



City of
Peterborough

To: Members of the Finance Committee

From: Patricia Lester
Commissioner of Corporate and Legislative Services

Meeting Date: December 3, 2018

Subject: Report CLSFS18-045
2019 Draft Budget

Purpose

A report to provide the 2019 Draft Operating and Capital Budget for consideration.

Recommendation

That Council approve the recommendation outlined in Report CLSFS18-045 dated December 3, 2018, of the Commissioner of Corporate and Legislative Services, as follows:

That the recommendations contained in Appendix A of this report be moved for the purpose of discussion.

Budget and Financial Implications

The 2019 Draft Budget meets Council's direction provided in response to Report CLSFS18-028 dated June 5, 2018 of an estimated 2.5% all-inclusive increase (Municipal, Education, Sanitary Sewer Surcharge) for operating costs and traditional support for the capital program comprised of:

- i) A budget provision of 1.87% for general Operating Budget impacts,
- ii) A budget provision of 0.38% (\$620,000) for Stormwater Protection,

- iii) A budget provision of 0.25%, -an increase in the Sewer Surcharge rate of 2.1% from 97.08% of the Water Rate to 99.14% of the Water Rate to provide the equivalent of \$350,000 in Sanitary Sewer revenues and

Gross expenditures have increased 3.5%, whereas net tax levy requirements have increased 3.9%.

The 2019 Capital Budget includes \$70.4 million of capital work. The Budget uses all of the available capital levy, tax supported debenture financing and Federal Gas Tax to finance the work.

Altogether, the proposed tax increase is 2.50% for the average taxpayer based on an estimated 2019 median assessed value of \$251,700. For the median single family dwelling (not on water), the all-inclusive increase means a \$98.52 annual increase.

Further details are provided through three budget books.

Background

A. The 2019 Budget in Brief

The 2019 Draft Budget presented, meets Council's 2019 guideline of "1.87%-general, plus 0.25% and 0.38% for increased support for the sanitary and storm sewer operating and capital costs" for a 2.5% all-inclusive guideline, as directed by Council through report CLSFS18-028 dated June 25, 2018, for a residential property assessed at \$251,700. The term "all-inclusive tax" means the municipal, education and storm and sanitary sewer surcharge amounts payable.

Residential assessment is estimated to increase by 4.8% comprised of a 1.20% growth component and a 3.6% re-assessment impact, stemming from the fact that 2016 market values are being phased-in over the four-year period 2017 – 2020.

For the most part, the Operating Budget maintains the current Council approved level of service, with limited enhancements as noted on page 10, key impacts are noted in the table on page 11 and in the supplementary commentary on pages 12 and 13 of this Highlights Book.

As directed by Council through the 2019 Budget Guidelines report, the Tax Ratio Reduction Program continues in 2019 for Commercial and Industrial property owners, albeit at a rate that is one-half of the annual reduction that was originally included in the Program. This will result in the tax ratio for the Commercial Class reaching the goal of 1.5 of the Residential Class by 2020 and Industrial Class by 2021, provided the Program continues. The multi-residential tax ratio remains at the 2011 rate.

Excluding Police, the City will pay 880.43 full and part-time equivalent employees \$79.1 million for salaries and benefits in 2019. There are 5.0 permanent full-time positions requested in the 2019 Draft Budget, .78 part-time positions recommended to move to

full-time and 4.0 full-time positions eliminated. This results in a net full-time increase of 1.78 full-time equivalents.

B. Process, Challenges, Documents and Meeting Schedule

2019 Budget Process

Corporate Services staff prepared and distributed budget packages to departments in early April 2018 who, in turn, submitted their initial 2019 proposed budgets in May.

The material was compiled and a two-tiered review approach was completed. The first review was done with individual Department Commissioners and Financial Services staff. The second was a review by the CAO, the Commissioner of Corporate and Legislative Services, Chief Financial Officer, Budget Analyst and individual Department Commissioners.

In mid September, the CAO and all the Commissioners completed a final review of the submissions and Corporate and Legislative Services staff prepared the 2019 Draft Budget that is being released this evening.

2019 Operating Budget

The Draft Budget documents have been restructured to accommodate the corporate reorganization that occurred in May 2018.

In various locations throughout the budget documents, items may be referred to as 'below the line', meaning that those items, although noted in the budget documents are not actually included in the Draft Budget. The items are summarized starting on page 253 of the Highlights Book. Should any Council member wish to include any of the items in the 2019 Budget, a specific motion would be required. Council will then further decide if they want to allocate funds from the 2019 General Contingency Budget to fund the additional cost, reduce expenditures elsewhere in the budget, or add the amount to the 2019 Net Tax Levy Requirement.

The following comments highlight some of the most pertinent details about what is included or not included in the Operating Budget.

Peterborough County/City County Paramedics

On September 6, 2018, the Joint Services Steering Committee, in considering Report Peterborough County/City Paramedics Service (PCCP) Preliminary Draft 2019 Budget – endorsed an enhanced level Ambulance Service entitled Scenario 2.

Altogether, the report evaluated three scenarios, with Scenario 1 being the status quo, and Scenarios 2 and 3 contemplating varying levels of enhanced services with additional costs.

Scenario 2 involves a staffing enhancement in a phased approach by combining existing Buckhorn summer ambulance deployment (equivalent to 2 FTE) with six new positions to create a permanent year round 24 hour ambulance. This will assist in

improving "zero ambulance availability levels" and response times in both the County and City during the six months that the current Buckhorn deployment is not staffed (October to April) and will provide improvements during the summer months. This will also likely reduce costs associated with overtime and up staffing during the winter/spring which has been problematic over the past, given current call volumes.

As directed by Council in approving the 2019 Budget Guidelines report, staff have not included any enhanced paramedic service in the Draft Budget. The motion read as follows:

That in regards to any 2019 Operating Budget increase as a result of enhancing the levels of service for Paramedic Services, the Draft Budget reflect such increases as 'below the line' pending further discussions and direction by Council.

Peterborough Public Health (PPH)

In submitting their 2019 Draft Budget, the PPH Board is asking their local funding partners, the City, County and First Nations to consider a proposed change to Provincial/ Municipal cost sharing percentage from the historical 75/25 split to 70/30 over three years, with 2019 being Year 1.

The City's share of the additional cost is 'below the line' and has not been included in the Draft Budget. Should Council wish to include the item, the additional cost for 2019 is \$103,700 with similar impacts in Years 2 and 3.

Policing Services – Budget risk

The Province is reviewing Policing grants under the Community Policing Partnerships, and Safer Communities – 1,000 Officers Partnerships programs. The current agreements expire March 31, 2019. Police Services receives \$515,000 annually under these two programs.

The 2019 Police Services Budget has been prepared assuming receipt of the full annual amount of \$515,000.

Casino Revenues

An amount of \$4.0 million is included in the Draft 2019 Budget as the Casino will be open for its first full year. The full amount is being used to fund a portion of the Capital program.

To provide additional financial flexibility, the following motion is included in the Draft Budget for Council's consideration:

That any excess Casino Gaming revenues at the end of 2019, that exceed the capital funding requirements to be funded from the Casino Gaming Reserve:

- i) remain in the reserve, to a maximum of \$1.0 million, to be used to finance in-year Capital requirements or as otherwise directed by Council, and that

ii) amounts beyond the \$1 million will be used for Capital works in the 2020 Capital Budget. (Page 212)

Dividends from City of Peterborough Holdings Inc. (CoPHI) and Sale of PDI

The budget includes \$5.78 million in dividend payments in 2019 from CoPHI, the Peterborough Utilities Group of Companies.

Should the sale of Peterborough Distribution Inc. (PDI) occur, it will necessitate a reduction in the dividend amount; however, that reduction will be offset by additional investment revenues and directed towards enhancing Capital financing as it is now, and not be used for purposes of reduction in the net tax levy.

2019 Capital Budget

The 2019 Capital Budget includes 206 projects with a total cost of \$70.4 million.

During 2018, Council approved several pre-commitments as shown in Chart 1.

Chart 1**Pre-commitments projects included in the 2019 Capital Budget:**

	Project Name	Report Reference	Debenture – Lease	Development Charges	Casino Reserve	Operating Budget	Tax Supported Debt/Capital Levy	Total 2019 Commitment
1	Crawford Drive and Harper Road Extension - 2018-2019	PLPD17-026 (2019 only)		\$2,000,000	\$1,000,000		\$1,000,000	\$4,000,000
2	Three 40 foot Transit Buses	IPSTR18-016				\$397,000		\$397,000
3	Cleantech Commons	IPSEC18-018	\$3,100,000					\$3,100,000
4	Site Plan Approval – 1637 Hetherington Drive	IPSEC18-019					\$390,000	\$390,000
5	PMC – Floor	CLSFM18-031					\$3,500,000	\$3,500,000
6	Peterborough Operations Centre - New Generator	USDIR18-006					\$450,000	\$450,000
7	Trent Severn Waterway/East Side Transportation Study	IPSEC18-023		\$50,000			\$200,000	\$250,000
8	Canoe Museum – Capital Build	CSD17-030					\$500,000	\$500,000
9	Hospice Peterborough 2016 – 2018	CPFS15-036					\$200,000	\$200,000
10	Humane Society 2017-2021	OCS16-002					\$400,000	\$400,000
11	Fairhaven	CPFS12-062					\$216,447	\$216,447
12	Total		\$3,100,000	\$2,050,000	\$1,000,000	\$397,000	\$6,856,447	\$13,403,447

Response to Comments Made at June 6, 2018 Public Meeting

The first public meeting for the 2019 Budget was held on June 6, 2018. Staff have summarized the input from the presentations by the public stakeholders and provided some preliminary comments. These are attached to this Report as Appendix B.

Documents

The 2019 Draft Budget is presented in **three books** with the layout of the books as follows:

Book 1 – 2019 Budget Highlights

The 2019 Draft Budget Highlights Book provides a summary of the Operating and Capital Budgets and explains the key factors and implications of the proposed budget. The book also contains information on Long Term Debt and Reserves, Property Taxation, including Assessment, Tax Rate and Tax Policy, a detailed section on Staffing, and a Glossary of Common Acronyms used throughout the Budget.

It is recommended that the **Budget Highlights (Book #1)** be used by the Budget Committee during its review of the 2019 Draft Budget.

Book 2 – 2019 Operating Budget

The 2019 Operating Budget document (Book #2) contains departmental financial summaries plus financial and narrative information by division and/or activity. The text pages set out the purpose and highlights for each activity.

The 2018 preliminary actual numbers shown in the document are unaudited estimates provided by departments earlier in 2018 and may change pending final year-end adjusting entries or updated information.

User Fee Schedules are included for all departments and will be included in a User Fee By-law that will be approved following budget deliberations.

Book 3 – 2019 Capital Budget and 2020 – 2021 and Subsequent Years Capital Forecast

The Capital Forecast document provides summaries of Capital projects by department and division and provides one detailed narrative page and financial page to support each project. Due to the legislative requirements of the Public Sector Accounting Board (PSAB), capital projects are split into two types, “Tangible Capital Assets” and “Other”. “Other” projects are typically studies or smaller maintenance type expenditures on City facilities that are below the thresholds identified for the tangible capital assets.

2019 Budget Committee and Council Schedule

The proposed timetable to review the 2019 Draft Budget is set out below:

December 3, 2018	2019 Draft Budget presented to Finance Committee by Staff.
January 9, 2019	Public Meeting of Finance Committee to receive input on the 2019 Draft Budget.
January 14, 2019	Finance Committee reviews 2019 Draft Budget January 14 – January 17 as required.
January 28, 2019	Council considers all of the recommendations ultimately endorsed by the Finance Committee and adopts a 2019 Budget as amended.

C. Recommendations

The recommendations needed to implement the 2019 Budget are presented in Appendix A.

Summary

The 2019 Draft Budget documents are provided as a basis for the budget deliberations. It is recommended that the 2019 Highlights Book be the guiding document for the Finance Committee review. Budget Books 2 and 3 (Operating and Capital Books respectively) are reference material for ensuring a complete understanding of the 2019 proposed financial plan.

Submitted by

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Attachment:

Appendix A – Operating and Capital Budget Recommendations

Appendix B - 2019 Budget – Response to Public Input at Guideline Stage

Appendix A

2019 Operating and Capital Draft Budget Recommendations

That the following recommendations be moved for the purpose of discussion:

- a) That the 2019 Draft Budget, and all estimated revenues and expenditures, fees, contributions to reserve and reserve funds, and proposed staffing levels referenced in the documents be adopted.
- b) That the user fees and charges as set out in Book 2 be adopted as part of 2019 Budget process.
- c) That any unused CAO Budget at the end of 2019 be transferred to the Organizational Development Reserve, subject to the overall year-end position. (Page 26)
- d) That any unused Peterborough Technology Services Budget, at the end of 2019, be transferred to the Electronic Data Processing (EDP) Reserve, subject to the overall year-end position and that, if actual 2019 costs exceed the 2019 Budget, funds may be drawn from the EDP Reserve. (Page 44)
- e) That any excess Airport development review fees at the end of 2019 be transferred to the Airport Development Review Reserve for future Airport Development related expenditures and that, if the 2019 Airport development review costs exceed the review fees, funds may be drawn from the Airport Development Review Reserve. (Page 69)
- f) That any unused Building Inspection Budget at the end of 2019 be transferred to the Building Division Reserve and that, if actual building inspection costs exceed the 2019 Budget, funds may be drawn from the Building Division Reserve. (Page 73)
- g) That any 2019 Engineering Overhead surplus be transferred to the Engineering Design and Inspection Reserve, subject to the overall year-end position and that if actual 2019 Engineering costs exceed the Budget, funds may be drawn from the Engineering Design and Inspection Reserve. (Page 84)
- h) That any unused portion of the 2019 Winter Control Budget that may exist at year-end be transferred to the Winter Control Reserve, subject to the overall year-end position, and that if actual 2019 Winter Control costs exceed the 2019 Budget, funds may be drawn from the Winter Control Reserve. (Page 84)
- i) That any unused Parking Budget, at the end of 2019, be transferred to the Parking Reserve, subject to the overall year-end position and that, if the actual 2019 Parking costs exceed the 2019 Budget, funds may be drawn from the Parking Reserve. (Page 104)

- j) That any unused Traffic Signal Maintenance Budget at the end of 2019, be transferred to the Traffic Signal Reserve, subject to the overall year-end position and that if the actual 2019 Traffic Signal Maintenance costs exceed the 2019 Budget, funds may be drawn from the Traffic Signal Reserve. (Page 105)
- k) That any surplus funds at the end of 2019 for Market Hall be transferred to the Market Hall Capital Reserve for unanticipated maintenance expenses or small capital improvements. (Page 131)
- l) That any unused Sustainability Budget, at the end of 2019, be transferred to the Sustainability Reserve, subject to the overall year-end position, and that if actual 2019 costs exceed the 2019 Budget, funds may be drawn from the Sustainability Reserve. (Page 131)
- m) That any surplus funds at the end of 2019 for Arenas be transferred to the Arena Equipment Reserve for future equipment purchases. (Page 145)
- n) That any surplus funds at the end of 2019 for the Marina be transferred to the Marina Reserve to be used for future capital improvements. (Page 151)
- o) That any surplus funds at the end of 2019 for Beavermead Campground be transferred to a Beavermead Campground Reserve for future capital improvements. (Page 151)
- p) That any surplus funds at the end of 2019 for the Peterborough Sport and Wellness Centre be transferred to the PSWC Capital Conservation Reserve for future capital improvements. (Page 151)
- q) That any unused Homelessness net budget at the end of 2019 be transferred to the General Assistance Reserve, to be used for future investment in homelessness prevention programs, subject to the overall year-end position and that, if actual 2019 Homelessness costs exceed the 2019 Budget, funds may be drawn from the Reserve. (Page 174)
- r) That any unused Community Development Program net budget at the end of 2019 be transferred to the Social Services Community Social Plan Joint Reserve for future program development, subject to the overall year-end position and that, if actual 2019 Community Development Program costs exceed the 2019 Budget, funds may be drawn from the Reserve. (Page 174)
- s) That any remaining unused Social Services net budget at the end of 2019 be transferred to the General Assistance Reserve, subject to the overall year-end position and that, if actual 2019 Social Services costs exceed the 2019 Budget, funds may be drawn from the Reserve. (Page 174)
- t) That any surplus in the 2019 Housing Operating Budget at the end of 2019 be transferred to the Housing Reserve, subject to the overall year end position and that, if actual 2019 Housing costs exceed the 2019 Budget, funds may be drawn from the Housing Reserve. (Page 174)

- u) That any surplus in the 2019 Housing Choice Rent Supplement Program at the end of 2019 be transferred to the Housing Choice Rent Supplement Reserve, subject to the overall year-end position and that, if actual 2019 Rent Supplement costs exceed the 2019 Budget, funds may be drawn from the Rent Supplement Reserve. (Page 174)
- v) That any adjustment to the City's 2019 requirement for the Municipal Property Assessment Corporation (MPAC), be netted against the City's 2019 General Contingency provision. (Page 183)
- w) That any unused portion of the 2019 tax write off account balance that may exist at year-end be transferred to the Allowance for Doubtful Accounts Reserve, subject to overall year-end position and that, if actual 2019 tax write-off costs exceed the 2019 Budget, funds may be drawn from the Allowance for Doubtful Accounts Reserve. (Page 186)
- x) That any unused Employee Benefits Budget at the end of 2019 be transferred to the Employee Benefits Reserve, subject to the overall year-end position, and that, if actual 2019 employee benefits exceed the 2019 Budget, funds may be drawn from the Employee Benefits Reserve. (Page 186)
- y) That any unused Insurance Budget at the end of 2019 be transferred to the Insurance Reserve, subject to the overall year-end position and that, if actual 2019 insurance costs exceed the 2019 Budget, funds may be drawn from the Insurance Reserve. (Page 186)
- z) That any unused 2019 Contingency Budget at the end of 2019 be transferred to the Capital Levy Reserve to be used for Capital works subject to the overall 2019 year-end position. (Page 186)
- aa) That any unused Police Services Legal fees Budget at the end of 2019 be transferred to the Legal Fees Policing Reserve, subject to the overall year-end position and approval through the Treasurer, and that if the actual 2019 Police legal fees costs exceed the 2019 Budget, funds may be drawn from the Policing Legal Fees Reserve. (Page 189)
- bb) That any unused Police Services Budget at the end of 2019 be transferred to the Police Special Projects Reserve, subject to the overall year-end position and approval by City Council and that, if the actual 2019 Police Services costs exceed the 2019 Budget, funds may be drawn from the Police Special Projects Reserve. (Page 189)
- cc) That any adjustments to the City's portion of the 2019 Peterborough County/City Paramedics Services Budget be netted against the 2019 General Contingency provision. (Page 197)
- dd) That any unused Peterborough County/City Paramedics Services (PCCP) Budget at the end of 2019 be transferred to the PCCP Reserve, subject to the overall year-end position and that, if the actual 2019 PCCP costs exceed the 2019 Budget, funds may be drawn from the PCCP Reserve. (Page 197)

- ee) That any adjustments to the City's portion of ORCA's 2019 Budget, based on the final approved ORCA Budget, be netted against the City's 2019 general contingency provision. (Page 199)
- ff) That any adjustments to the City's portion of Peterborough Public Health's 2019 Budget, based on the final approved Peterborough Public Health Budget, be netted against the City's 2019 general contingency provision. (Page 201)
- gg) That the 2019 budget request, representing the levy required by the Downtown Business Improvement Area of the Corporation of the City of Peterborough during the year 2019 totalling \$319,935, be approved. (Page 208)
- hh) That the 2019 budget request, representing all sums required by the Village Business Improvement Area of the Corporation of the City of Peterborough during the year 2019 totalling \$17,380, be approved. (Page 209)
- ii) That any excess Casino Gaming revenues at the end of 2019, that exceed the capital funding requirements to be funded from the Casino Gaming Reserve:
 - i) remain in the reserve, to a maximum of \$1.0 million, to be used to finance in-year Capital requirements or as otherwise directed by Council and that
 - ii) amounts beyond the \$1 million will be used for Capital works in the 2020 Capital Budget. (Page 212)
- jj) That any net surplus funds, after the disposition of the recommendations in this report, from 2019 operations in excess of \$100,000 be transferred to the Capital Levy Reserve to be used for Capital works. (Page 213)
- kk) That the revised Tax Ratio Reduction Program continues for the 2019 Draft Budget and reflects reductions:
 - i) To the Commercial and Industrial Class Tax Ratios but not the Multi-residential Class, and
 - ii) at the reduced rate established through the 2016 Budget process. (Page 225)
- ll) That a by-law be passed to establish the 2019 tax ratios for each property class as set out in the 2019 Operating Budget. (Page 226)
- mm) That the 2019 tax rate for farmland awaiting development subclasses be 75% of the residential rate. (Page 226)
- nn) That a system of graduated tax rates within the Commercial and Industrial classes not be implemented for 2019. (Page 227)
- oo) That the capping policy for 2019 for the Multi-residential, Commercial and Industrial classes be as follows: (Page 227)

- i. Capping be based on a maximum increase of 10% of the previous year's CVA (Current Value Assessment) tax for the eligible property.
- ii. No capping credit be applied for properties where the required billing adjustment is within \$500 of the properties' CVA tax; affected properties would be billed at their full CVA tax level.
- iii. That properties that achieved CVA tax in 2018 remain at CVA tax from 2019 forward regardless of how reassessment affects the property.
- iv. That properties that cross over from the clawback to the capping category or vice versa from 2018 to 2019 be taxed at CVA tax.
- v. That properties within the Industrial tax class are no longer eligible for the capping program.
- vi. That properties within the Commercial and Multi-residential tax classes move towards CVA Tax over a four year phase-out period which commenced in 2016 and will achieve full CVA by 2019.
- vii. That the threshold on the tax level for eligible new construction be 100%.