

Request for Decision - United Townships of Head, Clara & Maria Municipal Council

Type of Decision									
Meeting Date	Friday, December 13, 2013				Report Date	Friday, December-06-13			
Decision Required	X	Yes		No	Priority	X	High		Low
Direction	X	Information Only			Type of Meeting	X	Open		Closed
Budget Considerations Report #13/12/13/1001									

Subject: 2014 final budget by-law.

RECOMMENDATION: That Council approve the following resolution authorizing staff to insert the required budget total into the budget by-law at the meeting of December 13, 2013.

Resolution #1

WHEREAS the Council of the United Townships of Head, Clara & Maria have reviewed the options available for setting the total operating budget for 2014 and are cognizant of concerns of rate increases by members of the public;

AND WHEREAS a public meeting was held on Saturday, November 30, 2013 to explain the 2014 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 adopt the budget as presented/amended and to insert the corresponding total of \$_____ into the budget by-law so that it may be formally adopted at this meeting.

Resolution #2

WHEREAS Council has debated the budget by-law and made recommendations to employees as reflected in the total inserted;

THEREFORE BE IT RESOLVED THAT By-Law Number 2013 - 27 being a by-law to adopt the 2013 Operating Budget be read a first time short and passed.

Background/Executive Summary:

The following has been previously supplied to Council via an email dated December 3, 2013 except for the bold sections.

Based on the above resolution, Council will discuss the various options available including how surpluses for 2013 and 2014 are to be allocated and which, if any of the NEW projects recommended are funded including the potential for tax rate decreases prior to passing the by-law and setting the budget for 2014.

Upon a consensus of Council, staff will be directed to insert a figure which will make the revenues and expenses balance. At that time, the above resolution will be voted upon and the budget accepted or not.

It must be recognized that the budget is the best estimate of revenues and expenses for the following year. These amounts may change from time to time based on actual values becoming known to staff including supplementals, readjustments etc.

Similarly, when estimating the tax rate for 2014; County has the ability to change the ratios which may eventually change the tax rates. We are providing our best guess, with values known to date.

Council has been presented with a budget, with all line items filled in by staff for consideration and approval based on direction of Council over the past year along with Council approved projects, services and programs. It is up to Council to decide if it would like to accept/adopt these suggestions as is the case when any resolution is presented to Council.

Council may make changes to any of these items prior to adopting the budget. Once the budget is adopted, these are the expenses staff are authorized to incur on the municipality's behalf during the year. Only new expenses **which may arise during the year** would need to be approved by Council via individual resolution normally covered with funds left as "unallocated surplus", **newly found funding** or from reserves.

MOST line items in the budget are routine and amounts are pretty much the same as in years past. The **NEW** items were listed in the Report to Council dated November 22 and in the report to the public dated November 30, 2013 (the email dated December 3, 2013). They are further explained below....

Budget 2014

Without knowing what will happen between now and December 31, 2013, we have an estimated unaudited surplus of \$58,627.21. Of that, Staff feels comfortable in allocating \$30,000. (The remaining \$28,627.21 has not been realized yet. Weather may cause a large amount of that to be paid out to contractors. The auditor may locate an error in accounting or perform adjusting entries which may change the actual audited surplus which **we will not know until the audit is completed – normally April or May of the next year.**) **Recent unexpected expenses such as purchase of tables/chairs and recommended employee bonus would be paid from this \$28,627.**

By holding tax rates at current levels and keeping a "cushion" to use against unforeseen weather patterns etc. the municipality will receive revenues for 2014 of \$839,269 with the above surplus included or \$819,269 without it. Option 1 included the \$30,000 in 2014 revenues.

Staff's proposal does not yet balance; Council has to make decisions at this meeting to balance the budget.

In option 1, Budgeted Revenues are \$839,269 and Budgeted Expenses are \$814,695 the difference is accounted for by an "unallocated surplus" of \$24,574.

That unallocated surplus could be eliminated by a 4.28% tax rate decrease as detailed below. Doing this would leave an "unallocated surplus" of only \$4,574. This could be further allocated to any purpose including additional chairs and tables and/or improved lighting outside the hall. Recent events have made us recognize

the poor lighting conditions. For health and safety and liability reasons, it is recommended that exterior lighting be improved.

Option 1

a) This option meets needs and is based on revenues required from taxation of \$467,019. (This is the amount of money to be received from taxation from residential, pipeline, commercial etc.)

b) This budget contributes \$40,000 to reserves from 2014 revenues in the following categories.

- a. \$5,000 to Roads Capital;
- b. \$4,000 to Roads Truck;
- c. \$2,000 to Gravel Crushing;
- d. \$5,000 to Office Technology - Office Equipment Replacement - photocopier/accounting taxation software;
- e. \$10,000 to Garage Replacement and Repair;
- f. \$14,000 to Parks and Boat Launches;

c) It includes the 2% salary grid increase approved in 2012 and all recommended wage grid increases.

d) Elections of \$4,000;

e) Repairs to the office roof of \$3,500;

f) Bi-annually required first aid training for staff and interested members of council/community;

For 2013-14-15 the above unallocated surplus could be used to bump up reserves. When the OMPF is discontinued, additional revenues would be required to meet annual operating expenses. Reserves would then be at a very comfortable level and additional funds currently going to reserves could be used as operating expenses along with these "surpluses".

In this budget the 2013 and 2014 surpluses and 2014 reserves amount to \$95,616. Once the OMPF has been eliminated, using these amounts, Council would be well on the way to providing revenues to offset the reduction.

In cutting tax rates now, when the funding is gone, tax rates would have to be increased significantly to make up the \$119,600 shortfall. Council may choose to do this if it so desires.

New Items

The following are the NEW items suggested for 2014 and are fully funded in the \$839,269 revenue and \$814,695 expenses. These expenses are in addition to the unallocated surplus of \$24,574 described above. Including all of these items below, Council will still have that unallocated surplus. (From conversation and comments at the meeting I think this was the part that required clarification.) There are new expenses **AND** an unallocated surplus in this budget. The new items need to be decided before adopting the budget. Using the unallocated surplus can be decided by resolution of Council at any time.

NEW - \$2,000 towards a grant application to purchase a slide for Old Mackey Park; (one time cost)

NEW - recreation program of \$7,500; details to be decided by Council in the New Year. (Long term annual commitment which may be modified at Council's discretion at any time)

NEW - Bulletin boards at both disposal sites; (one time cost) \$200 - \$300

NEW - A 7% employer contribution pension plan at approximately \$10,920 per year; a full report to Council was presented in 2012 and based on the rates contributed by employers to the Ontario Municipal Employees Pension plan (OMERS). **The pension would be for the CAO, Treasurer, Road Super and Waste Management positions. (Long term commitment)**

NEW - \$2,000 increased education and training for staff; (\$500 transferred from mileage to education and training due to increased availability of webinars decreasing the need for travel) \$1,500 would be NEW costs.(can be modified at Council's discretion at any time)

For 2014, it is possible to have a reduction in tax rates of 4.28%, and still fully fund these new items. The 2014 Unallocated surplus would be eliminated.

As there are no large special projects budgeted for 2014, Council is seeing a large amount of money being moved to reserves and listed as surplus. If it were not for the OMPF being eliminated and the normal uncertainty of increased costs due to roads and weather; Staff would be recommending a larger TAX DECREASE. Because the OMPF is a very likely reality, we do not recommend these deductions at this time.

A 5 year comparison chart, Current Reserves and Deferred Revenue Statements have all been previously provided for reference.

Actual tax rates for 2008 – 2013 with suggestions for 2014.

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	2013 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
Corrected percentages and dollar decrease 2014							
2014 #1	0.00262343	\$262.34	\$0	-	\$0	\$467,019	\$839,269
2014 #2	0.00251119	\$251.12	\$(11.22)	(4.28)	\$20,000	\$447,019	\$819,269
2014 #3	0.00245499	\$245.50	\$(16.84)	(6.71)	\$30,005	\$437,015	\$809,269

Note: The above chart explains estimated 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 2014. Changes to the other rates mentioned above may ultimately affect or change the actual residential rates to be set later in June.

As usual, annual 25% assessment increases (Municipal Property Assessment Corporation's Current Value Assessment) can be depended on.

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 the accompanying by-law setting the budget for the 2014 operating year.

Approved and Recommended by the Clerk

Melinda Reith,

Municipal Clerk

Melinda Reith