

# Budget Increases, Percentages & Comparing Apples To Apples

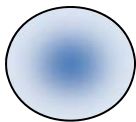
The HCM budget is set in late February or early March using the previous year's data and best estimates before the audit process is complete. These estimates are obtained from a variety of sources including special programs, grants or projects; policing contract estimates; COLA and step increases; and to up to date statements of revenues and expenses. Contingencies in the form of the working capital reserves are in place to deal with deficits or surpluses only known after the audit is complete late May.

I would like to explain why the 2011 tax increase was reported as 18% as there is still some confusion out there.

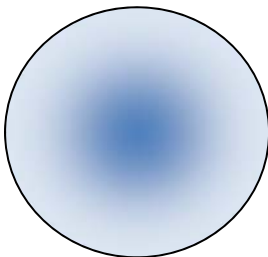
| <b>Municipality</b> | <b>Budget<br/>(Approximate)</b> | <b>Tax rate</b> | <b>taxes /<br/>\$100,000<br/>value</b> |
|---------------------|---------------------------------|-----------------|--|
| HCM                 | \$ 1 million                    | .00221217       | \$221                                  |
| LH                  | \$5.7 million                   | .00749441       | \$749                                  |
| DR                  | \$7.4 million                   | .01027309       | \$1027                                 |

## Graphic Explanation

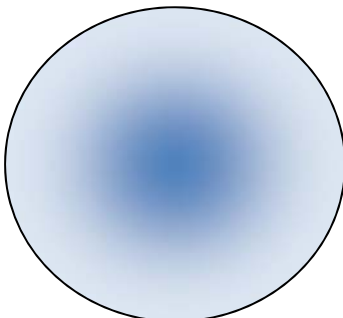
This may be difficult to understand when you're just looking at numbers. Think of the municipalities as three different sized pizzas.



Head Clara Maria - \$1 million annual budget



Laurentian Hills – \$5.7 million annual budget



Deep River - \$7.4 million annual budget

If you were to receive 10% of any of these which would you choose to ensure you were getting the largest amount? Same thing when you consider tax increases. A 10% increase of the smaller amount is a lot less than the same % increase of the larger amount. Comparing percentages does not give an accurate picture.

Our taxes are the lowest in the county. Deep River's are the highest with Laurentian Hills somewhere in between. You can not compare our percentage tax increase to other area municipalities because all things are not equal; assessments, rates, ratios or classes.

**The increase of taxation for residential properties for 2011 over 2012 was actually 7.8%.**

| <b>Percentage Increase</b> | <b>Budget</b> | <b>Proceeds</b> |
|----------------------------|---------------|-----------------|
| 7.9%                       | \$1,000,000   | \$79,000        |
| 7.9%                       | \$5,700,000   | \$450,000       |
| 7.9%                       | \$7,400,000   | \$584,000       |

No comparison.

| <b>Budget</b> | <b>Increase Needed</b> | <b>Percentage Increase</b> |
|---------------|------------------------|----------------------------|
| \$ 1,000,000  | \$40,000               | 4%                         |
| \$5,700,000   | \$40,000               | .71%                       |
| \$7,400,000   | \$40,000               | .54%                       |

In each case you are still raising only \$40,000 more no matter what the percentage is. You need to consider this when comparing increases.

There is no way a true comparison using percentages can be used. That is why we use a comparison of taxes per \$100,000. This way you can truly see what you are paying compared to other areas; a comparison of apples to apples.

| <b>Municipality</b> | <b>2010 taxes / \$100,000 property value (residential rates)</b> |
|---------------------|--|
| Head, Clara & Maria | \$221  |
| Laurentian Hills    | \$749  |
| Deep River          | \$1027   |

### **As for the actual tax increases...**

The 18% tax increase quoted was a year over year increase of Head Clara & Maria's portion of the tax rate using 2010 data in the residential class only in order to raise the funds required for HCM purposes. **It is not the final increase to anyone's tax bill over the previous year but instead it is 18% of only 15% of your tax bill.**

The 7.8% increase (OPTA) includes the changes to the county rate, education rate, assessment values, tax ratios etc. and is the actual residential increase for 2011 and is the amount that your taxes will increase for 2011.

After all the variables are known, the 2011 residential tax rate will increase by 7.8%. The total tax rate will increase by 2.9%. Please make sure you understand the percentages and rates being quoted when making comparisons in order to get an accurate picture.

**For 2012 the rates can not be set and explained in this manner as Council has not yet made its decision. Various options will be provided for Council consideration at its next meeting to be held on March 9, 2012 at 2:00 p.m. or 14:00h.**

## **Actual Budget Numbers**

As you can see from the working document that you have received, although a small number of accounts have decreased in budgeted to actual expenses for 2010 most are expected to increase for 2011. Some comments as reported in the NRT were not entirely accurate, or while accurate, did not tell the whole story.

### **From the Revenue side...**

1. The Ontario Municipal Partnership Funding was decreased by \$15,700 in 2011 and another \$15,700 in 2012 leaving us with only \$142,000 coming from this source.
2. It is anticipated that Railway Right of Way will decrease in the near future. This has not yet been realized but may happen any time they ask for a reassessment due to vacancy.
3. The Payments in Lieu of Taxes paid to us from the provincial government decreased by over \$8,000 in 2011.
4. Other special grants are over \$13,000 less for 2012.

These items alone indicate a reduction of revenues for 2012 of over \$36,700.

### **From the Expenses side...**

1. Some expenses will decrease for 2012 while others will increase. The details are in the working document report provided.
2. Staff has worked hard to ensure that costs remain low while meeting the needs and demands of the community as set by Council service levels.

An example Using Real HEAD, CLARA & MARIA Properties for 2011...

The following example uses real average properties within HCM to show the actual changes from 2010 to 2011 taxes owing. The first example has no change in assessment. The second and third have minor assessment changes.

Depending on where you live and what you've done to your property over the past year (or two) your increase may be more. This is due to your increased assessment, not specifically your increased taxation.

| 2010 Current Value Assessment | 2011 Active Current Value Assessment | CVA Percent Change | 2010 Total CVA Taxes | 2011 Total CVA Taxes | Total Tax Change | Total Tax Percent Change from 2010 to 2011 |
|-------------------------------|--------------------------------------|--------------------|----------------------|----------------------|------------------|--|
| \$124,000                     | \$124,000                            | 0.00%              | \$1,085.71           | \$1,087.42           | \$1.71           | 0.20%                                      |
| \$88,500                      | 89,750                               | 1.40%              | \$774.88             | \$787.06             | \$12.18          | 1.60%                                      |
| \$93,489                      | 93,745                               | 0.30%              | \$818.57             | \$822.1              | \$3.53           | 0.40%                                      |

**But I don't get the same things that Deep River does...**

**Maybe not but you do get:**

- ⊘ Roads, maintenance, grading, snow removal, drainage, brushing etc.
- ⊘ Policing – OPP contract
- ⊘ Library – up to date with current access facilities – internet access and communications
- ⊘ Emergency services – fire, ambulance, emergency planning – some through HCM some through the county
- ⊘ Solid waste and recycling – door to door collection; management as per MOE, monitoring of sites, closure and post-closure maintenance and reporting
- ⊘ By-laws, rules for community, legislative and administrative governance
- ⊘ Economic Development activities
- ⊘ Health Services – Physician recruitment, participation in area Board of Health
- ⊘ Recreation, Parks, Community Centre, Boat launches
- ⊘ Planning and Zoning – some provided by us, some by the county
- ⊘ Budgeting and planning for long range outlook, culverts, vehicles and buildings to be replaced in the future,
- ⊘ Explanation of services for other government programs and services - MPAC – responsibility for explanations as to how/why they evaluate properties, provide us with information so that we can answer questions from the public;
- ⊘ Individual Community Identity
- ⊘ Social services – through the county

**A large number of services are mandated by the province and have to be provided, even if we are a small municipality.**