



BEAVER COUNTY

BUDGET DISCUSSION

2020 Budget and 5-Year Financial Plan

November 6, 2019

AGENDA

Information for both 2020 budget and 5-year financial plan will be discussed

1. Assessment Base
2. Beaver Municipal Solutions' Funding
3. Municipal Sustainability Initiative Funding
4. Other Grants (County and NPOs)
5. Impact of Provincial Budget Announcements
6. Schedule of Reserves
7. Projected 2019 Budget Surplus
8. Tax Levy and Collection Rates
9. Expenditure Considerations
10. Tools in our Toolbox
11. Priority-Based Budgeting
12. 2020 Budget Preparation Timeline

ASSESSMENT BASE

Assessment base for 2020 taxes will be lower than in 2019 by approximately \$47 million. This is a best-estimate at this time.

- Residential assessments may increase 1.5% due to growth & inflation
- Well and pipeline assessment expected to decrease 35% due to new Provincial assessment model
- Other linear and machinery/equipment assessment modifiers will remain unchanged
- East end elevator will be fully assessable (note that taxes generated will be offset by Business Incentive Grant (75%) and transfer to reserve for past road construction costs (25%)). The property will generate taxes that will be 100% available for County purposes in 2023.
- Assessment base will not return to 2019 level in foreseeable future

Assessment Base

Assessment Class	2017 Asst/ 2018 Tax Year	2018 Asst/ 2019 Tax Year	2019 Asst/ 2020 Tax Year	2020 Asst/ 2021 Tax Year	2021 Asst/ 2022 Tax Year	2022 Asst/ 2023 Tax Year
Farmland	114,204,840	114,199,250	114,200,000	114,202,500	114,500,000	114,500,000
Residential	623,992,000	633,073,380	642,217,990	650,993,759	659,923,671	669,009,381
Non-Residential	127,333,020	83,372,990	108,611,590	110,000,000	111,000,000	112,000,000
Linear	280,832,780	309,256,470	221,117,940	221,511,080	222,617,080	225,493,080
Machinery & Equipment	87,222,410	77,989,370	85,204,980	85,205,000	70,300,000	70,500,000
Grants-in-Lieu (Non-Residential)	208,720	1,387,230	1,387,230	1,387,500	1,387,750	1,387,800
TOTAL	1,233,793,770	1,219,278,690	1,172,739,730	1,183,299,839	1,179,728,501	1,192,890,261
Change from prior year		(14,515,080)	(46,538,960)	10,560,109	(3,571,338)	13,161,760

BEAVER MUNICIPAL SOLUTIONS' FUNDING

- BMS' business plan (for MCC) forecasts continued profits and increased dividends
- Dividends to the County are projected to stay the same in 2020 at \$1,097,014; increase by \$464,230 in 2021; and increase a further \$232,115 for 2022 to 2024
- County Policy directs BMS funding to strategic priorities, rural capacity building projects, grants to regional partners, and community support (grants to NPOs)
- County Policy does not allow BMS funding to be used for operating expenses
- See over for projected carry-over of unspent funds in 2019

BMS Grant

2019 Budget and 2019 Forecast		
	Budget	Forecast to Yearend
Opening Balance, January 1, 2019	1,438,106	1,438,106
Grants received	1,097,016	1,097,016
Available for 2019	2,535,122	2,535,122
Expenditures		
BMS due diligence review	(50,000)	(50,000)
Asset management plan	(79,700)	-
Allowance for unpaid taxes	(293,588)	(293,588)
Community support grants	(254,970)	(45,397)
Road construction	(837,498)	(537,498)
Bridge design & replacement	(252,500)	(191,500)
VBBP subdivision	(54,500)	-
Water management strategy	(50,000)	-
Campground improvements	(80,000)	-
BMS waste bin program	(7,200)	(7,200)
Other misc projects (under \$50,000)	(150,289)	(83,289)
Total	(2,110,245)	(1,208,472)
Available for future years	425,332	1,326,650

MUNICIPAL SUSTAINABILITY INITIATIVE FUNDING

- MSI Operating grant is expected to remain the same until the program expires
- MSI Capital funding will decrease 15% over 2 years. Grant reduction is \$153,170 in 2020 (9%) and a further \$102,114 in 2021 (6%), after which the program expires
- If the MSI Capital grant criteria is the same, spending can be stretched over a 5 year period, if necessary
- The Rural Road grant will decrease by \$53,870 in 2020 and by a further \$35,914 in 2012, after which the program expires
- New program (Local Government Fiscal Framework) will begin in 2022 with an estimated \$155,704 decrease, however no details regarding eligibility or criteria are known at this time

MSI Grants (Summary by Year)

	2019	2020	2021	2022	2023
MSI Capital	1,701,891	1,548,721	1,446,607	-	-
Rural Road Grant	598,558	544,688	508,774	-	-
MSI Operating	203,409	203,409	203,409	-	-
New Fiscal Framework (estimate)				2,003,086	2,003,086
Total	2,503,858	2,296,818	2,158,791	2,003,086	2,003,086
Change from prior year		(207,040)	(138,027)	(155,704)	(0)

MSI Capital

2019 Budget and 2019 Forecast and Projected Carry-Over		
	Budget	Forecast to Yearend
Opening Balance, January 1, 2019	80,000	80,000
2019 MSI capital grant	1,700,000	1,700,000
Available for 2019	1,780,000	1,780,000
Expenditures		
Equipment	(566,667)	(566,667)
Road construction	(1,133,333)	(1,133,333)
Total Expenditures	(1,700,000)	(1,700,000)
Available for future years	80,000	80,000

OTHER GRANTS (County and NPOs)

- Federal gas tax doubled in 2019 to \$667,000, but will return to pre-2019 level of \$325,000 per year for 2020 - 2022
- FCSS funding has been maintained at current levels for 2020
- Agricultural Service Board grant ???
- Funding for Agricultural Societies has been maintained at current levels for 2020
- Library services grant has been maintained at current levels for 2020
- STEP grant has been discontinued

Federal Gas Tax (FGT)

2019 Budget and 2019 Forecast and Projected Carry-Over		
	Budget	Forecast to Yearend
Opening Balance, January 1, 2019	-	-
2019 FGT grant	300,000	667,000
Available for 2019	300,000	667,000
Expenditures		
Road construction	(300,000)	(300,000)
Total	300,000	300,000
Available for future years	-	367,000

IMPACT OF PROVINCIAL BUDGET ANNOUNCEMENTS (per year)

	2019	2020	2021	2022	2023	Cumulative
MSI Capital		(153,170)	(102,114)	program discontinued		(255,284)
Rural Road Grant		(53,870)	(35,914)	program discontinued		(89,784)
Local Gov't Fiscal Framework				(155,704)		(155,704)
GIL of Taxes	(800)	(800)	funding continues at reduced rate			(1,600)
STEP		(4,200)	program discontinued			(4,200)
CPO Fine Revenue		(7,800)	funding continues at reduced rate			(7,800)
Total reduction per year	(800)	(219,840)	(138,028)	(155,704)		(514,372)

Other potential reductions:

1. STIP program: funding has been reduced; will impact availability of funding for bridge work
2. CFEP grant: has been reduced; will impact grants to NGO and requests to County

SCHEDULE OF RESERVES

	Opening Balance Jan 1/19	Budgeted Transfers In	Budgeted Transfers Out	Estimated Dec 31/19 Balance
Administration	1,929,346	66,500	(64,310)	1,931,536
Public Works	2,297,741	3,405,995	(4,121,833)	1,581,903
Water & Sewer	1,501,174	70,700	(20,000)	1,551,874
Planning & Industrial Parks	1,000,000		(205,122)	794,878
Agriculture	200,000	80,000	(40,000)	240,000
Recreation	128,000	35,000	(128,000)	35,000
Contingency	332,515	325,000	(188,912)	468,603
Legislated Reserves	189,432			189,432
Total	7,578,208	3,983,195	(4,768,177)	6,793,226

PROJECTED 2019 BUDGET SURPLUS/DEFICIT

- If we had 100% Tax Collection rate, we estimate a \$1,045,711 surplus for 2019. This represents only under-expenditures related to tax-funded expenses
- On November 1st, Tax Collection is likely to be about 88% (including Pine Cliff which has deferred payments). The outstanding amount equates to about \$1.9 million. This does not include post dated cheques which are received up to about a week after tax deadline.
- The surplus (savings in operations and capital) will offset much of the non payment but may not cover it completely, and we won't know this until all payments are processed (even up to year end).

Explanations for 2019 Tax Levy Surplus

Department	Surplus		Amount & Description
Council	49,540	45,906	Manpower – fewer meetings than budgeted
Administration	223,796	80,000	Manpower - over-estimate and emp. contribution
		75,000	Legal advice less than required and community grants less than budget
Peace Officer	25,866	15,000	Manpower – mid-year vacancy
PW Grader Operators	101,716	75,484	Manpower (emp. benefits) - seasonal staff not part of benefit plan (2020 will be adjusted)
PW Maintenance	463,075	73,270	Manpower – fewer temporary staff
		99,509	Manpower (emp. benefits) - seasonal staff not part of benefit plan (2020 budget will be adjusted)
		114,000	Dust control (custom requests and collector roads) not done
		88,000	Fuel (50k), contract labour (38k) projects not done
Planning	21,543	15,000	Manpower – short-term vacancy
Agriculture	135,699	37,000	Manpower – budgeted at max of grid; paid at lower rate
		52,200	Chemicals – inventory of supplies from previous year
		25,000	Fuel (15k) and landflood awareness programs (10k) not spent
Recreation	14,131	25,000	Building & shop repairs not needed
Other (under 10k)	10,345		
Total	1,045,711	820,369	

TAX LEVY AND COLLECTION RATES

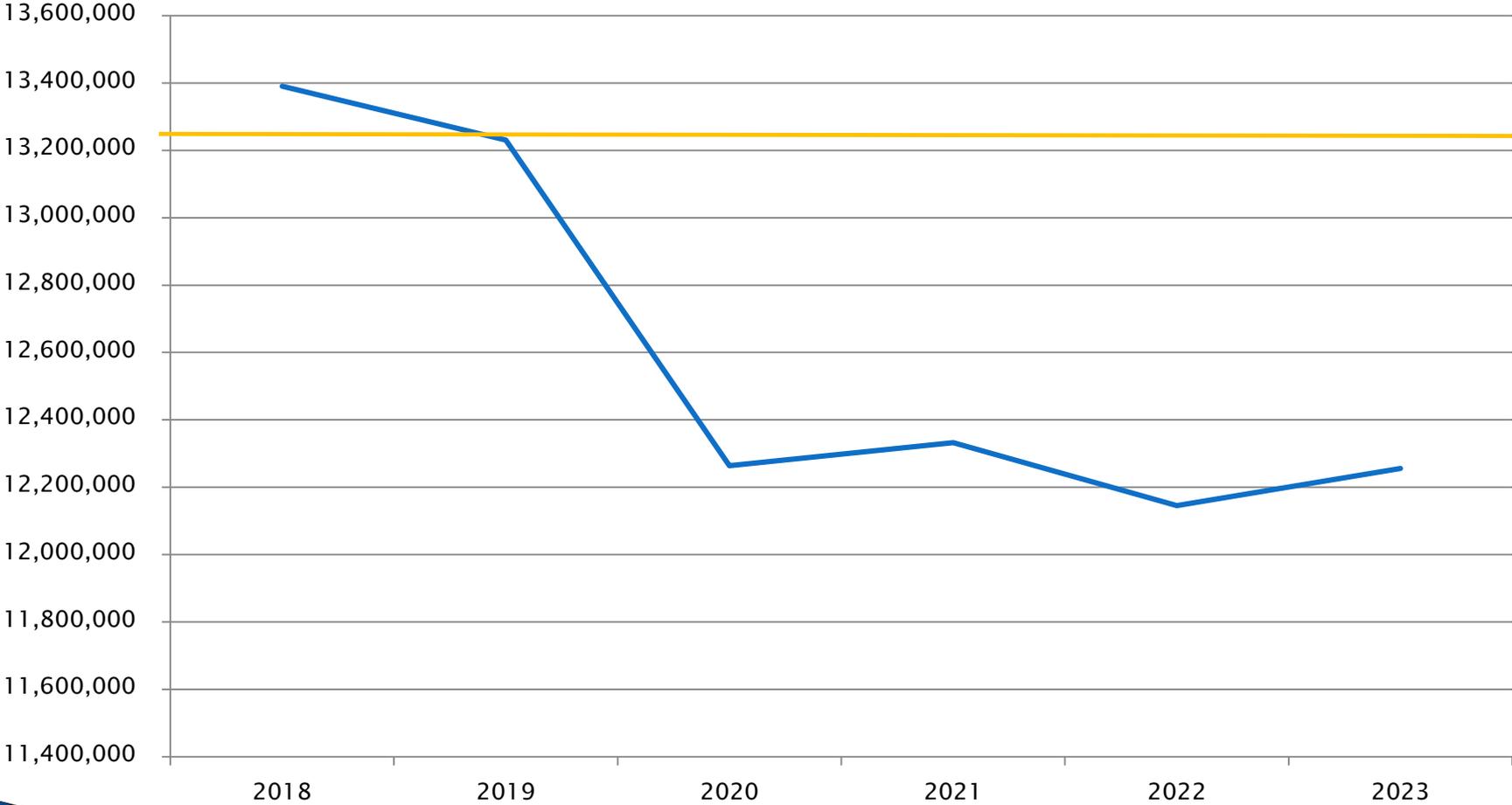
Tax Revenue

- Based on declining assessment predictions and assuming mill rates remain the same, amount of taxes levied will drop significantly
- If mill rates don't increase, tax revenue will drop \$1 million by 2023
- Business Incentive Grant will reduce taxes available for general purposes by \$535,554

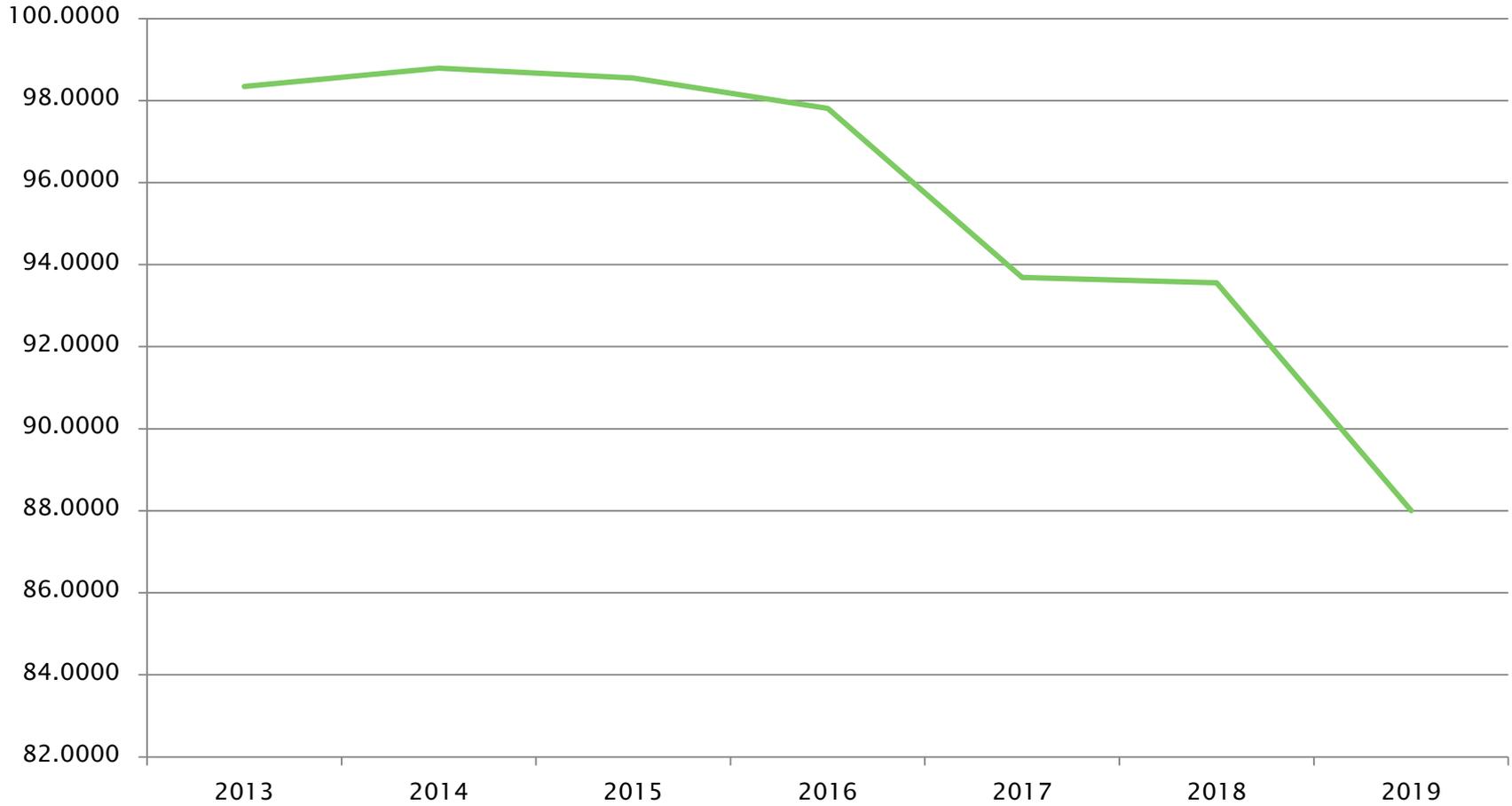
Tax Collection

- Struggling oil and gas companies have been unable to pay taxes for the last few years
- Overall collection rate has decreased from a high of 98.8% in 2014 to 93.6% in 2018
- 2019 tax collection rate for current year taxes (as of October 31, 2019) is 76%. Post-dated cheques are not included. When Pine Cliff's full payment is included, the amount is about 88%.

TAX REVENUE



COLLECTION RATES



EXPENDITURE CONSIDERATIONS

- County's new strategic goals?
- Adjustments to levels of service?
- Level of community support (i.e. grants)?
- Continuation of Business Incentive Grant?
- Proposed policing costs (RCMP)?
- BESC grant?
- Long-range road construction plan (currently funded by MSI and BMS grants)?
- Asset management implications (e.g. increased reserves)?
- Shared-services costs (e.g. FCSS, libraries, recreation)?
- EIP development (e.g. storm water management system)?
- VBBP development (e.g. road and utility servicing)?
- PBB initiatives?
- Next Provincial budget tabled in 5 months

TOOLS IN OUR TOOLBOX

- Beaver Municipal Solutions' grants
- Mill rate increases
- Move to 5:1 ratio of non-residential to residential mill rates
- Increase user fees (e.g. sewage disposal fees, driveway clearing fees, application and permit fees, etc.)
- Strategic debt (e.g. borrow to build revenue-generating asset)
- Priority-based budgeting

PRIORITY-BASED BUDGETING

- Council has committed to priority-based budgeting
- Strategic plan is being developed
- Administration is identifying and ranking programs according to:
 - mandate to provide service,
 - resident dependence on service delivery,
 - cost-recovery,
 - impact of service on community,
 - alignment with Council's stated vision, goals, and results
- Council will confirm desired programs and service levels
- Administration will develop budget to achieve approved programs/
service levels

2020 BUDGET PREPARATION TIMELINE

Nov 6 Special Council meeting	Budget overview and discussion Council provides direction
Nov 20 Council meeting	Council approves PBB strategic plan
Dec 4 CoW meeting	Council reviews interim budget
Dec 18 Council meeting	Council approves interim budget * Council reviews 5-year financial plan
Jan-Feb	Administration develops PBB budget
Mar 4 CoW meeting	Council reviews 2 nd draft budget
Apr 1 CoW meeting	Council reviews 3 rd draft budget and “shadow” PBB budget Council directs preparation of mill rate bylaw
Apr 22 Council meeting	Council approves 2020 budget County communicates PBB budget and program goals

*Council may need to approve 2019 budget as the 2020 interim budget until administration can fully assess implications of the Provincial budget and Council direction