

Town Council of Gander
Operating & Capital Budgets
2012

Presented to: Mayor Elliott and Council
Presented by: Councillor Allan Scott, Chair, Finance Committee
December 14, 2011

Town Council of Gander
2012 Operating and Capital Budgets

Preparations for the 2012 Operating and Capital Budgets began in early October. All Department Heads were provided with the historical and current financial data which was required to prepare the Departmental budgets. The Town is faced with inflationary pressures on its operating and capital costs and is fortunate to find itself in a very favourable financial position and is able to fund these extra costs from taxes generated by the expansion through its tax base in residential and commercial construction.

The Town continues to experience greater than average statistics in both residential and commercial building construction. To date, there are in excess of 400 residential permits issued with a value of \$22 million dollars and 59 non-residential permits issued with a value of \$4.8 million dollars. Included in these permits are 136 new dwelling units. There were also 15 new store front businesses and seven home-based businesses established in 2011.

Although the Town finds itself in an enviable position of an expanding tax base, there will also be major financial pressures placed on the municipality's finances because of regulatory changes by the Provincial and Federal Governments. The Provincial Waste Management Strategy will be implemented in 2012 and the Federal Regulations governing waste water treatment will be coming into effect next year as well. It is expected that our Town will be required to fully comply with the Waste Water Regulations within ten years.

A recent study conducted by the Town indicates that the compliance will cost several million dollars. It is the opinion of the Finance Committee that it will not be possible to finance these projects as well as other increases in budgetary requirements through property taxes.

Council has been lobbying the Provincial Government for several years to adopt a new fiscal relationship with the municipalities in order to more fairly distribute the tax revenue between the Provincial and Municipal Governments and the Finance Committee is pleased that Municipalities Newfoundland and Labrador (MNL) engaged Dr. Wade Locke, an economist with Memorial University, to complete a study on the municipal tax system. His report shows that municipalities need another source of revenue if they are to be sustainable. Dr. Locke's report recommends that the provincial government allocate 1% of the HST or 1% of personal income tax to fund Municipal Operating Grants. The Finance Committee is recommending that Council support Dr. Locke's report and will present a formal resolution to Council in the New Year.

The Finance Committee has reviewed the extra costs required to comply with the Provincial Waste Management Strategy and directed the Committees to keep their requests for new programs to those with a demonstrated need, and to keep the levels of all services at last year's levels where possible, in order to keep the required tax increase as low as possible to minimize the effects of implementing the Central Waste Strategy.

There were submissions of \$946,000 for extra requests and the Finance Committee is recommending approval of \$306,000, which includes:

Incremental cost required to implement Provincial Waste Strategy	\$237,000
Trucking of sludge to Central Waste Facility	15,000
Contribution to North Atlantic Aviation Museum	10,000
Incremental cost to hire a full-time Fire Chief	41,000
Donation to Gymnastics Club	<u>3,000</u>
Total	<u>\$306,000</u>

Several years ago, the Provincial Government adopted a strategy for the disposal of solid waste which, for the Central area, included the closure of all of the incinerators and landfills and to treat the disposal in a more environmentally friendly way. The environmental regulations require that all landfills be lined to protect the environment from the leachate associated with the burial of garbage.

As it would cost several million dollars to construct a standalone lined landfill for the Town and it was determined that there were economies of scale that would result from one site, Council decided to centralize the solid waste disposal at the Central Waste Facility.

The site selected is near Norris Arm North and Council has been advised that the first phase of the facility is due to open on February 6 which means that the Town landfill on Gander Bay Road will be closed at that time and all solid waste will have to be trucked to Norris Arm. The long term incremental cost required to implement the strategy is \$252,000. However, Council has committed to the employees involved that there will be no layoffs resulting from this decision. As several of our employees are nearing retirement age, it has been decided to accommodate the employee reduction through attrition. This decision, plus other one-time requirements, will add another \$250,000 to Budget 2012.

Council's normal taxation policy is to distribute any increases equally between the residential and the commercial taxpayers. However, as the Town provides only landfill, and not collection services to the business community, the mill rate for the commercial taxpayers will not be increased by the same amount as for residential taxpayers.

Central Waste Management is also investigating the possibility of providing curbside collection and, because new collection vehicles will have to be purchased, as the Town's Garbage trucks are due for replacement, there would be an immediate capital cost saving of approximately \$500,000 should this solution prove feasible.

Last month at the Firefighter's Ball, our long time volunteer Firefighter and Fire Chief announced that since his term of office was due to expire, he would no longer be offering himself for re-election. Council met with the Executive of the volunteer body and was advised that none of the volunteers who were interested in the Chief's position met the requirements of the By-Laws of their Association. Council discussed the pros and cons of having a paid position as compared with a volunteer and has decided to hire a paid Fire Chief.

The Finance Committee has determined that it will cost an additional \$41,000 to move from a volunteer position, which is paid a stipend, to a full-time Chief and provision has been made in this year's budget to accommodate the hire.

During the year, the North Atlantic Aviation Museum requested funding which would make it feasible for them to hire a Curator for the Museum. Council considered the request and referred it to this year's budget process. Funding of \$10,000 is provided in this year's budget should the Museum be successful in recruiting a Curator.

Council has a program to assist certain recreational organizations with the operation of their programs. A provision of \$3,000 is made in this year's budget to assist the Aerials Gymnastics Club with the operations of their gymnastic program.

All of the new programming submitted had merit but given the fact that the financial commitment to implement the Central Waste Strategy is so great, the Finance Committee is not prepared to recommend any additional spending except as outlined.

The Committee also reviewed its Fee Schedule and is recommending an increase in the fees charged to the user groups at the Community Centre. The costs of wages, electrical and fuel continue to rise and, without increasing the rates, the operating subsidy that is provided for the operation of the Centre would have to be increased. The Committee is not prepared to increase the subsidy again this year. Effective September, 2012, the rates at the Community Centre will increase by 5%. The Committee also reviewed the Building Rental Rates for events held at the Centre and felt that the discount offered to groups for the set-up and tear-down days did not properly reflect the operations costs or the revenue foregone to accommodate the events. The rates charged for set-up and tear-down, if an event is held when the ice is on, will be set at \$2,000 including HST and the rate when the ice is not on will be set at \$1,500.

Currently, the impounding rate for animals that are licensed is the same as that for unlicensed animals. The Public Safety Committee recommended that a different rate be set for unlicensed animals; the Finance Committee concurred and set the rate at double the rates set for licensed animals. These rates vary for the first, second and third offences and are outlined in the Tax Rates, Rental Rates and Fee Schedule.

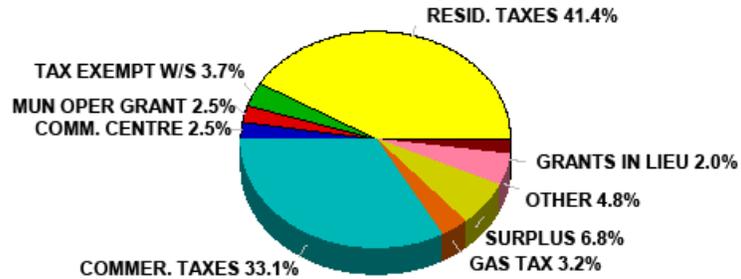
The 2012 Operating Budget is presented as follows:

2012 BUDGET - SUMMARY

<u>DEPARTMENT</u>	<u>PROJECTED 2011</u>	<u>BUDGET 2011</u>	<u>BUDGET 2012</u>	<u>VARIANCE</u>	<u>% CHANGE</u>
<u>REVENUES</u>					
Property Taxes - Residential	4,958,000	4,915,000	5,485,000	570,000	11.6%
Property Taxes - Commercial	1,006,500	1,006,500	1,035,000	28,500	2.8%
Business Taxes	1,667,084	1,649,400	1,667,084	17,684	1.1%
Water/Sewer Tax	1,483,300	1,483,300	1,553,000	69,700	4.7%
Business Taxes from Utilities	647,253	665,000	664,200	-800	-0.1%
Grants in Lieu of Taxes	261,233	276,000	265,200	-10,800	-3.9%
Municipal Operating Grant	360,877	328,400	328,400	0	0.0%
Provincial Share Debt Grant	413,364	413,364	332,100	-81,264	-19.7%
Gas Tax Grant	420,279	420,279	420,279	0	0.0%
Land Sales	0	0	0	0	0.0%
Community Centre	263,713	303,600	330,300	26,700	8.8%
Special Events	90,998	117,000	73,700	-43,300	-37.0%
Other Revenues	852,405	620,800	564,600	-57,200	-9.2%
Surplus from previous years	<u>1,377,638</u>	<u>647,142</u>	<u>897,700</u>	<u>250,558</u>	
Total Revenues	13,802,644	12,845,785	13,616,563	770,778	4.3%
<u>EXPENDITURES - By Dept.</u>					
General Government	1,846,165	1,866,824	1,874,000	7,176	0.4%
Fire	777,382	765,600	857,612	92,012	12.0%
Municipal Enforcement	180,779	184,300	206,100	21,800	11.8%
Municipal Works	5,522,911	5,696,478	5,844,400	147,922	2.6%
Development	423,790	418,440	866,500	448,060	107.1%
Tourism & Festival of Flight	393,540	386,700	315,700	-71,000	-18.4%
Parks & Recreation	921,809	804,400	1,044,200	239,800	29.8%
Fiscal Services	2,004,801	1,889,400	1,855,672	-33,728	-0.5%
Gas Tax Projects	420,279	420,279	420,279	0	0.0%
Provincial Share Debt Charges	<u>413,488</u>	<u>413,364</u>	<u>332,100</u>	<u>-81,264</u>	-19.7%
Total Expenses	12,904,944	12,845,785	13,616,563	770,778	6.2%
Surplus/Deficit	897,700	0	0	0	

TOWN OF GANDER 2012 BUDGET

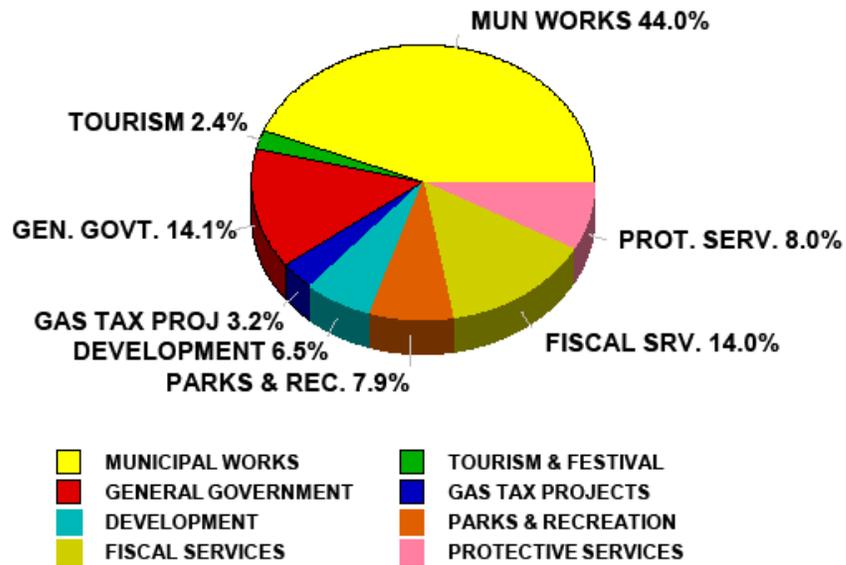
SOURCES OF REVENUE



TOWN OF GANDER 2012 BUDGET

EXPENDITURES BY DEPARTMENT

(Excluding Provincial Debt Payments)

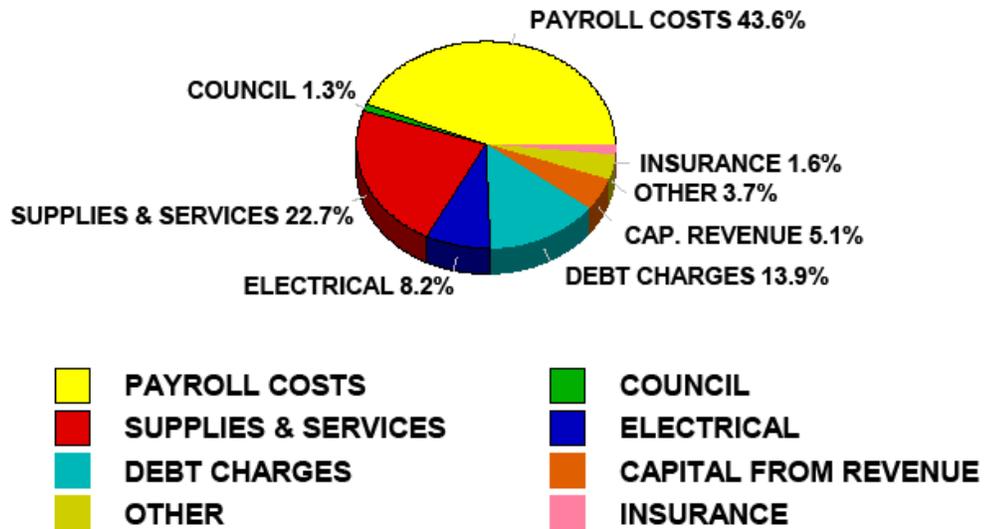


EXPENDITURES - By Type

Direct Payroll Costs	4,363,966	4,374,124	4,575,900	201,776	4.6%
Indirect Payroll Costs	977,599	984,776	1,030,100	45,324	4.6%
Supplies & Services	2,639,705	2,482,200	2,912,112	429,912	18.3%
Electrical	978,733	957,100	1,051,400	94,300	9.9%
Insurance	200,000	200,000	206,000	6,000	3.0%
Donations	187,403	115,600	318,600	203,000	175.6%
Capital out of Revenue	237,941	707,142	649,400	-57,742	-8.2%
Gas Tax Projects	420,279	420,279	420,279	0	0.0%
Special Events	231,051	221,500	168,200	-53,300	-24.1%
Debt Charges - Town Share	1,754,179	1,800,900	1,787,172	-13,728	-0.8%
Debt Charges - Provincial Share	413,488	413,364	332,100	-81,264	-19.7%
Council	<u>158,570</u>	<u>168,800</u>	<u>165,300</u>	<u>-3,500</u>	<u>-2.1%</u>
Total	12,562,914	12,845,785	13,616,563	770,778	6.2%

TOWN OF GANDER 2012 BUDGET

EXPENDITURES BY TYPE (Excluding Provincial Debt Payments)



Revenues

Residential Property Taxes

The Town will require \$570,000 in additional property tax related revenues to fund the expenditures outlined in the 2012 budget. Expansion to the town's tax base will generate approximately \$290,000 and \$280,000 will be raised through property tax increases.

The Finance Committee is recommending that the residential property tax mill rate be increased from 9.25 mills to 9.75 mills of the assessed value of the property which on average is a 5% increase.

Tax Discounts and Reductions

The policy of residential property tax reduction for low income persons will continue and the thresholds for reduction will remain the same as for 2011. Any household with an income level below \$20,000 is eligible for a tax reduction. Upon application, taxes may be reduced as follows:

<u>Annual Income</u>	<u>Reduction</u>
\$0 - 15,000	50%
\$15,001 - 16,500	40%
\$16,501 - 18,000	20%
\$18,801 - 20,000	10%

Commercial Property Taxes

The Finance Committee is recommending that the Commercial Property Tax rate be increased from 6.1 mills to 6.15 mills of the assessed value of the property, which is an average increase of 1%.

Business Taxes

There are nine categories of business taxes being charged on all businesses operating within the Town.

The Finance Committee is recommending that the mill rates for all business categories be increased on average by 1%. The various business tax rates are outlined in the Tax Rates, Rental Rates and Fee Schedule for 2012.

Non-Residential Water and Sewer Taxes

It is proposed to increase the non-residential water and sewer tax rate from 6.1 mills to 6.15 mills of the assessed value of the property.

Business Taxes from Utilities

The Town also derives revenue from the various utilities that operate within our Town. Those utilities are exempt from business tax but by legislation are required to pay a minimum utility tax of 2.5% of their revenue generated in our Town. The revenue estimated to be derived from this source is \$664,200.

Grants-In-Lieu of Taxes and Tax Agreements

Revenues derived through residential property taxes, commercial property taxes and commercial water and sewer taxes are levied based on the authority granted to Council under the *Municipal Assessment Act* and provisions of the *Municipalities Act*. However, Federal and Provincial Governments and Crown Corporations are exempt from taxation. The Federal Government and their Crown Corporations pay an equivalent amount of taxes through the *Grants in Lieu of Taxes (GILT) Legislation* as if they were taxable. Based on the most recent assessed values, it is projected that this revenue will be reduced by \$10,800 in 2012.

Municipal Operating Grant

The Provincial Government also provides a Municipal Operating Grant, in addition to the water and sewer tax paid on provincial buildings. The Town will derive \$328,400 from this grant, which is the same amount as in the past year.

Provincial Share of Debt Charges

The Province cost shares various capital projects and provides a grant to enable the Town to pay for the Province's share of the projects. The Province will provide a grant of \$332,100 in 2012.

Gas Tax Projects

The Federal Government funds certain capital projects out of a portion of the gas tax collected. These projects are not cost shared and therefore require no investment from the community.

Other Revenues

Anticipated revenues received from the sale of goods and services provided by the Town are recorded in this section. Fees received from garbage disposal from other communities, which will cease after the new central waste disposal site comes on stream, as well as monies generated from fines, building permit fees and other cost-recovered services are examples of this type of revenue. In 2012, we are anticipating revenues of \$564,600 from these sources.

The subsidy provided for the operation of the Community Centre will remain the same as 2011. As stated, this budget contains an increase of 5% in the ice rental rates, effective September, 2012, and an increase in building rental rates. No increase is proposed in other miscellaneous fees.

Total Revenues

The total anticipated revenues from all sources for 2012 is \$12,718,863.

EXPENDITURES

General Government

General Government includes all those costs associated with the overall administration of our Town, the activities of Council and the common services that cannot easily be allocated to specific functions. This year, the Town will be spending \$1,874,000 for General Government, an increase of \$7,200 over last year's budget.

Protective Services

Any expenditures, wages, benefits and supplies that provide for the protection and safety of the residents of our municipality are included under Protective Services. Fire Rescue, Emergency Preparedness, Animal and Pest Control, and Enforcement of Bylaws are included under this heading and the 2012 Budget provides \$1,063,712 for the provision of Protective Services including:

Fire	\$857,612
Municipal Enforcement	\$206,100

Municipal Works and Services

The Municipal Works and Services Department, which is by far the largest department within the Town, accounts for over 40% of all expenditures. The total budget for the Municipal Works and Services Department is \$5,844,400.

These services and the related costs provided by the Department include:

Fleet Operations	\$597,000
Streets, Roads and Sidewalks	850,600
Snow Removal	627,800
Street Lighting	272,300
Traffic Services (including painting and traffic signals)	28,300
Water Supply and Distribution	1,009,100
Sewage Collection and Disposal	528,000
Waste Collection and Disposal	799,000
Planning and Zoning	65,900
Other Protective Services and Inspections	98,900
Engineering Services	425,200
Building, Parks and Playgrounds	428,400
Capital out of Revenue	113,900

The Municipal Works expenditures account for most of the significant increases in this year's budget. There have been increases in several of these expenditures during the past year, such as an increase of \$42,000 resulting from increases in fuel prices; \$54,000 in anticipated increase in electrical cost; and \$9,000 for street lights on new streets.

The costs associated with the implementation of the Provincial Waste Management Strategy, as previously mentioned, are included in this Department.

For the past two years, Council has contracted asphalt repair and this has proven to be effective. The budget will be increased by \$10,000 to add crack sealing to the program which will extend the life of our streets.

Economic and Social Development

The wages, benefits and other supplies and costs associated with prospecting and retention of business for our Town and the creation of an environment that is conducive for the operation of business and other economic development initiatives are provided for in this function.

This year, the Town will be investing \$866,500 in Economic Development. Included in this investment is a provision of \$500,000 to allow the Town to partner with Gander International Airport and other agencies to construct a hanger which is seen as a necessity if the Town is to be successful in its efforts to attract aerospace industries.

Tourism, Special Events and Festival of Flight

The expenditures associated with providing services to customers who rent the Community Centre, organization of the Festival of Flight and the various other special events hosted by the Town are included in this section of the budget. Also included in this section is the Town's contribution of \$60,000 to help fund Destination Gander. The Town and the hospitality industry established a partnership in 2009 to retain and attract convention business and Council has decided to continue with this partnership for another three-year period, but with funding reduced by \$20,000 per year.

Council has decided to reduce the amount that it contributes to the activities of the Festival of Flight and has reduced the contribution to \$94,500 for a net reduction of \$10,000.

The total budget for tourism, special events and the Festival of Flight is \$315,700.

Parks and Recreation

The budget for expenditure in the Parks and Recreation Department for 2012 is \$1,044,200. This section of the budget makes provisions for expenditures anticipated for the administration of the various Parks and Recreation programs, as well as operating and maintaining the Community Centre and the Summer Program.

Fiscal Services

In any given budget year, Council makes provision to borrow money to pay for capital expenditures, which are those items that will be financed and paid out of future operating revenues, operating surpluses and through land sales. Provision has been made in the 2012 budget to make \$1,880,672 in principal and interest payments.

Surplus

At budget preparation time, the Town is projecting an accumulated surplus of \$1,239,730. The Finance Committee is recommending that \$897,700 of the surplus be used to fund several one-time expenditures, including the \$500,000 contribution to the Airport, and other one-time expenses in the 2012 budget. The balance will be used to purchase capital items in 2011 rather than borrowing. The Finance Committee considered using the surplus to balance the 2012 budget but felt that this would only defer the tax increase because the surplus was generated through land sales and from capital projects that weren't completed this year and it would not be prudent to balance the budget with one-time surpluses as the operating expenditures are long term.

The total anticipated expenditure for the 2012 budget stands at \$13,641,563.

Capital Budget

Capital expenditures are those items that will be financed and paid out of future operating revenues, operating surpluses or from proceeds received from the sale of land. During the budget process, the Finance Committee considered requests in the amount of \$9,340,000 and is prepared to recommend approval of \$8,178,171. Included in this amount are several projects totaling \$5,384,571 which were budgeted in 2011 but were not completed this year and are carried forward to 2012.

The 2012 Capital Budget is presented as follows:

General Government	\$ 40,000
Fire Department	285,000
Roofing of Animal Shelter	15,000
Municipal Works and Services	1,417,071
Parks, Recreation and Tourism	3,036,100
Water and Sewer	1,107,000
Roads Program	2,053,000
Economic Development	225,000
Total Capital	\$8,178,171

Municipal Works major capital includes:

- Replace grader
- Replace five pickups
- Replace tandem salt truck
- Partially fund expansion to the cemetery
- Install new traffic controllers at Roe and Markham intersections

The Roads Program being proposed, and funded through the various funding programs, contains the following projects:

- Rebuild Magee Road from T'Railway to TCH
- Rebuild Heath Crescent
- Rebuild Airport Boulevard from Fraser Road to Boyd Street

TOWN OF GANDER 2012 BUDGET

ROADS PROGRAM

ROADS PROJECTS TO TAKE PLACE IN 2012 ARE AS FOLLOWS:

1. Rebuild and recap Magee Road from Cobb's Pond to TCH.
2. Recap Airport Blvd from Fraser Road to Boyd Street.
3. Rebuild and recap Heath Crescent.

Some of the major water and sewer projects included in this budget are:

- Upgrade Magee Sewer Treatment Plant
- Repaint and expand the Water Reservoir

The major items included in the Parks and Recreation section of the Capital Budget are the following:

- Cobb's Pond Redevelopment
- Ball Field Improvements
- Ball Field Washrooms and Storage Shelter
- Redevelop the around town Snowmobile/ATV Trail
- Change Unit for Splash Pad
- Cost Share improvements to Tennis Courts

Other Major Capital:

- Replace Fire Training Ground Smokehouse
- Replace Fire Department pickup
- Town Hall renovations

A major portion of these capital projects are contingent upon approval being granted by the Province under its Multi-Year Capital Program.

It is anticipated that the capital projects will be funded through the following sources:

Town of Gander – New Borrowing/Surplus	\$ 2,433,171
Town of Gander – Carried from 2011	849,400
Federal Government	655,167
Provincial Government	4,232,933
Other	7,500
Total Funding	\$8,178,171

TOWN OF GANDER 2012 BUDGET

OTHER CAPITAL PROJECTS

OTHER MAJOR CAPITAL ITEMS BUDGETED FOR 2012 INCLUDE:

- 1. Replace Salt Truck.**
- 2. Start Cobb's Pond Redevelopment.**
- 3. New Smokehouse at Fire Training Ground.**
- 4. Upgrades to Magee Road STP(If Multi Year Funding Approved).**
- 5. Replace Sidewalk on Hamilton Street(If Multi Year Funding Approved).**
- 6. Upgrade Town ATV/Snowmobile Trail.**

Council has a policy of having no more than 20% of its revenue devoted to financing capital debt and I am pleased to announce that our long term projections indicate that the debt payment to revenue ratio will be maintained below that level.

The Committee recommends, and I move, approval of the various 2012 Tax Rates and Fees which have been established within this budget, as attached.

The Committee recommends, and I move, adoption of the 2012 Operating & Capital Budgets as presented.

The Operating & Capital Budgets will be available at the start of tomorrow's business day at the Town Hall or online at www.gandercanada.com.

Mr. Mayor, the preparation of the Town's Budget requires many of hours of preparation and hours of meetings before we could present it to you tonight for your consideration. At this time I would like to thank all of Council and staff for their assistance in preparing this balanced budget. I would also like to thank the media for attending and assisting in tonight's budget presentation.

TOWN OF GANDER 2012 BUDGET

DEBT PAYMENT TO REVENUE RATIO

