



Town Council of Gander
2016
OPERATING & CAPITAL BUDGETS

Presented to Mayor Elliott and Council
By Councilor Brian Dove, Finance and Administration Committee Chair
December 16, 2015



Town of Gander

2016 Operating & Capital Budget Report

Mr. Mayor, Fellow Councillors, Ladies and Gentlemen:

As the Chair of the Finance and Administration Committee, I am pleased to present the Town of Gander's 2016 Budget.

Developing a balanced budget is a challenging undertaking. The residents, business owners and community stakeholders of our growing community enjoy and expect a range of quality municipal services from safe potable water to access to community recreation facilities and programs. The cost of providing these services increases every year meaning balancing our budget requires Council to make one of two difficult choices: find additional means of increasing revenues or reduce the level of services we provide.

During the past several weeks, my colleagues and I, along with our senior management team, have reviewed our anticipated expenditures and financial obligations for the upcoming year and revenue options to offset those costs. Our goal for 2016 is to address a serious and unexpected financial issue while continuing to invest in the services and infrastructure necessary to maintain the current level of services for our growing community. We believe we have achieved this.

Our total operational budget for 2016 has matching revenues and expenditures in the amount of \$15,803,931. The Total Capital Budget is \$5,030,400.

2015 SYNOPSIS

The Town of Gander continues to experience strong growth with our population now estimated at more than 13,000. To the end of November we have issued 308 permits valued at \$19,181,315 for the construction of new homes and businesses and the renovation of existing properties. We have added 56 new homes and 30 new businesses to date in 2015. Expressions of interest from retailers, food establishments and hospitality groups bode well for continued growth in 2016.

We continued with significant investments in water and sewer infrastructure upgrades to help mitigate the risk of flooding in various areas of the town. I am happy to report that over 80% of that work has been completed with the remaining projects scheduled for completion in 2016. While it is impossible to build a system robust enough to handle every conceivable storm event, we are confident that our water and sewer infrastructure will efficiently and effectively manage flows from anticipated storm events.

We also made a significant investment in improving our roads and sidewalks with \$1.6 million spent on upgrading and replacement and another \$1.67 million on water and sewer upgrades.

Challenges

Although productive, this past year was not without challenges.

Financial

In July, the Supreme Court of Newfoundland and Labrador ruled that the Municipality could not charge the business/property owners of businesses adjacent to five town-owned parking lots for the improvement, maintenance or snow clearing of those lots. The financial impact of this decision has been profound and is the single biggest factor impacting our 2016 Budget. In September of this year, Council had to write off \$781,051 in current and outstanding invoiced parking lot expenses with approximately another \$576,000 to be refunded. With the addition of defendant legal fees, the total financial impact is estimated at \$1,400,000.

A second court ruling in October resulted in the municipality refunding \$573,000 to NAV Canada after they successfully challenged provincial Special Purpose Legislation that was used when assessing their properties in this province. This decision will result in a shortfall of \$488,000 in annual tax revenues for the municipality going forward.

Municipal Infrastructure

As stated during our 2015 Budget presentation, our community faces a number of challenges associated with sustained growth and aging infrastructure, the single biggest being our capacity to treat wastewater. This remains Council's Number One priority. While we have not yet finalized a cost-sharing arrangement with the federal and provincial governments, we are confident that an agreement will be reached in 2016 and that the construction of the estimated \$45M facility will begin. The contract for engineering services was awarded in 2014 and Council now anticipates that the new facility will be operational by 2018.

Protective Services

Despite increases in honorariums and stepped up recruitment efforts, Gander Fire Rescue continues to have a shortage of volunteers required to meet the needs of the community. The department requires an additional 14 volunteers to adequately meet its operational requirements and public safety obligations. If unaddressed, Gander Fire Rescue's ability to effectively respond to fire and emergency situations may be compromised. Council is obligated to address this issue.

With prosperity come new challenges including increases in property crimes. While it is primarily the RCMP that is charged with policing, Council also has an important role in helping to ensure the safety, security and well-being of our residents. While our 2014 investment in Municipal Enforcement Services helped address a number of traffic and by-law concerns, growth and increases in community activity continue to stretch our enforcement capabilities to their limit.

Recreational Needs

The Town is also becoming increasingly challenged to provide more and broader recreation and leisure infrastructure and programming to an expanding and changing demographic. Community stakeholders and competing user groups are struggling for access to existing recreational facilities with increasing pressure from residents for new or additional facilities. Recreation needs continue to compete with other municipal priorities.

Increasing Waste Management Costs

With the 2011 opening of the regional waste management facility at Norris Arm, the Town was required to close its landfill and dispose of residential and commercial waste at the new facility. This change has resulted in escalating waste management costs which now exceed \$792,000 annually. Increases in tipping and curb-side collection fees will result in an additional \$40,000 for 2016. Prior to the opening of the regional waste management facility, the annual cost of waste collection and disposal was \$260,000. Escalating waste management costs continue to erode investment in other programs and services.

Each of these challenges was considered during the budget planning process. While we could not fully address all of these, we are confident that this budget will be a significant step in the right direction.

OPERATING BUDGET

As stated previously, Council's overall operating budget for 2016 is \$15,803,931, which is up 9.2% from last year. Mr. Mayor, the 2016 Budget will allow us to address the financial challenges of the past year while preserving our current services and making the modest investments required as prerequisites for future success.

These additional expenditures have been accommodated through growth, operational adjustments and additional revenues through increases in residential property tax and commercial property, water and sewer, and business taxes.

In 2016, Council will be splitting the residential taxes into a property tax portion and a new residential water and sewage tax.

Earlier this year the Municipal Assessment Agency released its latest assessment data for both residential and commercial properties. Residential properties increased in value an average of 10% while commercial properties averaged just 1%. The commercial average, though accurate, does not tell the entire story. The failed special purpose legislation referenced previously resulted in significant decreases in the assessed value of a number of large commercial entities. These decreases were so severe that while most remaining commercial properties saw their assessment increase by double digit percentages, the overall average increases by just 1%.

In consideration of the new sewage tax and in order to meet our financial obligations for 2016, the new mil rate for residential properties will be set at 6.6 mils, down from the current rate of 8.45 mils. The commercial property tax rate will be set at 6.3 mils. While individual tax bills may change by varying amounts, the average increase for both residents and businesses will be 9.75%.

Section 130 of the Municipalities act requires that a "municipality served by a water system, sewage system or a water and sewage system shall impose upon the owner of real property located inside or outside the municipality that is connected or is capable of being serviced by that system, a tax, to be known as the water and sewage tax". The new residential water and sewage tax for 2016 will be set at \$400 per household, an amount that reflects the average cost of providing these services to individual properties. The commercial water and sewer tax will continue to be calculated based on a rate of 6.3 mils.

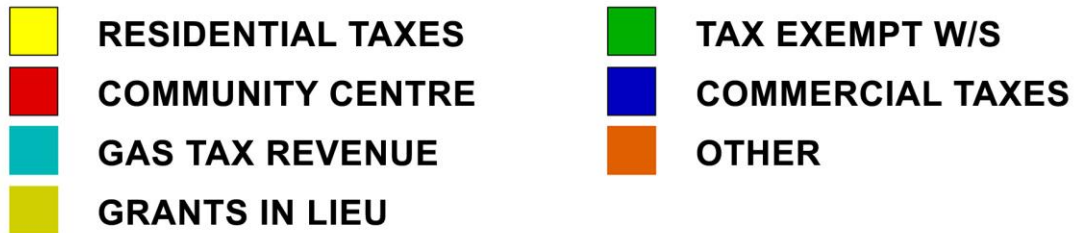
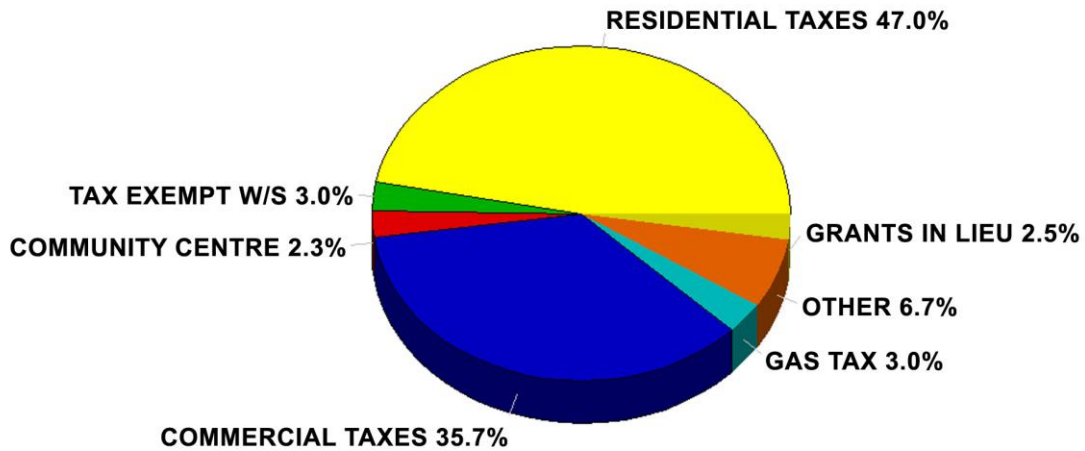
Vacant land will be subject to a minimum property tax of \$350 plus the water and sewage tax.

The 2016 Operating Budget is presented as follows:

2016 BUDGET – SUMMARY

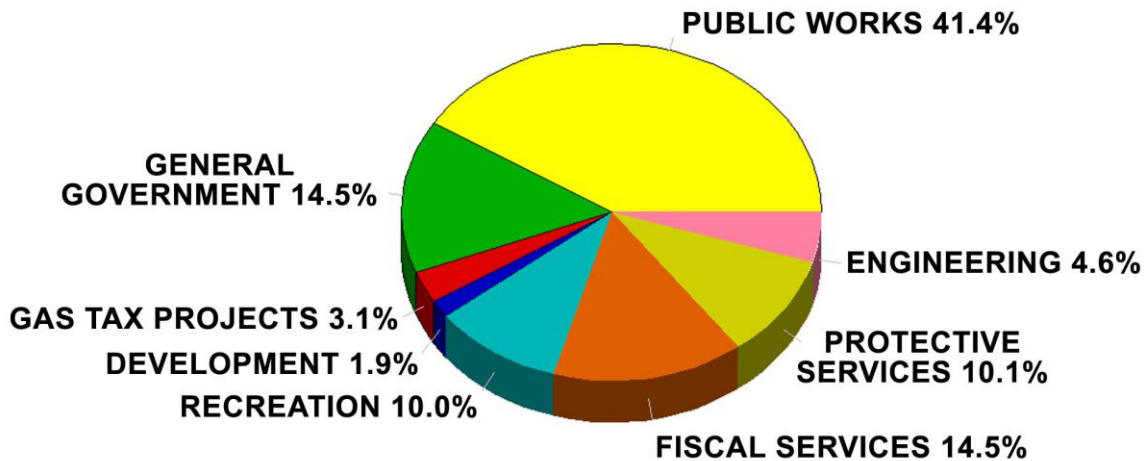
DEPARTMENT	PROJECTED 2015	BUDGET 2015	BUDGET 2016	VARIANCE	% CHANGE
REVENUES					
Property Taxes - Residential	6,540,440	6,573,500	5,775,000	-798,500	-12.1%
Water/Sewer Tax - Residential	0	0	1,580,000	1,580,000	N/A
Property Taxes - Commercial	1,207,656	1,250,000	1,335,000	85,000	6.8%
Business Taxes	1,845,000	1,960,000	1,935,000	-25,000	-1.3%
Water/Sewer Tax-Non Residential	1,692,087	1,760,000	1,800,000	40,000	2.3%
Business Taxes from Utilities	752,500	785,000	800,000	15,000	1.9%
Grants in Lieu of Taxes	311,500	311,500	560,000	248,500	79.8%
Provincial Share Debt Grant	157,657	157,657	153,405	-4,252	-2.7%
Federal Gas Tax Grant	453,625	453,625	465,766	12,141	2.7%
Provincial Gas Tax Grant		0	67,360	67,360	N/A
Land Sales	210,000	210,000	160,000	-50,000	-23.8%
Community Centre	350,818	351,500	356,000	4,500	1.3%
Special Events	108,200	108,200	108,200	0	0.0%
Other Revenues	645,248	556,600	708,200	151,600	27.2%
Total Revenues	14,274,731	14,477,582	15,803,931	1,326,349	9.2%
EXPENDITURES - By Department					
General Government	2,092,487	2,115,000	2,207,200	92,200	4.4%
Fire	1,105,202	1,124,300	1,190,400	66,100	5.9%
Municipal Enforcement	302,684	305,000	344,400	39,400	12.9%
Municipal Works	5,895,598	5,853,000	6,308,000	455,000	7.8%
Engineering	670,598	667,900	704,800	36,900	5.5%
Development	286,635	310,400	285,100	-25,300	-8.2%
Recreation & Special Events	1,402,788	1,381,200	1,526,900	145,700	10.5%
Fiscal Services	2,113,500	2,109,500	2,217,960	108,460	5.1%
Gas Tax Projects	453,625	453,625	465,766	12,141	2.7%
Provincial Share Debt Charges	157,657	157,657	153,405	-4,252	-2.7%
Total Expenses	14,480,774	14,477,582	15,403,931	926,349	6.4%
Surplus/Deficit	-206,043	0	400,000	400,000	
Previous Years Deficit (Estimate)	-1,703,095		-1,909,138		
Total Estimated Deficit	-1,909,138		-1,509,138		
EXPENDITURES - By Type					
Direct Payroll Costs	5,494,502	5,525,400	6,090,700	565,300	10.2%
Indirect Payroll Costs	1,140,950	1,134,600	1,283,700	149,100	13.1%
Supplies & Services	3,434,560	3,398,700	3,423,000	24,300	0.7%
Electrical	1,153,157	1,167,300	1,154,500	-12,800	-1.1%
Insurance	154,049	169,500	151,000	-18,500	-10.9%
Donations	189,274	183,200	126,200	-57,000	-31.1%
Capital out of Revenue	26,662	10,000	156,800	146,800	1468.0%
Gas Tax Projects	453,625	453,625	465,766	12,141	2.7%
Special Events	0	0	0	0	0.0%
Debt Charges - Town Share	2,043,500	2,042,500	2,167,960	125,460	6.1%
Debt Charges - Provincial Share	157,657	157,657	153,405	-4,252	-2.7%
Council	232,838	235,100	230,900	-4,200	-1.8%
Total	14,480,774	14,477,582	15,403,931	926,349	6.4%

SOURCES OF REVENUE



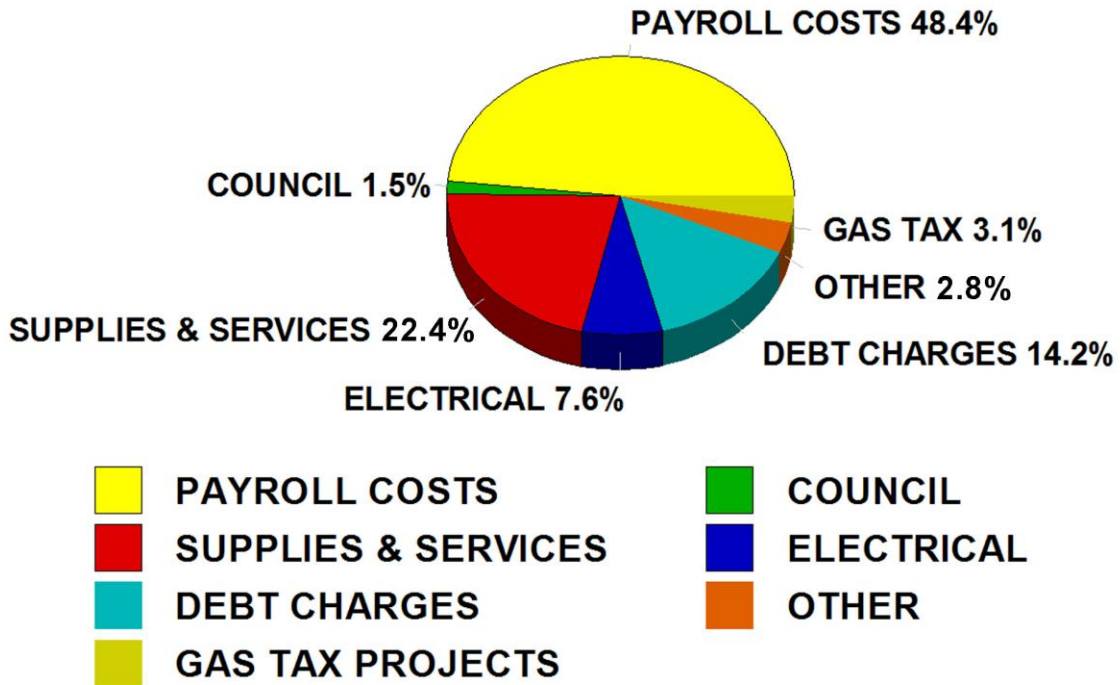
EXPENDITURES BY DEPARTMENT

(Excluding Provincial Debt Payments)

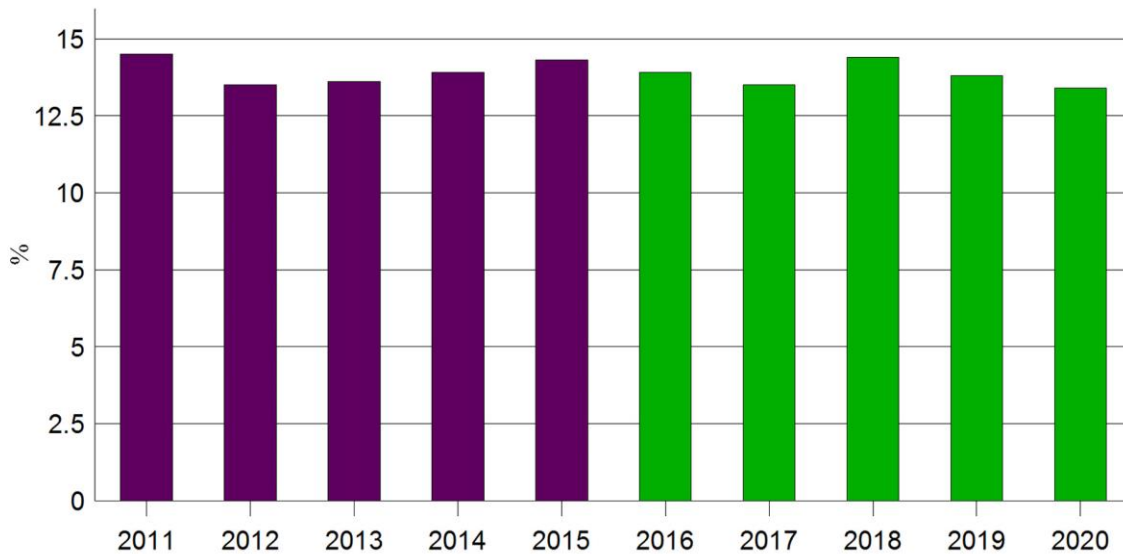


EXPENDITURES BY TYPE

(Excluding Provincial Debt Payments)



DEBT PAYMENT TO REVENUE RATIO



NEW INVESTMENT HIGHLIGHTS

Despite significant financial challenges, Council recognizes that the continued growth and success of our community necessitates important investments for our future. In 2016, Council will invest \$450,000 to enhance existing services and introduce new ones.

Public Safety

As Gander continues to grow, we face ever-increasing demand on our fire and protective services resources. In 2016, Council will invest \$1,190,400 in Gander Fire Rescue. Ongoing challenges in the recruitment and retention of volunteers will likely require the addition of full-time staff over the next several years. In the fall of 2016, the Town will be adding two new full-time firefighter positions at a cost of \$48,000 this year. Additional modest investments in equipment will ensure our firefighters have the proper tools and equipment to address emergency situations.

Council will also be investing in Municipal Enforcement with the conversion of a seasonal position to a fourth full-time officer. The new officer will focus primarily on by-law enforcement, community education and special projects such as the implementation and oversight of a Neighbourhood Watch program. The additional position will allow us to provide regular patrols seven days a week. \$35,000 has been budgeted for this addition.

Improved Communications

A key priority identified through our strategic plan is improvement of communications with residents and stakeholders. To this end, Council will be investing \$25,000 in online services including the enhancement of the town website and the introduction of a new mobile information application. Pingstreet is a mobile application specifically designed for daily interactions between citizens and multi-level government. Localized information is delivered directly to your mobile device, at no cost, for download or running of the application to the user. Council believes that this modest investment will dramatically improve the flow of information between Council, the municipality, residents and community stakeholders.

Waste Management

In addition to a community wide spring clean-up, the Town will be opening and operating a new waste transfer station at its municipal works yard on McCurdy Drive. By operating the facility in-house we will be able to provide a higher level of service on a more frequent basis. Additionally, operational assets required for the facility can be fully integrated into our overall operations and also help enhance such services as snow clearing and general maintenance. A capital investment of \$310,000 will be made to secure the necessary equipment.

Recreation and Economic Development

The Departments of Recreation and Community Services and Economic Development will work closely together to investigate the feasibility of two new pieces of recreation and event hosting infrastructure; a new ice surface and a multi-screen cinema. Both facilities will provide residents with new recreation and leisure options while simultaneously enhancing the Town's capacity to attract and host conferences and competitive sporting events. This investment of \$70,000 is consistent with recommendations found in the Town's overall Strategic Plan and the Recreation Master Plan.

Contract Management

In the second half of 2016, Council will be hiring a full-time Legal Counsel to complement our senior administrative team. The position will oversee the development and administration of all contracts, regulations and by-laws for the municipality. They will advise Council and senior management on all legal matters and lead the enforcement prosecution activities of the Town. This investment is a significant step forward in holding contractors and other parties engaged in business with the municipality accountable for their contract commitments. The 2016 net cost for this new position is \$20,000.

In addition to Legal Counsel, Council will be reassigning one of its technical management staff to coordinate and oversee all in-field construction activities of contractors and residential and commercial developers. This position will ensure that all underground and surface infrastructures meet design specifications and have been installed per accepted standards. This enhanced oversight is expected to mitigate instances of premature failure and increase the overall life expectancy of our municipal infrastructure.

Preventative Maintenance

Each year we invest millions of dollars in roads, curbs and sidewalks. Water infiltration and harsh winters combined with snow clearing activities can lead to premature deterioration of this infrastructure. In 2016, our municipal works department will undertake crack sealing work to help prevent damage to our roads caused by water and ice. The amount budgeted for this work is \$40,000.

Enhanced Winter Operations

During the snow season the Municipal Works and Services department schedules two snow clearing crews, one between 7 a.m. and 4 p.m. and a second overnight crew between 11 p.m. and 7 a.m. This scheduling provides an optimal snow clearing and snow removal service. The period between these shifts is covered by a salt shift: a single salt/plow truck dedicated to keeping the main thoroughfares free from light snow and ice. This year, Council will be adding an additional vehicle to the salt shift, effectively doubling the coverage and ensuring roads are checked and treated more frequently. \$60,000 will be invested to this enhance this service.

Shared Services Agreement

In 2015, Council and the Gander International Airport Authority took their first steps toward a new level of cooperation and partnership. Over the past 12 months, our organizations have worked together to identify opportunities for reducing waste, improving efficiencies and saving money. We will achieve our objectives by focusing on our core competencies, eliminating the duplication of assets and co-locating operations. The Town will invest approximately \$100,000 this year to provide a select number of services to the Airport's groundside infrastructure. We anticipate the full implementation of the agreement by the end of 2017.

I am happy to report that on December 17, we will formalize our Shared Services Agreement with the Airport Authority.

CAPITAL BUDGET

Each year, Council undertakes a number of major projects and purchases that focus almost exclusively on roads, water and sewer infrastructure and related services. In 2016, Council will invest \$5,030,400 in new major capital projects and equipment. The Town of Gander will be responsible for \$3.56 million with the balance coming from the provincial government.

The 2016 Capital Budget is presented as follows:

CAPITAL ROADS PROGRAM

Mr. Mayor, I am pleased to announce that the 2016 Roads Program will invest \$3.12M to complete road, curb and sidewalk projects, including:

- Repaving of Cooper Boulevard from Raynham to Memorial and from Airport to Laurel.
- Curb, sidewalk and repaving of Raynham from Magee to Morgan
- Realignment of Peterson
- Realignment of Edinburgh from Elizabeth to Cooper
- Curb and storm/road resurfacing of Airport Boulevard from Bennett to Cooper
- Sidewalk replacement and storm upgrade on Pinedo

Council will be investing an additional \$1.25M for completion of work announced in the 2015 budget, including the completion of work on Memorial Drive and Blackwood Drive.

WATER AND SEWER

Mr. Mayor, enhancement of our water and sewer infrastructure remains a priority of Council. We continue to take proactive and aggressive measures to enhance our water and sewer infrastructure including a new wastewater treatment plant.

Council has allocated funding for water and sewer projects in 2016, including:

- Yeager Street Storm Upgrade
- Installation of Chloramine Injection Equipment

OTHER MAJOR CAPITAL PROJECTS

Other major capital investments include:

- Replacement of the Cobb's Pond Boardwalk
- New utility tractor and assorted attachments for ball field maintenance
- Improvement to the Art Walker Field
- A new Rescue Pumper for Gander Fire Rescue
- Waste Transfer Station bins and transport
- Replacing six Light Vehicles

ENABLING MOTIONS

The Committee recommends, and I move, approval of the various 2016 Tax Rates and Fees which have been established within this Budget, as attached.

The Committee recommends, and I move, that March 31, 2016, be established as the due date for payment of all taxes.

The Committee recommends, and I move, that all taxes that are in arrears after March 31, 2016, will be charged a simple interest rate of 12% per annum and will be charged at the end of the month. For those property owners who elect to pay their property tax monthly by post-dated cheque or pre-authorized bank payment, the due date is the last banking day of the month in which the tax is payable and will be considered overdue if unpaid after the end of the month and the simple interest rate will be set at 12% per annum. All other invoices, including those issued because of supplementary assessments, are due 30 days from the date of issue and all invoices in arrears at the end of the month following the issuance will be subject to simple interest charges of 12% per annum.

The Committee recommends, and I move, adoption of the 5-Year Capital Plan as attached.

The Committee recommends, and I move, adoption of the 2016 Operating & Capital Budgets as presented.

The Operating & Capital Budgets will be available at the start of tomorrow's business day at the Town Hall or online at www.gandercanada.com.

Mr. Mayor, the preparation of the 2016 Budget required many of hours of preparation and meetings before it could be presented to you and Council tonight for consideration. At this time, I would like to thank all of Council, management and staff for their assistance in preparing this balance budget. I would also like to thank the media for attending and assisting in tonight's presentation.