



Special Council Meeting

To:	Mayor and Council
Date:	January 21, 2021
From:	Kimberley Pope, Finance Department
Report Number:	Finance 2021-01
Subject:	2 nd Draft 2021 Budget Presentation

Recommendations:

1. That Council receives the 2nd Draft 2021 Budget Presentation for discussion; and
2. That Council approves the proposed 3% Municipal Residential Tax Rate increase to fund the Operating & Capital budgets for the final budget report and final budget approval on February 16, 2021.

Overview:

The 2nd draft budget presentation includes a consolidated proposed 3% municipal tax levy increase to fund the 2021 Operating & Capital budgets. The two public budget presentations on January 21, 2021 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.

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 and the Mayor). Updated actual expenditures up to November 30, 2020 are included in this 2nd draft report including associated budget amendments. The final budget provided on February 16, 2021 will include actual expenditures up to year end December 31, 2020.

Approximately every 1% municipal residential tax rate increase equals an additional \$95,700 in revenue towards the Operating & Capital budgets.

2021 MPAC Property Assessments

In November 2020 the Ontario Government announced that the 2020 Assessment Update has been postponed due to the Covid19 pandemic. MPAC property assessments for the 2021 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 taxation year). The 2021 MPAC estimated roll total has increased by approximately 1.6% due to the increased current value assessments (approx. \$27M CVA) as result of the new development within the township in 2020, and therefore is expected to generate \$142,940 in additional municipal tax revenues for 2021.

An estimated 3% municipal tax levy increase equals an increase of \$20.29 per \$100,000 of current value assessment, based on the active MPAC Assessment Roll Total. Therefore a 3% municipal tax levy increase on a \$400,000 assessed residential property would result in \$81.16 of additional municipal taxation on the annual tax bill, which is the equivalent of \$0.22/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 2021 budget will result in \$95,700 of municipal tax revenues.

	Tax Rate and Assessment Comparison				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021 Draft</u>
Amount to be raised by Taxes	\$6,891,730	\$7,550,201	\$8,369,845	\$9,566,884	\$10,001,119
Weighted Assessment	\$1,112,017,264	\$1,176,851,571	\$1,272,470,506	\$1,409,981,617	\$1,431,048,372
Increase in CVA year over year	5.7%	5.8%	8.1%	10.8%	1.5%
Taxes per 100,000 Residential	\$619.75	\$641.56	\$657.76	\$678.51	\$698.80
Increase in Tax %	3.50%	3.50%	2.50%	3.16%	3.00%

2021 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 2021 OMPF allocation for the Township of Cavan Monaghan is \$510,600 which is the equivalent of \$142 per household. This is in comparison previous allocations received of; \$502,300 (2020 OMPF), \$504,600 (2019 OMPF) and \$506,000 (2018 OMPF).

In October 2020 the Minister of Finance, Mr. Rod Phillips, stated that the “government has been reviewing the OMPF in consultation with municipalities, to ensure the program meets the needs of local communities, especially small, northern and rural municipalities. Given the unprecedented circumstances surrounding the COVID-19 pandemic, we will be taking more time for the review. Discussions with municipal partners are expected to resume later this year ... This historic funding commitment will help local governments protect the health and well-being of the people of Ontario, while continuing to deliver critical public services such as public transit and shelters. Together, Ontario will continue down the path of renewal, growth and economic recovery.”

Financial Impact:

Operating Budget

The Operating budget presented contains a consolidated department net decrease of -0.7% which includes increased pressure on expenditures and modifications to reduce the impact of the Covid-19 pandemic, 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 conservative budgets while adjusting the delivery of services;

	2020 Final	2021 2nd Draft	Variance	
Operating Budget				
Planning & ECD	\$503,912	\$484,971	-\$18,941	-3.8%
Building (funded through Building Reserve)	\$362,760	\$325,974	-\$36,786	-10.1%
By-law Enforcement	\$8,121	\$9,311	\$1,190	14.7%
Protective Services (Operating)	\$758,509	\$782,300	\$23,791	3.1%
Protective Services (Vehicles)	\$50,634	\$53,550	\$2,916	5.8%
Public Works (Operating)	\$1,522,435	\$1,621,650	\$99,215	6.5%
Public Works (Solar)	\$22,269	\$28,522	\$6,253	28.1%
Public Works (Vehicles)	\$421,229	\$322,749	-\$98,480	-23.4%
Public Works - Environmental	\$390,425	\$397,245	\$6,820	1.7%
Parks & Facilities (Operating)	\$1,136,531	\$1,114,635	-\$21,896	-1.9%
Parks & Facilities (Vehicles)	\$17,694	\$22,875	\$5,181	29.3%
Office of the CAO	\$245,170	\$243,431	-\$1,739	-0.7%
Office of the Clerk	\$286,478	\$268,051	-\$18,427	-6.4%
Finance & Information Technology	\$290,644	\$300,097	\$9,453	3.3%
Consolidated Department Net Changes	\$6,016,811	\$5,975,361	-\$41,450	-0.7%
Council	\$186,715	\$187,040	\$325	0.2%
Library Board Operating Levy & Allocated Expenses	\$278,898	\$303,902	\$25,004	9.0%
Library Board Capital Levy	\$55,901	\$31,761	-\$24,140	-43.2%
Ganaraska, Kawartha & Otonabee Conservation	\$95,244	\$103,919	\$8,675	9.1%
Committees of Council	\$21,300	\$11,300	-\$10,000	-46.9%
Police Contract & Services	\$1,310,023	\$1,353,560	\$43,537	3.3%
Consolidated Other Services/Levy Changes	\$1,948,081	\$1,991,482	\$43,401	2.2%
Total Department & Other Services/Levy	\$7,964,892	\$7,966,843	\$1,951	0.02%

The Consumer Price Index rose 0.1% in the 12 months to August; on the September notice from Statistics Canada and the municipal wage grid has been indexed.

The Canadian Union of Public Employees Local 1306.2 Public Works Unit and Parks Unit collective wage agreements are included in this draft.

In December 2020 Council received the annual User Fees & Charges By-law 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 variance between the 2021 Draft Operating Budget proposed and the 2020 approved budget are provided to the budget committee by senior management, as indicated below. Due to increased online access to training, seminars and conferences there is an overall reduction in budget estimates related to hotel, travel/mileage and out-of-town expenditures amongst all departments.

The **Planning & Economic Community Development Departments** have a decrease of 3.8% (-\$18,941) which is primarily attributed to the following:

- Increase in estimated revenues,
- Reduced events under Economic Development,
- Allocation for the Executive Director of Planning with the Building & Economic Development departments.

The **Building Department** budget is funded through building permit revenues and therefore does not affect the municipal tax rate. The Building Department has a decrease of 10.1% (-\$36,786) which is primarily attributed to the following;

- Removal of a full-time contract position,
- Allocation for the Executive Director of Planning with the Building & Economic Development departments.

The **By-law Department** has an increase of 14.7% (+\$1,190) which is primarily attributed to grid indexing for wages & benefits.

The **Protective Services (Fire) Department** has a consolidated increase of 3.3% (+\$26,707) which is attributed to the following;

- Increase in wages & benefits of volunteer fire fighter compliment,
- Increased contracted services, dispatch and materials & supplies,
- Allocation of full year of wages and benefits of Fire Department Administration in lieu of previously shared position with Parks & Facilities.

The **Public Works Department** has a consolidated increase of 0.4% (+\$6,988) which is primarily attributed to the following;

- Reduced solar revenues,
- Reduced equipment maintenance and repairs,
- Increased Materials including Salt & Sand,
- Reduced recoverable revenues,
- LED Streetlight Loan completed in 2020.

The **Environmental Services Department** has an increase of 1.7% (+\$6,820) which is primarily attributed to the following;

- Extension of the Kitchen Waste Organic program funded through taxation without additional grant funding,
- Increase in per stop pick up in the waste collection contract as the new homes are added to the collection routes.

The **Parks & Facilities Department** has a decrease of 1.4% (-\$16,715) which is primarily attributed to the following;

- Alternate hours of operation of facilities & loss of rental revenues
- Increased cleaning at facilities with additional expenses
- Increased health and safety training and development

- Allocation of wages and benefits for the Supervisor of Operations in lieu of the Manager of Parks & Facilities position.

The **Office of the CAO** has a decrease of 0.7% (-\$1,739) which is primarily attributed to the following a reduction in HR and Contracted Services.

The **Office of the Clerk** has a decrease of 6.4% (-\$18,427) which is primarily attributed to the following;

- Reduced wages and benefits as Records Management contract will be completed in the first quarter of 2021,
- Increase in Corporate Insurance premiums which results in a 39% increase to allocated insurance amongst all municipal departments,

The **Finance Department & Information Technology** has an increase of 3.3% (\$9,453) which is primarily attributed to the following;

- Increased cost of software licensing and IT hardware purchasing,
- Grant funding utilized to offset contract position for implementation of financial software and integration amongst departments,
- Reduced contracted services as tri-annual actuarial completed in 2020,
- Increase to corporate retiree administered benefits,
- Reduction in penalty/interest revenues,
- Reduction in postage as a result of enhanced online options.

The **Council** budget has an increase of 0.2% (+\$325) which is primarily attributed grid indexing and increases in associated benefit premiums.

The **Library** budget has a consolidated increase of 0.3% (+\$864) which is identified by the Library Board's delegation to Council summarizing the following;

- \$292,033 Operating Levy increase request of 8.3%,
- \$31,761 Net Capital Levy request (\$40,623 less \$3,862 DC's towards circulation materials less \$5,000 Capital rollover from 2020)
- Allocated expenses; audit fees, insurance premiums, payroll and IT fees.

The **Conservation and Authorities** budget has an estimated consolidated increase of 9.1% (+\$8,675) as not all of the 2021 levy requests have been received.

The **Committees of Council** budget has a reduction of \$10,000 which is primarily attributed to the following budget requests;

- The Municipal Revitalization and Heritage Advisory Committee has rolled over \$13,500 from the 2020 Heritage By-law contract position and \$1,400 landscaping not utilized in 2019,
- MRHAC has also requested Planter Boxes (\$2,500) and Awards (\$500).

The **Police Contract & Services** budget has an estimated increase of 3.3% (+\$43,537) which is primarily attributed to potential budget increase to the Police Contract and estimated Insurance Premiums.

Environmental Tax Rate

The 2021 Environmental Budget indicates a total levy increase of \$71,003 for the operational costs within each ward, kitchen waste program, landfill monitoring expenses and the shared expenditures at the Transfer station. This budget equals an environmental tax rate increase of \$4.96 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 \$19.84.

Water and Wastewater

The Water and Wastewater department is managed through Public Works under the management of the Director of Public Works. As each municipal department has adapted to growth and capacity, the volume of work and changes to guidelines and legislation have increased significantly across all departments. The municipality has historically managed the workload for the water wastewater roles & responsibilities internally between the Building, Finance and Public Works departments by allocating percentages from five (5) full-time positions which when combined represented 0.85 of one (1) full-time equivalent staff member. The growth and volume of work on these positions are limiting the availability of staff to allocate towards the water wastewater department and therefore the 0.85 equivalency has been reduced to 0.65 (2021 Budget) and estimated at 0.40 equivalency or less (2022 Budget) of one full-time equivalent staff member. The responsibilities and duties combined equate to one full-time Water Wastewater Technician position which includes continuing to maintain compliance under the Safe Water Drinking Act and all other provincial guidelines and requirements. Staff have carried out these responsibilities historically however a new position will be needed to maintain the workload.

In addition, the municipality will be calling a request for proposal for the operations of our water/wastewater systems and there are anticipated reductions in contract responsibilities to allow for certain aspects to be completed internally. Senior staff have reviewed the Water Wastewater Technician job description and anticipate the salary range estimated between \$60,000-\$80,000. The Job Evaluation process will determine the correct points band and placement on the salary grid. This position will commence later in the year. Staff have known that a full-time position would eventually be required.

The Water and Wastewater Operating Budget is presented utilizing the Water & Wastewater Financial Plan, Rate Study and User Fees and Charges as per Finance Report 2015-18. Watson & Associates are presenting the 2020 Water & Wastewater Rate Study as an education session to Council on January 26, 2021 for further review and discussion. 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 Budget

The 2021 Capital Budget presented contains an estimated \$7,312,671 total Capital expenditures, including the 2020 capital roll overs, funded through the municipal tax levy with a 3% increase. Approximately every 1% residential tax rate increase will equal \$95,700 in municipal tax revenues.

A summary of the 2021 draft Capital Budget is provided below;

Total Capital Requests	\$7,312,671
Less: 2020 Capital Roll Over	(\$342,562)
Less: Future Year pre-approvals	(\$594,410)
Total 2021 Capital Expenditures	\$6,375,699
Reserve/Other Funding to Offset Capital	(\$2,863,695)
Net 2021 Capital Expenditures	\$3,512,004

Funding Sources:

Asset Replacement Reserve funded through the Municipal Tax Levy	\$1,770,981
Capital Requests funded through the Municipal Tax Levy @ 3% increase	\$1,741,023
Total Capital Funded through Municipal Tax Levy	\$3,512,004

Millbrook Dam, ORCA

This year's capital budget includes \$194,078 as the final payment (Year 6) of the total \$1,201,504 that Cavan Monaghan paid, as the benefitting municipality, towards the reconstruction of Millbrook Dam. ORCA levied 90% of their cost (\$1,007,426) to be paid by the municipality with a total of 2/3 grant funding from the provincial and federal governments. As per ORCA's presentation to Council on November 6, 2017 the original benefitting municipality's cost of \$1,007,426 for Cavan Monaghan had increased to \$1,201,504.

Pre-approval of 2021 Capital Expenditures (3)

1. Replace two Public Works Vehicles (Finance 2020-22)

2007 International Tandem #19-07 & 2008 Rubber Tire Excavator #34-08

That Council pre-approves the purchase of two (2) replacement vehicles; the 2007 International Tandem #19-07 and the 2008 Rubber Tire Excavator #34-08, due to limited stock availability, extended delivery timelines and to gain the optimum purchase price for the municipality in the Tender (R/10/12/20/09).

2. Financial Management Software, Integration & Training (Finance 2020-22)

That Council pre-approves the Financial Management Software, Integration & Training, as supported by MNP LLP's Website & IT Service Delivery and Modernization Review, to access the promotional software discount which expires as of December 31, 2020 and to enter into a contract for purchase of the Diamond ERP financial software including Virtual City Hall (VCH) as a Single Source procurement (5.6.2.) under Purchasing By-law No. 2020-22 (R/10/12/20/09).

3. Fire Station Design – Station One Replacement (Fire 2021-02)

That Council pre- approves Greenview Environmental Management Limited proposal in the amount of \$116,600.00 plus municipal HST in the amount of \$2,052.16, for a total amount of \$118,652.16, to be allocated in the 2021 Capital Budget (including \$84,000 2020 roll-over) to secure a site location and design for a new Fire Station.

Future Capital Infrastructure Renovations/Replacements

1. Public Works 2020-22, **Renovation & Addition to the PW Operations Center**
2. Fire 2021-02, **Fire Station No.1 Design** (Station One Replacement)

The Public Works Director and Fire Chief have provided preliminary reports to Council regarding the updated design and the engineering of two significant future Capital Infrastructure projects; PW Operations Center and Fire Hall No.1. In addition, staff have recommended the acceptance of Greenview's proposal, pending Council's decision on January 18, 2021 as a Single Source (5.6.2.) under By-law No. 2020-22 Procurement of Goods and Services for the Township of Cavan Monaghan. If approved this will allow staff to finalize the site location of Fire Hall No.1, pending Council's approval, and the consultant will begin the design. Senior staff have been advised, as confirmed by Greenview Environmental Management Limited, that an estimated overall savings could be as high as 10% if these projects are combined. The intent is to have the proposal completed within the next six months.

Council directed staff on December 20, 2020 to provide Council on a plan for financing options for the construction of a new Fire Station, PW Operations Centre & Millbrook Depot. Staff have estimated costs for the PW Operations Centre & Millbrook Depot (\$3.3 M); however, staff will need to continue working with the Greenview Environmental to secure a site for the new Fire Station and complete the preliminary design before being in a position to advise Council on the total construction on a d preliminary cost. During this process, staff are recommending completing detailed design of the PW Operations Center and the Millbrook Depot and the current budget includes estimates for the design.

Senior staff will report back to Council with the total cost of the proposed projects, in conjunction with the Director of Finance, to provide Council with internal and external lending options including potential reserve transfers and grant funding (if available) to invest in new capital infrastructure projects once the financial details and construction timelines have been provided. The municipality previously approved three long term debentures (By-law No.'s 2017-81, 2017-82 & 2017-83) for the Millbrook Water & Wastewater Capital Infrastructure project (Finance Report 2017-16) with Infrastructure Ontario (IO). Infrastructure Ontario is a Crown agency of the Province of Ontario that support the government's initiative to modernize and maximize the value of public infrastructure with affordable long-term loans. The current Infrastructure Ontario debentures utilize 17.6% of Cavan Monaghan's Annual Repayment Limit (\$2,874,803, ARL2020).

2020 Grant Applications, rolled over into 2021 Budget

Investing in Canada Infrastructure Program (ICIP) Community Culture and Recreation Stream Grant Applications (3)

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

Funding Notices; originally anticipated in the spring/summer of 2020 however this program was delayed due to the pandemic. The municipality has received ongoing communications indicating applications are still in process/under review.

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

1. \$966,000 Renovation of the Millbrook Arena to a multipurpose community hub (pending approval).

Total Municipal Contribution of \$257,632 commitment over project completion as follows; \$12,882 (2021), \$25,763 (2021), \$64,408 (2022), \$64,408 (2023), \$51,526 (2024) and \$38,645 (2025).

Council Motion R/04/11/19/13

2. \$511,750 Rehabilitation of the historically designated Old Millbrook School (pending approval)

Total Municipal Contribution of \$136,484 commitment over project completion as follows; \$6,824 (2021), \$27,297 (2021), \$27,297 (2022), \$27,297 (2023), \$27,297 (2024) and \$20,473 (2025).

Pending Public Works Report

3. \$600,000 Urbanization of Main Street (pending approval)

Total Municipal Contribution of \$160,020 commitment over project completion as follows; \$80,010 (2021) and \$80,010 (2021).

Municipal Modernization Program (MMP) Grant Applications

Building on Ontario's previous investment to modernize municipal service delivery, the province's 405 small and rural municipalities will have access to an additional \$125 million through 2022-23. 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. This grant opportunity provides an opportunity to apply for funding to undertake expenditure reviews with the goal of finding service delivery efficiencies and lowering costs in the longer term.

Finance Report 2019-19 (1st application intake)

1. **\$25,000 Website & IT Modernization Plan** (2020 Grant approved),
2. \$25,000 Millbrook Arena Feasibility Study & Fiscal Evaluation (not approved),
3. \$35,000 Public Works GPS Tracking System (not eligible).

The municipality intends to apply for the 2nd application intake of the MMP Grant program in 2021 after the completion of the current Website & IT Service Delivery and Modernization Review by Meyers Norris Penny (MNP) LLP, as approved by Council on September 21, 2020, ECD Report 2020-06 RFP 2020-06. This 2nd intake grant

application will follow the recommendations from MNP (presented on January 18, 2021) pending Council's approval. There is a funding estimate of \$80K in the Capital budget to utilize for the 2nd MMP Grant application intake however, the project will only proceed to the maximum of the grant funds approved.

Asset Replacement Reserve

The recommendations in the Potential Impact of Loss of OLG Funding Report, 2012 and the Modified Service Delivery Review, 2013 were implemented through past 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.
 - 2016, 33% of the \$1,500,000 investment funded by the tax levy,
 - 2017, 42% of the \$1,452,000 investment funded by the tax levy,
 - 2018, 49% of the \$1,504,700 investment funded by the tax levy,
 - 2019, 58% of the \$1,788,900 investment funded by the tax levy,
 - 2020, 85% of the \$2,036,490 investment funded by the tax levy,
 - 2021, 85% of the \$2,083,507 investment proposed to be funded by the municipal tax levy,

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 2020 Year End Reserve and Reserve Fund balances (unaudited) are attached including year-end rollovers.

Attachments:

- 2nd Draft - 2021 Tax Rate calculation
- 2nd Draft - 2021 Environmental Tax Rate calculation
- 2nd Draft - 2021 Budget Summary
- 2nd Draft - 2021 Operating Budget Summary Reports
- 2nd Draft - 2021 Library Operating & Capital Budgets
- 2nd Draft - 2021 Capital Requests
- 2020 Year End Reserve and Reserve Fund balances (unaudited)
- W&WW - 2nd Draft – 2021 Operating Budget Summary Report
- W&WW - 2nd Draft – 2021 Capital Requests
- Cavan Monaghan Corporate Strategic Plan, Laridae 2019

- Cavan Monaghan 10 Year Capital Forecasts by Department

Respectfully Submitted by,

Reviewed by,

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Yvette Hurley
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