

2019 CITY OF CAMBRIDGE

# BUDGET

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2019 Draft Tax-Supported Operating Budget Summary

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## Tax-Supported Operating Budget

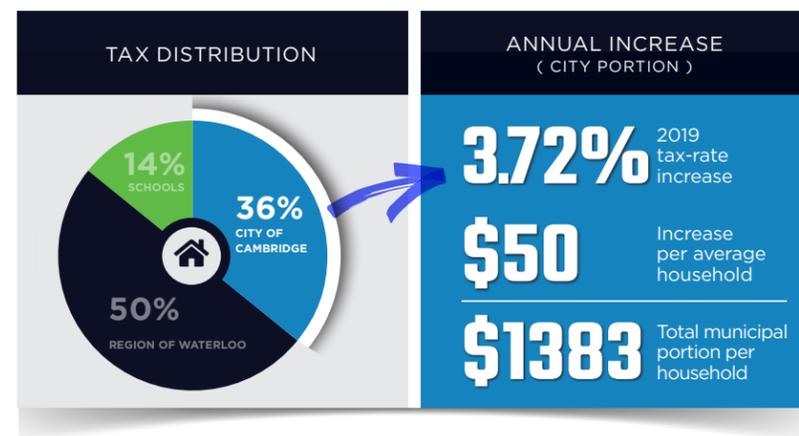
### Summary

The tax-supported operating budget covers the daily costs of running city services, excluding water and sewer services. This also includes the tax levy requests for four local boards. Each board is responsible for preparing and approving its own budget, which they submit for Council approval. These four local boards are:

- The Cambridge Public Library Board (Idea Exchange)
- Downtown Cambridge Business Improvement Area (Galt on the Grand)
- Hespeler Village Business Improvement Area
- Preston Towne Centre Business Improvement Area

The 2019 operating budget includes total gross expenditures of \$117.6 million. To deliver a balanced budget, the City considers all other sources of revenue before property taxes, such as user fees, funding transfers from other levels of government, and transfers from reserves. Revenues from these sources account for \$26.8 million in the 2019 operating budget.

This leaves the remaining \$90.8 million of total gross expenditures to be accounted for through the tax levy. This equates to a 3.72 per cent tax rate increase or \$50 for the average household with an assessment value of \$310,200.



The City's portion of the tax bill is 36 per cent, with the Region of Waterloo and Education portions making up 50 per cent and 14 per cent respectively. When the potential tax levy increases for the Region of Waterloo and Education are included, the overall increase is \$126 or 3.36 per cent for the average household.

## Tax-Supported Operating Budget

### IMPACT ON TOTAL TAX BILL (BASED ON AVG. ASSESSMENT OF \$310,200)

	SHARE OF TAX BILL	2018 TAX BILL	2019 PROJECTED INCREASE	2019 PROJECTED TAX BILL	IMPACT ON TOTAL TAX BILL \$	IMPACT ON TOTAL TAX BILL %
City	36%	\$1,333	3.72%	\$1,383	\$50	1.33%
Region*	50%	\$1,877	4.05%	\$1,953	\$76	2.03%
Education**	14%	\$527	0.00%	\$527	\$-	0.00%
<b>Total</b>	<b>100%</b>	<b>\$3,738</b>	<b>3.36%</b>	<b>\$3,863</b>	<b>\$126</b>	<b>3.36%</b>

\* The Region's projected tax rate increase of 4.05 per cent is based on draft budget figures as of January 2019, represented by 1.85 per cent for base plus 1.20 per cent for budget issue papers and 1.00 per cent for Police.

\*\* Consistent with recent experience, the 2019 education rate is presented in alignment with the prescribed rate currently outlined in O. Reg. 400/98 and is subject to change through the approval of final 2019 rates by the Province.

### Breaking Down The Budget

When building the budget, city staff identify the budget needed to maintain existing services, commonly referred to as the **base budget**. Additionally, staff identify any enhancements or new additions to existing services and programs, referred to as **growth**. And lastly, when capital projects are approved staff identify if there are any impacts to the operating budget as a result of the project – such as operating costs for new facilities, increased maintenance costs, or even savings from energy efficiency investments; these are referred to as **impacts from capital**.

## Tax-Supported Operating Budget

The allocation of the budget into these categories helps to break down the tax rate increase to better understand what makes up the tax-supported operating budget.

ALLOCATION	\$\$\$	TAX LEVY %
2018 Tax Levy	86,267,600	
Assessment Growth	1,215,100	
<b>2018 Levy Incl. assessment growth</b>	<b>87,482,700</b>	
Base Budget - City	1,141,100	1.3%
Fire Station 6 & Fire CAD impacts	1,443,900	1.65%
Other impacts from Capital	372,400	0.43%
Growth	71,000	0.08%
Idea Exchange	222,300	0.25%
<b>2019 Budget Increase</b>	<b>3,250,700</b>	<b>3.72%</b>
<b>2019 Tax Levy</b>	<b>90,733,400</b>	

Maintaining the current level of services (or base budget) represents a tax rate increase of 1.30 per cent. This includes an increase to capital investment contributions of \$0.6 million representing a 0.67 per cent tax levy impact, towards sustainability of the city's assets. It also includes assessment growth of \$1.2 million or 1.41 per cent, which offsets tax rate increases. This assessment growth exceeds the recent history for Cambridge, thanks in part to the City's proactive investment strategy in the community.

Assessment growth is the sum of all the changes that happen to the city's tax base during a year, including new construction, major renovations, demolitions, and property value appeals. It does not include changes in value from market reassessment. Assessment growth effectively is the increased tax base of the City. The City receives a variety of planning applications; however, the time between the completion of the development project and the increase in assessment determined by MPAC can take between 12 to 18 months before it is reflected in the City's assessment records.

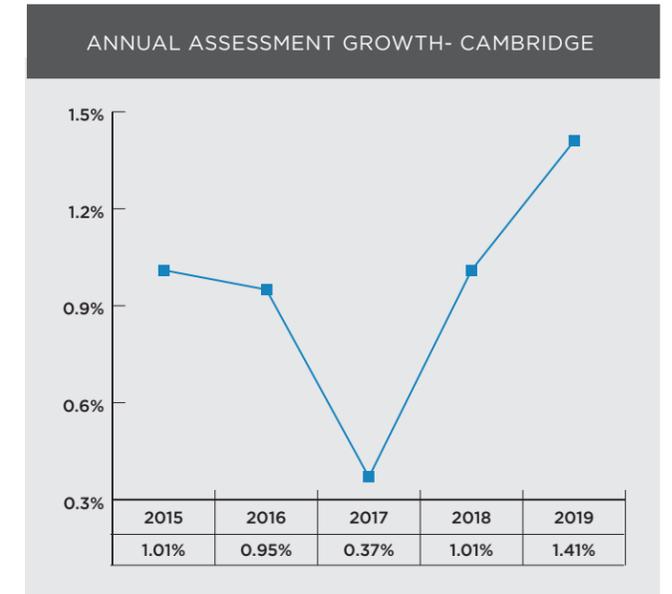
## Tax-Supported Operating Budget

In 2015, City Council approved the construction of a new fire station as an investment towards the City's strategic goal of Community Wellbeing. This fire station supports community safety through primary response coverage for a growing industrial area and planned residential neighbourhoods, secondary support for house fires in Hespeler/Preston areas and response to Highway 401 incidents. The station was opened in September 2018, with one third of its annual operating costs being included in the 2018 budget and the remaining two thirds to be included in 2019.

In 2018, a project for a new computer-aided dispatch platform was approved with an anticipated launch in 2019. Part of the City's strategic goal of Community Wellbeing, this project will support seamless and timely information sharing between Cambridge Fire Department and Waterloo Regional Police Services. Launching this new platform involves additional staff resources as well as professional service costs identified at project approval, which are included in the 2019 tax-supported operating budget.

Together, these investments in Community Wellbeing and safety in the Fire division result in a tax increase of 1.65 per cent. As the twenty new firefighters needed to operate the station move through the wage grid from probationary to first class firefighter, there will continue to be impacts on the operating budget in the coming three years.

Idea Exchange prepares its own budget, approved by its board of directors with the tax levy proposed for Council approval. The net tax levy for Idea Exchange is \$7.4 million, representing an increase of 3.08 per cent over 2018 and a tax levy impact of 0.25 per cent. This increase is driven by the launch of Idea Exchange Old Post Office in September 2018, with the remainder of full-year operating costs included in the 2019 operating budget. This digital library offers a variety of digital literacy and cultural programs, a new community gathering space and a digital projection show on the exterior of the building drawing residents and visitors alike, representing an important investment in the strategic goal of Arts, Culture, Heritage and Architecture.

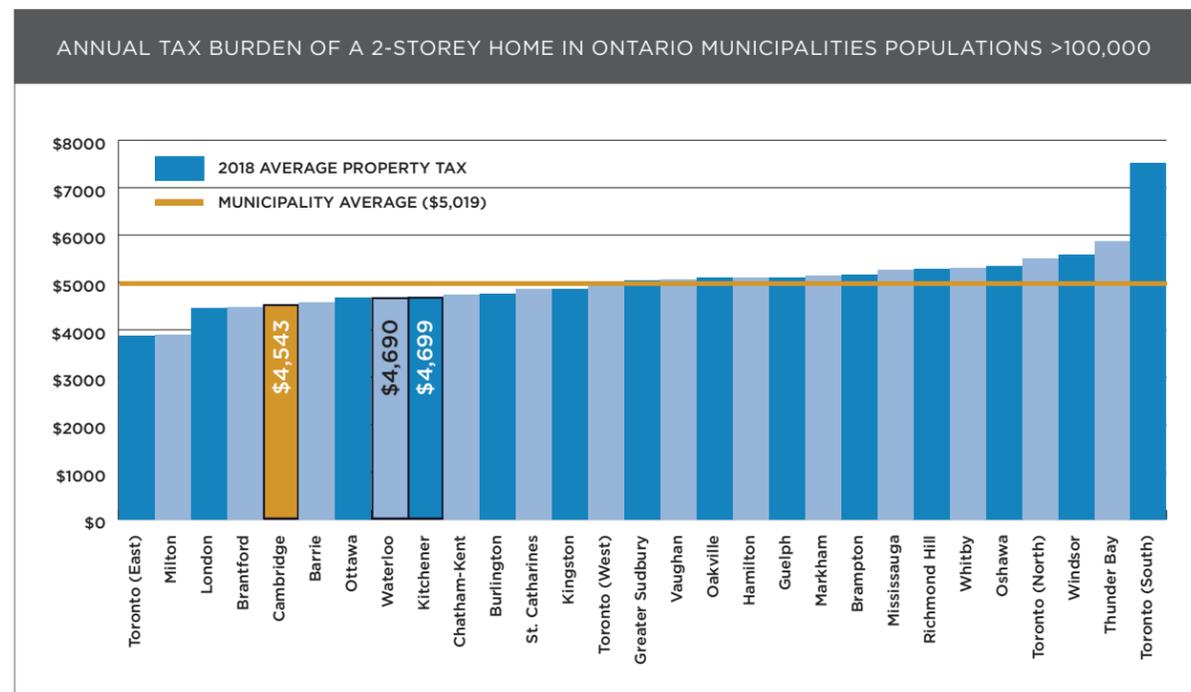


## Tax-Supported Operating Budget

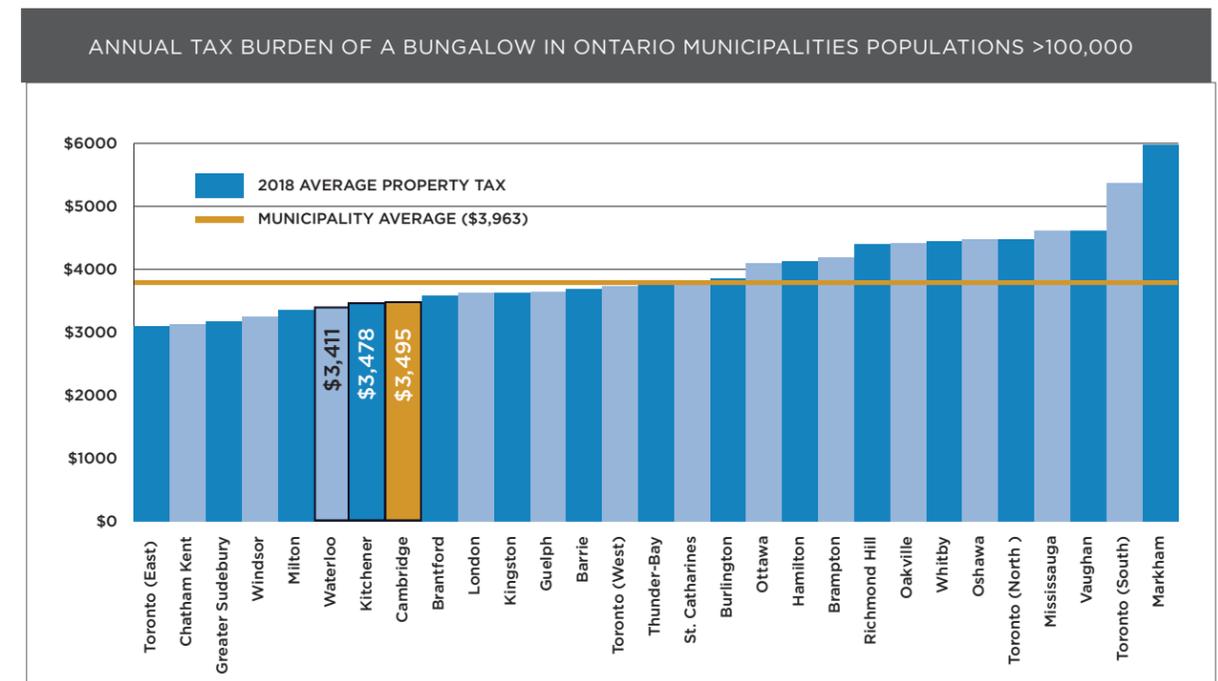
Other investments in the community represent a tax levy increase of 0.51 per cent. These include the operating cost of additional equipment, impacts from technology capital projects, and increased funding for neighbourhood associations in accordance with the approved Neighbourhood Association funding policy.

### Comparison to Other Municipalities

The estimated total average tax bill for Cambridge residents (including the Region of Waterloo and education portions) was below the provincial average for large municipalities in 2018. This is in comparing a similar type of property across the municipalities, as calculated by BMA Management Consulting Inc. in their 2018 Municipal Study.



## Tax-Supported Operating Budget



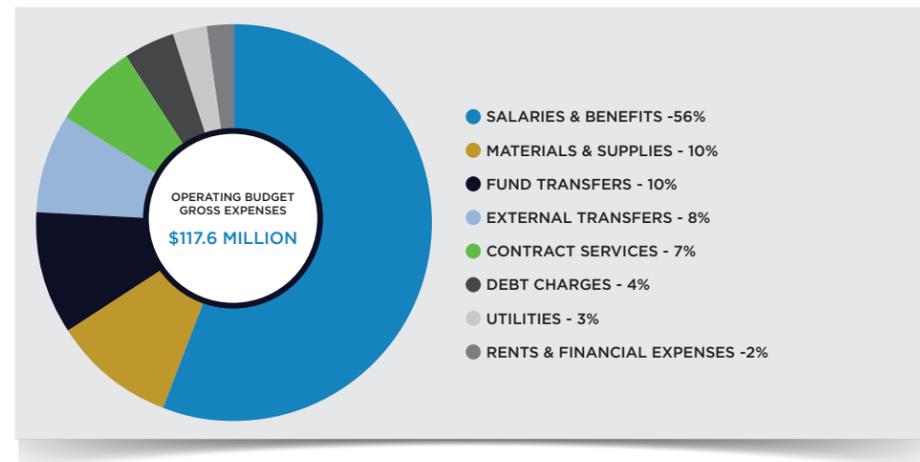
CITY	2018 EST. AVG. HOUSEHOLD INCOME	2018 AVERAGE RESIDENTIAL TAXES	2018 PROPERTY TAXES AS % OF HOUSEHOLD INCOME
<b>Cambridge</b>	<b>\$97,643</b>	<b>\$3,734</b>	<b>3.8%</b>
Waterloo	\$114,438	\$4,160	3.6%
Kitchener	\$90,901	\$3,506	3.9%
Average of all Ontario Municipalities	\$102,194	\$3,836	3.8%
Median of all Ontario Municipalities	\$95,406	\$3,696	3.9%

The ability to pay, as estimated using average household income, may vary for each community. This is an important check in determining the affordability of property taxes. BMA Management Consulting Inc. also computes this affordability check in their 2018 Municipal Study. For the average household in Cambridge, 2018 property taxes represented 3.8 per cent of estimated income, which is exactly equal to the provincial average and in line with the other large municipalities in the region.

## Tax-Supported Operating Budget

### Expenses

Major components of the operating budget can be summarized by the following:



#### SALARIES AND EMPLOYEE BENEFITS

The largest portion of Cambridge's operating budget is salaries and benefits, at 56 per cent of expenses. It is represented by the following groups:

- CUPE 1882 – Inside Workers
- CUPE 32 – Outside Workers
- Cambridge Professional Fire Fighters Association – Fire Personnel
- Non-Union / Management Staff

The total wage increases in 2019 reflect the collective bargaining agreements with CUPE 1882 and CUPE 32. The collective agreement between the City of Cambridge and the Cambridge Professional Fire Fighters Association expired on December 31, 2017. Therefore, the amount related to Fire Services reflects the anticipated budgetary needs.

## Tax-Supported Operating Budget

#### PROGRAM MATERIALS AND SUPPLIES

Materials and supplies represent 10 per cent of expenses. Program-related costs are reviewed and adjusted to reflect planned costs for 2019, taking into consideration previous years' actual costs and inflation where appropriate.

#### FUND TRANSFERS

Transfers to reserve funds, which represent 10 per cent of expenses include:

- Contribution towards the capital budget
- Contribution towards replacement of equipment
- Contribution to the Hydro Dividend Reserve Fund used towards the debt payments of capital projects
- Annual contribution towards the election, to spread the cost over the term of Council
- Other reserve fund transfers, in accordance with the reserve and reserve fund bylaw

The most significant transfer is the contribution towards the capital budget, representing the amount of tax levy funding that is allocated annually to capital projects based on the 10-year capital budget and forecast. \$9.4 million has been allocated to the capital budget as part of the 2019 operating budget.

Equipment reserves are used to fund the eventual replacement of equipment. The 2019 operating budget includes a contribution of \$1.4 million towards the fleet equipment reserve fund. Only equipment that is considered critical for replacement based on its condition has been included in the 2019 Budget.

## Tax-Supported Operating Budget

### EXTERNAL TRANSFERS

External transfers represent eight per cent of expenses. Approximately \$2.6 million is granted in funding to various organizations, as listed below.

EXTERNAL FUNDING DESCRIPTION	2018 BUDGET (\$)	2019 BUDGET (\$)
Doctor Recruitment Task Force	58,600	58,600
Social Planning Council	109,100	112,500
Chamber/Visitor Information	265,400	269,300
Volunteer Cambridge	62,000	12,000
Grants - Heritage	30,000	30,000
Celebrations of Women	3,000	3,000
Neighbourhood Assoc. Assist	1,092,300	1,151,800
Sustainable Waterloo	6,000	6,200
Residential Energy Efficiency Program	20,600	20,900
WRTMC Contract	90,000	141,800
Waterloo Economic Development Corporation	320,000	320,000
Grants - Other	10,000	10,000
Grants - Special Events	89,700	89,700
Grants - Groups	94,700	94,700
Grants - Cost Sharing	37,500	37,500
Grants - Approved by Council	135,700	105,700
Contaminated Sites Grant	50,000	50,000
Grants- Fashion History Museum	60,000	45,000
<b>Total External Funding Transfers</b>	<b>\$2,534,600</b>	<b>\$2,558,700</b>

## Tax-Supported Operating Budget

The funding to Idea Exchange in 2019 is approximately \$7.5 million (\$7.2 million in 2018) of which \$0.1 million is covered through a draw from the Book Purchase Reserve Fund and the remaining \$7.4 million is paid from taxes.

### CONTRACT SERVICES

The City spends approximately \$9.4 million in contract services, which represents seven per cent of the City's expenses. Contracted services that fall under this category include parking enforcement, City Hall security, animal control, forestry, technology services, as well as other contracts related to delivering various programs within the city.

### DEBT PAYMENTS

The City of Cambridge adheres to a debt management policy which provides assurance that it can meet its financial obligations in a timely manner and in accordance to legislative and regulatory requirements. As per the City's debt policy, the Tax-Supported debt charges will be limited to 10 per cent of the City's own source revenues.

This debt policy requires all debt repayment amounts to be included in the operating budget. The policy also requires that in the year that a debt-financed capital project is approved, 50 per cent of the annual debt repayment amounts are to be included in the operating budget with the full impact being included in the following year.

## Tax-Supported Operating Budget

PROJECT YEAR	DESCRIPTION	DEBT PAYMENTS (\$)
2009	Cambridge Road Overlay Program	448,600
2009	Public Works Building #136	166,600
2009	Hespeler Arena Project #66	108,200
2009	Pools Project #66	219,600
2009	Karl Homuth Arena #66	49,600
2009	Galt Arena Gardens #66	87,200
2009	Duncan MacIntosh #66	65,400
2009	Dickson Arena #66	64,600
2009	Preston Auditorium Project #111	95,200
2011	Drayton Theatre	589,800
2014	Fire Hall Museum	58,200
2014	River Access Project	63,700
2015	Water Street Parking Lot 2 Construction	205,500
2015	Hespeler Street Scape (Queen-Adam-Guelph-Tannery)	260,400
2015	New Financial System	722,800
2016	Reg Project/ Back to River 1555 Fountain S	83,400
2013	Historic Post Office Renovations - Construction	862,500
2015	Grand River Pedestrian Bridge	179,000
2016	LED Street Lighting Installation	278,100
2016	B2R School of Architecture Walkway	62,000
2019	Main Street Streetscaping	174,300
2019	Reg. Project/ King St. Phase 1&2 (Dover to Bishop)	118,800
<b>TOTAL 2019 DEBT PAYMENTS</b>		<b>\$4,963,500</b>

### 2019 DEBT PAYMENT

The total debt payment included in the 2019 operating budget is \$4,963,500 for the specified capital projects.



**The debt repayments of \$5.0 million are well below the prescribed debt limit that is set by the province.**

## Tax-Supported Operating Budget

### UTILITIES

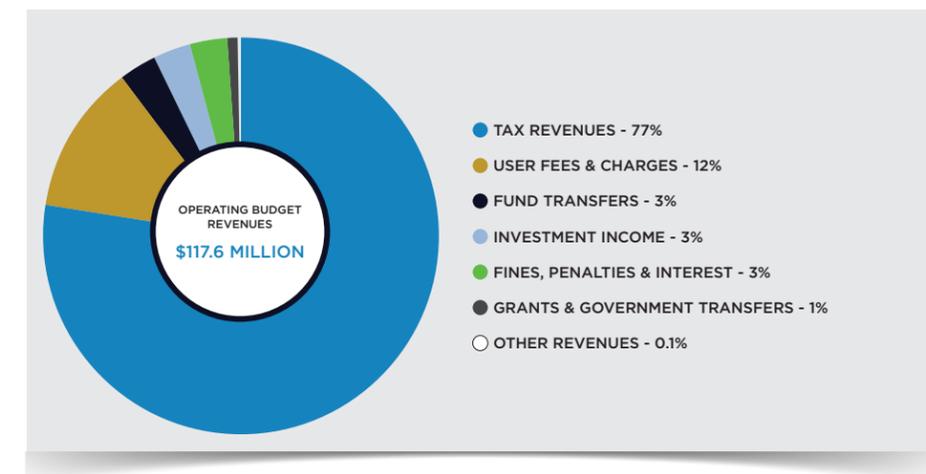
Utility costs represent three per cent of the City's expenses. They are reviewed and adjusted to reflect planned cost for 2019, taking into consideration previous years' actual costs and inflation where appropriate.

### RENTS & FINANCIAL EXPENSES

The City's rent and financial expenses make up two per cent the gross expenditures. The most significant cost in this category is insurance, with a budget of \$1.0 million. The City is a member of the Waterloo Regional Insurance Pool which includes all municipalities in the region. An annual premium is paid to the pool to cover insurance claims over and above \$50,000. The City is responsible for covering any claim costs up to the deductible amount and has set up a self-insurance reserve to cover claim costs in excess of what is budgeted annually.

Other costs in this category include the tax incentive grant to support brownfield development in the city's core areas, lease agreements, and property taxes for non-exempt properties owned by the City.

### Revenues



Under the Municipal Act, 2001, the City is required to prepare a balanced budget where revenues equal expenses. Total revenue to match the \$117.6 million in spending is summarized as specified.



## Tax-Supported Operating Budget

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### TAX REVENUES

The \$90.7 million in property taxes are the most significant source of funding for the municipality, representing 77 per cent of the operating budget revenues. This includes \$1.2 million in assessment growth based on analysis of supplementary tax billings issued in 2018 and closed-roll assessment information provided by Municipal Property and Assessment Corporation (MPAC) at the end of the year. MPAC determines the valuation of property within the city and additional assessment growth can be related to new development, changes in property class information and other factors.

### USER FEES & CHARGES

At \$14.5 million, user fees and charges represent 12 per cent of the total operating budget revenues. These revenues reduce the amount of programming costs subsidized through property tax.

User fees and charges are reviewed annually as part of the budget process. Inflationary adjustments are made to fees directly linked to specific program costs that operate on a full cost recovery basis. Other fee increases are determined after comparing rates to those charged by other municipalities with similar operations and services.

### FUNDS TRANSFERS

The \$3.9 million contribution from reserve and reserve funds represent three per cent of the City's operating budget revenues and include:

- ➔ Contribution from the Rate Stabilization Reserve to help offset the impact of significant tax rate increases
- ➔ Contribution from the Hydro Dividend Reserve
- ➔ Contribution from the Economic Development Reserve Fund
- ➔ Contribution from the Future Employee Benefits Fund
- ➔ Contribution from Cemetery Care and Maintenance Fund
- ➔ Other reserve fund transfers, in accordance with the Reserve and Reserve Fund bylaw

For additional information on the budget impact to reserve and reserve funds refer to the Reserve and Reserve Fund section of the budget report.

## Tax-Supported Operating Budget

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### INVESTMENT INCOME

Investment income totaling \$3.9 million represents three per cent of operating budget revenues. The most significant portion of investment income is related to dividend payments that the City receives from Cambridge and North Dumfries Hydro. The City owns 92.1 per cent of Cambridge and North Dumfries Hydro and includes an annual dividend of approximately \$3.0 million in the operating budget. The remainder of investment income is derived from the City's operating investment portfolio.

### FINES, PENALTIES & INTEREST

A total of \$3.1 million in fines, penalties and interest make up three per cent of the operating budget revenues. These are additional revenues that are used to lower the property taxes raised on the tax-supported operating budget. The majority of this revenue is from parking enforcement and penalties and interest on taxation revenue.

### GRANTS AND GOVERNMENT TRANSFERS

The City of Cambridge receives grants and government transfers in the amount of \$1.1 million which represents one per cent of the total operating budget revenues. The Province of Ontario is in the process of phasing out Ontario Municipal Partnership Fund (OMPF) grant funding for municipalities, reducing contributions annually. The City has not received any notification yet regarding 2019 provincial grant allocations and has assumed 80 per cent of the previous year's funding of \$152,500. The City also receives \$785,800 in provincial funding for the Special Day and Friendly Visiting programs, and \$170,800 for the Elderly Persons Centres at Allan Reuter, Ted Wake, David Durward and W.E. Pautler centres.

### OTHER REVENUES

Other revenues represent 0.1 per cent of the total operating budget revenues and include lease agreement revenues and other contributions for a total amount of \$129,900.