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Town of Aurora
Council Report
No. FIN23-005

Subject: 2023 Final Budget Approval

Prepared by: Jason Gaertner, Manager, Financial Management

Department: Finance

Date: January 31, 2023

Recommendation

1. That Report No. FIN23-005 be received; and
2. That Council approve the 2023 operating budget as follows:
 - a. The operating budget, as amended by this report, and as summarized in Attachment 1; and
 - b. The water, wastewater and storm water rates to fully fund each of these services as summarized in Table 2; and
 - c. That the tax and water billing bylaws be enacted at a future Council meeting; and
3. That Council approve the 2023 capital budget as follows:
 - a. The capital budget authority and planned spending by project as detailed in the budget binder tabled on December 13, 2022 and as amended in this report and as summarized in Attachments 2 and 3; and
 - b. The capital budget authority and planned spending for the roads, facilities, fleet, information technology services and storm sewer asset management capital programs as summarized in Table 4 and subject to the rules detailed in this report; and
 - c. The funding sources for each capital project as reviewed and recommended by Budget Committee on January 14, 2023; and

- d. The conditionally approved projects be added to the pending list; and
4. That the list of Council identified requests included in Table 5 be endorsed; and
5. That the reconciliation of the 2023 operating budget to the full accrual basis of accounting, as required under Ontario Regulation 284/09, as summarized in Attachment 4 be endorsed.

Executive Summary

This report seeks multiple approvals and endorsements from Council relating to the Town's 2023 operating and capital budgets. Items of consideration include:

- The operating budget includes a tax increase of 3.5% for 2023
- The recommended community partner grants included in the proposed 2023 budget have been funded through multiple funding sources
- The 2023 water, wastewater and stormwater budgets are recovered through user rates
- Total capital budget authority of \$202.4M is being requested in 2023 with \$73.6M in planned spending for 2023
- The final proposed 2023 capital plan includes multiple Budget Committee recommended changes
- The 10-year capital plan includes \$346.8M in capital investments
- In consideration of past capital program success, a new capital program is proposed
- The Budget Committee identified a list of new items to be considered in future operating and capital budgets
- Ontario Regulation 284/09 requires the budget be reconciled on the full accrual basis of accounting

Background

On June 18, 2019, Council adopted the Town's current budget principals and processes including the adoption of a multi-year budget framework for the Town of Aurora. The Town's multi-year budget framework aligns with the Council term. Council approves the first year's budget of the term and receives an accompanying forecast for the next three year's budgets. In the second year, Council will approve a three-year operating budget, including all related tax and user rate impacts. Years three and four of this budget will be re-affirmed, including any proposed changes, by Council. Table 1 presents a summary of the multi-year budget framework's key milestones.

Table 1
Multi-year Key Milestones

Year	Action	Status
One	Approve 2023 Receive 2024 to 2026	In Progress
Two	Approve 2024 to 2026	
Three	Re-affirm 2025 to 2026	
Four	Re-affirm 2026	

As per the Town's current best practices, the newly appointed Council will have an opportunity to review and update the budget principals and process documents in 2023.

Budget Committee completed the review of the Town's 2023 Budget on January 23, 2023. Budget Committee's recommendations are consolidated in this report and reflected in Attachments 1 to 4.

Analysis

The operating budget includes a tax increase of 3.5% for 2023

Budget Committee is recommending that Council approve a total tax increase of 3.5 percent for 2023. This recommended annual increase includes 2.5 percent for inflationary pressures; as well as a further increase of one percent for fiscal strategies.

A further 1.5% in growth driven pressures are offset through assessment growth tax revenues.

The inflation portion of the tax increase is higher than the usual two percent offset for the Town's inflationary pressures. Overall inflation for all goods and services in Canada continue to average close to six percent.

The one percent tax increase in 2023 for the Town's fiscal strategies will primarily support the on-going strategy of increasing the contributions to infrastructure reserves in support of asset management and the reduction in the Town's reliance on supplementary tax revenues.

The Town's final recommended 2023 budget by department including the full-time staffing plan is presented under Attachment #1. The final proposed 2023 operating budget remains unchanged from what was tabled with the exception of an increase to the Aurora Cultural Centre's base funding of \$84,460. This base funding increase was fully offset by a one-time draw from the tax rate stabilization reserve.

The recommended community partner grants included in the proposed 2023 budget are funded through multiple sources

The proposed grants in support of the Town's community partners are mostly funded through a direct allocation of the annual tax levy with the exception of the Aurora Cultural Centre and Aurora Business Improvement Area.

The total recommended grant allocation of \$714,360 to the Aurora Cultural Centre consists of three primary funding sources. The total proposed grant can be broken down as follows:

- \$454,300 from the tax levy for the core operating grant
- \$84,460 funded by a one-time draw from the tax rate stabilization reserve
- Up to \$175,600 from the Aurora Town Square operating budget, as required, relating to temporary costs to rent performance space while displaced from the Church Street School

The Aurora Business Improvement Area's total proposed funding up to a maximum of \$40,400 will be funded through a business improvement area special tax levy. The final amount will be determined after their board meets in early 2023.

The 2023 water, wastewater and stormwater budgets are funded through user rates

Provincial regulations require that each specific water budget be fully cost recovered. As such the water, wastewater and stormwater budgets are each balanced by a full cost recovery from user fees. The most significant cost drivers for this budget are the Town's wholesale water and wastewater management fees, both of which are paid to York Region. The Region has confirmed its 2023 rates which reflect a 3.3 percent increase resulting in upward pressures on the water and wastewater budgets.

The Town's previously identified infrastructure funding gap continues to subject all user rate funded services to further budgetary pressures. This funding gap is most pronounced in storm water services.

Table 2 presents a summary of each proposed rate for 2023 versus those approved in 2022.

Table 2
Water, Wastewater, Stormwater Rate Summary

	2021 Rates	2022 Budget	2023 Proposed	Rate Change	
				\$	%
Water and Wastewater (\$/m³):					
Water Rate	\$ 2.34	\$ 2.27	\$ 2.41	\$ 0.14	6.2%
Wastewater Rate	\$ 2.89	\$ 2.87	\$ 2.89	\$ 0.02	0.7%
Combined Rate	\$ 5.23	\$ 5.14	\$ 5.30	\$ 0.16	3.1%
Stormwater Rate (\$/month):					
Residential	\$ 9.18	\$ 11.69	\$ 13.41	\$ 1.72	14.7%
Non-Residential	\$ 116.64	\$ 148.51	\$ 170.41	\$ 21.90	14.7%

Total capital budget authority of \$202.4M is being requested in 2023 with \$73.6M in planned spending for 2023

Capital budget authority is made up of four components:

- Actuals spent to the end of the last fiscal year for the life of the project
- The current year's capital forecast
- The cash flow planned in the first budget year
- The cash flow, only as needed, for future budget years where contractual commitments are needed.

This means that the 2023 capital budget authority includes actuals to December 31, 2021, plus the 2022 forecast, plus all 2023 capital cash flows, as well as any cash flow needs from 2024 and beyond only as required to commit to multi-year contracts.

A total of \$202.7 million in 2023 capital budget authority was proposed as part of the budget tabled at Budget Committee on December 13, 2022. Over the course of the Committee's review this proposed budget authority was reduced by a total of \$0.3 million resulting in a final recommended 2023 capital budget authority of \$202.4 million being made up of \$172.8 million in previously approved capital projects and \$29.6 million in net new budget authority requests.

The final proposed 2023 capital plan includes multiple Budget Committee recommended changes

Over the course of the Budget Committee's review of the tabled 2023 capital plan, multiple recommended changes were made. All recommended changes to the original tabled 2023 capital budget on December 13, 2022 are summarized in Table 3.

Table 3
Recommended Changes to the Tabled 2023 Capital Plan

Project	Tabled Budget Authority	Recommended Budget Authority	Comments/Notes
Conditionally approved – to be added to the pending list			
72412 Work Station Refresh Carpet Paint (2023)	292.5	292.5	Conditionally Approved
72478 Sports Dome - Air Conditioning	155.0	155.0	Conditionally Approved
72479 Town Hall - 3rd Floor LED Lighting	135.0	135.0	Conditionally Approved
34015 Engineered Walkway Reconstruction – Moffat Crescent to Valley Drive + Crawford Rose to Devins Drive	175.0	175.0	Conditionally Approved
34434 Roads - 6 Ton Diesel Dump with Sander (#26-22)	375.0	375.0	Conditionally Approved
71159 Parks - Zero Turn Mower (#245:251-22)	169.0	169.0	Conditionally Approved

Project	Tabled Budget Authority	Recommended Budget Authority	Comments/Notes
73217 Playground Replacement, Walkway Repaving, Basketball Resurfacing- Summit Park	300.0	300.0	Conditionally Approved
34570 Train Whistle Cessation at St. John's Sdrd Grade Crossing	95.0	95.0	Conditionally Approved
14106 Security Awareness Training	40.0	40.0	Conditionally Approved
Pulled from consideration by staff			
34415 Roads - Chev/1500 (#3-20)	65.0	-	Vehicle was replaced with an SUV in 2022 budget.
71137 Parks - 3/4 Ton Pick Up (#204-21)	61.1	-	Increase of \$1.1K is for non-recoverable HST and will be managed within the fleet capital program.
74033 Cultural Action Plan Implementation - 2023	50.0	-	Remaining funds on the previously approved cultural services project will be used in 2023.
14108 Asset Management Plan Update - Phase 3	70.0	-	Defer to 2024.
Other changes affecting approval amount			
31124 Henderson Dr. Culvert Replacement with wildlife passage	2,412.4	2,282.4	Remove sidewalk from project scope, totaling \$130K; Recommendation to change project name to Henderson culvert replacement with wildlife passage.
13023 Access Aurora Telephony Project	51.2	51.2	Project moved from Corporate Services to Finance as this is an IT project
12025 Customer Relationship Management (CRM)	186	186	Project moved from Corporate Services to Finance as this is an IT project

Included in these recommendations, staff moved two previously approved projects relating to the recent organizational changes moving IT from Corporate Services to

Finance. These two projects are at shown at the bottom of Table 3. The final proposed 2023 capital plan for approval reflects all changes included in Table 3.

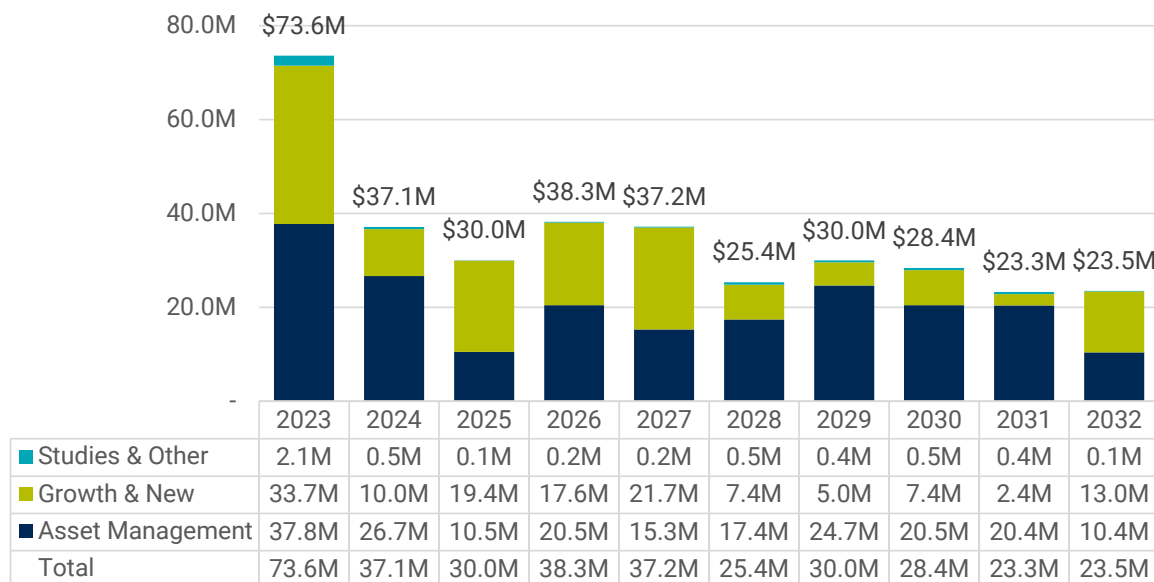
A summary of the proposed 2023 capital budget authority categorized by Asset Management, Growth & New and Studies & Other is presented under Attachment 2. The detailed list of 2023 capital projects for which additional budget authority is recommended is presented under Attachment 3.

The 10-year capital plan includes \$346.8M in capital investments

On December 13, 2022 a 10-year capital plan which included a total of \$347.1 million in capital investments was tabled for the Committees’ review. Over the course of the review, a total of \$0.3 million in investments were removed. The final recommended 10-year plan includes a total of \$346.8 million in investments. This 10-year capital plan continues to focus on investments in asset management with asset management projects representing 59% of the plan, growth and new 40% which includes the construction of Aurora Town Square and studies and other at 1%.

The 10-year capital plan reflects the timing of the planned spending on capital projects, allowing for better cash management, timing of investments and reserve replenishment needs on an annual basis as shown in Figure 1 below.

**Figure 1
10-year capital plan**



In consideration of past capital program success, a new capital program is proposed

Capital programs group projects of a like funding source together. A capital program's budget is the total of all approved individual capital project budgets within the program. A capital program provides sufficient flexibility to manage individual capital project budget variances between projects. So, if one project costs less than budgeted, these funds can be used to cover the costs of other projects that cost more within the same program while not exceeding the overall total budget authority approved for the program.

Capital programs enable staff to manage capital project variances more effectively and reduces the delays needed to seek additional budget authority when tenders come in higher than expected. In turn staff are able to improve the delivery of capital projects resulting in projects taking less time to complete.

The use of the capital programs must follow the following rules:

- The savings applied to other projects should represent a true savings and not a deferral that will need to be re-budgeted in future years
- The project scope must remain the same as originally approved by Council
- The projects must have the same funding source
- The capital budget authority for the program cannot be exceeded
- The planned capital spending (cash flow) for the budget year cannot be exceeded.

Table 4
Proposed 2023 Capital Program Budget Authority

(\$000s)	Previously Approved Budget	2023 Budget		Capital Budget Authority Cash Flow			
		Capital Budget Authority*	Budget Change	Actuals to Dec/21	2022 Forecast	2023	2024+
Asset Management Capital Programs							
Facilities	4,639.4	6,200.9	1,561.5	785.3	2,230.8	3,184.8	-
Fleet	673.6	1,536.9	863.3	-	75.3	1,108.7	352.9
IT Services	2,978.0	4,073.1	1,095.1	1,486.8	990.0	1,219.1	377.2
Roads	27,692.6	37,743.7	10,051.1	12,636.5	5,073.7	19,042.9	990.5
Storm Sewer	1,873.5	7,721.5	5,848.0	1,046.6	270.7	6,404.2	-
Proposed	37,857.1	57,276.0	19,418.9	15,955.2	8,640.5	30,959.7	1,720.6

* Includes all active project budgets, adjustments and new budget commitments

In consideration of past capital program success, a new capital program for Information Technology Services is proposed as part of the 2023 budget. Table 4 presents a complete summary of the proposed 2023 capital programs.

Budget Committee identified a list of new items to be considered in future operating and capital budgets

Budget Committee identified a list of new items to be considered in future operating and capital budgets. Table 5 presents a summary of these items.

Table 5
Summary of future budget items to be considered

Requesting Councillor	Item
Gallo	Revitalization of Petch house
Gallo	Outdoor skating rinks with boards for hockey
Gallo	That a dedicated operating budget for each ward Councillor be considered
Gilliland	Industrial Parkway project 31204 – expand to include multi-use path
Gilliland	New washroom facility at Copeland Park
Gilliland	Addition of multi-use pathway at Summit Park
Gilliland	That a comparison of Council remuneration with other similar municipalities be undertaken
Kim	Consider the rehabilitation & reconstruction of the pathways along Wellington
Thompson	Streetlights at Bayview and Vandorf
Thompson	Review and update of the Town's Strategic Plan
Weese	Outdoor rink with artificial ice
Weese	Development and implementation of an active transportation plan

Ontario Regulation 284/09 requires the budget be reconciled on the full accrual basis of accounting

This report responds to the requirements of Ontario Regulation 284/09. The regulation requires municipalities to report on whether they are budgeting for amortization expenses, post-employment benefit expenses and solid waste landfill closure and post-closure expenses. It also requires that this report be prepared prior to adopting the budget for that year.

Attachment 4 fulfills this requirement. This attachment includes a reconciliation of the proposed 2023 budget which is completed based upon a modified accrual method of accounting with the Public Sector Accounting Board Standards which are based upon the full accrual method.

Advisory Committee Review

The Financial Advisory Committee does not review the annual draft operating budget, however they review the detailed budgets of each Town department on a rotating basis. This approach allows the Budget Committee to focus their review on the key changes and pressures arising in the annual budget, while relying upon the work of the Finance Advisory Committee to the review of each department's ongoing core operating budget details.

Legal Considerations

Section 291 of the Municipal Act provides that a municipality may prepare and adopt multi-year budgets. For the second and each subsequent year, Town Council will have the opportunity to re-review the budget, make any necessary changes and re-adopt the budget for the year to which the budget applies.

The budgets and rates for water, wastewater and stormwater operations must be approved by Council. The proposed budgets provide sufficient resources for the Town staff to meet all statutory responsibilities of the Town as an owner and operator of systems for water distribution, wastewater collection and stormwater collection and management.

Financial Implications

Residential tax bills contain three different property taxes. Taxes collected for provincial education purposes represents approximately 20 percent of a residential tax bill, while taxes for York Region are approximately 43 percent and the Town's share is the remaining 37 percent.

The Town's proposed tax increase of 3.5 percent for 2023 would add approximately \$10.19 per year to the Town's share of the tax bill for each \$100,000 of assessment. For an average home in Aurora assessed at \$800,000, the Town's share of the tax bill in 2022 is \$2,328.91. If the proposed tax increase of 3.5% is approved, this tax bill will increase by \$81.51 to \$2,410.42 for 2023.

The average quarterly residential water bill assumes the use of 54 cubic meters of water during the three-month period. The rates for water and wastewater are charged per cubic meter and then the stormwater charge is a monthly fee. So, each residential bill will include three months. The average residential bill in 2022 was \$312.63; if approved, the rates in this budget for water, wastewater and stormwater will increase this average bill by \$13.80 to \$326.43 in 2023.

The proposed 2023 capital plan is affordable should Council approve the proposed additional allocation of 0.9 percent of the total planned fiscal strategy one percent tax rate increase in support of the Town's capital infrastructure renewal.

Communications Considerations

The Town will inform the public of Council's approval of the 2023 Budget through regular communications channels, including a press release, social media and external newsletters. Updated budget information will be included on the reverse side of the Final Tax Bill Brochure included with all mailed tax billings to be issued in June. The full budget details have been updated to the Town's Budget and Financial Information page on our website, including the capital budget approval report and detailed capital sheets of all approved projects.

Climate Change Considerations

The recommendations from this report do not directly impact greenhouse gas emissions or climate change adaptation. Climate change has been considered in the 2023 proposed budget that will be reviewed by Budget Committee for its review and consideration in the new year.

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 may make further adjustments to any of the presented budgets than those recommended by Budget Committee.

Conclusions

The Budget Committee has concluded its review of the Town's 2023 operating budget. The result of this budget is a 3.5 percent tax increase for 2023 on the Aurora share of the tax bill.

In accordance with Ontario Regulation 284/09 section 2, the Town of Aurora has undertaken a reconciliation of the reaffirmed 2023 operating budget to the full accrual basis of accounting.

Attachments

Attachment 1 – 2023 Proposed Operating Budget by Department

Attachment 2 – 2023 Proposed Capital Budget Authority by Department

Attachment 3 – 2023 Proposed Capital Budget Authority - Project Detail

Attachment 4 – Reconciling the 2023 Proposed Budget with PSAB Standards

Previous Reports

FIN22-018, 2023 Budget Timeline and Process, June 7, 2022

FIN22-039, 2023 Budget Information, December 13, 2022

FIN23-002, 2023 Budget Information, January 23, 2023

CMS23-003, Aurora Cultural Centre 2023 Funding Request, January 23, 2023

Pre-submission Review

Agenda Management Team review on January 19, 2023

Approvals

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

Approved by Doug Nadorozny, Chief Administrative Officer