



**Municipality of Port Hope**  
56 Queen Street  
Port Hope, ON  
L1A 3Z9

**REPORT TO:** Budget Committee  
**FROM:** David Baxter, Director of Finance  
**SUBJECT:** 2019 Budget Development Initiation  
**DATE:** August 7, 2018

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**RECOMMENDATION:**

That Budget Committee identify any Service Level Changes it requests to be considered as part of the draft budget; and,

Further, that Committee receive the guidelines and timelines outlined in this report for information and direct staff to prepare the 2019 Operating and Capital budgets based thereon.

**BACKGROUND:**

Staff have begun preparation of the 2019 Operating and Capital Budgets which will be established with consideration to the Municipality's Strategic Financial Plan and Community Strategic Plan.

The timing plan for the 2019 budget development is:

- August 7 – Receive input from Budget Committee
- Mid-August to Mid-September – Department Budget development
- Mid-September to Mid-October – Department Budget review and consolidation
- Late October/Early November – Senior Management Team review
- Mid-November – Budget package finalization and early release for review
- Mid-December 2019 – Budget Committee review (Special Meeting)
- Early January, 2019 – Council approval

This will accomplish the direction of Budget Committee to complete the Budget in December to enable staff to implement the budget in a timely manner and be able to achieve improved pricing by tendering projects earlier.

In order to identify in advance the initial potential 2019 Municipal budget base changes, attached as Appendix 'A' is a first look at the 2019 budget base for context and discussion of Committee as well as for consideration if Committee is to provide specific guidance regarding the budget. At this time the summary is for awareness purposes of opportunities and challenges – not a recommended plan.

There will be additional operational costs and savings which will be identified through the draft budget process. The draft budget will be based on providing the same level of service as the prior year, with any changes already approved incorporated and any service level changes being considered presented to Budget Committee for direction prior to inclusion in the budget.

For preliminary budget discussions the Consumer Price Index (CPI) rate of 1% is used as an indication of annual cost increases however it is noted that municipal cost increases are typically greater than CPI due to the type of costs incurred by the Municipality and the amount used as a placeholder is less than the current CPI (2.5%). Since budget amounts pertaining to the Police and Library need to come from their respective Boards, at this time CPI has been used as an indication that there will likely be some increase in funding requested.

Preliminary review of the operating budget identifies several non-service level issues for consideration which would impact the 2019 Budget:

- Potential decrease in legal expense
- Potential Increased payroll cost arising from proposed legislative changes

This initial base budget includes increases to capital funding to \$2.5 million in accordance with the Community Strategic Plan. This is an important step aligned with our Strategic Financial Plan and Asset Management Plan, which will need to be a multi-year effort to address the Municipality's capital requirements. In addition, it is recommended that no new debentures be included in the financing plans of any capital purchases.

Finance is already aware of over \$5 million of identified capital funding for Pemberton, Brown and Lakeshore Road projects so capital funding is going to be a considerable challenge, even with the increased funding level. Further, in 2018 \$500,000 was contributed to reserves and this amount should generally be increased annually.

If the identified non-service level changes are all included, the initial base budget results in a levy increase of 3.5%, after 2.5% growth - for a total 6% increase or \$1,134,980. This is not the recommendation of staff, simply an awareness of the potential impact of challenges and opportunities known at this time.

In addition, other considerations such as the potential donation to the hospice, costs associated with new software for asset management, work orders, GIS and budgeting will need to be considered.

Ultimately the impact to the rural and urban area tax levies will be dependent on the application of special services and phasing. It was agreed at the end of last years' Budget establishment session that the Municipality would aim for a 2% increase after property assessment growth. This will clearly be a challenging budget year trying to balance needed capital funding increases and increased cost of operations while mitigating the impact to the taxpayer.

Once Committee has reviewed, staff will then proceed with the establishment of the 2019 budget in full detail. It is suggested that Council representatives on the external Boards funded by the Municipality (Animal Control, GRCA, Police and Library) communicate to the external Boards the Municipal direction and work to achieve a budget within each local Board that aligns with the Municipal Budget.

**CONCLUSION:**

The 2019 budget process continues the progress achieved in prior years, including important steps toward the Strategic Financial Plan and Asset Management Plan by increasing current capital spending and funding capital reserves for the future.

Original Signed by:

David Baxter, CPA, CMA  
Director of Finance

**Anticipated 2019 Municipal Levy Changes**  
**Material Amounts for Context in Establishing Budget Direction**

		<b>Levy Impact Inc (Dec)</b>	<b>% Levy Impact</b>	
2018 Levy	19,073,722			note 1% = \$190,737
Annual Increase in Capital Spending/Reserve contribution		500,000	2.6%	per Community Strategic Plan
CPI increase 1.0% of budgeted expenses		278,410	1.5%	(excludes Police and Library Portion)
OMPF Grant decrease		28,390	0.1%	estimated based on prior years reduction
Legal Expense Decrease		(50,000)	-0.3%	
Significant Changes - Operating departments				
Street Lights (retrofit repayment complete)		(108,992)	-0.6%	Contract agreement complete Feb 2019
Engineering Time (not allocating to projects)		70,000	0.4%	
Community Development Director Position		137,325	0.7%	
Council Remuneration Changes		21,200	0.1%	
Remove 1 time catch-up adjustment in 2018 to Election reserve from base		(15,000)	-0.1%	
Leisure Services Master Plan		80,000	0.4%	
<b>Municipal before External Boards and Service Level Changes</b>		<hr/> 941,333	4.9%	
<b>External Board Departments</b>				
Police	TBD - 1.0% CPI noted	58,231	0.3%	1.0% of budgeted expenses
Library	TBD - 1.0% CPI noted	7,841	0.0%	1.0% of budgeted expenses + \$15,000 anticipated retiree benefits cost (2 employees)
<b>Total before Contingency</b>		<hr/> 1,007,404	5.3%	
<b>Contingencies</b>				
General Contingency Fund		-	0.0%	
Legislative changes - Minimum Wage & CPP		127,576	0.7%	\$1.00 increase minimum wage effective January 1, 2019, CPP increase (0.15% increase to 5.10% employer share) - estimate
<b>Total increase before growth</b>		<hr/> 1,134,980	6.0%	
Weighted Assessment Increase	2.5%	(476,843)	-2.5%	
<b>Total increase including growth</b>		<hr/> <hr/> 658,137	3.5%	

\* Does not include any Service Level Change Recommendations

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