

**THE CORPORATION OF THE MUNICIPALITY OF MISSISSIPPI MILLS**

**STAFF REPORT**

**DATE:** December 5, 2023  
**TO:** Council  
**FROM:** Kathy Davis, Director of Corporate Services, Treasurer  
Andrew Hodge, Deputy Treasurer  
**SUBJECT:** 2024 Draft Budget Updates and Details # 4

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**RECOMMENDATION:**

**Motion 1.**

**THAT Council approve Option O and direct staff to maintain Corporate Services reserve contributions of \$112,924 in the 2024 draft budget**

**Motion 2.**

**THAT Council approve Option U and direct staff to reflect that the draw from reserves in the 2024 draft budget be exactly \$520,387 (or some other agreed upon amount),  
AND THAT the tax rate increase in the 2024 draft budget be exactly 3.5% (or some other agreed upon rate),  
AND THAT any remaining funds be used to reduce the amount of debt required for capital projects in the 2024 budget, specifically related to roads / transportation infrastructure.**

**Motion 3.**

**THAT Council receive as information that the updated insurance premium increase has been added to the draft budget for an additional cost of \$22,859,  
AND THAT Council receive as information that the updated by-law services contract has been added to the draft budget amounting to savings of \$21,419,**

**Motion 4.**

**THAT Council approve the 2024 capital and operating budget, as amended.**

## **BACKGROUND:**

Council has met four times to review and discuss the 2024 budget:

- September 26, 2023 – budget;
- October 10, 2023 – budget details related to infrastructure, assets, and growth;
- October 12, 2023 – budget details related to the Municipality’s strategic priorities;
- November 14, 2023 – updates and follow up and decision making related to 30 motions that were put forward in response to the budget details provided.

At the November 14 Special Council meeting, Council approved amendments to the draft budget such that the draft operating expenditures budget was reduced by \$95,173 and the draft required debt financing was reduced by \$1,388,900 as compared to the tabled budget and subsequent updates and changes.

Below are the two remaining items carried forward from the November 14<sup>th</sup> report and discussion being the motions under consideration:

### **E. 1. s) Corporate Services Reserves**

The draft budget included a reserve contribution in Corporate Services, being \$112,924 for 2024, comprised of \$15,000 for elections and \$97,924 for general reserves.

Staff shared that unknown costs in 2024 included potential compensation increases related to collective bargaining over and above the 2% assumed in the budget, market salary adjustments, and pay equity payments. Additionally, staff identified that future considerations for additional information technology costs could be supported by reserves.

The following options were provided for consideration:

Option O: make no changes to the budgeted reserve, such that \$15,000 is allocated for elections, and \$97,924 to general stabilization reserves.

Option P: reduce the budgeted reserve to \$15,000 for elections only.

Option Q: reduce the budgeted reserve to \$75,000, such that \$15,000 is allocated for elections, and \$60,000 to general stabilization reserves.

#### Recommendation s

THAT Council direct staff to include Option O in the 2024 draft budget, such that the Corporate Services transfer to reserves for 2024 is maintained at \$112,924.

**E. 1. u) Reserves Stabilization and Tax Rates**

On November 14, 2023, Council passed a number of motions that resulted in a decrease of operating funds required for 2024. The following options had been provided to Council for consideration with respect to the balance between drawing from reserves and increasing taxes.

Option R: determine that the draw from reserves in the 2024 budget should be exactly \$520,837, and that any increased spending or decreased costs will directly impact the tax rate.

Option S: determine that the tax rate increase in the 2024 budget should be exactly 3.5% (or some other agreed upon rate) and that any increased spending or decreased costs will directly increase or decrease the required draw from reserves, respectively.

Option T: determine that the draw from reserves in the 2024 budget should be no more than \$520,837, and that any increased spending will directly impact the tax rate, and any decreased spending will reduce the required draw from reserves.

**Recommendation u:**

THAT Council direct staff to reflect Option T in the draft budget whereby no more than \$520,387 shall be drawn from stabilization reserves in the 2024 budget, and additional spending in excess of this amount be applied to the tax rate.

At the November 14 meeting, Council considered different options related to item E. 1. s) with respect to Corporate Services reserves. The chart below summarizes the cumulative impact of amendments and updates since the budget was tabled on September 26, 2023, as well as the implications discussed related to Corporate Services reserves.

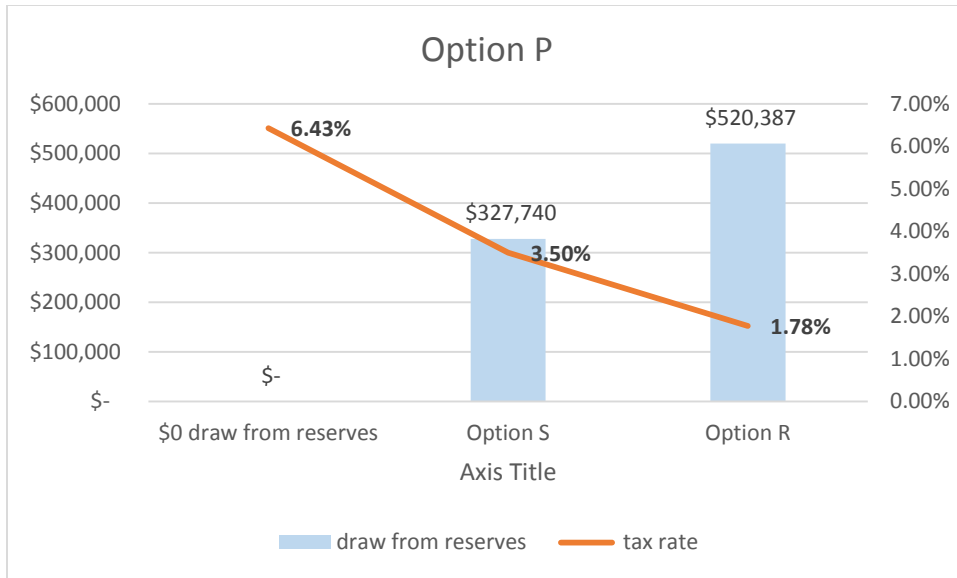
	<b>Operating Budget Draw From Reserves</b>	<b>Revisions - (savings) spending</b>	<b>Operating Budget % Tax Increase</b>	<b>Operating Budget Tax Revenue</b>
REV C Tabled	\$ 411,687.82		3.50%	\$ 11,599,354.00
REV D	\$ 411,687.82		3.50%	\$ 11,599,354.00
<i>addition to by-law contract</i>		\$ 49,742.40		
REV E October 10	\$ 461,430.22		3.50%	\$ 1,599,354.00
REV F October 12	\$ 461,430.22		3.50%	\$ 11,599,354.00
<i>Rec Programmer</i>		\$ 75,000.00		
<i>Borrowing update</i>		\$ 74,806.00		
<i>ORPC revenue</i>		\$ (90,400.00)		
REV G November 14	\$ 520,837.22		3.50%	\$ 11,599,354.00
<i>Tree Works in Parks</i>		\$ 10,000.00		

<i>Affordable Housing Grant</i>		\$ (50,000.00)		
<i>Planning Fee Revenues</i>		\$ (72,260.00)		
<i>Engineering Fee Revenues</i>		\$ (110,000.00)		
<i>Engineering Professional Svcs</i>		\$ 75,000.00		
<i>Museum Funding 3% increase</i>		\$ (33,913.00)		
<i>LTD premiums</i>		\$ 86,000.00		
<i>approve reserves Option O</i>		\$ -		
<b>REV H November 14 Option O</b>	<b>\$ 425,664.22</b>		<b>3.50%</b>	<b>\$ 11,599,354.00</b>
<b>or REV H Nov 14 Option O</b>	<b>\$ 520,387.00</b>		<b>2.65%</b>	<b>\$ 1,504,631.22</b>
<b>OR</b>				
<i>approve reserves Option P</i>		\$ (97,924.00)		
<b>REV H November 14 Option P</b>	<b>\$ 327,740.22</b>		<b>3.50%</b>	<b>\$ 11,599,354.00</b>
<b>or REV H Nov 14 Option P</b>	<b>\$ 520,387.00</b>		<b>1.78%</b>	<b>\$ 11,406,707.22</b>
<b>OR</b>				
<i>approve reserves Option Q</i>		\$ (37,924.00)		
<b>REV H November 14 Option Q</b>	<b>\$ 387,740.22</b>		<b>3.50%</b>	<b>\$ 11,599,354.00</b>
<b>or REV H Nov 14 Option Q</b>	<b>\$ 520,387.00</b>		<b>2.32%</b>	<b>\$ 11,466,707.22</b>

Following the November 14 meeting, Council directed staff to prepare a report to facilitate decision making related to motions E. 1. s and E. 1. u. This report is therefore intended to provide further information and details to support Council's decision making related to these two items.

The decisions before Council in this staff report are interconnected. The tax rate that was provided to Council in the first draft of the 2024 budget on Sept 26, 2023 was based on a 3.5% tax rate increase and a net draw from reserves of \$411,687.82. This means that in order to limit the proposed tax increase to 3.5%, more funds are proposed to be drawn from reserves than are contributed on a whole or net basis. The decision for Council in this report is how it wants to direct the use of more or less reserves in order to reduce or maintain the proposed tax rate increase of 3.5%.

Using Option P as an example (\$15,000 allocated to Corporate Services reserves), the connection between the tax rate increase and draw from reserves is shown below. For demonstration purposes only, the first point in the graph shows the tax rate that would be needed if no funds were drawn from reserves. The second point shows the originally proposed 3.5% tax rate increase and the draw from reserves needed to maintain that increase. The third point shows that a greater draw from reserves will further reduce the tax rate increase.



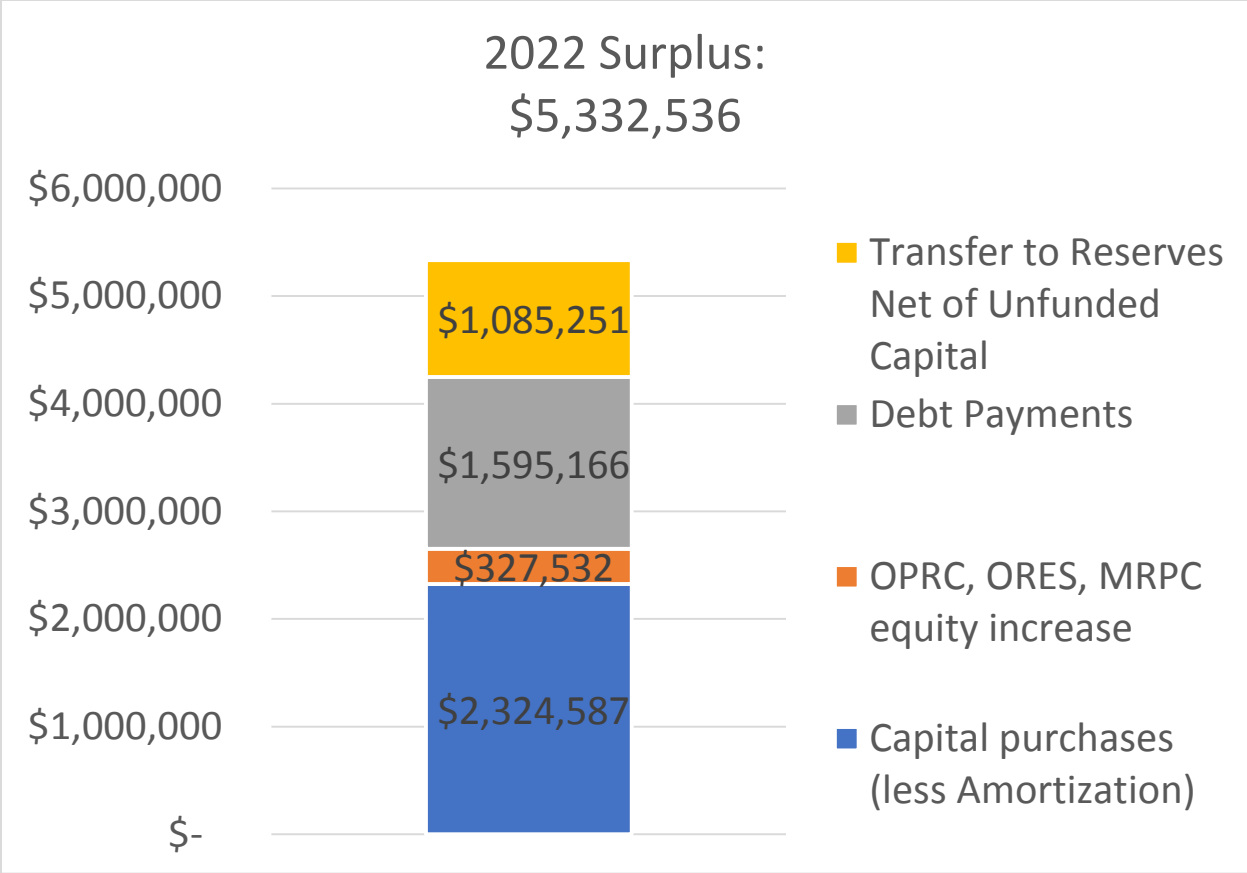
In addition, since the November 14, 2023 meeting, two additional amendments are proposed based on new information received regarding insurance premiums, and the by-law services contract. Updates are detailed in the discussion below for Council's information.

**DISCUSSION:**

The two decisions are interdependent. A reduction in the contribution to Corporate Services reserves will have a related reduction in the need for drawing funds from reserves, and/or in the resulting tax rate.

**Additional information**

Additional information for Council's consideration relates to the 2022 operating surplus. At the November 21, 2023 meeting of the Committee of the Whole, KPMG presented the Municipality's 2022 Audited Financial Statements. Part of the discussion included a summary of the 2022 surplus as represented in the statements as compared to the operating surplus. The \$5.3M recorded as surplus is comprised of a number of items.



The Transfer to Reserves net of Unfunded Capital is the amount of cash / funds received in excess of funds spent for the fiscal 2022 year.

	2021	2022	variance
water & sewer	\$ 5,588,215	\$ 4,443,931	\$ (1,144,284)
public works	\$ 571,452	\$ 379,137	\$ (192,315)
daycare	\$ 708,123	\$ 607,622	\$ (100,501)
recreation	\$ 127,544	\$ 83,222	\$ (44,322)
working capital	\$ 1,100,000	\$ 1,100,000	\$ -
library	\$ 67,677	\$ 67,677	\$ -
winter control	\$ 97,620	\$ 97,620	\$ -
planning and zoning	\$ 29,659	\$ 29,659	\$ -
parking	\$ 55,738	\$ 55,738	\$ -
general purposes	\$ 2,907	\$ 2,907	\$ -
waste management	\$ 1,085,899	\$ 1,085,899	\$ -
septic	\$ 356,292	\$ 376,292	\$ 20,000
protection to persons and property	\$ 878,660	\$ 911,139	\$ 32,479
fire	\$ 132,966	\$ 174,230	\$ 41,264
contingencies	\$ 541,993	\$ 584,921	\$ 42,928
acquisition of capital assets	\$ 6,977,326	\$ 7,761,206	\$ 783,880
economic development	\$ 115,383	\$ 2,307,062	\$ 2,191,679
<b>Capital - to be borrowed</b>			<b>\$ (545,557)</b>
	\$ 18,437,454	\$ 20,068,262	\$ 1,085,251

On an annual basis, operating surpluses are transferred to the 'acquisition of capital assets' reserve. The transfer in 2022 includes \$380,735 in planned capital spending for 2022 that was not concluded in that year and was carried to 2023, planned contributions to reserves, and \$178,017 in other minor operating surpluses.

### **E. 1. s) Corporate Services Reserves**

The recommendation related to the Corporate Services reserve continues to be Option O, such that \$15,000 for elections, and \$97,924 for general reserves, be included in the 2024 budget. This will provide stability for the Municipality should it face increased staffing costs, IT related costs, or otherwise in 2024 or future years. As has been noted, any approved costs resulting from the market salary survey, or other costs resulting from pay equity adjustments, are proposed to be drawn from reserves. Additionally, as collective bargaining will not begin until 2024, increases resulting from this process in excess of the 2% salaries and benefits assumption, are also proposed to be drawn from reserves. Finally, as we continue to review processes, technological solutions, and Information Technology upgrades and enhancements, the availability of reserves to support this advancement will serve to improve efficiencies and access to services for the public.

## **E. 1. u) Reserves Stabilization and Tax Rates**

Council's consideration of the tax rate increase will help inform its decision making related to reserves stabilization and tax rates. Because Council's deliberations up to the time of this report have resulted in a decrease in operational funds required, Option T as originally proposed is no longer valid. As such, following conversations on November 14, staff is proposing an additional option and a new recommendation.

Option U: determine that the draw from reserves in the 2024 budget be exactly \$520,387 (or some other agreed upon amount), and that the tax rate increase be exactly 3.5% (or some other agreed upon rate), and that any remaining funds be used to reduce the amount of debt required for capital projects in the 2024 budget, specifically related to roads / transportation infrastructure.

Examples are provided here for consideration.

Example 1 – maintain the tax increase at 3.5% and the draw from reserves at \$520,387, and direct the additional funds to debt reduction. The amount directed to debt reduction would be dependent on motion E. 1. s):

Option O - \$94,723  
Option P - \$192,647  
Option Q - \$132,647

Example 2 – reduce the tax increase to 3% and maintain the draw from reserves at \$520,387, and direct the additional funds to debt reduction. The amount directed to debt reduction would be dependent on motion E. 1. s):

Option O - \$38,723  
Option P - \$136,647  
Option Q - \$76,647

Example 3 – reduce the tax increase to 2.5% and maintain the draw from reserves at \$520,387, and direct the additional funds to debt reduction. The amount directed to debt reduction would be dependent on motion E. 1. s):

Option O – n/a  
Option P - \$80,647  
Option Q - \$20,647

There are a number of factors for Council to consider:

1. Draw from reserves – any amount that is drawn from reserves in 2024 will reduce the amount available in future years. Any amount left in reserves at this time is earning interest over 5% per annum (as of the writing of this report).



2. Increase in tax rate – the impact of tax increases on ratepayers with respect to the municipal portion of their taxes must be considered. Inflation has certainly increased cost of living for residents, and increased operating costs for the Municipality.
3. Debt reduction – it has been noted that this budget includes a number of debt-financed capital projects which, while necessary and important, will create long-term financial implications for the Municipality in future years as the debt is paid off.

Long term financial planning and asset management planning scheduled for 2024 will help with future year budget planning. Inflation and interest rates are and will continue to be key considerations for Council.

- The inflation rate between 2022 and 2023 currently sits at 3.12%. Between 2021 and 2022 however it was 6.88% according to the Bank of Canada inflation index.
- Borrowing rates range between 5.5% and 7%, and interest earned on investments is currently over 5%.

**Additional Information – Insurance**

The Municipality has received its renewal documents for 2024 from its broker, Halpenny Insurance Brokers. With the exception of the cyber-insurance renewal, insurance coverage for liability, property, and auto insurance has increased by \$63,681, or 27.8%. The increase is attributed to various factors including a hard market, an increase in natural disaster related claims, and deteriorating loss experience for the Municipality over the past 5 years.

Halpenny has offered some options for decreasing premiums, which consist of increasing deductibles for various types of coverage. At this time staff is not recommending that the deductible increases be considered, as any savings in premiums would be counteracted by the losses incurred to the Municipality related to higher deductibles. The table below shows the potential savings and increased deductible options:

Coverage	Deductible increase	Premium savings
Liability coverage	From \$10,000 to \$25,000	\$28,000
Property	From \$25,000 to \$50,000	\$11,191
Automobile	From \$10,000 to \$25,000	\$2,659

A 20% premium increase was included in the budget as tabled. Given this new information, the additional increase of 7.8% or \$22,859 has been added to the draft budget, and staff recommends that Council receive this update as information.

### **Additional Information – By-Law Services**

On November 14, 2023, Director of Protective Services Mike Williams presented to Council a proposal to increase the hours of service for by-law services, such that the total contract value would be \$21,418.73 less than was originally budgeted in the draft budget. As this was approved by Council, staff recommends that Council receive as information that the budget has been updated to reflect this change.

### **OPTIONS:**

#### **E. 1. s) Corporate Services Reserves**

Option O: (recommended) make no changes to the budgeted reserve, such that \$15,000 is allocated for elections, and \$97,924 to general stabilization reserves.

Option P: reduce the budgeted reserve to \$15,000 for elections only.

Option Q: reduce the budgeted reserve to \$75,000, such that \$15,000 is allocated for elections, and \$60,000 to general stabilization reserves.

#### **E. 1. u) Reserves Stabilization and Tax Rates**

Option R: determine that the draw from reserves in the 2024 budget should be exactly \$520,837, and that any increased spending or decreased costs will directly impact the tax rate.

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Option U: (recommended): determine that the draw from reserves in the 2024 budget be exactly \$520,387 (or some other agreed upon amount), and that the tax rate increase be exactly 3.5% (or some other agreed upon rate), and that any remaining funds be used to reduce the amount of debt required for capital projects in the 2024 budget, specifically related to roads / transportation infrastructure.

### **FINANCIAL IMPLICATIONS:**

The financial implications of decision making detailed in this report can be summarized as follows:

	Option R - draw \$520,387 from reserves		Option S - maintain 3.5% tax increase		Option U - reduce debt		
	draw from reserves	tax rate	draw from reserves	tax rate	draw from reserves	tax rate	debt reduction
Option O - CS Reserves = \$113,924	\$ 520,387	2.65%	\$ 425,664	3.50%	\$ 520,387	3.50%	\$ 94,723
Option P - CS Reserves = \$15,000	\$ 520,387	1.78%	\$ 327,740	3.50%	\$ 520,387	3.50%	\$ 192,647
Option Q - CS Reserves = \$75,000	\$ 520,387	2.31%	\$ 387,740	3.50%	\$ 520,387	3.50%	\$ 132,647

**STRATEGIC PLAN**

Council’s consideration and decision making to date have been supportive of all aspects of the strategic plan. The discussions related to reserves, tax rates, and debt are most relevant to priority 4., sustainable financial stewardship, and priority 6., accountable and transparent governance.

**PUBLIC ENGAGEMENT**

Upon approval of the budget, staff will finalize a document for publication. This will be posted on the Municipality’s website, with social media updates taking place as part of the original communication plan and budget spotlights.

**SUMMARY**

This report summarizes the two final proposed motions that were presented at the Special Council budget meeting held on November 14, 2023. Additional information and different financial scenarios have been provided to support Council’s decision making related to Corporate Services reserves, the tax rate increase, draws from reserves, and potential debt reduction related to 2024 capital projects.

All of the factors under consideration are interconnected and this report aims to provide Council with different options and scenarios to help support decision making.

Respectfully submitted by,



Kathy Davis,  
Director of Corporate Services, Treasurer

Reviewed by:

Name,  
Title

ATTACHMENTS:

1. Binder updates:
  - a. Summary
  - b. Schedule A
  - c. Schedule B
  - d. Revenues
  - e. Corporate Services
  - f. Planning
  - g. Development Services & Engineering
  - h. Recreation
  - i. Recreation Summary
  - j. Capital 2024
  - k. Loan schedule