



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: December 12, 2022

Report No: CORS-065-22

Subject: 2023 Capital and Operating Budget

- Recommendation:
1. THAT the 2023 capital expenditures and revenue sources for Town departments, including the Library, in the amount of \$63,041,951 be approved and authorized to proceed;
 2. THAT in accordance with s.s. 5(1) of the Development Charges Act, 1997 and S. 5 of Ontario Regulation 82/98, it is Council's clear intention that any excess capacity provided by any of the above referenced works will be paid for by future development charges;
 3. THAT any donations, grants or subsidies applied in the 2023 capital program to projects with development charges funding are to offset the non-growth related costs of those projects unless otherwise specified;
 4. THAT the 2024-2032 capital forecast for Town departments, including the Library, in the amount of \$1,205,784,565 as outlined in Appendix 6 be approved in principle subject to future annual reviews as part of the capital budget process;
 5. THAT the 2023 Town and Library operating budget be approved with a tax levy of \$87,985,123 assuming 2.28% net assessment growth, save and except for the portion of the Program Salaries and Benefits related to Fitness in the amount of \$314,049;
 6. THAT the Fitness - Salaries and Benefits in the amount of \$314,049, be approved;
 7. THAT, if the actual net taxable assessment growth is different than 2.28%, any increase in the tax dollars generated from the Town portion of assessment growth for 2023 taxation be transferred to the Tax Rate Stabilization Reserve or any decrease in tax dollars generated from the Town portion of



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- assessment growth for 2023 taxation be funded from the Tax Rate Stabilization Reserve;
8. THAT the non-union salary range adjustment for 2023 be approved at a rate of 2.0%;
 9. THAT the \$0.7 million of funding from the Tax Rate Stabilization Reserve utilized in the 2023 budget be phased out of the operating budget by 2026;
 10. THAT the \$1.0 million in asset management funding that was eliminated within the 2023 budget be re-instated and increased within the Town's budget beginning in 2024 such that the Town's long-term funding strategy is restored by 2026;
 11. THAT the transfers to and from Reserves and Reserve Funds within the 2023 Proposed Budget as outlined in Appendix 4 (or as amended by Council) be approved;
 12. THAT the 2024-2025 operating forecast for the Town, including the Library, with a combined net increase in the tax levy of \$15.9 million as outlined in Appendix 5 of this report be approved in principle, and as potentially revised, subject to future annual reviews as part of the budget process;
 13. Pending the results of the Town budget, that the Milton BIA expenditures included in the 2023 budget be approved in the gross amount of \$436,826, including additional funding from the Town in the amount of \$68,620, and having a net tax levy of \$258,086.

EXECUTIVE SUMMARY

As demonstrated through the Town's most recent Fiscal Impact Study, Milton was on a path that was expected to require annual increases to the property tax rates of 5.5% for the next decade. Inflationary increases during 2022 pushed the tax pressure to approximately 12.4% for 2023. Rather than incurring a significant one-time increase, the Proposed 2023 Budget outlines an alternative whereby the Town can phase-in the pressures over a three-year period through the use of stabilization reserves and other funding and cost containment strategies. This approach allows for existing service levels



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to be maintained and progress towards the Town's long-term goals to be made with a potential return to the previous 5.5% target in four years.

Operating Budget Highlights

- The 2023 budget as presented equates to a 7.96% change in local tax rate or \$21.64 per \$100,000 of residential assessment¹.
- When estimated Regional and Educational changes are considered, the total impact on residential property taxes is estimated at 4.26% or \$29.99 per \$100,000 of residential assessment.
- Options have been provided for Council consideration in the 'Options to Change the Tax Impact' section of the budget document with respect to the potential balance between tax rates, services levels and sustainability for 2023.

Capital Budget Highlights

- Represents an investment of \$63.0 million in 131 projects.
 - 64.0% of the capital budget is non-growth related, including investment in the maintenance and rehabilitation of existing infrastructure such as the transportation network (roads, structure and traffic), stormwater assets, public facilities and parks.
 - 26.9% of the capital budget will extend existing services to growth areas through investment in new infrastructure and associated studies.
 - 9.1% of the capital budget is related to ongoing implementation of the Human Resource Information System project, investments in radio communications and emergency response equipment for Fire and various IT initiatives.
 - Operating impacts resulting from the 2023 capital program are anticipated to be approximately \$1.0 million annually in 2023 and \$1.5 million in 2024 and 2025.

REPORT

Background

The budget process provides a venue within which decisions as to the appropriate balance between affordability, service levels and financial sustainability can be made. Section 290 (1) of the Municipal Act requires municipalities to prepare and adopt an annual budget. In accordance with Town's Budget Management Policy No. 113, budget guidelines are set by Council.

The 2023 Budget Call Report, CORS-060-22, projected a budget pressure equivalent to an increase of 12.40%, or \$33.73 per \$100,000 of residential assessment (relative to the

¹ Note – all references to the cost per \$100,000 of residential assessment are derived using the assessment values & tax rates from the 2022 tax by-law (CORS-028-22). These values will be re-stated following budget approval using the finalized 2023 assessment figures from the returned assessment roll.



Background

existing levy of \$271.97 per \$100,000) in order to maintain existing service levels. Through CORS-060-22, Council approved staff's recommendation to prepare the 2023 operating budget to be in alignment with the Town's Council approved strategic plans and long-term studies and that the newly elected Council be provided with options to mitigate the tax levy impact for the year 2023.

Full details pertaining to the Town's 2023 Proposed Budget are available in the Strategic Overview and Supplementary Details documents that are available under separate cover, with a condensed summary provided in the staff report below. The information and figures presented in the balance of this staff report will exclude Downtown Milton's Business Improvement Area (BIA) unless otherwise noted.

Discussion

Budget Public Input

An important consideration in the preparation of the budget is the input received from the public throughout the year as part of the engagement initiatives for master plan updates, planning processes, etc. In addition to these ongoing opportunities, residents and business owners were also invited to provide comments and input related to the prioritization of services and investments for the 2023 budget year. This opportunity was available from July to December through the Let's Talk Milton platform. All comments received by the time of publishing this report are attached as Appendix 1 to this report. Additional comments that are received will be shared with Council in advance of the December 12, 2022 budget meeting.

Once per term of Council, a more formal public input survey is utilized, with the next survey expected to inform the 2024 budget. As such, the development of the 2023 budget continued to consider the public survey results received over the past several years that tend to be relatively consistent from year to year, as well as comments and feedback received through the additional avenues noted above.

One service area where residents consistently request increased investment is within the Town's road network. The proposed 2023 Budget continues to address the road and active transportation network through a planned update to the Town's Transportation Master Plan, development of multi-use trails within the Boyne area, rehabilitation of existing road networks through expanded asphalt and asphalt overlay programs and the continuation of redevelopment of bridges and culverts.

Council-Staff Work Plan Alignment

The corporate Council-Staff Work Plan (ES-009-20) created a shared vision for Council and staff and establishes the priorities for the Town. The proposed 2023 Budget supports the four goals of the plan through both new and multi-year projects as outlined below:

Discussion

- Planning for Growth - updates to Transportation Master Plan and Transit Service Review and Master Plan, development of Multi-Use Trails in Boyne area, continued implementation of Preemption Traffic Control System, various condition and needs assessment studies to ensure infrastructure can continue to provide existing service levels.
- Increasing Revenue Potential - Installation of audio/visual cabling at the Milton Education Village Innovation Centre to ensure rental space is attractive and usable.
- Community Attractiveness and Competitiveness - Design, construction and redevelopment of the park network, continued planning and design for Civic Precinct, update to Recreation Master Plan, planned propulsion conversion of a transit bus from diesel to electric.
- Service Innovation - development of Technology Strategic Plan, continued implementation of a Human Resources Information System.

Operating Budget

In order to reduce the tax impact from 12.40% projection from CORS-060-22 and spread the impact of the elevated inflationary pressures over several years, the following notable cost reductions/revenue increases were made in the year 2023:

- Reduction of \$1.0 million in the planned asset management funding and a \$0.7 million contribution from the Tax Rate Stabilization reserve, both of which are proposed to be unwound during this term of Council so that the Town's long-term financial position is not affected.
- Increases in revenues for supplementary taxes, investment income and site plan fees, as well as an increase to staff gapping savings, a non-recurring reduction to staff training and administration costs and a reduction in the transfer to the Insurance and Legal Matters reserve based on a review of historical experience and projections.
- Deferrals of new initiative or spending including planned expansion of transit service within the Boyne and Derry Green areas.

The operating budget presented in the 2023 Proposed Budget document, and summarized in Appendix 2, includes \$183.8 million of gross expenditures to support service delivery across the growing community, of which 50.3% is funded from non-property tax revenues. The budget, as presented, results in achieving a 7.96% local property tax increase (\$21.64 per \$100,000 of residential assessment).

The net levy presented in the 2023 Proposed Budget document has increased \$8.3 million from the 2022 budget and can be divided into four major categories:

Non-Recurring Impacts (\$0.50 million reduction)



Discussion

Non-recurring are items that are expected to have an impact on the budget for a limited time period. A contribution to/from reserve will be utilized in 2023 in order to maintain the total funding to the operating budget from Milton Hydro at prior levels pending the results of a dividend review study that is expected in 2023. Also included are one-time savings of \$0.17 million in various IT expenses, \$0.03 million in contractual costs in transit and \$0.02 million in savings across other service areas. The budget also includes non-recurring cost reductions in the areas of Town-wide administration costs of \$0.13 million and \$0.09 million in continuing education and corporate training.

Status Quo Impacts (\$5.15 million increase)

Status quo changes represent the increases or decreased required to maintain existing service levels. The main driver of the increase relates to \$6.2 million in inflationary pressures booked to individual accounts as appropriate. Partially offsetting the inflationary pressures are a \$0.35 million transfer from the Tax Rate Stabilization funding above the stabilization funding included in the 2022 budget, a \$0.2 million increase in each of investment income and supplementary tax revenues, a \$0.25 million reduction in transfers to the Insurance and Legal Matters reserve, and the reversal of 2022 COVID-19 impacts and mitigation.

Extension of Services to Growth Areas (\$3.56 million increase)

This category represents the costs and revenues required to extend existing services to newly developed neighborhoods including increased investment in reserves to fund the future rehabilitation of newly assumed or constructed infrastructure, along with the addition of growth related staffing and technology, partially offset by increased site plan and subdivision application revenues.

Service Level Changes (\$0.09 million increase)

The increase relates to the expected net cost of implementing the Consolidated Linear Infrastructure Environmental Compliance Approval Program and a new contract requirement for wildlife services, which will be partially offset by an increase in expected revenue related to a new pre-consultation service fee in the development application process.

Human Resources

Through the 2023 budget the total staffing level is proposed to increase by 14.07 full time equivalents (FTEs) bringing the total Town staffing level to 670.46 FTEs. Of the 14.07 net change in FTE, 7.62 related to Fire Services and 6.45 relate to the balance of the program areas. The net change in FTE represents a 2.1% increase in 2023.



Discussion

A 2.0% increase to the non-union salary range is recommended for 2023. The percentage increase is based on input received from a third party firm specializing in compensation based on their assessment of the likely market changes next year.

Capital Budget

The 2023 proposed capital budget will invest in 131 projects valued at \$63.0 million. The 2023 capital budget continues to reflect data collected through the Town’s Asset Management Plan and underlying condition assessment studies. Of the \$40.4 million of state of good repair projects, 59% is within the area of Transportation including roads, bridges, culverts and other traffic related infrastructure.

Although the majority of the \$16.9 million investment in growth projects is focused on the road network and stormwater management network, 2023 funding will also provide for a multi-use trails and construction of a new neighborhood park, both within the Boyne Secondary Plan area.

An additional \$5.7 million investment is related to projects that are not driven directly by growth or investments in the state of good repair and include the continued implementation of the Human Resources Information System, investments in radio communications and emergency response equipment for Fire and various IT initiatives.

Appendix 3 provides a summary of the 2023 proposed capital budget expenditures and funding by project.

Operating Impacts from Capital Projects

Investing in new and expanded infrastructure can have a significant financial impact on future operating budgets and tax levies. In addition to the operational costs, contributions to reserves are also introduced with the addition of new infrastructure in order to prevent increases in the Town’s annual infrastructure deficit. The 2023 capital budget includes projects that are expected to result in increased operating costs as summarized below:

Project	2023 Impact*	2024 Impact*	2025 Impact*	Annualized Tax Levy Impact**
Information Technology	\$525,617	\$928,978	\$930,978	1.14%
Transit	165,834	165,834	165,834	0.21%
Transportation	117,538	129,059	129,059	0.16%
Operations Fleet	114,959	130,346	130,346	0.16%
Parks & Trails	100,362	139,767	139,767	0.17%
Fire	9,867	9,867	9,867	0.01%



Discussion

Total Operating Impacts	\$1,034,177	\$1,503,851	\$1,505,851	1.85%
* Represent impacts from the 2023 capital program only.				
** The percentages (%) are relative to 2022 tax rates applied to projected 2022 assessment values.				

Long Term Financial Planning

The Town ensures that the annual budget is developed in the context of a long-term planning framework in order to ensure the financial sustainability of the services that are provided to the community. This includes giving consideration of the findings of the Town’s longer-term fiscal impact studies as well as aligning the budget with the results of the Town’s asset management and master planning exercises.

Growth Projections and Fiscal Impact Study

Over the next several years the Town is anticipating a significant amount of residential growth as the Boyne area progresses and intensification in the pre-HUSP area occurs. Similarly, non-residential activity is also expected to increase as the Derry Green business park activity continues.

During 2021, an updated fiscal impact study was prepared that considered growth to 2041 (see staff report CORS-056-21). The analysis suggested that financial pressure on the Town and its taxpayers will continue as existing shortfalls continue to be addressed and expansion of services continue to new urban areas. The study projected an annual average tax rate pressure of 4.3% between 2021 and 2041 including an initial pressure averaging 5.5% for the first 10 years of the forecast.

Operating Budget Forecast for 2024 and 2025

Within the context of the 20 year forecasting completed through the fiscal impact study, the Town annually prepares a three year operating forecast. Based on a 2023 tax rate increase of \$21.64 per \$100,000 of assessment, the Town can expect a tax rate pressure of \$23.94 and \$25.25 per \$100,000 of residential assessment in each of 2024 and 2025 to maintain existing service levels. This equates to an estimated 8.15% and 7.95% tax increase at the local level in those years which includes the phasing out of the \$0.7 million in Tax Rate Stabilization Reserve funding utilized in the 2023 budget as well as re-instating the incremental asset management funding at \$1.3 million in new funding per year. Preliminary estimates suggests that the Town could then potentially return to a forecasted annual average from the fiscal impact study of approximately 5.5% in 2026. The main drivers associated with the projected increases to the tax levy for each of 2024 and 2025 are outlined within Appendix 5.



Capital Forecast and Financing

The expected capital investment in growth, state of good repair and other projects over the ten year budget and forecast from 2023-2032 is \$1.2 billion and is largely focused on transportation (roads, bridges and traffic), public facilities and parks & trails with 80% of funds directed towards these services. Of this ten year forecast, the nine years between 2024 and 2032 for which approval in principle is recommended is summarized within Appendix 6.

Approximately 63% of the estimated investment requirements through the capital forecast will be funded from external sources, largely development charges. The balance is projected to be funded from a combination of debentures, reserves and reserve funds and grants and other recoveries. Milton is forecasted to remain within the stated debenture capacity limits of the Province and Council assuming the continuation of the Town's strategies to gradually reduce the existing infrastructure deficit.

Reserves and Reserve Funds

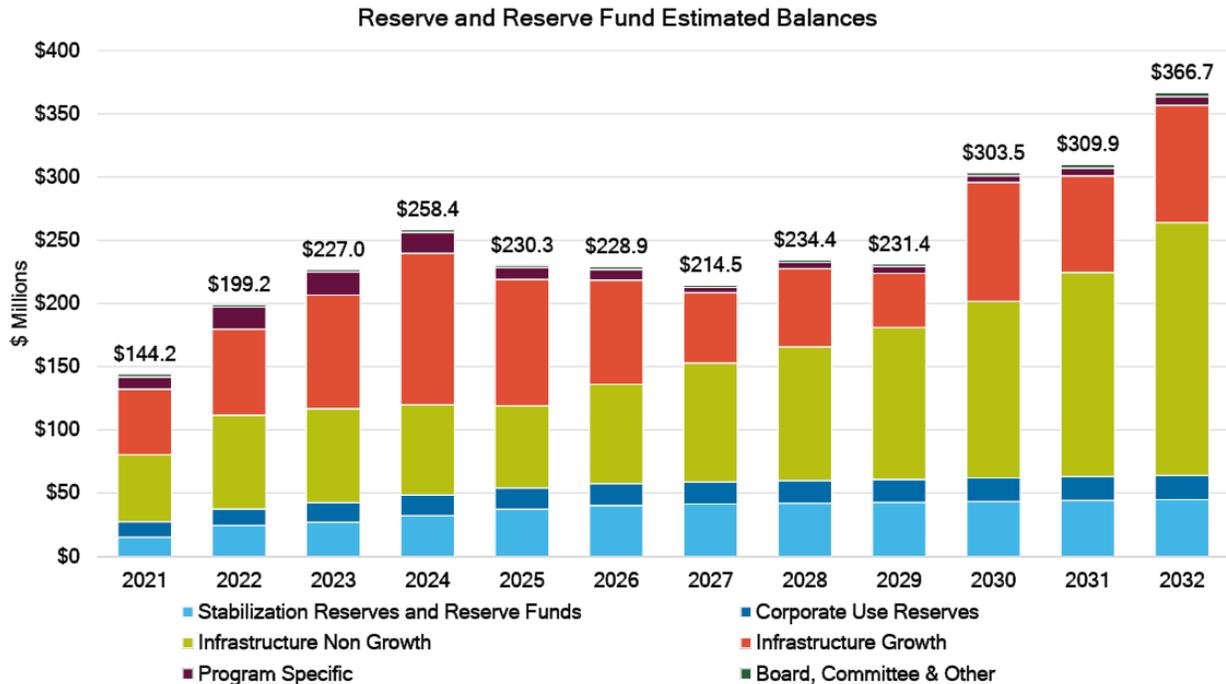
Reserves and reserve funds are a critical element of the Town's long-term financial plan and are used to maintain a stable financial position, minimize fluctuations in the tax rate and to support future funding requirements. The aggregate balance in reserves is anticipated to increase by \$27.5 million in 2023, primarily due to the increase in the Infrastructure Growth Reserves category due to anticipated collections and timing of expenditures within the capital program.

Reserve / Reserve Fund Type	Dec 31, 2021 Balance	Dec 31, 2022 Estimated Balance	Dec 31, 2023 Estimated Balance
	(\$ thousands)		
Stabilization	\$15,126	\$24,287	\$26,951
Corporate Use	12,298	13,171	15,389
Infrastructure Non Growth	52,919	74,152	74,582
Infrastructure Growth	51,904	68,146	89,632
Program Specific	9,767	17,326	18,387
Boards and Committees	2,195	2,101	2,038
Total Reserves and Reserve Funds	\$144,208	\$199,183	\$226,979

As shown in the following graph the Town's reserves are estimated to stay relatively consistent between 2023 (\$227.0 million projected ending balance) to 2029 (\$231.4 million projected ending balance) before increasing to \$366.7 million in 2032. It is important to note that even though the reserve balances increase sharply towards the end of the forecast there are multiple projects that are projected to draw down on the balances in 2033 and beyond including the construction of Main Street from Sixth Line to Trafalgar

Discussion

and the constructions of the Trafalgar/Agerton and Britannia community centres.



The Town's most recent Asset Management Plan recognized the Town's contributions to capital reserves will require augmentation through future budgets to ensure sufficient funds are available to adequately finance infrastructure renewal requirements. The forecast period presented to 2032 assumes the re-introduction of an annual infrastructure renewal contribution at an amount of \$1.3 million beginning in 2024 as well as a continuation of this strategy throughout the forecast period. Should this strategy be altered, both the reserve and capital project forecasts would require a corresponding adjustment.

Risks, Challenges and Opportunities

There are a number of issues that the Town will need to remain mindful of in both 2023 and future budget processes including:

- Existing infrastructure funding deficit and Asset Management Plan requirements.
- Staffing complement is notably lower than that of comparator municipalities, with higher reliance on contractors, part-time staffing and volunteers in several service areas.
- Economic considerations including inflationary pressures, fluctuating interest rates and a cooling of the housing market.



Discussion

- Expanding existing services into the growth areas and the additional service and infrastructure requirement that will result for the Town.
- Financial pressures that may result from legislative changes at both the Provincial and Federal level including the introduction of Bill 109 and Bill 23.
- Implementation of all recommendations from master plans, service delivery reviews and other strategic plans.
- Further allocation to development from the Region will be required during the planning horizon to achieve the growth projections included in the budget forecast.
- Continued partnerships to create a post-secondary presence in the Milton Education Village along with continued assessment of financial implications and opportunities for financial assistance.
- External Revenues such as the Ontario Lottery and Gaming (OLG) revenues, Halton Court Services and Milton Hydro Dividend may continue to fluctuate.
- Continued pursuit of opportunities to secure funding support from other levels of government.

Downtown Business Improvement Area (BIA)

Council approval is also being sought for the recommended BIA Budget that includes a gross expenditure of \$0.4 million and a net levy requirement of \$0.26 million. This budget was approved by the BIA Board in the fall of 2023 and the BIA levy will be applicable for industrial and commercial properties within the BIA boundary.

It should be noted that the 2023 BIA budget includes a contribution from the Town in the total amount of \$100,000, which is \$68,620 higher than the funding amount included within the Town's proposed budget. The \$68,620 represents an additional funding request of the BIA to the Town to increase the BIA staffing and other resources for the summer event on Main Street and to financially support the new winter event which will be run directly by the BIA. This additional funding request, along with further details, is included in the Options to Change Tax Rate Impact section for Council consideration.

Financial Impact

The proposed levy of \$87.9 million equates to a 7.96% change in the Town's portion of property taxes and an impact of \$21.64 per \$100,000 of residential assessment. When the estimated changes in the Region of Halton and Education shares are considered, a net increase of approximately 4.26% or \$29.99 per \$100,000 of assessment is anticipated.

Estimated Impact on Total Tax Bill per \$100,000 of Residential Assessment*



The Corporation of the Town of Milton

Financial Impact

	Share of Tax Bill	2022 Taxes	2023 Increase	2023 Taxes	\$ Impact on Total Tax Bill	% Impact on Total Tax Bill
Milton Services	33.65%	\$ 227.39	8.55%	\$ 246.82	\$19.43	2.76%
Fire Services	6.38%	\$ 44.58	4.94%	\$ 46.78	\$2.20	0.31%
Total Milton	40.03%	\$ 271.97	7.96%	\$ 293.61	\$21.64	3.08%
Regional Services	24.54%	\$ 174.72	3.00%	\$ 179.96	\$5.24	0.74%
Police Services	14.57%	\$ 103.77	3.00%	\$ 106.88	\$3.11	0.44%
Total Region of Halton**	39.11%	\$ 278.49	3.00%	\$ 286.84	\$8.35	1.19%
Education***	20.86%	\$ 153.00	0.00%	\$ 153.00	\$0.00	0.00%
Total	100.00%	\$ 703.46	4.26%	\$ 733.44	\$ 29.99	4.26%

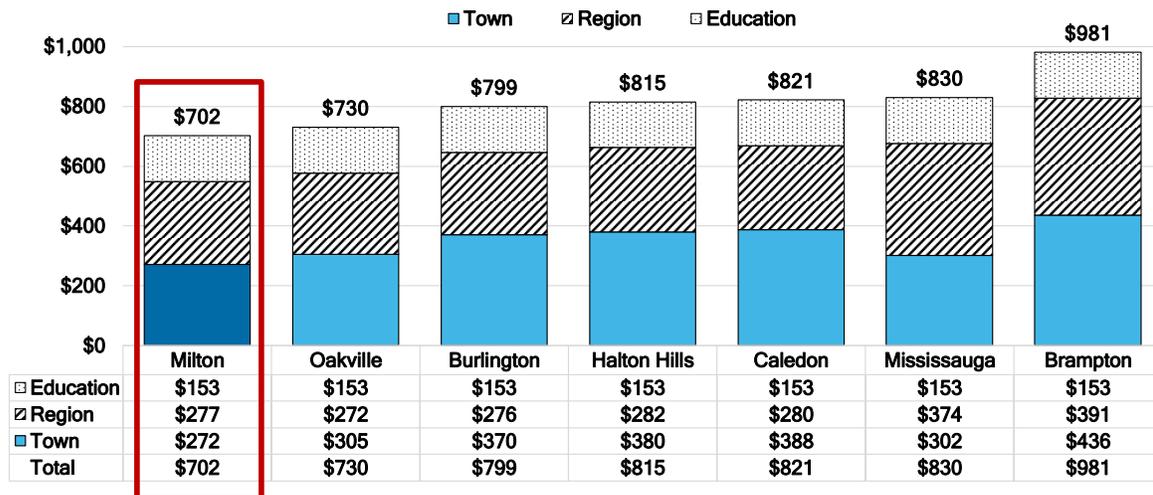
* Cost per \$100,000 of residential assessment are derived using the assessment values & tax rates from the 2022 tax by-law (CORS-028-22). These values will be re-stated following budget approval using the finalized 2022 assessment figures from the returned assessment roll.

** Estimated 2023 increase per Region of Halton 2023 Budget Directions, FIN-26-22 (includes enhanced waste service for urban area). Final impact may be different subject to Regional Council approval.

*** Consistent with recent experience, the 2023 education rate is presented in alignment with the prescribed rate currently outlined in O.Reg. 400/98 and is subject to change through the approval of final 2023 rates by the Province.

Tax rates in Milton continue to be one of the most affordable in the Province. Based on the 2021 BMA Municipal Study, Milton has the lowest taxes and rates as a percentage of household income in the GTA and is the second lowest in the Province. In 2022 Milton residents paid \$702 per \$100,000 of residential assessment which is less than the surrounding Municipalities as demonstrated below.

2022 Total Property Taxes (per \$100,000 of assessment)

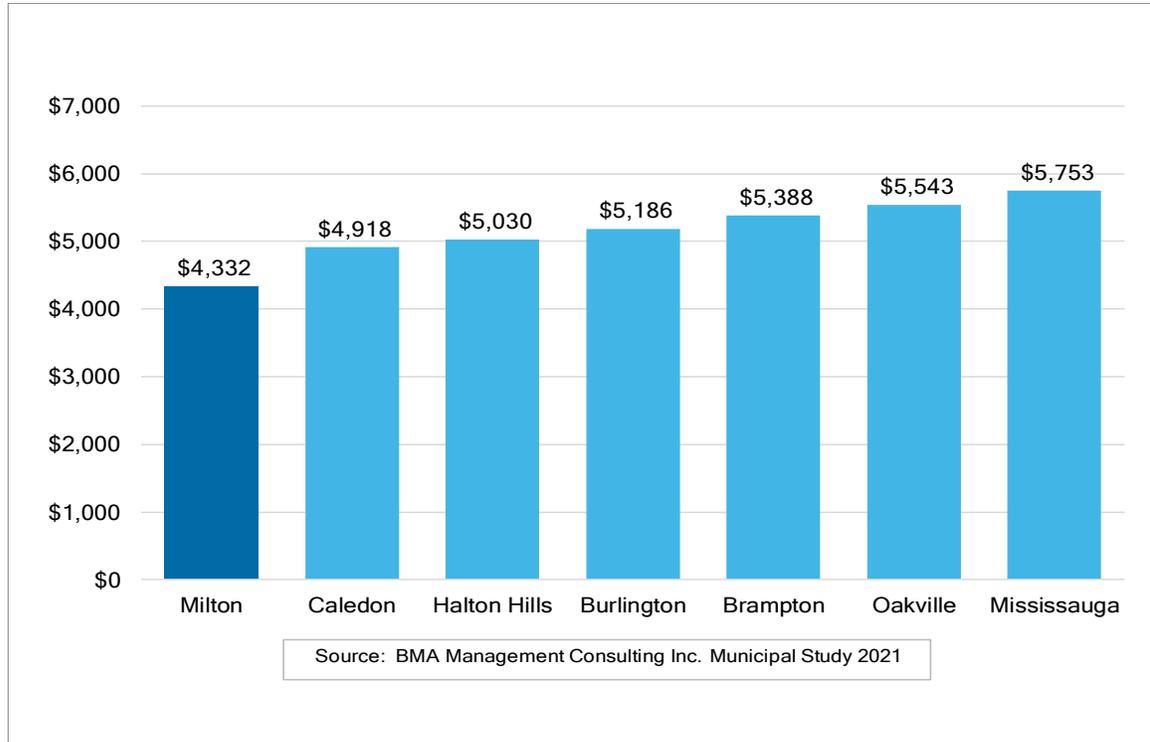




Financial Impact

Noting that the above graph does not capture differences in assessment values between municipalities, the following graph shows that Milton's residential property taxes (local, regional and education) for a 2 storey home are 18% lower than the comparator group.

2021 Residential Property Taxes for a 2 Storey Home



Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Jennifer Kloet, CPA, CA

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Ext. 2216



Attachments

Appendix 1 - Public Input Results

Appendix 2 - Gross and Net Operating Expenditures per 2023 Proposed Budget Document

Appendix 3 - 2023 Proposed Capital Budget - Project Expenses and Funding

Appendix 4 - Transfers to/from reserves and reserve funds

Appendix 5 - 2024-25 Proposed Operating Forecast

Appendix 6 - 2024-2032 Proposed Capital Forecast

2023 Proposed Budget - Strategic Overview (available under separate cover)

2023 Proposed Budget - Supplemental Details (available under separate cover)

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.