

THE CORPORATION OF THE TOWN OF GEORGINA

REPORT NO. DCAO-2022-0016

**FOR THE CONSIDERATION OF COUNCIL
November 30, 2022**

SUBJECT: RELEASE OF THE 2023 DRAFT BUDGET

1. RECOMMENDATION:

- 1. That Council receive Report No. DCAO-2022-0016 prepared by the Financial Strategy and Planning Division, Office of the Deputy Chief Administrative Officer Department, dated November 30, 2022 respecting the Release of the 2023 Draft Budget.**

2. PURPOSE:

The purpose of this report is to release a draft of the 2023 Budget. This information is being released in draft, to provide Council and the public with an opportunity to review the material prior to deliberation on January 24 and 25, 2023, with final approval on January 25, 2023. An electronic version of the draft budget will be available on the Town's website and hard copies will be available at the three libraries.

3. EXECUTIVE SUMMARY:

The total operating budget, which includes tax levy and water and wastewater supported budgets, totals \$83,759,180. The total capital budget, which includes the 2023 previously approved cash flow for the Multi-Use Recreation Centre (MURC) of \$8,600,000 is \$25,222,000. The total 2023 Draft Budget for operating and capital is \$108,981,180.

The Draft 2023 Budget proposes a 4.99 percent increase for the tax levy supported operating budget, with the option of an additional infrastructure levy of 2.0 percent to capital reserves, for a total increase of 6.99 percent (Town portion). The proposed tax levy is set at \$50.4 million, excluding the optional infrastructure levy. The Town proposes a 4.99 percent operating tax levy increase primary due to increasing operating costs as a result of inflation (6.9 percent), reduced assessment growth (0.9 percent), and salary pressures from market rate adjustments and union negotiations.

The Tax Levy Supported draft operating budget currently includes total expenses of \$65,371,330, which includes contributions to reserves of \$10,119,150. The primary funding source for the operating budget is a \$50,438,520 tax levy.

The Water and Wastewater rate supported budget currently includes total expenses of \$18,387,850, which includes contributions to reserves of \$776,810. The primary funding source for the operating budget is \$16,505,410 water and wastewater rates.

Total budgeted tax levy supported salaries and benefits at the Town of Georgina, including the Georgina Public Libraries, is \$38.5 million, which represents 59 percent of the Town's operating budget. Total budgeted water and wastewater rate supported salaries and benefits is \$2.4 million. The Town delivers its services using the most efficient use of internal resources, such as salaries, as well as external resources, such as contracted services and consulting.

The 2023 Draft Capital Budget is \$25,222,000, which includes 2023 cash flow estimates of \$8,600,000 for the Multi-Use Recreation Centre (MURC). The capital budget includes \$2,550,000 in water and wastewater projects, which are funded through water and wastewater rate supported reserves.

In addition to the current year capital request, the Town is carrying forward \$24,268,760 in previously approved projects. This carry forward amount is net of the carry forward cash flows for the MURC of \$21,700,660 and the replacement Civic Centre of \$13,948,650.

4. BACKGROUND:

Council endorsed the process and timetable for the deliberation of the 2023 Budget. This schedule identified January 24, 2023 (9:00 a.m.) and January 25, 2023 (9:00 a.m.), as special council meetings for budget deliberations, with final approval on January 25, 2023. To allow sufficient time to review and provide feedback on the Draft Budget, staff are releasing copies of the 2023 Draft Budget for Council and public review on November 30, 2022 at 9:00 a.m.

Town management have provided input over the past several months in developing the draft budgets as presented at this time. The process has also involved reviews by the Senior Financial Analyst, Manager, Financial Strategy and Planning / Deputy Treasurer, Deputy Chief Administrative Officer / Treasurer, Chief Administrative Officer, and the Senior Leadership Team. A summary of public comments and requests is listed under section 8 and attachment 1.

5. ANALYSIS:

5.1 General Information

The 2023 Draft Operating Budget currently proposes a 4.99 percent increase for the property tax levy, with the option of adding a 2.0 percent Infrastructure levy, for a total proposed increase of 6.99 percent for fiscal year 2023. These changes would translate to an average annual increase of approximately \$118.69 for a 4.99 percent

increase or \$166.25 for a 6.99 percent increase in property taxes (Town portion only) for a house with an assessed value of \$448,115 (average single-family detached dwelling, not on waterfront, end phase-in assessment amount for 2022).

Tax Levy Percentage



Tax Levy Percentages Translated to Property Taxes Increases (for an average single-family detached dwelling, not on waterfront)



The 2023 Operating Budget reflects impacts of growth-related pressures from new developments. These operational costs are funded by the new assessment and are automatically added to the municipal tax roll. In fiscal year 2022, which provides the tax assessment base for 2023 taxation, the Town of Georgina's assessment growth recorded an increase of approximately 0.9 percent, which is subject to any year-end adjustments from the Municipal Property Assessment Corporation (MPAC). Any year-end adjustments will be contributed to or drawn from the Operating Growth Stabilization Reserve.

5.2 Capital Budget Program

5.2.1 Draft 2023 Capital Budget

The Draft Capital Budget expenditure is approximately \$25.2 million, which includes cash flow estimates of \$8.6 million related to the MURC. This capital program is funded through the following sources:

- \$10.5 million from Long Term Debt (Development Charges) related to the MURC
- \$9.8 million from Discretionary capital reserves

- \$4.0 million from the Ontario Community Infrastructure Fund grant
- \$0.4 million from Canada Community-Building Fund
- \$0.5 million from Development Charges

Major projects included in 2023:

- \$4.0 million on Pavement Management
- \$2.5 million on EAB Tree Removal Program
- \$2.4 million on Fleet Replacement Program (VERS)
- \$1.2 million towards the Building Condition Assessment (BCA) program
- \$563,000 towards additional resources for Corporate IT Projects
- \$500,000 for Development Tracking Solution

In addition to the current year projects, the Town is putting forward an updated budget for the previously approved Replacement Civic Centre project of \$50 million. This updated budget is based on a Class D estimate.

5.2.2 Ten-Year Capital Forecast

The updated gross Ten-Year Capital Forecast is now set at approximately \$308 million. It should be noted that the Ten-Year Capital Forecast is a fluid document that will change each year to reflect updated priorities, economic conditions, health and safety issues, and efficiencies. An example of an efficiency might be to either move a planned road construction forward or push it back depending on funding sources for the necessary underground infrastructure improvements or to align the construction with a new development.

The Ten-Year Capital forecast is intended to be an actionable forecast, based on current available information on assets, available funding, and resources to deliver the program. The Ten-Year Capital summary does not include a comprehensive list of items from condition assessments or master plans.

The Town's Ten-Year Capital Forecast will continue to evolve and become more comprehensive over the next three years because of the Municipal Asset Management Planning Regulation 588/17. The Town must meet the following deadlines that have been mandated by the Province.

- July 1, 2019: Strategic Asset Management Policy – Completed
- July 1, 2022: Asset Management Plan: Phase 1 (Core Assets) – Completed
- July 1, 2024: Asset Management Plan: Phase 2 (All Assets) – In Process
- July 1, 2025: Asset Management Plan: Phase 3 (Financial Strategy)

Core Asset Management Plan

During 2022, the Town successfully completed the Asset Management Plan for Core Infrastructure. Asset management is the systematic and coordinated activities and practices of an organization to optimally and sustainably deliver on its service level objectives through the cost-effective lifecycle management of assets.

Funding gaps identified in the AMP for Core Assets:

- Water – infrastructure gap of approximately \$19.1 million over the next 10 years.
- Wastewater – infrastructure gap of approximately \$12.8 million over the next 10 years.
- Stormwater – infrastructure gap of approximately \$8.7 million over the next 10 years.
- Roads Assets – in the absence of a defined service level, three proposed annual budget scenarios were considered in the analysis which resulted in the following annual investments: Scenario 1: \$6.1M, Scenario 2: \$9.7M, and Scenario 3: \$12.4M. These three scenarios resulted in different PCI forecasts over a 10-year period as 63, 72 and 76 respectively. The Town currently funds its Roads program from a \$2.2M annual tax levy contribution and Ontario Community Infrastructure Fund (OCIF) grants, which are currently estimated at \$2.8M/year.

Key Recommendations from the AMP for Core Assets:

- That the Town continue the strategy for increasing capital replacement reserve contributions over the 10 year period in accordance with the Financial Plan
- Consideration should be given to establishing a separate Stormwater Fee, consistent with the practice in a number of other jurisdictions
- It is recommended that the Asset Management Plan be integrated with a long term financial plan. The comprehensive financial plan is complex and will contain many inter-related decision making factors facing the Town which will be then aligned to the Town's financial capacity.

Building Condition Assessments

Town staff, in collaboration with an engineering consultant, have completed the 2022 update to the Building Condition Assessment (BCA) program for 81 Town-owned facilities. A BCA is a systematic review, inspection and report on the state of key functional assets in an identified facility. The BCA program is undertaken every five years (industry best-practice) and is meant to help the Town maintain its assets in a state of good repair. The results of the BCA will:

- Identify deficiencies requiring intervention, timing and basic scope of intervention
- Document the state of asset deterioration
- Inform the Town's 10 year capital planning initiatives

As part of the condition assessment process:

- Detailed visual inspection of key functional assets such as structural, architectural, mechanical and electrical assets
- Review of relevant documents (drawings, maintenance reports etc.) as required
- Interviews with facility operators were undertaken to document their operational concerns and challenges.

Upon completion of the assessment, assets within each facility were:

- Assigned a Condition Grade from 1 to 5 (1 being Excellent and 5 Very Poor or Failing)
- Assigned a recommended Replacement Year considering expected service life (esl), per industry standards, asset age, remaining service life and condition
- Assigned a Cost Estimate in current year dollars corresponding to the recommended actions for repair or replacement

Using the cumulative asset grading within each facility, and considering the facilities expected lifecycle, an overall facility grade was determined (from Excellent to Poor).

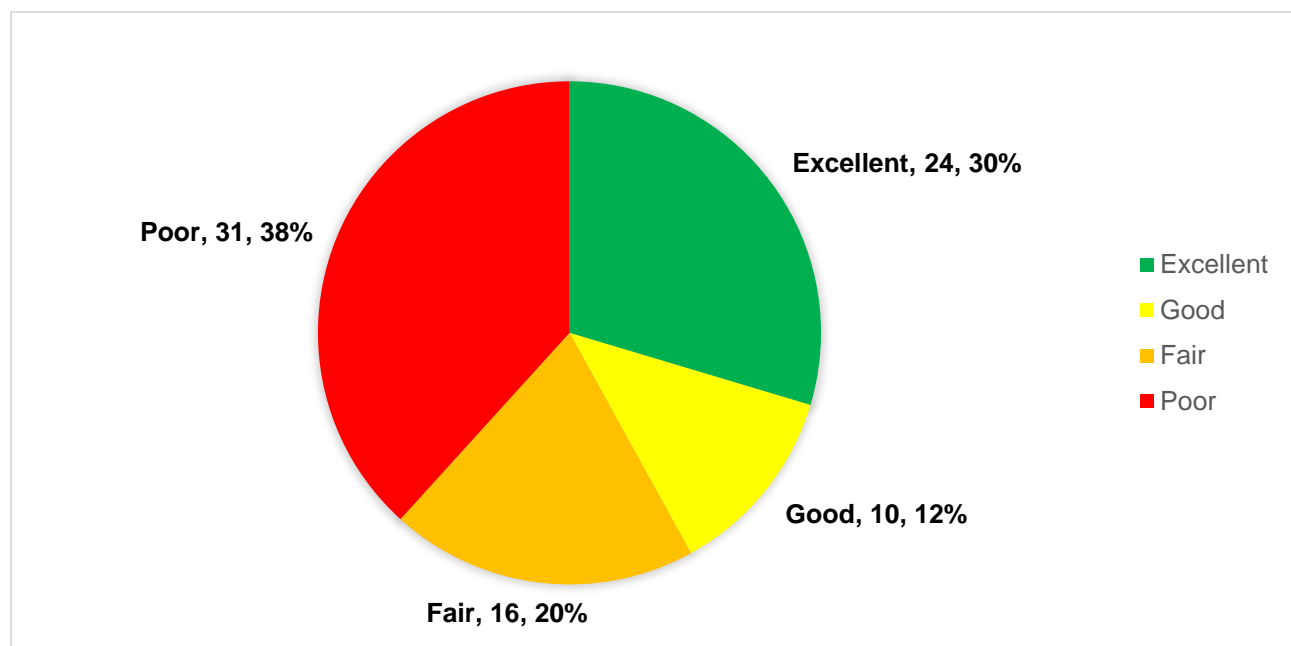


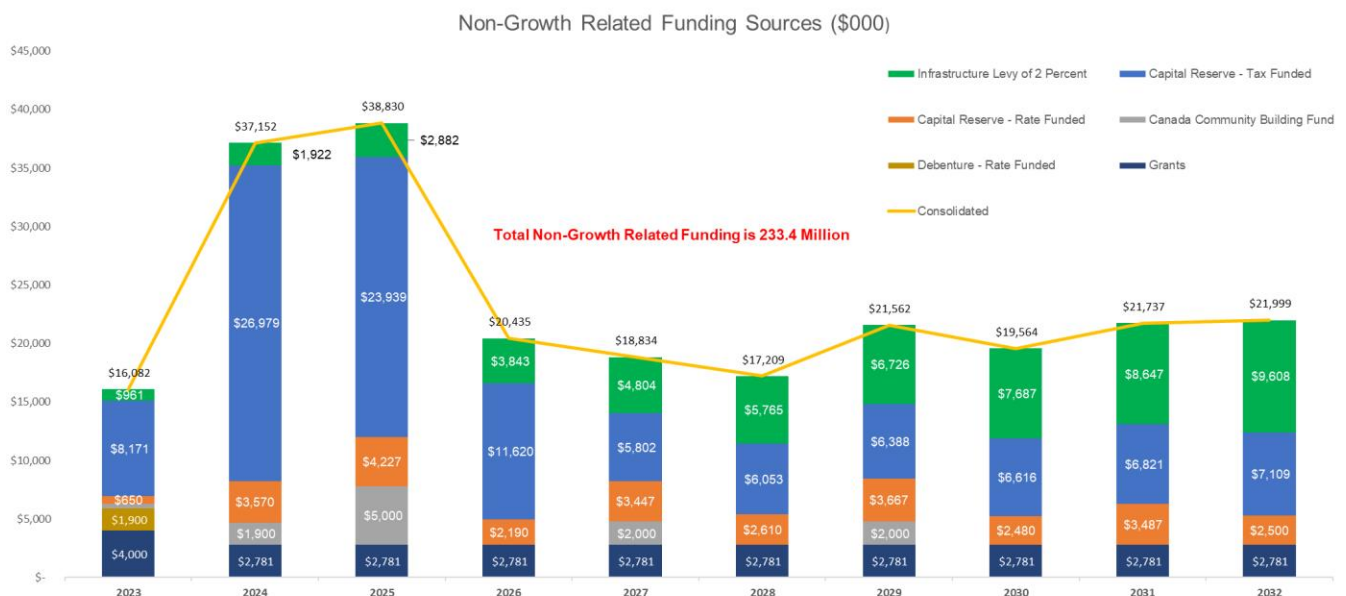
Figure 1. Facility Condition Grading Results

The updated BCA program is showing a ten year investment requirement of approximately \$53 million. Staff have currently included funding in the ten year forecast for \$33 million in work relating to the BCA program. This is an increase of \$18 million from the 2022 ten year forecast, however, it still results in a ten year shortfall of \$20 million, based on the BCAs. The shortfall will need to be considered and addressed as part of the overall service level discussions relating to facilities. This will occur as part of the invest/divest analysis and as part of the non-core asset management plans that are being completed in 2023 and 2024.

The findings of the 2022 BCA condition assessment program will be considered a key part of the development of the Town's comprehensive Asset Management Plan for non-core assets in 2023 and 2024. The Asset Management Plan for non-core assets will leverage the data from the 2022 BCA to be calibrated through risk models to further refine the prioritization of facility asset rehabilitation and renewal projects.

5.2.3 Ten Year Capital Financial Plan and Capital Infrastructure Levy

The Ten Year Capital Financial Plan is an updated financial plan to ensure the Town can fully fund its ten year capital plan. The Town's updated ten year capital plan is set at \$308 million, which includes \$233 million in non-growth related expenditures and \$75 million in growth related expenditures. In addition to this, the Town is carrying forward \$60 million in capital expenditures, which includes \$36 million in carry forward cash flows for the MURC and Replacement Civic Centre projects. This results in a total ten year capital delivery of \$368 million. The graph below breaks down the associated funding sources over the next ten years relating to the \$233 million in non-growth related expenditures. As shown in the graph, the proposed 2 percent will result in an infrastructure levy of \$960,830 in 2023; however, it will grow to \$9.6 million in infrastructure investments within the ten year capital plan. A 2 percent increase in the tax levy results in a 14 percent increase to our annual capital contributions.



The proposed infrastructure levy of 2 percent per year for ten years will ensure the Town can continue to keep its infrastructure in a state of good repair, which is necessary to provide high quality services to residents. This levy is based on the current information from our Core Asset Management Plan, Building Condition Assessments, and Development Charge study. This budget contains service level recommendations relating to core assets, such as roads, which the ten year capital plan and infrastructure

levy requested reflects (see business case 23-CI-OI-04 Pavement Management). Service levels relating to non-core assets, such as facilities and parks, will need to be evaluated and determined as part of the non-core asset management plan that is being developed throughout 2023. The proposed infrastructure levy of 2 percent and the timeframe it is required for is based off of the information on assets available today.

Staff will review the infrastructure levy annually to ensure it is at the required amount to maintain service levels, continue to close the infrastructure funding gaps, and deliver on the ten year capital plan. Based on the ten year capital plan today, the Town is forecasting the below allocations:

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Core Assets	0.00%	0.00%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Non-Core Assets	2.00%	2.00%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Total	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Based on the current ten year capital plan, available infrastructure grants, and existing reserve contributions/balances, there is a greater need to increase funding in the non-core asset repair and replacement reserves. For instance, the Town is currently allocating the Canada Community Building Fund of \$1.5 million per year and the Ontario Community Infrastructure Fund of \$2.8 million per year, entirely to tax levy supported core asset management needs, such as the annual roads program and bridges. For 2023 and 2024, the Infrastructure Levy is needed for the replacement Civic Centre, which is one of the major funding gaps that has been identified for several years.

In 2019, the Town approved the replacement Civic Centre project with a budget of \$27 million due to the current state of the existing facility. During the design, the COVID-19 pandemic started and the project was temporarily put on hold. This was due to funding challenges during the pandemic and the changing work environment that was occurring as a result of the pandemic.

Staff are recommending to continue the replacement Civic Centre project. The new updated budget, based on a class D estimate is \$50 million. This is based on a smaller design of the original replacement Civic Centre design as it accounts for flexible work arrangements for employees today and into the future as the Town grows. The significant increase in costs directly relates to the escalations in construction costs over the past three years due to labour and material shortages caused by the COVID-19 pandemic as well as other broader economic conditions. Staff will bring forward a full presentation on the new design for the January 24th budget deliberations.

In 2019, the original financial plan for the replacement Civic Centre was to fund the project through a 30 year debenture with Infrastructure Ontario. Based on the original budget and the low interest rates at the time, the annual payments over 30 years would

have been \$1.5 million and resulted in total interest expenditures over the 30 years of \$18 million. Based on the updated budget, along with higher interest rates today, the annual payment, if debentured, would be \$3.1 million and result in total interest expenditures over the 30 years of \$42 million.

Primarily due to increased interest rates, staff are recommending to change the funding model for the replacement Civic Centre and to create a new reserve specifically for this project, as reflected in the 2023 Draft Budget. Since the Town can't ramp up funding to this reserve fast enough to pay for the entire project, staff are recommending to use a combination of a temporary capital line for up to 5 years and internal borrowings against the new reserve.

To ramp up this reserve, staff are recommending the 2023 and 2024 new Infrastructure Levy be directly applied to the Civic Centre reserve. This, along with other allocations shown in the reserve summary will provide a funding plan to repay the \$50 million internal borrowings within ten to eleven years after completion of the project. This internal funding plan would cut almost 20 years off the repayment of the replacement Civic Centre and save tens of millions in interest expenditures over the period. Once the internal borrowings are repaid, the annual internal borrowing contribution, estimated to be \$3.4 million per year could be reallocated to other infrastructure needs within the community.

Separate from the infrastructure tax levy is our financial plan relating to Water and Wastewater. As discussed in the core asset management plan (2022) and the Water Financial Plan (2021) the Town will need to continue to increase rates at approximately 5.9 percent per year. This includes both operating and capital portions.

In addition, there is an infrastructure gap associated with the Town's stormwater assets, which is estimated to grow to \$8.7 million over the next ten years. The Town is recommending a new separate Stormwater Fee to address this shortfall, which will be evaluated in 2023 for potential implementation in 2024. (See business case 23-CI-DCAO-03).

The Ten Year Capital Financial Plan is subject to the following risk factors:

- Growth estimates may not occur at the same rate as forecast (timing of DC receipts)
- Interest rates may rise
- Capital cost estimates are preliminary
- Useful life term of the capital asset is estimated
- Economic downturn or slow down
- Continuing impacts relating to COVID-19 or broader economic impacts
- Legislation changes

The Asset Management Plan for non-core assets is scheduled to be completed in early 2024 and will have several recommendations relating not only to future capital

investments, but also the ongoing operating investments necessary to maintain the operating service levels approved by Council. The Ten Year Capital and Financial Plans will be updated to reflect any changes once complete.

On November 28, 2022, Bill 23, More Homes Built Faster Act, 2022, received a Royal Assent on a provincial level. There are expected to be minor impacts for the Town in 2023 since the current 2021 development charge bylaw will remain in force. The Town will absorb the minor impacts that will occur in 2023 and then revise the financial plans as part of the 2024 budget to address the significant impacts that would occur when we renew our development charge bylaw on May 19, 2026. Some of the potential impacts are related to:

- Changes to the Development Charges Act
 - Mandatory Phase-In of DC rates
 - Discounts and exemptions for various types of residential developments
 - Development related studies are no longer eligible for DC's
 - Maximum life of a DC by-law extended from 5 years to 10 years
 - Historical service level caps for soft services now based on 15 years instead of 10 years.
- Changes to the Planning Act regarding Parkland Dedication
 - Alternative Rate Calculation
 - Caps on Alternative Rate Dedications
- Changes to the Conservation Authorities Act will result in additional operating expenditures for the Town.

5.2.4 Carry Forward Capital Projects

The 2023 Draft Budget includes previously approved capital projects that will not be complete by the end of 2022. As per the capital carry forward policy, adopted by Council in 2018, all projects will have an automatic approval for carry forward to a maximum of two years. Any projects older than two years (2021 and earlier) will need Council's approval to carry the funds forward, unless they have already been committed as part of a contract or Council approved a multi-year project. The Town is carrying forward \$24.3 million in capital projects, which is net of carry forward cash flow of \$21.7 million for the MURC and \$13.9 million for the replacement of the Civic Centre. The 2023 Budget is proposing significant staffing resource investments to address the growing demand on capital delivery for carry forward and future capital projects and staff are recommending to carry forward all projects, as listed in the Budget Book, with the exception of the two projects below.

5.2.5 Cancelled Capital Projects

The below listed projects will be cancelled as part of the 2023 Draft Budget:

- 20-OI-22: Removable Floating Finger Dock(s) at Mill Pond Park (\$5,000)
 - Staff are recommending to cancel this project due to revised cost estimates being in the range of \$20,000 to \$25,000.
- CAO-2019-0027: Mossington Wharf Rehabilitation (\$770,000)
 - Staff are recommending to cancel this project due to the substantial increase in investment that would be required to do a complete rebuild. A 2019 cost estimates the repairs to be in the range of \$2.7 million to \$3.7 million. In addition, due to significant capital escalations over the past three years, this estimate is understated. Since the original funds were a grant and there was a mandatory five year period of segregating the funds, staff are recommending to transfer the funds to the Waterfront Parks Reserve, after March 26, 2023, to assist in any future Waterfront Parks projects, which may include, but would not be limited to Mossington Wharf.

5.3 Debt Financing

Below is a list of previously approved capital projects from 2017 to 2022. The below terms, interest rates, and payments are estimates based on interest rates as current as November 26, 2022. It should be noted that interest rate risk does exist, as the Town cannot lock in an interest rate prior to taking out a debenture, which usually would not occur until substantial completion of the project.

Project	Year of Request	Estimated Year of Debenture	Total Debenture	Term of Debenture (Years)	Interest Rate	Annual Payment	Funding Source
Cockburn Subdivision Watermain Replacement	2020	2024	\$3.9 M	30	4.54%	\$240,000	Water Rates
MURC	201720192021	2024	\$50.0 M	25	4.53%	\$3,362,000	DC

The Town is required to stay within the provinces annual debt repayment limit (ARL) of 25 percent of net revenues. The Town has its own internal Corporate Debt Management policy, which has an internal limit of 15 percent of net revenues (see report CAO-2017-0014). Based on the updated Long-Range Financial Plan (LRFP), which accounts for the current projects listed above, as well as updated interest rates, the Town's ARL would hit a maximum of 9.6 percent around the year 2025. This is within the Town's internal maximum threshold of 15 percent and well within the Provinces maximum of 25 percent for all municipalities. A sensitivity analysis was completed to see what the Town's ARL limit would be if interest rates were to

rise by 1 percent or 2 percent between now and the time of completion of the above projects. If rates were to rise by 1 percent, the Town's ARL would rise to 10.2 percent. If rates were to rise by 2 percent, the Town's ARL would rise to 10.8 percent. After 2025, the Town's ARL would continue to drop each year as the Town increases its revenues and reduces its reliance on long-term debt.

The majority of the Town's long-term debt projects are internally financed from reserves until substantial completion, at which point, a debenture is taken out. Due to the amount of the MURC project, Council approved a floating rate capital line with Infrastructure Ontario in 2021 to finance the project until completion. Depending on interest rate risk, the capital line will be converted into a 25-year debenture through Infrastructure Ontario on or before substantial completion of the project.

There will be no general internal borrowings against the Town reserves as of December 31, 2023. Below is a summary of the Town's internal borrowings:

- The Link: \$87,530 – Final payment will occur in 2023.

The internal borrowing repayment of \$576,810 from the operating budget has been transferred to the new Civic Centre Reserve as part of the overall funding strategy for the replacement Civic Centre. The remaining \$87,530 repayment will be transferred in 2024.

5.5 Draft 2023 Operating Budget

5.5.1 Budget Summary:

For the 2023 fiscal year, the Operating Budget is \$83.8 million. This will be funded by Property Taxes of \$50.4 million, Water and Wastewater rates of \$16.5 million, User Fees and Other revenues of \$9.8 million, Development Fees of \$3.3 million, Draws from Reserves of \$2.2 million, and Local Improvements revenue (Water/Wastewater) of \$1.6 million.

Staff have gone through, line-by-line, of every Operating Budget within their departments. The starting budget for 2023 is equal to the final approved budget from 2022. The reason why it is more prudent to start with last year's base budget, rather than last year's actuals, is that historical performance does not necessarily provide a good guideline for future performance and needs. Starting your budget based on actuals can also create a spend it or lose it culture, which has no benefit to the Town. Therefore, rather than just using a year-to-date for comparison, staff have completed trend analysis by looking at the prior five years of actuals as well as existing service levels and what is required in 2023, giving consideration to economic impacts and growth, to maintain those service levels.

In order to better capture true operating costs of each department, staff moved contribution to reserve budgets out of the departments in to a renamed “Corporate” department. Below is a summary of budgets that were reallocated:

Department Name	Contribution to Reserves
Community Services	\$1,789,350
Office of the Deputy CAO	\$622,500
Development Services	\$26,200
Fire and Rescue Services	\$643,700
Legislative Services	\$166,090
Operations and Infrastructure	\$2,779,740
Strategic Initiatives	\$50,000
Total reallocation to Corporate	\$6,077,580

The grouped contributions were split in the Corporate section into three reserve types:

- Contributions to Capital Reserves – these include contributions to Capital related reserves such as: Land, Corporate Capital, and lifecycle repair and replacement reserves
- Contributions to Growth Reserve – this includes contributions to the Growth Stabilization reserve
- Contribution to Operating Reserves – These include contributions to Operating related reserves such as: Tax Rate Stabilization, Election and Animal Shelter Donations.

The operating pressures in 2023 from growth, service level increases, contractual and inflationary pressures are listed below. There is an option to add an infrastructure levy of 2.0 percent, for a total proposed tax levy increase of 6.99 percent.

Driver	Percentage Inc./ (Dec.)	Comments
Growth	(0.99%)	Assessment growth is 0.9 percent and has been fully allocated to current growth-related pressures for 2023. There were additional growth related revenue increases from revenue estimates relating to penalties and engineering fees.
Service Level / New Initiatives	0.70%	An increase of 0.7 percent relates to the tax levy supported new operating and staffing initiatives listed in the new initiative summary of the Budget Book.
Contractual / Inflationary	4.60%	An increase of 4.60 percent relates to an increase in payroll costs related to collective agreements negotiations and non-union market adjustments, insurance increases, other payroll costs increases, and contract price increase, such as GFL.
Other	0.68%	A projected loss in various revenues (rental fees, tax certificates, dog licensing), minor expenditure increases
Total:	4.99%	

- In 2023, the Town continues to fund project managers' expenditures through the funding sources used for the projects they are working on. By using this funding model, the Town will be able to recover development charges for internal project management services, when they relate to growth related capital projects.
- Staff continue to utilize various strategies including a trend analysis of expenditures to find efficiencies and reduce the impact on the tax levy.
- The Town continues to apply for various competitive grant programs offered by upper levels of government. Grants relating to operating expenditures can be used to temporarily offset pressures, however, the ongoing impact will need to be incorporated in a future year. An example is the grant the Town has received for Office 365.

Based on the above funding changes and reductions, the Town was able to put forward a 4.99 percent operating budget for 2023 despite the high inflation of 6.9 percent that impacted the costs of operations and delivery of capital programs.

The Town is currently completing a joint study with East Gwillimbury on the delivery of Fire and Emergency services. The results of the study will come to council in Q1, 2023.

Applying Assessment Growth Revenue to Growth Related Expenditures:

The Town is taking a fiscally proactive approach to planning for future growth-related operating expenditures. With the approval of the 2021 Development Charge study, there are several growth-related facilities and parks that are planned to be built in the near future that will require significant operating costs as it relates to staffing and operations. As well, the Town plans to invest a portion of annual assessment growth into funding Information technology and operations initiatives.

Since 2019, annually, a portion of assessment growth has been allocated for the purposes of setting funds aside for the future operating expenditures relating to these growth-related projects included in the development charges study. Further, in 2021, Council approved an Operating Growth Stabilization Reserve to specifically segregate the funds set aside for this purpose. The 2023 budget is contributing \$1,608,540 into the reserve, which will bring the total to \$ 5,709,650.

MURC Operating Budget

Community Services will be reporting to Council in Q3 of 2023 with a report on the anticipated detailed operating budget for the MURC, which has a substantial completion date of Q4, 2023. The net operating expenditure for the MURC are still estimated to be approximately \$2 million. \$1.5 million relates to the recreational programming and \$500,000 relates to library programming. Since the Town has been setting aside assessment growth for this growth related facility, there will be no tax levy implications relating to the report in the fall. Staff will be recommending in the report to use the assessment growth funds previously set aside to fund the new operating budget, including new staffing requests for the facility.

5.5.2. Discretionary Reserves:

Below is an explanation of what some of the major reserves are used for.

Tax Rate Stabilization Reserve

The primary purpose of this reserve account is to stabilize the tax increases year-over-year. A secondary purpose is to provide a reserve to fund unexpected projects that may come up outside of budget. Throughout the year, Council has the authority, by Council Resolution, to fund unexpected one-time projects that were not identified during the budget. Usually the recommended funding source for these projects would be the Tax Rate Stabilization Reserve, if sufficient funds exist.

Reserve contributions and draws relating to stabilization reserves will vary year-over-year and are dependent on a number of factors, such as contingencies and timing of labour negotiations.

The Town has stabilization reserves for Water and Wastewater which serve a similar purpose to the Tax Rate Stabilization Reserve.

Corporate Capital Reserve

Contributions are made from the Operating Budget into the Corporate Capital reserve for new capital infrastructure. Draws are made from the Corporate Capital reserve when those projects take place. Draws relating to the Corporate Capital reserve will vary each year depending on current and future capital needs.

Repair and Replacement Reserves

The Town has nine repair and replacement reserves related to facilities, fleet/equipment, roads, parks, stormwater and water/wastewater infrastructure. Any repair or replacement related to these items would be funded from these reserves. Draws relating to repair and replacement reserves will vary each year depending on replacement schedules and prioritization of asset replacements.

Miscellaneous Reserves

The Town has various other reserves such as:

Working Capital Reserve

Funds were set aside to ensure the Town can meet its day-to-day cash flow requirements. In 2023, Staff are recommending to reallocate the balance of this reserve to the Tax Rate Stabilization Reserve and close off the reserve. This reserve is no longer required to meet day-to-day cash flow requirements.

Election Reserve

Funds are set aside each year to ensure there are funds to run the election every four years.

Animal Shelter Donations

Donations provided to the animal shelter are put into this reserve.

Land Acquisition

The Town currently sets aside \$250,000 per year for potential land acquisitions. Any profits from the sale of land are contributed into this reserve.

Landfill Site

The Town maintains this reserve due to the ongoing testing and possible remediation of the site. This reserve will be drawn down to support Closed Landfill Monitoring in the Operations division and then closed and expenditures transferred to the operating budget.

Professional Development and Staff Engagement Reserve

Any excess professional development funds at year end are contributed into this reserve and can be used for corporate professional development in future years. Staff are recommending to update this reserve name to “Professional Development and Staff Engagement Reserve” to align to the corporate priority relating to culture as described in business case 23-NI-CAO-01 Department-led Staff Engagement Funding.

Building Division Reserve

The Building division is mandated to be self-funded. Any surplus or deficit at year end from the building division is either contributed or drawn from this reserve.

Operating Growth Stabilization Reserve

To allocate assessment growth towards growth related operating expenditures. By setting a portion of it aside each year, the Town will not need to do a large tax increase when these growth-related operating expenditures occur, but rather the tax increase will remain stable.

Civic Centre Reserve (New reserve)

Staff are requesting to create a new reserve to plan for the construction of the previously approved replacement Civic Centre. Previously allocated funds will be reallocated from Corporate Capital and Facilities reserves where they previously resided into this new reserve to align to the new funding strategy.

Breakdown of Reserve Contributions:

Discretionary Reserve Contributions	2023	2022
Roads – Repair & Replacement	\$2,229,130	\$2,229,130
Fleet & Equipment – Repair & Replacement	\$1,735,010	\$1,735,010
Operating Growth Stabilization Reserve	\$1,608,540	\$1,608,540
Civic Centre Reserve ^{(2) (3)}	\$1,376,810	
Facilities – Repair & Replacement	\$1,003,640	\$1,203,640
Waterfront Parks Reserve ⁽⁴⁾	\$917,000	\$205,000
Tax Rate Stabilization Reserve ⁽¹⁾	\$635,860	\$1,817,170
Corporate Capital/ New Infrastructure	\$586,940	\$1,186,940
Wastewater - Infrastructure - Repair & Replacement	\$392,680	\$123,590
Land Acquisition Reserve	\$250,000	\$250,000
Water – Infrastructure – Repair & Replacement	\$205,230	\$116,200
Parks – Repair & Replacement	\$155,000	\$155,000
Water Rate Stabilization	\$103,000	\$103,000
Storm Water Repair and Replacement Reserve	\$100,000	\$100,000
Repayment of Internal Borrowings	\$87,530	\$664,340
Elections Reserve	\$84,000	\$55,000
Library Capital Reserve	\$54,890	\$42,240
Water – Fleet & Equipment – Repair & Replacement	\$31,450	\$31,450
Wastewater – Fleet & Equipment – Repair & Replacement	\$31,450	\$31,450
Wastewater Stabilization	\$13,000	\$13,000
Keswick Cemetery Reserve	\$6,800	\$6,800
Total Contributions:	\$11,607,960	\$11,677,500

(1) The contribution to the Tax Rate Stabilization reserve includes contributions for the following items: CUPE Roads/Water/Fire collective bargaining estimates, job evaluations, and legal contingencies.

- (2) Since internal borrowings will be completed in 2023, staff have reallocated \$576,810 to go towards the replacement Civic Centre Reserve to align to the new funding strategy.
- (3) Contributions of \$200,000 from the Facility Repair and Replacement Reserve and \$600,000 from the Corporate Capital Reserve have been reallocated to the Civic Centre Reserve to align to the new funding strategy.
- (4) The remaining grant of \$712,000 which was received for Mossington Wharf will be allocated to the Waterfront Parks reserve after March 26, 2023.

5.5.3 Water and Wastewater Rates:

Staff are recommending to follow the council endorsed water financial plan and rate study that proposed an increase for 2023 of 5.84 percent (includes Water and Wastewater services) (Report #: CS-2020-0024).

In which, the proposed Water and Wastewater consumption (\$/m³) rates for the Town are \$2.85 and \$3.14, respectively. This represents a proposed 4.00 percent increase for Water and a proposed 5.85 percent increase for Wastewater. The proposed Water and Wastewater fixed charge (\$/month) rates for the Town are \$4.38 and \$4.14, respectively. This represents a proposed 15.25 percent increase for Water and a proposed 17.75 percent increase for Wastewater.

The above rates encompass the proposed York Region increase of 3.3 percent for Water and Wastewater rates. 59.7 percent of the Town's Water and Wastewater budget relates to payments made to York Region.

	Rate	Increase (%)
Water		
Consumption Rate (\$/m ³)	2.85	4.00%
Fixed Charge (\$/month)	4.38	15.25%
Wastewater		
Consumption Rate (\$/m ³)	3.14	5.85%
Fixed Charge (\$/month)	4.14	17.75%
Water and Wastewater Rate Increase		5.84%

5.5.4 User Fees:

The 2023 budget incorporates various revenue estimates associated with user fees. These fees have been approved in various by laws and updated throughout the past few years and include such items as the Fire department fees, the development charges fees and building department fees.

The operating budget has been adjusted for new fees and known increases, a conservative approach has been taken in estimating the total revenues from the fees in the various areas. Included in the 2023 operating budget are the following new fees and fees with significant changes:

User Fee Description	Current Fee	Proposed Fee	Budget Revenue Impact	Source
Road Occupancy Permit	\$100	\$150	\$9,250	Tax Levy
Road Occupancy Permit - RUSH	Nil	\$400	\$4,000	Tax Levy
Road Occupancy Permit - Renewal	Nil	\$50	\$500	Tax Levy
Municipal Consent (for Utility Installation)	\$400	\$500	\$5,000	Tax Levy
Plan/Profile	\$50	\$65	\$1,500	Tax Levy
Rush Plan/Profile	Nil	\$100	\$1,000	Tax Levy
Sewer Lateral Service Inspection/Blockage Removal	Nil	650 (Cost + 15%)	\$6,500	Water/Wastewater(Rate)
Hydrant use incl. meter and backflow	Nil	\$200 + water usage at current rate	\$1,000	Water/Wastewater(Rate)
Water Turn-Off/Turn-On	\$50 & \$250 (after hours)	\$79.02 & \$158.03 (after hours)	\$21,730	Water/Wastewater(Rate)

5.5.5 Proposed New Staffing

The 2023 Draft Budget is proposing thirteen permanent full-time positions. The requests have been broken down between new positions and modified positions. A modified position is a position that is changing from part-time to full-time. There is a heavy emphasis on Fire and Rescue services in the 2023 Budget and four of the proposed thirteen positions directly relate to the delivery of Fire and Rescue services. A breakdown of the positions, expenditures, and associated funding sources are shown below in the table.

Position	Type (New/Modified)	Salary	Payroll Costs	Total	Funding Source
23-SI-OI-01: Heavy-duty Diesel Mechanic	New	80,380	24,120	104,500	Assessment Growth
23-SI-OI-02: Road Attendant	New	72,500	21,750	94,250	Existing Contracted Services Dollars
23-SI-OI-03: Two Project Managers	New	200,000	60,000	260,000	Capital Projects/Reserves
23-SI-FS-01: Four Career Firefighters	New	258,480	77,520	336,000	Tax Levy
23-SI-DCAO-01: Client Services Technician	New	54,340	16,300	70,640	Assessment Growth
23-SI-DCAO-02: Water Clerk	New	56,370	16,910	73,280	Water and Wastewater rates
23-SI-SI-01: Manager, Corporate Strategy & Transformation	New	123,000	36,900	159,900	Tax Levy
23-SI-LI-02: Circulation Supervisor	New	66,620	19,980	86,600	Library Reserves
23-SI-LI-01: Executive Assistant	Modified	19,080	5,720	24,800	Tax Levy (Modified from permanent Part-Time to Full-Time)

In addition to the above, there is one temporary request which will be funded by the tax levy.

- 23-SI-LS-01 Seasonal Parking Control Officers (Temp): \$40,000

5.5.6 Georgina Public Library:

The Library Board has requested a grant from the Town for \$2,638,770, which represents an increase of \$108,730 (4.3 percent) in operating expenditures for 2023.

There are requests for capital to renew the security gates in Keswick and Pepperlaw, and to renovate the alcove space in the Keswick branch. These capital requests total to \$41,500.

5.6 Departmental Highlights:

The departmental highlights are included in their respective business plans within the 2023 Draft Budget as supplied by the Chief Administrative Officer, Deputy Chief Administrative Officer, and Directors.

5.7 Ontario Regulation 284/09 Budget Matters

Effective January 1, 2009, PSAB 3150, full accrual basis of accounting, required municipalities to record the costs of tangible capital assets and related amortization expense on their annual financial statements. It was recognized however, that since Section 209 of the Municipal Act requires preparation of balanced budgets, including all expenditures and revenue, a requirement to include amortization expense in the municipal budget would directly increase property taxes. As a result, the Province passed Ontario Regulation 284/09, which allows municipalities to exclude annual amortization expense, as well as post-employment liability and landfill closure expenses from their annual budgets.

Similar to all other levels of government, the Town will continue to present the operating and capital budget on a non-PSAB basis as allowed under Provincial regulation. As such, this is to confirm that the above-referenced expenses were excluded from the 2023 Budget.

6. RELATIONSHIP TO STRATEGIC PLAN:

During 2019, the Town approved a new corporate strategic plan. The plan maps out 39 specific actions within four priority areas:

- Grow our economy
- Promote a high quality of life
- Engage our community and build partnerships
- Deliver exceptional service

The Town uses the strategic plan to ensure that departmental business plans and annual budgets are aligned with the priorities identified by Council for the community. Senior Management met collaboratively over several months to ensure that the 2023 Draft Budget reflects the Corporate Strategic Plan approved by Council.

7. FINANCIAL AND BUDGETARY IMPACT:

The 2023 Draft Operating Budget is currently proposing a 4.99 percent increase in property tax levy, with the option of adding a 2.0 percent infrastructure levy. This would bring the total increase to 6.99 percent for the fiscal year of 2023. This translates into a Town increase of approximately \$118.69 per household at 4.99 percent, or \$166.25 per household with an optional 2.0 percent increase on the Town's average house with an average single-family detached dwelling assessed value of \$448,115.

Since Georgina has the lowest assessment values in York Region on average, the Town continues to have the lowest average tax bill, based on a single-family detached dwelling, since average taxes are calculated by taking the average assessment value and multiplying it by the tax rate. It's important to note that the average assessed value and the tax rate for the Town have an inverse relationship, meaning, as the Town's assessed values rise, the tax rate decreases on a proportionate basis. Below is a comparison of average taxes paid in York Region municipalities. These are based on 2022 tax rates and based off the average Current Value Assessment (CVA) for a residential property, using York Region's methodology. Waterfront properties are included in the average.

Municipality	Average Assessed value- residential *As per York Region	Tax Rate (Res) combined (%)	Total Taxes(Avg)
Georgina	\$448,115	1.0197%	\$4,570
East Gwillimbury	\$667,662	0.7947%	\$5,306
Newmarket	\$705,504	0.8106%	\$5,719
Whitchurch-Stouffville	\$849,062	0.7338%	\$6,230
Aurora	\$888,088	0.7801%	\$6,928
Vaughan	\$1,008,074	0.6828%	\$6,883
Markham	\$1,085,407	0.6450%	\$7,001
Richmond Hill	\$1,171,440	0.6707%	\$7,856
King	\$1,095,881	0.8006%	\$8,774

Province-wide re-assessment completed in 2016 included a provision for phase-in of the assessment increase over four years, starting in 2017 and continuing until 2020 (last year of phase-in), while decreases in assessment were fully recognized and implemented in 2017. The 2020 taxation year represented the fourth year of new assessment changes/phase-in.

On March 26, 2020, the Government of Ontario announced that they were postponing the planned property tax reassessments due to the COVID-19 Pandemic. This means that assessments for the 2021, 2022, and 2023 taxation years will continue to be based on the same valuation date that was in effect for the

2020 taxation year. This measure will not have a financial impact on the Town because MPAC is continuing to maintain the assessment roll and ensure that it is updated to reflect changes such as new construction.

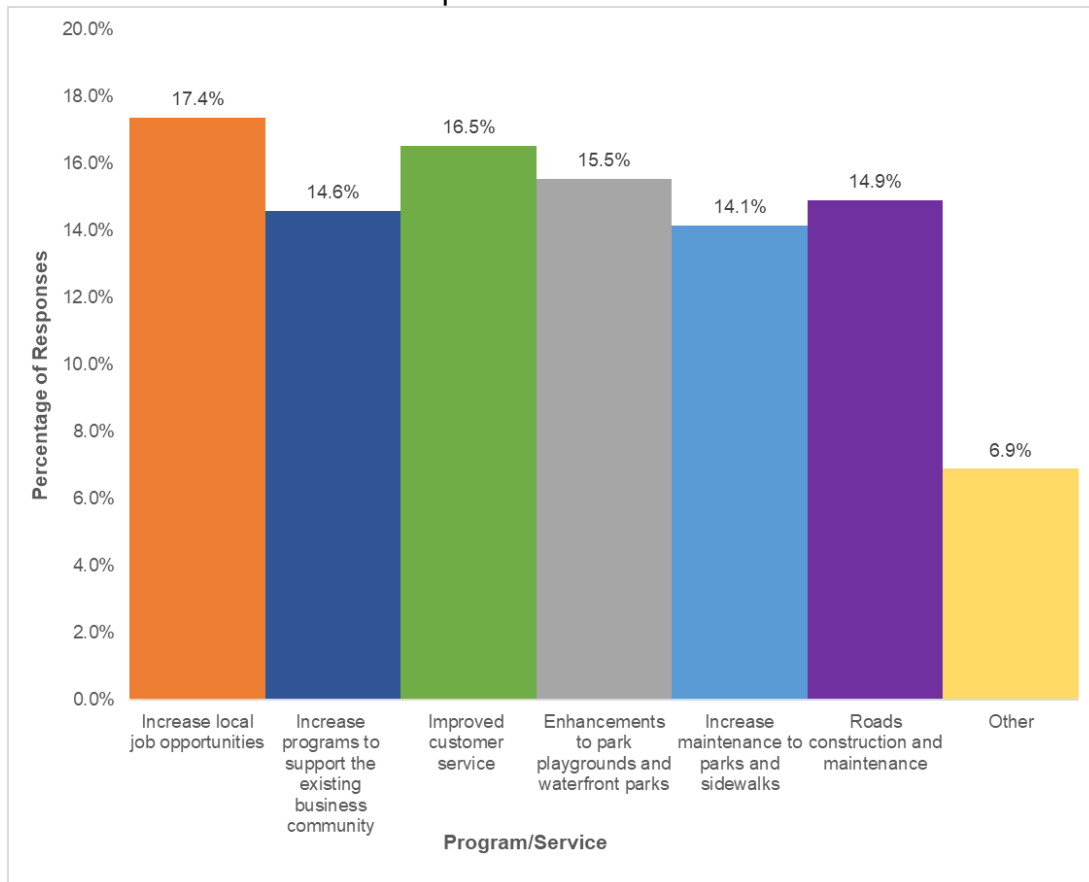
The Town's taxation is one of three types of property taxes paid by the property owners. In addition to the local municipality, the taxes also consist of Regional and Education tax levies. The Regional and Education tax levies for 2023 are not currently known at this time. For more information on how assessment works, please visit AboutMyProperty.ca.

8. PUBLIC CONSULTATION AND NOTICE REQUIREMENTS:

For the 2023 Draft Budget, staff provided the opportunity for members of the public to provide comments or concerns. The below opportunities were promoted via social media and in the newspaper as ways to provide input into the 2023 budget process.

1. Budget survey – 284 responses received (229 received in 2022)
2. Budget email comments: Budget@Georgina.ca – 1 email received

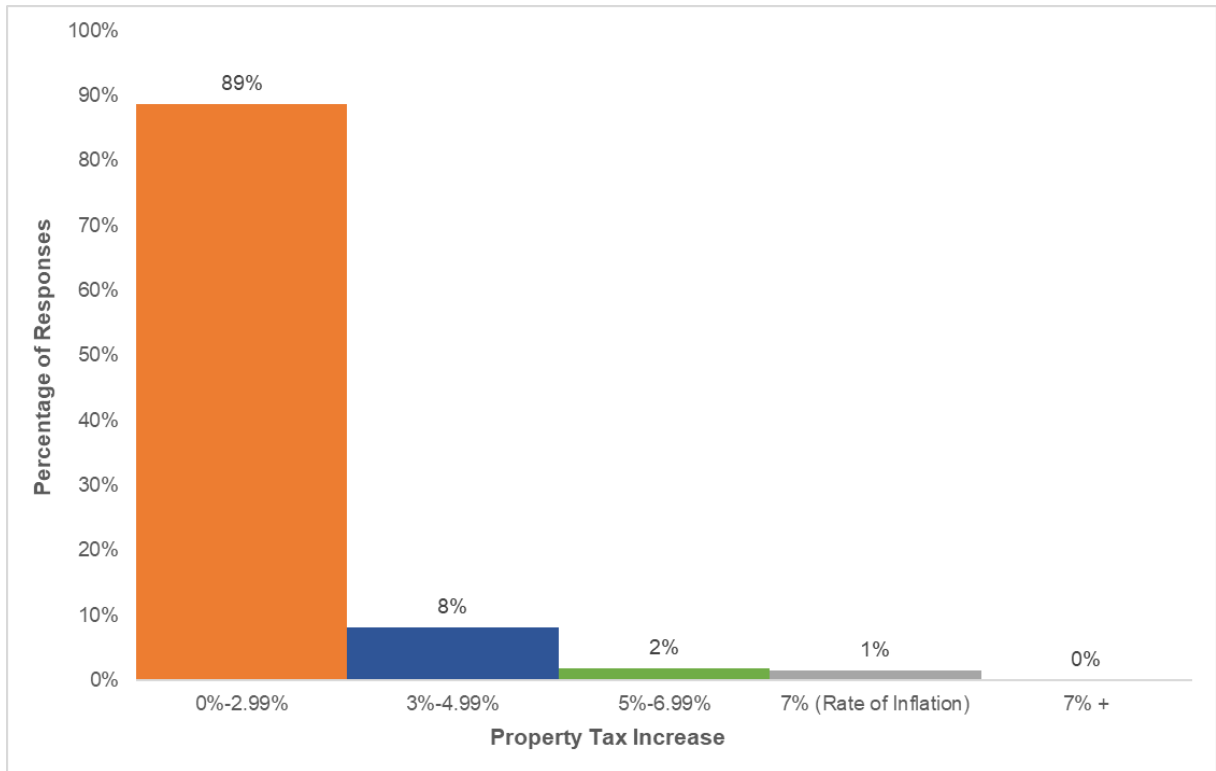
Based on the survey, the chart below represents a summary of where respondents would like to see their tax dollars spent.



In response to the survey, staff are recommending the following as part of the 2023 Draft Budget:

- To address the need to increase local job opportunities and support the existing business community, staff are recommending to invest in the Economic Development and Tourism Strategy and Action Plan. In addition staff proposes to start engaging with a lead generation firm that will enhance Georgina's investment readiness. These projects would benefit the balance of the business park owners and landowners across the entire municipality who are looking to extend their marketing reach and attract investment to their lands and tenants for buildings which will create job opportunities for residents. As well, current economic development programs and grants will continue into 2023.
- To address the need for improved customer service, staff are recommending implementing an inclusive Development Tracking Solution to meet the requirements of all land development applications, approvals, permitting and inspections, and licensing. The new solution will be user and customer-centric in order to facilitate the transition from a complex manual process to a streamlined digital process with real-time processing and workflows, while significantly reducing the processing times of applications. In addition, the Town continues to invest in technology and offer variety of online services. For additional details please visit: <https://www.georgina.ca/online-services>
- To address the need to enhance parks and playground, staff are bringing forward several capital initiatives in 2023: Playground Replacement, Parks and Trails Study as well as a Picnic Table replacement.
- The Town continues to invest in its Roads program with projections to increase those investments annually in order to maintain a high standard of roads (as presented in the ten-year capital plan).

The chart below represents a summary of what respondents feel an acceptable property tax increase would be.



The chart above shows that 89 percent of respondents would like to see a zero to 2.99 percent tax increase. Generally, each year in the budget survey, the majority of respondents highlight that they would like a zero percent or minimal increase.

Managers, Directors, and Finance staff have gone line by line through every operating budget to ensure we were able to deliver the lowest possible operating increase without impacting capital infrastructure or the level of service that residents rely upon.

The Town strives to keep budget increases as low as possible. Depending on the pressures the Town is facing, it isn't always possible to keep the operating increases below inflation, however, over the past five years, on average, operating increases have been below inflation, including 2023. Even when the Infrastructure Levy is added, increases matched inflation on average.

5 Year Budgeted Tax Levy Analysis						
	2019	2020	2021	2022	2023	Average
Operating Tax Levy Increase	2.60%	2.94%	0.95%	0.00%	4.99%	2.30%
Infrastructure Tax Levy Increase	1.00%	1.00%	0.50%	1.00%	2.00%	1.10%
Georgina's Budget Increase	3.60%	3.94%	1.45%	1.00%	6.99%	3.40%
CPI - Ontario	1.90%	0.60%	3.50%	6.90%	3.80%	3.34%

* Source(s): Conference Board of Canada (Sept 2022), and BMO, NBC, CIBC, Scotia, TD and RBC as of Sept-Nov 2022.

Looking at the pressures moving forward, from closing infrastructure funding gaps to dealing with the financial impacts of Bill 23, providing tax increases lower than inflation will become increasingly difficult. A summary of comments from the survey and an email submission have been included as Attachment 1 – Public Comments. Council will have the opportunity between the release of the draft budget and Council deliberations on January 24th and 25th, 2023 to review and discuss any requests or comments.

9. CONCLUSION:

The financial impact of high inflation will be felt by municipalities for the foreseeable future, particularly on capital expenditures. The 2023 Budget was developed with a focus on building a commitment to service to ensure the Town can continue to provide a high level of service to residents while also increasing investments in capital delivery. This report recommends that Council receive the 2023 Draft Budget for review.

Prepared By: Nina Avraham, CPA
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Manager, Financial Strategy and Planning / Deputy Treasurer

Recommended By: Rob Wheeler, CPA, CA
Deputy Chief Administrative Officer/ Treasurer

Approved By: Ryan Cronsberry
Chief Administrative Officer

Attachment 1: Public Budget Comments for Council Review

Attachment 2: 2023 Town of Georgina Draft Budget Book (Available at Georgina.ca/Budget and at the Georgina Public Libraries)