



## Executive Summary

- ▶ Five weeks ago we presented the detailed fiscal framework.... Discussion to continue today
- ▶ We listened to your feedback

## Executive Summary

- ▶ So far, we have talked mostly about the coming year, but this is a multi-year problem
- ▶ On an ongoing basis
  - Program costs rise 5.23% per year
  - Tax Revenues rise 1-2%
  - Other revenues rise 0%
  - Costs for new/expanded programs are greater than for discontinued or reduced programs
- ▶ Hence, ongoing shortfalls of \$30m, \$43M, \$51 M, and \$57 M in the next 4 years.

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## Program Costs grow Faster than Revenues

	2010-2011	2011-2012	2012-2013	2013-2014
<b>Additional Expenses</b>				
Current Programs	31	28	23	24
Program Expansions incl Transit	10	7	7	5
<b>Total</b>	<b>40</b>	<b>35</b>	<b>30</b>	<b>29</b>
<b>Additional Revenues</b>				
Current General & Transit Tax Rates	7	19	20	21
Other Revenues	2	2	2	2
<b>Total</b>	<b>9</b>	<b>21</b>	<b>22</b>	<b>23</b>
<b>Deficit</b>	<b>30.4</b>	<b>43.9</b>	<b>51.1</b>	<b>56.8</b>

*Without a change in approach, the deficit will double.*

## Projected Expenditure Growth

	Approved Budget 9/10	Preliminary 10/11	Projected 11/12	Projected 12/13	Projected 13/14
Gross Budget	\$570.3	\$600.8	\$628.4	\$651.5	\$675.5
Impact of Transit OCC		\$6.1	\$5.5	\$5.4	\$4.6
Non Transit OCC		\$3.6	\$3.6	\$2.5	\$1.2
Total Projected Budget		<u>\$610.5</u>	<u>\$637.5</u>	<u>\$659.4</u>	<u>\$681.3</u>

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## Executive Summary

- ▶ Holding the tax rate and increasing programs is not sustainable in future due to 3 things
  - Program costs grow faster than taxes
    - Average Assessment grows at CPI
    - CPI is not relevant for municipal costs
  - Non-Tax Revenues tend to grow slowly
  - Residential Growth and Commercial can't fill in the gap
- ▶ Council will have to
  - Lower expense growth to match revenues
    - For example: Swap new services with existing services
  - Grow revenues to match expense growth
    - Consider rating new services
    - Fees must match costs

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## Long Term

- ▶ We can become leaner by
  - More use of technology and less paper processes
  - Contracting in/out where there is a business case
  - Focusing on core municipal services and gradually withdrawing from services more inline with Provincial responsibilities
  - Growing our revenues, or slowing service growth
  - Investing more in asset maintenance
  - Build “new” assets if projects support economic growth
  - Disposing of assets not required to provide municipal services or meet current service standards
  - Seeking sustainable service adjustments... not one year solutions

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## Long Term Strategy

- ▶ Avoid rash/short term decisions that will push problems out..... The easy solutions are not always sustainable
  - Tools that support lower costs and sustainability
    - reserves
    - funding for recapitalization/base
    - projects that grow assessment base, support economic strategy, or reduce operating costs
  - Retaining qualified staff

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## Recap – The Challenge we Face

	Year over Year Change
<b>New Expenses</b>	<b>\$40.2 M</b>
<b>Less New Revenues**</b>	<b>\$9.8 M</b>
<b>Gap to Balance</b>	<b>\$30.4 M</b>

\*\* Based on 09/10 rates

The expenditure increase has already been controlled as much as possible:

- \$2.4 M in funding requests from Business Units were rejected
- \$6.1 M in inflation for Business Units was not provided

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## Recommendations – To Address the Funding Shortfalls

- ▶ Short Term Strategy Build the budget based on
  - \$10 M in new transit costs go on the transit area rates
  - \$10 M in budget efficiencies/service reductions/new revenues
  - \$10 M to be generated through a general tax rate increase
- ▶ Mid Term Strategy
  - Plan for \$10 M in additional service reductions to take effect for 2011/12; to be tabled with Council by October 2010

Option	Gross Expenditure	Impacts	\$ Impact	% Impact on Current Taxes
			Average Home	
\$10 M, \$10 M, \$10 M Option	\$599.6 M	Transit Rate Up		Transit 3.0%
		Local +\$.019 Regional +\$.006	\$83 impact in urban area with Transit	General 2.5%
		General Rate Up +\$.021		Total 5.5%
			Commutershed	Total 3.7%

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## Recommendation

Gap between Revenue and Expenses	\$30M
Less Transit Expansion (higher transit area rates)	-\$10M
Less Efficiencies (\$3.4M) / Service Reductions (\$6.6M) Possible Fine and Fee Increases	-\$10M
Less Additional Revenues (Tax Rate Increase)	-\$10M
Balance	\$0M

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## Next Steps

Today	Direction from Council
March 24- April 9	Councilor consultation with Budget Office Staff
May 11	Table Proposed Business Plans and Budget for 2010/11 (we have lost five weeks)
May 11- May 24	Questions /Open House Detailed review by Councilors with Staff
May 25th	Debate Begins
May 27th	Approval

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