



# OPERATING BUDGET

As approved on January 31<sup>st</sup>, 2023

# The Budget proposes a tax increase of 3.5% in 2023

The 2023 Budget represents the first budget of the Council term. In the first year of the Council term, a single-year budget is proposed for approval by Council. This Budget approves \$112.6 million in spending to support both tax and user rate (water, wastewater and stormwater) funded operations.

## Operating Budget financial summary

\$000's	Net Actual Results		2022	2022	Budget
	2020	2021	Net Fcst*	Budget	2023
<b>Aurora Departments:</b>					
Expenditures	99,012.5	109,034.5	88,241.7	88,419.9	95,730.2
Non-Tax Revenues	(64,621.2)	(72,928.5)	(52,655.0)	(50,444.4)	(55,547.7)
<b>Subtotal</b>	<b>34,391.3</b>	<b>36,106.0</b>	<b>35,586.7</b>	<b>37,975.5</b>	<b>40,182.5</b>
Central York Fire Service	11,749.3	11,955.6	12,294.9	12,294.9	12,722.9
Aurora Public Library	3,868.1	3,896.1	3,934.1	3,934.1	4,052.1
<b>Total Budget</b>	<b>50,008.7</b>	<b>51,957.7</b>	<b>51,815.7</b>	<b>54,204.5</b>	<b>56,957.5</b>
<b>Assessment Growth</b>	\$			<b>553.5</b>	<b>807.8</b>
	%			<b>1.1%</b>	<b>1.5%</b>
<b>Tax Increase</b>	\$			<b>1,544.7</b>	<b>1,945.3</b>
	%			<b>2.9%</b>	<b>3.5%</b>

\*Net forecast as of October 31, 2022

The total increase to the tax levy is \$2.8 million or 5.0 percent. This increase includes growth in the assessment base of 1.5 percent and an increase to the tax levy to be collected from all properties of 3.5 percent.

## Inflation is having a significant impact on the approved Budget

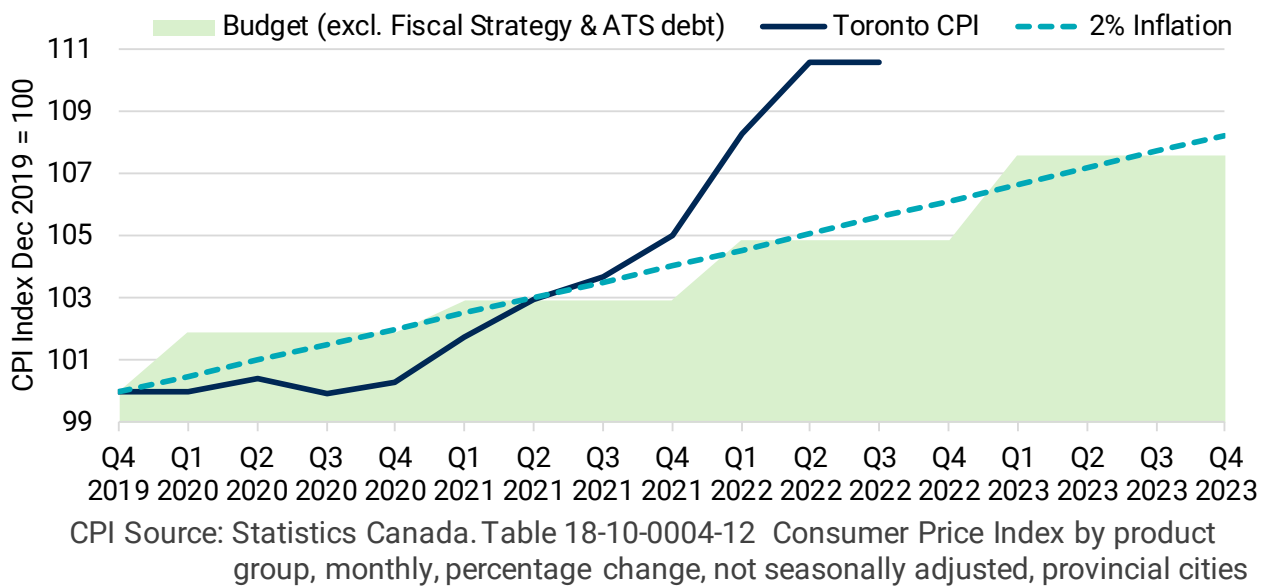
The budget principles approved in 2019, provide guidance on the tax levy to include both an inflationary pressure of up to two percent and one percent for Fiscal Strategy which includes reducing the budget reliance on supplementary taxes and contributing to capital reserves.

Inflation over the last year has resulted in pressures in the Operating Budget exceeding the two percent included in the budget principles. As of October 2022, the Consumer Price Index (CPI) for Toronto was 6.42 percent. CPI reflects a basket of goods used by the average consumer.

Since the pandemic started to impact the community in March 2020, inflation has varied significantly more than normal. This has resulted in periods of deflation in 2020 followed by the high rates of inflation in 2022. The chart that follows shows that the cumulative impact of CPI compared to the two percent included in the budget principles and the inflationary increase included in the Budget since the beginning of 2020. The Town is able to maintain services and lower tax-rate increases despite this widening gap between CPI and the Town's Budget. This is due to many factors, including looking more specifically at the basket of goods

held by the Town and factoring in current long-term contracts. This helps determine the municipal price index for the Operating Budget which is 5.3 percent as of July 2022.

### Inflation is trending much higher than Budget increases

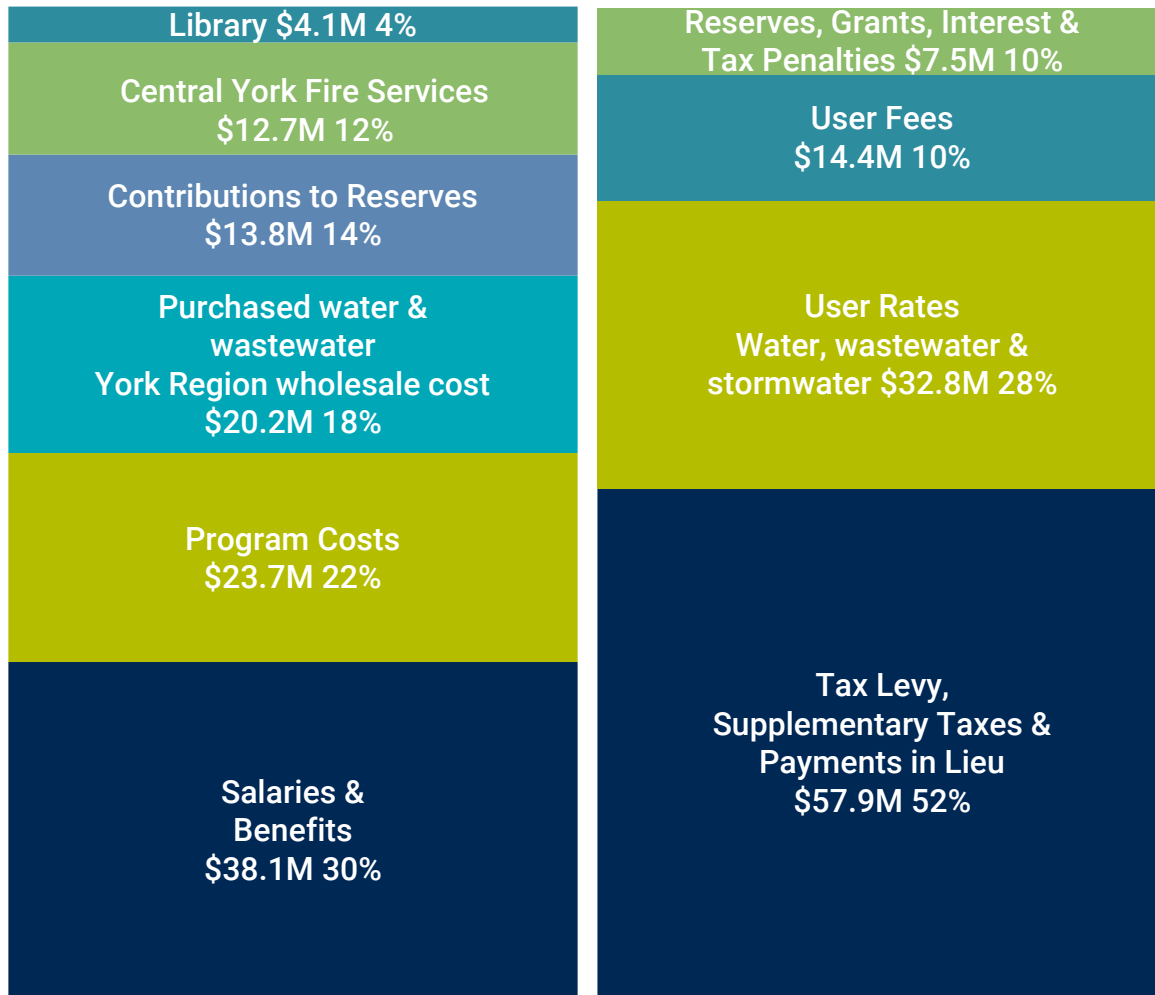


### The approved Budget is balanced

Municipalities are required to approve a balanced budget. Since the Budget is developed on a modified-accrual basis, the Town of Aurora must balance all planned expenditures and reserve contributions with a funding source. For the water, wastewater and stormwater budget, the costs are funded through the changes to the rates charged for these services. For the tax-funded budget, the amount not funded by grants, revenues, reserve draws or user fees must be funded through the property tax.

The image that follows shows how the total Budget, including tax levy and rate-funded operations, is funded for 2023. The largest cost is salaries and benefits at \$38.1 million or 30 percent and the largest sources of funding is tax levy and supplementary taxes, followed by user rates for water, wastewater and stormwater services.

## The 2023 balanced Budget, what we spend and how we pay for it



### The 2023 tax funded Budget uses the 2022 Budget as a starting point

In the first year of the Council term, the Budget approved shows the incremental changes to the previously approved Budget, making the 2022 Budget the starting point. The reason for this is that the Operating Budget includes a number of programs which are ongoing year-over-year. Short-term studies and projects with a clear start and end date are included in the Capital Budget.

The Operating Budget changes are categorized for analyzing the approved changes. These categories are base, capital operating costs, Fiscal Strategy, maintaining service levels for growth and enhancements, and transformation.

## Base pressures in this Budget are higher due to inflation

Base pressures reflect the additional costs required to deliver existing services and are offset by savings and revenue increases. The Budget includes \$1.8 million in base pressures which is equal to a levy increase of 3.3 percent. Of this amount, \$1.1 million relates to salaries, benefits and other related staffing costs. The Town is facing significant inflationary pressures in 2022 with Toronto CPI at 6.42 percent in October. This has resulted in cost increases on new contracts for goods and services. These pressures are partially offset by increases to revenues in Planning and Development Services.

Despite the revenue increases and savings found, the pressure exceeds the two percent guidance in the budget principles.

### Fiscal Strategy pressures include capital contributions and other items

The budget principles include a one percent annual levy increase to reduce reliance on supplementary taxes and contribute to capital reserves which is included in the approved Budget.

In addition, the budget change for Fiscal Strategy includes the reversal of a tax stabilization draw from the previous year.

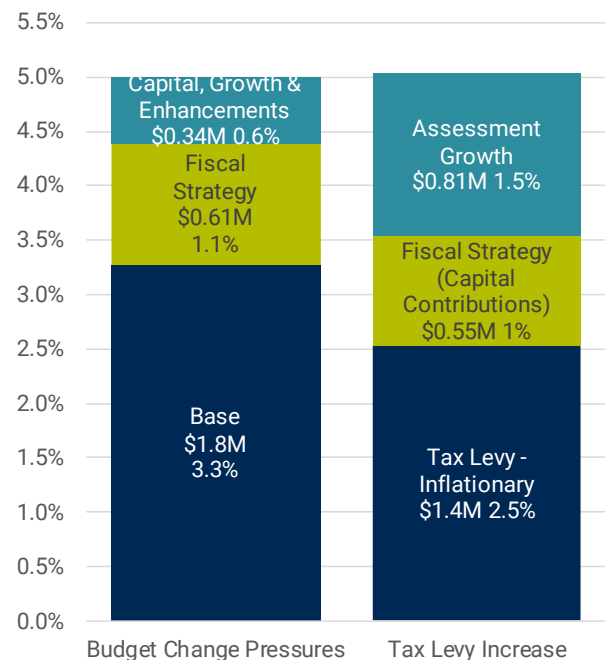
### Assessment growth reduces the overall impact of the total tax increase

The approved Budget includes 1.5 percent for assessment growth. The growth in the assessment base spreads the cost over more properties helping the Town expand existing services due to the growth in the community.

In this Budget, the assessment growth at 1.5 percent covers the cost of the capital operating impact, maintaining existing services for growth and enhancements which include new services. The additional funds are used to support existing operations and reduce the overall levy impact.

The table that follows shows more detail on the budget changes resulting in the approved tax-levy increase.

## Budget change pressures vs the tax levy



## Incremental Budget changes – tax funded operations

	FTE	Net \$000's
<b>Starting Budget</b>	<b>255</b>	<b>54,204.5</b>
<b>Base</b>		
Salaries & Benefits including COLA, step increases and other approved staffing actions	-	1,093.5
<b>Departmental budget change excluding salaries &amp; benefits</b>		
Council	-	1.7
Office of the CAO	-	9.7
Community Services	-	461.2
Corporate Services	-	122.0
Finance	-	112.0
Operational Services	-	233.1
Planning & Development Services	-	(984.5)
Corporate Accounts: Removal of gapping for 2022 positions, increase to user rate recovery and adjustment to tax losses	-	190.3
Community Partners: Aurora Cultural Centre, Aurora Sport Hall of Fame, Aurora Historical Society (grants included in Community Services budget)	-	19.1
Aurora Public Library	-	118.0
Central York Fire Services	-	428.0
	<b>-</b>	<b>1,804.1</b>
<b>Capital Operating Costs</b>		
New financial system (additional user rate recovery in Corporate Accounts)	-	55.8
Hallmark Baseball diamonds permit revenues offset by operating costs	-	(13.9)
	<b>-</b>	<b>41.9</b>
<b>Fiscal Strategy</b>		
Reserve Management: capital reserves and reversal of 2022 tax stabilization draw	-	537.9
Revenue Management: Reduce reliance on supplementary taxes	-	75.0
	<b>-</b>	<b>612.9</b>
<b>Maintaining Service Levels for Growth</b>		
New staff positions	5	434.1
Less: Salary gapping for first six months of new positions	-	(217.1)
Community Services increased revenues	-	(55.7)
Operational Services waste management and fleet maintenance and fuel	-	24.0
Planning & Development Services grading fee	-	(2.2)
	<b>5</b>	<b>183.1</b>
<b>Enhancements and Transformation</b>		
Community Services grants and sponsorship program	-	14.0
Phragmites control - new service	-	75.0
Special events traffic management services	-	16.9
Environmental initiatives project expenses	-	5.0
	<b>-</b>	<b>110.9</b>
<b>Budget Change</b>	<b>5</b>	<b>2,753.0</b>
<b>Total Budget</b>	<b>260</b>	<b>56,957.5</b>

## Revenue Management: Non-tax revenues

Non-tax revenues include user rates (water, wastewater, stormwater), user fees (such as recreational program cost recovery), grants, use of reserves and investment income. These sources of revenue reduce the reliance on the tax levy and support the delivery of key services.

### Non-tax revenue trends

(\$000s)	2021	2022 Budget		2023 Budget			
	Actual	Budget	Change		Budget	Change	
			\$	%		\$	%
Development Charges	1,072.1	1,290.6	218.5	20.4%	1,290.6	-	-
Grants	8,271.6	1,416.8	(6,854.9)	(82.9%)	814.4	(602.4)	(42.5%)
Investment Income	1,600.6	1,600.0	(0.6)	(0.0%)	1,600.0	-	-
Penalties on Taxes	1,701.6	1,395.3	(306.3)	(18.0%)	1,395.3	-	-
Reserves	1,453.9	2,487.4	1,033.4	71.1%	2,399.8	(87.6)	(3.5%)
User Fees	13,154.3	12,666.5	(487.8)	(3.7%)	14,189.5	1,523.1	12.0%
User Rates	29,057.0	29,362.7	305.8	1.1%	32,768.3	3,405.6	11.6%
<b>Total</b>	<b>27,254.1</b>	<b>20,856.5</b>	<b>(6,397.6)</b>	<b>(23.5%)</b>	<b>21,689.6</b>	<b>833.1</b>	<b>4.0%</b>

### Development charges are used to fund debt repayment on growth capital

Development charges are used in the Operating Budget to pay for the principal and interest costs on debt issued for growth capital projects. Any changes to the amount of revenue is based on the retiring of old debt or the addition of new debt.

### Grant revenues have declined from reporting improvements and less use of safe recovery funds

In 2022, the Town changed the way that grants are managed for reporting purposes to ensure that deferred revenue is managed effectively. Now, when grant funds are received, the funds are applied to the deferred revenue reserve and only appear in the Operating Budget when the grant funds are used and the revenues are earned. This is reflected in the decrease from 2021 to 2022.

Additionally, the reliance on safe recovery grant funds is \$605,400 less in 2023 as the Town shows signs of strong recovery from the impacts of the pandemic, particularly in Community Services program user fees. The approved budget includes \$443,750 of these remaining funds to support the phase in of new systems which were advanced during the pandemic, offset recovery of sponsorship and lease revenues, and support for collections of outstanding tax and water accounts.

### Investment income supports the Operating Budget and capital reserves

Aurora invests its cash portfolio to earn investment income. While much of this investment income will go back directly to reserves, \$1.6 million per year is included as revenue in the

Budget to support operations. Aurora will be reviewing this practice as part of the Fiscal Strategy’s strategic actions during this term of Council.

**Penalties on taxes are charged on past due accounts**

Aurora charges penalties on past due tax and water accounts. During the pandemic, the penalties collected have been higher than normal. The Budget proposes to keep the penalties revenues unchanged. Aurora charges 1.25 percent interest monthly on all past due tax accounts.

**Reserve draws are used for a variety of reasons in the Operating Budget**

In the Operating Budget, reserves are used to fund one-time or short-term pressures, fund operating costs (such as salaries and benefits), and fund minor capital repairs/maintenance activities.

**User fees**

User fees are applied to a variety of services the Town provides. Most of them relate to planning and engineering fees, and community recreation programs and facility rentals, including ice rentals. In 2023, user-fee revenue is expected to increase as facilities and community programs usage increases, and pandemic impacts lessen. Additionally, there will be an annual increase to most fees to account for inflationary pressures.

**User rates for water, wastewater and stormwater fully fund these services**

Water, wastewater and stormwater operations are fully funded from user rates. The two factors in determining these rate are the costs to deliver the service and the volume to be billed.

**Approved user rates effective May 1<sup>st</sup> 2023**

	2021	2022	2023	Rate Change	
	Rates	Budget	Approved	\$	%
<b>Water and Wastewater (\$/m<sup>3</sup>):</b>					
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%

<b>Stormwater Rate (\$/month):</b>					
Residential	\$ 9.18	\$ 11.69	\$ 13.41	\$ 1.72	14.7%
Non-Residential	\$ 116.64	\$ 148.51	\$ 170.41	\$ 21.90	14.7%

Currently, the Town charges a single rate for metered usage of water and wastewater. This rate is made up variable costs, including the amount paid to York Region for water and wastewater treatment, and fixed costs which include reserve contributions for asset management.



The Budget proposes that the combined water and wastewater rate increases by 3.1 percent or \$0.16 per cubic meter. This includes a combine cost increase from York Region for purchased water of 3.3 percent.

Stormwater is billed based on the number of properties and the charge appears on the water bill. Stormwater rates are increasing at a higher rate due to pond maintenance needs and capital costs for asset management.

More information about the costs affecting user rate funded services can be found in Tab 11 – Operational Services.

### The average residential water bill is approved to increase by \$13.80

On average, a residential property uses 54 cubic meters of water every three months. The approved Budget increases to the water, wastewater and stormwater fees will result in the average quarterly bill increasing by \$13.80 to \$326.43.

#### Average residential quarterly water bill

	2021	2022	2023	Rate Change	
	Rates	Budget	Approved	\$	%
Water 54m <sup>3</sup>	\$126.36	\$122.58	\$130.14	\$7.56	6.2%
Wastewater 54m <sup>3</sup>	\$156.06	\$154.98	\$156.06	\$1.08	0.7%
Stormwater 3 months	\$27.54	\$35.07	\$40.23	\$5.16	14.7%
<b>Average Quarterly Bill</b>	<b>\$309.96</b>	<b>\$312.63</b>	<b>\$326.43</b>	<b>\$13.80</b>	<b>4.4%</b>
Average Annual Bill	\$1,239.84	\$1,250.52	\$1,305.72	\$55.20	4.4%

### People deliver the services the Town provides

This Budget is adding five permanent full-time positions. This includes one position in Community Services which is being uplifted from a part-time to a full-time position, one position in the Office of the CAO which is being converted from temporary to permanent and three new full-time positions.

#### Approved new positions for 2023

	# Staff	Gross \$000	Gapping \$000	Net \$000
<b>Opening Permanent Full Time Positions</b>	<b>255.0</b>			
Office of the CAO Communications Coordinator	1.0	91.6	(45.8)	45.8
Community Services Special Events Assistant (uplift)	1.0	28.0	(14.0)	14.0
Finance Revenue Administrator - Tax	1.0	96.9	(48.5)	48.5
Operational Services Roads Technician	1.0	108.8	(54.4)	54.4
Planning & Development Services Traffic Analyst	1.0	108.8	(54.4)	54.4
<b>Total</b>	<b>260.0</b>	<b>434.1</b>	<b>(217.1)</b>	<b>217.1</b>

All new positions are budgeted to start July 1 and include six months gapping reducing the net tax impact in 2023. Each position is supported by a business case which is included in the departmental tabs.

### Permanent full-time staff

FTEs	2022	2023	
	Total	Change	Total
Council*	1.0	-	1.0
Office of the CAO	8.0	1.0	9.0
Community Services	72.0	1.0	73.0
Corporate Services	36.0	-	36.0
Finance	41.0	1.0	42.0
Planning & Development Services	41.0	1.0	42.0
Operational Services	56.0	1.0	57.0
<b>Departmental Total FTEs</b>	<b>255.0</b>	<b>5.0</b>	<b>260.0</b>

\* Excludes 7 elected officials

### Departmental business plans provide more information on the Operating Budget

The departments deliver a wide variety of services for the Town. The departmental business plans provide more information on their approved operating budgets for 2023. The tables that follow show an overview of the total operating budget for each department.

### Net Budget by department

\$000's	Net Actual Results		2022		
	2020	2021	Gross	Net	Net Fcst
Council	534.8	567.8	698.1	598.1	574.7
Office of the CAO	1,203.9	1,416.2	1,454.3	1,454.0	1,389.4
Community Services	10,614.0	10,225.0	18,158.1	10,993.0	10,661.3
Corporate Services	4,959.8	5,096.9	6,955.7	5,717.2	5,339.0
Finance	4,917.5	5,215.4	6,902.7	6,172.6	5,715.2
Operational Services:					
Roads, Parks & Waste Mgmt	10,232.4	10,966.4	12,701.4	11,431.2	11,214.1
Water, Wastewater & Stormwater	-	-	29,086.3	-	-
Planning & Development Services	102.0	(225.2)	6,294.3	735.2	(328.2)
Corporate Revenues & Expenditures	1,826.9	2,843.5	6,169.0	874.2	1,021.2
<b>Departmental Total</b>	<b>34,391.3</b>	<b>36,106.0</b>	<b>88,419.9</b>	<b>37,975.5</b>	<b>35,586.7</b>
Central York Fire Services	11,749.3	11,955.6	12,294.9	12,294.9	12,294.9
Aurora Public Library	3,868.1	3,896.1	3,983.1	3,934.1	3,934.1
<b>Total</b>	<b>50,008.7</b>	<b>51,957.7</b>	<b>104,697.9</b>	<b>54,204.5</b>	<b>51,815.7</b>

\*Forecast as of October 31, 2022

\$000's	2023 Budget		Net Change	
	Gross	Net	\$	%
Council	699.9	599.9	1.8	0.3%
Office of the CAO	1,561.1	1,560.8	106.8	7.3%
Community Services	19,006.7	11,717.4	724.4	6.6%
Corporate Services	6,868.9	6,094.4	377.2	6.6%
Finance	7,453.2	6,589.6	417.0	6.8%
Operational Services:				
Roads, Parks & Waste Mgmt	13,513.0	11,960.8	529.6	4.6%
Water, Wastewater & Stormwater	33,228.7	-	-	-
Planning & Development Services	6,569.1	12.4	(722.8)	(98.3%)
Corporate Revenues & Expenditures	6,829.6	1,647.1	772.9	88.4%
<b>Departmental Total</b>	<b>95,730.2</b>	<b>40,182.5</b>	<b>2,206.9</b>	<b>5.8%</b>
Central York Fire Services	12,722.9	12,722.9	428.0	3.5%
Aurora Public Library	4,101.1	4,052.1	118.0	3.0%
<b>Total</b>	<b>112,554.2</b>	<b>56,957.5</b>	<b>2,753.0</b>	<b>5.08%</b>
Assessment Growth		<b>807.8</b>	<b>807.8</b>	<b>1.5%</b>
Net Tax Increase		<b>1,945.3</b>	<b>1,945.2</b>	<b>3.5%</b>
<b>Total Tax Levy</b>	<b>112,554.2</b>	<b>56,957.5</b>	<b>2,753.1</b>	<b>5.0%</b>

## Options to reduce the tax pressure

The budget principles approved in 2019 requires that a proposed Budget with an inflationary pressure exceeding two percent should provide options to reduce the levy. In developing the approved Budget, staff sought out opportunities to reduce costs and optimize revenues. This resulted in increases to revenues in community programs, facility rentals, site plan fees and savings in existing IT annual software costs. Growth was also managed within the approved Budget. The increase in assessment growth covers the costs of maintaining services, additional services including phragmites control and the phased in costs for the new financial system.

To reduce the levy further, additional actions could be taken, but not without some drawbacks:

- **Further increase to fees and charges:** Fees and charges are used to pay for community programs, facility rentals and more. The fees and charges increase was brought to Council for consideration in December and includes a 4.83 percent increase for inflation to many of the fees included. An additional increase could be added. However, given that after the pandemic a significant increase to some fees, may result in a reduction in the return to play for some programs.
- **Draw from reserves:** The tax stabilization reserve can be used to manage one-time or short-term tax pressures or phase in tax increases of significant pressures. However, the inflationary pressures which are included in the budget are ongoing. This means that the increase to taxes would only be deferred to the future.
- **Reduce service levels:** To reduce the levy, service levels could be changed. This could be through reducing contracted services or deferring some proposed new staff

positions. When considering deferring a position, the business case for each position should be reviewed. It addresses the needs and the impact of not proceeding.

- **Reduce capital reserve contributions:** Capital reserve contributions are used to fund the 10-year capital program. Reducing them has a direct impact on the 10-year capital plan. For every \$100,000 reduction in 2023, it results in \$1 million less in funding for capital projects in the 10-year capital plan.
- **Defer the reduction to reliance on supplementary taxes:** The Town is working towards reducing the Operating Budget reliance of \$225,000 in 2022 on supplementary taxes to \$75,000 in 2024. This could be deferred. The impact is the excess supplementary taxes collected by the Town goes towards the Growth and New reserve to pay for the non-development charge funded portion of growth capital projects. This will have a minor impact as it would only delay the phasing in of this goal.

## Operating Budget outlook for the Council term

Typically, in the first budget of the Council term an outlook would be included for the remaining three years. However, given the ongoing impacts of COVID-19, as well as rising inflation and interest rates, more focus was required for the 2023 Budget, so a levy forecast was not provided.

### The impact of emerging from the pandemic will be better known in the 2024 Budget

During the next few months, the Town should have a better understanding of how the recovery from the impact of the pandemic will affect the demand for services and the costs to deliver them.

### The Ontario fiscal update forecasts that inflation will slow over the next few years

On November 14, 2022, the province presented their fiscal update which forecasts inflation to slow over the next couple of years while employment growth is expected to slow. The province forecasts inflation at 6.9 percent in 2022, 3.4 percent in 2023, 2.3 percent in 2024 and 2.0 percent in 2025. While deflation is not expected, the increased costs for goods and services is expected to slow, which should help to keep the tax increase inline with the budget principles in future years.

### Legislative changes will impact future budgets in this term

There are legislative changes which will impact the budget over this term of Council, including those that will impact planning and development, waste management and asset management.

### Recent legislation will impact planning and development

Recent changes to legislation governing planning processes, fees, and development charges will impact the budget over this term. This could result in the refunding of planning fees putting those revenues at risk.

The changes resulting from Bill 23 affecting parkland fees and development charges will impact the Capital Budget funding of growth projects. Until the Bill is passed and the regulations are released, the full impact will not be known. Further discussion on this is included in Tab 5 Reserves and Debt Management.

### Producer responsibility for waste will have an impact for the Town

The roll out of the producer responsibility for waste policies will happen throughout Ontario over the next few years. At this point, the impact is still not fully known. It is expected that this will have some tax savings for the Town as it rolls out.

### Next generation asset management planning

Aurora has started the process of meeting the regulatory requirements for asset management. By July 1, 2025, Aurora must complete all stages of enhancing the asset management plan. The second-generation plan was developed, and measures have been established for the core assets. Aurora has obtained a grant to support the work on establishing measures for the non-core assets. The next stage will be to define the service levels for each type of asset and understand the asset management reserve needs required to maintain the service levels.

### The next Budget will cover 2024 to 2026

After the approval of the 2023 Budget, Town Staff will work towards the development of a three-year budget to be considered by Council at the end of 2023. More information on the impact of the pandemic recovery and legislative changes will be known and factored into the proposed Budget.

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