

MUNICIPALITY OF THE DISTRICT OF WEST HANTS
Committee of the Whole – Special Budget
March 2, 2015

In attendance:	G. Cochrane	Chair
	R. Dauphinee	Warden
	S. Pineo	Councillor
	R. Matheson	Councillor
	V. Swinamer	Councillor
	M. Campbell	Councillor
	T. Brown	Councillor
	J. Daniels	Councillor
	R. Allen	Councillor
	C. Osborne	Interim CAO
	K. Kehoe	Director of Recreation
	R. Sherrard	Director of Public Works
	M. Laycock	Director of Finance
	K. Dempsey	Director of Planning
	R. Brown	Municipal Clerk
	J. Woodman	Administrative Assistant
Regrets:	R. Allen	Work Commitment

1. 2015-2016 Budget Variance

CAO Osborne reported the purpose this evening is to present the ideal budget from staff's perspective and obtain clear direction on how to proceed in the development of a final draft to present in late April for approval. She explained they want to see how and if Council would like to do any public consultation, direction on rates, expenditures and revenue. She noted early in December staff were asked to prepare a best case scenario budget with no financial impediments or limitations in order to improve the workplace or meet growing demands.

She reported by the end of December the Director of Finance began compiling the information received from the PVSC respecting changes in taxable property assessments in order to calculate the potential new revenue base the Municipality may be dealing with. She indicated during this process they identified a number of necessary adjustments for the current year budget which must be added to the 2015/2016 budget figures as these are either expenses previously approved by Council or a shortfall in revenue streams. She continued stating they are presenting a high level overview of a potential operating budget with the intention to return to Council with more detailed information based on the direction given to staff this evening, which would include any items believed to be missed. The CAO reminded it is Council's budget and staff need and welcome their input.

The CAO went on to explain the revenue figures presented are reflective of taxable property assessment as of December 31st based on PVSC values and increases in our own source revenue and some new revenue for Council's consideration. She advised this ideal budget also includes capital from operating, applicable capital debt funding and operating reserves recommendations previously presented to Council from which staff are waiting direction at the next Council meeting. She confirmed that staff is in attendance to answer any questions Council may have on the rationale behind the draft budget, but suggested not getting into too much detail as it is not the final budget document that is being presented.

Martin Laycock, Director of Finance reported what is being presented is a variance analysis meaning the changes from last year's budget to this year budget. He noted the intention of this evening's meeting is for Council to leave with a better understanding of the proposed budget and for Council to consider both the cost of doing something and costs of not doing something. He explained one of the fundamental changes that occurred was a general increase in the assessed values between last year and this year. This change was close to a \$35 million dollar increase

in assessed value in number of occurrences. He noted in 2014/15 the average house value in West Hants was approximately \$104,000 and due to the increased in assessed value is the average increased to \$107,617. He indicated that for the average citizen of West Hants keeping the rate at .97 cents would result in an increase of \$36.47, which is an increase in revenue to the Municipality of almost \$300,000.

He advised they looked at an increase in commercial assessment value at \$418,600 which is based on PVSC numbers stating only one new business. He noted the average commercial assessed value was approximately \$146,000 with an \$859.70 assessed value change which is approximately a \$4800 increase in revenue which is not significant.

He advised the total tax increase would include Residential, Commercial, Special Assessment, Business Property, and other taxes. He pointed out the drop in HST and Equalization, adding that Equalization was budgeted for \$35,000 which was not received and he didn't feel we would get it this year. As well the HST rebate has also decreased significantly from what was estimated last year. He clarified the total new increase (decrease) of new revenue would be \$375,390. CAO Osborne noted this would include some items that will require Council's approval and one being the new fee to the banks for data transfer and from a recreation perspective it is being recommended to book the actual revenue from the recreation programs from last year.

Martin Laycock, Director of Finance stated the proposed amount for the new fee to banks is \$10.00 per transaction which amounts to approximately \$25,000 of new revenue. Councillor Daniels asked if it was true that the wind turbines don't produce revenue for the Municipality until they are 6 months before it was taxable. Karen Dempsey, Director of Planning indicated that she wasn't aware there was a time limit and understood they were actually producing immediately. CAO Osborne added there are timelines that they be paid and suggested investigating the matter further.

Martin Laycock, Director of Finance reviewed the Summary of Revenue Potential Current Rates which shows a total tax increase over 2014/15 of \$375,391 and the Net increase in additional revenue is \$17,613 due to the loss in HST and Equalization payments. He confirmed the total expected revenue is \$12,123,263. Councillor Pineo asked if anything was built in to offset the increased tax revenue which may decrease when the appeals occur. Martin Laycock, Director confirmed he had.

He reported last year there were revenues that were presumed to come again and expenses that were approved but not funded. He pointed out last year a full RCMP officer was approved however only half the salary was funded which is an additional \$70,000 and must be included in this year's budget. He noted it would be the same for the Active Living Coordinator position as a result of the salary not is eligible under Gas Tax and must be accounted for in this year's budget. He noted the net of this is automatically an extra \$150,113 which decreases the net revenue for 2015/16 to \$225,278. He provided an overview of some of the proposed expenses for 2015-2016 with a total of approximately one million for next year. He noted \$20,000 contingency has been included for the Newport Station School. CAO Osborne reported the Municipality have been unofficially advised that the Newport Station School will be turned over to the Municipality and contingency funds are required in order to board up the building or keep it in a state that something can be done with it in the future.

CAO Osborne advised when looking at the Grants to Organizations part of the amount is actually the \$1600 that has been given to the SPCA to move it under one category. Also she clarified the amount included for extended health is being recommended by staff so employees if they choose can retire before the age of 65 can extend their benefit. She felt it was a succession plan and an encouragement to those who would like to retire but can't because of concern for medical coverage. She clarified staff is still working through the details on how it should be split. She noted the last is the EAP (Employee Assistance Program) which is new and she felt is a nominal amount of money, however the EAP has a significant impact on

employee recognition should they have EAP related problems. Councillor Campbell suggested that this could be handled through the UNSM. Martin Laycock, Director of Finance indicated that the UNSM no longer runs their health plan.

He reviewed the proposed expense increase/decrease for Protective Services which would include half the salary for the RCMP last year and an additional new officer, DNA Testing is an increase which was under budgeted this year. He noted the Brooklyn Fire Department has submitted their budget with an increase of approximately \$175,000, Summerville Fire Department came in with a marginal increase and he noted he has to confirm a detail with the Walton Fire Department regarding the berm which was budgeted for \$50,000 last year with \$10,000 spent. He indicated the hydrant supply is expected to increase, REMO is staying the same, and Brooklyn Fire Department also requested funding for a ladder truck which would be done through a loan with a municipal finance corporation. He explained in addition to protective services there is a request from By-law Enforcement for a truck with the capital cost being spread out over a period of five years at approximately \$8,000 per year, with the idea being the net savings of the mileage would help contribute to the paying of the ongoing maintenance and capital costs and would assist with safety and professionalism as well.

CAO Osborne reported the Police Advisory Board has met with the RCMP who will be coming forward after the next meeting with a recommendation for Council's consideration. She clarified she gave the fire departments the opportunity to request anything within reason, and she agreed it would be a healthy increase which would include an honorarium for their members, but the final decision would be for Council's consideration.

She reported staff would not be coming forward at this time with any change in the financial contribution for the Windsor Fire Department as mediation continues.

Councillor Matheson echoed the Director of Finance's comments regarding there is a cost to the Municipality for doing nothing as well, and agreed that things need to be maintained in order to last.

Martin Laycock, Director of Finance reported on the proposed expense increase/decrease for transportation services, adding Kings Transit budget from this year was down almost \$19,000 and he is going forward with the presumption that it is going to be the \$172,000 it was this year versus the budgeted of \$191,000. He added that the CAO is in discussions with Kings Transit on this matter. Councillor Matheson questioned what happened to the motion made by Council to leave Kings Transit as of April 1. CAO Osborne clarified notice was not given but offered the Municipality can give notice anytime up to nine months from the time it started. She confirmed the route started in November and she has been talking to the CAO of Windsor and they have been investigating what the deadline would be. She noted that she recently asked Mr. Foster to provide ridership details to review and discuss at a Joint Council meeting to give Councils an update. She confirmed at any time a decision can be made to give official notice to discontinue service. She suggested that there will be also consideration and discussion on a replacement service.

Councillor Pineo expressed concern for the citizens who rely on Kings Transit. She advised that it was her understanding that a lot of changes have been made to the routes. CAO Osborne reminded from discussions the service went from two buses down to one and then there was debate on how much this would save. She referenced an e-mail from Mr. Foster who indicated that all ridership is down primarily due to the weather conditions and he is trying to meet the changes agreed to at joint council as well as individually.

Martin Laycock, Director of Finance reviewed the proposed expense increase/decrease for Planning. He noted the budget includes wages & benefits for a GIS technician and an additional \$15,000 for funding for a heritage grant. He pointed out there is a proposed vehicle for the Planning Department. The ongoing maintenance of the truck will offset what is currently being paid in mileage.

K. Dempsey, Director of Planning noted the department had a GIS technician in the past on the flex system which is used by all departments. She noted her planning technician is not really trained as a GIS technician and she has an increased workload and this is why she felt the position should be reinstated. CAO Osborne offered there is a lot more that a GIS Technician can do for the Municipality explaining currently we have no visual way of identifying all the properties that West Hants owns on a map, adding if the Municipality had other pieces of data it could plan better. She advised that she supported the Director of Planning's request completely.

Councillor Matheson questioned why a request was being made for only one truck when there is two Building Inspectors, suggesting it would be revenue neutral to request two vehicles to offset the mileage cost. CAO Osborne advised they calculated based on information provided by the Directors of Public Works and Planning and determined it wasn't revenue neutral at this point however from a business perspective she felt it made sense to at least have the senior building inspector official in a vehicle that is easily marked and allow the Director of Planning to modify payment and maintenance with her budget. CAO Osborne advised they are estimating high operating costs for a new vehicle and it is difficult to determine the true costs until after year one of one new vehicle.

Councillor Pineo suggested that the Director of Public Works has had many vehicles over the years and could advise what it would cost to maintain a truck over a five year period. She cautioned when staff goes out to purchase a vehicle to ensure that purchased locally is defined accurately, adding there is only one dealership in the area. CAO Osborne reminded that local is only a preference if the price is the same externally. Councillor Matheson reminded that the Municipality has to follow its purchasing policy and agreed if everything is equal it could be purchased locally.

Councillor Swinamer inquired about the boundaries that were to be set up for the election last year by Stantec if Hantsport joins West Hants. CAO Osborne responded in general terms noting it is important as Council to get some direction from the URB Board on what that particular study might mean and how Council would like to approach this and the Municipality may have to budget for a boundaries study.

Martin Laycock, Director of Finance reported the proposed expense increase/decrease for Recreation, noting there is an increase in grants and programming with primarily \$25,000 for trails and approximately \$10,000 for a new hire for programming this summer, and the drop of \$35,000 includes the Active Transportation. K. Kehoe, Director of Recreation advised that she found out by working the RFP correctly money could be used from gas tax and this will be proposed to Council in the near future for consideration.

Martin Laycock, Director of Finance reported on extraordinary items explaining this relates to the audit that was done last year showing there is unfunded vacation accrued liability which amounts to approximately \$40,000. He proposed that this is an item that definitely has to be accounted for in the budget.

He reported on the Internal Funding & Transfer and noted it relates to the policy that was presented at Committee of the Whole as well as proposed spending for Gas Tax or other reserves. CAO Osborne expressed the importance of putting money into reserves to have a rainy day fund for any future expenses that may not be accounted for.

Martin Laycock, Director of Finance explained the total projected 2015-16 expenses are \$12,714,802 and a total shortfall at \$0.97 residential/\$1.75 commercial rates \$591,539.

He highlighted the three options for Council's consideration with the budget:

1. Maintain the current level of taxation and reduce expenses; identify specific areas for reduction and/or establish a target tax rate.
2. Reduce the tax rate and reduce expenses.

3. Accept a tax rate increase.

CAO Osborne asked if there was an update on the new sewer treatments plant which is going to be put in place and how it might or might not impact some West Hants residents. R. Sherrard, Director of Public Works responded he has only heard speculations that it came in significantly over budget and as to whether it affects West Hants residents he didn't feel it would as any residents who feed into it are under a current agreement where West Hants collects at the Three Mile Plains rate and turn it over to the Town of Windsor.

Martin Laycock, Director of Finance advised at this time they are looking at a projected residential rate of \$1.0314 which would be a \$0.0614 increase and a projected commercial rate of \$1.80 which is a \$0.05 increase. He noted that staff is seeking guidance on identifying specific areas for reduction or to establish a tax rate. He explained the impact on the average home owner would be an average assessment increase of \$36.47, noting if you factor in the carry over increases such as RCMP, loss or revenue etc. would be an additional \$17.00 onto the average taxpayer's bill for the year. He noted if you take the entire tax rate and subject the carryover and look strictly at the new expenses it would be approximately 4 ½ cent increases which is a \$49.08 increase onto the tax payer. He explained the average home owner would see an average increase of \$102.55 should Council proceed with a six cents increase.

Councillor Pineo felt this would put a significant burden on taxpayers especially in the growth areas. Martin Laycock, Director of Finance noted these are issues that Council would have to consider when reviewing the information presented this evening. Councillor Daniels felt that this increase is not personally unreasonable when averaging out. She pointed out in 2012/2013 the tax rate was decreased by 2% which she questioned; she commended staff for a job well done presenting the budget this year. Martin Laycock, Director of Finance encouraged any councillor who has questions to call him directly to discuss and the CAO suggested that all Councillors receive all answers.

Councillor Matheson suggested that staff should try to get the figure down but cautioned about creating a false rate and agreed that a tax increase must be accepted. He felt it was Council's duty to do the best they can to get it to a manageable rate without compromising the integrity of the Municipality.

Warden Dauphinee agreed with Councillor Matheson comments and suggested reaching a middle ground in the best interest of the taxpayers without putting a significant burden on them. He asked whether this would put the Municipality in better shape with the financial indicators. Martin Laycock, Director of Finance indicated the reserves would challenge the three yellows and red, adding reserves would eliminate the threat of deficit and would result in sound financial management.

Warden Dauphinee questioned about land issues with Fundy Gypsum with the assessment office. CAO Osborne advised that in the future she and the Director of Finance will review the appeals and the assessment piece to see if there is some opportunity to address concerns.

There was a brief discussion over the amount in the accumulated surplus. Martin Laycock, Director of Finance agreed to confirm the amount and suggested that he has to have a better understanding of this account. CAO Osborne clarified that staff still needs to present the capital budget that has been proposed and at the time will present the reserve information on the balance sheet. She added until Director of Finance started staff had never presented an unconsolidated balance sheet. She suggested that the Director of Finance needs to sort out the operating component from the other items and have a better understanding of the cash flow.

There was a brief discussion over concerns that the Town of Windsor is asking for a water rate increase one year early. CAO Osborne confirmed the study is out and the Municipality has been advised of the date, and agreed to forward to councillors for review.

CAO Osborne hoped that Council found this approach to the budget helpful from a variance perspective and asked when staff might receive direction from Council on how to approach the final draft of the budget. She suggested staff has some ideas of where savings could occur but would like feedback from Council to prepare recommendations. Chair Cochrane expressed concern on how Council could make decisions without seeing the actual budgets. CAO Osborne felt that Council needs to direct staff on what they would like the bottom line to be and she didn't feel that line by line was necessary as the variance from last year's budget has been presented. Councillor Pineo stated that she and Councillor Campbell attended a conference by Municipal Affairs who advised that it was the duty of Council to go through the budget line by line.

Councillor Matheson felt the right way to proceed was to provide staff with a figure and then review line by line and provide suggestions. Councillor Daniels added that the Municipality must consider keeping up with the residential growth and felt it takes money to make money. She agreed with reviewing the budget line by line so she has a full understanding so she can answer questions from her constituents. CAO Osborne clarified that staff never envisioned council not reviewing the budget line by line, and reminded that staff will only be able to pull back in the areas that they feel they have an alternate. She reminded this was staff's ideal budget but will explain what will be taken out if the rate is to be dropped and the impact it will have. It was agreed the range that should be consider would be \$1.00 to \$1.01. CAO Osborne advised staff had targeted presenting a full budget the week of April 22. It was agreed a Special Committee of the Whole budget meeting would be held on March 25th at 9:30 a.m. which will include representation from the fire departments and RCMP. She noted at the time the capital budget and the reserves will be presented as well for consideration.

2. Date of Next Meeting

The next meeting is scheduled for March 24 at 6:00 p.m. and a Special Budget meeting scheduled for March 25th at 9:30 a.m.

3. Adjournment

MOVED by Councillor Campbell and Councillor Brown that the meeting adjourn at 8:35 p.m.

Motion Carried.

Gary Cochrane, Chair

Rhonda Brown, Municipal Clerk