

Budget Questions and Answers

The following are questions and comments received about the budget and Staff reply. As well, there is a recap of Staff recommendation (adjusted) for Council's consideration as we discuss the budget again on June 17th.

1. Increase in the Recreation and Culture Budget

The increase in the budget is basically due to the reallocation of the 0.5FTE from Public Works to the Recreation area. You will note that the Public Works is showing a similar decrease. There is also an increase in the budget for students. This budget for students could be reduced by \$15,000 (net between salary decrease and revenue increase) due to the response now received on our Canada summer jobs application. On the subject of the full time position, as the year unfolds this position would be completing other tasks that are outside of the parks and recreation category. Among these are tending to the Fitness Centre, Health and Safety Inspections of Municipal facilities as well as being the coordinator with building contractors.

There was also mention of different activities that normally occur annually in the municipality. Apart from Canada Day and Shiverfest, the other activities, Temagami Community Market and the Canoe Festival for example, are actually recorded as Donations which appear in the General Administration category. There was also the note of saving on 'in kind donations' for typical summer events. While this is true, it will not take Staff away from normal duties to perform the supports for the events.

2. Planning and Development Budget

The Contract Planner is included as part of these costs. At present, with the Municipality not recovering fees related to planning applications the cost of these are also included in the budget. We did budget a little more for contract planner as last year the fees were more than double the budget and we have no other way to recover these at present. Any costs associated with the Official Plan Review or the development of a Community Improvement Plan are not part of the contract planner costs.

In the Development area, we did try to increase the budget to provide some room for the unexpected activities that may arise. Last year, the cost associated with the Broadband Study completed were not in the budget approved by Council and Staff needed to adjust different areas to ensure that this study could be completed and we could, as a municipality, stay within our overall budget. Especially in the area of Broadband, there are many unknowns as we move through the year. Maintaining this budget will help to ensure that funds will be available to prepare applications (broadband is outside of our normal business activity) and move the Broadband file forward.

In the Planning and Development Capital the increases were adjusting the estimate for the Official Plan Review based on the current estimate and removal/relocation of the microfit installation and the repairs to the Firehall roof.

3. Fire Department and Cost of Living

As part of the Service Delivery Review we can review the pay structure for volunteers. Based on what I have seen in other Municipalities, you are likely to find that we are lagging a little behind where other municipalities are. Presently, the command structure (Chief, Deputy, Captains) are responsible for basically all of the administration related to the operation of the Fire Departments. Administrative Staff provide billing assistance, especially with billing to the MTO.

Amounts paid to Staff, Council and Volunteers are all included in the cost of living adjustments provided annually. Through review of municipal policy, Council could reassess the cost of living. Presently, we use the states Stats Canada Consumer Price Index to establish what cost of living increases may be. Should Council wish to review compensation policies, this should be done in concert with a compensation review, especially with municipalities in our vicinity. While I do not know the compensation levels, I do know that the Town of Colbalt had to advertise multiple times to secure a new CAO and presently Coleman Twp has just advertised their vacant CAO position for the second time. By way of information, municipal positions are becoming very competitive. While our policies should be reviewed from time to time it is also important to ensure the review is complete, not just one part of the equation.

4. The \$30,000 Health Capital budget is the improvements to the Cemetery. The largest component of these is the new columbarium.

As for the large increase in the Au Chateau budget, while are working on the issue, the largest stumbling block is the Province adjusting the regulation that established the Nipissing West Long Term Care Board which includes us in the operation of Au Chateau.

5. COVID Relief

When the shutdown was occurring in mid-March many municipalities responded by delaying due dates and waiving certain fees. We did not and at the time I noted that Staff would make a recommendation as part of the budget process. It should be noted that many of the municipalities that provided relief are now finding that it is not possible to complete the year without having a significant deficit in the absence of support from the other levels of government or totally gutting their budget. We do have processes underway that could alter how we do things such as the Service Delivery Review and the Waste Management Master Plan as well as the outstanding considerations of the recommendations made through the Strategic Planning Process.

The one area of relief that I believe should be offered is the ability for payment plans to be created for ratepayers upon request. While this may decrease the revenue received from Penalty and Interest Revenue, it is also true that we have some of our ratepayers, especially summer camps and the tourism sector and those that rely on these for employment, that have their ability to earn revenue either significantly curtailed or stopped altogether. With the ability for Staff to work with these ratepayers and create payment plans based on individual circumstances, the effects of the economic shut down may be able to be mitigated somewhat.

One comment received suggested not offering any relief at this time while another liked the approach of offering a rebate.

6. Target Tax Increase

The 4.98% increase was for properties in the Townsite that also pay the water and sewer rates. From a dollar perspective, the tax revenue from 2019 to 2020 in the budget presented increased by 4.4%. In order to have a tax levy increase of 2% there would need to be a reduction in the budget of \$95,038.

The presentation noted that based on the 4.4% increase in tax revenue the effective tax rate would actually decrease by 0.92%. What individual ratepayers experience will vary from property to property and, in total, there would be more taxes collected. For 2020, each property will be different in how the budget effects them. With a 2% increase in the dollar value of the tax levy, the effective rate applied to assessment would decrease by around 2%.

Water, Sewer and Grinder Pump rates are based on expenditure and, in 2020, are the budgeted expenditure plus 10% for future capital. There are increases in the Water and Sewer rates partly due to inflationary costs and partly due to the adjustment of service units. The Grinder Pump rate decreased significantly as the debt charges for 2020 are half of what they have been for the past 10 years. This rate will most likely decrease again next year as there will be no debt payments budgeted in this area.

One suggestion was to try to get to a 0%. In order to do this a total of \$172,794 would need to be reduced from the budget. It should also be pointed out that 0%, especially when Au Chateau, DSSAB and inflation is considered is actually a reduction in the budget. Many Councils (not necessarily Temagami) have 'held the line' when considering the tax levy and then want money for projects. If we are carving from our budget the increase we are required to pay to Au Chateau and DSSAB, then there would not be any resources for projects. Last year there was Broadband, improvements to the contractor parking and the Temagami North ditches (first two phases) that were added after the budget was approved.

7. Removal of Projects from Capital Projects Requested

There are two types of capital projects. Those funded through the tax levy and those funded by other sources. Included in other sources are Provincial Grants, Federal Grants, and Transfers from Reserves established for certain purposes. Of the projects noted, Council Chambers, Energy Plan for the Welcome Centre, Implementation of the Strategic Plan, the Compactor Truck and \$7,000 of the proposed Recreation Equipment all are proposed to come from these other sources of revenue.

The Council Chambers, if updated, could also provide a community asset that could be used/rented for presentations, community meetings and perhaps workshops and other training. These costs are proposed to be spent with the modernization and efficiency fund received from the Province in 2019. Council does have the option to use these funds for any purpose with that respects the spirit in which they were given. About quarterly, I am asked by the Province how we are spending these funds.

The Energy Plan for the Welcome Centre is something that should be done if we are going to replace our source of HVAC energy from electricity. There may be other cost savings that could be realized with the replacement of windows etc. While the study can be delayed, it should be

done with the understanding that other projects would also be delayed. This may be something better identified through the greenhouse gas reduction project through FCB that Council approved in May.

While Council has yet to prioritize and otherwise deal with the recommendations in the Strategic Plan, if any of these are to go forward there should be some funds to do this. To my knowledge, we do not have any outstanding amounts with the Commerce Group in the absence of us requesting further work from them.

The compactor truck, especially if a gently used unit at a very reasonable price, will most likely be part of the future of waste management. Especially in Temagami and Temagami North, many residents rely on this service. Waste Collection is also an area where we charge a service fee for. While Council is free to reverse their earlier approval, I will repeat that if we find a good unit at a very favourable price then I believe it would be in our future best interests to acquire it. I view this similar to the used pumper that eased some of the equipment pressure last year for the Marten River Volunteer Fire Department.

In any case, those projects funded through the Modernization and Efficiency Fund (Council Chambers and the Strategic Plan Implementation) if they do not go forwards then as we work through the Service Delivery Review and the Waste Management Master Plan, other projects may arise where these funds could be spent provided that they either allow us to become more modern or efficient in our approach. Those projects funded through reserve transfers, if they do not go forward, the funds would remain in reserves.

For the other projects, for the Cemetery, Council had previously provided the Cemetery Board approval for these capital improvements. Again, while Council could retract this approval there may have already been work completed based on this approval.

The float trailer has been included in the Public Works 'wish list' for a number of years and the use of the snowmobile for winter inspections was noted.

Presently, there is a little over \$500,000 in the reserve for a future PW building. Depending on the size and other uses that are incorporated in any future Public Works Building, it would probably cost significantly more than the \$1 million noted, and probably more than \$2 million. Again, as we work through the Service Delivery Review items such as these can be viewed.

8. Number of Council Members and Council Pay

The next Municipal Election is scheduled for 2022. Prior to the end of 2021, any change in the size and composition of Council would need to be discussed and approved according to the present legislation. The Municipal Act 2001, as amended, establishes the minimum size of a Municipal Council at 5 including the Head of Council. While this is a discussion that should happen once per Council Term, no changes approved become effective until the next Municipal Election.

As it relates to Council Remuneration, similar to Staff remuneration, if this is considered it should be with complete inputs. Our present rates are, from what I have observed, on the low side for most municipal governments.

9. Staff Duties and Complement

As has been noted earlier with Council, when the consolidation of the CAO and the Treasurer position there were also changes in other positions caused as a result of this. Staff have completed a review of what their typical day looks like with the completion of a diary over a month. Based on this information, job descriptions are being assessed to ensure they are still accurate or highlighting where adjustments may be required. We are discussing the possibility of adding professional support for this through the Service Delivery Review while remaining within the financial and operations constraints of the funding we have received for this process.

Job descriptions and perhaps altering how the different job functions are merged will inform these decisions. It is also important to remember that now that we have some stability in our staffing from a few years ago, we can approach staffing levels and duty allocation with less scrambling to just get the job done.

Summary

One of the roles of Council (Municipal Act Section 224(e)) is to ensure the financial integrity of the Municipality. While much of this is through the procurement policy and the accountability and transparency measures, including the annual financial audit, part of this responsibility is to ensure that sufficient funds are included in the budget to allow the municipality to operate. From the last Council meeting it was noted by Councillor Koistinen that there was around \$200,000 to come from reserves for operations and this is similar (although a little lower) than what was budgeted in 2018 and much lower than what was budgeted in 2017. As well, if the \$610,000 capital levy is approved, it is still a couple hundred thousand lower than our annual amortization expense. While capital assets funded through Provincial Grants are not excluded in this illustration it could be said that presently our tax levy is about \$400,000 lower than it should be to ensure the municipality can operate into the future both from a day to day and a capital perspective. Most of this difference comes from the historical operations. Many municipalities pull from reserves without putting in. Provided we stay in the area of around \$3 million in reserves then we are not totally losing control of the future. There are many municipalities that lower taxes, reduce reserves and take on borrowing and end up in a few short years actually losing control of future tax levy increases. We are a long way from that yet.

We are undertaking a Service Delivery Review, a Waste Management Master Plan, updating our asset conditions while we work on updating the Asset Management Plan for Council's consideration as well as finalizing the updated fee and service charge by-law for Council's consideration this month. All of these will work together to provide a more complete picture of the future of the municipality and the menu of services that will be offered by the Municipality and how these will be funded.

While we may never get to the point where reserves are not used to offset operating and capital planning needs, to decrease our present position significantly will increase future pressures in the absence of considerable changes in municipal operations and services.

Based on the comments received, should Council wish to absorb the increase in the DSSAB and Au Chateau levies for 2020 by eliminating the amount recommended to be transferred to the reserve for a future Public Works Building then an increase in the amount raised in taxes could be held at 2%. Actually, if the full \$100,000 was eliminated then the resulting increase would be 1.87% in the dollars raised through the tax levy for 2020.

This would further increase the divide between the capital levy and the annual amortization. It would also decrease the ability of Council to respond to items that may arise through the year like Broadband projects or capital projects not included in our planning.

Regardless of the decision, (4.4% or 2% or absorbing the DSSAB/Au Chateau increase or not) as we work through the various reviews and plans this year there needs to be some frank and honest discussion and direction.