

Town of Aylmer

Report FIN 01-23



Report Title:	Preliminary Operational Budget 2023
Submitted for:	Council – January 25, 2023
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<input type="checkbox"/> Receive for Information	<input checked="" type="checkbox"/> Recommendation

Recommendation

That Report FIN 01-23 respecting, the Preliminary Operating Budget, be received as information; and

That Council direct staff to present the Final 2023 Operational Budget with Council directed amendments for review and adoption.

Executive Summary

Section 290 (1) of the Municipal Act, 2001 requires that each year local municipalities prepare and adopt estimates for the purposes of the municipality including amounts sufficient to pay all debts falling due within the year, and amounts required for any board, commission, or other body. Preparing and adopting annual budget estimates determines Aylmer’s revenue requirements that will need to be collected through taxation and user rates. Aylmer Council has had budget presentations on September 21, 2022 and a memo outlining some additional challenges on December 1, 2022. Council approved an overall Capital Budget of \$11,479,000 for 2023 and has approved new Water and Wastewater Rates, and Development Charges for 2023. The last budget estimates presented to Council this evening anticipate an 8.96% tax levy increase in 2023 and this would equate to a residential tax rate increase of approximately 8.19% since growth was only very slight. Attached are the Preliminary 2023 Operating budget files without the options listed below. The list of options for Council to consider this evening to reduce the tax levy have been included for review and comment below.

Background

This report represents another step in the Town's continued efforts to move toward a more transparent and interactive budgeting process. While we are not addressing the substantial capital infrastructure gap for in this current operating budget year with the pressures encountered by residents such as cost of groceries, gas and essentials this is not the year to address the historical gap.

The MPAC data suggests a very minute amount of growth at the end of 2022 and Aylmer's 2022 average CVA of a detached home is still around \$214,000.

In 2022, the town had a decrease in assessment of -0.04% which is extremely rare. For 2023, the town has a very small increase in assessment of 0.99% overall. After several years of being stagnant, the new developments happening now will cause an anticipated growth for 2023 and 2024 as the homes in these new subdivisions gain occupancy.

Estimated Growth by Property Code - Summary

Property Code Category	2021 Roll for Tax Year 2022		During Tax Year 2022		Growth Estimate	Growth %
	Property Count	2016 CVA	Property Count	2016 CVA Estimate		
Commercial	162	79,876,400	164	81,209,900	1,333,500	1.67
Farm	10	2,697,100	10	2,807,100	110,000	4.08
Industrial	56	38,511,000	56	38,542,000	31,000	0.08
Multi-Residential	16	23,097,000	16	23,066,000	-31,000	-0.13
Residential	2,500	529,865,100	2,560	535,118,600	5,253,500	0.99
Special/Exempt	6	5,024,000	6	5,024,000	0	0.00
Total	2,750	679,070,600	2,812	685,767,600	6,697,000	0.99

2023 Operational Pressures

The main pressures or budget drivers upon the 2023 Operating budget are:

- Significant inflationary pressures due to labour bottlenecks, supply chain and transport issues
- Increased costs to commodities such as diesel
- Vendor cost increases due to labour and materials
- MPAC assessment result in only marginal growth in 2023
- Addition of one permanent and one temporary employee position in 2022 to support future growth

Increased employee complement to support growth

The Town has undergone restructuring in 2022 towards improved business functionality. These organizational changes have repurposed existing complements however there has been some upward movement due to position reclassification. One new position was added in 2022, the Associate Director of Infrastructure and Operations. This role was added to support growth and there is an expectation that this position will assist in expediting development and growth in the Industrial Sector of Aylmer along with helping prioritize capital projects and residential growth.

Another contract position was added in 2022 for an Administrative Records Assistant as this position will help in moving forward the business process systems initiatives and modernization.

The previously proposed increase of two additional volunteer firefighters has been scaled back to help with budgetary pressures in 2023. Staff will present the further two volunteer fire positions in the 2024 budget as we will see the subdivision developments fill creating a need.

User fee updates 2023

With the addition of the Associate Director of Infrastructure and Operations, staff have discovered that there is possibility for new revenue streams to be added to the user fees. Terry brings with him an expertise in lot grading plan assessment and inspections which may be able to generate revenue that would otherwise be subcontracted by the homeowner to fulfill the permitting process. In addition, Terry is also able to complete general development reviews to potentially offer these services to those residents looking to complete site alterations such as infill development, site plan inspection and review which will help the CBO.

Recycling Contract Ending 2023

The Environmental Services budget sees a reduction in area of recycling costs from 2022 due to the provincial requirements. O. Reg 349/22 as established that municipalities will no longer operate Blue Box programs. The Town of Aylmer has been assigned a transfer date of July 2023. We are currently negotiating with the

Circular Materials Ontario and Miller Waste to receive the best outcome for local rate payers. We do anticipate that this change will result in Operational savings in the second half of 2023 with full savings being realized in 2024. Further details upon this transition will be presented to Council in February of 2023.

This change is anticipated to result in a cost savings of \$65,000 in 2023 with a full realization of approximately \$130,000 starting in 2024. Blue Box services will continue past the transition date with producers of recyclable materials being responsible for the costs associated.

One-time reductions for 2023 & Additional Measures Towards 2023 Affordability

Through subsequent senior management reviews, one-time cuts were found by pushing off some expenditures such as pushing off operating tool replacements until 2024 and delaying additional fire training costs until 2024 as NFPA training standards are not mandated to change until then.

Although OCIF would be transferred to deferred revenue and it would not help offset the tax levy increase, with the amount of OCIF increasing marginally for 2023 it would help to delay approximately 90k contribution to reserves until 2024.

Staff would like to point out a few options to council regarding one-time cuts to reserves for 2023 considering the delay in some projects due to labour and supply chain issues mentioned previously, such as:

1. Reduce a contribution to 8k for the next election for 2023 and add it to the operating budget for 2024
2. Reduce 10k & 25k from transfers to reserves for modernization projects for 2023 only since there is money available to fund the carry forward projects from last year
3. Reduce a total of 50k transfer to capital funds for asset management for 2023 only since the incremental OCIF funding would offset this

If the above three options are approved for 93k, the one-time cuts to items included above in this report would see the tax levy decrease to approximately 7.45%.

4. A fourth option for council to consider would be to reduce hours for By-law Enforcement Service which would result in a savings of 6k per year.
5. Finally, a fifth option for council to consider is to use a portion of the council initiatives reserves to offset the tax levy increase which was done in 2022. The funds remaining in the council initiatives reserve which have been funded by the EARTH dividend over the past 2 years, currently sits at approximately 214k. While this wasn't the intent of this reserve, council could draw down 40k from this reserve and they would still have 174k remaining for 2023 to use for special circumstances as they arise.

To summarize, if the above five options for one-time cuts in this report are approved, Council would see the tax levy decrease to approximately 6.70%. While these options would offer a benefit to rate payers for one year, Council must keep in mind

that these one-time cuts would generate a starting point tax levy increase of at least 2.26% for 2024 without an operating increase forecasted at all.

Conclusion

Staff have undertaken an extensive review with the 2023 budget. Staff welcome Council to provide any areas of further investigation and analysis that they would like undertaken prior to the February budget meeting. It is staff's hope that the Town's 2023 Budget will be approved following this meeting in principle, however, staff are recommending that Council review and comment on the 2023 Operating Budget so that the options can be pulled through for the final presentation at next council. The MPAC data suggests a minimal amount of growth at the end of 2022 and Aylmer's 2022 average CVA of a detached home is still around \$214,000. A preliminary comparison of the tax rate increase with the tax levy impact mentioned above is showing be approximately \$12.60 per month for the average resident of Aylmer at 8.96% tax levy increase. At a 6.7% increase it would be approximately \$9.14 per month for the average resident. To this end we want to ensure Council has all the information they require to fulfill their fiduciary obligations to the community. Please see the detailed budget document for more detailed information.

Strategic Plan Linkage

The 2023 Operating Budget relates to the Town's Strategic pillars of Planning for the Future and the Economic Vitality.

Attachments:

A. Final Operating Budget 2023

Respectfully submitted by:

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