

Town of Deep River 2022 Budget



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1 Introduction

1.1 Purpose and structure of this report

This report provides a high-level summary and overview of the Draft 2022 Operating and Capital Budgets, proposed to be tabled at Council on January 12th, 2022. It contains:

- A description of the factors that have been considered during the development of this budget
 - External events that have impacted Deep River, and
 - The main assumptions
- An overview of the capital budget.
- An overview of the operating budget, including a description of revenue sources and expenses categories.
- A summary of atypical or new budget considerations for 2022
- A description of the impact of the proposed budget on the property tax rate.

For reference, the following documents are included as appendices.

- Detailed budget books showing the proposed budget at a General Ledger Account Code level
- Capital budget justifications
- The *Master Financial Plan* prepared by NG. Bellchamber & Associates and received by Council on February 24th, 2021
- The *Water and Wastewater Rate Study* prepared by Watson and Associates and received by Council on January 27th, 2021

Note: The updated *Asset Management Plan* will be included in 2023 budget and beyond.

1.2 Background

On August 11th, 2021, Council received report 2021-FIN-017, “2022 Draft Budget Directions Report” and instructed staff to develop the Operating and Capital Budgets such that the municipal tax increase is no greater than 3.2%.

Council adopted a proposed set of User Fees on September 22nd, 2021, and a draft Capital budget on November 3rd, 2021, for inclusion in the 2022 Operating budget.

Council reviewed the initial proposed 2022 Operating Budget on December 1st, 2021 and identified several required changes. Further, staff updated several budget lines as new information was received. The proposed budget and this report have been updated accordingly, with the following changes:

1. The *Operating Contingency (G-130-1110-8070)* is reduced from \$100,000 to \$25,000 as per Council direction.
2. The revenue received from the *Ontario Community Infrastructure Fund (OCIF) grant (G-300-3100-4610)* is increased from \$155,000 to \$290,304 as per the grant announcement received in December 2021. Expenses for all OCIF-funded projects have been increased accordingly.
3. The entire revenue from land sales have been allocated to a *Transfer to Reserve (G-800-8200-8060)*, increasing from \$140,000 to \$240,000. (Note that staff have reviewed the applicable

legislative and policy regulations and found no requirement to allocate revenue from municipally owned land sales to reserves.)

4. *Contracted Services (G-800-8100-7500)* for Planning and Development has been increased from \$30,000 to \$50,000, for the Development Charges Background Study (approved by Council in 2021 and initiated in December 2021).
5. The general *Transfer to Reserve (G-130-1110-8060)* has been decreased from \$454,000 to \$334,000 to create a net zero impact of changes 3 and 4 above.

1.3 External Factors impacting the budget and other considerations

1.3.1 AECL / CNL PILT Agreement and Property Assessment

The Financial Master Plan highlighted the importance of AECL / CNL as the Town's largest ratepayer. As reported in the 2021 budget process the historical assessment values for the Chalk River Laboratories did not appear to accurately reflect the significant capital investments made. With agreement from AECL and CNL, MPAC (the Municipal Property Assessment Corporation) conducted a re-assessment of the Chalk River Laboratories in 2021. The results of this re-assessment are yet to be finalized and made public but initial indications are that an increase in PILT payments will be made. For the purposes of developing the 2022 Operating Budget, an increase of \$600,000 per year for the Town of Deep River portion of the PILT has been assumed.

The PILT agreement contained a two-year payment totalling \$1.7 million for potential historical inaccuracies to be reconciled at the end of the MPAC re-assessment. For the purposes of this report none of the \$1.7 million or the reconciliation has been included. MPAC data to complete the reconciliation is expected early in 2022.

Public Sector Accounting Board (PSAB) standards require that these payments are held in reserve until the reconciliation is completed. Therefore, only interest earned on the \$850,000 is reflected in the 2022 operating budget.

1.3.2 COVID-19 Pandemic

Over 2020 and 2021, the ongoing COVID-19 pandemic has significantly impacted the Town's operations and the services delivered to the community. Restrictions on public gatherings have reduced the Town's recreational programming, facility opening times, and events have been cancelled. This has reduced the revenue generated through user fees. Some of this lost revenue has been offset by reduced expenditures, related to the number of part-time staff required to support programs and events. It must also be noted that participant to staff ratios have had a limiting effect on this offset. Costs for cleaning and PPE have increased.

In 2020 and 2021, the Town received support from special Federal and Provincial COVID-19 grants. No announcements have been made regarding additional COVID-19 support for 2022, and therefore no COVID-19 funding has been included in the 2022 Operating Budget. With both the Deep River Arena and Deep River Community Pool operations currently in place the assumption that the progress towards "normal operations" and enrollment numbers has been included in the proposed 2022 operating budget.

1.3.3 Delayed Update of Assessment Values

In 2020, the Provincial government postponed the regular four-year update to assessment values and indicated that property taxation in 2021 would be based on the 2016 assessments. In the 2021 Fall Economic Outlook statement, the Provincial government extended this delay further to the end of 2023. Only new developments, therefore, have contributed to growth in the tax base (previously, the tax base would have grown through a combination of assessed value growth and new developments).

1.3.4 Utility Rate Study

A 10-year utility rate study was completed in early 2021 for the delivery of water and wastewater services. Scenario 2 from the utility rate study was adopted by Council to be used in our five-year water and wastewater financial plan submitted for license renewal. As a result, the recommended combined 8.4% increase in water and sewer rates have been included in the 2022 operating budget.

Refined project proposal for water & wastewater capital projects have been included in the 2022 capital budget.

1.3.5 Financial Master Plan

In early 2021, the first phase of the development of a long-term Financial Master Plan was completed. Several recommendations were made; some of which have been included in this budget:

- Recommendation 3: Implementation of the utility rate increases for water and wastewater
- Recommendation 2: Increased reserve transfers for infrastructure (refer to Section 3.2.2 for further detail)
- Recommendation 1 and 7: Resourcing for improving the Town's asset management plans and capabilities
- Recommendation 8: Upgrading of the financial software system
- Recommendation 11: Ongoing relationship with AECL / CNL (new fire services agreement, ongoing assessments discussions, etc.)

The Plan's other recommendations have been noted, and where possible, included in plans for 2023 and beyond.

1.3.6 Changes to Minimum Wage and Consumer Price Index

The recent announced 4.5% increase to the Ontario minimum wage combined with the significant increase in the consumer Price Index (Ontario 4.9% in October) have had a significant impact on wages and some contracts.

1.4 Assumptions

The primary assumptions made during the development of this budget include:

- A partial return to full operations after the pandemic will occur during 2022. As a result, revenues for recreational programs, facilities and events have been increased, but not to pre-pandemic levels. Related expenses have also been reduced from normal levels but not to the same degree. The increase in cleaning and PPE expenses caused by the pandemic has been maintained
- No new "non-resident" user fees have been included in the 2022 operating budget.
- The Marina will operate as usual (seasonal dates, operating times, services available).

- No further federal and provincial government COVID assistance will be received.
- While it is expected that most conferences, seminars and training programs for staff will be conducted virtually, some in-person training has been included in the proposed budget.
- The revenue generated from the sale of the four small property parcels (Avon Str, Hammond Crt x 2, McDonald Str) has been included in the proposed budget. Although not required by legislative or policy regulations, all proceeds from this sale have been transferred to reserves.
- Planning for the new Long-term Care facility at the North Renfrew Health Campus is underway, and construction is planned to start in late 2022. Revenues from building permit reviews have been included in the 2022 Operating budget.
- No revenue generated from potential development charges has been included in the 2022 budget
- Business Education Taxes will be consistent with 2021
- The renewed Fire Service Agreement with CNL has been used as the basis for budgeting for Fire Services. No potential new fire services model financial impacts have been included in 2022 operating budget
- Property and liability insurance premiums for the Town are expected to increase by 13% for 2022. This is an industry-wide trend which has affected many municipalities.
- Revenues consistent with the short-term agreement with the Town of Laurentian Hills for Chief Building Official/Inspection services have been included in the 2022 operating budget

1.5 Major Operational Changes

Several operational changes have occurred in 2021 or are anticipated for 2022, which have impacted the operating budget for 2022. These include:

- The signing of short-term agreement with the Town of Laurentian Hills to provide Chief Building Officer and Building Inspector services. This will require some shifting of responsibilities, in particular for By-law enforcement. The potential for a long-term agreement is currently under review and has been assumed within the proposed budget using the same cost model.
- In 2021, the Town retained the services of a part-time HR consultant to provide services that were no longer available from the County at the time. This practice is proposed to be continued in 2022.
- A minor restructuring of the Administration department is planned to introduce a stronger Payroll/HR capability and provide some enhanced capacity to the Planning and Development area. These changes are reflected in the budget through a reallocation of wages. A full proposal will be provided to Council prior to the termination of the one- year pilot project related to the Asset & Administration Project Manager
- The Provincial government recently announced increases to minimum wage levels. More details of the impact of this change are included in Section 3.2.1.

1.6 Major projects for 2022

The following major projects are scheduled for 2022 in support of the Town's Strategic Plan:

Projects related to increased population and vibrant economic sector

- Continuation of the Getting ready for development project (by-law and policy review, process capability, developer forum)
- Finalization of the West-End Secondary Plan
- Keys property and Marina secondary plan
- Continuation of the implementation of the Community Improvement Plan (streetscaping design and guidelines; design of CIP grant program)
- Sale of town-owned land (various small lots, 33199 Hwy 17, review of other potential development sites)
- Development charges design and implementation
- Proposed project relating to Sewer Treatment Plant capacity

Projects related to quality and reliable infrastructure and facilities

- Initiation of a Water Tower rehabilitation project
- First phase of wastewater treatment capacity improvements
- Ministry application for a re-rating of the wastewater treatment plant capacity
- Water and wastewater service delivery review
- Various improvements and capital upgrades to water and wastewater treatment plants
- Updating of Town's asset management plans / Rebuilding asset management capabilities
- Community swimming pool structural and mechanical audit
- Upgrades to Deep River Arena
- Capital contingency budget to allow for short notice small infrastructure repair and or replacement

Projects related to improvements in governance and administrative efficiencies

- Continuation of the general by-law and policy reviews
- Upgrading of the Town's financial software system
- Continuation of improvements to internal performance measurement and workplace culture program
- Resource allocation to Economic Development

Projects related to improvements in recreational opportunities

- Completion of the upgrades improving accessibility at the arena and town hall facilities
- Design and implementation of new children's programming
- Structural & Mechanical audit at Community Pool
- Development of Parks plan and review of programs in relation to Recreational survey
- Marina docks project

2 2022 Budget at a Glance

2.1 Capital budget for 2022

Table 1 outlines the capital projects for 2022, the associated costs, and sources of funding. **A total of \$3,738,156 in capital spending** will occur, with 23% of the funds to be drawn from reserves.

Approximately 35% will be sourced from grants, and **\$202,500 will need to be raised from general taxation**.

At this time, \$1,386,566 in debt financing is planned for the reconstruction of LaSalle Road and Beach Avenue in order to address wastewater collection capacity constraints for the new Long Term Care facility being built at the Deep River and District Hospital. These projects are early in the design phase, and all feasible options are being investigated. Note that Council must approve any new debt on a case-by-case basis and that staff will make further presentations for each new arrangement. Further, should funding any project through debt become the more favourable option, Council will be approached for approval.

It should be noted that projects requiring grant funding are conditional on that funding being received. Staff will continue to research and apply for any and all appropriate grants in relation to all Capital projects.

Any non-budgeted revenue from the two-year PILT agreement with AECL/CNL may be considered to adjust the current proposed funding models. It is anticipated that the re-assessment data from MPAC will be available for the purposes of the agreed upon reconciliation in Q1 of 2022. The potential for an infrastructure levy for the upgrades to the Water Tower are being considered and a related report will be presented to Council in Q1 of 2022 which may change the current proposed funding model.

Any and all potential changes to the current proposed Capital funding model will be presented to Council for approval.

Table 1: Capital budget

2022 Capital Budget	2022 Budget	Reserve	General Taxation	Debt Financing	Other Funding
Council	100,000	0	100,000	0	0
Annual Capital Contingency	100,000		100,000		
Finance and Administration	252,000	55,000	32,000	0	165,000
Upgrade Finance Software	220,000	55,000			165,000
Keyes / Marina Secondary Plan	25,000		25,000		
Council IT equipment	7,000		7,000		
Facilities	355,590	238,090	35,000	0	82,500
Marina Docks - phase 4	80,000	40,000			40,000
Arena Upgrade	100,000	100,000			
Council Chamber doors	6,200	6,200			
Cemetery upgrades	35,000		35,000		
Community Pool – Audit etc.	99,890	74,390			25,500
Public Works - Drive shed	17,500	17,500			
Beach accessibility equipment	17,000				17,000
Fleet	77,000	71,500	5,500	0	0
Wood chipper	65,000	65,000			
Loader - sandblasting / paint	12,000	6,500	5,500		
Roads	0	0	0	0	0
Included in wastewater projects					
Water and Wastewater	2,703,566	272,295	0	1,386,566	1,044,705
General capital work (OCWA)	150,000	150,000			
Wastewater Plant Re-rating	20,000	20,000			
THM Remediation	385,000	102,295			282,705
Lasalle & Beach reconstruction	648,566			486,566	162,000
Water Tower rehabilitation	1,500,000			900,000	600,000
Fire Service	250,000	220,000	30,000	0	0
Fire Pumper/Tanker	200,000	200,000			
Volunteer PPE	50,000	20,000	30,000		
Total Capital Budget	3,738,156	856,885	202,500	1,386,566	1,292,205

Table 3 outlines the changes to reserve levels as a result of the Capital budget described above. Note that the values in Table 3 assume no contribution to reserves resulting from any potential surplus disposition from 2021 and 2022. No anticipated changes resulting from the PILT Agreement are included in this table.

Table 2: Changes to Reserves

Changes to reserves	2021 Opening Balance	2021 Estimated Closing Balance	2022 Proposed Capital Reserve Funding	2022 Proposed Transfer to Reserves	2022 Projected Closing Balances
Other General Reserves	2,728,108	2,155,738	584,590	613,198	2,226,346
Reserve – Sewer replacement	399,593	522,285	95,000	106,751	534,036
Reserve - Water Works	64,438	76,949	177,295	362,187	261,841
Total	3,192,139	2,754,972	856,885	1,038,311	3,022,223

2.2 Operating Budget for 2022

The proposed 2022 Operating and Capital budget requires that **\$7,191,023** be raised from municipal taxation, increasing by **2.13%** compared to the 2021 operating and capital budgets.

Operating expenses (excluding water & wastewater) will total \$9,986,969, an increase of 13.6% compared to Budget 2021, including a significant net increase of approximately \$690,000 in transfers to reserves than the 2021 Budget. **Non-tax revenues (excluding water & wastewater) have increased by 29.4% to a total of \$2,149,690**, including the additional OCIF grant allocation, and revenue generated from the sale of land.

Water, Wastewater and Solar are budgeted using a net zero model as per legislation and past practice.

The following table and figures show the breakdown of the operating budget.

Report Number 2022-FIN-002
2022 Budget Report

Table 3: Operating budget summary

Operating budget by department		Actual 2019	Budget 2020	Actual 2020	Budget 2021	Actual 2021 (to Nov 25)	Budget 2022	\$ change	% Change
Administration		1,378,028	1,321,011	1,100,841	1,346,622	930,674	1,758,170	411,548	30.6% ▲
GL codes 120, 130, 140, 150, 250	Revenue	426,574	70,117	177,456	51,200	220,886	62,734	11,534	22.5% ▲
	Expense	1,804,603	1,391,128	1,278,297	1,397,822	1,151,560	1,820,904	423,082	30.3% ▲
Recreational Services		894,133	833,445	955,577	1,005,801	931,989	1,027,016	21,215	2.1% ▲
GL code 700	Revenue	514,168	536,051	348,687	431,608	294,189	510,489	78,881	18.3% ▲
	Expense	1,408,301	1,369,496	1,304,264	1,437,409	1,226,178	1,537,505	100,096	7.0% ▲
Transportation (Public Works)		844,322	1,111,506	885,263	832,509	511,648	832,406	-102	-0.0% ▼
GL code 300	Revenue	219,646	209,828	61,105	355,378	297,415	379,406	24,028	6.8% ▼
	Expense	1,063,968	1,321,334	946,368	1,187,886	809,063	1,211,812	23,926	2.0% ▼
Environmental Services		445,306	451,968	362,622	452,003	337,609	487,002	34,999	7.7% ▲
GL code 400	Revenue	182,471	165,993	231,665	179,593	215,898	220,593	41,000	22.8% ▲
	Expense	627,776	617,961	594,286	631,596	553,508	707,595	75,999	12.0% ▲
Health Services (Cemetery)		-4,033	9,000	18,791	17,821	33,367	8,575	-9,246	-51.9% ▼
GL code 500	Revenue	16,944	12,700	13,057	13,775	11,069	55,525	41,750	303.1% ▲
	Expense	12,911	21,700	31,848	31,596	44,436	64,100	32,504	102.9% ▲
Bylaw enforcement and Building inspection		86,363	83,585	59,757	88,461	77,744	14,475	-73,986	-83.6% ▼
GL code 240	Revenue	24,849	31,700	50,337	28,300	23,480	109,540	81,240	287.1% ▲
	Expense	111,211	115,285	110,094	116,761	101,224	124,015	7,254	6.2% ▲
Planning and Development		-44,259	3,110	-3,600	35,885	74,498	194,126	158,241	441.0% ▲
GL code 800	Revenue	109,338	65,800	10,743	69,100	4,203	275,000	205,900	298.0% ▲
	Expense	65,079	68,910	7,143	104,985	78,701	469,126	364,141	346.9% ▲
Council and Mayor		104,930	109,520	98,191	108,751	84,582	116,294	7,544	6.9% ▲
GL code 110	Revenue	0	0	0	0	0	0	0	0%
	Expense	104,930	109,520	98,191	108,751	84,582	116,294	7,544	6.9% ▲
Solar program		0	-27	0	0	-15,047	0	0	0%
GL code 050	Revenue	18,346	25,000	17,600	24,000	16,689	20,000	-4,000	-16.7% ▼
	Expense	18,346	24,973	17,600	24,000	1,642	20,000	-4,000	-16.7% ▼

Report Number 2022-FIN-002
2022 Budget Report

Operating budget by department	Actual 2019	Budget 2020	Actual 2020	Budget 2021	Actual 2021 (to Nov 25)	Budget 2022	\$ change	% Change
Emergency Services	3,087,572	2,984,625	3,134,636	3,160,130	2,870,515	3,305,267	145,136	4.6% ▲
Fire Service	1,609,866	1,522,421	1,690,857	1,639,716	1,583,113	1,728,393	88,678	5.4% ▲
GL codes 210, 211	Revenue	0	2,840	8,600	10,075	4,500	-4,100	-47.7% ▼
	Expense	1,609,866	1,693,697	1,648,316	1,593,188	1,732,893	84,578	5.1% ▲
Police Service	1,477,707	1,462,205	1,443,779	1,520,415	1,287,402	1,576,873	56,459	3.7% ▲
GL codes 220, 221	Revenue	150,320	150,095	159,372	167,255	173,322	13,950	8.8% ▲
	Expense	1,628,027	1,593,874	1,679,787	1,454,658	1,750,195	70,409	4.2% ▲
Library	413,122	373,983	340,090	399,305	334,394	414,449	15,144	3.8% ▲
GL code 780	Revenue	39,677	31,738	19,781	14,743	18,081	-1,700	-8.6% ▼
	Expense	452,799	371,828	419,086	349,137	432,530	13,444	3.2% ▲
Water and Wastewater treatment	0	0	0	0	-675,379	0	0	0%
GL code 041, 043	Revenue	2,472,581	2,663,019	2,914,590	2,826,740	3,262,633	348,044	11.9% ▲
	Expense	2,472,581	2,663,019	2,914,590	2,151,360	3,262,633	348,044	11.9% ▲
Less Non-tax Revenue (OMPF, PILT & Other)	7,547,862	386,556	7,406,978	406,556	8,141,625	966,756	560,200	137.8% ▲
Revenue to be collected from tax		6,895,169		7,040,732		7,191,023	150,292	2.13% ▲

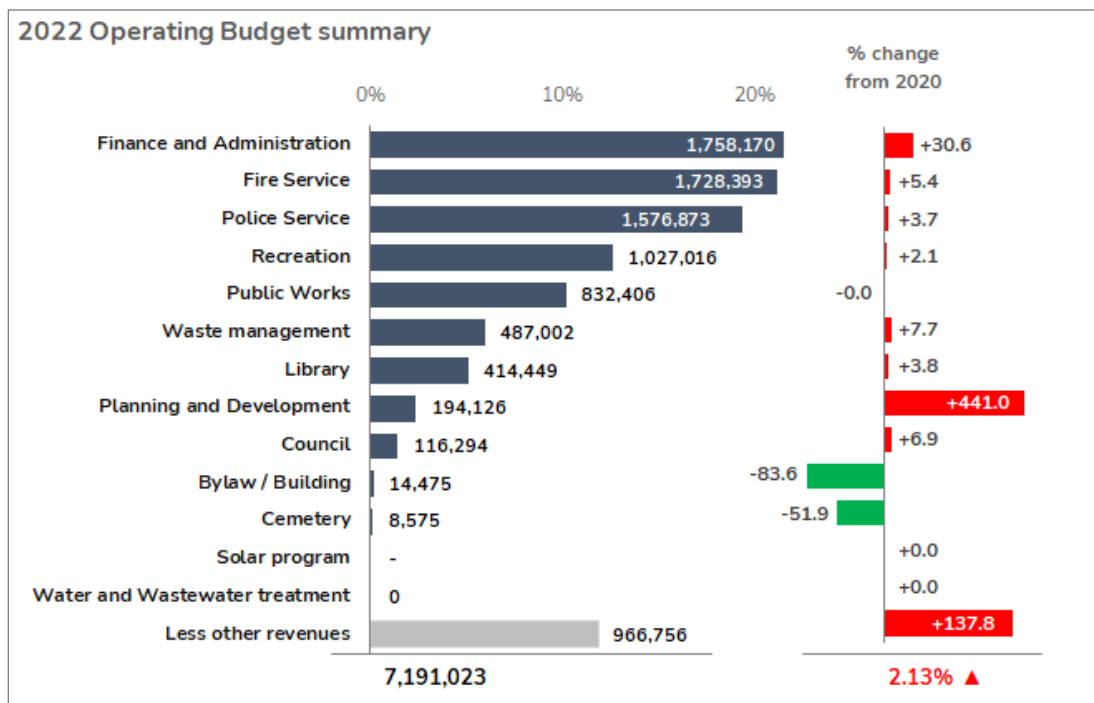


Figure 1: Departmental net operating expenses

2.2.1 Summary of wages and benefits

The overall net increase of combined wages & benefits is 3.4%. No changes to the number of full-time employees are proposed. Minor changes to staffing related to COVID-19 have been included in the proposed budget as well as a relatively minor re-alignment within Administration, Planning & Development and Finance. The following points provide highlights of change that have impacted cost.

- Union budgeted wages meet all negotiated collective agreements
- Budgeted benefits meet all negotiated collective agreements and nonunion commitments
- Significant adjustment to student wages due to Minimum wage increases
- Anticipated changes to Payroll/HR and Planning & Development
- Non-union wage increases linked to CPI (4.9% as per By-law 33-2020 & employment contract)

2.2.2 Significant changes to Revenues

The following points represent assumed unusual revenue streams new for 2022. These new assumed revenue streams have contributed to a budgeted combined total in “transfer to reserves” of \$1,040,311 consistent with the Financial Master Plan.

- Additional PILT
- Revenue from sale of Town owned land
- Building Permit fees from LTC home
- CBO/Inspection shared services

2.2.3 Significant changes to Expenses

The following points highlight proposed significant changes to expenses.

- Increase in Transfer to Reserves consistent with the Financial Master Plan.
- Increases in OCWA contract as well as non-union staff related to high CPI
- Increases related to changes to Minimum wage
- Increased taxation for Capital projects
- Increase in Garbage & Recycle Contract of 13.3% consistent with Contract

2.3 Water and Wastewater

The water and wastewater budgets are self-contained, in that they are not funded from taxation, but through user fees as per the Water and Sewer Sustainability Act, 2002. Through a combination of user fee revenue and expenses including a transfer to reserves are legislated to annually net to zero.

A combined increase in user fees of 8.4% has been proposed consistent with the 2021 Utility Rate Study. It must also be noted that an increase of 5.9%, consistent with the OCWA Agreement has been proposed.

3 Illustrative Impact on a typical tax bill

Deep River ratepayers pay a combined property tax that comprises municipal, county, and education portions. Table 5 shows some illustrative examples of how each portion may change in 2022.

Some caveats:

- The county and education rates for 2022 have not been finalized as yet (these are set by the County and the Province respectively). An increase of 3% in County taxes and 0% in education taxes has been assumed for the illustrative examples shown below.
- No increase in total assessed value has been assumed for these examples.

The combined property tax on an average single-family home in Deep River may increase by approximately \$64. The combined property tax for an average small / retail commercial property may increase by \$72.

Table 4: Impact of taxation increase on a typical tax bill

Property tax on average properties		2021 Taxation	2022 Taxation	Total \$ Change	% Change
Single family home					
Combined property tax		3036	3100	64	2.10%
Average assessed value of \$198,000	Municipal	1990	2032	42	2.13%
	County*	743	765	22	3.0%
	Education*	303	303	0	0.0%
Small / retail commercial property					
Combined property tax		4163	4235	72	1.73%
Average assessed value of \$123,000	Municipal	2244	2,291	47	2.13%
	County*	837	862	25	3.0%
	Education*	1082	1082	0	0.0%

* Assuming a 3% and 0% increase respectively

4 Appendices

The following documents are appended for reference.

- The 2022 Proposed Capital Budget
- The 2022 Proposed Operating Budget