

Staff Report 2023-0013

Meeting Date: February 15, 2023
Subject: 2023 Proposed Budget
Submitted By: Hillary Bryers, Acting Treasurer, Finance

RECOMMENDATION

That the 2023 Operating Budget net increase of \$2,085,631 representing 2.09% average residential tax increase to the Town levy only, be approved;

That the 2023 Budget, be approved at a net Town tax levy amount of an estimated \$85,542,064 inclusive of:

- a) a base operating budget increase of \$3,882,955 which includes \$2,983,187 in recommended Change in Service Levels (as outlined in Schedule B of Staff Report 2023-0013), and
- b) the total tax funded capital program of \$21,251,144 (as outlined in Schedule A of Staff-Report 2023-0013);

That for 2023, assessment growth revenues of \$2,253,824 be used to offset the financial impact of the budget;

That the Town's operating budget, in the gross expense budget amount of \$130,731,462, be approved and funded from the following sources:

Operating Budget Funding Sources	Amount \$
Tax Revenue (including supplementary, PILs)	87,882,816
Fines & Penalties	7,042,458
User Fees / Rentals	16,339,821
Transfer from Tax Funded Operating Contingency Reserve/Safe Restart Funding for Pandemic related expenditures	541,942
Transfer from Tax Funded Operating Contingency Reserve/Safe Restart Funding for Recreation Subsidy Support	562,000
Transfer from DAPP Stabilization Reserve	2,817,349
Transfers from Tax Funded Operating Contingency Reserve/Safe Restart funding related to recommended Change in Service Levels. Please note other transfers relating to the Development Approval/Engineering Stabilization and Building Stabilization Reserve have been netted against the budgeted contributions to Reserve under Expenditures.	2,516,968
Transfers from Tax Funded Operating Contingency Reserve to deferring the 2020 one-time village Bi-Centennial events to 2023 due to the pandemic	15,000
Transfer from Building Permit Stabilization Reserve	821,193
Interest	6,220,143

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Operating Budget Funding Sources	Amount \$
Grants	899,932
Sales	215,965
Other – Internal recoveries, etc.	4,855,875
Total Operating Budget Funding	130,731,462

That the 2023 capital program (expenditures and funding sources), in the gross capital budget amount of \$77,544,218 as listed in Schedule A of Staff Report 2023-0013 be approved and funded from the funding sources as follows:

Funding Source	Budget Amount
Tax	\$21,251,144
Development Charge Reserves	\$32,592,900
Capital Asset Replacement Reserve	\$3,636,955
Debentures	\$4,100,000
Gas Tax	\$4,031,119
Grant – Ontario Community Infrastructure Fund	\$5,417,853
Cash In Lieu Parkland Reserve	\$1,575,624
Fire Equipment Reserve	\$95,000
Fleet Equipment Reserve	\$785,000
Building Permit Stabilize Reserve	\$440,700
Development Approval Stabilize Reserve	\$129,000
Engineering Stabilization Reserve	\$37,800
General Contingency Reserve	\$100,000
Comprehensive Adaptive Management Plan Reserve	\$73,960
Tax Funded Capital Reserve	\$1,196,477
Aggregate Levy	\$463,685
Region of Peel	\$1,111,256
Town of East Garafraxa (Other)	\$433,245
POA Orangeville (Other)	\$15,000
Belfountain Tennis Club (Other)	\$10,000
Bolton Tennis Club (Other)	\$47,500
Total Capital Funding	\$77,544,218

That the Town's Roads Rehabilitation Construction Program capital project 23-164 in the amount of \$4,100,000 be funded from a debenture to be issued, through the Region of Peel, following substantial completion;

That the capital projects and related funding from reserve in Schedule C – 2024 Proposed Capital Budget – Pre-Approved, be approved;

That the Treasurer's update of the Town's projected debt servicing charges as it impacts the Town's Annual Repayment Limit for all previously approved debentures and the proposed debenture outlined in Staff Report 2023-0013, be received;

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That a 2023 wage increase of 2.00% for all eligible non-union staff including Council members, be approved for 2023, effective January 1, 2023;

That the Treasurer be authorized to issue cheques or in-kind grants to the organizations in the amounts listed in Schedule D of Staff Report 2023-0013 as part of the Town's Municipal Agricultural and Community grants program (MACG);

That the Treasurer be authorized to make technical adjustments to the 2023 Capital and Operating budget based on business needs, good accounting practices and assessment growth from the return of the municipal assessment roll to be received from the Municipal Property Assessment Corporation;

That staff be authorized to submit applications for grants that would reduce expenditures associated with projects, programs and services approved as part of the operating and capital budgets, or to advance improvements where such grants represent the full value of the service or capital improvement;

That staff be authorized to submit and authorize claim summary reports, project status update reports, any other grant reporting that is required as part of the grants that would reduce expenditures associated with projects, programs and services approved as part of the operating and capital budgets, or to advance improvements where such grants represent the full value of the service or capital improvement;

That the Mayor and Clerk be authorized to execute any agreements that may be required to accept grant funding from other levels of governments or other partners to reduce expenditures associated with programs, services and/or capital projects or to advance improvements where such grants represent the full value of the service or capital improvement;

That the Town's 10-year capital forecast and basic principles for a multi-year long term plan, approved in principle;

That the Treasurer be authorized to make adjustments to the 10-year capital forecast as a result of any changes made by Council to the budget, any technical changes required or based upon budget discussions that have occurred if deemed appropriate;

That the Treasurer be authorized to establish new reserve funds as a result of the 2023 Budget;

That the property tax assistance grant for Low Income Seniors and Low-Income Persons with Disabilities be increased to \$535.00 for 2023 to keep pace with tax increases; and

That the Clerk be authorized to prepare all necessary by-laws to implement the above recommendations.

REPORT HIGHLIGHTS

- This report provides information for Council to consider the proposed 2023 Operating and Capital Budgets.

DISCUSSION

The 2023 Budget was prepared ensuring the long-term sustainability of the Town’s services to its residents and businesses. The Town is committed to producing a budget that is both fiscally responsible and demonstrates both accountability and transparency in budget reporting. In doing so, the Town has prepared the 2023 Budget in accordance with section 290 of the *Municipal Act*, as amended, which requires that:

“each year, a local municipality shall, in the year or the immediately preceding year, prepare and adopt a budget including estimates of all sums required during the year for the purposes of the municipality, including:

- (a) amounts sufficient to pay all debts of the municipality falling due within the year;
- (b) amounts required to be raised for sinking funds or retirement funds; and
- (c) amounts required for any board, commission or other body.”

The purpose of this report is to outline the decisions required to approve the 2023 Operating and Capital Budgets as presented on January 10, 2023. Information contained in this report is supplemental to previous budget presentations and the recommendations within this report.

2023 Key Priorities

In support of the 2023 budget, three key priorities have been identified Town-wide going into 2023:

COMMUNITY GROWTH:

This priority area includes the activity that is required to both prepare for and respond to the significant growth that Caledon will face over the next 30 years. Caledon is expected to grow by 220,000 people and 93,000 jobs by 2051. This means more roads, libraries, and community facilities to ensure that the Town can provide service to all existing and new residents, while ensuring that new housing development maintains the character of Caledon’s unique communities.

CONTINUOUS IMPROVEMENT:

Continuous improvement (CI) involves ongoing evaluation of service delivery processes to identify and remove inefficiencies or waste. The goal is to deliver simpler, faster and better government services and in turn to deliver more value to the citizen.

LEGISLATIVE REQUIREMENT:

Changing federal and/or provincial legislation, regulation, standards and policy may require changes at the municipal level. Where legislation affects the Town, the Town will take action in accordance with such legislative changes / requirements.

Final Updates to the Proposed 2023 Budget

In order to finalize the 2023 Town of Caledon proposed budget, staff have been reviewing their final recommendations. Since the publication of the Town's initial budgetary documents, the Region of Peel has approved its budget and staff have taken the opportunity to refine the final budget submission for Council approval. Below are the recommended changes to the initial submission:

Building Department Overhead Charge:

- Increase building department overhead charge by \$450,000 to reflect the increased costs of information technology modernization projects underway that support building services and the evolving and challenging nature of building permit files that require legal services support. This charge is paid from the building permit fees that have been collected in the Building Permit Stabilization reserve.

Change in Service Level Changes:

In finalizing the budget, the senior leadership team completed a final review of the change in service level requests. The result of the review reduced the 2023 property tax levy by \$769,904 or 0.92%. A summary of the proposed reductions are as follows:

2023-049 – Caledon East Community Centre Phase 4

- Defer the Library permanent fulltime Public Service Coordinator to July 2024. This will result in a reduction of \$34,909 to the 2023 budget impact and \$45,559 to the annualized impact in 2024.

2023-055 – Humber River Centre

- Reduction of \$98,669 (eliminating headcount for one Economic Developer and a Part-time programmer/monitor). This change will have the Humber River Centre open and be available for public use as soon as possible. Staff can ensure the building is open and ready for passive use (washrooms, water refill stations etc.) and ensure the community organized events can continue (Ye Old Christmas time, Vendor market and Taste of Bolton). Delaying the ask for the positions means the programming for the facility will not occur until 2024 (small business support, small business launch pad and organized events). Staff intend to ask for this headcount in the 2024 budget and have it in place for early 2024.

2023-063 – Landscape Architect

- Remove request from budget – Reduction of \$77,002

2023-015 – Coordinator, Operations

- Change hiring date to July 1st, 2023 – Reduction of \$20,021

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2023-017 – Coordinator, Drainage

- Change hiring date to July 1st, 2023 – Reduction of \$20,021

2023-020 – Technician, Roads

- Change hiring date to September 1st, 2023 – Reduction of \$17,917

2023-014 – Freedom of Information Coordinator

- Remove request from budget – Reduction of \$51,866

The above changes to the budget reduce the 2023 property tax levy by \$769,904 or 0.92%

These changes are reflected in the updated Change in Service level summary attached as Schedule B – Changes in Service Levels.

Overall Proposed 2023 Tax Impact

Table 1 below outlines the proposed increase to the Town share of the property tax bill, including the changes proposed in this report. The Region of Peel finalized their 2023 budget February 2, 2023. The Region's blended rate across all three municipalities amounts to 2.8% increase. The impact to Caledon's residents is an increase of 1.4% before any changes are made to Caledon's municipal budget. Simply put, before Caledon finalizes its' budget, the Region has increased the rate for Caledon rate payers by 1.4%.

Table 1: Proposed Overall 2023 Tax Impact on a Typical Residential Property Owner

Typical 2023 Assessment of \$662,000**	2022 Property Tax Bill	Estimated 2023 Property Tax Bill	Estimated \$ Change	Estimated % Change	Impact on Final Tax Rate
Town	2,570.50	2,624.34	53.84	2.09%	0.99%
Region	1,857.29	1,935.18	77.89	4.19%	1.43%
School Board	1,012.86	1,012.86	-	0.00%	0.00%
Total	5,440.65	5,572.38	131.73	2.42%	2.42%

**The assessed value is based on the Municipal Property Assessment Corporation's current value assessments that are currently as of January 1, 2016 and will be used in 2023 taxation.

2023 Proposed Capital Budget

From the proposed capital budget presented on January 10, 2023, there is one project that is no longer required and has been removed from the capital program for 2023:

- 22-036 Mayfield Artificial Turf – Remove Request for funding top-up of \$261,526 funded \$80,785 from Cash in Lieu of Parkland Reserve and \$180,741 from DC Recreation Reserve as the funding is no longer required to complete the project.

There was no overall change to the 2023 proposed tax funded capital as a result of these changes.

Municipal and Agricultural Community Grant (MACG) Program

Funding provided to organizations within the Town of Caledon through the MACG Program is intended to support not for profit organizations and groups whose goals and or objectives support Council's objectives. Funding is provided in the form of a cheque or in-kind contributions. Examples of in-kind contributions include the Town's provision of park rentals, barricades, picnic tables, portable washrooms, room rentals, building permits for tent and road closure permits at no cost.

Groups who received 2020-2022 MACG funding and were not able to use the funding due to the COVID-19 pandemic have been extended to the end of 2023 to utilize these funds or in-kind contributions. That is, outstanding funds from previous years have been carried over to 2023 for these groups to utilize this year.

A complete list of eligible organizations that applied for grant funding and staff recommendations of organizations to be funded through the 2023 Municipal and Agricultural Community Grant Program, within the budget envelope of \$167,000, is available in the attached Schedule D.

Applications for the MACG Program are accepted once a year and reviewed by the Municipal Agricultural and Community Grant Review Committee which consists of several members from the Finance Department and Community Services Department.

A Council-approved staff evaluation tool was developed to assist in the review of submitted applications and the allocation of limited funds. The tool is designed to first evaluate whether an application and organization have met the basic eligibility requirements for funding according to the published MACG guidelines and second to score the strength of an application and funding need. The tool assesses the organization's purpose, how funding will be used, financial sustainability and need and if the organization received other Town funding in the previous or current year. Applicants must meet a minimum score of 50% on the staff evaluation tool to be eligible for funding to ensure the minimum requirements of the Town have been met. The evaluation committee reduced funding allocations by any carried forward 2020-2022 in-kind grant funding these organization still have access too.

Caledon Community Services (CCS) has a program, Club Caledon, that provides fitness memberships for low-income families. Recreation staff work with CCS to maximize the number of families who participate in fitness programs across Caledon. In 2016, Council approved \$10,000 of the MACG budget to be allocated annually to CCS to fund Club

Caledon and the balance is distributed through the application evaluation process (Account #01-10-115-40010-365-62319).

Property Tax Assistance – Low Income Seniors and Low Income Persons with Disabilities

The Town currently offers a \$525 property tax rebate to qualifying low-income elderly and low-income persons with disabilities. In the 2023 budget, it is being proposed to increase the rebate to \$535 to reflect the proposed increase in property taxation. This is consistent with increases in the rebate amount in previous budgets.

The Region and local school boards (through the education portion of the property tax bill) share in the cost of this program in proportion to the amount of property taxes collected for each body. For the 2022 rebate in the amount of \$525, the Town funds \$248, the Region \$179 and the school boards \$98. Any increase to the tax assistance amount would be split proportionately between the levying bodies based on the amount of taxes payable to each body. However, any change to the tax assistance amount above what is proposed in this report would cause a negative variance at the Region of Peel as they have only included support of the existing program increases. As of December 31, 2022, the Town has provided \$45,884.53 in assistance to qualified low-income seniors and low-income persons with disabilities for the 2022 property tax year.

Pandemic impact on the proposed 2023 budget

As recovery from the pandemic continues, staff identified expenditures in 2023 that directly related to the pandemic and the recovery. Staff were directed to identify spending directly related to the pandemic that would occur with the assumption the pandemic will continue in 2023 in an unknown manner, with expenses being identified similar to 2021. One-time budget adjustments caused by the pandemic were not made in order to ensure 2023 property taxes were not increased due to the pandemic. Any remaining Safe Restart funding that the Town received and is unspent was moved to the Tax Funded Operating Contingency Reserve. Any expenses that the Town continues to face that are related to the Covid-19 pandemic will be funded from the Operating Contingency Reserve in 2023 to avoid any property tax impact. This is a constantly evolving list due to the active response to the pandemic. Staff will update Council on actual costs incurred as part of the regular 2023 operating budget variance reporting. Table 2 below is a list of spending identified within the 2023 budget that will be funded from the Tax Funded Operating Contingency Reserve/Safe Restart funding.

Table 2: Safe Restart Funding

Department	Description	Budgeted approved draws for COVID Expenditures
Library	Operating supplies for COVID	9,560
Corporate Accounts	Softphones	40,000
Corporate Accounts	Continued WebEx for online Council meetings	36,000
Corporate Accounts	Business Continuity Plan	25,000
Community Services	Caledon Yards additional cleanings	36,018
Community Services	Increase facility maintenance wages for Covid cleaning and support safety measures	207,424
Operations	Additional Vehicle Cleaning and Sanitization for Yard Fleet	40,000
Office of the CAO - Economic Development	Marketing Coordinator (1 yr contract) to assist the Economic Development team with marketing and promotion needs to assist local businesses and promote tourism during the pandemic.	71,700
Community Services	Enhanced cleaning at Town Hall - casual wages	66,444
People Services	Health and Safety Associate Contract	67,430
	2023 Commitments from Reserves	599,576

FINANCIAL IMPLICATIONS

Debt

Most of the financial implications are included in other sections of this report.

Proposed External Debt

The proposed 2023 Capital program contains one projects to be financed through the issuance of debentures. Debentures are issued through the Region of Peel and are typically repaid over 10 years. This project is as follows:

Project	Amount to be Debentured	Estimated Annual Payment
23-164 Roads Rehabilitation Construction Program	\$4,100,000	\$561,000
Total	\$4,100,000	\$561,000

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The debt repayments for the 2023 capital projects will be phased in over the 2024-2025 budgets as the projects are finalized and the debentures issued.

External Borrowing Limits

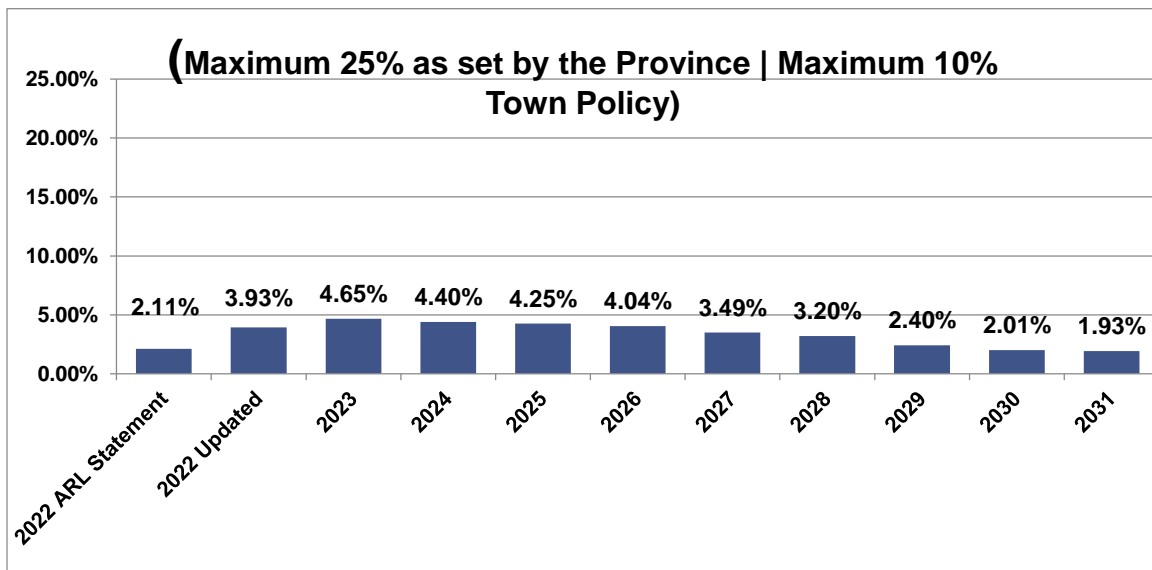
The Town of Caledon, like other lower-tier municipalities, must secure long-term debt through the upper-tier municipality. This means that the Town of Caledon, must secure long-term debt through the Region of Peel.

Provincial policy allows municipalities to incur debt charges equivalent to 25% of their Net Revenues, which include tax levies, user fees and other income, without prior approval of the Local Planning Appeal Tribunal.

The Province provides each municipality with an Annual Repayment Limit (ARL) statement, in accordance with Regulation 403/02 of Section 401 of the *Municipal Act 2001*, outlining the percentage of net revenues the municipality is currently using to service debt. The calculation of the ARL for a municipality in 2021 is based on its analysis of data contained in the 2019 Financial Information Return (FIR). The Town of Caledon's 2022 ARL statement report indicates that the Town has net debt charges of \$2.0 million or approximately 2.1% of the Town's net revenues. This leaves a balance of 22.9% (25% - 2.1%) or approximately \$21 million of the ARL available.

As part of the 2012 Budget, Council adopted a debt policy where the Town may issue debt to a maximum projected debt servicing charges (principal and interest payments) of 10% of net revenues.

An update of the ARL/debt servicing costs as a percentage of net revenues based on current debentures, the recommended debentures included in this report and projections on future debentures (not approved to-date) is as follows:



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The chart shows an adjusted 2022 ARL and projected ARL to 2031 which includes updates/assumptions such as:

- Photocopier lease costs and OPP property lease costs;
- Future debentures assumed:
 - 2021 Roads Project of \$4.1 million to be debentured in 2023;
 - 2020 Streetlight Program - \$3.4 million in 2023;
 - CECC phase 4 - \$4.6 million in 2023;
 - 2022 Roads Rehabilitation, Castleberg Sideroad, Bridge and Culvert Construction, Storm Sewer lining of \$6.8 million in 2023;
 - As outlined in Staff Report 2021-0026 if approved the Southwestern Ontario Integrated Fibre Technology (SWIFT) loan guarantee of \$955,000 is required to be included in the ARL update as of 2021. Repayments have also been added for 2023, based on anticipated timing of completion for the Town's portion of the SWIFT project. This commitment will continue to be reflected in the Annual Repayment Limit until the Town is removed from the loan guarantee.
- Assessment growth revenue projections for 2023 to 2032 based on the same assumptions used in the 2023 budget

The Treasurer is required to calculate an updated ARL and disclose it to Council to assist Council in decisions regarding capital programs and debt. The Treasurer has updated the Town's Annual Repayment Limit calculations and concluded that the Town will continue to be below the 25% of net revenues set by the Province and below the 10% of net revenues set by Town policy if debt is issued as recommended in this report.

Internal Borrowing (Reserves)

The 2023 capital program also includes a project being funded from the Town's capital asset replacement reserve. Withdrawals from this reserve above the Town's annual contribution to the reserve must be repaid over 15 years. The following is the list of projects and their repayment amount that will be required in 2024 to replenish this reserve.

Project	Project Details	2024 Onward Annual Repayment
20-033	Works Yard 1 and 2	\$291,043
Total		\$291,043

The 2024 budget will need to increase contributions to the Capital Asset Replacement Reserve by \$291,043 to fund the repayments of these draws on the reserve necessary to fund these projects. Along with the debenture payments in Table 3 to be phased into the budget, these repayments will form an unavoidable budget increase in the 2024 and subsequent budgets.

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Pre-Approvals: Schedule C:

Staff is requesting pre-approval for the funding in 2024 two projects. This is due to the lead time of ordering these assets. Pre-approval is provided in 2023 so that orders for these assets can be placed for delivery in 2024. These projects are for fleet to support our operations department and are funded from non-property tax sources:

- 23-093 2024 DC Growth Additional Fleet Assets
- 23-094 2024 Replacement Fleet Assets

ATTACHMENTS

Schedule A: 2023 Capital Budget

Schedule B: 2023 Change in Service Levels

Schedule C: 2024 Capital Project Pre-Approvals

Schedule D: 2023 Municipal Agriculture and Community Grants