

2020 Fiscal Update for HH

Earlier in February 2020 before Covid, I wrote about the fiscal plan for the year by our Council. For the first time since 2009, we were planning massive capital spending on a variety of fronts including Maynooth revitalization, roads, fire services, equipment, sand domes and more: the total was \$6.2 Million or about 60% of our operating plan, which hadn't yet been finalized. And because we weren't planning new debt or higher taxes, this would all be funded by a dramatic reduction in our reserves. And I forecast a big tax increase as a result in 2021.

So an update and year end forecast on both our operating and capital plans is timely.

The good news: capital spending has been scaled back substantially on fire services, sand domes and some equipment so that the impact on our reserves has been dramatically reduced and we should end up with reserves funds at year end around \$4MM...less than we have averaged since 2014, but still a satisfactory level for a municipality with our levels of debt and operating costs.

To be sure, this spending reduction is temporary and we may see it reappear in the 2021 plans.

Now on operating spending we are generally tracking well against the plan for a cash surplus at year end.

Revenues should come in about \$500K above plan and on par with 2019, thanks to higher asset sales, a Covid allowance by the provincial government, and increased permit fees. Our expenses benefit from a dramatic reduction in building our reserves accomplished in 2019 and should be on plan and about 6% lower than 2019.

Our Reserves will fall to the \$4MM level, our long term debt is on track to fall to \$1.2MM with no new debt in 2020. As you might expect in this Covid year, our tax arrears are up over 6%. And our non-tax revenues fell back to 28% in 2020 compared to 32% in 2019. We used to get 40% of our revenues from non-tax sources (grants, penalties, user fees, gas tax, etc.) but over the past 10 years taxation has replaced this former revenue source.

The bottom line: your council has scaled back the massive spending on capital projects, seems to be running their operations on plan and as a result our reserves will not fall to a critical level as originally forecast, which would have surely forced a tax increase in 2021. So let's hope we dodged that bullet.

MPAC is going to freeze for another year property values, a key item in your property tax calculation.

Some worrisome items.

If HH moves ahead with the capital spending they didn't do in 2020, a tax increase is a distinct possibility. Another key metric is total salaries which have been averaging about 32% of total expenses. But in early 2020 Council approved major changes in compensation policies for non-unionized staff and we have seen significant growth in staffing levels.

And remember that currently our HH municipal tax rate is within .2% of the highest it has ever been, so any increase in this rate for 2021 will set a new high.

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