

# Budget13 An Introduction

## Mission, Vision and Values

The City of Greater Sudbury is a growing, world-class community bringing talent, technology and a great northern lifestyle together. We are committed to providing excellent access to quality municipal services and leadership in the social, environmental and economic development. In fulfilling our roles we commit ourselves to providing high quality service with a citizen focus; managing the resources in our trust efficiently, responsibly and effectively; encouraging innovation and accepting risks; maintaining honest and open communication; creating a climate of trust and a collegial working environment; and, acting today in the interests of tomorrow.

## Strategic Goals and Strategies

The City of Greater Sudbury provides municipal services to approximately 160,000 citizens within its vast geographic boundaries. In 2012, Greater Sudbury City Council approved the City of Greater Sudbury Strategic Plan 2012-2014. The focus and intention of Council and the City toward key priorities will contribute to great outcomes as a whole. The 2012-2014 Priorities of Greater Sudbury City Council are:

**Infrastructure:** Maley Drive; Industrial Lands; Ranking of Roads for Investment; Master Plan Water and Wastewater.

**Growth and Jobs:** Development Opportunities ie. Ferrochrome Processing Refinery; Minimizing Red Tape for Developers/Development.

**Image:** Community Profiling; Rock of Fame; Enhancing Communications.

**Tourism:** Increased Multi-Use Space, Convention Centre; Tourism Tagline; Amphitheatre; Bud Car/Tourism Train; Motorsports Park.

**Healthy Community:** Promoting Sudbury as a Healthy Community; Therapeutic Pool.

Priorities are outlined in the Strategic Plan 2012-2014 and help the City of Greater Sudbury in managing an annual operating budget of in excess of \$497 million.

The annual budget process is guided by City Council. Each City department is responsible for overseeing numerous programs and services that keep the City running every day, and provide a great northern lifestyle to residents.

## Toward Fiscal Sustainability Plan

Over the past few years, the City faced a number of challenges that required us to rethink some of the ways we work. In 2010, the City tabled the Toward Fiscal Sustainability Plan and laid out priorities and action items to manage fiscal challenges and opportunities. Consistent with past years, the 2013 approved operating budget includes \$2.8 million of cost reductions and efficiencies, including attrition which have been identified and reduced the municipal levy or provided a source of capital funding.

## Long Term Financial Policies

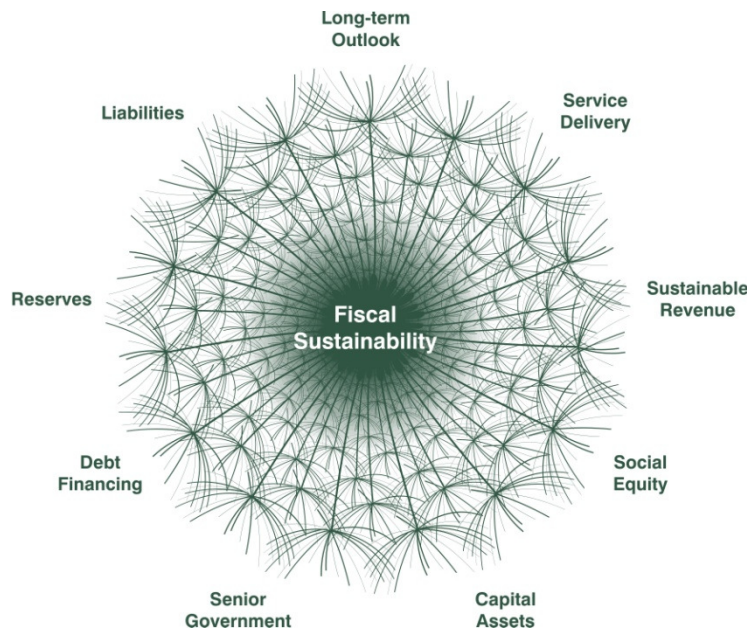
In 2002, Council adopted the Long Term Financial Plan and related policies and principles. These principles and policies are used in managing the financial affairs of the City. The nine principles are:

1. Ensure Long Term Financial Sustainability
2. Deliver Services in a Cost-effective and efficient manner
3. Ensure operating revenues are sustainable and Consider Community-wide and Individual Benefits (Taxes versus User Fees)
4. Meet Social Equity Objectives Through Specific Programs
5. Manage the City's Capital Assets to Maximize Long Term Community Benefit

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

The financial policies, as well as the action items identified in the 'Toward Fiscal Sustainability Plan' have been designed to ensure that the City is fiscally sustainable and has sufficient resources to provide the services that the community expects.



## Operating and Capital Budgets

The City of Greater Sudbury has two budgets: operating and capital.

2012 Operating Budget:  
\$486 million

2013 Operating Budget:  
\$497 million

The operating budget is used for ongoing costs that recur year after year. These costs are related to the City's day-to-day operation. The largest part of the operating budget is paid to staff that provide City services – like police officers, fire fighters, transit drivers, roads and parks maintenance staff. The operating budgets for services such as these are funded largely by property taxes and user fees. In addition, Water and Wastewater operations are fully supported by user fees.

The capital budget includes one-time costs related to long-term investments that have a useful life, such as roads, bridges, recreation facilities and libraries. This budget is largely funded through contributions from the property tax levy, water/wastewater user fees, grants from senior levels of government, and reserves and reserve funds. The capital budget document includes the current year capital projects and the outlook for the next four years.

2012 Capital Budget:  
\$96 million

2013 Capital Budget:  
\$109 million

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## City's Operating Budget, Planning at a Glance

The budget preparation is a three stage process.

The first stage of budget process commences in May of each year, and includes the preparation of a Preliminary Forecast of the upcoming budget and/or Three Year Forecast. This forecast is presented to Council for review and acceptance.

The second stage of the budget process is prepared and in accordance with the Base Budget Preparation Policy. An analysis is prepared of inflationary pressures such as wage adjustments in accordance with collective bargaining agreements, contract and material price increases. The following price increase assumptions were used to develop the 2013 budget.

- Electricity prices - 5%
- Natural gas prices - Overall reduction of 35% based on negotiated supply prices
- Inflation - 0%; Note: General inflation was not applied due to budget constraints
- Water - 4%
- Fuel - \$1.12 per litre for both diesel and gasoline, which is consistent with 2012.
- Contributions to capital funding - 4.1% (as per the Non-Residential Construction index for the 2nd quarter of fiscal 2012)

Operating departments and Finance staff review projected year end actuals against budgets to identify variances such as overruns, areas that need more resources to maintain service levels or items that can be cut or reduced while still maintaining service levels. Also, a review of historical trend analysis is performed to verify the accuracy of the budget. Any adjustments are in accordance with the Base Budget Preparation Policy. The budget also reflects any known funding approvals from senior levels of government or partnerships. Any requests for additional permanent staff must be approved by Council. The program support allocations and internal recoveries are in accordance with OMBI methodology.

A review is also conducted of mandatory pressures, such as, provincially mandated programs and service contracts, costs to service growth, as well as annualization pressures of prior year Council decisions and commitments.

Assessment growth is applied to total pressures to reduce the impact on tax levy requirements.

The 2013 budget increase maintains existing service levels and standards, with an inflation based goal.

The 2013  
municipal tax  
increase  
= 2.9%

The final stage of budget review addresses enhancement requests. All enhancement requests, if approved by the CAO, are presented to a Standing Committee for review and referral to the Finance Committee for final approval.

## Reserve and Reserve Funds

The City maintains reserve and reserve funds in accordance with the Reserve and Reserve Fund By-law. They are a critical component of a municipality's long-term financing plan. The purpose of maintaining reserves is to:

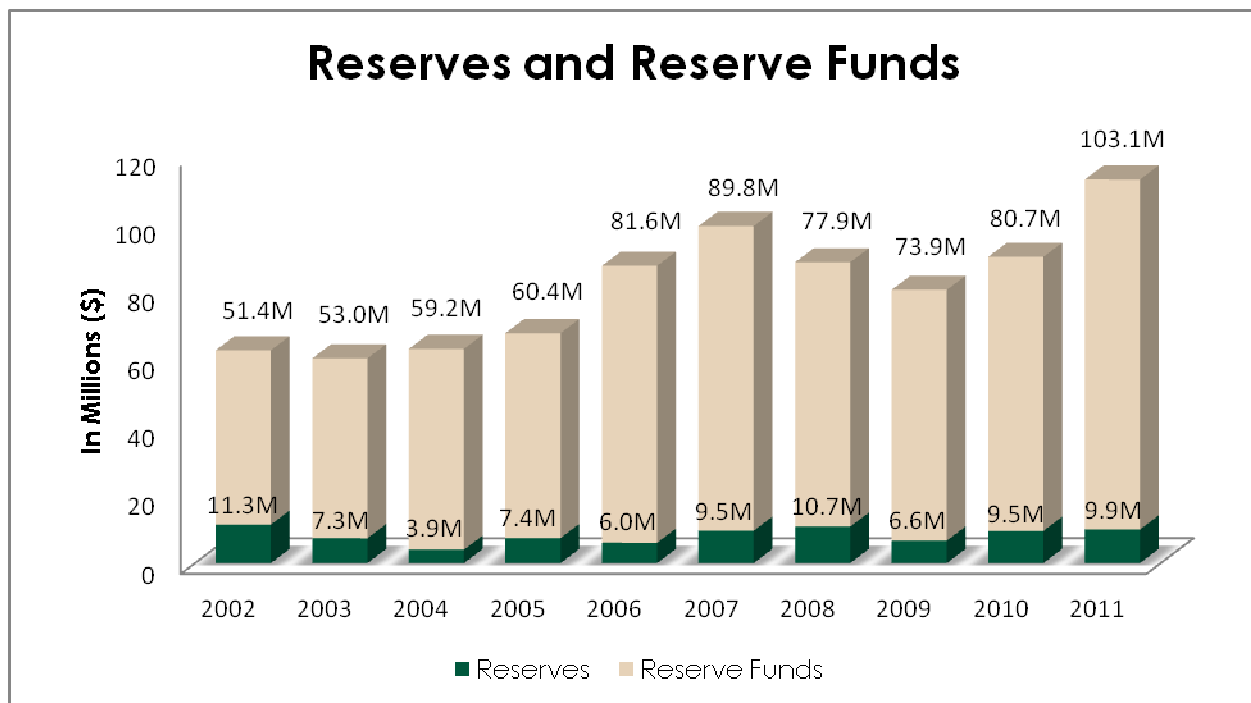
- ▶ Provide stability of tax rates in the face of variable and uncontrollable factors (consumption, interest rates, unemployment rates, changes in subsidies)

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- ▶ 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.

The following is the historical trend in the City's Reserve and Reserve Funds:



The City of Greater Sudbury's Reserve and Reserve Funds have increased since 2002 from \$51.4 million to \$103.1 Million at the end of 2011. However, 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 taxation, as identified in the 2011 BMA municipal study.

## Long Term Debt

One of the principles in the Long term financial plan, states that debt financing should be used, where appropriate. More specifically, debt financing should only be considered for:

- ▶ New, non-recurring infrastructure requirements
- ▶ Programs and facilities which are self-supporting; and
- ▶ Projects where the cost of deferring expenditures exceeds debt servicing costs

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As of December 31, 2011, the City had \$46 million of debt outstanding. The City's debt interest as a percentage of Revenues was 0.6%, and well below the 2011 BMA Study median of 1.3%. During 2013, staff will be preparing a debt management policy and will be exploring the use of additional debt financing, where appropriate.

## Five Year Historical Trend Analysis - 2008 to 2012 and 2013 Approved Budget

As illustrated below, the City's Gross Budget has decreased to \$493 million for 2013. The decline is mainly attributed to the Provincial uploading of Ontario Drug Benefits, Ontario Disability Support Program, and a corresponding decrease in Provincial Grant revenues occurred. These reductions were off-set by increases in salaries and benefits expenses, in accordance with contractual obligations, energy costs, increased investments in capital and general inflation requirements, and Council approved initiatives and service enhancements.

## Gross Expenditures Summary (2008 – 2013):

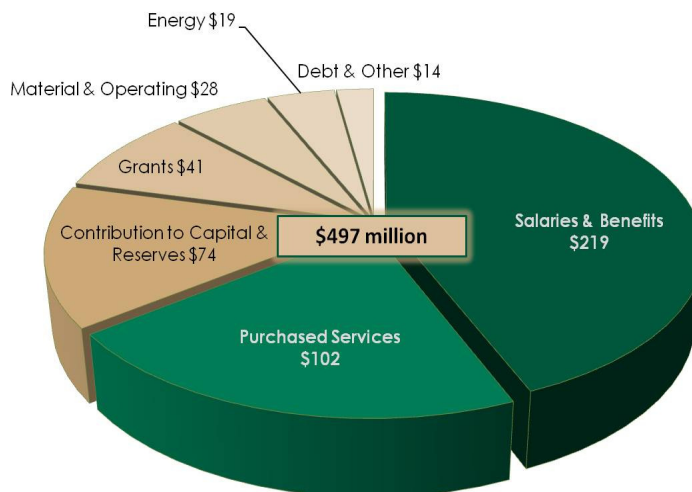
2008 Budget: <b>\$514</b>	2009 Budget: <b>\$510</b>	2010 Budget: <b>\$518</b>	2011 Budget: <b>\$471</b>	2012 Budget: <b>\$487</b>	2013 Budget: <b>\$497</b>
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The difference between total expenditures and revenues, is the municipal tax levy. This is the amount required to be raised by property taxes to ensure a balanced budget. The total gross budgeted expenditures for the City are \$497 million and are funded with property taxation of \$222 million and other revenues of \$274 million.



## The composition of the 2013 Gross Budget: (in millions)

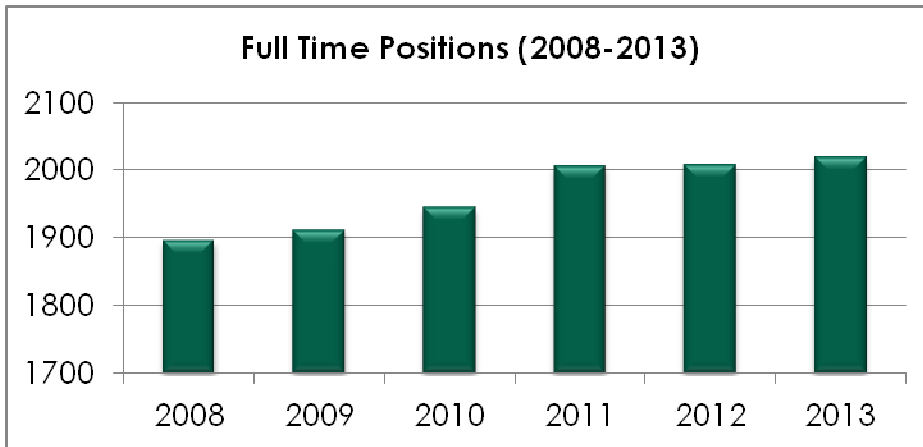
Overall, gross budget expenditures increased 2.0% from the approved 2012 budget.



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## 2008 to 2012 Historical Staffing and 2013 Approved Staffing Levels

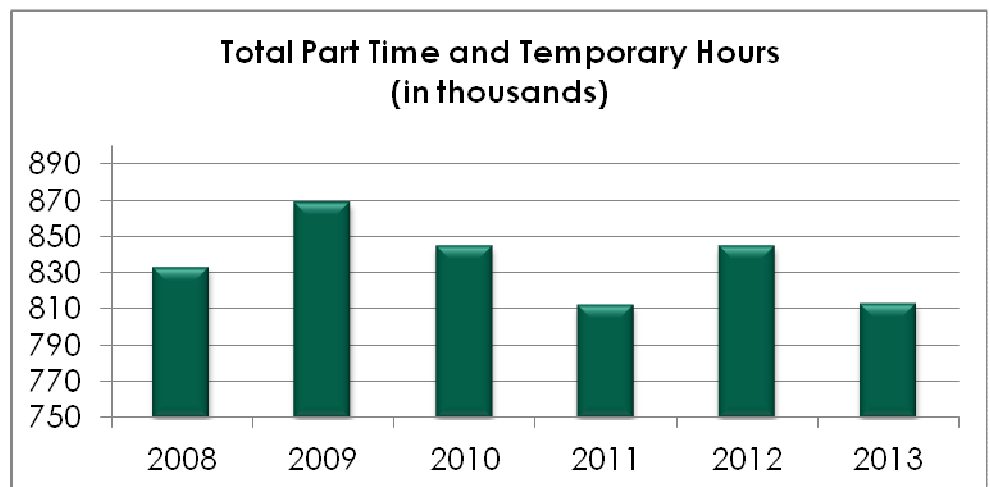
As illustrated below, since 2008, full time positions increased by 124 from 1,895 to 2,019. The increases are primarily attributed to service level enhancements based on Council approved initiatives or meeting the growth needs of our City. More specifically, full time staff was increased in Pioneer Manor, Regional Geriatric Program, Roads operations, transit ridership initiatives, building services, economic development, planning and development, Police and the Airport. A number of these full time positions were funded from Provincial Grants, other revenues or conversion of temporary hours to permanent positions. In accordance with the base budget preparation policy, any increase to full time positions must be approved by Council.



As part of the attrition strategy, 5 permanent positions have been eliminated since 2012.

During 2012, City Council approved positions required to meet growth related needs in the areas of Building Services and the Airport which increases the total number of employees to 2019.

The total number of part time and temporary hours has decreased by approximately 16,000 since 2008.



Since 2008, part time and temporary hours decreased by 16,425 from 833,059 to 816,634. The majority of the decrease is attributed to conversions to full time positions for Long Term Care. The decreases are offset by increases in Roads, Water/Wastewater and Land Ambulance. In accordance with the base budget preparation policy, any increase in part time or temporary hours must be funded by offsetting savings or revenues, unless otherwise approved by Council or Committee.



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## 2013 Operating Budget at a Glance

This operating budget delivers on Council's request to maintain low property taxes. The budget, provides a municipal levy increase of 2.9% net of assessment growth and includes increases to the Outside Boards. The chart to the right is a breakdown of the tax increase.

The approved 2013 budget includes \$2.8 million of fiscal sustainability initiatives that have reduced the municipal tax levy or provide a source of capital funding.

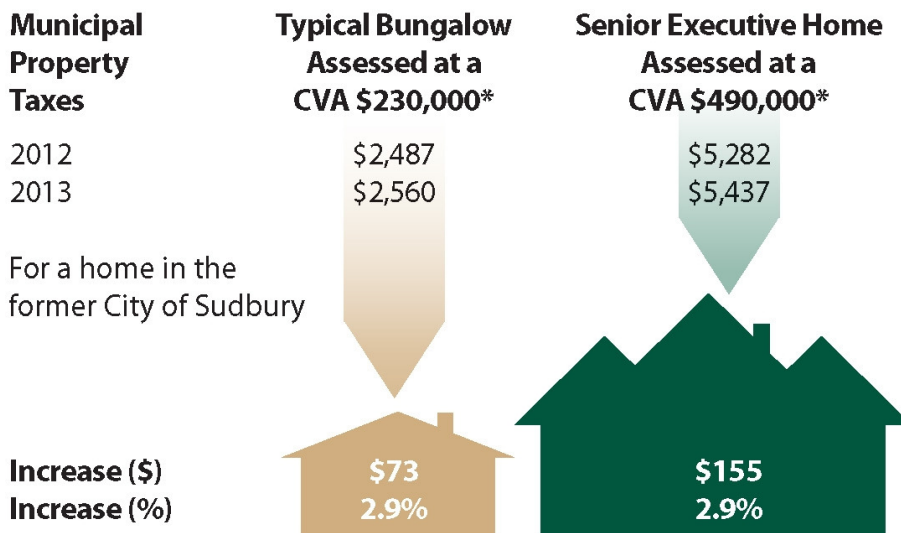
This approved budget ensures:

- ✓ Council's approved initiatives are funded within the budget
- ✓ Legislative and contractual obligations are satisfied
- ✓ Council approved service and standard levels are maintained
- ✓ Cost of providing services is minimized
- ✓ Other revenue sources are maximized to minimize impact on property taxes

	Levy Increase (millions)	Municipal Tax Increase
Maintaining Services	\$4.2	1.9%
Additional Capital Investments and Roads	\$2.5	1.2%
Outside Boards (Police, NDCA)	\$1.7	0.8%
Subtotal	\$8.4	3.9%
Less Estimated Assessment Growth		1.0%
<b>Total Municipal Levy Increase</b>	<b>\$8.4</b>	<b>2.9%</b>

## Impact of 2013 Municipal Tax Increase on Typical Households

### Impact of 2013 Municipal Tax Increase on Typical Households



\* 2013 phased in values of \$197,000 and \$419,000. CVA = Current Value Assessment

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## Your Municipal Property Taxes at Work

The following chart illustrates the proposed distribution of the municipal property tax revenues across service areas.

Municipal Services per \$1000 in property taxes:



## Approved Budget Steps

The 2013 to 2017 Capital Budget and Outlook was approved by the Finance and Administration Committee on October 23rd, 2012. The Capital Budget was approved by City Council on October 30, 2012.

The 2013 Operating Budget was tabled to the Finance and Administration Committee on November 6th, 2012. The Finance and Administration Committee reviewed the departmental operating budgets at various meetings throughout November and December.

The Finance and Administration Committee approved or recommended amendments to the operating budget and budget options throughout the budget process.

The Water/Wastewater budget was reviewed in November 2012. Council approval of Water/Wastewater user fees was in December 2012.

The Operating budget and municipal tax increase was approved by City Council in December 2012.

Tax Policy and final tax rates will be approved by Council in the spring 2013.

The Council approved budgets are monitored on a daily and monthly basis by departments. Monitoring and or amendments to the Council Approved Budgets are only made in accordance with Operating Budget Policy or the Capital Policy.

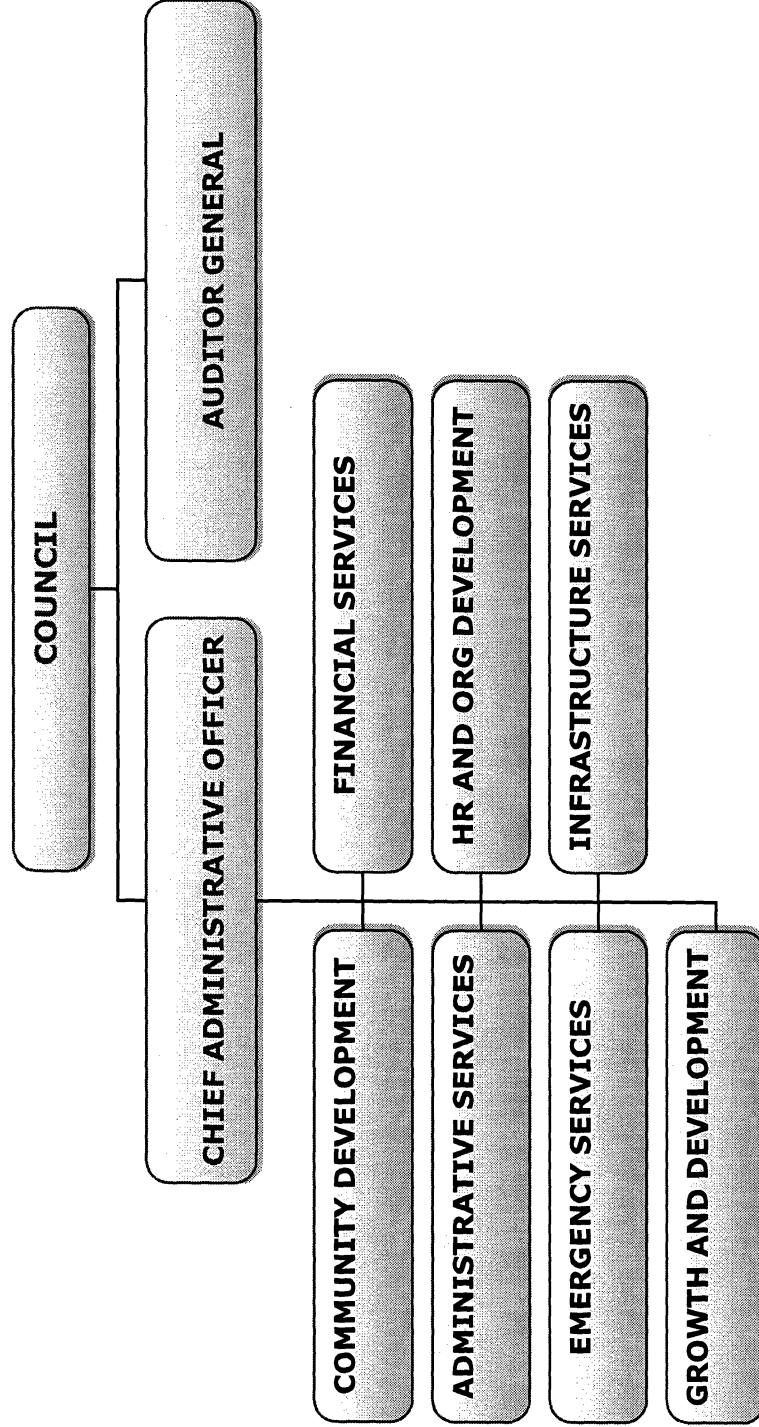




# City of Greater Sudbury

Creation 06/13/11 Last Modified 11/01/12

APPENDIX A: Organization Chart - Leadership

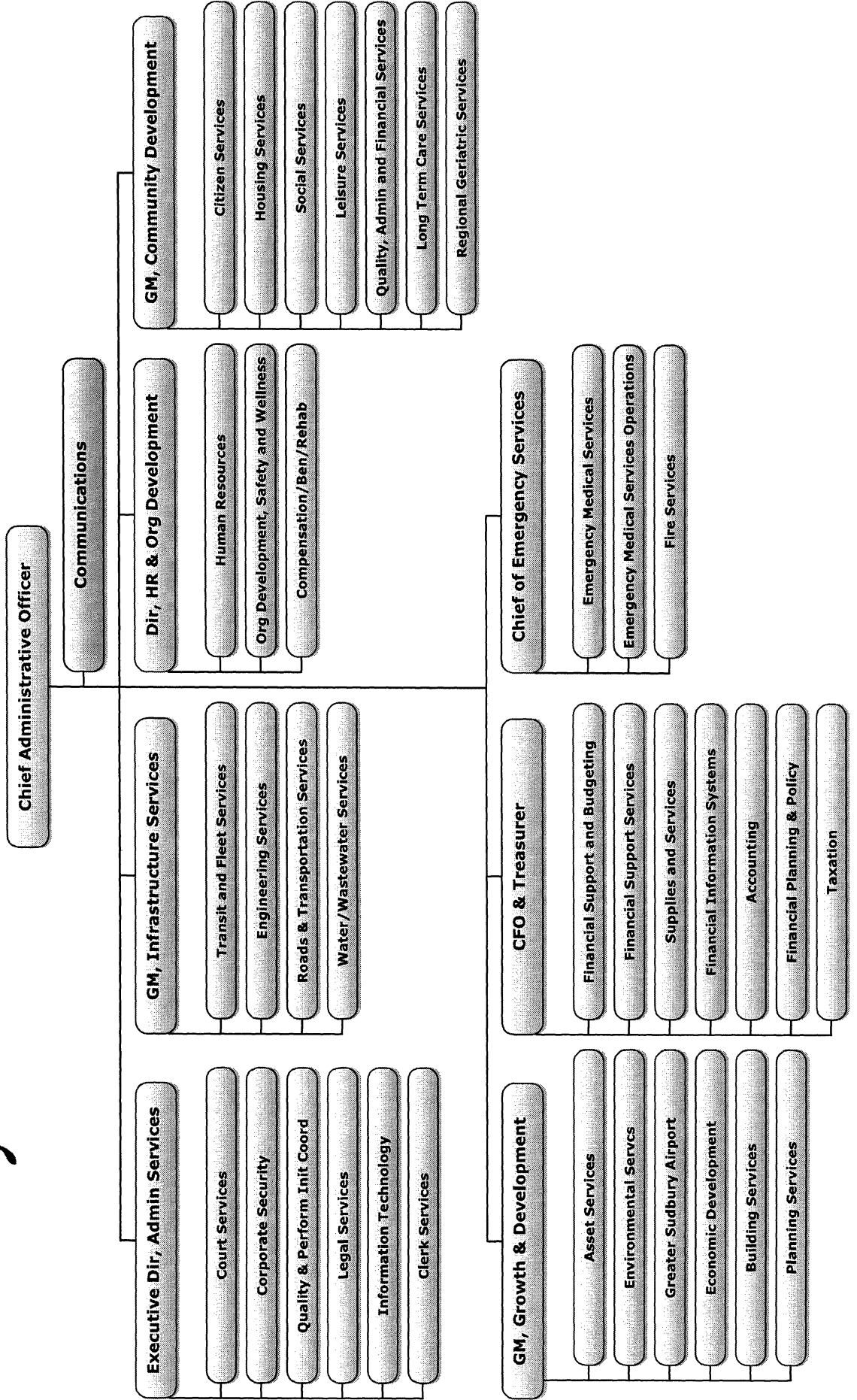




**City of Greater Sudbury**

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APPENDIX A: Organization Chart - Leadership



## OVERVIEW

Over the past decade, the City of Greater Sudbury has participated in two comprehensive benchmarking initiatives, the Municipal Performance Measurement Program (MPMP) and Ontario Municipal CAOs Benchmarking Initiative (OMBI). Performance Measurement is more than data gathering; a fully implemented program incorporates analysis of results in order to determine opportunities for performance improvement.

### Municipal Performance Measurement Program (MPMP):

- Provincially mandated (mandatory);
- Covers twelve (13) service areas, with 92 separate effectiveness and efficiency measures.
- Report to Citizens is posted each September on the City's website.

### Ontario Municipal CAOs Benchmarking Initiative (OMBI):

- A voluntary collaboration of 14 Ontario municipalities (representing more than 70% of province's population) plus Calgary and Winnipeg;
- Covers thirty-seven (37) service areas, with more than 800 measures collected (includes the MPMP measures);
- OMBI's annual Performance Benchmarking Reports are posted on City's website.

MPMP and OMBI reports are made available to citizens on the City's website, at <http://www.greatersudbury.ca/cms/index.cfm?app=mpmp&lang=en> .

## WHAT IS BENCHMARKING?

Benchmarking provides an objective, measurable way to determine how well a municipality is performing. It provides a point of reference against which performance can be measured and compared. Result trends can be examined over several years and compared to other municipalities' results, to gain a better understanding of the information and to identify best or better practices to enhance service delivery to citizens.

Benchmark data continues to support efforts to *Rethink, Refocus, Rebalance Initiative on Fiscal Sustainability*. The insights provided from reviews or analyses of OMBI results can support prospective or ongoing internal process reviews, decision-making, and, in cases of substantive change or opportunities, will inform reports to Council.

OMBI-led PROJECTS IN SUPPORT OF MORE ANALYSIS:

To support higher levels of analysis activity using the OMBI data-set, OMBI's Board of CAOs has sanctioned exciting recent projects, still ongoing:

- A comprehensive arm's-length review of OMBI's structure and current processes is underway and will help improve analysis and use of OMBI data to effect change, that being the ultimate value-added product of OMBI participation.
- A partnership with three Ontario universities will soon provide students with access to the OMBI data-set, which introduces a new pool of talent and unique perspectives for analysis of the data for value-added meaning.

PERFORMANCE MEASUREMENT DATA IN 2013 BUDGET DOCUMENT:

Multi-year OMBI results for CGS and the peer medians are provided in graph format in the Supplementary pages of applicable cost centres.

All OMBI performance measurement data quoted in the 2013 Budget document is current as of the date indicated on the individual tables, around late August 2012.

For further information about OMBI and MPMP, contact:

Sue McCullough, Co-ordinator of Quality & Performance Initiatives