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**TO:** GENERAL COMMITTEE

**SUBJECT:** 2017 BUSINESS PLAN – OPERATING AND CAPITAL REDUCTIONS

**PREPARED BY AND KEY CONTACT:** M. JERMEY, CPA, CA, DEPUTY TREASURER, EXTENSION #4407  
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**SUBMITTED BY:** C. LADD, CHIEF ADMINISTRATIVE OFFICER  
R. FORWARD, MBA, M.Sc., P. Eng., GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH MANAGEMENT  
B. ROTH, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES (ACTING)  
R. BUNN, EXECUTIVE DIRECTOR – INNOVATE BARRIE  
R. JAMES-REID, EXECUTIVE DIRECTOR – ACCESS BARRIE  
Z. LIFSHIZ, EXECUTIVE DIRECTOR – INVEST BARRIE  
I. PETERS, DIRECTOR OF LEGAL SERVICES

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** C. LADD, CHIEF ADMINISTRATIVE OFFICER

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**RECOMMENDED MOTION**

1. That the proposed 2017 operating budget amendments listed as Appendix “A” in Staff Report EMT002-17 be approved.
2. That the proposed 2017 capital budget amendments listed as Appendices “B” and “C” in Staff Report EMT002-17 be approved.

**PURPOSE & BACKGROUND**

3. The purpose of Staff Report EMT002-17 is to seek approval of proposed operating and capital budget reductions to meet Council’s direction received during the 2017 Business Plan deliberation process.
4. On February 13, 2017, City Council adopted motion 17-G-024 regarding the 2017 Business Plan as follows:
  - a) “That the Executive Management Team identify further reductions in the amount of \$650,000 through sustainable expenditure reductions and/or increases in revenues, and report back to General Committee for approval of the proposed list of reductions or increases in revenue prior to implementation”; and
  - b) “That the net levy requirement in 2017 be reduced by \$156,000 related to debt servicing costs through the substitution of alternative sources of financing for \$3.5 million of the planned debenture issue in 2017.”

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**ANALYSIS**

**\$650 Thousand – Operating Expenditure Decreases and Revenue Increases**

5. Council's motion required staff to identify \$650,000 in tax levy reductions through sustainable expenditure reductions and/or increases in revenues. The proposed reductions are described below. Appendix "A" summarizes the impact on the tax levy and user rates.
  - a) \$50,000 (Roads – Increase Rail Storage Revenue) - The City's rail business has seen the delivery of more cars than anticipated. Staff expect this will continue in to 2017.
  - b) \$13,000 (Roads – Rented Equipment with Operator) - The City has the ability to invoice businesses for snow removal services in the event the business fails to clear snow, necessitating removal by City staff and equipment. Staff believe this increase in revenue is achievable with some minor improvements to diligence invoicing for snow removal.
  - c) \$20,000 (Environmental – Leachate Revenue) - The City has collected almost \$20,000 year-to-date against a budget of \$3,000. The reason for the positive variance in 2017 relates to a technical issue in Collingwood requiring the County to bring their leachate to the Barrie Landfill.
  - d) \$27,800 (Environmental – Tipping Fees) - Tipping fees were not increased in the 2017 Proposed Fees Schedule as part of the budget binder. The amended fee would be \$149.35 per tonne, an increase of \$4.35 per tonne.
  - e) \$50,000 (Transit – Metrolinx Bus Storage) - Staff are in the process of negotiating a fixed fee storage agreement with Metrolinx. \$50 thousand in additional revenue is believed to be a reasonable estimate at this time.
  - f) \$78,500 (Parking – Parking Strategy Coordinator Recovery) - The Parking Strategy Coordinator position is currently funded under Transit as a tax position. If approved, this position would be funded by parking revenues.
  - g) \$75,000 (Building Code – Building Enterprise Model) - Going forward, an Enterprise approach will be applied to Building Code; this allows all direct and indirect costs associated with administration and enforcement of the Building Code Act to be funded through building code fees. Engineering and Planning provide support services to the issuance of building permits and as such, the costs can be recovered.
  - h) \$24,900 (IT – Recovery from Wastewater) - A subsequent review of IT services provided to the wastewater user rate resulted in the identification of additional amounts that can be recovered.
  - i) \$76,000 (General – Recover Staff Time from Barrie Hydro Holdings) - Staff from Clerks, Finance, Legal, CAO, and GM of Community and Corporate Services commit significant time to supporting Barrie Hydro Holdings Inc. Currently, in the 2017 budget, \$24,000 is recovered, but it is recommended this be increased by \$76,000 for a total of \$100,000. The additional recoveries would be applied to the Chief Administrative Officer, Legal Services, and General Manager of Community and Corporate Services.
  - j) \$35,000 (Fleet – Consultants) - A review of workloads has resulted in the determination that requesting work from consultants is not required at this time.
  - k) \$50,000 (Fleet – Gas, Fuel, Oil) - Updated consumption estimates support a reduction in planned spending.

- l) \$60,000 (Finance – Debt Servicing Costs) - Assumptions used in the calculation of tax funded debt servicing costs support an additional reduction related to the alternative funding of \$3.5 million of the planned 2017 debenture.
- m) \$100,000 (General – Salary Gapping) - It is expected that realized salary gapping will be higher than planned with the addition of new positions in 2017 that were budgeted for the full year.

**\$3.5 Million – Alternate Funding Plan for Debt Financed Projects**

- 6. Council's motion required staff to identify \$3.5 million in tax funded debt financing to be removed from the planned 2017 debenture issuance. As described in Appendix "B", staff recommend the following three projects funding be changed to remove debt financing:
  - a) City Hall – Council Chambers Accessibility Upgrade
  - b) City Hall – Flat Roof Replacement
  - c) City Hall – HVAC System Modernization
- 7. In order to reduce the planned tax supported debenture by \$3.5 million, staff reviewed the 2017 approved capital plan. From this review, the spending plan of the projects noted below with funding details provided in Appendix "C", identifies a total of \$2.4 million of tax capital reserve funding. In addition, Staff Report ENG001-17 dated March 20, 2017, is recommending changing funding for the Waterfront Basketball Court and Artificial Ice Rink, providing an additional \$222,000 of Tax Capital Reserve funds. It is expected the remaining \$865,000 will be identified in the spring Capital Status Report or recommended to be funded from any 2016 year-end surplus.
  - a) \$50,000 (Annual Parking Lot Improvement Program) - This amendment would see the deferral of a multi-year project to a 2018 start.
  - b) \$400,000 (City Hall Parking Garage Rehabilitation Project) - This amendment would defer \$400,000 in approved 2017 spending to 2018; leaving \$700,000 in 2017. The total cost of the project would not change. Based on timing of project, staff are confident it is not feasible to spend full amount in 2017.
  - c) \$500,000 (Main Library HVAC Rehabilitation) - This amendment would defer \$500,000 in approved 2017 spending to 2018; leaving \$1.3M in 2017. The total cost of the project would not change.
  - d) \$50,000 (Application Resiliency) - This amendment will defer the work into future years.
  - e) \$50,000 (Barrie Fire & Emergency Services Program) - This amendment will defer the work into future years.
  - f) \$50,000 (Corporate Printer) - This amendment will reduce the scope of work for corporate printing infrastructure.
  - g) \$25,000 (Network Revitalization) - This amendment will reduce the budget for consultants associated with this project.
  - h) \$25,000 (Mobility Program) - This amendment will defer the work in to future years.
  - i) \$1.26 million (Collier Centre New Office Accommodation) - This project was cancelled by Council through motion #17-G-024.

**ENVIRONMENTAL MATTERS**

8. There are no environmental matters related to the recommendation.

**ALTERNATIVES**

9. The following alternatives are available for consideration by General Committee:

**Alternative #1**

General Committee could choose to not approve the staff recommendations and request further options.

This alternative is not recommended, as the Executive Management Team believes the staff recommendations in this report are the best alternatives available to fund the tax operating adjustments of \$650 thousand and debt financing reductions of \$3.5 million.

**FINANCIAL**

10. The financial implications for the Corporation resulting from the proposed recommendation are addressed in the Analysis section of the report and the related appendices.

**LINKAGE TO 2014-2018 STRATEGIC PLAN**

11. The recommendations included in this Staff Report support the following goal identified in the 2014-2018 Strategic Plan:

- Responsible Spending

APPENDIX "A"

Proposed Operating Budget Amendments

| Item  | Increase/(Decrease) Budget |                  |                  |
|---|----------------------------|------------------|------------------|
|   | Tax                        | Wastewater       | Parking          |
| Roads - Increase rail storage revenue   | \$ (50,000)                | \$ -             | \$ -             |
| Roads - Increase rented equipment with operator revenue                         | \$ (13,000)                | \$ -             | \$ -             |
| Environmental - Increase Leachate revenue                                       | \$ (20,000)                | \$ -             | \$ -             |
| Environmental - Increase Tipping Fee revenue                                    | \$ (27,782)                | \$ -             | \$ -             |
| Transit - Increase Metrolinx Bus Storage revenue                                | \$ (50,000)                | \$ -             | \$ -             |
| Fund Parking Strategy Coordinator from parking reserve                          | \$ (78,463)                | \$ -             | \$ 78,463        |
| Building Code Enterprise Model - Increase recoveries in Engineering             | \$ (37,500)                | \$ -             | \$ -             |
| Building Code Enterprise Model - Increase recoveries in Planning                | \$ (37,500)                | \$ -             | \$ -             |
| IT - Increase recovery from Wastewater  | \$ (24,862)                | \$ 24,862        | \$ -             |
| Barrie Hydro Holdings - Increase recovery for GM Community & Corporate Services | \$ (25,000)                | \$ -             | \$ -             |
| Barrie Hydro Holdings - Increase recovery for Legal                             | \$ (25,000)                | \$ -             | \$ -             |
| Barrie Hydro Holdings - Increase recovery for CAO                               | \$ (26,000)                | \$ -             | \$ -             |
| Fleet - Decrease consultants  | \$ (35,000)                | \$ -             | \$ -             |
| Fleet - Decrease gas, fuel, oil   | \$ (50,000)                | \$ -             | \$ -             |
| Finance - Decrease debt servicing costs   | \$ (60,000)                | \$ -             | \$ -             |
| Corporate - Increase salary gapping   | \$ (100,000)               | \$ -             | \$ -             |
| <b>Total</b>  | <b>\$ (660,107)</b>        | <b>\$ 24,862</b> | <b>\$ 78,463</b> |

Note: User Rate impacts will be balanced through reduced contributions or increased draws to/from reserves. Tax Rate impact will be balanced through a reduction to the tax levy.

**APPENDIX "B"**

**Alternate Funding Plan – Debt Financed Projects for \$3.5M**

**City Hall - Council Chambers Accessibility Upgrade  
14-17-3303-1501**

|                   | Current      | Proposed     | Change         |
|-------------------|--------------|--------------|----------------|
| <b>Gross Cost</b> | \$ 1,955,000 | \$ 1,955,000 | \$ -           |
| <b>Funding:</b>   |              |              |                |
| TCR               | \$ 205,000   | \$ 1,955,000 | \$ 1,750,000   |
| Debt              | \$ 1,750,000 | \$ -         | \$ (1,750,000) |

**City Hall - Flat Roof Replacement  
14-17-3303-1685**

|                   | Current    | Proposed   | Change       |
|-------------------|------------|------------|--------------|
| <b>Gross Cost</b> | \$ 490,000 | \$ 490,000 | \$ -         |
| <b>Funding:</b>   |            |            |              |
| TCR               | \$ -       | \$ 490,000 | \$ 490,000   |
| Debt              | \$ 490,000 | \$ -       | \$ (490,000) |

**City Hall - HVAC System Modernization  
14-17-3303-1190**

|                   | Current      | Proposed     | Change         |
|-------------------|--------------|--------------|----------------|
| <b>Gross Cost</b> | \$ 3,240,000 | \$ 3,240,000 | \$ -           |
| <b>Funding:</b>   |              |              |                |
| TCR               | \$ 340,000   | \$ 1,600,000 | \$ 1,260,000   |
| Debt              | \$ 2,900,000 | \$ 1,640,000 | \$ (1,260,000) |

APPENDIX "C"

Proposed Capital Plan Amendments

| Project #    | Binder Ref. | Project Description                                   | Current                |                        |                      | Proposed               | Change                   |                          |                        |
|--------------|-------------|---|------------------------|------------------------|----------------------|------------------------|--------------------------|--------------------------|------------------------|
|              |             |   | 2017 Approved Budget   | Tax Capital Reserve    | DC Tax               | 2017 Adjusted Budget   | Change                   | TCR Change               | DC Tax Change          |
| Z1115        | 125         | Main Library HVAC Rehabilitation                      | \$ 1,800,000.00        | \$ 1,800,000.00        | \$ -                 | \$ 1,300,000.00        | \$ (500,000.00)          | \$ (500,000.00)          | \$ -                   |
| FC1039       | 117         | Collier St Office Accommodate                         | \$ 1,765,000.00        | \$ 1,263,740.00        | \$ 501,260.00        | \$ -                   | \$ (1,765,000.00)        | \$ (1,263,740.00)        | \$ (501,260.00)        |
| FC1075       | 115         | City Hall Parking Garage Rehabilitation               | \$ 1,100,000.00        | \$ 1,100,000.00        | \$ -                 | \$ 700,000.00          | \$ (400,000.00)          | \$ (400,000.00)          | \$ -                   |
| IT1014       | 147         | Corporate Printing Infrastructure                     | \$ 250,000.00          | \$ 250,000.00          | \$ -                 | \$ 200,000.00          | \$ (50,000.00)           | \$ (50,000.00)           | \$ -                   |
| 000324       | 151         | Network Infrastructure Revitalization Program         | \$ 200,000.00          | \$ 200,000.00          | \$ -                 | \$ 175,000.00          | \$ (25,000.00)           | \$ (25,000.00)           | \$ -                   |
| IT1019       | 149         | Mobility Technology Program                           | \$ 190,000.00          | \$ 190,000.00          | \$ -                 | \$ 165,000.00          | \$ (25,000.00)           | \$ (25,000.00)           | \$ -                   |
| 000105       | 143         | Barrie Fire and Emergency Services Technology Program | \$ 175,000.00          | \$ 175,000.00          | \$ -                 | \$ 125,000.00          | \$ (50,000.00)           | \$ (50,000.00)           | \$ -                   |
| IT1022       | 142         | Always Available Technology Program                   | \$ 175,000.00          | \$ 175,000.00          | \$ -                 | \$ 125,000.00          | \$ (50,000.00)           | \$ (50,000.00)           | \$ -                   |
| Z411         | 81          | Annual Parking Lot Improvement Program                | \$ 50,000.00           | \$ 50,000.00           | \$ -                 | \$ -                   | \$ (50,000.00)           | \$ (50,000.00)           | \$ -                   |
| <b>Total</b> |             |   | <b>\$ 5,705,000.00</b> | <b>\$ 5,203,740.00</b> | <b>\$ 501,260.00</b> | <b>\$ 2,790,000.00</b> | <b>\$ (2,915,000.00)</b> | <b>\$ (2,413,740.00)</b> | <b>\$ (501,260.00)</b> |