

SPECIAL COMMITTEE OF THE WHOLE – MARCH 4, 2002

DRAFT 2002 CAPITAL AND OPERATING BUDGETS (BUDGET SUB-COMMITTEE MEETING OF FEBRUARY 7, 2002)

Recommendation

The Budget Sub-Committee recommends:

- 1) That Clauses 1, 2 and 5 contained in the following report of the Commissioner of Corporate Services/Treasurer, dated February 7, 2002, be approved;
- 2) That the following approach to funding the Reconstruction of the Thornhill Pool be approved:
 1. That staff re-apply to the Ontario Superbuild program indicating a reduced request for Provincial funding; and
 2. That staff investigate and utilize other funding sources such as the Lion's Club and that long term debt only be utilized as a last resort after exploring all options;
- 3) That Option 2 be approved and that the Library Board purchase the land for the new resource library from the City, and in turn the City provide a grant to the Library Board in the same amount;
- 4) That \$110,000 from development charges be allocated for the Father Ermanno Bulfon Community Centre to provide for separate male and female shower areas and that staff investigate the glass partition component of the project and allocate the necessary funds, not to exceed \$30,000, from development charges;
- 5) That a \$1,000,000 commitment over five years for the Bartley Smith Greenway and Granger Greenway be approved and that staff provide a report regarding these initiatives;
- 6) That \$50,000 be allocated to the Bartley Smith Greenway initiative and \$50,000 be allocated to the Granger Greenway initiative for 2002 and that the funds be taken from the Commissioner of Development Services and Public Works budget; and
- 7) That the \$50,000 for the removal of the boulevard adjacent to Thornhill Public School to construct a lay-by lane for the drop off and pick up of children be referred to the Budget Sub-Committee's deliberations for 2003.

Report of the Commissioner of Corporate Services/Treasurer

The Commissioner of Corporate Services/Treasurer in consultation with the City Manager and the Senior Management Team recommends:

- 1) That the following report be received for information purposes;
- 2) That subject to any changes at the February 7, 2002 Budget Sub-Committee meeting the City's 2002 Operating Budget, which includes a 4% average tax rate increase and the 2002 Capital Budget be forwarded to the February 18, 2002 public meeting;
- 3) That notwithstanding the previous direction from the Budget Sub-Committee the following approach to funding the Reconstruction of the Thornhill Pool be approved:

1. With Sub-Committee concurrence, staff will re-apply to the Ontario Superbuild program indicating a reduced request for Provincial funding;
 2. That staff investigate and utilize other funding sources that may be identified prior to utilizing long term debt; and
 3. That only after exploring the above options the net amount of any funding required is financed through long-term debt.
- 4) That the Budget Sub-Committee provides direction to staff with respect to which option is most appropriate to address the Library Boards request for additional funding for the new resource library; and
- 5) That staff be directed to review all taxation funded capital projects that may be under budget and any other potential funding sources in order to fund the co-funding requirements if additional funds are provided for the construction of the resource library.

Purpose

This report provides an update to the Budget Sub-Committee since the January 29, 2002 meeting, identifies the fact that the 2002 Operating Budget is now balanced with an average 4% tax increase and provides options with respect to the request from the Library Board for additional funding for the construction of the new resource library.

Background - Analysis and Options

At the January 29, 2002 Budget Sub-Committee meeting some changes were made to the draft 2002 Operating and Capital Budgets. These changes are summarized in Attachment 2. The impact of these changes on the draft 2002 Operating Budget are provided on Attachment 1. Attachment 1 indicates that an additional \$3.9 M in savings is required to be identified in order to cap the 2002 tax rate increase at 4%.

Senior management approached this challenge in two ways. First, to recommend an alternative to taxation for the \$1.6M in financing required for the pool reconstruction and secondly management identified changes to the operating budget to achieve the balance of \$2.3M. The changes to the operating budget represent changes made to departmental budgets across the organization. The changes are summarized below.

	(000's)
	\$
➤ Winter Control, Public Works	300
➤ Spring/Summer/Fall Activities/Roads	50
➤ Solid Waste Collection	215
➤ Line Painting	50
➤ Parks (Winter) Maintenance	150
➤ Tree (Arborist) Maintenance	150
➤ Library Services	150
➤ Financial, Purchasing, Reserves, Budgeting, Human Resources	150
➤ O.M.B. Hearing Fees (Legal & Planning)	300
➤ Buildings and Facilities (General Maintenance Accounts)	300
➤ Recreation (General Accounts)	100
➤ Community Planning/Urban Design/Building Standards	150
➤ Clerk's - Revenue Additional	50
- Salary / Benefits	65
- Computer Software	50
- Postage	70
Total	<u>\$2,300</u>

With these changes the Operating budget is balanced with a 4% tax rate increase.

At the January 28, 2002 Budget Sub-Committee meeting 5 new by-law officers were added to the budget on the basis that the cost is revenue neutral. Staff has been reviewing the role of the new by-law officers to fully assess the objectives of the positions and the revenue that can be expected. Staff will be bringing forward a report on this matter to a future Budget Sub-Committee meeting.

With respect to the funding for the reconstruction of the Thornhill pool staff will be reapplying to the Superbuild program for Provincial funding. The revised application will reflect the reduced overall cost of the project and a lower request for provincial funding. In addition staff will be investigating other funding sources for the pool and only after exploring these options would long-term debt be used to fund the balance of the project.

Resource Library

In 2001 Council approved \$4,552,000 to construct a new resource library. In addition, funds were approved to purchase the necessary lands. The resource library was identified in the DC background study as a growth related facility. As a growth related facility 90% is funded from development charges and 10% must be co-funded from a source other than development charges. The source was identified as taxation.

The amount included in the current DC background study is based on \$174/sq ft to cover all costs. In late 2001 the Library requested an increase in funding based on the design of the building and increased construction costs. The increased cost represents \$265/sq ft. Recognizing that costs have increased since the DC background study was initially prepared, staff indexed the \$174/sq ft to provide an estimate of an updated cost per square foot. The index used was the Statistics Canada Quarterly Construction Price Index, catalogue 62-007, the non-residential building construction price indexes. The indexed amount is \$195/sq ft. The difference between the Libraries request and the indexed cost per square foot represents an additional \$2.5 M, 10% of which would be required from taxation (\$250,000).

Following a Budget Sub-Committee meeting in January the Library submitted a revised costing to the City. The revised costing uses \$246/sq ft. Based on 26,800 square foot an additional \$2.0 M is required, with 10% co-funding (\$200,000). The Library also provided the option of increasing the size of the Library to 36,000 square feet. If the size of the structure is increased to 36,000 square feet then an additional \$4.3M is required, with 10% co-funding (\$430,000).

It should be noted that there is approximately \$753,000 in the Library Services DC account as at the end of 2001 after taking out the original budget amount for construction and lands acquisition of \$4,685,000 that was previously approved. The original amount was approved to ensure service levels for DC purposes do not deteriorate. Additional funding approvals will put the account into a deficit position.

The DC background study is being reviewed for the purpose of updating the contents. Until an updated DC By-law is approved and the appeal period has elapsed there is no certainty as to what the final amount for library services that can be included in DC rate. Consequently, there is a risk that any additional funds that may be added to the construction budget may not be fully recoverable from DC's. Any shortfall would most likely be funded from taxation and therefore a cautious approach should be taken.

The following methodology may be helpful to the Budget Sub-Committee when considering the Library Boards request.

Size of the Resource Library

To increase the size of the library would require a further \$2.3M in addition to the \$2.0M referred to above. Given the substantial difference between the indexed construction costs per square foot (\$195/sq ft) and the cost based on the design of the library (\$246 sq ft) it would seem appropriate that the size of the library **not** be increased from 26,800 to 36,000 square feet. Increasing the amount of space would create greater future uncertainty depending on the cost to construct that is used. It would also create a greater deficit in the account. If the size of the library is not increasing then the exposure is reduced. Based on the differential in the cost per square foot (\$195 - \$246) and the additional square footage (26,800 to 36,000) this uncertainty would be \$500,000.

Cost Per Square Considerations

It is reasonable to index the construction costs in the current DC background study and use these new rates. Using the index referred to above the new rate would be \$195/sq ft. There are two options to consider:

- Option 1 Redesign the library to achieve construction costs of \$195/sq ft. This rate would then be used as the average construction cost for library services in the update of the DC background study. This would provide \$563,000 in additional funding to the library. Of this amount \$56,000 is required through co-funding (taxation).

- Option 2 Use \$215/sq ft as the average construction cost in the DC background study for library services. Although this is above the indexed amount, the City's exposure to the amount not yet being approved as part of the DC rate is reduced since the cost per square foot has been reduced. This would provide \$1.1M in additional funding to the library. Of this amount \$110,000 is required through co-funding (taxation).

Regardless which option the Sub-Committee recommends additional taxation funds are required. It is recommended staff review the complete list of all taxation approved capital projects to identify funds to cover the taxation portion of options 1 or 2.

Conclusion

If the recommendations are fully adopted the operating budget is balanced and includes a 4% average tax rate increase and a Capital Budget of approximately \$58M.

Attachments (Not Attached – a copy is available in the office of the City Clerk)

- Attachment 1 – Operating Budget Status
- Attachment 2 – Taxation Funded Capital Projects

Respectfully submitted,

Councillor Bernie Di Vona, Chair