

CITY OF MELFORT
BUDGET MEETING
March 21, 2006

Minutes of the City of Melfort Budget Meeting held on Tuesday, March 21st, 2005, in the Council Chambers, Melfort, Saskatchewan, commencing at 3:42 p.m.

PRESENT: COMMITTEE: Mayor Collins and Aldermen Abbott, White, Terry, Degelman, Lang and MacNaughton (arrived at 8:05 p.m.).

STAFF: J. Wade, City Manager; K. Ottenbreit, Director of Planning, Development & Leisure Services; D. Graham, Director of Works & Utilities; C. Stevenson, City Treasurer and H. Audette, City Clerk.

Mayor Collins called the meeting to order and turned it over to Alderman Terry, Finance Chairman.

REVIEW 2006-2010 FIVE-YEAR CAPITAL BUDGET

Council reviewed the 2006 Capital Budget, which was originally presented at the December 12th, 2005, Committee of the Whole meeting. The following revisions have been made to the original budget:

- The Recreation ½ ton truck to replace Unit #53 was purchased \$6,000 below the budget amount, so that budget has been reduced accordingly.
- The floor scrubber was initially scheduled for replacement in 2007, but it needs to be replaced in 2006.
- The defibrillator budget was split over two years; however, the Department will monitor capital purchases in 2006 and attempt to purchase both defibrillators in 2006 if at all possible. This purchase is not necessary until the arenas open for the next season.
- Melfort will receive \$190,285 as the Community Share unconditional one-time grant. This has been applied to the Special Projects Budget, therefore, there is no reserve requirement for special projects in 2006 and the remaining grant amount has been applied to 2007 projects in no particular priority order.
- The Airport Board was directed to make a funding request to the rural municipalities to support the development of the regional airport facility.
- Campground concerns are being addressed with the operator and the department will be monitoring the situation. The City is planning a joint departmental work bee to prepare the facility for the season.
- The workshop expansion will be spread over a two-year period and completed as a winter works project.

PROPOSED 2005 SURPLUS ALLOCATION

The Treasurer presented Administration's recommendation for allocation of the unaudited consolidated surplus, anticipated to be \$133,311. The 2006 budget has been prepared based on the assumption that the general operations surplus will be used to completely replenish the mill rate stabilization reserve (\$71,052) and fund the workshop expansion (\$35,436). The utility surplus (\$26,823) will be transferred to the water rate stabilization reserve in accordance with City policy. The City will not be replenishing the reserve for the police radio modernization project.

DRAFT RESERVE POLICY

Alderman Lang led the discussion on the draft reserve policy prepared by the Treasurer. He noted that if Council wishes to continue utilizing the reserves for the purpose of funding the City's capital program, he suggests that Council must consider building in a defined growth mechanism so that the reserves will generate the same purchasing power in the long term. Alderman Lang commented that this could be achieved without direct taxation if the city allocated a defined percentage of investment income to grow reserves each year; however, it may necessitate a shift in capital purchases and programs, such as expanding the five-year capital program to seven years.

The majority of Council agreed that growing our reserves is a good concept as our reserves give the City a huge advantage over other communities. The City Treasurer added that Council has stated that they want to use surplus to fund only the special visionary capital projects.

Council made the following revisions to the draft Reserve Policy:

- a) Add a new clause no. 2.4 to explain the utilization of the stabilization reserves.
- b) Implementation date: January 1, 2007.
- c) Delete the second paragraph of 3.1 which outlines the philosophy of maintaining reserves at the current level.

2006 UTILITY OPERATIONS BUDGET

The January 1st, 2006, utility rate increase has been incorporated into the 2006 budget, which projects a small surplus of \$6,912; however, the budget is based on a 20% water loss and early indicators estimate only a 12-14% loss this year.

2006 GENERAL OPERATIONS BUDGET

Noteworthy Items

- This budget shows no increase in assessment and does not include an appeals budget. Administration hopes to have the assessment confirmed a month prior to sending out tax notices.
- The Winter Games audit should be complete by mid-July, 2006.
- The revenue sharing grant is comprised of \$416,981 in revenue sharing plus the one-time revenue sharing grant of \$52,866.
- The former NLP capital trust fund payment of \$187,000 has been added to the transfer to reserves to build a new facility reserve.
- Insurance premiums have now been distributed on the following basis: Administration . 13%, Recreation & Parks . 65%, Transportation . 10%, Utilities . 12%. The Treasurer cautioned that this new formula will detrimentally affect the cost recovery rate on recreation facilities.
- The Treasurer advised that the management team uses zero-based budgeting in order to rationalize and justify each budget item on a line-by-line basis.

Flagged Budget Items & Actions

- Interest on investments was budgeted using a 3.75% return. With the current returns of 4%, this budget could be increased by potentially \$10,000.
- Administration will be implementing several procedures to improve the maintenance of the City website, but enhanced website development will require additional budget funding as we do not have an in-house IT person.
- Police revenues could potentially be increased to \$33,000; however, the majority of Council was concerned about any cuts to RCMP contract salaries as the City does want to ensure a full-time police force.
- There could be a potential reduction in the City Fire Calls expense account.
- This budget provides for a full-time Bylaw Enforcement Officer starting July 1, working flex hours and also assuming the duties of fire inspection and license inspector. Council felt that the idea of a regional enforcement officer should be pursued. Administration is to investigate the possibility of contracting out this service.
- The Director of Planning, Development & Leisure Services is to ensure that the City has included a budget for the structural assessments on the Main Arena and North East Leisure Centre.
- Administration is to conduct a survey of other municipal campgrounds. It was suggested that the campground operator be requested to report the campground usage to the City to assist the department in monitoring and assessing the improvements to the facility.
- Lengthy discussion continued with respect to the Communities in Bloom allocation of \$5,000. Several members feel that the original intent of this seed money has been fulfilled and the organization should now be self-sufficient. Others feel the annual commitment of \$5,000 is beneficial for community beautification. However, Council pointed out that the intent of this

commitment was not to fund the development of a park. There has been no City input into the proposed Saskatchewan Avenue park design and Council is concerned about whether it even fits into our long-term vision (i.e. Memorial Park, downtown renewal and revitalization, skateboard park relocation, etc.). This budget item was put on hold pending a meeting between the Department and the CIB Saskatchewan Avenue Sub-Committee for clarification.

- The Department of Planning, Development & Leisure Services is to monitor utilization of the playground program in 2006.

GENERAL OPERATIONAL BUDGET			Increase (Decrease)	Deficit (Surplus)
<i>Beginning Deficit Balance</i>				195,844
Finance:				
2-8-1-30-00-239	Fin Other - investment strategy	reduce to 7,000	(8,000)	187,844
Environmental Health:				
2-6-4-10-00-441	Collection Residential Waste Fees	incr to 113,000	(5,000)	182,844
2-6-4-10-00-442	Collection Commercial Waste Fees	incr to 16,000	(500)	182,344

BASE TAX DISCUSSION

Council reviewed the Treasurer's spreadsheet detailing the budgets for essential municipal services used for the purpose of calculating base tax. Alderman Lang commented that as the cost of delivering these essential services goes up, so should the base tax or it no longer remains relevant to the budget. The cost of essential services has increased by 18.92% since 2002. He suggests that Council increase the base tax to \$550 for 2006 and build in an automatic 2% inflation rate to the base tax every year. It was acknowledged that the base tax has never covered essential services by 100% and those costs are now up to \$715.88 per property in 2006.

The majority of Council agreed with the principle of increasing the base tax.

BUDGET OPTIONS

The Treasurer reviewed the four budget options presented by Administration and the statistical analysis used to derive the residential threshold of \$75,000 taxable assessment and the commercial threshold of \$40,000 taxable assessment. Option #3 (no budget cuts and a combination of base tax and mill rate increases) provides the most equitable distribution of tax increases across the board.

Council discussed the option of considering budget cuts. The majority of Council felt that reducing or cutting services could hurt the City in the long run and there aren't any significant budget cuts that can be made.

NEXT SESSION

The next budget session was scheduled on Tuesday, April 11, 2006, at 5:00 p.m. An alternate date is April 13th at 5:00 p.m. if necessary.

The meeting adjourned at 9:05 p.m.

Mayor

City Clerk