



## THE CORPORATION OF THE TOWNSHIP OF PUSLINCH BUDGET MEETING

### **A G E N D A**

**DATE:** Wednesday, January 24, 2018  
**BUDGET MEETING:** 4:30 P.M

**≠ Denotes resolution prepared**

1. Call the Meeting to Order
2. Disclosure of Pecuniary Interest & the General Nature Thereof.
3. **REPORTS≠**  
**Finance Department**
  1. Report FIN-2018-003- 2018 Budget – Additional Funding Options
4. **CONFIRMING BY-LAW ≠**
  - (a) By-law to confirm the proceedings of Council for the Corporation of the Township of Puslinch.
5. **ADJOURNMENT ≠**



## REPORT FIN-2018-003

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TO: Mayor and Members of Council

FROM: Mary Hasan, Director of Finance/Treasurer

MEETING DATE: January 24, 2018

SUBJECT: 2018 Budget – Additional Funding Options  
File No. F05 BUD, F26 OPE, F26 CAP

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### RECOMMENDATIONS

That Report FIN-2018-003 regarding the 2018 Budget – Additional Funding Options be received; and

That further to Council Resolution No. 2018-008, Council directs staff to delay the award of the following projects until such time as the financial implications associated with OMERS are known:

- Concession 4 – 35 to Sideroad 10
- Municipal Class Environmental Assessment – Municipal Water and Wastewater; and

That staff report back in 2018 once the financial implications of OMERS are known including the impact to the capital projects noted above and any other budgetary impacts including incrementality.

### DISCUSSION

#### **Purpose**

The purpose of this report is to report back to Council regarding additional funding options associated with the requirement to offer Township employees classified by OMERS as an “other than continuous full-time employee” voluntary enrolment into the OMERS Pension Plan.

#### **Background**

At the January 10, 2018 Council Meeting, Council passed the following Council Resolution No. 2018-008:

*That Council directs staff to proceed with increasing the tax levy by an additional amount of \$98, 600 to be distributed to the legal contingency reserve to set aside funds for the unknown financial implications associated with OMERS resulting in a 3% residential tax rate (RT) increase for the median/typical single family detached dwelling to be presented at the Budget Public Meeting to be held on January 16, 2018;*

*AND That Council directs staff to proceed with distributing the following amounts to the legal contingency discretionary reserve in order to address the unknown financial implications associated with OMERS:*

- *All 2018 budgeted discretionary reserve contributions;*
- *And any 2017 surplus amounts;*

*And That Council reviews the line items in the capital and operating budgets for potential savings to be distributed to the legal contingency reserve in order to address the unknown financial implications associated with OMERS;*

*And That any remaining funds required to address the unknown financial implications associated with OMERS be addressed through the borrowing of money.*

## **Regulations and Restrictions on Municipal Debt**

Section 408 of the Municipal Act indicates that a municipality can authorize long term borrowing but only to provide financing for a capital project.

Based on the above, the Township is not able to borrow money as an additional funding option associated with the OMERS matter.

Council has the option to consider redirecting the 2018 proposed capital taxation levy to be debt financed and to reallocate the 2018 capital taxation levy to the legal contingency discretionary reserve to deal with the OMERS matter.

Under Ontario Regulation 403/02, a municipality has an annual debt and financial obligation limit. The maximum amount of debt a municipality can incur is equal to 25% of net revenues less net debt charges. However, most municipalities limit their debt to 10% of net revenues less net debt charges.

Net revenues are all revenues earned by a municipality less any of the following:

- Ontario Grants, Canada Grants, Canada Gas Tax Grants, Revenues from other municipalities;
- Gain/Loss on sale of land and capital assets;
- Development charges earned; and
- Cash in lieu of parkland earned, etc.

Net debt charges are any principal and interest payments due for the current year.

The Ministry of Municipal Affairs and Housing (MMAH) determines the Township's Annual Repayment Limit (ARL) under Ontario Regulation 403/02 of the Municipal Act based on the second previous year's Financial Information Return (FIR).

Attached as Schedule A to this Report is a copy of the 2017 ARL provided by the MMAH in March 2017. The 2017 ARL is based on information from the 2015 FIR. The 2018 ARL will be provided to the Township in March 2018.

Effective January 1, 2017, the Township's Annual Repayment Limit is \$1,075,713. This amount represents the maximum amount which the Township has available as of December 31, 2015 to commit to payments relating to debt and financial obligations. Prior to authorization by Council of a long term debt or financial obligation, the ARL must be adjusted by the Treasurer in accordance with Ontario Regulation 403/02 of the Municipal Act.

As of January 1, 2018, the Township has outstanding debt of \$119,000 and interest owing of \$2,975. This debt matures on July 2, 2018.

### **Incrementality – Section 3.2 of the Gas Tax Funding Agreement**

Section 3.2 of the Municipal Funding Agreement for the Transfer of Federal Gas Tax Funds indicates the following as it relates to Incrementality:

*Any funds that the Recipient may receive from Canada are not intended to replace or displace existing sources of funding for the Recipient's tangible capital assets. The Recipient will ensure that its total annual expenditures on tangible capital assets over the life of the Agreement, on average, will not be less than the Base Amount.*

The agreement defines base amount as total municipally funded capital spending on infrastructure between January 1, 2000 and December 31, 2004 excluding money raised under the Development Charges Act and funding received from federal and provincial infrastructure programs during the same period. The Association of Municipalities of Ontario (AMO) has indicated that the Township's base amount is \$1,648,372. The average annual investment amount is \$329,674.40 which is calculated by averaging the Base Amount over the five-year period of 2000 to 2004.

Based on the above, the Township is required to demonstrate that its total annual expenditures on tangible capital assets over the life of the agreement (2014 to 2023), on average, are at least equal to the annualized base amount.

AMO has confirmed that the Township is on track to comply with the incrementality requirement. However, AMO is working with Infrastructure Canada, through their Oversight Committee to revise the Base Amount calculation in 2018 to better account for municipalities' financial challenges and obligations including the changes to how capital expenditures are reported in the FIR since 2009.

## **Funding Options**

As discussed in Council Resolution No. 2018-008, the following will be utilized to address the unknown financial implications associated with OMERS:

- 2018 Budgeted Legal Contingency Discretionary Reserve Contributions
- 2017 Surplus

In addition, it is recommended that the following capital projects not be awarded until such time as the financial implications associated with OMERS are known:

- Concession 4 – 35 to Sideroad 10
- Municipal Class Environmental Assessment - Municipal Water and Wastewater

## **APPLICABLE LEGISLATION AND REQUIREMENTS**

Section 408 of the Municipal Act, 2001

## **ATTACHMENTS**

Schedule A – 2017 Annual Repayment Limit

## 2017 ANNUAL REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403 / 02)

<b>MMAH CODE:</b>	<b>75612</b>	<b>FIR CLEAN FLAG:</b>	<b>Forced Clean</b>
<b>MUNID:</b>	<b>23001</b>		
<b>MUNICIPALITY:</b>	<b>Puslinch Tp</b>		
<b>UPPER TIER:</b>	<b>Wellington Co</b>		
<b>REPAYMENT LIMIT:</b>		<b>\$</b>	<b>1,075,713</b>

The repayment limit has been calculated based on data contained in the 2015 Financial Information Return, as submitted to the Ministry. This limit represents the maximum amount which the municipality had available as of December 31, 2015 to commit to payments relating to debt and financial obligation. Prior to the authorization by Council of a long term debt or financial obligation, this limit must be adjusted by the Treasurer in the prescribed manner. The limit is effective January 01, 2017

### FOR ILLUSTRATION PURPOSES ONLY,

The additional long-term borrowing which a municipality could undertake over a 5-year, a 10-year, a 15-year and a 20-year period is shown.

If the municipalities could borrow at 5% or 7% annually, the annual repayment limits shown above would allow it to undertake additional long-term borrowing as follows:

5% Interest Rate			
(a)	20 years @ 5% p.a.	\$	13,405,762
(a)	15 years @ 5% p.a.	\$	11,165,533
(a)	10 years @ 5% p.a.	\$	8,306,371
(a)	5 years @ 5% p.a.	\$	4,657,274
7% Interest Rate			
(a)	20 years @ 7% p.a.	\$	11,396,119
(a)	15 years @ 7% p.a.	\$	11,396,119
(a)	10 years @ 7% p.a.	\$	7,555,358
(a)	5 years @ 7% p.a.	\$	4,410,636

# DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

Schedule A to Report FIN-2018-003

(UNDER ONTARIO REGULATION 403/02)

MUNICIPALITY:

Puslinch Tp

MMAH CODE:

75612

		1
		\$
<b>Debt Charges for the Current Year</b>		
0210	Principal (SLC 74 3099 01) . . . . .	106,000
0220	Interest (SLC 74 3099 02) . . . . .	19,405
0299	<b>Subtotal</b>	125,405
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01) . . . . .	0
9910	<b>Total Debt Charges</b>	125,405
		1
		\$
<b>Amounts Recovered from Unconsolidated Entities</b>		
1010	Electricity - Principal (SLC 74 3030 01) . . . . .	0
1020	Electricity - Interest (SLC 74 3030 02) . . . . .	0
1030	Gas - Principal (SLC 74 3040 01) . . . . .	0
1040	Gas - Interest (SLC 74 3040 02) . . . . .	0
1050	Telephone - Principal (SLC 74 3050 01) . . . . .	0
1060	Telephone - Interest (SLC 74 3050 02) . . . . .	0
1099	<b>Subtotal</b>	0
1410	Debt Charges for Tile Drainage/Shoreline Assistance (SLC 74 3015 01 + SLC 74 3015 02) . . . . .	0
1411	Provincial Grant funding for repayment of long term debt (SLC 74 3120 01 + SLC 74 3120 02) . . . . .	0
1412	Lump sum (balloon) repayments of long term debt (SLC 74 3110 01 + SLC 74 3110 02) . . . . .	0
1420	<b>Total Debt Charges to be Excluded</b>	0
9920	<b>Net Debt Charges</b>	125,405
		1
		\$
1610	Total Revenues (Sale of Hydro Utilities Removed) (SLC 10 9910 01) . . . . .	5,839,268
<b>Excluded Revenue Amounts</b>		
2010	Fees for Tile Drainage / Shoreline Assistance (SLC 12 1850 04) . . . . .	0
2210	Ontario Grants, including Grants for Tangible Capital Assets (SLC 10 0699 01 + SLC 10 0810 01 + SLC 10 0815 01) . . . . .	490,840
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01) . . . . .	0
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 830 01) . . . . .	0
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 831 01) . . . . .	253,706
2230	Revenue from other municipalities including revenue for Tangible Capital Assets (SLC 10 1098 01 + SLC 10 1099 01) . . . . .	35,000
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01) . . . . .	17,213
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01) . . . . .	230,558
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01) . . . . .	7,479
2252	Donated Tangible Capital Assets (SLC 53 0610 01) . . . . .	0
2253	Other Deferred revenue earned (SLC 10 1814 01) . . . . .	0
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01) . . . . .	0
2299	<b>Subtotal</b>	1,034,796
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged . . . . .	0
2610	<b>Net Revenues</b>	4,804,472
2620	<b>25% of Net Revenues</b>	1,201,118
9930	<b>ESTIMATED ANNUAL REPAYMENT LIMIT</b>	1,075,713
		(25% of Net Revenues less Net Debt Charges)

\* SLC denotes Schedule, Line Column.

THE CORPORATION OF THE TOWNSHIP OF PUSLINCH

BY-LAW NUMBER 005-2018

Being a by-law to confirm the proceedings of the Council of the Corporation of the Township of Puslinch at its budget meeting held on January 24, 2018.

**WHEREAS** by Section 5 of the *Municipal Act, 2001, S.O. 2001, c.25* the powers of a municipal corporation are to be exercised by its Council;

**AND WHEREAS** by Section 5, Subsection (3) of the *Municipal Act*, a municipal power including a municipality's capacity, rights, powers and privileges under section 8, shall be exercised by by-law unless the municipality is specifically authorized to do otherwise;

**AND WHEREAS** it is deemed expedient that the proceedings of the Council of the Corporation of the Township of Puslinch at its Budget meeting held on January 24, 2018 be confirmed and adopted by By-law;

**NOW THEREFORE** the Council of the Corporation of the Township of Puslinch hereby enacts as follows:

- 1) The action of the Council of the Corporation of the Township of Puslinch, in respect of each recommendation contained in the reports of the Committees and each motion and resolution passed and other action taken by the Council at said meeting are hereby adopted and confirmed.
- 2) The Head of Council and proper official of the Corporation are hereby authorized and directed to do all things necessary to give effect to the said action of the Council.
- 3) The Head of Council and the Clerk are hereby authorized and directed to execute all documents required by statute to be executed by them, as may be necessary in that behalf and the Clerk authorized and directed to affix the seal of the said Corporation to all such documents.

**READ A FIRST, SECOND AND THIRD TIME AND FINALLY PASSED THIS 24th DAY OF JANUARY, 2018.**

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Dennis Lever, Mayor

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Karen Landry, C.A.O./Clerk