



# **FINANCE COMMITTEE AGENDA**

to be held on  
**Wednesday, March 29, 2006**  
at  
**4:30 p.m.**

**Councillor  
Eldon Gainer  
Chair**



**Councillor  
Frances Caldarelli  
Vice-Chair**



## **Finance Committee AGENDA**

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**THIRTY-THIRD MEETING OF THE FINANCE COMMITTEE  
TO BE HELD ON WEDNESDAY, MARCH 29, 2006 AT 4:30 P.M.  
IN THE COUNCIL CHAMBER, TOM DAVIES SQUARE**

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### **COUNCILLOR GAINER, CHAIR**

**(PLEASE ENSURE CELL PHONES AND PAGERS ARE TURNED OFF)**

The Council Chamber of Tom Davies Square is wheelchair accessible. Please speak to the City Clerk prior to the meeting if you require a hearing amplification device. Persons requiring assistance are requested to contact the City Clerk's Office at least 24 hours in advance of the meeting if special arrangements are required. Please call (705) 671-2489, 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](http://www.greatersudbury.ca).

1. Declarations of Pecuniary Interest

**PRESENTATIONS/DELEGATIONS**

**PAGE NO.**

**{NONE}**

**ROUTINE MANAGEMENT REPORTS**

**{NONE}**

**CORRESPONDENCE - INFORMATION ONLY**

**{NONE}**

**MANAGERS' REPORTS**

2. Report dated 2006-03-24 from the CFO/Treasurer regarding Use of Additional Ontario Municipal Partnership Fund (OMPF) 2006 Grant.  
**(RECOMMENDATION PREPARED)** **1 - 11**
- (Various options regarding the use of the additional OMPF 2006 Grant allocation of \$3.6M which was not budgeted for when the 2006 budget was approved.)
- Letter dated 2006-03-22 from Councillor Ted Callaghan regarding the above **12 - 15**
- (If the Committee adopts any option other than Option 3, an amendment to Resolution #2005-424 (which approved the 2006 current budget) will be required.)

**5:30 P.M. ADJOURNMENT (RESOLUTION PREPARED)**

**COUNCILLOR ELDON GAINER  
CHAIR, FINANCE COMMITTEE**

**CORRIE-JO CAPORALE  
COUNCIL SECRETARY**

# Request for Recommendation Finance Committee



Type of Decision									
Meeting Date	March 29, 2006				Report Date	March 24, 2006			
Decision Requested	x	Yes		No	Priority	x	High		Low
	Direction Only				Type of Meeting	x	Open		Closed

Report Title
Ontario Municipal Partnership Fund (OMPF) 2006 Unbudgeted Grant

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

Recommendation
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<p><b>Option 1</b> - \$1.5M municipal tax reduction and \$1.5M contribution to Road reserve (COMRIF) - translates into a 4.2% municipal tax increase and 2.8% overall property tax increase (includes education).</p> <p><b>Option 2</b> - Contribution to Road reserve (COMRIF), Building and Leisure reserves - does not change the municipal tax increase of 5.2% and overall property tax increase of 3.7% (includes education).</p> <p><b>Option 3</b> - Reopen the budget on a date to be determined.</p>		
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<p><b>That</b> Council approve Option 1 as outlined in the "OMPF 2006 Unbudgeted Grant" report from the CFO/Treasurer, dated March 24, 2006, to implement a \$1,476,000 municipal tax levy reduction and a \$1,482,468 contribution to the Capital Financing Reserve Fund - Roads, to be used as leverage funding for Intake 2 COMRIF projects; and</p> <p><b>That</b> a 1% municipal tax reduction, coupled with the reduction of the provincially regulated residential education tax rate, translates into an overall property tax increase of 2.8% for 2006.</p>		
<table border="1"> <tr> <td></td> <td>Recommendation Continued</td> </tr> </table>		Recommendation Continued
	Recommendation Continued	

Recommended by the Department
 Lorella Hayes Chief Financial Officer / Treasurer

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

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

## INTRODUCTION

As you are aware, the Ministry of Finance ("MOF") announced the allocations for 2006 Ontario Municipal Partnership Fund (OMPF) funding. Overall, the 2006 OMPF grant allocation to all eligible municipalities increased by 7.7% or \$51 M compared to 2005. CGS's allocation for 2006 is \$58.7 M which represents a \$3.6 M increase or 6.5%. This increase in funding has not been reflected in the 2006 budget approved by Council in December 2005. As a result, we are requesting Council's direction for the allocation of this unbudgeted revenue.

The basic grant formula did not change. However, the MOF made revisions to the grant parameters which produced favorable results for the City of Greater Sudbury.

Some examples of the grant refinements that significantly impacted CGS are:

- The inclusion of National Child Benefit savings included as an eligible social programs grant (increased 2006 allocation by approx. \$0.7M)
- Increase in the Assessment per Household threshold from \$170,000 to \$185,000 (increased 2006 allocation by approx. \$2.4M)
- Increase in the Northern Communities per household funding from \$225 to \$230 (increased 2006 allocation by approx. \$0.5M)

The OMPF grant consists of 8 components and the details are as follows:

Components	Description	CGS allocation for 2006	Stable or Live
Social Programs Grant	Provides funding to municipalities with limited property assessment to support their share of social program costs	\$24.9M	Live <sup>1</sup>
<b>Equalization Grants:</b>			
(I) Assessment equalization	Provides funding to municipalities with limited property assessment due to lower property values and limited non-residential assessment	\$17.5M	Stable <sup>2</sup>
(ii) Farmland and managed forest	Provides funding to municipalities with limited property assessment due to a significant amount of farmland and managed forest properties	Nil	Stable <sup>2</sup>
<b>Northern and Rural Communities:</b>			
(I) Rural Communities	Supports municipalities in rural or small communities	Nil	Stable <sup>2</sup>
(ii) Northern Communities	Assists municipalities in the North	\$16.3M	Stable <sup>2</sup>
(iii) Northern and Rural Social Programs	Limits the municipal share of revenue needed to support social programs in northern and rural communities	Nil	Live <sup>1</sup>
Stabilization	Provides on-going assistance to municipalities in the transition to the new funding model	Nil	Stable <sup>2</sup>
Police Services Grant	Provides funding to rural communities to support policing costs	Nil	Stable <sup>2</sup>
<b>Total</b>		<b>58.7M</b>	

<sup>1</sup> Live program costs will be updated by MOF to reflect more up-to-date costs and OMPF grant adjusted accordingly.

<sup>2</sup> This grant is stable for the 2006 fiscal year.

### **Recap**

Revised 2006 OMPF Allocation	\$ 58,701,182
Less: Budgeted 2006 OMPF Allocation	< \$ 55,122,714 >
Additional grant revenue	\$ 3,578,468
Less: Allocation to Winter Roads	< \$ 620,000 <sup>3</sup> >
Unbudgeted 2006 OMPF grant	<u>\$ 2,958,468</u>

### **BACKGROUND**

The City of Greater Sudbury, not unlike other municipalities continues to face funding pressures, both operating and capital.

In prior years, Council recognized the need for longer term financial planning and adopted principles and policies necessary to build a self-sustaining community with a sound infrastructure and excellent quality of life. These principles and policies were set out in the long-term financial plan report (2002).

At the June strategic planning session, Council established that its top priority was to develop a comprehensive capital plan. Since capital planning is a key component of the long term financial plan, in October 2005 the departments were requested to forecast capital needs to 2015 considering the current state of infrastructure, future remedial work, vehicle and building renewal needs, new capital facilities and growth related projects.

The cumulative needs forecasted for the next 10 years amounts to just over \$1B which breaks down to include \$911M for infrastructure renewal and \$136M for growth initiatives. Financing available for the same ten year period is \$630M, leaving a capital gap over the next 10 years of approx. \$417M, excluding Federal Gas Tax revenues. Assuming the Federal Gas Tax allocation for fiscals 2007 to 2010 in the amount of approximately \$22M can be applied against capital needs, the capital financing gap would be restated to \$395 M.

In light of this significant gap, options 1 and 2 presented for Council's consideration include a contribution towards capital.

<sup>3</sup> On February 8, 2006 Council approved a resolution to increase the 2006 winter operations budget by \$500,000 and the capital equipment budget by \$120,000.

## **OPTIONS FOR COUNCIL'S CONSIDERATION**

Three options for the use of the \$2.96M unbudgeted OMPF grant have been prepared for Council's consideration.

### **OPTION 1**

Tax levy reduction (1%)	\$1,476,000
Contribution to Capital Reserve Fund - Roads (COMRIF)	<u>\$1,482,468</u>
Total	<u><u>\$2,958,468</u></u>

As indicated previously, the additional OMPF grant was not anticipated during the 2006 budget deliberations. However, all critical operating needs were addressed in the 2006 budget approved by Council in December 2005. Council also has been making progress on addressing the capital financing gap by continuing the capital levy of 2.3% in 2005 and 2006. Option 1 provides Council with the option to reduce the tax levy by 1%, while addressing the Roads capital gap in the amount of \$1,482,468.

**This option is recommended by staff.**

**APPENDIX 1** details the impact of 1% tax reduction from the 2006 approved increase of 5.2% to the typical residential homeowner. This option would translate into a 4.2% tax increase or 2.8% when combined with the reduction in the residential education tax rate.

**APPENDIX 2** details the COMRIF Intake 2 application and financial implications. The municipal share is 1/3 of the total eligible approved project costs. No announcements have been released by the senior levels of government, and as a result, no formal financing plan had previously been developed.

**APPENDIX 3 and 4** are extracts of the 2005 BMA study which illustrate how the City of Greater Sudbury compares to other municipalities in terms of property tax levy and water/wastewater user fees. The City of Greater Sudbury property tax rates are the lowest in the peer group and third lowest when property taxes are combined with water/wastewater user fees.



**OPTION 2**

Contribution to Capital Reserve - Roads (COMRIF)	\$1,458,468
Contribution to Capital Reserve Fund - Buildings	\$ 750,000
Contribution to Capital Reserve Fund - Leisure	<u>\$ 750,000</u>
Total	<u><u>\$2,958,468</u></u>

This option provides Council with the opportunity to set aside the \$2,958,468 as a one-time contribution to reserves for future capital needs. Consistent with the reserve and reserve fund by-law, staff must prepare a report for Council's approval to spend the funds.

As presented during the long term financial plan update in October 2005, the capital financing gap forecasted for the years 2006 to 2015 was approximately \$395 million. As a result, this option provides the opportunity to contribute to capital reserves in the areas with the most significant capital financing gaps; Roads, Leisure, Buildings.

As reported in the BMA study, the City's reserves and reserves funds as a percentage of expenditures was 15%. The median in the study was 28.5%, and the threshold recommended by MMAH is 25%. The City of Greater Sudbury is below both the average in the study and MMAH's threshold.

However, Council has been successful in implementing a capital financing strategy. As recommended in the Long Term Financial Plan, Council has implemented the capital levy in 2005 and 2006 which was dedicated to Roads. This was a significant step in addressing the infrastructure capital financing gap in Roads. Since 2002, the Roads gap has decreased by \$99M as a result of the capital levy, allocation of GST rebates, COMRIF, etc.

As well, the revenue forecast for the 2007 budget is positive. For example the OMPF grant level is expected to continue, the province has announced that ambulance expenditures will be funded 50-50 over time, and most recently the province has announced that a portion of gas tax rebates can be used for transit operating costs. However, the expenditure pressures continue to exist, such as, negotiated wage increases, energy increases, and general inflationary pressures. Staff will be working over the next several months to determine the implications for the 2007 budget.

Final 2005 year end figures will not be certain until May of 2006. However, preliminary estimates indicate that the 2005 under-expenditures will exceed the original December projection of \$2.5M to \$3.0M. You will recall, Council has previously committed \$2.5M of the 2005 projected surplus. In accordance with the reserve and reserve fund policies, the year-end under-expenditures are contributed equally to Capital Financing Reserve Fund - General, and Tax Rate Stabilization Reserve.

As a result, option 2 is not recommended at this time. However, it is recommended that Council continue the implementation of the capital levy in future years and revisit this need during the 2007 budget deliberations.

### **OPTION 3**

During the 2006 Budget deliberations, there were numerous enhancements to the 2006 operating and capital budgets which were not approved by Council due to funding limitations.

A list of budget enhancements could be prepared and a special meeting would be scheduled in May where the 2006 budget could be opened and Council would vote on the enhancement options. To ensure that all parties are treated fairly and consistently, staff would require time to accumulate and assess an updated list of options for Council's consideration. The list could be generated from numerous sources such as:

- 1) Unfunded operating enhancements from December 5<sup>th</sup>, 2005 meeting
- 2) Unfunded list of capital budget options from the meeting of January 16<sup>th</sup>, 2006
- 3) Councillor requests/options
- 4) New public requests

This option is not recommended as the majority of critical operating needs have been addressed in the 2006 budget. In addition, this may delay the traditional final due dates for taxes, and thus impact cashflow and investment income.

### **SUMMARY**

The additional OMPF grant will assist the City of Greater Sudbury in addressing financial pressures. We are requesting Council's direction for the remaining allocation of the \$2,958,468 of unbudgeted revenues.

## APPENDIX 1

Approved Municipal Tax Levy Increase (Dec 2005)	5.2%
Less: Impact of Reduction in Residential Education Tax Rate ( rates established by the Province)	<u>(1.5%) <sup>4</sup></u>
Estimated Municipal and Education Tax Increase	<u>3.7% <sup>5</sup></u>

### Option 1 Tax Levy Reduction:

	Status Quo	Option 1
Tax Levy Reduction - 1%	-	\$1,476,000
<b>Breakdown:</b>		
Municipal Operating Levy Increase	2.9%	1.9%
Municipal Capital Levy Increase	2.3%	2.3%
Total Municipal Tax Increase	5.2%	4.2%
Impact of Education Levy on Municipal Tax Increase	(1.5%) <sup>4</sup>	(1.4%) <sup>4</sup>
Total Estimated Municipal and Education Tax Levy Increase	3.7%	2.8%

Municipal and Education Taxes	Status Quo	Option 1	Reduction
Residential Home Assessed at \$120,000 <sup>6</sup>	\$2,261	\$2,243	\$18
Residential Home Assessed at \$180,000 <sup>6</sup>	\$3,391	\$3,364	\$27

<sup>4</sup> Residential education tax rate decreased from 0.296% in 2005 to 0.264% in 2006. This is the impact of the reduction as a percentage of the proposed tax increase.

<sup>5</sup> Based on properties having increases in valuations equivalent to the municipal overage (6.57%).

<sup>6</sup> Tax calculations were performed using a notional municipal tax rate and the provincially regulated residential education tax rate and does not include area rating. In addition, there may be marginal changes to tax rates once 2006 property tax policy is adopted.

## APPENDIX 2

### Options 1 & 2 Contribution to Capital Reserve Fund - Roads - COMRIF

In September 2005, Council approved the Canadian Municipal Rural Infrastructure Fund (COMRIF) Intake Two application in the amount of \$110.6 million. The projects identified were as follows:

	Eligible	Ineligible
<b>Maley Drive Extension</b>	\$ 40,263,849	\$ 2,500,000
<b>Kingsway Widening</b>	\$ 9,980,263	\$ 6,856,000
<b>Notre Dame Avenue Widening</b>	\$ 17,222,394	\$ 2,278,806
<b>MR 35 Azilda to Chelmsford</b>	\$ 17,975,542	\$ 250,000
<b>South Bay Road Extension</b>	\$ 13,041,131	\$ 200,000
<b>Subtotal</b>	\$ 98,483,179	\$ 12,084,806
<b>Total COMRIF Intake 2</b>	\$110,567,985	

The requested financial support from COMRIF was \$65.6 million or 2/3 of eligible expenditures. The municipal share would amount to \$44.9 million (1/3 of eligible costs plus ineligible costs) if all of the projects are approved.

No announcements have been released by the senior levels of government as to the projects or levels of funding approved. As a result, no formal financing plan has been developed since the municipal share is dependant on the level of support approved by COMRIF.

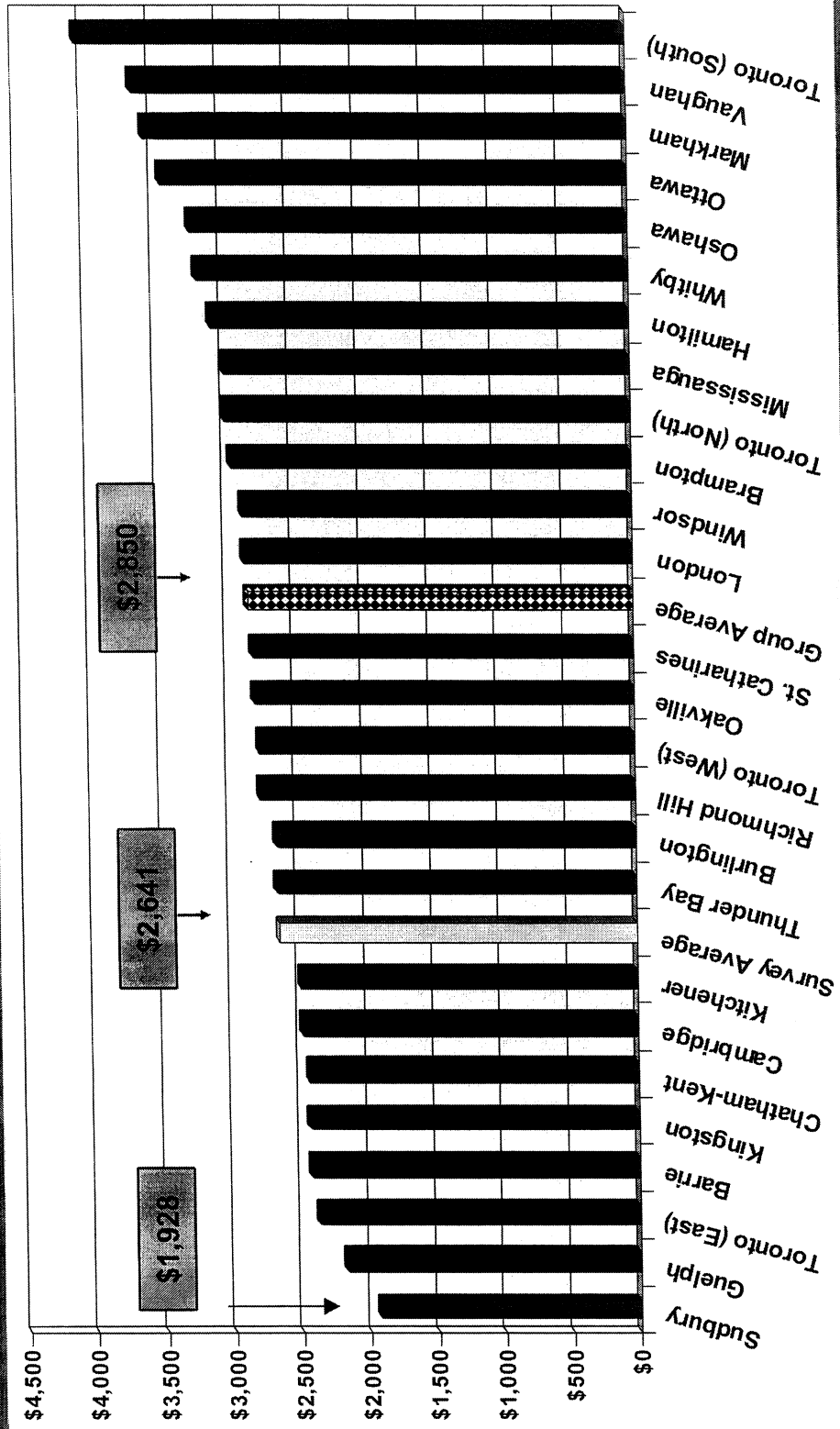
Council may wish to set aside a portion of the OMPF grant increase to finance part of the Municipality's share of the COMRIF grant:

	Option 1	Option 2
Municipal Share (1/3)	\$1,482,468	\$1,458,468
	⇓	⇓
COMRIF Leverage Funding (2/3)	<u>\$2,964,936</u>	<u>\$2,916,936</u>

If Council approves a contribution to capital for COMRIF projects, this assists Council in addressing the Roads capital financing gap.

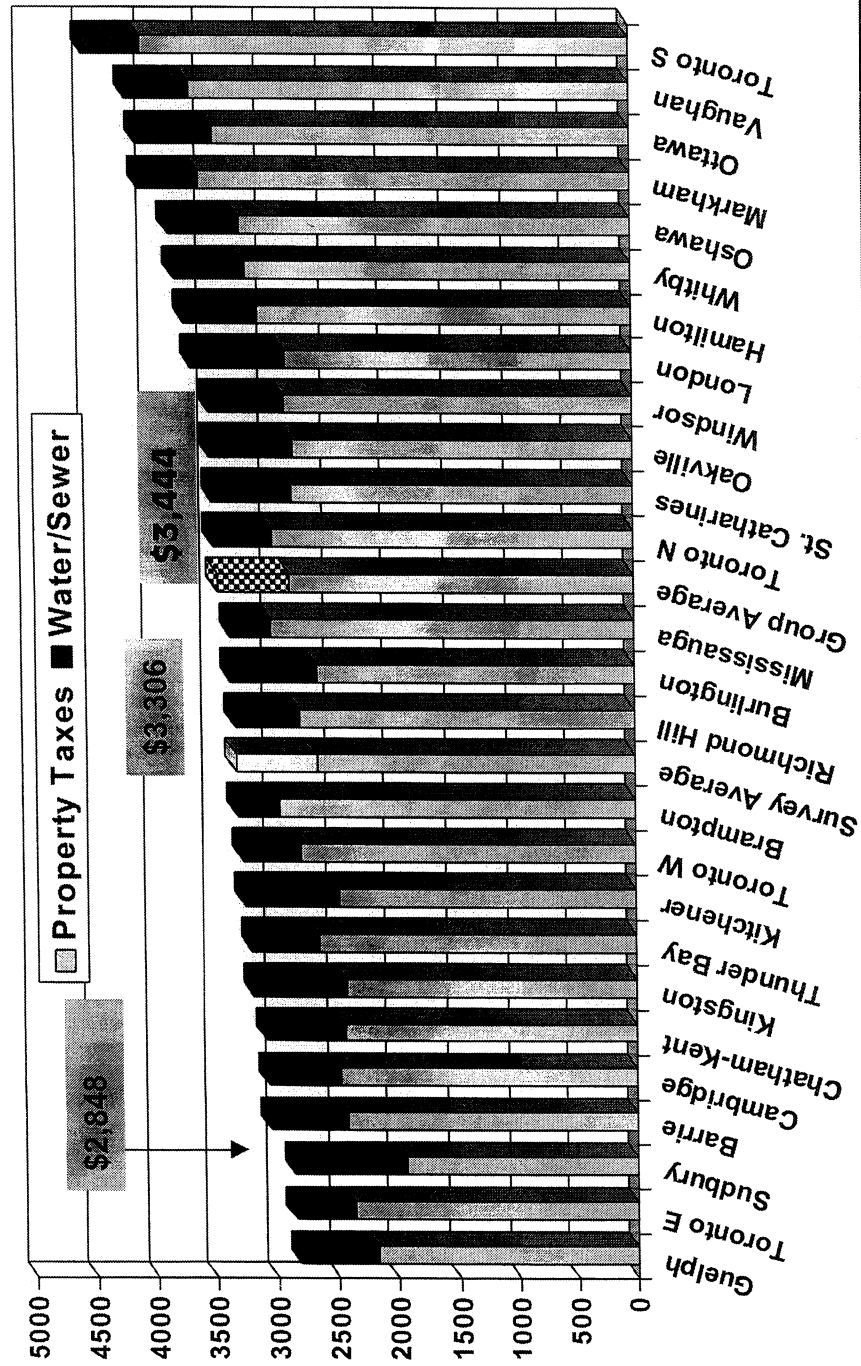
# APPENDIX 3

## Property Taxes Residential Detached Bungalow



## APPENDIX 4

### Detached Bungalow & Water/Sewer



Ted Callaghan  
Councillor, Ward 4 / Conseiller, Quartier 4



March 22<sup>nd</sup>, 2006

Mayor Courtemanche and Fellow Members of Council

**RE: March 29<sup>th</sup> Finance Committee Meeting  
Use of Additional Ontario Municipal Partnership Fund 2006 Grant**

City of Greater Sudbury  
Ville du Grand Sudbury

I have attached materials outlining samples from various residential properties for the years 2003 to 2006.

1151 DIANE STREET  
SUDBURY ON P3A 4H4

As many of you are aware, at the March 29<sup>th</sup> Finance meeting, options will be presented and discussed on how to spend the remaining \$3 million of the extra \$3.6 million increase received under the OMPF .

705.524.0688  
705.524.9807

Some of you may recall that at the conclusion of the 2006 budget deliberations, my support for the budget presented was based on applying any extra monies received towards a direct tax reduction.

PO BOX 5000 STN A  
200<sup>th</sup> STREET  
SUL ON P3A 5P3

In closing, I would ask that Council consider, in their deliberations, the option that we use the \$3 million OMPF funding to directly reduce the property tax rate by 2%.

CP 5000 SUCC A  
200 RUE BRADY  
SUDBURY ON P3A 5P3

705.671.2489  
ted.callaghan@city.greatersudbury.on.ca

Yours truly,

A handwritten signature in black ink, appearing to read 'T. Callaghan'.

Ted Callaghan  
Councillor, Ward 4  
City of Greater Sudbury

Encl.  
TC:md

c.c. Senior Management

www.  
city.greatersudbury  
.on.ca

**PROPERTY TAXES**  
**LEVEL OF INCREASES FROM 2003 to 2005**  
**(2006 not yet determined)**

**SAMPLES FROM ACTUAL PROPERTIES**

<b><u>Property # and year</u></b>	<b><u>Assessment Value</u></b>	<b><u>Taxes levies</u></b>	<b><u>Actual Increase</u></b>	<b><u>% rate of increase</u></b>
<b>(1)</b> 2003	116,000	\$2169.69	\$80.74	3.9%
2004	124,000	\$2350.40	\$180.71	8.3%
2005	124,000	\$2468.11	\$117.71	5%
2006	137,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$379.16</b>	
 <b>(2)</b> 2003	129,000	\$2412.84	\$130.79	5.7%
2004	140,000	\$2653.68	\$240.84	10%
2005	140,000	\$2786.58	\$132.90	5%
2006	152,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$504.53</b>	
 <b>(3)</b> 2003	136,000	\$2543.77	\$138.84	5.8%
2004	149,000	\$2824.27	\$280.50	11%
2005	149,000	\$2965.72	\$141.45	5%
2006	162,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$560.79</b>	
 <b>(4)</b> 2003	137,000	\$2562.47	\$175.10	7.3%
2004	148,000	\$2805.32	\$242.85	9.4%
2005	148,000	\$2945.81	\$140.49	5%
2006	162,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$558.44</b>	
 <b>(5)</b> 2003	139,000	\$2599.88	\$177.40	7.3%
2004	153,000	\$2900.09	\$300.21	11.5%
2005	153,000	\$3045.33	\$145.24	5%
2006	168,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$622.85</b>	
 <b>(6)</b> 2003	142,000	\$2655.99	\$215.95	8.9%
2004	152,000	\$2881.14	\$225.15	8.5%
2005	152,000	\$3025.43	\$144.29	5%
2006	169,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$585.39</b>	



## PROPERTY TAXES

### LEVEL OF INCREASES FROM 2003 to 2005

(cont'd - Page 2)

<u>Property # and year</u>	<u>Assessment Value</u>	<u>Taxes levies</u>	<u>Actual Increase</u>	<u>% rate of increase</u>
(7) 2003	147,000	\$2749.52	\$386.43	16.3%
2004	158,000	\$2994.87	\$245.35	8.9%
2005	158,000	\$3144.85	\$149.98	5%
2006	173,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$781.76</b>	
(8) 2003	164,000	\$3067.49	\$311.48	11.3%
2004	175,000	\$3317.10	\$249.61	8.1%
2005	175,000	\$3483.22	\$166.12	5%
2006	193,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$727.21</b>	
(9) 2003	157,000	\$2936.56	\$145.44	5.2%
2004	173,000	\$3279.19	\$342.63	11.7%
2005	173,000	\$3443.42	\$164.23	5%
2006	196,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$652.30</b>	
(10) 2003	166,000	\$3104.90	\$331.33	11.9%
2004	177,000	\$3355.01	\$250.11	8%
2005	177,000	\$3523.03	\$168.02	5%
2006	199,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$749.46</b>	
(11) 2003	229,000	\$4283.26	\$333.56	8.4%
2004	245,000	\$4643.94	\$360.68	8.4%
2005	245,000	\$4876.51	\$232.57	5%
2006	291,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$926.81</b>	
(12) 2003	191,000	\$3572.50	\$272.31	8.2%
2004	211,000	\$3999.47	\$426.97	11.95%
2005	211,000	\$4199.77	\$200.30	5%
2006	252,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$899.58</b>	

**PROPERTY TAXES**  
**LEVEL OF INCREASES FROM 2003 to 2005**

(Cont'd - Page 3)

<u>Property # and year</u>	<u>Assessment Value</u>	<u>Taxes levies</u>	<u>Actual Increase</u>	<u>% rate of increase</u>
(13) 2003	154,000	\$2730.81	\$185.45	7.2%
2004	170,000	\$3054.95	\$324.14	10.6%
2005	170,000	\$3207.95	\$153.00	5%
2006	190,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$662.59</b>	
(14) 2003	278,000	\$5199.76	\$442.57	13.5%
2004	297,000	\$5629.59	\$429.83	7.6%
2005	297,000	\$5911.53	\$281.94	5%
2006	326,000	?	?	?
<b>TOTAL ACTUAL INCREASE</b>			<b>\$1154.34</b>	