

2018 Year-End Forecast & 2019 Draft Budget Overview

October 29, 2018

Sarnia: The Place You Want to be!



Presentation Outline

- 2018 Year-End Forecast
- 2019 Draft Operating Budget
- 2019 Water & Sewer Budgets
- 2019 Draft Capital & Reserves Budget
- Summary
- 2019 Budget Dates

2018 Year-End Forecast

2018 Year-End Forecast

TAXATION	2018 Forecasted (Deficit)/Surplus	(Deficit)/Surplus as a % of Budget
Current Operating	(327,064)	(0.46%)
Police Services	96,102	0.13%
General Taxation	\$ (230,962)	(0.32%)
Transit Area	90,865	2.35%
Total Taxation	\$ (140,097)	(0.19%)
RATES	2018 Forecasted (Deficit)/Surplus	(Deficit)/Surplus as a % of Budget
Water	185,482	1.16%
Sewer	52,539	0.30%
Total Rates	\$ 238,021	0.71%
COMBINED (DEFICIT)/SURPLUS	\$ 97,924	0.09%

2018 Year-End Forecast

– Key Variances

General Operating Budget	Variance (Unfavourable)
Penalties & Interest on Taxes	(75,000)
Interest on Investments	171,000
Staffing – Wages/Benefits	474,000
Fire Department Overtime	(591,000)
Waste Recyclables Recovery	(138,000)
Zoning Applications and Building Permits	46,000
Arena Maintenance and Electricity	(73,000)
Library Building and HVAC Maintenance	(43,000)
Progressive Auto Sales Arena Contract Revenues	(50,000)
Police Services	96,102
All Other Variances Combined	(48,064)
Total Surplus/(Deficit)	\$ (230,962)

2018 Year-End Forecast

– Key Variances

Transit Budget	Variance (Unfavourable)
Transit Insurance	64,000
Transit Labour	(77,000)
All other variances combined	103,865
Total Surplus/(Deficit)	\$ 90,865
Water & Sewer Budgets	Variance (Unfavourable)
Water Billings	166,000
Water Pollution Control Centre – Salaries and Wages, Ultra Violet Supplies, Electricity, Natural Gas	221,000
Sewer and Building Maintenance	(173,000)
All other variances combined	24,021
Total Surplus/(Deficit)	\$ 238,021

2018 Capital

- Capital project work is on-going. 2018 Capital Budget was approved at \$27,066,201. Including \$1,068,750 in potential grants for the Oversize Load Corridor, which were unsuccessful, and a renewed plan is underway.
- New Application-Based Grants awarded during 2018
 - Ontario Main Street Revitalization Initiative (Ramp at Sarnia Arena, Mitton Façade Improvement) \$92,924
- Significant work in 2018 with some carry-over into 2019 as outlined in the Director Presentations.

2018 Reserves & Reserve Funds

Reserve Fund – A Reserve Fund requires segregation and is restricted to meet the purpose of the Reserve Fund. Interest earned becomes a part of the Reserve Fund.

Two types of Reserve Funds:

- Discretionary Reserve Fund – Established at the discretion of Council to earmark future expenditures. *Examples include Self-insurance, WSIB, Endowments.*
- Obligatory Reserve Fund – Created by legislation which stipulates that revenues received for special purposes be segregated. *Examples include Development Charges (DCs), Gas Tax, Building Permit Revenue, Federal Harbour*

Reserves – An allocation that does not require segregation. Reserves do not earn interest on their own, the interest is included in general operating. *Examples include Infrastructure Reserves & Equipment Reserves*

2018 Reserves & Reserve Funds

Reserve Type	Opening Cash Balance January 2018	Reserve Inflows	Reserve Outflows	Forecasted Ending Balance December 2018
Obligatory Reserve Fund	19,010,617	6,871,283	(11,728,825)	14,153,075
Discretionary Reserve Fund	9,605,351	6,708,913	(10,034,136)	6,280,128
Reserves	34,725,538	40,042,237	(56,398,147)	18,369,628
Reserves & Reserve Funds	\$ 63,341,506	\$ 53,622,433	\$ (78,161,108)	\$ 38,802,831

- The cash opening balance does not include prior year commitments. Commitments, including approved budget commitments and additional Council approvals, are included in the Reserve Inflow/Outflow.
- Inflows and Outflows are high due to municipal funding requirements for a number of grants, some of which span multiple years, such as the Small Communities Fund (SCF) Sarnia Sewer Upgrade Project.
- The Forecasted Ending Balance assumes all commitments will occur by the end of the year, however there are projects that will have carry-over to 2019.

2019 Budgets Guided by Fiscal Fitness

In 2005, the City adopted a fiscal fitness plan that identified 5 pillars:

1. Continued Reduction of Debt
2. Increase Reserve and Reserve Fund Balances
3. Maintain Service Levels
4. Infrastructure Renewal
5. Maintain Reasonable Tax Rates

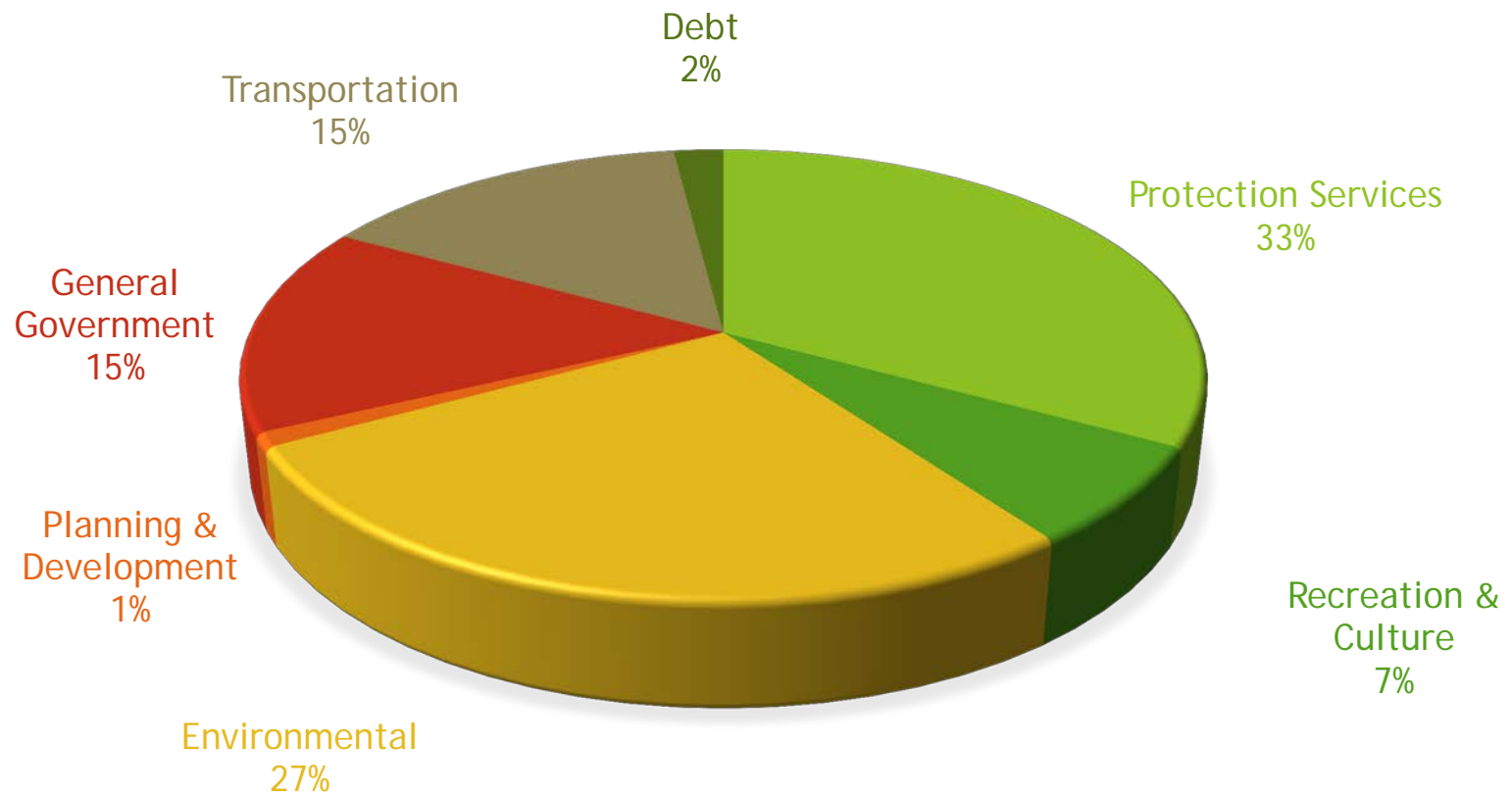
2019 Draft Operating Budget

2019 Draft Budget Expenditures

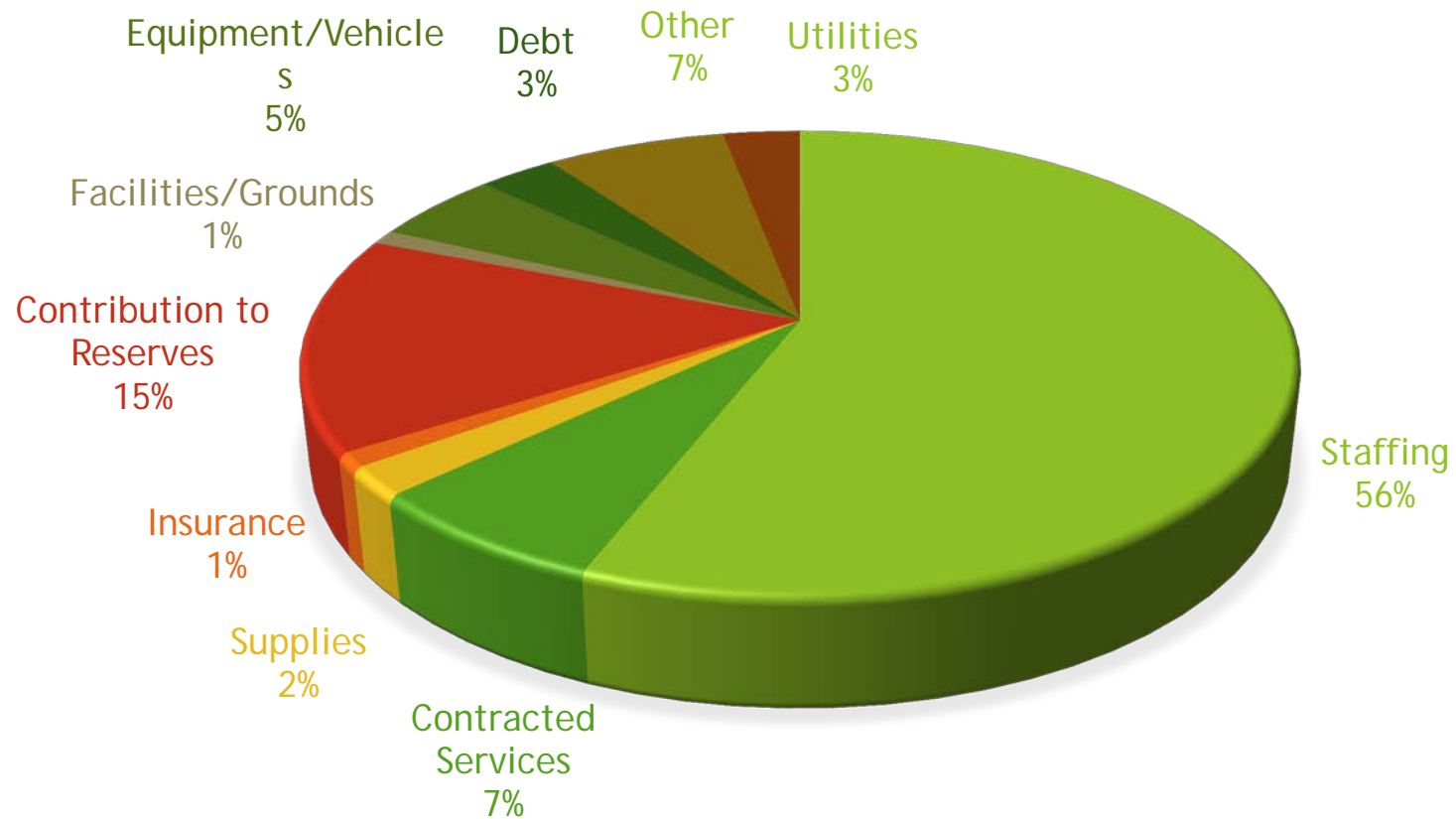
Expenditures	2019 Draft Expenditures	2018 Approved Expenditures	Difference	% Change
General Operating	77,294,625	75,270,719*	2,023,906	2.69%
Police Services	26,254,896	25,491,171	763,725	3.00%
Transit Area	6,517,660	6,373,218	144,442	2.27%
Water	16,682,128	16,053,297	628,831	3.92%
Sewer	18,452,353	17,808,275	644,078	3.62%
Total Expenditures	\$ 145,201,662	\$ 140,996,680*	\$ 4,204,982	2.98%

**To increase transparency, the 2019 Operating Budget includes the full costs for maintaining fleet vehicles - previously parts, gasoline, licencing, and insurance were included in the Reserves Budget. To allow comparison, the 2018 Expenditure total has been shown as \$140,996,680 (\$139,596,680 + \$1,400,000).*

Total Expenditures by Service



Total Expenditures by Type of Spending



2019 Draft Budget

To be raised through taxation and water/sewer rates

Budget	2019 Draft Budget	2018 Approved Budget	Difference	% Change
Current Operating	50,279,468	48,303,126	1,976,342	4.09%
Police Services	23,853,954	23,170,836	683,118	2.95%
General Taxation	74,133,422	71,473,962	2,659,460	3.72%
Transit Area	4,014,058	3,869,616	144,442	3.73%
Total Taxation	\$78,147,480	\$75,343,578	\$2,803,902	3.72%

Budget	2019 Draft Budget	2018 Approved Budget	Difference	% Change
Water Rates	16,476,009	15,969,221	506,788	3.17%
Sewer Rates	18,229,353	17,585,275	644,078	3.66%
Total Rates	\$34,705,362	\$33,554,496	\$1,150,866	3.43%

Key Changes to General Taxation

	Change in \$	% Change
Staffing Costs - Wages & Benefit contractual increases and changes to staffing	688,002	0.96%
Police Budget - As approved by Police Services Board	683,118	0.96%
Recycling & Compost – New Contract cost increase/education/revenue reduction	985,981	1.38%
Garbage – New Contract as of July '19	75,870	0.11%
Election – Contribution to Reserve over 4 year period (for 2022 Election)	65,000	0.09%
Minimum Maintenance Standards O. Reg 366/18 – Snow removal requirements	175,000	0.24%
Revenue increase – Bluewater Power Dividend & Income from Investments	(421,835)	(0.59%)
Increased Contribution to Reserves to fund Capital Projects	161,000	0.23%
Other – all other changes combined	247,324	0.35%
Proposed Increase - General Taxation	\$ 2,659,460	3.72%

*a positive change represents an increase to taxes
a negative change represents a decrease to taxes*

Key Changes to Transit Taxation

	Change in \$	% Change
Staffing Costs - Wages & Benefit contractual increases and changes to staffing	176,915	4.57%
Insurance	(15,232)	(0.39%)
Other – All other changes combined	(17,241)	(0.45%)
Proposed Increase - Transit Taxation	\$144,442	3.73%

*a positive change represents an increase to taxes
a negative change represents a decrease to taxes*

2019 Staff Summary

Expressed in Full Time Equivalents (FTE)	Full Time Proposed Changes	Part Time Proposed Changes	Student Proposed Changes	Proposed 2019 Full Time	Proposed 2019 Part Time	Proposed 2019 Student
Corporate Services	-1.00	-0.18		14.50		1.41
Legal/Property/Risk				8.50		0.33
Finance		-1.66	0.66	31.00		1.99
Fire	-2.00	0.80		124.00	0.80	
Emergency	0.25			1.25		
Engineering				15.00	2.00	1.83
Public Works		1.00	2.33	97.00	4.80	8.00
Transit				54.00	4.58	
Parks & Rec		0.11		53.00	13.11	18.60
Develp'mt & Standards	2.00	-0.50		23.00	1.50	1.00
Total without Police	-0.75	-0.43	2.99	421.25	26.79	33.16
Police				155.00	9.93	
Total with Police	-0.75	-0.43	2.99	576.25	36.72	33.16

Tax Impact - Residential

	2019 Median Value	2018 City Tax	Proposed Increase (General Tax)	Proposed Increase (Transit Tax)	2019 Proposed City Tax
Residence valued at \$100K	\$100,000	\$911	\$32	\$2	\$945
Single Family Detached	193,250	1,761	62	4	1,827
Link Home	168,250	1,533	54	4	1,591
Freehold Rowhouse	98,500	898	31	3	932
Semi-Detached	125,500	1,144	40	3	1,187
Single Family on Water	868,250	7,912	277	19	8,208
Condominium	122,500	1,116	39	3	1,158
Proposed Increase - CITY Portion ONLY					3.72%

*Assumes no Real Assessment Growth
Growth values will be available for budget deliberation day
Based on 2017 MPAC Municipal Change Profile – Median Value*

2019 Draft Water & Sewer Budget

Water & Sewer Budget

Water Budget

- Provides for the cost to operate and maintain the water distribution system
- Provides for the cost to acquire water from LAWSS (Lambton Area Water Supply System)
- Amount to be raised from water rates - \$16,476,009 – increase of 3.17%

Sewer Budget

- Provides for the cost to operate and maintain the sanitary sewage system (including the Sewage Treatment Plant and the Bright's Grove Sewage Lagoons), and the storm sewer system
- Amount to be raised from sewer rates - \$18,229,353 – increase of 3.66%

Key Changes to Water & Sewer

	Change in \$	% Change
Staffing Costs - Wages & Benefit contractual increases	279,890	0.83%
Contributions to Reserves - for Capital Projects	675,000	2.01%
LAWSS (Lambton Area Water Supply System) - City of Sarnia Share	208,118	0.62%
Contract Expense for billing, meter reading/maintenance/installation	74,707	0.22%
Landfill Monitoring (Previously funded through Reserve, reserve now depleted)	30,000	0.09%
Purchased Services - due to aging infrastructure	50,000	0.15%
One-time Reduction in UV System Supplies	(65,915)	(0.20%)
All other changes combined	(100,934)	(0.30%)
Proposed Increase to Water & Sewer User Rates	\$1,150,866	3.43%

*a positive change represents an increase to rates
a negative change represents a decrease to rates*



2019 Draft Capital & Reserves Budget

2019 Draft Capital Budget

- Total 2019 Draft Capital Budget - \$29,669,300
 - Approved Capital Budgets were \$19.2M, \$20.7M, \$37.3M and \$27.1M in 2016 through 2018 respectively, including all approved grants and potential grants
- No new debt included in 2019 Capital Budget. Capital Funding table includes 2 Columns:
 - Validated Project Funding (could execute if funded)
 - Recommended Budget (to spend within current means)
- As in previous years, recommendations are based on affordability, funding only the highest priority infrastructure projects. Infrastructure backlog is not being addressed.
- 10 Year Capital Plan includes projects supported through current asset management plan or completed assessments. Needs are not yet complete – will eventually tie to the Asset Management Plan (AMP). Also includes known funding sources, including predictable grants, retired debt, and current contributions from the operating budget.
- 10 Year Capital Plan includes a bottom line estimated “unfunded” number for future years. Unfunded = the difference between the known infrastructure projects and known funding.

2019 Draft Capital Budget

Project Highlights

Oversize Load Corridor (OLC)

- Cost/timing will be refined by new project manager, projected to be a 4 year project
- Plan for up to \$2,000,000 in 2019, with funding from City (\$600,000 plus prior year funding), \$600,000 (of County's \$1,200,000 commitment), and \$85,000 from others, (pending confirmation of other funders)

Police Radio Communication System

- Police Service Board approved \$4,411,300, with 2019 funding of \$2,761,300
- Funding from Capital Reserves

Road Resurfacing/Reconstruction & Rural Roads Rehabilitation

- \$2,000,000 and \$300,000 in 2019, on-going program
- Funded through OCIF grant

Bridges & Culverts

- \$1,500,000 Donohue Bridge Rehabilitation to the west deck (southbound) bearing plates and girder ends
- \$1,000,000 (including rehabilitation to Kenny Street and Blackwell Road Bridges)
- Funded through OCIF and Federal Gas Tax

2019 Draft Capital Budget

Project Highlights, continued

Parks, Sports/Rec, and Arena Improvements

- Combined recommended funding of \$1,300,000 in 2019, on-going program
- Funded through Parks Reserve and Accessibility Reserve

Emergency Fire Apparatus

- \$1,900,000 required for new fire apparatus - heavy water tower and platform (bucket truck)
- Funded through Fire Equipment Reserves
- Balance of reserve too low to fund fully in 2019; can fund \$1,000,000 in 2019, with remainder in 2020
- Place order after sufficient reserve funds are committed - delivery expected 10-12 months after order placed

Fire Station 3 Demolition & Rebuild

- Funding Recommendation \$0 in 2019, location and pre-engineering design is outstanding, funding not prioritized given other needs

2019 Draft Capital Budget

Project Highlights – Water & Sewer

Sarnia Sewer Upgrade Project

- \$7,500,000 for 2019, project extends until 2020
 - \$2,500,000 City Funds (1/3), \$5,000,000 Small Community Fund (SCF) Approved Grant (2/3)
- City funding through Capital Infrastructure - Sewer Reserve

Sewer Separation

- \$2,000,000 recommended funding for 2019 – on-going program
- Potential grant of \$800,000 through Disaster Mitigation & Adaptation Fund. If not successful, work will be scaled back to \$1,200,000
- Funded through Capital Infrastructure - Water & Sewer Reserves

Water main, Sanitary & Storm Sewer Replacements – Various Locations

- \$3,200,000 recommended funding for 2019 – on-going program
- Funded through Development Charges, and Capital Infrastructure - Water & Sewer Reserves

Bio-solids Improvements at Water Pollution Control Centre

- \$600,000 recommended funding for 2019
- Building toward equipment replacement, estimated total cost of \$4,000,000
- Funded through Capital – Infrastructure – Water & Sewer Reserves

Corrosive Prevention Program

- \$1,200,000 recommended funding for 2019, 10 year program
- Includes hiring of 3 FTE (1 contract & 2 FTE co-op students)
- Funded through Capital – Infrastructure – Water Reserve

2019 Draft Reserves Budget

Reserve Type	Forecasted Opening Balance Jan 2019	2019 Draft Reserve Inflows	2019 Draft Reserve Outflows	Projected Ending Balance Dec 2019
Obligatory Reserve Funds	14,153,075	6,612,040	(7,804,406)	12,960,709
Discretionary Reserve Funds	6,280,128	6,596,802	(4,318,294)	8,558,636
Reserves	18,369,628	27,910,793	(27,225,982)	19,054,439
Reserves & Reserve Funds	\$ 38,802,831	\$ 41,119,635	\$ (39,348,682)	\$ 40,573,784

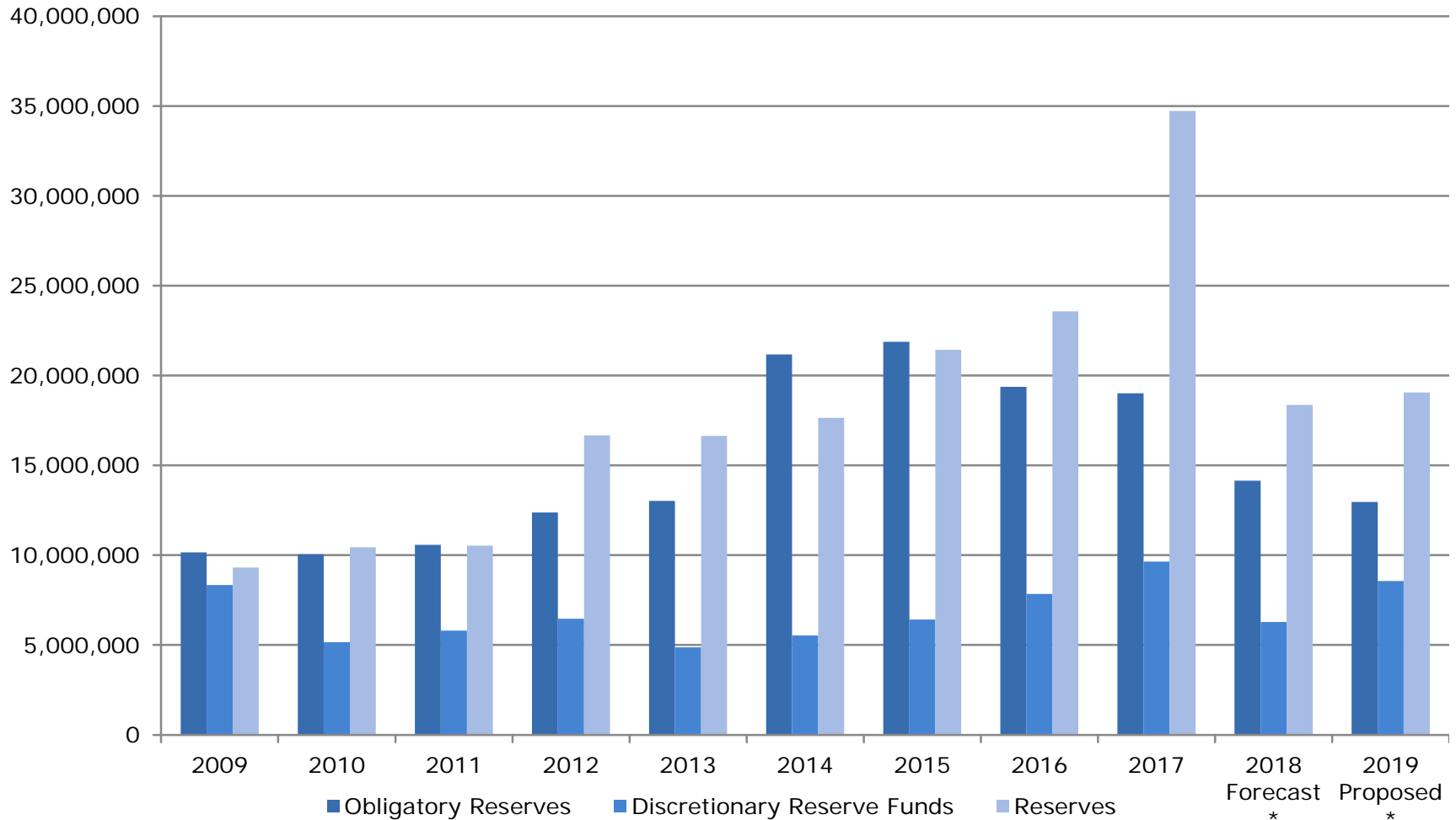
Key Inflows include:

- Retired Debt
- Contributions from the Operating Budget
- Development Charges
- Gas Taxes
- OCIF (Ontario Community Infrastructure)
- Application-based Grant Funding

Key Outflows include:

- Capital Infrastructure Rehabilitation and Replacement
- Equipment Replacement
- "Direct from Reserve" requests, ie. Fire bunker gear, WSIB payments, self-insurance payments, studies, etc.

Reserves & Reserve Funds



**assumes all commitments are spent by the end of the year*

Summary

- The Draft Budget maintains current services and service levels
- Draft General Tax increase for 2019 is 3.72% with zero real assessment growth
- Draft Transit Tax increase for 2019 is 3.73% with zero real assessment growth
- Draft total Tax increase for those in the transit area is 3.72% with zero real assessment growth
- Draft Water & Sewer increase for 2019 is 3.43%
- Draft Capital Budget for 2019 is \$29,669,300
- Awaiting outcome of potential Disaster Mitigation & Adaptation Fund Application-based grant for sewer separation project
- Draft Reserve In-Flows are slightly higher than Out-Flows given multi-year capital project needs over the next 2 years
- Reserve balances overall make it difficult to manage unexpected events, have matching funds for grants or address the “infrastructure backlog”

Budget Timing

October 26 - Budget Highlights Issued

October 29 - CP/SP Council Meeting with Budget Overview Presentation

November 5 - Detailed Budget Books Available

November 19 at 5:00 p.m. - City Budgets & Fees Public Input Meeting

December 11 at 9:00 a.m. - City Budgets & Fees Deliberation

May 2019 – Tax Rates Finalized after County and School Board Budgets Approved



Email Questions or Comments to finance@sarnia.ca