



**The Corporation of the Municipality of Wawa
Report**



**Office of the CAO /Clerk-Treasurer
Chris Wray**

Prepared For: Planning Committee	Report No.: CAO-2017-03
Agenda Date: March 28, 2016	Report Date: March 16, 2017

Subject

The subject of this report is the Management Recommended Operating Budget for 2017.

List of Stakeholders

The list of Stakeholders includes:

The Municipality of Wawa
Residential, Commercial and Industrial Ratepayers

Summary of Recommendation

To adopt the Management Recommended Operating Budget for 2017 as presented.

Background

Budget Process

The process for the 2017 Budget was very similar to previous years. Memorandums and worksheets were distributed in November 2016 and staff were required to adhere to the following timelines; some which were earlier than 2016:

Date	Event
October 31, 2016	Distribution of Capital Budget materials
November 27, 2016	Distribution of Operating Budget materials
December 18, 2016	Submission of preliminary Capital Budget

Respectfully Submitted By:

**Chris Wray
CAO / Clerk-Treasurer**

January 9, 2017 (week of)	One-on-one meetings with CAO
January 16, 2017 (week of)	Review Management Approved Budget (Capital & Operating)
February 6 - 10, 2017	Presentations & Meetings with Committee & Review of Management Approved Budget (Capital & Operating)
March 7, 2017	Council Approved Budget (Capital & Operating) noting that dates are subject to change.

The above noted schedule was thought to be rather aggressive but for the most part was met. Of particular note is the Council approval of the Capital Budget 2017; one month ahead of 2016.

During the months of November, and January, staff met with the Finance Committee to obtain guidance and other pertinent information that might be needed to assist in preparing the 2017 Budget. It is through these meetings that the following basic assumptions were agreed to:

1. Any increase in the tax levy must follow the changes in the CPI notwithstanding decreases or stagnation in assessment values.
2. Service levels were to be maintained at 2016 levels and any enhancements noted.
3. Special focus was to be added on the appearance of the community; such as parks, streetscapes and municipal equipment.
4. In developing the 2017 Budget, staff were to give consideration to the Council adopted; Asset Management Plan, Community Strategic Plan and Municipal Business Plan.

A Staff recommended Capital Budget¹ was presented to Committee on January 17, 2017. There was considerable discussion at this meeting after which Committee recommended the Staff Recommended Capital Budget 2017 to Council. At the February 7, 2017 Regular Meeting, Council adopted² both Report CAO-2017-02 and the staff recommended Capital Budget 2017.

During this time, staff continued to work on the 2017 Operating Budget by gathering information that typically is received early in the New Year such as; DSSAB Premiums, APH Premiums, assessment adjustments and estimated costs for larger items. In the absence of these material numbers it would be very difficult to obtain enough information to make a recommendation to Committee on the Operating Budget.

¹ Report CAO-2017-02

² This is one month earlier than in 2016 and three months earlier than 2015.

Staff have now concluded the necessary work and are pleased to present the Management Approved Operating Budget 2017 for the consideration of Committee.

Analysis

The following pertinent facts should be noted with respect to the Management Recommended 2017 Operating Budget (the “budget”).

1. The document that is being presented to Committee is pertinent to the Operating Budget only; although there is an amount of \$400,044 that is noted as being transferred from the Operating Budget for Capital purposes. The \$400,044 is being funded as follows (2016 comparisons noted):

Description	2016	2017
Local Taxes	325,000	325,000
OCIF Formula Based	25,000	75,044
Total	350,000	400,044

2. This amount and the 2017 Capital Budget was approved on February 7, 2017.
3. The Management Approved version attached to this report is a balanced budget.
4. Our budgeted levied taxes (municipal only) in 2016 were \$4,584,352. Due to a small increase in assessed values³, the assessment base will produce \$4,659,316 in taxation revenue in 2017 without a rate increase. A 1% increase in the levy in 2017 would bring in an additional \$46,593 (\$44,520 in 2016). Due to increases in the CPI, the cost of goods and services has increased. In order to assist in compensating for this increase a 2% increase in the tax levy has been used to balance the Operating Budget (\$93,186 in additional taxation revenue). Committee must be cognizant that based on our current tax arrears; a portion of the levied taxes may never be collected.
5. Education taxes have not been included in this document. The Province has yet to issue the education rates for 2017 – the receipt of these rates is typically late. While the education rates do affect the overall tax burden they do not affect the municipal portion of the budget. Any reduction in the Education Tax Rate will have the effect of reducing burden on the ratepayer while any increase will increase the burden.

³ Assessment increases come from two main sources; the legislated phasing in of assessment values due to changes identified in re-assessment years and changes due to changes to structures, new structures or loss of structures.

6. The operating budget is a collection of about 1,500 general ledger accounts that are split into various activities and departments. You may wish to review these. The remainder of this document will not focus on a line by line discussion but rather on the more appropriate discussion on general issues that affect the budget. It may refer to line items as the need arises.

Revenues

Taxation

Our growth in assessment was again very limited and was, for the most part, limited to the phase-in of the 2012 property by property review by MPAC⁴. 2016 is the final year of the four year cycle. A new cycle started in 2017. Our growth in assessment in 2017 is again limited. Assessment growth in 2016 for 2017 is as follows:

Description	2017	2016	Variance	Δ %
Taxable	140,127,503	137,351,700	2,775,803	2.02%
Exempt	117,859,250	117,784,300	74,950	0.06%
Total	257,986,753	255,136,000	2,850,753	1.11%

The largest growth occurred, predictably in the residential (3.65%) and commercial sectors (3.74%); the vast majority of the increase in the commercial sector can be accounted for in changes to vacant land. Additions through new construction or building permits added very little; \$87,000. Through the property assessment activities of MPAC, we continue to discover that there are an increasing number of locations that are conducting improvements without obtaining a building permit from the Municipality. Those not obtaining building permits place the municipality in a position of liability and also defer the resulting increase in assessment that would benefit the Municipality.

As mentioned in the paragraph above, growth for the most part is not as a result of increased building activity in either the residential or commercial sector although building permits may have an effect on the overall assessment. Typically, assessment growth pays for the growth of required resources for a community. In Wawa and other northern communities, assessment values are typically falling as they relate to inflation and other factors. Combined with drops in population and a reduction in economic activity, Wawa has had to increase taxes from a decreasing assessment base just to pay to keep services in place and maintain an infrastructure that was meant for a much larger population.

In 2016, Council approved budgeted municipal taxation revenue of \$4,584,352. The Management Recommended 2017 Operating Budget includes municipal taxation revenues of \$4,752,502, an increase of \$168,150. This increase is detailed as follows:

⁴ The 2017 re-assessment year is applicable to the taxation years 2017-2020.

Description	Tax	\$ Δ	% Δ
Budget 2016	\$4,584,352	-	-
Returned Roll 2017 (Assessment Growth)	\$4,659,316	\$74,964	1.63%
CPI Increase ⁵	\$4,752,502	\$93,186	2.00%
Recommended 2017	\$4,752,502	\$168,150	3.66%

The assessment growth increase that can be attributed to the returned roll for 2017. The 2017 returned roll reflects the results of the first year of a new four year phase-in cycle. While any decreases in assessment are 100% effective in the year granted, any increases are spread over the four years of the cycle – or 25% in each year of the cycle.

The noted increase is disappointing but a portion is still associated with the principles of CPI⁶ and as discussed with the Finance Committee. These increases are necessary to cover normal changes in cost.

OMPF

The contribution from the Province of Ontario through the Ontario Municipal Partnership Fund (OMPF) has dropped by \$50,600 for 2017, a similar drop occurred in 2016. The Province has been decreasing contributions through this fund for several years⁷, abandoning the municipal sector as it tries to grapple with its own budgetary deficit. The drop was not entirely unanticipated as it should be the last year of a previously announced change to the funding levels. It is worth noting that this fund is provided to the communities which need it the most (some communities get nothing at all as they are self-sustaining). This begs the question why the Province continues to penalize communities that need these funds to survive. The manner in which the allocation is calculated continues to be a mystery.

The AMO had called on the Province to increase the OMPF in 2016 to \$516 million up from the \$505 million that was promised. AMO proposed that the additional funds would be used to assist those communities that were most in need. While the Province did not increase the OMPF as requested by AMO, there was no reduction for 2017, the Province as a whole.

The total OMPF for 2017 will be \$1,898,300.

Power Dam Compensation Payment⁸

The 2014 Provincial Budget announced that the Province would decrease the Power Dam Compensatory Payments by 25% over a period of 3 (three) years

⁵ CPI 2016 for Northern Ontario was 1.8% (all goods) & 2.0% if Energy is excluded.

⁶ Source Government of Canada – represents change in Northern Ontario

⁷ \$91 million since 2012

⁸ Note that this grant is received because the Province of Ontario removed the right to tax power dams in 2000. While the grant has been increased a few times due to CPI it has stayed stagnant for the most part.

starting in 2015. Since that announcement, Wawa among a host of other communities fought hard to ensure the continuation of the Power Dam Compensation Grant and to have changes made to the program. In the fall economic statement of 2015, the Province of Ontario did just that while it continued to review the program and consider possible options for again implementing the right of taxation for dams. The affected communities had been supported by AMO as lobbying continued through 2015 including dedicating a portion of its pre-budget submission (Budget 2016) to the matter.

The 2016 Provincial Budget confirmed that some of our hard work had paid off in that not only had the Power Dam Compensatory Program clawback been deferred but was now being eliminated completely. The government then confirmed that there would be no plans to terminate or otherwise change the program. While this is very good news it still leaves the questions that existed prior to the clawback provisions of 2014 as follows:

1. Will the government continue to review the exempt assessment status of the subject power dams?
2. Will the government make the annual payments on a quarterly basis instead of annually in April or May?
3. Will the government change the new OCIF formula based payments to remove the punitive nature of the calculation that includes power dam assessment?
4. Will the government review the program to include CPI escalators that will allow the increase of the compensatory payments so that the affected communities are not absorbing an unfair amount of incremental costs in programs such as DSSAB's and OPP contracts?
5. How will the government react / assist with any active Assessment Review Board case that might be settled based on filings prior to moving the power dams from taxable to exempt?

The amount of the payment in 2017 will stay the same as 2016 at \$2,350,908⁹.

Committee may wish to note that because the subject payment has never kept pace with our costs; those cost increases have always been passed on to our ratepayers.

Tax Arrears Interest

Budgeted interest from tax arrears will increase to \$215,000. This is a key indicator that Committee should be aware of as it relates directly to the amount of taxes that are either being paid late or not at all. The following chart shows past years:

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
140,091	155,182	166,799	148,499	152,145	180,409	198,701	231,806	249,828	215,000

⁹ It is unlikely that Wawa will see any portion of the Compensatory Payment until April or beyond.

*All years are actual except 2017 which is a budget figure

In the early years shown in the chart, much of the interest would either be captured due to a successful tax sale or a payment by the ratepayer. However, more properties are not selling at tax sale and the arrears for multiple years are increasing. This fact is reflected in our write-offs which reflect unsuccessful tax sales and the write-off of the associated taxes and interest.

It is interesting to note that activity with respect to the interests in many commercial properties has been increasing. In 2016, we sold two properties that had previously been offered, unsuccessfully, at tax sale. In 2017, it would appear that we will sell at least three additional commercial properties and perhaps more. This allows us to recapture some of the taxes written off due to the unsuccessful tax sales. More importantly, it puts the subject properties back into a tax producing situation.

IT Revenues

The NITGC lost one member (Manitouwadge) in 2016 but we were able to compensate for the loss by increasing the annual fees and decreasing some costs. Further, the NITGC combined with the agreement to service the Family Health Team, WAVS, work on the FireSmart Program and the Chadwic Home has boosted our own revenues in this area to \$76,673. We also picked up short term work with White River Forest Products and Michipicoten First Nation.

We are now exploring other initiatives that will add five (5) communities to the NITGC and bring in additional revenue. We have come to an agreement with one (1) community as of the writing of this report. This will now provide additional opportunity for us to make application to NOHFC for projects that will support our initiative and better the community.

Shared Services

We continue to provide shared services not only through the NITGC but also through our CBO and CAO with agreements with White River and Dubreuilville. We also have fire protection agreements with Rentech, Hawk Junction, the MNRF and Michipicoten First Nation that provide opportunity to recapture costs.

In the past year, we have received several requests for service sharing. While we do the best to cooperate with other communities and organizations, at times we simply do not have the capacity to provide the necessary service. As 2017 unfolds, we have built into the annual budget, additional opportunities for service sharing while others may appear as the year unfolds.

Policing Grants

The Municipality of Wawa was given notice well after the passage of the 2015 Budget that the Province would be terminating the 1000 Officer Program with Wawa. Despite being told that we would continue to be eligible for the program after converting our policing to the OPP, we were informed that since the new

OPP billing model could not identify how many officers were dedicated to Wawa, the Ministry could not allow us to continue to participate in the program. It was therefore cut at the end of March 2015. This change resulted in the necessity of removing \$70,000 from the annual budget in 2016 (1.75% of the tax levy).

The loss of this grant has now placed us into a position where we cannot participate in the Policing Effectiveness and Modernization Grant (PEM). The pre-requisite to participate in this program is participation in any number of OPP programs including the 1000 Officer Program.

Federal Gas Tax Fund

The amount allocated through the Federal Gas Tax Fund increased to \$180,899 in 2016 and will stay at this level in 2017. The amount is still down from \$196,585 in 2013. The drop is due to the drop in population and we should expect that when the fund is renewed we will again be subject to a reduction due to our drop in population. Regardless the funds are welcomed and this year will be used to help pay towards a number of small capital projects.

Solar Panel Revenue

Budgeted revenue for the solar panels is set at \$63,656. These funds however are used to service the related debt with the remainder going back into reserves, continuing to make a positive contribution to the Municipality.

We are now working on an application for our seventh (7th) solar array on the roof of the new building on Montreal Street.

Airport Fuel Sales

Airport fuel sales are projected at \$250,000 for 2017. Total fuel sales at the airport in 2016 was \$202,000 on a budget of \$250,000. We are seeing an increase in activity at the airport which should assist in fuel sales.

Sewer & Water Revenues

It is anticipated that the sewer and water revenues based on the present rates will rise to \$1,335,095. This represents an increase of \$35,594 over 2016 (2.7%). The system however is losing users and as a result the remaining users must pick up the increase in costs / revenues. To that end, the effect on the rates may be larger than the overall 2.7% increase in revenues. Caution must be exercised in communicating these changes to the users.

Community Services

Revenues in the Community Service area such as arena rentals and the drag races are expected to be slightly above 2016.

Garbage Collection & Landfill

Fees associated with the landfill are expected to be at the same levels as in 2016. Due to the fact that our collection contract increased in 2016, Council

approved a new contract with Hawk Junction that will allow them to continue to use both the collection service and our landfill. This increased our revenues in 2016 to \$135,153 and will again increase to \$136,299 in 2017.

Transfer from Reserves

A projected transfer from Reserves in the amount of \$16,041 will be required in 2017 to offset purchases for the NITGC and to assist in funding the Asset Management position; discussed later. In 2016, the budgeted amount for Reserve Transfers was \$99,541 targeted to fund several studies such as an "Organizational and Compensation Study" and the "Building Hub" Further details on the studies can be found later in this document.

Summer Student Program

The MNM summer Student program was cancelled in 2016. The Canada Summer Jobs Program is still in operation and we have made a number of applications in support of our summer positions. Typically, smaller communities do not do well in these programs with the results not being known until late in the spring.

We are budgeting for a total allocation of \$14,490 from the Canada Summer Jobs Program and other supplementary programs.

Total Revenues

Total revenues in the recommended 2017 operating budget break down as follows:

Revenue Type	2016 Budget	% of Sub-Total	2017 Recommended Budget	% of Sub-Total	△
Municipal Taxation	\$4,584,352	35.48%	\$4,752,502	36.19%	↑
OMPF	\$1,948,900	15.08%	\$1,898,300	14.46%	↓
Power Dam Compensation	\$2,350,908	18.20%	\$2,350,908	17.90%	↔
Sewer & Water	\$1,288,175	9.97%	\$1,335,095	10.17%	↑
Airport Fuel Sales	\$250,000	1.93%	\$250,000	1.90%	↔
Federal Gas Tax	\$172,285	1.33%	\$180,899	1.38%	↑
Tax Arrears Interest	\$200,000	1.55%	\$215,000	1.64%	↑
Transfer from Reserves	\$241,600	1.87%	\$16,041	0.12%	↓
Garbage Collection & Landfill	\$135,153	1.05%	\$136,299	1.04%	↑
Drag Races	\$155,800	1.21%	\$169,500	1.29%	↑
Land Sales	\$150,000	1.16%	\$200,000	1.52%	↑
Miscellaneous Fees & Charges	\$925,803	7.17%	\$1,109,283	8.45%	↑
Sub-Total	\$12,402,976	96.00%	\$12,613,827	96.06%	↑

Collected on behalf of Schoolboards ¹⁰	\$ 517,021	4.00%	\$517,021 ¹¹	3.94%	↔
Total Projected Revenues	\$12,919,997	100.0%	\$13,130,848	100.00%	↑

Expenditures

Salaries & Benefits

The single largest expenditure that the Municipality of Wawa has is its human resources. Total costs for salaries & benefits in 2017 are expected to be \$3,596,087 representing 27.39% (26.46% in 2016) of our expenditures.

This amount supports 32 full-time employees, 31 part-time or seasonal positions, 5 Council Members, 3 Police Service Board Members and a Volunteer Fire Department of 24 positions.

The amount has increased by \$177,448 over 2016 but \$215,323 over 2015 due to the settlement of employee contracts with retroactive payments that have been absorbed since 2014. There are a number of additional reasons for the increase in the compensation:

1. At least two (2) part-time positions have qualified for the OMERS pension plan. One (1) employee has also optioned to buy back OMERS time while on an approved leave.
2. A change in benefit carriers (Mosey & Mosey, LAS Program) reduced our benefits plan by 16.7% and has saved Wawa about \$40,000 per annum for the past three budget years. The rates for 2017 have increased by 15% over 2016 and thus our costs have increased.
3. An NOHFC Intern (six months in 2017) has been added to the NITGC that will be the subject of an application that will support a re-submission of our drone project and to support the expected expansion to the five (5) additional communities of the NITGC. NOHFC will fund 90% of these costs so the net effect will be minimal.
4. A new full-time position has been added to manage our Asset Management Plan and deal with the upcoming Asset Management Regulation that will be released in the late spring 2017. The position has been budgeted to start mid-year. A full job description is being developed and a completion for the position will be posted upon approval of the 2017 Budget. The budget includes provisions for funding 50% of the costs

¹⁰ Revenue collected on behalf of the Schoolboards and is paid to them. As of the writing of this report the school board rates have not been issued by the Province of Ontario

¹¹ Estimated based on 2016

through the Federal Gas Tax (25%) and service sharing (25%) with other communities that have already expressed interest.

5. OMERS premiums have remained at historical highs as OMERS attempts to deal with an increasing number of members retiring.

No budgetary consideration has been given to any change in costs due to the results of the Organizational and Compensation Review that will be completed this year. Such changes, if any, are likely to be in effect for 2018.

Algoma DSSAB

I am pleased again this year to report that we had much better success than in previous years in obtaining the premium related to our DSSAB payment. Draft information was received in late February. This amount continues to be the last amount needed to complete the budget and staff appreciate the efforts of Councillor Besner in obtaining the information.

We understand that the Province continues to upload the costs of social services from the DSSAB's and other delivery agencies. The 2017 premium is \$1,494,278, an increase of \$24,815 (1.64%). We must remember that while the change in DSSAB costs includes the reduction in costs due to the upload to the Province of Ontario, it also includes changes in the remaining costs that are subject to such pressures as CPI and wage settlements. The following chart shows the progression of the DSSAB premiums since 2008.

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2,050,706	1,895,947	1,740,114	1,578,489	1,555,610	1,512,365	1,497,739	1,497,729	1,469,463	1,494,278

The projected and actual uploads that were to benefit Wawa are shown on the annual OMPF statement. It would be an interesting exercise to analyze these uploads to see if they actually match the annual change in DSSAB premiums.

Committee should be aware that a portion of the annual premium to the DSSAB is paid for through the Power Dam Compensatory Payment (about \$890,000). It was never intended that the subject payment would be static relative to the shifting of other costs. Staff will need to do some work to ensure that the allocation of the Power Dam Grant is correct.

APH & MPAC

The total costs for Algoma Public Health has increased by \$2,381 (2.5%) while the costs payable to the Municipal Property Assessment Corporation have increased slightly, \$261 to \$54,555.

Wawa Public Library

The Wawa Public Library levy has decreased by \$20,023 (10.57%). The detailed budget has been received and we have loaded this into our accounting system

so that it is consistent with our accounting and budgeting process. Final approval from the Board has not yet been received.

Economic Development Corporation

The Economic Development Corporation has requested \$155,000 in core funding; an increase of \$5,000 from previous years. To this we have added \$12,727 for in-kind rent, \$5,000 that will go to support the efforts of the Municipal Energy Plan Committee through a successful (2016) Trillium Fund application and \$3,500 for an NOHFC Intern who will assist the Heritage Committee and the Municipality (also approved in 2016).

Ontario Provincial Police

The OPP billing reform project continues to be a benefit to Wawa. Gross costs in 2017 are expected to be \$1,028,781, a drop of \$164,255 from 2016. Committee should be reminded that our actual policing costs according to the new billing reform model were projected to be \$768,515 but due to the limits of the phase-in program, our reduction will be gradual. These savings are to be passed on in future years.

Since replacing the Wawa Police Service with the OPP in 2010, the amount of the net (of grants) annual budget (not including the costs of the Police Services Board) have decreased from \$1,608,593 (2010) to \$1,063,759 (\$544,834) or 33%.

Reserve Contributions

Total contributions to Reserves in 2017 are budgeted at \$964,196. In 2016, the budget amount was \$800,134. The major items that have influenced the increase are projected municipal property sales of \$200,000 that will be directed to reserves.

Reserves are set aside for future anticipated expenditures (capital) and for unforeseen circumstances (i.e. unexpected capital costs). Wawa also has a Rate Stabilization Reserve that has been used in the past to limit the effect of overly burdensome tax increases.

Our level of Reserve Contributions may place us in the top end of tax rates for communities of our size in Northern Ontario. However, this is necessary as we face a declining economy, no assessment growth, a severe infrastructure deficit and high tax arrears. It is anticipated that the use of Reserves in 2017 and beyond will be incremental in nature as we try and deal with our circumstances.

Transfer to Capital.

A total of \$400,044 (up from \$350,000 in 2016) has been budgeted for capital expenses in 2016. This will only be a small part of our capital expenditures for 2017 as we will use a combination of Reserves and Grants for the remaining costs.

Tax Write-downs

Tax write-downs are budgeted at \$140,000 due to the amounts represented by failed tax sales. This has been reduced from \$250,000 in 2016 due to an increase in our provision in 2016. In past years, any amount of write-offs would be funded from reserves. This is not the case in 2017 as any write-offs will be funded directly from municipal taxes.

Vacancy & Charitable Rebates

Rebates provided to Charitable Organizations total \$9,350 and Commercial Vacancies total \$11,200. These rebates are provided through a combination of legislation and Council Policy. These totals are closely aligned with the amounts provided in 2016 and are reflective of the activity in each category.

Consulting, Professional Fees, Legal & Audit Fees

The amalgamated budget for Consulting, Professional and Legal Fees has decreased slightly from \$2,151,731 to \$2,056,839 in 2017. Net of the Drag Races, OPP and NITGC, these costs will rise to \$889,635 in 2017 from \$831,926 in 2016.

Consulting and Professional Fees contain one-time studies or reviews that will be launched in 2017 (some previously approved, but not executed in 2016). Along with their associated budgeted costs they include:

Description	Amount	Note
Asset Management Plan	\$30,000	New Regulation & Update
Building Co-operative	\$20,000	Partnership with Province
Roads Study	\$20,000	Municipality
Organizational Review	\$65,000	Municipality
Water Rate Study	\$20,000	Supplement Water Meters
Total¹²	\$155,000	

In 2018, among other potential study or plan costs, the Official Plan will need to be updated to keep compliant with legislation.

The fees for garbage collection were increased from \$238,155 to \$273,427 in 2017. The present contract expires in October but can be renewed for an additional year with an increase for CPI.

The increasing complexity with municipal issues such as landfills and water & sewer require the use of engineering and environmental expertise. Such expertise does not exist within the current staffing structure and so it is necessary to pay for it when it is required. When we experience issues such as the ongoing THM's in our drinking water, the cost to engage necessary experts can be detrimental to our annual budget.

¹² There are a few other one-time studies that are not classified under Consulting and Professional Fees

On the matter of legal expenses, costs have decreased from \$123,500 in 2016 to \$61,000 in 2017. The large amount budgeted in 2016 was due to an ongoing workplace harassment investigation and related assistance.

Insurance

As part of the process of renewing our insurance annually, we had our broker search for the best available value. The result was that Frank Cowan returned with a premium of \$126,899 for 2017 which is an increase of \$3,314 from 2016 but includes a new rider for Cyber-Risk at \$1,500. The Wawa Airport has also maintained the same amount as last year at \$4,710.

Debt Payments

Debt Payments have decreased slightly to \$420,114 (principal and interest). This is a reduction of \$41,984 from 2016 due to the retirement of debt for the loader and snow-blower. Moving into 2018, long term debt payments will remain consistent with 2017. Any drop in debenture payments is converted to a contribution to Reserves.

Materials & Supplies

Materials and Supplies include such items as sand, salt and other materials needed to maintain roadways and parks. Costs in this category have gone from \$531,740 in 2016 to \$453,300 in 2017, a decrease of \$78,440. The decrease is due to a switch in some areas from using this account for building maintenance to a Building Maintenance account.

Building Maintenance and Maintenance & Repairs

There are several factors that contribute to pressures in these areas. None are more prevalent than the age and condition of much of our infrastructure and equipment. Buildings owned by the Municipality of Wawa are aging quickly and annually require more attention than in the past. We also have an unnecessarily large inventory of buildings. There was previous opportunity to sell some of these buildings but it was the direction of the Council of the day to hold these assets.

While we have made some strides in replacing some equipment, other pieces of our fleet are showing their age and now require a much higher level of maintenance than in the past. In many cases with both of the foregoing examples there are health and safety matters that need to be addressed. Committee may also need to discuss and consider whether a replacement of these assets is justified considering the increasing maintenance costs.

We are also in a position where many of the trades and materials required to provide for the above noted maintenance are no longer available in Wawa and therefore we incur costs associated with travel to and from Wawa. Fortunately the recent purchase of some new equipment has assisted in reducing some of our annual costs.

Total costs in this area have been increased from \$391,730 in 2016 to \$416,307 in 2017, an increase of \$24,577. The vast majority of the increase has gone to the MMCC where there are significant issues that need to be addressed. Other locations that are seeing increases include 40 Broadway and 3 Maple Street.

Fuel (Hydro, Gasoline, Propane, Heating Fuel)

Budgeted costs in this area have increased from \$714,485 in 2016 to \$835,075 in 2017. While in 2016, we saw a decrease in this area mostly due to the installation of LED's for streetlights, the other "fuels" are projected to increase due to the increase in the cost of oil. The steady increase in the price of electricity and the increased use of electricity in the water treatment plant (due to THM's) and the MMCC (due to early ice) has also had an effect in this area.

We have been tracking the cost of electricity for more than ten years combined with the level of usage. This is valuable information. This year, we reviewed our usage and costs for the past three years (since 2014). This period of time takes into consideration the projects we have undertaken (LED and bulk purchasing of electricity agreements) to reduce our usage and costs. Notwithstanding these efforts and taking other factors into consideration, our usage has dropped by just over 3% (almost 118,000 kWh) yet our costs have increased 27.3% (\$137,595). We now use 3.8 megawatts of power each year – this is a large component of our budget.

Committee can expect this cost to increase on an ongoing basis. None of the costs here will decrease in the long run. The one hope is that the recent announcement by the Province on electricity rates will assist in bringing down costs – the effect of this announcement on municipalities is yet to be determined.

Total Expenditures

Total expenditures in the recommended 2017 operating budget break down as follows:

Expenditure Type	2016 Approved Budget	% of Sub- Total	2017 Recommended Budget	% of Sub- Total	△
Salaries & Benefits	\$3,418,639	26.46%	\$3,596,087	27.39%	↑
Algoma DSSAB	\$1,469,463	11.37%	\$1,494,278	11.38%	↑
Policing ¹³	\$1,238,397	9.59%	\$1,085,438	8.27%	↓
Wawa Public Library	\$189,923	1.47%	\$169,380	1.29%	↓
EDC	\$162,727	1.26%	\$176,227	1.34%	↑
Airport Fuel Purchases	\$200,000	1.55%	\$200,000	1.52%	↔
Reserve Contributions	\$800,134	6.19%	\$964,196	7.51%	↑
Transfers to Capital	\$350,000	2.71%	\$400,044	3.05%	↑
Tax Write-downs	\$250,000	1.93%	\$140,000	1.07%	↓

¹³ Includes cost of building and PSB

Algoma Public Health	\$95,221	0.74%	\$97,602	0.74%	↑
Vacancy & Charitable Rebates	\$22,175	0.17%	\$20,550	0.16%	↓
Consulting & Professional Fees	\$831,929	6.44%	\$889,635	6.78%	↑
Debt Payments	\$462,098	3.58%	\$420,114	3.20%	↓
Maintenance & Repairs	\$391,730	3.03%	\$416,307	3.17%	↑
Materials & Supplies	\$531,740	4.12%	\$453,300	3.45%	↓
Fuels	\$714,485	5.53%	\$835,075	6.36%	↑
Drag Races	\$175,000	1.35%	\$169,500	1.29%	↓
Other Costs	\$1,099,315	8.51%	\$1,086,094	8.27%	↓
Sub-Total	12,402,976\$	96.00%	\$12,613,827	96.06%	↑
Collected on behalf of Schoolboards ¹⁴	\$517,021	4.00%	\$517,021	3.94%	↔
Total Projected Expenditures	\$12,919,997	100.0%	\$13,130,848	100.0%	↑

Other Matters

Committee should remember that while the attached budget is being recommended by staff, there could be unforeseen issues that may arise prior to the approval of the final budget. If such items do appear they will be reflected in the final budget document.

Policies Affecting Proposal

None noted

Recommendation

Committee has now read and considered both this report and the appended budget detail. Committee has also heard from each of the Directors or designates as they presented high level points on each of their areas.

The attached represents the staff recommended 2017 Operating Budget, Committee may wish to reduce or otherwise alter the budget as presented. If this is the case then the appropriate direction needs to be provided to staff.

¹⁴ Revenue collected on behalf of the Schoolboards and paid to them

Next Steps

There are two potential next steps.

If Committee accepts the staff recommendation contained in this report, staff will prepare the necessary by-laws, including an updated fees and charges bylaw for the Regular Council Meeting on May 2, 2017.

If Committee does not accept the recommendation contained in this report, then direction would need to be provided on the service cuts necessary to achieve a reduction in the budget. If this is the case, staff will need to consider the directed cuts and then calculate the quantum of reduction. A supplementary report would be prepared for a Committee Meeting at a date chosen by Council.