



## Staff Report

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**Report To:** Joint Committees

**Date of Meeting:** May 8, 2023

**Report Number:** FSD-022-23

**Submitted By:** Trevor Pinn, Deputy CAO/Treasurer

**Reviewed By:** Mary-Anne Dempster, CAO

**Resolution#:** JC-052-23

**File Number:**

**By-law Number:**

**Report Subject:** 2024 Budget Schedule

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### Recommendations:

1. That Report FSD-022-23 and any related delegations or communication items, be received;
2. That the Council meeting calendar being amended to change the 2024 Budget meetings from January/February 2024 to November/December 2023 as outlined in Report FSD-022-23, be approved;
3. That Staff be directed to prepare a multi-year budget for the years 2024 to 2027 in accordance with the Multi-Year Budget Policy;
4. That the tax levy increase be equalized between the three years to provide a stable level of funding;
5. That a dedicated capital levy not to exceed 2.0 percent be included in the proposed budget; and
6. That all interested parties listed in Report FSD-022-23 and any delegations be advised of Council's decision.

## Report Overview

Staff are recommending several changes to the annual budget process this year. A Multi-Year Budget for the years 2024 to 2027 will provide Council, Staff and Taxpayers with knowledge of the available resources to meet the strategic, growth and service needs of the Municipality while stabilizing increases to the tax levy to a predictable level.

A change in the schedule is recommended to move the budget deliberations from the first two months of 2024 to the last two months of 2023. This will provide Council to deliberate the budget prior to the start of the fiscal year. Further, by moving up the budget approval the procurement process can begin earlier which is anticipated to result in more competitive procurements.

A dedicated capital levy is recommended which follows a growing best practice in Ontario municipalities to identify the funding needed for asset management purposes to maintain the critical infrastructure that allows a municipality to provide service to taxpayers.

## 1. Background

### Budget Policy

- 1.1 General Government Committee approved Report [FSD-019-23 Multi-Year Budget Policy](#) at its meeting on of April 17, 2023. This policy replaced the Budget Policy G14 which had been approved in 2019.
- 1.2 The Multi-Year Budget Policy allows Council to approve a budget up to four years in length, with annual updates and confirmations occurring during the life of the Budget.
- 1.3 The Multi-Year Budget Policy does not include requirements for the timing of the approval of the budget, or the proposed tax levy changes during the time period. Council is identified as being responsible for setting the budget guidelines and timeframes.

### Economic Factors

- 1.4 It is too early to predict the economic factors that may impact the Municipality throughout the 2024 to 2027 time period; however, there are some economic expectations over the short to mid time frame that will impact the preparation of the budget. The annual update process is the opportunity to consider and apply new information to the forecasted budget for future years.
- 1.5 In its [April Monetary Policy Report](#), the Bank of Canada indicated that it continues to target an inflationary control range of one to three percent to seek the maximum

sustainable level of employment. The mid-point of the range is the inflationary target, two percent, that the Bank of Canada is aiming to achieve.

- 1.6 The Bank of Canada is estimating that the Consumer Price Index (CPI) year-over-year rate will decrease from 6.8 percent in 2022 to 3.5 percent in 2023 down to 2.3 percent in 2024. It is expected that by 2025 inflation will be back to the target level at approximately 2.1 percent. It should be noted that while the CPI is an inflationary index used for households, the basket of items used to determine the index is not reflective of the types of goods and services that the Municipality purchases.
- 1.7 Per the Government of Canada, the unemployment rate for March 2023 was 4.4 percent for the Oshawa economic region (which includes Clarington). This is below the national average of 5.0 percent. ([Table 14-10-0354-01 Regional unemployment rates used by the Employment Insurance program, three-month moving average, seasonally adjusted](#)).
- 1.8 The 2023 Province of Ontario Budget did not indicate any new grant programs available to the Municipality, nor any significant changes to existing programs. The Canada Community-Building Fund which is funded by the Government of Canada is expected to continue at an indexed level per capita.

## 2. Budget Preparation Calendar

### Overview

- 2.1 Staff are recommending that a 2024 to 2027 Multi-year Budget be prepared for Council's consideration. The Multi-Year Budget would be structured to stabilize levy increases during the budget period and consider the requirements of the Council Strategic Plan, Asset Management Plan, Development Charges Study and other master plans during this timeframe.
- 2.2 The budget sets spending guidelines and priorities for the Municipality's operating year of January 1 to December 31. It is beneficial to pass the budget early in the year to allow Staff sufficient time to complete the capital plan and adjust operating priorities. Historically, the Municipality has passed its budget between late January and mid-March.
- 2.3 Staff from Legislative Services and Financial Services have met to discuss the budget meeting dates for 2023 to 2026. Staff are recommending an eventual move to one budget meeting date, consolidating the external agencies and the budget deliberation dates into one day. This would be an effective use of Council and Staff time and reduce the need for additional meetings.
- 2.4 Staff are recommending that for the Initial 2024 to 2027 Multi-Year Budget process that the separate agency/presentation and deliberation schedule remain. This will provide

the Treasurer with the ability to present the four year budget and the changes from the traditional process in a meaningful way to Council and the public.

- 2.5 For the annual budget updates for the 2025 and 2026 year, one meeting day is recommended as it is expected that the information will be scoped to significant changes to the budget. It is expected that agency presentations and deliberations would not need to be as long. For the 2027 update, two meetings would be held again as this would be a new Council which could include new members with a need to educate Council being included in the budget process.

**2024 Key Dates**

- 2.6 There is a best practice that budgets should be adopted by the government prior to the start of the fiscal year. This provides direction and authorization for the utilization of public resources to provide service prior to the actual year starting.
- 2.7 Another reason for moving up the budget process is to allow for the procurement processes associated with goods and services to start earlier in the year. This could result in a more competitive process as more suppliers are available to complete the work.
- 2.8 Based on the above, the 2024 budget calendar for Council deliberations is as follows:

Date	Event/Meeting
November 13, 2023	Draft Budget released to the public
November 24, 2023	Special GGC Meeting – Presentation and external agency delegations
November 27, 2023	GGC Meeting – Budget deliberations
December 18, 2023	Council Meeting – Budget ratification

**Status Quo Schedule**

- 2.9 Council alternatively may continue with the existing dates, which result in meetings starting Friday, January 26, 2024, with ratification on February 12, 2024.

2.10 The draft book under this approach would be released publicly on January 15, 2024.

### **Subsequent Years**

2.11 Based on the above recommendation for update years to be one meeting, the following dates are proposed for the budget deliberations, ratification to occur at the following Council meeting:

- November 25, 2024 – Special Budget Meeting (2025 budget year)
- November 24, 2025 – Special Budget Meeting (2026 budget year)
- January 2027 date to be confirmed after start of new term of Council.

2.12 The budget meetings for the 2025 and 2026 updates represent a Monday meeting in November which is proposed to be an “off” week under the new Procedural By-law, this eliminates the need for joint meetings, non-Friday meetings, or evening meetings which Staff understand can conflict with other engagements.

2.13 Under the Municipal Act, 2001, in the year following a general election the budget or update of a multi-year budget may only be approved in the year that it applies. A general election is scheduled for 2026, therefore the 2027 budget update may only be approved after January 1, 2027.

## **3. Key Assumptions**

### **Levels of Service**

3.1 Unless otherwise directed by Council, Staff are not anticipating changes in the level of service to taxpayers and stakeholders of the Municipality of Clarington. There are no new services anticipated and no planned service eliminations except as identified below.

3.2 Council has requested Staff to cost and develop a strategy for the creation of outdoor skating amenities to be built during this term of Council. The staffing, maintenance and operating costs for these facilities will be included in the projected four-year budget as applicable.

3.3 The 2023 to 2026 Strategic Plan, once approved, will be included in the 2024 to 2027 Multi-Year Budget to facilitate its implementation and completion. At the date of this report, these priorities have not yet been approved by Council.

- 3.4 The impacts of anticipated growth, both residential and commercial, will be included to maintain the existing levels of services. For example, this may include costs for additional vehicles, snow removal, programming to maintain existing standards.
- 3.5 Legislative impacts will be included throughout the four-year period to meet our legal requirements. This could include minimum maintenance standards, Planning Act changes, or Development Charges Act changes. Alternatives will be identified, if applicable, to mitigate any costs of responding to the legislation.
- 3.6 The Municipality will assume that the existing grant opportunities remain unchanged. This will result in the elimination of the Ontario Community Infrastructure Fund by 2025. This funding will need to be offset by other sources of funding, or service reductions to our capital program. The Canada Community-Building Fund will be assumed to occur as provided by the Association of Municipalities of Ontario.
- 3.7 Staff are estimating that growth in assessment will be approximately 1.5 percent per year. This is new growth from additions to existing buildings or new construction. Market revaluations do not impact the tax levy, they only impact the tax rate that individual taxpayers would be taxed on.
- 3.8 Staff are currently reviewing processes throughout the organization with the addition of two Business Improvement Specialists in the Office of the CAO. These positions will be identifying opportunities for savings, these savings will be included to the extent they can be quantified in the proposed 2024 to 2027 Budget. Information regarding savings will be included in the annual updates as applicable.

### **Dedicated Infrastructure Levy**

- 3.9 During the 2023 Budget, Council directed Staff to “review the current Budget Control Policy and provide recommendations, if applicable, to Council including the development of multi-year budgets and a dedicated infrastructure levy...” Report [FSD-019-23 Multi-Year Budget Policy](#) dealt with the former part of that direction, a dedicated infrastructure levy is an increasingly common tool used by municipalities to recognize the cost and fund asset management plan needs.
- 3.10 As part of the 2024 to 2027 Multi-year Budget, staff will include a dedicated infrastructure levy amount that is used solely for asset management needs such as replacement, rehabilitation and repair. The goal of the Multi-Year Budget is, working with known information from the asset management plan and other municipal plans, to determine a stable level of funding that is required over the four year period to minimize the impacts of volatility in any given year. A dedicated infrastructure levy of between 1.0 to 2.0 percent is expected, which is in line with the prior recommendations of the asset management plan.

- 3.11 The dedicated infrastructure levy will be used to fund the critical investments that are necessary to maintain our assets. The Province of Ontario has established a regulation on asset management which requires, in a future phase, that Council establish a financing strategy for its Asset Management Plan and to report annually on meeting its financing strategy. The infrastructure levy is a tool in the financing strategy, along with grants and debentures, that will be used to meet the future funding needs of the Municipality's Asset Management Plan.

## **4. Financial Considerations**

- 4.1 The budget process determines the resources available for the Corporation to provide services and invest in the infrastructure required to provide services to taxpayers in Clarington.
- 4.2 The change to a multi-year budget allows for better planning of resources as Staff are aware of the available resources over the four year period to complete work. Residents benefit from improved predictability and stability of changes to the tax levy. Council is able to set a four-year plan; however, with the requirement to review the budget annually there is still the opportunity to adjust the plan for new information or unexpected changes.
- 4.3 No specific target has been recommended at this time as it is recommended that Staff complete the budget, to meet the goals of Council with an increase that is stable across the budget period. Council will have the opportunity to review the four year plan and make budget/service level decisions accordingly.

## **5. Concurrence**

Not Applicable.

## **6. Conclusion**

It is respectfully recommended that Council approve the revised schedule for the 2024 Budget and assumptions for the preparation of the 2024 to 2027 Multi-year Budget.

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Attachments:

Not Applicable

Interested Parties:

The following interested parties will be notified of Council's decision:

- Clarington Public Library and Museums
- Visual Arts Centre of Clarington
- Downtown Bowmanville BIA
- Orono BIA
- Newcastle BIA
- Bowmanville Older Adults Association
- Clarington Board of Trade
- Community Care Durham
- Grandview Children's Centre
- John Howard Society of Durham Region
- Newcastle Hall Board