

Type of Decision									
Meeting Date	Saturday, February 25, 2012				Report Date	Friday, February 24, 2012			
Decision Required		Yes	X	No	Priority	X	High		Low
Direction		Information Only		X	Type of Meeting	X	Open		Closed
REPORT TITLE									
Public Meeting Budget Presentation Report #25/02/12									

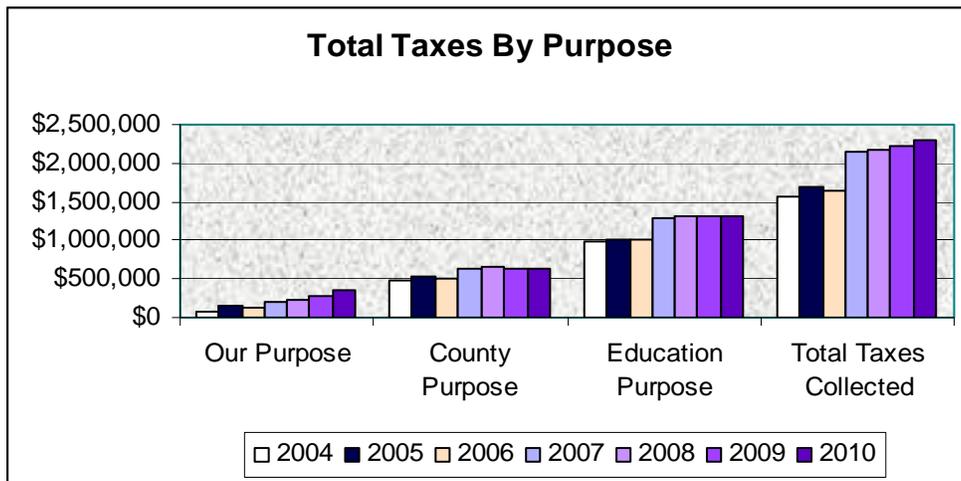
Subject: Rationale for proposed budget with various options for consideration by Council.

BACKGROUND/EXECUTIVE SUMMARY:

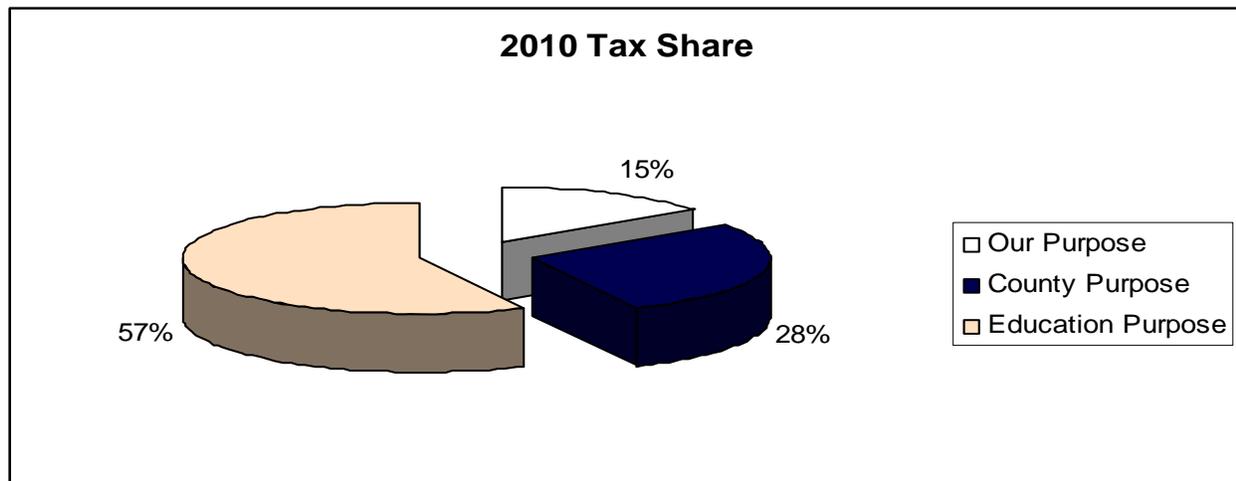
This report is intended to provide a history and background of the evolution of the level of taxes within the municipality and the rationale for suggestions for the 2012 budget. The report has been modified from the 2010 and 2011 reports but much is substantially the same at this point. You have each been provided with a copy of the working document which is a line by line itemization of the actual budget working document. Council and staff will answer questions but will not go through each item individually. Explanations are provided in the right hand margin.

The individuals noted at the bottom of the page participated in creating this document and the budget for 2012. Estimates were considered, department needs were analysed and compromises were made. Data for assessed values, tax rates, and historical rates are all from OPTA which is an On-line Property Tax Analysis Tool created by the Ministries of Finance and Municipal Affairs and Housing. Although it does not accurately reflect actual assessed values from MPAC at any given time due to reassessments, supplementals etc. it is the data used to compare tax rates across the province. It will be used in the future to maintain consistency. The charts have not been updated for 2012 as there are no significant changes – they are provided to show a historical representation of your taxes.

The following chart shows the historical level of taxes collected by and for the municipality, the county and the province (education rates)...



Taxes collected by the municipality that stay with us. Of a total of \$2,291,724 collected in 2010, \$1,308,843 goes to the School boards, \$640,246 to the County and only \$342,635 is for municipal purposes.



NOTE: On an individual scale, let's say that your total tax bill is \$800. At that amount HCM's share is 15%, the County's is 28% and the Province's (Education) is 57%. The shares will be allocated as follows: the Township portion will be \$120, the County portion will be \$224 and the Education portion will be \$456 totalling \$800 even though we collect it all and funnel it through our office.

Ontario Municipal Partnership Funds

2010 saw the first of the cuts to the annual provincial funding for our municipality in the amount of \$43,800. 2011 funding was set at \$157,700 with \$142,000 promised for 2012.

Since 2005, this municipality had received \$219,000 annually as non-conditional funding from the province. The decreases continue and there is no mechanism in place for the province to commit to this funding in the future.

We are still receiving a substantial amount of "transitional" financing (\$68,800) which will eventually be eliminated. We must prepare for the eventual reduction to only \$73,200 from the provincial government under the OMPF.

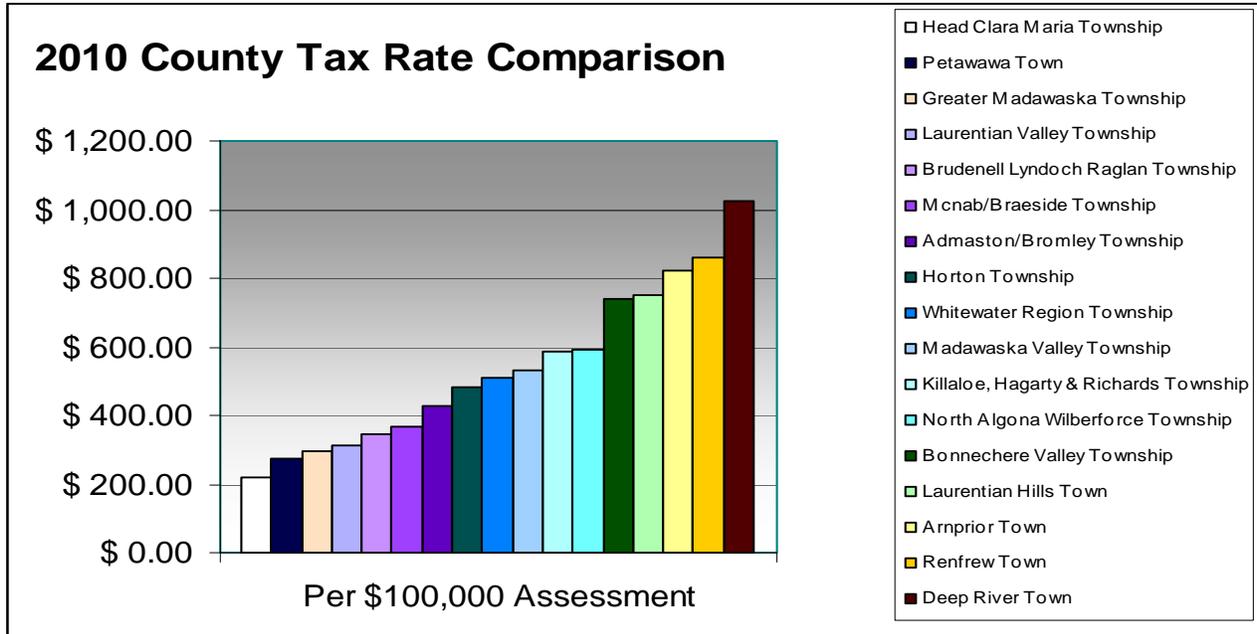
This level of funding will require the municipality to put a hold on any additional major purchases or projects (aside from those already committed to) for the near future. This is why it is important to maintain strong reserve funds for large projects. In the near future, taxes may need to rise just to meet the deficit created by the provinces reduction in funding.

Although we will not have an audited figure until sometime in early April, it is expected that there will be a slight municipal budget deficit for 2011, somewhere near \$12,000. It must be remembered however that this comes after committing over \$90,000 of an estimated higher surplus to reserves back in December.

How we Compare to the County Municipalities

Head, Clara & Maria is in the enviable position of having the lowest residential taxes in the County. You would be hard pressed to find lower taxes in many municipalities in Ontario. This municipality also has the benefit of receiving a significant portion of its taxation revenue from the pipeline.

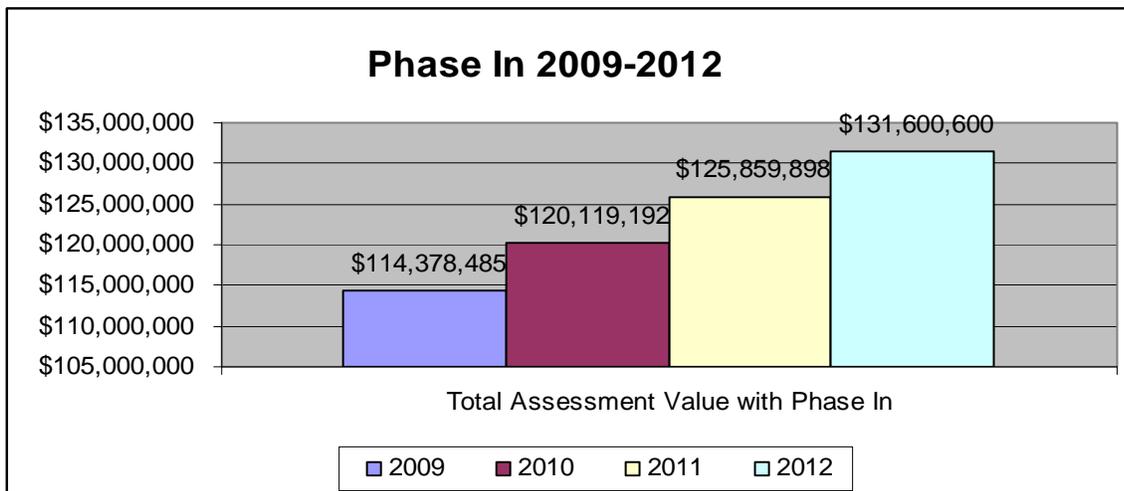
Without those contributions, the residential tax rate in this municipality might be the highest in the county.



2012 Suggested Options for Consideration

Staff has prepared and presented what we believe is a balanced budget with limited room for adjustment. We have reduced costs where possible. We have increased costs where necessary short of seriously reducing service levels and keeping to Council's previous levels of commitment. Please advise of omissions, deletions and changes.

The following chart shows the increase in assessment value adjusted for the phase-in for 2012 (based on 2008 values). It does not include increases due to reassessments, new builds etc. 2012 will see new assessments to be phased in over the next 4 years.



As recommended by Council, Council should seriously consider beginning to provide for increased reserves for the replacement or repair of the township hall/office/library building which is soon to reach the end of its normal life expectancy. Obviously, this does not mean that the building will no longer be useable after that date but the point is, the building is aging and will soon require considerable attention.

What is a tax ratio?: Each time a tax ratio is changed, all property classes are affected. The tax ratios for commercial, industrial and pipeline classes are above the ranges of fairness (provided by Ontario Regulation 386/98- amended by O. Reg. 176/00) in most municipalities, and the residential class generates a large portion of taxation. The goal of the province is to move the ratios into alignment as determined by the province. Moving the ratios will usually mean reducing non-residential (commercial or industrial) taxation and increasing residential taxation. **For 2012, we do not yet know what the ratios will be. All estimates are based on existing rates and ratios.**

Simplified, when the commercial, industrial and pipeline rates decrease (as determined by limits set by the province and ratios set by the county) the result is an increase to the residential rates. The same amount of money still has to be collected by the municipality to meet its needs however; the source has been changed by forces outside of the municipality's control.

Below is a chart of the actual tax rates for 2007 – 2011. After Council sets its priorities we will then finalize this chart with three options for the municipal portion of taxes for 2012. Full details are not yet available as the county has not yet shared its by-law with its rates and ratios and Council has to provide further direction.

Year	Rate	Amount taxes per \$100,000	Increase over previous year	% increase in rate per \$100,000 value over previous year
2007	0.00143311	\$ 143.31	0	0
2008	0.00155496	\$ 155.50	\$12.19	8.50%
2009	0.00180944	\$ 180.94	\$25.45	16.37%
2010	0.00221217	\$ 221.22	\$40.27	22.26%
2011	0.00262066	\$ 262.07	\$40.85	18.47%
2012				
Option #1	0.0262066	\$262.07	\$0	0%
2012				
Option #2				
2012				
Option #3				

Note: In addition, the chart explains the HCM rates only; it does not include the Education and County rates.

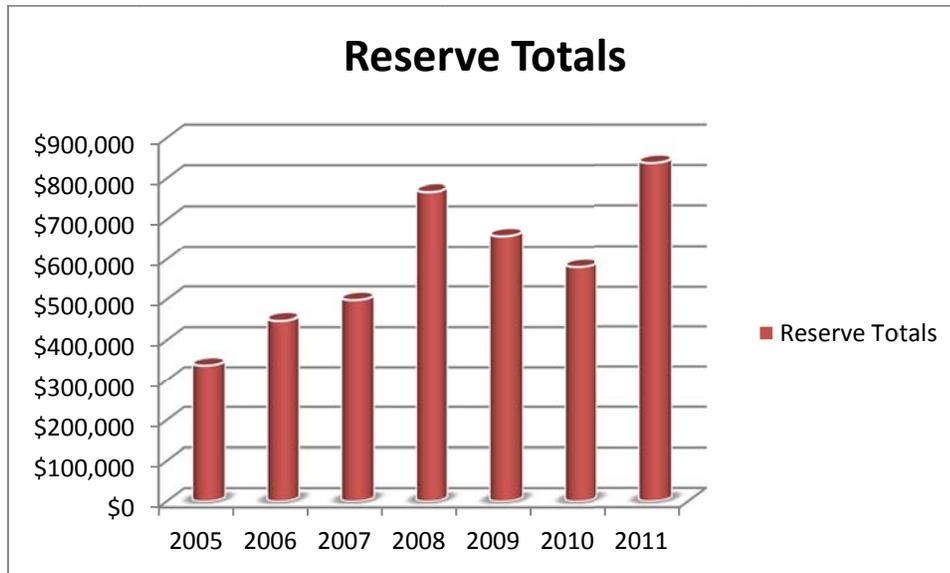
- 2012 #1 is the basic budget that meets needs and contributes approximately \$18,000 to reserves. It maintains current levels of service and programs and allows for no improvements or increases. The detailed document before you is a break down of this level of taxation for 2012. You can see on that working document the changes compared to 2011 budgeted and actual expenses.
- 2012 #2 will show the increase in the amount of taxes owing per \$100,000 of property value which would be required to net an additional amount in taxation revenue to be used to meet Council special needs and/or increase reserves.

- Option 2012 #3 will show an increase in taxes owing to net additional increases in tax revenue to meet council needs and/or increase reserves by a set amount.

These will be presented to Council at the meeting of March 9, 2012 where they will choose an option to set in the budget and pass the budget by-law.

Reserves

Currently, we have reserves of \$838,090.00; \$215,570 short of our current reserve targets. Some of these targets will not need to be met for some time. (This does not include the newly suggested reserve fund for office/hall/library replacement.)



Note: The chart above shows an increase in reserves in 2008 and a corresponding drop in 2009. This was due in part to accounting practises which transferred unused special project funding to reserves at year end, only to remove them in the following year upon project completion.

As many municipal administrations and councils know, there are increasing demands made on municipalities to provide services legislated by the province including health and safety programs, accessibility requirements, accommodation requirements, emergency management and minimum maintenance levels for roads to name just a few. Add to this the need to plan for the future, to maintain aging infrastructure, to provide for waste management and the increased workload to administer all these programs and the level of taxes required at the municipal level rises accordingly.

When a ratepayer asks, "what do we get for our taxes?" these items need to be included, even if the ratepayer doesn't usually see them. This municipality has a unique challenge with its limited funding, limited population and relatively few discretionary services. The few discretionary services that Council does provide include the boat launches, parks, recreational facilities and the library. Most other expenditures are required to provide legislated functions and to administer those programs.

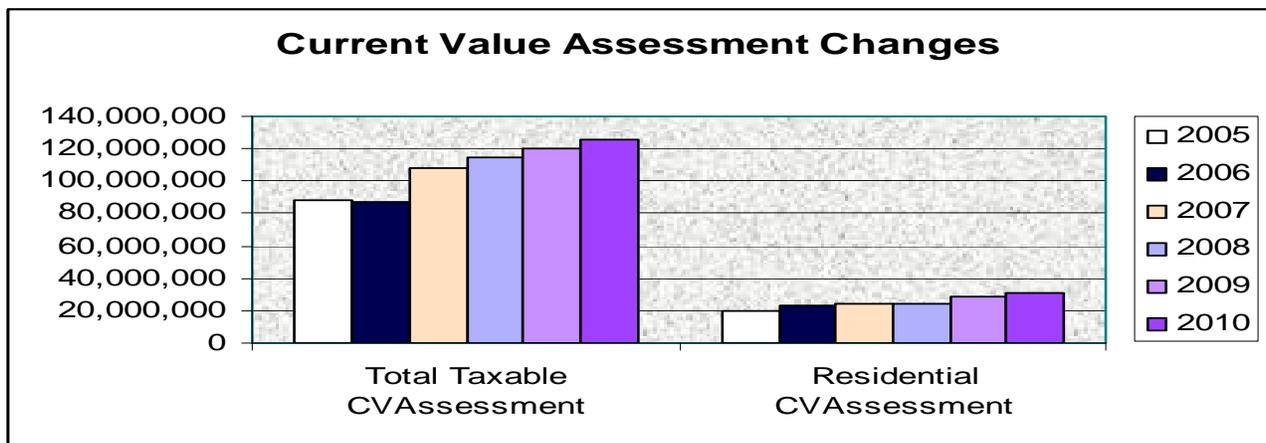
Current Value Assessment

When considering the level of taxes, the tax rates, and tax ratios you must also consider the assessment of the property within the municipality. The current estimate for setting the tax rates was made using the most recent valuation of assessment for 2012. This assessment is an increase of 25% over 2011 based on the current method of phasing in the property values over 4 years. New assessments are to occur this year to be phased in over the next 4 years unless the province makes changes to this process.

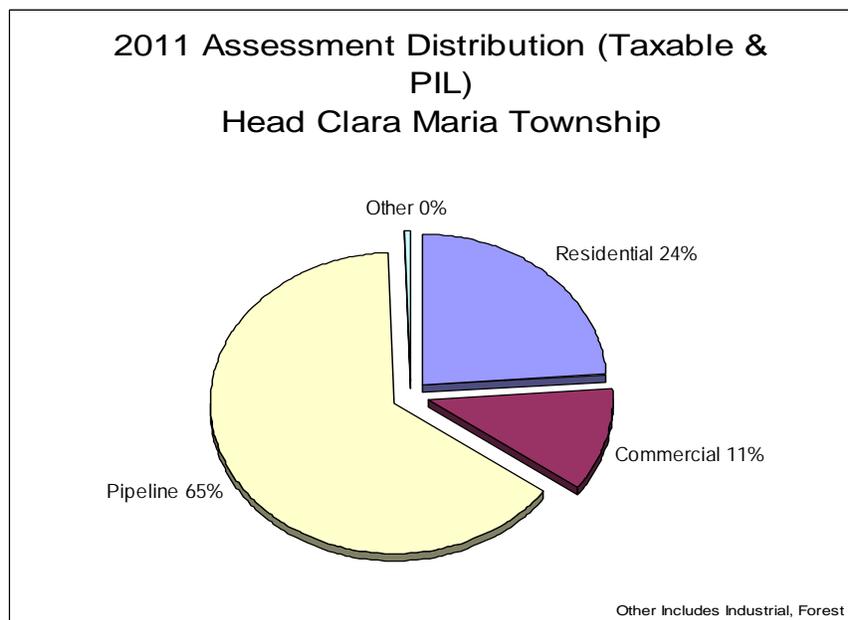
In addition to legislated phase in increases, we must also consider the possibility of reduction in values due to requests for reconsideration in 2012, increased assessment due to the increase in properties along our water front and increases in assessment due to severances and new builds.

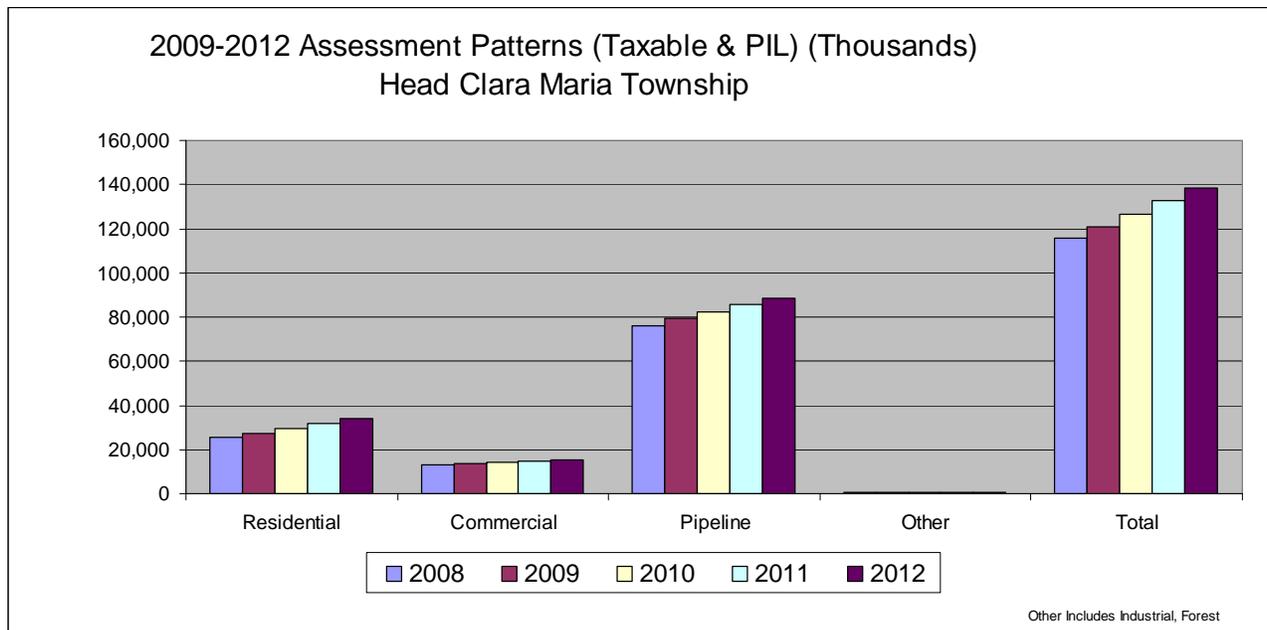
Again this year, it will depend on how your individual property compares to the average assessment to determine if your municipal taxes will increase or decrease.

The following is a chart of the changes of assessed values from 2005 - 2010.



The following chart shows the division amongst the various tax classes within the municipality. The Pipeline contributes a significant portion of municipal and county taxes.





2012 Proposed Budget Explanation

In general, we have limited new projects, have allocated little funding for future reserves and for minimal new purchases. We will continue our fundraising and donation campaign to solicit funds for special projects and improvements to our recreational facilities.

For 2011 we collected \$2,650 for special projects. New commercial quality benches will be installed later this spring. Thank you for your support.

The proposed budget meets our basic operational needs with a small amount to allocate to reserves. It maintains current levels of programs and services with no increase or changes. It also, does not utilize any funds from reserves.

Deferred revenue includes items such as gas tax and other special funding received from the province to be used for specific purposes. Currently our Gas Tax funding sits at \$9,670.93. This deferred income will be held to be combined with continued contributions from the Federal Government to be used for eligible programs likely in 2013. We have up to three years to utilize these funds. Since they need to be used for specific projects, it is beneficial for us to save up to use the funds on larger projects. The most recent use of Gas Tax funding was for the new well and water filtration system which we were legislated to purchase.

As a final note we must remember that the total amount we collect in taxes depends also on the education tax rate and the County tax rate. As yet we have not received the County ratios or rates. The province's education rate decreased slightly.

Others Consulted: Noella Lebreton - Treasurer, Wilfred Lamure - Road Superintendent, Bill Donnelly – Maintenance Worker, HCM Council members.

Approved and Recommended by the Clerk

Melinda Reith,
Municipal Clerk

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