

Subject: Budget 2023 Recommendations

Department: Corporate Services

Division: Finance

Report #: CPS-2023-008

Meeting Date: 2023-01-16

Recommendations

That report CPS-2023-008, Budget 2023 Recommendations, be received;

And that Council approve the 2023 Capital Budget in Principle.

Background

On December 5th, 2022, the Treasurer tabled the multi-year capital and operating budget for 2023. The key highlights from the Budget 2023 document as submitted are as follows:

1. Consolidated Base Budget increase of 3.1% which is a \$1,187,790 tax levy increase from the 2022 approved budget (reference pg.19).
2. Budget 2023 assumes to allocate ORDC funds of \$3,535,000 (reference pg. 18 and 50) that are due to the Town on demand, to offset the aggregate asks of:
 - a. previously endorsed items,
 - b. one-time requests, and
 - c. service level changes (reference pg. 24-31).
3. A 1% increase in the 2023 tax levy is equivalent to \$383,000. Therefore, removing the \$3,535,000 allocations of ORDC funds will result in an additional 9.2% levy increase, resulting in an overall increase of 12.3% for the proposed levy for 2023.
4. Budget 2023 speaks to the uncertainty of the ongoing global inflation and Bill 23.
5. Budget 2023 delivers a reasonable and respectable levy increase of 3.1% against the backdrop of market inflation of 6.9%. As of writing this report the inflation rate did ease up ever so slightly to 6.8% (November 2022).
6. Budget 2023 proposes a Capital Budget envelope of \$82.1M, of which approximately \$44.3M are “Carry Forward” projects from 2022 and beyond, leaving \$37.8 Million in current year projects and additional asks.

7. The Town's tax funded capital envelope is \$2.8 Million which is a \$200k increase from the 2022 funding envelope of \$2.6 Million. The \$200k increase is reflected in the 3.1% overall levy increase.
8. Budget 2023 provides a 2% COLA increase for non-union staff.
9. Budget 2023 maintains all essential service levels.

The primary purpose of this report is to provide Council with the merits of two different recommendations surrounding Budget 2023.

Analysis

Recommendation #1

Recommendation one is to approve the budget document as submitted with no changes. The primary merit of this recommendation is to mitigate the additional tax levy increase of 9.2% by subsidizing it through the proposed allocation of the ORDC loan repayment of \$3,535,000. This allows for all service level change requests to be accommodated within the Budget envelope. One of the key considerations of these asks is to build "capacity" to service increasing operational and capital demands faced by the Town.

Recommendation #2

Recommendation two provides an alternative financing solution to fund most of the service level change requests without allocating ORDC funds of \$3,535,000, while maintaining the levy increase at the proposed 3.1%.

1. 2022 General Bank Interest Increase	\$488,745
2. 2023 General Bank Interest Increase	\$500,000
3. ORDC Interest earned for 2022	\$431,131
4. Tax write-offs (reduction in expense)	\$250,000
5. Tax Rate Stabilization Reserve contribution	\$866,638
6. Service Level Changes Removed	\$1,048,486

Strategic Alignment

Orangeville Forward – Strategic Plan

Priority Area: Strong Governance

Objective: Financial Responsibility

Notice Provisions

Not Applicable

Financial Impact

1. 2022 General Bank Interest Increase of \$488,745 is realised due to the higher inflation rates in 2022. If not used in the 2023 budget, these funds will become part of the 2022 general surplus.
2. 2023 General Bank Interest Increase of \$500,000 is realised due to the higher projected inflation rates in 2023. If not used in the 2023 budget, these funds will become part of the 2023 general surplus.
3. ORDC Interest earned for 2022 in GIC investments of \$431,131 is transferred to the Town's coffer per ORDC board approval. If not used, these funds will sit in a general reserve.
4. Tax write-offs (reduction in expense) of \$250,000 is projected due to provincial freezing of the phased in assessments in 2023.
5. Tax Rate Stabilization Reserves withdrawal of \$866,638 will leave a reserve balance of \$772,885. The sole purpose of this reserve is to function as a mitigation tool during economic upheavals. Please note as of tabling of the budget there has been one more service level change request from Council pertaining to Committee budget. Please see attachment.
6. Service Level Changes of \$1,048,486 have been removed. Please see attachment.

Further Considerations

Should Council decide to remove one of the 6 recommended sources under recommendation #2, it can only be done in one of two ways without impacting base service level: Increase taxes proportionately or remove equivalent amounts from Service Level Change Section of the budget.

Same methodology applies should Council like to include any of the service level change requests that have been removed (\$1,048,486) under recommendation #2.

Respectfully submitted

Nandini Syed, MPA, CMM III, CPA, CMA
Treasurer, Corporate Services

Attachment(s):

1. New Service Level Request for Committees. Council Approved
2. Service Level Changes revised for Recommendation #2