



City of
Peterborough

To: **Members of the Finance Committee**

From: **Richard Freymond
Commissioner of Corporate and Legislative Services**

Meeting Date: **December 9, 2019**

Subject: **Report CLSFS19-056
2020 Draft Budget**

Purpose

A report to provide the 2020 Draft Operating and Capital Budget for consideration.

Recommendation

That Council approve the recommendation outlined in Report CLSFS19-056 dated December 9, 2019, 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 during Finance reviews in January 2020.

Budget and Financial Implications

The 2020 Draft Budget meets Council's direction provided in response to Report CLSFS19-030 dated June 10, 2019 of an estimated 2.34% 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 1.75% for general Operating Budget impacts,
- ii) A budget provision of 0.36% (\$620,000) for Stormwater Protection,
- iii) A budget provision of 0.23% to provide the equivalent of \$350,000 in Sanitary Sewer revenues.

Gross expenditures have increased 1.2%, whereas net tax levy requirements have increased 3.4%.

The 2020 Capital Budget includes \$57.4 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 2.34% for the average taxpayer based on an estimated 2020 median assessed value of \$260,000. For the median single-family dwelling (not on water), the all-inclusive increase means a \$94.19 annual increase.

Further details are provided through three budget books.

Background

A. The 2020 Budget in Brief

The 2020 Draft Budget presented, meets Council's 2020 guideline of "1.75%-general, plus 0.23% and 0.36% for increased support for the sanitary and storm sewer operating and capital costs" for a 2.34% all-inclusive guideline, as directed by Council through report CLSFS19-030 dated June 10, 2019, for a residential property assessed at \$260,000. The term "all-inclusive tax" means the municipal, education and storm and sanitary sewer surcharge amounts payable.

Residential assessment is estimated to increase by 4.3% comprised of a 0.8% growth component and a 3.5% re-assessment impact, stemming from the fact that 2016 market values are being phased-in over the four-year period 2017 – 2020.

As directed by Council through the 2020 Budget Guidelines report, the Tax Ratio Reduction Program continues in 2020 for Commercial and Industrial property owners. This will result in the tax ratio for the Commercial Class reaching the goal of 1.5 of the residential rate in 2020 and Industrial Class by 2021, provided the Program continues. The Multi-Residential class tax ratio remains at the 2010 rate.

B. Process, Challenges, Documents and Meeting Schedule

2020 Budget Process

Corporate Services staff prepared and distributed budget packages to departments in early April 2019 who, in turn, submitted their initial 2020 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, Manager of Financial Services, Budget Analyst and individual Department Commissioners.

The City faced significant budget pressures for 2020 as a result of increasing municipal operating costs and reduced capital funding.

As a result of these pressures, staff requested deferring the 2020 budget timeline as detailed in Report CLSCLK19-021, dated October 15, 2019 and further explained in Report CLSFS19-044, also dated October 15, 2019, to allow more time to balance the budget.

In late-October, the CAO and all the Commissioners completed a final review of the submissions and Corporate and Legislative Services staff prepared the 2020 Draft Budget that is being released this evening.

Community Consultation

For the 2020 Budget process, the City enhanced how it engages with residents and businesses for the development of the City Budget.

Each year, the City typically holds a series of structured, formal public meetings for community participation at the beginning of the process when it's setting the guidelines for preparing the draft budget and after the draft budget is released to get comments and ideas.

To engage more people by offering different ways to get involved in the City budget process, City Council added five Budget Roadshow drop-in style meetings to hear from the community on priorities for the 2020 Budget and the City offered a survey that residents could complete at home or during the drop-in sessions. About 300 people attended the drop-in sessions and the City received 996 responses to the survey. The City compiled the information gathered through the consultation into a What We Heard report for a quick overview of the submissions as well as provided the full results on the City's website. The community consultation provided input into both Council's setting of the guideline for the drafting of the 2020 Budget and the City's preparation of the draft Budget.

Beyond attending meetings and participating in the survey, residents, businesses and community groups engaged with Council members and City staff through personal meetings, phone calls, and emails.

Comments and ideas from the community on budget priorities are considered alongside factors such as legislated requirements for services and infrastructure, maintaining service levels that are expected by Council and the community, and preserving the long-term financial health of the City.

The City recently launched an online community engagement tool called Connect Peterborough that will be used to enhance how the City involves the community in the annual budget process in future years, such as a budget building tool that allows residents to adjust budgets for services to see what the impact would be on the bottom line, comment boards, and an interactive map. The online tools would be used in addition to the in-person consultations and the other ways that residents engage with Council members and City staff.

For the 2020 Budget, Chart 1 show the past and future community engagement opportunities.

Chart 1

2020 Budget Community Engagement Opportunities

Date	Engagement opportunity
Monday, April 15, 2019	Opening of public survey on budget priorities
Monday, April 15, 2019	Ward 1 Otonabee public meeting, Peterborough Sport and Wellness Centre, 775 Brealey Dr., 7 p.m. to 9 p.m.
Thursday, April 18, 2019	Ward 2 Monaghan public drop-in session, Clonsilla Fire Station 3, 839 Clonsilla Ave., 6 p.m. to 7 p.m.
Thursday, April 25, 2019	Ward 3 Town public drop-in session, Peterborough Public Library, 345 Aylmer St. N., 5 p.m. to 6:30 p.m.
Monday, April 29, 2019	Ward 5 Northcrest public drop-in session, Northcrest Community Centre, 100 Marina Blvd., 6 p.m. to 7 p.m.
Tuesday, May 7, 2019	Ward 4 Ashburnham public drop-in session, Peterborough Museum and Archives, 300 Hunter St. E., 6 p.m. to 7 p.m.
Friday, May 10, 2019	Closing of public survey on budget priorities
Wednesday, May 22, 2019	City Council, Finance Committee meeting to hear public delegations on the preliminary guideline for the 2020 Budget development
Monday, June 24, 2019	City Council to consider ratifying its Finance Committee's decision on the guidelines for the creation of the 2020 Budget, opportunity for public delegations during the meeting
Monday, January 13, 2020	Public meeting to hear from the community on the draft 2020 Budget
Monday, January 27, 2020	Council considers final approval of the 2020 Budget, opportunity for public delegations

2020 Operating Budget

When the Guideline was approved in June 2019, the percentage increase for the Operating Budget was set at 1.75%, which is below inflation. That was driven by the desire to reduce the property tax increase from what it had been in the last few years.

Presenting the 2020 Budget within that guideline has proven to be the most difficult budget staff has prepared in decades given the increased municipal costs in 2020.

There is significant upward pressure in areas that are either mandated or were listed as very important in the extensive community consultation that was undertaken for this budget. The areas experiencing the most pressure are Winter Control, Waste Management, Transit, Peterborough Public Health, Fairhaven and Peterborough County-City Paramedics. Another area experiencing above inflation increases in Information Technology due to maintenance and security costs that support all City services.

In previous years, there may have been offsets that would help fund such increases but there are very few in 2020.

Some of the increased costs are a result of changes from the Provincial Government in terms of reduced grants or changes in cost sharing formulas. In a letter sent to Heads of Council on May 27, 2019, Premier Doug Ford references the \$15 billion annual deficit and \$347 billion long-term debt that the Provincial government is attempting to reduce and is quoted as saying “We also believe that every government needs to step up and do its part; there is only one taxpayer, and the job of finding savings while protecting core services rests with every elected official in Ontario.” Municipalities have been asked to find efficiencies that will ensure the sustainability of our shared public services.

City staff’s next step in developing the 2020 Budget was a similar exercise. One way was to apply for and receive funding for an Audit and Accountability project. The Division reviewed was Social Services due to the recent provincial changes in this portfolio and the fact that the Housing Division and Social Services Division had been combined approximately 18 months ago.

The outcome in the 2020 Budget as a result of that review and internal reviews of other divisions is:

- A 7.5% increase in total User Fees and Direct Revenues (2019 – 1.8%);
- A reduction of \$800,000 in the amount transferred to Capital;
- A 0% increase in some budgets where there will be pressure to provide more service or funding;
- A reduction in service levels or funding in areas where the City was providing more than the mandated service and it was determined that the impact was low or could be achieved another way;

- A service being outsourced that could be delivered in-house with existing staff and becomes better customer service for the City's citizens; and
- The elimination in a service that is delivered in-house where it would be more aligned with other municipalities and other service providers for it to be delivered by those providers.

Some of these recommendations are very difficult. The details of each are explained in the Budget Overview and throughout the Divisional areas of the budget.

In some cases, 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 257 of the Highlights Book. Should any Council member wish to include any of the items in the 2020 Budget, a specific motion would be required. Council will then further need to decide which expenditures elsewhere in the budget could be reduced or add the amount to the 2019 Net Tax Levy Requirement. In previous years, these items may have been included by allocating funds from the 2020 General Contingency line, however, at a reduced amount of \$338,500, staff would suggest the Contingency amount is already too low at approximately half of what it has been in prior years and would caution reducing the amount further.

Municipal Accommodation Tax

A new revenue, although one that does not directly impact the Operating Budget is the Municipal Accommodation Tax (MAT). With Council's approval of Report CLSFS19-016 dated April 25, 2019, MAT of 4% on the purchase price of transient accommodation was adopted. Half of the net revenues from the MAT will be transferred to PKED, and the remaining portion will be used for funding tourism related projects and events. For 2020 it is estimated that the City will receive \$810,000 in MAT revenue, of which \$405,000 will be transferred to PKED and the remaining \$405,000 will be transferred to the MAT reserve for future use.

2020 Capital Budget

The 2020 Capital Budget includes 103 projects with a total cost of \$57.4 million.

During 2019, Council approved several pre-commitments of the 2020 budget as shown in Chart 2.

For the Canadian Canoe Museum (CCM) Capital Build project, the anticipated 2020 contribution towards the capital commitment, as approved by Council in 2017, has been shifted to 2021 to more appropriately align the funding with the commencement of construction. This was suggested by the CCM.

Casino Gaming Reserve

One source of revenue that is a key component of the Capital Budget is the Casino Gaming Reserve. An amount of \$2.3 million is included in the Draft 2020 Budget. 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 2020, 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 2021 Capital Budget. (Page 216)

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

Another key revenue source for Capital is the dividends from COPHI. The budget includes \$5.9 million in dividend payments in 2020 from CoPHI. 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 revenues earned from the proceeds of the sale. As has been the case with the dividends, it is proposed that the new revenues be directed towards enhancing Capital financing and not be used to reduce the net tax levy.

Chart 2

2020 Capital Pre-Commitments

	Project name	Report Reference	Development Charges	Casino Gaming Reserve	Federal Gas Tax	Tax Supported Debt/Capital Levy	Total 2020 Commitment
1	Humane Society 2017-2021	OCS16-002		\$ 300,000			\$ 300,000
2	Parkhill Road West - Wallis Drive to City Limits	IPSENG19-012	\$ 3,000,000		\$ 3,000,000		\$ 6,000,000
3	Expansion of the East Side Transportation Study Scope Work	IPSTR19-006	\$ 600,000				\$ 600,000
4	Canadian Canoe Museum	CSD17-030					\$ -
5	Fairhaven	CPFS12-062				\$ 225,191	\$ 225,191
6	Purchase of Buses to Support Selwyn Transit Pilot and Existing Community Bus Program	IPSTR19-021	\$ 360,000		\$ 440,000		\$ 800,000
7	Total		\$ 3,960,000	\$ 300,000	\$ 3,440,000	\$ 225,191	\$ 7,925,191

Documents

The 2020 Draft Budget is presented in **three books** with the layout of the books as follows:

Book 1 – 2020 Budget Highlights

The 2020 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 2020 Draft Budget.

Book 2 – 2020 Operating Budget

The 2020 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 2020 preliminary actual numbers shown in the document are unaudited estimates provided by departments earlier in 2019 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 – 2020 Capital Budget and 2021 – 2022 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.

2020 Budget Committee and Council Schedule

The proposed timetable to review the 2020 Draft Budget is set out below:

December 9, 2019	2020 Draft Budget presented to Finance Committee by Staff.
January 13, 2019	Public Meeting of Finance Committee to receive input on the 2020 Draft Budget.
January 13, 2019	Finance Committee reviews 2020 Draft Budget January 13 – January 16 as required.
January 27, 2020	Council considers all of the recommendations ultimately endorsed by the Finance Committee and adopts a 2020 Budget as amended.

C. Recommendations

The recommendations needed to implement the 2020 Budget are presented in Appendix A.

Summary

The 2020 Draft Budget documents are provided as a basis for the budget deliberations. It is recommended that the 2020 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 2020 proposed financial plan.

Submitted by

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Attachment:

Appendix A – Operating and Capital Budget Recommendations

Appendix A

2020 Operating and Capital Draft Budget Recommendations

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

- a) That the 2020 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 2020 Budget process.
- c) That any unused CAO Budget at the end of 2020 be transferred to the Organizational Development Reserve, subject to the overall year-end position. (Page 28)
- d) That any unused Peterborough Technology Services Budget, at the end of 2020, be transferred to the Electronic Data Processing (EDP) Reserve, subject to the overall year-end position and that, if actual 2020 costs exceed the 2020 Budget, funds may be drawn from the EDP Reserve. (Page 49)
- e) That \$1,000,000 in 2021 Capital funding be pre-committed for the SAP implementation project. (Page 54)
- f) That any unused Building Inspection Budget at the end of 2020 be transferred to the Building Division Reserve and that, if actual building inspection costs exceed the 2020 Budget, funds may be drawn from the Building Division Reserve. (Page 71)
- g) That any excess Airport development review fees at the end of 2020 be transferred to the Airport Development Review Reserve for future Airport Development related expenditures and that, if the 2020 Airport development review costs exceed the review fees, funds may be drawn from the Airport Development Review Reserve. (Page 74)
- h) That \$1,900,000 in 2021 Capital funding be pre-committed for the Bethune Street Diversion – City Funded project. (Page 80)
- i) That any 2020 Engineering Overhead surplus be transferred to the Engineering Design and Inspection Reserve, subject to the overall year-end position and that if actual 2020 Engineering costs exceed the Budget, funds may be drawn from the Engineering Design and Inspection Reserve. (Page 89)
- j) That any unused portion of the 2020 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 2020 Winter Control costs exceed the 2020 Budget, funds may be drawn from the Winter Control Reserve. (Page 89)

- k) That any unused Parking Budget, at the end of 2020, be transferred to the Parking Reserve, subject to the overall year-end position and that, if the actual 2020 Parking costs exceed the 2020 Budget, funds may be drawn from the Parking Reserve. (Page 111)
- l) That any unused Traffic Signal Maintenance Budget at the end of 2020, be transferred to the Traffic Signal Reserve, subject to the overall year-end position and that if the actual 2020 Traffic Signal Maintenance costs exceed the 2020 Budget, funds may be drawn from the Traffic Signal Reserve. (Page 112)
- m) That any surplus funds at the end of 2020 for Market Hall be transferred to the Market Hall Capital Reserve for unanticipated maintenance expenses or small capital improvements. (Page 140)
- n) That any surplus funds at the end of 2020 for Arenas be transferred to the Arena Equipment Reserve for future equipment purchases. (Page 150)
- o) That any surplus funds at the end of 2020 for the Marina be transferred to the Marina Reserve to be used for future capital improvements. (Page 153)
- p) That any surplus funds at the end of 2020 for Beavermead Campground be transferred to a Beavermead Campground Reserve for future capital improvements. (Page 154)
- q) That any surplus funds at the end of 2020 for the Peterborough Sport and Wellness Centre be transferred to the PSWC Capital Conservation Reserve for future capital improvements. (Page 154)
- r) That any unused Homelessness net budget at the end of 2020 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 2020 Homelessness costs exceed the 2020 Budget, funds may be drawn from the Reserve. (Page 177)
- s) That any unused Community Development Program net budget at the end of 2020 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 2020 Community Development Program costs exceed the 2020 Budget, funds may be drawn from the Reserve. (Page 177)
- t) That any remaining unused Social Services net budget at the end of 2020 be transferred to the General Assistance Reserve, subject to the overall year-end position and that, if actual 2020 Social Services costs exceed the 2020 Budget, funds may be drawn from the Reserve. (Page 178)
- u) That any surplus in the 2020 Housing Operating Budget at the end of 2020 be transferred to the Housing Reserve, subject to the overall year end position and that, if actual 2020 Housing costs exceed the 2020 Budget, funds may be drawn from the Housing Reserve. (Page 178)

- v) That any surplus in the 2020 Housing Choice Rent Supplement Program at the end of 2020 be transferred to the Housing Choice Rent Supplement Reserve, subject to the overall year-end position and that, if actual 2020 Rent Supplement costs exceed the 2020 Budget, funds may be drawn from the Rent Supplement Reserve. (Page 178)
- w) That any adjustment to the City's 2020 requirement for the Municipal Property Assessment Corporation (MPAC), be netted against the City's 2020 General Contingency provision. (Page 186)
- x) That the tax rebate to Registered Charities be decreased from the lesser of 100% of taxes payable by the charity or \$50,000, to 95% of the taxes payable by the charity or \$50,000 for the taxation year 2020 and that after 2020, the rate be decreased by 5% per year so that by 2024, it would be 75% of taxes payable or \$50,000. (Page 186)
- y) That any unused portion of the 2020 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 2020 tax write-off costs exceed the 2020 Budget, funds may be drawn from the Allowance for Doubtful Accounts Reserve. (Page 190)
- z) That any unused Employee Benefits Budget at the end of 2020 be transferred to the Employee Benefits Reserve, subject to the overall year-end position, and that, if actual 2020 employee benefits exceed the 2020 Budget, funds may be drawn from the Employee Benefits Reserve. (Page 190)
- aa) That any unused Insurance Budget at the end of 2020 be transferred to the Insurance Reserve, subject to the overall year-end position and that. (Page 190)
- bb) That any adjustment to the City's 2020 requirement for the Insurance Budget, be netted against the City's 2020 General Contingency provision. (Page 190)
- cc) That any unused 2020 Contingency Budget at the end of 2020 be transferred to the Capital Levy Reserve to be used for Capital works subject to the overall 2020 year-end position. (Page 190)
- dd) That any unused Police Services Legal fees Budget at the end of 2020 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 2020 Police legal fees costs exceed the 2020 Budget, funds may be drawn from the Policing Legal Fees Reserve. (Page 193)
- ee) That any unused Police Services Budget at the end of 2020 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 2020 Police Services costs exceed the 2020 Budget, funds may be drawn from the Police Special Projects Reserve. (Page 193)

- ff) That any adjustments to the City's portion of the 2020 Peterborough County/City Paramedics Services Budget be netted against the 2020 General Contingency provision. (Page 201)
- gg) That any unused Peterborough County/City Paramedics Services (PCCP) Budget at the end of 2020 be transferred to the PCCP Reserve, subject to the overall year-end position and that, if the actual 2020 PCCP costs exceed the 2020 Budget, funds may be drawn from the PCCP Reserve. (Page 201)
- hh) That any adjustments to the City's portion of ORCA's 2020 Budget, based on the final approved ORCA Budget, be netted against the City's 2020 General Contingency provision. (Page 203)
- ii) That the 2020 budget request, representing the levy required by the Downtown Business Improvement Area of the Corporation of the City of Peterborough during the year 2020 totalling \$327,933, be approved. (Page 212)
- jj) That the 2020 budget request, representing all sums required by the Village Business Improvement Area of the Corporation of the City of Peterborough during the year 2020 totalling \$17,728, be approved. (Page 213)
- kk) That any excess Casino Gaming revenues at the end of 2020, 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 216)
- ll) That any net surplus funds, after the disposition of the recommendations in this report, from 2020 operations in excess of \$100,000 be transferred to the Capital Levy Reserve to be used for Capital works. (Page 217)
- mm) That the revised Tax Ratio Reduction Program continues for the 2020 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 231)
- nn) That a by-law be passed to establish the 2020 tax ratios for each property class as set out in the 2020 Operating Budget. (Page 232)
- oo) That the 2020 tax rate for farmland awaiting development subclasses be 75% of the residential rate. (Page 232)