



TOWN OF MINTO

DATE: January 8, 2017
REPORT TO: Mayor and Council
FROM: Bill White, C.A.O. Clerk
SUBJECT: 2018 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

The 2018 budget theme is “**bringing it home**”, a “positive encouraging and motivating phrase” to arrive at a conclusion. With uncertainty in the world economy, a municipal election and possible change in Provincial government in 2018 (Federal 2019) this budget punctuates the Town’s infrastructure investments and “brings home” a responsible operating and capital proposal using Federal/Provincial tools currently in place. 2019 will be a chance to evaluate this course based on choices made at provincial and municipal elections as well as a Federal election later in that year.

On December 12, 2017 Council reviewed the 2018 draft operating budget (draft minutes in the agenda package) which increases tax supported dollars \$235,000 from \$4.712 million to \$4.947 million. Some key changes to the operating budget that contribute to the increase are outlined below:

- | | |
|---|------------|
| • OMPF funding reduction | \$172,200 |
| • Pay Policy (internal, external, pay equity, COLA) | \$ 80,000 |
| • Facilities Staffing. Satellite Facilities, Trails | \$ 55,000 |
| • Public Works Director Position | -\$ 70,251 |
| • Decrease in Structural Grant | -\$ 20,000 |
| • Increase tax supported capital to \$520,000 | \$ 10,000 |

There are no changes recommended to the draft operating budget since presenting it December 12. Before the March 20 Public Open House staff will bring forward major changes to the budget for Council approval. Changes are possible until budget bylaws are adopted in April 2018 when County and Education portions are final.

The 2017 budget was set by Council to be an overall 3% increase on the average residential home. After assessment adjustments at the County the 2017 increase for the average ratepayers was 1.63%. Urban Commercial property owners in 2017 experienced an overall decrease in taxes of 22.46% due to assessment class adjustments.

Based on the current capital proposals and operating considered Council to date, the blended increase for the average home in Minto will be in the area of 3.76%. In actual dollars this means that the owner of a home worth \$224,000 will pay about \$112 more in property tax in total based on annual taxes in the range of \$3,095. The Town receives \$50 of that increase.

Between 2016 and 2018 the average increase for a typical home would be 2.5% per year. The typical urban commercial property owner in 2018 will have a small reduction in actual tax paid thereby experiencing an average decrease of almost 12% since 2016.

Capital Budget

Between 2011 and 2017 the Town spent over \$32 million improving infrastructure. Previously the Town's five year plan was a financial projection with funding options for order of magnitude expenditures in key areas. The capital financial plan was based on the Town's asset management plan which suggests spending between \$2.6 million and \$6 million annually to maintain existing assets, and the annual depreciation on the gross "book value" of our tangible assets (\$68 million).

The following chart summarizes the capital by Department for 2018:

Public Works	\$5.85 million	Proposed Financing	
Water	\$1.32 Million		
Sewer	\$1.89 Million		
Roads	\$1.84 Million		
Fire	\$0.52 million	2017 Tax	\$0.52 million
Admin	\$0.05 million	Reserves	\$1.20 million
Cemeteries	\$0.06 million	Grants	\$3.07 million
Facilities	\$0.45 million	2017 Carry Over	\$1.15 million
Economic Development	\$0.82 million	Borrowing	\$1.52 million
Other	\$0.02 million	Other	\$0.24 million
Total	\$7.77 million	Total	\$7.77 million

Since the December 12 budget meeting, staff developed for Council a project oriented five year capital plan for 2018 through 2022 (pages 7 and 8 of this report). A project based five year plan will help this Council and the next anticipate projects to bring forward through merit based funding programs including CWWF (Community Water and Wastewater Fund), currently the only confirmed on-going Federal-Provincial funding program. CWWF has a "loose" 10 plus year commitment and a "firm" Canada-Ontario partnership into 2020. Highlights of the five year capital project plan are as follows:

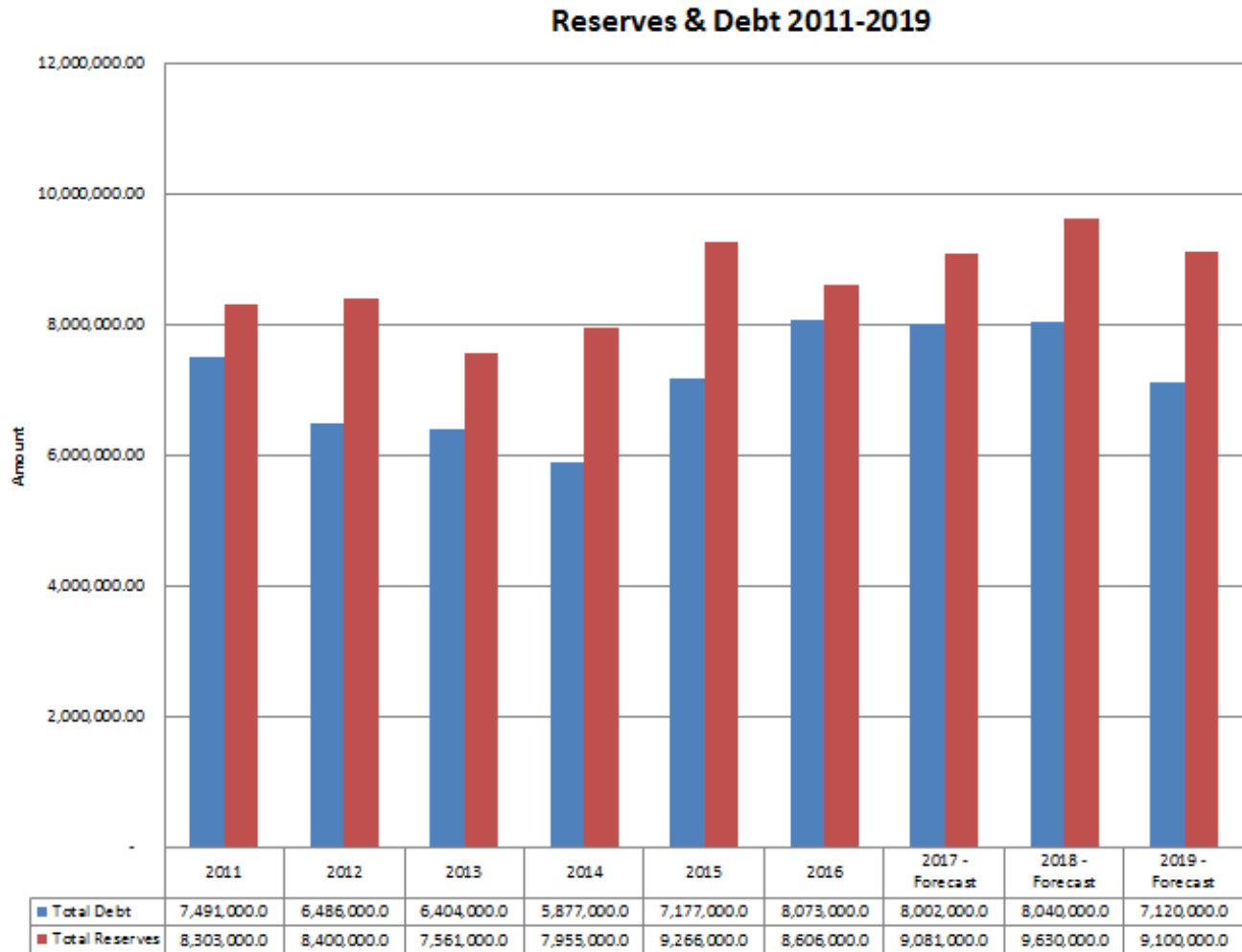
- 1) Total project expenditures of \$7.7 million in 2018, \$6.3 million in 2019, \$5.96 million in 2020; \$6 million in 2021, and \$5.2 million in 2022.
- 2) 87% of 2018 expenditures in Public Works (\$6.71 million) with Clifford Elora Street at \$3.47 million and Queen Street Palmerston \$500,000 making up 60% of total capital spending in Public Works (water, sewer, roads, drainage, sidewalks, streetlights)

- 3) \$30.6 million in potential Public Works expenditures between 2018 and 2022.
- 4) Potential grant eligible CWWF projects in three urban areas include Park Street Clifford (2020-21), Lawrence Street (2018-2019) and Queen Street, Harriston (2019-2020), Sewage Plant Clarifier (2019-2020) and Brunswick & Nelson (2020-2022) Palmerston;
- 5) Plans to reconstruct John Street Harriston Industrial Park (\$1.01 million) starting in 2020 plus an extension to create 11 acres of serviced land in 2021 (\$625,000), and added 55 acres in 2022 (\$1.085 million). Lift station design in Palmerston Industrial Park in 2018 with construction in 2019 (\$1.175 million).
- 6) \$865,000 Public Works vehicle expenditures over 5 years pursuant to vehicle replacement plan including new plow truck (2018) funded entirely from sale of two surplus and existing truck to be replaced, new grader, backhoe and pick-ups; annual reserve contribution of \$220,000 funds 57% of the Public Works vehicle replacement plan. Increasing contribution to reserves \$33,875 annually would fully fund replacement plan in 2023.
- 7) Not including expenditures in the two industrial parks, other investments in community building economic development include Clifford Elora Street, Ann Street and William Street of over \$4.5 million (2018-2019); Harriston, George and Lawrence Street \$975,000 (2018-2019) and Palmerston Main Street \$4 million (2020-2022)
- 8) \$1.1 million in Fire Department capital expenditures over 5 years including new pumper (2018), tanker (2020) and pick-up (2020) to be funded from vehicle reserve. Sustained capital funds for bunker gear, training equipment and information technology, and \$50,000 funding for renovation to Clifford Hall in 2019.
- 9) Over \$1 million in Facilities and Recreation funding through 2022 including \$50,000 compressor in Clifford (2018), \$100,000 Kinsmen Pool repairs Harriston (2018), \$80,000 for ice re-surfacer Palmerston (2017 carry over); \$477,000 parks and trail upgrades (2018-2022) including future funding for Rail Bridge painting, \$120,000 for Palmerston Auditorium Improvements (2018-2019); \$50,000 for Palmerston Railway Museum and park (2018-2022).
- 10) Building Department Pick-up trucks replaced through reserves \$60,000 (2018-2019)
- 11) Facility lighting and doorway investments in Clifford of \$25,000 (2018-2019), Harriston \$118,000 (2018-2020), and Palmerston of \$40,000 (2018-2019). \$50,000 over 5 years for buildings such as Town office, and \$80,000 in IT investments over 5 years.

The Fiscal Accountability Plan allows borrowing to exceed debt if necessary to fund the Town's share of a major infrastructure grant. Clifford Elora Street reconstruction is a \$4.22 million project of which \$2.7 is funded under the Connecting Link program. The Connecting Link program does not fund the estimated \$1.52 million in water and sewer costs as well as an estimated \$200,000 in electrical costs.

Minto consistently maintains a capital budget addressing growth and development needs as well as asset management targets, while staying consistent with its Fiscal Accountability Policy that reserves retained by the Town not exceed debt.

The chart below Reserves to Debt 2011-2019, including \$107,000 added to reserves from the 2018 operating budget and \$1,520,000 in new borrowing to fund Clifford Elora Street.



Even when the 2018 budget is approved, Council is not guaranteeing approval of proposals in the five year project plan 2019 or beyond. At future budget sessions Council will be able to select projects and priorities and fund the plan as they see fit. In 2019 and beyond the asset management plan will be refined to the point where Council will have further information to help with such decision making.

COMMENTS:

The Town has taken the call to maintain infrastructure seriously for several terms of Council. It has applied for and received almost all merit based funding available for several years even though it must borrow to fund the municipal share. Total debt has been relatively stable but will drop in 2019 due to the rate the Town pays debt off. \$250,000 borrowing in 2017 to fund the George Street reconstruction project under the Community Waste Water Fund was delayed until this year and will be added to the \$1.5 million in new borrowing needed for Clifford Elora Street. 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 2018 is compliant with the Town Fiscal Accountability policy as reserves continue to exceed debt based on the following funding model.

Expenditure Model Dept/Year	2017	2018	2019	2020	2021	2022
Water & Sewer	\$ 2,818,500	\$ 3,165,000	3,375,000	2,455,000	2,710,000	2,765,000
Roads & Drainage	\$ 1,838,500	\$ 2,424,000	2,476,000	2,535,000	2,940,000	4,745,000
Vehicles	\$ 330,000	\$ 260,000	0	400,000	180,000	0
Other Departments	\$ 1,024,500	\$ 1,922,000	625,000	615,000	215,000	175,000
Total	\$6,011,500	\$7,771,000	\$6,476,000	\$6,005,000	\$6,045,000	\$5,195,000
Funding Model Dept/Year	2017	2018	2019	2020	2021	2022
Revenue	\$ 252,000	\$ 105,000	146,000	65,000	145,000	135,000
Grants	\$ 1,597,000	\$ 3,070,000	2,000,000	2,000,000	2,000,000	1,500,000
Dev Charges & Reserves	\$ 1,238,000	\$ 1,202,000	1,000,000	1,000,000	1,000,000	1,000,000
Borrowing	\$ 775,000	\$ 1,520,000	1,900,000	1,800,000	1,800,000	1,400,000
OCIF Formula	\$ 183,000	\$ 195,000	300,000	300,000	300,000	300,000
Carry overs	\$ 1,456,500	\$ 1,159,000	600,000	300,000	300,000	300,000
Tax	\$ 510,000	\$ 520,000	530,000	540,000	550,000	560,000
Total	\$6,011,500	\$7,771,000	\$6,476,000	\$6,005,000	\$6,095,000	\$5,195,000

Over the last seven years the Town has completed roughly \$5 or \$6 million in annual capital work based on current staffing levels, contractor readiness and funding availability. The \$7.7 million capital plan in 2018 is ambitious, but after Clifford Elora Street and Palmerston Queen Street projects are removed, only \$3.7 million in capital work remains. Staff believes this work can be achieved in 2018 since Clifford Elora Street will be tendered in January for the earliest spring start possible. Council has anticipated this project for two years, and Triton Engineering has all the feedback needed to finalize the tender following the November 7, 2017 open house in Clifford.

2018 is another year where the Town must borrow due to its continued success in grant applications, and the increased in sustained merit based funding available from the Province and Federal government. The sustained grant funding and merit based applications, as well as tax supported capital with restrictions on borrowing remains

conducive to annual capital program of about \$5 to \$6 million. This amount is skewed in 2018-2019 by the \$2.765 million connecting link grant the Town received for the \$4.3 million Elora Street reconstruction in Clifford.

Major road reconstruction in rural areas is again delayed in this budget as the 12th Line and 3rd Line both are in need of work. This follows a substantial investment by the Town since 2012 competing Ayton Road, the 4th Line, 6th Line, Bride Road Culvert 16th Line paving and culvert (to name a few).

The Town improves capital planning in 2018 using a project based plan that allows staff and Council to better prepare for future merit based grant programs. The Roads & Drainage Foreman, Water Foreman and Wastewater Foreman all contributed directly to developing capital proposals, and working with the Town Engineering firm to set reasonable phasing, including design, so that the Town has several “shovel ready” projects on the horizon. The capital project plan will require further input and update annually through Council as priorities are adjusted and new issues come to light. The plan will have the benefit of additional detail in the Facilities and Recreation areas as the Master Plan is completed in 2019. Terms of reference for this study will be presented to this Council in 2018.

A \$235,000 overall operating budget increase may be of concern to ratepayers although positive economic and employment conditions suggest the increase is in context with current growth prospects for the community. Utility costs may be moderated in the coming year or two through a Provincial rebate. Higher minimum wage and interest rates will impact some householder activities. As of this week higher job creation numbers have some economists speaking of further interest rate increases in 2018.

The 2018 budget includes significant steps to ensure the Town remains competitive in wages and benefits, and sets the stage for implementing the Succession Plan. Delaying replacement of the Public Works Director saves enough to essentially offset the \$80,000 to implement the pay policy (maintain internal, external and pay equity). Minto is known to have a positive work environment with very little turn-over. Staff training will be on-going in 2018 to ensure they are ready to take on more responsible positions as 20% of the Town’s workforce retires within the next five years.

With municipal and provincial elections this year (Federal next) the 2018 budget “**brings home**” a responsible capital and operating proposal using Federal and Provincial programs already in place. Council will get public feedback March 20 at the open house so that it can gauge the level of support in the community.

FINANCIAL CONSIDERATIONS:

The following table illustrates the five year capital project plan:

Public Works Project/Year	2017	2018	2019	2020	2021	2022
Clifford						
Elora St Park to West Heritage	\$ 400,000	\$ 3,470,000	\$ 500,000			
William Street Schwindt	\$ -	\$ 180,000	\$ 65,000			
Ann Street Carry over Curb and Pave	\$ 320,000	\$ 280,000	\$ 280,000			
Park Street Reconstruction	\$ -	\$ -	\$ -	\$ 50,000	\$ 1,000,000	
Wastewater Pump/Alum Tank	\$ -	\$ -	\$ 20,000	\$ 20,000		
Allan Street Watermain to well 1	\$ -	\$ -	\$ 150,000			
Harriston						
George Street South carry over	\$ 730,000	\$ 370,000				
George Street North		\$ 80,000	\$ -	\$ 20,000	\$ 200,000	
William St Utilities (Metzger)		\$ 40,000	\$ 105,000			
Lawrence St Recon (Metzger)		\$ 50,000	\$ 480,000			
Industrial Park Pumping Stn	\$ 10,000	\$ 280,000				
Queen Street N & S (condition)		\$ -	\$ 500,000	\$ 1,000,000		
Industrial John St link and Recon		\$ -	\$ -	\$ 510,000	\$ 510,000	
Industrial John St extension 11 ac		\$ -	\$ -	\$ -	\$ 625,000	
Industrial 55 acres Ph 2		\$ -	\$ -	\$ -	\$ -	\$ 1,085,000
Pedestrian Crossovers		\$ -	\$ -	\$ 80,000	\$ 80,000	
Palmerston						
Industrial Noble Road		\$ 300,000	\$ 50,000			
Industrial Minto Road Sewage Lift		\$ 75,000	\$ 1,100,000			
Industrial Pave Frank Lambier Crt		\$ 40,000				
Queen Street Recon		\$ 500,000	\$ 865,000			
Brunswick and Nelson		\$ -	\$ -	\$ 750,000	\$ 750,000	\$ 1,000,000
WWTP Clarifier Design Work		\$ 100,000	\$ 500,000	\$ 500,000		
Watermain loop Queen to Tower		\$ 70,000	\$ -			
Water White's Road	\$ -	\$ -	\$ 131,000			
Main Street		\$ -	\$ -	\$ 25,000	\$ 1,750,000	\$ 2,250,000
Rural						
12th Line (design, culvert, recon)		\$ 200,000	\$ 400,000	\$ 300,000		
3rd Line		\$ -	\$ 100,000	\$ 900,000		
Minto Normandy TL Struct A, B, C		\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
General						
Wastewater SCADA Urban Areas	\$ 30,000	\$ -	\$ 50,000	\$ 150,000	\$ 50,000	\$ 50,000
Wastewater Inflow and Infiltration	\$ 60,000	\$ 170,000	\$ 155,000	\$ 235,000	\$ 235,000	\$ 235,000
Water Minto Pines Flowmeter, Pipes	\$ -	\$ 55,000				
Water Meter General	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Streetlights New LED non RealTerm	\$ 10,000	\$ 14,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Cemeteries Cremation Options	\$ -	\$ 55,000	\$ 50,000	\$ 50,000	\$ 50,000	
Sidewalks	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Catchbasins and Drainage	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Asset Management	\$ 24,000	\$ 20,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
5 yr replace Pick-ups 2010, 2012	\$ 45,000	\$ 90,000	\$ -	\$ -	\$ -	\$ -
Plow Truck/Grader/Backhoe		\$ 150,000		\$ 400,000	\$ 180,000	
Public Works Total	\$1,759,000	\$6,719,000	\$5,901,000	\$5,390,000	\$5,830,000	\$5,020,000

Other Depart Project/Year	2017	2018	2019	2020	2021	2022
Fire						
New Pumper/Tanker & Pickup		\$ 450,000		\$ 300,000		
Bunker Gear		\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Building Renovations Clifford		\$ -	\$ -			
Training Equipment & Computers		\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Facilities - Clifford						
Refrigeration		\$ 50,000	\$ 5,000			
Lighting and Doors		\$ 5,000	\$ 20,000			
Parks Upgrades		\$ 50,000	\$ 50,000	\$ 20,000	\$ 20,000	\$ 20,000
Facilities - Harriston						
Lighting and Doors		\$ 8,000	\$ 20,000	\$ 90,000		
Parks Upgrades, convert Trailer Park		\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Ref's Room and Curling Club		\$ 5,000	\$ 5,000	\$ 5,000		
General Upgrades and Flooring		\$ 5,000	\$ 30,000			
Pool		\$ 100,000				
Facilities - Palmerston						
Lighting and Doors		\$ 30,000	\$ 10,000			
Ice Resurfacers		\$ 80,000				
Dehumidifier		\$ -	\$ 90,000			
Auditorium		\$ 20,000	\$ 100,000			
Parks Upgrades, Bridge Painting		\$ 5,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 10,000
Pool		\$ 10,000				
Facilities - General						
Trails	\$ -	\$ 12,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Museum		\$ 15,000	\$ 15,000	\$ 10,000	\$ 5,000	\$ 5,000
Scoreboard		\$ 25,000				
Equipment and Fixtures		\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Administration - Overall						
Buildings		\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Computer Replacement & Software		\$ 30,000	\$ 20,000	\$ 10,000	\$ 10,000	\$ 10,000
Building Dept Pick ups		\$ 30,000	\$ 30,000	\$ -	\$ -	\$ -
Assets Management & Records		\$ 12,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Grand Total	\$ 1,759,000	\$ 7,771,000	\$6,476,000	\$6,005,000	\$6,045,000	\$5,195,000

The chart on Page 9 shows the current proposed operating budget for the Town based on the capital plan presented. It has been a pleasure developing and presenting this most challenging budget to this Council, the final of this term. Staff looks forward to a busy construction season that will see the Town reconstruct the entire main street of Clifford including pre-servicing lands at the north end for future development.

RECOMMENDATION:

That Council receives the C.A.O. Clerk and Treasurer's January 8, 2018 Budget Update Report and provides direction by motion in the budget meeting as to changes required to the capital or operating budget as proposed.

Bill White, C.A.O. Clerk

Gordon Duff Treasurer

		2017 Budget	2018 Draft Budget	Difference	
Council		\$128,200	\$129,700	\$1,500	
C.A.O. Clerk		\$335,900	\$333,305	-\$2,595	
General Admin & Reserves		\$550,050	\$505,300	-\$44,750	\$968,305
People and Property		\$139,650	\$138,196	-\$1,454	
Health Services		\$33,750	\$32,750	-\$1,000	
Minto Fire Service Overall	Fire Admin	\$596,930	\$607,260	\$10,330	
\$908,128	Palmerston Fire	\$68,773	\$63,423	-\$5,350	
\$919,858	Harriston Fire	\$146,825	\$146,375	-\$450	
	Clifford Fire	\$95,600	\$102,800	\$7,200	\$11,730
Clifford Arena & Hall		\$162,043	\$167,232	\$5,189	
Harriston Arena & Hall		\$175,744	\$178,867	\$3,123	
Palmerston Arena & Hall		\$184,709	\$198,203	\$13,494	
Satellite Facilities		\$76,044	\$85,845	\$9,801	
Clifford Parks		\$21,411	\$25,554	\$4,143	
Clifford Ball & Soccer		\$19,933	\$20,306	\$373	
Harriston Parks		\$29,457	\$28,772	-\$685	
Harriston Ball		\$18,870	\$21,771	\$2,901	
Palmerston Parks		\$56,633	\$55,269	-\$1,364	
Palmerston Ball & Soccer		\$36,338	\$43,479	\$7,141	
Trails		\$5,590	\$16,474	\$10,884	\$55,000
Recreation Administration		\$252,000	\$262,000	\$10,000	
Harriston Pool		\$46,000	\$48,000	\$2,000	
Palmerston Pool		\$39,500	\$40,500	\$1,000	
Adventure Camp		\$0	\$0	\$0	
Special Programs		-\$6,000	-\$6,000	\$0	\$1,191,272
Joint Health & Safety		\$5,000	\$5,000	\$0	
Norgan Theatre		\$0	\$0	\$0	\$13,000
Building & By-law		\$150,175	\$146,675	-\$3,500	
Economic Development		\$434,035	\$434,981	\$946	
Tourism		\$25,900	\$23,350	-\$2,550	-\$1,604
Public Works	Roads Admin	\$844,208	\$771,478	-\$72,730	
\$2,186,441	Municipal Drains	\$53,306	\$33,306	-\$20,000	
\$2,116,190	Vehicle Cost & Time	-\$345,000	-\$322,600	\$22,400	
	Road Maintenance	\$1,041,810	\$1,012,810	-\$29,000	
	Winter Control	\$479,206	\$494,614	\$15,408	
	Trailer Park	-\$8,115	-\$22,744	-\$14,629	
	Cemeteries	\$20,520	\$20,520	\$0	
	Street Lights	\$0	\$0	\$0	
	Town Landscape Care	\$100,506	\$128,806	\$28,300	-\$70,251
Sewage Collect & Treat		\$0	\$0	\$0	
Water Treat & Distribute		\$0	\$0	\$0	
Subtotal		\$6,015,501	\$5,971,577	-\$43,924	
OMPF		-\$1,802,900	-\$1,630,700	\$172,200	
StabilizationReserves		-\$10,026	\$6,530	\$16,556	
Pay Equity, Internal & External Equity		\$0	\$80,000	\$80,000	
Total Operating		\$4,202,575	\$4,427,407	\$224,832	\$224,832
Tax Supported Capital		510,000	520,000	\$10,000	
Total Raised through Tax		\$4,712,575	\$4,947,407	\$234,832	\$234,832