

Request for Recommendation Finance Committee



Type of Decision

Meeting Date	December 5, 2005				Report Date	December 5, 2005			
Decision Requested		Yes	X	No	Priority	X	High		Low
	Direction Only				Type of Meeting	X	Open		Closed

Report Title

Municipal Levy Increase Related to Additional Health Unit Staff in 2002

Policy Implication & Budget Impact

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

Recommendation

FOR INFORMATION ONLY.

X

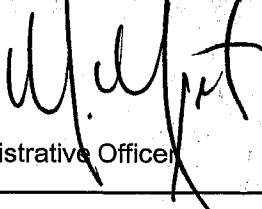
Background Attached

Recommendation Continued

Recommended by the Department

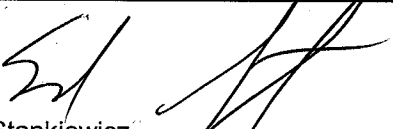

L. Hayes
Chief Financial Officer / Treasurer

Recommended by the C.A.O.


M. Mieto
Chief Administrative Officer

Date: December 5, 2005

Report Prepared By



E. Stankiewicz
Co-Ordinator of Capital Budget

Division Review

C. Mahaffy
Manager of Financial Planning and Policy

Background

At the Finance Committee meeting of November 30, 2005, Councillor Callaghan questioned the municipal increase related to the additional staff hired by the Sudbury and District Health Unit in 2002.

In 2002, when the increased Health Unit staff was originally proposed, City staff assumed that there would be no increase to the municipal levy, as it would be covered off by the Community Reinvestment Fund (CRF). However, when the City received the 2001 CRF reconciliation, staff realized that the CRF formula for public health retains the municipal share at 25% of the approved budget (in 2002 the public health budget increased significantly and so the municipal share net of CRF funding should have increased proportionately).

The approximate value of this increase to the taxation levy in 2003 was \$800,000, which related to the CRF calculations from 1998 to 2002. This breakdown can be seen on typed page 10 (Schedule C) of the attached report "*Local Services Realignment (LSR) and Community Reinvestment Fund (CRF)*", dated January 31, 2003. The majority of this increase was due to the 2002 Health Unit budget, which incorporated significant staff increases.

Summary

Although the impact of the additional staff approved in the 2002 Sudbury and District Health Unit budget to the City cannot be exactly quantified, it would account for the majority of the \$800,000 increase to the City's net budget as identified in the "*Local Services Realignment (LSR) and Community Reinvestment Fund (CRF)*" report, dated January 31, 2003.

Request for Recommendation Finance Committee



Type of Decision									
Meeting Date	February 4, 2003				Report Date	January 31, 2003			
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High		Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title

**Local Services Realignment (LSR) and
Community Reinvestment Fund (CRF)**

Policy Implication + Budget Impact

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

N/A

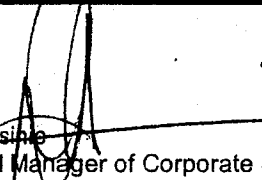
Background Attached

Recommendation


N/A

Recommendation Continued

Recommended by the General Manager


D. Wukoski
General Manager of Corporate Services

Recommended by the C.A.O.


M. Mieta
Chief Administrative Officer

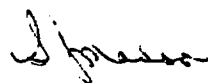
Date: January 31, 2003

Report Prepared By



C. Mahaffy
Manager of Financial Planning & Policy/Deputy Treasurer

Division Review



S. Jonasson
Director of Finance / City Treasurer

BACKGROUND

At the Budget meeting of January 28, 2003 Council requested a breakdown of the CRF grant, by program. Attached hereto are the following:

- Schedule A - LSR/CRF 1998 Provincial calculation
- Schedule B - LSR/CRF 2001 Provincial reconciliation
- Schedule C - 2003 CRF Budget calculation

1998 Provincial Calculation

In 1998 there were actually eight separate Provincial calculations, one for each of the municipalities then in existence. The attached schedule shows the consolidated grant calculation. The new CRF funding was a complete change from the Provincial grant system which had previously been in place. For example, the old Municipal Support Grants disappeared, while municipalities were allowed 'Residential Education Property Tax Room. The chart illustrates the 'revenue neutrality', but only after the municipalities found just over \$7 million in savings.

There were a number of errors in this original calculation by the Province insofar as the former Region was being credited / charged with services which were outside the boundaries or vice versa. As at the end of 2002, we believe these errors are now straightened out.

There have been many changes since the original LSR/CRF calculation:

- For example, the proportion of ambulance and health unit costs being funded by the Province and the municipalities was changed. The original intent was that municipalities would pay 100% of these costs. Those municipalities receiving CRF funding would be fully compensated. The Province subsequently changed the formula to 50% cost sharing and the CRF was adjusted accordingly.
- In addition, a number of programs were 'frozen' in that there was no further adjustment to the CRF funding regardless of any changes in the cost of delivering the service (e.g. Assessment Services, transit operating, gross receipts taxes and septic systems). Gradually, the ties are being cut to many of the other services as well. For example, it is our understanding that there will be no further adjustments for Social Housing.
- For 1999 and 2000 the Children's Aid Society (CAS) was not part of the reconciliation. Then in 2002 the Province announced that it would be included in the 2001 reconciliation, and the City budgeted appropriately. However, when the reconciliation was received in November, 2002, the Province had reversed its decision.

Date: January 31, 2003

2001 Provincial Reconciliation

As part of the CRF funding requirements for 2003, Council had to pass a resolution agreeing to the CRF funding for 2003, and committing to filing the 2002 Financial Information Return by the 2003 deadline as well as filing the Tax Rate By-law by September 30, 2003. A copy of this reconciliation was included in the report which went to Council for the January 23rd meeting.

As can be seen on this report, the CRF numbers have been adjusted both upwards and downwards since the initial 1998 calculations. Some of the original programs, no longer subject to reconciliation, are transit operating, septic systems, gross receipts taxes, and property assessment. As well, Children's Aid Societies costs are no longer part of the annual calculation.

A specific question asked at the January 28th meeting was how much of Social Housing is on the levy. The proposed net Social Housing Budget is \$17,236,384 while the related CRF funding is estimated at \$15.85 million. This leaves about \$1.4 million on the levy, of which \$900,000 relates to 2003 increases. Social Housing will no longer be a reconcilable service; thus any future increases will impact 100% on the levy.

It should be pointed out that the \$52.91 million that the Province indicates as the 2003 allocation on Schedule B is based strictly on the 2002 Provincial estimate and is for cash flow purposes only. The actual 2003 reconciliation will not be known until late in 2004 (2001 reconciliation received at the end of November, 2002).

2003 CRF Calculations

This page is also found as Page 10 under the Revenues section of the Current Budget binder. It is our estimate of what this year's CRF funding will be, based on projected expenditures, and adjusted upwards or downwards for those programs which are still reconcilable. The CRF estimated to be received for 2003 is \$54.7 million.

**LOCAL SERVICES REALIGNMENT (LSR)
COMMUNITY REINVESTMENT FUND (CRF)
1998 ALLOCATION**

	Total
Social Assistance	18,938
Child Care	1,130
Public Health	4,705
Ambulances	4,352
Social Housing	15,256
Children's Aid Societies	(1,319)
GO Transit	-
Property Assessment	1,621
Transit - Operating and Capital	3,717
Ferries	-
Airports	-
Septic Inspections	149
Policing	-
Provincial Offences Net Revenue	(2,102)
Managed Forests / Conservation Lands Rebate	36
Farm Tax Rebate	31
Gross Receipts Taxes	2,433
INCREASED EXPENDITURES	48,947
Loss of Municipal Support Grant	36,900
TOTAL IMPACT	85,847
COMMUNITY REINVESTMENT FUND	(47,335)
SPEIAL TRANSITION ASSISTANCE	(6,254)
RESIDENTIAL EDUCATION PROPERTY TAX ROOM	(25,228)
Savings to be Achieved in 1998	(7,030)
Revenue Neutrality	-

SCHEDULE B

**Local Services Realignment (LSR)
Community Reinvestment Fund (CRF) - 2001 Year-End Reconciliation
2001 & 2002 Adjustments and 2003 CRF Allocation**

(\$ Thousands)

City of Greater Sudbury

LSR Programs	Year-End 2001	Updated 2002
Subject to year-end reconciliation:		
Social Assistance	15,492	15,492
Child Care	1,186	1,186
Public Health	2,495	2,495
Land Ambulance Services	4,780	4,780
Social Housing	15,108	15,850
Policing Costs Above \$90/hh	0	0
Managed Forests/Conservation Lands Rebate	83	83
Farm Tax Rebate	34	34
A. Total of Programs Reconciled	39,178	39,920
Add:		
B. Program costs no year-end reconciliation	6,551	5,151
C. Municipal Support Grant	36,900	36,900
D. Share of Upper-Tier Net Costs	0	0
E. Provincial Offences Act Net Revenues	(1,209)	(1,209)
Less:		
F. Savings Target	7,003	7,003
G. Net LSR Costs	74,417	73,759
H. Residential Education Tax Room	25,284	25,284
I. CRF BASE ALLOCATION (G - H; 0 if negative)	49,133	48,475
J. Transit Bonus	n/a	1,400
K. CRF Bonus	846	846
L. Supplementary Assistance	2,189	2,189
M. TOTAL CRF ALLOCATION	52,168	52,910
N. CRF Payments	51,102	51,019
O. CRF Adjustments (M - N)	a 1,066	b 1,891
P. Total CRF Adjustments (a + b)	2,957	
Q. 2003 CRF ALLOCATION (Equal to Updated 2002 Total CRF Allocation)	52,910	
R. 2003 CRF Stabilization Bonus	0	
S. TOTAL 2003 CRF ALLOCATION (Q + R)	52,910	

Total 2003 CRF Allocation of \$52,910,000 will be paid in 4 equal installments of \$13,227,500. CRF adjustments of \$2,957,000 (line P) will be flowed prior to December 31, 2002.

Grants & Subsidies

SCHEDULE C

A.A.15.00.00.00 115

Community Reinvestment Fund (CRF)

The 2003 CRF has been calculated based on the provincial reconciliation of 2001 LSR costs and CRF adjustments which was received November 30, 2002.

		2002 Budget	2003 Budget
Base Funding		\$49,156,000	\$50,250,000
Supplemental Assistance		2,189,000	2,189,000
CRF Bonus		846,000	846,000
Transit Bonus		1,400,000	1,400,000
Total Funding		\$53,591,000	\$54,685,000

The change in the CRF base funding is calculated as follows:

2002 Budget		\$49,156,000
LSR Cost Adjustments		
Social Services and Children's Services	(158,000)	
Ambulance Services (1)	158,000	
Public Health (2)	(799,000)	
Social Housing (3)	394,000	
Children's Aid (4)	1,428,000	
Managed Forests and Farmland	71,000	<u>1,094,000</u>
		<u>\$50,250,000</u>

1) As in 2002, the CRF estimate for ambulance excludes \$684,000 in ineligible salary costs that exceed the provincial 2 percent cap. The estimate also includes an inflation component which has not yet been approved by the province. This LSR cost continues to be reconciled.

2) An assessment of the most recent provincial reconciliation indicates that our CRF adjustment for public health was calculated incorrectly in 2002 based on the assumption that the entire net budget increase would be covered by increased CRF funding. We have since learned that the CRF formula for public health retains the municipal share at 25% of the approved budget (in 2002 the public health budget increased significantly and so the municipal share net of CRF funding should have increased proportionately). The 2003 CRF has been corrected to reflect this adjustment. This LSR cost continues to be reconciled.

3) The CRF budget allocation for social housing has increased by \$394,000. This is no longer a reconcilable LSR cost.

4) The Province changed its position on Children's Aid. It will no longer be included in the reconciliation and as a result we do not have to pick up the increased costs of this service, thus increasing the CRF by \$1.4 million.

**LOCAL SERVICES REALIGNMENT (LSR)
COMMUNITY REINVESTMENT FUND (CRF)
1998 ALLOCATION**

BACK-up

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