



**Chief Administrative Officers (CAO's)
Office**

TO:	Council
MEETING DATE:	December 5, 2016
SUBJECT / REPORT NO:	2017 Budget – Departmental Report No AD 16-17
PREPARED BY:	Mike Kirkopoulos Chief Administrative Officer (CAO), ext. 268
SUBMITTED BY:	Mike Kirkopoulos, CAO

RECOMMENDATION:

1. That Report No. AD 16-17, regarding the 2017 Budget, be received; and
2. That Council APPROVE in principle the information contained within and refer this Report and the Operating and Capital Levy Budgets, subject to any changes made on December 5, 2016, to the Council Business Planning (Committee of the Whole) Budget Meeting on December 13, 2016 for final approval; and
3. That the final Operating and Capital Budgets then be considered together with the Water/Wastewater Rate Budget for final Council ratification on December 19, 2016.

EXECUTIVE SUMMARY:

- The report includes an overview of the budget presented to date, including budget guiding principles.
- Capital Overview was the first to occur during two meetings on November 4 and November 9, 2016.
- During the Capital Sessions staff presented the need to examine a special Infrastructure Levy which was referred to the operating budget and final deliberations.
- Through two operating budget planning sessions, Council has been presented with various tax levy scenarios, starting with a tax increase of 8.9% for the Town's portion (anticipated blended rate 3.29%) on November 23, 2016, to the most recent scenario of 7.64% (anticipated blended rate 2.93%) on November 30, 2016
- Drivers for the 2017 tax levy increase include municipally controllable and uncontrollable expenditure items
- Deliberations on November 30, 2016, concluded with direction to:

1. Adjust the library board capital budget to reflect potential cost savings of the Lincoln Public Library and the Town of Lincoln sharing I.T. resources;
2. Including the application of development charges reserve contributions to offset the Public Library Board tax levy requirement;
3. Proceed with the preparation of a final draft 2017 Budget based on Budget Scenario No. 3 (7.64% Town portion, anticipated blended rate: 2.93%) which was recommended by the CAO for Council consideration on December 5, 2016.

Alternatives for Consideration

None.

HISTORICAL BACKGROUND:

Staff and Council began budget planning preparations in July, 2016.

2017 draft capital and operating budget documents to date include the following:

- 2017 Operating Budget (Nov. 30, 2016)
 - Information Updates:
 - Library IT Funding
 - Road Program Reserve Trending
 - Special Capital Levy Considerations
 - Tax Rate Affordability
 - Operating Budget Background Information
 - Human Resources Metrics
 - Cemetery Trust Funds
 - Rate Stabilization Balance
- 2017 Operating Budget (Nov. 23, 2016)
- 2017 Operating Budget (Nov. 18, 2016)
- First Capital Budget Presentation (Nov. 9, 2016)
- 2017 Capital Budget (Nov. 4, 2016)
- 2017 Budget Planning Presentation (July 25, 2016)

FINANCIAL – STAFFING – LEGAL CONSIDERATIONS:

Financial: n/a

Staffing: n/a

Legal: n/a

RELEVANT CONSULTATION:

Public consultation was solicited as part of the budget planning through two public meetings (September 21 and 22, 2016), an online survey, and social media. A total of 92 people completed the online survey, 12 residents attended the public meetings, and nine people provided narrative via social media. Also, through Twitter staff were able to

measure tweets, impressions and engagements with the survey and the message itself resulting in over 6,190 impressions and 691 engagements.

Council Business Planning sessions are open to the public and members of the community may request a delegation to Council at these meetings.

STAFF COMMENTS:

In the development of this budget, the Town has tried to address Council's approved priorities, while at the same time demonstrating regard for taxpayer affordability. While aligning with Council's priorities, this budget looks to:

- Invest in hard and soft infrastructure
- Meet our legislative obligations
- Absorb inflationary pressures
- A desire to invest in "the basics" – services

Through two operating budget planning sessions, Council has been presented with various tax levy scenarios, starting with a tax increase of 8.9% for the Town's portion (anticipated blended rate 3.29%) on November 23, 2016, to the most recent scenario of 7.64% (anticipated blended rate 2.93%) on November 30, 2016.

Of the tax levy increase approximately 4.65% is driven by municipally controllable and uncontrollable expenditure items. Note, this percentage is without additional considerations for FTE's, Council referred items and Special Infrastructure Levy. These drivers include:

Uncontrollable:

- 1.5% negotiated collective agreement salary adjustment;
- Wage progression through grid;
- Inflationary increases:
 - 2016 Inflation was 1.6%;
 - 2017 anticipated inflation of 2.3% (Bank of Canada);
 - Cost of construction is going up (bids/tenders);
 - Carrying costs for previously acquired debt;
- Utility increases ~ \$64,000;
- This would have been considerably higher but we are seeing offset with Council approved LED Program;

Within control:

- Increase for materials in operations (parks, cemeteries, beautification)
- Professional services (consulting for master plans, other plans, Transit Pilot Project, wayfinding signage)

The remainder can be accounted for with:

- Special Infrastructure Levy of 1% (long-term sustainability);
- Full Time Equivalents (FTEs) of 1.96% (required for operational and legislative obligations);

- Others: 0.76% (Canada 150 and associations).

The FTE requests for this budget were determined by the senior management team based in critical needs from an operational staffing perspective. Alternatives were reviewed as well as efforts to find dollars within existing budget or repurposing positions. Council was provided with business cases for each of the FTE requests and included:

- Outline of core functions;
- Role in achieving outcomes related to Council priorities/work plan items;
- Service delivery requirements – regulatory or legislative;
- External funding sources;
- Role in revenue generation.

The FTE business cases consisted of two streams to include no impact to the levy and impact to the levy.

The no levy impact conversation focused on seeking approval for a Water Compliance Officer as per previous PW Report 16-29. The CAO also spoke about a project management role required in SRC at a future date, but suggested that he would be reporting back through committee as to roll out and financing if required and look to address internally. Council was presented business cases for four levy impact positions. This request totaled \$256,094 (1.96% increase).

The roles included:

1. SRC senior management level role
2. Economic Development Officer
3. Legislative Coordinator
4. Emergency Management & Regulatory Coordinator

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Once incorporated these changes provide Council with a newly proposed: 7.38% Town increase portion and an Overall (Anticipated Blended Rate) of 2.89%.

ALTERNATIVES FOR CONSIDERATION:

None

COMMUNICATION/ENGAGEMENT OVERVIEW:

Budget engagement is outlined in the Consultation section of this report. Budget communications are ongoing through channels including business planning meeting, media, website and social media.

ALIGNMENT TO CORPORATE PLAN:

Budget planning is foundational in supporting and achieving Council's priorities and work plan. Budget guiding principles included alignment with the priorities.

ATTACHMENTS

None