

# Grand River Conservation Authority

**Report number:** GM-05-23-42

**Date:** May 26, 2023

**To:** Members of the Grand River Conservation Authority

**Subject:** Budget 2024 – Draft Framework

---

## **Recommendation:**

THAT Report Number 05-23-42 – Budget 2024 - Draft Framework be received as information.

## **Summary:**

This report outlines a preliminary budget 2024 framework that was created to comply with Phase 1 requirements under the new regulation O.Reg.402/22: Budget and Apportionment.

Phase I of the budget process requires the GRCA to identify:

- Total revenue by source, including municipal apportionment
- Total operating and capital expenses by category
- Funding/revenue that could be used to offset (reduce) expenses, and any restrictions or rules on certain revenue sources
- The apportionment method (formerly referred to as levy distribution) that will be applicable to Category 1 expenses

Categories that need to be identified in the budget are:

- Category 1 – mandatory programs and services
- Category 2 – programs and services delivered based on Memorandums of Understanding (MOUs) with municipalities
- Category 3 - Other programs and services the Authority determines are advisable
- General Operating/Capital Expenses

See appendix A for the draft Budget 2024 Framework.

## **Report:**

This report outlines a preliminary budget 2024 framework that was created to comply with Phase 1 requirements under the new regulation O.Reg.402/22: Budget and Apportionment. The budget framework highlights the allocation of surplus and outlines a preliminary strategy related to use of the transition reserve and the water management operating reserve for 2024. The Ad Hoc Conservation Authorities (CA) Act Committee met on May 10, 2023 and supported the allocation of surplus and reserve strategies as outlined in the budget 2024 framework. The committee also discussed the matter of apportionment and timelines for the various phases identified in the regulation.

## **Budget 2024 Framework:**

The budget 2024 framework (see attached) includes the following assumptions:

### **Category 1**

- Increase operating expenses by 2.5%
- Hold capital maintenance spending constant
- Hold revenue constant except for Source Protection Program (SPP)
- SPP Revenue increased to offset expense increase
- Increase municipal funding by the amount needed to cover expense increases

- Allocate \$100,000 from Transition reserve for staffing needed to address mandates applicable to the new regulations (i.e. conservation lands strategy, land inventory, etc.)

### **Category 2**

- Combined all activities under 'Watershed Services' (will update P&S Inventory Listing in May)
- Increase operating expenses by 2.5%
- Hold revenue constant
- Increase MOU funding by amount needed to cover the expense increase

### **Category 3**

- Increase expenses by 2.5%
- Park Revenue increased by the amount of expense increase
- Nature Centre revenue increased by \$100K
- Property Revenue increased slightly to get to overall surplus of \$175,000
- All other revenue held constant.
- Use Transition Reserve to fund NC Program deficit.

### **General Operating/Capital Expenses**

- Increase expenses by 2.5%
- Increase Municipal apportionment (formerly referred to as levy) by the amount needed to cover the expense increase.

### **Budget Highlights:**

- Municipal Funding 2024 (Category 1 + Category 2 + General Operating expenses) is 2.6% higher than 2023 General Levy
- Transition Reserve to be used to fund Environmental Education Program deficit
- Using the transition reserve creates a Category 3 surplus
- Remove use of Water Management Operating reserve to fund 1.0 FTE which in turn creates a Category 1 deficit
- Use Category 3 surplus to offset Category 1 deficit
- Alternate breakeven scenario: (a) continue to fund engineer position with Water Management Operating Reserve and (b) use Category 3 surplus to fund Environmental Education Program.

### **Apportionment Method**

Phase I of the budget process requires the Board to establish how municipal funding requirements for Category 1 net expenses will be apportioned (formerly referred to as Municipal Levy). The CA Act Committee has recommended that Category 1 net expenses be apportioned to municipalities based on Modified Current Value Assessment (MCVA) which is the same apportionment methodology used under the old regulations.

Category 2 expenses will be apportioned in accordance with the MOUs. The draft MOU indicates that MCVA will be used (same as Category 1 as applicable).

Category 3 expenses do not require any municipal funding.

General Operating expenses are to be apportioned using MCVA. General Capital expenses are to be apportioned using MCVA or by agreement, if applicable.

### **Timing of Approvals**

Phase 2 of the budget process is approval and consultation. The draft budget is typically presented to the Board in September or October annually. The new regulation requires that the draft budget be approved by the Board for consultation purposes, posted on the GRCA's website, and sent to participating municipalities along with apportionment information. The draft budget must include total revenue by source, including apportionment, total operating and

capital expenses by category, and what opportunities were considered to raise funds and use self-generated revenue to finance operations (reduce expenses).

Phase 3 is the board apportionment approval process. 30 days' notice of the meeting to approve apportionment must be sent to participating municipalities, as well as the most recent draft of the budget, and that municipality's apportionment amount. The vote must be recorded and will be based on a weighted majority. Following approval of apportionment, notification is to be sent to participating municipalities. It is proposed that this will occur in January 2024.

Phase 4 is the final budget approval process. The final budget is to be in the same format as the draft budget and include approved apportionment amounts, and any matters agreed to during the consultation phase. The budget vote must be recorded and may be approved by majority vote, or weighted majority if specified in the by-law. Once the final budget is approved, a copy must be sent to the Minister of Natural Resources and Forestry, each participating municipality, and posted on the GRCA's website. It is proposed that this will occur in February 2024 at the Annual General Meeting.

### **Next Steps**

Staff will continue to work towards finalizing MOUs with municipalities for category 2 programs and services

An updated Program and Services Inventory listing will be provided at the June 23, 2023 General Membership meeting

Budget 2024 - draft #1 will be provided at the September or October 2023 General Membership meeting

### **Financial Implications:**

This budget draft is meant to serve as a framework and contains very high-level assumptions to comply with Phase I requirements. The first draft of budget 2024 will be presented to the board in September or October 2023.

### **Other Department Considerations:**

None

### **Prepared by:**

Sonja Radoja  
Manager of Corporate Services

Karen Armstrong  
Deputy CAO/Secretary-Treasurer

### **Approved by:**

Samantha Lawson  
Chief Administrative Officer