



The United Townships of Head, Clara & Maria

2019 Budget

Prepared By:

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Introduction

The *Municipal Act* requires Municipalities to adopt an annual budget. In the past, budgets for the United Townships of Head, Clara and Maria were completed by the CAO/Clerk and the Treasurer. With both the CAO/Clerk and the Treasurer on leave during the timeframe for the preparation of the 2019 budget, as well as the subsequent resignation of the CAO/Clerk, the newly appointed Clerk and Deputy Treasurer, Crystal Fischer, with the support of Peggy Young-Lovelace, Consultant registered with Expertise for Municipalities (E4m,) prepared the following report for Council's consideration in preparation for the adoption of the 2019 budget.

It is important to note that this is a new format for the presentation of the Municipality's budget with the intention of aiding Council in the budget deliberations.

KEY FACTS/ASSUMPTIONS CONSIDERED WHEN PREPARING THE 2019 BUDGET

1. That the Municipality has not adopted a **Budget Policy, Reserve/Reserve Fund Policy or an Investment policy.**
2. That the Municipality is not currently proposing a multi-year budget.
3. That the Municipality does not have a long-term capital budget nor is an annual capital budget prepared.
4. That Council was newly elected and took office December 2018.
5. That the previous Council of the Municipality adopted a strategic plan which has not been reviewed or endorsed by the newly elected Council.
6. That an Asset Management Plan has been adopted by a previous Council and while it has not been reviewed by the current Council or updated to reflect the current situation, it has been considered as a tool in determining the Municipality's current infrastructure investment.
7. That the Municipality is currently undergoing an operational review.
8. That over several years the Municipality has realized an operating surplus.
9. That the Municipality has a number of previously established reserves that need to be assessed for current relevance.
10. That the majority of 2019 expenses will be subject to inflation.
11. That 2016 increases in assessment will not be fully realized until 2020 due to phase in and that assessment decreases have already been accounted for in 2017.
12. That not all taxpayers pay their property taxes within the current tax year.
13. That the Municipality has an appropriate reserve fund/allocation (approx. \$1.2 million) in relation to the approximately \$6.7 million asset replacement cost.
14. That the Municipality received just over \$203,000 in Service Modernization Funding.
15. That Municipalities must pass a balanced budget which means that revenues must equal expenses.

PROPOSED BUDGET

There are a couple of things to note about the proposed budget:

- 1) The previous years totals are based on general categorization of revenues and expenses as per the reporting requirements of the FIR (Financial Information Return) rather than the Chart of Accounts which is used for categorizing operating revenues and expenses as well as providing Council with ongoing variance reports.
- 2) Prior year actuals are based on amounts recorded in the accounting software and have not been verified or evaluated based on audit values.

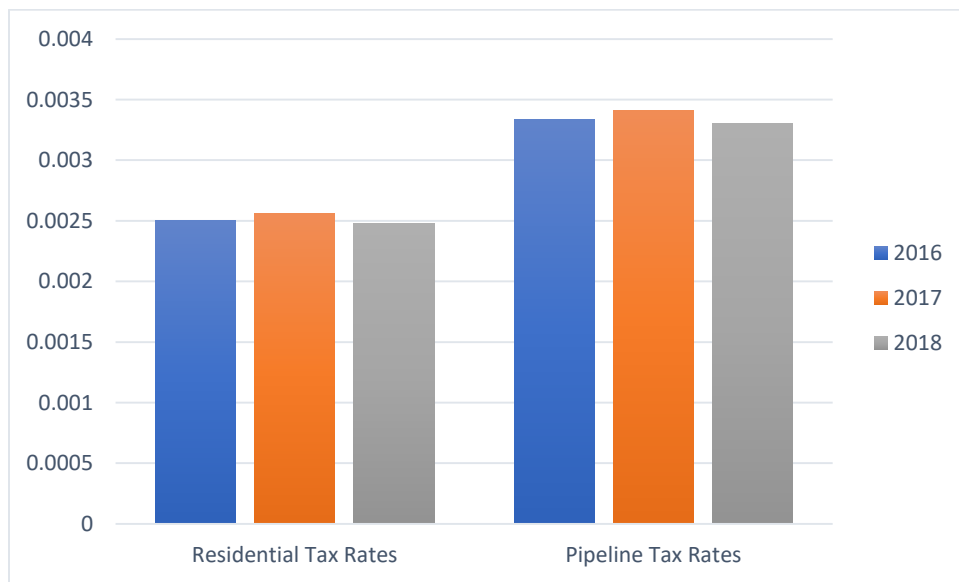
	ACTUALS		Proposed
	2017	2018	2019
Expenses			
General Government	\$ 496,676.00	\$ 573,304.00	\$ 487,420.00
Protection Services	\$ 104,720.00	\$ 121,116.00	\$ 104,730.00
Transportation Services	\$ 156,349.00	\$ 134,824.00	\$ 156,800.00
Environmental Services	\$ 68,592.00	\$ 82,908.00	\$ 68,750.00
Health Services	\$ 1,017.00	\$ 1,017.00	\$ 1,020.00
Social & Family Services			
Recreational & Cultural Services	\$ 162,394.00	\$ 82,946.00	\$ 52,100.00
Land Use Planning & Development	\$ -	\$ 700.00	\$ -
TOTAL	\$ 989,748.00	\$ 996,815.00	\$ 870,820.00
Transfers to Reserves	\$ 4,200.00	\$ 96,500.00	\$ 203,000.00
Capital Budget	\$ 166,897.00	\$ 2,949.00	\$ -
TOTAL	\$ 171,097.00	\$ 99,449.00	\$ 203,000.00
Grand Total	\$ 1,160,845.00	\$ 1,096,264.00	\$ 1,073,820.00
Previous year Operating Surplus		\$ 37,350.00	\$ 60,800.00
Grants	\$ 91,047.00	\$ 85,232.00	\$ 388,054.00
Revenues	\$ 222,644.00	\$ 198,367.00	\$ 54,750.00
	\$ 313,691.00	\$ 320,949.00	\$ 503,604.00
DIFFERENCE	-\$ 847,154.00	-\$ 775,315.00	-\$ 570,216.00
Transfers from Reserve	\$ 372,479.00	\$ 50,000.00	\$ -
Taxation	\$ 747,380.00	\$ 671,188.00	\$ 570,216.00
	\$ 272,705.00	-\$ 54,127.00	\$ -

The proposed budget represents a decrease of \$100,972 over what was collected in taxation in 2018 and is \$177,164 less than what was collected in taxation in 2017.

How does this affect Property Taxes?

Property taxes are calculated based on established tax rates. In simple terms, tax rates are calculated by the amount of money needed as determined in the budget (\$570,216.00) divided by the total assessment. Tax ratios may be applied to offset assessment reductions in a given tax class so that properties in that tax class continue to pay the same share of the assessment.

The graph below depicts the change in tax rates from 2016 to 2018 for the residential and the pipeline property classes.



The table below shows the amount of municipal tax that a residential property owner would have paid based on \$100,000 dollars of assessment and the established tax rates.

	Residential Tax Rates	\$100,000 Assessment
2016	0.00250208	\$ 250.21
2017	0.00256106	\$ 256.11
2018	0.00247867	\$ 247.87

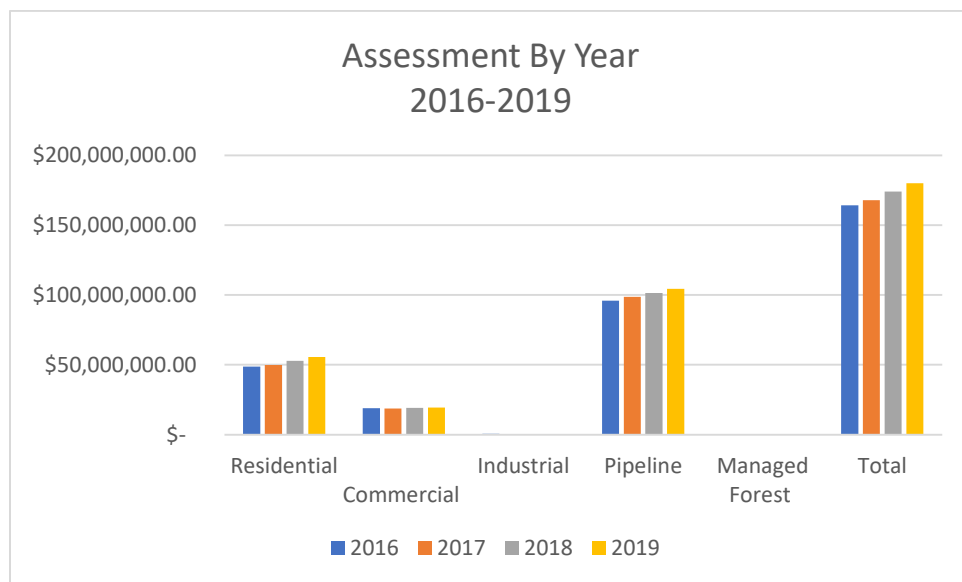
Based on the proposed budget the residential tax rate would be 0.00246947 and the taxes on \$100,000 of Assessment would be \$246.95.

ASSESSMENT CHANGES

The following table summarizes property assessment by property class over a four-year period.

Year	Residential	Commercial	Industrial	Pipeline	Managed Forest	Total
2016	\$ 48,780,306.00	\$ 18,891,345.00	\$ 599,849.00	\$ 95,765,000.00	\$ 132,200.00	\$ 164,168,700.00
2017	\$ 49,933,705.00	\$ 18,693,725.00	\$ 384,400.00	\$ 98,619,750.00	\$ 174,325.00	\$ 167,805,905.00
2018	\$ 52,770,858.00	\$ 19,075,050.00	\$ 380,007.00	\$ 101,474,500.00	\$ 232,600.00	\$ 173,933,015.00
2019	\$ 55,562,734.00	\$ 19,389,257.00	\$ 372,725.00	\$ 104,329,250.00	\$ 282,800.00	\$ 179,936,766.00

NOTE: Pipeline Assessment is significant - when added together, Residential, Commercial, Industrial and Managed Forest assessment for 2019 totals \$ 75,607,516.00 which is considerably less than the Pipeline assessment. Pipeline assessment represents 58% of the overall property type in the Municipality.



Increases in assessment are largely due to the phase in of the 2016 reassessment and not growth.

Breakdown of Budgeted Revenue

In the prior year General Government actuals Grants were included as revenue. In the 2019 Proposed Budgets, Grants are considered as a separate funding source and not a revenue.

	ACTUALS		Proposed
	2017	2018	2019
Revenue			
General Government	\$ 150,544.00	\$ 162,911.00	\$ 22,800.00
Fees & Permits	\$ 3,748.00	\$ 2,060.00	\$ 1,500.00
Recycling	\$ 26,222.00	\$ 16,887.00	\$ 13,500.00
Helipad	\$ -	\$ -	\$ -
Parks & Recreation	\$ 42,130.00	\$ 16,509.00	\$ 16,950.00
	\$ 222,644.00	\$ 198,367.00	\$ 54,750.00

Breakdown of Grants

Grants	2019
OCIF	\$ 50,000.00
OMPF	\$ 59,900.00
Transistion	\$ 203,410.00
Gas Tax	\$ 15,000.00
Cannabis	\$ 10,000.00
Seniors Program	\$ 11,880.00
Revitalization	\$ 37,864.00
	\$ 388,054.00

Analysis of Expense Categories

General Government

Refers to the following expenses:

- Employee wages, benefits, professional development and related expenses. This amount is not broken down by department in accordance with privacy protection provisions of the *Municipal Freedom of Information and Privacy Protection* legislation.
 - Payroll and related expenses have been maintained at the level of the previous year and will likely be amended in future budgets as the strategies identified in the Operational Review are implemented.

- Council expenses include the established honorarium as per the Remuneration Bylaw and an allowance for Integrity Commissioner Advice and/or legal opinions.
- General administration expenses include:
 - Audit Costs
 - Communication, Computer Software and Internet Costs
 - Legal Expenses (these expenses have not been broken down by department in the past and have been allocated within the General Government Category with the expectation that in 2019 the costs will be appropriately distributed.
 - Insurance (these costs will be allocated to departments in future budgets).
- Legislation prohibits municipalities from writing off taxes unless all tax collection avenues have been exhausted and a tax sale is unsuccessful. In 2018 the cost of external tax collection activities has been included as “taxes written off” as the Chart of Accounts did not have appropriate accounts to allocate the expenses to. This will be rectified in 2019. The amounts included in the 2018 expenses represent amounts that would be collected upon the successful sale of properties that are in arrears. The *Municipal Act* provides that a tax sale process can be commenced when property taxes have not been paid for two full years.

		ACTUALS		Proposed
		2017	2018	2019
Recreation & Cultural Services				
	Recreation Committee	\$ 17,982.00	\$ 8,370.00	\$ 10,150.00
	Recreation Hall	\$ 67,754.00	\$ 18,368.00	\$ 17,450.00
	Grounds Maintenance	\$ 12,269.00	\$ 12,250.00	\$ 12,620.00
	Recreation Grants	\$ 64,389.00	\$ 43,958.00	\$ 11,880.00
		\$ 162,394.00	\$ 82,946.00	\$ 52,100.00

Protection Services

Legislation requires municipalities to provide specific services related to public and personal safety. These include:

- Fire Prevention (smoke alarms and other fire safety programs)
- Policing (currently contracted to the Ontario Provincial Police)
- Emergency planning, training and preparedness
- Compliance with the Building Code which requires municipalities appoint a Chief Building Official who has the responsibility to enforce

the *Building Code* and other property related Bylaws established by the Municipality.

- Bylaw Enforcement – this was an expenditure addressed in the 2018 budget that was not acted upon. It has been considered in the 2019 budget process but has not been included in the proposed 2019 expenditures.

		ACTUALS		Proposed
		2017	2018	2019
Protection Services				
	Building Permits & Fees	\$ 1,840.00	\$ 2,414.00	\$ 2,450.00
	Emergency Management	\$ 612.00	\$ 340.00	\$ 510.00
	Fires Services	\$ 10,787.00	\$ 12,375.00	\$ 12,000.00
	Policing	\$ 91,481.00	\$ 105,987.00	\$ 89,770.00
	Helipad	\$ -	\$ -	\$ -
		\$ 104,720.00	\$ 121,116.00	\$ 104,730.00

Transportation Services

Transportation services refers to summer and winter road maintenance along with capital projects. In 2019 the Asset Management Plan identifies culverts that need to be replaced with an estimated cost of \$20,138. This figure has been included as an operational cost and not a capital expenditure in keeping with past practice. This is a historic practice that will be changed in 2020 wherein capital projects will be excluded from the operational budget and accounted for separately.

Road maintenance (summer or winter) is primarily a contracted service and dependent upon the availability of a willing service provider.

Environmental Services

Environmental services include landfill capital and operating costs and includes garbage collection and recycling program costs.

Health Services

The amount included in this section of the budget pertains to Physician recruitment. There are no other amounts included for these mandated services as they are provided by and billed for by Renfrew County.

Social and Family Services

There is no amount included for these mandated services as they are provided by and billed for by Renfrew County.

Recreational and Cultural Services

This portion of the budget reflects the costs of operating/managing the following which has been partly established by the Recreation Committee:

- Recreation Activities (which includes the operation of the bar etc.)
- The Municipal Hall Operation and Maintenance
- Park & Playground Maintenance (includes grass cutting)

It is important to note that Library Services have not been included in this portion of the budget. The Library Board is obligated to prepare a budget for consideration by the Municipality who may choose what, if any financial or in-kind support they will allocate. The Municipality has not made a direct financial contribution to the Library Board and has opted to provide services in lieu of providing funding. These services include the physical space where the library is located, insurance, financial management and other services as have been required.

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Land Use Planning Services

The Municipality relies on the County for these services. From time to time legal advice is needed for land use planning matters and has not been allocated to this service but has been included in General Government.