

# 2020 BUDGET PUBLIC MEETING

May 11, 2019

Committee Room

via Teams on-line meeting

Presented By: Dawn Galusha, Treasurer





# BUDGET PROCESS

- Municipalities exist under the mandate of the Province.
- Municipal Act and a variety of other Provincial Acts
- Provincial requirement to prepare a Budget
- This public meeting will explain:
  - How the Town is financed
  - How your tax dollars are applied



# 2020 BUDGET PROCESS

- Process began with Management and Administration preparing estimates and then preparing an in-depth review of those estimates
- A few of Committee of the Whole Meetings were held
  - February 3 to March 2
- During these meetings Council evaluated and reviewed the challenging requests in order to arrive at a budget for 2020
- We were in a different circumstance at the time of budget planning than we currently are with the unknow effects of COVID-19 on our community, Province and Country



# UTILITIES

- The Town of Fort Frances also operates 2 utilities:
  - Water and Sewer
- The operations of the two Utilities are funded by:
  - The user fees that they generate
- They do not affect property tax rates directly
- Also, the Town is the sole shareholder of the Fort Frances Power Corporation
  - Electrical rates fully fund the FFPC



# SOURCES OF MUNICIPAL REVENUE

- The Town of Fort Frances has four sources of revenue:
  - Taxation (including Payment In-Lieu of Taxes)
  - Conditional and Unconditional Grants
  - User Fees, Permits, Licenses and Fines
  - Other revenues such as penalties and interest, rents, sale of land and equipment, etc.



# PROPERTY TAXATION

- Main source of revenue
- Consists of 2 main components
  - Tax Base (assessment)
    - Assessed value of property is determined by the Municipal Property Assessment Corporation (MPAC)
  - Tax Rates (Municipal and Education)
    - Municipal- set by Town Council
    - Education- set by the Province of Ontario
- Special charges- Business Improvement Area Charges
  - Added only to specific areas



# PROPERTY TAX RATES

- Tax Ratios- define the municipal tax rate of each property class in relation to the Residential Tax Ratio of 1
  - This year Council approved the Revenue Neutral Ratios and a By-Law has already been adopted
- Property tax rates are set by Town Council based on the estimated revenue needed to operate and maintain town services and its infrastructure
- Property tax rates are subject to Provincial regulations:
  - Levy restriction for the Multi-residential, Commercial and Industrial Property Classes



# LEVY RESTRICTION OR HARD CAPPING EXPLAINED...

- Provincial legislation prohibits municipalities from applying municipal levy increases on:
  - Multi-residential,
  - Commercial, and
  - Industrial property classes
- Where the tax ratio is above the provincial threshold the restricted class cannot be increased by more than 50% of the levy increase applied to non-capped properties





# ASSESSMENT

- MPAC is responsible for determining property assessment valuations based on policies stipulated in the Assessment Act
- Assessment Act
  - Amended in 2007
    - Properties valued every four years, beginning with the 2009 tax year
    - 2017 began the third 4-year cycle
      - Assessment increases are phased in over the 4 year period (2017-2020)
      - Assessment decreases are immediate
- Assessment for 2020 is increased from 2019
  - Final year in the cycle
  - New developments



# GRADUATED TAXATION

- Graduated Taxation was implemented in 2017, with adjustments in 2018
  - 2 bands
    - Band #1- \$0-3.6 Million
    - Band #2- Over \$3.6 Million
- Provincial tool provided the Town the ability to set a tax rate for Band #1 at a rate of 60% of Band #2
- Self-funded within the Commercial class and does not shift any further tax burden onto the Residential Property class.



# USER FEES

- The Town has discretion to determine the services for which it will charge a fee. Some examples of fees charged are:
  - Sports Centre ice rental fees
  - Landfill site tipping fees
  - Garbage bag tag fees
  - Airport landing fees
  - Building permit & zoning application fees
- Many fees increased by 1.7%
- Province regulates:
  - Fees are based on cost recovery not to “make a profit”



# USER FEES

- Council approved by-laws that set out our user fees for 2020 for municipal services and for Water & Sewer rates which were set independently.
- Water and Sewer rates were revised with a continued view as to:
  1. Impact of Provincial Regulations
  2. Sustain and maintain existing system



# MUNICIPAL ACCOMMODATION TAX

- Effective January 1, 2019- Accommodation providers in the Town were mandated by By-Law to collect and remit a 4% tax on hotel stays
  - 50% of the collected money will be distributed to the Rainy River Future Development Corporation as the eligible not-for-profit tourism to be used for the exclusive purpose of tourism promotion and development
  - The other 50% is for the Town to be utilized for tourism and economic development priorities. This year Council has decided that the first \$135,000 will go towards the Travel Information Centre, Marina, and Museum. The remainder, if any, will go to a dedicated reserve fund
  - The coronavirus pandemic has had a negative impact on the amount of revenue the Town will receive from the Municipal Accommodation Tax in 2020.



# LICENCES, PERMITS AND FINES

- Revenues under this category include:
  - Business licences
  - Lottery licences
  - Building permits
  - Parking fines
- Similar to user fees, the Province regulates:
  - Fees are based on cost recovery not to “make a profit”



# GRANTS

- Conditional and unconditional grants from both the Provincial and Federal Governments
- Ontario Municipal Partnership Fund
  - Main unconditional grant
  - \$3,294,600
  - Decrease of \$68,900 or 2.05% (from 2019 to 2020)
- Federal and Provincial grants for general operations



# CONDITIONAL GRANTS

- The Town receives a variety of annual conditional operating grants such as:
  - \$113,730 Recycling grant (Stewardship Ontario)
  - \$51,240 Operating grant for the Fort Frances Seniors' Centre
  - \$71,727 Handi-van Transit (Ministry of Transportation Gas Tax)
- The Town also receives annual conditional capital grants which fund various road, sidewalk construction projects:
  - \$469,544 Federal Gas Tax
  - \$682,746 Ontario Community Infrastructure Formula Based Funding

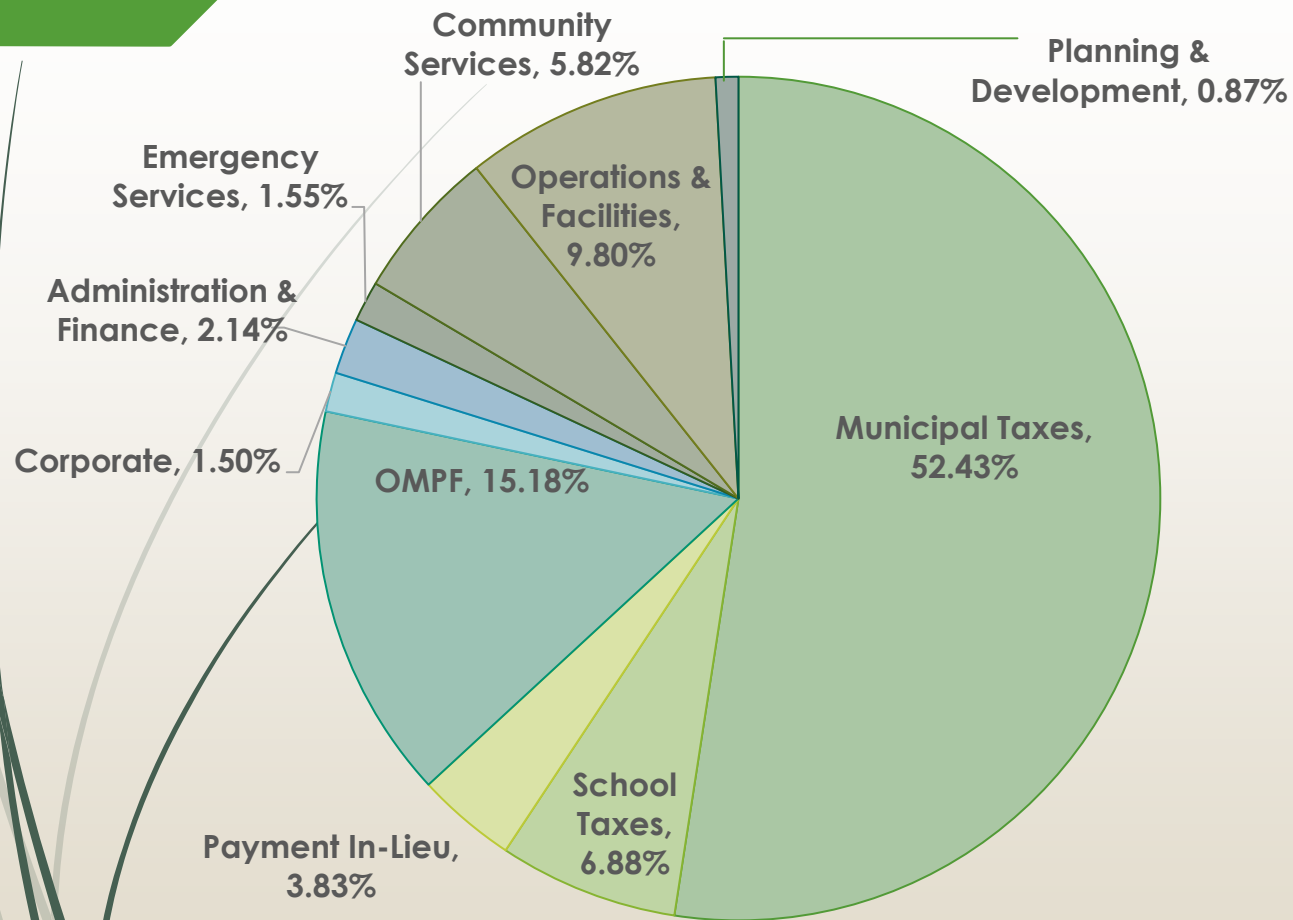




# SPECIAL PROJECT GRANTS

- The Town also applies for operational and capital grants for special projects such as:
  - Connecting Link Funding for road reconstruction projects
  - OCIF Top-up for road reconstruction projects
  - Any other opportunities that arise which will assist with the cost to the Town

# 2020 BUDGETED REVENUES



Municipal Taxes	11,378,238
School Taxes	1,492,647
Payment In-Lieu	830,794
OMPf	3,294,600
Corporate	326,000
Administration & Finance	465,325
Emergency Services	336,589
Community Services	1,262,148
Operations & Facilities	2,126,623
Planning & Development	188,664
2020 Revenue	21,701,628

# 2020 BUDGETED REVENUES

	2019 Budget	2020 Budget	Change
Corporate	\$16,978,422	\$17,322,279	\$343,857
Administration & Finance	655,525	465,325	-190,200
Emergency Services	327,516	336,589	9,073
Community Services	2,791,693	1,262,148	-1,529,545
Operations and Facilities	2,183,529	2,126,623	-56,906
Planning and Development	216,291	188,664	-27,627
Total	\$23,152,976	\$21,701,628	-1,451,348



# MUNICIPAL EXPENSES and EXPENDITURES

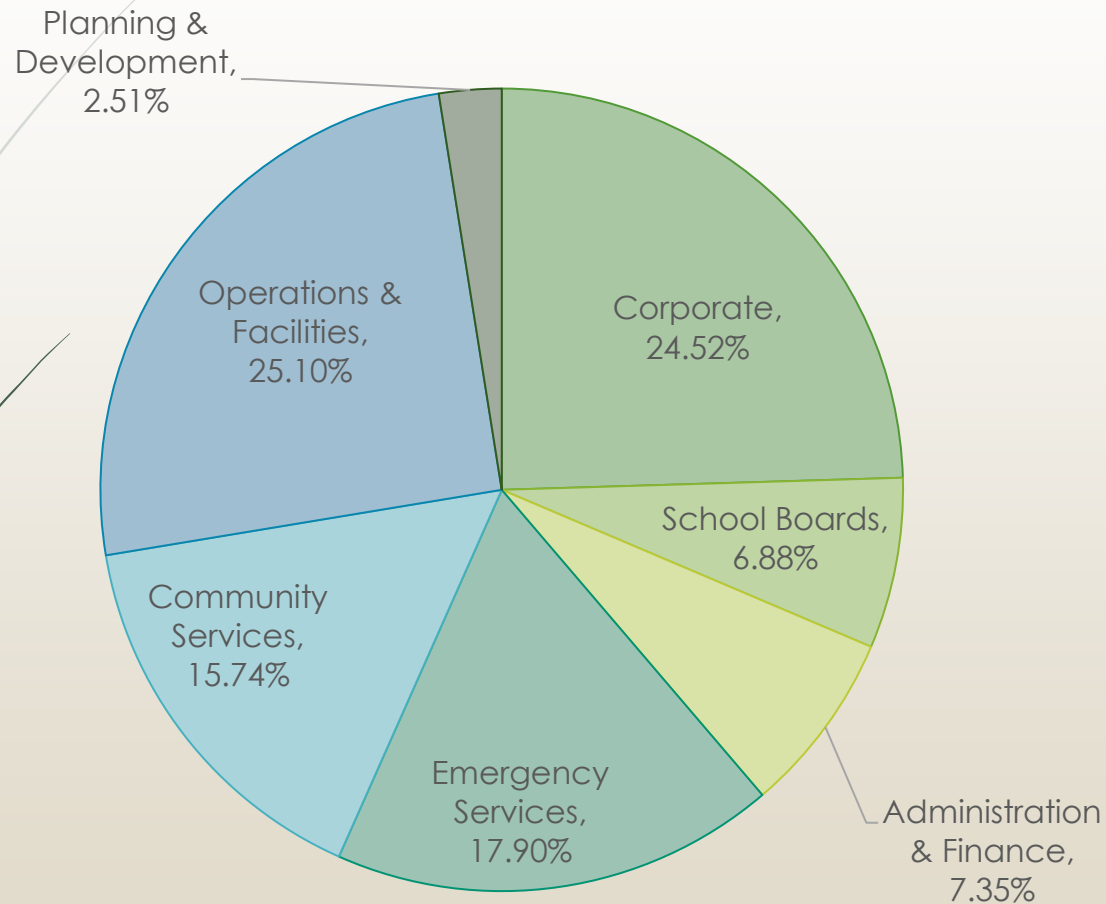
- Three types of municipal expenses/expenditures:
  - Operating
  - Capital
  - Reserve Fund Contributions
- Two Broad Categories
  - Controllable
    - Administration, Fire and Rescue, Public Works, Museum, Parks, Airport, Handi-Van, Tourist Information Centre, By-law Enforcement, Recreation, Cemeteries, Solid Waste Management, Fort Frances Seniors' Centre
  - Non-controllable



# LONG TERM DEBT

- Council decision:
  - Debt
  - Pay-as-you-go
- Long Term Debt repayment is part of current operating budget
  - \$384,028
- Total debt at the end of 2020 is \$1,006,338

# 2020 OPERATING EXPENSES



Corporate	5,321,155
School Boards	1,492,647
Administration & Finance	1,595,428
Emergency Services	3,885,450
Community Services	3,415,036
Operations & Facilities	5,446,745
Planning & Development	545,167
2020 Expenses	21,701,628

# 2020 BUDGETED EXPENDITURES

	2019 Budget	2020 Budget	Change
Corporate	\$6,941,436	\$6,813,802	-127,634
Administration & Finance	1,701,870	1,595,428	-106,442
Emergency Services	3,693,920	3,885,450	191,530
Community Services	4,826,260	3,415,036	-1,411,224
Operations and Facilities	5,451,059	5,446,745	-4,314
Planning and Development	538,431	545,167	6,736
Total	\$23,152,976	\$21,701,628	1,451,348

# 2020 BUDGET SUMMARY

General Division	Revenue	Expenditure	Budget Deficit
Corporate	(\$17,322,279)	\$6,813,802	(\$10,508,477)
Administration & Finance	(465,325)	1,595,428	1,130,103
Emergency Services	(336,589)	3,885,450	3,548,861
Community Services	(1,262,148)	3,415,036	2,152,888
Operations & Facilities	(2,126,623)	5,446,745	3,320,122
Planning & Development	(188,664)	545,167	356,503
	<b>(21,701,628)</b>	<b>21,701,628</b>	-
Capital Budget	<b>(13,894,519)</b>	<b>13,894,519</b>	-
Water Operating Budget	(2,919,271)	2,919,271	-
Sewer Operating Budget	(2,728,201)	2,728,201	-
	<b>(5,647,472)</b>	<b>5,647,472</b>	-
	<b>(\$41,243,619)</b>	<b>\$41,243,619</b>	-





# TAX RATE SUMMARY

- The 2020 General Operating Budget results in the following total **tax rate** (Municipal and Education ) increases or reductions as compared to the 2019 tax rates:
  - 3.240% increase for Farmland
  - 3.240% increase for Residential
  - 2.955% decrease for Multi-residential
  - 0.258% increase for Commercial
  - 1.526% decrease for Industrial
  - 1.114% decrease for Large Industrial
  - 1.315% increase for Pipelines
- Vacant & Excess Land- Commercial have a 15.53% increase, Vacant & Excess Land- Industrial have a 20.37% increase, and Vacant & Excess Land- Large Industrial have a 22.40% increase due to the complete phase out of the reduction percentage (both Municipal and Education)

# RESIDENTIAL TAX RATE COMPARISON

Current Value Assessment	2020	2019	Difference in Tax \$
\$ 60,000	1,142.02	1,106.18	35.84
100,000	1,903.37	1,843.63	59.74
150,000	2,855.05	2,765.44	89.61
200,000	3,806.73	3,687.25	119.48

Error in calculation at time of discussions- Administration & Finance Executive Committee has agreed to continue with the rates agreed on at the March 2, 2020 Special Council meeting- Difference to be placed into Tax Rate Stabilization reserve fund.

# 2020 TAX DOLLAR DISTRIBUTION

Community Services (Sportsplex, Library, Museum, Daycare, Marina, Sunny Cove)	15.07
<b>Rainy River District Social Services Administration Board*</b>	<b>13.46</b>
Contributions to Reserve Funds	12.62
Operations & Facilities (Roads, Cemeteries, Parks, Airport, Waste Management)	11.71
<b>Police*</b>	<b>11.29</b>
<b>School Boards*</b>	<b>10.45</b>
Fire/911 Services	7.78
Administration/Council/ Economic Development	7.26
<b>Northwestern Health Unit*</b>	<b>2.86</b>
Long-Term Debt	2.69
Planning & Development (Including By-law)	2.49
<b>Taxation Write-offs*</b>	<b>1.84</b>
Local Hospital Doctor Recruitment	0.48
	<b><u>\$100.00</u></b>

**\$39.90 of every \$100 is for uncontrollable services/costs\***

\$60.10 of every \$100 is for services controlled by the municipality



# 2020 UNCONTROLLABLE EXPENSES

	2020 Actual	2019 Budget	Change
Health Unit	\$ 408,652	\$ 377,954	\$ 30,698
RRDSSAB	1,923,520	1,956,182	-32,662
Policing Contract	2,639,763	2,563,093	76,670
<b>Total</b>	<b>\$ 4,971,935</b>	<b>\$ 4,897,229</b>	<b>\$ 74,706</b>



# RESERVE AND RESERVE FUNDS

- Critical component of the Town's Long-Term financial plan
- Provides financing of capital assets
- Building of Reserve Funds is primarily accomplished through:
  - the allocation of annual operating surpluses
  - Operational budget allocations
    - To sustain asset management strategies
- 2020 General Operating budget allocates
  - \$1,704,000 to Corporate Vehicles/Equipment, Projects, and Building reserve funds
  - \$98,977 to Tax Stabilization reserve fund
  - \$49,245 to Post Landfill Closure reserve fund and
  - \$8,550 to Townshend Theatre reserve fund
- Water and Sewer Operating Budgets allocate any surplus to Waterworks & Sanitary Sewer Reserve Funds, and \$17,982 to Water meter Replacement Reserve Fund. In addition, Contributions to Capital projects from the W&S Operating Budgets account for \$2,625,619
- The Federal Gas Tax Capital funding of \$469,544 is also directed to reserves.



# RESERVE AND RESERVE FUNDS

<b>Reserve Funds (as of Dec 31/19)</b>	<b>\$16,050,417</b>
2020 Estimated Interest Earned	282,309
2020 Estimated Transfers to Reserves	2,853,007
2020 Estimated Transfers from Reserves	<u>-5,559,097</u>
Subtotal	13,626,636
Reserve for Working Capital	<u>1,000,000</u>
Total Reserve & Reserve Funds	\$14,626,636



# EFFICIENCIES

- Allows a service to continue in a less expensive manner
  - ie. Less human and equipment resources
- Asset Management Plan
  - Funding to bring the Plan to a current status
  - Future budgeting decisions to be made based on the Asset Management Plan
- The Town continues to seek additional efficiencies.



# CURRENT ECONOMIC SITUATION

- Council has a difficult task of:
  - Balancing the needs of the community,
  - Maintaining acceptable service levels,
  - Making every effort to strengthen the local economy,
  - While providing fairness in taxation and value in service to our residents
- The future of the Large Industrial Class tax base for mill properties is still unknown
- OPP Costs are uncontrollable and are reconciled 2 years later and continue to rise
- Provincial downloading and regulatory responsibilities
- Escalating operating costs- Salaries, benefits, heat, hydro, repairs
- Aging infrastructure and growing infrastructure deficit
- COVID-19 effects on the community





QUESTIONS or COMMENTS



Thank you!

