To: Mayor and Council
From: Janet Koziel, Treasurer
Date: February 11, 2019
Committee of the Whole Date: February 25, 2019
Title: 2019 3rd Draft Budget

Recommendation:

THAT Report 2019-20 be received for information and discussion purposes; AND FURTHER,

THAT Council provide direction to staff for the final draft budget.

Purpose:

To present to Council the 2019 3rd draft budget inclusive of capital needs projects

Background:

"Section 290, of the Municipal Act, 2001; as amended, requires Municipalities to annually prepare and adopt a budget including estimates of all sums required during the year for the purposes of the municipality..."

On January 21, 2019, the 2019 2nd draft budget was presented and reviewed by Committee of the Whole.

Staff were asked to bring forward an average residential property tax increase equal to the 2018 average CPI of 2.4%. The outcome was a tax rate increase of 1.49% + assessment growth of 0.91%. This resulted in a decrease of taxation revenue of $67,257 from the proposed tax rate increase of 2.1% projected on the 2nd draft. The transfer from the operational budget to the tax-supported capital reserve was reduced to offset this decrease in revenue.

Further to this, staff were directed to revise the 3rd draft operational water budget to reflect a proposed rate increase of 2% and a proposed rate increase of 3% for the wastewater budget. Again, the transfer from the operational budget to the capital reserves were reduced to offset the decrease in revenue.
Please see attached Schedule 1 denoting the deferrals/decreases from the 2nd to the 3rd draft capital budget.

Analysis:

The annual budget is one of the most important policy documents a municipal Council will produce. It identifies priorities for the year and provides the financial resources to deliver on the approved Strategic and Asset Management Plan. The budget should be viewed as a tool to achieve desired service levels within the community and to manage infrastructure and other assets owned or controlled by the municipality.

Conclusion:

Cognizant of the many requests for municipal dollars, staff has strived to provide Council with a sound budget plan for 2019, a budget that:

- addresses the demands for service for the coming year;
- is guided by the approved Long-Term Financial Sustainability and Asset Management Plan to position the town in managing future capital expansion/replacement needs;
- does not compromise the Town’s financial foundation for future operations and continued maintenance of stable tax rates for the future;
- provides the necessary funds for the initiatives set out in the Town’s Strategic Plan and its seven priorities

Action/Direction/Approval Required:

There are still a few unknown variables that will potentially have a significant impact on the final draft of 2019 budget which is as follows:

- OMPF (Ontario Municipal Partnership Fund) Funding - 2019 Allocation is still unknown

Current draft is consistent with the 2018 budgeted figure of $3,586,200 for his “unconditional” grant. As per the Ministry of Finance letter of December 21st, this allocation announcement will be delayed until approximately March, 2019 upon their completion of a comprehensive review of this funding. As of February 13th, we received notification from the Ministry of Finance that the structure of the program and funding will remain virtually the same as 2018. They are working on finalizing data updates to ensure the OMPF continues to be responsive to changing municipal circumstances as is the case under the current program. The province has advised the allocation notices with 2019 funding details will be available in mid-March. Therefore, it is staff’s recommendation that we delay finalizing the 2019 budget until this allocation has been announced and we have certainty in this regard.
• The Connecting Link funding program has yet to be announced

Staff are working with the consultant to develop the tender package and expect to be in a position to issue the tender on March 11, 2019. It is unlikely at this juncture that we will receive confirmation of funding. We expect to be in a better position prior to contract award.

Financial Implications:

Will depend on OMPF and Connecting Link Funding

Link to Strategic Plan (Bylaw 8848-2016):

The 3rd draft 2019 budget will directly address Strategic Priority #2 – Financial Sustainability for the effective management of town finances and assets.

The budget contains financial resources to advance the following strategic priorities:

Priority #3 – A STRONG COMMUNITY IDENTITY that reflects the community’s evolving culture and long term vision
Priority #4 – GROWTH & EXPANSION for the commercial tax base and economic development opportunities
Priority #5 – WATERFRONT DEVELOPMENT to improve the facility services and public access to the waterfront
Priority #6 – TOURISM to support and expand the Town’s tourism offerings and opportunities
Priority #7 – PLACEMAKING, the development of a town square and gathering place

Existing Policy(s):

Strategic Plan
Long Term Financial Sustainability Plan/Asset Management Plan
Smiths Falls Drinking Water System Financial Plan

Consultations:

Reviewed with senior management team and CAO

Supporting Documents/Schedules

Schedule 1 – Summary of Deferrals/Decreases from 2nd Draft Budget (Capital)
Schedule 2 – Various Tax Rate Increase Scenarios (with impact on average residential tax bill)
Respectfully Submitted:

Janet Koziel
Treasurer

Approved for agenda by CAC:

Malcolm Morris, CMO
Chief Administrative Officer
### Schedule 1 - Deferrals/Decreases from 2nd draft to 3rd draft, 2019 Capital Budget; Net Impact to Capital Reserves

#### Tax-supported Capital Budget

<table>
<thead>
<tr>
<th>Dept.</th>
<th>Description</th>
<th>2nd Draft; Net Impact to Budget</th>
<th>3rd Draft; Revised Net Impact to Budget</th>
<th>Cost Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police Dept.</td>
<td>Annual Vehicle Replacement</td>
<td>$48,000</td>
<td>$0</td>
<td>-$48,000</td>
</tr>
<tr>
<td>Water Front Development</td>
<td>Victoria Park Splash Pad</td>
<td>$15,000</td>
<td>$0</td>
<td>-$15,000</td>
</tr>
<tr>
<td>Parks Dept.</td>
<td>Picnic Tables</td>
<td>$20,000</td>
<td>$10,000</td>
<td>-$10,000</td>
</tr>
<tr>
<td>Parks Dept.</td>
<td>Banquet Tables</td>
<td>$15,000</td>
<td>$0</td>
<td>-$15,000</td>
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<tr>
<td>Parks Dept.</td>
<td>New Drains; Victoria Park Pump Out</td>
<td>$30,000</td>
<td>$12,000</td>
<td>-$18,000</td>
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<tr>
<td>Parks Dept.</td>
<td>Victoria Park Entrance Enhancement</td>
<td>$21,261</td>
<td>$0</td>
<td>-$21,261</td>
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<tr>
<td>Library</td>
<td>Renovations</td>
<td>$220,532</td>
<td>$0</td>
<td>-$220,532</td>
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<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td><strong>$369,793</strong></td>
<td><strong>$22,000</strong></td>
<td><strong>-$347,793</strong></td>
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</table>
### Schedule 2 - 2019 3rd Draft Budget; Various Scenarios for Tax Rate Increases

#### 2019 Distribution of Taxes

<table>
<thead>
<tr>
<th>Assessment Type</th>
<th>2018 Tax Levy</th>
<th>2019 Tax Levy (No tax rate increase)</th>
<th>Proposed Tax Rate Increase 2.6% (1st draft)</th>
<th>Proposed Reduced Tax Rate Increase 2.1% (2nd draft)</th>
<th>Proposed Reduced Net Impact Increase 2.4% (1.49% Rate Increase + 0.91% Assessment Growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>3,062,751</td>
<td>3,093,462</td>
<td>3,175,900</td>
<td>3,157,665</td>
<td>3,142,380</td>
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<td>Industrial</td>
<td>445,709</td>
<td>450,928</td>
<td>446,520</td>
<td>443,956</td>
<td>441,807</td>
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<tr>
<td>Residential</td>
<td>8,536,426</td>
<td>8,776,297</td>
<td>9,010,655</td>
<td>8,958,824</td>
<td>8,915,550</td>
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<tr>
<td>Multi-Residential</td>
<td>1,200,449</td>
<td>1,271,954</td>
<td>1,305,849</td>
<td>1,298,351</td>
<td>1,292,067</td>
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<tr>
<td>Pipeline</td>
<td>52,439</td>
<td>53,551</td>
<td>54,978</td>
<td>54,663</td>
<td>54,398</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td><strong>13,297,774</strong></td>
<td><strong>13,646,192</strong></td>
<td><strong>13,993,902</strong></td>
<td><strong>13,913,459</strong></td>
<td><strong>13,846,202</strong></td>
</tr>
</tbody>
</table>

Increase from 2018 Tax Levy: $348,418 $696,128 $615,685 $548,428

Decrease from 1st draft budget: -$147,700

Decrease from 2nd draft budget: -$67,257

Annual Impact to Tax Bill: $27.05 $97.32 $83.80 $67.05

Monthly Impact to Tax Bill: $2.25 $8.11 $6.98 $5.59

**Note:** Education Tax Rate has not yet been confirmed. (Note: This has been either decreasing marginally or remaining status quo since 1998.)