

THE CORPORATION OF THE MUNICIPALITY OF MISSISSIPPI MILLS

STAFF REPORT

DATE: February 21st, 2023
TO: Committee of the Whole
FROM: Andrew Hodge, Deputy Treasurer
SUBJECT: 2023 Draft Budget

RECOMMENDATION:

Motion 1:

THAT Committee of the Whole recommend that Council Reduce the Police Levy and increase the Municipal tax rate to generate an additional \$178,760 of funds for general purposes – Council to provide direction on how these are to be used.

Motion 2:

THAT Committee of the Whole direct Staff to increase borrowing and to bring back a list of additional projects to be funded from borrowed funds.

Motion 3:

THAT Committee of the Whole recommend that Council approve reallocating \$73,000 in funds that have been unspent on previous projects to new capital projects or add these funds to the capital reserves.

Motion 4:

THAT Committee of the Whole recommend that Council approve reallocating \$67,000 in funds previously budgeted for projects that will not be initiated in 2023.

Motion 5:

THAT Committee of the Whole recommend that Council approve the draft budget as amended.

BACKGROUND:

The 2023 budget was tabled on Dec 13, 2022, proposing a 3% increase over the 2022 tax rate. There was a presentation given with a high-level summary, budget schedule, assumptions, highlights, review, and pre-budget approval items. Pre-approvals of \$1,033,380 were presented and pre-approvals of \$783,380 were approved.

On January 10th and 12th, 2023, departments presented their specific budget areas, providing more detailed information on capital projects, ongoing operations, and service levels pertaining to 2023. Council requested additional information to be brought back and reported.

DISCUSSION:

The updated draft budget is still proposing a 3% increase over the 2022 tax rate. Adjustments to the budget have been made following the previous meetings as noted Table 1 below.

Table 1

Budget Tab	Account	Previous Amt	New Amt	Note
Revenues	1-107-9462-0010	100,000	- 100,000	entry to correct positive to negative
Revenues	1-107-9462-0010	- 100,000	- 400,000	rate increases
Revenues	1-105-1055-0550	- 435,617	-	move to capital fund
Revenues	1-105-1055-0970	-	- 4,000	add - livestock
Revenues	1-105-1055-0950	-	- 47,000	add - not in tabled draft
Revenues	1-105-1055-0960	- 643,107	- 546,641	decrease in actual grant from Prov
Revenues	1-105-1055-0588	-	- 25,000	fire training revenue
Expense	1-210-0212-5630	-	25,000	fire training cost
Capital	2-211-0241-0244	10,400	-	Remove Prefab Shed Study
Capital	2-711-0711-0830	25,000	35,000	Lawn bowling - new info
Corp Serv	1-111-0121-5240	7,901	28,152	insurance as invoiced
Admin Buildings	1-111-0133-5240	17,341	19,500	insurance as invoiced
Fire	1-210-0211-5240	47,145	51,933	insurance as invoiced
Building	1-211-0241-5240	5,985	5,985	insurance as invoiced
Transportation	1-301-0301-5240	44,431	49,500	insurance as invoiced
Transportation	1-305-0306-5240	1,470	1,650	insurance as invoiced
Transportation	1-305-0307-5240	2,457	2,750	insurance as invoiced
Transportation	1-313-0380-5240	4,095	4,500	insurance as invoiced
Transportation	1-313-0381-5240	11,077	15,111	insurance as invoiced
Childcare	3-631-0030-5240	3,943	4,400	insurance as invoiced
Library	4-531-0001-5240	8,967	8,967	insurance as invoiced
Recreation	5-731-0021-5240	11,266	12,550	insurance as invoiced
Recreation	5-737-0021-5240	11,266	12,550	insurance as invoiced
Recreation	5-751-0021-5240	10,799	12,100	insurance as invoiced
Curling	6-741-0021-5240	11,266	14,300	insurance as invoiced
Water & Sewer	1-501-0501-5240	14,831	14,554	insurance as invoiced
Water & Sewer	1-501-0502-5241	2,473	2,750	insurance as invoiced
Corp serv	1-111-0121-7730	-	15,000	election to reserve
Corp serv	1-111-0121-7730	-	36,030	Intl Fin. P&R

Corp serv	1-111-0121-1110	1,319,038	1,294,038	Dept Salary reduced transfer funds for extra student and training
CED	1-811-0814-1130	42,432	52,432	increased extra summer student
Corp serv	1-111-0121-5230	10,500	25,500	increased training
Corp serv	1-111-0133-7730	-	5,500	AOTH Intl Fin. Ext Concrete
CED	1-811-0814-7730	500,000	510,000	Electronic sign - Intl Fin.
PW	1-301-0301-7730	-	114,119	Intl Fin.
Revenues	1-108-9461-0010	-	- 161,794	DC from Reserve Fund
Revenues	1-108-9490-0010	- 383,087	- 221,293	reduced from reserve
Childcare	3-105-1058-D111	-	- 23,100	DC CDSBEO lease
Childcare	3-105-1058-D102	1,836,354	1,813,711	Revenue reduction
Revenues	1-107-9491-0010	-	- 95,870	DC fire debt & Ottawa St Fin
Fire	1-210-0211-7730	15,389	12,348	Reserve transfer decrease

One option to give Council additional taxation funds for general purposes is a reduction in the projected rate for the Police levy that is used in the draft budget for 2023. As of December 31, 2022 the reserve for policing has \$247,000 which is set aside for stabilization in the event that the contract increases significantly. The value of the 2023 OPP contract is \$1,874,182 and the current reserve of \$247,000 is approximately 13% of the 2023 contract. The 2023 draft budget includes a Police levy that is the same rate as 2022. The Police Levy Rate could be reduced by \$178,760 and shifted to the tax levy, for an equal increase of \$178,760 so that no net change in the final tax billing dollar amount would occur but the amount of \$178,760 could be used towards an increased contribution to a reserve other than the police reserve. Although no net increase to a residents overall tax bill would occur this change would result in a “municipal” tax rate increase greater than 3%.

The Reserve Policy is attached to this report and it is the opinion of Staff that this policy needs to be revised. According to the policy capital reserves are tied to amortization of assets but a target rate has not been adopted by Council.

Depreciation amounts per Audited Financial Statements are depicted in Table 2 below.

Table 2

	AVG	2021	2020	2019	2018	2017
Depreciation	3,374,156	3,483,296	3,620,704	3,564,635	3,192,267	3,009,880
Additions	7,074,496	8,595,792	4,853,436	5,466,698	8,011,581	8,444,974

Loan repayments to be completed for 2023 are depicted in Table 3 below.

Table 3

BMO	loan #246	remaining principal paid	25,557
TD	loan #02	remaining principal paid	40,461
RBC	loan #013	remaining principal paid	1,231,664
		Subtotal 2023	1,297,682

Based on the amortization schedules the total principal being repaid on loans in 2023 is \$1,509,366, compared to \$1,291,012 in 2022.

Capital budgets excluding carryforwards as well as the amounts budgeted to be borrowed in each year of those years depicted in Table 4 below.

Table 4

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital Budgeted	7,633,457	13,188,579	12,719,922	11,429,756	6,184,905	9,869,763
Less: Carry Fwd.		893,954	1,656,176	835,030	1,248,350	624,100
Total	7,633,457	12,294,625	11,063,746	10,594,726	4,936,555	9,245,663
Avg New Capital	9,294,795					
Borrowed Funds	615,000	3,525,350	3,718,640	3,193,715	1,084,600	5,699,090

As can be seen in Table 4, the budget years that had large capital programs also had more borrowed funds than proposed in the current 2023 draft budget. One option for Council to fund an increase in the proposed capital program is to direct Staff to include additional borrowing in the draft 2023 budget. Council would then need to direct how to spend these additional borrowed funds.

Attached to this report is a table of the Capital Works in Process (WIP) from previous years. This table includes projects that have not been completed in 2020-2022. Some of the projects do have some spending and some have none. The current WIP has an overall value of \$15,195,594.45 with \$8,243,377.82 spent with a remaining unspent amount of \$6.98M which includes the Downtown Core Revitalization with \$4.01M remaining to be spent on these contracts. One project that has an approved multi year workplan accounts for 57% of the total unspent funds or WIP.

Of the projects that have been completed in 2022 and are noted on the WIP there is approximately \$73,000 in unused or surplus funds. This is noted in the WIP table as “report item A”. Council could direct these funds to be used for additional capital spending or as an increase to reserves as per the Reserve Policy.

Staff have reviewed the WIP list and have identified projects that have not been initiated and are not likely to be initiated in 2023. These funds can be reallocated and total \$67,000. This is noted as “report item B” in the WIP table and is depicted below in Table 5.

Table 5

Administration	2-111-0131-0144	BUILDING CONDITION ASSESSMENT TO SUPPORT ASSET M	5,000.00
Fire	2-210-0211-0287	Command Centre Trailer	10,000.00
Recreation	2-711-0711-0705	Gemmill Park Improvements	10,000.00
Recreation	2-711-0711-0861	Lighting Study	7,000.00
Recreation	2-711-0711-0862	Canteen Repairs	30,000.00
Recreation	2-711-0711-0870	Parking Lot Lighting	5,000.00
			67,000.00

The NLHS-NLRM is asking for an increase of \$11,439 for a total grant of \$39,300, for account 5-760-0035-2031, which is currently at \$27,861. The MVTM using the same approach could increase from \$72,145 to \$130,771, an increase of \$58,626. These increases totalling \$70,065 could be funded by additional taxation, or from reserves.

The capital budget contains the project for the curling facility chiller/brine pump motor. As previously presented the project is estimated at \$500,000 total cost, of which half was approved in 2022 and is now on the work in process list. The additional funds of \$250,000 are in the 2023 capital budget and presented as being funded through bank financing. The capital investment of \$500,000 would have an estimated asset useful life of 30 years.

The 2023 budget process utilized a public engagement strategy that included an online survey and budget spotlights to engage with the community. In previous years, the municipality used an advisory committee or held a public meeting to obtain feedback from the community on the budget. On average less than 10 members of the public would provide feedback at a public meeting and the advisory committee was made up of 7-9 volunteer members of the community, plus councillors and staff. The survey was available to the public from January 20th, 2023 to February 10th, 2023 in both digital and in paper formats. The survey was promoted through municipal communications strategies allowing the public to provide input during the budget process and discussions prior to the passing of the final 2023 budget. This approach has allowed the municipality to hear from 167 individuals through submissions of the budget survey (164 online and 3 paper submissions). The survey results are attached.

OPTIONS:

Option A. (Recommended)

THAT Committee of the Whole recommend that Council Reduce the Police Levy and increase the Municipal tax rate to generate an additional \$178,760 of funds for general purposes – Council to provide direction on how these are to be used.

Motion 2:

THAT Committee of the Whole direct Staff to increase borrowing and to bring back a list of additional projects to be funded from borrowed funds.

Motion 3:

THAT Committee of the Whole recommend that Council approve reallocating \$73,000 in funds that have been unspent on previous projects to new capital projects or add these funds to the capital reserves.

Motion 4:

THAT Committee of the Whole recommend that Council approve reallocating \$67,000 in funds previously budgeted for projects that will not be initiated in 2023.

Motion 5:

THAT Committee of the Whole recommend that Council approve the draft budget as amended.

Option B.

THAT Committee of the Whole refer the budget back to staff for further review;
AND THAT the amended draft budget be brought back to Committee of the Whole for further consideration.

FINANCIAL IMPLICATIONS:

Based on the presented levy requirement, and the estimated assessment value, the Municipal portion of the tax rate would be 0.00473852 for 2023, compared with 0.00460050 in 2022, a 3.0% increase. There are four components to the tax rate that the Municipality levies on residents – Municipal, Police, County and School.

Overall, the financial implications of this report will depend on which additional budget considerations Committee of the Whole recommends to Council for approval.

SUMMARY:

The 2023 budget as presented would authorize the municipal staff to proceed with 2023 operating and capital projects, services, objectives, and priorities, with the tax rate increase being 3% over the 2022 tax rate. The 2023 budget can be brought to Council at a March 2023 meeting.

Respectfully submitted by,

Reviewed by:

Andrew Hodge,
Deputy Treasurer

Ken Kelly,
CAO

ATTACHMENTS:

1. Reserve Policy
2. 2023 Reserve Schedule – projected
3. 2023 Internal Financing from Reserves
4. 2023 Loan Summary - projected
5. 2023 Work in Process (WIP)
6. 2023 Budget – with updates
7. 2023 Budget Survey Results
8. List of Questions asked by Council Jan 10 and 12, 2023 with Staff Responses with relevant attachments.