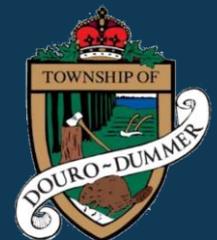




# 2023 Budget – Public Meeting

Township of Douro-Dummer

January 17, 2023



# **Meeting Agenda**

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1. 2023 Budget Summary
2. Budget Process
3. Impact to the Levy
4. Key Operating Changes
5. Capital Overview
6. Joint Public Works and Fire Hall Building
7. Historical Tax Increases and Comparisons

# Budget Process

## Meeting Schedule:

- December 6<sup>th</sup> @ 1pm – Budget Meeting #1
  - The budget being presented at this meeting is not the recommended budget, rather it is starting point for budget discussions.
- January 17<sup>th</sup> @ 5pm – Budget Meeting #2/Public Meeting
  - Additional budget information and any changes that staff have made provided to Council at the regular meeting of Council.
  - Additional information regarding current reserve balances and a forecast based on upcoming needs will be provided.
- February 7<sup>th</sup> – Budget Meeting #3 - Updated Draft and Budget Deliberation
- February 21<sup>st</sup> – Budget Adoption

# 2023 Budget Summary

## 1. Inflation

- Bank of Canada has increased interest rates 3.5% since the beginning of the year from 0.25% to 3.75%. Further rate increases can be expected.
- CPI currently is 6.9% from last October.
- The Non-Residential Construction Price Index has increased 25.9% in the Toronto area.

## 2. Significant capital needs/purchases along with aging infrastructure

- The Joint Fire Hall and Public Works Facility was proposed to have an annual debenture cost of \$475k going into 2022, with costs increasing and higher interest rates this has almost doubled to \$915k.
- Previously committed to Gravel Pit purchase.
- Currently completing the asset management plan, this will help illustrate to Council our future funding needs.
- Have been using previous surpluses to fund current year capital; this is not a sustainable approach as there may not always be surpluses. More work is needed to determine a sustainable approach; this work will not need to be fully completed for this budget process but this will be a key focus of 2023 for future budgets.

# Impact to the Levy

As at first draft the projected Operating Budget impacts the levy by 6.41% and the Capital Budget by 7.11% with an additional 1.18% added for the Joint Public Works and Fire Hall Building. Assessment increased by 1.27% in 2022 which means the change to the net levy is 13.27%. The proposed second draft changes reduce the budget by 4.64% resulting in a tax rate change of 8.64%. This increase in the levy results in an extra \$36.42 annually, or \$3.03 per month per \$100,000 of Assessment; for the median property of \$256,000 there would be an increase of \$93.22 annually and \$7.77 monthly.

	2022	2023	\$ Change	% Change	Levy Impact
Operating Expenses	\$4,516,601	\$4,890,757	\$374,156	8.28%	6.25%
Transfer to Capital	-\$31,920	-\$22,260	\$9,660	-30.26%	0.16%
Net Operating Levy	\$4,484,681	\$4,868,497	\$383,816	8.56%	6.41%
Capital	\$1,401,952	\$1,827,745	\$425,793	30.37%	7.11%
Capital Levy For Joint Building	\$67,872	\$138,512	\$70,640		1.18%
Levy Requirement	\$5,986,425	\$6,857,014	\$870,589	14.54%	14.54%
Less: Assessment Growth in 2022					-1.27%
Percent Change to the Tax Rate - 1st Draft					13.27%
Less - Proposed Second Draft Changes					-4.64%
<b>Percent Change to the Tax Rate - 2nd Draft</b>					<b>8.64%</b>

	2022	2023	Annual Change	Monthly Change
Residential Impact Per \$100,000 of Assessment	\$422.12	\$458.53	\$36.42	\$3.03
Impact on Median Property of \$256,000	\$1,080.62	\$1,173.84	\$93.22	\$7.77

# Summary of Key Operating Changes

		Impact on Levy	
		\$	%
<b>Inflationary Pressures</b>			
Salary and Wage Cost of Living Adjustment	As part of the employee Compensation Agreement Council approves a salary grid increase as per the annual OMERS pension inflation index. OMERS uses the average of the CPI for the 12-month period ending in October and compares it to the average for the same period the previous year. If the CPI increase is greater than 6%, the inflation adjustment is 6% and the increase in CPI over 6% is carried forward for application in a future year when the CPI increase is less than 6%. Given CPI is 6.9%, the annual adjustment will be 6%.	\$147,391	2.46%
Insurance	All across the country municipalities are continuing to see large increases in general liability insurance costs. The total amount of insurance paid for by the Township in 2023 will be \$216,277; this represent a \$60,873 increase, or 39%, from the previous budget. Part of this is due to underbudgeting in 2022 but we are seeing a 15% increase in our premiums from 2022.	\$60,873	1.02%
Fuel Costs	Fuel has increased by 20 cents, or 13.8% to \$1.64 per litre from November 2021 to 2022. Diesel has increased 73.6 cents per litre, or 51.5% to \$2.16 per litre during the same period.	\$15,000	0.25%
<b>Departmental Adjustments</b>			
Fire - Paging Costs	The Township will need to find a new provider for paging services, this is the estimated increase in costs but additional information will be provided once known.	\$34,800	0.58%
Public Works - Material Costs	Material costs related to calcium for dust control on gravel roads have increased both due to price and an increase in resident complaints.  The budget has been increased for sand and salt to reflect recent actuals. 2021 costs were higher than in previous years due the Township no longer contracting out the sanding and salting of municipal lots. Costs of sand and salt have also increased.	\$63,273	1.06%
Police Contract	The OPP set the annual contract based on a variety of factors, which results in a 0.35% decrease this year.	-\$21,035	-0.35%
Other operating adjustments	These reflect the adjustments that staff make to various line items to reflect recent spending and current needs.	\$72,197	1.21%

# Summary of Key Operating Changes

<b>Staffing Changes</b>			
OMERS for Part-time Staff	Starting in January 2023 the Township will be obligated to offer enrollment in OMERS to all part-time staff. It is not currently known which part-time staff will choose to enroll but the current estimate of the impact is \$26,253.	\$26,253	0.44%
IT Analyst	Approved by Council in 2022, the Township is hiring an IT Analyst to manage IT Services for the Township. This will provide a significant increase in the level of IT Services provided to staff which. It is anticipated that this change will allow for further modernization of our services which will result in efficiencies and a better experience for the public.	\$28,691	0.48%
Summer Labourer	Starting in 2023 the Parks department will be responsible for mowing the grass at Township facilities which has previously been completed by a third party. The financial impact is minimal but this is an operational change for the Parks department.	\$387	0.01%
Part-time to Full-time Operator	In 2022 Council approved the Public Works department request to convert one of their seasonal operators to full-time in order to accommodate the additional plowing of the Township facilities that were previously completed by a third party.	\$5,938	0.10%
Compensation Review	During 2022 the Township completed and approved a Compensation Review that ensured Township wages continue to be at market levels. This is an important exercise given the current state of the labour market.	\$33,031	0.55%
Employee Gapping	It is anticipated that some positions will remain vacant in 2023 due to various circumstances.	-\$92,644	-1.55%
<b>Total Operating Impact</b>		<b>\$374,156</b>	<b>6.25%</b>

# Council Options and Challenges

The following are some options Council may consider to reduce the levy increase:

- Option - Use reserves and reserve funds to fund various capital projects.
- Challenge – Substantial reserves are needed to fund the Joint Building and gravel pit purchase.
  
- Option – Delay capital projects
- Challenge – Early findings of the Asset Management Plan indicate that there is a shortfall in the funding of the Township’s assets. Pushing back replacement is only delaying the inevitable. Staff will be providing further information on the longer-term capital needs of the Township at the next budget meeting.
  
- Option – Increase taxes on the basis that our taxes are insufficient to be sustainable going forward and low compared to surrounding municipalities.
- Challenge – Everyone is experiencing cost increases and additional property taxes will only add to that burden.

It should be noted that this is a second draft and staff are going to continue to review the budget prior to the final meeting.

# Capital Funding Summary

This table shows how the capital program is being funded in 2023 compared to 2022.

	2022	2023
= DCs		
Gen Gov't		\$30,000
<b>DCs Total</b>		<b>\$30,000</b>
= Grant		
Gas Tax	\$290,826	\$217,067
ICIP Library	\$14,000	\$14,000
Municipal Modernization Program	\$252,000	
OCIF	\$117,203	\$198,943
Other - Federal	\$408,026	
<b>Grant Total</b>	<b>\$1,082,055</b>	<b>\$430,010</b>
= Levy		
Levy	\$1,777,232	\$1,857,078
<b>Levy Total</b>	<b>\$1,777,232</b>	<b>\$1,857,078</b>
= Reserves		
Building Department	\$186,250	\$11,250
Capital Project/Purchases	\$395,000	\$1,600,000
Emergency Preparedness	\$10,000	
Parkland	\$80,000	
Library		\$31,100
Roads Equipment		\$92,500
<b>Reserves Total</b>	<b>\$671,250</b>	<b>\$1,734,850</b>
<b>Grand Total</b>	<b>\$3,530,537</b>	<b>\$4,051,939</b>

# Joint Public Works and Fire Hall Building

- Background:

- Through the 2022 Budget Council approved a new joint Public Works and Fire Hall Building pending approval of the final design and cost once procurement was completed.
- The plan presented in the 2022 Budget to finance the project was as follows:
  - Debt finance the entire cost of \$7.5 million, the interest rate at the time was 2.67%.
  - Use approx. \$1 million of reserves to mitigate the initial impact of the debt payments.
  - Apply a capital an annual capital levy of 1.18% from 2022-2028 to raise sufficient funds for the debt payments.

Year	Reserves	Levy	Debt Payment	% Increase
2022	\$ -	\$ 67,872	\$ -	1.18%
2023	\$ 339,255	\$ 135,745	\$ 475,000	1.18%
2024	\$ 271,383	\$ 203,617	\$ 475,000	1.18%
2025	\$ 203,510	\$ 271,490	\$ 475,000	1.18%
2026	\$ 135,638	\$ 339,362	\$ 475,000	1.18%
2027	\$ 67,766	\$ 407,234	\$ 475,000	1.18%
2028	\$ -	\$ 475,000	\$ 475,000	1.18%
<b>Total Reserves:</b>	<b>\$ 1,017,552</b>			

- During 2022 progress was made on the design of the building, however, there were some other pending issues with the property that required resolution before proceeding to the final design stage.
- During the redesign work the consultant estimated that the cost would be closer to \$12 million based on recent similar projects completed by other municipalities.

# Joint Public Works and Fire Hall Building

- Moving forward:

- Given the increase in cost estimates from \$7.5 million to \$12 million and the increase in interest rates from 2.67% to 4.40% the existing financing strategy is no longer feasible.
- Reserves of \$1 million can still be committed to help mitigate the impact but a significant initial increase to the levy will be required.
- Option 1 – Maintain existing plan until the \$1 million of reserves has been used.

Year	Reserves	Levy	Debt Payment	% Increase
2022		\$ 67,872		1.18%
2023		\$ 138,512		1.18%
2024	\$ 705,385.36	\$ 209,152	\$ 914,537.36	1.18%
2025	\$294,614.64	\$ 619,923	\$ 914,537.36	6.86%
2026		\$ 914,537	\$ 914,537.36	4.92%

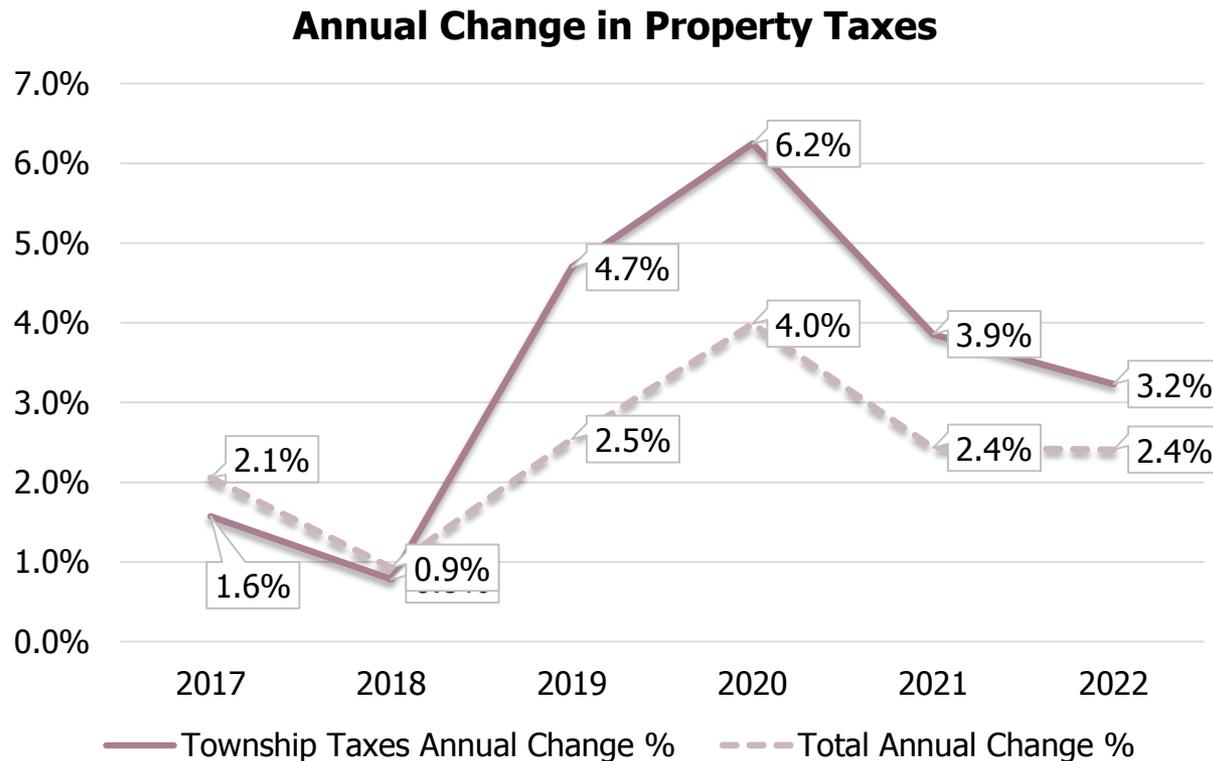
- Option 2 – Smooth out the impact beginning in 2024

Year	Reserves	Levy	Debt Payment	% Increase
2022		\$ 67,872		1.18%
2023		\$ 138,512		1.18%
2024	\$ 550,000.00	\$ 364,537	\$ 914,537.36	3.78%
2025	\$325,000.00	\$ 589,537	\$ 914,537.36	3.76%
2026	\$125,000.00	\$ 789,537	\$ 914,537.36	3.34%

- It should be noted that these are high level scenarios. Further work is required to finalize costs and also ensure all financing options and costs are explored.

# Historical Property Tax Increases

The following graph demonstrates the property tax changes for the median property since 2016. The average increase over this time was 3.4% for the Township share and 2.4% for total tax bill including the County and Education taxes. For reference CPI over the same time frame increase on average 3.0%.



# Property Tax Comparisons

The following table shows some property tax comparisons to surrounding municipalities. Comparing property taxes can be difficult due to varying service levels, amenities within a municipality and the different ratio of residential to non-residential. Douro-Dummer has low non-residential assessment which means almost the entire tax burden falls on the residential class.

The info below shows that amongst the comparators Douro-Dummer has the second lowest lower-tier taxes; the median property in each Township is shown to illustrate the “typical” property in the Township. There are properties that are much higher and lower than the values shown below.

	<b>Median Assessment Value in 2022</b>	<b>Average Annual Change since 2016</b>	<b>Median Total Tax Bill in 2022</b>	<b>Median LT Taxes in 2022</b>
OSM	\$289,000	3.87%	\$3,222	\$1,721
Norwood	\$213,000	2.32%	\$2,613	\$1,506
Selwyn	\$273,000	-1.89%	\$2,684	\$1,266
Havelock	\$179,000	1.72%	\$2,069	\$1,142
Douro-Dummer	\$256,000	3.38%	\$2,314	\$983
North Kawartha	\$186,000	2.80%	\$1,643	\$676