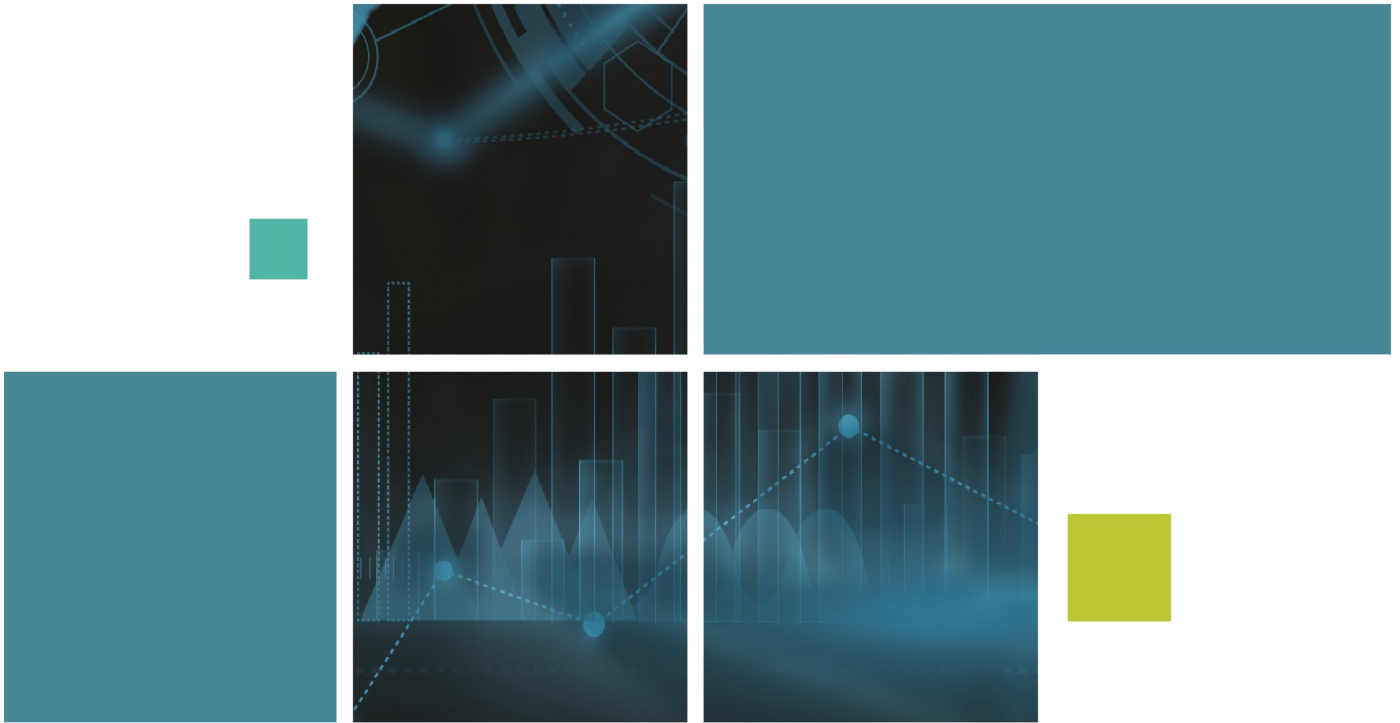


■ CORPORATE REVENUES AND EXPENDITURES

AS APPROVED ON DECEMBER 15, 2020



CORPORATE REVENUES AND EXPENDITURES

Overview

The Corporate Revenues & Expenses budget includes items which cannot be easily associated with specific departments or are corporate-wide in nature. The major items that have been included under this category are discussed in greater detail.

2021 to 2022 operating budget

Corporate Revenues and Expenditures net operating budget proposes a decrease of \$1.1 million in 2021 and a net increase of \$1.6 million in 2022. The key driver of the 2021 net decrease is the one-time use of the Safe Restart Funding being drawn from the tax rate stabilization reserve.

Operating financial summary

\$000's	Net Actual Results		2020	2020	Approved Budget	
	2018	2019	Net Fcst*	Budget	2021	2022
Expenditures	9,969.9	11,226.4	9,199.0	9,255.9	8,552.1	9,447.1
Non-Tax Revenues	(8,887.2)	(10,577.6)	(7,992.7)	(8,367.6)	(8,727.7)	(8,036.3)
Net Tax Levy	1,082.7	648.8	1,206.2	888.4	(175.6)	1,410.8
% Tax Funded	11%	6%	13%	10%	(2%)	15%
Net Budget Change	\$	(433.8)	557.4	(317.9)	(1,064.0)	1,586.4
	%	(40.1%)	85.9%	(26.4%)	(119.8%)	(903.4%)
Approved Outlook	\$				1,217.3	2,019.4
Change to Approved	\$				(1,392.9)	(608.6)

*Net forecast as of August 31, 2020

Changes to the multi-year budget

The approved budget is \$1.4 million less in 2021 than the previously approved multi-year budget and \$608,600 less in 2022. The largest driver for this change is the draw of the Safe Restart Funding from the tax stabilization reserve of \$668,300 in 2021. The provincial and federal government provided the Safe Restart Funding to municipalities in 2020 to help them with the re-opening of services. The Town's share of this funding to date is \$1,298,500. The province has recently announced that the Town will receive a further \$549,000 from this fund in support of its COVID-19 operating pressures in 2021. The funds not needed in 2020 will be contributed to the tax stabilization reserve and will be used to manage COVID-19 pressures in 2021. At this time no further draw from this reserve is planned for 2022.

The budget also includes a \$200,000 reduction to the cash-to-capital reserve contributions and savings in the salary and benefits adjustment of \$350,400 in 2021 and \$167,500 in 2022. These changes relate to the rollout of the new compensation model, benefits savings and an adjustment to the corporate-wide gapping assumptions.

Other changes to this budget include a reduction to the multi-year contingency by \$100,000 in 2021, a \$75,000 increase in net supplementary tax revenue reliance, a reduction of \$20,000 in 2021 and \$50,000 in 2022 for in-year tax adjustments relating to the deferral of the 2020 assessment by MPAC, a \$61,700 reduction to remove the increase to penalties on taxes and the moving the audit budget to Finance.

Corporate Revenues and Expenditure budget elements

The Town's corporate revenues and expenditure accounts have been grouped into the following budget elements:

- Supplementary and Other Tax Items
- Grants
- Contributions to/from Reserves
- Financial Items
- Contingencies and Other

Each of these budget elements will now be expanded upon below.

Supplementary and Other Tax Items

This element includes all of the Town's tax related accounts with the exception of the Town's main overall tax levy each fiscal year. These accounts include penalties on late or unpaid tax installments, supplementary tax revenues, tax payments in lieu of taxes, the Business Improvement Area (BIA) special tax levy and in-year tax adjustments.

Penalties on Taxes are the Town's charges of penalties and interest on late or unpaid tax installments. In the 2020 Budget these revenues were budgeted to increase by \$495,000 over 2019 and then grow by a further \$61,700 in 2021. This increase for 2021 has been removed in this budget, however this budget assumes that in 2021 the normal policy of charging penalties for late payments on taxes is followed. Any further relief or changing to the timing of tax payments in 2021 may impact this estimate. This budget has not been adjusted to reflect the potential impacts of Council's decision to extend the Town's application based tax relief program into 2021 as it is difficult to estimate the demand for this program over the course of the coming year.

Supplementary Tax revenues are property taxes for new properties and construction which become fully assessed during the year. This may include some taxes related to prior years as supplementary taxation is retroactive to the date of occupancy. One of the Town's fiscal strategies is to reduce its reliance on supplementary taxes which was paused in 2021 due to the COVID-19 pandemic. In 2022 the strategy resumes with a decrease of \$50,000.

Payments in Lieu of Taxes is assessment based revenue from federal and provincial owned properties. The federal and provincial governments are not technically subject to formal property taxes; however they must remit an equal amount as though they were fully taxable. These amounts paid are referred to as Payments in Lieu of Taxes or 'PILs'. This amount is expected to increase by the same rate as the tax increase for the next three years.

Corporate Revenues and Expenditures budget elements

\$000's	2021 Outlook		2021 Proposed		Net Change	
	Gross	Net	Gross	Net	\$	%
Supplementary and Other Tax Items:						
Penalties on Taxes	-	(1,457.0)	-	(1,395.3)	61.7	(4.2%)
Supplementary Taxes	400.0	(200.0)	325.0	(275.0)	(75.0)	37.5%
Payments in Lieu of Tax	-	(355.0)	-	(355.0)	-	-
Business Improvement Area Levy	-	(42.0)	-	(42.0)	-	-
In-Year Tax Adjustments	300.0	300.0	280.0	280.0	(20.0)	(6.7%)
	700.0	(1,754.0)	605.0	(1,787.3)	(33.3)	1.9%
Grants:						
Federal Gas Tax	1,694.6	-	1,694.6	-	-	-
Ontario Community Infrastructure Funding	1,101.1	-	1,101.1	-	-	-
Modernization Grant	-	-	-	-	-	-
	2,795.7	-	2,795.7	-	-	-
Contributions to/from Reserve:						
Cash-to-Capital	6,160.8	6,160.8	5,960.8	5,960.8	(200.0)	(3.2%)
Tax Stabilization	-	(208.9)	-	(877.2)	(668.3)	319.8%
Environmental Initiatives Reserve	20.0	20.0	20.0	20.0	-	-
Economic Initiatives Reserve	1.0	1.0	1.0	1.0	-	-
Retiree Benefits	-	-	-	-	-	-
WSIB	105.0	-	105.0	-	-	-
	6,286.8	5,972.9	6,086.8	5,104.6	(868.3)	(14.5%)
Financial Items:						
Investment Income	-	(1,600.0)	-	(1,600.0)	-	-
Debt Payments (DC Funded)	956.5	-	956.5	-	-	-
Internal Debt	-	-	-	-	-	-
Audit Fees	40.9	40.9	-	-	(40.9)	(100.0%)
Leases	-	(1.0)	-	(1.0)	-	-
	997.4	(1,560.1)	956.5	(1,601.0)	(40.9)	2.6%
Contingencies and Other:						
Council Contingency	10.0	10.0	10.0	10.0	-	-
Multi-Year Budget Contingency	100.0	100.0	-	-	(100.0)	(100.0%)
Salary & Benefits Adjustments	118.5	118.5	(231.9)	(231.9)	(350.4)	(295.7%)
Cost Recovery from Water & Bldg	(2,180.0)	(2,180.0)	(2,180.0)	(2,180.0)	-	-
Library Square Tax Funded Debt	510.0	510.0	510.0	510.0	-	-
	(1,441.5)	(1,441.5)	(1,891.9)	(1,891.9)	(450.4)	31.2%
Total	9,338.4	1,217.3	8,552.1	(175.6)	(1,392.9)	(114.4%)

Corporate Revenues and Expenditures budget elements continued

\$000's	2022 Outlook		2022 Proposed		Net Change	
	Gross	Net	Gross	Net	\$	%
Supplementary and Other Tax Items:						
Penalties on Taxes	-	(1,457.0)	-	(1,395.3)	61.7	(4.2%)
Supplementary Taxes	400.0	(150.0)	325.0	(225.0)	(75.0)	50.0%
Payments in Lieu of Tax	-	(362.1)	-	(362.1)	-	-
Business Improvement Area Levy	-	(42.8)	-	(42.8)	-	-
In-Year Tax Adjustments	350.0	350.0	300.0	300.0	(50.0)	(14.3%)
	750.0	(1,661.9)	625.0	(1,725.2)	(63.3)	3.8%
Grants:						
Federal Gas Tax	1,694.6	-	1,694.6	-	-	-
Ontario Community Infrastructure Funding	1,101.1	-	1,101.1	-	-	-
Modernization Grant	-	-	-	-	-	-
	2,795.7	-	2,795.7	-	-	-
Contributions to/from Reserve:						
Cash-to-Capital	6,700.6	6,700.6	6,500.6	6,500.6	(200.0)	(3.0%)
Tax Stabilization	-	-	-	-	-	-
Environmental Initiatives Reserve	20.0	20.0	20.0	20.0	-	-
Economic Initiatives Reserve	1.0	1.0	1.0	1.0	-	-
Retiree Benefits	-	-	-	-	-	-
WSIB	105.0	-	105.0	-	-	-
	6,826.6	6,721.6	6,626.6	6,521.6	(200.0)	(3.0%)
Financial Items:						
Investment Income	-	(1,600.0)	-	(1,600.0)	-	-
Debt Payments (DC Funded)	956.5	-	1,184.4	-	-	-
Internal Debt	-	-	-	-	-	-
Audit Fees	40.9	40.9	-	-	(40.9)	(100.0%)
Leases	-	(1.0)	-	(1.0)	-	-
	997.4	(1,560.1)	1,184.4	(1,601.0)	(40.9)	2.6%
Contingencies and Other:						
Council Contingency	10.0	10.0	10.0	10.0	-	-
Multi-Year Budget Contingency	156.0	156.0	19.1	19.1	(136.9)	(87.8%)
Salary & Benefits Adjustments	116.0	116.0	(51.5)	(51.5)	(167.5)	(144.4%)
Cost Recovery from Water & Bldg	(2,272.2)	(2,272.2)	(2,272.2)	(2,272.2)	-	-
Library Square Tax Funded Debt	510.0	510.0	510.0	510.0	-	-
	(1,480.2)	(1,480.2)	(1,784.6)	(1,784.6)	(304.4)	20.6%
Total	9,889.5	2,019.4	9,447.1	1,410.8	(608.6)	(30.1%)

Business Improvement Area (BIA) Board for the Town of Aurora was approved by Council in 2019. This board was to be funded through a special area levy of all commercial property owners and business tenants within the Aurora BIA boundary. The BIA Board must submit a business plan along with its budget to Council for its review and approval as part of its budget. Then Council approves a bylaw authorizing the special area tax levy. These collected revenues are then paid to the BIA board.

The budget included for 2021 and 2022 are placeholders until they are confirmed and approved by the BIA board and brought forward to Council for its consideration.

In-year tax adjustments arise from notices and decisions relating to assessments and reassessments of properties within the Town's borders. Most of these decisions have a small impact on the amount of tax charged to a property and some may have a very large impact. The 2021 planned expense of \$280,000, includes only the Town's share of such tax adjustments, all of which are approved by the Municipal Property Assessment Corporation (MPAC), as part of the Ontario Assessment Review Board appeal process.

Grants

This budget element captures all known grant funding that the Town expects to receive from federal, provincial and other sources. These revenues are most commonly offset by an equivalent contribution to reserve or operating budget expenditure. The two most common grants are the Federal Gas Tax and Ontario Community Infrastructure Funding.

Federal Gas Tax is a program that was initiated in 2006. The Town expects gas tax funding to remain the same as 2020 in all budget years. When these funds are received they are contributed to the Federal Gas Tax Reserve which is used in the capital budget to pay for infrastructure repair and replacement projects.

Ontario Community Infrastructure Funding is a provincial grant program which was introduced in 2014 in recognition of the province's infrastructure funding gap. This program's total available funding is made available to municipalities in two components. The first is an allocation based upon a formula based on a municipality's population, its total assessment base and average household income among others. These funds are contributed to reserves and are used for repair and replacement capital project funding. The second component is allocated based upon a project specific application for which the Town has never been successful in receiving funds. This budget only includes the revenue for the first component.

Contributions to/from Reserves

The corporate accounts include many of the Town's budgeted contributions to and from reserves. The major contributions to/from reserves captured under this element include the Town's cash-to-capital, tax rate stabilization, as well as the Town's annual contribution to the Green Initiatives and draw from the WSIB reserves.

Cash-to-Capital reserve contributions are used to fund capital projects including repair and replacement and new capital. In 2021, the normal fiscal strategy contribution equal to a one percent tax levy increase, included 0.9 percent for cash-to-capital. This planned increase has been reduced by 0.44% or \$200,000 to 0.46%. This decrease is to provide a one-time tax relief to

property owners during the COVID-19 pandemic. In 2022 the contributions return to their normal level. While these contributions are essential for ensuring the affordability of the capital plan, the Town will be developing a second generation asset management plan along with other asset replacement studies which will provide a foundation for the long-term capital funding needs.

Tax Stabilization is used to manage year-to-year changes in the tax levy and can be used to manage unplanned events, phase in increases to the budget or manage the impact of multi-year initiatives.

In 2020, the federal and provincial government granted the Town \$1,298,500 from the Safe Restart Fund. These funds have been contributed to the tax stabilization reserve. Any of these funds that are not used in 2020 are available to be used in 2021. In 2021 a draw from this reserve is required to manage the COVID-19 impact to the operating budget.

Green Initiatives contributions to reserve remain at \$20,000 for all years.

Workplace Safety and Insurance Board (WSIB) includes the costs for managing the program and an offsetting draw from reserve which is funded directly through payroll appearing in each department as part of their benefits cost. The Town of Aurora is a 'Schedule 2 Employer' which simply means that the Town pays for all of its costs incurred through the WSIB itself. To mitigate the risk of high claim costs, the Town uses a 3rd party insurance provider in order to cover any extreme costs. The WSIB Claims Costs account is used for the payment of claims and costs not covered by the Town's "excess-loss" insurance. An equal and offsetting account in the revenues section draws a contribution from the WSIB reserve in order to fund these payments. Based upon 2019 projected actuals, the budget is maintained at \$105,000.

Financial Items

The primary accounts captured under the Financial Items element include the Town's investment income and external and internal debt payments.

Investment Income in the operating budget remains unchanged for the next three years. The Town's investment portfolio continues to earn a competitive rate of return on its investments comprised of all of the Town's funds that are not required for the day-to-day operations. They are invested in a method which balances cash needs with market yields. All portfolio investments must comply with strict and highly conservative provincial and local regulations in an effort to protect the public funds that are being invested. The portfolio includes a mix of long and short term investment products whose composition are designed to meet the Town's planned cash flow requirements.

Debt Payments reflect the carrying costs, principal and interest, which are fully offset by development charge reserve draws. The debt currently outstanding are for two facilities:

- Stronach Aurora Recreation Complex debenture issued through York Region with a budgeted annual debt repayment amount of \$229,300 in principal and \$91,300 interest
- Joint Operations Centre debenture issued through York Region with a budgeted annual repayment amount of \$636,000 per year.

The 2022 budget also includes the debt repayment for capital projects with approved debt authority in 2021.

Audit Fees were moved to the Finance budget in 2021.

Contingencies and Other

This budget element includes Council's operating budget contingency and the Town's overall multi-year budget contingency as well as, any required corporate level salary & benefits adjustments and the overall cost recovery of various Town internal tax levy funded services from the Town's rate funded operations and Building Services.

Contingencies are used to manage unexpected costs that may arise in a given fiscal year or over the course of the Town's three year operating budget horizon. Two contingencies are included in the budget to manage these unforeseen costs, or to meet other corporate or community needs:

- **Council Contingency** of \$10,000 per year to be used only with Council approval
- **Multi-Year Budget Contingency** is used to assist the Town in its management of unforeseen pressures in the future years of the multi-year operating budget including contract renewals for goods and services such as snow removal, insurance, utilities, etc.

Salary & Benefits Adjustments include budget pressures relating to broader compensation adjustments and other adjustments which have yet to be rolled out to all divisions. These adjustments include the rollout of the new compensation model, benefits savings and corporate-wide gapping assumptions.

Cost Recovery from Water & Building are the allocation of overhead costs which are charged to the Building Services and Water Operations divisions. This allocation reduces the overall tax levy as the building and water budget are fully funded through their own fees and rates. The amount recovered reflects an estimated value of the total support services provided by: Council, the Office of the CAO, Corporate Services, Facilities Management and Finance as well as related insurance costs and for building plan and field inspections provided by Central York Fire Services.

Library square tax-funded debt repayment represents an amount which is equal to 0.5% of the previous years' tax levy in 2020 and 2021. These funds will be used to repay the tax funded debt to be issued for the construction of library square. These funds will be contributed to reserves until the repayment of the debt begins.