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Report to: Authority Members, Saugeen Valley Conservation Authority

From: Wayne Brohman, General Manager/Secretary-Treasurer

Date: May 7, 2019

Subject: Provincial Grant Reduction

Background: For the past 22 years SVCA has received an annual grant from MNRF in the amount of \$157,669. The purpose of the grant funds is to cover maintenance costs for flood and erosion control structures and to cover costs for flood forecasting and warning. The other Conservation Authorities get similar grants in varying amounts for the same purposes.

For SVCA the maintenance costs for flood and erosion control structures relate to the dykes in Walkerton and Paisley, the dams in Durham and smaller control structures in Neustadt, Kincardine, Mount Forest, Southampton, Pinkerton and Inverhuron. The types of maintenance include:

- Grass cutting on the dykes
- Inspections of the structures
- Cleaning out the outflow channels, stormwater outlet pipes and culverts
- Tree removal
- Taking boards and stop logs in and out of the dams
- Repairing erosion control works

Flood monitoring and flood warning requires the operation and maintenance of numerous river flow and weather gauges throughout the watershed as well as a flood forecasting system software.

In 2018 the \$157,000 (rounded) was allocated as follows:

Flood Warning	\$107,000
Flood & Erosion Control Structures	\$ 50,000

On April 12th SVCA received notification from MNRF that the annual grant would be reduced to \$81,396 which represents a reduction of \$76,273.



Watershed Member Municipalities

Municipality of Arran-Elderslie, Municipality of Brockton, Township of Chatsworth, Municipality of Grey Highlands, Town of Hanover, Township of Howick, Municipality of Morris-Turnberry, Municipality of South Bruce, Township of Huron-Kinloss, Municipality of Kincardine, Town of Minto, Township of Wellington North, Town of Saugeen Shores, Township of Southgate, Municipality of West Grey

Special Levy: For many years, until 2012, the municipalities that directly benefited from the flood and erosion control structures were invoiced for 50% of the annual maintenance costs for the structures in their municipality. The Ontario grant covered the other 50%. In 2012 that ratio was changed to 60/40. For instance, the Municipality of Arran Elderslie is invoiced annually for 60% of the costs to maintain the Paisley dykes which are located in Arran Elderslie. Similarly, the Municipality of Brockton is invoiced for 60% of the costs to maintain the Walkerton dyke. The change was made because the amount of the unchanged Ontario grant no longer covered half the costs. So, in 2018, the \$50,000 grant funding noted above was shared amongst the various benefitting municipalities to partially offset the total costs of maintaining the various structures in their municipalities.

2019 Budget Effect: As was indicated in note #4 on page one of the 2019 Budget Notes, the 2019 budget assumed that SVCA would receive the same \$157,669 MNRF grant that had been received in prior years. At the time of the budget and until SVCA was notified of the grant reduction, there had been no indication that the annual grant would be reduced. A grant increase wasn't expected but nor was a significant reduction at the time the budget was prepared.

The \$76,000 funding shortfall needs to come from somewhere in 2019. Here are some possibilities:

1. Increase the special levy to 80/20 to recover the \$25,000 grant reduction for the flood/erosion structure maintenance costs. This could be a consideration for 2020 but I don't recommend it for 2019. The affected municipalities will have already set their budgets for this year, so it seems unfair to impose this late change on them now.
2. It is possible that there will be a modest surplus in the general levy programs that would be enough to cover at least a portion of the \$76,000.
3. Funds could be allocated from the working capital reserve which has a balance of \$1.4 million. This would be a dangerous path to follow for future years, but I suggest it would be tolerable for one year.
4. Funds could be allocated from other reserves such as Property Acquisition (\$156k), Land Management (\$79k), Wetland Acquisition (\$54k). This would not be a suggested solution to be repeated in subsequent years.

My recommendation is to look at options 2 through 4, or a combination of those, at the end of the year to offset the \$76,000 grant shortfall. Additional options will be up for consideration for the 2020 budget.