



TO: GENERAL COMMITTEE


SUBJECT: 2015 BUDGET DIRECTIONS

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SUBMITTED BY: C. LADD, CHIEF ADMINISTRATIVE OFFICER

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

RECOMMENDED MOTION

1. That staff prepare a Business Plan for 2015 for all tax supported services that considers:
 - a) The cost of maintaining current programs at current service levels, based on anticipated 2015 activities;
 - b) Annualization of prior period decisions;
 - c) The financial impact associated with assumed subdivisions including operating, maintenance and planning for future asset replacement and rehabilitation;
 - d) Recommendations for changes to user fees that reflect:
 - i) the full cost of providing the program or service, including fixed assets (to the extent possible), net of any subsidy approved by Council;
 - ii) increased reliance on non-tax revenue;
 - e) An estimate of assessment growth based on the value of newly assessed property throughout 2014;
 - f) Contributions to reserves that are consistent with the Financial Policy Framework and Council direction which addresses:
 - i) Current and future asset replacement requirements;
 - ii) Allocation of debt charges associated with debt maturing in 2014;
 - iii) Increased funding for the Neighbourhood Renewal Program;

2. That staff prepare a Business Plan for 2015 for Water and Wastewater services that includes:
 - a) The cost of maintaining current programs at current service levels, based on anticipated 2015 activities;
 - b) Annualization of prior period decisions;
 - c) The financial impact associated with assumed subdivisions including operating, maintenance and planning for future replacement and rehabilitation;
 - d) Recommendations for changes to user fees that reflect:
 - i) the full cost of providing the program or service, including fixed assets, net of any subsidy approved by Council;
 - e) An estimate of water consumption that reflect past consumption patterns and forecasted conditions in 2015;
 - f) Contribution to reserves that reflects current and future asset replacement requirements.
3. That staff prepare a Business Plan for 2015 for Parking Services that includes:
 - a) The cost of maintaining current programs at current service levels, based on anticipated 2015 parking utilization;
 - b) Annualization of prior period decisions;
 - c) The costs associated with changes in the parking inventory or infrastructure that is operated and maintained by the City;
 - d) Recommendations for changes to parking rates that reflect:
 - i) a level that eliminates the reliance on a taxpayer subsidy;
 - ii) the full cost of providing the program or service, including future asset replacement need.
4. That any recommended changes in level of service be presented as Service Level Changes to allow Council to consider each Service Level Change on a case-by-case basis. Services level changes include:
 - a) New services/elimination of services;
 - b) Service enhancements/service reductions;
 - c) New user fee proposals/elimination of user fee proposals.
5. That any user fee increases/reductions of more than 5% of the current fee, be presented to Council no later than December 15, 2014.
6. That a ten year Capital Plan be developed that includes a one year capital budget, a four year forecast and a five year outlook.

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7. That development of the 2015 capital budget which will reflect the Fiscal Impact Analysis and Infrastructure Implementation Plan will consider the following:
- a) A risk-based approach to project selection driven by the rehabilitation and replacement of existing assets that considers:
 - i) The probability and consequences of asset failure;
 - ii) Full lifecycle costs;
 - iii) Increased and decreased operating and maintenance costs and Return on Investment, if applicable, as contained within each business case that supports capital investments including energy management opportunities;
 - iv) Availability of financial and human resources to complete the work;
 - v) Various funding strategies including the capital plan funding strategy described in motion 14-G-126 on May 21, 2014 when developing the 2015 Capital Plan and associated funding;
 - b) A needs-based approach to project selection driven by the expansion of existing assets and addition of new assets that considers:
 - i) An assessment of the importance and urgency of the project;
 - ii) Full lifecycle costs;
 - iii) Increased and decreased operating and maintenance costs as contained within each business case that supports capital investments;
 - iv) Availability of financial and human resources to complete the work;
 - c) A primary focus on renewal activities using the following as prioritization criteria:
 - i) First priority – projects that support Public Safety, Environment and Transportation programs;
 - ii) Second priority – projects that support Land Use Planning, Economic Development and Corporate Support programs;
 - iii) Third priority – projects that support Enforcement, Arts and Culture and Recreation programs;
 - d) Financial affordability.
8. That prior to recommending that any projects be debt financed, staff will:
- a) Review availability of all external funding sources, including:
 - i) Development Charges;
 - ii) Developer Funding;
 - iii) Federal and Provincial Grant Programs (in accordance with terms and conditions of each program);

- iv) Federal and Provincial Gas Tax;
- v) Sponsorship;
- vi) Other alternative sources of revenue;
- b) Consider:
 - i) the availability of City Capital Reserves
 - ii) the City's cashflow position
 - iii) who is benefiting from the capital investment
 - iv) interest rate projections, and
 - v) potential debt repayment strategies
- 9. That the following new elements be introduced to the 2015 Business Plan Development Process:
 - a) The use of a scenario based approach to identify a set of options that will assist Council with making decisions regarding service levels and affordability;
 - b) A process for adjusting the 2015 operating and maintenance expenditures based on approval of capital investments;
 - c) A funding strategy to address County of Simcoe capital requirements in a manner that ensures funding is available when it is required without causing significant fluctuations in annual tax rate requirements.
- 10. That the 2015 Budget Development Schedule identified in Appendix C be used to develop the 2015 Business Plan for Council's review and approval no later than March 2015.
- 11. That staff advise the County and all Agencies, Boards and Commissions of Council's expectations that:
 - a) The budget directions established herein be used when preparing their 2015 budgets
 - b) Budgets be prepared in accordance with the 2015 Budget Development Schedule.

PURPOSE & BACKGROUND

Report Overview

- 12. This report describes the approach staff will take when preparing the 2015 Business Plan and seeks Council's direction on guidelines and principles for staff use. Council's budget directions allow staff to efficiently build financing plans that demonstrate a clear relationship between costs and service levels.
- 13. This report will propose a new scenario based planning approach for 2015 along with a set of five principles for assessing service level changes to strike the right balance between providing the desired programs and maintaining affordable taxes, rates, and user fees.

Background

- 14. The City of Barrie's approach to budgeting emphasizes the use of business plans that describe what will be accomplished with requested resources. This enhances Council's control over the corporation's financial and non-financial resources, since choices about services and service levels drive costs.

15. For several years the City of Barrie has participated in the annual municipal study prepared by BMA Management Consulting Inc. The latest study (2013) compares 98 municipalities across Ontario in a variety of categories such as Socio-economic indicators, Municipal Financial Indicators, Revenue and Expenditures, user fees, tax policies, relative taxes, water and wastewater costs and taxes as a percentage of income.
16. For tax comparison purposes, the City typically compares its tax level to other municipalities with populations greater than 100,000. In 2013, the taxes reported for single detached homes in Barrie were below the average for municipalities with populations greater than 100,000 (Barrie \$3,168 vs. Average \$3,484). Generally, lower than average taxation levels in a municipality suggest municipal service levels are also lower than average. Lower than average taxation levels could also result from higher efficiency levels or higher reliance on user fees.
17. The City will continue to focus on increasing its reliance on non-tax revenues in 2015 by applying the user-pay principles reflected in the City's Financial Policy Framework. In 2015, any proposals for new user fees will be captured in a service level change form so that Council has the opportunity to review each new fee before it is incorporated into the City's Business Plan.
18. A primary focus for 2015 will be the execution of the growth management plans and asset renewal. A Fiscal Impact Analysis (FIA) was prepared for Council to provide information with respect to the affordability of the growth plans and asset renewal work. The final update to the FIA will be completed once the Development Charge By-law is passed by Council in August. It will then be used as the basis for the development of a new Long Range Financial Plan for the City along with revised policies and procedures.
19. The Memorandum of Understanding recently approved by Council is an agreement that was reached between the City and the Annexed Lands developers using an open and cooperative process. The agreement represents an innovative approach to growth management that utilized the new financial tools approved November 2013, namely accelerated payment of Development Charges, front-end financing of infrastructure projects and a Capital Contribution to pay for growth related costs that are not DC eligible. This agreement was successful in ensuring that growth pays for growth to the greatest extent possible in the Annexed lands and will also assist the City in managing potential cash flow issues that may arise.
20. The 2015 Business Plan will be developed in alignment with the both the FIA and the Memorandum of Understanding.

ANALYSIS

General Economic Conditions

21. It is difficult to accurately predict the economic conditions for 2015 at this early stage of the business planning process; however, there are some general indicators and trends that may influence the choices and decisions to be made for 2015.
22. Barrie's labour market has improved significantly over the past twelve months. This has been attributed to increased exports to the US and the declining Canadian dollar. The local economy, in general, is anticipated to grow throughout 2015 because of the large regional catchment area of over 500,000 residents we serve. The City's advanced manufacturing base also continues to grow with the exception of some challenging pockets such as the automotive sector which has been adversely impacted by large incentives from the US and Mexico to attract business. However, like all municipalities Barrie's economy may be impacted by any significant downturns in the provincial, national or global economy.

23. Comparisons are often drawn to the Consumer Price Index ("CPI") when assessing the reasonability of an increase to property tax rates. It is important to note that CPI is a measure of the relative affordability of a basket of goods designed to represent typical household expenditures. Municipalities do not purchase the same items as a household. Generally, the value and amount of purchases in a municipality's budget for items such as fuel, asphalt, cement, steel, sand and gravel and ready mix concrete make comparisons with CPI misleading. Some cities have adopted the use of a Municipal Price Index ("MPI") as a better indicator of inflationary pressures.
24. Instead, staff measure affordability of municipal programs and services by comparing the ratio of property taxes to household income. Barrie's policy is to limit property taxes such that they do not exceed 4% of household income. Current property tax levels are well within this limit.
25. Nonetheless, staff are sensitive to the potential for general economic conditions to influence residents' perceptions of the value of local government services and their ability to pay for planned services and service levels. Staff will monitor economic signals and maintain a dialogue with members of Council throughout the business plan development process to ensure there is a proper match between service levels and cost expectations.

2010 – 2014 Strategic Plan

26. The municipal election will be held in October 2014 and the new Council will be inaugurated in December 2014. It is anticipated that the new Council will develop their Strategic Plan in January 2015. Given the timing of the Strategic Planning process it will not be possible to fully align the 2015 Business Plan with the new Council's Strategic Plan. In the absence of an updated Strategic Plan, staff are confident the guidance provided by the existing plan relating to job creation, improving customer service, strengthening the City's financial condition, managing growth, protecting the environment and creating a vibrant and healthy city centre will produce a business plan that is broadly acceptable to the new council.

2015 Tax-Supported Operating Budget

27. The tax-supported operating budget will be developed in accordance with department workplans that describe the resources required to maintain existing services and service levels. The corporation's Financial Policies Framework establishes an affordability threshold for property tax-supported services. Specifically, it states that annual property taxes for a typical household will not exceed 4.0% of household income.

Water and Wastewater Rate Supported Budgets

28. The corporation's Financial Policies Framework establishes an affordability threshold for water and wastewater services. Specifically, it states that annual water/wastewater costs for a typical household will not exceed 2.5% of household income.
29. The 2015 budget will include revenue increases from rates of 2.5% for water and 12% for wastewater to be consistent with Council's direction for the water revenue increases through motion 14-G-102.

2015 Budget Pressures and Opportunities

30. A new approach is being introduced for 2015 to communicate budget pressures and opportunities. The approach is intended to describe the known pressures and opportunities that will need to be considered in the development of the 2015 Business Plan but it will not provide estimated dollar values as it is too early in the process to provide reliable estimates. Instead, once the requirements for 2015 are known with greater certainty, staff will create a series of scenarios that will provide Council with the opportunity to choose an option that they are comfortable with both from a service level and an affordability perspective.
31. The known pressures and opportunities have been captured by those relating to maintaining current service levels, improving the City's financial condition, costs and savings relating to prior period decisions, legislative requirements, revenue growth and potential service level changes for tax, water, wastewater and parking.

a. Required to maintain current level of service

- i) Employee Compensation: The City is party to various collective agreements negotiated with its unionized workforce and manages compensation for its non-unionized staff on an annual basis. Both collective agreements, for CUPE and BPPFA (once ratified for 2010-2013) will expire on December 31st, 2014. The compensation strategy for all groups involves assessing the market, including set comparator groups as well as trending within each sector (Fire, CUPE, and non-Union). The Human Resources department will address any recommended salary adjustments by way of staff reports to Council in the Fall. In addition, a new agreement for the Corporation's employee benefits will be awarded in the 3Q/4Q 2014 and will impact employee benefit expenses budgeted in 2015.

There are various mitigating factors that staff will take into account when preparing the budget. These include, but are not limited to: Anticipated attrition; Repurposing existing complement; and, selectively holding positions vacant for longer periods. Mitigating factors with a high level of certainty will be directly reflected in departmental employee compensation budgets while those with less certainty will be rolled in to corporate salary gapping.

- ii) Utilities: Rates for both electricity and gas are anticipated to increase for 2015. The Energy Management Group will continue monitoring industry news to provide the best information available when building the 2015 budget. In addition, the Energy Management Group will bring forward recommendations for energy conservation and capital investment targeted at mitigating rate increases through reductions to current energy consumption. The Energy Management Group will seek to maximize the financial benefit of grants and subsidies that may become available.
- iii) Insurance: Staff anticipate the cost for municipal insurance premiums will continue to rise as a result of increasing litigation involving municipalities and a shrinking market for municipal insurance coverage.
- iv) Provincial Blue Box Funding Program: The City currently receives an annual operating grant to support the Blue Box Program. The Provincial Blue Box Funding Program is currently in arbitration and a decision with respect to level of funding is expected in 3Q/4Q 2014. The outcome of this arbitration process may result in a significant change to the annual budget requirements for the Blue Box Program.

b. Revenue Growth

- i) Assessment maximization: Staff are working very closely with MPAC in order to ensure that assessments relating to new residential and non-residential properties are being picked up as quickly as possible and that errors in the assessment roll are identified and resolved promptly. The objective of these efforts is to maximize the additional tax revenues available for 2015.
- ii) Waterfront Parking Rates: The 2014 Business Plan reflected a parking rate sustainability plan with several components, including the annualization of water front parking rates; each of which needs to be realized for the plan to work. Staff will continue to monitor progress toward the full realization of the sustainability plan and reflect the outcome in the 2015 Business Plan, and if necessary, propose additional strategies to prevent the need for a tax rate subsidy.

c. Required to improve financial condition

- i) Tax Capital Reserve Contribution: The contributions to the Tax Capital Reserve for 2015 will continue to take a phased approach to matching the reserve contribution to amortization in the period and increasing contributions to reflect new assets that go into service. In addition, the debt charges associated with a maturing debt issue (2004) will be redirected to the reserve in 2015. This is consistent with the current Financial Policies Framework.

The contribution to the Tax Capital Reserve will also be increased to reflect the increased funding for the Neighbourhood Renewal Program as directed by Council in motion 14-G-126.

- ii) Water and Wastewater Capital Reserve Contributions: Staff will be making a presentation to the Finance and Corporate Services committee in August to discuss water and wastewater reserve management and seek direction with respect to preferred strategies. The direction provided at this meeting will be used to determine the contribution to the water and wastewater reserves.

d. Costs Related to Prior Period Decisions

- i) Transit: The Corporation's new Transit P3 Operating Agreement will come into effect in July 2015 with the completion of construction on the Transit Garage. While the agreement will result in additional financial pressure it will also provide a superior service standard for residents. Staff will continue to focus on initiatives to build ridership that will generate revenue to offset the cost of the service.
- ii) Debt Servicing: Staff anticipate that a June 2015 debenture issuance will be needed to replenish the Corporation's cash reserves to fund the internal financing requirements of future capital projects. The major projects that will be included in the 2015 issuance are WPCC Ph2, Transit Garage, and Landfill Reengineering Ph2.
- iii) Annualized positions approved in 2014
- iv) Mady Lakeview lease agreement: The 2014 budget included 2 months of lease payments in respect of this agreement. The 2015 budget will reflect the annualized cost of the agreement but it is not yet clear whether this will be for a full 12 months.

e. Savings/New Revenues Related to Prior Period Decisions

- i) Bi-weekly curbside garbage collection
- ii) Vehicle repair savings relating to prior year vehicle purchases
- iii) Waterfront Parking Revenue

f. Costs Driven by Legislative Requirements

Regulatory compliance is an externally imposed pressure the Corporate has a limited ability to directly mitigate. Examples expected to impact the 2015 budget include:

- i) Watercourse and Detention Ponds maintenance,
- ii) Hazardous Substance Assessment of all Water Operations facilities,
- iii) Rail contract upgrades,
- iv) Inspection of Care Facilities, Carbon Monoxide, etc.,
- v) Large sewer and culvert inspections covered under Ontario Structure Inspection Manual.

Anticipated Service Level Changes

32. It is anticipated that the following service level changes will be proposed in the 2015 Business Plan:

- i) Growth Management Coordination: Staff are currently reviewing the development review approval process to establish a coordinated response for managing growth. It is anticipated, with the new development financing tools (capital contribution, prepayment of development charges, front-ending of infrastructure) that resources will be required to ensure a comprehensive understanding of the status of the City's financial condition and infrastructure implementation on a regular basis to inform development agreements with the land developers.
- ii) Elimination of the landfill tipping fee exemption: Elimination of the one free load of waste up to 100kg/resident per year is consistent with the 2011 service review, the Sustainable Waste Management Strategy and the principle of raising fees or introducing new fees to increase reliance on non-tax revenues. Early support for this service level change would allow for an appropriate communication plan to be developed for early implementation in 2014 which will allow for an increased revenue stream to be realized earlier in the year.
- iii) Enhancement of asset lifecycle policies and standards as well as collection of asset management data and analysis: With the development about to begin in the annexed lands the infrastructure policy/standards must be updated and maintained to ensure that assets being added to the City's portfolio to support growth are designed and constructed in accordance with leading practices to minimize any additional financial, social and environmental liability to the City.
- iv) Customer Service Strategy: The strategy will look to optimize the customer experience with the City across all channels of contact; in person, on the phone and online. The goal is to have an efficient, effective, reliable, accessible and consistent system that tracks interactions to better serve the public. The focus is on improving the customer experience to ensure an enhanced level of satisfaction by providing increased choices related to where, when and how services can be accessed. The Strategy will be delivered to Council in September 2014 and will outline the operational impacts of the new model for Customer Service

33. In addition to service level changes that are required to meet the operational requirements of the City, service level changes are typically required to close the gap between the cost of services and affordability.
34. Over the past four years a number of service reviews and process improvement projects have been completed that produced cost savings, cost avoidance, new revenues and service efficiencies. The service review work has generally resulted in a heightened awareness of opportunities for improvement and cost savings and a higher level of scrutiny being applied to the City's services and related expenditures.
35. In previous periods efforts to identify service level changes have generally resulted in a combination of relatively small changes to particular services and "across the board"-type cost reductions that strain existing resources. The most substantive changes were produced by deferring capital projects to future periods through the reduction of planned transfers to capital reserves and reductions in daily services by increasing the value of the corporation's "salary gapping" budget. However, these changes are short term in nature and do not produce sustainable reductions.
36. To address this, staff will be developing scenarios that provide various options that identify changes in financing plans, service levels and/or service delivery methods that reduce anticipated cost increases. Generally, these plans would follow a set of principles that would assist Council in managing choices that balance affordability and service level expectations. The five principles are identified in Appendix A.

Review of User Fees

37. Currently, the corporation's user fees do not reflect all of the administrative costs associated with providing the City's programs and services. This means that taxpayers are subsidizing fee-based programs and services beyond the direct subsidy associated with a particular program or service. While there are many factors that influence the fees charged, the Financial Policies Framework calls for fees to recover a portion of costs based on:
 - a) Operating and capital costs, including an allocation of corporate overhead
 - b) Extent of private, commercial and community benefit (note: community benefit includes environmental considerations)
 - c) Use of service by non residents (including tourists)
 - d) Rates for commercially available services
 - e) Impact of changing user fees on demand levels/utilization rates

Changes in fees influence the level of taxpayer subsidy that is provided for fee-based programs. Increasing the corporation's reliance on fee revenues to support programs and services has been a direction consistently followed during each of the last four business planning cycles.

Managing Reserves and Reserve Funds

38. Reserves and Reserve Funds help a municipality accomplish two goals – achieve tax stability and contribute to the orderly provision of services. Typically, reserves are a way of financing large capital expenditures. They provide a source for funding unplanned events or emergencies or are used to take advantage of opportunities that were not anticipated when the budget was prepared.
39. Staff have committed to conducting a complete analysis of all legacy reserves to determine whether opportunities exist for the consolidation or repurposing of these reserves. The outcome of this analysis will be reflected in the 2015 Business Plan.

40. The 2015 Business Plan will continue to emphasize the importance of managing the City's financial condition. The City's financial condition will be measured based on guidance from the Public Sector Accounting Board (PSAB), Canada's standard-setter for public sector financial reporting, about assessing a government's financial condition. The key elements of financial condition (i.e. Sustainability, Flexibility and Vulnerability) can be described using a series of indicators.
41. Strategies for managing the City's financial condition will need to be adjusted to align with the Financial Impact Analysis (FIA) that was developed as part of the Growth Management Plan. It is not anticipated that the final version of the FIA will be available until the Fall. Therefore, the Long Range Financial Plan and associated strategies will be developed in 2015 for Council's approval and the 2015 Business Plan will be developed in a manner that is consistent with the draft FIA.

10 Year Capital Plan

42. The current Capital Plan adopted by City Council in January consists of a detailed Capital Budget for 2014 and includes future years' costs for multi-year projects that are commencing in 2013. The annual Capital Budget identifies the specific projects that will be undertaken for the coming year as well as the maximum expenditures allowed for each project.
43. Master Plans that outline asset expansion and additional requirements to address existing capacity and capability issues within the City, as well as growth driven requirements in the annexed lands have now been completed through the growth management planning process. These will form the basis for the consideration of additional capacity and growth projects throughout the development of the 2015 Capital Plan.
44. The City's approach to asset management planning will form the foundation for the consideration of asset renewal and replacement projects throughout the development of the 2015 Capital Plan.
45. The 2015 capital budget, as in previous years, incorporates data produced over the last several years to assess the condition and remaining useful life of the corporation's tangible capital assets. It will reflect a decision making framework that considers a comprehensive risk assessment process and lifecycle cost analysis. Each year there are several projects where work carries forward into the following year. The inclusion of any new proposed works in the 2015 Capital Budget will also reflect any constraints associated with the level of financial and staffing commitment required to address the magnitude of work being carried forward from prior periods.
46. With the completion of the growth management master planning process and ongoing advancements in asset management planning, the City will be moving towards preparing a long range Capital Plan that will include a one year capital budget (2015), a four year forecast (2016-2019) and a five year outlook (2020-2014).
47. The corporation's capital asset renewal requirements exceed the City's affordability thresholds. Therefore, as in prior periods staff recommend that EMT apply a prioritization process that influences judgments about which capital projects should be recommended. Thus, Recommended Motion #8 seeks Council's approval of the program prioritization criteria.
48. Consistent with the approach used in each of the last two years, EMT's prioritization process considers the impact of a particular capital project on a set of ranked municipal service areas. The ranking reflected EMT's judgment about the relative importance of each program to the community's quality of life. Where affordability concerns prompt decisions about which projects deemed to be "critical" should be recommended as part of the capital budget, the program ranking would help identify which critical projects should be considered first. Subject to Council's approval, programs will be ranked as follows:

- a) First priority – Public Safety, Environment, Transportation
- b) Second priority – Land Use Planning, Economic Development, Corporate Support
- c) Third priority – Enforcement, Arts and Culture, Recreation

49. A process will be developed this year that captures the operating and maintenance savings or expenditures associated with capital investments in a manner that allows those savings and/or expenditures to be captured in the operating budget for 2015.

Capital Funding

50. In accordance with Council's direction to reduce debt levels staff have identified an approach to funding capital projects which would first look to external funding opportunities such as grants or development related funding and then our own reserves. As part of that analysis, the City's cash flow requirements, interest rate projections, who is benefiting from the project and potential debt repayment strategies ie repayment using development charges would be considered. This approach is intended to ensure that all external sources of funding for projects are fully leveraged and that when debt financing is recommended it is based on a solid rationale that will be communicated to Council.
51. Staff will also develop strategies that reflect Council's direction in motion 14-G-126 to identify various options to reduce the anticipated debt level within the next ten years, which will include at least one option to reduce the debt levels by 50%.
52. As reported to Council earlier this month, the Federal Government announced that it is making the Federal Gas Tax Program (FGT) permanent. The eligibility criteria for using FGT funds was broadened and reporting requirements were made less onerous. This has provided the City which a much more reliable and flexible source of funding. It is important to note that one of the key criteria for use of the FGT is the City's ability to demonstrate that asset management plans are being use to guide infrastructure planning and investment decisions.
53. An updated Development Charges by-law and supporting Development Charges Background Study will be brought to Council for approval in 3Q 2014. The Development Charge Background Study and recommended by-law will provide updated development charges based on growth management plans and introduces a Social Housing category of eligible costs which will reduce the tax burden associated with the County of Simcoe's Capital Program.
54. It is anticipated that PowerStream dividends will be available to support the City's Capital Budget by 2016, however, the projected dividends for 2015 are still required to fund the City's contribution toward the Solar Energy project. The use of PowerStream dividends in future Capital Plans will be addressed in 2015 when the City's Long Range Financial Plan is updated.

Service Partner Budgets

55. The City's Service Partner budgets made up approximately 41% (approximately \$78.6M) of the total 2014 amount levied on City of Barrie taxpayers. The following are the services provided to the City of Barrie property owners by these boards, commissions and agencies:

Policing	Barrie Police Services Board
Library	Barrie Public Library Board
Social Services	County of Simcoe (Ontario Works, Social Housing, Child Care, and Long-Term Care)
Land Ambulance	County of Simcoe
Museum and Archives	County of Simcoe

Airport	Lake Simcoe Airport Commission
Tourism	Tourism Barrie
Environment	Lake Simcoe Regional Conservation Authority and Nottawasaga Valley Conservation Authority
Health	Simcoe Muskoka District Health Unit; Royal Victoria Hospital funding for expansion including Cancer Care Centre; Physician Recruitment

56. These organizations need to develop their 2015 operating budgets concurrently with the City. Subject to General Committee's feedback about the recommendations in this report, staff will contact each service partner to coordinate budget plans and timelines.
57. The City provides annual financial support to various Service Partners. These costs are generally reflected in the operating budget and are funded primarily from the tax base; although, development charges and user rates are also impacted.
58. Service partner budget requirements include of both operating and capital requirements, however, with the exception of the County of Simcoe the capital requirements have remained relatively stable over time. The magnitude and annual fluctuations of the County's capital program creates challenges in being able to meet their funding requirements without creating significant fluctuations in the annual tax rate requirements. Starting with the 2015 Business Plan, annual equalized reserve contributions will be calculated in a manner that will meet the funding requirements of the County's 10yr Capital Forecast and will be held in the County Capital Reserve created earlier this year.

Business Planning Process and Development Schedule

59. Generally, the Corporation's business planning approach includes three phases; Departmental workplan development, Operating and capital budget development and Public engagement and reporting to Council. Details of each phase are included in Appendix 'B'.
60. Public engagement activities have been evolving over the past several years. The 2015 process will continue to engage the public in a manner that shares information about the issues the corporation is managing and encourages the community to ask questions, provide feedback and make suggestions. The following elements will be included in the Communications Plan:
- a) Discussions at scheduled Town Hall/Ward meetings in the fourth quarter, as available
 - b. A series of print, broadcast and online messages, supported by notices posted on social media outlets
61. New to the 2015 Business Plan process will be the integration of the City's portfolio governance initiative. Staff have been meeting to develop a seamless approach that will ensure key projects identified for operating and/or capital funding are prioritized based on their importance and value to the City.
62. The 2015 Business Plan begins with Council's approval of budget directions. Based on the proposed approach and the Election in 2014, staff have developed a schedule that anticipates approval of the 2015 Business Plan in March 2015. A summarized schedule is attached as Appendix 'C'.
63. The 2014 development process included a Council Workshop in October which was used to provide General Committee with an overview of the 2014 Business Plan, to discuss the fiscal challenges facing the City, to obtain feedback on potential service level changes and to discuss

the top five issues relating to balancing community expectations to with Council's Strategic Goals and the City's financial condition. The ability to hold the workshop in October created the opportunity to reflect the direction given by Council in the 2014 Business Plan.

64. Unfortunately, due to the timing of the election, a Council Workshop in October is not feasible. Instead a session will be planned for February 2015, following the distribution of the 2015 Business Plan, to provide an opportunity for Council to obtain a greater understanding of the recommended business plan prior to its deliberations in early March. Any direction provided by Council at this workshop will be reflected in the 2015 Business Plan staff report that supports Council's budget deliberations.

ENVIRONMENTAL MATTERS

65. There are no environmental matters related to the recommendations.

ALTERNATIVES

66. There is one alternatives available for consideration by General Committee:

Alternative #1 General Committee could change the proposed Business Plan development schedule.

The City of Barrie's Business Plan Development Schedule has been integrated with the City's new portfolio governance program. It represents a comprehensive series of steps that takes into consideration dependencies between these two key initiatives. A significant level of coordination is required and the proposed schedule will be designed to reflect, in staff's judgment, the best approach for applying Council's directions and engaging the community in a dialogue about issues related to the 2015 Business Plan. The anticipated approval in March 2015 allows staff to adequately plan and execute workplans that secure lower prices from suppliers and provide enough time to complete all required tasks.

FINANCIAL

67. There are no direct financial implications from the recommendations in this report.

LINKAGE TO 2010-2014 COUNCIL STRATEGIC PLAN

68. The recommendation(s) included in this Staff Report are intended to support the objectives of the 2010-2014 City Council Strategic Plan. It is recognized that the Council elected in October of 2014 will be developing a Strategic Plan, however, given the timing of the election and strategic planning activities is was not possible to hold the 2015 Business Plan development until the 2014-2018 strategic plan was established.

Appendix 'A'

Principles Used to Balance Service Level Expectations with Affordability

1. A collaborative needs-based approach be used to identify projects:
 - a. We will assess projects that support strategic and corporate operating objectives based on the urgency and importance of the project.
 - b. We will ensure that the appropriate level of staff resources are available to completed recommended projects.
2. Maintain the City's ability to meet financial commitments now and in the future. This means:
 - a. We will stick with our Long Range Financial Plan and continue our slow, but deliberate, planned increases to our Capital Reserves
 - b. Our day-to-day service levels may need to be adjusted to support our asset renewal and growth management plans
3. Raise or introduce new user fees to reduce the need for property tax subsidies. This means:
 - a. We will reduce or eliminate subsidies and identify new fees where possible
 - b. We prefer to maintain service levels with a lower subsidy, or no subsidy, as opposed to service cuts
 - c. Service reductions are a last resort for addressing affordability constraints
4. Take a focused approach to service changes, rather than "across the board" type adjustments to spending plans. This means:
 - a. We will deliver a manageable set of programs and services that are appropriately resourced
 - b. We will look for opportunities to improve service efficiency
 - c. We will not over-promise and under-deliver, so we will identify service adjustments in the Business Plan as a Program Change
5. Maintain our disciplined approach to capital planning so that renewal needs don't get displaced by investments to fund growth. This means:
 - a. We will continue using a rigorous, structured process for evaluating capital projects based on objective data and a business case
 - b. We will maintain a focus on projects that maximize our existing infrastructure's service potential

Appendix 'B'

Business Planning Phases

1. Department workplan development – this phase employs an enterprise-wide approach for consistently identifying planned workloads and service levels and comparing those with the resources available in departments' base operating budgets. Work is currently underway to make improvements to the tools used to capture and store common information about department processes and projects. This will improve the quality of recommendations that are provided to members of Council concerning the resource requirements associated with proposed service levels and projects. For example, the Department workplan helps to identify the need for Service Level Change Forms and Project Intake forms to address gaps between expected workloads/service levels and available resources.
2. Operating and capital budget development – this phase relies on department workplan data to identify the operating funds required to support the corporation's programs and services. If Service Level Change Forms, Project Intake Forms or User Fee changes are being recommended, the business case and financial impacts of each such change are identified at this phase. Similarly, building the Capital Plan relies on a review of asset condition data, risk assessments, lifecycle cost analysis and the development of a business case for each candidate project to establish enterprise-wide capital project priorities. This phase also relies on applications and various datasets developed by staff to consistently capture and store common information about operating and capital budgets.
3. Public engagement and reporting to Council – this phase involves producing the Business Plan document presented to Council for approval and includes steps designed to engage the public in a dialogue about the recommended Business Plan (for example, posting the Business Plan to the corporation's website and hosting a "Budget Breakfast" for community leaders). It also includes steps that support Council's review of the document using an online inquiry tool that directs specific Councilor questions to staff for a timely response in preparation for General Committee's deliberations. Service Level Changes and User Fee changes, as well as the Capital Plan, are reported separately from the base operating budgets to highlight the individual service level and financing decisions Council can make.

Appendix 'C'

Proposed 2015 Business Plan Development Schedule

Date	Activity
June 2014	Committee/Council approval of the 2015 Budget Directions
July – November 2014	Staff produce workplans, draft operating, capital and rate budgets; informal updates with the Finance and Corporate Services Committee will occur throughout the development schedule
October 2014	Public engagement events commence
January 2015	Council Strategic Plan Development Sessions:
February 2015	2015 Business Plan distributed to Council
February 2015	Council Workshop
March 2015	Committee/Council review and approval
