

Proposed 2018 Operating Budgets

Office of the CAO

Treasury Division

Corporate Assets Division

Presentation to City of Kawartha Lakes Council

December 13th, 2017



Presentation Themes

- Modernizing the Way the City Does Business
- Securing the City's Long-Term Financial Health
- Proposed 2018 Tax-Supported Operating Budget
- Proposed 2018 Water/Wastewater Operating Budget

Corporate Strategic Plan (2016-2019)

- Provides for the City's overall corporate direction
 - Vision, mission and values
 - Strategic priorities
 - Strategic enablers
- Sets the corporate context in which to provide municipal services
- Provides the basic foundation for the following successive initiatives:
 - Core Service Review and establishment of municipal service levels
 - Asset Management Plan
 - Long-Term Financial Plan
 - Capital and Operating Budgets

Core Service Review

- Conducted over 2015-2017
- 49 distinct municipal services reviewed for alignment with the Corporate Strategic Plan
- Established service levels for many municipal services
- Informed various strategic documents
 - Asset Management Plan
 - 10-Year Financial Plan
 - Proposed 2018 Capital and Operating Budgets

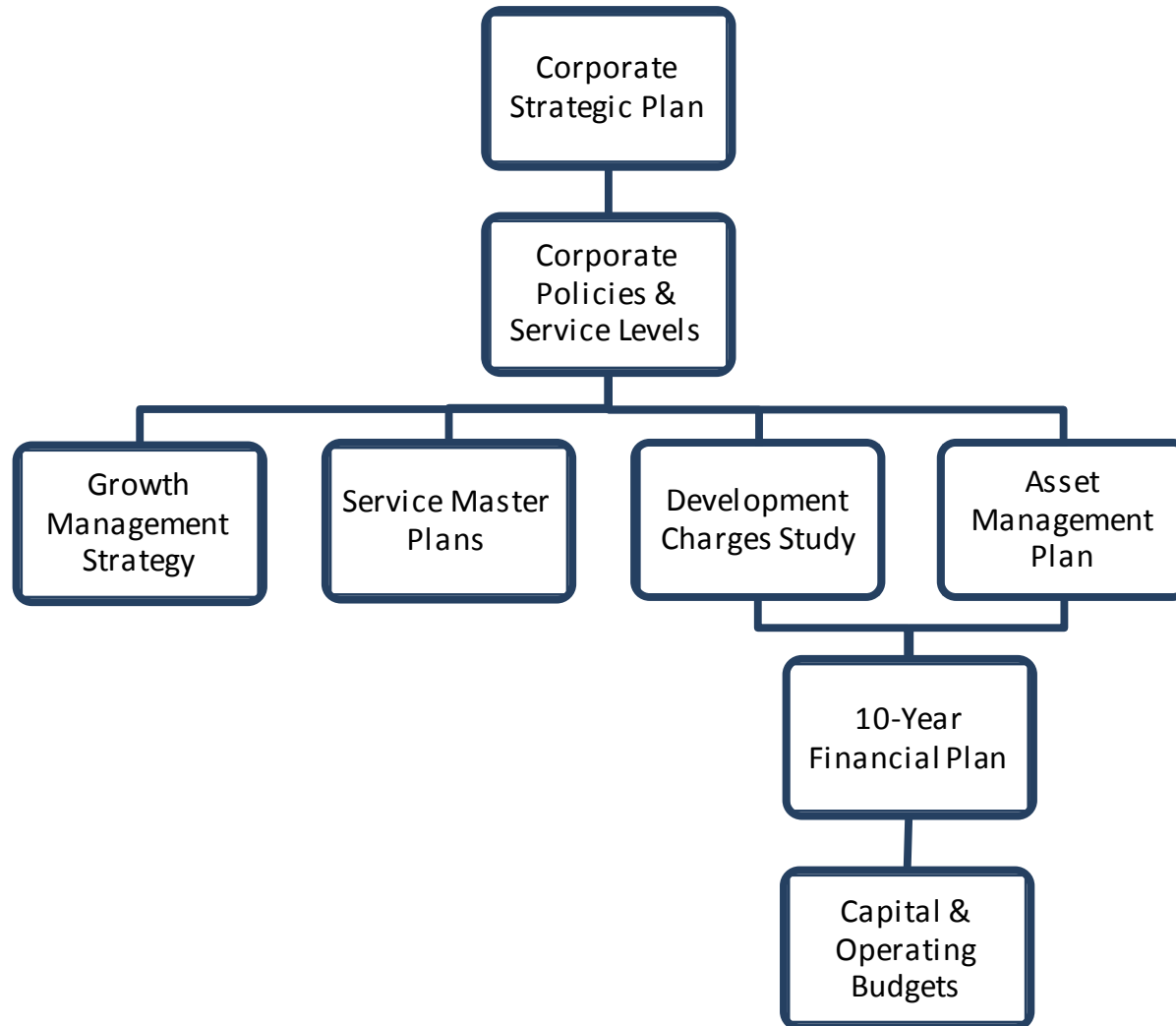
Setting the Stage for Sustainability

- Key 2016 Council decisions:
 - Adopted a Corporate Strategic Plan to set the corporate direction
 - Continued with the Core Service Review to establish service levels
 - Approved an 8.15% tax increase to begin narrowing the tax support gap
- Key 2017 Council decisions:
 - Continued with the Core Service Review to establish service levels
 - Approved a 3.13% tax increase to further narrow the tax support gap
 - Adopted a 10-Year Financial Plan to provide a guiding framework for capital and operating budgets
 - Adopted 2018 Tax-Supported and Water/Wastewater Capital Budgets aligned with the 10-Year Financial Plan

10-Year Financial Plan (2018-2027)

- Forecasts the City's financial course based on the Asset Management Plan and overall financial circumstances
- Provides for a prudent, stable and affordable approach to achieving and maintaining long-term financial sustainability
- Provides a context in which short-term decisions can be made with appropriate consideration for the City's long-term financial health
- Provides a guiding framework for budget development and for achieving long-term financial sustainability
- A living document that balances flexibility and adaptability with consistency and continuity
- Intended to be reviewed and updated annually for Council

From the Strategic Plan to Budgets



Tax-Supported Strategies in the 10-Year Financial Plan

- Adopt a flexible phased approach to achieving sustainability:
 - Target elimination of the infrastructure deficit for 2021-2022
 - Target closure of the tax levy support gap for 2023-2024
 - Target replenishment of the capital reserve for 2026-2027
- Spread the tax-related impact of the non-inflationary operating pressures over several years:
 - \$4.8M in tax levy support shifted from capital to operating in 2018
 - Transitionally heavy reliance on capital reserve until the infrastructure deficit and tax support gap are eliminated
 - Capital reserve infused with \$25M debenture to facilitate the transition

Update on Major Tax-Supported Financial Challenges Heading into 2018

- Capital-related:
 - \$10.0M/year infrastructure deficit
 - \$6.7M/year tax levy support gap
 - \$9.0M capital reserve deficiency
- Operating-related:
 - \$0.4M deficit remaining from 2016
 - \$6.1M/year tax support gap related to non-inflationary operating pressures (e.g. OMPF support decrease)
 - \$1.0M contingency reserve deficiency (\$500K related to winter control)

JDE Implementation

- JDE Implementation went live on January 1st, 2017
- Account structure markedly different than iCity structure
- Public Works was affected by this
 - Winter control
 - Water and Wastewater

2017 Surplus/Deficit Outlook

- Tax-Supported Budget
 - Estimating a Break Even Year, but.....
 - Depending on Winter Control events
- Water and Wastewater Budget:
 - Break Even Year

2018 Reserves

Type of Reserve	2018 Ending , Without Commitments	Commitments	2018 Ending, With Commitments
Infrastructure	\$23,561,282	\$22,847,552	\$713,730
Rate	5,948,453	5,641,539	\$306,914
Contingency	2,880,210	1,880,210	1,000,000
Economic Development	675,406	100,000	575,406
Working Capital	\$2,705,630	2,705,630	-
DC's	(7,971,697)	(7,971,697)	-
Former Municipal	\$192,659	170,000	22,659
Other	23,077,583	23,077,583	-
TOTAL	\$51,069,526	\$48,450,817	\$2,618,709

2018 Reserve Highlights

- Infusion of \$2.6 Million in Capital/Contingency Reserve
- Right-sizing Public Works fleet policy-increased contributions to Fleet Reserve
- Fire Fleet Reserve – increase of \$600,000 – another contribution increase of \$700,000 in 2019
- Sale of Land – Property Development Reserve - \$600,000
- Use of Election Reserve in 2018 to fund Election costs - \$210,000
- Infusion of \$1,086,179 to the Water Infrastructure Reserve
- Infusion of \$1,304,979 to the Sewer Infrastructure Reserve

2018 Tax-Supported Debt Limit

Tax Levy Funded Debt Limit:

Policy Limit -	\$26,734,894
Human Services Office -	8,700,000
10 Year Plan -	<u>25,000,000</u>
Total Debt Limit	<u>\$57,934,894</u>

Total Debt – Dec 31, 2017 \$44,500,000

Debenture Room	\$13,434,894
Human Services Office	<u>8,700,000</u>
Debenture Room	<u>\$ 4,734,894</u>

Utilized \$4,106,277 in 2018 Capital Budget

2018 Water/Wastewater Debt Limit

Water and Wastewater Funded Debt Limit:

Policy Limit -	<u>\$49,500,000</u>
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Total Debt Limit	<u>\$49,500,000</u>
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Total Debt – Dec 31, 2017	<u>\$44,786,996</u>
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Debtenture Room	<u>\$ 4,713,004</u>
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Utilized \$3,805,158 in 2018 Capital Budget

2018 Operating Pressures

- Eliminate reliance on land sales - \$640,000
- WSIB premium pressure - \$350,000
- Winter Control Infusion - \$1,000,000
- Various Public Works projects - \$1,500,000
- Right Sizing Fleet Policy - \$1,215,000
- KL Police Service - \$350,000
- Housing Budget – reduction of \$440,000
- OW upload – final year – reduction of \$350,000
- OPP billing went down - \$175,000

Proposed 2018 Tax-Supported Operating Budget

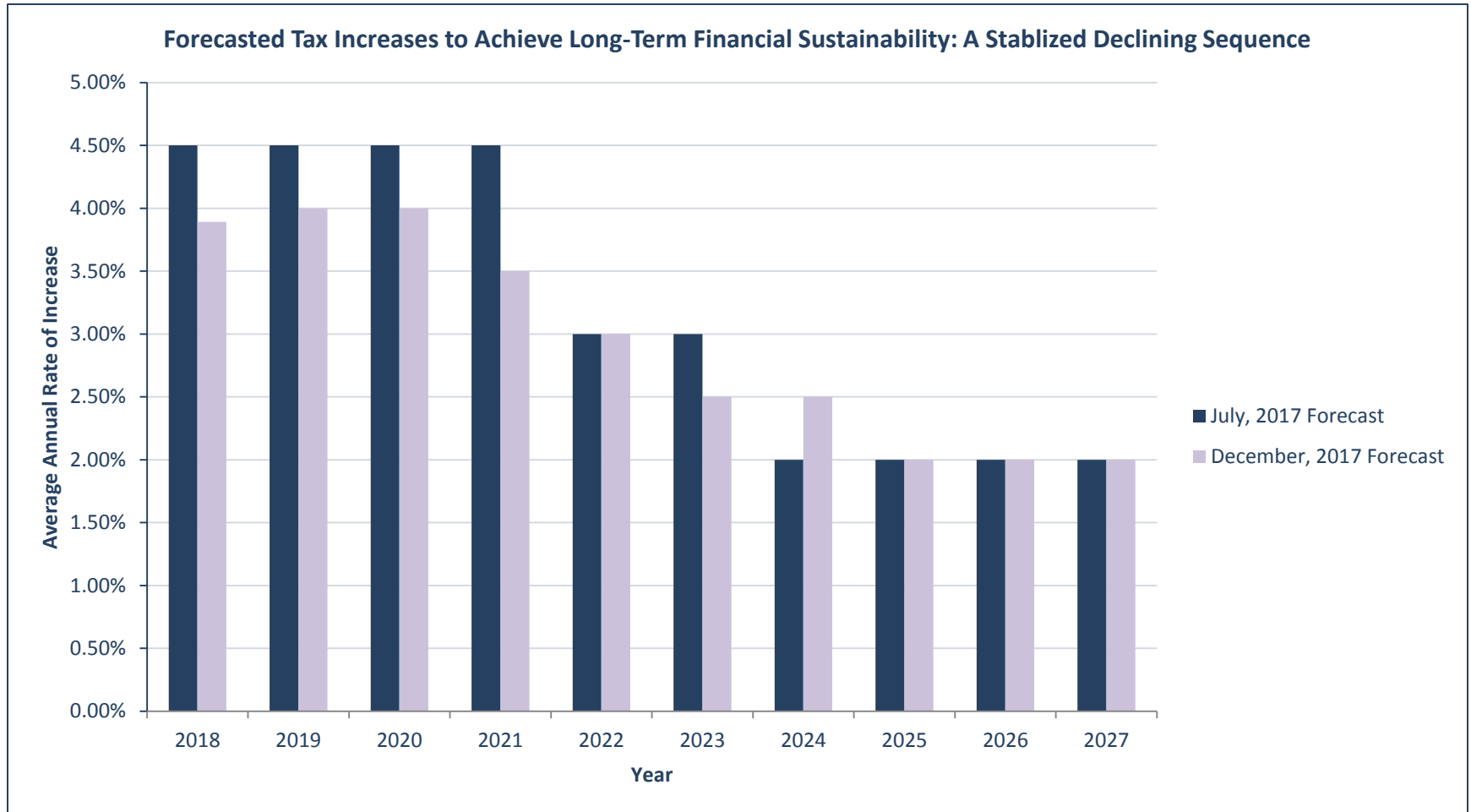
Summary of Proposed 2018 Tax-Supported Operating Budget				
Expenditure Area	Tax Levy-Financed Expenses			
	Projected 2017	Budget 2018	2017-2018 Change	
Corporate Items	11,596,672	9,004,902	(2,591,770)	-22.35%
Mayor and Council	810,358	811,089	731	0.09%
CAO	4,907,884	5,602,061	694,177	14.14%
Community Services	10,418,905	11,109,170	690,265	6.63%
Corporate Services	6,618,556	7,735,372	1,116,816	16.87%
Development Services	3,758,274	4,090,176	331,902	8.83%
Engineering and Corporate Assets	1,824,804	1,724,531	(100,273)	-5.50%
Fire and Rescue Service	7,077,724	7,903,450	825,726	11.67%
Paramedic Services	4,557,109	4,550,494	(6,615)	-0.15%
Kawartha Lakes Police Service	7,914,945	8,267,239	352,294	4.45%
Ontario Provincial Police (OPP)	8,738,634	8,562,018	(176,616)	-2.02%
Human Services	10,487,379	9,901,700	(585,679)	-5.58%
Public Works	25,659,772	29,171,554	3,511,782	13.69%
Total	104,371,016	108,433,756	4,062,740	3.89%

Proposed 2018 Water and Wastewater Operating Budget

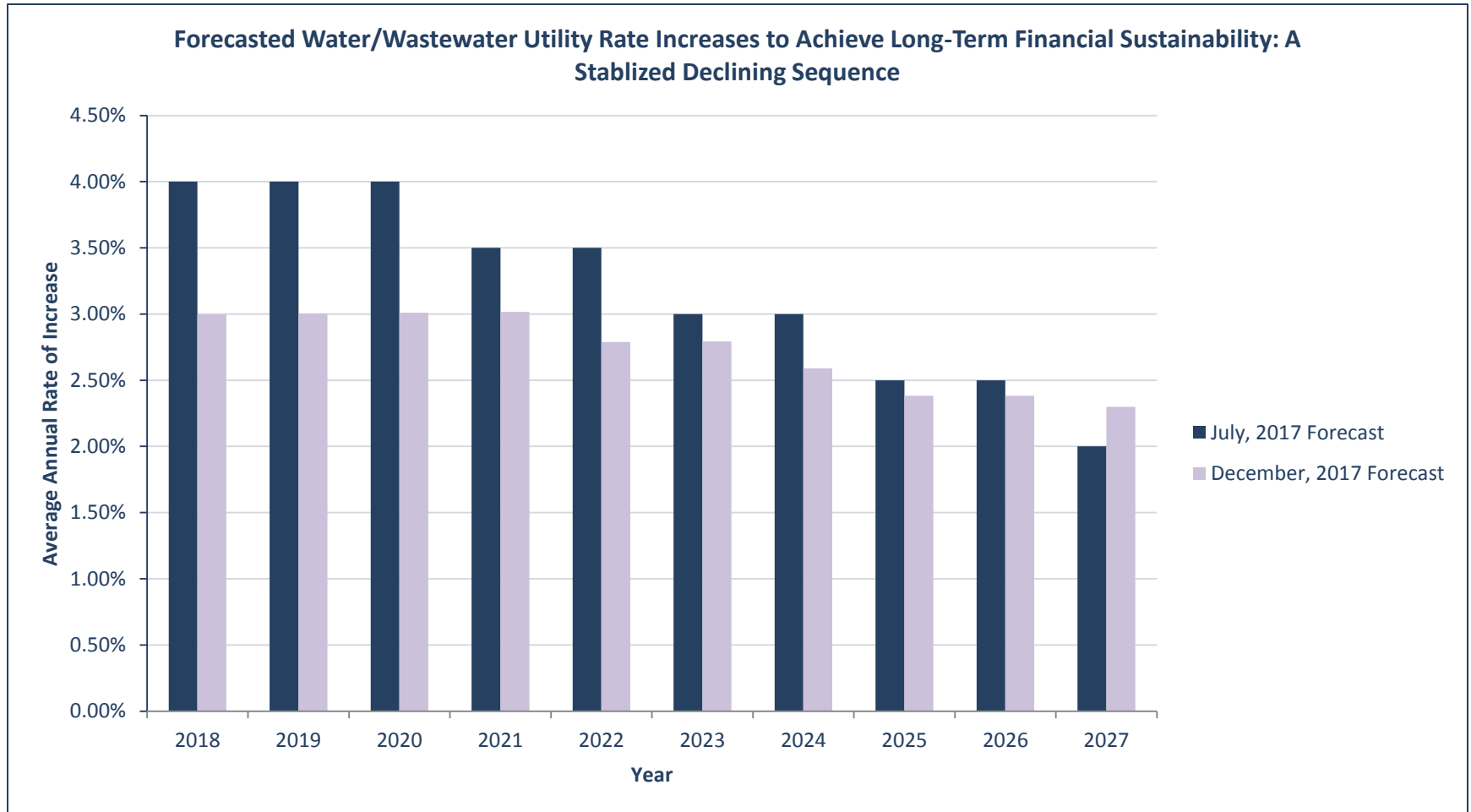
Summary of Proposed 2018 Water/Wastewater Operating Budget						
Budget Area	Expenditure			Financing		
	General Operating	Contribution to Reserve	Total	User Rate Levy	Other Revenue	Total
Water	11,277,891	1,304,842	12,582,733	11,945,210	637,523	12,582,733
Wastewater	7,564,814	1,086,178	8,650,992	7,847,157	803,835	8,650,992
Total	18,842,705	2,391,020	21,233,725	19,792,367	1,441,358	21,233,725

Contributors to Proposed 2018 Water/Wastewater User Rate Increase			
Source	User Rate Increase		
	Original Projection	Updated	Variance
General Operating	428,672	(736,508)	(1,165,180)
Conservation (-1%)	188,350	192,163	3,813
Customer Growth (1%)	(188,350)	(192,163)	(3,813)
Capital Budget Financing	324,730	0	(324,730)
Capital Reserve Contribution	0	1,312,589	1,312,589
Total	753,402	576,081	(177,321)
Base User Rate Levy (2017)	18,835,049	19,216,286	381,237
User Rate Increase (%)	4.00%	3.00%	-1.00%

Forecasted Tax Increases (2018-2027)



Forecasted Water/Wastewater User Rate Increases (2018-2027)



Conclusions

- Alignment among the following provides an effective guiding framework for capital and operating budgets:
 - Corporate Strategic Plan, Core Service Review, Asset Management Plan and Long-Term Financial Plan
- Proposed 2018 operating budgets align with the 10-Year Financial Plan:
 - Accelerated contributions to capital reserves provide for greater options and flexibility in the future than originally anticipated
 - Tax and user rate increases are less than originally forecasted
- City is now on a prudent, stable and affordable path toward long-term financial sustainability
 - Meet Council-approved and legislated service levels more effectively
 - Achievement of long-term financial health and self-reliance