

City of Niagara Falls 2018 Operating Budget



March 27, 2018

Tonight's Discussion- 2 Parts

1. Preliminary 2018 Operating Budget Overview
2. Operating Budget Revised

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2018 Preliminary Budget Overview

- Maintains existing Core Service Levels with additional expenditures due to Council priorities
- Developed consistent with previous years in Councils' terms
- Includes enhanced services tied to Council Strategic Priorities for Culture, bylaw enhancements, Transit enhancements and an increase in resources for parks maintenance (turf field)
- Continuation of attrition program for staff replacements
- Includes new assessment growth from 2018
- Impact of lower debt servicing charges
- Impact of pending fire arbitration settlement

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Operating Budget Comparison - Expenditures

Expenditures	2018	2017	\$ Variance	% Variance
Salaries & Wages	\$47,363,912	\$44,593,820	\$2,770,092	6.21
Overtime	1,121,249	1,150,249	(29,000)	(2.52)
Employee Benefits	12,713,374	11,908,848	804,526	6.76
Long Term Debt Interest Charges	1,983,643	2,169,757	(186,114)	(8.58)
Long Term Debt Principal Payments	3,037,469	3,337,150	(299,681)	(8.98)
Materials & Services	18,061,483	17,767,719	293,764	1.65
Contract Services	24,016,699	23,560,383	456,316	1.94
Rents & Financials	972,653	865,843	106,810	12.34
Transfers to Boards, Agencies & Commissions	81,140	86,946	(5,806)	(6.68)
Transfers to Capital	5,551,119	5,551,119	-	0.00
Transfers to Capital, Reserves & Reserve Funds	15,755,761	15,705,761	50,000	0.32
Internal Transfers	4,496,678	4,244,497	252,181	5.94
Total	\$135,155,180	\$130,942,092	\$4,213,088	3.22

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Operating Budget Comparison - Revenues

Revenues	2018	2017	\$ Variance	% Variance
Taxation - General	65,051,319	63,725,643	1,325,676	2.08
Taxation - Waste Management	6,645,612	6,750,022	(4,410)	(0.07)
Taxation - Other	21,000	21,000	-	0.00
Payment in Lieu of Taxation	7,050,627	7,050,627	-	0.00
Other Municipalities	1,208,806	1,201,051	7,755	0.65
Grants/Licenses/Permits/Rents	4,963,537	4,874,611	88,926	1.82
Service Charges/User Fees/Concessions/Fines	6,158,565	5,821,191	337,374	5.80
Penalties & Interest	2,200,000	2,200,000	-	0.00
Investment Income/Donations	2,821,000	2,596,000	225,000	8.67
Sales/Other Revenue	25,630,832	25,515,354	115,478	0.45
Internal Transfers	4,980,237	4,770,969	209,268	4.39
Transfers from Reserves/Reserve Funds	6,817,622	6,515,624	251,998	3.87
Total	\$133,549,157	\$130,942,092	2,557,065	1.95

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Key Statistics

- Preliminary proposed expenditure increase of 3.22%
- Largest increase in salaries/benefits due to contractual obligations, increases for fire arbitration, increased transit operating hours and some additional staff in parks and building/bylaw
- Total debt servicing reduction of approximately \$486,000
- Materials/Contract costs are maintained below inflation
- Preliminary revenue increase of 1.95%
- Real Assessment growth resulting in increased revenue (2.0%)
- Fee/Service Charges increased due to volumes in building/transit
- Revenue offset by reductions in Provincial OMPF Grant, POA and reduced tax arrears penalties

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Operating Budget Position as at February 13, 2018

2018 Proposed Expenditures	\$135,155,180
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2018 Proposed Revenues	<u>\$133,549,157</u>
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Budget Difference	\$ 1,606,023
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Less: Lundy's Lane CIP	(65,000)
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Add: NFIB	<u>871</u>
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Revised Budget Difference	\$ 1,591,894
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Requires net levy increase 2.45%

Impact on average residential homeowner 1.98% (all in)

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Council Direction

- At January 13, 2018 Council meeting Council requested options
- At February 27, 2018 Council meeting approved that the Lundy's Lane CIP be increased and funded from OLG reserve thus eliminating from operating budget
- Staff reviewed budget and believes present budget is effective to balance Council objectives
- However, staff developed options for Council consideration, as requested on January 23, 2018
- Options developed to reduce net levy required to different percentage

Options

1. Status Quo-Net Levy increase of 2.45%
2. Reduce impact on net levy to 1.55%
3. Reduce impact on net levy to 0.00%
4. Use of funding from the OLG Contribution Agreement

Option 1: Status Quo

- Based on Council Strategic Objectives present budget has a net levy increase of 2.45%
- Resulting in an impact on the average tax payer of 1.91% (\$60.05 annual)
- Subject to tax policy decisions

Option 2: Net Impact on Property Owner of 1.55%

Requires reduction of budget deficit from \$543,139 consists of the following changes:

- Operating expenditures or revenue that can be altered based on improved estimates
- Reduction of transfers to reserves to mitigate potential liabilities
- Increase allocation of inter-fund transfers

Option 2: Net Levy Impact 1.55%

Proposed Changes	Amount
Conference Reduction	\$5,000
Eliminate Transit Services on Christmas/ NE Day	\$6,000
Reduce Printing Costs- Clerks	\$20,000
Planning Fee Revenue Estimate Increase	\$12,139
Reduce Allocation to Reserves for Pending Tax Appeals	\$400,000
Reduce Transfer to Fleet Reserve	\$50,000
Increase Inter-fund Transfer from Building	\$50,000
Total	\$543,139

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Option 3: Operating Budget Reductions

- Further reductions in operating costs are required in addition to option #2
- Required reductions of \$1,048,755
- Gross levy would be equal to assessment growth, resulting in a net levy 0%
- Limited to new initiatives for example deferral of transit improvements and deferral of new hires in fire
- Increase to the reductions of transfers to reserves
- Reductions to other funding agencies funded by tax payers
- Larger organizational structural reductions require deeper analysis and cannot be completed for this budget
- Contrary to direction of Councils' strategic priorities and in many cases only deferring until future years

Option 3: Reduction to 0% Impact

Proposed Reductions	Amount
Deferral Transit Enhancements	\$530,000
Deferral of New Fire Hires	\$190,676
Fleet Reserve (Additional Reduction)	\$150,000
Reductions to Fees for Services	\$140,000
Reduce Allowance for assessment	\$38,079
Total	\$1,048,755

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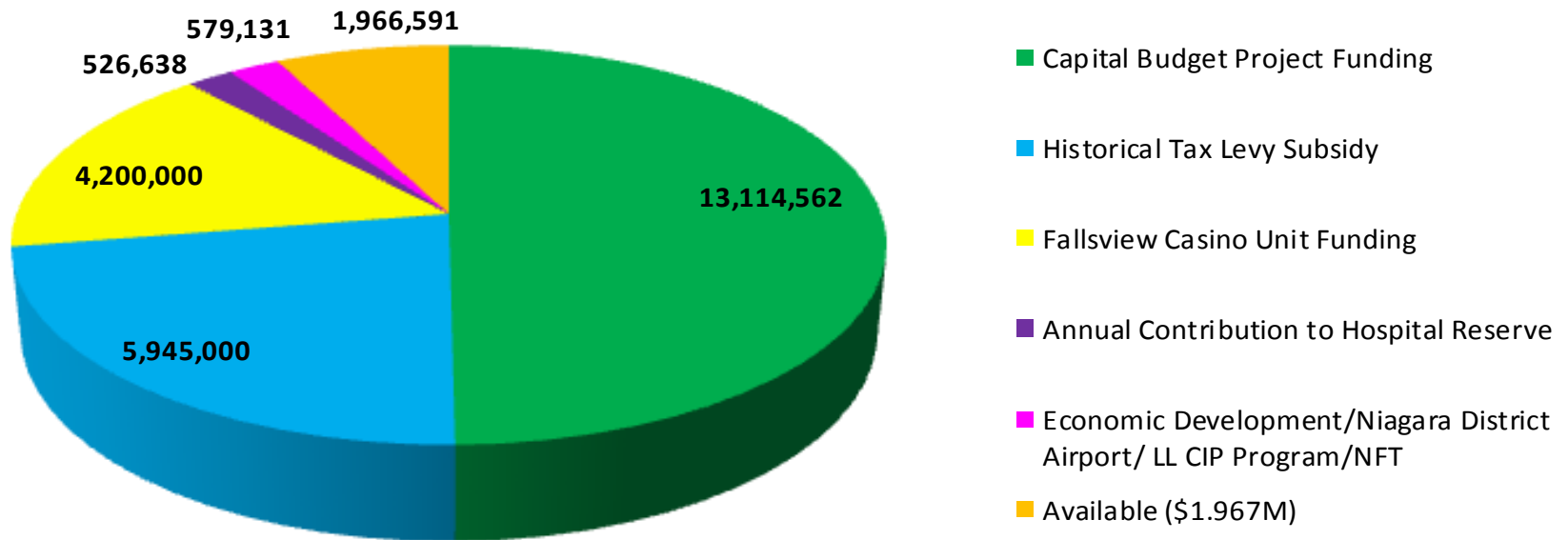
Option 4: OLG Funds History

OLG contribution agreement initiated in 2013

1. Council established priorities to use funding:
 - a. Tax relief/ subsidy
 - b. Hospital investment
 - c. Economic development initiatives
 - d. Policing fee for service
 - e. Capital infrastructure improvements
2. Spending allocation approved by Council and reporting by-annually
3. Presently tax subsidy \$5.9M (9.75%)

2017-2018 OLG Results

OLG Summary of Spending



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Option 4: Pros/Cons of Increase of OLG Allocation

Available funding projected \$ 1,966,591

Pros:

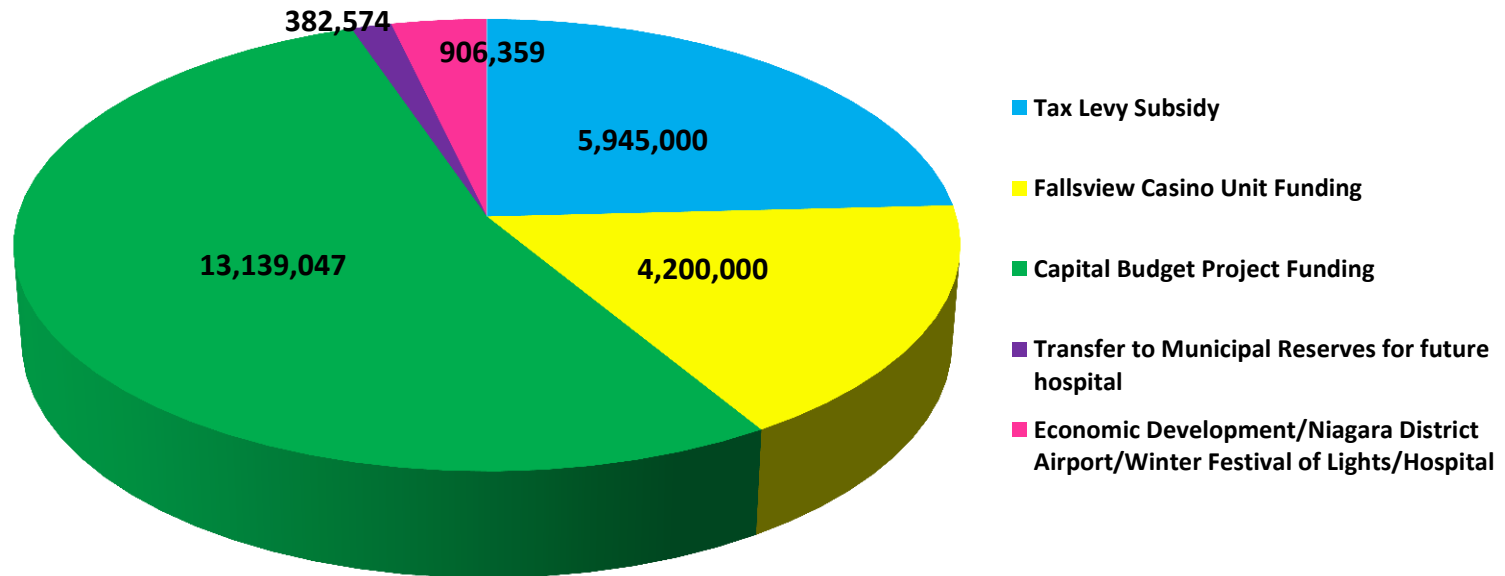
- One time tax relief to property owners

Cons:

- Does not address capital infrastructure deficit
- Potential risk of future tax increases
- Limits future economic development and hospital funding
- Similar precedent as other municipalities that relied on this funding in their operating budget
- Similar impact as OMPF 2018 reduction (\$135,000)

2016-2017 OLG Results

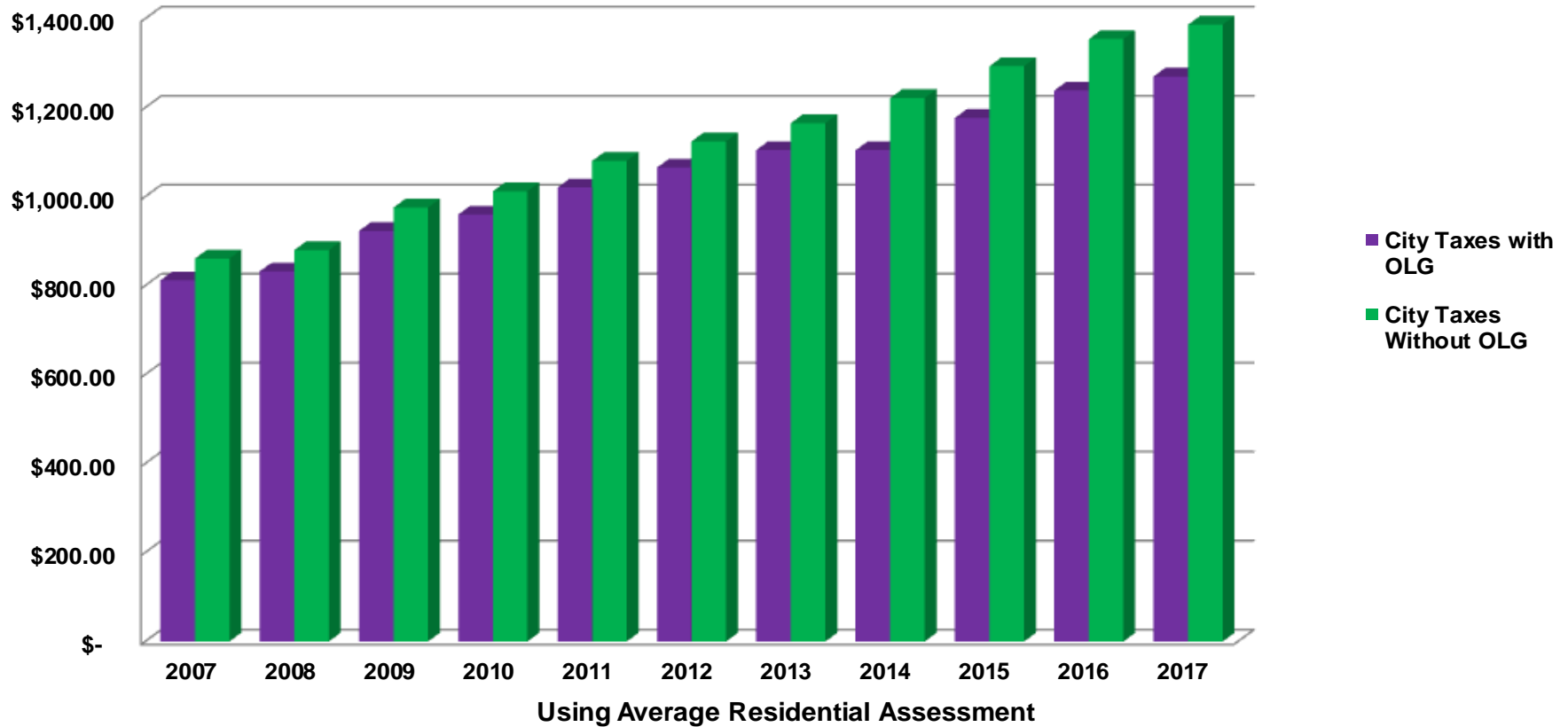
OLG Summary of Spending



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History of OLG Impact

History of the Impact of OLG Levy Subsidy



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Staff Recommendations

Staff evaluated options for Council

- Staff believe original draft is best
- However, since that wasn't acceptable in January, staff recommend option #2
- The next slide shows the impact on average property owner
- Staff are not recommending option 3 or option 4

Comparison of Tax Rates on the Average Household

Tax	2017	2018	\$ Change	% Change
Assessment	235,606	247,531	11,925	5.06%
City - General	\$1,094.19	\$1,118.68	\$24.48	2.24%
City - Urban Service Area	\$175.76	\$179.42	\$3.67	2.09%
City - Waste	\$131.21	\$129.31	(\$1.90)	(1.45%)
Region	\$1,360.01	\$1,384.89	\$24.89	1.83%
School	\$421.73	\$420.80	(\$0.93)	(0.22%)
Total	\$3,182.90	\$3,233.26	\$50.36	1.58%

- Gross Levy Increase 3.59% - Net Levy Increase 1.64%
- Subject to changes to Regional Tax Policy

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Summary of Operating Budget

- Staff seeking Council approval
- Option 2 staff recommendation, if preliminary budget (status quo) not acceptable
- Do not recommend option 3 or option 4

Summary

- Revised annual spending at 2.85% which is below the Consumer Price Index but primary impact of higher fire costs and enhanced transit
- Maintained core service levels with modifications to Transit operations, Municipal Works, Culture and Pools
- Positive effect at declining debt servicing costs
- Proposed impact of average property owner 1.58%
- Staff is recommending approval of Operating Budget

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