

# Request for Decision

## 2015-2017 Three Year Financial Forecast

Presented To: Finance and Administration Committee

Presented: Tuesday, Aug 12, 2014

Report Date Thursday, Jul 31, 2014

Type: Presentations

### Recommendation

THAT the City of Greater Sudbury accept the 2015 to 2017 Three Year Financial Forecast as outlined in the report dated July 31, 2014 from the Chief Financial Officer/City Treasurer.

### Executive Summary

The purpose of this Report is to outline to Council the preliminary financial forecasts for 2015, 2016 and 2017. This forecast has been based on current information while delivering the same service level that is currently in place for the City of Greater Sudbury.

### City of Greater Sudbury 2015-2017 Preliminary Financial Forecast

**Signed By**

**Report Prepared By**  
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Manager of Financial Planning & Budgeting  
*Digitally Signed Jul 31, 14*

**Recommended by the Department**  
Lorella Hayes  
Chief Financial Officer/City Treasurer  
*Digitally Signed Aug 1, 14*

**Recommended by the C.A.O.**  
Doug Nadorozny  
Chief Administrative Officer  
*Digitally Signed Aug 1, 14*

	2015 Forecast %	2016 Forecast %	2017 Forecast %
Tax Levy Increase	5.5	4.1	3.7
Less: Impact of Assessment Growth	(0.6)	(0.6)	(0.6)
Forecasted Municipal Tax Increase	4.9%	3.5%	3.1%
<b>Tax Increase Consists of:</b>			
Provincial Mandated (including loss of OMPF Revenue)	1.4	1.2	1.0
Municipal Services (net of assessment growth)	2.3	1.3	1.1
Capital	0.3	0.3	0.3

Outside Boards	0.9	0.7	0.7
Forecasted Municipal Tax Increase	4.9%	3.5%	3.1%
Annual Impact to the Homeowner *	\$139	\$97	\$92

\*The municipal tax impact is calculated on a property in the former City of Sudbury with a Current Value Assessment of \$230,000.

Appendix "A" displays the 2015 Budget Forecast Variance Analysis.

Appendix "B" displays the 2015 Preliminary Forecast by service area.

Appendix "C" displays the 2016-2017 Operating Budget Projection Summary by service area.

Appendix "D" displays the 2015-2017 Financial Forecast by expenditure and revenue categories.

Appendix "E" displays the Net Expenditures by service delivery criteria.

Staff will continue to look for efficiencies and cost savings to reduce the forecasted tax increases.

## BACKGROUND

### Three Year Financial Projection

The information contained in this report and Appendix A, B, C, D and E is based on factors that Finance and the operating departments know as of today, and will be refined before the budget document and the final projections are made to Council in December 2014.

The following financial forecasts are based on delivering the same level of service that is currently in place for the City of Greater Sudbury, and the following assumptions and key highlights:

1. General inflation factors applied to costs, unless otherwise noted are based on the Bank of Canada inflationary control target of 2.0%. Inflation projections from four of the major banks that have inflation forecasts for 2015 range from 1.8% to 2.4%.

The ten year history of Consumer Price Index has reflected an increase on average of 2.2% per year. The rate of 2.0% has been used for the 2015, 2016 and 2017 forecast. For 2015, the 2% inflation on non-contractual obligations is approximately worth \$1.1 million or 0.5% tax increase.

2. Energy costs have been rising throughout 2014 and it is expected that these commodities will remain at elevated levels through 2015 for varying reasons. Diesel and unleaded fuel are reflecting levels at \$1.16/litre for the 2015 budget, up from a budgeted level of \$1.12 in 2014. For 2016 and 2017, a 2% increase is contained in this forecast. These gas prices are affected by increased oil prices resulting from the geo-political unrest, specifically the Iraqi civil war and the Russia/Ukraine conflict.

Natural gas prices have been gaining significant traction over the last six months as a result of the continued draw down in storage from the cold winter. Prices are expected to remain at current levels for 2015 as the North American economy is showing significant signs of recovery. For this reason, natural gas increases for 2015 are budgeted 16% higher than 2014. The current contract expires in October 2014 and staff will be securing a consultant for the next RFP process to ensure the best possible price for the commodity. Natural gas prices have been increased in this forecast by 2% in 2016 and 2017 as prices are expected to stabilize.

For the purpose of this forecast, a conservative 5% increase for hydro in each of the next three years was used.

Based on the volatility in the energy market, these estimates are subject to change prior to the final budget being distributed to Council.

3. Overall, salary and benefits have been forecasted to increase based on the tentative and ratified contractual agreements, as well as projections for contracts that have expired on or will expire during the term of this three year forecast.

Increases in health benefits, short and long term disability premiums are estimated to be much greater than the inflationary index and range in this projection from 3% to 20% based on past experience and utilization. The value of the fringe benefit increases for 2015 are approximately \$2.0 million or approximately a 0.9% levy increase. For 2016 and 2017 a 5% increase is being used for health benefits, short term and long term disability premiums. Prior to the preparation of the draft budget, staff will be requesting Mercers, the City's benefit consultant, to review the rates to determine if some premiums can be reduced.

In total, salaries and benefits account for a \$6.1 million increase over the 2014 budget.

4. Generally, user fees have been increased by the estimated 3.0% for 2015 to 2017 in accordance with the Miscellaneous User Fee Bylaw.
5. Water/Wastewater, Cemetery, Building Services, 199 Larch Street and Parking have been assumed to be self-supporting in accordance with policy. The fire protection portion of the water budget remains on the levy and it has increased by \$200,000.
6. Contributions for capital envelopes have been increased by 2.0% for 2015 in accordance with the Capital Policy, which calls for the greater of 2.0% or the first quarter increase in the Non-Residential Building Construction Price Index. This index is currently under 2%, therefore, a 2% increase will be used. For 2016 and 2017, a 2.0% increase has been used for this forecast for both years. The impact of the 2.0% to the 2015 budget, is \$700,000 and represents 0.3% increase to the net levy.
7. Revenue from supplementary taxation has been flat lined in each of the next three years based on recent trends.

Investment income has been flat lined in 2015 based on current market conditions and due to uncertainty for 2016 and 2017 there has been no change for this forecast.

Slot revenue has been reduced by \$150,000 to reflect recent activity.

8. Contractual obligations in the Compliance and Enforcement Section may result in a significant increase and this estimate has been provided for in 2015.

9. Increases in transfers to social housing providers and a marginal loss in federal funding (\$50,000) translate into a \$500,000 impact to the 2015 budget. For 2016 and 2017, increases in social housing costs will be \$600,000 and \$500,000 respectively.
10. The three year forecast for OMPF is a decline of 10.0% in each year. Staff believe this conservative approach is prudent in this fiscal environment. This translates into a loss in revenue of \$3.1 million in 2015, \$2.8 million in 2016 and \$2.5 million in 2017. A more detailed explanation of the OMPF is contained in the latter part of this report.
11. Preliminary estimates for the outside Boards: Nickel District Conservation Authority, Sudbury and District Health Unit and Police Services are included in this projection.
12. Continued provincial uploading is resulting in a decrease of Social Services net costs in the amount of approximately \$800,000.
13. Increase in contractual obligations in winter control contracts, including the street sweeping contract, are responsible for a \$500,000 increase in roads maintenance.
14. A projected increase in Transit/Fleet net costs of approximately \$1 million is required for increased expenditures related to higher fuel costs, an increased provision for debt financing for 1160 Lorne Street, an increase to the garage repairs budget reflecting historical actuals, as well as revenues reflecting a minimal increase as a result of reduced ridership.
15. Increase in Environmental Services net costs of \$600,000 is primarily as a result of anticipated reduced Waste Diversion Ontario funding, as well as contractual increases.
16. The increase in Fire Services of \$1 million is primarily a result of contractual wage and benefit increases and the effect of collective bargaining for volunteer fire fighters.

The impact of the above noted pressures can be seen in Appendix A – Variance Analysis and Appendix B – 2015 Operating Budget Summary Forecast.

## Impact of the Ontario Municipal Partnership Grant (OMPF) on Future Operating Budget

### 2014 Allocations

For 2014, Northern Ontario municipalities received a minimum of 90% of their 2013 OMPF and additional funding based on the fiscal health of their communities. The criteria used to determine fiscal health relates to such items as weighted

assessment per household and median household income as the primary indicators and new construction and employment issues as secondary indicators. Fiscal health of a community ranges from 0 (strong) to 10 (weak). The City of Greater Sudbury rating is 3.6, which indicates relatively strong fiscal health. Our City received 90% of the 2013 OMPF plus 1.6% (out of a maximum of 10.0%) of the 2013 OMPF as a result of our Municipal Fiscal Circumstances Index (MFCI). This results in the City receiving 91.6% of the 2013 OMPF allocation. This represented a \$2.9 million loss to the City.

## 2015 OMPF and Beyond

The Provincial Government announced that the OMPF will be reduced by \$25 million a year until 2016. For 2014, the OMPF was reduced from \$575 million to \$550 million. In the 2014 Provincial Budget, it was announced that the reduction of the OMPF will be accelerated and the value of the provincial allocation for 2015 will be \$515 million instead of \$525 million, which results in an additional \$10 million to be lost for the OMPF municipalities collectively.

The OMPF is the Province's main unconditional transfer payment to municipalities that primarily supports rural and northern communities in recognition of their unique challenges.

The Province has committed to work closely with municipalities to manage the phase-down of the program, and ensure that details of the 2015 allocations are available as soon as possible to support municipal budget planning.

For the 2015, 2016 and 2017 forecasts, staff are being conservative by using 90% of the previous year's allocation, which translates into a reduced OMPF by \$3.1 million in 2015, \$2.8 million in 2016 and \$2.5 million in 2017. The loss of \$3.1 million in 2015 would translate into a 1.4% tax increase.

## Assessment Growth

For this forecast, an estimated assessment growth of 0.6% has been used in each of the three years. This is well below the average annual growth over the last ten years. However, the City only realized 0.7% assessment growth in 2014 and based on current building activity, staff are uncertain that this number will be met in 2015 or the near future. It is difficult to project assessment growth as new construction is also offset by demolitions and other tax write-offs. It should also be noted that not all construction is subject to taxable assessment. Construction in underground facilities is not subject to taxation. In addition, manufacturing and processing properties would not be assessed on the equipment or foundations to support the equipment used in the processing. Until projects are completed and reviewed by MPAC, it is difficult to estimate the assessed value.

To put the estimated growth into perspective, the value of 0.6% growth each year would have to generate an increased weighted assessment of \$115 million over the current assessment of \$19.0 billion. This number is net of all tax write-offs, which reduces the assessment growth. The majority of the City's growth over the last few years has come from the residential class. Council will be kept apprised of assessment growth through the budget variance reports, which will report on the supplementary taxation rolls received from MPAC.

## Provincial Budget

The following reflects some of the highlights of the 2014 Provincial Budget that will affect municipalities:

1. Investing a total of \$2.5 billion in 2014-2015 for highway rehabilitation and expansion projects across the Province. A commitment of \$26.7 million was made for Maley Drive Stage 1.
2. Supporting municipal roads and bridges through a new permanent annual \$100 million fund.
3. Reduction in the OMPF by \$35 million in 2015 as opposed to the \$25 million reduction originally planned.
4. Providing all charitable and non-profit long term care homes a property tax exempt status.
5. Phasing down of the power generating dam special payment program to \$14.3 million by 2017. The City currently receives \$622,000.
6. Ending of the Ontario Clean Energy Benefit on December 31, 2015 and replacing it with a planned rate-base program.
7. Expanding the current regulation to include six additional cancers presumed to be work-related for firefighters under the Workplace Safety and Insurance Act (WSIA).

As more information becomes available, the impact to the City will be identified.

## Fiscal Sustainability

The forecasts reflected in all schedules are based on inflationary assumptions and known contractual obligations while delivering the same level of service as in 2014.

Staff and Council have found efficiencies through the fiscal sustainability initiative over the last four years. Staff is determined to continue with this program and identify efficiencies for Council for the upcoming operating budget and beyond. The CAO has directed staff to continually look for efficiencies to offset budgetary increases as well as providing effective services to the community.

From 2011 to 2014, Council has approved \$5.5 million in operating budget reductions through the fiscal sustainability initiative.

For 2015, staff will be identifying additional cost savings to reduce the 2015 budget increases.

## Budget Enhancement Options (2011 – 2014)

The following chart reflects the gross expenditures (excluding water and waste water) and the impact on the net tax levy for budget enhancement options approved during this term of Council.

	Capital	Physician Recruitment	Emergency Shelters	Other	Total Gross Expenditures	Net Tax Levy
2011	1.3 M	0.4 M	0.4 M	0.3 M	\$ 2.4 M	\$ 0 M
2012	0.8 M	0.4 M	0.3 M	0.1 M	1.6 M	0.8 M
2013	1.1 M	0.2 M	0.2 M	0.4 M	1.9 M	0.7 M
2014	<u>0.0 M</u>	<u>0.2 M</u>	<u>0.0 M</u>	<u>0.5 M</u>	<u>0.7 M</u>	<u>0.2 M</u>
Total	<u>3.2 M</u>	<u>1.2 M</u>	<u>0.9 M</u>	<u>1.3 M</u>	\$ <u>6.6 M</u>	\$ <u>1.7 M</u>

In the last four years, significant options for Capital, Physician Recruitment and Emergency Shelters have been approved. As illustrated in this chart, of the \$6.6 million in gross expenditures, \$1.7 million was funded by the tax levy with the remainder funded by reserves.

### Addressing the Capital Infrastructure Deficit

While the City has made progressive steps in dealing with the capital infrastructure gap; most recently implementing the increase to the capital envelopes based on the non residential building construction price index, there is still a major shortfall in funding.

As identified in the Roads Long Term Financial Plan presented in 2012, a 3.0% levy increase in each of the next ten years is required to fund the capital shortfall. In addition, Facilities, Fleet and Fire Services are spending less on an annual basis than what is required for replacement of their assets.

As previously mentioned, the Provincial Government has announced a number of infrastructure funding initiatives that staff will investigate and apply for if determined beneficial. Staff will prepare options for Council's consideration to lessen this infrastructure gap.



## Water/Wastewater

In 2011, Council accepted a ten year Water and Wastewater Financial Plan which recommended an annual rate increase of 7.4% to achieve financial sustainability. This rate has not been implemented in any of the past three budget years. The financial plan will be updated during 2015 and presented to Council ahead of the 2016 budget deliberations.

During 2013 budget deliberations, Council approved a three year phase-in of anticipated capital and operating costs related to the Biosolids project. The annual increase to the Wastewater budget is \$1.3 million and 2015 represents the last year of the increase. The phase-in for 2014 represented 2.3% of the overall 4.6% increase to the water/wastewater rate.

## Budget Schedule

The tabling of the 2015 operating and capital budgets is tentatively set for December of 2014. Public input will take place in January with budget deliberations to follow in late January through March. A detailed schedule will be provided in December 2014.

## Summary

This budget forecast is based on the best estimates available at this time. As the time progresses, these estimates will be refined and form part of the draft 2015 Base Budget. This three year forecast reflect tax increases (net of assessment growth of 0.6%) of 4.9% in 2015, 3.5% in 2016 and 3.1% in 2017.


Staff will continue to investigate efficiencies including reduction options that would provide for a tax increase that approximates inflation when the impact of the OMPF is excluded.

**Appendix A**  
**2015 Budget Forecast Variance Analysis**  
(in \$ millions)

	Gross Budget	Revenue	Net Levy	% Chg
<b>2014 Approved Operating Budget (as restated)</b>	<b>\$ 503.3</b>	<b>\$ 272.8</b>	<b>\$ 230.5</b>	
<b><u>Provincially Mandated Programs including OMPF:</u></b>				
<b><i>Social Housing</i></b>				
- Contribution to Greater Sudbury Housing Corporation	0.2	-	0.2	
- Contribution to Non-Profit Housing Corporations	0.3	-	0.3	
<b><i>Social Services</i></b>				
- Increase in Ontario Works Programs including CHPI	0.3		0.3	
- Ontario Works Upload (from 11.4 to 8.6% municipal share)		0.8	(0.8)	
<b><i>Decrease in OMPF</i></b>		(3.1)	3.1	
<b><i>Emergency Medical Services (Land ambulance)</i></b>	0.4	0.2	0.2	
	1.2	(2.1)	3.3	1.4%
<b><u>Maintaining Services:</u></b>				
Decrease in OLG Slot Revenue		(0.2)	0.2	
Increase in Compliance and Enforcements	0.3		0.3	
Increase in Winter Control contracts	0.5		0.5	
Increase in Handi Transit Contracts and 1160 Lorne Debt	0.2		0.2	
Decrease in Election Expenses	(1.0)	(1.0)	-	
Increase in Contractual Obligations and loss of WDO revenue in Env Services	0.3	(0.3)	0.6	
Increase in Energy costs ( except WWW and police)	0.8		0.8	
Increase in Fringe Benefit Costs ( excl Police and WWW)	1.1		1.1	
Inflationary increases	1.1		1.1	
Increase in other Contractual obligations, salaries and other changes (net of revenue increases)	1.7		1.7	
Increase in Water Budget for Fire Protection	3.9	3.7	0.2	
	8.9	2.2	6.7	2.9%
<b><u>Capital:</u></b>				
Increase Capital Envelopes (except WWW and police)	0.7	-	0.7	
	0.7	-	0.7	0.3%
<b><u>Outside Boards:</u></b>				
NDCA / SDHU	0.1	-	0.1	
Police Services	1.6	(0.3)	1.9	
	1.7	(0.3)	2.0	0.9%
<b>2015 Forecast Budget</b>	<b>\$ 515.8</b>	<b>\$ 272.6</b>	<b>\$ 243.2</b>	<b>5.5%</b>
<b>Estimated Assessment Growth</b>				<b>-0.6%</b>
<b>2015 Forecasted Municipal Tax Increase</b>				<b>4.9%</b>

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**Appendix B  
2015 Preliminary Forecast**

	2014 APPROVED BUDGET (\$000)			2015 DRAFT BUDGET (\$000)			VARIANCE		
	Expenses	Revenues	Net	Expenses	Revenues	Net	Net	% change over 2014	% 2014 Levy
<b>Corporate Revenue-Expenditures</b>									
Taxation Levy	2,825	-10,629	-7,804	2,825	-10,496	-7,671	133	-1.7%	
Grants and Subsidies		-31,456	-31,456		-28,311	-28,311	3,146	-10.0%	
Other Revenues Summary	2,545	-13,230	-10,685	2,244	-12,772	-10,527	157	-1.5%	
<b>Total</b>	<b>5,370</b>	<b>-55,316</b>	<b>-49,945</b>	<b>5,069</b>	<b>-51,679</b>	<b>-46,609</b>	<b>3,436</b>	<b>-6.9%</b>	<b>1.49%</b>
<b>Executive - Administrative</b>									
Office of the Mayor	620		620	633		633	13	2.2%	
Council Memberships & Travel	71		71	71		71			
Council Expenses	1,027		1,027	1,057		1,057	30	2.9%	
Healthy Community Initiatives	600		600	600		600			
Auditor General	367		367	382		382	15	4.0%	
Office of the C.A.O. Summary	1,566	-10	1,556	1,613	-10	1,603	47	3.0%	
<b>Total</b>	<b>4,251</b>	<b>-10</b>	<b>4,241</b>	<b>4,356</b>	<b>-10</b>	<b>4,346</b>	<b>105</b>	<b>2.5%</b>	<b>0.05%</b>
<b>Administrative Services</b>									
Clerks Administrative Services	2,532	-1,153	1,379	1,669	-192	1,477	99	7.2%	
Debt - Contribution to Capital	467		467	476		476	9	2.0%	
Legal Services	1,754	-230	1,524	1,781	-235	1,546	22	1.5%	
Provincial Offices	1,152	-2,611	-1,459	1,198	-2,611	-1,413	46	-3.2%	
Information Technology	52	-52	0	52	-52	0	0	-97.6%	
<b>Total</b>	<b>5,956</b>	<b>-4,046</b>	<b>1,911</b>	<b>5,176</b>	<b>-3,089</b>	<b>2,087</b>	<b>176</b>	<b>9.2%</b>	<b>0.08%</b>
<b>Human Res and Org Dev</b>									
Human Resources	429	-429	0	444	-444	0	0	-51.4%	
<b>Total</b>	<b>429</b>	<b>-429</b>	<b>0</b>	<b>444</b>	<b>-444</b>	<b>0</b>	<b>0</b>	<b>-51.4%</b>	<b>0.00%</b>
<b>Financial Services</b>									
Financial Services Admin.	1,158		1,158	1,178		1,178	20	1.7%	
Financial Planning-Budgeting	5,340	-1,136	4,204	5,391	-1,137	4,254	50	1.2%	
Taxation	1,017	-409	608	1,042	-422	620	12	2.0%	
Supplies and Services	93	-17	76	146	-17	130	53	69.8%	
Accounting Services	1,529	-181	1,348	1,477	-111	1,366	18	1.3%	
Financial Support	0		0	0		0	0	-274.8%	
<b>Total</b>	<b>9,138</b>	<b>-1,743</b>	<b>7,395</b>	<b>9,235</b>	<b>-1,687</b>	<b>7,549</b>	<b>154</b>	<b>2.1%</b>	<b>0.07%</b>
<b>Growth - Development Services</b>									
General Manager's Office	293		293	299		299	6	2.1%	
Economic Development	7,238	-2,459	4,778	6,722	-1,888	4,834	56	1.2%	
Planning and Development	6,064	-1,468	4,596	6,168	-1,465	4,704	108	2.4%	
Sudbury Airport Personnel	2,004	-2,004	0	2,073	-2,073	0	0	-80.0%	
Building Serv EnforcCompliance	5,947	-5,501	446	6,274	-5,518	756	309	69.3%	
Asset Services Summary	9,928	-5,314	4,615	10,134	-5,368	4,766	151	3.3%	
Environmental Services	21,022	-10,225	10,798	21,563	-10,166	11,397	599	5.5%	
<b>Total</b>	<b>62,496</b>	<b>-26,970</b>	<b>25,525</b>	<b>53,233</b>	<b>-26,477</b>	<b>26,756</b>	<b>1,230</b>	<b>4.8%</b>	<b>0.53%</b>
<b>Community Development Services</b>									
General Manager Office	366		366	377		377	12	3.2%	
Debt - Contribution Capital	4,243		4,243	4,328		4,328	85	2.0%	
Administrative-Financial Serv.	450		450	460		460	11	2.3%	
Housing Services	26,007	-5,658	20,350	26,517	-5,608	20,909	559	2.7%	
Long Term Care-Senior Services	32,614	-29,091	3,523	33,460	-29,734	3,726	203	5.8%	
Social Services	42,737	-34,049	8,688	42,837	-34,693	8,144	-544	-6.3%	
Citizen Services	30,519	-19,134	11,385	30,903	-19,170	11,734	349	3.1%	
Leisure - Recreation Services	26,715	-8,736	17,979	27,493	-8,971	18,521	542	3.0%	
<b>Total</b>	<b>163,651</b>	<b>-96,667</b>	<b>66,983</b>	<b>166,376</b>	<b>-98,176</b>	<b>68,200</b>	<b>1,216</b>	<b>1.8%</b>	<b>0.53%</b>
<b>Infrastructure Services</b>									
I.S.G.M.'s Office	213		213	222		222	9	4.1%	
Public Works Depots	1,200	-18	1,182	1,246	-18	1,227	45	3.9%	
Engineering Services	76	-76	0	78	-78	0	0	1,350.0%	
Water/Wastewater Maintenance	65,584	-62,321	3,262	69,344	-65,869	3,475	213	6.5%	
Roads Mtce	66,123	-531	65,591	68,130	-543	67,587	1,995	3.0%	
Transit-Fleet-Crossing Guard	22,993	-9,913	13,080	24,028	-9,989	14,039	959	7.3%	
<b>Total</b>	<b>156,189</b>	<b>-72,860</b>	<b>83,329</b>	<b>163,047</b>	<b>-76,497</b>	<b>86,550</b>	<b>3,221</b>	<b>3.9%</b>	<b>1.40%</b>
<b>Emergency Services Division</b>									
Emergency Services	20,758	-10,152	10,606	21,205	-10,332	10,873	267	2.5%	
Fire Services Division	23,365	-440	22,925	24,172	-279	23,893	968	4.2%	
<b>Total</b>	<b>44,123</b>	<b>-10,592</b>	<b>33,531</b>	<b>45,377</b>	<b>-10,611</b>	<b>34,766</b>	<b>1,235</b>	<b>3.7%</b>	<b>0.54%</b>
<b>Share of N.D.C.A.</b>									
N.D.C.A. Share	655		655	648		648	-7	-1.1%	
<b>Total</b>	<b>655</b>		<b>655</b>	<b>648</b>		<b>648</b>	<b>-7</b>	<b>-1.1%</b>	<b>0.00%</b>
<b>Share of Public Health</b>									
Public Health Share	5,659		5,659	5,772		5,772	113	2.0%	
<b>Total</b>	<b>5,659</b>		<b>5,659</b>	<b>5,772</b>		<b>5,772</b>	<b>113</b>	<b>2.0%</b>	<b>0.05%</b>
<b>Police Services</b>									
Police Service	55,429	-4,235	51,193	57,033	-3,956	53,077	1,884	3.7%	
<b>Total</b>	<b>55,429</b>	<b>-4,235</b>	<b>51,193</b>	<b>57,033</b>	<b>-3,956</b>	<b>53,077</b>	<b>1,884</b>	<b>3.7%</b>	<b>0.82%</b>
<b>Net Levy</b>	<b>503,345</b>	<b>-272,868</b>	<b>230,478</b>	<b>516,768</b>	<b>-272,527</b>	<b>244,241</b>	<b>12,763</b>	<b>5.5%</b>	

Less: Impact of Estimated Assessment Growth

0.6

**Forecasted Tax Increase**

**4.9**

**Appendix C**  
**2016 - 2017 Operating Budget Projection Summary by Service Area**

	2016 Budget (\$000)					2017 Budget (\$000)				
	Revenues	Expenses	Net	% change	Net Levy Impact	Revenues	Expenses	Net	% change	Net Levy Impact
<b>Corporate Revenue and Expenditures</b>	-48,748	5,179	-43,568	(6.3)	1.2	-46,200	5,179	-41,020	(5.9)	1.0
<b>Executive &amp; Legislative</b>	-10	4,439	4,429	1.9	0.0	-10	4,523	4,513	1.9	0.0
<b>Administrative Services</b>	-3,095	5,307	2,212	6.0	0.1	-3,100	5,441	2,341	5.8	0.1
<b>Human Resources &amp; Prof Development</b>	-444	444			0.0	-444	444			0.0
<b>Financial Services</b>	-1,699	9,317	7,617	0.9	0.0	-1,713	9,533	7,820	2.7	0.1
<b>Growth and Development</b>										
Economic Development	-4,016	8,950	4,934	2.1		-4,073	9,109	5,037	2.1	
Planning & Development	-1,489	6,314	4,825	2.6		-1,515	6,464	4,948	2.6	
Building, Enforcement, Compliance	-5,623	6,403	780	3.2		-5,730	6,534	804	3.2	
Asset Services	-5,423	10,326	4,902	2.9		-5,481	10,523	5,042	2.9	
Environment Services	-10,424	22,128	11,704	2.7		-10,654	22,710	12,056	3.0	
Other		308	308	2.9			316	316	2.9	
<b>Total</b>	<b>-26,975</b>	<b>54,428</b>	<b>27,453</b>	<b>2.6</b>	<b>0.3</b>	<b>-27,453</b>	<b>55,657</b>	<b>28,204</b>	<b>2.7</b>	<b>0.3</b>
<b>Community Development</b>										
Housing Services	-5,536	27,045	21,510	2.9		-5,613	27,584	21,971	2.2	
Long Term Care & Seniors Services	-30,030	34,282	4,252	14.1		-30,329	35,126	4,797	12.8	
Social Services Summary	-35,299	42,921	7,621	(6.4)		-36,295	43,205	6,910	(9.3)	
Public Libraries/Citizen Services/Child Care	-19,218	31,238	12,020	2.4		-19,267	31,582	12,314	2.5	
Leisure & Recreation Summary	-9,221	28,147	18,926	2.2		-9,478	28,820	19,342	2.2	
Other		5,275	5,275	2.1			5,386	5,386	2.1	
<b>Total</b>	<b>-99,303</b>	<b>168,908</b>	<b>69,605</b>	<b>2.1</b>	<b>0.6</b>	<b>-100,982</b>	<b>171,703</b>	<b>70,721</b>	<b>1.6</b>	<b>0.4</b>
<b>Infrastructure Services</b>										
Roads Maintenance	-555	69,310	68,755	1.7		-567	70,517	69,950	1.7	
Water Waste Water Maintenance	-67,817	71,442	3,625	4.3		-69,824	73,599	3,775	4.1	
Transit & Fleet	-10,004	24,817	14,813	5.5		-10,277	25,627	15,349	3.6	
Other	-99	1,612	1,513	4.4		-101	1,655	1,553	2.6	
<b>Total</b>	<b>-78,476</b>	<b>167,182</b>	<b>88,706</b>	<b>2.5</b>	<b>0.9</b>	<b>-80,771</b>	<b>171,398</b>	<b>90,627</b>	<b>2.2</b>	<b>0.8</b>
<b>Emergency Services Services</b>										
Emergency Services	-10,465	21,701	11,235	3.3		-10,625	22,209	11,584	3.1	
Fire Services	-282	24,751	24,469	2.4		-284	25,344	25,060	2.4	
Emergency Services	-10,747	46,451	35,705	2.7	0.4	-10,909	47,553	36,643	2.6	0.4
<b>Share of N.D.C.A.</b>		656	656	1.2	0.0		664	664	1.2	0.0
<b>Share of Public Health</b>		5,888	5,888	2.0	0.0		6,006	6,006	2.0	0.0
<b>Police Services</b>	-3,978	58,551	54,573	2.8	0.6	-4,000	60,122	56,123	2.8	0.6
<b>Tax Levy</b>	-273,474	526,750	253,275	4.1	4.1	-275,582	538,223	262,642	3.7	3.7
<b>Impact of Estimated Assessment Growth</b>					(0.6)					(0.6)
<b>Forecasted Tax Increase</b>			253,275		3.5			262,642		3.1

**Appendix D**  
2015 - 2017 Financial Forecast by Expenditure and Revenue Categories

Description	2014 Budget	2015 Forecast	%	2016 Forecast	%	2017 Forecast	%
<b>Revenues</b>							
Levies	(11,106,447)	(10,973,166)	(1.2)	(10,973,166)	0.0	(10,973,166)	0.0
Provincial Grants	(120,152,028)	(117,887,410)	(1.9)	(116,116,935)	(1.5)	(115,004,016)	(1.0)
Federal Grants	(1,059,765)	(876,477)	(17.3)	(876,477)	0.0	(876,477)	0.0
User Fees	(105,206,703)	(109,762,555)	4.3	(112,908,339)	2.9	(116,112,257)	2.8
Licensing & Lease Revenues	(4,782,153)	(4,782,153)	0.0	(4,782,153)	0.0	(4,782,153)	0.0
Investment Earnings	(10,402,914)	(10,394,829)	(0.1)	(10,394,829)	0.0	(10,394,829)	0.0
Contribution fr Reserves / Capital	(6,436,649)	(4,675,133)	(27.4)	(4,193,472)	(10.3)	(4,154,322)	(0.9)
Other Revenues	(13,720,901)	(13,175,146)	(4.0)	(13,229,034)	0.4	(13,284,322)	0.4
<b>TOTAL REVENUES</b>	<b>(272,867,560)</b>	<b>(272,526,869)</b>	<b>(0.1)</b>	<b>(273,474,405)</b>	<b>0.3</b>	<b>(275,581,542)</b>	<b>0.8</b>
<b>Expenditures</b>							
Salaries & Benefits	224,672,131	230,755,865	2.7	236,856,767	2.6	243,119,632	2.6
Materials & Operating Expenses	42,250,440	42,712,741	1.1	43,732,062	2.4	44,557,569	1.9
Energy Costs	19,895,996	20,974,816	5.4	21,708,935	3.5	22,468,747	3.5
Rent & Financial Expenses	1,234,330	531,351	(57.0)	541,978	2.0	552,818	2.0
Purchased / Contract Services	92,013,158	97,361,601	5.8	98,878,747	1.6	100,629,736	1.8
Debt Repayment	8,765,008	8,502,215	(3.0)	8,402,215	(1.2)	8,402,215	0.0
Professional Dev & Training	1,663,091	1,658,480	(0.3)	1,658,480	0.0	1,658,480	0.0
Grants - Transfer Payments	36,694,694	36,851,190	0.4	36,974,588	0.3	37,100,455	0.3
Contribution to Reserves / Capital	77,257,319	77,568,547	0.4	79,602,739	2.6	81,696,720	2.6
Internal Recoveries	(1,100,981)	(1,149,289)	4.4	(1,606,680)	39.8	(1,963,003)	22.2
<b>TOTAL EXPENSES</b>	<b>503,345,186</b>	<b>515,767,517</b>	<b>2.5</b>	<b>526,749,831</b>	<b>2.1</b>	<b>538,223,368</b>	<b>2.2</b>
<b>TAX LEVY</b>	<b>230,477,626</b>	<b>243,240,648</b>	<b>5.5</b>	<b>253,275,426</b>	<b>4.1</b>	<b>262,641,826</b>	<b>3.7</b>
Less: Impact of Estimated Assessment Growth			0.6		0.6		0.6
Forecasted Tax Increase			4.9		3.5		3.1

## **Appendix E**

### **Net Expenditures by Service Delivery Criteria**

Staff have categorized the service areas using the following definitions:

**Mandatory:** Mandated by legislation from either the Provincial or Federal Government

**Essential:** Critical to the operation of the City. Without the service, the city would stop functioning

**Traditional:** A service provided by nearly all large municipalities for many years

**Other:** A service provided in response to particular community needs or specialized purpose

The following is a breakdown of the 2012 and 2014 budgets as well as the 2015 forecast by categories (excluding Corporate Revenues):

<b><u>Category</u></b>	<b><u>2012 Net Levy</u></b>	<b><u>% of Net Levy</u></b>
Mandatory	\$122.8 M	45%
Essential	\$87.6 M	33%
Traditional	\$52 M	19%
Other	\$9 M	3%

The following is a breakdown of the 2014 budget by categories (excluding Corporate Revenues):

<b><u>Category</u></b>	<b><u>2014 Net Levy</u></b>	<b><u>% of Net Levy</u></b>
Mandatory	\$127 M	45%
Essential	\$95.4 M	34%
Traditional	\$51.7 M	18%
Other	\$8.4 M	3%

The following is a breakdown of the 2015 forecast by categories (excluding Corporate Revenues):

<b><u>Category</u></b>	<b><u>2015 Forecast Levy</u></b>	<b><u>% of Net Levy</u></b>
Mandatory	\$130.4 M	45%
Essential	\$100.1 M	34%
Traditional	\$53.6 M	18%
Other	\$8.6 M	3%

As reflected in the charts above, the percentage breakdown has remained consistent for this four year period.