



## REPORT FIN-2018-001

---

TO: Mayor and Members of Council

FROM: Mary Hasan, Director of Finance/Treasurer

MEETING DATE: January 10, 2018

SUBJECT: 2018 Capital and Operating Budget Update  
File No. F05 BUD, F26 OPE, F26 CAP

---

### RECOMMENDATIONS

That Report FIN-2018-001 regarding the 2018 Capital and Operating Budget Update be received.

### DISCUSSION

#### Purpose

The purpose of this report is to:

1. Provide Council an update on the items that were discussed at the September 27<sup>th</sup> and November 29<sup>th</sup> budget meetings; and
2. Present Operating and Capital Budget changes that have occurred due to more current information being available to staff.

#### Background

On November 29, 2017 Council received report FIN-2017-033 - 2018 Proposed Budget. The following table was presented to Council to summarize the proposed Capital and Operating Budget.

	<b>2017 Approved Budget</b>	<b>2018 Proposed Budget</b>	<b>Difference</b>	<b>Estimated Tax Rate Impact</b>
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%

## Operating Budget Updates – Excluding Building Department

Outlined below are updates to the proposed operating budget. The Building Department is reported on separately as there are no tax levy impacts associated with changes to the Building Department budget.

1. The budget presented on November 29, 2017 included an increase of 6.40% for Manulife premiums based on the 9 month claims experience and renewal projection.

*Staff Update:*

The Township received the Manulife Insurance Renewal Report for 2018 in December which resulted in a decrease of premiums of 0.70%.

*Budget Impact:*

\$10,352 tax levy decrease.

2. Council approved a 1.69% cost of living adjustment.

*Staff Update:*

The budget presented on November 29, 2017 included a Cost of Living Adjustment of 1.50%.

*Budget Impact:*

\$3,608 tax levy increase.

3. Council directed staff that the \$10,000 for the NSERC CRC Application be redirected should a study be conducted on multiple penetrating aquifer wells in Puslinch.

*Staff Update:*

The budget presented on November 29, 2017 did not include the amount of \$10,000 for the NSERC CRC Application – Advancement of Groundwater Multi-Level System Technologies.

*Budget Impact:*

\$10,000 tax levy increase in Administration - Engineering and Environmental expenses.

4. In accordance with the November 29, 2017 Council Meeting Minutes, Council directed staff to include grant funding amounts as outlined below:

<b>Organization</b>	<b>Approved 2018 Amount</b>
Aberfoyle Agricultural Society	\$3,000
Puslinch Lake Conservation Association	\$25,000
Sunrise Therapeutic Riding and Learning Centre	\$1,500
Friends of Mill Creek – Grand River	\$1,250
Whistle Stop Cooperative Preschool	\$500
Wellington County Farm and Home Safety Association	\$500
Wellington County Plowmen’s Association	\$100
<b>Total per above</b>	<b>\$31,850</b>

*Staff Update:*

Staff had incorporated grant funding at 2017 levels - \$32,250 in the draft budget presented on November 29, 2017.

*Budget Impact:*

\$400 tax levy decrease.

5. Council approved a one-time base budget increase of \$2,000 for the Fire & Rescue 50<sup>th</sup> anniversary celebrations.

*Staff Update:*

The budget presented on November 29, 2017 did not include this one-time base budget increase of \$2,000.

*Budget Impact:*

\$2,000 tax levy increase.

6. Council approved a one-time base budget increase of \$6,800 for Fire & Rescue Services to be funded by the Fire Equipment Replacement Discretionary Reserve.

*Staff Update:*

The budget presented on November 29, 2017 did not include this one-time base budget increase of \$6,800.

*Budget Impact:*

\$6,800 increase in expenditures in the Fire & Rescue Services Department Budget with no tax levy impact as it is funded by the Fire Equipment Replacement Discretionary Reserve.

7. The budget presented on November 29, 2017 included an amount of \$100 for the Wellington Dufferin Mutual Aid Membership in Fire and Rescue Services.

*Staff Update:*

Based on new information received by staff, the fee for the Wellington Dufferin Mutual Aid Membership has increased to \$1,000 due to a training component now being included during these meetings.

*Budget Impact:*

\$900 tax levy increase.

8. The budget presented on November 29, 2017 excluded a budget amount for retaining an Integrity Commissioner should it be required by the Township.

*Staff Update:*

As discussed in Report ADM-2018-001, it is recommended that the Township appoint a Joint Integrity Commissioner to share the services for Wellington County and the lower tier municipalities similar to the arrangements currently in place for the Closed Meeting Investigator. The hourly rate is \$300 plus mileage and expenses, with no retainer.

*Budget Impact:*

\$2,000 tax levy increase.

9. The budget presented on November 29, 2017 excluded additional amounts for retaining experts for a legal matter before the Normal Farm Practices Board.

*Staff Update:*

Township staff obtained cost estimates which amount to approximately \$17,000.

*Budget Impact:*

\$17,000 tax levy increase.

10. The budget presented on November 29, 2017 included revenue amounts based on the year to date amounts in the Keystone General Ledger system as of November 10, 2017.

*Staff Update:*

Based on the year to date amounts noted as of December 28, 2017, it is recommended that the revenue amounts be adjusted.

*Budget Impact:*

Outlined below are the tax levy impacts associated with the adjustments in the revenue amounts based on year to date figures noted in Keystone.

Revenue Item	Department	November 29, 2017 Proposed Budget	Current Proposed Budget	Tax Levy Impact
CN Railway Payment in Lieu	Corporate	\$1,135	\$1,219	\$84 Decrease
Recoveries from Staff Events	Administration	\$950	\$1,200	\$250 Decrease
Hall-Prime	PCC	\$21,772	\$22,800	\$1,028 Decrease
Hall- Non-Prime	PCC	\$15,000	\$16,000	\$1,000 Decrease
Meeting Room	PCC	\$6,383	\$8,000	\$1,617 Decrease

11. The budget presented on November 29, 2017 included a Full-Time Equivalents (FTE) analysis. Council requested further clarification on the change in full-time equivalents from 2017 to 2018 as it relates to the Public Works and Parks areas.

*Staff Update:*

As discussed in Report FIN-2017-029, staff recommended that the Township pursue transferring the part-time groundskeeper position currently allocated to the Parks Operating Budget to a combined Public Works and Parks full-time position similar to what was approved in 2015.

The FTE analysis has been updated and is included in Schedule A to this Report. Outlined below is an excerpt from Schedule A which notes the change in FTE's from 2017 to 2018 in Public Works and Parks:

Department	2017	2018 Proposed	Total Inc./ (Dec.)
Public Works	5.65	5.40	-0.25
Parks	0.70	1.24	0.54
<b>Total</b>	<b>6.35</b>	<b>6.64</b>	<b>0.29</b>

As noted in Report FIN-2017-029, the total decrease in Public Works of 0.25 FTE in 2018 relates to the 2018 one-time savings associated with not filling the Public Works Foreman position until after April 1, 2018. Also, commencing in 2019, Report FIN-2017-029 indicated that the seasonal equipment operators in Public Works are to decrease from the current complement of two to one.

Outlined below is the comparison of 2017 to 2019 based on decreasing the seasonal equipment operators in Public Works from the current complement of two to one and filling the Public Works Foreman position for the full year in 2019.

<b>Department</b>	<b>2017</b>	<b>2019 Proposed</b>	<b>Total Inc./ (Dec.)</b>
Public Works	5.65	5.33	-0.32
Parks	0.70	1.24	0.54
<b>Total</b>	<b>6.35</b>	<b>6.57</b>	<b>0.22</b>

Although the net FTE's is still an increase of 0.22 in 2019 as per the table above, there were other savings identified in Report FIN-2017-029 which resulted in no tax levy impact associated with changing the part-time groundskeeper position to a combined Public Works and Parks full-time position. See the excerpt below from Report FIN-2017-029 of the savings:

<b>Item #</b>	<b>Description</b>	<b>2018 Budget Decrease</b>	<b>Notes</b>
1	Seasonal Wages – Public Works	\$18,529	680 hours * \$26.20/hour plus vacation pay of 4%
2	PT Benefits – Public Works	\$1,702	EHT – 1.95%; EI – 2.28%; CPP – 4.95%
3	WSIB – Public Works	\$566	3.05%
4	Part-Time Wages – Parks	\$20,338	Recommend changing PT to FT position
5	Part-Time Benefits - Parks	\$1,867	See above
6	WSIB – Parks	\$620	See above
7	Contract Services - Parks	\$4,000	Hayden's – rolling, aerating, fertilizing – proposed to be completed in house
8	Optimist Recreation Centre Accounts - 2018 Proposed Savings	\$6,000	-01-0080-4205 – Equipment Maintenance and Supplies - \$2,000 -01-0080-4215 – Cleaning, Maintenance & Supplies for Building - \$2,000 -01-0080-4222- Cleaning, Maintenance & Supplies - Exterior - \$2,000
9	Public Works Accounts – 2018 Proposed Savings	\$5,000	-01-0030-4212 – Maintenance Gravel - \$3,000 -01-0030-4219 – Road Maintenance Supplies - \$2,000
	<b>Total</b>	<b>\$58,622</b>	

12. The budget presented on November 29, 2017 included \$232,500 of contributions to capital discretionary reserves and \$30,000 of contributions to operating discretionary reserves.

*Staff Update:*

It is staff's recommendation that all contributions to discretionary reserves be redistributed to the legal contingency reserve to set aside funds for the unknown financial implications associated with the requirement to offer Township employees classified by OMERS as an "other than continuous full-time employee" voluntary enrolment into the OMERS Pension Plan.

In previous years the surplus was allocated to various discretionary reserves in accordance with Council Resolution No. 2013-284. It is recommended that any 2017 surplus amount be allocated to the legal contingency reserve until such time as the financial implications have been determined. The 2017 surplus amount will be reported to Council in March 2018 similar to previous years.

*Budget Impact:*

There is no tax levy impact associated with redistributing the contributions to discretionary reserves. However, redistributing all capital discretionary reserve contributions to the legal contingency reserve decreases the tax levy amount in the 2018 Capital Budget and increases the tax levy amount in the 2018 Operating Budget.

Outlined below are the contribution amounts to the discretionary reserves at the November 29<sup>th</sup> budget meeting compared to the current proposed budget:

<b>Discretionary Reserve</b>	<b>November 29, 2017 Proposed Budget Contributions</b>	<b>Current Proposed Budget Contributions</b>
Capital	\$232,500	\$0
Legal Contingency	\$25,000	\$262,500
Insurance Contingency	\$5,000	\$0

13. Report FIN-2017-033 presented at the November 29, 2017 Council Budget Meeting included a discussion regarding credit card acceptance and electronic tax billing for tax payments. See the excerpt from the Report below:

*"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.”*

*Staff Update:*

It is recommended that the Township pass a By-law to permit the charging of a convenience fee in connection with third-party payment processor services for credit card payment processing fees. The proposed By-law is attached as Schedule B to this Report.

*Budget Impact:*

The budget presented on November 29, 2017 included the costs associated with this service, therefore, there is no tax levy impact.

14. The budget presented on November 29, 2017 excluded funds for legislated Harassment and Violence in the Workplace Training.

*Staff Update:*

It is recommended that additional funds of \$5,000 be set aside in the Administration Training Budget in order to complete this mandatory training.

*Budget Impact:*

\$5,000 tax levy increase.

**Operating Tax Levy Impacts – Excluding Building Department**

Outlined below is a reconciliation from the operating tax levy reported on November 29, 2017 to the proposed operating tax levy as a result of the changes outlined in the items discussed above. The Building Department is reported on separately as there are no tax levy impacts associated with changes to the Building Department budget.

<b>Description</b>	<b>Amount</b>	<b>Comments</b>
<b>Operating Tax Levy</b>	<b>\$2,697,865</b>	November 29, 2017 – FIN-2017-033
Manulife Benefits	-\$10,352)	Item 1 above
Cost of Living Adjustment	\$3,608	Item 2 above
Potential Study on Multiple Penetrating Aquifer Wells in Puslinch	\$10,000	Item 3 above
Grants	-\$400)	Item 4 above
Fire & Rescue 50 <sup>th</sup> anniversary	\$2,000	Item 5 above
Fire & Rescue – Mutual Aid Membership	\$900	Item 7 above
Joint Integrity Commissioner	\$2,000	Item 8 above
Legal	\$17,000	Item 9 above



<b>Description</b>	<b>Amount</b>	<b>Comments</b>
CN Railway Payment in Lieu	-\$84	Item 10 above
Recoveries from Staff Events	-\$250	Item 10 above
Hall-Prime	-\$1,028	Item 10 above
Hall- Non-Prime	-\$1,000	Item 10 above
Meeting Room	-\$1,617	Item 10 above
Redistribution of Capital Discretionary Reserve Contributions	\$232,500	Item 12 above
Harassment and Violence in the Workplace Training	\$5,000	Item 14 above
<b>Proposed Operating Tax Levy</b>	<b>\$2,956,142</b>	

### **Updates to Building Department Proposed Budget – No Tax Levy Impact**

Outlined below are updates to the building department proposed budget. Please note, any changes to the Building Department budget do not result in a tax levy increase or decrease.

1. The budget presented on November 29, 2017 included an expense amount of \$15,000 related to Municipal Office Expenses.

*Staff Update:*

The Municipal Office Costs Recovered from the Building Department should be \$22,103 (calculated as total municipal office costs times 30% allocation).

*Building Department Budget Impact:*

\$7,103 increase in expenditures in the Building Department Budget with no tax levy impact.

2. The budget presented on November 29, 2017 included an increase of 6.40% for Manulife premiums based on the 9 month claims experience and renewal projection.

*Staff Update:*

The Township received the Manulife Insurance Renewal Report for 2018 in December which resulted in a decrease of premiums of 0.70%.

*Building Department Budget Impact:*

\$1,215 decrease in expenditures in the Building Department Budget with no tax levy impact.

3. Council approved a 1.69% cost of living adjustment.

*Staff Update:*

The budget presented on November 29, 2017 included a Cost of Living Adjustment of 1.50%.

*Building Department Budget Impact:*

\$362 increase in expenditures in the Building Department Budget with no tax levy impact.

4. Council authorized a 2018 one-time Operating Budget Base Budget Increase of \$74,500 funded from the Building Surplus Reserve to hire a Full-Time Contract Building Inspector for a period of one year to close the outstanding open permits in the system.

*Staff Update:*

None

*Building Department Budget Impact:*

\$73,467 increase in expenditures in the Building Department Budget with no tax levy impact.

5. Council authorized a 2018 one-time Operating Budget Base Budget Increase of \$47,678 funded from the Building Surplus Reserve to continue the provision of building services by RSM Building Consultants.

*Staff Update:*

None

*Building Department Budget Impact:*

\$47,678 increase in expenditures in the Building Department Budget with no tax levy impact.

6. The budget presented on November 29, 2017 excluded funds for legislated Harassment and Violence in the Workplace Training.

*Staff Update:*

It is recommended that additional funds of \$1,500 be set aside in the Building Training Budget in order to complete this mandatory training.

*Building Department Budget Impact:*

\$1,500 increase in expenditures in the Building Department with no tax levy impact.

**Building Department Impacts - No Tax Levy Impact**

Outlined below is a reconciliation of the building department operating budget reported on November 29, 2017 to the proposed building department operating budget as a result of the changes outlined in the items discussed above.

<b>Description</b>	<b>Amount</b>	<b>Comments</b>
<b>Total Expenses</b>	<b>\$419,580</b>	November 29, 2017 – FIN-2017-033
Municipal Office Expense Allocation	\$7,103	Item 1 above
Manulife Benefits	-\$1,215)	Item 2 above
Cost of Living Adjustment	\$362	Item 3 above
Salaries and Benefits	\$73,467	Item 4 above
RSM Building Consultants	\$47,678	Item 5 above
Harassment and Violence in the Workplace Training	\$1,500	Item 6 above
<b>Adjusted Building Expenses</b>	<b>\$548,475</b>	
<b>Total Revenues</b>	<b>-\$386,376)</b>	No Change
<b>Total Reserve Transfers</b>	<b>-\$162,099)</b>	Expenses less Revenues (Building revenues must equal Building expenses)

**Capital Budget Updates**

1. The budget presented on November 29, 2017 included for 2017 an amount of \$94,300 budgeted for the Municipal Drinking Water Well System – Feasibility Study in accordance with Council Resolution No. 2017-249.

*Staff Update:*

An additional amount of \$5,000 is required to complete this project.

*Budget Impact:*

\$5,000 tax levy increase.

2. The budget presented on November 29, 2017 included \$10,000 for computer equipment replacements in accordance with the Township's 5-year replacement lifecycle for laptops and desktops. This budget amount excluded the replacement of Council laptops for the next term of Council.

*Staff Update:*

An additional amount of \$5,000 is required for the replacement of Council laptops for the next term of Council.

*Budget Impact:*

\$5,000 tax levy increase.

3. Council at its meeting held on July 19, 2017 authorized through Council Resolution No. 2017-251 the following:

That Report ADM-2017-028 regarding the Video Recording of Council Meetings be received;

And that Council directs staff to proceed with the installation of a new recording and sound system for the total cost of \$11, 897;

And that Council directs staff to pursue funding through the Wellington County Accessibility Fund;

And that should the Township be unsuccessful in acquiring the Accessibility Fund, that Council directs staff to utilize the Corporate Accessibility discretionary reserve for this project.

*Staff Update:*

Township staff were successful in the grant application to the Wellington County Accessibility Fund for \$10,000.

An additional amount of \$4,603 is required for this project in order to purchase an enhanced streaming encoder which would allow future upgrades such as live streaming.

It is recommended that the additional funds required of \$4,603 be funded from the Township's Corporate Accessibility Discretionary Reserve.

*Budget Impact:*

No tax levy impact.

## Capital Tax Levy Impacts

Outlined below is a reconciliation from the capital tax levy reported on November 29, 2017 to the proposed capital tax levy as a result of the changes outlined in the items discussed above.

Description	Amount	Comments
<b>Capital Tax Levy</b>	<b>\$913,349</b>	November 29, 2017 – FIN-2017-033
Municipal Drinking Water Well System – Feasibility Study	\$5,000	Item 1 above
Council Laptop Replacements	\$5,000	Item 2 above
Capital Discretionary Reserve Contributions	-\$232,500	Redistributed to Legal Contingency Discretionary Reserve
<b>Proposed Capital Tax Levy</b>	<b>\$690,849</b>	

## FINANCIAL IMPLICATIONS

### Current Proposed Tax Levy Impact

	2017 Approved Budget	2018 Proposed Budget	Difference
Total Capital Taxation Levy	\$840,866	\$690,849	-\$150,017
Total Operating Taxation Levy	\$2,642,266	\$2,956,142	\$313,876
<b>Total Municipal Taxation Levy</b>	<b>\$3,483,132</b>	<b>\$3,646,991</b>	<b>\$163,859</b>

### Municipal Property Assessment Corporation (MPAC)

Township staff obtained the Municipal Change Profile data file from MPAC which contains current value assessments for 2017 and 2018 for all Township properties. From this file, Township staff calculated the assessment change for the median/typical single family detached dwelling and compared it to Online Property Tax Analysis's calculation.

The practice in the past has been to incorporate the assessment increase for the median/typical single family detached dwelling in the calculation of the tax rate increase utilizing the proposed tax levy.

The final tax rate for 2018 cannot be set until the County of Wellington finalizes the tax ratios for each property class. However, assuming the ratios do not change, the following table shows that the Township portion of property taxes on the median/typical single family detached dwelling in the Township will increase by 0.29%, or \$2.67 per year based on a tax levy of \$3,646,991.

<b>Description</b>	<b>2017</b>	<b>2018</b>	<b>\$ Change from 2017</b>	<b>% Change from 2017</b>
Median Assessment	\$562,750	\$577,500	\$14,750	2.62%
Township Tax Rate	0.00165978	0.00162202		
Yearly Township Taxes	\$934.04	\$936.72	\$2.67	0.29%
Yearly Township Taxes per \$100,000 of Assessment	\$161.74	\$162.20	\$0.46	0.29%

An analysis has been provided in the table below to show how the tax rate increase changes for the median/typical single family detached dwelling based on increasing the tax levy over and above the \$3,646,991 noted above.

<b>Additional Tax Levy</b>	<b>\$ Change from 2017</b>	<b>% Change from 2017</b>
\$62,200	\$18.65	2.00%
\$80,500	\$23.35	2.50%
\$98,600	\$28.00	3.00%

It is recommended that the additional tax levy amount approved by Council be distributed to the legal contingency reserve to set aside funds for the unknown financial implications associated with OMERS as discussed in this Report.

**APPLICABLE LEGISLATION AND REQUIREMENTS**

Municipal Act, 2001

**ATTACHMENTS**

Schedule A – Full-Time Equivalent Analysis

Schedule B – By-law to permit the charging of a convenience fee in connection with payment card processing services on behalf of the Township of Puslinch for Property Taxes.

Schedule C – 2018 Proposed Operating Budget

Schedule D – 2018 Proposed Expenditures, Reserve Transfers and Revenue Summary

Schedule E – 2018 Operating Base Budget Increases

Schedule F – Organization Chart – 2018 Proposed

Schedule G – Conference, Seminar and Training Budget

Schedule H – Memberships and Associations Budget

Schedule I – Uniforms and Special Clothing Budget

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

Schedule K – Capital Projects by Year – 2014 to 2027

Schedule L – Equipment Replacement Schedule

Schedule M – Capital Summary – Funding Source by Year – Chart and Graph

Schedule N – 2018 vs. 2017 and 2016 Approved Capital Budgets

Schedule O – 2018 Proposed Ten Year Plan vs. 2017 and 2016