

Report from: Financial Management Services, Director

Date of Report: November 1, 2019

Date of Meeting: November 13, 2019

Report Number: FMS-B050-2019

File:10.57.12

Subject: Proposed Draft 2020 City Departmental Expenditure Budget at Three Percent Increase

Recommendation

That Report FMS-B050-2019, regarding Proposed Draft 2020 City Departmental Expenditure Budget at Three Percent Increase, be received for information.

Background

At its October 28, 2019 meeting, the Budget Standing Committee (BSC) directed staff to show the 2020 Draft Operating Budget with a three per cent expenditure increase over 2019.

The BSC further directed that any revisions to reach the three per cent expenditure increase for 2020 City expenditures not include any full scale closure of City facilities. Staff have provided information for the BSC in Appendix 1 (the Analysis of 2020 Budget Changes) and Appendix 2 (2020 Operating Budget Revisions for BSC consideration).

Report

Following the BSC meeting, the City's Senior Leadership Team (SLT) met and determined potential revisions that could bring the City departmental expenditure increase to three per cent (see Appendix 2). Any reductions in departmental expenditures will impact the current service levels as noted in the draft operating budget report.

While reaching a three per cent increase is possible, SLT reconfirmed that the analysis of the changes from 2019 to the 2020 Operating Budget (seen in Appendix 1) are priorities and vital to the operational requirements of the departments and the services the City provides. As a result, SLT does not recommend removing any of the priorities listed in Appendix 1 which has the 2020 city expenditure operating budget to a 4.5 percent increase.

If the BSC intends to reach an expenditure increase closer to three percent for the 2020 City departmental expenditure budget, SLT would recommend the BSC consider the revisions in Appendix 2.

It is important to note that with the exception of Level A revisions, in Appendix 2, all the other revisions would require a reduction to existing service levels. The Level A

revisions listed have minimal or no impact. The Level B revisions have some impact. The Level C revisions have a significant Impact. The Level D revisions would have a major impact on service levels and would not be consistent with previous Council direction and health and safety obligations.

The City's SLT also reviewed their departmental base budgets for other potential reductions. During this review there were a couple of items identified that need to be adjusted.

- GCA Practice Rentals overstated by \$244,010
- BBA Practice Rentals understated by (\$35,990)
- Streetlight Maintenance understated by \$62,500

These three items, noted above, have a net unfavourable impact on the 2020 operating City departmental expenditure budget of \$270,520 or an increase in expenditures of 0.29%. These adjustments are required.

Also at the October 28 meeting, the BSC approved the addition of funds in the amount of \$16,297 in the 2020 draft operating City expenditure budget for Skate Attendants required to comply with the Ontario Recreation Facilities Association (ORFA) public skating guidelines and best practices. These additional dollars have an impact on the City's departmental expenditures 2020 budget of 0.02%.

The **Table 1** below summarizes the 2020 Draft City Departmental Operating Expenditures with the revisions from Appendix 2, which require consideration of the BSC.

Table 1

Description of Item	Dollar (in 000's)	% Change from 2019
Total Draft 2020 City Departmental Operating Expenditures as presented Oct. 16, 2019	\$99,134.6	4.50%
<i>Changes to Draft Budget:</i>		
Reduction of GCA Practice Rentals	\$244.0	
Increase of BBA Practice Rentals	(\$36.0)	
Increase to Street lighting Maintenance Expenditure	<u>\$62.5</u>	
Net Draft 2020 City Departmental Operating Expenditures	\$99,405.1	4.79%
Addition from Oct. 28 / 19 BSC meeting for Skate Attendants	\$16.3	
Revised Draft 2020 City Departmental Operating Expenditures	\$99,421.4	4.81%
Level A Revisions – Minimal Impact	<u>(\$506.1)</u>	
Revised Draft 2020 City Departmental Operating Expenditures with Level A Revisions	\$98,915.3	4.27%
Level B Revisions – Some Impact	<u>(\$327.1)</u>	
Revised Draft 2020 City Departmental Operating Expenditures with Level B Revisions	\$98,588.2	3.93%
Level C Revisions – Significant Impact	<u>(\$125.4)</u>	
Revised Draft 2020 City Departmental Operating Expenditures with Level C Revisions	\$98,462.8	3.80%
Level D Revisions – Major Impacts on service levels	<u>(\$24.1)</u>	
Revised Draft 2020 City Departmental Operating Expenditures with Level D Revisions	\$98,438.7	3.77%

Also

presented at the October 28, 2019 BSC meeting were the City's ABCs. Table 2 below summarizes the budgets presented by these four organizations.

Table 2

Organization	2020 Budget Amount	% Change from 2019
St. Catharines Transit Commission	\$13,792.8	8.17%
St. Catharines Public Library Board	\$5,677.7	3.00%
Niagara District Airport (includes both operating (\$253.3K) and capital (\$176.8K) amounts for 2020)	\$430.3	75.36%
FirstOntario PAC	\$1,590.9	6.65%
TOTAL ABCs	\$21,491.7	7.46%

By combining the information presented in Tables 1 & 2, staff are able to provide for the BSC the estimated total expenditure increase for the City's 2020 Operating budget which incorporates all revisions from Appendix 2. See Table 3 below.

Table 3

Description of Item	Dollar (in 000's)	% Change from 2019
Revised Draft 2020 City Departmental Operating Expenditures with Level D Revisions	\$98,438.7	3.77%
TOTAL ABCs Estimated 2020 Budgets (as presented to BSC)	\$21,491.7	7.46%
Total Estimated 2020 Expenditure Budget (with Level A, B, C & D Revisions to City Expenditures)	\$119,930.4	4.41%

Conclusion

The BSC directed City staff to show them what a three per cent expenditure increase for 2020 provided in Appendix 1. SLT further reviewed the City's 2020 Departmental Expenditure Operating Budget and identified \$0.98 million of potential revisions which would have varying levels of impacts from none to significant or not recommended. Details of these revisions are provided in Appendix 2.

If all these revisions are accepted and approved by BSC and the ABCs 2020 budgets are incorporated with the City departmental expenditures the total operating expenditure budget for 2020 is \$119.93 million.

Prepared and Submitted by:

Kristine Douglas

Director of Financial Management Services / City Treasurer

Approved by:

Dave Oakes

Deputy Chief Administrative Officer

ATTACHMENTS:

Appendix 1 – Analysis of Changes from 2019 to 2020

Appendix 2 –2020 Operating Budget Revisions for BSC Consideration

City of St. Catharines**2020 Operating Budget****Analysis of Budget Changes from 2019 to 2020**

Changes	Oper Bud	
	Amount	%
<u>Expenditures:</u>		
Base Budget Increase	2,034,367	2.14%
- includes negotiated settlements for all staff		
	<u>2,034,367</u>	<u>2.14%</u>
Debt Payments	702,100	0.74%
Capital out of Revenue increase	188,000	0.20%
Subtotal	<u>890,100</u>	<u>0.94%</u>
Subtotal:Base Budget plus Debt and Capital out of Revenue	<u>2,924,467</u>	<u>3.08%</u>
Stewardship of Assets		
Assessments for AMP (Bldg Cond'n, Structural - Inner Range LH and Sunset Beach Ramp)	125,000	0.13%
Facility Repairs and Mtce (Kiwanis, Merriton Arena, BBA, Happy Rolph's)	70,000	0.07%
FS - Feasibility Study for Station Upgrade & Renewal	50,000	0.05%
CRCS - CLASS Software Replacement	<u>93,000</u>	<u>0.10%</u>
Stewardship of Assets Subtotal	338,000	0.36%
Social Issues		
EFES - GCA - Plain Clothed Security Guard - daytime	40,000	0.04%
Social Issues (Opioid Crisis) Subtotal	40,000	0.04%
Climate Change		
CAO - Emergency Planning - Emergency Mgmt Coordinator - Contract	121,000	0.13%
MW - Drainage Contracts - TV Inspections, Spot Repairs	79,000	0.08%
MW - Winter Control - Equipment Rentals	46,900	0.05%
Equipment Provision Increase (MW and FS)	28,000	0.03%
EFES - Environmental Monitoring - Waste Mgmt Strategy Implementation	<u>25,000</u>	<u>0.03%</u>
Climate Change Subtotal	299,900	0.32%
Legislation changes		
FS - Next Gen 911 Costs	180,000	0.19%
PBS - Plg - GM Secondary Plan	105,000	0.11%
CSS - HR - Labour Relations	35,000	0.04%
LCS - Legal & courts cost - outside Counsel	30,000	0.03%
FS - Testing and Inspection - Respiratory Equipment	<u>20,000</u>	<u>0.02%</u>
Legislative Changes Subtotal	370,000	0.39%
Subtotal Changes	<u>1,047,900</u>	<u>1.10%</u>
Other Increases:		
Staffing Changes:		
PBS - Senior Project Manager (8 months)	111,100	0.12%
Flexible Staffing Model - movement of Contract to Permanent	77,500	0.08%
Ec Dev - Government Relations Contract (50% funded by Tax Stabilization Reserve)	60,850	0.06%
CSS - HR - Diversity, Inclusion and Gender Equity Position (50% funded by TSR)	51,650	0.05%
Subtotal Staffing Changes	<u>301,100</u>	<u>0.32%</u>
Expenditure Increase	<u>4,273,467</u>	<u>4.50%</u>

City of St. Catharines
2020 Operating Budget Revisions for BSC consideration

2019 Budget

\$94,861,096

A - Minimal Impact
B - Some Impact
C - Significant Impact
D - Major Impacts on service levels
Ranking Comments

Dept. Account # Acct Description Reduction Amount Revised Expenditures % Increase from 2019

Total Expenditures \$99,134,563 4.50%

CRCS		SKATE ATTENDANT	\$16,297	\$99,150,860	4.52%		Approved by BSC at its October 28th meeting
EFES	750.600.869	GCA Practice Rental Revenue	244,010	\$99,394,870	4.78%	A	Revenues were overstated for 2020 and needed to be adjusted
EFES	750.605.869	BBA Practice Rental Revenue	(35,990)	\$99,358,880	4.74%	A	Revenues were understated for 2020 and needed to be adjusted
EFES	712.110.000	Street light maintenance	62,500	\$99,421,380	4.81%	A	Council approved agreement with Alectra for \$250K
		REQUIRED REVISIONS	270,520				
CSS-IT	702.225.053	Services Contracts	(60,000)	\$99,361,380	4.74%	A	Microsoft Licensing contract changed to Cloud based; therefore annual licensing costs could be reduced.
FMS	630.110.000	Tax Certificate Revenues	(10,000)	\$99,351,380	4.73%	A	Based on review of actuals
FMS	702.300.811	Reg'n Costs - Tax Arrears	(10,000)	\$99,341,380	4.72%	A	Based on review of actuals
FMS	783.120.000	Miscellaneous - general	(12,500)	\$99,328,880	4.71%	A	This is the unforeseen expenditure account for the entire City's budget. This will reduce this to the 2019 Budget amount.
FMS	702.300.310	Office Supplies	(2,000)	\$99,326,880	4.71%	A	Will monitor usage in 2020 to achieve this reduction
LCS	702.200.053	Service Contracts	(20,000)	\$99,306,880	4.69%	A	Offsite Storage
MW	750.205.001	Trees staff salary	(25,000)	\$99,281,880	4.66%	A	Forestry staff works together to find cost efficiency
MW	750.205.950	Cost recovery of watercourse tree removal	25,000	\$99,306,880	4.69%	A	Forestry staff works together to find cost efficiency
MW	725.110.200	Chargeback of Watercourse Tree Removal Contract	(25,000)	\$99,281,880	4.66%	A	Forestry staff works together to find cost efficiency
MW	750.210.003 & 750.230.003	Reduce # of students by 10* - Cost reductions to be confirmed	(93,000)	\$99,188,880	4.56%	A	Pots and Hanging Plants downtown core only; no cutting of circles or boulevards
MW	750.210.003 & 750.230.003	Seasonal Supervisors	(103,600)	\$99,085,280	4.45%	A	Reduce seasonal supervisors and backfilling. Direct benefit of MW consolidation
MW	750.230.104	No dog bags in parks	(10,000)	\$99,075,280	4.44%	A	Dog owners should be responsible for providing their own bags
MW	750.230.834	Special Recoverables	(20,000)	\$99,055,280	4.42%	A	To increase revenue budget based on 2018-2019 actuals
PBS	711.110.446	Rat Control Rebate Program	(20,000)	\$99,035,280	4.40%	A	Brought on as a pilot. Significant less uptake in 2019 as 2018. Recommend to remove based on low usage
	.030	Pensions	(85,000)	\$98,950,280	4.31%	A	Based on review of actuals
	.031	Other Benefits	(35,000)	\$98,915,280	4.27%	A	Based on review of actuals
		TOTAL LEVEL A REVISIONS	(506,100)				
CRCS	750.560.	Carousel Hours of Operations	(15,000)	\$98,900,280	4.26%	B	NEW HOURS - Open weekends and holidays from May 18 - June 9, daily from June 15 - Sept 2. No Fall hours. Recommend reducing the current budget by \$15,000, making the 2020 Carousel budget = \$107,722
CRCS	750.807	Green Committee	(18,000)	\$98,882,280	4.24%	B	In 2019, \$5,000 of the Green Committee was used for the Flower Pot program. In 2019, \$4,000 of the Green Committee budget has been spent on existing community gardens (plant materials, repairs, etc.) No applications to install a new garden were received in 2019. However, we are expecting two community garden applications in 2020 (Dunlop Drive and Catharine Street Park). The cost to install a new community garden in approx. \$5,000. As a result, recommend reducing the Green Committee account by \$18,000, thereby leaving \$20,000 to cover expenses related to new community gardens, upkeep of existing gardens, and the flower pot program.
CRCS	750.515	Lincoln Pool	(52,100)	\$98,830,180	4.18%	B	Council report and 2015 Outdoor Aquatics Facilities Strategy recommending the closure of the pool once the West Park Splash Pad was built can be found here (PRCS-061-2016): https://stcatharines.civicweb.net/document/34581/PRCS-061-2016
EFES	750.600.180	GCA - Dumont Security Back Stairwell	(2,000)	\$98,828,180	4.18%	B	Result of Social Issues
EFES	702.425.180	CH - BW Room Flooring	(25,000)	\$98,803,180	4.16%	B	Asset Renewal
EFES	702.456.162	Courthouse - Repairs	(3,000)	\$98,800,180	4.15%	B	No current tenants! therefore need for unexpected repairs is reduced.
MW	Various MW accounts (750.225, 750.210, 750.230, etc. depending on the event)	Showmobile / rentals / picnic tables / Float	(12,000)	\$98,788,180	4.14%	B	Service that we should get out of - tables, chairs Reduce OT
CRCS	750.700.xxx	Close Golf Course	(200,000)	\$98,588,180	3.93%	B	As the City is in the process of issuing an RFP for the Municipal Golf Course, it is recommended that this facility not open in 2020, as its future state is considered.
		TOTAL LEVEL B REVISIONS	(327,100)				
EFES	750.620.102	SH - Hockey nets	(7,500)	\$98,580,680	3.92%	C	Customer Service - half in 2020 and other half in 2021
EFES	702.415.417	Energy Audits	(15,000)	\$98,565,680	3.91%	C	Compliance with CDM

EFES	750.600.162	GCA - Repairs	(16,600)	\$98,549,080	3.89%	C	Bare minimum repairs to facility
EFES	750.605.162	BBA Repairs	(4,000)	\$98,545,080	3.88%	C	reduce budget for Electrical, plumbing & carpenter work
MW	724.100.200	Streetsweeping	(82,300)	\$98,462,780	3.80%	C	No summer sweeping or fall leaf pickup - Region provides fall leaf pick up Service Level reduction
		TOTAL LEVEL C REVISIONS	(125,400)				
EFES	750.650.10	BBA - Install CO Sensors	(7,500)	\$98,455,280	3.79%	D	Public Health Issue
EFES	702.425.206	CH - Waste Disposal	(4,000)	\$98,451,280	3.78%	D	Council Directive for Waste Diversion
EFES	702.461.206	350 Niagara - Waste Contract	(4,000)	\$98,447,280	3.78%	D	Council Directive for Waste Diversion
EFES	750.600.054	GCA - Overhaul of Refridgeration Compressors	(8,600)	\$98,438,680	3.77%	D	Asset maintenace of refridgearation plant
		TOTAL LEVEL D REVISIONS	(24,100)				
		TOTAL REVISIONS	(\$982,700)				