

**2. PROPOSED 2016 BUDGET TIMELINE AND 2016-2018 BUDGET
DIRECTIONS**

**ÉCHÉANCIER PROPOSÉ POUR LE BUDGET 2016 ET ORIENTATIONS
BUDGÉTAIRES 2016-2018**

COMMITTEE RECOMMENDATIONS AS AMENDED

That Council approve the timetable for developing and approving the 2016 budget, and the 2016 to 2018 operating and capital budget strategies as outlined in the report and which includes the following:

- 1. The City Wide levy, which includes Police, Library and Public Health, be increased by 1.75% per year.**
- 2. Each year, all new operating budget needs will be as established in Council's strategic initiatives setting process with the funding as identified in report ACS2015-CMR-OCM-0016 – Proposed 2015-2018 Term of Council Priorities.**
- 3. Each year, all strategic initiative capital projects will be as identified in Council's strategic initiatives setting process with the funding as identified in report ACS2015-CMR-OCM-0016 – Proposed 2015-2018 Term of Council Priorities.**
- 4. That the budget allocation for Transit services be based on a 2.5% increase to the Transit levy, as identified in the Transit Affordability Plan and a pro-rated share of the estimated 1.3% increase in taxes resulting from growth in assessment and that Council request the Commission develops its draft budget within this allocation.**

5. That, as part of the annual budget process, the budget allocation for Police, Library and Public Health Boards be based on their individual pro-rated share of a 1.75% tax increase and an estimated 1.3% increase in taxes resulting from growth in assessment, and that Council request that these Boards develop their draft budgets within their annual allocation.
6. That the Rate supported (water and sewer services) draft budget be developed utilizing a 6% increase in the water rate as projected in the 2012 Long Range Financial Plan.
7. That the following dates in Document 1 be amended as follows:
 - : In part 2, Tabling of Draft Budget with Council – November 12 Thursday
 - : In part 4, Ottawa Public Library Board - December 1 Tuesday
 - : In part 4, Public Health Board – December 7 Monday
 - : In part 4, Audit Committee – November 26 Thursday

RECOMMANDATIONS DU COMITÉ, TEL QUE MODIFIÉES

Que le Conseil approuve l'échéancier pour l'élaboration et l'approbation du budget 2016, ainsi que la stratégie budgétaire 2016-2018 pour les immobilisations et le fonctionnement, comme l'indique le rapport, y compris ce qui suit :

1. Qu'une augmentation annuelle de 1,75 % soit appliquée aux taxes municipales, notamment pour les services de police, de bibliothèque et de santé publique.
2. Que chaque année, les nouveaux besoins associés au budget de fonctionnement correspondent à ceux établis dans le cadre du processus d'élaboration des initiatives stratégiques du Conseil, et

que le financement s'y rapportant corresponde à celui fixé dans le rapport n° ACS2015-CMR-OCM-0016 – *Priorités proposées pour le mandat du Conseil 2015-2018*.

3. Que chaque année, les projets d'immobilisations liés aux initiatives stratégiques correspondent à ceux établis dans le cadre du processus d'élaboration des initiatives stratégiques du Conseil, et que le financement s'y rapportant corresponde à celui fixé dans le rapport n° ACS2015-CMR-OCM-0016 – *Priorités proposées pour le mandat du Conseil 2015-2018*.
4. Que la part du budget destinée aux services de transport en commun soit calculée selon une augmentation de 2,5 % de la taxe pour le transport en commun, comme l'indique le Plan d'abordabilité à long terme du transport en commun, et selon une part calculée au prorata de l'augmentation des recettes d'imposition estimée à 1,3 % découlant de la hausse de l'évaluation foncière, et que le Conseil demande à la Commission d'élaborer son budget préliminaire en respectant cette allocation;
5. Que dans le cadre du processus budgétaire annuel, la part du budget destinée aux conseils des services de police, de bibliothèque et de santé publique soit répartie selon l'application individuelle au *pro rata* d'une augmentation de taxes de 1,75 % et d'une augmentation des recettes d'imposition estimée à 1,3 % découlant de la hausse de l'évaluation foncière, et que le Conseil municipal demande aux conseils d'élaborer leurs budgets préliminaires en respectant cette allocation annuelle.

6. Que le budget préliminaire des programmes soutenus par les tarifs (services d'eau et d'égouts) soit établi selon une augmentation de 6 % des redevances d'eau, comme le prévoit le Plan financier à long terme 2012.
7. De modifier les dates contenues dans le document 1 de la façon suivante :
 - à la partie 2, Présentation du budget préliminaire au Conseil – Jeudi 12 novembre
 - à la partie 4, Conseil d'administration de la Bibliothèque publique d'Ottawa – Mardi 1^{er} décembre
 - à la partie 4, Conseil de santé publique – Lundi 7 décembre
 - à la partie 4, Comité de vérification – Jeudi 26 novembre

DOCUMENTATION / DOCUMENTATION

1. Marian Simulik, City Treasurer, report dated 28 September 2015 / Trésorière municipale, rapport daté du 28 septembre 2015 (ACS2015-CMR-FIN-0038)
2. Extract of Draft Minutes, Finance and Economic Development Committee, 6 October 2015. / Extrait de l'ébauche du procès-verbal du Comité des finances et du développement économique, le 6 octobre 2015.

**FINANCE AND ECONOMIC
DEVELOPMENT COMMITTEE
REPORT 8
14 OCTOBER 2015**

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**COMITÉ DES FINANCES ET DU
DÉVELOPPEMENT ÉCONOMIQUE
RAPPORT 8
LE 14 OCTOBRE 2015**

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
6 October 2015 / 6 octobre 2015**

**and Council
et au Conseil
14 October 2015 / 14 octobre 2015**

**Submitted on September 28, 2015
Soumis le 28 septembre 2015**

**Submitted by
Soumis par:
Marian Simulik, City Treasurer / Trésorière municipale**

**Contact Person
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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2015-CMR-FIN-0038

**SUBJECT: PROPOSED 2016 BUDGET TIMELINE AND 2016-2018 BUDGET
DIRECTIONS**

**OBJET: ÉCHÉANCIER PROPOSÉ POUR LE BUDGET 2016 ET ORIENTATIONS
BUDGÉTAIRES 2016-2018**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend that Council approve the timetable for developing and approving the 2016 budget, and the 2016 to 2018 operating and capital budget strategies as outlined in the report and which includes the following:

- 1. The City Wide levy, which includes Police, Library and Public Health, be increased by 1.75% per year.**
- 2. Each year, all new operating budget needs will be as established in Council's strategic initiatives setting process with the funding as identified in report ACS2015-CMR-OCM-0016 – Proposed 2015-2018 Term of Council Priorities.**
- 3. Each year, all strategic initiative capital projects will be as identified in Council's strategic initiatives setting process with the funding as identified in report ACS2015-CMR-OCM-0016 – Proposed 2015-2018 Term of Council Priorities.**
- 4. That the budget allocation for Transit services be based on a 2.5% increase to the Transit levy, as identified in the Transit Affordability Plan and a pro-rated share of the estimated 1.3% increase in taxes resulting from growth in assessment and that Council request the Commission develops its draft budget within this allocation.**
- 5. That, as part of the annual budget process, the budget allocation for Police, Library and Public Health Boards be based on their individual pro-rated share of a 1.75% tax increase and an estimated 1.3% increase in taxes resulting from growth in assessment, and that Council request that these Boards develop their draft budgets within their annual allocation.**
- 6. That the Rate supported (water and sewer services) draft budget be developed utilizing a 6% increase in the water rate as projected in the 2012 Long Range Financial Plan.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil d'approuver l'échéancier pour l'élaboration et l'approbation du budget 2016, ainsi que la stratégie budgétaire 2016-2018 pour les immobilisations et le fonctionnement, comme l'indique le rapport, y compris ce qui suit :

1. Qu'une augmentation annuelle de 1,75 % soit appliquée aux taxes municipales, notamment pour les services de police, de bibliothèque et de santé publique.
2. Que chaque année, les nouveaux besoins associés au budget de fonctionnement correspondent à ceux établis dans le cadre du processus d'élaboration des initiatives stratégiques du Conseil, et que le financement s'y rapportant corresponde à celui fixé dans le rapport n° ACS2015-CMR-OCM-0016 – *Priorités proposées pour le mandat du Conseil 2015-2018*.
3. Que chaque année, les projets d'immobilisations liés aux initiatives stratégiques correspondent à ceux établis dans le cadre du processus d'élaboration des initiatives stratégiques du Conseil, et que le financement s'y rapportant corresponde à celui fixé dans le rapport n° ACS2015-CMR-OCM-0016 – *Priorités proposées pour le mandat du Conseil 2015-2018*.
4. Que la part du budget destinée aux services de transport en commun soit calculée selon une augmentation de 2,5 % de la taxe pour le transport en commun, comme l'indique le Plan d'abordabilité à long terme du transport en commun, et selon une part calculée au prorata de l'augmentation des recettes d'imposition estimée à 1,3 % découlant de la hausse de l'évaluation foncière, et que le Conseil demande à la Commission d'élaborer son budget préliminaire en respectant cette allocation;
5. Que dans le cadre du processus budgétaire annuel, la part du budget destinée aux conseils des services de police, de bibliothèque et de santé publique soit répartie selon l'application individuelle au *pro rata* d'une augmentation de taxes de 1,75 % et d'une augmentation des recettes d'imposition estimée à 1,3 % découlant de la hausse de l'évaluation

foncière, et que le Conseil municipal demande aux conseils d'élaborer leurs budgets préliminaires en respectant cette allocation annuelle.

- 6. Que le budget préliminaire des programmes soutenus par les tarifs (services d'eau et d'égouts) soit établi selon une augmentation de 6 % des redevances d'eau, comme le prévoit le Plan financier à long terme 2012.**

EXECUTIVE SUMMARY

In the 2015-2018 Council Governance Review report (ACS2014-CMR-CCB-0062) a term of Council budget process was approved. One of the requirements of that process is that the Treasurer would present the Finance and Economic Development Committee and Council with a directions report prior to the development of the draft budgets.

The purpose of the report is to provide Council with an understanding of the projected pressures that the City will be facing over the 2016-18 timeframe, provide a proposed annual increase in property taxation, outline the budget allocation targets for the Boards and Transit Commission and to seek Council endorsement of the budget strategies that will be required to achieve the proposed taxation levels. In addition, this report proposes a timetable for the tabling, review and adoption of the 2016 budget.

When the 2015 draft budget was tabled in February 2015, the City Manager informed Council that the financial challenges facing the City in the years ahead required looking beyond the traditional one year budget window and required a multi-year approach. A multi-year approach allows for the time required to develop and implement strategies that may take years to effect. The second reason for taking a longer term approach to budget planning is to address Council's adopted term priority of financial sustainability. A measure of financial sustainability is taking a longer term view of finances to ensure services can be delivered and infrastructure maintained while keeping tax increases at a predictable and affordable level.

The pressures facing the City will be more significant in 2016 than in the following two years as a result of the base adjustments stemming from the 2015 budget. A number of strategies are proposed but are not limited to:

- Reviewing current expenditures to reflect reductions that will not affect service or revenue budget increases that are not of a one-time nature.
- Increasing user fees and charges in line with the cost of delivering the service

- Establishing corporate efficiency targets based on an analysis of how City services are provided.
- Establishing department specific efficiency targets based on operational reviews.

In order to attain the efficiencies that would result from the above reviews, it is likely that the full implementation and realization of the savings may take more than one year. It is therefore being proposed to utilize reserve funds to provide one time bridge funding to offset the pressures that cannot be covered by efficiency savings in 2016 and 2017. By 2018 the full efficiency savings should be achieved.

The Capital program requirements for 2016 and forecasts for 2017-18 are proposed to be developed in accordance with the Council approved Transportation Master Plan, Infrastructure Services Master Plan and 2014 Development Charges Background Study. Debt funding used to fund eligible components of the capital program requirements will be in accordance with the constraints as presented in the Long Range Financial Plan 4 (LRFP4) and Fiscal Framework documents. As well the City will continue to increase the contribution to capital over the term in order to bring funding closer to a “good state of repair” level as was identified in the LRFP4.

Financial Implications

The 2016 draft budget will be developed to reflect the financial pressures outlined in the report along with the proposed strategies.

Public Consultation and Input

The City held a Budget 101 session to help citizens understand how the City budget is built in the spring of this year. The Mayor held an electronic town-hall meeting in June and Councillor led public consultation meetings are being held over the September 19 to October 7 timeframe at various locations across the city. The input provided from the public during these sessions, will be forwarded to the Mayor and the City Manager for consideration while developing the draft budget.

BACKGROUND

In the 2015-2018 Council Governance Review report (ACS2014-CMR-CCB-0062) a term of Council budget process was approved. One of the requirements of that process is that the Treasurer would present the Finance and Economic Development Committee and Council with a directions report prior to the development of the draft budgets. Also included in the approved process is the direction to the City Manager to work with the

Mayor's office to develop draft budgets that are consistent with Council's approved budget direction.

When the 2015 draft budget was tabled in February 2015, the City Manager informed Council that the financial challenges facing the City in the years ahead required looking beyond the traditional one year budget window and required a multi-year approach. A multi-year approach allows for the time required to develop and implement strategies that may take years to effect. The second reason for taking a longer term approach to budget planning is to address Council's adopted term priority of financial sustainability. A measure of financial sustainability is taking a longer term view of finances to ensure services can be delivered and infrastructure maintained while keeping tax increases at a predictable and affordable level.

During the 2015 budget process, Council directed that the term budget consultation process be reviewed and amended to allow for public input prior to the development and tabling of the draft budget. The City held a Budget 101 session to help citizens understand how the City budget is built in the spring of this year. The Mayor held an electronic town-hall meeting in June and Councillor led public consultation meetings are being held over the September 19 to October 7 timeframe at various locations across the city. The input provided from the public during these sessions, will be forwarded to the Mayor and the City Manager for consideration while developing the draft budget.

The purpose of the report is to provide Council with an understanding of the projected pressures that the City will be facing over the 2016-18 timeframe, provide a proposed annual increase in property taxation and to seek Council endorsement of the required budget strategies. In addition this report proposes a timetable for the tabling, review and adoption of the 2016 budget.

DISCUSSION

2016-18 Taxation Targets

As per the process approved by Council on December 3, 2014 the services governed by either a Board or Commission will be allocated a proportionate share of the projected increase in taxation revenues based on their 2015 net taxation requirements. In addition, the annual increase to the budget for the Office of the Auditor General will be in accordance with the budget strategy applied to Boards and Commissions. The remaining balance will be available to fund all other tax supported City services.

The rate of growth in residential and commercial properties added to the existing assessment base changes over time. For many years, the City experienced annual revenue growth due to additional assessment that equaled approximately 2.0% of the base. Although the City continues to grow, the amount of new taxation revenues generated from new properties as a percentage of the taxation base is declining. As a result of the current economic climate the decline in residential and commercial development has been more significant. Based on available estimates from MPAC data, the amount of new taxation revenues from growth is projected to be \$18.4M in 2016 representing a 1.3% increase. This level of increase has been assumed for both 2017 and 2018. Once the 2016 final tax roll has been returned, staff will be reviewing the data to determine the final level of growth. Any changes to the projected growth level will form part of the “2016 Tax Ratio and Other Tax Policies” report prior to the establishment of 2016 tax rates.

For purposes of developing the budget directions report, staff have assumed an annual 1.75% increase for all services funded from a city wide levy which includes Public Health, Library and Police but not Transit. After reviewing the pressures faced by Transit Services for the next three years staff are recommending a 2.5% annual increase in the Transit levy for the next three years. Additional details are provided later in this report.

As was the case in 2015, due to provincial property taxation regulations, a 1.75% tax increase will, result in a 2% increase on a residential tax bill for Police and City Services. For Transit services, the impact of a 2.5% tax increase will result in a 2.85% increase on the transit share of the residential tax bill.

The table below presents the proposed tax target envelopes for all the various services governed by boards, for the Transit Commission and the amount available to fund the remaining City services.

Table 1 - Taxation Targets 2016-18 (\$M)

	2016	2017	2018
<u>City-Wide Tax Levy</u>			
Tax Increase 1.75%	(20.6)	(21.2)	(21.9)
Assessment Growth 1.3%	(15.4)	(15.8)	(16.0)
	(36.0)	(37.0)	(37.9)

<u>Target Allocation</u>			
Police Services	(7.2)	(7.5)	(8.0)
Public Health	(0.3)	(0.4)	(0.4)
Public Library	(1.0)	(1.2)	(1.3)
Auditor General	(0.04)	(0.05)	(0.05)
	(8.6)	(9.2)	(9.7)
Target Balance for City Services	(27.4)	(27.8)	(28.1)
<u>Transit Tax Levy</u>			
Tax Increase 2.5%	(6.0)	(6.2)	(6.4)
Assessment Growth 1.3%	(3.0)	(3.2)	(3.6)
Transit Target	(9.0)	(9.4)	(10.0)

2016-2018 Projected Operational Pressures – City Services

The process for developing the 2016 to 2018 budgets began once the 2015 budget was approved. While the 2016 pressures are generally known, assumptions about inflation, fuel and energy costs and collective bargaining settlements were used for 2017 and 2018.

a) Base Pressures

In 2016 there are known base pressures from 2015 that will need to be addressed and have already been presented in the June 30 Status Report to Council. These pressures include:

- Winter maintenance costs
- Workers Safety and Insurance Board costs
- Arbitrated settlements for 2014 and 2015
- Vacancy provisions in the 24/7 operations
- Unachieved revenue targets such as sponsorship.

As it is the Administration's intention to address all of these issues in 2016 there are no base pressures identified in the subsequent years.

b) Maintain Service Pressures

The largest cost driver in providing City services are compensation costs. Staff will be incorporating additional funding requirements for future contract settlements. Increases on energy, contracts and purchased services will be reviewed and reflected in the draft budget.

As per Council's Long Range Financial Plan, additional contributions to the capital program to address the rehabilitation and renewal requirements to move the City towards a "good state of repair" investment level will also be reflected in the draft budget.

c) Growth Pressures

Additional operational requirements associated with the cost of operating and maintaining new infrastructure (roads, facilities, etc) or as a result of increased demands for service from either population growth or changes in demographics will be reviewed and reflected in the draft budgets.

d) Council Strategic Initiatives

As approved by Council, all new operating strategic initiatives as reflected in the "Term of Council Priorities" report, are to be funded from the Provincial upload of social service costs. These approved initiatives will be reflected in the 2016 -2018 budget submissions.

Based on the projected pressures discussed above, the preliminary net pressures for 2016-18 are summarized in Table 2.

Table 2 - Projected Net Pressures City Services (\$M)

<u>City Services Pressures</u>	2016	2017	2018
Base Adjustments	12.9	0	0
Maintain	34.3	34.2	38.4
Growth	11.1	11.6	6.2
Strategic Initiatives	5.4	5.4	7.7
Total Projected Pressures	63.7	51.2	52.3
Taxation Target	(27.4)	(27.8)	(28.1)
Net Pressures	36.3	23.4	24.2

2016-2018 Proposed Budget Strategy – City Services

As can be seen in the previous table the pressures are more significant in 2016 than in the following two years as a result of the base adjustments stemming from the 2015 budget.

The strategies that will be used to offset the remaining pressures include but are not limited to:

- Reviewing current expenditures to identify any reductions that can be undertaken that do not affect service delivery. Examples include reductions to advertising, increasing class sizes for employee training, reducing overtime, etc.
- Reviewing current revenue budgets and adjust those that are exceeding the budget and are not of a one-time nature.
- Increasing the user fees and charges in line with the cost of delivering the service as identified in the Fiscal Framework.
- Establishing a corporate efficiency target based on an analysis of how City services are provided with a focus on attaining productivity savings from:
 - Administrative restructuring
 - Rationalization of accommodations
 - Review of the summer student program
 - Review of fleet standards
- Establishing department specific efficiency targets based on an operational review of:
 - Winter operations currently being conducted by KPMG.
 - Paramedic services
 - Parks, Building and Grounds

In order to attain the efficiencies that would result from the above reviews, it is likely that the full implementation and realization of the savings may take more than one year. It is

therefore being proposed to utilize reserve funds to provide one time funds to offset the pressures that cannot be covered by efficiency savings in 2016 and 2017. By 2018 the full efficiency savings should be achieved. This also allows for the tax rate to be constant for the remaining term instead of being higher in 2016 and lower in 2018.

The source of these one-time funds is recommended to be the Fleet and Equipment reserve fund. The original plan was to spend \$23M replacing vehicles in 2016. This will now be changed to a replacement on an exception basis as identified throughout the year and an increase in the maintenance budget if required. Based on preliminary reviews to assess the condition of the City's vehicle and equipment inventory, it is anticipated that utilizing the Fleet reserve in this manner is feasible and does not represent a significant risk to the City's investment in these assets.

The result of the strategies identified above is summarized in the following table.

Table 3 - Proposed Budget Strategies (\$M)

	2016	2017	2018
<u>Net Pressures</u>	36.3	23.4	24.1
Pressures Carried Forward	0.0	11.5	6.7
Total	36.3	34.9	30.8
<u>Budget Strategy</u>			
Revenues / User Fees	11.8	12.5	12.9
Efficiencies / Base Adjustments	13.0	15.7	17.9
One Time Funding Requirement	11.5	6.7	0.0
Total	36.3	34.9	30.8
Budget Balance	0.0	0.0	0.0

In the 2011-2014 Strategic Priorities approved by City Council, one of the strategic goals was to "improve overall relations with City unions". One of the express ways employed to reach this goal included efforts to continue to "develop a constructive and respectful relationship" with all City unions. Building on this relationship, further efforts to engage the leaders of the City's unions will be undertaken as part of the initiatives noted in this report. In short, Senior Management will engage the unions' leadership to seek their insights and ideas as to meeting the savings and budget adjustments that will need to be made in the next few years.

2016-2018 – Transit Tax Levy

Similar to the work undertaken to identify the remaining term of Council budget pressures and strategies, Transit Services has undertaken the same exercise. In reviewing the pressures that Transit Services will be facing in 2016 and beyond, staff are recommending that the tax increase be set at 2.5% in order to maintain service levels and keep fares at reasonable levels.

a) 2015 Base Pressures

As was presented to the Transit Commission and Council in the June 30 Status Report in September, there are a number of base funding issues that will need to be addressed in the 2016 draft budget. These include:

- Increased maintenance costs resulting from the expiration of warranties on a large portion of the articulated bus fleet.
- Increased insurance claim provision based on actual experience
- Revision of the fare revenue lines to bring them into line with current ridership expectations.

b) Maintain Service Pressures

The majority of the projected expenditure increase in 2016 will be for labour contract settlements along with estimated inflationary increases on contracts and purchased services. Additional increases in capital formation costs (contributions to Transit reserves and debt charges) will also be required in accordance with the Transit Affordability Model.

As the three year budget window includes the year the new light rail will come into operations there are significant adjustments in that year including the operational savings from a reduced bus fleet which offset the costs of operating the new Confederation line in 2018.

2016-2018 Proposed Budget Strategy – Transit Services

Based on the projected pressures discussed above, the preliminary net pressures for 2016-18 are summarized in Table 4, as are the budget strategies.

Table 4 - Projected Net Pressures Transit Services (\$M)

<u>Transit Services</u>	2016	2017	2018
Base Adjustments	13.9	2.8	1.7
Maintain	10.6	15.3	23.5
Growth	0.0	0.0	0.0
Total	24.5	18.1	25.2
Tax Target Envelope	9.0	9.4	10.0
Projected Net Pressures	15.5	8.7	15.2
<u>Budget Strategies</u>			
Efficiencies / Base Adjustments	8.6	2.3	6.7
Revenues / User Fees	6.9	6.4	8.5
Total	15.5	8.7	15.2
Budget Balance	0.0	0.0	0.0

Efficiencies / Base Adjustments

In order to address the remaining net pressures, staff are recommending that an efficiency target along with base adjustments be assigned to Transit Services. As part of the work to transition to light rail, Transit services is reviewing its current organization structure and service delivery model and will be identifying and implementing efficiencies. This work has begun and will continue to achieve the amounts identified.

Revenues/User Fees

Per the Affordability Model, fares and taxation revenues are to increase annually to provide the necessary funds for both operating and capital purposes. In addition, the level of fare revenues from annual increases must be sufficient to move towards Council's revenue / cost ratio target of 55%.

2016 to 2018 Capital Budget Forecast

As was recommended by staff in 2015, the Capital program requirements for 2016 and forecasts for 2017-18 are proposed to be developed in accordance with the Council approved Transportation Master Plan, Infrastructure Services Master Plan and 2014 Development Charges Background Study. Debt funding used to fund eligible components of the capital program requirements will be in accordance with the constraints as presented in the LRFP4 and Fiscal Framework documents. As well the City will continue to increase the contribution to capital over the term in order to bring funding closer to a "good state of repair" level as was identified in the LRFP4.

In the previous Term of Council several significant planning documents were approved that define the capital works that is required to service growth and to maintain assets in a good state of repair. These documents serve as the source for the capital program to be developed for 2016. The rules and targets with respect to the use of debt for these capital works has been defined in a number of financial policies and will be applied in the funding of the 2016 capital budget.

The City funds its capital program through a combination of tax funds from reserves, development charges on the growth portion of eligible projects, debt and grants from senior levels of government.

Council's approved Fiscal Framework guidelines regarding debt include:

- The increase in debt servicing for non-legacy projects will not be greater than one-quarter of 1% of taxes from property;
- Additional debt is permitted for legacy projects;
- Principle and interest for tax supported debt is not to exceed 7.5% of own source revenues.

The capital program will be developed that adheres to these key principles.

As approved by Council, all new capital strategic initiatives as reflected in the "Term of Council Priorities" report, are to be funded from the annual \$20M capital envelope. These approved initiatives will be reflected in the 2015-18 capital budget submissions.

Based on the capital forecasts submitted in the 2015 budget process, the 2016-18 level of infrastructure works is projected below. In alignment with the direction approved in the Long Range Financial Plan, the level of investment in rehabilitation works is projected to increase over the 2016-18 period. The growth program will be reviewed and adjusted to reflect the current and projected economic situation which has seen a decline in growth and lower development charge revenues.

Table 5 - City and Transit Services Projected Capital Program (\$M)

<u>City and Transit</u>	2016	2017	2018
Renewal of City Assets	188.5	194.8	215.0
Growth	62.9	102.9	117.2
Strategic Initiatives	24.0	71.0	221.0
Projected Program of Works	275.4	368.7	553.2

Rate Supported (Water & Sewer) Budgets

In May 2015, Council approved the "Water, Wastewater and Storm water Rate Structure Review" report which established the guiding principles for staff to evaluate and recommend a new rate structure for Council consideration. This report will be presented to Committee and Council in early 2016.

In the absence of a revised rate structure, staff are recommending that the draft rate budget be developed that incorporates a water rate increase of 6% as was approved by Council in the 2012 Rate Long Range Financial Plan (LRFP). The rate presented at

that time was geared towards increasing the investment in the infrastructure to ensure it remains in a good state of repair.

Based on the capital forecasts submitted in the 2015 budget process, the 2016-18 level of infrastructure works is projected to be as follows:

Table 6 - Rate Supported Projected Capital Program (\$M)

Rate Supported	2016	2017	2018
Renewal of City Assets	254.2	224.4	254.9
Growth	34.3	57.9	53.0
Projected Program of Works	288.5	282.3	307.9

Public Consultation and Proposed Budget Timetable

Public Consultation (September – October)

As part of adopting the 2014-2018 Council Governance Review report, Council amended Part I, Section C, Recommendation 1 of the report as follows:

“THEREFORE BE IT RESOLVED that the recommended process for the 2015-2018 tax-supported budgets as outlined on page 68 in the 2014-2018 Council Governance Review report be amended such that the Mayor will consult with each Member of Council with respect to the Member’s individual budget priorities and concerns before the Mayor’s office works with the City Manager to develop draft annual budgets.”

In conjunction with this amendment, Councillors expressed concern with the current public consultation process which sought public input after the budget was tabled with Council through four staff-led multi-ward consultation sessions. To address that concern, Council approved a process that will seek public input prior to the budget tabling through the establishment of Councillor lead sessions over the September 19 to October 7 period. These sessions would allow residents to express their views and wishes to their respective Councillor and to help residents become more involved in budget development process. The input provided by the public stemming from these sessions, will be forwarded to the Mayor and the City Manager for consideration when developing the draft budget.

Mayor's Pre-budget Public Consultation (September - November)

In addition to the electronic Town Hall session the Mayor has already held, to further engage the public prior to budget tabling, a budget e-mail box has been set up for the Mayor's Office. Any suggestions or ideas that are generated from the email box that can be incorporated into the budget will be provided to management prior to tabling and identified to Council as part of the Draft Budget report tabled on November 12. Councillors will also provide input to the Mayor's Office and staff in this period, as they also do over the course of the year.

Tabling of 2016 Draft Budgets with Council (November 12)

The City's 2016 draft operating and capital budgets will be tabled with Council on November 12. The tax and rate supported draft budgets would be tabled along with the draft budgets for services that report to a Commission, Board or special purpose body, namely Police, Transit, Public Health, Library, Crime Prevention and Committee of Adjustment.

Similar to previous years, the main City budget would be presented by both the Mayor and the City Manager. Each of the Board / Commission budgets would be presented by the Chair and the Head of the service. Reference copies of the budgets would be available on-line and in the city's libraries and client service centres.

The draft budget documents will be available in both English and French on the City's web site.

Committee / Commission / Board Budget Meetings / Advisory Committees (November 17 – December 4)

All Standing Committees of Council along with the Transit Commission, Police Services Board, Library Board, Board of Public Health and Advisory Committees will hold meetings to consider the 2016 draft budget for their respective areas and listen to public delegations on the budget.

Council Consideration of Committee / Commission / Board Recommended 2016 Draft Budgets (Council meeting December 9)

It is proposed that Council consider the final budget recommendations from all the Committees of Council and local boards at its regularly scheduled meeting of December 9. Council would then adopt the 2016 budget.

Specific meeting dates for the budget meetings are listed in Document 1.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

Not applicable.

ADVISORY COMMITTEE(S) COMMENTS

Not applicable.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendation in this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk impediments to implementing the recommendations in this report.

FINANCIAL IMPLICATIONS

As outlined in the report.

ACCESSIBILITY IMPACTS

There are no accessibility impact implications with this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

TERM OF COUNCIL PRIORITIES

The recommendations in this report support the 2015-18 Term of Council priorities (FS1 “Demonstrate sound financial management”).

SUPPORTING DOCUMENTATION

Document 1 – 2016 Budget Timetable

DISPOSITION

Upon approval of this report, Financial Services will develop the 2016 draft budget per the recommended directions.

AMENDED Document 1 - Proposed 2016 Budget Timetable

2016 Budget Schedule	
1 - Mayor's Pre Budget Public Consultation	Sept-Nov
<u>2 - Tabling of Budgets with Council</u> City Tax-supported Programs City Rate –supported Programs Police Services Library Services Transit Services Public Health Committee of Adjustment Crime Prevention	Nov 12 Thurs
<u>3 - Advisory Committee Meetings</u> Accessibility Advisory Committee Environmental Stewardship Advisory Committee Arts, Culture, Heritage and Recreation Advisory French Language Services Advisory Committee	Nov 17 Tues Nov 19 Thurs Nov 24 Tues Nov 26 Thurs
<u>4 - Committee / Boards / Commissions</u> Agriculture & Rural Affairs Committee Planning Committee Audit Committee Environment Committee – Tax / Rate-supported Community & Protective Services Committee Police Services Board Finance and Economic Development Committee Ottawa Public Library Transportation Committee Transit Commission IT Sub-committee Public Health Board	Nov 23 Mon Nov 24 Tues Nov 26 Thurs Nov 27 Fri Nov 30 Mon Nov 30 Mon Dec 1 Tues Dec 1 Tues Dec 2 Wed Dec 3 Thurs Dec 4 Fri Dec 7 Mon
5 - Review / Adoption by Council	Dec 9 Wed