



Council Budget Committee

DRAFT Meeting Minutes

Elgin County Administration Building
3rd Floor Administration Board Room
January 29, 2020 at 2:00 P.M.

ATTENDEES: Warden Dave Mennill (Budget Committee Chair)
Councillor Mary French (Budget Committee Member)
Councillor Ed Ketchabaw (Budget Committee Member)
Councillor Dominique Giguère (Budget Committee Member)
Jim Bundschuh, Director of Financial Services
Julie Gonyou, Chief Administrative Officer

1. CALL TO ORDER

The Council Budget Committee met this 29th day of January, 2020 in the Council Chambers, at the County Administration Building, St. Thomas at 2:00 p.m.

2. APPROVAL OF THE AGENDA

Moved by: Councillor French
Seconded by: Councillor Ketchabaw

Resolved that the agenda of the meeting held on January 29, 2020 be approved.

- Motion Carried.

3. APPROVAL OF THE MINUTES

Moved by: Councillor Giguère
Seconded by: Councillor French

Resolved that the minutes of the meeting held on January 14, 2020 be approved.

- Motion Carried.

4. DISCLOSURE OF PECUNIARY INTEREST

None.

5. DELEGATIONS

None.

6. BRIEFINGS AND REPORTS

6.1 Tax increase/Services Levels/Debt – Director of Financial Services

The Director of Financial Services recommended a strategy which utilizes reserves and debt to ensure a measured tax increase is rolled out over a ten (10) year period (2020-2029). This strategy will avoid double digit tax increase.

OMPF transitional funding is only guaranteed in 2020-2021 and the preliminary budget includes phasing out this fund over 5 years.

One-time Federal Tax Gas Funding was received (Government Infrastructure Funding) as well as one-time Municipal Modernization Funding and cannabis funding. These funds are not reflected in successive years.

When combined with the impacts (both known and unknown) of the provincial modernization initiatives, an anticipated \$4.5M in provincial funding reduction is reflected as a phased-in impact to the budget.

This plan results in a net cost of \$6M. The Director of Financial Services reviewed adjustments required to ensure we have “cash outflow”. Over the course of the plan, we will have \$14.5M of amortization, but we will actually spend \$22M. There’s an \$8M difference, the cash outflow before levy increase and debt is \$13,512,000.

Positive growth of 2.7% was realized in 2019, but over the last 10 years the averaged was approximately 1% of growth. It is suggested that this growth be used to support new and improved infrastructure (e.g. Ambulance) – it was recommended that, of the \$6M, approx. 50% set aside for growth related funding to support Asset Management Plan.

Operating Reserves

Operating reserves represent net cash available that has not been planned for future capital expenditures.

The County’s reserve policy targets an operating reserve of 25% of the annual levy. Allows for fluctuations in cashflow between quarter levy payments without having to draw on a line of credit and provides much needed flexibility to address emerging needs.

Capital Reserves

Capital reserves represent cash reserved for infrastructure investment. The County will have no capital reserves by 2029. Capital funds represents funds borrowed to finance infrastructure spending. Plan includes debt increased by \$12M in 2021, \$12M in 2022, \$11M in 2023, all with 10-year repayment terms at a rate of 2.4% (current Infrastructure Ontario rate). Elgin will have \$7.5M remaining in debt/capital funds by 2029 and this debt will be fully paid off by the end of 2023.

Impact on average household (assuming no shifts between classes) would result in a tax increase of \$55 (3.6%) on an average household assessed at \$250k. \$1.26M increase over last year, levy generated no new buildings (2.7%) results in \$944,828 (based on what's in the assessment base now).

Alternatives Considered by Committee

The following four (4) options were considered by the Budget Committee:

Base Option:

Maintain service levels (in real terms) – 3.6% on average property over next ten years, increase on average home in 2020 of \$55.

Option A:

Service is not adjusted to accommodate population growth. Eliminate the \$3M increase in service costs. Tax increase reduced to just above 3% (less than \$50 average home).

Option B:

Plan for increases in taxes on average property for next ten years of 4%. Increase on average home in 2020 of \$55. Add approximately \$1.5M in cost in outlying years to enhance service levels.

Option C:

Increase 3.6% increase on average property over next ten years, reduce service in the short-term in real terms to allow for acceleration of debt repayment by end of 2027 instead of 2032.

Conclusion:

Measured tax increases over the 10-year window to avoid double digit tax increase (using debt and measured tax increase).

Tax Increase Recommendation

The Budget Committee recommends the “Base Option” based on the flexibility it affords in the case of new initiatives without having to rely on debt.

THAT the Budget Committee, following their review of the 2020 Draft Operating Budget and Carry-Forward Operating Project Spend information, hereby recommends that Elgin County Council as part of their 2020 budget deliberations, maintain service with a tax increase on the average property of 3.6%, a 2020 levy of \$37,275,313 and \$35 million of debt repaid by 2032 be included in the 2020 budget deliberations for final approval by Council.

Moved by: Councillor French
Seconded by: Councillor Ketchabaw

- Motion Carried.

THAT carry-forward operating project spending of \$138,000 in 2020 be included in the 2020 budget for final approval by Council; and

Moved by: Councillor Giguère
Seconded by: Councillor Ketchabaw

- Motion Carried.

THAT in addition to the carry-forward operating project spend, a 2020 Operating Budget with positive net income of \$9,649,00, based on the recommend tax rate changes from the base option of 3.6%, be included in the 2020 budget for final approval by Council.

Moved by: Councillor French
Seconded by: Councillor Giguère

- Motion Carried.

6.2 Tax Ratios – Director of Financial Services

Historically, Farm Tax Ratios were set at 25%, was reduced to 23% in 2019 to avoid a shift between property classes. Council indicated that they wished to consider avoiding tax shifts in future years with a tax ratio in 2020 of 21%.

Had the ratio remained at 23%, the tax increase on the average home in this plan of 3.6% or \$55 would have been reduced to 2.4% or \$37.

Following discussion of the Elgin Federation of Agriculture's letter received by Elgin County Council on January 28, 2020, the Budget Committee recommends the following:

THAT the Farm Tax Ratios remain at 23% for 2020 to take some pressure off of the residential class

Moved by: Councillor Giguère
Seconded by: Councillor French

- Motion Carried.

Small Value-Added Farm Ratio

THAT the Budget Committee recommend that Elgin County Council incorporate the optional 75% reduction in the Small Value-Added Farm Sub-Class ratios be included in the 2020 budget;

Moved by: Councillor Ketchabaw
Seconded by: Councillor French

- Motion Carried.

THAT all other property tax ratios remain the same.

Moved by: Councillor Giguère
Seconded by: Councillor French

- Motion Carried.

6.3 Next Steps – Director of Financial Services

Incorporation of recommended changes by the Budget Committee to the budget document in advance of Council's consideration of the budget information.

Email distribution of revised budgets to Budget Committee.

Approval of tax ratios, tax rates and budgets at the February 11, 2020 Council meeting.

7. **OTHER BUSINESS**

Small Business Enterprise Centre/SCOR

The Committee recommends that the CAO provide a report for Elgin County Council that includes additional information with respect to the Small Business Enterprise Centre, SCOR, and other initiatives.

8. **CORRESPONDENCE**

None.

9. **DATE OF NEXT MEETING**

Meet in May/September and November 2020.

10. **ADJOURNMENT**

Moved by: Councillor French
Seconded by: Councillor Ketchabaw

Resolved that we do now adjourn at 3:40 p.m. to meet again at a date to be confirmed in May 2020.

- Motion Carried.

Julie Gonyou,
Chief Administrative Officer.

Dave Mennill,
Chair.