



City of  
**Peterborough**

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**To: Members of the Budget Committee**

**From: Sandra Clancy, Director of Corporate Services**

**Meeting Date: June 19, 2017**

**Subject: Report CPFS17-033  
Notice of Public Meeting – June 28, 2017  
2018 Budget Guideline Report**

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## **Purpose**

A report to advise Council that a public meeting will be held Wednesday, June 28, 2017 at 6:00 pm, to present a 2018 Budget Guideline Report and to hear public delegations.

## **Recommendations**

That Council approve the recommendations outlined in Report CPFS17-033 dated June 19, 2017, of the Director of Corporate Services, as follows:

- a) That Report CPFS17-033, advising Council that a public meeting will be held on June 28, 2017 at 6:00 pm, to present a preliminary 2018 Budget Guideline Report, as set out in Appendix A to Report CPFS17-033, and to hear public delegations, be received.
- b) That a final version of the 2018 Guideline Report, as set out in Appendix A, be presented to the July 24, 2017 Budget Committee meeting.

## **Budget and Financial Implications**

There are no budget or financial implications to receiving the report. A report will be presented to the July 24, 2017 Budget Committee containing specific recommendations for the 2018 Budget Guideline Report and addressing issues that may arise during the June 28, 2017 public meeting.

## Background

A public meeting will be held on June 28, 2017 at 6:00 pm, during which staff will present a 2018 Budget Guideline Report, attached as Appendix A.

Members of the public will then have an opportunity to make presentations or comment to Council about the proposed Guidelines. They may also take the opportunity to comment on other aspects of the City's Operating and Capital Budgets that are not specifically addressed in the Guideline Report.

Two other documents are attached to this report to provide some context as to the cost of City services. They are:

Appendix B – 2017 Gross Operating Expenditures and 2017 Net Operating Expenditures

Appendix C - What a Residential Taxpayer Pays for Various Municipal Services for the year 2017

The purpose of the Public Meeting is to provide an opportunity for the public to provide input into the budget process prior to July 24, 2017 when the guideline will be discussed and set by Council.

The public may also choose to provide a written submission or send an email to staff at the contact information provided below.

Council is not required to make any final decisions during the June 28, 2017 Public Meeting or give direction to staff.

A staff report will be presented to the July 24, 2017 Budget Committee, setting out the final recommendations, and staff will attempt to address any issues raised during the public meeting or will outline how the issue will be addressed.

Submitted by,

Sandra Clancy  
Director of Corporate Services

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Attachments:

Appendix A - CPFS17-037 – Preliminary 2018 Budget Guidelines Report

Appendix B – 2017 Gross Operating Expenditures and 2017 Net Operating Expenditures

Appendix C - What a Residential Taxpayer Pays for Various Municipal Services for the year 2017

Appendix A

**Report CPFS17-037**  
**Preliminary 2018 Budget Guidelines**



City of  
**Peterborough**

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**To: Members of the Budget Committee**

**From: Sandra Clancy, Director of Corporate Services**

**Meeting Date: July 24, 2017**

**Subject: Report CPFS17-037  
2018 Budget Guidelines**

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## **Purpose**

A report to recommend the 2018 Budget Guidelines.

## **Recommendations**

That Council approve the recommendations outlined in Report CPFS17-037, dated July 24, 2017, of the Director of Corporate Services, as follows:

- a) That the Draft 2018 Operating Budget reflects an estimated 1.70% all-inclusive (Municipal, Education, Sanitary, and Storm Sewer Surcharge) increase for increased operating costs and traditional support for the capital program.
- b) That the Draft 2018 Operating Budget reflects an estimated 0.65% all-inclusive ((Municipal, Education, Sanitary, and Storm Sewer Surcharge) increase for increased support for the sanitary and storm sewer operating and capital costs, comprised of:
  - i) An annual charge of \$14.89 on the property tax bill for the median assessed home for a Stormwater Protection Surcharge, and
  - ii) An increase in the Sewer Surcharge rate of 2.08% from 95% of the Water Rate to 97.1% of the Water Rate.
- c) That the Draft 2018 Operating Budget reflect an additional 0.5% all-inclusive (Municipal, Education, Sanitary, and Storm Sewer Surcharge)

- increase to fund the 2018 increase for tax-supported debt charges and any increase to base capital levy to continue to implement the Capital Financing Policy approved by Council at its meeting held April 23, 2012.
- d) That the revised Tax Ratio Reduction Program continues for the 2018 Draft Budget and reflects reductions:
- i) to the Commercial and Industrial Class Tax Ratios but not the Multi-residential Class, and
  - ii) at the reduced rate established through the 2016 Budget process, and
  - iii) for the Commercial Class only, accelerated by a one-time amount of \$300,000.
- e) That the increase in the Police Services portion of the draft 2018 Operating Budget reflect no more than the Operating portion of Net Tax Levy increase (estimated to be 1.7%), and any increase in the net Police Services budget beyond the estimated Operating Portion of the Net Tax Levy increase be addressed by Council as part of the detailed 2018 Budget deliberations to occur in November of 2017.
- f) That any additional investment proceeds in 2018 from the sale of Peterborough Distribution Inc., be directed towards enhancing Capital financing, and not be used for purposes of reduction in net tax levy.
- g) That, regarding any potential gaming revenues to be received from a Casino in 2018, the draft budget contain recommendations that will:
- i) Direct the City's share of all future municipal gaming revenues towards financing future Capital works, and not be used for purposes of reduction in net tax levy in the Operating Budget, and
  - ii) Place any residual Gaming Revenues over and above the amount budgeted in 2018 in a new Gaming Revenues Reserve to be used to finance future capital works.
- h) That the 2018 Highlights Book includes a section on the information gathered through the Public Meeting held on June 28, 2017 and a response to each.
- i) That the start time of the public meeting previously scheduled for 7:00 pm November 22, 2017, be changed to 6:30 pm.

## Budget and Financial Implications

When ultimately approved, the Budget will have significant financial implications for both the City and taxpayers.

Based on a number of early assumptions, a combined 2.850% all inclusive rate increase equates to a \$2.8 million (2.3%) increase in total tax levy requirements. Approximately \$792,300 (0.6%) of the total increase would be used to implement the capital financing policy and \$2.0 million (1.7%) would be used to fund all other operating increases.

For an average taxpayer based on an estimated 2018 median assessed value of \$243,500, 2.85% would add an estimated \$109 to the combined municipal, education, storm and sewer surcharge levy.

Recommendation c) does not impact the 2018 levy requirement nor the amount of tax collected, but does reduce the tax burden from the Commercial and Industrial Classes, and shifts the burden to the Residential and Multi-residential Tax Classes. The impact to the Residential and Multi-residential Tax Class is estimated to be \$285,230 or 0.18% on the all-inclusive increase.

## Background

### 2018 Budget Process Began April, 2017

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In April 2017, staff began the process of compiling the preliminary 2018 Budget estimates.

During the various review stages, staff will ensure the 2018 Draft Budget, to be presented to Budget Committee on November 6, achieves the guidelines ultimately approved through discussions of this report.

### 2.850% All-Inclusive Increase

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Staff recommend a 2.85% all-inclusive increase comprised of a 1.70% general increase, a 0.5% component to continue to implement Council's Capital Financing policy approved April 23, 2012, and a 0.65% to provide \$620,000 for a Storm Water Protection rate, and an additional \$350,000 in Sewer Surcharge.

Based on the preliminary analysis done to date, further amounts will have to be found through a combination of expenditure reductions and revenue increases to meet the 1.70% general increase target in order to present a draft budget at 2.850%. For 2013 – 2016, the Operating Budget increase was 2.0%. In 2017, Council approved an increase of 1.72%.

## 2018 Operating Budget

A general discussion on a number of factors is set out below:

### Assessment – 2018 is Year 2 of New 4 Year Cycle

The assessment of all property in Ontario is carried out by the Municipal Property Assessment Corporation (MPAC). The current value assessment (CVA) of a property is an estimate of the market value of a property at a fixed point in time.

Beginning with the 2009 taxation year, amendments to the Assessment Act provided for a four-year assessment update cycle. The years 2009 – 2012 were based on a valuation date of January 1, 2008. For 2013, and continuing through 2016, property assessment values have been based on a January 1, 2012 valuation date. For 2017, and continuing through 2020, property assessment values will be based on a January 1, 2016 valuation date.

The following provides a sample calculation of the assessment phase-in.

CVA based on January 1, 2016 valuation date:	\$280,000
CVA based on January 1, 2012 valuation date:	<u>\$240,000</u>
Change in CVA (total amount to be phased-in):	\$40,000

Annual amount to be phased-in: \$40,000 / 4 years = \$10,000 per year

Taxation Year	2016	2017	2018	2019	2020
Valuation Date	January 1, 2012	January 1, 2016	January 1, 2016	January 1, 2016	January 1, 2016
Phase-in %	--	25%	50%	75%	100%
CVA figure used for taxation	\$240,000	\$250,000	\$260,000	\$270,000	\$280,000*

\* In the example above, the "destination assessment" is the fully phased-in CVA with a January 1, 2016 Valuation Date.

For the purposes of the preliminary analysis presented in this report, staff have assumed that reassessment has no overall impact.

### Assessment – 0.61% Real Growth Projections

Various events and activities influence assessment growth. These include zoning changes, subdivision activity and new construction.

Staff have completed an initial review, including building permits, zoning changes, subdivision activity and condominium plans and estimate real assessment will follow similar increases as used in the 2017 Budget. Overall, assessments will increase by 0.61% and with each class as follows for 2018:

- Residential 0.75%
- Multi-residential 1.00%
- Commercial 0.00%
- Industrial 0.00%

The preliminary analysis completed so far, does not substantiate any realizable growth in the Commercial sector.

### **Economic Factors - Consumer Price Index (CPI) projected to be approximately 2.0% for 2018**

In 2017, in releasing the Ontario Budget, the Province provided their Fiscal Outlook. In doing so, the Minister projected inflation for 2018 at 2.0%.

TABLE 6.18 Ontario Economic Outlook  
(Per Cent)

	2014	2015	2016	2017p	2018p	2019p	2020p
Real GDP Growth	2.7	2.5	2.7	2.3	2.1	2.0	1.7
Nominal GDP Growth	4.7	4.9	4.6	4.3	4.1	4.2	3.9
Employment Growth	0.8	0.7	1.1	1.3	1.2	1.1	0.9
CPI Inflation	2.4	1.2	1.8	2.0	2.0	2.0	2.0

**Table 6.18 Footnotes:**

p = Ontario Ministry of Finance planning projection.

For 2018, the City's Draft Budget will be prepared assuming a 2.0% inflationary increase.

Impacts subject to inflationary pressures are difficult to quantify, but a conservative estimate of the impact to the operating budget for expenses, other than personnel costs and other pressures specifically addressed, would be \$0.5 million.

### **Personnel Costs (excluding Police) - \$2.2 million impact**

Personnel costs are a major component of the operating budget. Contracts actually settled for 2017 include all the CUPE groups, the Peterborough Professional Fire Fighters Association (Local 169) as well as the Non-Union group. Appropriate assumptions for negotiated settlements will be made for contract settlements with the Amalgamated Transit Union (Local 1320). When grid steps and annualizations of 2017 new hires are considered, the 2018 impact is expected to be \$2.2 million. These numbers do not include Police Services which are referenced in a separate section of this report.

In May 2017, the Province announced their intention to raise the minimum wage in Ontario from the current \$11.40 per hour, to \$14.00 on January 1, 2018 and \$15.00 on January 1, 2019. Staff are currently working through the financial implications of the announcement and it has ramifications beyond simply those

making minimum wage. Preliminary estimates indicate that the 2018 budget impact could be as high as \$200,000. The announcement may also have future implications for costs of contracts with suppliers such as, security, courier and cleaning services.

The changes being proposed to Employment Standards legislation effective April 1, 2018 that would ensure equal pay for equal work for Casual, Part-time, Temporary and Seasonal employees will also have financial impacts if passed.

### **Social Services**

There are numerous issues that staff are currently working through for the 2018 Draft Budget. Four of the more significant issues are as follows:

#### **Mandatory Benefits - Provincial Upload and Case Load**

The Province is continuing to upload social assistance benefit costs. The programs affected include: Ontario Works (OW) – Mandatory Benefits, OW - Discretionary Benefits and portions of Addiction Services and OW Administration. For 2018, the Provincial share becomes 100.0% (2017 – 97.2%) and the municipal share 0% (2017 – 2.8%). In dollar terms, the 2.8% shift in impact for the City is estimated to be \$861,000.

The average combined City and County caseload, for the first four months of 2017 is approximately 3,880, which is slightly below the budgeted average of 3,885. For 2018, staff are projecting a decrease of 0.9% in the average caseload (3,850) from the previous year budget.

Altogether, the net impact of changes to Mandatory Benefits is expected to be reduced by approximately \$759,000.

#### **Discretionary Benefits**

For 2018, it is anticipated that an additional \$80,000 will be requested for the City to help support increases to policy limits, such as increasing payments to clients for eyeglasses from \$250 to \$350. No draw is expected to be required from the Social Services Reserve.

#### **Community Homelessness Prevention Initiative (CHPI)**

In a letter dated October 4, 2016, the Ministry of Housing announced the City's funding for the next two fiscal years. For the period April 2017-March 2018, funding was confirmed at \$3,347,645 and for the period April 2018 - March 2019 the City's funding will be \$3,380,790.

## **Children's Services**

In September 2016, the government announced a major Child Care Expansion Plan to create access to licensed child care for 100,000 more children aged 0-4 over the next five years. In a letter dated April 28, 2017, the Ministry of Education informed the City of its allocation for the Expansion Plan. In 2017, the City has been allocated \$951,826 in 100% dollars from the Province to fund the first year of expansion in the City and County of Peterborough. It is estimated that the City will receive approximately \$1.58 million for 2018, the second year of the Expansion Plan. Staff are beginning the planning process and will continue to do so as more information about the expectations and requirements come forward.

Also in 2018, the Province will transfer the management of the Ontario Early Years Child and Family Centres (OEYCFCs) to municipalities. Planning continues to occur so the City will be ready for implementation beginning January 1, 2018. In 2017, the funding for the Data Analysis Coordinator position officially moved to the City. In 2018, the remaining budget for OEYCFCs will be transferred to the City.

## **Utilities**

Although the City does have a Price Hedging contract in place that should mitigate at least a portion of any increase, staff estimate that electricity expenses will increase by approximately 6% in 2018 over 2017 actual costs. Staff estimate a budget impact of approximately \$840,800 for heat and hydro when the electricity used in street lights is included.

## **City/County Weighted Taxable Assessment**

The Consolidated Service Agreement with the County of Peterborough uses the previous year's weighted average current value assessment to calculate the City-County proportionate share for both Provincial Offences and Social Housing. For 2018, the County's share is 54.5% and the City's is 45.5%, the same as in 2017.

## **Transfer to Other Organizations**

### **Police Services**

Based on the corporate Operating guideline target of 1.70%, the net increase equates to an amount to be raised from taxation of \$2.0 million. That means all departmental requests and outside board requests have to be accommodated within a 1.7% tax levy increase for staff to meet the proposed 2018 budget guidelines. The percentage and amount will be updated as budget assumptions are refined.

Accordingly, staff recommend that the increase in the Police Services portion of the draft 2018 Operating Budget reflect no more than the Operating portion of Net Tax Levy increase (estimated to be 1.7%), and any increase in the net Police Services budget beyond the estimated Operating Portion of the Net Tax Levy

increase be addressed by Council as part of the detailed 2018 Budget deliberations to occur in November of 2017.

With such an approach, Council can then determine, when reviewing all of the priorities from various department budgets, to what extent any additional Police amounts should be considered over and above the 1.7% Operating component of the Guideline. Alternatively, Council may determine reductions should be made elsewhere in departmental budgets to be able to provide Police more than the 2018 increase in the Operating portion of the Net Tax Levy.

### **Fairhaven**

The recent announcement included in the Province's 2017 Budget related to long-term care were welcome, however, the funding continues to fall short of the mark in terms of providing facilities like Fairhaven with the funds needed to operate in a financially sustainable manner - without heavy reliance on municipal funding support.

Preliminary analysis indicates that the new subsidy amounts for both electricity and raw food are not keeping pace with current levels of expenditures in these areas; and no funding is provided for any wage settlement increases. Capital Budgeting continues to be challenging given the continued lack of provincial funding for asset/equipment purchases.

Staff anticipate that Fairhaven's ask in 2018 will be moderated compared to recent years, but will still increase by approximately \$147,000 from \$1,066,600 to \$1,213,600.

### **Downtown Business Improvement Area (DBIA)**

On February 13, 2017, in consideration of Report OCS17-003 – OMB Appeal – 1400 Crawford Drive, Council committed to make an additional financial contribution towards the DBIA in the amount of \$150,000 for a term of 20 years.

### **Storm Water Protection Rate and Sewer Surcharge – 0.65% Impact on All-inclusive**

On February 13, 2017, in consideration of Report USEC17-001 Water Resource Protection, Council resolved the following:

- c) That related to a dedicated stormwater protection fee:
  - i) Council recognize the need to, over time, increase the annual stormwater funding allocation by an additional \$6.2 million, subject to annual budget discussions; and
  - ii) In the first year, being 2018, an additional amount up to \$620,000 be included in the "All Inclusive" budget, subject to budget discussions and final budget approval.

- iii) Storm water protection fee charges to individual properties based on the Variable Rate Option which considers the impervious surface associated with the property;
  - iv) Incentive programs including subsidies and stormwater credit programs that allow property owners to reduce their runoff and possibly receive credit for doing so;
- d) That, related to an increased need to maintain the City's sanitary sewer system:
- i) Council recognize the need to, over time, increase the annual sanitary sewer funding by an additional \$3.5M, subject to annual budget discussions; and
  - ii) In the first year, being 2018, an additional amount up to \$350,000 be included in the "All Inclusive" budget, subject to budget discussions and final budget approval.

Based upon the above resolutions of Council, staff will include in the 'all-inclusive' rate an amount of 0.65% to accommodate water resource protection as follows:

**Stormwater Protection Surcharge** - For 2018, for the median assessed home in the City of Peterborough, an amount of \$14.89 (0.39% impact on 'All-inclusive' rate). The additional \$14.89 will have the effect of collecting an additional \$620,000 and will be collected through the property tax bill as a separate line item.

**Sewer Surcharge** – an increase in the Sewer Surcharge Rate of 2.08% from 95% of the Water Rate to 97.1% (0.26% impact on 'All-Inclusive' rate) on of the Water Rate to collect an additional \$350,000 in Sewer Surcharge.

### **Education Rates – expected to decrease slightly**

Although Education Rates are established by the Province, they affect the final all-inclusive tax increase. Draft Education Rates are typically published by the Province in December of each calendar year for the following year. For the last number of years, the rate has been declining as assessment in the Province has increased. The 2018 Draft Budget will be prepared and presented to Council based on the premise that the Education rates will decrease 4.5% as in 2017.

## **Tax Ratios and the Tax Ratio Reduction Plan**

Tax ratios are applied to current value assessment to determine weighted value assessment that is, in turn, used to calculate municipal tax rates.

Tax ratios have a direct bearing on the tax rate calculations and ultimately determine the relationship that industrial, commercial, and multi-residential municipal tax rates have to the residential tax rate.

Continuing the Tax Ratio Reductions Program does not impact tax levy requirements. It does, however, shift the tax burden from one property tax class to another.

Staff recommend that the revised Tax Ratio Reduction Program continues for the 2018 Draft Budget and reflects reductions:

- i) to the Commercial and Industrial Class Tax Ratios but not the Multi-residential Class, and
- ii) at the reduced rate established through the 2016 Budget process, and
- iii) for the Commercial Class only, accelerated by a one-time amount of \$300,000.

Part iii) of the recommendation is a result of Council approval of Report CPFS17-023 Vacancy Rebate Program Recommendations dated May 29, 2017, whereby the Vacancy Rebate Program is to be eliminated for the 2018 Budget and the \$300,000 budget for the Vacancy Rebate Program is to be redeployed to the Tax Ratio Reduction Program by accelerating the reduction of ratios for the Commercial tax class.

By redeploying the funds to accelerate the reduction of the ratios for the Commercial Tax class, all Commercial property owners will receive a direct benefit in 2018 and future years.

By reducing the net tax levy by \$300,000 the Residential tax class is, for the most part, kept whole and the Commercial class will achieve the goal of a tax rate of 1.5% of the residential class by 2020 – not 2021.

## **Comparative All Inclusive Tax and Sewer Surcharge Rates and Levies**

Taking all the above recommendations into consideration, the following chart summarizes the residential tax and sewer rates and resulting levies for a median single family dwelling:

**Comparative All Inclusive Tax and Sewer Surcharge Rates and Levies  
For Median Single Family Dwelling (Not on Water)**

Ref C1	Description C2	2017 C3	2018 C4	Change from 2017	
				Amount C5	% C6
1.01	<b>Gross Expenditures</b>	256,162,827	260,862,422	4,699,595	1.8%
1.02	<b>Amount raised from taxation (see note 3)</b>	123,156,926	125,986,295	2,829,369	2.3%
1.03	<b>Effect of tax ratio plan on change in all-inclusive rate</b>				0.4%
1.04	<b>Effect of 2018 Real Assessment Growth on change in all- inclusive rate</b>				-0.4%
2.00	<b><u>Residential Tax Rates</u></b>				
2.01	Municipal	1.2564280%	1.2446480%	-0.0117800%	-0.9%
2.02	Education (estimate)	0.1790000%	0.1709450%	-0.0080550%	-4.5%
2.03	<b>Total</b>	<b>1.4354280%</b>	<b>1.4155930%</b>	<b>-0.0198350%</b>	<b>-1.4%</b>
3.00	<b><u>Average Annual Water Rates</u></b>	458.75	472.51	13.76	3.0%
4.00	<b>Sewer Surcharge Effective Rate</b>	<b>95.0%</b>	<b>97.1%</b>	<b>2.1%</b>	<b>2.2%</b>
	<b><u>Levies / Collected</u></b>				
5.00	<b>Water Revenues</b>	16,940,500	17,511,500	571,000	3.4%
5.01	<b>Sewer Surcharge</b>	15,449,700	16,320,200	870,500	5.6%
6.00	<b>Estimated Median Assessed Value - SFD Not on Water</b>	235,200	243,500	8,300	3.5%
7.00	<b><u>Residential Tax Levy on Assessment</u></b>				
7.01	Municipal	2,955.12	3,030.72	75.60	2.6%
7.02	Education	421.01	416.25	-4.76	-1.1%
7.03	<b>Total</b>	<b>3,376.13</b>	<b>3,446.97</b>	<b>70.84</b>	<b>2.1%</b>
7.04	<i>Per month</i>	<i>281.34</i>	<i>287.25</i>	<i>5.90</i>	<i>2.1%</i>
8.00	<b>Sewer Surcharge Payable</b>	435.81	458.71	22.90	5.3%
8.01	<i>Per Month</i>	<i>36.32</i>	<i>38.23</i>	<i>1.91</i>	<i>5.3%</i>
9.00	<b>Stormwater Protection Surcharge payable</b>	0.00	14.89	14.89	0.0%
9.01	<i>Per Month</i>	<i>0.00</i>	<i>1.24</i>	<i>1.24</i>	<i>0.0%</i>
9.00	<b>Total Municipal Tax, Sewer and Stormwater</b>	<b>3,390.93</b>	<b>3,504.32</b>	<b>113.39</b>	<b>3.3%</b>
9.01	<i>Per Month</i>	<i>282.58</i>	<i>292.03</i>	<i>9.45</i>	<i>3.3%</i>
10.00	<b>Combined Mun and Ed Tax Plus Sewer Surcharge &amp; Stormwater</b>	<b>3,811.94</b>	<b>3,920.57</b>	<b>108.63</b>	<b>2.85%</b>
10.01	<i>Per Month</i>	<i>317.66</i>	<i>326.71</i>	<i>9.05</i>	<i>2.85%</i>

**Notes**

- The tax levies shown are for the median single family dwelling unit (not on water) assessed at \$ 235,200 for 2017 and \$ 243,500 for 2018. Individual tax levies and percentage changes will vary depending on actual assessed values each year.
- A \$1,584,612 change in net tax levy for 2018 equates to a 1% change in the Combined Municipal and Education Tax on Assessment plus Sewer Surcharge. For example, to lower the 2018 proposed 2.5% increase to 1.5%, \$1,584,612 net tax levy funded expenditures would have to be cut.

## **2018 Capital Budget**

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The amount of capital work to be done to maintain the City's assets or expand its infrastructure due to increasing demands continues. The following outlines the strategies suggested for 2018.

### **0.5% to Continue to Implement Capital Financing Policy**

At its meeting held April 23, 2012, based on recommendations in Report CPFS12-011, dated April 4, 2012, Council approved a new Capital Financing Policy. The new policy identified additional capital levy and created additional capacity to issue new debt, but increased the amount of annual principal and interest to be repaid that has to be budgeted in the annual operating budget.

The following was established:

- c) That the maximum current year annual debt repayment is based on 15% of the City's consolidated own-purpose revenues (Net Revenues), inclusive of the tax-supported current year debt payment, which is limited to 8% of the corporation's own purpose revenues; and
- d) That, to phase-in the new maximum debt limit, the total annual amount of new tax-supported debt charges and any increase in the capital levy provision be limited so that the impact on the residential all-inclusive tax increase does not exceed 1% per year.

Based upon the discussion in Report CPFS 17-031 2018 Debt Capacity Limit, dated June 19, 2017, Council could increase the provision for new tax-supported debt by a full 1% or \$13.9 million in 2018, and still be within the policy of new debt that could be issued.

However, considering the new efforts being made for the Water Resource Protection starting in 2018, some of which are capital expenditures and trying to respond to citizens and Council's concern to keep tax increases at reasonable rates, staff are recommending that the 2018 Draft Capital Budget be prepared assuming an additional 0.5% for new tax-supported debt.

### **Dividends from City of Peterborough Holdings Inc. (CoPHI) and Sale of PDI**

The City is expecting to receive \$5.554 million in dividend payments in 2017 from CoPHI, the Peterborough Utilities Group of Companies.

The sale of Peterborough Distribution Inc. (PDI) will necessitate a reduction in the dividend amount in 2018. For 2018, dividend revenues from CoPHI are projected to be \$4.691 million and are based on a sale transaction close of March 31, 2018.

For budgetary purposes, net sale proceeds from the sale of PDI are estimated to be \$50 million. Assuming an aggressive investment return of 6.0%, proceeds from the sale could be in the range of \$2.25 million. If the sale transaction were to occur later, say June 30, 2018, investment proceeds would be reduced to an estimated \$1.5 million.

Regardless of the sale date, for the purposes of preparation of the Draft 2018 Budget and subject to further Council discussion and direction, staff recommend that similar to the COPHI dividend payment, any additional investment proceeds from the sale of PDI, be directed towards enhancing Capital financing, and not be used for purposes of reduction in the net tax levy.

### **Pre-commitments of Capital Financing**

Chart 2 summarizes the pre-commitments of funding Council has made towards the 2018 Capital program. Altogether, Council has pre-committed \$11,392,500 in funding to nine different projects or initiatives. Of this amount, \$4,792,500 is tax supported.

### **Other Capital Pressures**

In addition to these pre-commitments, there are many other requests for assistance for community projects that will also add pressure to the 2018 capital budget such as last year of support to Hospice and \$393,000 for Year 2 of the five year commitment to Humane Society for the new animal care centre. It is also expected that the Canoe Museum will attend the June 28, 2017 Public Meeting to seek funding from the City for the new Canoe Museum to be built along the canal.

**Chart 2**  
**2018 Capital Pre-commitments**

Ref	Project Name	Report Reference	Waste Water Reserve Fund	Federal Gas Tax	Development Charges	PTIF/Transit Reserve	Tax Supported Debt / Capital Levy	Total Commitment
1	Hilliard Street	USEC17-003	\$500,000	\$350,000				\$850,000
2	PMC Refrigeration	CPFS17-015					\$940,000	\$940,000
3	Transit Buses	CPFS17-019				\$1,500,000	\$925,000	\$2,425,000
4	Donegal St Bridge McDonnel & Gilchrist	USEC17-015	\$875,000	\$875,000				\$1,750,000
5	Crawford Dr and Harper Rd Extension 2018-2019	PLPD17-026 (2018 only)		\$500,000	\$2,000,000		\$1,500,000	\$4,000,000
6	Hospice Peterborough 2016 – 2018	CPFS15-036					\$500,000	\$500,000
7	Humane Society 2017-2021	OCS16-002					\$393,000	\$393,000
8	Phase-in of DC's 2015-2018	CPFS12-056					\$330,500	\$330,500
9	Fairhaven	CPFS12-062					\$204,000	\$204,000
	<b>Total</b>		<b>\$1,375,000</b>	<b>\$1,725,000</b>	<b>\$2,000,000</b>	<b>\$1,500,000</b>	<b>\$4,792,500</b>	<b>\$11,392,500</b>

### **Flood Reduction Master Plan - Sewer Surcharge**

Since 2005, an amount has been set aside from Sewer Surcharge and directed towards the Flood Reduction Master Plan program. At the present time, it appears there is sufficient approved funding in place for the flood mitigation projects to continue throughout 2018 without infusing new funds into the program. As part of the 2018 Budget process, staff will review the \$2.5 million traditionally set aside from the Waste Water Reserve and other Waste Water funded capital projects and may recommend a change to this traditional support.

### **Casino – impacts on 2018 Budget**

The Site Plan for the Casino was approved by Council through Report PLPD17-026 and was approved on June 5, 2017. The Casino is expected to open in June 2018 and the Hotel is expected to open by 2019.

Report PLPD16-038 to the May 9, 2016 Planning Committee estimated the construction value of the Casino to be \$49 million and the Hotel at \$17 million. Combined, this would generate \$1 million in tax revenue. For the purposes of the 2018 Draft Budget, staff will assume that the Casino will be operational for one-half of the year in 2018.

Based upon these dates, it is reasonable to assume an increase in supplementary tax revenue in the amount of \$200,000 specific to the casino development.

It is also reasonable to assume that in 2018, Peterborough will begin to receive a share of gaming revenues from OLG. It is difficult to estimate what that amount might be, however, in 2016, the existing Casino operation in Cavan Monaghan generated \$3.2 million of additional revenue to the Township. The proposed casino in Peterborough is projected to have additional slot machines as well as card tables that may result in this number being increased.

For purposes of the 2018 Draft Budget and subject to further Council discussion and direction, staff recommend that any gaming revenues in 2018 increase capital financing. By using this approach, risk to estimating either too high an amount, or too low an amount is mitigated and a dependency is not created by impacting net tax levy in the Operating Budget. The funds will assist capital spending and capital spending can be adjusted easier to match available financing more so than the revenue becoming base revenue in the operating budget.

Based on the estimated opening date of the Casino, the 2018 capital budget will reflect increased capital financing in the amount of \$1,500,000. Staff recommend that the Draft Budget contain recommendations that reflect that any amount received over and above \$1,500,000 be placed in a new Gaming Revenue Reserve to be used to finance future capital works.

**Public Meeting held on June 28, 2017**

The first public meeting for the 2018 Budget will be held on June 28, 2017. Staff will summarize the input from the presentations by the public stakeholders in the final version of this Report.

**Summary**

If the recommendations in this report are approved, staff will prepare a Draft Budget that reflects a target 2.85% all-inclusive tax increase, with up to .05% of that being used for the Capital Financing Policy. There are however, several impacts that are unknown at this time and there is risk in committing to this increase. As always, preparing a Draft Budget, supporting existing levels of service at a reasonable cost to taxpayers will be a difficult task.

Submitted by,

**DRAFT**

Sandra Clancy  
Director of Corporate Services

Contact Name:

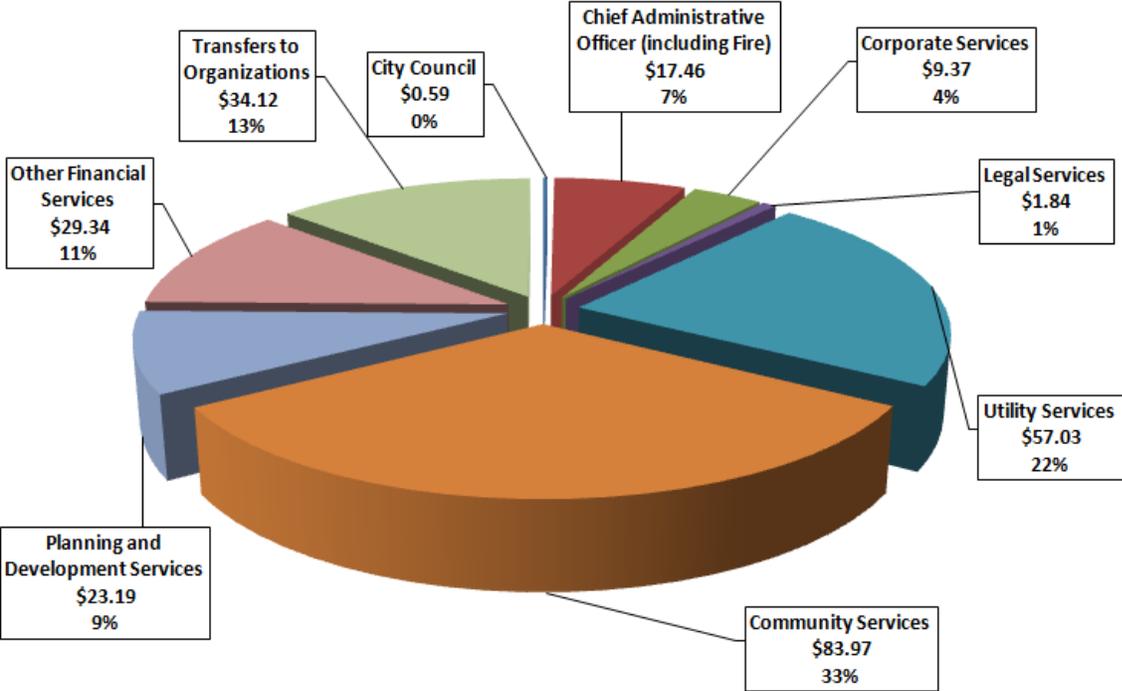
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Appendix B

**2017 Gross Operating Expenditures and  
2017 Net Operating Expenditures**

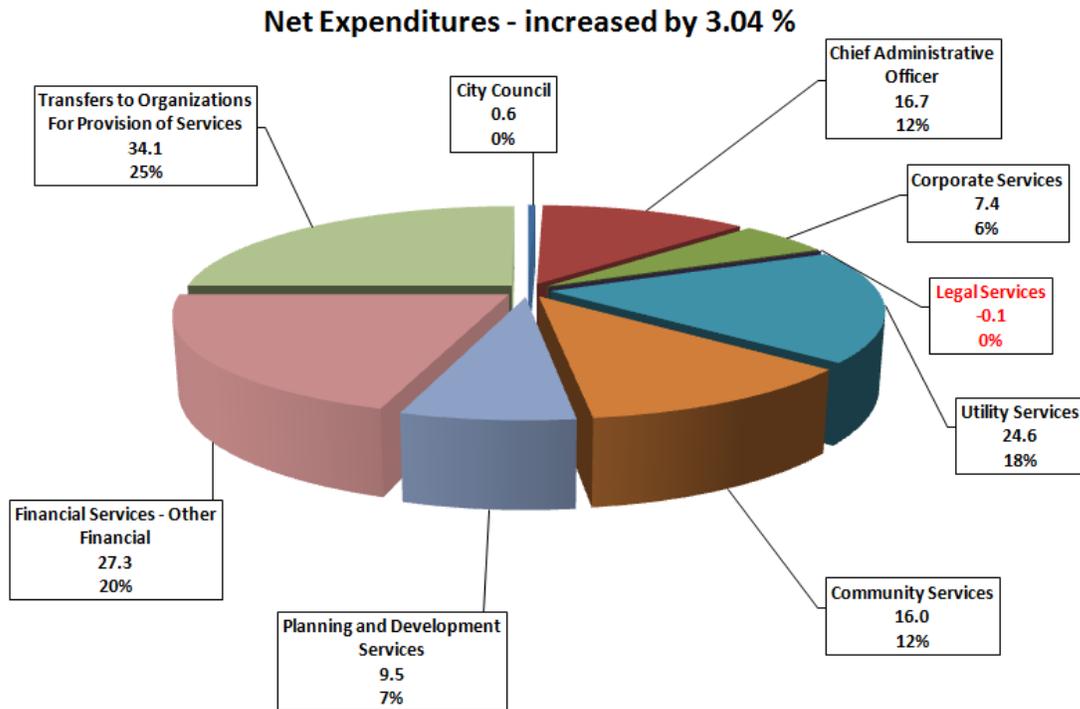
# Factors Impacting Gross Expenditures

Operating Gross Expenditures \$ 256.9 (Million)



## Gross expenditures versus net expenditures

Gross expenditures, less direct revenues of \$120.7 million, such as conditional grants and user fees, result in net expenditure requirements for 2017 of \$136.2 million as shown in the following chart.



Appendix C

**What a Residential Taxpayer Pays for Various  
Municipal Services for the year 2017**

# What a Residential Tax Payer Pays

## What a Residential Tax Payer Pays for Various Municipal Services For the Year 2017

Based on a home assessed at \$235,200

Service, Program, Transfers	Net Requirement Before Indirect Revenues	Allocated Indirect Revenue	Net tax Levy	Residential Municipal Tax Rate	Tax levy	% of Total
<b>City Council</b>						
City Council	585,882	56,131	529,751	0.005404%	12.71	0.43%
	585,882	56,131	529,751	0.005404%	12.71	0.43%
<b>Chief Administrative Officer</b>						
Office of Chief Administrative Officer	479,010	45,892	433,118	0.004419%	10.39	0.35%
Fire Services	15,821,159	1,515,768	14,305,391	0.145941%	343.25	11.62%
Emergency Management	438,343	41,996	396,347	0.004043%	9.51	0.32%
	16,738,512	1,603,656	15,134,856	0.154403%	363.16	12.29%
<b>Corporate Services</b>						
City Clerk	709,130	67,939	641,191	0.006541%	15.39	0.52%
Financial & Property Services	3,585,154	343,481	3,241,674	0.033071%	77.78	2.63%
Human Resources	1,092,280	104,647	987,633	0.010076%	23.70	0.80%
Corporate Information Services	1,919,286	183,880	1,735,406	0.017704%	41.64	1.41%
Facilities and Special Projects	125,885	12,061	113,824	0.001161%	2.73	0.09%
	7,431,735	712,008	6,719,728	0.068554%	161.24	5.46%
<b>Legal Services</b>						
Office of the Solicitor	557,348	53,397	503,951	0.005141%	12.09	0.41%
Provincial Offences Act Office	-608,693	-58,317	-550,376	-0.005615%	-13.21	-0.45%
	-51,345	-4,920	-46,426	-0.000474%	-1.11	-0.04%
<b>Utility Services</b>						
Office of the Utilities Services Director	406,026	38,900	367,126	0.003745%	8.81	0.30%
Engineering, Construction and Infrastructure Planning	1,794,206	171,896	1,622,310	0.016551%	38.93	1.32%
Public Works	8,487,884	813,193	7,674,691	0.078296%	184.15	6.23%
Transportation	8,678,908	831,495	7,847,414	0.080058%	188.30	6.37%
Environmental Protection	642,790	61,583	581,207	0.005929%	13.95	0.47%
Waste Management	4,580,238	438,816	4,141,422	0.042250%	99.37	3.36%
	24,590,052	2,355,883	22,234,169	0.226829%	533.50	18.05%
<b>Community Services</b>						
Community Service Administration	1,742,398	166,933	1,575,465	0.016073%	37.80	1.28%
Recreation	984,547	94,326	890,221	0.009082%	21.36	0.72%
Arts, Culture and Heritage	4,527,600	433,773	4,093,827	0.041765%	98.23	3.32%
Arenas	1,596,204	152,926	1,443,278	0.014724%	34.63	1.17%
Social Services	7,168,857	686,822	6,482,035	0.066129%	155.53	5.26%
	16,019,606	1,534,780	14,484,826	0.147772%	347.56	11.76%
<b>Planning and Development Services</b>						
Planning, Geomatics / Mapping Administration	2,136,627	204,702	1,931,925	0.019709%	46.36	1.57%
Housing	4,627,277	443,323	4,183,955	0.042684%	100.39	3.40%
Peterborough Airport	2,288,687	219,271	2,069,416	0.021112%	49.66	1.68%
Building Inspection and Protective Services	446,032	42,733	403,299	0.004114%	9.68	0.33%
	9,498,623	910,029	8,588,595	0.087619%	206.08	6.97%
<b>Capital Levy, Debt &amp; Financial Summary</b>						
Capital Financing Costs	21,841,417	2,092,547	19,748,870	0.201475%	473.87	16.04%
Property Taxation Costs	3,305,784	316,715	2,989,069	0.030494%	71.72	2.43%
Other Expenditures	1,257,667	120,492	1,137,175	0.011601%	27.29	0.92%
Contingency Provision	864,120	82,788	781,332	0.007971%	18.75	0.63%
	27,268,988	2,612,542	24,656,446	0.251541%	591.62	20.02%
<b>Transfers to Organizations For Provision of Services</b>						
Police Services	24,432,932	2,340,830	22,092,102	0.225380%	530.09	17.94%
Fairhaven	1,745,794	167,258	1,578,536	0.016104%	37.88	1.28%
Peterborough County/City Paramedics Service	4,666,843	447,113	4,219,730	0.043049%	101.25	3.43%
Otonabee Region Conservation Authority	737,813	70,687	667,126	0.006806%	16.01	0.54%
Peterborough Family Health Team	20,412	1,956	18,456	0.000188%	0.44	0.01%
Peterborough Public Health	1,205,956	115,538	1,090,418	0.011124%	26.16	0.89%
Peterborough Economic Development	949,364	90,955	858,409	0.008757%	20.60	0.70%
Humane Society	365,194	34,988	330,206	0.003369%	7.92	0.27%
	34,124,308	3,269,325	30,854,982	0.314778%	740.36	25.05%
<b>Total Net Expenditures</b>	<b>136,206,361</b>	<b>13,049,434</b>	<b>123,156,926</b>	<b>1.256428%</b>	<b>2,955.12</b>	<b>100.00%</b>

### Notes

1. 'Net Tax Levy' equals gross expenditures less all sources of direct revenues that may apply. For example, Transportation gross expenditures less transportation revenues equals net transportation tax levy.

2. 'Residential Municipal Tax Rate' shown is expressed as a percentage that when multiplied by CVA and divided by 100 equals the tax levy shown for each service. As example, the tax rate for Council is 0.005404% and the resulting tax levy for a house assessed at \$235,200 is 12.71 (0.0005404 X \$235,200 / 100 = 12.71). Some totals and subtotals may not add exactly due to rounding differences.

3. Tax Levy shows what the taxpayer with the shown CVA pays in 2017 for the services.