

# *Ville de Sutton Budget 2018*

## *Presentation and explanations*

*\*Note to user : This is an English version of the French presentation rather than a “word for word” direct translation.*



# Town of Sutton 2018 Budget

- This presentation has been prepared in order to explain the 2018 budget and the reasoning behind the decisions that have been made.
- Public information sessions will be held as follows :
  - Saturday 27 January, 10 a.m., Town Hall council chamber
  - Monday 29 January, 7:30 p.m., Town Hall council chamber
- Due to various constraints, **the 2018 budget will be adopted as presented** at the extraordinary meeting of the Sutton council on Monday, 29 January 2018 at 7:30 p.m., Town Hall council chamber.



## Budget 2018 – Our objectives:

- To build a balanced budget in light of our **overall** financial situation:
  - Financial reserves
  - Long term debt
  - Capital assets and infrastructure (e.g. roads, buildings, vehicles)
  - Revenues
  - Operating costs
- To rebuild **sufficient financial reserves** to cope with exceptional or unforeseen circumstances (“contingency fund”).
- To maintain **services at their current level** wherever possible.
- **Limit the total tax bill** increase as much as possible.



## Budget 2018 - Key financial facts, our reserves & accumulated surplus:

- The Town has 3 distinct funds reserved for specific purposes:
  - A Public Works Fund for significant projects;
  - A Working Fund (Fonds de roulement) to finance the purchase of certain assets;
  - Parks and Playgrounds Fund (Parcs et terrains de jeux).
- Two funds are at low levels:
  - Little room to maneuver in either the Public Works Fund or the Working Fund;
- The Parks and playgrounds Fund is at its usual level, however.
- The accumulated surplus (Surplus accumulé non affecté) is also low:
  - This surplus acts as our contingency fund in case of unplanned-for expenses;
  - It is at an unacceptably low level (+/- \$241,00) and must be preserved and rebuilt.

## Budget 2018 – Key financial facts, our long term debt :

- Long term debt:
  - For reasons of fairness across different generations of citizens, capital spending (i.e. assets with a long life) should be financed primarily by long term borrowing.
  - As of December 31<sup>st</sup>, 2017, the total long term debt was \$11.8 M;
  - If we remove the portion paid for by Government grants, the debt shared equally by all citizens is \$6.6M;
  - Debt repayments, capital and interest, totals \$ 1,170,007 in 2018, or 10.7% of budget expenses;
  - Due to previously approved spending, the total debt will increase to \$14.1 M in 2018, of which \$8.3M is shared equally by all citizens;
  - We consider that this is **a reasonable level of long term debt.**

## Budget 2018 – Key financial facts:

- Revenues from taxation:
  - Over the past years, (2011 to 2017), our tax revenues have grown at an average annual rate of 2.6%
  
- Operating costs in 2018:
  - Over 75% of our operating costs are beyond our direct control (e.g. insurance, electricity, heating, the cost of the SQ, payment to the MRC, salaries, etc.)
  
  - Remaining operating costs have been maintained to the minimum acceptable to avoid breaks in services to our citizens.





## Budget 2018 - Other key facts affecting our budget

- The effect of the Provincial government:
  - Transfer of responsibilities from the provincial level to the MRC and Municipal level with little or no equivalent transfer of funding pushes the financial burden down to citizens (e.g. wetlands protection (Bill 132), cost of the SQ, protection of waterways, control of septic fields, etc.)
  - Mandatory, tighter provincial norms for the safety, security and health of our citizens and employees must be enforced locally which brings higher expenses.
  
- The size of our road network relative to the number of taxpayers:
  - This is a heavy financial burden for Public Works, notably, for snow removal and road upkeep, and also for other municipal services including waste removal, First Responder Service, etc.

## Budget 2018 – Other key facts affecting our budget :

- Introduction of a new organic waste collection service (Brown bins):
  - All municipalities are obliged to introduce a system for organic waste recovery by 2022;
  - Burying organic waste will soon be prohibited and subject to severe financial penalties;
  - In order to achieve the objectives set by Quebec, the municipalities of the MRC Brome-Missisquoi, including Sutton, agreed in 2017 to establish a shared composting facility;
  - A new door-to-door collection service for organic waste will start this fall in the village core (noyau villageois) of Sutton;
  - In 2019, the same service will be gradually introduced across the entire municipality.





## Budget 2018 - The main effects:

- An increase in the general property tax to cover:
  - The increase in the costs of the Sûreté du Québec;
  - The increase in other operating costs (e.g. total salaries, costs of the MRC, maintenance, heating, insurance, etc.)
- We avoid emptying our Accumulated Surplus (Surplus accumulé non affecté) because it is our only true contingency fund.
- Projects planned for 2018 are only those that can be paid by:
  - Reinvestment of savings made by the service in question (e.g. the fire department)
  - Using the funds available in the appropriate dedicated reserves (e.g. Parks and playgrounds)
  - Long term borrowing (subject to a borrowing by-law) (e.g. for Public Works)

## Budget 2018 – The main effects:

- The 2018 budget establishes an across-the-board increase in the **general property tax of 2.8 c/\$100** of evaluation (from 54.6 cents to 57.4 cents for a residence) of which 1 cent is for the increase in the cost of the Sûreté du Québec.
- The average increase to the tax bill, including all taxes and services, will vary between 2.9% and 4.8% depending on the sector (i.e. village, mountain, rural).
- For the average Sutton property valued at \$300,000, this means an increase of between \$74 and \$102, depending on the sector.



# Budget 2018 : Change in the tax rate year by year

	2017 \$	2018 \$	Variation \$
Residual (Residential)	0.392	0.41	<b>+.018</b>
Non residential	0.843	0.861	+0.018
Agricultural	0.425	0.443	+0.018
Six lodgings and more	0.392	0.410	+0.018
Vacant serviced lots	0.688	0.706	+0.018
Industrial	1.064	1.082	+0.018
Sûreté du Quebec (police)	0.10	0.11	<b>+.01</b>
Fire protection services	0.054	0.054	0
Public works reserve	0.034	0.034	0
Debt shared by all taxpayers	0.056	0.062	<b>+.006</b>



# Tax bill effect: average \$300,000 residence – NOYAU VILLAGEOIS

	2017	2018	+/-	2017 \$	2018 \$	Change
<b>Based on evaluation :</b>	Tax rate					
Property tax	39.2c	41c	+1.8c	1 176 \$	1 230 \$	+54 \$
Sûreté du Québec	10.0c	11c	+1.0c	300 \$	330 \$	+30 \$
Fire protection services	5.4c	5.4c	0	162 \$	162 \$	0
Public works reserve	3.4c	3.4c	0	102 \$	102 \$	0
Debt shared by all taxpayers	5.6c	6.2c	+0.6c	168 \$	186 \$	18 \$
Debt for sector – former Ville et aquaduct	8.7c	7.1c	-1.c	261 \$	213 \$	-48 \$
<b>Service costs:</b>						
Water				181 \$	181 \$	0
Sewers				94 \$	94 \$	0
Waste disposal				85 \$	85 \$	0
Recycle				35.5 \$	35.5 \$	0
Organic waste				0	20 \$	+20 \$
<b>TOTAL (for average residence in the Village sector)</b>				<b>2564.5 \$</b>	<b>2638.5 \$</b>	<b>+74 \$</b>



# Tax bill effect: average \$300,000 residence – RURAL

	2017	2018	+/-	2017 \$	2018 \$	+/- \$
<b>Based on evaluation :</b>	Tax rate					
Property tax	39.2c	41c	+1.8c	1 176 \$	1 230 \$	+54 \$
Sûreté du Québec	10.0c	11c	+1.0c	300 \$	330 \$	+30 \$
Fire protection services	5.4c	5.4c	0	162 \$	162 \$	0
Public works reserve	3.4c	3.4c	0	102 \$	102 \$	0
Debt shared by all taxpayers	5.6c	6.2c	+0.6c	168 \$	186 \$	18 \$
<b>Service costs:</b>						
Septic field				86 \$	86 \$	0
Waste disposal				85 \$	85 \$	0
Recycle				35.5 \$	35.5 \$	0
Organic waste – not before 2019						
<b>TOTAL (for average residence in the Rural sector)</b>				<b>2114.5 \$</b>	<b>2216.5 \$</b>	<b>+102 \$</b>

## Budget 2018 - We have an obligation to balance our budget

- The Cities and Towns Act (*Loi sur les cités et villes*) requires the Town to achieve a **balanced budget every year**.
- All assumptions used to estimate Revenues and Expenses must be **realistic** and **prudent**.
- To balance the budget, a council can:
  - Increase its tax rates, charges or fees;
  - Cut its expenses or certain of its services;
  - Use its reserves and surplus (*Surplus accumulé non affecté*).





## Budget 2018 – Tableau comparatif avec et sans augmentation de taxes

Budget	2017 (\$)	2018 (\$) Sans augmentation de taxes	2018 (\$) Avec augmentation de taxes
<b>REVENUS TOTAUX (\$)</b>	<b>10 203 463</b>	<b>10 600 894</b>	<b>10 898 083</b>
<b>Dépenses:</b>			
Coûts d'opération	8 979 297	9 504 596	9 504 596
Remboursement de la dette	863 650	881 279	881 279
Transferts provenant des réserves	503 643	361 961	361 961
Activités d'investissements	154 475	215 855	215 855
<b>TOTAL DES DÉPENSES (\$)</b>	<b>10 501 065</b>	<b>10 963 691</b>	<b>10 963 691</b>
Affectation du surplus accumulé non affecté	-297 602	-362 797	-65 608
<b>Budget équilibré</b>	<b>10,203,463</b>	<b>10 600 894</b>	<b>10 898 083</b>



## Budget 2018 - Understanding the importance of the Accumulated Surplus

- What is it for?
  - To balance the budget (legal obligation) while managing finances responsibly (estimate for expenses=estimate for revenues);
  - To minimise tax hikes by balancing the budget when expenses exceed revenues;
  - **To deal with unplanned for events** (e.g Hurricane Irene or an unexpected failure of a crucial piece of equipment)
- Where does the money for the Accumulated Surplus come from?

At year's end, the **actual** revenue and expenses are calculated as follows:

  - Any **surplus for the year** (revenues greater than expenses) is added to the Accumulated Surplus (*Surplus accumulé non affecté*);
  - Any **deficit situation** (expenses greater than revenues) must be dealt with immediately using the Accumulated Surplus or another source of revenue.



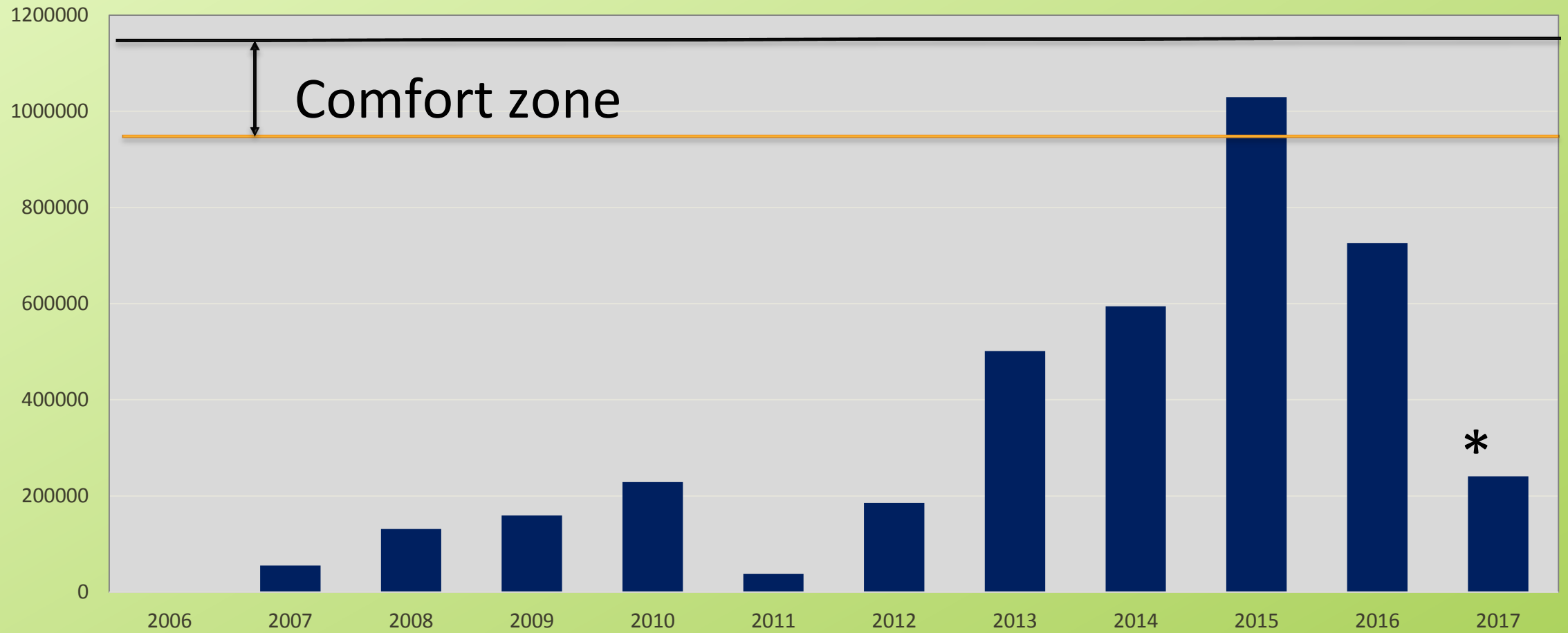
## Budget 2018 - Understanding the importance of the Accumulated Surplus

- How much Accumulated Surplus should we have?
  - According to the Town's external auditors, the Accumulated Surplus (*Surplus accumulé non affecté*) should typically be 10% of a municipal budget;
  - About **\$900,000 to \$1,100,000** , in the case of Sutton.
  
- What is the current level of the reserve?
  - The Accumulated Surplus, which we can consider as our contingency fund, is around **\$241,000**, which is a low level, historically.



# Budget 2018 – We need to rebuild our Accumulated Surplus

## Change in Accumulated Surplus over time

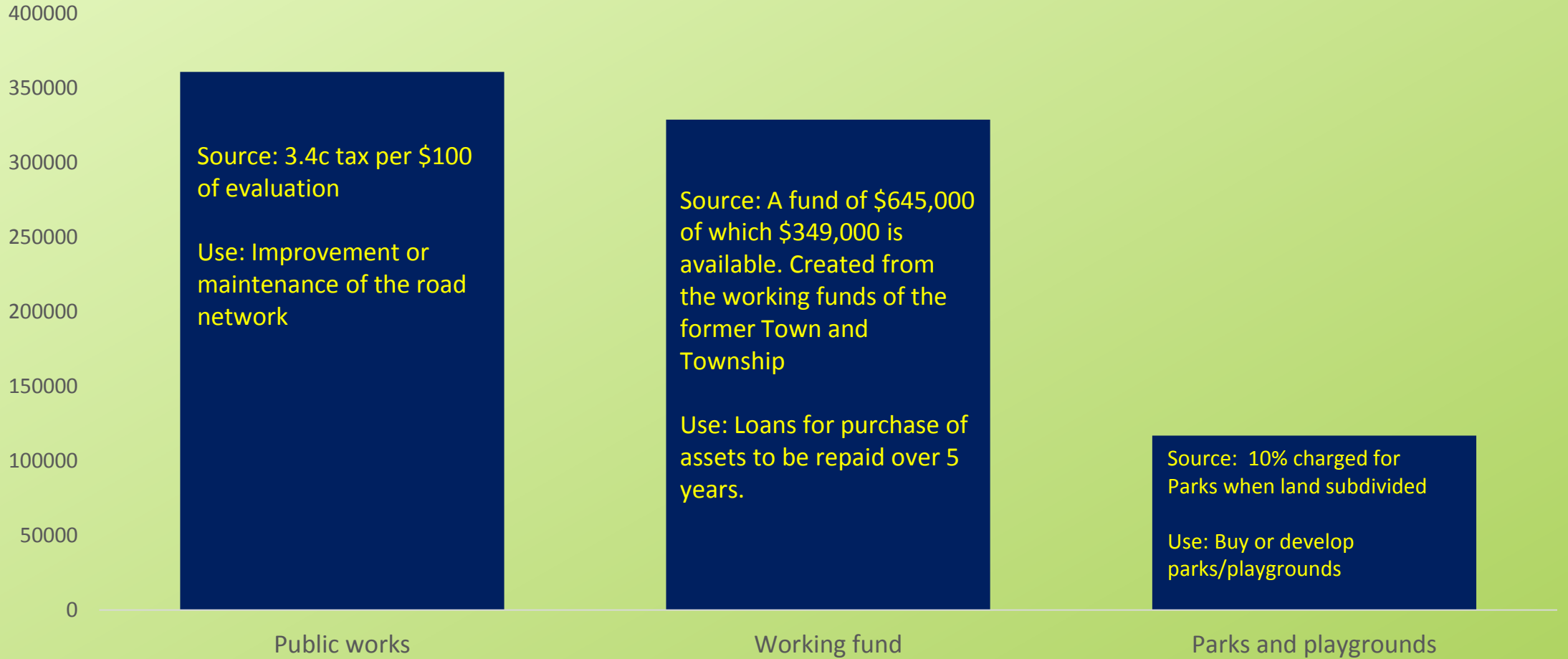


n.b.\*Estimate



# Budget 2018 – Little room for manoeuvring

Sutton's 3 Reserved funds for specific purposes:



■ Funds available for 2018

n.b.\*Estimate

## Budget 2018 The Capital Expenditures Program (PTI)

- The three year Capital Expenditures Program has the following objectives:
  - To be a **capital asset planning tool** that takes into account development priorities along with the available financial resources;
  - To **evaluate the financial effect** on future annual budgets;
  - To **plan financing needs** and a calendar of borrowing by-laws.
- For 2018-2020, Public Works and the equipment necessary for the effective working of the municipality have been prioritized.
- Major projects with a long life will be financed primarily by long term borrowing. The projects will be phased to ensure:
  - Best use of available subsidies;
  - A reasonable level of debt and debt repayment.





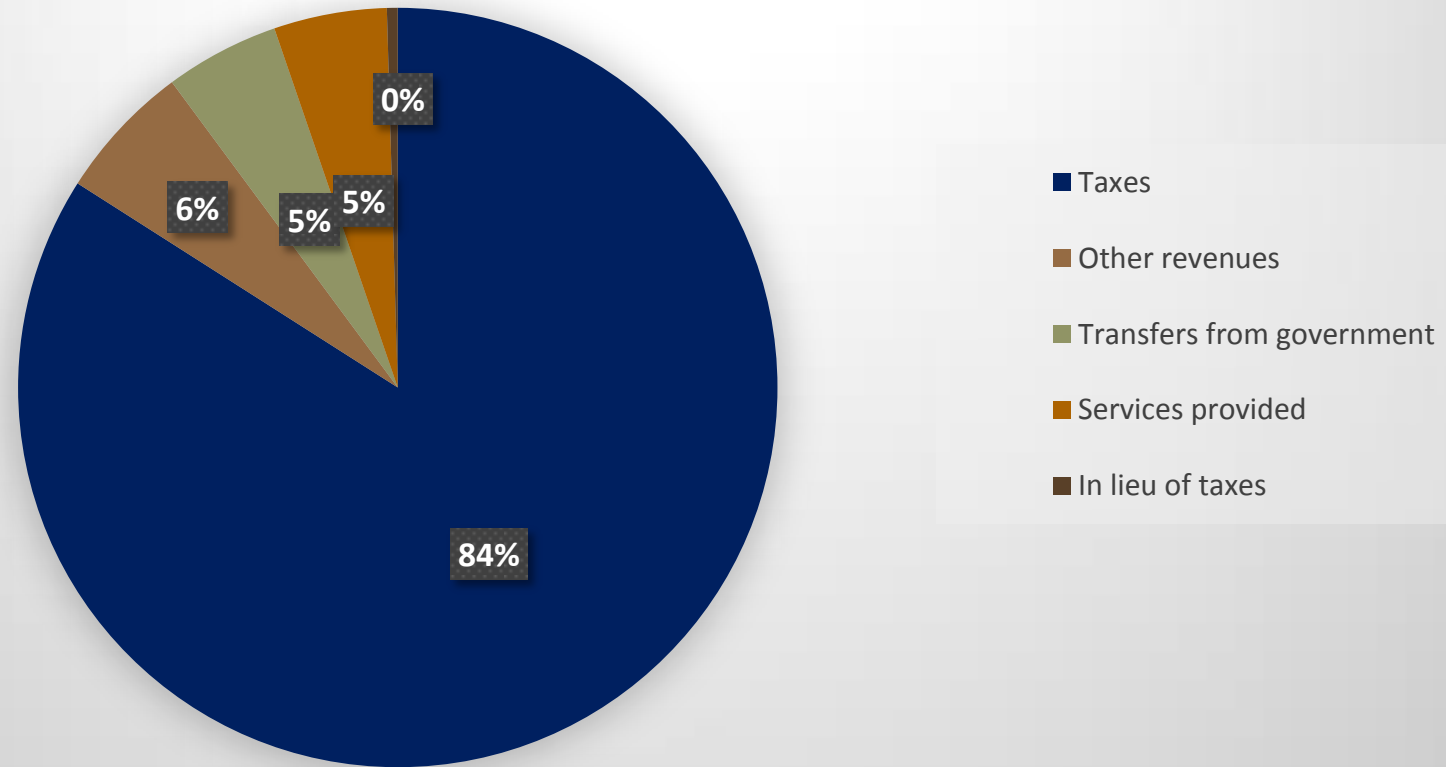
# Replacing aging infrastructure and assets is a huge financial challenge

	Estimated total	Subsidies	Borrowing	Year
Water: well upgrade*, pressure booster on Dyer*	2 068 000 \$	1 343 100 \$ TECQ	725 700 \$	2018
Sewers : waste-water treatment ponds*	272 505 \$		272 505 \$	2018
Road network : de la Falaise Rd improvement*, Alderbrooke embankment	438 013 \$		438 013 \$	2018
Social housing project with SHQ: land acquisition	181 494 \$		181 494 \$	2018
Vehicles	1 342 750 \$		1 243 175 \$	2018
Western Street – road, water*, sewers* upgrade	1 514 602 \$	1 000 000 \$ TECQ	514 602 \$	2019
Filtex Bldg (study, sampling, demolition)	600 000 \$	?	?	2019-20
John Sleeth Community Cultural Centre	2 050 000 \$	?	?	2019-21

\* Sectors served only

# Budget 2018 – Revenue split

Revenue \$10 898 083





# Budget 2018 - Revenues

	Budget 2017 \$	Budget 2018 \$	Change (\$)	Change (%)
Taxes	8,693,699	9,157,969	464,270	5.3%
Revenue in lieu of taxes e.g. Sutton School, CHSLD	50,000	49,900	-100	-0.2%
Services provided e.g. To other municipalities, MTQ	453,461	524,397	70,936	15.6%
Other revenues e.g. "Welcome tax",	611,000	635,400	24,400	4.0%
Transfers from Government e.g. Recyc-Quebec, grants, etc.	395,303	530,417	135,114	34.2%
<b>Total revenues</b>	<b>10,203,463</b>	<b>10,898,083</b>	694,620	6.8%



# Budget 2018 - Operating costs

	Budget 2017 \$	Budget 2018 \$	Change (\$)	Change (%)
General administration	1,307,995	1,299,340	-8,655	-0.7%
Public security	1,651,025	1,940,333	289,308	17.5%
Road network	2,708,893	2,775,518	66,625	2.5%
Water, sewers, garbage	1,436,920	1,510,711	73,791	5.1%
Health and well being	44,115	34,505	-9,610	-21.8%
Urban planning	475,869	490,892	15,023	3.2%
Economic development	295,872	300,518	4,646	1.6%
Recreation and parks	440,505	467,460	26,955	6.1%
Culture, library, museum	343,333	396,591	53,258	15.5%
Financing costs (interest on debt)	274,770	288,728	13,958	5.1%
<b>Total</b>	<b>8,979,297</b>	<b>9,504,596</b>	<b>525,299</b>	<b>5.9%</b>



# Our financial strategy for 2018-2021:

- Undertake a thorough review of the Town's operations:
  - Do Town services correspond to what citizens need and want?
  - Is the level of expenditures reasonable?
  - Is the money spent in the most efficient and effective way?
  
- Work over time to rebuild the Accumulated Surplus or Contingency Fund to a prudent and acceptable level
  
- Aim to limit operating costs to inflation.



# Our financial strategy for 2018-2021:

- Re-introduce management tools such as performance indicators to better monitor the Town's operations.
- Make best use of all available, appropriate subsidies – provided we can afford our portion!
- Make the best use of citizen involvement
  - A commitment to transparency and regular information about the state of our finances;
  - Consultations regarding major financial decisions by the Town;
  - Consider using a “Participatory budget process”.



# Let's start a dialogue:

- Questions?
- Comments?
- Suggestions?