

Municipality of Temagami 2019 Budget Commentary

There have been a few changes since our first look at the budget. As well, Council's comments regarding proposed capital projects have been included in this latest edition of the 2019 Municipal Budget. Presently, the budget is in a balanced state meaning that, if approved, we would be raising funds sufficient to cover expenditures.

Debt

This budget is not expected to increase the debt of the Municipality. At the end of 2018, the Municipality had a total debt of \$640,776 summarized as \$80,303 remaining on a loan for grinder pumps, \$239,755 remaining on a loan for the purchase of a tandem truck, and \$320,718 remaining on a loan for the purchase of a grader. In 2018, our costs to service this debt (both principal and interest) was \$143,709. This can be compared to our annual repayment limit estimated to be \$1,197,409 for the same period.

Municipalities do not necessarily have a credit limit the same as a business would. Rather, based on the interest rate and length of the loan, municipalities can borrow provided they remain within the annual repayment limit. Any updates to our debt acquisition policies will be made as we work through the update to the Asset Management Plan.

Reserves

As reported earlier, our total reserves at the end of 2018 equalled \$3,324,654. This budget, if approved would reduce this by \$222,712 which would leave us with reserves of \$3,101,942. The amounts to be transferred to and from reserves, and the particular reserve they apply to, are illustrated on the Continuity of Reserves. As well, there is a slight reallocation recommended with reserve accounts. It should be pointed out that all the reserves we presently have are classified as 'discretionary reserves' meaning that Council can reallocate reserves based on perceived need. Care should be exercised when moving reserves from an area where user charges have raised the funds to those supported through the tax rates.

This budget also would start the process of setting monies aside for future capital expenditures in the water, wastewater, and grinder pump areas. The amount of this reserve transfer is presently estimated at 15% over the cost of the service although Council does have options available to them.

A question that is often asked is, "What should our reserve be?" Apart from the Reserve for Working Capital which should be equal to 10% of the municipal levy, there are not hard rules. The answer to this question as it pertains to the Municipality of Temagami may become a little clearer during 2019 as we work through the update to the Asset Management Plan through the AMP 2.0 program. Having a projected reserve balance of over \$3 million does provide some flexibility during the year should some needs arise that are not included in this budget. While these would need to be considered carefully, it would be possible for Council to consider needs not known at this time and, if necessary, fund these through reserve transfers approved by Council resolution. An example of this could be repairs recommended at the Arena related to damage caused by ice coming off the roof. At present we do not have an estimate of what these repairs might be.

The particulars of the recommended reserve transfers will be discussed in the appropriate areas throughout this commentary.

Capital

Council had established a budget guideline of \$600,000 for capital expenditure funded through taxation. Also included in this are amounts that have been set aside in reserve for future capital expenditures. While the total shows that the budget expects to be \$12,000 over this guideline, this is due to a reserve transfer being proposed that comes from rent from the Ambulance building. The rental amount increased in 2019 with the increased to be used for building improvements.

Council also provided comments on proposed 2019 capital projects. The majority of these have been considered and capital projects adjusted. There are a few areas where this was not possible. The hoses for the Temagami Fire Department and the Dump Wagon were items that were part of the approvals in 2018 and only show here as the items ordered were not received until 2019. They have now been received and are intended to be funded by transferring funds from reserves. (portion of 2018 surplus) There was a suggestion to remove the loader which is not possible as this piece of equipment was purchased earlier this year. While the amount being estimated for the 'lean to' at the Arena, this project remained on the list as without it winter rentals of the Community Centre may be jeopardized as this project is to ensure an emergency exit remains usable. The other item that was not removed as suggested was \$12,000 for the Tower. From a safety perspective, it is recommended that the work on the stairs and metal fatigue testing that was planned proceed. This is the main attraction we can offer to boost tourism and this work is vital to our continued enjoyment of the Tower.

Presently, all of the Modernization Fund monies received from the Province are planned to be spent in capital items. While presently, there is \$60,000 earmarked for conversion of our streetlights to LED, should this project not proceed the funds could be spent elsewhere. Our understanding is that these funds can be spent as we see fit provided the purpose of the expenditure is to increase efficiencies and hopefully lower future costs.

Other Provincial and Federal grants being used for capital projects are the OCIF Formula grant of \$53,867 being used for gravel resurfacing, the Federal Gas Tax of \$107,020 being used in the water and wastewater area, remaining CWWF funds (total \$23,919) in the water and waste water area, \$20,000 from FEDNOR for the road at the Industrial Park, and Mainstreet Funds of \$38,555. The use of the Mainstreet Funds is projected to cover upgrades to benches and garbage cans, signs and lighting.

Changes that were made were removing the Shredder (Administration), upgrades to Council Chambers (Administration), purchase of the Pumper Truck for Marten River Fire, completion of Spruce Drive Construction, the Float Trailer, ¾ Ton Truck, the Garbage Truck, the map printer and most of the items in the recreation/community centre area.

With the removal of the Pumper for Marten River from the 2019 projects, the reserve allocation was increased to \$50,000. This brings the total reserve for Marten River Fire to \$207,000 which is summarized as \$47,000 for accessible washrooms and the remaining \$160,000 for the future purchase of the pumper.

Other funds to be set aside in reserves include the annual allotment for future Temagami Fire Capital, Town Road Improvements, Lake Temagami Access Road Improvements, the Arena and the Public Works Building in addition to the reserve for the Ambulance Building noted above.

Operations

When we consider the functional classification of expenditures, there are two areas where the operations are considerably different than other areas of the Municipality. These are Social Services and Health Services.

Social Services

Included in this are two transfers; one to the Nipissing District Social Services Administration Board (NDSSAB) of \$827,216 and the second is our contribution to Au Chateau in support of Homes for the Aged in the amount of \$300,240. Combined, this area has increased by \$49,734 or 4.44% over 2018.

Health Services

We also operate the Temagami Ambulance Service although it is managed through an agreement with the North Bay Regional Hospital. Also, the budget for this service is approved by the NDSSAB and we do receive funding for this. In 2019, the total budgeted expense, and offsetting grant for the Temagami Ambulance Service is \$668,100. Of this, \$614,500 (91.98%) is the approved budget for wages and benefits.

The other activities reported in the Health Services are Cemetery Board Operations of \$10,937 and contributions to the Health Unit estimated at \$38,000. While Provincial Contributions to public health has been in the news as of late, presently we have received no word if this estimate is subject to change. In order to ensure we can levy taxes in a timely fashion the prudent course of action would be to process with the earlier estimate and any increase would be part of the 2020 levy.

Other Areas

If we remove Social Services and Health Services from the remainder of the operating budget, the total spent in other areas of responsibilities is \$4,240,465. Of this, \$1,481,079 (34.93%) is the estimate for Honorariums, Wages and Benefits. The budget supports the following full-time equivalents (FTE):

| Function | Full Time | Part Time | Total | 2018 |
|------------------------|-----------|-----------|-------|------|
| Administration | 4.0 | 1.5 | 5.5 | 6.5 |
| Building Inspection | 1.0 | - | 1.0 | 1.0 |
| Roads | 7.5 | - | 7.5 | 7.5 |
| Recreation | 0.5 | - | 0.5 | 1.0 |
| Library | 1.0 | 0.5 | 1.5 | 1.5 |
| Planning & Development | 2.0 | 1.0 | 3.0 | 3.0 |
| Students | - | 1.3 | 1.3 | 1.3 |
| Total | 16.0 | 4.3 | 20.3 | 21.8 |

In addition to the above position, seven (7) Members of Council and a compliment of twenty (20) Volunteers in each of Marten River Fire Department and the Temagami Fire Department have been included in the wage estimates for the year. Also included in the wage estimates is an overtime allowance of 10%. At times, overtime is a necessary part of our operations. Department Managers are responsible for scheduling work, including overtime, in such a fashion as to minimize the need for overtime and to

recommend a different course of action should it become apparent that the workload has grown to the point where hiring an addition position (full or part time) would be best given the circumstances.

Other expenditure types are summarized by service and itemized by sub-function. Contracted Services for Water, Wastewater, MPAC Services and Insurance account for a little over \$550,000 in these costs. As well, care has been taken to ensure estimates have been included for Integrity Commissioner Services although there are no available comparable figures. As noted in our first look at the budget, an estimate of \$50,000 for this and legal services has been included in Council's area as well as \$17,500 (\$2,500 per Member of Council) to seek individual advise from the Integrity Commissioner. The individual departments can be reviewed and questions answered during the meeting.

Non-Tax and Non-Grant Revenue

There are three categories of revenues that fall into this classification; Other Revenue, Investment Income and User Charges. Other Revenue represents donations for activities like Shiverfest and Canada Day as well as proceeds from the sale of land and our microfit installation. As the year unfolds, items such as insurance proceeds would also be reported in this area.

The Municipality receives investment income from two main sources being investment income (including interest on bank accounts) from the bank (\$36,000) and penalty and interest on taxes receivable (\$80,000).

The User Charges, totalling \$934,788 consist of fee for services for water, wastewater, grinder pumps, and waste collection totalling \$702,788 or 75.18% of the total. Other areas can be reviewed at the meeting.

Federal and Provincial Grants

For the most part, these grants support capital projects. In the Provincial Grant area, other than the Grant for Ambulance Services, operationally we are expecting funding through the OMPF of \$865,300, through the Northern Ontario Heritage Fund to support our Tourism Intern of \$31,500 as well as smaller grants in other areas of the municipality.

Taxation

When all of the proposed expenditure, revenue and reserve activity is considered, the remaining \$3,907,461 is estimated to come from Taxation. As noted during our initial review of the budget, the taxes raised through assessment has been estimated to increase 2.5%. With the updated ratios, the Residential rate required to support this tax levy is 0.811923%. We have also received the updated education tax rates which, for the residential tax class is 0.161%. Both of these are lower than the 2018 rates as our weighted assessment base has increased by 5.7%. When considered in total, for properties where there has been no change in assessment, the total tax bill is actually lower by 2.5%. For those properties that experienced an increase in assessment, the tax levy would increase slightly lower than the percentage increase in their assessment.

When the special area charges (noted in user fees) are considered, with the present notion to have a 15% premium for a capital levy, the rates increase by about 21% in total. For simple cost recovery, the total increase would be just over 5%. As noted earlier, Council should start building up funds for future capital projects in areas supported through user charges. While 15% has been used as an estimate, Council can determine a different premium level.