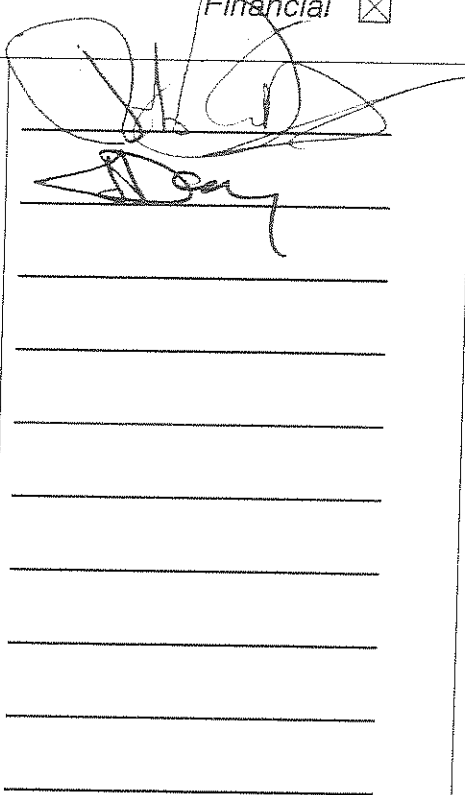




City of Prince Albert

REPORT APPROVAL FORM

Report Title:	2011 Budget Discussion Document (RPT#CM-11-15)	Date:	March 15, 2011
Prepared By:	Robert Cotterill, City Manager		
Prepared For:	Other - Define Below		
	Budget Committee		
Report Type:	Routine <input type="checkbox"/> Substantive <input checked="" type="checkbox"/> Financial <input checked="" type="checkbox"/>		
City Manager	<input checked="" type="checkbox"/>		
Director of Financial Services	<input checked="" type="checkbox"/>		
Director of Public Works	<input type="checkbox"/>		
Director of Community Services	<input type="checkbox"/>		
Director of Ec.Dev & Planning	<input type="checkbox"/>		
Fire Chief	<input type="checkbox"/>		
Director of Corporate Services	<input type="checkbox"/>		
City Solicitor	<input type="checkbox"/>		
Chief of Police	<input type="checkbox"/>		
_____	<input type="checkbox"/>		

Report Type ~ Definitions:

Routine	Matters which are routine in nature and/or follow existing Council policy require Department Head and City Manager approval.
Substantive	Matters which require the concurrence of more than one department and/or are complex in nature require the approval of the City Manager prior to being provided to elected officials.
Financial	Matters having any financial implications require the approval of the Director of Financial Services and the City Manager.



City of Prince Albert

REPORT

Report Title: 2011 Budget Discussion Document (RPT#CM-11-15)

Date: March 15, 2011

Prepared By: Robert Cotterill, City Manager

Prepared For: Budget Committee

RECOMMENDATION:

That this report be forwarded to members of Council for discussion regarding the 2011 General Fund Budget.

JUSTIFICATION FOR INCAMERA:

N/A

BACKGROUND:

Council was presented in December of 2010 Budget documents that contained three scenarios.

The second scenario, that has received all of the Public debate, was a 9.9% scenario which attempted to prioritize all of the funding requests of staff and also was a status quo, no reductions in staff, levels of service or procedures.

The third scenario was a tax increase of 6.47% which would involve staff making a number of recommendations to reduce expenditures to arrive at that figure.

DISCUSSION:

When Council met in January, they requested Administration to go back and find alternatives that could involve reducing staff and expenditures without reducing services.

Administration has completed that request and this report will present those changes we have either implemented or propose to implement. Based on the proposed work plan that I will outline below, **I will be indicating to Council the budget request is now currently at 5.95%.**

How to Achieve a 5.95% Budget Request

When we started the exercise of looking for solutions to lowering our overall expenditures, I proposed the following work plan to our Directors:

Background Data :

- a) A 1 % Tax Increase is = \$220,000
- b) Current Tax Increase proposed is 9.92%
- c) A reduction of 4% = 880,000 of cuts

Proposed Method to Realize Our Goal

Initial Amount to reduced	\$880,000.00	
Minimum tax on vacant lots	<u>-\$175,000.00</u>	
sub-total	\$705,000.00	
Proposed Request from Police Budget	<u>-\$50,000.00</u>	
sub-total	\$655,000.00	
Staffing Cuts	<u>-\$300,000.00</u>	Initially Funded by Prior Years Surplus
sub-total	\$355,000.00	
Future Reductions to be Found in 2011	<u>-\$300,000.00</u>	Initially Funded by Domtar Reserve
sub-total	\$55,000.00	
Overall Travel & Training Budget Reduction	<u><u>-\$55,000.00</u></u>	
Total	\$0.00	

Basic facts which need to be Understood When We Look for Ways to Reduce our Operating Expenditures:

1. A large portion of our Public Works and Engineering Budget is not charged to the tax rate. By that, I mean Engineering and Public Works staff that work on water and sewer, airport and waste management activities are not in our General Fund Budget. Therefore, any proposals to change how we do business in those areas will not impact the tax bill. This is not to say we have not and will not continue to look for savings in those Engineering and Public Works areas, but for the purpose of trying to reduce our expenditures, to reduce the tax component, these functions have not been adjusted.
2. Roadways and Community Services are the only operational areas where we can try to find efficiencies if you assume Fire and Police are mainly labour costs and a major reduction can only occur if you reduce the level of service we provide.

3. Any future reductions in staffing then has to come from either Community Services, Financial Services, Corporate Services, external agencies or the City Manager's Department.
4. In December of 2010, we reduced our Economic Development staff levels by one senior manager position and this savings is already in the 2011 Budget Request submitted in December (*savings on salary and benefits would total about \$100,750 but would be offset by a cost of \$30,000 in consulting for a net savings of \$70,750*).

To date, our Staff Review has realized the following savings which will assist us in meeting the work plan goal of \$300,000. We expect the rest of the savings to come from vacancy management, retirement and any other of the tools at the disposal of the City Manager when a position becomes vacant. As well, the City Manager has also committed to providing a staffing report to Council on his review of all full-time and part-time positions and this project is approximately 60% complete.

Balance of Staff Reductions for 2011 : General Fund	
City Manager's Office – 1 position	\$33,520
Financial Services - 2 positions	\$83,800
Financial Services - 2 months of vacancy	\$7,430
Economic Development & Planning - 1 position	\$41,600
Community Services - 1 position	\$61,800
Community Services - 1 retirement	\$5,730
TOTAL - 2011	\$233,880

If Council is then in agreement with this work plan, I would then suggest that Council commences the budget process assuming that we are now at the 5.95% level. Any changes that Council then makes from the budget documents would increase or decrease the final total the City has to levy.

I would also suggest the SPCA, E.A Rawlinson and CSC requests stay in the Budget as status quo and they be dealt with at a separate date.

We are currently working with the SPCA regarding a draft agreement for Councils consideration and should have it for Council to review in April. The E.A. Rawlinson issue will be discussed when Council considers a report from Community Services which is being prepared by the Director of Community Services, and will be available in early April.

The Future Needs

While a great deal of debate has occurred over our Budget Proposal and what is an acceptable tax increase, what also needs to be discussed is the future needs of the City and how we can address them over the next 5 to 10 years.

Now with the recent announcement of the conversion of the Domtar property by Paper Excellence and continuing movement of Shore Gold to a Diamond Mine, our City will be facing great pressures in the not too distant future to grow the City.

The current discussions with the Health Region over the funding for Pineview Terrace, the need to develop future industrial areas, the need for new Fire Halls, the current deficiencies in spending for road reconstruction and the draft bridge report all indicate a lack of reserves to meet those needs. While we can wait until those actual budget items become a priority and then deal with how we finance them or we can plan now for the future. Unfortunately, several years ago, when we contemplated future needs of Fire Halls, bridges etc., those items were foreseen to be many years away. For us now, the future is five years or less, and so it would be irresponsible of us not to at least discuss a funding model than plans for growth and doesn't leave a future Council in a position of being cash poor and only borrowing as the method of payment.

A. Roadways

In the Director of Public Works roadways request the following was written:

"In 2006, a report submitted to City Council identified an annual need of \$2.5 million per year for roadway rehabilitation projects in order to preserve the road network in its current condition. This sum did not address a \$27 million dollar backlog or required repair projects. Since 2006, annual roadways funding has been less than the minimum, with some years having no capital funding. The City's repair history has been entered into the system, and the needs recalculated to reflect inflation and unarrested deterioration. For 2011, \$3.5 million is now annually required with the repair backlog estimated at \$50 million."

Through the process of re-evaluating the values within the budget documents, it was discovered an incorrect number was communicated in the Capital Budget for Street Maintenance.

It is apparent during the initial process of balancing the funding available for Capital projects against the Capital projects were highest priority, the budget document incorrectly allocated to the Roadways Recapping Program only \$1,624,300 whereas the value should have been recorded \$396,300 higher at \$2,020,600.

The effect of this incorrect value recorded for the Roadway Recapping Program is the Operating Budget shows funding for Capital in the amount of \$2,636,700 (see page 29 "Transfer to Capital), while the Capital fund is only showing a transfer-in of \$2,240,400 (see Capital Budget order paper item 6.1 "Capital Funding").

In other words, we should be spending \$2,636,700 from operating revenue to maintain our Capital Budget at previous levels, but we have only specified where \$2,240,400 of that spending is occurring.

This though is still considerably below what the engineers are saying we need to maintain what we have. At the same time, as we are building new roads they, too, will need to be upgraded in the next 20 to 25 years.

B. Bridges

While we only have a draft of the bridge inspection report, the findings of those reports can be summarized in the next two charts.

The first chart shows we need to spend a minimum of \$181,350 each year for on-going general maintenance of ten structures.

Bridge Name	Element	2011	2012	2013	2014	2015
MAJOR STRUCTURAL ASSETS						
6th Avenue Viaduct - North Bound	One-Time	\$ -	\$ -	\$ -	\$ 254,000	\$ -
	Regular	\$ -	\$ 24,000	\$ -	\$ -	\$ -
	Annual	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
6th Avenue Viaduct - South Bound	One-Time	\$ -	\$ -	\$ -	\$ -	\$ 254,000
	Regular	\$ -	\$ 24,000	\$ -	\$ -	\$ -
	Annual	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
Central Avenue Viaduct	One-Time	\$ -	\$ 75,000	\$ -	\$ -	\$ -
	Regular	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
	Annual	\$ 9,200	\$ 9,200	\$ 9,200	\$ 9,200	\$ 9,200
Diefenbaker Bridge	One-Time	\$ 275,000	\$ 275,000	\$ -	\$ -	\$ -
	Regular	\$ -	\$ -	\$ 110,000	\$ 110,000	\$ -
	Annual	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000
Rivert Street Overpass	One-Time	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -
	Regular	\$ -	\$ -	\$ -	\$ 21,000	\$ -
	Annual	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Riverstreet Drive Overpass	One-Time	\$ -	\$ -	\$ -	\$ -	\$ 54,000
	Regular	\$ -	\$ -	\$ -	\$ 40,000	\$ -
	Annual	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750
MINOR STRUCTURAL ASSETS						
"Hands" Bridge - Little Red River Park	One-Time	\$ 75,000	\$ -	\$ -	\$ -	\$ -
	Regular	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
	Annual	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
Timber Bridge - Little Red River Park	One-Time	\$ 27,500	\$ -	\$ -	\$ -	\$ -
	Regular	\$ -	\$ -	\$ -	\$ -	\$ -
	Annual	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
2nd Avenue Retaining Wall	One-Time	\$ -	\$ -	\$ 32,000	\$ -	\$ -
	Regular	\$ -	\$ 24,000	\$ -	\$ -	\$ -
	Annual	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
River Street Retaining Wall	One-Time	\$ -	\$ -	\$ -	\$ 250,000	\$ 275,000
	Regular	\$ -	\$ -	\$ 110,000	\$ -	\$ -
	Annual	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Inventory Maintenance Expenditure	One-Time	\$ 427,500	\$ 400,000	\$ 32,000	\$ 504,000	\$ 583,000
	Regular	\$ 120,000	\$ 72,000	\$ 220,000	\$ 171,000	\$ 120,000
	Annual	\$ 61,350	\$ 61,350	\$ 61,350	\$ 61,350	\$ 61,350
	Total (Excluding One-Time Maintenance)	\$ 181,350	\$ 133,350	\$ 281,350	\$ 232,350	\$ 181,350

The second chart deals with the capital needs of those structures. It indicates that we need to spend \$6,720,000 in the next five years and, if we do, we can minimize the future needs which are estimated at \$34,425,000 for the years beyond 2021, the \$6,720,000 will be much higher if we choose to delay the work beyond 5 years.

Now, we may be eligible for Provincial assistance for some of the \$6.7 million but, to date, we have no reserves and no mechanism to fund this work other than by borrowing the funds and then increasing the tax rate to pay back the loan.

**Table 5.3
Major Rehabilitation Estimate Summary**

Bridge Name	Element	Year		
		0-5	10-Jun	>10
MAJOR STRUCTURAL ASSETS				
6th Avenue Viaduct - North Bound	Deck	\$ -	\$ -	\$ 600,000
	Superstructure	\$ -	\$ -	\$ 400,000
	Sub-Structure	\$ -	\$ -	\$ 250,000
6th Avenue Viaduct - South Bound	Deck	\$ -	\$ -	\$ 600,000
	Superstructure	\$ -	\$ -	\$ 400,000
	Sub-Structure	\$ -	\$ -	\$ 250,000
Central Avenue Viaduct	Deck	\$ -	\$ -	\$ 2,000,000
	Superstructure	\$ -	\$ -	\$ 900,000
	Sub-Structure	\$ 820,000	\$ -	\$ -
Diefenbaker Bridge	Deck	\$ -	\$ -	\$ 10,200,000
	Superstructure	\$ 5,500,000	\$ -	\$ -
	Sub-Structure	\$ 400,000	\$ -	\$ -
Rivert Street Overpass	Deck	\$ -	\$ -	\$ 1,250,000
	Superstructure	\$ -	\$ -	\$ 250,000
	Sub-Structure	\$ -	\$ -	\$ 425,000
Riverstreet Drive Overpass	Deck	\$ -	\$ -	\$ -
	Superstructure	\$ -	\$ -	\$ -
	Sub-Structure	\$ -	\$ -	\$ -
MINOR STRUCTURAL ASSETS				
Concrete Arch	Deck	\$ -	\$ -	\$ 200,000
	Superstructure	\$ -	\$ -	\$ 400,000
	Sub-Structure	\$ -	\$ -	\$ 200,000
Timber Bridge	Deck	\$ -	\$ -	\$ 200,000
	Superstructure	\$ -	\$ -	\$ 400,000
	Sub-Structure	\$ -	\$ -	\$ 200,000
2nd Avenue Retaining Wall	Wall	\$ -	\$ -	\$ 1,300,000
River Street Retaining Wall	Wall	\$ -	\$ -	\$ 14,000,000
Inventory Maintenance Expenditure	Deck/Wall	\$ -	\$ -	\$ 30,350,000
	Superstructure	\$ 5,500,000	\$ -	\$ 2,750,000
	Sub-Structure	\$ 1,220,000	\$ -	\$ 1,325,000
	TOTAL	\$ 6,720,000	\$ -	\$ 34,425,000

The road and bridge funding is just two of many issues the City will be facing in the next 5 to 10 years. Others, such as construction of trunk water and sewer systems to new growth areas, arena upgrades, park development, capital equipment purchases not currently funded by the equipment replacement plan etc. all cannot be dealt with by borrowing. To rely on borrowing could mean future Councils are saddled with such large repayment schedules that their ability to take on new initiatives is impossible.

Fire Hall

Council has set aside two parcels of land for construction of future fire stations. Currently we have no funds set aside for a new station and several of the larger pieces of equipment, such as a ladder truck are unfunded.

We will be bringing forward next month a proposal for a new residential fire hall concept that will reduce the dollars required for a new hall to be below a million dollars. Even a station that small is currently unfunded.

How Can We Finance the Future Needs

Outlined below are four scenarios for Council to consider when dealing with this year's funding requests. One of the scenarios deals with only current needs and the other three provide Council with an alternative option that would build a capital reserve for the unfunded issues outlined earlier in this report.

The first calls for a new minimum base tax of \$60 per single family dwelling to deal with the 5.95% short fall. This option is an alternative to just raising the mill rate by 5.95%.

	<u>SCENARIO 1</u>	Minimum Tax		<u>% Distribution</u>	
				<u>Operating</u>	<u>Capital</u>
	# of Units			100%	0%
Single family	9699	\$ 60	\$ 581,940		
Res Condos	881	\$ 60	\$ 52,860		
Multi - Residential	3413	\$ 20	\$ 68,260		
		Sub Total	\$ 703,060	\$ 703,060.00	\$ -
Commercial	671	\$ 562	\$ 377,102	\$ 377,102.00	
		Total	\$ 1,080,162	\$ 1,080,162.00	\$ -
	Tax Increase	1%	220000	220000	
				\$ 1,300,162.00	

The second proposes a minimum base tax of \$120 per single family dwelling which will generate additional revenue of slightly more than \$800,000 for future capital works.

SCENARIO 2

	# of Units	Minimum Tax		% Distribution		
				Operating	Capital	
Single family	9699	\$ 120	\$ 1,163,880	40%	60%	
Res Condos	881	\$ 120	\$ 105,720			
Multi - Residential	3413	\$ 30	\$ 102,390			
			Sub Total	\$ 1,371,990	\$ 548,796.00	\$ 823,194.00
Commercial	671	\$ 1,124	\$ 754,204	\$ 754,204		
			Total	\$ 2,126,194	\$ 1,303,000.00	\$ 823,194.00

The third leaves the minimum base tax at \$60 dollars but has a tax increase of 4.2% as well. This scenario generates an additional \$700,000 for future capital works.

SCENARIO 3

	# of Units	Minimum Tax		% Distribution		
				Operating	Capital	
Single family	9699	\$ 60	\$ 581,940	0%	100%	
Res Condos	881	\$ 60	\$ 52,860			
Multi - Residential	3413	\$ 20	\$ 68,260			
			Sub Total	\$ 703,060	\$ 703,060.00	
Commercial	671	\$ 562	\$ 377,102	\$ 377,102.00		
			Total	\$ 1,080,162	\$ 377,102.00	\$ 703,060.00
		Tax Increase	4.20%	\$ 220,000.00	\$ 924,000.00	
				\$ 1,301,102.00		

The final scenario has a minimum base tax of \$100 per single family home and lowers the tax rate increase to 2.25%. This scenario generates \$1.0 million for future capital works.

SCENARIO 4

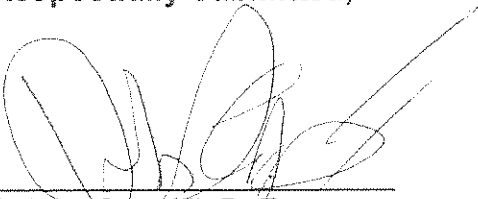
	# of Units	Minimum Tax		% Distribution		
				Operating	Capital	
Single family	9699	\$ 100	\$ 969,900	15%	85%	
Res Condos	881	\$ 100	\$ 88,100			
Multi - Residential	3413	\$ 35	\$ 119,455			
			Sub Total	\$ 1,177,455	\$ 177,455.00	\$ 1,000,000.00
Commercial	671	\$ 937	\$ 628,503	\$ 628,503.33		
			Total	\$ 1,805,958	\$ 805,958.33	\$ 1,000,000.00
		Tax Increase	2.25%	\$ 220,000.00	\$ 495,000.00	
				\$ 1,300,958.33		

It is the recommendation of the author that Council adopt the fourth scenario as it deals with the issue of fairness by having all properties contribute to the future capital needs and it puts the City in the best position financially to deal with the future problems facing us.

CONCLUSION:

Whichever method Council chooses, it should always be kept in mind this year is an ideal time to consider such an approach as the Province is moving to complete their second phase of adjusting the portion of the cost of education from the municipal tax bill. The net result could mean that some properties may receive a tax bill increase of less than 3%.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'R. Cotterill', written over a horizontal line.

Robert Cotterill, P. Eng.
City Manager