

2020 BUDGET PUBLIC MEETING

May 11, 2020

Committee Room

via Teams on-line meeting

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



2020 BUDGET PROCESS

- Process began with Management and Administration preparing estimates and then preparing an in-depth review of those estimates
- A few of Committee of the Whole Meetings were held
 - February 3 to March 2
- During these meetings Council evaluated and reviewed the challenging requests in order to arrive at a budget for 2020
- We were in a different circumstance at the time of budget planning than we currently are with the unknow effects of COVID-19 on our community, Province and Country



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 Education)
 - Municipal- set by Town Council
 - Education- 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 Revenue Neutral Ratios and a By-Law has already 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 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 2020 is increased from 2019
 - ▶ Final 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
 - ▶ Building permit & zoning application fees
- ▶ Many fees increased by 1.7%
- ▶ 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 2020 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% is for the Town to be utilized for tourism and economic development priorities. This year Council has decided that the first \$135,000 will go towards the Travel Information Centre, Marina, and Museum. The remainder, if any, will go to a dedicated reserve fund
 - ▶ The coronavirus pandemic has had a negative impact on the amount of revenue the Town will receive from the Municipal Accommodation Tax in 2020.



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
- Ontario Municipal Partnership Fund
 - Main unconditional grant
 - \$3,294,600
 - Decrease of \$68,900 or 2.05% (from 2019 to 2020)
- Federal and Provincial grants for general operations



CONDITIONAL GRANTS

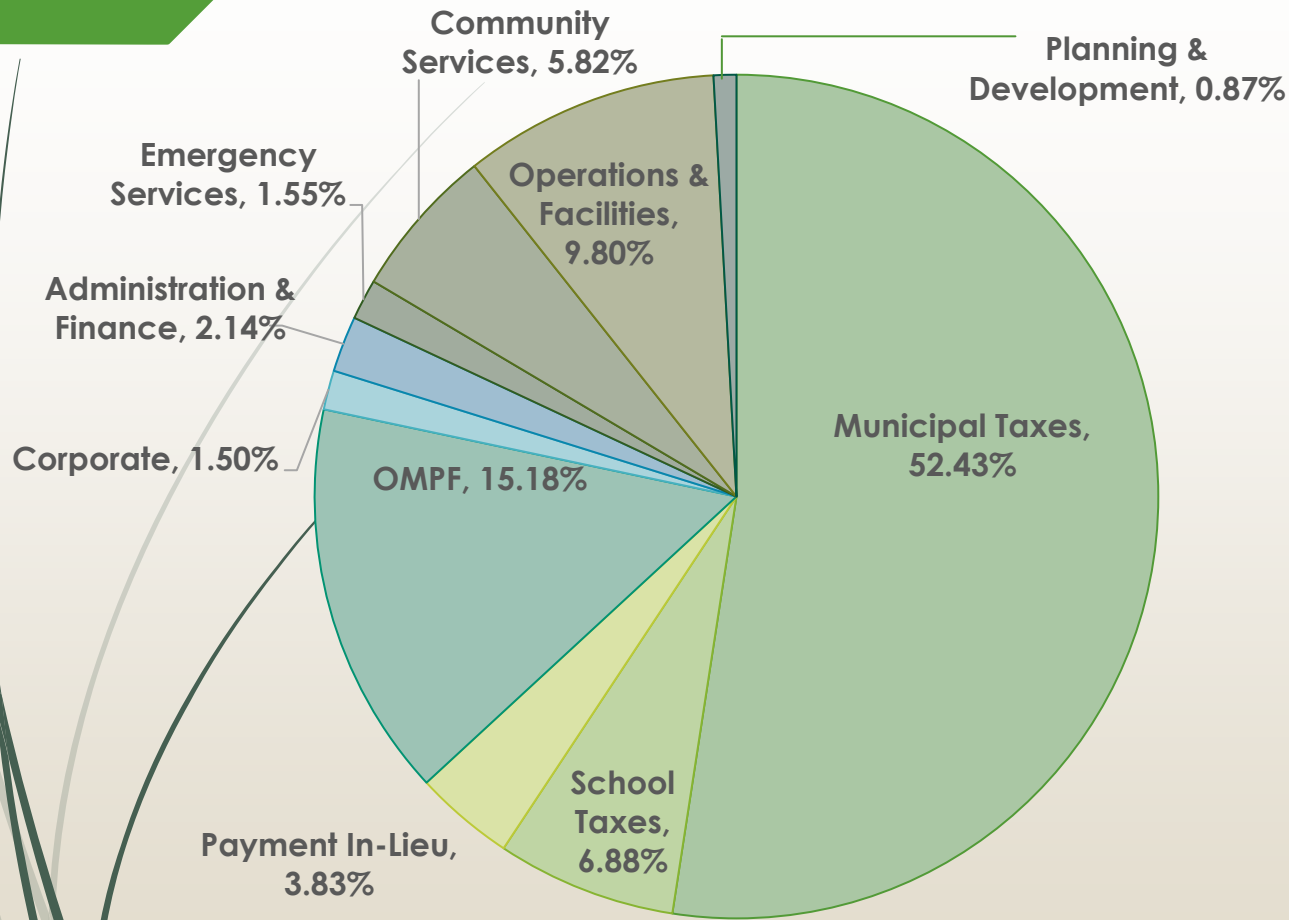
- ▶ The Town receives a variety of annual conditional operating grants such as:
 - ▶ \$113,730 Recycling grant (Stewardship Ontario)
 - ▶ \$51,240 Operating grant for the Fort Frances Seniors' Centre
 - ▶ \$71,727 Handi-van Transit (Ministry of Transportation Gas Tax)
- ▶ The Town also receives annual conditional capital grants which fund various road, sidewalk construction projects:
 - ▶ \$469,544 Federal Gas Tax
 - ▶ \$682,746 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

2020 BUDGETED REVENUES



Municipal Taxes	11,378,238
School Taxes	1,492,647
Payment In-Lieu	830,794
OMPF	3,294,600
Corporate	326,000
Administration & Finance	465,325
Emergency Services	336,589
Community Services	1,262,148
Operations & Facilities	2,126,623
Planning & Development	188,664
2020 Revenue	21,701,628

2020 BUDGETED REVENUES

	2019 Budget	2020 Budget	Change
Corporate	\$16,978,422	\$17,322,279	\$343,857
Administration & Finance	655,525	465,325	-190,200
Emergency Services	327,516	336,589	9,073
Community Services	2,791,693	1,262,148	-1,529,545
Operations and Facilities	2,183,529	2,126,623	-56,906
Planning and Development	216,291	188,664	-27,627
Total	\$23,152,976	\$21,701,628	-1,451,348



MUNICIPAL EXPENSES and EXPENDITURES

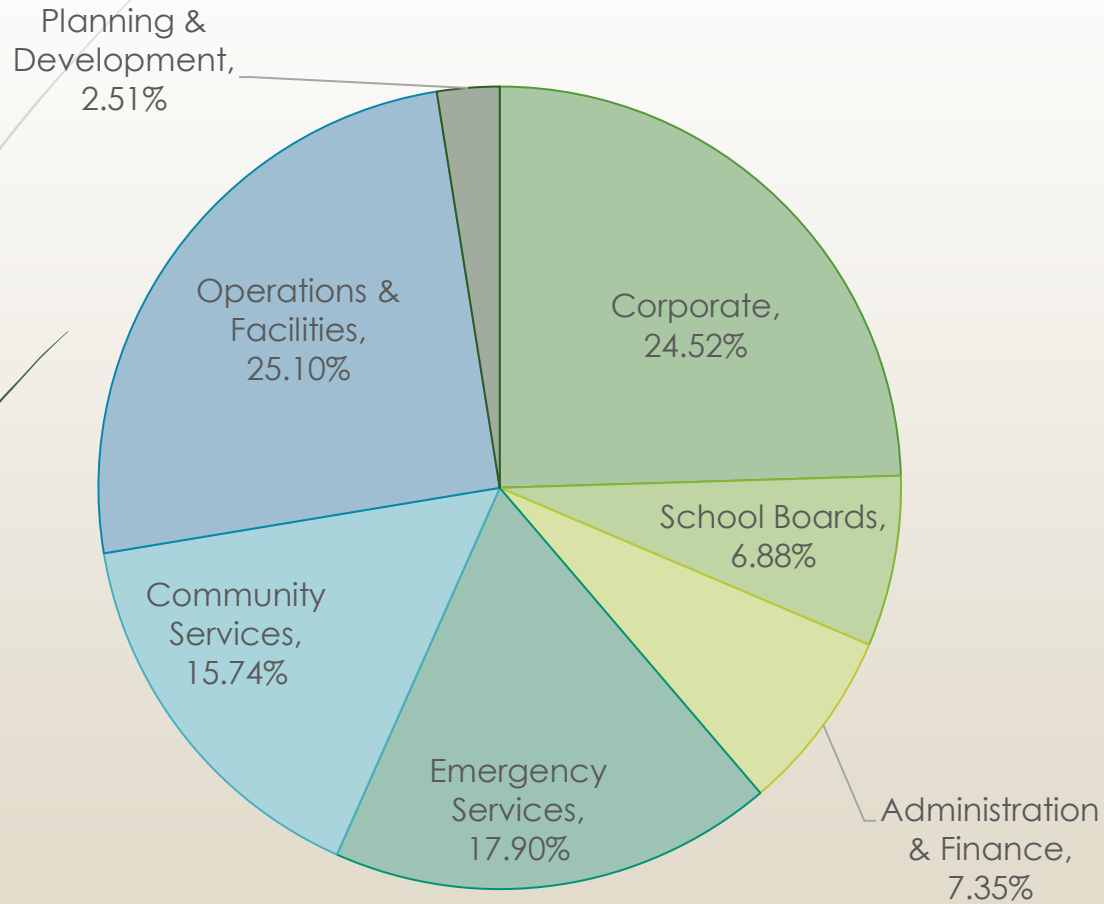
- ▶ Three types of municipal expenses/expenditures:
 - ▶ Operating
 - ▶ Capital
 - ▶ Reserve Fund Contributions
- ▶ Two Broad Categories
 - ▶ Controllable
 - ▶ Administration, Fire and Rescue, Public Works, Museum, Parks, Airport, Handi-Van, Tourist Information Centre, By-law Enforcement, Recreation, 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
 - ▶ \$384,028
- ▶ Total debt at the end of 2020 is \$1,006,338

2020 OPERATING EXPENSES



Corporate	5,321,155
School Boards	1,492,647
Administration & Finance	1,595,428
Emergency Services	3,885,450
Community Services	3,415,036
Operations & Facilities	5,446,745
Planning & Development	545,167
2020 Expenses	21,701,628

2020 BUDGETED EXPENDITURES

	2019 Budget	2020 Budget	Change
Corporate	\$6,941,436	\$6,813,802	-127,634
Administration & Finance	1,701,870	1,595,428	-106,442
Emergency Services	3,693,920	3,885,450	191,530
Community Services	4,826,260	3,415,036	-1,411,224
Operations and Facilities	5,451,059	5,446,745	-4,314
Planning and Development	538,431	545,167	6,736
Total	\$23,152,976	\$21,701,628	1,451,348

2020 BUDGET SUMMARY

General Division	Revenue	Expenditure	Budget Deficit
Corporate	(\$17,322,279)	\$6,813,802	(\$10,508,477)
Administration & Finance	(465,325)	1,595,428	1,130,103
Emergency Services	(336,589)	3,885,450	3,548,861
Community Services	(1,262,148)	3,415,036	2,152,888
Operations & Facilities	(2,126,623)	5,446,745	3,320,122
Planning & Development	(188,664)	545,167	356,503
	(21,701,628)	21,701,628	-
Capital Budget	(13,894,519)	13,894,519	-
Water Operating Budget	(2,919,271)	2,919,271	-
Sewer Operating Budget	(2,728,201)	2,728,201	-
	(5,647,472)	5,647,472	-
	(\$41,243,619)	\$41,243,619	-

TAX RATE SUMMARY

- ▶ The 2020 General Operating Budget results in the following total **tax rate** (Municipal and Education) increases or reductions as compared to the 2019 tax rates:
 - ▶ 3.240% increase for Farmland
 - ▶ 3.240% increase for Residential
 - ▶ 2.955% decrease for Multi-residential
 - ▶ 0.258% increase for Commercial
 - ▶ 1.526% decrease for Industrial
 - ▶ 1.114% decrease for Large Industrial
 - ▶ 1.315% increase for Pipelines
- ▶ Vacant & Excess Land- Commercial have a 15.53% increase, Vacant & Excess Land- Industrial have a 20.37% increase, and Vacant & Excess Land- Large Industrial have a 22.40% increase due to the complete phase out of the reduction percentage (both Municipal and Education)

RESIDENTIAL TAX RATE COMPARISON

Current Value Assessment	2020	2019	Difference in Tax \$
\$ 60,000	1,142.02	1,106.18	35.84
100,000	1,903.37	1,843.63	59.74
150,000	2,855.05	2,765.44	89.61
200,000	3,806.73	3,687.25	119.48

Error in calculation at time of discussions- Administration & Finance Executive Committee has agreed to continue with the rates agreed on at the March 2, 2020 Special Council meeting- Difference to be placed into Tax Rate Stabilization reserve fund.

2020 TAX DOLLAR DISTRIBUTION

Community Services (Sportsplex, Library, Museum, Daycare, Marina, Sunny Cove)	15.07
Rainy River District Social Services Administration Board*	13.46
Contributions to Reserve Funds	12.62
Operations & Facilities (Roads, Cemeteries, Parks, Airport, Waste Management)	11.71
Police*	11.29
School Boards*	10.45
Fire/911 Services	7.78
Administration/Council/ Economic Development	7.26
Northwestern Health Unit*	2.86
Long-Term Debt	2.69
Planning & Development (Including By-law)	2.49
Taxation Write-offs*	1.84
Local Hospital Doctor Recruitment	0.48
	\$100.00

\$39.90 of every \$100 is for uncontrollable services/costs*

\$60.10 of every \$100 is for services controlled by the municipality

2020 UNCONTROLLABLE EXPENSES

	2020 Actual	2019 Budget	Change
Health Unit	\$ 408,652	\$ 377,954	\$ 30,698
RRDSSAB	1,923,520	1,956,182	-32,662
Policing Contract	2,639,763	2,563,093	76,670
Total	\$ 4,971,935	\$ 4,897,229	\$ 74,706

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
- 2020 General Operating budget allocates
 - \$1,704,000 to Corporate Vehicles/Equipment, Projects, and Building reserve funds
 - \$98,977 to Tax Stabilization reserve fund
 - \$49,245 to Post Landfill Closure reserve fund and
 - \$8,550 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 \$2,625,619
- The Federal Gas Tax Capital funding of \$469,544 is also directed to reserves.

RESERVE AND RESERVE FUNDS

Reserve Funds (as of Dec 31/19)	\$16,050,417
2020 Estimated Interest Earned	282,309
2020 Estimated Transfers to Reserves	2,853,007
2020 Estimated Transfers from Reserves	<u>-5,559,097</u>
Subtotal	13,626,636
Reserve for Working Capital	<u>1,000,000</u>
Total Reserve & Reserve Funds	\$14,626,636



EFFICIENCIES

- ▶ Allows a service to continue in a less expensive manner
 - ▶ ie. Less human and equipment resources
- ▶ 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 Large Industrial Class tax base for mill properties is still unknown
- ▶ OPP Costs are uncontrollable and are reconciled 2 years later and continue to rise
- ▶ Provincial downloading and regulatory responsibilities
- ▶ Escalating operating costs- Salaries, benefits, heat, hydro, repairs
- ▶ Aging infrastructure and growing infrastructure deficit
- ▶ COVID-19 effects on the community



QUESTIONS or COMMENTS



Thank you!

