

Report to Council

Report Title: 2023 Draft Budget Update

Prepared By: Trish Serratore, Chief Financial Officer

Department: Finance

Date: February 7, 2023

Report Number: FIN2023-03 **File Number:** C11FIN, F05

Attachments: Appendix A –Reserve and Reserve Fund Policy
Appendix B – Updated Projected Reserve Fund Balance
Appendix C – Long-term Debt Schedule

Recommendation:

That the Council of the Municipality of Brockton hereby receives Report Number FIN2023-03 – 2023 Draft Budget Update, prepared by Trish Serratore, Chief Financial Officer and in doing so approves bringing forward a By-Law to accept the 2023 Municipal Budget in the levied amount of \$ _____ and approves proceeding with option _____ in relation to the request from the Walkerton Capitals.

And further, Council approves rescinding Resolution 21-03-04 Brockton Child Care Reserve Fund Transfer.

Report:

Background:

Staff presented the draft 2023 budget to Council on January 26th and January 27th 2023. During that time, and following those meetings, staff have reviewed the various recommendations from Council and have been able to make proposed changes within the budget by analyzing each department for expense reduction opportunities, possible funding sources for capital and have delayed certain projects to 2024.

Brockton has done an excellent job at continuing to provide solid service levels with minimal tax rate increases over an extended period of time. The impact of COVID-19 has played a significant role and with increased operating and capital costs and with frozen property assessments at 2016 values, the Municipality is once again facing another challenging year with the 2023 budget.

In addition to increased expense, Brockton has been slowly recovering from the loss in revenue due to Covid-19. Staff will continue to promote programs and services, explore new opportunities to generate additional revenue including investment opportunities and new programs and services.

Reserve and Reserve Fund Balances

Over the last few years Council has been dedicated to capital improvements through long-term borrowing and has made commitments to Reserve Funds for future infrastructure needs.

In 2022 Council adopted the Reserve and Reserve Fund Policy which staff have attached for reference. This Policy guides the use and care of reserves and reserve funds in accordance with the *Municipal Act, 2001*.

Staff reviewed the 2023 Capital projects and final costs and have updated the Reserve Fund spreadsheet to better reflect the financial transfers from each department:

- Future Recreation Facility – increased reserve fund contributions for the future recreation facility to \$200,000
- Streetlights removed \$10,000 contribution to reserve fund.

During the 2021 budget discussions, Council passed Resolution 21-03-04 directing staff to contribute \$50,000 per year for the next four years to the Brockton Child Care Reserve fund. Large balances in the Child Care Reserve Fund have the potential to impact current and future grant funding from the Province and/or County. Staff are recommending that Council approve rescinding Resolution 21-03-04 and staff will continue to monitor any future infrastructure needs that may require an increase to the reserve fund balance.

Appendix B shows the projected reserve fund balance for the end of 2023. It should be noted that the Reserve Fund figures are still preliminary and are subject to change during the 2022 year-end audit process.

Capital Planning and Long-term Debt

Council has leveraged both long-term debt as well as Reserve Funds over the last few years in order to continue to support the significant capital investments in Brockton. Staff have a number of capital projects that have carry-forward from the 2022 budget. However, the only long-term borrowing in the 2023 budget is for the new sweeper which needs replacement and was thoroughly discussed at the January 26th meeting. Each of the capital project outlined below will require significant staff time to finalize construction plans, complete tender documents, apply for funding sources and provide project management and oversight of each project.

Below is a list of projects included in the 2023 budget that are leveraging long-term debt:

Year	Project	Amount
2021- Carry forward	Soccer Field	240,000
2022 - Carry forward	Yonge St	2,797,923
2022 - Carry forward	Trunk Main	3,086,000
2022 - Carry forward	Market Garden	118,000
2023 - NEW	Sweeper	200,000
Total		\$6,441,923

Appendix C lists all of the outstanding long-term debt, the outstanding balance, identifies if the debenture is fixed or variable rate and the interest rate.

As Council continues to invest into reserve funds for long-term infrastructure needs, staff will review the Reserve Funds that would be appropriate to leverage additional funding through investment opportunities and provide Council with the annual reports as required within the Municipal Investment Policy. Staff recognize the priority and have reached out to the associations for additional information on investment options.

Analysis:

Since the first budget draft was presented, there have been several modifications to both the operating and capital budgets based on discussions from the January 27th Council Meeting which are outlined as follows:

General Government

- Increased donation to Victoria Jubilee Hall \$15,000 for total donation of \$25,000
- Increased donation for the Chepstow Lions club, \$10,000 in 2023 and proposed \$10,000 in 2024
- Increased legal expenses to be in-line with prior year actuals for ongoing matters \$20,000

East Ridge Business Park

- Removed capital expense for new LED sign \$40,000
- Removed capital expense for new sign \$15,000
- Increased capital expense for streetlight to \$18,000 from \$15,000 funded by Westario Reserve Fund

Economic Development

- Community Improvement Plan – Program Funding reduce by \$10,000 to \$25,000

Heritage

- Heritage reduced \$10,500 – Removed the mileage expense and mural funding.

Planning

- Reduced Planning for Official Plan review and Zoning By-Law update, spread over 2023 & 2024 to \$20,000
- Removed \$25,000 Reserve Fund transfer

Drainage

- Reduced service agreement to \$15,000 for drainage superintendent expenses

Recreation

- **Community Centre**
 - Increased Reserve fund contribution to be in-line with prior year increased - \$102,500
 - Increased operating expense for EV Charging Station \$5,600
 - Increased capital expense for final EV Charging station purchase that is outstanding from prior year, \$15,000
- **Soccer**
 - Decrease ground maintenance \$9,000

- **Cargill Community Centre**
 - Increased operating expense for EV Charging Station \$2,800
- **Parks**
 - Tennis Courts remain in the budget funded by Grants for \$214,000 unless otherwise directed

On November 29, 2022 The Walkerton Capital Jr. C Hockey Club made a request to Council for fee reduction with the auditorium fees of \$2,900, reduced corkage fees of 50%, which equals \$2,100 and 20% ice rental reduction which equals \$2,900 for a total request of \$7,900. During the meeting Council deferred the request to the Budget meetings for further consideration.

During the January 26th and 27th budget meetings Council discussed various options. One recommendation was a packaged rental rate for the use of the auditorium and ice rental. Another option was just looking at the reduced corkage fee. Schedule G of the Fees and Charges By-law includes the package rental rate for both the auditorium and ice rental. The auditorium without the ice rental is \$315/day; where as the auditorium with the ice rental is \$138/day. In addition, in 2023 the corkage fee has been removed and there is a set rate of \$200 for the bar use which includes providing the ice, cups and mix.

Below are four options for Council consideration for the Walkerton Capitals request and a motion will be brought forward:

1. Reduce or remove the bar use fee of \$200; leave the auditorium fee at the \$138 – a Recreation Revenue loss of \$2,100
2. Remove the auditorium rate of \$138; leave the bar use fee of \$200 – a Recreation Revenue loss of \$2,900
3. Reduced ice rental fee only – a revenue loss of \$2,900
4. Decline the request and continue to charge the set fees as per the By-Law

Public Works

- Decreased supplies \$6,000
- Decreased Winter Control \$60,000
- Decreased advertising \$1,000

Streetlights

- Removed \$10,000 transfer to Reserve Fund
- Increased capital LED replacement to include Durham Street as well as Jackson Street. From \$100,000 to a \$150,000 and will be funded by Westario Reserve Fund to complete the entire project

Conclusion

Staff have taken into consideration the comments, concerns and direction of Council in considering the amendments above. The total impact of the above factors equates to a municipal tax rate increase of **8.9%**, which would equal **\$223.29 per year or \$18.61 per month** on the average household.

Council requested staff present options, below are two options for Councils consideration:

1. **Option 1 - 8.9% tax rate increase, includes:**
Future Recreation Facility Reserve Fund Transfer \$200,000
2. **Option 2 – 7.96% tax rate increase, includes:**
Future Recreation Facility Reserve Fund Transfer \$100,000

Brockton Council and Staff have been diligent over the last few years to mitigate any significant increases to the operations. Staff have been flexible and creative with navigating through challenging and unpredictable times. There are some areas where staff cannot continue to offer a high standard of service to the residents without recommending a modest increase to support the economic challenges we face today.

Council did inquire if using the reserve funds to pay off some of the long-term debt was a preferred approach. At this time, staff do not recommend proceeding with this recommendation. Currently Brockton has a balance between our long-term debt repayment and cash reserve balance. This has been acknowledged by our auditor as a fiscally responsible approach. There have been incidents over the last few years where we have needed to utilize the reserves for unplanned emergency repairs. With the vast amount of aging infrastructure throughout Brockton it essential to maintain adequate levels of Reserves and Reserve Funds. In addition, some of the variable loans that would be eligible for early repayment do not have significant loan balances, or high annual repayment, nor do some of the loans have sufficient funding available.

The draft 2023 budget presented to Council has a tax rate increase consistent with inflation to continue to support the community without decreasing services.

Additional Information Added

On February 2, 2023 staff received notification of the 2023 Court Security and Prisoner Transportation Grant (CSPTG) allotment in the amount of \$417,946. The 2022 allocation was \$267,504, which is an increase of \$150,442 or 56%. In 2022 the municipality had a decrease in funding of \$29,398 or 9.9%

In addition, staff added a \$20,000 increase in capital for the cement foundation of the columbarium to be funded by the tax rate. The draft budget amount covered the 96-unit columbarium.

These two changes have the following impact on the tax rate:

Presented to Council – Feb 7th report

1. Option 1 - 8.9% tax rate increase, includes: \$223.29 per year, \$18.61mth

Future Recreation Facility Reserve Fund Transfer \$200,000

2. Option 2 – 7.96% tax rate increase, includes: \$201.30 per year, \$16.78mth

Future Recreation Facility Reserve Fund Transfer \$100,000

Changes – as of Thursday Feb 2, 2023 not included in the Feb 7th report

- *Increase \$20,000 for columbarium foundation*
- *Decrease in OPP for CSPTG*

1. Option 1 – 7.55% tax rate increase, includes: \$191.64 per year, \$15.97mth

Future Recreation Facility Reserve Fund Transfer \$200,000

2. Option 2 – 6.62% tax rate increase, includes: \$169.66 per year, \$14.14mth

Future Recreation Facility Reserve Fund Transfer \$100,000

Strategic Action Plan Checklist:

What aspect of the Brockton Strategic Action Plan does the content/recommendations in this report help advance?

- Recommendations help move the Municipality closer to its Vision

N/A

- | | |
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| • Recommendations contribute to achieving Heritage, Culture, and Community | Yes |
| • Recommendations contribute to achieving Quality of Life | Yes |
| • Recommendations contribute to achieving Land Use Planning and the Natural Environment | N/A |
| • Recommendations contribute to achieving Economic Development | Yes |
| • Recommendations contribute to achieving Municipal Governance | Yes |

Financial Impacts/Source of Funding:

- Do the recommendations represent a sound financial investment from a sustainability perspective? Yes

Respectfully Submitted by:



Trish Serratore, Chief Financial Officer

Reviewed By:



Sonya Watson, Chief Administrative Officer