

Full Authority
15 November 2018
Agenda Item: 11

2019 Draft Operations Budget Notes

The Crowe Valley Conservation Authority Draft 2019 Operations Budget presents a relatively rare situation for the CVCA Board members to consider. After a number of years of following the regime of the Long Range Plan with prescribed increases, the proposed 2019 Draft Operations Budget offers potentially a lower percentage levy increase. Board support for prior year increases is beginning to pay off for this proposed budget.

As you will note, there are two versions of the Draft Operations Budget (DOB). Assumptions have been made for both versions and are intended to engage the Board for discussion purposes. These versions are not intended to be cast in stone, rather a jumping off point to ensure there is a thorough review of the budget and options available to the Board.

There are common assumptions made for both versions and are as follows:

1. Regulations and planning fees were determined using the proposed changes to the regulations and planning fee schedules.
2. Due to the increase in the staff compliment and not having any staff member off on leave throughout the year, a non-compliance program will be established. The non-compliance program should generate more revenue in terms of non-compliance fees being collected.
3. Increased non-compliance activity will increase expenses for the regulations program.
4. A cost of living allowance increase to all staff was set at 2.7% - based on the Consumer Price Index for September and assume it will not change for the remainder of the year.
5. According to the Conservation Ontario Insurance committee, we should expect CVCA's insurance to decrease by \$6,000.
6. Anticipating additional donations for the McGeachie Conservation Area through the use of Grant Advance.
7. Assumed no increase to cottage rentals or hunting leases since there have been increases for the past several years.
8. Anticipating receiving Source Water Protection funding levels to remain at .52 Full Time Equivalent & same level for overhead expenses.
9. Assumed CVCA will receive funding from Canada Summer Jobs grant again.
10. Assumed 2.7% (COLA) increase for RMO services for Highlands East will be available.

11. A five year rolling average was used to determine revenue from Cordova dam operations.
12. Revenue from the hydro plant will be considerably lower for 2019 since 2018 hydro operations were curtailed by low flows and mechanical issues.
13. For strictly presentation, discussion purposes and to address potential legal issues (current violations remain above 20 in number, each with a possibility of legal action), staff have suggested the remaining 2018 Special Benefitting Levy be used to establish a significant legal reserve.

In addition to the above noted assumptions, there are additional expenses the CVCA must address in this version and are as follows:

1. A new line item was added for new Board member orientation, a watershed tour and governance presentation.
2. Computer software and hardware has been increased to allow the CVCA to update and replace all computers to account for changes to the Microsoft operating system from Windows Version 7 to Version 10. While not ideal, change is opportune for the CVCA to upgrade old computers, which will ensure better security (embedded in Windows 10), reduce maintenance costs and have a modern network of office computers.
3. Regulations training for Andrew McIntyre to expand the capabilities of the CVCA.

Therefore, based on these assumptions and anticipated expenses and with little or no variation throughout the remainder of the Operations Budget, staff have presented Version 1 with a 1.12% increase.

Version 2 of the Draft Operating Budget includes the use of the 2018 Special Benefitting Levy as a pre-payment (revenue) for the 2019 Budget and then reimbursement to the member municipalities. Since this will not allow for the creation of a legal reserve, staff have included a \$25,000 contribution for this purpose. Once again, this amount is suggested for the Board for discussion and is separated to make it easier for any adjustments and to make it clear for presentation purposes. Other than these two changes, every other aspect of Version 2 is identical to Version 1. The resulting increase is 5.94%.

Staff have presented only two versions for the preliminary discussions, as of course there could be a number of other possible versions which may arise and be discussed at the meeting based on the wishes of the Board.

2019 Draft Capital Budget Notes

The Draft Capital Budget is fairly straightforward. Common assumptions for both versions include the following:

1. WECI projects will be submitted for a) Marmora Dam concrete repairs, b) the Marmora Dam safety assessment update and c) the Crowe Bridge Weir Assessment
2. Other capital expenditures include, a) improvements to the Admin building and b) stop logs
3. Asset Replacement Program funding

Version 1 of the Draft Capital Budget results in an decrease of 12.4%.

Version 2 of the Draft Capital Budget includes a contribution to Capital Reserves to begin to address a second asset classification – the CVCA’s water control structures. The amount included in this version is based on the CVCA’s 2018 Audited Financial Statements. The inclusion of the extra \$27,652 results in an increase of 16.3%. The primary reason to include this amount is to begin to address the aging infrastructure and ensure the CVCA is taking the steps to address due diligence concerns. Staff strongly recommend establishing this reserve. Further discussion at the Board meeting should confirm this is the correct course of action for the CVCA Board of Directors.