



## Special Council Meeting

<b>To:</b>	Mayor and Council
<b>Date:</b>	February 22, 2022
<b>From:</b>	Kimberley Pope, Finance Department
<b>Report Number:</b>	Finance 2022-02
<b>Subject:</b>	Final Draft 2022 Budget Presentation

### Recommendations:

1. That Council receives the Final 2022 Budget Presentation for adoption; and
2. That Council approves the 2022 Operating Budget of \$9,023,517; and that Council approves the 2022 Capital Budget of \$5,112,486; and
3. That Council approves the 2022 Environmental Budget of \$394,955; and
4. That Council approves the 2022 Water & Wastewater Operating Budget of \$866,960 and a Capital Budget of \$392,500; and
5. That Council approves a 2.85% Municipal Residential Tax Rate increase to fund the 2022 Operating & Capital budgets.

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### Overview:

The Special Budget Council meetings to date have provided discussion and direction of Council in the development of the 2022 Operating and Capital Budgets, which included opportunity for the public to comment virtually. This budget report is to provide the final draft 2022 Operating and Capital Budgets for approval and adoption of Council. This budget does not include any changes to service levels that the municipality currently provides.

This budget presentation contains decreases of \$76,000, as per Council's direction at the 2<sup>nd</sup> draft budget meeting on January 20, 2022, and amended the total municipal tax levy increase to 2.85% with incorporated changes as summarized below;

- reduction of \$25,000; MRHAC 2022 Township Incentives from \$50K to \$25K
- removal of \$10,000; Heritage Conservation District Plan transfer to Reserves
- removal of \$20,000; Maple Leaf Park Old Shelter Demolition
- reduction of \$30,000; 2010 JD Grader transfer from \$280K to \$250K
- addition of \$9,000: Parks & Facilities contracted services at Bruce Johnston Building

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 December 31, 2021 are included in this Final Draft report including associated budget amendments. The 2021 surplus is currently estimated at \$224,000 pending year end and audit reconciliations.

## 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 \$6.84 per \$100,000 of current value assessment, based on the active MPAC Assessment Roll Total.

A 2.85% municipal tax levy increase will equal an estimated increase of \$19.52 per \$100,000 of current value assessment, based on the active MPAC Assessment Roll Total. **Therefore, a 2.85% municipal tax levy increase on a \$400,000 assessed residential property would result in \$78.07 of additional municipal taxation on the annual tax bill, which is the equivalent of \$0.21/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 Final</u>
Amount to be raised by Taxes	\$7,550,201	\$8,369,845	\$9,566,884	\$9,806,049	\$10,488,045
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	\$704.76
Increase in Tax %	3.5%	2.5%	3.2%	1.0%	2.85%

## Financial Impact:

### Operating

The Operating budget presented contains a consolidated department net increase of 6.8% 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 Final Draft	Variance	
<b>Operating Budget</b>				
Planning & ECD	\$484,432	\$582,740	\$98,308	20.3%
Building (funded through Building Reserve)	\$318,655	\$399,695	\$81,040	25.4%
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	\$1,235,767	\$62,624	5.3%
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%
<b>Consolidated Department Net Changes</b>	<b>\$5,991,083</b>	<b>\$6,397,724</b>	<b>\$406,641</b>	<b>6.8%</b>
Council	\$187,040	\$187,760	\$720	0.4%
Library Board Operating Levy	\$272,294	\$280,953	\$8,659	3.2%
Library Allocated Expenses	\$7,929	\$12,282	\$4,353	54.9%
Library Board Capital Levy	\$3,862	\$34,823	\$30,961	0.0%
Ganaraska, Kawartha & Otonabee Conservation	\$104,193	\$107,312	\$3,119	3.0%
Committees of Council	\$11,300	\$10,174	-\$1,126	-10.0%
Police Contract & Services	\$1,350,450	\$1,402,130	\$51,680	3.8%
<b>Consolidated Other Services/Levy Changes</b>	<b>\$1,937,068</b>	<b>\$2,035,434</b>	<b>\$98,366</b>	<b>5.1%</b>

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.

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.

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 will be posted for public viewing at the end of February with the public presentation by Watson & Associates to Council rescheduled for March 2022.

## 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 (harvest table dinner), 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 25.4% (+\$81,040) 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 new Deputy Fire Chief position 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 5.3% (+\$62,624) 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** board presented amended levy requests to Council on February 7, 2022. The amended budget contains an overall increase of 3.2% (+\$8,659) in the Operating Levy (\$280,953) plus an additional \$34,823 Capital Levy request, which contains \$4,248 from development charge reserves. There are also \$16,530 of additional allocated expenses, as paid by the municipality, for other library expenditures such as; audit fees, insurance premiums, payroll and IT fees. In addition, there has been a Pay Equity review carried out by the municipality to ensure compliance.

The **Conservation and Authorities** budget has a consolidated increase of 3% (+\$3,119) and the **Committees of Council** budget has a decrease of 10% (-\$1,126) overall which is primarily attributed to unspent funds available in MRHAC as a rollover from 2021.

The **Police Contract & Services** budget has an increase of 3.8% (\$51,680) which is attributed to increase of the 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 was that "Council direct staff to proceed with the tendering process with the budget constructions costs for each project ... 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."

On January 20, 2022 Council approved the Public Works Report 2022-01 and awarded the New Parks & Public Works Millbrook Depot to Mortlock Construction Inc. (T-PW-21-05). Council authorized a debenture of \$872,104 with annual payments of \$56,000 over a 20 year term; with \$24,640 paid through the Parks & Public Works Operating Budgets and \$31,360 paid through Development Charges

The following 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
	<b>\$ 4,200,000</b>	<b>\$ 1,200,000</b>	<b>\$ 872,104</b>	<b>\$ 6,272,105</b>

#### 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	

The Development Charges Background Study is currently in process with Watson & Associates and the estimated construction costs for the Fire Station and the Public Works Operation Center have been indexed with provisions for these capital needs, included up to the maximum service level caps. The actual construction cost and funding details will be updated pending future tenders. 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 projected 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 \$577,387 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)
\$ 78,068	Loss of Parks & Facilities Rental Revenue Losses (2021)
<b>\$400,250</b>	<b>Total Revenue Losses</b>
+	
\$139,922	Operating Costs (2020)
\$ 37,215	Operating Costs (2021)
<b>\$177,137</b>	<b>Total Operating Costs (Emergency Fund "77")</b>

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) is 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 \$7,430,288 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	\$7,430,288
Less: 2021 Capital Roll Over	(\$2,037,002)
Less: Future Year pre-approvals	(\$280,800)
<b>Total 2022 Capital Expenditures</b>	<b>\$5,112,486</b>
Reserve/Other Funding to Offset Capital	(\$1,512,749)
<b>Net 2022 Capital Expenditures</b>	<b>\$3,599,737</b>
<i>Net 2021 Capital Expenditures</i>	<i>\$3,414,447</i>

### Funding Sources:

Asset Replacement Reserve funded through the Municipal Tax Levy	\$2,429,000
Capital Requests funded through the Municipal Tax Levy @ 2.85% increase	\$1,170,737
Total Capital Funded through Municipal Tax Levy	\$3,599,737

### **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 (1<sup>st</sup> 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** (2<sup>nd</sup> 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 Final Draft - 2022 Tax Rate calculation (estimated)
- No. 2 Final Draft - 2022 Environmental Tax Rate calculation (estimated)
- No. 3 Final Draft - 2022 Budget Summary
- No. 4 Final Draft - 2022 Operating Budget Summary Reports
- No. 5 Final 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 - Final Draft – 2022 Operating Budget Summary Report
- No. 9 W&WW - Final Draft – 2022 Capital Requests

Respectfully Submitted by,

Reviewed by,

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Yvette Hurley  
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