

FINANCE COMMITTEE AGENDA

to be held on
Wednesday, June 23, 2004
at
5:15 p.m.

Councillor
Ted Callaghan
Chair



Councillor
Eldon Gainer
Vice-Chair



REGULAR

Agenda

FOR THE FINANCE COMMITTEE
TO BE HELD ON
WEDNESDAY, JUNE 23, 2004
COUNCIL CHAMBER
TOM DAVIES SQUARE

5:15 P.M.

Agenda
ordre du jour



(14TH)

**FOURTEENTH MEETING OF THE FINANCE COMMITTEE
TO BE HELD ON WEDNESDAY, JUNE 23, 2004 AT 5:15 P.M.
IN COUNCIL CHAMBER, TOM DAVIES SQUARE**

(PLEASE ENSURE CELL PHONES AND PAGERS ARE TURNED OFF)

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COUNCILLOR GAINER, CHAIR

1. Declarations of Pecuniary Interest

PRESENTATIONS/DELEGATIONS

PAGE NO.

2. Report dated 2004-06-18 from the General Manager of Corporate Services regarding the 2003 Annual Financial Reports. **1 - 2**
(ELECTRONIC PRESENTATION)

(Representatives from the City Auditors, KPMG, Collins Barrow-Maheu Noiseux, and Freelandt Caldwell Reilly will be making a presentation to the Finance Committee.)

RECOMMENDATION: THAT the Consolidated Financial Statements for the City of Greater Sudbury and the City of Greater Sudbury Trust Funds, for the year ended December 31, 2003 be accepted and approved as presented.

3. Report dated 2004-06-18, with attachments, from the General Manager of Corporate Services regarding Infrastructure Renewal Loan Program - Ontario Strategic Infrastructure Financing Authority (OSIFA). **3 - 6**
(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)

- ▶ Susan T. McGovern, Vice President, Community Relations and Communications

(An information presentation regarding the OSIFA program.)

4. Report dated 2004-06-18, with attachments, from the General Manager of Corporate Services regarding Preliminary Financial Forecasts 2005-2007 and Draft 2005 Budget Process. **7 - 18**
(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)

- ▶ D. Wuksinic, General Manager, Corporate Services
- ▶ S. Jonasson, Director of Finance/City Treasurer
- ▶ J. Van de Rydt, Co-ordinator of Capital Budget and Risk Management

(The purpose of this report is to outline to Council:

- a) Preliminary financial forecasts for 2005, 2006 and 2007;
- b) A new multi-year budgeting process that will be initiated in the Fall of 2004 for the 2005 Budget, along with a draft Budget Schedule; and
- c) An update on the City's Performance Measurement Initiative.)

ROUTINE MANAGEMENT REPORTS

{NONE}

CORRESPONDENCE - INFORMATION ONLY

{NONE}

MANAGERS' REPORTS

{NONE}

6:45 P.M. ADJOURNMENT

(RESOLUTION PREPARED)

2004-06-18

**COUNCILLOR GAINER
CHAIR, 2004 FINANCE COMMITTEE**

**CORRIE-JO CAPORALE
COUNCIL SECRETARY**

Request for Recommendation Finance Committee



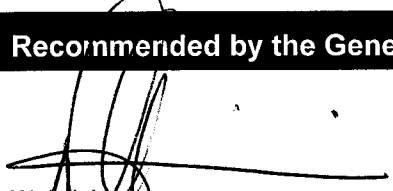
Type of Decision										
Meeting Date	June 23, 2004				Report Date	June 18, 2004				
Decision Requested	<input checked="" type="checkbox"/>	Yes		No	Priority	<input checked="" type="checkbox"/>	High		Low	
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed	

Report Title
2003 Annual Financial Reports

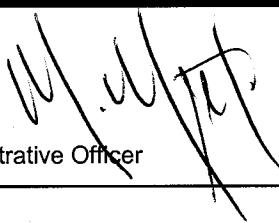
Policy Implication + Budget Impact	
<input type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
NOT APPLICABLE	
<input checked="" type="checkbox"/>	Background Attached

Recommendation	
That the Consolidated Financial Statements for the City of Greater Sudbury and the City of Greater Sudbury Trust Funds, for the year ended December 31, 2003 be accepted and approved as presented.	
<input type="checkbox"/>	Recommendation Continued

Recommended by the General Manager


 D. Wukstnic
 General Manager of Corporate Services

Recommended by the C.A.O.


 M. Mieto
 Chief Administrative Officer

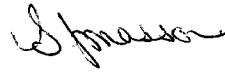
Date: June 18, 2004

Report Prepared By



M. L. Gauvreau
Manager of Current Accounting Operations

Division Review



S. Jonasson
Director of Finance / City Treasurer

BACKGROUND

Staff has prepared a package delivered under separate cover which includes the following financial year-end reports for the year ended December 31, 2003:

- Consolidated Financial Statements of the City of Sudbury
- Ministry Consolidated Financial Information Return for the City of Greater Sudbury
- Financial Statements of the City of Greater Sudbury Trust Funds
- Financial Statements of the Sudbury Airport Community Development Corporation
- Financial Statements of Greater Sudbury Utilities Inc.
- Financial Statements of the Sudbury Metro Centre
- Financial Statements of the Sudbury and District Health Unit
- Financial Statements of the Greater Sudbury Housing Corporation
- Financial Statements of the Nickel District Conservation Authority

Representatives from the City Auditors, KPMG, Collins Barrow-Maheu Noiseux, and Freelandt Caldwell Reilly will be making a presentation to the Finance Committee at the June 23rd meeting.

Request for Recommendation Finance Committee

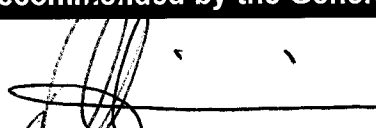


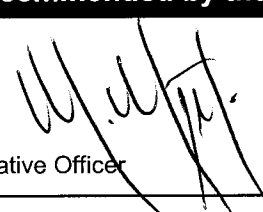
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	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed	

Report Title
Infrastructure Renewal Loan Program - Ontario Strategic Infrastructure Financing Authority (OSIFA)

Policy Implication + Budget Impact	
<input type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
<p>NOT APPLICABLE</p>	
<input checked="" type="checkbox"/>	Background Attached

Recommendation	
<p>FOR INFORMATION ONLY</p>	
<input type="checkbox"/>	Recommendation Continued

Recommended by the General Manager
 D. Wuksinic General Manager of Corporate Services

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

Date: June 18, 2004

Report Prepared By



S. Jonasson
Director of Finance / City Treasurer

Division Review

BACKGROUND

On June 4th, 2004, staff attended a meeting of the Ontario Regional and Single Tier Treasurers/Chief Financial Officers. Two representatives of OSIFA (Bill Ralph, Chief Executive Officer and Susan McGovern, Vice President - Community Relations and Communications) made a presentation to our group. We found the presentation to be very informative and have arranged for Susan McGovern to make a similar presentation at the Finance Committee meeting of June 23rd, 2004. This is an excellent opportunity for Council to get first hand information about the OSIFA program.

At the June 4th meeting, the OSIFA officials indicated that there would be a call for applications for the 2004 - 2005 loan program shortly and that there will again be caps on the amounts of loans approved. If municipalities respond as favourably to the OSIFA program as they did to OMEIFA, applications for the 2004 - 2005 loan program may no longer be accepted in the fall when Council deals with the 2005 capital program.

The call for applications was made public on June 11th, 2004. A copy is attached for Council's information.

From: "OSIFA Loans" <loans@osifa.on.ca>
To: <dhunter@townofessex.on.ca>, <municipa@nt.net>, <clerk.faraday@bellnet.ca>, <bobc@vianet.ca>, <mneubauer@town.forterie.on.ca>, <pdupuis@fort-frances.com>, <tres@isys.ca>, <sreed@frontofyonge.com>, <mvanbruiessen@frontenacounty.ca>, <cdwyre@kos.net>, <cjames@galwaycavendishharvey.ca>, <mmcdonald@townofgananoque.ca>, <quinner@nt.net>, <info@township.georgianbay.on.ca>, <ethompson@georgianbluffs.on.ca>, <sarmstrong@town.georgina.on.ca>, <gillies@tbaytel.net>, <jkay@town.goderich.on.ca>, <twpgord@onlink.net>, <tgorebay@gorebaycable.com>, <kwatson@gravenhurst.ca>, <greatermadawaska@on.aibn.com>, <wbigelow@town.greaternapanee.on.ca>, <sandra.jonasson@city.greatersudbury.on.ca>, <megacity@astrocom-on.com>, <gwood@greycounty.on.ca>, <selby@greyhighlands.ca>, <mcoull@town.grimsby.on.ca>, <finance@city.guelph.on.ca>, <lcheyne@get.on.ca>, <jford@hamdlimandcounty.on.ca>, <ljanke@county.haliburton.on.ca>, <maccaskill@region.halton.on.ca>, <edd@town.halton-hills.on.ca>, <jrinaldo@hamilton.ca>, <bmcintosh@hamiltontownship.ca>, <dmather@hanover.ca>, <harlytwp@ntl.sympatico.ca>, <harris@ntl.sympatico.ca>, <horwoods@hastingscounty.com>
Date: 6/11/2004 2:54:06 PM
Subject: CALL FOR APPLICATIONS - OSIFA 2004-05 Municipal Infrastructure Renewal Program

June 11, 2004

Clerks and Treasurers

Municipalities of Ontario

Dear Clerks and Treasurers,

It is my pleasure to inform you that the Ontario Strategic Infrastructure Financing Authority (OSIFA) is now ready to accept applications for the 2004-05 Municipal Infrastructure Renewal Loan Program.

As a first step, OSIFA's 2004-05 loan program will be focused on Ontario's municipalities, aiming to offer affordable infrastructure financing for five key municipal priorities: clean water infrastructure, sewage treatment facilities, waste management infrastructure, municipal roads and bridges, and public transit.

We have developed a convenient user-friendly online application form accessible at our Web site www.osifa.on.ca. Over the past few months, we have worked closely with our municipal clients and as a result of their feedback we have streamlined this year's application process.

Our Community Loan Management Division is prepared to answer questions, or if necessary, walk you through the application process. You may reach us at OSIFA's toll free Loan Hotline (1-800-230-0937) or in Toronto at (416) 325-8176. Please also feel free to correspond via email at loans@osifa.on.ca .

I would encourage you to apply to OSIFA's 2004-05 Municipal Infrastructure Renewal Loan Program as soon as possible. We are looking forward to assisting Ontario's municipalities in renewing and building critical public infrastructure which improves the quality of public services and helps build strong and prosperous communities.

Sincerely,

Susan McGovern

Vice President

Community Relations and Communications

Ontario Strategic Infrastructure Financing Authority

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Request for Recommendation Finance Committee




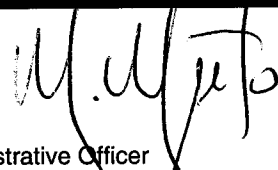
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	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed

Report Title
Preliminary Financial Forecasts 2005 - 2007, and Draft 2005 Budget Process

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

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

Recommended by the General Manager
 Doug Wukosinic General Manager of Corporate Services

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

Date: June 18, 2004

Report Prepared By

Doug Wuksinic
General Manager of Corporate Services

Division Review

Background:

The purpose of this Report is to outline to Council:

- a) Preliminary financial forecasts for 2005, 2006 and 2007;
- b) A new multi-year budgeting process that will be initiated in the Fall of 2004 for the 2005 Budget, along with a draft Budget Schedule; and
- c) An update on the City's Performance Measurement Initiative.

A requirement of the first principle of the Long-Term Financial Plan; i.e. to *"ensure long-term financial sustainability,"* is the determination on a multi-year basis of the financial requirements of the City's Operating and Capital Needs, and the identification of funding gaps between revenues and expenditures.

City Council took a bold step in 2002 and looked at the City of Greater Sudbury's fiscal needs over the longer term. As such, Council created and approved a Long-Term Financial Plan.

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

Along with the Long-Term Financial Plan, the City recognized the need to adopt a new budgeting process with a new approach to financial management; one that shifts the emphasis from the bottom line financial accounts to service delivery within a longer term financial planning horizon. With this agreement, Council also recognized the need for longer term financial planning, and adopted the principles and policies necessary to achieve sustainability.

The Long-Term Financial Plan set out the principles and policies that will guide City Council and the City's administration in managing the financial affairs of the City. The nine principles, broadly stated, are:

- 1) Ensure long-term financial sustainability;
- 2) Deliver services in a cost-effective and efficient manner;
- 3) Ensure operating revenues are sustainable and consider community-wide and individual benefits (taxes versus user charges);
- 4) Meet social equity objectives through specific programs;
- 5) Manage the City's Capital Assets to maximize long-term community benefit;

Date: June 18, 2004

- 6) Recognize that funding from Senior Governments is a crucial element of financial sustainability;
- 7) Use Debt Financing where appropriate;
- 8) Maintain Reserves and Reserve Funds at appropriate levels; and
- 9) Identify and quantify long-term liabilities.

Council has consistently moved along in applying these principles, and the 2004 Budget Process was no exception. During the 2004 Budget, several actions taken by Council further established these principles fundamental to the budget exercise. For example and to mention a few, the following actions were taken:

Principle #1 - *"Ensure long-term financial sustainability"*

Council has directed staff to move to a multi-year budgeting process and to move the process up earlier in the year. To this end, which will be dealt with later in this Report, the Draft Budget Cycle for 2005 is targeted to begin in November 2004, with a presentation of the 2005 Budget Document, which this year will include projections for both 2005 and 2006.

Principle #2 - *"Deliver services in a cost-effective and efficient manner"*

The City continues to be an active player in the Ontario Municipal CAO's Benchmarking Initiative (OMBI), a voluntary group of municipalities working together to push for service excellence in municipal government. The City also voluntarily participates in the annual BMA Study to compare data from participating municipalities. And a joint Union and Management Continuous Improvement Program (CIP) was established to provide employees with an opportunity and a forum to suggest cost saving ideas. Also in support of this principle, Council established a number of Solution Teams, and later this week will review the issue of a Council Auditor.

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

Following the 2004 Budget Process, and in response to public input, Council approved a number of user fee reductions/service enhancements in the solid waste area. These changes include the following: effective July 1, 2004, there will be a tipping fee exemption for the first 100 kilograms of residential waste brought to the landfill sites. In addition, graduated tipping fees for concrete, brick and block waste and an increase in tipping fee refunds for certain charitable organizations have been approved. These changes will be financed through Waste Diversion Ontario (WDO) funding. Once the annual amount of WDO funding is known, as many of these programs as possible will be implemented.

Principle #4 - *"Meet social equity objectives through specific programs"*

Council increased the Rebate to low income seniors by 50 percent, moving it from \$100 to \$150.

Principle #5 - *"Manage the City's Capital Assets to maximize long-term community benefit"*

Council has agreed in principle to doubling the Roads Budget by 2007.

Date: June 18, 2004

Although this is only a partial listing, these decisions of Council, as previously stated, have enshrined the principles of the Long-Term Financial Plan in the budgeting process.

Three-Year Financial Projection

A key component of the Long-Term Financial Plan is the development and ongoing maintenance of a multi-year projection of the City's financial requirements. This multi-year projection is the underpinning to long-term financial planning, and is important since it provides context for the Annual Budget Review Process, and is essential to meeting the goal of multi-year budgeting. This Three-Year Preliminary Projection (attached) is based on the forecasted needs for each of the Programs as identified by the Program Managers.

The information contained in this Report is based on what we know as of today, and will be refined before the Budget Document and the final financial projections are made to Council in November 2004.

The following financial forecasts are based on delivering *"the same level of service that is currently in place for the City of Greater Sudbury"*, and the following assumptions:

- 1) General Inflation Factors applied to costs, unless otherwise noted, has been 2 percent for 2005, 2006, and 2007;*
- 2) General Inflation Factors applied to energy costs are 5 percent for 2005, 2006 and 2007;
- 3) General Wage Increases and escalation of WI, LTD and Life Insurance Benefits have been introduced based on both known; i.e. Police, as well as projected increases, for those with outstanding Contracts; i.e. at inflation;
- 4) Escalation of Medical and Dental Benefits have been increased by 13 percent, 10 percent and 10 percent for the three years respectively to reflect industry projections and local utilization;
- 5) The Community Reinvestment Grant from the Province has been reconciled as historically experienced;
- 6) User Fees for those services partially funded through User Fees; eg. transit services, have been increased by General Inflation Rates;
- 7) Water/Wastewater, Cemetery and Parking Programs have been assumed to be self-supporting;
- 8) A Hydro Interest Payment of \$3.7 million has been included in each year;
- 9) A 0.5 percent increase in Assessment Growth has been included in each of the three years.

* April/04 Core CPI (excluding volatile components) 1.8%; March/04 Canada-Ontario Series Construction Index 4.0%

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Major Variances

In addition to these assumptions, a number of major variances have been included in the 2005 Base Budget, the majority of which are the affects of decisions made during the 2004 Budget:

- 1) An estimated \$683,000 in additional costs have been included in the 2005 Base Budget for the annualized effect of actions taken in the 2004 Budget; i.e. staffing in Police and Fire;
- 2) \$145,000 increase related to HandiTransit Service;
- 3) \$505,000 of additional Revenues have been added to the 2005 Base Budget, based on the annualized effect of decisions made in the 2004 Budget;
- 4) An additional \$3.2 million has been added to the 2005 Base Budget, an additional \$3.3 million in 2006, and an additional \$3.6 million in 2007 as a Capital Levy;
- 5) \$100,000 of increased contributions to the Police' Sick Leave Provisions have been included in each year of the forecasted period.
- 6) Municipal Insurance costs have been increased by \$100,000 in each of the three years;
- 7) A \$1 million Contingency Allowance has been introduced for the 2006 and 2007 Budgets as part of the multi-year budgeting process to allow for unforeseen events and funding for new initiatives. This is not a spending allowance, rather an annual allocation before setting tax rates.

City of Greater Sudbury Three-Year Preliminary Financial Forecast

Based on all of the above, the projected Financial Forecast for the City, by major expense categories, is outlined in Appendix "A". In summary, total Expenditures are predicted to rise by 3.1 percent in 2005; 3 percent in 2006; and 2.9 percent in 2007. On the Revenue side, Revenues are expected to increase by 2.6 percent in 2005; 2.1 percent in 2006; and 2.1 percent in 2007. These projections, once again, highlight that costs, although in keeping with inflation, surpass anticipated Revenue increases. This difference would result in Tax Levy increases of 4.1, 4.8 and 4.6 percent, respectively.

In addition, once the Capital Levy and the 0.5 percent assessment growth have been factored in, the preliminary Tax Rate increases for 2005, 2006 and 2007 are expected to be 5.9, 6.4 and 6.2 percent, respectively.

Challenges and Opportunities

The issues that face the City of Greater Sudbury in 2005 and beyond are not new, and are not unique to the City of Greater Sudbury. Earlier this year, Ms. Pat Vanini - Executive Director of AMO, in her presentation to the NOMA Conference in Thunder Bay stated the following:

"We are in what appears to be a time of considerable opportunity - opportunity for promoting the municipal agenda of strong, autonomous and sustainable municipalities in every part of Ontario."

Date: June 18, 2004

- *The Federal Government has committed to a New Deal for municipalities;*
- *The Provincial Government has committed to fulfilling its election promise of building strong communities;*
- *Federal/Provincial relations in Ontario are good;*
- *And both the Federal and Provincial Governments are beginning to demonstrate that they are serious about working in partnership with municipalities.”*

Ms. Vanini, in her presentation to NOMA, also emphasized what the City of Greater Sudbury has been making public for many years; specifically:

“What we already know is that there is a serious systemic unsustainable financial imbalance:

- *It is a financial imbalance that makes the current situation of municipal services and funding responsibilities unsustainable;*
- *It is an imbalance that has compromised municipal government’s ability to invest in much needed infrastructure and infrastructure repairs and maintenance; and*
- *It is an imbalance that sees tax revenues going to the wrong order of government.*

To understand the problem, consider the following:

- *Ontario’s Municipal Property Tax burden is already over-burdened and therefore insufficient to bridge the revenue gap for infrastructure;*
- *Provincially mandated health and social service costs have grown over time and can only balloon in a recession;*
- *60 - 70 percent of the municipal costs are fixed by the Provincial and Federal Governments, fundamentally limiting municipal flexibility - at least without raising property taxes;*
- *Municipalities currently receive just 6 cents on every tax dollar collected in Canada;*
- *Municipalities shoulder the heaviest deficit of any order of government, and they lack the independent authority and tools needed to tackle their structural deficit problems.”*

Ms. Vanini went on to validate representations that this Council has already made to the public and the two senior levels of Government whereby she stated:

“... Simply put, however, even with good sources of revenue municipal governments don’t have control over large portions of their budgets. It is a fundamental problem that, if not rectified over time, will limit progress on municipal financial sustainability.”

Date: June 18, 2004

The projections presented in this Report for 2005, 2006 and 2007 substantiate the issues identified by AMO and Ms. Vanini at the NOMA Conference in Thunder Bay earlier this year; specifically, that:

- ▶ There are insufficient revenues to support the services that municipalities currently provide;
- ▶ That municipalities in general have the majority of their budgets controlled by either the Provincial or Federal levels of government; and lastly
- ▶ When municipal governments need to reduce budgets, they can only turn to that 30 percent of the budget that is directly under their control, and as a consequence, reduce capital and/or those services that directly affect economic development, quality of life, and to some degree, protection of life and property.

In addition to these challenges, there are three unique circumstances at the City of Greater Sudbury that could materially affect the 2005 Budget; specifically, they are:

- 1) The Community Reinvestment Fund (CRF) is a significant operating revenue for the City of Greater Sudbury. The Grant has been budgeted at \$58.2 million in 2004. There are two issues of concern with respect to this Grant: 1) the scheduled review of the CRF for 2005; and 2) the possibility that this grant will not be reconciled commencing with the 2003 year end, therefore not offsetting the increased costs of downloaded services.

In December 2003, the City received the 2002 CRF reconciliation which noted that *"a review of the CRF for 2005 will be part of an extensive and broad consultation process to determine how public services can be sustained and adequately funded in the long term"*. This same document said, *"municipalities are asked to recognize that the government cannot commit in advance to a Fall 2004 reconciliation"*.

This was followed by the Provincial Budget, which did not specifically address the CRF, but showed CRF expenditures of \$622 million in 2002 - 2003, \$652 million in 2003 - 2004, and \$656 million 2004 - 2005.

Because the Provincial Budget made no specific reference to CRF and cost estimates were basically flat lined, the Province was contacted to try to obtain some information about the program design for the 2005 CRF and when, or even if, the CRF would be reconciled for 2003 and 2004. To date, Provincial staff have provided no answers; the format of the CRF for 2005 is not known; it is not known if there will be a 2003 or 2004 reconciliation. Staff could not even advise when any of these questions might be answered.

If the CRF is not reconciled for 2003 and 2004, it means a potential funding shortfall of \$400,000 for 2003 and \$3.6 million for 2004 as the CRF for these two years would be frozen at \$54.6 million which is the 2002 amount. Council will recall that the major increase in the CRF for 2004 was primarily related to increased Ontario Disability Support Program (ODSP) costs. For 2005, the downloaded costs of ambulance services, social services (child care, sole support and ODSP) and health unit will increase. The recent Provincial Budget mandated a 3 % increase in shelter allowance and spoke to increased levels of service in public health. Under the previous reconciliation philosophy, these increased costs should result in an increase to the CRF estimated at \$700,000 in 2005, with further increases in 2006 and 2007 of \$500,000 each year.

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It is evident that there is a tremendous amount of uncertainty around the CRF - what the new Grant Formula will look like and whether the Grant will continue to be reconciled. It is impossible to predict what the value of this Grant will be in 2005, let alone for 2003 and 2004, or whether it will continue to be an offset to the increased costs of downloaded services. As an example, **if the Grant is frozen at the 2003 level, it is estimated that the City will not realize \$4.3 million in revenue and therefore the levy forecast for 2005 would have to be increased by 3.1 per cent.**

- 2) The Draft Master Fire Plan has not been factored into this forecast. In that Plan, annual Capital Needs were identified to be in the order of \$1.5 million; and increased operating requirements associated with various staffing options ranged from \$1.6 million to \$2.9 million;
- 3) The Capital Levy will begin to address the Capital Needs identified in the Long-Term Financial Plan, specifically roads, however, the demand for other Capital Needs such as fleet, equipment and building have not been addressed in this forecast. While other Capital Needs rank relatively equal, Fleet and Equipment will likely emerge as the most urgent Need requiring a funding solution to bridge an estimated \$4.4 million annual funding gap in the order of \$1.6 million for Public Works, \$1.5 million for Fire Services (as referenced in Note #2 above), \$750,000 for Transit Services and \$550,000 for Emergency Medical Services.

The opportunities and the promised additional financial aid by way of a portion of the Gas Tax (Provincial and Federal), as well as the challenges itemized above, have not been included in this Preliminary Financial Forecast.

2005 Draft Budget Process

Multi-year Budgeting

The City of Greater Sudbury is committed to the development of a multi-year budgeting process. The first step of this process will be in conjunction with the 2005 Budget. The budget document for 2005 will reflect expenditure and revenue estimates for both 2005 and 2006. This will result in the approval of the 2005 Budget and the 2006 Forecast. For each subsequent budget cycle, the budget document will reflect estimates for the current year and the following two years, thus presenting a three-year budget review and approval of the current year's Budget and a two-year forecast.

The format of the 2005 budget document will be similar to that of 2004. However, it will also include a 2006 forecast. Each executive summary page will include 2004 actual expenditures (estimated until the end of the year), the 2004 Budget, the 2005 Proposed Budget, the 2005 percentage increase over 2004, the 2006 forecast, and the 2006 percentage increase over the 2005 Proposed Budget. The cost centres in the 2005 document will be similar to that of 2004, updated for the CAO's restructuring exercise and the reallocation of GST to Roads Capital, that took place in 2004.

Date: June 18, 2004

Staff are currently working on a new budget system for 2006. The ability to have three years of estimates (2006 to 2008 in this instance) will be incorporated into the new system. The following reflects the 2005 Budget Schedule:

Current Budget Call 1 - Salary Items	mid June 2004
Capital Budget Call	mid June
Current Budget Call 2 - Non Salary Items	mid August
Council Strategic Priorities	September
Public Input Session	early October
Distribution of Capital Budget	early November
Distribution of Current Budget	mid November
Review and approval of Capital Budget	November
Review and Approval of Current Budget	November/December

As a result of the earlier timeline for review and completion of the 2005 Current Budget document, the process has already been initiated. The first budget call requesting departmental assistance in compiling payroll data will be sent out in mid-June. The second budget call dealing with non-salary items will be sent out in mid-August. Both of these earlier dates for budget call are required to meet the late November budget distribution date to Council. This will result in approval of the 2005 Budget and the 2006 Forecast by February of 2005. The Long-Term Financial Plan will not be updated this year, but will be presented in conjunction with the 2006 Budget Process to be reviewed in November and December of 2005.

For the 2006 budget cycle, the timeline has been moved up to allow for the approval of the 2006 Budget and the 2007 and 2008 forecasts by December 31, 2005. This type of multi-year budgeting has been implemented in the City of Lethbridge with great success. If a similar format is adopted here, it will mean less review time on the Base Budget, allowing Council to focus its attention on changes in levels of service instead.

The Council Strategic Priorities Session will be held in September, and any budget information or changes emanating from that Session will be incorporated into the budget document. The Public Input Session(s) are proposed for the Fall, however, no structure or dates have yet been determined.

In addition to the preparation of the 2005 Budget, work still continues on the 2004 Budget. There are two Variance Reports to be provided to Council. The first Report will be based on the May 31, 2004 month-end and will provide Council with information regarding potential year-end variances within the Corporation. This Report will be provided to Council in July. The second Variance Report will be produced with considerable involvement of the Departments. This Report will provide Council with a year-end projection for the Corporation based on the August 31, 2004 month-end report. Council will receive this Report in October.

Performance-Based

Over the past few years, the City of Greater Sudbury has been moving towards using performance measurement as a management tool to help evaluate the efficiency and effectiveness of its service delivery - to assess how the City is doing. We are still in the very early stages of a multi-year process that is continually evolving.

Date: June 18, 2004

The City continues to be an active member of the Ontario Municipal CAOs Benchmarking Initiative (OMBI), a partnership project to push for service excellence in municipal government. Participating municipalities are working together in a spirit of innovation and entrepreneurship to identify and develop appropriate service specific performance measures, capture performance data, and analyze and benchmark results, in order to identify best practices of service efficiency and quality in Ontario municipalities. The expectation is to provide a useful management tool that integrates financial and performance data to assist in decision-making within municipalities. This voluntary group has been working together over the past few years in the areas of EMS, long-term care, roads, solid waste and water/wastewater. Work in additional service areas is planned in upcoming years. In addition, OMBI serves in an advisory role to the Province on the Municipal Performance Measurement Program (MPMP).

In addition to the OMBI, the City collects and compares municipal data by participating in initiatives such as the BMA Municipal Study and the Federation of Canadian Municipalities Quality of Life Report. The collection of this type of data allows the City to continually assess where it "stands" in relationship to other municipalities and to look for opportunities to improve.

Ideally, there is a continuous management cycle of "plan, do, measure and improve". The planning is in the form of Council's "Mapping the Vision", the Long-Term Financial Plan, Corporate and Departmental Business Plans and the Budget. The City of Greater Sudbury does this planning cycle, but like many municipalities, it struggles to link and align this planning cycle together, as well as assess progress towards objectives through good performance measurement.

The OMBI Group has just set up a sub-committee to address this specific issue, as many municipalities are having a difficult time with incorporating good performance indicators into their planning and reporting cycle. A group of municipalities in Alberta is also working together to try to tackle the same issue. This problem is not isolated to small municipalities but also exists in medium and large-sized municipalities like Toronto, Edmonton, London, Hamilton and Waterloo.

As progress is made by these groups, the future of performance measurement and performance management in municipal government will be shaped and evolve over the next few years. The City of Greater Sudbury will participate and help in the development of this future through the OMBI Group.

In the meantime, the City of Greater Sudbury will continue to move forward in developing for all Departments, wherever possible and feasible, performance measurement data, systems to track the data, and processes to evaluate the results of the data. Training and information will be provided to management and staff so that performance measurement can be used as a management tool to evaluate the efficiency and effectiveness of City Service Delivery, and to make better decisions and allocations of resources. It will be incorporated into business plans, budgets and day-to-day management over a multi-year time period.

**CITY OF GREATER SUDBURY
THREE YEAR FINANCIAL FORECAST
(\$000'S)**

Appendix A

SUMMARY BY EXPENDITURE CATEGORY	Base Year	FORECAST PERIOD					
	2004	2005	% chg	2006	%chg	2007	% chg
Salaries & benefits	143,532	149,487	4.1%	155,223	3.8%	160,918	3.7%
Materials & operating expenses	28,301	28,867	2.0%	30,464	5.5%	32,093	5.3%
Equipment expenses	719	733	1.9%	748	2.0%	763	2.0%
Energy costs	6,646	6,978	5.0%	7,327	5.0%	7,693	5.0%
Purchased/Contract services	144,695	148,330	2.5%	151,193	1.9%	154,217	2.0%
Professional development & training	1,329	1,356	2.0%	1,383	2.0%	1,411	2.0%
Debenture/Insurance/Taxes	7,261	7,361	1.4%	7,461	1.4%	7,561	1.3%
Grants - Transfer payments	39,820	41,015	3.0%	41,836	2.0%	42,673	2.0%
Internal recoveries	-722	-634	-12.2%	-545	-14.0%	-454	-16.7%
Provision to reserves/capital	42,693	43,751	2.5%	44,830	2.5%	45,931	2.5%
TOTAL EXPENDITURES	414,274	427,244	3.1%	439,920	3.0%	452,806	2.9%
REVENUES							
Levies	8,382	8,675	3.5%	8,979	3.5%	9,293	3.5%
Provincial grants	175,965	179,717	2.1%	182,525	1.6%	185,392	1.6%
Federal grants	955	955	0.0%	955	0.0%	955	0.0%
User fees	67,033	69,980	4.4%	72,588	3.7%	75,275	3.7%
Licencing & lease revenues	3,768	3,768	0.0%	3,768	0.0%	3,768	0.0%
Investment earnings	8,510	8,510	0.0%	8,510	0.0%	8,510	0.0%
Contributions from reserves	3,531	3,531	0.0%	3,531	0.0%	3,531	0.0%
Other revenues	7,050	7,302	3.6%	7,375	1.0%	7,449	1.0%
TOTAL REVENUES	275,194	282,438	2.6%	288,231	2.1%	294,173	2.1%
TAX LEVY before new capital provisions	139,080	144,806	4.1%	151,689	4.8%	158,633	4.6%
Capital Levy (2.27% of prior year's levy)	0	3,157		6,516		10,107	
Capital Needs Debenture	0	0		0		0	
TOTAL TAX LEVY	139,080	147,963	6.4%	158,205	6.9%	168,740	6.7%

Projected assessment growth	0.5%	0.5%	0.5%
Tax Rate Impact	5.9%	6.4%	6.2%

ADDITIONAL NOTES

- 1 If the Province does not reconcile the 2004 CRF then there would be a revenue short-fall of \$3.6 million in 2004, the 2005 CRF revenues would be overstated by \$4.3 million and the 2006 and 2007 forecasted CRF revenues would be over-stated by the annual increments of \$531K and \$542K respectively.
- 2 The Draft Master Fire Plan has not been factored into this forecast. In that Plan, annual capital needs were identified to be in the order of \$1.5 million; and increased operating requirements associated with various staffing options ranged from \$1.6 million to \$2.9 million.
- 3 The Capital Levy will begin to address the capital needs identified in the Long-Term Financial Plan, specifically roads, however the demand for other capital needs such as fleet, equipment and building have not been addressed in this forecast. While other capital needs rank relatively equal, Fleet and Equipment will likely emerge as the most urgent need requiring a funding solution to bridge an estimated \$4.4 million annual funding gap in the order of \$1.6 million for Public Works, \$1.5 million for Fire Services (as referenced in note 2 above), \$750K for Transit Services and \$550K for Emergency Medical Services.

