

2018 Capital and Operating Budget Outlook

Corporate Assets Division

Treasury Division

Presentation to City of Kawartha Lakes Council
September 14th, 2017



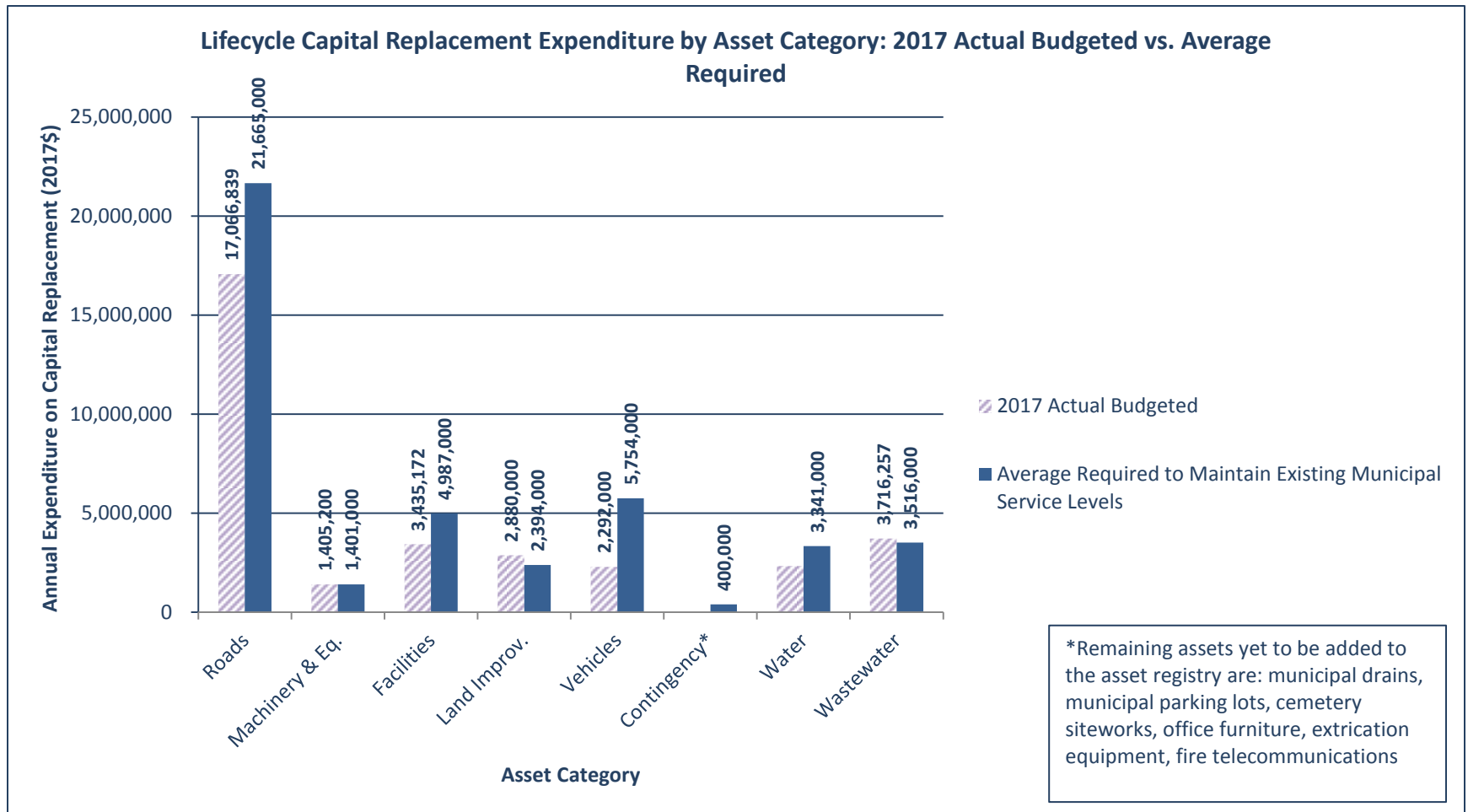
Presentation Outline

- 2018 Budget Process Schedule
- Asset Management Plan and 10-Year Financial Plan
- 2018 Capital Budget Outlook
- 2018 Operating Budget Outlook

2018 Budget Process Schedule

Date	Event
July 11	Asset Management Plan presented to Council and 10-Year Financial Plan approved by Council
September 14, 19 & 20	Budget outlook presentation and departmental operating presentations to Council
September 29	Proposed Capital Budget published electronically for public consumption
October 31- November 1	Capital Budget deliberations in Council
November 10	Adopted Capital Budget and Proposed Operating Budget published electronically for public consumption
November 20	Adopted Capital Budget and Proposed Operating Budget published in hard copy for Council
December 13-14	Operating Budget deliberations in Council

Lifecycle Capital Replacement: 2017



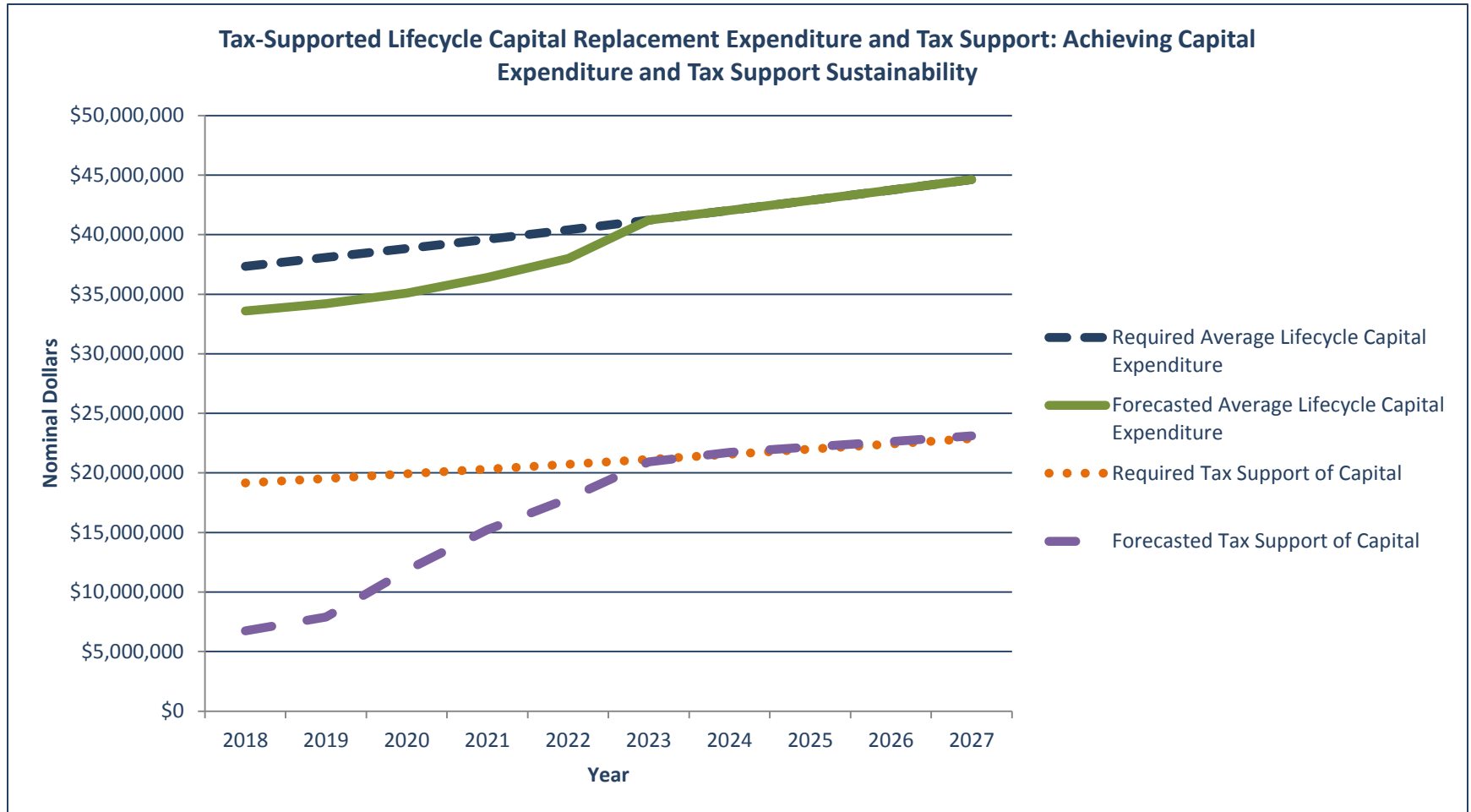
Lifecycle Capital Replacement Infrastructure Deficit: 2017

Capital Replacement Need and Expenditure Summary				
AMP Asset Category (Excluding Police)	2017			
	AMP	Budget	Deficit	Deficit Share
Roads	21,755,000	17,066,839	4,688,161	47%
Machinery & Equipment	1,641,000	905,200	735,800	7%
Facilities	4,987,000	3,435,172	1,551,828	15%
Land Improvements	2,464,000	2,880,000	-416,000	-4%
Vehicles	5,755,000	2,292,000	3,463,000	35%
Total	36,602,000	26,579,211	10,022,789	100%

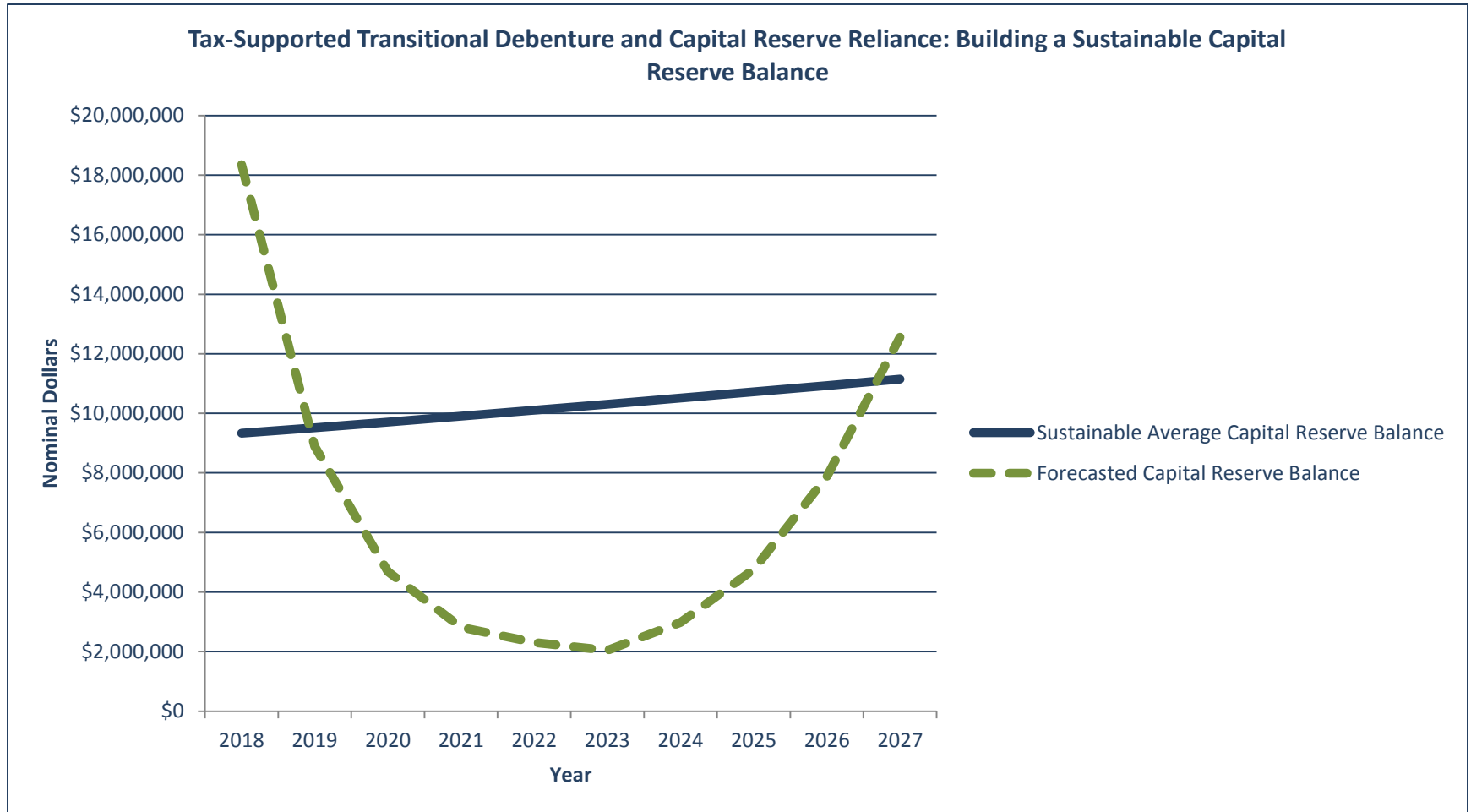
10-Year Financial Plan

- On July 11th, 2017, Council endorsed a 10-Year Financial Plan:
 - Implements the 2017 Asset Management Plan and achieves sustainability on a phased basis.
 - Addresses 2018-2019 operating cost pressures beyond inflationary increases.
- The 10-Year Financial Plan is a living document.
- Staff have updated the 10-Year Financial Plan as a natural part of the 2018 budget process:
 - Capital expenditure increases are now more front-ended to address the capital needs backlog more aggressively (e.g. arenas).
 - Timeframe for sustainability is extended to address increased operating pressures.

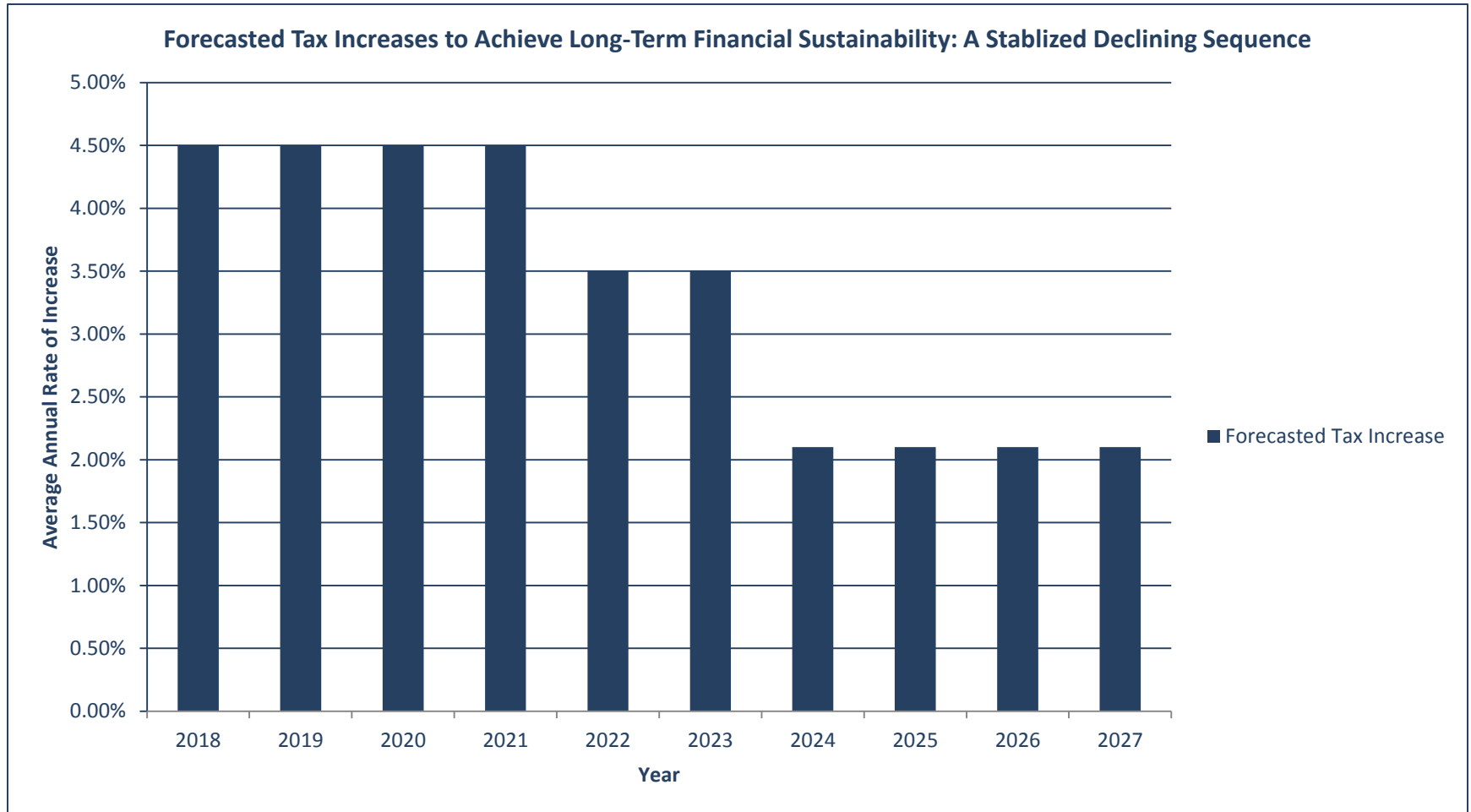
Closing the Tax-Supported Capital Gaps



Building a Robust Tax-Supported Capital Reserve



Forecasted Tax Increases



Capital Budget Summary: 2017 Actual vs. 2018 Proposed

Capital Replacement Need and Expenditure Summary							
AMP Asset Category (Excluding Police)	2017				2018		
	AMP	Budget	Deficit	Deficit Share	Financial Plan	Proposed Budget	Increase Over 2017 Budget
Roads	21,755,000	17,066,839	4,688,161	47%	20,350,814	19,934,523	2,867,684
Machinery & Equipment	1,641,000	905,200	735,800	7%	1,420,615	1,214,950	309,750
Facilities	4,987,000	3,435,172	1,551,828	15%	4,522,200	6,241,476	2,806,304
Land Improvements	2,464,000	2,880,000	-416,000	-4%	2,588,599	2,388,782	-491,219
Vehicles	5,755,000	2,292,000	3,463,000	35%	4,717,771	3,820,000	1,528,000
Total	36,602,000	26,579,211	10,022,789	100%	33,600,000	33,599,731	7,020,520

Factors Driving 2018 Operating Budget

- Overall goal of 4.5% tax levy increase is consistent with 10-Year Financial Plan
- Approximately a 2% inflationary increase for various utility accounts and supply of goods.
- Assessment growth at approximately 1%.
- Internal and external operating cost pressures (\$25M debenture is key to ensure these are addressed).

Anticipated Operating Cost Pressures

- Elimination of sale of land reliance
- WSIB premium
- Various payroll related increases
- Right-sizing fleet policy and application
- KRCA special projects
- EORN internet project
- Increase for winter control
- Increase for calcium chloride
- Ash Boar Management Plan
- Increase to sidewalk winter control contract
- Leachate collection legislation
- Office relocation – Human Services

4.50% Tax Increase Targeted for 2018

- Regular inflationary increases and one-time operating pressures amount to approximately \$7.6 Million for 2018:
 - This is prior to adjustments for assessment growth, repayment of \$25 Million debenture and operating transfer to capital.
 - Represents an approximately 7.36% tax increase.
- Incorporating the 1% estimated assessment growth and the \$2.9M/year repayment of the \$25 Million debenture brings the tax increase up to 9.12%.
- Transfer to capital from operating is reduced by approximately \$4.8 Million (or 4.62% of tax levy) to bring the tax increase down to the 4.50% target.
 - Capital financing shortfall is covered by infusion of \$25 Million debenture into the capital reserve.

Questions

- Questions?