

**THE TOWNSHIP OF LANARK HIGHLANDS
2011 BUDGET – DRAFT VERSION 2
DISTRIBUTED FEBRUARY 22, 2011**

This package contains a revised and updated version of the 2011 budget presented to Council on January 18th 2011.

This version incorporates the requested structural revisions requested by Council. Specifically there is a separate column for *New Initiatives* and also a *Revenue Offset* column.

The *New Initiatives* column represents those projects that staff is suggesting Council consider in their budget deliberations. Staff makes these suggestions in the belief these initiatives play an important or critical need for the current and future operation of this Township.

Most New Initiative items are supported by an information sheet intending to provide Council with more information on each item. Staff was asked to consider the following when considering the rationale for each new initiative.

- Health and safety
- Statutory or other legal/contractual obligation
- Risk management
- Identified Council priority
- Grant eligibility or cost sharing opportunity
- Utilizing dedicated reserves or development charges
- Previous budget commitment
- Implications of deferment, self debenture or asset life cycle
- Service, standard or operational adjustment/efficiency/effectiveness
- Impact on future operational costs

Each New Initiative has an index number to the right that can be referred to an information sheet contained in an accompanying binder. These information sheets were a late addition to the budget process and will be refined for future years.

The *Revenue Offset* column contains a value if there is an expense that is offset by revenue at some other place on that budget sheet. In these instances, eliminating the expense will not change the total budget since the revenue associated with that expense would also be eliminated.

Also included in the package are the updated Budgeted Reserves summaries.

As requested previously, Schedule A summarizes the total payroll costs for Lanark Highlands. These are the budget payroll costs that are distributed throughout the budget.

This version of the 2011 budget has been constructed based on Council's direction that the anticipated tax revenues for 2011 will be the same as the tax revenues for 2010. Based on this, a property owner in Lanark Highlands with an average assessment increase would pay the same amount of municipal taxes in 2011 as in 2010 since the tax rate for 2011 would be reduced by an equal amount.

For this budget, 'status quo budget' means doing the same 'business' and providing the same level of service as the previous year recognizing cost adjustments (both up and down) necessary to maintain the afore mentioned.

The current draft of the budget indicates a forecasted surplus of \$ 112,861 for 2010. Upon further review, it becomes apparent that this surplus in a great part originates in the Public Works area. The 2010 forecasted results in the transportation department is \$ 76,000 under budget and the Environmental budget is forecasted to be under by \$ 139,000. It is actually the revenue in Environmental Services that created this underage since actual revenue is \$ 132,000 greater than the 2010 budget.

The 2010 total surplus should be viewed with a certain degree of caution. This is still only a forecast at this time. The annual audit is scheduled for March 1 & 2 and the actual yearend process will be completed in the coming week. During the audit process, the auditor may make adjustments. As part of the year end process, the accounts will be adjusted for any accrued payables at the end of 2010. Actions such as these could result in an actual surplus something less than the one indicated in this budget draft. The actual surplus will be much more apparent by the second week of March.

Staff is suggesting that consideration be given to transferring any 2010 surplus to a special reserve. The future purpose of this reserve would be to have funding available in years when the actual year end results produce a deficit. Over time, the peaks and valleys of tax rate adjustments could be eliminated making annual tax rate adjustments more determinable.

The draft budget reflects this suggestion. In anticipation of this, the \$ 50,000 shown as a transfer to working fund reserve in 2011 (in the Jan 18, 2011 version of this budget) has been removed.

There are other advantages.

Many years, the budget process has been delayed while staff and Council wait to see the actual financial results for the previous fiscal year. I was hoped that there would be surplus funds that could be included within the budget year to help offset any anticipated budget deficit. If the previous year's financial results could be mitigated by the new reserve, the budget process would continue without delay on the assumption that there would be no surplus or deficit moving across to the budget year.

By not including the previous year's surplus or deficit in the budget year under construction, a truer picture of 'status quo' budget is obtained. If the actual result for 2011 does not produce a surplus when the 2012 budget process commences, 2012 revenues will already be short by the amount of surplus used in 2011 to balance the budget. By transferring the 2010 budget surplus to 2011 in order to balance the budget other current and future budget impacts become less visible, For example, the OMPF grant for 2011 was reduced by \$ 54,800 and will continue to be reduced. If there is no 2011 year end surplus transferable to the 2012 budget year, the impact of this year's reduction coupled with next year's reduction will be significant.

Other points to be considered in reviewing the budget sheets:

The budget for building permit revenue has been adjusted upwards in anticipation that staff will be bringing a report to Council in the coming weeks to consider adjusting the permit fees to values that will make the Chief Building Official department 'revenue neutral'. As a result, approximately \$ 20,000 would be removed from the levy.

There has been no salary rate adjustments applied to the 2011 budgeted salary figures. Whatever adjustments are required for 2011 or retroactive to 2010 will become an additional cost in 2011. This amount is not currently part of this budget.

The budget does not contain any expense re salary negotiations. Reserves could be applied against this expense when required.

A 1% adjustment to the tax rate equals approximately \$ 38,000 This would equate to approximately \$ 11.00 per annum on a property with an average assessment of \$ 159,538

For 2011 the Education Tax Rate is expected to be reduced from 0.241% to 0.231%. On an average assessment in Lanark Highlands this would equate to a reduction of \$ 15.95

A 1% adjustment to Wages and Benefits equals approximately \$ 16,000

SUGGESTED DATES FOR FUTURE BUDGET DELIBERATIONS

Staff is suggesting the following dates to review the budget, starting with Corporate Services and continuing in order until all departments have been reviewed.

March 8th 9:00AM – 12:00PM

March 10th 9:00AM – 12:00PM **or** 6:00PM – 9:00PM

March 14th 2:30PM – 5:30PM

March 15th 6:00PM – 9:00PM (Library & Fire Services)

March 17th 2:30PM – 5:30PM

More meetings may be required beyond these dates.

Prepared by: Robert Bunker, Treasurer