



## **2015 PRE-BUDGET REPORT TO**

## **FINANCE & LABOUR RELATIONS COMMITTEE**

**July 2, 2014**

Prepared by:  
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## MESSAGE FROM THE CAO

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Before you delve into Mr. Morin's excellent review and analysis of our financial environment, I will make some brief comments with regard to our financial strategy and compliance with our Strategic Priorities.

The City of Stratford's Strategic Priorities were approved by Council in January 2014. These priorities were set to ensure that projects align with available resources, and projects are taken on in order of priority. The following Strategic Priority objectives already approved by Council were designed to be used to guide budget deliberations for the next five years:

- No additional increase in taxes
- No reduction of services
- No new user fees
- No additional debt impacting tax rate
- Do not use Working Capital Fund for priorities
- Spend \$200,000 annual debt capacity on CLT recommended priorities.<sup>1</sup>

Our Strategic Priorities document includes two tools to help assess the feasibility of new and unfunded projects to ensure compliance with our Strategic Priorities. Staff plan to employ these tools during budget deliberations for any new and/or previously unfunded projects.<sup>2</sup> The "Funding Logic Flow" algorithm will identify available sources of funding, while the "Decision Making Tool" will help to determine prioritization in accordance with the following Strategic Priority Framework:

1. The Vision: To be the best City to live, work and play;
2. The Mission: Strengthening our community, attracting people and investment;
3. The Overall Goal: Building prosperity; Economic Development. Promoting retention, growth and diversification while enabling investment in our City;
4. Three Priority Pillars: 1) Long Term Financial Planning; 2) Affordable Living; and 3) Active Healthy Lifestyle;
5. The Foundation: Outstanding customer service through organizational excellence and best practices. Creating an environment that enables all employees to deliver quality public services while ensuring effectiveness and efficiency.

Our Strategic Priorities provide a solid foundation to guide the City in its consideration of difficult, complex and competing demands in this budget and in other decisions involving the allocation of our human and financial resources.

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<sup>1</sup> For information on our Priority Projects, please review our Strategic Priorities document.

<sup>2</sup> These compliance tools are available on the Shared Drive as follows:

S:/Strategic Priorities/Decision Tools

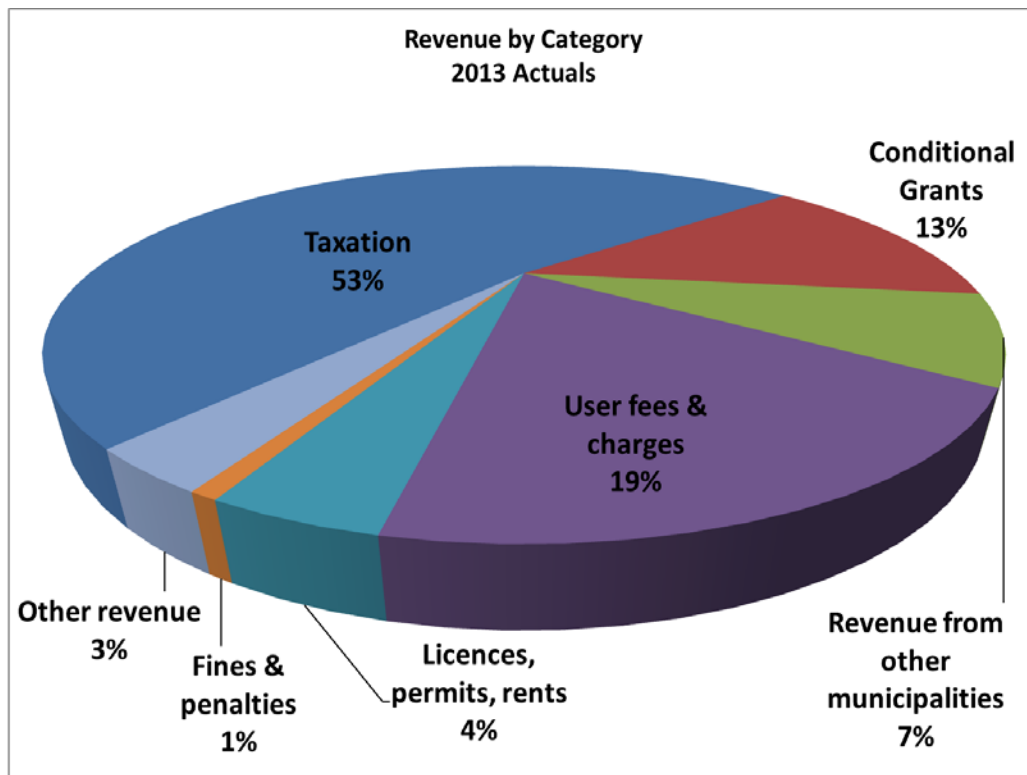
## 2013 FINANCIAL SUMMARY

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The 2013 Consolidated Financial Statements will be presented to Committee by the auditors in August 2014. The draft 2013 actuals versus budget by division can be found in the CITY SERVICES OVERVIEW section.

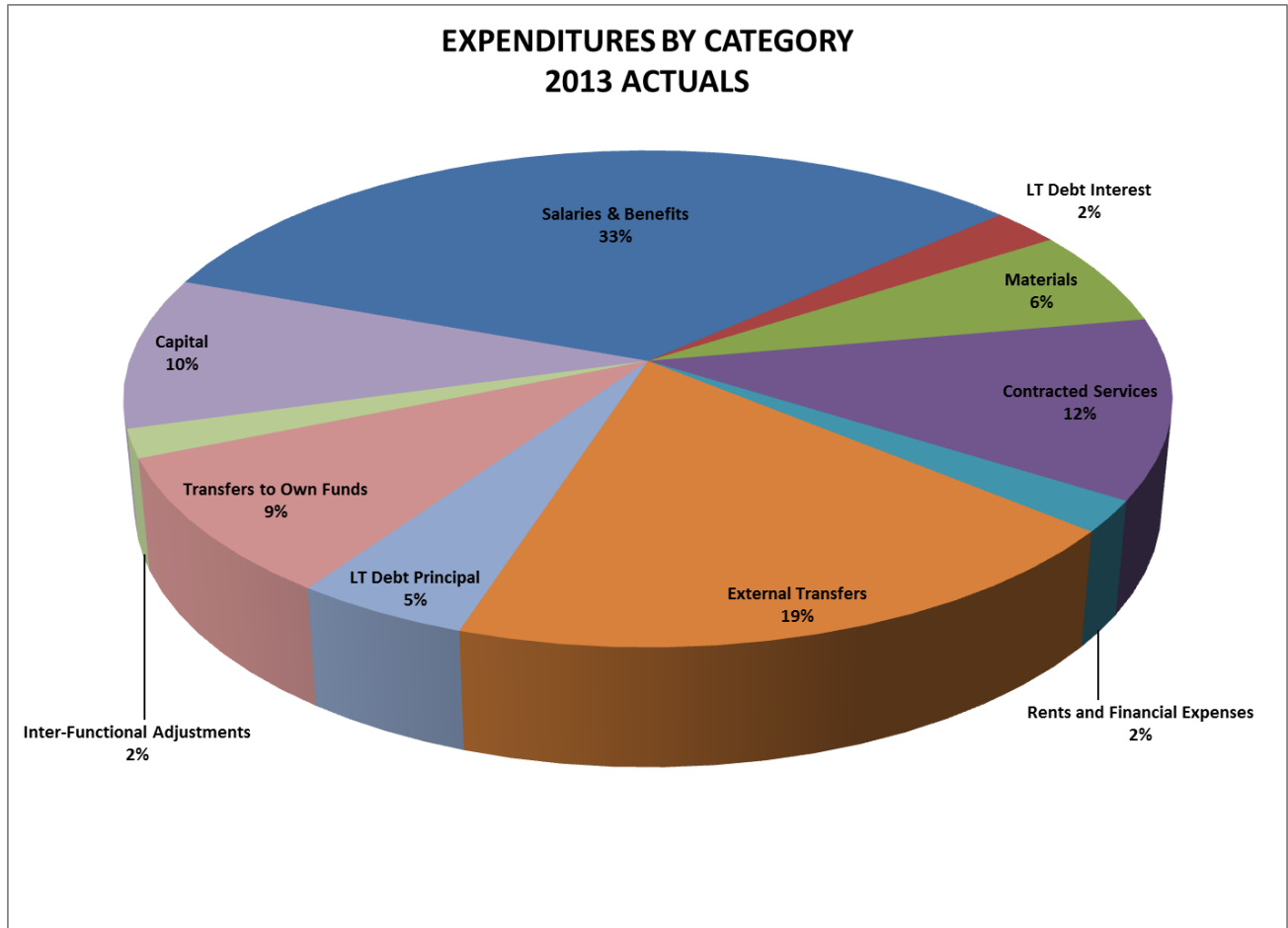
### **REVENUE:**

Revenues in 2013 represent a typical year with property tax making up approximately 55% of the City's revenue:



**EXPENDITURES:**

City expenditure categories for 2013 are also fairly typical. As with all municipalities, salaries and benefits make up the bulk of the expenditures. Another large expenditure item in the City of Stratford is external transfers; a large portion of this represents assistance payments in the Social Services department (namely Ontario Works and Social Housing). External transfers also include payments to the County and Townships for the City's portions of EMS, roads, and annexation agreements. Transfers to own funds indicates transfers to reserves and reserve funds for future operational or capital needs.

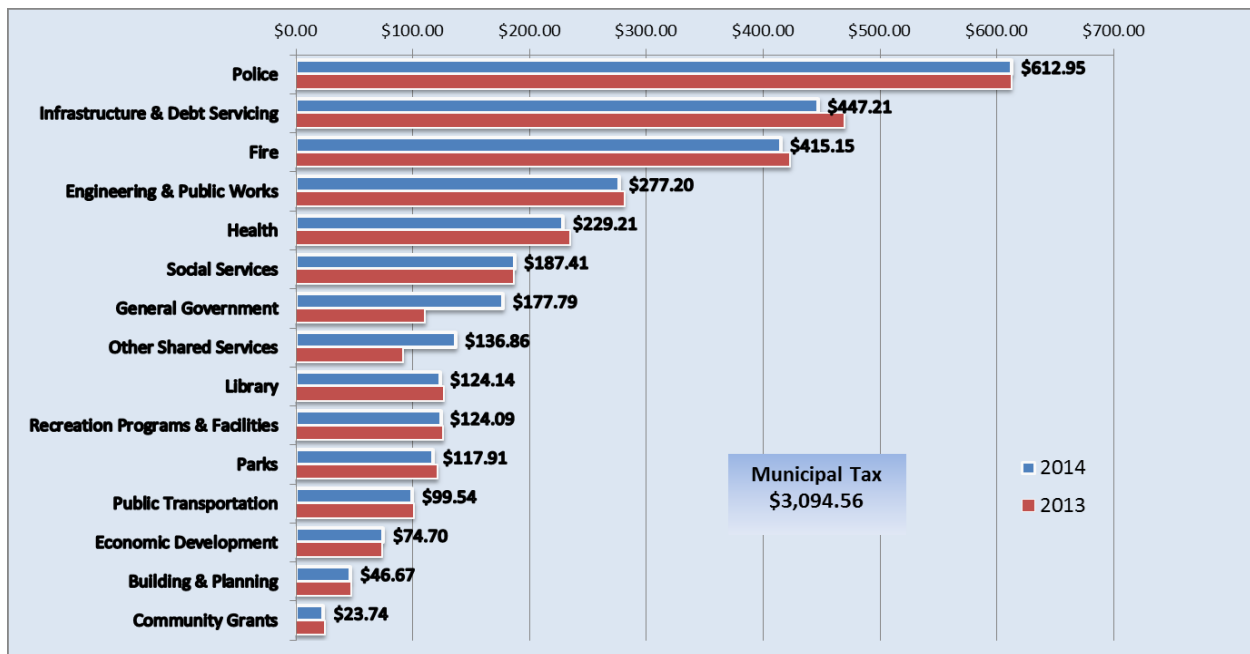
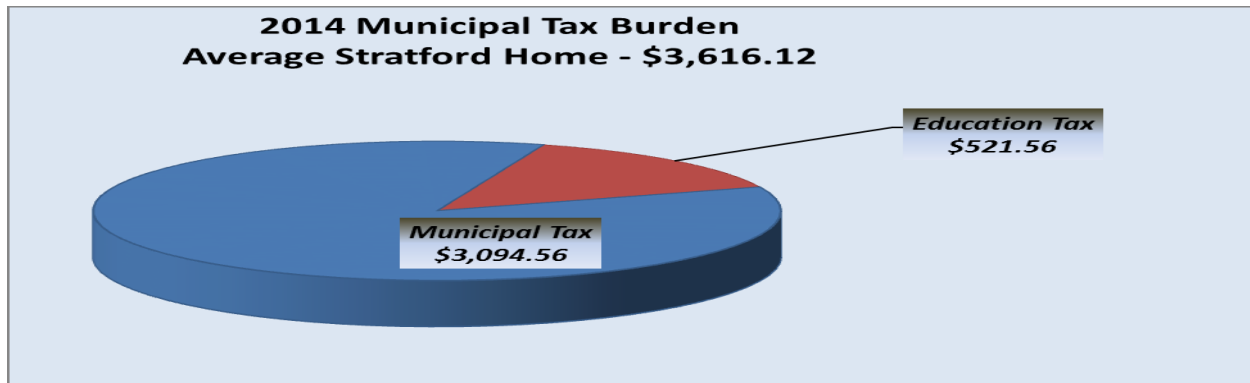


## 2014 BUDGET HIGHLIGHTS

The final 2014 Budget was passed on January 27, 2014. The following are the highlights from that budget:

- Total 2014 Municipal Tax Levy is **\$49,374,898** (2013 was \$46,557,356, 2013 adjusted levy was \$48,593,577)
- Total 2014 Municipal Tax Levy increase is **6.05%**
- Net 2014 Tax Levy Increase is **1.61%** (net of 2013 growth)
- Average 2014 Residential Municipal property tax increase is **1.87%**
- Average 2014 Residential Total property tax increase is **1.33%** (incl. education)
- The average Residential tax bill will increase by approximately **\$45** per year (based on average Assessment of \$243,000)

The below represents the average property tax burden on a single detached dwelling and what services those property taxes are attributable to:



## ECONOMIC & GROWTH OUTLOOK FOR 2014

In general, Stratford's economic growth appears stable and is estimated to continue its consistent historical growth patterns. In April 2014, The Stratford-Bruce Peninsula area's unemployment rate continues to be lowest in the province at 5.9%<sup>1</sup> compared to 7.5%<sup>1</sup> for Ontario; however that is up approximately 1% from a year ago.

<sup>1</sup> **Source:** Statistics Canada, CANSIM, table [282-0054](#)

Stratford's population and housing forecasts were calculated in 2012 by Watson & Associates Economists Ltd. as part of the DC Background Study and Official Plan updates. The population forecasts estimate a slow steady increase in population of approximately 0.25% per year or just under 1,000 people over the next 5 years. Housing starts are expected to increase until levelling out at our historical average of 115 housing starts per year in 2016. Excerpts from the Watson DC Background Study are included below:

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TABLE 3-1  
CITY OF STRATFORD  
RESIDENTIAL GROWTH FORECAST SUMMARY

| Year                           | Population (Excluding Census Undercount) | Institutional Population | Population (Net of institutional) | Housing Units           |                                 |                         |            |                  |                                    |
|--------------------------------|--|--------------------------|-----------------------------------|-------------------------|---------------------------------|-------------------------|------------|------------------|------------------------------------|
|                                |  |                          |                                   | Singles & Semi-Detached | Multiple Dwellings <sup>1</sup> | Apartments <sup>2</sup> | Other      | Total Households | Person Per Unit (PPU) <sup>3</sup> |
| <i>Mid 1996</i>                | 29,007                                   | 552                      | 28,455                            | 7,725                   | 1,005                           | 2,945                   | 85         | 11,760           | 2.47                               |
| <i>Mid 2001</i>                | 29,780                                   | 785                      | 28,995                            | 8,170                   | 1,065                           | 2,970                   | 30         | 12,235           | 2.43                               |
| <i>Mid 2006</i>                | 30,516                                   | 741                      | 29,775                            | 8,385                   | 1,355                           | 3,045                   | 80         | 12,865           | 2.37                               |
| <i>Mid 2011</i>                | 30,886                                   | 821                      | 30,065                            | 8,840                   | 1,335                           | 3,125                   | 30         | 13,330           | 2.32                               |
| <i>Early 2013</i>              | 31,000                                   | 845                      | 30,155                            | 8,913                   | 1,357                           | 3,141                   | 30         | 13,441           | 2.31                               |
| <i>Early 2018</i>              | 31,591                                   | 925                      | 30,666                            | 9,173                   | 1,441                           | 3,287                   | 30         | 13,931           | 2.27                               |
| <i>Early 2023</i>              | 32,460                                   | 1,005                    | 31,455                            | 9,470                   | 1,538                           | 3,453                   | 30         | 14,491           | 2.24                               |
| <i>Early 2028</i>              | 33,289                                   | 1,085                    | 32,204                            | 9,741                   | 1,624                           | 3,599                   | 30         | 14,993           | 2.22                               |
| <i>Early 2033</i>              | 34,129                                   | 1,165                    | 32,964                            | 9,991                   | 1,699                           | 3,724                   | 30         | 15,443           | 2.21                               |
| <i>Buildout</i>                | 47,809                                   | 1,632                    | 46,177                            | 13,313                  | 2,695                           | 5,596                   | 30         | 21,633           | 2.21                               |
| <b>Mid 1996 - Mid 2001</b>     | <b>773</b>                               | <b>233</b>               | <b>540</b>                        | <b>445</b>              | <b>60</b>                       | <b>25</b>               | <b>-55</b> | <b>475</b>       |                                    |
| <b>Mid 2001 - Mid 2006</b>     | <b>736</b>                               | <b>-44</b>               | <b>780</b>                        | <b>215</b>              | <b>290</b>                      | <b>75</b>               | <b>50</b>  | <b>630</b>       |                                    |
| <b>Mid 2006 - Mid 2011</b>     | <b>370</b>                               | <b>80</b>                | <b>290</b>                        | <b>455</b>              | <b>-20</b>                      | <b>80</b>               | <b>-50</b> | <b>465</b>       |                                    |
| <b>Mid 2011 - Early 2013</b>   | <b>114</b>                               | <b>24</b>                | <b>90</b>                         | <b>73</b>               | <b>22</b>                       | <b>16</b>               | <b>0</b>   | <b>111</b>       |                                    |
| <b>Early 2013 - Early 2018</b> | <b>591</b>                               | <b>80</b>                | <b>511</b>                        | <b>260</b>              | <b>85</b>                       | <b>146</b>              | <b>0</b>   | <b>490</b>       |                                    |
| <b>Early 2013 - Early 2023</b> | <b>1,460</b>                             | <b>160</b>               | <b>1,300</b>                      | <b>557</b>              | <b>182</b>                      | <b>312</b>              | <b>0</b>   | <b>1,050</b>     |                                    |
| <b>Early 2013 - Early 2028</b> | <b>2,288</b>                             | <b>240</b>               | <b>2,048</b>                      | <b>828</b>              | <b>267</b>                      | <b>458</b>              | <b>0</b>   | <b>1,553</b>     |                                    |
| <b>Early 2013 - Early 2033</b> | <b>3,129</b>                             | <b>320</b>               | <b>2,809</b>                      | <b>1,078</b>            | <b>342</b>                      | <b>583</b>              | <b>0</b>   | <b>2,003</b>     |                                    |
| <b>Early 2013 - Buildout</b>   | <b>16,808</b>                            | <b>787</b>               | <b>16,021</b>                     | <b>4,400</b>            | <b>1,338</b>                    | <b>2,455</b>            | <b>0</b>   | <b>8,193</b>     |                                    |

Source: Watson & Associates Economists Ltd., January, 2013.

1. Includes townhomes and apartments in duplexes.
2. Includes bachelor, 1 bedroom and 2 bedroom+ apartments.
3. PPU is based on population including institutional divided by total households.





### ***BUILDING PERMIT STATISTICS:***

Building permit statistics for the last 5 years are included below. From a property assessment and taxation perspective, the assessments usually take 2 – 3 years to be represented on the tax roll. As such, an average of the 3 years from 2011 – 2013 should represent a good estimate of expected property tax growth for 2015. Residential building permits have remained fairly constant with an exception of a dip in the number of permits for new residential in 2013, however showing an overall 15% increase in total permit value. 2014 year to date statistics show the number of residential – new permits back up to historical levels. Commercial permit values decreased substantially from 2012, but 2013 was still much higher than historic values. Conversely, Industrial permits and values did increase in 2013.

| Type of Permit       | 2013<br>No. of<br>Permits | Constr.<br>Value  | 2012<br>No. of<br>Permits | Constr.<br>Value     | 2011<br>No. of<br>Permits | Constr.<br>Value  | 2010<br>No. of<br>Permits | Constr.<br>Value   | 2009<br>No. of<br>Permits | Constr.<br>Value  |
|----------------------|---------------------------|-------------------|---------------------------|----------------------|---------------------------|-------------------|---------------------------|--------------------|---------------------------|-------------------|
| <b>Residential</b>   |                           |                   |                           |                      |                           |                   |                           |                    |                           |                   |
| New                  | 40                        | 24,334,800        | 74                        | 20,342,033.00        | 66                        | 15,846,439        | 61                        | 15,962,135         | 60                        | 16,926,000        |
| Additions            | 17                        | 1,179,800         | 23                        | 1,918,604            | 14                        | 2,735,000         | 22                        | 1,420,000          | 17                        | 1,080,058         |
| Repairs, Alts.       | 67                        | 2,979,673         | 135                       | 2,527,842            | 84                        | 2,529,207         | 81                        | 1,708,242          | 76                        | 2,528,421         |
|                      | <b>124</b>                | <b>28,494,273</b> | <b>232</b>                | <b>24,788,479.00</b> | <b>164</b>                | <b>21,110,646</b> | <b>164</b>                | <b>19,090,377</b>  | <b>153</b>                | <b>20,534,479</b> |
| <b>Institutional</b> |                           |                   |                           |                      |                           |                   |                           |                    |                           |                   |
| New                  | 0                         | 0                 | 1                         | 800,000              | 1                         | 10,712,000        | 0                         | 0                  | 0                         | 0                 |
| Additions            | 0                         | 0                 | 0                         | 0                    | 0                         | 4                 | 4,153,400                 | 0                  | 0                         | 0                 |
| Repairs, Alts.       | 6                         | 926,145           | 11                        | 2,142,000            | 9                         | 2,794,095         | 9                         | 1,114,300          | 3                         | 925,000           |
|                      | <b>6</b>                  | <b>926,145</b>    | <b>12</b>                 | <b>2,942,000</b>     | <b>10</b>                 | <b>13,506,095</b> | <b>13</b>                 | <b>5,267,700</b>   | <b>3</b>                  | <b>925,000</b>    |
| <b>Commercial</b>    |                           |                   |                           |                      |                           |                   |                           |                    |                           |                   |
| New                  | 2                         | 5,269,200         | 4                         | 15,626,000           | 2                         | 1,850,000         | 2                         | 1,025,000          | 1                         | 350,000           |
| Additions            | 0                         | 0                 | 1                         | 740,000              | 0                         | 0                 | 0                         | 0                  | 3                         | 425,000           |
| Repairs, Alts.       | 30                        | 7,778,401         | 49                        | 9,945,161            | 52                        | 2,290,600         | 48                        | 2,280,253          | 50                        | 2,825,001         |
|                      | <b>32</b>                 | <b>13,047,601</b> | <b>54</b>                 | <b>26,311,161</b>    | <b>54</b>                 | <b>4,140,600</b>  | <b>50</b>                 | <b>3,305,253</b>   | <b>54</b>                 | <b>3,600,001</b>  |
| <b>Industrial</b>    |                           |                   |                           |                      |                           |                   |                           |                    |                           |                   |
| New                  | 1                         | 800,000           | 1                         | 544,202              | 5                         | 3,080,000         | 5                         | 190,522,001        | 3                         | 3,750,000         |
| Additions            | 6                         | 8,655,000         | 2                         | 595,000              | 7                         | 5,501,000         | 2                         | 980,000            | 2                         | 200,000           |
| Repairs, Alts.       | 13                        | 3,217,705         | 14                        | 1,629,712            | 16                        | 1,014,550         | 11                        | 12,592,680         | 12                        | 1,219,064         |
|                      | <b>20</b>                 | <b>12,672,705</b> | <b>17</b>                 | <b>2,768,914</b>     | <b>28</b>                 | <b>9,595,550</b>  | <b>18</b>                 | <b>204,094,681</b> | <b>17</b>                 | <b>5,169,064</b>  |
| <b>Plumbing</b>      |                           |                   |                           |                      |                           |                   |                           |                    |                           |                   |
|                      | 91                        | 440,724           | 130                       | 4,234,459            | 124                       | 658,360           | 106                       | 2,494,969          | 136                       | 2,156,094         |
| <b>Signs</b>         |                           |                   |                           |                      |                           |                   |                           |                    |                           |                   |
|                      | 54                        | 317,100           | 64                        | 264,149              | 74                        | 284,346           | 56                        | 393,670            | 62                        | 280,794           |
| <b>Demolitions</b>   |                           |                   |                           |                      |                           |                   |                           |                    |                           |                   |
|                      | 16                        | 324,601           | 26                        | 457,901              | 15                        | 66,000            | 21                        | 508,100            | 7                         | 31,000            |
| <b>Misc. *</b>       |                           |                   |                           |                      |                           |                   |                           |                    |                           |                   |
|                      | 95                        | 1,126,707         | 64                        | 913,065              | 128                       | 1,279,665         | 133                       | 1,348,170          | 106                       | 851,718           |
| <b>Totals</b>        | <b>438</b>                | <b>57,349,856</b> | <b>599</b>                | <b>62,680,128</b>    | <b>597</b>                | <b>50,641,262</b> | <b>561</b>                | <b>236,502,920</b> | <b>538</b>                | <b>33,548,150</b> |

## PROPERTY TAX POLICY REVIEW

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There are many variables that ultimately affect the final property taxes on an individual property. In very general terms, the following are the main items affecting property taxes:

### *CVA (Current Value Assessment)*

- Determined by MPAC (Municipal Property Assessment Corporation) which assesses all properties in Ontario
- Currently on a 4 year re-assessment cycle

### *Municipal Tax Rate*

- Determined by Municipal Council annually as part of the Budget process

### *Tax Class Ratio*

- Property classes include Residential, Multi-Residential, Farm, Commercial, Industrial, and Pipeline
- Each class has a class ratio which determines the effective municipal tax rate

### *Education Rate*

- Determined annually by the Ministry of Finance

### *Phase-In Program*

- Instituted by the Province in 2008, any equity based assessment increases are to be phased in over the 4 year assessment cycle

### *Business Class Capping*

- As part of the 1998 Tax reform, business classes (Commercial, Industrial, Multi-Residential) receive tax capping protection on year over year property tax increases

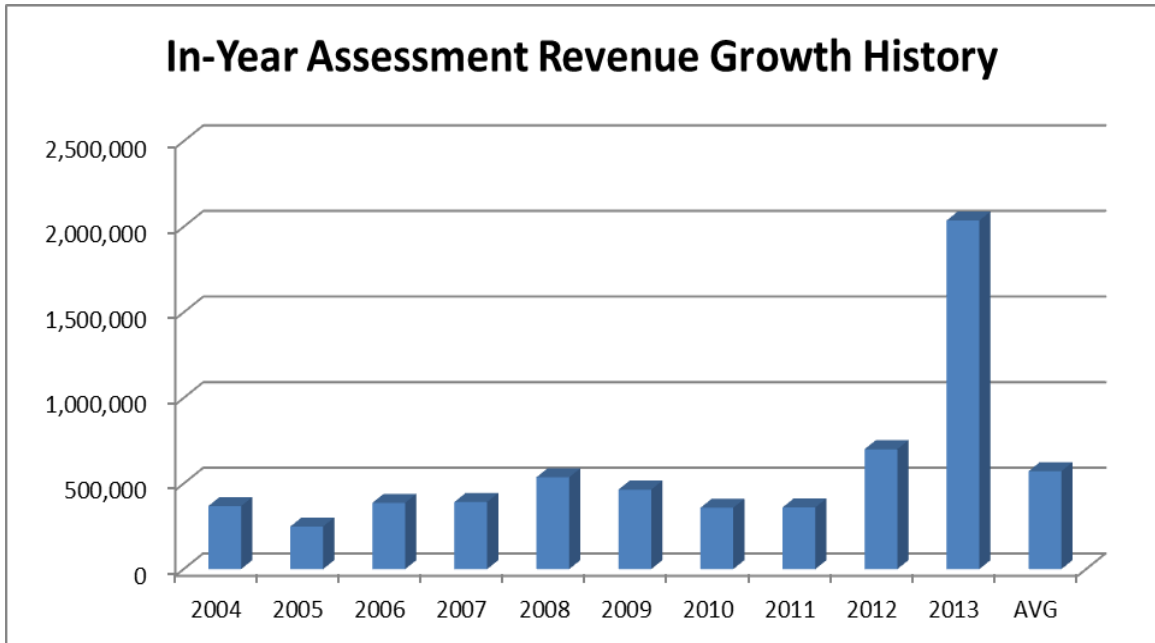
### *Other*

- Vacancy rebates, charitable rebates, Section 357 adjustments, etc.

A common area of confusion is often **Real Assessment Growth** versus **Equity or Market Assessment Growth**. While construed as having the same result, the impact on the City's property tax revenue is very different. A brief summary for each is provided below:

### **Real Assessment Growth:**

This is often referred to as "in-year growth". This growth (negative or positive) will affect the City's property tax revenue. The assessment changes typically associated with real assessment growth are physical changes as in new buildings, additions, etc. and assessment changes from ARB appeals or Minutes of Settlement. Stratford's historical Real Assessment Growth is summarized below:



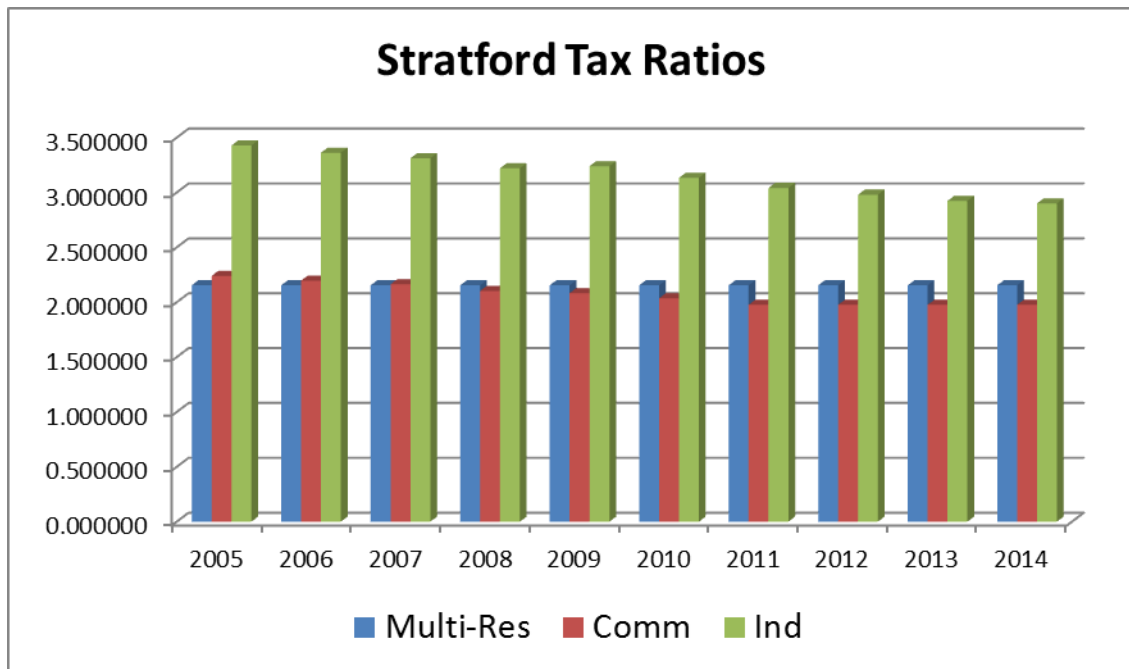
### Equity or Market Assessment Growth

Equity Assessment Growth deals with assessment changes caused by a market reassessment. The current practice is that MPAC performs a market reassessment every 4 years – 2013 was the first year of the current cycle. This causes shifts in property taxation but does not normally result in any change in City property tax revenues. Tax shifts occur within each class (one residential house goes up and one goes down which causes a shift within the residential class) and also across classes (overall residential taxes go up while overall industrial taxes go down). An example of the 2014 tax shifts by class is summarized below:

| Class                  | 2013 Total Year End | 2014 Total        | Tax Shift      |               |
|------------------------|---------------------|-------------------|----------------|---------------|
|                        | Municipal           | Municipal         | Municipal      |               |
|                        |                     |                   | \$             | %             |
| <b>Taxable</b>         |                     |                   |                |               |
| Residential            | 30,858,931          | 30,918,328        | 59,397         | 0.19%         |
| New Multi-residential  | 62,631              | 71,936            | 9,305          | 14.86%        |
| Multi-residential      | 3,567,558           | 3,630,188         | 62,630         | 1.76%         |
| Pipelines              | 136,878             | 136,071           | -806           | -0.59%        |
| Farm                   | 21,089              | 23,847            | 2,759          | 13.08%        |
| Managed Forests        | 0                   | 0                 | 0              | 0.00%         |
| <b>Com Grand Total</b> | <b>9,971,109</b>    | <b>9,913,167</b>  | <b>-57,942</b> | <b>-0.58%</b> |
| <b>Ind Grand Total</b> | <b>3,975,381</b>    | <b>3,900,040</b>  | <b>-75,341</b> | <b>-1.90%</b> |
| <b>Grand Total</b>     | <b>48,593,577</b>   | <b>48,593,578</b> | <b>1</b>       | <b>0.00%</b>  |

## Tax Class Ratios

Tax class ratios are also an important determinant of the final property tax bill of a property. The residential class ratio is always 1.0 and is regarded as the base. Other classes vary and can be adjusted by the local municipality within the Municipal Act guidelines. As an example, if the commercial class ratio is 2.0 – two properties are assessed at the same value, say \$100,000, but one property is in the residential class and one property is in the commercial class; the municipal property taxes for the commercial property will be 2.0 times that of the residential class. This is a general comparison, but actual property taxes may not be exactly 2.0 times as other factors apply – ie. phase-in, capping, education rates, etc. Below is a chart displaying Stratford's historical tax ratios for the Multi-Residential, Commercial, and Industrial classes:



As the chart above indicates, the City of Stratford's tax ratios for Multi-residential and Commercial have remained very stable. The Industrial tax ratio has slightly decreased most years – this is due to the provincial tax ratio rules called "hard cap". For the Industrial class, if a Municipality has a ratio over 1.98 it can only have a levy increase of up to 50% for that class. This rule forces the Industrial ratio in Stratford to decrease slightly each year that the City proposed a tax levy increase.

## 2015 BUDGET RISKS AND CHALLENGES

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There are a number of unknown elements that may have an effect on the 2015 Budget:

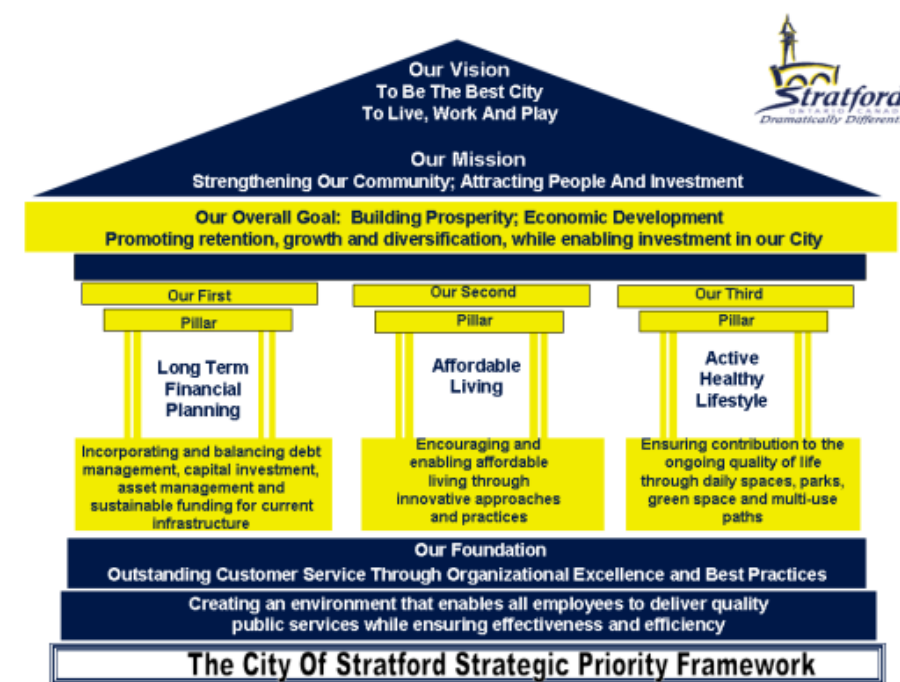
- **Salaries** – a number of union/association contracts are under negotiation or will expire at the end of 2014. CUPE 1385 (inside workers) is currently under negotiations. Police and CUPE 197 (outside workers) contracts expire at the end of 2014.
- **OMERS** – Due to the large deficit within the OMERS pension, rates have increased drastically in 2011, 2012, and 2013. The rate increases were meant to be temporary, however, while some improvement in 2013, the current OMERS deficit is still at \$8.6 billion. The 2014 rates were frozen at 2013 levels and the 2015 rates have not yet been finalized.
- **Infrastructure Deficit** – The City has done a great job of replacing and renewing its infrastructure over the last decade, however, as with all Municipalities, much of the old infrastructure is beginning to reach the end of its lifecycle and investments in capital and capital reserves will have to continue to grow each year. A more detailed Asset Management Plan and Long Term Financing Strategy will be tabled with Council and will be deliberated as part of the 2015 budget.

## FISCAL HEALTH OF THE CITY

The true fiscal health of any Municipality is very complex to analyze and determine, mostly due to the fact that Municipalities are asset heavy and public service oriented. Asset heavy refers to the fact that Canadian Municipalities own and *are responsible for more than 60% of Canada's infrastructure.* (Source: FCM) Furthermore, as a public service entity, many services provided by Municipalities are not necessarily sustainable or profit driven. Another important aspect is the fiscal health of Municipalities needs to be looked at from a very long term time perspective. More than ever, the focus is changing to plan over 25, 30, 50 years and beyond.

In early 2014, Council adopted its Strategic Priorities report – a link to this report is below:

[Stratford Strategic Priorities Final Report Jan 2014](#)



This provides staff and Council with an overall foundation to assist with developing our 2015 Budget plan. As part of meeting our long term financial planning pillar, a detailed asset management plan will be presented to Council as part of the 2015 budget deliberations and important decisions will have to be made over the next few years on how to best fund the asset management plan. Further to these initiatives, during the 2015 budget process, staff will present Council with a long term debt policy and a reserve policy.

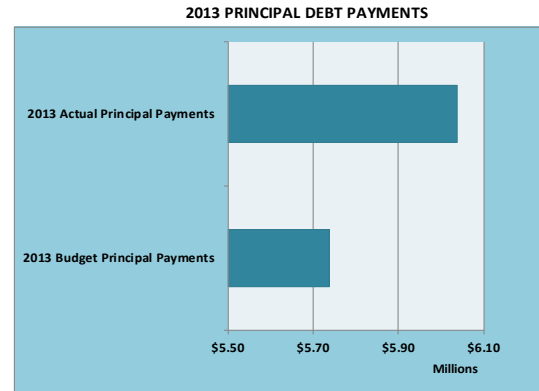
Further information and discussion will take place during the 2015 budget deliberations.

## LONG TERM DEBT:

By the end of 2014, Stratford's total debt load is estimated to be approximately \$83 Million. The City's principal and interest payments are expected to be approximately \$8.5 Million in 2014. A copy of the 2013 Debt report is below:

### CITY OF STRATFORD - LONG TERM DEBT REPORT - 2013

| STRATFORD - LONG TERM DEBT BALANCE |              |               |                              |                              |  |
|------------------------------------|--------------|---------------|------------------------------|------------------------------|--|
| Description                        | Initial Term | Year Complete | Balance at December 31, 2012 | Balance at December 31, 2013 |  |
| RBC - \$3M                         | 20           | 2025          | 2,176,669.14                 | 2,044,249.21                 |  |
| RBC - \$11M                        | 20           | 2022          | 6,860,340.81                 | 6,209,926.17                 |  |
| IO - \$33.5                        | 25           | 2032          | 26,126,979.84                | 24,787,134.72                |  |
| IO - \$1.7M                        | 10           | 2017          | 759,045.73                   | 590,368.89                   |  |
| IO - \$5.7M                        | 20           | 2028          | 4,627,220.04                 | 4,338,018.80                 |  |
| IO - \$21.042M                     | 15           | 2026          | 19,639,792.66                | 18,236,950.32                |  |
| IO - \$5.5M                        | 15           | 2024          | 4,400,000.02                 | 4,033,333.36                 |  |
| IO - \$1.295M                      | 25           | 2034          | 1,181,992.74                 | 1,142,032.80                 |  |
| IO - \$16.8M                       | 25           | 2034          | 14,798,405.60                | 14,125,750.80                |  |
| IO - \$1.34M                       | 20           | 2024          | 804,000.00                   | 737,000.00                   |  |
| Unfinanced                         |              |               | 12,061,993.79                | 12,500,000.00                |  |
| <b>SubTotal</b>                    |              |               | <b>\$ 93,436,440.37</b>      | <b>\$ 88,744,765.07</b>      |  |



|                    |    |          |    |          |
|--------------------|----|----------|----|----------|
| DEBT PER CAPITA    | \$ | 3,025.20 | \$ | 2,873.30 |
| DEBT PER HOUSEHOLD | \$ | 6,649.33 | \$ | 6,315.45 |

#### 2013 Debt Changes:

##### Refinanced RBC Debt

- Interest Rate reduced from 4.5% to 2.63%
- Annual P&I payments remain unchanged
- Debt will be repayed 11 months earlier
- Interest savings of approximately \$700,000

##### 2012 Surplus

- Approximately \$150,000 allocated to Unfinanced Debt

| BMA Study - Financial Indicators             | 2012      | 2013      | Survey Average |
|--|-----------|-----------|----------------|
| Financial Position per Capita                | (\$2,004) | (\$1,943) | \$182          |
| Tax Debt Interest as % of Own Source Revenue | 2.10%     | 2.80%     | 1.60%          |
| Debt to Reserve Ratio                        | 4.1       | 3.8       | 1.2            |
| Debt O/S per \$100,000 Unweighted Assessment | \$2,852   | \$2,597   | \$561          |

NOTE - BMA Study results are from FIR Data for the previous year (ex. 2012 report is from 2011 FIR Data)

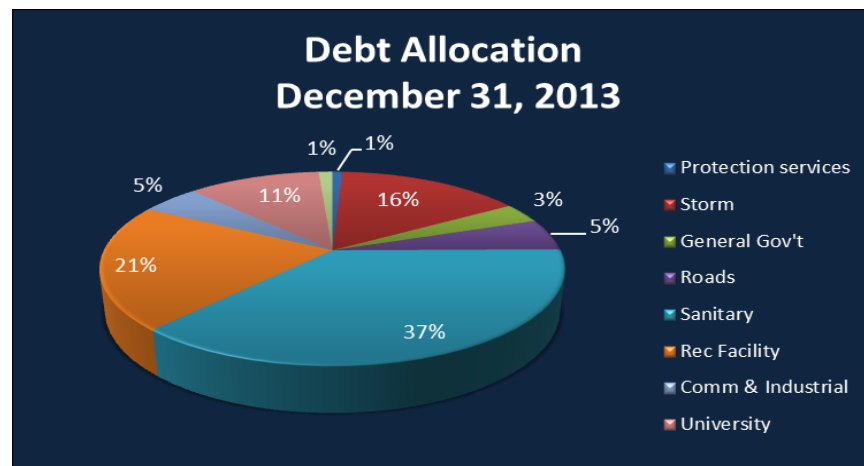
Full BMA Study can be found on the the City's Website

#### 2014 Annual Repayment Limit (ARL)

The Ministry of Municipal Affairs provides each Municipality in Ontario with a calculator of the ARL prescribed under Ontario Regulation 403/02

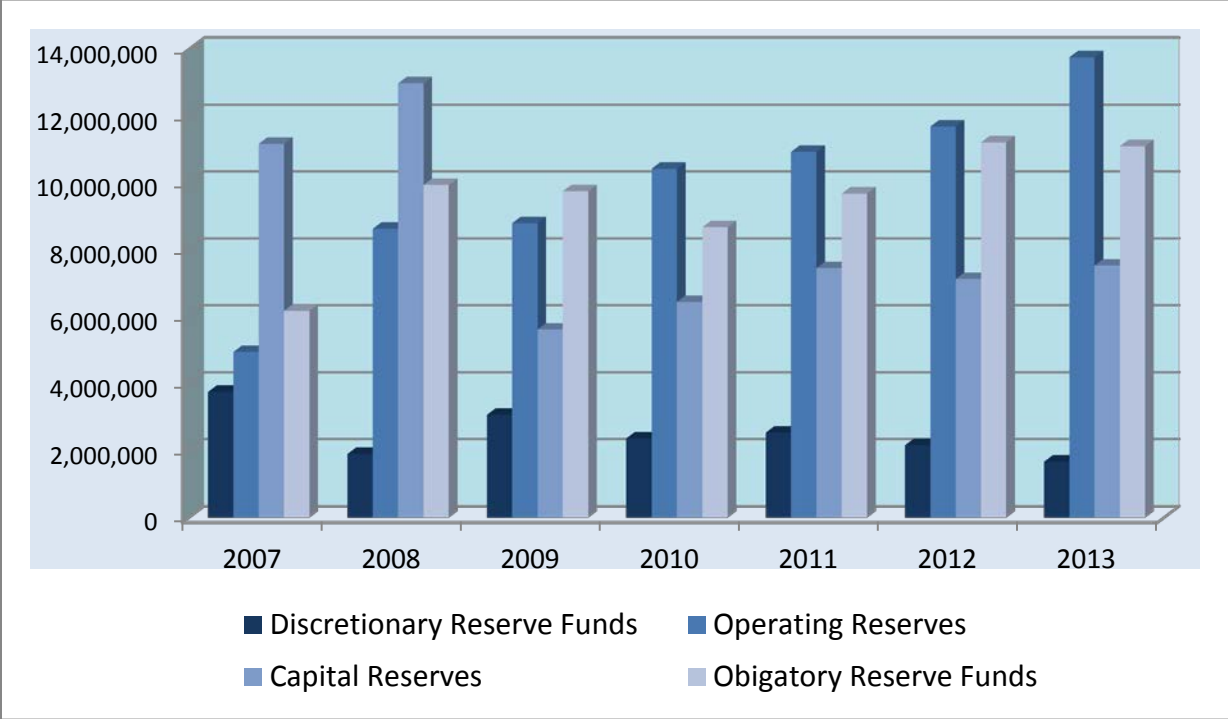
For 2014, Stratford's ARL is **\$11,589,264**

This means the City can incur debt with principal and interest payments not exceeding the ARL. As an example, the City could borrow \$144,000,000 over 20 year at 5% interest.



**RESERVES AND RESERVE FUNDS:**

The City puts aside money annually to fund future expenses and liabilities. Discretionary reserve funds include parking funds and industrial land sale funds, along with other specialized items which are invested and gain interest. Operating reserves are in place to deal with future operating liabilities like short term sick leaves, working capital, elections, etc. Capital reserves are put in place for the future replacement of vehicles, machinery, roads, and all other infrastructure. Obligatory reserves represent funds that have legislative requirements, namely development charges and federal & provincial gas tax. The balances as of end of 2013 for each category are listed below, along with a yearly history dating back to 2007:



What amount of reserves is required for a Municipality to be financially stable is a topic of ongoing conversation amongst Municipal leaders, experts, and associations. There is no easy answer, however within the asset management plan, staff will provide a link comparing the current state of our infrastructure, how much we have in capital reserves, and how we will need in reserves in the future. This information will assist Council in determining reserve funding policies for the 2015 budget and beyond.



## CITY SERVICES OVERVIEW

The following table provides a brief summary of information by Department for each division within the City of Stratford.

- FTEs = full time employees
- Casual = casual employees with no fixed hours

| <b>Office of the Mayor</b>         |                  |                    |                    |                 | <b>2013</b>        | <b>2013</b>        | <b>2013</b>      |
|------------------------------------|------------------|--------------------|--------------------|-----------------|--------------------|--------------------|------------------|
| <b>Division</b>                    | <b># of FTEs</b> | <b># of Casual</b> | <b>2014 Budget</b> | <b>% of Tax</b> | <b>Actual</b>      | <b>Budget</b>      | <b>Variance</b>  |
| Mayor's Office                     |                  |                    | \$84,254           | 0.18%           | \$82,018           | \$82,975           | \$957            |
| <b>City Council</b>                |                  |                    |                    |                 | <b>2013</b>        | <b>2013</b>        | <b>2013</b>      |
| <b>Division</b>                    | <b># of FTEs</b> | <b># of Casual</b> | <b>2014 Budget</b> | <b>% of Tax</b> | <b>Actual</b>      | <b>Budget</b>      | <b>Variance</b>  |
| Council Services                   |                  |                    | \$232,470          | 0.50%           | \$193,246          | \$229,525          | \$36,279         |
| <b>Chief Administrative Office</b> |                  |                    |                    |                 | <b>2013</b>        | <b>2013</b>        | <b>2013</b>      |
| <b>Division</b>                    | <b># of FTEs</b> | <b># of Casual</b> | <b>2014 Budget</b> | <b>% of Tax</b> | <b>Actual</b>      | <b>Budget</b>      | <b>Variance</b>  |
| Office of the C.A.O.               | 3.0              | 1                  | \$454,565          | 0.96%           | \$441,683          | \$414,205          | (\$27,478)       |
| <b>Human Resources</b>             |                  |                    |                    |                 | <b>2013</b>        | <b>2013</b>        | <b>2013</b>      |
| <b>Division</b>                    | <b># of FTEs</b> | <b># of Casual</b> | <b>2014 Budget</b> | <b>% of Tax</b> | <b>Actual</b>      | <b>Budget</b>      | <b>Variance</b>  |
| Human Resources                    | 4.0              |                    | \$561,094          | 1.19%           | \$478,352          | \$531,562          | \$53,210         |
| <b>Corporate Services</b>          |                  |                    |                    |                 | <b>2013</b>        | <b>2013</b>        | <b>2013</b>      |
| <b>Division</b>                    | <b># of FTEs</b> | <b># of Casual</b> | <b>2014 Budget</b> | <b>% of Tax</b> | <b>Actual</b>      | <b>Budget</b>      | <b>Variance</b>  |
| City Clerk's Office                |                  |                    | \$460,430          | 0.98%           | \$490,816          | \$431,893          | (\$58,923)       |
| Financial Services                 |                  |                    | \$1,138,436        | 2.41%           | \$1,146,428        | \$1,155,008        | \$8,580          |
| Info. Technology                   |                  |                    | \$787,221          | 1.67%           | \$717,095          | \$755,453          | \$38,358         |
| Parking                            |                  |                    | Rate Supported     | -0.50%          | (\$238,691)        | (\$238,691)        | 0                |
| Crossing Guards                    |                  |                    | \$154,317          | 0.33%           | \$129,558          | \$157,176          | \$27,618         |
| General Financial Serv             |                  |                    | \$6,178,970        | 13.06%          | \$4,479,809        | \$5,393,950        | \$914,141        |
| <b>TOTAL</b>                       | <b>21.89</b>     |                    | <b>\$8,719,374</b> | <b>18.42%</b>   | <b>\$6,725,015</b> | <b>\$7,654,789</b> | <b>\$929,774</b> |

| Community Services            |              |             |                    |               | 2013               | 2013               | 2013               |
|-------------------------------|--------------|-------------|--------------------|---------------|--------------------|--------------------|--------------------|
| Division                      | # of FTEs    | # of Casual | 2014 Budget        | % of Tax      | Actual             | Budget             | Variance           |
| Parks                         |              |             | \$1,881,275        | 3.98%         | \$1,748,698        | \$1,859,931        | \$111,233          |
| Recreation                    |              |             | \$1,815,883        | 3.84%         | \$1,898,551        | \$1,777,940        | (\$120,611)        |
| Cemetery                      |              |             | \$163,965          | 0.35%         | \$270,362          | \$160,164          | (\$110,198)        |
| Regular Transit               |              |             | \$1,253,331        | 2.65%         | \$1,590,702        | \$1,224,115        | (\$366,587)        |
| Parallel Transit              |              |             | \$334,911          | 0.71%         | \$328,947          | \$328,270          | (\$677)            |
| <b>TOTAL</b>                  | <b>68.59</b> | <b>88</b>   | <b>\$5,449,365</b> | <b>11.52%</b> | <b>\$5,837,260</b> | <b>\$5,350,420</b> | <b>(\$486,840)</b> |
| Infrastructure & Dev Services |              |             |                    |               | 2013               | 2013               | 2013               |
| Division                      | # of FTEs    | # of Casual | 2014 Budget        | % of Tax      | Actual             | Budget             | Variance           |
| Building & Planning           |              |             | \$323,837          | 0.69%         | \$154,963          | \$317,893          | \$162,930          |
| Engineering                   |              |             | \$813,021          | 1.72%         | \$776,602          | \$832,262          | \$55,661           |
| City Building Maintce.        |              |             | \$420,740          | 0.89%         | \$418,944          | \$408,774          | (\$10,170)         |
| Roads                         |              |             | \$3,327,267        | 7.03%         | \$3,647,405        | \$3,210,812        | (\$436,593)        |
| Sanitary                      |              |             | Rate Supported     | 0             | 0                  | Rate Supported     | 0                  |
| Storm                         |              |             | \$282,506          | 0.60%         | \$204,628          | \$274,147          | \$69,519           |
| Water                         |              |             | Rate Supported     | 0             | 0                  | Rate Supported     | 0                  |
| Waste                         |              |             | Rate Supported     | 0             | 0                  | Rate Supported     | 0                  |
| <b>TOTAL</b>                  | <b>79.63</b> | <b>5</b>    | <b>\$5,167,371</b> | <b>10.92%</b> | <b>\$5,202,542</b> | <b>\$5,043,888</b> | <b>(\$158,653)</b> |
| Social Services               |              |             |                    |               | 2013               | 2013               | 2013               |
| Division                      | # of FTEs    | # of Casual | 2014 Budget        | % of Tax      | Actual             | Budget             | Variance           |
| Social Services               |              |             | \$958,173          | 2.03%         | \$963,811          | \$950,645          | (\$13,166)         |
| Anne Hathaway Daycare         |              |             | \$77,835           | 0.17%         | \$142,346          | \$76,868           | (\$65,478)         |
| Housing                       |              |             | \$1,621,141        | 3.43%         | \$1,490,594        | \$1,509,051        | \$18,457           |
| Child Care                    |              |             | \$333,062          | 0.71%         | \$342,568          | \$335,024          | (\$7,544)          |
| EL & CD                       |              |             | 0                  | 0             | 0                  | 0                  | 0                  |
| <b>TOTAL</b>                  | <b>49.8</b>  | <b>6</b>    | <b>\$2,990,211</b> | <b>6.32%</b>  | <b>\$2,939,319</b> | <b>\$2,871,588</b> | <b>(\$67,731)</b>  |
| Fire                          |              |             |                    |               | 2013               | 2013               | 2013               |
| Division                      | # of FTEs    | # of Casual | 2014 Budget        | % of Tax      | Actual             | Budget             | Variance           |
| Fire                          | 52.0         |             | \$6,623,888        | 14.0%         | \$6,492,782        | \$6,498,151        | \$5,369            |

| <b>Police</b>                   |                  |                    |                    |                 | <b>2013</b>   | <b>2013</b>   | <b>2013</b>     |
|---------------------------------|------------------|--------------------|--------------------|-----------------|---------------|---------------|-----------------|
| <b>Division</b>                 | <b># of FTEs</b> | <b># of Casual</b> | <b>2014 Budget</b> | <b>% of Tax</b> | <b>Actual</b> | <b>Budget</b> | <b>Variance</b> |
| Police                          | 75.0             | 3                  | \$9,779,855        | 20.66%          | \$9,154,361   | \$9,404,160   | \$249,799       |
| <b>Library</b>                  |                  |                    |                    |                 | <b>2013</b>   | <b>2013</b>   | <b>2013</b>     |
| <b>Division</b>                 | <b># of FTEs</b> | <b># of Casual</b> | <b>2014 Budget</b> | <b>% of Tax</b> | <b>Actual</b> | <b>Budget</b> | <b>Variance</b> |
| Library                         | 25.4             |                    | \$1,980,639        | 4.19%           | \$1,930,509   | \$1,941,736   | \$11,227        |
| <b>Airport</b>                  |                  |                    |                    |                 | <b>2013</b>   | <b>2013</b>   | <b>2013</b>     |
| <b>Division</b>                 | <b># of FTEs</b> | <b># of Casual</b> | <b>2014 Budget</b> | <b>% of Tax</b> | <b>Actual</b> | <b>Budget</b> | <b>Variance</b> |
| Airport                         |                  |                    | \$170,834          | 0.36%           | \$168,587     | \$164,489     | (\$4,098)       |
| <b>Grants</b>                   |                  |                    |                    |                 | <b>2013</b>   | <b>2013</b>   | <b>2013</b>     |
| <b>Division</b>                 | <b># of FTEs</b> | <b># of Casual</b> | <b>2014 Budget</b> | <b>% of Tax</b> | <b>Actual</b> | <b>Budget</b> | <b>Variance</b> |
| Grants                          |                  |                    | \$678,845          | 1.44%           | \$841,945     | \$676,338     | (\$165,607)     |
| <b>Requisitions From Others</b> |                  |                    |                    |                 | <b>2013</b>   | <b>2013</b>   | <b>2013</b>     |
| <b>Division</b>                 | <b># of FTEs</b> | <b># of Casual</b> | <b>2014 Budget</b> | <b>% of Tax</b> | <b>Actual</b> | <b>Budget</b> | <b>Variance</b> |
| Req. From Others                |                  |                    | \$6,348,724        | 13.42%          | \$6,261,756   | \$5,532,207   | (\$729,550)     |
| <b>Other Mun Services</b>       |                  |                    |                    |                 | <b>2013</b>   | <b>2013</b>   | <b>2013</b>     |
| <b>Division</b>                 | <b># of FTEs</b> | <b># of Casual</b> | <b>2014 Budget</b> | <b>% of Tax</b> | <b>Actual</b> | <b>Budget</b> | <b>Variance</b> |
| Other Mun Serv.                 |                  |                    | \$210,699          | 0.45%           | \$115,655     | \$192,265     | \$76,610        |

## RECOMMENDATION

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This report is intended to provide Council, staff, and the public some general information to help guide 2015 budget discussions. More detailed information will be made available throughout the budget deliberations. This report will be presented at the July 2, 2014 Finance and Labour Relations Committee meeting. The Committee will have the opportunity to provide any further direction or priorities as it sees fit for the 2015 Budget process.

Staff recommends:

**That the 2015 Pre-Budget Report dated July 2, 2014, be received.**