



Report No. ADM2015-02

2015 Draft Budget Tabling Report

Date	January 28, 2015
Submitted by	Helen Collier, Acting Chief Administrative Officer Rob Kehoe, Director of Finance and Economic Development
Subject	2015 Draft Budget Tabling
File No.	F05 GEN Budget & Estimates

1) **EXECUTIVE SUMMARY:**

This report provides Council with the analysis to support the draft 2015 Operating and Capital budgets. The 2015 Draft Operating Budget represents a 0% tax rate adjustment and includes one additional staff in the Community Service department for a building inspector to address provincial safety standards. As well there are two new positions in the Daycare services that will be entirely offset by Daycare fees and do not have any impact on the ratepayer.

The Water, Sewer and Waste rates are recommended to be increased by 2.5%. This increase is necessary to keep up with the operational costs including debt servicing as well as to pay for capital costs.

As discussed during the plenary session of January 12th, 2015 this budget is essentially a Regrouping budget:

REGROUPING BUDGET

- Mandated or negotiated expense increases
- No fee increases for Daycare and Recreation services
- Complete 2014 Capital Works-in-Progress
- Reduced new capital for 2015
- Zero % tax Increase
- Only issue new debt within existing envelope
- 2016 Budget process begins in June

The capital budget for the City in 2015 amounts to \$14.6 million and addresses the growth-related, repair and maintenance and strategic capital investments envisioned for 2015. The report also describes the capital works-in-progress (e.g. capital projects approved in previous years) and there is \$8.4 million in unspent tax-supported funds as at December 31, 2014.

In terms of public consultation, the public have been notified of the Council budget deliberation dates identified in the recommendation section of this report. In addition, the public have been invited to provide comments on the budget to the following e-mail address. Any comments received will be provided to Council.

Budget@Clarence-Rockland.com

1) **DEPARTMENT'S RECOMMENDATION:**

To review in accordance with the timetable below and to approve the draft 2015 operating budget, capital budget and water, sewer and waste rates as amended on March 2nd, 2015.

- Thursday, February 5th - 6:00 p.m. to 9:15 p.m. - Council chambers
- Saturday, February 7th - 9:00 a.m. to 4:00 p.m. - Council chambers
- Monday, February 9th - 6:00 p.m. to 9:15 p.m. - Council chambers
- Tuesday, February 10th - 6:00 pm. To 9:15 p.m. - Council chambers

It was also agreed that the "question period" would be the last item at all budget meetings, occurring from 9:00 p.m. to 9:15 p.m.

Saturday, February 14th has been set aside as a budget meeting day if necessary. Council will hold final deliberations on March 2, 2015 to finalize the 2015 budget.

2) **NATURE /GOAL:**

The purpose of this report is to present to Council for consideration the Draft 2015 Budget.

3) **DIRECTIVE / PREVIOUS POLICY:**

The ***Municipal Act, 2001, as amended*** requires that every municipality adopt an annual operating and a capital budget; property tax bylaws cannot be passed until both budgets have been adopted. Under the Act, municipalities are not allowed to budget for a deficit.

4) **BACKGROUND:**

Extensive work was completed over the past 5 months on the draft 2015 operating and capital budgets. The draft budget as presented reflects a regrouping budget which will provide funding for 2015 without the need for a tax rate change. The 2015 year will see the accomplishment of the Strategic plan by end of June 2015. The plan will determine the work plan for the next 3 fiscal years 2016- 2019 and its direction will be reflected in and will guide the preparation of the 2016 and future years' budgets. As discussed at the last plenary session, the budget cycle for 2016 is expected to begin in July of this year where Council is expected to set the budgetary guidelines.

5) **DISCUSSION:**

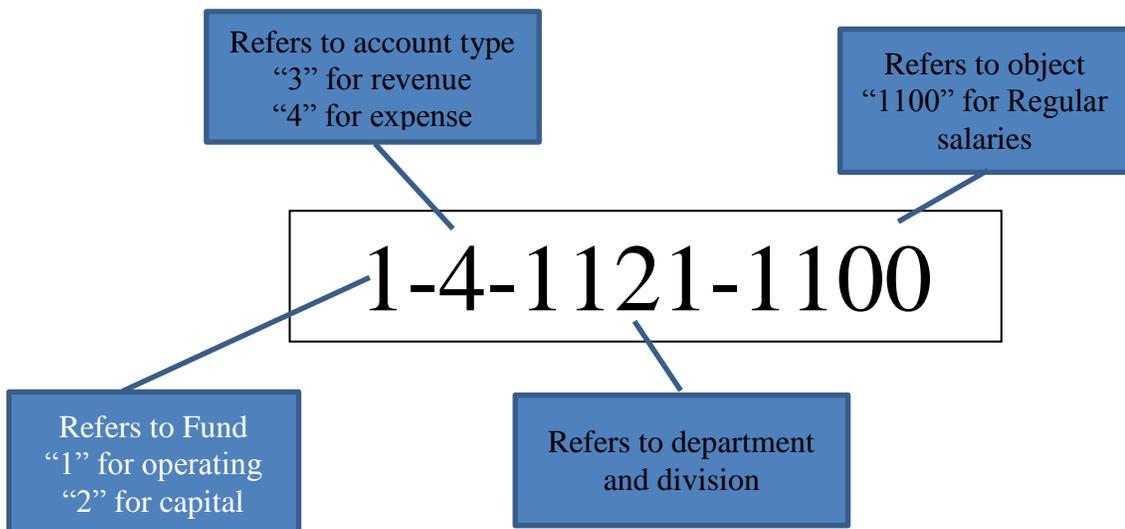
1. The Budget Book

The budget book includes the following sections:

- Overview and summaries – provides a summary by department of revenue, expenses and the net taxation requirement.
- General Government – includes corporate expenditures, Corporate Services, Council and Finance department
- Protective Services – includes Fire and By-law departments
- Infrastructure and Engineering
- CR Transit
- Community Services – includes Daycare and Recreation services
- Planning – includes Planning and Construction services
- Public Library
- Water, Sewer and Waste Services
- 2015 Capital Budget

Each tab of the budget book includes a table of contents that describes the content of that section. The first two items of each section includes a “Summary of Budget by Division” within the department. The second item shows the “Budget Summary by Major Object” for the department. Major object refers to the type of expense e.g. salary, materiel, etc. Finally, revenue and expense details are provided for each division within the department.

In order to guide Council in reviewing the budget book, the City’s account coding structure is described in the graphic below.



2. The 2015 Operating Budget

a) Review and Public Consultation

Staff having been working diligently over the last few months formulating work plans and budgets for the next year. It is especially difficult preparing a budget in an election year as there is not sufficient time to obtain direction from Council especially as it relates to strategic matters. However; it was quite evident after the election campaign that a zero percent tax increase was a direction of Council. Further, at their plenary session of January 12, 2015, Council unilaterally provided its consent to a zero percent tax increase. Subsequently, at the Council meeting of January 26, 2015, staff tabled the budget book with Council and at the plenary session of February 2, 2015, the budget report is being tabled which provides some analysis and context concerning the budget information included in the budget.

In terms of public consultation, the public have been notified of the Council budget deliberation dates identified in the recommendation section of this report.

The public have been invited to provide comments on the budget to the following e-mail address. Any comments received will be provided to Council:

Budget@Clarence-Rockland.com

b) Property tax impact

The property tax impact for residents is based on the net tax requirement for all of the City services and the revised assessment base that has been provided by the Municipal Property Assessment Corporation MPAC. The net tax requirement for 2015 is \$17,765,000 and is identified on page 16 of the draft 2015 Budget. The resident's final property tax bill is estimated to be complete in April when we are notified of the tax requirements of the UPRC and the school boards.

For 2015, the municipal taxes for an average home assessed at \$250,000 will be \$1,728 plus \$150 for garbage. The table to the right shows a comparison with other entities in the united counties based on last year's tax rates.

Service	Taxes *
Clarence-Rockland	\$1,728
Nation	1,694
Casselman	1,497
Alfred-Plantagenet	1,512
Russell	1,352
Champlain	1,241
East Hawkesbury	1,190
Hawkesbury	1,190

For the purpose of budget deliberations, Council is reminded that for every 1% change in taxation, there is a corresponding impact of \$177,000 on the operating budget.

1% change in tax rate = \$177,000
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c) Operating budget by department

The operating budget is prepared by looking at the total expenditures required by the corporation over one complete fiscal cycle. These expenditures are then offset by revenues which come from non-tax sources including items such as the grants from the Province, fees, and fines with the balance coming from property taxation. The table below provides the gross expenditures, non-tax revenues and net tax requirements for each of the City departments.

2015 Draft Operating Budget By Department (\$millions)				
Service	EXP	REV	NET TAX	%
General Government	\$5.7	(\$3.4)	\$2.3	2.9%
Protective Services	5.6	(0.2)	5.4	4.3%
Infrastructure & Engineering	7.1	(0.7)	6.4	(1.1)%
CR Transpo	2.0	(1.7)	0.3	(9.3)%
Day Care	4.5	(4.5)	0.0	0%
Recreation	3.3	(0.9)	2.3	12.0%
Planning	1.2	(0.8)	0.4	28.9%
Library	0.6	(0.1)	0.5	23.4%
Totals	\$29.9	\$12.2	\$17.7	6.8%*
* This increase is due to the phase-in of taxes and the increase in the assessment base. There is no increase in the tax rate in this budget.				

d) Operating budget pressures

The following sections identify the budget pressures that are addressed in this budget.

i) Revenue

The greatest impact to the revenue budget is the effect of the property tax

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phase-in program. In essence, the program provides homeowners with greater certainty by introducing increases in assessment gradually over a four-year period. The effect for 2015 is an additional \$757k in tax revenue for the municipality.

The City is expecting an additional \$357k in tax revenue as a result of increased properties in 2014. Finally, there is a reduction of \$215k in the provincial Community Reinvestment Fund from \$1,115,100 last year to \$899,600 this budget year. The following summarizes the revenue pressures for 2015.

Revenue pressures (negative represents savings)	(000's)
Assessment Phase-in	\$-757
Assessment growth (new homes)	-357
Provincial funding	215
Ice rental	40
Recreation revenues	74
Planning fees	66
Day care	257
By-law licenses	23
Winter control – reserve contribution	-50
Total	\$-486

ii) Compensation

The principle pressure for compensation is the costs of increments for staff that are moving through the salary grid and the negotiated increase for the cost of living. In addition, the full-year effect of the staffing that was approved last year has a half-year impact in the 2015 budget.

In the 2015 budget, there is one additional staff in the Community Service department for a building inspector to address provincial safety standards. As well there are two new positions in the Daycare services that will be entirely offset by Daycare fees. Although 12 new staff was identified as being required they are on hold until the goals and requirements of the strategic plan are identified for 2016.

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The following table summarizes the compensation pressures for 2015.

Compensation pressures	(000's)
Base salary moving through the grid	\$147
Cost of living 1.65% (negotiated)	121
Benefits (on above items)	73
Full-year effect of new positions added last year	135
3 new positions	28
Contingency for arbitration settlement	100
Vacancy allowance	-70
Total	\$534

iii) Non-compensation

The following table identifies the principle non-compensation pressures that have been incorporated into the budget.

Non-compensation pressures			
	(000's)		(000's)
Complex contribution	\$100		
Library	85	Insurance	50
Legal and liability	74	Conservation Authority	35
Winter control	91	Park equipment maintenance	25
Municipal garage	115	Fire dispatch & VFIS	29
Finance VADIM system enhancement	60	PW lighting hydro	23
Finance PSAB – financial information return	50	Day care costs	-216
IT software licensing	72	Reduce Capital Levy base budget in Ops. (\$963-194=\$769)	-194
Rate contribution	-54		

3. The 2015 Capital Budget

This City's 2015 Capital Budget was distributed under separate cover and is included at the end of the budget book.

a) Works-in-Progress review

Page 165 of the 2015 Budget book includes a listing of the City's Capital-works-in-Progress (WIP) as at December 31, 2014. This represents projects that were approved by City Council in previous years that have some remaining unspent spending authority. As at December 31, 2014, there remains \$8.4 million in tax-supported capital budget authority to be spent and the major amounts are described in the table to the right.

Capital Works-in-Progress	
As at December 31, 2014	
Major amounts	
Project	(\$ 000's)
Caron road	\$5,500
WWTP Storm water screen	1,200
Edwards/ Catherine Water loop	380
Land for snow dump	350
Garage expansion	340
St. Joseph road	300
Storm Sewer Master plan	200

b) 2015 Capital Budget

Capital expenditures include expenditures to purchase, develop or construct major new assets with useful lives greater than one year which are used in the delivery of City programs and services, together with expenditures made to rehabilitate, expand or improve the service delivery capability of existing assets. The funding of the City's capital budget is from the following sources:

- General fund – represents the operating fund of the City and is where the City's Pay-as-you-Go provisions e.g. capital levy is directed. These payments, which are provided for in the "Corporate Revenues and Expenditures Section" of the Operating Budget book, are essentially used in the current year to finance capital projects which lessens the amount of borrowing that is required.
- Asset Management reserve funds – these reserve funds were created during last year's budget and are intended to address some of the requirements of the City's Asset Management Plan. They include fleet renewal, fleet renewal fire, building renewal and equipment renewal.
- Capital reserves – represents unused funds that have been provided for in previous budgets for specified capital reserves including general capital, sewer, water, waste and parks.
- Development charges – fees paid by developers to pay for the growth-related portion of the City's capital budget.
- Grants – includes funding sources such as dedicated gas tax and provincial conditional or unconditional grants for capital purposes
- Debt - represents the portion of a capital project that will be financed by future borrowing

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The capital budget for the City is found on pages 171 – 178 of the 2015 Budget and amounts to \$14.6 million and addresses the growth-related, repair and maintenance and strategic capital investments envisioned for 2015

c) 2015 Tax Supported Capital Levy

The capital levy is a primary source of revenue to support the City’s capital budget. It includes both the current levy that is transferred from operating to capital (e.g. Pay-as-you-Go) as well as the current year proposed debt charges. The capital levy provides the leverage that is necessary to ensure that the City’s capital budget is adequately funded. However, the capital levy has a direct impact on the current year’s tax rate. Therefore, it must be assessed along with the many other current year tax pressures.

This proposed budget includes a decrease of \$194k in the Pay-as-you-Go portion of the capital levy in order to meet the 0 percent tax increase target.

The table compares the 2014 capital levy with the one proposed in 2015. During 2015, staff will be addressing a long-term financial plan for the City which will address amongst other things the appropriate percentage for the City’s capital levy.

Capital Budget Impact on Operating Budget (Capital Levy)				
			Change	
	2014 Approved	2015 Proposed	\$	%
Debt charges *	\$1,726.8	\$1,733.2	\$6.4	0.4%
Transfer from Operating **	1,473.6	1,279.1	- 194.5	-13.2%
Roads ***	979.3	1,143.0	164.0	16.7%
Total	\$4,179.4	\$4,155.3	- \$24.4	-0.6%
* Debt charges are for tax-supported debt only				
** See page 18 of budget book. Excludes election and WCB contributions.				
*** See page 57 of budget book				

d) Nine-Year (2016-2024) Capital Forecast

As was initiated during last year’s budget, staff has prepared a nine-year Capital Forecast for the City and it is included as Appendix 1. This forecast has been built based on a number of infrastructure studies to support the City’s asset management plan. Although primarily an expenditure plan, it is the intention of staff to prepare a long-term financial plan as well as a detailed Asset Management Plan which will include the funding requirement of this nine-year plan as well as the capital policies required to ensure the success of the plan.

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e) Debt charges and outstanding debt

This budget proposes no increase in the annual debt payments for the City. The new principal and interest payments in the amount of \$390,000 found on page 22 of the Budget book will replace debt and interest payments that are falling off in 2014. This will allow a debt issue of about \$7.5 million in 2015 anticipated for the 2nd half of the year.

The following table compares the City's debt with other organizations within the County and the City of Ottawa. The level of the City's debt will be a key decision point as we discuss the City's long-term financial plan later this year.

Debt Comparators								
Based on 2013 Financial Information Return FIR (\$ 000's)								
	<i>Clarence-Rockland C</i>	<i>Hawkesbury T</i>	<i>Casselman V</i>	<i>Russell Tp</i>	<i>Alfred and Plant. Tp</i>	<i>Champlain Tp</i>	<i>The Nation M</i>	<i>Ottawa C</i>
Debt per capita	\$937.97	\$913.91	\$2,690.31	\$1,212.22	\$558.84	\$892.63	\$1,183.22	\$ 2,108.10
Total Own revenue	\$38,388	\$21,838	\$ 6,415	\$ 22,328	\$11,679	\$11,142	\$ 16,882	\$3,661,494
Total Debt & L.T. liabilities	\$22,511	\$ 9,643	\$ 8,652	\$ 18,486	\$ 4,523	\$ 6,851	\$ 13,806	\$1,988,487
% to own revenues	58.6%	44.2%	134.9%	82.8%	38.7%	61.5%	81.8%	54.3%
Total debt charges	\$ 3,227	\$ 1,935	\$ 826	\$ 1,705	\$ 651	\$ 701	\$ 1,593	\$ 182,141
% to own revenues	8.4%	8.9%	12.9%	7.6%	5.6%	6.3%	9.4%	5.0%

* figures include tax-supported as well as rate-supported debt.

f) Reserve fund continuity schedules

As mentioned earlier, the City has reserve funds that have been established to fund future capital projects. A statement defining the available balances of the City's reserve funds will follow under separate cover.

4. The 2015 Budget for Water, Sewer and Waste

Each of these budgets is self-financed from revenues contributed by the users of the service.

a) Water services

The water services budget is presented on page 146 of the budget. The funds expended here include: water treatment, distribution, repairs and cleaning of water lines. The expenditure budget for 2015 is \$2.9 million with metered rate revenue projected at \$1.3 million and fixed rate revenue at \$900,000.

The fixed rate for water usage is designed to cover the capital and debt costs associated with the water system. Currently the fee does not cover the complete cost of the debt. An increase in the fixed rate of \$5 per user per year for water consumption is necessary to close the gap on the debt financing of necessary Capital improvements in the system. Also an increase of 2.5% in the consumption rate of water is recommended. This increase is necessary to accommodate operating costs of the water system. The capital projects are identified in the capital section of the book.

Proposed Water Rate			
	<u>2014</u>	<u>2015</u>	<u>%</u>
Cubic meter	1.1552	1.1841	2.5%

b) Sewer services

The sewer services budget is presented on page 155 of the budget. The funds expended here include: sewer waste water collection, sewage treatment and repairs to lines and the system. The expenditure budget for 2015 is \$2.3 million with metered rate revenue projected at \$1.2 million and fixed rate revenue at \$578,000.

The fixed rate for sewer usage is designed to cover the capital and debt costs associated with the sewer system. Currently the fee does not cover the complete cost of the debt. An increase in the fixed rate of \$5 per user per year for water consumption is necessary to close the gap on the debt financing of necessary Capital improvements in the system. Also an increase of 2.5% in the sewer rate is recommended. This increase is necessary to accommodate operating costs of the sewer system. The capital projects are identified in the capital section of the book.

Proposed Sewer Rate			
	<u>2014</u>	<u>2015</u>	<u>%</u>
Cubic meter	1.4172	1.4526	2.5%

c) Waste services

The waste services budget is presented on page 159 of the budget. The funds expended here include: garbage collection and disposal, recycling, the transfer station and the handling of hazardous waste. The expenditure budget for 2015 is \$1.9 million with residential charges revenue projected at \$1.3 million and commercial revenue at \$134,000. Also an increase of 2.5% in the waste rate is recommended. This increase is necessary to accommodate operating costs of the waste system.

5) **PUBLIC MEETING:**

To review in accordance with the timetable below and to approve the draft 2015 operating budget, capital budget and water, sewer and waste rates as amended on March 2nd, 2015.

- Thursday, February 5th - 6:00 p.m. to 9:15 p.m. - Council chambers
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Saturday, February 14th has been set aside as a budget meeting day if necessary. Council will hold final deliberations on March 2, 2015 to finalize the 2015 budget.

7) **SUPPORTING DOCUMENTS:**

- 2015 Draft Operating and Capital budget Document (issued under separate cover)

- Appendix 1 - Nine-Year (2016-2024) Capital Forecast