



**Municipality of Port Hope**

56 Queen Street  
Port Hope, ON  
L1A 3Z9

REPORT TO: Budget Committee  
FROM: David Baxter, Director of Finance  
SUBJECT: 2019 Proposed Budget  
DATE: December 10, 2018

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**RECOMMENDATION:**

That a Resolution be prepared for presentation to Council to approve the proposed 2019 Municipal budget, as amended.

**BACKGROUND:**

In August, a budget plan for 2019 and proposed timeline was provided to Budget Committee. Subsequently, staff prepared a draft budget with input from departments, Local Boards, and Committees of Council which has been consolidated by Finance and reviewed by the Senior Management Team in order to bring forward a proposed 2019 budget to Budget Committee for their review and further direction. Over the course of two full day budget review sessions, Budget Committee can amend the staff proposed budget through passing motions as well as determine the amounts to be included for community grants, donations and Committees of Council. It is anticipated that following this direction the Committee would then recommend the draft budget proceed to Council for final review and approval. The public is invited to provide comments throughout the process.

The 2019 combined operating and capital proposed budget summary by service area, with a tax levy amount of \$19,985,786, is provided in Appendix A. A summary of the proposed Municipal levy changes is included in Appendix B. This report identifies the key components of the 2019 proposed budget. For reference, a change of approximately \$190,000 has a 1% impact on the tax levy.

**Operating Budget**

Department operating budgets (Appendix C) are developed based on maintaining existing levels of service as the prior year, as well as any service level changes previously authorized by Budget Committee. Department operating budget changes reflect a total 2.8% increase to the annual levy.

A significant contributing factor to the budget increase is employee related as the Municipality provides services which rely heavily on associated staffing. The 2019 budget includes the funding for the addition of a Director of Community Development and an additional Police Officer, as well as annual increases including statutory payroll requirements. Transit is no longer a contracted service and is instead being staffed by Municipal employees. Other notable changes include increased Jack Burger Sports Complex pool maintenance of \$145,000. Savings in the budget are highlighted by the reduction of street lighting contract costs \$130,800 and the reduction to the 2019 Budget for Stormwater Management Facilities maintenance \$100,000.

During the February 7, 2012 Budget Committee, staff were directed to create a new Parking Reserve and to allocate 1/3 of the net parking operations surplus to each of the following reserves: Parking Reserve, Accessibility Reserve, and the Beautification Reserve (not to exceed the \$50,000 reserve cap). In the 2019 budget, staff are recommending to remove the 1/3 distribution and contribute 100% of the net parking operations surplus to the Parking Reserve. The estimated uncommitted reserve balance at December 31, 2018 is \$95,000 and the estimated replacement cost of all parking lots identified in the Asset Management Plan is \$4,500,000. This change will enable the entire parking surplus to be used towards replacing and maintaining the existing parking lots. The decision to contribute to the Accessibility and Beautification Reserves will be determined on an annual basis to be funded by tax levy and established through the budget process. The 2019 proposed budget includes contributions from tax levy in the amount of \$40,000 to the Accessibility Reserve and \$10,000 to the Beautification Reserve.

Note that the operating budget is inclusive of the water and wastewater utility systems budgets, which have no levy impact. Each utility has a 10 year financial plan which is updated every 5 years. There are significant variances for each utility to the current financial plan, primarily due to corrections pertaining to prior years. Staff are taking steps to mitigate the impact, primarily by deferring capital projects and utilizing other funding sources for capital projects. In 2019 the Utility Financial plan will be updated.

In addition, there are some significant non-department budget changes (Appendix D) totaling a 1.4% decrease to the annual levy. This includes a reduction in legal fees by \$100,000, a reduction in Municipal Tax write-offs of \$73,000 and increased general revenues \$120,500. Notable offsetting revenue reduction is a decrease of \$75,000 for interest for taxes receivable, a reflection of the ongoing efforts of staff to reduce Taxes Receivable.

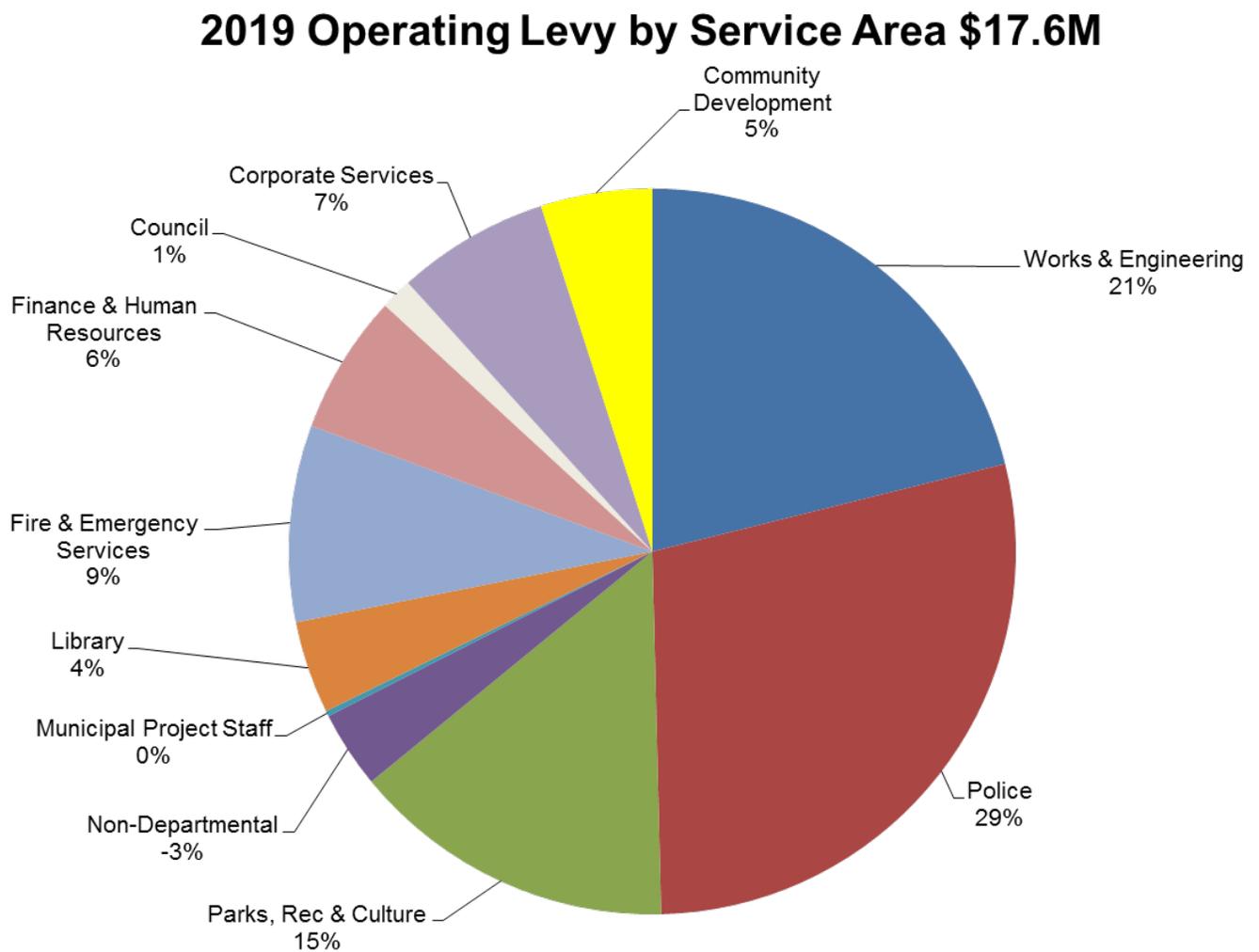
Direction is requested on Committee of Council requests (Appendix E), donation requests (Appendix F), and Community Grants (Appendix G). These categories have been included in the proposed budget with the Committees of Council 2019 budget submissions amounts included within the budget; including the Heritage Summer Student included in the Planning budget; donations at 2018 approved levels, and Community Grants have been included with a suggested \$100,000, a reduction of \$18,425 from the 2018 Approved budget.

Operating service level change recommendations (Appendix H) had been submitted for review. The Directors proposed moving forward with three (3) recommendations which

do not impact the levy. Wastewater submitted a request for a Wastewater Foreman \$73,981 and additional Health and Safety Fall Protection Equipment \$45,000, these are to be funded by Wastewater Rates. A submission was received from HBIA for Lent Lane paving at \$50,000, to be funded from the Beautification Reserve. The Directors recommend the proposal of the HBIA for Lent Lane will need review by Municipal Staff and the improvement managed by the Municipality.

The total Operating impact before the Library Board and Police Services Board is 1.1%. Police have requested a 1.0% levy increase, and the Library request is 0.1% (Appendix I). The total operating increase is 1.1%, or \$215,679. Figure 1 identifies how the total operating levy is allocated by service area.

**Figure 1**



**Capital Budget**

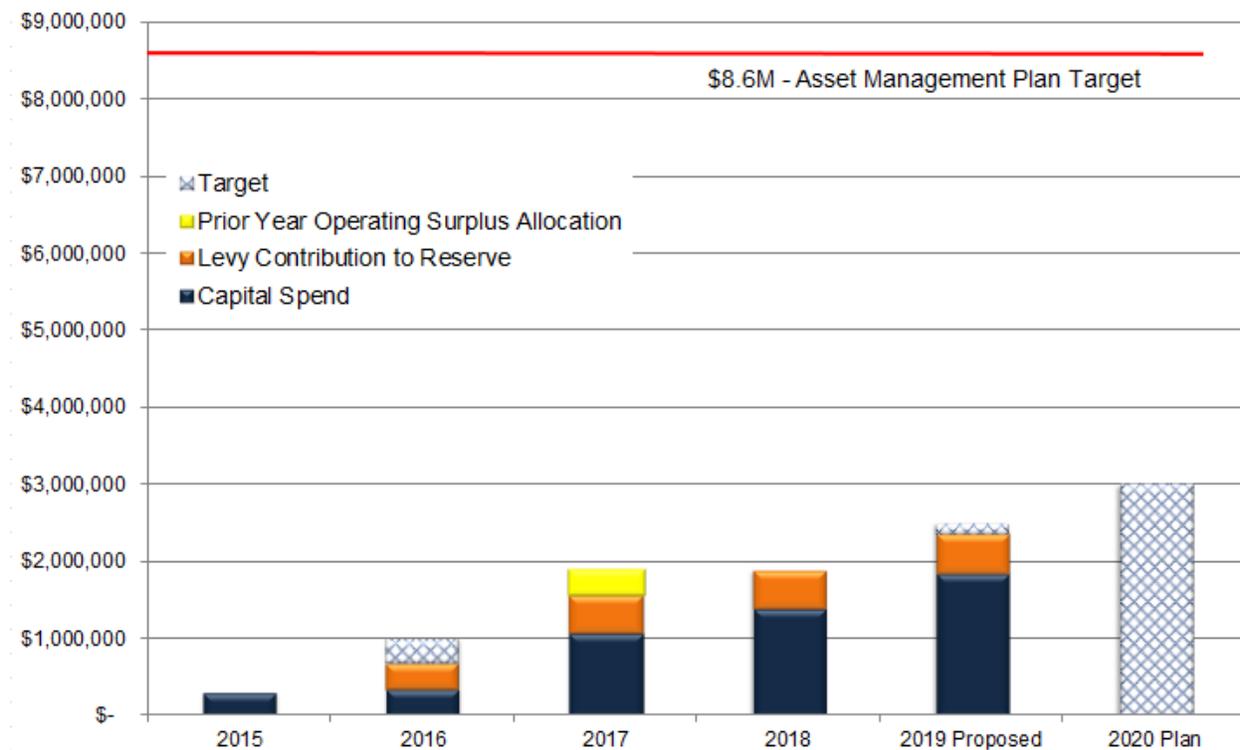
Projects that were approved in prior years but are not yet complete for a variety of reasons, including projects that are on hold and planned multi-year projects, are included in Appendix J. The table provides the status of expenditures compared to budget and an update on estimated completion.

A key driver of the 2019 proposed budget is the impact of increasing capital funding as per the Community Strategic Plan in order to decrease the infrastructure funding shortfall and address the needs of aging infrastructure. The 2019 proposed capital funding increase from levy is \$457,000, which includes a \$107,000 capital funding shortfall from 2018 and an increase of \$350,000 for 2019. This is a positive step, but is a \$150,000 shortfall from the \$500,000 annual increase identified in the strategic plan. For 2019, the capital funding from levy surpasses the \$2 million mark, with \$0.5 million going into reserves and \$1.85 million being spent on current needs.

This continues to be a significant annual step in the right direction, however the current annual amount required to financially sustain existing infrastructure is \$8.6 million (Figure 2). This leaves an annual deficit of \$6.3 million, however grants and other sources of funding are being utilized to partially reduce this shortfall.

**Figure 2**

## Combined Capital Funding from Levy



For 2019, the focus is again on replacement of existing infrastructure, with many projects being projects that were identified as needed in prior years but for which there were not enough funds to proceed and similarly there are many projects of strong merit that were not able to be funded within the available capital funds for this year that will be

considered next year. Staff continued to prioritize capital regardless of funding source. The situation is slowly improving with the annual increases to capital funding.

In total, \$6.6 million dollars is proposed to be spent on capital, of which \$4.4 million is for general municipal purposes and \$2.2 million dollars is related to the water and wastewater utilities. There are two road construction projects (Pemberton Drive and Brown Street) that include all municipal services, including water and wastewater. For simplicity purposes, the projects have been included as one project under the General Municipal Capital portion as there is a levy component for each project. The capital summary is included in Appendix K, and the detail sheets for each project are included in Appendix L. Detail sheets for each project that are not included in the proposed budget are provided in Appendix M, which includes 30 projects for a total of \$5.5 million.

The most significant proposed project is \$2,240,000 for the reconstruction of Brown Street. This project represents that replacement of sanitary sewer, storm sewer, watermain, curb, sidewalk and asphalt from Walton Street to Bedford Street, including the sanitary sewer on Browns Drive. Other significant construction projects are Pemberton Drive extension (\$1,568,000) and Molson Street Sidewalk Widening (\$663,000).

Fire and Emergency Services plans to replace a Fire Tanker at Station 2 in Welcome at a cost of \$315,000. Rural roads resurfacing is also prioritized, with \$235,000 included to improve four road segments. The rural roads division will also replace a tandem axel snowplow at a cost of \$270,000.

Utilities capital project highlights include the replacement of Water Filtration Membranes at the Water Treatment Plant (\$400,000) and the new addition of a Solar Panel System (\$260,000) to be installed on the large storage building roof to power the entire the Wastewater Treatment Plant in order to realize annual hydro cost savings.

In order to reduce the tax levy impact in the 2019 budget, there were changes made to two capital projects. The first project is the rural roads resurfacing program. In the 2018 capital budget, this program was approved for \$450,000, which was partially funded by the Federal Gas Tax Reserve Fund as one time funding only, in the amount of \$300,000, as it is not sustainable to annually withdraw this amount. To help offset the tax levy impact, other funding opportunities were investigated to help fund the 2019 rural roads resurfacing program and the Authorized Leave Reserve was identified. This reserve was created prior to amalgamation in the Township of Hope to fund the additional costs to departments when it is necessary to hire part-time employees due to the absence of full-time non-union employees from illness. The Authorized Leave Reserve has not been utilized since amalgamation and has a current balance of \$85,297. Depleting this reserve for the rural roads resurfacing program is in alignment with using the reserves in the rural area where they were initiated and allows for more rural road segments to be resurfaced in 2019.

There is an approximate lead time of nine months for a tandem axel snowplow from the date of order to delivery date. In order to be able to receive the snow plow to be ready for service for the 2019/2020 winter season, staff are proposing to include 1/3 of the cost in the 2019 budget as a deposit and have the remaining \$180,000 as a

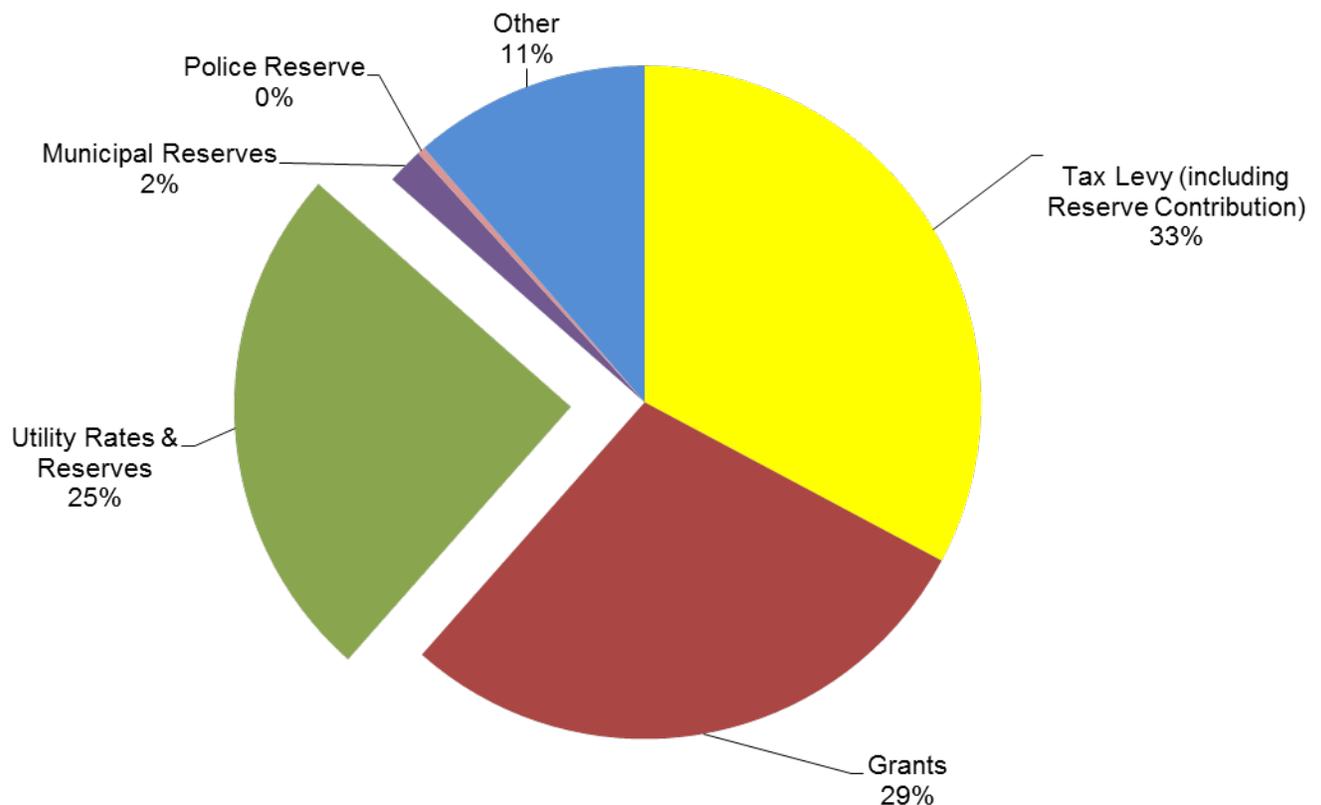
commitment in the 2020 capital budget (2020 pre-budget approval). This will enable staff to order the snow plow in early 2019, while reducing the tax levy impact in 2019. If the Municipality is successful with any capital grant applications throughout the year, any remaining tax levy funding will first be applied to reduce the 2020 commitment.

Note that there is no funding required from the Building and Equipment Reserves or from long-term debt in the 2019 Budget as planned. With the earlier budget timeline, no pre-budget approval requests were required.

In total, there are 10 utility projects, 3 Municipal Police projects, 2 combined general and utility construction projects, and 15 general Municipal proposed capital projects. The total capital funding from levy increase of \$457,000 has a 2.4% increase to the tax levy. Figure 3 identifies how the total capital budget is allocated by funding source.

**Figure 3**

### 2019 Capital by Funding Source \$7.2M

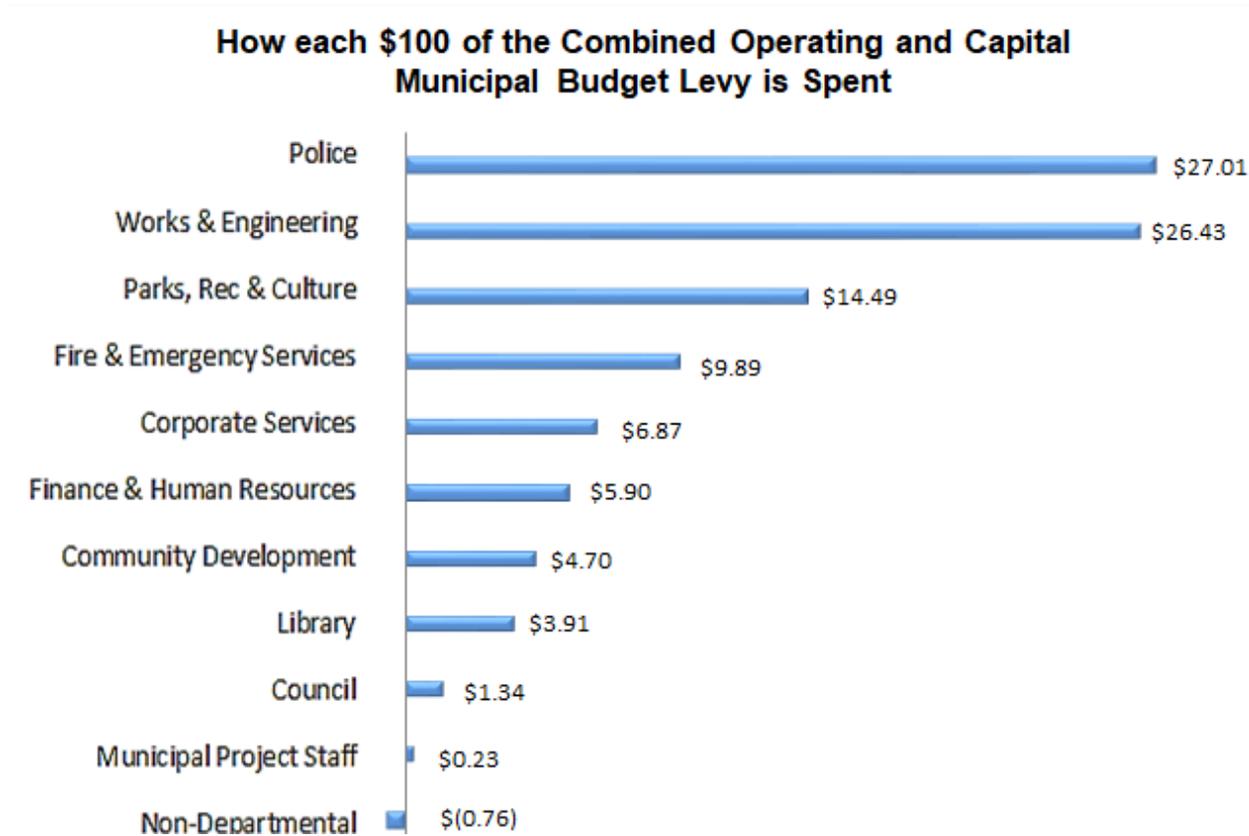


#### Overall

The proposed budget levy requirement is increasing \$942,064 or 4.9%. Of this, 0.9% is estimated to be paid from net new development growth which is typically new taxpayers. Unfortunately, with lower growth than expected to offset the annual increase in the capital funding, this leaves a 4.0% levy increase to existing taxpayers, which is 0.5% higher than what was anticipated at the August Budget Committee meeting.

The 2019 proposed operating and capital budget requires a tax levy of \$19,985,786, as split out by service area in Appendix A. Figure 4 identifies how each \$100 of budget levy is spent:

**Figure 4**



**CONCLUSION:**

The draft budget has been established to meet the operating and capital requirements of the Municipality and implementing elements of the Community Strategic Plan while addressing several financial challenges within a 4.0% budget levy increase after growth.

Respectfully submitted:

David Baxter, CPA, CMA  
Director of Finance