



CITY OF
ST. CATHARINES

Corporate Report

Report from Ad Hoc Budget Review Committee

Date of Report: February 1, 2013

Date of Meeting: February 11, 2013

Report Number: FMS-048-2013

File: 10.57.12

Subject: 2013 Operating Budget

Committee Recommendations

The Ad Hoc Budget Committee has reviewed the 2013 Draft Operating Budget and recommends the following:

That the 2013 Operating budget as presented be approved; and

That Council direct Staff to begin the process of considering 431 Queenston St as surplus to the City's inventory; and

That the by-law to deem one-third of the remuneration paid to Members of council as expenses incident to the discharge of their duties be maintained; and

That the City Solicitor be directed to prepare the necessary by-laws. FORTHWITH

Background

City Council at its October 3, 2005 Strategic and Corporate Planning meeting created the Ad Hoc Budget Review Committee. The Committee's mandate included the review of the Annual Budget, Annual Grant Applications, Schedule of Rates and Fees and any other matters that may be referred to the Committee by City Council.

Report

The Committee met on eleven occasions over the last five months. The Committee met with senior staff, reviewed the Transit Commission's and Library Board's submissions, and conducted a detailed review of the 2013 Operating Budget. The Committee also hosted two Open Houses to garner the Public's viewpoint on the draft budget.

The Committee is now in position to provide its recommendations to City Council. In making its recommendations, the Committee has been influenced by its desire to provide essential services to its constituents while ensuring the maintenance of its infrastructure.

The Committee directed Staff to reduce the estimated expenditure increase, without reducing services. Reductions provided resulted in a change to the initial Operating Budget presented by Staff. These amendments have been incorporated into the 2013 Draft Operating Budget.

The net effect of these changes reduces the increase of the City's expenditure budget from 5.00% to 3.54 %.

2013 Reassessment and Associated Residential Tax Rate Impact

As City Council is aware, in 2013 there was a current value reassessment based on January 1, 2012 valuation date. The increase in the assessment is being phased in over a four year period with 2013 being the first year of the phase in.

As was the case in previous assessments, there are shifts in tax burdens:

- Within property classes
- Between property classes
- Between Municipalities in the Region (Regional Taxes)

In the City of St Catharines the average phased-in assessment increase is 2.28%. The Revenue Summary and Assessment Information section of the budget book contains details of changes by tax class. The Residential assessment increase is 2.33%.

If there were no changes in City spending and no associated increase in the City tax levy, the change in City property taxes for the median house assessed at \$209,000 (\$205,000 in 2012) would be a decrease of 0.31% or \$3.80.

The Province has indicated that the 2013 residential education rate will be 0.212% (0.221% in 2012). This is a 2.2% reduction in the tax rate. For the median house assessed at \$209,000 which has seen a \$4,000 or 1.95% increase in assessment, this will result in a decrease in the education property taxes of \$9.97 or 2.2%.

Hospital Pre – Levy

City Council, at the May 26, 2008 meeting approved a separate tax rate be levied for hospital purposes beginning in 2008 in the amount of \$2,029,605. This amount is levied annually to meet the City's commitment with regard to the new hospital. The approved payment schedule indicates the amount of \$2,208,959 be levied in 2013. With the 2013 assessment values, the impact on a median household with a CVA of \$209,000 is a decrease in the hospital levy portion of the City's tax rate of \$0.10.

Parking Meter Reserve Fund

Included in Tab 16 of the 2013 Operating Budget is a summary of the Parking Meter Reserve fund. The net revenue from the operation of all parking facilities is deposited into the parking meter reserve fund. These funds are then used for the payment of all outstanding debentures on parking facilities, maintenance of existing facilities and for the acquisition and establishment of future parking facilities. The 2013 parking reserve highlights include:

- Funds have been budgeted for the building improvements of the Ontario Street Parking Garage as shown in Schedule P3 of Tab 16
- Funds have been provided for year 4 of a multi-year plan to replace conventional parking meters with Pay & Display or Pay by Space machines pending a future report to Council
- The parking meter revenues have been reduced by \$130,000 as the General Hospital site will be closing in March, 2013
- The Lower Level parking spaces (300) and the Race St parking spaces (50) have been removed from the parking inventory. The budgeted permit revenue has been reduced to reflect this change.

Disclosure Requirements - PSAB

Effective January 1, 2009, the Municipality adopted Section 1200 and Section 3150 of the Public Sector Accounting Board (PSAB) Handbook. Section 1200 refers to general reporting principles and standards related to government financial statements. Section 3150 provides guidance on the recognition and disclosure of tangible capital assets in government financial statements.

As a result of the changes to accounting standards, the calculation of the City's surplus for budgeting purposes now differs from the surplus on the City's Financial Statements. The differences are primarily with respect to capital items, debt repayment, post-employment benefits, and solid waste landfill closure and post-closure expenses. The financial statements are prepared using accrual accounting methods. The annual budgets continue to be prepared on a modified cash basis.

Ontario Regulation 284/09 made under the Municipal Act, 2001, allows municipalities or local boards to exclude amortization, post-employment benefits, and solid waste landfill closure and post-closure from its budget provided the municipality prepares a report about the excluded expenses prior to Council adopting the budget for the year, and that this report is adopted by resolution of Council.

The report is required to contain at least the following:

1. An estimate of the change in accumulated surplus of the municipality to the end of the year resulting from the exclusion of these expenses;
2. An analysis of the estimated impact of the exclusion of any of the expenses on the future tangible capital asset funding requirements of the municipality.

The following is intended to provide Council with the required information under Ontario Regulation 284/09 regarding excluded expenses for the 2013 budget year and the estimated effect these accounting changes will have on Accumulated Surplus for 2013.

Estimated effect on Accumulated Surplus

As explained above, the result of changes to accounting standards is that the City's surplus for budgeting purposes differs from the surplus on the City's financial

statements. The estimated effect on the 2013 ending surplus due to the excluded expenses and change in reporting is anticipated to be a net increase of \$3,477,764. This difference is one of financial statement presentation only.

The details of the increase in surplus are as follows:

Increases:

Capital items provided for in operations	\$ 14,539,712	
Debt repayment – principal portion	9,053,653	
Estimated change in solid waste landfill closure and post-closure expenses	<u>57,000</u>	
		\$23,650,365

Decreases:

Estimated amortization expense	19,504,601	
Estimated change in post-employment benefits expense	<u>668,000</u>	
		<u>20,172,601</u>

Net Increase (decrease) in accumulated Surplus		<u>\$ 3,477,764</u>
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Operational requirements will need to continue to be funded on a cash flow basis. As such, excluded expenses do not affect the operating surplus or budget of the City.

Impact on Future Tangible Capital Asset Funding Requirements

Amortization represents the consumption of capital assets over time, but does not provide sufficient funding to replace the asset at the end of its useful life. These assets are in use for many years and, in many cases, the cost of replacement far exceeds the historical cost of the asset. Therefore, budgeting for amortization is not sufficient to fund the replacement cost of assets.

The ideal method of funding for future tangible capital asset requirements would be to build adequate reserves based on the anticipated replacement cost of assets funded from current operations. The City currently has reserves for the replacement of vehicles and equipment.

Transportation and Environmental Services prepares an annual report which outlines the asset management plans for the replacement of City infrastructure assets. Although budget constraints can defer required improvements, Staff is working towards ensuring there is adequate funding to replace assets and address deficiencies.

In summary, the changes to accounting and reporting requirements under PSAB Section 1200 and 3150 are a financial accounting treatment only and do not affect operating surpluses. The City is building adequate reserves to fund equipment and vehicle replacements and working towards a sustainable asset management plan. As per the City Council directive of December 10, 2012 Staff will complete a comprehensive asset management plan prior to December 31, 2013.

Municipal Officers Expense Allowance

The former Municipal Act, Section 283 deemed one – third of the remuneration paid to Members of Council as expenses incident to the discharge of his or her duties as a Member of Council. The Income Tax Act, Section 81(3), provides that an expense allowance paid by a Municipal corporation to an elected member shall not be included in income.

In 2001 the New Municipal Act was approved. The new Act gave Council the option, if the City passed a resolution before January 1, 2003, to continue the one-third of the remuneration paid to elected Members of Council as expenses incident to the discharging of their duties as Members of Council.

City Council, at its April 22, 2002 meeting approved a by-law to deem one-third of the remuneration paid to members of Council as expenses incident to the discharge of their duties. The Municipal Act 2001 requires City Council to review the by-law deeming one-third of the remuneration paid to members of Council incident to the discharge of their duties at a public meeting at least once during the four-year period corresponding to the term of office of its members after a regular election. This report recommends that the previous practice continue.

Financial Implications

The approval of the 2013 Operating Budget ensures the ability to provide essential services while ensuring maintenance of infrastructure.

Notification

It is in order to advise Dave Sherlock, General Manager, St. Catharines Transit Commission, 2012 First Street Louth, R.R.#3, St. Catharines ON, L2S 3V9 and Lilitta Stripnieks, Chief Executive Officer, St. Catharines Public Library, 54 Church Street, St. Catharines, ON L2R 7K2 of the decision regarding their 2013 Budget request.

Submitted by:

Ad Hoc Budget Committee

Prepared & Approved by:

Shelley Chemnitz, CA
Treasurer/Director of Financial Management Services

GRANTS 2013

	NATURE OF GRANT	AMOUNT REQUESTED 2013	COMMITTEE'S RECOMMENDATION 2013	ACTUAL 2012
UNALLOCATED GRANTS - CODE 783.100				
FORMAL GRANT REQUESTS				
**2010 MASTERS ROWING	5 of 5 year commitment	10,000	10,000	10,000.00
OUR COMMUNITY FOOD STORE				2,500.00
CHORALIS CAMERATA	****	3,675	0	
SINKE SCRAP METAL REQUEST			0	
WAIVING OF FEES				
PETE STOUTENBERG MEMORIAL HOCKEY TOURNAMENT	*	1,600	1,600	1,600.00
RANKIN CANCER RUN	*	1,650	1,650	1,657.93
HORTICULTURAL SOCIETY ANNUAL PLANT SALE	*	2,000	2,000	1,762.50
JAYCEES EASTER EGG HUNT	*	2,500	2,500	2,210.53
CHILD ADVOCACY CENTRE NIAGARA		250	250	
CENTURION CYCLING EVENT		7,300		
COMMUNITY LIVING	**	23,500	7,000	
***UNALLOCATED GRANTS				6,691.48
TOTAL		\$52,475	\$25,000	\$26,422.44

*Note: As per council motion of December 1, 2008 - Item # 644-"That Council approve the creation of a Grants Committee to review and recommend approval of grants to council as part of the 2009 Budget Process; and further that an amount of \$25,000 be established as the 2009 amount for grants.

*Note: At the 2011 Grant Committee Meeting (Jan 17,2011) the waived fees noted with an asterisk were approved as annual grants for the term of Council (2011-2014)

** The waiving of permit fees for Community Living is contingent upon the Region waiving its Development Charges for this project. The \$23,500 will be applied to Grants over a three year period (2013-2015)

**** The ad hoc budget committee recommended that the Choralis Camerata grant request be funded from 2013 Operating Budget Performing Arts Centre Sponsorship account.

2013 Approvals at Council

December 17,2012 Council approved **\$3500** for the 2013 Centurion Cycling Event through the Sports Tourism Grant the event is to be hosted in St Catharines August 17-18,2013.

At the January 7,2013 the request to waive fees was approved in the amount of \$7,300. Subsequent to this approval, the Centurion Cycling Event was cancelled.