
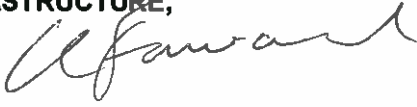


TO: GENERAL COMMITTEE

SUBJECT: 2013 BUSINESS PLAN

PREPARED BY AND KEY CONTACT: E. ARCHER, GENERAL MANAGER OF CORPORATE SERVICES 
R. FORWARD, GENERAL MANAGER OF INFRASTRUCTURE, DEVELOPMENT AND CULTURE 
C. LADD, CHIEF ADMINISTRATIVE OFFICER

SUBMITTED BY: E. ARCHER, GENERAL MANAGER OF CORPORATE SERVICES
R. FORWARD, GENERAL MANAGER OF INFRASTRUCTURE, DEVELOPMENT AND CULTURE

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

RECOMMENDED MOTION

1. That the 2013 tax-supported base operating budget for municipal operations, with total gross expenditures of \$161.5 million and a net property tax levy requirement of \$108.2 million be approved with the following amendments to reflect changes since the Business Plan's publication on December 19, 2012:
 - a) That the advertising budgets for the Economic Development and Communications and Strategic Initiatives Departments be reduced by \$40,000 and \$30,000 respectively;
 - b) That the Simcoe Muskoka District Health Unit budget be reduced by \$76,952 to match the updated funding request included in its draft 2013 budget;
 - c) That the Nottawasaga Valley Conservation Authority's budget be reduced by \$3,193 to reflect the updated funding request included in its draft 2013 budget; and
 - d) That \$92,500, representing project savings from the now-completed Parkview Seniors Centre capital projects, be returned to the Tax Capital Reserve;
 - e) That an additional \$7.1 million of Federal Gas Tax funding be applied to the Landfill Phase 2 Capital project, reducing the planned 2013 debt issue for this project from \$12.8 million to \$5.7 million and reducing the 2013 budget for interest charges by \$102,000.

2. That the 2013 tax supported base operating budget for Barrie's Service Partners with total gross expenditures of \$80.9 million and a net property tax levy requirement of \$76.4 million, broken down as follows, be approved:
 - a) Police Services \$ 44,882,027
 - b) County of Simcoe * \$ 20,537,519

c)	Library	\$ 5,816,056
d)	Conservation Authorities	\$ 1,124,023
e)	Simcoe County Health Unit	\$ 1,678,270
f)	Lake Simcoe Regional Airport	\$ 591,071
g)	Other	\$ 1,815,594

* County of Simcoe includes Social Services, Social Housing, Land Ambulance, and the County Museum and Archives.

3. That Tax-supported Program Changes, including service enhancements worth \$1.6 million and service reductions worth \$1.7 million, for a net 2013 savings of \$0.1 million as detailed on page 288-350 of the 2013 Business Plan, be approved;
4. That any new services or service levels introduced in 2013 not included in the approved 2013 Business Plan be funded with adjustments to existing, approved funds to increase the potential for successfully achieving Council's goal of strengthening Barrie's financial condition;
5. That the water base operating budget, with gross expenditures of \$27.3 million and revenues of \$27.3 million, be approved;
6. That the wastewater base operating budget, with gross expenditures of \$30.5 million and revenues of \$30.5 million, be approved;
7. That the Parking Operations base budget, with gross expenditures of \$1.3 million and gross revenues of \$1.3 million, be approved;
8. That User-rate supported Program Changes with gross 2013 costs of \$1,647,288 be approved as follows:
 - a) \$150,854 for wastewater programs, as described on page 93 of the 2013 Business Plan; and
 - b) \$1,129,376 for water programs, as described on pages 99-101 of the 2013 Business Plan;
9. That the 2013 capital budget of \$135.6 million, comprised of \$42.5 million in new funding and \$93.1 million in funding approved in prior periods, be approved;
10. That, consistent with the Capital Project Control Policy, the 2014 and 2015 capital budget relating to new 2013 capital projects of \$38.6 million in 2014 and \$13.7 million in 2015 be approved;
11. That the 2014 and 2015 preliminary operating budgets be approved as forecasts;
12. That effective March 1, 2013, By-law 2012-035, as amended, be repealed and replaced with a by-law incorporating the fees and charges presented in the 2013 Business Plan, published December 19, 2012, pages 408-449;
13. That pursuant to Ontario Regulation 284/09, this report serve as the method for communicating the exclusion of the following estimated expenses from the 2013 Business Plan:
 - a) Amortization expense - \$40 million
 - b) Post-employment benefit expenses - \$1.4 million; and

- c) Solid waste landfill closure and post-closure expenses - \$1.1 million
14. 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, or to advance improvements where such grants represent the full value of the service or capital improvement;
 15. 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 or to advance improvements where such grants represent the full value of the service or capital improvement.
 16. 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 grants.
 17. That the City Clerk be authorized to prepare all necessary By-laws to implement the above recommendations.

PURPOSE & BACKGROUND

18. The purpose of this report is to recommend the corporation's 2013 Business Plan. The proposed Business Plan follows the directions provided by Council in Motion 12-G-133 (described in the Business Plan on pp. 23-25). 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 2013.
19. 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.

ANALYSIS

20. Including the cost of recommended Program Changes, the projected cost of 2013 programs and services requires a 4.1% 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 produces a \$197 increase (\$148 from property taxes, \$49 from water and wastewater rates), based on the province maintaining a revenue neutral education rate.
21. Revenue projections include assessment growth of \$1.5 million and user fees and charges worth \$17.1 million. The majority of fees and charges come from recreation and leisure programs and transit services.
22. Barrie's taxes are low relative to other municipalities in Ontario, as the following table shows:

Property Type	Barrie	Cities 100,000+ Avg.	Survey Avg.
Detached Bungalow	\$3,033	\$3,378	\$2,995
Senior Executive	4,996	5,931	5,659

Property Type	Barrie	Cities 100,000+ Avg.	Survey Avg.
Walk-up Apartment	1,117	1,494	1,333
Mid/High Rise	1,252	1,694	1,588
Office Bldg (sq. ft)	3.49	3.39	2.94
Std. Industrial (sq. ft.)	1.07	2.04	1.69

Source: 2012 BMA Municipal Study

Factors Influencing Plans and Anticipated Results

23. Staff considered a variety of factors when preparing the 2013 Business Plan:

- a) **Previous decisions** – as described in more detail later in this report, a variety of previous decisions affect the level and extent of spending that will occur in 2013. Generally, costs associated with debt financing, Transit services and the full year cost of establishing a temporary Fire Station drive the majority of cost increases in the 2013 Business Plan.
- b) **Corporate financial condition** - managing the City of Barrie's financial condition is extremely important because it influences judgments about credit worthiness which, in turn, affects the city's credit rating and the cost of borrowing. Pages 38-40 of the Business Plan report financial condition indicators recommended by the Public Sector Accounting Board (PSAB). Generally, the corporation's sustainability is declining. Decisions to rely on debt financing in prior periods are having a more significant impact on operating costs now that some of the debt is being repaid. Current forecasts anticipate the peak operating budget impact of debt servicing costs won't be felt until 2016 (see Business Plan, p. 51-53). Staff responded by increasing the transfers to the Tax Capital Reserve in accordance with the budget directions, reducing planned expenditure levels to accommodate funding requirements for Recommended Program Changes and including only the highest priority capital projects in the capital budget.
- c) **Asset condition** – asset condition data was compared against expected service levels. As described in the September 27, 2011 presentation to General Committee and in subsequent presentations, reports and memorandums a significant gap continues to exist between current spending on asset maintenance, renewal and replacement and the amounts required to sustain asset condition to continue meeting expected service levels. While the 2013 plan includes investments to slow the growth of this gap, it does not close it.
- 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. The 2013 Business Plan reflects the second year of the strategy.
- e) **Community expectations** - the citizen survey completed in the fourth quarter of 2011 indicated residents' top priorities for improvement were road maintenance, land use

planning, economic development and transit. Residents also indicated there were no services that should be reduced or eliminated.

Enhanced Public Engagement Activities

24. The 2013 Business Planning process included additional activities compared to prior periods designed to engage the public in a dialogue about the City's programs, services and budget priorities. 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 and Council. Activities included:
- a) Three additional General/Finance and Corporate Services Committee meetings – special meetings were held several weeks in advance of the budget's publication where staff provided details about, respectively, the 2013 Capital Budget, the 2013 Rate-supported Budgets and the 2013 Operating Budget. These included details about factors influencing plans and priorities, cost drivers, risks and staff's approach for managing service levels within the guidelines Council established in the 2013 Budget Directions. Councillors had an opportunity to ask questions and provide feedback about potential service adjustments.
 - b) A "Budget Breakfast" – more than 80 people, representing organizations across the private, public and not-for-profit sectors, attended a meeting where staff presented a summary of the draft 2013 Business Plan and responded to questions from attendees. Feedback about the form and content of this session was uniformly positive, based on the comments provided by attendees at the end of the meeting.
 - c) Wide media coverage – in addition to numerous articles in both local newspapers describing the results of the General Committee meetings and the Budget Breakfast, staff also promoted awareness of the Business Plan development process and encouraged people to provide feedback through:
 - i) A series of pages on the City's website dedicated to the Business Planning process
 - ii) Advertising and "advertorial" articles included in local print media and radio
 - iii) Posting information about the budget process via social media, with directions to visit the City's website
 - iv) Appearances on two local television programs on Rogers Cable promoting awareness of the City's business planning process
25. As a result of the directions provided by Council through Motion 12-G-133, and as described on pages 25-26 of the 2013 Business Plan, staff assessed master plans, program performance data, asset condition data, OMBI comparisons and department workplans to identify approaches for building the 2013 Business Plan. EMT provided additional direction regarding specific approaches to take for minimizing cost changes between 2012 and 2013 and evaluating capital spending priorities. Options for service reductions were identified if Council wanted to apply a lower property tax levy than the one recommended in this report (see Appendix "A").

2013 Tax Supported Operating Budget

26. The net tax levy requirement for 2013 is \$184.6 million. This includes assessment growth \$1.5 million (0.8% of the net levy) and incorporates the budgetary requirements of the City, the Service Partners and the recommended Program Changes.
27. As shown in the following table, based on the provinces past practice of maintaining education rates, the impact on taxpayers is a 4.1% increase on the total tax bill. For a typical household assessed at \$277,000, the increase is \$148:

	<u>2011</u>	<u>2012</u>	<u>2013 Plan</u>	<u>12-13 Change</u>
Municipal tax:				
City Operations	\$ 1,588	\$ 1,721	\$ 1,860	\$139
Service Partners	1,312	1,307	1,316	9
Sub-total	\$ 2,900	\$ 3,028	\$ 3,176	\$ 148
Education	603	603	603	--
Total	\$ 3,503	\$ 3,631	\$3,779	\$ 148

28. 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 2013 Business Plan requires approximately 3.6% of household income to pay for property tax-supported services.
29. Performance improvements have become a routine part of annual operations throughout the corporation. This has not only been driven by a management team committed to demonstrating effective performance, but it has also been driven by practical considerations associated with the corporation's financial condition that make it essential to find efficiencies and identify cost savings to keep property taxes affordable for the services and service levels Council wants to provide.
30. Specific financial pressures influencing the tax-supported 2013 operating budget include the following:

New Debt	\$2,400,000
Infrastructure renewal	\$2,700,000
Compensation adjustments (including annualization of new positions added in 2012)	\$3,400,000
Transit (net)	\$700,000
Reduction in salary gapping budget	\$750,000
Revenue from new taxable assessment	(\$1,500,000)

Recommended Program Changes

31. Where new or different resources are requested, Program Change Forms were prepared that identify the service impacts that would be realized. As described on p. 288-350, the 2013 Business Plan recommends \$3.3M (gross) in Program Changes, with gross savings of \$3.4M for an anticipated net savings of \$100,000. Each Program Change Form includes a business case to support Council's deliberations.
32. EMT recommends these Program 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 legislative requirements and its most immediate and important unmet needs. Where program 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.

33. During the November 10, 2012 General Committee meeting staff presented draft lists of service adjustments that would be required to bring the 2013 Business Plan within the funding threshold Council approved in the 2013 budget directions. These lists were amended to reflect comments received from councillors and are included as two Program Changes: "First-level service adjustments" (see Business Plan p. 342) and "Second-level service adjustments" (Business Plan, p. 347).

Revenues

34. An analysis of planned revenues is provided on pp. 79-87 of the 2013 Business Plan. If approved as presented, planned revenues from user fees and service charges will increase 9.1% from 2012 forecasted levels. This represents a 3% increase from the 2012 budget. The difference is due to actual 2012 revenues being lower than planned levels. Details about fees and charges are described on pp. 408-449 of the 2013 Business Plan.
35. The variance between 2012 planned and forecast revenues is noteworthy, as it represents the third consecutive year where actual revenues are below planned levels. While staff have made concerted efforts over the last five years to increase reliance on non-tax revenues and several changes have occurred in fee structures, pricing and the scope of services subject to user fees, actual fee revenues remain relatively flat. Although several environmental factors influence these results, one factor within Council's control is the extent to which it grants fee exemptions or changes policies related to enforcement activities that generate revenue.
36. This is a risk for the corporation. Setting fees involves consideration of several variables including the actual cost of the service, the desired level of subsidy, the price sensitivity of consumers and the availability of substitute products or services. For services that are heavily reliant on fees like Transit or Recreation Programs, changing the level of service also increases the corporation's exposure to a larger variance between planned and actual revenues. Staff will manage this risk throughout the year by monitoring variances and making adjustments to service levels where possible that can reduce, but not eliminate, the deficit between planned and actual revenues.

Reserves and Reserve Funds

37. 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, such as watermain breaks. They may also help manage financial obligations that are incurred in the current period but don't become payable until some future period.
38. Compared to other municipalities, Barrie's reserves and reserve funds are low. The latest BMA Municipal Study (released December 20, 2012) reports that Barrie's reserves and reserve funds were equal to 42% 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 longer to complete. The increasing number of watermain breaks can be attributed, in part, to lower than recommended asset renewal investments over the years.

39. As described on p. 43 of the Business Plan, the City's reserves and reserve funds are projected to decrease by \$62.4 million (net) in 2013. This is a 48% decrease and results from lower than required contributions to reserves from taxes, user rates and development charges. Generally taxes, user rates and development charge revenues are not keeping pace with current or planned levels of spending on capital works, even with the reduced capital spending in the current and most recent past years.
40. The Corporation's Financial Policies Framework establishes minimum target balances for its Reserves. As described in the City's Long Range Financial Plan, (see Staff Report FIN020-11), projections illustrate the Tax Capital Reserve is oversubscribed. Similarly, Reserve Funds that rely on dedicated revenue streams – like the Development Charges Reserve Fund - are below planned levels. Target reserve levels are not being realized because of a combination of factors:
 - a) Development activity that would trigger the reserve fund contributions has not been occurring at the rate that was expected when the budget was set,
 - b) Actual costs for growth-related projects are higher than planned, and
 - c) Discounted rates for development charges approved by previous Councils have reduced the amount of revenue earned from past and current development activity.

Debt

41. An analysis of the City's debt position and forecasts is available on pp. 48-53 of the 2013 Business Plan. The City's debt policy requires the average debt retirement period to be no more than 12 years and that at least two-thirds of all outstanding debt be retired within 10 years in any reporting period. Currently, as a result of the decision in 2010 to issue debt with a forty year term for the Surface Water Treatment Plant, the average outstanding debt retirement period is 27 years. However, at least two-thirds of all outstanding debt will be retired within 10 years.
42. As noted by Standard and Poor's in its assessment of the City of Barrie's financial condition, debt financing to support growth is high relative to our peers. Staff applied a consistent set of criteria to evaluate capital projects and limited the 2013 capital budget to include projects that address only the corporation's most critical needs (see p. 123-127 of the 2013 Business Plan for more information).

Requirement to Maintain Spending Within Budgeted Limits

43. In prior years additional capital projects or service level changes have been introduced at some point after the budget has been approved. Typically, the financing plan includes an additional draw from a reserve beyond what was approved in the budget. This reduces the balance in the reserve and, depending on the nature of the specific project or service, could also introduce new, unplanned operating costs.
44. Recommended paragraph #4, if approved, establishes a requirement for staff to identify a financing plan using existing, approved funds for new services or service levels introduced in 2013 that are not included in the approved 2013 Business Plan. For example, surplus funds could be identified and/or service level changes could be made, subject to Council's approval, that "free up" the funds required for the new project or service.
45. This ensures the same discipline and careful consideration that goes into choosing which programs and services should be included in the Business Plan are used for spending decisions throughout the year. It also increases the potential for successfully achieving Council's goal of strengthening Barrie's financial condition.

2013 Capital Plan

46. The 2013 capital plan is \$135 million. It includes \$93 million in previously approved funding and \$42 million in new funding requests. Consistent with the Capital Project Financial Control Policy, where the 2013 capital budget includes projects that will be completed over more than one reporting period, Council's approval of new projects in the 2013 capital budget includes approval of the funds required in 2014 and 2015, as applicable, to conduct the work.
47. The 2013 capital budget is part of a four-year plan designed to coincide with the term of Council. It incorporates data produced over the last three years to assess the condition and remaining useful life of the corporation's tangible capital assets and reflects staff's judgment about the highest and most critical needs, based on a comprehensive risk assessment process. It relies on a financing plan that reflects the guidance provided by the Financial Policies Framework and considers long-term financial impacts as reported by the corporation's Long Range Financial Plan.
48. The Corporation's capital asset renewal needs and known, unmet additional capacity requirements exceed its ability to afford them. Therefore, for planning purposes EMT developed a prioritization process that influenced recommendations about which capital projects should be included. Council approved this prioritization process as part of the 2013 Budget Directions.
49. The capital project prioritization process considered the impact of a particular project on a set of ranked municipal programs. The ranking reflected the relative importance of each program to the community's quality of life based on an understanding of Barrie's current circumstances. Where affordability concerns prompted decisions about which projects deemed to be "critical" were to be recommended as part of the capital budget, the program ranking helped identify which critical projects should be considered first. Programs were ranked as follows:
 - a) First priority – Public Safety, Environment, Transportation
 - b) Second priority – Land Use Planning, Economic Development, Corporate Support
 - c) Third priority – Enforcement, Arts and Culture, Recreation
50. The 2013 Business Plan describes the spending plan by asset class and the sources that will be required to fund the current plan on pp. 119-120. The Tax Capital Reserve and debt are the two largest sources of financing.

Water and Wastewater Rate Supported Budgets

51. 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. 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. Once new consumption estimates and capital budget requirements are available as a result of soon-to-be-completed growth forecasts, staff will review and revise these financial plans.
52. 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.
53. By any objective measure, water and wastewater services in Barrie remain affordable. Currently, 0.8% of household income is required to pay for water and wastewater services. This is not only well within Council's affordability threshold, but it is also below the provincial average of 1%.
54. Factors influencing water and wastewater budget changes from 2012 to 2013 include:

Financing charges	\$4,400,000
Transfer to Reserves	\$1,600,000
Compensation adjustments	\$635,000
Development Charge recoveries for debt payments	(\$1,500,000)
Total	\$5,135,000

55. Recommended Program Changes that will be funded by water and wastewater services are worth approximately \$824,000. These include the addition of 8 FTE to support water operations to address anticipated workload levels that would otherwise be contracted out at an additional cost. Funding for a portion of these positions is also provided by the tax-supported budgets.

Parking Rate Supported Budget

56. The Parking Rate supported budget is essentially unchanged from 2012 levels. Gross expenditures in 2013 are anticipated to be \$1.28 million. These expenditures include debenture costs of \$964,000 associated with the Collier Street parkade. This is prompting a draw from the Parking Rate Reserve of \$850,378 to balance the budget.
57. A review of OMBI data shows Barrie's costs to maintain parking spaces is lower than other municipalities. While there are slightly more parking spaces per capita available in Barrie, revenue earned per space is significantly lower compared to other municipalities.
58. By the end of 2013, the Parking Reserve is forecast to be overdrawn by \$344,000. This means it will require a subsidy from taxpayers, potentially in 2014, to balance the budget. A report to Council in April 2012 recommended a number of changes to parking rates to address the forecasted deficit in the parking reserve. However, only changes to monthly parking pass fees and hours of enforcement for the Collier St Parking garage were approved. On-street parking charges, unchanged since 2008, are not anticipated to increase in 2013 based on Council direction received in 2012. Council will need to reconsider its past direction and/or seek alternative revenue streams to address this unsustainable financial model. Staff anticipate publishing a report in the first quarter of 2013 so Council can further consider this matter.

Service Partner Budgets

59. Collectively, net 2013 budget requests from the City's Service Partners – the Barrie Police Service, County of Simcoe, Simcoe-Muskoka District Health Unit, Barrie Public Library and the Conservation Authorities – are increasing \$1.8 million or 2% from 2012 forecast levels for a total budget requirement of \$76.4 million.
60. Police services represent approximately 59% of the service partner budget request. As described on p. 71 of the 2013 Business Plan, its 2013 budget is \$44.9M, which is 3.5% higher than its 2012 budget. However, as explained in the Business Plan (p. 70), the Police Services' submission identifies a net municipal increase of \$1.3M or 3% above the 2012 budget. This is due to the Police Service's use of a \$240,000 surplus to fund part of 2012's budget that was reported as part of the base budget in its 2013 request. The majority of Barrie Police Services budget is attributable to staffing costs.
61. The next largest portion of the service partner budget is from the County of Simcoe, which provides social services and land ambulance services on behalf of the City of Barrie. It represents 27% of the total service partner budget. Its 2013 budget is \$20.7M, which is \$1.1M lower than its 2012 budget as a result of the provincial upload of Ontario Works costs. The 2013 budget includes approximately \$949,000 in funding for capital projects, which staff are recommending be funded by the Tax Capital Reserve.

62. Staff have concluded discussions about the terms of the cost sharing agreement between the City of Barrie, the City of Orillia and the County of Simcoe, which expired in 2011. The 2013 budget was based on these draft terms, which have the overall effect of reducing the City of Barrie's costs for County services by at least \$150,000 in 2013 and at least \$300,000 in 2014 and each year thereafter. A report describing the new cost sharing agreement will be presented to Council in the first quarter of 2013.

Expenses not included in the 2013 Business Plan

63. Previous reports to Council described reporting requirements for tangible capital asset accounting that came into effect for municipalities in 2010 (for 2009 financial statement reporting). 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.
64. 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 \$40 million in 2012. This represents the value of assets that were "used up" to provide programs and services, but the corresponding expenditure in the 2012 budget (transfer to capital reserves) was approximately \$14.3 million. This is \$23.2 million less than the value of the assets used up in the period. 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".
65. Prior to passing the 2013 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 - \$40 million
 - b) Post-employment benefits - \$1.4 million
 - c) Landfill closure and post-closure liabilities - \$1.1 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 will likely need to be to maintain assets in a state of 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.

Conclusion

66. The recommended Business Plan generally maintains services and service levels provided in 2012, although some service adjustments are required to meet Council's budget directions. The recommended tax levy and user rate increases support the following:
- a) Commencing construction on a new Transit Garage
 - b) Introducing a new service model for transit services, including new routes

- c) Legislative compliance for stormwater, solid waste, water and wastewater management
 - d) Road widening, rehabilitation and reconstruction work throughout the City
67. Over the balance of 2013, staff will continue to review and make changes or bring forward recommendations for change as feasible related to opportunities for improvements in the efficiency and effectiveness of services, programs and projects.

ENVIRONMENTAL MATTERS

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

ALTERNATIVES

69. There are five 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 program changes identified in the 2013 Business Plan.

EMT believes these program changes are required in 2013 to improve the corporation's ability to comply with legislative requirements, 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.

The proposed rates reflect the rate structure approved by Council in 2009 and the amount of revenue required to support the services as self-funding operations. Planned revenues are sufficient only to cover the services' planned costs.

The recommended rates are lower than forecast in the approved long range financial plan. This increases the risk that reserve levels are insufficient to support the services over the long term. Staff's review of the water and wastewater long range financial plan, presented to the Finance and Corporate Services Committee in May 2012, identified the implications associated with lower than planned rate increases.

While provincial legislation and the related regulations anticipate municipalities will follow their long range financial plan, they also acknowledge changes can occur between annual rate changes and those described in a municipality's plan. Ideally, staff's preference would be to maintain the planned rate increases identified in the 2010 long range financial plan. However, the rates recommended in the 2013 Business Plan respond to Council's budget directions.

Revisions to the plan are possible in conjunction with the Surface Water Treatment Plant's license renewal, anticipated in 2014. Considering the fiscal impacts of growth will be identified in 2013 and plans for development in the annexed lands will also influence the water and wastewater long range financial plan, staff anticipate filing an updated long range financial plan with the province in 2014.

Alternative #3

General Committee could alter the recommended levy by adjusting proposed user fees and charges.

Proposed fees reflect charges that reduce taxpayer subsidies for services that provide individual, rather than community, benefits. Staff developed the fees after careful consideration of factors like participation rates, market alternatives and affordability.

Alternative #4

General Committee could alter the proposed recommendation regarding the 2013 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. Considering the City's reliance on debt financing over the next 10 years, adding capital projects to the 2013 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.

Alternative #5

General Committee could recommend any of the service level changes in Appendix "A". The total value of operating budget service level changes is approximately \$0.4M, while the total value of capital budget service level changes is \$0.3M. If all service level changes are incorporated into the recommended motions, the 2013 property tax increase would be reduced to 3.84%.

Based on OMBI comparisons, the City of Barrie's efficiency and service levels generally reflect average levels found in other Ontario municipalities. Property taxes are also generally lower in Barrie than in other Ontario municipalities, and significantly lower when compared to other cities with greater than 100,000 residents.

FINANCIAL

70. The financial impacts of the 2013 Business Plan are as follows:

- Tax Rate Budget Impact: a 4.1% property tax increase, which translates into a \$148 increase on a home with an assessed value of \$277,000.
- Water Rate Budget Impact: a \$16 increase (+7%) for a typical household based on an average consumption of 180 cubic meters per year
- Wastewater Rate Budget Impact: a \$33 increase (+12%) for a typical household based on an average consumption of 180 cubic meters per year.
- Parking Rate Budget Impact: an \$850,000 reduction in the Parking Reserve.
- A 48% net decrease in reserve and reserve fund balances of \$67 million.

LINKAGE TO 2010 – 2014 COUNCIL STRATEGIC PLAN

71. The recommendations in this report address all of the goals described in Council's Strategic Plan by including action items in 2013 designed to address each goal.

APPENDIX "A"

Potential Additional Service Adjustment Options

Service Adjustment	Amount	Service Impacts
Eliminate Canada Day Transit Service	\$ 10,000	No transit service on Canada Day.
Install 50 in-ground garbage containers at waterfront/year round parks use at cost of \$100,000.	\$ (55,000)	Defer benefits from reducing garbage pick-up and movement of bins for winter by deferring purchase of the larger bins.
Reduce plowing, flooding and maintenance at 30 outdoor rinks.	\$ 28,000	Parks staff will continue with the start up of rinks and then train volunteers on how to maintain the rinks. There would be further savings not included in this calculation for the current maintenance and frequent replacement of truck transmissions in parks trucks.
Reduce cost of maintenance and power washing of current landfill scales.	\$ 20,000	If the new landfill scales included in the 2013 capital budget are approved the current cost to maintain the scales and power wash them will be reduced. This savings was included on the capital project business plan but realized when further looking into the maintenance cost of the existing scales.
Increase landfill tipping fee from \$125/tonne to \$140/tonne	\$ 125,000	The increase in the tipping fee will reduce the current subsidy level and further encourage use of waste diversion options. The increase in revenue is based on current tipping volumes (8,400 tonnes) from residential and ICI customers.
Reduce hazardous household waste to once per month from current Saturday structure	\$ 43,000	Reduced access to HHW services.
Move portion of varmint control in-house.	\$ 10,000	This is a cost avoidance step that could be achieved if we move some of the outsourced varmint control in-house to labourers. This depends on the approval of the two casual positions to full time positions as identified on a 2013 program change form.
Storm CCTV Inspection	\$ 40,000	Further reductions made to the linear infrastructure investigation and condition assessment work (CCTV Inspection) would deteriorate our ability to base recommendations for renewal and replacement activities on reliable information. Recommendations would have a larger degree of error which could result in less effective allocation of the limited funds available and more services being interrupted more often as a result of asset failure
CIP Program	\$ 90,000	Reducing the 2013 CIP contribution would reduce the ultimate number or size of new community improvement projects able to be supported in 2013.

Service Adjustment	Amount	Service Impacts
By-Law Enforcement	\$ 50,000	Reduced Property Standards and Zoning by-law enforcement services.
Eliminate Financial Support for Non-City Events	\$ 12,500	This would include the contributions to Mayor's Brunch (\$1,000), Earth Hour (\$1,500), Ecofest (\$2,000), Tree Lighting (\$6,000), and Waterfront Festival (\$2,000).
Street Lighting - General	\$ 8,000	No reliance on third party consulting support.
Bicycle Lock Post & Locker Program	\$ 5,000	Maintains current service levels but does not allow for the program to grow.
Park Morality Lighting	\$ 10,000	Safety and security concerns that have been identified at existing park playground equipment locations throughout the City would not be mitigated beyond current levels.
Parks Furniture	\$ 11,000	No new infill park furniture installations within the existing park system.
Total – Operating Budget	\$ 407,500	
Capital reduction (deferred) - MacLaren Art Centre eaves trough replacement	\$ 30,000	Funded from Tax Capital Reserve; no operating impact, but increased risk of asset failure
Capital reduction (deferred) - City Hall security upgrades	\$ 200,000	Funded from Tax Capital Reserve; no operating impact, but increased risk of asset failure
Capital reduction (deferred) - replace zamboni x 2	\$ 80,000	Defer replacement of one zamboni; funded from Tax Capital Reserve
Total – Capital Budget	\$ 310,000	