

Conservation Halton Finance & Audit Committee Agenda - 03 21

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Start: Thursday, October 7, 2021 - 1:30pm

End: Thursday, October 7, 2021 - 2:30pm

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1. Roll Call
 2. Disclosure of Pecuniary Interest for Finance & Audit Committee Members
 3. Acceptance of Agenda
 4. Action Items

4.1. 2022 Budget & Business Plan (FA 03 21 01)



2022 Budget Business Plan - (FA 03 21 01)



Conservation Halton Budget and Business Plan 2022 FA Oct 7 2021

5. Other Business
 6. Adjournment
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REPORT TO: Finance & Audit Committee

REPORT NO: # FA 03 21 01

FROM: Marnie Piggot, Director Finance

DATE: October 7, 2021

SUBJECT: 2022 Budget & Business Plan

Recommendation

THAT the Finance and Audit Committee **recommends to the Conservation Halton Board of Directors that municipal funding of \$10,795,636 in the 2022 budget be approved by a weighted vote by the Conservation Halton Board of Directors at the October 21, 2021 meeting;**

And

THAT transfers to and from Reserves in the 2022 budget **be approved as outlined in this report;**

And

THAT the 2022 Budget & Business Plan **be approved as presented.**

Executive Summary

The 2022 Budget & Business Plan provided in the meeting package is presented for consideration to recommend approval to the Board of Directors at the October 21, 2021 meeting.

The 2022 preliminary budget was submitted to Halton and Peel region staff over the summer. Conservation Halton staff have met with Regional senior staff to review the proposed budget and municipal funding request. Budget presentations to municipal councils are planned for Halton Region on November 17, Peel Region on December 2 with Puslinch and Hamilton in January.

The 2022 budget will allow Conservation Halton to continue to meet its strategic priorities as outlined in the new strategic plan, Momentum and build on our success to date. The 2022 budget balances delivery of core programs and services, with strategic priorities, inflationary and growth-related pressures.

The 2022 budget of \$40.2 million is summarized in the chart below. The amounts are segregated according to Conservation Halton's budget categories Watershed Management & Support Services (WMSS) totalling \$22 million and the Conservation Areas of \$18.2 million. The combined operating budget totals approximately \$33.4 million and the capital budget totals \$6.7 million.

Programs	2022 Budget	2021 Budget	Increase / Decrease
Watershed Management & Support Services (WMSS)			
Operating	\$ 18,581,146	\$ 17,590,970	\$ 990,176
State of Good Repair (SOGR Levies)	\$ 480,500	\$ 478,500	\$ 2,000
	\$ 19,061,646	\$ 18,069,470	\$ 992,176
Capital	\$ 2,931,970	\$ 3,761,698	\$ (829,728)
Subtotal WMSS Budget	\$ 21,993,616	\$ 21,831,168	\$ 162,448
Conservation Areas			
Operating	\$ 14,385,263	\$ 13,843,514	\$ 541,749
Capital	\$ 3,812,903	\$ 1,143,412	\$ 2,669,491
Subtotal Conservation Areas Budget	\$ 18,198,166	\$ 14,986,926	\$ 3,211,240
Total Budget	\$ 40,191,782	\$ 36,818,094	\$ 3,373,688

2022 Budget highlights:

Major drivers of the 2022 budget increase of \$3.4 million over 2021 budget amounts are:

- \$663,985 in staff salaries and benefits costs based on a 1.75% inflation adjustment to the salary bands and 96% of the salary band approximating actual salary costs. Staff costs make up 64% of the operating budget. Total overall staff full-time equivalents (FTE) have not changed from the 2021 budget;
- \$100,000 in legal expenses related to Planning & Regulation activities;
- \$150,000 in insurance expenses based on 2021 insurance premiums increases; and
- \$2,280,000 for the Crawford Lake Boardwalk capital project funded primarily through a successful Investing in Canada Infrastructure Program (ICIP) grant totalling \$1.67 million.

Municipal funding in the 2022 budget of \$10,795,636 has increased slightly from the amount included in the preliminary budget presented in June of \$10,792,456. The \$364,757 increase in municipal funding is 3.5% higher than requested in 2021. There is no new debt financing required in the 2022 budget.

A 2022 municipal funding increase below the 3.7% Halton Region guideline has been achieved through continued operating improvements that do not affect service levels along with increased other revenue such as grants. Most of the budget continues to be funded through self-generated revenues and base municipal funding remains at less than 28% of the total funding sources. Specific guidelines have not been received from the other three funding municipalities.

Municipal State of Good Repair (SOGR) levies have increased in the 2022 budget by \$2,000 in line with previous budget forecasts. A reallocation of \$60,000 from the Dams & Channels SOGR levy to the Facilities SOGR levy has been made to meet the reserve funding target in the Facilities Asset Management Plan.

The Conservation Areas operating surplus in the 2022 budget of \$372,118 is higher than the 2021 budget surplus of \$251,284 and assumes a conservative recovery from the COVID impacts on park programs.

Report

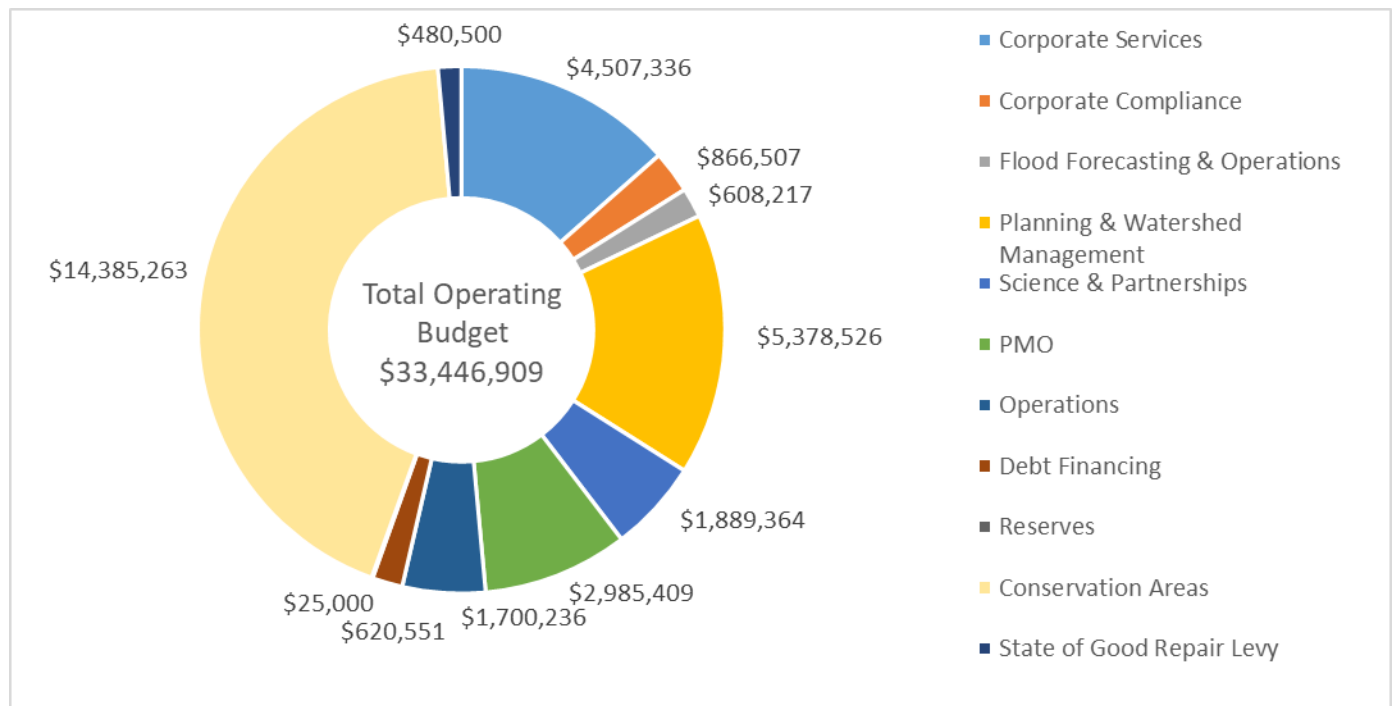
2022 Budget Revisions

Minor revisions have been made in the budget from the preliminary budget presented in June with minimal change in municipal funding. A summary of the budget revisions include:

- Municipal apportionment percentages for 2022 recently received from the province have been updated;
- Municipal debt financing charges were revised to \$570,551 by Region of Halton staff resulting in a decrease of \$20,820 from the preliminary budget amount of \$591,371 based on the 2021 budget 2022 forecast amount. Municipal debt financing charges in the 2022 budget have increased slightly by \$1,306 from the 2021 budget amount of \$569,245; and
- Office expenses have increased by \$44,000 to address estimated changes in staff workspace arrangements because of COVID-19 impacts. This increase is funded municipally by \$24,000 and a transfer from the Stabilization Reserve of \$20,000.

2022 Operating Budget

The 2022 operating budget of \$33.4 million provides for an investment of \$19.1 million in Watershed Management & Support Services (WMSS) programs and an investment of \$14.4 million into the Conservation Areas. The following graph shows the distribution of the operating budget by department.



Inflation has been assumed generally at a rate of 1.75-2.0% for 2022. The Bank of Canada aims to keep inflation at the 2 per cent midpoint of an inflation-control target range of 1 to 3 per cent.

Investing in Watershed Management & Support Services

The WMSS 2022 operating budget of \$19.1 million has increased by \$992,176 over the 2021 operating WMSS budget. The budget increase is largely funded by program revenue, grants, reserves and internal chargebacks. Municipal operating funding for WMSS programs is proposed to increase by \$351,573 for programs and services and by \$2,000 to fund increases to the State of Good Repair Levies for dams, channels and facilities.

Major drivers of the WMSS municipal funding increase include:

- Staff compensation and benefits cost increases of \$434,687.
- 2.75 FTE staff changes costing \$275,542 funded primarily by program revenue and other grants;
- Planning & Regulation legal budget increase of \$100,000 based on increased activity in 2021. This increase is funded by a transfer from the WMSS Stabilization Reserve to assess whether a long term increase is needed; and
- Insurance budget increase of \$50,000 based on increases in current insurance premiums.

Investing in our Parks

The Conservation Areas 2022 operating budget provides for an investment of \$14.4 million into the parks. Operating expenses have increased in the Conservation Areas 2021 operating budget by \$541,749. The increase in expenses is funded entirely by park program revenue.

Major drivers of the budget change include:

Staff salary and benefits are decreasing by (\$46,244) as a result of a reduction in 3.0 FTE positions offset by increased seasonal salaries and benefits.

Internal Chargebacks to the Conservation Areas for support services of \$1,364,100 have decreased in the 2022 operating budget by (\$29,100) related to support staffing changes and estimated allocation of time spent on park programs.

Purchased services increase of \$291,545 includes estimated insurance costs increases of \$100,000 based on 2021 premiums and \$105,000 in digital transformation initiatives.

Financial expense increase of \$175,000 is attributed to increased credit card fees and point of sales system fees. These expense increases are more than offset by proposed increased park program fees.

Program and other funding revenue have increased by \$530,100 to \$13,946,430 from the 2021 budget amount of \$13,416,330. Program revenue increases are based on fee increases in spring 2021 to transition to full cost recovery and also partially considers COVID-19 impacts.

Staffing

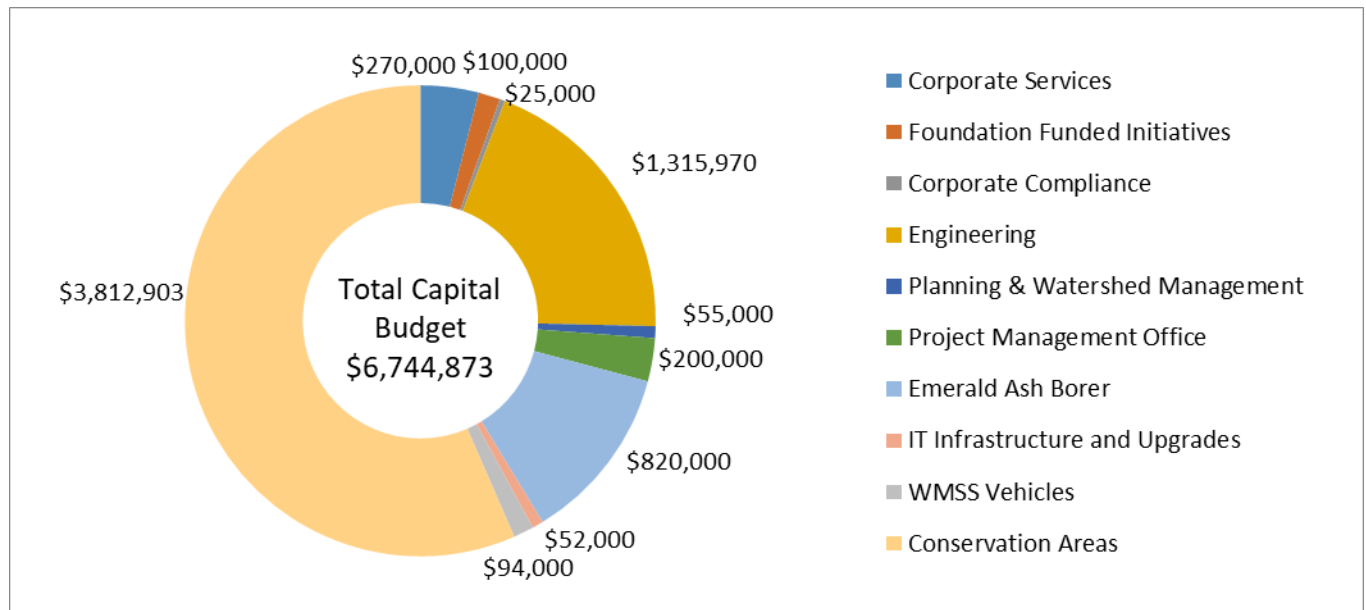
The 2022 budget includes 251 Full Time Equivalent (FTE) staff that are comprised of 116 FTE in Watershed Management & Support Services (WMSS) programs and 135 FTE in the Conservation Areas.

The 2022 operating budget provides for a net decrease of .2 full time equivalent (FTE) staff positions made up of 2.8 FTE increase in Watershed Management & Support Services and 3.0 FTE decrease in the Conservation Areas.

2022 Capital Budget Summary

The 2022 capital budget represents an investment of \$6.7 million into infrastructure and technology to enhance programs and services in the watershed of \$2.9 million and Conservation Areas of \$3.8 million.

The capital budget provides funding for projects such as the rehabilitation of flood control infrastructure, updating of flood plain mapping, investments in digital transformation and technology upgrades, vehicle and equipment replacements, managing the impacts of Emerald Ash Borer, land management initiatives and Conservation Area infrastructure improvements including Crawford Lake Boardwalk to extend its lifespan and meet accessibility requirements and green space enhancements with the opening of Kelso Quarry Park / Area 8 to the public and implementation of park master plan improvements.



Municipal Funding

The total municipal funding increase of \$364,757 includes an additional \$2,000 for State of Good Repair levies for dams, channels and facility assets to gradually meet target levels established in the

Asset Management Plans for these assets. Asset Management Plans have been completed for all of Conservation Halton's assets with most of the assets identified as in good condition.

Budget Category	2022 Budget	2022 Municipal Funding	2021 Municipal Funding	\$ Increase / Decrease	Municipal Funding % Increase
Operating (excl. SOGR levy)	\$32,966,409	\$10,053,136	\$9,695,379	\$357,757	3.7%
Capital	6,744,873	262,000	257,000	5,000	1.9%
	39,711,282	10,315,136	9,952,379	362,757	3.6%
State of Good Repair (SOGR) Levy - Dams & Channels; Buildings	480,500	480,500	478,500	2,000	0.4%
Total	\$40,191,782	\$10,795,636	\$10,430,879	\$364,757	3.5%

The operating and capital forecasts have been prepared with municipal funding increases ranging from 3% to 4.5% annually.

Apportionment of Municipal Funding

Municipal funding of \$10,795,636 is apportioned to the Region of Halton, City of Hamilton, Region of Peel and Township of Puslinch according to the area and proportional current value assessment (CVA) of the municipality falling within the Conservation Halton watershed.

Based on updated current value assessment data and apportionment percentages received from the province, the apportioned municipal funding amounts are as follows:

Municipality:	Apportionment % 2022	Municipal Funding 2022	Apportionment % 2021	Municipal Funding 2021	% Increase
Region of Halton	87.8985%	\$9,489,202	87.8421%	\$9,162,704	3.6%
City of Hamilton	7.1904%	776,249	7.1875%	749,719	3.5%
Region of Peel	4.6944%	506,791	4.7534%	495,821	2.2%
Township of Puslinch	0.2167%	23,393	0.2170%	22,635	3.3%
	100.0000%	\$10,795,636	100.0000%	\$10,430,879	

Debt Financing, Debt Financing Charges and Debt Capacity

There is no new municipal debt financing requested in the 2022 budget.

Debt financing charges included in the 2022 operating budget of \$620,551 includes \$570,551 municipal debt financing charges and \$50,000 for estimated principal and interest payments on a land acquisition loan with the Hamilton Community Foundation (HCF).

The total long-term debt balance is currently \$5,406,229 including debt financing received in 2021. The debt capacity ratio estimated for 2022 of 4.2% is based on estimated own source revenues

excluding Conservation Areas program revenue. Conservation Halton has approved a debt capacity ratio of 10% in its Budget Principles

Reserve Funding

The summary below provides the recommended transfers to and from reserves in the 2022 budget and the resulting projected reserve balances at December 31, 2022. A reserve continuity schedule with reserve balances to 2031 is also provided in the 2022 Budget & Business Plan.

Conservation Halton Reserves	Reserves Projected Balance Dec. 31, 2021	Contribution from Municipal Funding	Contribution from Surplus	State of Good Repair Levy	Contribution to Capital Projects	Contribution to Operating Expenses	Reserves Projected Balance Dec. 31, 2022
Watershed Management & Support Services							
Vehicle and Equipment	625,967				(94,000)		531,967
Building	153,470				(100,000)		53,470
Building - State of Good Repair	299,757			164,000	(100,000)		363,757
Watershed Management Capital - Municipal Funds and Self Generated Funds	1,028,080			316,500	(350,485)		994,095
Watershed Management & Support Services Stabilization	1,789,212					(120,000)	1,669,212
Capital Projects - Debt Financing Charges	425,564						425,564
Digital Transformation	254,900				(200,000)		54,900
Legal - Planning & Watershed Management	258,891						258,891
Legal - Corporate	200,000						200,000
Water Festival	170,296					(10,000)	160,296
Land Securement	85,437	25,000					110,437
Property Management	901,116						901,116
Stewardship and Restoration	259,011					(63,500)	195,511
Conservation Areas							
Capital	2,402,091		372,118		(1,532,903)		1,241,306
Stabilization	1,000,568						1,000,568
Total Reserves	9,854,360	25,000	372,118	480,500	(2,377,388)	(193,500)	8,161,090

Conservation Authority (CA) Act Provincial Review

The Conservation Authority (CA) Act review by the Ministry of the Environment, Conservation and Parks (MECP), with advice from the Provincial CA Act Working Group, will result in revisions in the regulations related to municipal levies and new requirements for certain categories of programs and services. These changes will impact the budget process for 2024 and beyond, although the risk to service levels remains low at this point.

For the 2022 budget, provincial operating funding has been assumed to remain at the same level as 2021 funding of \$155,034.

Impact on Strategic Goals

This report supports the Momentum priority of Organizational Sustainability.

Financial Impact

Conservation Halton staff have developed a fiscally conservative budget for 2022. The modest increase of 3.5% for municipal funding and State of Good Repair Levy that is proposed:

- recognizes our regional funding municipalities fiscal pressures;
- continues to provide core services in a growing watershed;
- ensures the needs of the increasing number of visitors at our Conservation Areas are met and
- reflects program and service enhancements to address service delivery objectives outlined in Conservation Halton's strategic plan Momentum.

The 2022 budget addresses increased staff costs and other expense increases through operational efficiencies, increased program revenue and other funding and includes an increase of 3.5% in municipal funding. The proposed 2022 budget continues to provide for investments in our programs to enhance service delivery, supports digital transformation initiatives, watershed planning work, greenspace and property management initiatives, floodplain mapping, flood forecasting, and enhances visitor experiences at our parks.

Signed & respectfully submitted:

Approved for circulation:



Marnie Piggot
Director, Finance



Hassaan Basit
CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT:

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