



# The Corporation of the Municipality of Arran-Elderslie

## Staff Report

Council Meeting Date: February 13, 2023

Subject: SRFIN.23.08 2023 Operating and Capital Budget – 3rd Draft

Report from: Tracey Neifer, Treasurer

Appendices: Supporting Schedules

- ✓ Schedule A – Municipal Services by Department
- ✓ Schedule B – Building and By-law Enforcement Services
- ✓ Schedule C – Water, Sewer and Stormwater Services
- ✓ Schedule D – Grant and Donation Requests
- ✓ Schedule E – Capital Budget
- ✓ Schedule F – Summary of Reserves
  - Schedule F.1 – Summary of Transfers from Reserves for Operations
  - Schedule F.2 – Summary of Transfers to Reserves from Operations
  - Schedule F.3 – Summary of Transfers from Reserves for Capital
- ✓ Schedule G – Tax Impacts Across Bruce County

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### **Recommendation**

Be It Resolved that Council hereby,

1. Supports the 3<sup>rd</sup> Draft of the 2023 Operating and Capital Budget for presentation at the public meeting scheduled for Wednesday, February 22, 2023; and
2. Directs staff to bring forward the final budget and corresponding tax rate by-law on February 27, 2023.

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### **Report Summary**

The purpose of this report is to provide Council with the third draft of the 2023 Operating and Capital Budget as we continued to seek cost reductions and efficiencies. The report focuses on the operational and capital changes proposed by the Leadership Team, as well as detailed information regarding the Reserves.

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## **Background**

The second draft of the 2023 Operating and Capital Budget was presented to Council on January 30th, reflecting a proposed tax rate increase of 6.0%, and with that the budget required further reductions of \$171,663 to achieve a balanced budget, or an 8.90% tax rate increase would be required. Further analysis of proposed budgets, a review of resource capacity and priority project planning was undertaken to achieve a balanced budget. Council passed the following resolution:

Be It Resolved that Council hereby,

1. Support staff to continue to refine the Budget to address efficiencies and cost savings; and
2. Direct staff to bring the 3<sup>rd</sup> Draft Operating and Capital Budget to Council on February 13, 2023, for review and consideration.

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## **Analysis**

The second draft of the operating budget reflected that savings of \$171,663 was necessary to provide a balanced budget, assuming a 6% tax rate increase. The Leadership Team, has continued to review their departmental budgets and participated in internal meetings to review staff capacity for capital projects. A detailed review of the salary plan was completed, in particular, a review of part-time, casual, seasonal and student positions, to assess actual hours worked in 2022 compared to the proposed 2023 budget. The review of hours resulted in identification of positions that were overstated, removal of student positions that were redundant and which after adjustment, contributed to budget reductions.

The result of these efforts, achieved a balanced operating budget inclusive of a 6% tax rate increase. An additional transfer to reserve for capital projects of \$22,615 has been recognized, which sets the transfer to reserve at \$1,126,719.

The following charts highlight the operating budget by Key Service Area, comparing the changes between the second and third draft operating budget:

## Schedule A - Municipal Services by Department

	December	2022	2023	2023	2023	Budget	Budget
	2022	Approved	Draft 2-Jan 30	Draft 3-Feb 13	Draft Budget	\$	%
	Actuals	Budget	2023 Total Budget	2023 Total Budget	Draft 3 to Draft 2	Variance	Variance
<b>MUNICIPAL SERVICES</b>							
GENERAL GOVERNMENT	28,327	263,397	519,228	499,753	-19,475	236,356	89.7%
PROTECTION SERVICES	1,740,019	1,838,677	1,875,728	1,875,700	-28	37,023	2.0%
TRANSPORTATION SERVICES	2,667,905	2,464,339	2,728,206	2,692,122	-36,084	227,783	9.2%
ENVIRONMENTAL SERVICES	-1,584	27,767	3,188	-1,627	-4,815	-29,394	(105.9%)
HEALTH SERVICES	37,457	45,238	53,370	50,762	-2,608	5,524	12.2%
RECREATION AND CULTURE	658,533	1,122,091	1,158,721	1,067,938	-90,783	-54,153	(4.8%)
PLANNING AND DEVELOPMENT	223,678	268,857	352,647	334,665	-17,982	65,808	24.5%
<b>Total MUNICIPAL SERVICES</b>	<b>5,354,335</b>	<b>6,030,366</b>	<b>6,691,088</b>	<b>6,519,313</b>	<b>-171,775</b>	<b>488,947</b>	<b>8.1%</b>

## Schedule B - Building and By-Law Enforcement Services

	December	2022	2023	2023	2023	Budget	Budget
	2022	Approve	Draft 2-Jan 30	Draft 3-Feb 13	Draft	\$	%
	Actuals	Budget	2023 Total Budget	2023 Total Budget	Draft 3 to Draft 2	Variance	Variance
<b>BUILDING &amp; BYLAW ENFORCEMENT SERVICES</b>							
Building	-46,080						#DIV/0!
ByLaw	53,533	49,803	60,261	60,261		10,458	21.0%
<b>Total BUILDING &amp; BYLAW ENFORCEMENT SERVICES</b>	<b>7,453</b>	<b>49,803</b>	<b>60,261</b>	<b>60,261</b>		<b>10,458</b>	<b>21.0%</b>

## Schedule C - Water, Sewer and Stormwater Services

	December	2022	2023	2023	2023	Budget	Budget
	2022	Approved	Draft 2-Jan 30	Draft 3-Feb 13	Draft Budget	\$	%
	Actuals	Budget	2023 Total Budget	2023 Total Budget	Draft 3 to Draft 2	Variance	Variance
<b>WATER AND SEWER SERVICES</b>							
SHARED ADMINISTRATION	9,514						#DIV/0!
SEWER	-109,568	1				-1	(100.0%)
WATER	-103,852	-2				2	(100.0%)
STORM	41,928	44,932				-44,932	(100.0%)
<b>Total WATER AND SEWER SERVICES</b>	<b>-161,978</b>	<b>44,931</b>				<b>-44,931</b>	<b>(100.0%)</b>
<b>Total WATER AND SEWER SERVICES</b>	<b>-161,978</b>	<b>44,931</b>				<b>-44,931</b>	<b>(100.0%)</b>

## Municipal Services

The following comments have been provided to explain the changes that have been put forth by the Leadership Team, as well as the financial impact on the budget. The changes identified primarily relates to the adjustment to hours and the realignment of staff time to departments, as detailed in the following summary:

Service Area	Draft 2- Jan 30	Draft 3-Feb 13	\$ Variance
<b>☐ Cemeteries</b>	<b>67,433</b>	<b>64,825</b>	<b>(2,608)</b>
Employee Benefits	13,368	13,857	489
Salaries & Wages	22,894	26,919	4,025
Wages Student	29,391	22,543	(6,848)
Wages Vacation	1,780	1,506	(274)
<b>☐ Economic Development</b>	<b>48,844</b>	<b>30,862</b>	<b>(17,982)</b>
Employee Benefits	29,511	27,638	(1,873)
Wages Student	18,522	3,033	(15,489)
Wages Vacation	811	191	(620)
<b>☐ Environmental Services</b>	<b>126,411</b>	<b>121,596</b>	<b>(4,815)</b>
Employee Benefits	25,382	25,675	293
Salaries & Wages	90,786	91,335	549
Wages Student	8,779	3,476	(5,303)
Wages Vacation	1,464	1,110	(354)
<b>☐ General Services</b>	<b>2,236,698</b>	<b>2,217,223</b>	<b>(19,475)</b>
Contracted Services	20,000	-	(20,000)
Employee Benefits	176,634	170,437	(6,197)
Salaries & Wages	629,438	611,219	(18,219)
Telephone	6,453	9,013	2,560
Transfer to Reserve	1,403,704	1,426,319	22,615
Wages Vacation	469	235	(234)
<b>☐ Protection Services</b>	<b>3,793</b>	<b>3,765</b>	<b>(28)</b>
Employee Benefits	3,793	3,765	(28)
<b>☐ Recreation and Culture</b>	<b>561,485</b>	<b>470,702</b>	<b>(90,783)</b>
Employee Benefits	184,366	177,414	(6,952)
Salaries & Wages	209,410	194,341	(15,069)
Wages Student	158,987	93,888	(65,099)
Wages Vacation	8,722	5,059	(3,663)
<b>☐ Roads</b>	<b>480,833</b>	<b>456,369</b>	<b>(24,464)</b>
Employee Benefits	190,342	183,477	(6,865)
Salaries & Wages	276,872	249,859	(27,013)
Wages Student	11,689	20,976	9,287
Wages Vacation	1,930	2,057	127
<b>☐ Winter Control</b>	<b>254,164</b>	<b>242,544</b>	<b>(11,620)</b>
Employee Benefits	54,649	53,372	(1,277)
Salaries & Wages	185,903	182,930	(2,973)
Wages Student	10,786	3,782	(7,004)
Wages Vacation	2,826	2,460	(366)
<b>Grand Total</b>	<b>3,779,661</b>	<b>3,607,886</b>	<b>(171,775)</b>

Other adjustments not related to wages and benefits includes:

### General Services

- Contracted Services – removed the funds allotted for GIS technical assistance and asset management work, noting that the proposed contract position would be able to manage these two areas.
- Telephone – updated to reflect the soft phone costs identified.

- Transfer to Reserve – after the budget changes were implemented, a surplus of \$22,615 was transferred to reserve for capital projects.

Supporting schedules, A, B, and C have been provided to show the budget changes at a departmental level, for Municipal Services, Building & By-law Enforcement and Water and Sewer Services.

## Grant and Donation Requests

Schedule D, Grant and Donation Requests, has been updated to reflect Council discussions on January 30<sup>th</sup>. The proposed budget of \$30,598 is the same as 2022. Based on current requests and allocations made on January 30<sup>th</sup>, the total grant and donation requirement is \$31,082, being \$484 over the budget allocation.

## Capital Budget

The Capital Budget as presented in Schedule E has been updated to reflect project cost updates and deferrals based on staff's assessment of capacity to complete projects in 2023.

**Capital Budget Summary - 3rd Draft**

<b>Municipal Services</b>									
<b>Key Service Area</b>	<b>LTD Budget</b>	<b>Unspent Budget Carry-forward</b>	<b>2023 Expenses</b>	<b>2023 Capital Requests</b>	<b>Grants</b>	<b>Donations</b>	<b>2022 Approved Reserve</b>	<b>2023 New Reserve Requests</b>	<b>2024 Expenses</b>
General Government	\$ 349,533	\$ 209,555	\$ 89,860	\$ 299,415	\$ 120,169	\$ -	\$ 90,902	\$ 88,344	\$ 10,000
Fire Protection Services	\$ 15,000	\$ -	\$ 689,455	\$ 689,455	\$ -	\$ 54,772		\$ 634,683	\$ 2,056,950
Transportation Services	\$ 2,130,237	\$ 1,842,825	\$ 2,299,741	\$ 4,142,566	\$ 1,023,915	\$ 50,000	\$ 1,323,022	\$ 1,745,629	\$ 298,734
Environmental Services	\$ 8,000	\$ -	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000	\$ -
Recreation and Culture	\$ 1,134,063	\$ 538,126	\$ 551,500	\$ 1,089,626	\$ 468,653	\$ 57,100	\$ 273,373	\$ 290,500	\$ 496,500
Health Services	\$ 55,000	\$ 37,516	\$ 194,300	\$ 231,816	\$ 28,050	\$ -	\$ 9,466	\$ 194,300	\$ 30,000
	<b>\$ 3,691,833</b>	<b>\$ 2,628,022</b>	<b>\$ 3,924,856</b>	<b>\$ 6,552,878</b>	<b>\$ 1,640,787</b>	<b>\$ 161,872</b>	<b>\$ 1,696,763</b>	<b>\$ 3,053,456</b>	<b>\$ 2,892,184</b>
<b>Sewer and Water Services</b>									
Sewer	\$ 180,420	\$ 111,555	\$ 764,573	\$ 876,128	\$ -	\$ -	\$ 111,555	\$ 764,573	\$ -
Water	\$ 807,600	\$ 688,518	\$ 1,255,687	\$ 1,944,205	\$ 312,386	\$ -	\$ 657,279	\$ 974,540	\$ 638,000
Stormwater	\$ 200,000	\$ 200,000	\$ 370,000	\$ 570,000	\$ 280,000	\$ -	\$ 200,000	\$ 90,000	\$ -
	<b>\$ 1,188,020</b>	<b>\$ 1,000,073</b>	<b>\$ 2,390,260</b>	<b>\$ 3,390,333</b>	<b>\$ 592,386</b>	<b>\$ -</b>	<b>\$ 968,834</b>	<b>\$ 1,829,113</b>	<b>\$ 638,000</b>
<b>Total Capital Budget</b>									
2023 Capital 3rd Draft	<b>\$ 4,879,853</b>	<b>\$ 3,628,095</b>	<b>\$ 6,315,116</b>	<b>\$ 9,943,211</b>	<b>\$ 2,233,173</b>	<b>\$ 161,872</b>	<b>\$ 2,665,597</b>	<b>\$ 4,882,569</b>	<b>\$ 3,530,184</b>
2023 Capital 2nd Draft	<b>\$ 4,879,853</b>	<b>\$ 3,628,095</b>	<b>\$ 6,662,616</b>	<b>\$ 10,290,711</b>	<b>\$ 2,245,958</b>	<b>\$ 201,872</b>	<b>\$ 2,665,597</b>	<b>\$ 5,177,284</b>	<b>\$ 3,460,184</b>
Change to Capital Budget	\$ -	\$ -	-\$ 347,500	-\$ 347,500	-\$ 12,785	-\$ 40,000	\$ -	-\$ 294,715	\$ 70,000

The following changes have been made:

**Fire Protection Services**

- 23-FIRE-0002 EQUIP-E-Hydraulic Ram for Auto Extrication, \$15,000 removed from the budget.

**Transportation Services**

- 22-TRAN-0005 ROADS-Sidewalks, total project costs have been reduced from \$1,322,000 to \$1,159,500 to reflect the original project costs and grant funding agreement. A portion of the grant was allocated to 2022, with the remaining \$737,215 being applied to 2023.

**Environmental Services**

- 21-ENVS-0001 BLDG-Arran Landfill Weigh Scales Building, total project costs have been reduced from \$180,000 to \$100,000 to reflect updated plans for the building.

## Recreation and Culture

- 22-RECC-0006 PARKS- Paisley Docks Approaches, the project costs of \$20,000 has been deferred to 2024.
- 23-RECC-0016 BLDG-Tara Arena Floor Replacement, the project costs of \$50,000 have been deferred to 2024.
- 23-RECC-0025 PARKS-Dr. Milne Park Pavilion Rehabilitation/Retaining Wall, project costs have increased from \$4,000 to \$24,000 to provide an increase in the scope of the project to include the Pavilion rehabilitation.
- 23-RECC-0021 BLDG-Accessibility Upgrades to Chesley Pool House, the project costs of \$20,000 have been deferred to 2025.
- 23-RECC-0022 BLDG-Accessibility Upgrades to Tara Pool, the project costs of \$20,000 have been deferred to 2025.

These changes have had a positive impact by reducing the funds being drawn from the Reserves:

<b>2023 New Reserve Requests</b>	<b>Draft 3-Feb 13</b>	<b>Draft 2-Jan 30</b>	<b>Budget Change</b>
Municipal Services	3,053,456	3,348,171	294,715
Sewer and Water Services	1,829,113	1,829,113	-
	<b>4,882,569</b>	<b>5,177,284</b>	<b>294,715</b>

## Reserves

Included in the Operating and Capital Budgets are transfers to and from Reserves, which have been impacted by the budget revisions presented in Draft #3. The transfers for capital correspond with the “new” asks in 2023, as the approved amounts in 2022 have already been accounted for in the opening reserve balance.

The following chart provides an overview of those transactions and has highlighted the areas of change:

	2023 - Budget - Feb.13th			Total
	Municipal Services	Building Services	Water & Sewer Services	
Balance, beginning of year <b>(N.1)</b>	8,136,306	279,595	10,936,481	19,352,381
2022 Est. YE Adjustments <b>(N.2)</b>	323,255	-	-	323,255
	8,459,561	279,595	10,936,481	19,675,636
Transfer to Operating	(201,742)	(57,184)	(420,914)	(679,840)
Transfer to Operating - Water				
Transfer from Operating	1,763,686	-	2,075,915	3,839,601
For Municipal Services (GIS/AM)		(5,000)	(20,000)	(25,000)
	1,561,944	(62,184)	1,635,001	3,134,761
Transfer to Capital - New Funds Requested ** does not include 2022 approved capital projects being completed in 2023	(3,083,456)	-	(1,799,113)	(4,882,569)
	(3,083,456)	-	(1,799,113)	(4,882,569)
Balance, end of year	<b>6,938,049</b>	<b>217,411</b>	<b>10,772,369</b>	<b>17,927,828</b>
Balance, end of year - as per Draft Jan.30	<b>6,620,719</b>	<b>217,411</b>	<b>10,772,607</b>	<b>17,610,736</b>
Change Reflected, Feb.13	<b>317,330</b>	<b>-</b>	<b>(238)</b>	<b>317,092</b>
AE Water/Sewer			117,433	
Water			7,644,039	
Sewer			3,010,897	
			<b>10,772,369</b>	

**N.1** - opening balance based on 2022 budgeted transfers, final adjustments for 2022 have not been completed

**N.2** - includes the transfer to reserve for land sales and Efficiency Funds deferred to 2023 project completion

The transfer from operating reflects the \$22,615 as a balancing surplus being transferred for capital projects.

The transfer to operating for Water & Sewer Services reflects a \$238 adjustment from the payroll adjustments that were completed.

The transfer to capital has been reduced by \$294,715 to reflect the project costing adjustments and the removal or deferral of projects to 2024 and 2025.

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## **Link to Strategic/Master Plan**

### 6.4 Leading Financial Management

Accessibility Master Plan  
Financial Plans, Sewer, and Water  
Fire Master Plan  
Recreation Master Plan

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**Financial Impacts/Source of Funding/Link to Procurement Policy**

The municipal budget for operations in 2023 reflects an increase of \$456,285 which requires a tax rate increase of 6.0%. With Council endorsement of Draft #3 of the Operating and Capital Budget, the Municipality of Arran-Elderslie has achieved a balanced budget.

Based on Council's request on January 30<sup>th</sup> for additional information on comparison of tax rates in 2022 in Bruce County the following, Schedule G – Tax Impacts Across Bruce County, has been provided for Council's information.

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Approved by: Sylvia Kirkwood, Chief Administrative Officer