

Type of Decision									
Meeting Date	Friday, December 7, 2012				Report Date	Friday, November 30, 2012			
Decision Required	X	Yes		No	Priority	X	High		Low
Direction	X	Information Only			Type of Meeting	X	Open		Closed
Budget Considerations Report #07/12/12/1203									

Subject: Options for Council consideration for the 2013 budget.

RECOMMENDATION: That Council approve the following resolution authorizing staff to insert the required budget total into the budget by-law.

WHEREAS the Council of the United Townships of Head, Clara & Maria have reviewed the options available for setting the total operating budget for 2013 and have heard concerns about rate increases from members of the public;

AND WHEREAS a public meeting will be held on Saturday, January 12, 2013 to explain the 2013 budget and to hear comments and concerns from members of the public;

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 total into the budget by-law so that it may be formally adopted at the next meeting.

Background/Executive Summary: It is a given that no one ever wants their taxes to increase, for any reason. It is to be understood that the municipal budget is a best estimate of revenues and expenses to cover all costs for any year.

HCM is in the enviable position of having a large surplus in 2012 due in a large part to:

- increased PILs, estimate in 2012 of \$11,000 based on 2011 but in reality we received over \$25,000; we have also received nearly \$9,000 owing from 2011.
- back taxes paid up to date due in part to an improved reminder system;
- funds allocated to projects for which we did not receive funding;
- funds allocated to projects 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 2013 due to:

- increased assessments, which at 2012 tax rates and ratios would generate an additional \$11,000 at 2012 rates and ratios;
- increased PILs – 2013 PILs are based on \$7.913 million - OPTA's CVA which results in payments of \$37,000;
- new assessments and methods of calculation utilized by the province have increased the value of HCM PILs to \$11.588 million from \$7.913 million and a corresponding estimate of payments of an additional \$15,000 for 2013. The

challenge is that these increases are not guaranteed. Should they be realized, amounts to be removed from reserves for special projects could be reduced. If they are not realized, there would be no change to the estimated budget presented.

HCM has no debt or deficit and has reserves totalling \$892,742.45. We are not in the same financial position as the provincial or federal governments and therefore do not need to operate under the same constraints.

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. A public meeting has traditionally been held to explain the Council approved budget to the ratepayers. January 12, 2013 has been suggested.

Options for consideration:

- 1) Option #1 is based on 2012 tax rates with 2013 CVA for properties and PILS.
 - a) It meets needs and is based on revenues required from taxation of \$473,568.
 - b) It contributes \$40,000 to reserves from 2013 revenues.
 - c) It allocates \$45,000 of 2012 surplus to general revenues and maintains current levels of service and programs allowing for improvements and increases as described below.
 - i) It pays for hall and kitchen renovations with \$53,000 coming from reserves and deferred revenue.
 - ii) It would include an extensive brushing project, gravel application and two major culvert replacements.
 - iii) It includes the 3% salary grid increase, cola increases for all employees, council and HCM contracts and the recommended wage grid step increases.
 - iv) It currently has an unallocated operating surplus of \$34,500.
 - v) It could easily include a 4% employee pension plan at approximately \$7,000.
- 2) Option #2 shows a decrease in revenues from taxation of \$20,000 to \$453,568.
 - a) It would result in a decrease in taxes owing per \$100,000 of \$11.56 or 4.22%.
 - b) It would include an allocation of the 2012 annual surplus of \$45,000 to general revenues with \$40,000 going to reserves from the 2013 budget.
 - c) It would include unallocated operating surplus of \$14,500.
 - d) All of the items listed above would be included in the annual operating budget.
 - e) It could still include a 4% employee pension plan at approximately \$7,000.
- 3) Option #3 shows a decrease in revenues from taxation of \$30,000 to \$443,568.
 - a) It would result in a decrease in taxes owing per \$100,000 of \$17.34 or 6.33%.
 - b) It would include an allocation of the 2012 annual surplus of \$45,000 to general revenues with \$40,000 going to reserves from the 2013 budget.
 - c) It would include unallocated operating surplus of \$4,000.
 - d) All of the items listed above would be included in the annual operating budget.
- 4) Option #4 shows a decrease in revenues from taxation of \$40,000 to \$433,568.
 - a) It would result in a decrease in taxes owing per \$100,000 of \$23.13 or 8.44%.
 - b) It would include an allocation of the 2012 annual surplus of \$45,000 to general revenues with \$40,000 going to reserves from the 2013 operating budget.

- c) Not all of the items listed above could be included in the budget; in fact the shortage of \$6,000, would need to be taken from reserves to compensate.

Unallocated operating surplus may be allocated to any cause council feels prudent. It may be allocated to reserves to provide for future needs. The current reserve sheet has been provided for reference. The specific expenses are listed on the Budget Document attached. A 5 year comparison chart, Current Reserves and Deferred Revenue Statement are provided for reference.

Actual tax rates for 2008 – 2012 with suggestions for 2013.

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	2013 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 #1	0.00273903	\$273.90	\$0	0%	\$0	\$473,568	\$989,353
2013 #2	0.00262343	\$262.34	\$(11.56)	%(4.22)	(\$20,000)	\$453,568	\$969,353
2013 #3	0.00256559	\$256.56	\$(17.34)	%(6.33)	(\$30,000)	\$443,568	\$959,353
2013 #4	0.00250776	\$250.78	\$(23.13)	%(8.44)	(\$40,000)	\$433,568	\$949,353

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 2013. Changes to the other rates mentioned above may ultimately affect or change the actual residential rates to be set later in June.

Staff recommends Option #2 which allows a reduction in revenues received from taxes due to the new assessments and PIL calculations but does not decrease revenues so significantly that future changes will result in abnormal increases. As budgeting becomes more accurate due in part to Noella's completing monthly tasks which were once only completed by the auditor after year end, large annual surpluses will become less frequent and should not be relied on to fund subsequent year's expenses. The \$45,000 used this year will not be recurring.

As usual, annual 25% assessment increases (MPAC CVA) can be depended on. Council will need to direct staff to allocate the additional \$14,000 in unallocated revenues.

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 2013 operating year.

Approved and Recommended by the Clerk

Melinda Reith,
Municipal Clerk

Melinda Reith