

Request for Decision - United Townships of Head, Clara & Maria Municipal Council

Type of Decision									
Meeting Date	Friday, November 13, 2015				Report Date	Friday, October 30, 2015			
Decision Required	X	Yes		No	Priority	X	High		Low
Direction	X	Information Only			Type of Meeting	X	Open		Closed
Budget Considerations Report #13/11/15/1201									

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Subject: **Options for Council consideration for the 2016 budget.**

RECOMMENDATION:

That Council approve the following resolution authorizing staff to insert the required budget total into the budget by-law for the December meeting to set the budget for 2016.

Resolution #1

WHEREAS it is anticipated that an unaudited surplus in excess of \$130,000 will be realized for the 2015 fiscal year;

AND WHEREAS staff have reviewed the reserves as set by Council in 2015 and have recognized some important purchases which require decision by Council;

THEREFORE BE IT RESOLVED THAT the Council of the United Townships of Head, Clara & Maria does hereby authorize the following funds be allocated to reserves for future use:

1. \$5,000 – Emergency Management – Improved Communications – legislated requirement;
2. \$4,000 – Archival Storage;
3. \$4,000 – Roads Truck;
4. \$3,000 – Disposal Site Truck totalling \$16,000.

AND FURTHER THAT Council does hereby authorize the purchase of the following items, again with funds to be taken from the 2015 surplus:

1. \$9,000 – purchase of plow for roads truck.
2. \$5,000 – Beverage refrigerator – liquor/beer storage.
3. \$600 – aprons/T-shirts for volunteer recognition during events and appreciation.
4. \$100 – proper Christmas decorations/lights for the municipal office exterior totalling \$14,700.

Resolution #2

WHEREAS the Council of the United Townships of Head, Clara & Maria has reviewed the options available for setting the total operating budget for 2016;

THEREFORE BE IT RESOLVED THAT the Council of the United Townships of Head, Clara & Maria does hereby agree to utilize option number ____ and directs staff to insert the corresponding budget total into the by-law so that it may be formally adopted at the Council meeting in December pending public circulation and possible further amendment.

Background/Executive Summary:

General

It is to be understood that the municipal budget is a best estimate of revenues and expenses to cover all operating and capital costs for any year. Unforeseen issues will arise which will affect both revenues and expenses. Total expenditures to December 31, 2015 have been estimated based on history and best guesses.

Staff have attempted to determine basic operating expenses for 2016 based on Council, staff and public expressions of wishes and interests, strategic planning, the municipal asset management plan and Council policy. This budget is provided for Council review and approval. (A copy of the Strategic Planning document has been included below for your reference.)

In spite of staff and Council's best attempts to draft a more streamlined budget for 2015, we once again are set to realize a relatively large (unaudited) surplus in 2015 of \$95,455. This is due in a large part to:

- back taxes paid up to date due in part to an improved reminder system;
- funds allocated to projects and removed from reserves which came in under budget; and
- the conscious efforts of staff to work towards cost reductions and savings.

Further, HCM is set to realize increased revenues in 2015 due to:

- Natural phase in of 25% of 2012 re-assessed property values for 2016 amounting to approximately \$14,208 for taxes raised, using the same rates as in 2015 of \$472,580.

HCM has no debt or deficit and has reserves totalling **\$1,136,726** some of which are being recommended for projects for 2016.

Provincial Government

The following chart explains known provincial increases and/or decreases in traditional revenue and expense sources outside of Council or staff control. For 2016 we will realize a net decrease of provincial support of **\$10,961**.

In 2015, a Transition Funding Reserve was created to offset these increased expenses and reduced funding. It currently has \$90,000 which at this point in time is not required.

Year	Power Dam Payments Decrease	Ontario Provincial Police Contract Increase	Ontario Municipal Partnership Fund Decrease	Assessment Phase In Increase	Special Funding Increase	Total Effect
2014	Deferred by Province for 2015	14,320	19,300	13,451	25,000	+\$4,831
2015	Not to change!	28,641	21,528	14,208	25,000	-\$10,961
2016	?	42,961	31,139	15,000	25,000	year over year change
2017						-\$34,100
	*With changes to the Federal government, new programming for infrastructure has been promised. Time will tell.					

At budget time, Council is required to determine which option best meets the current and future financial needs of the municipality to provide direction to staff to insert the appropriate balance in the budget document and then pass the budget by-law.

Public Meeting

With diminished attendance at budget public meetings, (only one resident attended in 2014) it is staff recommendation that there not be a public meeting for 2016. Instead, the budget will be shared on-line and through social media to reach more people with an invitation to submit constructive feedback via email or phone to staff and/or Council members hoping for increased input. People just don't appear to want to come out.

Use of 2015 Surplus - Deferred Revenues

As for the 2015 budget, staff are recommending transfers to reserves to occur in fiscal 2015 prior to the budget being adopted reducing the surplus carried over for 2016. This is normally completed through a separate resolution – prepared for this meeting and already reflected in the year to date on your budget working document.

1. \$5,000 – Emergency Management – Improved Communications – legislated requirement;
2. \$4,000 – Archival Storage;
3. \$4,000 – Roads Truck;
4. \$3,000 – Disposal Site Truck totalling \$16,000.

Use of 2015 Surplus – Recommended purchases

Purchases recommended for 2015 which will reduce surplus include:

5. \$9,000 – purchase of plow for roads truck. With the increased duties associated with clearing the heli-pad the plow is necessary. It will also be used to clear the hall area and road entrances when not enough snow has fallen to warrant calling out the plows but the highway plows have filled entrances.
6. \$5,000 – Beverage refrigerator – liquor/beer storage. With increased hall use and the municipal liquor license, the requirement to keep beer stocked due to more frequent events and the power surge and noise of operation of the old model an energy efficient beer cooler is recommended to be stocked and kept on. This will improve energy efficiency and make bar services more readily available on short notice increasing revenues.
7. \$600 – aprons/T-shirts for volunteer recognition during events and appreciation to be worn at events. As discussed at a previous meeting of Council but not budgeted for.
8. \$100 – proper Christmas decorations/lights for the municipal office exterior totalling \$14,700.

Based on already approved projects, funds reallocated for projects planned in 2015 but not completed total \$3,000 and include:

1. Installation of low level lighting in the hall - \$2,000;
2. Goose deterrents for Old Mackey Park - \$1,000.

These projects will continue and hopefully be completed in 2016.

Unaudited Surplus Explanation

The large “unaudited” surplus of over \$130,000 originally showing for 2015 is in part due to the carry-over of an un-allocated 2014 surplus of \$97,000 plus that accumulated in 2015 as a result of the following. (The above transfers and purchases will reduce that to \$95,455 to be carried over for 2016.)

Increased Revenues 2014-2015:

1. Increased revenues from Recreation events of over \$25,000;
2. \$12,000 in increased PILs;
3. \$5,000 in donations (kitchen equipment);
4. \$3,900 increased interest over estimate;
5. \$3,500 penalties and interest collected on past due taxes;
6. \$23,000 recovered from a tax sale;
7. \$1,900 increased building permits;

8. \$18,000 transferred from deferred revenue for a roads project which met criteria of remaining grant from years ago; and
9. Over \$6,000 in special grants.

Decreased Expenses 2014-2015:

Savings were realized in the following expense areas:

1. Legal fees;
2. Capital upgrades not completed;
3. Education and Training;
4. Computer software and hardware;
5. Office Supplies;
6. Ditching;
7. Gravel resurfacing;
8. Tools and Supplies;
9. Health and safety; and
10. Waste management repairs and maintenance.

Budget Considerations

The budget meets expenses and current demands without incurring a municipal tax rate increase.

New for 2016

The current budget includes **new** funding for:

1. \$24,000 (from Gas Tax and Reserves) for Boat Launch repair – slope and rocks;
2. \$48,000 – (\$24,000 from reserves) special grant for Boat Launch facility upgrades including installation of dock extensions;
3. \$8,000 remaining for Seniors/Intergenerational Grant;
4. \$2,400 - 22 Vinyl Chairs for hall;
5. \$600 – Waste Management – Promotion and Education;
6. \$30,000 - Brushing project – hiring equipment;
7. \$10,000 – Gravel Crushing (from reserves)
8. \$16,670 – unallocated surplus.

Surplus - Recommendations

Options for 2016 Surplus of \$16,670 – as yet unallocated and recommended by staff but not inserted into draft budget include:

- a) **\$6,700** to increase wages to hire on a one day per week basis specific to Recreation purposes. With various grassroots initiatives, the municipal liquor license and the formation of the Recreation Committee, the administrative burden associated with hall management has increased substantially. The recreation committee has increased revenues for the community. Opportunities exist for increased use – volunteer time and staffing is the issue. The hall is being used; monitoring and scheduling that use has become time intensive. In this case recreation would include:
 - i) support for the Recreation Committee;
 - ii) inventory, purchasing and stocking bar and canteen;
 - iii) staffing volunteer bartenders for events;
 - iv) coordinating maintenance with staff;
 - v) participation in County Healthy Kids Committee;

- vi) responsibility for all policy reviews and updates;
- vii) hall rentals and purchasing;
- viii) organizing, scheduling and advertising fitness use of the community centre;
- ix) increasing and making more regular activities such as pickle ball, yoga and exercise mornings, children's physical fitness activities;
- x) ROAR Conference;
- xi) Equipment lending – bikes, paddle boards etc.

b) \$10,000 to be added to boat launch repair/remediation as a contingency and for additions or "found" work.

OR

c) \$10,000 reduction in tax rate.

Options for consideration

- 1) Option #1 is based on 2015 tax rates with 2016 Current Value Assessment for properties and Payments In Lieu of Taxes.
 - a) It meets needs and is based on revenues required from taxation of **\$472,580** (the only increases being those realized from increases in assessments and growth.)
 - b) It incorporates the unallocated and unaudited surplus into general operations as listed above carrying over \$16,670 for council discussion and decision.
- 2) Option #2 meets current needs and is based on revenues from taxation of **\$466,615**.
 - a) It cuts taxes by **\$5.44** per \$100,000 assessed value and leaves **\$10,705** for Council allocation as per the suggestions above.
- 3) Option #3 meets current needs and is based on revenues from taxation of **\$456,399**. This option would cut taxes by **\$10.89** per \$100,000 of assessed value and results in an estimated surplus for 2016 or \$489.18.

Actual tax rates for 2008 – 2015 with suggestions for 2016.

Year	HCM Estimated Residential Rate	Amount taxes per \$100,000	Increase/ decrease over previous year	% increase / decrease in taxes/ \$100,000 value	Extra Funds Raised	Total Taxes Raised for Municipal Purposes	Total Budget
2008	0.00155496	\$ 155.50	\$12.19	8.50%		\$218,346	\$849,896
2009	0.00180944	\$ 180.94	\$25.45	16.37%		\$266,884	\$950,718
2010	0.00221217	\$ 221.22	\$40.27	22.26%		\$342,625	\$964,084
2011	0.00262066	\$ 262.07	\$40.85	18.47%		\$424,543	\$781,898
2012	0.00273903	\$273.90	\$11.83	4.52%		\$462,654	\$776,104
2013	0.00262343	\$262.34	\$(11.56)	(4.22)%	(\$20,000)	\$453,568	\$969,353
2014	0.00262343	\$262.34	\$0	-	\$0	\$467,019	\$839,269
2015	0.00252585	\$252.59	\$(9.75)	(4.49)%	(\$21,569)	\$458,371	\$895,139
2016	0.00252585	\$252.59	\$0	-	\$0	\$472,580	\$1,020,947

Option #1								
2016								
Option #2	0.00247142	\$247.14	(\$5.44)	(2.15)%	(\$5,964)	\$466,615	\$1,014,983	
2016								
Option #3	0.00241700	\$241.70	(\$10.89)	(4.40)%	(\$16,240)	\$456,399	\$1,004,707	

Important

Note: The above chart explains the HCM rates only; it does not include the Education and County rates of your taxes. Depending on the Provincial Education Rate, the County tax rates and tax ratios set by the County, the actual HCM Residential rate may fluctuate slightly. These are numbers and ratios that HCM has no control over. The above estimate is simply being used as a tool to set the operating budget for 2016. Changes to the other rates mentioned above may ultimately affect or change the actual residential rates to be set later in June.

Staff Recommendation

Staff have discussed the various options and feels comfortable recommending Option #1, which keep tax rates the same. Again, this is assuming that all other things remain the same. Recognizing the capital replacement shortfall within the County, it is highly likely that the County will increase its portion of the budget for 2016; keeping HCMs level would be prudent.

The budget resulting from option #1 meets demands offers some increased services to residents and maintains upkeep of buildings and tools. With the looming discontinuation of the Ontario Municipal Partnership Fund, it is suggested that no further reductions in tax rates occur at this point in time although as expressed above, it is possible. That is Council's prerogative.

Although not required for 2016, annual operating surpluses and reserves along with the newly created "Transition Reserve" will help to offset provincial cuts and downloads well into the future.

Additionally, with the number of new buildings in HCM over the past year, increased revenues from growth will be realized in 1-2 years to help offset other increases. Growth is happening but not yet reflected in increased assessment.

Why Did Overall Budget Increase by \$125,000

Overall budget increases of \$125,000 year over year is due to the following special projects funded mainly through grants, reserves and/or gas tax funds:

- \$48,000 - Canada 150 – boat launches;
- \$24,760 – Gas Tax - boat launch repair – water;
- \$8,000 – Seniors/Intergenerational funding;
- \$25,000 – Ontario Community Infrastructure Fund (roads projects); and
- \$10,000 – gravel crushing.

Additional overall budget increases are due to the Recreation budget of \$32,000. This includes profits from 2015 of nearly \$17,000 turned back into the community and an estimated \$16,000 for 2016.

Attachments

The proposed Recreation Committee budget, current reserve sheet and deferred revenue sheets have been provided for your reference. Specific expenses and revenues are listed on the Detailed Budget Working Document attached.

Financial Implications/Budget Impact:

As per the Municipal Act, this report and the accompanying budget worksheet provides information to Council to direct staff in the creation of a by-law setting the budget for the 2016 operating year.

Other's Consulted:

Gayle Watters, Administrative Assistant and Rec Committee Co-chair
HCM Recreation Committee
Noella LeBreton, Treasurer
Crystal Fischer, Administrative Assistant
Wilfred Lamure, Road Super
Bill Donnelly, Municipal Maintenance Worker

Approved and Recommended by the Clerk

Melinda Reith,
Municipal Clerk

Melinda Reith

Supporting Information

The items incorporated into the 2016 budget as taken from the Strategic Planning meetings are highlighted below.

Issue	Numerical Ranking
Review of Recycling Program – all aspects including whether or not to continue with it.	1
Continue to Lobby the Province and Federal Governments for Improved (High Speed) Internet at reasonable costs	2
Investigate (legislated) Improved Archival Storage for municipal documents (importance of preserving history?)	3
Review of Future Staffing Needs and Opportunities (succession planning, replacing staff upon retirement)	4
Review of Boat Launch Infrastructure – docks, ramps, washrooms, lighting	5
Investigate the implementation of Municipal Composting to increase diversion from disposal sites	6
Develop List of Drivers/Persons in need of Transportation for Health or other reasons	7
Investigate alternatives to prevent erosion at Old Mackey Park	8
Clearing of Rocks from Stonecliffe Boat Launch Approach	9
Development of an Economic Development Strategy to increase business opportunities in HCM	10

Gas Tax Eligible Categories

It is being recommended that the Gas Tax funds be used to upgrade and modify the current boat launches, especially the one in Stonecliffe as people are damaging their equipment accessing the dock.

In future, Gas Tax funds might be used to expand the Bear Fencing at the disposal sites, improve our recycling processes and create a long term storage room.

As of April 1, 2014, municipal infrastructure projects may fall within the following 17 categories: local roads and bridges (including active transportation), short-sea shipping, short-line rail, regional and local airports, broadband connectivity, public transit, drinking water, wastewater, solid waste, community energy systems, brownfield redevelopment, sport, recreation, culture, tourism, disaster mitigation and capacity building.

For costs incurred before April 1, 2014, municipalities are restricted to seven eligible categories: local roads and bridges, public transit, water, wastewater, solid waste, community energy systems and capacity building.

Have up to five years after the funds received to spend.

Gas Tax Eligible Expenditures

“Eligible Expenditures of Municipalities will be limited to the following:

- a) the expenditures associated with acquiring, planning, designing, constructing or renovating a tangible capital asset, as defined by Generally Accepted Accounting Principles (GAAP), and any related debt financing charges specifically identified with that asset;
- b) for the capacity building category only, the expenditures related to strengthening the ability of Municipalities to improve local and regional planning including capital investment plans, integrated community sustainability plans, life-cycle cost assessments, and Asset Management Plans. The expenditures could include developing and implementing studies, strategies, or systems related to asset management, which may include:
 - i) software acquisition and implementation;
 - ii) training directly related to asset management planning; and,
 - iii) long-term infrastructure plans.”