

2018 Budget Overview

September 5, 2017

Budget Meeting



2018 Budget Overview

- Guiding Principles
- Process overview
- Budget assumptions
- Budget Challenges
- Taxation Revenues
- Reserves/Reserve Funds
- Debt
- Community Grants
- Council priorities

Guiding Principles (adopted Aug 21.17)

- Maintain core programs and services to residents comparable to that provided in 2017
- Priority focus on strategic plan objectives
- Provision for COLA as defined in the pay administration policy
- Increased funding for asset management renewal and replacement

Guiding Principles cont'd

- Continued focus on community engagement, including Public Open House and Presentation meeting
- Adjustments to meet required statutory or legislated changes
- Increases in both revenues and expenditures to accommodate any growth in the community

The Process

- Operating and Capital budgets
 - Departmental preparation – line-by-line review prioritizing operational needs and infrastructure projects, identifying and incorporating efficiencies and strategic initiatives
 - Line-by-line departmental review with CAO and Treasurer
 - Council review and discussion through public budget meetings
 - Public Open House & Presentation
 - Council approval and adoption – Public Meeting

Budget Schedule (adopted Aug 21.17)

2018 Budget Schedule			
Action/Event	Date	Time	Location
Budget Committee #1 - Budget Process Overview and Direction	Sept 5, 2017	1:00 - 4:00	Carling Room
Budget Committee #2 - Preliminary Overview of proposed 2018 budget	Oct 30, 2017	1:00 - 4:00	Carling Room
Public Open House & Presentation	Nov 7, 2017	6:00 - 8:00	Carling Room
Budget Committee Meeting #3 - Budget Deliberations	Nov 14, 2017	4:00 - 7:00	Carling Room
Budget Committee Meeting #4 - Budget Deliberations	Nov 28, 2017	9:00 - 4:00	Carling Room
Approval and Adoption of 2018 Budget at Council Meeting	Dec 18, 2017		Council Chambers

Budget Assumptions

- Baseline budget based on maintaining core programs and services and inflationary assumptions
- OMPF grant – \$1,339,000
 - Provincial funding for 2018 has not been announced, projecting to receive same level of funding as 2017
- Fees and charges – no projected increase in rates
 - To be reviewed as part of service delivery review

Budget Assumptions

- Minimal assessment increase due to growth
 - 2017 growth was .13%
- Continued commitment to capital asset sustainability through contribution to replacement reserves
- Gas tax and OCIF funding allocated to Roads projects
 - Gas Tax = \$316,757
 - OCIF Formula Based Funding = \$450,830

2018 Budget Challenges

- Asset Management
 - Contribution to replacement reserve estimated at approximately 2% increase overall
 - New legislation will require increased financial resources
- \$360 Million asset replacement value (2016 AMP)

Asset Category	Average Annual Investment Required	Estimated Annual Funding	Projected Annual Deficit
Tax Funded Assets	\$4.3M	\$2.2M	\$2.1M
Asset Category	Average Annual Investment Required	Estimated Annual Funding	Projected Annual Deficit
Rate Funded Assets	\$2.9M	\$1.7M	\$1.2M

2018 Budget Challenges

- Utility costs
 - 2018 budget projection using CPI
- Insurance costs
 - 2018 budget projection using CPI
- Wages
 - Grid movements, COLA increase
- Policing Costs
 - Anticipate contract by mid-September

Taxation Revenues

2018 Assessment

- Assessment Cycle – 2017-2020:
 - 2016 was a reassessment year based on a valuation date of January 1, 2016
 - Market increase is phased in equally over 4 years
- 2018 assessment
 - **Estimated** phase-in assessment change is anticipated to be around 9% overall
 - **Estimated** tax levy revenue based on that would be \$380,000 (MPAC assessment increase with zero tax rate increase)

Reserves & Reserve Funds

- Reserve and Reserve Fund Policy and Procedure adopted by Council – contains a schedule of purpose of the reserve and recommended reserve levels
- **Reserves** are an appropriation from net revenues at the discretion of Council
 - They have no reference to any specific assets and does not require the physical segregation of money.
 - Any interest earned are reported as part of the general fund revenue
- **Reserve Funds** are established by council and/or when a statute requires revenue received for a special purpose be segregated from the general revenues
 - e.g. Development Charges Revenue

Reserves & Reserve Funds

- Maintaining sufficient balances in reserves and reserve funds is a critical component of a municipality's long term financial plan as it strengthens its long-term financial sustainability, helps to minimize fluctuations in the tax rate and provides funding to sustain infrastructure
- Based on our level of debt it is important to continue to maintain a consistent commitment to reserves in order to have sufficient revenues for future capital needs

Reserves Summary

RESERVES	BALANCE DEC.31,2015	Transfers In		Transfers Out		BALANCE DEC.31,2016	2017 Estimate	
		Contributed from	Contr from	Transfer to	Transfer to		Estimated Amounts Committed to	ESTIMATED BALANCE
		General	Capital	General	Capital		Projects (Contribution)	Dec 31, 2017
WORKING FUND RESERVE	(1,440,444.88)	(138,482.00)	(187,500.00)		49,677.23	(1,716,749.65)	724,900.00	(991,849.65)
BENEFITS CONTINGENCY RESERVE (WSIB)	(115,397.84)					(115,397.84)		(115,397.84)
INSURANCE CLAIMS CONTINGENCY RESERVE	(5,939.50)					(5,939.50)		(5,939.50)
GREEN INITIATIVES (Energy Mgmt Plan)	(5,000.00)	(4,175.86)				(9,175.86)		(9,175.86)
ELECTION RESERVES	(7,000.00)	(7,000.00)				(14,000.00)	(7,000.00)	(21,000.00)
COMMUNITY IMPROVEMENT-INCENTIVE PROGRAM	-	(35,000.00)				(35,000.00)		(35,000.00)
OPP CONTRACT STABILIZATION RESERVE	(422,247.00)					(422,247.00)	13,416.00	(408,831.00)
WINTER CONTROL STABILIZATION RESERVE	(28,078.00)	(30,373.00)				(58,451.00)		(58,451.00)
SHRC RODEO	(31,119.49)	(22,769.77)				(53,889.26)		(53,889.26)
SH EARLY CHILDHOOD LC	(9,915.75)					(9,915.75)		(9,915.75)
HURON PARK FIRE (Dept Specific Reserve)	(7,681.00)					(7,681.00)		(7,681.00)
ROADS RESERVE (Dept Specific Reserve)	(82,332.00)					(82,332.00)	25,000.00	(57,332.00)
STREETLIGHT RESERVE (Dept Specific Reserve)	(240,000.00)	(138,504.78)			104,865.71	(273,639.07)	135,134.29	(138,504.78)
EXETER POOL (Dept Specific Reserve)	(33,000.00)		(60,000.00)			(93,000.00)	93,000.00	-
MACNAUGHTON PARK WASHROOMS	-	(10,000.00)				(10,000.00)	10,000.00	-
HURON PARK STREET LIGHT (Dept Specific Reserve)	(5,048.00)				5,048.00	-		-
STEPHEN WATER (Dept Specific Reserve)	(110,092.79)					(110,092.79)		(110,092.79)
GRAND BEND SEWERS (Dept Specific Reserve)	(13,228.57)			13,228.57		-		-
EXETER SANITARY SEWERS (Dept Specific Reserve)	(96,342.90)			96,342.90		-		-
SOUTH HURON LANDFILL (Dept Specific Reserve)	(520,422.04)			101,579.00		(418,843.04)	341,000.00	(77,843.04)
CAPITAL REPLACEMENT RESERVE-USER FEE PRGS	(6,193,775.31)	Transfers In		Transfers Out		(7,123,754.97)		
Sewers Capital Replacement Reserve	(2,013,552.51)	(391,281.04)			167,225.32	(2,237,608.23)	1,284,864.00	(952,744.23)
GB Sewers Capital Replacement Reserve	(227,061.00)					(227,061.00)		(227,061.00)
Water Capital Replacement Reserve	(3,695,167.04)	(800,000.04)				(4,495,167.08)	156,292.00	(4,338,875.08)
Landfill Capital Replacement Reserve	(257,994.76)	(19,011.84)			113,087.94	(163,918.66)	(19,012.00)	(182,930.66)
CAPITAL REPLACEMENT RESERVE-LEVY PRGS	(2,601,859.42)					(3,022,111.74)		
General Admin Capital Replacement Res	(103,243.29)	(40,423.68)				(143,666.97)	(44,287.00)	(187,953.97)
Fire Capital Replacement Reserve	(437,655.89)	(138,645.36)			34,660.00	(541,641.25)	(169,686.00)	(711,327.25)
Building/Dev Capital Replacement Reserve	(19,904.46)	(3,230.04)			4,851.89	(18,282.61)	(3,230.00)	(21,512.61)
Bridges/Culverts Replacement Reserve	(265,000.00)					(265,000.00)		(265,000.00)
Transportation Capital Replacement Reserve	(1,539,131.46)	(668,858.12)			417,373.69	(1,790,615.89)	(184,788.00)	(1,975,403.89)
Streetlighting Capital Replacement Reserve	(57,044.80)	(23,118.84)			62,515.97	(17,647.67)	(23,579.00)	(41,226.67)
Cemetery Capital Replacement Reserve	(60,830.96)	(5,000.04)				(65,831.00)	(6,580.00)	(72,411.00)
Recreation Capital Replacement Reserve	(119,048.56)	(80,177.79)			19,800.00	(179,426.35)	(56,605.00)	(236,031.35)
TOTAL RESERVES	(11,968,924.49)	(2,556,052.20)	(247,500.00)	211,150.47	979,105.75	(13,582,220.47)	2,268,839.29	(11,313,381.18)

Reserve Funds Summary

		Transfers In		Transfers Out				
	BALANCE	Contributed from	Earned	Transfer to	Transfer to	BALANCE	Estimated Amounts Committed to Projects (Contribution)	BALANCE
	DEC.31,2015	General		General	Capital	DEC.31,2016		
<u>DISCRETIONARY RESERVE FUNDS</u>								
DASHWOOD CDF	(78,308.27)		(704.27)			(79,012.54)		(79,012.54)
WEBBER PIT RESERVES	(32,792.00)		(294.92)			(33,086.92)		(33,086.92)
EXETER-CEMETERY EXPANSION	(470.40)		(4.50)			(474.90)		(474.90)
EXETER-CEMETERY COLUMBARIUM	(9,533.33)	(8,624.59)	(85.47)			(18,243.39)		(18,243.39)
LANDFILL PERPETUAL CARE FUND	(231,574.77)	(79,781.34)	(2,082.69)			(313,438.80)	(75,000.00)	(388,438.80)
AMENITY FEE-COMMUNITY FUNDING (GoshenWind)	-	(322,390.00)			29,094.20	(293,295.80)	293,295.80	-
SHRC - RESERVE FUND DRESSING ROOM PROJECT	(25,228.88)		(226.90)			(25,455.78)	25,000.00	(455.78)
BLDG CODE-REVENUE STABILIZATION RESERVE FU	(483,855.89)	(11,881.99)	(4,351.60)			(500,089.48)		(500,089.48)
BLDG CODE-LEGAL/INSURANCE RESERVE FUND	(290,313.54)	(7,129.19)	(2,610.96)			(300,053.69)		(300,053.69)
BLDG CODE-CAPITAL RESERVE FUND	(193,542.33)	(4,752.79)	(1,740.64)			(200,035.76)		(200,035.76)
RESERVE FUNDS - Sub Total	(1,345,619.41)					(1,763,187.06)		(1,519,891.26)
EXETER CDF	(278,617.05)	(37,767.87)				(316,384.92)	290,000.00	(26,384.92)
TOTAL DISCRETIONARY RESERVE FUNDS	(1,624,236.46)	(472,327.77)	(12,101.95)	-	29,094.20	(2,079,571.98)	533,295.80	(1,546,276.18)
<u>OBLIGATORY RESERVE FUNDS-DEFERRED REVENUE</u>		Transfers In		Transfers Out				
DEVELOPMENT CHARGES-Other Services	(6,021.27)	(2,106.00)	(54.15)			(8,181.42)		(8,181.42)
DEVELOPMENT CHARGES - Fire	(18,316.19)	(4,091.00)	(164.73)		15,000.00	(7,571.92)		(7,571.92)
DEVELOPMENT CHARGES-Transportation	(112,297.80)	(18,757.00)	(1,009.96)			(132,064.76)		(132,064.76)
DEVELOPMENT CHARGES-Sew ers System	(255,707.40)	(4,793.00)	(2,299.73)			(262,800.13)		(262,800.13)
DEVELOPMENT CHARGES-Water System	(10,685.80)	(15,024.00)	(96.10)	25,000.00		(805.90)		(805.90)
DEVELOPMENT CHARGES-Parks & Recreation	(36,922.47)	(14,296.00)	(332.07)			(51,550.54)		(51,550.54)
TOTAL DEVELOPMENT CHARGES	(439,950.93)	(59,067.00)	(3,956.74)	25,000.00	15,000.00	(462,974.67)		(462,974.67)
PARKLAND RESERVES	(64,382.66)	(3,000.00)	(579.03)			(67,961.69)	64,000.00	(3,961.69)
FEDERAL GAS TAX REVENUE	0.12					0.12		0.12
TOTAL OBLIGATORY RESERVES FUNDS & DEFER	(504,333.47)	(62,067.00)	(4,535.77)	25,000.00	15,000.00	(530,936.24)	64,000.00	(466,936.24)

Debt

- How much debt is too much?
 - Ministry of Municipal Affairs and Housing offers guidance in the form of a 25 percent Annual Repayment Limit for municipalities as outlined in O. Reg 403/02
 - Means when municipality wants to borrow it is limited to no more than 25 percent of its own source revenue (taxation, user fees/charges, investment income, etc)
 - Debt cannot extend beyond the lifetime of the capital work for which the debt was incurred and cannot exceed 40 years.

Debt – Current Position

- Total Outstanding Debt as of December 31, 2016
= \$20,647,484
- Total Debt Servicing as of December 31, 2016
= \$1,750,703
- Percentage of Own Source Revenues is 11%
 - This is considered high by the provincial indicators
- Provincial Maximum is 25%

Debt Allocation by Asset Category

Estimated as of December 31, 2016

Water	\$11,617,579
Sewer	\$ 8,239,293
Recreation	\$ 790,612
Total	<u>\$20,647,484</u>

New Debt Commitments for 2017

- Grand Bend Sewage Treatment Facility & Pumping Station 2
- Community Hub/Recreation Centre
- Exeter Pool/Washrooms

Debt amounts for the above projects have not been finalized at time of this report

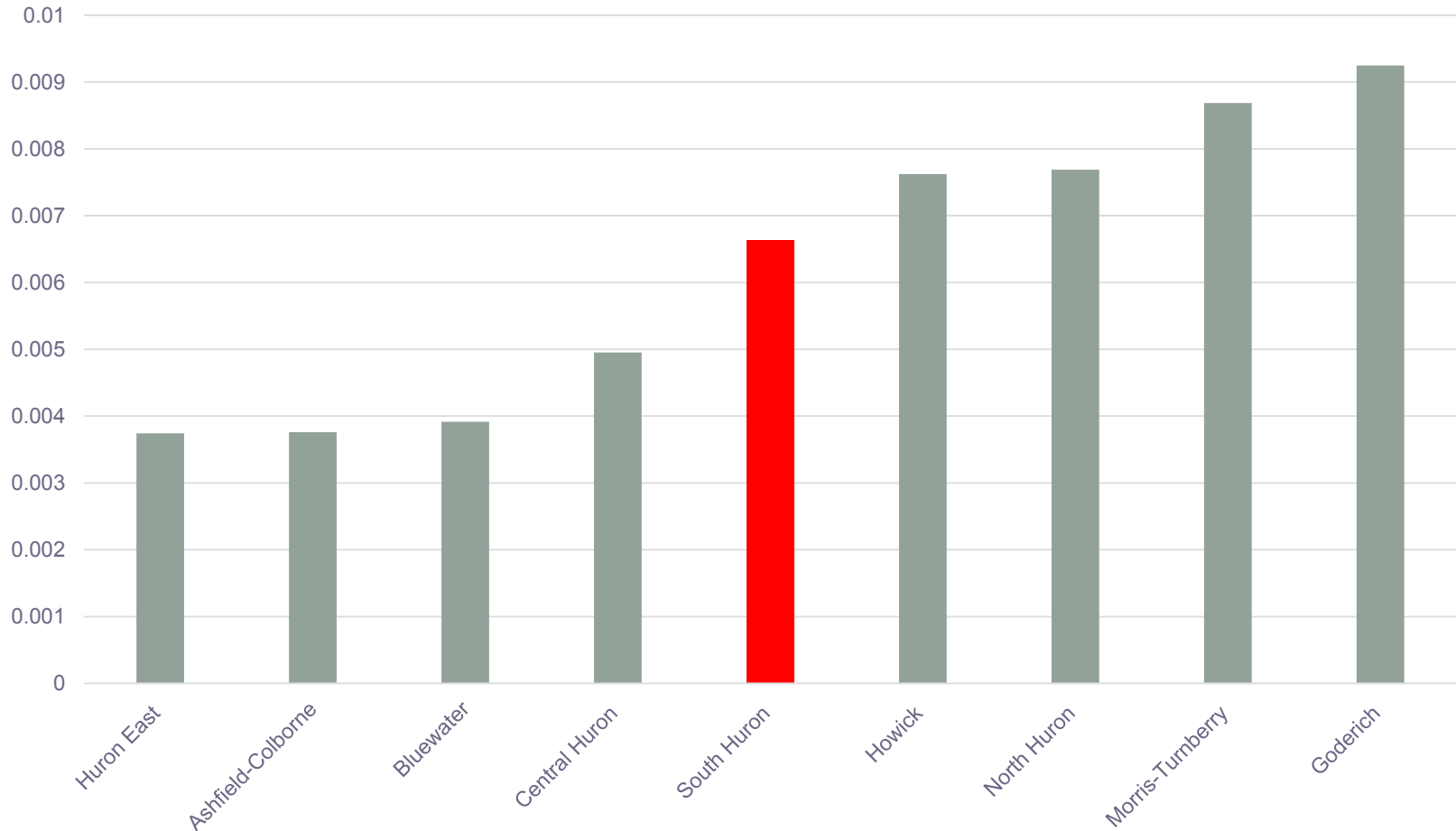
Annual Repayment Limit (MMAH)

- South Huron's Annual debt repayment limit for 2016 is \$2.4M (this is in addition to existing debt payments)
- This amount represents the maximum amount which we have available to commit to payments relating to debt.
- Estimates (based on Ontario Infrastructure debenture rates)

• Annual Interest Rate	Term	Borrowing Amt
• 4%	10 yrs	\$19M
• 4%	15 yrs	\$26M
• 4%	20 yrs	\$32M

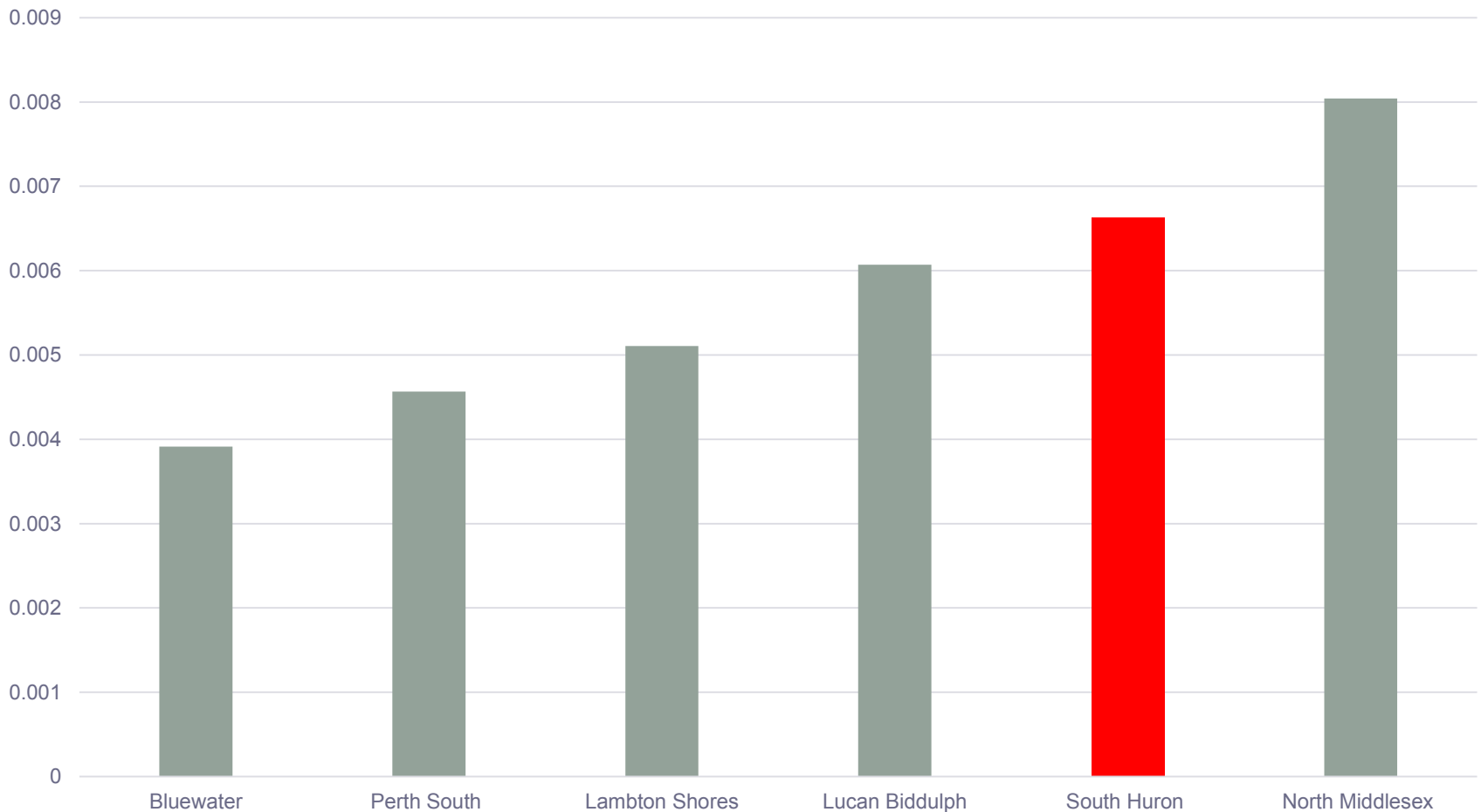
Comparing Tax Rates

Huron County Residential Tax Rate Comparison



Comparing Tax Rates

Municipal Residential Tax Rate Comparison



South Huron

- Residential taxes

Budget Year	Levy Increase	Tax Rate Increase
2015	4.20%	0%
2016	5.05%	0%
2017	7.37%	2.7% Rural/ 2.86% Urban

Levy Equivalents

Percent on Levy	Equivalent to
1.0%	\$78,053.
2.0%	\$156,107.
3.0%	\$234,160.
4.0%	\$312,213.
5.0%	\$390,267.
6.0%	\$468,320.
7.0%	\$546,373.

Community Grants – Policy Summary

- Funding categories
 - Youth/Senior Events
 - Community Beautification
 - Arts, Culture and Heritage projects and/or events
 - Tourism Development
 - Community Special Events
- Applications must be submitted on or before September 21 of each year
 - Financial assistance in any given year will not automatically be considered in future years
 - Applicants may present their request as a delegation to Council

Community Grants – Policy Summary

- Eligibility Criteria
 - Non-profit organization
 - Must meet one of the funding categories
 - Must submit status report for any grant received in previous year
 - Demonstrate that have explored and/or are receiving other sources of financial support
 - Grant shall not be considered as the primary source of funding

Community Grants – Policy Summary

- Exclusions

- Requests from organization whose primary focus is not within the municipality
- Individuals and businesses are not eligible
- Funds requested to support recreational sport groups (except minor sports), individual athletes or teams for a competition
- Will not fund projects on property held by private landowners

Community Grants-Procedure Summary

- Consideration having regard to current budget
- Only one request per organization
- In kind applications reviewed by respective department manager for financial impact and availability of resource
- Council will make final decision
- Revenues related to in-kind services recorded in respective department
- Grants are not transferable between projects or groups without prior Council approval
- Grant recipient must complete a status report and submit to Council within 60 days

Community Grants cont'd

- Organizations receiving grant funding shall acknowledge the municipality's contribution through all printed material and other promotional means

Council Input/Questions

- Council budget priorities for 2018
- Direction to department managers