

## Introduction

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Council received and approved a staff report on October 21, 2013 that outlined the economic outlook in terms of inflation, economic growth, interest rates both for borrowing and investing, and other factors such as employment rates, utility and gas prices. Treasury staff provided department heads with 'pre-defined' budget worksheets that incorporated these budget directions. Each department completed their budgets and Treasury staff compiled and reviewed the estimates, asked questions, made suggestions and revised the estimates accordingly. This fine tuning was based on the goals of meeting the four priorities of Council for 2014, maintaining existing service levels, minimizing any tax rate impact, providing for growth and Council-approved service enhancements, leveraging all available funding sources, and prudent use of reserves and reserve funds.

During budget preparation, the CAO introduced the concepts of '**Base Budget**', '**Unavoidable Increases**' and '**Unmet Needs**'. The Base Budget is essentially the 2013 budget with the impact of annualized salaries for 2013 hires, inflationary increases for utilities, fuel, insurance, employee benefits, natural gas, and other necessary inputs to the provision of services to the community. Unavoidable Increases are those items that are not under the control of Council and include items such as the OPP contract, increases in snow removal budgets, increased maintenance costs due to legislated requirements such as minimum maintenance standards, AODA requirements, etc. Unmet Needs are those items that are controllable by Council and at their discretion to fund or not fund in any given year. Departments will present their Unmet Needs and the rationale for Council to fund them during budget deliberations.

In 2014, we will be issuing approximately \$4.8 million in debentures for projects undertaken by this Council. The new Fire Station will require \$3.3 million and Raglan Street will require approximately \$1.5 million in debentures. Provisions for these new debenture payments have been included in the 2014 operating figures. As in the past, funding for large or multi-year capital projects has been shown as coming from debenture proceeds. Since we cannot debenture until completion or substantial completion for a project is reached, there is no impact on the 2014 budget. The impact will occur in 2015, reaching a peak in 2020. It should also be noted that there will be a requirement to borrow in the near future for several reasons:

### **Development Charge collections have not kept pace with the capital projects that they are to fund.**

- We will need to borrow to top up those funds and will be able to recover the debenture payments through future collections. However, any deficiency in collections versus growth-related debenture payments will require funding through taxation until sufficient collections are made to return those payments to the taxpayer. We will also be introducing a new development charge by-law later this year. The impact is unknown at this time.

## **Federal and Provincial infrastructure funding models are changing.**

- The funding pot is limited by upper level government deficits and the large need nationally and provincially. With less money to go around, the amount of funding awarded is smaller. All funding envelopes except the Federal Gas Tax Fund require a competitive process to access them.

The Federal government announced the New Building Canada Fund as part of their Economic Action Plan. There are two components to the program. The National Infrastructure Component limits projects to those that provide the greatest economic impact:

- Highways and major roads
- Public transit
- Rail infrastructure
- Local and regional airports
- Port infrastructure
- Intelligent transportation systems (ITS)
- Disaster mitigation infrastructure

The Provincial-Territorial Infrastructure Component has also been realigned to focus on those projects with strong economic benefits. The eligible categories under the Provincial-Territorial Infrastructure Component are:

- Highways and major roads
- Public transit
- Drinking water
- Wastewater
- Solid waste management
- Green energy
- Innovation (post-secondary infrastructure supporting advanced research and teaching)
- Connectivity and broadband
- Brownfield redevelopment
- Disaster mitigation infrastructure
- Local and regional airports
- Short-line rail
- Short-sea shipping
- Northern infrastructure (Territories only)

The Federal Gas Tax Fund (GTF) assists municipalities by providing predictable, long-term, stable funding for local infrastructure projects. The list of eligible project categories is also being expanded to give Canadian municipalities even more flexibility to invest in their local infrastructure priorities. The GTF eligible project categories currently include drinking water and wastewater systems, solid waste management, community energy systems, public transit, local roads, and capacity building. The renewed Gas Tax Fund, taking effect in 2014, will expand the eligible categories to include highways, local and regional airports, short-line rail, short-sea shipping, disaster mitigation, broadband, brownfield redevelopment, recreation, culture, tourism, and sport.

Provincially, the Municipal Infrastructure Investment Initiative will continue. We were successful in securing funding for the Fourth and Fifth Street bridges over the Oak Street canal. However, we were unsuccessful in securing funding for Hume Street reconstruction.

### **Growth levels have decreased.**

- We have had projects such as the Shipyards stalled by financial difficulties. Other developments have been slow to reach enough initial sales to break ground. Without continued growth, we don't collect development charges or increased levels of taxes to assist in new infrastructure or the maintenance of existing infrastructure. We cannot fund operations through the use of long-term debt. To meet our operating needs we fund through taxes and without growth, the burden falls on those of us already here. Long-term debt will be required to meet our needs.

The key to issuing debt is to establish sustainability limits, ensure that debt is used for the right infrastructure projects, and ensure that the debt is structured with affordable repayments. These issues will be addressed in the Strategic Financial Plan that will be developed this year.

### **2014 Municipal Budget Highlights:**

Total Operating Expenditures: \$42.7 million.

The operating budget is dedicated to the day-to-day operational activities of providing the taxpayer with services such as fire and police protection, transit, road maintenance, snow plowing, parks, recreation, and planning services. These expenditures are \$1.4 million more than in the 2013 budget. The items below are the larger increases faced in 2014.

- General government costs increased \$444,468 or 10.10% over the 2013 budget estimate. The 2014 total is \$4.8 million. The increase can be attributed to the inclusion of a Finance Officer, annualization of salaries for 2013 new hires, a contingency allowance of \$50,000 and unavoidable increases in employee benefits, salaries and other inflationary-based increases. In conjunction with these increases, there are also revenue reductions related to the potential Collus PowerStream dividend and revenues from property sales.
- Fire protection costs increased \$412,975 or 10.37% due to the inclusion of debenture principal and interest for the construction of the new Fire Station, increases in salary related items and inflationary based increases.
- OPP costs have increased \$321,489 with the new pricing model.
- Public Works and Transportation costs increased \$520,207 due to increased transit costs (\$32,120) which may increase slightly more if the Blue Mountains transit link becomes a permanent connection. Other increases relate to the transfer of the Director of Public Works to the municipality as well as the provision for the position of Manager of Engineering Services. Provision for snow removal has increased \$130,000.
- Parks, Recreation and Culture expenditures have increased \$470,262 to \$4.8 million. In addition to the inflationary increases, there is an increase in salary components of the department as the 2013 new hire salaries are annualized.

- Planning services has increased \$18,000.
- Marketing and Business Development (Economic Development) comprises the Marketing and Development component as well as the Small Business Enterprise Centre and a planned new initiative – Starter Company. Expenditures for this department have decreased \$37,000. This decrease is due to the end of the Downtown Revitalization Program and the synergies to be realized with the co-location strategy.
- Library Services is asking for an increase of \$18,000 in relation to inflationary increases.

In addition to the items included in the operating budget, staff identified \$706,795 in expenditures that are '**Unmet Operating Needs**'. These items will require Council direction.

Total Capital Expenditures: \$14.9 million.

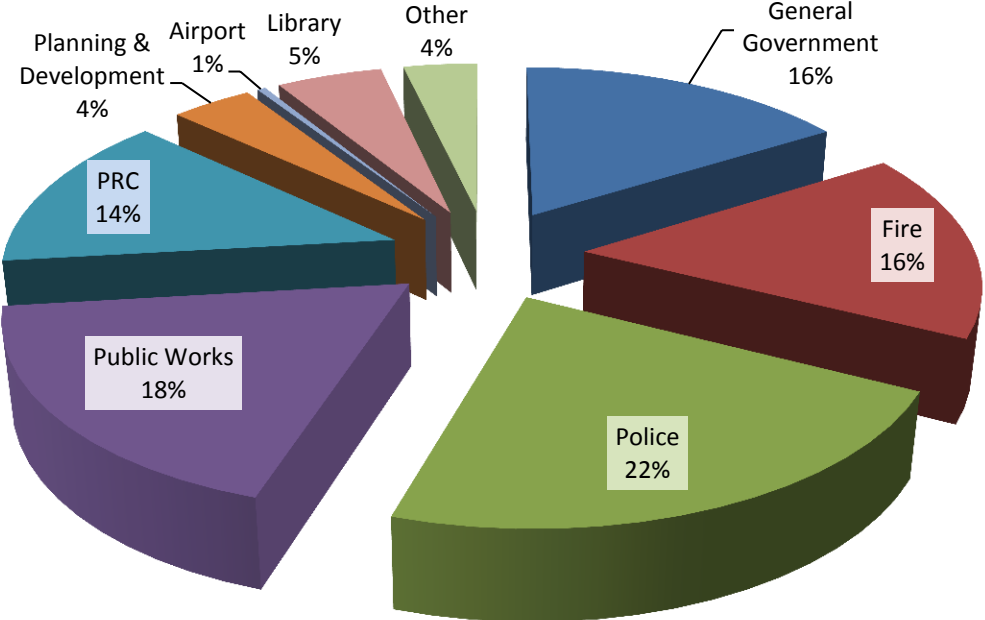
The capital budget is comprised of one-time expenditures and projects such as new vehicles and vehicle replacement, road construction, recreation facilities and park development, expansion and rehabilitation.

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|---------------------------------|---------------|
| • Parks, Recreation and Culture | \$3.1 million |
| • Roads                         | \$5.1 million |
| • Fire Services                 | \$0.6 million |
| • Police Services               | \$0.7 million |
| • Environmental Services        | \$4.3 million |
| • Administration and Other      | \$1.1 million |

Some of these capital expenditures totaling \$861,500 have been termed '**Unmet Capital Needs**'. In addition to those that could be quantified there are five large projects that may require debenture financing. These projects will require Council deliberation. If the projects are all approved we will need to issue approximately \$1.8 million in debentures for the projects undertaken in 2014.

The total revenue required from taxes or the total tax levy is \$26.8 million. The allocation of your tax dollars among the services provided by the Town is shown in the following pie chart.

# Portion of Tax Levy



The budget document has the following parts:

- **Tab 1** Introduction
  
- **Tab 2** Contains:
  - Preliminary Budget Summary
  - 10 Year Capital Forecast Summary
  - Annual Repayment Limit
    - Annual Repayment Limit provided by the Ministry of Municipal Affairs and Housing
    - Schedule 81 of the 2012 FIR with Estimated Annual Repayment Limit
    - Updated Repayment Limit for 2014 which includes only projects committed at this time
  - 10 Year Forecasted Debt Continuity Schedule
  - 10 Year Tax Supported (Net) Debt Servicing Schedule
  - 10 Year Non Tax Support Debt Servicing Schedule
  
- **Tab 3** Contains the detailed operating budgets and business overviews as well as the appropriate section of the financial statements showing a line-by-line percentage change in the budget requests.
  
- **Tab 4** Contains the capital projects plans.

The business overview template and budget have been set out so that the data related to both program outputs (i.e. activities and service levels), and the resource inputs required to deliver the programs (staff and funding), are available in the same location. During budget review meetings, Council is encouraged to focus mainly on policy issues, such as whether or not to fund a certain activity, rather than on the details of individual account expenditures. If you have questions or concerns about the allocation of funds for a specific line item in the general ledger, please contact the appropriate Department Head or the Treasurer prior to the budget review meetings to have your questions answered.