

Report from Financial Management Services, Director

Date of Report: November 9, 2017

Date of Meeting: November 17, 2017

Report Number: FMS-B059-2017

File: 10.57.99

Subject: 2018 Non-Tax Revenue Projections

Recommendation

That the Budget Standing Committee (BSC) receive this report for information purposes.

Summary

This report provides information on the amount of non-tax revenues projected for 2018. These revenues are estimated to increase by \$99,000 from 2017. This report will provide the details for this increase.

Background

Each year as part of the budget process staff determine the amount of non-tax revenues expected to be generated during the particular budget year. The amount of non-tax revenues is deducted from the City's net expenditures to determine the amount of the net tax levy.

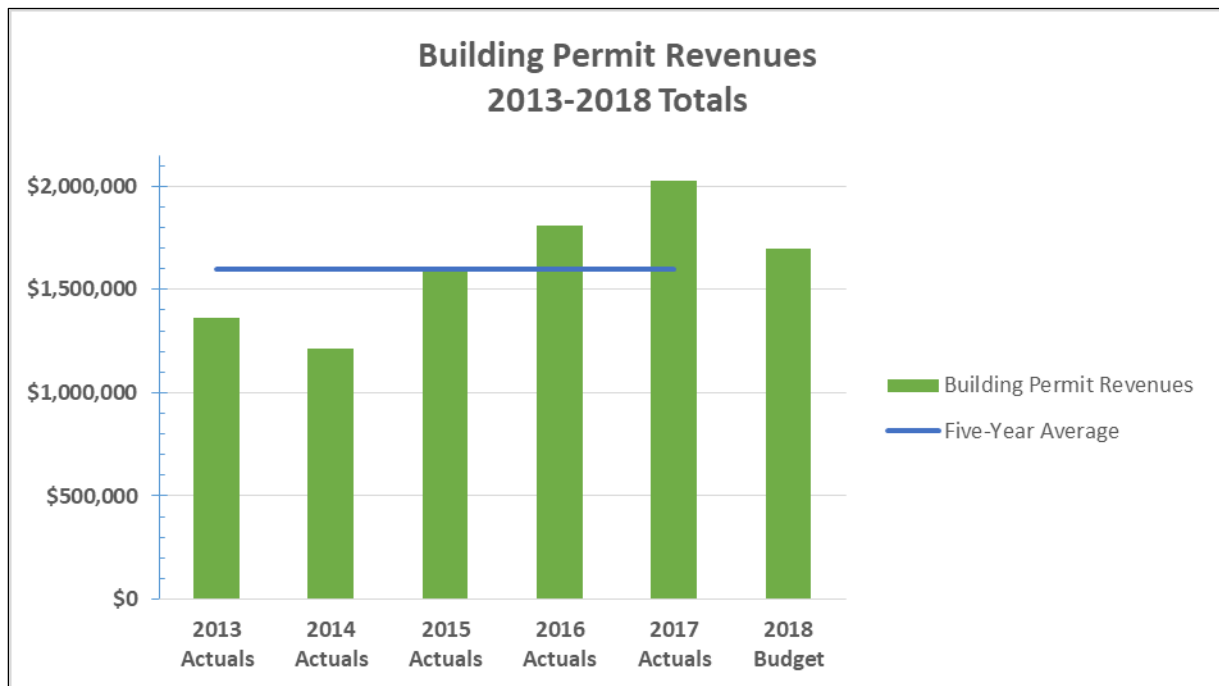
Report

In recent years, there were a number of decreases in non-tax revenues. In 2018, this trend is changing as the non-tax revenues appear to be stabilizing. There are a number of increases forecasted in 2018 in the amount of \$422,000. This increase is offset by a decrease or reduction in non-tax revenues of \$325,000.

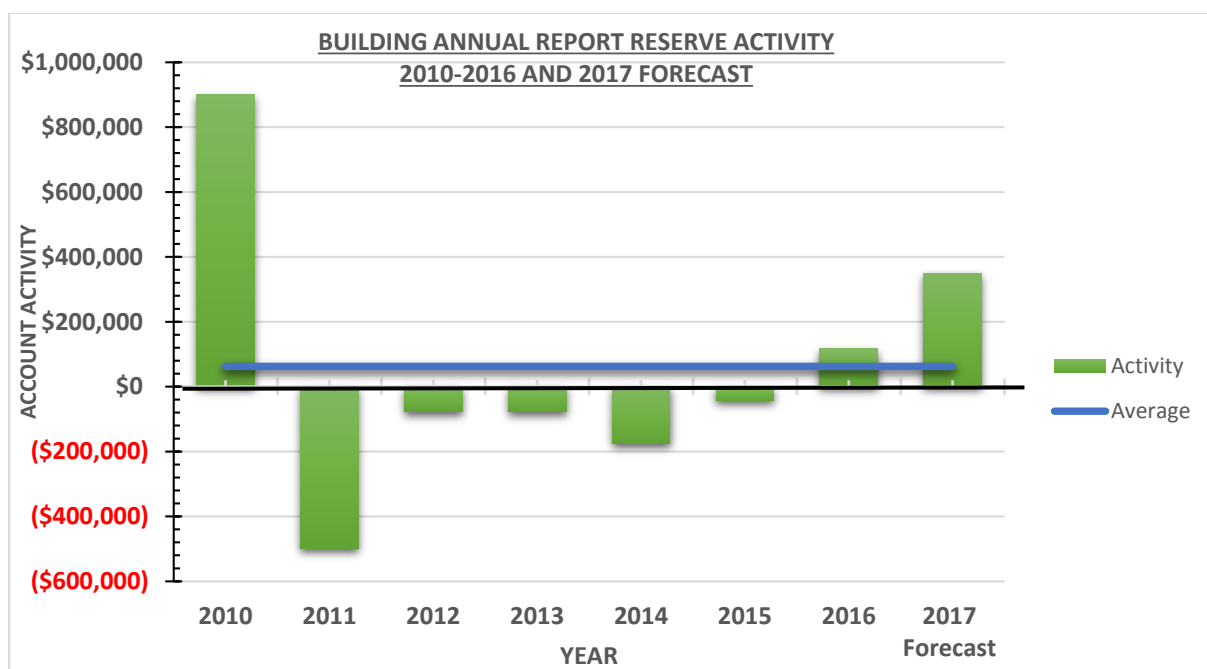
The following are the reasons for the increase in non-tax revenues estimated for 2018.

Building Permit Revenues

Building permit revenues are forecasted to increase by \$150,000 in 2018 from 2017. This increase is due to an increase in the building permit fees that were approved as part of the City's 2018 Rates and Fees and more building activity expected in the City in 2018. Staff are conservative in our revenue projections for this revenue item as per section 7(4) of the Building Code Act, 1992, as amended, the total building permit fees collected in excess of the direct and indirect costs of delivering the services related to the administration and enforcement of the Building Code Act are to be transferred to a Building Stabilization Reserve Fund to be used only for building related expenditures. Below is a graph showing the building permit revenues over the past five years.

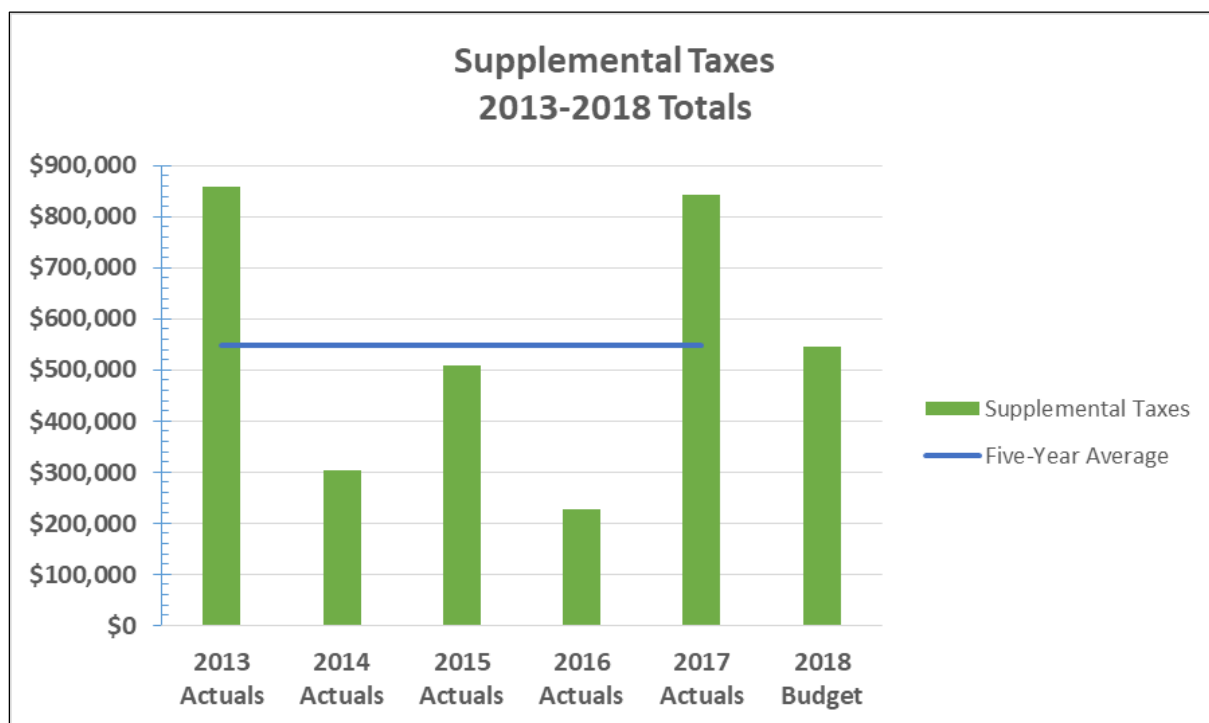


This graph shows the contributions to the building reserve over the last several years based on the Building Annual Report Reserve Activity.



Supplemental Taxes

The average supplemental tax revenues for the last five years is \$547,000. The City has experienced an increase in building permit activity in 2017 where the total number of building permits issued by end of October 2017 exceeds the total issued for 2016 by 18%. In addition, the total number of new dwellings these permits support at the end of October 2017 of 478 exceeds the total number of new dwellings in 2016 by 25%. Therefore Supplemental Tax revenues are expected to continue to increase in 2018 with the increase in new dwelling numbers in the past couple of years. The estimated supplemental tax revenue for 2018 is \$545,000, an increase of \$115,000 from \$430,000 in 2017. This has a positive impact on non-tax revenues.



Regular Hydro Dividend

Each year the City receives dividends related to its holdings in Alectra Utility Corporation. These are pass through dividends and not special dividends. Based on the Hydro's business plan for 2018 this pass through dividend is expected to increase by \$100,000. This increase is reflected in the City's non-tax revenues for 2018.

Bingo Licenses

With the closure of one of the City's larger bingo facilities a few years ago bingo revenues declined. Again in 2017 these revenues have increased. Therefore in 2018 bingo license revenues are expected to increase by \$30,000 based on actual revenues experienced in 2017.

Surplus

During the 2016 budget process this committee and Council approved the creation of a tax stabilization reserve and further that a maximum of 1% of the previous year's budget be contributed to the following year's budget. One percent of the 2017 operating budget is equal to \$1,102,000. Any amount in excess of this amount would be transferred to the tax stabilization reserve. At this time staff are expecting a surplus from 2017 fiscal year to meet or exceed \$1,102,000. This amount has been included in the 2018 non-tax revenues as the surplus amount. Although the 2017 year is not yet complete, forecasts indicate that we can be relatively confident that the usage of \$1,102,000 as the surplus amount in the 2018 budget is a reasonable figure. This is an increase of \$17,000 from the amount of \$1,085,000 used in the 2017 budget.

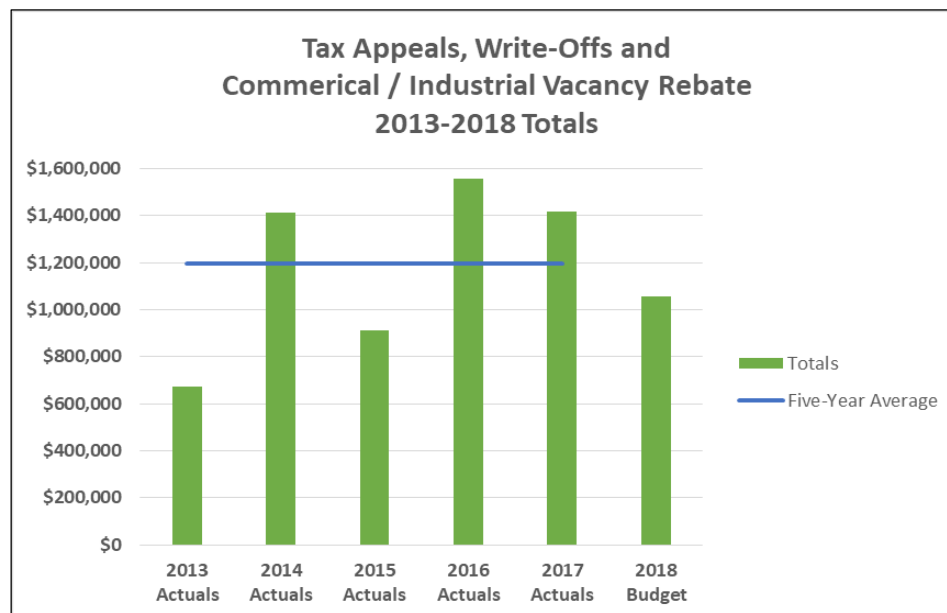
Marriage Licenses

Marriage licenses revenue continue to be trend up. This has been the experience since 2013. Therefore in 2018 marriage license revenues have been increased by \$10,000.

These increases in revenues are offset by declines in some revenues. The following are the details of revenue decreases expected in 2018.

Tax Appeals and Write-offs

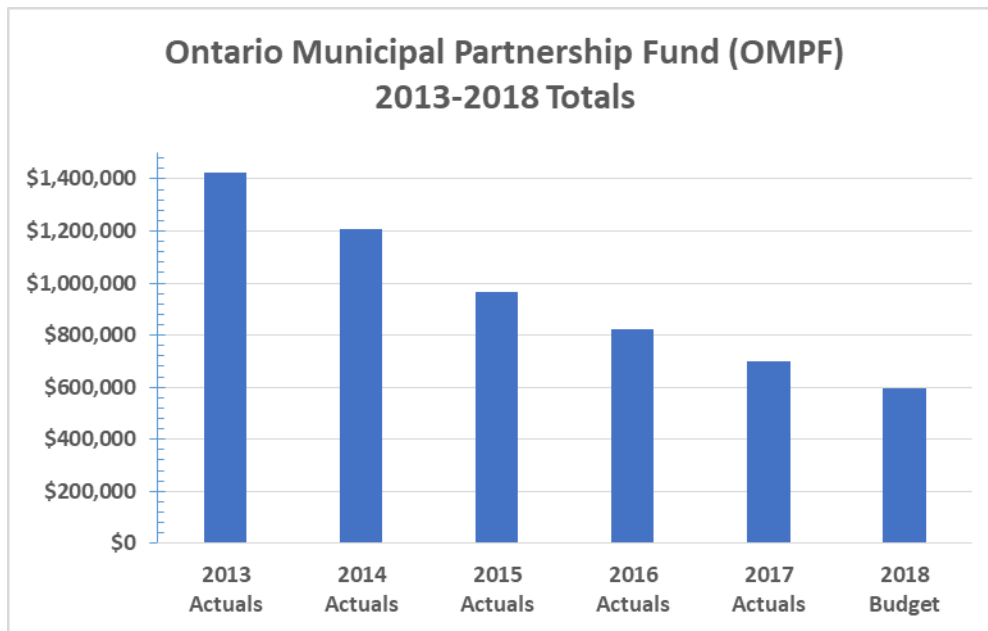
As indicated in the 2017 third quarter report tax write-offs are expected to exceed the 2017 budget amount of \$934,000 by \$523,000. This is not uncommon in the first year of a four year re-assessment cycle. MPAC is continuing to work on its turnaround time for appeals. However, there some appeals that are not yet finalized and each year some appeals are expected. For that reason staff have increased the 2018 budget amount for tax appeal and write-offs by \$121,000. This has a negative impact on revenues.



As shown in the graph above, tax write-offs fluctuate from year to year. The average of the past five actual amount of tax write-offs is \$1,194,075. Staff have increased the budget for tax write-offs and adjustments to \$1,055,000 from \$934,000, to bring the budget closer in line with the five year average. The years after the initial year of reassessment tend not to have as many appeals as often the reduction in the first year is applied to all future years and reflected in the tax roll.

Contributions from other governments – Ontario Municipal Partnership Fund (OMPF)

In 2018, the City will receive 85% of the amount of its 2017 OMPF. This is a decrease of \$105,000. The City receives this grant under the “Transitional Assistance” portion of this program. This grant has been on a steady decline since 2013 when the City received \$1,422,000 grant amount. This is a 58% decline since 2013. This grant reduction has a negative impact on the 2018 non-tax revenues.



Investment in Community Improvement Program (CIP)

During the 2016 budget deliberations the BSC and Council approved the methodology to fund the City’s CIP with ten percent of the new tax revenues generated through this program. In 2018 the investment in CIP will increase to \$1,100,000 from \$1,040,797. This is an increase of \$59,203 for this program to fund commitments to brownfield and tax incentive grants.

Fines

The City's share of fines from Provincial Offences (POA) from the Niagara Region is expected to decrease by \$40,000 in 2018 from 2017. This is due to a decline in POA revenues impacting the amount of funds available to distribute to the area municipalities.

Financial Implications

The net increase in non-tax revenues has a favourable impact on the 2018 tax rates due to there being more non-tax revenues to offset the City's net expenditures for its operations. Ultimately this results in a lower tax rate to generate the tax revenues required to fund the City's net expenditures.

Relationship to Strategic Plan

This report relates to the goal under the economic pillar to be an affordable city for young people, families and retired older adults which is further defined as working towards achieving a budgetary tax rate increase at or below inflation. In 2018, the non-tax revenues have a favourable impact on the tax rate. The increase in non-tax revenues in 2018 of \$99,000 is positive, especially when compared to the decline in 2017 of \$522,000.

Conclusion

Based on the 2018 non-tax revenues projected there will be a net increase in these revenues in 2018. This net increase has a favourable impact on City's tax rates for 2018 as less taxes need to be collected to fund the City's net expenditures because the non-tax revenues of \$99,000 are funding a small portion of these net expenditures. This is change from previous years where the tax levy not only funded net expenditures but as well as the shortfall in non-tax revenues.

Prepared, Submitted and Approved by:

Kristine Douglas, CPA, CMA, Director Financial Management Services/City Treasurer

City of St Catharines

2018 Operating Budget - Non-Levy Revenue

	2018 Budget	2017 Budget	2017 Year End Forecast	2016 Actuals	2015 Actuals	2014 Actuals	\$ Change 2017 Budget	% Change 2017 Budget
REVENUES:								
General Levy	89,416,082	86,319,179	86,424,142	84,554,460	79,957,995	77,088,128	3,096,903	3.59%
Urban Service Area Levy	11,368,753	11,503,860	11,515,430	11,059,006	11,236,599	10,560,570	(135,107)	(1.17%)
Investment in CIP	(1,100,000)	(1,040,797)	(1,040,797)	(900,254)	(825,000)	0	(59,203)	5.69%
Tax Appeals and Write offs	(735,000)	(590,000)	(1,116,273)	(1,228,938)	(489,679)	(1,040,149)	(145,000)	24.58%
Commercial/Industrial Vacancy Rebate	(320,000)	(344,000)	(299,384)	(326,912)	(423,533)	(371,993)	24,000	(6.98%)
Supplemental Taxes	545,000	430,000	842,297	227,565	507,506	302,368	115,000	26.74%
Municipal Utilities	579,000	594,000	589,000	598,043	572,966	518,977	(15,000)	(2.53%)
Universities and Hospitals	668,197	664,505	668,196	664,505	660,599	655,764	3,692	0.56%
Contributions from Other Governments	2,245,700	2,350,500	2,334,440	2,490,805	2,595,487	2,826,206	(104,800)	(4.46%)
Licences and Permits	2,293,000	2,098,000	2,601,817	2,434,580	2,125,626	1,750,088	195,000	9.29%
Rents, Concessions, Franchises	38,000	35,000	42,105	81,194	72,959	77,608	3,000	8.57%
Fines	105,000	145,000	150,830	195,891	166,436	276,829	(40,000)	(27.59%)
Services Charges	57,000	52,000	54,487	57,082	50,940	46,680	5,000	9.62%
Penalties and Interest	2,765,000	2,765,000	2,434,565	2,785,123	2,784,188	2,638,992	0	0.00%
Income from Investment	3,890,000	3,789,727	3,979,222	3,815,081	3,587,110	5,206,118	100,273	2.65%
Miscellaneous Revenue	354,800	353,800	26,591	284,358	1,036,365	1,017,836	1,000	0.28%
Surplus	1,102,000	1,085,000	1,085,000	1,000,000	1,319,393	2,649,139	17,000	1.57%
Total REVENUES:	113,272,532	110,210,774	110,291,668	107,791,589	104,935,957	104,203,161	3,061,758	2.78%
Tax Levies								
General Levy	89,416,082	86,319,179	86,424,142	84,554,460	79,957,995	77,088,128	3,096,903	3.59%
Urban Service Area Levy	11,368,753	11,503,860	11,515,430	11,059,006	11,236,599	10,560,570	(135,107)	(1.17%)
Total Tax Levies	100,784,835	97,823,039	97,939,572	95,613,466	91,194,594	87,648,698	2,961,796	3.03%
Revenue - Non-Levy	12,487,697	12,387,735	12,352,096	12,178,123	13,741,363	16,554,463	99,962	0.81%