

2022 Pre-Budget Presentation

Committee Of The Whole – Administration & Finance
M. Stubbs, Treasurer

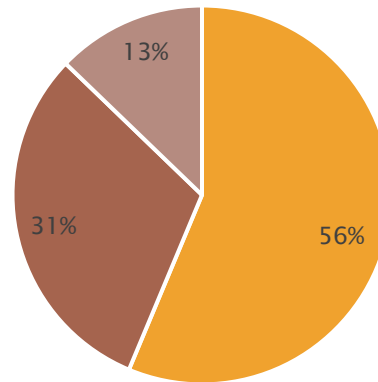
Township of Edwardsburgh Cardinal Tax Base

2021 Tax Levy Distribution by Tax Class				
<u>Class</u>	<u>Property Count</u>	<u>% of Total</u>	<u>2021 Tax Levy</u>	<u>% of Total</u>
Residential	3605	86.12%	\$4,538,556	75.41%
Multi-Residential	8	0.19%	\$52,780	0.88%
Commercial	147	3.51%	\$756,589	12.57%
Industrial	53	1.27%	\$325,849	5.41%
Farm	330	7.88%	\$147,910	2.46%
Managed Forest	38	0.91%	\$3,328	0.06%
Pipeline	5	0.12%	\$193,187	3.21%
	4186	100.00%	\$6,018,199	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 2022 is \$60,182.00.
- ▶ 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

Impacts on 2022 Operating Budget

Increases in Tax Levy:

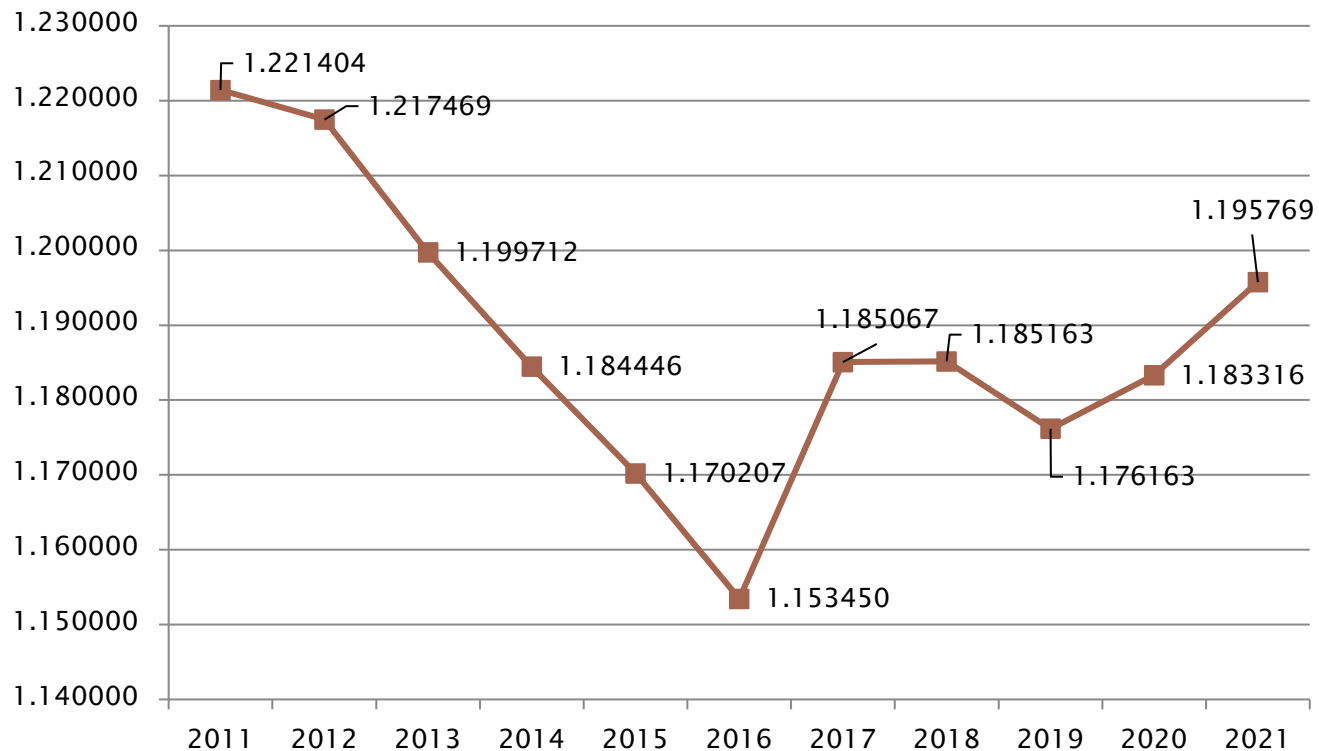
- Decrease in OMPF funding, amount not yet communicated but has been reduced in the past 2 years
- There are other impacts to the overall tax levy such as Policing Costs, Conservation Authority Levy and insurance premiums are yet unknown
- Addition of grader loan payments in the amount of \$102,753.34 which equates to 1.7% tax levy increase.
- Combined known impacts are \$43,975.00 or 0.75% 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 1.05%. The estimated impact to the operating budget of \$16,400.00.
 - CUPE contract renewal requires a 1.5% increase in wages and an increase in benefits has an estimated impact of \$16,250.00 to the operating budget
 - 2022 WSIB premium rate to increase by 5% from 2.44% to 2.56%. The overall impact to the budget is estimated at \$2,875.00
 - CPP employer contribution rate increase by 0.25% from 5.45% to 5.70% and the maximum earnings has also increased. Employer matches the employee contribution. This is an estimated impact of \$8,450.00 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 0.34% or \$3.31M of which \$2.81M is FT. The estimated tax revenue at the 2021 tax rates is \$7,875.00. MPAC had visited the office in August to review building permits, the value of additional assessment is unknown at this time.
- The final loan payment for the Komatsu Loader is February 2022. The 2022 budget will be reduced by \$30,510.42 which equates to a 0.50% decrease in tax levy.

Analysis of Total Residential Tax Rate 2011-2021

- ▶ The total residential tax rate has been below 1.2 since 2013.
- ▶ A 2% increase in township tax rate and no change in County or Education tax rates for 2022 could result in a combined tax rate increase of 1.13% which is an estimated total tax rate of 1.209235.
- ▶ The 2022 tax payment impact of a property with assessed value of \$196,000 would be an increase of \$26.39 annually or \$2.20 monthly



Tax Payment Change to a median Residential Property from 2015- 2021 that had a decrease in the CVA in 2017

	2015	2016	2017	2018	2019	2020	2021
assessed value- no re-assessment cycle	202,250	212,000	196,000	196,000	196,000	196,000	196,000
total annual tax payment	\$2,366.74	\$2,445.31	\$2, 322.73	\$2,322.92	\$2,305.28	\$2,319.30	\$2,343.71
annual increase	86.69	78.57	-122.58	0.19	-17.64	14.02	24.41
monthly increase	7.22	6.55	-10.22	0.02	-1.47	1.17	2.03
Total Tax Rate	1.170207	1.153450	1.185067	1.185163	1.176163	1.183316	1.195769
Percentage Change		-1.43%	2.74%	0.01%	-0.76%	0.61%	1.05%
Municipal Tax Rate	0.607950	0.601871	0.635198	0.644294	0.644294	0.660667	0.673294
Percentage change		-1.00%	5.54%	1.43%	0.00%	2.54%	1.91%
OMPF Funding	\$673,600	\$751,400	\$772,500	\$851,400	\$850,500	\$740,000	\$646,800
Increase/decrease		\$77,800	\$21,100	\$78,900	-\$900	-\$110,500	-\$93,200

Taxes as a percentage of income

According to a Fraser Institute Study bulletin * published in September 2020 Canadian families are paying 42.6% of their annual income to taxes. They pay 36.2% of their income towards housing, food and clothing and retain the remaining 21.2%.

The study stated that in 2019, the average Canadian family earned an income of \$91,535 and paid taxes of \$38,963 to all levels of government.

The following is a breakdown of the average Canadian family tax bill:

1. Income Taxes - \$12,507 or 32.1%
2. Payroll & Health Taxes - \$7,619 or 19.6%
3. Sales Tax \$5,668 or 14.5%
4. Property Tax \$4,236 or 10.9%
5. Profit Tax \$4,249 or 10.9%
6. Liquor, tobacco, amusement & other excise tax \$1,808 or 4.6%
7. Auto, fuel & motor vehicle license tax \$1,136 or 2.9%
8. Other Taxes \$1,061 or 2.7%
9. Natural Resources tax \$363 or 0.9%
10. Import duties \$315 or 0.8%

It is interesting to note that of the total property tax noted above, a lower-tier municipality receives approximately 56% which would be \$2,372 or 6% of the total.

** Source: The Fraser Institute's Bulletin, Taxes versus the Necessities of Life, 2020*

Comparison of Property Tax to Sales Tax on Other Purchases

In an effort to provide a comparison of property tax in relation to sales tax on purchases, below is a calculation of taxes paid on potential purchases throughout the year:

1. Dining out once a week: 2 people @ \$60 = \$3,120.00 annually + \$405.60 HST
2. Daily takeout coffee: 1 person, 1 large coffee/day = \$734.00 annually + \$95.00 HST
3. Ticket to major sporting event: 2 people, 1 event @ \$50 per person/month = \$1,200.00 annually + \$156.00 HST
4. Gas for vehicle: 1 fill-up @ \$95/week = \$4,940.00 annually + \$642.20 HST
5. Monthly gym membership: 1 person @ \$50 per month = \$600.00 annually + \$78.00 HST

Property Tax compared to other monthly personal & household expenses

- ▶ Based on median property assessment of \$196,000.00, the annual property tax payment in 2021 was \$2,343.71 or \$195.31 per month.
- ▶ The Township portion of the tax bill was \$1,319.66 or \$109.97 per month. If you remove OPP & Conservation Authority Costs this is reduced to \$91.86 per month for services provided by the Township

Personal & Household Expenses	Average Monthly Expense
Vehicle Insurance for one vehicle	\$180.00
Hydro	\$200.00 to \$250.00
Heating fuel- oil/ propane	\$200.00 to \$300.00
Gasoline for mid-size car or van 20,000 km per year	\$260.00
Cellphone- one user with data plan	\$100.00 to \$120.00

Capital Expenditures Analysis

- ▶ Annual capital expenditures varies from year to year which has a direct impact on the overall Township budget. An analysis of prior year actual capital expenditures is shown below to determine trends in capital spending compared to annual amortization expenses.
- ▶ Auditors have indicated that best practice to avoid a negative impact to the infrastructure deficit is to replace or make betterments to assets at a rate of 1.5 times the annual amortization. Amortization is based on historical costs not replacement costs.

Department	2017 actual	2018 actual	2019 actual	2020 Actual	2021 Budget
Administration	\$6,777	\$63,993	\$24,622	\$19,702	\$70,000
Fire Department	\$14,704	\$30,312	\$16,785	\$396,780	\$51,033
Public Works	\$1,763,745	\$1,305,150	\$1,674,150	\$1,136,183	\$904,699
Storm Sewers	\$33,840	\$353,207	\$148,772	\$114,505	\$320,000
Waste Disposal	\$10,079	0	0	0	\$25,000
Recreation	\$72,796	\$27,967	\$163,831	\$55,071	\$169,500
Economic Development	0	0	0	0	\$200,000
Water & Sewer Systems	\$242,312	\$701,569	\$162,872	\$221,992	\$166,000
Transfers to Capital Reserves	\$305,256	\$535,574	\$515,084	\$759,094	\$485,072
Transfers from Capital Reserves	(\$623,631)	(\$882,304)	(\$493,520)	(\$272,328)	(\$85,195)
Total Capital Expenditures	\$1,825,879	\$2,135,467	\$2,212,596	\$2,430,998	\$2,306,109
Annual Amortization Expenses	\$1,563,213	\$1,639,360	\$1,727,934	\$1,806,146	
Annual Capital to Amortization Expense	1.17	1.30	1.28	1.35	

2022 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 2022 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/rate increases required to eliminate the infrastructure deficit:

Funding Source	Years to Until Full Funding	Total Tax/rate Change	Average Annual Tax/rate 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%

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

Priority Capital Projects

The following capital projects have been identified by Council as priorities:

1. Council recently approved the Class D estimates for the Johnstown Drainage project in the amount of \$1.4 million. Funding sources will need to be determined.
2. The Spencerville Drainage project is also in the engineering stage and the Class D estimate of \$827,953.60. Funding sources will need to be determined.
3. Staff has submitted a grant application to the Green Stream for water project to includes replacement of 900 meters of water pipe on County Rd 2. The cost estimate for this project is \$2,110,336.25. If successful in receiving grant funding, the Township would need to commit \$569,790.79 municipal funding over a 3 year period. In addition the sanitary and storm sewer assets associated with this project have a cost estimate of \$550,000.00 which is not eligible for this grant funding so funding sources will need to be determined.

These projects are in addition to the annual capital projects that are included in draft budgets.

The sources of funding may be grant funding where applicable; borrowing or tax levy increases.

Reserves & Reserve Funds

The summary as of September 10, 2021 which includes 2021 budgeted transfers in are as follows:

Reserve		Balance as of September 10, 2021	2021 Budget Transfer out
Administration		\$195,465.75	
Fire Department	Vehicles	\$19,100.00	
	Buildings	\$310,156.07	
	Communication Equipment	\$103,000.00	
Public Works		\$662,152.75	
Storm Sewers		\$149,499.72	
Landfill Closure		\$91,000.00	
Recreation		\$269,024.46	\$30,000.00
Johnstown Water		\$36,297.77	\$9,000.00
Cardinal Hydro		\$134,639.14	\$43,500.00
Dedicated Capital		\$22,986.43	

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 an investment strategy to help fund future capital
- Availability of future infrastructure funding from federal and provincial governments

Next Steps:

▶ Proposed budget meeting schedule:

- 1st Meeting: Review of draft capital business cases for consideration
- 2nd Meeting: Review of departmental operational budgets
- Future meetings to be set at the end of each budget meeting so there are always two meeting dates planned ahead.