



City of  
**Peterborough**

---

**To:** **Members of the Committee of the Whole**

**From:** **Sandra Clancy, Director of Corporate Services**

**Meeting Date:** **February 6, 2017**

**Subject:** **Report CPFS17-003  
2017 Budget Update and Recommended Adjustments**

---

## **Purpose**

A report to provide Council with an update on the 2017 Budgeted Assessment data and to recommend certain Operating and Capital budget adjustments.

## **Recommendations**

That Council approve the recommendations outlined in Report CPFS17-003, dated February 6, 2017 of the Director of Corporate Services, as follows:

- a) That in accordance with the direction of Council on December 12, 2016 to reduce the 2017 All-inclusive tax rate by 0.28% or \$425,000; sources of capital funding be exchanged in the 2017 Capital Budget as follows:
  - (i) That \$425,000 in Tax-supported debt be removed from the City Hall Board Room and Ladies Washroom renovation (Project 3-1.01) and transferred to the Enterprise Software Modernization (ERP) (Project 3-4.01).
  - (ii) That \$300,000 in Capital levy from IT City Department Projects (Project 3-3.01) and \$125,000 in Capital Levy from PTS Capital Expenditures (Project 3-3.02) be transferred to the City Hall Board Room and Ladies Washroom renovation.
  - (iii) That the \$425,000 in funding from the Capital levy Reserve in ERP (Project 3-4.01) be transferred to the IT projects 3-3.01 and 3-3.02.

- (iv) That By-law 16-142 and By-law 16-143, being By-laws to debenture certain capital works be repealed and replaced at a future date.
- b) That the taxation revenue presented in the 2017 Draft Operating Budget book be recalculated using the Final Assessment Roll received from MPAC for the 2017 taxation year, and that the additional revenues in the amount of \$937,740 be used as follows:
  - (i) \$50,000 to increase the provision for General Tax Write-offs,
  - (ii) \$425,000 to replenish base Capital Levy, which in turn be transferred to the Capital Levy Reserve to be used for future capital works, and
  - (iii) \$462,740 representing the estimated balance of the additional revenues be added to the 2017 General Contingency provision.

## **Budget and Financial Implications**

The recommendations in this report support the previous direction of Council to reduce the 2017 All-inclusive tax rate by \$425,000.

Recommendation b) will result in additional tax revenue in the amount of \$937,740, primarily as a result of unexpected revenues in the Multi-Residential property class.

## **Background**

On December 12, 2016, as part of the deliberations on the 2017 Capital Budget, Council passed the following motion:

“That the \$425,000 capital budget project on page 16 of the capital budget book, that being the second floor ladies washroom and the City Hall Boardroom renovation, be removed from the 2017 budget and,

That the savings be used to reduce the all-inclusive tax rate increase of 3.0%.”

To affect the All-inclusive tax rate increase of 3.0%, \$425,000 of base Capital Levy must be reduced. Because the project identified was to be funded by tax-supported debt, the tax supported debt needs to be changed to capital levy for this project and another project will assume the tax-supported debt.

This report recommends the steps that need to occur in order to facilitate the intention of the motion.

## **Exchange of Funding Sources**

To affect the All-inclusive tax rate increase of 3.0%, \$425,000 of base Capital Levy must be reduced. Capital Levy is the amount of money raised through taxation that appears in the 2017 Operating Budget that is transferred over to the Capital fund to be used to help pay for Capital projects. As the project in question, the Second Floor Ladies Washroom and the City Hall Boardroom renovation, was identified to be funded by tax-supported debt, it is now necessary to swap funding sources with other projects to ultimately exchange tax-supported debt with capital levy. Altogether, the exchange will involve four projects. That is:

- Project 3-1.01 - Tax-supported debt will be removed from the City Hall Boardroom and Ladies Washroom renovation and transferred to Project 3-4.01 – Enterprise Software Modernization (ERP).
- Capital levy from Projects 3-3.01 IT City Department Projects (\$300,000) and 3-3.02 PTS Capital Expenditures (\$125,000) will be transferred to the City Hall Board Room and Ladies Washroom renovation.
- \$425,000 in funding from the Capital levy Reserve in ERP 3-4.01 will be transferred to the IT projects 3-3.01 and 3-3.02.

Debenture By-laws 16-142 (Upgrades to City Buildings and Property) and 16-143 (Enterprise Software Modernization) will need to be repealed and replaced.

## **Final 2017 Assessment Rolls Received from MPAC**

Approving the Budget in early December of the prior year will almost always mean that Draft Budgets are presented to Council using Assessment data that is based on the previous year, updated with assumptions that staff make in order to project what the final assessment roll may look like. For the most part, the timing works well and is a tremendous benefit to planning capital works for the following construction season – it allows Project Managers to issue Requests for Tenders early in the calendar year and leverage the full construction season.

Variances between draft and final assessments are typically nominal and are usually reported out through the Quarterly Financial Update Reports. However in year 1 of a 4-year reassessment cycle, there is always additional uncertainty that differences in estimates could be greater than what would be typical. 2017 is year one of the 2017 – 2020 assessment cycle. The Assessment Roll was received from MPAC in early December 2016, just as the 2017 Budget was being approved. Staff have now completed their due diligence with the roll and would affirm that the resulting taxation revenue will be \$937,740 more than what was otherwise anticipated. The unexpected revenues primarily come from higher than expected assessments in the Multi-residential tax class.

This is welcome and timely news. Staff recommend that the City use the final assessments to amend the 2017 Approved Operating Budget in the following ways:

- The general write-off provision be increased by \$50,000 due to potential increased appeals;
- The base Capital Levy be replenished by \$425,000. Reducing base Capital Levy has several long term impacts for the Capital Budget:
  - Every year going forward, where the base is not replenished, Council will effectively forfeit directly financing \$425,000 in capital works. Every 10 years, that amount will compound by \$4,250,000 in lost capital works.
  - Deferring capital works will mean additional costs in the future simply through cost escalation. For example, if costs increase annually by 5%, what cost \$425,000 today, will cost \$659,300 ten years from now.
  - If capital levy is replaced with debt financing, to borrow \$425,000 at 2.5% each year for ten years, will cost an additional \$419,800 over the ten years
  - Many projects are not eligible for debt financing and decreasing the amount of capital levy makes it even more difficult to fund some of Council's priorities.
  - Re-instating the \$425,000 in the 2018 budget will increase the all-inclusive by approximately 0.27%.
- The balance, \$462,740, be used to increase the General Contingency Provision.

Chart 1 provides a summary of the 2017 Contingency. Prior to any recommendations being approved from this report or others on February 6, 2017, line 12 shows the balance of Unallocated General Contingency at \$201,357.

This is an unprecedented amount for the City. There are two reports, CSD17-001 and CSD17-002, also being presented on February 6, 2017 which recommends an amount of \$313,554 and \$67,835 respectively be transferred to fund a change in the revenues sharing between the City and the Peterborough Petes and a change in the revenue sharing between the City and the Century 21 Lakers. Lines 13 to 17 of Chart 1 show the amounts if this report, CSD17-001 and CSD17-002 are approved and Line 18 shows the balance of Unallocated General Contingency.

**Chart 1****2017 Contingency  
As of 2017 Budget Approval**

<b>Ref</b>	<b>Description</b>	<b>Amount Transfer (from) to</b>	<b>Balance</b>
1	2017 Contingency Budget recommended as per the 2017 Budget		<b>\$628,287</b>
2	Police Services Board Remuneration included in Contingency balance	<b>(\$14,761)</b>	<b>\$613,526</b>
3	<b>Adjustments or Commitments made as part of the 2017 Budget approval process:</b>		
4	ORCA - Report CPFS16-044	\$4,877	
5	Four Public Works hires - deferred to later time during 2017	\$50,750	
6	Special Events Coordinator - position not approved	\$104,600	
7	Support for Refugees (Report CSD16-027) if federal or other funding is not available	(\$50,000)	
8	Police - additional operating funds approved	(\$102,255)	
9	Fairhaven - additional operating funds if additional Provincial funding is not available	(\$220,141)	(\$212,169)
10	<b>2017 Approved Contingency Budget</b>		<b>\$401,357</b>
11	Amount Allocated		(\$200,000)
12	<b>Unallocated Contingency Budget at January 1, 2017</b>		<b>\$201,357</b>
13	Recommendation c) Revenues resulting from Amended Property Taxation		\$462,740
14	<b>Potential 2017 Contingency Available</b>		<b>\$664,097</b>
15	<b>Commitments</b>		
16	Peterborough Pete's – Report CSD17-001 dated February 6, 2017		(\$313,554)
17	Peterborough Century 21 Lakers request – Report CSD17-002 dated February 6, 2017		(\$67,835)
18	<b>Unallocated Balance Available</b>		<b>\$282,708</b>

## Summary

This report provides an update on the 2017 Budget. Using the final assessments from MPAC will allow both the General Contingency provision and capital levy base to be replenished.

Submitted by

Sandra Clancy  
Director of Corporate Services

Contact Name:

Richard Freymond  
Manager of Financial Services  
Phone: 705-742-7777 Ext 1862  
Toll Free: 1-855-738-3755  
Fax: 705-876-4607  
E-mail: [rfreymond@peterborough.ca](mailto:rfreymond@peterborough.ca)