



Special Council Meeting

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| To: | Mayor and Council |
| Date: | January 20, 2022 |
| From: | Kimberley Pope, Finance Department |
| Report Number: | Finance 2022-01 |
| Subject: | 2 nd Draft 2022 Budget Presentation |

Recommendations:

1. That Council receives the 2nd Draft 2022 Budget Presentation for discussion and approves a 3.6% Municipal Residential Tax Rate increase to fund the Operating & Capital budgets for the final budget report and final budget approval on February 15, 2022; or
2. That Council receives the 2nd Draft 2022 Budget Presentation for discussion and provides direction on the further budget reductions of \$111,708 to maintain a 2.5% Municipal Residential Tax Rate to fund the Operating & Capital budgets for the final budget report and final budget approval on February 15, 2022

Overview:

The 2nd draft budget presentation will require a consolidated 3.6% municipal tax levy increase to fund the proposed 2022 Operating & Capital budgets as presented in this draft. Staff are requesting that Council approve the 3.6% increase, as presented, or provide direction on further budget reductions of \$111,708 to maintain a 2.5% municipal tax levy increase to fund the 2022 Operating & Capital Budgets.

The two public budget presentations on January 20, 2022 are to provide further discussion and direction of Council and opportunity for the public to comment virtually during the Special Budget meeting at 6:00 pm.

The 2nd draft budget presentation has increased by \$111,788, subsequent to the 1st draft budget presentation of the proposed 2.5% increase (Dec. 9, 2021), amended to a 3.6% total municipal tax levy increase as summarized below;

- Township Operating Budget increases of \$12,219
- Insurance premium increase of 18% which is \$7,000 more than estimated in 1st draft plus new infrastructure insurance premiums of \$22,000
- Library Board Capital Levy request of \$36,966
- Township Capital Budget net increase of \$16,768
- Infrastructure Loan estimates (prorated in 2022) of \$16,835

Approximately every 1% municipal residential tax rate increase equals an additional \$102,000 in revenue towards the Operating & Capital budgets. This 1% increase is \$6,300 greater than last years (\$95,700) due to growth.

Senior staff have provided budget estimates during the budget process to the Chief Administrative Officer & Director of Finance. These estimates have been reviewed and adjusted by the budget committee (CAO, Director of Finance, Mayor and the Deputy Mayor). Updated actual expenditures up to November 30, 2021 are included in this 2nd draft report including associated budget amendments. The 2021 surplus is currently estimated at \$250,000 pending further expenditure submissions and year end reconciliations. The final budget on February 15, 2022 will include actual expenditures and update surplus up to year end December 31, 2021.

2022 MPAC Property Assessments

In November 2020 the Ontario Government announced that the 2021 Assessment Update has been postponed due to the Covid19 pandemic. MPAC property assessments for the 2022 taxation year will continue to be based on the fully phased-in January 1, 2016 current values (the same valuation date in use for the 2020 and 2021 taxation years). The 2022 MPAC estimated roll total has increased by approximately 4% due to the increased current value assessments (approx. \$58M CVA) as result of the new development and/or growth within the township in 2021, and therefore is expected to generate \$339,753 in additional municipal tax revenues for 2022.

An estimated 1% municipal tax levy increase equals an increase of \$6.50 per \$100,000 of current value assessment, based on the active MPAC Assessment Roll Total.

A 3.6% municipal tax levy increase will equal an estimated increase of \$24.31 per \$100,000 of current value assessment, based on the active MPAC Assessment Roll Total. **Therefore, a 3.6% municipal tax levy increase on a \$400,000 assessed residential property would result in \$97.23 of additional municipal taxation on the annual tax bill, which is the equivalent of \$0.27/day.**

Tax Levy Comparison

The tax rate and assessment comparisons provide Council with a summary of the tax rate changes over five fiscal years. The table below is a history of the MPAC Municipal Assessment (weighted) for the Township of Cavan Monaghan and the corresponding final tax rates per year. The growth in the municipal roll current values estimate that for every 1% municipal tax increase in the 2022 budget will result in \$102,000 of municipal tax revenues.

| | Tax Rate and Assessment Comparison | | | | |
|--------------------------------|------------------------------------|-----------------|-----------------|-----------------|-------------------|
| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022 Draft</u> |
| Amount to be raised by Taxes | \$7,550,201 | \$8,369,845 | \$9,566,884 | \$9,806,049 | \$10,452,525 |
| Weighted Assessment | \$1,176,851,571 | \$1,272,470,506 | \$1,409,981,617 | \$1,431,048,372 | \$1,488,177,140 |
| Increase in CVA year over year | 5.8% | 8.1% | 10.8% | 1.5% | 4.0% |
| Taxes per 100,000 Residential | \$641.56 | \$657.76 | \$678.51 | \$685.24 | \$709.55 |
| Increase in Tax % | 3.5% | 2.5% | 3.2% | 1.0% | 3.6% |

Financial Impact:

Operating

The Operating budget presented contains a consolidated department net increase of 6.7% which includes increased pressure on expenditures, maintaining efficiencies and improving online access/delivery of services as set by Council, policy, by-law, and provincial legislation requirements. The summary below indicates each department's efforts to maintain operations while adjusting the pressures on delivery of services;

| | 2021 Final | 2022 2nd Draft | Variance | |
|---|--------------------|--------------------|------------------|-------------|
| Operating Budget | | | | |
| Planning & ECD | \$484,432 | \$582,740 | \$98,308 | 20.3% |
| Building (funded through Building Reserve) | \$318,655 | \$402,795 | \$84,140 | 26.4% |
| By-law Enforcement | \$9,334 | \$13,931 | \$4,597 | 49.3% |
| Protective Services | \$835,028 | \$907,966 | \$72,938 | 8.7% |
| Public Works | \$1,959,540 | \$2,064,900 | \$105,360 | 5.4% |
| Public Works - Environmental | \$399,215 | \$394,955 | -\$4,260 | -1.1% |
| Parks & Facilities | \$1,173,143 | \$1,226,767 | \$53,624 | 4.6% |
| Office of the CAO | \$241,451 | \$242,749 | \$1,298 | 0.5% |
| Office of the Clerk | \$269,994 | \$245,059 | -\$24,935 | -9.2% |
| Finance & Information Technology | \$300,291 | \$309,962 | \$9,671 | 3.2% |
| Consolidated Department Net Changes | \$5,991,083 | \$6,391,824 | \$400,741 | 6.7% |
| Council | \$187,040 | \$187,760 | \$720 | 0.4% |
| Library Board Operating Levy | \$272,294 | \$282,516 | \$10,222 | 3.8% |
| Library Allocated Expenses | \$7,929 | \$12,282 | \$4,353 | 54.9% |
| Library Board Capital Levy | \$3,862 | \$36,966 | \$33,104 | 0.0% |
| Ganaraska, Kawartha & Otonabee Conservation | \$104,193 | \$107,312 | \$3,119 | 3.0% |
| Committees of Council | \$11,300 | \$11,680 | \$380 | 3.4% |
| Police Contract & Services | \$1,350,450 | \$1,390,348 | \$39,898 | 3.0% |
| Consolidated Other Services/Levy Changes | \$1,937,068 | \$2,028,864 | \$91,796 | 4.7% |

The Canadian Union of Public Employees Local 1306.2 Public Works Unit and Parks Unit collective wage agreements expire in 2022 and therefore wage adjustments have not yet been negotiated.

The Consumer Price Index rose 4.1% in the 12 months to August; on the September notice from Statistics Canada and the 2022 municipal wage grid has been indexed as per Personnel Policy By-law 2020-12, Section 12.1.4.

The Construction Price Index rose 11.6% in the year over year (Q3 2020 to Q3 2021), and the 2022 Development Charges have been indexed as per By-law 2019-18, Section 5.1. The Development Charges Study presentation has been rescheduled to March 2022 and will be presented by Watson & Associates to Council.

On December 6, 2021 Council received the annual User Fees & Charges By-law, Finance Report 2021-18, to ensure municipal revenues for services reduce the impact of the cost of services on the municipal property tax rate.

Departmental Summary

A summary of changes within the 2022 Draft Operating Budget Proposal are provided during the budget committee meetings with department management staff, as indicated below. The following percentage allocations have been applied across all departments;

- 4.1% CPI wage grid indexing per Personnel Policy By-law 2020-12, s.12.1.4.
- 2% adjustment to estimated office supplies, postage & phone,
- 3% adjustment to hydro, gas & fuel,
- 18% estimated increase to corporate insurance allocations, new infrastructure coverage and updated premium and benefit rates, and
- Redistribution of the Customer Service and Records Retention Clerk wage & benefits across all departments.

The **Planning & Economic Development Department** has an increase of 20.3% (+\$98,308) which is primarily attributed to the following:

- New Planning, Building & By-law Administrator shared contract position,
- Increase in planned events, marketing and mileage.

The **Building Department** budget is funded through building permit revenues and therefore does not affect the municipal tax rate. The Building Department has an increase of 26.4% (+\$84,140) which is primarily attributed to the following;

- New Planning, Building & By-law Administrator shared contract position,
- Redistribution building department wages from Water & Wastewater,
- Increase to minor equipment.

The **By-law Department** has an increase of 49.3% (+\$4,597) which is primarily attributed to the following;

- New Planning, Building & By-law Administrator shared contract position,
- Additional contracted services.

The **Protective Services (Fire) Department** has a consolidated increase of 8.7% (-\$72,938) which is attributed to the following;

- Increase in wages & benefits of volunteer fire fighter compliment,
- Amendments to contracted services, dispatch and materials & supplies,
- Allocation for a Deputy Fire Chief as identified in the Master Fire Plan,
- Decrease to vehicle maintenance and fuel.

The **Public Works Department** has a consolidated increase of 5.4% (+\$105,360) which is primarily attributed to the following;

- Increased Solar Revenues with new maintenance contract to track performance and reduced interest rate (2% from 6%) on loan,
- New equipment reducing maintenance costs and disposal of old equipment,
- Estimated indexing for CUPE contract negotiations in 2022,
- Increased cost of materials and supplies,
- Recoverable fees pending, relating to design, under review as potential revenues.

The **Parks & Facilities Department** has an increase of 4.6% (+\$53,624) which is primarily attributed to the following;

- Increase in estimated rental revenues due to loosening of COVID-19 restrictions

- Increase in advertising revenue and contracted services

The **Office of the CAO** has an increase of 0.5% (+\$1,298) which is primarily attributed to grid indexing for wages & benefits.

The **Office of the Clerk** has a decrease of 9.2% (-\$24,935) which is primarily attributed to the following;

- New Clerk and new Deputy Clerk grid placements,
- Re-distribution of the Customer Service and Records Retention Clerk responsibilities across all departments,
- Corporate Insurance premium increase of 18% based on current reviews and the potential allocated insurance premium adjustments amongst all municipal departments

The **Finance Department & Information Technology** has an increase of 3.2% (\$9,671) which is primarily attributed to the following;

- Increased cost of software licensing and support
- Reduced reserves to offset IT expenditures,
- Partial grant utilized to offset contract position for implementation of financial software and integration between departments,

The **Council** budget has an increase of 0.4% (+\$720) which is primarily attributed to grid indexing, benefit premium adjustments, County recognition awards, the election, council training and an estimated \$3.8K rollover, per Council member, from unspent 2021 council seminar & conference funds.

The **Library** budget has an increase of 3.8% (+\$10,222) in the Operating Levy of \$282,516 plus an additional \$36,966 Capital Levy request. In addition, an estimated \$12,282 has been allocated, paid by the municipality, for other library expenditures such as; audit fees, insurance premiums, payroll and IT fees.

The **Conservation and Authorities** budget has a consolidated increase of 3% (+\$3,119) and the **Committees of Council** budget has an increase of 3.4% (+\$380) overall which is primarily attributed to the MRHAC request for the preservation and maintenance of the Deyell Monument.

The **Police Contract & Services** budget has an estimated increase of 3.0% (\$39,898) which is primarily attributed to the estimated increase in Police Contract and Insurance Premiums.

Environmental Tax Rate

The 2022 Environmental Budget indicates a total levy increase of \$66,209 for the operational costs within each ward, waste programs, landfill monitoring and transfer station expenses without additional funding available to offset the kitchen waste collection program. In addition, the waste collection will be tendered in 2022 which is currently with Withers. This budget equals an environmental tax rate increase of \$3.69 per \$100,000 of current value assessment, based on the active MPAC Assessment Roll Total. Therefore, on a \$400,000 assessed residential property the total environmental tax rate increase would be \$14.76.

Future Capital Infrastructure Projects

On July 5, 2021 Council received Finance Report 2021-21 containing a financial review of a new Fire Station, Public Works Operations Center and a Parks & Public Works Building utilizing external borrowing, development charge revenues, transfers from reserves and potential future grant opportunities and revenue opportunities.

The motion included that "Council direct staff to proceed with the tendering process with the budget constructions costs for each project being:

- \$4.2 Million Fire Station at the Municipal Office Site
- \$1.2 Million Public Works Operation Centre at the North Location
- \$800 Thousand Parks and Public Works Building,

conditional on the Development Charges Background Study being completed and applicable; and allow the flexibility within the tender for each project to be quoted independently or in collaboration; and staff report back to Council."

As requested, preliminary estimates of funding have been calculated, based on construction budget constraints, including the availability of grant funding, development charges and/or reserves to minimize potential debentures. Debentures on growth related construction costs are repaid through Development Charge revenues and do not affect the municipal tax rate. The debentures on non-growth related construction costs are repaid through municipal taxes.

| | Fire Station (Municipal Office) | Public Works Op. Centre (North) | Parks & PW Building | TOTAL |
|--|------------------------------------|------------------------------------|------------------------|---------------------|
| Principal Debenture (TWP) | | \$ 665,710 | \$ 383,726 | \$ 1,049,436 |
| Principal Debenture (DC's) | \$ 3,092,900 | | \$ 488,378 | \$ 3,581,278 |
| | \$ 3,092,900 | \$ 665,710 | \$ 872,104 | \$ 4,630,714 |
| Grant Funding | | \$ 511,608 | | \$ 511,608 |
| Property Tax Contribution (Twp Debenture) | | \$ 665,710 | \$ 383,726 | \$ 1,049,436 |
| Development Charges (DC Debenture) | \$ 3,092,900 | | \$ 488,378 | \$ 3,581,278 |
| Reserve Transfer (Asset Replacement Reserve) | \$ 7,356 | \$ 22,682 | | \$ 30,039 |
| Reserve Transfer (Fire Hall Reserve \$1.6M) | \$ 1,099,744 | | | \$ 1,099,744 |
| | \$ 4,200,000 | \$ 1,200,000 | \$ 872,104 | \$ 6,272,105 |

Potential Future Debentures

| | | | |
|--|------------|------------|--|
| Fire Station @ Municipal Office Site (\$3,092,900) 20 yrs, 2 | DC's | \$ 198,600 | DC Loan |
| Public Works Operations Centre (\$665,710) 20 yrs, 2.62% | TWP | \$ 42,700 | TWP Loan (0.42% Tax Levy increase) |
| Parks & PW Building (\$872,104) 20 yrs, 2.62% | TWP & DC's | \$ 56,000 | \$24,640 TWP (0.25% Tax Levy increase) + \$31,360 DC's |
| Annual Repayments (TBD) | | \$ 297,300 | estimated to use additional 10% of Cavan Monaghans ARL |

Therefore an estimated \$42,700 debenture payment (PW Operations Center) and an estimated \$24,640 debenture payment (Parks & PW Building) have been included in this budget and pro-rated to commence in the fall of 2022 pending actual construction timelines. These two debentures totaling \$67,340 (\$42,700 + \$24,640) would represent approx. 0.67 (of one percent) increase to the municipal levy.

The detailed Debt Capacity (ARL) Debenture and Future Capital Project spreadsheet is attached for further information.

Covid-19 Fiscal Impact Update

Finance Report 2021-03 provided an update on the financial impact to the municipality as of December 31, 2020. In 2021 the municipality has incurred additional operating costs and loss of parks & facilities rental revenues.

Therefore a total of \$570,267 in operating costs and pressures due to the COVID-19 pandemic as a result of waiving late payment penalties, loss of rental revenues and additional operating costs are itemized as follows;

| | |
|------------------|---|
| \$154,191 | Loss of Penalty & Interest on Property Taxes (2020) |
| \$ 23,047 | Loss of Water and Wastewater Penalty Fees (2020) |
| \$144,944 | Loss of Parks & Facilities Rental Revenue Losses (2020) |
| <u>\$ 78,068</u> | Loss of Parks & Facilities Rental Revenue Losses (2021) |
| \$400,250 | Total Revenue Losses |
| + | |
| \$139,922 | Operating Costs (2020) |
| <u>\$ 30,095</u> | Operating Costs (2021) |
| \$170,017 | Total Operating Costs (Emergency Fund "77") |

The Safe Restart funding received to date is \$260,100 to support Covid-19 related costs. Phase 1 funding of \$217,100 (received in 2020) was applied to support 56% of Covid-19 direct operating costs and 44% towards the loss of penalty, interest and rental revenues. Phase 2 funding of \$43,000 (received in 2021) will be applied to support the additional Covid-19 related costs incurred in 2021.

2022 Ontario Municipal Partnership Fund (OMPF) Update

The province is maintaining the overall structure of the OMPF and the program envelope at the same level as 2020, with the transitional assistance component of the program remaining the same. The 2022 OMPF allocation for the Township of Cavan Monaghan is \$520,200 which is the equivalent of \$142 per household. This is in comparison to previous allocations received of; \$510,600 (2021 OMPF), \$502,300 (2020 OMPF), \$504,600 (2019 OMPF) and \$506,000 (2018 OMPF).

Water and Wastewater

The Water and Wastewater Operating & Capital Budgets are presented utilizing the Water & Wastewater Financial Plan, Rate Study and User Fees and Charges By-law 2020-66 and the 2021 Watson & Associates Rate Study Analysis including the approved User Fees and Charges By-law 2021-67. Any funds remaining at the end of the year are transferred into the Water & Wastewater Reserve for future years of Capital and/or Operations. The water service is user paid and therefore does not affect the municipal tax rate.

Capital

The 2022 Capital Budget presented contains an estimated \$7,436,143 total Capital Expenditures including the 2021 capital roll overs. Staff are requesting Council's review and direction on the capital projects, in alignment with priorities identified within the Corporate Strategic Plan, to match the proposed municipal tax levy increase. Approximately every 1% residential tax rate increase will equal \$102,000 in municipal tax revenues.

A summary of the 2022 draft Capital Budget is provided below;

| | |
|---|--------------------|
| Total Capital Requests | \$7,436,143 |
| Less: 2021 Capital Roll Over | (\$1,920,066) |
| Less: Future Year pre-approvals | (\$280,800) |
| Total 2022 Capital Expenditures | \$5,235,277 |
| Reserve/Other Funding to Offset Capital | (\$1,522,702) |
| Net 2022 Capital Expenditures | \$3,712,575 |
| Net 2021 Capital Expenditures | \$3,414,447 |

Funding Sources:

| | |
|--|-------------|
| Asset Replacement Reserve funded through the Municipal Tax Levy | \$2,429,000 |
| Capital Requests funded through the Municipal Tax Levy @ 2.5% increase | \$1,283,575 |
| Total Capital Funded through Municipal Tax Levy | \$3,712,575 |

2020 Grant Applications (2021 approval with rollover to 2022); Investing in Canada Infrastructure Program (ICIP) Community Culture and Recreation Stream Grant Applications (2)

Funding Program; 26.67% Municipal + 33.33% Provincial + 40% Federal.

A grant opportunity to maximize the funding impact of small-scale projects that would improve the condition of existing facilities, which includes; renovation and rehabilitations to address functionality and use of existing facilities, small-scale improvements to address accessibility, small new build/ construction projects of recreation, cultural or community centre infrastructure (e.g., playing fields, tennis courts, small community squares existing infrastructure under the rehabilitation and renovation category.

Parks & Facilities Report 2019-15 (grant approved March 2021)

1. \$966,000 Renovation of the Millbrook Arena to a multipurpose community hub
Total Municipal Contribution of \$244,750 commitment over term of project completion by 2026.

Council Motion R/04/11/19/13 (grant approved August 2021)

2. \$511,750 Rehabilitation of the historically designated Old Millbrook School
Total Municipal Contribution of \$129,660 commitment over term of project completion by 2026.

Investing in Canada Infrastructure Program (ICIP) Green Infrastructure Stream Grant Application, Intake 2

Funding Program; 26.67% Municipal + 33.33% Provincial + 40% Federal.

Funding Notices; anticipated in the spring/summer of 2022

A grant opportunity to protecting people's health by bringing infrastructure investments to small communities to help improve the quality of drinking water through the second intake of the Green Infrastructure stream. Across the province, funds will target projects

that address critical health and safety needs in communities by making local drinking water infrastructure safer and more reliable.

Public Works – W&WW (pending grant approval)

1. \$312,500 Rehabilitation of Main Street Watermains (pending approval)
Total Municipal Contribution of \$83,344 commitment over term of project completion by 2026.

Municipal Modernization Program (MMP) Grant Application

Building on Ontario's previous investment to modernize municipal service delivery, the extension of this program is application-based and will help municipalities conduct new service delivery reviews, implement recommendations from previous reviews and undertake a range of projects - such as modernization/technology opportunities, IT solutions, and a review of administrative processes. As per Finance Report 2019-19 (1st application intake) \$25,000 Website & IT Modernization Plan was approved and the Website & IT Service Delivery and Modernization Review by Meyers Norris Penny (MNP) LLP, approved by Council on September 21, 2021, ECD Report 2021-06 RFP 2021-06, was completed. The municipality applied for the 2nd application intake of the MMP Grant program in March 2022.

1. **\$117,000 IT Modernization Plan implementation** (2nd application intake, approved November 2021)
This \$80K application followed the recommendations from MNP (January 2022) to implement recommendations in the IT Modernization Plan which includes \$16,000 for IT Policy Handbook Development & Procurement, \$35,000 to Test & Validate Security Posture and \$25,000 for Service Modernization Review/Consulting Support with reimbursement of 75% of project costs up to maximum of \$117,000.

Stabilized Taxation and Asset Replacement

The recommendations in the Potential Impact of Loss of OLG Funding Report (2012) and the Modified Service Delivery Review (2013) were implemented through historical budgets to bring Cavan Monaghan tax levels up to comparator municipalities and eliminated the use of OLG revenues to subsidize the municipal tax rate.

The recommendations were divided into three phases to enable the municipality to remove dependency on OLG revenues;

- Phase 1: Removal of OLG Revenues from the Operating Budget, completed in 2013, eliminating \$1.4 million OLG dependency from the annual budget (as per 2011)
- Phase 2: Removal of OLG Revenues from Capital Budget, completed in 2015, maintaining a minimum \$1.1 million contribution through the municipal levy
- Phase 3: Removal of OLG Revenues as the primary source of Revenues for investment to the Asset Replacement Reserve (ARR).

Since 2016, the municipality has transferred greater than 80% of the annual audited depreciation to the ARR. Including all transfers to date (2012-2021) the municipality has transferred a cumulative total of \$16M, which represents 72% of the annual audited depreciation values since 2012. In 2022, 94% of the \$2.5M of audited depreciation is recommended for transfer into the Asset Replacement Reserve.

It is essential that the municipality continues towards independent financial sustainability and a priority to invest in Asset Replacement Reserve for future replacement of municipal infrastructure.

Reserve and Reserve Funds

The estimated 2021 Year End Reserve and Reserve Fund balances (unaudited) are attached not including year-end rollovers.

Attachments:

- No. 1 2nd Draft - 2022 Tax Rate calculation (estimated)
- No. 2 2nd Draft - 2022 Environmental Tax Rate calculation (estimated)
- No. 3 2nd Draft - 2022 Budget Summary
- No. 4 2nd Draft - 2022 Operating Budget Summary Reports
- No. 5 2nd Draft - 2022 Capital Requests
- No. 6 2021 Year End Reserve and Reserve Fund balances (unaudited)
- No. 7 Debt Capacity (ARL) Debenture and Future Capital Projects
- No. 8 W&WW - 2nd Draft – 2022 Operating Budget Summary Report
- No. 9 W&WW - 2nd Draft – 2022 Capital Requests
- No. 10 Planning Dept – Heritage Conservation District Plan (K.Ellis)

Respectfully Submitted by,

Reviewed by,

Kimberley Pope
Director of Finance/Treasurer

Yvette Hurley
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