



A People Place, A Change of Pace
SHELBURNE
ONTARIO, CANADA

Meeting Date: Monday, January 23, 2023

To: Mayor & Members of Council

From: Carey Holmes, Director of Financial Services/Treasurer

Report: Financial Services 2023-1

Subject: **2023 Budget Framework**

Recommendation

BE IT RESOLVED THAT Council of the Town of Shelburne receives report FS 2023-1 with respect to the 2023 Budget Framework for information;

AND FURTHER THAT Council directs staff to:

1. Prepare a Draft 2023 Operating Budget to include an overall tax levy increase not to exceed 5.3% or the equivalent of a 1% increase in the tax rate and that;
2. The Draft 2023 Operating Budget include three (3) new labourer positions, starting Quarter 2, for Operations as identified in the Operations Review presented to Council on January 9, 2023 and that;
3. The Draft 2023 Operating Budget include the 2022 compensation report recommendations and the salary adjustments as presented to Council on January 9, 2023 to be effective starting Quarter 3 and that;
4. The Draft 2023 Budget utilize \$200,000 from the tax stabilization reserve and that;

5. Place \$400,000 of the 2022 estimated surplus into a reserve in order to assist with funding the 2023/2024 capital equipment purchases as identified in the 5-year capital plan, and that;
6. Any savings recognized through the budget process in the coming weeks be placed into the capital reserve and or tax stabilization reserve in order to hold the tax rate at a 1% increase and replenish reserves.

Background

In 2023, a change of 1% in the levy is approximately \$90,995. An estimated 5.3% increase in the tax levy or 1% in the tax rate represents an additional \$460,751.

In 2022, a change of 1% in the levy was approximately \$86,387. The approved 2022 budget tax levy increase was 10.28% and a tax rate increase of 5% resulting in an additional \$804,924.

A budget framework was implemented in 2020 to seek Council's direction in advance of staff presenting a draft operating budget to enhance the transparency and accountability of the budget development process. The budget framework also works in conjunction with Council's Strategic Priorities, the Debt Management Policy, Strategic Asset Management Policy, and the Five Year Capital Plan.

Analysis

In 2023 the Town continues to face as many significant financial pressures as experienced in 2022.

2023 Unavoidable Cost Drivers

The unavoidable cost drivers that are reflected in the budget framework are:

- MPAC re-assessment did not take place again in 2023 and for the third year in a row (Both AMO and AMCTO are advocating on behalf of municipalities for the Return of the Assessment Cycle)
- Legislative changes from the Provincial and Federal government – most recently Bill 23 (More Homes Built Faster Act, 2022) and its effects on funding long term commitments through Development Charges
- Mandatory employer payroll contributions, more specifically an increase in CPP and WSIB
- Fuel, Natural Gas, and Hydro increases

- Third party service contracts that are tied to CPI. The CPI in Ontario at September 2023 was 6.9%
- General inflationary increases due to current economic state of the economy

Grant Funding

The Ontario Municipal Partnership Fund (OMPF) value has been set at \$445,600 which is an increase of \$18,900 over 2022. The formula based funding for Ontario Community Infrastructure Fund (OCIF) has been set at \$500,741, which is down by \$88,366 over 2022. The Canada Community-Building Fund (CCBF formerly AMO Gas Tax) is \$268,922 and continues to be utilized to pay down the Sister Street debenture loan.

The Town has applied for the following grants within the 2023 budget, and if not successful in obtaining the funding, some projects may not be able to proceed: Connecting Link Grant for Owen Sound Street, Federal Economic Development for Ontario (FDO) grant for Grace Tipling Revitalization, Central Counties for Gateway Signs, Red Grant for CIP capital projects in the downtown core, Heritage Canada for Canada Day Grant, Canada Summer Jobs for summer students.

It is also noted that in the 2023 draft budget, approximately 36% of the Town's total annual operating expenses will come from the budgets of third-party boards of management such as Fire, Library, Arena, Conservation and Policing.

Special Levy Update

As identified in the 2022 Budget Framework report, it was suggested that the Emergency Accommodations Levy be continued into 2023. This will be the first time that the amount will not be utilized to fund police severance costs and therefore the building of it can continue and allow for it to grow for future fire hall needs.

The Parks and Recreation Levy that originally started out as 2% and then dropped to 1% in 2022, has been removed completely in 2023 as the budget has now been aligned to include the additional operational costs associated with the parks and recreation department. The reserve is being utilized as needed in 2023 and it is estimated that there will be \$220,000 remaining in that reserve after 2023.

Transit

As identified in a report from the CAO 2022-15 in October of 2022, weekend transit service was suspended effective January 1, 2023 so that the newly elected council could decide how to proceed during the 2023 budget deliberations. The amount identified in the 2023 budget is for a period of 9 months commencing April 1, 2023 for approximately \$7,500 per month for a total 2023 cost is \$67,500.

Financial

Assessment growth from new development has increased taxable assessment by 4.39%. This is fortunate for the town since the phase in assessment was delayed again. This has allowed for a tax rate lower than what would have been necessary should growth not have occurred.

At the end of September 2021 CPI was 4.4% and at the end of September 2022 CPI was 6.9%. In the past, it was a customary practice to utilize the Ontario CPI Rates as a standard for COLA increases for wage adjustment recommendations. It was recognized that this practice was not appropriate in 2022 and the same acknowledgement applies for 2023. The Draft 2023 budget has included a 3% salary increase effective January 2023 for all current staff.

2022 Estimated Year End

Due to the late timing of the 2023 Draft Budget as a result of the election, the 2022-year end figures are more accurately known at this point in time than when a budget is normally passed prior to the year end. It is expected that a significant surplus will be recognized. For this reason, it was not necessary to utilize the tax stabilization reserve as budgeted for in 2022. Therefore, this fund will instead be utilized in 2023 in the amount of \$200,000 in order to hold the tax rate increase to 1%. This still leaves a balance in the reserve fund of \$135,000.

With the adoption of the 5 year capital plan, staff have also reviewed and realigned some of the scheduled capital equipment purchases that had previously been identified and as a result it is being suggested that \$400,000 of the 2022 surplus be placed in the capital equipment reserve to offset the planned 2023/2024 equipment purchases that are condition/age based, and not growth related and therefore cannot be funded by Development Charges but rather reserves.

2022 Municipal Services Review and Evaluations

During 2022 a compensation analysis or “Market Check” was completed by Ward & Uptigrove. The report was presented to Council In-Camera on January 9, 2023. The following motions were passed with respect to the report:

Motion # 4

Moved By Councillor Benotto ***Seconded By*** Councillor Guchardi

BE IT RESOLVED THAT the option to review the implementation of corporate wide compensation adjustments and the estimated costs as of July 1, 2023 be included in the draft 2023 budget for the consideration of Council; and that a review of the current compensation policy related to paid overtime for applicable management positions be reviewed and revised.

During 2022 an Operations Service Delivery Review was completed by Optimus, and those results were presented to Council in a joint report from the consultant and the CAO. The following motion was passed with respect to the report:

Motion # 6

Moved By Councillor Benotto ***Seconded By*** Councillor Fegan

BE IT RESOLVED THAT Council:

- 1. Receives report CAO 2023-01 Operations Review Town of Shelburne – Report and Recommendations for information; and that*
- 2. The additional three labourer positions recommended be included in the draft 2023 operating budget of the Development and Operations Department for the consideration of Council.*

Therefore the 2023 budget includes the following assumptions related to the Operations Review and Market Check:

- Starting in July 2023 (Quarter 3 pay period 14) the approved new corporate wide pay grid will be implemented.
- three (3) new labourer positions, starting Quarter 2, for Operations as identified in the Service Delivery Review

A 2023 Draft Organizational Chart has been included as Appendix 1.

The tax rates for the County of Dufferin are still unknown currently. The Province has announced the tax rates for education will remain the same in 2023 as they were in 2022. More details may be available during the upcoming budget meetings.

Consultation and Communications

Senior Staff & Department Heads

Current contracts/providers for certain services, group benefits, municipal insurance, etc

Policies and Implications

Municipal Act, S.O. 2001, as amended

Strategic Asset Management Policy 2019-03 (as amended in July 2022)

Debt Management Policy 2019-04

Municipal Procurement Policy 2019-05

Investment Policy 2016-04-02

Reserve and Reserve Fund Policy 2016-04-03

5 Year Capital Plan 2022-2026 (Adopted in 2022)

Council Strategic Priorities

Council's Strategic Priorities has three Goals - Sustainable, Engaged and Livable. There is a total of 12 targets within the three Goals.

This report aligns with the Sustainable Goals within the Targets:

Target T1 - Develop a Long-Term Financial Plan

Target T2 - Municipal Services Review and Evaluation

Target T3 – Invest and Fund Critical Infrastructure for Future

Target T9 – Promote Age-Friendly, Multicultural Community

Target T10 – Improve and Enhance Parks & Recreation Services

Supporting Documentation

Appendix 1 – Draft 2023 Organizational Chart

Respectfully Submitted & Prepared by:

Carey Holmes, Director of Financial Services / Treasurer

Reviewed by:

Denyse Morrissey, CAO

TOWN OF SHELBURNE –Organizational CHART 2023

