

2021 BUDGET PUBLIC MEETING

March 22, 2021

Committee Room

via Teams on-line meeting

Presented By: Dawn Galusha, Treasurer





BUDGET PROCESS

- Municipalities exist under the mandate of the Province.
- Municipal Act and a variety of other Provincial Acts
- Provincial requirement to prepare a Budget
- This public meeting will explain:
 - How the Town is financed
 - How your tax dollars are applied



2021 BUDGET PROCESS

- Process began with Management and Administration preparing estimates and then preparing an in-depth review of those estimates
- The detailed budgets were brought to each executive committee of Council for input
- A full detailed budget was provided to Council and a Committee of the Whole Meeting was held on February 1.
- During this meeting Council evaluated and reviewed the challenging requests and approved the 2021 budget.



UTILITIES



- The Town of Fort Frances also operates 2 utilities:
 - Water and Sewer
- The operations of the two Utilities are funded by:
 - The user fees that they generate
- They do not affect property tax rates directly

- Also, the Town is the sole shareholder of the Fort Frances Power Corporation
 - Electrical rates fully fund the FFPC



SOURCES OF MUNICIPAL REVENUE

- The Town of Fort Frances has four sources of revenue:
 - Taxation (including Payment In-Lieu of Taxes)
 - Conditional and Unconditional Grants
 - User Fees, Permits, Licenses and Fines
 - Other revenues such as penalties and interest, rents, sale of land and equipment, etc.



PROPERTY TAXATION

- Main source of revenue
- Consists of 2 main components
 - Tax Base (assessment)
 - Assessed value of property is determined by the Municipal Property Assessment Corporation (MPAC)
 - Due to COVID, the Province determined that the Assessment Values would remain at the 2020 values
 - Tax Rates (Municipal and Education)
 - Municipal- set by Town Council
 - Education- set by the Province of Ontario
- Special charges- Business Improvement Area Charges
 - Added only to specific areas



PROPERTY TAX RATES

- Tax Ratios- define the municipal tax rate of each property class in relation to the Residential Tax Ratio of 1
 - As per Ontario Regulation 385/98, Revenue Neutral Ratios (RNR) are not permitted for 2021 due to the re-assessment deferral. However, because the assessments for all properties that did not have a physical change are the same as 2020, your 2021 Starting Ratios would match Revenue Neutral Ratio in most instances.



PROPERTY TAX RATES

- Property tax rates are set by Town Council based on the estimated revenue needed to operate and maintain town services and its infrastructure
- Property tax rates are subject to Provincial regulations:
 - Levy restriction for the Multi-residential, Commercial and Industrial Property Classes



LEVY RESTRICTION OR HARD CAPPING EXPLAINED...

- ▶ Provincial legislation prohibits municipalities from applying municipal levy increases on:
 - ▶ Multi-residential,
 - ▶ Commercial, and
 - ▶ Industrial property classes
- ▶ Where the tax ratio is above the provincial threshold the restricted class cannot be increased by more than 50% of the levy increase applied to non-capped properties



ASSESSMENT

- ▶ MPAC is responsible for determining property assessment valuations based on policies stipulated in the Assessment Act
- ▶ Assessment Act
 - ▶ Amended in 2007
 - ▶ Properties valued every four years, beginning with the 2009 tax year
 - ▶ 2017 began the third 4-year cycle
 - ▶ Assessment increases are phased in over the 4 year period (2017-2020)
 - ▶ Assessment decreases are immediate
- ▶ **Assessment for 2021**
 - ▶ 2021 should have been the first year of the next 4 year assessment cycle. This was deferred due to COVID, so properties have the same assessment as they did in 2020



GRADUATED TAXATION

- Graduated Taxation was implemented in 2017, with adjustments in 2018
 - 2 bands
 - Band #1- \$0-3.6 Million
 - Band #2- Over \$3.6 Million
- Provincial tool provided the Town the ability to set a tax rate for Band #1 at a rate of 60% of Band #2
- Self-funded within the Commercial class and does not shift any further tax burden onto the Residential Property class.



USER FEES

- The Town has discretion to determine the services for which it will charge a fee. Some examples of fees charged are:
 - Sports Centre ice rental fees
 - Landfill site tipping fees
 - Garbage bag tag fees
 - Airport landing fees
 - Building permit & zoning application fees
- Many fees increased by 0.6% (same as CPI inflationary increase for Sept 2019 to September 2020)
- Province regulates:
 - Fees are based on cost recovery not to “make a profit”



USER FEES

- ▶ Council approved by-laws that set out our user fees for 2021 for municipal services and for Water & Sewer rates which were set independently.
- ▶ Water and Sewer rates were revised with a continued view as to:
 1. Impact of Provincial Regulations
 2. Sustain and maintain existing system



LICENCES, PERMITS AND FINES

- Revenues under this category include:
 - Business licences
 - Lottery licences
 - Building permits
 - Parking fines

- Similar to user fees, the Province regulates:
 - Fees are based on cost recovery not to “make a profit”



MUNICIPAL ACCOMMODATION TAX

- ▶ Effective January 1, 2019- Accommodation providers in the Town were mandated by By-Law to collect and remit a 4% tax on hotel stays
 - ▶ 50% of the collected money will be distributed to the Rainy River Future Development Corporation as the eligible not-for-profit tourism to be used for the exclusive purpose of tourism promotion and development
 - ▶ The other 50% is for the Town to be utilized for tourism and economic development priorities. This year Council will use the funds towards the economic development initiatives.
 - ▶ The COVID-19 pandemic is projected to continue to have a negative impact on the amount of revenue the Town will receive from the Municipal Accommodation Tax in 2021.



GRANTS

- Conditional and unconditional grants from both the Provincial and Federal Governments
- Ontario Municipal Partnership Fund
 - Main unconditional grant
 - \$3,328,600
 - Increase of \$34,000 or 1.03% (from 2020 to 2021)
- Federal and Provincial grants for general operations



CONDITIONAL GRANTS

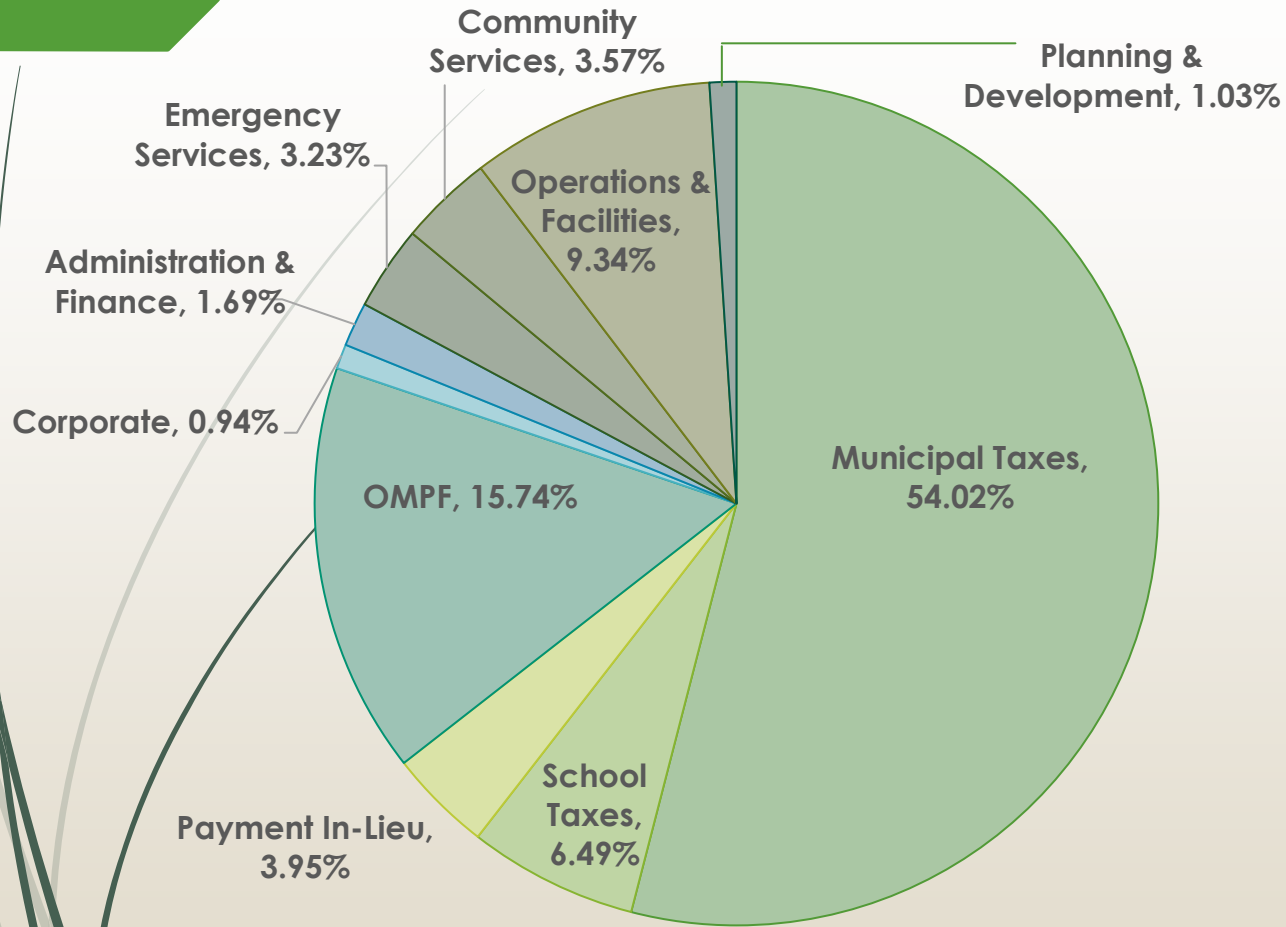
- ▶ The Town receives a variety of annual conditional operating grants such as:
 - ▶ \$113,730 Recycling grant (Stewardship Ontario)
 - ▶ \$42,700 Operating grant for the Fort Frances Seniors' Centre
 - ▶ \$71,727 Handi-van Transit (Ministry of Transportation Gas Tax)
- ▶ The Town also receives annual conditional capital grants which fund various road, sidewalk construction projects:
 - ▶ \$490,887 Federal Gas Tax
 - ▶ \$682,746 Ontario Community Infrastructure Formula Based Funding



SPECIAL PROJECT GRANTS

- The Town also applies for operational and capital grants for special projects such as:
 - Connecting Link Funding for road reconstruction projects
 - OCIF Top-up for road reconstruction projects
 - New NOHFC programs are available for facility upgrades (ie. Senior's Centre Expansion)
 - Any other opportunities that arise which will assist with the cost to the Town

2021 BUDGETED REVENUES



| | |
|--------------------------|------------|
| Municipal Taxes | 11,421,235 |
| School Taxes | 1,372,201 |
| Payment In-Lieu | 835,160 |
| OMPf | 3,328,600 |
| Corporate | 199,001 |
| Administration & Finance | 357,100 |
| Emergency Services | 682,801 |
| Community Services | 755,589 |
| Operations & Facilities | 1,975,244 |
| Planning & Development | 216,770 |
| 2021 Revenue | 21,143,701 |

2021 BUDGETED REVENUES

| | 2021 Budget | 2020 Budget | Change |
|---------------------------------------|---------------------|---------------------|--------------------|
| Corporate | \$17,156,197 | \$17,322,279 | \$ -166,082 |
| Administration & Finance | 357,100 | 465,325 | -108,225 |
| Emergency Services (Fire, COVID, OPP) | 682,801 | 336,589 | 346,212 |
| Community Services | 755,589 | 1,262,148 | -506,559 |
| Operations and Facilities | 1,975,244 | 2,126,623 | -151,379 |
| Planning and Development | 216,770 | 188,664 | 28,106 |
| Total | \$21,143,701 | \$21,701,628 | \$ -557,927 |

Note: Emergency Services is increased due to Safe Restart Grants and carry forward of 2020 SRF Grant; Community Services is directly impacted with a loss in revenue as a result of COVID-19; Operations and Facilities impact is mostly from a loss in Airport Revenues due to COVID-19



MUNICIPAL EXPENSES and EXPENDITURES

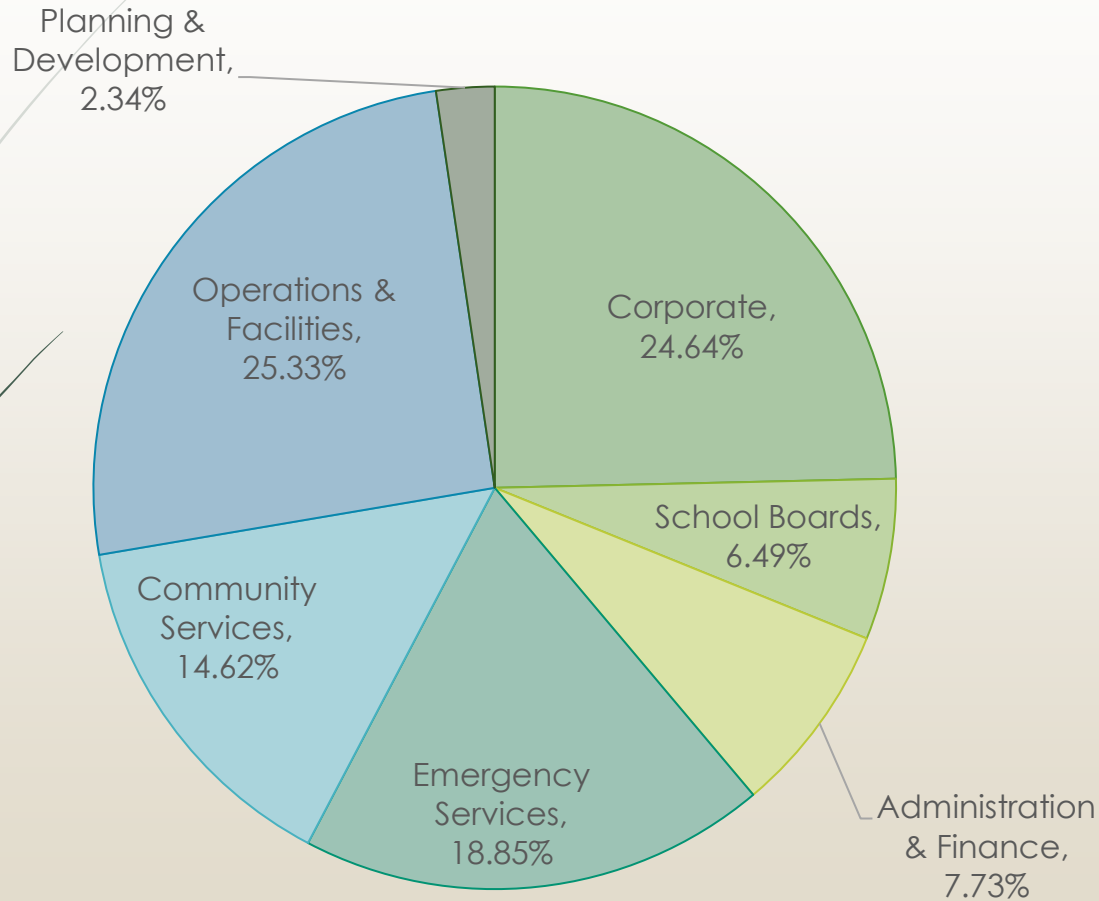
- ▶ Three types of municipal expenses/expenditures:
 - ▶ Operating
 - ▶ Capital
 - ▶ Reserve Fund Contributions
- ▶ Two Broad Categories
 - ▶ Controllable
 - ▶ Administration, Fire and Rescue, Public Works, Museum, Parks, Airport, Handi-Van, By-Law Enforcement, Recreation, Cemeteries, Waste Management, Fort Frances Seniors' Centre
 - ▶ Non-controllable



LONG TERM DEBT

- ▶ Council decision:
 - ▶ Debt
 - ▶ Pay-as-you-go
- ▶ Long Term Debt repayment is part of current operating budget
 - ▶ \$365,991
- ▶ Total debt at the end of 2020 is \$659,421

2021 OPERATING EXPENSES



| | |
|--------------------------|-------------------|
| Corporate | 5,209,093 |
| School Boards | 1,372,201 |
| Administration & Finance | 1,635,145 |
| Emergency Services | 3,984,535 |
| Community Services | 3,091,889 |
| Operations & Facilities | 5,355,071 |
| Planning & Development | 495,767 |
| 2021 Expenses | 21,143,701 |

2021 BUDGETED EXPENDITURES

| | 2021 Budget | 2020 Budget | Change |
|---------------------------------------|--------------------|--------------------|---------------|
| Corporate | \$6,581,294 | \$6,813,802 | -232,508 |
| Administration & Finance | 1,635,145 | 1,595,428 | 39,717 |
| Emergency Services (Fire, COVID, OPP) | 3,984,535 | 3,885,450 | 99,085 |
| Community Services | 3,091,889 | 3,415,036 | -323,147 |
| Operations and Facilities | 5,355,071 | 5,446,745 | -91,674 |
| Planning and Development | 495,767 | 545,167 | -49,400 |
| Total | \$21,143,701 | \$21,701,628 | -557,927 |

2021 BUDGET SUMMARY

| General Division | Revenue | Expenditure | Budget Deficit |
|--------------------------|-----------------------|---------------------|-----------------------|
| Corporate | (\$17,156,197) | \$6,581,294 | (\$10,574,903) |
| Administration & Finance | (357,100) | 1,635,145 | 1,278,045 |
| Emergency Services | (682,801) | 3,984,535 | 3,301,734 |
| Community Services | (755,589) | 3,091,889 | 2,336,300 |
| Operations & Facilities | (1,975,244) | 5,355,071 | 3,379,827 |
| Planning & Development | (216,770) | 495,767 | 278,997 |
| | (21,143,701) | 21,143,701 | 0 |
| Capital Budget | (13,303,569) | 13,303,569 | - |
| Water Operating Budget | (2,894,472) | 2,894,472 | - |
| Sewer Operating Budget | (2,682,631) | 2,682,631 | - |
| | (5,577,103) | 5,577,103 | - |
| | (\$40,024,373) | \$40,024,373 | 0 |



TAX RATE SUMMARY

- The 2021 General Operating Budget results in the following total **tax rate** (Municipal and Education) increases or reductions as compared to the 2020 tax rates:
 - 2.00% increase for Farmland
 - 2.00% increase for Residential
 - 2.00% **decrease** for Multi-residential
 - 0.64% **decrease** for Commercial
 - 0.88% **decrease** for Industrial
 - 0.23% increase for Large Industrial
 - 3.21% **decrease** for Pipelines
- Vacant & Excess Land are the same as the Class they are included under (ie. Commercial and Industrial) as there is a complete phase out of the reduction percentage

RESIDENTIAL TAX RATE COMPARISON

| Current Value Assessment | 2020 | 2021 | Difference in Tax \$ |
|--------------------------|----------|----------|----------------------|
| \$ 60,000 | 1,142.02 | 1,164.84 | 22.82 |
| 100,000 | 1,903.37 | 1,941.41 | 38.04 |
| 150,000 | 2,855.05 | 2,912.11 | 57.06 |
| 200,000 | 3,806.73 | 3,882.82 | 76.09 |

2021 TAX DOLLAR DISTRIBUTION

| | |
|---|------------------------|
| Community Services (Sportsplex, Library, Museum, Daycare, Marina, Sunny Cove) | 14.70 |
| Rainy River District Social Services Administration Board* | 14.11 |
| Contributions to Reserve Funds | 13.67 |
| Operations & Facilities (Roads, Cemeteries, Parks, Airport, Waste Management) | 12.59 |
| Police* | 12.55 |
| School Boards* | 10.07 |
| Fire/911 Services | 7.85 |
| Administration/Council/ Economic Development | 6.33 |
| Long-Term Debt | 2.82 |
| Northwestern Health Unit* | 2.77 |
| Planning & Development (Including By-law) | 2.05 |
| Local Hospital Doctor Recruitment | 0.50 |
| | <u>\$100.00</u> |

\$39.50 of every \$100 is for uncontrollable services/costs*

\$60.50 of every \$100 is for services controlled by the municipality

2021 UNCONTROLLABLE EXPENSES

| | 2020 Actual | 2021 Budget | Change |
|-------------------|---------------------|---------------------|------------------|
| Health Unit | \$ 408,652 | \$ 377,954 | \$ -30,698 |
| RRDSSAB | 1,923,520 | 1,923,520 | 0 |
| Policing Contract | 2,639,763 | 2,706,631 | 66,868 |
| Total | \$ 4,971,935 | \$ 5,008,105 | \$ 36,170 |

Note: RRDSSAB Levy was not available at the time of the budget. Since then, we have been notified the levy will be \$1,918,415.61

RESERVE AND RESERVE FUNDS

- Critical component of the Town's Long-Term financial plan
- Provides financing of capital assets
- Building of Reserve Funds is primarily accomplished through:
 - the allocation of annual operating surpluses
 - Operational budget allocations
 - To sustain asset management strategies
- 2021 General Operating budget allocates
 - \$1,863,000 to Corporate Vehicles/Equipment, Projects, and Building reserve funds
 - \$23,360 to Post Landfill Closure reserve fund
- Water and Sewer Operating Budgets allocate any surplus to Waterworks & Sanitary Sewer Reserve Funds, and \$17,982 to Water meter Replacement Reserve Fund. In addition, Contributions to Capital projects from the W&S Operating Budgets account for \$2,412,196
- The Federal Gas Tax Capital funding of \$490,887 is also directed to reserves.

RESERVE AND RESERVE FUNDS

| | |
|--|---------------------|
| Reserve Funds (as of Dec 31/20) | \$18,122,180 |
| 2021 Estimated Interest Earned | 167,500 |
| 2021 Estimated Transfers to Reserves | 4,871,388 |
| 2021 Estimated Transfers from Reserves | <u>-6,432,870</u> |
| Subtotal | 16,728,198 |
| Reserve for Working Capital | <u>1,000,000</u> |
| Total Reserve & Reserve Funds | \$17,728,198 |



ADDED COSTS vs. EFFICIENCIES

- COVID-19 has changed the way we do business in many ways- unfortunately, in some areas, such as Community Services and cleaning, we have not seen efficiencies, but rather additional costs. This mostly is presented in the form of additional sanitization and cleaning.
- Efficiencies allow a service to continue in a less expensive manner
 - ie. Less human and equipment resources
- Asset Management Plan
 - Funding to bring the Plan to a current status
 - Future budgeting decisions to be made based on the Asset Management Plan
- The Town continues to seek additional efficiencies.



CURRENT ECONOMIC SITUATION

- ▶ COVID-19 has impacted the community, Province, Country and World in significant ways, in order to limit the spread of the virus:
 - ▶ Businesses have been forced to close their doors to reduce the transmission of the virus, put up protection barriers, and invest in PPE
 - ▶ Staff have been laid off due to shortage of work
 - ▶ Students have been forced to attend on-line learning
- ▶ Council has a difficult task of:
 - ▶ Balancing the needs of the community,
 - ▶ Maintaining acceptable service levels,
 - ▶ Making every effort to strengthen the local economy,
 - ▶ While providing fairness in taxation and value in service to our residents
- ▶ The future of the Large Industrial Class tax base for mill properties is still unknown
- ▶ OPP Costs are uncontrollable and are reconciled 2 years later and continue to rise
- ▶ Escalating operating costs- Salaries, benefits, heat, hydro, repairs
- ▶ Aging infrastructure and growing infrastructure deficit



QUESTIONS or COMMENTS



Thank you!

