

Full Authority
18 November 2021
Agenda Item: 11

2022 Draft Budget Deliberations

Staff have proceeded to develop a draft budget for 2022 based on the requirements deemed necessary for the CVCA to move forward with completing an upgrade to the Flood Forecasting and Warning system, adjusting for inflation and assimilating a new staff position.

Taking the above into consideration and operational activities in 2021 to date, staff are proposing the attached Draft 2022 Budget. The proposed Draft Budget is a reflection of two trending issues significantly influencing the CVCA's financial requirements.

- 1) Regulation permit activities
- 2) Capital Expenditures

Regulation Permit Activities

All of the components of the regulations program have increased significantly in 2021. This trend started in 2020 due to the influence of COVID on the entire development industry across the Province. There were no exceptions and it was only a matter of time before these development pressures affected the CVCA watershed, which in turn placed significant pressure on the regulations and planning department of the CVCA.

Currently, permits, property inquiries and planning (severances, by-law amendments, minor variances) have increased significantly year over year. This increased volume of work has not slowed down to a normal pace as of November. This has created problems or issues for staff trying to maintain a reasonable turnaround time for certain parts of the program. In fact, the lag time for much of the year was below our normal standards. It is only now that we are making headway to reduce the backlog of permits. This was the downside of the year.

The upside was more regulations and planning activity resulted in a substantial increase in revenues. The proposed Draft 2022 Budget has taken this into consideration in calculating revenues for this program and service area. In addition, the CVCA fee structure was reviewed and have proposed a slight increase to fees to reflect inflation and it was not adjusted last year. Staff strongly advise the fee structure should be adjusted at least to account for inflation. That being said, the estimated revenue was tempered by using the six (6) year revenue average for the program. The average certainly evens out the highs and lows experienced by the regulations program and with six years of data to draw on, it assists with determining a reasonably accurate revenue prediction.

The other unknown variable in determining the revenues for the regulations program is the COVID effect. The trend during this pandemic has resulted in many people leaving the GTA and relocating to rural areas of the Province. This has been true for virtually any generation. Those who are on the verge of retirement and simply want to get out of the urban environment and the generation who can now work from home. The question remains, how long will this trend continue and to what extent. If it has peaked in 2021, then permits will too likely recede and the average reflects this possible scenario. However, the ongoing effects of the relocation that occurred in 2021 may also may simply mean the CVCA could see a shift in the kinds of development in 2022 requiring permits. For example, new building or addition permits may be lower in 2022, but the shoreline permits on those properties may increase substantially as new homeowners and cottagers determine what they need to do to their properties, such as shoreline work.

Regardless, staff believe there will be a correction to the revenue collected from permits in 2021, the question is how much and the six year average is the best way to make any prediction. With the average implemented and a slight increase to fees (5%) to take into consideration inflationary pressures, revenues are being projected to still be higher than normal.

Staff have also included an increase in Property Inquiry charges from \$50 to \$100. An informal survey of our neighbouring conservation authorities indicates the CVCA was vastly undercharging for this service. Considering the amount of time and effort it requires to complete the work, it makes sense to be compensated accordingly and in line with other conservation authorities.

In addition to the foregoing, based on current LTD scenarios, staff have factored wage expenses to cover off these expenditures and they are lower than anticipated. This has a positive impact on the overall expenses for staff wages, which are the primary driver for any CVCA Operations Budget.

The last contributing factor to the Operations Budget is the starting wages for new staff that have been incorporated into the 2022 Budget.

These three primary factors have helped to reduce the pressure on the Operations Budget, resulting in an increase of 1.08%.

Capital Expenditures

It is a different story for capital expenditures.

As each Board member knows, an aging infrastructure will require upgrades, repairs or replacement of its assets. As such, the CVCA Board has made the commitment to tackle this issue head on with recent decisions and the Board must be commended for these efforts, as they are not easy to make. Great strides have been taken in the past few years with recognizing the need to adopt an Asset Management Plan for the CVCA's operational assets.

The annual contribution rate for these operational assets is approximately \$33,000 per year to cover the amortization of these assets (there could be some alterations based on the asset mix – it needs to be flexible). Essentially, the plan allows the CVCA to follow Generally Accepted Accounting Principles and adhere to the same standard as municipalities for managing their assets. The implementation of this plan came into effect in 2019.

In addition to the operational assets, the Board recognized the necessity to make yearly contributions to an Infrastructure Capital Asset Contribution plan for the repairs or possible replacement of the CVCA's dams and weirs. Although these assets also have an extended amortization period, it is significantly more difficult to accurately determine the amount that should be contributed on a yearly basis. However, the reintroduction of this annual contribution is imperative, especially since we know the assets need repairs and safety review updates. Staff and public safety is imperative and must be addressed.

The 2022 Draft Budget includes the repair item for the Marmora Dam, which has been on staff's radar for the past few years. Staff and the Board recognize that repairs now will be less expensive than if left to further deteriorate. As a result, staff have submitted this repair project to the Provincial WECEI program in the past. Unfortunately, the repair has not ranked high enough to be eligible for the WECEI funding, which would cover 50% of the repair costs.

Therefore, staff have once again included the Marmora Dam repair in the Draft Capital Budget. Since the initial estimated cost for the repair is now three years old and COVID supply issues have increased material costs, staff have included a higher estimate to complete the work.

In addition to the dam repairs, staff have also included upgrades to the gauges for the Flood Forecasting and Warning network. Approximately 40% of the work and associated expenses has been started in 2021 and the remainder of the upgrades to the network would be phased in next year. This would complete a long overdue overhaul to one of the key mandatory programs and services of the CVCA's mandate. By modernizing the equipment and software, it will ensure we are prepared for a number of years in the future and capable to deliver the program and service. It will eliminate the failure of an old system, which could easily occur at any time. The CVCA must be able to deliver its core mandate with a high level of confidence to the public and our member municipalities or the Authority risks severe repercussions and endangers lives and property.

Additional Operational Budget Highlights

- A 3.31% COLA increase for staff (based on the average monthly to date)
- Adjusted inflation sensitive expenses by 3.31%
- Wage adjustment
- Additional staff training for new staff
- Increased hydro plant revenue is anticipated – the plant operated for virtually the entire summer, which is *not* normal.

- Hydro plant weekend work wages increased (used blended wage rate, increase from current hourly rate)
- Dam operations increased to account for yearly expenses to install and remove safety booms
- Increased McGeachie cottage rentals to \$995/week and to 825/week in off season from \$975 and \$790
- Verbal commitment from 3rd party foundation to donate funds
- Included \$7,000 for ditching, material and possible culvert installation at The Gut C.A.
- Applying for student funding (2) through Canada Summer Jobs Grant
- Added funding for 1 student supported by CVCA
- Increased SWP wages by 3.31%

Additional Capital Budget Highlights

- Draw down of \$25,000 from reserves (from 2021) added to \$25,000 asset contribution
- Increased stop log purchase to \$7,500 from \$5,000 due to increase in lumber expenses (COVID)

Not Included in the Draft Budgets (Wish List)

- New/used vehicle (32,000)
- Create a reserve for EOS Base Station/Equipment (\$5,000) this year and contribute same next year the intent of purchasing equipment in 2023
- Use \$30,000 in reserves from previous budgets to complete bathroom renovations to comply with AODA access.

Summary

In terms of percentage increases, the 2022 Draft Budget Levy increase of 1.08% for the Operational Budget from last year seems reasonable, especially in the context of a higher inflationary environment. The dollar increase is \$6,718.

In terms of percentages, the Draft Capital Budget is extremely high compared to last year. This is a direct result of an increased allotment for repairs to the Marmora Dam and the inclusion of funding to upgrade the Flood Forecasting and Warning gauge system. Both of these items are extraordinary capital expenditures and therefore it makes sense the levy requirements would be abnormally high in comparison to prior years. The increase is 86.37%, which translates into \$54,494.

The combined increase is 8.95% which is \$61,212. Considering the repairs made to the largest dam in the watershed and upgrading a 33 year old gauge system, there is good value for the increase.

There are two options for the CVCA Board to consider to fund the proposed Draft 2022 Budgets.

The Board may opt to 1) proceed to seek additional levy money from the member municipalities as per prior years or 2) use the surplus acquired from 2020 to fund all or a portion of the proposed Capital Budget increased levy since the surplus exceeds the 2022 requirements.

Recommendation

- 1) Staff recommend that the Draft 2022 Budget be approved for circulation to the member municipalities for their minimum thirty day review period.*
- 2) The CVCA Board receive and review the municipal comments in order to proceed with budget deliberations with the intent of approving the Draft Budget at the earliest possible date in 2022.*

Board Decision

TP