



May 10, 2018

## MAYOR'S REPORT ON THE FINANCIAL SITUATION OF THE TOWNSHIP OF POTTON

The financial health of the Municipality of the Township of Potton is excellent. Financial statements for the fiscal year ended December 31, 2017, were produced, audited and filed at the May 7, 2018, meeting (annual deadline by May 15<sup>th</sup>); and were forwarded two days later to the Ministère des Affaires Municipales et de l'Occupation du Territoire (MAMOT).

The budget for 2018 is in the order of 5.5 million dollars (\$5.1 million in 2017).

As of December 31, 2017, the non-appropriated surplus (meaning usable at the discretion of Council) is \$472,500 or nearly 9% of the total 2018 budget. This safety cushion is necessary to meet the unexpected costs sometimes incurred for unforeseen events.

*Furthermore, the surplus is carefully managed; the use of these funds for various projects was \$324,000 over four years (2014 to 2017). The accumulated surplus has increased by \$273,500 since January 1, 2014, for a gross accumulated surplus of nearly \$600,000 or \$150,000 per year.*

The debt load of the Municipality is also very reasonable:

The amount of debts to reimburse, over a varying number of years, totals \$2,952,000. An appreciable portion of this debt is attributed to certain specific sectors and their citizens (Owl's Head, Village of Mansonville) for the sum of \$1.7 million. Of that amount, close to \$500,000 will be reimbursed by guaranteed subsidies, receivable annually. The remainder of the debt, or \$1.2 million, is borne by all Potton residents.

The total debt load represents less than 25% of the municipal net worth, and less than 60% of the annual budget. The average interest rate for debt service is 2.8% and the rate of capital repayment is approximately \$300,000 per year, decreasing steadily.

*Furthermore, the Municipality has a line of credit of \$750,000, unused presently and rarely used otherwise. This facility serves as a cushion for the exceptional circumstance of "force majeure."*

Municipal revenues are:

- Property taxes and rates of compensation —
  - They encompass the sums necessary for servicing the debt
  - These revenues are in the order of \$4,043,000 (2016: \$4,075,000), or 75% of the total.
- subsidies: \$638,000 (2016: \$643,000);
- fees collected, services rendered, and other revenues: \$647,000 (2016: \$580,700);
- other minor sources (less than \$50,000)

Expenses are of several types. Certain major expenditures are not controlled by the Municipality or are otherwise difficult to compress. They include the following:

- the charges for Sûreté du Québec: \$482,000 (2016: \$490,000) (Québec imposed)
- assessed contributions to the MRC Memphremagog: \$287,000 (2016: \$314,000)
- major contracts (snow and waste removal): \$1,100,500 (2016: \$1,086,800)
- existing debt service: \$322,000 (2016: \$388,000);
- all this for a total of \$2,191,500 which is 40% of the total budget (2016: \$2,278,800 or 45%).

The remaining expenses are discretionary to a limited degree. The following list illustrates the degree of latitude, beginning with the expenses most difficult to reduce, to those which could be reduced, ***subject to a commensurate reduction in services***:

- Fire and Civil Safety Service: \$375,200—salaries, equipment maintenance and repair, communication, and training. Inflationary pressures must be anticipated from now on, because municipalities will be responsible for a high level of civil security...
- Roads (other than snow removal): \$657,250 (2016: \$564,100);
- Wharves, parks and playgrounds: \$304,300 (2016: \$337,700)—including summer camp: \$48,700 (2016: \$36,000);
- Library: \$49,600 (2016: \$51,900);
- Culture and Leisure: \$157,500 (2016: \$151,300)—including culture and festivals: \$32,400 (2016: \$31,700);
- Administration: \$795,000 (2016: \$714,400);
- Tourism: \$73,000 (2016: \$61,500);
- Expenses for Municipal Council: \$112,900 (2016: \$100,600; 2018: anticipated, \$203,000)...

Certain expenses are wholly charged to citizens: waste material removal, the programme for measuring septic tanks, and sectoral networks for water. These expenses are not covered here, because they have no budgetary impact on the property tax rate. Other urbanism expenses (inspection) and environment (inspection and programmes) of which the major part (90%+) is made of salaries, and are covered under the section “Remuneration”:

Remuneration:

The Municipality operates with the help of 12 permanent employees and the equivalent to 6 other permanent employees amongst the seasonally employed personnel (a total of approximately 23 part-time workers). Additionally, the Fire and First Responder service requires 25 part-time workers. These expenses are not reducible without also reducing the municipal services offered to citizens.

Here is a summary of salary expenses:

- |                           |   |
|---------------------------|---|
| • Management and staff    | \$598,600 (2016: \$535,400) (addition of one full-time position at \$40K) |
| • Seasonal personnel (23) | \$270,500 (2016: \$272,400)   |
| • Firemen (25)            | \$103,000 (2016: \$91,400)  |

To the above amount must be added obligatory employer costs of \$163,000 as well as collective insurance costs (a social benefit) of \$44,800 (2016: \$157,500 and \$40,700\$ respectively).

When all of the above described elements are considered, there remains the sum of \$454,750 in expense (or 8% of the total budget) which is actually discretionary spending, but which would result in diminished services, if compressed.

Attribution of major contracts:

The Municipality publishes on the website SE@O, the figures concerning contracts surpassing \$25,000 for each supplier as well as cumulative billing of over \$2,000 which aggregates more than \$25,000 for each supplier. Given recent changes in the law, this information is also provided below:

LIST OF SUPPLIERS ON CONTRACT (2017)		
For contracts or cumulative billings exceeding:	Contracts >25k \$	Billing >25k \$ >\$ 2000
Les Entreprises R. Cherrier Inc.	391629\$	
Les Entreprises Alger Inc.	51470\$	
Excavation Guy Ethier Inc.	633777\$	
Excavation Julien Pouliot Inc.		47398\$
Excavation Stanley Mierzwinski	607667\$	
Groupe Ultima Inc. (Insurance)	53911\$	
Groupe Puitbec (Village well)	51453\$	
Alliance solution collective (Groupe CMA)	\$61,927	
JLD Lague (side by side purchase)	28585\$	
J.P. Cadrin & Associates Inc. (cadastral reform)		29190\$
Pavage Maska Inc. (Vale Perkins wharf)	\$67,639	
R.I.G.M.R.B.M. (waste management)		34167\$
Simo Management Inc. (waterworks)	64667\$	
Somavrac Inc. (dust abatement)	\$77,065	