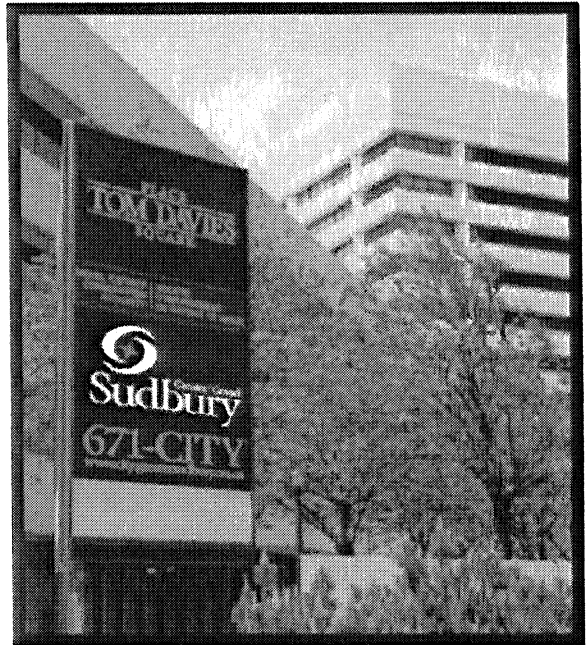


Agenda

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

Monday, November 30, 2009

at 4:30 p.m

Council Chamber
Tom Davies Square

Pour la réunion du
Comité des finances
qui aura lieu

lundi le 30 novembre 2009

à 16 h 30

dans la Salle du Conseil
Place Tom Davies

Finance Committee AGENDA

**FORTY-THIRD MEETING OF THE FINANCE COMMITTEE
TO BE HELD ON MONDAY, NOVEMBER 30, 2009 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 accessible to persons with disabilities. 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.

DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

PRESENTATION

PAGE NO.

1. Status Up-date – 2010 Budget
(ELECTRONIC PRESENTATION)

 ➤ Lorella Hayes, Chief Financial Officer/Treasurer

MANAGERS' REPORTS

2. Report dated November 26, 2009 from the Chief Financial Officer/Treasurer regarding Further One Per Cent (1%) Tax Levy Reduction. **1 - 5**
(FOR DIRECTION)
3. Report dated November 26, 2009 from the Director of Human Resources & Organizational Development regarding Professional Development Budget Review. **6 - 15**
(RECOMMENDATION PREPARED)
4. Report dated November 26, 2009 from the Chief Financial Officer/Treasurer regarding 2010 Operational Budget Status Update – Voting. **16 - 24**
(ELECTRONIC PRESENTATION) (FOR DIRECTION)
5. Report dated November 10, 2009 from the General Manager of Growth & Development regarding Walden Landfill Site. **25 - 26**
(RECOMMENDATION PREPARED)

CORRESPONDENCE FOR INFORMATION ONLY

6. Report dated November November 18, 2009 from the Chief Financial Officer/Treasurer regarding 2009 Operating Budget Variance Report - September. **27 - 34**
(FOR INFORMATION ONLY)

(This report provides Council with a year end projection based on the expenditures and revenues for the period ending September 30, 2009.)
7. Report dated November xx, 2009 from the Chief Financial Officer/Treasurer regarding Reserves and Reserve Funds Balances. **35 - 42**
(FOR INFORMATION ONLY)
8. Report dated November 26, 2009 from the General Manager of Infrastructure Services regarding Water/Wastewater Capital Contingency Allocations. **43 - 46**
(FOR INFORMATION ONLY)
9. Report dated November 26, 2009 from the General Manager of Infrastructure Services regarding Water/Wastewater Communication Updates. **47 - 50**
(FOR INFORMATION ONLY)

REVIEW OF WATER/WASTEWATER REDUCTION OPTIONS

10. Report dated November 24, 2009 from the Chief Financial Officer/Treasurer and the General Manager of Infrastructure Services regarding 2010 Water/Wastewater Reduction Options.
(RESOLUTION PREPARED)

51 - 55

2010 PARKING LOT REVIEW

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

ADJOURNMENT (RESOLUTION PREPARED)

**COUNCILLOR TED CALLAGHAN
CHAIR, FINANCE COMMITTEE**

**FRANCA BORTOLUSSI
COUNCIL SECRETARY**

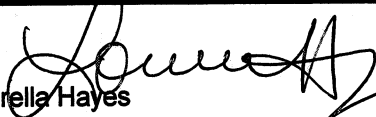
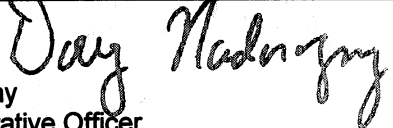
Request for Recommendation Finance Committee



Type of Decision									
Meeting Date	November 30, 2009			Report Date	November 26, 2009				
Decision Requested		Yes	X	No	Priority	X	High		Low
	Direction Only			Type of Meeting	X	Open		Closed	

Report Title
Further 1% Tax Levy Reduction

Budget Impact/Policy Implication	Recommendation				
<table border="1"> <tr> <td style="text-align: center;">X</td> <td>This report has been reviewed by the Finance Division and the funding source has been identified.</td> </tr> <tr> <td colspan="2" style="height: 300px;"></td> </tr> </table>	X	This report has been reviewed by the Finance Division and the funding source has been identified.			<p>For Direction.</p>
X	This report has been reviewed by the Finance Division and the funding source has been identified.				
<table border="1"> <tr> <td style="text-align: center;">X</td> <td>Background Attached</td> </tr> </table>	X	Background Attached	<table border="1"> <tr> <td></td> <td>Recommendation Continued</td> </tr> </table>		Recommendation Continued
X	Background Attached				
	Recommendation Continued				

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

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

At the Finance Committee of November 23rd, staff was directed to develop further options to reduce the tax levy increase by an additional 1%, to 2%, before enhancements. Also, Council directed that staff develop options that did not impact service levels. Council recommended that staff look at reductions to capital, in particular deferral of fleet and splash pads for 2010.

The following is a summary of the permanent tax levy reductions that Council may wish to consider, as they do not impact service levels:

	1% = \$1.865 M
Permanent Reduction to Capital	\$1,400,000
- Contribution for Fleet Replacements : \$700,000	
- Leisure Services Capital Envelope: Splash Parks \$600,000	
- Contribution to Reserve for Unfunded Communications System: \$100,000 (reduction from \$390,150 to \$290,150 from Public Safety Envelope)	
 Eliminate Contribution to Environmental Services/Other Initiatives Reserve Fund: Proceeds of Landfill Gas Sales to GSUI	 \$240,000
 Reduction of Contribution to Parking Reserve for Capital Expenditures (from \$178,000 to \$78,000)	 \$100,000
 Further Reduction in Professional Development Expenditures (in addition to the \$120,000)	 \$125,000
 Total Reduction to Tax Levy	 \$1,865,000

Capital Reductions

The 2010 Base Capital Budget, presented to Council in November, totaled \$91.1 million. In addition, the Infrastructure Stimulus Program is an additional \$48.6 million, funded equally by the City, Federal and Provincial governments. If Council approves the reduction strategy as outlined above, the base capital budget would be permanently reduced by \$2,717,500. This would revise the 2010 Base Capital Budget to \$88.4 million.

If Council approved the capital reductions, the following capital programs would be reduced for 2010 only:

	Roll Back Inflation Increase	Other Reductions	Total
Roads	\$931,000		\$931,000
Assets(IES Facilities and Fleet)	154,000	\$700,000	854,000
Environmental Services	43,000		43,000
Community Development	112,000	600,000	712,000
Fire	24,000		24,000
Public Safety	15,500	100,000	115,500
Police	20,000		20,000
Administrative Services	18,000		18,000
	\$1,317,500	\$1,400,000	\$2,717,500

For the 2011 Budget deliberations, staff will review allocations of capital envelopes between departmental areas. Staff will utilize the inventory and valuation of the City's tangible capital assets, Council priorities, and unfunded capital needs to recommend revised capital envelopes for the 2011 budgets.

The following is a brief description of the tax levy reduction strategies:

Comments from Fleet Division

The total proposed Fleet Capital Budget is \$2,943,500, approximately half of which is for the replacement of heavy equipment required to deliver programs mainly for Infrastructure Services' work plan requirements. Therefore any reduction in capital budget/allocation would be applied to the small vehicle fleet component of the budget. Approximately twenty vehicles would not be replaced to reduce the fleet capital budget by \$700,000.

The implications of deferring the replacement of these vehicles include added maintenance cost, downtime and decreased reliability. This revised replacement program would also reduce the number of units in the pool of retired vehicles by twenty, potentially increasing the need for leased vehicles during peak months. Staff will endeavor to minimize the negative potential impact associated with a capital budget reduction.

Leisure Services Division

Council has requested that the Splash Pad projects be cancelled, and that the funds be used as a reduction to capital.

Public Safety Communications Infrastructure

In 2008, Council approved an annual contribution to reserve of \$375,000, as a partial contribution to fund the estimated \$9 million replacement of the Communications Infrastructure required in 2012. As of December 31, 2009, this reserve fund has a balance of \$771,954, leaving an unfunded balance of \$8.63 million. The base budget includes a contribution to this reserve of \$390,150. If Council approved the reduction option noted above, this reserve balance would increase by approximately \$275,000. This increases the unfunded balance, required by 2012, by \$346,500 (3 x \$115,500). If Council approves this reduction, it results in only a minimal difference in the unfunded balance. Staff will continue seeking alternate funding strategies for this project.

Eliminate Contribution to Environmental/Other Initiatives Reserve Fund

In accordance with the Reserve and Reserve Fund By-law, the City contributes the proceeds received from Greater Sudbury Utilities Inc. from the sale of landfill gas to the Environmental/Other Initiatives Reserve Fund. The estimate of the proceeds, net of expenses is approximately \$240,000. The intent of Council was to utilize these funds for environmental or other strategic initiatives and priorities of Council. In light of the significant increases in the Environmental Services budget, for example increased processing costs and city wide implementation of the organics program, staff is recommending that the contribution to reserve be eliminated, and the proceeds (net of related expenses) estimated at \$240,000 be utilized to reduce the tax levy.

Reduce Contribution to Parking Reserve

In accordance with the Reserve and Reserve Fund By-law, the excess of parking lot revenues over related expenses, are contributed to the Parking Reserve. The intent of this policy is to create a stream of income to fund capital related improvements to the City's parking lots. The balance in the reserve is approximately \$1.7 million, and the 2010 contribution to reserve has increased by \$68,000 to \$178,000.

Due to the challenges faced in the 2010 Budget, staff is recommended that the contribution to reserve be decreased by \$100,000 to \$78,000. Once the parking strategic plan is completed, staff may have to look at other funding sources – including reallocation of the capital envelopes, to include funding for future parking capital needs.

Professional Development

See the report from the Director of Human Resources regarding the Professional Development budget reduction.

Conclusion

The 2010 Base Budget has been derived based on staff's best estimates of all revenues and expenditures required to ensure that all of Council's approved initiatives are funded, Council approved services and historical standards are maintained, and legislative and contractual obligations are satisfied. Council requested that staff develop a 1% tax levy reduction strategy. This report provides Council with four further reductions options, totaling \$1.865 million to reduce the tax levy increase. These options were prepared based on the above noted criteria, and while they satisfy each one, the options will impact on capital programs and will reduce the City's ability to fund capital in the future.

Request for Recommendation
Finance Committee



Type of Decision									
Meeting Date	November 30th, 2009			Report Date	November 26th, 2009				
Decision Requested	X	Yes		No	Priority		High	X	Low
	Direction Only				Type of Meeting	X	Open		Closed

Report Title
PROFESSIONAL DEVELOPMENT BUDGET REVIEW


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

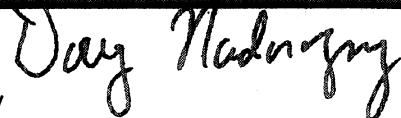
If adopted, this recommendation would decrease the 2010 Operating Budget by \$245,000.00.



THAT Council adopt staff's recommendation to reduce the Professional Development Budget for 2010 by twenty (20%) percent excluding legally required re-certifications.

X **Background Attached**

Recommendation Continued

Recommended by the Department

 Kevin Fowke, Director of Human Resources and Organizational Development

Recommended by the C.A.O.

 Doug Nadorozny
 Chief Administrative Officer

Report Prepared By	Division Review
 Kevin Fowke, Director of Human Resources and Organizational Development	 Kevin Fowke, Director of Human Resources and Organizational Development

BACKGROUND

The Senior Management Team (SMT) believes it is vital to foster an environment which supports Employee development. Professional Development for Employees has well-documented, positive impacts on organizational performance, productivity and Employee engagement. Further, the City of Greater Sudbury faces a succession planning challenge that is partially addressed by adding bench strength in the form of competencies to fulfill future leadership and technical needs. In support of ongoing budget reduction options, a recommendation was presented to Council on November 23rd, 2009 (as attached) to reduce the Professional Development Budget by ten percent (10%) for 2010. This Report is a follow-up Report aimed at exploring a further reduction in the area of professional development while maintaining legally required re-certifications and an ongoing commitment to staff development.

UPDATE ON BENCHMARK RESULTS

Council raised questions about the November 23rd Report and its citation of 2001 Conference Board of Canada data on organizational spending on training and development. In 2001 it was reported that organizations spent an average of one point eight (1.8%) percent of their payroll on training and development providing an average of thirty (30) hours of training per Employee. The Conference Board produced a report this year entitled "Learning and Development Outlook for 2009: Learning in Tough Times", which reveals that in 2009 spending on training and development had dropped to one point five (1.5%) percent of payroll or \$787 per Employee which for CGS would equate to a professional development budgets of \$2,865,000.

The November 23rd recommendation equates to zero point nine four (0.94%) percent of payroll or \$630 per Employee. The recommendation for action in this Report reduces these figures to zero point eight seven percent (0.87%) or \$586 per Employee. If adopted, this recommendation will drop CGS to the thirty-seventh (37th) percentile.

The following table summarizes the key categories of actual expenditure for

Professional Development for 2008.

Summary of 2008 Actual Expenses For Professional Development	
Category	Amount
Meetings and Conferences (including food and travel)	509,797
Other Training/Miscellaneous	368,248
Technical Training	181,605
Management Training	178,385
Association and Membership Dues	159,265
Safety Training	140,255
Grand Total	\$1,537,555

The SMT was guided in its November 23rd recommendation by a focus on reducing the most discretionary aspects of professional development and excluding those expenditures that are legally required or contributed to (re-)certification of Employees.

Further, the summary category "Meetings and Conferences" can be misleading. While it is felt that significant savings can be achieved through exploring alternatives and policy controls for conference activity, meetings can be far less discretionary as many CGS staff are involved in municipal, industry, educational or safety associations. Participation in meetings, studies, networking and benchmarking activities are critical to service delivery to citizens and continual improvement of service delivery.

ALTERNATIVE DELIVERY MECHANISMS

A variety of options exist for alternatives to conventional "in class" training and conference attendance. There are pros and cons for all of these alternatives which will require further discussion and alignment prior to the introduction of tighter controls in this arena.

- External contractor/providers come "in house" to deliver training on site
 - One example of this is the reduced cost per person to attend recent

supervisory training delivered by the Schulich School of Business:

Cost Breakdown For Certificate in Management Skills For Supervisors 4-day Program for Thirty (30) Infrastructure Supervisors			
IN-HOUSE COURSE			
	Cost		Total
4-day Program	\$ 26,000.00		\$ 26,000.00
Course Customization	\$ 2,000.00		\$ 2,000.00
Myers-Briggs	\$ 1,500.00	\$50/person	\$ 1,500.00
TOTAL			\$ 29,500.00
EXPENSES (for 1 Facilitator)			
	Day 1 and 2	Day 3 and 4	Total
Hotel	\$ 217.80	\$ 239.80	\$ 457.60
Airfare	\$ 435.05	\$ 435.05	\$ 870.10
Taxi	\$ 141.00	\$ 94.00	\$ 235.00
Meals	\$ 120.00	\$ 120.00	\$ 240.00
TOTAL			\$ 1,802.70
TOTAL			\$ 31,302.70
Per person cost for 4 days			\$1,043.42
<p>NOTE: Cost to send an individual Employee to Toronto for the same program is \$3,595.00/per person for the five (5) day so for the equivalent four (4) day would be \$2,876 plus travel and accommodations. With travel and accommodation per person estimated at \$720, the total savings per person to the above course is \$2,552 (or \$76,577 for thirty (30) participants).</p>			

- Video Based Training.
- Computer Based Training.
- Audio Learning Options (i.e. cd/audio books, iPod/MP3 style Podcasts).
- Partnering with other public sector organizations (MUSH sector) and cost share for training.
- Expanding upon current practice of train the trainer.
- In-servicing using internal expertise and practical transfer of internal knowledge. HR&OD purchased Captivate software to develop In-house training that utilizes Subject Matter Experts to develop an on-line session accessible through e-Links or a Learning Management System.

- Web based training, Teleseminar/Video conferencing.
 - One (1) example studied in 2009: media training delivered via Webinar:

Cost Savings of Delivering Media Training via Webinar			
	In House Training	Webinar	
Program Customization	250		250
Session Facilitation	1,600		1,200
Remote Interviewing via Conference Call	150		150
Training Materials	160		160
Total Professional Fees	\$ 2,160	\$	1,760
Travel (Mileage)	280		0
Hotel Accommodations	114		0
Meals	72		0
Total	\$ 4,786	\$	3,520
Actual Savings		\$	1,266
Savings as a Percentage			26%

- Teleconferencing/Video conferencing.
- Pursuing volunteer opportunities - usually conferences do not charge registration fees for those who volunteer (e.g. HRPAO).

These alternative delivery methods must be analyzed for their effectiveness and investment return. Although they have the ability to reduce overall expenditure on training and development the literature on these alternate delivery mechanisms has been critical of their ability to match “in class” training and conference participation when it comes to customizing content, relevance, transference and opportunity for feedback.

POLICY CONSIDERATIONS

As per the November 23rd Report, staff will explore supplements to our existing Policy framework which will guide future investment decisions in professional development and training.

Among them, this Report recommends that future training approvals for all professional development/training expenditures at CGS be channeled through a process, to achieve the following outcomes:

- a) allow staff to better co-ordinate training offered. Rather than have departments send staff independently to similar/the same training, co-ordination would allow for more exploration of alternate delivery methods, potentially providing the same training at lower cost;
- b) allow for prioritization of training. There is currently no prioritization of training across departments, only within each department. Given the twenty (20%) percent reduction proposed, CGS will have to look at a higher level of prioritization of training than has historically been the case, to ensure critical needs are met. Co-ordination of training through a central point will allow prioritization to occur. This is the function of Organizational Development, understanding and diagnosing development requirements and matching them to the optimal delivery strategies based on expert knowledge;
- c) ensuring value for money - training proposal templates will be developed that require the requestor to provide a 'value for money' explanation on each training request, with supporting rationale. This will provide standardized criteria across departments for the assessment of the benefits to CGS of each investment, and will allow CGS to demonstrate proper stewardship of public funds.

RECOMMENDATION

Given the climate surrounding the 2010 budget year and the desire to realize the lowest achievable increase to the tax levy, the SMT is recommending a twenty (20%) percent reduction in the Professional Development budget. This amounts to a reduction of \$245,000. on the tax levy and an additional reduction on the Water/Wastewater levy. Staff, lead by HR&OD, will develop control measures and explore alternate delivery mechanisms as above. One of these control measures will be the separation of Meetings and Conferences when accounting for Professional Development expenditures to allow for increased control and evaluation of this recommended reduction at the end of 2010.

Request for Recommendation Finance Committee





Type of Decision									
Meeting Date	November 23rd, 2009			Report Date	November 13th, 2009				
Decision Requested	X	Yes		No	Priority		High	X	Low
	Direction Only				Type of Meeting	X	Open		Closed

Report Title
PROFESSIONAL DEVELOPMENT BUDGET REVIEW

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.	

<p>If adopted, this recommendation would decrease the 2010 Operating Budget by \$120,000.00.</p>	<p>THAT Council adopt staff's recommendation to reduce the Professional Development Budget for 2010 by ten (10%) percent excluding legally required re-certifications.</p>
<input checked="" type="checkbox"/> Background Attached	<input type="checkbox"/> Recommendation Continued

Recommended by the Department	Recommended by the C.A.O.
 Patrick Thomson, Director of Human Resources and Organizational Development	 Doug Nadrozny Chief Administrative Officer

Report Prepared By	Division Review
 Patrick Thomson, Director of Human Resources and Organizational Development	 Patrick Thomson, Director of Human Resources and Organizational Development

BACKGROUND

Council retained Berkeley Management Consultants in 2005 to review the management structure and effectiveness at CGS. Their final report indicated repeatedly an urgent need for CGS to invest in training and development, finding our investment in training wholly inadequate: "Sudbury needs to invest in organizational development, especially training and succession planning." (Pages 14-15 - Final Report).

The total expenditures on professional development related expenditures includes legally required certifications and maintenance of credentials (e.g. Professional Engineering fees), mandatory health and safety training, travel expenditures for meetings, association fees, as well as formal training and development costs.

In addition, the organization made a commitment to take steps to address the issues arising from the Employee Survey conducted in the Spring of 2008, both corporately and through efforts at the departmental level. Some of these efforts involved directing professional development monies to issues raised in the survey. When looking at the results of the survey and how CGS compares with top-performing organizations on training satisfaction, there was a difference of 25.5% between the average scale score of the top-performing organizations (82.1%) and the average scale score by CGS Employees (56.5%). This indicator supports the accepted view that there is a positive relationship between the level of training and development and organizational performance.

BENCHMARK RESULTS

A report by The Conference Board of Canada in 2001 found that Canadian organizations spend an average of one point eight (1.8%) percent of their payroll on training and development and provide an average of thirty (30) hours of training per Employee.

If the one point eight (1.8%) percent of payroll benchmark were to be used for CGS, a total of \$3.4 MM, (1.8% of \$191 MM in payroll) would be expended on training and development (approximately two (2x) times what is currently spent on all professional development expenditures).

The need to invest in Employees is well known:

"... we conclude that this under investment in training and development might lead to a gap in essential knowledge and skills, and if Canadian organizations are going to be able to compete effectively, they must increase their investments in the development of human capital."
(Managing Performance Through Training and Development, Alan M. Saks and Robert R. Haccoun, 2004).

The benchmark identified in The Conference Board of Canada Report was six (6%) percent of payroll for those organizations identified as "highly productive". Interestingly, the Report also highlighted the fact that Canadian organizations spend less on training than organizations in the United States, Europe, Asia and the Pacific Rim (e.g. organizations in the United States spend \$1,115 per Employee compared to \$859 per Employee in Canada).

RESULTS OF CGS INVESTMENT IN TRAINING

A pre-training and post-training 360 degree assessment done by the sixty (60) Managers involved with a fifteen (15) day Master's Certificate in Municipal Management Program, showed a positive improvement in individual performance. Specifically, the average scores showed an improvement in eight (8) of the fourteen (14) competencies, as a result of investing in their leadership skills development.

The fourteen (14) leadership competencies that were evaluated included: Problem Solving, Time Management, Planning, Goal Setting, Performance Leadership, Organizing, Team Development, Delegation, Participation, Integrating Differences, Providing Feedback, Stress Processing, Maintaining Integrity, Commitment.

Given the above information, we believe a reduction in professional development expenditures is not in line with the strategic goals Council adopted from the Berkeley Report to invest more in Employee training to position CGS to achieve higher levels of organizational performance and continue to face the challenges presented by our looming succession planning problem.

RECOMMENDATION:

The SMT believes that it is vital to continue to invest in Employee training to position CGS to achieve higher levels of organizational performance and continue to face the challenges presented by our looming succession planning problem. However, given the challenges faced in this Budget process, the SMT is recommending a ten (10%) percent reduction in Professional Development Budget, with the exception of professional certification dues which are mandatory. This amounts to a reduction of

\$120,000 on the tax levy and an additional reduction on the Water/Wasterwater levy.

Among the initiatives staff will explore to assist us in achieving this reduction will be a supplement to our policy framework, which will guide future investment decisions in professional development and training.

Request for Recommendation Finance Committee




Type of Decision							
Meeting Date	November 30, 2009			Report Date	November 26, 2009		
Decision Requested	Yes	No		Priority	X	High	Low
	Direction Only		X	Type of Meeting	X	Open	Closed

Report Title

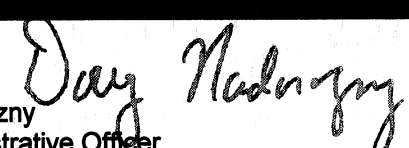
2010 Operating Budget Status Update - Voting


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

Recommended by the Department


 Lorella Hayes
 Chief Financial Officer / Treasurer

Recommended by the C.A.O


 Doug Nadorozny
 Chief Administrative Officer

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

Executive Summary

This report will provide the Finance Committee with an update on the status of the 2010 Operating Budget after the option voting procedure that took place on November 25, 2009.

Background

Attached to this report are spreadsheets reflecting the adjustments to the base budget, voting results on budget reduction options and budget enhancement options.

2010 Adjustments to the Base Budget

The original budget that was tabled on October 13, 2009 reflected a tax increase of 4.3% based on the estimated assessment growth of 1.5%. However as previously reported, it appears that the assessment growth experienced by the City will be in the area of 1.3%. As a result, the base budget stands at a tax increase of 4.5% before any changes are incorporated. There were a number of base budget adjustments made, which included additional revenue from Environmental Services, reduction to professional development and other expenses, as well as minor revisions to the Police Services and Health Unit's budgets. In total, these revisions are worth 0.4%, bringing the tax increase to 4.1%.

Council Approval of Conversion of Employees

On November 25, 2009, City Council approved an enhancement proposal to convert 10 temporary Infrastructure Operations positions to permanent status at a cost of \$190,000. This adds 0.1% to the tax increase which now stands at 4.2% before any reduction or other enhancement options are considered.

Budget Reduction Options

On November 25, 2009, the Finance Committee voted on eight budget reduction options totalling \$2.0 million or 1.1%. All but one received a majority of "yes" votes. The increase to the culvert application fees option received only six votes. Historically, in order to be accepted, an option would have to receive a majority of votes. However, no communication was made on the process regarding this vote, therefore, staff is seeking direction from Council on whether this option is accepted or rejected. If these options are accepted, the municipal tax increase would stand at 3.1%.

Prior to the approval of the conversion of 10 temporary employees to permanent, Council directed staff to provide more reduction options to take the municipal tax increase to 2.0% for 2010. There is a report on this same agenda that outlines additional reduction options that would meet this target. This additional reduction of approximately \$1.86 million would bring the net levy down to \$192.9 million or approximately \$6.3 million higher than the 2009 Budget.

Budget Enhancement Options

On November 25, 2009, the Finance Committee ranked the budget enhancement options. Each committee member ranked each option from one to 10, which means the middle of the range is 5.5. When this is multiplied by the 13 members of committee, the total is 71.5. Historically, this is how the initial funding level is drawn. Then Council has the opportunity to move the line up or down, or the ability to move individual enhancements above or below the line.

With the initial funding line set at 71.5, and if no changes are made by the Committee, then all the options above this line will be incorporated in the budget. Currently that means that the funding of the engineering design of the City of Lakes Family Health Team in Chelmsford will be accepted along with all options above. This would leave the tax increase at 4.1% (3.1% if the additional budget reduction options are accepted). If none of the reduction options are accepted the tax increase would remain at 3.1% (2.1% if additional reduction options are accepted). Staff is seeking Council direction regarding the determination of the funding line to determine the Council approved enhancements.

Impact of Residential Tax Rate

As was the case last year, the residents of the City of Greater Sudbury will continue to pay more for education resulting from the recent reassessment of property values across Ontario. As reported last year, the Ministry sets a province wide residential education tax rate based on the results of the reassessment. Province wide the setting of the new tax rate has historically been revenue neutral, however it does affect all municipalities differently. Since the City of Greater Sudbury's residential property valuations increased significantly more than the Provincial average, City of Greater Sudbury residents will be paying more education taxes. The following is an illustration of how the residential education tax affects the total tax increase of varying stages of municipal tax increase.

Municipal Tax Increase	Education Tax Impact	Total Property Tax Increase	Annual Impact to Typical Household (Incl \$24 Education)
2.0%	0.7%	2.7%	\$69
2.5%	0.6%	3.1%	\$81
3.0%	0.5%	3.5%	\$92
3.5%	0.5%	4.0%	\$103
4.0%	0.4%	4.4%	\$114

- Typical household assessment 2009 CVA \$136,940, 2010 CVA \$152,880
Increase in Education Taxes is \$24 in all scenarios above.

OMPF

The current budget includes an estimated OMPF grant of \$47.5 million. As identified in previous projections and reports, there is a significant risk that the Ministry of Finance, through its formula, reduces our grant entitlement. The lost revenue could be in excess of \$6 million, as a result of the increase in the City of Greater Sudbury's average assessment value per household. If the OMPF grant is reduced by \$6 million, this could represent an additional 3.2% tax increase.

Summary

The municipal tax increase currently stands at 4.2%. With the budget reduction options factored in, the municipal tax increase has been reduced to 3.1%.

The Finance Committee must now decide on the additional budget reduction options which could reduce the tax increase by a further 1% to 2.1%. In addition, staff is seeking direction regarding the level of enhancement the Committee wants to accept by setting the funding line. This funding line would be subject to change after the announcement of the 2010 OMPF grant.



Budget Options Vote

Councillors **Budget Reports** **Administration** **Logout**

2010 Base Budget Revisions				
	Budget Adjust	Cumulat. Adjust	Net Levy	% Tax Increase
Preliminary net budget			197,434,432	4.5%
Environmental Services - additional revenues	(360,000)			
Reduction in number of fax machines	(12,000)			
Reduction in Professional Development	(120,000)			
Other Expense reductions	(251,000)			
Deferral of Archives expenditures	(50,000)			
Police Services budget reduction	(33,292)			
Sudbury and District Health Unit	8,165			
Adjusted Base Budget after the above revisions			196,616,305	4.1%
Option approved at City Council on November 25, 2009 - Conversion of 10 Temporary Infrastructure Operations Staff to Permanency.				
Revised Base Budget			196,806,305	4.2%

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Budget Results - 2010 (Enhancements)

Options

Modified Current Budget 2010 >>													Adjustment	Cumulative Adj.	Net Levy	% Tax Incr.		
1	2	3	4	5	6	7	8	9	10	11	12	13	Vote					
8	10	8	8	8	8	1	10	8	10	8	10	10	107	Staff the Kiosk at the Transit Terminal	0	0	194,771,175	3.1
10	8	8	10	10	2	1	10	10	5	-	10	10	102	Provide funding for the Strategic Physician Recruitment	340,000	340,000	195,111,175	3.3
10	8	8	1	3	6	1	10	6	10	10	10	10	93	Hire 1 permanent staff - Tourism Development Assistant	0	340,000	195,111,175	3.3
8	8	8	1	3	6	1	10	8	10	8	10	10	91	Hire 1 permanent staff - Market Square	0	340,000	195,111,175	3.3
10	8	10	1	3	1	1	10	5	10	10	8	10	87	Provide funding for Emergency Shelter Services	360,000	700,000	195,471,175	3.5
10	8	1	1	3	7	1	10	8	10	10	8	10	87	Hire 1 permanent Rod Person	0	700,000	195,471,175	3.5
8	8	8	1	3	8	1	10	8	10	10	1	10	86	Hire 1 permanent staff - Mysudbury Content Position	0	700,000	195,471,175	3.5
10	10	10	10	3	1	1	10	8	10	1	1	10	85	Provide one time funding for Operational costs for Sudbury & District Nurse Practitioners at the Lively Site	75,000	775,000	195,546,175	3.5
6	8	10	10	8	1	5	5	7	1	3	10	84	Provide funding for a small vehicle waste transfer site in the Onaping/Dowling area	215,000	990,000	195,761,175	3.6	
8	8	5	1	3	8	1	10	8	10	10	1	10	83	Hire 1 permanent staff - Business Information & Comm Officer	0	990,000	195,761,175	3.6
10	8	8	1	3	6	1	10	3	10	10	1	10	81	Hire 1 permanent staff - Youth Strategy Co-Ordinator	0	990,000	195,761,175	3.6
10	10	1	8	3	1	1	8	8	10	10	6	3	79	Provide funding for the Junction Creek Stewardship Committee - (\$25,000/year for 4 years)	25,000	1,015,000	195,786,175	3.6
10	8	10	10	4	10	1	3	10	1	1	6	3	77	Provide funding for summer roads maintenance	750,000	1,765,000	196,536,175	4.0
3	1	10	10	10	10	1	10	3	1	-	4	5	74	Provide one time funding for engineering design of the City of Lakes Family Health Team site in Chelmsford	30,000	1,795,000	196,566,175	4.1
3	5	10	10	3	1	1	8	8	1	1	8	10	69	Provide one time funding to Salvation Army for roof repairs	125,000	1,920,000	196,691,175	4.1
10	8	1	1	3	1	1	5	8	10	10	7	3	68	Provide funding to the Rainbow Routes Association for trail development projects	65,000	1,985,000	196,756,175	4.2
5	5	1	1	3	1	1	10	3	10	10	8	3	61	Provide funding to the Sudbury Action Centre for Youth	15,000	2,000,000	196,771,175	4.2
8	8	8	1	1	2	1	1	8	1	1	8	3	51	Provide funding to standardize school zone speed limits (one time 2010 \$20,000 and 2011 \$20,000) permanent \$4,000	24,000	2,024,000	196,795,175	4.2
1	1	1	1	3	1	1	8	8	8	1	8	3	45	Provide funding to the Sudbury Food Connection Network	5,000	2,029,000	196,800,175	4.2

Budget Results - 2010 (Enhancements)

1	1	1	1	3	1	1	1	3	1	1	2	3	20	Provide funding for a mobile HHW collection & 3R event - three event	53,605	3,350,891	198,122,066	4.9
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Request for Recommendation Finance Committee



Type of Decision									
Meeting Date	November 30, 2009			Report Date	November 10, 2009				
Decision Requested	X	Yes		No	Priority	X	High		Low
	Direction Only				Type of Meeting	X	Open		Closed

Report Title
Walden Landfill Site

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

This initiative is provided for in the 2010 capital budget.

Background Attached

That the Finance Committee not defer the Walden Landfill Site works as detailed in the report from the General Manager of Infrastructure Services, dated November 10, 2009.



Recommendation Continued

Recommended by the Department

Bill Lautenbach
 Bill Lautenbach
 General Manager of Growth and Development

Recommended by the C.A.O.

Doug Nadorczyny
 Doug Nadorczyny
 Chief Administrative Officer

Report Prepared By	Division Review
 Chantal Mathieu Manager of Environmental Services	 Chantal Mathieu Manager of Environmental Services

At the November 4th Budget meeting, Councillor Callaghan asked whether the Walden Landfill Site Cell Closure could be deferred.

Regulatory Requirements

Cell closures are conducted according to the site's MOE Certificate of Approval requirements.

Under Section #20, the Certificate of Approval indicates that "where landfilling has been completed to the approved final top of waste contours" these areas must be closed "during the earliest of Spring or Fall planting season to provide protection against erosion".

Under Section #39, the Certificate of Approval also indicates that "final cover over the entire area which was landfilled shall be completed" by the City "within one full construction season following the date after the landfill has stopped receiving waste".

Determining Closure Activities

In late 2008, staff anticipated reaching capacity in early 2010. In order to comply with the site's Certificate of Approval requirements, the last remaining disposal cell would need to be closed during the 2010 Spring to Fall construction season. Based on this knowledge, staff requested and was approved funding to commence closure design work as part of the 2009 Capital plan (Walden Landfill - Design Closure Works & Small Vehicle Transfer Site - \$90,000). The Engineering Consultant was selected in June 2009 and the various works, including the tender is under development and is currently scheduled to close in February 2010 (Contract ENG10-50).

Based on this information, staff recommends that the closure works not be deferred.

Request for Recommendation Finance Committee



Type of Decision									
Meeting Date	November 30, 2009			Report Date	November 18, 2009				
Decision Requested	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed

Report Title

2009 Operating Budget Variance Report - September

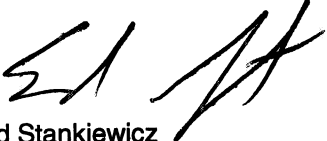
Budget Impact/Policy Implication		Recommendation	
<input checked="" type="checkbox"/>	This report has been reviewed by the Finance Division and the funding source has been identified.	For Information Only.	
<input type="checkbox"/>			
<input checked="" type="checkbox"/>	Background Attached	<input checked=""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

Recommended by the Department

Lorella Hayes
Lorella Hayes
Chief Financial Officer

Recommended by the C.A.O.

Doug Nadorozny
Doug Nadorozny
Chief Administrative Officer

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

Executive Summary

This report will provide a year end projection based on expenditures and revenues to the end of September 2009. This projection has been updated from the August year end projection presented to Council last month. At this point, staff is forecasting a deficit of approximately \$330,000. Staff will continue to monitor their budgets closely over the next few months.

Background

Based on expenditures and revenues to the end of August, staff provided Council with the year end financial projection of \$1.47 million deficit.

For the September projection, Finance has continued to follow up with departments to determine if their projections required modifications. There have been some revisions to the year end projection. The revised year end projection is a deficit of \$1.2 million. Once the contribution of \$870,000 from the Winter Control Reserve Fund is made, the anticipated deficit is approximately \$330,000.

	Net Under Expenditure / (Net Over Expenditure)
Supplementary Taxation	1,300,000
Executive and Legislative	240,000
Legal Services	(710,000)
Transit Services	(1,170,000)
Handi Transit	(220,000)
Housing Services	840,000
Long Term Care & Senior Services	(940,000)
Ontario Works	1,060,000
Leisure & Recreational Services	340,000
Roads Maintenance	(1,760,000)
Environmental Services	(560,000)
Police Services	250,000
Miscellaneous Items	130,000
Projected Year End Surplus / (Deficit)	(1,200,000)
Potential Draw from the Winter Control Reserve Fund	870,000
Year End Municipal Surplus / (Deficit) (after contribution from Reserve)	(330,000)

Attached is the chart that reflects the annual budget, the projections and variances.

The following explanations relate to areas where material variances may occur:

1) Taxation Levy

Finance staff have not yet processed the final supplementary / omitted assessment roll from MPAC. However, staff have been monitoring the activity and entries made on the Municipal Property Assessment Corporation (MPAC) website and to date it appears that the additions to the roll will generate approximately \$2.3 million of municipal revenue. This figure, combined with the first and second supplementary / omitted assessment taxation rolls, translates into approximately \$1.3 million more than the 2009 budgeted value for supplementary taxation.

Staff undertook an exercise to analyze past building permits to ensure that MPAC adds completed building projects to the assessment roll in a timely fashion to maximize tax revenue. Staff have confirmed that these properties have been added to the assessment roll.

An area of concern deals with tax write-offs. For 2009, MPAC has received over 1,700 requests for reconsideration (RFR's), approximately 70% higher than in a typical reassessment year. Staff have been processing completed RFR's and will be in a better position in December to report the impact of tax write-offs.

2) Grants and Subsidies

In 2009, the Province provided a \$53.8 million Ontario Municipal Partnership Fund (OMPF) grant to the City. At this point, it is uncertain whether the Province will perform a reconciliation of the OMPF. As a result, the City is assuming that the \$53.8 million will be received.

3) Executive and Legislative

As previously reported, this section continues to reflect a net under expenditure. Delays in the hiring of the Auditor General and having his office staffed have resulted in a projected year end net under expenditure of \$180,000.

In addition, Council miscellaneous expenditures are reflecting a year end net under expenditure of approximately \$30,000. Overall, this area is anticipating a year end projection of \$240,000.

4) Legal Services

Legal Services is projecting a year end net over expenditure of \$710,000 which is comprised of three elements. As previously reported, \$200,000 relates to prosecution of provincial offences as the position of prosecutor was vacant during part of 2009. The balance of the over expenditure relates to external counsel and includes, as previously reported, additional reliance on outside counsel due to workload and one of the solicitor positions being vacant throughout much of the year. Finally, a number of invoices which span large projects have been received in 2009.

5) Building Services

Building permits to date reflect a construction value of \$249 million, approximately the same value as a year ago. The mix of construction type is quite different from a year ago. There has been a large increase in the commercial sector. As well, the home renovation applications have increased, which is suspected to be as a result of the one year government tax incentive for home renovations. Total construction value for new homes is down from last year. It is anticipated that revenues will still exceed expenditures in this area. In accordance with provincial legislation (Bill 124), the net under expenditure must be contributed to a reserve to ensure future viability of this service.

6) Transit Services

Revenues will be under budget at year end by approximately \$1.3 million. However, this is offset somewhat by lower than budgeted diesel costs. Other areas of the operation are marginally over budget.

Overall, Transit Services is reflecting a year end net over expenditure of \$1.17 million.

6.1) Handi Transit Services

Increased utilization of this service will result in a year end net over expenditure of approximately \$220,000.

7) Housing Services

The increased demand for rent-gear-to-income subsidies continues to be lower than expected. Vacancy rates are slowly on the rise, however, market renters have not been moving from the subsidized housing units to the private sector. In addition, mortgage rates continue to remain lower than anticipated, meaning that mortgage renewals will not likely create a significant cost pressure. As well, additional funds flowed to our housing providers by the Province through various capital repair programs have decreased the demand on City funds. When these factors are considered, the projected year end net under expenditure for this area is approximately \$840,000. In accordance with policy, this amount will only be used to offset a municipal deficit. If no municipal deficit exists at year end, this under expenditure will be contributed to their reserve.

8) Long Term Care and Senior Services

As previously reported, there are a number of issues that continue to affect the financial position of Pioneer Manor. There have been significant overruns in salaries as a result of overtime and costs associated with modified workers. In addition, Pioneer Manor has had its Case Mix Index (CMI) reduced, resulting in \$340,000 of lost revenue. Some increases in per diem rates were realized over and above those budgeted which reduce this impact by \$120,000. Overall, this area is now projecting a year end net over expenditure of \$940,000.

9) Ontario Works

While the City has been recently experiencing an increase in actual caseloads, the total caseload still remains under budgeted values. Lower than budgeted caseloads in the General Welfare Assistance and Sole Support and the lower forecast for the Ontario Disability Support Program (ODSP) are the main reasons for the positive variance in this area. In addition, there have been a number of vacancies in the administration section of Ontario Works. All totalled, the net under expenditure in this area is projected to be approximately \$1.06 million.

10) Leisure and Recreational Services

Increased revenues in the arenas section and in the Capreol Millenium Centre are responsible for this area reporting an anticipated year end net under expenditure of \$340,000. The largest component of this revenue source is a \$200,000 settlement from the insurer for lost ice rental revenue at McClelland Arena as a result of the fire.

11) Water / Wastewater Services

Staff are continuing to review water consumption data received from Greater Sudbury Utilities. Based on the latest analysis, it appears at this time that the City may experience a revenue shortfall in this area of approximately \$2.2 million. Staff will be analyzing and monitoring consumption and revenue closely over the next few months. It was reported last month that expenditures are expected to be approximately \$1.3 million over budget resulting from unbudgeted relief supervision, contracted services for repairs and maintenance and excessive expenditures due to large volumes of wastewater treated and transported due to the wet weather this year. Last month it was reported that there would be a \$3.5 million net over expenditure in this area. However, cost containment measures to curtail discretionary spending wherever possible have resulted in expenditure savings; it is now expected to reflect a \$1 million expenditure overrun. In accordance with policy, shortfalls in Water and Wastewater, now projected to be approximately \$3.2 million, are to be offset by contributions from their respective reserve funds.

12) Roads Maintenance

Net over expenditures resulting from the pothole patching blitz undertaken in early spring and the winter ditching / spring cleanup exercise that took place in May are the main factors causing Winter Control to reflect a year end net over expenditure of \$1.7 million. The first part of November has produced favourable weather conditions and should this persist, the projected year end over expenditure for winter control may be revised downward. The current balance in the Winter Control Reserve Fund is approximately \$870,000, which could be used to offset the projected over expenditures.

As a result of the severe summer storm in July, the road's costs associated with the storm were \$160,000 which will cause this area to be over budget by year end by approximately \$60,000.

Overall, this division is projecting a net over expenditure of approximately \$1.8 million prior to any contributions from the reserve. If the contribution of \$870,000 is made from the Winter Control Reserve, this area will reflect a net over expenditure of approximately \$900,000.

13) Environmental Services

This division is reflecting no changes from what was reported for August. Net over expenditures in processing recyclables (\$370,000) due to increase volumes, as well as additional costs of operating the landfill sites (\$190,000) are projected. Tipping fees revenue is currently on budget and is expected to be close to budget at year end. This area is anticipating a year end net over expenditure of \$560,000.

14) Fire Services

It was previously reported that this division would experience a year end net over expenditure of approximately \$270,000 due mainly to over expenditures in vehicle maintenance of \$200,000. The vehicle maintenance over expenditure is expected to continue, however, minor under expenditures

in other areas of the operation have offset the over expenditure somewhat as this area is now expecting to reflect a net over expenditure of less than \$100,000.

15) Police Services

This area is currently reflecting a net under expenditure of \$250,000. This amount will be contributed to the Police Services Reserve Fund only if the municipality is in a surplus position at year end in accordance with policy.

Summary

Based on the revenues and expenditures to the end of September 2009, a year end deficit of approximately \$1.2 million is projected. A contribution from the Winter Control Reserve Fund can be made (\$870,000) to reduce this deficit to approximately \$330,000. Departments have been continually working to mitigate this potential deficit. Staff will continue to implement measures to reduce expenditures wherever possible in order to further reduce or completely eliminate this deficit.

In accordance with policy, if the municipal deficit still exists at year end, a contribution from the Tax Rate Stabilization Reserve and the Capital Financing Reserve Fund - General must be made to the Operating Fund to offset the deficit. These two reserve funds have balances of \$653,000 and \$619,000. At year end, if these funds are not sufficient to offset the deficit, other reserves will be identified to fund the shortfall.

Revenue & Expense Projection
As of September 30, 2009



	Projected Year End Total	Budget for Year	Projected \$ Variance	Projected % of Budget
Taxation Levy	(196,081,320)	(194,845,253)	1,236,067	101 %
Grants and Subsidies	(35,355,046)	(35,355,046)	-	100 %
Other Revenues	(12,186,659)	(12,001,880)	184,779	102 %
Section 391 Charges	(1)	-	1	
United Way	18,219	19,758	1,539	92 %
Corporate Revenue & Expenditures	(243,604,807)	(242,182,421)	1,422,386	101 %
	-	-	-	
Office of the Mayor	555,607	563,394	7,787	99 %
Council Expenses	778,255	806,622	28,367	96 %
Auditor General	137,200	321,300	184,100	43 %
Office of the C.A.O.	449,817	473,474	23,657	95 %
Executive & Administration Dept	1,920,879	2,164,790	243,911	89 %
	-	-	-	
Comm and French Lang Services	668,800	718,350	49,550	93 %
Admin Serv Exec Directr's Off	559,658	617,520	57,862	91 %
Debt -Contribution to Capital	442,680	442,680	-	100 %
Legal Services	1,981,309	1,276,210	(705,099)	155 %
Clerks Services	655,778	656,683	905	100 %
Election Services	257,550	257,550	-	100 %
Provincial Offences	(1,440,487)	(1,585,432)	(144,945)	91 %
Administrative Services Other	3,125,288	2,383,561	(741,727)	131 %
Information Technology	(73,527)	-	73,527	
Administrative Services	3,051,761	2,383,561	(668,200)	128 %
	-	-	-	
Human Res & Org Dev	(22,377)	-	22,377	
	-	-	-	
Growth & Development Other	1,550,293	1,673,123	122,830	93 %
Economic Development	3,090,670	3,041,682	(48,988)	102 %
Planning & Development	4,531,398	4,426,675	(104,723)	102 %
Build Serv, Enforc & Complianc	425,927	311,364	(114,563)	137 %
Transit & Parking	11,106,465	9,730,548	(1,375,917)	114 %
Growth & Development Services	20,704,753	19,183,392	(1,521,361)	108 %
	-	-	-	
Financial Services	6,821,591	6,797,596	(23,995)	100 %
	-	-	-	
Community Development - GM	(13,057,865)	(13,004,603)	53,262	100 %
Administrative&Financial Serv.	291,899	386,784	94,885	75 %
Regional Geriatric Services	2,715	2,715	-	100 %
Housing Services	17,033,251	17,875,666	842,415	95 %
Long Term Care&Senior Services	2,997,549	2,061,787	(935,762)	145 %
Social Services	20,837,634	21,898,759	1,061,125	95 %
Citizen Services	11,112,467	11,237,210	124,743	99 %
Leisure & Recreation Services	17,513,663	17,857,757	344,094	98 %
Community Development	56,731,313	58,316,075	1,584,762	97 %
	-	-	-	
Infrastructure Services Other	-	-	-	
Financial Support	(44,911)	(44,910)	1	100 %
Engineering Services	189,999	190,000	1	100 %
Assets Management	4,326,221	4,214,946	(111,275)	103 %
	-	-	-	
Water/Waste Water Maintenance	2,927,111	2,927,096	(15)	100 %

Revenue & Expense Projection
As of September 30, 2009



	Projected Year End Total	Budget for Year	Projected \$ Variance	Projected % of Budget
Roads Mtce Other	23,629,150	23,486,935	(142,215)	101 %
Summer Maintenance	13,816,884	13,834,595	17,711	100 %
Winter Maintenance	16,428,747	14,734,071	(1,694,676)	112 %
Road Engineering Costs	3,230,929	3,291,551	60,622	98 %
Roads Maintenance	57,105,710	55,347,152	(1,758,558)	103 %
Streetlighting	1,746,362	1,825,945	79,583	96 %
Agricultural Drains	368,155	368,156	1	100 %
Roads Mtce	59,220,227	57,541,253	(1,678,974)	103 %
Operations Division	62,147,337	60,468,349	(1,678,988)	103 %
Environmental Services	12,107,749	11,546,679	(561,070)	105 %
Infrastructure Services	78,726,395	76,375,064	(2,351,331)	103 %
Emergency Services Division	9,532,327	9,465,601	(66,726)	101 %
Fire Services	19,398,791	19,313,076	(85,715)	100 %
	-	-	-	
Outside Boards Other	5,753,722	5,753,721	(1)	100 %
Police Services	42,183,435	42,429,545	246,110	99 %
Outside Boards	47,937,157	48,183,266	246,109	99 %
(Excess) Deficiency of Revenue Over Expenses	1,197,783	-	(1,197,783)	
Contribution from Winter Control Reserve			873,000	
Projected Municipal Year End Surplus/(Deficit)			(324,783)	

Run Time: November 05, 2009 at 9:34 AM

Request for Recommendation Finance Committee




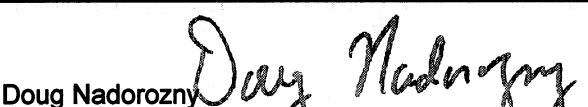
Type of Decision									
Meeting Date	November 30, 2009			Report Date	November 26, 2009				
Decision Requested		Yes	X	No	Priority	X	High		Low
	Direction Only			Type of Meeting	X	Open		Closed	

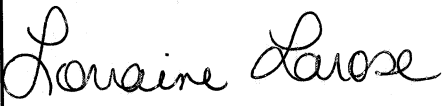
Report Title
Reserves and Reserve Funds Balances

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

Not Applicable	For Information Only
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X Background Attached	Recommendation Continued
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Recommended by the Department	Recommended by the C.A.O.
 Lorella Hayes Chief Financial Officer / Treasurer	 Doug Nadorozny Chief Administrative Officer

Report Prepared By	Division Review
 Lorraine Larose Senior Budget Analyst	

BACKGROUND

At the meeting of November 23rd, 2009, 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 2010 budget.

The following is a summary of the history of reserve and reserve funds during this term of Council, and the forecasted balances for 2009 and 2010 fiscal years.

	Actual as of December 31/05	Actual as of December 31/08	Forecasted 2009 (unaudited)	Forecasted 2010 (forecasted 2009 plus forecasted transactions during 2010)
Reserves (non interest bearing)	\$7.4M	\$10.7 M	\$7.1M	\$5.5M
Reserve Funds (interest bearing)	\$60.4M	\$77.9M	\$70.8M	\$68.6M
Total Reserve and Reserve Funds	\$67.8M	\$88.6M	\$77.9M	\$74. 0M

Increase from 2005 to Forecasted 2009 Balance	\$10.1M
Forecasted Decrease from 2009 to 2010 (See Appendix A for forecasted Reserve and Reserve Fund continuity schedule)	(\$3.9M)

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

	2004	2005	2006	2007	2008
CGS Reserves	\$ 3,946	\$ 7,385	\$6,004	\$9,524	\$10,737
CGS Reserve Funds	59,169	60,356	81,581	89,765	77,878
Total CGS Reserves & Reserve Funds	\$63,115	\$67,741	\$87,585	\$99,289	\$88,615

	2004	2005	2006	2007	2008
Reserves as a % of Total Expenditures	15%	16.3%	18.5%	20.0 %	19.8 %
BMA Study – Median	28%	29.6%	31.2 %	34.4%	37.4 %
BMA Study – Low	7.8%	8.9%	9.6 %	11.3%	9.3 %
BMA Study – High	140.9%	141.7%	135.6%	157.9 %	155.6 %

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. In 2008, only nine of seventy-five participants in the study have a lower percentage than Sudbury. The results across the survey range from a low of 9.3% to a high of 155.6% in 2008. For 2008, there has been a decrease at the CGS from 20.0% to 19.8%.

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). 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.

Forecasted Change from January 1, 2009 to December 31, 2010

Appendix A details the forecasted change in each reserve and reserve fund balance from December 31, 2009 to 2010. Overall, it is forecasted that the balances will decrease by a net of \$3.8M. This is subject to change based on timing of capital expenditures, unanticipated transactions, and future Council approvals.

In summary, the following are the highlights:

	2009	2010
Forecasted opening balance - January 1	\$88.6M	\$77.9M
Add: Forecasted Interest	\$1.9M	\$1.9M
Add: Net transfers as per Policy and Budget	\$5.7M	\$7.7M
Less: Transfers Approved from 2009 Capital Budget and Other Approvals	(\$15.1M)	(\$13.3M)
Add: Inflation on Budgeted Transfers to Reserves and Reserve Funds	\$0.1M	\$0.2M
Less: Projected deficit funding from Reserves Funds	(\$3.3M)	
Less: Proposed Reductions options	<u> </u>	<u>(\$0.4M)</u>
Forecasted Balance - December 31	<u>\$77.9M</u>	<u>\$74.0M</u>

Some of the major projects that are anticipated to be spent in 2009 resulting in a decrease to the reserve and reserve fund balances are: Pioneer Manor capital, Organics launch, funding of 2009 budget options, winter control operating deficit and water and waste water deficits.

Anticipated spending in 2010 resulting in an additional decrease to the reserve and reserve fund balances are: 2010 capital budget projects funded from reserve, municipal election costs, Pioneer Manor capital and tangible capital asset funding.

Deferred Revenue - Obligatory Reserve Funds

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

Appendix B 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

CONTINUITY OF RESERVES & RESERVE FUNDS
December 31, 2010 Forecast

Account Name	Est. Balance 31-Dec-09	Investment Income	2010 Transactions	Reduction Options	Est. Balance 31-Dec-10	Comments
CONTINUITY OF RESERVES						
Election	(852,514)		737,299		(115,215)	2010 Election
Library/Citizen Service Centre Reserve	(35,855)		-		(35,855)	Committed \$15,000
Land Reclamation Reserve	(271,457)		68,786		(202,671)	
Various Expenditures	(1,390,576)		186,984		(1,203,592)	Committed by Council
Ontario Works	(340,150)		-		(340,150)	Stabilization
Organizational Development	(580,312)		-		(580,312)	
P.M.Fundraising	(62,659)		-		(62,659)	
Future D/C Study	(15,788)		-		(15,788)	
Tax Rate Stabilization-Committed	(3,462,765)		663,064		(2,799,700)	Committed \$2.1M
West Nile	(107,000)		-		(107,000)	Committed to Health Unit
Reserve Totals	(7,119,076)	-	1,656,133	-	(5,462,943)	
CONTINUITY OF RESERVE FUNDS						
Greater City Sick Leave	(2,797,872)	(69,480)	69,690		(2,797,662)	Liability greater than \$8M
Police-Sick Leave	(1,358,009)	(34,776)	8,248		(1,384,537)	
Human Resources Management	(11,389,695)	(275,172)	(75,500)		(11,740,367)	Committed \$3.8M
WSIB Schedule 2	(878,361)	(35,471)	(310,492)		(1,224,324)	
Insurance	(1,768,818)	(52,902)	32,102		(1,789,617)	Stabilization
Environmental/Other Initiatives	(612,719)	(17,965)	(240,000)	240,000	(630,683)	Landfill gas tax revenues
Land Acquisition	(3,279,427)	(86,963)	(312,302)		(3,678,692)	Committed \$1.34M
Parking Improvements	(1,727,388)	(45,037)	(178,695)		(1,851,120)	Capital needs
Pioneer Manor-Capital	(872,381)	(5,200)	772,381		(105,200)	Capital needs
P.M.Donations	(39,476)	(999)	0		(40,477)	
Social Housing Capital	(6,158,005)	(153,343)	200,000		(6,111,349)	Capital needs
Industrial Park Reserve	(3,158,874)	(86,831)	(416,510)		(3,662,216)	Committed \$410,000
Community Initiatives	(1,526,697)	(25,988)	0		(1,552,685)	Committed to NOSOA
Regional Business Centre	(439,698)	(11,130)	-		(450,827)	
Capital Lot Levies	(232,275)	(5,879)	(0)		(238,154)	
Public Safety	(771,954)	(9,858)	(390,150)		(1,056,462)	Committed
Stormwater Management	(315,346)	(9,758)	(150,000)	115,500	(475,104)	Committed
Centennial Drive Booster Station	(65,758)	(1,664)	-		(67,422)	
Roads Winter Control	(10,677)	(270)	(0)		(10,947)	Stabilization
VETAC	(4,324)	(109)	0		(4,433)	
South End Library	(873,516)	(11,758)	818,000		(67,274)	Capital needs
Agricultural Drains	(488,008)	(12,707)	140,968		(359,747)	Capital needs
Police Services Donations	(102,301)	(2,589)	-		(104,891)	
Cemeteries	(639,889)	(10,631)	539,789		(110,731)	
Emergency Service Ambulance	(2,185,982)	(52,691)	208,697		(2,029,977)	Capital needs
Larch Street Reserve Fund	(1,562,331)	(43,191)	1,605,521		(0)	Capital needs
Reserve Fund Totals	(43,259,782)	(1,062,365)	2,321,747	455,500	(41,544,900)	

APPENDIX A

CONTINUITY OF RESERVES & RESERVE FUNDS
December 31, 2010 Forecast

Account Name	Est. Balance 31-Dec-09	Investment Income	2010 Transactions	Reduction Options	Est. Balance 31-Dec-10	Comments
Cap Fin R/F Info Tech	(2,470,940)	(59,226)	113,615		(2,416,551)	Committed \$150,000
Equipment & Vehicle Replacement - Fleet	(4,291,449)	(109,457)	(65,550)		(4,466,456)	
Equipment & Vehicle Replacement - Police	(461,318)	(13,203)	(120,551)		(595,072)	Committed
Equipment & Vehicle Replacement - Transit	(2,605,305)	(78,159)	500,000		(2,183,464)	
Equipment & Vehicle Replacement - Fire	(162,936)	(4,124)	-		(167,060)	
Recycling Equipment	(1,227,856)	(29,546)	121,251		(1,136,153)	
Equipment & Vehicle Replacement - Parks	(201,856)	(3,996)	87,960		(117,892)	
Cap Fin R/F Solid Waste	(3,026,580)	(119,985)	504,774		(2,641,791)	
Capital Financing Reserve Fund	(1,234,772)	(29,794)	146,144		(1,118,422)	Committed \$480,000
Cap Fin R/F Administrative	(67,424)	(1,582)	9,852		(59,154)	
Cap Fin R/F Ecom Dev	(665,862)	(15,718)	89,800		(591,780)	Committed \$454,000
Cap Fin R/F P.W. Bldg	(833,783)	(36,044)	(10,200)		(880,027)	Committed \$605,000
Cap Fin R/F-Police	(822,493)	(22,800)	(156,500)		(1,001,793)	Committed
Cap Fin R/F - Roads	(1,571,539)	(53,422)	-		(1,624,960)	Committed \$553,000
Cap Fin R/F-Wastewater	(1,091,201)	(45,613)	(167,635)		(1,304,449)	Committed \$502,000
Cap Fin R/F-Water	(5,977,685)	(151,657)	(77,129)		(6,206,471)	
Cap Fin R/F- H & S.S.	(736,093)	(25,862)	328,800		(433,154)	Committed \$40,000
Cap Fin R/F - Fire	(28,467)	(721)	(0)		(29,188)	
Cap Fin R/F Leisure Services	(58,375)	(1,478)	0		(59,853)	Committed \$51,000
Capital Financing Reserve Fund Totals	(27,535,935)	(802,384)	1,304,631	-	(27,033,688)	
Reserve & Reserve Funds Grand Totals	(77,914,792)	(1,864,750)	5,282,511	455,500	(74,041,531)	

Note 1

Note 1 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%.

APPENDIX B

CONTINUITY OF RESERVES & RESERVE FUNDS

December 31, 2010 Forecast

Account Name	Est. Balance 31-Dec-09	Investment Income	2010 Transactions	Reduction Options	Est. Balance 31-Dec-10	Comments
CONTINUITY OF OBLIGATORY RESERVE FUNDS						
Federal Gas Tax	(6,014,161)	(138,326)	0		(6,152,487)	Note 3
Gas Tax Rebate Public Transportation	(862,266)	(25,868)	488,136		(400,000)	Note 4
Sewer & Water Payments	(318,171)	(7,318)	(0)		(325,489)	Note 4
Road Levies Payments	(1,831,794)	(42,131)	(0)		(1,873,926)	0
Regional Road #80	(3,442,105)	(39,584)	3,481,689		(829,524)	Note 4
Canada Transit Funding R/F	(2,225,964)	(70,378)	1,466,818		(570,928)	Note 4
Parks (Section 50)	(1,203,253)	(27,675)	660,000		(5,755,505)	Note 4
Subdivision Deposits(Asphalt Resurfacing)	(5,626,105)	(129,400)	(0)		(583,720)	Note 4
S.P.A. Deposits(Sidewalks)	(570,596)	(13,124)	0		(1,086,672)	
Tree Planting	(1,120,892)	(25,781)	60,000		(4,478,361)	Note 5
Bldg Permit Rev Stabilization	(4,218,820)	(97,033)	(162,508)		(3,891)	Note 5
DC General Government	(1,230)	(28)	(2,632)		(34,146)	Note 5
DC Library	(10,958)	(252)	(22,936)		(29,233)	Note 5
DC Fire	(9,371)	(216)	(19,646)		(31,346)	Note 5
DC Police	(10,059)	(231)	(21,056)		(202,143)	Note 5
DC Parks & Rec	(64,914)	(1,493)	(135,736)		(21,824)	Note 5
DC Public Works	(6,999)	(161)	(14,664)		(5,219)	Note 5
DC Ambulance	(1,702)	(39)	(3,478)		(5,221)	Note 5
DC Transit	(8,114)	(187)	(16,920)		(12,998)	Note 5
DC Emergency Preparedness	(4,160)	(96)	(8,742)		(716,957)	Note 5
DC Roads	(230,011)	(5,290)	(481,656)		(46,153)	Note 5
DC Water	(14,241)	(328)	(31,584)		(33,820)	Note 5
DC Wastewater	(10,088)	(232)	(23,500)		(16,628)	Note 5
DC Drains	(5,319)	(122)	(11,186)			
Total Obligatory Reserve Funds	(27,811,295)	(625,292)	5,200,399		(23,236,188)	

Note 1 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%.

Note 2 Forecasted 2010 transactions consist of:
 Transfers for operations and capital projects 18,781,135
 Provincial Gas Tax for transit (2,700,000)
 Federal Gas Tax (10,087,000)
 Development charges collected (793,736)
5,200,399

Note 3 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. It should be noted that in 2009 Council approved draws of \$200,000 in 2011 and \$100,000 in 2012. In 2010 Council has approved additional draws of \$200,000 in 2011 and 2012 respectively.

Note 4 The subdivision (roads, water / waste water, sidewalks) balances, parks, etc will also be drawn down as capital works are performed during 2010 and increased by contributions.

Note 5 These reserves have been established by development charges collected since the revised by-law was approved in 2009. These funds will be drawn upon as capital works are performed in accordance with the 2009 Development Charges Background Study. This is staff

Request for Recommendation Finance Committee




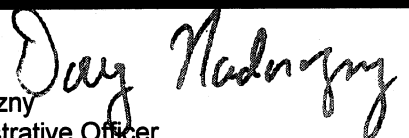
Type of Decision									
Meeting Date	November 30, 2009			Report Date	November 26, 2009				
Decision Requested		Yes	x	No	Priority	x	High		Low
	Direction Only				Type of Meeting	x	Open		Closed


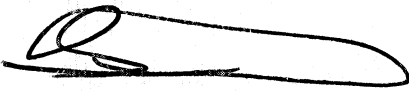
Report Title
Water / Wastewater Capital Contingency Allocations

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

	For Information.
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<input checked="" type="checkbox"/> Background Attached	<input type="checkbox"/> Recommendation Continued
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Recommended by the Department  Greg Clausen, P.Eng. General Manager of Infrastructure Services	Recommended by the C.A.O.  Doug Nadorozny Chief Administrative Officer
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Report Prepared By	Division Review
 Wendi Mannerow, P.Eng. Water/Wastewater Engineer	 Nick Benkovich Director of Water/Wastewater Services

Background

During the November 23rd, 2009 Finance Committee meeting, Council requested a report on contingency accounts as well as several other envelopes in the Water / Wastewater Capital submission. In response to the Committee's request, the following information is provided:

Contingency for Construction of Watermain Priority and Watermain with Roads Priority Projects

This contingency account provides additional funding for a variety of purposes in relation to the 'Watermain Priority' and 'Watermain with Roads Priority' capital projects, as required throughout all phases of the project, from design to construction.

Capital projects are subject to high variability in construction costs and although the detailed design cost estimates are based on historical pricing, the construction costs will normally vary due to economic environment and time of year.

As per our current standard of practice, CGS capital budget cost estimates are based on conceptual designs. As a project progresses, a detailed design is completed, enabling a more accurate estimate to be produced that includes costs such as those based on geotechnical information and a more refined scope of work. Once the detailed project budget estimate is complete, additional funding may be required to cover the refined estimate and typically funds from this contingency account are used to supplement the original capital account to permit the tendering process to proceed.

Contingency accounts are also utilized to fund engineering consultants' fees in circumstances when it is determined part way through the year that there is not enough appropriate / specifically qualified design or contract administration staff to complete the project.

As well, during construction, contingency accounts typically provide funds for unanticipated field conditions (ie. soils / rock / groundwater elevations or new condition assessment information of infrastructure) which may result in a change of scope of the work to cover the additional costs, above the tendered price.

This contingency account also provides funding for watermain work that is determined to be required during the construction of a Roads Priority project, based on actual field conditions. This work would not have been anticipated during the capital budget planning process, based on information available at that time.

Historically, this contingency item was allocated in the capital budget at approximately 30% of the total 'Watermain Priority' and 'Watermain with Roads Priority' projects and a significant portion of, if not all of this account has been utilized. During these tough economic times, it is important that a contingency be maintained therefore it is strongly suggested that any value lower than 15% may impact the appropriate completion of capital projects in the 'Watermain Priority' and 'Watermain with Roads Priority' projects. Without this contingency funding, recommended replacements/repairs/upgrades may not be completed.

Contingency for Construction of Sewer with Watermain Priority Projects

Similar to the Watermain contingency account noted above, this Sewer with Watermain priority projects contingency account provides funding for a variety of purposes required at all phases of the project, from design to construction.

Specifically to sanitary sewer construction however, is the challenge of physical conflicts of the infrastructure during construction. Often, the design intends for minor work on the sanitary sewers during a 'Watermain or Roads Priority' project, based on available information (ie. camera reports, historical files). During the actual construction however, previously unanticipated replacement / repairs are found to be required. Funds are provided from this contingency account for the resulting additional work.

Historically this contingency item was allocated in the capital budget at approximately one-third of the watermain contingency item and a significant portion of this account has been routinely utilized. It is important that a 'Sewer with Watermain' contingency be maintained at that ratio as any value lower may inhibit the appropriate completion of capital projects in the 'Sewer with Watermain' envelopes. Without this contingency funding, recommended replacements/repairs/upgrades may not be completed.

Contingencies (Distribution and Collection)

The Distribution and Collection Contingency accounts provide funding for emergency operational requirements, resulting in large scale capital expenditures provide funding operational requirements such as equipment purchase or emergency system components such as piping and valves, that exceed the operational budgetary capabilities.

Engineering recommendations are frequently required to support operational efforts particularly during emergency situations involving infrastructure repairs. During emergency situations, detailed engineering design is not possible due to the time constraints associated with the urgent nature of the work. Engineering assessments and recommendations improves decision making resulting in a better quality of finished product. For example, geotechnical investigations are required in support of major repairs of underground infrastructure such as emergency watermain repairs under creek crossings or other sensitive locations.

The original proposed budget envelope for 2010 is based on the historical average actual requirement from past years.

Council also requested additional information on the following envelopes:

System Improvement

The System Improvement allocation relates to strategic development related initiatives such as industrial parks as well as commercial and institutional sites which provide economic benefits to the community. The budget envelope for 2010 is based on the average allocation the City spends annually to cover the City's share of improving sewer and water main capacity to facilitate these important initiatives.

Without appropriate funding to share the burden of the infrastructure improvement costs, strategic development may be hindered.

Based on the critical nature of this envelope, we recommend that the funding remain at the level proposed.

Water Efficiency Plan

A Water Efficiency Plan is a valuable tool within a municipality. Most of the other OMBI municipalities have Water Efficiency plans in place to define programs that allow for the most cost effective use of existing water supply facilities to defer construction of additional supply facilities where possible.

A Water Efficiency Plan would define a 3 to 5 year strategy for both water efficiency and conservation programs that best suit the needs of our community based on in-depth study of the influences specific to each system. Typically, such plans define a 5 year program that includes items such as (but not limited to); General Public Education, Outdoor Water Use Reduction, Efficient Fixture Replacements, Industrial, Commercial and Institutional Efficiencies, and Municipal Leak Reduction.

The aim of such a Plan is to optimize the use of current infrastructure to defer facility expansion projects and contain production costs.

The proposed budget envelope for 2010 provides for the development of such a Water Efficiency Plan for the CGS. The Request For Proposal for this project is currently in draft with an expected award date late in the first quarter of 2010 with work on the plan commencing soon after the award.

As this project represents an important priority, we recommend that funding be maintained at the level proposed.

The information presented in this Report has been considered and incorporated into the Budget Reduction Options Report to the Finance Committee dated November 30, 2009.

Request for Recommendation Finance Committee



Type of Decision									
Meeting Date	November 30, 2009			Report Date	November 26, 2009				
Decision Requested		Yes	x	No	Priority	x	High		Low
	Direction Only				Type of Meeting	x	Open		Closed

Report Title
Water / Wastewater Communication Upgrades

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

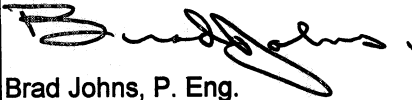
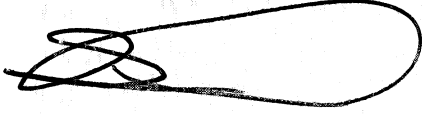
	For Information.
<input checked="" type="checkbox"/> Background Attached	<input type="checkbox"/> Recommendation Continued

Recommended by the Department

Greg Clausen
 Greg Clausen, P.Eng.
 General Manager of Infrastructure Services

Recommended by the C.A.O.

Doug Nadorozny
 Doug Nadorozny
 Chief Administrative Officer

Report Prepared By	Division Review
 Brad Johns, P. Eng. Facilities Engineer, Water/Wastewater Services	 Nick Benkovich Director of Water/Wastewater Services

Background

During the November 23rd, 2009 Finance Committee meeting, Council requested a report on the status of Communication Upgrades in the Water / Wastewater Capital submission. In response to the Committee's request, the following information is provided:

Water & Wastewater Services operates and monitors approximately 150 facilities. Until recently the majority of the facilities used either radio frequency or telephone lines to transmit information to the main treatment plants. The remaining facilities have been using fibre communications for at least five years.

Compared to fibre technology, radio frequency and telephone technology have a much lower reliability, higher failure rate, the inability to process large amounts of data and the inability to provide the same degree of remote operating capabilities required to support today's operational requirements. Both technologies are 30 years old and have become obsolete. Critical spare parts are no longer available. Presently, any decommissioned radio or telephone equipment that is functional and has been removed from facilities is stored and used to repair or replace existing equipment. There is a high maintenance cost for keeping the older technologies operational.

Radio system failures, which are not uncommon, are difficult to trace and may take several days to locate before staff can fix the problem. During these outages, system monitoring is compromised adding risk to our customers.

Unless fibre communication is used, the information/data that can be transferred across the SCADA (Supervisory Control and Data Acquisition) system to the main plants is extremely limited. In recent years, more data is required to meet regulations. The older technologies are unable to meet these demands. The ability to fully control and monitor all sites, and particularly the more remote sites is available with current fibre communications.

Most of the recent upgrades have been less costly sites. Since the beginning of 2008, twenty percent (30 of 150) of the facilities have been upgraded to fibre. The failure rate at these locations has now decreased dramatically, to the point where their operating reliability is at least 99%. After hour call-outs with respect to communication failures have almost been eliminated at these facilities. Eighty per cent of the facilities have yet to be upgraded. Approximately 30 additional sites are proposed to be upgraded in 2010.

In January of 2008 Water & Wastewater hired a SCADA technician who has been able to move the communications upgrade program forward at a greater pace. A list of facilities that have been upgraded since 2008 is contained in this report. A list of 24 of the 30 facilities to be upgraded in 2010 is also listed. There are 6 facilities that have yet to be confirmed through the review and prioritization process. Staff are in the process of developing a detailed short-term and long-term communications upgrade capital program.

Listed below are the Facilities where Communications Upgrades have taken place since 2008:

Water Facilities

1. Val Caron Booster
2. Inco Garson Well #1
3. MR24 Lively Valve
4. Mott Booster
5. Falconbridge Wells No. 5, 6 & 7
6. Falconbridge Tank
7. Riverside Well
8. Lionel Well
9. Dowling Tank
10. Onaping Wells
11. Onaping Pressure Control Facility
12. Craig tank
13. Centennial Booster (ongoing)

Wastewater Facilities

1. Chelmsford WWTP
2. Coniston WWTP
3. Don Lita (Lift Station)
4. Mark L.S.
5. Kincora L.S.
6. Dufferin L.S.
7. St. Charles L.S.
8. Beverly L.S.
9. Walford East L.S.
10. Sherwood L.S.
11. Michel L.S.
12. Government Road L.S.
13. Ramsey Lake L.S.
14. Helen's Point L.S.
15. St. Isidore L.S. (ongoing)
16. Fraser L.S. (ongoing)
17. Levack WWTP

Rock Tunnel

1. Marcel/Bouchard
2. Caswell
3. Old Burwash
4. Oriole
5. Access

Listed below are the Facilities identified for Communications Upgrades in 2010:

Water

1. Walden Tank
2. Wanapitei WTP Intake
3. Magill Metering Station
4. Jogues Booster
5. O'Neil Valve
6. Maley Booster

Wastewater

1. Stinson Valve Chamber
2. Fraser Lift Station
3. Simon Lake East L.S.
4. Simon Lake West L.S.
5. Oja L.S.
6. Spruce L.S.
7. Countryside L.S.
8. Edward L.S.
9. Fleming L.S.
10. Vagnini L.S.
11. Magill L.S.
12. Marier L.S.
13. Jeane D'Arc L.S.
14. Principale L.S.
15. Tena L.S.
16. Landry L.S.
17. O'Neil L.S.
18. Lakeview L.S.

The remaining six sites are being finalized.

Request for Recommendation Finance Committee



Type of Decision							
Meeting Date	November 30, 2009			Report Date	November 24, 2009		
Decision Requested	X	Yes	No	Priority	X	High	Low
	Direction Only			Type of Meeting	X	Open	Closed


Report Title
2010 Water and Wastewater Reduction Options

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 Water and Wastewater reductions in the amount of \$_____, which results in an overall increase of _____% in the Water/Wastewater User Fees; and</p> <p>THAT the necessary by-law be prepared.</p>
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X	Background Attached		Recommendation Continued
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Recommended by the Department




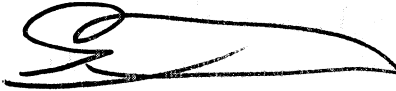
Lorella Hayes
Chief Financial Officer/
Treasurer

Greg Clausen, P. Eng
General Manager of
Infrastructure Services

Recommended by the C.A.O.



Doug Nadorozny
Chief Administrative Officer

Report Prepared By	Division Review
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BACKGROUND

The draft Water/Wastewater Budget presented to Council on November 16, 2009 reflected an overall increase in user fees of 8.4%. At that time, staff presented three possible reduction options affecting Capital that would effectively reduce the rate increase to 5.8%.

At the Finance Committee meeting of November 23, 2009, Council recommended the deferral of additional 2010 Capital Budget allocations for Water/Wastewater Master Plan (\$800,000) and Work Management System, Data Management Initiatives, GIS Integration (\$200,000) for a total of \$1,000,000 that would effectively reduce the 2010 overall water/wastewater rate increase to 3.8%.

The reduction options, as well as an explanation of the possible effects on service delivery, are described below:

Reduction Options

The options for Council's consideration are as follows:

1. Defer the 2010 capital allocation for Water Wastewater Plan and Work Management/Data Management Initiatives & GIS Integration
2. Forego 2% Inflationary increase on Capital Envelopes
3. Defer 50% of Annual Sustainable Asset Management Plan (SCAMP) contribution
4. Defer remaining 50% of Annual SCAMP contribution

The following chart illustrates the impact of the reduction options on the Water/Wastewater operating budgets and overall water/wastewater rates:

	Water	Wastewater	Total	Rate Effect	Overall rate
2010 Capital Envelopes	\$11,239,297	\$11,303,717	\$22,543,014		8.4%
1. Defer 2010 allocation for master plan and data management/GIS Integration	(\$500,000)	(\$500,000)	(\$1,000,000)	(2.02%)	6.4%
2. Forego 2% inflation on capital envelopes	(\$212,535)	(\$213,014)	(\$425,549)	(.86%)	5.5%
3. Defer 50% SCAMP contribution	(\$200,000)	(\$220,000)	(\$420,000)	(.85%)	4.7%
4. Defer remaining 50% SCAMP contribution	(\$200,000)	(\$220,000)	(\$420,000)	(.85%)	3.8%
Subtotal Reductions	(\$1,112,535)	(\$1,153,014)	(\$2,265,549)	(4.58%)	3.82%
Revised 2010 Capital Envelopes	\$10,126,762	\$10,150,703	\$20,277,465		3.82%

Impact

Accepting the potential reduction options would result in reduced capital spending by \$2.3 million for 2010. The capital envelopes will be reduced to just over \$20 million, which approximates about 50% of the \$40 million of capital spending recommended by industry best practices on infrastructure systems with an estimated replacement value of \$2 billion as at December 31, 2007. Unfunded projects identified for 2010 alone include \$6 million for the Wanapitei Alternate Trunk Main, numerous watermain projects valued over \$10 million, and Biosolids estimated at \$30 million. In addition, future water envelope commitments of \$11.5 million over the next ten years are required to fund the City's share of the \$18 million Levack water supply project.

The possible impact of deferring specific projects is as follows:

- Deferring \$800,000 of master plan allocation may result in some recommended Environmental Assessments (EA) that may emanate from the Master Plan having to be funded on an individual basis which may delay the progress towards implementation at least one year.
- Deferring the prefunding of \$225,000 towards the St. Charles Lift Station upgrade with a total estimated cost of \$5 million may result in the need to fund the project over a shorter period of time.
- The deferral of prefunding of \$162,500 for the Penman Avenue watermain project to 2011, would not pose significant delays as the project is developer driven, and at this time there is no firm commitment on the dates. The project was to be funded over 2010 and 2011 for a total of \$325,000, and will now be funded over 2011 and 2012.
- Pursuant to a separate report titled Water/Wastewater Capital Contingency Allocations dated November 26, 2009, the reduction of contingency accounts may either restrict the scope of projects or limit projects that are able to be completed if tenders on related projects come in higher than the estimate. However, based upon current economic conditions staff are optimistic that the reductions will be manageable as recent tender results have been favourable.

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- The remaining projects affected by the proposed reduction options will result in either project deferrals or scope reductions.

A list of the projects affected by the proposed reductions is attached.

SUMMARY

The proposed overall water/wastewater rate increase is 8.4%. The options range from \$425,549 or 0.86% to \$2,265,549 or 4.6% reduction in capital expenditures and overall rate respectively.

If approved, the four capital reduction options would result in the Water/Wastewater capital budget being set at approximately \$1 million below the 2009 capital budget. This would result in a Water/Wastewater overall rate increase for 2010 of 3.8%.

Further reductions of \$400,000 could lower the overall increase to 3%, but may further limit the ability to effectively co-ordinate with Roads priority capital projects and achieve Water/Wastewater capital priorities.

Based on the direction from Council, the Water and Wastewater rate By-law will be prepared for Council's approval.

**CITY OF GREATER SUDBURY
 2010 WATER AND WASTER WATER BUDGET
 BUDGET REDUCTION OPTIONS - PROJECT LIST**

	Project Description	WATER	WASTEWATER	TOTAL
OPTION 1 COUNCILLOR REFERRAL	Defer 2010 Allocation W/WW Infrastructure Master Plan	\$ (400,000.00)	\$ (400,000.00)	\$ (800,000.00)
	Defer 2010 Allocation Work Management System, Data Management Initiatives, GIS Integration	\$ (100,000.00)	\$ (100,000.00)	\$ (200,000.00)
SUB TOTAL				\$ (1,000,000.00) A
OPTION 2, 3, 4 DEPARTMENTAL SUBMISSIONS	Forego 2% Inflation on capital Envelopes	\$ (212,535.00)	\$ (213,014.00)	\$ (425,549.00)
	Defer 50% SCAMP Contribution	\$ (200,000.00)	\$ (220,000.00)	\$ (420,000.00)
	Defer Remaining 50% SCAMP Contribution	\$ (200,000.00)	\$ (220,000.00)	\$ (420,000.00)
SUB TOTAL				\$ (1,265,549.00)
OPTION 2, 3, 4 DEPARTMENTAL SUBMISSIONS PROJECT LIST	Contingency (Distribution and Collection)	\$ (174,535.00)	\$ (119,717.00)	\$ (294,252.00)
	Contingency (Water and Sewer with Roads)	\$ (55,500.00)	\$ (47,000.00)	\$ (102,500.00)
	Polyphosphate Installation - Valley Wells	\$ (100,000.00)		\$ (100,000.00)
	Operating Manuals & As-builts (Distribution and Collection)	\$ (10,000.00)	\$ (10,000.00)	\$ (20,000.00)
	Operating Manuals & As-builts (Plants - system wide)	\$ (110,000.00)	\$ (50,000.00)	\$ (160,000.00)
	Pollution Prevention and Control Plans		\$ (175,000.00)	\$ (175,000.00)
	St Charles Lift Station		\$ (225,000.00)	\$ (225,000.00)
	Penman Avenue watermain	\$ (162,500.00)		\$ (162,500.00)
	Sewer Lining/Manhole Rehabilitation		\$ (26,297.00)	\$ (26,297.00)
	SUB TOTAL			
TOTAL REDUCTIONS		\$ (1,112,535.00)	\$ (1,153,014.00)	\$ (2,265,549.00) A+B