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Council grapples with early budget shortfalls

By Elaine Della-Mattia, Sault Star
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The city's finance department is projecting a “significant deficit” for 2016, a report to council states.

Half way through the budget year, the city's manager of audits and capital planning Jacob Bruzas said staff has implemented a deficit reduction plan aimed at discretionary operating budget expenditures to help reduce the forecasted deficit.

The forecasted deficit is about \$3 million with about two-thirds of that resulting from retroactive WSIB payments for fire services personnel presumptive cancer claims.

The remaining portion of the anticipated deficit comes from a reduction in landfill tipping fees received, a reduction in cemetery cremation fees and a shortfall of about \$250,000 in supplementary taxes.

Winter maintenance control costs were about \$175,000 under budget with the savings found in the spring snow ditching/drainage operations.

Other measures, which includes keeping job vacancies empty for three months, encouraging levy boards to hold the line and cutting back office supplies and other spending have also been implemented, council was told.

However, Commissioner of Finance Shelly Schell said it's unlikely the full deficit will be made up with the budget tightening measures.

Currently the city has been using reserves to keep operations whole as a result of Essar Steel Algoma's unpaid tax bill, which stands at \$1 million prior to the CCAA filing and is expected to reach the \$21 million mark by year end.

CAO Al Horsman said the city expects those reserves to be replenished at the end of the CCAA process, hopefully by year-end.

He said that come early 2017, the city will have exhausted its reserves and staff is now looking at alternatives for next year if the restructuring process goes on longer than anticipated.

In the meantime, council was also provided with a budget formula guideline from city staff, as requested in a resolution earlier this spring.

Horsman said the formula guideline should consider the Consumer Price Index five year average, the average assessment value change and an "investment factor" of 0.25% annually to generate and maintain sustainable growth.

In his report to council, Horsman said all the factors need to be considered in the complex budget process, not just one factor.

At issue is the fact that municipal services are subject to cost increases greater than inflation and can also be affected by assessment shifts as well as volume changes.

"Given the volatility in municipal services, cost and assessment, there is no definitive means to establish a cap on annual tax levies without impacting service levels or risk being in contravention of regulatory or legislative constructs that proscribe municipal affairs," he said in his report.

By considering all three aspects in a formula, the base budget component relates to affordability to the taxpayer and change in prices of goods and services; the volume component centres on property assessment and market value change; the investment factor recognizes the needs to support investment to improve quality of services and development opportunities, Horsman said.

He stressed the formula can be used by council as a "target" and is not a hard and fast rule that needs to be applied to council's budget deliberations.

The developed formula currently results in a 3.08% tax levy guideline for 2017.

But that number didn't sit well with some city councillors.

Ward 3 Coun. Matthew Shoemaker said a 3% increase was too high given the economic climate of the community.

Mayor Christian Provenzano said council's role is to determine what is or isn't acceptable for the community and make budget deliberation decisions based on that.

"It's our job to find the formula, in the end," he said, adding that formula also serves as a guideline for staff.

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