

# 2019 BUDGET PUBLIC MEETING

May 13, 2019

Council Chambers

Presented By: Dawn Galusha, Treasurer





# BUDGET PROCESS

- Municipalities exist under the mandate of the Province.
- Municipal Act and a variety of other Provincial Acts
- Provincial requirement to prepare a Budget
- This public meeting will explain:
  - How the Town is financed
  - How your tax dollars are applied



# 2019 BUDGET PROCESS

- Process began with a Public Meeting
  - December 10, 2018
- A series of Committee of the Whole Meetings were held
  - January 21 to April 1, 2019
- During these meetings Council evaluated and reviewed the challenging requests in order to arrive at a budget for 2019



# UTILITIES

- The Town of Fort Frances also operates 2 utilities:
  - Water and Sewer
- The operations of the two Utilities are funded by:
  - The user fees that they generate
- They do not affect property tax rates directly
  
- Also, the Town is the sole shareholder of the Fort Frances Power Corporation
  - Electrical rates fully fund the FFPC



# SOURCES OF MUNICIPAL REVENUE

- ▶ The Town of Fort Frances has four sources of revenue:
  - ▶ Taxation (including Payment In-Lieu of Taxes)
  - ▶ Conditional and Unconditional Grants
  - ▶ User Fees, Permits, Licenses and Fines
  - ▶ Other revenues such as penalties and interest, rents, sale of land and equipment, etc.



# PROPERTY TAXATION

- Main source of revenue
- Consists of 2 main components
  - Tax Base (assessment)
    - Assessed value of property is determined by the Municipal Property Assessment Corporation (MPAC)
  - Tax Rates (Municipal and School)
    - Municipal- set by Town Council
    - School- set by the Province of Ontario
- Special charges- Business Improvement Area Charges
  - Added only to specific areas



# PROPERTY TAX RATES

- Tax Ratios- define the municipal tax rate of each property class in relation to the Residential Tax Ratio of 1
  - This year Council approved the Starting Ratios and a By-Law has been adopted
- Property tax rates are set by Town Council based on the estimated revenue needed to operate and maintain town services and its infrastructure.
- Property tax rates are subject to Provincial regulations:
  - Levy restriction or hard capping for the Multi-residential, Commercial and Industrial Property Classes



# LEVY RESTRICTION OR HARD CAPPING EXPLAINED...

- ▶ Provincial legislation prohibits municipalities from applying municipal levy increases on:
  - ▶ Multi-residential,
  - ▶ Commercial, and
  - ▶ Industrial property classes
- ▶ Where the tax ratio is above the provincial threshold the restricted class cannot be increased by more than 50% of the levy increase applied to non-capped properties





# ASSESSMENT

- ▶ MPAC is responsible for determining property assessment valuations based on policies stipulated in the Assessment Act
- ▶ Assessment Act
  - ▶ Amended in 2007
    - ▶ Properties valued every four years, beginning with the 2009 tax year
    - ▶ 2017 began the third 4-year cycle
      - ▶ Assessment increases are phased in over the 4 year period (2017-2020)
      - ▶ Assessment decreases are immediate
- ▶ Assessment for 2019 is increased from 2018
  - ▶ Third year in the cycle
  - ▶ New developments



# GRADUATED TAXATION

- ▶ Graduated Taxation was implemented in 2017, with adjustments in 2018
  - ▶ 2 bands
    - ▶ Band #1- \$0-3.6 Million
    - ▶ Band #2- Over \$3.6 Million
- ▶ Provincial tool provided the Town the ability to set a tax rate for Band #1 at a rate of 60% of Band #2
- ▶ Self-funded within the Commercial class and does not shift any further tax burden onto the Residential Property class.



# USER FEES

- ▶ The Town has discretion to determine the services for which it will charge a fee. Some examples of fees charged are:
  - ▶ Sports Centre ice rental fees
  - ▶ Landfill site tipping fees
  - ▶ Garbage bag tag fees
  - ▶ Airport landing fees
  - ▶ Child care fees
  - ▶ Building permit & zoning application fees
- ▶ Many fees increased by 2.6%
- ▶ Province regulates:
  - ▶ Fees are based on cost recovery not to “make a profit”



# USER FEES

- ▶ Council approved by-laws that set out our user fees for 2019 for municipal services and for Water & Sewer rates which were set independently.
- ▶ Water and Sewer rates were revised with a continued view as to:
  1. Impact of Provincial Regulations
  2. Sustain and maintain existing system



# Municipal Accommodation Tax

- ▶ Effective January 1, 2019- Accommodation providers in the Town were mandated by By-Law to collect and remit a 4% tax on hotel stays
  - ▶ 50% of the collected money will be distributed to the Rainy River Future Development Corporation as the eligible not-for-profit tourism to be used for the exclusive purpose of tourism promotion and development
  - ▶ The other 50% will go into a dedicated reserve fund which will be utilized for tourism and economic development priorities as established through the planning process of the Town



# LICENCES, PERMITS AND FINES

- Revenues under this category include:
  - Business licences
  - Lottery licences
  - Building permits
  - Parking fines
- Similar to user fees, the Province regulates:
  - Fees are based on cost recovery not to “make a profit”



# GRANTS

- ▶ Conditional and unconditional grants from both the Provincial and Federal Governments
  - ▶ Modernization Grant- \$689,030- NEW- One-Time Grant
- ▶ Ontario Municipal Partnership Fund
  - ▶ Main unconditional grant
  - ▶ \$3,363,500
  - ▶ Increase of \$21,400 or 0.64%
- ▶ Federal and Provincial grants for general operations



# CONDITIONAL GRANTS

- ▶ The Town receives a variety of annual conditional operating grants such as:
  - ▶ \$113,730 Recycling grant (Stewardship Ontario)
  - ▶ \$42,700 Operating grant for the Fort Frances Seniors' Centre
  - ▶ \$71,727 Handi-van Transit (Ministry of Transportation Gas Tax)
- ▶ The Town also receives annual conditional capital grants which fund various road, sidewalk construction projects:
  - ▶ \$976,102 Federal Gas Tax(\$469,544 plus one-time top-up of \$506,558)
  - ▶ \$634,617 Ontario Community Infrastructure Formula Based Funding

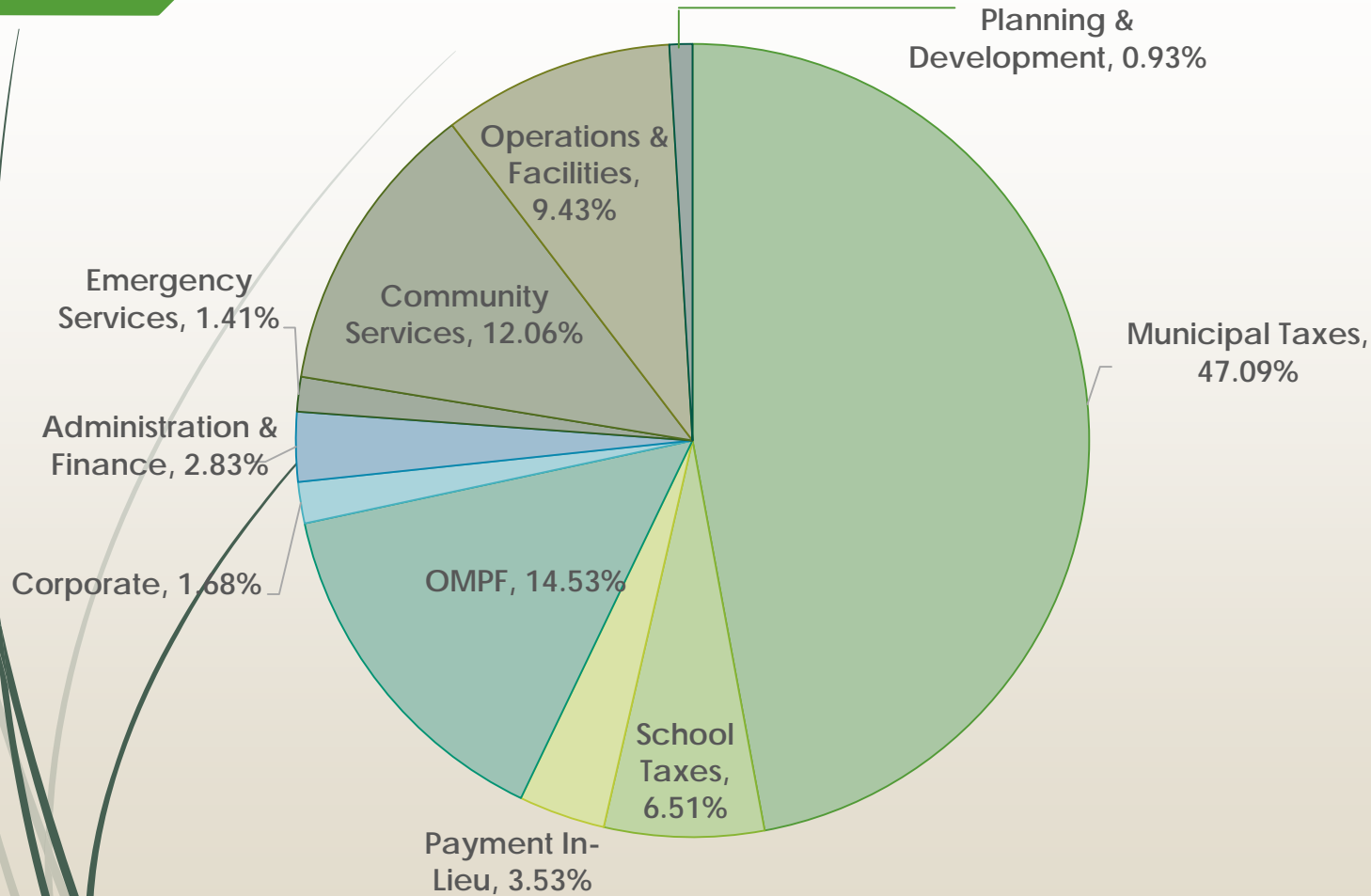




# SPECIAL PROJECT GRANTS

- ▶ The Town also applies for operational and capital grants for special projects such as:
  - ▶ Connecting Link Funding for road reconstruction projects
  - ▶ OCIF Top-up for road reconstruction projects
  - ▶ Any other opportunities that arise which will assist with the cost to the Town

# 2019 BUDGETED REVENUES



Municipal Taxes	10,902,495
School Taxes	1,506,290
Payment In-Lieu	816,367
OMPF	3,363,500
Corporate	389,770
Administration & Finance	655,525
Emergency Services	327,516
Community Services	2,791,693
Operations & Facilities	2,183,529
Planning & Development	216,291
<b>2019 Revenue</b>	<b>23,152,976</b>

# 2019 BUDGETED REVENUES

	2019 Budget	2018 Budget	Change
Corporate	\$16,978,422	\$16,407,701	\$570,721
Administration & Finance	655,525	593,876	61,649
Emergency Services	327,516	205,025	122,491
Community Services	2,791,693	2,864,197	-72,504
Operations and Facilities	2,183,529	2,052,325	131,204
Planning and Development	216,291	201,171	15,120
Total	\$23,152,976	\$22,324,295	828,681



# MUNICIPAL EXPENSES and EXPENDITURES

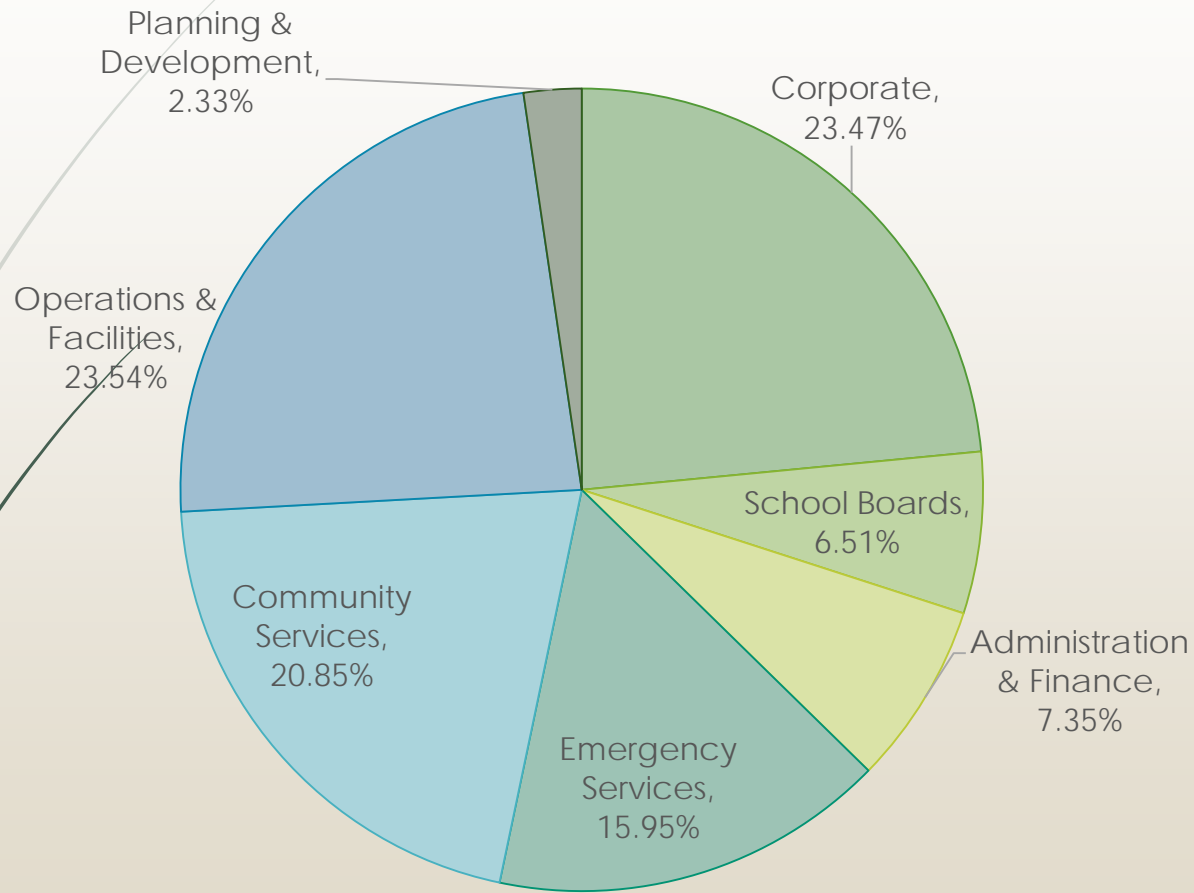
- ▶ Three types of municipal expenses/expenditures:
  - ▶ Operating
  - ▶ Capital
  - ▶ Reserve Fund Contributions
- ▶ Broad Categories
  - ▶ Controllable
    - ▶ Administration, Fire and Rescue, Public Works, Museum, Parks, Airport, Handi-Van, Tourist Information Centre, By-law Enforcement, Recreation, Library, Day Care, Cemeteries, Solid Waste Management, Fort Frances Seniors' Centre
  - ▶ Non-controllable



# LONG TERM DEBT

- ▶ Council decision:
  - ▶ Debt
  - ▶ Pay-as-you-go
- ▶ Long Term Debt repayment is part of current operating budget
  - ▶ \$397,821
- ▶ Total debt at the end of 2018 is \$1,352,176

# 2019 OPERATING EXPENSES



Corporate	5,435,147
School Boards	1,506,290
Administration & Finance	1,701,870
Emergency Services	3,693,920
Community Services	4,826,260
Operations & Facilities	5,451,059
Planning & Development	538,431
<b>2019 Expenses</b>	<b>23,152,976</b>

# 2019 BUDGETED EXPENDITURES

	2019 Budget	2018 Budget	Change
Corporate	\$6,941,436	\$7,073,698	-132,262
Administration & Finance	1,701,870	1,555,647	146,223
Emergency Services	3,693,920	3,258,873	435,047
Community Services	4,826,260	4,689,418	136,842
Operations and Facilities	5,451,059	5,207,775	243,284
Planning and Development	538,431	538,884	-453
Total	\$23,152,976	\$22,324,295	828,681

# 2019 BUDGET SUMMARY

	Revenue	Expenditure	Budget Deficit
General Operating:			
Corporate	\$16,978,422	\$6,941,436	\$10,036,986
Administration & Finance	655,525	1,701,870	-1,046,345
Emergency Services	327,516	3,693,920	-3,366,404
Community Services	2,791,693	4,826,260	-2,034,567
Operations & Facilities	2,183,529	5,451,059	-3,267,530
Planning & Development	<u>216,291</u>	<u>538,431</u>	<u>-322,140</u>
General Operating Total	<u>23,152,976</u>	<u>23,152,976</u>	<u>0</u>
Capital	<u>6,871,001</u>	<u>6,871,001</u>	<u>0</u>
Water Operating	2,837,009	2,837,009	0
Sewer Operating	<u>2,603,945</u>	<u>2,603,945</u>	<u>0</u>
Water and Sewer Total	<u>5,440,954</u>	<u>5,440,954</u>	<u>0</u>
Total Budget	<u>\$35,464,931</u>	<u>\$35,464,931</u>	<u>\$0</u>





# TAX RATE SUMMARY

- The 2019 General Operating Budget results in the following total **tax rate** (Municipal and Education ) increases or reductions as compared to the 2018 tax rates:
  - 1.1338% increase for Farmland
  - 1.1339% increase for Residential
  - 3.6577% decrease for Multi-residential
  - 0.5014% increase for Commercial
  - 1.0649% decrease for Industrial
  - 0.4851% decrease for Large Industrial
  - 0.3063% increase for Pipelines
- Vacant & Excess Land- Commercial have a 23.9246% increase due to the phasing out of the reduction percentage (both Municipal and Education)
- Vacant & Excess Land- Industrial have a 24.5188% increase for the same reason

# RESIDENTIAL TAX RATE COMPARISON

Current Value Assessment	2018	2019	Difference in Tax \$
\$ 60,000	1,093.77	1,106.18	12.41
100,000	1,822.96	1,843.63	20.67
150,000	2,734.43	2,765.44	31.01
200,000	3,645.91	3,687.25	41.34

# 2019 TAX DOLLAR DISTRIBUTION

Rainy River District Social Services Administration Board*	15.47
Police*	13.62
Operations & Facilities (Roads, Cemeteries, Parks, Airport, Waste Management)	12.54
Contributions to Reserve Funds	12.27
School Boards*	11.91
Community Services (Sportsplex, Library, Museum, Daycare, Marina, Sunny Cove)	9.44
Administration/Council/ Economic Development	8.28
Fire/911 Services	6.35
Long-Term Debt	3.15
Northwestern Health Unit*	2.99
Planning & Development (Including By-law)	2.55
Taxation Write-offs*	0.89
Local Hospital Doctor Recruitment	0.54
	<b><u>\$100.00</u></b>

\$44.88 of every \$100 is for uncontrollable services/costs\*

\$55.12 of every \$100 is for services controlled by the municipality

# 2019 UNCONTROLLABLE EXPENSES

	2018 Actual	2019 Budget	Change
Health Unit	\$ 368,814	\$ 377,954	\$ 9,140
RRDSSAB	1,950,715	1,956,182	5,467
Policing Contract	2,166,228	2,563,093	396,865
<b>Total</b>	<b>\$ 4,491,114</b>	<b>\$ 4,485,817</b>	<b>\$ 411,472</b>

# RESERVE AND RESERVE FUNDS

- Critical component of the Town's Long-Term financial plan
- Provides financing of capital assets
- Building of Reserve Funds is primarily accomplished through:
  - the allocation of annual operating surpluses
  - Operational budget allocations
    - To sustain asset management strategies
- 2019 General Operating budget allocates
  - \$1,550,917 to Corporate Vehicles/Equipment, Projects, and Building reserve funds
  - \$111,172 to Post Landfill Closure reserve fund and
  - \$7,000 to Townshend Theatre reserve fund
- Water and Sewer Operating Budgets allocate any surplus to Waterworks & Sanitary Sewer Reserve Funds, and \$17,982 to Water meter Replacement Reserve Fund. In addition, Contributions to Capital projects from the W&S Operating Budgets account for \$2,390,370
- The Federal Gas Tax Capital funding of \$976,102 (\$469,544 plus one-time top-up of \$506,558) also directed to reserves.

# RESERVE AND RESERVE FUNDS

<b>Reserve Funds (as of Dec 31/18)</b>	<b>\$13,455,402</b>
2019 Estimated Interest Earned	283,184
2019 Estimated Transfers to Reserves	3,452,203
2019 Estimated Transfers from Reserves	<u>-3,512,660</u>
Subtotal	13,678,129
Reserve for Working Capital	<u>1,000,000</u>
Total Reserve & Reserve Funds	\$14,678,129



# EFFICIENCIES

- ▶ Allows a service to continue in a less expensive manner
  - ▶ ie. Less human and equipment resources
- ▶ Treasury division
  - ▶ Through the new financial software which was implemented in 2017, E-billing for Water & Sewer, Accounts Receivable and Taxes was implemented in 2018- this saves money on paper, ink and postage
- ▶ Asset Management Plan
  - ▶ Funding to bring the Plan to a current status
  - ▶ Future budgeting decisions to be made based on the Asset Management Plan
- ▶ The Town continues to seek additional efficiencies.



# CURRENT ECONOMIC SITUATION

- ▶ Council has a difficult task of:
  - ▶ Balancing the needs of the community,
  - ▶ Maintaining acceptable service levels,
  - ▶ Making every effort to strengthen the local economy,
  - ▶ While providing fairness in taxation and value in service to our residents
- ▶ The future of the Industrial Class tax base for mill properties is unknown
- ▶ OPP Costs are uncontrollable and are reconciled 2 years later
- ▶ Provincial downloading and regulatory responsibilities
- ▶ Escalating operating costs- Salaries, benefits, heat, hydro, repairs
- ▶ Aging infrastructure and growing infrastructure deficit (currently \$47.6 M per the Asset Management Plan Report)





QUESTIONS or COMMENTS



Thank you!

