

Municipality of Lakeshore – Report to Council

Finance



To: Mayor & Members of Council

From: Justin Rousseau, Corporate Leader – Chief Financial Officer

Date: December 14, 2022

Subject: 2023 Draft Budget

Recommendation

This report is provided for information and will be presented for direction for deliberation at the January 30, 2022 budget deliberation meeting.

Background

Section 290 of the *Municipal Act, 2001* states:

A local municipality shall in each 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 budget shall, in such detail and form as the Minister may require, set out the estimated revenues and estimated expenditures; and provide that the estimated revenues are equal to the estimated expenditures.

The Draft Budget is based on the Municipality of Lakeshore's 'own purposes' requirements, which are the dollars required for operating and capital needs of the municipality. Municipal costs are funded from a combination of user rates (water and wastewater), user fees and taxation (tax levy required for all other budget centres).

The Draft Budget is prepared based on detailed review of base budget allocations in relation to operating costs for service delivery. Staff submit budget requests, which are reviewed by the Corporate Leadership Team (CLT) resulting in the recommended budget that accompanies this report.

Comments

General Budget Overview

The municipal levy required in 2023 is \$39,168,130 which represents an increase of \$2,719,620 before growth. With assessment growth of \$860,887 the levy requirement after growth is \$1,858,733 or 4.74 % tax increase to an existing homeowner. On an average assessed property of \$275,000 this represents a monthly tax increase of \$7.00 for 2023.

When combined with the County and Education rates residents can expect a 3.83% increase in total property taxes cost over 2022.

A high-level summary of the changes from the 2022 Budget to the 2023 Draft Budget which comprise the \$2,719,620 increase is provided below along with subsequent explanations for each change.

| Operating Expenses and Revenue | | Capital Enhancements | |
|---|-------------|--|-------------|
| Legislative Impacts | \$336,668 | Asset Management Planning Reserve Enhancements | \$1,239,249 |
| Council Initiatives | 15,000 | | |
| One Time Costs from 2022 | 499,011 | | |
| Wages and benefits- Inflation and provisions for contractual agreements | 968,421 | | |
| Staffing Enhancements-Tax funded | 1,141,644 | | |
| Staffing Request-Water & Wastewater funded | 280,373 | | |
| Inflation and Contractual Increases | 357,682 | | |
| Transfer from Tax Stabilization | (1,024,788) | | |
| Changes Line by Line in Revenue and Expenses | (1,291,565) | | |
| Other Service Level Enhancements | 197,925 | | |
| Total | \$1,480,371 | Total | \$1,239,249 |

Capital Investment

The 2023 Capital Budget includes capital investments of \$25.6 M of infrastructure work including water and wastewater. Capital investment is comprised of:

- \$3.9M for wastewater works
- \$3.5M for water works
- \$12.7M for Roads and related capital
- \$0.5M for storm water improvements

- \$1.2M for facility capital works
- \$1.1M for Bridge related initiatives
- \$0.3M for technology upgrades
- \$0.8M for plans, studies and council programs
- \$1M for operating equipment and vehicles

As identified in the chart above, an additional \$1,239,249 is being allocated to capital funding as part of the 2023 Budget. The additional transfer is needed to continue to support the Town's future infrastructure and capital needs and forms is part of the recommendation from the Asset Management Plan passed by Council in 2022.

A full listing of capital purchases and projects is provided in the Capital Budget.

Reserves and Reserve Funds

These funds are used for various municipal purposes and play a critical role in long-term financial planning and financial sustainability. Some of the benefits of having reserves available for infrastructure planning include:

- a) the ability to stabilize tax rates when dealing with variable and sometimes uncontrollable factors **(used in the 2023 budget to reduce burden of inflation to the taxation rate, a withdrawal of \$1,027,788 has been provided for)**
- b) financing one-time and short-term investments
- c) accumulating the funding for significant current and future infrastructure investments **(Increases in funding of \$1,239,249 for capital programs has been provided for)**
- d) managing the use of debt

The Summary of Reserves identifies the purpose for each reserve, its projected 2022 ending balance, the effects of the 2023 Draft Budget recommendations, and funding targets, some of which were established under Policy FN-398 – Reserve and Reserve Funds and developed through Asset Management planning.

Revenues and Recoveries

The Municipality of Lakeshore's growth has been apparent through its high building permit activity and development charge collections over the past few years.

In addition, the 2023 Budget has increases in Gaming Revenue \$150,000 from the operation of that licensing program. Increases in User fees for the organization \$45,000, Increases in investment income \$175,000 from the implementation of investment policy.

Increases in water and wastewater revenue have been built into the 2023 budget based on the recommendation of the water and wastewater rates study completed in 2022 calling for 4% and 9% increased to both rates.

Increases to wastewater revenue are \$546,878 and \$475,774 for water. It should be noted that both rate models are self-funding. It should also be noted that the wastewater reserve is forecasted to be \$4,042 at the end of 2023. It's low level presents the highest area of fiscal risk to the municipality.

Development charges also continue to be a significant source of revenue for the Municipality. As these are encumbered revenues, they can only be applied to growth related projects.

In 2019 the Town began the process of updating the current DC by-law by way of background study. Through the process, as well as a recent update in 2022 the Town reviewed all current and future growth-related projects that have been incorporated into the draft 2023 new DC-By law Update for wastewater that was approved by Council in 2022

Expenditures

One-Time Adjustments

As part of the 2022 budget, Council approved a total of \$499,011 in one-time adjustments primarily from the use of the insurance reserve to cover significant increases seen in 2022. The impact of the animalization of the one-time adjustment to the 2023 budget is an increase of 1.36% to the municipal levy prior to any operating budget adjustments.

Wages and Benefits

In accordance with the Town's collective agreements, a number of economic adjustments were made to reflect negotiated increases for 2022 where required. An inflationary increase based on the Consumer Price Index from 24 month rolling average (5.56%) was provided for Council and non-union staff wages in accordance with policy and Council direction upon the completion of the salary review in 2021. The annualized impact of wages from 2022 to 2023 is \$968,421.

As the 2023 budget was prepared prior to the finalization of the IBEW Full Time collective agreement as well as the Firefighters working agreement provisions have been added to the budget for potential increases due to contract negotiations.

All staffing positions for the 2023 budget have been prepared with full business case reviews so that council and the public can see the needs and risk associated with the resourcing gaps in the municipality.

New staff positions being recommended in 2023 amount to \$1,141,644. A complete listing of these positions and their cost including labor burden is provided below;

| Operating Budget Centre | Position Title | Budgetary Impact |
|--------------------------------|--|-------------------------|
| Digital Transformation | Team Leader Technology Service Delivery (full time) | 122,055 |
| Digital Transformation | Technology Infrastructure Specialist (full time) | 100,577 |
| Workforce Development | Workforce Development Advisor (full time) | 122,741 |
| Civic Affairs | Communications and Engagement Specialist (full time) | 86,313 |
| Legal | Associate Lawyer (full time) | 160,554 |
| By-law | Administrative Assistant (full time) | 84,462 |
| GIS | GIS Student | 15,109 |

| | | |
|--|--|--------------------|
| Parks | Seasonal Parts Staff (seasonal) | 47,500 |
| Accounting and Revenue | Accounting Clerk (full time) | 88,097 |
| Financial Planning | Financial Analyst (full time) | 100,557 |
| Approved by Council in year offset by Gaming Revenue of \$150,000 | | |
| Civic Affairs | Civic Affairs – Team Leader | 122,055 |
| Civic Affairs | Civic Affairs – Administrative Assistant | 42,968 |
| Approved by Council in year for Revenue Clerk | | 48,656 |
| New recommended positions funded from Tax | | \$1,141,644 |

New staff positions for water and wastewater being recommended in 2023 amount to \$280,373. A complete listing of these positions and their cost including labor burden is provided below;

| Operating Budget Centre | Position Title | Budgetary Impact |
|---|-------------------------------------|------------------|
| Water | Water Locate Technician (full time) | 97,994 |
| Water | Water Locate Technician (Contract) | 83,685 |
| Wastewater | Wastewater Operator (full time) | 98,694 |
| New recommended positions funded from Water and Wastewater rates | | \$280,373 |

Legislative, Inflation and Contractual Impacts

Legislative Impacts of \$336,688 include the provision of new debt for the Dennis St Pierre Plant in wastewater offset by the recovery of 90% from the Development Charges Reserve. Other Legislative cost include mandatory training for VFF and increases in professional fees for employee benefits future obligation cost.

Inflationary and Contractual cost \$357,682 include raising cost of insurance \$156,765, increases to fuel cost \$142,000, increases to OCWA Contracts \$41,145 & Solid waste contracts \$124,811. These increases are offset by a reduction in OPP Services \$(124,909)

Council Initiatives

The budget provides for several Council Initiatives to consider, items such as Council Strategic planning and goals, Indigenous engagement, Citizen survey & panel engagement, and staff appreciation are included, these items are funded by transfers from reserve and have a cost to the tax rate of \$15,000

Line-Item Increase

The budget calls for \$634,379 in line item increases the largest of these comes in Digital Transformation and Cloud Services which calls for an \$48,000 dollar increase in reserve funding and a \$247,000 dollar increase in computer and telecommunications expense after consolidation of all expenditures. Another large expenditure increase is legal fees

anticipated in 2023 due to ongoing litigation a transfer from reserves is being planned for to mitigate that risk.

Other Service Level Enhancements

The budget also makes provision for \$197,925 dollars in service level enhancements. Some notable ones are increases to utilities for the addition of River Ridge Park. Increases to our road signs, dust control, center line painting programs.

Water & Wastewater

The Municipality completed an update to the Water and Wastewater Rate Study in 2022 to provide solutions to support the Town's short and long-term goal to ensure financially sustainable water and wastewater systems. The recommendations from the updated rate study have been incorporated into the 2023 Draft Budget as well as the 2023 User Fees By-law. Below is a summary of the change in the water rates for 2023.

| Water Rates | 2022 | 2023 |
|-------------------------|---------------|---------------|
| Consumption Rate | \$1.56 | \$1.62 |
| Flat Rate | \$20.85/month | \$21.68/month |
| Wastewater Rates | | |
| Consumption Rate | \$1.68 | \$1.83 |
| Flat Rate | \$21.32/month | \$23.24/month |

Others Consulted

ERCA
LTVCA
County of Essex
Ministry of Municipal Affairs and Housing

Financial Impacts

An additional municipal levy requirement before growth of \$2,719,620 is recommended for the 2023 Budget. After factoring in the growth projection of \$860,887 the municipal levy requirement after growth is \$1,858,733 or 5.10% for 2023. This translates into a 4.74% Tax rate increase to the residents of the Municipality of Lakeshore.

When combined with the County and Education rates residents can expect a 3.83% increase in total property taxes cost over 2022.

There were several operating budget request and capital budget requests that were either deferred to future years or not recommended at the CLT budget review stage. These budget issues are provided to Council in the Appendices to the budget document. Along with any business cases for deferred staffing.

Attachment: Appendix A: Draft 2023 Budget

Report Approval Details

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|----------------------|---|
| Document Title: | 2023 Draft Budget.docx |
| Attachments: | - Municipality of Lakeshore Draft Budget 2023.pdf |
| Final Approval Date: | Jan 5, 2023 |

This report and all of its attachments were approved and signed as outlined below:

Prepared by Justin Rousseau

Approved by Truper McBride