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|  <p style="text-align: center;">The Corporation of the<br/><b>TOWN OF LASALLE</b></p> | <b>Report No:</b> FIN-28-11              |
|  | <b>Date:</b> December 1, 2011            |
| <b>Directed To:</b> Members of Council   | <b>Attachments:</b> 2012 Proposed Budget |
| <b>Prepared By:</b> Joe Milicia, CA<br>Director of Finance & Treasurer   | <b>Policy References:</b> None           |
| <b>Subject:</b> 2012 Proposed Budget Report  |  |

Please find attached the 2012 Proposed Budget for your review and consideration. The purpose of this report is to highlight and summarize the 2012 Proposed Budget – with the detail available in the Budget Commentary, Departmental Summary or Detail Departmental Budgets sections of the Budget document.

Overview and Summary of the 2012 Proposed Budget:

The 2012 Proposed Budget has again been a very difficult process – addressing the budget pressures of the Town, attempting to expand the level of service in certain areas and keeping front and centre the ability of our ratepayers to continue to live in and be a part of the LaSalle community. With those parameters set, the 2012 Proposed Budget has been presents to Members of Council with a municipal tax rate increase of 2.8% and an overall total property tax increase of 2.4%.

Over the past decade the Town has passed on to ratepayers total tax increases which are significantly less that the current inflationary rate – more evident in the past 5 years where the cumulative total tax increases have been 2.5%. Over that same period, total taxes in LaSalle have increase by an average rate of 1.2% annually while the Consumer Price Index has increase at a rate of 2.4%. During that same period the average Labour (Salary and Benefit) increase has been 4.1% – which has resulted in the Town having to find efficiencies in the operating and capital budget of an average of 2.9% annually. Lastly, during that same period the municipality constructed and financed the Vollmer Centre in 2007 and undertook over \$50 million in infrastructure stimulus programs. **This was done all the while maintaining sound and responsible financial governance.**

One area which requires some focus and attention is increased funding for capital works. The 2012 Proposed Budget takes an alternative approach by recommending the recapture of any education tax room created for municipal capital purposes. This will begin to address the municipal infrastructure deficit. This concept will be discussed later in the report.

Fiscal 2011 Review:

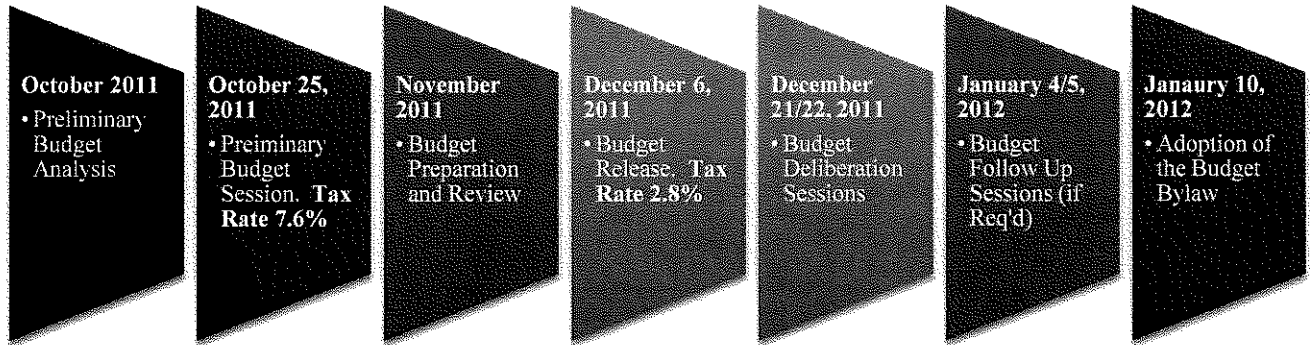
As Council may be aware, as a result of the advanced budget sessions final figures for the previous year end will not be available. In order to provide as much information as possible Finance department staff has developed a year end forecast to assist with the 2012 budget process. The forecasts were developed using a combination of trend analysis of historic data (where available) and discussion with the responsible department manager and/or supervisor. It should be noted that the forecasts should be used as guidelines as actual year end final audited result will vary from the forecast.

The following table analyzes, on a high level the forecasted operating results for fiscal 2012. This analysis has been provided as an overview for Members of Council. A more detailed analysis will be presented to Council as part of the 4<sup>th</sup> quarter/Year end report.

| REVENUE/OPERATING FUND     | 2010 Actual       | 2011 Budget       | 2011 Actual Mid Nov 2011 | 2011 Y/E Forecast | Variance       | Comments on Variance Greater than \$10,000  |
|----------------------------|-------------------|-------------------|--------------------------|-------------------|----------------|---|
| <b>REVENUES</b>            | <b>22,911,836</b> | <b>23,752,500</b> | <b>23,359,533</b>        | <b>23,832,160</b> | <b>79,660</b>  | <b>Additional midyear Supplementary Assessments</b>   |
| Council                    | 277,630           | 307,000           | 276,614                  | 309,896           | 2,896          |   |
| Finance & Administration   | 2,495,101         | 2,044,600         | 2,026,935                | 2,146,178         | 101,578        | Labour savings from delayed IT hire mitigated increased property tax write offs                   |
| Council Services           | ---               | 583,700           | 529,114                  | 585,801           | 2,101          | Labour savings from position gapping mitigated increased legal expenses                           |
| Financial Services         | 6,678,177         | 6,815,600         | 4,862,049                | 6,619,934         | -195,666       | Deferral of the transfer to Infrastructure replacement reserve and no labour provision activity   |
| Fire                       | 1,479,867         | 1,613,100         | 1,294,626                | 1,566,990         | -46,110        | Labour gapping savings  |
| Police & Dispatch          | 5,255,900         | 5,511,200         | 4,842,863                | 5,405,316         | -105,884       | Labour savings and increased revenues   |
| Police Services Board      | 61,717            | 67,600            | 51,551                   | 62,900            | -4,700         |   |
| Conservation Authority     | 176,324           | 180,000           | 181,390                  | 185,000           | 5,000          |   |
| Inspection & Control       | 17,370            | 17,400            | 11,928                   | 18,320            | 920            |   |
| Emergency Measures         | 21,512            | 21,000            | 18,945                   | 19,500            | -1,500         |   |
| Roads                      | 1,797,843         | 2,081,200         | 1,839,890                | 2,076,965         | -4,235         | Increased in labour where mitigated by operational savings  |
| Winter Control             | 133,503           | 140,000           | 193,201                  | 203,000           | 63,000         | increased salt usage from winter events   |
| Traffic Control            | 17,958            | 22,500            | 17,981                   | 24,600            | 2,100          |   |
| Transit                    | 48,114            | 55,000            | 52,124                   | 59,000            | 4,000          |   |
| Street Lighting            | 367,819           | 375,000           | 283,154                  | 382,000           | 7,000          |   |
| Crossing Guards            | 56,652            | 81,600            | 49,456                   | 62,613            | -18,987        | Labour savings from timing of hires   |
| Sanitary Local Improvement | 40,669            | 10,100            | 10,083                   | 10,083            | -17            |   |
| Garbage Collection         | 547,228           | 555,000           | 499,257                  | 545,000           | -10,000        | Contract decrease   |
| Garbage Disposal           | 742,927           | 775,000           | 676,697                  | 797,000           | 22,000         | Increased rate and usage  |
| Culture & Recreation       | 2,187,168         | 2,223,900         | 2,160,909                | 2,408,427         | 184,527        | Increases in Labour, Facility (R&M) and decreased Revenues where mitigated by operational savings |
| Library                    | 1,360             | 4,000             | 5,527                    | 5,528             | 1,528          |   |
| Planning & Development     | 365,878           | 268,000           | 212,621                  | 245,000           | -23,000        | Increase Planning Act revenues  |
| Agriculture/Weed Control   | 683               | ---               | -3,339                   | -3,499            | -3,499         |   |
| <b>EXPENDITURES</b>        | <b>22,771,398</b> | <b>23,752,500</b> | <b>20,093,575</b>        | <b>23,735,551</b> | <b>-16,949</b> |   |
| <b>REVENUE FUND</b>        | <b>140,438</b>    | <b>---</b>        | <b>3,265,958</b>         | <b>96,609</b>     | <b>96,609</b>  |   |

2012 Budget Timeline

The following graphic illustrates the budget timeline, which was established from Council comments at the conclusion of the 2011 budget process and adopted by Council in September 2011.



2012 Proposed Budget - Summary Affect on Ratepayers

From an overall, high level perspective the following table illustrates the net effect ratepayer’s property tax position.

|  | 2011 Budget                             | Total Budget Changes | 2012 Proposed | 2011 Budget                              | Total Budget Changes | 2012 Proposed |             |                 |
|--|---|----------------------|---------------|--|----------------------|---------------|-------------|-----------------|
|  | Per \$100,000 of Residential Assessment |                      |               | Average Homeowner (\$250,000 Assessment) |                      |               |             |                 |
| Municipal  | 822.00                                  | +23.02               | 2.8%          | 845.02                                   | 2,055.00             | +57.55        | 2.8%        | 2,112.55        |
| County   | 420.42                                  | +11.77               | 2.8%          | 432.19                                   | 1,051.05             | +29.43        | 2.8%        | 1,080.48        |
| Education  | 231.00                                  | -9.24                | -4.0%         | 221.76                                   | 577.50               | -23.10        | -4.0%       | 554.40          |
| <b>Total prior to Capital Recapture</b>                  | <b>1,473.42</b>                         | <b>25.55</b>         | <b>1.7%</b>   | <b>1,498.97</b>                          | <b>3,683.55</b>      | <b>63.88</b>  | <b>1.7%</b> | <b>3,747.43</b> |
| <i>Recapture of Education Room for Municipal Capital</i> | ---                                     | 9.24                 | 1.1%          | 9.24                                     | ---                  | +23.10        | 1.1%        | 23.10           |
| <b>Total Property Taxes</b>                              | <b>1,473.42</b>                         | <b>34.79</b>         | <b>2.4%</b>   | <b>1,508.21</b>                          | <b>3,683.55</b>      | <b>86.98</b>  | <b>2.4%</b> | <b>3,770.53</b> |

*Recapture of Education Room for Municipal Capital* will be further discussed in the “Address the Inflationary Gap” section of this report.

2012 Proposed Budget

The 2012 Proposed Budget has been prepared using a number of estimates and assumptions. There are a number of factors and pressures which effect all operational departments. Examples of these factors are increases labour rate changes in accordance with the collective agreement (2.5%), increases in mandatory and health benefits (9%), increases in insurance benefits (6%) and increases in utilities (5-8%).

## 2012 Proposed Budget Summary

The following table summarizes the changes from the 2011 Adopted Budget to the 2012 Proposed Budget. In addition, the high level comments have been added where appropriate to explain in a general sense the changes and variances.

| 2012 Proposed Budget Summary (By Department) | 2011 Y/E Forecast | 2011 Budget       | 2012 Proposed Budget | 2011 to 2012 Variance |             | Comments on Significant Variance & New Initiatives  |
|--|-------------------|-------------------|----------------------|-----------------------|-------------|---|
| <b>Revenues</b>                              | <b>23,832,160</b> | <b>23,752,500</b> | <b>24,766,200</b>    | <b>1,013,700</b>      | <b>4.3%</b> | <b>Increase in Assessment \$450k, Supplementary \$100k, Rate Increase \$600K, Eliminate Contribution from Reserves -\$133k</b>                      |
| Council                                      | 309,896           | 307,000           | 316,300              | 9,300                 | 3.0%        |   |
| Finance & Administration                     | 2,146,178         | 2,044,600         | 2,327,700            | 283,100               | 13.8%       | Labour increases, Operational decreases Strategic Plan \$50k, Elimination of Contribution from Reserves \$100k                                      |
| Council Services                             | 585,801           | 583,700           | 611,400              | 27,700                | 4.7%        | Labour increases  |
| Financial Services                           | 6,619,934         | 6,815,600         | 6,795,600            | -20,000               | -0.3%       | Labour provision decrease   |
| Fire   | 1,566,990         | 1,613,100         | 1,696,200            | 83,100                | 5.2%        | Labour increases, Operational decreases   |
| Police & Dispatch                            | 5,405,316         | 5,511,200         | 5,747,500            | 236,300               | 4.3%        | Labour increases, Operational decreases   |
| Police Services Board                        | 62,900            | 67,600            | 67,800               | 200                   | 0.3%        |   |
| Conservation Authority                       | 185,000           | 180,000           | 186,500              | 6,500                 | 3.6%        |   |
| Inspection & Control                         | 18,320            | 17,400            | 17,400               | ---                   | ---         |   |
| Emergency Measures                           | 19,500            | 21,000            | 21,000               | ---                   | ---         |   |
| Roads  | 2,076,965         | 2,081,200         | 2,191,900            | 110,700               | 5.3%        | Labour increases, Operational decreases   |
| Winter Control                               | 203,000           | 140,000           | 225,000              | 85,000                | 60.7%       | Increase in Salt \$35k, Snow removal from Sidewalks/Trails \$50k  |
| Traffic Control                              | 24,600            | 22,500            | 22,500               | ---                   | ---         |   |
| Transit                                      | 59,000            | 55,000            | 55,000               | ---                   | ---         |   |
| Street Lighting                              | 382,000           | 375,000           | 375,000              | ---                   | ---         |   |
| Crossing Guards                              | 62,613            | 81,600            | 77,700               | -3,900                | -4.8%       |   |
| Sanitary Local Improvement                   | 10,083            | 10,100            | 6,800                | -3,300                | -32.7%      |   |
| Garbage Collection                           | 545,000           | 555,000           | 555,000              | ---                   | ---         |   |
| Garbage Disposal                             | 797,000           | 775,000           | 775,000              | ---                   | ---         |   |
| Culture & Recreation                         | 2,408,427         | 2,223,900         | 2,472,700            | 248,800               | 11.2%       | Labour Increases, Increase in Janitorial \$38k and Field \$45k staff, Operational Increases & Decreases, Net increase in Repair & Maintenance \$40k |
| Library                                      | 5,528             | 4,000             | 4,000                | ---                   | ---         |   |
| Planning & Development                       | 245,000           | 268,000           | 218,200              | -49,800               | -18.6%      | Labour decreases, Revenue increases   |
| Agriculture/Weed Control                     | -3,499            | ---               | ---                  | ---                   | ---         |   |
| <b>Expenditures</b>                          | <b>23,735,551</b> | <b>23,752,500</b> | <b>24,766,200</b>    | <b>1,013,700</b>      | <b>4.3%</b> |   |
| <b>REVENUE FUND</b>                          | <b>-96,609</b>    | <b>---</b>        | <b>---</b>           | <b>---</b>            | <b>---</b>  |   |

Secondary Priority Budget Items

As part of the Preliminary Budget discussion there were a number of items which were identified as budget pressures and service level enhancements. As part of the Administrative review process of the budget several of the budget pressures and service level enhancements were included in the 2012 Proposed Budget however a number of these items were deferred to the Secondary Priority Budget.

The following table was developed to summarize the Secondary Priority items, identify the potential amount and tax rate effect. This will provide Members of Council the opportunity to add, delete and substitute items as they see fit.

| Secondary Priority Budget Items                    | Department           | Proposed Budget Provision | Additional 2 <sup>nd</sup> Priority Provision | Total     | Tax Rate Impact |
|--|----------------------|---------------------------|---|-----------|-----------------|
| Town Marketing and Promotion                       | Finance & Admin      | 50,000                    | 50,000  | 100,000   | 0.24%           |
| Strategic Plan implementation                      | Finance & Admin      | 50,000                    | 50,000  | 100,000   | 0.24%           |
| Property tax write offs                            | Finance & Admin      | 225,000                   | 50,000  | 275,000   | 0.24%           |
| Labour Provision (rate adjustments/new positions)  | Financial Services   | 80,000                    | 70,000  | 150,000   | 0.33%           |
| Capital funding increase                           | Financial Services   | 2,200,000                 | 200,000                                       | 2,400,000 | 0.94%           |
| Additional Sidewalk and Trail construction         | Financial Services   | 200,000                   | 300,000                                       | 500,000   | 1.42%           |
| Tax stabilization contribution                     | Financial Services   | 150,000                   | 25,000  | 175,000   | 0.12%           |
| Infrastructure reserve contributions               | Financial Services   | 125,000                   | 50,000  | 175,000   | 0.24%           |
| Long Term Equipment Capital Plan – Fire            | Fire                 | 75,000                    | 25,000  | 100,000   | 0.12%           |
| Long Term Equipment Capital Plan – Roads           | Roads                | 100,000                   | 100,000                                       | 200,000   | 0.47%           |
| Enhanced Snow Removal on Sidewalks/Trails          | Transportation       | 50,000                    | 100,000                                       | 150,000   | 0.47%           |
| Extension of Transit (Basic/Minimum Level)         | Transportation       | ---                       | 250,000                                       | 250,000   | 1.18%           |
| Reduction in Ice rental fees (\$195 to \$175/hr)   | Culture & Recreation | 790,000                   | -86,900                                       | 703,100   | 0.41%           |
| Reduction in Vollmer revenue (Economic conditions) | Culture & Recreation | 2,226,600                 | -50,000                                       | 2,176,600 | 0.24%           |
| Uniform Park signage (10)                          | Culture & Recreation | ---                       | 70,000  | 70,000    | 0.33%           |
| Town Entrance Signage (3)                          | Culture & Recreation | ---                       | 75,000  | 75,000    | 0.35%           |
| Operational Impact of Civic Buildings Project      | All Departments      | Unknown at the Time       |   |           |                 |
| County Wide Active Transportation System           | Financial Services   | Unknown at the Time       |   |           |                 |
| County Wide Transit                                | Transportation       | Unknown at the Time       |   |           |                 |
| Dog Park Construction and Operations               | Culture & Recreation | Unknown at the Time       |   |           |                 |

As evidenced by the secondary priority list, there are a number of pressures and enhancements for which funding does not exist at this time. As a result consideration and care is required by Council and Administration when determining how financial and staff resources are to be allocated – in the short term and long term.

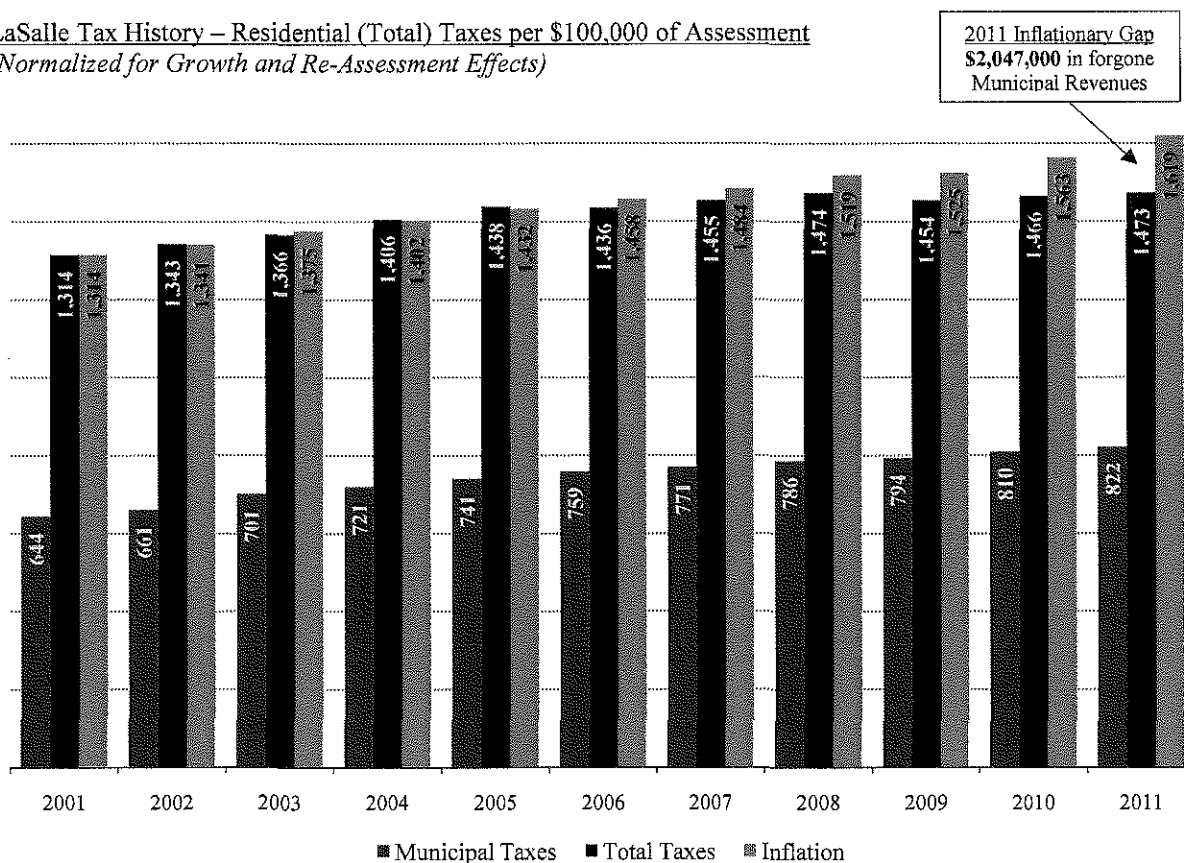
Inflationary Gap

The Town’s financial position is not unlike the financial position of any household. We are affected by upward inflationary and contractual pressures, rising utility rate, rising gas prices and building maintenance expenses that you would expect on a 20 year old home. Over the last ten years and more specifically since the 2006, the Town has been passing on tax rate increases which are less than the annual inflation rate. While this has benefited our ratepayers it has resulted in less municipal revenues, or what is known as an Inflationary Gap.

By definition, the Inflationary Gap is the difference between the rate of inflation and the year over year increase in the tax rate. Over the past five years the inflationary gap has grown to a point that the 2011 inflationary gap was in

excess of \$2 million – had the tax rate increases matched the annual rate of inflation. The following table illustrates the progression of the inflationary gap from 2001 to 2011.

LaSalle Tax History – Residential (Total) Taxes per \$100,000 of Assessment  
*(Normalized for Growth and Re-Assessment Effects)*



Addressing the Inflationary Gap

In recent years more focus has been devoted nationally towards the Infrastructure Deficit. In response to this attention municipalities in Canada must now report on the Tangible Capital Assets – putting more emphasis on the state of capital of municipalities. Further, local municipalities have adopted of capital funding plans similar to LaSalle’s long established funding plans.

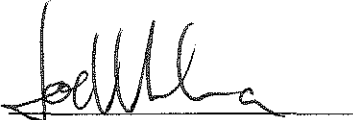
In reviewing the capital funding program and the relative age of infrastructure it has been determined and calculated that additional capital funding is required. There are tow primary concerns with the current capital funding levels. The first is that the needs for capital far outweigh the funding available. The second is that the capital funding level has been at the stagnant at the same level at 10 years ago, despite significant increases in the cost to constructed infrastructure.

2012 presents an opportunity by way of education tax room which has been created. Provincially, as a result of assessment growth in other areas of the province and assessment stagnation and decline in southwester Ontario the education levy has shifted away from this region. This shift provides the opportunity to recapture the tax room created and allocate this funding source for capital funding.

In 2012 the estimated room created equated to approximately \$9 per \$100,000 of residential assessment which would result in approximately \$250,000 in capital funding. With the recapture of this funding and the estimated tax rate increase from the County the total tax implication to residential ratepayers is projected to be an overall tax increase of 2.4%. It is Administration’s recommendation that the education tax room be recaptured and dedicated for capital purposes.

If you have any further questions, please do not hesitate to contact me.

Respectfully,



Joe Milicia, CA  
Director of Finance & Treasurer

| <i>Reviewed by:</i> |                |                         |                               |                                   |                                 |             |
|---------------------|----------------|-------------------------|-------------------------------|-----------------------------------|---------------------------------|-------------|
| <i>CAO</i>          | <i>Finance</i> | <i>Council Services</i> | <i>Environmental Services</i> | <i>Planning &amp; Development</i> | <i>Culture &amp; Recreation</i> | <i>Fire</i> |