

Report FR-PCD-36-15

To: Chair Wright and Members of the Planning and Community Development Committee
From: Kevin Wepler, Director of Finance
Meeting Date: October 20, 2015
Subject: **2016 Corporate Budget Overview and Background**
Status: Recommendation adopted by Committee as presented per Resolution PCD127-15; Endorsed by County Council November 3, 2015 per Resolution CC149-15;

Recommendation(s)

THAT Report FR-PCD-36-15 regarding the 2016 Corporate Budget Overview and Background be received for information.

Background

County Council on September 1, 2015 endorsed Resolution CS87-15, which provided proposed budget assumptions and directions to be used to develop the draft 2016 County budget process based on a tax levy increase of 2% net of any 2015 assessment growth.

Budget assumptions and directions were used by Finance and other County departments to prepare the draft 2016 budget. The 2016 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 2016 Corporate draft budget in order that each Standing Committee is aware of the overall 2016 funding requirements needed to meet the proposed budgets as developed by staff and are being recommended to the applicable Standing Committee.

2016 Budget at a Glance

The 2016 budget as proposed by staff, contemplates an estimated net levy requirement of \$53,198,210, which is an estimated net tax levy increase of 2.46% or an increase of \$1,276,399 to be raised from taxation as compared to the 2015 budget plus the estimated \$500,000 in 2015 new assessment growth totaling \$51,921,811.

The 2016 proposed funding requirements as summarized by Committee are detailed below:

2016 Draft Budget – Net Levy Requirement

Committee	2015 Net Levy	2016 Net Levy	Increase / (Decrease)	% Change
Corporate Services	\$8,774,933	\$9,148,286	\$373,353	
Planning & Community Development	\$4,017,148	\$4,281,657	\$264,509	
Social Services	\$16,554,273	\$17,075,309	\$521,036	
Transportation and Public Safety	\$22,075,457	\$23,077,068	\$1,001,611	
Funding Required	\$51,421,811	\$53,582,320	\$2,160,509	4.20%
2016 Ontario Works Benefits Upload*		(\$384,110)	(\$384,110)	
New Assessment Growth	\$500,000		(\$500,000)	
Additional Funding to be Raised from Taxation – Net Levy Increase	\$51,921,811	\$53,198,210	\$1,276,399	2.46%

*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 2016 budget based on historical trends of approximately 1% or \$500,000 in additional tax revenue. The 2016 assessment growth number will not be confirmed by the Municipal Property Assessment Corporation (MPAC) until December 2015. The funding required to be raised from taxation will be impacted if assessment growth does not meet or exceeds the estimated \$500,000 in taxation.

For the 2016 budget, the Workers' Compensation premium rates for Paramedic Services and Long Term Care have been decreased by approximately 25% to reflect the lower claim costs that have been required to be funded from the self-insured Workers' Compensation budget. The Human Resources Department has been working closely with Paramedic Services and Long Term Care operations in order to reduce lost time and while this work has been successful, some of the savings being realized in the Workers' Compensation budget has been offset with increased costs in the Paramedic Services and Long Term Care budgets with additional funds required for modified duty.

Group benefit costs for items such as LTD, Health, and Dental benefits coverage are estimated to increase approximately 7.5% for 2016 based on current claim costs.

The Social Services budgets are benefiting from the Province's upload of municipal costs. The estimated impact for 2016 is a levy reduction of \$384,110. Staff has proposed in the 2016 budget that the use of \$200,000 in Caseload Reserve funding be reduced over the next 3 years in order to be phased out as the Ontario Works upload is phased-in. This is resulting in a 2016 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 2016. Social Services staff is anticipating that caseloads may increase for 2016. If these caseload increases are realized, the funding deficit will then be offset

with reserve funding from the Caseload Reserve. For 2016, the Province has mandated a rate increase for Basic Needs and Shelter. These increases have been incorporated into the 2016 budget.

The Transportation Services budget has requested a levy increase of \$731,099. Staff has proposed increasing the levy funding for Construction, Resurfacing and Minor Capital budget by \$1,191,361. Some of this budgeted increase is being offset by efficiencies that have been realized in maintenance activities and based on historical maintenance costs.

The need to increase Construction, Resurfacing and Minor Capital spending has been identified in the 2016-2020 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. 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 Property capital budget includes an additional \$175,000 being transferred to reserve in 2016 in an attempt to provide funding for the proposed addition and renovation to the existing County Administration Building. This reserve funding budget amount is a planned annual increased contribution working towards providing funding to meet the required debenture payment beginning in 2017.

Based on the estimated total build cost that has been provided by the Ventin Group, less the funding that has been placed into reserves and/or is being budgeted in the future to be placed into reserves, an estimated debenture for approximately \$9.8 million would be required. The annual debt payment to fund this debenture over a loan term of 15 years at an annual interest rate of 2.73% has been calculated to equal \$802,743.

There are a number of other items impacting the 2016 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 2016 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 2016 draft budgets are detailed below.

Proposed Staffing Level Changes:

Department/Function	Position	Full Time Equivalent	Implementation Date	Gross Cost	Net Cost*
Provincial Offences	Court Services Clerk	1.00	January 2016	\$59,500	\$35,254
Provincial Offences	Student	(0.33)	May 2016	(\$8,900)	(\$5,273)
Tourism/Economic Development	Tourism/Economic Development Officer	1.00	January 2016	\$78,700	\$78,700
Economic Development – Intelligent Community	Programs Coordinator	1.00	January 2016	\$83,300	\$83,300
Grey Roots – Visitor Services	Customer Service Representative(s)	0.07	January 2016	\$4,100	\$4,100
Social Services – Ontario Works	Caseworker - Contract	1.00	January 2015 (Contract extended for 1 additional year)	\$66,800	\$0
Social Services – Ontario Works	Finance Officer – Contract	1.00	January 2016 (1 year contract)	\$63,700	\$0
Long Term Care – Rockwood Terrace	Maintenance	0.20	January 2016	\$13,800	\$13,800
Transportation Services	Shop Foreman	(1.00)	January 2016	(\$104,171)	(\$104,171)
Sub-Total:		3.94		\$256,829	\$105,710
Net Total: Less 1 Year Contract Positions		1.94		\$126,329	\$105,710

*Some positions are cost shared with Province, Partners 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 2016. The County has finalized contract negotiations in 2015 and therefore should only be requiring legal assistance for arbitrations that are initiated. The numbers of arbitrations that are initiated in a year are difficult to predict.
- Pay Equity – The County is reviewing pay equity requirements for employees of a Long Term Care operation. The outcomes, if any, are not known at this time and therefore this item has the potential to impact the 2016 budget.
- Provincial Funding Increases – Budgets for 2016 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 2015 approved operating budget with a 1.75% 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 2016 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 \$2,160,509 to be raised from taxation or an estimated levy increase of 4.20%. This 2016 budgetary levy increase has been estimated to be offset or reduced by \$384,110 with the provincial phased-in upload of Ontario Works benefit. As well, the 2016 budget is being estimated to be assisted with an additional \$500,000 in new 2015 assessment growth. This would then equate to a 2016 net budgetary levy increase of 2.46% to be raised from taxation.

2016 Draft Budget – Net Levy Requirement

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

In order to realize an overall net levy increase of 2%, further budgetary reductions and/or the use of one-time funding sources in the amount of \$237,962 will be required.

This report has been drafted to provide information to each Standing Committee in order that they are aware of the 2016 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 2.46%, could change if the 2015 estimated assessment growth of \$500,000 is not realized. For Committee's information a 1% levy increase equals approximately \$519,218.

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 2016 budget, funding requirements, service levels, new initiatives, staffing level changes and potential risks.

Attachments

None

Respectfully submitted by,

Kevin Weppler
Director of Finance