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STAFF REPORT: Finance and IT Services



REPORT TO: Committee of the Whole
MEETING DATE: June 27, 2016
REPORT NO.: FAF.16.54
SUBJECT: 2017 Budget
PREPARED BY: Sam Dinsmore, Deputy Treasurer/Manager
of Budgets and Accounting

A. Recommendations

THAT Council receive Staff Report FAF.16.54, entitled "2017 Budget";

AND THAT Council direct staff to prepare a base budget for 2017 that will support the Town's current level of service at a cost of no more than — % over the 2016 Budget;

AND THAT Council direct staff on any new services to be included for consideration in the 2017 Budget Review process through the use of the Budget Addition report;

AND THAT any addition or reduction in service shall be recommended to Council at the proposed Budget Review Meetings, separate of the Base Budget with valid descriptions, estimates, and financial impact for Council's deliberation.

B. Background

Staff present this report on an annual bases to inform Council and the public that the budget process has started, the important factors that are considered, funding pressures, and key dates.

Budget Environment

As staff begin the preparation of the 2017 budget, operating and capital, consideration needs to be given to the fiscal environment that the budget will be operating in. These factors include things such as the price of the dollar, the overall Canadian economy, and interest rates.

Over the past number of months the Canadian economy has seen some volatility closely linked to the price of oil. This has caused the dollar to bounce between \$0.70 and \$0.80, while economists agree that the dollar will continue to stay at this lower price. The dollar price will have a big impact on the capital budget as we are forced to make purchases from the United States for big ticket items. The operating budget will have a smaller impact from this factor as most products and services are paid in Canadian dollars, but the Town will still see some increases.

Another important factor that will have an impact on the 2017 budget is hydro costs. The Water and Wastewater divisions are high consumers of hydro, while other facilities such as the Arena, Town Hall, and the Town's streetlights will continue to see these costs grow at a quicker rate than inflation.

The Town is still seeing good interest rates for long-term debentures, however, over the past 12 months these rates have started to slowly creep up. This will have a large impact on both the Town's capital and operating budgets. If long-term debt is required for funding a capital project this project may have to be delayed as the principal and interest costs may become too burdensome on the operating budget. Delaying the rehabilitation or replacement of a large asset would also result in increased annual maintenance costs just to keep the asset in an acceptable working condition.

2016 Financial Position

Current financial information shows that the Town is operating within the approved 2016 budget with a few exceptions. These exceptions will be outlined later in this report as will the impact that they will have on the 2017 budget. Staff have looked at other options for calculating the 2017 budget and believe that using the 2016 budget is still the best starting point. Staff considered using a forecast for the remaining months of 2016 or the completed 2015 but believe those approaches aren't a good base for 2017.

At this time the financial data is complete for May 2016, which would require staff to forecast the remaining 7 months of 2016. This would be a difficult task as the seasonality of certain divisions would need to be factored in; the environment in which staff are working can change and have huge implications on the forecasted numbers. Using 2015 actuals would also not be recommended as many factors have changed since those expenses were incurred. The start of the organics collection, redefined positions and measures that have been taken to reduce costs are a few of the factors that have changed. With this information staff are recommending that the Town base the 2017 budget on the 2016 budget, similar to historic practice.

2017 Budget Influences

Salaries and Benefits

Staff have included a 2% cost of living allowance for all positions to keep up with market value. Human Resources staff are participating in the Mercer Ontario Municipal Compensation Survey this July to ensure that salaries and benefits are in line with our municipal counter parts. The results on this survey will be published this fall and staff will use this information for budget purposes.

Utilities

For 2016 the Town is running over-budget with Hydro and Natural Gas costs due to the increased costs. Staff will be doing greater analysis around this expense in order to find a more reliable indexing rate. Staff will also continue taking energy savings steps to help reduce the amount of hydro consumption.

Leachate

2016 was the first year that the Landfill was required to haul leachate to the Craigeith Wastewater Treatment Plant for treatment. After 5 months staff are forecasting this expenses to be almost triple the 2016 budget. Using haulage and treatment costs and newly calculated precipitation forecasts, staff are recommending that \$190,000 be

added to the 2017 budget. This is a hard expense to budget as staff must use historical weather patterns for the base of the calculation.

Volunteer Firefighters

With a full complement of volunteer firefighters the Town is seeing increased costs in training hours and suppression hours. Similar to budgeting based on weather patterns it is difficult to budget around fire events. Using historical averages and our full complement staff are expected a budget increase of \$75,000 for the 2017 budget.

Emerald Ash Borer

Almost every Ontario municipality has had to deal with the issue of the emerald ash borer infestation that is wiping out the ash trees. Over the summer of 2016 the Town has hired a co-op student that is inventorying the Town's ash trees. These trees are found along the Georgian Trail, in parks, along streets, and in undeveloped wood areas. To date staff haven't caught any borers in the traps that have been set, however the trees will still need to be cut down to prevent future infestation.

Collingwood implemented a 10 year plan to remove, stump, and replace their ash trees; this project is expected to cost \$1,000,000. As staff receive more information, a detailed plan will be compiled for the 2017 budget with financial implications.

Maintenance Gravel

Currently the Town is operating the 128 kms of gravel roads at an annual infrastructure deficit. Best practices suggest 3 inches of new gravel should be placed every 3 years which would result in the Town purchasing 40,000 tonnes per year. For 2016 the Town will be purchasing less than 30,000 tonnes due to insufficient budget.

The Roads and Drainage division have put forward a budget increase of \$25,000 per year over the next 6 years to bring the budget up to the required level. This annual increase will need to be reviewed each year as gravel prices are subject to change.

Capital Levy

Starting in 2016 a capital levy has been added to help fund the replacement of taxation funded capital assets. This levy is based on 2% of the previous year's tax levy. For 2016 that resulted in a levy of \$271,000 which will increase by \$11,000 to \$282,000 for 2017.

Timeline

Attachment 1 illustrates the proposed timeline for the 2017 budget process which includes a final By-law approval in February 2017. Included in the 2016 budget process was a Council workshop that covered the basics of the operating and capital budget. At this time Finance has not included a Workshop for the 2017 budget process.

Operating Sheet

For 2017 the Operating Sheets will look very similar to the 2016 budget (Attachment 2). Staff have changed the "Work Plan" section in order to tie in the Strategic Plan Action Items that will affect their work plan in 2017. This will allow Council the opportunity to track production around the Action Items.

The second area of change is the operating fund chart found on the second page. Staff have changed the level of detail to match the Tax Levy Budget to Actual Variance Report that Council receives with the monthly financial flash reports. This will give Council the ability to track from the budget to the monthly reports by using a more consistent reporting structure. By switching the structure in the budget Council will receive more detail around the expenditures of each division.

Capital Sheet

Although a first glance the capital sheet looks quite different, it contains the same information as the 2016 capital sheet. The major difference being the expenditures. In 2017, the expenditures will be shown in one column, as opposed to being broken out between numerous years. Staff are recommending this change for two reasons. The first reason is to obtain Council's full endorsement for the entire project rather than breaking it out by year. Most capital projects done by the Town are multi-year projects and staff requires Council's full endorsement for the project.

The second reason is if staff has the full budget to work with, it is easier to schedule the various components of a large scale project rather than having to wait for the annual capital budget to move on to the next step.

One section that remains the same as in previous budgets is the funding section, as it continues to be broken down by years. Staff have continued this practice so that Council can see the expected cash-flow of the project and the appropriate taxation that is being collected to fund the expected expenditures in that year.

C. The Blue Mountains' Strategic Plan

Goal #4: Promote a Culture of Organizational and Operational Excellence
Objective #4: To Be a Financially Responsible Organization

D. Environmental Impacts

N/A

E. Financial Impact

The Town's annual budget is completed in house by staff in all departments of the corporation and therefore is funded from the salaries and benefits operating budget.

F. In Consultation With

Senior Management Team
Finance Team

G. Attached

1. 2017 Budget Timeline
2. 2017 Operating Sheet
3. 2017 Capital Sheet

Respectfully submitted,

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2017 Budget Timeline

Task	Due Date
Budget Pre-consultation Staff Report	June 27, 2016
Operating and Capital data distributed to SMT and SAM	July 4, 2016
All information due back to Finance including, Operation, Capital, 2017 Work Plan, Budget Commentary, and Non-Financial Statistics	September 9, 2016
Budget Review meetings with Service Area Manager and Director	October 4 to 11, 2016
Draft Electronic Budget distributed to SMT	October 19, 2016
CAO & Director of Finance and IT to review departmental budgets with Department Heads	October 25 to 28, 2016
Draft Budget distributed to SAM to review any changes	November 7, 2016
SMT Review of Draft Budget and Additions	November 15, 2016
Deadline for any comments from Directors to Finance Team regarding Draft Budget	November 18, 2016
Distribution of Electronic Budget to Council, Committee, SMT & SAM	November 28, 2016
Budget Meetings – Committee of the Whole Review	December 12 to 16, 2016
Council Approved Recommendations from COW Budget Meetings	December 19, 2016
Public Meeting Notice on website and local newspapers	December 20, 2016
Draft Budget Released	Beginning of January 2017
Public Information Centre and Public Meeting	Middle to end of January 2017
Staff Report – Follow-up to comments from PIC and Public Meeting	Next Committee of the Whole Meeting
Budget By-law Approved by Council	February 2017

Finance

FAF.16.54
Attachment 2

Mission

Support the delivery of public services by internal business partners, and also provide certain mandated town services directly to the community. Staff do this by managing public funds, information, risk, and ensuring legislative compliance. The Finance Department accurately and timely records financial transactions for the Town, as per Generally Accepted Accounting Principles.

Services Provided

- o Assist customers.
- o Invoice customers for any services provided to them by the Town.
- o Advise Town on finances of operations.
- o Provide payment to vendors.
- o Prepare Town's Financial Statement and coordinate the Town's annual audit.
- o Manage corporate Purchasing Policy, and Town's Development Charges.
- o Coordinate preparation of the Annual Budget.
- o Maintain and update the Town's Asset Management Plan.
- o Streamline operating processes.
- o Assist other Departments with Grant Applications and Grant Receipt reporting

2017 Strategic Action Items and Work Plan

- o Asset Management Plan for all Town Assets.
- o Complete the 2015 fiscal audit.
- o Local Improvement By-laws for Water and Wastewater Service Extension.
- o County of Grey Road Rationalization.
- o Continue to implement and improve Financial Policies.
- o Update Fees and Charges By-law

2017 Budget Commentary

Finance is looking forward to an exciting 2016 with its full staff complement in place. Department staff will continue with their work on the Town's Asset Management Plan to include all assets and implement asset management software in 2016.

Department staff will also be involved in the proposed transfer of County of Grey Roads to the Town of The Blue Mountains.

Description	2015 Actual	2016 Actual	2017 Budget
Approved FTE Positions	13	13	
Number of Tax Bills Processed Annually	8,958	9,000	
Number of Vendor Invoice Payments Processed	9,500	9,500	
Purchase Orders Issued	140	140	
Town Taxes as a percentage of the Total Tax Levy	38%	38%	

Black's Bridge #17

FAF.16.54
Attachment 3

Project Number: 6-308-3928
Department: Roads and Drainage

Purpose

To repair Black's Bridge to ensure long term functionality of the crossing structure.

Accessibility

Strategic Plan

Goal #5: Ensure that our Infrastructure is Sustainable

Environmental Impact

The work will be within and over a watercourse. Active measures will be taken to mitigate any detrimental effects.

Disposal

Operating Impact

Budget

Expenditure	Cost	Account
Description	\$ 0,000	00000
Description	\$ 0,000	00000
Description	\$ 0,000	00000
Description	\$ 0,000	00000
Description	\$ 0,000	00000
Total		

Description

A detailed condition survey has been completed. There are large areas of delamination and spalling along the deck soffit and underside of the beams, as well as cracks in the sidewalk. The railings are in poor condition. In 2016 a detail design will be created to allow for the creation of a Tender. In 2017 staff will tender for the works. There has been an OSIM Inspection completed in 2015. This is a high profile unique structure in the Town.

Cash-Flow and Funding

	Total	2017	2018	2019	2020	2021	2022
Reserves	\$ 0,000						
User-Fees	\$ 0,000						
Water Asset Replacement	\$ 0,000						
Wastewater Asset Replacement	\$ 0,000						
Debt	\$ 0,000						
Total	\$ 0,000						