



Report No. FIN2016-021

2016 Draft Budget Tabling Report

Date	November 12, 2015
Submitted by	Helen Collier, Chief Administrative Officer Rob Kehoe, Director of Finance and Economic Development
Subject	2016 Draft Budget Tabling
File No.	F05 GEN Budget & Estimates

EXECUTIVE SUMMARY:

This report provides Council with the analysis to support the draft 2016 Operating and Capital budgets. The 2016 Draft Operating Budget represents a 2.97 per cent tax rate increase. In June this year, Council had set a guideline target of 0 percent tax rate increase. There were considerable pressures to overcome which staff addressed and are outlined in Appendix 1; however, pressures of \$325,000 for provincial fines, reduced funding from the Province and one time reserves used last year to meet the zero percent tax rate increase proved formidable. As a result, meeting a zero percent tax rate increase will require a reduction in the existing service level to the public.

The Water and Sewer rates combined are recommended to be increased by just about 9 per cent in this budget. This increase is necessary to keep up with the operational costs including debt servicing as well as to pay for capital costs. These rate increases are supported by a detailed report from Hemson Consulting included in the budget book and also available on the City's web-site www.clarence-rockland.com.

The waste rates are increasing by 25 percent in-line with the recent contract that Council has approved with Thomlinson Inc.

The 2016 capital budget for the City amounts to \$8.8 million and addresses the growth-related, repair and maintenance and strategic capital investments envisioned for 2016. This report also describes the capital works-in-progress (e.g. capital projects approved in previous years) and there is \$12.6 million in unspent capital funds projected as at December 31, 2015.

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 Budget@Clarence-Rockland.com. Any comments received will be provided to Council.

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1) **DEPARTMENT'S RECOMMENDATION:**

1. To review in accordance with the timetable below and to approve the draft 2016 operating budget, capital budget and water, sewer and waste rates.

- Tuesday, November 24, 6:30 p.m., Council chambers
- Wednesday, November 25, 6:30 p.m., Council chambers
- Tuesday, December 2, 6:30 p.m., Council chambers (if required)
- Wednesday, December 3, 6:30 p.m., Council chambers (if required)
- Thursday, December 4, 6:30 p.m., Council chambers (if required)

Council will hold final deliberations on December 14, 2015 to finalize the 2016 budget.

2. That Council approve the changes in 2015 budgets for Corporate Services and the CAO to reflect the recent re-organization approved by Council.

2) **NATURE /GOAL:**

The purpose of this report is to table to Council for consideration the Draft 2016 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:**

Staff have been working on the 2016 budget over the last few months. It began in June when Council approved the direction provided in the 2016 Budget Guideline report. The major issues that were addressed in that report include the direction to staff to develop a budget that includes a 0 percent tax increase for 2016. Further, the report directed staff to explore opportunities for increasing user fees and charges. Finally, Council provided authority to staff to engage a consultant to undergo a rate study for water, sanitary sewer and waste services.

5) **DISCUSSION:**

1. 2015 Strategic Plan

In 2015 the City embarked on a strategic planning exercise. This has resulted in a draft document that includes four strategic pillars a Sense of Community, Health and Wellness, Financial Stability

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and environmental responsibility. All of the initiatives in the operating and capital budget have been included keeping these four pillars in mind. In the operating budget the newly approved organization structure is now included in the base operating budget. The new structure has been established to help our staff better serve the public and improve a better sense of community. This budget includes 2 staff dedicated to the function of ensuring that the responsibility of asset management is carried out. This plays a key role in being fiscally responsible. In the Capital budget there are specific initiatives that will directly move towards supporting these strategic pillars. A few examples are, Community Improvement Plan, New improved signage, Park development, Bike trail planning and continued road improvement. Health and wellness objectives are met through these items.

Final approval of the Strategic plan will come early in the New Year once the Recreation Master Plan is finalized. The Recreation Master Plan is a key input to the City's overall strategic plan. These three items, 2016 Budget, 2015 Strategic and recreation master plans will be all brought to Council together for final approval.

2. Major Changes in the 2016 Budget

Staff have made considerable changes to the 2016 budget to facilitate Council's review. Firstly, in order to meet Council's approved re-organization structure of October 2015, the general ledger accounts have been re-defined to meet the new structure. Fire, Police and By-law are now part of Protective Services and Infrastructure and Engineering and Planning and Construction are now part of the Infrastructure and Planning Department. Secondly, accounts that are in place for cost accounting purposes have been moved from the departments and included within the corporate revenue and expense accounts. They include depreciation, debt charges, insurance accounts and program support.

3. The 2016 Operating Budget

a) 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 2016 is \$18,171,830 at the level of a 2.97 per cent tax rate increase. The resident's final property tax bill is estimated to be complete in April when we are notified of the tax requirements of the County and the school boards.

For 2016, the municipal taxes for an average home assessed at \$290,000 will be \$1,877 or an increase of \$54 or 2.97 per cent over the amount in 2015. The table below summarizes the tax bill for an average ratepayer in Clarence-Rockland.

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Average Ratepayer in Clarence-Rockland for 2016				
Bill	2015 Actual	Draft 2016	\$ Difference	%
Property taxes – average home assessed at \$290,000	\$1,823	1,877	54	2.97%
Water/ sewer – 165 M ³ per year	\$690	754	64	9%
Waste service	\$151	189	38	25%

For the purpose of budget deliberations, Council is reminded that for every 1% change in taxation, there is a corresponding impact of \$173,400 on the operating budget.

1% change in tax rate = \$173,400

b) 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 grants from the Province, fees, and fines with the balance coming from property taxation. The operating budget by department is summarized in the overview section of the budget book.

c) Operating budget pressures

Appendix 2 identifies the detailed budget pressures that are addressed in this budget. The following are the major items by category of expense.

i) Revenue

The City is expecting an additional \$334k in tax revenue as a result of increased properties in 2015. As has occurred over the last few years, this budget assumes a reduction of \$150k in the provincial Community Reinvestment Fund from \$899,600 last year to \$749,600 this budget year. We expect the official announcement from the Province at any time. This budget sees increases in grants from the County of \$465,000 and the Province for the OCIF program in the amount of \$115k which are being transferred to the capital program. Appendix 1 provides the detailed revenue changes.

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 2016 budget.

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The following table describes the full time equivalent staff years of the City included in this budget.

Staffing Distribution				
Full Time Permanent Positions				
	2014	2015	2016	Change
CAO	3	3	2	-1
Corporate	6	6	11	5
Finance	13	13	13	0
Protective Services	12	12	16	4
Community Services	59	60	61	1
Infrastructure and Planning	38	40	38	-2
Total	131	134	141	7

The total count of Full Time employees in the City of Clarence-Rockland for 2015 amounts to 134. For 2016 the amount increases to 141. The increase of 7 in staffing results from 3 additional staff post re-organization plus 4 new Fire fighters.

During 2015 there were two re-organizations that happened. The first was in May with in the Operations Department. The second was corporate wide. In total 12 new positions were added to the complement of staff they were the following:

- 1) Director of Corporate Services
- 2) Officer Labour Relations
- 3) Tax Analyst
- 4) Community Services Operator
- 5) Manager of Development
- 6) Capital Project Co-ordinator
- 7) Capital Project Co-ordinator
- 8) Engineering Inspector
- 9) Asset Management Co-ordinator
- 10) Asset Management Technician
- 11) Co-ordinator of By-law Services
- 12) By-law Officer

These 12 positions were created by re-defining 9 existing positions and the other 3 were additional. The existing 9 positions were as follows:

- 1) Director of By-law Services
- 2) Director of Planning and Construction
- 3) Director of Human Resources
- 4) Planner III
- 5) Technician III
- 6) Technician III

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- 7) Technician I
- 8) Technician I
- 9) Building Inspector

iii) Non-compensation

The non-compensation pressures are detailed in Appendix 1.

4. The Draft 2016 Capital Budget

a) Works-in-Progress review

The City's Capital-works-in-Progress (WIP) as at December 31, 2015 represents projects that were approved by City Council in previous years that have some remaining unspent spending authority. As at December 31, 2015, it is projected that \$12.6 million will remain in tax-supported capital budget authority to be spent.

b) 2016 Draft 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 "Non-departmental" section of the Operating Budget book, are essentially used in the current year to finance capital projects which lowers the amount of borrowing that is required.
- **Asset Management reserve funds** – these reserve funds were created during the 2013 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 infrastructure.
- **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

The capital budget for the City amounts to \$8.8 million and addresses the growth-related, repair and maintenance and strategic capital investments envisioned for 2016

c) 2016 Tax Supported Capital Levy

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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 no change in the Pay-as-you-Go portion of the capital levy in order to meet target.

The capital levy and the City's long term debt situation are discussed in detail in the Overview section of the draft 2016 budget.

d) Long term Capital Forecast

It is the intention of staff to prepare in 2016 a long-term financial plan as well as a detailed Asset Management Plan which will include the funding requirement as well as the capital policies required to ensure the success of the plan.

e) Debt charges and outstanding debt

This budget proposes no increase in the annual debt payments for the City and assumes a debt issue in early 2016 of about \$10 million to address the capital project spending that has occurred over the last couple of years. The City's long term debt situation is discussed in detail in the Overview section of the draft 2016 budget.

f) Reserve fund continuity schedules

As at December 31, 2014, the City has \$12.8 million in reserves. This budget assumes \$6.2 million in funding for 2016 from City reserves to pay for capital projects.

5. The 2016 Budget for Water, Sewer and Waste

Each of these budgets is self-financed from revenues contributed by the users of the service. The City engaged Hemson Consulting in September to perform a comprehensive review of the City's water and sewer rates. Included in the budget book in the "Water, Sewer and Waste" tab is a comprehensive report on the recommendations from the consultant the majority of which staff are presenting in this report.

a) Water services

The water services budget funds water treatment, distribution, repairs and the cleaning of water lines. The expenditure budget for 2016 amounts to \$2.99 million. The majority of these expenditures are to be recovered through the water rates - metered rate revenue is projected at \$1.39 million and the fixed rates are anticipated to generate \$1.06 million in revenue. Other revenues from local improvement charges, re-connection charges, meter sales, etc. are anticipated to fund the remaining water system expenditures.

The fixed rate for water usage is designed to cover nearly 45% of the net rate funding requirement associated with the water system. As the City will be experiencing a significant loss in revenue (about

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\$147,000) associated with the revenue collected for new water connections, the City must raise additional funds from the water utility rates to assist in funding this gap. Historically, these new connection contributions have been used to offset the City's annual water expenditures. As a result, an increase to the fixed rate of 8.0% (or \$10.80) per unit per year is necessary. Also an increase of 4.0% to the water consumption rate is also recommended. This increase is necessary to fund the required operating costs and in-year capital requirements of the water system.

b) Sewer services

The sewer services budget funds sewer collection, sewage treatment and repairs to lines and the system. The expenditure budget for 2016 is \$2.12 million. The majority of these expenditures are to be recovered through the sewer rates - metered rate revenue is projected at \$1.32 million and fixed rates are anticipated to generate \$760,000 in revenue. Other revenues from local improvement charges, re-connection charges, account charges, etc. are anticipated to fund the remaining sewer system expenditures.

The fixed rate for sewer usage is designed to cover approximately 35% of the net rate funding requirement associated with the sewer system. As the City will be experiencing a substantial loss in revenue (about \$494,000) associated with the revenue collected for new sewer connections, the City must raise the additional funds from the sewer utility rates to assist in funding this gap. Historically, these new connection contributions have been used to offset the City's annual sewer expenditures. As a result, an increase to the fixed rate of 18% (or \$21.60) per unit per year is necessary. In addition, an increase of 10.0% in the consumption rate is also recommended. This increase is necessary to fund the required operating costs and in-year capital requirements of the sewer system.

It should be noted, the combined increase for water and sewer services is less than 10.0% for a typical household connected to both the water and sewer system. This level of increase is required to offset the revenue loss associated with fees charged for new connections which the City has historically used to offset annual water and sewer expenditures. Subsequent rate increases are not anticipated to be of this magnitude.

c) Waste services

The waste services budget for 2016 has been amended to include the approval by Council of the new contract with Thomlinson Inc. The funds expended in waste services include: garbage collection and disposal, recycling and the handling of hazardous waste. The expenditure budget for 2016 is \$2.5 million with residential charges revenue projected at \$1.8 million and commercial revenue at \$194,000. As discussed in the Council report that was previously approved by Council on the waste contract for 2016, there is an increase of 25 % in the residential waste rate. This increase is necessary to accommodate operating costs of the waste system and to ensure the funding for the long term infrastructure requirements.

7) **PUBLIC MEETING:**

See recommendation 2.1 of this report.

8) **FINANCIAL IMPACT (expenses/materials/etc.):**

As included within this report

9) **SUPPORTING DOCUMENTS:**

- 2016 Draft Operating and Capital budget Document (issued under separate cover)
- Appendix 1 - Staffing Distribution - Full Time Permanent Positions
- Appendix 2 – 2016 Operating Budget Pressures

City Clarence-Rockland

Staffing Distribution

Full Time Permanent Positions

Department	2014	2015	2016	Change	Position Title
1 CAO					
CAO	3	3	2	-1	1 staff transferred to Client Services.
Sub-Total CAO	3	3	2	-1	
2 Corporate Services					
Director	0	0	1	1	
Clerk	2	2	2	0	1 staff transferred from
HR	3	3	3	0	finance, CAO, infrastructure,
Client Service Centre			4	4	bylaw and 1 new director
Communications	1	1	1	0	position.
Sub-Total Corporate Services	6	6	11	5	
3 Finance					
Finance	9	9	9	0	Up 1 tax analyst, down 1
Water Collection	2	2	2	0	client services clerk. Net no
IT	2	2	2	0	change.
Sub-Total Finance	13	13	13	0	
4 Community Services					
Administration	5,5	4,5	4,5	0	
Facilities, Arenas, Parks, Janitorial	5	7	8	1	
CRT	0,5	0,5	0,5	0	
Daycare	3	3	3	0	
Educators	45	45	45	0	Up 1 operator.
Sub-Total Community Services	59	60	61	1	
5 Infrastructure and Planning					
Development	6	6	3	-3	
Construction (building inspectors)	5	5	4	-1	
Adiministration	4	4	4	0	
Asset Management	0	0	2	2	
Manager Roads	2	3	0	-3	Department went down by 2;
Engineering	0	0	3	3	reduced 1 planner,
Manager Sewer and Operations	2	3	0	-3	transferred 1 to client
Environment	1	3	3	0	services. All other
Project management	0	0	3	3	adjustments offset each
Public Works (13 ops, 2 mech., 1 coord.)	18	16	16	0	other.
Sub-Total Infrastructure and Planning	38	40	38	-2	
6 Protective Services					
Administration	4	4	4	0	For bylaw, transferred 1 clerk
By-law	6	6	6	0	to client services and added 1
Fire Fighting	2	2	6	4	bylaw officer. Net no change
Sub-Total Protective Services	12	12	16	4	in bylaw. Add 4 full time fire
					fighters.
Total Permenant FTE's	131	134	141	7	

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Budget 2016**

Budget Pressures

DESCRIPTION	Budget Pressure
A Revenue	-405 714
B Compensation	427 139
C New positions	152 730
D Non-Compensation	276 361
E Library - Compensation	25 078
Library - Non-Compensation	39 665
NET	515 259
TAX INCREASE	2,97%

A - REVENUE		
1	Assessment Base Growth @ 1.98%.	-334 571
2	PIL restatement	86 000
3	Fee increase all departments except Day Care, Transit and Rate Services	-165 589
4	Provincial Offences (POA)	50 000
5	Ontario Municipal Partnership Fund (OMPF)	150 000
6	Elimination of one-time funding from OPP reserve	125 341
7	Penalties and interest on taxes and NCF charges	-31 000
9	IT recoveries moved to Corporate revenues	54 000
10	IT recoveries moved to Corporate revenues	-54 000
9	Library tax levy	-39 665
10	Program support to rate-services	-100 000
<u>Revenue with corresponding off-setting expenses</u>		
10	UCPR Road grant	-465 000
11	To capital	465 000
12	OCIF	-115 000
13	To capital	115 000
14	DayCare	-274 055
15	Transit	127 825
Total	Revenues	-405 714

**City of / Cité de Clarence-Rockland
Budget 2016**

Budget Pressures

DESCRIPTION	Budget Pressure
B - Compensation	
1 Salary increments	101 049
2 Cost of Living 2016	151 666
3 Legacy Cost of Positions added in previous year - Building inspector	27 500
4 Re-organization savings	-183 833
Day Care Impact	271 123
5 Benefit Impact	59 633
6 Library	25 078
Total Compensation	452 217
C - New Staffing Pressures	
1 Full time firefighters: 2 Bourget and 2 Clarence Creek for 6 months	120 000
2 Benefits	32 730
Total New Staffing Pressures	152 730
D - Non-Compensation	
Corporate revenues and expenditures	
8 Contingency	250 000
2 Bunker gear (See Fire) Reduce General PAYG	-30 000
Total Corporate revenues and expenditures	220 000
City Council	
3 Budget for grants to organizations as discussed at Council on June	5 000
4 \$2k for Mayor and \$1k for each councillor	10 000
Total City Council	15 000
Chief Administrative Officer	
5 Overtime from CAO	7 000
6 Transfer to Corporate Services	-219 390
6 Building maintenance	-33 000
Total Chief Administrative Officer	-245 390

**City of / Cité de Clarence-Rockland
Budget 2016**

Budget Pressures

DESCRIPTION	Budget Pressure
Corporate services	
8 Ward boundary review	10 000
10 Pay equity consultant	75 000
11 Pay equity consultant from General reserve (one time)	-75 000
12 Leadership management training	25 000
13 Reduction in legal fees resulting from re-organization	-25 000
18 Transfers from CAO budget	219 390
19 Overtime to CAO	-7 000
14 Automated calling system (emergencies)	15 000
Total Corporate services	237 390
Finance	
7 PSAB	-25 000
Total Finance	-25 000
Protective Services	
15 Regional training program, specialty courses and school bus	7 400
16 Multi-purpose foam for all types of fires	4 000
17 Increase in fee from Ottawa Fire	31 250
18 Bunker gear replacement	30 000
19 Vehicle repairs	23 000
20 Reduce Overtime By law	-3 500
21 Provincial request for police services	40 000
Total Protective Services	132 150
Community Services	
22 Canada Day & River Festival	15 000
23 Grass cutting - Park Village Morris	5 000
24 Trailer rental	5 000
25 Energy Management Plan	7 609
26 Agreement with the YMCA	70 000
Total Community Services	102 609
Daycare	
27 Program supplies and food	-46 400
36 Overtime	-32 435
Total Daycare	-78 835

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Budget 2016**

Budget Pressures

DESCRIPTION	Budget Pressure
Transit	
28 Bus shelters	3 000
29 Marketing/ publicity	6 000
30 Contract reduction	-169 773
Total Transit	-160 773
Infrastructure & Planning	
31 \$30k in Engineering; \$8k in administration	-38 553
32 -10k hot mix, -25k crack sealing,-20k bridges,-28k traffic lights	-83 612
33 \$11K grass & tree, 3k shoulder maint, 10k sidewalk, 7k signs, -5k guiderails, 79k street lights	105 000
34 Gravel	-30 000
35 \$41k cctv, 12k materials	53 000
36 \$50k revenue loss , 10k salt , -16k rent sidewalks machine	43 875
37 Materials	-58 000
39 Roadside drainage infill	25 000
40 Traffic calming	10 000
39 Heritage Committee	2 500
40 Construction reserve	50 000
Total Infrastructure & Planning	79 210
Subtotal Non-salary	276 361
Library	
40 Provided by Acting CEO of Library	39 665
Total Library	39 665

