



CITY OF KINGSTON
REPORT TO COMMITTEE OF THE WHOLE

Report No.: 09-335

TO: Mayor and Council

FROM: Gerard Hunt, Chief Administrative Officer

RESOURCE STAFF: Stephen Dickey, Acting Director, Financial Services
Angela Brown, Financial Planning Coordinator

DATE OF MEETING: 2009-11-23

SUBJECT: 2010 DRAFT OPERATING BUDGET

EXECUTIVE SUMMARY:

The operating budget is being presented to council to establish revenue and expenditure estimates for the 2010 year. Once the budget is established and the assessment roll is delivered by the Municipal Property Assessment Corporation (MPAC), the final taxation levy by-law will be presented for council approval.

The budget information has been compiled by Financial Services in consultation with departments with a focus on delivering high quality customer service in the most cost-effective manner. Council priorities have been a focal point as departments develop business plans for 2010. The budget includes a number of new initiatives to ensure that these priorities are addressed and that the services provided are reflective of these priorities and the needs of the citizens. The budget is prepared in accordance with the guidelines established by council in September 2009, and incorporates a taxation increase of 3.25%, a quarter of one percent lower than the level that council set as a target for staff in September. The lower increase is made possible by higher than expected net assessment growth.

The overall gross operation expenditures budget of \$281M is offset by revenues of \$101M requiring \$180M to be raised by taxation and payments in lieu of taxes (PIL). Of that amount approximately 57% or \$102M is for internal service provision, 29% or \$52M is for services provided through agencies and boards and 14% or \$26M is for fiscal and capital purposes.

As part of the development of the budget, departments were challenged to deliver an overall corporate budget of no greater than 2% (representing inflation estimate for 2010) and maintain existing service levels. This would mean that while certain departments may require increases greater than that level, others would be expected to be lower. Departments met that challenge. Appendix A to this report reflects a summary showing an increase of 1.65%. The summary also reflects additional levels of service that are included in the budget as a result of motions of Council/Committee throughout the 2009 year. Staff is pleased to include \$1.564M of service enhancements, raising the internal percentage change to 3.23%, all within the tax increase recommended at 3.25%.

RECOMMENDATION:

GENERAL MUNICIPAL OPERATING BUDGET

That council approve the general municipal operating budget in the amount of \$281,051,220 and that a by-law be presented to adopt these estimates.

AUTHORIZING SIGNATURES:

<p><u>ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER</u> Gerard Hunt, Chief Administrative Officer</p>	<p><u>ORIGINAL SIGNED BY DIRECTOR OF FINANCIAL SERVICES</u> Stephen Dickey, Deputy Treasurer</p>
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CONSULTATION WITH THE FOLLOWING COMMISSIONERS:

Commissioner Beach, <i>Sustainability & Growth</i>	✓
Commissioner Thurston, <i>Community Development Services</i>	✓
Commissioner Leger, <i>Corporate Services</i>	✓
Jim Keech, President, <i>Utilities Kingston</i>	✓

OPTIONS/DISCUSSION:**Budget Documentation and Overview**

The adoption of an annual budget is a requirement under the Municipal Act, 2001 and forms the basis for financial control and activity for the current fiscal year. For the purposes of financial planning the city also prepares a multi-year plan including forecasts for operating budget purposes as well as a 10 year capital expenditure plan. Earlier this year, council approved the municipal capital budget for 2009 and 2010. That approval was predicated on the continuation of the capital policy of adding a 1% annual increase in the rate of taxation, which is incorporated into the operating budget before council at this time.

The budget documents accompanying this report are provided separately in binders that contain supporting information. The budget data is summarized in a variety of ways allowing council to review and assess the submissions comparatively. Similar to last year, the binder is sorted by group and is presented in accordance with the city's organizational structure, reflecting responsibilities by department and program. Within each group tab, the operating budget submission detail is summarized as follows:

- Comparative data by account type (revenues and expenditures), for 2009 budget and 2010 budget
- Comparative data by department, gross expenditure and gross revenue, for 2008 actual, 2009 budget and projected actual and 2010 budget
- Comparative data by department and program, net expenditure, for 2008 actual, 2009 budget and projected actual and 2010 budget

During council deliberations, beginning on November 23, 2009, departments will present an explanation of the budget. At that time council will have an opportunity to seek clarification and address the appropriateness of the allocations and requests.

The city utilizes a multi-year budget approach for developing budgets and assessing future impacts on tax and ratepayers. In 2009, as part of the original draft budget, council provided preliminary approval for future years' municipal tax increase levels for 2010 at 4%, assuming a rate of inflation at 2% as a base. In September 2009 council approved budget guidelines for the development of the 2010 operating budget incorporating a tax increase of no more than 3.5%, including the 1% allocation for capital and the final incremental increase for the hospital levy. This guideline was developed recognizing that the city operations had been challenged to deliver a budget at no more than a 2% increase overall recognizing existing levels of service. It also provided for the inclusion of specific service level changes that had been approved by council/committee resolution during 2009 and generally included suggestions for external agencies and boards to assist with minimizing budget requirements working to a reasonable inflation related target, where possible. The budget presented in these documents for council's consideration is established in accordance with that direction, and includes a tax rate increase of 3.25% as a result of a consolidated budget effort and additional assessment growth over that predicted.

The financial strategies respect the position that only minimal increases should be proposed for property taxation, while at the same time continuing with the long term strategies for responsible asset management practices in addressing capital infrastructure deficiencies. Future year targets are attempting to align tax increases with inflation rates, including the provision for the continuation of the 1% annual increase for capital infrastructure purposes.

Budget Process

The development of this budget was a comprehensive process involving a broad scope of staff across all of the departments. Each year, the process involves the progression of budget submissions through a sequence of review and analysis procedures that in the end results in every account line being examined and assessed for its reasonableness and accuracy. Therefore, an understanding of the aspects of the budget development process can be a useful tool in evaluating the overall budget from an oversight level.

The result of a very thorough budget development process is a submission that not only provides enhanced levels of service in strategic areas consistent with council priorities but is also prepared in accordance with guidelines established by council.

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The formal budget process began early in July when budget templates were sent out to departments. Three year actual and budget trending information was provided along with corporate direction for budget preparation. Over the summer, the Financial Analysts worked with the departments to prepare initial budget submissions. A variety of system reports and queries were provided as well as other review and analysis as needed by the departments. Initial budget submissions were returned to Finance in mid-September and consolidated into a corporate template for further analysis. From that time on, a process of examination, inquiry and analysis was performed by Finance in consultation with departments to ensure that amounts were accurate, consistent across departments (inter departmental charges and costs allocations appropriately shown) and corresponded to the department's operations and business plans. This analysis incorporated a variety of procedures, including, but not limited to, a detailed review of salaries and benefits built up by staff complement and wage rates, a review of materials, supplies and services in comparison to actual amounts spent over the last three years, the appropriateness of reserve and reserve fund transfers, review of revenues from fees and charges, including rates charged and the extent of rates to recover costs, and verification of federal and provincial revenues. Finance has also reviewed the budget at a corporate level by type of account to make sure that increases and decreases were reasonable and consistent with the business environment and operational factors.

Managing tax increases in the 2010 operating budget

City staff brought a preliminary estimate of an increase of 4.4% for the 2010 operating budget to the council priority setting session held on September 29, 2009. Incorporated into this increase were best estimates of inflationary pressures and enhanced services that were expected to impact on 2010 operating costs and revenues. Through the budget setting process, a number of these pressures were addressed in an effort to bring the 2010 budget within the guidelines set by council in order to ensure that the tax rate increase for 2010 did not exceed 3.5%. The following table reflects the tax requirement net summary at a high level by service group, capital and external agency.

Table 1

	2009 Budget	2010 Budget
Mayor & Council	603,000	597,000
Sustainability & Growth	9,195,000	9,958,000
Community Development Services	45,252,000	46,097,000
Public Works Services	25,172,000	26,179,000
Corporate Services	12,167,000	12,543,000
Corporate Administration	6,302,000	6,510,000
Subtotal	98,691,000	101,884,000
Fiscal Services / Capital Levy	18,616,000	20,449,000
Agencies & Boards	53,770,000	55,941,000
Total	171,077,000	178,274,000
PIL Revenues	(14,421,000)	(14,149,000)
Total tax requirement	156,656,000	164,125,000

The operating budget was developed on a target basis of net tax requirements of no more than 3.5% collectively. The table above outlines, by group, how this target has been achieved. Internal departments have achieved an overall net increase of 3.23%. The summary found on page 10 of this report shows internal services equal to 56.8% of the overall tax requirement, down from 57.3% in 2009. Certain departments were able to hold increases at less than 2% with some able to reduce their net budget from 2009 (see Appendix A). This enabled other areas to fund increased service costs due to

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growth and/or enhanced program operations corresponding to council priority areas, supported by council direction, in the amount of \$1.564M summarized as follows (see also Appendix A).

In accordance with Council's strategic priorities, this budget reflects amounts for enhanced services including:

Table 2

Sustainability and Growth	
Web development, newcomers' portal	40,000
Increased investment in culture	75,000
Spirit of Sir John A tour guide	25,000
Affordable recreation fees	117,000
Accessibility	100,000
Community Development Services	
Rent Bank top up	146,000
Kingston Frontenac Housing Corporation	175,000
Additional Municipal Rent Supplements	100,000
Public Works Services	
Off leash dog park maintenance	50,000
Sports field maintenance	75,000
Service demands for winter control, road and sidewalk maintenance	200,000
Source separated organics service final implementation	250,000
Household hazardous waste	33,000
Corporate Services	
Affordable Transit program	108,000
Corporate Administration	
Strategic Planning & Grants Administration	50,000
Advertising recruitment – Committees	20,000
	1,564,000

Specific departmental initiatives and summaries are provided in the individual tabs of the budget binder (Appendix B).

Corporate Administration and Fiscal Services are shown within the Corporate Administration tab of the budget binder. The Fiscal Services category includes revenues and expenditures that are not specific to any one department but are more corporate in nature, such as investment income on corporate funds (\$1.2M), amounts paid to Municipal Property Assessment Corporation for property assessment services (\$1.5M), and the amounts transferred to the municipal capital reserve funds with respect to the 1% annual increase for capital infrastructure purposes (\$17.8M). Also included in fiscal services is a 2010 budgeted savings target of \$150K. This target has been included in the budget with a commitment that savings will be identified throughout the year in the form of operational efficiencies and / or revenue sources.

Communications with agencies and boards has been ongoing and they have acknowledged receipt of council's direction for the preparation of the budget and continue to share the concern with regard to tax rate increases. Written communication

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to agencies and boards provided information on council direction for a net tax requirement of no more than 3.5%, which encompassed a total funding envelope for agencies and boards at the level of inflation of 2%. The budget material includes final budget submissions for the Kingston Frontenac Public Library Board (3% increase requested), KEDCO (2% increase requested) and the Kingston Police Services Board (3.4% increase requested). For agency budgets not yet received, staff have discussed preliminary estimates, and this budget reflects allocations that should be sufficient when the actual submissions are received.

OPERATING BUDGET - ANALYSIS

The 2010 recommended general municipal operating budget is summarized by revenue and expenditure type in the following table:

2010 Operating Budget (Revenue and Expenditure) Summary

Table 3

	2009 Budget	2010 Budget	Variance	Variance
	\$M	\$M	\$M	%
Revenues				
Taxation Revenue	157.8	165.7	7.9	5.0
PIL Revenue	14.4	14.1	(0.3)	(2.0)
Fees and Charges	46.9	45.9	(1.0)	(2.0)
Provincial Grants and Subsidies	47.6	47.6	-	-
Federal Grants and Subsidies	4.1	4.1	-	-
Transfers from Reserves and Reserve Funds	3.4	3.6	0.2	0.6
Total	274.2	281.0	6.8	2.5
Expenditures				
Salaries, Wages and Benefits	88.7	92.5	3.8	4.3
Supplies, Materials, Rents, and Other	25.1	25.6	0.5	2.0
Contracted Services	17.7	18.6	0.9	5.1
Grants and Transfers to Others	60.5	58.5	(2.0)	(3.3)
Transfers to Reserve Funds	28.3	29.7	1.4	4.9
Transfers to Agencies and Boards - operating	50.2	52.2	2.0	4.0
Transfers to Agencies and Boards - reserves	3.7	3.9	0.2	5.4
Total	274.2	281.0	6.8	2.5

The following summary provides a description of the variances in the categories identified.

REVENUES

- i. **TAXATION REVENUE** will increase by approximately 5%. This includes taxation from assessment growth of approximately \$2.4M, supplementary taxes and an overall tax rate increase of 3.25%.
- ii. **PAYMENTS IN LIEU OF TAXES (PIL)** are expected to decrease by 2.0% (\$300K). These amounts are collected from federal and provincial properties and under legislation are levied on the same basis as that of property taxation. Most significant in this category is the PIL Canada revenues, budgeted at \$10.0M. This projection takes into account work

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currently underway at CFB Kingston and other property changes. We continue to work with federal and MPAC representatives to resolve issues in an effort to mitigate significant reductions to these revenues.

Also included here are the estimates of payments for universities and colleges, which pay a fixed levy on the basis of the number of students, and the hospitals, which pay a fixed levy based on their number of beds. We have not included any changes to the rates (\$75 per head and bed).

- iii. **FEES AND CHARGES** are projected to decrease by 2% (\$300K) which generally incorporates additional capacity in programs as well as fee increases related to inflation at 1.5% and a 1% incremental adjustment for capital purposes, as per council approved budget guidelines. Specific decreases in revenues relate to sale of recyclable materials (\$524K), raffle & bingo licenses (\$100K), lease revenue for Midland & Queen St (\$400K), and investment income (\$300K). Increases in revenue reflected in the budget submission are for Rideaucrest resident revenue (\$300K), penalty and interest on taxes (\$150K) and parking revenue offset to reserve fund (\$440K).
- iv. **PROVINCIAL GRANTS** are projected to decrease by 0.1% (\$61K). Provincial funding relates primarily to social service costs, Ontario Works, housing and long term care services, but also includes Provincial Gas Tax funding assistance for the Transit Program and Waste Diversion Ontario funding for solid waste programs.

The budget reflects a projected decrease of \$4M in the Ontario Municipal Partnership Funding (OMPF) from 2009 budgeted levels. Effective January 1, 2008, the provincial government announced the upload of certain social service program costs, (previously downloaded to municipalities) over a four year period from 2008 to 2011.

During 2009 budget deliberations, staff presented information to council with respect to anticipated OMPF funding based on current funding models in use by the Ministry of Finance including current phase-in strategies. Subsequently, in late November and December 2008, (after 2009 budget approval) staff received notices from the Ministry of Finance and the Ministry of Municipal Affairs and Housing confirming the city's final OMPF funding allocation for 2009 including confirmation that, effective for the 2009 funding year, the funding formulas have been changed. Prior to this, we were anticipating a net decrease in OMPF funding over OMPF related expenses for one year only, and, in response, had developed bridge funding strategies to manage these decreases in funding over expenses until the time that we would realize net increases in funding over expenses (i.e. originally planned for in 2010). However, minimum funding levels in 2010 have been reduced by all up-loaded program costs, resulting in the loss of a significant portion of the OMPF funding in 2010, one year earlier than originally anticipated. This will mean that we will not be experiencing the additional savings we were expecting with respect to this program until 2011. In effect, we will be bridging net costs over a longer period of time to compensate for the loss of OMPF funding originally anticipated. In 2009, we anticipated bridge financing of approximately \$3M for 1 year however only \$2M was required in 2009 with the balance required in 2010.

In addition, 2010 solid waste revenue projections include additional funding in the amount of \$45K through the Municipal Hazardous and Special Waste (MHSW) program, for disposal of items such as paint, solvent, oil filters, antifreeze and pesticides. The program plan requires stewards of MHSW products to reimburse the city for disposal costs of Phase 1 materials until June 30, 2010 and then for both receiving and disposal of Phase 1, 2 and 3 MHSW materials as of July 1, 2010.

Other increases are projected in provincial funding for Affordable Housing to cover the costs of administration of the program in the amount of \$100K and MMAH Rent bank subsidy (\$65K) as well as increased long term care provincial funding (\$513K).

- v. **FEDERAL GRANTS** are unchanged and generally relate to flow-through for the housing programs.
- vi. **TRANSFERS FROM RESERVES AND RESERVE FUNDS** are projected to total \$3.6M, an increase of \$150K over 2009 budget, consisting primarily of transition funding (\$1M) within Community Family Services budget to offset the net cost of provincial uploading of Ontario Disability Support Programs administration costs and related decreases in Ontario Municipal Partnership funding. This is offset by an increase in transfers from the Bill 124 (BRRAG) reserve (\$442K) in order to maintain current budget levels and social services stabilization reserve (\$493K) to aid in the temporary burden of higher costs as a result of the economic downturn.

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The Working Fund Reserve is an operating reserve that is established to address contingent matters, unusual fluctuations in programs and one time expenditures. Annual surpluses arising from operations are allocated to this reserve. Annual deficits would be funded from this source should they occur. Approximately \$783K has been projected to be funded from the Working Fund Reserve including \$250K for the Grand Theatre for phase-in funding for operational and market development, \$100K for Organization Development for corporate development initiatives, \$62K for Brownfields Administration (repaid from taxation of property once rehabilitated), \$37K to fund the operating costs for 1425 Midland Ave, \$300K to offset the expected decrease in investment income projected for 2010 and \$35K to fund service reviews for long term care.

Other reserve and reserve fund transfers include \$100K from the Transit Reserve Fund to fund service review implementation costs, \$100K from the Solid Waste Reserve Fund to fund annual capital debt costs, \$442K from the BRRAG Reserve to maintain the budget due to fallen income during this poor economic time, \$100K from the Environment Reserve Fund for additional required work on Brownfields and other reserve fund transfers of \$271K.

EXPENDITURES

- i. **SALARIES, WAGES AND BENEFITS** are projected to increase 4.3% over 2009 budget. Base salary rates will increase in the range of 1-3% depending on the collective and compensation agreements. Additional costs with respect to enhanced service levels and growth requirements are contributing to the overall increase to salaries, wages and benefits. These additional wage-related costs total approximately \$1.2M and include the enhanced services and growth for Public Works (\$200K), part time curator for museum (\$30K), an aquatic coordinator (\$46K), additional communications support (\$70K), parking administration (\$100K), transit supervisor (\$70K), fleet apprentice (\$32K), and property specialist (\$50K). There is also a Subsidy Administrator to be hired (\$58K gross – net to city will be \$24K) to manage the recreation/transit fee reduction program as approved by council and additional staffing and overtime (\$140K) included for the election which is funded by the election reserve. Fire benefits have also been increased (\$240K) to reflect actuals spent and there is an additional amount due to source separated organics program in its first full year of service (\$100K).
- ii. **SUPPLIES, MATERIALS, RENTS AND OTHER** include expenses such as utility costs, gasoline, diesel fuel, salt, fleet parts and tires. Inflation on these costs has largely been absorbed, there is a net increase projected of 0.3% (approximately \$73K) over 2009 budget, primarily made up of decreases in diesel fuel and gasoline (\$-990K), increase in hard supplies for fleet (\$274K) as well as an increase in technical and artist fee costs with respect to Grand Theatre (\$200K) that have increased recoveries to offset. Additional costs also include web development (\$40K) and \$130K for election materials and postage (funded by election reserve). The Affordable fee program for transit and recreation has also been included in this category in the amount of \$225K.

This expenditure category has been offset by a savings target of just under \$150K to be identified throughout the year in the form of operational efficiencies and / or revenue sources.
- iii. **CONTRACTED SERVICES** are projected to have a net increase of 5.1% (approximately \$906K), made up in part by increases in solid waste contracted services for garbage disposal services (\$103K), the source separated organics service (\$116K), additional costs associated with municipal elections (\$125K - funded by election reserve) as well as a projected increase in insurance costs of \$160K. Other increases include contract costs with respect to winter control and roads maintenance (\$175K), software data maintenance (\$90K) and Brownfields (\$100K).
- iv. **GRANTS AND TRANSFERS TO OTHERS** generally represents transfers for Ontario Works, Housing, Child Care, and the Ontario Disability Support Program (ODSP). It is projected that these costs will decrease by approximately 3.3% or \$2M, which is primarily made up of the net of reduced social assistance costs in the form of uploaded ODSP costs (\$5.1M) and the change in city OW assistance as a result of falling OMPF revenue (net costs increasing by \$3.2M), as well as a function of higher costs for city OW assistance as a result of economic pressures expected to continue for 2010.
- v. **TRANSFERS TO RESERVE FUNDS**, excluding those provided for external agencies and boards, total just over \$29.7M (an increase of \$1.3M or 5.0%). The increase includes an additional \$1.5M to municipal and fire capital reserve funds as a result of the 1% incremental tax levy policy for capital purposes.

Offsetting transfers to reserve funds that have increased include \$132K more transferred to the parking reserve fund from net parking revenues to offset expected future capital costs and \$406K less transferred to the solid waste reserve fund (in 2010, 100% of Waste Diversion Ontario grants have been retained in the operating fund to offset the decrease in market revenues for recyclables).

- vi. **TRANSFERS TO AGENCIES AND BOARDS** for operating budget purposes reflect an overall increase of \$2.0M or 4%.

The Police Services Board has dealt with their 2010 budget and has forwarded a request of just over \$29.3M for operating purposes, an increase of \$1.0M or approximately 3.4%. The budget submission incorporates this request as received.

The Kingston Frontenac Public Library Board has also dealt with its 2010 budget and has forwarded a request for just over \$5.2M, an increase of 2.97%. The budget submission incorporates this request as received.

Kingston Economic Development Corporation has also dealt with their 2009 budget and has submitted a request for just over \$2.4M representing an increase of 2%. The budget submission incorporates this request as received. In addition, the budget includes, in the Fiscal Services section, an amount of \$285K for the second year of the physician recruitment program, as approved by council (Report 08-158, May 6, 2008).

The Transfer to the University Hospitals Kingston Foundation is also included in the budget submission in the amount of \$1.6M, an increase of \$550,000 or a 1/3 of 1% tax increase. This is the third and final year of a three year phase-in program.

At this time, no other agencies or boards have presented requests. For agency budgets not yet received, staff have been working with their representatives. The budget reflects envelope amounts expected to be sufficient to manage requests received. We expect to receive further submissions within the next several weeks and at that time, should the established budget ceiling in this draft be insufficient, it will be necessary to re-open the budget to consider necessary funding.

- vii. **TRANSFERS TO RESERVE FUNDS FOR AGENCIES AND BOARDS** are reflected separately and are allocated to pay for capital programs for Kingston Police Services, Kingston Frontenac Public Library and Kingston Access Services. These allocations are consistent with those required by respective capital reserve funds presented with the 2009/2010 capital budget submissions.

2. TAXATION REQUIREMENT

The following table reflects a breakdown of the year over year change by departments and agencies and boards of the net taxation requirement to fund the recommended budget.

Table 4

	<u>2009</u>		<u>2010</u>		<u>Increase</u>	<u>Increase</u>
	(\$M)		(\$M)		(Decrease)	(Decrease)
					(\$M)	%
Internal Services						
Mayor & Council	0.60		0.60		(0.01)	0.00%
Sustainability & Growth	9.20		9.96		0.76	8.29%
Community Development Services	45.25		46.10		0.85	1.87%
Public Works Services	25.17		26.18		1.01	4.00%
Corporate Services	12.17		12.54		0.38	3.09%
Corporate Administration	6.30		6.51		0.21	3.30%
	98.69	57.3%	101.88	56.8%	3.19	3.23%
Agencies and Boards						
Kingston Police Services Board	28.24		29.21		0.96	3.42%
KFP Library Board	5.09		5.24		0.15	3.00%
*Kingston Access Services - operating	1.58		1.63		0.05	3.00%
*Cataraqui Region Conservation Authority	0.93		0.96		0.03	3.00%
*KFL&A Health Unit	3.26		3.32		0.07	2.00%
*County of Frontenac - Land Ambulance	5.20		5.33		0.13	2.41%
*County of Frontenac - Fairmount Home - operating	1.54		1.54		0.00	0.08%
*County of Frontenac - Fairmount Home - debt	0.71		0.71		-	0.00%
KEDCO	2.42		2.46		0.05	2.00%
Hospital Foundation Donation	1.05		1.60		0.55	52.38%
	50.02	29.1%	52.00	29.0%	1.98	3.96%
Subtotal	148.71	86.4%	153.89	85.8%	5.17	3.48%
Other						
Transfer to Capital Reserve Funds - Boards	3.73		3.94		0.21	
Transfer to Capital Reserve Fund	16.31		17.84		1.53	
Taxation adj. assistance, exemptions & fiscal services	2.30		2.61		0.31	
Downtown Business Improvement Area (separate levy)	1.08		1.08		0.00	
	23.42	13.6%	25.47	14.2%	2.05	8.74%
Total levy requirement	172.14	100.0%	179.36	100.0%	7.22	4.20%
Taxation Levy						
Payments in Lieu of Taxes	14.42		14.15		(0.27)	(1.88%)
Downtown Business Improvement Area (separate levy)	1.08		1.08		0.00	0.17%
Supplementaries	1.00		1.03		0.03	3.25%
Taxation Growth - 2010	-		2.40		2.40	1.54%
Taxation - rate increase	155.63		160.69		5.06	3.25%
Total levy	172.14		179.36		7.22	4.20%

* budget submissions not finalized

3. USE OF WORKING FUND RESERVES

The recommendations in this report are predicated on the use of the Working Fund Reserve to assist the operating budget funding only in circumstances where the funding offsets non-recurring expenditures. By policy, operating surpluses are transferred to the Working Fund Reserve. Annual deficits, should they arise, would be funded from this source.

Transfers from the Working Fund Reserve of approximately \$783K are budgeted in accordance with policy for one time expenditures and are being used to fund a variety of initiatives including phase-in funding for the Grand Theatre (\$250K), organization development initiatives (\$100K), Brownfields administration costs (\$62K), loss in investment income (\$300K) and other one-time items (\$71K).

The following table reflects projected operating reserve balances and draw-downs included in this budget.

Operating Reserves

Table 5

	Working Fund Reserve	Social Services Stabilization	Local Service Realignment	Social Housing Rent Stabilization	Affordable Housing Construction	Total
Projected Balance January 1, 2009	5,195,340	2,177,132	300,939	365,000	210,185	8,248,596
Draw-downs:						
Operating budget 2009	(783,039)	(493,402)				(1,276,441)
Projected Balance December 31, 2009	4,412,301	1,683,730	300,939	365,000	210,185	6,972,155

4. TAXATION IMPACT

This budget reflects an overall municipal property taxation rate increase of 3.25%, which can be summarized as follows:

	<u>%</u>
Inflation, enhanced services, growth	1.92
Incremental increase for capital purposes	<u>1.00</u>
Subtotal	2.92
Hospitals Foundation Levy	<u>0.33</u>
Total	<u>3.25</u>

Tax impacts by area are not available at this time and will be established in order to set the final tax rates in 2010. There may very well be additional budget or tax increases that result from council deliberations or pressures presented by agencies and boards, once final submissions are received.

5. FORECASTS FOR FUTURE YEARS

The following table reflects the assumptions contained in the forecasting model for future year budget projections. Providing the assumptions are met, the forecast municipal tax rate increases for the next four years will be stable, in the 2.5% range. This model will be updated once the final budget is established and on the future direction that is established by council.

Table 6

	2011	2012	2013	2014
Net Revenue from Assessment Growth	\$1.2M	\$1.2M	\$1.2M	\$1.2M
Estimate for Inflation	2%	2%	2%	2%
1% Capital Tax Policy	1%	1%	1%	1%
Transfers to Others	2%	2%	2%	2%
Transfers to Agencies and Boards	2%	2%	2%	2%
User Fee rate increases	3%	3%	3%	3%
Tax Rate increases	2.5%	2.5%	2.5%	2.5%

6. MUNICIPAL UTILITIES OPERATING BUDGETS

The municipal utilities operating budgets for gas, water and sewer services have been distributed separately and will be presented by Utilities Kingston. Rate increases for the water and sewer utilities for 2010 have previously been approved by council.

COUNCIL BUDGET DELIBERATION SCHEDULE:

Date	Presentations
November 23	Budget Overview Utilities Kingston Public Works Services
November 24	Corporate Administration Sustainability & Growth Corporate Services Community Development Services
November 25	External Agencies, Deliberations
November 26, 30	Deliberations, if required
Dec 1	Third reading of the utility rates by-law

EXISTING POLICY/BY LAW:

The estimate of revenues and expenditures contained in the city's budgets are approved by by-law on an annual basis.

NOTICE PROVISIONS:

Pursuant to the City of Kingston's Notice By-law 2003-15, an advertisement was placed in the Whig Standard, on Tuesday, November 3, 2009 and subsequently posted on the city's website, thereby giving members of the public an opportunity to be heard on matters being deliberated.

ACCESSIBILITY CONSIDERATIONS:

Considered within draft budgets.

FINANCIAL CONSIDERATIONS:

Included in the body of this report.

CONTACTS:

Gerard Hunt, Chief Administrative Officer	Ext. 2205
Stephen Dickey, Deputy Treasurer	Ext. 2370
Angela Brown, Financial Planning Coordinator	Ext. 2366

OTHER CITY OF KINGSTON STAFF CONSULTED:

Municipal Departments
Utilities Kingston
Agencies and Boards

EXHIBITS ATTACHED:

Appendix A: 2010 Municipal Budget Operating Summary (reflecting 2009 service levels and change in service for 2010 separated)

Appendix B: 2010 General Municipal Draft Operating Budget Binder

City of Kingston
2010 Municipal Operating Budget
Summary

Report # 09-335
Appendix A

(reflecting 2009 service levels and change in service for 2010 seperated)

	2009 Budget	2010 Budget	Variance (\$)	Variance (%)	Change In Service 2010
Mayor & Council	603,000	596,803	(6,197)	(1.03%)	
Environment, Strategy & Communications	1,393,028	1,428,564	35,536	2.55%	40,000
Planning & Development Services	1,102,467	1,132,504	30,038	2.72%	
Cultural Services	1,779,312	1,830,907	51,594	2.90%	100,000
Recreation & Leisure Services	4,434,216	4,713,372	279,157	6.30%	117,000
Commissioner's Office	486,293	495,260	8,967	1.84%	100,000
Sustainability & Growth	9,195,316	9,600,608	405,292	4.41%	357,000
Fire & Rescue	18,705,327	19,076,345	371,018	1.98%	
Community & Family Services	20,308,060	20,395,416	87,355	0.43%	421,000
Building & Licensing	165,595	160,251	(5,344)	(3.23%)	
Long Term Care	5,584,683	5,551,770	(32,914)	(0.59%)	
Commissioner's Office	488,588	492,558	3,971	0.81%	
Community Development Services	45,252,254	45,676,340	424,086	0.94%	421,000
Public Works	14,910,747	15,190,503	279,755	1.88%	325,000
Engineering	3,981,159	4,161,610	180,452	4.53%	
Solid Waste	6,280,537	6,218,801	(61,736)	(0.98%)	283,000
Commissioner's Office	0	0	0	0.00%	
Public Works Services	25,172,443	25,570,914	398,471	1.58%	608,000
Corporate Asset Operations					
Corporate Assets Director	243,055	243,525	470	0.19%	
Transit	6,673,369	6,537,882	(135,486)	(2.03%)	108,000
Facilities Management	1,213,916	1,670,226	456,310	37.59%	
Real Estate & Construction Services	496,056	362,861	(133,194)	(26.85%)	
Transportation (includes Parking & Airport)	361,944	355,594	(6,350)	(1.75%)	
Information Systems & Technology	2,925,002	3,008,101	83,099	2.84%	
Commissioner's Office	253,737	256,360	2,624	1.03%	
Corporate Services	12,167,078	12,434,549	267,472	2.20%	108,000
CAO	373,000	378,225	5,225	1.40%	50,000
Financial Services	1,592,007	1,553,615	(38,392)	(2.41%)	
Human Resources & Organization Development	2,595,566	2,687,424	91,859	3.54%	
Legal Services, Insurance & Provincial Offences					
Legal Services	580,534	563,135	(17,399)	(3.00%)	
Insurance Management	414,471	473,500	59,030	14.24%	
Provincial Offences	(745,847)	(753,741)	(7,894)	1.06%	
City Clerk	1,492,025	1,537,791	45,766	3.07%	20,000
Corporate Administration	6,301,755	6,439,949	138,194	2.19%	70,000
Operating before fiscal/capital levy	98,691,845	100,319,163	1,627,318	1.65%	1,564,000
Add:					
Fiscal Services & Capital Levy	17,381,643	19,183,575	1,801,932	10.37%	
Tax Adjustments & Allowances (net of brownfields)	1,233,953	1,265,000	31,047	2.52%	
Municipal Services	117,307,442	120,767,738	3,460,296	2.95%	
Downtown Business Improvement Area	25,000	25,000	0	0.00%	
Agency Transfers	53,744,811	55,940,577	2,195,766	4.09%	600,000
Agencies & Boards	53,769,811	55,965,577	2,195,766	4.08%	600,000
Total tax requirement	171,077,253	176,733,315	5,656,062	3.31%	
Payments in lieu	(14,420,520)	(14,149,239)	271,281	(1.88%)	300,000
Property Taxation to be raised	156,656,733	162,584,076	5,927,343	3.78%	300,000
Taxation - rate increase	(156,656,732)	(161,748,076)	(5,091,344)	3.25%	
Taxation - growth (net of brownfield program)		(2,400,000)	(2,400,000)	1.54%	(900,000)
Net	0	(1,564,000)	(1,564,000)	0	1,564,000

*See council report #09-335 2010 Draft Operating Budget for explanation - Table 2