

Supplementary Budget – Briefing Note

2020 Budget

FACILITY REPLACEMENT & STRATEGIC DEVELOPMENT

Briefing Note required for:**-items >\$50,000****-changes in FTE**

Dept	Division	Business Unit	Item	Base Supp	Amount	FTE Impact
Non	Reserves & Contingencies	10201	0.1% tax increase 2017-26 (YR4 of 10) –Facility Replacement Reserve	B	\$155,100	
Non	Reserves & Contingencies	10201	0.1% tax increase 2017-26 (YR4 of 10) –Strategic Development Reserve	B	\$155,100	
			TOTAL		\$310,200	

Background:

Reserves provide stability for user rates and taxes and they provide financial liquidity for our fiscal requirements.

They allow us to save for costly assets or infrastructure investments and replacements, which prevents us from needing to debt finance these items. It also ensures adequate cash flow for ongoing operations and protects our financial position and strengthens our credit rating.

A couple of concepts that were brought forward originally to Council as part of the Long-term Strategic Financial Plan in 2016 and incorporated initially into the 2017 budget was to establish some base budget funding towards two reserves that have significant demands, both each year and into the future.

The first item is related to facility replacement.

Chatham-Kent has over 110 facilities, including 19 fire stations, 10 arenas, 12 community halls, 2 indoor pools, 7 outdoor pools, 2 campgrounds, 2 boat dock facilities. Many of these facilities are over 50 years old. Our lifecycle budget has been developed around refurbishing, repairing and maintaining these facilities; however there was no specific budget for replacement of these assets. This reserve provides Council with the means to ensure long-term vision is deployed and executed with critical decisions regarding the community.

Certainly consideration should always be given to whether we need to replace the asset, or whether we can divest of it.

However, in those instances when Council believes a replacement is required, a phased in approach of creating a sustainable reserve for facility replacement would ease the burden of one time large expenses and provide the Municipality with the financial flexibility and decision making ability to determine when is the right time to replace a facility, rather than try to band-aid the solution.

Background:

The strategy approved by Council in 2016 is a 0.1% tax increase (\$2.80 per year for the average tax payer) on the tax rate each year for 10 years, accumulating to a 1% contribution to this reserve each year. This provides the Municipality with the flexibility to react to the needs of the community and facilities, the ability to react to any senior government grant opportunities and reduce the overall cost, by eliminating a portion of debt financing related to the replacement.

The second item is related to contributions to the Strategic Development Reserve. We have heard numerous times from various Councillors and members of the community of great ideas for the community and this will provide a source of funding on an ongoing and sustainable basis to be able to fund new projects to create a vibrancy and excitement in the community, while also enhancing many of our strategic goals. These new initiatives would contribute to promote new jobs, attract both tourism and new residents, and promote health. By funding this through pay-as-you-go funding, it eliminates the increase in debt costs, which reduces the overall cost of the project and provides Council with the financial flexibility it needs to match with any senior level of government programs or contribute to any community, not-for-profit or business initiatives. It also allows Council to plan and forecast when these projects would be ready to be funded and help build these into long-term master plans for the various departments.

This reserve provides Council with the means to ensure long-term vision is deployed and executed with critical decisions regarding community enhancements, and making Chatham-Kent a more desirable community to live in.

The strategy approved by Council in 2016 is a 0.1% tax increase to the Strategic Development Reserve each year for 10 years. This would max out at a 1% ongoing contribution to this reserve and provide Council with the resources to help the community flourish with exciting opportunities and supporting your strategic goals in the CKPlan2035 for the next 20 to 30 years.

The first two amounts have been added into the base for years 2017, 2018 and 2019. This is year 4 of the 10 years originally approved last term of Council.

Comment:

- provide any further details if required, impact to user fees, etc
(eg. Gross expenses, any revenues, subsidies, etc.)