

2018

Levy Budget

Council-in-Budget Committee
January 24, 2018

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Presentation Agenda

- 1) Background & 2017 Review
- 2) 2018 Budget: Base & Assessment
- 3) 2018 Budget: Supplementary
- 4) Consolidated Median Household Impact
- 5) Risks & Opportunities
- 6) Next Steps
- 7) Recommendations
- 8) Presentation Questions



1) Background & 2017 Review

Budget inputs

- 1) 2015-2018 Strategic Plan: Council priorities & related initiatives with a focus on outcomes.
- 2) Long-term financial planning: managing financial sustainability pressures (e.g., strategic policies & practices).
- 3) Studies: Operational & organizational reviews (staffing).
- 4) Report No. CS-20-2017: 1.2% CPI re: controllable costs
- 5) Corporate Sub-committee: discussions to target/limit total tax bill increase. 2016/17 Council input re: processes & community engagement.

1) Background & 2017 Review

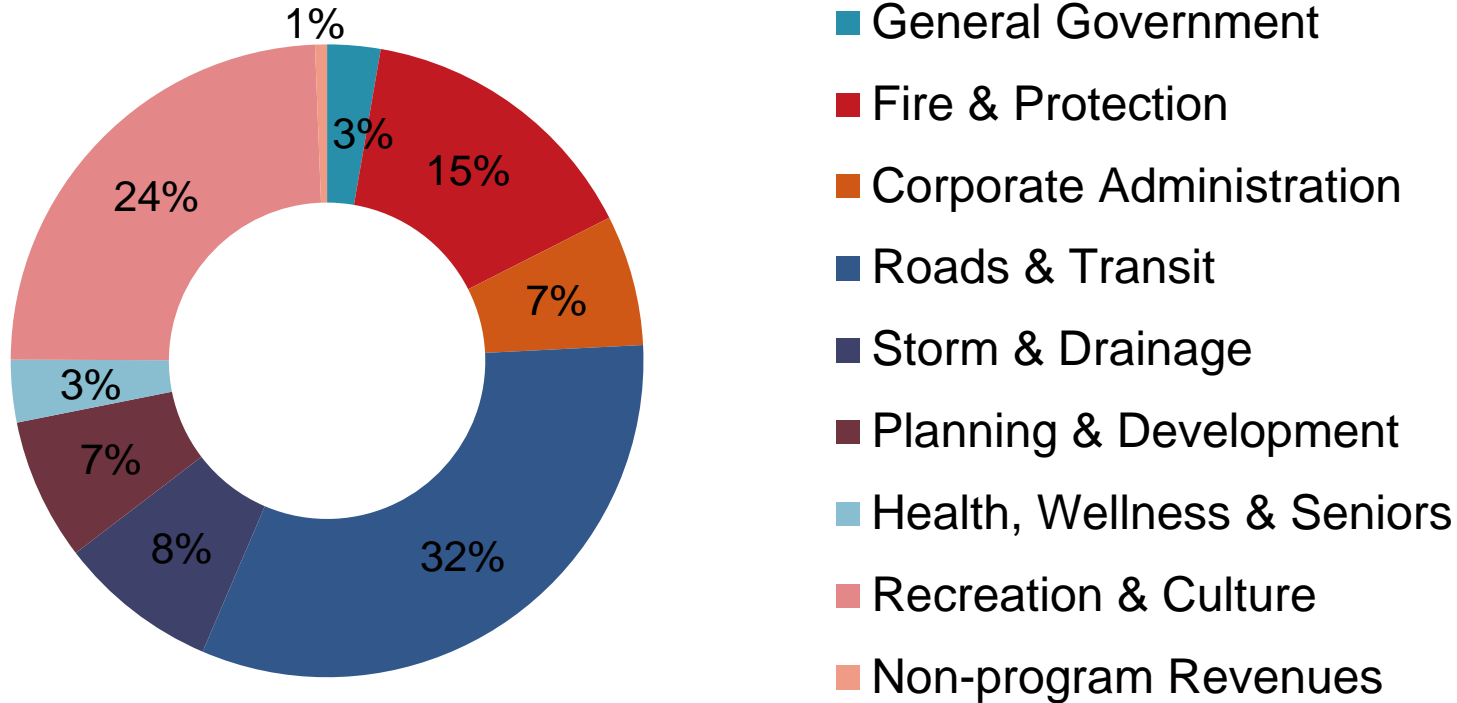
Funding Structure Overview



\$60 million
approved 2017
budgets

1) Background & 2017 Review

Allocation Structure – Budget Expenses by Function

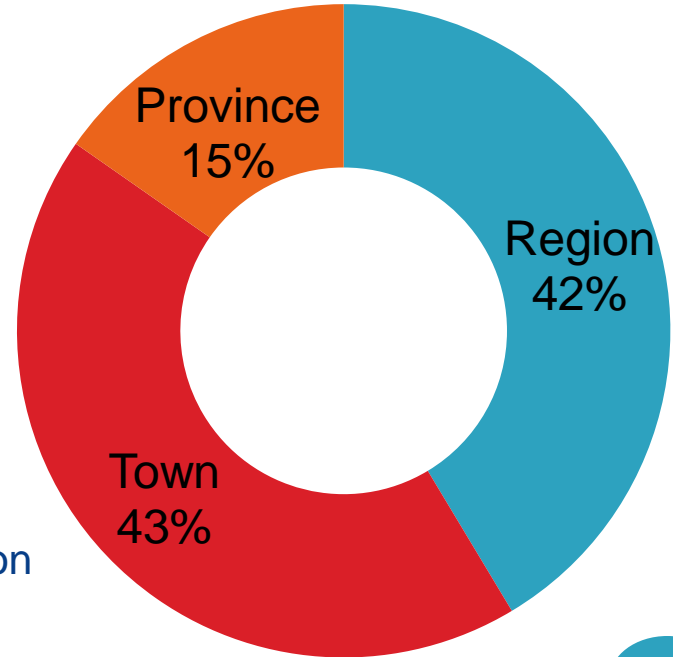


1) Background & 2017 Review

Taxes Billed

2017 Total of \$58.7M:

- **Fort Erie:** \$25.4M “lower tier”
E.g., roads, transit, arenas, parks, drains, building, planning, fire, museums, health & wellness.
- **Niagara Region:** \$24.3M “upper tier”
E.g., arterial roads, transit, policing, housing, public health, and waste management.
- **Province:** \$9.0M “education”
Funds the Ontario elementary & secondary education system (i.e., school boards).



1) Background & 2017 Review

Tax Calculation & Comparison

Tax Calculation

- Tax Rate = General Levy / Total Assessment (MPAC)
- Property Owners Pay = Tax Rate * Own property assessment

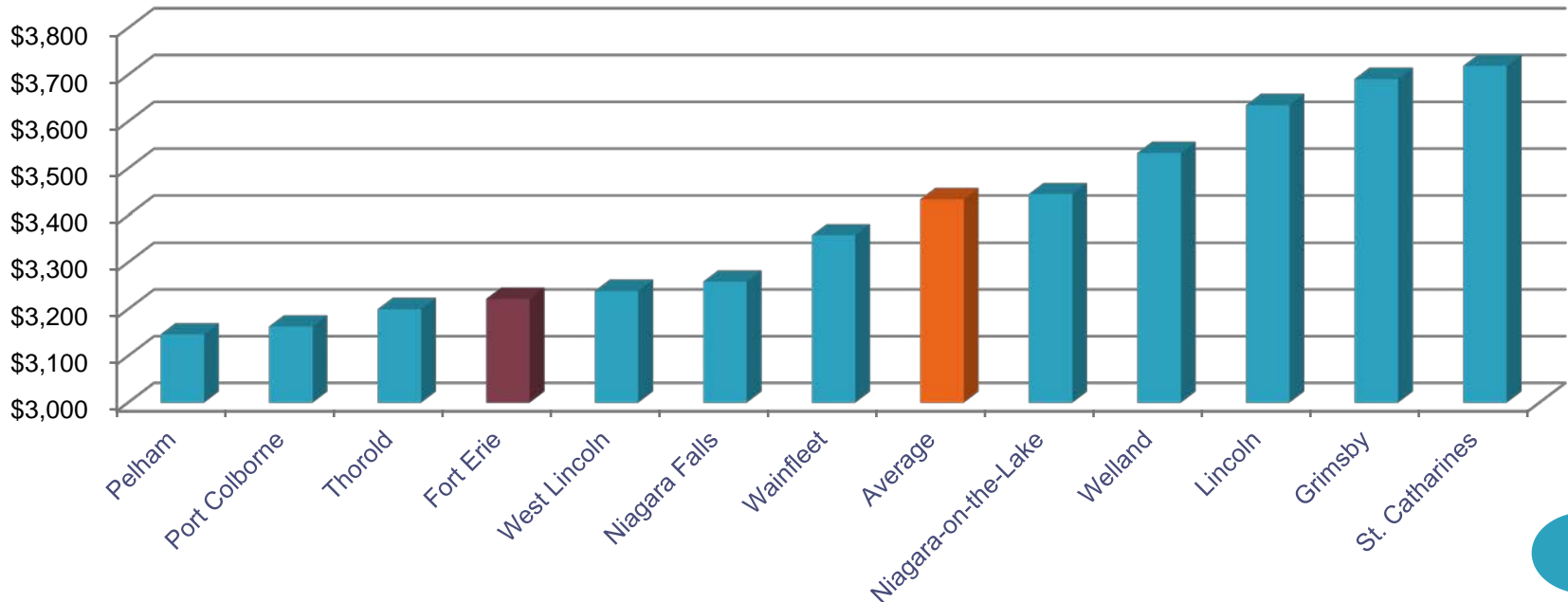
Tax Comparison

- Ontario study compares 105 municipalities annually
- Relative tax burden compared for “like” detached bungalow in Niagara/Hamilton municipalities for 2017:
 - Fort Erie total taxes of \$3,222; below average of \$3,434
 - Also below avg. for 2 Storey, Commercial & Large Industrial

1) Background & 2017 Review

Comparison – Tax

2017

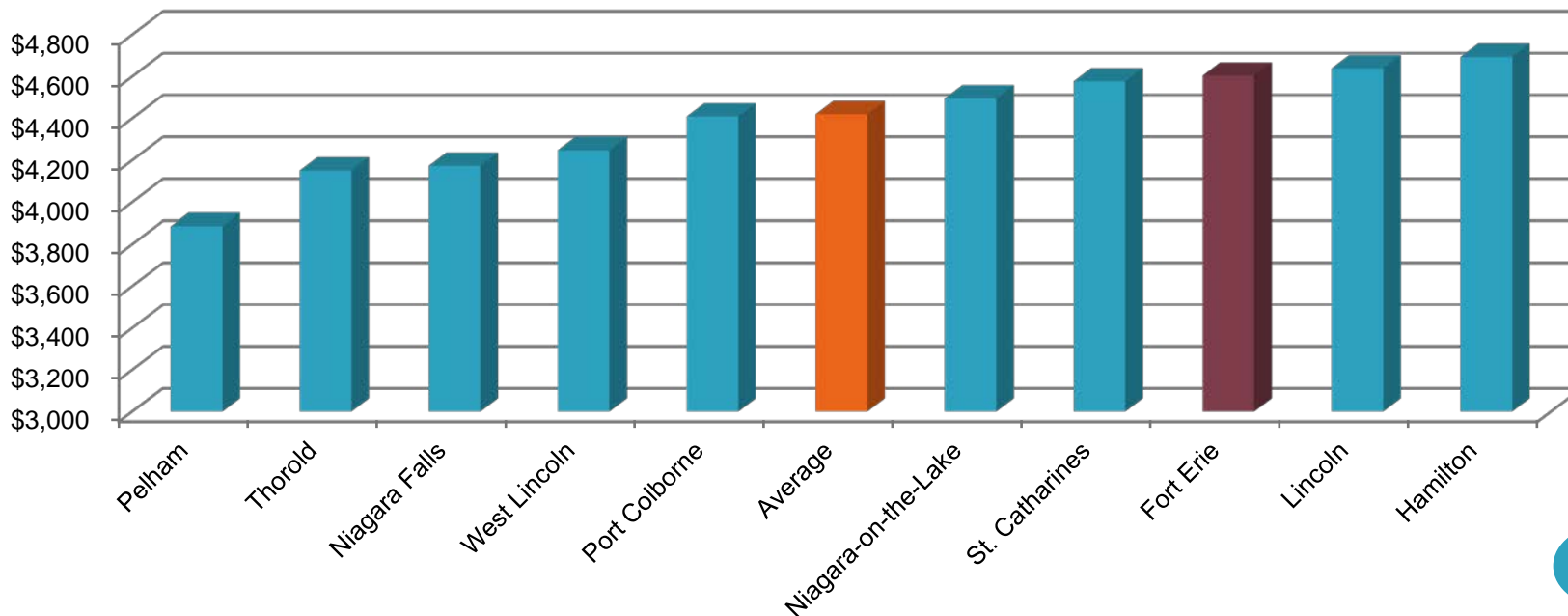


Source: BMA Municipal Study 2017, page 300

1) Background & 2017 Review

Comparison – Municipal Burden (Tax + Utility)

2017



Source: BMA Municipal Study 2017

1) Background & 2017 Review

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-02-2018 provided a status update and presented to Council January 22, 2018.

1) Background & 2017 Review

Financial Performance

- Analyzing final 2017 payments and adjustments.
- Projected Levy surplus and Water & Wastewater deficit.
- Certain mandated allocations (e.g., Building permits, Parking).
- Audit in April and financial statements to be adopted in May.
- Annual Report in June to provide Management Discussion & Analysis (MD&A) and also recommend any allocation of funds.
- Balances projected for Jan 1/18:
 - \$4.9M Levy debt (\$8.4M including Utility)
 - \$6.2M Levy Reserves - Operating (\$0.3M/yr contribution)
 - \$9.8M Levy Reserves - Capital (\$5.9M/yr contribution)

2) 2018 Budget: Base & Assessment

Overview

Base Budget: all previously approved operating components that pay for the daily ongoing activities of the corporation.

Drivers:

- Cost of service delivery
- Asset maintenance
- Administrative costs
- Offset by other non-tax revenues

Overall Base Budget change: 1.43% = 2.70% increase over 2017 less assessment growth reduction.

2) 2018 Budget: Base & Assessment

Overview - Reporting

- Refer to Report No. CBC-07-2018 Appendix “1” for highlights and Appendix “3” for consolidated summary.
- Budget Binder tab 7 for departmental reports. Reflect results from departmental reviews & meetings to mitigate increases.
 - Columns: 2017 YTD actuals & approved budget, 2018 proposed budget, 2019 and 2020 forecasts.
 - Revenue categories: Tax/BIA levy, PIL, donations, fines, gaming, grants, interest & penalties, sale of land, user fees and other.
 - Expense categories: Wages/benefits, materials & services, debt interest, grants and partnership programs.
 - Financing & Transfers: internal allocations, debt principal, reserves

2) 2018 Budget: Base & Assessment

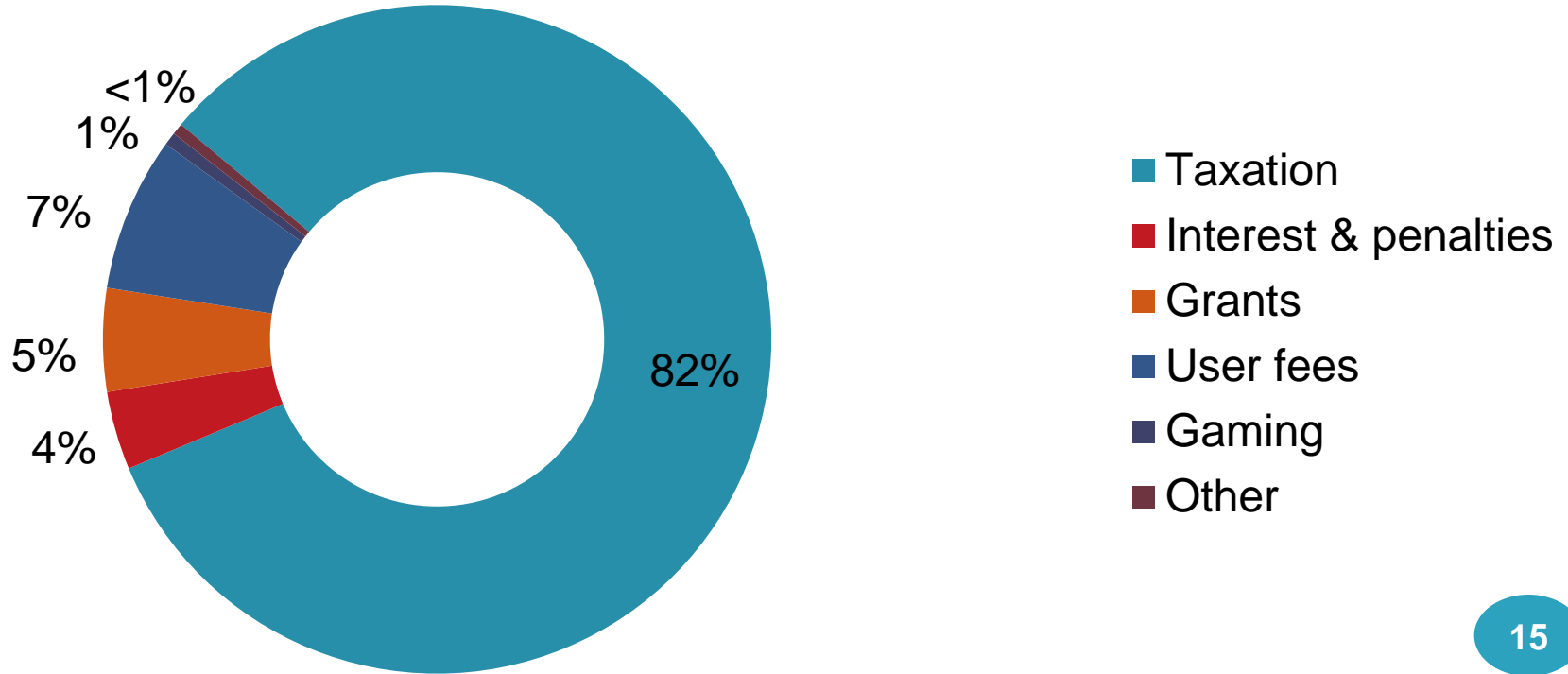
Revenues

Increase: \$643,764

- Tax revenue: \$41,500 increase to tax write-offs.
- Non-tax revenue: \$181,992 increase in user fees such as cell towers, gaming, and building inspections.
- Provincial Policy impacts:
 - Unrestricted Ontario Municipal Partnership Funding (OMPF) from \$999,200 to \$1,499,500 for Assessment Equalization.
 - Provincial Gas Tax for transit small increase.

2) 2018 Budget: Base & Assessment

Revenue by Source



2) 2018 Budget: Base & Assessment

Expenses

Increase: \$1,851,865

- Debt: \$137,348 decrease related to maturing debt.
- Wages & benefits: \$426,166 increase, includes union, non-union, firefighters, Mayor & Council, committees, Bill 148 impacts.
- Operating impacts of 2018 Capital Budget additions: \$63,888
 - General operating costs (e.g., wages, materials & supplies).
 - Reserve contributions to reflect life-cycle replacement.
- 2017 supplementary phase-in: Transit Route \$159,887 increase and \$91,470 wages increase.

2) 2018 Budget: Base & Assessment

Expenses (cont'd)

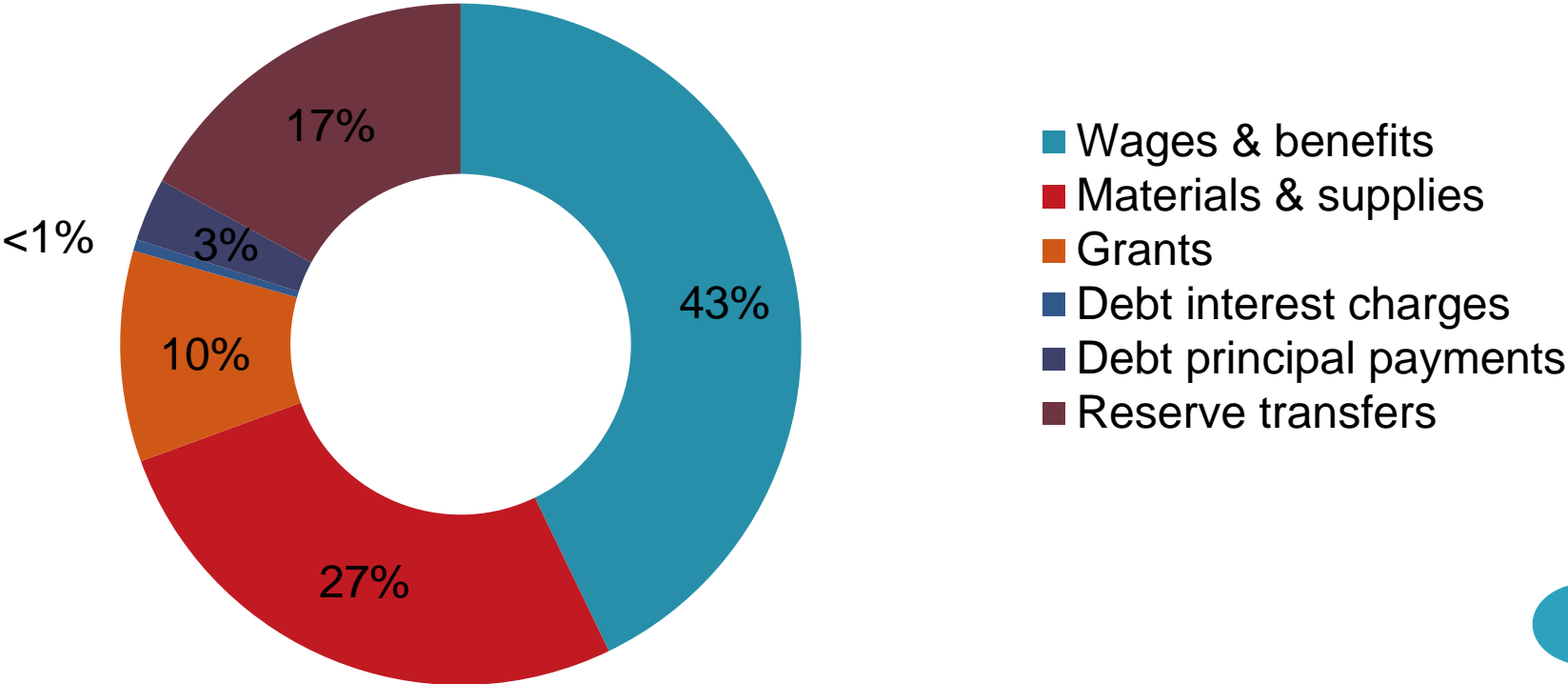
- Grants: \$38,278 decrease.
- Library & EDTC services: \$38,625 total increase.
- All other expenses: \$1,247,455 increase (e.g., utilities, contracts, studies). Increase net of funding in some instances (e.g., election cost).

Decrease: \$523,400 2017 One-time impacts

- Capital Reserves: \$480,400 for roads (OMPF funding)
- Dominion Repertory Theatre grant: \$7,500
- Crystal Ridge Community Centre grant: \$25,000
- Royal Canadian Legion Branch 230: \$3,000 grant
- Snowbirds event: \$7,500

2) 2018 Budget: Base & Assessment

Expenses by Type



2) 2018 Budget: Base & Assessment

Base Summary

	\$ Levy Impact	% Levy Impact
Revenue increase	(\$643,764)	(2.54%)
Expense increase	\$1,851,865	7.28%
Remove: One-time 2017 items	(\$523,400)	(2.06%)
TOTAL Base Budget Increase	\$684,701	2.70%

2) 2018 Budget: Base & Assessment

MPAC Assessment

Municipal Property Assessment Corp (MPAC)

- Assessment growth - affects every year:
 - New development reduces tax impact on existing taxpayers.
 - Total 2018 growth for the Town is **1.26%**.
- Re-assessment shifts - 2017 was 1st 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 **2.39%** increase.

Further information contained in Council Report No. CBC-06-2018

2) 2018 Budget: Base & Assessment

MPAC Assessment (cont'd)

For example:

- If your assessment increase is less than Town avg. of 2.39% your taxes will increase **less** than that presented.
- If your assessment increase is more than the Town avg. of 2.39% your taxes will increase **more** than that presented.

Growth & Reassessment impact on median house = **0.05%**

2) 2018 Budget: Base & Assessment

Base Summary

	\$ Levy Impact	% Levy Impact
Revenue increase	(\$643,764)	(2.54%)
Expense increase	\$1,851,865	7.28%
Remove: One-time items	(\$523,400)	(2.06%)
Total Base Budget Increase	\$684,701	2.70%
Assessment Growth Impact		(1.26%)
Total Net of Assessment		1.43%

2) 2018 Budget: Base & Assessment

Median Household

	2017 Bill	2018 Bill	% Change
<i>Median assessed value</i>	187,000	191,500	2.39%
Town	\$1,269	\$1,287	1.47%
Region	\$1,212	\$1,213	0.06%
Education	\$335	\$326	(2.74%)
TOTAL	\$2,816	\$2,826	0.36%

Note: Regional impact based on approved budget, excluding any tax policy changes.
Educational impact based on draft rates approved by Province.

3) 2018 Budget: Supplementary

Overview

- Program changes beyond the current service level
- Detailed on “Supplementary Budget Request” form (Tab 8)
- **20 Decision Units** included for Council consideration.
- a) requests subject of a previous report/resolution:
 - PART 1: Base (ongoing in future budgets) – 3
 - PART 2: One-time (Reserve funded) – 6
- b) new requests:
 - PART 3: Base (ongoing in future budgets) – 7
 - PART 4: One-time (Reserve funded) – 4

3) 2018 Budget: Supplementary

PART 1

\$410,877 Base costs (continue indefinitely)

1.1 \$250,000 Capital reserves - strategic investment

1.2 \$135,877 Capital reserves - matured debt

1.3 \$25,000 Museum capital reserve - 6218 steam engine stage 3

3) 2018 Budget: Supplementary

PART 2

\$740,000 One-time costs (Reserve funded)

- 2.1 \$400,000 Tree removal from Emerald Ash Borer (EAB) [IS-37-2017] funded by Emergency Management Reserve
- 2.2 \$100,000 Museum Reserve allocation for 6218 steam engine stage 2 [COS-06-2017] funded by GLRS Reserve
- 2.3 \$100,000 Environmental Impact Study [PDS-42-2017] funded by GLRS Reserve
- 2.4 \$40,000 EDTC SMARTlabs Study [CBC-05-2018] funded by GLRS Reserve

3) 2018 Budget: Supplementary

PART 2 (cont'd)

\$740,000 One-time costs, continued (Reserve funded)

2.5 \$25,000 Crystal Ridge Community Centre grant [Dec 11/17 Resolution No. 3] funded by GLRS Reserve

2.6 \$75,000 Industrial Land Strategy [PDS-42-2017] funded by GLRS Reserve.

3) 2018 Budget: Supplementary

PART 3

\$222,890 Base costs (continue indefinitely)

- 3.1 \$62,500 Specialized Transit 3rd FAST van
- 3.2 \$30,000 Transit bus stops for winter control
- 3.3 \$16,100 Staffing for Engineering Project Manager
- 3.4 \$42,600 Staffing for Municipal Law Enforcement Officer
- 3.5 \$11,690 Staffing for Recreation employees
- 3.6 \$50,000 Rural ditching
- 3.7 \$10,000 Canada Day fireworks

3) 2018 Budget: Supplementary

PART 4

\$382,500 One-time costs (Reserve funded)

4.1 \$30,000 Pay Equity review funded by GLRS Reserve

4.2 \$300,000 Niagara Region long-term care funded by GLRS Reserve

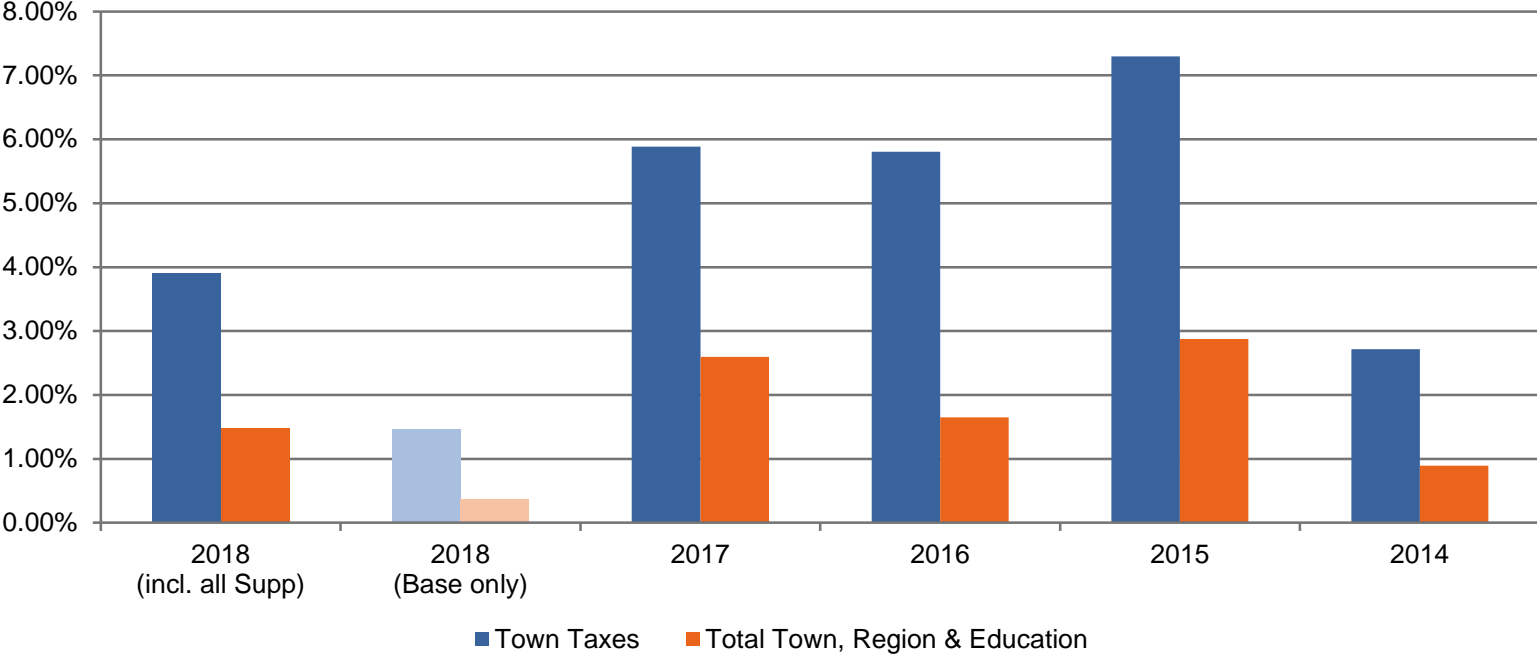
4.3 \$12,500 Snowbirds event contribution funded by GLRS Reserve

4.4 \$40,000 Rural speed limit study funded by GLRS Reserve.

3) 2018 Budget: Supplementary Summary

		\$ Levy net Impact	% Levy Impact
a) Previous:	PART 1 Base	\$410,877	1.61%
	PART 2 One-time (funded)	\$Nil	0.00%
b) New:	PART 3 Base	\$222,890	0.89%
	PART 4 One-time (funded)	\$Nil	0.00%
Total Supplementary		\$633,767	2.49%
Total Base + Supp (if all approved)			3.93%

4) Consolidated Median Household Impact Levy History



4) Consolidated Median Household Impact

2018 Total Levy

	Median 2017 Bill	Median 2018 Bill	Median % Change
<i>Assessed value</i>	187,000	191,500	2.39%
Town	\$1,269	\$1,319	3.94%
Region	\$1,212	\$1,213	0.06%
Education	\$335	\$325	(2.74%)
TOTAL	\$2,816	\$2,857	1.47%

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

4) Consolidated Median Household Impact

2018 Town Levy

		Annual Change	% Change
2017 Median household		\$1,269	
2018 Base	\$19		1.47%
2018 Supplementary (infrastructure)	\$19		1.50%
2018 Supplementary (non-infrastructure)	\$12		0.97%
Change		\$50	3.94%
2018 TOTAL		\$1,319	

5) Risks & Opportunities

Risks

- Federal & Provincial legislation: policy/budget changes (e.g., Bill 148, OMPF funding, added regulations).
- Assessment Appeals: ongoing appeal impact assessment base.
- Region taxes: tax rates & policy (i.e., tax class ratios) outstanding.
- Emerald Ash Borer: tree removal/replacement may require acceleration.
- Economic factors: interest rates (investments & debt), inflation, utilities.
- Legal matters: financial exposure beyond insurance coverage.
- Infrastructure gap: existing capital rehabilitation & replacement may fall behind. AMO study suggests additional 3.84% needed annually.

5) Risks & Opportunities

Opportunities

- Funding partnerships: Infrastructure stimulus funding programs may be introduced (e.g., Federal) and awarded in 2018. Monitor all opportunities with Grants Oversight Team.
- Fees & Charges: annual review of balance burden between users of fees and tax levy.
- Assessment base: manage assessment growth and associated costs and promote a healthy mix of residential, industrial & commercial taxes.
- CMS: economic growth but with demand on staff resources.
- GFESS Theatre: nearly funded and may be further reduced by fundraising, freeing up existing funds.

5) Risks & Opportunities

Forecasts

- Forecasted base increases of 2.3% (2019) and 0.8% (2020).
- Continuation of strategic capital reserve contributions to mitigate impact of Ontario Reg. 284/09 and address documented infrastructure gap.
- Current collective bargaining agreement expires in 2020.
- Annual debt costs of \$260,000 mature at the end of 2019.
- Other market driven increases such as insurance & utilities.
- 2019 Budget timelines to be adjusted to reflect timing of election.

6) Next Steps

Budget Process

- Jan 31 Budget-in-Committee #5: further Council enquiries and follow-up requests, if necessary
- Feb 26 By-laws: Levy & General Capital (Appendix “2”)
- Mar Region Policy, Ratios & Capping reports & Rate By-laws
- May Town consolidated Tax Rate By-law
- Jun Town 2018 final tax bills mailed

7) 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



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

8) Presentation Questions



Further information contained in Council Report No. CBC-07-2018



Town of Fort Erie
1 Municipal Centre Drive
Fort Erie, Ontario
L2A 2S6
905-871-1600

www.forterie.ca