

Report FR-TAPS-30-16

To: Chair Bell and Members of the Transportation and Public Safety Committee
From: Kevin Wepler, Director of Finance
Meeting Date: October 11, 2016
Subject: **2017 Corporate Budget Overview and Background**
Status: Recommendation adopted by Committee as presented per Resolution TAPS105-16; Endorsed by County Council November 1, 2016 per Resolution CC136-16;

Recommendation(s)

- 1. That Report FR-TAPS-30-16 regarding the 2017 Corporate Budget Overview and Background be received for information.**

Background

Budget assumptions and directions were used by Finance and other County departments to prepare the draft 2017 budget. These assumptions included such items as audit fees, insurance costs, utility and fuel costs, wages and benefits, and telephone and cellular costs.

The 2017 draft budget has been prepared to maintain services that support the departments' mandates, legislative requirements, and also deliver on County Council's stated priorities and expectations for service levels.

The purpose of this report is to provide information on the 2017 Corporate draft budget in order that each Standing Committee is aware of the overall 2017 funding requirements needed to meet the proposed budgets as developed by staff and are being recommended to the applicable Standing Committee.

2017 Budget at a Glance

The 2017 budget as proposed by staff, contemplates an estimated net levy requirement of \$54,420,034, which is an estimated net tax levy increase of 1.97% or an increase of \$1,053,670 to be raised from taxation as compared to the 2016 budget plus the estimated \$466,744 in 2016 new assessment growth totaling \$53,366,364.

The 2017 proposed funding requirements as summarized by Committee are detailed below:

2017 Draft Budget – Net Levy Requirement

Committee	2016 Net Levy	2017 Net Levy	Increase / (Decrease)	% Change
Corporate Services	\$9,050,413	\$9,205,884	\$155,471	
Planning & Community Development	\$4,137,900	\$4,273,313	\$135,413	
Social Services	\$16,676,199	\$17,534,464	\$858,265	
Transportation and Public Safety	\$23,035,108	\$23,814,485	\$779,377	
Funding Required	\$52,899,620	\$54,828,146	\$1,928,526	3.65%
2017 Ontario Works Benefits Upload*		(\$408,112)	(\$408,112)	
New Assessment Growth	\$466,744		(\$466,744)	
Additional Funding to be Raised from Taxation – Net Levy Increase	\$53,366,364	\$54,420,034	\$1,053,670	1.97%

*Estimated additional Provincial revenue with on-going upload of Ontario Works benefits.

The additional property tax revenue from new construction, often referred to as assessment growth, is being incorporated into the 2017 budget based on historical trends of the past three years (2013-2015), which is estimated to provide \$466,744 in additional tax revenue. The 2016 assessment growth number will not be confirmed by the Municipal Property Assessment Corporation (MPAC) until December 2016.

The funding required to be raised from taxation will be impacted if assessment growth does not meet or exceeds the estimated \$466,744 in taxation. If this revenue exceeds \$466,744, it is being recommended that this additional revenue be transferred to the one-time funding reserve to be utilized in the 2018 budget to assist with future capital rehabilitation and/or replacement projects.

For the 2017 budget, the Non-Union Employee Group annual wage increase has been calculated at an increase of 1.63%. This increase has been calculated utilizing the annual wage calculation formula as approved in report HRR-CS-11-15 which utilizes the average of the following five data sources:

- Comparator Group
- Consumer Price Index
- OMERS CPI

- County Union Increases
- McDowell and Associates Municipal Survey.

The Social Services budgets are benefiting from the Province's upload of municipal costs. The estimated impact for 2017 is a levy reduction of \$408,112. Staff has proposed in the 2017 budget that the use of \$133,000 in Caseload Reserve funding be reduced over the next 2 years in order to be phased out as the Ontario Works upload is phased-in. This is resulting in a 2017 budget increase of \$67,000. The Ontario benefit costs are to be fully uploaded by the Province by 2018.

Ontario Works' (OW) Social Assistance budget has been budgeted with no caseload increase for 2017. Ministry reports show that the caseload has stabilized and therefore the 2017 budget is based on an average caseload of 1,344, as per current Ministry data. If the caseload were to increase in 2017, any funding could be offset with the use of reserve funding from the Caseload Reserve. For 2017, the Province has mandated a 4.7% rate increase for Basic Needs and a 1.5% rate increase for Shelter. These increases have been incorporated into the 2017 budget.

The Net Levy Requirement chart above shows for the Social Services portfolio of budgets, an overall net increase (less the Provincial upload) of approximately \$450,000. Contributing factors to this increase are the Housing and Long Term Care budget increases in wages and benefits, utilities and the loss of provincial and federal grants.

The Transportation Services budget has requested a levy increase of \$469,572. Staff has proposed increasing the levy funding for Construction, Resurfacing and Minor Capital budget by \$260,110. This increase is lower than proposed in the 2017-2021 Five Year Capital Forecast as this budget is being assisted with additional Ontario Community Infrastructure Fund (OCIF) funding in the amount of \$249,195, and an additional \$200,000 in Federal Gas Tax funding.

The need to increase Construction, Resurfacing and Minor Capital spending has been identified in the 2017-2021 Five Year Capital Program and in the County's Asset Management plan. While on average the County's assets are generally in fair condition, there are substantial accumulated demands on the County in the short term, which has resulted in a significant backlog of needs.

The County's 2013 Asset Management Plan has stated that the annual investment required for paved roads, bridges and culverts is \$22,207,000. This Plan met all requirements as outlined within the provincial *Building Together Guide for Municipal Asset Management Plans* and addressed the mandatory asset classes of roads, bridges and social housing. According to this Plan, these infrastructure categories are currently funded at 40% of their long-term requirements. Without consideration of any other sources of revenue, full funding would require a combined increase of 27.3% over time. This would equate to increasing tax revenues by 1.8% each year for the next 15 years.

The County is currently updating the Asset Management Plan and the results of this Plan update will be reported later in 2016. Included in this update will be the asset classes previously addressed in the 2013 Plan along with all of the other assets owned and managed by the County. As well, the County is currently undertaking building condition assessments on various building portfolios. The results of these building condition assessments will also provide information for inclusion in future Asset Management Plan updates and assist with long term financial planning.

The Property capital budget includes funding required to meet the estimated self-financed debenture for the expansion and renovation to the existing County Administration Building.

Based on the tendered total build cost that has been awarded to the Devlan Construction Ltd., plus contingency items less the funding that has been placed into reserves, an estimated debenture for approximately \$8,557,938 would be required. The annual debt payment to fund this debenture over a loan term of 15 years at an annual interest rate of 2.80% has been calculated to equal \$706,539.

The 2016 Property capital budget had provided \$600,207 as a transfer to reserve. This reserve funding budget amount was a planned annual increased contribution working towards providing funding to meet the required debenture payment beginning in 2017. The 2017 Property capital budget has been increased by \$106,332 to meet the required debenture payment.

There are a number of other items impacting the 2017 budget and these are identified in the staff budget reports to each of the Standing Committees along with detailed budget packages for Committees' review and consideration.

Service Levels, New Initiatives and Staffing Level Changes

The 2017 budget has been developed with the costs of maintaining current programs at current service levels. Any staffing level changes and/or service level enhancements are to be reported to each of the Standing Committees for their review and consideration.

Those proposed staffing level changes that have been identified in the 2017 draft budgets are detailed below.

2017 Draft Budget - Proposed Staffing Level Changes

Department/Function	Position	Full Time Equivalent	Implementation Date	Salary & Benefit Costs	Net Cost*
Clerk	Contract Administrative Support	1.0	January 2017	\$59,800	\$0
Communication	Manager	1.0	January 2017	\$94,400	\$94,400
Communication	Communications Officer	(0.5)	January 2017	(\$46,100)	(\$46,100)
Information Technology	Information Services Coordinator (Help Desk)	1.0	January 2017	\$92,000	\$0
Economic Development	Manager	1.0	October 2016	\$110,100	\$110,100
Economic Development	Economic Development Officer	(1.0)	July 2016	(\$87,000)	(\$87,000)
Economic Development & Tourism	Economic Development and Tourism Officer	(1.0)	July 2016	(\$59,400)	(\$59,400)
Economic Development – Intelligent Community	Project Lead	0.5	January 2017	\$46,100	\$46,100
Grey Roots	Visitor Services	0.2	January 2017	\$4,100	\$0
Housing	Technical Supervisor	1.0	October 2016	\$87,600	\$0
Child Care	Supervisor	1.0	January 2017	\$96,200	\$25,500
Child Care	Data Analysis Coordinator	1.0	January 2017	\$73,200	\$1,800
Long Term Care - Administration	Contract - Quality Support Secondment	0.5	January 2017	\$39,800	\$0
Long Term Care – Grey Gables	Programs – Student	0.2	January 2017	\$4,700	\$4,700
Long Term Care – Rockwood Terrace	Reg. Practical Nurse – Wound and Physician Assistance	0.4	January 2017	\$35,400	\$35,400
Transportation Services	Asset Management Coordinator	1.0	September 2016	\$113,200	\$38,200
Sub-Total		7.3		\$664,100	\$163,700
Net Total: Less Contract Positions		5.8		\$564,500	\$163,700

*Some positions are cost shared with Province, Partners, additional Revenues and/or Reserves.

Potential Risks

As stated previously, staff believes these proposed budgets to be prudent and responsible. In saying this, there are some risks assumed in these budgets which could possibly impact the organization if budget assumptions are incorrect. Some of these are as follows:

- Legal costs – Conservative estimates have been provided in Departmental budgets for 2017. The County will be entering into contract negotiations in 2017 with some bargaining units and therefore legal assistance may be required to assist with these negotiations, along with any arbitrations that are initiated. The numbers of arbitrations that are initiated in a year are difficult to predict.
- Provincial Funding Increases – Budgets for 2017 have been developed incorporating Provincial funding increases based on historical information and/or ministry memorandums. For example, Paramedic Services budget has been drafted based on the 2016 approved operating budget with a 1.50% inflationary increase to be cost shared 50:50 with the Ministry of Health. If the Province does not provide inflationary increases or make changes to any funding formulas, such as Long Term Care Case Mix Index, etc. these could have an impact on 2017 budgets.
- Electricity costs – It is difficult to predict electricity costs as there are many factors that impact the price of this commodity. It has been recommended for 2017 budgets that budgets be drafted using a 10% increase as a basis point. The Ontario Government has announced a rebate on electricity bills equal to the provincial portion (eight percent) of the 13 per cent harmonized sales tax (HST). At this time, it is not clear as to how this rebate will be implemented and therefore staff has not considered this rebate in calculating 2017 budgets. .

Financial / Staffing / Legal / Information Technology

Considerations

The proposed budgets as developed by staff and recommended to the applicable Standing Committees will require an additional \$1,928,526 to be raised from taxation or an estimated levy increase of 3.65%. This 2017 budgetary levy increase has been estimated to be offset or reduced by \$408,112 with the provincial phased-in upload of Ontario Works benefit. As well, the 2017 budget is being estimated to be assisted with

an additional \$466,744 in new 2016 assessment growth. This would then equate to a 2017 net budgetary levy increase of 1.97% to be raised from taxation.

In order to realize an overall net levy increase of less than 1.97%, further budgetary reductions and/or the use of one-time funding sources will be required.

This report has been presented to provide information to each Standing Committee in order that they are aware of the 2017 funding requirements and the impact each of the proposed budgets under their direction and control has on the overall corporate budget.

This estimated net levy increase of 1.97%, could change if the 2016 estimated assessment growth of \$466,744 is not realized. For Committee's information a 1% levy increase equals approximately \$533,664.

Staff look forward to these proposed budgets being reviewed and would appreciate any direction as to where staff could consider any possible changes.

Link to Strategic Goals / Priorities

Communication is a key value to the County's Strategic Plan. This report provides information to Council in regards to the County's 2017 budget, funding requirements, service levels, new initiatives, staffing level changes and potential risks.

Attachments

None

Respectfully submitted by,

Kevin Weppeler
Director of Finance