

Type of Decision									
Meeting Date	Friday, December 5, 2014				Report Date	Monday, November-24-14			
Decision Required	X	Yes		No	Priority	X	High		Low
Direction	X	Information Only			Type of Meeting	X	Open		Closed
Budget Considerations Report #05/12/14/1205									

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Subject: Options for Council consideration for the 2015 budget.

RECOMMENDATION:

That Council approve the following resolution authorizing staff to insert the required budget total into the budget by-law for the first meeting of January to set the budget for 2015.

WHEREAS the Council of the United Townships of Head, Clara & Maria has reviewed the options available for setting the total operating budget for 2015 and are ever cognizant of concerns of rate increases by members of the public;

AND WHEREAS a public meeting will be held on Saturday, December 6, 2014 to explain the 2015 budget and to receive 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 budget total into the by-law so that it may be formally adopted at the next meeting pending public consultation and further amendment.

Background/Executive Summary:

General

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 operating and capital costs for any year. Unforeseen issues will arise which will affect both revenues and expenses. Total expenditures to December 31, 2014 have been estimated based on history.

Staff have attempted to determine basic operating expenses based on Council, staff and public expressions of wishes and interests and Council policy. This budget is provided for Council review and approval.

HCM is once again in the enviable position of having a large (unaudited) surplus in 2014 due in a large part to:

- Increased PILs;
- 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 2015 amounting to approximately \$13,451 for a total of **\$479,940** of revenues from taxation for own purposes.

HCM has no debt or deficit and has reserves totalling **\$1,045,572.24**.

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 2015 we will realize a net increase of provincial support/costs of **\$12,171**.

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
2016	?	28,641	21,528	26,902	25,000	+\$1,733
2017	?	42,961	31,139	40,353	25,000	-\$8,747
2018	?	50,358	?	?	?	?

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 Transition Funding Reserve has been created to offset these increased expenses and reduced funding. It currently has \$60,000 and staff has recommended contributing an additional **\$30,000** from the 2014 surplus as indicated in the draft budget document.

Public Meeting

A public meeting to explain the Council approved budget to residents and ratepayers has been set for Saturday, December 6, 2014 at 1:00 pm or 13:00 h. in the Community Centre.

Deferred Revenues

Normally, staff completes a year end assessment of incomplete projects and allocates funds already approved and allocated in the current year's budget to deferred revenues or reserves in order to complete those projects in the next fiscal year. For 2014, due to elections and the missed November meeting, staff have combined that activity in with this budget presentation. Based on already approved projects, **funds reallocated** for projects planned in 2014 but not completed total **\$46,500** and include:

1. \$2,000 towards a slide for Old Mackey Park (OMP);
2. \$9,000 towards the pavilion extension for Old Mackey Park;
3. Bulletin boards at both disposal sites - \$500;
4. Repairs to the office roof of **\$3,500**;
5. Signage – OMP and Hall grounds - \$4,000;
6. Bissett Creek disposal site expansion - \$27,500.

These projects will continue and hopefully be completed in 2015.

Unaudited Surplus Explanation

The large "unaudited" surplus of over \$90,000 showing for 2014 is in part due to the carry-over of an un-allocated 2013 surplus of \$30,000. It has been further affected by the following increased revenues and decreased expenses.

Revenues:

1. Increased revenues from Recreation events of over \$12,000;
2. \$12,000 in Railway PILs not budgeted for;
3. \$4,500 increased interest;
4. \$4,000 penalties and interest collected on past due taxes;
5. Increased building permit and tipping fees; and
6. Over \$7,000 in special grants.

Expenses

Savings were realized in the following expense areas:

1. Legal fees;
2. Capital upgrades not completed;
3. Ditching;
4. Gravel resurfacing;
5. Elections;
6. Health and safety; and
7. Waste management repairs and maintenance.

Budget Considerations

The budget meets expenses and current demands. There is **\$30,993** remaining, from revenues, without incurring a municipal tax rate increase. This may be used to fund reserves or implement a slight tax decrease. It is staff opinion that reserve levels are quite healthy and funds might be better spent on other projects, training or rate reductions.

Other projects presented for Council consideration suggested over the year but not included in the budget document are listed below. Those that correspond with the Strategic Planning document created by the past council are underlined. A copy of the Strategic Planning document has been included for your reference.

1. Purchase of a “bird banger” to chase geese from OMP. Costs range from \$300 - \$500 depending on what you decide to purchase. **Recommendation that \$1,000 be set aside for this project.**
2. Cleaning and restoring historic community maps obtained by the Library Board for display in the community centre;
3. Increased donation funding to include an annual donation to the North Renfrew Family Services. **Recommendation that \$500 be set aside for this purpose.**
4. Lobby for changes as Provincial level. OGRA/ROMA conference for 2015; It was suggested in 2014 that the first year of the new term should include increased spending for council member conferences and training with less for subsequent years. (\$4,500 budgeted - \$2,000 already allocated to January training.)
5. Planned attendance by staff and/or Council to the Eastern Ontario Municipal Conference in Kingston in September. (\$6,000 staff budgeted.)
6. Community Recreation/Social Programs. Funding recreation committee members' attendance at appropriate local conferences.
7. Park improvements. Cement floor for already approved pavilion at OMP.
8. Patio at back of community centre.
9. Manufacture of a cart to house and transport the grill donated by Mr. Vanderhorn.
10. Recycling program promotion – purchase of bags to provide to each residence to promote recycling and assist in collecting materials in small spaces. May be used as shopping bags. 30l in volume; cost 0.81 each. Can order in combination with the Continuous Improvement Fund which arranges joint purchases throughout the year. **Recommendation that \$500 be allocated to this project.**

Options for consideration

- 1) Option #1 is based on 2014 tax rates with 2015 CVA for properties and PILS.
 - a) It meets needs and is based on revenues required from taxation of **\$479,940** (the only increases being those realized from increases in assessments.)
 - b) It allocates an unaudited surplus towards savings or special projects as follows:

- i) **\$30,000** to the transition reserve to offset future downloads from the province.
 - ii) **\$36,774** to general revenues.
 - iii) and an unallocated surplus of **\$30,993** which may be directed as per Council decision.
- 2) Option #2 meets current needs and is based on revenues from taxation of **\$458,371**.
- a) It allocates the **\$30,000** to the transition reserve and **\$36,774** to general revenues.
 - b) It cuts taxes by **\$11.78** per \$100,000 assessed value and leaves only **\$9,424** for Council allocation as per the suggestions above. (this could be increased by reducing the amount transferred to the transition reserve)
- 3) Option #3 meets current needs and is based on revenues from taxation of **\$437,864**. This option would cut taxes by **\$22.99** per \$100,000 of assessed value and result in a deficit, if all other things remain the same, of **\$11,082**. That could easily be changed by reducing the amount transferred to the transition reserve fund by the same amount. All other expenses would remain the same. Council would lose the unallocated surplus and there would be no room for the suggestions listed above.

Actual tax rates for 2008 – 2014 with suggestions for 2015.

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 Option #1	0.00262343	\$262.34	\$0	-	\$0	\$479,940.75	\$916,707
2015 Option #2	0.00250564	\$250.56	\$(11.78)	(4.49)	(\$21,569)	\$458,371.29	\$895,138
2015 Option #3	0.00239354	\$239.35	\$(22.99)	(9.17)	(\$42,077)	\$437,864.19	\$874,631

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 2015. 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 #2, which slightly reduces tax rates. Again, this is assuming that all other things remain the same. It is highly likely that the County will increase its portion of the budget for 2015. This reduction in HCM's rate may somewhat offset the effect of that on individual tax bills.

The budget resulting from option #2 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.

Increased growth, phased in assessments and new conditional funding from the province will help to offset taxation reductions but the long term future is unknown. Having said that, it should be considered that HCM is in a stable financial position with significant reserves relative to budget, well managed and maintained assets with no looming projects or expenses hanging overhead. We are in a balanced financial position with no debt after many years of necessary capital and operational improvements and increases.

Current surpluses and reserves along with the newly created "Transition Reserve" will help to offset provincial cuts and downloads well into the future.

As usual, annual 25% assessment increases (MPAC CVA) can be depended on for 2015 through 2017 as they are legislated.

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. The Budget sheet which will ultimately be approved by Council pending any modifications is included for your reference as well.

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 2015 operating year.

Other's Consulted:

Gayle Watters, Administrative Assistant and Rec Committee Co-chair and Noella LeBreton, Treasurer

Approved and Recommended by the Clerk

Melinda Reith,

Municipal Clerk

Melinda Reith