



Municipality of Chatham-Kent 2016 Draft Budget Presentation

Budget Committee Information Meeting
January 12, 2016

1



Agenda Item

- Opening remarks
 - Budget chair, Cllr Derek Robertson
 - CAO, Don Shropshire
- Proposed agenda

2



Budget Highlights

- In June, Council supported a budget direction of 2% on the operating budget and an additional 1% on the infrastructure to meet our Asset Management Plan.
- Administration is presenting a budget of 1.96% target on operations along with recommendations of 1% increase in the annual funding for infrastructure.
- In order to meet the 2% target, service reductions of \$900,000 or .62% need to be considered.
- There are also three items for Council's consideration related to ongoing risks to the Corporation, which will be presented to Council.

3



CK COUNCIL DIRECTIONS 2014-2018

<p>JOBS</p>  <p>Everyone in Chatham-Kent who wants to work is able to work in meaningful employment</p>	<p>PEOPLE</p>  <p>Chatham-Kent is a welcoming community where people choose to live, learn, work, and play</p>	<p>HEALTH</p>  <p>Chatham-Kent is a healthy, active, safe, accessible community within a healthy natural and built environment</p>
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CRITICAL SUCCESS FACTOR
FINANCIAL SUSTAINABILITY
 The Corporation of the Municipality of Chatham-Kent is financially sustainable



Originally received by Council November 17, 2014

 Chatham-Kent
Celebrating Growth. Share to Share.



Community Factors

Challenges

Low Assessment Growth

Declining Population/Density

Significant Infrastructure Assets

Proactive Actions

Investing in Economic Development

Resident Attraction and Retention Strategy

Asset Management Plan and Financing Plan

5



Long-term Financing and Budgeting Strategy

- In October we brought forward the Long-Term Financial Strategy, the following are important principles we should follow:
 - Municipal Act requires an annual balanced budget
 - Debt can not be used to balance the operating budget
 - Ongoing operations should be funded from ongoing revenues
 - One-time costs should be funded with one-time revenues

6



Previous Council Decisions affecting 2016 and Future Budgets

	Year of <u>Impact</u>	<u>Amount</u>	2016 <u>Cumulative</u>	2016 tax <u>impact</u>
2014 Use of reserve to fund ongoing costs (\$800,000)	2016	400,000	400,000	
2015 One time revenues funding ongoing costs	2016	418,774	818,774	
2015 Non specific related cut to staffing/consultants	2016	300,000	1,118,774	0.81%
2015 Use of Utility Reserve (2015-2017)	2017	300,000		
2015 Shortfall of Utility Based Budget	2017	150,000		
2015 Use of Community Investment Reserve (2015-2019)	2019	240,000		
2015 Reduction to Human Resource Strategy	tbd	400,000		
2013 Reduction to Winter Control Budget	tbd	500,000		
2015 CK Reduction to recommended lifecycle phase-in	tbd	500,000		
Total amount that should be recaptured		3,208,774		

7



For 2016 budget Administration was tasked with :

- Meeting a budget target of 2% for operational needs
- Addressing the 0.81% previous Council decisions carried into budget
- This led to a service reduction list as opposed to annual planned service reviews.

8



Major Components of Variability in Tax Budget Process

- Council's challenge is to balance the levels of service in the Community against assessment growth and an increase in revenues.
 - 1) New Tax Assessment
 - 2) Level of Services
 - 3) Revenues/Taxes/User Fees

9



Budget Team presents the details within the
2016 Budget

10



Proposed Agenda

- Background information
- Tax information
- 2016 budget recommendations and service reductions
- Infrastructure
- Overview of reserves
- Ongoing processes that create the budget
- Other budget information and next steps
- Break
- Discussion on draft budget presentation
- Deputations

11



Agenda Item

- Background information

12



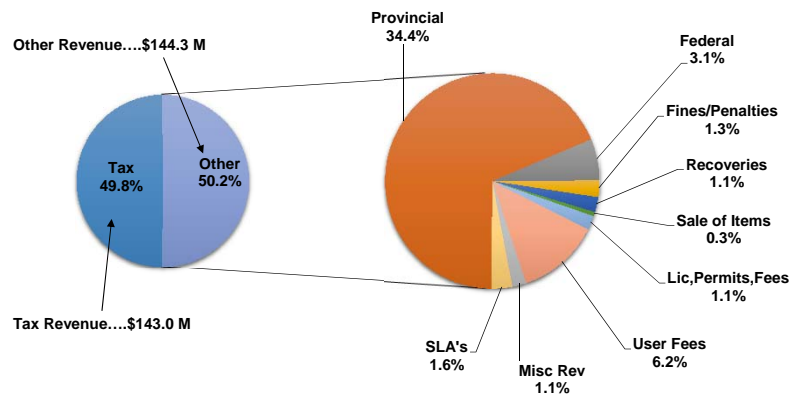
Chatham-Kent's Customers

– Municipal tax based:		Rate based:	
– Households	47,850	• Hydro customers	32,705
– Businesses:		• Water customers	37,200
• Commercial	2,594	• Sewer customers	29,415
• Shopping	15		
• Large office	8		
• Industrial	666*		
• Large industrial	15		

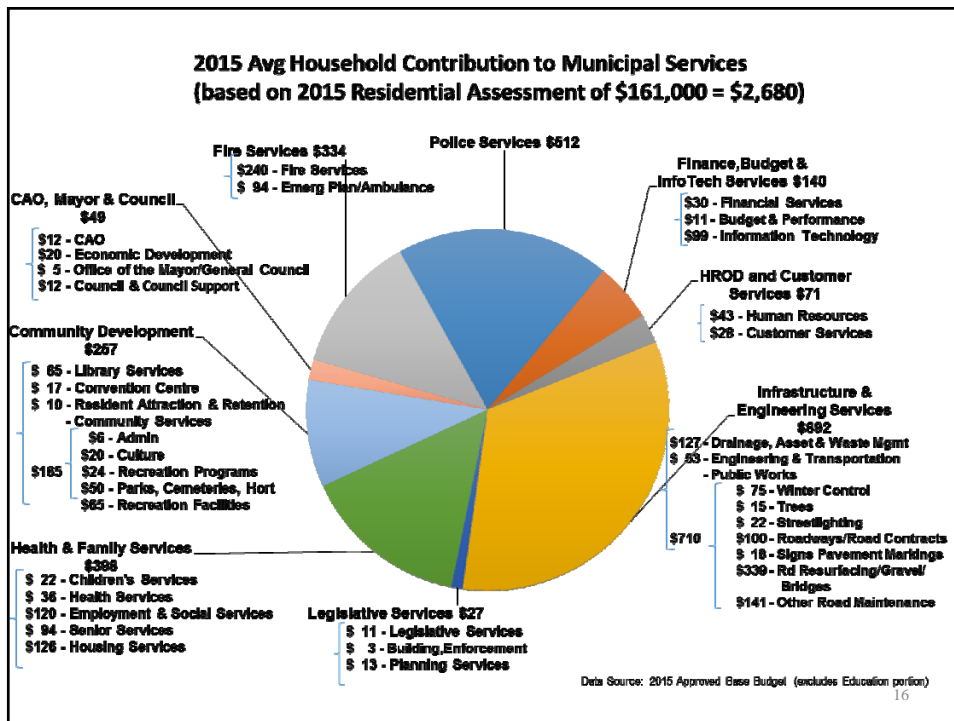
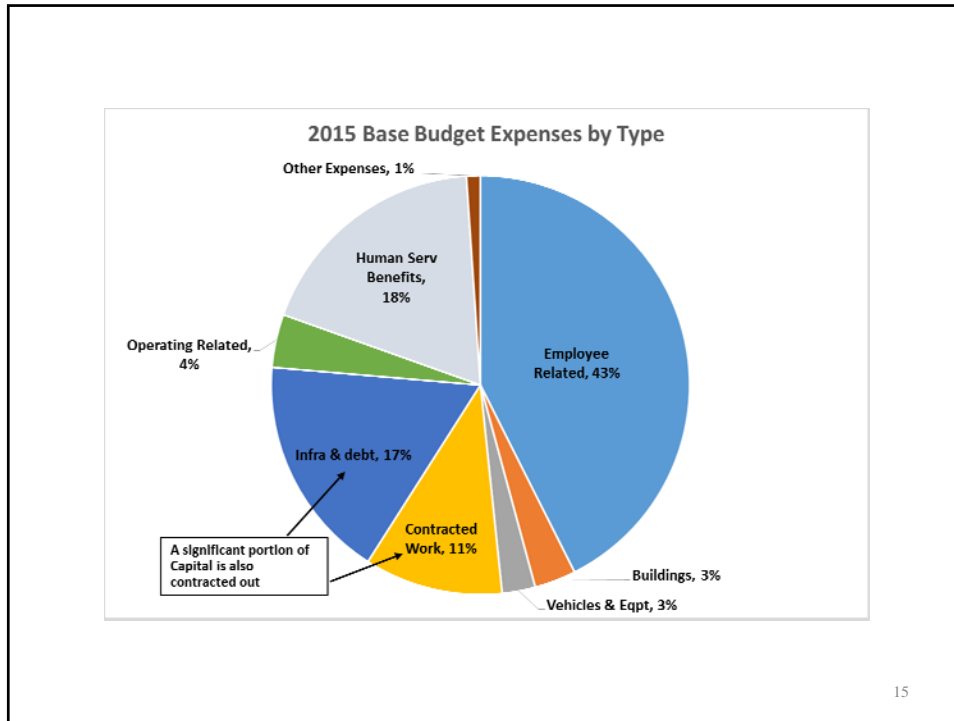
* Industrial includes wind turbines

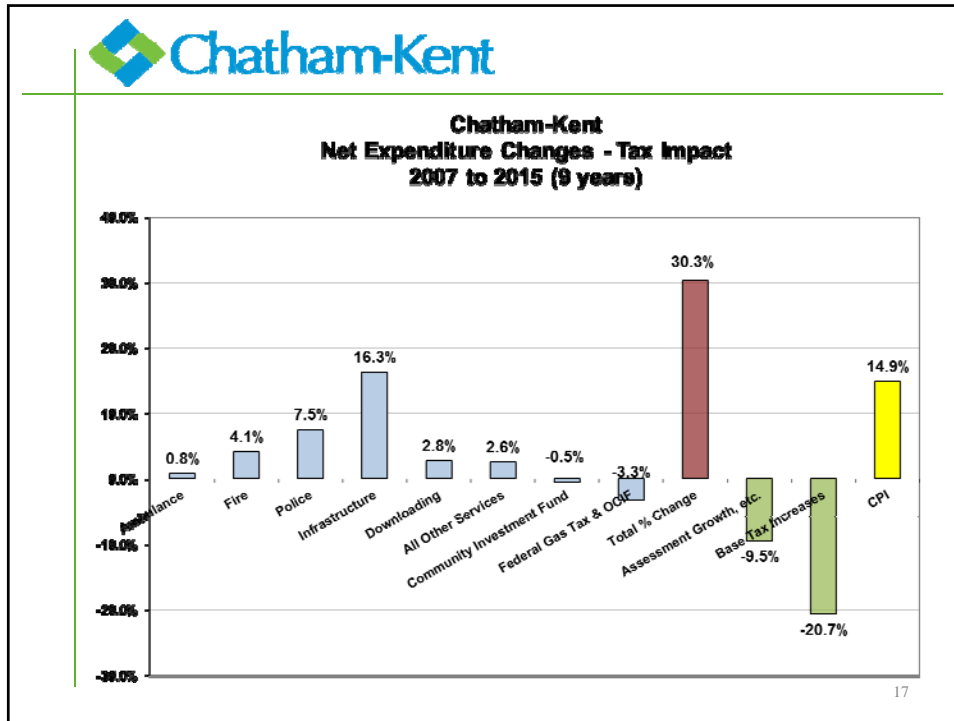
Service level agreements are in place for the cost of services provided for rate based services

2015 Revenue Breakdown Total \$287,300,000



Data Source: 2015 Approved Base Budget





	Tax Revenue	Tax Rate
9 year increase*	30.3%	20.7%
Less new services:		
Net infrastructure investment	13.0%	13.0%
Net downloading	2.8%	2.8%
Change for existing services	14.5%	4.9%
CPI during same period		14.9%

*Difference of 9.5% is from assessment growth



Overview of Debt

Debt Outstanding at December 31, 2015						
PUC		Municipality		Total		
Rates	Locals	Taxes	Locals	PUC	Municipality	Total
58,000,000	0	22,000,000	26,000,000	58,000,000	48,000,000	106,000,000

- Rates and taxes:
 - debt being funded by those revenue streams
- Locals:
 - debt being funded by local improvements or senior government grants

19



CK Balance Sheet at December 31, 2014 (Audited)

Assets (excluding capital):	
Financial	231,400,000
Inventory	500,000
Prepaid expenses	1,600,000
	233,500,000
Capital assets at historical cost, net of depreciation	818,600,000
Total assets	1,052,100,000
Liabilities	209,700,000
Accumulated surplus	842,400,000
Total liabilities and equity	1,052,100,000

- Hypothetical question ... how do we meet our commitments if we “cease operations”?
 - Use \$233M of liquid assets to pay off \$210M of liabilities
 - Surplus of \$23M
 - Net Asset Position:
 - This places us in a solid financial position to ensure funding is available for ongoing operations and unfunded liabilities

20



What's the Bottom Line re CK's Financial Position?

- Balance sheet:
 - will remain healthy as long as we fully fund our operating decisions
- CK's challenge:
 - sustained pressure on operating requirements:
 - infrastructure funding ... significantly less than our requirements
 - Provincial regulations and requirements
 - Recent announcements on Health and Family Services reductions on levels of funding
 - declining non residential tax base:
 - historically plant closures; recently assessment appeals
 - arbitration awards in Emergency Services
 - CK's unemployment rate (improving since 2009)
 - median household income in CK

21



Agenda Item

- Tax information
 - Background information
 - Comparison to other communities
 - Analysis by community within CK
 - Budget vs tax policy
 - Other tax issues

22



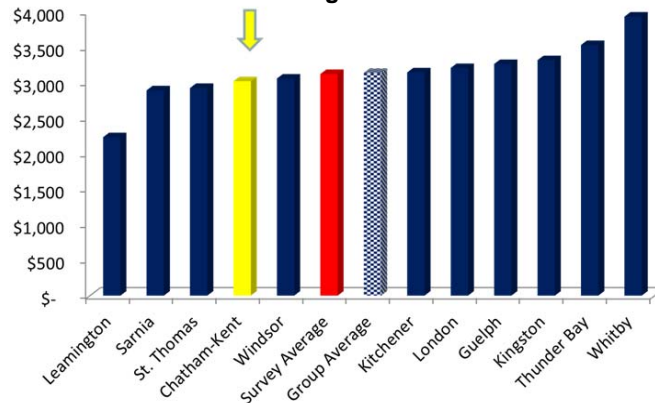
2015 Average Residential Tax

Average assessment	\$ <u>161,000</u>
Municipal taxes	\$2,680
School Board taxes	<u>315</u>
Total taxes	\$ <u>2,995</u>

BMA Study completed every 4 years, 2015 total taxes \$3,020

23

Detached Bungalow

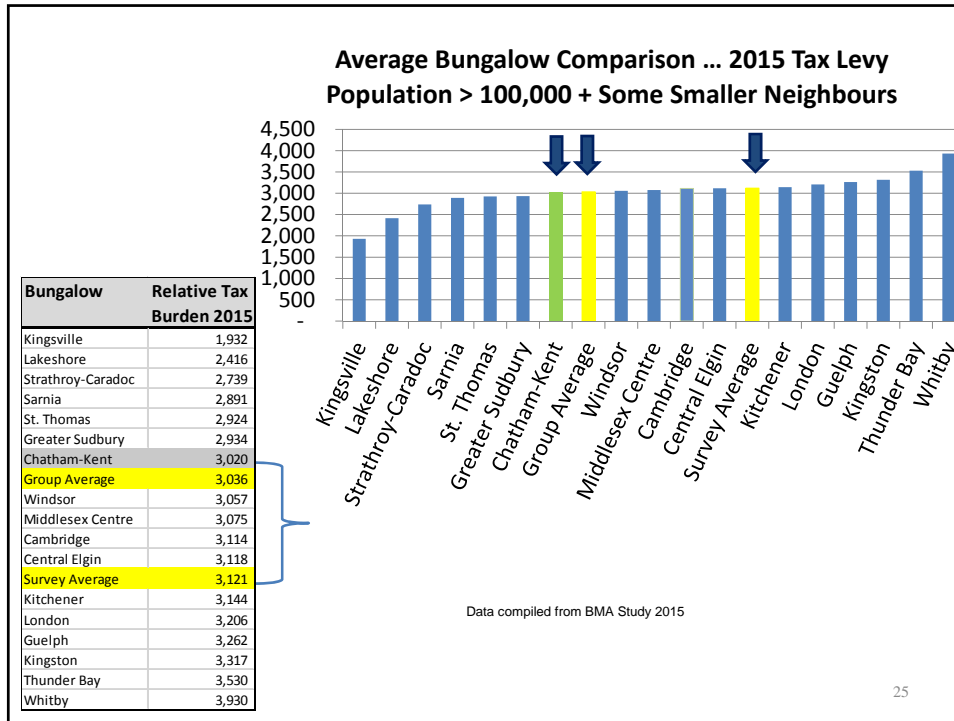


Bungalow	Relative Tax Burden 2015
Leamington	2,231
Sarnia	2,891
St. Thomas	2,924
Chatham-Kent	3,020
Windsor	3,057
Cambridge	3,114
Survey Average	3,121
Group Average	3,136
Kitchener	3,144
London	3,206
Guelph	3,262
Kingston	3,317
Thunder Bay	3,530
Whitby	3,930

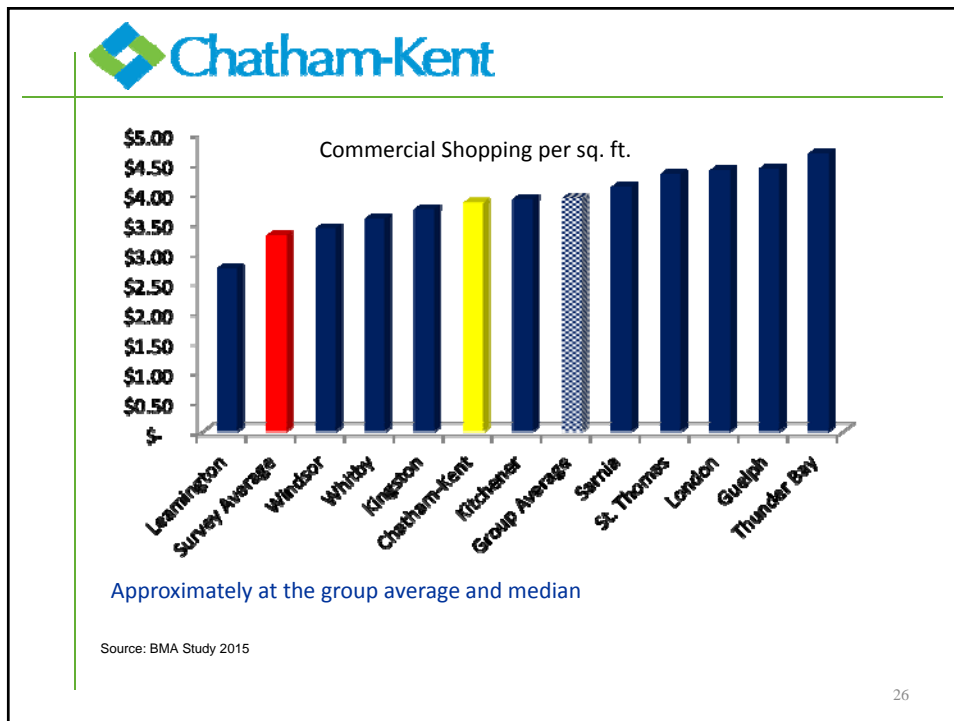
Below the survey and group average

Source: BMA Study 2015

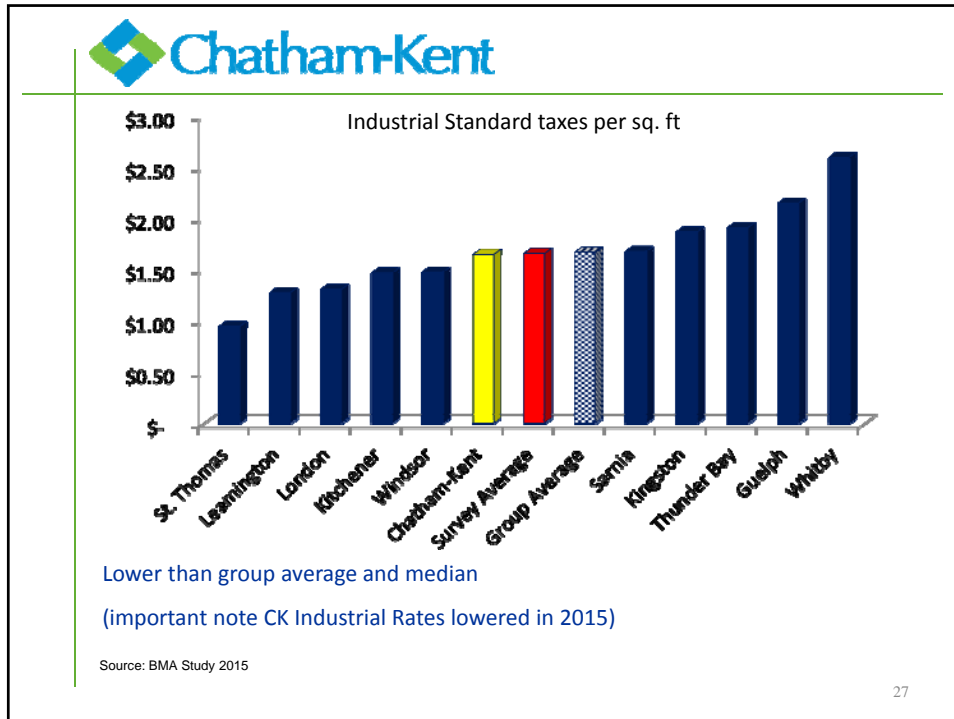
24



25



26



27

CK's Geography Presents Service Challenges

- Roadways:
 - 3,259 lane km paved
 - 3,264 lane km gravel
- Bridges:
 - 830 with 3m or greater span
 - CK has 0.8% of Ontario's population but 5% of the bridges
- Population density (per sq km): (BMA 2015)
 - CK ... 42
 - Windsor ... 1443
 - Sarnia ... 455
 - London ... 920
 - Kingston ... 292
- 4,800 km of drains (20% of Ontario drains)
- 6 municipal centres
- 11 public works garages
- 19 fire stations
- 6 ambulance stations
- 11 library branches
- 6 municipally owned and operating cemeteries; 28 inactive; 27 abandoned
- 10 arenas
- 13 aquatic facilities
- 90+ sports fields
- 173 total buildings
- Etc.

28



A Few Examples of Differences Between CK & Windsor

	<u>CK</u>	<u>Windsor</u>
2015 tax levy on average bungalow	\$ 3,020	\$ 3,057
1% of taxes	\$1,380,000	\$3,210,000
Population	103,000	212,000
Population Density (per sq. km)	42	1,443
Size of Municipality (sq. km)	2,458	147
Examples of infrastructure differences:		
km's of roads	3,471	1,076
Number of bridges	830	84
% of weighted residential assessment	67%	64%
Change in 2016 OMPF grant	-\$369,500	+\$2,300,000
2016 assessment growth	\$1,000,000	\$1,200,000



Local Numbers

2015 Residential Assessment and Tax			
Community	Average Assessment	Average 2015 Tax	1% =
Blenheim	\$ 131,989	\$ 2,029	\$ 20
Bothwell	\$ 87,097	\$ 1,231	\$ 12
Camden	\$ 144,546	\$ 1,863	\$ 19
Chatham City	\$ 147,243	\$ 2,497	\$ 25
Chatham Twp	\$ 166,152	\$ 2,141	\$ 21
Dover	\$ 184,017	\$ 2,371	\$ 24
Dresden	\$ 111,038	\$ 1,680	\$ 17
Erie Beach	\$ 175,014	\$ 2,487	\$ 25
Erieau	\$ 170,172	\$ 2,422	\$ 24
Harwich	\$ 159,394	\$ 2,054	\$ 21
Highgate	\$ 71,668	\$ 975	\$ 10
Howard	\$ 182,752	\$ 2,356	\$ 24
Orford	\$ 127,269	\$ 1,641	\$ 16
Raleigh	\$ 171,981	\$ 2,216	\$ 22
Ridgetown	\$ 132,625	\$ 2,057	\$ 21
Romney	\$ 160,514	\$ 2,142	\$ 21
Thamesville	\$ 110,688	\$ 1,561	\$ 16
Tilbury	\$ 127,046	\$ 1,963	\$ 20
Tilbury E	\$ 129,274	\$ 1,666	\$ 17
Wallaceburg	\$ 102,799	\$ 1,730	\$ 17
Wheatley	\$ 133,930	\$ 1,895	\$ 19
Zone	\$ 137,969	\$ 1,779	\$ 18



Average 2015 Farm Assessment & Tax by Ward				
Ward	Description	Avg Farm Assess	Avg Farm Tax	1% Increase
1	West Kent	\$ 285,639	\$ 819	\$ 8
2	South Kent	\$ 390,766	\$ 1,108	\$ 11
3	East Kent	\$ 397,771	\$ 1,129	\$ 11
4	North Kent	\$ 466,060	\$ 1,321	\$ 13
5	Wallaceburg	\$ 156,028	\$ 578	\$ 6
6	Chatham	\$ 502,045	\$ 1,873	\$ 19

31

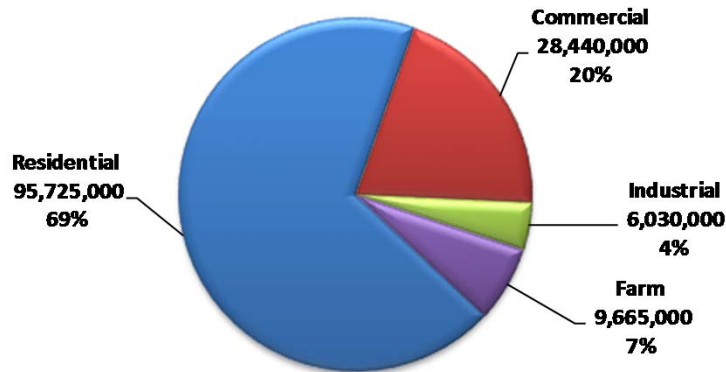


Assessment Type	Average Assessment	2015 Average Municipal Tax	1% per \$100,000 Assessment
Commercial	\$ 355,423	\$ 10,008	\$ 100
Industrial	\$ 296,003	\$ 9,623	\$ 96

32



2015 CK Taxes



33

2015 Taxes Raised by Community and Property Class

Former Entity	Commercial	Industrial	L Industrial	Mult-Res	Parking Lot	Pipeline	Residential	Farm	Managed Forest	Total
Romney Twp	184,789	201,049	-	54,159	-	111,293	2,242,341	312,941	241	3,106,814
Wheatley	173,772	69,041	-	25,491	-	10,347	1,248,652	3,092	-	1,530,395
Tilbury E	135,468	369,120	-	-	-	188,812	1,460,691	657,421	-	2,811,511
Tilbury	1,198,649	325,606	422,466	333,115	-	29,566	3,505,902	2,220	-	5,817,525
Raleigh Twp	650,497	421,004	35,391	38,704	-	87,954	4,686,715	936,445	543	6,857,252
Harwich Twp	1,842,808	476,066	-	9,205	-	141,146	6,557,567	1,655,571	373	10,682,735
Blenheim	1,119,099	282,131	85,884	362,461	2,338	28,558	3,375,558	3,716	-	5,259,746
Erie Beach	-	-	-	-	-	1,381	323,312	-	-	324,693
Erieau	75,364	7,458	-	-	-	3,233	927,749	-	-	1,013,803
Howard twp	225,175	255,798	54,228	-	-	151,696	2,469,028	942,231	322	4,098,478
Ridgetown	536,103	172,989	108,818	396,405	-	21,570	2,630,273	6,712	-	3,872,869
Orford	45,631	115,540	-	-	-	35,575	851,516	582,022	725	1,631,010
Highgate	40,928	10,559	-	13,737	-	6,982	176,491	6,754	-	255,452
Zone	90,239	43,638	-	-	-	25,325	668,765	355,497	1,052	1,184,515
Bothwell	132,524	11,286	-	29,315	-	7,746	546,701	2,747	-	730,319
Camden Twp	131,971	81,822	-	-	-	33,241	1,544,766	753,791	949	2,546,541
Thamesville	153,938	13,046	-	3,757	-	6,064	599,351	4,592	-	780,748
Dresden	373,659	81,955	104,669	146,965	-	19,751	1,754,531	1,764	-	2,483,294
Chatham Twp	2,796,067	65,939	-	35,090	-	156,227	4,461,206	1,907,311	-	9,421,841
Chatham City	13,882,096	994,032	477,349	4,604,519	26,662	240,739	37,659,156	91,777	-	57,976,330
Wallaceburg	2,283,994	438,287	68,216	1,116,439	-	71,913	6,913,854	15,022	-	10,907,725
Dover Twp	748,365	235,167	-	3,744	-	207,578	3,947,497	1,424,143	-	6,566,494
TOTAL	26,821,136	4,671,534	1,357,023	7,173,107	29,000	1,586,696	88,551,621	9,665,769	4,205	139,860,090

34



Budget Process vs. Setting Tax Policy

- **Budget process:**
 - determines financial resources required to carry out desired levels of service
- **Tax policy:**
 - determines how budget requirements are levied
 - finalized in April/May in order to facilitate:
 - timing of policy announcements from Province
 - August 1 due date of final tax billing

35



Tax Policy Continued

- tax formula:
 - assessment X tax ratio X tax rate
- current tax ratios:

	<u>CK</u>	<u>Limit</u>	
– Residential	1.0	1.0	← prescribed
– Farm	0.22	0.25	← maximum
– Multi-residential	2.15	2.74	} Can only allocate 50% of budget increase to class if ratio above limit
– Commercial	1.96	1.98	
– Industrial	2.22	2.63	

36



Other Tax Issues

- local improvement levies
- area rating (see executive overview in binder)

37



Agenda Item

- 2016 budget recommendations and service reductions

38



OMPF Funding

Received in 2015	18,332,400
2016 OMPF grant	<u>17,962,900</u>
2016 Reduction (Original estimate \$1 million reduction)	<u>369,500</u>

Revised OMPF Formula:	<u>2016</u>	<u>2015</u>
Amount based on formula	17,962,900	16,158,800
Transitional assistance	<u>-</u>	<u>2,173,600</u>
	<u>17,962,900</u>	<u>18,332,400</u>

2016 Changes in Program Formula and Funding:

- Provincial decrease in overall funding \$10 million
- Increased funding emphasis on Northern and Rural Communities (Chatham-Kent was part of the consultation team to increase the funding emphasis for rural communities during 2015)
- Overall Provincial funding at \$505 million, **our funding level should be sustained going forward**

39



Actual Growth by Class

	2016	2015
COMMERCIAL	\$ 350,163	\$ 270,133
INDUSTRIAL**	\$ 34,739	\$ 665,783
MULTI RES	\$ 8,223	\$ 22,542
PARKING LOT	\$ 2,882	-
PIPELINE	\$ 2,478	-
RESIDENTIAL	\$ 569,185	\$ 525,637
FARM	\$ 32,328	\$ 15,905
MANAGED FOREST	-	-
Total	\$ 1,000,000	\$ 1,500,000

** Wind Turbine growth included in Industrial

	2016	2015
INDUSTRIAL	-	\$ 539,000

40



Provincial Upload Status

Municipal Cost Shares										
Program	Upload Status	2007	2008	2009	2010	2011	2012	2013	2018	
ODB	Upload completed in 2008	20%	0%							
ODSP Administration	Upload completed in 2009	50%		0%						
ODSP Benefits	Upload completed in 2011	20%		10%	0%				0%	
OW Benefits	Phased upload continues in 2012	20%		19.4%	18.8%	17.2%	14.2%			
Court Security and Prisoner Transportation	Phased upload starts in 2012 (up to \$125 million annually)	100%				85.7%	71.4%			
OW Administration	Upload implemented in 2012	50% of eligible costs*								

* OW administration costs for 2012 reflect the new OW administration funding approach announced in 2011.

41



2016 Provincial Upload

Ontario Works Benefits	\$ 879,500
Court Security & Prisoner Transportation	<u>173,700</u>
	<u>\$1,053,200</u>

Allocated as follows:

Fund OW costs currently covered by reserves	\$ 315,100
Offset other budget pressures	564,400
Used by Police Services Board for operations	<u>173,700</u>
	<u>\$1,053,200</u>

Future outlook:

- Full uploading will be complete in 2018:
 - approx. \$800K available in 2017, 2018
- Consideration should be given to offset future social housing downloading

42

2016 Budget Overview

	Requests Considered		Recommended Budget		Comment
	Tax \$	Tax %	Tax \$	Tax %	
Net Ontario Municipal Partnership Funding grant reduction	369,500	0.27%	369,500	0.27%	
Net Provincial uploading	-738,100	-0.53%	-738,100	-0.53%	
Provisions for labour matters	2,535,033	1.84%	2,535,033	1.84%	
Inflation	2,329,750	1.69%	2,329,750	1.69%	
2014 budget decisions:					
Use of reserve	400,000	0.29%	400,000	0.29%	
2015 budget decisions:					
Net one time revenues	418,774	0.30%	418,774	0.30%	
Base budget reduction to management structure and use of consultants	300,000	0.22%	300,000	0.22%	
Winter control budget	300,000	0.22%	0	0.00%	Delay funding by use of reserve
Assessment growth	-1,000,000	-0.72%	-1,000,000	-0.72%	
Revenue opportunities	-1,248,497	-0.90%	-1,248,497	-0.90%	
Base budget requirements	203,072	0.15%	203,072	0.15%	
	3,869,532	2.80%	3,569,532	2.59%	
Service reductions required to meet 2% target	0	0.00%	-859,724	-0.62%	Recommended Service Reductions
Sub total for existing services	3,869,532	2.80%	2,709,808	1.96%	
Provincial - Asset Management Plan requirement	455,400	0.33%	455,400	0.33%	Ministry requirement
Legislated changes - risk related	450,013	0.33%	450,013	0.33%	For Council consideration
Strategic investments	2,884,714	2.09%	0	0.00%	
One time requests	7,060,367	5.12%	0	0.00%	Fund from revenues, reserves (separate presentation)
Infrastructure phase-in	924,600	0.67%	924,600	0.67%	For Council consideration
Total change	15,644,626	11.34%	4,539,821	3.29%	

2016 SERVICE REDUCTIONS - TAB 6										
Item #	Dept B/	DEPT	DIVISION	BUSINESS UNIT	AMT	CUM TOTAL	GRP #	Brief Note	FTE	Description
1	B	CAO	CHIEF ADMINISTRATIVE OFFICER	various	(14,456)	(14,456)	SR003			Various base budget reductions - training, travel, office, etc to achieve target
2	B	CD	FIRE & EMERGENCY SERVICES	EMERGENCY MANAGEMENT	(73,780)	(88,236)		AA002		Fire Paramedic Office - internal allocation to ambulance services (net of Ministry funding)
3	B	CD	FIRE & EMERGENCY SERVICES	FIRE SERVICES	(14,094)	(102,330)	SR075			At amalgamation, it was agreed that one volunteer Captain would not be replaced due to attrition - this will happen for 2016 forward.
4	B	CD	FIRE & EMERGENCY SERVICES	FIRE SERVICES	(9,399)	(111,729)				Utilize technology to rapidly assemble additional resources (full-time and volunteers) if needed in Chatham and Wallaceburg-subject to ratification
5	B	CD	FIRE & EMERGENCY SERVICES	FIRE SERVICES	(19,375)	(131,104)				Call volunteers to minimize overtime for full-time emergency callback - subject to ratification
6	B	CD	FIRE & EMERGENCY SERVICES	FIRE SERVICES	(900)	(132,004)				Straight time for Captain's meetings (instead of time and a half) - to be split between all volunteer wage lines
7	B	HFS	PUBLIC HEALTH	HEALTH SERVICES ADMIN	(89,128)	(221,132)		AA007	(1.00)	Service Reduction to meet 2016 Target - eliminate vacant position - Non Union Health Ambassador

**Page 2
of 4**

2016 SERVICE REDUCTIONS - TAB 6										
Item #	Dept B/c	DEPT	DIVISION	BUSINESS UNIT	AMT	CUM TOTAL	GRP #	Brief Note	FTE	Description
8	B	NON	NON DEPARTMENTAL	VARIOUS	(185,887)	(407,019)				Personal matters about an identifiable individual, including municipal or local board employees and litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board in regard to a litigation matter. Detailed presentation in closed session per the Municipal Act, s239(2)(b), (e) & (f)
9	B	MAY	COUNCIL & COUNCIL SUPPORT	COUNCIL & COUNCIL SUPPORT	(17,000)	(424,019)				Overall reduction to Council mileage and conferences (\$1000 *17 Councillors)
10	B	CD	FIRE & EMERGENCY SERVICES	FIRE SERVICES	(39,134)	(463,153)	SR070			Tiered Medical Calls for Volunteers - only send four staff instead of six per call. \$136.54 saved per call, using 2014 call volumes at 265 calls for Tiered Medical
11	B	CAO	CUSTOMER SERVICES	CROSSING GUARDS	(63,810)	(526,963)	SR005	AA011	(2.12)	Eliminate crossing guard program - seven communities in Chatham-Kent
12	B	CAO	ECONOMIC DEVELOPMENT SERVICES	BUSINESS RETENTION & EXPANSION	(35,000)	(561,963)				Discontinuance of support to Ridgetown College- Agriculture Business Office contribution
13	B	CD	COMMUNITY SERVICES	RECREATION FACILITIES	(8,343)	(570,306)				Closure Tilbury Scout Hut
14	B	CD	COMMUNITY SERVICES	RECREATION FACILITIES	(11,727)	(582,033)	SR050			Closure Bothwell Scout Hut (related item #15 re one-time costs)

**Page 3
of 4**

2016 SERVICE REDUCTIONS - TAB 6										
Item #	Dept B/c	DEPT	DIVISION	BUSINESS UNIT	AMT	CUM TOTAL	GRP #	Brief Note	FTE	Description
15	S	CD	COMMUNITY SERVICES	RECREATION FACILITIES	0	(582,033)	SR055			One-time costs needed for first half of 2016 re Bothwell Scout Hall closure (related item #14)(\$2,016 funded from Strategic Development Reserve #32)
16	B	CD	COMMUNITY SERVICES	RECREATION FACILITIES	(16,941)	(598,974)	SR040			Closure Ridgetown Youth Centre (related item #17 re one-time costs)
17	S	CD	COMMUNITY SERVICES	RECREATION FACILITIES	0	(598,974)	SR045			One-time costs needed for first half of 2016 re Ridgetown Youth Centre closure (related item #16)(\$7,016 funded from Strategic Development Reserve #32)
18	B	CD	COMMUNITY SERVICES	RECREATION FACILITIES	(14,643)	(613,617)	SR030			Closure Brunner Centre (related item #19 re one-time costs)
19	S	CD	COMMUNITY SERVICES	RECREATION FACILITIES	0	(613,617)	SR035			One-time costs needed for first half of 2016 re Brunner Centre closure (related item #18) (\$4,775 funded from Strategic Development Reserve #32)
20	B	CD	COMMUNITY SERVICES	PARKS, CEMETERIES, HORT	(76,891)	(690,508)	SR015	AA020	(1.31)	Eliminate Community in Blooms Competition - Conference, Coordinator and Marketing positions
21	B	CD	COMMUNITY SERVICES	RECREATION FACILITIES	(78,093)	(768,601)	SR060	AA021	(1.03)	Closure Bothwell Arena (related item #22 re one-time costs)

**Page 4
of 4**

2016 SERVICE REDUCTIONS - TAB 6										
Item #	Dept B/	DEPT	DIVISION	BUSINESS UNIT	AMT	CUM TOTAL	GRP #	Brief Note	FTE	Description
22	S	CD	COMMUNITY SERVICES	RECREATION FACILITIES	0	(768,601)	SR065	AA022	0.50	One-time costs needed for first half of 2016 re Bothwell arena closure (related item #21, \$41,332 fund from Strategic Development Reserve #32)
23	B	IES	PUBLIC WORKS	PUBLIC WORKS	(66,655)	(835,256)	SR135	AA023	(0.60)	Eliminate Public Works support of various community special events (related item #24 re one-time costs)
24	S	IES	PUBLIC WORKS	PUBLIC WORKS	0	(835,256)				One time costs needed to eliminate Public Works support of community special events; (gross cost \$6920, fund from Strategic Development Reserve #32)
25	B	CD	COMMUNITY SERVICES	RECREATION FACILITIES	(24,468)	(859,724)	SR020	AA025	(0.26)	Closure Jaycee Pool
					(859,724)				(5.82)	



Agenda Item

- Infrastructure

48



Infrastructure

- 2014 Asset Management Plan recommendations:
 - Annual tax increases to achieve full funding by 2023 (10 year plan):
 - Mandatory categories 0.33%
 - All other asset categories 0.67%
 - Total 1.00%
 - Decreasing debt payments:
 - Part of phase-in ... i.e. above tax increases are net of debt decrease allocations
 - No change in 2016
 - Inflation:
 - Needed in addition to phased-in revenue / cost reductions
- 2016 budget proposal:

Mandatory Categories from 2014 Asset Management Plan	455,400
Infrastructure Phase-in other categories	<u>924,600</u>
Proposed 2016 phase-in	<u>\$1,380,000</u>

49

Summary of CK's Overall Infrastructure

Infrastructure Category	2016 Annual Requirement	2015 Budget	Annual Deficit
Active Living	830,000	103,000	727,000
Arenas	861,000	835,000	26,000
Bridges & culverts < 3m	1,592,000	732,000	860,000
Bridges & culverts > 3m	11,296,000	8,740,000	2,556,000
Buildings	1,559,000	1,536,000	23,000
Cemeteries	43,000	41,000	2,000
Community Trails	1,023,000	229,000	794,000
Election	118,000	114,000	4,000
Fleet - municipal	3,765,000	3,108,000	657,000
Fleet - police	616,000	512,000	104,000
ITS - phone systems	577,000	310,000	267,000
ITS - servers, printers, photocopiers, etc.	489,000	475,000	14,000
ITS - software	810,000	786,000	24,000
ITS - workstations	308,000	299,000	9,000
Lifecycle issues yet to be identified	502,000	1	501,999
Non lifecycle capital projects	6,430,000	5,740,000	690,000
Parking lots	314,000	304,000	10,000
Parks - other capital	649,000	438,000	211,000
Parks - playground units	194,000	188,000	6,000
Pools - indoor	69,000	67,000	2,000
Pools - outdoor	82,000	80,000	2,000
Railway crossings - rubberized	179,000	1	178,999
Railway crossings - signals	63,000	61,000	2,000
Reforestation Strategy	88,000	86,000	2,000
Roads ... gravel	3,503,000	3,145,000	358,000
Roads ... paved & surface treated	13,393,000	10,444,000	2,949,000
Sidewalks	659,000	639,000	20,000
Social housing - municipally owned	905,000	881,000	24,000
Social housing - partners	1,300,000	848,000	452,000
Storm sewers	3,049,000	1,759,000	1,290,000
Street light poles	88,000	86,000	2,000
	<u>55,354,000</u>	<u>42,586,002</u>	<u>12,767,998</u>
		76.9%	23.1%

Roads & bridges account for only 54% of our overall infrastructure needs

50



Updated Requirements on Certain Asset Categories

Infrastructure Category	2016 Annual Requirements	Updated 2016 Annual Requirements	Net Increase to Requirements
Fleet	\$3,765,000	\$4,986,000	\$1,221,000
Gravel Roads	\$3,503,000	\$5,031,000	\$1,528,000
Cemeteries	\$43,000	\$142,000	\$99,000
Storm Collectors / Combined Sewers	\$3,049,000	\$13,135,000	\$10,086,000
Total	\$10,360,000	\$23,294,000	\$12,934,000

- A detailed presentation of this analysis will occur during budget deliberations, these changes would lead to 37% of our requirements being unfunded.
- CK has received significant grants, \$2M for St. Clair St., \$2M Parry Bridge, \$1.4M annual funding for infrastructure and second stage approval on the 5th St. Bridge project all by having and following a solid AMP and Financing Plan
- An updated Asset Management Plan for all asset categories and updated information and financing plans will be complete by the end of 2016 ⁵¹



Overall Asset Management Plan View ... 2016

	<u>\$'s</u>	<u>2013 AMP Tax Impact</u>
Infrastructure gap of first phase:		
Municipal assets	\$4.8M	3.3%
Future phases ... 25 remaining asset categories	<u>\$6.2M</u>	<u>6.0%</u>
Total Municipal requirement	<u>\$12.0M</u>	<u>9.3%</u>

Recommendation to Council 2016:

Per AMP phased in requirements (2014-2023)	0.33%
Recommendation for other assets	<u>0.67%</u>
Total	<u>1.00%</u>

The updated AMP will be to be submitted to the Province at end of 2016 for all asset categories and an updated AMP Financing Plan will be presented to Council.

This financing plan should be followed to ensure we remain eligible for any future Provincial funding programs.



Agenda Item

- Overview of reserves

53



Current Reserve Position

<u>Type of Reserve</u>	<u>Forecasted Dec 2015 Balance</u>
Mandated	11,787,000
Assigned	45,018,000
Lifecycle Program	<u>47,804,000</u>
Total Reserves	<u>104,610,000</u>



Average Contribution to Reserves over last 5 years

	<u>From Surplus</u>	<u>Policy Related Transfers</u>	<u>Base Budget Transfers</u>	<u>Total</u>
2014	1,619,807	2,023,498	-	3,643,305
2013	1,293,014	2,158,702	570,000	4,021,716
2012	3,031,075	2,218,224	570,000	5,819,299
2011	289,503	3,304,756	-	3,594,259
2010	1,339,755	940,846	-	2,280,601
Average Contribution	1,514,631	2,129,205	228,000	3,871,836



Average Drawdown from Reserves over last 5 years

	<u>All Drawdowns (Including Caseload)</u>	<u>Less: OW Caseload Related</u>	<u>Net Drawdowns</u>	<u>Additional Council Approved</u>	<u>Strategic Development Reserve</u>	<u>Total</u>
2015	5,065,000	270,000	4,795,000	896,000	220,000	5,911,000
2014	2,000,000	400,000	1,600,000	923,000	337,000	2,860,000
2013	3,300,000	900,000	2,400,000	-	493,000	2,893,000
2012	5,500,000	1,900,000	3,600,000	70,000	201,000	3,871,000
2011	4,000,000	2,500,000	1,500,000	500,000	219,000	2,219,000
Average Drawdown	3,973,000	1,194,000	2,779,000	478,000	294,000	3,551,000



Drawdown - Types of Reserves

2016 One-Time items and One-Time Service Reductions

Mandated Reserves	116,000
Assigned Reserves	4,726,000
Lifecycle Reserves	<u>2,280,000</u>
Total 2016 Recommended Drawdowns	<u>7,122,000</u>

57




Pending 2016 Reserve Items

These items are ***not*** in the 2016 budget, but have some potential to affect the amounts in our Reserves through additional drawdowns in 2016 and beyond.

Fertilizer Plant Planning	1,100,000
Winter Control	?
Other Requests (average of past years)	<u>500,000</u>
Total Pending Items	<u>1,600,000</u>

58




Impact of Recommendations on Reserves

	<u>2016</u>	<u>Average</u>
Contributions to reserves	\$4.0M	\$3.9M
Use of reserves	<u>\$7.1M</u>	<u>\$3.5M</u>
Net increase (decrease)	<u>(\$3.1M)</u>	<u>\$0.4M</u>

Recommendation for long-term reserve sustainability:

- Average annual net increase to reserves of \$0.4M
- 2016 recommendations a \$3.1M drawdown
 - At present contribution levels, annual draw downs need to be limited to match those contributions
 - Reserve contributions are limited to one-time items, which includes year end surpluses
 - Reserves are one-time funds and should be used to fund one-time items

59




Agenda Item

- Ongoing Processes That Create the Budget
 - Service review
 - Strategic planning
 - Business planning
 - Council meetings
 - EMT meetings

Budgets are **not** created in January. They are a compilation of decisions made during the year on Monday nights and Tuesday afternoons.


60



Future Years' Forecast

CK Multi Year Budget Projections (Tax Impact)

	2017	2018	2019	2020	2021
Existing Services:					
Emergency services	1.2%	1.2%	1.2%	1.2%	1.2%
All other municipal services	2.0%	2.0%	2.0%	2.0%	2.0%
CPI on existing Lifecycle	0.9%	1.0%	1.0%	1.0%	1.1%
	4.1%	4.2%	4.2%	4.2%	4.3%
Provincial upload - Ontario Works, Police security	0.0%	0.0%	0.0%	0.0%	0.0%
Assessment growth	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%
Sub total for existing services	3.4%	3.5%	3.5%	3.5%	3.6%
New initiatives (not quantified)	0.0%	0.0%	0.0%	0.0%	0.0%
Future Challenges:					
Effect of one-time reserves used to fund budget	0.3%	0.0%	0.2%	0.0%	0.0%
Provincial funding change re OMPF - assume funding stabilized 2016	0.0%	0.0%	0.0%	0.0%	0.0%
Phase in - Capital/Lifecycle/Debt strategy	1.0%	1.0%	1.0%	1.0%	1.0%
Sub total for future challenges	1.3%	1.0%	1.2%	1.0%	1.0%
Total Projection	4.7%	4.5%	4.7%	4.5%	4.6%
Average annual household impact (based on 2015 property taxes of \$2680)	\$128	\$129	\$141	\$141	\$151
Average weekly household impact	\$2.50	\$2.50	\$2.70	\$2.70	\$2.90
The projected price indexes used are as follows:					
Projected CPI%	2.0%	2.0%	2.0%	2.0%	2.0%
Projected Construction index %	3.0%	3.0%	3.0%	3.0%	3.0%
1% of municipal taxes (in millions)	\$1.41				



Overview of Service Review

- 19 reviews completed:

	<u>Recommended</u>	<u>Approved</u>
- # of recommendations	77	64
- Annual savings	\$1.7M	\$1.3M
- One-time costs	\$343K	\$343K
- Costs avoided	\$605K	\$726K
- SR is a large part of meeting future challenges
- SR has simplified the budget process & given major decisions time for due diligence
- SR is a significant contributor to organizational development
- Details provided on next slide



2013 - 2015 COMPLETED SERVICE REVIEWS

Item #	Business Unit	Comments	RECOMMENDATIONS				RECOMMENDATIONS IMPLEMENTED			NOT APPROVED	
			RTC #	Savings Annual	One Time Costs	Cost Avoided	Approved #	Total 2014 to 2016 Base Budget	Cost Avoided		Comments
1	Eq. Dev. - Tourism	subject to strategy	5	-\$53,726	\$0	\$0	0	\$0	\$0		-\$53,726
2	Gravel Pa.		3	\$0	\$0	\$0	3	\$0	\$0		
3	Horticulture		4	-\$110,525	\$0	\$0	4	-\$108,535	\$0		
	restructuring services		2	-\$67,776	\$0	\$0	2	-\$21,000	\$0		
	greenhouse operations							-\$46,756		reinvested cultural plan, other operations	
4	Planning - Dev App's	RTC 2013, 3 recommendations 598,289 not approved									
		Revised RTC July 13/15	1	-\$147,246	\$70,150	\$0	1	-\$147,246	\$0	RTC June/2015, 2016 implementation	
5	Waste Management		7	-\$704,344	\$0	\$0	4	-\$370,811	\$0	Not approved, area rated brush collection \$333,533	-\$333,533
6	Reprographics		4	-\$22,950	\$0	\$0	3	-\$22,950	\$0		
7	Roadside Mowing & Weed Spraying		2	\$0	\$15,000	\$0	2	\$0	\$0		
8	Animal Control		13	\$0	\$0	\$0	13	\$0	\$0		
9	Where Spoletham Post		2	\$0	\$0	\$0	2	\$0	\$0		
10	Libraries - small branches	Close Hghgate Branch and reinvest existing base to provide outreach (\$140,000)	2	\$0	\$0	\$0	1	\$0	\$0		\$0
11	Customer Service										
	- Virtual Call Centre Op's	revised annual amt \$224,289; \$64480 reinvested 2015; \$104393 reinvested 2016	3	-\$224,289	\$0	\$0	3	-\$224,289	\$0	\$168,863 reinvested - other corp pressures (ITS, HR), fully implemented in 2016	
	- Virtual Call Centre Capital				\$247,503	\$0					
12	Insurance Risk - 2013	establish claims mgmt dept	3	\$123,000	\$0	\$0	3	\$123,000	\$0	Incubator coverage to \$50M	
	2014		1	-\$69,540	\$0	\$0	1	-\$69,540	\$0	Staff incr - savings liability reserve	
	2015		1	\$33,173	\$0	\$0	1	\$33,173	\$0	Liability deductible to \$250K	
13	Adult Crossing Guards		3	-\$62,298	\$0	\$0	0	\$0	\$0	Staff incr - Claims Management	-\$62,298
14	BVIG - Laundry & Hkage		1	\$0	\$0	\$0	1	\$0	\$0		
15	Building & enforcement	RTC Feb 9/15	3	-\$76,231	\$0	\$0	3	-\$76,231	\$0	Reinvested aquatics, arena operations (declining revenues)	
16	Arenas & Centres		8	-\$172,971	\$0	\$0	8	-\$172,971	\$0		
17	Children's Services		2	\$0	\$0	-\$605,000	2	\$0	-\$726,000		
18	CAO's Office		1	\$0	\$0	\$0	1	\$0	\$0		
19	Licensing (year 1 \$15,000; 2017 \$25,460)	RTC Dec 14/15 (2016 \$15,000; 2017 \$25,000)	6	-\$15,000			6	-\$14,442			
			77	-\$1,724,622	\$342,653	-\$605,000	64	-\$1,272,497	-\$726,000		-\$349,557



Agenda Item

- Other budget information and next steps



Budget Information

- Available tonight and on our website:
 - 2016 Draft Budget Overview
 - Opening night presentation
 - Time and location of community forums
 - Comments and feedback opportunities
- Available later this week:
 - 2015 Departmental Services Provided by Your Municipal Tax Dollars
 - 2016 Draft Base Budget binder
- Information to come:
 - Closed session presentation
 - Police Services Board presentation

65



Other Municipalities 2016

Municipality	Single/Two Tier	Draft/ Approved	Municipal Tax Levy %
Durham	T	D	Expected 1.5-2%
Brantford	T	D	1.0% (plus 1.5% capital levy)
Kingston	S	A	2.5% (plus 1% capital levy)
Hamilton	S	D	2.3% levy increase
City of Waterloo	T	D	3.25%
London	S	D	2.2% - 2.9% (first year of multi year budget)
Muskoka	S	D	5.8%
Mississauga	T	A	2.50%
Lasalle	T	A	1.50%
Kitchener	T	D	1.50%
Peel	T	A	1.9% (plus 1% capital infrastructure levy)
Sarnia	S	D	7.94%
Sudbury	S	D	3.9% increase
York	T	D	2.85%
Windsor	T	A	0.34% (less 0.34% education taxes)

66



Next Steps

Community consultation:

<u>Location</u>	<u>Date</u>	<u>Time</u>
Wallaceburg Municipal Office, 786 Dufferin Ave., Wallaceburg	Tuesday, January 19, 2016	4:30 to 6:00 p.m.
Tilbury Arena, Ryder Hall, 55 Bond Ave. Tilbury	Wednesday, January 20, 2016	4:30 to 6:00 p.m.
Active Lifestyle Centre, 20 Merritt Ave, Chatham	Thursday, January 21, 2016	4:30 to 6:00 p.m.
Open house at 4:30; brief presentation at 5:00 p.m. followed by a group Q & A session		

Council deliberations:

- January 26, 27, 28 and February 2, 3, 4
- 6:00 to 10:00 pm, Council Chambers, Chatham-Kent Civic Centre
- 5 minute presentations by citizens are welcome at the end of each meeting (9 o'clock) – please sign up at the door

67



Agenda Item

- Break

68



Agenda Item

- Discussion on draft budget

69



Agenda Item

- Deputations

70



2016 Presentation
(January 12, 2016)
Additional Slides

71



2016 Budget
Additional information not presented:

- Budget objectives
- Budget process
- Ranking criteria
- Service Review process

72



Budget Objectives

- A) Establish a Sustainable Base Budget:**
 - based on comprehensive inventories of all infrastructure
 - ensure that Council has the appropriate information to address all of the Municipality's needs and issues ... current & future
 - systematic review of base budgets
- B) Establish Fair Market "User Fees" for Services:**
 - rather than subsidizing services with property taxes, ensure that services, where there are comparable private sector services, are at market rates
- C) Maximize Leverage:**
 - through cost sharing arrangements such as the Community Partnership Fund program
 - business development incentives such as Brownfield/Bluefield and Community Improvement Plans

73



Budget Objectives

- D) Staffing:**
 - maintain adequate staffing levels
 - maintain a corporate environment that enables:
 - the retention & attraction of qualified staff
 - the delivery of sustainable service levels in an efficient & effective manner
- E) Strategic Planning:**
 - implementation of master plans and studies
 - 5 - 10 year capital budget
- F) Service Review Sustainability Process:**
 - review of services with intent to:
 - contain or reduce future years' projected tax increases
 - ensure service plans are sustainable
 - create opportunities to strategically reinvest existing funds

74



BUDGET PROCESS

- Council update to Strategic Directions
- Input from staff & public is solicited (continuous)
- Service Sustainability Review Process – 4 cycles
- Departments prepare draft budgets
- Executive Management Team reviews and prioritizes departmental submissions and provides options to Council
- Council receives administration's options for consideration
- Public consultation process
- Council budget deliberations
- Approval of 2016 budget (early February)
- Tax policy set in May

75



BASE BUDGET PROCESS

- Existing base budgets
 - reflect the current level of service approved by Council
 - include base operating costs required
 - include existing revenues at existing rates
 - do not exceed prior year's net base budget
 - reflect approved base budget adjustments as a result of Council decisions during the past year

76



SUPPLEMENTARY BUDGET PROCESS

- reflect any proposed change to existing levels of service or any proposed new programs, lifecycle provisions, staff or revenues
- revenue reductions that do not translate into cost reductions
- revenues included s/b any increase to existing fees, any proposed new revenue sources or revenue changes due to volume
- changes to service level agreements
- identify issues as one-time or annual

77



SUPPLEMENTARY BUDGET CRITERIA

A - must do

1. Net revenue generating
2. a) Legislated /contractual
b) Council Mandated
3. Required base budget adjustment (including inflation)

78



SUPPLEMENTARY BUDGET

B - should do

1. **Critical Investment:**
 - Municipal Infrastructure/Council Strategic Directions
 - a) EMT Primary Priority – recommended
 - b) EMT secondary Priority – not recommended
2. **Community growth**
3. **Cost avoidance / payback / legal issues**
4. **Responsive to a wide community / corporate need for new service levels**

79



SUPPLEMENTARY BUDGET CRITERIA

C - nice to do

- **Not critical**
- **Added value**
- **Responsive to a narrower need**

80



SUPPLEMENTARY BUDGET CRITERIA

D - defer

- Not necessary this year

81



SUPPLEMENTARY BUDGET
CRITERIA

E - other funds available

- Item recommended but through use of existing or alternative funding
- Efficiency matters (less than 1 year pay back)

82



SUPPLEMENTARY BUDGET CRITERIA

T - new area rated service

- **Item recommended but not through general tax rate**

83



Service Review Ranking Criteria

Impact on:

1. Sustainability:
 - productivity, effectiveness, cost avoidance, staff retention/attraction
2. C-K community:
 - service, civic engagement
3. Strategy:
 - Community Strategic Plan, Corporate Plan, economic development, community development
4. Risk:
 - Legislation, liability, health & safety, financial, social
5. User community:
 - service, civic engagement

84



Service Review Ranking Criteria

<u>Criteria</u>	<u>Weight (1-10)</u>	<u>Rank (1-10)</u>	<u>Example Weight X Rank</u>
Sustainability	8	5	40
C-K Community impact	6	4	24
Strategy	8	3	24
Risk	5	2	10
Ward/user group impact	3	6	<u>18</u>
			<u>116</u>



SERVICE SUSTAINABILITY REVIEW PROCESS

- Objective to assist Council in making informed service level and delivery choices
- Cross functional teams examine service levels and delivery methods
- Magnitude of municipal services:
 - 6 Departments
 - 27 Divisions
 - 142 Business Units
 - » 667 Services



Provisions for Inflation

Infrastructure ... @ 1.5%	641,500
Fixed contracts ... @ specified amount	1,635,275
All other ... @ 1.0%	<u>52,975</u>
	<u>2,322,750</u>

Notes:

- a) Details provided in binder
- b) CPI:
 - as of October 31, 2015 (available at time of drafting budget), CPI was 1.0%
 - new information:
 - CPI as of November 30, 2015 is 1.4%