

2019 Operating Budget Overview

March 19, 2019

Agenda

- Opening Remarks
- The Path Forward
- The Role of Reserves
- 2019 Operating Budget
- 2019 Property Tax Bill
- Next Steps

Opening Remarks

Opening Remarks

- 2018
 - Council's change agenda was continued
 - Leveraging of new and existing resources
 - Planning for new Council
 - Continued focus on catching up and organizational change

- 2019 Will Be A Year Of Transition
 - Orientation to business and business process
 - Re-assess strategic direction for the next term of Council
 - Adjust resources where possible to focus on emerging priorities
 - Continue to invest in capital while strengthening multi-year capital planning capability

The Path Forward

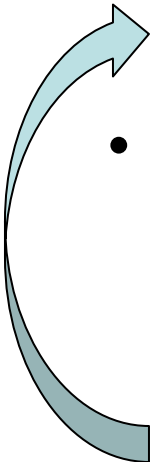
The Path Forward – 2019 to 2023

- 2019-20: Council Priorities
 - Identify, prioritize and action Council priorities
 - Review and update the 2015-2020 Strategic Plan
- 2019-23: Bridge the Infrastructure Gap
 - Multi-year plan rooted in the Asset Management Plan
 - Prioritize. Balance need v/s capacity
 - Build alternative financing streams for capital
 - Grow the capital plan in a measured, sustainable manner

What Does This Mean?

- The Town delivers a mix of services:
 - **Core services:** road maintenance, snow clearing, fire protection
 - **Quality of life:** parks, library, recreation programs
 - **Regulation:** Planning framework, Building inspections, by-law enforcement
 - **Revenue collection:** Property taxes, permit fees, fines
 - **Community differentiators:** Opera House, Muskoka Wharf, economic development initiatives, planning framework
 - **Governance/Accountability:** Public Council meetings, elections, financial reporting, public procurement processes
- A new Council may have a different vision for the Town
 - Implications for where resources are diverted

Services and the Budget

- Capital Budget
 - Investment to protect and sustain Town assets and infrastructure
 - Ensure access (e.g. roads) or service availability (e.g. facilities)
 - Maintain service levels (e.g. street sweeping)
 - *Capital program is funded from reserves and internal borrowing*
 - Operating Budget
 - Funds the day-to-day operations of the Town
 - Ensures a certain level of service is maintained (e.g. snow clearing, timely financial reporting to the Province)
 - Responds to community/customer needs where possible
 - *Funds capital reserves. Makes debt principal & interest payments*
 - Is the basis for establishing the property tax rate for the Town
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The Role of Reserves

About Reserves

- Reserves are approved by Council and serve specific purposes:
 - Cash-flow management (e.g. Working Capital)
 - Stabilization (e.g. Tax Stabilization, GPLB reserve)
 - Operating (Elections, Hall of Fame, employee benefit)
 - Capital (e.g. Infrastructure, Facilities)
 - They are not rainy day funds or a place to “stash” excess cash
- 2018 Year End Reserve Balances:
 - 74% are Capital related
 - 12% for Working Capital
 - 6% for Tax Stabilization

How are Reserves funded?

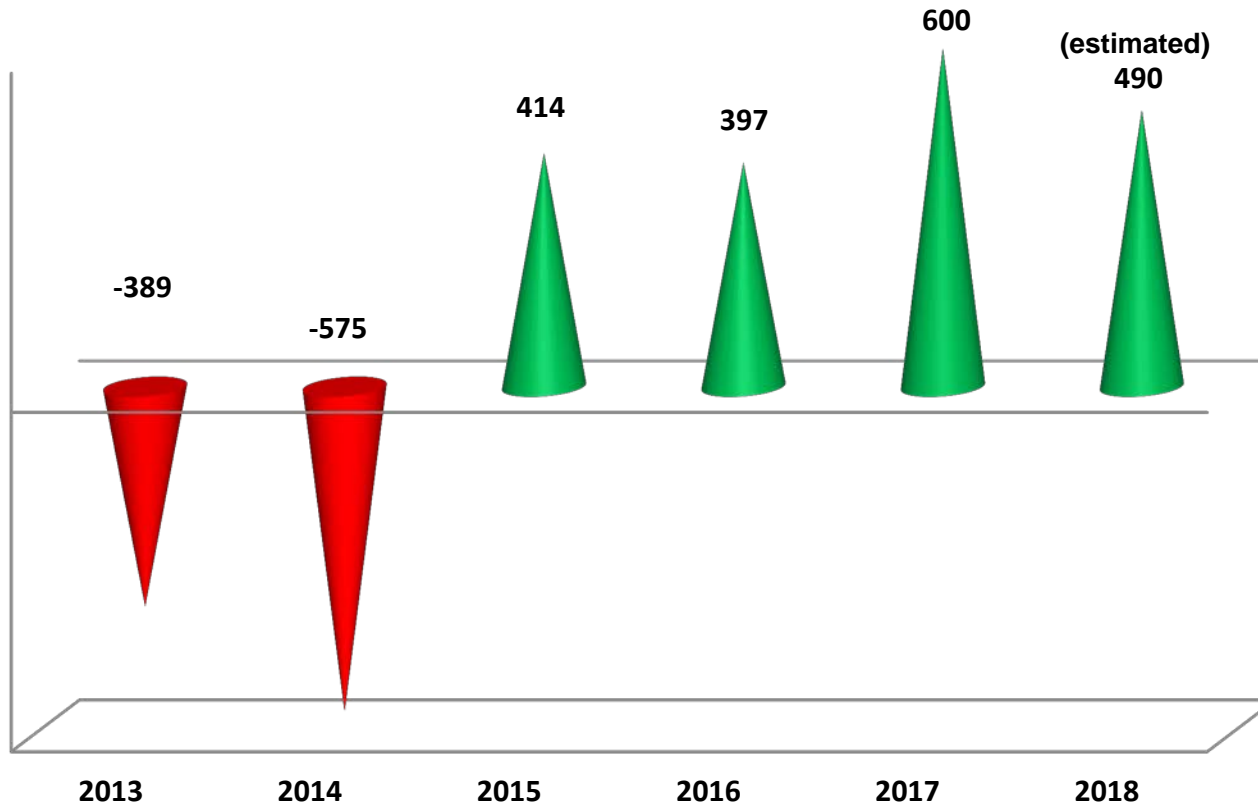
- 2019 Operating Budget:
 - \$2.8 million largely to Capital Reserves
 - \$2.1 million in debt principal and interest payments to the Community Reinvestment Reserve for internal borrowing
- Fees and charges based on legislation/by-law:
 - Federal Gas Tax
 - Development Charges
 - Cash in Lieu of Parkland Dedication
 - User Fees/Charges: Wharf capital, Opera House
- Operating surpluses/one-time revenues

Importance of Funding Capital Reserves

	2017 Asset Management Plan	Town Approach
Annual investment in assets (over 20 years)	\$10.1 million	Phase in increases from 2019 Capital Budget of \$5.6 million
Tax levy financial commitment	6.15% a year for first 5 years	3-4% a year for first 3 years. Reevaluate in 2021
External borrowing (first 10 years only)	\$5 – 10 million	Avoid. Maintain current internal financing ratio
Debt principal and interest payments on retired debt	Redirect to Capital Reserves	Redirect to Capital Reserves
One-time revenues and operating surpluses (where available)	Redirect to Capital Reserves	Redirect to Capital Reserves



Operating Surplus Trend in \$ thousands

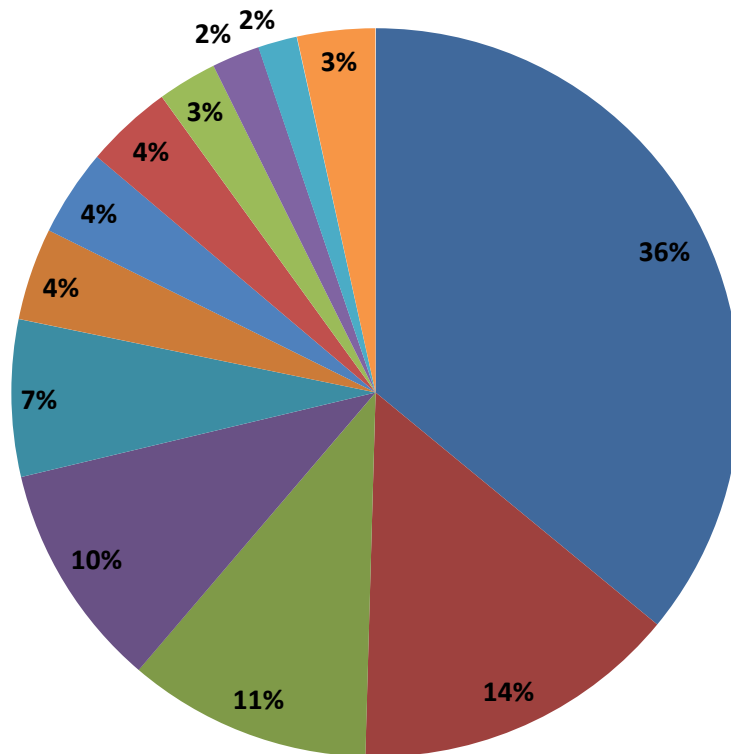


Operating Surpluses

- Reflect unspent funds at year-end based on lower expenditures or higher revenues
- Recent trend is within reasonable range for municipalities and reflects prudent fiscal management
- 2018 operating surplus largely caused by one-time savings resulting from staff departures that were unfilled during the year
- Historically, the Town has not budgeted adequately for Operations, Capital or contingencies
- Recent surpluses have been used to address identified deficiencies in reserves, particularly capital as per identified long-term plans, e.g. the Asset Management Plan

2019 Operating Budget

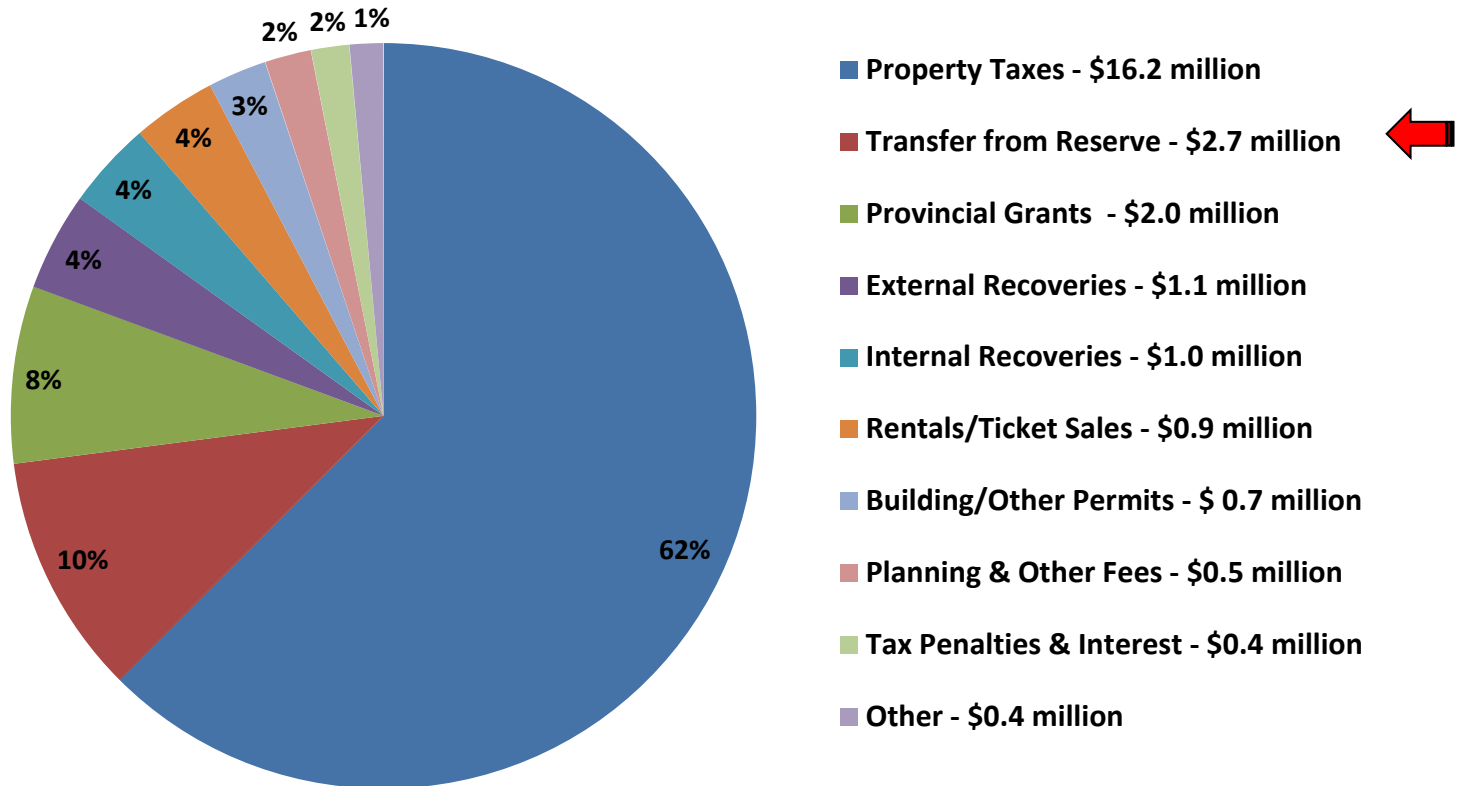
Gross Expenditures \$25.9 million



- Staff Costs - \$9.3 million
- Debt Principal & Interest - \$3.8 million
- Contributions to Reserve - \$2.8 million
- Debt Retirement- \$2.6 million
- Contracted Services - \$1.8 million
- Materials & Equipment - \$1.1 million
- Fleet Charges - \$1.0 million
- Utilities - \$1.0 million
- Mgmt/Performance Fees - \$0.7 million
- Insurance & Legal - \$0.6 million
- Information Technology - \$0.5 million
- Other - \$0.9 million



Gross Revenues \$25.9 million



Impact of Capital

- The 2019 Capital Budget was approved, and the Multi-Year Capital Plan was endorsed by Council March 7, 2019
- Staff were directed to prepare the 2019 Operating Budget to reflect a 1% tax levy increase for capital
- The financing of 2018 capital projects from the Community Reinvestment Reserve Fund will require a 2% tax increase to repay borrowing from that Reserve Fund.
- **This budget reflects a 3.0% increase related to capital**

Impact of Operations

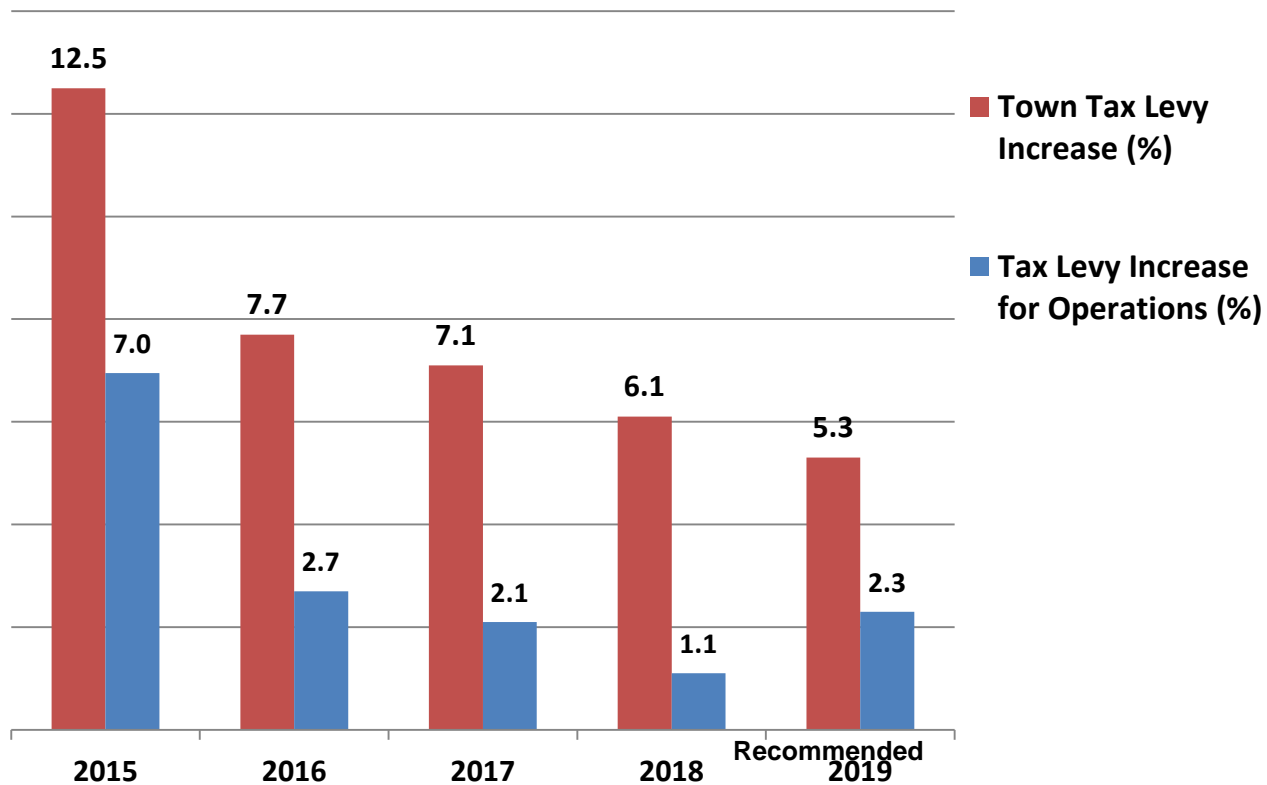
- The 2019 Operating Budget is a “status-quo” budget:
 - Reflects new Council compensation model approved by the previous Council
 - Includes cost-of-living (COLA) increases for all staff
 - Conversion of 2 contract positions to full time positions
 - Operational costs and revenues smoothed to reflect three year experience
 - No reduction in the 2019 OMPF grant
- TARGET: Ontario average annual inflation rate for 2018
- **This budget reflects a 2.3% increase for operations**

TOWN OF GRAVENHURST Recommended 2019 Operating Budget

All numbers in \$ 000's

<u>Description</u>	<u>2018 Budget</u>	<u>2019 Budget</u>	<u>\$ change</u>	<u>% change</u>
Council	240.9	290.8	49.9	20.7%
Community Partnerships	709.0	732.8	23.8	3.4%
Office of the CAO	362.7	356.6	(6.1)	-1.7%
Legislative Services	377.1	392.9	15.8	4.2%
Corporate Services	955.2	954.9	(0.3)	0.0%
Fire & Emergency Services	931.2	956.0	24.8	2.7%
Development Services	1,018.4	1,023.5	5.1	0.5%
Communication, Culture & Recreation	1,341.4	1,635.5	294.1	21.9%
Infrastructure Services	4,689.5	4,631.1	(58.4)	-1.2%
Corporate Administration	4,731.6	5,193.8	462.2	9.8%
2019 Net Tax Levy	15,356.9	16,167.9	811.0	5.3%
Less: Increase in Assessment				3.0%
Increase to the 2019 Tax Rate				2.3%

Increases to Tax Levy 2015 – 2019



Note: The 2015 increase included funds to pay down 2014 Operating Deficit over two years

Guide to the Operating Budget

- 2019 Budget Package
 - Change from 2018 to 2019
 - What We Do, 2018 Accomplishments, 2019 Goals
 - Activity Indicators
 - Discussion of budget variances from 2018
- Budget Numbers
 - Grouped by category (e.g. staff costs, contracted services)
 - Include 3 years of Actuals for comparative purposes
 - Funding for services (e.g. winter maintenance) and revenues (e.g. building permits) generally based on three-year averages to avoid large swings from year to year
 - Material variances highlighted. Department Heads can speak to specific questions on their budgets.

2019 Tax Rate Increases Lower Tier Muskoka Municipalities

Muskoka Municipality	Increase related to Capital	Increase related to Operating	Total Increase in Tax Levy	Assessment Growth	Net Increase in Tax Rate
Gravenhurst*	3.00%	2.30%	5.30%	3.00%	2.30%
Muskoka Lakes	5.00%	0.96%	5.96%	3.81%	2.15%
Bracebridge	1.80%	3.50%	5.30%	3.70%	1.60%
Huntsville*	2.69%	4.11%	6.80%	3.87%	2.86%
Georgian Bay	2.00%	4.87%	6.87%	2.00%	4.87%
Lake of Bays	N/A	N/A	7.33%	3.43%	3.78%

* Not approved as of March 11, 2019

2019 Property Tax Bill

How Taxes Are Calculated

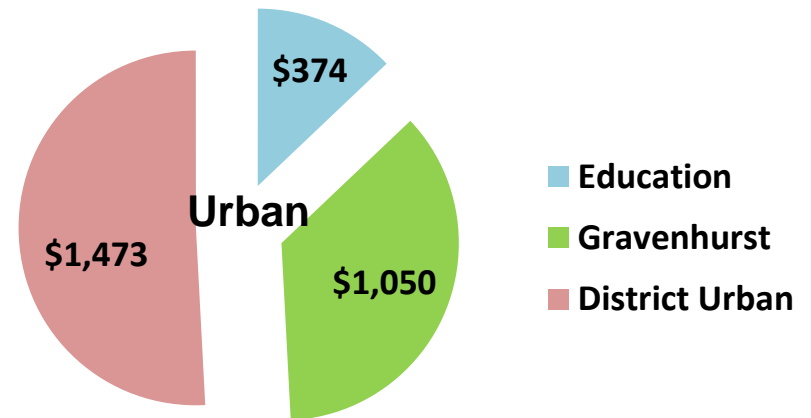
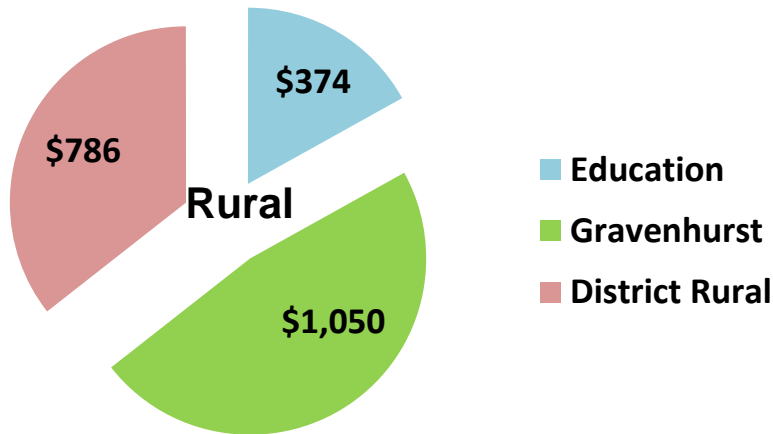
- Property Assessment x Tax Rate = Property Taxes
- Property assessment is established by MPAC (Municipal Property Assessment Corporation) which is independent from the Town of Gravenhurst
- Every four years MPAC does a re-assessment based on market and other factors. Property values may go up or down.
- If the assessment for a property changes by:
 - more than the average assessment for that property class in Gravenhurst taxes payable on the property will increase. This increase is spread over 4 years.
 - less than the average assessment for that property class in Gravenhurst taxes payable on the property will decrease. This decrease is immediately applied.
- **Many queries about large property tax increases are directly related to changes in assessment and not the tax rate**

2019 Impact on Town Property Tax Bill

- Increase of \$10.25 per \$100,000 of assessment on the Town share of the Gravenhurst property tax bill
- 48% of a rural Town of Gravenhurst property tax bill and 36% of an urban Town of Gravenhurst property tax bill comes to the Town
- Estimated “all in” 2019 Gravenhurst Property Tax Bill* increases:
 - \$6 per \$100,000 of assessment on an urban property
 - \$1 per \$100,000 of assessment on a rural property
- What residents should expect to see on their 2019 Property Tax Bill*:
 - 0.5% increase for urban properties
 - 0.1% increase for rural properties

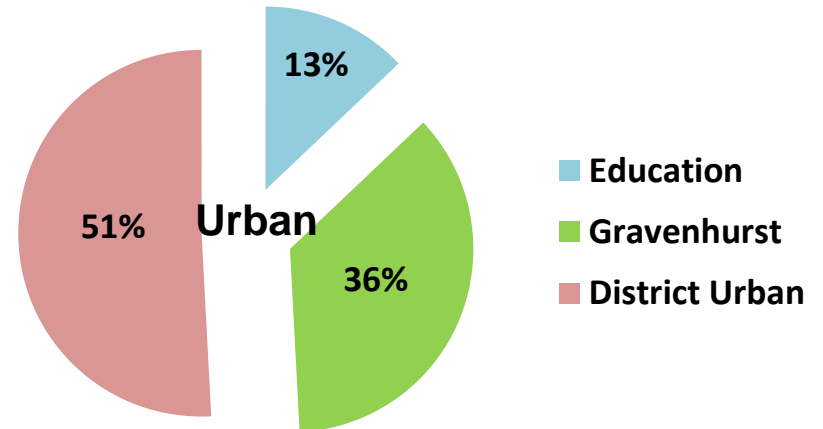
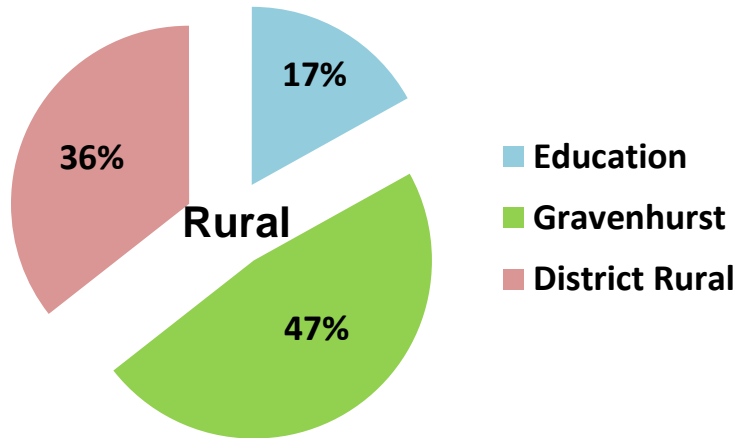
** For illustrative purposes only. Final tax rates may vary. Based on the recommended Town increase, approved District increases and 3 year trend in Education taxes for a single family home in Gravenhurst.*

Share of Property Tax Bill for a median single family home assessed at \$230,250



Note: Rural properties do not pay District water and sewer levies

Share of Property Tax Bill for a median single family home assessed at \$230,250



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Resolution Before Council

2019 Operating Budget

Recommendation:

WHEREAS the 2019 Operating Budget was tabled on March 19, 2019;

NOW THEREFORE BE IT RESOLVED THAT Council review the received documentation at future Special Council meetings with the intent to adopt the 2019 Operating Budget, as amended, at the April 5, 2019 Special Council meeting.

Note: This slide has been updated based on Council direction at the Special Council meeting March 19, 2019

Next Steps

Council Budget Review Process

- Take time to review the budget package tabled today
- Special Council meeting for public input (March 30):
 - No staff presentations
 - Opportunity for Council to listen to constituents
- Special Council meetings for budget review (April 2,3,5):
 - Budget presentations by department heads and boards to present plans, operations and resource requirements
 - Scheduled over three days
 - Opportunity for Council to ask questions
- Approval of the 2019 Operating Budget April 5

Note: This slide has been updated based on Council direction at the Special Council meeting March 19, 2019

Council Budget Process - Dates

Review Process	Time & Date
Table 2019 Operating Budget	9:30am Tuesday, March 19
Special Council meeting for Public Input	9:30am Saturday, March 30
Special Council meetings for budget reviews (all day)	9:30am Tuesday, April 2 9:30am Wednesday, April 3
Approval of 2019 Operating Budget	9:30am Friday, April 5

Note: This slide has been updated based on Council direction at the Special Council meeting March 19, 2019

Budget Presentations by Department Heads/Boards

Tuesday, April 2 morning	Tuesday, April 2 afternoon	Wednesday, April 3 morning	Wednesday, April 3 afternoon
Corporate Administration	Development Services	Gravenhurst Business Improvement Area (GBIA)	Corporate Services
Infrastructure Services	Communications, Culture & Recreation	Gravenhurst Public Library Board	Legislative Services
Fire & Emergency Services		Community Contributions	Office of the CAO
		Community Policing	Council

Note: This slide has been updated based on Council direction at the Special Council meeting March 19, 2019

Considerations for Budget Process

- Questions?
 - Email the Director of Corporate Services and Chief Financial Officer - preferably by March 28 to allow sufficient time for coordination and preparation of a response by Administration
 - Where appropriate, the questions and responses will be shared with all of Council
- A budget review schedule has been provided. Council should allow for some flexibility based on the ebb and flow of the discussions
- The Clerk is available to assist with drafting up resolutions at any time during the budget review process

Note: This slide has been updated based on Council direction at the Special Council meeting March 19, 2019

Questions?



**2019 Operating Budget
Council Resolutions
April 3, 2019**

**2019 OPERATING BUDGET COUNCIL RESOLUTIONS
APRIL 3, 2019**

#110 BE IT RESOLVED THAT the position of EA/Special Project be renewed as a contract position.

CARRIED

#111 BE IT RESOLVED THAT the position of Records and Information Assistant be removed from the Legislative Services operating budget after the conclusion of the existing contract.

CARRIED

#112 BE IT RESOLVED THAT the cost of living increase (1.25%) for Council be removed from the 2019 operating budget.

CARRIED

#113 BE IT RESOLVED THAT the Consultant Fees within the Corporate Administration operating budget be reduced from \$90,000 to \$50,000.

CARRIED

#114 BE IT RESOLVED THAT Council professional development be reduced to \$12,000.

CARRIED

**2019 OPERATING BUDGET COUNCIL RESOLUTIONS
APRIL 3, 2019**

#115 WHEREAS the Recommended 2019 Operating Budget for the Town of Gravenhurst was tabled on March 19, 2019;

AND WHEREAS the public was provided with an opportunity to directly address Council on the 2019 Operating Budget at a Special Council meeting March 30, 2019;

AND WHEREAS Council has had the opportunity to review the budget, seek clarification and make changes to the 2019 Operating Budget at its meetings April 2 & 3, 2019;

BE IT RESOLVED THAT the 2019 Gross Operating Budget exclusive of the Gravenhurst Business Improvement Area (GBIA) and exclusive of the Community Improvement Program of \$25,800,600 with a net Town General Tax Levy impact of \$15,993,204 be approved;

THAT the 2019 Gross Operating Budget for the Gravenhurst Business Improvement Area (GBIA) of \$68,450 with a net GBIA Tax Levy impact of \$49,550 be approved;

AND THAT the 2019 Gross Operating Budget for the Community Improvement Program (CIP) of \$55,000 with a net CIP Tax Levy impact of \$55,000 be approved;

AND THAT staff be directed to prepare the 2019 Tax Rates for the Town General Levy and Gravenhurst Business Improvement Area (GIA) Levy on this basis.

CARRIED

TOWN OF GRAVENHURST
Approved 2019 Operating Budget

All numbers in \$ 000's

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