowdown, building activity in Sudbury is not expected to be as robust as in previous years, therefore it is recommended that tipping fee revenue be reduced by \$200,000 to \$4.4 million.

Emergency Medical Services / Fire Services

As a result of the funding announcement from the province on December 5th, the City will receive an additional \$487,035 annually beginning in April 2009. This results in a prorated increase of \$365,300, of which \$246,300 has already been accounted for in the base budget. This results in approximately \$119,000 of additional net revenues.

Other Miscellaneous Items

Staff further reviewed budgeted expenditures and revenues in their respective departments for potential savings.

Additional revenue of \$6,000 in POA and \$25,000 from Growth and Development, along with reduced expenditures to MPAC for assessment services of \$30,000, SCDC professional fees of \$27,000 and \$10,000 in reduced pensioners' benefits cost, translates to a budget reduction of \$98,000.

Revisions to Base Budget (no impact on Levy)

The full scale operation of the Organics Program, which takes effect July 1, 2009, was budgeted for, however, the continuation of the Organics Pilot Project to June of 2009 was inadvertently not budgeted. As well the Council approved contribution from reserve to fund this project will be adjusted, having no impact on the levy.

In addition, expenditure revisions must be made to 199 Larch Street, which only affect the contribution to reserve, will have no impact on the budget.

Adjustment to the Base Budget Previously Identified

The City's share of the Health Unit Budget was reduced from the estimate by \$75,000, while the Police Services Budget was reduced by \$200,000. In addition the minimum OMPF grant communicated by the Province is \$78,000 greater than originally budgeted. These three items will reduce the base budget by \$353,000.

Water / Wastewater

At the December 8, 2008 Finance Committee meeting, Council was presented with a proposed water/wastewater increase of 5.8%. At that time Council was informed that staff was taking a "second sober look" at the water / wastewater budget as well as the operating budget.

Staff has revisited the inflationary assumptions used in preparing the draft Water / Wastewater Budget and has identified approximately \$408,000 of savings primarily in the area of materials, purchased services, fuel and utilities.

The impact of these savings would be a reduction in the overall water / wastewater bill of approximately .8% to the average residential customer. This would result in an increase of 5.0% over the 2008 rates.

CONCLUSION

In total, the base budget reductions, the adjustments to the base budget, and the budget reduction options will decrease the base budget by \$1,867,000, and the water / wastewater budget by \$408,700. If all these items are accepted, the tax increase would be 2.9% prior to any enhancement options being voted upon. The Water / Wastewater increase would be 5%.

However, Council must be aware that revising the assumptions to reduce the base budget carries some risk. This could lead the City into a deficit in 2009, which could be mitigated by contributions from certain reserve and reserve funds if required.

Operating departments will monitor expenditures very closely and endeavour to provide services in accordance with historical and approved service standards within the proposed budget for 2009.

Attachments:

Appendix A - Levy impact and Water/Wastewater Impact of Proposed Reduction

Appendix B - Proposed 2009 Budget Reduction by Department

Levy Impact / Water Wastewater Impact of proposed 2009 budget adjustments

	2008	2009	% increase
Preliminary net budget	<u>177,169,273</u>	<u>191,163,026</u>	7.9%
Assessment growth			-1.6%
Capital levy			-2.3%
<i>Net operating tax increase</i>			<u>4.0%</u>
Modifications:			
OMPF grant increase (savings)		(75,000)	-0.04%
Police budget reduction		(200,000)	-0.11%
Health Unit budget reduction		<u>(77,898)</u>	<u>-0.04%</u>
Revised net budget		190,810,128	3.8%
Proposed reductions		<u>(1,514,324)</u>	<u>-0.9%</u>
<i>Revised net operating tax increase</i>		<u>189,295,805</u>	<u>2.9%</u>

Water and waste water impact

	2009	rate
Preliminary net budget / rate	55,395,043	5.8%
Proposed reductions	<u>(408,696)</u>	<u>-0.8%</u>
New net budget / rate	<u>54,986,347</u>	<u>5.0%</u>

Proposed budget reductions 2009 by department

Category	Description	Total	Revenue Summary	Exec & admin	Admin	Human Resources	Growth and Devel.	Finance	Community Devel.	Fire	Infrastruc.	ES/ EMS
Materials, equipment and purchased services	to reduce inflation rates as per report	298,693	7,595	1,772	23,239	757		8,316	66,634		190,380	
Professional Development	to reduce inflation rate from 2% to 0%	22,138		2,430	1,914	5,955		1,710	7,478		2,651	
Fuel	reduce projected cost per litre from \$1.05 to \$1.00	366,605					207,140		2,474		156,991	
Provision to reserves	to reduce inflation rate from 2% to 1%	60,247			2,550		7,128	14,525	2,970	4,276	28,799	
Human Resources	pensioners benefits	10,000				10,000						
Finance	MPAC - revised based on draft MPAC budget	30,000						30,000				
Finance	additional cost of insurance per RFP	(100,000)						(100,000)				
ES	net increase in provincial funding EMS	118,968								34,071		84,897
GD	scdc - reduce budget for professional fees	27,000					27,000					
Admin	additional revenues (POA)	5,673			5,673							
GD	additional revenues (parking fines)	25,000					25,000					
ODSP	review of caseloads for potential savings	350,000							350,000			
Infrastructure	decrease in tipping fee revenues due economic downturn	(200,000)									(200,000)	
Growth and development	OBRP funding for handi transit	100,000					100,000					
Growth and development	Transit option for U-Pass contribution from ridership growth (Option page #45)	400,000					400,000					
		1,514,324	7,595	4,202	33,376	16,712	766,268	(45,450)	429,556	38,347	178,821	84,897

Request for Recommendation Finance Committee



Type of Decision									
Meeting	December 16, 2008				Report Date	December 10, 2008			
Decision Requested		Yes	X	No	Priority	X	High		Low
	Direction Only				Type of Meeting	X	Open		Closed

Report Title
Funding Sources for 2009 Budget Options

Budget Impact / Policy Implication	Recommendation
<input checked="" type="checkbox"/> This report has been reviewed by the Finance Division and the funding source has been identified.	

<input checked="" type="checkbox"/> Background Attached	Recommendation Continued

Recommended by the Department	Recommended by the C.A.O.
 Lorella Hayes Chief Financial Officer	 Doug Nadorozny Acting Chief Administrative Officer

Report Prepared By	Division Review
Lorella Hayes Chief Financial Officer	

BACKGROUND

At the Finance Committee meeting of November 27, 2008, Council conducted a preliminary vote on 114 budget options. The results were summarized in the Finance Committee report dated December 3, 2008. A total of 78 options were advanced, for a total of \$16.4 million. However, on December 8th, Council agreed to defer the winter control service enhancement option, resulting in total enhancement options still under consideration of \$10.8 million. This does not include the capital levy or the roads "shave and pave" program.

Appendix A details the budget options under consideration by Council, as well as subtotals by voting results. This can be used as Council's worksheet in preparation of the vote on December 16, 2008.

Funding Sources

The following sources of revenue have been identified, for the budget options that Council approves as enhancements to the 2009 Budget.

- Tax Levy increase, for on-going/permanent options
- Capital Levy for capital budget enhancements
- Contributions from applicable Reserve and Reserve Funds
- Provincial Grant – investing in Ontario for municipal capital expenditures
- Future year's capital envelopes

Northern Ontario School of Architecture (NOSA) and St. Joseph's Villa

Staff was requested to investigate alternative funding sources for the \$10 million request from NOSA and the \$2 million contribution to St. Joseph's Villa for the long-term care beds.

Total Contributions	\$12 M
---------------------	--------

Funding Sources Identified:

2008 Allocation of Surplus (as identified in Variance Report)	\$1.0M
---	--------

2008 ODB Savings	\$2.5M
------------------	--------

Tax Rate Stabilization	\$0.5M
------------------------	--------

Capital Financing Reserve Fund – General	\$0.5M
--	--------

Total Funding Sources Identified	\$4.5M
----------------------------------	--------

Unfunded Portion	\$7.5M
------------------	--------

Annual Contribution (over 10 years)	\$750,000
-------------------------------------	-----------

2009 Tax levy Impact	0.4%
----------------------	------

It is recommended that a “community support envelope” be created during the 2009 budget, to support Council’s approved community investments.

Based on a review of the preliminary voting results, there are numerous other one-time community requests for financial support, totalling in excess of \$2 million. Some examples are Salvation Army for Emergency Shelters, Laurentian Track, City of Lakes Family Health Team renovations, Northern Ontario Aquatics Centre, to name a few.

Council could create a “community support envelope” for all of the one-time strategic community investments that are approved in the final voting process. This annual envelope contribution could be an effective financing strategy, since timing of the cash out flows are not immediate.

For example:

Let's say Council approved to invest in \$14 million of one time community investments, and approved the allocation of \$4.5 million from CGS reserve and reserve funds.

This would leave a balance of \$9.5 million

Repaid via a 10 year "community support envelope" \$950,000

2009 Tax Levy Impact 0.5%

This example illustrates how an additional \$2 million in one-time community investments could be financed over 10 years at an additional 0.1% tax increase.

This would be determined, in the new year, after staff analyse the results of the final vote on December 16th, 2008.

Options by Ward

Staff was also asked to tally budget options specific to each ward.

Ward 1	\$ 75,000
Ward 2	\$197,000
Ward 3	\$ 52,000
Ward 4	\$ 60,000
Ward 5	\$ 20,000
Ward 6	\$ 0
Ward 7	\$ 0
Ward 8	\$ 0
Ward 9	\$ 0
Ward 10	\$135,000
Ward 11	\$ 0
Ward 12	\$115,000
	<u>\$654,000</u>

Dividend from Greater Sudbury Utilities Inc. (GSUI)

As requested by Council, staff will be working with Greater Sudbury Utilities Inc. management in order to finalize the dividend policy.

Based on discussions with GSUI senior management, there may be an opportunity for a small dividend to be paid out from the projected 2008 year-end position, of approximately \$250,000 to \$500,000. The specific details would not be known until the 2008 year end is completed in early 2009.

CONCLUSION

Based on the voting results from December 16, 2008, staff will be preparing a report in January 2009 which will identify specific funding sources for Council's priorities.

APPENDIX A

2009 OPERATING BUDGET OPTIONS

	Permanent	One-Time	Total
Administrative Services	120,993	49,500	170,493
Human Resources	0	0	0
Growth & Development	1,592,760	585,000	2,177,760
Finance	0	0	0
Community Development	501,804	5,168,200	5,670,004
Infrastructure	2,477,931	277,500	2,755,431
EMS	0	0	0
Total Enhancement Options (Levy)	4,693,488	6,080,200	10,773,688
Total Water and Waste Water Enhancements	230,662	0	230,662

CITY OF GREATER SUDBURY
2009 OPERATING BUDGET ENHANCEMENT OPTIONS

Vote	Enhancements	Division	FTE	Permanent	Cumulative Permanent	Impact on levy Permanent	One time	Cumulative One time	Option Pg Num	Vote 1 to 10
1	13 Hire 1 permanent staff - POA Court Clerk / Monitor	Admin	1	7,729	7,729				9	
2	13 Convert 1 year round temporary position to permanent in Human Resources	HR	1	-	7,729				25	
3	13 Provide funding to the Northern Ontario School of Architecture (\$1,000,000 annually for 10 years)	Growth & Development		1,000,000	1,007,729				28	
4	13 Provide funding for the 2011 Canadian Francophone Games (\$125,000 for 2009 and \$125,000 for 2010)	Growth & Development			1,007,729		125,000	125,000	31	
5	13 Provide one time funding for the Strategic Recruitment and Retention Program	Growth & Development			1,007,729		340,000	465,000	32	
6	13 Provide permanent funding to add another Lively route 701 around 10:30am to reduce a 4 hour service gap	Growth & Development		55,000	1,062,729			465,000	44	
7	13 Provide permanent funding to increase transit service from Garson to downtown in the mornings	Growth & Development		23,500	1,086,229			465,000	47	
8	13 Hire 1 permanent staff - Business Information & Communication Officer	Growth & Development	1	-	1,086,229			465,000	51	
9	13 Hire 1 permanent staff - Youth Strategy Co-ordinator	Growth & Development	1	-	1,086,229			465,000	52	
10	13 Hire 1 permanent staff - Mysudbury Content Position	Growth & Development	1	-	1,086,229			465,000	54	
11	13 Hire 2 temporary permit services clerks - Building Services	Growth & Development		-	1,086,229			465,000	55	
12	13 Hire 2 temporary students to provide seasonal relief - Building Services	Growth & Development		-	1,086,229			465,000	56	
13	13 Hire 1 permanent staff - Deputy Chief Building Official position - Building Services	Growth & Development	1	-	1,086,229			465,000	57	
14	13 Hire 2 permanent staff - Finance - Capital Assets, conversion of part time positions	Finance	2	-	1,086,229			465,000	62a	
15	13 Provide funding to promote the use of the Seniors' Information Line	Community Development		25,000	1,111,229			465,000	67	
16	13 Provide permanent funding to the Club 50 - Chelmsford, required to obtain MoHLTC funding	Community Development		12,000	1,123,229			465,000	69	
17	13 Provide funding for Lorne Street re-greening and beautification project	Community Development		8,000	1,131,229		67,000	532,000	75	
18	13 Provide one time funding for emergency shelter services	Community Development			1,131,229		690,000	1,222,000	91	
19	13 Hire 5 permanent staff - nursing positions at Pioneer Manor funded through the Local Health Integration	Community Development	5	-	1,131,229			1,222,000	103	
20	13 Provide funding to install traffic signals at Marie Street and Main Street (MR15)	Infrastructure		5,000	1,136,229		125,000	1,347,000	135	

**CITY OF GREATER SUDBURY
2009 OPERATING BUDGET ENHANCEMENT OPTIONS**

	Vote	Division	FTE	Permanent	Cumulative Permanent	Impact on levy Permanent	One time	Cumulative One time	Option Pg Num	Vote 1 to 10
21	13	Hire 1 permanent staff - Sign Installer Helper - convert part time hours	1	13,600	1,149,829			1,347,000	138	
22	13	Hire 2 permanent staff - Training Officers for Emergency Medical Services	2	-	1,149,829			1,347,000	146	
				1,149,829		0.65%				
23	12	Hire 1 permanent staff - convert part time rod person to FTE for GIS program	1	-	1,149,829			1,347,000	33	
24	12	Provide one time funding to St. Joseph's Health Centre		-	1,149,829			1,347,000	62	
25	12	Provide one time funding for the Azilda Library and Rayside Balfour Museum			1,149,829		50,000	1,397,000	68	
26	12	Provide one time funding for City of Lakes Family Health Team leasehold improvements in Walden and Rayside			1,149,829		500,000	1,897,000	90	
27	12	Provide one time funding for the Phase II Laurentian Track upgrades			1,149,829		200,000	2,097,000	102	
28	12	Hire 1 permanent staff - convert part time Assistant Pool Operator at Nickel District Pool	1	-	1,149,829			2,097,000	104	
29	12	Provide permanent funding for waste collection at residential units in multi-type building / properties		98,000	1,247,829			2,097,000	129	
30	12	Provide permanent funding for the maintenance of communication towers		50,000	1,297,829			2,097,000	142	
				148,000		0.08%				
31	11	Provide one time funding for Ridgcrest playground accessibility equipment			1,297,829		30,000	2,127,000	4	
32	11	Hire 1 permanent staff - Market Square	1	7,700	1,305,529			2,127,000	53	
33	11	Provide permanent funding for the Geese management program to continue program and expand to other sites		200,000	1,505,529			2,127,000	66	
34	11	Provide one time funding for Beaver Lake Community Centre to construct a wheelchair ramp and fix accessibility issues			1,505,529		20,000	2,147,000	71	
35	11	Provide permanent funding to the Social Planning Council		50,000	1,555,529			2,147,000	93	
				257,700		0.15%				
36	10	Hire 2 permanent staff and provide funding to add double and express buses to relieve pressure on New Sudbury routes	2	331,560	1,887,089			2,147,000	46	
37	10	Provide funding for the Cedar Park Pathway Railings and winter maintenance		15,000	1,902,089		70,000	2,217,000	74	
38	10	Provide one time funding to the Naughton Cross Country Trails Association for trail upgrades			1,902,089		10,000	2,227,000	77	
39	10	Provide one time funding to repair and upgrade tennis courts at Lo-Ellen Park			1,902,089		60,000	2,287,000	79a	
40	10	Hire 1 permanent staff - convert part time hours at Howard Armstrong Recreation Centre	1	1,255	1,903,344			2,287,000	85	

17

**CITY OF GREATER SUDBURY
2009 OPERATING BUDGET ENHANCEMENT OPTIONS**

Vote	Division	FTE	Permanent	Cumulative Permanent	Impact on levy Permanent	One time	Cumulative One time	Option Pg Num	Vote 1 to 10
41	10	Provide permanent funding for increased levels of services for summer roads maintenance							
42	10	Provide funding to establish a Barrydowne Road North Extension Reserve Fund for an environmental assessment	750,000	2,653,344			2,287,000	121	
			100,000	2,753,344			2,287,000	132	
			1,197,815		0.68%				
43	9	Provide one time funding for the Junction Creek Safety Committee - implementation strategy		2,753,344		49,500	2,336,500	8	
44	9	Hire 1 permanent staff - POA convert temp hours	1	28,264			2,336,500	12	
45	9	Provide one time funding to the Municipal Heritage Advisory Panel for operational needs							
46	9	Provide permanent funding for the Youth Summer Transit Pass #1 - provide 2,000 transit 5 ride cards for distribution to youth 12-22		2,781,608		20,000	2,356,500	34	
47	9	Provide permanent funding for annual operational grant for Kukagami Campers' Association	25,000	2,806,608			2,356,500	41	
48	9	Provide one time funding for the replacement of the play structure at the Victory playground	14,000	2,820,608			2,356,500	70	
49	9	Provide one time funding for the Northern Water Sports Centre		2,820,608		10,000	2,366,500	80	
50	9	Provide permanent funding for the Sudbury Action Centre for Youth to hire an additional youth centre councillor		2,820,608		250,000	2,616,500	96	
51	9	Provide one time funding for the Volunteer Sudbury Organization to promote volunteerism	49,120	2,869,728			2,616,500	99	
52	9	Provide funding for Sidewalk service level - Option 2 - maintain existing level with expanded service				5,700	2,622,200	101	
53	9	Provide funding to enhance litter collection - Option 2 - purchase one litter collection unit and operate 7 months per year	750,000	3,619,728			2,622,200	127	
			33,000	3,652,728		52,500	2,674,700	137	
			899,384		0.51%				
54	8	Provide funding to offer Transcab service to RR#15 between Chelmsford (Slots & mall) and the Val Caron boundary		3,667,728			2,674,700	43	
55	8	Provide additional permanent funding to the Arts & Culture Grant Program	15,000	3,802,728			2,674,700	50	
56	8	Provide funding for Phase 2 of the Laurentian playground in Val Caron	135,000	3,802,728			2,674,700	50	
57	8	Provide funding to upgrade the water lines at the Lively Ski Hill		3,802,728		20,000	2,694,700	76	
58	8	Provide funding to upgrade the water lines at the Lively Ski Hill	12,000	3,814,728		75,000	2,769,700	83	
59	8	Provide one time funding to the Joe MacDonald Youth Football Partnership		3,814,728		75,000	2,844,700	95	
		Provide funding to hire temporary employees to develop and enhance the Youth Centres	85,429	3,900,157			2,844,700	110	
60	8	Provide funding for small vehicle recycling transfer site off of Old Burwash Road	153,000	4,053,157		10,000	2,854,700	130	

CITY OF GREATER SUDBURY
2009 OPERATING BUDGET ENHANCEMENT OPTIONS

Vote	Division	FTE	Permanent	Cumulative Permanent	Impact on levy Permanent	One time	Cumulative One time	Option Pg Num	Vote 1 to 10
61	8 Hire 1 permanent staff - Projects Engineer for Roads	1	115,331	4,168,488			2,854,700	140	
62	7 Provide one time funding for accessible neighbourhood playground equipment - one playground per ward		515,760		0.29%				
63	7 Provide one time funding for the upgrades to the Pine Heights park in Lively			4,168,488		100,000	2,954,700	5	
64	7 Provide one time funding for the Copper Cliff Community Action Network for upgrades at McClelland Arena			4,168,488		40,000	2,994,700	79	
65	7 Provide one time funding for the 2009 unfunded capital arena upgrades			4,168,488		20,000	3,014,700	86	
66	7 Provide one time funding for Rockhaven - Beyond the Rock to reduce annual operating budget			4,168,488		2,645,500	5,660,200	87	
67	7 Provide one time funding to support the Outdoor Pond Hockey Tournament			4,168,488		60,000	5,720,200	92	
68	7 Provide funding for the Rainbow Routes Trail Development Projects for development and operating costs			4,168,488		-	5,720,200	97	
69	7 Hire 1 permanent staff - small vehicle waste transfer site in the Onaping / Dowling area		30,000	4,198,488		20,000	5,740,200	98	
70	7 Provide one time funding to replace planters along MR24 in Lively	1	220,000	4,418,488		70,000	5,810,200	131	
71	7 Provide permanent funding to increase work week from 35 hours to 40 hours for Roads Engineering section			4,418,488		20,000	5,830,200	133	
			190,000	4,608,488			5,830,200	141	
			440,000		0.25%				
72	6 Provide one time funding to develop a passive park in Chelmsford			4,608,488		40,000	5,870,200	78	
73	5 Provide one time funding to the Sudbury Bicycle Advisory Panel for operating costs			4,608,488		10,000	5,880,200	100	
74	4 Provide one time funding for the removal of aging trees program			4,608,488		100,000	5,980,200	109	
75	4 Hire 1 permanent staff - Business Analyst - GIS Application Specialist - IT	1	85,000	4,693,488			5,980,200	6	
76	2 Provide one time funding for the Downtown Streetscape Project Phase II			4,693,488		100,000	6,080,200	35	
			85,000		0.05%				
	Total for all enhancement options		4,693,488		2.65%	6,080,200			
	WATER AND WASTEWATER ENHANCEMENT								
1	Hire 2 permanent staff - Project Engineers in Water / Wastewater divisions		230,662				-	153	

Request for Recommendation Finance Committee



Type of Decision									
Meeting	December 16, 2008				Report Date		December 10, 2008		
Decision Requested		Yes	X	No	Priority		X	High	Low
	Direction Only				Type of Meeting		X	Open	Closed

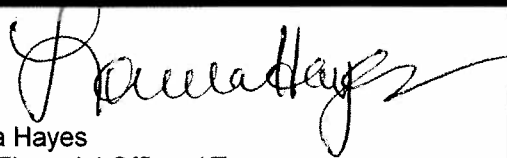
Report Title
Reserves and Reserve Funds Balances

Budget Impact / Policy Implication	Recommendation
This report has been reviewed by the Finance Division and the funding source has been identified.	

Not Applicable	For Information Only
----------------	----------------------

X	Background Attached		Recommendation Continued
---	---------------------	--	--------------------------

Recommended by the Department	Recommended by the C.A.O.
 Lorella Hayes Chief Financial Officer / Treasurer	 Doug Nadorozny Acting Chief Administrative Officer

Report Prepared By	Division Review
 Lorella Hayes Chief Financial Officer / Treasurer	

BACKGROUND

At the meeting of November 13th, 2008, the Finance Committee requested a report on the City's reserve and reserve fund balances, as well as the forecasted changes as a result of the approval of the 2009 budget.

Attached is a report dated June 11, 2008 regarding the purpose of reserve and reserve funds, as well as the audited balances of December 31, 2007.

The following is a summary of the history of reserve and reserve funds during this term of Council, and the forecasted balances for 2008 and 2009 fiscal years.

	Actual as of December 31/05	Actual as of December 31/07	Forecasted 2008 (unaudited)	Forecasted 2009 (forecasted 2008 plus forecasted transactions during 2009)
Reserves (non interest bearing)	\$7.4M	\$9.5 M	\$9.1M	\$6.2M
Reserve Funds (interest bearing)	\$60.4M	\$89.8M	\$86.7M	\$75.4M
Total Reserve and Reserve Funds	\$67.8M	\$99.3M	\$95.8M	\$81.6M

Increase from 2005 to Forecasted 2008 Balance (See Appendix A for key highlights)	\$28M
Forecasted Decrease from 2008 to 2009 (See Appendix B for forecasted Reserve and Reserve Fund continuity schedule)	(\$14.2M)

Forecasted Change from December 31, 2008 to 2009

Appendix B details the forecasted change in each reserve and reserve fund balance from December 31, 2008 to 2009. Overall, it is forecasted that the balances will decrease by a net of \$14.2M. This is subject to change based on timing of capital expenditures, unanticipated transactions, and future Council approvals.

In summary, the following are the highlights:

Forecasted opening balance - January 1, 2009	\$ 95.8M
Add: Forecasted Interest	\$ 2.8M
Add: Net transfers as per Policy and Budget	\$ 4.2M
Less: Transfers Approved from 2009 Capital Budget and Other Approvals	(\$18.2M)
Add: Inflation on Budgeted Transfers to Reserves and Reserve Funds (including proposed reduction to 1%)	\$ 0.1M
Add: Revenues from Development Charges	\$ 1.4M
Less: Preliminary Funding for Proposed Budget Options	<u>(\$ 4.5M)</u>
Forecasted Balance - December 31, 2009	<u><u>\$ 81.6M</u></u>

Deferred Revenue - Obligatory Reserve Funds

The City receives certain subdivider contributions and other revenues under the authority of provincial legislation. These funds, by their nature, are restricted in their use and, until applied to specific expenditures are recorded as deferred revenue.

Appendix C details the forecasted balances in the obligatory reserve funds.

CONCLUSION:

The information presented on reserve and reserve funds has been accumulated based on information currently available, and staff's best estimates. The balances are unaudited and subject to change, based on Council decisions, differences between estimates and actual transactions and unanticipated revenues or expenditures.

Appendix A

Major Changes in Reserve and Reserve Fund balances (in 000's)

Audited Reserve and Reserve Fund Balance - December 31, 2005

\$ 67,741

Major Increases (Decreases):

Human Resources Management Reserve	\$7,041
Land Acquisition Reserve (net proceeds from sale of land)	\$2,732
Industrial Park Reserve Fund	\$1,060
Tax rate stabilization	\$858
Winter Control	\$1,262

Increase (decrease) in Reserves for Capital expenditures

- Pioneer Manor	\$8,069
- Social Housing	\$1,005
- Land Ambulance	\$1,582
- Fleet	\$1,034
- Wastewater	-\$3,099
- Capital Financing General	\$1,018
- Police	\$982

Other net changes (ie/ interest, other transfers approved by Council/policy)

\$4,538

Subtotal of Increases

\$28,082

Forecasted Unaudited Reserve and Reserve Fund Balance - December 31, 2008

\$ 95,823

CONTINUITY OF RESERVES & RESERVE FUNDS

December 31, 2009 Forecast

Account Name	Est 31-Dec-08 Balance	2009 Transactions	Forecasted Interest	Funding for proposed budget options	Est 31-Dec-09 Balance	Comments
CONTINUITY OF RESERVES						
Election	(594,963)	(260,100)			(855,063)	2010 Election
Library/Citizen Service Centre Reserve	(192,087)	20,000			(172,087)	
Land Reclamation Reserve	(147,380)	68,786			(78,594)	
Various Expenditures	(1,550,137)	-			(1,550,137)	Committed by council
H/R Organization Development	(533,914)	-			(533,914)	
P.M.Fundraising	(55,659)	-			(55,659)	
Future D/C Study	(51,247)	35,000			(16,247)	
Tax Rate Stabilization	(4,966,137)	280,755		3,000,000	(1,685,382)	Committed \$1.3M
Agricultural Drains	(386,718)	(281,220)			(667,938)	
Property Evaluation	(171,949)	-			(171,949)	To be collapsed with insurance reserve
West Nile	(92,000)	-			(92,000)	Committed to Health Unit
Ontario Works	(340,150)	-			(340,150)	Stabilization
Reserve Totals	(9,082,342)	(136,779)	-	3,000,000	(6,219,121)	
CONTINUITY OF RESERVE FUNDS						
Greater City Sick Leave	(2,794,505)	368,306	(82,182)		(2,508,381)	Liability greater than \$8M
Police-Sick Leave	(1,243,884)	(119,500)	(42,898)		(1,406,281)	
Human Resources Management	(10,065,455)	191,324	(326,171)		(10,200,302)	Committed \$4.869M
WSIB Schedule 2	(1,586,279)	(381,958)	(38,787)		(2,007,024)	Committed \$900,000
Insurance	(2,080,733)	245,609	(76,752)		(1,911,876)	Stabilization
Environmental/Other Initiatives	(328,483)	(210,000)	(15,111)		(553,594)	Landfill gas tax revenues
Land Acquisition	(3,093,257)	-	(108,212)		(3,201,469)	Committed \$1.34M
Parking Improvements	(1,954,369)	(35,413)	(63,308)		(2,053,090)	Capital needs
Pioneer Manor-Capital	(8,068,659)	8,200,659	(132,000)		0	
P.M.Donations	(33,211)	-	(1,093)		(34,304)	
Social Housing Capital	(6,131,692)	200,000	(184,926)		(6,116,618)	Social Housing capital
Industrial Park Reserve	(2,824,102)	(90,000)	(94,264)		(3,008,366)	Committed \$480,000
Regional Business Centre	(402,848)	-	(11,648)		(414,496)	
Capital Lot Levies	(227,175)	-	(7,476)		(234,651)	
Public Safety	(376,076)	-	(12,375)		(388,451)	Committed

CONTINUITY OF RESERVES & RESERVE FUNDS
December 31, 2009 Forecast

Account Name	Est 31-Dec-08 Balance	2009 Transactions	Forecasted Interest	Funding for proposed budget options	Est 31-Dec-09 Balance	Comments
Centennial Drive Booster Station	(64,258)	-	(2,115)		(66,372)	
Roads Winter Control	(2,043,694)	-	(81,244)		(2,124,938)	Stabilization
VETAC	(4,231)	-	(139)		(4,370)	
Museum	(25,610)	-	(843)		(26,453)	
South End Library	(992,331)	(124,000)	(36,846)		(1,153,176)	Capital
Police Services Donations	(83,177)	-	(2,737)		(85,914)	
Cemeteries	(712,708)	141,229	(18,329)		(589,808)	
Emergency Service Ambulance	(2,865,414)	848,350	(47,895)		(2,064,959)	Capital
Larch Street Reserve Fund	(1,417,254)	(123,141)	(33,079)		(1,573,474)	Capital
Reserve Fund Totals	(49,419,403)	9,111,465	(1,420,430)	-	(41,728,368)	
Equipment Replacement	(4,046,453)	(103,893)	(136,666)		(4,287,012)	Fleet Capital
Police Equipment Reserve	(455,496)	(28,463)	(15,948)		(499,907)	
Equip Replace R/F - Transit	(1,341,222)	-	(52,334)		(1,393,556)	
Equip Replace R/F - Fire	(159,047)	-	(4,311)		(163,358)	
Recycling Equipment	(1,323,651)	121,935	(46,856)		(1,248,572)	
Equip Replace R/F-Parks	(281,050)	85,160	(6,442)		(202,332)	
Cap Fin R/F Info Tech	(3,094,466)	844,505	(75,899)		(2,325,859)	Committed balance \$90,000
Cap Fin R/F Solid Waste	(5,381,708)	2,314,522	(174,349)		(3,241,534)	
Cap Fin R/F CD Buildings	-	-	-		-	
Capital Financing Reserve Fund	(3,445,806)	657,275	(101,336)	1,000,000	(1,889,866)	Committed
Cap Fin R/F Corp Infra	(135,366)	-	(4,455)		(139,820)	
Cap Fin R/F Ecom Dev	(885,599)	226,550	(29,143)		(688,191)	Committed \$540,000
Cap Fin R/F P.W. Bldg	(983,590)	(10,000)	(32,367)		(1,025,957)	Committed \$750,000
Cap Fin R/F-Police	(1,952,992)	896,642	(25,589)		(1,081,939)	Committed
Cap Fin R/F - Roads	(1,410,390)	(359,033)	(56,271)	500,000	(1,325,694)	Committed \$540,000
Cap Fin R/F-Wastewater	(3,251,822)	(461,693)	(275,949)		(3,989,464)	Committed \$1.8M, for
Cap Fin R/F-Water	(7,832,094)	(691,778)	(300,297)		(8,824,169)	Stabilization & Capital
Cap Fin R/F- H & S.S.	(1,036,233)	27,000	(34,190)		(1,043,423)	Committed \$63,000
Cap Fin R/F - Fire	(27,852)	-	(917)		(28,769)	
Cap Fin R/F Leisure Services	(275,947)	-	(9,111)		(285,058)	
Capital Financing Reserve Fund Total	(37,320,782)	3,518,729	(1,382,428)	1,500,000	(33,684,481)	
Less: Proposed Reduction in Inflation		60,000			60,000	
Reserve & Reserve Funds Grand Totals	(95,822,527)	12,553,415	(2,802,858)	4,500,000	(81,571,970)	
	Note 1		Note 2		Note 3	

CONTINUITY OF RESERVES & RESERVE FUNDS
December 31, 2009 Forecast

Note 1 Forecasted 2009 transactions consist of:

Budgeted transfers for capital projects and other council approvals	18,190,851
Budgeted contributions from (to) operating budget	(4,242,021)
Inflation on contributions to reserves and reserve funds 2% inflation	144,000
Less: proposed 1% reduction	(60,000)
Revenues from development charges	(1,456,841)
Miscellaneous other	(22,574)
Net decrease in reserves and reserve funds	<u>12,553,415</u>

Note 2 Interest is contributed in accordance with the reserve and reserve fund by-law. It has been estimated that the City's rate of return on investments will be approximately 2.8%.

Note 3 The proposed commitments indicated are as follows:
One time funding source for 2009 budget enhancements
To fund budget option for St. Joseph's Health Centre

3,500,000
1,000,000
<u>4,500,000</u>

CONTINUITY OF RESERVES & RESERVE FUNDS

December 31, 2009 Forecast

Account Name	Est 31-Dec-08 Balance	2009 Transactions	Forecasted Interest	Funding for proposed budget options	Est 31-Dec-09 Balance	Comments
CONTINUITY OF OBLIGATORY FUNDS						
Sewer & Water Payments	(468,046)		-		(482,323)	Note 4
Parks (Section 50)	(903,502)		-		(931,653)	Note 4
Subdivision Deposits(Asphalt Resurfacing)	(2,896,950)		-		(2,989,077)	Note 4
S.P.A. Deposits(Sidewalks)	(1,020,465)		-		(1,052,904)	Note 4
Tree Planting	(1,000,906)	60,000	(32,439)		(973,430)	
Gas Tax Rebate Public Transportation	(1,946,315)	(236,507)	(78,721)	400,000	(1,861,543)	Note 5
Federal Gas Tax	(7,872,693)	(4,362,448)	(176,422)	5,000,000	(7,411,563)	
Bldg Permit Rev Stabilization	(4,829,841)	(1,230,459)	(163,661)		(6,223,961)	
Regional Road #80	(4,970,537)	850,000	(134,808)		(4,255,345)	
Public Transit Capital	(2,168,407)		-		(2,250,750)	
Road Levies Payments	(980,919)		-		(1,012,121)	
Obligatory Reserve Fund Total	(29,058,580)	(4,919,414)	(866,675)	5,400,000	(29,444,669)	

Note 1 Note 2 Note 3

Note 1 Forecasted 2009 transactions consist of:
Transfers for operations and capital projects
Provincial Gas Tax - for transit
Federal Gas Tax

7,780,586
(2,700,000)
(10,000,000)
(4,919,414)

Note 2 Interest is contributed in accordance with the reserve and reserve fund by-law. It has been estimated that the City's rate of return on investments will be approximately 2.8%.

Note 3 The proposed commitments indicated are as follows:
Budget Option: Transit U-Pass
Proposed one time roads projects

400,000 Provincial Gas Tax - ridership growth
5,000,000 Federal Gas Tax
5,400,000

Note 4 The subdivision (roads, water / waste water, sidewalks) balances, parks, etc will also be drawn down as capital works are performed during 2009 and increased by contributions.

Note 5 Annually the City is informed of the amount of gas tax it is allocated. Transit services utilizes these funds for capital purchases as well as to fund ridership growth initiatives. Council has committed approximately \$600,000 of this balance to existing ridership growth initiatives. It should also be noted that the \$400,000 is part of the 2009 budget which will result in additional draws of \$300,000, \$200,000 and \$100,000 in 2010, 2011 and 2012 respectively for a total draw from reserve of \$1,000,000.

Request for Recommendation Finance Committee



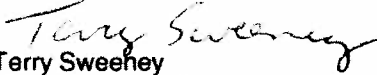

Type of Decision									
Meeting	June 18, 2008				Report Date	June 11, 2008			
Decision Requested		Yes	X	No	Priority	X	High		Low
	Direction Only				Type of Meeting	X	Open		Closed

Report Title
2007 Reserves and Reserve Funds Report

Budget Impact / Policy Implication	Recommendation
<input checked="" type="checkbox"/> This report has been reviewed by the Finance Division and the funding source has been identified.	

	FOR INFORMATION ONLY
<input checked="" type="checkbox"/> Background Attached	Recommendation Continued

Recommended by the Department	Recommended by the C.A.O.
 Lorella Hayes Chief Financial Officer / Treasurer	 Mark Mieto Chief Administrative Officer

Report Prepared By	Division Review
 Terry Sweeney Financial Analyst	 Dion Dumontelle Manager of Financial Support & Budgeting

EXECUTIVE SUMMARY:

The purpose of this report is to provide Council with a snapshot of the balances in the reserve and reserve funds at December 31, 2007.

Overall, the consolidated reserve and reserve funds have increased by \$11.9 million during 2007 to \$100.1 million compared to \$88.2 million at December 31, 2006.

The increase of \$11.9 million is due to:

Operating Surplus	\$ 4.8 million
Net Program Specific under expenditures	1.3 million
Interest Earned by Reserve Funds	3.9 million
Other approved net transfers	1.7 million
Increase in Consolidated Entities	.2 million
Increase in closing Reserve and Reserve Fund Balance	<u>\$ 11.9 million</u>

The Net Program Specific under expenditures consist of:

Information technology	\$ 391,000
Parking	352,000
Cemeteries	176,000
199 Larch	106,000
Police	294,000
Winter Control	1,517,000
Organizational Development	188,000

Offset by over expenditures in:

Water	(871,000)
Wastewater	(873,000)
	<u>\$ 1,280,000</u>

The following tables illustrate the trends in reserve and reserve funds over the past five years:

	2003	2004	2005	2006	2007
CGS Reserves	\$ 7,329	\$ 3,946	\$ 7,385	\$6,004	\$9,524
CGS Reserve Funds	52,988	59,169	60,356	\$81,581	\$89,765
Total CGS Reserves & Reserve Funds	\$60,317	\$63,115	\$67,741	\$87,585	99,289
Other Consolidated Entities	308	300	382	626	838
Total	\$61,560	\$64,372	\$70,218	\$88,211	100,127

	2003	2004	2005	2006	2007
Reserves as a % of Total Expenditures	15%	15%	16.3%	18.5%	20.2 %
BMA Study - Median	30.0%	27.7%	29.6%	31.8 %	TBD
BMA Study - Low	5.6%	7.4%	10.6%	3.6 %	TBD
BMA Study - High	216.7%	140.9%	141.7%	135.6%	TBD

TBD to be determined

As outlined in the BMA study, reserves and reserve funds are a critical component of a municipality's long-term financing plan. The purpose for maintaining reserves, as outlined in the report, is to:

- ▶ Provide stability of tax rates in the face of variable and uncontrollable factors (consumption, interest rates, unemployment rates, changes in subsidies)
- ▶ Provide financing for one-time or short term requirements without permanently impacting tax and utility rates
- ▶ Make provisions for replacements/acquisitions of assets/infrastructure that are currently being consumed and depreciated
- ▶ Avoid spikes in funding requirements of the capital budget by reducing their reliance on long-term debt borrowings
- ▶ Provide a source of internal financing
- ▶ Ensure adequate cash flows
- ▶ Provide flexibility to manage debt levels and protect the municipality's financial position
- ▶ Provide for future liabilities incurred in the current year but paid for in the future

Reserves offer liquidity which enhances the municipality's flexibility, both in addressing unplanned operating requirements and in permitting the municipality to temporarily fund capital projects internally. The level of reserves and reserve funds is a key measure of the financial health of a municipality. Compared to other municipalities in Ontario, the City is below the median as it pertains to reserves and reserve funds as a percentage of total expenditures, as identified in the 2007 BMA municipal study which is based on statistics for 2006. In 2006, only eleven of seventy-four participants in the study have a lower percentage than Sudbury. The results across the survey range from a low of 3.6% to a high of 135.6% in 2006. For 2007, there has been a slight increase at the CGS from 18.5% to 20.2%.

BACKGROUND:

Reserves and reserve funds are generally set aside for significant future purchases, to replace major capital infrastructure, are accumulated to meet a growing future liability, or are simply accumulated to provide a buffer for significant unanticipated expenditures beyond the control of Council.

The main difference between a reserve and a reserve fund is that a reserve does not earn interest, whereas a reserve fund is in a separate fund and is credited, on a monthly basis, with the interest it has earned.

The attached report provides a more detailed explanation of each of the City's reserves and reserve funds at the end of 2007.

By-law

By-law 2005-15F, being the by-law to establish and continue reserves, reserve funds and trust funds, is reviewed on an annual basis and recommendations to establish, discontinue or consolidate reserves are brought to Council for approval, and for authority to amend the By-law.

Trust Funds

Trust funds are not included in this report. Trust funds are monies of others, being held in trust by the City, for specific purposes. The money is spent on the intended purpose or returned to the original source. Examples of trusts are the cemetery trust where money has been received and is held in trust to ensure perpetual care and maintenance of the cemeteries, or the funds belonging to residents of Pioneer Manor being held in trust for them.

Deferred Revenue - Obligatory Reserve Funds

Obligatory Reserve Funds are not included in this report as they represent deferred revenues. The balance as at December 31, 2007 was \$22.8 million, up from \$18.0 million in 2006. Deferred Revenue-Obligatory reserve funds, that by nature of the revenues received, involve restrictions on their use and are not available for the Discretionary use of Council. The increase relates to unspent Federal and Provincial Gas Tax Revenues and building permit revenues.

Long Term Financial Plan

The Long Term Financial Plan, adopted by Council, references reserves in a number of its recommendations:

- 1.6 Plan for the replacement of infrastructure through the use of life cycle costing and the development of replacement reserves.
- 5.2 Undertake regular reviews of remaining life and condition of assets and determine required annual reserve contributions sufficient to ensure that 90% of approved infrastructure rehabilitation / replacement schedules can be met at the required time.
- 8.1 Facility, equipment and infrastructure replacement reserves should be established and funded to ensure that 90% of approved infrastructure rehabilitation / replacement schedules are met (long-term), as determined in point 5.2
- 8.2 Establish a Stabilization Reserve for programs that are susceptible to significant annual expenditure fluctuations (eg. Winter Maintenance, Ontario Works). Program budgets should be based on a moving five year historical average of program spending. In years when surplus funds occur in these programs, surpluses should be reserved, provided an overall City surplus exists. Where the City's overall surplus is less than the program surplus, funds should only be reserved up to the level of the overall City surplus.
- 8.3 Establish reserves to provide funding for future liabilities (eg. sick leave). Contributions to these reserves should be set, at a minimum, at an amount sufficient to ensure the liability does not increase.

The City needs to address these recommendations through the establishment of and continuation of increased funding for reserves.

At present, there are Capital Financing Reserve Funds for each of the capital envelopes but the annual contributions from the envelopes go directly to Capital as the needs each year are so pressing. There is generally opportunity to build up these reserve funds to meet the future needs that have been identified in the Long Term Financial Plan. The capital funding gap forecasted to 2016 has been identified to be almost \$480 million. The Long Term Financial Plan identified solutions to have these annual needs fully met by the end of the ten year period and the need to continue and fund reserve and reserve funds were integral parts of the solution.

CONCLUSION:

It is recommended that the City continue to implement and foster prudent reserve and reserve fund policies, especially in light of the intense capital financing pressures which it faces over the next five to ten years.

Periodically the By-law governing Reserves, Reserve Funds and Trust Funds is reviewed to ensure the content is still applicable and appropriate. Staff is currently considering updates and amendments to the By-law and a report is forthcoming prior to the end of June.

CITY OF GREATER SUDBURY

Reserve and Reserve Fund Balances as at December 31, 2007 compared to December 31, 2006

NAME	RESERVES	Dec. 31/07 \$	Dec. 31/06 \$
Reserve - Election	Annual contributions are made to this reserve so as to avoid major budget fluctuations in election years.	339,963	
Reserve Libraries / Citizen Service Centre	Because libraries receive Provincial operating grants, a working reserve is required. When the City is in a surplus position overall, any Library surplus is contributed to this reserve, and deficits are funded from this reserve. Also used to finance capital and special projects.	79,991	79,991
Tree Purchases Reserve (Land Reclamation)	Fund created from surpluses due to net under expenditures in Land Reclamation over the years. Used to offset fluctuations in the cost of purchasing seedlings each year, which eliminates fluctuations in operating costs.	194,640	216,359
Reserve for Various Expenses	Created at year-ends, through resolution of Council, to allow funds budgeted in current year to be carried forward to the following year to pay for certain items. The majority of these funds will be spent in 2008.	1,540,868	1,382,790
Reserve for Ex-Gratia Grants	\$25,000 is budgeted each year for ex-gratia grants, which are grants given to residents to help off-set clean-up costs in the event of a sewer back-up. Normally, in years where the grants do not total \$25,000 the difference is credited to this reserve and in years where grants exceed the budget, the difference is funded through this reserve. It is recommended that this reserve be collapsed with water/wastewater reserve.	128,193	128,193
Water Meter Installation Reserve	Deposits collected from developers and / or individuals at the Building Permit stage for installation of water meters in new homes when construction is completed. As homes have meters installed, the funding is taken from the reserve.	138,763	138,763
H/R Organizational Development Reserve	This reserve shall be funded from any annual under expenditures in training related accounts, and shall be used to fund training and development of City staff.	580,312	516,463
Reserve for Ontario Works	Established to be used as a buffer for such instances as the Province increasing benefits to recipients mid-year when no budget provision had been made.	510,150	722,150

NAME	RESERVES	Dec. 31/07 \$	Dec. 31/06 \$
Pioneer Manor Fundraising Reserve	Net revenue resulting from fund-raising activities at Pioneer Manor (mainly through auxiliary). Committee of residents, auxiliary, staff recommend expenditures from this reserve (i.e. prints for walls, etc.). Not truly City's money.	55,659	62,704
Future Development Charges Study Reserve	Set aside to fund a new Development Charges study. Once Provincial legislation governing development charges is passed, a new Development Charges study will be undertaken.	51,247	51,247
Tax Rate Stabilization Reserve	This reserve provides for year-to-year variances in the operating budget.	1,101,602	1,238,551
Committed	Represents funds committed by Council for a number of one-time programs. The balance includes all of Council's decisions to December 31, 2007.	4,429,669	964,934
Reserve for Agricultural Drains	Funded through contributions from the current budget to ensure sufficient funds on hand for municipal portion of agricultural drains maintenance.	106,658	335,884
Reserve for Cultural Exchange	This reserve is to be used for projects related to cultural exchange (e.g. events with Sudbury's twin city in Finland).	2,518	2,518
Reserve for Property Evaluation	Annual contribution to this reserve to update property evaluations for insurance purposes. Updates to be done every third year.	171,949	71,030
Reserve for West Nile Virus	Established to fund the City's share of West Nile Virus expenditures that may be incurred and levied by the Health Unit.	92,000	92,000
	Sub Total	\$9,524,182	\$6,003,579

NAME	RESERVE FUNDS	Dec. 31/07 \$	Dec. 31/06 \$
Sick Leave Reserve Fund	Annual contributions from current budget to be used to pay out accumulated sick leave credits. Most employees no longer receive sick leave credits, but are covered through weekly indemnity and long term disability. Sick leave credits in existence at the time of the change were left intact, and employees are entitled to a payout of 50% of these credits, to a maximum of 6 months pay, when they retire. Employees at Pioneer Manor and Fire Services still accumulate 1.5 days per month of sick leave. Total CGS liability of \$8 million exceeds the balance in the fund.	2,980,140	2,910,145
Sick Leave Reserve Fund - Police	The Police still accumulate sick leave credits of 1.5 days per month, and are entitled to a pay out of 50% of accumulated credits, up to six months of pay, when they leave. Total CGS liability of \$8 million far exceeds the balance in the fund.	1,142,071	1,432,843
Human Resources Management Reserve Fund	Balance in fund indicates favourable claims experience. To be used to fund claims and absorb fluctuations in premium rates. Can also be used for any initiatives targeted to reduce or control expenses to the benefit plans and sick leave reserve fund. In addition, an unfunded liability of \$21.8 million relating to post-employment benefits exists.	6,813,339	9,353,448
Committed	Approved by Council for succession planning, Year of the Employee and other initiatives.	3,805,400	
WSIB (Workers Compensation Insurance Board) Schedule 2 Reserve Fund	Established through contributions from Current Fund by assessing 'premiums' on payroll. In the early years of being a Schedule 2 employer, the premiums charged were equal to those that would be charged by WSIB. The premiums being charged in 2008 are just sufficient to meet expenses. The reserve is used to pay invoices from WSIB, to top up salaries in accordance with Collective Bargaining Agreement requirements, to pay rehabilitation expenses and to fund the premium for stop loss coverage. The reserve ensures there is no detrimental impact on the operating budget. It is strongly recommended that the balance in this reserve fund be maintained in order to have funds available should the City experience any catastrophic loss. The stop loss coverage has a deductible of \$400,000. All City employees except Pioneer Manor are under Schedule 2.	424,596	982,500
Committed	Fully committed is money set aside, through Council resolution in regard to ongoing litigation.	900,000	900,000

NAME	RESERVE FUNDS	Dec. 31/07 \$	Dec. 31/06 \$
Insurance Reserve Fund	Funded through contributions from Current Fund and used to fund adjuster expenses and the deductible portion of claims. There are many outstanding claims, with the deductible portion of most claims being \$50,000. The fund is required to ensure that claims can be covered with no impact on the Current Fund. If deductible limits or claims experience should increase, the annual contributions to this reserve may also have to be increased.	1,875,816	2,390,096
Equipment and Vehicle Replacement Reserve Fund	Funded through contributions from Current Fund by equipment credits. Annual contribution is not sufficient to fund capital needs of Public Works which are about \$4 million per year.	4,392,679	3,594,996
Police Vehicle and Equipment Reserve Fund	Funded through contributions from Current Fund. Annual contribution is scheduled to be fully utilized. This Reserve Fund is controlled by the Police Services Board.	867,714	869,738
Transit Vehicle and Equipment Reserve Fund	Funded through contributions from Current Fund and to be used for replacing transit vehicles.	1,289,666	1,234,338
Fire Vehicle and Equipment Reserve Fund	Funded through contributions from Current Fund and to be used for replacing fire vehicles and equipment. Annual contributions are not sufficient for replacements.	125,620	120,162
Parks Vehicle and Equipment Reserve Fund	Funded through contributions from Current and to be used for replacing parks equipment. Annual contribution is scheduled to be fully utilized.	322,357	407,975
Recycling Equipment Replacement Reserve Fund	Funded through contributions from Current Fund. Much of the recycling equipment is 15 years old and has almost reached the end of its useful life. It is anticipated that the equipment will have to be replaced within the next few years, and the full balance of this fund will be required.	1,388,548	1,448,743
Land Acquisition Reserve Fund	Funded from net proceeds of sale of surplus property and used to fund purchases of any required property. Approximately 1.34 million has been committed by Council	2,530,176	555,763
Parking Improvement Reserve Fund	Funded from net proceeds of parking facilities, and to be used on improvements or expansions to parking facilities.	1,832,635	1,512,594
Pioneer Manor Capital	Funded from surpluses in the current budget to be used for capital improvements at Pioneer Manor as authorized by council. This balance represents the 2007 surplus plus a \$3,000,000 insurance advance. This reserve fund is fully committed based on previous Council approvals.	3,575,483	415,000
Pioneer Manor Donations Reserve Fund	Funded through donations and to be used specifically for improvements to the grounds and courtyards at Pioneer Manor.	31,846	94,535

NAME	RESERVE FUNDS	Dec. 31/07 \$	Dec. 31/06 \$
Social Housing Capital Reserve Fund	Established with Provincial Funding with a small portion remaining which is payable to GSHA employees for benefits (\$263,000), as established by the Province at the time of devolution. Balance needed to fund any major capital undertakings for the housing stock. Operating surpluses in this section are to be credited to this reserve fund if the City is in an overall surplus position. Deficits are to be funded from this reserve fund. However, since this fund is capped at 5 million, it has not increased except for interest earned. A capital funding gap of over \$8 million has been identified.	5,581,099	5,338,610
Industrial Park Reserve Fund	Established from proceeds of land sales in the Industrial Park and to be used for the expansion or creation of Industrial Parks.	2,093,280	1,433,530
Committed	Committed by Council primarily for improvements to Walden Industrial Park.	479,658	479,658
Business Centre Reserve Fund	Originally established through a contribution from the Industrial Reserve Fund, has continued through contributions from partners in the Regional Business Centre. The balance therefore is not completely attributable to the City. The Business Centre was created to help businesses become established and viable. Surpluses and deficits in the Regional Business Centre are credited to or debited from this fund.	339,434	280,456
Centennial Drive Booster Reserve Fund	Funded through \$2,000 per lot charge collected on registration of Plans of Subdivision in area near Centennial Drive. Funds must be used to provide booster for water service.	55,781	31,959
Roads Winter Control Reserve Fund	Established in 2003 in accordance with Long Term Financial Plan recommendations as a stabilization reserve. May be used to offset Winter Control over expenditures. Reflected in this balance is the 2007 winter surplus of \$1.5 million	2,367,462	813,800
Vegetation Enhancement Technical Advisory Committee (VETAC) Reserve Fund	Funded through donations and to be used for projects recommended by the Vegetation Enhancement Technical Advisory Committee, as authorized by Council.	4,057	3,880
Whitewater Lake Park Reserve Fund	Funded from the proceeds of the sale of lots intended for Parks purposes; to be used for improvements to Whitewater Lake Park.	11,257	10,768
Museum Reserve Fund	Carried forward from the former Rayside-Balfour and to be used for projects related to that museum.	24,558	23,491

NAME	RESERVE FUNDS	Dec. 31/07 \$	Dec. 31/06 \$
South Branch Library Reserve Fund	Net rent proceeds from the tenant at the South Branch location were credited to this reserve fund to be used for required renovations. Council has committed additional funds for renovations.	831,871	655,227
Adanac Ski Chalet Reserve Fund	Original contribution of \$50,000 from Insurance Reserve Fund, representing the deductible portion of replacing the chalet. Some funds have been used on replacement of equipment.	-	44,600
Police Services Donations Reserve Fund	Under control of the Police Services Board and to be used for crime prevention initiatives.	79,759	82,876
Capital Lot Levies Reserve Fund	Funds collected under the terms of capital levy by-laws, and related to some subdivisions. Funds collected can be used only on water and / or wastewater capital projects.	211,708	184,958
Gazebo Concert Series Reserve Fund	Funded by donations for the concert series and to be used to offset expenses of the concert series.	5,741	7,660
Cemeteries Reserve Fund	Cemetery Services is self-funding; therefore this reserve is funded through any annual operating surpluses of cemeteries and is to be used only for funding deficits and for cemetery capital projects.	518,583	426,066
Emergency Services - Ambulance Reserve Fund	Funded through contributions from Current and Provincial grants. Must be used for ambulance capital projects including all vehicles and equipment. May be subject to having to return funds to Province if not used for projects specific to EMS.	2,581,568	1,525,284
199 Larch Street Building Maintenance Reserve Fund	Established at time of purchase of 199 Larch (a \$17 million asset), with annual contributions. To be used to offset any major capital repairs not budgeted, thus preventing a substantial impact on the current fund. Surpluses in this section shall be credited to the reserve fund, if the City is in a surplus position overall. Deficits are to be funded from this reserve fund.	1,150,287	1,048,939
	Sub Total	\$50,634,191	\$40,614,638

NAME	CAPITAL FINANCING RESERVE FUNDS (CFRF)	Dec. 31/07 \$	Dec. 31/06 \$
CFRF - Information Technology	Funded from any under expenditures in the Information Technology section, if the City is in an overall surplus position. Also funded from any under expenditures in related capital projects. To be used for information technology projects only. The 10 year capital funding gap for IT is approximately \$3.4 million.	3,478,511	3,924,003
Committed	Previously approved funds for fleet maintenance software and for consulting costs. An additional \$685,000 was committed during the 2008 capital budget process.	148,706	148,706
CFRF - Solid Waste	Funded from annual contributions from the current budget and under expenditures in related capital projects. To be used only for solid waste projects. The balance of this reserve fund is required for projects identified in the approved Certificate of Approval for the landfill sites, in particular the Sudbury site which is slated to become the only landfill site in the City once all other sites are closed. The post-closure liabilities amounted to \$8.3 million at the end of 2007. In addition, there is a capital funding gap of greater than \$19 million.	5,547,542	5,568,082
CFRF - General	One half of any annual current operating surplus or deficit is funded from or contributed to this reserve fund. It is also the only source of funding for capital projects that have no capital envelope.	2,171,283	2,200,372
Committed	Represents funds committed by Council for a number of one-time programs. The balance includes all of Council's decisions to December 31, 2007.	1,782,000	1,080,963
CFRF - Corporate Infrastructure	Originally funded by contributions from current, now only from any under expenditures in related capital projects. To be used only for corporate infrastructure (i.e. telephone systems, docutech equipment, etc.). The balance of this reserve fund has been identified as required in the Long Term Financial Plan. Of this amount, \$263,000 was committed during the 2008 capital budget process.	383,522	322,155
CFRF - Economic Development	To be funded from unallocated or excess funds in the capital envelope, and to be used only for Economic Development projects. Unfinanced capital needs for ED have been identified at over \$27 million.	72,369	392,019
Committed	Committed funds for GSCDC grants.	775,158	1,347,774
CFRF - Assets	Funded from under expenditures in related capital projects. To be used only for assets (buildings) projects. In excess of \$96 million has been identified as unfunded capital needs for 10 years.	193,174	152,195
Committed	Previously approved funds for fuel systems, salt domes and water depots	750,000	750,000
CFRF - Police	Funded from under expenditures in related capital projects. Will be used only for Police projects. Reserve is under the control of Police Services Board.	2,080,255	2,264,238

NAME	CAPITAL FINANCING RESERVE FUNDS (CFRF)	Dec. 31/07 \$	Dec. 31/06 \$
CFRF - Roads	Funded from under expenditures in related capital projects. To be used only for Roads projects. A capital funding gap of \$157 million is projected for 10 years.	1,025,028	726,518
Committed	This balance is committed for property acquisition.	789,821	1,482,468
CFRF - Waste Water	Originally funded from current fund, now funded from under expenditures in related capital projects. In addition, surpluses and deficits in this utility are contributed to or funded from this reserve fund. To be used only for Wastewater projects. Used to address any emergency upgrades which may be required, upon authority of Council. Wastewater has a 10 year capital gap approaching \$19 million.	2,761,776	3,917,460
Committed	The balance is committed to the Rock Tunnel and Lively treatment plant upgrades. An additional \$1.4 million was committed during the 2008 capital budget process.	6,252,000	6,252,000
CFRF - Water	Originally funded from current fund, now funded from under expenditures in related capital projects. In addition, surpluses and deficits in this utility are contributed to or funded from this reserve fund. To be used only for water projects, including any projects necessitated by the Ministry of the Environment. Used to address any emergency upgrades which may be required, upon authority of Council. Water has a 10 year capital gap approaching \$19 million.	7,308,598	8,424,901
Committed	The balance is committed to upgrade of the Levack water supply.	2,254,300	1,000,000
CFRF - Community Development - H & S S	Originally funded from current fund, now funded from restructuring and high wage subsidies received from the Province for Pioneer Manor, and from any under expenditures in related capital projects.	897,020	851,192
Committed	This amount represents previously approved funds for physician recruitment & retention.	278,232	
CFRF - Fire Services	Funded from under expenditures in related capital projects. To be used only for Fire Services Projects. The 10 year capital update identifies about \$19 million of unfunded needs for Fire Services. In addition, another \$13.8 million is needed for Emergency Management and Communications and Information systems.	26,708	16,775
CFRF - Community Development - Citizen / Leisure Services	Funded from under expenditures in related capital projects. To be used only for Citizen and Leisure Services projects. Over \$73 million of unfunded needs were identified in the 10 year capital update for Recreation and Leisure Services.	154,557	144,176
	Sub Total	\$39,130,560	\$40,965,997
	TOTAL RESERVES AND RESERVE FUNDS	\$ 99,288,933	\$87,584,214

Request for Recommendation Finance Committee




Type of Decision									
Meeting	December 16, 2008				Report Date	December 3, 2008			
Decision Requested		Yes	X	No	Priority	X	High		Low
	Direction Only				Type of Meeting	X	Open		Closed

Report Title
2008 Operating Budget Variance Report - September

Budget Impact / Policy Implication	Recommendation
<input checked="" type="checkbox"/> This report has been reviewed by the Finance Division and the funding source has been identified.	

	FOR INFORMATION ONLY
<input checked="" type="checkbox"/> Background Attached	Recommendation Continued

Recommended by the Department	Recommended by the C.A.O.
 Lorella Hayes Chief Financial Officer / Treasurer	 Doug Nadorozny Acting Chief Administrative Officer

Report Prepared By	Division Review
 Ed Stankiewicz Manager Financial Planning & Policy	

EXECUTIVE SUMMARY

This report provides Council with a year-end projection based on the expenditures and revenues for the period ending September 30, 2008.

A summary of material variances is as follows:

	Net Under-Expenditure / (Net Over-Expenditure)
Taxation Levy	\$1,620,000
Grants & Subsidies	\$1,150,000
Other Revenues	\$ 720,000
Planning & Development	\$ 300,000
Transit Services	(\$ 670,000)
Handi Transit	(\$ 210,000)
Ontario Works - Emergency Shelters	\$ 280,000
Children Services	\$ 350,000
Asset Management (Fleet)	(\$ 820,000)
Roads Services	(\$ 860,000)
Environmental Services	\$ 360,000
Fire Services	(\$ 600,000)
St. Joseph's Villa Grant (unbudgeted)	(\$1,000,000)
Simon Lake Resonators (unbudgeted)	(\$ 320,000)
Miscellaneous Items	\$ 60,000
Total	\$ 360,000

BACKGROUND

In the July variance report, some potential variances were identified. Since then, there have been a number of additional areas that are anticipating budget variances.

This year end municipal forecast has been updated to include the departmental projections for each account in all cost centres. Based on these projections, the City is projected to be close to a balanced budget at year end reflecting a small surplus of \$360,000.

Attached are tables summarizing the cost centre reports which reflect annual budgets, year end projections and variances.

For this report, potential year end variances of greater than \$200,000 have been identified and are detailed as follows:

1) Taxation Levy

As a result of continued strong building activity, the City's supplementary taxation is expected to exceed budget by approximately \$1.6 million.

In the area of tax writeoffs, it is anticipated that the 2008 budget is sufficient to handle appeals.

Overall this section is projected to experience a \$1.6 million net under-expenditure.

2) Grants and Subsidies

As previously reported for 2008, the Ministry of Finance has committed to funding municipalities to a minimum amount of the 2007 OMPF grant. For the City of Greater Sudbury, this amount translates to \$58.7 million.

Through the OMPF the City receives funding through four grants, two of which are based on social program expenditures and as those expenditures increase or decrease so does that portion of the grant. For the 2008 budget, the total estimate of revenue from the grant components was \$2.5 million less than the Provincial guarantee, therefore allowing for a one-time contribution of \$2.5 million to reserves.

Currently, the social programs related to the OMPF grant are forecasting even lower levels than budgeted, thus providing an additional one-time benefit of \$1.15 million, which is the positive variance reflected in this area.

3) Other Revenues

It was previously reported that a shortfall of \$200,000 could be expected as a result of the Sudbury Downs Slots strike. However, based on the payments to date, this area should be close to budget at year end.

Additional revenue from investments and miscellaneous sources are expected to provide \$700,000 in additional revenue. Miscellaneous revenue exceeded budget as a result of higher aggregate revenues and a year end adjustment in our natural gas account of \$200,000. Overall, this section is anticipating a net under expenditure of approximately \$720,000 by year end.

4) Planning and Development Services

As previously reported, staff vacancies coupled with higher than budgeted revenues from increased development is responsible for this division reflecting a year end projected net under expenditure of \$300,000.

5) Building Services

Building activity has continued to be strong throughout 2008, and due to the increased revenue generated from this activity, it is anticipated that Building Services will experience a net under expenditure of approximately \$1.1 million by year end. However, in accordance with provincial legislation (Bill 124), all net under expenditures must be contributed to a reserve to ensure future viability of the service.

6) Transit Services

As previously mentioned, this division is expected to realize a net over expenditure in fuel costs of approximately \$300,000. In addition, the Laurentian U-Pass Program has resulted in an anticipated shortfall in cash fare box fees by approximately \$400,000.

At year end this area is projecting a year end net over expenditure of \$670,000.

7) Handi Transit

Increased utilization of this service will result in a year end net over expenditure of \$210,000.

8) Housing Services

As was the case last year, two major factors are contributing to reduce the rent-geared-to-income (RGI) subsidy levels. First, increased employment opportunities in the community have provided RGI tenants with higher incomes. Second, the low vacancy rate in the community has not allowed some tenants to move to the privates sector even though their incomes have increased. Should these market conditions persist, we anticipate a year end net under expenditure of approximately \$300,000. However, as per the Reserves and Reserve Funds By-law, any net under expenditure will be contributed to the Social Housing Reserve Fund.

9) Long Term Care and Senior Services

As previously reported, the expenditures for extra expenses relating to the fire will exceed the City's entitlement. These expenditures relate to housing approximately 54 residents at the Laurentian Hospital as well as other miscellaneous expenditures related to the fire. For 2008, contribution from the Insurance Reserve can be made to offset these expenditures resulting in no impact on the 2008 operating budget. For 2009, the extra expenses will be absorbed in the Pioneer Manor Budget and the Insurance Reserve, if necessary.

10) Ontario Works

Based on Ministry of Community and Social Services projections for social program costs resulting mainly from reduced caseloads, a year end net under expenditure of approximately \$1.15 million relating to the associated social programs is anticipated. In accordance with the OMPF funding formula, the social programs portion of the grant would be reduced correspondingly, therefore providing no variance.

The Emergency Shelter Services Division has resulted in a net under expenditure of \$280,000. This is directly related to the difference between the projected utilization costs and actuals for 2008.

11) Children Services

There has been a decrease in the Ontario Works caseload, which has resulted in a decrease in funding for the Ontario Works Child Care Program, funded at a 80/20 cost sharing arrangement. Low income families are now accessing spaces under the Best Start Program, funded at 100% by the Province.

This section is anticipating a year end net under expenditure of \$350,000.

12) Asset Management (Fleet)

As previously reported, additional mechanical materials required in the garage to service the volume and age of the fleet is the main reason that this section will experience a net over expenditure. In addition, increase fuel costs resulting from record high oil prices also impact on this operation. Overall the projected net over expenditure for this are is \$820,000. All attempts are being made to mitigate this projected over expenditure.

13) Water and Wastewater Maintenance

As a result of the excessive rainfall in the first part of the summer, revenues in these two areas are under budget. Projections from Greater Sudbury Utilities are reflecting year end revenue shortfalls of \$1.4 million. In addition, the increased cost of chemicals, sludge haulage and asphalt reinstatements have been offset by a deliberate reduction in other areas of the operation in order to contain costs. Staff will continue to monitor this section closely and attempts will be made to reduce expenditures wherever possible.

As Council is aware, policy dictates that net under expenditures and net over expenditures for both water and wastewater are contributed to or funded from the respective reserve funds, resulting in no impact on the corporate year end position. For 2008, approximately \$1.5 million will have to be contributed from reserve funds to balance this area. This would leave a balance of approximately \$1.4 million in the Water Reserve Fund and \$7.8 million in the Wastewater Reserve Fund.

14) Roads

It was previously reported that the winter control costs in April exceeded budget by approximately \$300,000, due mainly to increased pothole patching activity. Winter control is very weather dependent and therefore difficult to project a year end variance. Given the excessive number and severity of winter events in November, it is anticipated that a net over expenditure of approximately \$600,000 will occur by year-end. If winter control is in a net over expenditure position at year end, and the municipality is in a deficit position, a contribution from the Roads Winter Control Reserve Fund will be made to offset the over expenditure leaving no additional impact on the municipal year end position. Summer roads maintenance is anticipated to be close to budget by year end.

Streetlighting energy costs are projected to be \$260,000 over budget as a result of the current contract. In the 2009 budget, measures are proposed to reduce this cost substantially. Overall the roads net over expenditure is expected to be approximately \$860,000.

15) Environmental Services

As a result of the more robust economy during the first nine months of 2008, an increase in tipping fee revenue of approximately \$850,000 is anticipated. However, some of this will be offset by an increase in tire recycling, which will be over budget by approximately \$550,000. There will also be additional revenue from the sale of recyclables. This area is projecting a net under expenditure of \$360,000.

16) Emergency Medical Services

An additional \$900,000 in grant revenue was announced subsequent to the approval of the 2008 budget. Over expenditures in salaries, fuel prices and mandatory training, increasing call volumes, as well as a commitment to develop and implement mitigation strategies to address ambulance off loading delays in the Emergency Department somewhat offset the additional grant revenue. As a result, the net under expenditure for this department is \$560,000 which will be contributed to the EMS Reserve Fund for capital needs, in accordance with policy.

17) Fire Services

Contributing factors to a net over expenditure in this department are primarily staffing related. Additional costs were incurred for relieving due to absenteeism, training, temporary and administrative staffing requirements. Contained in the actual costs are adjustments to the career firefighters salaries to properly reflect their classification and service recognition pay.

In addition, anticipated over expenditures are reflected in non salary expenses, which include energy costs, protective clothing, snow removal and vehicle maintenance accounting for approximately \$150,000 of the variance.

By year end this department is projecting a net over expenditure of approximately \$600,000.

18) Grants to St. Joseph's Villa

As reported previously, City council approved a grant of \$1 million in each of 2008 and 2009 to St. Joseph's Villa conditional upon the securing of funding for the current shortfall related to the Long Term Care Facility to be developed in Chelmsford. The budget option in the 2009 document identifies the City's share of funding for this initiative if approved:

- 2008 - \$1 million from the 2008 anticipated municipal surplus
- 2009 - \$500,000 from each of the Tax Rate Stabilization Reserve and Capital Financing Reserve Fund - General

19) Simon Lake Resonators

As previously reported, an unbudgeted expenditure of \$320,000 in 2008 was approved for the purchase of two resonators to assist in the cleaning of Simon Lake.

An additional \$350,000 may be required to fund these resonators in 2009 and a funding source has been identified in the draft 2009 operating budget document. This will only be expended if considered appropriate and a staff report would be provided.

SUMMARY

This forecast reports only on the major variances identified in the budget. There are additional minor variances, both positive and negative that will not materially affect the corporate projection.

When all variances are compiled the municipal year end is anticipated to be close to budget, currently reflecting a \$360,000 surplus.

COST CENTRE REPORT

Period Ending September 30, 2008

(\$000)

SUMMARY			
	Annual Budget	Year End Projection	Net Under Expenditure/ (Over Expenditure)
GENERAL REVENUES	230,587	234,084	3,497
EXECUTIVE, ADMIN, HR & FINANCE	11,375	11,266	109
GROWTH & DEVELOPMENT SERVICES	17,852	18,439	(587)
COMMUNITY DEVELOPMENT SERVICES	54,270	53,603	667
INFRASTRUCTURE	73,274	74,598	(1,324)
EMERGENCY SERVICES	9,441	9,525	(84)
FIRE SERVICES	18,220	18,818	(598)
OUTSIDE BOARDS	46,155	46,155	-
EXPENDITURES	230,587	232,404	(1,817)
(18) 2008 Grant to St. Joseph's Villa (conditional)		(1,000)	(1,000)
(19) Resonator (unbudgeted expenditure)		(320)	(320)
NET BUDGET	-	360	360

COST CENTRE REPORT

Period Ending September 30, 2008

(\$000)

GENERAL REVENUES			
	Annual Budget	Year-end Projection	Net Under Expenditure/ (Over Expenditure)
(1) TAXATION LEVY	184,373	185,993	1,620
(2) GRANTS & SUBSIDIES	34,072	35,226	1,154
(3) OTHER REVENUES	12,162	12,885	723
UNITED WAY	(20)	(20)	-
GENERAL REVENUES	230,587	234,084	3,497

COST CENTRE REPORT

Period Ending September 30, 2008

(\$000)

EXECUTIVE & ADMIN, HR & FINANCE			
	Annual Budget	Year-end Projection	Net Under Expenditure/ (Over Expenditure)
EXECUTIVE AND LEGISLATIVE	1,661	1,664	(3)
OFFICE OF THE CAO	465	475	(10)
ADMINISTRATIVE SERVICES	2,413	2,297	116
HUMAN RESOURCES	7	7	-
FINANCE	6,829	6,823	6
EXECUTIVE & ADMIN, HR & FINANCE	11,375	11,266	109

COST CENTRE REPORT

Period Ending September 30, 2008

(\$000)

GROWTH & DEVELOPMENT SERVICES			
	Annual Budget	Year-end Projection	Net Under Expenditure/ (Over Expenditure)
GENERAL MANAGER'S OFFICE	1,147	1,149	(2)
ECONOMIC DEVELOPMENT	2,863	2,863	-
(4) PLANNING AND DEVELOPMENT SERVICES	4,233	3,932	301
(5) BUILDING, ENFORCEMENT, COMPLIANCE	387	394	(7)
(6) TRANSIT SERVICES & PARKING	7,074	7,746	(672)
(7) HANDI-TRANSIT	1,915	2,122	(207)
CROSSING GUARDS	233	233	-
GROWTH & DEVELOPMENT SERVICES	17,852	18,439	(587)

COST CENTRE REPORT

Period Ending September 30, 2008

(\$000)

COMMUNITY DEVELOPMENT SERVICES			
	Annual Budget	Year-end Projection	Net Under Expenditure/ (Over Expenditure)
GENERAL MANAGER'S OFFICE	5,669	5,672	(3)
OMPF - SOCIAL PROGRAMS GRANT	(22,078)	(20,923)	(1,155)
ADMINISTRATIVE & FINANCIAL SERVICES	379	379	-
(8) HOUSING SERVICES	17,465	17,465	-
(9) LONG TERM CARE & SENIOR SERVICES	1,896	1,817	79
(10) ONTARIO WORKS	23,290	21,855	1,435
PUBLIC LIBRARIES & CITIZENS SERVICES	8,089	8,090	(1)
(11) CHILDREN SERVICES	3,328	2,975	353
CEMETERY SERVICES	4	4	-
LEISURE & RECREATION SERVICES	16,228	16,269	(41)
COMMUNITY DEVELOPMENT SERVICES	54,270	53,603	667

COST CENTRE REPORT

Period Ending September 30, 2008

(\$000)

INFRASTRUCTURE			
	Annual Budget	Year-end Projection	Net Under Expenditure/ (Over Expenditure)
(12) ASSET MANAGEMENT	4,098	4,920	(822)
(13) WATER MAINTENANCE	2,763	2,763	-
(13) WASTE WATER MAINTENANCE	15	15	-
(14) ROADS MAINTENANCE	55,813	56,673	(860)
(15) ENVIRONMENTAL SERVICES	10,585	10,227	358
INFRASTRUCTURE	73,274	74,598	(1,324)

COST CENTRE REPORT

Period Ending September 30, 2008

(\$000)

EMERGENCY SERVICES			
	Annual Budget	Year-end Projection	Net Under Expenditure/ (Over Expenditure)
EMERGENCY MANAGEMENT	1,117	1,201	(84)
(16) EMERGENCY MEDICAL SERVICES	8,324	8,324	-
EMERGENCY SERVICES	9,441	9,525	(84)

COST CENTRE REPORT

Period Ending September 30, 2008

(\$000)

FIRE SERVICES			
	Annual Budget	Year-end Projection	Net Under Expenditure/ (Over Expenditure)
(17) FIRE SERVICES	18,220	18,818	(598)
EMERGENCY SERVICES	18,220	18,818	(598)

COST CENTRE REPORT

Period Ending September 30, 2008

(\$000)

OUTSIDE BOARDS			
	Annual Budget	Year-end Projection	Net Under Expenditure/ (Over Expenditure)
N.D.C.A.	536	536	-
PUBLIC HEALTH (HEALTH UNIT)	5,035	5,035	-
POLICE SERVICES	40,584	40,584	-
OUTSIDE BOARDS	46,155	46,155	-