Administrative Report

Office of the Chief Administrative Officer/Treasurer

To: Warden Tom Bain and Members of County Council

From: Robert Maisonville
Chief Administrative Officer/Treasurer

Date: December 6, 2017

Subject: County of Essex – 2018 Budget Overview

Report #: 2017-R09-ADM-1206-RM

Purpose

The purpose of the report is to provide Council with a corporate overview of issues affecting operations for 2018 and their corresponding impact on the County Levy and municipal tax rates.

Background

The operating estimates for the Corporation address the following two principal functions:

- Services provided / delivered directly by the County
- Funding provided to agencies external to the County

Costs of providing services delivered by the County can be further delineated as being either operational or capital in nature. External commitments funded by the County can be classified as mandatory (i.e. required by legislation or regulation) or discretionary (nature and extent determined by County Council).

Budget estimates have been prepared under the premise that existing service levels are acceptable, all one-time expenditures, to the extent possible, have been drawn from the Corporation's Rate Stabilization Reserve and proposed enhancements have only been advanced in circumstances where current service delivery levels expose the Corporation to undue risk or are judged to fall short of mandated or endorsed standards.

The estimates are prepared using a combination of incremental budgeting and modified zero-based budgeting. Estimates for routine, ongoing operational expenditures are prepared by analyzing current expenditures and projecting costs for the upcoming year. Discretionary expenditures are reviewed and must be fully rationalized annually.

Inherent in the development of the budget is the recognition of risk. Estimates are prepared based upon an evaluation of the best information available, in light of current operating conditions and circumstances. As budget estimates are developed, care is exercised in assessing the risk of the likelihood of differing outcomes materializing and the effect such outcomes may have on service delivery levels and financial results.

The work plans and associated expenditures contained within the Budget are intended to position Essex County as a vibrant, sustainable and healthy community that fosters opportunity and promotes an enriched quality of life by:

- Delivering regional and/or broad-based services that meet the evolving needs of the Community.
- Operating efficiently and effectively in a fiscally responsible manner.
- Being a leader in community building initiatives.
- Managing the impacts of growth to provide a liveable, energetic and thriving community, making Essex County a preeminent location to live, learn, work, play, invest and visit.

The Budget reflects the vision of Council, focusing upon its core values as they relate to service delivery while simultaneously looking forward, preparing to meet the challenges of the future.

Discussion

The development of the 2018 County of Essex budget builds upon Council's commitment to accountability, transparency and excellence in financial management. Provided below are high level discussions on various matters having corporate significance in terms of risks, financial impact, challenges, opportunities and external influences on County of Essex operations for 2018 and beyond:

Fiscally Responsible Government

As Council is aware, Essex County continues to be faced with financial pressures from inflation, service demand growth, major operational cost increases, own capital requirements (growth and asset replacement related), facility and roadway infrastructure (replacement and expansion), modest change in assessment growth, reduction and/or stagnant provincial funding, competing demands for new County-wide initiatives, in addition to regional capital requests. These pressures will continue to impact Council decisions related to program delivery, priorities and service levels in 2018 and beyond.

The County has established standards of service delivery that effectively manage the demands and the needs of residents while minimizing the effect of increased costs upon the property tax base of its community.

During the 2018 Budget development, Administration has been guided by fundamental principles previously endorsed by Council, namely:

- **The current levels of service being delivered to the community are appropriate. Enhancements to operations are proposed in 2018 to maintain service levels.**
- **The Corporation is prepared to maintain its commitment to the community as represented by current discretionary funding levels (i.e. external commitments).**
- **In making decisions with respect to the 2018 Budget, consideration has been given to the consequences of such decisions upon the Corporation's future financial stability.**

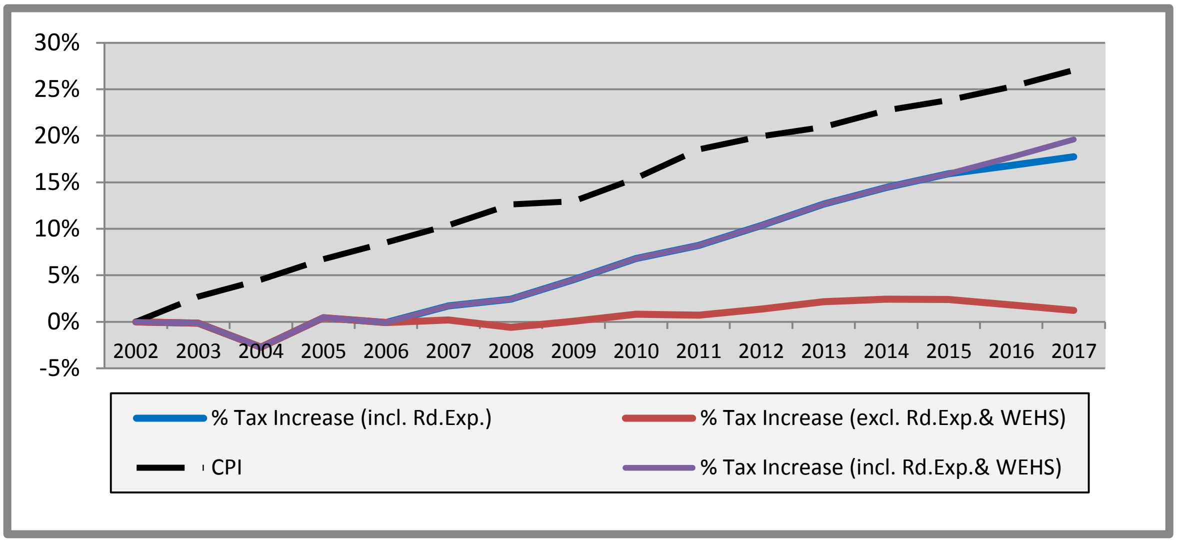
Standard and Poor's, a leading provider of financial market intelligence and the Corporation's financial rating agency, recognized the County of Essex's sound financial practices in the Corporation's most recent credit rating

(November 2017). Standard and Poor's, highlighted the following performance strengths, has upgraded the County's credit rating at **AA+** with a **stable** outlook:

- Strong financial position, derived from very low debt and debt service burdens;
- Exceptional liquidity, a result of the Corporation's ongoing commitment to a solid Reserve Strategy;
- Consistently very strong record in terms of budgetary performance. Solid operating surpluses have provided the Corporation with the means to fund its capital expenditures largely from internal sources, reducing debt issuance needs;
- Long standing life-cycle capital program, with an annually updated Asset Management Plan (AMP),which plans for the replacement of assets over their useful lives through contributions to and from capital/infrastructure reserves, validating the County's "pay-as-you-go" philosophy of funding capital/infrastructure requirements by creating capacity in the budget in a measured way and through the effective use of reserve balances;
- Very predictable and well-balanced institutional framework, with a strong financial management team exercising prudent financial decisions, and
- Diversified economic development efforts away from automotive manufacturing towards alternative energy, medical equipment, advanced manufacturing, tourism, aerospace and agri-businesses.

It is these principles of sound financial stewardship that have positioned the County ahead of its peers and provided Council with the ability to effectively manage changes to tax rates year over year. Provided in the Chart 1 below is a cumulative comparison of the change in Consumer Price Index (CPI) and change in County Tax Rates (with and without Infrastructure Expansion and hospital funding) since 2002 (sixteen years). As is evident from the chart, the County's tax rate increase, exclusive of the 1.5% annual increase associated with Infrastructure Expansion and new funding for the New Windsor-Essex Hospital System (NWEHS) has been basically flat (**less than 0.07% per year**). The total increase in tax rate, inclusive of Infrastructure Expansion and NWEHS, has increased by approximately 19% over 15 years, or approximately 1.3% per year. In contrast, over this same time period, annual inflation has increased by over 27% or 1.8% per year.

Chart 1: CPI and Tax Rate Comparison, 2002-2018



2018 Budget

Provided in Chart 2 is a condensed summary of the proposed operations for 2018, compared to 2017 Budget and Projected Actual (see **Appendix A** for full Budget Summary Comparison). Gross Operations for 2018 are budgeted at $159.8 million with $64.1 million in recoveries (provincial and third party contributions, user fees, investment income etc.) and a net contribution from reserve of $31,610, resulting in a Levy requirement of $95.6 million, a $5.9 million increase from prior year with a corresponding **tax rate increase of 1.54%** (equivalent to a $14.46 increase, or $953.58 on a house assessed at $200,000 – see tax rate comparison on page 18).

Chart 2: Budget Summary (excerpt from Appendix A)

Budget Summary	2017 Budget	2017 Projection	2018 Budget
Total Gross Expenditures	146,074,860	143,201,250	159,800,720
Departmental Recoveries	(57,650,920)	(59,017,620)	(64,123,630)
Net Expenditures	88,423,940	84,183,630	95,677,090
Net Contribution to(from) Reserves	1,275,540	5,515,850	(31,610)
Total County Requirement	89,699,480	89,699,480	95,645,480

For 2018, the County of Essex is challenged by a number of key operating conditions and capital expenditures imposing a significant year-over-year increase in net levy requirements, on a stand-alone basis. Offsetting these expenditures, in part, are savings achieved through: the upload of Ontario Works social assistance costs and employment benefit costs; anticipated marginal increases in subsidy for Emergency Medical Services and at Sun Parlor Home; a net positive change in Current Value Assessment / assessment growth, and various departmental cost reductions / containment initiatives proposed throughout the departmental budgets. Highlighted in Chart 3 and discussed in the proceeding pages are various external influences or County of Essex specific conditions giving rise to a projected **net tax increase of approximately 1.54%.**

Chart 3: Summary of Levy Impacts

Budget 2018 - Summary of Levy Impacts	Levy Impact $	Tax Impact %
County Levy 2017	89,699,480	-4.77%
Regional Services cost sharing (EMS, S.S., S.H.)	130,000	0.13%
Roadway expansion (1.5% of Levy)	1,345,000	1.43%
Social Housing – inflationary & capital funding (net)	592,000	0.63%
Social Services – inflationary & rate incr., prov. upload	(652,000)	-0.69%
Wages & Benefits (inflationary & adj., excl. Library & EMS)	1,104,400	1.17%
EMS enhancements & service delivery review	1,930,000	2.05%
Construction Rehabilitation Program	420,000	0.45%
Asset amortization (Civic Centre 100% ownership, equip.)	350,000	0.37%
County-Wide Active Transportation Infrastructure	100,000	0.10%
Transportation Maintenance – Winter Control	(100,000)	-0.10%
Net expenditures/recoveries (utilities/contracts/supplies)	(266,400)	-0.28%
Library Services (resumption of 100% & inflationary)	393,000	0.41%
New Windsor Essex Hospital System	600,000	0.64%
County Levy 2018	95,645,480	1.54%

Regional Service Delivery – Cost Sharing

The County of Essex and City of Windsor share service delivery costs for Social Services, including social assistance and childcare, Social Housing and Emergency Medical Services. Social Services and Social Housing are cost shared on a proportional basis of 60% weighted assessment and 40% actual costs, as determined through an arbitration ruling. Emergency Medical Services are cost shared based on weighted assessment, as prescribed by legislation. Under existing tax policy rules/decisions, the projected change to the weighted assessment figures for the City and County, based on MPAC's preliminary Phased-In Assessment Reports would indicate a shift or a relative increase in property assessment in the County of Essex, in comparison to the City of Windsor, by approximately 0.25%. Based on 2018 estimates, this relative change in weighted assessment translates into a shift in cost sharing onto the County of Essex for 2018 of approximately $130,000.

Infrastructure Expansion

Council has adopted a financial forecasting model to address the roadway expansion requirements as identified in the Essex Windsor Regional Transportation Study, updated for inflationary considerations, along with estimates, based on recent reports, for the expansion cost of County Roads 17, 19, 22, 42 and 46. The model was premised on 1.5% Levy increases through 2018 to accommodate the approximate $400 million of infrastructure. **In 2012, the financial model was amended to identify and prioritize expansion requirements exclusive of senior government funding and grade separations.** In order to accommodate 100% municipal funding, the schedule has been elongated to manage the financial burden within reasonable limits of the County Levy. The current plan amounts to approximately $400 million (excludes grade separations on County Roads 19 & 22) with a time-line extending through 2040. Assuming no change to the current plan of incorporating a 1.5% increase in the annual levy, the annual base funding level will continue to grow from $13.6 million in 2017 to $15 million in 2018, adjusted for inflation thereafter, providing sufficient financial resources for the management of both the volume of expansion and the timing for financing, without the requirement of debt issuance, and then ultimately position the County to maintain this infrastructure on a go forward basis. **Adherence to a structured plan of self-funding minimizes long-term costs on the local tax base; affirming the Corporation's pay-as-you-go philosophy of funding infrastructure expansion.**

It is important to note that the current analysis assumes: limited receipt of funding from provincial/federal sources (Administration will continue to pressure upper levels of government on the merits of funding expansion projects, and has identified projects that could be quickly advanced if infrastructure funding should become available); the continued cost share of Federal Gas Tax revenue at 80% local municipal / 20% County, and a modest allowance for inflationary considerations on project cost. **If it is**

Council's desire to narrow the time-frame of expansion, without the receipt of senior government funding, the County would need to either substantially increase the annual tax levy allocation to support transportation infrastructure expansion, continue the 1.5% levy allocation beyond 2018 or issue debt; in all cases, the result is a greater tax burden on the residents and businesses of Essex County both at present and in the long-term.

Incorporated into the funding model, as approved by County Council (Report #R017-R001-TSD-0118-TRB), is the utilization of the Corporation's Infrastructure Expansion Reserve to support the acceleration of the CWATS Program for those structures that align with the County's rehabilitation program, but may not coincide with current priorities and limited annual CWATS resources, made available through the CWATS Committee process. These segments are planned to have paved shoulders, as provided under the CWATS Master Plan, and the timing of the construction is being advanced to take advantage of economies of scale and coincide with the timing of the road rehabilitation program. Annual transfers from the reserve to the CWATS program budget will be made and contributions to the reserve will be facilitated through the annual budget process. The impacts on the reserve will not require changes to the Infrastructure Expansion Program scope, however timing of projects will need to be coordinated with availability of funds and may extend outward the time horizon for completion of expansion projects and/or result in deferral of some CWATS Paved Shoulder Program projects, should competing demands and availability of reserve dollars necessitate.

Social Housing

For 2018, the estimated annual cost increase for Social Housing is $592,000 (Total County Responsibility - $11,978,610). There are two distinct components for the change in cost, year-over-year:

1. General inflationary adjustments, an increase in operating costs for housing providers and cost shift from the City to County based on the cost sharing formula and relative growth in the County compared to the City. The reduction in Federal Block Funding has been managed within the budget allocation.

2. An increase from $165,000 to $600,000 per year ($435,000) towards a comprehensive long term capital plan required to renew and maintain the region's housing stock. For 2018, the request

($2,367,100) will be funded through the Corporation's Capital Reserve, with amounts that have been planned for and included in the budget since 2011. This will, however, more than deplete the amounts set aside for Social Housing Capital. Replacement of reserve dollars as well as future annual increases in base capital funding will be required to address the backlog and anticipated future capital requirements - estimates exceed $10 million, in total, over the next 5-7 years.

Social Services – Ontario Works Benefits

Notwithstanding the fact that the Essex/Windsor region continues to experience one of the lowest rates of unemployment in the Country, Ontario Works caseloads are expected to remain consistent with prior year. Detailed caseload data remains outstanding however due to issues with implementation of the Provincial Social Assistance Management System (SAMS). Included in the Social Services budget are increases in OW benefit payments and inflationary increases associated with wages, benefits and cost of service delivery. Reconciliation of prior years' caseload data is anticipated to be completed for 2017 year end and may have some financial impact on the County's net operations for 2017.

The Government of Ontario announced in 2008, that the Province would, over time, assume the cost of the municipal share of Ontario Works (OW) income and employment assistance benefits. The upload of OW began in 2010 and has been gradually phased-in over a nine-year period, with 100% upload of benefit costs achieved in 2018. The estimated annual impact of this upload, on a percentage basis, is on Chart 4. The estimated benefit for 2018, net of OW benefit payment increases and program inflationary adjustments is $652,000.

Chart 4: Ontario Works – Provincial Upload

Ontario Works	Provincial Cost Share
Pre-Upload	80.0%
2010	80.6%
2011	81.2%
2012	82.8%
2013	85.8%
2014	88.6%
2015	91.4%
2016	94.2%
2017	97.2%

Ontario Works	Provincial Cost Share
2018	100.0%

Wages and Benefits

With an employee base in excess of 850 staff, greater than 40% of the Corporation's gross expenditures are accounted for in salaries, wages and benefits. Collective agreements that either remain outstanding or are coming due in 2018 include: ONA (SPH) - expired March 31, 2016; CUPE 2974.2 (EMS) and CUPE 860 (SPH) - expired March 31, 2017. Wage allocations consistent with negotiated settlements have been accrued and budgeted for these employee groups through 2018. Potentially compounding negotiated settlements, the Corporation is legislated to maintain compliance with pay equity and is currently undertaking a comprehensive job evaluation review. In addition to anticipated adjustments in salaries/wages, the Corporation will also experience an increase in various statutory deductions and pension costs, either directly through rate increases or indirectly as a result of the increase to the yearly maximum pensionable earning limits.

For 2018, modest increases are anticipated in health/drug, long-term and short-term disability benefit premium across all the Corporation's employee groups. Statutory benefits and OMERS pension cost increases are reflected in the estimates (rate and/or change in wage related)

Staffing enhancements / changes included within the proposed 2018 Budget include:

- Increased staffing hours at the Sun Parlor Home across most divisions to meet mandated training requirements; temporary staffing, funded from reserve, to support capital initiatives (i.e. replacement of resident furnishings and courtyard upgrades). Included in the estimates is $150,000 provision (funded by reserves) for detailed service delivery review for the Sun Parlor Home.

- EMS service level enhancements approved by Council (Report #2017-R007-EMS-1018-BK). An increase of 34,420 staffing hours, which equates to 23 Full Time equivalent staff. The staffing hours will be phased-in, in a strategic and scheduled approach to maintain continuity of operations and continuing to be fiscally responsible. Included in the 2018 estimates is $150,000 for development of a Master plan to guide EMS service delivery over the next 10 years.

- Resumption in staff hours related to 100% operations at Essex County Library. Addition of one full-time IT staff to support the implementation, upgrades and staff training associated with advancements in technological resources.

- Addition of a procurement specialist in General Government Administration, to ensure compliance with recent legislative changes and provide oversite and leadership for the Corporation's procurement processes.

- Provision of co-op placements and summer students, funded in part from reserves, to provide support in policy development/renewal, communication strategies, document management and integration of payroll/HR/scheduling systems.

Transportation – Construction Rehabilitation Program

An increase in the annual expenditure level of the Rehabilitation Program in the amount of $420,000 has been included for 2018, providing total funding of approximately $11.5 million (inclusive of Federal Gas Tax and Ontario Community Infrastructure (OCIF) Funding). The 2018 Rehabilitation Program, reviewed by Council on November 15, 2017 (Report #2017-R025-TSD-1115-TRB), has been amended to include an additional $100,000 to address the second leg of the County Road #37 rehabilitation work. The Annual Program, as well as the 5 Year Rehabilitation Program, supports the principles and objectives established in the Corporation's Asset Management Plan.

Despite continued unsuccessful efforts, funding from upper levels of government will continue to be explored, gradual municipal increments in capital rehabilitation and operational/maintenance allocations will continue to be pursued in the context of good corporate governance and prudent financial management, weighing the balance of acceptable levels of service necessary for regional use, while mitigating risk and liability.

Asset Amortization

As reported earlier to Council (Report #2017-R06-ADM-1115-RM), based on 2017 replacement cost, the Corporation's asset inventory totals approximately $648 million. Roadway infrastructure, inclusive of bridge & culverts comprising almost 83% of the corporation's total asset inventory. Of the $648 million in assets, based primarily on condition assessments, 70% of these assets ($455 million) are in good to very good condition, while 14% are determined to be in either poor to very poor condition (or the asset is functioning / being maintained beyond its useful life). Investment requirements to maintain assets equal $18.5 million; and annual revenue currently allocated to support corporate asset replacement, inclusive of interest income allocated to capital reserves is calculated at $17.3 million, or an annual funding deficit for full lifecycle replacement of approximately $1.2 million per annum. Compounding this deficit will be inclusion of 100% ownership of the Essex County Civic Centre facility, effective in 2018.

Enhancements to lifecycle costing, in conjunction with a moderate increase in the formula based Ontario Community Infrastructure Funding (OCIF) and projected increase in Federal Gas Tax funding, will reduce this annual funding gap. Included within the 2018 Budget estimates is the $420,000 related to linear assets, discussed above, as well as $350,000 to close the gap on the non-linear asset inventory. It is projected that full lifecycle funding can be achieved in as little as two years with modest adjustments in capital funding in the preceding years.

County-Wide Active Transportation Infrastructure

The focus and role of municipal highways continues to experience a shift away from "motor vehicle only" to accommodating other modes of transportation. These other modes include pedestrian and bicycle access in a safe and sustainable manner. The County of Essex has recognized this paradigm shift, embraced the concepts and identified the significant impacts that must be addressed. In 2010, the County initiated the County Wide Active Transportation Study (CWATS) aimed at identifying opportunities to support and strengthen the Active Transportation plans and networks across the region. The Study was designed to improve and designate a regional active transportation network of on-road corridors and off road trails, to improve connections between the proposed regional and local municipal systems and to promote the use of active transportation within the Region. The CWATS includes an implementation strategy that provides recommendations on priorities, funding and timing to develop the proposed network as well as a maintenance strategy to ensure quality and safe use into the future. Building upon the efforts of the local municipalities, the CWATS is intended to provide a continuous network with improved connectivity across the Region.

Aside from the capital cost to develop this network, the implementation of the recommendations will have impacts on Maintenance Operations and affect the on-going Rehabilitation Program. Timing, co-ordination and funding will present numerous challenges.

Current estimates suggest that the County portion of the CWATS initiative amounts to a total project cost of $71 million, with a County portion of approximately $39 million. As reported and approved by Council on November 15, 2017 (Report #2017-R026-TSD-1115-TRB), included within the 2018 estimates is $5.6 million (County share) related to CWATS infrastructure/activities. Base Levy funding is increasing by $100,000 from prior year to $1.7 million. This base levy funding coupled with the approximate $3.9 million drawn from reserves, will address the projects identified and supported by the CWATS Committee along with shoulder expansion projects that align with County roadway rehabilitation program. It is important to note that for the County to fulfill its commitment within the 20-year time horizon, future annual incremental levy allocations will be necessary.

As discussed above under Infrastructure Expansion, the timeframe for this program may be accelerated through the utilization of the Infrastructure Expansion Reserve to support the construction of the CWATS Program for those structures that align with the County's rehabilitation program, but may not coincide with current priorities and limited annual CWATS resources, made available through the CWATS Committee process. Annual transfers from the reserve to the CWATS program budget will be made and contributions back to the reserve will be facilitated through the annual budget process.

Directly Delivered Services

Increasingly complex resident care requirements in long term care; rehabilitation, reconstruction, maintenance and expansion of a county-wide arterial road network; increased care level requirements and demand for service from the regional emergency medical services unit, and the commitment to developing a county-wide active transportation network are but a few of the interests that continue to compete for resources. Cognizant of the economic realities of our region, Administration has worked with all departments, reviewing all resources in an effort to present Council with a budget that balances operating requirements against economic constraints, while not jeopardizing the Corporation's future financial stability. The Corporation, across all departments, is subject to inflationary adjustments for supplies, service contracts, equipment replacement, utilities etc. Every effort is being made to reduce line expenditures, where possible, to mitigate the various external financial impacts on the County's net levy. In many cases, service enhancements, capital requests and operational considerations have been measured, phased-in and/or reduced to achieve the proposed tax rates. One-time expenditures, studies, training costs and consultant use, equal to approximately $1.6 million, has been drawn from the Rate Stabilization Reserve. In total, included within the budget estimates for 2018, is a net decrease in other operational costs/recoveries of $266,400.

Economic Initiatives – Windsor-Essex Hospitals System

Proposed for the Windsor-Essex region is the construction of a portfolio of projects termed as the "New Windsor-Essex Hospitals System (NWEHS)". A project that includes:

- Construction of a new 1.6 million sq. ft., 10-storey, Single-Site Acute Care Hospital located at the corner of County Rd. 42 and Ninth Concession Rd.
- Construction of a new 80,000 sq. ft., 4-storey, Urgent Care and Satellite Facility at the former Grace Hospital Site.
- Redevelopment of the Ouellette Campus at 1030 Ouellette Ave. to support outpatient mental health services.
- Construction and redevelopment at the existing HDGH Tayfour Campus on Prince Rd, including a 60-bed acute mental health wing, expansion of diagnostic imaging and addition of dialysis services; and
- Demolition of the existing Met Campus and transfer of a clean site to the City of Windsor.

The capital cost of the proposed NWEHS is estimated at $2 billion, with a local cost share component of 10% or approximately $200 million. The timing of the remittance of local cost share commitments and determination of County contribution remains outstanding. However, as reviewed by County Council in the annual Corporate Reserve Strategy Update, one means of funding this commitment is to build up a reserve and an annual provision in excess of $5 million by 2027 to satisfy the County's obligation. Included within the 2018 estimates is an increase in the annual levy of $600,000 as part of this implementation plan. Further analysis and reporting will be forthcoming once greater certainty is established with respect to the total amount of the County's contribution and timing of funds required.

Budget Risk Factors

It is important to highlight for Council that there are risk factors inherent with any budget, in most cases beyond the control or discretion of Administration or Council. Economic realities potentially impacting operations include, but are not limited to:

- EMS delivery issues related to hospital emergency off-load delays
- EMS call volume – demographics & response time framework
- Service requirements to care for a Sun Parlor Home resident complement that is increasingly frail and has a higher level of acuity
- Increase in social service caseloads
- Winter control maintenance costs
- Province-wide municipal insurance issues
- Cost of fuel, medical and other supplies necessary across a diverse set of operating programs, specifically in EMS, Sun Parlor Home and Transportation Services
- Operational impact of US Exchange rate
- Decline in Sun Parlor Home Nursing subsidy if the CMI continues to decline in relation to other service providers in the Province
- Interest earned on investments
- Bill 148, Fair Workplaces, Better Jobs Act, 2017 – outside of Minimum Wage amendments for Library students, no adjustments included
- Social Housing – capital renewal requirements (estimated that over $10 million will be required from 2018-2024)
- Job evaluation for CUPE 2974.0, 2974.1 and 2974.2 – potential wage rate impacts (pay equity / job equity)

- Continued premium increases for WSIB, WSIB NEER and other statutory deductions
- Health & welfare premiums (usage & escalation in service costs)
- Outstanding collective bargaining / arbitration results

Taxation Comparison with Other Municipalities

Chart 5 provides a comparison of residential, multi-residential, commercial and industrial tax rates among South-Western Ontario Counties from prior year. As is evident from the graphs the County's tax rates remain below average and among the lowest of its peer group comparison. It is important to highlight that these low tax rates are achieved despite the fact that Essex County is the only upper tier municipality that redistributes 60% of its Federal Gas Tax revenue to its local municipalities (>$3 million annually). In addition, included within the County's base levy is $2.7 million dedicated towards the New Windsor Essex Hospital System.

Chart 5: 2017 Tax Rate Comparisons, South-Western Ontario Counties

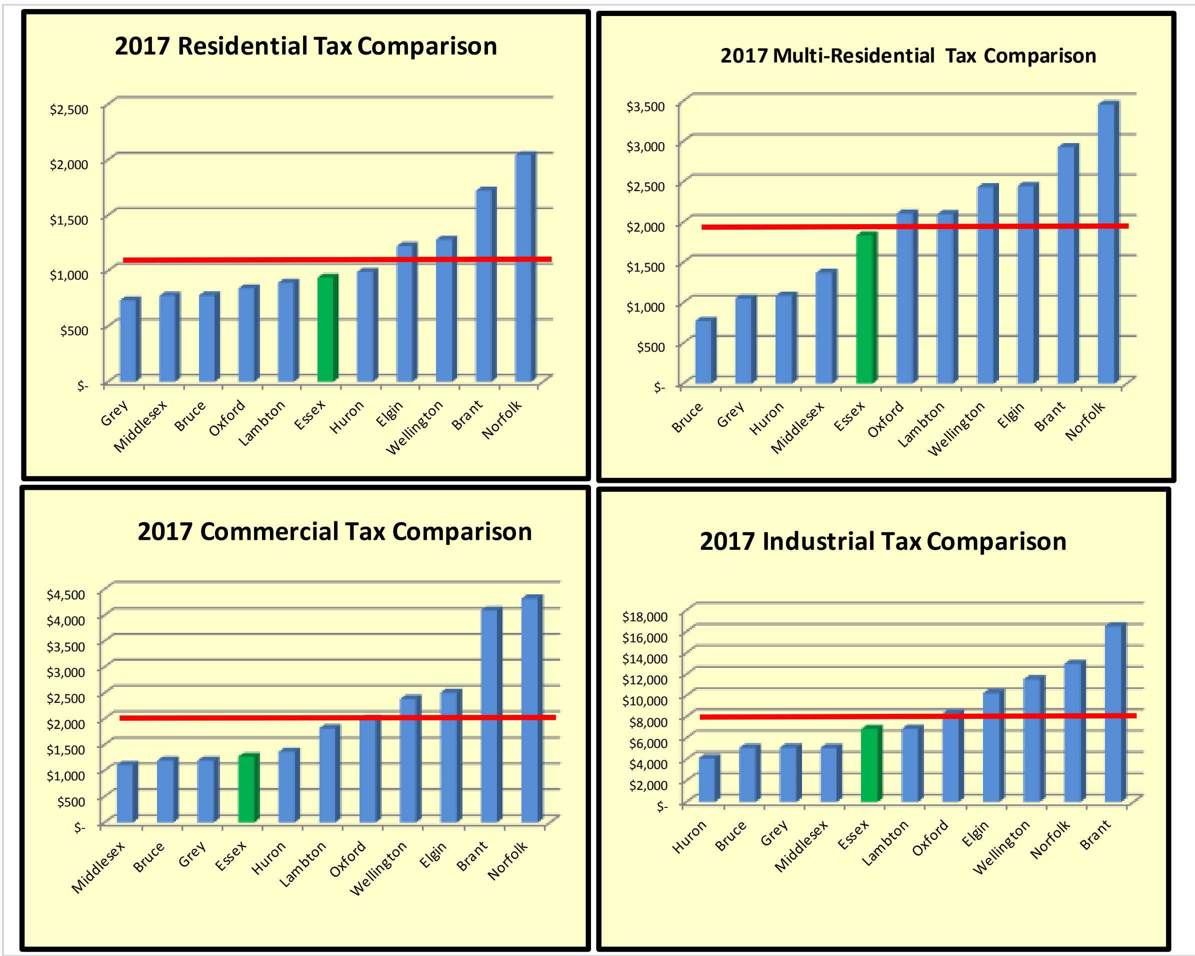
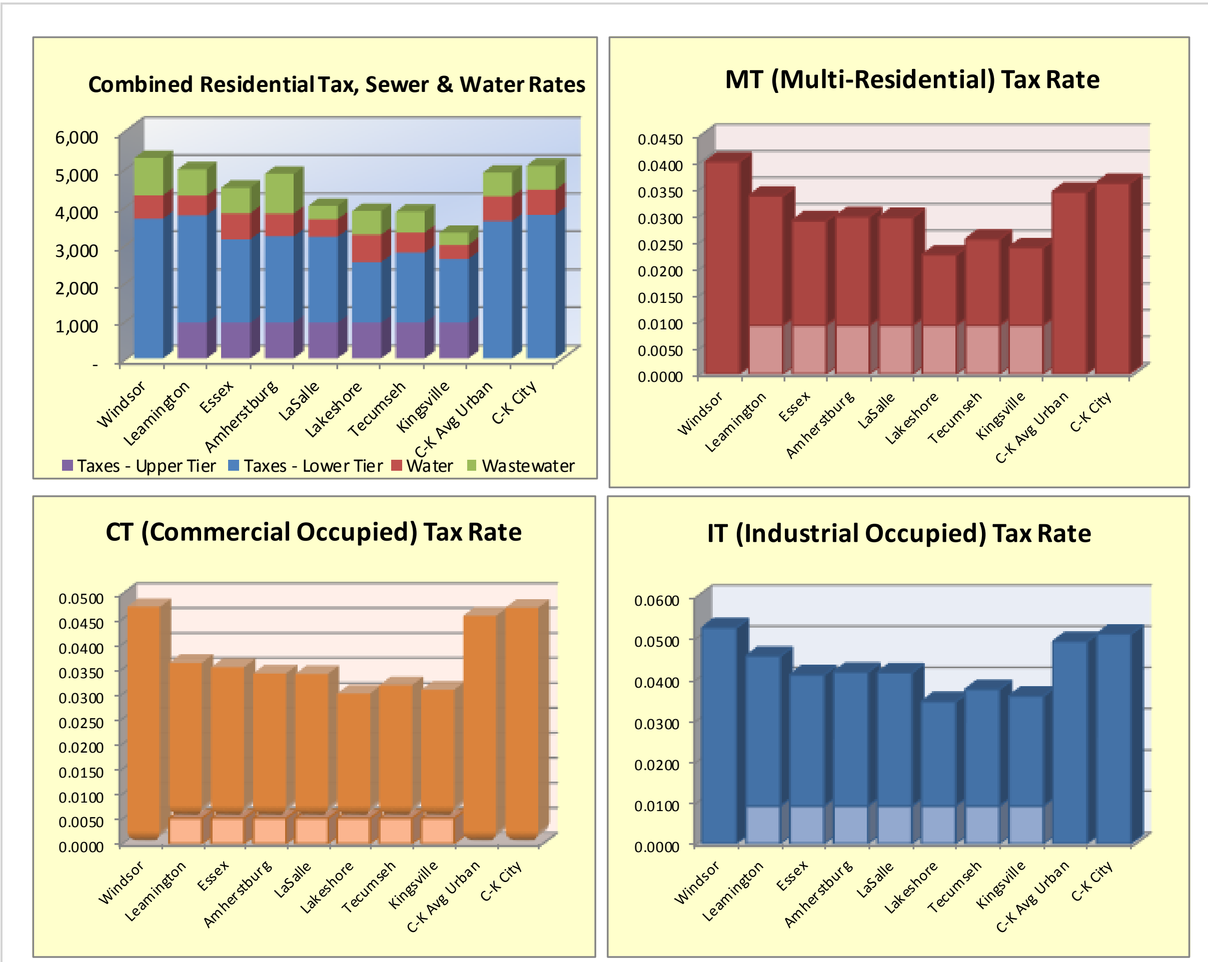


Chart 6 provides 2017 tax comparisons for residential (including water and wastewater), multi-residential, commercial and industrial rates of local municipalities (including County allocation) in relation to our immediate neighbours to the west and east. The favourable rates provide an economic advantage for residing and doing business in Essex County.

Chart 6: 2017 Tax Rate Comparison – Essex County / Windsor / Chatham-Kent



County Levy & Tax Rates

Over the past decade the County Levy has increased, due in large part, to address expansion requirements of the County roadway and active transportation infrastructure and more recently, service enhancements to address growth, demographics and systemic health related issues/services. Most recently, additional funds ($600,000 per annum) have been raised and will continue for the next seven years to address the County's commitment towards the New Windsor Essex Hospital System. Further, as the County assessment increases relative to the City, a greater shift of costs are transferred from the City to the County for shared programs including: Social Services, Social Housing, Child Care and Emergency Medical Services.

Although the County Levy has steadily grown over the past five years, tax rates remained fairly constant, due in large part, to prudent financial management decisions and moderate but stable growth in assessment in the County of Essex over this same period.

The consolidation of the departmental budget estimates produces a residential tax rate for County purposes for 2018, assuming no significant change in tax policy, of **.00476789**, representing a **1.54%** increase from prior year.

Chart 7 illustrates the change in County tax rates on a typical residence valued at $200,000.

Chart 7: Residential Tax Rate Comparison, 2017-2018

Year	Assessed Value	Res. Tax Rate	Taxes	Tax Change	%
2017	$200,000	.00469561	$939.12	nil	nil
2018	$200,000	.00476789	$953.58	$14.46	1.54%

Conclusion

Administration respectfully submits that it has, in consultation with all departments, provided Council with a sound business plan for 2018 in the form of a budget that:

- addresses the competing demands for service for the coming year;
- positions the County to manage future capital expansion / remediation;
- continues to address the County’s future commitment related to the New Windsor-Essex Hospital System;
- is cognizant of the economic realities of our region and the impact these service demands have on the tax rates and ratepayers of Essex County,
- does not compromise the Corporation’s strong financial foundation for future operations and continued maintenance of stable tax rates for the future.

A significant proportion of the County-level expenditures are either mandated services or legislated obligations. **Experience has demonstrated that excessive utilization of reserves, reductions in level of service and/or substantial deferral of capital initiatives will expose the Corporation to undue risk and liability while creating significant financial burdens in the future when service reduction impacts and operating / infrastructure gaps will eventually need to be addressed.**

Despite the uncontrollable external factors, inflationary pressures and operational considerations discussed above, Administration remains confident that a tax rate increase of 1.54% (inclusive of the 1.5% levy increase for infrastructure expansion and 0.5% increase towards hospital funding) is manageable. This business plan focuses on current operating realities and provides the necessary capital allocation for the County's current requirements, while positioning the organization favourably to address future capital needs, all without adversely impacting/compromising future operations and/or creating significant future tax rate adjustments.

Recommendation

For the information and consideration of Council.

Respectfully Submitted

Robert Maisonville

Originally Signed by
Robert Maisonville Chief Administrative Officer/Treasurer

Appendix No.	Title of Appendix
Appendix A	2018 Budget Summary Comparison