

Under pressure: City to unveil 2016 draft budget on Thursday



[Matthew Pearson, Ottawa Citizen](#)



[Joanne Laucius](#)

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Ottawa Mayor Jim Watson's plan to keep his two-per-cent promise will likely involve a mix of targeted cuts and one-time borrowing from city reserves. Ottawa Citizen

Mayor Jim Watson's pledge to keep the tax rate increase to two per cent will be put to the test when the city's 2016 draft budget is tabled later this week.

How the city will achieve this goal, a commitment Watson made before winning re-election last fall, will likely involve a mix of targeted cuts and one-time borrowing from city reserves.

Sculpted by Watson and city manager Kent Kirkpatrick, the budget is supposed to reflect what the mayor has heard from the public, who have participated in town halls across the city, as well as councillors who, one-by-one, have made their own pitches for the city's next spending plan over the last few weeks.

There is a projected revenue shortfall — or deficit — of \$36.3 million for 2016, followed by further projected deficits of \$23.4 million in 2017 and \$24.2 million in 2018.

Provincial law prohibits cities from running deficits, so finance officials are suggesting council dip into its reserves for the next two years in order to balance the books. A reserve fund used to replace city-owned vehicles and equipment has been highlighted as the possible source of the one-time cash injection. The original plan was to spend \$23 million replacing vehicles next year, but this would now be done on a case-by-case basis. Such a move would allow \$11.5 million to be drawn from the reserve next year, and another \$6.7 million in 2017.

The dismal forecast for 2016 comes on the heels of 2015, which could end with the city racking up a projected \$52.5-million deficit. Projected shortfalls on both the tax- and rate-supported sides of the budget, as well as OC Transpo, are to be offset this year by dipping into several reserve funds and saving money through a freeze on hiring and discretionary account spending.

The proposed property tax increase will be capped at two per cent. However, staff will likely propose a water and sewer rate increase of six per cent. It would be the same increase as 2015, which added about 90 cents per week to the average household bill.

Any possibility of a council backlash?

In 2006, Larry O'Brien campaigned on zero-means-zero. But in the end, it didn't mean zero at all. As mayor, O'Brien ended up presiding over a council that approved tax increases of 14 per cent tax over four years. In 2008, facing \$85 million in service cuts and fee increases, councillors from a broad range of political leanings formed an informal coalition to work around O'Brien.

Could there be a replay of this scenario? Highly improbable.

In public consultations, Coun. David Chernushenko said he runs up against Watson's two-per-cent promise and taxpayers' general reluctance to pay more taxes. "Nothing short of a group initiative by a majority of council will actually increase the amount of money available through a larger tax increase. This might sell in some wards, but not likely in very many."

Coun. David Chernushenko said he runs up against Watson's two-per-cent promise and taxpayers' general reluctance to pay more taxes. Pat McGrath / Ottawa Citizen

A significant minority of councillors, perhaps a third of council, agree tax increases must be watched carefully, but have not completely bought into Watson's two-per-cent cap.

"He made it (the promise). I didn't," says Kanata North Coun. Marianne Wilkinson, of the cap. "The increase could be higher or lower, but taxpayers have to get good, basic services. We need to budget for what we have to get done. We have to be as frugal as we can."

Somerset Coun. Catherine McKenney says she didn't campaign on two per cent either. "It's my role to invest where we need to invest and to spend where we need to repair. If two per cent means we can do that, I support that. But if we need 2.3 per cent, I won't forgo important services."

The Watson Doctrine

Councillors who want to add to the budget, once tabled, must follow an edict: additions are only possible if there is a corresponding offset that a majority of councillors support. This was approved for the entire 2014-2018 term last December by a two-day old council.

Such a rule forces councillors and city managers to be disciplined and live within their means, the mayor says, adding it's a far cry from years past, when budget deliberations were drawn-out affairs and the tax rate increase reached as high as 4.9 per cent one year.

Senior councillors say the process provides valuable structure and — if one does their homework — still allows room for additions. But it's not easy.

"You really have to roll up your sleeves and find money somewhere else," said Keith Egli, the transportation committee chair.

Show us the money ... and the cuts

What many councillors want most from Thursday's budget is transparency. In their eyes, it must spell out what programs and services are being funded in 2016, how such funding differs from past years and where the proposed savings are to be found.

"We need to be able to tell our residents that those savings either will or will not result in service cuts," said Rideau-Rockcliffe Coun. Tobi Nussbaum.

McKenney agreed, saying she expects to see a list of what has been trimmed. She says she won't be able to support the budget otherwise.

Coun. Catherine McKenney says she won't be able to support the budget without seeing a list of what has been trimmed. Pat McGrath / Ottawa Citizen

But veteran College Coun. Rick Chiarelli isn't holding his breath. Budget documents have contained a decreasing amount of detail from one year to the next, making it more difficult for councillors to decipher the cuts or understand their implications. He also fears some cuts to services will be disguised as simply a new way of doing things.

Gloucester-Southgate Coun. Diane Deans agreed that combing through the budget to figure out what's in and what's out is not an easy task — even for a veteran.

"You have to be a bit of a sleuth in finding the budget cuts," said Deans, who was first elected to Ottawa city council in 1994.

Possible pressures

The council-approved roadmap for passing a new spending plan vaguely suggested some user fees may increase. But which ones and by how much won't be clear until Thursday. It also suggested savings may be found by reducing advertising, increasing class sizes for employee training and reviewing the summer student program and fleet standards.

City councillors (more than a half of whom were interviewed over the past week for this story) have pointed to the public works department, including winter maintenance — the underfunding of which played a key role in this year's budget woes — and grass cutting, and social services where further cuts may come, and predict OC Transpo fare increases.

Some councillors say residents want the city deliver the status quo — the same level of services next year as it did this year. "I don't see a lot of fat in terms of what the city is delivering," said Kitchissippi's Jeff Leiper. "We don't have any Cadillac programs that I see an immediate opportunity to cut."

Deans figures taxpayers won't see major cuts in services because the city will be using one-time funding and efficiencies. But that only means cuts will be deferred to 2017 and 2018.

Hiring more police

The \$1.3 million needed to hire 25 Ottawa police officers in 2016 appeared as a line item in the skeletal budget overview presented to the police services board last month.

That, however, is about half of the widely accepted estimate of what it takes to train and deploy that many officers. Typically, a full \$100,000 is budgeted for a new recruit, which would mean the force would need \$2.5 million to hire and train 25 officers.

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Rookie officers make significantly less than first-class constables. While the \$1.3 million budgeted may cover their salaries now, those same officers will easily cost the service \$2.5 million in as little as four years when their base salaries are just shy of \$100,000.

It remains unclear whether police will be able to find the savings they need to hire an additional 25 officers in each of the next two budgets – as has been the force’s plan for years – since both council and the board have said any money to hire officers must come from within the budget confines that have been set.

Meanwhile, the 2015 contract has not been finalized, let alone 2016. Any talk or plans of allocating money comes before the service knows what it will have to pay its own officers, a familiar position for this police force.

Fare’s fair?

A recommendation to hike transit fares seems almost certain.

“You can either raise taxes, increase fares or provide less service,” transit services general manager John Manconi told reporters in September.

But because a tax increase nor widespread service cuts seem palatable to councillors, OC Transpo’s riders could end up footing the bill.

The city has been consistent since 2011, when council approved the light-rail affordability framework, which identified that fares would have to go up by a minimum of 2.5 per cent every year in order to pay for LRT.

Some question the wisdom of raising transit fares at the precise time the transit system is undergoing such a massive change as construction on the Confederation LRT line ramps up. Errol McGihon / Postmedia News

While riders contribute roughly half the cost of operating the system, other sources, such as property taxes, gas taxes and development charges on new homes, pay the full cost of capital projects, pointed out Stephen Blais, the transit commission chairman.

Still, some question the wisdom of raising transit fares at the precise time the transit system is undergoing such a massive change as construction on the Confederation LRT line ramps up. They argue transit fares are elastic: when prices go up, people look elsewhere.

“I think our goal should be to try and hold on to the riders we have because it’s going to be very important to have as robust a ridership as we can muster when the LRT opens in 2018,” said Nussbaum.