

Meeting: GENERAL PURPOSE &
ADMINISTRATION COMMITTEE



Date: March 1, 2010

Dept: Corporate Services

Report No: CORP-2010-11-GP&A

Title: 2010 CAPITAL AND OPERATING BUDGET and BUSINESS
PLANS

RECOMMENDATION:

THAT this Committee recommend that Council approve the budget levy in the amount of \$9,275,393 (residential tax rate .00343349) which represents a 2.4% tax rate increase, as follows;

Department	2010 Tax Requirements \$
Planning & Building	228,300
Public Works	4,159,046
Fire & Emergency Services	1,492,387
Parks, Recreation & Culture	1,506,895
Corporate Services	1,921,460
Library	412,405
Non-Departmental	<u>5,500</u>
Sub-Total	9,725,993
OMPF Levy Reduction	(310,600)
Payment In Lieu Reduction	(40,000)
Growth/Supplemental Billings	<u>(100,000)</u>
Total Levy Requirement 2010	<u>9,275,393</u>

AND THAT this Committee recommend to Council that the 2010 funding sources be approved as follows;

Source	\$
Levy	9,275,393
Growth/Supplemental Billings	100,000
Payment In Lieu	40,000
User Fees	1,697,785
Grants	11,830,680
DCA	792,090
CEF	1,851,930
Parks Reserve	133,000
Other Reserves (Municipal Projects)	397,199
Other Revenue	<u>685,000</u>
TOTAL	<u>26,803,077</u>

AND THAT this Committee recommend to Council that the 2010 Capital Program and funding sources in the schedule attached to this report be approved;

AND THAT this Committee recommend to Council that additional financing of \$8,000 be approved from the Parks Reserve for closing costs on the purchase of the property at 3 Cedar Grove Drive, Caesarea, Ontario;

AND THAT this Committee recommend to Council that the Staff Complement as shown in Section 1 be approved;

AND THAT this Committee recommend to Council that non-union/management wages be capped at a maximum of 2.5% on the overall salary grid;

AND THAT this Committee recommend to Council that staff be directed to extend the lease arrangement with the Scugog Council For The Arts until March 2011, subject to the Memorandum of Understanding be signed by both parties (The Township of Scugog and the Scugog Council For The Arts);

AND THAT this Committee recommend to Council that the user fees and charges, as outlined in Section 1, be approved for 2010.

BACKGROUND:

The Township of Scugog, a vibrant community of more than 22,000 people, continues to be known for its picturesque landscape, healthy environment, celebrated attractions and events, overall quality of life for residents, and in particular for its high standard of municipal services. Throughout 2010, the Township will continue to focus on its core businesses of roads, parks, recreation, culture, building services, fire protection and communication priorities, to ensure the community remains safe and healthy, growth is appropriately managed, sustainability is maintained and value for taxes paid is delivered.

Vital to these goals is the financial operations of the municipality, and the annual budget. Each year, municipalities are required (Sections 289 and 290 of the Municipal Act 2001) to adopt a budget which includes estimates of all sums required during the year. In addition, the budget shall provide that the estimated revenues are equal to the estimated expenditures.

Preparing a budget forces the Township to plan for the future. Without this direction, no one would really know where to go, which could result in inefficient use of resources. In addition, a plan is needed to ensure there will be an adequate source of funding available.

A budget also allows interested parties to be able to monitor progress and efficiencies. Not only does budget monitoring allow others to determine if the correct amount of funds are expended, budget monitoring indicates whether the amounts spent are for the planned projects. This promotes the goal of transparency and accountability as variances from the budget plan are readily identifiable.

The estimated expenditures for the year 2010 are approximately \$26.8 million, including Township operations (\$13.9 million) and capital (\$12.9 million). These expenditures are funded by the tax levy (\$9.3 million), from User fees and Interest (\$2.4 million), Reserves (\$3.2 million) and Governmental grants (\$11.8 million). In addition, funding of \$140,000 is included as an estimate for growth and payment-in-lieu.

2009 EXPENDITURE FUNDING SUMMARY

	EXPENDITURES	FUNDED FROM RESERVES	FUNDED FROM PERMITS USER FEES	FUNDED FROM GRANTS	FUNDED FROM LEVY
OPERATING EXPENDITURES	13,480,925	888,478	2,416,100	1,021,700	9,154,647
CAPITAL EXPENDITURES	4,969,597	2,450,681	55,500	2,306,416	157,000
TOTAL	\$18,450,522	\$3,339,159	\$2,471,600	\$3,328,116	\$9,311,647

- includes levy taxation for Business Improvement Area of \$135,000
- does not include reduction for PIL and Growth

2010 EXPENDITURE FUNDING SUMMARY

	EXPENDITURES	FUNDED FROM RESERVES	FUNDED FROM PERMITS USER FEES	FUNDED FROM GRANTS	FUNDED FROM LEVY
OPERATING EXPENDITURES	13,860,107	1,112,029	2,382,785	1,158,800	9,206,493
CAPITAL EXPENDITURES	12,942,970	2,062,190	0	10,361,280	519,500
TOTAL	26,803,077	3,174,219	2,382,785	11,520,080	9,725,993

- Part of the increase in Operating Expenditures for 2010 is due to the change in reporting requirements for PSAB purposes which saw a reallocation of expenses no longer meeting the TCA Policy moved to Operations from Capital. Accordingly, the funding from reserves has also increased to match the reallocation of the expenditures.

The total levy as presented above of \$9,725,993 is reduced by Ontario Municipal Partnership Funds of \$310,600 as well as estimates for payment-in-lieu and growth totalling \$140,000.

In addition to the above, the Port Perry Business Improvement Association ("BIA") recommended a levy of \$145,500 for it's members on February 9, 2010. The 2010 Proposed BIA Levy is included in Section 3 of the Budget Binder.

The adoption of the budget tax levy identifies the amount of money to be raised from taxation in the year, and serves as a basis for the calculation of the tax rates needed to generate these revenues. The 2010 budget identifies \$9,275,393 (total of capital and operating) as the amount to be raised from taxation, which results in a residential tax rate of .00343349 (2009 tax rate .003528078). It should be noted, this tax rate is subject to adjustment as a result of any subsequent tax ratio changes approved by Durham Regional Council.

As a result of MPAC's updated 2008 current value assessment, property market values have increased significantly from 2005 to 2008 (an increase of approximately 4.67% for average residential and 5.15% for all property classes). The result of this increase in assessed value actually results in an overall reduction in the Township's residential tax rate.

While the overall 2010 levy will increase by 2.4% over 2009, the average residential property owner will only see an increase of 1.86% because of the overall increase in assessed property values across the Township.

ANNUAL INCREASE ON TOWNSHIP SHARE OF TAX BILL				
	2009	2010	\$ INCREASE	% INCREASE
AVERAGE CVA	290,162	303,713		
ACTUAL TX RATE	0.00352808	0.00343349		
TWP TAX	\$1,023.71	\$1,042.80	\$19.09	1.86%

Property owner's whose assessment growth exceeded average will see an increase greater than 1.86% in the municipal levy.

The commercial tax rate is calculated as a factor of 1.45 times the residential tax rate, which results in a commercial tax rate of 0.00497856 (versus 0.00511572 in 2009).

The total tax levy departmental allocations are summarized below.

DEPARTMENT	* 2009 LEVY \$	
Infrastructure and Development	\$4,202,264	45.8%
Fire and Emergency Services	\$1,447,839	15.8%
Parks, Recreation and Culture	\$1,330,894	14.5%
General Government	\$1,795,150	19.6%
Library	\$400,500	4.3%

DEPARTMENT	* 2010 LEVY \$	
Public Works	\$4,159,046	42.76%
Planning & Development	\$228,300	2.35%
Fire & Emergency Services	\$1,492,387	15.34%
Parks, Recreation and Culture	\$1,506,895	15.49%
General Government	\$1,921,460	19.76%
Library	\$412,405	4.24%
Non-Departmental	\$5,500	0.06%

- Note: This levy is reduced by OMPF of \$310,600 and estimated Supplementary tax and Payment in Lieu revenue of \$140,000
- Note: The Public Works and Planning & Development were combined in 2009 (have been separately identified for 2010), however, for comparison purposes, if they were to be combined in 2010, the department would be receiving approximately 45.1% of total 2010 levy (in comparison with 45.8% in 2009)
- Note: The General Government Department and Non-Departmental (for the most part) were combined in 2009, however, for comparison purposes, if they were to be combined in 2010, the department would be receiving approximately 19.8% of total 2010 levy (in comparison with 19.6% in 2009).

IMPACT OF PUBLIC SECTOR ACCOUNTING STANDARDS

Commencing on January 1, 2009, municipalities were required to capitalize and amortize (depreciate) tangible capital assets as well as report the costs of certain future liabilities in their annual financial statements. Direction on the budget process was not provided until mid 2009 when Bill 162 was enacted.

Bill 162 enacted June 2009 made changes to the Municipal Act, 2001 that would permit a municipality to exclude amortization from budget expenses. If a municipality chooses to prepare it's budget in such a manner the Treasurer of the municipality is required to prepare a report on the effect of the excluded expenses, prior to the budget being adopted.

In the GP&A meeting on November 2, 2009 when the capital budgets were first presented, it was recommended that the 2010 budget be prepared, excluding the amortization expenses. Accordingly, the following is a summary of the effect that the excluded expenses (related to tangible capital assets) would have on the 2010 budget:

	\$
Net 2010 Tax Levy	9,275,393
Estimated Amortization Expense	3,220,000
TCA Purchases 2010 (from Levy)	<u>(519,500)</u>
Net Expenditures after TCA Adjustment	<u>11,975,893</u>

Going forward, until directed otherwise by the Public Sector Accounting Board, staff recommend that the Township of Scugog continues the practice of funding the acquisition, replacement, construction and upgrade of its tangible capital assets on a program basis, through tax levies, reserves and reserve funds, grants, third party contributions and if required, by debt financing.

RESERVES

Reserve funds are segregated special purpose funds established either by Council, or by provincial legislation, to isolate and account for money related to specified restricted uses. In general terms, Reserve Funds are amounts which have been set aside to finance specific future project costs. Reserve funding included in the 2010 proposed budget is \$3,174,219 (to fund capital and operational projects). Included in the budget binder, following this report, is a summary of the anticipated reserve fund transactions for the year 2010.

ONTARIO MUNICIPAL PARTNERSHIP FUNDING

The Township of Scugog received a grant for 2010 from the Ontario Municipal Partnership Fund of \$1,337,600 (in comparison with \$1,339,000 received in 2009).

The proposed allocation of these funds is outlined in the OMPF Schedule included in Section 1, attached, and recommends a total of \$310,600 be allocated during 2010 for levy reduction.

RESPONSE TO OUTSTANDING GP&A COMMITTEE MATTERS

The first draft Departmental Capital Budgets and Four-Year Forecasts were presented to Council at the General Purpose and Administration (GP&A) Committee on November 2, 2009, followed by the Proposed 2010 Departmental Budgets at GP&A on January 25, 2010.

Subsequent to this, a public open house was hosted on February 8, 2010.

Items raised at the above meetings have been addressed and are attached as Appendices A & B.

TOWNSHIP STAFF COMPLEMENT CHANGES

A summary of the proposed staff complement changes for 2010 is included in Section 1 of the Budget and the estimated gross impact on the 2010 levy is approximately \$100,000.

In addition, plans for 2010 Summer Staffing is also included in Section 1.

ENVIRONMENTAL CONSIDERATIONS

A number of environmental initiatives have been included in the 2010 budget and are summarized in the Environmental Pro-forma, included in Section 1 of the Budget Binder.

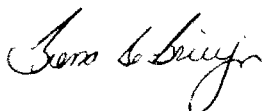
ACCESSIBILITY CONSIDERATIONS

A number of accessibility initiatives have been included in the 2010 budget and are summarized in a table on Accessibility, included in Section 1 of the Budget Binder.

FUNDING OPTIONS

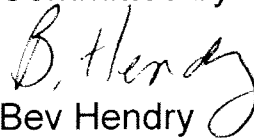
The net tax levy requirement for 2010 is \$9,275,393 and represents a 2.4% net local tax levy increase.

Respectfully submitted:



Trena DeBruijn, CGA
Director of Finance/Treasurer

Approved for presentation to
Committee by:



Bev Hendry
CAO

Appendix "A"
Response to Comments Raised at January 25, 2010 GP&A Meeting

Comment	Status
Planning & Development	
Staff requested to consider financing options to draw down the Building Reserve Fund for the Building Program	Recovery from Building Reserve Fund has been reduced to \$15,000 through changes to financing sources for other Departmental expenditures.
Works Operations	
Staff requested to investigate opportunities to expand the slurry seal program	Expanding the pavement preservation (slurry seal) program to capture all current requirements would require additional expenditure of about \$175,000. Funding is not currently available for this additional cost. No further action taken at this time.
Staff to consider future plans for the lands adjacent to the Island Hall which are used for the former Ward 3 public works depot, and for the property owned by the Township in the vicinity of Highway 7A and Island Road	Financing of \$17,000 to demolish the former Ward 3 Depot and restore the site has been included in the budget. Future use of Highway 7A property will be explored this year.
Staff to provide better explanations of the financing for the proposed in-vehicle hardware and the guide rail on Townline Road	Budget summary and capital budget sheets have been revised to provide greater explanation.
Staff to provide financing options for the maintenance of the Victorian Village stormwater management pond, in lieu of the currently proposed funding source.	Recovery from Municipal Project Reserve Fund has been eliminated through deferral of proposed Reach Industrial Park Road drainage works in Capital Budget until 2011 and reallocation of that financing.
Fire & Emergency Services	
Staff to consider the computer simulated extinguisher system in the final budget presentation.	To be considered in 2011 Capital Budget
Parks, Recreation & Culture	
Staff to look for opportunities to increase revenue	Activity in 2010
Staff to review operating costs at arena	Minor adjustments made

Comment	Status
Staff to consider the increase in the number of gardens at the waterfront and impact on staff	Underway in co-operation with the Downtown Waterfront Revitalization Project
Staff to ensure that Carter Park drainage is reflected in budget	Included in Parks – General Maintenance
Staff to clarify that funds are in the budget to address safety concerns related to the sidewalks surrounding splash pad	Funding included in Playground Components – Upgrades/ Replacement
Staff to conduct an analysis of booth at arena	Activity in 2010
Staff to determine cost of boat launch maintenance in conjunction with By-Law	Function has been transferred to Public Works and included in their budget
Staff to address the decrease in the training budget	Complete
Corporate Services	
Staff requested to review proposed staffing	Reviewed and adjustments made to start date of Analyst (starting July 1 st) Salary for Deputy Clerk has been adjusted to be accounted for in base budget.
Staff to review CEF policy – concern that various pieces of equipment may not meet criteria	Postage machine is now being funded from OMPF
Staff to provide clarification of arrangement with the Township of Uxbridge re Animal Control as expenses are up 30%	Staff from both municipalities will meet to discuss financial arrangements.
Staff to justify financial software expense and the ability to implement same in 2010.	Software has been removed in 2010 budget, however, Analyst to start in July 2010 and will research options and report back to council at a later date (with recommendations and funding options at that time).

Appendix "B"
Response to Comments Raised at Budget Open House – Feb. 8, 2010

Comment	Status
Planning & Development	
Why is the proposed budget based on last year's budget figure rather than 2009 actual? Could certain proposed 2010 budget amounts be reduced because actual expenditures in 2009 didn't approach or exceed the 2009 budgeted amounts?	Both are used as input to the final proposed figure. Previous year expenditures do serve as a guide, but are not the only basis for setting budget amounts. Not all 2009 expenditures were posted by the Feb 8 th open house.
Please explain the Downtown Waterfront Revitalization Project components and costs.	Provided explanation
Works Operations	
Why is the proposed budget based on last year's budget figure rather than 2009 actual? Could certain proposed 2010 budget amounts be reduced because actual expenditures in 2009 didn't approach or exceed the 2009 budgeted amounts?	Both are used as input to the final proposed figure. Not all 2009 expenditures were posted by the Feb 8 th open house.
Fire & Emergency Services	
Nil	
Parks Recreation & Culture Parks & Facilities	
Why is the proposed budget based on last year's budget figure rather than 2009 actual?	Both are used as input to the final proposed figure. Not all 2009 expenditures were posted by the Feb 8 th open house.
Corporate Services	
Questions on Contingency	Contingency has been budgeted within the Non-Departmental Schedules and an explanation for this budget item has been provided (in the schedules)
2009 Actual Budget	The 2009 Actual Budget is an estimate of year-end balances and is subject to change upon completion of year-end.

Administrative Legal Expenses	The administrative legal expense account is not used for By-Law matters as the By-Law department budgets separately for legal expenses.
Administrative Full-Time Salaries	The full-time administrative salary line includes wages for employees in the CAO's office, Clerk's & Finance Departments