



FROM: David Joy, Director of Finance

DATE: February 2nd, 2016

Subject: Operating Budget 2016

PURPOSE

The purpose of this report is for Council to consider finalization and adoption of the 2016 Operating Budget.

BACKGROUND

The process to balance the 2016 operating budget was a very difficult one due to: (a.) the year-after-year reduction of grants-in-lieu for the seniors' social housing and for the post-fire disaster temporary housing; (b.) Grants received for the Legacy Centre and Infrastructure Recovery projects will have been fully applied by the end of 2016 significantly reducing cash balances and interest earned, and; (c.) maintaining service levels with the dissipation of fire recovery/disaster grants.

At the beginning of September, Council provided Administration with direction to maintain current service levels while cutting the discretionary spending within the 2016 budget by 5%. **Excluding** the budgeted increase in RCMP costs, Administration has been able to decrease discretionary spending by \$431-thousand or 4.93%. In addition, 3 positions that are currently vacant will not be filled.

It was identified that 2015 and 2016 have and will include a number of exceptional, positive one-time adjustments, a couple of which relate to the realignment of the inter-municipal fire services and community services invoices with current fiscal year budgets going forward. This will contribute to a moderate, but still fluid, forecasted surplus for 2015 and a balanced budget for 2016. However, the real challenge still remains to address the "structural" deficit of approximately \$384 thousand that will need to be addressed for 2017.

Variance analyses have been provided by department and by materiality for the benefit of your understanding of the strains and savings within the 2016 budget and for 2015 fiscal year. The most significant factors are:

- There has been a reduction in taxation revenue due to the removal from tax rolls of provincial grants-in-lieu for the temporary housing at Sunset Place and Lynnwood trailer parks (\$93-thousand). In 2015, the grant-in-lieu for the seniors' social housing was eliminated (\$93-thousand). Thus, over 2 years, Council has

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had to find a way to adjust for the \$186 thousand reduction of grants-in-lieu yet maintain service levels without increasing taxes.

- The Province has also eliminated the annual MSI operating grant of \$61,051 which we had previously used on an annual basis to fund a portion of the library expenses.
- Interest earned for 2016 will decrease by \$148 thousand due to declining cash and investment balances as the infrastructure recovery and legacy centre projects are completed.
- Expiration of three annual local improvement levies from the tax roll in 2015 (\$65-thousand).
- The RCMP average FTE strength has increased from 13.00 budgeted for 2015 to the 14.88 experienced in the last quarter of 2015. For 2016 the average FTE for the 2016 budget is estimated at 14.00.
- Personnel costs have been held to 2015 budget levels and have increased by only a very modest 0.3%. The Cost of Living Adjustment (COLA) of 1.30% has been offset with the elimination of 3 FTE positions, all which have been vacant. COLA matches Statistics Canada's consumer price index (CPI July 2015) at 1.30% for Alberta which translates into an increase of \$81-thousand. The most recent statistic (October 2015) sites the CPI at 1.40%. The CPI index nationally resides at 1.0%. For municipal comparisons, 7 municipalities of similar size in Alberta were contacted. The average was 2.16% (2.98% for 2015) with a high of 4.00% and a low of 1.25%.

For budget 2016 Administration is bringing into alignment with the 2016 budget fiscal year the inter-municipal invoices (for fiscal 2015 & 2016) which will contribute \$342 thousand to the bottom line but will not resolve the natural "structural" deficit facing 2017. That, plus the decreased MSI operating grant revenue and increased RCMP strength, will create further strain and challenges for the 2017 budget.

FOR DISCUSSION

Although school and senior requisitions have not been received yet, their effect is zero on the operating budget in that collections will match the requisitions. However, if these requisitions increase or decrease there will be a change in the mill rate.

Once the Town is advised of the school and seniors requisitions, a by-law to adjust the mill rate will be presented to Council.

RESOURCE IMPACTS

Only within the confines of the transfers to and from reserves and application/realization of grant revenue from deferred revenue and provincial grants.

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POLICY IMPLICATIONS

None.

COMMUNICATIONS

None at this time.

RECOMMENDATION TO COUNCIL

That Council approve this operating budget as presented.

Motion:

THAT Council adopt the 2016 Operating Budget as presented.

Attachments:

Budget summaries

Report Prepared by:

David Joy
Director of Finance

Brian Vance
CAO
