

STAFF REPORT



TO: Committee of the Whole of Council

FROM: Monica Quinlan, Treasurer
George Vadeboncoeur, CAO

SUBJECT: 2017 Budget – Discussion Items and Financing Options

DATE: November 15th, 2016

RECOMMENDATION:

THAT Committee of the Whole recommend to Council that it receive the Treasurer's report on the 2017 Operating and Capital Budget Discussion items and financing options for information and discussion.

BACKGROUND:

Over the course of several meetings staff have provided the following building blocks for the 2017 Operational and Capital Budget to Committee for information:

- 1) Draft No. 1 of the Operating and Capital Budget at 1.06% municipal taxation increase;
- 2) A list of the **unfunded items being proposed for the 2017 Budget**, including the following:
 - a) Results of the Corporate Efficiency Review - \$ TBD;
 - b) Level of Service pertaining to municipal grass cutting as requested at PW committee - \$147k;
 - c) Student Wages / Casual Labour Survey – \$104k;
 - d) Overall day to day Management of Beach Area 1 & 2 - \$180k;
 - e) Review of the Provision of Tourism Services – contract to Chamber to be phased out over the next several years (Jan 1, 2019) – no costs have been provided yet for new services that will be provided - \$ TBD;
 - f) Phase 1 implementation of the Downtown Plan - \$500k;
 - g) Development Agreements & Incentives - ~\$300k;
 - h) Affordable Housing Agreement - \$ 1,774k*** – County of Simcoe Proposal;
*** cost to be confirmed with County
 - i) Security enhancements at Town Hall and Transit Garage – \$35k;
 - j) Security cameras at Beach Area 1 & Main Street Market - \$25k;
 - k) Contribution to Allenwood and New Wasaga Washrooms - \$ 20k – (e-one pumps and hydro);
 - l) Establishment of a Development Corporation to oversee Beach Area 1 & 2 - ~ \$100k;

m) New Staffing - \$311k:

i.) Parks & Rec. Department – \$125k:

- i. Two (2) 8 Month Casual positions to assist with special events and additional parks maintenance;
- ii. Six (6) Lifeguard positions for the leased property at Beach Area 1 & 2; and
- iii. One (1) additional student position to assist the Town Beautification Dept.

ii.) Planning Department – \$110k (Start date July 1st):

- i. Planner I - To bolster the Department's development review capacity and to attend to complex official plan, plan of subdivision, plan of condominium, zoning by-law, and site plan planning applications;
- ii. Urban Designer – To ensure in-house expertise is provided to move from a rural design to a more urban design;

iii.) Administration – \$35k: Communications specialist (Start date July 1st);

iv.) Library – \$16k: An additional 9hrs for two (2) Part-time positions, the hours would assist in carrying out tasks and responsibilities associated with the library's technology and virtual services;

v.) Building – \$10k: Request for summer student to assist with the increased number of applications; and

vi.) Main Street Market – \$7k: Rental chair attendant .

3) A report on the list of Council established priorities remaining for this term of Council;

4) A report pertaining to the Public Consultation on the Sale of Hydro - \$100k;

5) A report presenting the Town's Asset Management Plan;

6) A report on the Status of Reserves;

7) A report on the allocation of Interest earned on reserves; and

8) *To be presented at this meeting: Update on Financing of Beachfront Purchase.*

In order to move to the second draft of the 2017 Operational and Capital Budget Council is being asked to make decisions on items to include in the budget based on the above information. To assist Council, staff have prepared some options for Committee's consideration to finance some of the unfunded projects.

DISCUSSION:

To address Council's priorities staff have identified options to fund the priorities selected for inclusion in the 2017 budget. Staff are mindful of the goal to maintain a minimal tax rate increase, and are of the view that approval of all or most of these options will achieve Council's goal.

There two funding categories that are required:

- 1) On-going commitments that impact the Operating Budget – i.e. staffing; levels of service; wage rates and benefits and etc.; and
- 2) One time funding – i.e. Downtown Plan; Incentives for development; Affordable Housing Proposal; Beach Bathrooms, etc.

The following list of options address both of these needs.

Financing Options:

The following reserves schedule was presented to committee at the November 1st COWOC meeting.

General Reserves	As at Sep 2016	As at Dec 2015	As at Dec 2014	As at Dec 2013	As at Dec 2012
Reserves: Policing	\$ 545,343	\$ 744,090	\$ 561,242	\$ 257,519	\$ 29,519
Reserves: Legal/OMB	186,871	186,871	186,871	186,871	186,871
Reserves: Information Technology	115,475	132,157	127,534	121,534	210,437
Reserves: Affordable Housing	(29,858)	(29,858)	(41,644)	(8,000)	-
Reserves: Beach Area 1 & 2 Improvements *	(1,408,802)	(1,408,802)	(1,379,672)	-	-
Reserves: Beachfront Property Management *	(1,476,904)	(361,213)	-	-	-
Reserves: Dome Site Property Rehabilitation	10,353	10,353	10,353	-	-
Reserves: Insurance	96,271	96,271	96,271	96,271	96,271
Reserves: Sidewalks	306,426	306,426	306,426	306,426	318,626
Reserves: EDO	150,689	150,689	202,709	192,709	55,635
Reserves: Administration	324,930	324,930	216,711	216,711	166,103
Reserves: Elections	43,747	25,000	-	56,744	40,000
Reserves: Fire	16,795	16,795	11,995	3,350	-
Reserves: Building	200,426	200,551	202,134	203,260	210,668
Reserves: Public Works General	1,801,425	1,154,246	1,855,782	2,024,553	2,075,622
Reserves: Winter Maintenance	67,048	67,048	-	-	-
Reserves: Road Occupancy Permits	189,200	195,200	166,200	142,200	130,200
Reserves: Waste Management	126,854	186,848	186,848	221,217	57,812
Reserves: Storm Maintenance	15,840	15,840	-	-	-
Reserves: Library	327,270	327,270	327,270	319,040	305,247
Reserves: Cemetery	47,579	47,579	36,646	22,253	19,053
Reserves: Parks/Recreation/Facilities	320,100	414,136	478,364	442,321	167,604
Reserves: Emerald Ash Borer	16,167	16,167	-	-	-
Reserves: Mayor's Challenge Surplus	60,587	61,832	61,081	56,473	110,409
Reserves: Transit	85,980	101,583	93,212	48,212	-
Reserves: Parking	8,992	4,000	-	53,191	345,023
Reserves: Beach Area 2 Parking Lot ***	(36,362)	(64,362)	(92,362)	-	-
Reserves: Tax Rate Stabilization	2,843,278	2,843,278	1,680,994	1,445,223	1,332,827
Reserves: Working Funds	2,016,091	2,036,443	1,706,806	1,498,614	1,356,580
Total	\$ 6,971,810	\$ 7,801,368	\$ 7,001,771	\$ 7,906,692	\$ 7,214,507

After reviewing the reserve balances and the intent of the specific reserves, staff are proposing to use portions of the following reserves for the 2017 Budget:

- 1) **Policing Reserve - \$250k** – the policing reserve is currently at \$545k, this accumulation is a result of previous year’s reconciliation amounts as well as a planned contribution back in 2011 and 2012 to help offset the impact of the previous union negotiations. At this point given the new billing model staff do not anticipate any major fluctuations and believes any surpluses or deficits for policing can be managed through the remaining balance.
- 2) **Sidewalks - \$150k** – this reserve was established to assist in urbanizing areas throughout the Town, given that the downtown master plan includes this type of activity, staff is of the opinion that these funds can be accessed to assist.
- 3) **Administration - \$150k** – the administration reserve has been accumulated due to general surpluses within the department as well as the surplus from the Town’s benefits program. It has been put into place to help offset large benefit increases as well as assist in funding administrative projects. Staff believes that leaving the balance at just over \$150k is reasonable to continue to assist in these types of situations.
- 4) **Road Occupancy Permits - \$150k** – this reserve was created due to old deposits not being closed or requested. As part of the annual audit process we reserve any funds greater than three (3) years old and the majority of them are greater than 10 years old. Although these funds can be requested at any time the likelihood is very small and staff believe that accessing this fund is reasonable and provides additional funding.
- 5) **Tax Rate Stabilization Fund - \$300k** – the intention of this fund is to assist Council in years where funding is needed to ensure that projects and/or priorities do not overburden the taxpayers. This fund has been accumulated over the years through surpluses experienced due to savings realized through operations and/or capital projects.

Total Available: \$1.0M

The chart below details the opening reserve fund balances that are discussed above and the impact to these funds based on the proposed options.

General Reserves	As at Sep 2016	Proposed Amt	Forecasted YE Balance
Reserves: Policing	\$ 545,343	\$ (250,000)	\$ 295,343
Reserves: Sidewalks	306,426	(150,000)	156,426
Reserves: Administration	324,930	(150,000)	174,930
Reserves: Road Occupancy Permits	189,200	(150,000)	39,200
Reserves: Tax Rate Stabilization	<u>2,843,278</u>	<u>(300,000)</u>	<u>2,543,278</u>
Total	<u>\$ 4,209,176</u>	<u>\$ (1,000,000)</u>	<u>\$ 3,209,176</u>

Staff are also proposing that the following funding opportunities be used as well:

- 6) **Removal of PW Equipment for Draft #2 - \$145k** – the Director of PW has removed the replacement of the Trackless Vehicle and two (2) LD pick-up trucks after additional reviews of the current vehicles and their maintenance schedules.
- 7) **OMPF Allocation – 2017 Allocation Notice - \$275k** – very recently staff received the 2017 OMPF Allocation Notice, announcing that the Town’s allocation will increase to \$2.9 Mio in 2017 in comparison to \$2.5 Mio in 2016.

- 8) **Great West Life Benefits Proposal - \$54k** – an updated proposal has been received by staff from our benefits provider, where a reduction of the Physio benefits is proposed (adding a maximum cap of \$1,000 per year) and increasing the stop loss threshold on the pooling charges at \$25k from \$10k.
- 9) **Increase Borrowing for Capital Projects - \$TBD** – the final option would be that debentures (internal or external or a combination of both) be entered into to assist in the financing of the projects.
- 10) **Use the Tax Rate Stabilization Reserve - #345K** – this fund has a significant balance and is used at times to lessen the tax rate increase. It is proposed that this fund be accessed for the 2017 and 2018 Budget.

The results of the options presented above are that Committee has the following funds available:

- A) For One-time funding - \$1,120k plus any debentures that may occur; and
- B) For On-going Commitments - \$354k – using the Tax Rate Stabilization Fund on a decreasing schedule for the next 2 -3 years.

Recommendation:

That Council approve the inclusion of the following items in the 2017 Operating Budget:

- 1) Include \$1,000k as one time funding under Council's Corporate Initiatives Budget to fund the following initiatives:
 - Council approved recommendations from Corporate Efficiency Review - \$ 100k
 - Phase 1 implementation of the Downtown Plan - \$500k;
 - Development Agreements & Incentives - ~\$300k;
 - Establishment of a Development Corporation to oversee Beach Area 1 & 2 - ~ \$100k;
- 2) Include the reduced benefits amount of \$54k;
- 3) Include \$ 104k to improve wages for casual employees;
- 4) Include \$180k for the overall day to day Management of Beach Area 1 & 2;
- 5) Reallocate Tourism dollars from expiring Chamber of Commerce Agreement to Tourism Services and provide funding to the Town for transition costs – \$25k
- 6) Include the following new staffing in the Operating Budget:
 - a) Parks & Rec. Department – \$83k:
 - i. One 8 Month Casual position to assist with special events and additional parks maintenance - \$32k;
 - ii. Six (6) Lifeguard positions for the leased property at Beach Area 1 & 2 - \$51k; and

- b) Planning Department – \$62k (Start date July 1st): Planner I - To bolster the Department's development review capacity and to attend to complex official plan, plan of subdivision, plan of condominium, zoning by-law, and site plan planning applications;
 - c) Administration – \$35k: Communications specialist (Start date July 1st);
 - d) Library – \$16k: An additional 9hrs for two (2) Part-time positions, the hours would assist in carrying out tasks and responsibilities associated with the library's technology and virtual services;
 - e) Building – \$10k: Request for summer student to assist with the increased number of applications; and
- 7) Council not implement a service level change to municipal grass cutting as requested at PW committee at a cost of \$147k;

That Council approve the inclusion of the following items in the 2017 Capital Budget:

- 1) Affordable Housing Agreement - \$ 1,774k*** – County of Simcoe Proposal;
- 2) Security enhancements at Town Hall and Transit Garage – \$35k;
- 3) Security cameras at Beach Area 1 & Main Street Market - \$25k;
- 4) Contribution to Allenwood and New Wasaga Washrooms - \$25k; and
- 5) Report pertaining to the Public Consultation on the Sale of Hydro - \$100k.

**** final costs to be determined.

Budget Impact

With the exception of the Affordable Housing Agreement, implementing these recommendations will leave a shortfall of \$226k to reach the 1.06% tax increase for the second draft of the 2017 budget. Staff believe that as further information becomes available (assessment update) and further analysis is done, revisions will be made to get closer to the target. To address the Affordable Housing Agreement staff will still need to have some discussions to determine the exact cost and the timing as well, additional information will be brought forward as it becomes available.

Throughout this budget process staff have presented budget related information in the context of impacts on both 2017 and 2018 budget years. If the above recommendations are accepted, the impact on the 2018 budget with ongoing commitments equates to approximately \$372k. Should committee determine that 75% will be funded by reserves in 2017 then the impact on 2018 would be closer to a 1.5% increase. Including the third year of the phasing plan for the purchase of the Beach Properties, as outlined in the report on the Beach Properties financing plan, without any changes or new priorities, would add an additional 2.2%, for a projected tax rate increase in 2018 of approximately 3.7%.

This increase is well above the rate of inflation and it is suggested that steps be taken in 2017 to minimize this impact in 2018. This will be reviewed as part of the second draft of the budget.

Next Steps

The timetable below outlines the details for the budget process and has been updated for required timing changes:

November 29th – Second Draft - Special Committee of the Whole to review the second draft operating and capital budget including the 4 Year Operating and 10 Year Capital Forecasts, and to review the listing of grant requests.

December 6th – Possible 3rd Draft – Committee of the Whole left open if needed.

December 13th - Public Meeting for consideration of 2017 Operating and Capital Budget and 4 Year Operating and 10 Year Capital Forecasts, Rates and Fees (including Water/Wastewater Update) Recommendation that By-law will proceed to Council once School Board and County rates are received.

December 20th – Council meeting, final approval of 2017 Operating and Capital Budget and 4 Year Operating and 10 Year Capital Forecasts, and Rates and Fees.

CONCLUSION:

The options proposed above provide Committee with a framework to meet the priorities of this term of Council while providing a reasonable approach to affordability.

Respectfully Submitted,

Monica Quinlan, Treasurer

George Vadeboncoeur, CAO