

BUDGET MESSAGE

Budget Summary

The City of Yellowknife is budgeting revenues of \$67,678,000 in 2016. This represents total revenues from all funds and sources, as identified below and in Figure 1: 2016 Budget Total Revenue,

- \$22.4 million (33.16%) from user charges.
- \$26.7 million (39.42%) from taxation.
- \$15.7 million (23.23%) from government transfers.
- \$2.8 million (4.19%) from land sales.

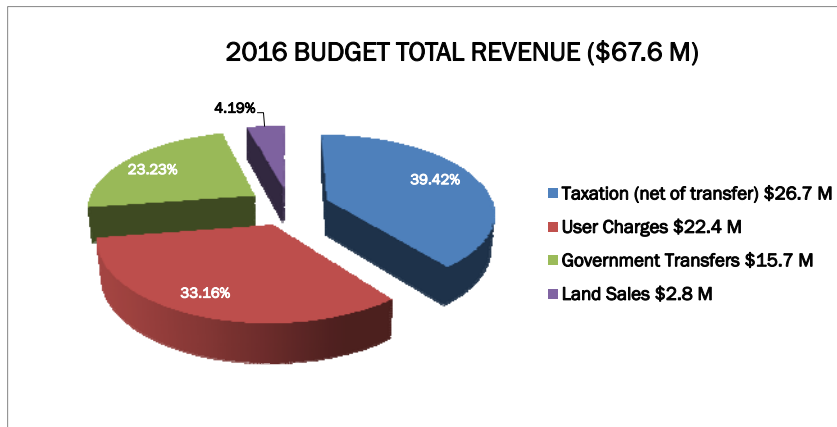


Figure 1: 2016 Budget Total Revenue

Total expenditures, net of amortization expense, will be \$68,638,000. The allocation of those expenditures is identified in Figure 2: 2016 Budget Total Expenditures, below:

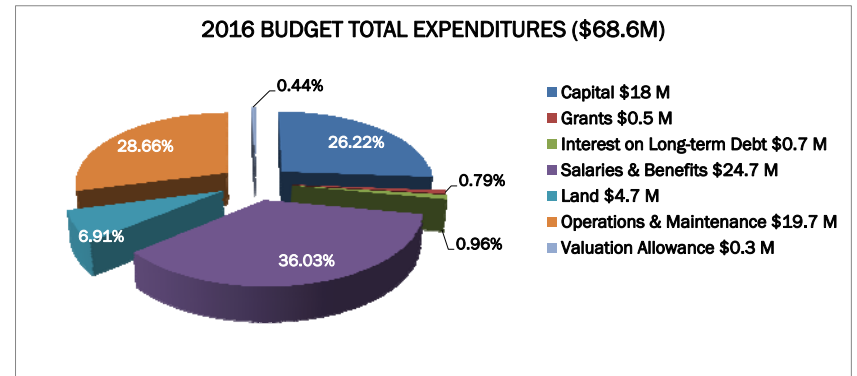


Figure 2: 2016 Budget Total Expenditures

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General Fund

The General Fund includes municipal services and programs not accounted for in other funds, such as recreational programs and fire and emergency services. The activity costs are recovered through:

- municipal property taxes.
- user fees.
- grants from other levels of government.

Since the 2012 budget, the City of Yellowknife has developed a Municipal Pricing Index (MPI) to demonstrate what the inflationary pressures are on the City's expenditures.

Using the MPI, and accounting for revenue growth, the City can demonstrate the necessary tax increase required to meet inflationary pressures on operations. The MPI is reviewed each year and adjustments made as necessary.

The 2016 MPI is 4.1%.

- This equates to an additional \$1,427,000 in added expenditures.
- The assessment growth of 1.38% will result in \$301,000 of new tax revenue.
- Thus, the required additional revenue would be \$1,126,000 which would require a tax increase of 4.33%.

4.33% is the sustainable tax increase without considering:

- User fee increases.
- Expenditure growth not related to inflation.
- Increase the transfer to Capital Fund to meet our long-term infrastructure needs.

However, Administration proposes a 2.87% tax increase for 2016 Budget. Please refer to the rest of the General Fund section for details.

The City is experiencing inflationary and growth-driven cost increases to provide existing services to the residents. The City is forecasting cost increases to provide increased service levels and to support new programs.

- The total net change in operating expenses is \$780,978.
- The net increase in operating revenues is forecasted to be \$666,635.
- An increase in the transfer to the Capital Fund of \$531,600 is recommended in this budget.

The most significant changes in revenues and expenditures are shown in the table on Page 5.



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Table 1: Proposed Budget Adjustments

Adjustments in Proposed 2016 Budget									
	Existing Standard				Service Level Changes			2016 Impact	
	FTE's	Inflation	Growth	Sub-total	FTE's	Service Level Changes	New Service/Program		
GENERAL FUND									
Operating Expenditures									
Salaries and Wages		723,958		723,958	1.00	50,252	50,900	101,152	825,110
Bad Debts			100,000	100,000					100,000
Webcasting & Teleconferencing		10,700		10,700					10,700
Mayor & Council O&M		4,000		4,000					4,000
Other Administration O&M		4,200	24,390	28,590					28,590
Increase in Communications & Econ. Dev. O&M		10,444		10,444					10,444
Other IT O&M		48,900	138,875	187,775					187,775
Insurance Premium			27,300	27,300					27,300
Library Occupancy Fee		5,224		5,224					5,224
Public Safety O&M		37,375		37,375					37,375
Pulic Works O&M		24,745	22,800	47,545					47,545
Vehicle O&M & Fuel		12,146		12,146					12,146
		881,692	313,365	1,195,057	1.00	50,252	50,900	101,152	1,296,209
Cuts to Operating Expenditures									
Reduction in Power Cost Mostly Due to Changes To LED Streetlights						(87,521)		(87,521)	(87,521)
Reduction in Heating Fuel and Pellet Heating						(266,800)		(266,800)	(266,800)
Reduction in Corporate Services Other O&M						(11,350)		(11,350)	(11,350)
Reduction in Community Services Other O&M						(19,500)		(19,500)	(19,500)
Reduction in Planning & Development O&M						(5,400)		(5,400)	(5,400)
Reduction in Election/ Plebiscite						(40,000)		(40,000)	(40,000)
Reduction in Grants to Exempt Properties						(47,000)		(47,000)	(47,000)
Reduction in Financial Charges						(37,660)		(37,660)	(37,660)
		-	-	-	-	(515,231)	-	(515,231)	(515,231)
Net Change in Operating Expenditures		881,692	313,365	1,195,057	1.00	(464,979)	50,900	(414,079)	780,978
Change in Operating Revenues									
Assessment Growth (excluding Mill Rate Increase)									(301,000)
Increase in Public Safety User fees									(130,000)
Increase in Corporate Services Fees & Penalties									(31,100)
Increase in Building Inspections User fees									(119,000)
Increase in Transfer to Capital Fund for Asset Management									531,600
Increase in Community Services User Fees									(25,735)
Increase in Public Transit Revenue									(19,400)
2015 Budget Allocated from General Fund Surplus									100,000
Increase in Transfer from SWM & W&S Fund									(40,400)
									745,943
Tax revenue increase required resulting from recommended adjustments									2.87%

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The table on the previous page shows that an additional \$881,692 is required due to inflationary pressures, in order to maintain existing service levels.

This includes:

- \$723,958 in negotiated salary increases and increments
- \$10,700 in webcasting and teleconferencing
- \$5,224 in library occupancy fees
- \$12,146 in vehicle O&M and fuel
- \$129,664 in other increased O&M costs across all departments

\$313,365 in cost increases related to growth of existing service levels:

- bad debt \$100,000.
- insurance premium \$27,300
- IT software maintenance and acquisitions \$138,875
- legal fees and labour relations \$24,390
- sign maintenance materials and snow removal contracted costs \$22,800

The additional expense due to service level increases and new programs is \$101,152. The primary increase is related to new full time employees (FTE) which are being proposed to address new services/programs and enhance service delivery.

- \$50,900 for Fire Code Inspector
- \$13,830 for Homelessness Coordinator (0.75 of year to full year)
- \$36,422 for Municipal Enforcement Officer 1 (0.5 year to full year)

This budget also proposes a total of \$515,231 in expenditure reductions.

This includes:

- \$87,521 reduction in power cost, mainly due to the change of LED streetlights
- \$266,800 reduction in heating fuel and pellet heating
- \$11,350 reduction in other O&M, Corporate Services
- \$19,500 reduction in other O&M, Community Services
- \$5,400 reduction in other O&M, Planning & Development
- \$40,000 reduction in elections/plebiscites
- \$47,000 reduction in grants to exempt properties
- \$37,660 reduction in financial charges

General Fund Summary

Net increase in operating expenditures	\$ 780,978
Net increase in revenue	\$ 666,635
Increase in transfer to Capital Fund	\$ 531,600
2015 Budget allocated from General Fund Surplus	<u>\$ 100,000</u>
Revenue shortfall	\$ 745,943

This represents a proposed 2.87% tax increase.

A 2.87% tax increase for an average homeowner with property assessment value \$300,000 means:

- \$52 increase in municipal taxes per year
- \$17 increase in taxes for each \$100,000 of assessed value

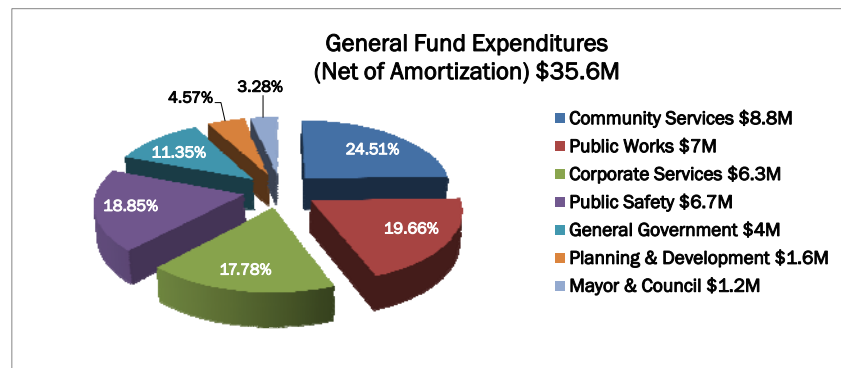


Figure 3: General Fund Expenditures

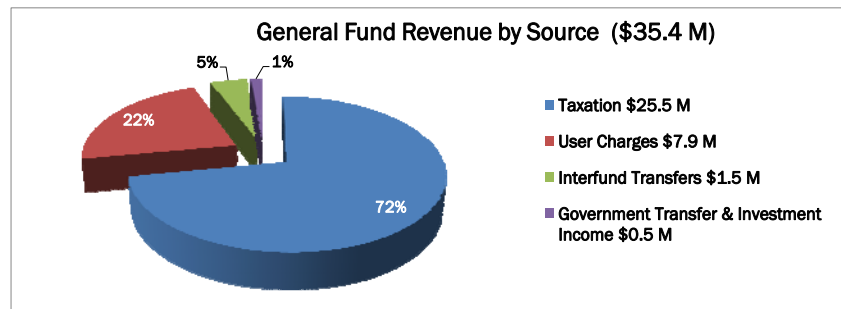


Figure 4: General Fund Revenue by Source



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Water and Sewer Fund

The Water and Sewer Fund is allocated to all aspects of establishing, operating and maintaining buildings, equipment and work related to the supply and process of:

- potable water
- distribution of potable water
- collection, treatment and disposal of sewage

These costs are recovered through charges to service users.

Due to a forecasted negative closing balance of \$755,000 in 2015 and the cost of operating the new water treatment plant, the Water and Sewer Fund needs to be closely monitored.

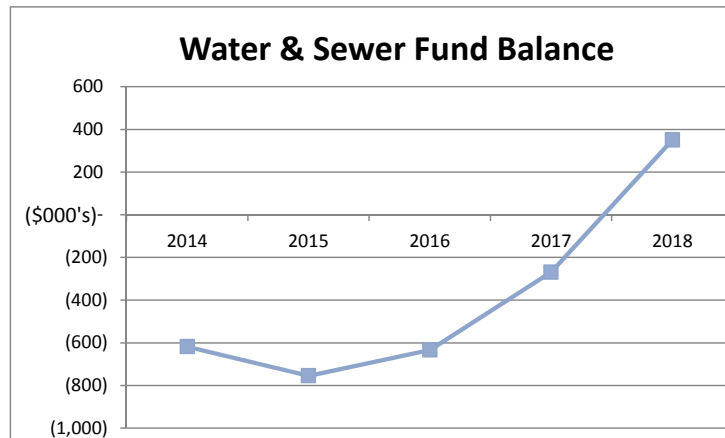


Figure 5: Projected Growth of Water & Sewer Fund Balance

In order to balance this fund in 2018, the following actions are proposed to ensure the sustainability of the Water and Sewer Fund:

- rate increases of 3% in 2016
- rate increase of 4% in 2017
- rate increases of 4% in 2018
- transfer from Water & Sewer Fund to Capital Fund is reduced to \$778,000 for 2016 to 2018 until this Fund is balanced

- Infrastructure replacement levy increases from \$10.5 to \$12 per equivalent residential unit (ERU) per month starting from 2016 onwards. This levy is used to finance the replacement of water and sewer infrastructure in the Capital Fund.

The City will continue to review the water and sewer rate structure and water consumption to ensure continued improvement of the financial position of the Fund.

Land Development Fund

The Land Development Fund provides the finances to acquire, develop and dispose of municipal lands.

- the Land Development Fund is projected to be in a surplus position of \$2.9 million by December 31, 2015
- as of December 31, 2014, the City is holding 60 lots at a cost of \$5.8 million and an estimated resale value of \$15.5 million

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Solid Waste Management Fund

The Solid Waste Management Fund encompasses the collection, processing and recycling of solid waste including:

- Landfill operation.
- Baling facility operation and maintenance (recycling, sorting and shipping).

The direct and indirect costs are recovered through the following user fees:

- \$19 solid waste levy for single family residences.
- Tipping fees collected at the landfill for multi-family (five units or more) and commercial/industrial operations.

The user pay principle encourages residents and businesses to reduce, recycle and reuse.

- The fund is slowly improving with a forecasted operating surplus of \$489,000 in 2015.
- Due to large negative fund balance from previous years, it will have a negative fund balance of \$706,000 in 2015.
- Expenditures have been reviewed and closely monitored.
- Increase in user fees 2.5% each year for the next four years (2016 to 2019).
- The fund will balance in 2019.

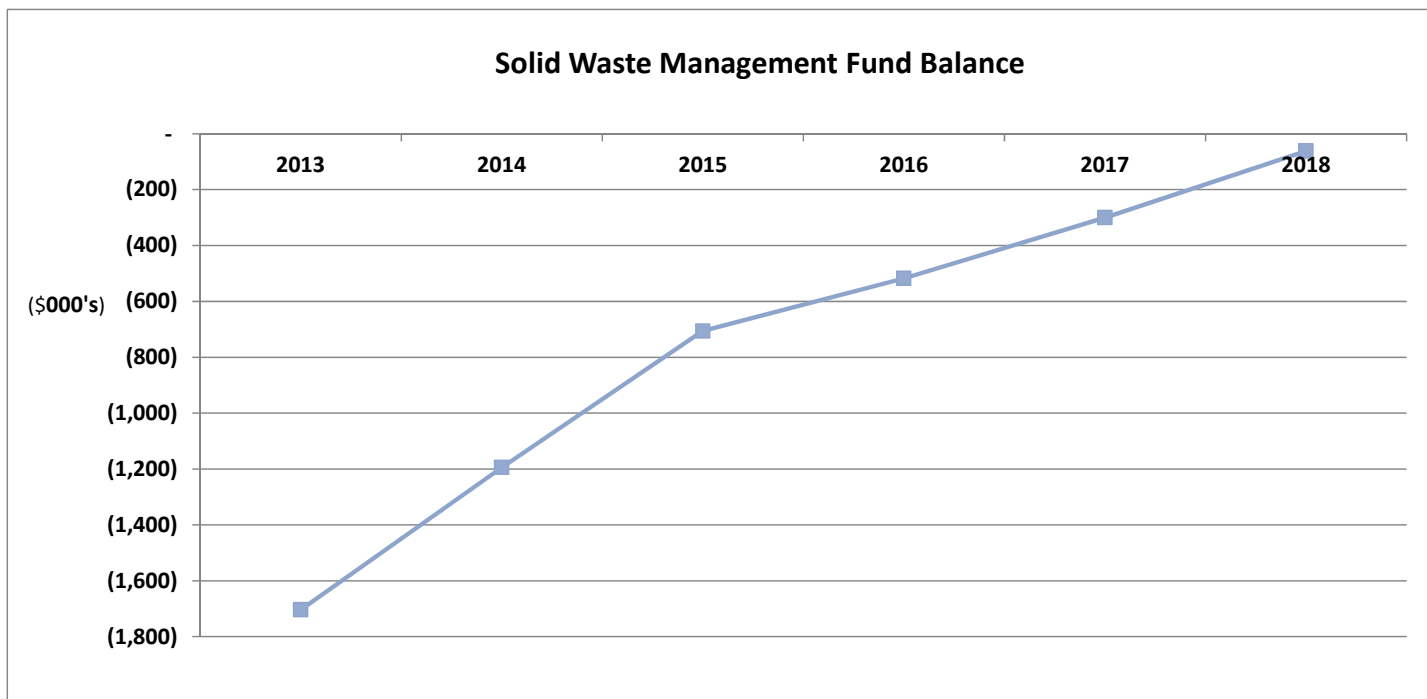


Figure 6: Projected Balance of the Solid Waste Management Fund



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Capital Fund

The Capital Fund accounts for capital projects relating to the delivery of services and programs.

The City has completed a long-term Asset Management Plan (presented to Council during the 2013 – 2015 budget deliberation) and discussed in the 10-Year Financial Plan section of the budget document.

The Asset Management Plan identifies the City's targeted investments over the next 10 years.

- the 2016 – 2018 Budget recommends that City Council commit to the Capital Investment Plan for the next five years

Major areas addressed in the next five years are:

- completion of Corrugated Metal Pipe Replacement project by 2017 (\$7.1 million)
- investment in roads and sidewalks replacement and overlay \$17.2 million through 2020
- investment in other water and sewer infrastructure through 2020 (\$14.2 million)
- replacement of existing submarine intake line from the Yellowknife River starting in 2019 through 2020 (\$20 million)
- new swimming pool in 2020 and 2021 (\$25 million)
- outdoor recreation facility in 2018 (\$3.4 million)
- new landfill cell construction in 2016 (\$3.5 million)

Sustaining the Asset Management Plan over a 10-year period will position the City to maintain a sustainable investment in infrastructure through 2025 including:

- water and sewer system \$59.2 million
- other pumping and lift stations \$9.5 million
- road and sidewalks \$34.7 million

By following this plan the City of Yellowknife will reduce the major infrastructure gaps by 2017.

The City's future Capital plans rely heavily on funding sources outside of the City's control. Grants from the federal and territorial governments are expected to continue but not guaranteed. The long-term future of these funding arrangements has become more certain as the current federal government has entrenched the Gas Tax Rebate program in budget legislation.

The Long-Term Capital Plan assumes:

- an additional \$531,600 will be transferred from the General Fund to the Capital Fund in 2016
- this increases the transfer to \$1.146 million for 2016 and \$1.7 million for 2017 and beyond.
- borrowing \$20 million (\$1 million in 2019 and \$19 million in 2020) to finance the replacement of submarine intake line at 5% interest, repayable over 15 years.

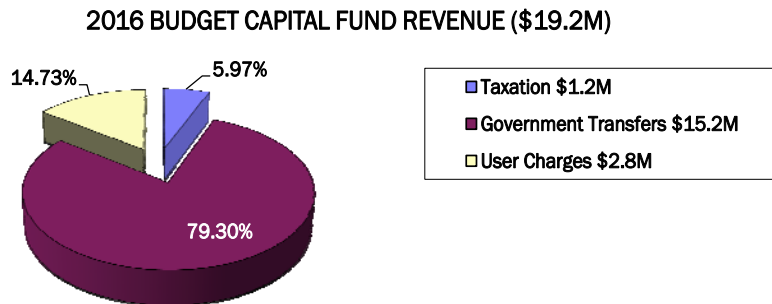


Figure 7: 2016 Budget Capital Fund Revenue

