

2023 Service Profiles

Presented To:	City Council
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Type:	Managers' Reports
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Recommended by:	Chief Administrative Officer

Report Summary

This report provides updated service profiles, with accompanying financial and staffing trend information for years 2019, 2022, and 2023.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report will inform Council's decision-making during the 2024-2025 Budget deliberations, ultimately supporting Goal 1.5 "Demonstrate Innovation and Cost-Effective Service Delivery" of Council's Strategic Plan, as well as the implementation of the overall strategy.

Financial Implications

There are no financial implications associated with this report.

Background

The purpose of this report is to respond to Council's request for updated Service Profiles, financial/staffing trend information and analysis of service levels and performance benchmarks, as directed by a resolution at the August 15th City Council meeting:

"WHEREAS the City of Greater Sudbury's 2023 Long Term Financial Plan Update base plan calls for an average annual net taxation levy increase of 4.7% in each of the next ten years with two alternative scenarios presented;

AND WHEREAS two alternative scenarios presented with the Long Term Financial Plan describe the financial implications of different levels of asset renewal investments, producing an average annual net taxation levy increase of either 6.6% (for "core infrastructure" renewal) or 10.7% (for all known asset management requirements) in each of the next ten years;

AND WHEREAS the effects of prior decisions, inflation over the Long Term financial plan's forecast period and over-reliance in prior periods on reserves and reserve funds to pay for municipal services have reduced Council's flexibility to decrease the forecast tax levy, and plans to restore these reserve balances have not yet been put into effect;

AND WHEREAS City Council recently approved the adoption of multi-year budget cycles to strengthen Council's capacity for long-term planning and strategy execution;

AND WHEREAS City Council and staff have multiple sources of information about service performance and costs, including a Core Service Review and annual benchmarking data, to support discussions and decisions for the 2024-2025 operating budgets;

THEREFORE BE IT RESOLVED that the City of Greater Sudbury directs staff to provide a summary by the end of October, 2023 that provides:

- Service descriptions that reflect updates to the Service Profiles developed for the 2019 Core Service Review*
- Financial and staffing trend information for 2019, 2022 and 2023 (forecast) for all services, generally in the form noted below;*
- An analysis of service levels and efficiency based on a review of available financial and performance benchmarks for each service."*

This report provides an additional reference source for Council during 2023-2024 Budget deliberations. For example, this could inform motions directing staff:

- to assess the financial and service implications of potential changes to specified services,
- to adjust or introduce user fees applicable to specified services, or
- that include directions to undertake process or policy reviews in 2024 that lead to potential performance improvements and/or net cost reductions.

Interested readers should also refer to annual budget documents, where key drivers of both annual cost changes and staff level changes are described in detail. This budget change information is available on the City's website at www.greatersudbury.ca/budget.

Analysis

The requested financial and staffing trends for each service are in **Appendix A**, as directed. Further details, including service descriptions, performance benchmarks, service level data and activity data are in the updated Service Profiles in **Appendix B**. These Service Profiles describe how 100% of the corporation's resources are applied to specific services and offer important information that assist a reader with assessing performance.

This information is organized differently from the traditional budget presentation, because it is based on actual and forecast costs, and includes business cases, service changes approved by Council after the budget documents were produced and year-end funding adjustments. However, the 2023 staffing data presented here closely reconciles to the information provided in the 2023 Budget (page 70). Similarly, the budget financial information in this report closely reconciles to the financial information presented in the 2023 Budget (page 64).

Key Points:

The following represent general insights available from this information:

- The City of Greater Sudbury's cost changes between 2019 and 2023 are average or below average when compared to similar municipalities

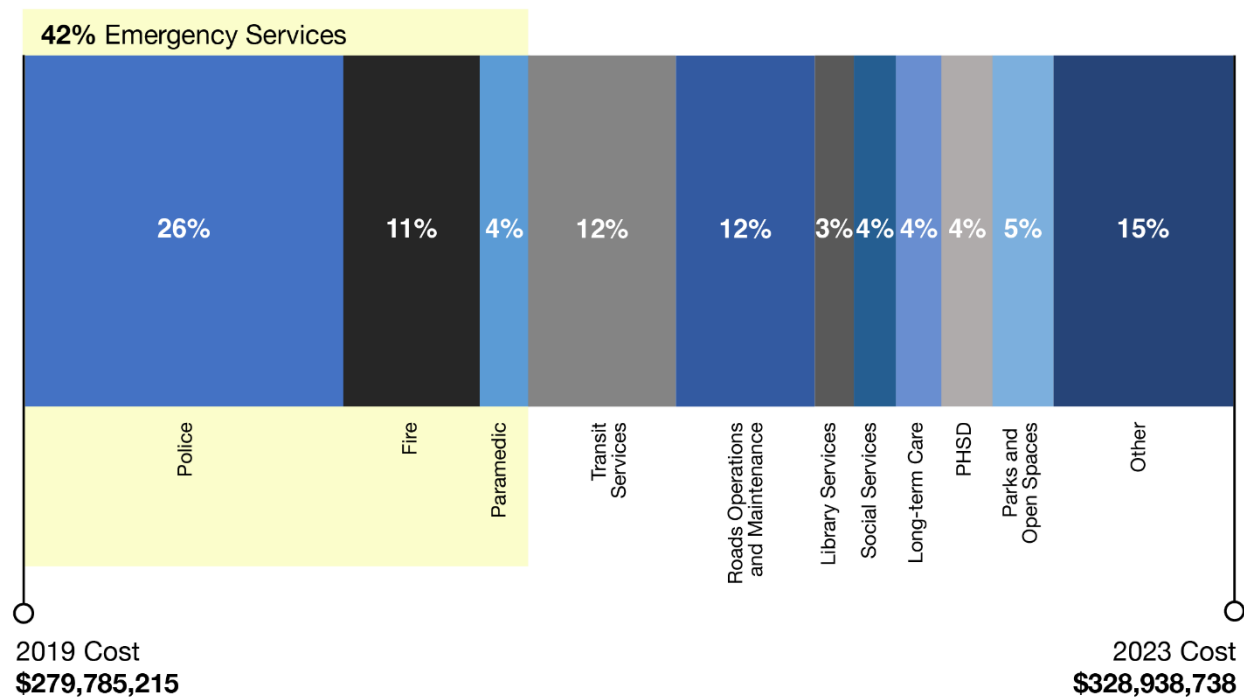
- Between 2019 – 2023, expenditures increased approximately 22%; over the same period, property tax revenues increased 21% and non-tax revenues increased 22%
- As a share of total revenue, property taxes represented 45.2% in 2023 compared to 45.9% in 2019; User fees represented 19.4% in 2023 compared to 20.4% in 2019
- Municipal inflation, as measured by the Non-Residential Building Construction Price Index, increased 42% between 2019 and 2023
- Financial information presented in this report rely on allocations drawn from new tools introduced in 2022 that are designed to track staff time and activities; the result should be considered a representative illustration, not an exact “to the penny” calculation of the value of resources required to provide the corporation’s services. As experience with these new tools grows, refinements to the service cost calculations will occur.
- Seven services experienced operating cost reductions since 2019, including Animal Control and Shelter, Recreation Programming, Community Grants, and Infrastructure Design and Construction. The fact there are relatively fewer resources directed to these services could reflect service level changes, process improvements or cost reductions.
- As shown in Appendix A, seven services experienced operating cost increases over \$2,000,000 since 2019, including Police Services, Transit, Roads Operations and Maintenance, Fire Services, Parks and Open Space, Social Services and Paramedic Services. The fact there are relatively more resources directed to these services could reflect service level changes, increased capacity to meet service demands and increased input costs.

Council's motion for financial trend data excluded comparisons with 2020 and 2021 to acknowledge the extraordinary effects created by the pandemic on municipal operations. Nevertheless, as noted in quarterly updates and other reports, many services continue to experience decreased revenues and increased operating expenditures in the changed environment after COVID-19. This will be discussed further in the next sections of the report.

Actual Cost Increase by Service

While most of the City’s services have experienced minor cost increases since 2019, many of these increases have a minimal impact on the final tax levy. The following chart may assist in understanding which individual service cost changes have most contributed to the increase of \$49,153,523 identified in this report.

Figure 1 - Individual Service Cost Changes as a Percentage of Total Cost Changes, Based on Increase From 2019 (Actuals) to 2023 (Forecast)



For example, Police Services reports a cost increase of \$12,909,240 since 2019, which represents 26% of the total increase of \$49,153,523. Services with increases corresponding to 3% or higher to the total increase are shown in the chart above, with all other costs grouped under “Other”.

Revenue and Expenditure Changes Compared to 2017 Projections

In 2017, staff produced a long term financial plan with support from KPMG. Using a variety of assumptions about inflation and cost trends, KPMG developed projections for the City of Greater Sudbury’s annual municipal operating expenses and revenues to year 2027. The table below lists budgeted revenues and expenses by type from year 2019 to 2023 and compares the City’s average annual budget changes to the 2017 forecast.

Table 1: Comparison of Actual Budget Changes to 2017 Projections, by Revenue and Expense Category for 2019-2023

Revenues	2019 Approved Budget	2023 Approved Budget	Difference	% Change	Average annual change	KPMG's forecast annual change
Levies	(10,389,756)	(11,450,000)	(1,060,244)	10.2%	2.6%	2.0%
Provincial Grants and Subsidies	(135,716,485)	(169,420,518)	(33,704,033)	24.8%	6.2%	0.0%
Federal Grants and Subsidies	(655,997)	(2,220,071)	(1,564,074)	238.4%	59.6%	0.0%
User Fees	(125,239,721)	(144,088,477)	(18,848,756)	15.1%	3.8%	3.0%

	2019 Approved Budget	2023 Approved Budget	Difference	% Change	Average annual change	KPMG's forecast annual change
Revenues						
Licensing and Lease Revenues	(5,518,877)	(5,182,627)	336,250	-6.1%	-1.5%	3.0%
Investment Earnings	(11,843,276)	(17,802,313)	(5,959,037)	50.3%	12.6%	0.0%
Contribution from Reserve and Capital	(10,932,686)	(12,749,566)	(1,816,880)	16.6%	4.2%	0.0%
Other Revenues	(16,595,767)	(20,021,706)	(3,425,939)	20.6%	5.2%	3.0%
Total Operating Revenues (\$)	(316,892,565)	(382,935,278)	(66,042,713)	20.8%	5.2%	

	2019 Approved Budget	2023 Approved Budget	Difference	% Change	Average annual change	KPMG's forecast annual change
Expenditures						
Salaries and Benefits	255,721,482	297,975,863	42,254,381	16.5%	4.1%	2.5%
Materials - Operating Expenses	51,721,802	65,785,769	14,063,967	27.2%	6.8%	2.0%
Energy Costs	22,573,773	26,058,535	3,484,762	15.4%	3.9%	4.0%
Rent and Financial Expenses	1,159,865	1,848,357	688,492	59.4%	14.8%	2.0%
Purchased/Contract Services	113,289,593	143,465,747	30,176,154	26.6%	6.7%	2.0%
Debt Repayment	13,476,705	22,304,810	8,828,105	65.5%	16.4%	0.0%
Prof Development and Training	1,887,654	1,819,272	(68,382)	-3.6%	-0.9%	2.0%
Grants - Transfer Payments	47,164,159	54,629,504	7,465,345	15.8%	4.0%	1.0%
Contribution to Reserve and Capital	84,700,312	101,981,164	17,280,852	20.4%	5.1%	2.0%
Internal Recoveries	(497,405)	(611,319)	(113,914)	22.9%	5.7%	0.0%
Total Operating Expenditures (\$)	591,197,940	715,257,702	124,059,762	21.0%	5.2%	

Generally, like every private or public organization, since 2019 the City continues to experience higher input costs resulting from salary changes, changes in service demand, third party contract costs, and general inflationary factors. The increased capital spending undertaken to address asset renewal needs, consistent with the capital budget policy, also exceeded 2017 forecast amounts. Annual changes presented in the table above and throughout the appendices also reflect business cases and service changes approved by Council during budget deliberations, which were not part of the 2017 forecast. Additionally, some items such as the approval of a special capital levy (2020) or hiring additional FTEs (2023) not only increased costs in the period they were approved, but will also increase future year's operating costs.

Cost Changes Compared to Other Ontario Municipalities

Financial Information Returns (FIR) use a standard format for presenting a municipality's financial activities. An FIR for the previous fiscal year is submitted annually to the province by each municipality.

FIR data is regularly published as open data on the Government of Ontario's FIR website, so it is possible to compare financial changes in Greater Sudbury with all 32 Ontario municipalities serving more than 100,000 residents. The following table shows the results of comparing the rate of change in Greater Sudbury's budget categories with the average for all 32 municipalities in Ontario with over 100,000 population for which data was available for both 2019 and 2022.

Table 2 – Comparison of City of Greater Sudbury Budget Changes to Similar Ontario Municipalities, by Expenditure Category for 2019-2022

Budget Category	CGS Change	Average Change	CGS Rank* (Out of 32)	Greater Sudbury's Position
Salaries, Wages & Benefits	13.07%	12.77%	14	Average (Within 3%)
Materials	7.37%	15.89%	23	Below Average
Contracted Services	14.37%	16.99%	14	Average (Within 3%)
Rents & Financial Expenses	100.23%	18.92%	5	Above Average
External Transfers	3.82%	10.79%	16	Below Average
User Fees & Service Charges	8.72%	5.85%	13	Average (Within 3%)

*Rank is an indication of how the City places in the list when the municipalities are ordered from highest to lowest expense. A rank of 1 would indicate the municipality with the highest expense for a category, and a rank of 32 would be the lowest in the list.

The analysis reveals an above average increase for one category - rent and financial expenses. The City's rental costs, overall, are significantly lower than other comparable municipalities so a single changed expense can cause a high percentage change. In this case, it was the additional rental costs for Police Services of \$450,000 a year starting in 2020 for buildings leased at 128 Larch St and 1010 Lorne St. When this one expense is removed from consideration, the expense increase for rent is comparable to the group average.

Overall, the table illustrates that the City of Greater Sudbury's cost changes for categories reported in the FIR are average or below average when compared to similar municipalities. In short, the same inflation and service cost increase challenges experienced in Greater Sudbury are also impacting other comparable municipalities in Ontario. A detailed breakdown by specific municipality is provided in **Appendix C**.

A Service-Based Approach

The presentation format used for Service Profiles reflects services interested readers could recognize from their interactions with the corporation. It contains actual (not budget) costs for multiple prior years and represents the "full cost" of providing the service, regardless of where the cost originated in the organization.

For instance, the six Citizen Service Centres (CSCs) that are located inside Greater Sudbury libraries are included in Appendix B in the "Service Requests and Inquiries" service, together with the One Stop Shop

CSC. However, in the budget document, the costs for those CSCs actually appear within the Library budget because CSCs at Libraries are funded through a cost sharing agreement with the Library Board. Meanwhile, the budget document reflects the cost for the One Stop Shop within the Communications and Engagement budget because that is the division responsible for overseeing it.

The presentation format used in the Service Profiles enables a better conversation about service intent and the relative value of a service. Discussions about expenditure adjustments in a traditional line-item budget could miss the interdepartmental connections that exist to deliver a service, inadvertently creating unintended financial consequences or service bottlenecks. A service-based approach presents a way for Council to understand the implications of potential changes on the whole organization by drawing out resource relationships and cause/effect implications with an enterprise-wide approach.

Staff intend this service-based approach will be the default presentation format for The City of Greater Sudbury's 2025-2026 budget. Current plans anticipate experience with new time and attendance tracking tools ("COMPASS") and refinements to cost allocation models will lead to the production of user-friendly, plain-language budget presentations.

Resources Cited

[Core Services Review Update](#), presented to City Council February 21, 2023

[KPMG Long-Term Financial Plan](#), presented to City Council April 25, 2017

[Financial Information Return Data](#), Ontario FIR Open Data, as accessed on September 25, 2023