



Village Of Chase

Administrative Report

TO: Mayor and Council

FROM: Director Financial Services

DATE: 8 December 2016

RE: 2017 Budget Considerations

ISSUE/PURPOSE

To provide preliminary budget information to Council for review in preparation for the initial budget meeting in January 2017. It is not intended to discuss the budget in detail at this preliminary meeting. This will provide council the opportunity to review the budget in detail and submit questions to management for clarification at the first budget meeting in the new year. Hopefully this will facilitate the early completion of the budget for 2017 in order that staff can proceed with proposed projects at the earliest opportunity.

HISTORY/BACKGROUND

The preliminary annual budget is prepared based upon the prior year's budget for general operations with a 1.5% increment for normal operating expenses and a 3% increment for 2017 taxes and 2% increment from 2018 to 2021. Salaries and benefits are based upon an annual increment of 2%.

The costs of employee benefits has increased dramatically over the last two years as pension premiums, health care premiums and insurance in general has risen significantly. The total budget impact for 2017 is expected to be approximately \$42,000 (an increase of 18%). The pension plan report for June 2016 indicates the plan is nearing balance and we do not anticipate any further significant increases.

The following additions are being submitted for council consideration in the annual budget:

Taxes- Permissive tax exemption revenues added annually, \$52,900 for municipal tax and \$39,300 for requisitions. Tax requisitions paid is increased to \$39,300 expense to offset the revenue and permissive tax exemption of \$52,900 is added to Grant expenditures. Net impact on budget is nil.

- Tax revenues increase budgeted for 2017 is \$47,000.

Grants – The small communities grant revenue has been maintained at the new grant level of approximately \$399,000 for the current year. I have increased the budget to \$390,000 per year to reflect the current level of funding.

- Permissive tax exemption added to grant expenses \$52,900
- Grant in aid for Community hall is already \$3,000 above budget for 2016 therefore have increased by \$6,000 to \$12,000.

Legislative (Council) - Increased budget for Council honorarium and per diems by \$6,000.

Administration – Anticipate decline in investment income as the sewage treatment plant project is completed.

- Addition of 610 hours for additional administrative support staff to assist administration with projects, grants and other work at an annual cost of \$13,200 (includes benefits).
- Training Budget increased for Corporate Officer training by \$6,000.
- Addition of an overhead screen for council chamber cost \$4,000
- Reduced Health and Safety contract by \$3,000
- Removed Vadim Upgrade expenses of \$5,500 (costs incurred in 2016)
- Reduced contract computer support by \$3,000 as staff more involved in performing tasks.
- Increased computer acquisition budget for three computers in the new year. Two computers appear to be dying and our oldest one needs to be upgraded. Increased budget \$3,000

Fire Department – Increased supplies budget by \$4,000

- Building maintenance budget to replace old windows increased by \$6,000.

Rescue Services – Increased Training and conferences by \$6,000.

- Increased communications by \$1,400 to cover Iphone and annual charges.

Emergency Services - Unchanged

By law Enforcement – Unchanged

Building Inspection - Unchanged

Solid Waste Management – Equipment repairs reduced \$9,000 with acquisition of new truck.

- Reduced loss on disposal by \$46,200. No trades in 2017.

Planning and Development – Added Postage budget of \$300. Costs for mailings related to subdivisions and approval process.

- Increased budget for Bylaw review to \$25,000 to be funded by reserves in the amount of \$18,000 and from surplus \$7,000.

Economic Development – Increased contract services by \$5,000 funded by Healthy communities grant for Youth Action.

- Increased Music in the Park to \$12,000.

Public Works – Increased Training budget by \$1,700. Training of staff increased in 2016.

Roads - Golf Carts Project, costs unknown. Minor costs of installation of signage etc. will be absorbed by regular budget. No additional budget established.

Drainage – No change

Parks – No changes to total budget.

Recreation Facilities

Arena – Increased grant budget \$2,500 for inflationary increment

Museum – No change

Curling Rink – Increased \$1,000 for miscellaneous maintenance.

Community Hall –2017 budget has no significant changes. \$20,000 is included for the next five year of the upgrade plan.

Other Facilities

Wharf – Budget not increased although 2016 budget exceeded. Unusual major repair of swim ladder completed for \$4,400.

Dyke – No reduction in budget although no works completed in 2016.

Rental Property – No change to budget

Cemetery - Added \$1,000 to revenue budget, no change to expenditure budget.

Water Works - Administration budget unchanged. Supplies over budget due to Rain Barrel project.

- Revenues increased by \$34,000.
- Water Distribution supplies over budget caused by water meter maintenance costs. We anticipate a reduction in costs as the system is fine tuned.
- Water Treatment maintenance budget unchanged.

Waste Water Treatment

- Administration budget revenues increased by \$9,000.
- Collection budget unchanged.
- Sewer treatment budget unchanged.

DISCUSSION

The proposed budget yields a significant cash flow deficit over a five year period in the amount of \$1,468,400 of which \$528,300 has been financed by drawing down all of our available reserves, leaving a net deficit of \$940,100.

The general fund will generate a \$1,097,900 total deficit over five years. This is caused by steady drain by capital projects, vehicle purchases and other projects. We are unable to set aside any reserves for emergencies and capital replacement. The accumulated deficit after five years will be \$1,889,100.

The water fund is in a deficit position temporarily as our planned utility rate increases to catch up will move us into an annual surplus position in 2020. The deficit for the five years will be \$253,600 and the accumulated balance of the water fund deficit will be \$807,900

The waste water fund will temporarily have a deficit as we complete the Sewage Treatment upgrade in 2017 and then revert to a \$200,000 plus surplus each year. We are not increasing sewage rates significantly while we increase the water rates to recover that fund to a surplus position. The waste water surplus for the five years will be \$411,400 which is financing a portion of the deficit caused by the other two funds. The accumulated surplus of the Waste Water Fund will be \$2,511,800 in five years.

Total annual deficit is averaging \$188,000 per year and after five years the village will be in a cash deficit position of \$185,200. The present plans project an accumulated cash deficit position for the entire five years of the plan

FINANCIAL IMPLICATIONS

The village requires funds to operate from January to June when the property taxes are received. Based upon annual taxes of \$1,613,000 the Village should retain a cash surplus on hand in the vicinity of \$800,000 to fund the six months of operations without borrowing. Dropping below this level will require borrowing funds for operational purposes which will cost interest and reduce funds for other operations.

More serious is the fact that we will also be utilizing the bulk of our reserves for capital purposes and without any surplus or reserves, we have no emergency funding available. Almost anything that comes up will require borrowing to cover the situation.

POLICY IMPLICATIONS

RECOMMENDATION

That staff and council review the budget in depth for the purpose of establishing priorities and that the Village considers developing policy guidelines for capital and project funding to assist in planning and budgeting.

Respectfully submitted,

Leif Pedersen,
Director Financial Services