



Town Council of Gander

2008

Operating & Capital Budget

Report

Presented to Council
December 12th, 2007

by: Deputy Mayor Zane Tucker, Chair of Finance Committee

Town Council of Gander

2008 Operating & Capital Budget Report

On behalf of the Finance Committee it is my pleasure to present the 2008 Operating & Capital Budget.

At its Regular Council meeting on October 10, 2008, Council adopted the budget schedule and I am very pleased to be able to state that we have met Council's objective of presenting a balanced budget, as required by the *Municipalities Act*, tonight as outlined in that schedule. Given the complexities and the various issues that had to be dealt with during the budget process we are very pleased with this accomplishment.

The direction provided to the Committees by the Finance Committee was to base the budget on last year's activities, eliminate any one time cost from current operations, plus take into account an inflation rate of 2% and increase any expenditure with known increases that were above the normal inflation rate such as gas, diesel, heating oil and electricity. Any enhancement in service or new programs would have to be submitted separately, with justification.

The Committees were also requested to meet the financial objectives set in last year's budget for the Capital expenditures.

Along with economic activity comes a requirement for additional resources to maintain the current level of service, or an enhancement of services, for our taxpayers. Mr. Mayor, through sound financial planning Council has eliminated its operating deficit, funded its liability for severance and vacation accruals, constructed the water treatment plant and, in addition, are able to maintain or enhance our services and meet our commitments made to our staff in recent negotiations.

The 2008 Operating Budget contains several provisions in various departments to enhance or maintain services at the current level.

Municipal Works and Services

VON Broadening Horizons has requested further assistance in order to continue to provide its curbside recycling program at the current level. Broadening Horizons reports that the amount of solid waste that is being diverted from the Town's landfill is increasing and provision is made in the budget to increase the subsidy by \$10,000 for a total subsidy of \$40,000.

Roads Maintenance

The Municipal Works Committee has requested extra funding to maintain the current level of snow clearing and to improve the preventative maintenance in the town streets. The Department is tasked with snow clearing an additional 7 km of streets since last season. Council has acquired ownership of Cooper Boulevard, from Magee Road to the Trans Canada Highway in addition to the new residential streets that have been added. The Department has been maintaining the current level of service over the past five years while continued growth has increased snow clearing time and resources. Although the Department has maintained a high level of service, some areas such as the downtown sidewalks and clean up have suffered.

The budget contains provision to add a sixth snow clearing route which will allow for increased frequency of sidewalk clearing and street widening in the downtown, greater flexibility to truck away snow along Airport Boulevard during blowing operations and maintain the current level of snow clearing. Two seasonal heavy equipment operator positions and the upgrade of a seasonal mechanic position to full time will be required to maintain our current level of service.

2008 Operating Budget

Public Safety

During the past few years, we have seen an increase in vandalism and break-ins in our Town and the Public Safety Committee is requesting funding to provide more police presence to address this problem. The service that is provided during the summer months is inadequate because there is no coverage for vacation relief and there is a requirement for more policing during that period. The Finance Committee is recommending an increase in the Public Safety Budget to accommodate the hiring of a Police Officer for a four month position.

Mr. Mayor, the direction being provided to the Public Safety Committee is to increase the amount of time police presence is provided and not to have more staff on a shift.

Parks, Recreation & Tourism

In last year's budget, Council included an expenditure of \$37,000 to establish a pilot project for civic enhancement. The project was very successful and Council has decided to invest funding on a permanent basis to ensure that the program is continued. Additional funding of \$17,000 is included in the budget to enable the Parks & Recreation Department to hire an employee with expertise in turf management to provide the resources to continue with the civic enhancement program and to provide direction and support in all of our park areas.

Also in the 2007 budget, the Finance Committee recommended, and Council approved, that the subsidy for the Gander Community Centre would be set at \$150,000 and we are very pleased that the Recreation Department has been able to meet, and in fact surpass, that objective. Our projection for 2007 is that the subsidy will be \$135,000 and no further increase in User Fees will be required for 2008.

Tourism

Mr. Mayor, in last year's budget, provision was made to plan for the celebrations of the 50th Anniversary of the Town's incorporation. Under the leadership of Councillor Anstey, a Committee has been formed and a great deal of planning has been completed. The plans include holding four major events for 2008 and \$84,500 is being recommended to assist with the celebrations and to ensure that our 50th Anniversary will be very memorable for the citizens of our Town.

Tax Rates, Rental Rates and Fees for 2008

Council has a program which offers a reduction in property tax to low income residential property owners. Over the past few years the number of participants in this program has been declining. In 2007 there were only nine applicants and Council would like to provide an opportunity for more low income residents to qualify for the reduction. The Finance Committee is recommending an increase in the level of income which is eligible to qualify for the reduction.

The Finance Committee is recommending that taxpayers, upon approval of application, would be eligible for the following reduction in their annual residential property tax provided that the total income into the household is less than the following:

Annual Income	Reduction
0.00 - \$15,000.00	50%
\$15,001.00 - \$16,500.00	40%
\$16,501.00 - \$18,000.00	30%
\$18,801.00 - \$20,000.00	10%

Mr. Mayor, during the past year the Municipal Assessment Act was amended giving Councils the flexibility of adopting a policy to establish the value that will dictate a supplemental assessment for renovations and new construction. Presently, our policy is to have a supplemental assessment completed on all new construction and renovations with a value in excess of \$5000.

The Finance Committee is recommending that Council amend its policy and eliminate the reassessment of properties in the year that the renovations are completed. This policy will apply to residential and commercial renovations.

Municipal Operating Grants

Last year we were very pleased that the Provincial Government terminated its plans to reduce Municipal Operating Grants and we continue to request that the Provincial Government enter into a new fiscal relationship with municipalities such that if a municipality is experiencing growth, a portion of the revenues derived from the growth should accrue to the municipality. We will continue to discuss this issue with the Provincial Government.

Mr. Mayor, the 2008 Operating Budget is presented as follows:

2008 Budget Summary

	2007 Projected <u>Actual</u>	2007 <u>Budget</u>	2008 <u>Budget</u>	<u>Variance</u>
Revenues				
Property Taxes - Residential	\$3,740,940	\$3,682,000	\$3,850,000	\$168,000
Property Taxes - Commercial	959,999	995,000	970,000	-25,000
Business Taxes	1,328,000	1,418,000	1,425,000	7,000
Water/Sewer Tax-Non Residential	1,280,148	1,337,000	1,360,000	23,000
Business Taxes from Utilities	565,412	567,000	580,000	13,000
Payment in Lieu of Taxes	363,461	363,800	363,500	-300
Municipal Operating Grants	328,296	328,000	328,300	300
Provincial Share of Debt Grant	874,279	917,800	804,900	-112,900
Gas Tax Grant	495,000	495,000	337,700	-157,300
Land Sales	600,000	0	0	0
Community Centre	278,285	248,000	290,600	42,600
Special Events	115,850	136,700	111,200	-25,500
Other Revenues	447,044	306,300	376,300	70,000
TOTAL REVENUE	<u>\$11,376,714</u>	<u>\$10,794,600</u>	<u>\$10,797,500</u>	<u>\$2,900</u>
Expenditures				
General Government	1,661,970	1,674,300	1,553,100	-121,200
Fire	654,579	682,400	720,000	37,600
Police	157,796	161,800	184,800	23,000
Municipal Works	3,410,781	3,374,000	3,680,500	306,500
Development	387,978	422,800	374,000	-48,800
Tourism & Festival of Flight	323,819	354,300	392,800	38,500
Parks & Recreation	971,872	941,900	1,029,100	87,200
Fiscal Services	1,532,545	1,770,300	1,720,600	-49,700
Gas Tax Projects	495,000	495,000	337,700	-157,300
Provincial Share of Deb Charges	874,279	917,800	804,900	-112,900
Surplus used to Finance Capital	906,095	0	0	
TOTAL EXPENDITURES	<u>\$11,376,714</u>	<u>\$10,794,600</u>	<u>\$10,797,500</u>	<u>\$2,900</u>

These expenditures can also be presented by category as follows:

	2007	2007	2008	
	Projected	Budget	Budget	Variance
	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>	<u>Variance</u>
Expenditure by Type				
Direct Payroll Costs	\$3,300,955	\$3,383,000	\$3,601,000	218,000
Indirect Payroll Costs	714,025	723,900	759,200	35,300
Supplies and Services	1,942,562	1,979,500	2,054,000	74,500
Electrical	839,153	812,500	891,800	79,300
Insurance	246,250	243,400	185,000	-58,400
Donations	129,982	90,300	124,500	34,200
Capital out of Revenue	1,185,630	209,400	174,300	-35,100
Gas Tax Projects	495,000	495,000	337,700	-157,300
Special Events	153,678	164,900	125,100	-39,800
Debt Charges - Town Share	1,349,950	1,631,100	1,584,900	-46,200
Debt Charges - Provincial Share	874,279	917,800	804,900	-112,900
Council	145,250	143,800	155,100	11,300
	<u>\$11,376,714</u>	<u>\$10,794,600</u>	<u>\$10,797,500</u>	<u>\$2,900</u>
TOTAL				

2008 Capital Budget

The infrastructure of our Town continues to deteriorate with age and the financial requirement to maintain the infrastructure is ever increasing. The Federation of Canadian Municipalities (FCM) estimate that the deficit in municipal infrastructure across Canada is in excess of 123 billion dollars and they were successful in negotiating with the Federal Government to have a portion of the gas tax revenues transferred to municipalities. The FCM is lobbying the Federal Government for a greater share of its revenues and requesting that 1% of all GST revenue be reallocated for maintenance of municipal infrastructure and Council supports their efforts. The latest FCM study is projecting that if more funds aren't injected into the financing of municipal infrastructure the deficit will increase by \$2 billion per year.

Mr. Mayor as you recall, following last year's budget, the Finance Committee, in conjunction with the other Committees, reviewed the requirement for future Capital Expenditures. The latest projections is that the construction cost of the Fire Hall will be \$3.2 million, which is \$700,000 more than the original estimate, which means that there would be a shortfall in the capital funding for roads and other capital expenditures, in order to comply with the earlier projections.

Mr. Mayor, Council's policy on the ratio of capital debt payments to revenue is presently 20% and the long term projections show that the debt ratio will not exceed 19% to the year 2012. Given this fact, and Council's healthy financial position, the Finance Committee is recommending that an additional \$400,000 would be allocated for Capital in 2008. Even with this increase in Capital spending the Capital debt ratio for 2008 will only be 15.86%.

Council has been able to reduce its Capital debt ratio to this level as a result of its policy of financing a portion of Capital requirements with revenues raised through land sales and using any operating surplus to finance Capital rather than borrowing. In 2007 the Finance Committee is projecting that Council will be able to finance \$906,095 of its Capital expenditures through land sales of \$600,000 and a surplus of \$306,095.

The 2008 Capital Budget is presented as follows:

Municipal Works:

▶	Roads Program	\$1,639,000
▶	Facilities	128,000
▶	Heavy Equipment	105,000
▶	Equipment	44,000
▶	Vehicles	<u>43,000</u>
		<u>\$1,959,000</u>

Recreation:

▶	Children's Splash Park	\$90,000
▶	Contribution to Soccer Complex	12,000
▶	Privy at Silent Witnesses Site	15,000
▶	Cobb's Pond Master Plan	16,000
▶	Civic Enhancement	51,000
▶	Equipment	<u>44,300</u>
		<u>\$228,300</u>

Public Safety:

▶	New Fire Hall	\$3,200,000
▶	Vehicle	<u>30,000</u>
		<u>\$3,230,000</u>

Total Capital **\$5,417,300**

Some of Capital items included above are:

▶	Construction of New Fire Hall	\$3,200,000
▶	Major Rebuilds on 3 Pieces of Heavy Equipment	105,000
▶	Contribution towards the construction of a Splash Park	90,000
▶	Replacement of 3 Light Vehicles	73,000
▶	Replace all Traffic Signals with LED Signals	60,000
▶	T'Railway Paving from Memorial to Cooper	40,000
▶	New Welcome to Gander Signs	30,000
▶	Purchase of Stage for Community Centre	30,000
▶	Purchase of Asphalt Infrared Patcher	14,000

Sources of Funding:

▶ Federal Gas Tax Program	\$565,000
▶ Provincial Agreement Cooper Blvd Transfer	442,000
▶ Multi Year Capital Works - Provincial Share	1,866,000
▶ Carried from 2007	29,000
▶ Lions Club - Splash Park Contribution	40,000
▶ Town of Gander Own Sources	<u>2,475,300</u>

Total Funding \$5,417,300

Mr. Mayor last year, Council budgeted funds to replace the fluoride machine which had originally been purchased when fluoride was introduced into our water supply in the early 1970s. Since that time, there has been much discussion regarding the benefits of adding fluoride to our water supply and it is Council's intention to consult with the general public, other municipalities and health officials, and obtain scientific data to determine whether or not fluoridization should continue. This consultation will take place next year. At the present time, fluoridation of our water supply has been terminated and funds will be budgeted in 2009 if the results of the consultation show that fluoridation should be continued.

Several years ago, Council sold its Youth Centre building and the revenue derived from the sale was reserved for youth programs. Last year Council allocated \$12,000 of the youth fund for Council's contribution toward the building which is being constructed by the Soccer Association. These funds were not spent in 2007 and are carried forward to 2008. The remaining \$30,000 left in the Youth Centre fund is still reserved for 2008 for the Gymnastics Club which is seeking funding to construct a building.

The Finance Committee is pleased to report that our debt ratio for 2008 will be 15.86%, well below Council's established policy of 20%. The debt ratio for 2009 will be 17.25% and rising to approximately 18.25% in 2012.

The Finance Committee is very pleased to advise that we have been able to maintain our Capital Debt Ratio, increase the amount of capital spending, meet the negotiated wage increases, maintain our level of services and introduce new programming without increasing taxes, rates or fees.

The Committee recommends, and I move, approval of the various tax rates and fees which has been established within this budget, as attached.

The Committee recommends, and I move, adoption of the 2008 Operating and Capital Budgets, as presented.

And Mr. Mayor, I would be remiss if I didn't thank you, Council and staff for the many hours of preparation and hours of meetings before a consensus could be reached to achieve a balanced budget.