

<u>TITLE: 2015 Budget</u>	DATE: July 2nd, 2014
	DEPARTMENT: Finance
CLEARANCES:	ATTACHMENTS: 2015 Operating and Capital Budget Summary spreadsheets
Lonnie Kaal, Director of Finance	
Presenter	Date
David Putz, CGA, City Manager	_____ Date

SUMMARY OF HISTORY/DISCUSSION & FUNDING:

The *Saskatchewan Consumer Price Index* between May 2013 and May 2014 is 2.5%.

Operating Costs are increasing more than CPI given rising fuel, contract and labor costs. When applying tax growth and increased grants to the **operating budget**, a **1.97% tax increase** is required. Additional **maintenance** was added to the operating budget for a **1.27% tax increase = 3.24%**.

The Capital Budget requires additional dollars to improve the state of the City’s assets, namely streets and facilities. The **capital budget requires a 2.75% tax increase**.

The senior management team has worked diligently to prepare the 2015 budget within the guidelines (2.0% operating + 1.3% maintenance + 2.7% capital = 6.0% total tax increase).

1. CAPITAL BUDGET Proposed - \$13,107,960 less funding from utilities, reserves and grants = \$4,080,000 from taxes.

The capital budget requires additional dollars to upgrade and replace existing worn out assets. An increase of \$500,000 is planned with \$200,000 dedicated to Storm Line Replacement and \$300,000 towards future debt payments for the Public Works Building. **Significant projects include:**

a) **Drainage - \$1,560,000**

Significant dollars have been allocated to drainage in recent years. Page 10 of the capital budget document shows the work completed to date is almost \$5,100,000 for drainage ponds, channels, ditches and culverts with a further \$2,120,000 planned in 2014. Upon completion of the following projects, a loan of some \$10,000,000 will be required.

The drainage plan will need to be reviewed in conjunction with requirements for other infrastructure. A combined plan representing all linear assets will be provided in conjunction with asset management in 2015.

<u>Drainage 2011 to 2015</u>	
Internal Loan from 2013	\$ 4,539,780
Projects 2014 to 2015	
College - Dracup Channel – 2014	\$ 2,120,000
Future Projects 2016 & beyond	
Outfall Improvements - Hwy #9 & Culverts	\$ 2,000,000
Victoria Ditch Upgrade	\$ 1,500,000
Victoria Ditch Culvert Upgrade	\$ 1,800,000
Laurier Maple (under Broadway to Victoria)	\$ 3,295,000
Finance with Broadway Project	\$ (3,295,000)
Connect Brodie to Victoria Ditch	\$ 1,748,000
Subtotal	\$ 9,193,000
Total Loan Required	\$ 13,707,780
Annual Allocation 2014	\$ (1,560,000)
Annual Allocation 2015	\$ (1,560,000)
BORROW	\$ 10,587,780

- b) Road Construction - \$2,725,000 – \$2,000,000 (grants/reserves) = **\$725,000**
 1) Urban Connector - Highway #9 to Mayhew \$2,200,000 - \$1,700,000 = **\$500,000**
 2) Dracup (by College) \$525,000 - \$300,000 = **\$225,000**
- c) Public Works Building Design - \$1,060,000 - \$500,000 = **\$560,000**
 The objective will be to have a detailed design and refined capital costs estimates..
- d) Pathways - **\$260,000**
 New pathways include Mayhew and Collocatt
- e) Storm Pipe Replacement - **\$200,000**
 Storm condition assessments indicate priorities are Gladstone, the areas of Allanbrooke (Northview, Parkview), Laurier, Agricultural, Roundabout, and others along Smith and Broadway. Priorities will be based in conjunction with the condition of other assets namely water, sewer and roads. Those that have poor conditions in more than one asset class will rank higher. A listing of priorities will be completed in 2014 for work to be done in 2015.
- f) Facilities - **\$271,000**
 Includes various smaller projects: Farrell Agencies Arena hand rails, condensor stand replacement, electrical upgrade at Lions Ball Park, lighting at Gallagher Centre parking lot, site inspection and geo technical of parking lot and other projects funded from reserves like rubber flooring for the arena and a feasibility study on the possible addition of a dressing room and storage area.
- g) Deer Park - **\$165,000**
 Includes repair to irrigation, on course washrooms and clubhouse windows.

h) Self Funded projects include:
 Engineered Landfill Pit **\$5,610,760**

Raw Water Line Replacement **\$1,225,000**

Fleet & Equipment **\$907,200**

i) Airport - **\$200,000** and Other - **\$40,000**

Airport runway improvements with matching grant funds and update of Decorative Lighting (Christmas season).

The City has made good progress increasing the capital budget to maintain and replace existing assets. We include debt and reserve transfers in this portion of the budget because when debt is paid, these funds could be used to replace capital assets and similarly, allocations to reserves can be used to offset capital costs.

All cities will require more funding for capital improvements to fix infrastructure as we go forward. Yorkton has made good progress in this regard when looking at dollars available for the capital budget.

	Debt	Reserves/Capital		Total
2007	\$1,700,000		\$1,116,000	\$2,816,000
2008	\$1,850,000		\$1,385,780	\$3,235,780
2009	\$2,000,000		\$1,863,590	\$3,863,590
2010	\$2,000,000	\$416,000	\$1,801,000	\$4,217,000
2011	\$1,800,045	\$625,000	\$1,876,000	\$4,301,045
2012	\$1,800,045	\$625,000	\$2,244,000	\$4,669,045
2013	\$1,800,045	\$625,000	\$2,796,000	\$5,221,045
2014	\$1,800,045	\$705,000	\$3,580,000	\$6,085,045
2015*	\$1,800,045	\$705,000	\$4,083,000	\$6,588,045

*budget proposed

Yorkton has doubled the amount of funds dedicated to capital in the last 7 years.

Facilities including the Gallagher Centre, Fire Hall and Water Treatment Plant have been completed with plans for the Public Works Building moving forward. Recent increases have funded the Drainage Plan.

Future requirements include *Roads* in conjunction with underground *water/sewer and storm pipe*. This will require additional funding and increases to the capital budget in 2016/2017 and 2018.

2. OPERATING BUDGET - Maintenance

Additional costs are \$230,000 or 1.27% tax increase.

a) Street Re-surfacing & Repair Pot Holes	\$200,000
b) Facility Maintenance	<u>\$ 30,000</u>
	\$232,000

- a) Council previously approved an additional \$200,000 for street resurfacing to provide asphalt overlays in critical areas. Further, the use of the durapatcher will be extended to fix potholes.
- b) Additionally \$30,000 has been allocated for maintenance of City wide facilities that include, Kinsmen, Library, Parks shop, Tourism, Deer Park, Gloria Hayden and Godfrey Dean. Maintenance will be prioritized amongst these buildings and does not include betterments or upgrades, but general fix and repair items.

3. OPERATING BUDGET - Proposed

The cost of providing services continues to increase primarily because of salary increases, rising fuel and utility costs. Fortunately growth has helped augment the operating increase with a 2.0% tax increase required.

Exceptions noted on the attached spreadsheet highlight changes, none of which are significant. Details regarding additional resources are provided and the proposed budget includes the addition of one full time person in the I.T. department. Technology needs to be better utilized as we move forward with asset management and various city wide priorities. An I.T. Strategic plan will be provided to Council in 2014 with specific details. Should Council decide not to move forward with this additional position at that time, the budget can be amended.

4. BUDGET SUMMARY

In 2014 we allocated extra dollars to snow removal, roads, street cleaning and grass cutting to accommodate larger service areas. The 2015 operations are very similar to the previous year.

- a) \$577,000 - Growth in tax revenue, crown surcharge revenue and municipal operating grants.
- b) \$200,000 – Public Works – pave streets and pothole repair
- c) \$91,500 – People Resources - 1 full time in Admin, Seasonal in Parks, Summer student at Golf Course and 2.5/hrs/week at Gallagher Centre.
- d) The Landfill and Refuse Collection budgets were increased significantly in 2014. Rates are not expected to increase in 2015.

	2013 Monthly Rate	2014 Monthly Rate	2015 Monthly Rate
Residential	\$8.95	\$10.60	\$10.60
Multi-Unit Levy	\$7.15	\$ 8.45	\$ 8.45

- e) The Waterworks Utility expenditures have increased 4.5% This increase is partially offset by growth in revenues. A bylaw representing a **2.5% water/sewer rate increase** will be forthcoming.
- f) Annual debt payments are the same as in 2014 at \$1,800,045.
- g) Allocations to Reserves remain the same at **\$705,000**. By placing funds in reserves, future capital projects have some savings set aside for expenditures.
- h) Capital increased to \$4,083,000 in 2015. **Funds allocated to debt/capital/reserves are \$500,000 more than in 2014.**

Impacts of the proposed 2015 Budget

A combined 6.0% tax increase can be summarized as follows:

- Capital Budget – Infrastructure Improvements
Funded completely by a **2.8% tax increase**
Capital Budget increase \$500,000 which is 14.0% more than 2014
- Operating Budget- Provide same services and additional maintenance
Funded by tax growth and increased grants and a **3.2% tax increase**
Operating Budget increase \$1,149,515 which is 6.0% more than 2014

An average home in Yorkton is currently assessed at \$200,000 and a **6.0% tax increase equates to \$85.00/year.**

Options:

- 1) Approve the 2015 Operating and Capital Budget as presented in the attached schedules for a net operating total of 20,378,915 which leaves \$5,698,045 for debt/capital/reserves.
- 2) Provide alternate direction to administration to amend the budget amounts.
- 3) Table the budget until August 18th, 2014

RECOMMENDATION:

- 1) **That the 2015 Operating Budget be approved as presented in the attached schedules with net department expenditures of \$20,378,915 and further that**
- 2) **The 2015 Capital budget requiring funding from taxes of \$5,698,045 be approved as presented including federal grants of \$890,000 with debt payments of \$1,800,045, allocation to reserves of \$705,000 and total new capital projects of \$13,293,960 (as depicted in the attached spreadsheet with a net cost to the capital budget of \$4,083,000).**

Budget 2015

June 26th, 2014

	Actual 2013 Budget 2014 Budget 2015			Change Budget 2014 to 2015	
			\$19,236,000	%	Dollars
Revenue					
Taxes incl GIL properties	\$15,934,519	\$17,793,000	\$17,793,000	0.00%	\$0
Tax Growth		\$0	\$355,000	2.00%	\$355,000
Increase Taxes			\$1,088,000	6.00%	\$1,088,000
BID Levy	(\$111,814)	(\$100,000)	(\$115,000)	-7.97%	(\$15,000)
Other - Land Profits/BID Levy	\$245,054	\$0	\$0	0.00%	\$0
Interest	\$335,434	\$105,000	\$210,000		\$105,000
Surcharges - Crowns GIL	\$3,185,862	\$3,130,000	\$3,265,000	4.31%	\$135,000
Other - fr Optg reserves	\$0	\$0	\$100,000		\$100,000
Municipal Operating Grant	\$3,067,413	\$3,500,000	\$3,381,935	-3.37%	(\$118,065)
Total Tax & Grant Revenue	\$22,656,468	\$24,428,000	\$26,077,935	6.75%	\$1,664,935
					\$576,935

Growth

excluding tax increase

Department	2013 Actual	Budget 2014	Budget 2015	Change Budget 2014 to 2015	
				%	Dollars
General					
Misc/ BID grant	\$100,000	\$100,000	\$100,000	0.00%	\$0
Legislative/Council	\$538,395	\$523,980	\$559,830	6.84%	\$35,850
Admin/Bylaw	\$2,635,433	\$2,704,850	\$2,841,845	5.06%	\$136,995
Subtotal	\$3,273,828	\$3,328,830	\$3,501,675	5.19%	\$172,845

Protective Services					
Fire	\$2,390,741	\$2,449,805	\$2,503,785	2.20%	\$53,980
RCMP	\$3,333,881	\$3,610,575	\$3,707,740	2.69%	\$97,165
Subtotal	\$5,724,622	\$6,060,380	\$6,211,525	2.49%	\$151,145

Community Development - Parks & Rec					
Cemetery	\$0	\$0	\$0	0.00%	\$0
Deer Park	\$189,094	\$168,000	\$191,000	13.69%	\$23,000
Library	\$530,382	\$525,300	\$538,295	2.47%	\$12,995
Leisure Admin & Programs	\$341,463	\$412,600	\$385,785	-6.50%	(\$26,815)
Leisure Facilities	\$150,188	\$135,900	\$172,100	26.64%	\$36,200
Leisure Outdoor & Parks	\$1,206,729	\$1,337,350	\$1,505,700	12.59%	\$168,350
Subtotal	\$2,417,856	\$2,579,150	\$2,792,880	8.29%	\$213,730

Water Park	\$582,871	\$649,450	\$646,880	-0.40%	(\$2,570)
Gallagher Centre	\$1,092,955	\$938,085	\$1,148,025	22.38%	\$209,940
Subtotal	\$1,675,826	\$1,587,535	\$1,794,905	13.06%	\$207,370

Engineering & Planning					
Planning/Eng/Bldg/Econ	\$1,201,203	\$1,251,420	\$1,274,335	1.83%	\$22,915
Traffic Control & Street Lighting	\$742,242	\$615,500	\$643,500	4.55%	\$28,000
Transit	\$261,144	\$260,865	\$290,000	11.17%	\$29,135
Airport	\$229,376	\$157,200	\$176,100	12.02%	\$18,900
Subtotal	\$2,433,965	\$2,284,985	\$2,383,935	4.33%	\$98,950

Public Works	\$3,065,246	\$3,488,520	\$3,793,995	8.76%	\$305,475
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Environmental Services					
Landfill/Garbage	\$0	\$0	\$0	0.00%	\$0
Residential Garbage	\$0	\$0	\$0	0.00%	\$0
Water	(\$100,000)	(\$100,000)	(\$100,000)	0.00%	\$0
Subtotal	(\$100,000)	(\$100,000)	(\$100,000)	0.00%	\$0

TOTAL DEPT OPERATING	\$18,491,343	\$19,229,400	\$20,378,915	5.98%	\$1,149,515	4.18%
						Excluding \$200,000 roads
						Proportionate Increase

NET BEFORE DEBT/CAPITAL	\$4,165,125	\$5,198,600	\$5,699,020	9.63%	\$515,420	
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Debt						target \$575,000
Gallagher Centre -debt	\$1,151,254	\$1,151,255	\$1,151,255	0.00%	\$0	
Fire Hall Future -debt	\$648,789	\$648,790	\$648,790	0.00%	\$0	

Reserves		\$1,800,045	\$1,800,045			
Fuel Grant to offset Capital	(\$886,865)	(\$886,865)	(\$890,000)		(\$3,135)	
Reserve Allocation	\$625,000	\$705,000	\$705,000		\$0	
Capital incl Airport & Drainage	\$2,796,000	\$3,580,000	\$4,083,000	14.05%	\$503,000	
Subtotal	\$4,334,178	\$5,198,180	\$5,698,045	9.62%	\$499,865	1.82%

Proportionate Increase

TOTAL OPTG/DEBT/CAPITAL	\$22,825,521	\$24,427,580	\$26,076,960	6.75%	\$15,555	Total
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NET REV LESS EXPENSE	(\$169,053)	\$420	\$975	-0.12%	\$15,975	
						reduced allocation to reserves by \$175,000

Based on tax growth, interest, grants/surcharges to operations

Tax Increase Operating	1.97%
Increase Road & Facility Maintenance	1.27%
Tax Increase Capital*	2.75%
	5.99%

2015 CAPITAL BUDGET

Prepared June 16th, 2014

2014 Capital Budget	\$3,580,000
Increase Gas Tax Grant	\$3,000
PW Building -future debt pymt	\$300,000
Storm pipe replacement	\$200,000
Total	\$4,083,000

Corporate Priority

2015 Fully Funded and Planned New Projects

pg#	Dept	Project	Project Cost	From Reserves	Grants & Other	Debt or Other	Capital Budget	
		New projects		SOURCE OF FUNDING				
FF	1	CD - P&R	Parks Utility Vehicle - fr urban forestry reserves	\$14,100	(\$10,600)	(\$3,500)	\$0	\$0
FF	2	CD - P&R	Parks Trap Rake - fr parks reserve	\$15,100	(\$11,100)	(\$4,000)	\$0	\$0
FF	3	Gallagher	Tool Cat	\$60,000	(\$45,000)	(\$15,000)		\$0
FF	4	Gallagher	Arena - Rubber Flooring	\$60,000	(\$60,000)			\$0
FF	5	General	FAA - Dressing Room and Storage Addition - feasibility	\$60,000	(\$60,000)			\$0
FF	6	Public Wks	PW Fleet - Motor Grader, Wheel Loader, Compact UV	\$818,000	(\$570,000)	(\$248,000)	\$0	\$0
FF		Facilities	City Wide Facilities - various projects \$100,000	\$100,000	(\$100,000)			\$0
			\$1,127,200	(\$856,700)	(\$270,500)	\$0	\$0	

Waterworks & Landfill - Self Funded

			Cost	Reserves	Grants	DEBT	WW Surplus
FF	7	Waterwks	Wastewater Treatment Plant - Aeration Diffusers	\$125,000	\$0		\$125,000
FF	8	Waterwks	Raw Water Line Replacment - York Lake to Queen St.	\$1,225,000	(\$350,000)		\$875,000
FF		Waterwks	Industrial Water Revenue to Distribution Reserves	\$0	\$800,000		\$800,000
FF	9	Landfill	Engineered Landfill Pit - Phase I	\$5,610,760	(\$3,110,760)		\$0
			\$6,960,760	(\$2,660,760)	\$0	(\$2,500,000)	\$1,800,000

Drainage Plan 2011 to 2018

					Internal Debt	Capital Budget		
5 yr Plan		Planning	Carry over from 2012	\$0	\$0	(\$4,432,280)	\$0	
5 yr Plan		Planning	2013 projects \$1,047,500 - \$940,000 funding	\$0	\$0	(\$107,500)	\$0	
5 yr Plan		Planning	2014 Dracup \$2,120,000 - \$1,560,000 funding	\$0	\$0	(\$560,000)	\$0	
5 yr Plan	10	Planning	Funds required to reduce debt fr 2011 to 2014	\$1,560,000	\$0	\$1,560,000	\$1,560,000	
			Total Allocated Drainage Projects	\$1,560,000	\$0	\$0	(\$3,539,780)	\$1,560,000

NET AVAILABLE for City Wide Capital

City Wide Capital in 2014 \$2,020,000 **\$2,523,000**

2015 Capital Projects - Corporate Priority

			New Projects	Reserves	Grants	Other	Capital	
1		Council	Set aside funds for PW Building debt	\$300,000		\$0	\$300,000	
2		Council	Annual allocation for Storm Pipe Replacement	\$200,000	\$0	\$0	\$200,000	
3	11	Planning	Dracup - repair road (College)	\$525,000	(\$300,000)		\$225,000	
4	12	Facilities	PW - Building Design	\$1,060,000	(\$200,000)	(\$300,000)	\$560,000	
5	13	Public Wks	Urban Connector - Hwy #9 to Mayhew	\$2,200,000	(\$50,000)	(\$1,650,000)	\$500,000	
6	14	CD - P&R	Mayhew Pathway - Langrill Easement to York Road	\$60,000		\$0	\$60,000	
7	15	Gallagher	Condenser Stand Replacement (FAA & Curling Rink)	\$55,000	\$0		\$55,000	
8	16	CD - P&R	Lions Ball Park - Electrical Upgrade	\$14,000			\$14,000	
9	17	CD - P&R	Deer Park - On course washrooms	\$50,000			\$50,000	
10	18	Gallagher	FA Arena - Centre Aisle Hand Rails	\$12,000	\$0	\$0	\$12,000	
11	19	Gallagher	GC Parking Lot Lighting	\$95,000			\$95,000	
12	20	CD - P&R	Deer Park Clubhouse Windows	\$15,000			\$15,000	
13	21	Gallagher	GC Parking Lot - Site Inspect, Geo Technical & Design	\$80,000			\$80,000	
14	22	CD - P&R	Deer Park Irrigation	\$100,000	\$0	\$0	\$100,000	
15	23	CD - P&R	Collacott Pathway Development	\$200,000	\$0	\$0	\$200,000	
16	24	Public Wks	Decorative Lighting	\$40,000	\$0	\$0	\$40,000	
17	25	Planning	Airport Capital - CAP	\$200,000	(\$70,000)	(\$100,000)	(\$13,000)	\$17,000
			Total Capital	\$5,206,000	(\$620,000)	(\$1,750,000)	(\$313,000)	\$2,523,000

TOTAL **\$13,293,960** **(\$4,137,460)** **(\$2,020,500)** **(\$3,053,000)** **\$4,083,000**

Projects - 2016 and beyond

Planning		Airport - Allocation to reserves	\$100,000				\$100,000
CD - P&R		Golf Course - Maintenance Building	\$330,000				\$330,000
CD - P&R		Golf Course - Water & Sewer	\$275,000				\$275,000
Planning		Highway #9 & York Road Intersection	\$875,000				\$875,000
Public Wks		City Hall - Windows & Air Conditioning - Phased	\$175,000				\$175,000

RESERVES

Allocations recommended in 2015

Admin

City Wide Consulting/Study Reserve				\$25,000
IT - reserves				\$20,000

General

General Capital Reserves - Public Works Building				\$100,000
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Fire

Fire equipment reserves				\$30,000
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Public Works

City Wide Facility Reserves				\$100,000
Arterial Road Reserves				\$130,000

Planning

Airport - Reserve				\$50,000
Traffic Control - Reserve				\$20,000

Community Parks & Rec

Neighborhood Parks				\$80,000
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Gallagher Centre

GC - Building Reserve				\$150,000
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TOTAL **\$705,000**

DEBT

Debt Limit established in 2006 is \$42,000,000.

Internal Debt

	Payments	Years Left	Matures	Owing Dec 2014
Fire Truck - 2013	\$180,000	2 yrs	2016	\$360,000
Drainage - 2012	\$940,000	4 yrs	2018	\$4,805,071
Library - 2004	\$72,144	1 yrs	2015	\$69,705
Library - 2011	<u>\$15,250+\$72,144</u>	9 yrs	2023	<u>\$610,000</u>
	\$1,207,394			\$5,844,776

External Debt

	Payments	Years Left	Matures	Owing Dec 2014
Gallagher Centre - 2004	\$672,012	5 yrs	2019	\$2,935,436
Gallagher Centre - 2005	\$479,242	6 yrs	2020	\$2,454,557
Fire Hall - 2010	<u>\$648,790</u>	11 yrs	2025	<u>\$5,736,174</u>
	\$1,800,044			\$11,126,167
Waterworks 2006	\$637,000	2 yrs	2016	\$908,000
Waterworks 2008	<u>\$909,920</u>	9 yrs	2023	<u>\$6,706,000</u>
	\$1,546,920			\$7,614,000
Total External Debt				\$18,740,167

Debt Available \$23,259,833

Proposed Public Works Facility

Public Works Building @ 3% over 10 yrs	\$1,170,000	10 yrs	2026	\$10,000,000
Public Works Building @ 4% over 15 yrs	\$1,350,000	15 yrs	2031	\$15,000,000

Represents a 7.9% to 9.1% tax increase for payments

Possible Funding from Drainage after 2019 when ponds paid

Existing 5 year plan - Drainage Ponds	\$1,560,000
2019 to 2027 West Drainage Imprvts	<u>(\$800,000)</u>
Funds Available to be directed elsewhere	\$760,000

Would require internal interest financing between 2016 when borrowing required & 2019 when payments begin