

Report from Financial Management Services, Director

Date of Report: May 2, 2018

Date of Meeting: May 23, 2018

Report Number: FMS-B023-2018

File: 10.57.10

Subject: 2019 Budget Guidance

Recommendation

That the Budget Standing Committee (BSC) approve 2019 overall expenditure budget guidance increase of 2.1%, which is based on the CPI-common rolling 12-month average; and

That the BSC approve an additional 1% expenditure increase to present options for the inclusion of items that have not been accommodated in the past three years; and

That a further 1% expenditure increase be allocated for SMT to present additional staffing options, ranked in Corporate priority order; and

That for 2020 to 2022 multi-year operating budget expenditure guidance be set at 2.6%; and

That the BSC approve the proposed 2019 budget schedule; and

That BSC request that Council approve the addition of two additional meetings to the Council schedule on December 17th and 18th, 2018.

Summary

The purpose of this report is to provide BSC with a staff recommendation that enables the senior management team an opportunity to advance the goals established in the Council Strategic Plan through a higher level of budgetary guidance. The Senior Management Team will be developing a work plan that addresses the resourcing needs across the corporation to build on the momentum set out in Council's Strategic Plan. While the economy has been improving the need for additional resources is required to meet the new levels of residential and business customer demands. Inflationary pressures along with increased development pressures has created the need for additional resources to maintain and improve upon our current customer service standards. The benefit of providing a budget guidance range will allow staff to provide a comprehensive work plan that will improve and complement the goals set out within the St. Catharines Strategic Plan vision for St. Catharines to be the most dynamic, innovative, sustainable and livable city in North America.

Background

At its meeting of April 12, 2017, BSC moved the following motion.

That the overall expenditure increase from prior year be no higher than inflation; and

That staff report back on how inflation is measured and why.

Then at the BSC of May 31, 2017, BSC approved that the following in addition to the April motion.

That for 2018 overall expenditure budget guidance increase of 1.5%, which is based on the CPI-common rolling 12-month average; and

That for 2019 to 2021 multi-year operating budget expenditure guidance of 2.0%; and

That staff return to the BSC at the beginning of each annual operating budget cycle with an update on the rolling 12-month average of CPI-common in order for the BSC to set the annual overall expenditure budget guidance.

This reports provides the information to BSC to determine guidance for the 2019 operating budget.

Report

The Consumer Price Index (CPI) provides a broad measure of the cost of living in Canada. While there are other ways to measure price changes, the CPI is the most important indicator because of its widespread use. Through the CPI, Statistics Canada tracks on a monthly basis, the retail price of a representative shopping basket of about 600 goods and services from an average household's expenditure on food, housing, transportation, furniture, clothing and recreation.

The City's current financial institution, Scotiabank has provided an outlook on the Canada's economic performance. Based on "economic activity still growing above potential, Scotiabank expects inflation to head north of the Bank of Canada's 2% target in 2018"¹. As shown with recent CPI percentages, "inflation has gradually picked up as anticipated"² by Scotiabank forecasts. Scotiabank provides the following CPI forecasts³ for the remainder of 2018 and 2019.

¹ Scotiabank – Global Economics – Economic Commentary – Canada and the Provinces, April 12, 2018, page 1.

² Ibid, page 1.

³ Ibid, page 2.

	2018			2019				
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	AVG
Scotiabank CPI forecast	2.0	2.1	2.1	2.2	2.2	2.2	2.2	2.1
CIBC ⁴	2.4			2.0				2.2
Bank of Canada ⁵	2.3			2.1				2.2

Supporting these financial institution economic forecasts the Bank of Canada (BoC) states in its April 2018 Monetary Policy Report that “core inflation is expected to rise further in the coming quarters as the economy experiences more excess demand”⁶ “In 2019, inflation is expected to return to about 2 per cent”⁷.

Using Scotiabank’s and CIBC’s economic forecasts and BoC core inflation measures and the target, as measured by the consumer price index (CPI), remains 2 percent, midpoint of the control range of 1 to 3 percent around this target.⁸ It is reasonable to predict inflationary estimates not likely to exceed this range. This information and the CPI-common inflationary measure has been used to determine the appropriate guidance for consideration by the BSC for the current and multi-year operating budget increases.

Current year guidance

For 2018 budget expenditure guidance staff recommended the use of CPI-common 12 month rolling average. Staff have reviewed the CPI percentages for the past 12 months and the CPI-Common average is 1.6%. Details of past 12-month CPI inflationary measures are in Appendix 1. Although this was the measure that was used for 2018 guidance, CPI-common has steadily increased over the past 12 months. Considering this trend and the inflation forecast by Scotiabank and CIBC for the remainder of 2018 and 2019 being 2% or higher, Staff are recommending budget expenditure guidance of 2.1% for 2019.

In each of the last three budget year’s there were a number of items that could not be accommodated within the inflationary expenditure increase envelop. In addition, there have been no new staffing positions approved. With expectations from citizens, development community and Council continue to increase, the existing staff complement is unable to achieve all that is demanded. SMT will be preparing a work plan that is better aligned to the Council Strategic Plan which will be used to inform resourcing decisions. In order for St. Catharines to become the most dynamic, innovative, sustainable and livable city in North America investments in key areas within the corporation are required.

⁴CIBC Private Wealth Management - ISG Monthly Market Commentary, May 2018, page 2.

⁵ Bank of Canada – Monetary Policy Report – April 2018, page 7

⁶ Ibid, page 4.

⁷ Ibid, page 21.

⁸Ibid, page 1.

Therefore, SMT is recommending that BSC approve an additional 1% expenditure increase to present options of items that have not been accommodated in the past three years. Appendix 2A includes unaccommodated items from 2018 and Appendix 2B includes the 2019 Significant Changes from the 2018 Multi-Year Forecast for 2019 to 2021. And further, that another 1% expenditure increase be allocated to support options for new staffing. As done in prior years, the positions will be ranked by SMT in order of priority based on achieving the objectives as set out in the Strategic Plan. Appendix 3 contains the list of 2018 staff requests; however, the list has not been ranked in priority order.

Multi-year budget guidance

The City of St. Catharine's has been developing multi-year operating budget forecasts for the past couple of years. While staff is recommending operating expenditure budget guidance increase for 2019 of 2.1%, there is also the need to determine the appropriate increase for future budget years (2020 to 2022). Keeping annual operating budget increases at or below inflation provides little room for flexibility with one-time expenditure or special projects. For that reason, staff is recommending an additional 0.5% to be added to 2019 expenditure guidance for future budgets for forecasting purposes.

Allowing for the additional 0.5% forecast will still leave final budgetary decisions with the Committee, however this will provide Staff with the opportunity to bring forward new initiatives and demonstrate their full priorities to the BSC. This guidance would help both staff and the Committee as it allows for departments to present a complete depiction of their needs for consideration by the BSC. Therefore, the guidance for the 2020 to 2022 operating expenditure budget increase would be 2.6%.

Staff will come back each year with a recommendation for annual operating budget expenditure guidance from the BSC consideration.

Proposed 2019 Budget Meeting Schedule

With 2018 being an election year this will impact the BSC's ability to meet during the third and potentially fourth quarters of 2018. However, the BSC has made significant strides in recent years, particularly in 2017 with approving the 2018 operating budget prior to start of 2018. Both Staff and BSC would like this momentum to continue for the 2019 operating budget. Therefore, the following schedule is being proposed for 2019 Budget Standing Committee.

Date	Item
Tuesday, October 23 rd , 2018	Release of the Draft 2019 Operating Budget Book to Council – document published in Sugar Sync and City's website
Monday, November 5 th , 2018	Budget Open House at Kiwanis Aquatics Centre at 6pm
Tuesday, November 6 th , 2018	Telephone Town Hall at 7pm
Wednesday, November 7 th , 2018	Budget Open House at Seymour Hannah Arena Complex at 6pm
Wednesday, November 14 th , 2018	Departmental Staff Presentations
Monday, November 19 th , 2018	Departmental Staff Presentations
Wednesday, November 21 st , 2018	Agency, Board and Commission Presentations – Niagara District Airport, Library and Transit
Wednesday, November 28 th , 2018	BSC Meeting: -Responses from Departmental Presentations -Non-Tax Revenues
Monday, December 10 th , 2018	Draft 2019 Operating Budget tabled at Council for Public meeting and discussion on Monday December 17 th , 2018
Wednesday, December 12 th , 2018	BSC Meeting
Monday, December 17 th , 2018	Council Meeting for Public Meeting for 2019 Draft Operating Budget
Tuesday, December 18 th , 2018	Second Council Meeting for 2019 Draft Operating Budget, if required
Monday, January 7 th , 2019	Budget Standing Committee Meeting - 2019 Capital Budget and Four Year Forecast
Monday, January 14 th , 2019	2019 Draft Capital Budget and Four Year Forecast tabled at Council for Public Meeting and discussion on Monday January 28 th , 2019
Monday, January 28 th , 2019	Council Meeting and Public Meeting for 2019 Draft Capital Budget and Four Year Forecast
Wednesday, February 13 th , 2019	Budget Standing Committee Meeting - Draft 2019 Water and Wastewater Budget (This meeting cannot occur earlier as the Regional Rates will not be approved by Regional Council until February 8 th , 2019)
Monday, February 25 th , 2019	Draft 2019 Water and Wastewater Budget tabled at Council for Public Meeting on March 4 th , 2019
Monday, March 4 th , 2019	Council Meeting and Public Meeting for 2019 Draft Water and Wastewater Budget

Financial Implications

Are contained within the body of this report.

Relationship to Strategic Plan

The Economic Sustainability pillar has goal of being an affordable city for young people, families and retired older adults is reinforced with annual operating budget expenditure guidance at inflation. The municipal budget is the primary tool that allows City administration to operationalize the goals set out across the four pillar of the Strategic Plan.

Conclusion

The use of CPI-common 12 month rolling average as the inflationary measure for annual operating budget expenditure guidance for the base budget. Providing an additional 1.0% to achieve strategic plan initiatives reaffirms the commitment to Council's Strategic Plan and to strive to be the most dynamic, innovative, sustainable and livable City in North America.

Approving the multi-year (2020-2022) operating budget expenditure guidance at a 2.6% provides staff with the opportunity to present their full budgetary and forecasting needs to the Committee while still leaving final budgetary decisions under the discretion of the BSC.

Notification

Dave Sherlock, St. Catharines Transit Commission
Karen Smith Curtis, St. Catharines Public Library

Prepared, Submitted and Approved by:

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

Attachments:

Appendix 1 – CPI Rolling 12-month Average

Appendix 2A – 2018 Unaccommodated Items

Appendix 2B – 2019 Significant Changes from 2018 Multi-Year Forecast for 2019 to 2021

Appendix 3 – 2018 New Staff Requests

CPI Rolling 12-month Average

Month	CPI-Trim %	CPI-Median %	CPI-Common %
2018-03	2.0	2.1	1.9
2018-02	2.1	2.1	1.9
2018-01	1.8	1.9	1.8
2017-12	1.8	1.9	1.6
2017-11	1.8	1.9	1.5
2017-10	1.5	1.7	1.6
2017-09	1.5	1.8	1.5
2017-08	1.5	1.8	1.5
2017-07	1.3	1.7	1.4
2017-06	1.2	1.6	1.4
2017-05	1.2	1.6	1.3
2017-04	1.4	1.6	1.3
Average	1.6	1.8	1.6

2018 Unaccommodated Items- Not Prioritized by SMT

Priority	Dept	Division	Description	Amount	Inward/Outward	Alternative Funding	Comments
	EDT		Rent for office Space	\$66,000	Inward and Outward		
	LCS	Legal & Clerks	Lektriever Replacement	\$45,000	Inward and Outward		Currently repaired, but need to plan for its replacement
	LCS	Clerks	DocuPet Dog Licensing Awa	\$10,500			DocuPet to Initiate a Pet Licensing By-law awareness program in St. Catharines. Involves door to door campaign to promote dog licensing. Cost includes door knockers and follow up letters.
	PBS	Heritage	Heritage Grant	\$40,000	Outward		
	PBS	Heritage	Heritage Recognition	\$10,000	Outward		
	PBS	Planning	Glendale Ave/Qew	\$120,000	Outward	Region	
	PBS	Planning	West St. Catharines/4th Ave	\$130,000	Outward		
	PBS/LCS		OMB Hearing	\$300,000 to \$600,000			OMB appeals to come in 2018 that current staffing levels will not be able to sustain, continuing into 2019. Legal will also be impacted
	PRCS	Parks	Park Identifiable repairs	\$25,000			This funding program would allow for the preventative maintenance and renewal of existing small park assets prior to emergency repairs being required, such as fences, benches and operational efficiencies such as lighting timers, etc.
	PRCS	Recreation Overhead	Building Reserve Provision increase	\$50,000			To continue to support the asset management needs of PRCS facilities
	PRCS	Equipment Acquisitions	Equipment Reserve Provision increase	\$50,000			To continue to support the equipment needs of PRCS service delivery
	PRCS	Parks	Park Master Plan program - 1 per year to priority program	\$30,000			A formal master plan is recommended for Major Parks that are considering major changes/upgrades to the park (e.g. parking lot/access road, pool, etc.) to ensure investment is maximized, supports existing guiding plans and does not limit future redevelopment potential. Examples include Burgoyne Woods, Sunset Beach, Community Park, etc. Staff are reviewing priorities for 2017 and will report these priorities to Council for approval.
	PRCS	Culture	SCCIP 2018 approved funding levels; portion from tax base	\$88,500			Final amount of SCCIP funding to achieve Council's direction of SCCIP funding from \$2.34 per capita or \$307,500 in 2016 to \$3.28 per capita or \$431,000 in 2018
	PRCS	Culture	PAC Art Exhibits	\$4,095			PAC exhibits in the Joy Williams Lobby and the Digital Wall will not be replaced during 2018. The same exhibits will run in these locations for 2017 and 2018.
	TES		GO Services	\$60,000	Outward		

City of St. Catharines**2019 Operating Budget****Significant Changes from 2018 Expenditure Budget**

Changes	Amount	Oper Bud %
<u>Expenditures:</u>		
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%

2018 Unaccommodated Staff - Not Prioritized by SMT

2018 Full-Time Vacancies

Priority	Dept.	Division	Position/Description	Account	Amount	Inward/ Outward	Alternative Funding	Increase to FTE	Comments
	PRCS	Culture	Change Two Culture Coordinators from Contract to Full-time. Would need to budget for benefits.		\$11,600			2	These positions have been filled as contracts for approximately 10 years (as of January 2018). To best align with the corporation's values it is requested that these two positions be added to the FTE Complement and treated as permanent positions. The cost implications of 2 FTE's would be increased benefits by \$5800 x 2= \$11,600.
	PRCS	Administration	Facilities and Special Events - Team Lead		\$18,300			0	FTE position already exists (Facilities & Special Events Administrator) and would be converted to Facilities and Special Events - Team Lead. Lead role is required for the day to day operations as front line staff are currently reporting directly to the Manager of Programs and Culture Services. The cost implications of this conversion would be approximately \$18,300.
	TES	Environmental	Climate Change Coordinator	Could be water or Operating	\$103,000 includes wages, benefits, omers, computer, desk	Outward		1	As Directed by Mark Green, this would be a new complement

2018 Part-Time/Contract Vacancies

Priority	Dept	Division	Position/Description	Account	Amount	Inward/ Outward	Alternative Funding	Increase to FTE	Comments
	PRCS		CLASS Software Replacement Project Manager		\$124,000			0	PRCS support staff post implementation of Registration Booking software (CLASS) end of life update. Create new work flow process and standard operating procedures / develop staff training strategy. Position in accordance of change management initiative. process and standard operating procedures
	PRCS		External Funding Officer - One Year Contract		\$93,000			Contract	Position to capitalize on all city and community grant applications and external funding opportunities. It is expected that this position would provide a return on investment that exceeds the salary and related staffing costs that cannot be captured through the existing staff resources. Funding will continue to maximize the renewal of our existing assets and alleviate pressures on the capital budget. Unaccommodated in 2017 as well.
	PRCS		Recreation Program Coordinator (FIBA)		\$25,000			Contract	6 month Contract to assist with 2018 FIBA U18 Basketball Championship including the coordinating of the host community outreach programming in conjunction with Canada Basketball, the 3 on 3 community outdoor basketball event (potentially St. Paul Street), the St. Catharines downtown Street Festival, implement the Steve Nash Youth Basketball programs (March Break camp) and be the City liaison with the 2018 FIBA U18 Organizing Committee. Position will engage the community and provide outreach for community basketball programs.
	PBS	Planning	Planner		70,000			0	A planner to help with large portfolio projects coming in 2018

2017 Unaccommodated Staff

2017 FULL-TIME VACANCIES

Note: **These are 2017 amounts

Priority	Dept	Division	Position/Description	Account Number	Amount	Inward/ Outward	Alternative Funding	Increase to FTE	Details of Additional Budget Requirement
	CSS-IT	IT	Business Analyst	702.225.001	\$114,781			1	New Position - 35 Hours/week non-union EX8 Rate
	CSS-IT	IT	Network Security Administrator	702.225.001	\$123,247			1	New Position - Non Union 35/hrs per week EX9
	CSS-IT	IT	Project Manager	702.225.001	\$123,247			1	New Position - Non Union 35 Hours/week EX9
	CSS-IT	IT	Helpdesk Supervisor	702.225.001	\$114,781			1	New Position - CUPE 157. 35 Hours/week EX8 Rate
	FIRE	FIRE	Communicator Probationary	710.100.001	\$86,416			1	
	PRCS		Full-time Forestry Administrator Currently Contract	750.205	\$7,500			1	Currently Contract position filled by a full-time employee, requesting to change to full time

	TES	Engineering	Project Supervisor	715.115.001	\$118,030			1	Additional Project Supervisor (CUPE 157 - 11) - Salary + Benefits + etc. To deal with backlog of projects - current workload for project supervisors exceeds capacity, results in delays in project completion - additional PS would allow engineers to concentrate more on Asset Management Safety Shoes, Car Allowance, Uniform/Clothing, Safety Gear, Cellphone, Computer software, Computer Hardware, CAD drafting station, Training, Subscriptions/Memberships.
	TES	Building Repairs	Facilities Technologist	702.415.001	\$105,950			1	Additional Facilities Technologist (CUPE 157-10) - Salary + Benefits + etc. To deal with managing increasing complex facility systems, additional BAS systems, energy management, facility studies - potential backcharge to PAC?
	TES	Construction	Supervisor Inspectors	715.120.001	\$136,956			1	Supervisor of Inspectors - (EX 9) - Salary + Benefits + etc. To deal with backlog of projects, asset management - current workload for engineers and project supervisor exceeds capacity, results in delays in project completion, lack of attention to Asset Management - Inspector Supervisor would allow engineers to concentrate more on Asset Management Safety Shoes, Car Allowance, Uniform/Clothing, Safety Gear, Cellphone, Computer software, Computer Hardware, CAD drafting station, Training, Subscriptions/Memberships, furniture
	TES	Environmental	Environmental Clerk	735.300.001 Comes from Water/wastewater Budget	\$62,053			1	Presently this TES Division does not have any clerical or administrative staff. The majority of the administrative tasks are competed by staff who are at a pay group 9 or 10 rate. This is not an efficient system as these staff would be better used to complete their prescribed job functions. In addition, the Env Services Division is being relocated from the LSSC to the Buchanan House and will correspondingly lose access to the LSSC Admin Staff which are used in an informal support role.

2017 PART-TIME/CONTRACT VACANCIES

Note: **These are 2017 amounts

Priority	Dept	Division	Position/Description	Account Number	Amount	Inward/ Outward	Alternative Funding		Details of Additional Budget Requirement
	CSS	HR	HR Recruiter Contract Position	702.240.003	\$83,072				Current Workload Exceeds Capacity
	TES	Engineering	Extension of Contract Position DESIGN & CONSTRUCTION ENGINEER Note: Will accept an extension of only 6 months	715.115.003	\$113,584				Extension of existing contract position due to 2016 vacancies (6 Months) and externally funded programs with 2017 / 2018 completion dates. Additional Design and Construction Engineer (EX - 10) - Salary + Benefits (over age 65) + etc. To deal with backlog of projects - current workload for project Engineers exceeds capacity, results in delays in project completion - additional PEng would allow permanent engineers to concentrate more on Asset Management and specialized engineering studies
	TES	Engineering	Project Technologist	715.115.003	\$91,598				Additional Project Technologist (CUPE 157 - 10) - Salary + Benefits + etc. To complete with backlog of incomplete as built drawing records. (estimate 2 years of drafting time). Current workload for project technologists exceeds capacity. Missing as-built drawings results in delays for many City staff to undertake additional research time to verify existing conditions.