



CORPORATE SERVICES

Staff Report

REPORT NO: COR 2023-27

TO: Council

SUBMITTED BY: Patrick Kelly CPA, CMA Director of Corporate Services / Treasurer

PREPARED BY: Patrick Kelly CPA, CMA, Director of Corporate Services / Treasurer
Ashton Romany CPA, Manager of Finance / Deputy Treasurer

REVIEWED BY: Sharon Chambers, CAO

DATE: March 20, 2023

SUBJECT: 2023 Municipal Budget Package

RECOMMENDATION:

THAT the 2023 Municipal Budget, as recommended by the Finance and Budget Committee be approved as presented; and further,

THAT the Director of Corporate Services / Treasurer be authorized to prepare the necessary levying by-law to raise \$10,643,850 for Township purposes from general taxation.

SUMMARY:

The attached budget package is presented to Council on behalf of the Finance and Budget Committee. The 2023 Municipal Budget is balanced, and indicative of the collaborative efforts of staff and Members of Council in meeting the needs of this community for fiscal 2023 and moving forward.

BACKGROUND:

The Finance and Budget Committee held meetings on December 12, 2022, January 30, February 13, February 21, and March 14, 2023 to consider the various aspects of the proposed

2023 Municipal Budget. All meetings were held in Council Chambers and fully accessible in-person or online to member of the community.

Throughout this first budget for the new term of Council, staff have provided additional contextual information regarding Wilmot's historical budget practices, and the Township's relative status amongst peers in terms of affordability and fiscal circumstances.

REPORT:

At the initial meeting of the Finance and Budget Committee, the committee endorsed a dedicated infrastructure levy set at 2.80%, and further directed staff to revisit the projected adjustment to the base levy (4.80%) and proposed levy adjustments for new staffing (2.20%).

At the committee meeting held on February 13th, staff presented a draft base operating budget for information, which included \$24.7M in revenues and \$25.6M in expenditures, leaving a funding gap of approximately \$885K.

The first draft of the 2023 capital program was presented on February 21st, and totaled \$23,754,750. This initial draft of the capital program was much larger than historical levels, due to several growth-related infrastructure initiatives and the purchase of the property on Neville Street; therefore, staff sought direction from committee regarding the prioritization of projects proposed for 2023. In reviewing the draft capital program, the committee initially directed staff to make revisions to five (5) projects. These revisions resulted in a \$150,000 reduction in levy funding requirements and \$937,500 in debt funding reductions.

Following the presentation of base operating and capital budgets, staff worked collaboratively to identify additions revisions to the budget in an effort to strike a balance between the Township's base operating and capital needs, while recognizing the impact of property taxes on the community and affordability. These revisions further reduced capital levy funding by \$154,500, and net operating expenses by \$108,500.

At the last committee meeting held on March 14th, additional revisions were brought forward by staff, based upon direction from committee to find additional savings. The combination of capital and operating expense reductions brought the funding gap down by an additional \$147,500, to a total of \$324,248. This gap would require a base levy adjustment of 3.24%

A summary of the revisions from the February 13th committee meeting to the base operating and capital program included in the final budget package is outlined within the chart below.

| Adjustment Item | Adjustment | Funding Gap |
|-------------------------------------|------------|-------------|
| Opening Funding Gap (Feb 13) | - | \$884,748 |
| Capital Program Deferrals | (369,500) | 515,248 |
| 30 Neville Leaseback | (100,000) | 415,248 |
| Culvert Repairs Adjustment | (12,500) | 402,748 |
| Crack Sealing Program | (35,000) | 367,748 |
| Minor Capital Deferrals | (28,500) | 339,248 |
| Addition of Sidewalk Tractor Rental | 20,000 | 359,248 |
| Transfer Reforestation Funding | (\$35,000) | 324,248 |

Staffing Considerations

At the final committee meeting, a total of six (6) staffing positions were presented for committee consideration. These new positions were considered as priorities from various service areas to continue fulfilling the service level expectations of the community.

Through committee deliberations, four (4) of the positions were supported for inclusion within the 2023 operating budget. These positions and their levy impact are noted below.

| Position | Levy Impact |
|---|-------------|
| Manager of Strategic Initiatives / Communications | 0.27% |
| Manager of Public Works | 0.27% |
| Technical Assistant | 0.00% |
| Night Custodian | 0.30% |
| Total Impact | 0.84% |

The remaining two (2) positions were Hybrid Parks/Arena Operator roles that were deferred for consideration within the 2024 municipal budget.

The final proposed budget, as approved by committee is inclusive of a 3.24% base operating adjustment to the base levy, the 0.84% special levy adjustment for additional staffing resource, and the 2.80% dedicated infrastructure levy adjustment. The combination of these factors results in a net levy adjustment of 6.88%, which inclusive of assessment growth will generate \$722,860 in levy funding towards current year operating, the 2023 capital program and infrastructure reserve funds.

The proposed 2023 budget includes over \$22.0M in operating expenditures, a \$22.5M capital program (\$1.06M in current year levy funding) and allocations to Infrastructure Reserve Funds of \$1.7M (2022 - \$1.59M). In addition, the Township will remit approximately \$665,000 in debt servicing costs, with roughly \$185,000 funded from levy.

Other Budget Highlights:

- OMPF Funding at \$514,700 (2022 - \$605,500);
- Investment Income of \$1,036,000 (2022 - \$692,700);

- Operating Expenditures of \$22,018,015 (2022 - \$20,062,160);
- Operating Revenues of \$10,986,120 (2022 - \$9,728,115);
- Capital Program valued at \$22,472,950 (2022 - \$14,095,000);
- Capital Levy Funding \$1,063,410 (2022 - \$1,402,200);
- Dedicated Infrastructure Investment \$798,760 (2022 - \$520,760); and
- Minor Capital Initiatives of \$78,080 (2022 - \$118,150)

Water and Sanitary Rates were also updated during the budget process with the average bi-monthly bill impact of 4.59% or \$8.81. Updated revenues were incorporated into the operating budget along with updated costs to continue supporting the Township's water and sanitary systems.

Deferred Initiatives

In an effort to strike a balance between the Township's base operational pressures and levy impact on the community, a number of operating and capital costs were deferred to the 2024 budget. Prior to approving the final budget for 2023, staff want to ensure Council is aware of the value of items deferred into 2024. The following is a summary of those adjustments and some projected adjustments expected in 2024.

| Adjustment Item | Impact in 2024 |
|---------------------------------------|------------------|
| Capital Program Deferrals | \$369,500 |
| Debt Payment Obligations | 124,900 |
| Minor Capital Deferrals | 28,500 |
| Culvert Repairs Adjustment | 12,500 |
| Crack Sealing Program | 35,000 |
| Anticipated OMPF Reduction | 77,205 |
| Removal of 30 Neville Lease Fees | 100,000 |
| Deferral of Hybrid Operator Positions | 40,914 |
| Subtotal | \$788,519 |

If the 2023 municipal levy is set at the proposed level of \$10,643,850, these deferrals and 2024 adjustments would require a preliminary levy adjustment of 7.41%, excluding any other impacts.

One other consideration that is challenging to predict for 2024 is the impact on investment income as more capital funds are outlaid, and interest rates begin to cool. Council should prepare for reduced overall returns on investment in 2024 and moving forward.

Based on the comprehensive review and analysis of operating and capital budget proposals from each service area, and the input of Committee Members and staff over the past several weeks, the Finance and Budget Committee has managed to achieve a balanced budget for 2023.

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

This report is aligned in many ways with each of the five (5) main goal areas, and corresponding strategies within the Township Strategic Plan. The strategic alignment was outlined in detail throughout each of the preceding budget reports.

FINANCIAL CONSIDERATIONS:

Overall revenues generated from Property Taxes in 2023 are estimated at \$10.9M, inclusive of the 2.80% infrastructure levy adjustment, 0.38% assessment growth, payment-in-lieu of taxes (PILs) and supplementary taxes (net of write-offs). The increased levy requirement for 2023 of approximately \$685,000 will result in an additional \$75.53 in annual property taxes for the average residential property, the equivalent of \$6.29/month.

The proposed increase will generate a total levy increase of approximately \$722,860 over the 2022 levy, factoring in assessment growth.

In 2022, \$1,097.36 of the average residential property taxes were remitted for Township of Wilmot services, with the remainder allocated to the Region of Waterloo and School Boards.

For every 1.0% increase in the levy, approximately \$100,000 in additional funding is generated for Township services in 2023.

ATTACHMENTS:

2023 Municipal Budget Package