



The Corporation of the Municipality of Arran-Elderslie

Staff Report

Council Meeting Date: January 9, 2023

Subject: SRFIN.23.01 – DRAFT 2023 Operating and Capital Budget

Report from: Tracey Neifer, Treasurer

Appendices: Supporting Schedules:

- ✓ **Schedule A** – Municipal Services by Department
- ✓ **Schedule A.1** – Municipal Services Consolidated Summary
- ✓ **Schedule A.2** – Protective Services – Fire Protection
- ✓ **Schedule B** – Building and By-law Enforcement Services
- ✓ **Schedule B.1** – Building Inspection
- ✓ **Schedule B.2** – By-law Enforcement Services – Animal Control
- ✓ **Schedule C** – Water and Sewer Services
- ✓ **Schedule C.1** – Sewer and Water Shared/Common Costs
- ✓ **Schedule C.2** – Water Services
- ✓ **Schedule C.3** – Sewer Services
- ✓ **Schedule C.4** – Storm Services
- ✓ **Schedule D** – Grant and Donation Requests
- ✓ **Schedule E** – Capital Budget

Recommendation

Be It Resolved that Council hereby,

1. Support staff to continue to refine the Budget to address efficiencies and cost savings; and
2. Direct staff to bring the 2nd Draft Capital & Operating Budget including the Reserve Continuity and Draft Revised Fees and Charges Bylaw forward to Council on January 30, 2023 for review and consideration.

Report Summary

The purpose of this report is to provide Council with the first draft of the 2023 Operating and Capital Budget.

This first draft Budget is currently under review by staff as they continue to seek to refine and determine cost efficiencies and reductions. The intention is to have a balanced budget and limited a limited tax increase.

A second draft of the Budget shall be presented to Council on January 30th for further review and/or approval and shall address any additional programs or comments from the public and Council. Should any further updates be required the Operating and Capital Budget can be presented to subsequent Council meetings in February. Staff will be seeking final approval of the Budget by the end of February.

In 2022, the Municipality implemented the operating, reporting and salary modules of Financial Management Software System (FMW) Budget, and in the latter part of 2022 staff continued to streamline budget processes with the implementation of the capital plan module. One of the key successes of the FMW project was the ability to provide up-to-date data and financial reporting for each of the Departments. Monitoring of departmental financial results & account details, and variance analysis, as the FMW platform is updated daily with the data captured in the accounting software, Keystone.

Senior Leadership have been meeting over the last couple of months to review and address inflationary or program changes, and discuss new initiatives being proposed. The initial departmental financial reports have been reviewed with managers providing comment on significant variances and to make budget reduction recommendations where it was historically noted that a change was recommended.

The draft Budget Report presented includes the Operating and Capital Budgets proposed for 2023, with comparative data to December 31st, 2022, noting that the December results are draft as the regular month end reviews for the fourth quarter have not yet been completed and invoices are outstanding. The budget has been prepared with a focus on the following areas:

- ✓ **Taxation Highlights** – a review of assessment and tax rates.
- ✓ **Operating Budget – Overview by Key Service Area** – a summary of the budget.
- ✓ **Building & By-law Enforcement Services** – Building is funded through building permit fees.
 - Previously this area included Building and Property Standards
 - It has been updated to include Animal Control, and the By-law and Property Standards have been combined to one department.
- ✓ **Municipal Services** – funded by taxation and user fees.
- ✓ **Water and Sewer Services** – fully funded by property owners through user fees.
 - Water Financial Plan 2021-2026 - was adopted by Council on November 9, 2020, in accordance with the requirements of the Safe Drinking Water Act. As part of the 2023 budget process, staff completed a review of the 2023 plan submitted and recommended revisions have been included in this report.
 - Sewer Financial Plan 2021-2026 - was adopted by Council on April 26, 2021. The report included the operating and capital budgets, noting that a completed narrative document was outstanding. The need for the narrative document is being reviewed, as it is not a legislated requirement.

- ✓ **Capital Budget** – a focus on 2023 and 2024. Staff continue to work on a 10-year long-term capital plan and financing strategy, in conjunction with a review of the Asset Management Plan.
- ✓ **Reserves** - A detailed analysis of Reserves will be completed as part of the Capital update to be brought forward on January 30th. This will include a review of operating and capital reserve transfers proposed for 2023 and subsequent capital projects.

The draft budget has been prepared based on the following considerations and assumptions:

- ✓ A review of 2022 Budget and results, plus a review of historical trending for the past 2 years
- ✓ Fire services call volumes which is a cost driver for the Fire Department budget
- ✓ 2.0% wage rate increase, following Arran-Elderslie's collective agreement for union employees. This has also been applied to non-Union staff, fire and Council Members.
- ✓ Student rates were reviewed, and no changes were recommended.
- ✓ Salary review was completed as part of the HR Project in 2022. A detailed report on the recommendations will be brought forward to Council for further consideration.
- ✓ Three (3) new contract employee positions are proposed as a requirement to assist with current workloads:
 - One year contract for an Administrative Coordinator – To support the Leadership Team and provide administrative support;
 - Two year contract for an Asset Management/GIS Coordinator – To lead the Municipality through the next phase of Asset Management, policy development, data integrity and upkeep, and asset inventory management;
 - One year contract for a Building Inspector - To assist the Chief Building Official and to provide development related support.
- ✓ 6% increase on materials and supplies from vendors/suppliers.
- ✓ 6% increase on hydro, based on preliminary discussions with LAS; outcome of their review of rates is to be confirmed.
- ✓ Quoted insurance renewal increase for 2023, as presented to Council in December.
- ✓ Budgetary increases as specified in agreements or through shared service arrangements, such as Bruce Area Solid Waste Recycling, Conservation Authorities, Saugeen Mobility and Regional Transit, and Fire Service Agreements. Where information was not available, an inflation factor was used to prepare the 2023 budget.
- ✓ Account realignments have been completed across the departments to show property tax billing separately, as well as changes between heating sources as many municipal buildings are transitioning to natural gas. Property tax bills have been increased by 6% to match the tax rate increase. Some property tax bills also include sewer and water charges.

The supporting tax rate by-law has not been provided at this time and will be brought forward at a subsequent meeting with the final revised 2023 Budget.

The budgetary comments noted in the body of this report is intended to provide Council with an overview of the 2023 departmental budget, identification of significant variances and new initiatives that have been put forward as priorities for 2023.

Background

Section 290 for the Municipal Act, 2001, S.O. 2001, c.25 defines the requirements for a local Municipality:

- ✓ For each year, a local Municipality shall, in the year or the immediately preceding year, prepare and adopt a budget including estimates of all sums required during the year for the purposes of the Municipality, including:
- ✓ Amounts sufficient to pay all debts of the Municipality falling due within the year; and
- ✓ Amounts required to be raised for sinking funds or retirement funds; and
- ✓ Amounts required for any board, commission, or other body.

The Act further defines what shall be included in the budget, such as estimated revenues from taxation levy, reserve transfers, estimated expenses, and prior year surplus or deficits.

Analysis

The Leadership Team continues to strive to bring forward a balanced budget that has considered the added costs for new initiatives, and the ever-challenging inflationary and contract increases, while keeping proposed tax rate or tax levy increases to a minimum.

Inflation rates have seen an increase in 2022 as compared to 2021. The annual average for 2022 is 7.1% compared to the 3.5% annual average for 2021. It is inevitable at this stage due to the inflationary increases and service delivery expectations to avoid a tax increase but staff are looking to continue to reduce expenditures. With some additional cost saving measures staff are striving to achieve a 6% tax increase or less.

Taxation Highlights

Several options were considered for application to the 2023 Operating Budget, as noted in the table below.

The balance of the report presents a 2023 Operating Budget inclusive of a 6.0% Tax Rate Increase. Further review and adjustment are needed, as the true increase required to balance the budget is a 14.22% tax rate increase. Staff are continuing to review their budgets to identify any further savings, and departmental line items that can be further refined. A few recommendations are noted within the report that will assist with reducing the tax requirements.

Tax Assessment Review					
Tax Facts					
Year	Residential Assessment	# of Households	Average Assessment	Tax Levy	Taxes
2021	\$ 528,745,301	3155	\$ 167,590	\$ 5,515,404	\$ 1,277.63
2022	\$ 539,868,398	3166	\$ 170,521	\$ 5,817,780	\$ 1,348.72
2023	\$ 550,004,984	3183	\$ 172,795	\$ 6,274,065	\$ 1,448.71
Options Considered					
Option	Description	Budget Increase	Tax Levy	Taxes on \$170,521	\$ Increase
1)	Hold 2022 Tax Rate	\$ 101,149	\$ 5,918,929	1,348.72	0.00
2)	Tax Rate Increase of 1.0%	\$ 160,339	\$ 5,978,119	1,362.21	13.49
3)	Tax Rate Increase of 3.0%	\$ 278,717	\$ 6,096,497	1,389.18	40.46
4)	Tax Rate Increase of 4.0%	\$ 337,907	\$ 6,155,687	1,402.67	53.95
5)	Tax Rate Increase of 6.0%	\$ 456,285	\$ 6,274,065	1,429.64	80.92
6)	Tax Levy Increase of 6.0%	\$ 349,067	\$ 6,166,847	1,405.21	56.49
7)	Tax Rate Increase of 8.0%	\$ 574,664	\$ 6,392,444	1,456.62	107.90
8)	To Balance Draft Budget, 14.22%	\$ 942,821	\$ 6,760,601	1,540.51	191.79
<p>For the analysis, the 2022 average residential assessment of \$170,521 has been used, as a property's value has not changed in 2023 unless property improvements have been made and a supplemental assessment by MPAC has been completed. The update of the 2016 property values continues to be deferred. A future implementation date for new property values has not been established at this time. The 2023 tax billings will be based on the 2022 assessment unless property improvements.</p>					

Operating Budget – Overview by Key Service Area

The municipal budget for operations in 2023 reflects an increase of \$456,285 which requires a tax rate increase of 6.0%. However, to achieve a balanced budget that will meet the departmental needs reflected in the report, a tax rate increase of 14.22% is required, which will provide a total levy increase over 2022 of \$942,821. The Leadership Team is continuing to work to find savings and efficiencies. To maintain a 6% tax rate, increase further savings of \$486,536 are required.

It has been past practice to transfer funds to reserves annually to offset the year's capital budget. In 2021, the budget for reserves was \$1,014,772, for 2022 \$1,041,608, and for 2023 \$1,104,104 to include a 6.0% increase.

The following charts highlight the operating budget by Key Service Area:

	2021	December 2022	2022 Council Approved	2023 Council Draft 1	Budget \$	Budget %
	Actuals	Actuals	2022 Total Budget	2023 Total Budget	Variance	Variance
MUNICIPAL SERVICES						
GENERAL GOVERNMENT	516,002	161,244	263,397	745,748	482,351	183.1%
PROTECTION SERVICES	1,804,722	1,629,676	1,838,677	1,909,785	71,108	3.9%
TRANSPORTATION SERVICES	2,285,259	2,579,053	2,464,339	2,666,117	201,778	8.2%
ENVIRONMENTAL SERVICES	(28,682)	(1,149)	27,767	3,921	(23,846)	(85.9%)
HEALTH SERVICES	19,293	34,130	45,238	67,558	22,320	49.3%
RECREATION AND CULTURE	961,469	626,725	1,122,091	1,204,813	82,722	7.4%
PLANNING AND DEVELOPMENT	238,376	210,807	268,857	352,664	83,807	31.2%
Total MUNICIPAL SERVICES	5,796,439	5,240,486	6,030,366	6,950,606	920,240	15.3%

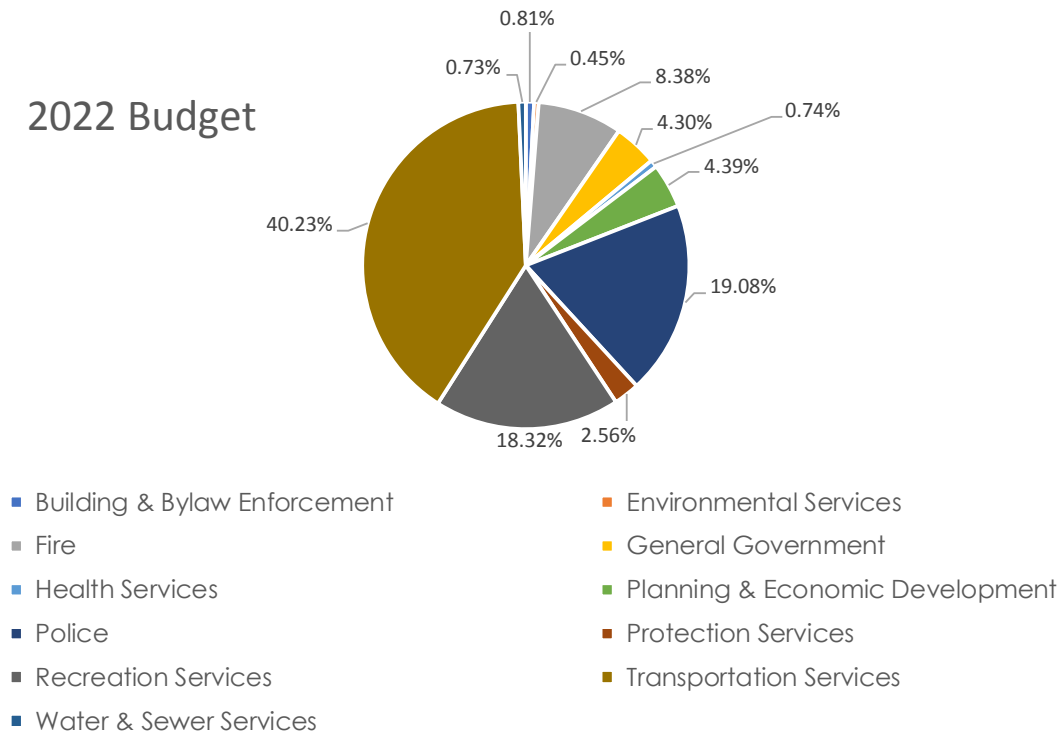
	2021	December 2022	2022 Council Approved	2023 Council Draft 1	Budget \$	Budget %
	Actuals	Actuals	2022 Total Budget	2023 Total Budget	Variance	Variance
BUILDING & BYLAW ENFORCEMENT SERVICES						
Building	0	(40,750)	0	0	0	#DIV/0!
ByLaw	6,912	50,324	49,803	60,261	10,458	21.0%
Total BUILDING & BYLAW ENFORCEMENT SERVICES	6,912	9,574	49,803	60,261	10,458	21.0%

	2021	December 2022	2022 Council Approved	2023 Council Draft 1	Budget \$	Budget %
	Actuals	Actuals	2022 Total Budget	2023 Total Budget	Variance	Variance
WATER AND SEWER SERVICES						
SHARED ADMINISTRATION	3	(4,032)	0	0	0	#DIV/0!
SEWER	(3)	(6,339)	1	0	(1)	(100.0%)
WATER	2	21,446	(2)	0	2	(100.0%)
STORM	43,505	41,928	44,932	55,355	10,423	23.2%
Total WATER AND SEWER SERVICES	43,507	53,003	44,931	55,355	10,424	23.2%

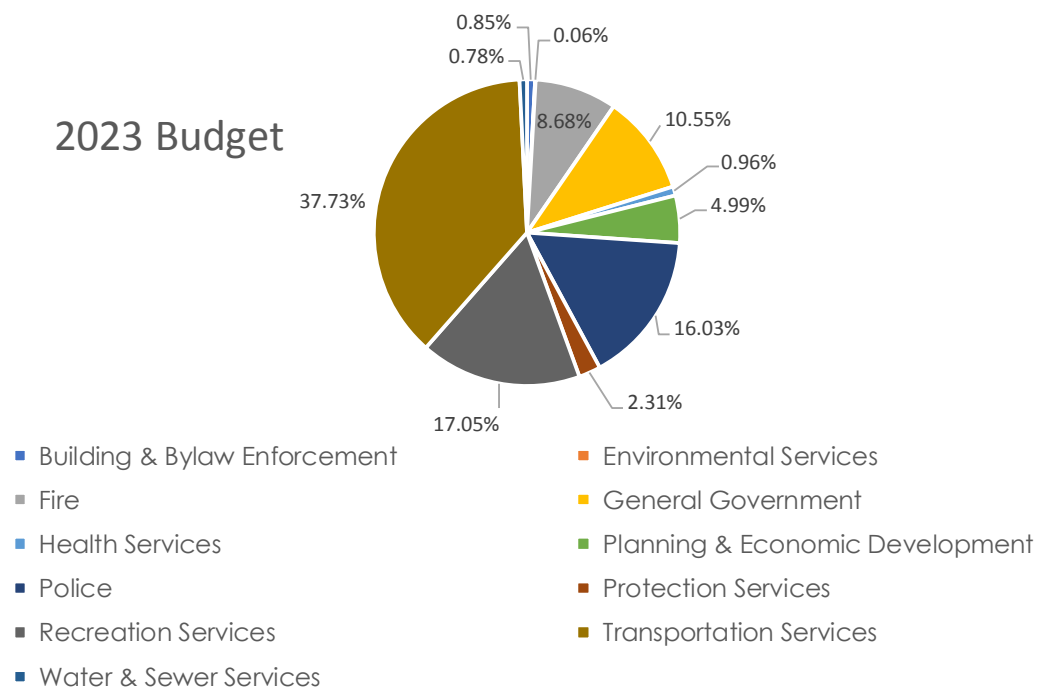
The allocation of the tax dollar remains consistent between 2022 and 2023 with the top areas being Policing, Recreation and Transportation Services, representing 78 cents in 2022 and 71 cents in 2023 for every dollar of taxation raised.

Allocation of Tax Dollars

2022 Budget



2023 Budget



Additional data has been provided in the supporting schedules:

- ✓ **Schedule A** – Municipal Services by Department
- ✓ **Schedule A.1** – Municipal Services Consolidated Summary
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Municipal Services

The tax requirement for Municipal Services has increased by 15.3% (\$920,240) as detailed in **Schedule A**. The following sections provides a detailed analysis of the budget changes in each of the key service areas:

- ✓ General Government,
- ✓ Protection Services,
- ✓ Transportation Services,
- ✓ Environmental Services,
- ✓ Health Services,
- ✓ Recreation and Culture,
- ✓ Planning and Development.

Each of these areas is further supported by **Schedule A.1**, a consolidated Financial Report showing the detailed accounts by Revenue and Expenses, and Reserve Transfers.

As noted in the overview presented earlier in the report, General Government and Transportation Services represents 74.34% or \$684,129 of the budget variance. Looking at the consolidated report for this area:

- ✓ Revenues have increased by \$355,832
- ✓ Expenses have increased by \$681,853:
 - Wages and Benefits \$467,018
 - Operating Expenses \$214,835
- ✓ Net Tax Requirement before considering Reserve Transfers, \$326,021
- ✓ Reserve Transfers:
 - Transfer to Reserves has increased by \$396,479
 - Transfer from Reserves has decreased by \$226,403
 - Transfer to Capital has decreased by \$28,663
- ✓ Net Tax Requirement after considering Reserve Transfers is \$920,240

The change in revenues is attributed to staff recommendations for changes in the fees and charges by-law to be presented to Council on January 30th, as well as changes in service levels in each of the respective areas. Highlights of these changes will be identified in each of the sections below.

It was noted during the 2022 budget presentation that staff were working to correct items previously included as a capital project, that were representative of an operating expense. Capital projects have historically included additions or new acquisitions that meet the accounting requirements of a tangible capital asset (TCA), as well as studies or plans that occur on a cycle, such as every 2-3 years. Moving forward with a solid foundation in the Municipality's asset management plan (AMP) and needing the ability to reconcile between the assets for accounting and the assets for the AMP, assets such as studies and plans, that do not meet the definition of a TCA, have been reflected in

the respective operating department as Strategic Initiatives. Examples include Building Condition Assessments for Recreational Facilities, Strategic Plans, Community Improvement Plan, Roads, Storm, and Sidewalk Studies.

General Government

General government is responsible for the administrative functions of the Municipality representing a 183% (\$482,351) budget increase or 10.73% (2022 - 4.37%) of the municipal services budget.

		December	2022	2023	Budget	Budget
	2021	2022	Council Approved	Council Draft 1	\$	%
	Actuals	Actuals	2022 Total Budget	2023 Total Budget	Variance	Variance
MUNICIPAL SERVICES						
GENERAL GOVERNMENT						
01-1010 General-Council	116,720	114,853	129,105	146,208	17,103	13.2%
01-1020 General-Program Support	399,280	48,020	134,292	522,476	388,184	289.1%
01-1030 General-Asset Management / GIS	2	-1,629		77,064	77,064	100%
Total GENERAL GOVERNMENT	516,002	161,244	263,397	745,748	482,351	183.1%

Council

The 2022 budget had included additional costs for the election, which has been removed from the budget in 2023. The budget does however include a \$7,500 transfer to reserve, recommended for each of the next 4 years to replenish the Election Reserve. Although conference and training budgets have decreased over the past few years, they have been increased to provide Councillors with the opportunity to attend sessions in 2023 in accordance with the Council Remuneration Policy. A budget of \$7,000 each has been included for both conferences and training.

Program Support

This budget includes corporate overhead and administrative costs for municipal operations, payroll, clerks, and treasury functions.

Total revenue of \$2,182,216 reflects an increase of \$268,342. This is largely attributed to the continued work to identify and dispose of surplus lands, estimated to generate \$299,600. The increased revenue for surplus lands is offset with a transfer to reserve for future direction by Council.

OMPF funding is reflected here, with a decrease in the 2023 announcement of \$32,300 to \$1,627,000. Other revenue sources include tax certificates, licenses and permits, investment and interest income. Staff are continuing to work with the Municipality's investment advisor, CIBC, to ensure sound investments with the Principal Protected Notes and the long-term ladder strategy that has been applied. An investment update will be presented at a future Council meeting. The bank interest rates have improved significantly from a low of 0.75% in January to 4.25% in December, which affects the Municipality's funds held in bank accounts.

Total expenses of \$1,311,766 reflects an increase of \$211,819, representing \$70,087 in operating expenses and \$141,732 in wages, benefits, and employee related expenses. Variances in operating expenses includes:

- ✓ A decrease in contracted services of \$20,484 as several of the initiatives have been completed: HR Project, Chart of Account Reorganization, HST Allocation Methodology and Input Tax Credit (ITC) Recovery Project, and IT Network Review. The budget provides for the ongoing contract for IT services, HR Consulting and Job Evaluations, and the annual audit.
- ✓ Legal services have increased by \$27,250 as an estimate of the costs expected for 2023.
- ✓ Software licensing, computer and office supplies continue to be monitored to ensure actual costs are categorized correctly to better manage the budget lines. These costs represent an increase of \$21,171
- ✓ Tax write-offs have been increasing, and a budget adjustment has been made to reflect the historical trending, an increase of \$21,012. This area represents the Municipality's share of tax account write offs for vested properties, assessment adjustments for Farm Tax Program and Property changes.

Transfers to Reserves has traditionally budgeted through General Government for the purpose of capital projects. The transfer for 2023 consists of:

- ✓ Annual transfer for capital, \$1,041,608 2022 budget plus 6%, \$62,496, totaling \$1,104,104
- ✓ Revenue generated from land sales \$299,600

Transfers from Reserves has decreased significantly from \$113,604 to \$10,778, as the prior year funds were attributed to special projects; Municipal Innovation Council (MIC), Escribe, HR and IT Services, Chart of Account Project, and Covid grants. For 2023, the transfer is to finance the final year of the Paisley Central School rental agreement, as approved by Council to be funded by the NWMO Community Well-Being Reserve Fund.

Asset Management/GIS

An Asset Management/GIS Coordinator will provide support to Building, Roads, Water and Sewer for the mapping of various infrastructure points throughout the Municipality. In addition, it covers the work involving the asset management inventory and data quality, as well as ongoing training provided to the Leadership team to ensure a comprehensive understanding of the key components of Asset Management.

Protection Services

Protection Services represents 27.48% (2022 - 30.49%) of the municipal services budget, largely due to the cost of Police Services which are more than \$1M. Overall budget in this area is 3.9% increase or \$71,108.

		December	2022	2023	Budget	Budget
	2021	2022	Council Approved	Council Draft 1	\$	%
	Actuals	Actuals	2022 Total Budget	2023 Total Budget	Variance	Variance
PROTECTION SERVICES						
01-2010 Protection-Common Fire	87,228	130,275	126,459	137,602	11,143	8.8%
01-2012 Protection-Chesley Fire	136,297	123,982	154,176	181,446	27,270	17.7%
01-2014 Protection-Paisley Fire	118,495	53,796	97,543	119,977	22,434	23.0%
01-2016 Protection-Tara Fire	142,236	112,645	134,936	174,267	39,331	29.1%
01-2020 Protection-Police	1,168,435	1,075,550	1,168,924	1,132,913	-36,011	(3.1%)
01-2030 Protection- Conservation	34,343	0	22,660	24,020	1,360	6.0%
01-2031 Protection-Conservation SVCA	44,264	47,297	46,980	51,937	4,957	10.6%
01-2032 Protection-Conservation GSCA	40,485	42,226	42,226	46,681	4,455	10.6%
01-2045 Protection- Crossing Guards	24,633	37,245	37,363	38,153	790	2.1%
01-2050 Protection-Emergency Measures	8,306	6,660	7,410	2,789	-4,621	(62.4%)
Total PROTECTION SERVICES	1,804,722	1,629,676	1,838,677	1,909,785	71,108	3.9%

Fire Department

The Municipality operates three Fire Stations: Chesley, Paisley and Tara. In prior years, the operating budgets for each of the Fire Stations has been presented to each of the Fire Department Committees of Council, and the Joint Chesley Fire Board. With the Council elections taking place in 2022 and a change in the Proposed Committee Structure, and the presentation of quarterly Fire Reports to Council, the operating budgets have not been presented for initial review to each of the respective Committees.

The expenses of the Fire department are largely driven by the number of calls received as it drives the compensation and directly related expenses such as fuel and supplies. The following provides an overview of fire calls for the past four years. A budget for calls is determined based on a review of historical trends, as this will assist with variance analysis in the upcoming year.

The Corporation of the Municipality of Arran-Elderslie						
Protection Services - Fire						
	2023 Budget	2022 Budget	2022 Sept	2021	2020	2019
Chesley						
Number of Fire Calls	80	80	55	71	81	80
Wages for Fire Calls	\$ 49,044	\$ 52,000	\$ 29,594	\$ 50,130	\$ 48,048	\$ 53,549
Average Per Call	\$ 613	\$ 650	\$ 538	\$ 706	\$ 593	\$ 669
Paisley						
Number of Fire Calls	58	58	42	66	56	76
Wages for Fire Calls	\$ 33,561	\$ 33,698	\$ 22,651	\$ 27,109	\$ 53,004	\$ 38,358
Average Per Call	\$ 579	\$ 581	\$ 539	\$ 411	\$ 947	\$ 505
Tara						
Number of Fire Calls	52	44	40	48	52	45
Wages for Fire Calls	\$ 30,009	\$ 26,272	\$ 22,310	\$ 28,274	\$ 25,382	\$ 33,655
Average Per Call	\$ 577	\$ 597	\$ 558	\$ 589	\$ 488	\$ 748
Total						
Number of Fire Calls	190	182	137	185	189	201
Wages for Fire Calls	\$ 112,614	\$ 111,970	\$ 74,555	\$ 105,513	\$ 126,434	\$ 125,562
Average Per Call	\$ 593	\$ 615	\$ 544	\$ 570	\$ 669	\$ 625

To assist with the budget review, **Schedule A.2 – Fire Protection by Station** has been provided which summarizes the 2022 and 2023 budgets by Station. Part of the budget work has involved the standardization of processes across the stations and the establishment of comparable budget lines.

For 2023, there are two key operational impacts that are driving the 19.46% budget increase of \$99,875: Mandatory Certification and Fire Practice Compensation.

Mandatory Certification

Early on in 2022, the Fire Chief shared information at the Fire Committee meetings and with Council regarding Ontario's Solicitor General's announcement of the Provincial plan to bring back firefighter certification and the introduction of mandatory minimum training standards for Ontario's Fire Service. On July 1st, 2022, the regulation for Mandatory Certification came into force. The requirement of mandatory certification includes multiple aspects, which has been included in the Training Budget proposed under Common:

Training Program		Description	2023	2024
Mandatory Certification				
Fire Fighter 1		requires 4 additional days training for 30 firefighters to complete their skills sign off, with the budget split over 2023 and 2024	\$ 10,112.00	\$ 10,112.00
Fire Fighter 2		requires 1 additional day's training for 30 firefighters, with the budget split over 2023 and 2024	\$ 2,528.00	\$ 2,528.00
Hazmat Awareness Level		this is an online certification program consisting of 20 hours of learning, required for 12 firefighters	\$ 5,835.00	\$ -
Hazmat Operations		this is a practical hands-on certification program consisting of 5 days of learning, required for 12 firefighters, deferred to 2024	\$ -	\$ 15,090.00
Fire Officer 1		this is an in-class certification program consisting of 5 days of classroom learning, required for 12 firefighters to complete their officer certification program	\$ 15,561.00	\$ -
			\$ 34,036.00	\$ 27,730.00
Other Training				
Fire Fighter 1 Recruit Class		11 firefighters required between the 3 stations. 3 Tara, 5 Paisly, 3 Chesley. Recruits will complete their NFPA 1001 Firefighter 1 certification program through the Brockton Regional Training Center. This will allow Fire Services to work towards a fully compliant certified department moving forward.	\$ 10,065.00	\$ -
Fire Chief Continuing Education		Loyalist College Municipal Leadership final two parts. Deferred to 2024	\$ -	\$ 3,000.00
Health & Safety Committee		6 firefighters , 2 per station as legislated. Firefighters will need Part 1 & 2 certification.	\$ 8,838.00	
			\$ 18,903.00	\$ 3,000.00
		The cost of the training is based on a fire fighter per diem, plus course registration fees and text books where required.	\$ 52,939.00	\$ 30,730.00

A transfer from reserve has been recognized to offset the Municipality's share of the mandatory certification training costs:

- ✓ Paisley and Tara - \$36,926
- ✓ Chesley, Arran-Elderslie's share - \$9,413
- ✓ Proposed for 2024 \$27,730

It should be noted that in 2018, the Municipality began receiving funds from Ontario Power Generation (OPG) as part of the Deep Geologic Repository Project. Total funds received were \$155,369, with an unspent balance being held in Reserves of \$134,526.

Determination on how these remaining funds are to be used is still be determined. The Municipality has received confirmation from OPG that the use of the funds is at the discretion of the Municipality, wherever it deems best, whether for capital and infrastructure or for operating costs, and furthermore, there are no reporting requirements associated with these funds.

One option could be the possible use of some of the funds from the OPG Reserve to finance the costs associated with the Mandatory Certification Program for 2023 and 2024.

Fire Practice Compensation

On December 6, 2021, as part of the ongoing 2022 budget discussions, Report SRFIN.21.45 Fire Practice Compensation was presented to Council. The report addressed the current and proposed compensation method being applied to each respective fire station for firefighter attendance at fire practices.

Below is an updated table that was included in the report:

Review of Fire Practice Compensation						
	2023	2022		2021	2020	2019
	Budget	Budget	YTD Nov	Actual	Actual	Actual
Chesley	32,666	15,614	11,551	16,206	15,393	21,824
Paisley	29,401	28,826	17,950	22,100	23,910	29,230
Tara	32,668	14,580	9,946	10,432	10,377	11,549
	94,735	59,020	39,447	48,738	49,680	62,603
Assumptions for 2023 - practices are a minimum of 2 hours:						
	# of Practices	# Attend	Admin Time			
Chesley	24		18 2 hrs for 2 FF			
Paisley	24		16 2 hrs for 2 FF			
Tara	24		18 2 hrs for 2 FF			

The draft 2023 budget is reflective of the above compensation.

Staff shall bring forward a review of the firefighter training payment/reimbursement policy as per Council direction related to staff report SRFIN.21.45.

Other Budget Remarks – Fire Department

Service Agreements - The Fire Department budget is supported by taxation and service agreements in place with the municipalities of Chatsworth, Brockton, Kincardine, Saugeen Shores, and South Bruce Peninsula.

Annual inflationary factors are provided for in the agreements, and where the reference is CPI, the 2023 budget has been prepared with 6.49% as an estimate for CPI. The annual CPI will be used for actual billings in 2023.

Fire Responses - Invoicing for fire responses has not been adjusted to reflect improvements in cost recovery that is anticipated with the agreement signed with Fire Marque for 2023. Staff will monitor costs and recoveries in 2023 to be able to update the budget in 2024. The quarterly financial reports will address the status of invoicing as we proceed through 2023.

Expenses - In reviewing the expenses as noted in Schedule A.2, several accounts have been standardized across the stations. The stations use an online program for training, FLMS, which requires a subscription for the service, and this has been realigned from training to software license. There has been a decrease in Fire Prevention as a grant application was submitted in 2022 for \$25,000, which was not successful and has been removed from the 2023 budget.

Transfer to Reserve – the budget for 2023 of \$150,183 reflects the increase for inflation on the capital portion of the service agreements that are in place. The transfer consists of:

- ✓ Brockton and Kincardine \$63,183
- ✓ Bell Mobility Lease, \$9,500 for each station, totaling \$28,500
- ✓ Boot Allowance, \$2,000 for each station, totaling \$6,000
- ✓ General allocation in Chesley \$2,500
- ✓ Common transfer of \$50,000 as per prior years

Transfer to Capital – this represents what the Fire Committees have referred to as Minor Capital. It is intended to be used for equipment, hoses, tools, and other incidentals. Items meeting the definition of a “capital asset” have been reflected in the Capital Budget, such as SCBA and Bunker Gear. Each year the unspent minor capital funds are transferred to reserves. Staff would like to discontinue this practice and either move the funds to a reserve as part of the budget preparation and then could draw from the reserve as needed or realign the budget to the respective accounts where the funds are needed.

Int Transfer – this is a new account to capture the administrative costs of the Fire Department that are being managed under Common but are part of the cost sharing agreement with the Municipality of Chatsworth through the Chesley Fire Station. This includes mandatory certification and training, memberships, conferences, and clothing.

Police

The OPP Billing Statement for 2023 was received and forms the basis to the budget. The following chart provides some highlights from that document.

The Corporation of the Municipality of Arran-Elderslie Protection Services - Police									
OPP Annual Billing Statement - 2023				2022 Estimated			2021 Reconciled		
		Cost per Property	Total Cost		Cost per Property	Total Cost		Cost per Property	Total Cost
Base Service									
Property Counts									
Household	3,089			3,063			3,061		
Commercial and Industrial	261			255			252		
Total Properties	3,350	\$165.66	\$ 554,968	3,318	\$172.07	\$ 570,933	3,313	\$179.62	\$ 595,076
Calls for Service									
All Municipalities	\$178,576,909			\$176,906,037			\$170,324,197		
Municipal portion	0.2982%	\$155.13	\$ 519,677	0.2982%	\$159.01	\$ 527,587	0.3009%	\$154.71	\$ 512,539
	0.2910%								
Overtime		\$ 14.82	\$ 49,638		\$ 14.14	\$ 46,922		\$ 15.02	\$ 49,754
Prisoner Transportation		\$ 1.17	\$ 3,920		\$ 1.71	\$ 5,674		\$ 1.18	\$ 3,909
Accommodation/Cleaning Services		\$ 4.87	\$ 16,315		\$ 4.83	\$ 16,026		\$ 4.75	\$ 15,737
Total Estimated Cost		\$341.65	\$1,144,518		\$351.76	\$1,167,142		\$355.28	\$1,177,015
2021 Year End Adjustment			\$ 17,896						

Conservation Authorities

The Conservation budgets are based on information received from the supporting agencies as they finalize their operating budgets. Draft budget information from SVCA reflects a 10.55% levy increase. Staff have used the same estimate for GSCA pending receipt of their budget.

Crossing Guards

The Crossing guard budget reflects the municipal staff providing crossing guard services in Chesley, Paisley and Tara, as well as any supplies that are needed. There is a small hydro cost for the flashing light.

Emergency Measures

This represents the costs of maintaining the Community Emergency Management Committee (CEMC), which is responsible for the development and implementation of the emergency management program including the preparation and maintenance of the Emergency Response Plan. In 2022, the Municipality discontinued the contracted service with the County of Bruce and has transitioned the role of CEMC to the Fire Chief.

The budget reflects a savings because of this change. The remaining costs are for the telephone land line and materials and supplies that may be needed for in-house staff training of the committee members or supplies identified by the CEMC.

Transportation Services

Transportation Services includes all aspects of road maintenance, streetlights, and salt/snow plowing, as well as the Municipality's contribution to SMART (Saugeen Mobility & Regional Transit), representing 38.36% (2022 - 40.87%) of the municipal services budget and an 8.2% or \$201,778 budget increase.

	December	2022	2023	Budget	Budget
	2021	2022	Council Approved	Council Draft 1	
	Actuals	Actuals	2022 Total Budget	2023 Total Budget	
					Variance
					Variance
TRANSPORTATION SERVICES					
01-2510 Transportation-Roads-Admin	94,804	112,821	127,641	90,592	-37,049 (29.0%)
01-2511 Transportation-Roads-Admin-Union	294,016	320,836	326,401	386,223	59,822 18.3%
01-2512 Transportation-Roads-Shop	122,873	157,450	144,298	152,094	7,796 5.4%
01-2513 Transportation-Roads-Roadside	116,560	116,278	109,374	113,758	4,384 4.0%
01-2514 Transportation-Roads-Bridges	153,950	149,662	154,337	152,884	-1,453 (0.9%)
01-2515 Transportation-Roads-Hardtop	53,358	62,022	48,366	55,030	6,664 13.8%
01-2516 Transportation-Roads-Gravel	563,247	629,888	609,184	655,821	46,637 7.7%
01-2517 Transportation-Roads-Safety	40,959	39,496	58,479	60,776	2,297 3.9%
01-2518 Transportation-Roads-Vehicles	371,083	522,049	451,361	488,349	36,988 8.2%
01-2520 Transportation-Winter Ctrl-Salt/Sand	87,249	90,815	86,807	88,128	1,321 1.5%
01-2521 Transportation-Winter Ctrl-Snow Moving	220,963	230,802	218,778	274,182	55,404 25.3%
01-2522 Transportation-Winter Ctrl-Standby	0	32,298	15,348	27,026	11,678 76.1%
01-2530 Transportation-Saugeen Mobility & Regional Trans	50,764	52,287	52,287	55,947	3,660 7.0%
01-2540 Transportation-Parking	1,972	3,247	4,050	3,500	-550 (13.6%)
01-2550 Transportation-Street Lighting	113,461	59,102	57,628	61,807	4,179 7.3%
Total TRANSPORTATION SERVICES	2,285,259	2,579,053	2,464,339	2,666,117	201,778 8.2%

The Transportation Services covers a broad range of service areas with the budgets including wages and benefits and operating supplies, as well as any revenue generated in the respective areas, which is minimal. The following comments focus on the larger variances noted above. The Financial Report at **Schedule A.1** provides a consolidated view of the accounts representing this area.

Admin/Admin-Union

The implementation of the salary planning module in 2022 gave staff the opportunity to budget at a person level and allocate their time across the various departments based on staff schedules. The allocation for 2022 was determined based on a review of year-to-date hours in 2021, and in some cases, resulted in unallocated hours, which remain costed to Admin-Union. Managers are continuing to refine the allocated hours and reviewed the salary information as part of the 2023 budget meetings. The decrease in the budget is primarily due to the decrease in wages and benefits of \$29,018 in Admin, which is offset by an increase in Admin-Union \$44,907.

Gravel

The costs for the supply of calcium have increased due to carbon tax. As well, there are increases for fuel costs and a fuel surcharge being applied by suppliers. The quality of gravel used on the roads has changed with an increase in the quarry stone

percentage compared to A gravel. Dust control and resurfacing costs have increased by \$42,150.

Vehicles

Rising fuel prices has made the budget challenging again in 2023. While there have been some improvements in gas prices, the price of diesel remains high. The heavy equipment used in operations is all diesel. Staff are continuing to work with local suppliers to get the best pricing possible. To assist with monitoring of expenses in 2023 new accounts have been set up to track fuel prices for dyed diesel and clear diesel. The 2023 budget reflects an increase in fuel of \$28,808 to a budget of \$214,000. Staff were conservative in their budget estimates for fuel in 2022, \$185,192 which is less than year-to-date actuals of \$266,035.

Snow Moving

Most of the costs are related to wages and benefits, \$243,452 and \$47,700 for contracted services. The increase in wages and benefits is attributed to a better alignment of staff resources. Year-to-date actuals are \$211,461.

Standby

Standby reflects the wages and benefits for staff involved with snow plowing services. The budget change reflects a better alignment of staff resources.

Saugeen Mobility and Regional Transit (SMART)

Saugeen Mobility and Regional Transit (SMART) is a specialized public transit service providing transportation solutions to the residents of 9 municipalities in Bruce and Grey Counties. Persons living with disabilities or those who require assistance while travelling can use SMART services. Generally, service is provided to residents who cannot, because of their physical or mental challenges, travel by conventional transit or taxi.

On September 7th, 2010, Council passed By-law 47-10 being a by-law to authorize the execution of an agreement with the Corporation of the Town of Hanover, the Corporation of the Municipality of Brockton, the Corporation of the Municipality of Kincardine, and the Corporation of the Municipality of West Grey for the operation of SMART. Various amendments were made to the agreement over the years and in 2015 the previous by-laws were repealed and replaced with By-law 55-2013.

The Municipality is a contributing member of this organization. It is expected that there will be a 7% increase on the levy due to the rising costs of insurance, staff wages, fuel, and maintenance.

A historical review for SMART was provided to Council on January 27, 2020 through Report SRFIN.20.06. It was noted in the report that if Council wanted to opt-out of continuing with this agreement:

“Clause 9.1 of the agreement, Withdrawal of a Member, states that notice given in the year will be effective on December 31st of the following year. If Council chooses to give notice during 2020 it will take effect December 31st, 2021”.

Environmental Services

Environmental Services, while a small percentage of the total municipal services budget, 0.06% (2022 - 0.46%), there is a decrease in the budget of 85.9% or \$23,846. This is largely attributed to a revenue increase in Garbage Collection, and expense savings in both Waste Disposal and Recycling.

	December	2022	2023	Budget	Budget
	2021	2022	Council Approved	Council Draft 1	%
	Actuals	Actuals	2022 Total Budget	2023 Total Budget	Variance
ENVIRONMENTAL SERVICES					
01-3040 Environmental-Garbage Collection	-136,694	-136,825	-145,245	-157,353	8.3%
01-3050 Environmental-Waste Disposal	12,361	38,882	66,903	58,326	(12.8%)
01-3060 Environmental-Recycling	95,651	96,794	106,109	102,948	(3.0%)
Total ENVIRONMENTAL SERVICES	-28,682	-1,149	27,767	3,921	(85.9%)

As costs continue to rise, staff have been reviewing the user fees charged. The budget has been prepared to include the following changes:

- ✓ Garbage collection added to taxes, increased from \$95 to \$110
- ✓ Bag tags, increased from \$3.00 to \$3.50
- ✓ Recycling bins, increased from \$10 to \$20, based on purchase price increases

Garbage collection is a contracted service. Staff are reviewing options as an increase of \$40,500 has been reflected in the budget for 2023.

Waste Disposal includes revenue generated from the landfill and the associated costs of operations of this site. Staff have not proposed any changes to the fee structure at this time, but it is currently under review. Cost savings have been reflected in operating costs of \$23,902, which will bring the budget more in line with actual costs.

Recycling has identified cost savings in operating costs of \$34,710 which will bring the budget more in line with actual costs.

Health Services

Health Services includes the cemeteries in Arran, Chesley, Elderslie, Paisley and Tara, the medical clinics in Chelsey and Paisley, and the costs related to Physician Recruitment and attribute to 0.97% (2022 - 0.75%) of the municipal services budget. An overall budget increase of 49.3% or \$22,320.

		December	2022	2023	Budget	Budget
	2021	2022	Council Approved	Council Draft 1	\$	%
	Actuals	Actuals	2022 Total Budget	2023 Total Budget	Variance	Variance
HEALTH SERVICES						
01-4000 Health-Physician Recruitment	0	9,348	0	7,888	7,888	100.0%
01-4002 Health-Clinic-Chesley	0	-3,467	1	0	-1	(100.0%)
01-4004 Health-Clinic-Paisley	0	-4,496	1	6,300	6,299	629,900.0%
01-4010 Health-Cemetery-Common	653	771	6,838	3,663	-3,175	(46.4%)
01-4011 Health-Cemetery-Arran	2,982	2,963	4,442	4,245	-197	(4.4%)
01-4012 Health-Cemetery-Chesley	13,030	26,201	15,269	25,068	9,799	64.2%
01-4013 Health-Cemetery-Elderslie	1,903	3,376	4,927	5,046	119	2.4%
01-4014 Health-Cemetery-Paisley	6,546	6,928	6,404	11,446	5,042	78.7%
01-4016 Health-Cemetery-Tara	-5,821	-7,494	7,356	3,902	-3,454	(47.0%)
Total HEALTH SERVICES	19,293	34,130	45,238	67,558	22,320	49.3%

Physician Recruitment represents the Municipality's four-year commitment through agreements signed with physicians in 2021 and 2022. The cost of the agreements has been funded by the physician recruitment reserve. In 2023, the physician recruitment reserve is fully spent, requiring a transfer to reserve of \$7,888 to balance. A detailed discussion is needed with the Physician Recruitment Committee to determine the future needs and planning to replenish the reserve over time.

The operations of the Clinics are intended to be self-financed through the rental income collected from the physicians. Staff are preparing a review of the current lease agreements. The Chesley Medical Clinic has budgeted a transfer to reserve of \$15,178 representing the net revenue remaining after budgeted expenses.

The Paisley Medical Clinic is in a deficit position in 2023 due to rising operating costs, resulting in a tax requirement of \$6,300.

The current balance of the reserves, prior to reconciliations to be completed for 2022:

- ✓ Paisley Clinic - \$40,401
- ✓ Chesley Clinic - \$84,320

While the operating budget for Paisley has not reflected a transfer from reserve, as there are sufficient funds available, it is the recommendation of this report.

It is recommended that the use of the Paisley Clinic Reserve should be used to offset operational costs as proposed in the 2023 budget.

Cemetery budgets covers the cost of burials and ground maintenance.

In 2022, Mount Hope Cemetery was transferred to Arran-Elderslie, which will add additional grounds maintenance for 2023.

Part of the operations of the cemeteries is the maintenance and repair of the foundations. These costs have historically been reflected as a capital project, however, in 2023, \$17,000 has been reflected in operations for contracted services for foundation repairs.

The user fees related to land sales and burial related fees are remaining the same for 2023 as staff plan to complete a fee review in the year.

Recreation Services

Recreation Services includes programs, ball fields, facilities, libraries, museum, and day camps, representing 17.33% (2022 - 18.61%) of the municipal services budget and a 7.4% or \$82,722 budget increase. The budget increase is attributed to facilities and administrative costs.

	2021	December 2022	2022 Council Approved	2023 Council Draft 1	Budget \$	Budget %
	Actuals	Actuals	2022 Total Budget	2023 Total Budget	Variance	Variance
RECREATION AND CULTURE						
01-5001 Rec/Cult-Parkland-Recreation	137,395	116,646	167,605	173,840	6,235	3.7%
01-5015 Rec/Cult-Admin	92,917	-91,268	134,315	180,119	45,804	34.1%
01-5020 Rec/Cult-Common H&S	9,233	4,723	9,586	14,101	4,515	47.1%
01-5210 Rec/Cult-Programs-AE Programs	50,241	52,581	40,712	41,007	295	0.7%
01-5220 Rec/Cult-Programs-Day Camp	2,850	-14,599	19,557	0	-19,557	(100.0%)
01-5311 Rec/Cult-Parks-Ball Field-Arran/Allenford	977	1,356	3,141	2,641	-500	(15.9%)
01-5312 Rec/Cult-Parks-Ball Field-Chesley	7,714	6,061	8,147	8,201	54	0.7%
01-5314 Rec/Cult-Parks-Ball Field-Paisley	1,185	1,435	5,619	5,282	-337	(6.0%)
01-5316 Rec/Cult-Parks-Ball Field-Tara	4,176	8,183	11,205	10,785	-420	(3.7%)
01-5322 Rec/Cult-Parks-Splashpad-Chesley	0	0	0	1,000	1,000	100.0%
01-5324 Rec/Cult-Parks-Splashpad-Paisley	0	0	0	1,000	1,000	100.0%
01-5326 Rec/Cult-Parks-Splashpad-Tara	0	0	0	1,000	1,000	100.0%
01-5411 Rec/Cult-Facilities-CC Arran/Arkwright	4,425	3,867	6,101	6,384	283	4.6%
01-5412 Rec/Cult-Facilities-Chesley Comm Ctr	190,648	150,689	205,196	218,007	12,811	6.2%
01-5414 Rec/Cult-Facilities-Paisley Comm Ctr	185,328	180,503	205,380	227,835	22,455	10.9%
01-5416 Rec/Cult-Facilities-Tara Comm Ctr	160,378	122,592	152,577	154,632	2,055	1.3%
01-5512 Rec/Cult-Facilities-Chesley Pool	46,097	24,903	53,465	52,640	-825	(1.5%)
01-5516 Rec/Cult-Facilities-Tara Pool	49,973	51,106	51,064	49,899	-1,165	(2.3%)
01-5612 Rec/Cult-Facilities-Chesley Trailer Park	1	-11,568	-1	0	1	(100.0%)
01-5712 Rec/Cult-Facilities-Lease-Chesley Town Hall	16,464	25,460	32,960	29,531	-3,429	(10.4%)
01-5714 Rec/Cult-Facilities-Lease-Paisley Legion	7,134	1,428	6,180	6,551	371	6.0%
01-5715 Rec/Cult-Facilities-Lease-Paisley LCBO	-8,509	-7,296	-8,388	0	8,388	(100.0%)
01-5812 Rec/Cult-Libraries-Chesley	-9,820	-5,702	-3,420	-2,721	699	(20.4%)
01-5814 Rec/Cult-Libraries-Paisley	653	-616	2,986	3,649	663	22.2%
01-5816 Rec/Cult-Libraries-Tara	3,168	2,425	7,243	6,778	-465	(6.4%)
01-5914 Rec/Cult-Museum-Paisley	8,841	3,816	10,861	12,652	1,791	16.5%
Total RECREATION AND CULTURE	961,469	626,725	1,122,091	1,204,813	82,722	7.4%

The Recreation Services covers a broad range of service areas with budgets that include wages and benefits and operating supplies, as well as any revenue generated in the respective areas. The following comments focus on the larger variances noted above. The Financial Report at **Schedule A.1** provides a consolidated view of the accounts representing this area.

Admin

In 2022, additional security was required at the Arena's to ensure Covid-19 protocols were in place, and the added staff time was captured as an administrative cost. Wages and benefits for 2023 have been reduced by \$31,853. The costs incurred in 2022 were funded from the Covid-19 Recovery Funds.

Moving forward with planning for the next reporting requirement of asset management, the 2023 budget reflects Phase 2 of the Building Condition Assessments and Componentization for non-recreational buildings.

Costs have been estimated at \$30,000. Phase 1 initiated in 2022, had focused on the three arenas/community centres with an estimated cost of \$35,000. The Phase 1 costs were funded from Reserves, similar to the handling of capital projects. Phase 2 costs have not been financed.

The Municipal Building Reserve should be used to finance Phase 2 of the project for Building Condition Assessments.

Day Camp

The operations of the Day Camp in 2022 resulted in a surplus position, showing that the camp fees are sufficient to cover operating costs. The 2023 budget has been presented to be fully funded from camp fees. This approach has reduced the tax requirement budgeted in 2022 of \$19,557.

Splashpads

With the successful implementation of 3 splashpad projects in 2022, separate departments have been established for the monitoring of ongoing operating and maintenance costs over time. The initial budget is reflective of hydro and water costs.

Community Centres

The variances in each of the community centres is primarily attributed to wages and benefits.

Chesley Trailer Park

In 2020, a reserve was established with contributions coming from the net operating surplus generated for the year. At the end of 2022, the reserve balance is estimated to be \$66,481. The 2023 budget has been prepared with a transfer to reserve of \$17,693. There is capital work needed at the Chesley Trailer Park that will rely on the reserves in the future.

Paisley LCBO Lease

In the past, the surplus funds generated have been used to offset taxation requirements of the municipal budget. The Paisley LCBO Lease generates revenue from its rent, which is used to offset operating expenses. As a way of planning for future capital needs, the surplus funds identified in the 2023 budget, \$9,340 has been transferred to Reserves.

The establishment of a Reserve for the Paisley LCBO Lease should be developed.

Planning and Economic Development

Planning and Economic Development also includes tile drainage, zoning, gravel pits and our downtown decorations, which represents 5.07% (2022 – 4.46%) of the municipal services budget and a 31.2% or \$83,807 budget increase. That largest increase is attributed to zoning and downtown decorations.

		December	2022	2023	Budget	Budget
	2021	2022	Council Approved	Council Draft 1	\$	%
	Actuals	Actuals	2022 Total Budget	2023 Total Budget	Variance	Variance
PLANNING AND DEVELOPMENT						
01-7010 Plan/Dev-Planning-Zoning	0	5,597	-500	35,500	36,000	(7,200.0%)
01-7220 Plan/Dev-Comm/Ind-Downtown Decor	40,868	47,293	53,354	82,030	28,676	53.7%
01-7230 Plan/Dev-Comm/Ind- Gravel Pits	4,435	5,692	8,858	8,894	36	0.4%
01-7300 Plan/Dev-Natural Gas Project	0	0	1,657	0	-1,657	(100.0%)
01-7410 Plan/Dev-Economic Development	157,681	124,696	178,368	192,319	13,951	7.8%
01-7610 Plan/Dev-Tile Drainage	35,392	27,529	27,120	33,921	6,801	25.1%
Total PLANNING AND DEVELOPMENT	238,376	210,807	268,857	352,664	83,807	31.2%

Planning/Zoning had identified two strategic initiatives for 2023:

- ✓ Development Charge Study - \$30,000
- ✓ Planning Review for Zoning and OP - \$30,000

With the announcement of Bill 123, the Development Charge Study will be moved from the 2023 budget to the 2024 budget until staff have had the opportunity to review the full impacts of Bill 123.

Downtown Decor includes a realignment of the Downtown Revitalization Initiatives that have historically been included as part of the Economic Development budget. The realignment includes \$7,000 for each of Chesley, Paisley and Tara, and \$3,500 for Allenford. During the budget meetings, staff felt that this was a better alignment.

Economic Development includes an increase of \$5,000 for memberships, as per SRECDEV.21.03 which approved the Municipality joining the Saugeen Connects. The operating expenses have been reviewed and reduced by \$33,976, \$24,500 of which is related to the realignment noted above of the Downtown Revitalization. The Strategic Initiatives budget has been reduced by \$17,239 to \$41,261, which provides for the following projects:

- ✓ Visitor Centre setup and management
- ✓ Visitor Centre projects
- ✓ Tourism material printing
- ✓ Misc Tourism projects
- ✓ Big Bruce promotion
- ✓ Saugeen River collaborative project
- ✓ Community Improvement Plan, initiatives coming from the review
- ✓ Marketing and communication plan
- ✓ Façade guidelines, Municipality's share of costs with Bruce County initiative

Council grants and donations policy is also managed under Economic Development budget. The budget has remained the same as 2022 with a budget of \$30,598.

Schedule D – Grant and Donation Policy provides a summary of the proposed budget which includes grant requests of \$35,214.

Building & By-law Enforcement Services

The budget presented for 2023 includes a realignment of services to better reflect the management and alignment of services for Building and By-law Enforcement. In addition to the two areas previously presented as Building Services, Building Permits and Property Standards, the budget now includes Animal Control and By-law Enforcement. The two departments, Property Standards and By-law Enforcement have been merged into one. The area of By-law Enforcement is operated in accordance with the Municipal Act, whereas Building Permits is governed by the Building Code Act, which has a separate set of requirements that:

- ✓ The services should be self-supporting.
- ✓ Delivery of the building department services should generally not affect the municipal budget.
- ✓ The fees are not permitted to exceed the anticipated reasonable costs of the Municipality to enforce the Building Code Act.
- ✓ Building permit fees can include a component designated for a reserve fund.
- ✓ The reserve fund can only be used for costs of delivering services related to the administration and enforcement of the Building Code Act.

Schedule B, as shown below, requires an annual operating budget of \$60,261. The operating costs for By-law Enforcement is funded through taxation, whereas Building Inspection is self-funded through the collection of permit fees. The surplus funds generated from permit fees is transferred to Reserves.

Budget Review Dept Summary						
BUILDING & BYLAW ENFORCEMENT SERVICES						
	2021	December	2022	2023	Budget	Budget
	Actuals	Actuals	Council Approved 2022 Total Budget	Council Draft 1 2023 Total Budget	\$	%
					Variance	Variance
BUILDING & BYLAW ENFORCEMENT SERVICES						
Building						
01-2042 Protection-Building Inspection	0	-40,750	0	0	0	
Total Building		-40,750				#DIV/0!
ByLaw						
01-2041 Protection-Animal Control	13	-994	-3,615	0	3,615	(100.0%)
01-2044 Protection-Property Standards	6,899	48,724	8,464	60,261	51,797	612.0%
01-2060 Protection-By-Law/POA Parking	0	2,594	44,954	0	-44,954	(100.0%)
Total ByLaw	6,912	50,324	49,803	60,261	10,458	21.0%
Total BUILDING & BYLAW ENFORCEMENT SERVICES	6,912	9,574	49,803	60,261	10,458	21.0%

A more detailed breakdown has been presented in the Financial Reports:

- ✓ **Schedule B.1** – Building Inspection Department
- ✓ **Schedule B.2** – By-law Enforcement Services

Building Inspection

The permit fee revenue has been decreased by \$25,000 to reflect a slowdown in construction, which will have a negative impact on the department's budget. The budget, as noted earlier, provides for a Building Inspector with a start date of May 1, 2023. This position will assist with permits, inspections, and administrative tasks.

In 2022, a grant was received for a third-party review of the department. As the work has not yet started, the cost of the review and the associated grant of \$30,000, has been reflected within the department's budget for 2023.

On November 28th, 2022, the CBO presented report SRCBO.22.04 Quarterly Report, Building Permit Statistics from January to September 2022, and that data has been included below. The reserve summary shows a draw from the reserve to support operations in 2023.

Building Services						
Building Permits						
	2023 Budget	2022 Sept	2021	2020	2019	2018
Number of Building Permits		110	160	111	168	138
Construction Value (\$000)	\$	18,398	\$ 26,684	\$ 11,649	\$ 23,550	\$ 11,983
Average Permit Value (\$000)	\$	167	\$ 167	\$ 105	\$ 140	\$ 87
Building Permit Values						
Building Permit Fees	\$ 150,000	\$ 172,609	\$ 266,370	\$ 119,010	\$ 192,255	\$ 128,499

Building Services						
5-Year History of Reserves						
Summary of Reserves	2023 Budget	2022	2021	2020	2019	2018
Opening Balance	320,345	279,821	207,502	212,700	113,146	132,010
Activity:						
Budgetted Transfers	(67,184)	9,774	(28,744)	24,837	10,000	43,500
Support of AM/GIS	(5,000)	(10,000)				
In-Year Transfers			-	(4,140)		(36,988)
Year-End Adjustments		40,750	101,063	(25,895)	89,554	(25,376)
Ending Balance	248,161	320,345	279,821	207,502	212,700	113,146
** 2022 Year-End Adjustment is preliminary						

By-law Enforcement Services

The Animal Control budget is comparable to 2022, with a change being the transfer to reserve of \$2,448 representing the expected surplus results. This is the first year that a transfer to reserve has been reflected. The buildup of a reserve will aid in future initiatives and long-term planning. The provision of services is managed by a contract with a third party.

The establishment of a Reserve for Animal Control is required.

Property Standards and By-law departments have been merged to one department moving forward in 2023. An increase in legal fees has been provided for in the budget. The provision of services is managed by a contract with a third party.

Water and Sewer Services

Water and Sewer Services are self-funded through the user fees charged to the property owners for the use of the respective systems. Council formally adopted Financial Plans for the period 2021-2026. Staff have reviewed the plans and updated the respective operating budgets where required. Supporting schedules have been included below to show the updated operating budgets for 2023. The assumptions applied to the financial plans:

- ✓ Inflationary impacts mirror those applied to the municipal departments
- ✓ Sewer – 3% increase on user fees
- ✓ Water – 1% increase on user fees

User fee increases are as per the adopted Financial Plans, plus an increase based on current year service levels and consumption.

The Water and Sewer Services also includes Source Water Protection, which is the Risk Management contract with GSCA, and is funded through the water reserves. In 2022, Storm Water Services were realigned from Environmental Services. The funding of this area remains with taxation until a fee study has been completed.

AE Common Water & Sewer Costs

The AE Common reflects staff time and expenses that are shared between the sewer and water systems and is fully funded by the water (2/5ths) and sewer (3/5ths) reserves. Total operating expenses of \$358,821 represents a 10.2% increase over the 2022 budget of \$325,641. The increase is attributed to Wages & Benefits, \$27,883 and \$5,297 in Operating Expenses and fuel costs. Departmental details are available in **Schedule C.1 – Shared Administration**.

Water Services

The increase in revenues of \$88,498 is sufficient to cover the increase in operating expenses of \$21,465, thus providing for additional funds to be transferred to reserves of \$67,033. Based on a review of **Schedule C.2 – Water Services**, the expense categories are reflective of inflationary expectations.

Sewer Services

The increase in revenues of \$76,961 is sufficient to cover the increase in operating expenses of \$35,090, thus providing for additional funds to be transferred to reserves of \$41,871. Based on a review of **Schedule C.3 – Sewer Services**, the expense categories are reflective of inflationary expectations. A strategic initiative for Chesley, smoke testing, Consolidated Linear Infrastructure (CLI), which is a requirement for future sewer projects has been included in the Operating Budget. This was previously reflected as a capital project.

Storm Services

Departmental expenses have increased by \$66,827, which is largely attributed to the strategic initiative for the Storm Water Needs Study & CLI/ECA for Chesley, Paisley and Tara. This project was approved as a 2022 capital project with a cost of \$70,000. The project is underway, with \$56,404 being reflected in 2023. The project is funded from Efficiency Funds of \$67,205 and \$2,795 from Roads Reserve. The net tax requirement is an increase of \$10,423 for 2023. Departmental details are available in **Schedule C.4 – Storm Water Services**.

Capital Budget

For the preparation of the capital budget, the next phase of the FMW Budget software was implemented, the Capital Plan Module. This module has the full functionality of preparing an annual budget, a long-term capital plan, as well as a capital project budget book which can entail:

- ✓ Descriptions – a brief narrative to explain the project and identify any interdepartmental implications
- ✓ Parent Projects – to connect projects that for planning purposes need to be considered as a whole, such as Road, Sewer, Water, which will enable efficient and timely project implementation
- ✓ Attributes – fully customized data to enhance the capital budget process and capture other elements, such as a link to the strategic plan, procurement process and asset management data: category, segment, new or betterment, life cycle event, asset ID, GIS/Import ID
- ✓ Priorities – a list of categories that each project is ranked by on a scale of 1 to 5, Capital Asset Management Plan, Health & Safety Concern, Strategic Plan Alignment, Legislative Requirement, External Funding. These factors combine to calculate a project weighting
- ✓ Gallery – attaching pictures or maps to further enhance the details about the project
- ✓ Events – capturing specific dates, for example an open house for the completion of the library renovations
- ✓ Tasks – to track specific items that are of importance to a project, such as timelines of an RFP process, signage requirements or report backs for a government grant

The budget book is a two-page report capturing the above elements with the capital budget and financing strategy.

The Capital Financial Report has been provided in **Schedule E** – Capital Budget. While the report has not included all the elements captured in the software, staff continue to work towards the long-term capital budget and financing strategy and completion of all of the data elements. The financial report, similar to prior years, is a project list by key service area, similar to the organization of the Operating Budget. This is a summary of the data provided:

Capital Budget Summary								
Municipal Services								
Key Service Area	LTD Budget	Unspent Budget Carry-forward	2023 Expenses	2023 Capital Requests	Grants	Donations	Reserves	2024 Expenses
General Government	\$ 349,533	\$ 209,555	\$ 89,860	\$ 299,415	\$ 120,169	\$ -	\$ 179,246	\$ 10,000
Fire Protection Services	\$ 15,000	\$ -	\$ 2,510,405	\$ 2,510,405	\$ 1,009,500	\$ -	\$ 1,372,688	\$ 260,000
Transportation Services	\$ 2,130,237	\$ 1,842,825	\$ 2,462,241	\$ 4,305,066	\$ 1,036,700	\$ 50,000	\$ 3,218,366	\$ 298,734
Environmental Services	\$ 8,000	\$ -	\$ 180,000	\$ 180,000	\$ -	\$ -	\$ 180,000	\$ -
Recreation and Culture	\$ 1,134,063	\$ 538,126	\$ 846,500	\$ 1,384,626	\$ 468,653	\$ 157,100	\$ 758,873	\$ 246,500
Health Services	\$ 55,000	\$ 37,516	\$ 194,300	\$ 231,816	\$ 28,050	\$ -	\$ 203,766	\$ 30,000
	\$ 3,691,833	\$ 2,628,022	\$ 6,283,306	\$ 8,911,328	\$ 2,663,072	\$ 207,100	\$ 5,912,939	\$ 845,234
Sewer and Water Services								
Sewer	\$ 180,420	\$ 111,555	\$ 764,573	\$ 876,128	\$ -	\$ -	\$ 876,128	
Water	\$ 807,600	\$ 688,518	\$ 1,255,687	\$ 1,944,205	\$ 312,386	\$ -	\$ 1,631,819	\$ 638,000
Stormwater	\$ 200,000	\$ 200,000	\$ 370,000	\$ 570,000	\$ 280,000	\$ -	\$ 290,000	\$ -
	\$ 1,188,020	\$ 1,000,073	\$ 2,390,260	\$ 3,390,333	\$ 592,386	\$ -	\$ 2,797,947	\$ 638,000
Total Capital Budget								
2023 Capital Submission	\$ 4,879,853	\$ 3,628,095	\$ 8,673,566	\$ 12,301,661	\$ 3,255,458	\$ 207,100	\$ 8,710,886	\$ 1,483,234
2022 Approved Capital				\$ 8,658,963	\$ 3,238,983	\$ 157,350	\$ 5,262,630	

A review of the Capital Budget Summary provides the following data:

- ✓ The Capital Plan Module can track multi-year budgets to show the LTD Budget (life-to-date budget). The LTD budget is based on a review of the 2022; Approved Capital Budget, and those projects that are moving forward for completion in 2023. If the project continues into 2024, the LTD budget will capture any new funds that are allocated to the project in 2023 as "2023 Expenses";
- ✓ Unspent Budget Carry-forward are the approved funds from 2022 that have not been spent and are being carried forward to 2023;
- ✓ 2023 Expenses are "new asks" in the 2023 budget process related to new projects identified or where existing projects require additional funds to complete. The 2022 capital budget had noted where there were projects extending to 2023 and those projects that were deferred to 2023 as a cost savings initiative in 2022. Where an approved project started in 2022, the 2023 amount has been captured in the LTD budget, whereas a deferred project has been captured as request for 2023;
- ✓ 2023 Capital Requests is the sum of the Unspent Budget Carry-forward and the 2023 Expenses.

The project list in **Schedule E** is structured with a unique ID number:

21-GENG-0001

For planning purposes, the projects that start with 21 or 22 are approved capital projects from the 2022 Approved Capital Budget that remain incomplete on December 31, 2022.

An integral component of the Capital Budget as presented is the financing strategy and reserve continuity. It has been Council's direction in the past that the financing of capital projects for Municipal Services be limited to the reserve funds raised in the current year operating budget. The funds proposed for 2023 is \$1,104,104. That being said, the capital project list identifies the year of the project, and a summary will be prepared to isolate reserves already committed from 2021/2022 to those that are new for 2023.

The 2023 Capital Budget includes some larger projects such as the following:

- ✓ **22-FIRE_0004 BLDG-Paisley Fire Hall Construction** – information is being presented to the Paisley Fire Sub-Committee on location and design, such that the final recommendation can be presented to Council. Staff are reviewing financing options such as the proceeds from surplus land sales, government grants, Infrastructure Ontario, or bank loans. The budget has assumed a 50% grant. However, a source of the grant has not yet been identified, but staff are working with Grant Match for assistance. \$2,060,000 and \$250,000 in 2024
- ✓ **22-TRAN-0005 ROADS-Sidewalks** – this is linked to a government grant with a municipal commitment. The Municipality was fortunate to receive a grant extension that has allowed the project to be completed in 2023. Staff are reviewing the terms of the extension and will advise Council of any changes that will impact the capital project as it has been presented. \$1,322,000
- ✓ **23-TRAN-0017 HVY/EQUIP -Sweeper Truck** – this was included on the 2022 Approved Capital List as it required a pre-order in Spring 2022 for delivery in March 2023. \$425,000

Link to Strategic/Master Plan

6.4 Leading Financial Management

The management team, in preparation of their respective budgets, have considered the plans governing their areas, including:

- Asset Management Plan
- Economic Development Strategic Plan
- Fire Master Plan
- Recreation Master Plan
- Water Financial Plan
- Sewer Financial Plan

Financial Impacts/Source of Funding/Link to Procurement Policy

The municipal budget for operations in 2023 reflects an increase of \$456,285 which requires a tax rate increase of 6.0%, however, to achieve a balanced budget that will meet the departmental needs reflected in the report, a tax rate increase of 14.22% is required, which will provide a total levy increase over 2022 of \$942,821.

Staff will continue to work on reviewing the budget for cost savings and efficiencies to minimize any increases to the tax rate.

Approved by: Sylvia Kirkwood, Chief Administrative Officer