

Type of Decision									
Meeting Date	Friday, February 26, 2010				Report Date	Thursday, February 18, 2010			
Decision Required	X	Yes		No	Priority	X	High		Low
Direction	x	Information Only			Type of Meeting	X	Open		Closed
REPORT TITLE									
Budget Presentation Report 26/02/10/202									

Subject: Rationale for proposed budget with various options for consideration by Council.

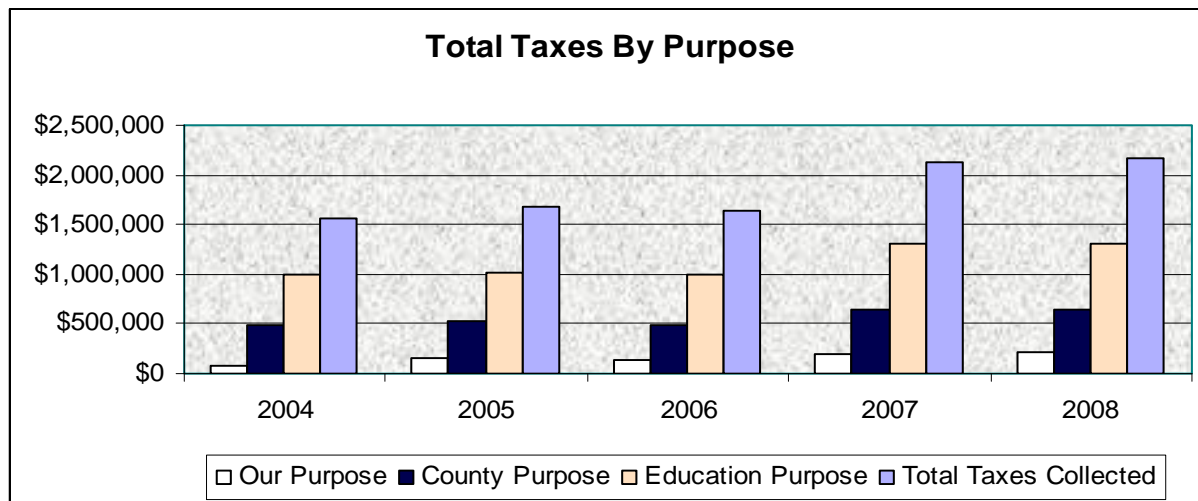
RECOMMENDATION: That Council consider the following information and make a decision setting the 2010 municipal portion of the tax rate from the options provided by staff, or by amending suggested options during discussion and debate. The option chosen by Council will be incorporated into a final budget document by staff. A by-law will then be prepared and presented at next week's Council meeting for adoption.

BACKGROUND/EXECUTIVE SUMMARY:

This report is intended to provide a history and background of the evolution of the level of taxes within the municipality and the rationale for suggestions for the 2010 budget. You have each been provided with a copy of the working document which is a line by line itemization of the actual budget working document.

The individuals noted below participated in creating this document and the budget for 2010. Estimates were considered, department needs were analysed and again, compromises were made. Data for assessed values, tax rates, and historical rates are all from OPTA which is an On-line Property Tax Analysis Tool created by the Ministries of Finance and Municipal Affairs and Housing. Although it does not accurately reflect actual assessed values from MPAC at any given time due to reassessments, supplementals etc. it is the data used to compare tax rates across the province. It will be used in the future to maintain consistency.

The following chart shows the historical level of taxes collected by and for the municipality, the county and the province (education rates)...



Ontario Municipal Partnership Funds

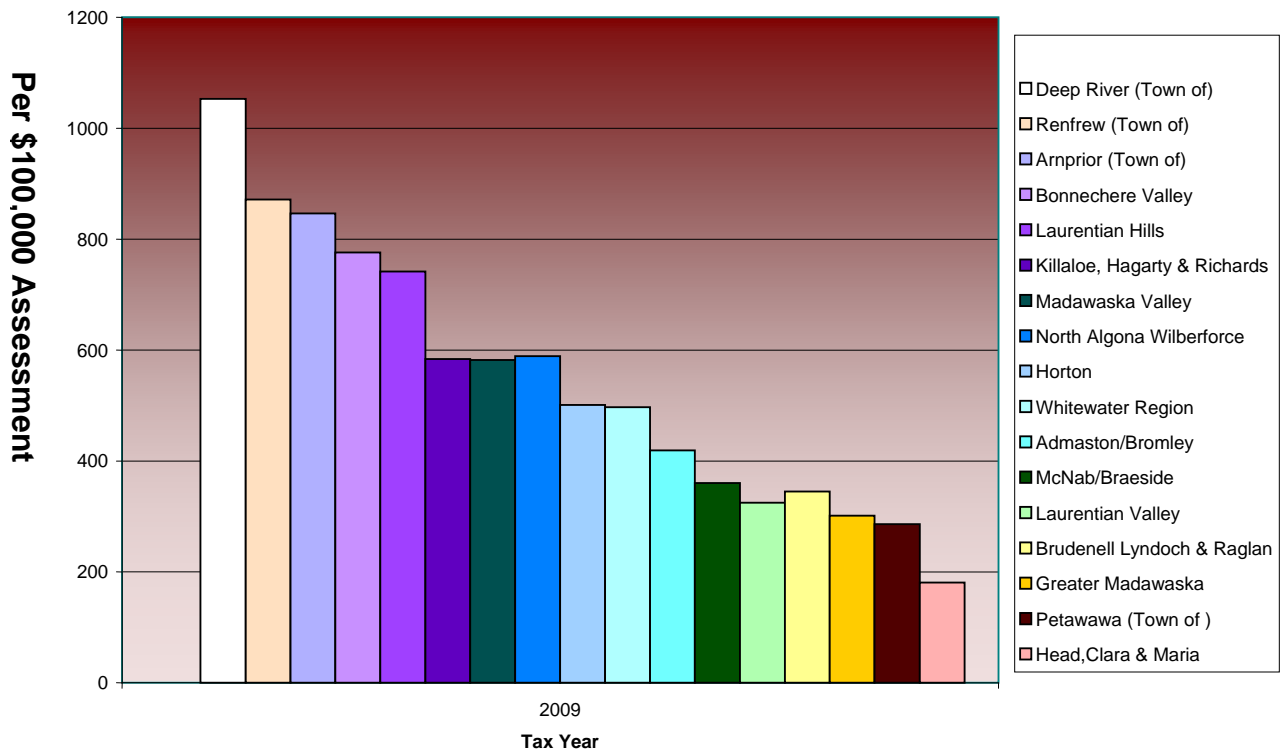
2010 will see the first of the cuts to the annual provincial funding for our municipality in the amount of \$43,800. 2011 will bring an additional \$109,400 cut leaving total funding for 2011 at \$65,800. Since 2005, this municipality has received \$219,000 annually as non-conditional funding from the province. The past years have also seen other special project funding and in 2009 infrastructure stimulus grants. Municipalities will not likely see a repeat of these levels of funding in the near future due to the rising levels of provincial and federal debt.

It is staff recommendation to increase taxes slightly to provide for the decreased funding that we will receive from the province. The small increase will also allow us to make small investments to reserves and to maintain our current facilities. This level of funding will require the municipality to put a hold on any additional major purchases or projects (aside from those already committed to) for the near future. AMO is continuing to lobby the province to have OMPF levels maintained at 2009 levels. That is currently not what is happening, but the next few years could see a reversal.

How we Compare to the County Municipalities

Head, Clara & Maria is in the envinous position of having the lowest residential taxes in the County. You would be hard pressed to find lower taxes in many municipalities in Ontario, save and except for the much more remote Northern locations. This municipality also has the benefit of receiving a significant portion of its taxation revenue from the pipeline. Without those contributions, the residential tax rate in this municipality might be the highest in the county. Perhaps it is time for residents to absorb an increase in taxes to compensate for the lost revenue due to the OMPF and to offset the years of low taxes they have enjoyed in the past.

County Tax Rates Comparison

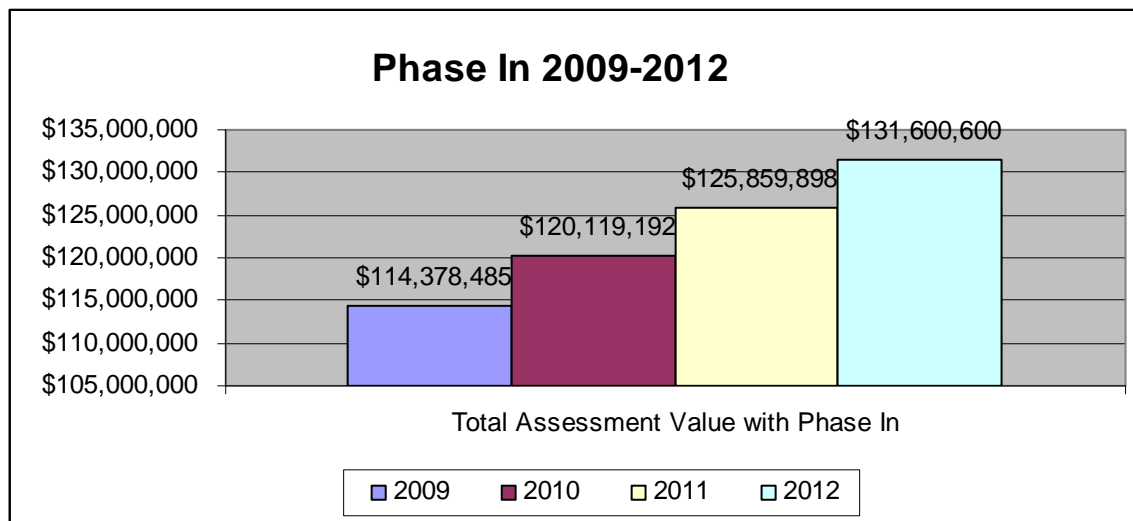


2010 Suggested Options for Consideration

Staff has prepared and presented what we believe is a balanced budget with limited room for adjustment. We have reduced costs where possible. We have increased costs where necessary short of seriously reducing service levels and keeping to Council's previous levels of commitment. Please advise of omissions, deletions and changes.

The following is a chart of the actual tax rates for 2007 – 2009 with four options for the municipal portion of taxes for 2010. This rate is the residential rate and all others will be set as per the ratios set by the County. The County rates are not presently known.

The following chart shows the increase in assessment value adjusted for the already calculated and legislated phase-in. It does not include increases due to reassessments, new builds etc.



The Clerk's recommendation is option 4 which will allow for transfers to some reserves and a step towards increasing residential tax rates to compensate for reduced OMPF funding in 2011. Assuming no change in provincial funding, this step will ensure that next years required adjustment will not be as steep. Consideration must be given to the increase in assessment that will occur in 2011 with an additional 25% of the 2008 CVA to be included as illustrated above. This is also an election year.

The Treasurer's recommendation is option 2 or 3 which will allow for transfers to some reserves and a possibility for a larger increase of tax rate for 2011 due to the pending reduction of OMPF that is scheduled to occur in 2011. This option considers that the phase-in will account for increased revenues for general use for 2011.

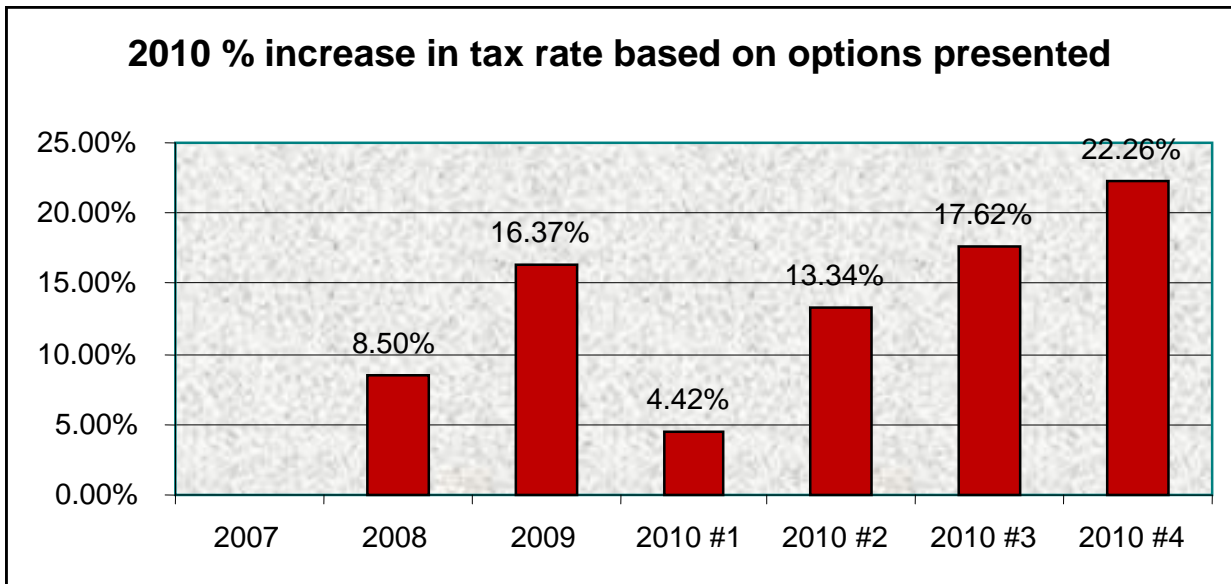
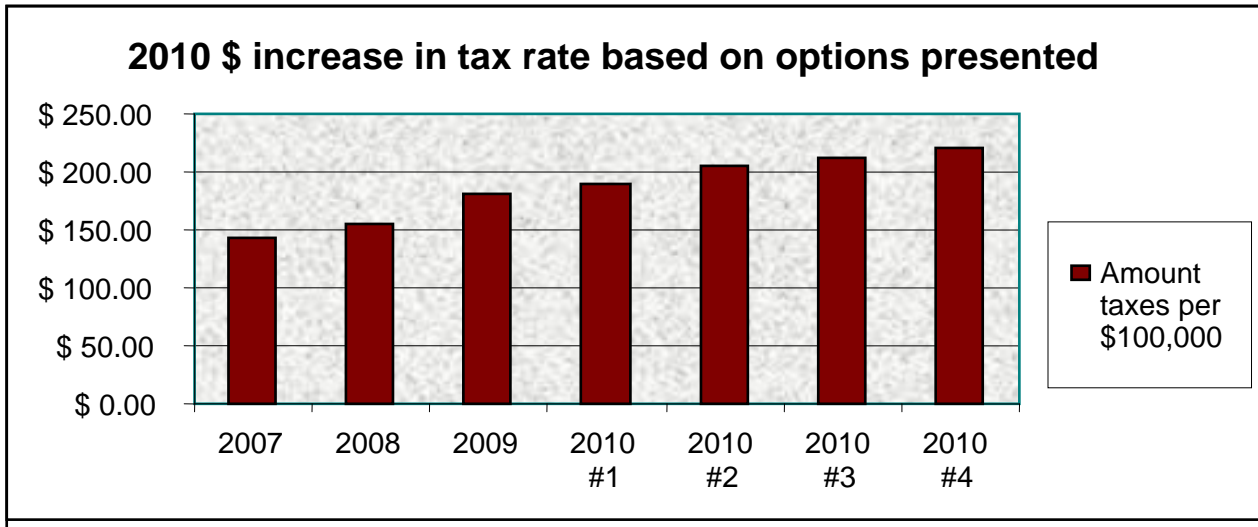
The following chart shows the actual rates and amounts owing over the past three years. It shows the increases on a property assessed at \$100,000. It further shows the same data for the 4 options that staff has prepared for Council's consideration for 2010.

Year	Rate	Amount of municipal taxes owing per \$100,000 in assessment	Increase over previous year
2007	0.00143311	\$ 143.31	0
2008	0.00155496	\$ 155.50	\$12.19
2009	0.00180944	\$ 180.94	\$25.45
2010 OPTIONS FOR CONSIDERATION			
2010 #1	0.00188933	\$ 188.93	\$7.99
2010 #2	0.00205075	\$ 205.08	\$24.13
2010 #3	0.00212823	\$ 212.82	\$31.88
2010 #4	0.00221217	\$ 221.22	\$40.27

- 2010 #1 is the basic budget that meets needs but has no room for contingencies, special projects or reserves. It maintains current levels of service and programs and allows for no improvements or increases. The detailed document before you is a break down of this level of taxation for 2010. You can see on that working document the changes compared to 2009 budgeted and 2009 actual expenses.
- 2010 #2 shows the increase in the amount of taxes owing per \$100,000 of property value which would be required to net an additional \$25,000 in taxation revenue to be used towards reserves.
- Option 2010 #3 would net \$37,000 in tax revenue for own purposes and mean an increase in taxes over 2009 of \$31.88 for a property valued at \$100,000.
- Option 2010 #4 would net \$50,000 and be a \$40.27 increase on a property worth \$100,000.

The final option will depend on the amounts this Council would like to contribute to reserves for 2010. Another consideration is whether or not Council wishes to maintain current services to ratepayers or increase/decrease services and programs in this year and in the future.

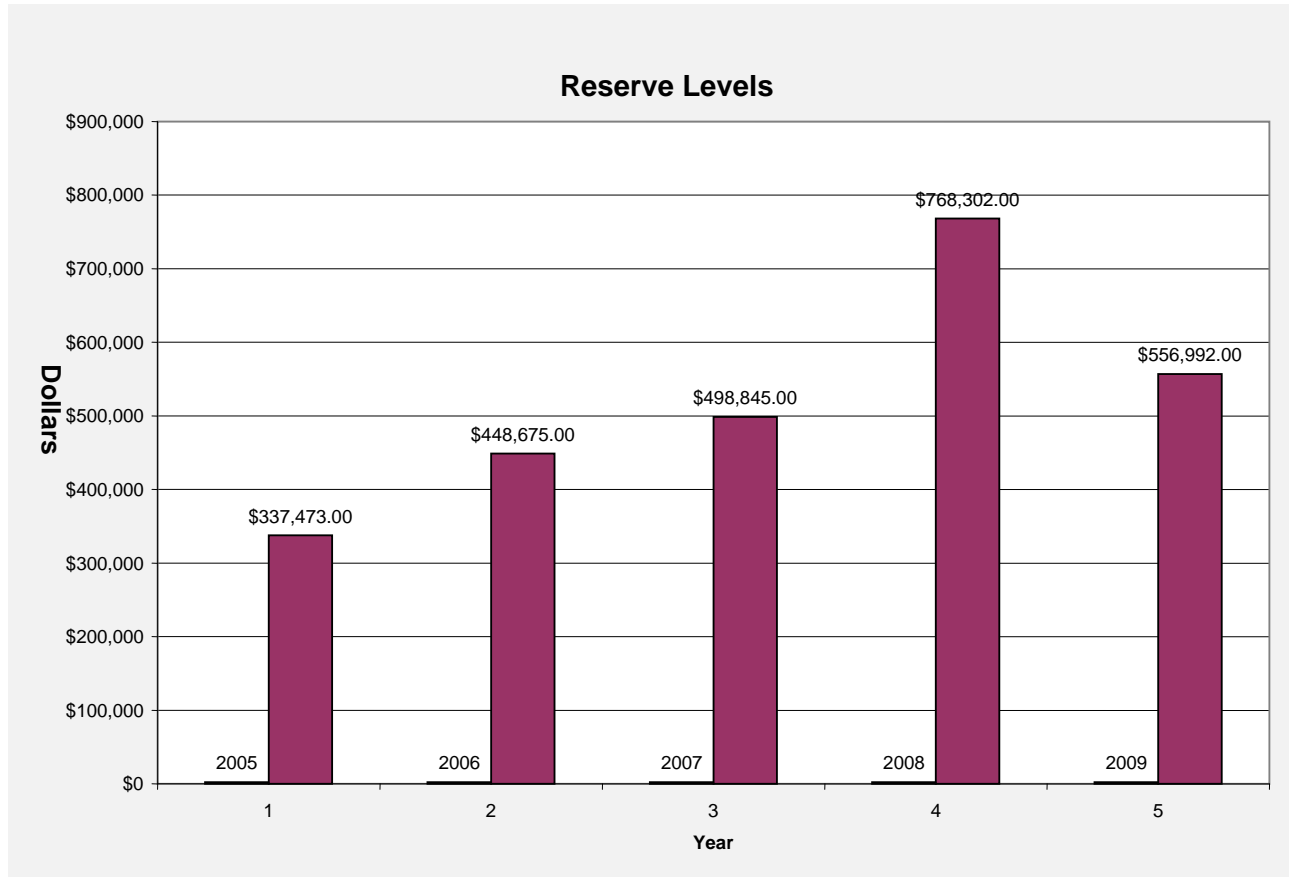
The following charts are simply a graphical representation of the data before you. They show the \$ increase and the % increase for the years 2007-2009 and for the 4 options for 2010.



Reserves

Currently, we have reserves of \$538,307.70. The amounts required by legislation for our Disposal Site closure and Post Closure is currently at \$175,828 short \$105,832 of the \$281,660 required. That does not mean that this shortfall is required to be funded in its entirety at present. It is the amount of money that will be required to close and monitor our three sites for the next 30 years. Contributions towards these costs can be made over the next few years.

Further consideration should be given to the costs of expanding the current sites and looking at other options for waste disposal. There is certainly room to plan for the future; Council's decision needs to be how much it should save during this budget process.



As many municipal administrations and councils know, there are increasing demands made on municipalities to provide services legislated by the province including health and safety programs, accessibility requirements, accommodation requirements, emergency management and minimum maintenance levels for roads to name just a few. Add to this the need to plan for the future, to maintain aging infrastructure, to provide for waste management and the increased workload to administer all these programs and the level of taxes required at the municipal level rises accordingly.

When a ratepayer asks, "what do we get for our taxes?" these items need to be included, even if the ratepayer doesn't usually see them. This municipality has a unique challenge with its limited funding, limited population and relatively few discretionary services. The few discretionary services that Council does provide include the boat launches, parks, recreational facilities and the library. Most other expenditures are required to provide legislated functions and to administer those programs.

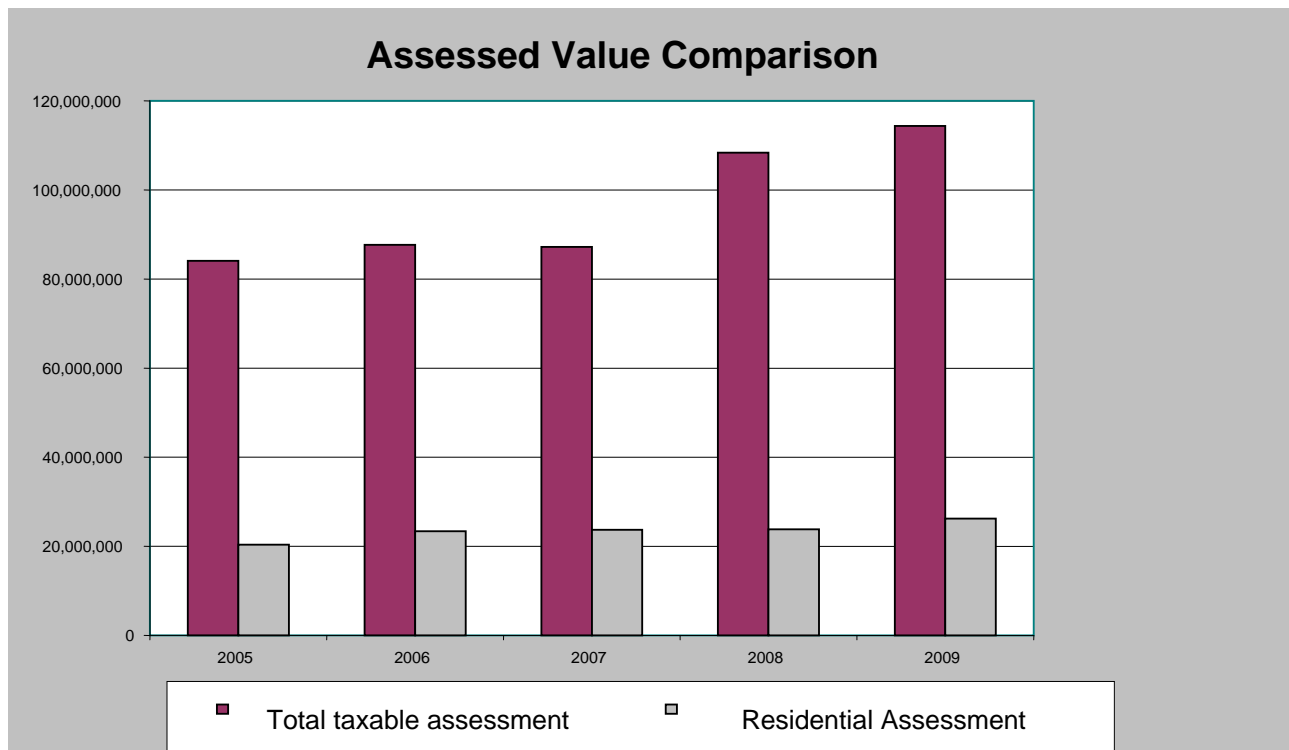
Current Value Assessment

When considering the level of taxes, the tax rates, and tax ratios you must also consider the assessment for any municipality. The current estimate for setting the tax rates was made using the most recent valuation of assessment for 2010. This assessment is an increase of 25% over 2009 based on the current method of phasing in the property values over 4 years. Another 25% increase will occur in 2011 and again in 2012 until the 2008 assessed values have been phased in. New assessments are then to occur in 2012 to be phased in over the next 4 years unless the province, potentially a new government makes changes to this process.

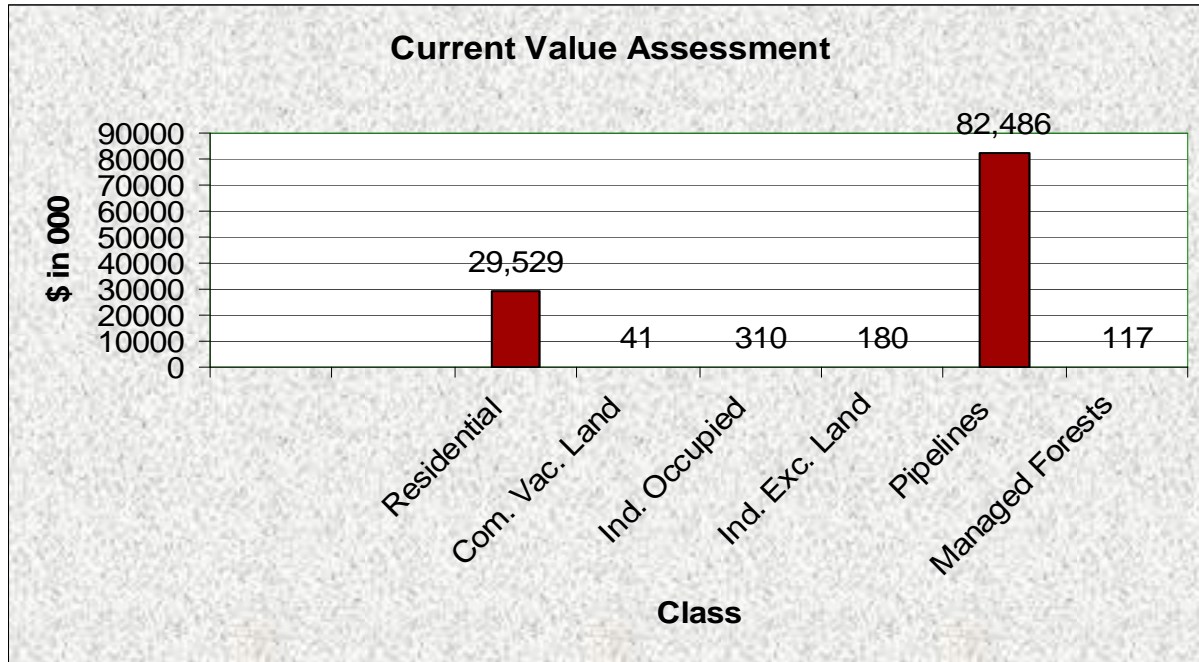
In addition to legislated phase in increases, we must also consider the possibility of reduction in values due to reassessment in 2012, increased assessment due to the increase in properties along our water front and increases in assessment due to severances and new builds.

Depending on how individual properties compare to the average assessment will determine if their municipal taxes will increase or decrease in any given year.

The following is a chart of the changes of assessed values over the past 5 years.



The following chart shows the division amongst the various tax classes within the municipality. The Pipeline contributes a significant portion of municipal and county taxes.



2010 Proposed Budget Explanation

In general, we have limited new projects, have allocated little funding for future reserves and for minimal new purchases. This budget meets our basic operational needs but does not allow for many contingencies, unforeseen cost increases or special projects aside from those already funded by 2009 grants and commitments. It maintains current levels of programs and services with no increase or changes.

In review of the Road Superintendent's proposed budget compensation has been made for the following:

- With major gravel resurfacing, ditching and brushing completed in 2009 with the special project, requested amounts for 2010 have been reduced accordingly. There should be little need to resurface many areas of our roads.
- With January and February already nearly completed with relatively low snowfall, we have reduced the funds requested for these projects accordingly.
- Instead of simply increasing the amounts requested based on 2009 budgeted figures a comparison was done of 2007, 2008 and 2009 numbers and requested funding adjusted accordingly.

In review of Environmental concerns, consideration was given to the annual budgets of Jp2g and their continued practise of carrying over costs to the next year. Based on history, we have not budgeted for 100% of their estimates for 2010 but have reduced these numbers by 25%. Should we actually be charged 100% of their estimates for 2010, we will simply have to remove available funds from reserves.

In review of council expenses we have maintained mostly 2009 levels, considering that we may have a new Council to prepare for in November.

As a final note we must remember that the total amount we collect in taxes depends also on the education tax rate and the County tax rate. As yet we have not received the County levels and there has been no news on a reduction by the province to the education rate. In 2009 there was a small reduction in education taxes that affected the residential rate. AMO and others are lobbying the province to live up to its 2005 promise to remove the education taxes from the property tax base. This has not yet happened but hopefully some concession may be made. If they do, they will certainly counter the reduced OMPF funding this municipality is facing. If not, we must come up with new means of increasing our revenues and keeping a line on expenses. We have begun to have bi-monthly employee meetings to help provide cost saving suggestions and plan to keep on for the foreseeable future.

Options/Discussion:

Council needs to consider which options it will recommend to staff for final budget and by-law preparation for next week's meeting. How much money should be allocated to reserves for future use? Are there any other budget items that have not been considered that should be added, removed or amended from the proposal made by staff?

Financial Considerations/Budget Impact:

Decisions made will set the spending limits for 2010 for the municipality. We have reserves for contingencies, for other specific uses and they can be accessed by resolution of council during the year if required.

Policy Impact: Sets spending policy for 2010.

Others Consulted: Ruth Morin - Treasurer, Wilfred Lamure - Road Super, Tracy Pearce – Treasurer Trainee, Robert Labre – Chief Building Official and Gayle Watters – Admin Assistant and Librarian.

Approved and Recommended by the Clerk

Melinda Reith,
Municipal Clerk

Melinda Reith