

MUNICIPALITY OF SOUTH HURON 2018 Staff Proposed Draft Budget

October 30, 2017

2018 Draft Budget Presentation

- **Budget Process**
- **Elements of the Budget**
- **2018 Draft Budget Overview**
- **Property Taxes**
- **Looking Ahead**

Setting the Framework

September 5, 2017 Committee of the Whole

Motion: #CW46-2017 (Adopted by Council September 18,2017)

Moved: Councillor Oke

Seconded: Councillor Hebert

That South Huron Committee of the Whole hereby directs staff to proceed with preparing a draft 2018 budget with a 2% increase to the levy, excluding the assessment changes.

Disposition: Carried.

2018 assessment change is estimated to increase the levy by 4.5% over 2017

Purpose of the Budget

Serves as a policy document, financial plan, operations guide and communications tool to achieve Municipal priorities as identified by Council within the strategic plan framework

Consists of Operating and Capital levy-supported revenues and expenses and fee funded services

Primary fiscal objective to ensure tax increases are fiscally responsible while achieving the Corporation's objectives

Guiding Principles

(Adopted by Council – August 21, 2017)



Maintain core programs and services to residents comparable to that provided in 2017

Priority focus on strategic plan objectives

Continued focus on community engagement, including Public Open House and Presentation

Guiding Principles



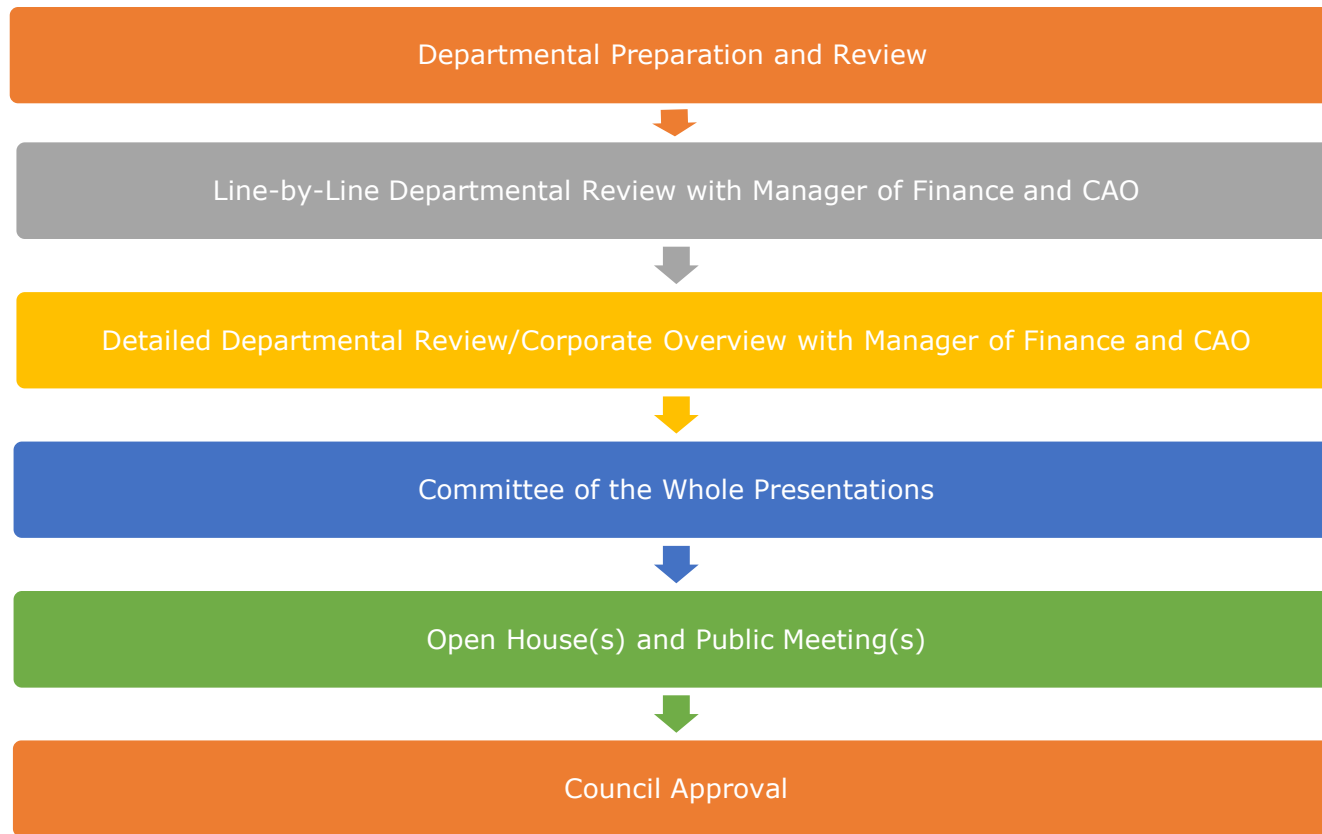
Increased funding for asset management renewal and replacement

Provision for COLA as defined in the pay administration policy

Adjustments to meet required statutory or legislated changes

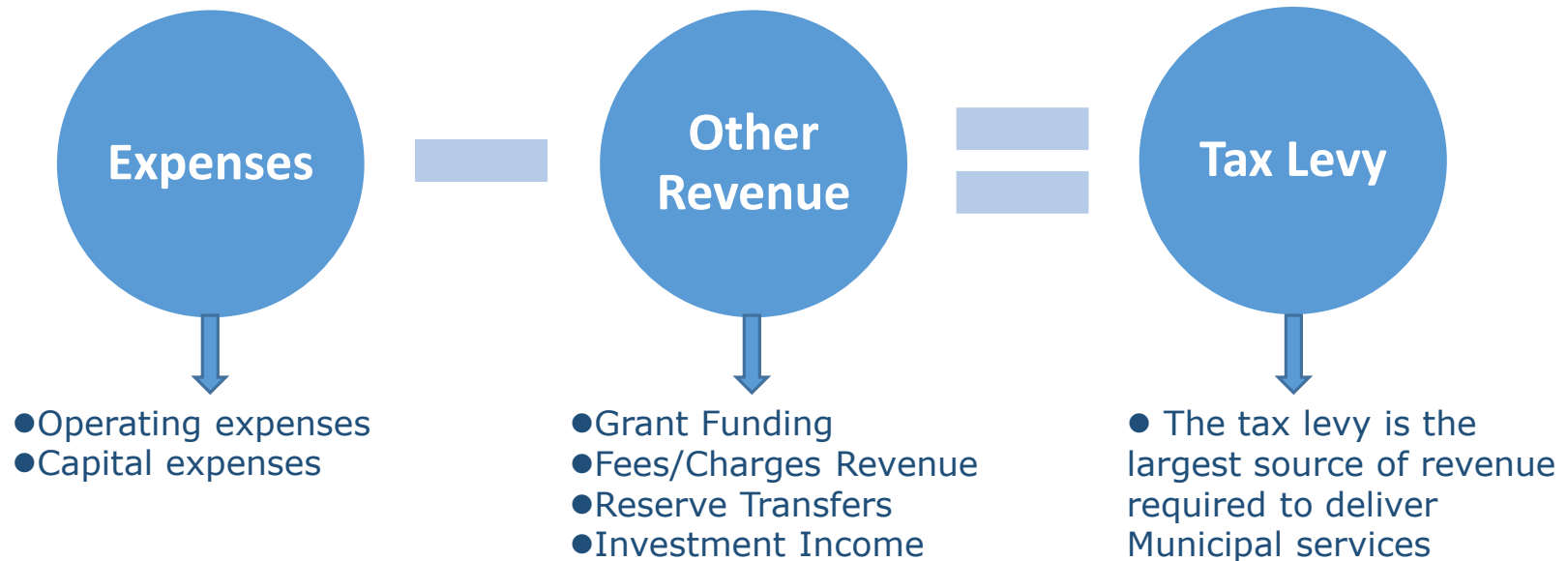
The Budget Process

Budget Process



Balanced Budget (Levy based)

Section 290 of the *Municipal Act* requires municipalities to prepare balanced budgets which include all of the expenditures and revenues for the taxation year.



Elements of the Budget

Asset Management

"Spending the right amount of money, on the right assets, at the right time"

Asset Management

Original asset management plan was completed in 2013 for core infrastructure (roads, bridges, water, sewer, storm sewer)

Plan updated in 2016 to include facilities, machinery and equipment, vehicles and waste disposal

2016 plan identified annual funding deficit of over \$2M for tax funded assets and \$1.2M for rate funded assets

Achieving full funding would require significant tax and revenue increases

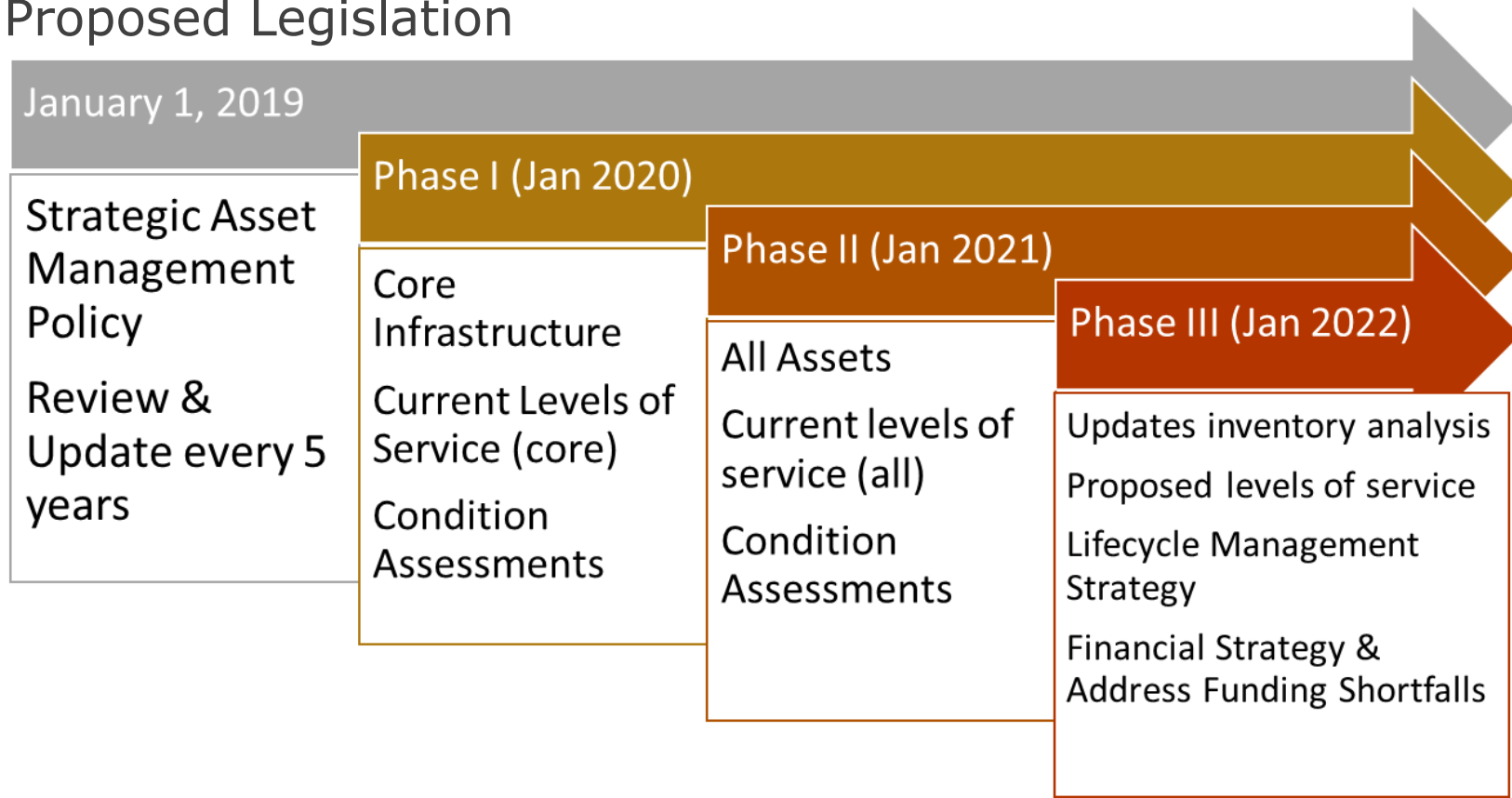
Asset Management

Asset Management goals

- Update condition data for all assets over next few years
 - \$250,000 has been included in 2018 proposed budgets under contracted services
- Implement lifecycle maintenance activities to,
 - maximize useful life and asset conditions
 - allow us to invest small amounts of money to delay end of life replacement
 - reduce annual requirement and assist with infrastructure backlog

Asset Management Program

Proposed Legislation

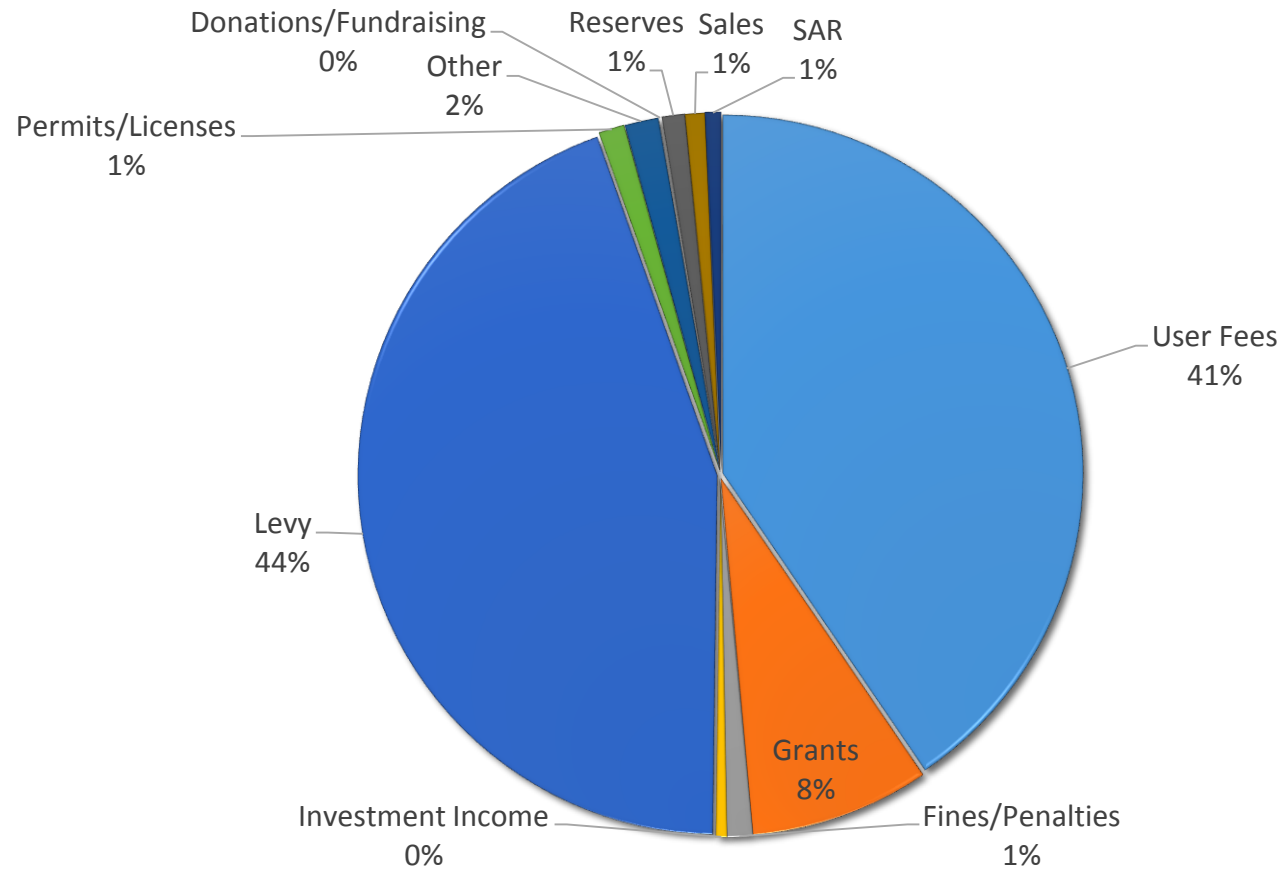


Asset Management-Challenges

- Funding
- Gaps in asset data (inventory, condition, levels of service)
- Resources necessary for gathering data and specialized expertise for condition assessments
- Resources necessary to analyze and refine desired levels of service
- Commitment to non-legislated periodic condition analysis
- Future grant funding dependent upon the quality of information in the Asset Management Plan

Projected Revenue Sources

(Includes Levy and User Fee Revenues, 2018)



Reserves/Reserve Funds

Reserves & reserve funds are critical...

- to cover liabilities and emergencies
- for effective asset management (ensure funds are available to renew or replace assets)

What happens without Reserves and reserve funds?

- costs will increase (debt service costs, short-term borrowing costs)
- Reduction of capital works
- Loss of flexibility to take advantage of opportunities (ie grant funding)

Long Term Debt

Total long-term debt obligation for the Municipality is projected to be over \$22 million at December 31, 2017

Payments of \$1.86 million are included in the departmental budgets to which the debt was incurred.

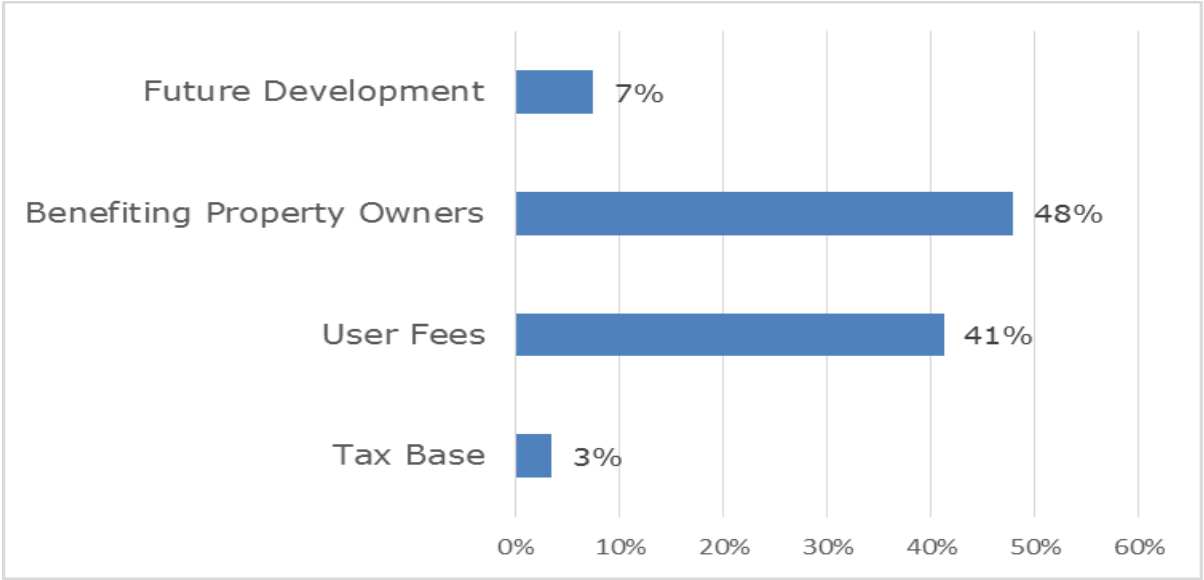
Long Term Debt

Due to current levels, long term debt as an option for financing longer-term capital projects will be a challenge and will need to be monitored closely

Debt Repayment Limit per ministry regulations is 25% of own source revenues. South Huron is at approximately 11.3% (this does not include any debt related to proposed new Recreation projects)

Long Term Debt – Who pays

The municipal debt burden is high, however the reality is that this burden is not being paid entirely by taxes

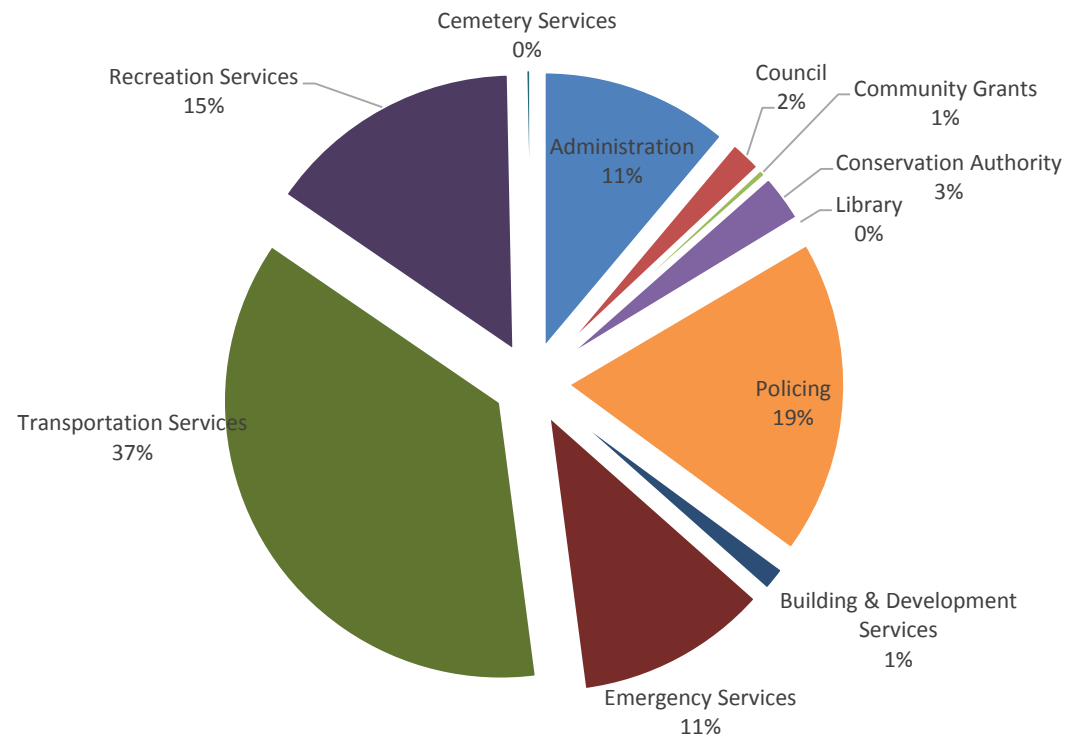


Long Term Debt

Municipality of South Huron			
Long Term Debt Summary			
"Unaudited"			
	Loan Date	Maturity Date	Balance December 31/17
Exeter Water	Jan 1998	Dec 2017	\$ -
Exeter Water/Sewer	June 2004	June 2024	\$ 310,639
Huron Park Water/Sewer	Dec 2006	Dec 2046	\$ 6,112,686
Oakwood Sewer	July 2007	July 2047	\$ 600,934
Crediton/Centralia Sewer	Aug 2008	Aug 2028	\$ 3,101,393
Exeter Hensall Pipeline	Dec 2009	Dec 2034	\$ 8,705,518
SHRC Refrigeration Plant	Dec 2013	Dec 2033	\$ 757,481
GBSTF & PS2	Dec 2017	Dec 2037	\$ 2,451,402
Balance Long Term Debt			\$ 22,040,053
<i>Long Term Debt summary does not include Tile Drain Loans</i>			

2018 Staff Proposed Budget Overview

Tax Levy Distribution by department



2018 Operating Budget Highlights

Baseline approach: budget was prepared to maintain existing service levels

Through the budget deliberations ongoing investment in capital and infrastructure has been maintained



Budget Impacts in 2018

- Asset Management Program – to meet legislation
- OPP contract – cost per property \$371.57 (2017=\$361.30)
- Utility Costs
- Insurance Costs
- Increased contribution to capital replacement reserves
- Cost of Living Adjustment & Grid movement
- Increased Capital Project costs
- Health & Safety Compliance
- Election Expenses

Budget Impacts - unknown

- Recreation projects
- 2018 Assessment – presently estimate only
- OMPF grant – have not received 2018 allocation
- COLA – estimated at 1.5%
- Benefit costs – estimates for
 - CPP, EI, WSIB, Group Benefits

Budget Impacts-to meet framework established

Infrastructure-projects deferred

- Rehabilitation sewage lagoon sand filters
- Pryde Blvd – Huron St to N of John St
- Snider Crescent Sewage Pumping Station Upgrades

Fleet/equipment management-replacements deferred

- Replace 2007 GMC 1 Ton Dump Truck (#100)
- Replace 2008 Case Tractor-Backhoe (#109)
- Purchase of Jib Crane for Usborne Shed

Staff Proposed 2018 Operating Budget by Department

OPERATING SUMMARY

Levy Funded Departments	2018 Budget				
	Current Year Operating Costs	Net Levy Requirement	Grants	User Fees, Fines/ Penalties , Donations	Other (Reserves, Misc, Interest Income)
Administration	1,335,261	1,091,061	2,000	218,700	23,500
Council	187,007	187,007			
Community Grants	65,784	65,784			
Corporate Other	-	(1,616,000)	1,339,000		277,000
Conservation Authorities	278,229	278,229			
Library	36,568	21,568	15,000		
Policing (Includes PSB)	1,919,002	1,829,092	17,013	8,130	64,767
Building/Bylaw/Planning	461,050	143,806		239,000	78,244
Emergency	927,634	870,413	25,000	27,220	5,000
Transportation	3,162,152	2,966,844	92,613	14,476	88,220
Recreation	2,059,683	1,317,390	22,231	709,362	10,700
Cemetery	139,650	31,900		90,350	17,400
Total Levy Based	10,572,020	7,187,094	1,512,857	1,307,238	564,831
		68%	14%	12%	5%

Capital Budget Summary

The 2018 Capital budget identifies high priority projects as presented by Staff.

Capital Expenditures are those which involve the acquisition of assets of considerable value & life expectancy and which are key elements of municipal infrastructure

The total capital expenditures by department are here:

	2018 Capital Budget				
LEVY FUNDED SERVICES	Expenses	Funding Sources			
Department	Capital Expenditures	Tax Levy	Grants	Debt	Other (Reserves/ Other)
General Admin	3,562	3,562			-
Building & Development	-	-			-
Emergency	302,240	250,251			51,989
Transportation	2,545,603	642,792	1,205,276		697,535
Recreation	603,775	173,388	-	-	430,387
Total Levy Based	3,455,180	1,069,993	1,205,276	-	1,179,911
		31%	35%	0%	34%

Recreation Projects – 2018 Budget Implications TBD

- not finalized at this point
- awaiting Council report from public consultation

User Pay Budget

User Pay Budget – Staff Proposed Operating Budget Projections

	2018 Budget				
	Current Year Operating Costs	Net Revenue/ Expenses	Grants	User Fees, Fines/ Penalties, Donations	Other (Reserves,Misc)
User Fee Funded Departments					
Water	3,466,244	(375,903)		3,781,247	60,900
Sewer	2,014,985	(105)		1,985,090	30,000
Solid Waste	1,224,600	45,749		1,145,351	33,500
Total Non Levy	6,867,409	(330,259)	-	6,911,688	285,980

User Pay Budget – Staff Proposed Recommended 2018 Capital Program

2018 Capital Budget					
Department	Capital Expenditures	User fees	Grants	Debt	Reserves
Streetlights	160,000			-	160,000
Water	2,103,166	368,633	262,733		1,471,800
Sewer	3,015,321		1,159,585	-	1,855,736
Solid Waste	80,000	80,000			
Total Non Levy	5,358,487	448,633	1,422,318	-	3,487,536
		8%	27%	0%	65%

Property Taxes

The Tax Bill

The property tax bill includes 3 components:

South Huron (“Local”) taxes

Huron County taxes

School Board taxes

Local Tax Dollars Levied – refers to taxes which are maintained by South Huron

Blended Tax Dollars Levied – refers to the total tax dollars which a resident pays, which are then split three ways

Where Your Tax Dollar Goes

Department	2018
Administration	0.05
Council	0.01
Community Grants	0.00
Conservation Authority	0.01
Library	0.00
Policing	0.09
Building & Development Services	0.01
Emergency Services	0.05
Transportation Services	0.17
Recreation Services	0.07
Cemetery Services	0.00
South Huron	0.47
County	0.39
Education	0.14

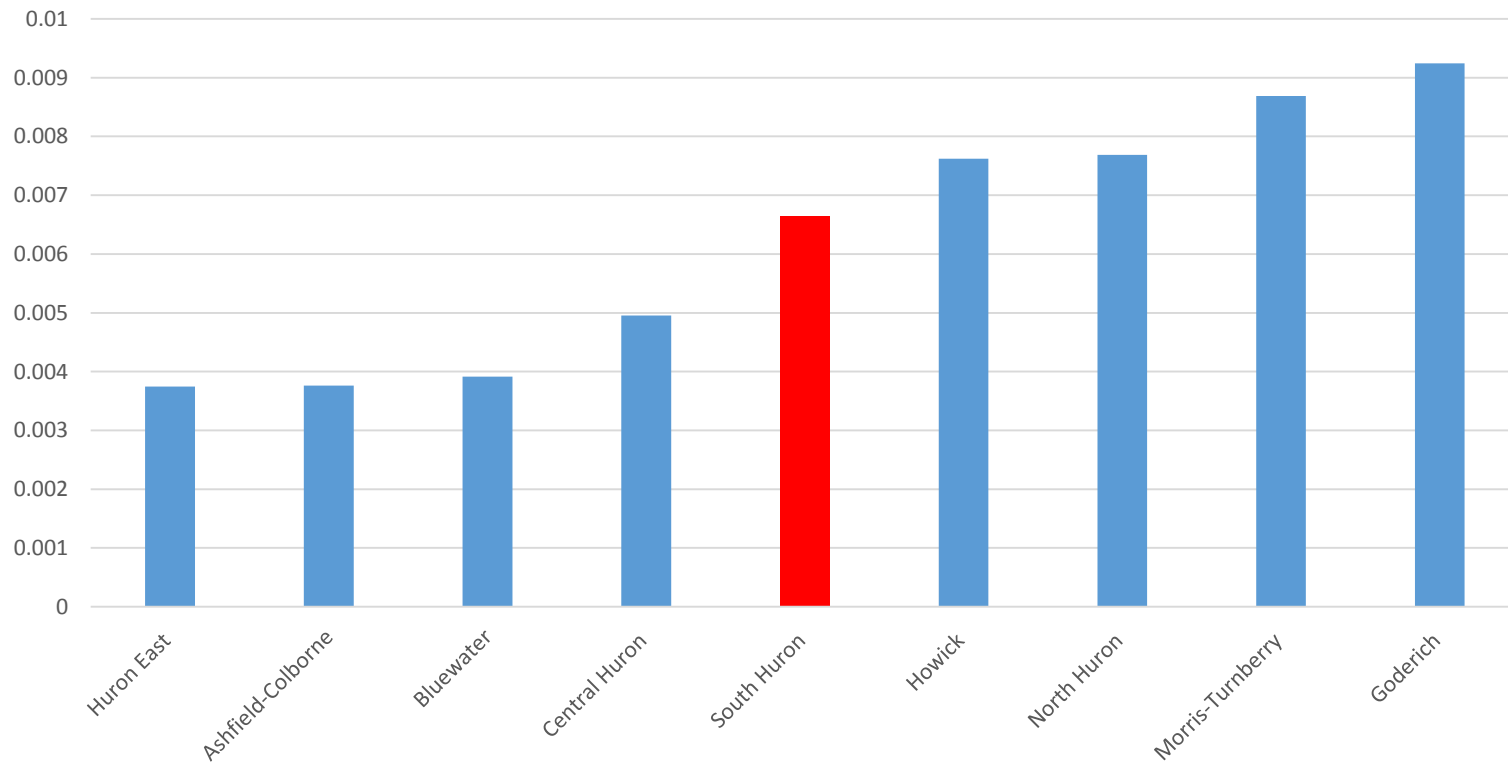
Note: For every \$1 in taxes paid, less than 50% is retained by the Municipality to provide services

Property Tax Calculation



2017 Residential Tax Rates Huron County Lower Tiers

Huron County Residential Tax Rate Comparison



Looking Ahead

Challenges and Next Steps

2018 Operating & Capital pressures that will continue into future years:

- Increased Policing costs
- Asset Management Initiatives
- Energy Management Initiatives
- Strategic Plan and Council and Community initiatives to be considered each year

Next Steps

2018 BUDGET SCHEDULE

2018 Budget Schedule

Action/Event	Date	Time	Location
Budget Committee #1 - Budget Process Overview and Direction	Sept 5, 2017	1:00 - 4:00	Carling Room
Budget Committee #2 - Preliminary Overview of proposed 2018 budget	Oct 30, 2017	1:00 - 4:00	Carling Room
Public Open House & Presentation	Nov 7, 2017	6:00 - 8:00	Carling Room
Budget Committee Meeting #3 - Budget Deliberations	Nov 14, 2017	4:00 - 7:00	Carling Room
Budget Committee Meeting #4 - Budget Deliberations	Nov 28, 2017	9:00 - 4:00	Carling Room
Approval and Adoption of 2018 Budget at Council Meeting	Dec 18, 2017		Council Chambers

Next Steps

Staff will be creating a summary of all budget questions received from elected members and the public.

All questions about the budget can be sent to budget email address budget@southhuron.ca

The Questions and Answers for the budget will become a public document and be posted to the website starting the week of November 6 and updated on a weekly basis.

We Want to Hear From You!

VISIT, WRITE OR CALL!

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