



## **2022 BUDGET – RESIDENT ENGAGEMENT LETTER**

Good day residents of Bauline. This is an information package regarding the 2022 draft budget that Council has been working on over the past several months. Unfortunately, we ran out of time to host a public meeting. So, this is an opportunity for each resident to understand the budgetary process and send along any comments or suggestions.

Although the budget is to be adopted by 31 December 2021, it is anticipated that it will not be completed until after this resident engagement letter, sometime in early January 2022.

With that said, it is requested that you review the enclosed information, and submit any comments to the Town on or before 7 January 2022.

This has been a difficult couple of years and a difficult budget to plan. It is with hope that we will see the cost of living and doing business decrease as the pandemic fallout diminishes over time. As well as an economic growth in our town to broaden the tax base.

## **BUDGET**

The annual budget has to be submitted to the Provincial Government in a prescribed form, meaning that all municipalities have to use the form provided by the Provincial Government with no deviations.

These are the categories that must be completed:

<b>EXPENSES</b>	<b>ITEMS INCLUDED</b>
1. General Government	Remuneration, Council expenses, Salaries, Benefits, Payroll Burdon, Supplies, Purchased Services, Professional Services, Insurance, Elections, Assessments, Engineering, General Maintenance, Professional Development & Public Relations
2. Protection Services	Fire Protection, Emergency Preparedness, Animal and Pest Control, Municipal Enforcement, Other protective services
3. Transportation Services	Streets, Roads, Snow removal, Street Lighting, Traffic Services
4. Environmental Health	Water Supply, Sewage Collection, Garbage Collection, Other environmental Health Services
5. Planning and Development	Planning & Zoning, Community Improvement/Development, Regional Development, Tourism & Marketing, Other P & D.
6. Recreation & Cultural Services	Recreation & Community Centres, Parks/Playgrounds, Cultural facilities, Recreation Programs, Other Rec services
7. Fiscal Services	Loan Payments, Uncollected taxes, Operating deficit from previous year, Discounts losses, Capital expenditure, Transfers, Bank Charges

<b>REVENUE</b>	<b>ITEMS INCLUDED</b>
1. Taxes and Related Revenue	Residential & Commercial property tax, Residential & Commercial Water Tax, Business tax, Utility Tax
2. Sales of Goods & Services	
3. Other Revenue from Own Sources	Assessment, Levies, Fees & Charges; Rental income, Interest collected, Other Revenue from Own Sources
4. Government Transfers	Municipality Operating Grant, Provincial Gas Tax, Other provincial Grants & Subsidies. Federal Gas Tax, Other Federal Grants and Subsidies.
5. Other Transfers	Operating surplus from prior years, Transfers from Authorized Reserves

## **STRATEGY**

The strategy for drafting the annual budget is as follows. First, we complete all the known expenses that cannot be changed for example, Fire Protection is a bill that we receive from the Town of Pouch Cove, Snow Clearing is bid upon and we know the price before the budget planning starts. salaries, payroll burden (CPP, EI and Tax payments), Insurance etc. In 2022 snow clearing alone, (which remained the same for the past four years), increased by over \$13,000.00... mostly driven by higher insurance rates, fuel and cost of materials. Most of the other essential services increased over the past year, and continues to rise.

Following that, we do a 3-5 year comparative expense exercise to estimate the other budgeted expenses. As well we look at areas that can be cut or diminished in order to lower the expenses. This will give Council an idea of what they need to plan for in the Revenue Stream.

The revenue stream for a municipality is narrow. There are some grants, such as the Municipal Operating Grant and the Provincial Gas Tax Grant, that each municipality will receive, provided they meet the criteria on an annual basis. Other revenues such as the Federal Gas Tax Fund can only be utilized under certain circumstances and does not go towards operating expenses. Other Federal and Provincial grants are applied for as they arise, but once again, they can only be used for the intended application use. i.e. a Federal \$15,000.00 food security grant had to be used to provide food to a certain population, and does not go towards an operating expense. However, this does allow the town to offer its residents valuable programs that does not affect the budget.

The main revenue stream for town's is through taxation. The Municipal Assessment Agency (MAA) assesses the individual properties in the Town, and Council assigns a Mil Rate based on what the requirement is to maintain operations and services. The Provincial Government is involved by providing certain checks and balances to ensure towns apply a certain level of taxation. Currently it is based on the 2016 Census for all incorporated municipalities. This is identified as "maintaining the town's own source of revenue". In 2021 there was an extensive assessment exercise carried out by MAA in the Town of Bauline. Some properties increased in value, while others decreased. It is this reason why some taxes will go up, and others will not, or may go down.

With all of this said, the amount that is required to run the Town of Bauline in 2022 is estimated (budgeted) at \$550,000.00. It is estimated that we can apply for and receive \$134,000.00 in Federal and Provincial Grants and \$60,000.00 in other revenue streams. That means that we require \$356,000.00 in tax revenues.

Council has looked at the following residential mil rates; 6.0, 6.25, 6.50, 6.75 and 7.0 to determine what the overall taxation would be required. This was also done for commercial property, vacant land, water taxes and business taxes.

## **OTHER FACTORS**

- You cannot compare the mil rate of one town with another. In Bauline, we have a residential tax base of 177 households, the smallest on the Northeast Avalon. We maintain and provide essential services and programs the same as any other community (better in many cases due to our intimate size), however, we do not have a 1000 or more household tax base to draw revenue from.
- In the 2021 Budget we did not account for or anticipate the increased cost of doing day to day business and projects over the year. As a result the 2021 revenue barely met the expenses by year end.
- In 2021 we completed several Capital Works projects such as the Cell Tower, the Emergency Generator, Solar Panels and a new Multi-purpose court.
- There are no capital works projects applied for in 2022.
- Economic development in 2022 will be one of the focuses of the current council, as they deliberate on ways to broaden the current tax base by encouraging residential and commercial development. The last house to be built in Bauline was 3 years ago.
- The Town's tax base has not increased over the past several years. There are several development applications that should be completed in 2022/2023, which will broaden the tax base. Council is looking at ways to expand the economic development of the town.

## **RECOMMENDATION**

The Finance Committee have sifted through all the information and made recommendations to Council on the following Items.

- Raise the Residential Property Tax from 6 to 6.75 mil
- Raise the Commercial Property Tax from 6.5 to 7.25 Mil
- Raise the Residential Water Tax from \$385.00 to \$400.00
- Raise the Commercial Water Tax from \$385.00 to \$400.00
- Raise the Min Large Business Tax from \$425.00 to \$500.00
- Raise the Min Small Business Tax from \$250.00 to \$300.00
- Maintain the 10% discount for early tax payment if paid by 31 Mar
- Decrease the GIS early payment discount from 20% to 15% if paid by 31 March

Given these recommendations, the Town should be able to maintain operations and services in 2022.

It is requested that anyone wishing to comment on the 2022 budget or process, please send an email or letter to the Town on or before 7 January 2022.

Council would like to thank you for your continued support and interest in our little town.

Regards;

Bauline Town Council