



TOWN OF MINTO

DATE: January 20, 2017
REPORT TO: Mayor and Council
FROM: Bill White, C.A.O. Clerk
SUBJECT: 2017 Budget Update Report

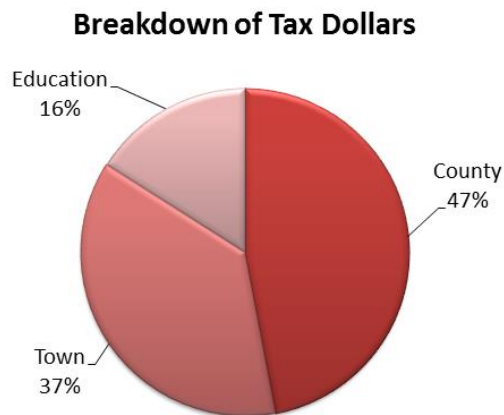
STRATEGIC PLAN:

Manage Town finances in a transparent and fiscally responsible manner using a wide variety of accepted methods such as maintaining healthy reserves, investing conservatively, sensible user fees, property tax control, and responsible borrowing.

BACKGROUND

On December 1, 2016 Council had its first look at the 2017 operating budget. Draft minutes of the meeting are included in the agenda package. At this time the Town budget increase from 2016 to 2017 is 2.9% with the main budget pressures being utilities, wages and benefits. The County budget is expected to increase in a similar range, but the change in allocation to education is not known. The education portion of the tax bill

is approximately 16% and has been declining over the years. The Town's share of the tax dollar increases when our budget increase is higher than the County. In 2017 the County and Town increases are expected to be the same.



In 2017 Council should expect that the blended increase for the average home in Minto will be in the area of 2.9%. In actual dollars this means that the owner of a home worth \$215,000 will pay about \$84 more in property tax in total based on annual taxes in the range of \$2,903. The Town receives \$34 of that increase.

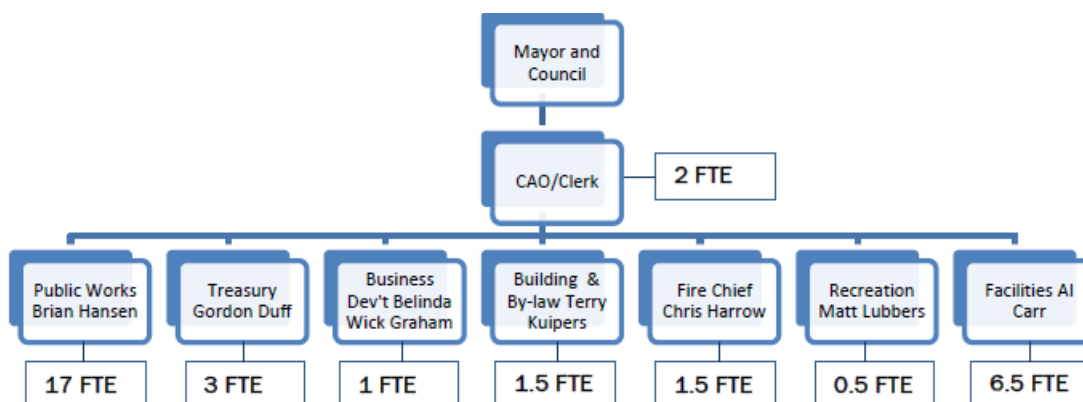
Wages and Benefits

At the first budget meeting Council passed the following resolution:

MOTION: COW 2016-268

That a report be brought forward to Council at a future meeting regarding staff changes and increased costs.

Information in the original budget summary report is enhanced in this report to address the



Council resolution. There are 41 full time equivalent positions since restructuring in 2015 and 2016. This compares to 39 full time staff in 2010, and includes hiring three sewer operators and a Supervisor when the contract to operate sewage plants was assumed from Centre Wellington (in lieu of a \$275,000 payment).

In 2015 administrative support was provided in Economic Development & Tourism, Public Works, Facilities and Recreation (shared), and Minto Fire (three year contract) by merging and amalgamating part time positions. New positions since 2015 are as follows:

- Shared Fire and By-law position to meet required Provincial inspections, plans for vulnerable occupancies
- 3 year contract Fire admin Coordinator
- Building Inspector/Source Water Assistance meet Risk Management Inspector mandate
- Full time Town Landscaped Care Coordinator/public works operator

The net change in wages and benefits from 2016 to 2017 is about \$220,000 which breaks down as follows:

1) C.A.O. Clerk and Treasury \$39,000

- Annualize wages and benefits for admin support returning from maternity leave
- Provides for wage reclassification Deputy Clerk position
- 2 of 7 staff with pay grid movements

2) Economic Development and Tourism \$19,450

- Annualizes wages and benefits for support staff return from maternity leave
- 2 pay grid movements

3) Recreation Services and Facilities \$56,043

- Part time/seasonal staff
- 6 of 9 staff pay grid movements

4) Building and Bylaw \$24,000

- Provides for wage reclassification Building Inspector
- 1.5 of 2.5 staff pay grid movements

5) Public Works \$61,018

- TLC position becomes full time
- 7 of 17 staff pay grid movements
- Savings from restructuring DWQMS operator into Lead Hand

6) Fire Department \$22,500

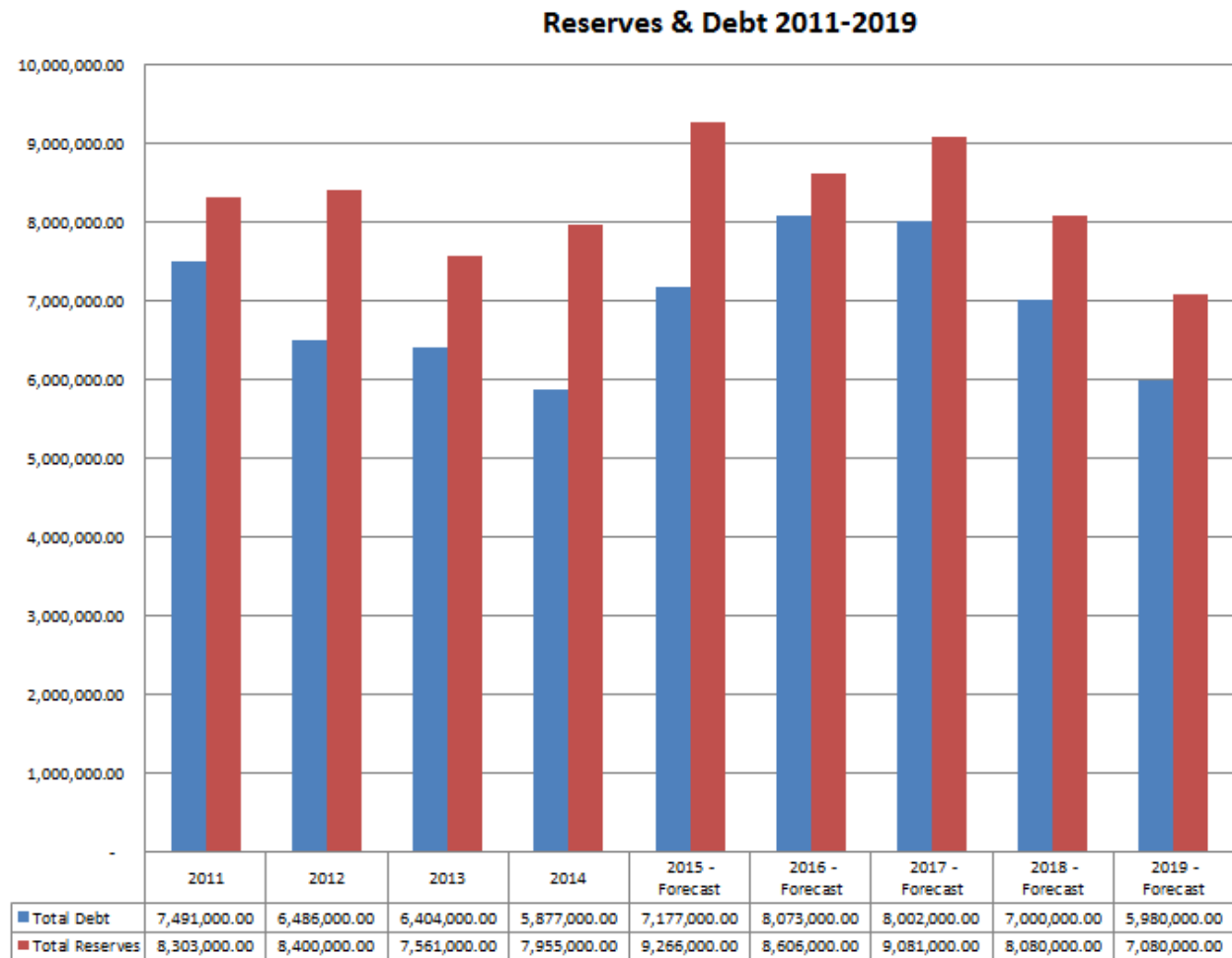
- All coordinator expenses from admin into fire
- 1 staff grid movement

Included in the \$220,000 is about \$46,000 for a 1.5% cost of living increase, while around \$39,000 covers grid movements for 18 staff. About 11.5% (\$25,500) can be attributed to water and sewer allocations.

Capital Budget

At this second budget meeting Council normally focusses on the capital budget. Since 2012 the Town spent \$23.17 million on capital work, or on average \$4.6 million per year. The asset management plan calls for expenditures between \$2.6 million and \$6 million annually to maintain existing assets, while annual depreciation on the gross “book value” of our tangible assets (\$68 million) is \$2.8 million. The Town has consistently maintained a capital

budget that addresses asset management targets, while remaining consistent with its Fiscal Accountability Policy that reserves retained by the Town not exceed debt. The following chart illustrates Reserves and Debt 2011-2019



This includes a net \$118,000 added to reserves from the operating budget as well as \$775,000 in new borrowing to fund the Town's share of the CWWF grant for George Street in Harriston. The following chart summarizes the capital by Department for 2017:

Public Works	\$4.84 million				
Water	\$1.32 million			Proposed Financing	
Sewer	\$1.68 million				
Roads	\$1.84 million			Borrowing (CWWF Grant)	\$0.78 million
Fire	\$0.34 million			2016 Tax	\$0.51 million
Admin	\$0.09 million			Reserves	\$1.24 million
Cemeteries	\$0.06 million			Grants	\$1.78 million
Facilities	\$0.49 million			2016 Carry Over	\$1.45 million
Economic Development	\$0.15 million			Water & Sewer Charge	\$0.21 million
Other	\$0.04 million			Other (Land Sale)	\$0.04 million
TOTAL	\$6.01 million			TOTAL	\$6.01 million

The amount is sufficient to continue to make progress on the Town's assets. Major projects include:

- Palmerston complete James, Jane, Inkerman \$1,111,000
- \$60,000 sidewalk work; \$50,000 catch basin repairs;
- Palmerston pedestrian crossing \$10,000; Palmerston parking \$50,000
- 2016 Pumper in Palmerston \$250,000; new Fire service vehicle \$35,000
- Backhoe replacement \$175,000 (10 year replacement, 6-8 year cycle)
- Harriston Flood Plain \$30,000
- Clifford Ann Street \$310,000 (service 7 more lots for sale)
- Clifford Elora Street \$340,000 of \$2.8 million reconstruction (after Homecoming)
- Harriston combined George Street and Maitland \$1,730,000
- Water Plant Capital \$85,000
- Sewage Plant Work \$547,000
- Harriston Cremation Garden \$20,000; Columbarium Planning \$35,000
- Completion of Harriston Class EA \$30,000
- Street Lights \$10,000
- Palmerston Arena \$175,000 including ice re-surfacer
- Palmerston Railway Heritage Museum \$27,000
- Harriston Arena Upgrades \$80,000 including accessible doors
- Clifford Arena \$70,000 including boards and paving

The following demonstrates a preliminary four year capital plan (numbers to be confirmed):

Project Costs Dept/Year	2016-YTD	2017 Budget	2018	2019	2020
Water & Sewer	\$2,362,000	\$2,818,500	\$911,298	\$2,860,434	\$603,000
Roads & Drainage	\$1,838,500	\$1,838,500	\$3,264,313	\$1,361,346	\$1,621,106
Vehicles	\$607,000	\$330,000	\$260,000	\$400,000	\$360,000
Other Departments	\$642,500	\$1,024,500	\$490,000	\$715,000	\$645,000
Total	\$5,450,000	\$6,011,500	\$4,925,611	\$5,336,780	\$3,229,106
Funding Model					
Dept/Year	2016-YTD	2017 Budget	2018	2019	2020
Revenue	\$984,000	\$252,000	\$500,000	\$1,700,000	\$500,000
Grants	\$1,238,000	\$1,597,000	\$1,000,000	\$1,000,000	\$1,000,000
Dev Charges & Reserves	\$1,047,000	\$1,238,000	\$1,000,000	\$28,987	\$1,000,000
Borrowing	\$1,780,000	\$775,000	\$1,895,611	\$2,080,793	\$199,106
OCIF Formula	\$94,000	\$183,000	\$130,000	\$130,000	\$130,000
Carry overs	-\$84,000	\$1,456,500	\$0	\$0	\$0
Tax	\$391,000	\$510,000	\$400,000	\$400,000	\$400,000
Total	\$5,450,000	\$6,011,500	\$4,925,611	\$5,339,780	\$3,229,106

It should be noted that no amounts in the four year capital plan are committed including borrowing, grants and reserve payments. The plan illustrates possible expenditures within the framework of asset management targets and Town fiscal accountability standards.

COMMENTS:

The Town has taken the call to maintain infrastructure seriously. It has applied for and received almost all merit based funding available for several years and continues to borrow to fund the municipal share. While debt peaked in 2015, and dropped in 2016 it increases slightly in 2017 to fund the George Street reconstruction project under the Community Waste Water Fund. In 2018 some debentures that mature will take pressure off total debt to the benefit of reserves (\$114,664 more for reserves in Facilities). Budget 2017 is compliant with the Town Fiscal Accountability policy as reserves continue to exceed debt.

It is becoming increasingly clear that the Town has capacity to complete between \$5 and \$6 million in annual capital work based on current staffing levels, contractor readiness and funding availability. To exceed that amount the Town would need continued success in grant applications, even more aggressive borrowing and increased reliance on consultants (or more staff) to plan, develop, supervise and complete capital projects. It seems the structure of sustained grant funding and merit based applications, as well as tax supported capital with restrictions on borrowing is more conducive to annual capital up to \$5 million.

The 2.9% budget increase may be of concern to ratepayers who also face increased utility costs to fund World Climate Change initiatives. The benefit of rebate programs and funding to help offset growing energy costs are promised Provincially and Federally. If these governments deliver, this will help the Town's bottom line (and ratepayers) where it is clear that utility increases have eroded savings achieved by energy efficiency initiatives.

Concerns about growing cost to ratepayers led to a more conservative capital proposal than in recent years. If carryover projects are excluded, the capital budget drops to \$4.55 million. Major road reconstruction in rural areas is delayed in this budget as the 12th Line and 16th Line both are in need of work. This follows a substantial cost competing Ayton Road, the 4th Line, 6th Line, 16th Line Culvert and Bride Road Culvert (to name a few) in previous years.

Staffing impacts the budget as the number of full time equivalents now exceeds 2010 levels for the first time. The Town has seen noticeable increases in levels of service in Town Landscape Care, Economic Development and Fire Department; these areas are critically important to Minto's community development. In Public Works the Town was able to assume responsibility for sewage plant operations and only increase overall staffing by two (eliminating a \$275,000 plus payment to Centre Wellington). There is fewer full time staff in Administration, Facilities and Recreation than 2010.

Wages and benefits remain competitive and the Town has had relatively low turn-over in the last six years, and has developed and promoted talent from within. Council will be asked to formalize Minto's Succession Plan in 2017. Provincial initiatives have increased municipal responsibilities in green energy reporting, source water protection, vulnerable occupancies, DWQMS, and many other areas that require staff involvement. On that basis staff believes the budget "**keeps it real**" to the extent possible. Input at the March 21 at 5:00pm public open house will help Council assess the overall impact of the 2017 budget as proposed.

FINANCIAL CONSIDERATIONS:

The summary table below lists service areas along with draft 2017 budget versus 2016 budget:

		2016 Budget	2017 Draft	Difference	
Council		\$127,700	\$128,200	\$500	
C.A.O. Clerk		\$276,900	\$335,900	\$59,000	
General Admin & Reserves		\$525,200	\$517,300	-\$7,900	\$981,400
People and Property		\$150,600	\$136,650	-\$13,950	
Health Services		\$28,750	\$33,750	\$5,000	\$42,650
Minto Fire Service Overall	Fire Admin	\$567,400	\$596,930	\$29,530	
	Palmerston Fire	\$70,261	\$68,773	-\$1,488	
	Harriston Fire	\$147,825	\$146,825	-\$1,000	
	Clifford Fire	\$102,750	\$95,600	-\$7,150	\$19,892
Clifford Arena & Hall		\$159,982	\$162,043	\$2,061	
Harriston Arena & Hall		\$162,454	\$175,744	\$13,290	
Palmerston Arena & Hall		\$179,944	\$184,709	\$4,765	
Satellite Facilities		\$57,422	\$76,933	\$19,511	
Clifford Parks		\$21,257	\$21,411	\$154	
Clifford Ball & Soccer		\$19,247	\$19,933	\$686	
Harriston Parks		\$28,056	\$29,457	\$1,401	
Harriston Ball		\$17,196	\$18,870	\$1,674	
Palmerston Parks		\$62,185	\$56,633	-\$5,552	
Palmerston Ball & Soccer		\$34,525	\$36,338	\$1,813	
Trails		\$0	\$5,590	\$5,590	\$45,393
Recreation Administration		\$234,500	\$252,000	\$17,500	
Harriston Pool		\$44,750	\$46,000	\$1,250	
Palmerston Pool		\$38,000	\$39,500	\$1,500	
Adventure Camp		\$1,000	\$0	-\$1,000	
Special Programs		-\$6,000	-\$6,000	\$0	\$1,125,161
Joint Health & Safety		\$4,000	\$5,000	\$1,000	
Norgan Theatre		\$0	\$0	\$0	\$20,250
Building & By-law		\$161,475	\$190,175	\$28,700	
Economic Development		\$443,709	\$437,036	-\$6,673	
Tourism		\$113,800	\$25,900	-\$87,900	-\$94,573
Public Works	Roads Admin	\$769,381	\$849,208	\$79,827	
	Municipal Drains	\$33,000	\$33,000	\$0	
	Vehicle Cost & Time	-\$345,000	-\$345,000	\$0	
	Road Maintenance	\$1,036,970	\$1,041,810	\$4,840	
	Winter Control	\$456,480	\$479,206	\$22,726	
	Trailer Park	-\$6,680	-\$8,115	-\$1,435	
	Cemeteries	\$19,800	\$20,520	\$720	
	Street Lights	\$0	\$0	\$0	
	Town Landscape Care	\$75,220	\$100,506	\$25,286	\$2,171,135
Sewage Collect & Treat		\$0	\$0	\$0	
Water Treat & Distribute		\$0	\$0	\$0	\$131,964
Subtotal		\$5,814,059	\$6,008,335	\$194,276	\$194,276
OMPF		-\$1,680,700	-\$1,802,900	-\$122,200	
StabilizationReservces		-\$54,258		\$54,258	
Total Operating		\$4,079,101	\$4,205,435	\$126,334	\$126,334
Tax Supported Capital		\$500,000	510,000	\$10,000	
Total Raised through Tax		\$4,579,101	\$4,715,435	\$136,334	\$136,334

RECOMMENDATION:

That Council receives the C.A.O. Clerk and Treasurer's January 20, 2017 Budget Update Report and provides direction by motion in the budget meeting as to changes required to the operating or capital budget as proposed.

Bill White, C.A.O. Clerk

Gordon Duff Treasurer