

Report from Financial Management Services/Director

Date of Report: November 13, 2017

Date of Meeting: November 20, 2017

Report Number: FMS-B055-2017

File: 10.57.12

Subject: Multi-Year Budget – 2019 to 2021

Recommendation

That the Budget Standing Committee (BSC) receives for information purposes.

Background

As part of Council's Strategic Plan to be an affordable city for young people, families and retired older adults is an action item to implement multi-year budgeting to improve long-term financial planning. This report contains a draft budget summary and identifies the significant changes staff are anticipating over the next three years. Additional information on the rates used to develop these multi-year forecasts is also included below.

Report

The City's departmental expenditures forecast is the section of the Operating Budget that staff have the most control in managing. The budget information for outside boards and commissions' budget is not included here but is required to calculate the City's tax rate. City staff will continue to work with these outside agencies to obtain future budget details to enhance the multi-year budgeting forecast.

Staff have used the draft 2018 budget as the starting point for the development of the future years forecast. The following are the estimates used in the three year forecast.

Description	Estimation	Rationale
Salaries and Wages	1.25%	Based on settled union contracts
Benefits	2.50%	Based on historical experience
Equipment Operations	3.00%	Based on historical experience and age of equipment
Materials	2.00%	Based on historical experience

Building and Maintenance	5.00%	Based on historical experience with utilities and age of facilities
Contracts	2.00%	Based on historical experience
Office and related expenses	2.00%	Based on historical experience
Property Expenditures	One-time	Based on computer replacement schedule and needs of individual departments
Other Service Charges	2.00%	Based on historical experience
Revenues	2.00%	

These estimates have been used in conjunction with the anticipated needs of City departments to prepare the 2019-2021 expenditure forecast. This information is charted below with further details of the projected significant changes found in Appendix 1.

<u>Year</u>	<u>City Departmental Expenditures (Including Debt)</u>	<u>Percentage Change from Previous Year without Additional Staff</u>	<u>Percentage Change from Previous Year with Additional Staff</u>
2019	(\$102,442,696)	5.68%	6.00%
2020	(\$104,277,551)	1.67%	1.79%
2021	(\$107,416,137)	3.01%	N/A

As observed from the chart above, the forecasted increase for 2019 exceeds Council's Strategic Plan objective to achieve a budgetary tax increase at or below the rate of inflation. There are challenges that will have an influence over expenditures in 2019 including increasing infrastructure spending, a further minimum wage increase, numerous Planning department plan updates, the introduction of an annual election provision, and more. These are itemized in the Significant Change spreadsheets in the appendix.

The City's infrastructure is not at an appropriate level of sustainable funding, which is why maintenance and improvements to roads, sidewalks, storm sewers and equipment is all required. The Provincial Government has legislated a further increase to the minimum wage for 2019. The result is an increase to \$15 per hour, which further impacts the 2019 expenditure forecast. Other significant changes in 2019 include departmental requests for additional staffing as well as funding for various program and plan updates. A Provision for the 2022 election has also been included in the 2019 expenditure budget in compliance with Council's direction of February 27, 2017. Council, at the February 27, 2017 meeting approved the following: "That beginning with

the 2019 operating budget, 25% of the anticipated election costs be allocated to the Election reserve through the annual budget process.”

The receipt of additional dividends may be used to offset budget pressures caused by infrastructure related items. If this is the case, it could result in a reduction of the expenditure percentage increases indicated in the forecasted amounts above.

Financial Implications

Are contained within the body of this report.

Relationship to Strategic Plan

The Economic Sustainability pillar goal of being an affordable city for young people, families and retired older adults is enhanced with the implementation of multi-year budgeting which also improves long-term financial planning of the City.

Conclusion

Staff appreciate that the forecasted budget for 2019 is above Council’s Strategic Plan action item, working towards achieving a budgetary tax rate increase at or below the rate of inflation. With the generation of additional non-tax revenues and as the BSC continues its work throughout the year, there is the potential for the forecasted expenditure amounts to be reduced closer to an inflationary increase.

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Approved By:

Kristine Douglas, Director, Financial Management Services

Attachments

Appendix 1 – 2019-2021 Multi-year Budget Forecast with Significant Changes

City of St Catharines

2018 Operating Budget - Expenditures by Department, Board or Committee

	2018 Budget	2019 Forecast	2020 Forecast	2021 Forecast
Office of Mayor and Members of Council	722,461	733,731	745,194	756,853
Grants and Committees	16,000	21,000	21,000	21,000
City Departments				
CAO	1,350,507	1,356,160	1,382,294	1,408,921
Legal Services and Clerks	2,000,449	2,244,213	2,318,591	2,353,599
Planning and Building Services	3,897,207	4,652,829	4,159,519	4,392,288
Fire Services	24,910,636	25,810,702	26,293,097	26,799,989
Economic Development & Tourism	1,046,141	1,301,461	1,214,117	1,217,122
Operations Commission				
Transportation & Environmental Services	18,614,847	19,788,378	20,354,661	21,046,125
Parks, Recreation and Culture Services	17,387,841	18,394,331	18,835,097	19,378,905
First Ontario Performing Arts Centre	1,461,502	1,494,916	1,529,725	1,565,999
Meridian Centre	673,941	688,265	702,916	717,905
Corporate Services Commission				
Financial Management Services	4,056,715	4,126,777	4,198,144	4,270,847
Corporate Support Services	5,538,109	6,062,303	6,366,884	6,590,515
Contribution to Capital	1,563,000	1,613,000	1,663,000	1,713,000
Total City Departments and Commissions	83,239,356	88,288,066	89,784,239	92,233,068
Debt Repayment	13,405,620	14,154,630	14,493,312	15,183,069
Total City Expenditures	96,644,976	102,442,696	104,277,551	107,416,137
Percentage Increase from Previous Year		<u>6.00%</u>	<u>1.79%</u>	<u>3.01%</u>

City of St. Catharines2019 Operating BudgetSignificant Changes from 2018 Expenditure Budget

Changes	Amount	Oper Bud %
Expenditures:		
Base Budget Increase	1,915,105	1.98%
- includes negotiated settlements plus Fire Services estimate		
Minimum Wage Increase	230,000	0.24%
	2,145,105	2.22%
Non-discretionary/Committed items		
Debenture Payments	749,010	0.78%
Subtotal	749,010	0.78%
Base Budget increase with non-discretionary/committed items:	2,894,115	2.99%
Staffing		
CSS - Human Resources - 1FTE	100,000	0.10%
CSS - Information Technology - 1 FTE	120,000	0.12%
PRCS-External Funding Officer (1 year contract)	93,000	0.10%
	313,000	0.32%
New Services		
PRCS - North St Catharines splashpad operations	64,000	0.07%
LCS - Comprehensive Corporate Records Management Plan Consultation	60,000	0.06%
TES - Pedestrian Crossings various	60,000	0.06%
	184,000	0.19%
Infrastructure Maintenance/Improvements		
TES - Road Improvement Program	194,000	0.20%
TES - Sidewalk Replacement Program	50,000	0.05%
TES - Storm Sewer maintenance	18,105	0.02%
TES - winter control	100,000	0.10%
Capital out of revenue - Annual capital project commitment	50,000	0.05%
Building Improvement reserve allocation	75,000	0.08%
Operations Equipment Allocation - TES/PRCS Operations	395,000	0.41%
Operations Equipment Allocation - Fire Services	50,000	0.05%
	932,105	0.96%
Other Increases:		
LCS - annual election provision	150,000	0.16%
Grants - Clean City committee	5,000	0.01%
PRCS-Cemetery-Furniture for new admin building	15,000	0.02%
PRCS - SCCIP funding	88,500	0.09%
PRCS - parks master plan program	50,000	0.05%
EDTS - rent - external offices	66,000	0.07%
EDTS - Tourism Strategic Plan	65,000	0.07%
EDTS and PBS - Creative Cluster Master Plan	140,000	0.14%
FEMS - auto extrication tools	45,000	0.05%
PBS - Building/Plumbing Inspection - Confrontational Situation training	20,000	0.02%
PBS - Building/Plumbing Inspection - AMANDA collaboration module	15,000	0.02%
PBS - Official Plan Update	100,000	0.10%
PBS - Glendale/Welland Canal Secondary Plan	120,000	0.12%
PBS - West St Catharines/4th Avenue Secondary Plan	130,000	0.13%
PBS - Heritage Grant Program	40,000	0.04%
PBS-Planning - office space reorganization with FEMS	200,000	0.21%
TES-traffic management study - GO Hub	60,000	0.06%
CSS - HR - staff training	50,000	0.05%
CSS - IT - security/telephone audits	35,000	0.04%
CSS - IT -Service Contracts	80,000	0.08%
Subtotal Other Items	1,474,500	1.53%
Expenditure Increase	5,797,720	6.00%

City of St. Catharines

2020 Operating Budget

Significant Changes from 2019 Expenditure Budget

<u>Changes</u>	<u>Amount</u>	<u>Oper Bud %</u>
<u>Expenditures:</u>		
Base Budget Increase	210,845	0.21%
- includes negotiated settlements plus Fire Services estimate		
Minimum Wage Increase		0.00%
	210,845	0.21%
Non-discretionary/Committed items		
Debenture Payments	749,010	0.73%
Subtotal	749,010	0.73%
Base Budget increase with non-discretionary/committed items:	959,855	0.94%
Staffing		
CSS - Information Technology - 1 FTE	120,000	0.12%
New Services		
LCS - Comprehensive Corporate Records Management Plan Implementation	40,000	0.04%
	40,000	0.04%
Infrastructure Maintenance/Improvements		
TES - Road Improvement Program	100,000	0.10%
TES - Storm Sewer maintenance	20,000	0.02%
TES - winter control	100,000	0.10%
Capital out of revenue - Annual capital project commitment	50,000	0.05%
Building Improvement reserve allocation	75,000	0.07%
Operations Equipment Allocation - TES/PRCS Operations	150,000	0.15%
Operations Equipment Allocation - Fire Services	50,000	0.05%
	545,000	0.53%
Other Increases:		
CSS - HR - staff training	50,000	0.05%
CSS - IT -Service Contracts	100,000	0.10%
PBS - Heritage Grant Program	20,000	0.02%
Subtotal Other Items	170,000	0.17%
Expenditure Increase	1,834,855	1.79%

City of St. Catharines**2021 Operating Budget****Significant Changes from 2020 Expenditure Budget**

Changes	Amount	Oper Bud %
<u>Expenditures:</u>		
Base Budget Increase	1,633,829	1.57%
- includes negotiated settlements plus Fire Services estimate		
Minimum Wage Increase		0.00%
	1,633,829	1.57%
Non-discretionary/Committed items		
Debenture Payments	689,757	0.66%
Subtotal	689,757	0.66%
Base Budget increase with non-discretionary/committed items:	2,323,586	2.23%
Health and Safety/Risk Management		0.00%
New Services		
LCS - Comprehensive Corporate Records Management Plan Consultation	40,000	0.04%
		0.00%
	40,000	0.04%
Infrastructure Maintenance/Improvements		
TES - Road Improvement Program	100,000	0.10%
TES - Sidewalk Replacement Program	50,000	0.05%
TES - Storm Sewer maintenance	20,000	0.02%
TES - winter control	100,000	0.10%
Capital out of revenue - Annual capital project commitment	50,000	0.05%
Building Improvement Reserve allocation	75,000	0.07%
Operations Equipment Allocation - TES/PRCS Operations	150,000	0.14%
Operations Equipment Allocation - Fire Services	50,000	0.05%
	595,000	0.57%
Other Increases:		
CSS - HR - staff training	50,000	0.05%
CSS - IT -Service Contracts	100,000	0.10%
EDTS - departmental branding strategy	30,000	0.03%
Subtotal Other Items	180,000	0.17%
Expenditure Increase	3,138,586	3.01%