



AGENDA

BUDGET COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

WEDNESDAY, JUNE 10, 2015 – 1:00 PM

(Please note the meeting will **not** begin prior to 1:00 pm and is subject to the completion of the Council meeting)

COUNCIL CHAMBER

SECOND FLOOR, CIVIC CENTRE

300 CITY CENTRE DRIVE, MISSISSAUGA, ONTARIO, L5B 3C1

www.mississauga.ca

Members

Mayor Bonnie Crombie	(CHAIR)
Councillor Jim Tovey	Ward 1
Councillor Karen Ras	Ward 2
Councillor Chris Fonseca	Ward 3
Councillor John Kovac	Ward 4
Councillor Carolyn Parrish	Ward 5
Councillor Ron Starr	Ward 6
Councillor Nando Iannicca	Ward 7
Councillor Matt Mahoney	Ward 8
Councillor Pat Saito	Ward 9
Councillor Sue McFadden	Ward 10
Councillor George Carlson	Ward 11

Contact:

Sacha Smith, Legislative Coordinator, Office of the City Clerk
905-615-3200 ext. 4516 / Fax 905-615-4181
sacha.smith@mississauga.ca



**Meetings of Budget Committee streamed
live and archived at mississauga.ca/videos**

CALL TO ORDER

APPROVAL OF AGENDA

DECLARATIONS OF CONFLICT OF INTEREST

DEPUTATIONS

- A. Jeff Jackson, Director, Finance and Treasurer with respect to the 2016-2018 Business Plan & 2016 Budget Outlook

PUBLIC QUESTION PERIOD

(Persons who wish to address the Budget Committee about a matter on the Agenda. Persons addressing the Budget Committee with a question should limit preamble to a maximum of two statements sufficient to establish the context for the question. Leave must be granted by the Committee to deal with any matter not on the Agenda)

MATTERS TO BE CONSIDERED – Nil

EDUCATION SESSION

Jim Bruzzese, President, BMA Consulting Inc. to provide an Education Session regarding the Long Range Financial Plan during open session in the Council Chamber.

CLOSED SESSION – Nil

ADJOURNMENT

2016-2018 Business Plan & 2016 Budget Outlook

Agenda

- 2016 Highlights
- Financial Plan
- Budget Engagement
- Long Range Financial Plan
- Next Steps

2016 Highlights

Initiatives to be presented and approved in Nov/Dec

- MiWay Service Growth \$1.7 m
- Low Income Transit Pass Pilot Program \$0.9 m
- Mississauga Transitway \$0.5 m
- Lean Program Support \$0.29 m
- Parkland Growth \$0.29 m
- Reopening of Meadowvale Community Ctr \$0.26 m
- 2016 Ontario Summer Games \$0.25 m
- Update Downtown 21 Plan \$0.25 m

2016 Highlights

Stormwater

- Rate charge beginning in 2016
- \$6.7 million moved from Tax Base

LRT

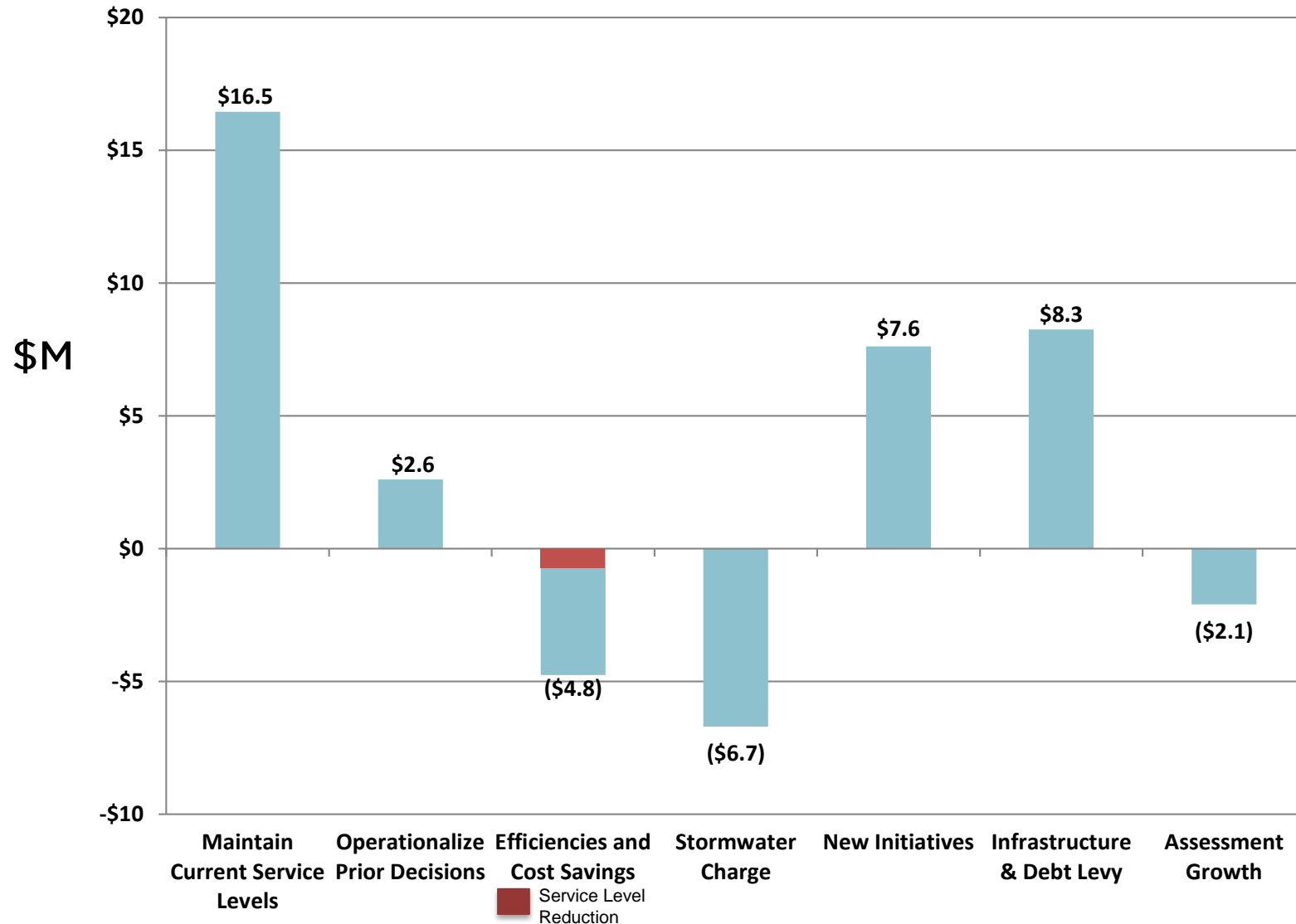
- \$1.6 billion Capital funding announced
- Construction to begin 2017/2018
- In-service operation by 2022

- Report to Council – end of June

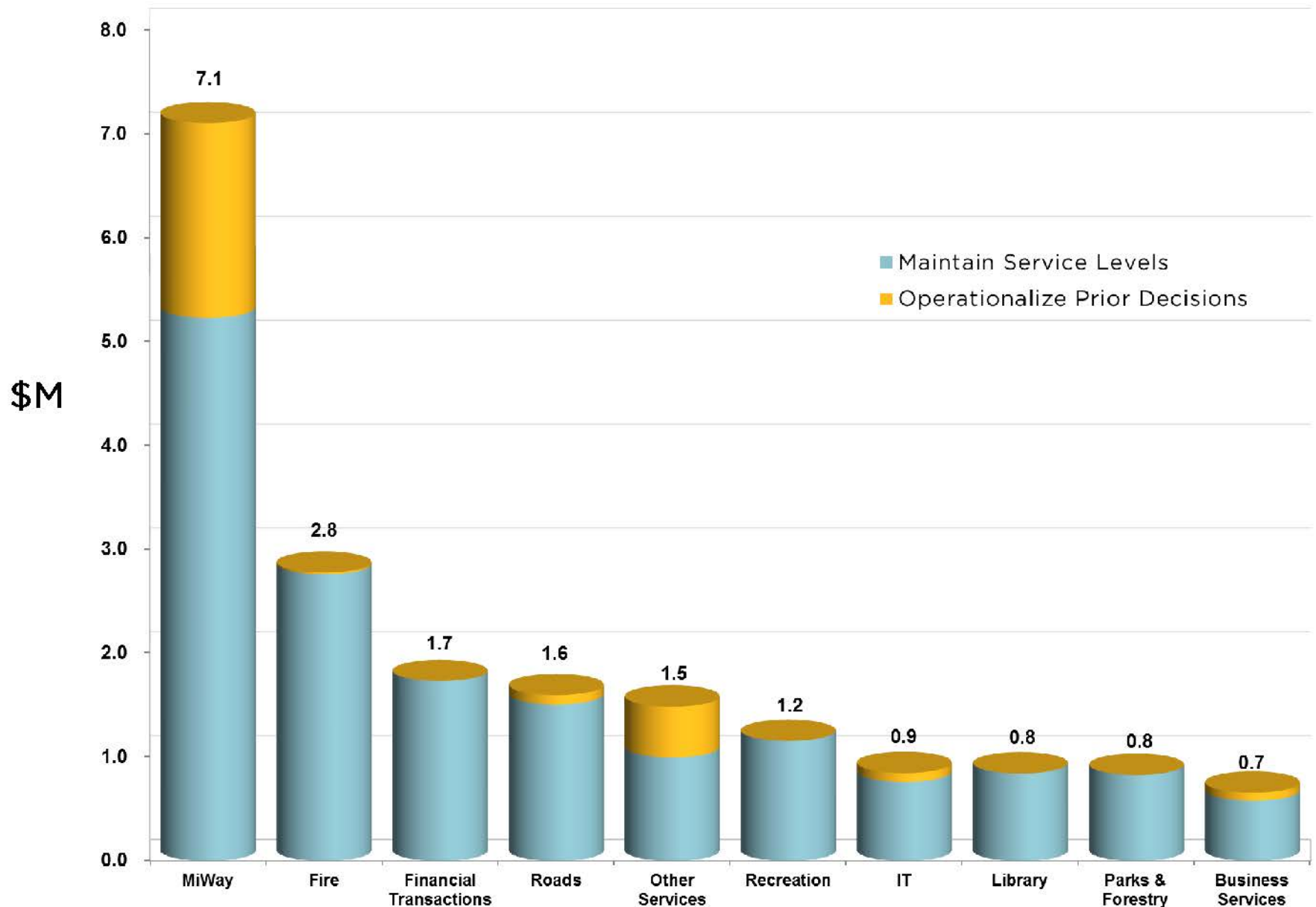
Financial Plan

2016 Operating Budget Summary

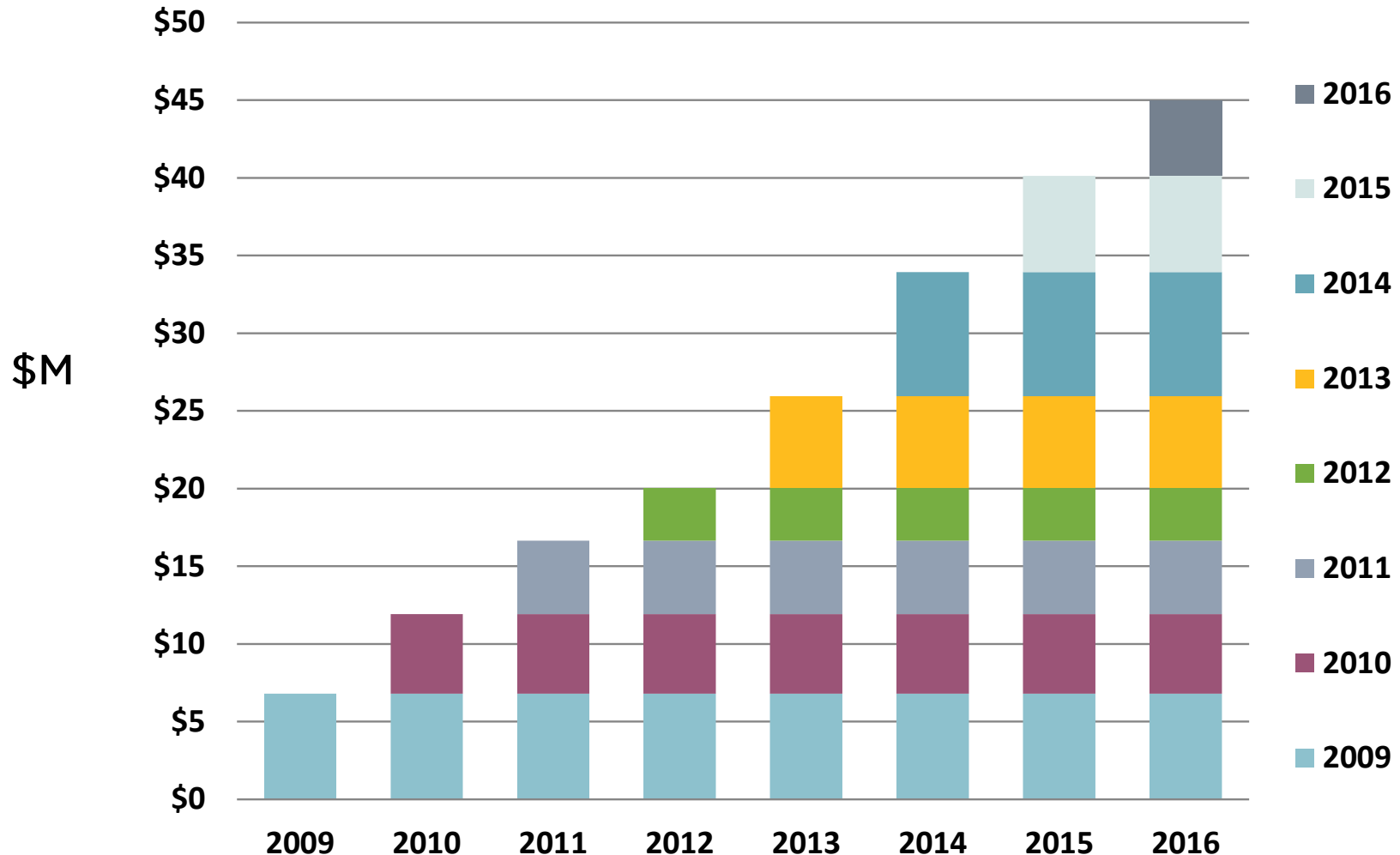
\$21.4 million net change



Cost to Maintain Service Levels



Efficiencies and Cost Savings 2009-2016 \$45million



2016 Efficiencies and Cost Savings \$4.1 million

- \$0.8 MiWay – Overtime & Relief Positions
- \$0.7 Roads – Streetlighting
- \$0.5 Labour efficiencies
- \$0.5 Utilities savings
- \$0.5 Professional Services - Various
- \$0.4 Materials & Supplies - Various
- \$0.2 IT Maintenance Contracts
- \$0.4 Other Various Reductions

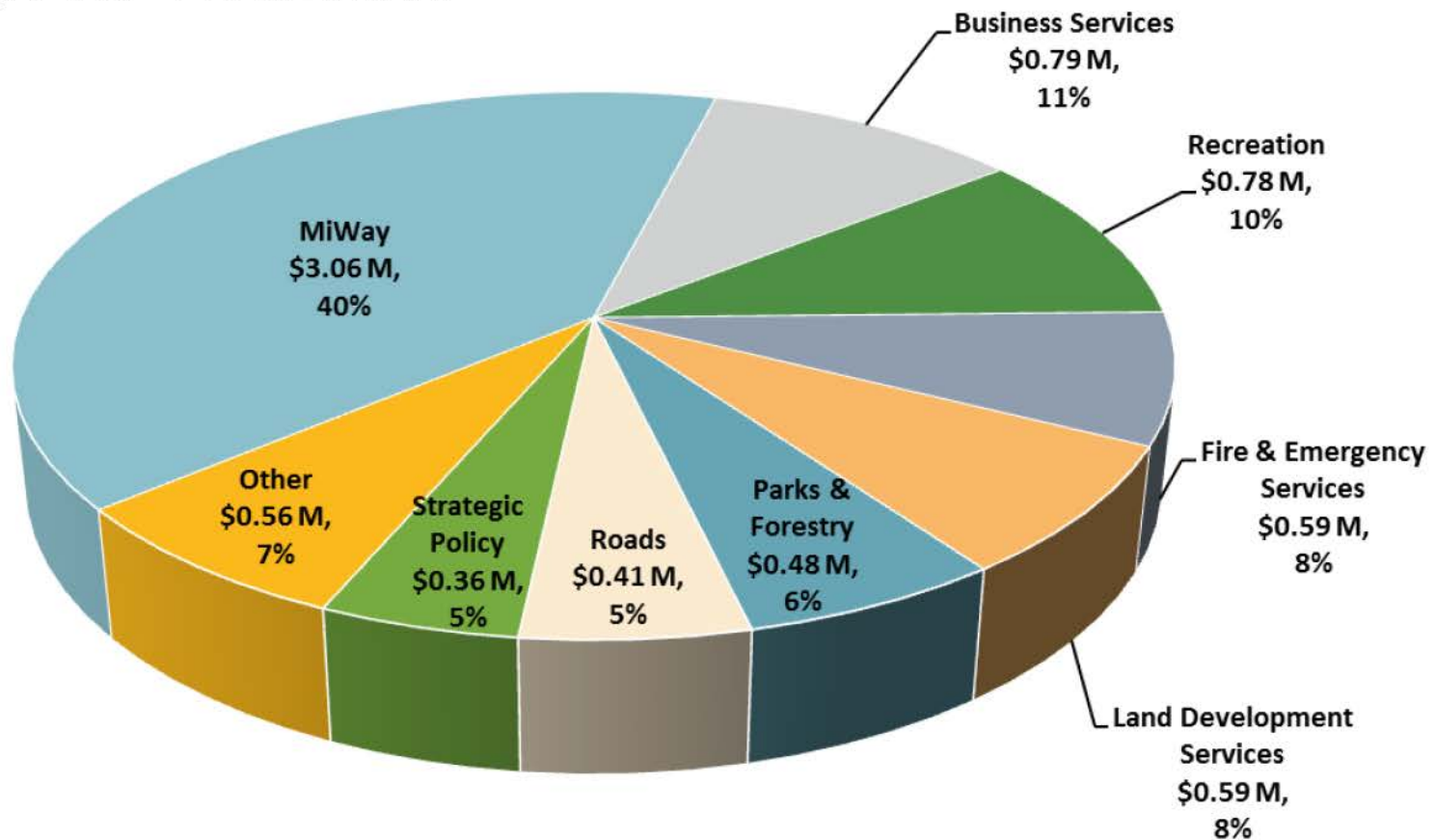
Service Level Reduction* Council Direction in Fall.

- \$0.7 MiWay service reductions

Proposed New Initiatives

2016 Operating Budget impacts

\$7.6 million



Proposed 2016-2018 Operating Budget

Description	2016 (\$M)	% Change	2017 (\$M)	2018 (\$M)
Prior Year Budget	\$412.9		\$434.3	\$458.0
Changes to Maintain Current Service Levels	\$16.5	4.0%	\$11.2	\$8.9
Changes to Operationalize Prior Decisions	\$2.6	0.6%	(\$0.1)	\$0.0
Changes to Efficiencies and Cost Savings	(\$4.8)	(1.2%)	(\$4.9)	(\$4.7)
Business As Usual	\$14.3	3.5%	\$6.3	\$4.2
Stormwater Charge	(\$6.7)	(1.6%)		
New Initiatives	\$7.6	1.8%	\$10.0	\$6.2
Assessment Growth	(\$2.1)	(0.5%)	(\$1.3)	(\$1.4)
Proposed Budget Excluding Special Purpose Levy	\$426.1	3.2%	\$449.3	\$467.0
Special Purpose Levy				
Capital Infrastructure Levy and Debt Repayment Levy	\$8.3	2.0%	\$8.7	\$9.2
Proposed Budget	\$434.3	5.2%	5.4%	4.0%

2016 Projected Tax Bill Impact

Impact on Residential Tax Bill

Description	City	Region (Target)	Education	Total
Required to Fund Ongoing Operations	1.1%	0.5%	0.0%	1.5%
Capital Infrastructure and Debt Repayment Levy	0.7%	0.5%	0.0%	1.1%
Total	1.7%	0.9%	0.0%	2.6%

Impact on Commercial/Industrial Tax Bill

Description	City	Region (Target)	Education	Total
Required to Fund Ongoing Operations	0.6%	0.3%	0.0%	0.9%
Capital Infrastructure and Debt Repayment Levy	0.4%	0.3%	0.0%	0.7%
Total	1.0%	0.6%	0.0%	1.6%

Numbers may not add due to rounding

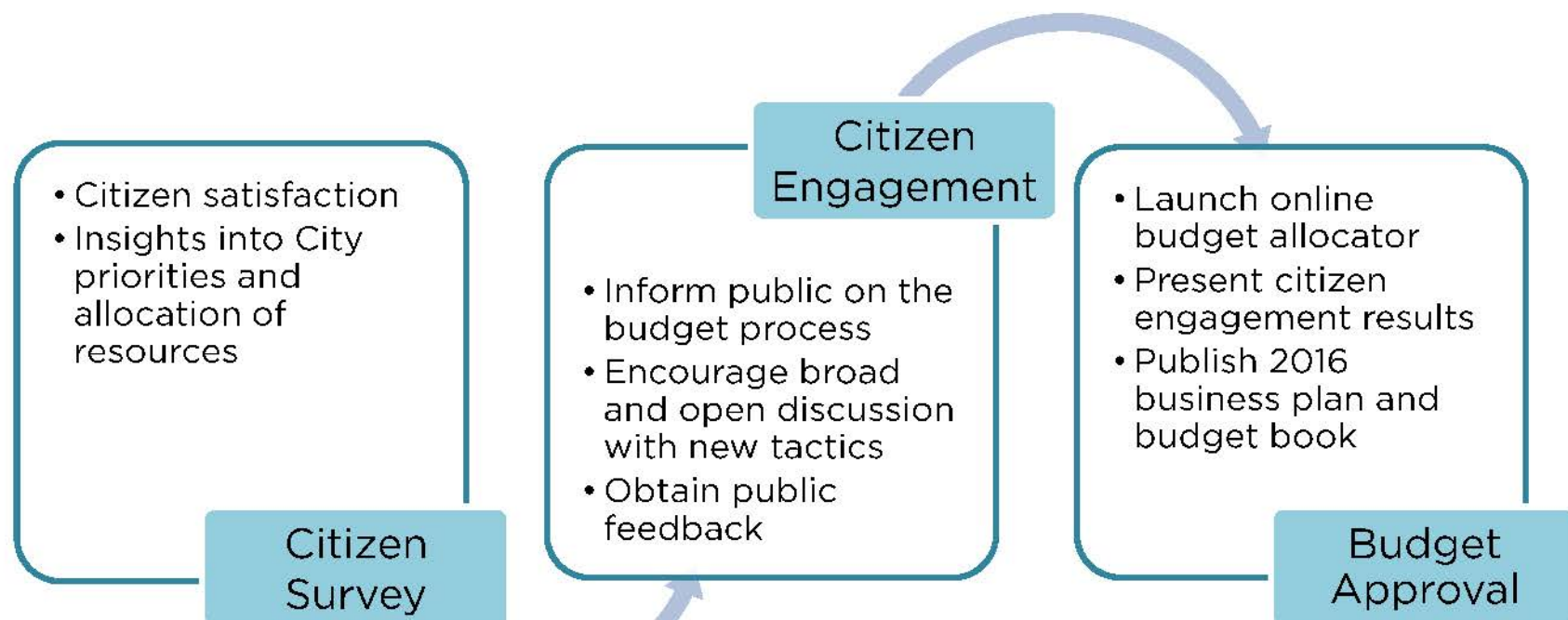
*Region of Peel approved target is 2%

Budget Engagement

- Digital approach to engagement last year proved successful
 - Redesign of Budget Website
 - Budget Basics video
 - Budget Allocator tool
- Goals were to increase
 - Awareness about City's budget process and challenges
 - Participation in the budget process
 - Simplify the City's budget for the general public
- Multiple calls from the Municipal Sector



Budget Engagement 2015



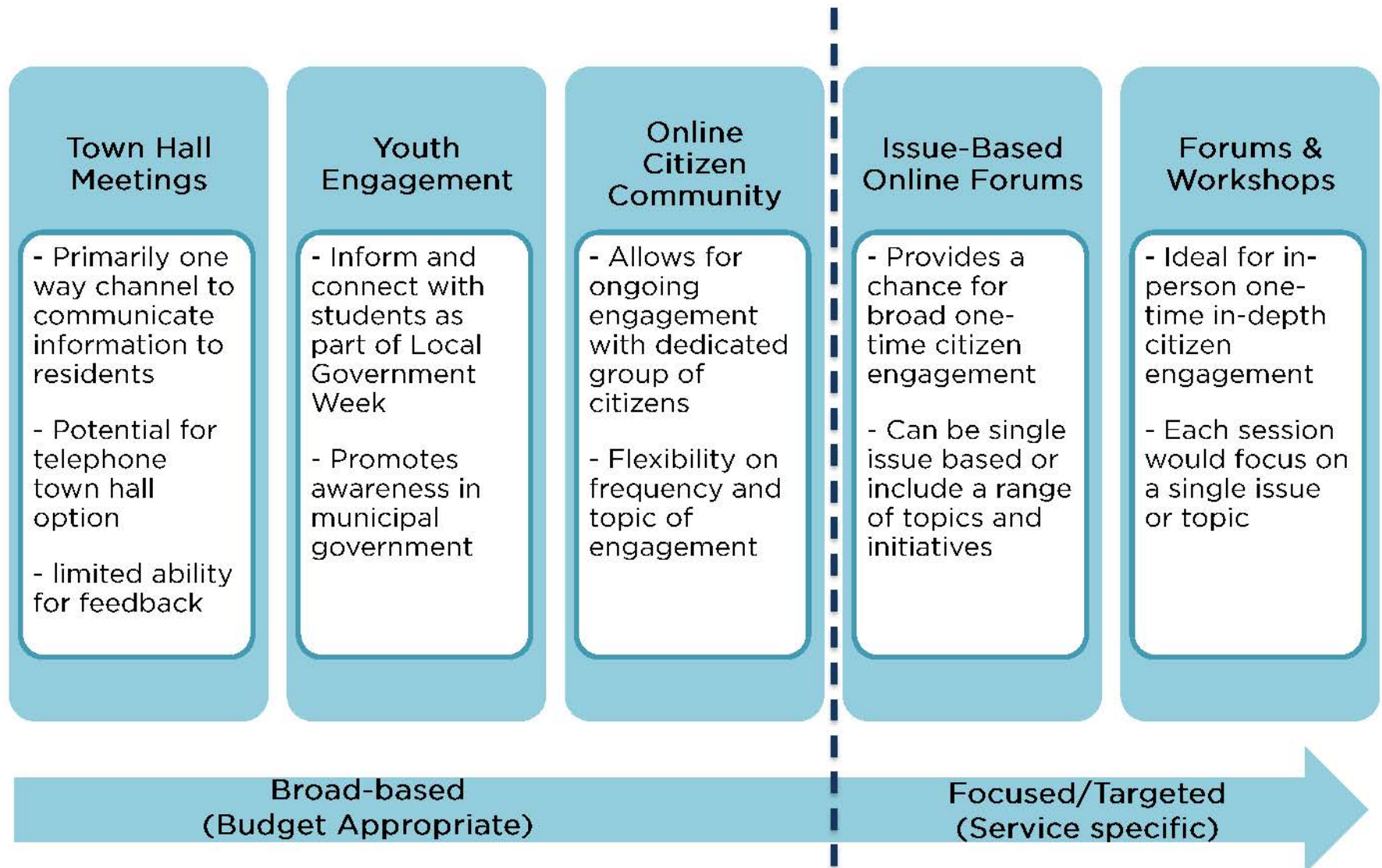
Inform
Process overview
and key dates

Consult and Involve
Community outreach and
education

Approval
Final decision
and outcomes

Communication Approach

Additional Engagement Options



Information Tools & Resources

We have a number of informative and interactive tools and resources to support the budget process, including:

- Website
- Budget Allocator Tool
- eNewsletter
- Video
- FAQ's
- News Releases
- Social Media Channels

Long Range Financial Plan

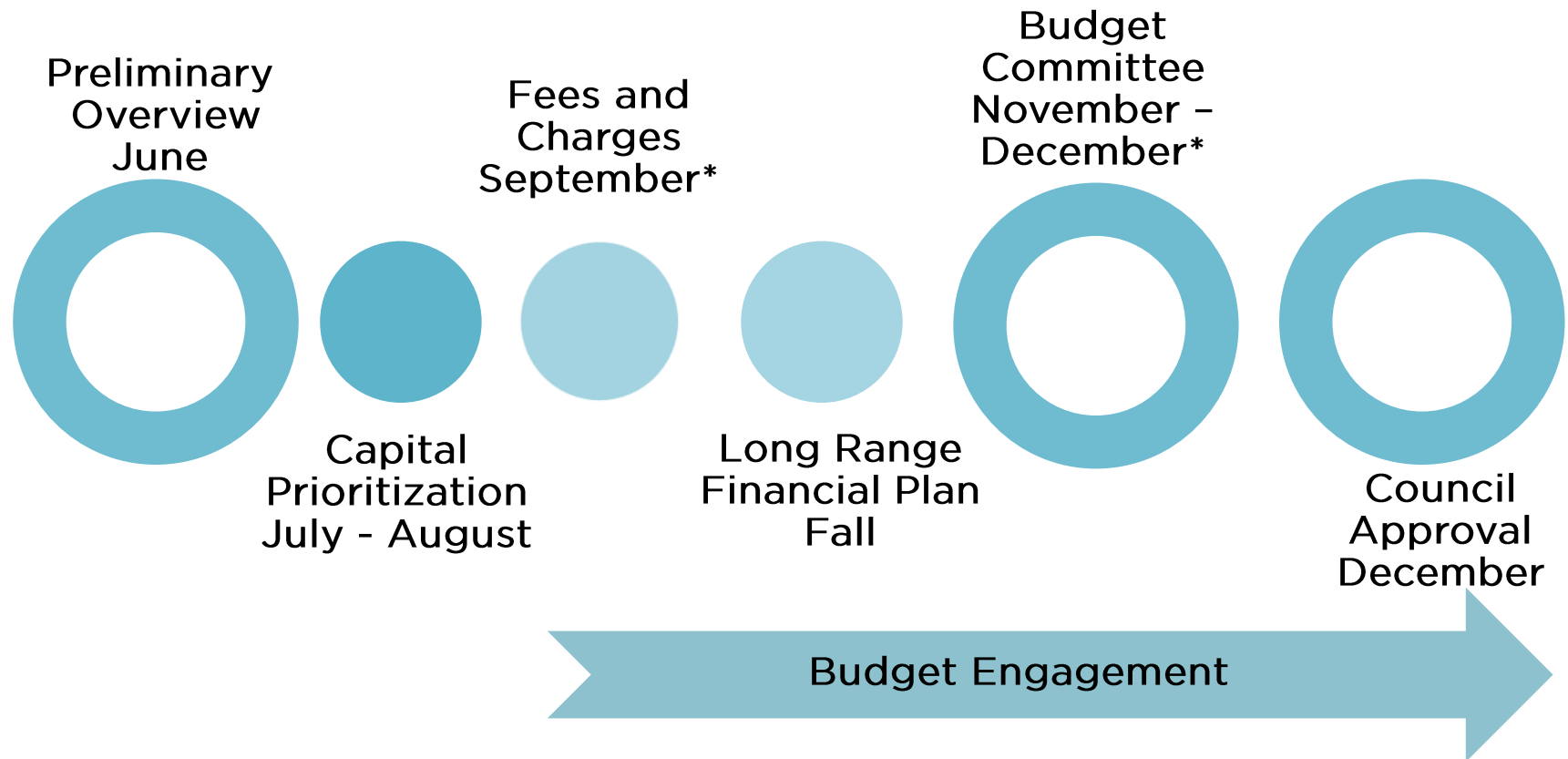
The Long Range Financial Plan will

- ensure a sustainable financial position
- ensure that Council and staff are taking a long-term, disciplined, and integrated approach to managing and maintaining the City of Mississauga's financial resources

Consultant retained – BMA, Management Consulting Inc.

- Financial Condition Assessment presented to LT
 - December 11, 2014, BMA
- Preliminary Financial Model & Policies presented to
 - LT – May 21
 - Budget Committee –Public Education Session– June 10
- Council Approval – Fall 2015

Next Steps



* Budget Committee Dates

- Sep 23
- Nov 23, 24, 30
- Dec 1, 2

Update on Long Range Financial Plan

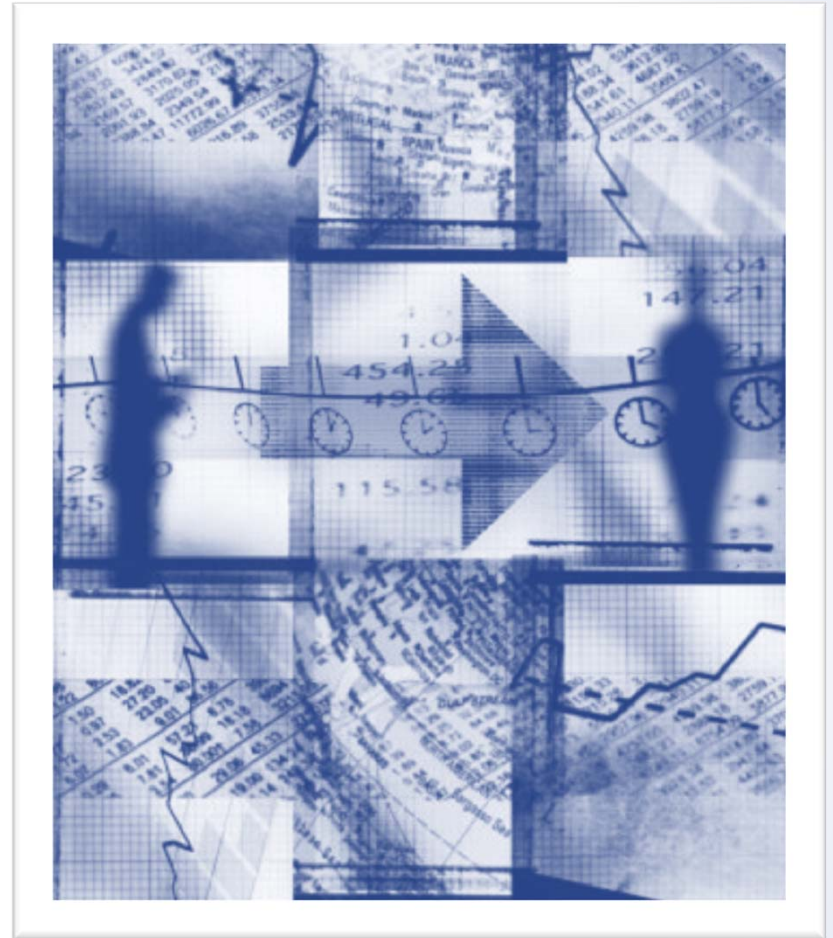
*Budget Committee
June 10th, 2015*

City of Mississauga

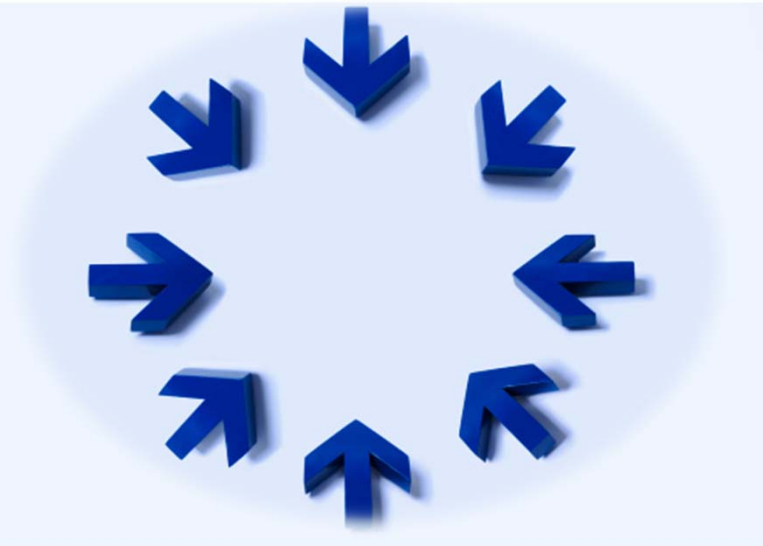


Presentation

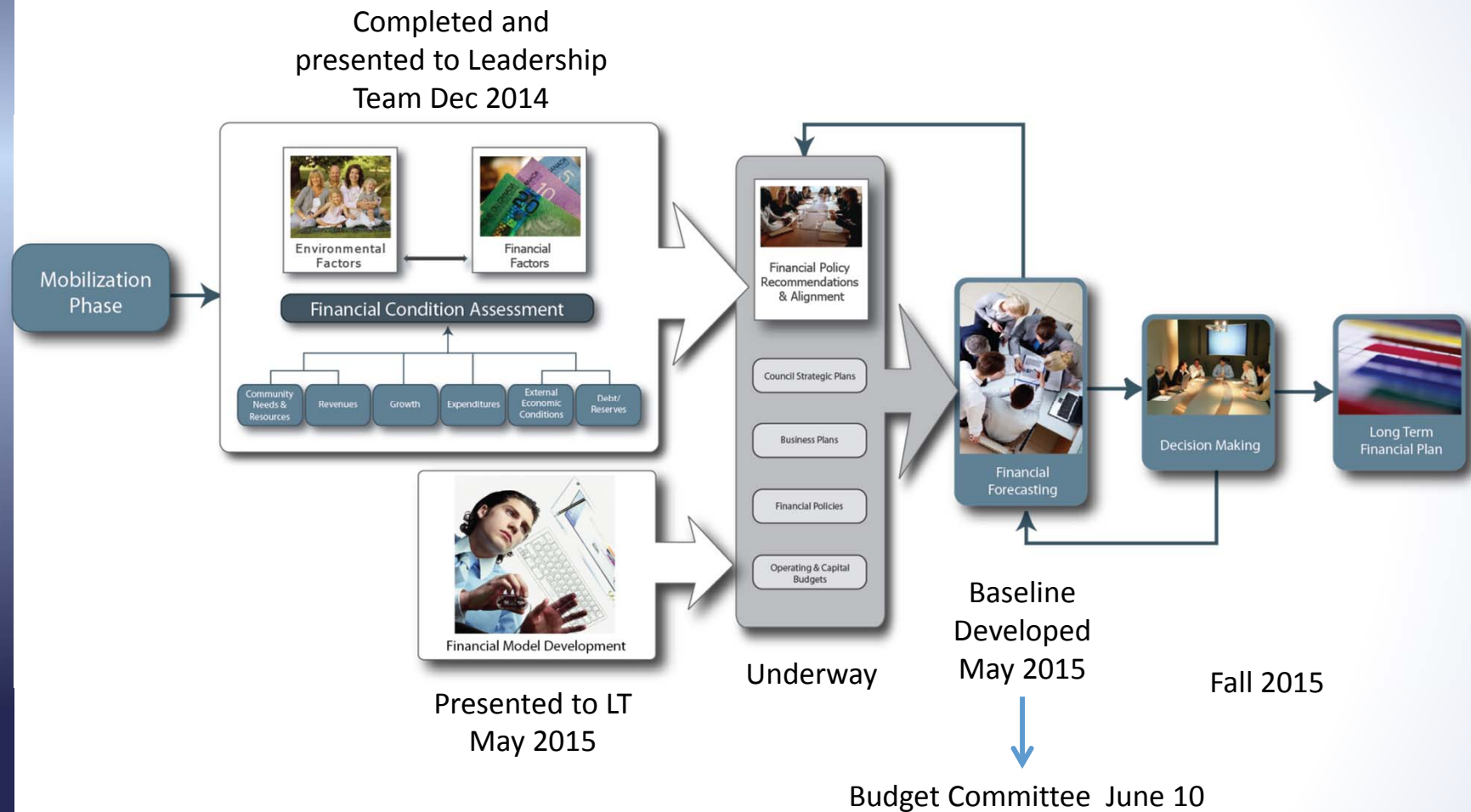
- Process and Project Status
- Financial Condition Assessment Highlights
- Summary of Current State
- Financial Model Development
- Financial Sustainability Principles
- Next Steps



Process and Project Status



Process



Process Overview

- Financial Condition Assessment provides a good understanding of existing policies and the current financial state
- Create a baseline to run forecast using existing strategies, policies and assumptions
- Fine tune and update policies and strategies, where required
- Present updated long range financial plan in Fall 2015

Financial Condition Assessment Highlights



Key Indicators

Growth and Socio-Economic Indicators

Population
Population Density
Age Demographics
Household Income
Commercial and Industrial Vacancy Rates
Construction Activity
Assessment

Municipal Levy

Municipal Levy

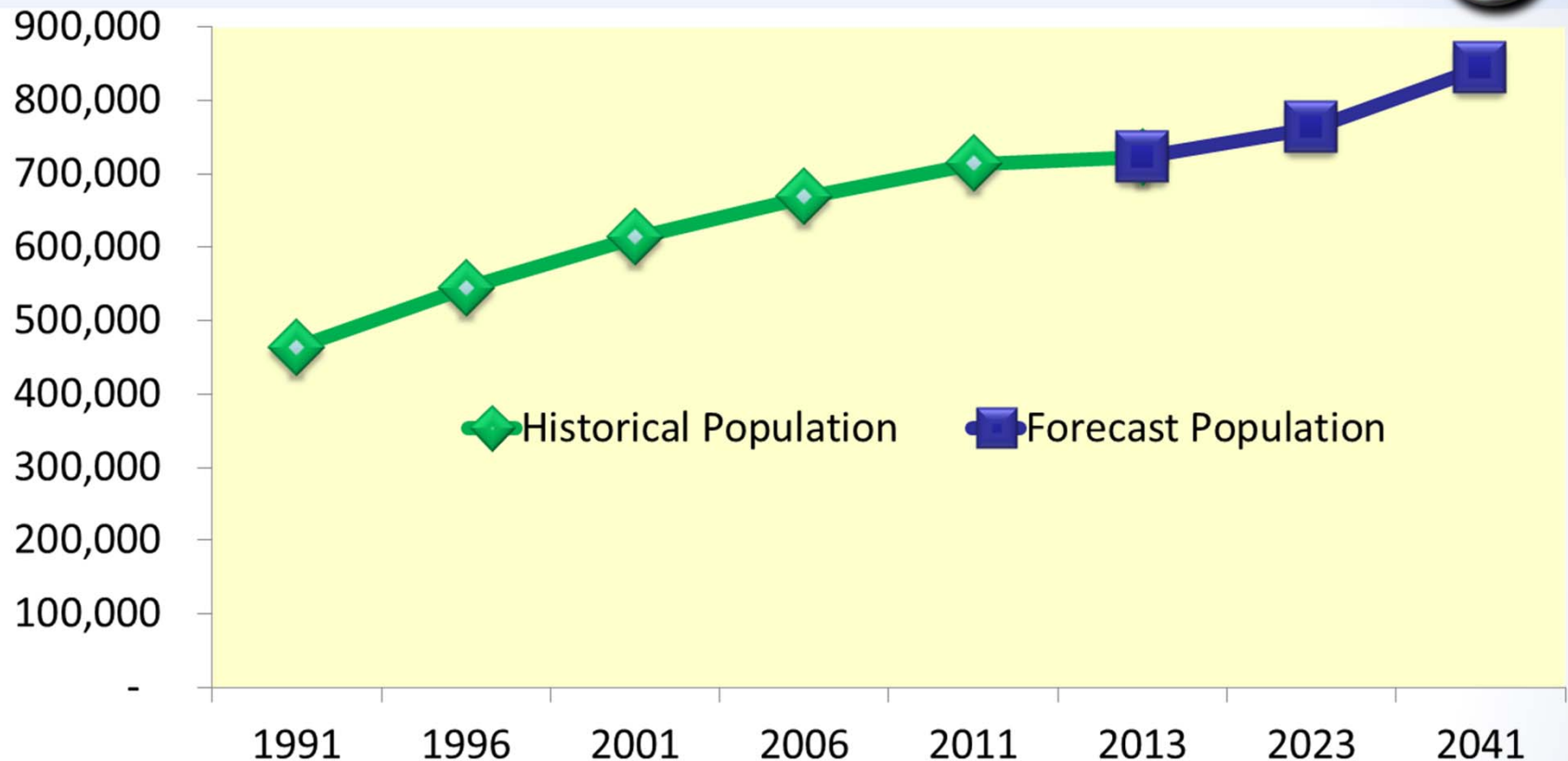
Financial Position Indicators

Reserves & Reserve Funds
Debt
Municipal Financial Position
Taxes Receivable



Section 1: Growth and Socio-Economic Indicators

Mississauga's Population Growth



- Mississauga's population and employment growth prospects are expected to remain strong over the next 25 years
- Some of the new infrastructure is not eligible under the DCA – at the same time some existing assets are reaching an age of renewal/replacement



Population Density

Municipality	Estimate 2013 Population	Land Area sq. km.	Density per Sq.km
Ottawa	935,665	2790	335
London	381,038	421	905
Vaughan	317,816	274	1,160
Windsor	214,093	147	1,456
Markham	326,844	213	1,534
Brampton	577,695	266	2,172
Toronto	2,727,047	630	4,329
Average		677	1,699
Median		274	1,456
Mississauga	750,111	292	2,569

Mississauga's population density
is second highest in the survey

- Intensification benefits:
 - improving access to public transit
 - effective use of resources
 - enhancing community identity
 - creating active streets that promote healthier patterns of activity
- Future intensification affect services, e.g. recreation, transit, fire and roads

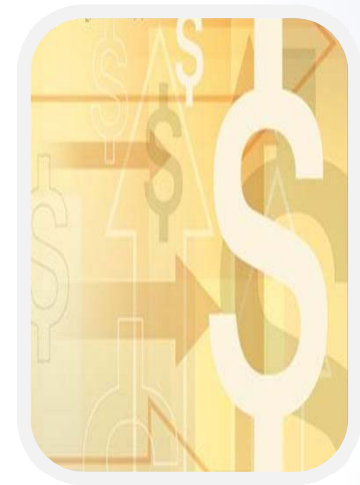
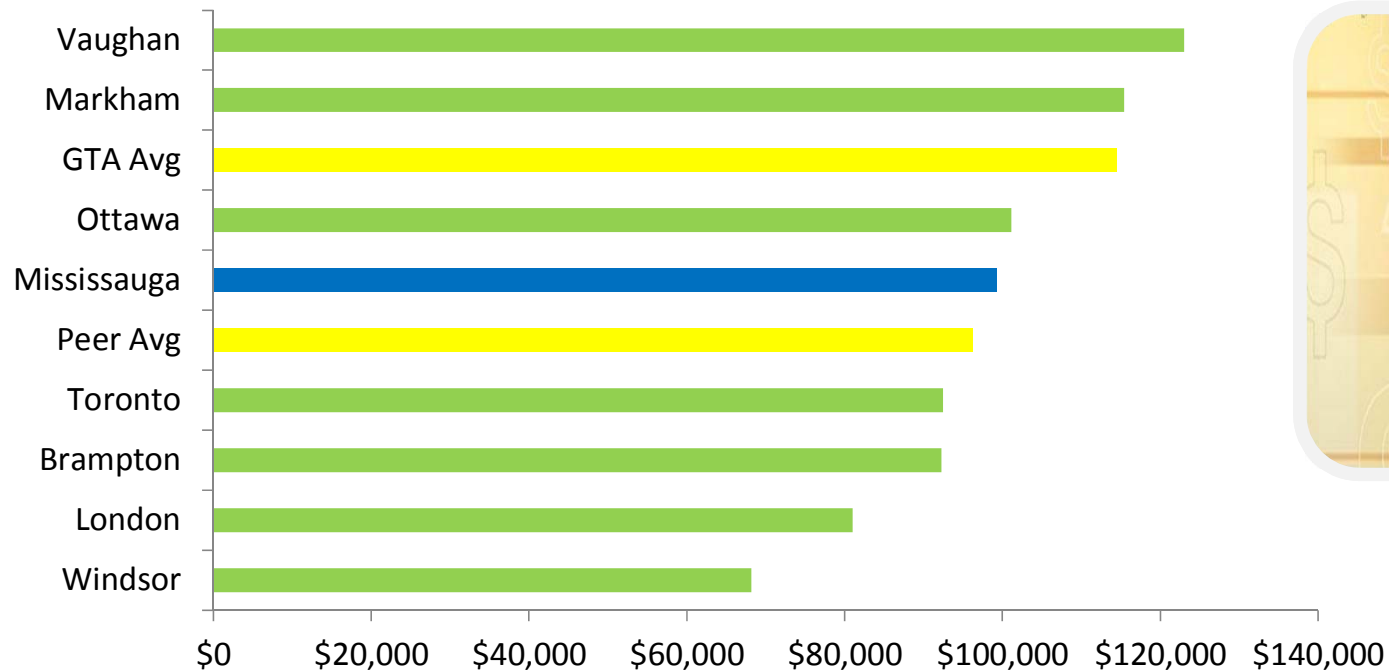
Age Demographics



	2006	2011		2006	2011
Age Profile	Mississauga	Mississauga		Ontario	Ontario
Age 0 - 14	19.9%	18.0%		18.2%	17.0%
Age 15 - 19	7.3%	7.5%		6.9%	6.7%
Age 20 - 44	37.2%	34.3%		34.8%	33.0%
Age 45 - 54	15.6%	16.9%		15.3%	16.0%
Age 55 - 64	10.1%	11.8%		11.2%	12.7%
Age 65+	9.8%	11.4%		13.6%	14.6%
Total	100.0%	100.0%		100.0%	100.0%

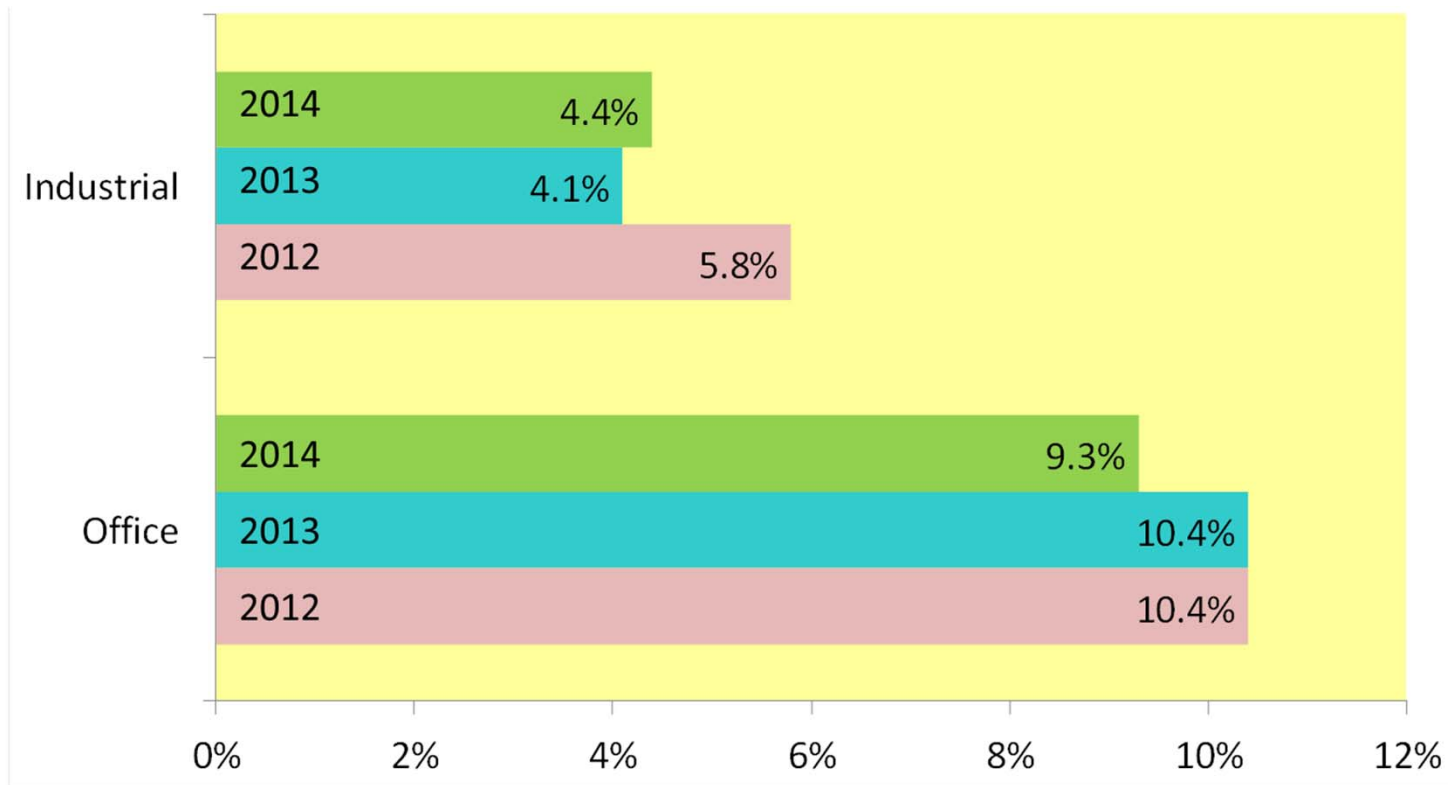
- Lower % of 65+ in Mississauga, but increasing. This trend is expected to continue over the long term
- Aging population could also affect all services e.g. parks and recreation, transit, and community planning

Household Income



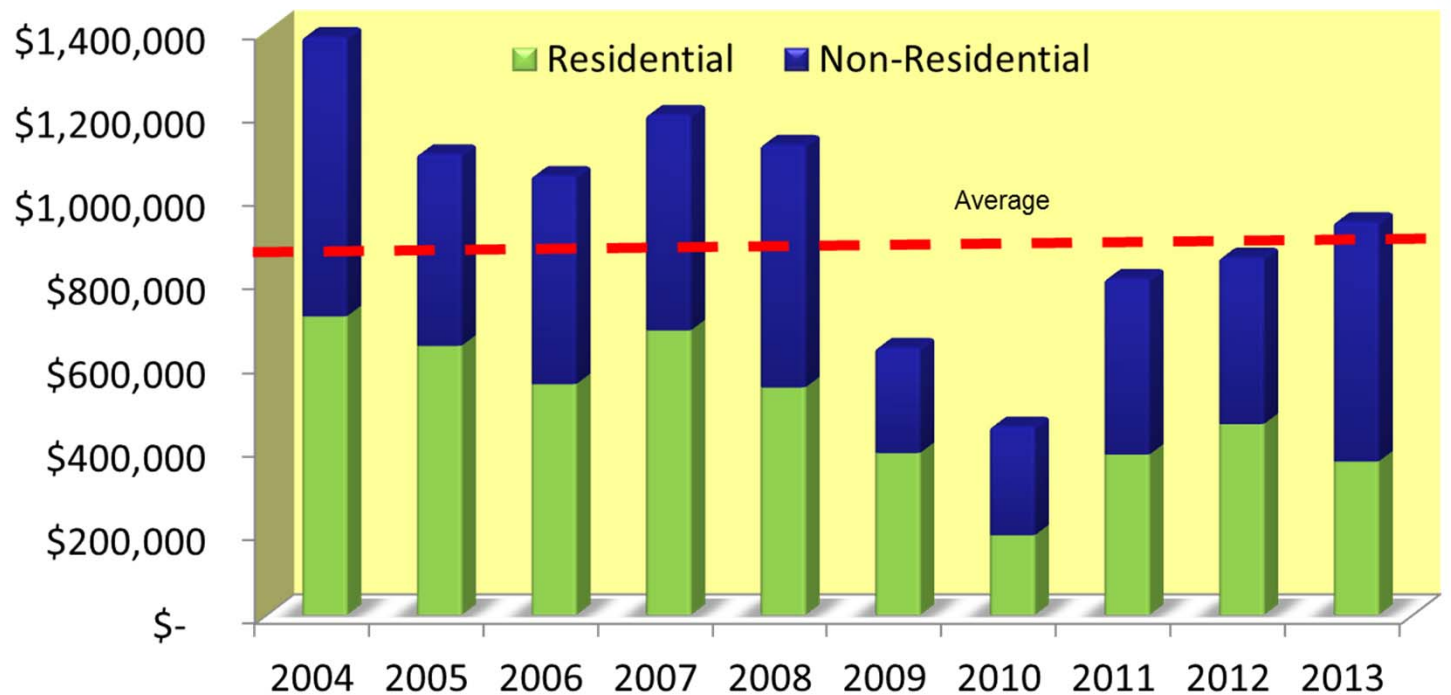
- Mississauga's 2013 average household income - \$99,300
- Peer municipal average - \$96,200
- GTA average - \$114,400

Commercial & Industrial Vacancy Rates



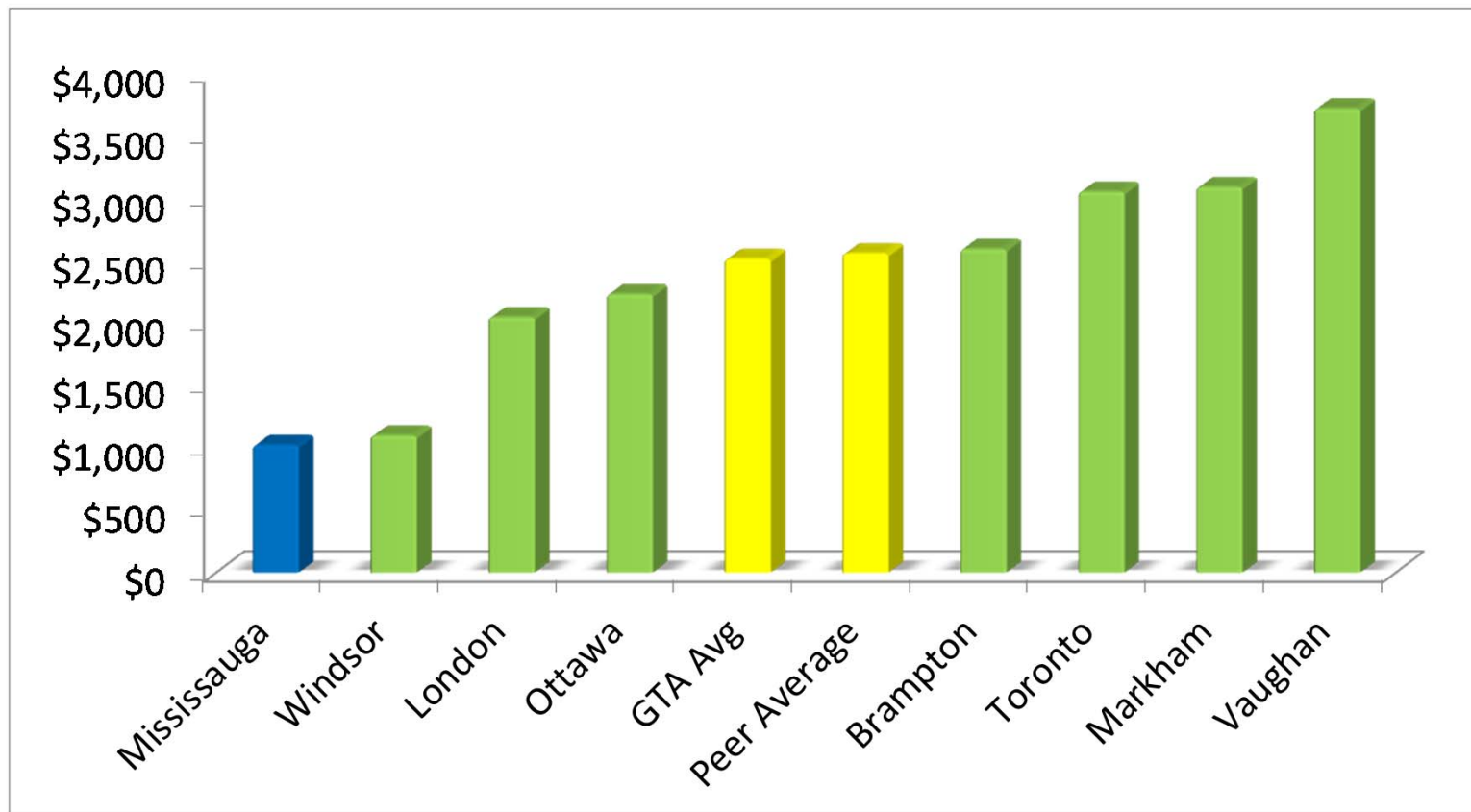
- Low vacancy rates are a sign that market conditions for businesses are good
- 60% of Mississauga's employment growth is anticipated to be in major office development

Construction Activity - Trend



- 51/49 split in non-res./res. construction over last 10 years - positive impact on the assessment base, employment base and supports taxpayer affordability
- Over past 5 years, non-residential proportionate growth is higher in Mississauga than other peer and GTA municipalities

Construction Activity Per Capita – 5 Year Avg



- While it is trending upward, construction activity per capita is lower than the GTA and peer average over the past 5 years

Assessment



Assessment Composition









Excellent mix of residential and non-residential assessment: 25% Commercial & Industrial in Mississauga compared with 13.7% in the GTA



Assessment Per Capita

Assessment per capita in Mississauga is above the peer average, reflecting a strong tax base

Socio-Economic Indicators

<i>Socio-Economic Indicators</i>	<i>Rating</i>
<i>Population Growth</i>	
<i>Population Density</i>	
<i>Demographics</i>	
<i>Commercial & Industrial Vacancy Rates</i>	
<i>Construction Activity</i>	
<i>Assessment Composition</i>	
<i>Richness of the Assessment Base</i>	
<i>Household Income</i>	

- Overall, very positive
- Future assessment growth is a challenge
- Change in demographics will need to be reflected in future programs and services



Section 2: Municipal Levy

Municipal Levy



2014 Levy Per Capita



2014 Levy Per
\$100,000 of CVA

Peer
comparison



% Change in Levy






% change in Levy Per
Capita



% change in Levy Per
CVA

5 year historical trend

Municipal Levy Indicators

<i>Municipal Levy, Property Taxes and Affordability Indicators</i>	<i>Rating</i>
<i>Municipal Levy Per Capita</i>	
<i>Municipal Levy Per \$100,000 of Weighted Assessment</i>	
<i>Levy Trends</i>	



Section 3: Financial Position

Reserves/RF as a % of Taxation

Municipality	2009	2010	2011	2012	2013	Trend
Vaughan	115%	117%	114%	106%	85%	Decreasing
Markham	121%	141%	153%	149%	156%	Increasing
Ottawa	21%	22%	21%	22%	23%	Stable
Brampton	100%	84%	78%	75%	68%	Decreasing
London	49%	51%	53%	56%	61%	Increasing
Windsor	39%	43%	49%	47%	52%	Increasing
Toronto	41%	38%	37%	44%	53%	Increasing
Average	69%	71%	72%	71%	71%	
Median	49%	51%	53%	56%	61%	
Mississauga	145%	117%	94%	98%	79%	Decreasing
GTA Avg	95%	90%	91%	89%	92%	Stable

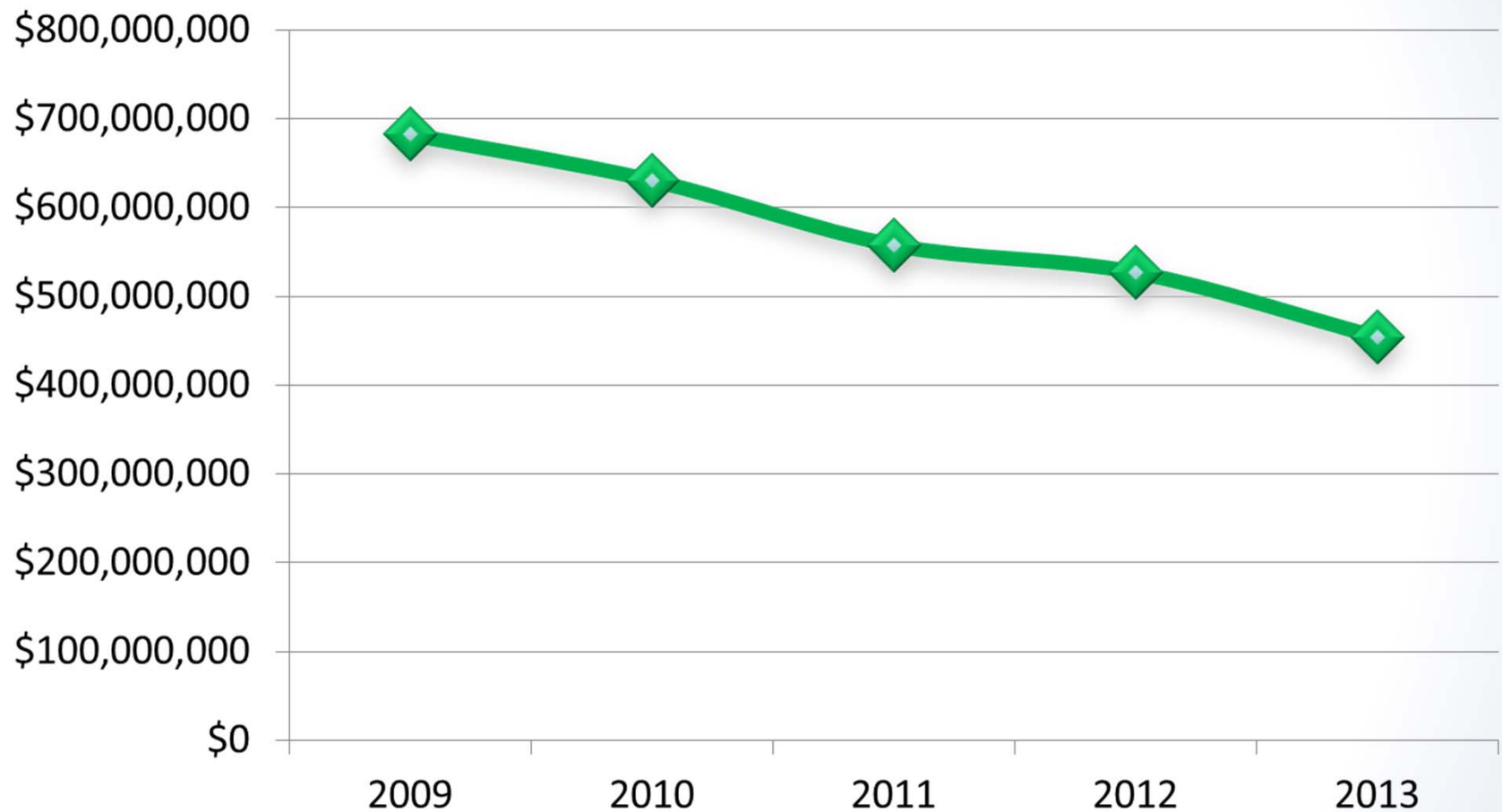


Debt Comparators



Municipality	Tax Debt Charges as % of Tax Own Source Revenues	Tax Debt Charges Per Capita	Debt Outstanding Per Capita
Brampton	0.0%	\$ -	\$ -
Markham	0.0%	\$ -	\$ 33
Vaughan	5.1%	\$ 38	\$ 238
Windsor	0.6%	\$ 11	\$ 512
London	9.2%	\$ 162	\$ 1,002
Toronto	8.7%	\$ 231	\$ 1,641
Ottawa	6.0%	\$ 139	\$ 2,125
Average	4.2%	\$ 83	\$ 793
Median	5.1%	\$ 38	\$ 512
Mississauga	2.2%	\$ 19	\$ 115

Financial Position - Trend

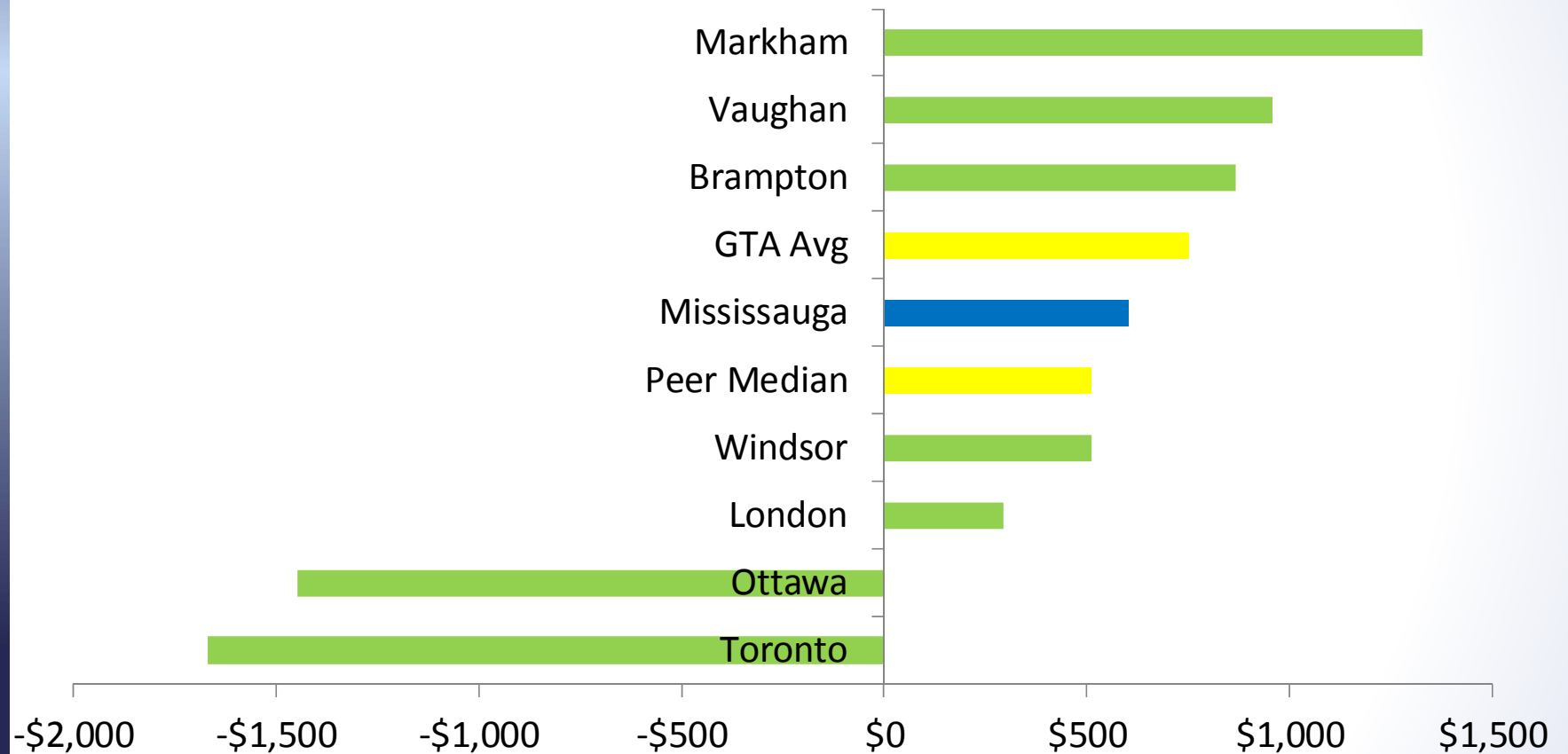


- Net Financial assets are decreasing

Financial Position Per Capita



2013 Financial Position Per Capita

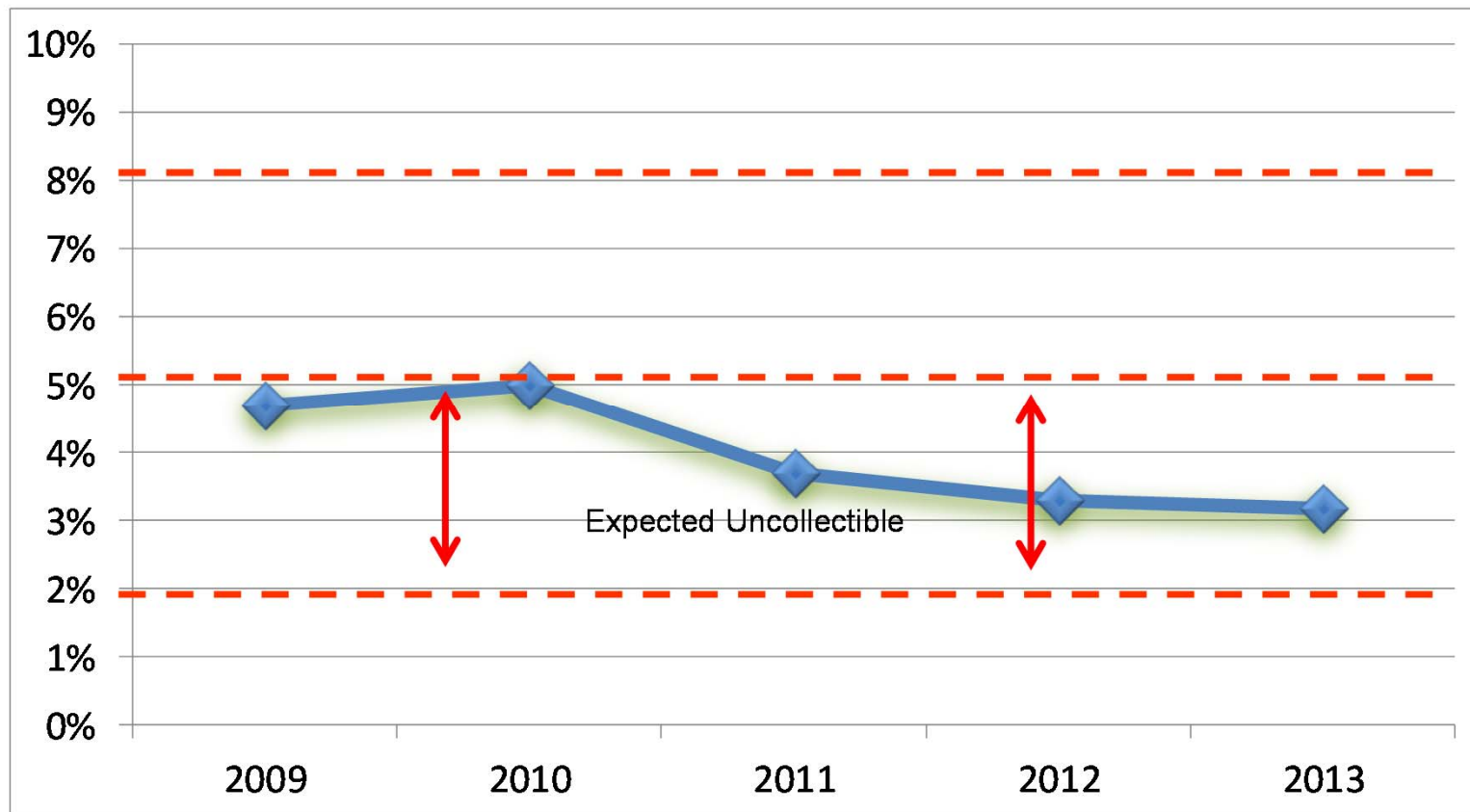


(Financial Assets – Financial Liabilities)






Taxes Receivable



(As a % of Taxes Levied)



Financial Position Summary

<i>Financial Position Indicators</i>	<i>Rating</i>
<i>Reserves as a % of Taxation- Comparison</i>	
<i>Reserves as a % of Taxation - Trend</i>	
<i>Debt Management</i>	
<i>Financial Position</i>	
<i>Taxes Receivable</i>	

*Summary of
Current State*





Dedication to Financial Management

City takes the management and stewardship of public funds very seriously and continues to demonstrate financial leadership ensuring residents receive value:

- ✓ Corporate & Business Planning
- ✓ Multi-year Budgets
- ✓ Program/Operational Reviews
- ✓ Citizen Surveys
- ✓ Financial policies
- ✓ Variance Reporting

The Long Range Financial Plan is another example of Financial Leadership

The City is in a Strong Position



Strong Financial Position

+

Strategies in Place to Increase Capital
Funding

+

Low Debt Levels

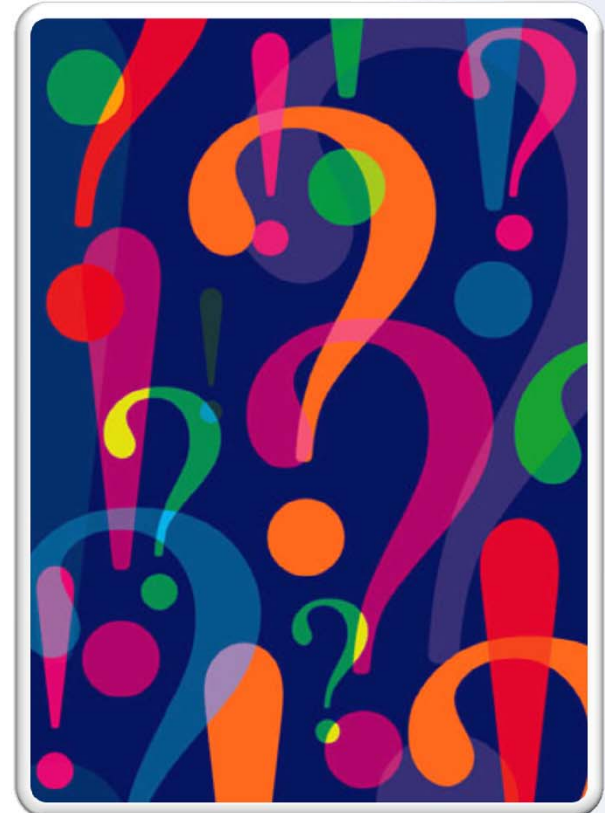
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Financial Flexibility

With many new initiatives and growth, the objective
is to ensure



Financial Sustainability





Current State

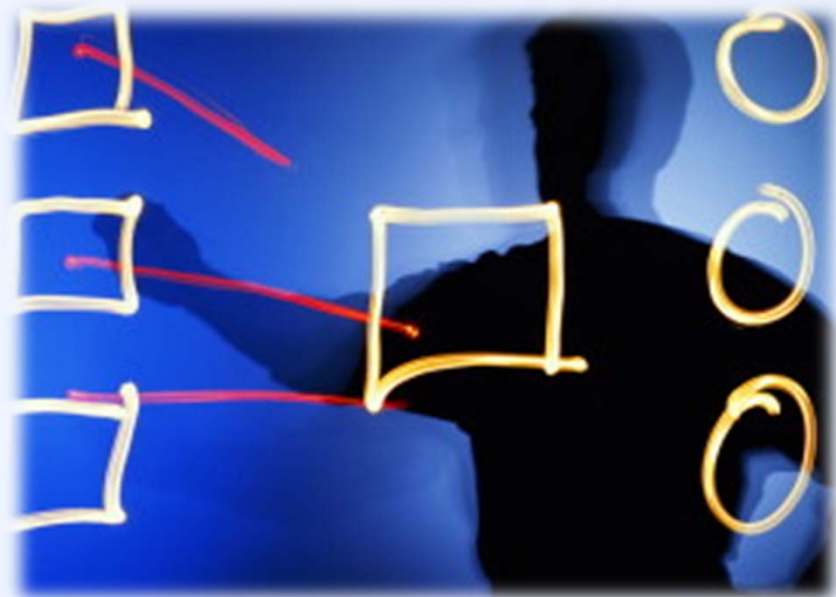
- 5 year trends were reviewed against key performance indicators and City policies with the following findings of the City's current state
 - ✓ AAA credit rating
 - ✓ Low level of debt and strong debt policies
 - ✓ Enhanced infrastructure funding strategies in place
 - ✓ Excellent mix of residential and non-residential construction
 - ✓ Assessment base is strong and diverse
 - ✓ Low commercial and industrial vacancy rates
 - ✓ Lower than average levy (competitive taxes)
 - ✓ Above average household incomes

Current State

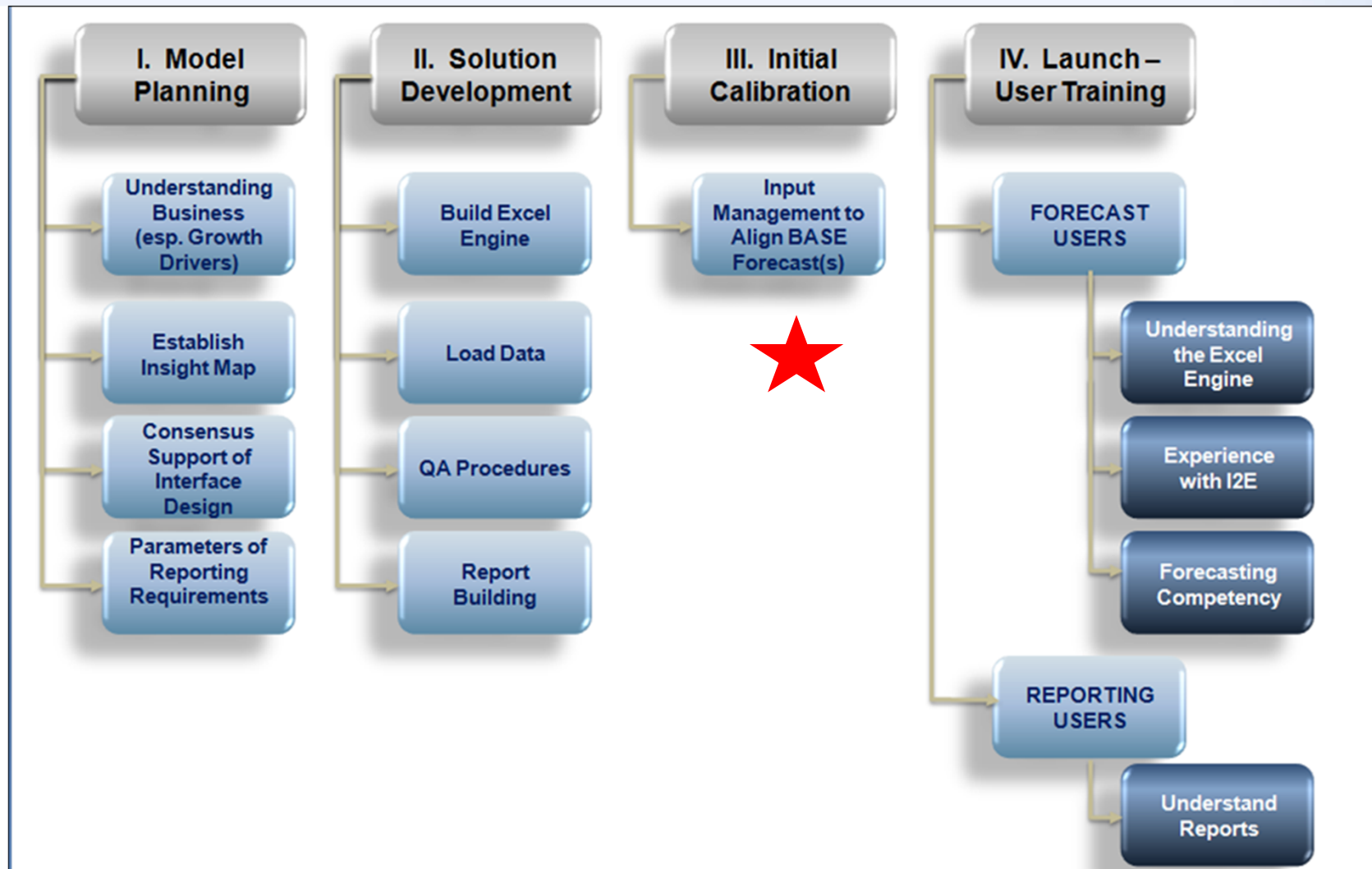


- Challenges
 - Funding new programs and services with lower anticipated assessment growth
 - Alignment of services with shifts in demographics
 - Infrastructure funding gap
 - Where reserves are strong, they have been trending downward
 - Some reserves are underfunded
 - Intensification

Financial Model Development



Model Development



Key Features of Financial Forecast Model

- Currently 10 year forecast with ability to expand forecast horizon

Operating Budget

- Flexibility to set and change assumptions for each major variable
 - incremental or one time adjustments
 - tracks – Base, New Initiatives, Growth, Efficiencies and Cost Savings adjustments

Capital Budget

- Allows modification of sources of financing
- Can include or delete projects and adjust timing of projects
- Set various terms and rates debt

Key Features of Financial Forecast Model

Reporting - Creates a set of tables/graphs

OUTPUT REPORTS

- Capital by Dept
- Capital by Dept - Tax
- Revenue - Tax
- Expenditures - Tax
- Revenue Report
- Revenue Report - Storm
- Expenditure Report
- Expenditure Report - Storm
- Reserve Report
- Operating Report
- Operating - Net Levy
- Debt Report
- Summary Report
- Financial Dashboard
- Tax Report
- CAPITAL SUMMARY

GRAPHS SUMMARY

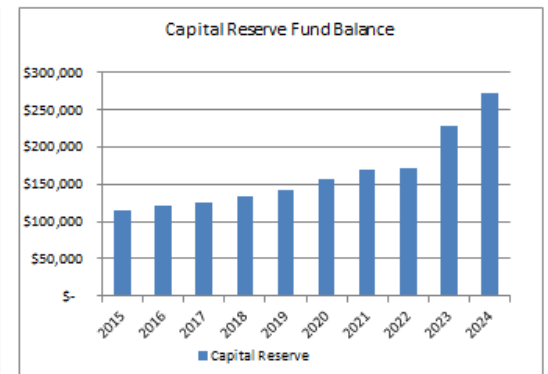
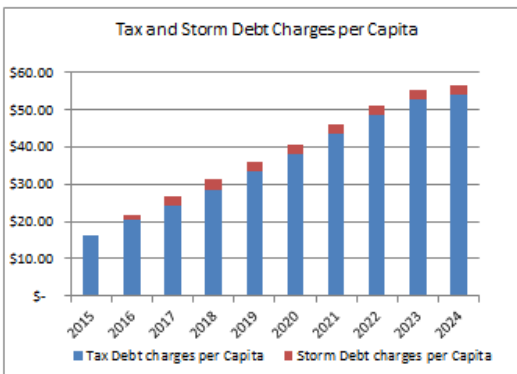
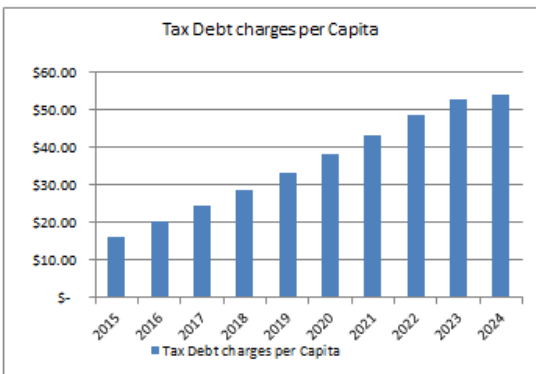
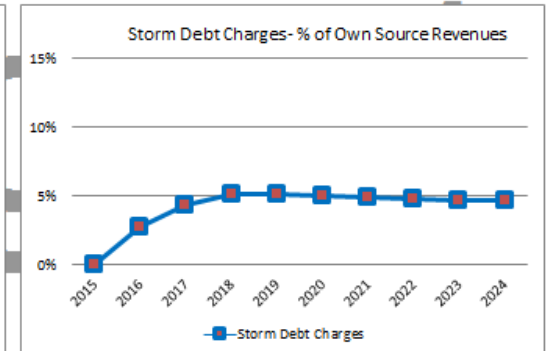
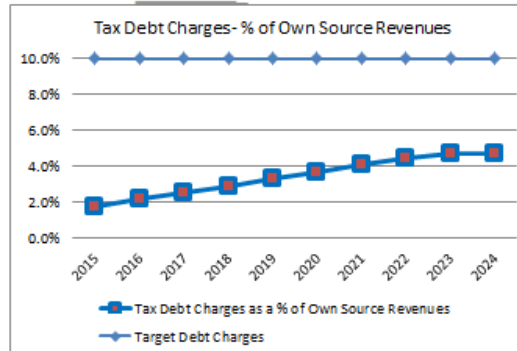
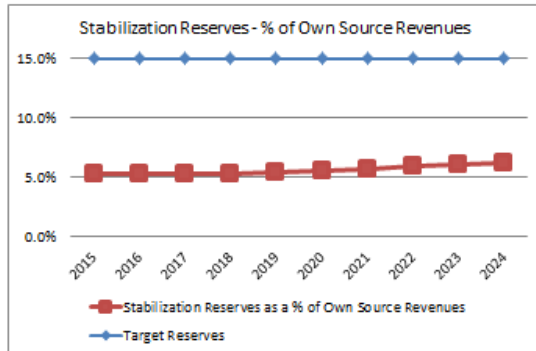
INPUTS AND ADJUSTMENTS

- CAPITAL SUMMARY
- CAPITAL INPUTS
- CAPITAL SUMMARY -
- DEBT PLACEMENT
- RESERVE FORECAST
- OPERATING INPUTS
- DEBT

Print Output Reports Export Graphs to PDF Export Reports to PDF

Automatic Graphing Capabilities

Financial Dashboard



Source Data

- Operating Budget - Team Budget (2015-2018)
 - Separated Stormwater and adjusted roads budget to establish a base for forecasting Stormwater as a separate utility
- Capital - Team Budget (2015-2024)
- Reserve balances from Finance year end actuals, net of commitments
- Debt – existing from Finance to reflect debt already issued
- Population - Development Charges Background Study



Summary of Baseline Assumptions

Forecasting for 2019-2024

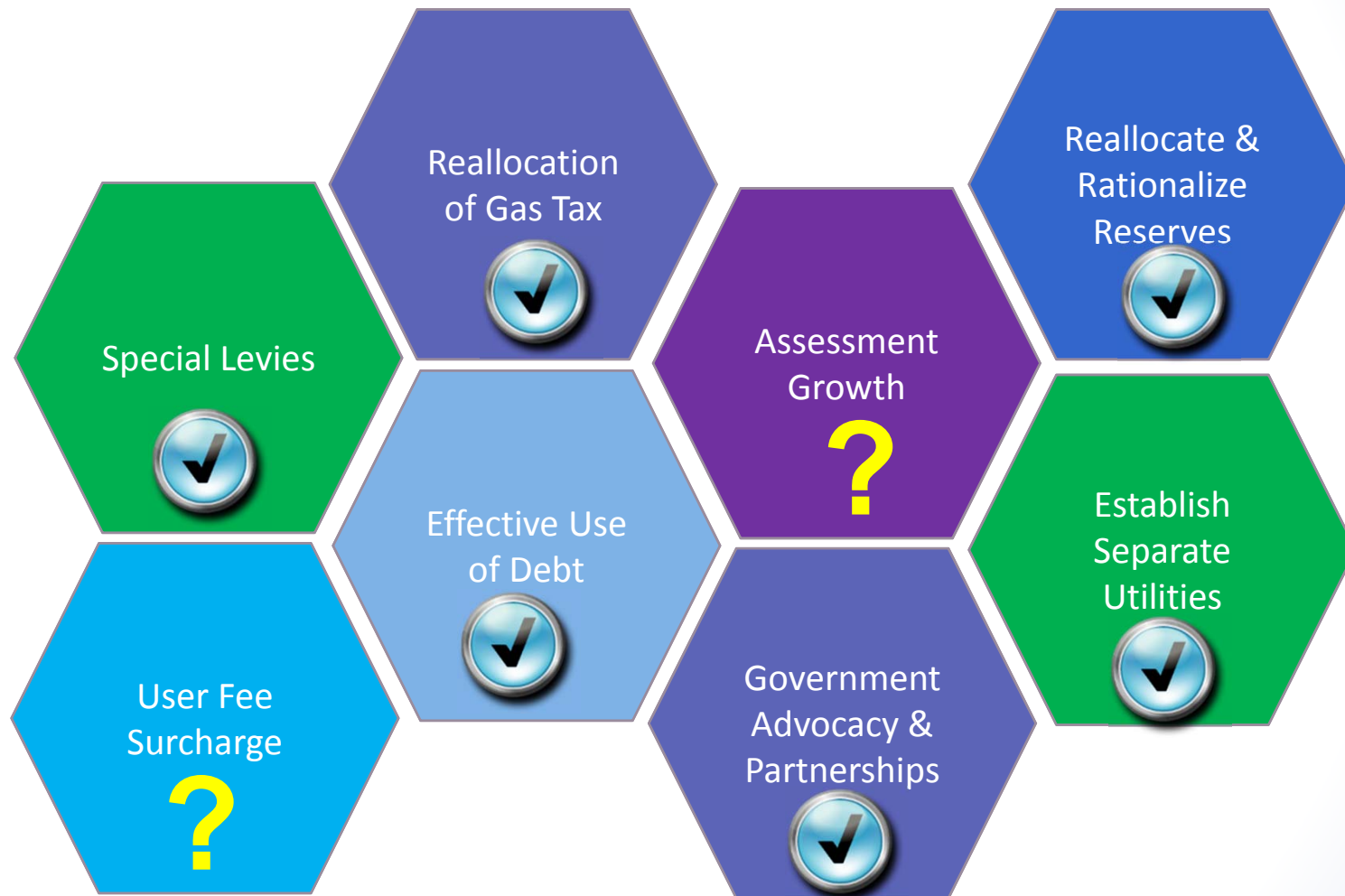
- 10 year debt at existing Infrastructure Ontario rates
- Continuation of 2% Capital Infrastructure and Debt Repayment Levy
- 2% salaries, wages, benefits and other expenses
- 2% interest earned on Reserve Funds
- 2% of fees and charges
- 0.3% assessment growth

Addressing the Infrastructure Funding Gap



- \$8.4 billion of assets based on replacement cost
- Need to maintain infrastructure in a state of good repair
- Only a portion of the replacement costs is contained within existing operating and capital budgets
- There are various capital project requests that could not be funded over the next 10 years
- 5 year historical capital reserve declining trend
- Maintain Capital Reserve Fund, equivalent to one year's worth of the 10 year average of the tax-supported non-growth capital expenditure requirements - \$92 million

Strategies to Close the Infrastructure Gap



Capital Reserves and Reserve Funds



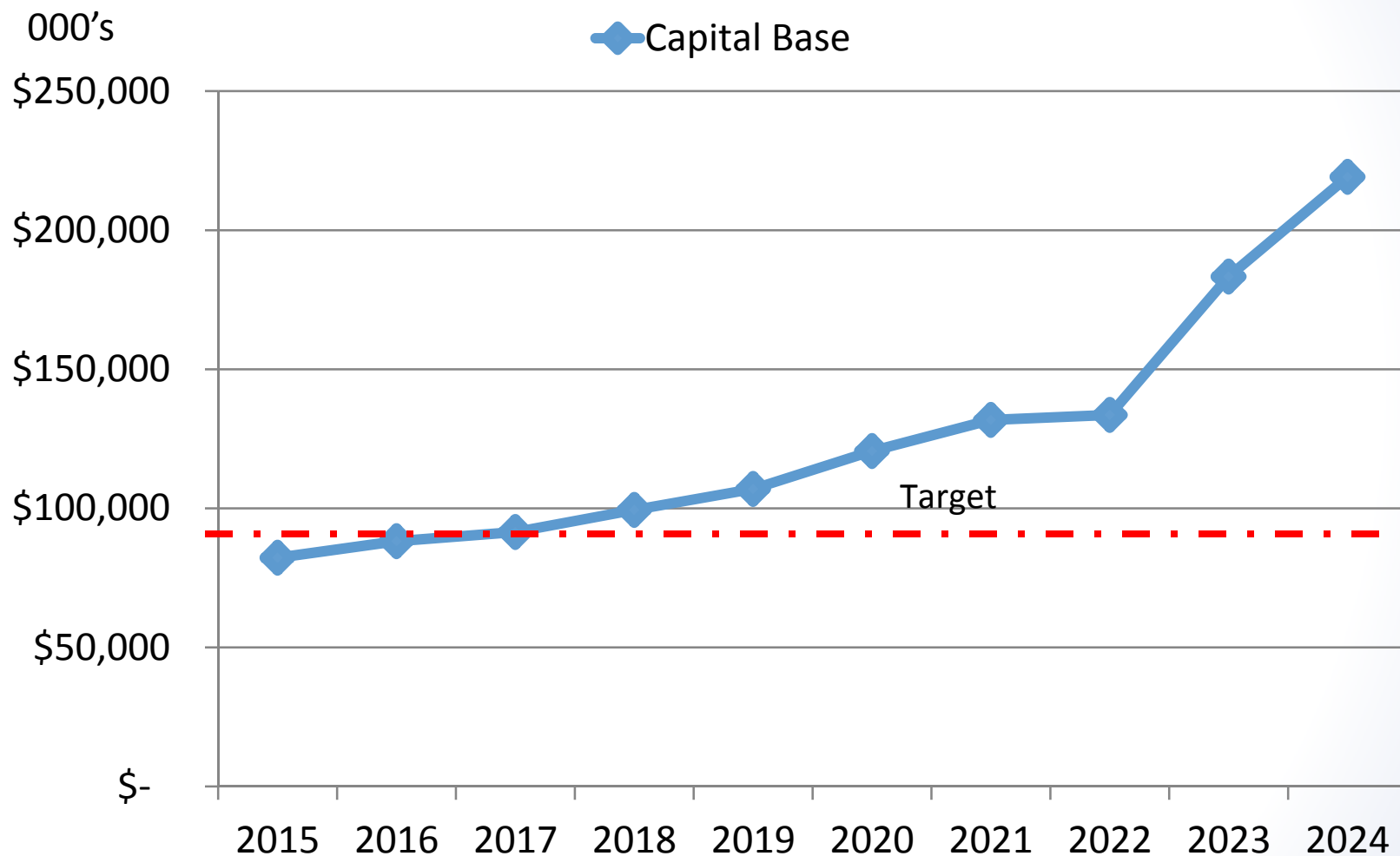
Existing Strategies

- Capital Infrastructure and Debt Repayment Levy of 2% of net levy, carried over 10 year forecast period

Additional Strategies

- Consolidating capital reserves to support capital project prioritization
- Continue Special Purpose Capital levies where appropriate

Capital Reserve Fund Forecast



Insurance Reserves

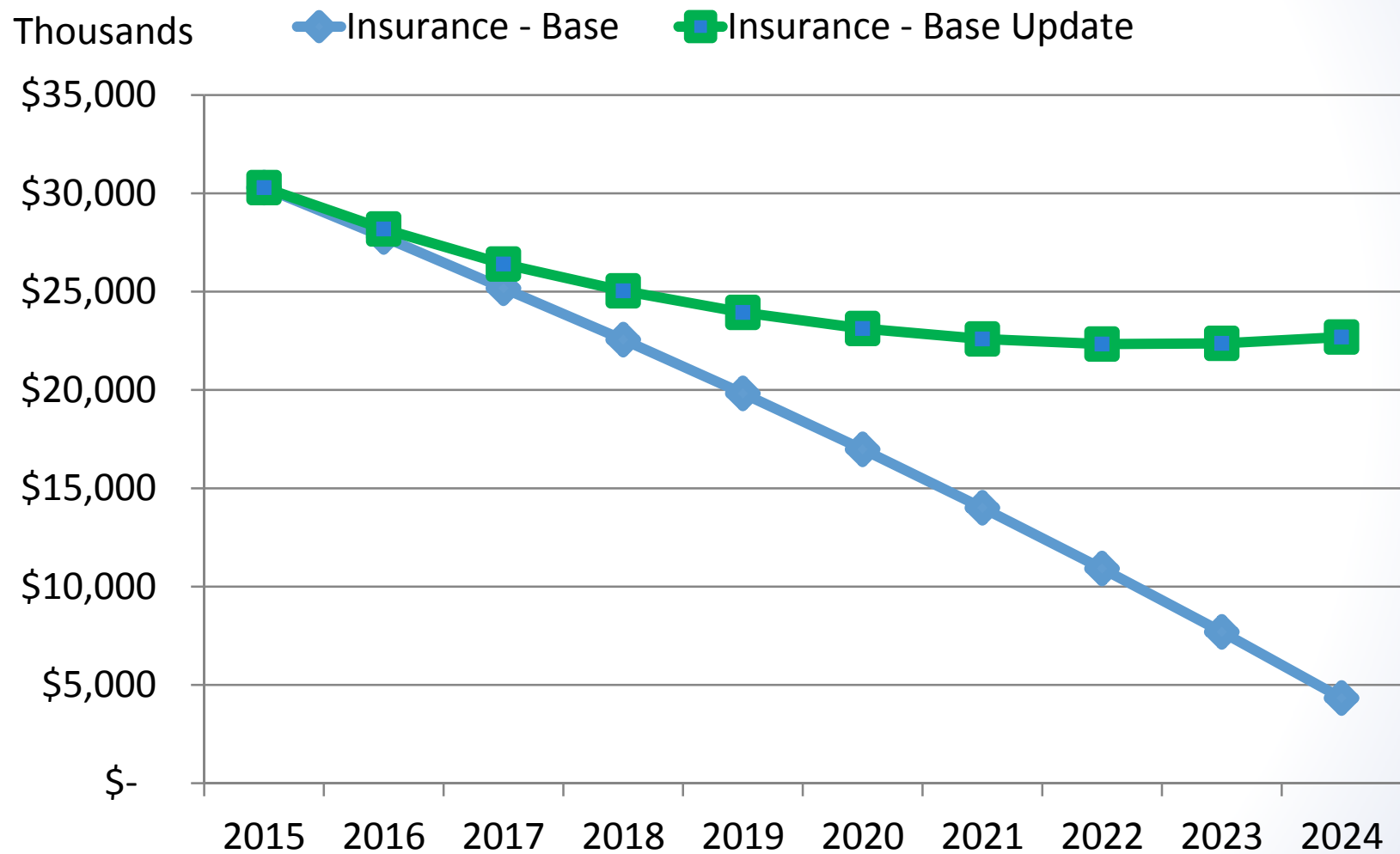


- Current reserve balance is below recommended actuarial valuation
 - Balance at Dec 2014 is \$33 million compared to actuarial valuation of \$44 million
 - Cost of liability insurance has increased substantially
- Current contributions will result in a decline in reserve balance

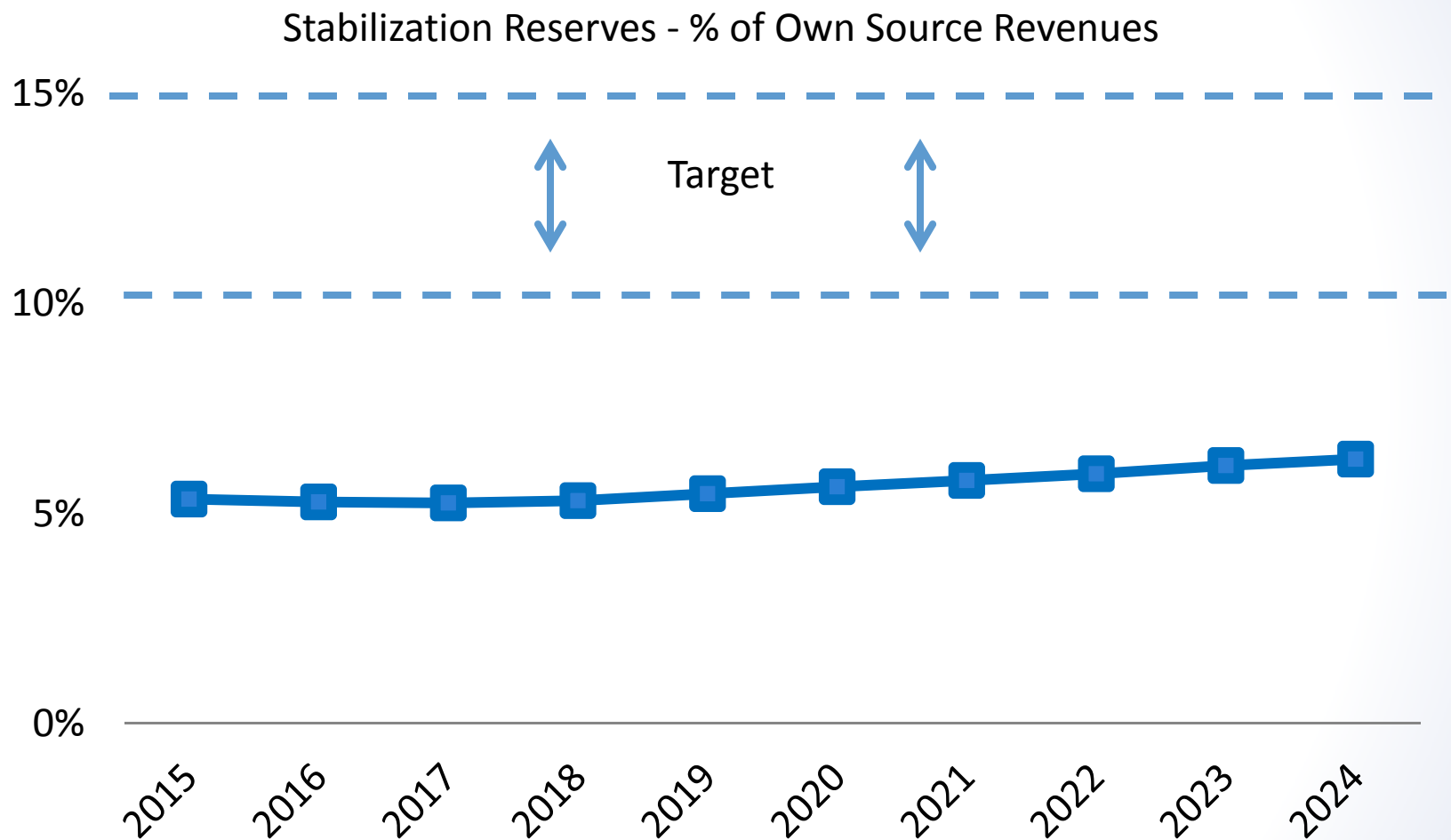
Strategies Recommended

- Gradually increase annual contributions to the reserves (\$0.4 million) to build the base – 0.1% increase in net levy
 - By end of 10 years, contributions will exceed the requirements and work toward closing the funding gap

10 Year Forecast - Insurance



Stabilization Reserves





Debt

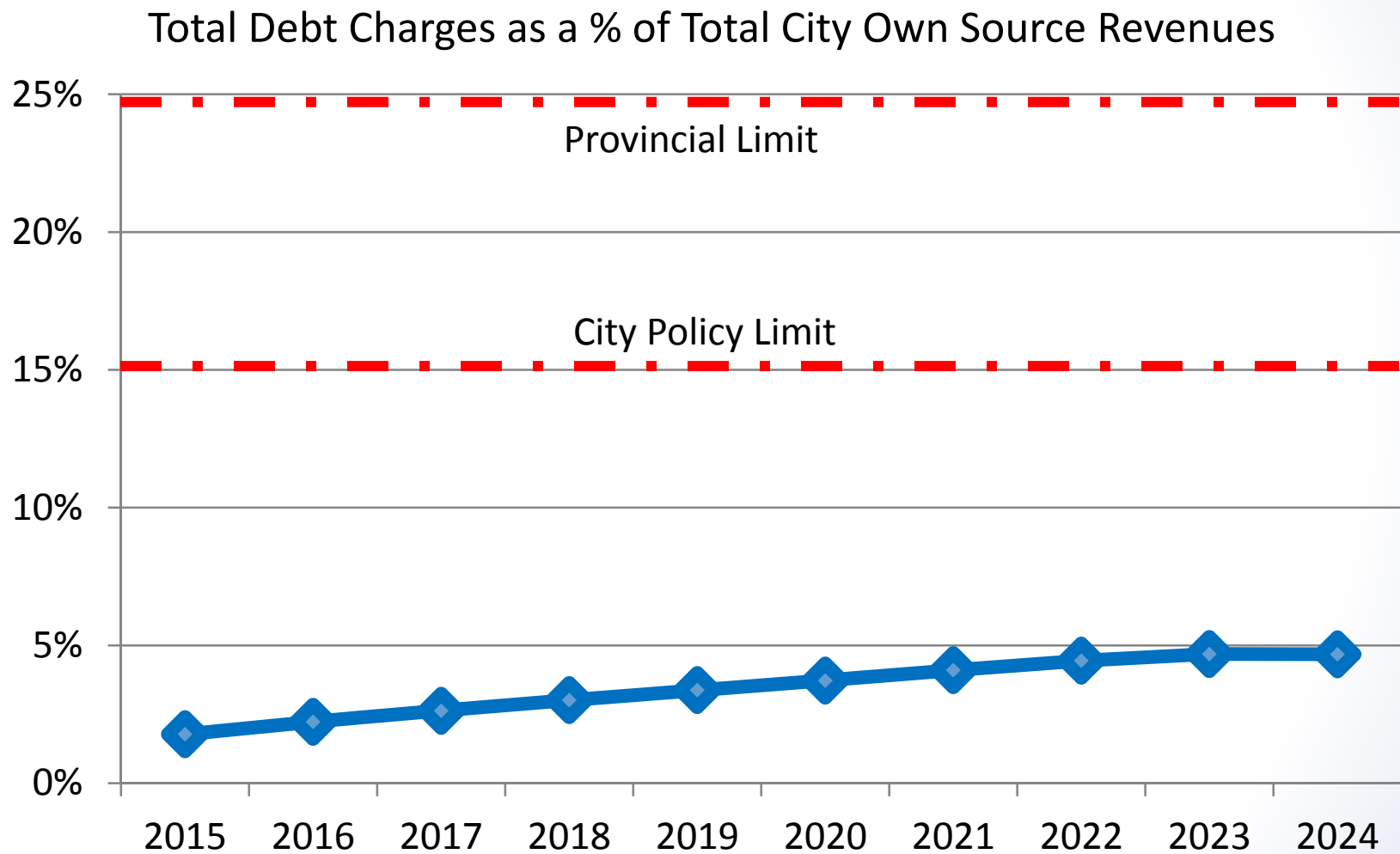
Over the next 10 years, the City plans to issue the following debt:

- \$392 million in tax debt
- \$18 million in stormwater debt

Policy

- Debt forecast - well within the recommended policy limits
 - Tax debt charges as a % of Total Own Source Revenues not to exceed 10%
 - Non-tax debt charges as a % of Total Own Source Revenues not to exceed 5%
 - Total Debt charges not the exceed 15% of Total Own Source Revenues

Total – Debt Financial Indicator



AAA Credit Rating

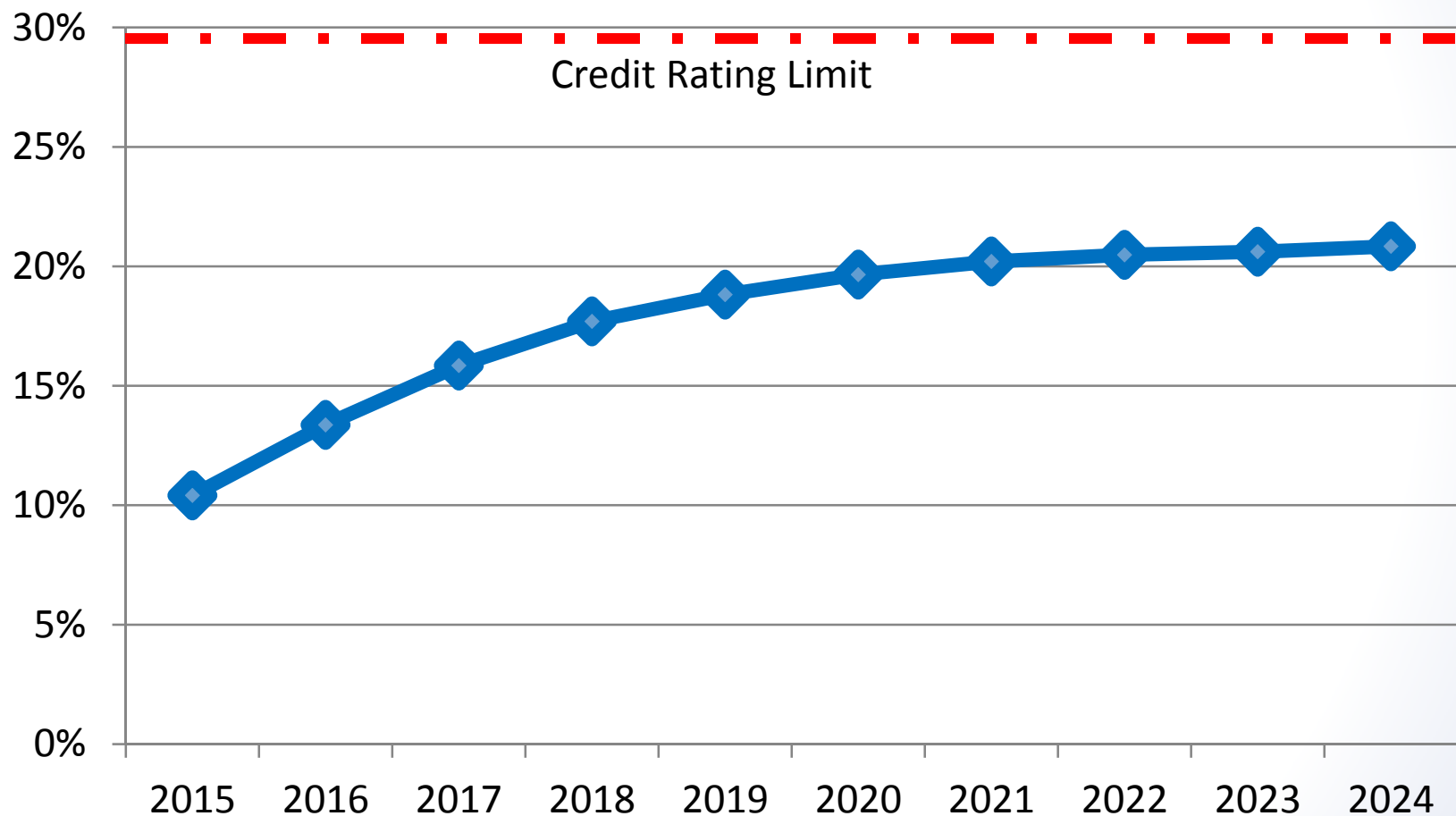


- City's AAA credit rating has recently been reaffirmed with a stable outlook
- Outlook would be revised if external debt outstanding exceeded 30% of own source revenue
 - 10 year forecast is well below the credit rating financial indicator

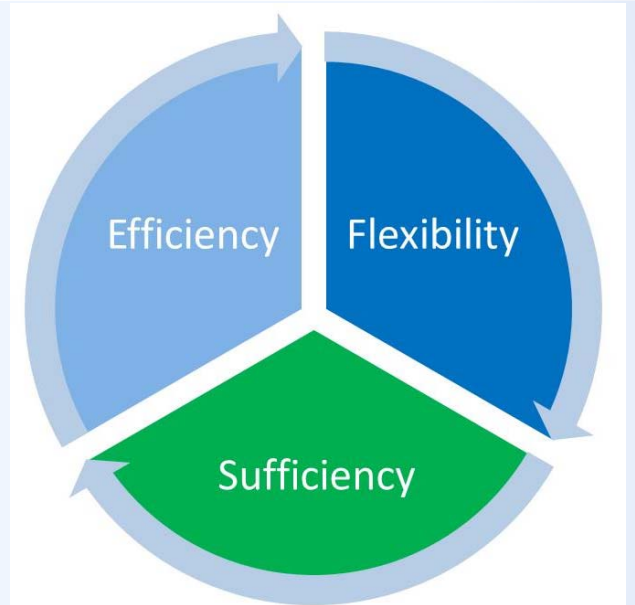
Standard & Poor's Credit Rating Debt Indicator



Total Debt Outstanding as a % of Own Source Revenues



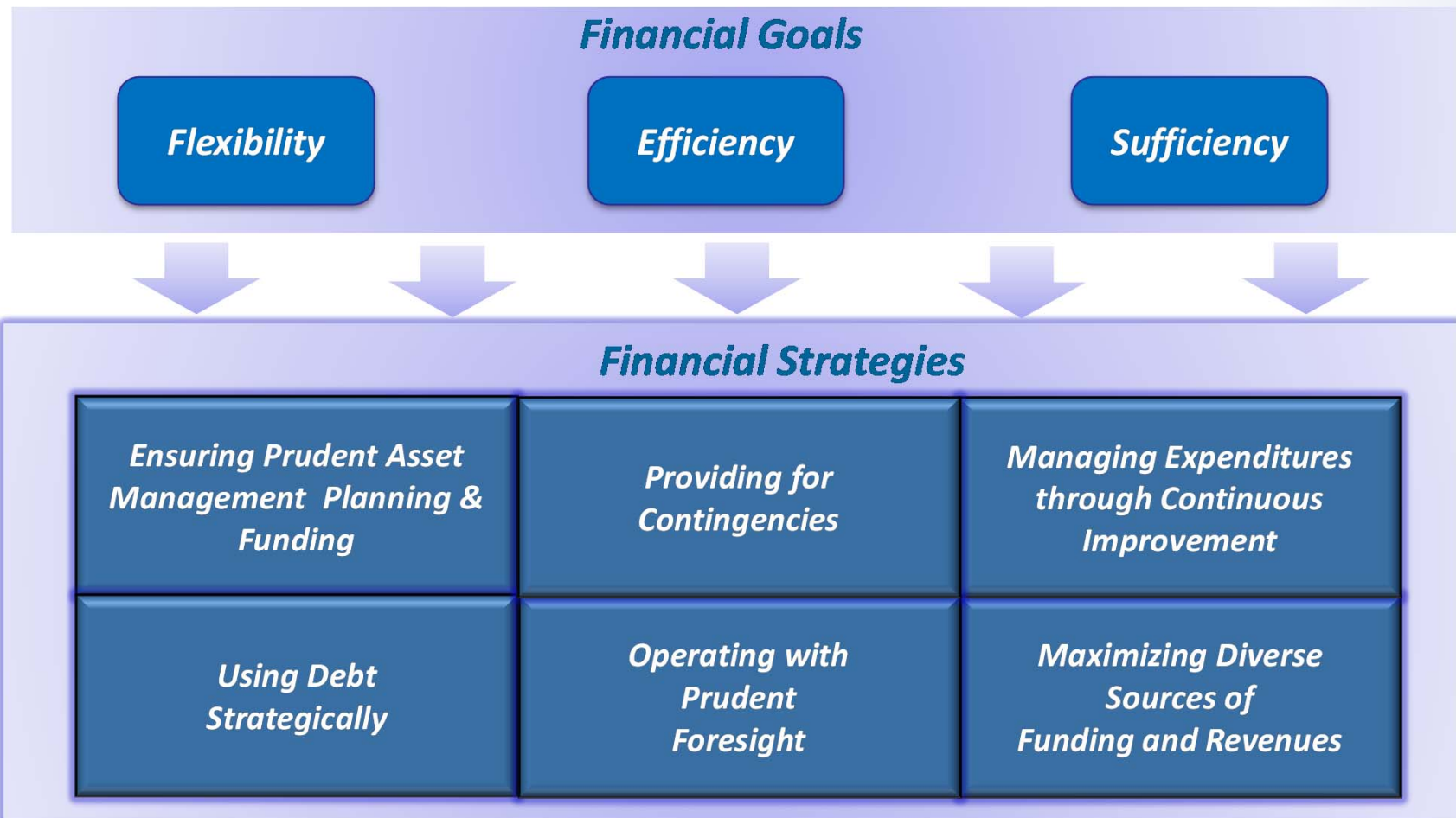
Financial Sustainability Principles



Financial Sustainability – Long Range Financial Plan

- ***Flexibility***: being able to respond to changing circumstances, which may relate to economic, social, environmental or political conditions.
- ***Efficiency***: using public funds in ways that provide the highest level of needed services possible within the amount of funding available.
- ***Sufficiency***: having sufficient resources to support the delivery of services for which the City bears responsibility.

Financial Sustainability Principles



Strategies: Ensuring Prudent Asset Management Planning & Funding

- Stormwater user fee
- Transferring surplus tax funds to capital reserves
- Consolidating capital reserves to support capital project prioritization
- Maintaining minimum capital reserve balances – one year of tax funded non-growth capital requirements
- Continuing the 2% Capital Infrastructure and Debt Repayment Levy
- Continuing Special Purpose Levies where appropriate

Strategies: Using Debt Strategically

Maintain existing policies:

- Tax debt charges as a % of total own source revenues – 10%
- Non-tax debt charges as a % of total own source revenues – 5%
- Total debt charges as a % of total own source revenues – 15%

Incorporate Standard & Poor's debt indicator

- Debt outstanding not to exceed 30% of total own source revenues
- Prepare business case analysis for unfunded projects

Strategies: Providing for Contingencies

- Maintaining a prudent level of Stabilization Reserves
 - Establishing a policy for target balances for Stabilization of 10%-15% of own source revenues
 - Restricting Stabilization Reserves to extraordinary, one-time or unforeseen events and will not be used to balance Operating Budgets
 - Transferring operating year end surpluses until target is reached
 - Consolidating Stabilization Reserves
- Ensuring sufficient reserve funds for insurance

Strategies: Operating with Prudent Foresight

- Annually updating long range financial plan – dynamic document
 - Consider extending the forecast horizon
- Continue aligning Operating and Capital Budgets with the City's Strategic Plan
- Monitoring financial trends and key financial indicators on an annual basis as part of the budget and financial planning process

Strategies: Continuous Improvement

- Continuing to undertake program and service reviews
- Defining service levels in departmental business plans and budgets
- Evaluating new initiatives and their impact on the operating budget



Strategies: Maximizing Revenues

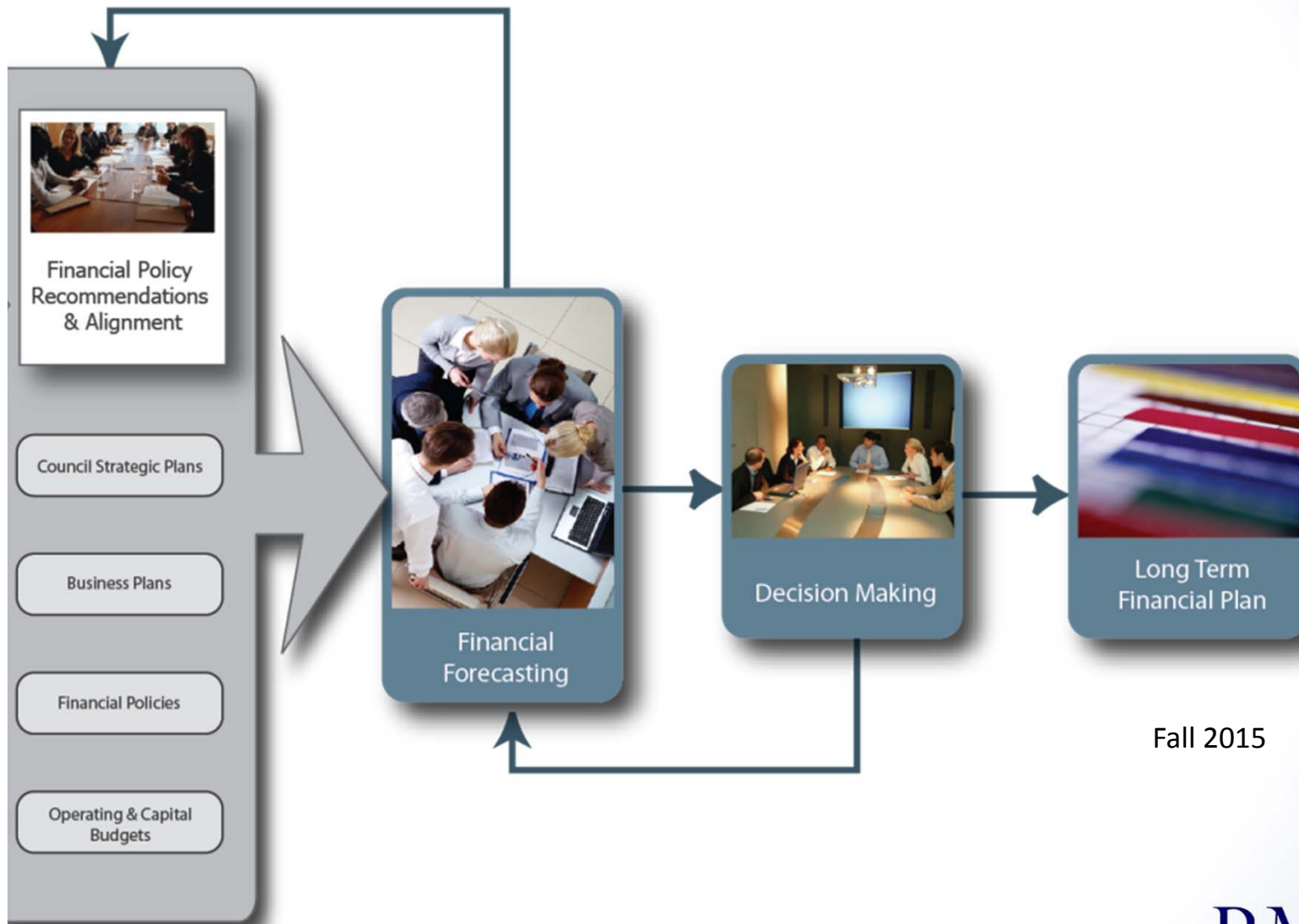
- Advocating the need for sustainable levels of infrastructure funding from the Provincial and Federal Government
- Fully exploring opportunities to leverage grant funds
- Updating user fees annually to reflect inflationary cost increases
- Undertaking a detailed user fee review every 3-5 years
- Stormwater Utility Model



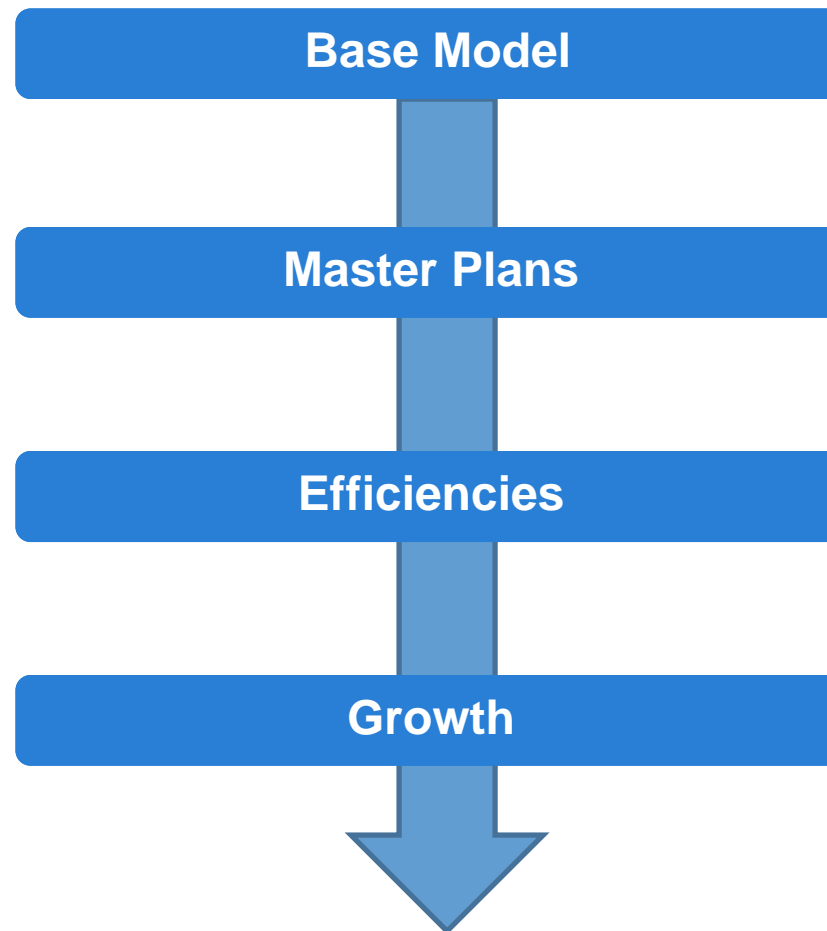
Next Steps



Next Steps



Financial Forecast Development Process



Questions & Answers

Questions & Answers
Answers