



MEMO TO: Mayor and Members of Council
Budget Standing Committee

FROM: Lorrie Blanchard, CAO/Treasurer

DATE: February 22, 2018

RE: Report # 18-006 Admin/Treasury
2018 4th Draft Budget

Purpose:

The purpose of this report is to provide Council with information regarding the 2018 4th draft budget, and to seek Council's direction regarding further amendments.

Background:

Reports:

In reference to the 2018 4th Draft Budget, the following reports are provided for Council's review and consideration:

- **Report #1** Detail (Line-by-Line)
- **Report #2** Departmental Summary
- **Report #3** Revenue/Expense Summary
- **Report #4** Functional Summary
- **Report #5** Department Head Summary
- **Report #6** Departmental Summary-7 Year Budget Comparison
- **Report #7** Capital Projects
- **Report #8** Transfers to/from Reserves
- **Report #9** Estimated Reserve Balances-2018
- **Report #10** Assessment Comparison
- **Report #11** 2018 Tax Rate Calculation
- **Report #12** 2nd Draft Changes

Report # 1 to 3 – Detailed, Departmental and Revenue/Expense Summary

Reports 1, 2 and 3 provide line-by-line detail as well as departmental and category summarizations. These reports include historical information for years 2014 to 2016, as well as the average for these years. 2017 YTD information is for the period ending November 30, 2017.

Account numbers that have been subject to change in the 2nd draft budget have been identified with an “A-1” in the “Draft Chg.” column (highlighted in yellow) in Report #1 – Detail (Line-by-Line); while those identified with an “A-2” or “A-3” denote a change in the 3rd and 4th draft respectively.

The most significant changes (2018 vs. 2017) noted in **Report #3** (Revenue/Expense Summary) are as follows:

Expenditures:

- **Materials & Supplies, Building Repairs & Maintenance +24.17%**, including:
 - Scotchline Landfill - Leachate repairs, retaining wall, cover material, etc. +127K.
 - Water - Building repairs +50K.
 - Garages (Minden) - Building repairs and fencing +21.5%.
- **Equipment Purchase, Rental, Repairs and Maintenance +9.54%**, including:
 - Scotchline Landfill - Chipping +20K.
 - Water and Sewer - Misc. equipment upgrades +41.5K.
 - Fire - Bunker Geer +15K.
- **Grants to Others +28.07%**, including:
 - 2016 Cemetery deficit +17.6K.
- **Debt Repayment (11.02%)** - Nature's Place debenture paid in full in 2017.
- **Capital** - see 2017 projects outlined in Report #7.
- **Contribution to Reserves +30.58%**, including:
 - Additional \$244K to Roads reserves for future equipment and bridge needs.
 - Additional \$37K to Emergency Preparedness reserve.
 - See also Report #8.
- **Other (37.5%)** – Lower Gallery artwork restoration.

Revenues:

- **Sales and Rentals +114.75%**, including:
 - Other Income - Debenture - Community Centre Engineering +300K.
 - Insurance proceeds - Riverwalk (Re: Flood Damage) +175K.
- **Donations (10.71%)** – Lower donations anticipated in Community Services – Programming (2.5K).

- **Other +13.64%** – Proceeds from the Sale of Capital - Fire +3K.

Report #4 – Functional Summary

This report provides a summary of revenues and expenditures as they relate to the various functions of the Township. The specified categories follow the reporting requirements of the Ministry of Finance annual Financial Information Return. The most significant changes (2018 vs. 2017) are noted as follows:

Expenditures:

- **General Government +7.76%**, including:
 - Capital expenditures +60K.
 - Additional Legal +17K.
 - Insurance +21.5K.
 - Election +65K.
- **Transportation (Roads) +8.93%**, including:
 - Contributions to Reserves +244K (Re: future equipment and bridge needs).
 - Increased resurfacing, and reduced construction costs.
- **Environmental +11.60%**, including additional amounts noted above in Report 3 analysis.
- **Health and Welfare +45.14%**, including:
 - Staffing allocation of +40K to Cemeteries.
 - 2016 Cemetery deficit of +17.6K.
- **Parks and Recreation +16.25%**, including:
 - Repairs to Riverwalk (Re: Flood Damage) +175K.
 - Playground Equipment and Retaining Wall (Re: Flood Damage) +56K.
 - Wages and Benefits – additional Staffing hours (Economic Development and Promotions).
- **Planning and Development +14.22%**, including:
 - Reduction in Capital expenditures +20K.
 - Reductions in the cost of the Zoning By-Law/OP update +25K.
 - Inclusion of a Community Improvement Plan +67K.

Revenues:

- **Transportation (Roads) +18.58%**, including:
 - Increased contribution from reserves for capital projects and equipment purchases +87K.
- **Health and Welfare (Cemetery) +57.94%**, including:
 - 2016 Cemetery deficit +17.6K.

- Higher anticipated sales +12K.
- **Parks, Recreation and Cultural Services +41.58%**, including:
 - Other Income - Debenture proceeds-Community Centre Engineering +300K.
 - Insurance proceeds-Riverwalk (Re: Flood Damage) +175K.
 - Deductible proceeds-Playground and Retaining Wall (Re: Flood Damage) +50K
 - Decreased Contributions from Reserves and Federal Funding for Canada 150 projects (Re: Community Centre renovations) (155K).
- **Planning and Development +14.22**, including:
 - Funding and contributions from reserves for: Economic Develop Plan, Community Improvement Plan, completion of Zoning By-Law/OP Update, and Sources Water Protection.

Report #5 – Department Head Summary

This report provides a comparative Department Head summary.

Significant projects and expenditures were presented to Council through individual Department Head reports during the 1st draft presentation.

The following summary outlines the increase/decrease as a percentage of the 2017 Levy. As highlighted in green, Environmental and Roads represent the majority of the current 8.61% required increase, at 3.57% and 3.42% respectively.

Description	2017 Budget	2018 Budget	2018 vs. 2017 Budget - \$	2018 vs. 2017 Budget - %	% of 2017 Levy
Clerk	540,525.00	564,555.00	24,030.00	4.45%	0.33%
CBO	241,195.00	240,495.00	(700.00)	-0.29%	-0.01%
DirCS-Cultural Centre	302,575.00	305,795.00	3,220.00	1.06%	0.04%
DirCS-Parks & Recreation	919,295.00	968,610.00	49,315.00	5.36%	0.68%
Total DirCS	1,221,870.00	1,274,405.00	52,535.00	4.30%	0.72%
FireChief	468,540.00	510,560.00	42,020.00	8.97%	0.58%
EnvPropMgr	684,205.00	944,555.00	260,350.00	38.05%	3.57%
RoadSuper	3,432,705.00	3,682,430.00	249,725.00	7.27%	3.42%
Treasurer	(6,589,040.00)	(6,588,955.00)	85.00	0.00%	0.00%
Water & Sewer Only	-	-	-	-	0.00%
Total Levy Increase (Shortfall)	-	628,045.00	628,045.00		8.61%

Report #6 – Department Summary – 7 Year Budget Comparison

Report #6 provides a seven year comparison of departmental budgets from 2012 to draft 2018.

The following summarizes the most significant departmental increases:

- Policing 62.93%
- Roads 63.82%
- Community Services 21.67%
- Environmental and Property Operations 52.08%

Report #7 - Capital Projects

This report summarizes Capital expenditures and disposals currently included in the 4th draft budget (including Road and Bridge Construction, and major equipment purchases and maintenance projects). This summary also includes the source of financing for each project.

2017 deferred and 2018 allocated Gas Tax funding, as well as the OCIF-Formula Based funding, will be used in 2018 to assist in the financing of road resurfacing and the completion of Peck Street. Funds unspent for the purchase of patrol software will be transferred to reserves in 2017, for use in 2018.

Historically, proceeds from the disposal of capital equipment have been placed in the respective departmental reserve for future capital needs. Only \$7,000 of the estimated \$25,000 has been budgeted for this purpose.

Total expenditures and the source of funding are summarized as follows:

Total Project Costs		4,743,560.00
Source of Funding	Taxes/User Fees	(1,181,770.00)
	Reserves	(2,792,920.00)
	Grants	(263,870.00)
	Other (Donations, Deferred, etc.)	(505,000.00)
Total Unfinanced		<u><u>-</u></u>
Total Proceeds on Disposal		25,000.00
Transferred to Reserves for Future Capital Needs		(7,000.00)
Total Used to Support Overall Budget		<u><u>18,000.00</u></u>

Report #8 & 9 - Transfers to/from Reserves & Estimated Reserve Balances-2018

Report #8 outlines the proposed transfers to and from reserves for 2018 – with a net transfer **from** reserves in the amount of \$1,916,390, including a transfer to the Cemetery Board in the amount of \$35,300. This represents an 11.92% decrease in budgeted net transfers from 2017.

Report #9 includes current reserve, reserve funds and trust account balances, which have been adjusted to include estimated year end entries, estimated departmental surpluses and draft 2018 transfers to and from, in order to arrive at estimated 2018 balances. As noted, many of these numbers are estimated, pending final December 2017 results; including transactions and bank/investment income.

A summary of this report is provided below:

Description	2016 Final	2017 YTD	2017 Est. Surplus (Nov)	2017 Addn'l YE Entries	2018	2018	2018
					To Draft Budget	From Draft Budget	Estimated Final
Total Reserves	8,435,911	8,321,794	10,000	-	1,270,865	3,146,205	6,456,454
Total Reserve Funds and Trusts	491,382	552,472	-	12,850	4,500	10,250	559,573
Total Reserves, Res. Funds & Trusts	8,927,294	8,874,266	10,000	12,850	1,275,365	3,156,455	7,016,026

A list of 2017 year-end transfers to Reserves will be presented to Council, when these amounts have been formalized.

Lowering reserves has a direct impact on bank interest income in future years.

Report #10 – Assessment Comparison

Report #10 provides an eight year comparison of assessment increases and decreases. In 2017 (for 2018 taxation purposes) assessment increased, exclusive of exempt properties, by 3.45%. Assessment values used for the purposes of 2018 taxes will include the second year of phased-in amounts.

- Assessment Increase (Growth): .90%
- Avg. Residential Assessment, on Water: \$430,700 (per MPAC Est. Growth Rpt.)
- Avg. Residential Assessment, not on Water: \$225,500 (per MPAC Est. Growth Rpt.)

Report #11– 2018 Tax Rate Calculation

Report #11 provides the 2018 assessment values, the overall draft increase in the 2018 levy requirement, and the resulting tax rates.

The residential rate, based on the current draft, would increase from \$3.37 to \$3.54 per 1,000 of assessment.

The following table outlines the **Municipal (only)** tax impact on a residential property initially assessed at 250,000. The table includes assessment change (phase-in) scenarios ranging from 0% to +7%.

\$250,000 is approximately 10% higher than the average residential assessment, not on water.

As noted in this table:

- a mid-range 3% increase in “phased-in” assessment would result in a \$68.90 increase in taxes – municipal share only; or approximately \$5.75 per month, and;
- a 5% increase in “phased-in” assessment would result in a \$86.60 increase in taxes – municipal share only; or approximately \$7.20 per month.

Municipal

	2017 Residential Assessment	2017 Residential Rate	2017 Residential Taxes	2018 Residential Assessment	2018 Residential Rate	2018 Residential Taxes	2018 vs. 2017 Taxes	2018 vs. 2017 Taxes - %
0% Phase-In	250,000	0.00337182	\$ 842.96	250,000	0.00354119	\$ 885.30	\$ 42.34	5.02%
2% Phase-In	250,000	0.00337182	\$ 842.96	255,000	0.00354119	\$ 903.00	\$ 60.04	7.12%
3% Phase-In	250,000	0.00337182	\$ 842.96	257,500	0.00354119	\$ 911.86	\$ 68.90	8.17%
5% Phase-In	250,000	0.00337182	\$ 842.96	262,500	0.00354119	\$ 929.56	\$ 86.60	10.27%
7% Phase-In	250,000	0.00337182	\$ 842.96	267,500	0.00354119	\$ 947.27	\$ 104.31	12.37%

Report #12 – Summary of 4th Draft Changes

This report outlines the various proposed changes to the 4th draft of the 2018 budget. As indicated, the Community Improvement Plan project has been added, as well as minor account reclassifications, with zero impact to the overall requirement.

Additional Information:

Loan Repayments

This draft budget includes loan repayments related to prior year projects as follows:

Department	Final Year	Details	Source	2018 Budget
Art Gallery	2024	New Roof	Internal	7,600.00
Cemetery-	2018	Columbaria	Internal	5,950.00
Cemetery-12	2028 Est.	Columbaria	Internal	4,000.00
Library	2024	New Build	Internal	35,000.00
Streetlights	2020 Est.	LED Lights	Internal	25,000.00
Total				77,550.00

Water and Sewer Rates

A recommended 0% increase in water and sewer rates is proposed, and included in this draft budget. It is also recommended that Lutterworth rates remain unchanged for 2018. A 2015 to 2018 rate summary is provided below:

Rate	2015 Rate	2016 Rate	2017 Rate	2018 Proposed Rate	Difference	% Increase
Water-Minimum Billing/Quarter	\$115.15	\$118.05	\$118.05	\$118.05	\$0.00	0.00%
Waste Water-Minimum Billing/Quarter	\$144.00	\$147.60	\$147.60	\$147.60	\$0.00	0.00%
Water-/Cubic Meter	\$2.79	\$2.86	\$2.86	\$2.86	\$0.00	0.00%
Waste Water-/Cubic Meter	\$3.03	\$3.11	\$3.11	\$3.11	\$0.00	0.00%
Lutterworth-Annual Billing	\$1,102.50	\$1,102.50	\$1,102.50	\$1,102.50	\$0.00	0.00%

Misc. Fees

Fee increases include a minor change to the Lochlin C.C. rental rate, and the newly introduced LCIS insurance program. Revenues associated with these changes are reflected where applicable.

2017 Final Results

Where noted, draft budget reports include comparative 2017 financial results to the end of November 2017.

2017 final results are yet to be determined and have not been included as an offset to the 2018 estimates. It was recommended and approved by Council that any surplus amounts be transferred to reserves for future capital projects, as per Staff report: #17-030 CAO-Treasurer - Financial Position - December 31/17 Forecast.

Wages and Benefits

Wages have been calculated based on an awarded increase of 1.75% for 2018, as well as potential staff grid movements. Extended Health benefit rates have experienced a 4.3% increase as per Staff report: #17-032 CAO-Treasurer - 2017-2018 Employee Benefit Plan Renewal. The following table summarizes the respective changes from 2015 to 2018.

Staffing requirements have resulted in a 7.06% decrease in wages and 4.68% increase in benefits versus the 2017 budget estimates.

Rate	Details	2015	2016	2017	2018	18 vs.17 Change	% Change
Employer Health Tax		0.0195	0.0195	0.0195	0.0195	-	0.00%
Employment Insurance (EI)		0.0188	0.0188	0.0163	0.0166	0.0003	1.84%
EI - Ceiling		49,500	50,800	51,300	51,700	400.00	0.78%
EI - Max. Contrib.		930.60	955.04	836.19	858.22	22.03	2.63%
CPP		0.0495	0.0495	0.0495	0.0495	-	0.00%
CPP - Ceiling		53,600	54,900	55,300	55,900	600.00	1.08%
CPP - Exemption		3,500	3,500	3,500	3,500	-	0.00%
CPP- Max. Contrib.		2,479.95	2,544.30	2,564.10	2,593.80	29.70	1.16%
WSIB		0.0288	0.0288	0.0305	0.0320	0.0015	4.92%
WSIB - Ceiling		85,200	88,000	88,500	90,300	1,800.00	2.03%
WSIB - Max. Contrib.		2453.76	2534.40	2,699.25	2,889.60	190.3500	7.05%
OMERS Low		0.09	0.09	0.09	0.09	-	0.00%
OMERS Low Ceiling		53,600	54,900	55,300	55,900	600.00	1.08%
OMERS High		0.146	0.146	0.146	0.146	-	0.00%
Group Benefits							
Life	2 x Salary Rounded to Closest \$500	0.000419	0.000435	0.000419	0.000393	(0.00002592)	-6.19%
ADD	2 x Salary Rounded to Closest \$500	0.000062	0.000062	0.000062	0.000060	(0.00000108)	-1.75%
Dep. Life		6.393600	6.393600	7.441200	7.959600	0.5184	6.97%
Short Term Disability	2/3 of Salary div.by 52 weeks to Closest \$10	0.098280	0.063720	0.063720	0.094284	0.030564	47.97%
Long-Term Disability	2/3 of Salary div.by 12 months to Closest \$10	0.041850	0.041850	0.041850	0.050209	0.0083592	19.97%
Employee Assistance Program		4.50	4.50	4.50	2.99	(1.51)	-33.56%
Extended Health Coverage	Single	102.47	102.97	115.43	110.76	(4.6656)	-4.04%
	Family	252.02	251.27	287.04	270.68	(16.362)	-5.70%
Dental	Single	34.80	38.62	40.61	41.55	0.9396	2.31%
	Family	87.91	97.58	102.59	104.95	2.3652	2.31%

Outstanding Items

- Bob Lake Boat Launch.
- OCIF-Application Based Funding - (Howland Junction Road) has not been included. Project is pending grant approval.

Financial Implications:

The current 2018 draft budget net **shortfall is \$628,045, which represents an 8.61% increase over the 2017 tax levy.**

A \$628,045 increase in levy would result in an overall 2018 levy of \$7,920,425.

2017 Levy	\$ 7,292,380	
		% of 2017 Levy
2017 2nd Draft Additional Levy Requirement		
Growth	\$ 65,630	0.900%
CPI-1.9% + 5.81%	\$ 562,415	7.712%
Total	\$ 628,045	8.612%
2018 Levy	\$ 7,920,425	

The CPI index amount was obtained from the Stats Canada website, inclusive to November 2017.

The **2017** levy requirement is provided for comparison purposes, as follows:

2016 Levy	\$ 6,901,905	
		% of 2016 Levy
2017 2nd Draft Additional Levy Requirement		
Growth	\$ 57,285	0.830%
CPI-2.2% + 1.17%	\$ 228,477	3.310%
Total Excluding Policing	\$ 285,762	4.140%
Policing Increase	\$ 104,713	1.517%
Total	\$ 390,475	5.657%
2017 Levy	\$ 7,292,380	

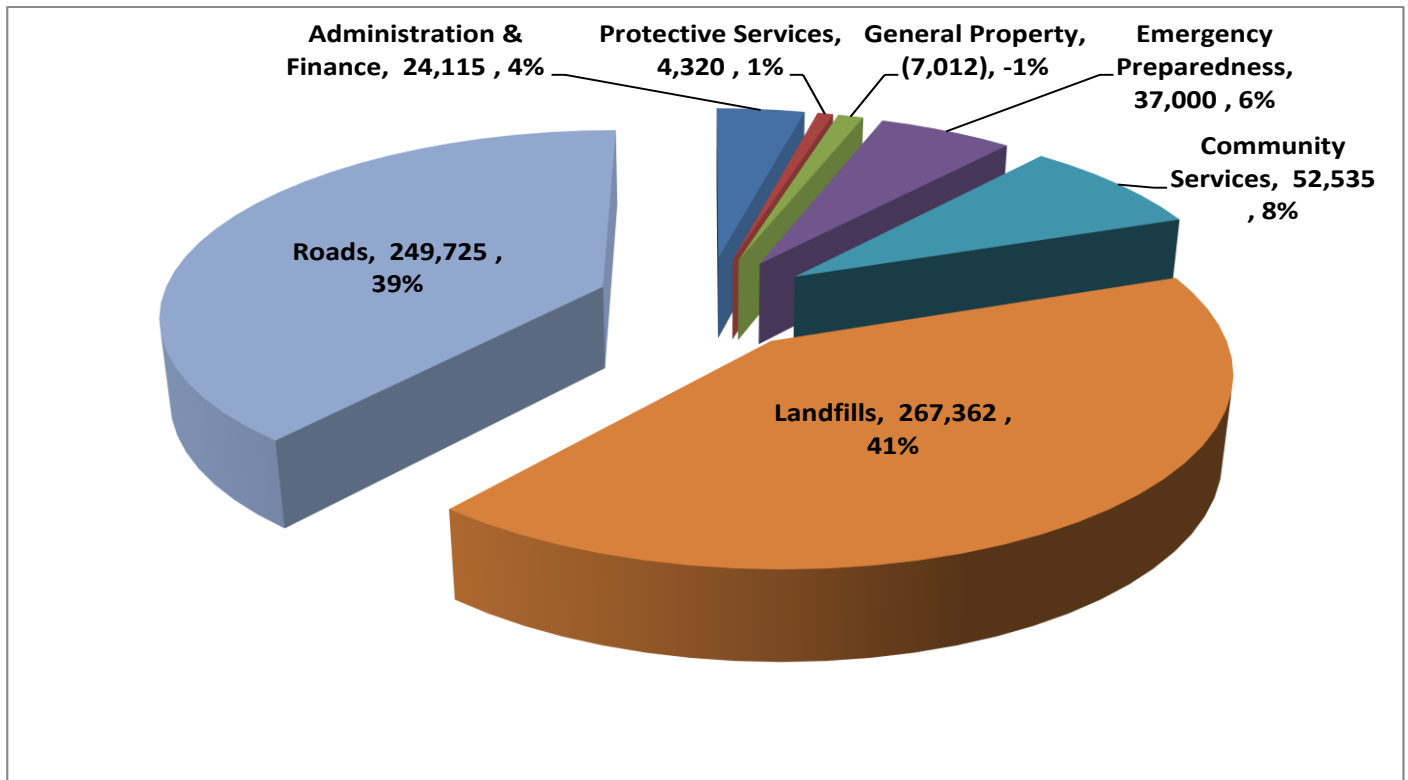
2018 vs. 2017 Budget Increase Analysis:

1.) The following summary and graph outlines the **total** budget variance from 2017 to draft 2018, with a particular emphasis on Emergency Preparedness, Community Services, Landfills and Roads.

Of the current \$628,045 shortfall, the following areas represent 96.59% of this number:

- Emergency Preparedness - 6% (purple);
- Community Services – 7% (green);
- Landfills - 42% (light blue), and
- Roads - 40% (orange).

All Functions	2017 Budget	2018 Budget	2018 vs. 2017-\$	2018 vs. 2017-%
Administration & Finance	1,243,865	1,267,980	24,115	1.94%
Protective Services	698,135	702,455	4,320	0.62%
General Property	303,832	296,820	(7,012)	-2.31%
Emergency Preparedness	11,600	48,600	37,000	318.97% **
Community Services	1,221,870	1,274,405	52,535	4.30% **
Landfills	380,373	647,735	267,362	70.29% **
Roads	3,432,705	3,682,430	249,725	7.27% **
Total	7,292,380	7,920,425	628,045	8.61%

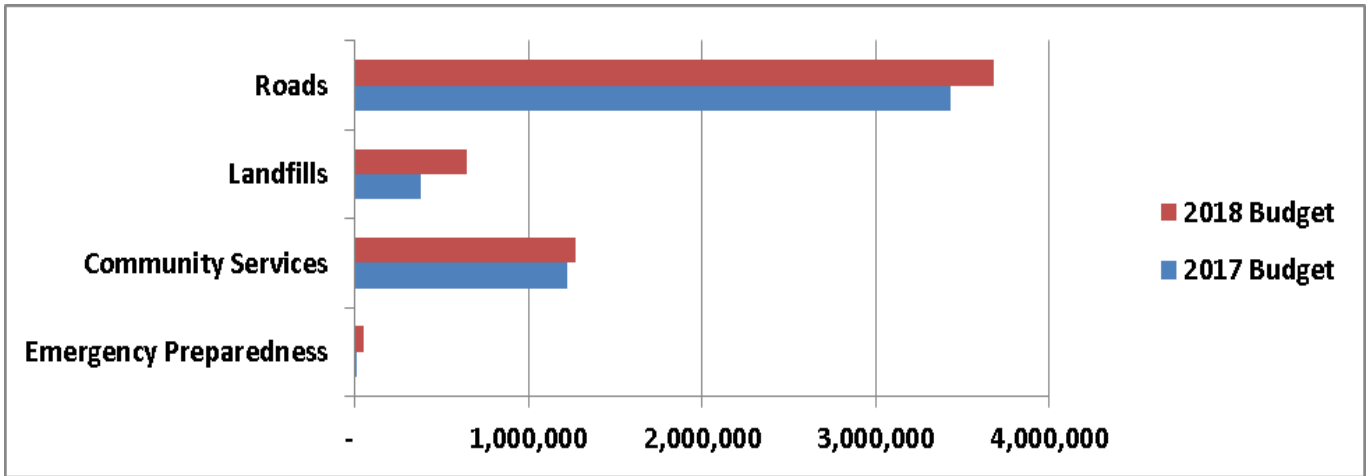


2.) The next summary and graph outlines the budget variance from 2017 to draft 2018 for **Emergency Preparedness, Community Services, Landfills and Roads only**.

Emergency Preparedness, Community Services, Landfills and Roads	2017 Budget	2018 Budget	2018 vs. 2017-\$	2018 vs. 2017-%
Emergency Preparedness	11,600	48,600	37,000	318.97%
Community Services	1,221,870	1,274,405	52,535	4.30%
Landfills	380,373	647,735	267,362	70.29%
Roads	3,432,705	3,682,430	249,725	7.27%
Total	5,046,548	5,653,170	606,622	12.02%

Total Shortfall
% of Shortfall

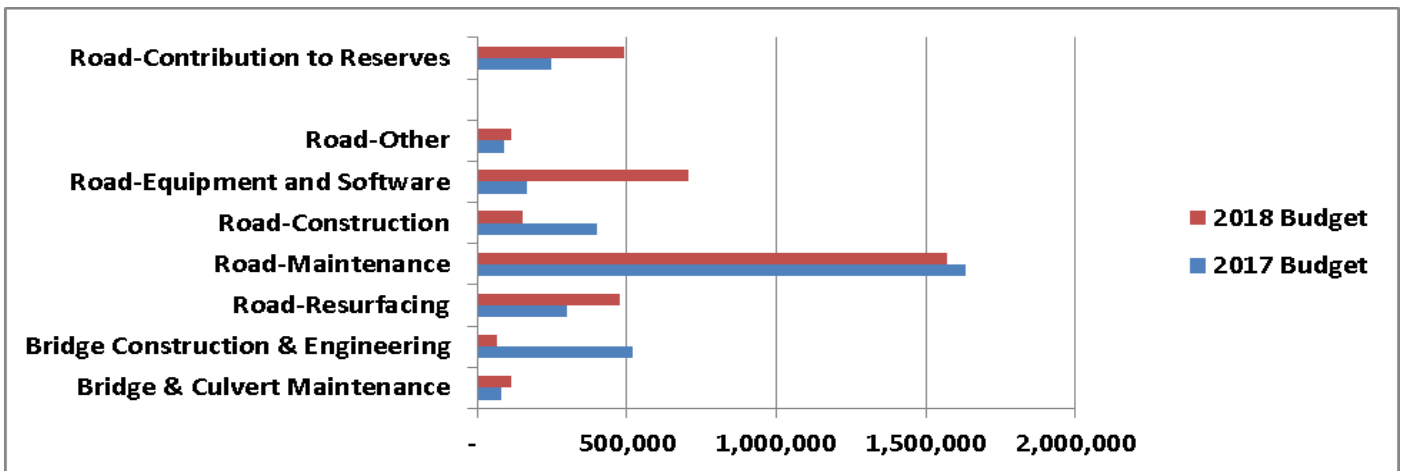
628,045
96.59%



2.) The next summary and graph outlines the budget variance from 2017 to draft 2018 for **Roads only**.

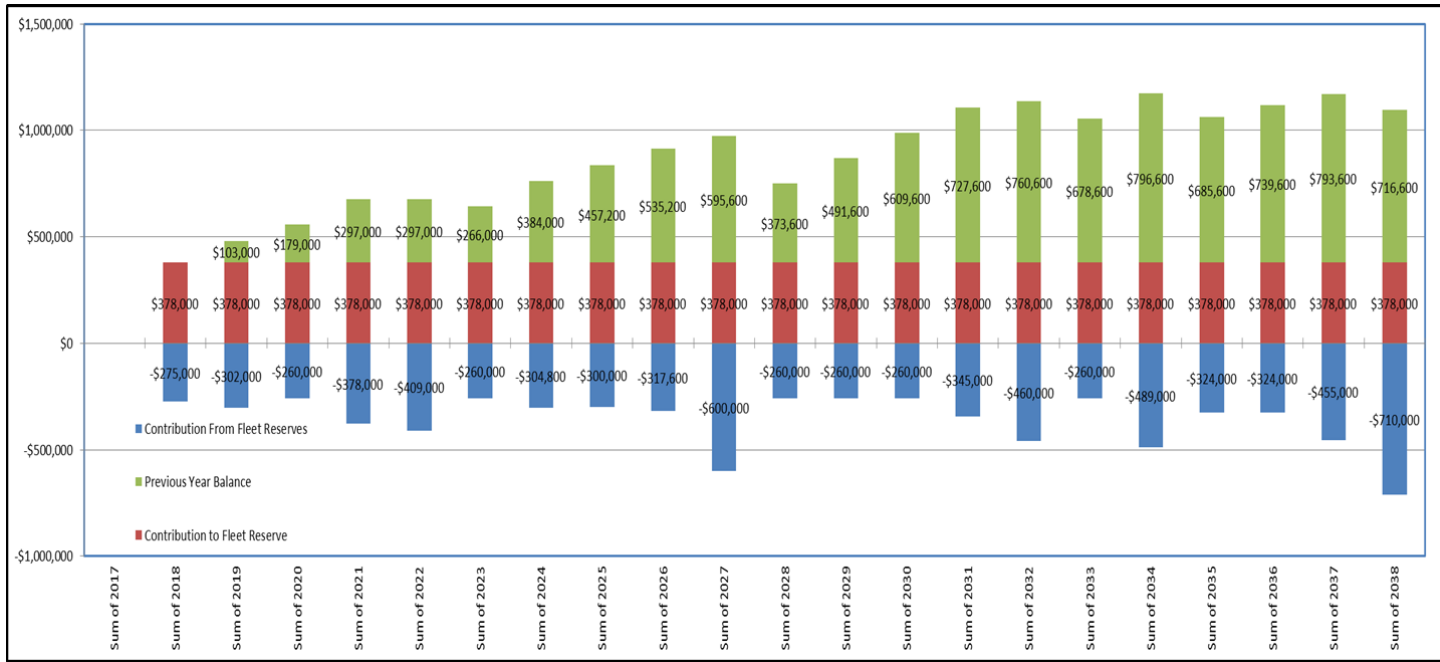
Roads	2017 Budget	2018 Budget	2018 vs. 2017-\$	2018 vs. 2017-%
Bridge & Culvert Maintenance	79,900	112,900	33,000	41.30%
Bridge Construction & Engineering	521,000	63,000	(458,000)	-87.91%
Road-Resurfacing	299,640	473,900	174,260	58.16%
Road-Maintenance	1,634,570	1,573,090	(61,480)	-3.76%
Road-Construction	400,000	149,000	(251,000)	-62.75%
Road-Equipment and Software	165,000	708,000	543,000	329.09%
Road-Other	87,595	113,540	25,945	29.62%
			5,725	
Road-Contribution to Reserves	245,000	489,000	244,000	99.59%
Total	3,432,705	3,682,430	249,725	7.27%

Total Shortfall 628,045
% of Shortfall 39.76%



In reference to the \$244,000 increase in reserve contributions, the following chart outlines the projected transfers to and from reserves in order to support fleet purchases from 2017 to 2038 (20 years).

This information, subject to a few minor adjustments, was provided in Staff Report #17-081 Roads - 2018 1st Draft Budget, dated December 12, 2017.



3.) The final summary and two graphs outline the budget variance from 2017 to draft 2018, with an emphasis on **Landfills only**.

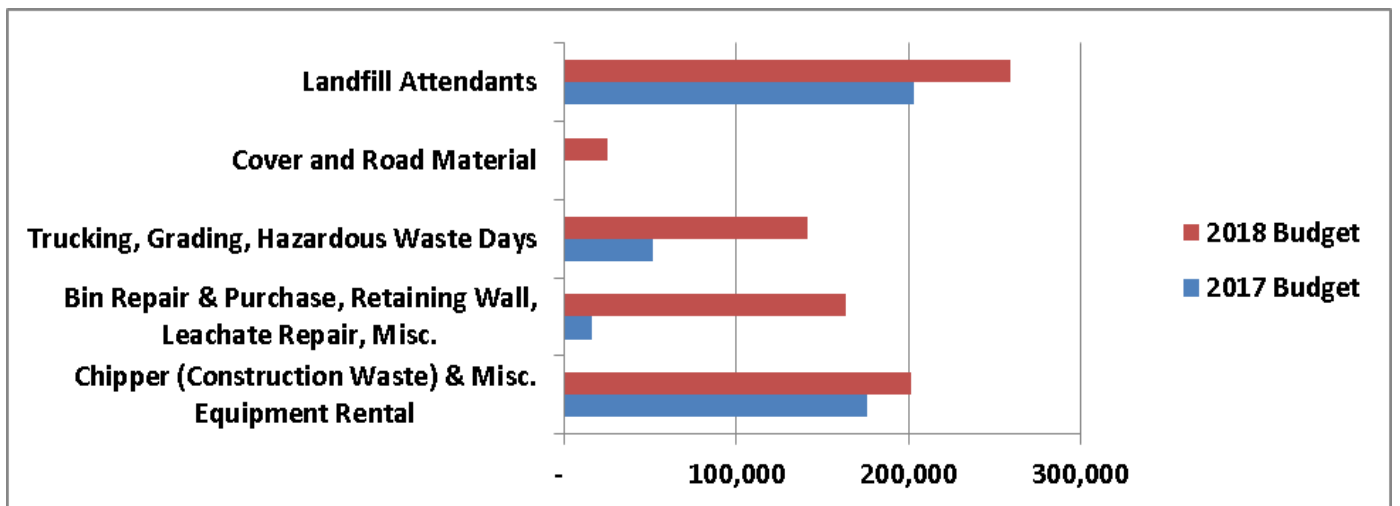
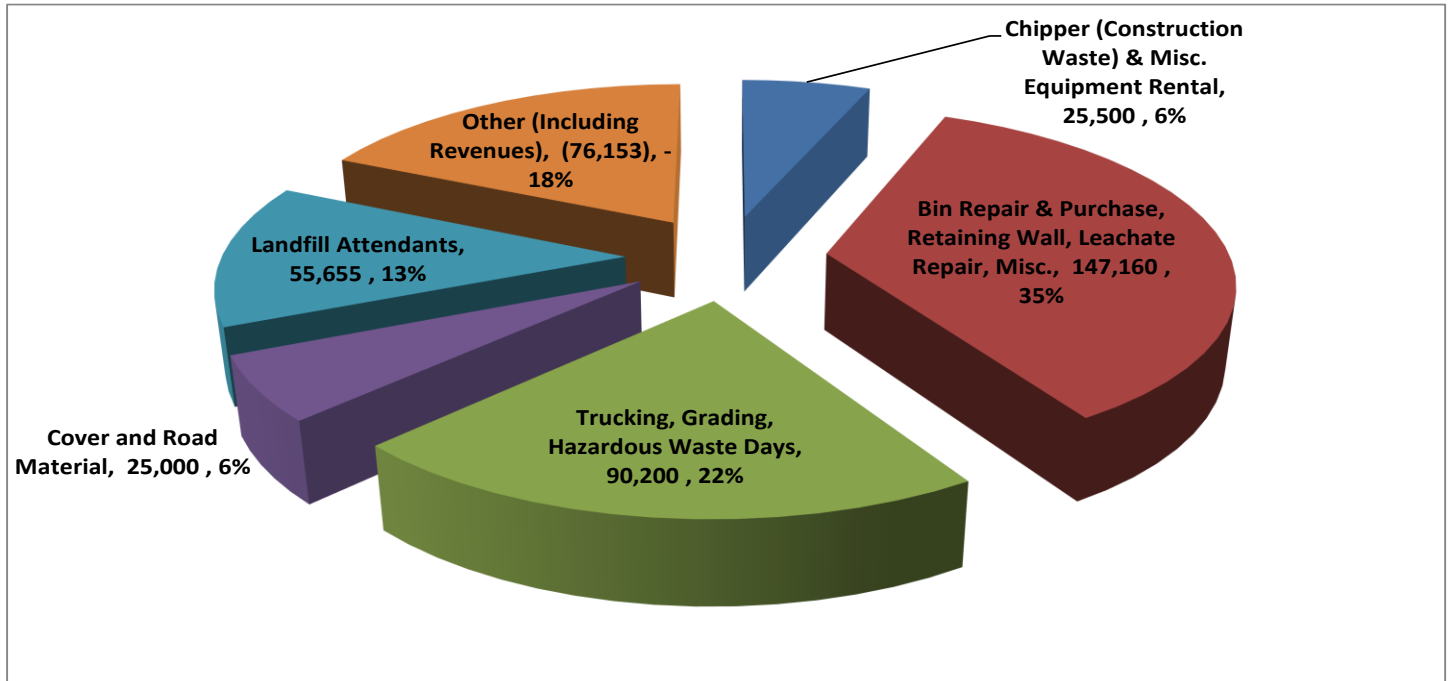
Of the total increase in Landfills, representing \$267,362:

- 22% will be spent on additional trucking, grading and additional hazardous waste day expenditures (green);
- 35% will be spent on bin repairs and purchases, retaining walls, leachate repairs and a survey (red), and;
- 13% is the result of contractual and Bill 148 wage rate changes related to landfill attendants (light blue).

For clarity, "Other (Including Revenues)", representing a credit position, has not been included in the bar graph provided below.

Landfills (ALL)	2017 Budget	2018 Budget	2018 vs. 2017-\$	2018 vs. 2017-%
Chipper (Construction Waste) & Misc. Equipment Rental	176,000	201,500	25,500	14.49%
Bin Repair & Purchase, Retaining Wall, Leachate Repair, Misc.	16,400	163,560	147,160	897.32%
Trucking, Grading, Hazardous Waste Days	51,300	141,500	90,200	175.83%
Cover and Road Material	-	25,000	25,000	0.00%
Landfill Attendants	203,245	258,900	55,655	27.38%
Other (Including Revenues)	(66,572)	(142,725)	(76,153)	114.39%
Total	380,373	647,735	267,362	70.29%

Total Shortfall 628,045
% of Shortfall 42.57%



Energy Impacts and Renewable Energy Readiness:

- Administration, Fire, Environmental and Property, and Finance – no impacts.
- Building/By-Law and Planning – Fuel expenses: Inspections are booked in the same area, where possible, to conserve fuel and reduce greenhouse gases.
- Community Services - Energy impacts and conservation are associated with a small number of projects within the 2018 budget.
- Roads:
 - The Tandem Plow will be powered by Tier 4 diesel motor. Tier 4 motors require DEF (Diesel Exhaust Fluid), DEF reduces NOx (Nitrogen Oxides) and PM (Particulate Matter) by up to 90%.
 - The replacement of the oil furnace at the Lutterworth Office and the Minden Yard with a propane source is estimated to save a combination of up to 30% over the cost of the existing oil furnaces. Propane is a clean-burning fuel and has a lower carbon footprint, producing ≈ 30% fewer emissions than oil.
 - Upgrading the existing fluorescent lights in the Minden Shop to LED will provide ≈ 30% savings over the existing T8 Fluorescent Lights. Staff will be installing additional lights or moving their location as the majority are ceiling mounted (this may reduce the estimated savings). LED lighting is also proven to be better for the environment as there is no mercury required to manufacture or operate them.

Recommendation:

That Report # 18-006 Admin/Treasury – 2018 4th Draft Budget be received as information;

And further, that Council provides direction regarding required changes to the 2018 draft budget.

Respectfully submitted:

Lorrie Blanchard, H.B Com, CPA, CGA
CAO/Treasurer

Attachments: As noted above.