

## Report to Council

**Report Title:** 2019 Municipal Budget

**Prepared By:** Trish Serratore, Chief Financial Officer

**Department:** Finance

**Date:** March 7, 2019

**Report Number:** FIN2019-05                      **File Number:** C11FIN, F04

**Attachments:** Summary of Budget Changes,  
Bruce County Service Comparison  
Draft Walkerton Business Improvement Area 2019 Budget

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### Recommendation:

That the Council of the Municipality of Brockton hereby receives Report Number FIN2019-05 – 2019 Municipal Budget, prepared by Trish Serratore, Chief Financial Officer for information and in doing so, approves bringing forward a by-law to accept the 2019 Municipal Budget in the amount of \$\_\_\_\_\_

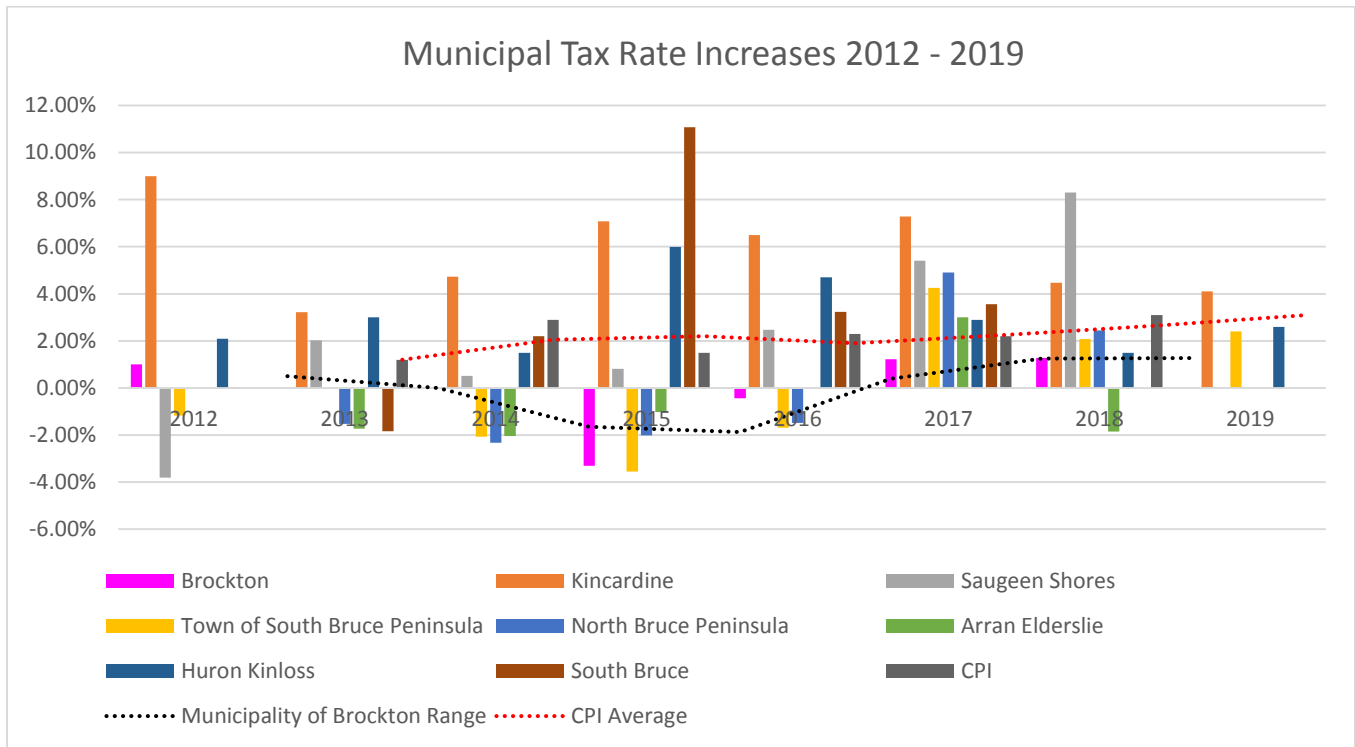
### Report:

#### Background:

This report summarizes the changes since the previous draft budget presented February 20, 2019 and February 21, 2019. There were many discussions about the information presented and Council was able to provide senior staff with some direction on their financial comfort level based on the acknowledgement of the need to continue with road and infrastructure renewal. There were various recommendations from Council that staff took back and reviewed as a team.

Staff have gathered the municipal tax rate increases for our neighbouring municipalities within Bruce County from 2012 – 2019 for Council's information. The chart below illustrates the various municipal tax rate increases (and decreases) for each municipality, as well as the cost of living increase (Ontario Consumer Price Index (CPI)) for each year. As you can see, the Municipality of Brockton has been well below the average increases for most of Bruce County, as well as being under the increases each year associated with the CPI.

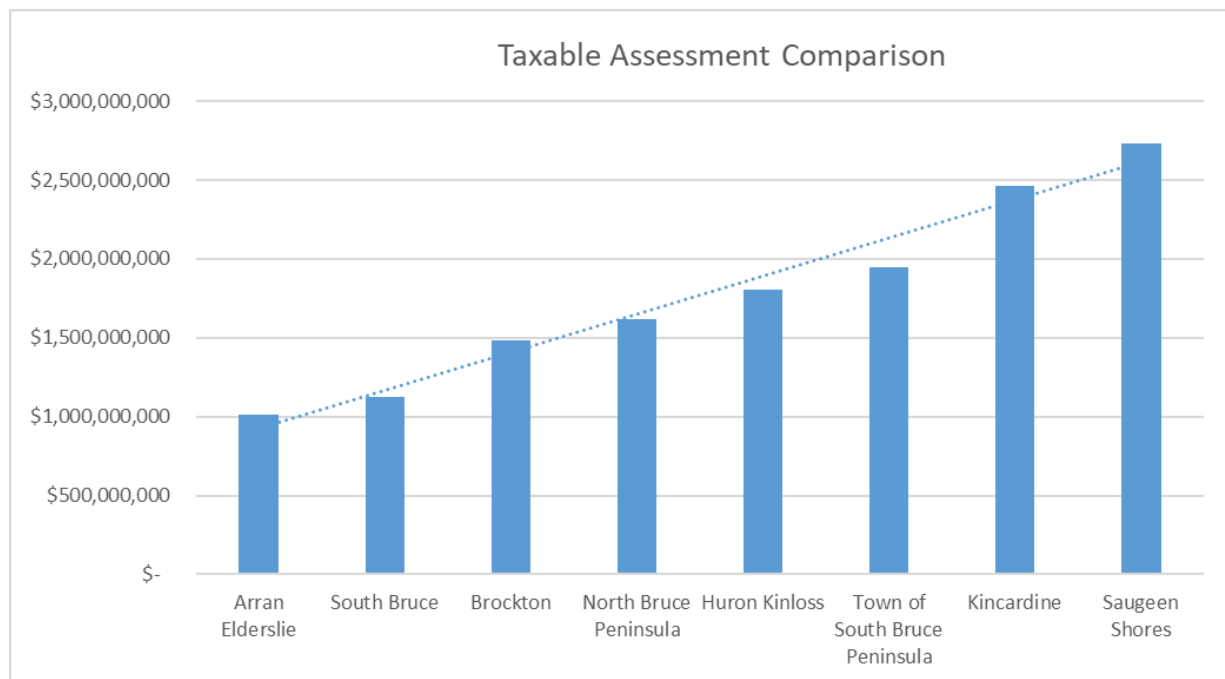
Bruce County - Municipal Tax Rate Increase									
	2012	2013	2014	2015	2016	2017	2018	2019	Average Increase/Decrease
<b>Brockton</b>	1.00%	0.00%	0.00%	-3.30%	-0.44%	1.22%	1.27%		-0.04%
<b>Kincardine</b>	9.00%	3.22%	4.73%	7.08%	6.50%	7.28%	4.47%	4.10%	5.80%
<b>Saugeen Shores</b>	-3.80%	2.02%	0.51%	0.81%	2.48%	5.41%	8.31%		2.25%
<b>Town of South Bruce Peninsula</b>	-1.17%	0.00%	-2.07%	-3.54%	-1.68%	4.25%	2.08%	2.40%	0.03%
<b>North Bruce Peninsula</b>	0.00%	-1.53%	-2.33%	-2.01%	-1.48%	4.90%	2.45%		0.00%
<b>Arran Elderslie</b>	0.00%	-1.72%	-2.03%	-1.02%	0.00%	3.00%	-1.85%		-0.52%
<b>Huron Kinloss</b>	2.09%	3.00%	1.50%	5.99%	4.70%	2.90%	1.50%	2.60%	3.04%
<b>South Bruce</b>	0.00%	-1.83%	2.19%	11.07%	3.23%	3.57%	0.00%		2.60%
<b>CPI</b>		1.20%	2.90%	1.50%	2.30%	2.20%	3.10%		2.20%



Brockton has the third lowest taxable assessment within Bruce County. The chart below illustrates the total 2019 taxable residential and farmland assessment for all municipalities within Bruce County. Currently, 37% of Brockton's taxable revenue is generated from the farm tax class, which only pays 25% of the residential rate. Even with the significant assessment increase in farmland, the residential properties will have the greatest impact on the municipal tax rate.

### Residential vs. Farmland Assessment

	Residential	Farmland	Total Taxable Assessment
<b>Saugeen Shores</b>	\$2,445,995,695	\$119,432,169	\$2,729,344,064
<b>Kincardine</b>	\$1,526,735,122	\$567,900,099	\$2,459,986,907
<b>Town of South Bruce Peninsula</b>	\$1,727,977,396	\$123,651,372	\$1,945,476,597
<b>Huron Kinloss</b>	\$1,124,738,994	\$646,214,370	\$1,808,158,449
<b>North Bruce Peninsula</b>	\$1,485,878,749	\$89,088,110	\$1,619,636,391
<b>Brockton</b>	\$835,531,508	\$561,836,822	\$1,483,444,506
<b>South Bruce</b>	\$440,870,008	\$654,604,405	\$1,124,507,765
<b>Arran Elderslie</b>	\$525,189,975	\$443,695,252	\$1,010,496,703



In addition to the lowest assessment base, Brockton has:

- The third highest population, after Saugeen Shores and Kincardine (which both have the highest assessment base).
- Operates three landfills, whereas Saugeen Shores has one and Kincardine has two.
- Has nearly 264kms more roadway than Saugeen Shores
- OPP Agreement includes court costs
- Has over double the amount of bridges and culverts compared to Saugeen Shores
- Is the only municipality with a municipal child care centre
- Has multiple fire agreements
- As of December 2017 FIR, Brockton has the third highest amount of long-term debt.

Please note the attachment “Bruce County Comparators” for a breakdown of the information above.

Although Brockton remains at the highest tax rate within the county based on the items outlined above, the municipality requires the higher tax rate to off-set the reduced assessment base in order to provide the infrastructure and services needed for the municipality due to the size and population base in Brockton.

Historically, Brockton has relied on long-term debt for some of the larger capital expenditures to maintain and replace infrastructure.

Below is a chart that illustrates the balance as of December 31, 2018 plus the additional long-term debt from prior year carry-forward and 2019 additions.

<b>Outstanding Loan</b>	<b>2019</b>
South Street Phase I Reconstruction 2016-057 (Roads Portion Only)	744,000
Lee and Coates 2017-074 (Roads Portion Only)	558,900
Walkerton Fire Hall and Property - 2002 81 and 2003 56	340,344
Jackson and Yonge Street - 2004-034	345,381
Loan By-Law 2008-73 (Non Water/Sewer Portion)	165,780
Zettler Land – East Ridge - 2013-037	309,550
Walkerton Landfill -2013-100	937,500
Walkerton Daycare-2014-077	387,000
Soccer Fields 2015-83	359,883
McCurdy Bridge	250,000
Cayley Street Reconstruction (Roads Only)	400,000
<b>Total Outstanding As Of December 2018</b>	<b>\$4,798,338</b>

2019 Additions and Prior Year Carry Forward	Cost
CDCF Entrance Project – 2018 Carry forward (in progress)	802,752
East Ridge Road Expansion– 2018 Carry forward	370,000
REH. Bridge 11 – Concession 10 Greenock – 2018 Carry forward	398,305
Municipal Drain – Russell – 2018 Carry forward	58,000
Municipal Drain – Lang - 2018 Carry forward	46,000
Reconstruction – Cayley Street – 2018 Carry forward (in progress)	40,000
De-Ox Water System	40,000
WWTP/Ball Diamond * staff are currently reviewing this plan for significant reduction in cost.	108,322
Grader	420,000
Trackless	150,000
Road Reconstruction – 10 <sup>th</sup> Sideroad	126,739
McCurdy Bridge PMT 2 of 2	250,000
<b>Total 2019 Long-Term Borrowing</b>	<b>\$2,810,118</b>
<b>Projected Total Long-Term Borrowing</b>	<b>\$7,608,456</b>

\*highlighted items are currently in progress, or completed and will be fully utilized in 2019

If all the projects listed above are completed within 2019, the repayment for the upcoming 2020 budget for the additional long-term borrowing will be approximately:

10 Year Amortization (3.66%)	15 Year Amortization (3.69%)
Monthly Blended: \$27,999.21	Monthly Blended: \$20,352.26
Annual Blended: \$335,991	Annual Blended: \$244,227
<b>Increase in tax rate based on 2019 rate 4% increase</b>	<b>Increase in tax rate based on 2019 rate 2.92% increase</b>

The above has been presented to Council to be able to make a fully informed decision on the 2019 budget. Staff strongly recommend that Council consider the recommendations below to support the long-term financial stability of the municipality and support ongoing infrastructure renewal.

Staff have looked at creative ways to support future infrastructure renewal and sustain the current levels of service and have minimal impact on the residents without extensive long-term borrowing, or depleting the reserve funds or high tax rate increase. The recommended changes are outlined below and the attachment called “Summary of 2019 Budget Changes” summarizes the financial effects.

### **Analysis:**

Since the first budget draft was presented, there have been several modifications to both the operating and capital budgets as follows:

#### **General Government**

##### ***01-3108-1322 Office Maintenance – decreased \$10,000***

Staff have reviewed the proposed maintenance to the municipal office. We have reduced the budgeted amount. The focus will be on front desk safety and security for 2019 and remaining funds will be allocated towards the installation of walls for confidentiality purposes.

##### ***01-3108-1467 Website Search Engine Optimization /Marketing Initiatives– decreased \$45,000***

Council approved an application for a Search Engine Optimization project through the Rural Economic Development Fund (RED) as this was an identified priority project by a number of business through the Business Retention and Expansion Study. The original application was for the website optimization projects costs and a part-time staff person dedicated to completion of the project. This project scope can be altered. An additional staff person is not required due to the addition of an administrative staff person to assist with this project. The project scope can be altered to ensure optimization of marketing initiatives is achieved to improve Walkerton’s positive presence on the web. Staff have reduced the budget proposed and have included \$17,500 in the budget. If successful the grant funds will be used to towards the project scope for a comprehensive marketing and communications plan to increase Walkerton’s positive presence for business and economic viability.

Being this project was previously approved by Council if successful Brockton is now obligated to pay for the services rendered for the complication of the grant application to Fairtax. Fairtax services have been very valuable and have resulted in the success of the majority of applications submitted since implementation.

##### ***01-3108-1373 Donation Museum – decreased \$5,000***

The museum donation has been removed from the 2019 budget and to be deferred for further consideration in 2020.

##### ***01-3105-0126 Grant funding RED (Website Search Engine Optimization /Marketing Initiatives) – decreased \$22,500***

With the reduction in the expense as outlined, the grant funding the Municipality will receive (if successful) will also be reduced to 50% of the total expense.

***01-3105-0142 Transfer from reserve fund – increased \$6,345***

There is a small balance in the Asset Management Reserve Fund, increased transfer from reserve fund to off-set a small portion of the costs associated with the 2019 updates to the AMP.

***01-3105-0145 Recoveries – increased \$75,000***

A lease to own agreement expires in 2019. The anticipated revenue from sale of surplus asset is \$75,000. This sale would be new revenue from the original budget document.

**Fire Services**

***01-3120-0180 911 Hydrant Fee – \*NEW\* increased \$12,252***

Staff have looked at new creative ways of generating revenue to off-set the operating and capital costs. The 911 Hydrant Fee will be used to cover the winter maintenance of the hydrants, as well as contribute to the hydrant reserve fund for any future capital upgrades. Staff are proposing a \$1.00 fee be added to each utility bill. This would be an overall increase to residents of \$6.00 per year, which will result in additional projected revenue of \$12,252.

***01-3120-0150 Miscellaneous Revenue – increased \$5,000***

Staff increased the miscellaneous revenue to be in line with actuals.

**Emergency Measurers**

***02-3118-0142 Transfer from Reserve Fund – increased \$16,000***

Staff increased the transfer from reserve funds to cover the full cost of the generator for the Municipal office.

**Police Service Board**

***01-3121-1270 Mileage – decreased \$500***

Staff decreased the Police Services Board mileage to be in line with the actuals.

***01-3121-1310 Legal – decreased \$1,500***

Staff reallocated the legal expense to the Animal Control/By-law enforcement as it was associated with the by-law enforcement duties.

***01-3121-1350 Phone – decreased \$300***

Staff decreased the Police Services Board phone expense to be in line with the actuals.

## **Animal Control/By-Law Enforcement**

### ***01-3124-1310 Legal – increased \$1,500***

Staff reallocated the legal expense to the Animal Control/By-law enforcement as it was associated with the by-law enforcement duties from the Police Services Board budget and will be required for any Part 1 Set Fine prosecutions.

## **Public Works**

### ***01-3130-0190 Infrastructure Fee – increased \$443,100***

Council discussed at the last budget meeting a potential special fee, much like the landfill capital fee, that could be used for road infrastructure. Senior staff discussed this further and based on the needs for infrastructure renewal in the roads department, staff recommend this as a good financial option that will provide clear direction on targeting funds and satisfy resident requests for future planning for road/bridge reconstruction. Staff are recommending that a \$50 road infrastructure fee be added to each property in Brockton. This fee will be included on the interim and final tax bill.

This will generate the following revenues:

Walkerton – properties =  $2,251 \times \$100 = \$225,100$  per year

Brant/Greenock-properties =  $2,853 \times \$100 = \$285,300$  per year

Staff are recommending that this special fee be allocated into an “urban” and “rural” reserve fund and only used for the infrastructure needs within those communities. Staff have predicted that within five years the “Urban Reserve Fund” will have a balance (no less than) \$1,125,500 plus accumulated interest and will be even higher with the addition of new lots. And the “Rural Reserve Fund” will have a balance (no less than) \$1,426,500 plus accumulated interest.

Following the completion of the roads needs studies, plans for road infrastructure renewal can be made accordingly.

### ***01-3130-0142 Transfer from Reserve Fund – decreased \$60,000***

This was a duplicate entry and the transfer from reserve fund was in the capital section.

### ***01-3130-0129 Long Term Borrowing– increased \$126,739***

Staff reallocated the remaining funds needed for the 10<sup>th</sup> Concession to borrowing.

### ***01-3130-1720 Transfer to Reserve Fund – Increased***

This increase is off-set by the recommendation in account 01-3130-0190.

## **Materials Management – Brant and Greenock**

### ***01-3144-0147 Bag Tag – increased \$18,000***



Increased to be in line with actuals.

***01-3144-0445 Tipping Fees– decreased \$35,000***

Increased to be in line with actuals.

***01-3144-1344 Service Agreement– increased \$18,880***

To reflect increase in garbage collection and be more in line with actuals.

**Materials Management – Walkerton/Hanover**

***01-3145-0147 Bag Tag – increased \$21,000***

Increased to be in line with actuals.

***01-3145-1301 Long Term Debt - Interest– increased \$6,000***

Increased to be in line with actuals, prime rate has increased, therefore paying more in interest payments.

***01-3145-1344 Service Agreement– increased \$20,000***

To reflect increase in garbage collection and be more in line with actuals.

**Recreation**

**Parks**

***02-3161-0142 Transfer from Reserve Fund – increased \$27,836***

Surfacing of the accessible parks - partial funding from Parkland Reserve Fund

**Community Centre**

***02-3163-0129 Long Term Debt– increased \$148,322***

Road to ball diamond and De-Ox Water System

The De-Ox Water System is a capital purchase and suitable for long-term debt funding.

Staff have met regarding the Optimist Park Project and road re-alignment. A revised road/parking plan is being drafted by the engineer which should substantially reduce costs. A phasing of the project has been discussed to ensure proper grading and placement of the new playground equipment in 2019 to secure approved grant funding. \$108,000 is still included as proposed long-term borrowing but we anticipate this actual amount will be much lower. A follow-up staff report will follow for final approval of the project.

**Lobbies**

***01-3164-1320 Maintenance and Purchase Equipment– decreased \$2,900***

Slight decrease in the maintenance and purchase account, staff feel the adjusted balance will be sufficient.

## **Soccer**

### ***02-3167-0142 Transfer from Reserve Fund– increased \$70,000***

Fund the capital repairs to the soccer fields from the Council Reserve Fund as per previous budget meeting discussion. This is a priority project and staff are investigating further all identified deficiencies to see if there are any cost recovery options available.

## **Library- Walkerton**

### ***02-3170-0142 Transfer from Reserve Fund – increased \$25,000***

Increased transfer from reserve fund to cover the costs for the elevator repairs. Staff are suggesting \$10,000.00 per year to be allocated to the reserve fund in the upcoming years for the future replacement of the capital equipment.

## **Heritage**

### ***01-3172-1720 Transfer to Reserve Fund – decreased \$2,500***

The suggestion was presented at the previous budget meetings and staff reviewed this recommendation and removed the transfer to reserve fund, at this point there is a significant balance in this account \$26,707. Staff proposed this should be reinstated for the 2020 budget.

## **Planning**

### ***01-3180-1344 Service Agreement – decreased \$20,000***

Staff identified a savings with the drainage superintendent and reduced the cost to the estimated value for 2019.

### ***01-3180-0126 Grants – decreased \$10,000***

With the reduction in the drainage superintendent expense, the grant the municipality receives will also be reduced. This decrease is a reflection of that change.

## **Economic Development (EDC)**

### ***01-3186-1372 Facade Program – decreased \$4,500***

The Façade Program has been successful and uptake continues but funds have not been fully utilized in the past couple years. Due to budget constraints in 2019 we have decreased the Façade monies to reflect actuals of \$7,450.

***01-3186-1469 Special Projects (previously called “Economic Development”) – decreased \$1,000***

Staff reviewed the detail for this line item. The following expenses are part of some of the economic development initiatives budgeted for 2019:

- Christmas Lights
- Downtown Wifi
- Community Events/Welcome Signage (hamlets)

**East Ridge Business Park (ERBP)**

***01-3185-1720 Transfer to Reserve Fund– increased \$54,170***

Staff adjusted the projected sales value for 2019, all profits are transferred to the reserve fund to “repay” the balance that was borrowed.

***01-3185-0153 Sale of Land– increased \$54,170***

Staff adjusted the projected sales value for 2019

***01-3185-0142 Transfer from Reserve Fund– increased \$35,000***

Staff propose that the new sign be funded from the ERBP reserve fund, any sales for the sign will go back into the reserve fund to repay this expenditure.

**Walkerton Business Improvement Area (“BIA”)**

Staff have been in discussion with the Walkerton BIA Manager, based on actuals for the 2018 year, we have reduced the Visitor Information Centre budget by \$5,000. Further, the budget was presented to the membership of the BIA on Monday March 4, 2019.

**Conclusion**

The total impact of the above factors equates to a tax increase of 7.33% which is a decrease in the municipal levy of \$880,068 from the previous draft budget.

Brockton has done an excellent job at continuing to provide good service levels with minimal tax rate increases over an extended period of time, however there has been minimal contribution to the future infrastructure needs as well as financial support for the increased costs for goods and services. Staff feel we are at a point that we cannot sustain this practice and need to plan for the future and provide sufficient funding to ensure a continued level of service and maintenance of infrastructure in Brockton.

Below is a summary of the overall effect of the 7.33% increase for the high, medium and low residential assessments within Brockton.

Assessment	2019 Levy	2018 Levy	\$ Change	% Increase
High	\$854,000	\$854,000	\$483.59	7.33%
Average	\$237,090	\$237,090	\$134.26	7.33%
Lowest	\$93,000	\$93,000	\$52.66	7.33%

### Sustainability Checklist:

What aspect of the Brockton Sustainable Strategic Plan does the content/recommendations in this report help advance?

- Do the recommendations help move the Municipality closer to its Vision? Yes
- Do the recommendations contribute to achieving Cultural Vibrancy? Yes
- Do the recommendations contribute to achieving Economic Prosperity? Yes
- Do the recommendations contribute to Environmental Integrity? Yes
- Do the recommendations contribute to the Social Equity? Yes

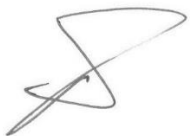
### Financial Impacts/Source of Funding:

- Do the recommendations represent a sound financial investment from a sustainability perspective?  
Yes

Outlined above.

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### Respectfully Submitted by:



Trish Serratore, Chief Financial Officer

### Reviewed By:



Chief Administrative Officer