

STAFF REPORT



TO: Committee of the Whole of Council
FROM: Monica Quinlan, Treasurer
SUBJECT: 2017 Budget Update – Draft #1
DATE: August 30, 2016

RECOMMENDATION:

THAT Committee of the Whole recommend to Council that it receive the Treasurer’s report on Draft #1 of the 2017 Operating and Capital Budget for information and discussion.

BACKGROUND:

The process to prepare the 2017 Operating and Capital Budgets began in August with a presentation to Committee of the initial forecast and the proposed guidelines for 2017. This report was brought forward to begin discussions with members of Council and staff and provide an overall status of the economy and how economic factors may impact the budget. The preliminary draft of the budget had originated with the 2017 forecasted amounts, along with the major items identified by staff, and any relevant market based information (i.e. Utility rates, CPI rate, etc.) and based on the assumptions the Town would have required a municipal tax rate increase of 6.58% over 2016 (notional increase – 9.938%), with a total levied amount of \$20,355,290. **Each percentage increase in taxation equates to ~\$200,000.** Additionally, it was noted at that time that there were requests for many new and increased resources/equipment that had not yet been included or addressed. The table below outlines the information described.

Description	2016	2017 (Today)	2016 vs 2017 (Today)	2017 (Previous Forecast)	2016 vs 2017 (Previous Forecast)
Operational Levy	\$ 17,548,100	\$ 18,778,490	\$ 1,230,390	\$ 19,237,830	\$ (459,340)
Capital Levy	1,977,380	1,576,800	(400,580)	2,228,100	(651,300)
Total Levy	<u>\$ 19,525,480</u>	<u>\$ 20,355,290</u>	<u>\$ 829,810</u>	<u>\$ 21,465,930</u>	<u>\$ (1,110,640)</u>
Municipal Tax Rate	0.50188%	0.50721%	1.06%	0.53488%	6.58%
Notional Tax Rate		0.48653%			
Notional Increase		4.25%			
Assessment	3,825,090,691	3,947,819,496	122,728,805	3.20852%	

As part of the August 30th, 2016 meeting a Budget Guideline was set for a **0.00% tax rate increase**, this required a decrease to the overall levy of (\$1,325,306).

Following the August meeting detailed discussions and reviews of each departmental budget occurred with Department Heads, the CAO, Treasurer and Budget Analyst. From this analysis staff were able to reduce the potential taxation increase from 6.58% to 1.06% (notional increase of 4.25%), with a total reduction to the Municipal Levy of (\$1,110,640).

DISCUSSION:

The reduction of the Municipal levy was achieved by eliminating any unnecessary discretionary expenditure increases, deleting any proposed new positions, delaying capital projects including purchases of replacement vehicles and increasing the loan proceeds required. These changes are detailed below:

Operational Reductions – (\$459,340) – Note: “(-)” denotes a reduction in Municipal Levy - “(+)” denotes an increase to the Municipal Levy :

Notwithstanding Council’s 0% percent tax rate guideline, there were a number of new positions that were proposed as part of the Departmental submissions and they all have been deleted. Department Heads put these positions forward as they are of the view that they are critical to maintaining and providing services that are required.

- 1) New Staff – (\$311k):
 - a. 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.
 - b. Planning Department – (\$94k) (Start date July 1st):
 - i. Planner II - To assist in special projects i.e. Beach Area 1 & 2 CIP, Official Plan update, Affordable Housing, Secondary Units, Zoning By-law Update and etc. and maintain current operations;
 - ii. Urban Designer – To ensure in-house expertise is provided to move from a rural design to a more urban design;
 - c. Administration – (\$35k): Communications specialist (Start date July 1st);
 - d. Bylaw/Parking – (\$20k): reduction in Part-time employee hours;
 - e. 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;
 - f. Building – (\$10k): Request for summer student to assist with the increased number of applications; and
 - g. Main Street Market – (\$7k): Rental chair attendant removed.
- 2) Public Works – (\$93k):
 - a. Day Labour Projects – (\$50k) – wages transferred from operating to Capital;
 - b. Vehicle Fuel – adjusted to reflect actual usage, offset by an increase in the pricing due to recent reports on gas prices for 2017 – (\$25k); and
 - c. Reduction in Software Lic. & Maint – (\$9k) – support is no longer provided for Direct IT and upgrades are not yet planned as appropriate software will be reviewed in 2017.

- 3) Planning – (\$74k):
 - a. Increase in revenue for Zoning OP Amendments – (\$30k);
 - b. Offset increase in legal fees for OMB hearings by a transfer to reserves – (\$25k); and
 - c. Increase revenue for Site Plans – (\$10k).
- 4) Debenture Payments – (\$49k): due to the removal of the Fire Pumper Replacement (noted below in Capital Reductions).
- 5) Parking – (\$37k): Increase in revenues to account for a transfer from Special Events for parking fees received from events and a non-resident Summer Pass has been included for consideration.
- 6) Parks & Rec – (\$35k):
 - a. Transfer grant allocation received for programming (\$25k); and
 - b. Reduce Snowman Mania expenses from \$45k to \$35k – (\$10k).

These amounts have been partly offset due mainly to the following additions:

- 1) Policing – final 2017 OPP contract costs received at +\$62k higher than previous estimate;
- 2) Corporate Initiatives – increase from \$50k to \$100k to bring the amounts back to historical amounts - +\$50k; and
- 3) Special Events – reduction in Ticket Hosting fees due to the updated fee structure and review that will occur in the Fall of 2016 – +\$42k.

Capital Reductions – (\$651,300) – Note: “(-)” denotes a reduction in Municipal Levy - “(+)” denotes an increase to the Municipal Levy :

- 1) Public Works – (\$475k):
 - a. Delay Zoo Park Road North Storm Sewers – taxation impact (\$143k);
 - b. Increase loan proceeds for the River Rd West project to \$142k - taxation impact of (\$130k);
 - c. Remove replacement of one (1) trackless unit – (\$215k – total cost) – taxation impact (\$108k); and
 - d. Increase loan proceeds for the Main St. Bridge project to \$2,483k - taxation impact of (\$90k).
- 2) Parks & Recreation – (\$118k):
 - a. Increase in reserve funding and community support for Skate Park improvement – (\$35k);
 - b. Reduction in fencing for community events - (\$30k);
 - c. Removal of portable water station – (\$20k); and
 - d. Reduction in pricing for replacement vehicle – (\$15k).
- 3) Fire – (\$64k):
 - a. Removal of replacement pumper – (\$600k) – taxation impact (\$59k) due to offsetting debenture payment; and
 - b. Delay of replacement vehicle for the Fire Chief – (\$30k).

An additional reduction that will be applied once final pricing is received is a new Copier Replacement Plan which allows the Town to lease copiers (instead of purchasing) at a reduced amount resulting in an approximate savings of \$40k to the 2017 Budget.

Outstanding Issues:

In addition to the changes that have been included in this updated forecast there are many issues that are still **outstanding that need to be reviewed with costs to be determined.**

- 1) Results of the Corporate Efficiency Review - \$ TBD;
- 2) Level of Service pertaining to municipal grass cutting as requested at PW committee;
- 3) Great West Life increases for LTD/STD – \$ TBD; and
- 4) Student Wages / Casual Labour Survey – \$ TBD.
- 5) Overall day to day Management of Beach Area 1 & 2 including Main Street Market - \$ TBD.
- 6) Review of the Provision of Tourism Services.

In addition, there were other new initiatives proposed and these include:

- 1) Phase 1 implementation of the Downtown Plan - \$500k;
- 2) Development Agreements & Incentives - ~\$300k
- 2) Establishment of a Development Corporation to oversee Beach Area 1 & 2 - ~ \$100k;

Review of Assessment:

At this point in time the increase in assessment is being presented at approximately 3.5% with a growth factor of 1.0% and the phase-in increase estimated at 2.50%. It is important to note that at this point **MPAC values are estimated** and will be updated in November 2016 as we move closer to roll closure for 2017, this update will result in continued changes to the overall tax rate increase. A conservative but reasonable approach has been applied to mitigate any negative impacts.

Based on this information the increased revenue from assessment for 2017 equates to \$617k, with approximately \$196k due to growth as detailed in the chart below.

	Amount
2016 Budget Levy	\$19,525,480
Growth (1.00%)	195,654
Revenue Neutral	\$19,721,134
Taxation Increase - Draft #1 - 1.06%	213,499
Revenue created due to Phase-in Increase to Assessment	420,657
2017 Draft # 1 Budget Levy	<u>\$20,355,290</u>

Environmental Scan:

At this point the current **Consumer Price Index (CPI) for Ontario is 1.5%**, at the end of August 2016 and has decreased slightly over July 2016 at (0.3%). Although the CPI continues at 1.5% based on recent information for increasing Natural Gas Prices and Vehicle Fuel it is expected that this rate will experience some volatility over the coming months. This impacts the Town in terms of interest rates, energy costs and vehicle fuel amounts.

Tax Rate:

While Draft #1 remains at a 1.06% municipal tax rate increase it is important to note that with a 0.00% municipal tax rate increase that the municipal residential tax rate for 2017 would remain unchanged from 2016. As Committee is aware however each property will also receive a phase-in increase for the 2017 tax year which means that based on the average 2.6% phase-in increase the average residential home valued at \$287,432 will see an increase in their property taxes of \$36.55 or \$3.05 per month.

Options for Financing a 0.00% Tax Rate Increase:

As laid out in the report there are many pressures to the 2017 Budget, however a few options are detailed below for members of Council to consider:

- 1) **Defer the timing of capital projects** by prioritizing critical projects and delaying low level items. Where funding has been constrained, this process has been used in the past however it is important to recognize that the projects are still required to be completed at some point and identifying critical items is key.
- 2) **Increase the borrowing** by the Municipality. As discussed previously although there is still room in the municipalities Annual Repayment Limit (ARL) it is still important to recognize that future projects may also require funding through debentures and where emergencies arise it is beneficial to have capacity.
- 3) **Make certain projects and/or programs solely grant dependent**. This too has been used as a financing tool in the past for non-critical projects.
- 4) **Increase the amount of funding through reserves**. Again this has also been used as a financing tool in the past and will need to be evaluated.
- 5) **Finance Development Incentives/Agreements through increased assessment predicted for future years**. Although this means that the Municipality does not experience the benefit of the growth in future years it can assist to offset some of the increased pressure in the current year.
- 6) **OMPF Funding** – As members of Council are aware the Town is currently transferring 80% of the OMPF to the Capital Replacement Reserve to assist with Asset Management, this amount is equivalent to \$1,858,680 (Total 2017 OMPF is estimated at \$2,323,350 with \$464,670 being used as a reduction to the Municipal Operational Levy). Reducing this transfer to reserves could also be used to fund the 2017 budget to assist in achieving a 0.00% tax rate increase, however it is important to note that as part of the Asset Management Plan (to be presented to

members of Council shortly) staff will be recommending a permanent amount continue to be transferred to ensure the Town meets the Provincial Requirements for Asset Management.

Next Steps

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

October 4th – Budget Update & Priority Discussion – Committee of the Whole to review updated operating and capital budget. During this meeting discussion will occur generating a list for top priorities from Council for further discussion at the October 18th Meeting.

October 7th – Discussion items due from members of Council to the Treasurer.

October 12th – Reports due from Staff to the CAO to cover the list of discussion items identified by members of Council.

October 18th – Presentation of Reports related to Discussion items

November 1st – Second Draft – Committee of the Whole to review second draft operating and capital budgets and request for permission to advertise the public meeting scheduled on December 13th, 2016. Additionally brief (5 – 7 mins) presentations from each department highlighting major changes and/or new initiatives.

November 15th – Third Draft - Special Committee of the Whole to review third draft operating and capital budget including the 4 Year Operating and 10 Year Capital Forecasts, and to review the listing of grant requests.

November 22nd – Possible 4th Draft – Committee of the Whole left open if needed.

December 6th – Possible 5th 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:

It is important to note that this Draft #1 has been prepared with information known at this time. As we proceed through the budget process new information may come to light at which time we will advise Council and make adjustments as required. Staff are committed to prepare a budget that meets Council's direction and moves it forward in achieving its' vision for the community. We will endeavour to keep you informed as we go through the process and are prepared to recommend adjustments as circumstances warrant.

Respectfully Submitted,

Monica Quinlan, Treasurer
Enclosure