

Type of Decision									
Meeting Date	Friday, February 18, 2011				Report Date	Tuesday, February 15, 2011			
Decision Required	X	Yes		No	Priority	X	High		Low
Direction	x	Information Only			Type of Meeting	X	Open		Closed
REPORT TITLE									
Budget Presentation Report 18/02/11/1205									

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

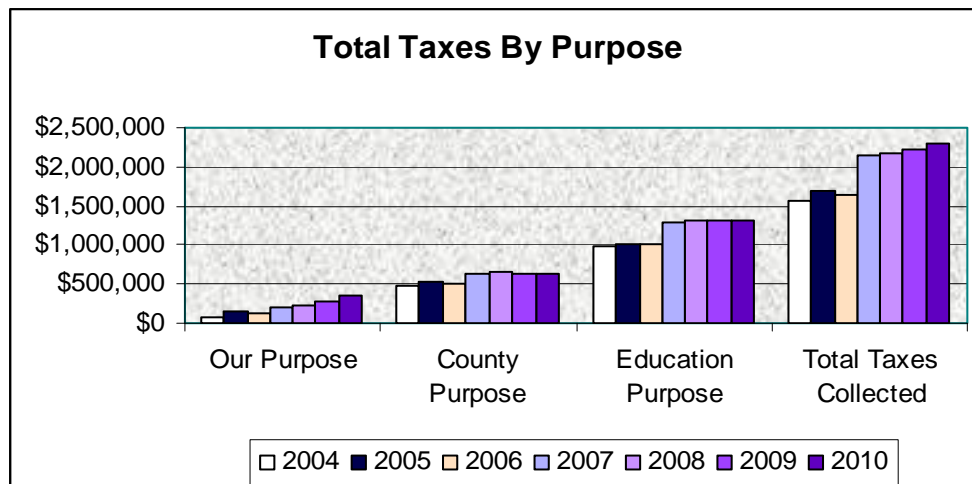
RECOMMENDATION: That Council consider the following information and make a decision setting the 2011 municipal portion of the tax rate from the options provided by staff, or by amending suggested options during discussion and debate. The option chosen by Council will be incorporated into the final budget document by staff. A by-law will then be prepared and presented at the next Council meeting.

BACKGROUND/EXECUTIVE SUMMARY:

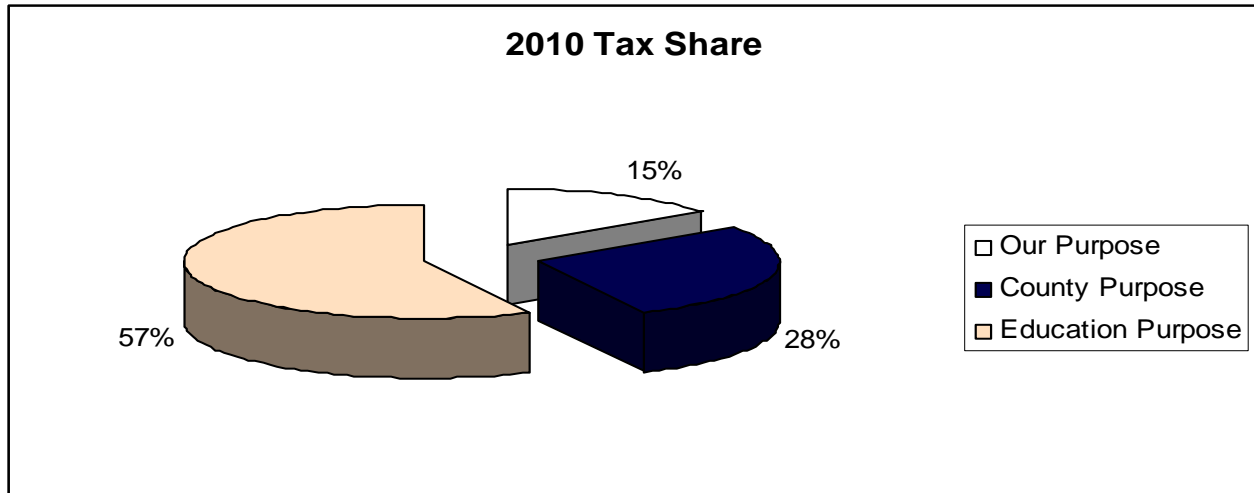
This report is intended to provide a history and background of the evolution of the level of taxes within the municipality and the rationale for suggestions for the 2011 budget. The report has been modified from the 2010 report. You have each been provided with a copy of the working document which is a line by line itemization of the actual budget working document.

The individuals noted below participated in creating this document and the budget for 2011. 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 following chart shows the historical level of taxes collected by and for the municipality, the county and the province (education rates)...



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



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 has been set at \$157,700. Since 2005, this municipality has received \$219,000 annually as non-conditional funding from the province. The decrease expected in 2011 was not realized at the full level with the province reconsidering funding levels. There is no guarantee for the future.

It is staff recommendation to increase taxes slightly to provide for the decreased funding that we will receive from the province and meet our basic operational needs. This amount allows us to meet our current expenses with little going toward special projects or reserves. Should we be successful in our grant applications, and utilize the \$6,000 to be withdrawn from facility management, withdrawals from reserves will be \$5,110 higher than transfers to reserves.

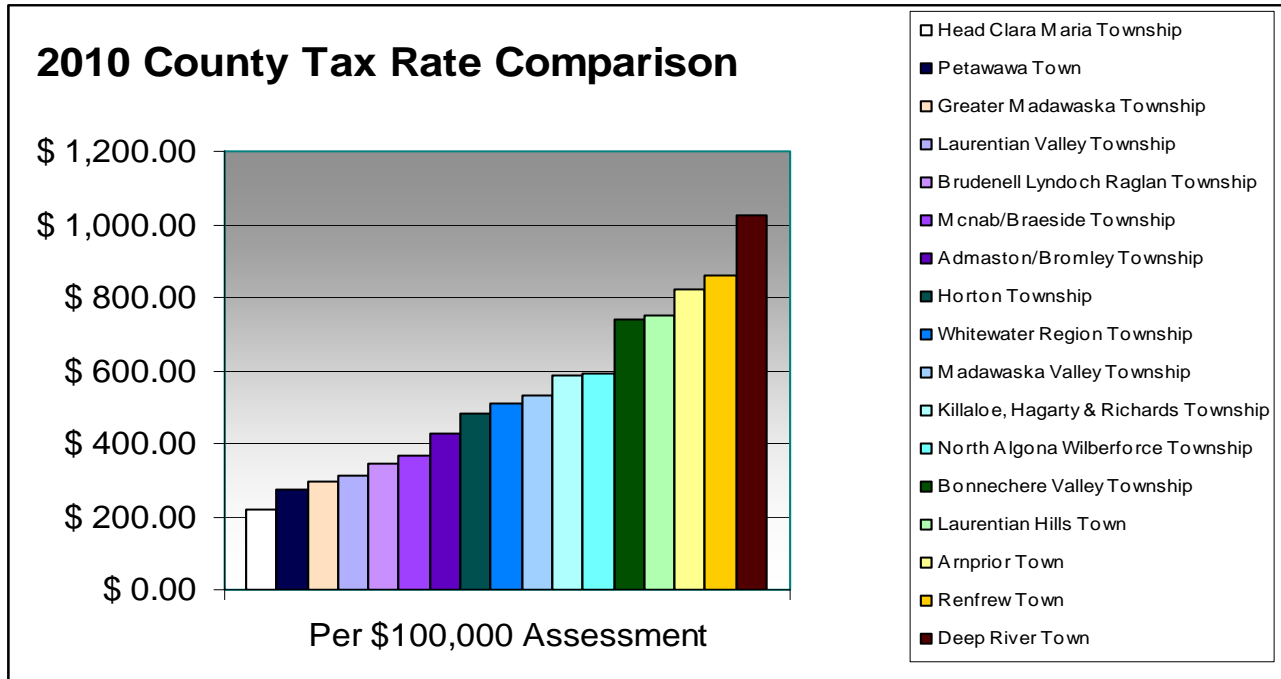
This level of funding will require the municipality to put a hold on any additional major purchases or projects (aside from those already committed to) for the near future.

Although we will not have an audited figure until sometime in early April, it is expected that there will be significant surplus for 2010, somewhere upwards of \$40,000. Current policy allows any surplus to be automatically deposited to the Working Capital Reserve which is near its target amount. Should we realize this size of a surplus, it is suggested that these funds be reallocated to various reserves. This conversation can take place at that time however the reserve list you have shows where funds are needed to meet targets set in years past.

How we Compare to the County Municipalities

Head, Clara & Maria is in the envious position of having the lowest residential taxes in the County. You would be hard pressed to find lower taxes in many municipalities in Ontario, save and except for the much more remote Northern locations. 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.

Comparison of our tax rates for 2010 with the other municipalities within the county.

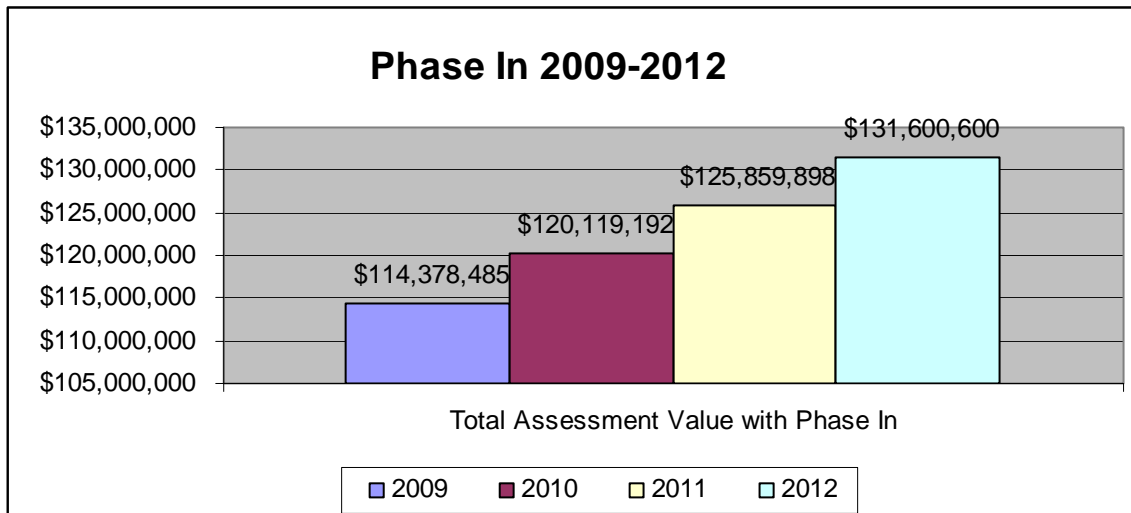


2011 Suggested Options for Consideration

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.

Below is a chart of the actual tax rates for 2007 – 2010 with three options for the municipal portion of taxes for 2011. This rate is the residential rate and all others will be set as per the ratios set by the County. The County rates are not presently known and we are obligated to apply them according to legislation.

The following chart shows the increase in assessment value adjusted for the already calculated and legislated phase-in. It does not include increases due to reassessments, new builds etc.



The Clerk's recommendation is option 1 which will allow minimal transfers to reserves but will fill in the gap created by minor OMPF funding and increased operating costs.

This increase does give consideration to the increase in assessment that will occur in 2011 with an additional 25% of the 2008 CVA to be included as illustrated above.

The Treasurer's recommendation is option 1 as well.

Council could consider increasing taxes to provide for increased reserves; however it is felt that reserves for planned expenses are within reach with additions to be made once a surplus has been determined by the auditors in early April.

The following chart shows the actual rates and amounts owing over the past three years. It shows the increases in taxes on a property assessed at \$100,000. It further shows the same data for the 3 options that staff has prepared for Council's consideration for 2011.

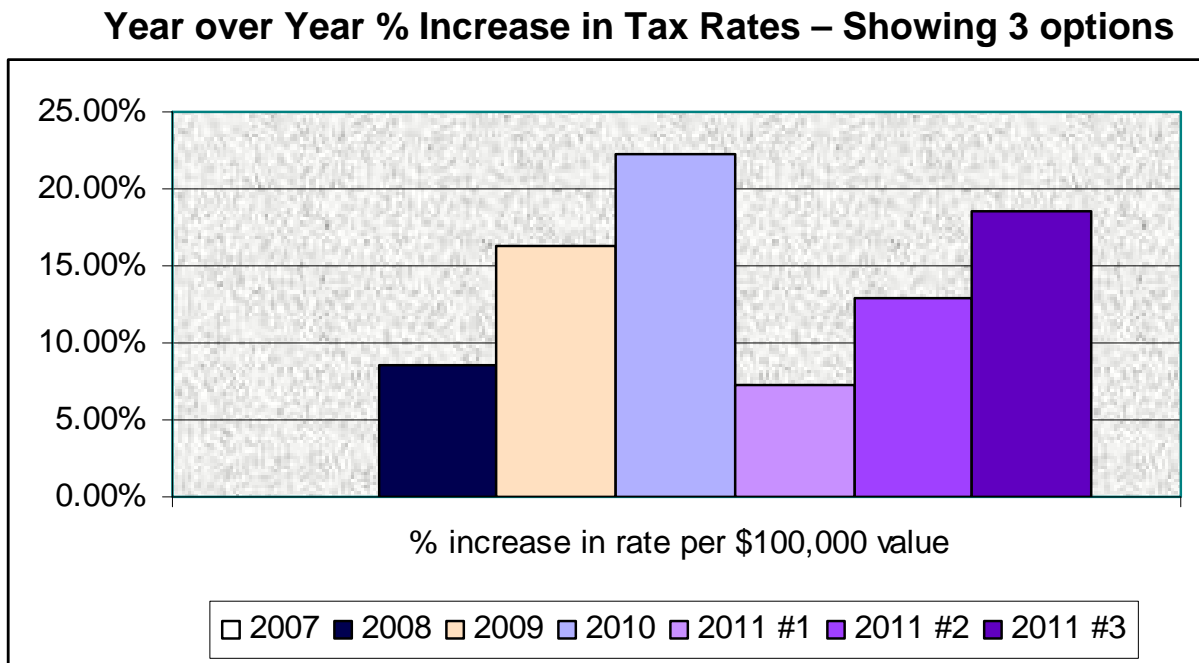
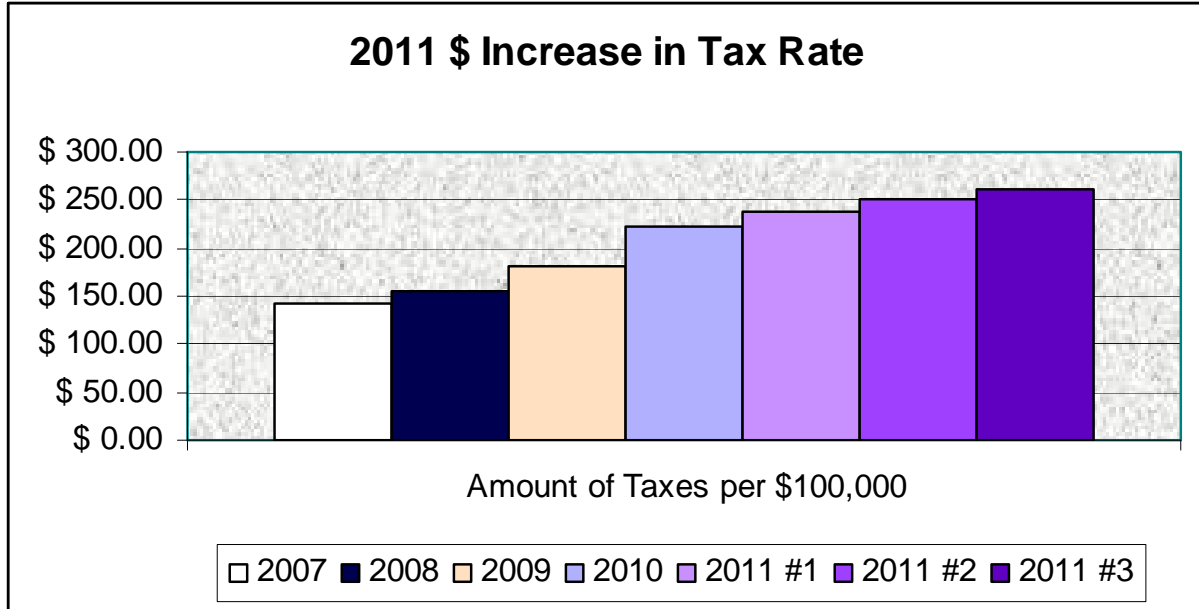
Year	Rate	Amount taxes per \$100,000	Increase over previous year	% increase in rate per \$100,000 value over previous year
2007	0.00143311	\$ 143.31	0	0
2008	0.00155496	\$ 155.50	\$12.19	8.50%
2009	0.00180944	\$ 180.94	\$25.45	16.37%
2010	0.00221217	\$ 221.22	\$40.27	22.26%
2011				
Option #1	0.00237373	\$ 237.37	\$16.16	7.30%
2011				
Option #2	0.00249719	\$ 249.72	\$28.50	12.88%
2011				
Option #3	0.00262066	\$ 262.07	\$40.85	18.47%

- 2011 #1 is the basic budget that meets needs but has no room for contingencies, special projects or 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 2011. You can see on that working document the changes compared to 2010 budgeted and 2010 actual expenses.
- 2011 #2 shows the increase in the amount of taxes owing per \$100,000 of property value which would be required to net an additional \$20,000 in taxation revenue to be used to increase reserves.
- Option 2011 #3 would net \$40,000 additional in tax revenue for own purposes and mean an increase in taxes over 2010 of \$40.85 for a property valued at \$100,000.
 - There are 83 residential properties within the municipality valued at over \$100,000, the majority being significantly less. Of these 13 are hunt camps leaving 70 residential properties which would be affected by 100% (or more) of the increase.

The final option will depend on the amounts this Council would like to contribute to reserves or special projects for 2011. Another consideration is whether or not Council wishes to maintain

current services to ratepayers or increase/decrease services and programs in this year and in the future.

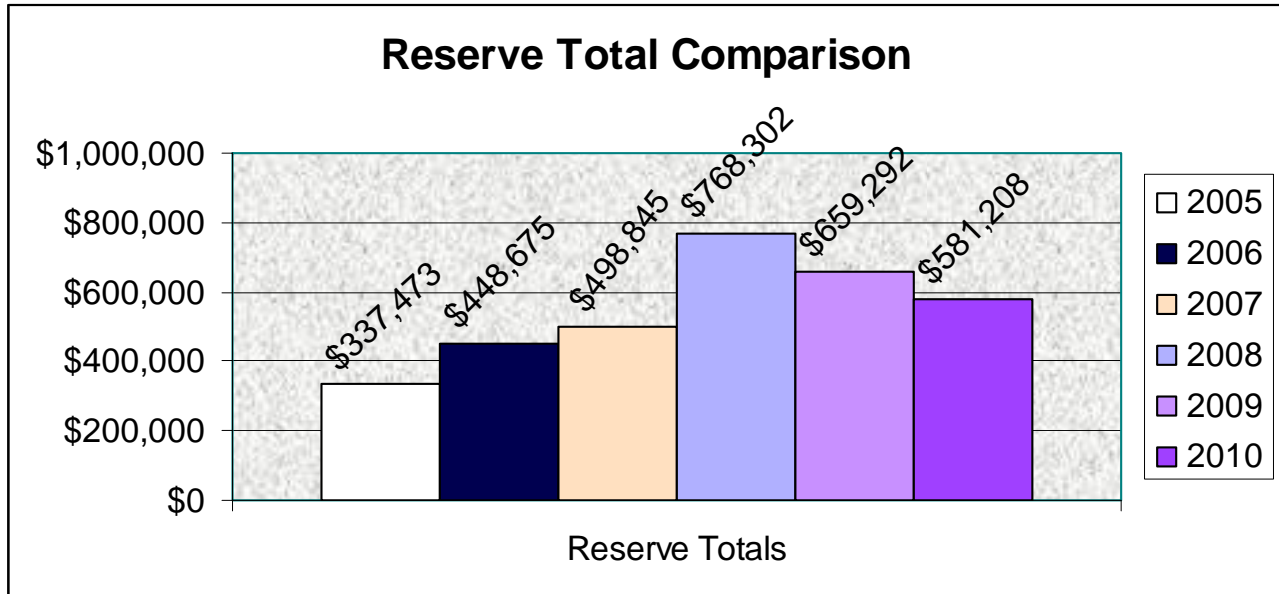
The following charts are simply a graphical representation of the data before you. They show the \$ increase and the % increase for the years 2007-2010 and for the 3 options for 2011.



Reserves

Currently, we have reserves of \$584,208. The amounts required by legislation for our Disposal Site closure and Post Closure is currently at \$196,828 short \$84,832 of the \$281,660 required. That does not mean that this shortfall is required to be funded in its entirety at present. It is the amount of money that will be required to close and monitor our three sites for the next 30 years. Contributions towards these costs can be made over the next few years.

Further consideration should be given to the costs of expanding the current sites and looking at other options for waste disposal. There is certainly room to plan for the future; Council's decision needs to be how much it should save during this budget process.



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.

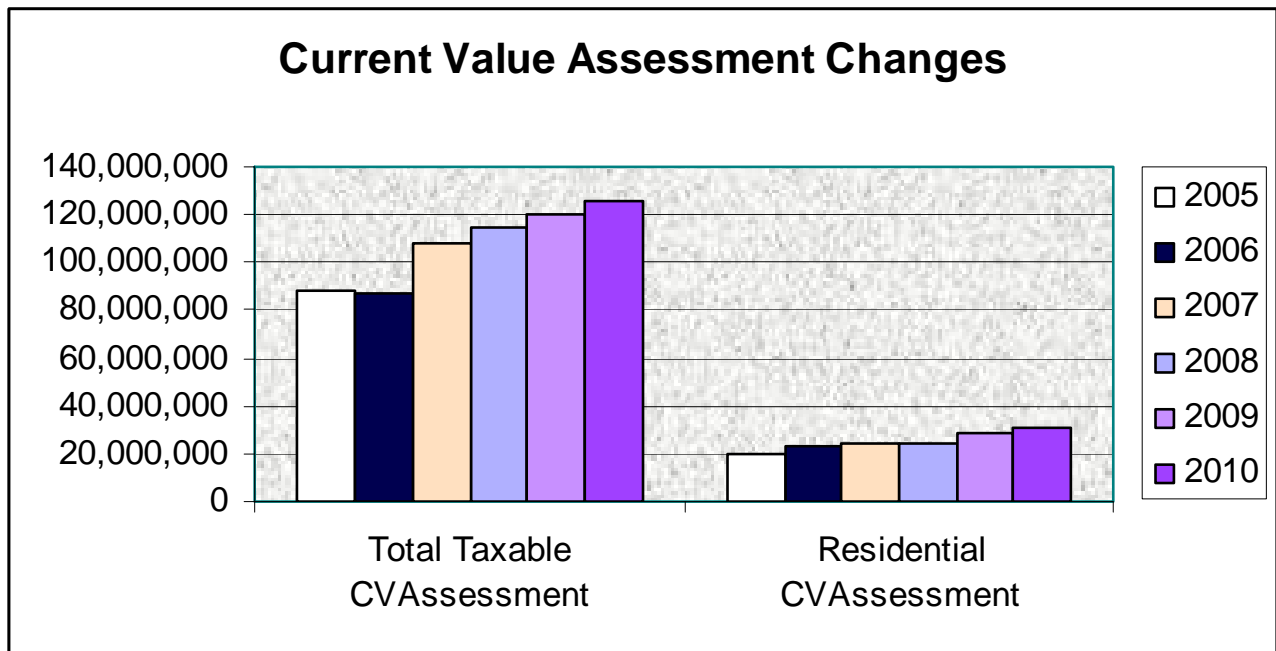
Current Value Assessment

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 2011. This assessment is an increase of 25% over 2010 based on the current method of phasing in the property values over 4 years. Another 25% increase will occur in 2012 when the 2008 assessed values have been phased in. New assessments are then to occur in 2012 to be phased in over the next 4 years unless the province, and potentially a new government makes changes to this process.

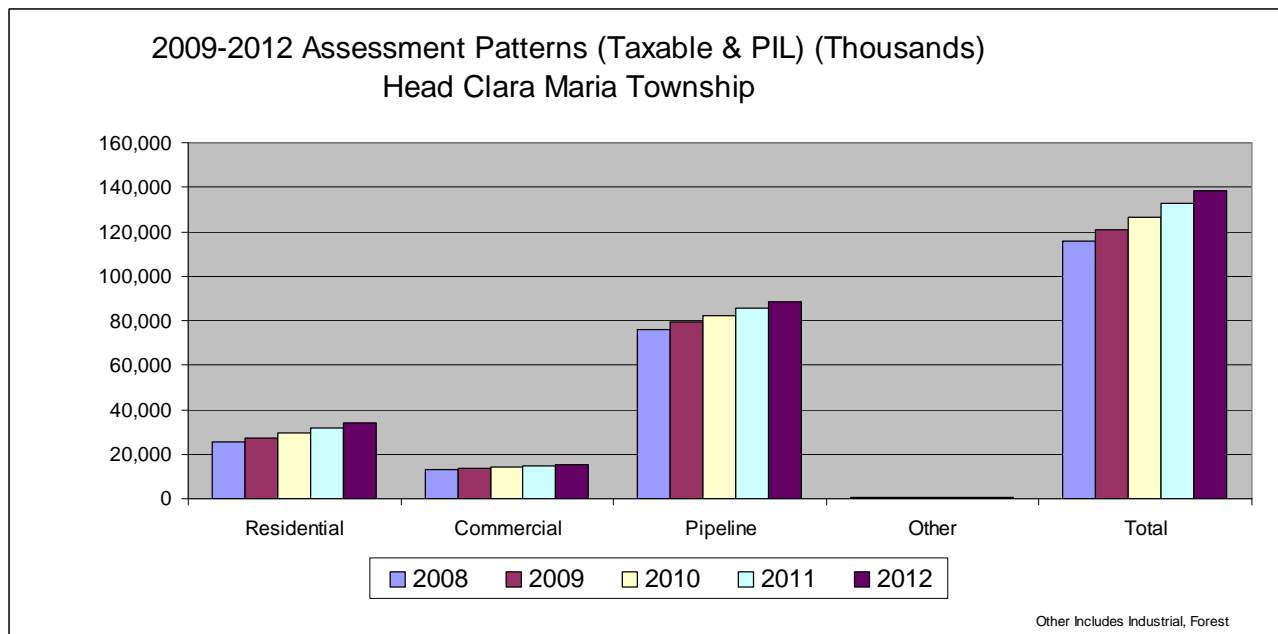
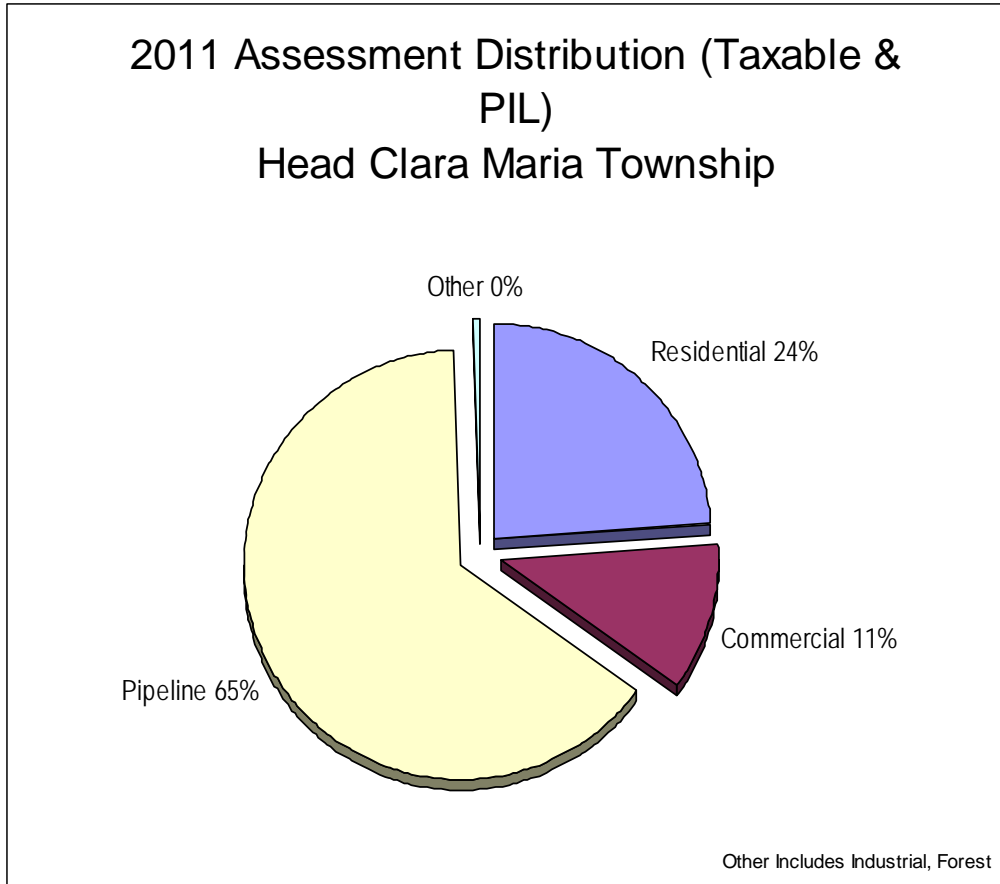
In addition to legislated phase in increases, we must also consider the possibility of reduction in values due to reassessment in 2012, increased assessment due to the increase in properties along our water front and increases in assessment due to severances and new builds.

Depending on how individual properties compare to the average assessment will determine if their municipal taxes will increase or decrease in any given year.

The following is a chart of the changes of assessed values over the past 6 years.



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.



2011 Proposed Budget Explanation

In general, we have limited new projects, have allocated little funding for future reserves and for minimal new purchases. With Council's approval we will begin a fundraising and donation campaign to solicit funds for special projects and improvements to our recreational facilities.

The proposed budget meets our basic operational needs but does not allow for many contingencies, unforeseen cost increases or special projects aside from those already funded by 2010 grants and commitments. It maintains current levels of programs and services with no increase or changes.

In review of the Road Superintendent's proposed budget compensation has been made for the following:

- ◆ Funding for a utility trailer (\$8,000?) was eliminated in part due to uncertainty over need. In the past, equipment and tools were transferred in the truck.
 - There was some concern over the loading and unloading of the bush hog however; I remain uncertain as to how using a trailer will reduce risk. In fact, there are additional risks with loading and unloading, hitching and unhitching and driving with a trailer. Additional concerns over the operation of a "dump" trailer. I am not sure that the frequency of use warrants this expense.
 - When the brush hog was purchased a set of ramps was purchased for use in loading this equipment. Is this a case for a trailer or better safety practises?
 - I have requested that Terry provide a comprehensive quote and needs analysis for Council's consideration.
- ◆ \$7,500 has been set aside for further work/research into the issue at Harvey Creek Road. Additional information will be provided to Council in the near future for further direction.
- ◆ Salary estimates were reduced as per new staffing.

In review of Environmental concerns, consideration was given to the annual budgets of Jp2g and their continued practise of carrying over costs to the next year. Based on history, we have not budgeted for less than 100% of their estimates accounting for the need to complete bi-annual reports in May and due to our reconsidering our agreement for service with them.

In review of council expenses we have maintained 2010 levels.

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 levels and there has been no news on a reduction by the province to the education rate.

Options/Discussion:

Council needs to consider which options it will recommend to staff for final budget and by-law preparation for the next meeting. How much money should be allocated to reserves for future use? Are there any other budget items that have not been considered that should be added, removed or amended from the proposal made by staff?

Financial Considerations/Budget Impact:

Decisions made will set the spending limits for 2011 for the municipality. We have reserves for contingencies, for other specific uses and they can be accessed by resolution of council during the year if required.

Policy Impact: Sets spending policy for 2011.

Others Consulted: Ruth Morin - Treasurer, Wilfred Lamure - Road Superintendent.

Approved and Recommended by the Clerk

Melinda Reith,
Municipal Clerk

Melinda Reith