

“Municipal Budgeting Made Easy”

Ontario East Municipal Conference

September, 2014

Kurt Greaves

CAO/Clerk/Treasurer

Lanark County



“Municipal Budgeting Made Easy”

Presentation:

- Six Keys to Success;
- Budget Overview for Council;
- Departmental Presentation;
- Tax Rates for Eastern Ontario;
- When to Borrow (debt versus reserves).



Six Keys to Success

- #1 Know Your Costs**
- #2 Make Budgeting a Year Round Process**
- #3 Get R Done Early**
- #4 Remember Budgets are Estimates**
- #5 Keep it Simple**
- #6 Think Long Term**

Municipal Budgeting

#1 Know Your Costs

- Staff exercise.
- Need to know what are the costs. **How much do you spend on utilities, on communications, how much on lawyers, how much on mileage. Need to be able to decide when to do cost analysis etc.**
- Never ending exercise.
- Know prior year's costs. What are the trends?
- What are the opportunities?

Example of Costing Data

	County Telecommunications (,000s)						
	2007	2008	2009	2010	2011	2012	2013
Local	55	54	52	54	55	50	40
Long Dist	27	25	10	8	8	9	6
Cell	4	6	27	28	28	24	34
Pager	2	2	2	2	3	4	0
Fax	8	4	1	1	0	0	0
Data	31	40	38	38	39	32	27
	\$127	\$131	\$130	\$130	\$133	\$119	\$107

Example of Costing data

LEGAL FEES		Year						
Type	Department	2008	2009	2010	2011	2012	2013	Grand Total
☐ Labour Relations	Corporate Services	61,547	67,102	73,742	1,727	2,469	21,312	227,898
	Public Works	3,359	4,863	4,050	19,254	10,212	1,111	42,849
	Social Services	50,988	3,139	4,807	8,065	8,221	32,958	108,177
	Lanark Lodge	69,919	113,178	58,745	30,235	8,757	18,463	299,297
Labour Relations Total		185,812	188,281	141,344	59,281	29,659	73,844	678,221
☐ Legal	Corporate Services	29,593	1,442	2,308	831	890	2,163	37,228
	Public Works	21,875	16,258	24,856	63,096	61,392	6,454	193,931
	Emergency Services	7,779	26,202					33,981
	Land Division/Planning	2,678	3,302			2,385		8,365
	Social Services	2,965	325	11,869	3,307	6,299	11,303	36,068
	Lanark Lodge	846						846
	Facilities	5,964						5,964
Legal Total		71,700	47,529	39,034	67,233	70,967	19,920	316,383
Grand Total		257,512	235,810	180,378	126,514	100,626	93,764	994,604

Municipal Budgeting

#2 Make Budgeting a Year Round Process

- Principal planning document of council.
- No Surprises.

Municipal Budgeting

#3 Get R Done (Early)

- Allow tenders to be out when contractors are hungry for work;
- Allow departments to hit the ground running January 1;
- Allow finance staff to spend January/February on year end.

GET R DONE (Early)



Municipal Budgeting

#4 Remember Budgets are Estimates

Good news / Bad news

Municipal Budgeting

#5 Keep it Simple

- High level Put budget in perspective
- Deal with Stumbling blocks at another time.
Community grants.
- **Materiality** is important.
- Present council with roll up budget.
- Simple points...Highest to lowest ... start with the largest budget.

Municipal Budgeting

#6 Think Long Term

Tie your planning documents together:

Budget = Priorities = Strategic plan = Capital Plan

CAPITAL SPENDING – RESERVES – DEBT all work together do not look at in isolation.

Part II Budget Presentations:



Lanark County

2014 Draft Budget

“Turning the Corner”

November 1, 2013 “FINANCIAL FRIDAY”

CAO-18-2013

Kurt Greaves

“Turning the Corner”

In a period of difficult financial circumstances in Ontario, Lanark County has improved its financial position:

Term of Council			
2010 - 2014			
Debt has gone down \$6.5 M		\$1.6 M per year	
Reserves have gone down \$4.6 M		\$1.2 M per year	
Capital Spending \$7.5 M		\$1.9 M per year	
Net Improvement		\$2.4 M per year	
Net Improvement over 4 years		\$9.5 M	

Competing Interests

- Level of Service (Taxpayer Expectations, Legislation & Liability)
- Infrastructure Deficit – Capital Plan
- Fiscal Imbalance – downloaded: Ambulance, Social Services, Roads, Farm & Forest rebates without adequate funding
- Maintain Low Tax Rates (regressive property taxation) Inflation 1.1%(CPI Sept 2013)

DEBT at the Provincial Level

The provincial debt \$267 billion remains an enormous concern to all municipal governments.

Direct impact in 2014: the reduction in child care funding \$184k.

Indirect impact in 2014: reduction in physiotherapy funding for Lanark Lodge residents \$46k-\$160k.

Measures of Indebtedness, California vs. Ontario, 2011/12



CALIFORNIA

ONTARIO



\$144.8

billion

Bonded
Debt
(gross)

7.6%
of GDP

\$3,844
per
capita

2.8%
Percent of
revenue spent
on interest



\$267.5

billion

Bonded
Debt
(gross)

40.9%
of GDP

\$20,166
per
capita

9.2%
Percent of
revenue spent
on interest



Nearly twice as much
bonded debt

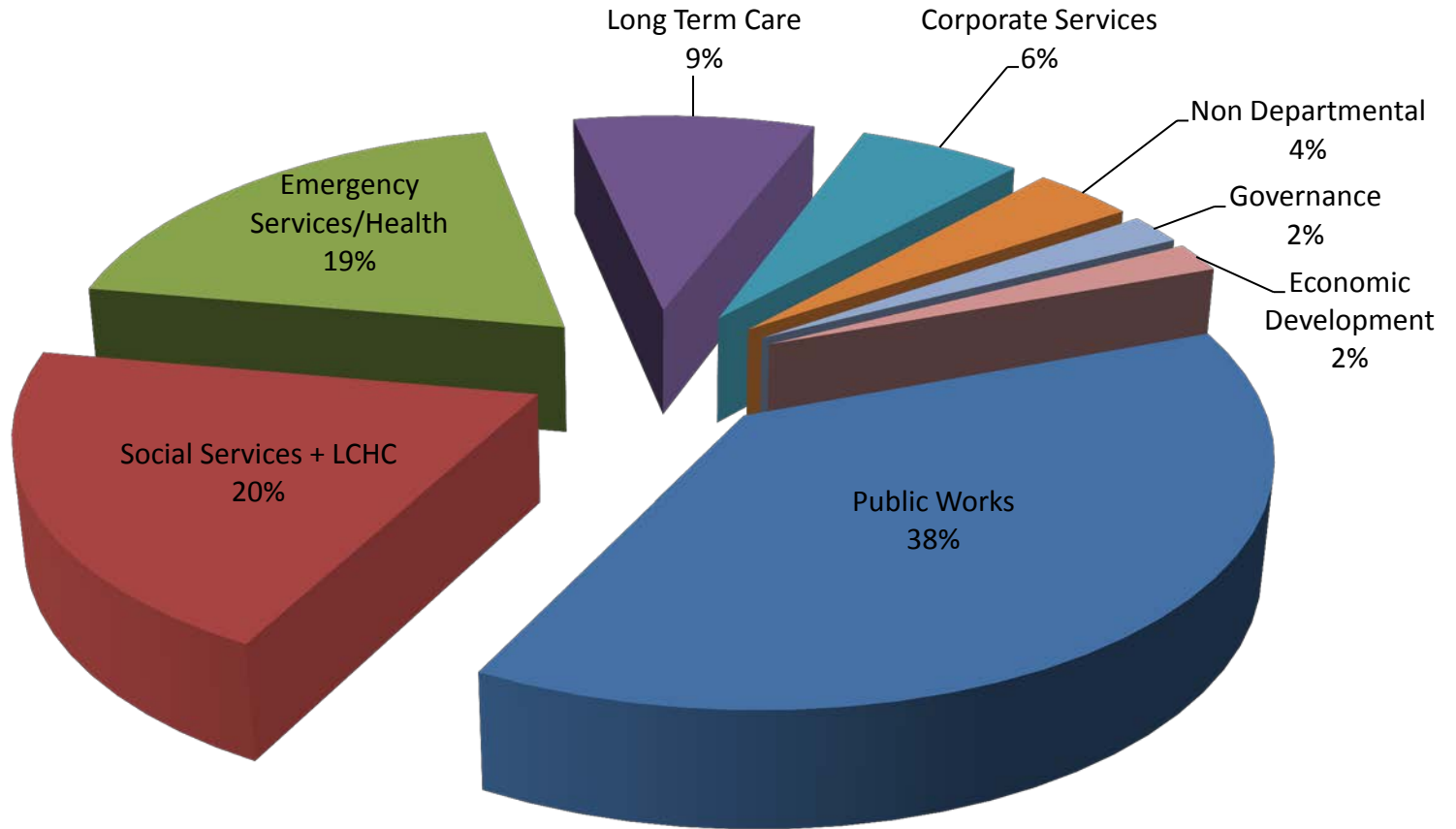


2014 BUDGET

NET LEVY BY BUDGET GROUP (,000s)

	2014 Budget	Change	% Change
Public Works	\$ 11,449	\$ 507	4.6%
Emergency Services/Health	\$ 5,668	\$ 220	4.0%
Social Services	\$ 3,133	\$ (120)	-3.7%
Lanark County Housing Corporation	\$ 2,905	\$ 348	13.6%
Long Term Care - Lanark Lodge	\$ 2,054	\$ (339)	-14.2%
Corporate Services	\$ 1,820	\$ (518)	-22.1%
Non Departmental	\$ 1,124	\$ 264	30.7%
Long Term Care - Fairview Manor	\$ 626	\$ -	0.0%
Governance	\$ 600	\$ (5)	-0.8%
Economic Development	\$ 584	\$ 99	20.4%
NET LEVY	\$ 29,961	\$ 456	1.5%
NET LEVY % AFTER GROWTH OF 1.50%		\$ 449	0.0%

2014 Budget Distribution of Taxpayer Dollars (Net Levy)



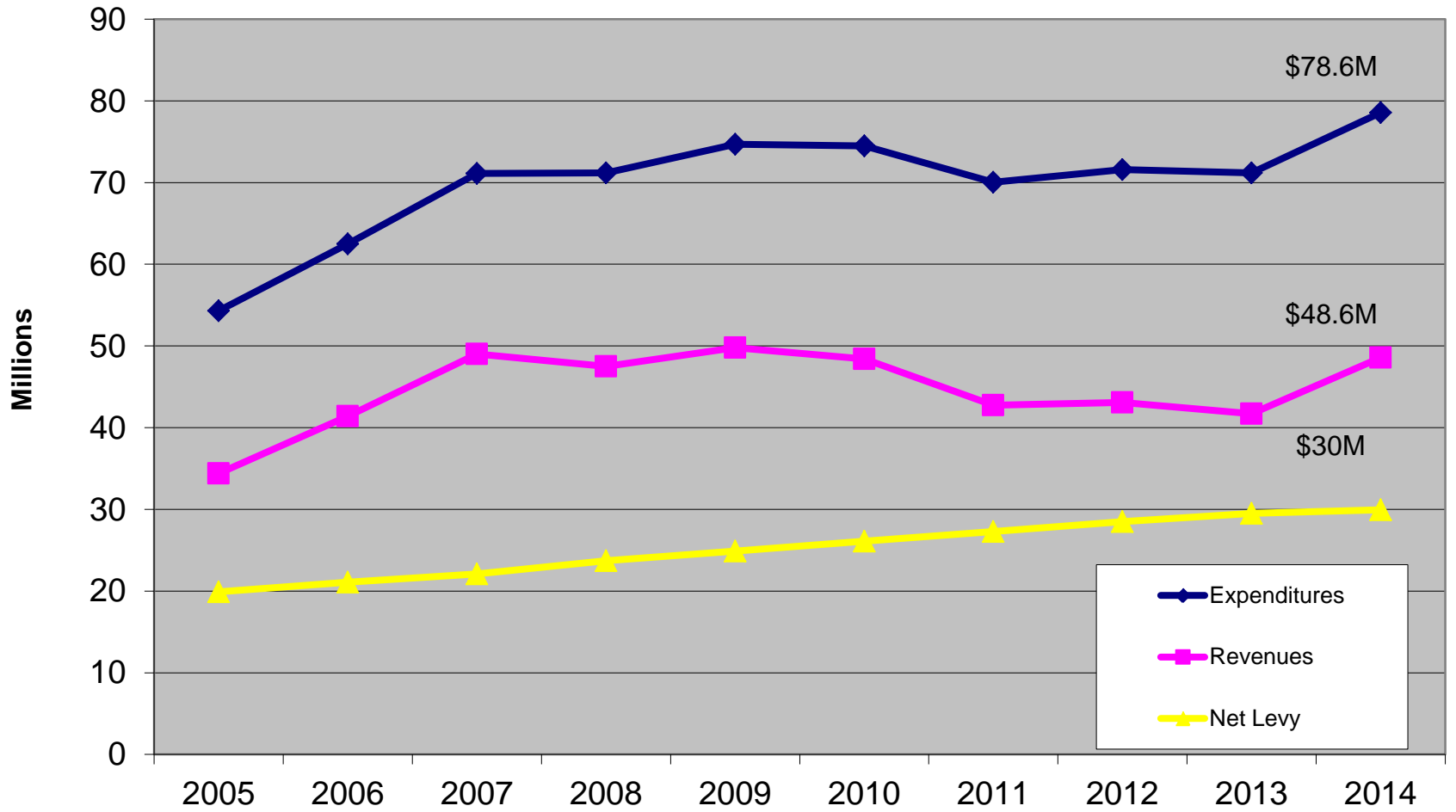
Opportunity to Help Taxpayer

- Local Municipalities face OPP wage increases of a minimum of 8.55%.
- Reduction in Province wide OMPF funding \$100M over four years (2013-2016).
- Provincial full day kindergarten implementation has put added pressure on daycare centers (including those municipally owned).
- Infrastructure challenges faced by all municipalities across Canada.

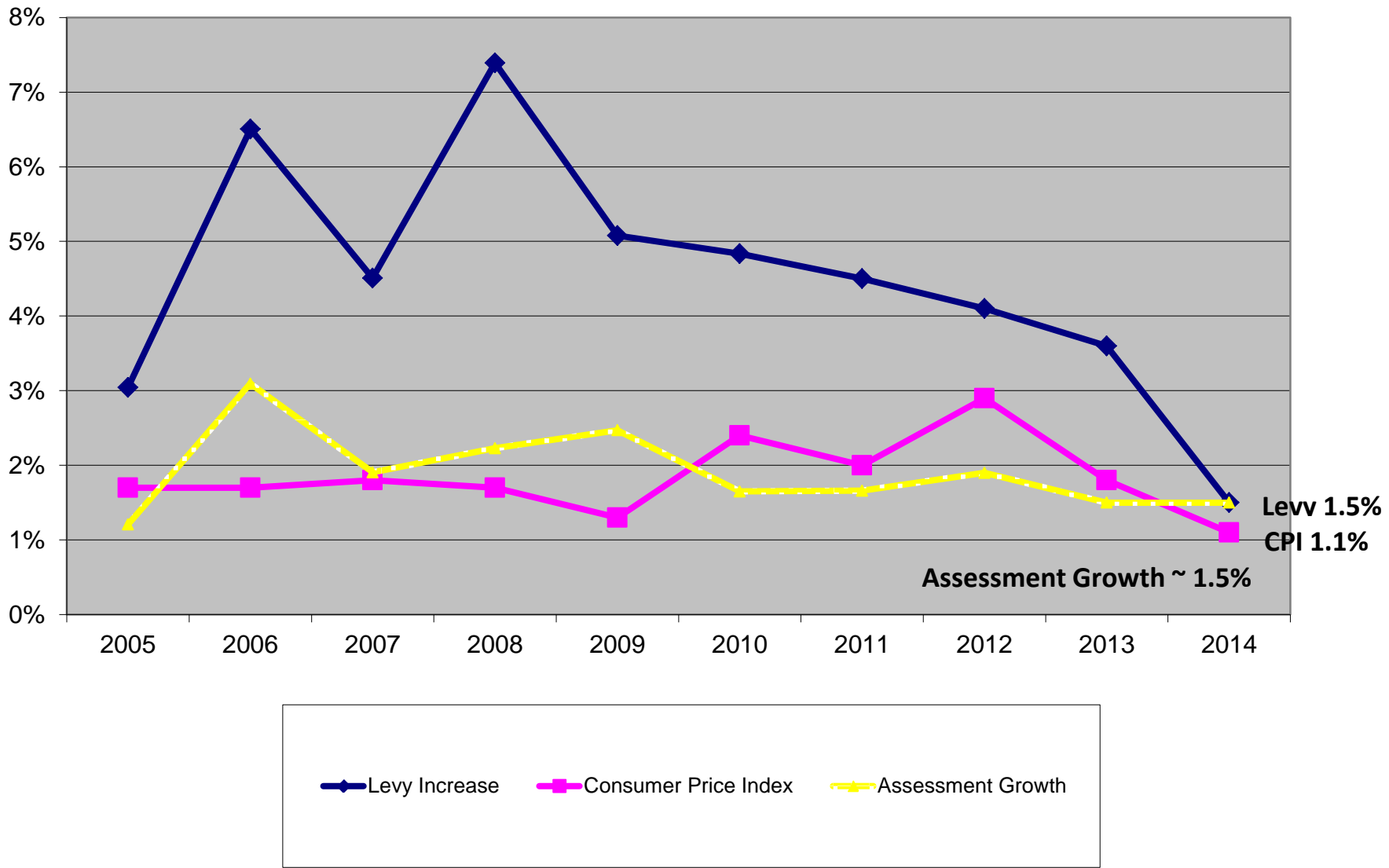
2014 Major Changes

• Increase in capital levy	\$615,000
• Decrease in operating levy	<u>\$160,000</u>
Net levy increase	\$455,000

Budget 2005-2014 Gross Expenditures, Revenues and Net Levy



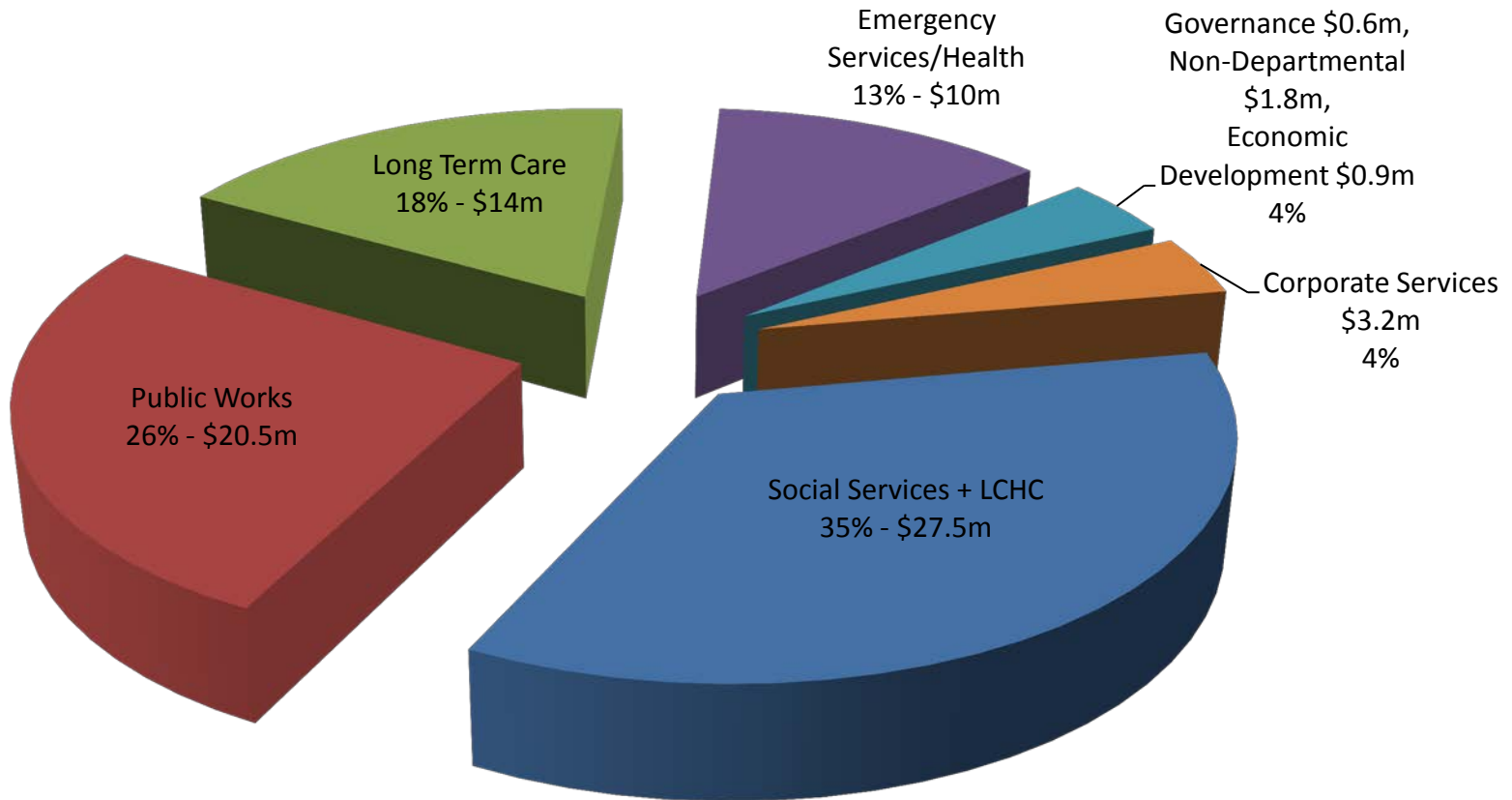
Levy Increase, Inflation & Growth 2005 to 2014



2014 BUDGETED EXPENDITURES

		2013	2014	% of Total	
1	Wages & Benefits	21.3	20.8	26%	
2	Contractual Services*	15.6	16.3	21%	
3	Capital Expenditures	8.0	16.2	21%	
4	Social Services	16.4	15.5	20%	
5	Other	2.6	2.7	3%	
6	Materials and Supplies*	2.6	2.7	3%	
7	Debt Repayments	2.1	2.1	3%	
8	Community Grants*	1.3	1.5	2%	
9	Transfer to Reserves	1.2	0.8	1%	
	Total	\$ 71.1	\$ 78.6	100%	
	*Detailed Slides Follow				

2014 Gross Expenditures \$78.6m



Contract Services 2014 Budget Detail

\$ in thousands

		2013	2014	% of Total
1	Ambulance	7,412	7,614	47%
2	Utilities LCHC	1,054	1,087	7%
3	MPAC	1,040	1,050	6%
4	Health Unit	1,000	1,025	6%
5	Lanark Trans Assoc (\$430k Provincial gas tax)	447	508	3%
6	Winter PW	488	499	3%
7	Insurance	423	450	3%
8	Utilities Lanark Lodge	418	400	2%
9	Safety Devices PW	363	367	2%
10	Hardtop PW	218	216	1%
11	Fire Dispatch Smiths Falls	201	206	1%
12	Lanark Lodge Physio	-	138	1%
13	Legal	98	161	1%
14	Other <100k	2,404	2,538	16%
	Total	15,566	16,259	100%

Materials & Supplies 2014 Budget Detail

\$ in thousands

		2013	2014	% of Total
1	Sand & Salt	728	718	27%
2	Raw Food L Lodge	464	478	18%
3	Fuel Public Works	210	245	9%
4	Medical Supplies LL	198	204	8%
5	Parts Public Works	154	155	6%
6	Hospitality	126	134	5%
7	Office Supplies	117	128	5%
8	Building Materials LCHC	83	89	3%
9	Maintenance Supplies LL	61	61	2%
10	Tourism Advertising	50	60	2%
11	Postage	56	57	2%
12	Cleaning Supplies LL	40	48	2%
13	County Advertising	32	47	2%
14	Other	310	283	10%
	Total	2,629	2,707	100%

COUNTY OF LANARK















Dec 31, 2013 Long Term Debt (,000s)

	Outstanding	Interest	Annual	Years	Year
Purpose of Loan (Lender)	31-Dec-13	Rate	Payments	Remaining	Loan Paid Off
Fairview Manor (BMO)	\$ 3,272	3.17%	\$ 490	7.5	6/30/2021
Fairview Manor (BMO)	\$ 328	4.54%	\$ 135	2.5	7/31/2016
Admin Building (BMO)	\$ 1,797	2.30%	\$ 228	9	12/31/2022
Admin Building (OIPC)	\$ 346	3.82%	\$ 62	6.5	2/17/2020
Roads & Bridges (OIPC)	\$ 2,608	4.37%	\$ 645	4.5	6/15/2018
Fire Communications (OIPC)	\$ 705	2.42%	\$ 138	5.5	9/17/2019
Ambulance Bay (OIPC)	\$ 389	3.82%	\$ 67	6.5	2/17/2020
LCHC - Housing (Scotia)	\$ 150	5.19%	\$ 59	2.5	08/1/2016
LCHC - MCV (CMHC)	\$ 623	4.61%	\$ 66	12.5	06/01/2026
LCHC - Settlers (TD)	\$ 1,831	6.51%	\$ 216	12.5	03/1/2026
Balance Dec 31, 2013	\$ 12,050		\$ 2,105		
Balance at Dec 31, 2014	\$ 10,408		\$1.6M principal to be paid off in 2014		

Notes on Debt

- Lanark County Housing Corporation took over two non profit Housing providers (Settlers and MCV) and their \$3M debt in 2008;
- Fairview Manor: 2006 County's \$6M contribution to redevelopment, \$626k a year debt repayment;
- Administration building rehabilitation 2007/8 \$3.5M;
- \$5M borrowed in 2005 to get road's standards up;
- No new debt 2011 & 2012 & 2013 & 2014.

Community Grants 2014 Budget Detail

		Thousands		% of Total	Funded by	
		2013	2014		Province	County Levy
1	C Homelessness Prevention Initiative	\$ 753	\$ 757	51%		
2	Affordable Housing	364	448	30%		
3	Victims of Domestic Violence	0	75	5%		
4	Renovate Program	0	60	4%		
5	Best Start Service Integration	50	50	3%		
6	Emergency Funding (unassigned)	35	35	2%		
7	Interval House	0	15	1%		
8	Susan Shirley	0	15	1%		
9	Rent Support	0	15	1%		
10	Archives Lanark	3	6	0%		
11	4-H Club	2.2	2.2	0%		
12	Algonquin College	2	2	0%		
13	D.O.O.R. Housing Assistance	75	0	0%		
14	D.O.O.R. for LCHC	25	0	0%		
	Total	1,309	1,480	100%		

2014 Budgeted Revenues

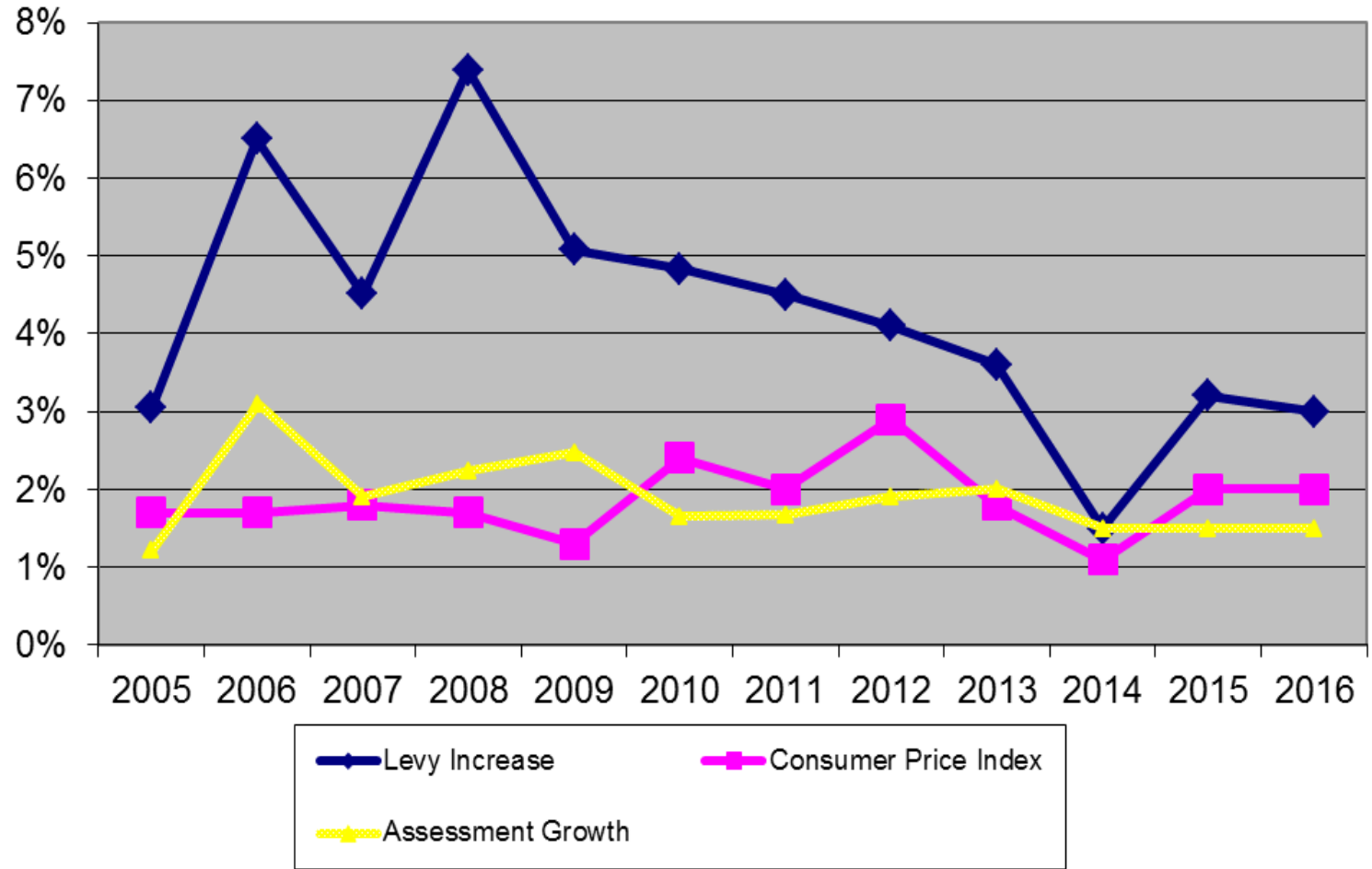
2014 Budgeted Revenues				
		Millions		
	<u>Revenues</u>	2013	2014	% of Total
1	Grants & Subsidies	30.4	32.7	42%
2	Tax Levy	29.5	30.0	38%
3	User Fees	5.9	6.0	8%
4	Transfer from Reserves-	0.9	5.6	7%
5	Other	2.2	2.2	3%
6	Smiths Falls	2.2	2.1	3%
	Total	\$71.1	\$78.6	

2014 Tax Increase 0%

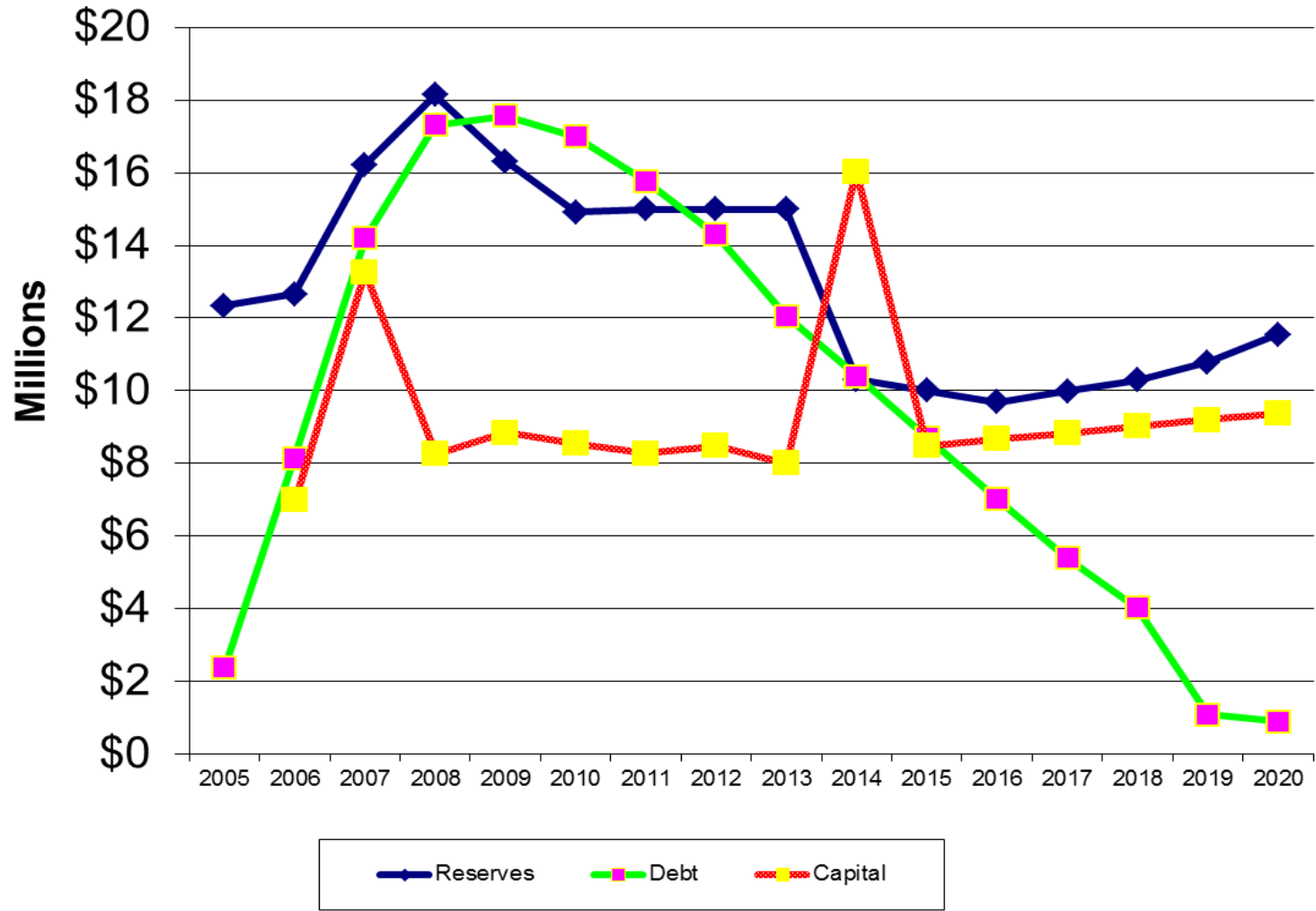
(1.5% levy increase less estimated growth of 1.5%)

	\$100,000 Home	\$200,000 Home	\$300,000 Home
2013 County Taxes	\$410	\$820	\$1,230
Real Tax Increase 0%	\$0	\$0	\$0

Levy Increase, Inflation & Growth 2005 to 2016



Debt, Reserves & Capital 2005 to 2020



2014 Projects

- **Public Work Operations Center**— move forward in 2014 (\$2.0 M already in reserves);
- **Combined Heat & Power** – three proposed units (2 at Lanark Lodge, 1 at LCHC: Bourke Street);
- **McNeely Ave** - Construction \$475k in 2014 (completed 2015/16);
- **511 Mississippi River Bridge** - \$3M received \$2M in Provincial Funding.
- **Smiths Falls Ambulance Bay** – location, design, partner.

Conclusion:

The County continues to move its financial position in the right direction. This is despite the difficulty of dealing with a province in a debt crisis.

The last several years has seen increased use of business case analysis to make decisions. By concentrating on long term cost saving initiatives the County is financially better positioned for the future.

This approach has been front and center with the 2014 budget that emphasizes cost savings while making important investments in key infrastructure.

The 2014 budget has been built to “Turn the Corner” toward long-term sustainability.

Next Steps

- budget presentations (goals estimated costs and comparison metrics);
- **Red flag** items for next meeting;
- additional information.

Budget Meeting Dates

- Wednesday November 20th (if needed);
- Council November 28th.

- **Part III** Departmental Budget Presentation



2014 CORPORATE SERVICES SUMMARY

	2012 Actual	2013 Approved Budget	2014 Program Change	2014 Requested Budget	% 2014 Requested/ 2013 Budget
Expenditures					
Salaries & Wages	\$2,098,123	\$2,096,337	-\$359,535	\$1,736,802	-17.2%
Benefits	\$570,763	\$588,391	-\$133,056	\$455,335	-22.6%
Materials and Supplies	\$59,540	\$65,755	\$13,600	\$79,355	20.7%
Travel and Training	\$100,103	\$111,865	\$1,580	\$113,445	1.4%
Contractual Services	\$516,414	\$640,662	\$92,774	\$733,436	14.5%
Internal Chargebacks	\$0	\$20,981	-\$20,981	\$0	
Transfer to Reserves-	\$52,044	\$57,075	\$1,183	\$58,258	2.1%
Capital Expenditures	\$37,232	\$84,663	-\$39,503	\$45,160	-46.7%
Total Expenditures	\$3,434,219	\$3,665,729	-\$443,938	\$3,221,791	-12.1%
Revenues					
Internal Chargebacks	\$765,912	\$871,972	-\$1,911	\$870,061	-0.2%
Grants	\$253,407	\$370,600	\$59,809	\$430,409	16.1%
Subsidies	\$1,120	\$0	\$0	\$0	
Licenses, Fees & Permits	\$0	\$5,000	-\$1,000	\$4,000	-20%
Other revenues	\$89,901	\$70,900	\$16,700	\$87,600	23.6%
Smiths Falls	\$8,200	\$0	\$0	\$0	
Transfer from Reserves-	\$1,353	\$10,000	\$0	\$10,000	0.0%
Total Revenues	\$1,119,893	\$1,328,472	\$73,598	\$1,402,070	5.5%
Net Levy	\$2,314,326	\$2,337,257	-\$517,536	\$1,819,721	-22.1%

* Contract Service Increase \$60k Accessibility Provincial Gas Tax, additional \$60k for Outsourced Professional Services

* Grants \$60k increase in Provincial Gas Tax Funding

* Materials and Supplies \$14k for Health & Safety for all staff to recognize commitment to safety

2014 CORPORATE SERVICES

Position	2013 Approved FTE	2014 FTE Program Change	2014 Requested FTE
Accessibility	0	0	0
CAO Office	2.0	0.0	2.0
Clerk's Office	5.0	-2.0	3.0
Finance	7.4	0.0	7.4
Human Resources	6.4	-2.0	4.4
Information Technology	7.0	-1.0	6.0
TOTAL	27.8	-5.0	22.8

Corporate Services - Net Levy By Sub-Department

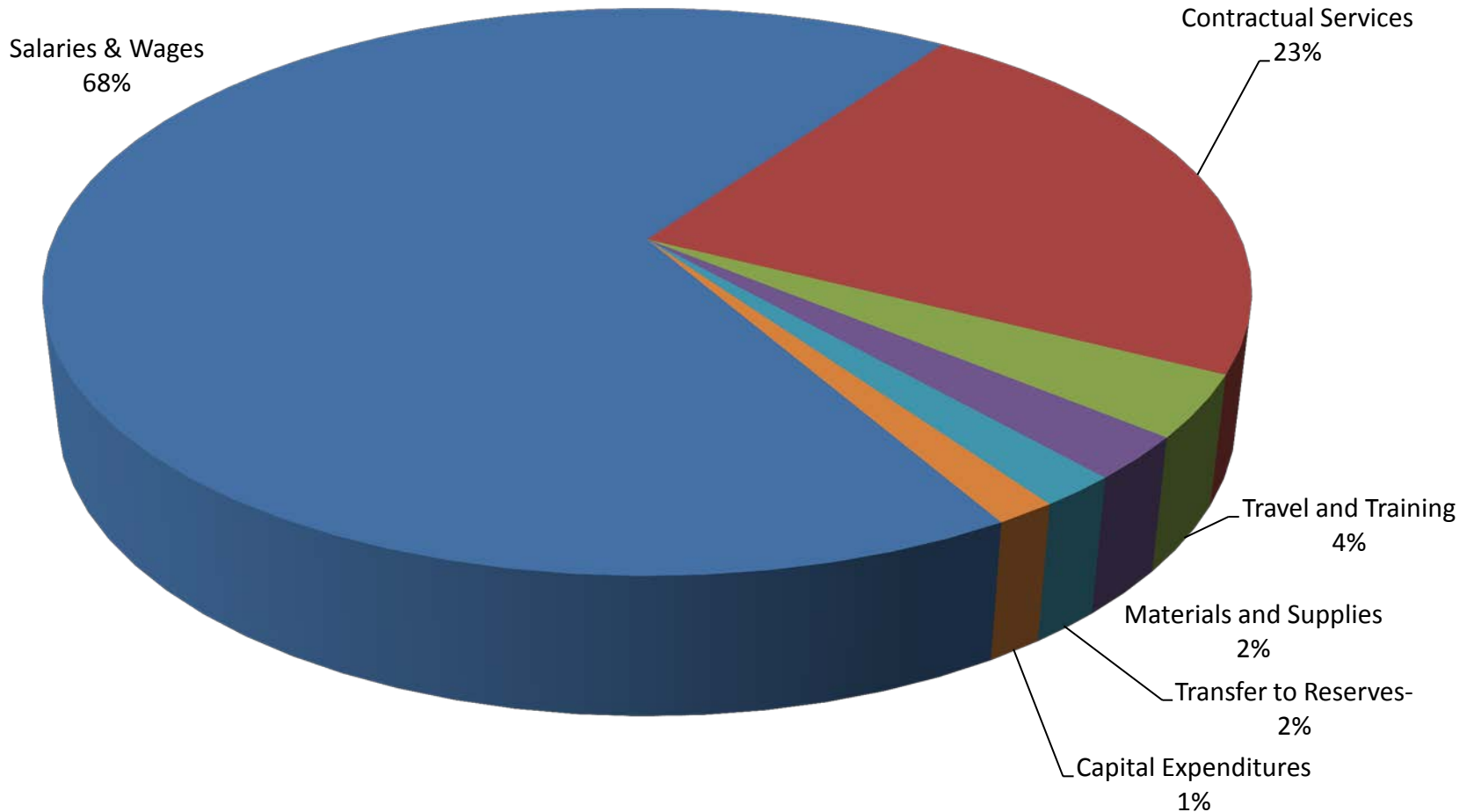
	2013 Budget Net Levy	2014 Change \$	2014 Requested Budget Net Levy	2014 Requested /2013 Budget %
<u>Sub Department</u>				
Information Tech	599,366	(167,728)	431,638	-28.0%
Finance	362,865	14,010	376,875	3.9%
Human Resources	555,666	(201,983)	353,683	-36.3%
Clerk's Office	509,708	(184,722)	324,986	-36.2%
CAO's Office	228,852	20,336	249,188	8.9%
Accessibility	80,800	2,550	83,350	3.2%
	\$ 2,337,257	\$ (517,536)	\$ 1,819,721	-22.1%

CORPORATE SERVICES

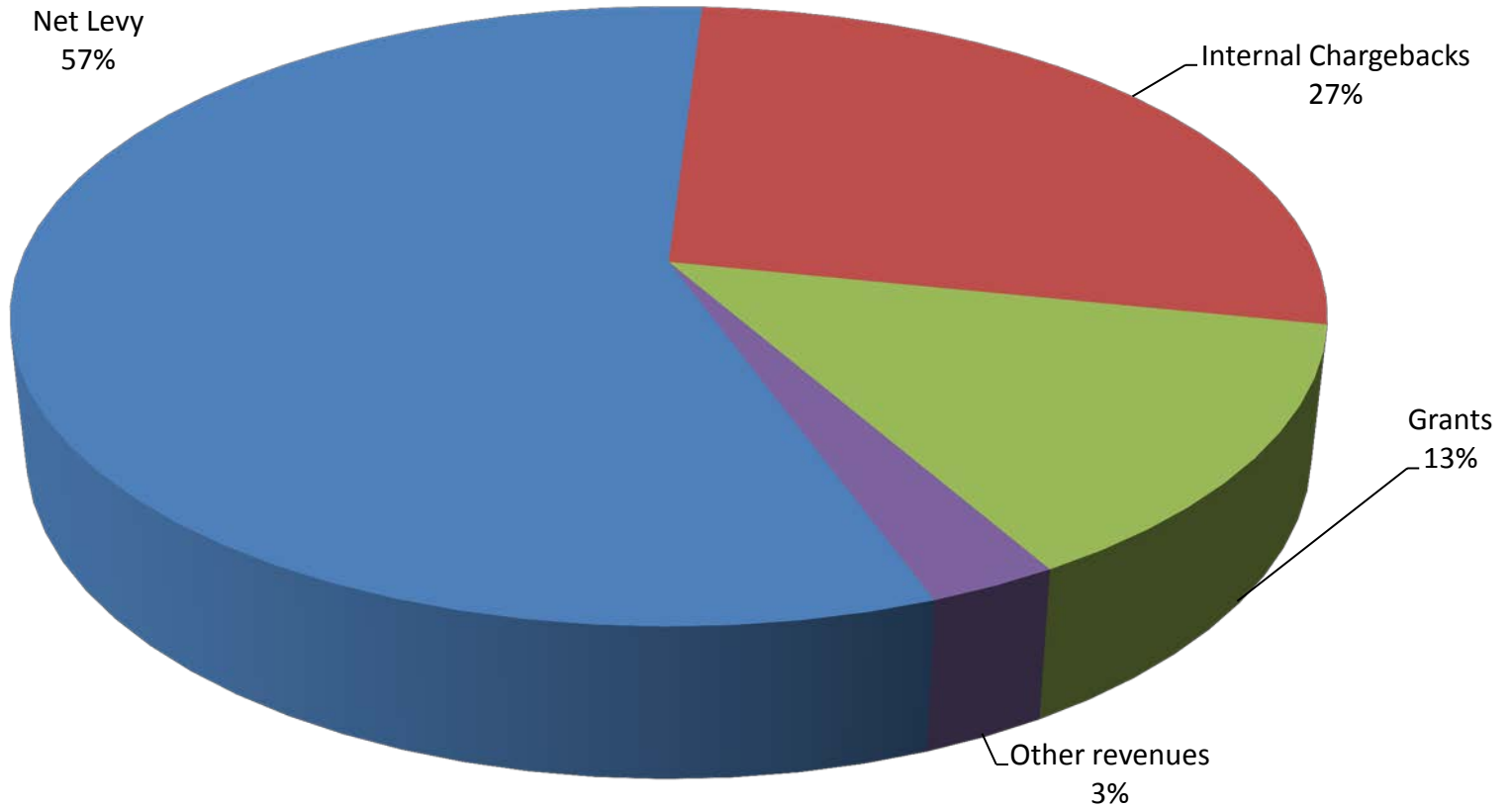
2014 Goals

Goal	2014				Comments	Approximate Cost
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter		
Records Retention (Clerk)	X	X	X		Complete review of Records Retention By-Law (County wide). Amending schedules as required. Review records ready for destruction and Iron Mountain contract.	Staff Time & Reduce 3 rd party storage costs
Business Continuity Plan (All)	X	X	X	X	Identify critical functions & establish procedures to ensure continuity.	Staff Time
Report to Council on Housing Corporation Structure (CAO)	X	X	X		Evaluate potential options regarding LCHC structure.	Staff Time
Virtual Network Design and Implementation (IT)	X	X	X	X	Upgrade virtual server & deploy new physical server. Improve resiliency of system.	New Server & Staff Time
Examine Business Class Tax Rates (Finance)	X				Compare Lanark County rates to provincial averages and neighbouring municipalities. Work with local treasurers to determine recommendations.	Staff Time

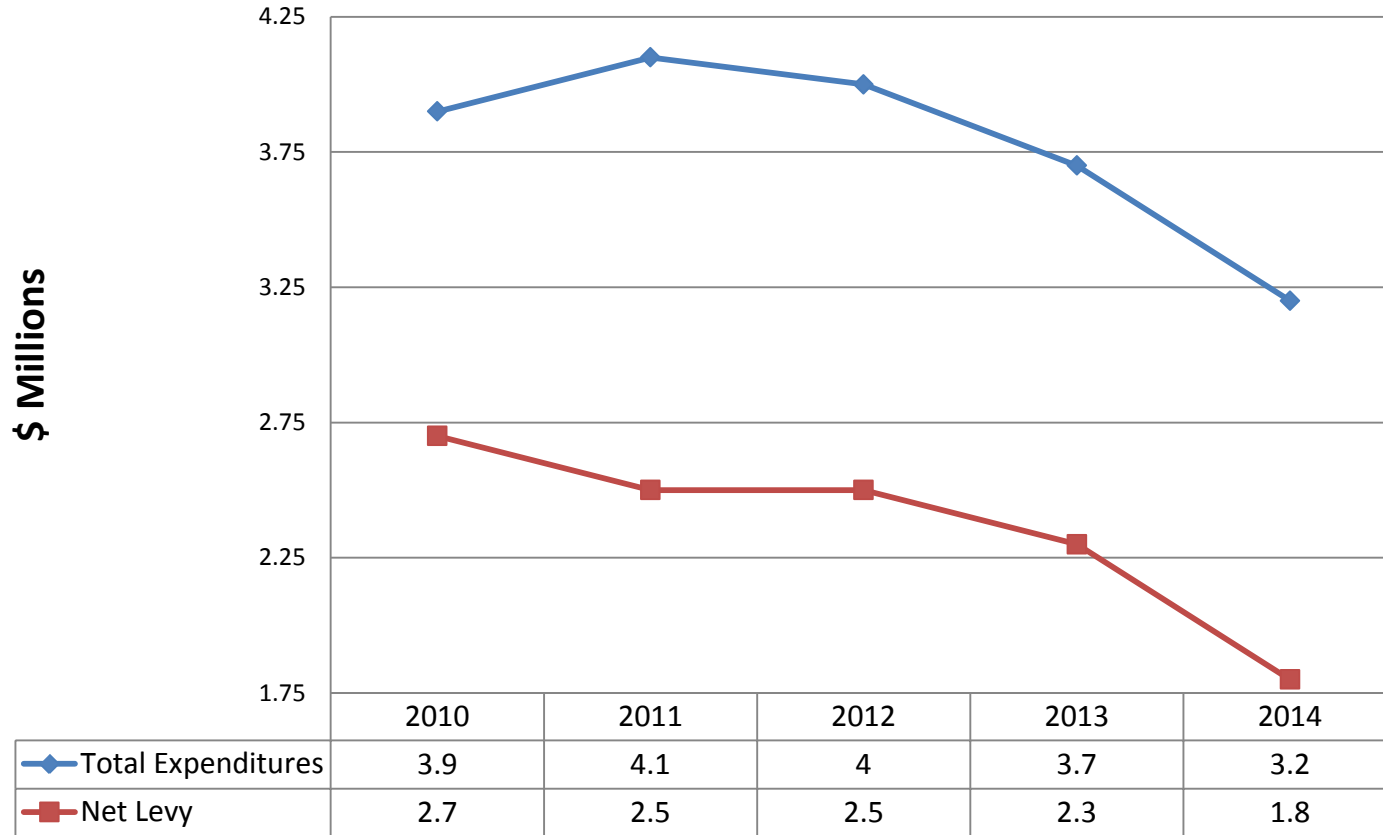
Corporate Services 2014 Expenses as % of Total Expenditures



Corporate Services 2014 Revenue by Funding Stream



Corporate Services Budget 2010 to 2014



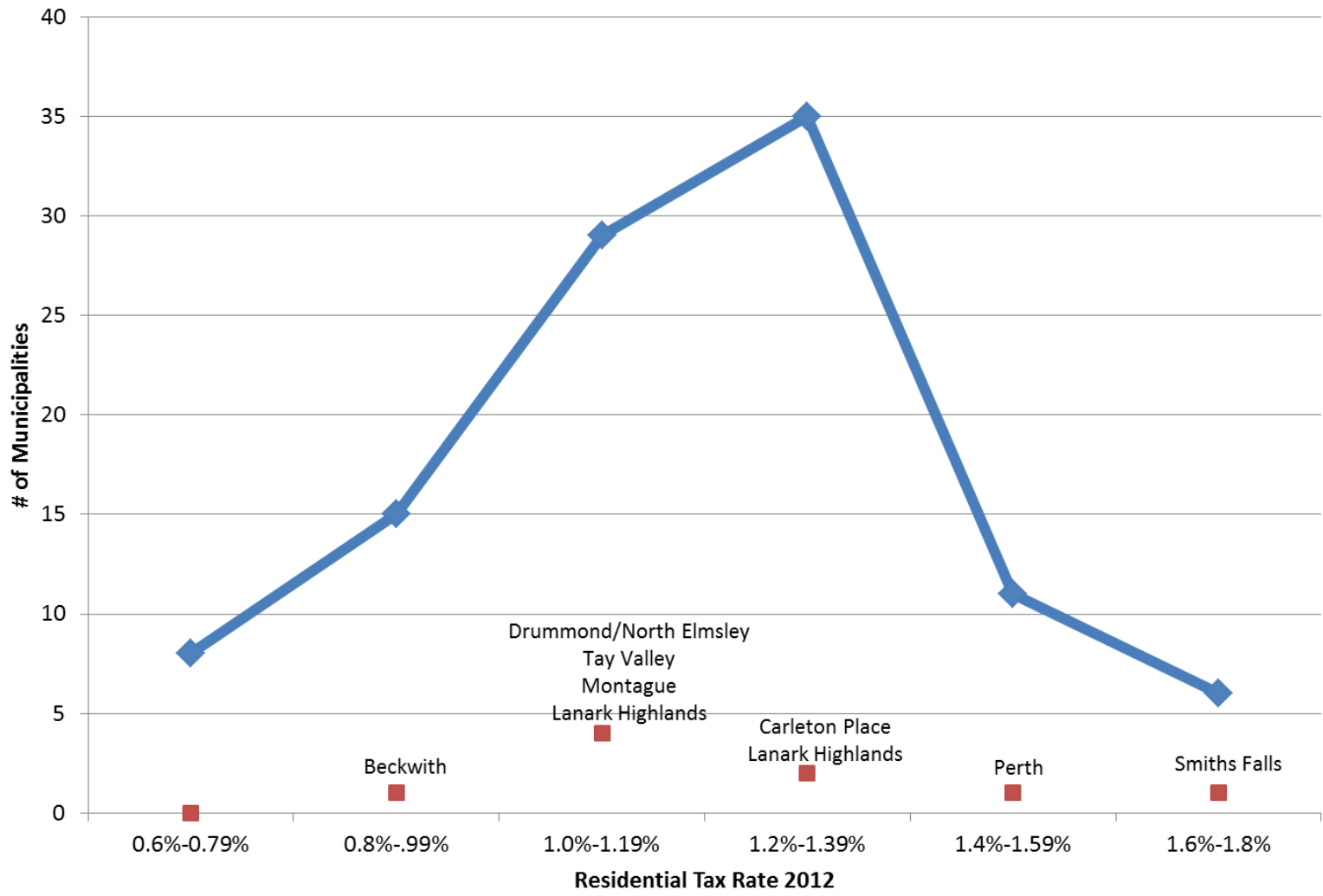
\$900,000 reduction to the Net Levy since 2010, with 5 consecutive years with a decrease to the Net Levy, overall 33.3% reduction, 80% of savings attributed to cost savings remaining 20% attributed to an increase in internal chargebacks.

Part IV Tax Rates

- Comparison of 113 Eastern Ontario Municipalities
- Residential Tax Rate:

<u>Eastern Ontario</u>
104 local or single tier municipalities
Highest Rate - Pembroke 1.79%
Lowest Rate - Dysart 0.57%
Average Rate - 1.2%
Median Rate - 1.2%
Average Assessment Base - 1.8 Billion

Eastern Ontario Distribution of 2012 Residential Tax Rates



- Tax Rates for 103 Eastern Ontario Municipalities
- Commercial / Industrial Rates and Ranking also available.

Contact

kgreaves@lanarkcounty.ca



- Questions