

MANAGEMENT REPORT

Date: January 5, 2016
To: Finance & Labour Relations Committee
From: André Morin, Director of Corporate Services
Report#: FIN16-002
Attachments: 2016 Levy Requirement
 Draft 2016 Tax Impact
 2016 Residential Tax Change Chart
 2016 Revenue Neutral Tax Shifts

Title: Budget 2016

Objective: To provide the Finance & Labour Relations Committee with options to reduce the 2016 Budget Levy.

Background: At the December 7, 2015 Budget meeting, a summary of the 2016 amended draft budget was provided. The 2016 Tax Levy was estimated at \$54,077,486 which represents a net tax levy increase of 4.4%. A discussion was held and Finance Committee requested staff to provide options to reduce the 2016 Draft Budget as follows:

"That the current 2016 Operational Budget be referred to staff to review and to identify options to consider which would generate a budget with a 2 %, 2.5%, 3%, and 3.5% tax levy increase which would also include the infrastructure levy. Carried."

Analysis: Senior staff have held several meetings to identify possible options for reducing the 2016 draft budget levy. To assist in the decision-making, each item is presented in the charts below and categorized with similar options.

Category 1 represents items that have little or no risk, are sustainable and do not impact service levels. Many of these options can be classified as efficiency savings. Senior staff recommend that Committee accept all of the options in this category.

CATEGORY 1 – Low/Mid Risk – Sustainable – No Service Level Impact				
Description	Risk	Sustainability	Service Level Impact	Impact on Net Budget

				\$	%
2015 Assessment Growth	Low	Yes, Net growth is actual new physical assessment on the assessment roll	n/a	-\$183,010	-0.35%
G139 – Reduce Transfer to Tax Equalization Reserve	Moderate – There are currently 161 property Request for Reconsideration or Assessment Appeals outstanding	Yes - The target for this reserve is to have a balance of \$1M, currently at \$300,000 If the annual transfer is reduced to \$100,000 per year, that target will be achieved by 2022, if not required.	n/a	-\$100,000	-0.19%
Fuel Cost Review Fire - \$5,000 ID&S - \$21,000	Low – Fuel costs are expected to remain low for the short term, a sudden increase will have an impact of less than \$50,000 in 2016	Yes – Expect moderate increases in the long term	n/a	-\$26,000	-0.05%
Social Services Administration Charge Adjustment	Low	Yes	n/a	-\$24,000	-0.05%
Social Services Rent Adjustment	Low	Yes	n/a	-\$10,986	-0.02%
Employee Job Evaluation Changes	n/a	CUPE job evaluation occurred in 2015, while not fully complete, some job changes are expected	n/a	+\$21,000	+0.04%
Shared Services – Adjust for new cost formula	Moderate – the new formula is still in process and a final agreement is not yet in place	Yes	n/a	-\$68,692	-0.13%
Planning Student – reduce to 1	Low	Yes	With the addition of a second FT Planner, the service level impact will be minimal	-\$8,000	-0.01%
Airport Revenue Adjustment	Low	Yes – new rates have been negotiated	n/a	-\$2,000	-0.01%
TOTAL				-\$401,688	-0.78%

Category 2 options are low/moderate risk items that either will provide savings in 2016, but are not sustainable in the long term or they have a minor service level impact. Any items that are not sustainable will need to be added back to the 2017 Budget. Staff feel that these options are reasonable to accept for the 2016 budget due to a number of one-time large increases in 2016 (ie. County Roads phase-in, EMS new base rent charge) which should not impact the 2017 budget, and will provide some capacity to address these short term budget reductions.

One other item included in this category is decreasing the 2016 Infrastructure Levy from \$1,000,000 to \$750,000. While Committee suggested maintaining the extra 1% infrastructure levy in 2016, staff feel that an Infrastructure Levy increase of \$250,000 (for a total of \$750,000) is acceptable and opportunities for further increases in the future will be more achievable.

CATEGORY 2 – Low/Mid Risk – Not Sustainable or Minor Service Level Impact					
Description	Risk	Sustainability	Service Level Impact	Impact on Net Budget	
				\$	%
Reduce Library Capital	Low	Not in long term, capital funding will have to be replaced in the future	n/a	-\$12,000	-0.02%
G231 – Police Budget adjustments and Gapping	Low	No – Gapping is short-term and will require an increase in 2017 to bring staff costs back to current operational levels	n/a – service level can be maintained in the short-term	-\$49,770	-0.10%
Festival Hydro Dividend	Low	No – The FHI Board approved a 1 year overpayment, 2017 and 2018 estimates remain at a total interest/dividend of \$2,150,000	n/a	-\$72,100	-0.14%
Reduce Operating Reserve Increases IT - \$5,000 OP - \$5,000	Low	No – These reserves will have to be further increased in the future	n/a	-\$10,000	-0.02%
Daycare – Replace ECE with Teaching Assistant through attrition	Low	Yes	Not expected to impact service level – possible minor service level impact	-\$26,000	-0.05%
CAO Recruitment – 1 month Gapping	Low	No – Gapping is short-term only	n/a – service level can be maintained in the short-term	-\$15,000	-0.03%
Infrastructure Levy Reduce to \$750,000 Transfer in 2016	Low – Lowering the transfer will lead to larger capital transfers in the future, risk in the short term is lower, risk in the long term is low/moderate	No – Will continue to require larger infrastructure levy or capital transfers in the future	May impact ability to fund asset replacement in the future leading to possible service level decreases	-\$250,000	-0.48%
TOTAL				-\$434,870	-0.84%

Category 3 options are items that may/will impact external service levels. The City contributes to many programs outside of its core services. Reductions in these contributions will not impact core City services but will impact services provided by other entities. If service cuts are being considered, it is likely that these non-core services should be considered first.

Most items in this category are self-explanatory with a few exceptions. The financial impact of reducing the \$300,000 annual commitment to the Stratford Hospital is an option worth considering, however it may impact when the \$1.5M commitment to the Hospice can begin. This can be mitigated by allocating further annual surpluses (if a tax surplus is achieved) towards these commitments. The community grants budget can be reduced, but depending on the Council's community grant priorities, some groups may receive less or no funding in 2016 – the details would be determined through the Community Grant decisions to be finalized in March 2016.

Council Committees are included in this category, however are not necessarily external services, but are non-core services. Funding can be reduced or can be eliminated for individual committees. The option of \$40,000 is provided to either reduce the 2016 increases over 2015, or if Committee decided to cut one of the larger programs or committees – One option discussed by senior staff was the Parks Patrol program. If Committee decided to eliminate all the non-mandated programs, up to \$180,000 could be saved.

CATEGORY 3 – Low/Mid Risk – Sustainable or External Service Level Impact					
Description	Risk	Sustainability	Service Level Impact	Impact on Net Budget	
				\$	%
CSIF – Reduce Community Food Bank Funding	Low	Yes	External – Would impact the community food banks	-\$8,000	-0.01%
Reduce Local Access to Recreation funding	Low	Yes	External – Would impact the number of children receiving funding for access to recreation – already a waitlist	-\$4,000	-0.01%
Reduce Social Research Planning Council Funding	Low	Yes	External – Would reduce the amount of research being conducted by the SRPC	-\$15,000	-0.03%
Community Grants – Reduce Hospital/Hospice annual support	Low – Council could amend the motion to increase the amount of surplus dedicated to fulfil the Hospital commitment	Yes	External – May extend the length of time in fulfilling Council’s Hospital and Hospice commitments	-\$50,000 -\$100,000	-0.09% -0.19%
Community Grants Reduce annual total community grants	Low – Community grants are non-mandated Municipal services	Yes	Will have minimal impact on City Services, but will impact community services	-\$25,000 -\$50,000 -\$100,000	-0.05% -0.09% -0.19%
G820 – Reduce the amount of funding towards Other Municipal Services – ie. Committees of Council	Low – non-mandated programs	Yes	Will impact some other Municipal services being provided	-\$40,000 -\$80,000 -\$180,000	-0.08% -0.15% -0.35%
Municipal Golf Course Lease	Low	Yes	May have an impact on the Municipal Golf Course operating finances	-\$18,000	-0.03%

Category 4 options impact internal City services provided to the public.

CATEGORY 4 – Low/Mid Risk – Sustainable -Internal Service Level Impact				
Description	Risk	Sustainability	Service Level Impact	Impact on Net Budget

				\$	%
Town Crier – Reduce advertising to legislated information only	Low	Yes	Will reduce the amount public information provided in news print	-\$10,000	-0.02%
Eliminate the City funded Christmas Light Program	Low	Yes	The City would no longer fund the Christmas light program – savings in the longer term would be \$20,000	-\$12,000	-0.02%
Reduce the # of City maintained flower beds	Low	Yes	Would reduce the amount of City maintained flower beds	-\$6,000	-0.01%
Delay the opening of the Lion’s Pool to the end of June	Low	Yes	Would reduce the amount of time the Lion’s pool is open	-\$30,000	-0.06%

Category 5 options are available for consideration if Committee intends to bring the 2016 net tax levy to 1.5% or lower. Many of these items will require further review and may take some time or upfront costs to take full advantage of. There are risks and/or major service level impacts if these options are utilized.

CATEGORY 5 – Mid/High Risk – Major Service Level Impact					
Description	Risk	Sustainability	Service Level Impact	Impact on Net Budget	
				\$	%
Infrastructure Levy Reduce to \$500,000 Transfer in 2016	Moderate – Lowering the transfer will lead to larger capital transfers in the future, risk in the immediate short term is lower, risk in the long term is moderate	No – Will continue to require larger infrastructure levy or capital transfers in the future	May impact ability to fund asset replacement in the future leading to possible service level decreases	-\$500,000	-0.96%
Lion’s Pool – Eliminate the Service	Moderate – Will have some costs to secure the property depending on its future use	Depends on future public demand for the service	Would eliminate the Lion’s Pool operation	-\$200,000	-0.39%
Reduce Neighbourhood Sidewalk Snowplowing	Moderate – Would require enforcement of new by-laws in order to mitigate liability	Yes – Will require enforcement	Would eliminate neighbourhood Sidewalk Snowplowing	-\$40,000	-0.08%
Infrastructure Levy Reduce to \$250,000 Transfer in 2016	High – Lowering the transfer will lead to larger capital transfers in the future, risk in the short term is moderate, risk in the long term is high	No – Will continue to require much larger infrastructure levy or capital transfers in the future	Will impact ability to fund asset replacement in the future leading to service level decreases	-\$750,000	-1.45%
Infrastructure Levy Reduce to \$0 Transfer in 2016	High – Lowering the transfer will lead to larger capital transfers in the future, risk in	No – Will continue to require much larger infrastructure levy or capital transfers in the	Will impact ability to fund asset replacement in the future leading to	-\$1.0 M	-1.93%

CATEGORY 5 – Mid/High Risk – Major Service Level Impact					
Description	Risk	Sustainability	Service Level Impact	Impact on Net Budget	
				\$	%
	the short term is moderate, risk in the long term is high	future	service level decreases		

Financial Impact: A summary of the levy impact for each category above has been attached. Furthermore, a summary of the impact a 2.80% net levy increase would have on each of the Residential, Multi-Residential, Commercial, and Industrial classes is attached, with a distribution chart for the Residential class. Note this information will change depending on the final 2016 Budget figures and the finalization of the 2016 Education rates by the Province. Lastly, a table showing the 2016 Revenue Neutral Tax Shifts is provided to show the property tax class shifts in 2016.

Staff Recommendations: That the 2016 Draft Budget be adjusted for the following:

Category 1

Revised Assessment Growth	-183,010
G139 - Tax Equalization Reserve	-100,000
Fuel	-26,000
SS Admin Charge – Net	-24,000
SS Rent Charge - Net	-10,986
G721 - 7300 - JE changes	+21,000
Shared Services Adjustments	-68,692
Planning Student	-8,000
Airport Revenue Adjustment	-2,000

Category 2

Library Capital	-12,000
Police	-49,770
Festival Hydro Dividend	-72,100
IT Reserve	-5,000
OP Reserve	-5,000
Daycare - Replace ECE with Teaching Assistant	-26,000
CAO - Gapping	-15,000
Infrastructure Levy - Reduce 2016 to \$750,000	-250,000

That the Director of Corporate Services be authorized to amend any previous Finance & Labour Relations Committee 2016 Budget recommendations for the above noted adjustments.



Director of Corporate Services



Ron Shaw, Chief Administrative Officer

2015 ADJUSTED NET LEVY	Includes 2015 Growth - \$500,000	51,790,606
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2016 REQUIRED LEVY		52,457,928
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\$ - LEVY INCREASE		667,322
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% - LEVY INCREASE		1.29%
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2016 LEVY - Beginning Balance	53,650,420	
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<i>ADJUSTMENTS:</i>	427,066	
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DRAFT OPTIONS

Category 1 - Low/Mid Risk - Sustainable - No Service Level Change	-401,688	3.64%
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Revised Assessment Growth	-183,010
G139 - Tax Equalization Reserve	-100,000
Fuel	-26,000
SS Admin Charge - Net	-24,000
SS Rent Charge - Net	-10,986
G721 - 7300 - JE changes	21,000
Shared Services Adjustments	-68,692
Planning Student	-8,000
Airport Revenue Adjustment	-2,000

Category 2 - Low Risk - Not Sustainable - Minor Service Level Change	-434,870	2.80%
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Library Capital	-12,000
Police	-49,770
Festival Hydro Dividend	-72,100
IT Reserve	-5,000
OP Reserve	-5,000
Daycare - Replace ECE with Teaching Assistant	-26,000
CAO - Gapping	-15,000
Infrastructure Levy - Reduce 2016 to \$750,000	-250,000

Category 3 - Low/Mid Risk - Sustainable - External Service Impact	-235,000	2.35%
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CSIF - Community Food Bank funding	-8,000
Local Access Recreation	-4,000
Social Research Planning Council	-15,000
Community Grants - Hospital	-100,000
Community Grants - General	-50,000
G820 - Council Committees	-40,000
Golf Course Lease	-18,000

Category 4 - Low/Mid Risk - Internal Service Impact	-58,000	2.23%
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Town Crier Advertising	-10,000
Eliminate City funded Xmas Light Program	-12,000
Reduce amount of City Flower Beds	-6,000
Delay Summer Pool Opening - end of June	-30,000

Category 5 - Mid/High Risk - Internal Major Service Impact	-490,000	1.29%
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Infrastructure Levy - Reduce 2016 to \$500,000	-250,000
Lion's Pool - eliminate Service	-200,000
Reduce Sidewalk snowplowing service level	-40,000

52,457,928

2016 Draft Property Tax Impact - Based on 2.8% Levy Increase

NOTE - Education rates based on 2015 rates

RESIDENTIAL CLASS	
# of RT Properties	11,008
RT - 2015 Avg Assessment	\$250,572
RT - 2016 Avg Assessment	\$256,676
RT - 2015 Avg Municipal Tax	\$3,028.18
RT - 2016 Avg Municipal Tax	\$3,120.88
	3.06%
RT - 2015 Avg Total Tax	\$3,516.80
RT - 2016 Avg Total Tax	\$3,621.40
	2.97%
Average Increase - \$	\$104.60
Average Increase - %	2.97%
Largest Increase - \$	\$5,706.57
Largest Increase - %	24.91%
Smallest Increase - \$	\$0.00
Smallest Increase - %	0.53%

Distribution Table - \$		Distribution Table - %	
-\$100	0	-1.00%	0
-\$50	0	-0.50%	0
\$0	0	0.00%	0
\$50	3113	0.50%	0
\$100	3310	1.00%	1791
\$150	2535	1.50%	833
\$200	946	2.00%	1081
\$250	453	2.50%	1379
\$300	264	3.00%	1791
\$400	227	4.00%	1901
\$500	85	6.00%	1559
\$1,000	63	8.00%	429
\$2,000	5	11.00%	210
\$3,000	4	14.00%	19
\$6,000	3	25.00%	15

MULTI-RESIDENTIAL CLASS	
# of MT Properties	94
MT - 2015 Avg Assessment	\$1,672,016
MT - 2016 Avg Assessment	\$1,749,109
MT - 2015 Avg Municipal Tax	\$42,487.16
MT - 2016 Avg Municipal Tax	\$44,629.91
	5.04%
MT - 2015 Avg Total Tax	\$45,747.59
MT - 2016 Avg Total Tax	\$48,040.67
	5.01%
Average Increase - \$	\$2,293.08
Average Increase - %	5.01%
Largest Increase - \$	\$20,201.70
Largest Increase - %	14.46%
Smallest Increase - \$	\$17.15
Smallest Increase - %	0.57%

Distribution Table - \$		Distribution Table - %	
-\$1,000	0	-1.00%	0
-\$500	0	-0.50%	0
\$0	0	0.00%	0
\$500	18	0.50%	0
\$1,000	30	1.00%	8
\$1,500	13	1.50%	5
\$2,000	5	2.00%	6
\$5,000	19	2.50%	6
\$7,500	4	3.00%	8
\$10,000	0	4.00%	22
\$12,500	0	6.00%	23
\$15,000	3	8.00%	6
\$17,500	1	11.00%	5
\$20,000	0	14.00%	3
\$25,000	1	25.00%	2

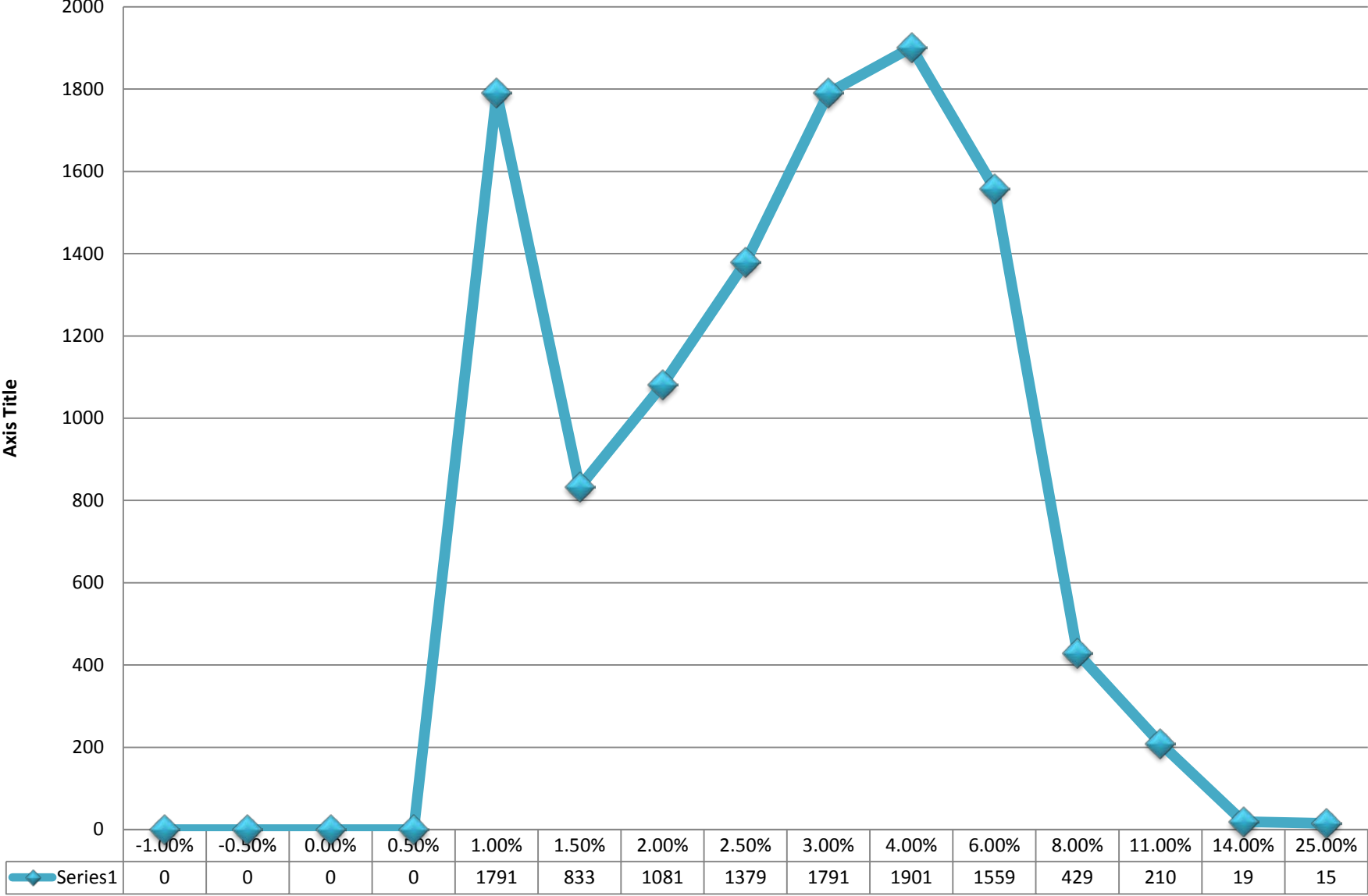
COMMERCIAL CLASS	
# of CT Properties	575
CT - 2015 Avg Assessment	\$466,610
CT - 2016 Avg Assessment	\$473,104
CT - 2015 Avg Municipal Tax	\$11,142.36
CT - 2016 Avg Municipal Tax	\$11,366.37
	2.01%
CT - 2015 Avg Total Tax	\$17,814.89
CT - 2016 Avg Total Tax	\$18,131.77
	1.78%
Average Increase - \$	\$316.88
Average Increase - %	1.78%
Largest Increase - \$	\$16,256.99
Largest Increase - %	13.15%
Smallest Increase - \$	\$0.36
Smallest Increase - %	0.38%

Distribution Table - \$		Distribution Table - %	
-\$100	0	-1.00%	0
-\$50	0	-0.50%	0
\$0	0	0.00%	0
\$50	199	0.50%	229
\$100	110	1.00%	62
\$150	63	1.50%	61
\$200	34	2.00%	79
\$250	21	2.50%	37
\$500	69	3.00%	26
\$750	29	4.00%	33
\$1,000	19	6.00%	28
\$2,500	22	8.00%	10
\$5,000	5	11.00%	9
\$10,000	3	14.00%	1
\$20,000	1	25.00%	0

INDUSTRIAL CLASS	
# of IT Properties	75
IT - 2015 Avg Assessment	\$745,946
IT - 2016 Avg Assessment	\$748,976
IT - 2015 Avg Municipal Tax	\$49,322.82
IT - 2016 Avg Municipal Tax	\$49,085.56
	-0.48%
IT - 2015 Avg Total Tax	\$71,318.84
IT - 2016 Avg Total Tax	\$71,153.51
	-0.23%
Average Increase - \$	-\$165.34
Average Increase - %	-0.23%
Largest Increase - \$	\$1,379.25
Largest Increase - %	12.70%
Smallest Increase - \$	-\$1,641.68
Smallest Increase - %	-0.56%

Distribution Table - \$		Distribution Table - %	
-\$2,000	0	-1.00%	0
-\$1,000	7	-0.50%	49
-\$500	7	0.00%	7
\$0	42	0.50%	9
\$250	10	1.00%	4
\$500	3	1.50%	0
\$750	1	2.00%	1
\$1,000	2	2.50%	0
\$1,250	1	3.00%	1
\$1,500	2	4.00%	1
\$1,750	0	6.00%	1
\$2,000	0	8.00%	1
\$2,500	0	11.00%	0
\$3,000	0	14.00%	1
\$5,000	0	25.00%	0

Distribution Chart - 2016 Residential Property Tax Change by Percentage



CITY OF STRATFORD - 2016 REVENUE NEUTRAL TAX SHIFTS

Class	2015 Total Year End Taxation			2016 Estimated Total Taxation (\$)			Difference Between 2015 and 2016 Taxation					
	Municipal	Education	Total 2015	Municipal	Education	Total 2016	Municipal		Education		Total Change	
							\$	%	\$	%	\$	%
Taxable												
Residential	33,337,718	0	33,337,718	33,391,428	0	33,391,428	53,710	0.16%	0	0.00%	53,710	0.16%
New Multi-residential	84,357	0	84,357	93,210	0	93,210	8,853	10.49%	0	0.00%	8,853	10.49%
Multi-residential	3,909,436	0	3,909,436	3,983,949	0	3,983,949	74,513	1.91%	0	0.00%	74,513	1.91%
Com. Occupied	9,272,620	0	9,272,620	9,206,127	0	9,206,127	-66,493	-0.72%	0	0.00%	-66,493	-0.72%
Com. Exc. Land	36,611	0	36,611	37,489	0	37,489	878	2.40%	0	0.00%	878	2.40%
Com. Vac. Land	56,818	0	56,818	55,873	0	55,873	-945	-1.66%	0	0.00%	-945	-1.66%
Shopping Occ.	971,644	0	971,644	967,371	0	967,371	-4,273	-0.44%	0	0.00%	-4,273	-0.44%
Shopping Exc.	0	0	0	0	0	0	0	0.00%	0	0.00%	0	0.00%
Office Occupied	46,039	0	46,039	46,790	0	46,790	751	1.63%	0	0.00%	751	1.63%
Office Exc. Land	0	0	0	0	0	0	0	0.00%	0	0.00%	0	0.00%
Ind. Occupied	1,988,928	0	1,988,928	1,952,372	0	1,952,372	-36,556	-1.84%	0	0.00%	-36,556	-1.84%
Ind. Exc. Land	39,596	0	39,596	39,382	0	39,382	-214	-0.54%	0	0.00%	-214	-0.54%
Ind. Vac. Land	77,271	0	77,271	78,853	0	78,853	1,582	2.05%	0	0.00%	1,582	2.05%
Large Ind. Occ.	1,720,833	0	1,720,833	1,687,348	0	1,687,348	-33,486	-1.95%	0	0.00%	-33,486	-1.95%
Large Ind. Exc.	9,300	0	9,300	9,365	0	9,365	65	0.70%	0	0.00%	65	0.70%
Pipelines	146,279	0	146,279	145,468	0	145,468	-811	-0.55%	0	0.00%	-811	-0.55%
Farm	33,161	0	33,161	36,077	0	36,077	2,916	8.79%	0	0.00%	2,916	8.79%
Managed Forests	0	0	0	0	0	0	0	0.00%	0	0.00%	0	0.00%
Com Total Taxable	10,383,733	0	10,383,733	10,313,650	0	10,313,650	-70,083	-0.67%	0	0.00%	-70,083	-0.67%
Ind Total Taxable	3,835,927	0	3,835,927	3,767,320	0	3,767,320	-68,608	-1.79%	0	0.00%	-68,608	-1.79%
Total Taxable	51,730,611	0	51,730,611	51,731,101	0	51,731,101	490	0.00%	0	0.00%	490	0.00%
Payment in Lieu												
Com. Occupied	241,158	0	241,158	240,691	0	240,691	-467	-0.19%	0	0.00%	-467	-0.19%
Com. Exc. Land	0	0	0	0	0	0	0	0.00%	0	0.00%	0	0.00%
Com. Vac. Land	1,839	0	1,839	1,814	0	1,814	-24	-1.33%	0	0.00%	-24	-1.33%
Com Total PIL	242,997	0	242,997	242,505	0	242,505	-491	-0.20%	0	0.00%	-491	-0.20%
Ind Total PIL	0	0	0	0	0	0	0	0.00%	0	0.00%	0	0.00%
Total PIL	242,997	0	242,997	242,505	0	242,505	-491	-0.20%	0	0.00%	-491	-0.20%
Com Grand Total	10,626,730	0	10,626,730	10,556,155	0	10,556,155	-70,575	-0.66%	0	0.00%	-70,575	-0.66%
Ind Grand Total	3,835,927	0	3,835,927	3,767,320	0	3,767,320	-68,608	-1.79%	0	0.00%	-68,608	-1.79%
Grand Total	51,973,608	0	51,973,608	51,973,607	0	51,973,607	-1	0.00%	0	0.00%	-1	0.00%