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Date: January 8, 2020
To: Mayor and Council
Author: Ryan McLeod, CPA, CA
RE: 2020 Draft Budget Amendments
Report No.: FS-2020-01

AIM

To provide council with a summary of changes to the 2020 draft budget since its original submission to council on December 9, 2019.

BACKGROUND

A draft budget was provided to Council on December 9, 2019 with the report '2020 Budget – Executive Summary', which is attached for Council's reference.

This budget reflects estimates based on the information available at the time. Prior to the formal adoption of the budget, administration will update the budget to reflect the most current information available.

DISCUSSION

The 2020 Draft Budget has been amended as follows:

Municipal Taxation - Supplemental Tax Revenue Estimate

2019 was an exceptionally busy year for permitting activity and development within the Town of Kingsville. After analyzing the 2019 construction values (based on permits issued), Financial Services recommends increasing the estimate for Supplemental tax revenue from \$325,000 to \$375,000. It is to be noted that actual Supplemental tax revenues are contingent on the timing of construction completion and MPAC assessment, which does not correlate directly with the timing of building permit issuance.

General Administration – Operations - Insurance Premiums

In December 2019, Administration finalized the Town's insurance renewal with Jardine Lloyd Thompson Canada Inc ("JLT"). Based on the renewal offer, 2020 insurance premiums will increase to \$421,705 (including non-refundable PST). This represents a \$72,000 increase over 2019 (20.5%), and \$60,000 higher than the amount previously estimated in the 2020 draft budget. Based on discussions with JLT, the dramatic increase in our premiums is attributable to three main factors:

- i) General "hardening" of the insurance market due to increased losses from extreme weather events and joint & several liability implications (i.e. the "1% rule")
- ii) Kingsville's unfavourable claims history, which is above their target 'claim to premium' ratio
- iii) Rising construction replacement costs

In conversation with many of our local municipal counterparts, Kingsville's experience with its 2020 insurance renewal is not unique. Regardless, Administration will conduct a 'Request for Proposal' for 2021 insurance services to ensure that the Town's premiums remain competitive.

The increase in 2020 insurance premiums is reflected in the General Administration operating budget line 01-112-099-60312.

General Administration – Operations - ERCA Levy

On January 3, 2020 administration received ERCA's 2020 draft budget. Based on this budget, Kingsville's share of the ERCA levy will be \$208,446 (\$4,733 higher than previously estimated). The General Administration operating budget line 01-112-420-60950 has been updated accordingly.

General Administration / Parks - Operations – New Staff Proposal

Earlier this month, management received the draft findings from the 2019 Organizational Review. This report includes a number of recommendations for new positions which the management team is currently in the process of reviewing. To ensure the most critical staffing needs are addressed first, Administration recommends reallocating the \$85,000 previously identified for a new Full-time – Parks and Recreation labour position to a general reserve for future staff additions. As such, this funding for this position has been removed from the Parks budget and reallocated to General Administration operating reserves. These funds will allow management to respond to the Organizational Review in 2020 once approved by Council. The proposed date for the presentation of the Organizational Review to Council is the first quarter of 2020.

Capital Project IT-2020-5 – Planning PLL Software

On December 17, 2019 the Town received conditional approval for an amount up to \$28,000 from the Rural Economic Development (RED) Program for a new software program which is designed to streamline the planning approval process. The original estimate for grant revenue was \$35,000. The capital schedule has been updated accordingly.

Capital Project PW-2020-24 (new) – Road 3 E Resurfacing – Division to Graham

During 2019, Enbridge installed a natural gas transmission line and inadvertently damaged various road segments in the process. Enbridge management has been responsive to the issues identified by our MS management team and have committed to restoring the roadways accordingly. The most significant repair to be completed in 2020 refers to repaving of Road 3 E from Division to Graham. The total cost of this project is estimated to be \$285,000 which Enbridge has provided written confirmation to pay in full.

Average Assessment Values

For the past several years, Financial Services has used the value of \$200,000 to represent an average home in the Town of Kingsville. In review of the 2020 assessment data, the average assessed value of a residential property is currently \$248,938. To ensure the impact of property taxes is communicated fairly, Financial Services has increased the 'average home' assessed value to \$250,000. The charts on pages 4 and 5 of the budget document have been updated accordingly.

It should be noted, 2020 assessment values are based on market values as of January 1, 2016 and do not reflect market trends over the past 4 years. MPAC is in the process of establishing new assessment values as January 1, 2019, however, these values will not impact taxation until the 2021 budget year.

County Property Taxes

On December 5, 2019 County Council approved their draft budget which resulted in a 0.9% increase to the County's property tax rate. This increase amounts to \$10.89 on a home valued at \$250,000.

Education Property Taxes

On December 20, 2019 the Province announced the draft Education Property Tax rates for 2020. The residential education tax rates for 2020 are expected to decrease to 0.153% (2019 – 0.161%). This results in a \$20 savings on a home valued at \$250,000.

2019 Actual Results

The '2019 Actual' figures in the 2020 Draft Budget provided to council on December 9, 2019 reflected the revenue and expenses recorded as of that date. These figures have been updated in the amended budget attached. The '2019 Actual' figures will continue to change until Financial Services has officially closed the fiscal year and the Auditors have finalized their testing. This is typically completed in May.

LINK TO STRATEGIC PLAN

Effectively manage corporate resources and maximize performance in day-to-day operations.

FINANCIAL CONSIDERATIONS

The 2020 draft budget has been amended only for the items discussed above. The net impact of these changes increase the amount to be funded by taxation by \$21,733 which increases the municipal tax rate increase to 2.0% (previously 1.9%).

When combined with the County and Education tax rates, the overall property tax rate increase is currently 0.8%. This equates to \$26.28 on a home assessed at \$250,000.

For Council's reference, please see Appendix A for a comparison of regional municipal property tax, water and wastewater rates.

CONSULTATIONS

Senior Management Team

RECOMMENDATION

That council receive the amended 2020 Draft Budget dated January 8, 2020

Ryan McLeod

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Director of Financial Services

Peggy Van Mierlo-West

Peggy Van Mierlo-West, C.E.T.
Chief Administrative Officer