

Report from Financial Management Services, Director

Date of Report: May 1, 2019

Date of Meeting: May 22, 2019

Report Number: FMS-B015-2019

File: 10.57.12

Subject: 2020 Operating Budget Guidance

Recommendation

That Report FMS-B015-2019 be received for information; and

That the Budget Standing Committee provide staff an overall expenditure budget guidance increase for the 2020 operating budget.

Background

At its meeting of April 12, 2017, the Budget Standing Committee (BSC) approved 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.

At the BSC meeting of May 31, 2017, the following motion was approved:

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.

At the BSC Strategic Planning meeting held March 27, 2019, discussions were held addressing annual overall expenditure budget guidance for 2020. It was stated that inflation rates alone should not dictate annual budgeted expenditure increases. Consideration needs to be given to new programs, program changes, staffing requirements and changes in strategic corporate direction.

Report

To adhere to the May 31, 2017 direction to provide an update on the rolling 12-month average of CPI common, the following information is provided.

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 also provided an outlook on Canada's economic performance.

The following is the CPI forecast for the remainder of 2019 and 2020.

	2019			2020				
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	AVG
Scotiabank CPI forecast¹	1.4	1.4	1.5	1.8	2.0	2.1	2.0	1.74
Bank of Canada²	2.1			2.0				2.05

The expenditure increase from 2010 to 2019 for all City Departments, Boards and Commissions averaged to 2.574% per year. The total tax increase, which includes the Region and Education rates, averaged to 1.714% annually.

Council included a strategic plan update within the 2019 operating budget. Any new initiatives resulting from this review may require more funds than an inflationary increase would allow. Additionally, staff is looking for more flexibility in the staff complement to address the changing priorities of Council and residents. The ability to transfer staff as needs arise increases the ability to meet goals and objectives in a timelier manner. At the BSC Strategic Planning Session of March 27, 2019, the BSC members spoke to possible policy changes to allow senior City staff more flexibility / responsibility within its umbrella without having to seek Council approval. This would allow staff to respond in a timely fashion to the constant priority changes as they arise.

In each of the last four budget year's there were a number of items that could not be accommodated within the inflationary expenditure increase envelop. Additionally, there were enhanced projects that had an impact on the overall expenditure increase in excess of inflation during the 2019 budget process, such as the Transit Commission's cross-town route. The City's staff complement has had few changes unless approved directly by Council as the budget guidelines could not accommodate increased staffing. With increased expectations from citizens, the development community and Council, the existing staff complement is unable to achieve all that is demanded. 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. These

¹ Scotiabank – Global Economics – Economic Commentary – Canada and the Provinces, April 12, 2019, page 3.

² Bank of Canada – Monetary Policy Report – April 2019, page 10.

investments cannot be expected within an inflationary increase. Therefore, an overall expenditure increase of 3.0% is recommended for 2020.

Relationship to Strategic Plan

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

Notification

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