



# CORPORATE REVENUES & EXPENDITURES

AS APPROVED ON DECEMBER 14, 2021

# 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.

## 2022 operating budget

The operating budget for Corporate Revenues & Expenditures is approved to increase by \$1.4 million in 2022. The main driver of the increase relates to moving the use of the COVID-19 grant funding from this budget into the departmental budgets to match the grant funding to each eligible cost or revenue pressure. These adjustments have resulted in a reduced planned draw from reserves (or an increase to the net budget) of \$877,200 for Corporate Revenues & Expenditures. The other significant item is the one percent for fiscal strategy which contributes additional funds to capital reserves of \$539,800 and further reduces reliance on supplementary taxes by \$50,000.

### Operating financial summary

\$000's	Net Actual Results		2021	2021	Budget
	2019	2020	Net Fcst*	Budget	2022
Expenditures	11,226.4	11,112.3	11,381.9	8,384.0	9,132.8
Non-Tax Revenues	(10,577.6)	(9,285.4)	(11,137.3)	(8,727.7)	(8,090.5)
<b>Net Tax Levy</b>	<b>648.8</b>	<b>1,826.9</b>	<b>244.6</b>	<b>(343.7)</b>	<b>1,042.3</b>
% Tax Funded	6%	16%	2%	(4%)	11%
Net Budget Change	\$	1,178.1	(1,582.3)	(588.3)	1,386.0
	%	181.6%	(86.6%)	(240.5%)	(403.3%)
Approved Outlook	\$				1,175.2
Change to Approved	\$				(132.9)

\*Net forecast as of August 31, 2021

## Changes to the multi-year budget

The approved budget for 2022 is \$132,900 less than the multi-year budget approved for 2022 last year. The changes include updating a draw of \$63,600 from Tax Stabilization to manage delayed assessment growth, the cost recovery from user rate funded services of \$21,800, reducing the in-year tax adjustments by the \$20,000 planned increase for 2022 as the reassessment has been delayed due to COVID-19 and reducing the \$19,100 multi-year contingency to \$0 as it was used to mitigate pressures corporate-wide.

# Corporate Revenues and Expenditures 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. These revenues can fluctuate based on the amount of outstanding tax bills which also includes past due water account balances which are moved to the tax account. In 2022 the budget for penalties on taxes remains the same as 2021.

**Supplementary Tax** revenues are one-time property taxes arising from 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.

**Business Improvement Area (BIA) Board** for the Town of Aurora was approved by Council in 2019. This board is 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. Council then approves a bylaw authorizing the special area tax levy. These collected revenues are then paid to the BIA board.

The budget included for 2022 is a placeholder until it is confirmed and approved by the BIA board and brought forward to Council for 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

## Corporate Revenues and Expenditures budget elements

\$000's	2021		2022 Outlook		2022 Budget		Net Change	
	Gross	Net	Gross	Net	Gross	Net	\$	%
<b>Supplementary and Other Tax Items:</b>								
Penalties on Taxes	-	(1,395.3)	-	(1,395.3)	-	(1,395.3)	-	-
Supplementary Taxes	325.0	(275.0)	325.0	(225.0)	325.0	(225.0)	-	-
Payments in Lieu of Tax	-	(355.0)	-	(362.1)	-	(362.1)	-	-
Business Improvement Area Levy	-	(42.0)	-	(42.8)	-	(42.8)	-	-
In-Year Tax Adjustments	280.0	280.0	300.0	300.0	280.0	280.0	(20.0)	(6.7%)
	605.0	(1,787.3)	625.0	(1,725.2)	605.0	(1,745.2)	(20.0)	1.2%
<b>Grants:</b>								
Canada Community Building Fund	1,694.6	-	1,694.6	-	1,694.6	-	-	-
Ontario Community Infrastructure Funding	1,101.1	-	1,101.1	-	1,101.1	-	-	-
	2,795.7	-	2,795.7	-	2,795.7	-	-	-
<b>Contributions to/from Reserve:</b>								
Cash-to-Capital	5,960.8	5,960.8	6,500.6	6,500.6	6,500.6	6,500.6	-	-
Tax Stabilization	-	(877.2)	-	-	-	(63.6)	(63.6)	(100.0%)
Environmental Initiatives Reserve	20.0	20.0	20.0	20.0	20.0	20.0	-	-
Economic Initiatives Reserve	1.0	1.0	1.0	1.0	1.0	1.0	-	-
Retiree Benefits	-	-	-	-	-	-	-	-
WSIB	105.0	-	105.0	-	105.0	-	-	-
	6,086.8	5,104.6	6,626.6	6,521.6	6,626.6	6,458.0	(63.6)	(1.0%)
<b>Financial Items:</b>								
Investment Income	-	(1,600.0)	-	(1,600.0)	-	(1,600.0)	-	-
Debt Payments (DC Funded)	956.5	-	1,184.4	-	1,175.0	-	-	-
Tax Funded Debt	510.0	510.0	510.0	510.0	510.0	510.0	-	-
Internal Debt	-	-	-	-	-	-	-	-
Audit Fees	-	-	-	-	-	-	-	-
Leases	-	(1.0)	-	(1.0)	-	(1.0)	-	-
	1,466.5	(1,091.0)	1,694.4	(1,091.0)	1,685.0	(1,091.0)	-	-
<b>Contingencies and Other:</b>								
Council Contingency	10.0	10.0	10.0	10.0	10.0	10.0	-	-
Multi-Year Budget Contingency	-	-	19.1	19.1	-	-	(19.1)	(100.0%)
Salary & Benefits Adjustments	(400.0)	(400.0)	(176.1)	(176.1)	(184.6)	(184.6)	(8.5)	4.8%
Cost Recovery from Water & Building Services	(2,180.0)	(2,180.0)	(2,383.1)	(2,383.1)	(2,404.9)	(2,404.9)	(21.8)	0.9%
	(2,570.0)	(2,570.0)	(2,530.2)	(2,530.2)	(2,579.5)	(2,579.5)	(49.3)	1.9%
<b>Total</b>	<b>8,384.0</b>	<b>(343.7)</b>	<b>9,211.5</b>	<b>1,175.2</b>	<b>9,132.8</b>	<b>1,042.3</b>	<b>(132.9)</b>	<b>(11.3%)</b>

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 reserves or operating budget expenditure. The two most common grants are the Canada Community Building Fund and Ontario Community Infrastructure Funding.

**Canada Community Building Fund** (formerly known as Federal Gas Tax) was initiated in 2006. The Town expects the funding to remain the same as the base amount received 2020. When these funds are received they are contributed to reserve to be subsequently used in the capital budget to pay for infrastructure Rehab 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 Rehab 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 budgeted contributions to and from reserves. The major contributions to/from reserves captured under this element include the cash-to-capital, tax rate stabilization, as well as the annual contribution to the Green Initiatives and draw from the WSIB reserves.

**Cash-to-Capital** reserve contributions are used to fund capital projects including Rehab and replacement and new capital. These contributions are essential for ensuring the affordability of the capital plan. In September 2021 the findings of the first phase of the second generation asset management plan were presented to General Committee which indicated that contributions need to increase in the future. This budget plans to maintain the increase that was included in the 2021 budget for 2022. More work is to come on asset management and reserve management through further developing the next two phases of the second generation asset management plan and the strategic actions of the fiscal strategy to provide a foundation for the long-term capital funding needs.

**Tax Rate 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. The draw of \$63,600 in 2022 is used to manage the delay in assessment growth related to items which were forecasted to be completed in 2021 which would have achieved an assessment growth increase of 1.2 percent.

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

**Workplace Safety and Insurance Board (WSIB)** includes all costs relating to delivery of the WSIB program. Any WSIB costs incurred each year are offset through a draw from the WSIB reserve which is replenished directly through a payroll contribution appearing under each department as part of their benefits costs. The Town of Aurora is a 'Schedule 2 Employer' which simply means that the Town pays for all of the costs incurred through the WSIB. Historically, third party insurance has been purchased to mitigate its higher risk claim costs. In 2021 Aurora decided to move to self-insure high risk claims based upon a review of the significantly increasing insurance premium costs, claim history and all associated risks. The premium savings will remain in the WSIB reserve to settle future potential claims. The balance of the reserve will be maintained at a larger balance to further mitigate the risks of self-insuring higher risk claims.

## 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 (Development Charge Funded)** reflect the carrying costs, principal and interest, which are fully offset by development charge reserve draws. The debt currently outstanding are for three capital investments:

- Stronach Aurora Recreation Complex with a budgeted annual debt repayment amount of \$320,000 per year
- Joint Operations Centre with a budgeted annual repayment amount of \$636,000 per year
- Hallmark Baseball Diamonds with a budgeted annual repayment amount of \$218,500 per year.

**Tax Funded Debt** is for the construction of Aurora Town Square. The total budget of \$510,000 is included arising from two 0.5 percent increases to the levy in 2020 and 2021. The Town is currently using a construction line of credit to manage the construction costs for this project as only the funded needed can be drawn. Once the project is complete this debt must be converted to a variable capital loan for up to five years followed by a long-term debenture or can be converted directly into a long-term debenture. This decision will be made based on the best investment rates of return available and the interest rate forecast in 2022. While the construction line of credit is in use, all arising interest costs are funded out of this budget and any excesses funds remaining at year end are contributed to the facilities rehab and replacement reserve.

The debt repayment costs relating to the Aurora Sports Dome are included in the Community Services budget as they are fully recovered from the Dome's user fee rates.

## 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 corporate-wide gapping assumptions. Gapping includes the six-month delayed start for new positions. In 2022 this includes five new positions which is three less than the number of new positions in the 2021 budget. The departmental budgets include a further \$150,000 in gapping for normal staffing changes including vacancies during recruitment. Based on previous years trends, \$50,000 in additional gapping for normal staffing changes has been added to this item in Corporate Revenues and Expenditures.

**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.

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