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Town of Aurora

# General Committee Report

No. FIN22-018

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**Subject:** 2023 Budget Timeline and Process

**Prepared by:** Jason Gaertner, Manager Financial Management

**Department:** Finance

**Date:** June 7, 2022

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## Recommendation

1. That Report No. FIN22-018 be received; and
2. That the proposed budget timeline as detailed in Table 3 be approved.

## Executive Summary

This report outlines the budget process for the 2023 Budget:

- Staff will ensure that all new members of Council are well prepared for the 2023 budget process
- Inflation represents a key pressure that will impact the 2023 budget
- The Town's capital asset management funding gap will need to be addressed in the next term of Council
- Proposed time sensitive capital projects will be advanced as far as possible prior to project approval
- A January budget approval may be possible if Budget Committee completes their review early

## Background

### A new multi-year budget cycle starts with the new Council Term

The Town adopted a multi-year budgeting framework to manage how budget decisions made in one year may impact future budget years and to ensure open and public

awareness. Under this framework, Council approves the first year's budget of its term and receives an accompanying forecast of the next three budgets. In the second year of its term, Council approves a three-year operating budget, including all related tax and user rate impacts. Using multi-year budgets and forecasts improves fiscal health and service delivery through:

- better coordination of budgeting and strategic priorities
- greater certainty for departments in managing expenditures and service levels
- improved fiscal discipline of the organization
- streamlined budget reviews that focus on key changes in assumptions and the reasons driving the change
- allowing staff to develop budgets with fixed targets in place, allowing for an early response to manage circumstances and budget constraints
- reducing uncertainty about future year tax levy or user rate increases
- providing longer term outlook to outside organizations that rely upon the Town for a share of their funding, which enables them to plan and deliver their programs more effectively.

As per the Municipal Act a municipality's multi-year operating budget must be reaffirmed by Council on an annual basis. The Town's reaffirmation process will only focus on any changes to the previously approved multi-year budget.

Overall, the Town's budget process is guided by Council's Budget Principles and Process documents which are revisited by Council once per term.

## **Analysis**

### **Staff will ensure that all new members of Council are well prepared for the 2023 budget process**

Council orientation will include information on the Town's budget management framework, including Council's Budget Principles and process documents. The operating and capital budget processes will include further information on what Council is being asked to approve as part of the Budget Committee's review of the 2023 proposed budget.

Further, Finance staff will make themselves available to answer budget questions that a Councillor may have, including scheduling meetings for further orientation of any new members of Council.

**Inflation represents a key pressure that will impact the 2023 budget**

Over the past year and half the Town's goods and service prices have been subject to significant inflationary pressure as a result of the pandemic and war in Ukraine. Overall inflation for all goods and services has averaged around 5-6 per cent. More specifically, the Town's typical basket of goods and services have been subject to higher inflationary pressures. Table 1 presents a summary of the average price increases experienced for the following baskets of goods and services as per Statistics Canada up until the end of March 2022.

**Table 1**  
**Average Inflation experienced to Pre-COVID Costs**  
**Stats Canada – Table 18-10-0266-01**

<b>Basket of Goods &amp; Services</b>	<b>Average Price Increase (%)</b>
Parks	31
Roads & Related	29
Facilities	17
Water, Wastewater & Storm	14
Fleet & Equipment	6
IT	4

Recently the Town has experienced price increases higher than these amounts for some individual contract awards. In many instances capital project contract awards are coming in higher than available project capital budget authority. This could lead to requests from staff in 2022 seeking additional capital budget authority to award contracts for active capital projects.

These recently experienced inflationary price increases will not go away; rather, the Town's average cost for these items will have increased for the long term and be subject to further future inflationary pressures. The recent provincial and federal budgets, project that inflation will return to a more normal pace by 2024, aligning with the Bank of Canada's overall annual inflationary target of 2 percent.

The proposed 2023 budget to be presented to Council in December will reflect this increased cost of doing business.

**The Town's capital asset management funding gap will need to be addressed in the next term of Council**

Another key pressure faced by the Town relates to the funding of asset management. In the fall of 2021, as part of the continued modernization of its asset management plan and framework, the Town undertook some early analysis of the infrastructure renewal funding gap. This analysis identified a total estimated replacement cost for all existing assets at \$1.5 billion. Based upon the Town's existing levels of service, an annual funding gap of \$36 million was identified. This gap will be subject to change as the Town proceeds with phase 2 of the asset management framework modernization. Table 2 presents a summary of the estimated tax and rate increases that would be necessary year-over-year for the next 10-to-20-years to address this funding gap.

**Table 2**  
**Asset Replacement Funding Gap Requirements**

Capital Asset Funding Source	Tax or User Rate	
	Increase Required Each Year (%)	Number of years
Tax-Funded	2.9	20
Water Rate Funded	2.2	10
Wastewater Rate Funded	0.4	10
Stormwater Rate Funded	11.0	15

The proposed 2023 budget will begin to consider strategies to close the identified asset management funding gap, while also considering that there is further asset management framework modernization work to be done.

**Proposed time sensitive capital projects will be advanced as far as possible prior to project approval**

The delivery of some planned capital work may be time sensitive in nature. For example, through the tendering of work early, better prices may be obtained; or, due to a short construction season work needs to get underway as soon as possible.

Recognizing that the 2023 budget is expected to be approved later than usual due to the election, staff will mitigate timing risks through proceeding with the tender of applicable projects prior to their approval. However, projects will not be awarded until capital budget authority is approved. Procurements for projects that do not receive Council approval will be cancelled.

**A January budget approval may be possible if Budget Committee completes their review early**

Staff completed a 2023 budget public session this evening. This session provided residents, businesses, and community groups an opportunity to share their ideas with Council. The Town will continue to accept budget feedback from the public through other channels as well.

Staff propose tabling the 2023 Budget at Council on December 13, 2022. Then reviewing the budget through a combination of weekly Budget Committee meetings taking place on Monday evenings starting at 6 p.m. as well as one full-day Saturday meeting starting at 9 a.m. Should the Budget Committee complete their review of the budget by Monday, January 23, a final budget approval at the January 31, 2023 Council meeting is possible as shown in Table 3. Otherwise, meetings will continue into February with an approval of the budget taking place at February's Council meeting.

**Table 3**  
**Proposed budget meeting schedule**

Meeting Description	Date
2023 Budget Public Session	Tuesday June 7, 2022
Council – Budget Kickoff	Tuesday December 13, 2022
Budget Committee Reviews	Monday January 9, 2023 Saturday January 14, 2023 Monday January 16, 2023 Monday January 23, 2023
Council Approval (if Budget Committee reviews are complete)	Tuesday January 31, 2023
Budget Committee Reviews (if required)	Monday January 30, 2023 Monday February 6, 2023 Monday February 13, 2023
Council Approval (If required)	Tuesday February 28, 2023

The budget committee review meetings will include a review of the following content:

- 2023 operating budget including identification of key pressures by department
- Community Partner Presentations including:
  - Aurora Cultural Centre
  - Aurora Historical Society
  - Aurora Public Library
  - Aurora Sport Hall of Fame
  - Aurora Business Improvement Area
  - Central York Fire Services
- 2023 Capital Budget and 10-Year Capital Plan
  - Asset management capital projects
  - Growth and new capital projects
  - Studies and other capital projects

Achieving a budget approval in January will enable a sooner award of the time sensitive capital projects. If necessary, the 2023 budget approval may also take place during the February Council meeting. The operating and capital budget will need to be approved together as funding for some capital is through contributions to capital included in the operating budget.

Finance will work with the Clerk's Office to coordinate the scheduling of these meetings.

## **Advisory Committee Review**

Nil

## **Legal Considerations**

As per s. 290(1) of the Municipal Act, 2001, Council may approve a given year's budget either in the immediately preceding year or within the year for which the budget is applicable. The only exception to this rule relates to a budget year immediately following a regular election year. In instances where this is the case, the outgoing Council is unable to approve an upcoming year's budget prior to that year commencing.

If Council approves the staff recommendation in this report, then it is merely approving the timelines for budget approval and that is permissible by this Council.

## **Financial Implications**

There are no financial implications at this time.

## **Communications Considerations**

Staff will inform the public about the budget process by posting information to the Town website. The calendar of budget-related meetings will also be shared on the website, advertisements and through social media. A communications plan will be developed to support engagement throughout the budget process.

## **Climate Change Considerations**

The recommendations from this report do not directly impact greenhouse gas emissions or impact climate change adaptation. Climate change will be considered in the budget development and documents presented to Council in December.

## **Link to Strategic Plan**

Developing the annual budget supports all aspects of the Strategic Plan. Specifically, this report supports the Plan principles of Leadership in Corporate Management, Leveraging Partnerships, and Progressive Corporate Excellence and Continuous Improvement.

## **Alternative(s) to the Recommendation**

1. Council provide direction

## **Conclusions**

The proposed budget timelines and process remain consistent with Council's approved budget principals and process documents. The 2023 budget represents the first year of a new four-year budget cycle. The proposed 2023 budget to be presented to Council in December will strive to address multiple material pressures faced by Town at this time which will include inflation and capital asset management pressures, amongst others.

## **Attachments**

None

## **Previous Reports**

None

## **Pre-submission Review**

Agenda Management Team review on May 19, 2022

## **Approvals**

Approved by Rachel Wainwright-van Kessel, CPA, CMA, Director, Finance

Approved by Doug Nadorozny, Chief Administrative Officer