



## 2011 Budget Overview

January 19, 2011

# Agenda

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- ▶ Background
- ▶ Putting the County's Finances in Order
- ▶ Process Improvements & Cost Effectiveness
- ▶ 2011 Budget Process
- ▶ Reserves
- ▶ Debt
- ▶ 5 year Forecast
- ▶ Draft 2011 Budget
- ▶ Next Steps
- ▶ Summary

# Background

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- ▶ The County has made the tough financial decisions to rebuild the budget, continue delivering existing services and find cost effective ways to implement needed service improvements
- ▶ The changing expectations on the County level of government
  - ▶ Downloads from upper levels of government
  - ▶ Consolidated Municipal Service Manager responsibilities
  - ▶ Evolving government role i.e. broadband
- ▶ Challenge to fulfill responsibilities while minimizing the tax levy impact

# One Taxpayer

Federal &  
Provincial Share  
of Taxes



Municipal Share of  
Taxes (Upper &  
Lower Tier)

# Impact of Downloaded Costs

Program	2010 County Share
4 Provincial Highways	\$4.0M
EMS	\$5.4M
Social Housing	\$5.0M
Ontario Disability Support Program	\$2.2M (up to \$4M per year before 2010 upload phase-in)
Children's Services	\$1.0M
POA	(\$0.7M)
Total	\$16.9M

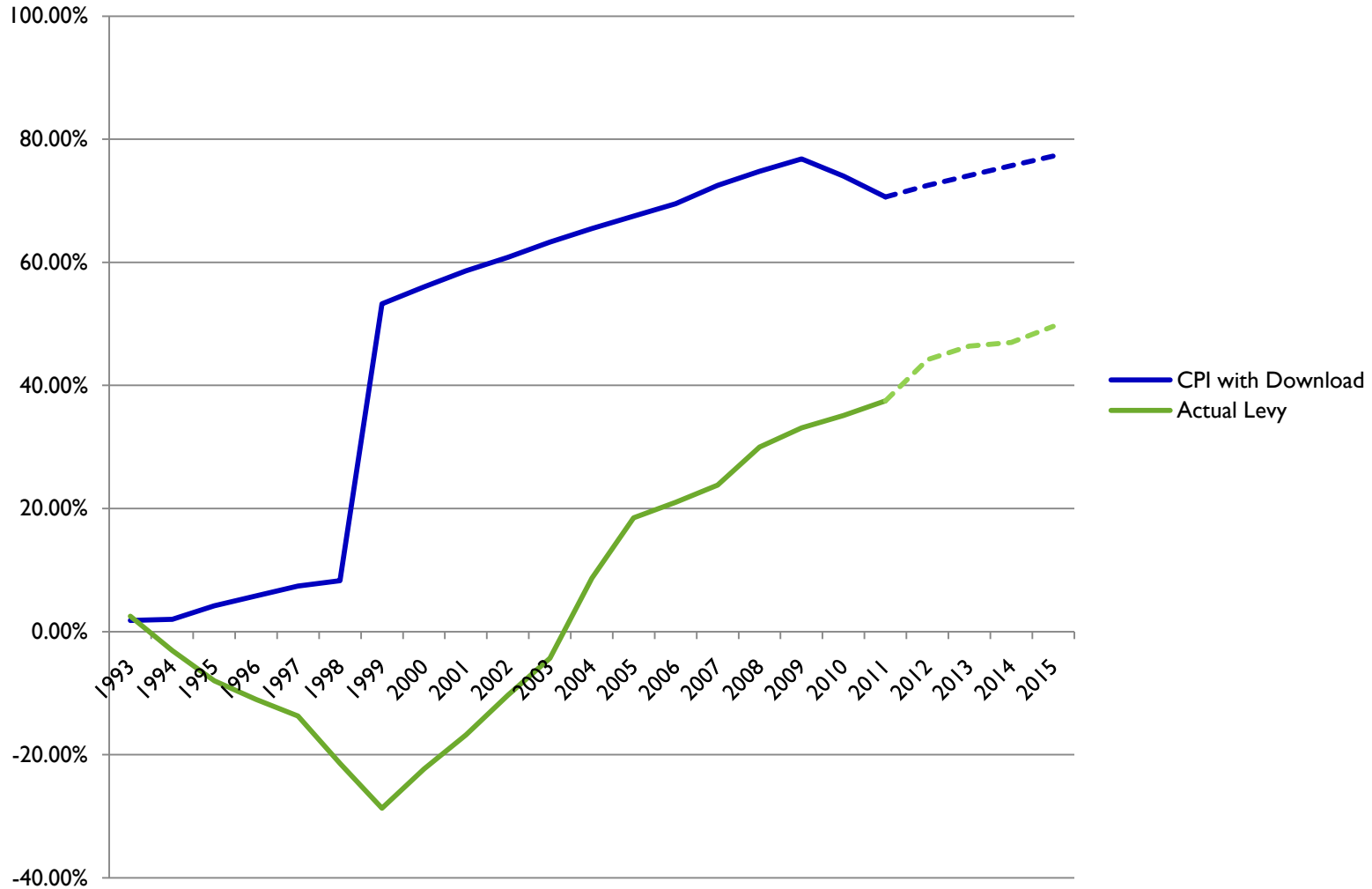
The ongoing cost of delivering downloaded programs represented over 42% of the levy in 2010.

# Are we there yet?



In 2001 the base budget for roads construction was only \$358,000, allowing the County to resurface our roads once every 250 years. The proposed budget of \$2,618,000, allows the County to resurface our roads once every 70 years. The desirable level is to resurface every 18-20 years.

# County Levy



# Tax Levy Trend

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- ▶ In the 1990's, levy decreases were funded through the depletion of County reserves
- ▶ Between 1993 and 1999, the levy was reduced almost 29%
- ▶ The Province downloaded services to the County in 1999 putting increased pressure on a shrinking budget
- ▶ Significant levy increases from 2000 through 2008 were essential to continue delivering programs
- ▶ Levy increases have slowed since 2008
- ▶ The levy still is not at a sustainable level

# CPI with Download Trend

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- ▶ When at a sustainable level, the levy should increase at a similar rate to the Consumer Price Index (CPI)
- ▶ Between 1993 and 1998, the levy should have increased by almost 7% to keep pace with inflation
- ▶ Additionally, the base levy should have increased over 40% to reflect downloaded programs

## Levy vs CPI

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- ▶ From 1993 to 1999, the levy was heading sharply in the opposite direction to the CPI eroding the County's ability to provide programs
- ▶ Between 1999 and 2008, the County saw annual levy increases exceeding inflation in an effort to gain back the ground lost in the 1990's
- ▶ The increases have slowed but the levy is still well below long term sustainable levels
- ▶ The levy is well below where it would have been if increases had matched inflation and reserves were kept as investments for long term needs

# Process Improvements & Cost Effectiveness

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- ▶ County staff are constantly searching for new ways to be more cost effective
- ▶ Resourcefulness has allowed the County to:
  - ▶ Maintain existing service levels
  - ▶ Accommodate new responsibilities
  - ▶ Introduce new strategic initiatives
- ▶ Looking to reduce costs on existing programs to create the financial room to expand services

# Process Improvements & Cost Effectiveness

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- ▶ **Household Hazardous Waste**
  - ▶ Days increased from 11 in 2002 to 60 in 2011
  - ▶ Cost reduced from \$199K in 2002 to less than \$4K in 2011
  - ▶ New materials such as electronics added
- ▶ **Accounts receivable collections**
  - ▶ Hired 1 FTE, signed agreements with 2 collection agencies
  - ▶ Collected almost \$487K in 2010

# Process Improvements & Cost Effectiveness

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- ▶ In-house painters
  - ▶ \$110K in savings annually
  - ▶ Decreased the time to place new tenants in vacant units
  - ▶ Increased occupancy rates at GPL with rooms available within 48 hours of becoming vacant
- ▶ MRF processing equipment
  - ▶ Replaced the fibre line
  - ▶ Reduced staffing costs
  - ▶ Increased processing rates = higher sales & less landfill space

# Process Improvements & Cost Effectiveness

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- ▶ Pavement preservation
  - ▶ Extend life of pavement
  - ▶ Cost avoidance
- ▶ Purchasing agreements
  - ▶ Waste collection - \$725K annually
  - ▶ Photocopier lease - \$80K annually
  - ▶ Cell phone rates - \$50% annually
- ▶ Joint purchasing
  - ▶ Culverts, roadside safety devices, traffic signal maintenance
  - ▶ Benefiting from increased buying power

# 2011 Budget Process

- ▶ No budget target set by Council due to transition
- ▶ Senior mgmt provided a 2.4% preliminary target for 2011

	September	October	November	December	January	February	March	April
Long Term Capital Plan Update								
Issue Paper Review - Outgoing Council								
2011 Operating Plan								
Prepared Departmental Budget Book / Business Cases								
Departmental Budget Review with Department Coordinators								
Draft Budget Overview to Council								
Departmental Review with Council								
Budget Finalized								
Budget Approval								
Budget Upload to Financial System								

## 5-Year Forecast

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- ▶ County staff have put a strong focus on future needs in developing the 2011 draft budget
- ▶ Key considerations include:
  - ▶ Planning for long term new and replacement capital projects
  - ▶ Developing funding strategies for infrastructure needs
  - ▶ Smoothing the levy impact from year to year
- ▶ Operating departments have developed 5-10 year capital plans and preliminary 5 year operating plans which have been included in the draft budget

# 5-Year Forecast

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Forecast Year	Preliminary Levy Impact	Target to be set by Council
2011	2.39%	TBD
2012	6.70%	TBD
2013	2.58%	TBD
2014	0.62%	TBD
2015	2.91%	TBD

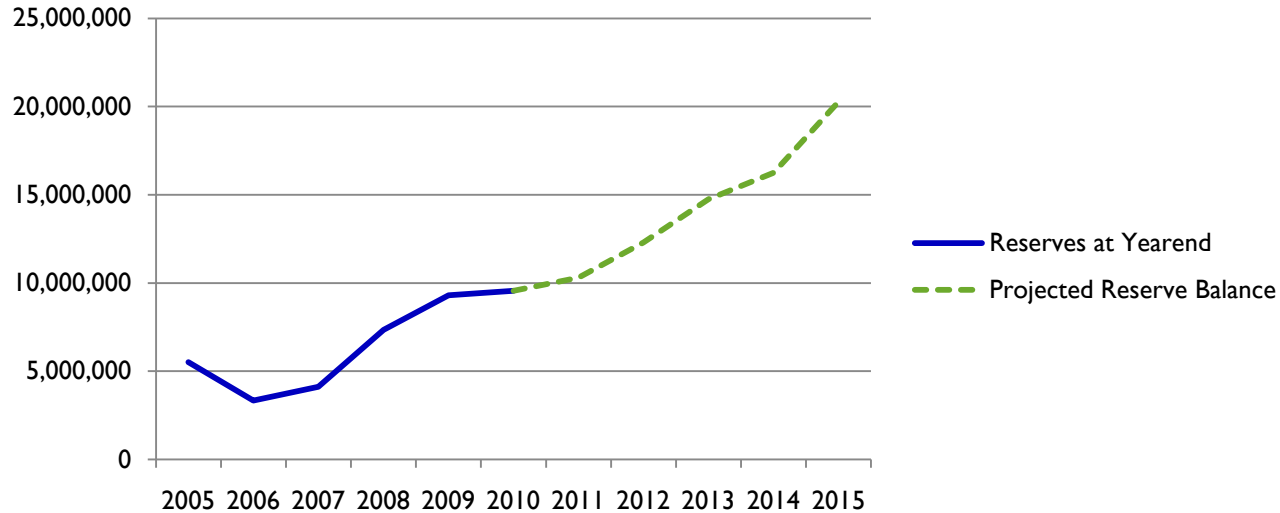
- ▶ Staff are reviewing the capital and needs for each year to identify opportunities to reduce the 2012 impact and defer some costs to 2013 – 2015

# Forecast Analysis

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- ▶ The longer term forecast should adequately fund existing programs as well as consider large projects
- ▶ Key capital needs identified for the medium to long term in addition to current capital programs:
  - ▶ Landfill capacity
  - ▶ Golden Plough Lodge rebuild
  - ▶ Bridge repair & reconstruction (i.e. Campbellford)
  - ▶ Social Housing capital repairs & maintenance
  - ▶ Sustainable road construction budget
  - ▶ EMS base replacement
  - ▶ MRF equipment replacement

# Reserve Trend 2005 - 2015



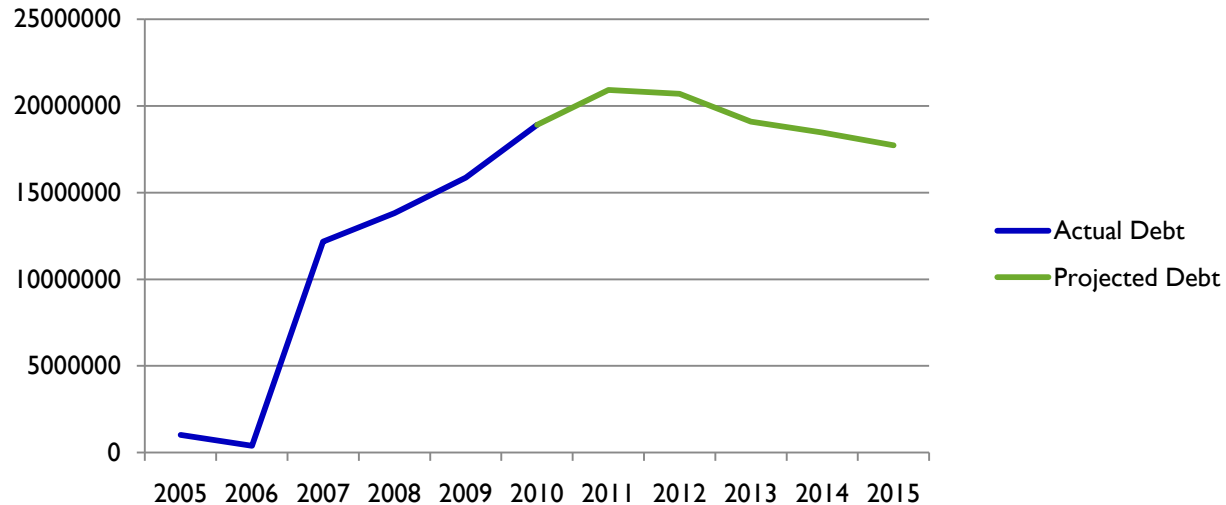
- ▶ In 2008, County reserve balance was approximately \$400 per household less than the Provincial average
- ▶ The County needs to increase the reserve balance by more than \$14M just to meet the Provincial average
- ▶ Total cumulative reserves will only be about 20% of the draft 2011 budget
- ▶ Within the term of this Council, a long term reserve target should be established

# Reserves

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- ▶ ODSP cost upload has allowed an increase to reserve contributions
- ▶ Social Housing reserve contributions are increased annually but continue to fall behind the expected cost to maintain current housing stock
- ▶ Waste have increased reserve contributions but are being depleted to fund capital projects and equipment replacement needs
- ▶ Begun contributing to GPL rebuild reserve
- ▶ WSIB reserve adequately funded

# Debt



- ▶ The County is well below the Annual Repayment Limit (ARL)
- ▶ One additional debenture proposed for 2011 budget – Eagleson landfill remediation
- ▶ In the absence of significant reserves, additional debt will be required to fund future capital projects



# Draft 2011 Budget

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- ▶ Proposed levy increase of 2.39% to \$41,767,217
- ▶ Maintains existing programs and funds immediate capital needs
- ▶ Makes modest provisions for future capital needs through reserve contributions
- ▶ Requires only new debt for only one capital project

# Draft 2011 Budget – Highlights

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- ▶ ODSP upload frees up almost \$2.2M in levy dollars
  - ▶ 800K will increase Waste reserves however, these will be spent on capital purchases such as MRF and landfill equipment replacement.
  - ▶ \$500K will increase the Roads budget which has been underfunded since the 1990's.
  - ▶ \$233K will increase Social Housing reserves primarily for future capital repairs.
  - ▶ \$217K will increase the EMS reserve for future base replacements.
  - ▶ \$150K will increase the Facilities reserve for capital projects on County buildings
  - ▶ \$142K will increase the GPL reserve for the future rebuild project.
- ▶ Employer contributions will increase by \$170K in 2011. Due to the economic downturn, OMERS investments underperformed in recent years.

# Draft 2011 Budget - Highlights

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- ▶ The waste collection contract was re-tendered in 2010 and an annual savings of \$725K will be realized starting in 2011.
- ▶ Several significant capital projects are included in the 2011 draft budget some initiatives were deferred in order to minimize the levy impact in the current year.
- ▶ Capital projects included in the draft budget are:
  - ▶ Eagleson landfill remediation
  - ▶ Roads & bridges capital program
  - ▶ Replacement of windows at 860 William St.
  - ▶ MRF baler replacement
  - ▶ Replacement of 3 ambulances
  - ▶ Equipment replacement such as: snowplow, bulldozer, backhoe, hoist, roll-off bins, etc.
  - ▶ Records management file system

# Draft 2011 Budget (Cash)

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## Draft Cash Budget Summary

Operating expenses	\$73.4M
Capital	\$11.6M
Debt Principal Repayment	\$1.2M
Change in Reserves	<u>\$0.5M</u>
	\$86.7M
Revenues (non-levy)	\$42.0M
Debt Financing	<u>\$3.0M</u>
Levy	\$41.7M

# Draft 2011 Budget (PSAB)

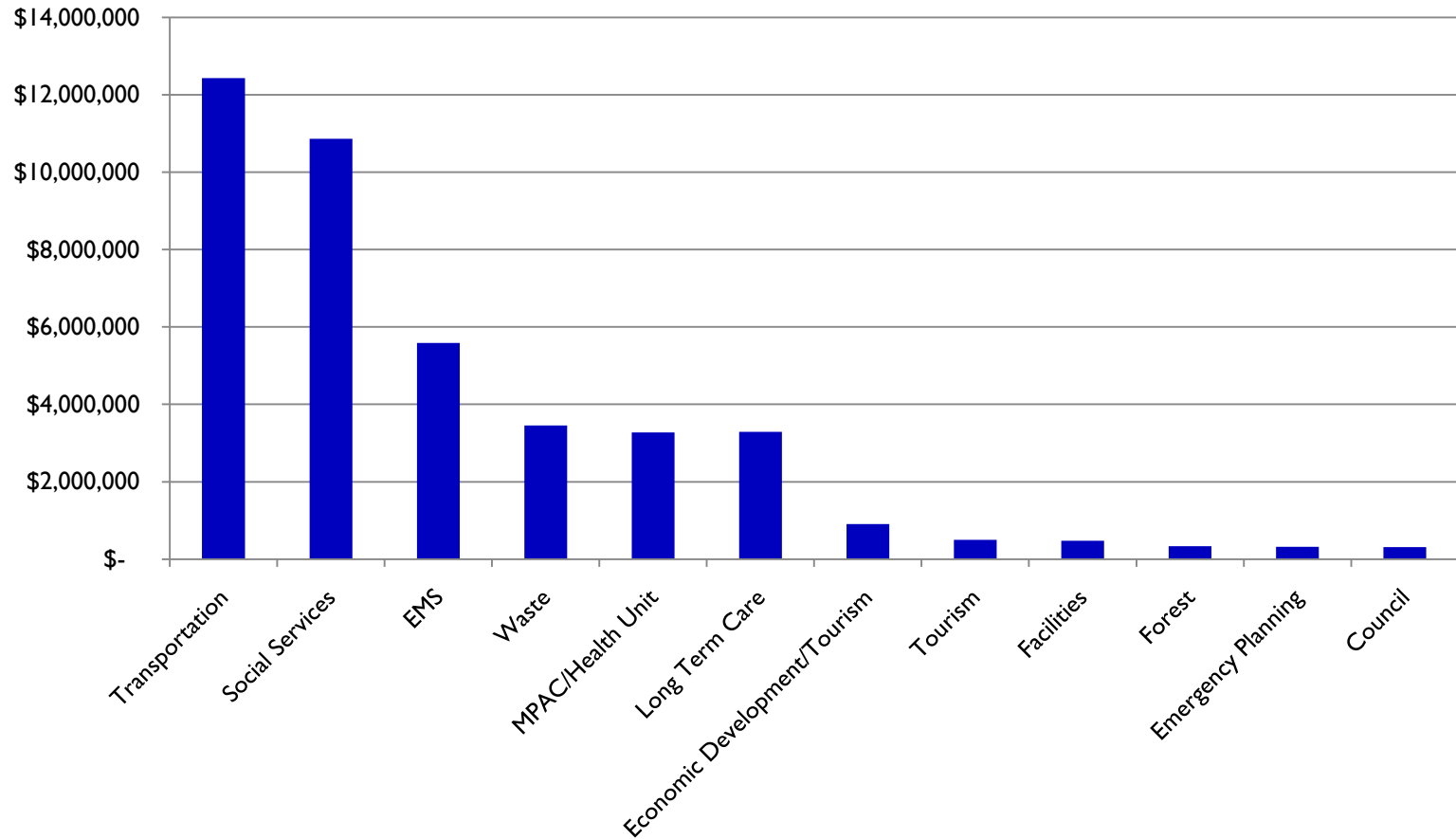
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## Draft Accrual Budget Summary

Cash based budget	\$86.7M
Less:	
Debt Principal Repayment	\$1.2M
Capital Purchases	\$11.6M
Debenture Financing	\$3.3M
Add:	
Amortization	\$7.5M
Future Employee Benefits	\$0.2M
Landfill Post-Closure Liability	<u>\$0.2M</u>
Accrual based budget	\$78.5M

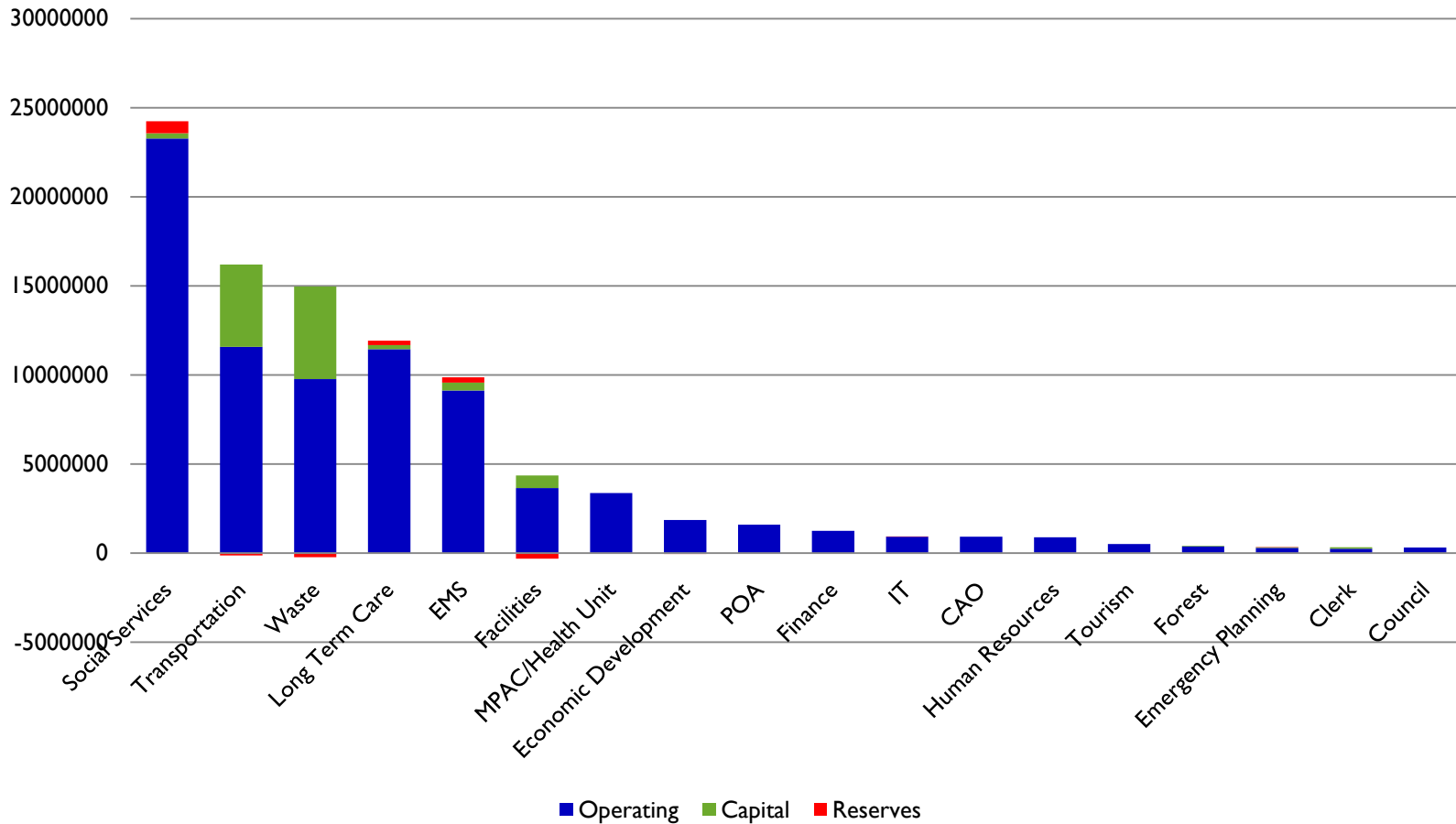
# Draft 2011 Budget

Draft Budget by Department - Levy



# Draft 2011 Budget

Draft Budget by Department – Operating, Capital & Reserves



# Next Steps

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- ▶ Department Coordinator meetings scheduled for the 1<sup>st</sup> week of February to review & finalize budget proposals
- ▶ February 16<sup>th</sup> Council meeting (full day)
  - ▶ Each department will present draft budget
  - ▶ Council discussion & direction
- ▶ Department Coordinator meetings scheduled for 1<sup>st</sup> week of March to review & discuss supplemental budget investigations
- ▶ March 23<sup>rd</sup> Council meeting
  - ▶ Final budget approval

# Pre-Budget Tendering

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- ▶ In order to take advantage of pricing opportunities and ensure timely delivery of goods & services, tenders/RFPs may be advertised for the following:
  - ▶ Asphalt cement contract
  - ▶ 860 William St. window replacement
  - ▶ Snowplow replacement
  - ▶ Ambulance replacement
  - ▶ Factory order trucks
  - ▶ Operating contracts (i.e. landscaping, janitorial services)
- ▶ All tenders will be brought to Council prior to being awarded per the purchasing by-law

# Summary

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- ▶ 2011 draft budget proposes a 2.39% increase to the levy
- ▶ Draft budget balances long term capital & operational requirements with a levy increase that respects challenging economic times
- ▶ The budget forecast for 2012-2015 identifies budgetary pressures that will drive future increases to be a minimum of 3% annually
- ▶ Many of the aging County assets will require significant repair work or replacement over the next decade and beyond
- ▶ The County will need to continue to work toward a sustainable level of funding
- ▶ Staff will need the support of Council to continue to explore and implement new and creative strategies to achieve sustainable funding