







TO: GENERAL COMMITTEE

SUBJECT: 2014 BUSINESS PLAN

PREPARED BY AND KEY CONTACT: M. JERMEY, DEPUTY TREASURER 
D. MCKINNON, DIRECTOR OF FINANCE

SUBMITTED BY: C. LADD, CHIEF ADMINISTRATIVE OFFICER
E. ARCHER, GENERAL MANAGER OF COMMUNITY & CORPORATE SERVICES 
R. FORWARD, GENERAL MANAGER OF INFRASTRUCTURE & GROWTH MANAGEMENT 
R. BUNN, EXECUTIVE DIRECTOR – INNOVATE BARRIE 
R. JAMES-REID, EXECUTIVE DIRECTOR – ACCESS BARRIE 

CHIEF ADMINISTRATIVE OFFICER APPROVAL: C. LADD, CHIEF ADMINISTRATIVE OFFICER 

RECOMMENDED MOTION

1. That the 2014 tax-supported base operating budget for municipal operations, with total gross expenditures of \$179.2 million and a net property tax levy requirement of \$113.0 million be approved with the following amendments to reflect changes since the Business Plan's publication on December 19, 2013:
 - a) That the net levy requirement be decreased by \$236,000 to reflect an increase in the Investment Income of the same amount derived from the PowerStream promissory note receivable;
 - b) That expenditures associated with waste collection be increased by \$20,000 to fund the additional equipment costs related to the temporary provision of single family residential weekly garbage collection on a 5 day collection cycle from April 7, 2014 to January 11, 2015;
 - c) That the net budget allocation associated with Corporate postage be increased by \$40,000 to fund the increase to postage rates announced by Canada Post;
 - d) That the 2014 operating budget be increased by \$30,000 to fund a feasibility study for a self-sustainable year-round market in the Downtown in accordance with motion 13-G-323;
 - e) That the 2014 International Relations Committee gross operating budget be increased by \$17,000 to a total of \$37,500 in accordance with motion 13-G-314;
 - f) That expenditures associated with employee insurance & benefits be increased by \$319,000;

- g) That the transfer to the parking rate reserve from tax supported operating budget (subsidy of parking operations) be reduced by \$200,000 to a total of \$614,000;
 - h) That the alterations to the 2014 fees and charges identified in paragraph 13 be incorporated into the net levy requirement.
2. That the 2014 tax supported base operating budget for Barrie's Service Partners presented on pg. 73 of the 2014 Business Plan with total gross expenditures of \$81.6 million and a net property tax levy requirement of \$78.6 million, be approved with the following amendments to reflect changes since the Business Plan's publication on December 19, 2013:
 - a) That the 2014 budget request submitted by the Police Services Board be increased by \$390,000 for employee insurance & benefits costs to be funded from the tax levy;
 - b) That the preliminary 2014 Library Services Board gross operating grant be increased by:
 - i) \$192,557 to match the Library Board's Operating Grant Request of \$6,600,581 and that the gross operating grant be funded as follows: \$6,191,421 from tax levy, \$237,160 from Library Ramp-up Reserve, and \$172,000 from Development Charges; and,
 - ii) \$4,000 for employee insurance & benefits costs to be funded from the tax levy.
 - c) That the 2014 Nottawasaga Conservation Authority gross operating grant request be reduced by \$7,864 to a total of \$318,137 to match grant request received from the Conservation Authority on December 10, 2013 and that gross operating grant be funded as follows: \$272,536 from tax levy and \$45,600 from water rate.
3. That tax-supported Service Level Changes, with a gross 2014 cost of \$358K and a net savings of \$359K as detailed on pages 338-375 of the 2014 Business Plan, be approved;
4. That an economic adjustment for non-union staff salaries, equivalent to a 1.5% adjustment to salary levels and consistent with the CUPE negotiated increase, be approved.
5. That the Wastewater base operating budget, with gross expenditures of \$33.7 million and revenues of \$33.7 million, be approved with the following amendments to reflect changes since the Business Plan's publication on December 19, 2013;
 - a) That the 2014 operating budget be increased by \$23,000 to fund the increase to postage rates announced by Canada Post; and
 - b) That the 2014 budget for employee insurance & benefits be increased by \$17,000.
6. That the Water base operating budget, with gross expenditures of \$29.1 million and revenues of \$29.1 million, be approved with the following amendments to reflect changes since the Business Plan's publication on December 19, 2013;
 - a) That the 2014 operating budget be increased by \$23,000 to fund the increase to postage rates announced by Canada Post; and
 - b) That the 2014 budget for employee insurance & benefits be increased by \$27,000.

7. That the Parking Operations base budget, with gross expenditures of \$2.1 million and gross revenues of \$2.1 million, be approved with the following amendments to reflect changes since the Business Plan's publication on December 19, 2013;
 - a) That permit and meter revenue be increased by a combined total of \$200,000.
8. That User-rate supported Service Level Changes, with a gross 2014 cost of \$238.2K and a net 2014 cost of \$57.2K, be approved as follows:
 - a) Net savings of \$88.5K for wastewater operations, as described on page 93 of the 2014 Business Plan; and
 - b) Net cost of \$145.7K for water operations, as described on pages 98 of the 2014 Business Plan.
9. That the 2014 capital budget of \$151.9 million, comprised of \$25.6 million in new funding and \$126.3 million in funding approved in prior periods, be approved with the following amendments to reflect changes since the Business Plan's publication on December 19, 2013;
 - a) That the following previously approved projects be deferred and undertaken in 2015:

Project	Financial Impact
56 Mulcaster – Structural Remediation (design & construction phases) (page 447 of the 2014 Business Plan/page 176 of the 2014 Capital Plan)	Gross = \$105,000 Tax Capital Res. = \$105,000
Allandale Recreation Centre – Blue Arena – Low E Ceiling (page 447 of the 2014 Business Plan/page 178 of the 2014 Capital Plan)	Gross = \$49,000 (new estimate) Tax Capital Res (2014) = (\$225,000) Tax Capital Res (2015) = \$49,000
Allandale Recreation Centre – Blue Arena – Flooring Upgrades (page 447 of the 2014 Business Plan/page 180 of the 2014 Capital Plan)	Gross = \$125,000 Tax Capital Res (2014) = (\$125,000) Tax Capital Res (2015) = \$25,000

- b) That the budget for the following project(s) be increased by the amounts indicated:

Project	Financial Impact
Dunlop Street – Anne to Eccles (design phase)	Gross = \$30,000 Wastewater Res. = \$30,000
Dunlop Street – Anne to Eccles (construction phase)	Gross = \$335,000 Wastewater Res. = \$335,000

- c) That the following project(s) identified in the 2014 Capital Plan be deleted:

Project	Financial Impact
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Advanced Nutrient Removal at the Wastewater Treatment Facility – Interim Solution (page 447 of the 2014 Business Plan/page 11 of the 2014 Capital Plan)	Gross = \$160,000 Wastewater Res. = (\$160,000)
Ardagh Ferndale Water Quality Sampling Station construction year 2 (page 441 of the 2014 Business Plan/page 16 of the 2014 Capital Plan)	Gross = \$20,000 Wastewater Res. = \$20,000

10. That no expenditure of funds occur for the following capital project and/or operating plan related initiatives, if they are approved as part of the capital budget, until a separate staff report has been presented and approved for implementation:
 - a) Artificial Turf Sports Facility (design phase) (page 441 of the 2014 Business Plan/page 169 of the 2014 Capital Plan).
11. That, consistent with the Capital Project Control Policy, the 2015 and 2016 capital budget relating to new 2014 capital projects of \$28.2 million in 2015 and \$5.5 million in 2016 be approved;
12. That the 2015 and 2016 preliminary operating budgets be approved as forecasts;
13. That effective March 1, 2014, By-law 2013-031, as amended, be repealed and replaced with a by-law incorporating the fees and charges presented in the 2014 Business Plan, published December 19, 2013, pages 376-439 with the following amendments:
 - a) That the current hourly rates for parking be increased by \$0.25 per hour effective April 30, 2014; and
 - b) That the Parkade Monthly Pass rate be raised by \$5.00 from \$80 to \$85 effective April 30, 2014.
14. That pursuant to Ontario Regulation 284/09, this report serve as the method for communicating the exclusion of the following estimated expenses from the 2014 Business Plan:
 - a) Amortization expense - \$49.7 million
 - b) Post-employment benefit expenses - \$1.6 million; and
 - c) Solid waste landfill closure and post-closure expenses - \$1.0 million
15. That staff be authorized to submit applications for grants that would reduce expenditures associated with projects, programs and services approved as part of the operating and capital budgets;
16. That the Mayor and Clerk be authorized to execute any agreements that may be required to accept grant funding from other levels of governments or other partners to reduce expenditures associated with programs, services and/or capital projects.
17. That the Mayor and Treasurer be authorized to execute a Letter of Agreement with the Province of Ontario as represented by the Ministry of Transportation related to the Dedicated Gas Tax Funds for Public Transportation Program to allow for the alignment of the program year with the Provincial fiscal year.

18. That in response to a request from the Province of Ontario as represented by the Ministry of Transportation related to the Dedicated Gas Tax Funds for Public Transportation Program, the City of Barrie reconfirm its commitment to continue to act as the host for the provision of public transit service to the Township of Essa.
19. That staff be authorized to submit applications for grants that would reduce future capital expenditures, fund service enhancements or enable capital projects to be advanced and a report be presented prior to the execution of any agreement associated with the acceptance of such grant.
20. That the City Clerk be authorized to prepare all necessary By-laws to implement the above recommendations.

PURPOSE & BACKGROUND

21. The purpose of this report is to recommend the corporation's 2014 Business Plan. The proposed Business Plan follows the directions provided by Council in Motion 13-G-167 (described in the Business Plan on pg. 25-28). Generally, the plan reflects current services and service levels and recommends service adjustments to present a plan that reflects Council's funding guidelines. It also incorporates new service levels directed by Council to commence in 2014.
22. The theme for the 2014 Business Plan is "Setting the Foundation" in recognition of the effect today's decisions have on future periods. The 2014 Business Plan, in particular, includes projects and anticipates policy work will be undertaken that will influence growth planning and related financial planning for several future periods.
23. Through a series of master plans, performance indicators, asset condition data, benchmarking data comparing Barrie's performance with other municipalities and a long range financial plan, the City has a variety of elements for evaluating performance and understanding how best to use limited financial resources. With Council's support, staff's efforts to produce this information makes the City of Barrie a recognized leader across the municipal sector in demonstrating accountability for results and transparency in decision-making.
24. Following the finalization of the 2014 Business Plan, a number of issues arose that had financial implications for 2014 such as the late notification of benefit increases, increases to postage rates, updated information from service partners. This report provides highlights of the 2014 Business Plan but also provides additional context for some of the amendments that are now required.

Enhancements to the 2014 Business Planning process

25. Several enhancements have been made to the 2014 Business Plan development process. The most significant enhancements are as follows:
 - a) **Structured Approach to Making Service Level Choices** – It was anticipated that the preliminary the tax rate estimate required to support existing levels of service would not be acceptable to Council. In order to assist Council in making choices that balance affordability and service level expectations, the following principles were developed and used throughout the business planning process:
 - i) Maintain the City's ability to meet financial commitments now and in the future
 - ii) Raise or introduce new user fees to reduce the need for property tax subsidies

- iii) Take a focused approach to service changes rather than "across the board" type adjustments to spending plans
 - iv) Maintain our disciplined approach to capital planning so that renewal needs don't get displaced by investments to fund growth.
- b) **Improved Council Consultation** – Barrie is committed to continuously improving the level of consultation with Council during the business plan development process. The key enhancement made for 2014 was to hold a full day workshop with General Committee early in October. This time was used to provide General Committee with an overview of the draft 2014 Business Plan, to discuss the fiscal challenges facing the City, to obtain feedback on potential service level changes (formerly Program Changes) and to approve user rate changes that were +/- 5%.

Breakout sessions were held with Council and senior management to discuss perspectives on what the top five issues were relating to balancing the management of community expectations, Council's strategic Priorities and the City's Financial Condition and what the top five issues were relating to balancing the service delivery pressures with the City's Financial Condition. The outcome of the discussion was a realization that the perspectives of staff and Council were similar and generally fell into the following categories: Managing public expectations and perceptions related to the City's financial condition; Affordability of municipal services; Lack of funding available for community building; Concerns regarding transportation, roads, and traffic control.

- c) **Increased Public Consultation** – Consistent with Council's Strategic Plan, Public Engagement plans were enhanced through the 2014 Business Plan development process. Generally, the objectives of these public engagement activities were to share information about the issues the corporation is managing and to hear feedback from interested residents. A Citizen Budget Engagement Tool was launched in 2013 to create an opportunity for residents to share their perspective on where service changes could be made. As the resident makes service level choices, the impact on their property tax bill is provided based on an assessed value entered by the resident. The tool is intended to solicit feedback as well as provide residents with some insight on the decisions that Council will face during budget deliberations. Other activities included earlier consultation with community leaders via the annual "Budget Breakfast" and enhanced communication through print, broadcast, online and social media channels.
- d) **Robust use of financial and non-financial performance data** – Barrie has completed its fourth year of participation in OMBI, a network of 16 municipalities that have collaborated to identify and publish standard performance indicators using common data collection and reporting protocols. Year over year comparisons of the City's performance measures are included in addition to comparing against the average of the OMBI members. This provides additional context for assessing Barrie's current service level and efficiency. Consistently comparing service level (i.e. cost per capita) and efficiency indicators (i.e. cost per unit of service) helps identify services that are strong candidates for process improvement projects. Making the connections clearer between cost and service level helps identify the potential size of the benefits that a process improvement project could produce, which would allow the corporation to focus on the projects with the highest potential impacts.

ANALYSIS

Summary

26. Including the cost of recommended service level changes, the projected cost of 2014 programs and services reflected in the 2014 Business Plan required a 2.55% blended property tax increase, a 7% increase in water rates and a 12% increase in wastewater rates. For a typical home assessed at \$277,000, the total cost of the Business Plan produced a \$161 increase (\$94 from property taxes, \$67 from water and wastewater rates), based on the province maintaining a revenue neutral education rate. The property tax increase for municipal services alone was 3.05%.
27. If the recommended paragraphs amending the 2014 Business Plan to reflect changes since the Plan's publication on December 19, 2013 are approved as presented, the projected tax-supported net cost of 2014 programs and services will increase \$635,181 consisting of:
- a) \$10,000 reduction in tax-supported net costs for municipal services,
 - b) \$645,181 increase in tax-supported net costs for services partners,

This will require a 2.83% blended property tax increase. The property tax increase for municipal services is 3.39%.

28. Similarly, the water and wastewater user rate supported net cost of 2014 programs and services will increase \$50,000 and \$40,000 respectively over the amounts presented in the 2014 Business Plan. The increase for water and wastewater rates will remain unchanged as the budget adjustments will be absorbed by the in-year transfer to the respective reserve fund. The amended transfer to reserve funds will be \$3.8 million for water and \$7.7 million for wastewater.
29. For a typical home assessed at \$277,000, the total cost of the amended Business Plan produces a \$171 increase (\$104 from property taxes, \$67 from water and wastewater rates), based on the province maintaining a revenue neutral education rate.
30. Barrie's taxes remain low relative to other municipalities in Ontario, as the following table shows:

Property Type	Barrie	Cities 100,000+ Avg	Survey Avg
Detached Bungalow	3,168	3,484	3,013
Senior Executive	5,249	6,156	5,745
Walk-up Apartment	1,138	1,565	1,368
Mid/High Rise	1,272	1,718	1,637
Office Bldg (sq.ft)	3.44	3.40	2.93
Std. Industrial (sq.ft)	1.12	2.06	1.63

Source: 2013 BMA Municipal Study

Notwithstanding the lower average property tax levels, Barrie's service levels are generally consistent with those found in other communities that have more than 100,000 residents.

Factors Influencing Plans & Anticipated Results

31. Staff considered a variety of factors when preparing the 2014 Business Plan:
- a) **Previous decisions** – as described in more detail throughout this report, a variety of previous decisions affect the level and extent of spending that will occur in 2014. Generally, costs associated with debt financing, the outcome of CUPE negotiations, and the full-year impact of enhancements to the Transit system drive the majority of cost increases in the 2014 Business Plan.

- b) **Corporate Financial Condition** – managing the City of Barrie's financial condition is important because it influences judgments about credit worthiness which, in turn, affects the city's credit rating and the cost of borrowing. Pages 41-43 of the Business Plan report financial condition indicators recommended by the Public Sector Accounting Board (PSAB). Generally, the corporation's sustainability is declining, but at a slower rate than in past years. Current forecasts anticipate the peak operating budget impact of debt servicing costs won't be felt until 2017 (see Business Plan, pg. 54). Staff responded by increasing funds for asset renewal and replacement in accordance with the budget directions and the Long Range Financial Plan, reducing planned expenditure levels to accommodate funding requirements for Recommended Service Level Changes and including only the highest priority capital projects in the capital budget.
- c) **Asset condition** – The 2014 capital budget was developed with a focus on addressing the City's most critical renewal needs as identified by the Business Risk Exposure Model as well as the most critical areas that require additional capacity to address service level deficiencies. In order to ensure that the 2014 Capital Budget is affordable and executable a substantial number of critical renewal projects were deferred. This will increase the risk of service interruptions as aging assets begin to fail.
- d) **The Long Range Financial Plan** – Council approved updates to the Financial Policies Framework in the third quarter of 2011 (Motion 11-G-261). The updates reflect a 12-year strategy to gradually build reserve balances and reduce the corporation's reliance on debt financing. This was supported by new financial policies and reporting processes designed to emphasize consideration of both current and long-term impacts of decisions on the corporation's financial condition.
- e) **Community expectations** - A Citizen Satisfaction Survey was conducted in November 2013 to measure resident satisfaction with municipal services and government. This survey builds on two previous surveys conducted in the fall of 2008 and 2011. Overall results were very positive with two out of three residents (67%) rating the Quality of Life in Barrie as Excellent or Very Good (up 5 percentage points (pp), from 2008) and two-thirds of residents are now highly or moderately satisfied with local government (up 16 percentage points since 2008). To keep overall satisfaction with Local Government high, residents suggest that the most important issue facing City Council are: Job creation, Increasing efforts to divert waste from the landfill; and affordable housing.

Seven out of ten residents remain satisfied overall with the services and programs offered by the City of Barrie; this has been trending down since 2008 and 2011 to reach 71%. The following areas were identified as top priorities to increase overall satisfaction with City services: Barrie public transit; City Planning; General road condition, including surface conditions such as potholes; Building permits, inspection services for new buildings, and renovations; Seniors/disabled persons service. The majority of home owners (71%) say they would like to minimize tax increases and keep current service levels in place.

Tax Supported Operating Budget

Overview

- 32. The net tax levy requirement, with amendments, for 2014 is \$190.7 million reflecting a \$7.7 million net increase over 2013 (2013 = \$183 million). The levy requirement incorporates the budgetary requirements of the City, the City's Service Partners and the recommended Service Level Changes. The levy requirement includes assessment growth of \$1.4 million (representing 0.7% of the net levy).

33. As shown in the following table, based on the provinces past practice of maintaining education rates, the impact on taxpayers is a 2.83% increase on the total tax bill. For a typical household assessed at \$277,000, the increase is \$104:

	2012	2013 Approved	Amended 2014 Plan	13-14 Change
Municipal tax:				
City Operations	\$ 1,721	\$ 1,789	\$ 1,851	\$ 62
Service Partners	1,307	1,280	1,322	42
Sub-total	\$ 3,028	\$ 3,069	\$ 3,173	\$ 104
Education	603	603	603	-
Total	\$ 3,631	\$ 3,672	\$ 3,776	\$ 104

34. The Corporation's Financial Policies Framework establishes an affordability threshold for property tax-supported services. Specifically, it states that annual property taxes for a typical household will not exceed 4.0% of household income. If approved as presented, the 2014 Business Plan requires approximately 3.6% of household income to pay for property tax-supported services.

Key budget drivers

35. As described on pg. 71 of the 2014 Business Plan and adjusted for recommended service level changes, the key budget drivers influencing tax based budget changes from 2013 to 2014 are shown in the table below (note, these amounts include approximately \$893K in annualized costs pertaining to 2013 program changes):

Description	Amount	Recommended Amendments	Adjusted Amount
Salaries & benefits	\$2,762,000	\$319,000	\$3,081,000
General operations	1,208,000	107,000	1,315,000
Utilities	(137,000)		(137,000)
Transfers to Service Partners	2,265,000	645,181	2,910,181
Debt servicing costs	630,000		630,000
Planned increase to asset renewal/growth	2,567,461		2,567,461
Parking Operations subsidy	814,000	(200,000)	614,000
User fees and service charges	(1,635,000)		(1,635,000)
Sale of 20% share in Lake Simcoe Regional Airport	(1,300,000)		(1,300,000)
Other	(202,000)	(236,000)	(438,000)

TOTAL	\$6,972,000	\$635,181	\$7,607,181
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Revenues

36. An analysis of planned revenues is provided on pg. 78-86 of the 2014 Business Plan. Overall, planned revenues for 2014 are increasing over the 2013 approved budget by \$11 million or 4.6%.
37. Budgeted property taxes represent approximately \$190.7 million or 75% of planned 2014 revenues which is a decrease over 2013 levels (76%).
38. Fees and service charges totaling \$19.5 million or 7.6% of planned 2014 revenues represent the second largest source of revenues for the City and have projected to increase \$1.6 million or 9% from the 2013 approved budget. Proposed fee changes are found on pg. 376-439 of the business plan.
39. Finally, the 2014 budget includes one-time revenue in the amount of \$1.3M pertaining to the sale of a 20% share in the Lake Simcoe Regional Airport to the County of Simcoe. This amount is committed to partially fund the City's share of the County of Simcoe capital program relating to land ambulance and social housing services.

Recommended Service Level Changes

40. Where new or different resources are requested, Service Level Change Forms (formerly Program Change Forms) were prepared that identifies the service impacts that would be realized. As described on pg. 338-375, the 2014 Business Plan recommends tax rate supported service level changes, with anticipated net savings of \$358,844. Each Service Level Change Form includes a business case to support Council's deliberations. The table below summarizes the net financial impact and complement impact of each of the tax supported service level changes
41. EMT recommends these Service Level Changes because of the service impacts they will create, the financial savings they will produce (where service reductions or new revenues are recommended) and to address the Corporation's most immediate and important unmet needs. Where service level changes support more than one operating fund (i.e. tax, water, wastewater or parking), the portion of the program change's costs supporting that fund will be included in the operating budget for that fund. The following service level changes were supported by General Committee during its deliberations on Oct 5, 2013 and subsequently approved for inclusion in the 2014 Business Plan by Council.

Name	Complement Impact	Net Impact
Communications CTV2 Ads	0	\$(46,000)
IT – Great Plains Support Contract Reduction	0	\$(50,000)
IT – Technology Support Contract Reduction	0	\$(65,000)
Finance – Property Tax New Mortgage Fee	0	\$(79,000)
Building & Bylaw – Pool Enclosure and Small Building Inspection	0	\$0
Building & Bylaw – Taxi Industry Overnight Enforcement	0	\$(12,500)
Environmental – Landfill Satellite Recycling Depot	0	\$38,193
Facilities & Transit – City Hall Uniformed Guard Security Service	0	\$(39,000)

Roads, Parks, Fleet – Fleet Services Technician	2	\$(78,082)
Facilities & Transit – O3 Sanitization System	0	\$(14,455)
Roads, Parks, Fleet – Traffic Line Painting Program	0	\$150,000
Invest Admin – Corporate Sponsorship Broker	0	\$(100,000)
Planning – Pre-consultation for applications	0	\$(30,000)
Recreation – Statutory Holiday Closures	0	\$(33,000)
TOTAL	2	\$(358,844)

Reserves and Reserve Funds

42. Reserves and Reserve Funds are a critical component of a municipality's financial condition. They help a municipality accomplish two goals – achieve tax stability and contribute to the orderly provision of services. Typically, reserves are a way of financing large capital expenditures and provide a source for funding unplanned events or emergencies. Reserves also allow Council to take advantage of opportunities that were not anticipated when the budget was prepared. They may also help manage financial obligations that are incurred in the current period but don't become payable until some future period.
43. Compared to other municipalities, Barrie's reserves and reserve funds are low. The latest BMA Municipal Study (released December 20, 2013) reports that Barrie's reserves and reserve funds were equal to 28% of own-source revenues in 2011 compared to a provincial average 45%. Considering Barrie's growth plans and known asset renewal/rehabilitation requirements, lower than average reserve and reserve fund balances increase the risk that the corporation's "infrastructure deficit" will continue to grow and/or that capital projects to support effective growth management will take more time to complete.
44. As described on pg. 46 of the Business Plan, the City's reserves and reserve funds are projected to decrease by \$44.5 million or 39.5% in 2014 as the contributions to reserves from tax, user rates and development charges are not keeping pace with current or planned levels of spending on capital works. Adjusted for known changes to the Federal Gas Tax forecast the total projected decrease will be \$43.3 million or 38.3%.

Debt

45. An analysis of the City's debt position and forecasts is available on pg. 50-55 of the 2014 Business Plan. The City will be issuing \$28.4M in new debt in 2014. Total budgeted debt charges in 2014 amount to \$26.6 million consisting of \$13.7M in debt principal in 2014 and \$12.9 in interest payments.
46. Of the \$26.6 million in total debt charges projected for 2014, \$8.8 million or 33% represents tax rate supported debt and \$17.8 million or 67% represents user rate supported debt.
47. The \$26.6 million in total debt charges represents a \$4.1 million increase over 2013. The increase is the result of \$2.5M in annualized costs for debt issued in 2013 and \$1.6M for debt planned to be issued in June 2014. In addition to several smaller projects, the 2014 debt issuance includes the following major projects: Allandale Train Station (\$5,075,000 – Tax Rate), WPCC Phase II (\$10,900,000 – Wastewater Rate), Pine Drive Phase I – III (\$7,579,941 – Tax Rate)

48. For 2014, the total outstanding debt per household is estimated to be \$5,677. This is calculated by dividing total debt outstanding by the number of households. Total debt outstanding includes debt funded by tax, water, wastewater, and parking rates.

Service Partner Budgets

49. Collectively, net 2014 budget requests from the City's Service Partners account for approximately 35% of the average residential tax bill. Funding requests from service partners are increasing \$2.3 million or 3% from 2013 approved budget for a net budget requirement of \$78.6 million.
50. The main contributors to the net increase are the budget requests from the Barrie Police Service (\$1.2M) and an overall increase in the City's portion of the County of Simcoe's budget (\$1.0M). Service Partner budget submissions can be found on pg. 300-329 in the business plan.
51. The County of Simcoe's increased budget request relates largely to Social Housing (\$1.8M) but is offset by savings due to the continued uploading of Ontario Works costs (\$837K). Included in the County of Simcoe's 2014 funding request is approximately \$2.9 million for capital projects consisting of \$1.8 million for Social Housing Development, and \$1.1 million for Land Ambulance.
52. To maintain current service levels, the Library Services Board has recommended an increase to their gross operating grant of \$192,557 (\$375K tax-supported increase) which exceeds the 2% tax-supported increase in Council's 2014 budget directions. This is due to the use of reserve funds to support Painswick branch operating costs for the past two years. The intent of these reserves was to support ongoing capital needs and system growth, not operating costs and the reserves are nearing depletion.

As a result of the aforementioned budget challenge, the Library Board has recommended a change to the funding model that will shift the funding burden from reserves to the tax base. In 2014, this will result in an increase to the tax-supported component of the grant by \$375,366 to a total of \$6,191,421. To fully eliminate the reliance on the ramp-up reserve and the Libraries self-managed fundraising reserve in 2015, funding from other sources in the amount of \$451,671 will be required in 2015 (including a \$399,668 increase to the tax-supported component).

53. The preliminary grant request for the NVCA was established using an assumed 2% increase over the 2013 approved grant. Staff received correspondence from NVCA on December 10, 2013 that included the conservation authorities actual 2014 grant request which is \$7,864 less than estimated.
54. The Lake Simcoe Regional Conservation Authority presented Council with an additional 2014 grant request totaling \$286,000 on January 14, 2014. This request is intended to fund additional staffing, capital infrastructure improvements, data security initiatives, and the Creeks Project. This additional grant request is not reflected in the 2014 Base Budget and is not addressed by the proposed 2014 budget amendments contained in the recommended motions to this staff report.

Proposed Amendments

55. **Employee Benefits** – In 2013 the City's benefit contract period was changed so that renewals would be in December rather than July to coincide with our budgeting process. In order to effect this change, new rates were applied for July to December 2013 and these rates were used for the 2014 Business Plan. Staff were advised in July that it was unlikely there would be any further increases for 2014.

On December 9, the City was notified by its benefit provider (Sunlife) that there would be a \$498K increase in Long Term Disability (LTD) and a \$527K increase for Extended Health Care (EHC)

costs. Given the previous advice that there would be no further increases for 2014, this increase was not anticipated and therefore was not included in the 2014 Business Plan.

The LTD increase represents a premium increase. EHC benefits are self funded with Sunlife performing an administrator function on the City's behalf. The increase for EHC relate primarily to a projected increase in usage and is an estimate. Actual costs may be different depending on utilization levels.

Approval of the recommended motion would fund 100% of the LTD increase and 50% of the EHC increase. These would be allocated proportionately between the City, Police, and Library.

56. **Investment Income** – The 2014 Base Budget currently reflects an interest rate of 4.4% (reduced from 5.58% in 2013) on the City's note receivable from PowerStream. This is consistent with information from PowerStream regarding the interest rate for 2014. Through further discussion, staff received confirmation the interest rate would remain at 5.58% for 2014. Approval of the recommended motion would result in an increase of \$236K to investment income to reflect the change in interest rate.
57. **BFI contract** – On September 30, 2013 Council approved Motion 13-G-233 Award of FIN 2013-055P Collection of Garbage, Recyclable Material, Source Separated Organics & Yard Waste and Processing of Source Separated Organics and Processing and Marketing of Recyclable Material to BFI Canada Inc.

Representatives from BFI Canada Inc. and the City of Barrie met on three occasions to negotiate the terms and conditions of the associated curbside waste collection. On December 6, 2013 the parties reached a tentative agreement on contract terms and conditions. In addition, it was determined that the continuation of single family residential weekly garbage collection on a 5 day collection cycle from April 7, 2014 to January 11, 2015 would require an additional \$20,000 to offset additional equipment costs related to the temporary provision of this service

58. **Postage** – Canada Post announced significant increases to postage rates in December 2013. The base budget did not anticipate this high an increase. Using historical data, staff estimate the rate change will result in an additional \$40,000 in net Corporate postage over the current 2014 tax rate supported base budget and \$46,000 over the water and wastewater rate supported budgets.
59. **Downtown Market Feasibility Study** – Council approved motion 13-G-323 on December 16, 2013 recommending that additional funding of \$30K be recommended in the 2014 Business Plan staff report.
60. **International Relations Committee** – Council approved motion 13-G-314 on December 16, 2013 recommending that additional funding of \$17K be recommended in the 2014 Business Plan staff report.

Wastewater Rate Supported Operating Budget

Overview

61. The Water and Wastewater budgets were developed in accordance with the long range financial plan update provided to Council in May, 2012 and in accordance with Council's budget directions which specified increases to revenue from rate increases of 7% and 12% respectively. For a typical home that consumes 180 cubic metres annually, the annualized cost of water and wastewater services in 2014 are estimated to be \$317 and \$400 respectively for a combined cost of \$717 (\$650 in 2013). This represents a 10% combined increase over 2013 levels of which \$24 (8%) relates to water and \$43 (12%) relates to wastewater. It is important to note that while the

recommended budget follows Council's direction, the rate increases are lower than originally forecast in the long range financial plan submitted to the province in 2010.

62. The planned contribution to water and wastewater reserves reflected in the 2014 base budget are \$3.9 million and \$7.8 million respectively. The amended transfer to reserve funds will be \$3.8 million for water and \$7.7 million for wastewater.
63. The corporation's Financial Policies Framework establishes an affordability threshold for water and wastewater services. Specifically, it states that annual water/wastewater costs for a typical household will not exceed 2.5% of household income. Barrie's average water and wastewater costs as a percentage of household income, based on the recommended increase is 0.8% (0.8% in 2013). This is well below the City's affordability target of 2.5% and it is also below the provincial average of 1.0%. The water and wastewater user fees are included in the Fees By-law.

Key Budget Drivers

64. As described on pg. 90 and 95 of the 2014 Business Plan, the key budget drivers influencing water and wastewater budget changes from 2013 to 2014 include:

Description	Amount	Recommended Amendments	Adjusted Amount
Salaries & benefits (Water \$258K; Wastewater \$135K)	\$393,000	\$44,000	\$437,000
General operations (Water \$264K; Wastewater \$33K)	297,000	46,000	343,000
Minor capital (Water (\$170K))	(170,000)		(170,000)
Utilities (Water (\$261K); Wastewater \$110K)	(151,000)		(151,000)
Facility charges (Wastewater \$184K)	184,000		184,000
Debt servicing costs (Water (\$8K); Wastewater \$485K)	477,000		477,000
TOTAL	\$1,030,000	\$90,000	\$1,120,000

Recommended Service Level Changes

65. Recommended Service Level Changes for water and wastewater have a net financial impact on the rate-supported areas of approximately (\$88,500) and \$145,703 respectively and would increase the staff complement by four (4). The tables below summarize the net financial impact and complement impact of each of the water and wastewater service level changes

WATER

Name	Complement Impact	Net Impact
Final Meter Reading Fee	0	\$ (30,000)
Adjustment to Water Penalty	0	\$ (58,500)
TOTAL	0	\$ (88,500)

WASTEWATER

Name	Complement Impact	Net Impact
Final Meter Reading Fee	0	\$ (30,000)
Adjustment to Water Penalty	0	\$ (58,500)
Water Utilities Program Clerk	1	\$ 51,687
Water Works Infrastructure Maintenance	3	\$ 182,516
TOTAL	4	\$ 145,703

Proposed Amendments

66. **Employee Benefits** - As described in the tax-supported proposed amendments section, the impact of the amendment to employee benefits is a combined increase of \$44,000 for water and wastewater user rates.
67. **Postage** - As described in the tax-supported proposed amendments section, the impact of the amendment to postage is a combined increase of \$46,000 for water and wastewater user rates.

Parking Rate Supported Operating Budget

Overview

68. The cost of Parking Operations has changed very little from 2013 levels. Gross expenditures in 2014 are anticipated to be \$2.1 million. Notably, these expenditures include debenture costs of \$960,000 associated with the Collier Street parkade.
69. The parking service is intended to be self sustaining through user pay revenue and for the past several years has been operating in a deficit position. Historically, this deficit was funded by the Parking Reserve Fund. The Parking Rate Reserve is depleted. Therefore, the annual operating deficit of \$814,000 for 2014 would need to be addressed through reduced expenditures or increased revenues. Any remaining shortfall must be funded by the tax rate.
70. In order to mitigate the impact on the tax rate, Council approved Motion 13-G-326 to increase parking rates at the Dec. 16, 2013 meeting.
71. This decision has the effect of increasing hourly rates for parking by \$0.25 per hour and increasing the Parkade Monthly Pass rate by \$5 per month. The increases will come into effect April 30, 2014 and are estimated to increase net parking rate revenue by \$200K in 2014.
72. The amended 2014 Base Budget reflects a \$614K tax based subsidy for parking operations.

Recommended Service Level Changes

73. There are no recommended service level changes in 2014 that will impact the Parking Rate.

2014 Capital Plan

74. The 2014 capital plan is \$151.2 million. It includes \$126.2 million in previously approved funding and \$25 million in new funding requests. Consistent with the Capital Project Financial Control Policy, where the 2014 capital budget includes projects that will be completed over more than one reporting period, Council's approval of new projects in the 2014 capital budget includes approval

of the funds required in 2015 and 2016, as applicable, to conduct the work. Details of the 2014 Capital Plan are found on pg 102-139 of the 2014 Business Plan.

Capital Project Adjustments

75. The following adjustments to the capital budget are proposed. Details are as follows:
- a) **Artificial Turf** – The Barrie Sports Facility Working Group has been working with the Simcoe County District School Board to develop a business plan for an all weather track and artificial turf field facility. Motion 13-G-248 passed in October 2013 requires that a viable business plan be presented to General Committee in order to obtain approval beyond approval in principle, and therefore it is recommended that no expenditure of funds occur until such report and approval is complete.
 - b) **Allandale Blue Arena** – The recommended 2013 capital plan included several projects at the Allandale Recreation Centre, and through budget deliberations and amendments, 2 of these projects were deferred. Motion 13-G-019 paragraph 9b provided direction that the projects Allandale Recreation Centre – Blue Arena – Low E Ceiling and Allandale Recreation Centre – Blue Arena – Flooring Upgrade be deferred and undertaken in 2014. To minimize impact on service, and mitigate operational issues the Blue and Red Arenas at ARC are shut down on alternating years. The Blue Arena was shut down in 2013, and the next planned shutdown is in 2015, therefore, notwithstanding Council's direction in January 2013, it is recommended that the projects be deferred to coincide with the regularly scheduled shut down. In addition, the cost for the Low E Ceiling project has been reviewed, and the estimate has been lowered from \$225,000 to \$49,000.
 - c) **56 Mulcaster** – The recommended 2013 capital plan included 56 Mulcaster – Structural Remediation - Design and Construction Phases and Motion 13-G-019 paragraph 9a provided direction that these phases of this project be deferred and undertaken in 2014. The Facilities and Transit Department have reviewed the required temporary space accommodation and phasing for this work and recommend that the most opportune time to complete the work at 56 Mulcaster is with the building vacant. This is expected to occur in 2015 when the Mady Centre is open and staff can be relocated there. Therefore, notwithstanding Council's direction in January 2013, it is recommended that the design and construction phases of this project be deferred to 2015.
 - d) **Dunlop Street: Anne to Eccles** – The original scope of this project included full depth replacement of the asphalt surface and water main replacement. Further scoping work has been undertaken as the design has progressed; including CCTV condition assessment of the sanitary sewer. The CCTV information was received after the recommended capital plan was finalized, and has revealed that there are defects present within the sanitary sewer that weren't known at the time that the project was originally scoped. It is recommended that the funds required to replace a portion of the sewer, and line the remaining sewer within the project limits be added to the 2014 capital plan. Design funds for this work are also required.
 - e) **Advanced Nutrient Removal (interim solution)** – The design funds for the Advanced Nutrient Removal – Interim Solution were recommended for inclusion in the 2014 Capital Plan. During project scoping exercises in late 2013 it was determined that in order to have the interim solution in place to meet the timelines mandated by the Province for phosphorus reduction, the design funds would be required before the end of 2013. The design funds were therefore approved in the November 2013 Capital Status Report (FIN019-13), however the 2014 Capital Plan had already been finalized, and therefore the requests are duplicated. It is therefore recommended that the \$160,000 in

wastewater reserve funding for the design phase of the project be removed from the 2014 Capital Plan.

- f) **Ardagh Water Quality Sampling Station** – The funding for construction year 1 of the Ardagh Water Quality Sampling Station project was removed from the 2013 Capital Plan in the November 2013 Capital Status Report (FIN019-13), and returned to source. As the project won't be proceeding to construction, the construction year 2 funding is not required, and it is recommended that it be removed from the 2014 Capital Plan.

Provincial requirements for Provincial Gas Tax Funding

76. The City received a letter from the Ministry of Transportation on December 12, 2013 with respect to program changes for the upcoming program year. The letter also explained the Province requires an authorizing municipal by-law for the interim changes described in the letter and that the by-law confirm that the City of Barrie will continue to host public transit service for Essa.

Expenses not included in the 2014 Business Plan

77. Previous reports to Council described reporting requirements for tangible capital asset accounting that came into effect for municipalities in 2010. Generally, the effect of these requirements is to increase the level and type of information presented in the City's financial statements about the stock, condition and use of tangible capital assets to support municipal operations and to disclose information using the "full accrual" method of accounting. This method recognizes expenses when they are incurred and revenues when they are earned, regardless of when the cash outlay occurs.
78. A related provincial requirement that took effect in 2011 is for municipalities to disclose the amounts that are reported in their financial statements but not included in their budgets. For example, the City of Barrie is forecasting depreciation expense of approximately \$49.7 million for 2013. This represents the value of assets that were "used up" to provide programs and services, but the corresponding expenditure in the 2013 budget (transfer to capital reserves) was approximately \$16.6 million. Prior to the introduction of full accrual accounting, this difference would have been neither noted nor reported, but it is significant for understanding how municipalities developed what has become known as "infrastructure deficits".
79. Prior to passing the 2014 budget municipalities are required to disclose amounts that are expensed in their financial statements but not included in budgeted figures. For the City of Barrie this includes three expenses:
- a) Amortization expense - \$49.7 million
 - b) Post-employment benefit expenses - \$1.6 million; and
 - c) Solid waste landfill closure and post-closure expenses - \$1.0 million

The effect of including these expenses in the budget would be to increase the tax levy and user rate requirements. By not including these expenses, reserve contributions are lower than they need to be to maintain assets in a state of good repair to support existing services and service levels in the future. Similarly, as obligations for post-employment benefits or landfill closure costs become due, not including these expenses now increases the impact on future tax levies.

ENVIRONMENTAL MATTERS

80. There are no environmental matters related to the recommendations.

ALTERNATIVES

81. There are three alternatives available for consideration by General Committee:

Alternative #1

General Committee could alter the recommended levy requirement by removing one or more of the recommended service level changes identified in the 2014 Business Plan.

EMT believes these service level changes are required in 2014 to improve the corporation's ability to respond to service demands, address affordability concerns and act on previous directions from Council.

Alternative #2

General Committee could alter the proposed recommendation regarding water or wastewater rates.

If a lower rate increase is deemed appropriate this could be achieved by increasing the amount of the fixed charge applied to both services. Currently, proposed rates assume a 34% fixed charge, consistent with the approved long range financial plan. Increasing the fixed charge would reduce the amount of revenue required from volumetric charges. However, it may exacerbate affordability concerns for low-income water customers, since the total revenue requirements would remain unchanged. Increasing the fixed charge (and thereby reducing the volumetric charge) may increase usage, which would be contrary to the goal of protecting the environment.

Alternative #3

General Committee could alter the proposed recommendation regarding the 2014 Capital Budget by changing the capital works that are included.

The recommended capital projects have been carefully prioritized and reflect only the corporation's most critical needs and affordability thresholds. Considering the City's reliance on debt financing over the next 10 years, adding capital projects to the 2014 plan that require debt financing is not recommended. Removing recommended capital projects in favour of other capital projects that were not ranked as "critical" works increases the risk of asset failure and the potential for service interruptions.

FINANCIAL

82. The financial impacts of the 2014 Business Plan, as amended are as follows:

- Tax Rate Budget Impact: a 2.83% property tax increase, which translates into a \$104 increase on a home with an assessed value of \$277,000.
- Water Rate Budget Impact: a \$24 increase to a typical household based on an average consumption of 180 cubic meters per year and a \$3.8 million contribution to the water rate reserve fund.

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- Wastewater Rate Budget Impact: a \$43 increase to a typical household based on an average consumption of 180 cubic meters per year and a \$7.7 million contribution to the wastewater rate reserve fund.
 - Parking Rate Budget Impact: a \$614,000 tax based subsidy to parking operations.

LINKAGE TO 2010 – 2014 COUNCIL STRATEGIC PLAN

83. The recommendations in this report address all of the goals described in Council's Strategic Plan which are presented on pg. 19-21 of the 2014 Business Plan.