Re: Deputation A

MIRANET Questions- ***FINANCE STAFF RESPONSES IN ITALICS***

The following questions refer to the latest version of the Business Plan and Budget Update document that was scheduled for presention to the Budget Committee on Monday, December 7, 2009.

1. Referring to chart #16, how many of the 4,884 FTE's are covered by union contracts and what percentage wage increase do these contracts provide for 2010? How much of the Labour pressure impact of $12.7 million shown on chart #20 is accounted for by these labour contracts?

   44% of the FTE positions are covered by union collective agreements. The collective agreements award a 3% economic adjustment increase per annum. Of the $12.7 million in labour pressures; approx $6.1 million are attributed to labour contracts and legislative fringe benefit increases.

2. Chart #15 shows that a tax component of $294.4 million is required to balance the 2010 Operating Budget. What is the relationship beteween the allocation of the department budgets shown on chart #13, totalling $546.9 million and chart #26, totalling $294.4 million?

   Many services receive some revenues, which helps to decrease the tax revenue needed to run the City. The following chart shows the budget by service split by gross cost, revenues and net impact on the tax rate.

Service	2010 Gross Operating Budget	2010 Operating Revenue Budget	2010 Net Operating Budget
Transit	120.5	(84.7)	35.8
Recreation and Parks	88.9	(47.5)	41.4
Land Development	16.8	(15.1)	1.7
Legislative	7.6	(9.4)	-1.8
Library	25.2	(2.4)	22.9
Arts & Culture	3.2	(0.5)	2.7
Regulatory	11.7	(11.4)	0.3
Business Services	61.5	(4.0)	57.6
Corporate Assets	19.2	(0.4)	18.8
Strategic Policy	6.2	(1.5)	4.7
Mayor & Council	4.1	0.0	4.1
Financial Transactions	32.9	(66.0)	-33.1
Roads	66.5	(7.9)	58.6
Fire	82.5	(1.7)	80.8
Total	**546.9**	**(252.5)**	**294.4**

3. Referring to chart #36, why does the infrastructure levy introduced in 2008 commence from a base of approximately $14.0 million? What is the accounting treatment of such tax levies? Are they held in the capital reserve fund?

The base amount is an annual transfer from the operating budget to the capital reserve funds. Council has approved an infrastructure levy in previous years. The infrastructure levy introduced in 2008 is based on plan to add 1% per year to the tax rate to increase capital funding to address the City's infrastructure gap. This 1% increase is subject to the approval of Council. The amount that is transferred resides in the capital reserve fund earning interest until it is needed for capital expenditures.

4. Please confirm that the net impact of the Summary of Budget Changes shown on chart # 22 is reflected on chart # 26 as an increase of $8.494 million for 2010.

Yes, that is correct. The chart below summarizes the changes for you. The difference is $6,000 is due to rounding on Chart #22.

2010 BUDGET CHANGES-SUMMARY ($ thousands)	
Budget Increases:	
Ongoing Programs	11,409
Service Increases	5,022
Total Budget Increases	**16,431**
Budget Decreases:	
New Revenues	2,851
Program Reductions	4,072
Efficiencies and Reserve Transfers	1,008
Total Budget Decreases	**7,931**
Budget Increases less Budget Decreases	**8,500**

5. Referring to the Forestry Maintenance Backlog of $780,000 shown on chart #27, please explain whether this is intended as a one time expenditure to clear a work backlog or an onging addition to the Foresty program? If the latter, please indicate the type of resources required.

An additional report is being prepared by Community Services to identify the portion of this amount which is one time, versus additional resources to maintain service levels. This report is to be presented to Budget Committee on January 13, 2010.

6. What levels of inflation have been assumed in deriving the City tax rate increases forecast for 2011 and 2012 (chart #28)?

The 2011 and 2012 City tax rate forecasts are very preliminary and do not include inflation.

7. Referring to chart # 33, please explain how the annual depreciation expense of $86.0 million was calculated based upon the historical asset value of $2.2 billion. Since this figure is referred to as an annualized infrastructure deficit, please explain the rationale for applying the cumulative infrastructure levy of $5.2 million to the $86.0 million, as shown in chart #34?

The preliminary annual amortization has been calculated by dividing $2.2 billion by an average asset service life. Based on the type of assets, this may vary greatly. For example, personal computers have an average life of four years, while bridge structures have an average life of 100 years.

The preliminary annual amortization estimate of $86 million represents the quantum of City infrastructure assets that are consumed each year to provide services to the public, based on historical values. The cumulative 1% infrastructure levy of $5.2 million is not sufficient to finance the preliminary annual amortization estimate of $86 million, thereby leaving at a minimum an unfinanced gap of $80.8 million. This slide is presented for illustration purposes, to demonstrate that our funding of infrastructure renewal is well below our needs.