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Good afternoon,

For your information, attached please find Credit Valley Conservation (CVC) resolution #28/23 approving CVC's 2023 budget and the accompanying staff report.

Sincerely,

Tamara Chipperfield | she/her/hers
Corporate Secretariat | Credit Valley Conservation
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REFERRAL TO _____
RECOMMENDED _____
DIRECTION REQUIRED _____
RECEIPT RECOMMENDED _____

TO: The Chair and Members
of the Board of Directors,
Credit Valley Conservation

SUBJECT: CREDIT VALLEY CONSERVATION BUDGET 2023

PURPOSE: To seek final approval by the Board of Directors of the 2023
Credit Valley Conservation Authority budget.

BACKGROUND:

Credit Valley Conservation Authority's (CVC) budget is comprised of several key sources of funding. The majority of CVC's budget is attained through municipal levies for both mandatory programs and programs completed in collaboration with our funding partners. In determining the annual municipal levies, CVC staff undertake a comprehensive process, involving staff at our funding municipalities to confirm budget pressures and priorities. Through this, financial staff at our funding municipalities often provide us with recommendations on targets for inflationary changes to our budget to align with the municipality's financial planning for that budget year. The 2023 budget process for the CVC commenced in April of 2022. Halton Region provided a target of 4.7% while Peel Region did not provide a specific 2023 target. The guideline set by Halton includes an inflationary adjustment and a growth factor.

CVC staff undertook a detailed process to prepare the 2023 budget that included critically reviewing program plans and expenses. The draft budget was presented on November 11, 2022 to the CVC Board of Directors and endorsed under Resolution #75/22 as follows:

RESOLVED THAT the report entitled, "2023 Budget Endorsement" be received and appended to the minutes of this meeting as Schedule 'B'; and

THAT the preliminary 2023 budget outlined in the report be endorsed by the CVC Board of Directors for presentation to funding partners and to seek their approval; and

THAT staff discuss with key funding partners the need for sustainable capital to support infrastructure needs resulting from continued growth in the CVC Watershed; and further

THAT staff continue to seek alternative funding sources to address capital needs.

Following endorsement from the CVC Board of Directors, CVC staff met with senior staff at both Peel and Halton Regions to review the proposed 2023 budget. These meetings occurred prior to presenting the CVC budget to the respective Councils. The CVC budget

was presented to Peel Council on February 2, 2023. Halton Region received the CVC budget at their January 11, 2023, Council meeting.

Detailed budget presentations have been made to all other funding municipalities and all funding municipalities have been provided with budget information packages.

Notice of the intent to consider and pass the 2023 CVC budget has been provided to all CVC watershed municipal funders, CVC's web site and to municipal clerks. Further information regarding the voting procedure on the 2023 budget by the CVC Board of Directors is provided in the companion report titled "Voting Procedure for 2023 Non-Matching Levy", Schedule 'B'.

ANALYSIS:

In the 2022 CVC budget, staff included a projection of budget changes over the next several years, based upon parameters anticipated at that time. The 2022 budget included a 2023 forecast with an average increase of 3.5%. The final budget outlined in this report identifies an average increase of 3.4%, representing a decrease of 0.1% from initial projections.

1) Budget 2023

Current Value Assessment (CVA)

Table 1 shows the change in percentage by funder of the levy apportionment based on the Current Value Assessment (CVA) data provided annually by Ministry of Environment Conservation and Parks (MECP) as generated by the Municipal Property Assessment Corporation (MPAC).

Table 1: Change in CVA from 2022 to 2023 as a percentage

Municipality	Apportionment of 2022 CVA	Apportionment of 2023 CVA	Change	% Change
Peel Region	91.6492	91.6555	0.0063	0.01%
Halton Region	5.1757	5.1726	-0.0031	-0.06%
Town of Orangeville	2.3773	2.3718	-0.0055	-0.23%
Town of Erin	0.6141	0.6153	0.0012	0.20%
Town of Mono	0.1129	0.1136	0.0007	0.58%
Township of East Garafraxa	0.0595	0.0598	0.0003	0.57%
Township of Amaranth	0.0113	0.0114	0.0001	1.06%
TOTAL	100%	100.00	-	-

General Levy:

Table 2 outlines the General Levy as apportioned by watershed municipality using the CVA formula provided by the province. The total general levy for 2023 is \$10,736,258 or

an average 4.69% or a total of \$481,378 increase over 2022, including CVA apportionment.

Table 2: Municipal Apportionment of 2023 CVC General Levy based on CVA

Municipality	2022 General Levy	2023 General Levy	\$ Change	% Change
Region of Peel	\$9,398,515	\$9,840,377	\$441,862	4.70%
Region of Halton	\$530,762	\$555,340	\$24,578	4.63%
Town of Orangeville	\$243,789	\$254,636	\$10,847	4.45%
Town of Erin	\$62,975	\$66,062	\$3,087	4.90%
Town of Mono	\$11,578	\$12,194	\$616	5.32%
Township of East Garafraxa	\$6,102	\$6,423	\$321	5.27%
Township of Amaranth	\$1,159	\$1,226	\$67	5.80%
TOTAL	\$10,254,880	\$10,736,258	\$481,378	4.69%

**Note: CVA is only applied to General Levy and Shared Special Levy portions and not to Peel Special Benefiting Levy*

Total Levy:

Table 3 provides CVC 2023 total levy amounts by municipality. The 2023 general levy, special shared and special benefiting levy funding totals \$27,792,520 which is up \$900,361 or an average of 3.35% over 2022 funding of \$26,892,159.

Table 3: 2023 Proposed Total Levy by Municipality

Total Levy Requirement by Municipality	2022 Total Levy	2023 Total Levy	\$ Change	% Change
Region of Peel*	\$25,829,506	\$26,682,407	\$852,901	3.30%
Region of Halton*	\$658,617	\$688,139	\$29,522	4.48%
Town of Orangeville	\$302,515	\$315,528	\$13,013	4.30%
Town of Erin	\$78,145	\$81,859	\$3,714	4.75%
Town of Mono	\$14,367	\$15,110	\$743	5.17%
Township of East Garafraxa	\$7,571	\$7,959	\$388	5.12%
Township of Amaranth	\$1,438	\$1,518	\$80	5.57%
TOTAL*	\$26,892,159	\$27,792,520	\$900,361	3.35%

** Excludes emerald ash borer (EAB) response**

The Halton Region guideline (target based on overall gross budget) was 4.7%. (CVC is at 3.35%, 1.25% lower than the target.

Peel Region did not provide a guideline during the development of the 2023 budget. CVC staff nonetheless undertook a detailed process to prepare the draft budget and continued to identify and implement cost saving measures on an ongoing basis.

Gross Budget:

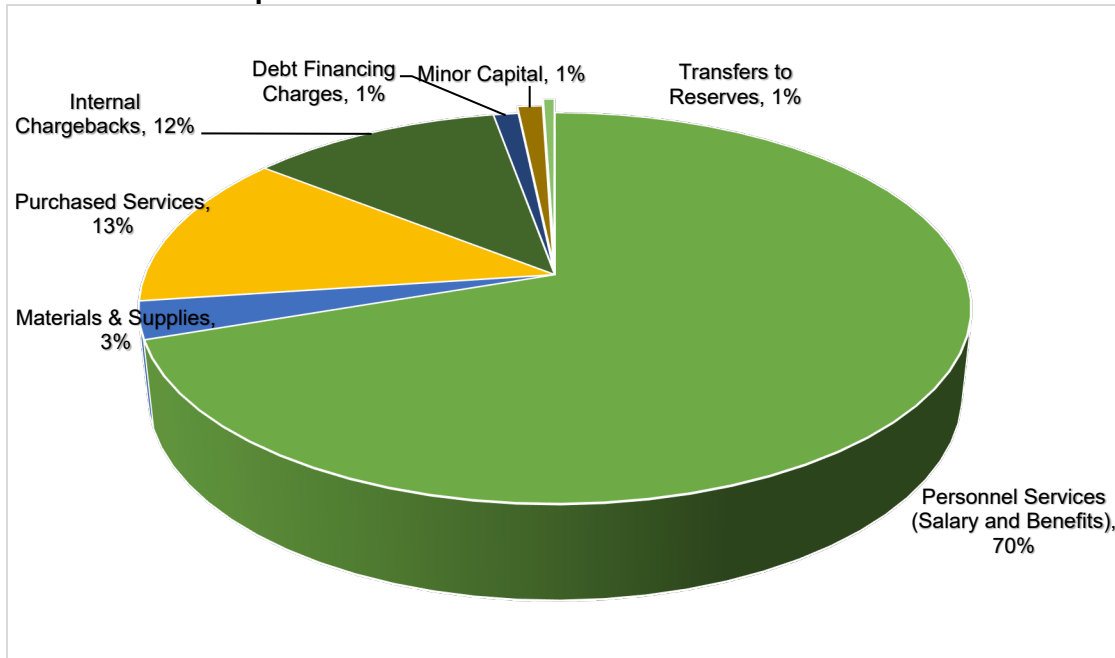
In 2023 CVC is planning for funding of \$33 million (less internal program chargebacks of \$5.8 million) for a total gross budget of \$39 million of which \$27.8 million is to be provided by the municipalities in the form of general and special levy. Table 8 provides a detailed breakdown of the gross budget. It shows the areas of increase and decrease by various line items. The 2023 budget generally reflects a post-pandemic return to normal staffing levels and activities. While there continues to be some additional staff across the CA system to meet the ongoing increasing trends in visitation, these contract/casual staff positions are offset by revenue.

Table 4: CVC Total Gross Budget (all sources)

CVC Gross Expenditures	2022 Budget \$000's	2023 Budget \$000's	\$ Change \$000's	% Change
Personnel Services (Salary and Benefits)	26,515	27,625	1,110	4.2%
Materials & Supplies	1,180	1,156	-24	-2.0%
Purchased Services	4,878	4,982	104	2.1%
Internal Chargebacks	4,382	4,236	-147	-3.3%
Debt Financing Charges	434	434	0	0.0%
Minor Capital	437	405	-33	-7.5%
Transfers to Reserves	196	193	-3	-1.3%
Total CVC Operating Expenditures	38,022	39,030	1,009	2.7%
Gross Funding Sources (all sources)				
User Fees (Planning, Gate)	4,380	4,631	251	5.7%
Municipal Funding (Levy)	26,892	27,793	899	3.3%
Base Funding (Provincial)	96	96	0	0.0%
Source Water Protection (Provincial)	577	660	83	14.4%
Other Grants & Program Funding	43	48	5	11.4%
Internal Chargebacks	6,034	5,804	-229	-3.8%
Total CVC Funding for Operations	38,022	39,030	1,009	2.7%

Estimated gross revenue for CVC in 2023 totals \$39 million of which 28% is funded from the general levy, 7% is funded from the special levy (based on current value assessment) and 37% is funded from the special benefiting levy. Self-generated revenue such as user fees, tree planting fees, regulation fees, plan review fees, government grants and other revenue including interest income and donations account for 14%. The remaining 15% comes from internal chargebacks.

Chart 1: Gross Expenses



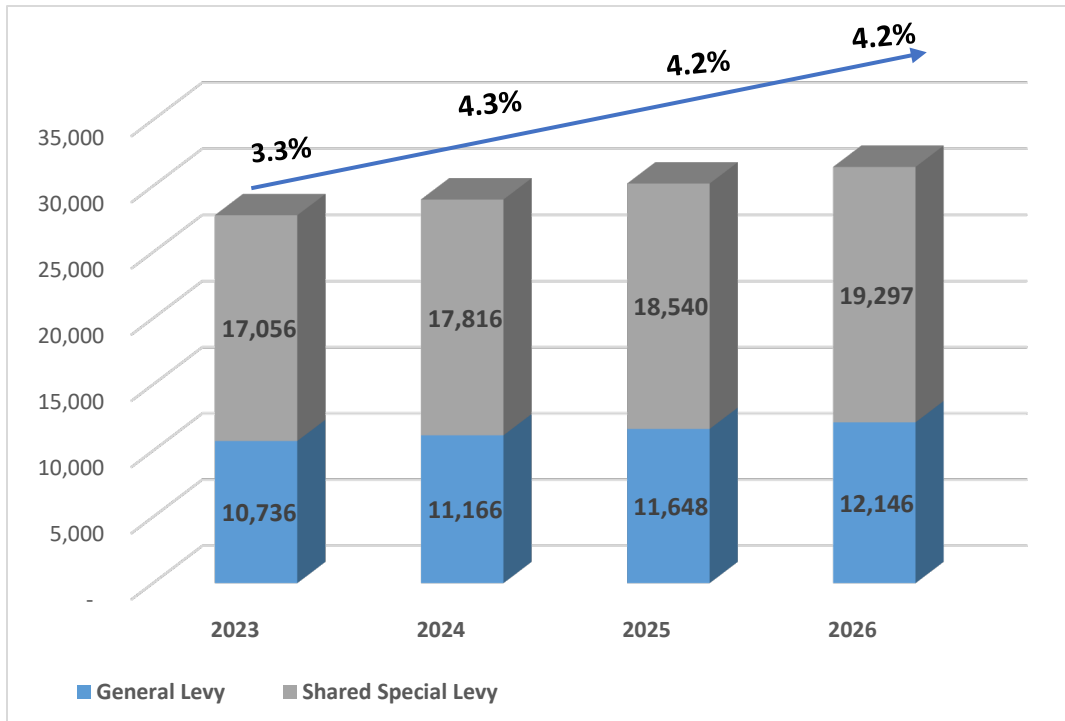
Three Year Forecast (2024 to 2026)

Through the budgeting process CVC also undertakes forecasts for future budget years. The current 2023 budget increase as shown on Table 5 is forecast at 4.3%. Considering the current and future rate of inflation (6.9%). A 2.5% COLA increase and 3.2% inflation have been factored into our forecast. However, we will review the future budgets with the targets provided by the municipalities. The 2024 budget year will also reflect any changes to programs and services occurring as a result of changes to the *Conservation Authorities Act*. Consequently, the forecasted budget as shown in Table 5 is expected to change, and changes in 2024 (in particular) in which our budget is being realigned to meet the new provincial requirements are likely to exceed the 2024 changes forecast and conceptually identified below. Also note that the forecast does not include all alternative sources of funding noted above, and the budget is refined as those funding sources are secured through the annual budget process.

Table 5: CVC Three Year Forecast

Levy Type	2024 Forecast		2025 Forecast		2026 Forecast	
	Amount	% Change	Amount	% Change	Amount	% Change
General Levy	11,165,707	4.0%	11,648,350	4.3%	12,145,886	4.3%
Shared & Special Levy	17,816,316	4.5%	18,540,087	4.1%	19,297,118	4.1%
Total	28,982,024	4.3%	30,188,436	4.2%	31,443,004	4.2%

Chart 2: CVC Three Year Forecast



Budget Summary by Municipal Funding Source:

Table 6 provides a summary of the budget broken down by general levy, special shared levy and special benefitting levy.

General Levy is the source of core funding for the operations of CVC as identified under the *Conservation Authorities Act*. The proposed 2023 general levy amount is \$10,736,258 which is an average increase of 4.69% or \$481,378 over 2022.

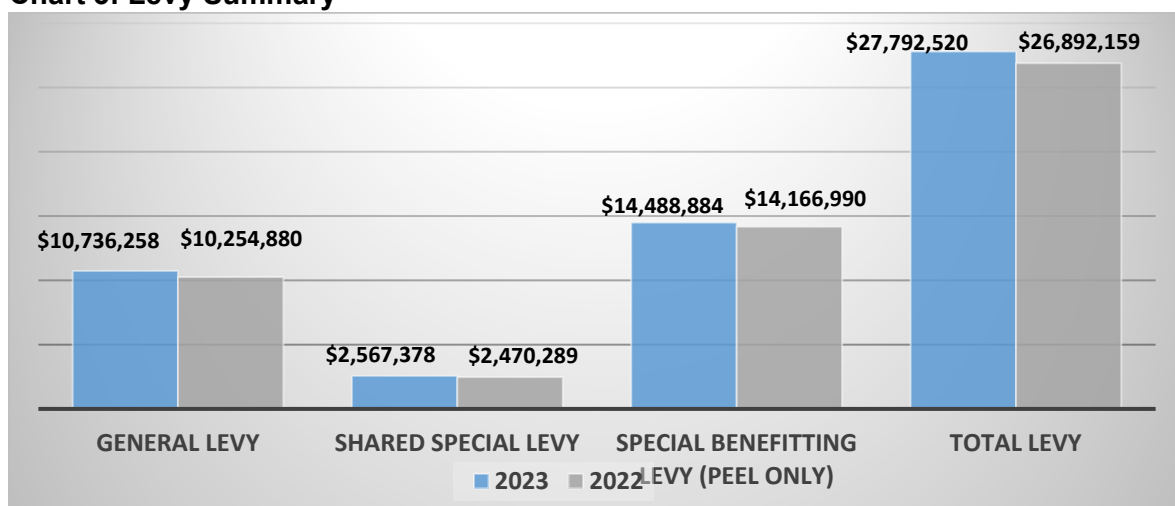
Shared Special Levy, also referred to as capital funding, supports important work by CVC that provides necessary services for the benefit of all watershed municipalities. The 2023 shared special levy amount is \$2,567,378 which is an average increase of 3.93% or \$97,089 over 2022.

Special Benefitting Levy provides funding that supports a municipal priority and is paid for by the benefiting municipality or municipalities. The special benefitting levy amount is \$14,488,884 which is an increase of 2.27% or \$321,894 over 2022. This amount is fully funded by the Region of Peel, of which \$10,974,222 is supported by the Peel Climate Change Fund focused on programs to foster resilience to the impacts of climate change.

Table 6: Levy Summary

Funding Source	2023 Amounts	2022 Amount	\$ Change	Avg. % Change
General Levy	10,736,258	10,254,880	481,378	4.69%
Special Levy Commonly Shared	2,567,378	2,470,289	97,089	3.93%
Special Benefitting Levy (Peel only)	14,488,884	14,166,990	321,894	2.27%
Levy Total	\$27,792,520	\$26,892,159	\$900,361	3.35%

Chart 3: Levy Summary



Levy by Municipality All Sources:

Table 7 provides the 2023 representative share for each levy type by municipality.

Table 7: Total Levy Requirement by Municipality

Total Levy Requirement by Municipality	2023 General Levy \$	2023 Commonly Shared Special Levy \$	2023 Special Benefitting Levy \$	2023 Total Levy \$
Region of Peel	\$9,840,377	2,353,146	*\$14,488,884	\$26,682,407
Region of Halton	\$555,340	132,799	-	\$688,139
Town of Orangeville	\$254,636	60,892	-	\$315,528
Town of Erin	\$66,062	15,797	-	\$81,859
Town of Mono	\$12,194	2,916	-	\$15,110
Township of East Garafraxa	\$6,423	1,536	-	\$7,959
Township of Amaranth	\$1,226	292	-	\$1,518
TOTAL	\$10,736,258	2,567,378	14,488,884	\$27,792,520

* The Peel Special Benefitting Levy total includes \$10,974,222 for Climate Change

2) Salary and Expense Adjustments

The CVC salary administration process provides for an annual review. The following items are examined in the annual salary review process:

- Polling our pay-line comparable agencies each year regarding their cost-of-living adjustment (COLA) or pay band adjustments.
- The Chair and Vice Chair honorarium amounts and Board members per diem allowances are adjusted in accordance with the percentage adjustment approved for the salary administration program.
- Reimbursement rates for employees and Board members using their personal vehicles to travel for CVC business in line with those set out by the Canada Revenue Agency.

The 2023 budget has included a 2% adjustment to the CVC salary bands for salaried, and contract staff effective April 1, 2023.

The 2023 per diem allowance for CVC Board members and the honorarium for the Chair and Vice Chair are recommended to be adjusted by 2% in line with the adjustment for CVC salaried and contract staff.

The 2023 per-kilometre allowance for use of a personal vehicle for business purposes set by the Government of Canada is 68¢ per kilometre for the first 5,000 kilometres driven and 62¢ per kilometre driven after that.

In addition to the adjustments noted above, at the December 9, 2022 meeting the Board of Directors received a report on the 2023 comprehensive pay equity and compensation review, currently in progress. This review supports CVC's ability to attract and retain talent in a competitive labour market. In-year impacts of the pay equity and compensation review on the 2023 budget are not entirely known at this time, but additional pressure related to implementation of the review is expected. The results of the review and implementation plan, once finalized, will be presented to the CVC Board of Directors with the changes recommended by CVC staff.

3) Reserve Status

In June of 2018, the Board supported the creation of several capital reserves and a revenue offset reserve for the conservation areas under "Reserve Management 2018" (Resolution #53/18). The 2023 budget includes ongoing contributions to these reserves as CVC continues to implement more robust measures to support asset management through funding to support the state of good repair, capital life cycle replacement and risk reduction measures related to conservation area revenues. In addition, through the annual external audit process, the state of the reserves will be confirmed as at year-end (December 31, 2022) in the Audited Financial Statements.

4) Significant Budget Drivers:

a) Staffing and Benefits

A key driver of the CVC 2023 annual budget, like other municipalities and government organizations, is related to staff. Salary adjustments in 2023 reflect a cost-of-living adjustment (COLA) at 2.0% (2022 was 2% and 2021 was 1.0%). The total salary adjustment impact will be approximately \$1.1 million in 2023, including COLA and performance management. The proposed 2% COLA is consistent with municipalities and other GTA conservation authorities and is reasonable given the extremely high core rate of inflation that has been experienced over much of 2022 and that continues into 2023.

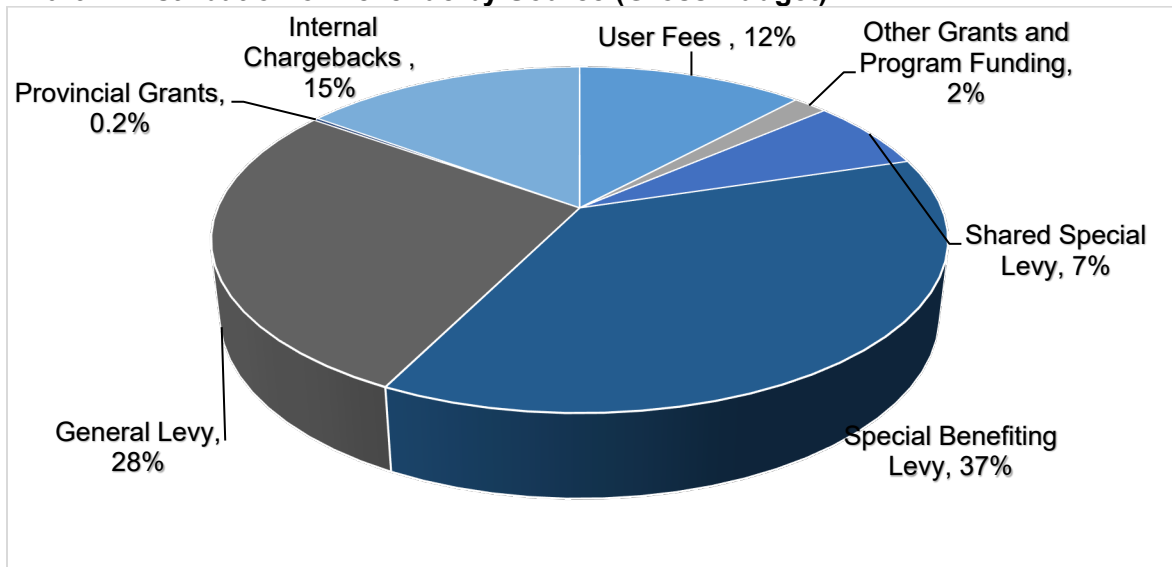
b) External Factors

Factors impacting the development of the budget process included consideration of the rate of inflation, the consumer price index, changes to Current Value Assessment (CVA), growth in the watershed, the value of the Canadian dollar, insurance rates, fuel prices and utilities. These factors were all considered during the development of the 2023 budget.

c) Self-generated Revenue

CVC self-generated revenue and funding from external sources have become a significant source of funding amounting to approximately \$4.6 million budgeted for 2023 (see Chart 1). The 2023 amount represents an increase of the budgeted revenues from \$4.4 million in 2022 (or a difference of \$0.2 million).

Chart 4: Distribution of Revenue by Source (Gross Budget)



In Chart 4 above the provincial grants (0.2%) refers to the annual Section 39 transfer payment from the province of \$95,606. Other grants and program funding (2.0%) is primarily Source Water Protection funding (SWP).

d) Pressures and Risks

There are several further unfunded pressures and/or future risks that are not included in the 2023 budget that this report will briefly touch upon:

i. Compensation Review (pressure)

CVC is currently in the process of an organization-wide compensation review. This review is necessary for CVC to attract and retain talent and remain competitive with other regional employers. Results of the review are anticipated in Q2 and will not have been integrated into the 2023 budget. Based on the results of the review, staff will consider alternatives for implementation including phasing in the costs over multiple budget years.

ii. Asset Management (pressure)

Work continues to advance regarding overall asset management for CVC. State of good repair assessments have been completed for all major structures and infrastructure. Work is underway developing a comprehensive asset management plan that supports future funding across all asset classes to maintain and replace assets as necessary. This plan will inform 2024 capital budgeting.

iii. Forest Management (pressure)

The impacts of aging plantations, a changing climate and invasive species are impacting the health of our forest lands. In addition, key woodlots have been identified for thinning and restoration work that are important to improving resiliency from pests, fire, and general decline in quality. Funding of this work is critical to ensure the health of vital tree cover in the watershed.

iv. Invasive Species (risk)

There are several invasive species that present a real concern for certain species of trees. The recent example of the Emerald Ash Borer (EAB) infestation demonstrates just how devastating and costly such invasive species can be. Continued funding to address new invasive species will very likely be required over the coming years meaning that the one-time funding to address EAB could again be required in the future.

We will continue to work with our funders to help refine and adjust the identified pressures and to seek opportunities to mitigate costs wherever possible, including applications for infrastructure funding, eligible programs, and alternative funding sources.

COMMUNICATIONS PLAN:

All budget materials presented to the CVC Board of Directors are posted to the CVC website. In addition, the materials presented to each of the watershed municipalities are made available on the municipal websites through the publication of the agenda, recording of the presentations and related materials. All meetings where budget presentations have occurred were open to the public both at CVC and during presentations to watershed municipalities. Notice of the intent to pass and approve the budget by the CVC Board of

Directors was posted on the CVC website, in accordance with the requirements prescribed under the *Conservation Authorities Act*. Once the budget is approved by the CVC Board, all watershed funding municipalities will be advised of the approved levy.

FINANCIAL IMPLICATIONS:

The 2023 CVC budget, as presented, will be funded through the collection of the CVC levy by watershed municipalities, external funding and revenues. This funding enables CVC to carry out programs and services for the calendar budget year 2023.

CONCLUSION:

The 2023 CVC budget is in accordance with the draft budget provided to the CVC Board of Directors on November 11, 2022 and endorsed under Resolution #75/22.

Detailed information on the 2023 budget has been provided to all funding municipalities. This is a 'business as usual' budget that supports and sustains our current program and service levels. CVC has and continues to work closely with our participating municipalities to align our work with municipal priorities. CVC is grateful to all funding municipalities for their ongoing support of *protecting, connecting and sustaining* the Credit River watershed.

RECOMMENDED RESOLUTION:

WHEREAS the CVC Board of Directors endorsed the 2023 budget under Resolution #75/22 on November 11, 2022; and

WHEREAS the budget has been shared with all of the funding municipalities in the watershed;

THEREFORE BE IT RESOLVED THAT the report entitled, "Credit Valley Conservation Budget 2023" be received and appended to the minutes of this meeting as Schedule 'C'; and

THAT the general levy be approved in the amount of \$10,736,258 as apportioned by municipality shown on Schedule 'C', Table 1; and

THAT the special shared levy of \$2,567,378 as apportioned by municipality shown on Schedule 'C', Table 1 be approved; and

THAT special benefitting levy of \$14,488,884 to Peel Region be approved; and

THAT the CVC pay grid for salaried and contract employees be increased by 2% effective April 1, 2023; and

THAT Board of Director per diems be increased by 2.0% in 2023 with an effective date of April 1, 2023; and

THAT the CVC Chair and Vice-Chair position's annual honorarium increase by 2.0% in 2023 with an effective date of April 1, 2023; and

THAT the 2023 per-kilometre allowance for staff and Board of Director use of their personal vehicles for CVC business purposes is 68¢ per kilometre for the first 5,000 kilometres driven and 62¢ per kilometre driven after that, in accordance with the rate set by the Government of Canada, with an effective date of April 1, 2023; and

THAT the Director of Corporate Services be authorized to make any technical budget adjustments as required; and further

THAT each watershed municipality subject to the CVC Levy be advised of this resolution to provide notice that the 2023 CVC Budget has been approved.

Submitted by:



Roger Tharakan
Sr. Manager, Financial Services



Andrew Kett
Director, Corporate Services

Recommended by:



Quentin Hanchard
Chief Administrative Officer