

September 25, 1998

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Department of Finance

Ward/Quartier
City Wide

- Policy, Priorities and Budgeting Committee / Comité des politiques, des priorités et des budgets
- City Council / Conseil municipal

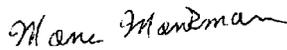
Action

1999 Recommended Budget and Strategies

Budget et stratégies recommandés pour 1999

Recommendations

1. That the 1999 budget timetable and process, as outlined in Document 1, be approved.
2. That the 1999 budget objectives, as follows, be approved:
 - a) Avoidance of a tax increase,
 - b) Avoiding the need to approve new debt for capital works,
 - c) Preparing a 1999 budget that will have no staff impacts, and
 - d) Preserving, with only minor changes, the services and programs provided in the 1998 budget.
3. That the recommended corporate operating budget adjustments, as detailed in Document 3, be tabled for consideration by City Council, at its special meeting of November 17, 1998.
4. That the recommended corporate capital budget, as detailed in Document 4, be tabled for for consideration by City Council, at its special meeting November 17, 1998.


September 25, 1998 (3:31p)

Mona Monkman
City Treasurer


September 25, 1998 (4:25p)

Approved by
John S. Burke
Chief Administrative Officer

MS/ECM:cds

Contact: Mona Monkman - 244-5300 ext. 1-3889
Marian Simulik - 244-5300 ext. 1-3052

Financial Comment

The financial implications of this report are included in the body of this report.

Mona Monkman

September 25, 1998 (3:33p)

Mona Monkman
City Treasurer

MS:cds

Executive Report

Reasons Behind Recommendations

Recommendation 1 - Timetable and Process

Timetable

In looking at the 1999 budget calendar and process, two options were initially reviewed by management. The first option was to follow the normal budget process which would result in Council approving the budget in mid-December. The second option would have a shorter time frame whereby Council would approve the final budget in mid-November. Document 1 shows the recommended timetable. Document 2 shows the optional timetable (longer version).

While the shorter budget process is indeed a departure from the normal practice, it is recommended because it responds to the fact that the organization has undergone significant turmoil during the past few years and is in need of having the 1999 budget resolved quickly. The shorter process would serve to indicate the following to the public and the staff:

- ✓ that the financial situation of the Corporation has been stabilized with the difficult 1998 budget,
- ✓ that unlike some other municipalities, Council addressed its 1998 budget pressures on a permanent basis,
- ✓ that all significant budget issues and permanent actions were taken to resolve the turmoil created by the downloading and expenditure reduction targets of 1998, and that,
- ✓ Council can now move forward into the 1999 budget year knowing that a maintenance budget is possible at this point. This is a success story that should be told.

The benefits of going with the shorter time frame are that:

- ▶ It brings stability to the organization.
- ▶ It stabilizes organizational “budget fear” quickly.

- ▶ It reassures the public and brings certainty quickly to our community partners.
- ▶ It does not raise the public's fear of service level decline options that may never happen.

Consultation

As the 1998 budget, which was only concluded five months ago, included a survey in the community newspapers and ward workshops prior to the tabling of the budget, they are not recommended this year. A reasonable time frame to repeat these types of consultation tools is every three to five years. Both timing options considered include public consultation through ward meetings, the only difference being that in the recommended shorter process, the consultation would take place without the benefit of the detailed budget book, as this can not be produced before November. Councillors would receive the detailed budget document for use in deliberations in early November.

In order to facilitate the consultation in the shorter process a budget consultation booklet would be prepared for Councillors' use and would be available by October 13th. This document would provide details on the various programs the City provides, the 1998 budget for each of the programs and the proposed changes in 1999. As in previous years, Corporate Communications would assist the Councillors in arranging their ward meetings as required.

Recommendation 2 - 1999 Budget Objectives

In setting the objectives for the 1999 budget, the impact of all the changes that took place in 1998 were reviewed.

Avoidance of a tax increase

One significant impact of the new tax regime in 1998, was that even with local levels of government freezing or reducing their tax requirements, close to 65% of Ottawa taxpayers had an increase in the total taxes they pay.

Avoiding the need to approve new debt for capital works

In 1998, Council received a long-term capital needs and financing strategy which called for new capital projects to be delayed until enough debt had been retired so that they could be funded from existing resources rather than issue debt. Council approved this strategy for 1998 and it is being proposed again for 1999.

Preparing a 1999 budget that will have no staff impacts

Given the enormity of the staff reductions taken in the 1998 budget and the instability this caused the organization, it is recommended that bringing stability to the Corporation should be an objective.

Preserving, with minor changes, existing programs and services

The expenditure reductions made in 1998 centered on administration, planning services and the cultural services areas. If reductions were to be made in 1999, they would have to be focused on areas that provide direct services to the public. In addition, fees and charges were raised in most areas this year, leaving little room for more fee increases.

Recommendation 3 - Recommended 1999 Operating Budget

Keeping in mind the objectives described in the previous recommendation, staff reviewed the changes required to the 1998 operating budget. Knowing that there was an increase in PIL revenues projected and at the same time trying to minimize the amount of changes required some tradeoffs with respect to risk. Overall there is a permanent increase of \$7.76 Million in expenditures funded from increased revenue sources, primarily from increased payments in lieu of taxes. The budget adjustments being recommended are listed in Document 3 and a description follows.

Revenue Related Changes

The estimated increase of payments-in-lieu of taxation is \$13.4 million. In September the Provincial Minister of Finance announced that the Special Transition Assistance Grants would remain in place in 1999. While this will increase revenues by \$491,000 as this was intended to be a temporary program the funds are being recommended for transfer to the capital program.

Building permit revenues are budgeted based on the average of the last five years. As the last two years have been above expectations with respect to building permits, this is resulting in a \$125,000 adjustment to the budget.

The licensing revenues the Corporation receives for business licenses, lottery licenses and the designated space program have been falling short of budget. It is recommended that the revenue targets for these areas be reduced by \$375,000.

Capital Related Changes

As part of the Long-Term Needs and Capital Financing Strategy presented to Council earlier this year, the requirement to permanently increase the capital budget by \$2 Million was identified. In 1998 this was achieved but from a temporary source of revenue. The contribution being made this year is from a permanent source.

As identified in the section dealing with Revenue changes, the Province of Ontario is continuing the Special Transition Assistance Grant in 1999. This is being recommended for transfer to the capital budget as the revenue source is not considered permanent.

In order to reduce the pressures on the capital budget, for the last three years the repayment of the Canada Ontario Infrastructure Works (COIW) loan to the Reserve it was borrowed from has been deferred. The Reserve now needs those funds as staff are projecting having to replace a number of fire vehicles, where the price or the technology have changed so dramatically, that the funds available in the Reserve will not be sufficient. The recommended strategy is to repay the Reserve for the COIW loan repayments that should have been made over the last three years. These payments total \$2 Million. This is not a permanent increase to the base as at this rate of repayment the loan will be fully repaid in 2000.

The budget has not provided for an increased contribution to capital from the operating budget even though as part of the long term capital financing strategy the Corporation was to raise an additional \$8.8 Million from a growth related charge and from an increased sewer rate. Neither of these revenue sources have materialized therefore the capital program is constrained by these amounts.

Labour Related Changes

There are three factors that are increasing the cost of labour for the Corporation. The first is that the Federal Government has approved a plan to bring the Canada Pension Plan to a sustainable level. One of the ways this is being done is to increase the contribution levels of individuals and employers for the next five years. The percentage increase in 1999 CPP contributions will cost the City \$221,000.

The second change related to labour is the CUPE 503 arbitration award which increases the base labour cost by 3.54%. The final pressure is increments which are valued at \$1.3 Million in 1999. The total non-discretionary budget increases that relate to labour are \$4.343 Million.

The recommended budget has not provided for any other negotiated or arbitrated increases in 1999 or for the award resulting from any arbitrations currently in process.

Other Operating Budget Related Changes

In developing the 1999 budget the projected performance of all the City's programs were reviewed. There were a number of programs that are underfunded and these are being rectified in this budget.

The roads and sidewalks repair program is running a deficit as the actual work requirements are higher than budgeted. The budget for this area is being increased by \$200,000.

As the City has become increasingly dependant on technology and as a result of the changes required in order to meet the Y2000 deadline a number of budget adjustments are required in the Informatics area. In order to maintain and support the new business systems the Corporation is implementing, a budget adjustment of \$636,600 is required. This will be used for software maintenance and support of the various corporate systems such as GIS and the financial system. Council approved on September 16th the replacement of the 486 computers in the Corporation. These costs plus additional lease costs for servers and existing desktops requires a budget adjustment of \$406,300. The Corporate costs for Internet access and for tools used in system development also require a budget adjustment of \$47,900.

The City is facing pressures to do more in the area of property standards. In order to meet this need two temporary pro-active compliance officers are being added to the City's budget. They will be offset by the increased building permit revenue account.

It is anticipated that the tax rebate program for commercial and industrial properties will be repeated in 1999 at the 50% level, as was originally planned. A provision for \$392,000 has been made to accommodate this program.

In total, the budget adjustments listed in this section will see 3 new Full Time Equivalents created in the Corporation. Two in the pro-active compliance area and one in the Informatics area.

Allocation to Future Projects

Of the projected PIL revenue in 1999, \$3 million relates to properties where the amount is still tenuous. As normally all the items or projects identified in an operating and capital budget are spent throughout the year it was considered prudent to not incorporate these funds into either of these budgets. As a result they are being recommended for contribution to two reserves for projects that the Corporation has identified as priorities for the future. The Plant Pool Reserve is being allocated \$2 million and the Glebe Centre is being allocated \$1 Million. These projects require \$6.2 Million and \$2.6 million respectively in order to proceed.

Recommendation 4 - 1999 Capital Budget

The capital budget as presented in 1998 was reviewed and the funds matched to provide basically the same capital program as last year. The detailed list of projects being funded is included in Document 4.

Departments confirmed the work identified in the Long Term Capital Needs and Financing Strategy, revised the funding amounts where necessary and/or identified other works for which capital funding was considered critical in 1999. The City's funding sources were also reviewed and applied to the strategy/request.

The recommended plan is consistent with the 1999 forecast of requirements presented to City Council during the 1998 budget debates. The original strategy indicated a 1999 Capital Program

of \$33.7 million; the recommended program is \$30.9 million with a transfer to reserves of \$3.0 million for future projects, for a total program of \$33.9 million. While the strategy identified departmental requests for 1999 totalling \$44.7 million, departments' revised requests total \$56.9 million. This difference is primarily due to carrying forward of unfunded 1998 requests into 1999.

The recommended capital program identified in Document 4 categorizes projects by tier as defined for the 1998 Budget. With the exception of the sewer program, the funding sources that are being recommended are identified also indicated by tier. This document only shows those projects for which funding has either been included in the original strategy or requested in 1999. A ten year strategy will be provided prior to City Council deliberation of the 1999 Budget.

The majority of unfunded requirements are those in building maintenance, sewers and new facilities. The variances between the original strategy and the recommended capital program for 1999 totals \$2.8 million. The road and sewer upgrade program for 1999 has not been funded because of the absence of a growth-related funding source originally incorporated in the 1999 strategy. A decreased funding requirement has been identified by departments in the areas of road rehabilitation, life cycle renewal of city vehicles and equipment and parking meters. It must also be noted that the road rehabilitation program request reflects a minimum program requirement.

Requests for 1999 not identified in the original strategy, but for which funding is recommended, include those which relieve safety concerns, such as health and safety retrofits and new sidewalks; those for which there is a dedicated funding source, as in the surface lot for a Preston Street parking facility and additional pay and display machines; and those which may become an environmental hazard if left unfunded, such as salt/grit mix domes.

A minimal increase in the funding for the Terry Fox Track is recommended as costs become finalized, and accessibility and capital self-help as the current level (which was also provided in 1998) has proven to be inadequate. Funding is also provided for the comprehensive cycling plan and minor parks and facility improvements which were not previously included in the 1999 strategy. Finally, although the exigencies have been addressed, the offsetting decreases have been primarily in the City's life cycle renewal program. This situation will be improved upon in future years as more debt is retired.

Consultation

The report was reviewed by members of Management Committee.

Disposition

Originating Department.

List of Supporting Documentation

Document 1	1999 Recommended Budget Timetable (Shorter Option)
Document 2	1999 Optional Budget Timetable (Longer Option)
Document 3	1999 Recommended Corporate Operating Budget Adjustments
Document 4	1999 Recommended Corporate Capital Budget

Part II - Supporting Documentation

Document 1

1999 Recommended Budget Timetable (Shorter Option)

Date	Event	Decision
October 1 (Thursday)	Policy, Priorities and Budgeting Committee (PP&B)	Approve budget process and timetable Table recommended Budget adjustments
October 7 (Wednesday)	Council Meeting	Approval of the budget timetable and process
October to November	Ward Consultation	Councillors consult public
November 13 (Friday)	Caucus of Council	Public delegations heard
November 17 and 18 (Tuesday and Wednesday morning)	Special Council Meeting	Approval of 1999 budget

1999 Optional Budget Timetable (Longer Option)

Date	Event	Decision
October 1 (Thursday)	Policy, Priorities and Budgeting (PP&B)	Approve operating and capital budget strategy
October 7 (Wednesday)	Council Meeting	Approve operating and capital budget strategy
November 17 (Tuesday)	Special Council Meeting	Detailed 1999 budget tabled
November 18 to December 14	Ward Consultations	Councillors consult public
December 3 and 4 (Thursday and Friday)	Caucus of Council	Public delegations heard
December 14, 15 and 16 (Monday, Tuesday and Wednesday morning)	Special Council Meeting	Approval of 1999 budget

1999 Recommended Corporate Operating Budget Adjustments

1999 REVENUE ADJUSTMENTS		Amount	FTE*
1.	Increase in Payments in Lieu	\$13,400,000	
2.	Increase in Building Permit Revenues	\$125,000	
3.	Special Transition Assistance Grant	\$491,000	
4.	Revenue decreases in licensing	<u>(\$375,000)</u>	
TOTAL		\$13,641,000	
1999 EXPENDITURE ADJUSTMENTS			
Capital Related Changes			
5.	Increase in Contribution to Capital (Pay As You Go)	\$2,000,000	
6.	One-Time Transfer to Capital	\$491,000	
7.	Repayment to Reserves for Canada Ontario Infrastructure Loan	\$2,000,000	
Labour Related Changes			
8.	Canada Pension Plan Cost Increase	\$221,000	
9.	Staff Increments	\$1,300,000	
10.	Labour budget increase from arbitration award	\$2,822,000	
Other Operating Budget Related Changes			
11.	Tax Rebate Program	\$392,000	
12.	Increase to Roads and Sidewalks Repair Program	\$200,000	
13.	Business Systems - Maintenance and Support	\$636,600	1
14.	Lease Costs for new automated systems	\$406,300	
15.	Other Informatic costs	\$47,900	
16.	Pro-Active Compliance - two additional staff	\$125,000	2
17.	Allocated to future projects	<u>\$3,000,000</u>	
TOTAL		<u>\$13,641,800</u>	3
* Full Time Equivalent			

1999 RECOMMENDED CORPORATE CAPITAL PROGRAM
\$000

DESCRIPTION OF CAPITAL WORKS	1999 Strategy (prepared in 1998)	1999 Request	1999 Recommended Corporate Capital Program	Difference (Strategy and Recommended Program) *	
TIER 1 - MAINTENANCE AND GROWTH					
Central Storage Tunnel	750	750	750	0	
Sewer Maintenance Central Tunnel			750		
Sewer Alarm System	250	250	250	0	
Sewer Disconnect Program	1,000	1,000	1,000	0	
Sewer Rehabilitation Program	11,412	11,412	11,412	0	
Sewer System Upgrade Program	3,400	3,400		(3,400)	1
Subtotal	16,062	16,062	12,662	(3,400)	
Sewer Maintenance Reserve Fund			12,000		
Dev./Subdivision/Redev. Charges Reserve Funds			304		
General Capital Reserve Fund			358		
Fire - Bunker Suit Replacement	150	150	150	0	
Road Rehabilitation Program	4,000	3,858	3,858	(142)	2
Overlay Program	2,081	2,081	2,081	0	
Road Upgrade Program	712	712	0	(712)	1
Bridge Rehabilitation Program	200	200	200	0	
Sidewalk Rehabilitation Program	400	400	400	0	
Street Lighting - 600 Volt System Replacement	250	250	250	0	
Upgrade Underground Wiring & Street Lighting	400	400	400	0	
Health and Safety Retrofits		230	230	230	3
Life Cycle Renewal - Pole Replacement	100	100	100	0	
Infill Existing Street Lighting	200	200	200	0	
Ward Infrastructure Minor Improvements	100	100	100	0	
Subtotal	8,593	8,681	7,969	(624)	
General Capital Reserve Fund			7,969		
TIER 2 - MAINTENANCE					
Life Cycle Renewal - General Buildings	2,500	7,289	2,270	(230)	4
Life Cycle Renewal - Parks and Public Spaces	980	2,046	900	(80)	4
Life Cycle Renewal - Grounds	58	58	58	0	
Life Cycle Renewal - JetForm Park	20	161	20	0	
Minor Park and Facility Improvements		100	75	75	2
Accessibility	20	50	50	30	2
Capital Self-Help	50	150	100	50	2
Terry Fox Track	1,000	1,100	1,100	100	2
Subtotal	4,628	10,954	4,573	(55)	

1999 RECOMMENDED CORPORATE CAPITAL PROGRAM
\$000

DESCRIPTION OF CAPITAL WORKS	1999 Strategy (prepared in 1998)	1999 Request	1999 Recommended Corporate Capital Program	Difference (Strategy and Recommended Program)	*
Recreation Lands Reserve Fund			500		
Parking Reserve Fund			1,165		
General Capital Reserve Fund			2,908		
 TIER 3 - MAINTENANCE					
Life Cycle Renewal - Parking Facilities	335	335	335	0	
Parking Reserve Fund			335		
 TIER 4 - MAINTENANCE					
Life Cycle Renewal - General Buildings		3,707		0	
Lane Rehabilitation Program	20	20	20	0	
Life Cycle Renewal of City Vehicles and Equip.	2,900	2,845	2,845	(55)	2
Subtotal	2,920	6,572	2,865	(55)	
Vehicle and Equipment Reserve Fund			2,845		
General Capital Reserve Fund			20		
 TIER 1 - NEW					
New Sidewalk Program		200	200	200	3
Sidewalk Ramp Program		100		0	
New Street Lighting		100		0	
Subtotal	0	400	200	200	
General Capital Reserve Fund			200		
 TIER 2 - NEW					
Plant Bath Redevelopment		6,230		0	
Lees Ave. Ball Diamond		150		0	
Facility Service Improvements		150		0	
Woodroffe Park Redevelopment		150		0	
Glebe Centre		2,665		0	
Mooney's Bay Redevelopment		250		0	
Recreation Paths		250		0	
Jack Purcell Renovations		50		0	
Sportsfield Development		100		0	
Francophone Theatre Grant		250		0	
Subtotal	0	10,245	0	0	

1999 RECOMMENDED CORPORATE CAPITAL PROGRAM
\$000

DESCRIPTION OF CAPITAL WORKS	1999 Strategy (prepared in 1998)	1999 Request	1999 Recommended Corporate Capital Program	Difference (Strategy and Recommended Program)	*
TIER 3 - NEW					
Comprehensive Cycling Plan		150	150	150	2
Purchase Parking Meters to replace old stock	300			(300)	2
Roadway Modifications	150	195	150	0	
Purchase Pay and Display Machines		100	100	100	5
Traffic Control Signal Upgrading		80		0	
Traffic Control Signal Upgrading - Replacement		65		0	
Parking Facility at Preston St. - surface lot		1,060	1,060	1,060	5
Roadway Modifications - Upgrading		50		0	
Roadway Modifications - Sandy Hill		95		0	
Roadway Modifications - Centretown		50		0	
Roadway Modifications - Island Park Drive		36		0	
Roadway Modifications - Somerset Heights		29		0	
Roadway Modifications - Parkdale Area		22		0	
Roadway Modifications - Old Ottawa South		10		0	
Roadway Modifications - New Edinburgh		10		0	
York Street - Steps with NCC - Planning		150		0	
Subtotal	450	2,102	1,460	1,010	
Parking Development Reserve Fund			1,060		
Parking Reserve Fund			100		
General Capital Reserve Fund			300		
TIER 4 - NEW					
Accessibility		50		0	
Building Energy Retrofits		500		0	
Salt Domes - Heatherington - New Constr.		180		0	
Salt/Grit mix Domes - Heatherington - New Constr.		18	18	18	6
Salt/Grit mix Dome - Industrial - New Construction		18	18	18	6
Salt/Grit mix Domes - Hurdman - New Constr.		18	18	18	6
Salt/Grit mix Domes - Woodward - New Constr.		18	18	18	6
Subtotal	0	802	72	72	
General Capital Reserve Fund			72		
GRAND TOTAL	33,738	56,903	30,886	(2,852)	

1999 RECOMMENDED CORPORATE CAPITAL PROGRAM
\$000

DESCRIPTION OF CAPITAL WORKS	1999 Strategy (prepared in 1998)	1999 Request	1999 Recommended Corporate Capital Program	Difference * (Strategy and Recommended Program)
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*** Reasons for Variance**

- 1. Unavailability of growth-related funding
- 2. Update of departmental requirements
- 3. Safety concern
- 4. Insufficient funding available
- 5. Update of departmental requirements - dedicated funding source available
- 6. Update of departmental requirements - environmental issue, operating budget pressure