

Department
Division Copy Here

Presentation
Date



Budget Committee

June 15, 2010

Agenda

1. Overview
2. Recap of 2010 and Summary of 2011 Pressures
3. Forecast of 2011-2014 Base Budget
4. Overview of 2011 to 2014 Business Plan and Budget Process
5. Initiatives under consideration in 2011 – 2014 Business Plan
6. Next Steps

Infrastructure Levy Alternatives

Ongoing Economic Uncertainty

Ontario, B.C. to lead recovery

Rush on to beat HST July 1

Existing home sales will hit 6-digit high in 2010

Canadian home sales drop 2.6 per cent in April, B2

Rate hike arrives amidst uncertainty

European debt worries batter TSX

Times sure have changed

Ongoing Deficits from Senior Levels of Government

Federal deficit estimate falls

The fiscal year which ended in March is now projected to come in at \$47.0 billion, or 12.6 per cent less than the government's prediction of \$53.8 billion in its March budget

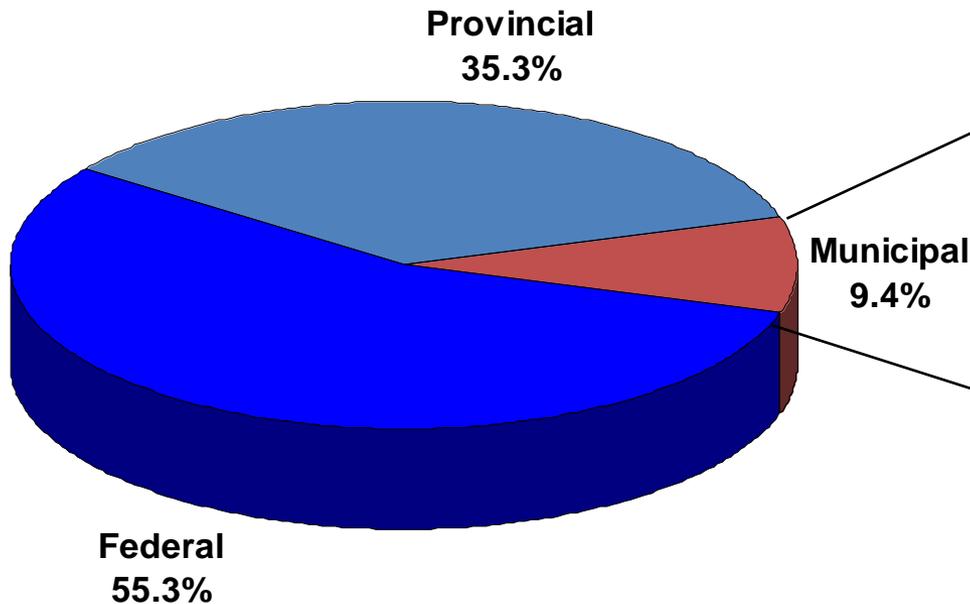
CBCNews – May 28/10

Ontario unveils 8-year deficit plan

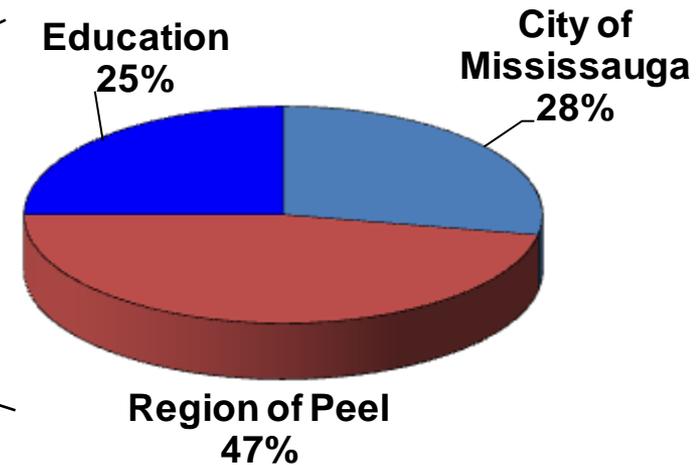
\$19.7 billion for fiscal year 2010-11 and saying it would stay in the red until 2017-18.

CBCNews – May 25/10

Breakdown of Average Ontario Family's Tax Bill by Level of Government



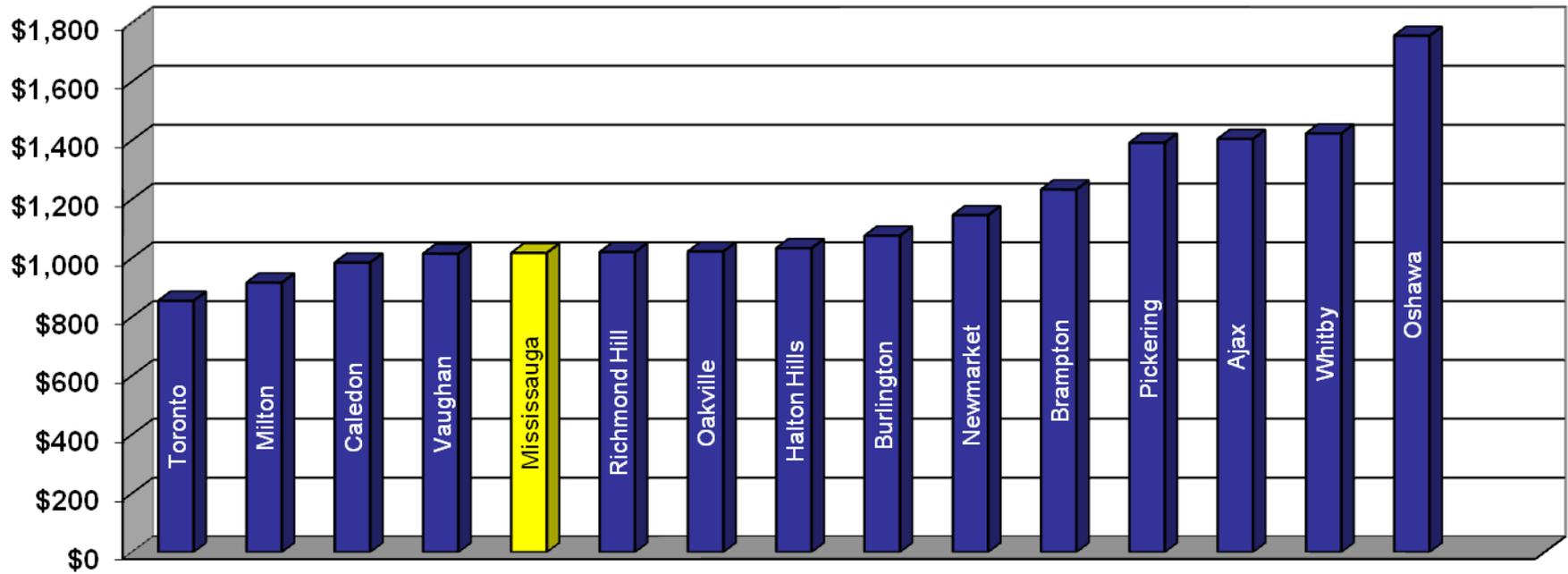
Break Down of Residential Municipal Tax Bill



Source: The Fraser Institute's Canadian Tax Simulator, 2010 (2010 preliminary estimate; average family has two or more individuals; excludes natural resource levies)

Mississauga has competitive tax rates

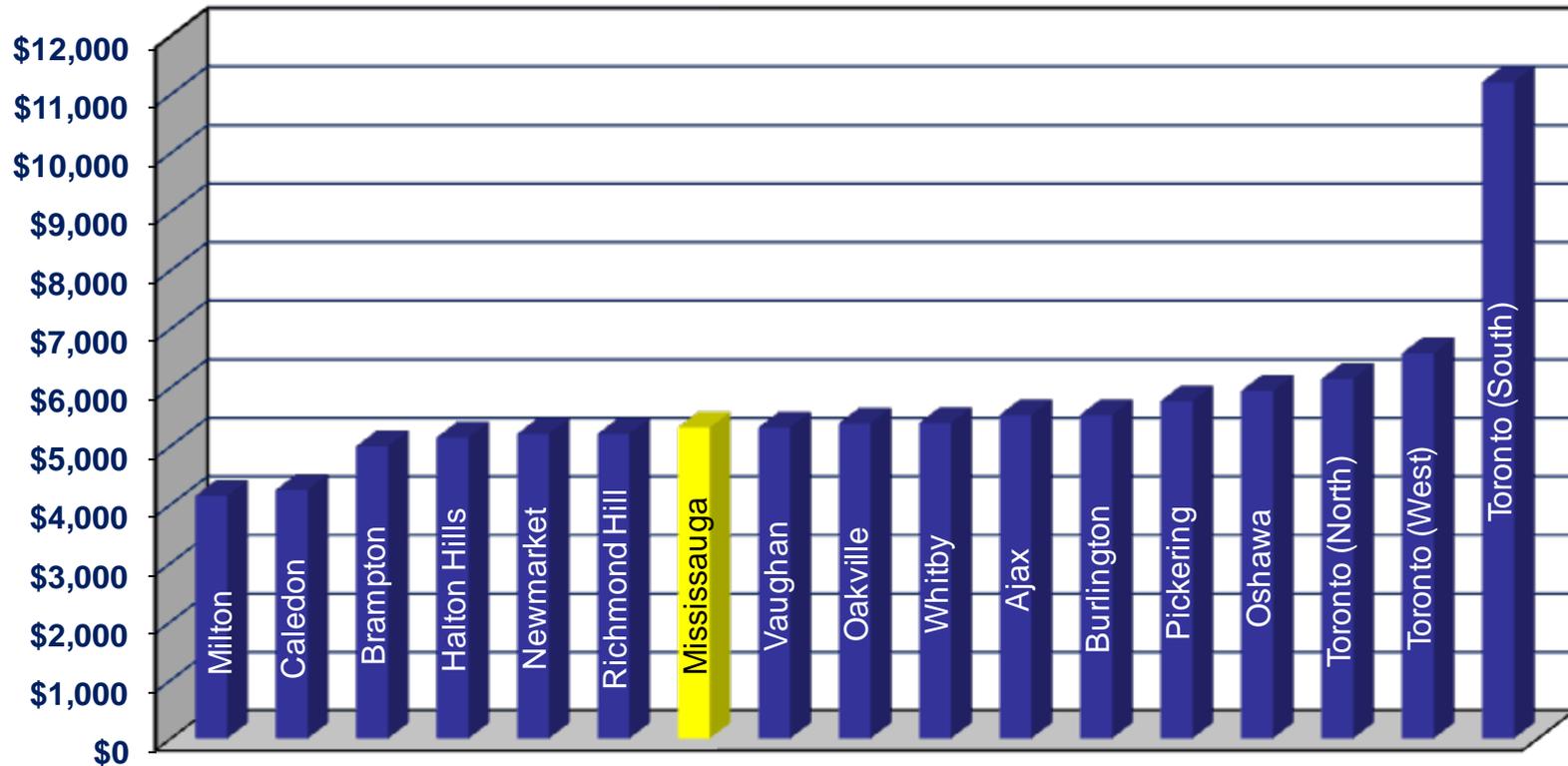
2009 Total Municipal Taxes Paid per \$100,000 of Assessment



Including Region of Peel tax portion

Mississauga has competitive tax rates

2009 Total Municipal Taxes Paid on a Executive Home (3,000 sq ft)



Including Region of Peel tax portion

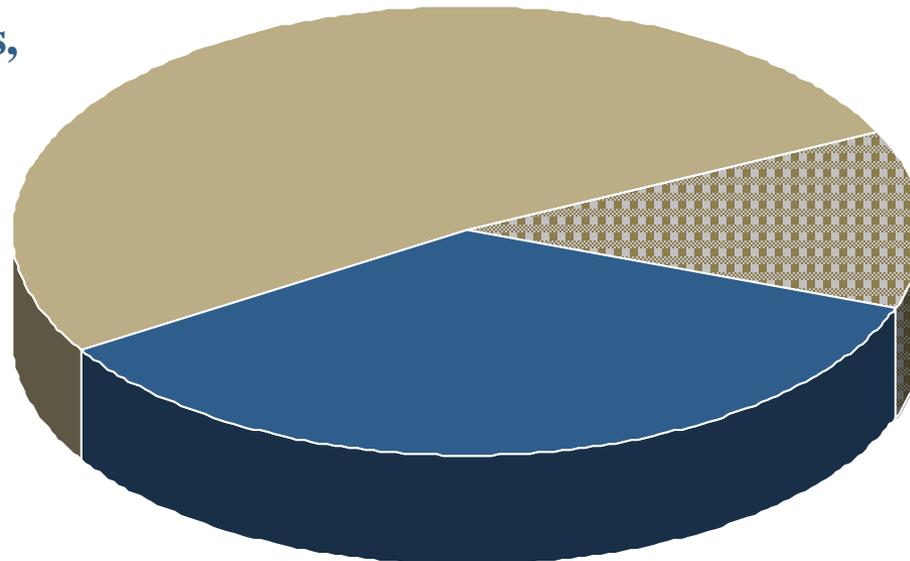
Recap of 2010 Budget & 2011 Pressures

Where We Were in 2010

Service Area	2009 Net Budget \$	2010 Net Budget \$	2010 Increase \$	2010 City Tax Rate Increase	Impact on Total 2010 Tax Bill
Roads, Storm Drainage & Watercourses	61,146,400	63,786,300	2,639,900	0.9%	0.25%
Fire	78,692,200	81,849,100	3,156,900	1.1%	0.30%
Transit	38,297,000	41,355,100	3,058,100	1.0%	0.29%
Recreation & Parks	42,593,100	43,897,300	1,304,200	0.4%	0.12%
Corporate Assets	17,764,800	18,182,200	417,400	0.1%	0.04%
Business Services	34,726,200	35,598,200	872,000	0.3%	0.08%
Land Development	4,073,500	4,857,500	784,000	0.3%	0.07%
Legislated	-1,435,700	-1,587,200	-151,500	-0.1%	-0.01%
Library	23,482,200	24,379,600	897,400	0.3%	0.08%
Arts & Culture	3,481,000	3,801,400	320,400	0.1%	0.03%
Mayor & Council	3,954,500	4,072,000	117,500	0.0%	0.01%
Regulatory	479,000	820,800	341,800	0.1%	0.03%
Departmental Support Services	-127,600	-221,000	-93,400	0.0%	-0.01%
Strategic Policy	9,060,100	9,640,900	580,800	0.2%	0.05%
Financial Transactions	-30,249,700	-33,201,400	-2,951,700	-1.0%	-0.28%
Subtotal	285,937,000	297,230,800	11,293,800	3.8%	1.06%
Less Assessment Growth				1.5%	0.42%
Operating Tax Rate Increase				2.3%	0.64%

New Services Offset by Budget Reductions of \$7.9 million in 2010 Budget

**Program
Reductions,
\$4.1, 51%**



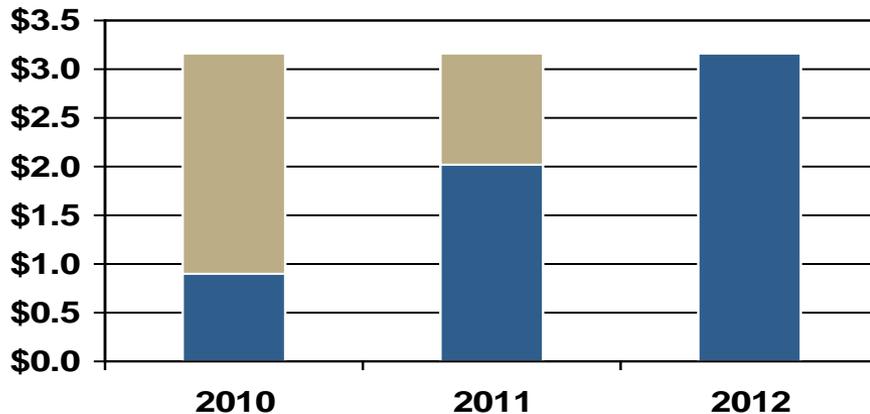
**Efficiencies,
\$1.0, 13%**

**New
Revenues,
\$2.8, 36%**

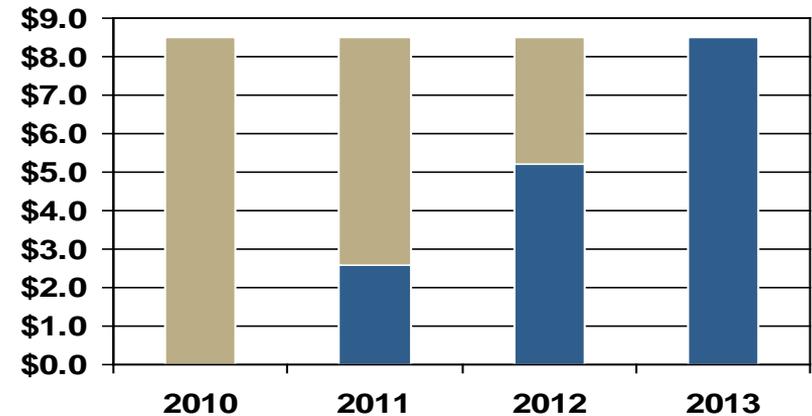
2010 Budget Also Addressed Revenue Shortfalls Through Planned Phase In of Tax Funding

\$ Millions

Land Development Service Revenue Reduction Phase In of Tax Funding



Transit Fare Revenue Phase In of Tax Funding



Reserve funding of \$11.7 million required

 = Funded from Reserves or Reduced Expenses

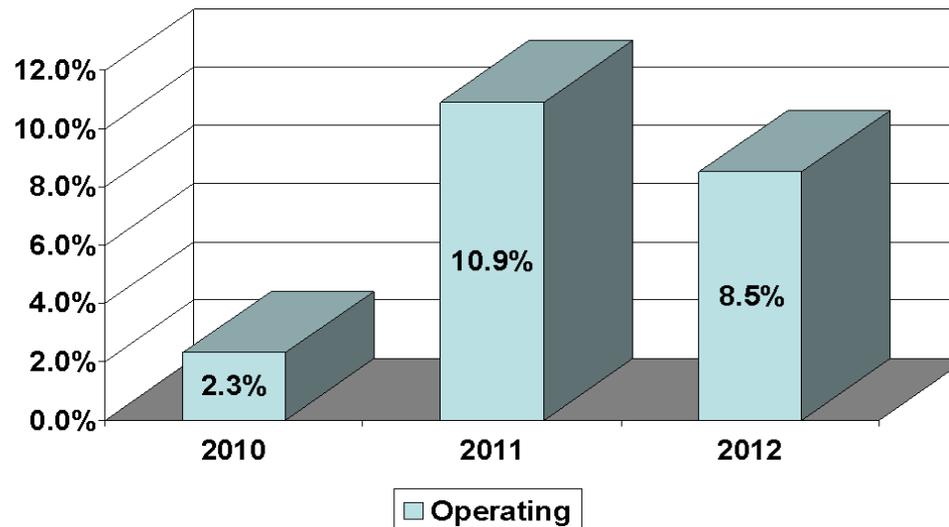
 = Incorporated into Tax rate

Phase In continues through 2011 and 2012

2010 Forecast of 2011-2012 Tax Rate Increase

(Includes Infrastructure Levy of 1%, new initiatives, labour increases)

City Tax Rate Increase 2011-2012 Forecast



Business Planning and Budget Process

Base Budget “Business as Usual” (BAU)

Base Changes	Capital Impacts/Growth
--------------	------------------------

Business Planning

New Services and Increased Service Levels	New Revenues	Programs Reductions	Reserve and Reserve Fund Transfers
Efficiencies			

What Is Base Budget or Business As Usual (BAU)?

Cost to maintain existing service levels including annualized impact of previous Council decisions

Includes

- Existing labour agreements and benefit costs
- Cost increases/inflation
- Operating costs of completed capital projects
- Growth pressures
- Market and economic impacts – “non-decisionable items”
- User fee increases based on existing policies & demand

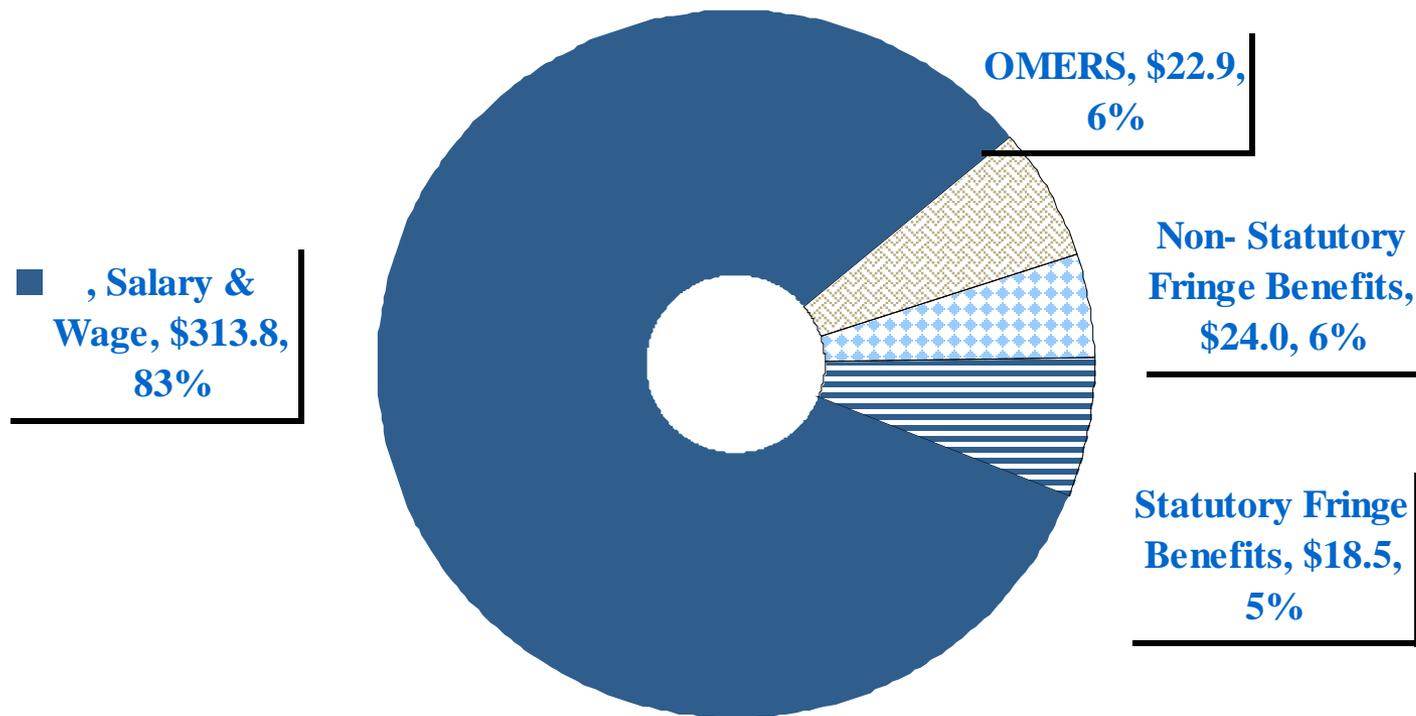
Factors that Drive Base Budget Up

- Labour costs
- Cost increases/inflation – contracts, utilities, materials
- Annualized impacts of previous decisions –
 - Operating costs from new infrastructure/facilities
 - Growth pressures
- Revenue reductions

Labour Accounts for 69% of Expenditures

Breakdown of 2010 Labour and Benefit Budget

Total = \$379.2 million



Services Are Delivered by People

Service Total = \$379.2 million

- Labour comprises 69% of the City's total expenditures
- Three services alone comprise almost two thirds of the total labour costs:
 - 26% for Transit
 - 21% for Fire
 - 16% for Recreation and Parks

Highlights of 2011 Incremental Labour and Benefit Costs

Description	Incremental Cost \$ Thousands
Labour	10,690
Benefits	<u>4,422</u>
Total 2011 Labour & Benefits Pressure	15,112

Highlights of 2011 “Business As Usual” Pressures - Cost Increases

<u>Description</u>	<u>\$ Thousands</u>
Diesel Fuel increase at \$0.10	\$1,520
Utilities	\$942
Winter Maintenance	\$750
Contract Building Maintenance and Operations	\$380
TTC routes and Transit destination signs	\$330
Various Road Contract Increases (litter pick up, sidewalk m'tce)	\$280
IT Maintenance	\$245



Highlights of 2011 “Business As Usual” Pressures - Incremental Operating Costs of Capital

<u>Description</u>	<u>\$ Thousands</u>
Civic Centre and New Outdoor Community Centre and Event Civic Square, including opening day celebration	235
Parkland Growth	116
Garry Morden Centre	83
Pools (Clarkson, Malton & MVCC Therapy Pool)	-28



Highlights of 2011 “Business As Usual” Pressures

Annualized impacts of 2010 decisions

<u>Description</u>	<u>\$ Thousands</u>
Transit Revenue Shortfall Phase In	2,050
Planning & Building Revenue Shortfall Phase In	1,128
PRESTO Fare Card	1,302
Library Sunday opening	155
Community Common Park	60
Forestry Service Enhancement -Three Staff	42



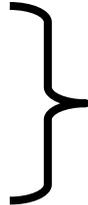
Highlights of 2011 “Business As Usual” Pressures Revenue Reductions

<u>Description</u>	<u>\$ Thousands</u>
City Centre On and Off Street Parking	600
Supplementary Taxes	500
Regulatory Revenue Shortfall (Business Licenses, Parking & taxi school revenues)	500
Reduced Recreational Revenue (Lakeview golf, Room rental & Iceland concessions)	390
Fire False Alarms	185
Library Fines	150
Engineering Fees (new development)	100

Factors that Help Reduce Tax Rate Increases for BAU

- Increased Revenues
- Assessment growth
- Cost savings
- Price reductions

Business Planning Will Identify Additional Options

- Continuous Improvement Initiatives
 - Service Level Reductions
- 
- Part of Business Planning

Highlights of 2011 “Business As Usual” Budget Reductions

<u>Description</u>	<u>\$ Thousands</u>
2% Transit revenue – ridership increase	(1,200)
PILT – GTAA – reverses in 2012 due to drop in passenger count in 2009	(1,000)
POA Revenue	(940)
Rec & Parks – Program and Rental Fee Increase	(315)
Phone Savings	(143)
New Photocopier Contract Savings	(137)
Assessment growth	0.75%

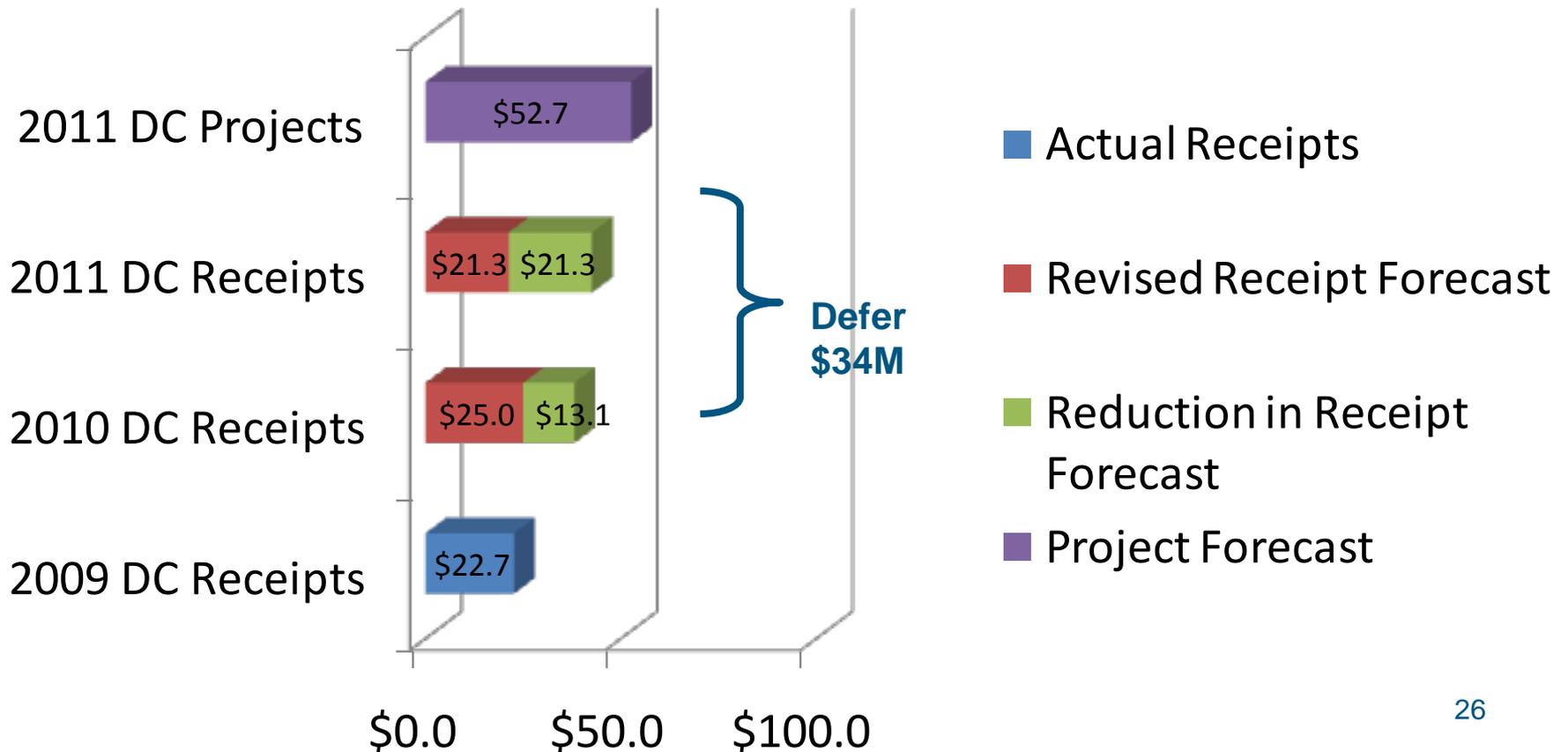


Uncertainties In Forecast

- achieving revenue budgets
- contract pricing
- diesel fuel
- reserves
- investment income
- Infrastructure levy and debt
- development-related revenues
- assessment growth
- inflation
- OMERS rate increase
- impact of HST
- vacancy rebates

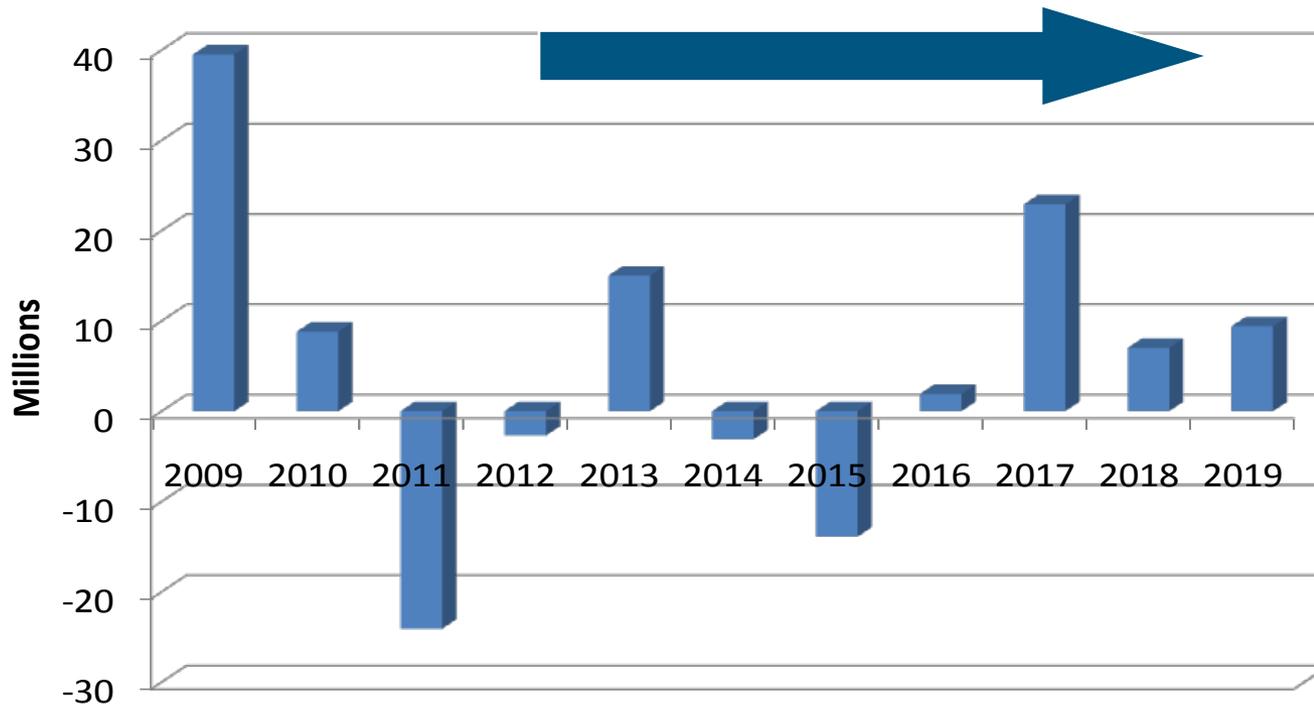
DC Receipts, adjusted

DC receipts forecast reduced in 2010 and 2011 by \$34 million – will be received in future years



DC Continuity – Closing Balances, after 2010 and 2011 Revenue Reductions and \$34 million revenue added back in last 5 years

Defer DC funded project until later in plan



Based on commitments – approved not spent of \$143 million has not been cash
flowed

Summary of Preliminary Cost Pressures and Tax Rate Increases 2011 to 2014

Budget	2011	2012	2013	2014
Base Changes & Revenue Phase-in	23,624	24,388	22,886	17,025
Contingency	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Total Operating Impact	24,624	25,388	23,886	18,025
Estimated Incremental Base Tax Rate Increase	8.1%	7.7%	6.7%	4.9%
Less: Assessment	<u>-0.75%</u>	<u>-0.50%</u>	<u>-0.3%</u>	<u>-0.5%</u>
Tax Rate Increase	7.4%	7.2%	6.4%	4.4%
Annual Infrastructure Increase	1-2%	1-2%	1-2%	1-2%

How Do We Address 2011-2014 Pressures

- In prior years, able to reduce tax increases
- How did we get there?
 - Use of Reserves
 - Continuous Improvement
 - Refine estimates
- Increased pressure this year due to:
 - Various studies and plans
 - Development Charge Pressures
 - Ontario Bus Replacement Program (OBRP)
- How do we deal with new service pressures?

Business Planning Process

Business Planning Purpose

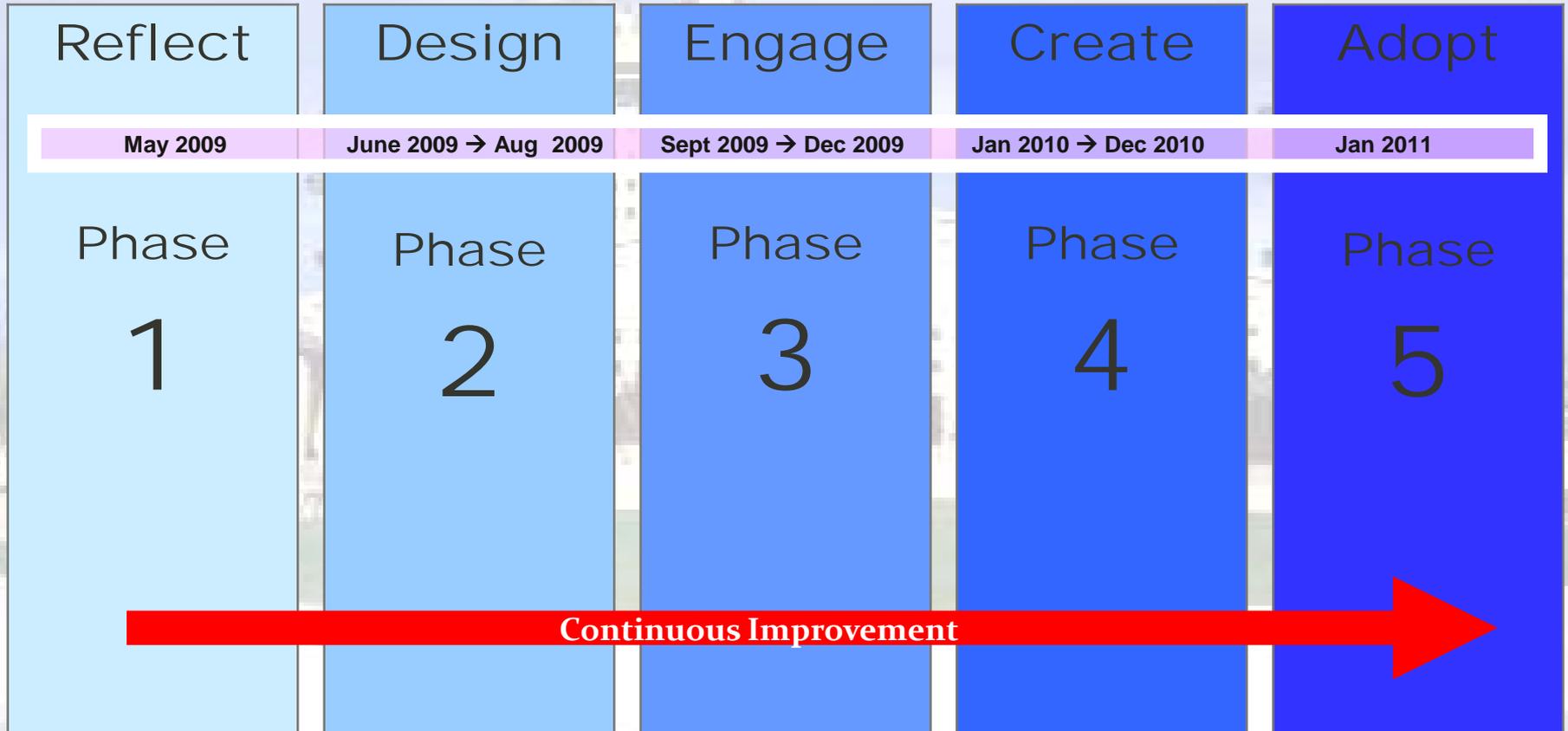
“The Strategic Plan will guide our goal-setting process, identify projects that should be given priority and have resources allocated to make them happen, including consideration for priority funding. In this way, the Strategic Plan is a critical part of the City Business Planning and Budget process.

Think of the Business Plan as a document that bridges the Strategic Plan with day-to-day work plans and the budget. It allows the City to look ahead, focus on key activities, allocate resources, prepare for opportunities and risks, and set priorities accordingly. Most important, the Business Plan ensures that all City Departments are moving in the same direction.

The Strategic Plan is bold and visionary. We don't have the financial resources or the organizational capacity to do everything at once. With all of our ongoing priorities and exciting new ideas, choices need to be made.

By setting the right priorities, creating achievable actions, and tracking our progress against our strategic goals, we will realize Mississauga's potential to be a great 21st century city.”

The 2011-2014 Integrated Business Planning Cycle



2011-2014 Business Planning Guidebook

What's in your Plan?
**Clear definition
for staff**

First Edition
February 2010



Business Planning Smart Note

City of Mississauga
Form E2531 (Rev 10-01-28)

Initiative

Proposed Major Initiative/Activity
Waterfront Mississauga Revitalization

Smart Note Number
154

Strategic Plan Number
SP-V (B)

Duration
 2010 & Prior 2011 2012 2013 2014

Duration Comments
Planning and public engagement 2010. Further studies and public engagement, action plans 2011, '12, '13, '14

LT Direction
Delivering on initiatives within the Strategic Action Plan
Prosper - Cultivating Creative and Innovative Businesses

Service Area
Strategic Policy

Previous Briefing Note Number
SP-B-10

Origin Forward Number
30,31,32

Place Name
Chappell Group Project

Yes

**More effective info
for Council**

Inside Mississauga - Your City's Intranet - Windows Internet Explorer, provided by City of Mississauga

http://intranet.city.mississauga.on.ca/

File Edit View Favorites Tools Help

Common Ground

Common Ground > BP SlideDecks

BP SlideDecks

March 5th submissions from Service Areas

Type	Name	Modified	Modified By
Arts and Culture	Arts and Culture	3/5/2010 4:03 PM	Kym Gallardo
Communications	Communications	3/5/2010 4:03 PM	Kym Gallardo
Customer Service	Customer Service	3/8/2010 9:48 AM	Kym Gallardo
Finance	Finance	3/5/2010 4:03 PM	Kym Gallardo
Fire	Fire	3/5/2010 4:03 PM	Kym Gallardo
FFM	FFM	3/5/2010 9:48 AM	Kym Gallardo
HR	HR	3/5/2010 4:03 PM	Kym Gallardo
IT	IT	3/5/2010 4:03 PM	Kym Gallardo
Library	Library	3/5/2010 4:03 PM	Kym Gallardo
Recreation Parks	Recreation Parks	3/8/2010 9:48 AM	Kym Gallardo
Roads	Roads	3/5/2010 4:31 PM	Kym Gallardo
Roads	Roads	3/5/2010 4:31 PM	Kym Gallardo
Roads	Roads	3/8/2010 11:04 AM	Kym Gallardo
Strategic Policy	Strategic Policy	3/5/2010 4:03 PM	Kym Gallardo
Transit	Transit	3/8/2010 4:49 PM	Kym Gallardo

**Greater Collaboration
across organization**

ation project.

mixed use waterfront community.

for a comprehensive City plan.

lan with site specific recommendations.

y

sioner

anager's Office

(Jan 2010)

OUTSIDE TRENDS

- Global Competition
- Environmental and resource concerns
- Aging Population
- Diversity as a workforce and a community
- Tailoring services to changing community needs
- Accessibility guidelines
- Changing Role of Government
- Increased Population Density
- Changing demand for housing
- Need for smart economic development
- Focus on higher education
- Public/Private Partnerships

POLITICAL CLIMATE

- Changing expectations from Politicians
- GTA Governance
- Election/Change of Council
- Uncertain senior level of Government impacts
- New Council's agenda
- Federal and Provincial elections

TECHNOLOGY FACTORS

- IT Security
- Linking Business processes to technology - business is the driver
- Mobile technology
- Training & Development - staff
- Sustainable IT Plan
- New Service levels/customer expectations
- Social Media influences

STRATEGIC PLAN

- Developing a transit-oriented city
- Ensuring youth, older adults and new immigrants thrive
- Completing our neighbourhoods
- Cultivating creative and innovative businesses
- Living green

ECONOMIC CLIMATE

- Low Interest Rates
- Low inflation
- HST implementation
- Economic Recovery - predicted to be slow?
- Investment in education is key
- Fluctuating commodity prices
- Strong dollar

CUSTOMER NEEDS

- Modern infrastructure
- Transparent Transition
- Time Challenged Consumer
- Implement Plans - Culture, Youth
- Downtown 21
- More Social Support
- Natural Environment
- More for Less
- Low tolerance for tax increases
- Increased Transit use
- Efficient Flexible, Customer Focused Government

INTERNAL TRENDS

- Aging workforce
- Building leadership readiness
- AWA
- Employer of Choice
- Loss of experience and knowledge
- Attrition/Retirements
- Lots of experience - Younger and better educated workers
- Different values and expectations of new employees
- Budget pressures
- Need for sustainable competitiveness
- Living our values - TQE
- Good Team - Great pride in City
- Re-thinking Mississauga's identity - Branding

UNCERTAINTIES

- Disaster?
- Terrorism?
- Pandemic?
- Leadership?
- Hydro?

City Initiatives



Format of Business Plan

- Four Year Focus: 2011-2014
- Existing Core Services
- Capacity to Deliver Core Services
- Options for Consideration
- Financial Costs and Measurement

Areas of Focus

- Delivering on our Strategic Plan
- Maintaining a state of good repair for our infrastructure
- Continuous improvement, value for money and tax rate management
- Continuing to be an Employer of Choice

Delivering on our Strategic Action Plan

Examples include:

- Bus Rapid Transit Implementation
- Waterfront Revitalization
- Culture Plan
- Future Directions for Recreation and Parks and Library
- Downtown 21
- Cycling Master Plan
- Hurontario Corridor Implementation
- Youth and Older Adult Plans
- Storm Water Quality Control Strategy
- Environmental Master Plan

Continuous improvement, value for money and tax rate management

Examples include:

- Self-serve checkout at Libraries
- Urban Forestry equipment
- Fees and charges by-law
- Meadowvale Community Centre redevelopment
- Implementation of E3 reviews
- Service Level options
- 3 % reduction assessment for all services and options to reduce budget

Maintaining a state of good repair for our infrastructure

Examples include:

- Fire Master Plan
- Noise Attenuation Barriers
- Bridge / Culvert Rehab program
- Traffic management Centre
- ISF project implementation
- Parkland Growth
- Clarkson Air Quality Improvements

Continuing to be an Employer of Choice

Examples include:

- Corporate wide health and safety programs
- Talent Management Program
- Departmental wellness programs
- AODA employment standards compliance
- Organizational development initiatives

Next Steps in 2011-2014 Business Plan and Budget

- Summer – Departments develop Budget and Business Plan by Service
- Fall – LT review of proposed Business Plan and Budget
- November – LT recommends a 2011-2014 Business Plan and Budget for Council consideration and approval
- December – service presentations to Budget Committee on staff recommended Business Plan and Budget
- January:
 - Business Plan and Budget Book is distributed
 - Public Budget Open House
 - Final Budget Deliberations begin
- February 9 – Final Budget approval

Questions?

Alternative Infrastructure Levy Scenarios

May, 2010

Assumptions

The following assumptions are used:

- Based on approved 2010-2019 Capital Forecast – changes to capital forecast during 2011 Budget process could change scenario results
- Inflation assumed at 3% per year and assessment growth at 1% per year
- Un-inflated 10 Year Capital Expenditures = \$772.3 million
- Inflated 10 Year Capital Expenditures = \$882.8 million based on 3% inflation per year, compounded annually
- Debt issuance based on a 5% rate of interest repayable over 15 years
- Tax based reserve funds are maintained at a minimum of \$30 million
- Tax based Reserve Fund forecast based on actual January 2010 beginning balance of \$209.4 million
- Tax levy forecast based on actual of 2010 Net operating levy of \$297.4 million, inflated annually
- Estimated annual infrastructure renewal needs based on PSAB Amortization of \$96 million – reflects historical cost

Has ISF & RInC Funding Reduced the Need for Additional Capital Funding?

- The ISF/RInC funding allowed the City to improve its infrastructure, in terms of quality and quantity at a level which it would not be able to afford on its own
- The City is funding 1/3 of the costs for these projects

This has been a great benefit to the City however it has not reduced the need for additional infrastructure funding as:

- Many of the ISF projects are new or expanded projects not in the 10 year Capital Budget
- Only a portion of ISF projects are infrastructure renewal

Capital Funding Scenarios

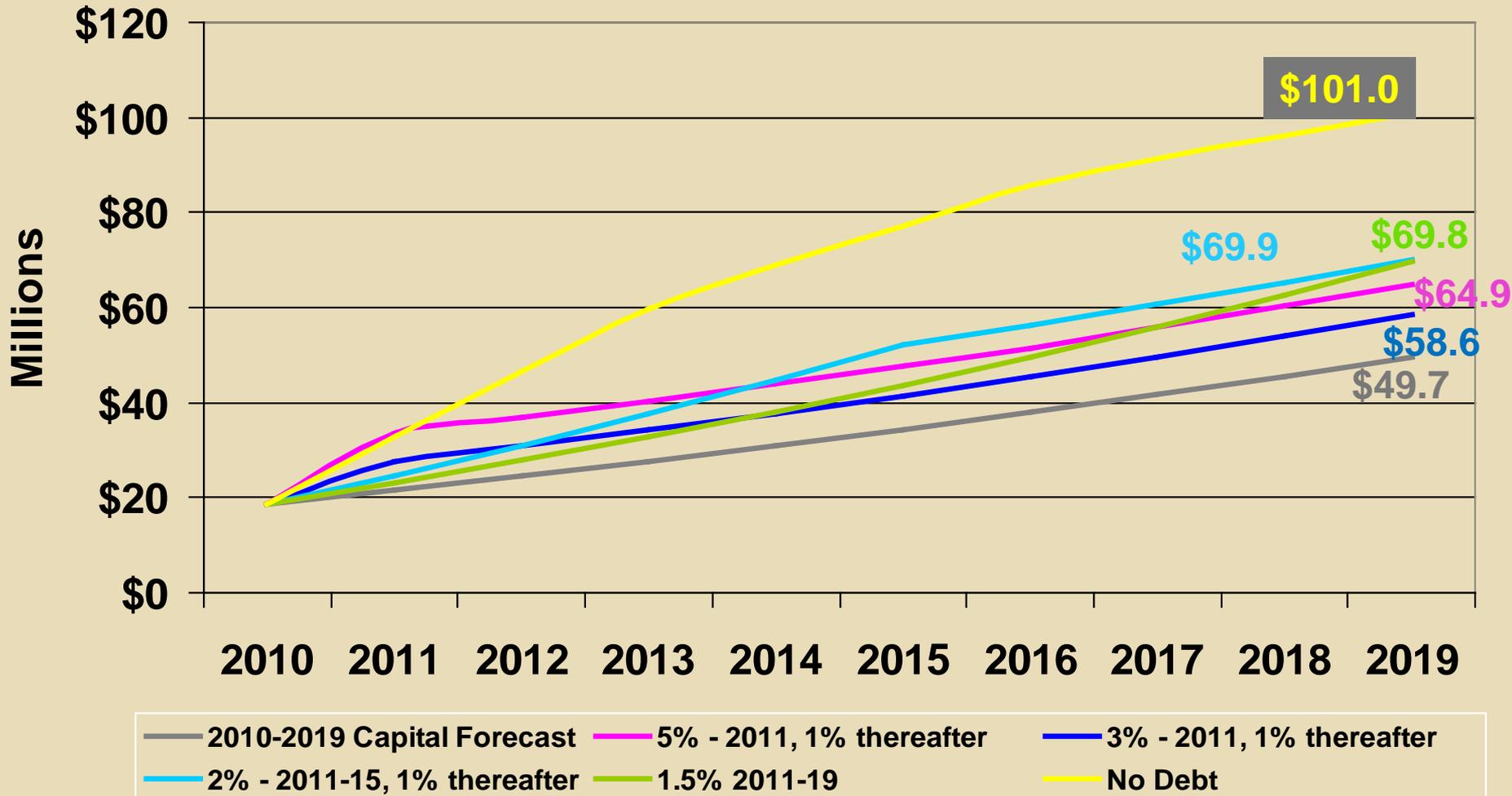
2010 - 2019 Capital Forecast:

0% in 2010 and 1% annual tax increase for infrastructure for 9 years after (2011 – 2019)

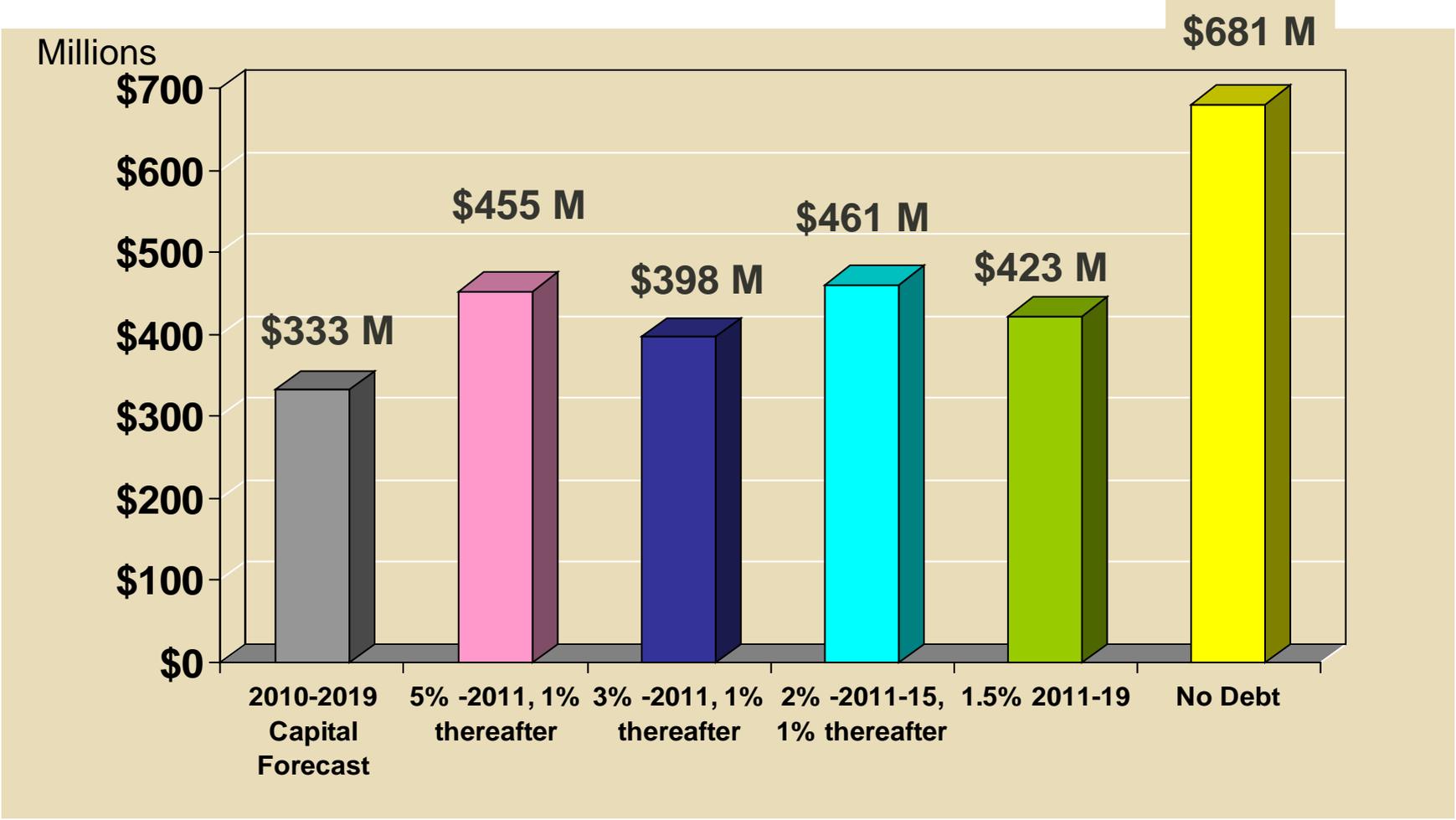
New Scenarios:	Description: Infrastructure levy increases are based on City Tax Rate increase
1	2010 – 0%, 2011 – 5%, 2012 to 2019 – 1% per year
2	2010 – 0%, 2011 – 3%, 2012 to 2019 – 1% per year
3	2010 – 0%, 2011 to 2015 – 2%, 2016 to 2019 – 1% per year
4	2010 – 0%, 2011 to 2019 – 1.5% per year
5	No Debt - 2010-2019 – 2010–0%, 2011- 4.75%, 2012-4.25%, 2013- 3.75%, 2014-2.25%, 2015-2016 – 2%, 2017-1.25%, 2018-2019-1%

Comparison of Annual Capital Transfers

(under various Scenarios)

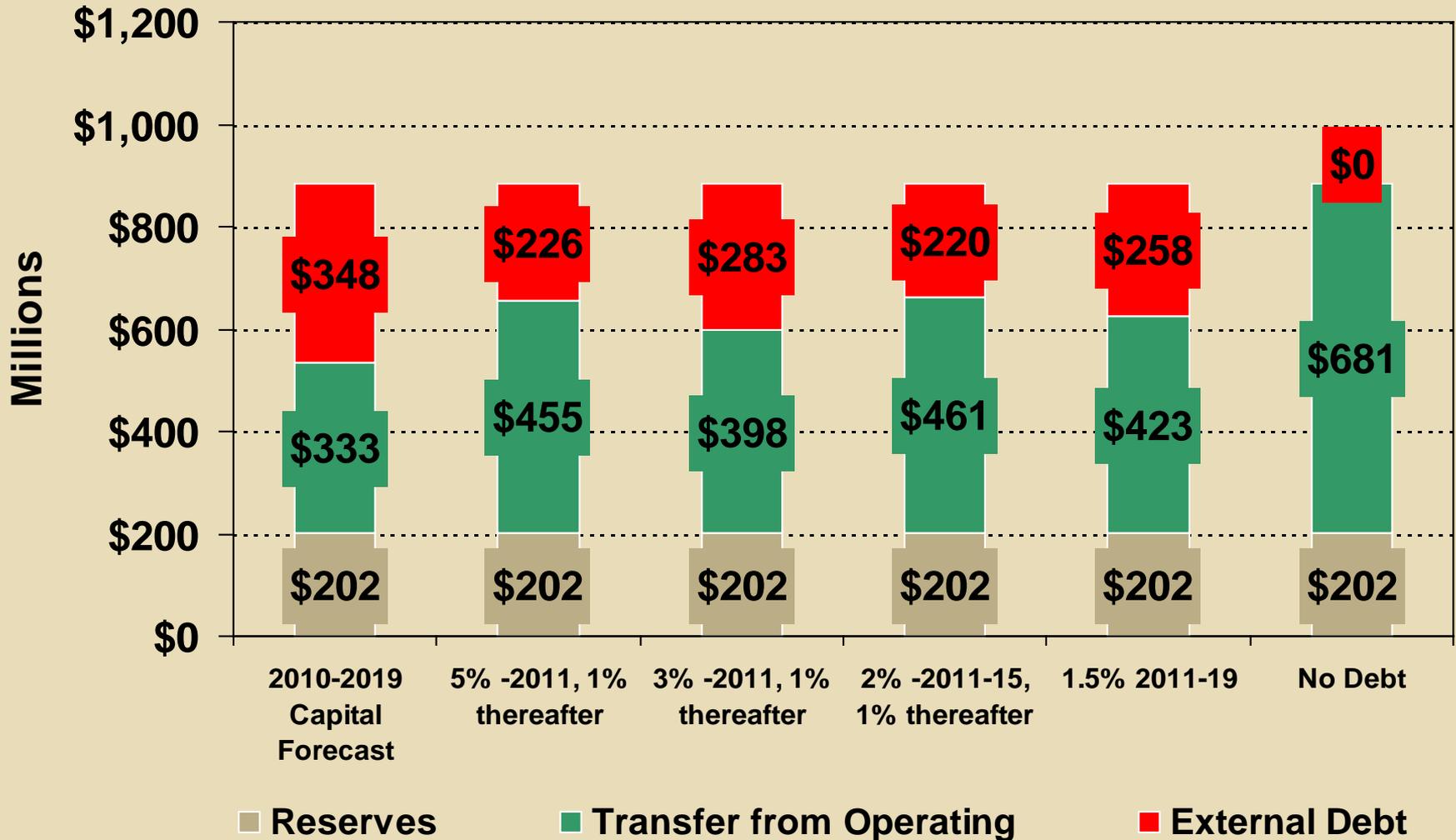


Total Transfers from Operating to Capital - 2010 - 2019



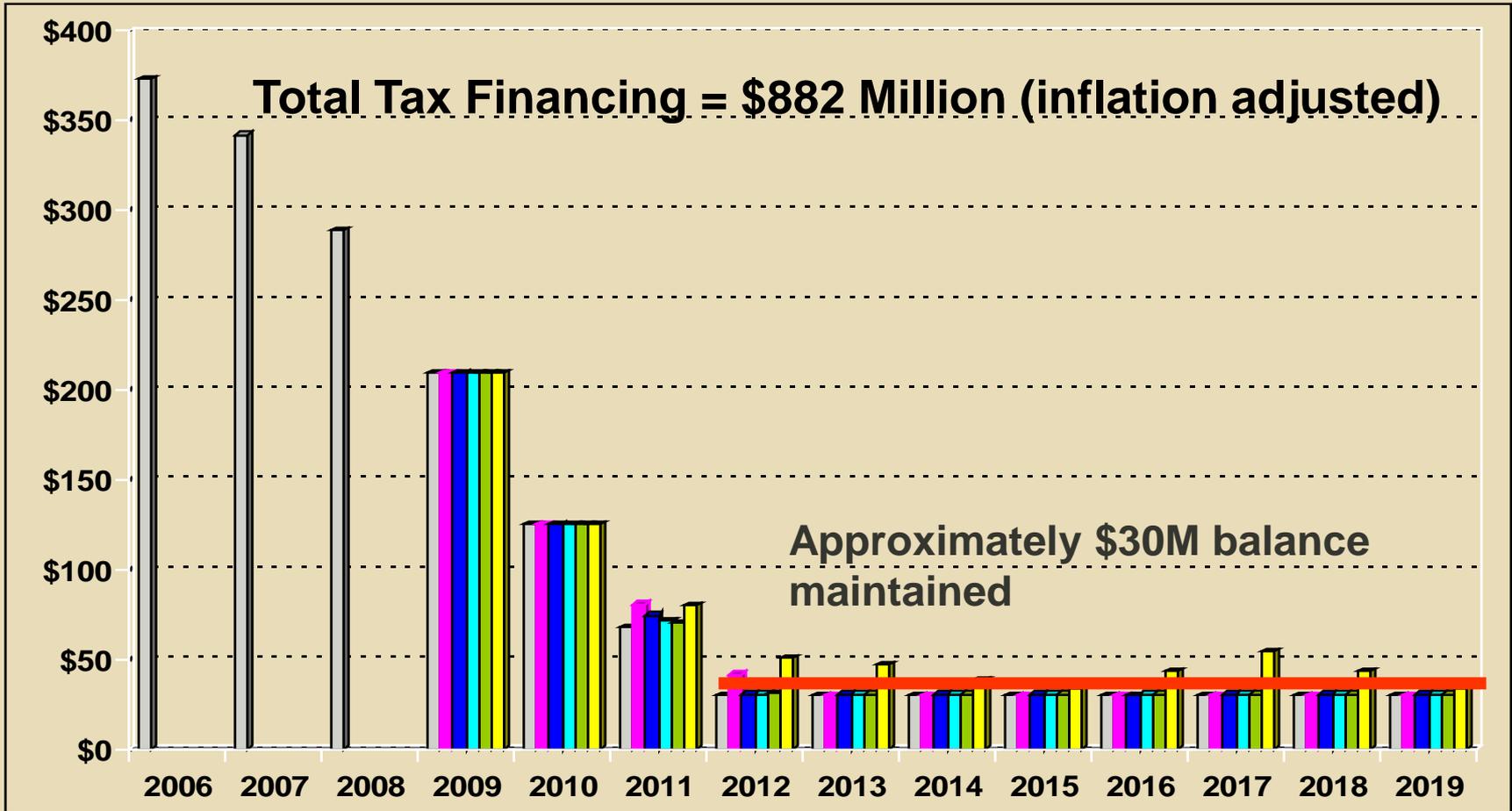
Total Capital Financing

(under various scenarios)



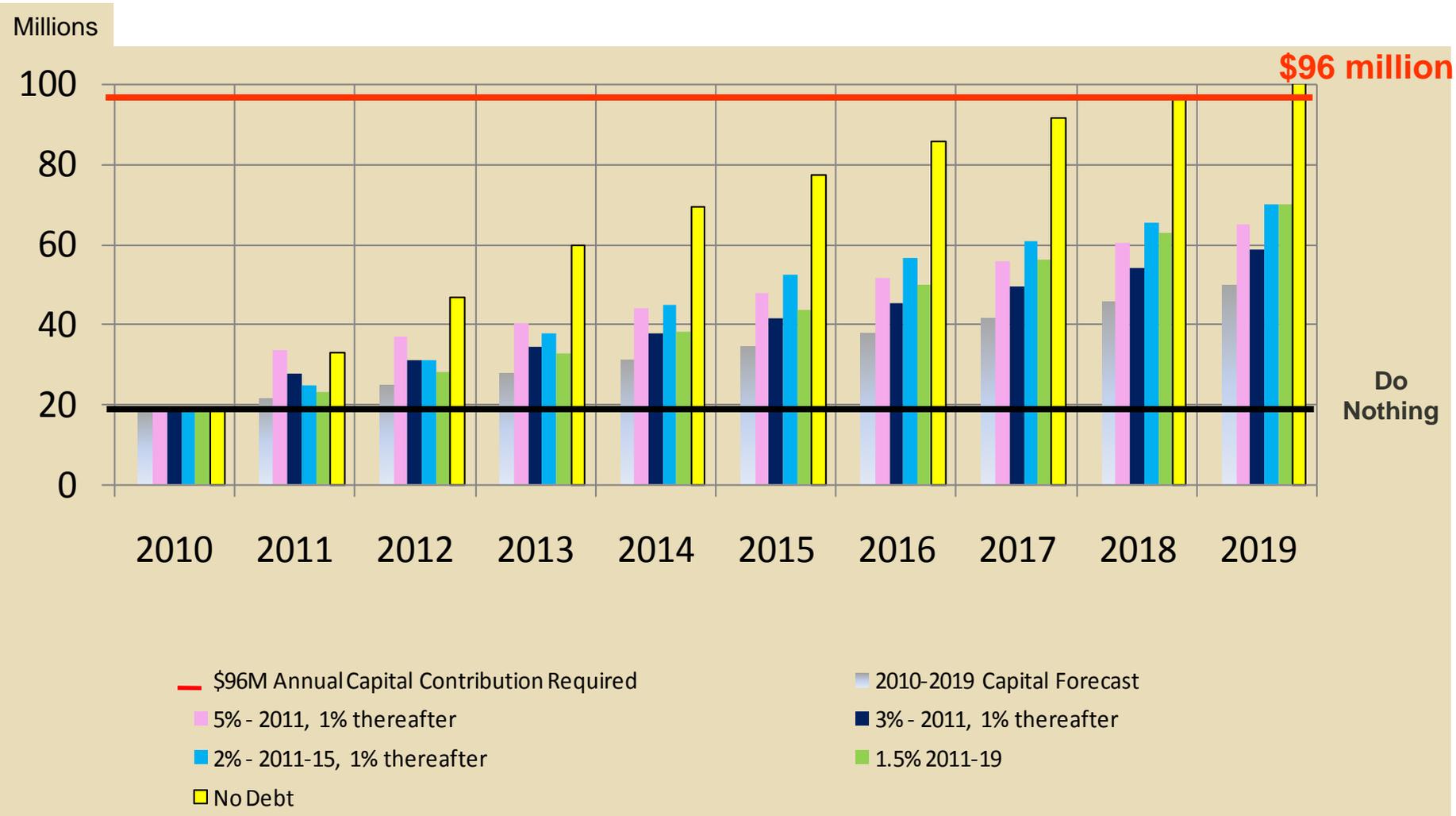
Taxed Based Capital Reserve Fund Balances

Millions



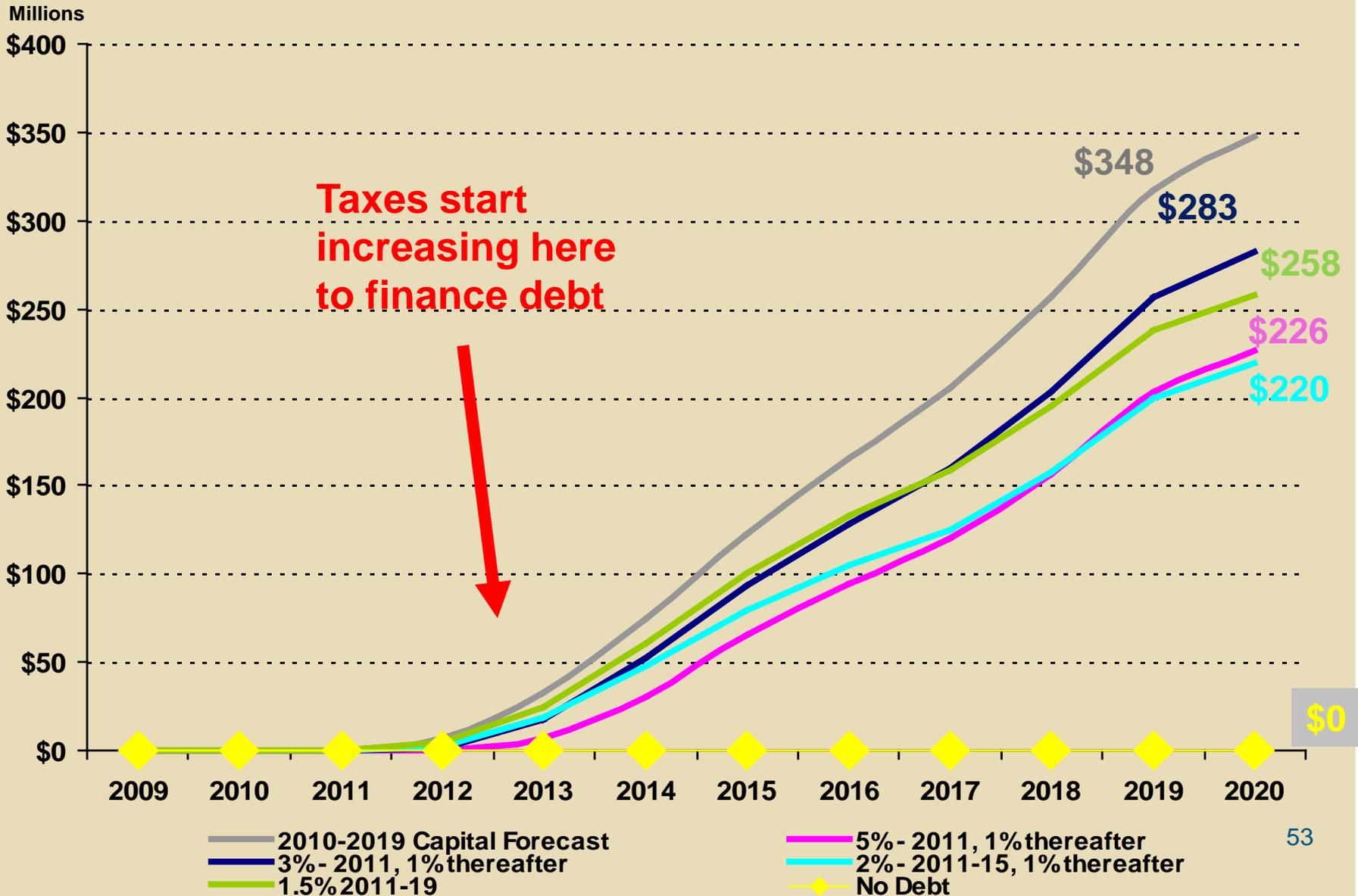
- 2010-2019 Capital Forecast
- 5%- 2011, 1% thereafter
- 3%- 2011, 1% thereafter
- 2%- 2011-15, 1% thereafter
- 1.5% 2011-19
- No Debt

Comparison of Infrastructure Funding Gap Decreases under Various Scenarios



Cumulative External Debt Issued

Under Various Scenarios



What Debt Costs under each of the Scenario Options

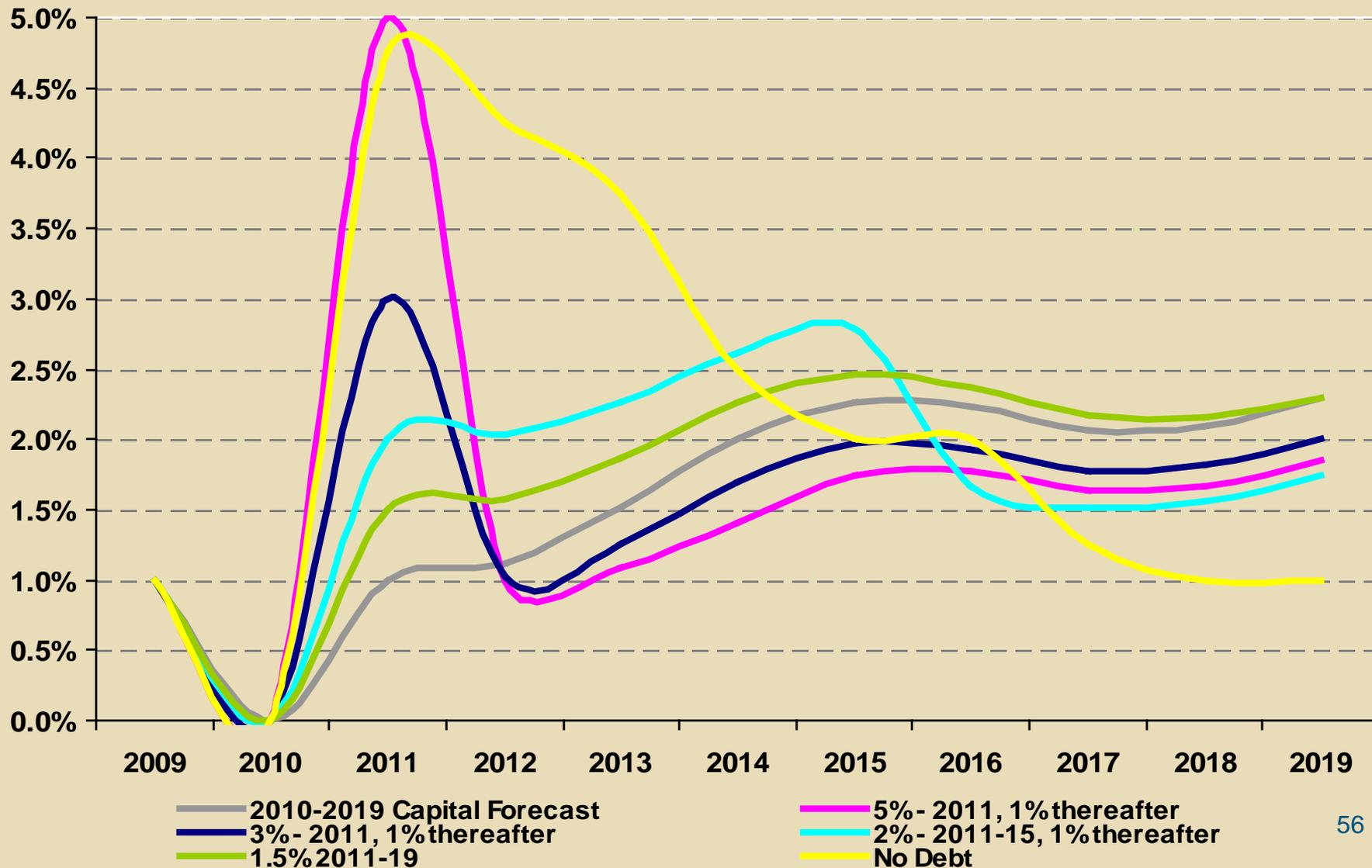
Scenario	External Debt Issuance Year	Total Debt to be Issued over 2010-2019 period (millions)	Total Debt and Interest Costs over 15 years (millions)	Interest Cost
2010-2019 Capital Forecast	2012	\$348	\$503	\$155
5% -2011, 1% thereafter	2013	\$226	\$327	\$101
3% -2011, 1% thereafter	2012	\$283	\$408	\$126
2% -2011-15, 1% thereafter	2012	\$220	\$317	\$98
1.5% 2011-2019	2012	\$258	\$373	\$115
No Debt	N/A	\$0	\$0	\$0

Comparison of Annual City Tax rate increases for Infrastructure and Debt Service Costs

(under various Scenarios)

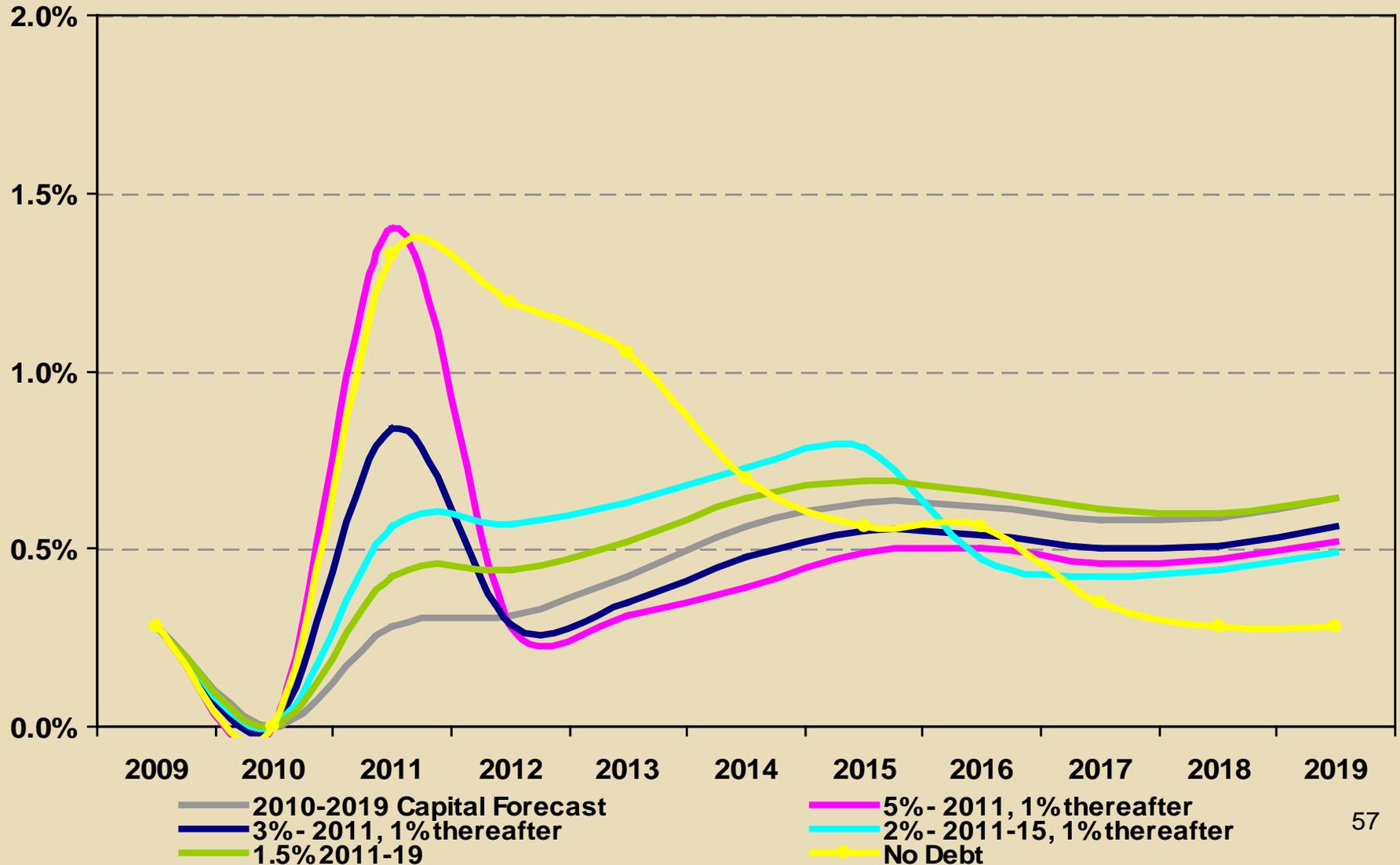
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Base	0%	1.00%	1.12%	1.15%	2.00%	2.26%	2.23%	2.06%	2.10%	2.30%
5%-2011, 1% thereafter	0%	5.00%	1.00%	1.09%	1.41%	1.75%	1.78%	1.63%	1.67%	1.85%
3%-2011, 1% thereafter	0%	3.00%	1.02%	1.25%	1.70%	1.98%	1.93%	1.78%	1.82%	2.00%
2%-2011-15, 1% thereafter	0%	2.00%	2.04%	2.26%	2.62%	2.78%	1.67%	1.51%	1.56%	1.75%
1.5% 2011-2019	0%	1.50%	1.58%	1.87%	2.27%	2.46%	2.37%	2.17%	2.16%	2.30%
No Debt (4 yrs. @ 2.5%-5% tax rate inc.)	0%	4.75%	4.25%	3.75%	2.50%	2.00%	2.00%	1.25%	1.00%	1.00%

City Tax Rate Increase – Infrastructure Levy and Debt Repayment -Under Various Scenarios



Total Tax Rate Increase—Infrastructure Levy and Debt Repayment

—Under Various Scenarios



Tax Impact of 2011 Infrastructure Increase on \$100k of Residential Assessment

(under various scenarios)

Scenario	2011 City Tax Rate Increase	2011 Impact on Tax Bill	Increase in Tax Bill
2010-2019 Capital Forecast	1%	0.28%	\$2.77
5% -2011, 1% thereafter	5%	1.4%	\$13.87
3% -2011, 1% thereafter	3%	0.84%	\$8.32
2% -2011-15, 1% thereafter	2%	0.56%	\$5.55
1.5% 2011-2019	1.5%	0.42	\$4.16
No Debt	4.75%	1.33%	\$13.18

Questions?