

2023 Pre-Budget Presentation

Committee Of The Whole – Administration & Operations
Sean Nicholson, Treasurer

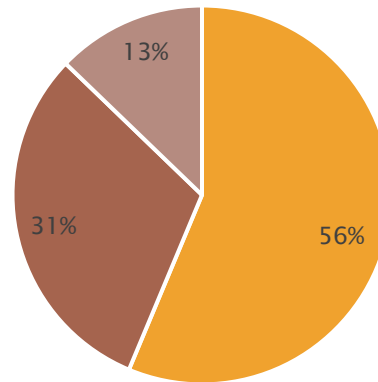
Township of Edwardsburgh Cardinal Tax Base

2022 Tax Levy Distribution by Tax Class						
<u>Class</u>	<u>Property Count</u>	<u>% of Total</u>	<u>2022 Tax Assessment</u>	<u>% of Total</u>	<u>2022 Tax Levy</u>	<u>% of Total</u>
Residential	3608	83.46%	695,571,875	70.57%	\$4,708,795	75.14%
Multi-Residential	8	0.19%	7,650,200	0.78%	\$52,555	0.84%
Commercial	145	3.35%	101,654,600	10.31%	\$830,716	13.26%
Industrial	51	1.18%	25,195,400	2.56%	\$320,345	5.11%
Farm	330	7.63%	96,991,700	9.84%	\$152,359	2.43%
Managed Forest	38	0.88%	1,993,800	0.20%	\$3,427	0.05%
Pipeline	5	0.12%	17,344,000	1.78%	\$198,641	3.17%
Exempt	<u>138</u>	<u>3.19%</u>	<u>39,007,725</u>	<u>4.01%</u>	<u>0</u>	<u>0</u>
Totals	4324	100.00%	972,771,500	100.00%	\$6,266,838	100.00%

Tax Levy versus Tax Rate

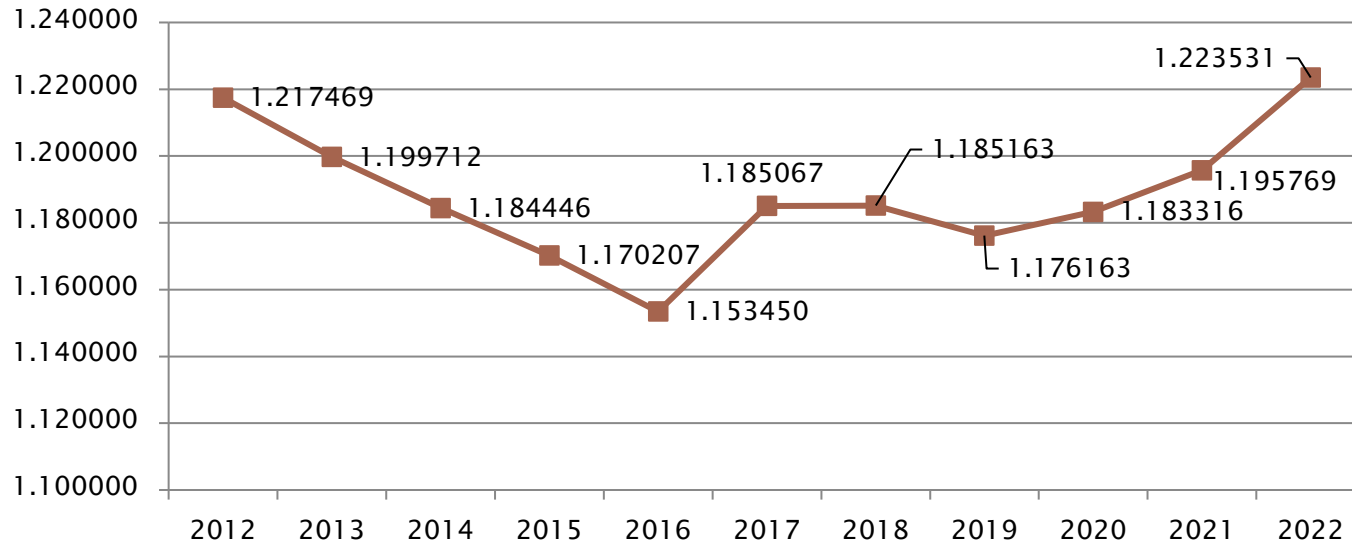
- ▶ Tax Levy is the total amount of taxes that are levied or billed to all property owners by the Township annually. A 1% increase in the municipal tax levy for 2023 is \$62,668.00.
- ▶ The Tax Rate is determined by taking the total tax levy and apportioning it over several tax classes based on tax ratios and the total taxable assessed values of all properties within the Municipality.
- ▶ A lower tier municipality combines the upper tier and education tax rates to determine the total tax rate that is applied against each property's assessed value.

percentage of total tax rate



■ municipal tax ■ county tax ■ education tax

Analysis of Total Residential Tax Rate 2012-2022



- From 2012-2015 is a period of phased in assessment which generated additional tax revenue and resulted in the decrease in the overall tax rate. The Province reduced the education tax rate by an average of 4.15%
- From 2016-2019 was another period of phased in assessment. The education rate was decreased by an average of 4.67%
- In 2017, a decrease in assessment resulted in a loss of tax revenue of approximately \$89,850. The Township tax rate increased 5.54% & Counties tax rate increased 2.01%
- From 2020-2022 there was no change in assessment values, MPAC is awaiting notification from the Province when a re-assessment will take place. In 2020, the education rate decreased by 4.97%. No change in education tax rate in 2021 & 2022.

Tax Payment Change to a median Residential Property from 2016- 2022 that had a decrease in the CVA in 2017

	2016	2017	2018	2019	2020	2021	2022
assessed value- no re-assessment cycle	212,000	196,000	196,000	196,000	196,000	196,000	196,000
total annual tax payment	\$2,445.31	\$2, 322.73	\$2,322.92	\$2,305.28	\$2,319.30	\$2,343.71	\$2,398.12
annual increase	78.57	-122.58	0.19	-17.64	14.02	24.41	54.41
monthly increase	6.55	-10.22	0.02	-1.47	1.17	2.03	4.54
Total Tax Rate	1.153450	1.185067	1.185163	1.176163	1.183316	1.195769	1.223531
Percentage Change		2.74%	0.01%	-0.76%	0.61%	1.05%	2.32%
Municipal Tax Rate	0.601871	0.635198	0.644294	0.644294	0.660667	0.673294	0.692223
Percentage change		5.54%	1.43%	0.00%	2.54%	1.91%	2.81%
OMPF Funding	\$751,400	\$772,500	\$851,400	\$850,500	\$740,000	\$646,800	\$674,300
Increase/decrease		\$21,100	\$78,900	-\$900	-\$110,500	-\$93,200	\$27,500

Tax Rate Analysis over 6 Years

Year	Township Tax Rate	County Tax Rate	School Board Tax Rate	Total Combined Tax Rate	Tax Billing per \$100,000.00 assessment	change in tax bill from prior year
2017	0.00635198	0.00370869	0.00179	0.01185067	\$1,185.07	
2018	0.00644294	0.00370869	0.00170	0.01185163	\$1,185.16	\$0.09
2019	0.00644294	0.00370869	0.00161	0.01176163	\$1,176.16	\$(9.00)
2020	0.00660667	0.00369649	0.00153	0.01183316	\$1,183.32	\$7.15
2021	0.00673294	0.00369475	0.00153	0.01195769	\$1,195.77	\$12.45
2022	0.00692223	0.00378308	0.00153	0.01223531	\$1,223.53	\$27.76
					Total change over 6 years per \$100,000.00	\$38.46

Operating Functions

These functions are representative of the reporting of expenses on the FIR

1. General Government

- Council
- Administration

2. Protective Services

- Fire Department
- Policing- OPP
- Conservation Authority- SNC
- Animal Control
- Building
- Bylaw

3. Transportation Services

- Roadways- patching, gravel, roadside mowing, ditching, sidewalks, winter control
- Bridges & Culverts
- Railway crossings
- Streetlights

4. Environmental Services

- Storm sewer, urban drainage
- Waste collection & diversion
- Johnstown Water systems
- Agricultural Drainage

5. Recreation and Cultural Services

- Cemeteries
- Libraries, Municipal Grant to board
- Parks
- Arenas- 2 arenas
- Pools- 3 pools
- Canteen- 3 including legion way
- South Centre/ Facilities
- Ball Diamonds

6. Planning & Economic Development

- Planning services
- Economic Development Activities

Operating Expense Categories

The main operating expenses categories are:

1. Salaries & Benefits
2. Professional Development & Mileage
3. Insurance
4. Materials & Supplies
5. Contract Services
6. Utilities
7. Transfer to Operating Reserves
8. Principal and Interest Payments
9. Other Expenses

Impacts on 2023 Operating Budget

Increases in Tax Levy:

- Combined known impacts are \$67,110.00 or 1.15% increase are as follows:
 - Annual CPI increase in Salaries and honorariums which directly relates to increases in payroll benefit costs. CPI unknown at this time but estimated to be as high as 6%. Based on a COL adjustment of 3%, the estimated impact to the operating budget would be \$47,989.00.
 - CUPE contract renewal requires a 1.75% increase in wages and an increase in benefits has an estimated impact of \$19,121.00 to the operating budget
 - 2023 WSIB premium rate to increase by 5% from 2.45% to 2.56%. The overall impact to the budget is estimated at \$2,500.00
 - CPP employer contribution rate increase by 0.25% from 5.70% to 5.95% and the maximum earnings has also increased. Employer matches the employee contribution. This is an estimated impact of \$7,500.00 to the operating budget

Decreases in Tax Levy:

- No re-assessment from MPAC so the only tax revenue increase will be from growth. The projected growth is 1.59% or \$15.45M of which \$4.86M is FT. The estimated tax revenue at the 2022 tax rates is \$79,081.00.
- OPP policing costs 2023 billing statement indicates a decrease of \$14,772.00

2023 Capital & 5 Year LRCF

A business case template has been developed to be used by department managers to provide council with more details about the proposed 2023 capital projects for consideration.

A long range capital forecast that includes the next 5 years of capital projects will be provided to council that will indicate the future capital requirements based on the AMP.

The AMP states that the Township's average annual capital requirement is \$5.1M.

Based on historical analysis, the Township is committing approximately \$2.2M annually, leaving an annual infrastructure funding gap of \$2.9M.

The AMP identified a financial strategy to reduce this infrastructure funding gap over the next 20 years. The following table shows the average annual tax levy increases required to eliminate the infrastructure deficit:

Funding Source	Years to Until Full Funding	Total Tax/User fee Levy Change	Average Annual Tax/User fee Levy Change
Tax Funded Assets	20	24.7%	1.2%
Rate-Funded Water	20	82.5%	4.1%
Rate-Funded- Sewer	20	71.6%	3.6%

Capital Levy Concept for Infrastructure supported by taxation

	2023	2024	2025	2026	2027
1.2% capital Levy	\$75,200	\$76,102	\$77,015	\$77,940	\$78,875
compounded annually	\$75,200	\$151,302	\$228,317	\$306,257	\$385,132
OCIF formula based funding (based on 2023 allocation)	\$486,079	\$486,079	\$486,079	\$486,079	\$486,079
Annual Total funding	\$561,279	\$637,381	\$714,396	\$792,336	\$871,211

Note– 1% tax levy for 2023 is \$62,668

Annual Requirement of Assets by Category

Based on the Township's TCA policy the following annual replacement requirements for each asset category is shown below based on estimated useful life. The average annual capital requirement cost as indicated in the AMP.

The replacement of an asset is not determined strictly based on useful life. Condition, risk and consequence of failure and probability of failure are also considered in determining the date of replacement. Lifecycle events are used to extend the life of an asset wherever possible.

Asset Category	Quantity	Average Useful Life	Annual Replacement	Average Condition	Average Annual Capital Requirement
Roads- HCB	117.9 Kms	25 Years	4.72 kms	Fair	\$2,307,200.00
Roads- LCB	23.5 Kms	15 Years	1.57 Kms	Fair	\$117,800.00
Bridges	11	40 Years	0.3	Very Good	\$313,000.00
Vehicles	25	7 -12 Years	2	Fair	\$293,000.00
Machinery & Equipment	100	15-20 Years	5	Poor	\$206,000.00
Buildings	23	40 Years	0.5	Fair	\$600,000.00

Reserves & Reserve Funds

The summary as of November 30, 2022 which includes 2022 budgeted transfers in are as follows:

Reserve		Balance as of November 30, 2022	2022 Budget Transfer out
Administration		\$200,465.75	
Fire Department	Vehicles	\$187,906.07	(\$125,000)
	Buildings	\$228,000.00	
	Communication Equipment	\$155,208.34	
Public Works		\$893,371,.39	(\$463,572)
Storm Sewers		\$477,040.01	(\$45,000)
Landfill Closure		\$91,000.00	
Recreation		\$279,024.46	
Johnstown Water		\$41,806.01	(\$9,000)
Cardinal Hydro		\$141,621.94	
Dedicated Capital		\$61,022.62	
Modernization Funding		\$279,353.34	(\$255,000)

2023 Budget Guidelines

1. **Inflation-** The Consumer Price Index (CPI) increase is 6% over 2022 as of November 2022. Energy prices have increased, most input prices have increased over the past year.
2. **Non Market Change Increase-** Non market change (NMC) is the increase in the tax assessment base (e.g new homes, businesses and improvements) which is considered new taxation revenue. The estimated NMC by MPAC indicates about a 1.59% increase. This new taxation revenue will be used to offset inflationary increases.
3. **Asset Management-**The 2023-2028 five year capital forecast indicates the capital requirements necessary to maintain current assets to continue to provide current levels of service.
4. **Service Levels-** The 2023 budget will be developed based on continuing the existing levels of service, unless Council identifies specific areas to be reviewed.
5. **User Fees-** The 2023 budget will be developed to utilize increases in user fees that align with inflation and are comparative to neighboring municipalities.
6. **New Service Requests-** All requests for funding of new ongoing program items for the 2023 budget be separately presented for consideration by Council as “New Items”.
7. **Reserves-** The use of reserves is an integral part of the budget planning process. Prudent use of reserves mitigates fluctuations in taxation and assists in stabilizing spending on capital projects.
8. **Balance Budget-** The 2023 budget must be balanced such that revenues, expenditures and reserve transfers are balanced to zero.

Budget Objectives & Future Considerations

Budget Objectives:

- Maintain financial health
- Maintain consciousness of affordability for tax payers
- Provide sustainable service levels to taxpayers
- Incorporate a 5 year capital plan

Future Considerations:

- Future re-assessment impacts to tax revenues and to property tax bills.
- Development of a long-term financial strategy to fund future capital
- Availability of future infrastructure funding from federal and provincial governments

Next Steps:

▶ Proposed budget meeting schedule:

- 1st Meeting Feb 2: Draft capital business cases for consideration
- 2nd Meeting: Review of draft operational budget
- 3rd Meeting: Review of consolidated 2023 budget
- 4th Meeting: Finalize the 2023 budget (Target March Council Meeting)