



City of
Peterborough

TO: Members of the Budget Committee

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

MEETING DATE: November 4, 2013

SUBJECT: Report CPFS13-054
2014 Draft Budget

PURPOSE

A report to provide the 2014 Draft Operating and Capital Budget for consideration.

RECOMMENDATION

That Council approve the recommendation outlined in Report CPFS13-054 dated November 4, 2013, 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 2014 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 Capital Financing Policy approved by Council April 23, 2012. The budget reflects a 2.9% increase in gross expenditures and a 5.7% increase in net tax levy requirements.

The 2014 Capital Budget includes \$37.0 million of capital work. The Budget incorporates the 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 \$1.4 million, has been used to increase base capital levy by \$500,000 with the balance providing for tax supported debt principal and interest payments.

Further details are provided throughout the four budget books.

BACKGROUND

A. The 2014 Budget in Brief

The 2014 Draft Budget presented today, meets Council's 2014 guideline of "2%-general-plus-1%-capital" for a 3.0% all-inclusive guideline as directed by Council through report CPFS13-030 dated June 24, 2013 for a residential property assessed at \$212,900. The term "all-inclusive tax" means the municipal, education and sewer surcharge amounts payable.

Assessment is estimated to increase by 3.3% comprised of a 1.0% growth component and a 2.3% re-assessment impact, stemming from the fact that 2012 market values are being phased-in over the four-year period 2013 – 2016.

For the most part, the Operating Budget maintains the current Council approved level of service, with some exceptions which are noted in Part 1 on page 10 of this Highlights Book.

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 2011 rate.

The City will pay 992.92 full and part-time equivalent employees \$86.4 million for salaries and benefits in 2014. This Budget proposes the full-time staff complement be increased by a net of 4.25, comprised of seven new full-time positions and 2.75 positions that have been eliminated.

B. Process, Challenges, Documents and Meeting Schedule

2014 Budget Process

Corporate Services staff prepared and distributed budget packages to departments in early April 2013 which, in turn, submitted their initial 2014 proposed budgets by May 2013.

The material was compiled 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 2014 Draft Budget that is being released this evening.

Challenges with the 2014 Budget

While there are always varying factors in a draft budget to consider prior to approval, there are two areas that deserve additional commentary.

Peterborough Lakefield Community Police Services Budget

The 2014 Guideline Report included recommendation (d) which read as follows:

"That a 3.6% increase in the net Police Services budget be accommodated within the 2% general increase and any increase in the net Police Services budget beyond the 3.6% be addressed by Council during its 2014 Budget deliberations."

The draft budget reflects a 3.6% (\$775,317) increase for Police whereas the Police Board has requested a 4.76% (\$1,014,897) increase which leaves a \$239,580 difference. Council will need to decide during budget deliberations what increase, if any, to accommodate within the 2% general Operating increase. 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 3.2%.

The 3.6% figure was based on the theory that the City's overall 2014 tax levy was expected to increase by 3.6% within the 2% component of the "2%-general-plus-1%-capital-guideline" that was set by Council.

The 3.6% figure did not represent what Financial Services thought the Police 2014 Budget final figure should be rather the 3.6% figure represented the amount Financial Services staff thought could be reasonably accommodated within the guideline without significantly impacting other areas of the budget.

Now that the 2014 budget assumptions have been refined and the Draft Budget compiled, staff knows that the 2% component will in fact generate an additional 4.3% in tax levy.

It will now be up to Council to decide, as part of its detailed 2014 Budget deliberations, whether or not it is prepared to add to the 2014 Draft Budget tax requirement or reduce the tax requirement included in another area of the Draft Budget – to provide all or some of the \$239,580 difference between the 3.6% increase reflected in the draft budget and the 4.76% Board request.

2014 Capital Requests Exceeded Tax Supported Capital Financing Available by \$21.8 Million

The 2014 Capital Budget includes \$37.0 million of capital work. The Budget incorporates the 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 \$1.4 million, has been used to increase base capital levy by \$500,000 with the balance providing for tax supported debt principal and interest payments.

In 2013, Council made a number of pre-commitments against the 2014 Capital Budget as follows:

- Museum Storage Facility: \$2.0 million
- Airport Crosswind Taxiway: \$1.0 million
- Airport Taxiway Bravo: \$2.4 million
- Seneca – additional Airside Improvements: \$2.1 million
- Fleming College – Kawartha Trades and Technology Centre: \$1.0 million over 3 years (2014-2016) - \$0.3 million

In total, \$7.8 million or 68% of the additional capital financing available in 2014 has already been approved by Council. These projects effectively preempt all other projects in the 2014 Capital Budget.

Of the list above, only the project for the contribution to Fleming College for the Kawartha Trades and Technology Centre in the amount of \$0.3 million is included (project 3-3.05) in the \$37.0 million. All remaining projects totaling \$7.5 million were deemed to be 2013 in-year changes to reflect the fact that most of the work is in progress and at varying stages of completion.

Although a \$37.0 million capital program is significant, the original value of all capital works requested exceeded the amount of tax supported financing available by approximately \$21.8 million. To achieve the program presented in the Capital Budget, required some additional, intense review sessions that included all Directors. Some of the capital requests were deleted, some were scaled back, and others were deferred to future years. Altogether some 50 projects were impacted in some way.

Documents

As in previous years, the 2014 Draft Budget is presented in **four books** as follows:

Book 1 – 2014 Budget Highlights

The 2014 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 2014 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 2014 Draft Budget.

Book 2 – 2014 Operating Budget

The 2014 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 2013 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 and will be included in a User Fee By-law that will be approved following budget deliberations.

Book 3 – 2014 Capital Budget and 2015 – 2018 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; Organizational Charts; Staffing/Personnel Information; Assessment, Tax Rate and Tax Policy Information; and Glossary of Common Terms and Acronyms

This document provides:

- Organizational 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 2014 Salary Changes;
- Assessment, Tax Rate and Tax Policy Supplementary Information, and
- Glossary of Common Acronyms used throughout the Budget Books.

2014 Budget Committee and Council Schedule

The proposed timetable to review the 2014 Draft Budget is set out below:

November 4, 2013	2014 Draft Budget presented to Budget Committee by Staff.
November 25, 2013	Budget Committee reviews 2014 Draft Budget November 25 – November 29 as required.
December 4, 2013	Public Meeting of Budget Committee to receive input on 2014 Draft Budget.
December 9, 2013	Council considers all of the recommendations ultimately endorsed by the Budget Committee and adopts a 2014 Budget as amended.

C. Recommendations

The recommendations needed to implement the 2014 Budget are presented in Appendix A.

SUMMARY

The 2014 Draft Budget documents are provided as a basis for the budget deliberations. It is recommended that the 2014 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 2014 proposed financial plan.

Submitted by

Sandra Clancy
Director of Corporate Services

Brian W. Horton
Chief Administrative Officer

Attachment:
Appendix A – Recommendations

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

APPENDIX A

2014 OPERATING AND CAPITAL DRAFT BUDGET RECOMMENDATIONS

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

- a) That the 2014 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 2014 Budget process.
- c) That any unused CAO Budget at the end of 2014 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 2014, be transferred to the Electronic Data Processing (EDP) Reserve, subject to the overall year-end position and that if actual 2014 costs exceed the 2014 Budget, funds may be drawn from the EDP reserve. (Page 34)
- e) That any Engineering Overhead surplus be transferred to the Engineering Design and Inspection Reserve, subject to the overall year-end position and that if actual 2014 Engineering costs exceed the Budget, funds may be drawn from the Engineering Design and Inspection Reserve. (Page 54)
- f) That any unused portion of the 2014 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 2014 Winter Control costs exceed the 2014 Budget, funds may be drawn from the Winter Control reserve. (Page 65)
- g) That any unused Traffic Signal Maintenance Budget at the end of 2014 be transferred to the Traffic Signal Reserve, subject to the overall year-end position and that if the actual 2014 Traffic Signal Maintenance costs exceed the 2014 Budget, funds may be drawn from the Traffic Signal Reserve. (Page 74)
- h) That any surplus funds at the end of 2014 for Market Hall be transferred to the Market Hall Capital Reserve for unanticipated maintenance expenses or small capital improvements. (Page 94)
- i) That any surplus funds at the end of 2014 for the Peterborough Sport and Wellness Centre be transferred to the PSWC Capital Conservation Reserve for future capital improvements. (Page 99)

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- j) That any surplus funds at the end of 2014 for Arenas be transferred to the Arena Equipment Reserve for future equipment purchases. (Page 114)
 - k) That any unused Emergency Hostel net budget at the end of 2014 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 2014 Emergency Hostel costs exceed the 2014 Budget, funds may be drawn from the reserve. (Page 126)
 - l) That any unused Community Social Plan net budget at the end of 2014 be transferred to the Social Services Community Social Plan 50/50 Reserve for future program development, subject to the overall year-end position and that if actual 2014 Community Social Plan costs exceed the 2014 Budget, funds may be drawn from the reserve. (Page 126)
 - m) That any remaining unused Social Services net budget at the end of 2014 be transferred to the General Assistance Reserve, subject to the overall year-end position and that, if actual 2014 Social Services costs exceed the 2014 Budget, funds may be drawn from the reserve. (Page 126)
 - n) That any surplus in the 2014 Housing Operating Budget at the end of 2014 be transferred to the Housing Reserve, subject to the overall year-end position and that, if actual 2014 Housing costs exceed the 2014 Budget, funds may be drawn from the Housing Reserve. (Page 144)
 - o) That any excess Airport development review fees at the end of 2014 be transferred to the Airport Development Review Reserve for future Airport Development related expenditures and that if the 2014 Airport development review costs exceed the review fees, funds may be drawn from the Airport Development Review Reserve. (Page 147)
 - p) That any unused Building Inspection Budget at the end of 2014 be transferred to the Building Division Reserve and that, if actual building inspection costs exceed the 2014 Budget, funds may be drawn from the Building Division Reserve. (Page 152)
 - q) That any adjustment to the City's 2014 requirement for the Municipal Property Assessment Corporation (MPAC) be netted against the City's 2014 General Contingency provision. (Page 157)
 - r) That any unused portion of the 2014 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 2014 tax write-off costs exceed the 2014 Budget, funds may be drawn from the Allowance for Doubtful Accounts Reserve. (Page 159)

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- s) That any unused Employee Benefits Budget at the end of 2014 be transferred to the Employee Benefits Reserve, subject to the overall year-end position, and that, if actual 2014 employee benefits exceed the 2014 Budget, funds may be drawn from the Employee Benefits Reserve. (Page 159)
 - t) That any unused Insurance Budget at the end of 2014 be transferred to the Insurance Reserve, subject to the overall year-end position and that, if actual 2014 insurance costs exceed the 2014 Budget, funds may be drawn from the Insurance Reserve. (Page 159)
 - u) That any unused 2014 Contingency Budget at the end of 2014 be transferred to the Capital Levy Reserve to be used for Capital works subject to the overall 2014 year-end position. (Page 159)
 - v) That any unused Police Services Legal fees Budget at the end of 2014 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 2014 Police legal fees costs exceed the 2014 Budget, funds may be drawn from the Policing Legal Fees Reserve. (Page 164)
 - w) That any unused Police Services Budget at the end of 2014 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 2014 Police Services costs exceed the 2014 Budget, funds may be drawn from the Police Special Projects Reserve. (Page 164)
 - x) That any adjustments to the City's portion of the 2014 Emergency Medical Services Budget be netted against the 2014 general contingency provision. (Page 169)
 - y) That any unused Emergency Medical Services (EMS) Budget at the end of 2014 be transferred to the EMS Reserve, subject to the overall year-end position and that, if the actual 2014 EMS costs exceed the 2014 Budget, funds may be drawn from the EMS Reserve. (Page 169)
 - z) That any adjustments to the City's portion of ORCA's 2014 Budget, based on the final approved ORCA Budget, be netted against the City's 2014 general contingency provision. (Page 169)
 - aa) That any adjustments to the City's portion of CCHU 2014 Budget, based on the final approved CCHU Budget, be netted against the City's 2014 general contingency provision. (Page 171)
 - bb) That the 2014 budget request representing the levy required by the Downtown Business Improvement Area of the Corporation of the City of Peterborough during the year 2014 totalling \$284,300, be approved. (Page 173)

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- cc) That the 2014 budget request representing all sums required by the Village Business Improvement Area of the Corporation of the City of Peterborough during the year 2014 totalling \$16,480, be approved. (Page 174)
 - dd) That any net surplus funds, after the disposition of the recommendations in this report, from 2014 operations in excess of \$100,000 be transferred to the Capital Levy Reserve to be used for Capital works. (Page 177)
 - ee) That a by-law be passed to establish the 2014 tax ratios for each property class as set out in the 2014 Operating Budget. (Page 186)
 - ff) That the 2014 tax rate for farmland awaiting development subclasses be 65% of the residential rate. (Page 186)
 - gg) That a system of graduated tax rates within the Commercial and Industrial classes not be implemented for 2014. (Page 187)
 - hh) That the capping policy for 2014 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 187)
 - 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 187)
 - iii. That properties that achieved CVA tax in 2013 remain at CVA tax from 2014 forward regardless of how reassessment affects the property. (Page 187)
 - iv. That properties that cross over from the clawback to the capping category or vice versa from 2013 to 2014 be taxed at CVA tax. (Page 187)
 - ii) That the threshold on the tax level for eligible new construction be 100%. (Page 187)
 - jj) 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 187)