City of Peterborough

To:	**Members of the Budget Committee**
From:	**Sandra Clancy, Director of Corporate Services**
Meeting Date:	**July 27, 2015**
Subject:	**Report CPFS15-036 2016 Budget Guidelines**

Purpose

A report to recommend the 2016 Budget Guidelines.

Recommendations

That Council approve the recommendations outlined in Report CPFS15-036, dated July 27, 2015, of the Director of Corporate Services, as follows:

a) That the Draft 2016 Operating Budget reflects an estimated 2.35% all-inclusive (Municipal, Education and Sewer Surcharge) increase for increased operating costs and traditional support for the capital program.

b) That the Draft 2016 Operating Budget reflect an additional 0.5% all-inclusive (Municipal, Education and Sewer Surcharge) increase to fund the 2016 increase for tax-supported debt charges and any increase to base capital levy to continue to implement the Capital Financing Policy approved by Council at its meeting held April 23, 2012.

c) That $2.1 million of the $2.5 million in Capital Levy traditionally set aside for the Flood Reduction Master Plan – Capital Levy, not be used for the Flood Reduction Master Plan for the 2016 Budget year and be available for other capital projects.

d) That the Tax Ratio Reduction Program be reinstated for the 2016 Draft Budget and reflect reductions:

   i) to the Commercial and Industrial Class Tax Ratios but not the Multi-residential Class, and

   ii) at a rate that is one-half of the annual reduction that was originally included in the program.

e) That the draft 2016 Operating Budget reflect a 3.8% increase in the net Peterborough Police Services Budget to be accommodated within the 2.35% general increase, and any increase in the net Police Services budget beyond the 3.8% be addressed by Council as part of the detailed 2016 Budget deliberations to occur in November of 2015.

f) That, with respect to the Hospice Peterborough Renovation Project,

   i) the City commit in principle to provide $1.5 million towards the project construction costs over a three year period 2016 to 2018, subject to a satisfactory funding agreement being reached, and

   ii) That the 2016 Draft Capital Budget includes the first $500,000 annual contribution.

g) That the Public Meeting of the Budget Committee previously scheduled on December 2, 2015, be re-scheduled to November 18, 2015, to place the Public Meeting prior to the Detailed Budget Reviews.

h) That the 2016 Highlights Book include a section on the information gathered through the Public Meeting process and a response to each.

Budget and Financial Implications

When ultimately approved, the Budget will have significant financial implications for both the City and taxpayers.

Based on a number of early assumptions, a 2.85% all inclusive rate increase equates to a $5.1 million (4.5%) increase in total tax levy requirements. Approximately $0.75 million (0.7%) of the total increase would be used to implement the capital financing policy and $4.4 million (3.8%) would be used to fund all other operating increases. If possible, as the budget assumptions are refined, staff will attempt to reduce the estimated 2.35% Operating increase to provide further Capital financing.

For an average taxpayer based on an estimated 2016 median assessed value of $227,000, 2.85% would add an estimated $103 to the combined municipal, education and sewer surcharge levy.

Recommendation c) does not impact the 2016 levy requirement nor the amount of tax collected, but does reduce the tax burden from the Commercial and Industrial Classes, and shifts the burden to the Residential and Multi-residential Tax Classes. The impact to the Residential and Multi-residential Tax Class is estimated to be $375,000 or 0.25% on the all-inclusive increase.

Background

2016 Budget Process Began April, 2015

In April 2015, staff began the process of compiling the preliminary 2016 Budget estimates.

During the various review stages, staff will ensure the 2016 Draft Budget, to be presented to Budget Committee on November 2, achieves the guidelines ultimately approved through discussions of this report.

2.85% All-Inclusive Increase

Staff recommend a 2.85% all-inclusive increase comprised of a 2.35% general increase and a 0.5% component to continue to implement Council's Capital Financing policy approved April 23, 2012.

Based on the preliminary analysis done to date, further amounts will have to be found through a combination of expenditure reductions and revenue increases to meet the 2.35% general increase target in order to present a draft budget at 2.85%.

2016 Operating Budget

A general discussion on a number of factors is set out below:

Personnel Costs (excluding Police) - $1.8 million impact

Personnel costs are a major component of the operating budget. The only contract actually settled for 2016 is with Local 1320, the Amalgamated Transit Union. All other agreements with employee groups expire December 31, 2015. As such, appropriate assumptions for negotiated settlements will be made. When grid steps and annualizations of 2015 new hires are considered, the 2016 impact is expected to be $1.8 million. These numbers do not include Police Services which are referenced in a separate section of this report.

Social Services

There are numerous issues that staff are currently working through for the 2016 Draft Budget. Three of the more significant issues are as follows:

Mandatory Benefits - Provincial Upload, Case Load and Cost Per Case

The Province is expected to continue with its plan to fully upload social assistance benefit costs. The programs affected include: Ontario Works (OW) – Mandatory Benefits, OW - Discretionary Benefits and portions of Addiction Services and OW Administration. The upload plan was announced in the fall of 2008 as part of the “Provincial – Municipal Fiscal and Service Delivery Review (The Plan) document, and The Plan was to upload the cost over the period 2010 to 2018. The Plan clearly stated municipalities benefiting from the upload of the three major social assistance benefit programs over time, will have greater room in their budgets for infrastructure spending. The Province – and some others in the community have argued, however, that municipalities should redirect some of these savings to offset Provincial cut backs in discretionary benefit funding and housing.

For 2016, the Provincial share becomes 94.2% (2015 – 91.4%) and the municipal share 5.8% (2015 – 8.6%). In dollar terms, the 2.8% shift in impact is estimated to be $870,000.

The average caseload for the first quarter of 2015 is 3,236, still below the budgeted average of 3,270. For 2016, staff are assuming no increase to the average caseload.

However, the projected decrease in municipal costs will be somewhat offset by a projected increase in the mandatory benefits cost per case. The average cost per case for the first quarter is $682.60, below the 2015 Budget approved of $689.58. However, the Province has made several changes that will impact the Cost per Case of Mandatory Benefits in 2016. These include a 1% rate increase to families and an additional increase of $25/month for single individuals. Although both are good news to the most vulnerable in our community, it does increase the average cost per case for 2016 to $698.15, or 1.2%.

Altogether, the net impact of changes to Mandatory Benefits is expected to be reduced by approximately $738,000.

Discretionary Benefits

In keeping with the direction established through the 2014 Budget process as well as report CSSS13-003 dated April 22, 2013, whereby to maintain the same level of service for Discretionary Benefits, the additional municipal cost share of $400,000 would be gradually added to the tax base in increments of approximately $80,000 annually, with the balance funded from the Social Services reserve until the full amount required is funded from the property tax base. For 2016, which represents year three of the strategy, approximately $21,814 will be drawn from the reserve to help offset the municipal share.

Community Homelessness Prevention Initiative (CHPI)

In a letter dated March 30, 2015, the Ministry of Municipal Affairs and Housing announced that the $3.3 million in CHPI funding would be annualized for the next two fiscal years – to March 31, 2017. For 2016, staff recommend maintaining the level of financial support in the various Housing and Homelessness Programs in the community at the same level as in 2015.

Net Value of Upload

When all other program increases are considered, such as the negotiated increase in salaries and benefits, inflationary cost increases with some contracts and goods and services, the addition of renovation costs in the OW admin budget, and the change in the cost per case for mandatory benefits, the resulting value of the upload is reduced to approximately $0.5 million.

Utilities

Although the City does have a Price Hedging contract in place that should mitigate at least a portion of any increase, staff estimate that electricity expenses will increase by approximately 5% in 2016. This equates to approximately $0.5 million when the electricity used in street lights is included.

City/County Weighted Taxable Assessment

The Consolidated Service Agreement with the County of Peterborough uses the previous year's weighted average current value assessment to calculate the City-County proportionate share for both Provincial Offences and Social Housing. For 2016, the County's share is 54.2% (2015 – 54.0%) and the City's is 45.8% (2015 - 46.0%).

Assessment – 0.82% Real Growth Projections

Various events and activities influence assessment growth. These include zoning changes, subdivision activity and new construction.

Staff have completed an initial review, including building permits, zoning changes, subdivision activity and condominium plans and estimate real assessment will follow similar increases as used in the 2015 Budget. Overall, assessments will increase by 0.82% and with each class as follows for 2016:

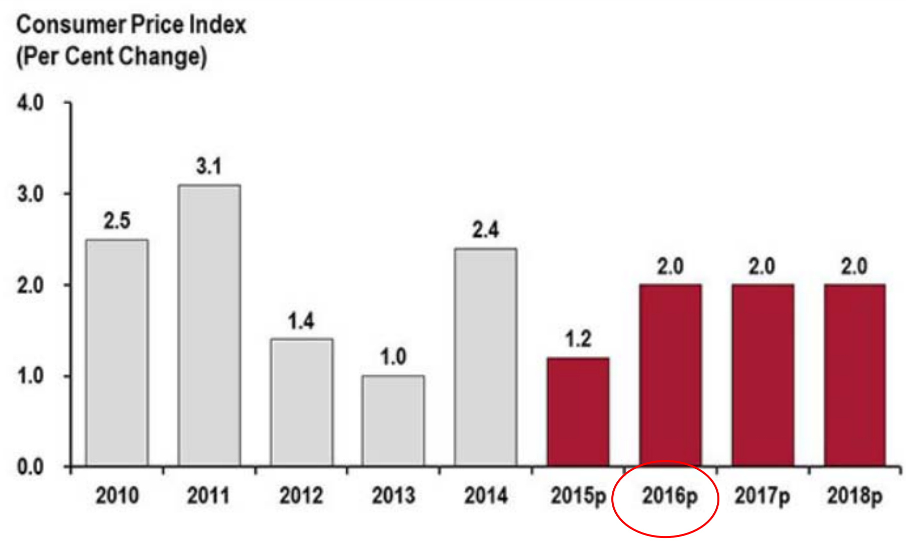
- Residential 1.00%
- Multi-residential 0.75%
- Commercial 0.00%
- Industrial 0.00%

The preliminary analysis completed so far does not substantiate any realizable growth in the Commercial sector, particularly in light of the ongoing province-wide assessment appeals which will still be ongoing in the 2016 taxation year.

Economic Factors - Consumer Price Index (CPI) projected to be approximately 2.0% for 2016

On April 23, 2015, the Finance Minister released Ontario's 2015 Budget. In doing so, the Minster projected inflation for 2016 at 2.0%.

CHART 2.15 Inflation Expected to Remain Moderate



p = Ontario Ministry of Finance planning projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

More recent information published by the financial sector, such as CIBC World Markets Inc. (Forecast – June 3, 2015, and Scotiabank (Global Forecast Update – June 1, 2015), project 2016 inflation in a range of 2.0% - 2.2% for Canada. For 2016, the City's Draft Budget will be prepared assuming a 2.0% inflationary increase.

Impacts subject to inflationary pressures are difficult to quantify, but a conservative estimate of the impact to the operating budget for expenses, other than personnel costs and other pressures specifically addressed, would be $0.5 million.

Other Expected 2016 Budget Impacts

While Financial Services staff are still compiling the 2016 Budget requests, the following are just some items that have been discussed with staff or Council to date and are additional budget pressures to existing service levels:

- Increase in Fuel costs - $200,000. Fuel budgets are sufficient at the current time, but there is risk of fuel prices creeping back up.
- Additional provision for Winter Control to improve levels of service:
  - Public Works - $215,000
  - Transit Bus Stops and Shelters - $155,000
  - City Hall and Police Station - $50,000
- Peterborough Housing Corporation – net impact of $90,000
- Provincial Offences Office – decrease in net fines - $80,000

Additional Revenues are expected in the Following Areas:

- Parking Revenues - $177,000

Police Services

Based on the guideline target of 2.35% + 0.5%, the net increase equates to an amount to be raised from taxation of 4.5% or $5.1 million. The Operating component (or the 2.35%) results in an increase to the Net Tax Levy in the range of 3.8% or $4.4 million. That means all departmental requests and outside board requests have to be accommodated within a 3.8% tax levy increase for staff to meet the proposed 2016 budget guidelines.

Accordingly, staff recommend the Draft 2016 operating budget reflect a 3.8% increase in the net Police Services to be accommodated within the 2.35% general increase, and any increase in the net Police Services budget beyond the 3.8% be addressed by Council as part of the detailed 2016 Budget deliberations to occur in November of 2015.

With such an approach, Council can then determine, when reviewing all of the priorities from various department budgets, to what extent any additional Police amounts should be considered over and above the 2.35% + 0.5% guideline. Alternatively, Council may determine reductions should be made elsewhere in departmental budgets to be able to provide Police more than the 3.8%.

Education Rates – expected to decrease slightly

Although Education Rates are established by the Province, they affect the final all-inclusive tax increase. Draft Education Rates are typically published by the Province in December of each calendar year for the following year. For the last number of years, the rate has been declining between 4-5% a year as assessment in the Province has increased. The 2016 Draft Budget will be prepared and presented to Council based on the premise that the Education rates will decrease slightly as in previous years.

2016 Capital Budget

The amount of capital work to be done to maintain the City's assets or expand its infrastructure due to increasing demands, continues. The following outlines the strategies suggested for 2016.

Debentures Retiring in 2016 translate into $8.4 million in debt that can be issued

For 2016, the City will retire several debentures, which effectively 'free up' approximately $1.0 million of debt servicing costs. If recapitalized for 10 years at current interest rates, these funds could provide up to $8.4 million in tax supported debt financing without incurring any new debt servicing costs. This is, in effect, what the City's capital financing policy used to be before 2012.

0.5% to Continue to Implement Capital Financing Policy

At its meeting held April 23, 2012, based on recommendations in Report CPFS12-011, dated April 4, 2012, Council approved a new Capital Financing Policy. The new policy identified additional capital levy and created additional capacity to issue new debt, but increased the amount of annual principal and interest to be repaid that has to be budgeted in the annual operating budget.

The following motions were included in Report CPFS12-011 and were approved:

c) That the annual draft operating budget include a 5% increase in the capital levy provision as a means of providing more capital levy to support the capital budget requirements.

d) That, to phase-in the new maximum debt limit, the total annual amount of new tax-supported debt charges and any increase in the capital levy provision be limited so that the impact on the residential all-inclusive tax increase does not exceed 1% per year.

The Province calculates the City's Annual Debt Repayment Limit by comparing debt servicing costs, which is the amount of principal and interest payments made during the year, to the amount of the City's own-purpose revenues. The Provincial cap is 25% of own-purpose revenues. According to the Provincial limit, this equates to annual debt principal and interest payments for 2015 of approximately $47.6 million, which is $33.8 million above 2014 debt servicing costs.

The City's more stringent internal debt limit adopted by Council is 15% of own-purpose revenues, or $28.5 million. The 15% is further split between tax supported debt of 8% and non-tax supported debt of 7%. For 2015, according to the internal limit, the City has used, or has made commitments to use 77% ($21.9 million / $28.5 million = 77%) of its debt capacity.

2016 represents the fourth year of implementing the new policy. The policy effectively created capacity to issue debt and move important capital works forward. The amount of debt that can be issued depends largely on the term of the debt and the interest rates available in the market place. Assuming all Tax Supported debt was issued for a term of ten years and non-tax-supported for 20 years, the policy would allow another $31.1 million in tax-supported debt and $46.1 million in non-tax-supported debt, for a combined amount of $77.2 million, to be issued.

The policy also limited the impact to the residential homeowner by establishing a cap on how quickly debt could be incurred. Due to the volume of capital work that needs to be done, an additional 1% for capital financing has been implemented for the past three years. The list of capital projects still far exceeds available financing. However, staff have heard the concerns that implementing a 1% increase drives up the all-inclusive tax increase beyond what Councillors and citizens are comfortable with. With this in mind, as well as the fact that there are several debentures retiring in 2016, it is recommended that the 2016 Draft Budget include additional capital financing at a level of 0.5% of the all-inclusive tax increase.

For 2016, this recommendation results in an additional $6.5 million in tax-supported debt being issued.

Flood Reduction Master Plan – Capital Levy reduced by $2.1 million

Since 2005, an amount has been set aside from Capital Levy and directed towards the Flood Reduction Master Plan program. At the present time, there is sufficient approved funding in place for the flood mitigation projects to continue throughout 2016 without infusing new funds into the program. For 2016, staff recommend that $2.1 million of the $2.5 million traditionally set aside from Capital Levy be deferred for one year. The $2.1 million will remain in Capital Levy to be allocated to other capital projects.

Total Proposed 2016 Tax Supported Capital Financing

In total, for 2016, the City's Capital program could have available the $8.4 million from debt recently retired, the $6.5 million in new tax-supported debt, and $10.6 million in Capital Levy for a total capital financing of $25.5 million from the tax base.

Unfortunately, when looking ahead to 2017 and 2018, although the City will be making debt principal and interest payments, no actual debentures will be retired. Any new tax supported debt issued for those years will either come from Council's willingness to continue with an enhanced Capital program similar to recent years, or whatever portion of funds that can be redirected from tax increases associated with traditional support for the Operating Budget.

Pre-commitments of Capital Financing - $3.9 million

Council has made pre-commitments towards the 2016 capital program as shown in Chart 1.

Chart 1
2016 Pre-commitments

Ref	Project Name	Report		Amount
1	Brealey Dr	USEC15-004	$	800,000
2	Ashburnham	USEC15-005	$	1,250,000
3	Airport Industrial Park	PLPD15-043	$	1,850,000
	Total Pre-committed to date		**$**	**3,900,000**

Property Tax Ratios

The Tax Ratio Reduction Program was approved in 2009 through Report CPFPRS09-005 presented to the April 6, 2009 Budget Committee. The Program was to take place over the eight-year period 2010-2017 and the tax ratios for the Multi-residential, Commercial and Industrial classes were to be reduced each year so that by the year 2017, a 1.50 tax ratio for each of the classes has been achieved.

The program was implemented in the 2010 year. For 2011 - 2014, Council continued with the program for the Commercial and Industrial Classes but did not reduce the tax ratio for the Multi-residential class.

For the 2015 Draft Budget, Council deferred the Tax Ratio Reduction Program by holding the Tax Ratios for all tax classes at the 2014 level in order to provide some relief for the Residential Tax Class. That decision provided $725,000 or 0.5% in tax relief for the Residential Class, but pushed the program out to 2018 for the Commercial and Industrial Tax Classes.

When considering a change in Tax Ratios, it is helpful to see how Peterborough compares to its peers. Each year the City participates in a municipal study that is published by BMA Management Consultants Inc. and is a comparison of 95 Ontario municipalities. Chart 2 below is a high level snapshot from the Municipal Study – 2014 and shows how the City compares. In each of the Multi-residential, Commercial and Industrial property tax classes Peterborough ranks below the average in the comparative group.

Chart 2
Tax Ratios – Summary

	Multi-Residential	Commercial	Industrial
Peterborough	1.94721	1.6202	1.9116
Municipal Study – 2014 - Average	2.0068	1.6854	2.1802

Although Peterborough is below the average, the goal of the program was not to become the average but to get to a tax ratio of 1.5.

In addition, as pointed out in the joint letter dated May 22, 2015 from the Greater Peterborough Chamber of Commerce, Kawartha Manufacturer's Association and the Peterborough and the Kawarthas Association of REALTORS Inc. and attached as Appendix A, although the City of Peterborough may have slightly lower than average tax rates for the 95 communities in the BMA study, it is in the highest 20% for tax burden as a percent of income. This is due to the low average annual income in the City. To reduce the tax burden, the focus must be on increasing the average income by attracting higher paying jobs.

Staff recommend that the Tax Ratio Reduction Program be reinstated, albeit at a slower pace for the 2016 and future Draft Budgets and reflect reductions to the Commercial and Industrial Class Tax Ratio's at a rate of one-half of the previously approved Tax Ratio Reduction Program. This decision would effectively delay achieving the end goal for the Commercial and Industrial Tax Classes of 1.5 of the Residential Class until 2021. As with previous budgets, staff are not recommending any changes to the tax ratios for the Multi-residential Class.

Re-instating the program means a 0.25% impact on the All-inclusive rate which will effectively shift $375,000 in taxation from the Commercial and Industrial tax classes to the Residential and Multi-residential classes.

Chart 3 shows what the Tax Ratios were for 2015 and what they are projected to be, should this recommendation continue until 2021.

Chart 3

Tax Ratios
2008 -2015 and Proposed for 2016 to 2021

Description	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential														
Residential & New Multi-residential	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Multi-residential	2.02520	2.01110	1.94721	1.94721	1.94721	1.94721	1.94721	1.94721	1.94721	1.94721	1.94721	1.94721	1.94721	1.88332
Commercial														
Commercial Class	1.84190	1.82040	1.78035	1.74030	1.70025	1.66020	1.62015	1.62015	1.60013	1.58010	1.56008	1.54005	1.52003	1.50000
Commercial Class New Construction	1.84190	1.82040	1.78035	1.74030	1.70025	1.66020	1.62015	1.62015	1.60013	1.58010	1.56008	1.54005	1.52003	1.50000
Commercial Class Vacant Units & Land	1.28933	1.27428	1.24625	1.21821	1.19018	1.16214	1.13411	1.13411	1.12010	1.10608	1.09206	1.07804	1.06402	1.05000
Industrial														
Industrial Class	2.59760	2.59760	2.46040	2.32320	2.18600	2.04880	1.91160	1.91160	1.84300	1.77440	1.70580	1.63720	1.56860	1.50000
Industrial Class New Construction	2.59760	2.59760	2.46040	2.32320	2.18600	2.04880	1.91160	1.91160	1.84300	1.77440	1.70580	1.63720	1.56860	1.50000
Industrial Tax Vacant Units & Land	1.68844	1.68844	1.59926	1.51008	1.42090	1.33172	1.24254	1.24254	1.19795	1.15336	1.10877	1.06418	1.01959	0.97500
Other														
Pipeline	1.27060	1.27060	1.27060	1.27060	1.27060	1.27060	1.27060	1.27060	1.27060	1.27060	1.27060	1.27060	1.27060	1.27060
Farm Propery	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000	0.25000
Farm Land Awaiting Development	0.25000	0.25000	0.35000	0.45000	0.55000	0.65000	0.75000	0.75000	0.75000	0.75000	0.75000	0.75000	0.75000	0.75000

Hospice Peterborough Funding Request

On January 13, 2015 Mr. Bill Lockington, representing Hospice Peterborough, made a presentation to the Budget Committee to discuss the organization's plans to undertake a $6.5 million renovation to 325 London Street to accommodate expanded programming and office space and to seek financial support from the City and County.

Following the presentation, the Committee approved the following motion:

That the Hospice Peterborough presentation to the January 13, 2015 Budget Committee meeting, seeking $1.5 million financial support from the City to be paid in three annual $500,000 instalments over the three-year period 2016 to 2018 to support a $6.5 million renovation to their property at 325 London Street, be presented to Council prior to the 2016 Budget Guideline Report being considered.

Mr. Lockington, on behalf of Hospice Peterborough, has provided an update on the project in the form of a letter which is attached as Appendix B.

Based on the support expressed from Council on January 13, 2015, staff recommend that the Draft 2016 Budget include $0.5 million as the City's first year commitment to the project and that the City provide $1.5 million towards the Hospice renovation project construction costs in total over the three year period 2016 to 2018.

Public Meeting for the 2016 Budget

Through Report CPCLK14-016 dated December 1, 2014, Council approved the 2015 Council Meeting Schedule which referenced Wednesday, December 2, 2015 as the date for the Public to comment on the 2016 Budget.

On May 18, based upon Report CPFS15-018 Public Participation in the City Budgeting Process dated May 11, 2015, Council further resolved to change when the public would get their chance to comment on the Draft Budget.

Recommendation b) of the report read as follows:

b) That the Public Budget Review session traditionally held subsequent to the Budget Committee Review Sessions, be held prior to the Budget Committee Review Sessions.

Staff recommend that the Public Meeting be held on Wednesday November 18, 2015, which is the week prior to the detailed budget review.

Public Meeting held on July 21, 2015

The first public meeting for the 2016 Budget was held on July 21, 2015 at Market Hall. Approximately 35-40 people attended and 17 people spoke. A common theme throughout the presentations was thanking Council for the opportunity to have more dialogue with respect to the budget. The majority of the comments did not necessarily change the recommendations in this guideline report. The focus of most of the presentations was around specific areas within the budget and proposed service level changes such as, but not limited to:

- Assisting the most vulnerable citizens in a variety of ways
- Completing the Official Plan review and the need for a Strategic Plan
- Enhancing Transit Service
- Improving sidewalks
- Concern about the 2016 deferral for FRMP due to the need to continue with flood reduction enhancements

If the Budget Committee wishes to ensure a specific request brought forward is included in the 2016 Draft Budget, they may wish to make a specific motion. Otherwise, as the budget process proceeds and the Draft Budget is developed, staff and then Budget Committee will consider all the suggestions made. It is proposed that the 2016 Highlights Book include a section on the information gathered through this Public Meeting process and a response to each. The Budget Committee will then be able to see how and if staff have addressed the issue in the Draft Budget.

Summary

If the recommendations in this report are approved, staff will prepare a Draft Budget that reflects a target 2.85% all-inclusive tax increase, with up to 0.5% of that being used for the Capital Financing Policy. There are however, several impacts that are unknown at this time and there is risk in committing to this increase. As always, preparing a Draft Budget, supporting existing levels of service at a reasonable cost to taxpayers will be a difficult task.

Submitted by,

Sandra Clancy
Director of Corporate Services

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Attachments

Appendix A – Joint Letter dated May 22, 2015 from Greater Peterborough Chamber of Commerce, Kawartha Manufacturer's Association and the Peterborough and the Kawarthas Association of REALTORS Inc.

Appendix B – Letter from Hospice Peterborough

Appendix A

Joint Letter dated May 22, 2015 from Greater Peterborough Chamber of Commerce, Kawartha Manufacturer's Association and the Peterborough and the Kawarthas Association of REALTORS Inc.

Greater Peterborough CHAMBER of COMMERCE

Kawartha Manufacturers' Association
Striving for World Class Manufacturing

PKAR

Friday, May 22, 2015

Letter to: Mayor and Council; Sandra Clancy, Director of Corporate Services

RE: Tax Ratio Reduction Program in 2016 Budget

The Greater Peterborough Chamber of Commerce, Kawartha Manufacturing Association and the Peterborough and the Kawarthas Realtors Association are taking the opportunity to reach out to city council and staff before guidelines are determined for the 2016 budget.

These three groups represent a significant portion of the business community affected by the Tax Ratio Reduction Program (TRRP). The program was to be deferred for one year according to recommendation c) in the 2015 Budget Guidelines.

c) that the Tax Ratio Reduction Program be deferred for one year by holding the Tax Ratios for all classes at the 2014 level in order to provide relief for the Residential Tax Class.

As mentioned in our letter of Thursday, January 15, 2015, the TRPP should not be viewed as a "break" for business. It is a program that is helping Peterborough establish itself as a more competitive place to do business and build a business. For example under the current tax ratio, a Barrie, Ontario manufacturing company, similar to one in our city, would pay 30% more in Property Tax if it moved to Peterborough. At industry standard margins, the company would have to increase revenues by $750,000 to absorb the increase in taxes. On the building side, an industrial building with a CVA of $2M would pay $59,793 in Barrie, ON. The same building ($2M CVA) in Peterborough would pay 30% more, or $77,584 per year. Compare this to the $17 per household this year's freeze provided to the average residential household.

Reinstating the TRRP and seeing the program through to its conclusion, has three positive outcomes for the City of Peterborough. The program:

1. Allows current commercial and industrial businesses to have the opportunity to expand
2. Creates an environment for higher paying jobs
3. Positions Peterborough to be a more attractive community to new businesses

The BMA Management Consulting Inc, Municipal Study 2014 offers insight into how a change in the tax ratio can have a positive domino effect on the overall community. In the study, Peterborough ranks in the low-mid range for residential taxes compared to other Ontario municipalities. The City also ranks in the mid-range for industrial and high-range for all commercial classes that apply. Although the City of Peterborough may have slightly lower than average tax rates for the 95 communities in the BMA study, it is in the highest 20% for tax burden as a percent of income. This is due to the low average annual income in the City. To reduce the tax burden, the focus must be on increasing the average income by attracting higher paying jobs.

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Typically, the industrial sector provides high average incomes and high multiplier effects relative to the retail jobs that dominate the City's employment environment. The City's slightly higher than average tax ratio hardly act as an attractant to industry, especially when it is significantly higher than both the County (1.51) and the City of Kawartha Lakes (1.28).

When the City of Peterborough reduced the tax ratio in 2014, it was 1 of only 11 Municipalities in the BMA study to do so. If the 1.50% tax ratio was realized for the industrial class, Peterborough would have the sixth lowest rate in the province behind Muskoka, York, Prince Edward County, North Bay and, Brampton. The same 1.50% tax ratio for the commercial class would move Peterborough into a more competitive position with Halton, Durham, Barrie, Mississauga and Brampton, even though the City's rate would still be higher. This provides very positive differentiation for the City of Peterborough as a location of choice for new businesses, at very little cost to the residential tax payer.

A tax ratio rate of 1.50% is a great help to the city's current businesses as municipalities in Ontario have very few financial levers they can pull to support the industrial sector. Reducing the tax ratio for industrial and commercial ratepayers allows for businesses to reinvest in themselves to increase employment, purchase newer technologies and reach into new markets. It's is also a tool on the economic development side when businesses are considering Peterborough as a place to set up and build their business.

We are asking that the Tax Ratio Reduction Program be reinstated for budget 2016 and furthermore, that the program remains in place for the next three budget cycles to ensure the original goal is realized.

Sincerely,

Stuart Harrison
President & CEO
Greater Peterborough
Chamber of Commerce

Tom Sayer
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Appendix B

Letter from Hospice Peterborough

July 7, 2015

VIA EMAIL: sclancy@peterborough.ca

Ms. Sandra Clancy
Director of Corporate Services
City of Peterborough
500 George Street North
Peterborough, ON, K9H-3R9

Dear Ms. Clancy:

Re: Hospice Peterborough – Hospice Care Centre

I reference our letter to Brian Horton of September 24, 2014 and our presentation to City Council on January 13th, 2015 regarding our request to the City to invest in the Hospice Care Centre project to be completed on London Street. I am taking this opportunity to provide an update on the Project and the progress to date of the associated Capital Campaign.

The 'Every Moment Matters' Capital Campaign is continuing and receiving strong response. The results of the campaign to date mirror the significant community interest and enthusiasm for the project. The goal is ambitious and you will recall there is no anticipated contribution to the capital of the Project from federal or provincial governments. Notwithstanding, the receipted gifts and committed pledges to this point, combined with a conservative projection of anticipated future contributions and accounting for the requested gifts from City and County, we are pleased to advise the Project will be successfully capitalized and totally funded.

As indicated when we met with Council, it is anticipated construction would commence in the spring of 2016 and opening in September of 2017. I can confirm this schedule has not been adjusted.

A project manager has been retained and in collaboration with Lett Architects of Peterborough, final specifications and design are being completed in preparation for working drawings. The tender call is likely to be made in March 2016.

The demand for Hospice services continues to grow. At the Annual General Meeting held on June 24, 2015 it was noted that over the last five (5) years, there has been a 51% increase in the number of clients served and an 86% increase in client interactions. Last year, referrals exhibited a 5% increase with 1713 people directly served. For the 26th consecutive year, the audited financial results of Hospice Peterborough disclosed a surplus operating budget.

I trust the foregoing is helpful. Please call me if you feel it would be appropriate to make a further presentation to Council.

Thank you for your kind consideration.

Yours very truly,

Bill Lockington, Campaign Cabinet
Government Division Chair