



BUDGET 2016

Monday, December 21, 2015

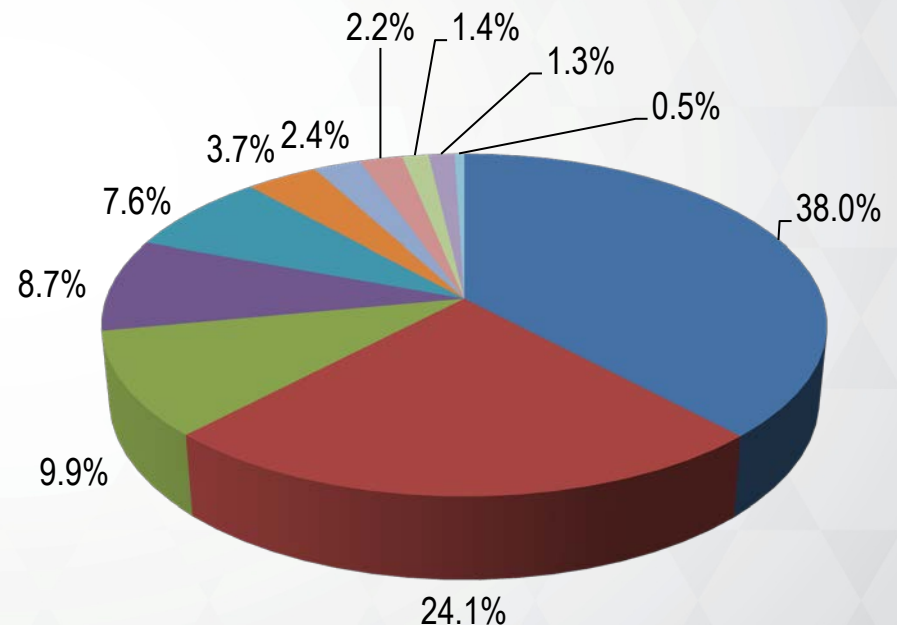
2016 Operating Budget Process

	Date
2016 Proposed Budget Process & Timeline (City Council Meeting) Public Input Opportunity	July 27, 2015
2016 Recommended Budget Development by Administration	July 6, 2015 – Nov. 26, 2015
2016 Recommended Budget Made Public (Available on the Internet and all Windsor Public Libraries)	November 27, 2015
2016 Final Budget Deliberations (Beginning at 12:00 pm) Public Input Opportunity	December 21, 2015

2015 Gross Operating Budget by Major Types of Expenditures

Total Gross Expenditures: \$768 Million

- [38.0%] Salaries & Benefits
- [24.1%] Transfers for Social Services
- [9.9%] Transfers to Reserves & Capital Funds
- [8.7%] Transfers to Education Entities *
- [7.6%] Purchased Services
- [3.7%] Utilities, Insurance & Taxes
- [2.4%] Operating & Maintenance Supplies
- [2.2%] Transfers to External Agencies
- [1.4%] Financial Expenses
- [1.3%] Minor Capital
- [0.5%] Other Miscellaneous Expenditures

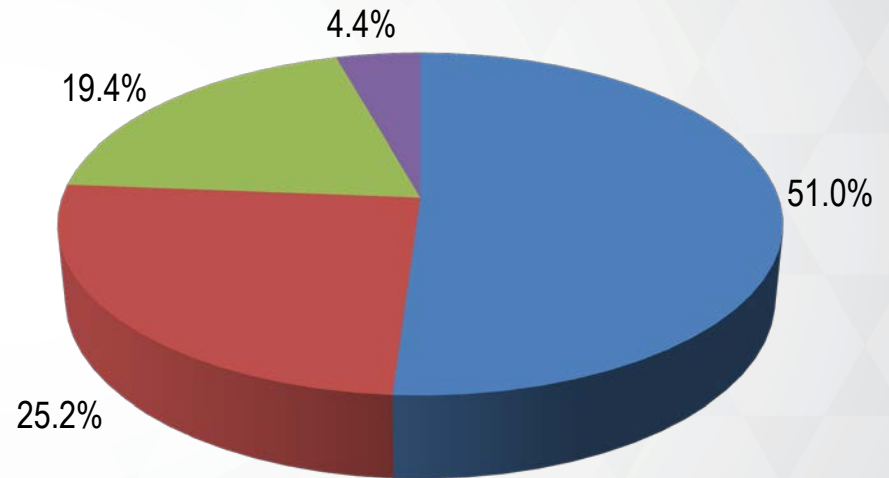


* Reflects the 2015 Education Levy as the 2016 Education Levy has not yet been announced by the Province.

How Will We Fund the Total Expenditures

Total Gross Revenue: \$768 Million

- [51.0%] Property Taxes
- [25.2%] Grants & Subsidies
- [19.4%] User Fees & Recovery of Expenditures
- [4.4%] Other

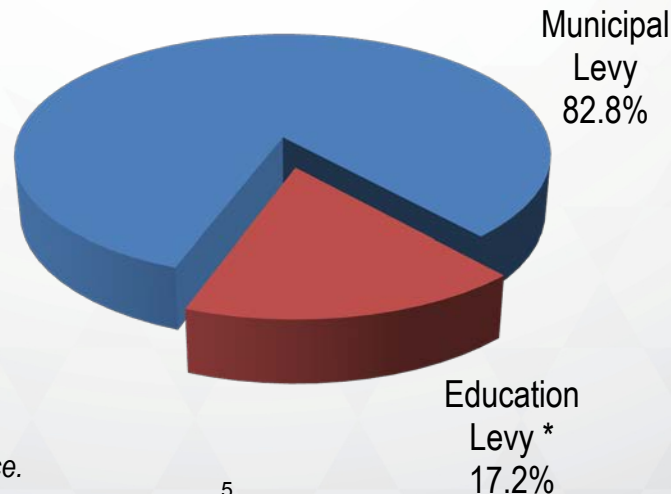


Total Property Tax Levy

2016 Total Property Tax Levy	
2015 Total Levy	\$386.0 M
2016 Total Levy	\$391.4 M
2016 Levy <u>Increase</u> Over 2015	\$5.4 M

Property Tax Levy Decrease Over the Last 10 Years	
2006 Total Levy	\$393.8 M
2016 Total Levy	\$391.4 M
2016 Levy <u>Decrease</u> Over 2006	-\$2.4 M

2016 Municipal / Education Property Tax Levy Split



* Education Levy reflects the 2015 level as the 2016 amount has not yet been announced by the Province.

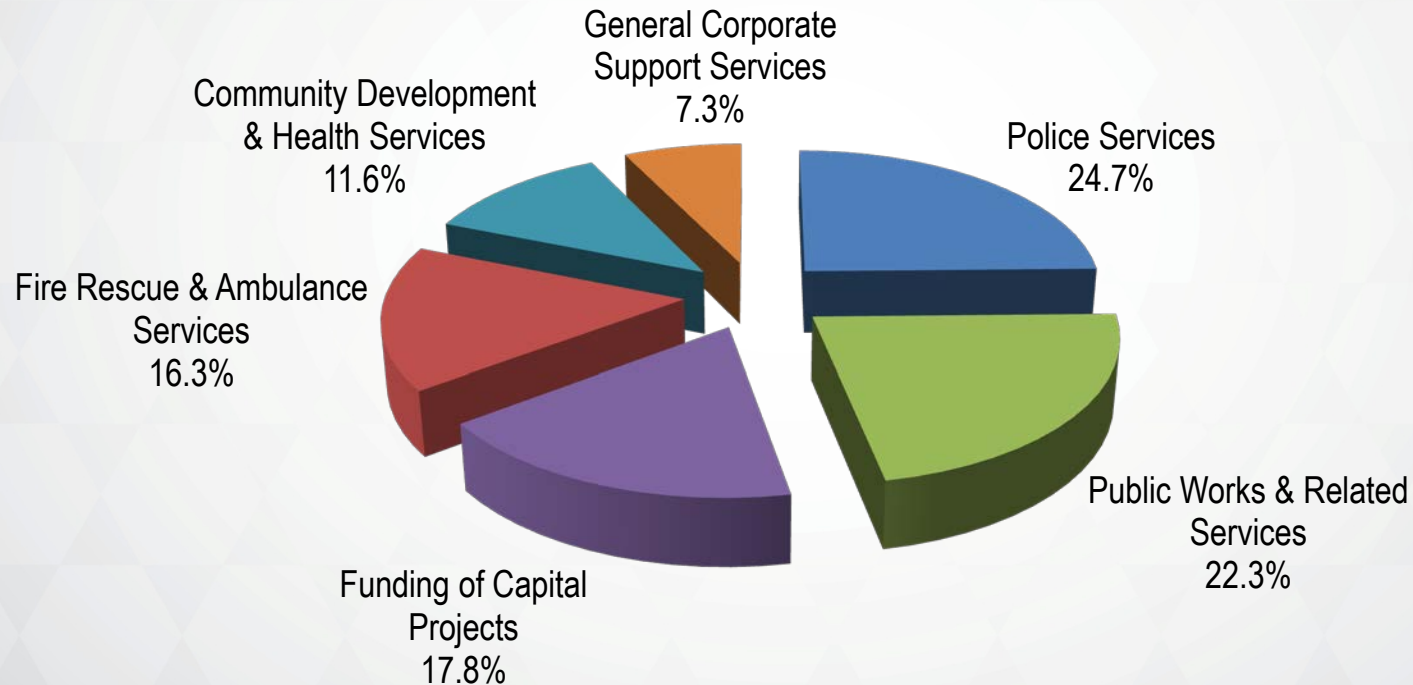
Summary of Submitted Budget Impact on the Tax Levy

	\$ Millions
City Departments Decrease	(\$1.2)
City Funded Agencies, Boards & Committees Increase	\$3.1
Sub-total	\$1.9
Recommended Priority Add-Backs to City Departments	\$1.5
Recommended Additional Dedicated Funding for Road Rehab	\$2.0
Property Tax	\$5.4
% Increase in Overall Levy	1.39%

- ***The inflationary rate for 2016 is projected at approximately 2%***

What is the 2016 Municipal Tax Levy Being Spent On?

2016 Total Net Municipal Levy: \$324.4 Million

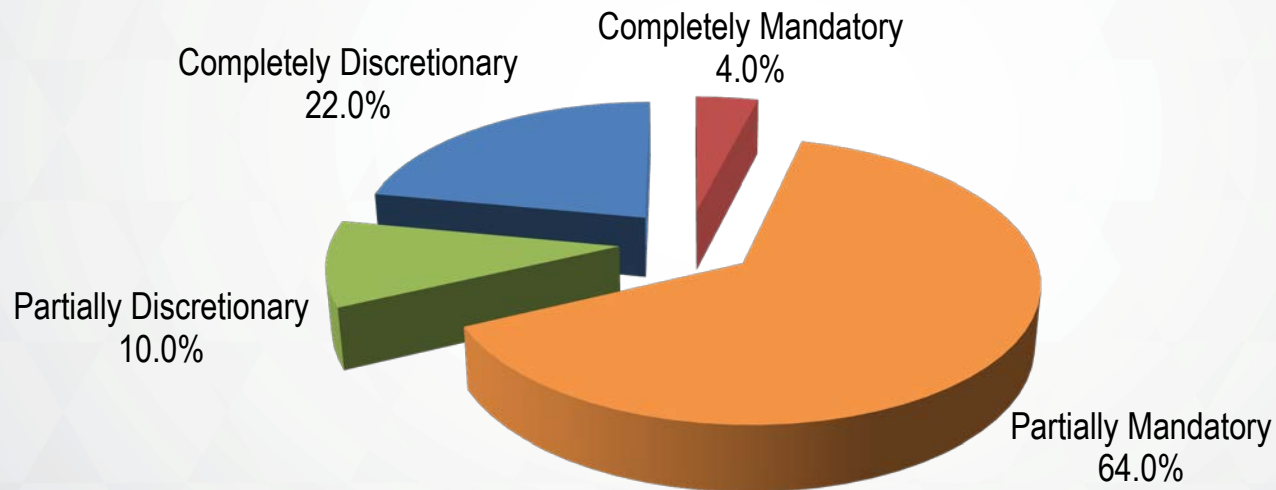


How Will Tax Payers Be Impacted by the 2015 Budget

- Based on the budget submitted by administration, the City would be collecting slightly more in total property taxes than in 2015.
- However, the impact on individual tax payers will depend on their MPAC assessment revaluation results compared to the average MPAC revaluation results, as well as the tax ratios and the tax policies that will be approved by Council in the spring of 2016.
- As part of the tax policies report, administration will provide City Council with a number of tax ratio modeling options for their consideration.
- Per BMA Study: Windsor's property taxes are lower than peer municipalities in 9 of the 12 assessment categories studied.

Levels of Council Discretion

Overall Municipal Budget

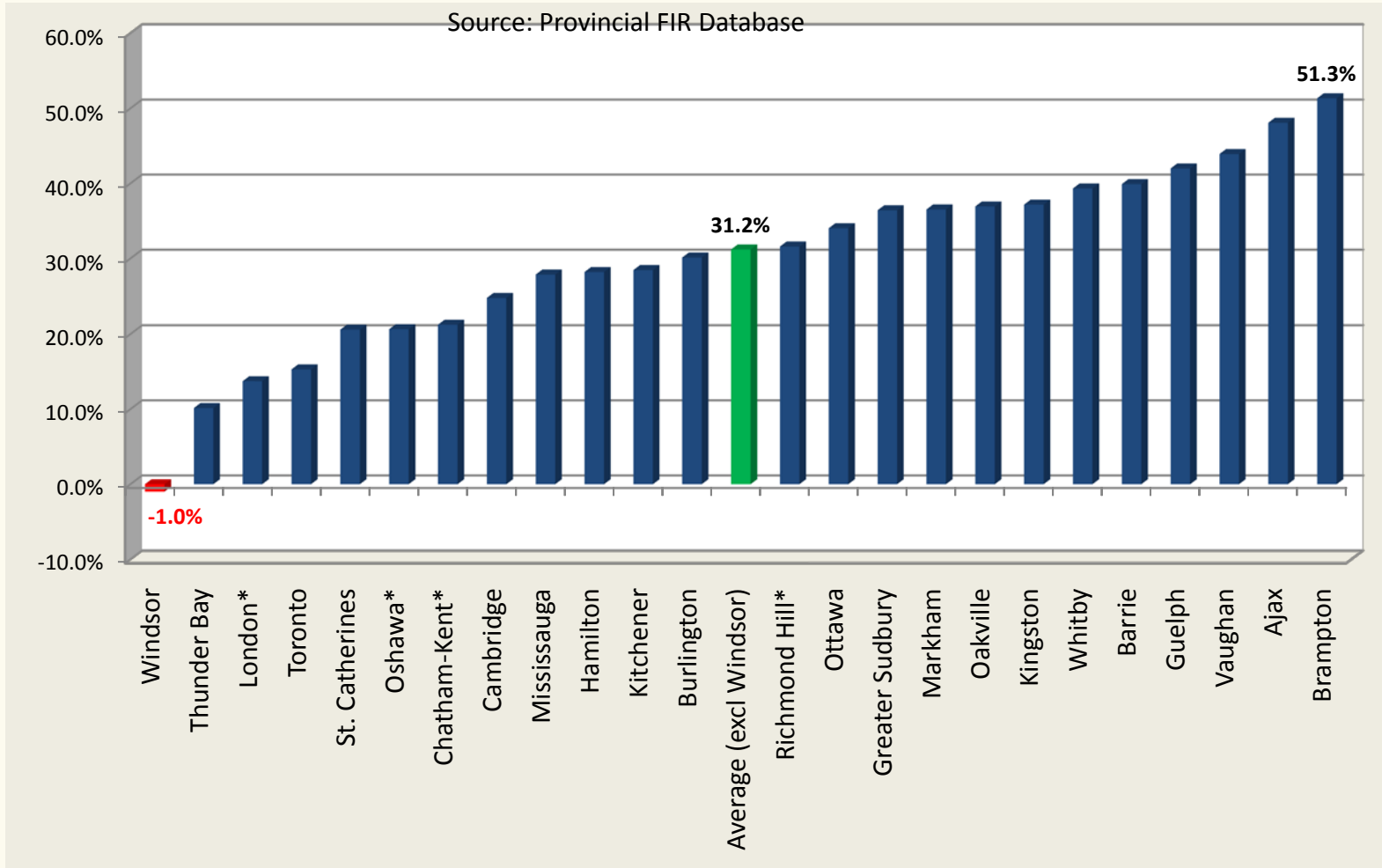


% Change in Total Tax Levy

2014 vs 2006 (* 2013 vs 2006)

Source: Provincial FIR Database

2014 % increase (decrease) vs 2006
(* 2013 vs 2006)



Sewer Surcharge

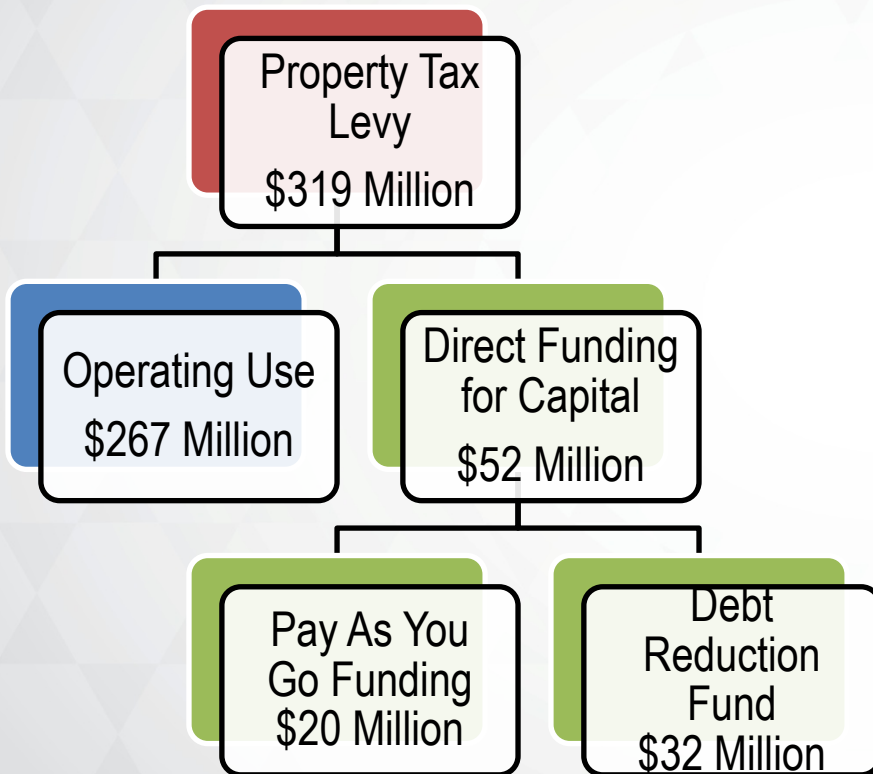
- No increase to rates
- Users that use the same amount of water will pay the same amount in 2016 as they did in 2015
- 6th time in the last 8 years there has been no increase
- Total revenues \$58.4 M
- \$23.6 going to fund sewer capital projects and sewer related equipment replacement
- Per the BMA Study, Windsor spends a greater percentage of its sewer surcharge on capital projects than any other municipality in the Provincial survey

Capital Budget

- Total funding for the Capital Budget 5-Year Plan is \$513.7 million
- Capital funding for 2016 is \$112.3 million
- Total funding for roads, sewers and related projects in the 5-Year Plan is \$326.3 million or nearly two thirds of the total capital budget

Debt Reduction Funding

What is it? How does it work?



- Part of the base property tax levy.
- Debt Reduction Funding built up from \$10 million in 2004 and 1% capital levies in 2003-2008.
- It's used to fund capital projects without issuing debt, thus, allowing the normal annual debt repayments to reduce debt.
- Eliminating a capital project funded by the DRF or PYG funding to reduce the tax levy will reduce the funding for the capital budget in every year thereafter by the amount of the reduction.

The Importance of Not Using One-Time Funding to Reduce Ongoing Budget Pressures

- Ongoing budget pressures should be dealt with ongoing funding solutions (permanent cuts, permanent increases in revenue sources such as grants, user fees or taxes)
- Using one-time funding sources to deal with ongoing expenditures is not sustainable and will lead to very significant spikes in future property tax levies.

The Importance of Not Using One-Time Funding to Reduce Ongoing Budget Pressures

Example:

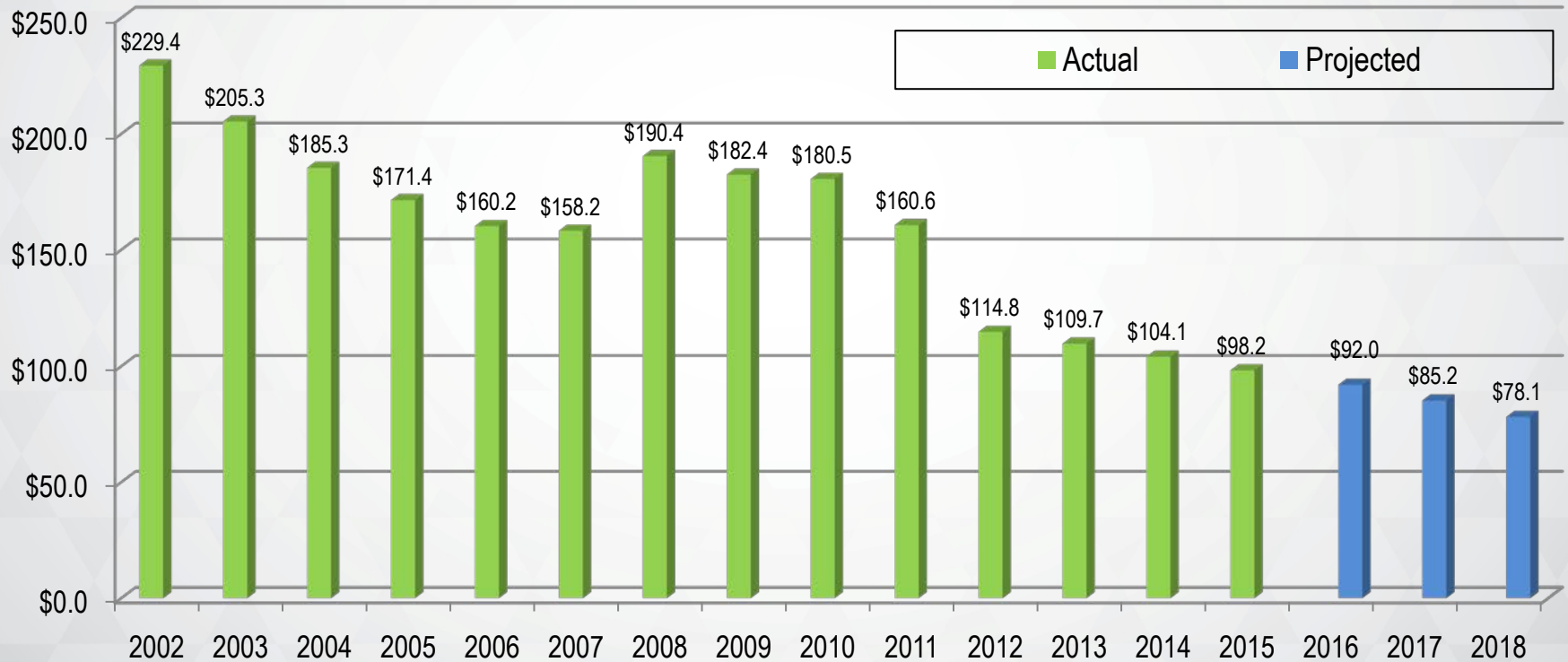
Year	Expenses	Ongoing Sustainable Funding	Funding From One-Time Sources	Property Tax Levy Increase
Year 1	\$320 M	\$320 M	N/A	N/A
Year 2	\$330 M	\$320 M	\$10 M	N/A
Year 3	\$340 M	\$320 M	N/A	\$20 M TAX LEVY SPIKE

- By using the one-time funds in Year 2, in Year 3 (when the one-time funds run out) the impact on Year 3 is double the amount it would otherwise be (\$20 M)
- \$10 M is needed to “catch up” for the Year 2 use of one-time funds and \$10 M to fund the normal Year 3 increase in expenses.
- **This results in a tax levy spike¹⁵ in Year 3.**

Long Term Debt Summary (in \$ Millions)

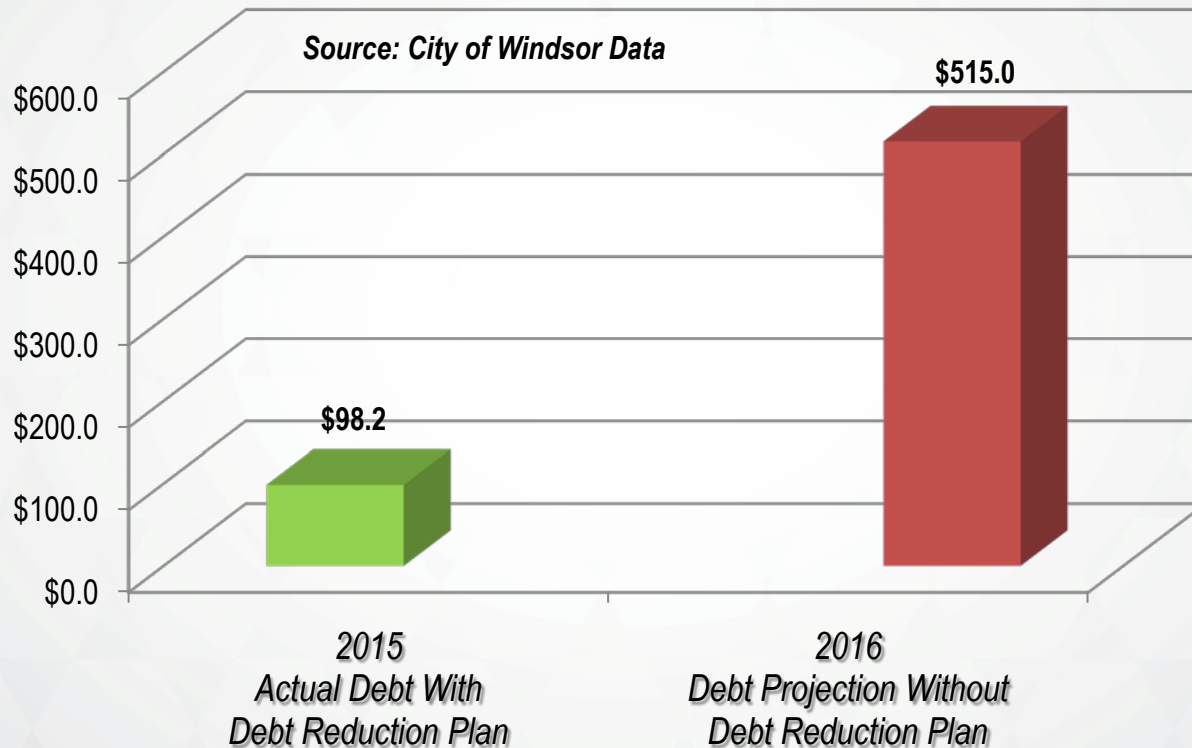
(Reflects the Savings of the Pay-As-You-Go / Debt Reduction Policies.

Prior to these policies, the Long Term Debt was projected to have grown to over \$370 million)



Source: City of Windsor Data

Actual Debt vs. Projected Debt (Prior to Debt Reduction Funding)



Debt Avoided = \$416.8 Million ($\$515\text{ M} - \98.2 M)
Debt Avoided Per Capita = \$1,985 ($\$416.8\text{ M} / 210,000$)

The Importance of Reserve Funds

- Are a critical component of a Municipality's long term sustainable funding plan.
- Make provisions for replacement of assets without major property tax spikes.
- Provide a source of internal financing to avoid bank borrowing.
- Provide stability of tax rates in the face of uncontrollable factors such as property tax appeals
- Provide funding for large lawsuits that can, for class action law suits, target municipalities for tens of millions of dollars in today's litigious environment.

Comparative Analysis Reserves as a % of Tax Revenues

Source: BMA 2015 Municipal Study



Key Financial Indicators

	Windsor	Provincial Avg.
Debt Repayments Burden as a % of Own Source Revenues (2)	2.2%	7.7%
Reserves as a % of Tax Revenues (2)	53%	70%
Total Cash & Cash Equivalents as a % of Operating Expenses (1)	29.5%	25%
Undepreciated Capital Assets as a % of Cost of Assets (1)	62%	61.4%
Unpaid Taxes as a % of Taxes Levied	10.3%	7%
Credit Rating	AA	N/A

(1) per Provincial FIR Data

(2) per 2015 BMA Study

Looking Forward

- The municipal corporation is in a solid financial position thanks to Council's adoption and ongoing adherence to sound financial policies.
- These policies have allowed the Corporation to weather some challenging economic times and come out stronger than ever.
- Future improvements will be largely tied to underlying improvements to the local economy.

Looking Forward (Continued)

- The main challenges looking forward relate to tackling the infrastructure deficit (similar to almost every other municipality) and the health of the local economy.
- In order for the municipal corporation to continue to provide quality services to our residents, it must maintain or improve its financial health.
- In that regard, I encourage Council to consider both the short and long term impacts of the decisions that are required to approve the 2016 budget.

Thank you.