



The Corporation of the Township of Huron-Kinloss

Staff Report

Report Title: 2022 Draft Budget Revisions

Prepared By: Jodi MacArthur, Treasurer

Department: Treasury

Date: Mar. 7, 2022

Report Number: TR-2022-03-24

File Number:

F05 BUD22

Attachments:

Recommendation:

That the Township of Huron-Kinloss Committee of the Whole hereby reviews and receives Report Number TR-2022-03-24 prepared by Jodi MacArthur, Treasurer and directs that the 2022 budget be brought forward for approval on March 22, 2022 using Option ____.

Background:

At the February 18, 2022 Council meeting, direction was given to staff to bring back a budget for Council approval that contained a \$100,000.00 contribution to the Kincardine and Community Health Care Foundation Capital Campaign, but not exceeding a 2.96% increase to the municipal tax rate.

In order to complete the municipal projects included in the draft budget, a 2.24% increase to the municipal tax rate. Adding \$100,000.00 contribution for the hospital campaign would increase the required tax rate to 3.34%; leaving a shortfall of \$35,000.00 to reach the desired maximum tax rate.

Discussion:

There were some suggestions about how to achieve the desired results, including use of anticipated growth, use of reserves and reducing municipal expenditures and staff have evaluated these options and provided a summary below:

Option 1: Include anticipated growth revenue resulting in tax rate increase of 2.91%

The Township does not typically budget for in year tax adjustments. In year assessment increases occur as a result of building permit activity, but there are also

adjustments for change in use, appeals or removal of buildings due to demolition or fire that result in assessment losses. The net adjustments usually form part of the yearly surplus or deficit and are integrated back into the budget in the following year. Knowing that we had a significant number of building permits issued last year leads us to believe that substantial in year adjustments will be pending. An analysis of the preliminary new assessment forecasted by MPAC reveals that the amount of new assessment forecasted for 2022 is almost identical to 2021, therefore using the 2021 actual revenue would be a reasonable estimate. This would increase the 2022 revenue by \$40,000.00 and result in a municipal tax rate increase of 2.91%.

Option 2: Include anticipated growth revenue and reduce expenditures resulting in tax rate increase of 2.83%

Staff also reviewed the draft budget again looking for possible savings in operations to bridge the shortfall. We could support reducing the parks operating budget by \$7,250.00 on the premise that if summer programs are permitted to operate at full capacity, increased expenses for ball diamond maintenance would be offset by some additional revenue for slo-pitch. This would further reduce the required tax rate to 2.83%.

Either option exceeds the target that Council set on February 18th and in the opinion of staff are reasonable options to balance the budget.

There is always a risk that growth revenue may be overestimated; however with the information we have available through MPAC and based on prior experience, we do not anticipate this to be a major concern. Growth revenue has a greater degree of permanency for the municipal budget process than depleting reserves that don't have income generating potential. Expenditure reduction can also pose risk of being unable to deliver services and should be done in moderation as these actions can cause harm in future budget exercises if done without due consideration. The expenditure reduction suggested in option 2 is not foreseen to have a material impact on the operations of the Township.

Financial Impacts:

Option 1 would result in an increase to the municipal tax rate of 2.91%. This would increase the total municipal portion of the tax bill by \$45.46 for the average household. When combined with the County and education tax rates, the total impact to the average household is an increase of 3.66% or \$107.62 on the annual tax bill.

Option 2 would result in an increase to the municipal tax rate of 2.83%. This would increase the total municipal portion of the tax bill by \$44.22 for the average household. When combined with the County and education tax rates, the total impact to the average household is an increase of 3.62% or \$106.38 on the annual tax bill.

Strategic Alignment / Link:

The information provided in this report is consistent with and in keeping with the municipality's Vision & Mission.

We are a prosperous community that continues to grow in a sustainable manner by retaining and expanding our existing businesses and attracting new ones, diversifying our economy, growing a diversity of tourism opportunities and investing in infrastructure;

We are a vibrant community that values our uniqueness and creativity by creating places where people want to be, celebrating what makes us unique, preserving and protecting our history and heritage and supporting and growing the arts and creativity;

We are a spirited community that takes pride in calling Huron-Kinloss home and welcoming others by engaging in our community;

We are an accessible community that offers opportunities for everyone by having amenities and services nearby and being open and transparent; and

We are an environmentally conscious community that are good stewards of our natural environment by protecting our natural assets, using our resources wisely and being aware and taking responsibility.

Respectfully Submitted By:

Jodi MacArthur, Treasurer

Approved By:

Mary Rose Walden, Chief Administrative Officer