

STAFF REPORT

Report #CAO2008-02

To: His Worship the Mayor and Members of Council

From: Jeff Carswell, Chief Administrative Officer

Recommendation adopted January 16, 2008.

Re: 2008 Budget Timeline and Background

Council also set January 29, 2008 for a budget meeting.

Date: January 11, 2008

Background

This report initiates the 2008 Budget Process. Staff have been finalizing 2007 Finances and have started preparing the 2008 Operating Budget and 5 Year Capital Forecasts. Staff is pleased to report, the process is commencing earlier this year than last. While the process is well under way at a staff level, there is not the expectation that the process will be completed much earlier than previous years. This is because the Township will require information from other agencies such as the Police and Local Boards and Committees. The earlier initiation should give Council more time to thoroughly review the budget over the coming months.

Discussion:

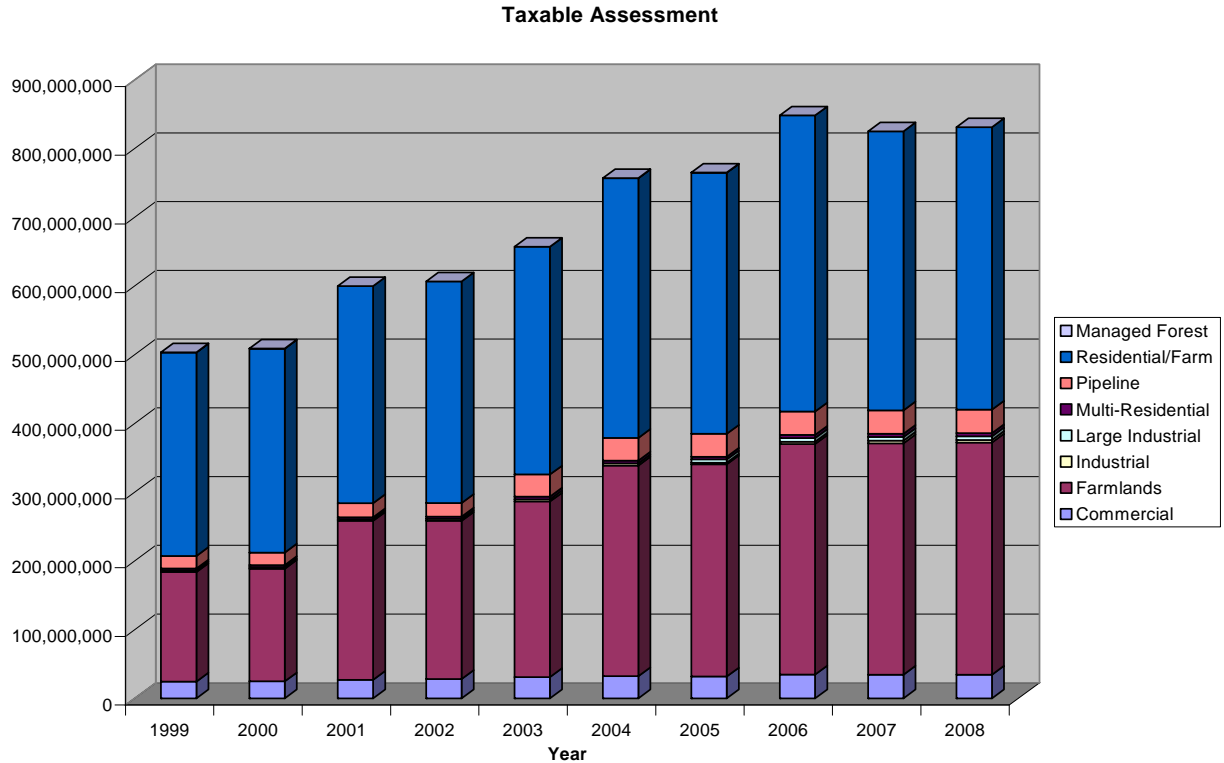
Following is a proposed time-line for review of the 2008 Budget:

- January 16 – Regular Council Meeting – Approve Budget Timeline, Consider several Budget Context Issues
- January 29 – Budget Meeting - First Drafts/Preliminary Information, Review Gravel Road Improvement Strategy, Determine MIII Project
- February 6 – Regular Council Meeting – Additional Budget Discussions – Pass By-law re: MIII Project
- February 20 – Regular Council Meeting – Additional Budget Discussions
- Feb 21 – March 1 – Jeff on vacation – no budget work will get done
- Early March – Police Budget (based on past years timing)
- March 19 – Regular Council Meeting – Detailed Review of the Budget and direction on what to present at the Budget and User Fee Public Meeting in April
- April 2 – Budget Public Meeting - Approval in principle subject to comments from the Public Meeting

Budget Context for 2008

Assessment

Even though development has been strong in Tavistock over 2007, taxable assessment is only up 0.75%. This would translate into approximately \$22,000 in Township Taxation.



Taxable Assessment	2004	2005	2006	2007	2008	% Change From 2007
Commercial	32,188,515	31,821,240	34,754,355	34,364,605	34,385,135	0.06%
Farmlands	306,626,960	308,949,260	335,483,472	336,646,514	337,851,314	0.36%
Industrial	3,099,120	2,048,970	3,268,255	3,940,435	3,750,535	-4.82%
Large Industrial	0	4,826,000	5,236,000	5,253,000	5,253,000	0.00%
Multi-Residential	3,933,000	3,933,000	4,654,000	4,654,000	4,654,000	0.00%
Pipeline	33,271,000	33,371,000	34,164,000	34,173,000	34,200,000	0.08%
Residential/Farm	377,793,585	379,811,910	430,629,218	405,876,146	410,986,556	1.26%
Managed Forest	261,955	331,355	118,910	205,910	225,670	9.60%
	757,174,135	765,092,735	848,308,210	825,113,610	831,306,210	0.75%

OMPF Grant

The Township has received word the OMPF Grant will not be lower than 2007. This means the grant will be at least \$1,298,255.

While this is good news, there are some concerns about this.

First, the Ministry has announced the grant will be at least the same as last year so municipalities can begin budgeting. While this good, the announcement of a minimum is troubling in the send the program is being reviewed, in the context of the Provincial-Municipal Review currently under way. This may result in a substantially different amount in future years, depending on the structure of the program.

Secondly, the Township has been clawed back a portion of the grant due to the phase-in provisions of the program. Basically, the Township saw a significant increase over the CRF Program in 2005 and there has been a reduction applied each year. Over the last three years the phase-in has “cost” the Township \$408,426. As we approached the end of the phase-in program, there was hope the grant would continue to increase; however, with the program under review this may not be the case.

Thirdly, the OMPF Grant is the Township’s second largest source of “on-going” revenue. In 2007 Taxes represented about 60%, OMPF 27% and User Fees 13%. This creates a significant challenge to the budget when almost 100% of your expenses are increasing, but you only have control over about ¾ of your revenue stream. For example if expenses are up 5%, Taxes and User Fees would have to increase 7% to make up for the fact ¼ of the revenue is not increasing. This is further skewed for the Township as the majority of the User Fees relate to the Arena and based on the “break-even” model of operation a significant increase in Arena User Fees provides no relief to Township taxes.

			\$ Change	% Chg		Phase-in Reduction	Potential Grant
CRF	2004	899,000					899,000
OMPF	2005	1,211,632	312,632	34.78%		174,488	1,386,120
OMPF	2006	1,248,840	37,208	3.07%		103,809	1,352,649
OMPF	2007	1,298,255	49,415	3.96%		130,129	1,428,384
OMPF*	2008	1,298,255	0	0.00%		??	??
*min						408,426	

As you can see from the OMPF Chart, past years did see a modest increase and it is hoped there will be an increase in 2008, as well as a lower phase-in impact; however, at this point in time we can only plan for the OMPF Grant in the amount of \$1,298,255.

Payroll

The Wage By-law and CUPE Agreements approved in early 2007 provided wage rates for 2007 and 2008. In 2008 there was an overall adjustment of

3% to the wage grid. In addition, some staff are still moving through the grid system. Sun Life benefit costs are up 1.6% overall for 2008. While rates for some costs such as CPP, EI, WSIB and OMERS are stable or down slightly, the increasing maximum deduction is appearing to mitigate the rate decrease. Staffing changes implemented last year will need to be fully funded in 2008. The 2007 Budget contained provisions for phasing-in staffing changes, so the 2008 budget will not need to absorb the entire increase. Overall payroll costs are up approximately \$78,000 for 2008 with the staffing changes contributing approximately \$54,000 to that amount.

Operating Budget – Programs and Services

Staff is proposing to prepare the operating budget consistent with past years level of service. Service and program provision is constantly reviewed and enhanced where economically possible. Staff believe the programs and services being offered do not include many areas that could be significantly cut or altered. If anything, there are continued requests and desires for a higher level of service in many areas.

Capital Budget

It is anticipated the Capital Budget will require the bulk of staff and Council's time. The Capital Projects, especially in the Public Works area are larger and more complicated than in past years. From a budgeting perspective, they often take place over more than one year and require combinations of taxation, grants, reserves and financing. Achieving the right balance can be confusing and time-consuming. While Capital spending has increased over the last several years, there continues to be many more demands and desires than can be funded. Council has directed that tasks like the Gravel Road Improvement Strategy be completed which should assist in determining which roads warrant improvement and providing a solid rationale.

Budget Documents

Staff is proposing the budget documents be prepared similar in format to past years. Staff believe the documents include all the information required by Council and the public to fully understand the Township's budget. As with any process, staff will try to enhance and provide better information. Council is encouraged to provide feedback and suggestions on additional information it would like to see or the information provided in a different format.

Recommendation:

1. That Council approve in principle the proposed 2008 Budget Timeline as set out in this report.

Report prepared
and submitted by:

A handwritten signature in black ink that reads "Jeff Carswell". The signature is written in a cursive style with a large, stylized initial "J".

Jeff Carswell, AMCT
Chief Administrative Officer