



Special Council Meeting

To:	Mayor and Council
Date:	February 20, 2024
From:	Kimberley Pope, Finance Department
Report Number:	Finance 2024-02
Subject:	Final 2024 Budget Presentation

Recommendations:

1. That Council receives the Final 2024 Budget Presentation for adoption; and
2. That Council approves the 2024 Operating Budget of \$10,700,850; and that Council approves the 2024 Capital Budget of \$12,070,663; and
3. That Council approves the 2024 Environmental Budget of \$528,690; and
4. That Council approves the 2024 Water & Wastewater Operating Budget of \$1,006,876 and a Capital Budget of \$1,680,302; and
5. That Council approves a 3.4% Municipal Residential Tax Rate increase to fund the 2024 Operating & Capital budgets.

Overview:

The Special Budget Council meetings have provided discussion and direction of Council in the development of the 2024 Operating and Capital Budgets, which included opportunity for the public to comment on January 25, 2024. This report is to provide the final draft 2024 Operating and Capital Budgets for approval and adoption of Council.

This budget presentation contains reductions, as per Council's direction at the 2nd draft budget meeting along with updated estimates;

\$3,300	Additional Library Board contribution of \$3,300 towards the Old Millbrook School Play Shade structure,
\$20,000	Amended Splash Pad / Water Features Capital Budget estimated cost reduced to \$230,000 (from \$250K) as per quotes received,
\$33,000	Updated departmental budget estimates reduced to reflect year-to-date actuals within the final draft up to and including December 31, 2023

This final draft budget includes a 3.4% Municipal Residential Tax Rate increase to fund the 2024 Operating & Capital budgets. This budget does not include any changes to service levels that the municipality currently provides.

The budget committee is comprised of the Mayor, Chief Administrative Officer and the Director of Finance. Management and senior staff submitted preliminary budget estimates, which would have resulted in a 14% tax rate increase that was reduced by the budget committee to a 7.9% tax rate (1st draft). Council directed staff to amend the budget to a “levy increase to below 4%” (2nd draft) and approved further reductions at the Special Budget Meeting on January 25, 2024 to a 3.6% tax rate.

Approximately every 1% municipal residential tax rate increase equals an additional \$111,300 in revenue towards the Operating & Capital budgets.

The year-to-date actuals within the final draft provide expenditures up to and including December 31, 2023 as submitted to the municipality. The 2023 surplus is estimated at \$380,000 pending year end reconciliations.

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.

	Tax Rate and Assessment Comparison				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024 Final</u>
Amount to be raised by Taxes	\$9,566,884	\$9,806,049	\$10,488,045	\$11,012,885	\$11,504,032
Weighted Assessment	\$1,409,981,617	\$1,431,048,372	\$1,488,177,140	\$1,517,338,016	\$1,533,673,199
Increase in CVA year over year	10.8%	1.5%	4.0%	2.0%	1.1%
Taxes per 100,000 Residential	\$678.51	\$685.24	\$704.76	\$725.80	750.10
Increase in Tax Levy %	3.2%	1.0%	2.85%	3.00%	3.4%

The growth in the municipal roll current values estimate that for every 1% municipal tax increase in the 2024 budget will result in \$111,300 of municipal tax revenues.

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

- \$6.97 per \$100,000 current value assessment, based on the current MPAC Assessment Roll Total (2016 phased-in values),
- \$27.89 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 roll total has increased by approximately 1.1% as result of the new development and/or growth within the township in 2023, which is expected to generate \$114,285 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 6.1% 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.

	2023	2024		
Operating Budget	Final Budget	Final Draft	Variance	
Planning & ECD	\$624,475	\$639,500	\$15,025	2.4%
Building (funded through Building Reserve)	\$407,950	\$582,244	\$174,294	42.7%
By-law Enforcement	\$56,310	\$0	-\$56,310	-100.0%
Protective Services	\$992,130	\$1,005,093	\$12,963	1.3%
Public Works	\$2,161,822	\$2,233,804	\$71,982	3.3%
Public Works - Environmental	\$496,130	\$528,745	\$32,615	6.6%
Parks & Facilities	\$1,129,400	\$1,134,062	\$4,662	0.4%
Office of the CAO	\$249,220	\$262,150	\$12,930	5.2%
Office of the Clerk	\$459,910	\$493,483	\$33,573	7.3%
Finance & Information Technology	\$292,175	\$330,133	\$37,958	13.0%
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	\$7,407,704	\$426,617	6.1%
Council	\$231,090	\$215,500	-\$15,590	-6.7%
Library Board Operating Levy	\$306,520	\$320,396	\$13,876	4.5%
Library Allocated Expenses	\$18,550	\$17,327	-\$1,223	-6.6%
Library Board Capital Levy	\$27,000	\$22,000	-\$5,000	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	\$1,510,657	\$68,631	4.8%
Consolidated Other Services/Levy Changes	\$2,152,085	\$2,252,281	\$100,196	4.7%
Total Department & Other Services/Levy	\$9,133,172	\$9,659,984	\$526,813	5.8%

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
- 9% OMERS eligibility for part-time staff upon hire, effective January 1 2023.
- 4% CPI wage grid indexing applied as per By-law 2020-12, Section 12.1.4.
- 3% increase to Hydro, Gas & Fuel estimated
- 2% increase to Voip/Landline phone services estimated
- 2% increase to internal "allocation" expense lines across departments
- Reallocation of Corporate Insurance and funded through Clerks (municipal tax), Building (permit revenues), Library (levy), and Water & Wastewater (user fees and charges).
- 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 2.4% (+\$15,025) which is primarily attributed to an increase in Economic Development Events and Advertising.

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 42.7% (+\$174,294) which is primarily attributed to the following;

- Increased fees associated with legal measures for high volumes of Building Code Act enforcement,
- Increased costs for staffing and training associated with taking over the Septic Program from Peterborough Public Health (Provincially Required),
- Enhancement of Cloudpermit online software with additional modules,
- Allocation of Corporate Insurance as funded through building permit revenues.

The **By-law Department** has a decrease of 100% (-\$56,310) as the 2023 rollover funds are sufficient to fund the 2024 reduced by-law budget of \$36,700 without additional funds required from the 2024 municipal levy. The reduced budget is due to the re-allocation of enforcement costs to the Building Department based on enforcement types and contracted services.

The **Protective Services (Fire) Department** has a consolidated increase of 1.3% (+\$12,963) 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 3.3% (+\$71,982) 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 0.4% (+\$4,662) 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 5.2% (+\$12,930) which is primarily attributed to corporate services, legal fees, human resources requirements pertaining to grid indexing.

The **Office of the Clerk** has an increase of 7.3% (\$33,573) which is primarily attributed to the following;

- Increase for FOI and Records Retention training for all municipal staff,
- Addition of 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 13% (\$37,958) 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 6.7% (-\$15,590) which is primarily attributed to reduction in the maximums established in the Council Remuneration By-law No. 2022-30 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 requests that results in a consolidated

increase of 243.8% to include a consultant (+\$30,000) and Community Initiatives(+ \$5,000) under the SAC. Staff are exploring the estimated costs related to the hiring of an Energy Conservation consultant to analyze data as per our Energy Conservation and Demand Plan, Green Energy Act 2009.

The **Millbrook Business Improvement Area (BIA)** board 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 presented and discuss the proposed 12% BIA Levy increase at their Annual General Meeting (AGM) on January 9th, 2024. The BIA funds are raised through a levy on all commercial and industrial properties within the BIA's boundary and therefore does not affect the municipal tax rate.

The **Police Contract & Services** budget has an increase of 4.8% (\$68,631) which is primarily attributed to the annual indexing of the Police Contract and increase in Insurance Premiums.

Environmental Tax Rate

The 2024 Environmental Budget indicates an increase of \$32,615 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 \$0.20 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 \$16,186,039 total Capital Requests including the 2023 capital rollovers. These projects are in alignment with priorities as identified within the Corporate Strategic Plan and consolidate to the proposed municipal tax levy increase.

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

Total Capital Requests	\$16,186,039
Less: 2023 Capital Roll Over	(\$858,694)
Less: Future Year pre-approvals	(\$3,256,682)
Total 2024 Capital Expenditures	\$12,070,663
Less: Asset Replacement Reserve Funding	(\$539,959)
Less: Reserves and/or Other Funding	(\$7,653,165)
Net 2024 Capital Expenditures	\$3,877,540
<i>Net 2023 Capital Expenditures</i>	<i>\$3,719,693</i>

Funding Sources;

Asset Replacement Reserve funded through the Municipal Tax Levy	\$2,567,017
Capital Requests funded through the Municipal Tax Levy @ 3.4%	\$1,310,523
Total Capital Funded through Municipal Tax Levy	\$3,877,540

Lisa Court Reconstruction Project

The Lisa Court reconstruction project is funded by the 2024 OCIF allocation of \$369,637 (Township Capital) and \$600,000 through the Water & Wastewater Capital. Lisa Court is a 200m urban roadway with thirteen residential homes in the village of Millbrook. The sanitary sewer, storm sewer and water main were originally constructed in the 1970's. The Public Works Director has advised that there have been challenges with the sewers shifting underground causing operational problems with draining and conveyance. The existing PVC watermain, hydrant, and services are coming to the end of useful life as identified under the Township's Asset Management Plan. Replacing the underground infrastructure will reduce the risk of main breaks causing potential negative effects to the environment and public health and safety. The roadway has major settlements, drainage issues, broken curb and structurally bad around all structures. This project is intended to rebuild the urbanized road with curb and gutter and remove the median in the cul de sac portion of the street. It will be constructed using new pavement curb & gutter, storm sewers and sidewalks. After the Dec. 7, 2023 budget meeting staff received notice of the OCIF 2024 formula funding allocation of \$369,637. The Lisa Court Reconstruction project is an eligible project under the OCIF program and therefore it was added to the 2nd draft Capital Budget. These works are identified in the Roads Needs Study as a priority.

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, 2022.

Council Meeting. Debenture Agreements to be finalized by by-law in the next fiscal year.

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, 2022 Council Meeting. Debenture Agreements to be finalized by by-law in 2024.

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, 2022 Council Meeting. Debenture Agreements to be finalized by by-law in 2024.

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.

In 2023 Council requested that staff contact the ICIP-CCR for a scope change request to this project due to deteriorated facility/conditions as per condition assessments and studies received. Staff have received the project revision request form and are working with the ICIP-CCR team to complete the formal request to the provincial and federal government for consideration. The approval process may take up four months and therefore any site work cannot proceed until after the project scope change has been approved and an amended Transfer Payment Agreement (TPA) is signed by all parties.

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.

Reserve and Reserve Funds

The estimated 2023 Year End Reserve and Reserve Fund balances (unaudited) are attached pending year end adjustments and audit.

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, \$2,567,017 (94% 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.

Attachments:

- No. 1 2nd Draft - 2024 Tax Rate calculation
- No. 2 2nd Draft - 2024 Environmental Tax Rate calculation
- No. 3 2nd Draft - 2024 Budget Summary
- No. 4 2nd Draft - 2024 Operating Budget Summary Reports
- No. 5 2nd Draft - 2024 WWW Operating Budget Summary Report
- No. 6 2nd Draft - 2024 Township Capital Requests
- No. 7 2nd Draft - 2024 WWW Capital Requests
- No. 8 2023 Year End Reserves & Reserve Fund balances (unaudited)

Respectfully Submitted by,

Reviewed by,

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Yvette Hurley
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