



REPORT FIN-2017-033

TO: Mayor and Members of Council

FROM: Mary Hasan, Director of Finance/Treasurer

MEETING DATE: November 29, 2017

SUBJECT: 2018 Proposed Budget
File No. F26 OPE and F05 BUD

RECOMMENDATIONS

That Report FIN-2017-033 regarding the 2018 Proposed Budget be received.

DISCUSSION

Purpose

The purpose of this report is to:

1. Provide Council with information regarding the 2018 Proposed Budget. The 2018 Proposed Operating Budget is included as Schedule A to this report. The 2018 Expense, Reserve Transfers, and Revenue Summary is included as Schedule B to this report.
2. Present Capital Budget changes that have occurred based on the discussions that took place at the September 27, 2017 Capital Budget meeting. Outlined below are the most up to date capital budget schedules included in this Report:
 - The 2014 to 2027 Capital Plan Summaries including 2018 Capital Budget Sheets are included in Schedule I
 - The Capital Projects by Year from 2014 to 2027 for each department with total budgeted costs are included in Schedule J
 - The Equipment Replacement Schedule is included in Schedule K
 - The Capital Funding Sources by Year Chart and Graph is included in Schedule L
 - The 2018 Proposed Capital Budget Compared to the 2017 and 2016 Approved Capital Budget Funding Comparisons is included in Schedule M
 - The 2018 Proposed Ten Year Plan Compared to the 2017 and 2016 Ten Year Plans is included in Schedule N

The 2017 completed capital projects and the estimated balances in discretionary and restricted reserves will be presented at a future Council Meeting.

Background

On September 27, 2017 Council received report FIN-2017-029 - 2018 Proposed Capital Budget. The following table was presented to Council to summarize the proposed Capital Budget.

	2017 Approved Budget	2018 Proposed Budget	Difference	Tax Impact
Total Capital Taxation Levy	\$840,866	\$1,023,349	\$182,483	5.21%

Capital Budget Updates

Outlined below are the revisions made to the Capital Budget and Forecast based on Council's direction from the Capital Budget Meeting held on September 27, 2017.

1. Council directed staff to defer the painting of Pumper 31 to 2019.

Staff Update: This project has been deferred to 2019. The project is funded by the Fire Vehicle Replacement Discretionary Reserve resulting in no capital tax levy impact.

2. Council directed staff to report back on the Satellite Fire Station as part of the 2019 budget and to defer this project to 2019.

Staff Update: This project has been deferred to 2019 resulting in a \$100,000 capital tax levy decrease.

3. Council directed staff to include the sale value of the current lawnmower of \$5,000 to fund the replacement and to reduce the total costs for a new mower to \$25,000.

Staff Update: The Kabota lawnmower replacement in Parks is now funded as \$25,000 Parks Equipment Replacement Discretionary Reserve and \$5,000 Grant (Re-sale Value). This change results in no 2018 capital tax levy impact.

4. As recommended by staff, Council directed staff to defer the Office Renovation/Expansion including Accessibility Project to 2023/2024/2025.

Staff Update: This project has been deferred to 2023 to 2027 resulting in no 2018 capital tax levy impact.

- Council directed staff to include the NSERC CRC Application – Advancement of Groundwater Multi-Level System Technologies request for a grant of \$10,000 as part of the Operating Budget Process as it relates to grant distributions for 2018.

Staff Update: This grant request is included in the Operating Budget resulting in a \$10,000 capital tax levy decrease.

Current Tax Levy Impact

Based on the 2017 returned assessment roll, each additional \$35,000 of taxes levied results in a 1% tax rate increase for the Township portion of taxes.

Outlined below is the proposed 2018 tax levy for capital and operating purposes.

	2017 Approved Budget	2018 Proposed Budget	Difference	Estimated Tax Rate Impact
Total Capital Taxation Levy	\$840,866	\$913,349	\$72,483	2.07%
Total Operating Taxation Levy	\$2,642,266	\$2,697,865	\$55,599	1.59%
Total Municipal Taxation Levy	\$3,483,132	\$3,611,214	\$128,082	3.66%

The estimated 3.66% tax rate increase in the 2018 proposed budget includes the following:

- \$232,500 of contributions to capital discretionary reserves
- \$30,000 of contributions to operating discretionary reserves (\$25,000 - legal contingency and \$5,000 - insurance contingency)
- \$0 contribution to elections discretionary reserve
- Proposed cost of living adjustment of 1.50%
- \$32,250 budgeted for Community Grants which is comparable to the 2017 approved budget. This amount does not include the \$10,000 for the NSERC CRC Application – Advancement of Groundwater Multi-Level System Technologies. For further details regarding the 2018 Grant Application Program, refer to Report FIN-2017-034.
- Increase in minimum wage from \$11.60 per hour to \$14.00 per hour effective January 1, 2018 in accordance with Bill 148

The estimated 3.66% tax rate increase in the 2018 proposed budget excludes the following:

- Operating Base Budget Increases

Assessment Growth

Please note, assessment growth based on the Municipal Change Profile report received from MPAC on Sightline in Municipal Connect displays approximately 3% in Assessment Growth (ie. 2017 Roll Return compared to 2017 Year-End). The 2018 Roll Return is proposed to be provided to the Township in December. Township staff will provide the 2018 tax rate calculation and the tax impact for the Median Single Family Detached Dwelling – RT – Property Code 301 based on the proposed Operating and Capital Budget Taxation Levy.

Cost of Living Adjustment

Summarized below are the cost of living adjustments (COLA) being considered or approved by the comparator municipalities used in the Township’s 2014 Pay Equity Study and the lower tier Wellington County municipalities, including Wellington County. The average approved COLA in these municipalities in comparison to the Township’s approved COLA from 2014 to 2017 is summarized below:

	Average Approved COLA - Comparators	Township Approved COLA
2014	1.44%	1.00%
2015	1.93%	2.00%
2016	1.60%	1.20%
2017	1.59%	1.50%

Staff’s recommendation in Report FIN-2015-035 is that COLA be tied to the Consumer Price Index (CPI) for Ontario from August to August. CPI increased 1.50% from August 2016 to August 2017. The following table shows that many municipalities have not approved the COLA for 2018 but it also shows that many use CPI as a benchmark.

Municipality	2014	2015	2016	2017	2018	Comments
Blandford Blenheim	1.00%	2.00%	1.20%	1.50%	1.50%	Proposed - Ontario CPI increase from August 2016 to August 2017.
Centre Wellington	1.60%	1.75%	1.90%	1.55%	1.64%	Approved – 4 year agreement effective January 1, 2017.
Erin	2.00%	1.50%	1.90%	0.75%	2.00%	Proposed
Guelph Eramosa	1.00%	2.00%	1.70%	1.50%	Not Available	Proposed
Mapleton	2.50%	2.50%	Not available	2.00%	1.50%	Proposed – but will be adjusted to October CPI
Minto	0.00%	2.00%	1.00%	1.50%	1.50%	Proposed - to be considered as part of current market review that is being undertaken
Mono	1.30%	2.00%	1.70%	1.70%	1.70%	CPI Ontario
Wellesley	1.50%	2.00%	1.50%	1.75%	Not Available	October CPI for Canada.
Wellington County	2.00%	2.00%	2.00%	2.00%	2.00%	Proposed
Wellington North	1.50%	1.50%	1.50%	1.60%	1.70%	Non-union - April CPI with July 1 st Implementation
Average	1.44%	1.93%	1.60%	1.59%	1.69%	
Puslinch	1.00%	2.00%	1.20%	1.50%	1.50%	Proposed - Ontario CPI increase from August 2016 to August 2017.

The budget impact of including a COLA of 1.50% is \$28,488 increase or 0.81% tax rate impact.

2018 Operating Base Budget Increases

The 2018 Operating Base Budget increases are not included in the proposed budget and are summarized

Department	Description	Account No.	Amount	One-Time?	Funded by	Tax Rate Increase
Fire & Rescue	50 th Anniversary	4312	\$4,000	Yes	Tax Levy	0.11%
Fire & Rescue	Equipment purchases above normal purchases	4205	\$6,800	Yes	Fire Equipment Replacement	0%
Building	FT Contract Building Inspector	Salary/Benefit Accts	\$74,500	Yes	Building Surplus	0%
Building	RSM Building Consultants	4305	\$47,678	Yes	Building Surplus	0%

The Fire & Rescue 2018 proposed operating base budget increases are attached as Schedule C to this Report.

The Building 2018 proposed operating base budget increases are discussed in Report ADM-2017-041.

2018 Continued Funding Requests

Please refer to Report ADM-2017-044 regarding 2018 Continued Funding Requests as it relates to Corporate records, by-law enforcement and agreements.

Schedule D to this Report includes the 2018 Proposed Organization Chart. Schedule E to this Report includes a Full-Time Equivalents Analysis by position and by department which compares 2017 to 2018 proposed.

Change in Minimum Wage – Effective January 1, 2018 and January 1, 2019

In accordance with Bill 148 – Fair Workplaces and Better Jobs Act, the general minimum wage will increase as follows from the current \$11.60 (which was effective October 1, 2017):

- \$14.00 per hour effective January 1, 2018
- \$15.00 per hour effective January 1, 2019

Therefore, the positions noted below have increased to the general minimum wage increase of \$14.00 per hour effective January 1, 2018:

- Fire Fighter in Training (New hire in probationary six-month period)
 - 2017 Rate of Pay - \$12.92/hour
 - 2018 Rate of Pay - \$14.00/hour
- Student Groundskeeper
 - 2017 Rate of Pay - \$11.40/hour
 - 2018 Rate of Pay - \$14.00/hour
- Facility Operator – Optimist Recreation Centre
 - 2017 Rate of Pay \$12.12/hour
 - 2018 Rate of Pay - \$14.00/hour

Please note that Bill 148 also includes a minimum of 3 hours of pay for employees who are on-call. The incremental salary and benefit implications associated with the proposed bill as it relates to employees who are on-call has not been incorporated in the proposed budget. The Township received correspondence from the Ministry of Municipal Affairs and Housing dated November 14, 2017 regarding a proposed amendment (not yet approved) to add exemptions to the on-call pay and the 96 hours notice scheduling rules in Bill 148 if the reason for the on-call shift was to ensure the continued delivery of essential public services, such as fire, utility and snow removal services. Similarly, an employee's right to refuse an employer's request to work or be on call would not apply if the reason for the request is to ensure the continued delivery of essential public services. Additionally, should Bill 148 be approved, a regulation would

be brought forward to exempt firefighters from the equal pay for equal work provisions with respect to employment status which would provide clarity that volunteer firefighters would not be entitled to the same pay as full-time firefighters.

2018 Election

The 2018 Election is budgeted in the 2018 Operating Budget at a total cost of \$60,000. Commencing in 2014, the Township has been contributing to the Election Discretionary Reserve. In 2017, the contribution was \$12,787. This reserve has a current balance of \$48,574. Therefore, the 2018 election is funded as follows:

- Election Discretionary Reserve - \$48,574
- Taxation Levy - \$11,426

It is recommended that the Township not contribute to the election discretionary reserve in 2018 due to the additional tax levy funding of \$11,426 required for the 2018 Election.

Customer Service Initiatives – Implementation of Form Builder and Ecommerce Payments

The Township is in the process of implementing Form Builder on the Township's website with the Township's current website provider, eSolutions. The benefits associated with form builder are outlined below:

- Facilitates on-line bookings for facility rentals
- Allows for on-line credit card payments
- Forms created are accessible
- Responsive design which adapts to any device and integrates directly with the Township's website.

The one-time costs of \$6,350 associated with implementing Form Builder with e-commerce are noted below:

- Form Builder with e-commerce: \$4,000
- Facility Booking Form (Keystone Integration): \$2,350
 - The Keystone integration allows the customer to view the availability of the facility for the specific rental date prior to submitting the rental request.

These one-time costs are funded from the capital carry forward balance related to the IT Software Upgrade project budgeted from 2014. The current balance for this IT Software Upgrade project is \$99,268.

The ongoing operating costs associated with Form Builder and e-commerce are noted below:

- Annual licensing fees of \$2,000 associated with form builder – Allocated between Finance and Building Contract Services operating accounts
- Credit Card Transaction Fees and Associated Revenues are outlined in the table below. It is recommended that a 1.75% online service fee be applicable to the end user for on-line credit card payments.

Expense or Revenue Account?	Accounts	2017 Budget	2018 Proposed Budget
Expense	Building – 01-0020-4500	\$600	\$10,000
Revenue	Building – 01-0015-1185	\$0	-\$5,000)
Expense	Finance – 01-0100-4500	\$2,650	\$10,000
Revenue	Finance – 01-0015-1180	\$0	-\$5,000)

The following municipalities have the following policies as it relates to on-line service fees:

- Minto – 3% fee plus \$0.35 per transaction – Minto utilizes Keystone’s ePay for PayPal service for paying taxes, water & sewer, rentals, dog tags, building permits, etc. via credit card.
- Erin – 2% fee – Erin utilizes Plastiq for on-line credit card payments for tax and water bill payments. Erin also allows front counter credit card payments with the 2% cost recovery fee.
- Wellington County – does not charge an online service fee with the exception of parking tickets which have a convenience charge of \$2.50 from ParkSmart Inc. (a third party service provider).
- Centre Wellington – does not charge an online service fee for dog tags and burn permits and do not provide the option of paying taxes via credit card.
- Cambridge - does not charge an online service fee with the exception of tax payments which are subject to a 2.65% convenience fee to the end user from Paymentus.
- Milton - does not charge an online service fee with the exception of tax payments which are subject to a 1.99% convenience fee to the end user from Plastiq.

Credit Card Acceptance and Electronic Tax Billing – Tax Payments

Historically, municipalities have not accepted credit card payments for property taxes due to the high administration fees levied by the financial institutions for the service.

Municipalities were faced with either a.) calculating the on-line service fee, adding it to the property tax due, collecting the revised total and finally, preparing journal entries to redistribute the charges to the various general ledger accounts or b.) absorbing the entire credit card costs levied by the financial institutions.

Several municipalities have utilized online third party payment service providers such as Plastiq and Paymentus to accept property taxes via credit card payments. These service providers charge an online service fee to the end customer.

The Customer Service area receives several requests from customers to pay for taxes via credit card and to obtain tax bills electronically. In an effort to provide this service to customers who wish to use and pay for the convenience of a credit card payment option, staff have investigated the use of a web based interface with Keystone that can accommodate these service needs with a limited cost to the Township.

Users are able to access this service through the Township website. The customer is required to register on the Township's website. The customer receives an email regarding a billing and is able to make payment online via the Township website. The convenience fee applicable to the end customer for ePay for PayPal is 3% plus \$0.35 per transaction. The convenience fee is displayed and the customer can then choose to either accept responsibility of the fees or can cancel the transaction prior to checking out. The customer is required to acknowledge and accept the convenience fee terms before the transaction is complete.

Example:

Property tax installment - \$500

Convenience Fee (3% plus \$0.35 per transaction) - \$15.35

Amount charged to credit card - \$515.35

The Township will receive only the tax amount of \$500 and the service provider will receive their fee of \$15.35. The Township is able to automatically upload the credit card payments directly into the Keystone system for the specific roll number that the payment relates to. The Township is also able to automatically provide the tax payer the electronic delivery of the tax bill from the Keystone system once bills are issued. Section 343(6.1) of the Municipal Act, as amended only permits electronic delivery of tax bills if the taxpayer has requested this in writing.

No transactional charges are incurred by the Township for providing a credit card payment option for tax payments. However, the following fees are applicable to the Township for payment to Keystone:

- ePay for PayPal – Township cost is \$295 one-time license fee and \$88.50 for annual support
- eBill for Tax Billing – Township cost is \$0.18 for each bill uploaded plus \$0.05 for each insert and \$252 annual support.

The above costs have been budgeted in the Finance Contract Services account.

Conference, Seminar and Training Budget

Schedule F to this Report includes the conference, seminar or training attendance itemized for each department and position. This itemized budget is in accordance with the Staff Expense Policy.

Please note that Clause 4.3 of the Staff Expense Policy indicates that attendance at conference, seminar and training sessions are limited to a maximum of ten (10) business days per calendar year.

In 2018 only, the following positions are budgeted to exceed the 10 business day limit:

- Deputy Clerk and CAO/Clerk are budgeted for 12 business days of conference/seminar/training. The two additional days for 2018 only relate to mandatory Election training required for 2018 only and relate to the 2018 Election.
- The Chief Building Official is budgeted for 16 business days of conference/seminar/training. The 6 additional days for 2018 only relate to required Ministry of Municipal Affairs and Housing Exams and an additional 5-day training course as required in the position's contract.
- The Fire Chief is budgeted for 15 business days of conference/seminar/training. The 5 additional days for 2018 only relate to approved courses by the CAO/Clerk as a result of the new role as Fire Chief.

Memberships and Associations Budget

Attached as Schedule G to this Report is the Memberships and Associations Budget which includes a listing of the positions and departments including the membership and/or association fees paid for by the Township. This itemized budget is in accordance with the Staff Expense Policy.

Please note, the following Memberships and Associations were added as part of the 2018 budget preparation and were not included in Report FIN-2017-009 - Staff Expense Policy presented to Council on March 1, 2017:

- Chief Building Official – Waterloo Region Chief Building Official Committee - \$100
- Chief Building Official – Ontario Plumbing Inspectors Association - \$62
- Facility Operator at the Optimist Recreation Centre – TSSA Class B Refrigeration - \$70

Uniform and Special Clothing Budget

Attached as Schedule H to this Report is the Uniform and Special Clothing Budget which includes a listing of the positions and departments including the uniform and

special clothing budget amounts. This itemized budget is in accordance with the Staff Expense Policy.

Recurring Capital and Operating Grants

The Township's major known recurring capital and operating grant funding including amounts per year are outlined below:

Year	Gas Tax	OCIF – Formula Based	Ontario Municipal Partnership Fund
2015	\$203,528	\$42,878	\$404,600
2016	\$213,704	\$42,878	\$405,400
2017	\$213,704	\$75,822	\$370,200
2018	\$223,880	\$107,836	\$413,600
2019	Not Known	\$169,421	Not Known
2020	Not Known	\$168,923	Not Known

Change in One-Third Tax Free Exemption – Members of Council – Effective January 1, 2019

The 2017 Federal Budget indicates that effective January 1, 2019, the one-third tax free exemption provided to members of Council will be eliminated.

The following scenarios are analyzed:

- Status Quo - Maintain 1/3 Tax Free Allowance – Based on the 2017 Federal Budget, this will be discontinued effective January 1, 2019.
- Option 1 – Fully Taxable – No Change in Gross Pay
- Option 2 – Fully Taxable and Adjust Gross Pay to Maintain the Same Net Pay

An analysis has been completed in the table below on the financial impacts of changing Council remuneration to fully taxable including analyzing the three scenarios above. Please note the following are the assumptions in the analysis:

1. Assumes only one source of income for Members of Council
2. Assumes that all deductions apply to all Members of Council (ie. CPP)
3. Utilized 2017 remuneration, tax, and benefit rates

	Status Quo – Maintain 1/3 Tax Free Allowance		Option 1 – Fully Taxable – No Change in Gross Pay		Option 2 – Fully Taxable, Adjust Gross Pay for Same Net Pay	
	Mayor	Councillor	Mayor	Councillor	Mayor	Councillor
2017 Remuneration	\$23,280	\$15,873	\$23,280	\$15,873	\$23,280	\$15,873
Additional Salary for Equal Net Pay	\$0	\$0	\$0	\$0	\$2,587	\$1,553
Total Remuneration	\$23,280	\$15,873	\$23,280	\$15,873	\$25,867	\$17,426
Taxable Earnings	\$15,520	\$10,582	\$23,280	\$15,873	\$25,867	\$17,426
Non-Taxable Earnings	\$7,760	\$5,291	\$0	\$0	\$0	\$0
Income Tax	\$-(853)	\$-(21)	\$-(2,409)	\$-(924)	\$-(2,927)	\$-(1,235)
Canada Pension Plan	\$-(595)	\$-(351)	\$-(979)	\$-(612)	\$-(1,107)	\$-(689)
Net Pay	\$21,832	\$15,501	\$19,892	\$14,337	\$21,832	\$15,501
Decrease in Net Pay	\$0	\$0	\$-(1,940)	\$-(1,165)	\$0	\$0
Additional Costs – Option 1 or Option 2						
Salary Costs	\$0	\$0	\$0	\$0	\$2,587	\$1,553
Canada Pension Plan	\$0	\$0	\$384	\$1,048	\$512	\$1,355
Employer Health Tax	\$0	\$0	\$151	\$413	\$202	\$534
Loss of GST/HST Rebate on 1/3 Tax Free Allowance	\$0	\$0	\$772	\$2,105	\$772	\$2,105
Subtotal Increase in Costs	\$0	\$0	\$1,307	\$3,565	\$4,072	\$10,206
Total Increase in Costs				\$4,873		\$14,278

Therefore, based on the analysis above, the total increase in costs associated with the following two options are outlined below:

- Option 1 – Fully Taxable – No Change in Gross Pay – total cost increase of \$4,873
- Option 2 - Fully Taxable, Adjust Gross Pay for Same Net Pay - total cost increase of \$14,278.

Please note that the additional costs associated with Option 1 or 2 above have not been incorporated in the 2018 proposed Operating Budget.

Committee Discussion

Township staff will meet with the Recreation Committee on December 19, 2017 to present the following for information:

- 2018 Proposed Operating Budget – Optimist Recreation Centre, Parks, Puslinch Community Centre, Recreation Committee
- 2018 to 2027 Capital Capital Plan Summaries including 2018 Capital Budget Sheets – Optimist Recreation Centre, Parks, Puslinch Community Centre
- 2018 to 2027 Projects by Year – Optimist Recreation Centre, Parks, Puslinch Community Centre
- Excerpt from Report FIN-2017-029 – Explanation for Parks Master Plan works and funding strategy

Township staff provided the Heritage Committee Operating Budget and the PDAC Committee Operating Budget to the Committees for information.

FINANCIAL IMPLICATIONS

Discussed throughout this report.

APPLICABLE LEGISLATION AND REQUIREMENTS

Municipal Act, 2001

Section 343 the Municipal Act indicates the following:

Address for delivery

(6) The treasurer shall send a tax bill to the taxpayer's residence or place of business or to the premises in respect of which the taxes are payable unless the taxpayer directs the treasurer in writing to send the bill to another address, in which case it shall be sent to that address.

Electronic delivery

(6.1) The treasurer may send a tax bill to the taxpayer electronically in the manner specified by the municipality, if the taxpayer has chosen to receive the tax bill in that manner.

Registered mail

(7) Where a taxpayer directs the treasurer in writing to send the taxpayer's tax bill by registered mail, the treasurer shall comply with the direction and shall add the cost of the registration to the tax roll and the amount shall be deemed to be part of the taxes for which the tax bill was sent.

ATTACHMENTS

Schedule A – 2018 Proposed Operating Budget

Schedule B – 2018 Proposed Expenditures, Reserve Transfers and Revenues Summary

Schedule C – 2018 Operating Base Budget Increases

Schedule D – Organization Chart – 2018 Proposed

Schedule E – Full-Time Equivalent Analysis

Schedule F – Conference, Seminar and Training Budget

Schedule G – Memberships and Associations Budget

Schedule H – Uniform and Special Clothing Budget

Schedule I – 2014 to 2027 Capital Plan Summaries including 2018 Capital Budget Sheets

Schedule J – Capital Projects by Year – 2014 to 2027

Schedule K – Equipment Replacement Schedule

Schedule L – Capital Summary – Funding Sources by Year Chart and Graph

Schedule M - 2018 Proposed Capital Budget Compared to the 2017 and 2016 Approved Capital Budget Funding Comparisons

Schedule N - 2018 Proposed Ten Year Plan Compared to the 2017 and 2016 Ten Year Plans