

Report from Financial Management Services, Director

Date of Report: November 23, 2018

Date of Meeting: November 28, 2018

Report Number: FMS-B031-2018

File: 10.57.10

Subject: Multi – Year Budget – 2020 to 2022

Recommendation

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

Background

A part of Council's Strategic Plan under the economic pillar goal 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 the draft budgets for the next three years with information on how staff developed these multi-year forecasts.

Report

Staff have used the draft 2019 operating budget as the starting point for the development of the future years forecast. The following chart shows the estimates used in the three year forecast.

These estimates have been used in conjunction with the anticipated needs of City departments to prepare the 2020 – 2022 expenditure forecast.

Description	Estimation	Rationale
Salaries and Wages	2.00%	Based on estimated union contracts
Benefits	3.00%	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%	Conservative estimate

The results of the three year forecast are 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>
2020	102,710,762	4.22%	5.20%
2021	107,444,220	3.84%	4.61%
2022	111,876,184	3.67%	4.12%

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.

As observed from the chart above, the forecasted increase for 2020 exceeds Council's Strategic Plan objective to achieve a budgetary tax increase at or below the rate of inflation. The base budget increases are comparable to current inflation¹ forecasted at 2.11% in 2020, 2.18% in 2021 and 1.73% in 2022. There are a few challenges that will have an influence over expenditures in 2020 and future years including infrastructure, numerous Planning department plan updates and potential Staffing increases.

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. Additionally, the IT Roadmap has indicated changes to numerous

¹ Total CPI as of September 2018 per Bank of Canada is 2.2%

Financial applications in the coming years. This will lead to increased annual service contract fees for these applications. There are also departmental requests for additional staffing in 2020 and onwards.

Financial Implications

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 2020 is above Council's Strategic Plan action item, and the direction provided at the May 23, 2018 BSC meeting. As noted the base budget increases are within the current rate of inflation.

With the generation of additional non-tax revenue and as the BSC continues its work throughout the year, there is a potential for the forecasted total expenditure amount to be reduced closer to an inflationary increase.

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Approved by: K Douglas, Director, Financial Management Services

Attachments

Appendix 1 – 2020 – 2022 Multi-year Budget Forecast with Significant Changes

City of St Catharines**2019 Operating Budget - Expenditures by Department, Board or Committee**

	2019 Budget	2020 Forecast	2021 Forecast	2022 Forecast
Office of Mayor and Members of Council	808,522	825,715	843,284	861,237
Grants and Committees	16,000	16,000	17,000	18,000
City Departments				
CAO	1,486,215	1,520,203	1,554,998	1,590,619
Legal Services and Clerks	1,716,865	1,839,652	1,877,546	1,876,320
Planning and Building Services	2,200,758	2,628,140	2,798,403	2,762,858
Fire Services	25,467,233	26,188,237	27,176,489	28,225,152
Economic Development & Tourism	1,108,462	1,249,178	1,277,354	1,306,208
Transportation & Environmental Services	19,127,361	20,252,786	21,288,192	22,257,975
Parks, Recreation and Culture Services	18,112,251	19,007,360	19,664,850	20,291,092
First Ontario Performing Arts Centre	1,511,701	1,558,684	1,615,304	1,674,160
Meridian Center	694,531	709,247	724,298	739,693
Financial Management Services	3,871,114	3,955,575	4,041,936	4,130,244
Corporate Support Services	5,587,973	6,295,688	6,903,252	7,065,771
Contribution to Capital	1,811,000	1,820,000	1,825,000	1,830,000
Total City Departments and Commissions	83,519,986	87,866,465	91,607,906	94,629,329
Debt Repayment	14,112,019	14,844,297	15,836,314	17,246,855
Total City Expenditures	97,632,005	102,710,762	107,444,220	111,876,184
Percentage Increase from Previous Year		<u>5.20%</u>	<u>4.61%</u>	<u>4.12%</u>

City of St. Catharines**2020 Operating Budget****Significant Changes from 2019 Expenditure Budget**

Changes	Amount	Oper Bud %
<u>Expenditures:</u>		
Base Budget Increase	2,055,644	2.11%
- includes estimated settlements for all union contracts		
	2,055,644	2.11%
Non-discretionary/Committed items		
Debenture Payments	732,278	0.75%
Subtotal	732,278	0.75%
Base Budget increase with non-discretionary/committed items:	2,787,922	2.86%
Staffing		
CSS - Human Resources - 1FTE	101,366	0.10%
CSS - Information Technology - 2 FTE	207,454	0.21%
EDTS - Government Relations position - 1 FTE	121,000	0.12%
FEMS- Communicator - 1 FTE	84,380	0.09%
PBS - Planning - Senior Planner-1 FTE	110,460	0.11%
PBS - Building/Plumbing - 1 FTE - previously funded from reserve fund	107,425	0.11%
PRCS - Parks Operations - 1 FTE	103,000	0.11%
TES - Engineering Services - 1 FTE	120,000	0.12%
	955,085	0.98%
Infrastructure Maintenance/Improvements		
TES - Road Improvement Program	200,000	0.20%
TES - Sidewalk Replacement Program	50,000	0.05%
TES - Storm Sewer maintenance	75,000	0.08%
TES - winter control	50,000	0.05%
Building Improvement reserve allocation	75,000	0.08%
Operations Equipment Allocation - TES/PRCS Operations	200,000	0.20%
Operations Equipment Allocation - Fire Services	75,000	0.08%
	725,000	0.74%
Other Increases:		
LCS - annual election provision	105,750	0.11%
PRCS - parks master plan program	50,000	0.05%
PRCS - minor amenity renewal program	25,000	0.03%
PBS - Planning - Housing Action Plan	50,000	0.05%
PBS - Planning - General Motors Secondary Plan	100,000	0.10%
CSS - HR - staff training and development	75,000	0.08%
CSS - IT -Service Contracts	205,000	0.21%
Subtotal Other Items	610,750	0.63%
Expenditure Increase	5,078,757	5.20%

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

Changes	Amount	Oper Bud %
<u>Expenditures:</u>		
Base Budget Increase	2,244,051	2.18%
- includes estimated settlements for all union contracts		
	<u>2,244,051</u>	<u>2.18%</u>
Non-discretionary/Committed items		
Debenture Payments	992,017	0.97%
Subtotal	<u>992,017</u>	<u>0.97%</u>
Base Budget increase with non-discretionary/committed items:	<u>3,236,068</u>	<u>3.15%</u>
Staffing		
CSS - HR - 1 FTE	103,618	0.10%
CSS - Information Technology - 2 FTE	212,068	0.21%
FEMS - Fire services - 4 FTE	346,704	0.34%
TES - Engineering Services - 1 FTE	<u>125,000</u>	<u>0.12%</u>
	<u>787,390</u>	<u>0.77%</u>
Infrastructure Maintenance/Improvements		
TES - Road Improvement Program	200,000	0.19%
Building Improvement reserve allocation	75,000	0.07%
Operations Equipment Allocation - TES/PRCS Operations	250,000	0.24%
Operations Equipment Allocation - Fire Services	<u>50,000</u>	<u>0.05%</u>
	<u>575,000</u>	<u>0.56%</u>
Other Increases:		
CSS - IT -Service Contracts	135,000	0.13%
Subtotal Other Items	<u>135,000</u>	<u>0.13%</u>
Expenditure Increase	<u>4,733,458</u>	<u>4.61%</u>

City of St. Catharines**2022 Operating Budget****Significant Changes from 2021 Expenditure Budget**

<u>Changes</u>	<u>Amount</u>	<u>Oper Bud %</u>
<u>Expenditures:</u>		
Base Budget Increase - includes estimated settlements for all union contracts	1,859,318	1.73%
	<u>1,859,318</u>	<u>1.73%</u>
Non-discretionary/Committed items Debenture Payments	1,410,541	1.31%
Subtotal	<u>1,410,541</u>	<u>1.31%</u>
Base Budget increase with non-discretionary/committed items:	<u>3,269,859</u>	<u>3.04%</u>
Staffing		
FEMS - Fire services - 4 FTE	357,105	0.33%
TES - Engineering Services - 1 FTE	130,000	0.12%
	<u>487,105</u>	<u>0.45%</u>
Infrastructure Maintenance/Improvements		
TES - Road Improvement Program	200,000	0.19%
Building Improvement Reserve allocation	75,000	0.07%
Operations Equipment Allocation - TES/PRCS Operations	200,000	0.19%
Operations Equipment Allocation - Fire Services	50,000	0.05%
	<u>525,000</u>	<u>0.49%</u>
Other Increases:		
CSS - HR - staff training	50,000	0.05%
CSS - IT -Service Contracts	100,000	0.09%
Subtotal Other Items	<u>150,000</u>	<u>0.14%</u>
Expenditure Increase	<u>4,431,964</u>	<u>4.12%</u>