



City of
Peterborough

2008 BUDGET HIGHLIGHTS

Part 1

2008 Budget

Introduction

PART 1 - INTRODUCTION

2.5% municipal tax rate increase proposed

The draft 2008 Budget provides for gross Operating expenditures amounting to \$190.8 million, an \$83.8 million net tax levy requirement, a proposed 2.5% municipal residential tax rate increase, and a \$37.9 million proposed Capital program.

Gross Operating expenditures have increased by 2.9%, (\$5.4 million), net tax levy requirements have increased by 2.9% (\$2.4 million), and Capital expenditures have decreased by 26.4% (\$13.6 million). The 2007 Capital program did, however, include a one-time \$10.2 million Sanitary Sewer Repair and Restoration project stemming from the 2004 Flood to be funded through the Ontario Disaster Relief Program (ODRAP).

Median residential assessment same as 2007 at \$170,000

On June 29, 2006, the Minister of Finance Greg Sorbara announced that property tax reassessments by the Municipal Property Assessment Corporation (MPAC) would be cancelled for the 2007 and 2008 taxation years to allow for the implementation of the Ombudsman's recommendations to Ontario's property assessment system. Accordingly the assessment used for the 2008 taxation year reflects an estimated 1.7% real growth only, and there are no market update impacts. The 1.7% figure is based on September 18, 2007 preliminary numbers available from MPAC's homepage. Final numbers were not available as of the Budget print date.

It has been assumed the median residential assessment for a single family dwelling (not on water) for 2008 will be \$170,000, the same as it was for 2007.

Residential education rate assumed to stay at the 0.264%

The education rate for all property classes continues to be regulated by the Province. The 2008 Budget assumes there will be no change to the 0.264% residential education tax rates established for 2007. The estimated education rate, coupled with the 2.5% municipal tax rate increase, results in a blended 2.0% municipal and education residential tax rate increase for 2008.

Sewer surcharge rate to stay at 100%

The draft 2008 Budget assumes a sewer surcharge rate of 100%, the same as in 2007.

As of the Budget print date, the Peterborough Utilities Commission had not approved the 2008 water rates. The 2008 Operating Budget assumes a modest 1.0% annualized water rate increase for 2008. The result is that the average house will experience a \$3.67 (1.0%) increase in their sewer surcharge annual amount payable over the 2007 level.

Process used to get to recommended 2.5% tax rate increase

The 2008 Budget timetable was presented to the February 19, 2007 Committee of the Whole through report FAFS07-002. The report was deferred to the March 12, 2007 Committee of the Whole and report FAFS07-002 (a) was submitted to provide supplemental information.

Report FAFS07-002(a) was approved by Council on March 19, 2007 including a recommendation that the 2008 base capital levy and tax supported debt charge total be increased by 5% over the approved 2007 base.

During the period March 12 to May 18, Managers and Directors throughout the corporation completed their 2008 proposed Budget submissions. Financial staff compiled the requests and Administrative Review sessions with the City Administrator took place up to August 27, 2007. A Directors' meeting was held September 4th and final changes were made during the first two weeks of September.

Beyond the 5% capital levy/debt increase, the 2008 Budget has been prepared reflecting the same levels of service as approved by Council in the 2007 Budget unless an enhancement has been specifically requested by Council. The presentation of the 2008 Budget also includes items not recommended in the budget and quantifies their cost enabling Council to consider their inclusion during its detailed review.

2.5% tax rate increase a result of a 2.9% increase in the tax levy requirement

The 2008 Budget as presented generally maintains the existing levels of service while accommodating expenditure increases required to sustain the levels of service.

The 2.5% municipal residential tax rate increase is a result of a 2.9% increase in the tax levy requirement or \$2.4 million. The two major expenditures areas that affect the tax levy requirement increase are personnel and Land Ambulance. The impact is offset somewhat by the elimination of the \$1.9 million Drug Benefit costs in Social Services.

Chart P1- (a) lists the major areas reflected in the draft document that have impacted the 2008 tax levy requirement.

Chart P1-1 (a)
2008 Major Budget Impacts

Ref C1	Description C2	Amount C3	Total C4	2008 Tax Rate Impact C5
1.00	2007 Net Tax Levy Requirement		81,378,984	
2.00	<u>Impacts required to maintain base level of service</u>			
	<u>Personnel costs</u>			
2.01	Personnel costs (OMERS rate increase, contract provisions, part-time hour increase, annualization of 2008 hires and excludes impact of new full time staff hires as reflected on line 4.01			
2.02	Police	277,126		0.3%
2.02	Fire	647,316		0.8%
2.03			924,442	1.1%
2.04	Other	1,662,530		2.0%
2.05	Less estimate of non tax sources	(356,714)		-0.4%
2.06			1,305,816	1.6%
2.07	Increase in Land Ambulance costs		980,013	1.2%
2.08	Drug Benefits - Province funds 100%		(1,939,300)	-2.4%
2.09	Subtotal		1,270,971	1.6%
3.00	Net impact to maintain base level of service levels		82,649,955	1.6%

Personnel costs

Total personnel costs for 2008 will amount to \$67.3 million for 920 employees (full time equivalents) and represents 35% of the total \$190.8 million gross expenditures.

Even if there were no increases to full-time complement, personnel costs would rise significantly for a number of reasons including the impact of contract settlements reached in previous years, or expected to be reached in 2008, grid step movements, and the annualization of new 2007 hires.

Lines 2.02 to 2.06 of Chart P1-1 (a) sets out the various personnel impacts, excluding new full-time hires. Gross personnel costs have increased by \$2.6 million. An estimated \$0.4 million portion of the increase is recovered from non-tax sources such as sewer surcharge, Provincial and county subsidies, and user fees that leaves a \$2.2 million direct impact on tax rates. The \$2.2 million number includes \$0.3 million for police, and \$0.6 million for Fire, both of which include some provisions for future settlements affecting 2008 pay rates. The combined \$0.9 million Police and Fire impact results in a 1.1% tax rate impact.

The remaining \$1.3 million covers all other employee groups and equates to a 1.6% tax increase.

Land Ambulance

The City will spend an estimated \$3.8 million during 2008 for Land Ambulance costs compared to \$2.8 million in 2007. The increase is due to salary and benefit increases, improved service review requirements, more staff hours due to off-load delays at the hospital and the lease costs for the new Emergency Medical Services (EMS) base and increased operating costs.

Drug Benefits

On August 20, 2007, Dalton McGuinty, the Premier of Ontario announced that, effective January 1, 2008, the Ontario government will be responsible for 100% of the drug benefit costs pertaining to Ontario Works (OW) and Ontario Disability Support Program (ODSP) recipients. Historically municipalities have been required to finance 20% of social assistance drug benefit costs, based on invoices issued by the Province. In 2007, this represented \$1.9 million net cost to the City.

The Provincial announcement also included plans to upload the administration component of ODSP effective January 1, 2009, which is currently shared 50/50.

The municipal share of the ODSP benefits component is presently 20%. It is to be reduced to 10% in 2010 and by 2011 will be fully funded by the Provincial government.

Other factors affecting 2008 tax levy requirement

There are a number of other significant factors affecting the 2008 tax levy requirement as listed in Chart P1-1 (b).

Chart P1-1 (b)
Other Factor affecting the 2008 tax levy requirement

Ref C1	Description C2	Amount C3	Total C4	2008 Tax Rate Impact C5
4.00	<u>Other factors affecting 2008 tax rates (excluding existing personnel)</u>			
4.01	Tax levy impact of new proposed full-time positions		37,028	
4.02	Investment revenues (increase)		(150,000)	
4.03	Payment in lieu (increase)		(51,778)	
4.04	Corporate Information Services		45,405	
4.05	Reduced Clerk's Office Revenues		39,300	
4.06	Ontonabee Region Conservation Authority		44,685	
4.07	Elimination of Grass Cutting Contract		(149,500)	
4.08	Catch Basin Cleaning		27,000	
4.09	Traffic - energy savings from converting signal lights		(95,580)	
4.10	Transit - OW Bus Pass Fare Revenue		(129,600)	
4.11	Transit - Increased Fare Revenues		(61,062)	
4.12	Transit - Major repairs reduced due to new buses		(180,586)	
4.13	Transit - Additional Contribution to Vehicle Replacement Reserve		180,000	
4.14	Net Recycling cost - primarily reduced due to increased revenues		(65,363)	
4.15	Net tipping fee revenue increase		(39,136)	
4.16	Library material budget		54,169	
4.17	Social Housing		139,058	
4.18	5% Capital Levy increase policy		505,000	
4.19	Net Annexation Costs		205,000	
4.20	Contribution from the Contingent Liability Reserve		150,000	
4.21	Insurance		39,803	
4.22	MPAC		40,050	
4.23	Subtotal of other factors		583,893	0.7%
5.00	All other impacts		530,868	0.6%
6.00	2008 net tax levy as per draft budget		83,764,716	
7.00	Total \$ change in net tax levy 2007 to 2008		2,385,732	2.9%

Each of these impacts will be discussed in detail in later sections of the Highlights book. Line 7.0 of Chart P1-1 (b) represents the increase in the tax levy requirement which is 2.9%. If there were no other impacts on the 2008 Budget this increase in the tax levy requirement would result in a 2.9% municipal tax rate increase.

Effect of assessment growth and tax ratio changes on the tax rate

The 2008 Budget includes two further impacts on the tax levy requirements that result in a 2.5% municipal residential tax rate increase. The first is the 2008 tax ratios decreases for the multi-residential, commercial and industrial classes approved by Council on April 30, 2007. That decision, in effect, adds 0.7% onto the residential tax rate and without any other impacts, the residential tax rate would have been 3.6%.

The second impact is the 2008 estimated real current value assessment growth, which reduces the residential tax rate by 1.1%. The net result is the 2.5% municipal residential tax rate increase. These impacts are reflected in Chart P1-1 (c).

Chart P1-1(c)
Effect of Assessment Growth and Business Tax Ratios changes on the residential tax rate

Ref C1	Description C2	Amount C3	Total C4	2008 Tax Rate Impact C5
7.00	Total \$ change in net tax levy 2007 to 2008		2,385,732	2.9%
8.00	Effect of 2008 Tax Ratio Adjustments			0.7%
9.00	Effect of Increased 2008 Assessments			-1.1%
10.00	2008 Residential Tax Rate Increase as per Draft Budget			2.5%

Items not in the Budget (\$3.1 million - potential 3.8% tax rate impact)

In addition to the items listed in Chart (P1-1 (a) and (b) which are in the budget, there are several items not in the budget or that pose some type of risk. Staff feels it is important to identify these items as some are related to specific Council policies of the past or contain an element of risk. They are shown in Chart P1-1 (d) below:

Chart P1-1 (d)
Items not in the Budget

Ref C1	Description C2	Amount C3	Total C4	2008 Tax Rate Impact C5
10.00	2008 Residential Tax Rate Increase as per Draft Budget			2.5%
11.00 Items not included in the 2008 draft budget				
11.01	Unconfirmed increase in Ontario Municipal Partnership Fund Grant		577,192	0.7%
11.02	Contr to W M Reserve Increase from \$300,000 to \$350,000 (amt recommended in '07 budget process)		50,000	0.1%
11.03	Contr to W M Reserve Increase from \$350,000 to \$600,000 (amt shown in updated financial model)		250,000	0.3%
11.04	Contribution to Reserve for Contingent Lease Liabilities		125,000	0.2%
11.05	City-wide Compost Collection program implemented September 2008		134,000	0.2%
11.06	Contribution to Parkland Acquisition Reserve		175,000	0.2%
11.07	Full-Time positions not recommended		285,000	0.3%
11.08	Transit - Lansdowne E/W Route		320,000	0.4%
11.09	- 20 minute peak period frequency		500,000	0.6%
11.10	- Extended evening hours to 12:40 am		310,000	0.4%
11.11	- Specialized Van increased peak service		77,000	0.1%
11.12	- Specialized Van extended hours evenings		13,000	0.0%
11.13	Additional BIA Streetscape request		15,000	0.0%
11.14	WSIB Presumptive Legislation - Firefighters		250,000	0.3%
12.00	Subtotal		3,081,192	3.8%
13.00	Potential tax rate increase		86,845,908	6.3%

The items in Chart P1-1 (d) were either in the 2008 Budget requests at some point and have been removed at the staff level or were discussed by Council previously but not included as of means of limiting the tax rate increase.

Staff have also assumed the City's **Ontario Municipal Partnership Fund (OMPF)** will increase by the \$0.6 million to \$7.5 million to offset rising Social Services costs. As of the Budget print date, however, the level of the Ontario Municipal Partnership Fund for 2008 has not been announced. This has been identified as an item not included in the budget to reflect the risk if the 2008 OMPF amount is held to the 2007 amount.

On May 4, 2007, the Minister of Labour Steve Peters announced an amendment to the Workplace Safety and Insurance Act called **Presumptive Legislation for Ontario Firefighters**. Presumptive legislation allows the government to identify, specific diseases

or heart injuries of firefighters that would be presumed to be work-related for the purpose of workers' compensation, unless the contrary is shown. The amendment is a positive step for firefighters and their families, however, there may be significant potential impacts to the City's WSIB costs. An update was provided to Council through Report CSD06-007 on October 16, 2006.

A strong argument could be made for each of these items listed in Chart P1-1 (d) to be included in the 2008 Budget, and Council may wish to reconsider them as part of their review of the budget.

1.9% all-inclusive increase for median residential property

When the 1.7% assessment growth, the 2.5% proposed municipal residential tax rate increase, no change in education rate, and no change to the 100% sewer surcharge rate are all considered, the median single family dwelling (not on water) assessed at \$170,000 for 2007 and \$170,000 for 2008 will see an all-inclusive 1.9% (\$55.18) annual increase (\$4.60 monthly) in municipal, education, and sewer surcharge payable.

The myriad of rates and levies reflected in the draft budget are summarized on Chart P1-2.

Chart P1-2
Comparative All Inclusive Tax and Sewer Surcharge Rates and Levies
For Median Single Family Dwelling (Not on Water)
For the years 2007 and 2008

Ref C1	Description C2	2007 C3	2008 C4	Change from 2007	
				Amount C5	% C6
1.00	Total amount raised from taxation - all classes	81,378,984	83,764,716	2,385,732	2.9%
2.00	Tax Rates				
2.01	Municipal general residential rate	1.1949780%	1.2244850%	0.0295070%	2.5%
2.02	Garbage mill rates	0.0204160%	0.0212130%	0.0007970%	3.9%
2.03	Subtotal Municipal Tax Rate	1.2153940%	1.2456980%	0.0303040%	2.5%
2.04	Residential education rate	0.2640000%	0.2640000%		
2.05	Total Municipal and Education Tax Rates	1.4793940%	1.5096980%	0.0303040%	2.0%
3.00	Average annual water rates (Basic charge, six rooms, 500m2 lot)	366.60	370.27	3.67	1.0%
4.00	Sewer surcharge rate				
4.01	Sewer surcharge rate Jan 1	100.0%	100.0%		
4.02	Sewer surcharge rate changed to	100.0%	100.0%		
4.03	Effective date of change	01-Jan-07	01-Jan-08		
4.04	Number of months new rate in effect	12	12		
4.05	Effective rate over the year	100.0%	100.0%		
4.06	Budget Water Revenues	13,269,000	13,401,000	132,000	1.0%
4.07	Total Sewer Surcharge Collected	13,269,000	13,401,000	132,000	1.0%
5.00	Median assessed value- Residential class	170,000	170,000		
6.00	Tax on assessment for median property				
6.01	Municipal general tax levy	2,031.46	2,081.62	50.16	2.5%
6.02	Garbage tax levy	34.71	36.06	1.35	3.9%
6.03	Subtotal Municipal Tax on Assessment	2,066.17	2,117.68	51.51	2.5%
6.04	Education tax levy	448.80	448.80		
6.05	Subtotal Mun & Ed tax on assessment	2,514.97	2,566.48	51.51	2.0%
6.06	Per month	209.58	213.87	4.29	2.0%
7.00	Sewer surcharge payable annual	366.60	370.27	3.67	1.0%
7.01	Per Month	30.55	30.86	0.31	1.0%
8.00	Total municipal annual tax and sewer	2,432.77	2,487.95	55.18	2.3%
8.01	Per Month	202.73	207.33	4.60	2.3%
9.00	Combined Mun and Ed Tax on Assessment PLUS Sewer Surcharge				
9.01	Per Month	240.13	244.73	4.60	1.9%

Notes

- The tax levies shown are for the median single family dwelling unit (not on water) assessed at \$170,000 for 2007 and 2008. Individual tax levies and percentage changes will vary depending on actual assessed values each year.
- The sewer surcharge payable figures assume an average house with six rooms and 500m2 lot. Individual sewer surcharge amount payable and percentage changes will vary depending on number of rooms and lot size.

Low-income seniors and disabled persons protected

The Budget proposes that the low income seniors and disabled property tax credits continue so individuals who qualify will receive tailored tax credits that limit their 2008 net tax increases to no more than 2% over their 2007 net tax levels. The municipal cost of the program is estimated to be \$251,000 and provides protection to one of the most vulnerable groups of taxpayers. About 500 people will be eligible for assistance.

What does 1% mean?

An \$817,000 change in net tax levy for 2008 equates to a 1% change in the 2008 municipal residential tax rate. For example, in order to lower the proposed 2.5% municipal tax rate increase for 2008 to a 1.5% increase, \$817,000 net tax levy funded expenditures would have to be cut from the draft budget.

Historical gross expenditures, net tax levy taxable CVA, residential tax rates

Chart P1-3 below shows historical gross expenditures, net tax levy taxable CVA and residential tax rate changes for the years 2001-2007 which covers the previous two Council terms plus the first year of the current term.

The largest increase in net tax levy requirements occurred in 2004 (9.3%).

Chart P1-3

Gross Expenditures, Net Tax Levy, CVA change, Res Mun Tax Rate Change For the years 2003 - 2008

Description	2003	2004	2005	2006	2007	2008
Gross expenditures	131,396,949	143,856,545	161,676,234	175,644,641	185,420,038	190,858,968
\$ change	1,939,473	12,459,596	17,819,689	13,968,407	9,775,397	5,438,930
% change	1.5%	9.5%	12.4%	8.6%	5.6%	2.9%
Net Tax Levy	63,026,595	68,896,500	73,268,235	77,238,449	81,378,984	83,764,716
\$ change	4,020,200	5,869,905	4,371,735	3,970,214	4,140,535	2,385,732
% change	6.8%	9.3%	6.3%	5.4%	5.4%	2.9%
Taxable CVA Excluding Exempt	3,936,540,455	4,408,121,120	4,519,720,020	5,441,759,705	5,544,961,820	5,637,663,000
\$ change	356,045,220	471,580,665	111,598,900	922,039,685	103,202,115	92,701,180
CVA % change	9.9%	12.0%	2.5%	20.4%	1.9%	1.7%
Res Mun Tax Rate	1.295144%	1.277627%	1.32870%	1.176350%	1.215394%	1.245698%
Res Mun Tax Rate % change	-2.2%	-1.4%	4.0%	-11.5%	3.3%	2.5%

\$37.9 million Capital Budget proposed for 2008

The Capital Budget expenditure amounts to \$37.9 million (\$51.5 million - 2007) and will be funded from an \$8.2 million portion raised from taxation, a \$3.9 million tax supported debenture and the \$25.8 million balance will come from other sources.

Further details of the Capital Budget are provided in Parts 3 and 4 of this Highlights book.

Presentation and review timetable

The Operating and Capital draft Budgets are presented in four separate documents, which contain various levels of detail as set out below:

1 - Operating Budget

The Operating Budget document contains departmental summaries and individual text and related number pages for various activities within each department and division. The text pages set out the purpose, highlights and comparative staff complement for each activity.

The 2007 actual numbers shown in the document are preliminary unaudited estimates provided by departments and may be subject to change pending final year-end adjusting entries.

2 - Capital Budget

The Capital Budget document provides summaries of Capital projects by department and division and provides one detailed text page and number page to support each project.

3 - Budget Highlights Book

This Budget Highlights book is divided into 4 major parts:

- Part 1** – 2008 Budget -- Introduction
- Part 2** – 2008 Operating Budget - Non departmental
- Part 3** - 2008 Capital Budget - Non departmental
- Part 4** – 2008 Operating and Capital Departmental Review

A Glossary of common acronyms used through out the highlight book is also provided at the end of the document.

The Highlights Book provides an overview of the major corporate financial indicators and summarizes the major departmental Operating and Capital Programs at a high level. The Operating and Capital departmental sections appear in the same area so that Council and staff can deal with a department's combined Operating and Capital program together as we move through the Budget Committee reviews.

The Operating and Capital books provide a tremendous amount of detail intended to provide information of interest to Council, but Council has traditionally focussed its review on the type of information contained in the highlight book and has referred only occasionally to the detailed documents.

The Budget Highlights Book will be used by Council during its detailed review of the 2008 Budget.

4 - Supplementary Documents - Work Program, Organizational Charts and User Fees

This document provides the detailed work programs for all departments for 2008 as a means of measuring high-level outputs for the budget dollars requested. The Organizational charts have been updated to include any staff changes prior to the budget print deadline and any proposed new positions. The document also includes the user fees proposed for 2008.

It is recommended that the user fees as set out in the Document entitled – “Work Program, Organizational Charts and User Fees” be adopted as part of 2008 Budget process.

Extra copies of the four draft documents will be available in the Corporate Services Department for reference purposes for interested members of the public and the Highlights Book will be posted to the City's HOMEPAGE.

Remaining 2008 Budget Timetable

The proposed budget timetable for the balance of the 2008 process is set out below:

November 5	Operating and Capital draft budget documents distributed to Council members. The Chair of the Budget Committee, City Administrator and Senior Director of Corporate Services will make brief presentations on the draft documents.
November 19-22	Council, sitting as Budget Committee, reviews draft budget documents on Monday, Tuesday, Wednesday, and Thursday (as required starting at 5:00 p.m.)
December 5	Public meeting held to receive input on budget (Wednesday 7:00 p.m. start, Council Chambers)
December 10	Council gives final approval to the 2008 Budget
