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COMMUNICATION
FAA - <u>Nov 13/17</u>
ITEM - <u>1</u>

DATE: November 10, 2017

TO: MAYOR AND MEMBERS OF COUNCIL

FROM: LAURA MIRABELLA-SIDDALL, CHIEF FINANCIAL OFFICER AND CITY TREASURER
LLOYD NORONHA, DIRECTOR OF FINANCIAL PLANNING AND DEVELOPMENT
FINANCE AND DEPUTY CITY TREASURER

RE: FINANCE, ADMINISTRATION AND AUDIT COMMITTEE – November 13, 2017
DRAFT 2018 BUDGET AND 2019-2022 PLAN

Purpose

This communication is to provide more information on Figure 10: 2018 Budget and 2019-2022 Financial Plan, found on page 49 of the Draft 2018 Budget and 2019-2022 Financial Plan (the "Budget Book"), Volume 1.

Background

Figure 10: 2018 Budget and 2019-2022 Financial Plan on page 49 of the draft budget book summarizes the tax levy requirement for the 2018 budget and forecasted 2019-2022 expenditures and revenues. The purpose of this table was to demonstrate the resulting three percent tax levy increase over the next five years, but was not presented for the explicit purpose of year over year comparative analysis. This type of analysis requires additional insights as presented below.

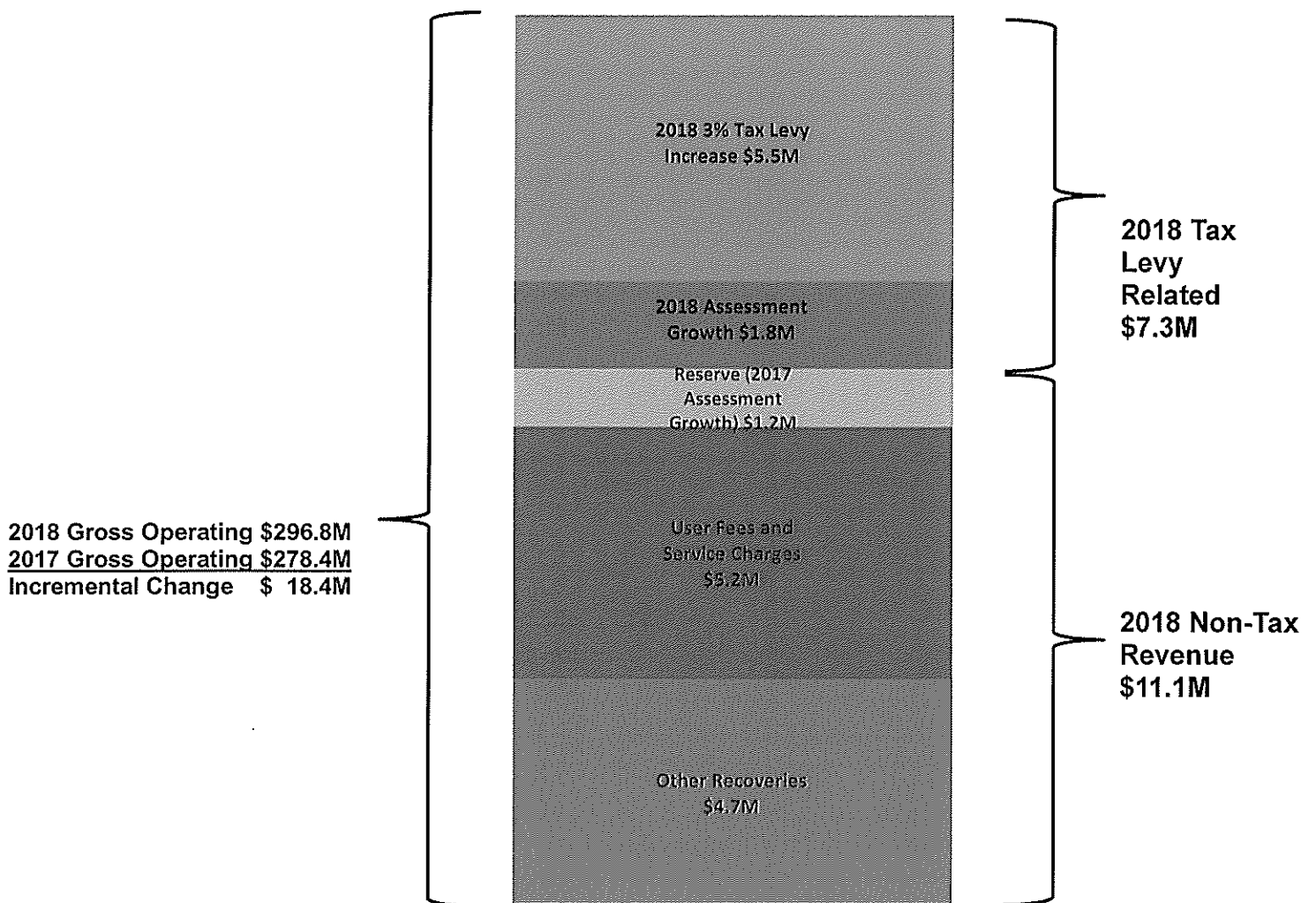
The table below illustrates the calculation of incremental gross operating expenditure, non-tax revenues and resulting tax levy requirements.

	2017 Approved Budget	2018 Proposed Budget	Incremental Change (\$million)
Gross Operating	278.4	296.8	\$18.4
Less: Non-Tax Revenue	89.7	100.8	\$11.1
Net Operating	188.7	196.0	\$7.3

The net operating expenditure increase of \$7.3 million is proposed to be funded from \$1.8 estimated assessment growth for 2018 and a \$5.5 million tax levy increase (three percent tax rate increase).

The figure below further illustrates that the gross expenditure incremental increase of \$18.4 million is proposed to be funded from the following sources:


- \$4.7 million from other recoveries, such as internal recoveries from capital projects
- \$5.2 million from increased user fees and service charges through either increased volume of activity or through price increases, such as increased development application fees
- \$1.2 million from residual 2017 assessment growth to be drawn from the Tax Rate Stabilization Reserve
- \$1.8 million from the estimated 2018 Assessment Growth
- \$5.5 million from the proposed 2018 tax levy increase



Overall, the Draft 2018 Budget provides a balanced budget in which all proposed incremental expenditures are fully offset by proposed incremental revenues. The three per cent tax levy increase represents a little under thirty per cent of these increased revenues, which is largely being used to maintain service levels and increase contributions to infrastructure reserves. The remaining seventy per cent of increased

expenditures are being funded from predominantly growth related funding sources and are in turn largely being used towards growth driven expenditures.

Respectfully submitted,



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Chief Financial Officer and City Treasurer



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Director, Financial Planning and
Development Finance and Deputy City Treasurer