



City of
Peterborough

To: **Members of the Budget Committee**

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

Meeting Date: **December 8, 2014**

Subject: **Report CPFS14-035**
2015 Draft Budget

Purpose

A report to provide the 2015 Draft Operating and Capital Budget for consideration.

Recommendation

That Council approve the recommendation outlined in Report CPFS14-035 dated December 8, 2014, 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 2015 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 4.4% increase in gross expenditures and a 4.7% increase in net tax levy requirements.

The 2015 Capital Budget includes \$76.1 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 in its entirety to increase tax supported debt principal and interest payments.

Further details are provided throughout the four budget books.

Background

A. The 2015 Budget in Brief

The 2015 Draft Budget presented today, meets the previous Council's 2015 guideline of "2%-general-plus-1%-capital" for a 3.0% all-inclusive guideline as directed by Council through report CPFS14-020 dated July 21, 2014 for a residential property assessed at \$222,600. The term "all-inclusive tax" means the municipal, education and sewer surcharge amounts payable.

Residential assessment is estimated to increase by 3.0% comprised of a .09% growth component and a 2.1% 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 minor exceptions. Key impacts are noted in Part 1 in the Chart on page 12 and in the supplementary commentary on pages 13 and 14 of this Highlights Book.

The eight-year Tax Ratio Reduction Program for the Commercial and Industrial property owners has been in place since 2010 and completed the first five years' reductions. It was planned to go until 2017, however, the 2015 Operating Budget defers the plan, as directed by Council through the 2015 Budget Guidelines report. The multi-residential tax ratio remains at the 2011 rate.

The City will pay 1,001.6 full and part-time equivalent employees \$90.0 million for salaries and benefits in 2015. This Budget proposes the full-time staff complement be increased by a net of 1.57, comprised of 2.00 full-time positions requested, 1.00 temporary position requested to become permanent and reductions in full-time positions of 0.43.

B. Process, Challenges, Documents and Meeting Schedule

2015 Budget Process

Corporate Services staff prepared and distributed budget packages to departments in early April 2014 which, in turn submitted their initial 2015 proposed budgets by May 2015.

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 2015 Draft Budget that is being released this evening.

Peterborough Police Services Budget

The 2015 Guideline Report included recommendation (d) which read as follows:

"That a 3.2% 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 3.2% be addressed by Council during its 2015 Budget deliberations."

A similar recommendation was made in 2013 and 2014 after the budget process in 2012 where staff presented a Draft 2012 Budget that achieved Council's 2.5% guideline but had to accommodate an initial 8.4% - \$1.6 million increase in the Police 2012 Operating Budget.

The 2015 Draft Budget reflects a 3.2% (\$710,697) increase for Police whereas the Police Board has requested a 6.43% (\$1,418,283) increase which leaves a difference of \$707,586. 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 3.5%.

The 3.2% figure was based on the assumption that the City's overall 2015 tax levy was expected to increase by 3.2% within the 2% component of the "2%-general-plus-1%-capital-guideline" that was set by Council. Now that the Budget assumptions have been further refined, the actual increase will be 3.4%.

It will now be up to Council to decide, as part of its detailed 2015 Budget deliberations, whether or not it is prepared to add to the 2015 Draft Budget tax requirement or reduce the tax requirement included in another area of the Draft Budget – to provide all or some of the \$707,586 difference between the 3.2% increase reflected in the draft budget and the 6.43% Board request.

2015 Capital Budget

A review of all the capital work that has been completed in the last two years would suggest that the Debt Management Policy is working. But there is still much to be done. The 2015 Capital Budget includes 206 projects with a total cost of \$76.1 million. Due to a continuing high volume of capital work requested, two strategies are being recommended in the 2015 Capital Budget which allow more capital work to be completed in 2015 that would otherwise be possible.

The first is to apply the 1.0% capital related increase in the all-inclusive tax rate, which amounts to approximately \$1.4 million, entirely to increase tax supported debt principal and interest payments thereby increasing the amount of debenture financing that can be used in the 2015 Capital Budget by \$12.2 million. This is instead of applying a portion of the 1% to increase capital levy as has been done in the previous two years. Since the borrowing market continues to exhibit low interest rates, staff are recommending this approach in 2015.

The second is to repeal three by-laws totaling \$3.1 million that effectively free up debenture financing that can be re-purposed in the 2015 capital budget. The first two are for work that was expected to be done at Morrow Park and total \$2.9 million. When a successful resolution is reached with the Agricultural Society, the work can be requested in a future capital budget. \$673,200 is still remaining in the approval capital project.

The third by-law was for the replacement of the Airport Crash Tender in the amount of \$200,000. The project has been reintroduced in the 2015 Capital Budget without the requirement to debenture the purchase.

Should Council not wish to proceed with these strategies, some capital projects being funded by tax supported debt financing will need to be removed from the 2015 Draft Capital Budget.

Documents

As in previous years, the 2015 Draft Budget is presented in **four books** as follows:

Book 1 – 2015 Budget Highlights

The 2015 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 on page 196 that have been requested but not recommended 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 2015 Draft Budget.

Book 2 – 2015 Operating Budget

The 2015 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 2014 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 – 2015 Capital Budget and 2016 – 2019 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 – Supplementary Information

This document provides:

- 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 2015 Salary Changes;
- Assessment, Tax Rate and Tax Policy Information, and
- Glossary of Common Acronyms used throughout the Budget Books.

2015 Budget Committee and Council Schedule

The proposed timetable to review the 2015 Draft Budget is set out below:

December 8, 2014	2015 Draft Budget presented to Budget Committee by Staff.
January 12, 2015	Budget Committee reviews 2015 Draft Budget January 12 – January 15 as required.
January 21, 2015	Public Meeting of Budget Committee to receive input on the 2015 Draft Budget.
February 2, 2015	Council considers all of the recommendations ultimately endorsed by the Budget Committee and adopts a 2015 Budget as amended.

C. Recommendations

The recommendations needed to implement the 2015 Budget are presented in Appendix A.

Summary

The 2015 Draft Budget documents are provided as a basis for the budget deliberations. It is recommended that the 2015 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 2015 proposed financial plan.

Submitted by

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Attachment:
Appendix A – Recommendations

Appendix A

2015 Operating and Capital Draft Budget Recommendations

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

- a) That the 2015 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 2015 Budget process.
- c) That upon approval of the 2015 Capital Budget, by-laws 12-024, 13-042 and 13-060, being by-laws to debenture certain tax-supported capital works, be repealed. (Page 19)
- d) That any unused CAO Budget at the end of 2015 be transferred to the Organizational Development Reserve, subject to the overall year-end position. (Page 24)
- e) That any unused Peterborough Technology Services Budget, at the end of 2015, be transferred to the Electronic Data Processing (EDP) Reserve, subject to the overall year-end position and that if actual 2015 costs exceed the 2015 Budget, funds may be drawn from the EDP reserve. (Page 32)
- f) 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 2015 Engineering costs exceed the Budget, funds may be drawn from the Engineering Design and Inspection Reserve. (Page 51)
- g) That any unused portion of the 2015 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 2015 Winter Control costs exceed the 2015 Budget, funds may be drawn from the Winter Control reserve. (Page 63)
- h) That any unused Traffic Signal Maintenance Budget at the end of 2015 be transferred to the Traffic Signal Reserve, subject to the overall year-end position and that if the actual 2015 Traffic Signal Maintenance costs exceed the 2015 Budget, funds may be drawn from the Traffic Signal Reserve. (Page 72)
- i) That any surplus funds at the end of 2015 for Market Hall be transferred to the Market Hall Capital Reserve for unanticipated maintenance expenses or small capital improvements. (Page 93)
- j) That any surplus funds at the end of 2015 for the Peterborough Sport and Wellness Centre be transferred to the PSWC Capital Conservation Reserve for future capital improvements. (Page 96)

- k) That any surplus funds at the end of 2015 for Arenas be transferred to the Arena Equipment Reserve for future equipment purchases. (Page 109)
- l) That any unused Homelessness net budget at the end of 2015 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 2015 Homelessness costs exceed the 2015 Budget, funds may be drawn from the reserve. (Page 126)
- m) That any unused Community Social Plan net budget at the end of 2015 be transferred to the Social Services Community Social Plan 40/60 Reserve for future program development, subject to the overall year-end position and that if actual 2015 Community Social Plan costs exceed the 2015 Budget, funds may be drawn from the reserve. (Page 126)
- n) That any remaining unused Social Services net budget at the end of 2015 be transferred to the General Assistance Reserve, subject to the overall year-end position and that, if actual 2015 Social Services costs exceed the 2015 Budget, funds may be drawn from the reserve. (Page 126)
- o) That any surplus in the 2015 Housing Operating Budget at the end of 2015 be transferred to the Housing Reserve, subject to the overall year-end position and that, if actual 2015 Housing costs exceed the 2015 Budget, funds may be drawn from the Housing Reserve. (Page 141)
- p) That any surplus in the 2015 Housing Choice Rent Supplement Program at the end of 2015 be transferred to the Housing Choice Rent Supplement Reserve, subject to the overall year-end position and that, if actual 2015 Rent Supplement costs exceed the 2015 Budget, funds may be drawn from the Rent Supplement Reserve. (Page 141)
- q) That any excess Airport development review fees at the end of 2015 be transferred to the Airport Development Review Reserve for future Airport Development related expenditures and that if the 2015 Airport development review costs exceed the review fees, funds may be drawn from the Airport Development Review Reserve. (Page 144)
- r) That any unused Building Inspection Budget at the end of 2015 be transferred to the Building Division Reserve and that, if actual building inspection costs exceed the 2015 Budget, funds may be drawn from the Building Division Reserve. (Page 148)
- s) That any adjustment to the City's 2015 requirement for the Municipal Property Assessment Corporation (MPAC), be netted against the City's 2015 General Contingency provision. (Page 153)

- t) That any unused portion of the 2015 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 2015 tax write-off costs exceed the 2015 Budget, funds may be drawn from the Allowance for Doubtful Accounts Reserve. (Page 156)
- u) That any unused Employee Benefits Budget at the end of 2015 be transferred to the Employee Benefits Reserve, subject to the overall year-end position, and that, if actual 2015 employee benefits exceed the 2015 Budget, funds may be drawn from the Employee Benefits Reserve. (Page 156)
- v) That any unused Insurance Budget at the end of 2015 be transferred to the Insurance Reserve, subject to the overall year-end position and that, if actual 2015 insurance costs exceed the 2015 Budget, funds may be drawn from the Insurance Reserve. (Page 156)
- w) That any unused 2015 Contingency Budget at the end of 2015 be transferred to the Capital Levy Reserve to be used for Capital works subject to the overall 2015 year-end position. (Page 156)
- x) That any unused Police Services Legal fees Budget at the end of 2015 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 2015 Police legal fees costs exceed the 2015 Budget, funds may be drawn from the Policing Legal Fees Reserve. (Page 161)
- y) That any unused Police Services Budget at the end of 2015 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 2015 Police Services costs exceed the 2015 Budget, funds may be drawn from the Police Special Projects Reserve. (Page 161)
- z) That any adjustments to the City's portion of the 2015 Peterborough County/City Paramedics Services Budget be netted against the 2015 General Contingency provision. (Page 166)
- aa) That any unused Peterborough County/City Paramedics Services (PCCP) Budget at the end of 2015 be transferred to the PCCP Reserve, subject to the overall year-end position and that, if the actual 2015 PCCP costs exceed the 2015 Budget, funds may be drawn from the PCCP Reserve. (Page 166)
- bb) That any adjustments to the City's portion of ORCA's 2015 Budget, based on the final approved ORCA Budget, be netted against the City's 2015 general contingency provision. (Page 167)
- cc) That any adjustments to the City's portion of CCHU 2015 Budget, based on the final approved CCHU Budget, be netted against the City's 2015 general contingency provision. (Page 169)

- dd) That the 2015 budget request representing the levy required by the Downtown Business Improvement Area of the Corporation of the City of Peterborough during the year 2015 totalling \$292,829, be approved. (Page 172)
- ee) That the 2015 budget request representing all sums required by the Village Business Improvement Area of the Corporation of the City of Peterborough during the year 2015 totalling \$16,400, be approved. (Page 173)
- ff) That any net surplus funds, after the disposition of the recommendations in this report, from 2015 operations in excess of \$100,000 be transferred to the Capital Levy Reserve to be used for Capital works. (Page 175)
- gg) That a by-law be passed to establish the 2015 tax ratios for each property class as set out in the 2015 Operating Budget. (Page 184)
- hh) That the 2015 tax rate for farmland awaiting development subclasses be 75% of the residential rate. (Page 184)
- ii) That a system of graduated tax rates within the Commercial and Industrial classes not be implemented for 2015. (Page 185)
- jj) That the capping policy for 2015 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 185)
 - 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 185)
 - iii. That properties that achieved CVA tax in 2014 remain at CVA tax from 2015 forward regardless of how reassessment affects the property. (Page 185)
 - iv. That properties that cross over from the clawback to the capping category or vice versa from 2014 to 2015 be taxed at CVA tax. (Page 185)
- kk) That the threshold on the tax level for eligible new construction be 100%. (Page 185)
- ll) 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 185)