



Special Council Meeting

To:	Mayor and Council
Date:	December 7, 2023
From:	Kimberley Pope, Finance Department
Report Number:	Finance 2023-12
Subject:	1st Draft 2024 Budget Presentation

Recommendations:

1. That Council receives the 1st Draft 2024 Budget Presentation for discussion and education purposes; and
2. That Council provides direction on the projects to be removed, added or changed from future budget discussions and selects the Municipal Residential Tax Rate required to fund the Operating & Capital budgets.

Overview:

This public budget presentation is to provide the first draft of the 2024 Operating and Capital Budgets for review, discussion and education purposes between management and Council.

The 1st draft budget presentation, without any further reductions, would require a 7.9% municipal tax rate increase to fund the full Operating & Capital budgets as presented in this draft. Staff are requesting that Council provide direction on the of projects to be removed, added or changed, as per the priorities identified, to reduce the budget and determine the percentage (%) of municipal tax levy increase required to fund the 2024 Operating & Capital Budgets.

The budget committee is comprised of the Mayor, Chief Administrative Officer and the Director of Finance. Management and senior staff submitted preliminary budget estimates that originally resulted in an 14% tax rate increases however was reduced by the budget committee to a 7.9% tax rate for further discussion and direction of Council.

Approximately every 1% municipal residential tax rate increase equals an additional \$111,500 in revenue towards the Operating & Capital budgets.

The following are tax rate percentage alternatives (3% - 7.9%), provided as examples, and the associated reductions required to balance the budget, for Council's review and consideration;

<u>Tax Increase</u>	<u>Tax Levy Revenue</u>	<u>Budget Cuts Needed</u>
3.0%	\$11,484,060	-\$547,000
5.0%	\$11,707,060	-\$324,000
7.0%	\$11,930,060	-\$101,000
7.9%	\$12,030,935	\$0

The year-to-date actuals within the first draft provide expenditures up to and including October 31st, 2023 as submitted to the municipality. These year-to-date actuals will be updated with each subsequent budget report to include expenditures up to and including November 30th (second draft) and December 31st (final budget report).

Tax Levy Comparison

The tax rate and assessment comparisons provide a summary of the tax rate changes over the past four 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.

	<u>Tax Rate and Assessment Comparison</u>				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024 Draft</u>
Amount to be raised by Taxes	\$9,566,884	\$9,806,049	\$10,488,045	\$11,012,885	
Weighted Assessment	\$1,409,981,617	\$1,431,048,372	\$1,488,177,140	\$1,517,338,016	\$1,536,169,348
Increase in CVA year over year	10.8%	1.5%	4.0%	2.0%	1.2%
Taxes per 100,000 Residential	\$678.51	\$685.24	\$704.76	\$725.80	TBD
Increase in Tax Levy %	3.2%	1.0%	2.85%	3.00%	

The growth in the municipal roll current values estimate that for every 1% municipal tax increase in the 2024 budget will result in \$111,500 of municipal tax revenues.

An estimated 1% municipal tax levy increase equals a property tax increase of;

- \$7.26 per \$100,000 current value assessment, based on the current MPAC Assessment Roll Total (2016 phased-in values),
- \$29.04 per \$400,000 current value assessment, based on the median MPAC Assessment Roll Total (2016 phased-in values).

MPAC Provincial Property Assessment Update

As part of the Ontario Government's Economic Outlook and Fiscal Review on August 16, 2023, the Ontario government filed a regulation to amend the Assessment Act, extending the postponement of a province-wide reassessment through the end of the 2021-2024 assessment cycle. Property assessments for the 2023 and 2024 property tax years will continue to be based on fully phased-in January 1, 2016 current values.

The 2024 MPAC estimated roll total has increased by approximately 1.29% as result of the new development and/or growth within the township in 2023, which is expected to generate \$136,675 in additional municipal tax revenues for 2024.

The MPAC median current value assessment (CVA) in Cavan Monaghan is estimated at \$400,000 (2016 phased-in values). MPAC assessments do not necessarily reflect what realtors would determine is the market value of your property when you list it for sale. MPAC assessments in many cases are a behind the actual current market, partly because they are only completed every four years.

Example:

A property valued at \$228,000 on January 1, 2016 will continue to be valued at \$228,000 for the 2024 property tax year.

This same property with a previous valuation of \$162,000 (2012) experienced a valuation increase of \$66,000 over the four year phase in cycle from 2017-2020. The difference between the 2012 value and 2016 value is divided by four to determine the phase in value for each tax year.

- $\$228,000 - \$162,000 = \$66,000$
- $\$66,000 / 4 \text{ years} = \$16,500$



Financial Impact:

Operating

The Operating budget presented contains a consolidated department net increase of 6.5% 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, managing inflation and adjusting to the pressures on delivery of products and services.

Operating Budget	2023	2024	Variance	
	Final Budget	1st Draft		
Planning & ECD	\$634,975	\$649,640	\$14,665	2.3%
Building (funded through Building Reserve)	\$407,950	\$486,840	\$78,890	19.3%
By-law Enforcement	\$56,310	\$6,000	-\$50,310	-89.3%
Protective Services	\$1,015,730	\$1,029,388	\$13,658	1.3%
Public Works	\$2,240,422	\$2,399,118	\$158,696	7.1%
Public Works - Environmental	\$496,130	\$528,590	\$32,460	6.5%
Parks & Facilities	\$1,189,700	\$1,226,247	\$36,547	3.1%
Office of the CAO	\$251,820	\$271,528	\$19,708	7.8%
Office of the Clerk	\$268,610	\$300,934	\$32,324	12.0%
Finance & Information Technology	\$307,875	\$341,189	\$33,314	10.8%
Protective Services (Fire Hall No.1) - 1/2 Yr Loan	\$50,825	\$101,650	\$50,825	0.0%
Public Works Operation Center - Loan	\$36,100	\$72,200	\$36,100	0.0%
PW & Parks Millbrook Depot - Loan	\$24,640	\$24,640	\$0	0.0%
Consolidated Department Net Changes	\$6,981,087	\$7,437,964	\$456,877	6.5%
Council	\$231,090	\$214,700	-\$16,390	-7.1%
Library Board Operating Levy	\$306,520	\$321,896	\$15,376	5.0%
Library Allocated Expenses	\$18,550	\$20,286	\$1,736	9.4%
Library Board Capital Levy	\$27,000	\$29,000	\$2,000	0.0%
Ganaraska, Kawartha & Otonabee Conservation	\$112,499	\$116,901	\$4,402	3.9%
Committees of Council	\$14,400	\$49,500	\$35,100	243.8%
Police Contract & Services	\$1,442,026	\$1,472,867	\$30,841	2.1%
Consolidated Other Services/Levy Changes	\$2,152,085	\$2,225,150	\$73,065	3.4%
Total Department & Other Services/Levy	\$9,133,172	\$9,663,113	\$529,942	5.8%
Water & Wastewater Expenses	\$1,697,264	\$1,627,424	-\$69,840	-4.1%
Consolidated Other Services/Levy Changes	\$10,830,436	\$11,290,537	\$460,102	4.2%

The Canadian Union of Public Employees Local 1306.2/1306.8 collective agreements renewed in 2023 on By-law No. 2023-48 (Parks) and 2023-34 (Public Works) with a 5.25% wage increase over a three year term (2023-2024).

The Consumer Price Index rose 4% in the 12 months to August; on the September 2023 notice from Statistics Canada and the municipal wage grid indexed as per Personnel Policy By-law 2020-12, Section 12.1.4.

The Construction Price Index rose 6.6% in the year over year (Q3 2022 to Q3 2023), and the 2024 Development Charges will be indexed as per By-law 2019-18, Section 5.1.

On November 20, 2023 Council received the annual User Fees & Charges By-law, Finance Report 2023-11, 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 2024 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;

- 2024 source deduction and benefit rates (OMERS, EI, CPP, EHT, WSIB, Manulife, etc.) have been adjusted
- 8% increase Corporate Insurance allocations (based on preliminary estimates)
- 9% OMERS eligibility for part-time staff upon hire, effective January 1 2024
- 4% CPI wage grid indexing applied as per By-law 2020-12, Section 12.1.4.
- 3% increase to Hydro, Gas & Fuel
- 2% increase to Voip/Landline phone services
- 2% increase to internal "allocation" expense lines across departments
- Debentures and estimates included for three Capital Projects; Parks and Public Works Millbrook Depot, Cavan Public Works Operation Center and the Fire Station No.1 with Ambulance.

The **Planning & Economic Development Department** has an increase of 2.3% (+\$14,665) which is primarily attributed to the following:

- Economic Development Events and Advertising
- Contracted professional services to assist during the transition to rehire of a Planner.

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 19.3% (+\$78,890) which is primarily attributed to the addition of a building inspector for a full year, in contrast to a partial year in 2023, grid indexing for wages & benefits and the additional maintenance and fuel for increased fleet complement.

The **By-law Department** has a decrease of 89.3% (-\$50,310) which is primarily attributed to a rollover of funds available from the part-time by-law officer position in collaboration with municipal partnership in cost sharing within the County of Peterborough. The budget request is proposed for the gradual phasing in of by-law enforcement with increased population of more than 10,000 people and the new subdivision to be assumed by the Township as will the issues that will increase by-law enforcement (i.e., parking, neighbor complaints).which will also assume more complex matter related to animal control services.

The **Protective Services (Fire) Department** has a consolidated increase of 1.3% (+\$13,658) which is attributed to the following;

- Paging service contract changes and the offset of reserve funds for partial year implementation,
- Fire Dispatch services agreement renewals based on increasing number of households,

- Reallocation of Volunteer Fire Fighter hours between fire suppression, training and work hours to reflect increase in call volumes .

The **Public Works Department** has a consolidated increase of 7.1% (+\$158,696) which is primarily attributed to the following;

- Expansion of Public Works Roads staff to nine routes (from eight) and associated operating costs for subdivision assumed roads,
- Increased costs of materials (cold mix, gravel, calcium chloride) and services.

The **Parks & Facilities Department** has an increase of 3.1% (+\$36,547) which is primarily attributed to the following;

- Increase in estimated Rental, Concession, Sport Drop-In and Programming revenues as 2023 was the first full year recreation facilities received no impact from COVID-19 closures or restrictions.
- Increase of staffing hours at CMCC with the addition of new programs and increased rentals and a reduced rollover available to offset the cost of programming contracts.
- Increase of \$10,000 contracted services CMCC for regulatory 5 year replacement of refrigeration pressure relief valves.
- Increase in gas and utility services.

The **Office of the CAO** has an increase of 7.8% (+\$19,708) which is primarily attributed to corporate services and human resources administration, grid indexing for wages & benefits and reallocation between departments.

The **Office of the Clerk** has a increase of 12% (\$32,324) which is primarily attributed to the following;

- Increase of \$6k to add FOI and Records Retention training for all municipal staff,
- Addition of \$15k towards Northumberland Humane Society Fees to enter a new pound services agreement as the municipality has not retained these services since the Peterborough Humane Society terminated the agreement,
- The continuation of a records retention contract without a rollover available to offset the cost.

The **Finance Department & Information Technology** has an increase of 10.8% (\$33,314) which is primarily attributed to the following;

- Increased cost of software licensing and support with minimal IT reserves,
- Reallocation of wages & benefits for the Finance Customer Service Rep.,
- Reduced availability of grant utilized to offset asset management compliment,
- The implementation of Virtual City Hall (VCH) as the final phase of the financial software migration and integration.

The **Council** budget has a decrease of 7.1% (-\$16,390) which is primarily attributed to reduction in the maximums established in the Council Remuneration By-law No. 2023-30 between the year one exception, of attendance at all four (4) conferences, to the reduced \$5,000 per Council member for the remaining years in the term.

The **Conservation and Authorities** budget has a consolidated increase of 3.9% (\$4,402) as per budget levy requests.

The **Committees of Council** budget has an increase of 0.7% (+\$100) from the original three committees (MVT, Committee of Adjustment & MRHAC). However two new committees, Sustainability Advisory Committee (SAC) and Accessibility Advisory Committee (AAC), have been added in 2023 with additional requests that results in a consolidated increase of 243.8% (+\$35,100) to include a Data Analyst and Community Initiative under the SAC.

The **Millbrook Business Improvement Area (BIA)** board has submitted a proposed increase to the BIA levy of 12% (+\$1,681.90). A Special BIA Budget Meeting was held on November 9, 2023 and livestreamed to discuss the proposed budget with the board of management. The BIA board will present and discuss the proposed 12% BIA Levy increase at their upcoming Annual General Meeting (AGM).

The **Police Contract & Services** budget has an estimated increase of 2.1% (\$30,841) which is primarily attributed to the increase in Police Contract and estimated Insurance Premiums.

Environmental Tax Rate

The 2024 Environmental Budget indicates an increase of \$32,460 for the operational costs of the municipal waste programs, landfill monitoring and transfer station expenses. PW Report 2022-18 recommended to extend the service contract with 2337700 Ontario Ltd, operating as Wither's Waste Management. In 2024 the municipality will receive \$35,000 revenues from Circular Materials Ontario (CMO) for the haulage and disposal services of Blue Box Materials received at the Cavan Monaghan Transfer Station (By-law No.2023-73). This budget equals an environmental tax rate decrease of \$0.25 per \$100,000 of current value assessment, based on the estimated MPAC Assessment Roll Total.

Water and Wastewater

The Water and Wastewater Operating Budget is presented utilizing the Water & Wastewater Financial Plan, Rate Study and User Fees and Charges By-law 2020-66 and the 2022 Watson & Associates Rate Study Analysis including the approved five year User Fees and Charges By-law 2022-67. 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 2024 Capital Budget presented contains an estimated \$16,226,879 total Capital Requests including the 2023 capital rollovers. 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.

A summary of the 2024 draft Capital Budget is provided below;

Total Capital Requests	\$16,226,879
Less: 2023 Capital Roll Over	(\$971,840)
Less: Future Year pre-approvals	(\$3,256,682)
Total 2024 Capital Expenditures	\$11,998,357
Less: Asset Replacement Reserve Funding	(\$639,782)
Less: Reserves and/or Other Funding	(\$7,032,824)
Net 2024 Capital Expenditures	\$4,325,752
<i>Net 2023 Capital Expenditures</i>	<i>\$3,719,693</i>

Funding Sources:

Asset Replacement Reserve funded through the Municipal Tax Levy	\$2,734,267
Capital Requests funded through the Municipal Tax Levy @ % TBD	\$1,591,485
Total Capital Funded through Municipal Tax Levy	<u>\$4,325,752</u>

Capital Infrastructure Projects

On July 5, 2021 Council directed staff to proceed with the tendering process for the three capital infrastructure buildings. The Township engaged Greenview Environmental Management to provide detailed design and tender documents for all three projects.

Fire and Ambulance Station (Fire 2022-02)

County Road 10 - to be completed in 2024

The total budget for the project was \$7,979,510 and to be funded; \$1.86M Development Charge debenture, \$3.2M Township debenture and \$2.9M Reserves. On June 21, 2021, Council approved as the site for the replacement of the Fire Hall and Ambulance Station. The tender to build the new Fire Hall and Ambulance Station was awarded to Gay Company Limited at the August 2, 2023 Council Meeting.

Cavan Public Works Operation Center (PW 2022-12)

1470 County 10 - completed November 2023

The total budget for the project was \$3,530,522 and to be funded; \$1.36M Development Charge debenture, \$1.64M Township debenture and \$500K Reserves. The tender for the building construction was awarded to Mortlock Construction at the May 19, 2023 Council Meeting.

Parks and Public Works Millbrook Depot (PW 2022-01)

70 King St. West - completed October 2022

The total budget for the project was \$872,104 and funded; \$488K Development Charge debenture (\$31,360/yr) and \$384K Township debenture (\$24,640/yr). The tender for building re-construction was awarded to Mortlock Construction Inc. at the January 17, 2023 Council Meeting.

2020 Grant Applications approved (rollover into 2024)

Investing in Canada Infrastructure Program (ICIP) Community Culture and Recreation Stream Grant Applications (2)

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

Parks & Facilities Report 2019-15 (grant approved March 2022)

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 2022)

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.

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 approximately 77% of the annual audited depreciation to the ARR with a cumulative total contributions of \$20M. In 2024, \$2.7M (100% of YE2022 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 2023 Year End Reserve and Reserve Fund balances will be provided in the final budget report including the year end roll-overs. Attached is the 2022 Reserves & Development Charges Reserve Funds Report as audited by Baker Tilly KDN LLP and presented to Council on November 20, 2023, Finance Report 2023-10.

Attachments:

- No. 1 1st Draft - 2024 Tax Rate calculation (estimated)
- No. 2 1st Draft - 2024 Environmental Tax Rate calculation (estimated)
- No. 3 1st Draft - 2024 Budget Summary
- No. 4 1st Draft - 2024 Operating Budget Summary Reports
- No. 5 1st Draft - 2024 WWW Operating Budget Summary Report
- No. 6 1st Draft - 2024 Library Operating & Capital Budget Information
- No. 7 1st Draft - 2024 BIA Operating Budget
- No. 8 Parks & Facilities Capital Project Update
- No. 9 1st Draft - 2024 Township Capital Requests
- No. 10 1st Draft - 2024 WWW Capital Requests
- No. 11 2022 Reserves & Development Charges Reserve Funds
- No. 12 2024 Budget Timetable

Respectfully Submitted by,

Reviewed by,

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