



City of
Peterborough

TO: Members of the Budget Committee

FROM: Sandra Clancy, Director of Corporate Services
Brian Horton, Chief Administrative Officer

MEETING DATE: November 26, 2012

SUBJECT: Report CPFS12-087
2013 Draft Budget

PURPOSE

A report to provide the 2013 Draft Operating and Capital Budget for consideration.

RECOMMENDATION

That Council approve the recommendation outlined in Report CPFS12-087 dated November 26, 2012, of the Director of Corporate Services, and the Chief Administrative Officer, as follows:

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

BUDGET AND FINANCIAL IMPLICATIONS

The 2013 Draft Budget meets Council's direction of an all-inclusive 2.0% general tax increase plus a 1% increase for capital funding support as per the new Capital Financing Policy approved by Council April 23, 2012. The budget reflects a 2.7% increase in gross expenditures and a 5.0% increase in net tax levy requirements.

Further details are provided throughout the four budget books.

BACKGROUND

A. The 2013 Budget in Brief

The 2013 Draft Budget presented today, meets Council's 2013 guideline of "2%-general-plus-1%-capital" for a 3.0% all-inclusive guideline as directed by Council through report CPFS12-039 dated June 18, 2012 for a residential property assessed at \$206,000 - pre 2012 reassessment. The term "all-inclusive tax" means the municipal, education and sewer surcharge amounts payable.

The Operating Budget maintains the current Council approved level of service.

The Budget assumes a 1.50% real growth in residential assessment. Actual numbers for real growth and the market-value-adjusted assessments for 2013 were not available when the budget documents were printed. We expect to receive updated numbers from the Municipal Property Assessment Corporation on December 12, 2012.

The Operating Budget includes the eight-year (2010-2017) Tax Ratio Reduction Program for the Commercial and Industrial property owners so that by the year 2017, the tax ratios for those classes will have been reduced to 1.5, and their share of the tax levy requirement will be reduced. The multi-residential tax ratio has however, been frozen at the 2012 rate.

The City will pay 970.57 full and part time equivalent employees \$82.6 million for salaries and benefits in 2013. This Budget proposes the full-time staff complement be increased by a net of 3, comprised of 4 new full-time positions, 3 part-time positions proposed to become full-time and 4 positions that have been eliminated.

The 2013 Capital Budget includes \$59.1 million of capital work. The Budget incorporates the new Debt Management Policy approved as part of report CPFS12-011 dated April 4, 2012 and uses all the available capital levy, tax supported debenture financing and Federal Gas Tax to finance the work. The 1.0% increase in the all-inclusive tax rate, which amounts to approximately \$1.3 million, has been used to increase base capital levy by 5% or \$496,000 with the balance providing for tax supported debt principal and interest payments.

B. Process, Challenges, Documents and Meeting Schedule

2013 Budget Process

Corporate Services staff prepared and distributed budget packages to departments in early April 2012 which in turn submitted their initial 2013 proposed budgets by May 2012.

Financial staff compiled the material and a two-tiered review approach was completed. The first review was done with individual Department Directors and Corporate Services staff. The second was a review by the CAO, the Director of Corporate Services, Manager of Financial Services, Budget Analyst and individual Department Directors. In mid September, the CAO and all the Directors completed a final review of the submissions and Corporate Services staff prepared the 2013 Draft Budget that is being released this evening.

Challenges with the 2013 Budget

While there are always varying factors in a draft budget to consider prior to approval, there are two critical decisions Council will need to make for 2013. One is related to the Police Services Budget and the second is the Discretionary Benefits program within the Social Services Division.

Peterborough Lakefield Community Police Services Budget

The draft budget reflects a 4.5% (\$908,000) increase for Police whereas the Police Board has requested a 6.6% (\$1,334,000) increase which leaves a \$426,000 difference. If Council decides to provide the total requested by the Board, and not reduce other areas of the budget, the 3% all-inclusive rate would increase to 3.3 %.

The following provides some additional background.

Recommendation (d) of Report CPFS12-039 included the following recommendation which Council also approved:

"That if the 2013 Police Services Budget submitted by the Board cannot be accommodated within the 2% general increase without significantly impacting other areas of the budget, staff report back to Council for further direction before the draft budget is submitted."

Recommendation (d) was made as part of the 2013 guideline report to ensure a situation similar to the 2012 Budget process does not occur for the 2013 Budget process whereas City staff felt compelled to present a Draft 2012 Budget that achieved Council's 2.5% guideline for 2012 but had to accommodate an initial 8.4% - \$1.6 million increase in the Police 2012 Operating Budget. To accommodate the Police request within the 2012 guideline, many other City departments' requests were limited or scaled back.

The Draft 2013 Budget complies with Council's 2013 guideline, but accommodates a 4.5% increase for Police Services operating requirements in the Police Budget lines. In addition, the Draft 2013 Budget accommodates an additional \$161,000 set aside in contingency for the police impact of adjusting to the City-wide benefit overhead percentage from 28% to 29% and a \$24,800 adjustment to reflect a change in the City/SEL police sharing ratio from 3.85% to 3.74%. Combined, the amounts accommodated within the guideline amount to 5.4%.

The 4.5% figure that appears in the Police lines of the Budget is based on the fact that the City's overall 2013 tax levy was expected to increase by 4.5% within the "2%-general-plus-1%-capital-guideline" that was set by Council.

The 4.5% figure does not represent what Financial Services staff thinks the Police 2013 Budget final figure should be. Rather, the 4.5% figure is the figure Financial Services staff think can be reasonably accommodated within Council's "2%-general-plus-1%-capital-guideline" without significantly impacting other areas of the budget.

It will now be up to Council to decide, as part of its detailed 2013 Budget, whether or not it is prepared to add to the 2013 Draft Budget tax requirement or cut other City programs included in the Draft Budget – to provide all or some of the \$425,969 difference between the 4.5% increase reflected in the draft budget and the 6.6% Board request.

The Police Chief and Board Chair attended an October 22, 2012 special meeting to present the Board's approved 2013 request of the City and will return to a November 8, 2012 Budget Committee to continue the discussions.

Discretionary Benefits

While the Province continues to upload Social Services cost, it has changed the funding formula for Discretionary Benefits. Any reduction in cost the City would enjoy because of the uploading would be more than offset by an increase City share of discretionary benefits if the City were to replace lost Provincial Discretionary Benefit funding to maintain current levels of service.

The Draft 2013 Budget assumes no increase in the City's net cost of discretionary benefits. If Council wanted to increase the 2013 funding for Discretionary Benefits so there was no reduction in service, an additional \$1.2 million would have to be added to the 2013 estimates.

The following provides some additional background.

Net Social Services program costs have decreased as the Province continues uploading costs. Ontario Works Benefit costs will continue to be uploaded until 2018 at which time the Province will pay 100% of the costs. In his letter to municipalities dated November 3, 2008, announcing the Report of the Provincial Municipal Fiscal and Service Delivery Review, “Facing the Future Together”, the report which initiated the upload of costs, the Minister for Municipal Affairs and Housing, the Honourable Jim Watson, stated that by the time all the uploads are realized in 2018, the net benefit to municipalities in Ontario will be \$1.5 billion a year. He states “With this agreement, municipalities will be in a better position to build vital local infrastructure and deliver important local services”. The benefit to the City of Peterborough in 2013 as a result of that decision is estimated to be \$864,000.

While this does not appear to be a challenge and is a good news story, as the Province continues to make other program decisions that impact constituents, there is increased pressure to revisit how these funds are spent. The most recent program change is in Discretionary Benefits. Beginning July 1, 2012, the Province introduced a new funding model for discretionary benefits. It is estimated that this change in the funding model will result in a shortfall of \$1.26 million in funding for 2013. On July 30, 2012, Council approved that discretionary benefits should be continued status quo until December 31, 2012, giving staff time to look at future options for the delivery of discretionary benefits under the new funding model.

Council further resolved at the July 2012 meeting, that the initial 2013 Draft Operating Budget be prepared on the basis that the City and County’s municipal contribution for Discretionary Benefits not be increased over the 2012 budgeted amounts, and that a Discretionary Benefit report be presented to Budget Committee in time for the 2013 Budget Deliberations that provides an update on the Discretionary Benefit Policy and some options Council may wish to implement.

After review of the 2013 Social Services budget at the October 11, 2012 Joint Services Steering Committee meeting, the Committee recommended to continue offering discretionary benefits status quo to the end of April 2013 to allow negotiations with the provincial government and to see if changes in provincial funding would occur in the Provincial budget.

The 2013 Draft Budget has been prepared assuming a reduction in the service level of Discretionary Benefits with no increase in municipal funding beyond that in 2012. However, there is the Joint Services Steering Committee recommendation to consider and there will be other pressure to increase the service level back to historic levels with additional municipal funds.

Documents

As in previous years, the 2013 Draft Budget is presented in **four books** as follows:

Book 1 – 2013 Budget Highlights

The 2013 Budget Highlights Book provides a summary of the Operating and Capital Budgets and explains the key factors and implications of the proposed budget.

The Budget Highlights Book includes a list of items requested but not recommended in the 2013 Draft Operating Budget that Council may wish to review.

It is recommended that the Budget Highlights (Book #1) be used by the Budget Committee during its review of the 2013 Draft Budget.

Book 2 – 2013 Operating Budget

The 2013 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, highlights and comparative staff complement for each activity.

The 2012 preliminary actual numbers shown in the document are unaudited estimates provided by departments and may change pending final year-end adjusting entries.

User Fee Schedules are included for all departments.

Book 3 – 2013 Capital Budget and 2014 – 2017 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.

Book 4 – Work Programs; Organization Charts; Staffing/Personnel Information; Assessment, Tax Rate and Tax Policy Information; and Glossary of Common Terms and Acronyms

This document provides:

- Organization charts including staffing allocations
- Detailed work programs for all departments as a means of measuring high-level outputs for the budget dollars requested.
- Total Staffing Complement and Costs, and Summary of 2013 Salary Changes
- Assessment, Tax Rate and Tax Policy Supplementary Information
- Glossary of Common Acronyms used throughout the Budget Books

2013 Budget Committee and Council Schedule

The proposed timetable to review the 2013 Draft Budget is set out below:

November 5, 2012	2013 Draft Budget presented to Budget Committee by Staff.
November 26, 2012	Budget Committee reviews 2013 Draft Budget November 26 – November 29 as required.
December 5, 2012	Public Meeting of Budget Committee to receive input on 2013 Draft Budget.
December 10, 2012	Council considers all of the recommendations ultimately endorsed by the Budget Committee and adopts a 2013 Budget as amended.

C. Recommendations

The recommendations needed to implement the 2013 Budget are presented in Appendix A.

SUMMARY

The 2013 Draft Budget documents are provided as a basis for the budget deliberations. It is recommended that the 2013 Highlights Book be the guiding document for Budget Committee review. Budget Books 2, 3, and 4 (Operating, Capital, and Supplementary Information Books respectively) are for reference material for ensuring a complete understanding of the 2013 proposed financial plan.

Submitted by

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Attachment:
Appendix A – Recommendations

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APPENDIX A

2013 OPERATING AND CAPITAL DRAFT BUDGET RECOMMENDATIONS

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

- a) That the 2013 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 as set out in Book 2 be adopted as part of 2013 Budget process.
- c) That any unused CAO Budget at the end of 2013 be transferred to the Organizational Development Reserve, subject to the overall year-end position. (Page 22)
- d) That any unused Peterborough Technology Services Budget, at the end of 2013, be transferred to the Electronic Data Processing (EDP) Reserve, subject to the overall year-end position and that if actual 2013 costs exceed the 2013 Budget, funds may be drawn from the EDP reserve. (Page 31)
- e) That any unused portion of the 2013 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 2013 Winter Control costs exceed the 2013 Budget, funds may be drawn from the Winter Control reserve. (Page 61)
- f) That any unused Traffic Signal Maintenance Budget at the end of 2013 be transferred to the Traffic Signal Reserve, subject to the overall year-end position and that if the actual 2013 Traffic Signal Maintenance costs exceed the 2013 Budget, funds may be drawn from the Traffic Signal Reserve. (Page 70)
- g) That any surplus funds at the end of 2013 for Market Hall be transferred to the Market Hall Capital Reserve for unanticipated maintenance expenses or small capital improvements. (Page 89)
- h) That any surplus funds at the end of 2013 for the Peterborough Sport and Wellness Centre be transferred to the PSWC Capital Conservation Reserve for future capital improvements. (Page 95)
- i) That any surplus funds at the end of 2013 for Beavermead be transferred to the Beavermead Reserve to fund future capital projects. (page 96)
- j) That any surplus funds at the end of 2013 for Arenas be transferred to the Arena Equipment Reserve for future equipment purchases. (Page 111)

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- k) That any unused Emergency Hostel net budget at the end of 2013 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 2013 Emergency Hostel costs exceed the 2013 Budget, funds may be drawn from the reserve. (Page 125)
 - l) That any unused Community Social Plan net budget at the end of 2013 be transferred to the Community Social Plan 50/50 Reserve for future program development, subject to the overall year end position and that if actual 2013 Community Social Plan costs exceed the 2013 Budget, funds may be drawn from the reserve. (Page 125)
 - m) That any remaining unused Social Services net budget at the end of 2013 be transferred to the Social Services General Assistance Reserve, subject to the overall year end position and that if actual 2013 Social Services costs exceed the 2013 Budget, funds may be drawn from the reserve. (Page 125)
 - n) That any surplus in the 2013 Housing Operating Budget at the end of 2013 be transferred to the Social Housing Reserve, subject to the overall year end position and that if actual 2013 Housing costs exceed the 2013 Budget, funds may be drawn from the Social Housing Reserve. (Page 139)
 - o) That any excess Airport development review fees at the end of 2013 be transferred to the Airport Development Review Reserve for future Airport Development related expenditures and that if the 2013 Airport development review costs exceed the review fees, funds may be drawn from the Airport Development Review Reserve. (Page 142)
 - p) That any unused Building Inspection Budget at the end of 2013 be transferred to the Building Division Reserve and that if actual building inspection costs exceed the 2013 Budget, funds may be drawn from the Building Division Reserve. (Page 147)
 - q) That any unused portion of the 2013 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 2013 tax write-off costs exceed the 2013 Budget, funds may be drawn from the Allowance for Doubtful Accounts Reserve. (Page 154)

- r) That any unused Employee Benefits budget at the end of 2013 be transferred to the Employee Benefits Reserve, subject to the overall year-end position, and that if actual 2013 employee benefits exceed the 2013 Budget, funds may be drawn from the Employee Benefits Reserve. (Page 154)
- s) That any unused insurance budget at the end of 2013 be transferred to the Insurance Reserve, subject to the overall year-end position and that if actual 2013 insurance costs exceed the 2013 Budget, funds may be drawn from the Insurance Reserve. (Page 154)
- t) That any unused 2013 Contingency Budget at the end of 2013 be transferred to the Capital Levy Reserve to be used for Capital works subject to the overall 2013 year-end position. (Page 154)
- u) That any unused Police Services Budget at the end of 2013 be transferred to the Contingency Policing Reserve, subject to the overall year-end position and approval through the Treasurer, and that if the actual 2013 Police Services costs exceed the 2013 Budget, funds may be drawn from the Contingency Policing Reserve. (Page 158)
- v) That any unused Police Services Legal fees Budget at the end of 2013 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 2013 Police legal fees costs exceed the 2013 Budget, funds may be drawn from the Policing Legal Fees Reserve. (Page 158)
- w) That any adjustments to the City's portion of the 2013 Land Ambulance Budget be netted against the 2013 general contingency provision. (Page 162)
- x) That any unused Land Ambulance Budget at the end of 2013 be transferred to the Land Ambulance Reserve, subject to the overall year-end position, and that if the actual 2013 Land Ambulance costs exceed the 2013 Budget, funds may be drawn from the Land Ambulance Reserve. (Page 162)
- y) That any adjustments to the City's portion of ORCA's 2013 Budget, based on the final approved ORCA Budget, be netted against the City's 2013 general contingency provision. (Page 163)
- z) That any adjustments to the City's portion of CCHU 2013 Budget, based on the final approved CCHU Budget, be netted against the City's 2013 general contingency provision. (Page 164)

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- aa) That any net surplus funds, after the disposition of the recommendations in this report, from 2013 operations in excess of \$100,000 be transferred to the Capital Levy Reserve to be used for capital works. (Page 167)
 - bb) That a by-law be passed to establish the 2013 tax ratios for each property class as set out in the 2013 Operating Budget. (Page 175)
 - cc) That the 2013 tax rate for farmland awaiting development subclasses be 55% of the residential rate. (Page 176)
 - dd) That a system of graduated tax rates within the Commercial and Industrial classes not be implemented for 2013. (Page 176)
 - ee) That the capping policy for 2013 for the Multi-residential, Commercial and Industrial classes be as follows:
 - i. Capping be based on a maximum increase threshold at the greater of 10% of the previous year's annualized capped taxes and 5% of the previous year's annualized CVA tax for the eligible property. (Page 177)
 - ii. No capping credit be applied for properties where the required billing adjustment is within a \$250 credit of the properties' CVA tax; affected properties would be billed at their full CVA tax level. (Page 177)
 - iii. That properties that achieved CVA tax in 2012 remain at CVA tax from 2013 forward regardless of how reassessment affects the property. (Page 177)
 - iv. That properties that cross over from the clawback to the capping category or vice versa from 2012 to 2013 be taxed at CVA tax. (Page 177)
 - ff) That the threshold on the tax level for eligible new construction be 100%. (Page 177)
 - gg) That the Tax ratio reductions for mandated subclasses of vacant units remain at 30% for the Commercial class and 35% for the Industrial class. (Page 177)