

**Full Authority
17 January 2019
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 a lower percentage levy increase. Board support for prior year increases is beginning to pay off for this proposed budget.

At the 15 November 2018 CVCA Board Meeting, two versions of the 2019 Draft Budget were presented for consideration by the Board.

Subsequently, the Board arrived at a decision to request staff revise the proposed Draft Budget to ensure the following items were taken into consideration. The following motion was carried.

FA Motion G 96/18

Moved By: Sandy Fraser

Seconded By: Irene Martin

That the Board endorse the following recommendations for the newly appointed Board of CVCA for their consideration.

1. The remaining funds from the 2018 Special Benefitting Levy (SBL) be split into CVCA Reserves. It is recommended that 75% of SBL will go towards a Capital Infrastructure Reserve and 25% will go towards a Legal Reserve.
2. The CVCA Board continue to contribute to the asset replacement program.
3. The CVCA Board establish a yearly contribution to the legal reserve.
4. Establish a minimum municipal levy increase of 2% for the 2019 Operating Budget.

Following this directive, staff have made the changes and are included in this version of the Draft 2019 Budget presented for the Board's review.

In addition to the latest changes, for the benefit of the new Board members, the following general assumptions made for the 2019 budget are included as background material.

1. Regulations and planning fees were determined using the approved changes to the regulations and planning fee schedules.

2. Due to the increase in the CVCA's regulation capabilities, a non-compliance program will be established. The non-compliance program should generate more revenue in terms of non-compliance fees being collected.
3. Staff recognizes a non-compliance monitoring initiative will increase expenses for the regulation 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 assumes it will not change for the remainder of the year.
5. According to the Conservation Ontario Insurance committee, the CVCA should expect the Authority'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. A new line item was added for new Board member orientation, a watershed tour and governance presentation.
14. Regulations training for Andrew McIntyre to expand the capabilities of the CVCA.

2019 Draft Capital Budget Notes

The Draft Capital Budget is fairly straightforward and the above Board Motion had no additional impact. The following items were included in the November version and have not changed.

Water and Erosion Control Infrastructure (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

1. Other capital expenditures include, a) improvements to the Admin building and b) stop logs
2. Asset Replacement Program funding

At the November 2018 meeting, staff identified the need to purchase a new riding lawnmower. This purchase was not originally included in the capital budget and has now been placed on the budget. There was no net change to the budget from this addition, as the contribution to reserves from the asset replacement program revenue was correspondingly reduced.

The only change which has a monetary impact was the addition of gain cover repairs/replacement for the Marmora dam. 50% of the additional \$3,000 expenditure will be covered by WECI funding if approval is received from the WECI Committee.

As a result of the inclusion of the gain cover repairs, this version of the Draft Capital Budget results in a decrease of 10.84% from the prior year.

Of course, a budget is created based on prior year results and blending that with anticipated revenues and expenses for the current fiscal year. In this exercise, there are both expenses and revenues which are either tightly controlled or as close to a guarantee as possible. For example, on the revenue side, the CVCA has been “guaranteed” lease revenue from Shaman Power for the past 25 years and we certainly expect that revenue again in 2019 since we have an agreement in place.

On the expenditure side, tight controls remain in place for items such as wages, the CVCA’s largest expense.

But as you may surmise, there are variable expenses and revenues that we don’t have as much control over as the budget is prepared and ultimately approved. For instance, an expense such as vehicle maintenance can be variable. We base our expenditures for vehicles on their age, condition, usage and prior years amounts, but due to the unpredictability of mechanical failures, the expense will and can vary significantly at times.

On the revenue side, how many and what regulation applications are received by the CVCA could vary significantly from year to year. Once again, we attempt to mitigate the yearly variance by using rolling averages, revising fees to match expenses and determining if any trends are emerging.

This year, not unlike any other time there is a change in the provincial government, there is a *possibility* the CVCA and the other 35 conservation authorities in the province *may* be faced with a change in the provincial government transfer payment. I would like to confirm, at this time, there is nothing concrete verifying there will or will not be any variation to funding for conservation authorities for 2019.

Further to this point, at the next General Manager’s meeting (for all 36 conservation authorities) to be held in February, the transfer payment will be one of the agenda discussion items.