SARNIA CITY COUNCIL

November 4, 2019
10:00am
COUNCIL CHAMBERS, CITY HALL
SARNIA, ONTARIO

CORPORATE PRIORITIES/STRATEGIC PLANNING MEETING
AGENDA

Page

PRESENTATION

3 - 42  
1. 2020 Budget Overview
   Presentation by Director of Finance
The City of Sarnia
2020 BUDGET OVERVIEW
NOVEMBER 4, 2019

Our Vision:
Sarnia, The Place You Want To Be!

Our Mission:
Strength Through Collaborative Leadership
Agenda

1. Review of budget books.
2. High level presentation of accomplishments/initiatives.
3. Discussion of asset management funding models as previously requested by Council.
4. Overview of the 10-year capital plan.
5. Discussion of benchmarks.
6. Presentation of significant changes (highlights) incorporated into the operating budget.
7. Questions.
Budget Books

Similar format; extended time frame to 2021

- Draft Operating Budget 2020
- Draft Capital and Reserves Budgets
- Draft Fees for Service
- Draft Supplementary Budget Information
Accomplishments and Initiatives

• Smart Community status for the 4th year in a row
• New Transit app was launched
• Inventory assessments were completed for asset management
• “The Working Mind” and “Mental Health Prevention” training
• More can be found in Supplemental Budget Information book
Asset Management

- Aggressively address failing infrastructure
  - Expand internal capacity to manage projects
  - Move towards a culture of proactive management
  - Develop financial resources
  - Develop long term capital plans
  - Create multi-year budgets
  - Facilitate data collection and analysis to meet Provincial mandates
  - Improve efficiencies
Develop Financial Resources

• Grants – these are unpredictable and should be used to accelerate capital renewal, not form the baseline of investment
• New User Rates – identify services that can be charged on a fee per use basis
• Dedicated Asset Management Funding – to be used specifically for asset management (% of levy)
Financial Scenarios

At the July 16, 2018 and January 15, 2019 meetings of Sarnia City Council, Council requested staff to investigate and report back on the following financial scenarios to address asset needs and funding deficits identified by Corporate AM planning:

1. Over 20 years through 100% property tax and water/sewer rate increases
2. Over 20 years through 80% property tax and water/sewer rate increases and 20% from other sources
3. Over 30 years through 80% property tax and water/sewer rate increases and 20% from other sources
4. Over 25 years through up to 100% other sources, including debt financing
5. Over 30 years through up to 100% other sources, including debt financing
Financial Scenarios

Increase Tax Levy

- Even over 20 years, the tax levy would need to double the first year to manage future capital requirements.
Financial Scenarios

Increase User Rates
- Regular rate increases for water and wastewater are very steep and, ultimately, unaffordable.
Financial Scenarios

Use Debt
- Debt can be used to fill the gaps in funding. This example minimizes debt by increasing the tax levy 17.2% annually.
Dedicated Asset Management Funding

- 2% on the levy
- 2% on water/sewer fees
  - proactive maintenance activities
  - develop internal capacity
  - increase capital spending
- See Report in Supplemental Budget Information Book
Recommendations

Dedicated 2% Tax Levy Increase
Recommendations

Dedicated 2% User Fee Increase
Recommendations

• 10-year capital plan with financing options.
• Must take into consideration:
  o Grant Agreements
  o Asset Management Plan
  o Development Charges Study
  o Transportation Master Plan
  o Recreation Master Plan
  o Waterfront Master Plan
  o Other Relevant Plans
Review of 10-Year Capital Plan

- Priorities under funding agreements
  - Oversized Load Corridor (NTCF)
  - Sewer Separation (DMAF)
  - Transit Upgrades (ICIP)
  - Sewer Upgrades (SCF)
  - Road Improvements (ICIP)
  - Shoreline Protection (DMAF)
Review of 10-Year Capital Plan

- Prioritization of projects
  - Risk assessment
  - Condition assessment
  - Funding sources
  - Staffing capacity
Review of 10-Year Capital Plan

- Optimizes use of reserves
- Leverages grant funding
- Includes 2% on the levy dedicated to asset management
  - First year is directed primarily to expanding internal capacity and proactive asset management activities
  - Future years will slowly transition funding from operating to capital
Review of 10-Year Capital Plan

- Years 1 and 2 are well developed
- Year 3 is mostly developed
- Years 4-10 are estimated and will be built up over the next couple of years
- Adoption of the 2020 and 2021 capital budgets
- Seeking approval in principle of the 10-year capital plan
Review of 2020 Capital Plan

- $8.5M to roads and bridges infrastructure
- $24M to water and sewer infrastructure
- $13.5M for General Government, Parks & Recreation, Fire, Police, Transit and Shoreline
Capital Plan - Challenges

- Bedford Pumping Station (2020) and Rapids Parkway (2021)
  - Growth projects funded by development charges
  - Insufficient funds in DC reserve
  - Internal borrowing against other reserves to support growth
  - Repaid with future development charges
  - See Report in Supplemental Budget Information book
## Reserves and Reserve Funds

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<tr>
<th>Reserves Budget</th>
<th>Project Type</th>
<th>2020</th>
<th>2021</th>
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<td>Opening Balances</td>
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<td>Development Charges</td>
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<td>Reserve transfer</td>
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<td>Potential Senior Government</td>
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<td>Potential Donations</td>
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<td>Potential Loan</td>
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<td>Reserve Outflows</td>
<td>Equipment/Fleet Replacement</td>
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<td>Direct from Reserve Request</td>
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<td>To Operating Budget</td>
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<td>Capital Projects</td>
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<td>Ending Balance</td>
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<td>44,735,670</td>
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Benchmarks

Assessment Value / Taxes Paid
(Source: 2018 BMA Municipal Study)

Average Residential Assessment
$208,614   $339,643   $209,372   $240,834   $242,931

Average Taxes Paid
$3,182  
$4,701  
$3,500   $3,450   $3,199
Benchmarks

Property Taxes As % Of Household Income
(Source: 2018 BMA Municipal Study)

Average Household Income | Property Taxes as % of Household Income
--------------------------|----------------------------------
Sarnia: $94,588, 3.4%   | Orangeville: $101,444, 4.6%
Owen Sound: $70,778, 4.9% | St Catharines (RP): $80,012, 4.3%
Niagara Falls (RP): $79,768, 4.0%
Review of Operating Budget

- Initial draft
  - Extensive proactive AM initiatives (maintenance and capacity)
  - Better reflection of full cost of Fire OT
  - Steep increase from Police
  - Price increases due to garbage/recycling/compost contracts
  - Staffing requests
  - Reduced reliance on OMPF
Review of Operating Budget

• Revised draft
  ▫ Reduced proactive AM initiatives
  ▫ Utilized AM dedicated funding for proactive AM initiatives
  ▫ Determined funding sources for many staffing requests, removed others
  ▫ Increased OMPF to 85% of 2019
  ▫ Incorporated property tax due to growth
  ▫ Staff commitment to find 1% in savings based on recommendations from Service Delivery Review
Review of Operating Budget

- Bluewater Power revenues increased by $65,000
- Reduction in penalties and interest
- Potential slot revenues at $400,000 directed to reserve
- Reduction in external legal fees of $75,000
- Insurance increase 5%
- Redirect internal savings from temporary vacancies to Economic Development Strategy
AM Initiatives (dedicated funding)

- **Staffing:**
  - Asset Manager
  - Project Manager (funded in part by grant)
  - Design Technician (funded in part by grant)

- **Proactive Maintenance for:**
  - Buildings
  - Roads

- **Proactive Replacement Allocations for:**
  - Vehicles
  - Software
### Staffing Requests

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<td>Develop’mt &amp; Standards</td>
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<td><strong>Total without Police</strong></td>
<td>4.00</td>
<td>3.26</td>
<td>-0.89</td>
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<td>29.06</td>
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<td>Police</td>
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<td></td>
<td>4.00&lt;sup&gt;3&lt;/sup&gt;</td>
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<tr>
<td><strong>Total with Police</strong></td>
<td>8.00</td>
<td>3.26</td>
<td>-0.89</td>
<td>587.25</td>
<td>38.99</td>
<td>33.26</td>
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<sup>1</sup> Funded with grants and/or asset management funds  
<sup>2</sup> Funded by transit levy  
<sup>3</sup> Funded by general levy  
<sup>4</sup> Temporary positions under grants to manage specific projects  

*FTE depends on the total hours worked in a year, for example 3 students working 4 months each is equivalent to one FTE.
Service Changes

• Develop asset management capacity with project manager position
• Proactive asset maintenance, funded by AM funds
• Improve parks maintenance in shoulder seasons by extending seasonal employment by 4 weeks
• Free overnight parking in November and April (per Council By-Laws)
Service Changes

• Downtown parking enforcement pilot project
  ▫ Council proposed pilot project, including additional staffing
  ▫ Staff propose using improved staff capacity
  ▫ Net impact: $80,000 reduction in cost compared to council proposal

• Addition of 4 officers to police complement
Pressure Points

- Wages & Benefits – contracts
- Fire - overtime
- Police – increase in officers, reserve allocations
- Waste Management – new contracts, composting site
Tax Impacts

- General levy increase of 1.95%
  - Covers operational requirements
- Dedicated Asset Management Funding of 2%
  - Directed to lifecycle maintenance (i.e. buildings, equipment) and improving internal capacity (i.e. project management, technology)
- Total increase 3.95%
Special Area Levy

• $1M annual levy to fund the assets supporting the petro-chemical industry
  ▫ Warning sirens
  ▫ Specialized equipment and training
  ▫ Donohue Bridge (half)
  ▫ Mobile command centre (half)
  ▫ Emergency control centre (half)

• See Report in Supplemental Budget Information book
Transit

- Route added to accommodate increase in student ridership
  - Requires 1 FTE (operator) and 1 bus (capital, partly funded by grant)
  - Partially offset by increase in bus pass/fees
- Service level increase to remove snow from bus stops
  - Requires 2 part-time labourers
- 5% increase in transit levy
Water & Sewer

- Dedicated asset management fee increase at 2%
- Water revenue increase 2.5%; 2% AM, 0.5% general requirement
- Sewer revenue increase 2.66%; 2% AM, 0.66% general requirement
- Cost savings and efficiencies found to offset CPI increases
Options for Council’s Consideration

- Physician recruitment grant
  - Council requested investigation to bring in-house
  - Staff propose continue for 1 year; investigate through Economic Development Study
  - Net impact: $0
  - See Report in Supplemental Budget Information book
Options for Council’s Consideration

- **Pathways grant**
  - Council referred to budget deliberations
  - Recommendation in Parks & Recreation Master Plan
  - Net impact: $100,000 addition
Other Options

- Reduce the number of assets
- Reduce the number of services provided
- Reduce the level of service being provided

If council is seeking further cuts to operating
  ▪ Set scope for inclusion in budget
  ▪ Direct staff to determine the best means of managing the required reductions
Budget Deliberation Process

- Capital first
- Operating second
- Operating has two options
  - Traditionally, reviewed section by section
  - Ideally, reviewed by decision points outlined in reports
Questions?