

2017 Levy Budget

Council-in-Budget Committee
January 25, 2017

Presentation Overview

- 1) Timetable update
- 2) Background
- 3) Review of 2016
- 4) 2017 Budget: Base & Assessment
- 5) 2017 Budget: Supplementary
- 6) Risks and Forecasts
- 7) Recommendations & Questions

1) Timetable Update

Date	Next Steps
Jan 25	Council-in-Budget #4: Assessment Analysis Report (CBC-06-2017) General Levy Budget Report (CBC-07-2017)
Feb 1	Council-in-Budget #5: General Levy Budget Part 2
Feb 27	General Levy & General Capital Budget By-laws
March	Region Tax Rate By-laws following Policy, Ratios & Capping reports
May	Town consolidated Tax Rate By-law
June	Town 2017 final tax bills mailed

2) Background

2017 Budget guided by:

- 1) 2015-2018 Strategic Plan and related initiatives
- 2) Report No. CS-21-2016: **1.5%** controllable costs
- 3) Corporate Services: Discussed target to limit total tax bill increase to **3 to 4%**
- 4) Organizational Structure changes effective Mar/16
- 5) Community Engagement



2) Background

Funding Structure Overview

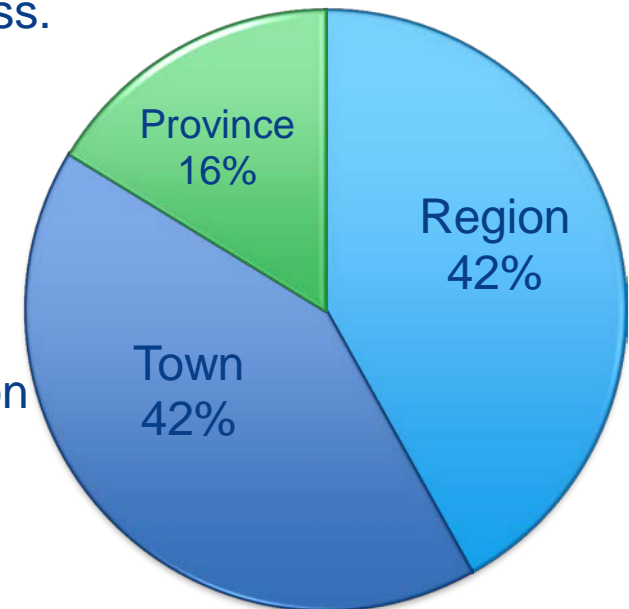


\$60 million
approved/proposed
2017 budgets

2) Background 2016 Taxes

Total 2016 taxes billed of \$59.0M:

- **Fort Erie:** \$24.7M (lower tier)
 - E.g., roads, transit, arenas, parks, cemeteries, drains, building, planning, fire, museums, health & wellness.
- **Niagara Region:** \$24.7M (upper tier)
 - E.g., arterial roads, transit, policing, public health, housing, and waste management.
- **Province:** \$9.6M (education)
 - Funds the Ontario elementary/secondary education system (i.e., school boards).



2) Background

Town Tax Calculation

$$\frac{\text{General Levy Operations}}{\text{Total Assessment (MPAC)}} = \text{Tax Rate}$$

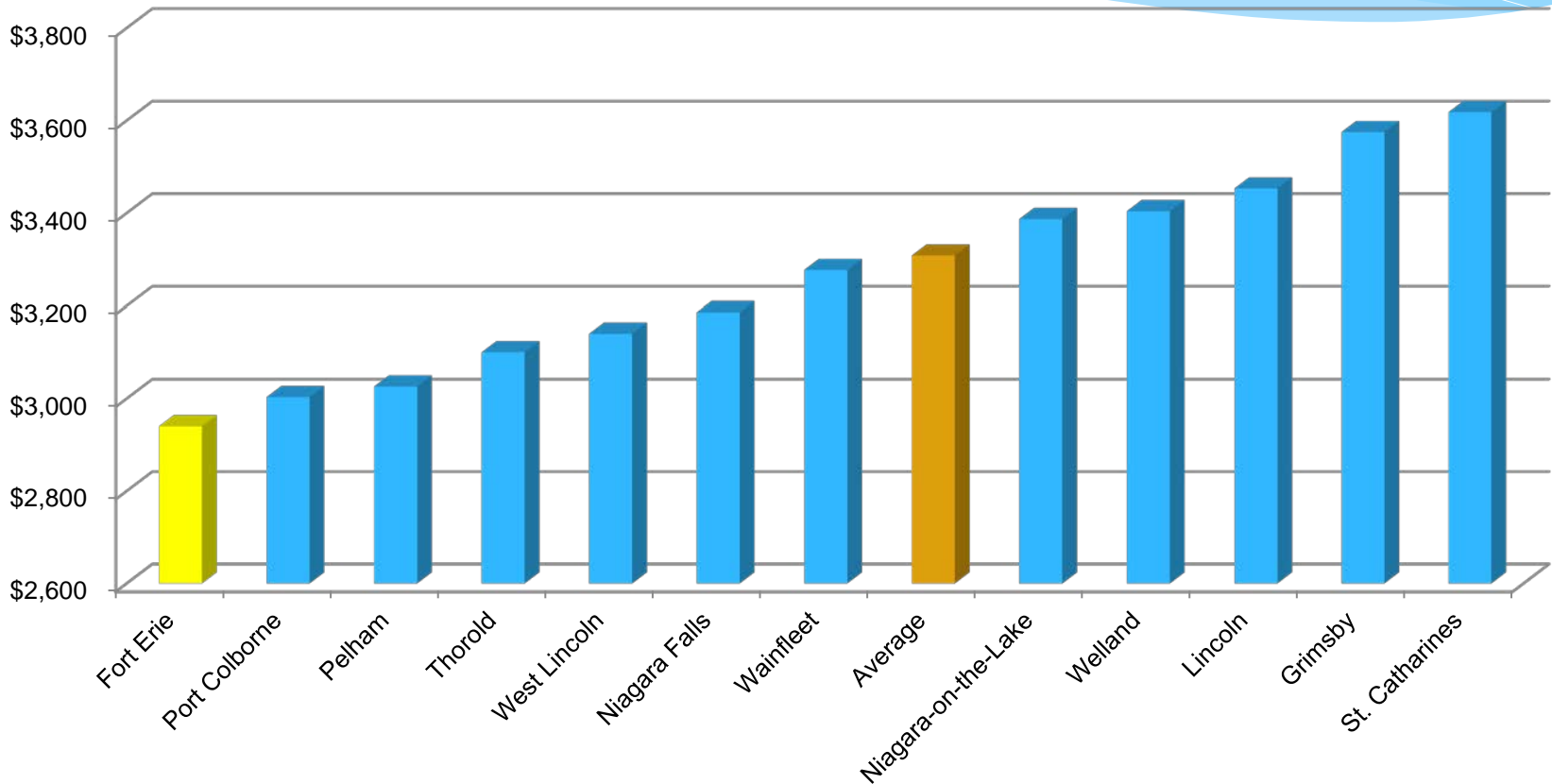
$$\text{Property owner pays} = \text{Their property assessment} \times \text{Tax Rate}$$

2) Background Tax Comparison

- Provincial study (BMA Management Consulting Inc.) compares 105 municipalities annually across Ontario
- Relative tax burden compared for “like” properties
- “Detached bungalow” used for residential defined as 1,200 sq. ft., 3 bedroom, 1.5 bath, 1 car garage on 5,500 sq. ft. lot
- Comparisons in Niagara/Hamilton municipalities for 2016:
 - Average property taxes of \$3,308
 - Fort Erie is lowest of 13 at \$2,940
 - Also below avg. for 2 Storey, Commercial & Large Industrial

2) Background Comparison - Tax

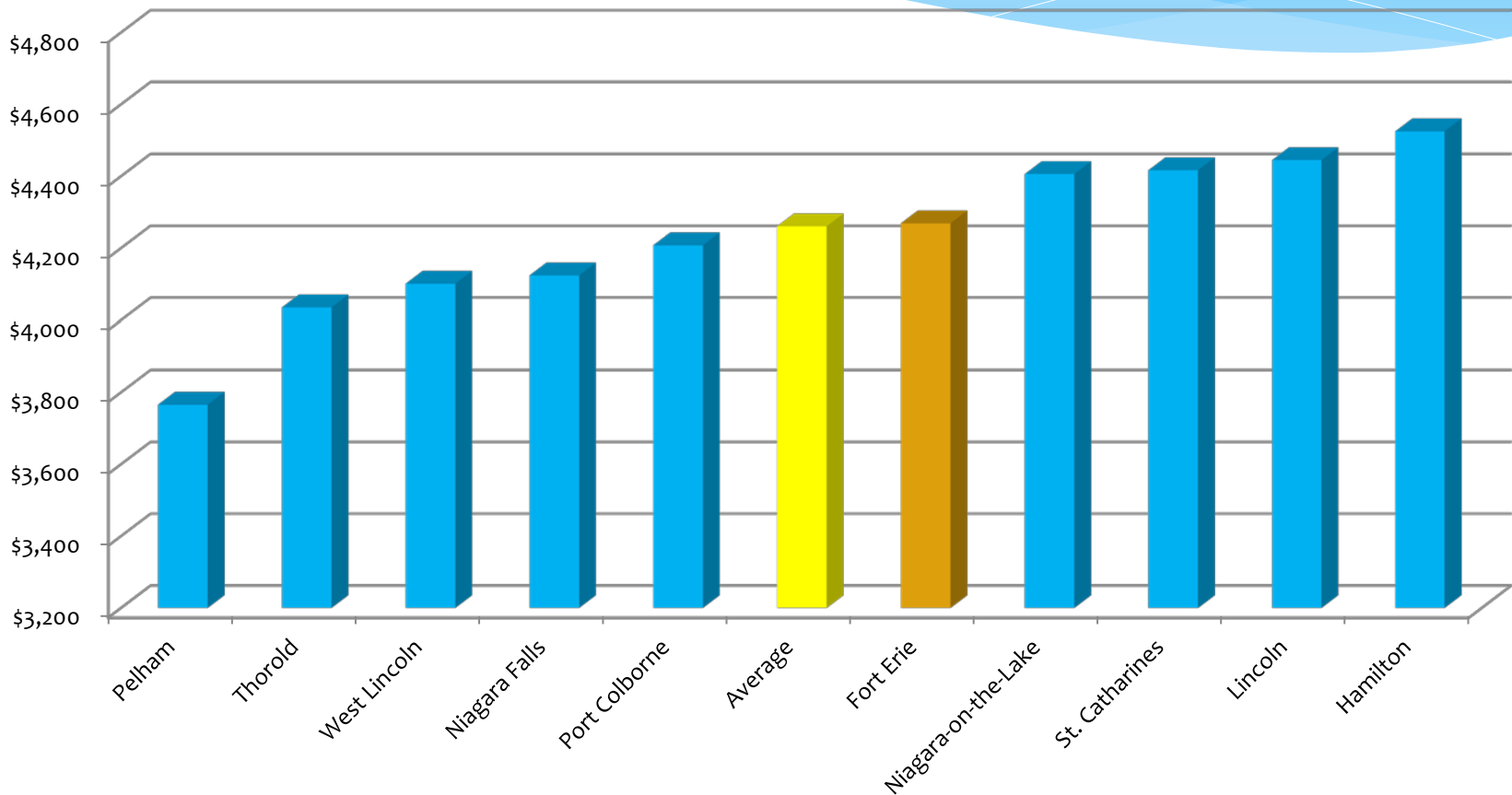
2016



2) Background

Comparison - Municipal Burden

2016



3) Review of 2016

2015-2018 Corporate Strategic Plan

- Approved June 15, 2015.
 - a) A Prosperous and Growing Community
 - b) Effective, Sustainable Infrastructure
 - c) Strong Customer Service, Relationships and Communications
- Initiatives defined in the Plan have been moving forward with Mayor & Council assigned to champion each pillar.
- Report No. CAO-16-2016 provided a status update and was presented to Council December 12, 2016.

3) Review of 2016

Strategic Plan Accomplishments

A) A Prosperous and Growing Community

- ✓ Formalized the Development Team process.
- ✓ Provided statistical reports to Council quarterly.
- ✓ Worked with EDTC on Industrial Land Strategy.
- ✓ Supported GO Niagara Regional initiative.
- ✓ Waterfront Strategy process nearly completed.
- ✓ Successful \$850,000 application to the Region's Waterfront Investment Program for Bay Beach.
- ✓ Expanded the Community Improvement Plans (CIPs) program to increase the funding.

3) Review of 2016

Strategic Plan Accomplishments

B) Effective, Sustainable Infrastructure

- ✓ Submissions for infrastructure projects (e.g. CWWF/OCIF).
- ✓ Established Grants Oversight Team.
- ✓ Capital program including Catherine Street improvements Bay Beach implementation funding.
- ✓ \$800,000 increase in capital reserve contributions.
- ✓ \$403,100 increase to 2016 road resurfacing works.
- ✓ Emerald Ash Borer strategy (funding, “Plant-a-tree” day).
- ✓ Combined Sewer Overflow (CSO) funding from Region.
- ✓ Transit study completed.

3) Review of 2016

Strategic Plan Accomplishments

C) Strong Customer Service, Relationships and Communications

- ✓ Organizational Review changes implemented.
- ✓ Communications Plan implemented, including expanded administrative reports and monthly e-newsletter.
- ✓ Accessibility event celebrating tenth anniversary.
- ✓ Habitat for Humanity Fort Erie build support.
- ✓ Meetings with local MP, MPP, NHS, LHIN, and Region.
- ✓ Prior financial results audited and reported no deficiencies. Current operations monitored through variance analysis.

3) Review of 2016 Financial Performance

Estimated 2016 Financial Results

- Analyzing final 2016 payments and adjustments.
- Projected Levy surplus and Water & Wastewater surplus.
- Certain mandated surplus allocations (e.g., Building permits, Parking Reserves).
- Audit to be performed April and Financial Statements to be adopted in May.
- Annual Financial Report expected in June which will recommend any allocation of funds.

4) 2017 Budget Base

“**Base Budget**” includes all previously approved operating budget components.

Drivers:

- Cost of Service delivery
- Asset maintenance
- Administrative costs
- Offset by other (non-tax) source of revenue

4) 2017 Budget Base Overview

Overall Base Budget decrease of 2.53%

- Increase in non-tax revenues and decrease in 2016 one-time items
- Refer to:
 - Report No. CBC-07-2017: Appendix “1” for highlights & Appendix “3” for consolidated summary
 - Budget Binder tab 7 for departmental reports

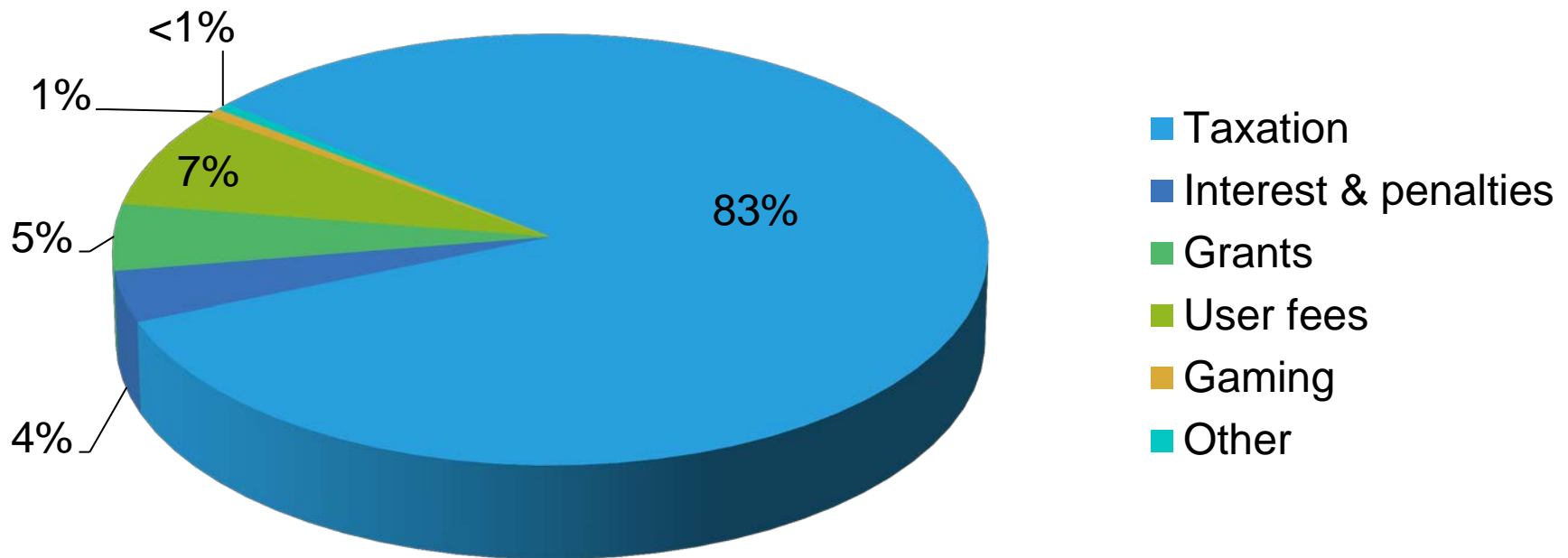
4) 2017 Budget Base - Revenues

\$464,602 increase in revenues

- Tax revenue - no change to tax write-offs & vacancy rebates.
- Non-tax revenue - increase in user fees such as cell towers, parking, and building inspections.
- Provincial Policy impacts:
 - Unrestricted Ontario Municipal Partnership Funding (OMPF) from \$921,900 to \$999,200 for Assessment Equalization.
 - Provincial Gas Tax for transit small increase.

4) 2017 Budget Base - Revenues

Budget Revenue Sources



4) 2017 Budget Base - Expenses

\$399,167 increase in expenses

- Debt: increase of \$206,953 related to full year of Street Lights.
- Wages & benefits: increases of \$355,844, includes union, non-union, firefighters, Mayor & Council, committees.
- Operating impacts of 2017 Capital Budget additions:
 - General operating costs (e.g., wages, materials & supplies).
 - Reserve contributions to reflect life-cycle replacement.
- Grants - decrease of \$259,092 re: end of FELRC grant.
- Library and EDTC services requested \$26,812 total increase.
- All other expenses decrease \$1,052 (e.g., fuel, contracts).

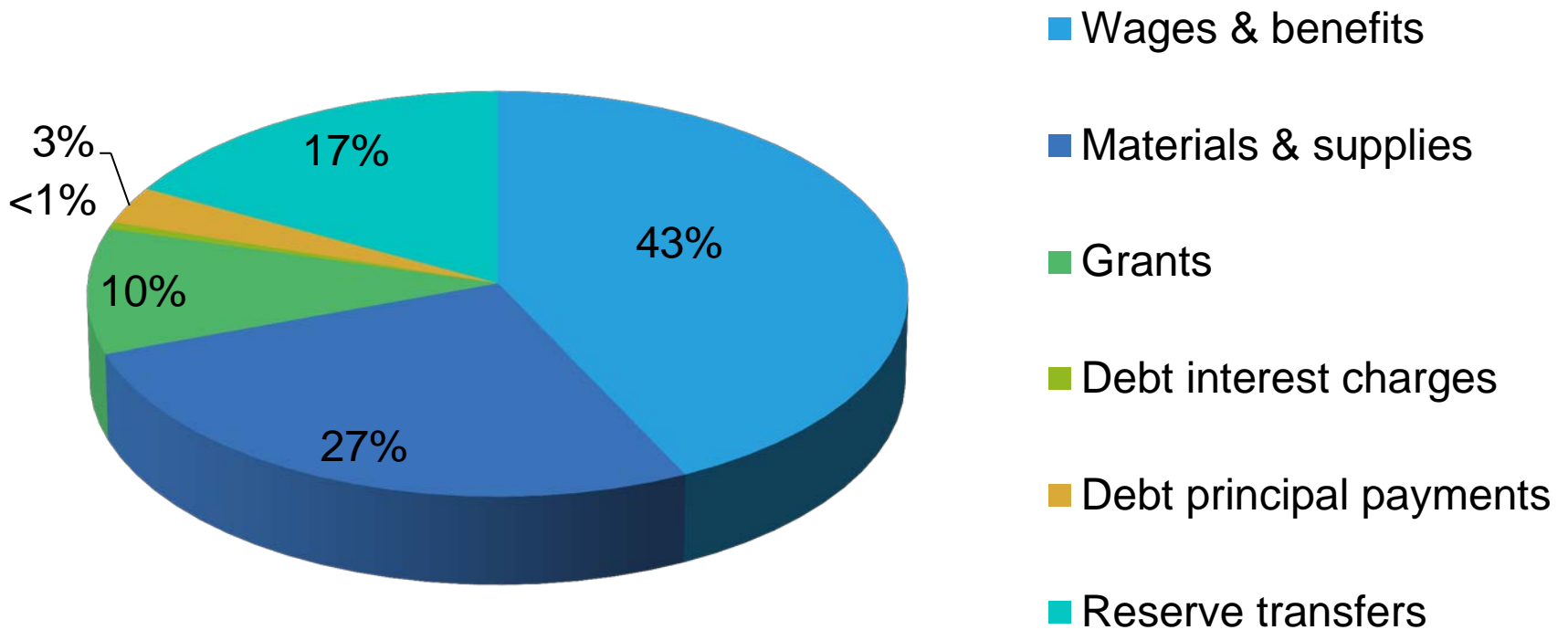
4) 2017 Budget Base - Expenses

\$559,619 decrease in 2016 One-time impacts

- Habitat for Humanity grant.
- Additional Road Resurfacing works re: OMPF increase.
- Physician recruitment additional contribution to increase reserve.
- Niagara Blvd Cycle Route expansion.
- Ridgeway BIA tree pit irrigation.

4) 2017 Budget Base - Expenses

Budget Expenses by Type



4) 2017 Budget Base - Summary

	\$ Levy Impact	% Levy Impact
Revenue increase	(\$464,602)	(1.88%)
Expense increase	\$399,167	1.63%
Remove: One-time 2016 items	(\$559,619)	(2.27%)
TOTAL Base Budget Decrease	(\$625,054)	(2.53%)

4) 2017 Budget MPAC Assessment

Municipal Property Assessment Corp (MPAC)

- Assessment growth - affects every year:
 - New development reduces tax impact on existing taxpayers.
 - Total 2017 growth for the Town is **0.93%**.
- Re-assessment shifts - 2017 first year of MPAC 4-yr cycle:
 - Doesn't affect budget, but affects how budget is distributed across property classes in the Town.
 - Average residential phase-in is **(0.59%)** decrease.

4) 2017 Budget MPAC Assessment

For example:

- If your assessment increase is less than Town avg. of (0.59%) your taxes will increase **less** than that presented.
- If your assessment increase is more than the Town avg. of (0.59%) your taxes will increase **more** than that presented.

Growth & Reassessment impact on median house = 3.71%

4) 2017 Budget Assessment Summary

	\$ Levy Impact	% Levy Impact
Revenue increase	(\$464,602)	(1.88%)
Expense increase	\$399,167	1.63%
Remove: One-time items	(\$559,619)	(2.27%)
Total Base Budget Increase	(\$625,054)	(2.53%)
Assessment Growth Impact		(0.93%)
Total Net of Assessment		(3.46%)

4) 2017 Budget

Assessment total (excl. Supplementary)

	2016 Bill	2017 Bill	% Change
<i>Median assessed value</i>	184,000	187,000	1.63%
Town	\$1,198	\$1,200	0.14%
Region	\$1,200	\$1,212	0.94%
Education	<u>\$346</u>	<u>\$340</u>	<u>(1.61%)</u>
TOTAL	<u>\$2,744</u>	<u>\$2,752</u>	<u>0.27%</u>

Note: Regional impact based on approved budget, excluding any tax policy changes.
 Educational impact uses estimate of Fort Erie assessment relative to Provincial avg

5) 2017 Budget Supplementary

- Expenses beyond the current service level
- Detailed on a “Supplementary Budget Request” form
- **All** are included for Council consideration.
- a) requests subject of a previous report/resolution:
 - PART 1: Base (i.e., ongoing in future budgets)
 - PART 2: One-time (i.e., removed in future budgets)
- b) new requests:
 - PART 3: Base
 - PART 4: One-time

5) 2017 Budget Supplementary Part 1

PART 1: \$744,712 Base costs (continue indefinitely)

- 1) Capital reserves: \$500,000 strategic infrastructure investment.
- 2) Tree planting: additional tree planting program of \$40,000 due to Emerald Ash Borer (EAB) devastation [IS-37-2016].
- 3) Storm water management: \$19,000 in additional maintenance.
- 4) Transit route improvements plan: \$77,522 for 2017 and full phase-in costs in 2018 & 2019 of \$237,409 and \$329,844.
- 5) Wages - Employment Services: \$50,000 expand to full-time.
- 6) Wages - Digital Services: \$58,190 with full-year impact in 2018.

5) 2017 Budget Supplementary Part 2

PART 2: \$672,900 One-Time costs (removed in 2018)

- 1) Tree removal: \$400,000 for tree removal due to Emerald Ash Borer (EAB) devastation [IS-37-2016]. Funded by GLRS.
- 2) Road Resurfacing: \$480,400 OMPF increase.
- 3) Fireworks: \$10,000 for Canada Day celebrations.
- 4) Dominion Repertory Theatre: \$7,500 grant [Dec 12 resolution].
- 5) EDTC: \$100,000 reserve replenishment and \$50,000 “Why Fort Erie” magazine requests [CBC-05-2017].
- 6) Crystal Ridge Community Centre: \$25,000 grant [Jan 16].
- 7) **Royal Canadian Legion Branch 230: \$3,000 grant [Jan 23].

5) 2017 Budget Supplementary Part 3

PART 3: \$63,460 Base costs (continue indefinitely)

- 1) Winter sidewalk plowing/sanding: \$40,000 for expected new legislation and full-year effects of \$200,000 in 2018.
- 2) Wages - Park & Arena Operations Supervisor: \$23,460 with full-year effects of \$71,620 in 2018.

5) 2017 Budget Supplementary Part 4

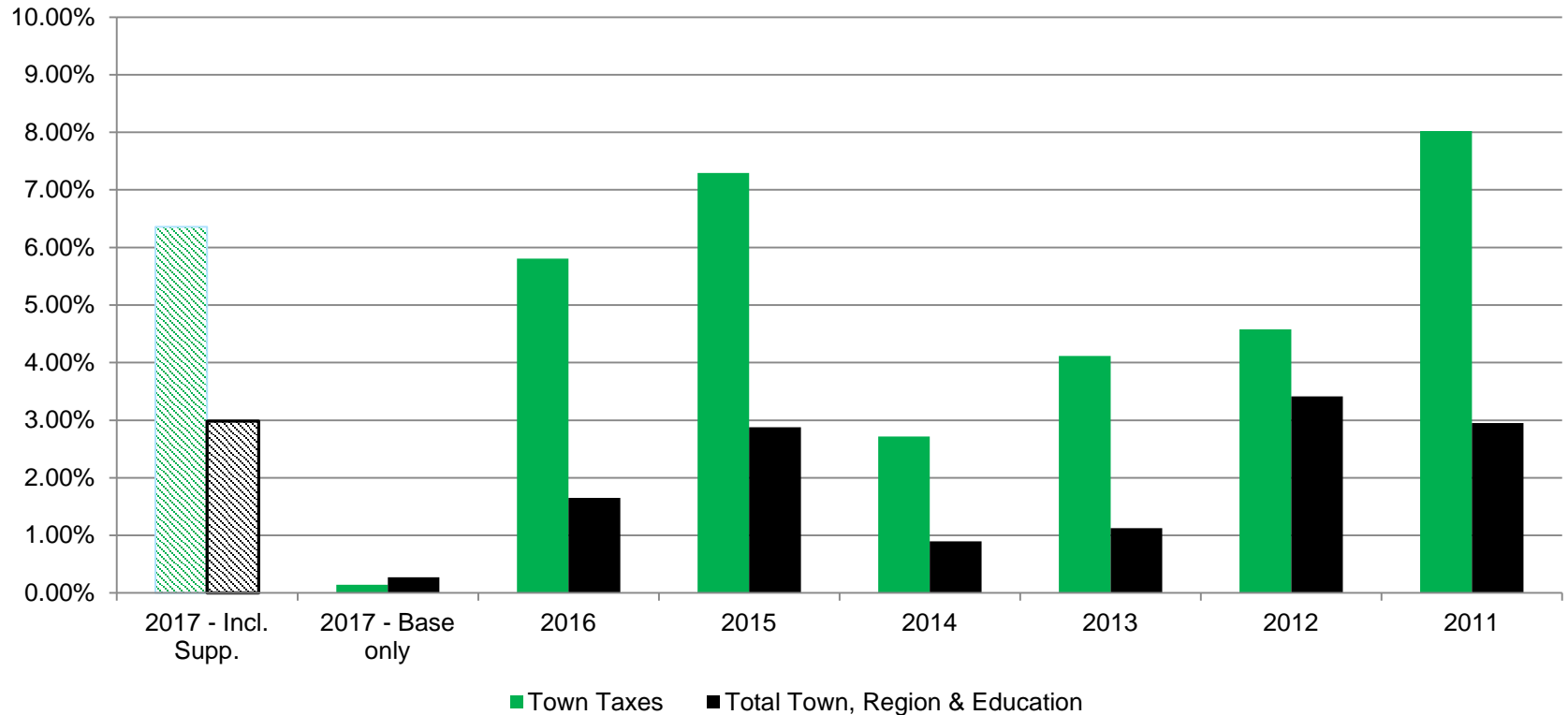
PART 4: \$7,500 One-Time costs (removed in 2018)

- 1) Coal Docks assessments: \$100,000 to be funded by GLRS.
- 2) Continuing education development: \$24,700 for corporate training to be funded by GLRS.
- 3) Snowbirds event: \$7,500 contribution toward event scheduled for May 2017.

5) 2017 Budget Supplementary Summary

	\$ Levy net Impact	% Levy Impact
a) Previous: PART 1 Base	\$744,712	3.02%
PART 2 One-time	\$672,900	2.73%
b) New: PART 3 Base	\$63,460	0.26%
PART 4 One-time	\$7,500	0.03%
Total Supplementary	\$1,488,572	6.04%
Total Base + Supp (if all approved)		2.57%

5) 2017 Budget Levy History (incl. all Supplementary)



5) 2017 Budget: Total Tax Bill

Base & all Supplementary items

	Median 2016 Bill	Median 2017 Bill	Median % Change
<i>Assessed value</i>	184,000	187,000	1.63%
Town	\$1,198	\$1,274	6.36%
Region	\$1,200	\$1,212	0.94%
Education	<u>\$346</u>	<u>\$340</u>	(1.61%)
TOTAL	<u>\$2,744</u>	<u>\$2,826</u>	<u>2.98%</u>

Note: Regional impact based on approved budget, excluding any tax policy changes.

6) Risks & Forecasts

Risks

- OMPF: funding not assured beyond 2017
 - Province modifies calculation, updates thresholds and adjusts overall funding envelope available.
 - Strategic capital use, not base services.
- Assessment Appeals: significant appeals still outstanding.
- Regional tax policy: Region's budget set, however tax policy (i.e., tax class ratios) to be presented in Feb/Mar.
- Emerald Ash Borer devastation: tree removal and replacement program may require acceleration.

6) Risks & Forecasts

Risks

- Infrastructure gap
 - Shown to be larger than the \$5M gap identified in the earliest asset management analysis.
 - Existing capital rehabilitation & replacement may fall behind.
 - AMO study: additional 3.84% needed annually for capital.
- Interest rates: decreases erode investment yields & increases create additional debt carrying costs.
- Legal matters: financial exposure beyond insurance coverage.
- Educational tax rates: not yet released by Province. Current analysis uses 2017 rate estimate based on past trends.

6) Risks & Forecasts

Opportunities

- Infrastructure stimulus: funding programs may be introduced (e.g., Federal) and awarded in 2017.
- CMS: economic growth but with demand on staff resources.
- GFESS Theatre: nearly funded and may be further reduced by fundraising, freeing up existing funds.

6) Risks & Forecasts

Multi-year Forecast

Forecast for 2018/2019:

- Forecasted base increases of 3.4% (2018) and 3.1% (2019).
- Continuation of strategic capital reserve contributions to mitigate impact of Ontario Reg. 284/09 and address documented infrastructure gap.
- Current collective bargaining agreement expired in 2016.
- Other market driven increases such as insurance & utilities.

7) Recommendations & Questions

■ Recommendations

- 1 to 4: Supplementary items separately recommended
- 5: Listing of grants
- 6: BIA Levies - Crystal Beach only BIA with levy change
- 7: Total levy after consideration of Supplementary items
- 8: Budget to exclude amortization

■ Questions

Jonathan Janzen
Director, Corporate Services
905-871-1600 ext. 2300
jjanzen@forterie.ca