



Town of Ajax
**Understanding
the Budget 2022**

ajax.ca/budget



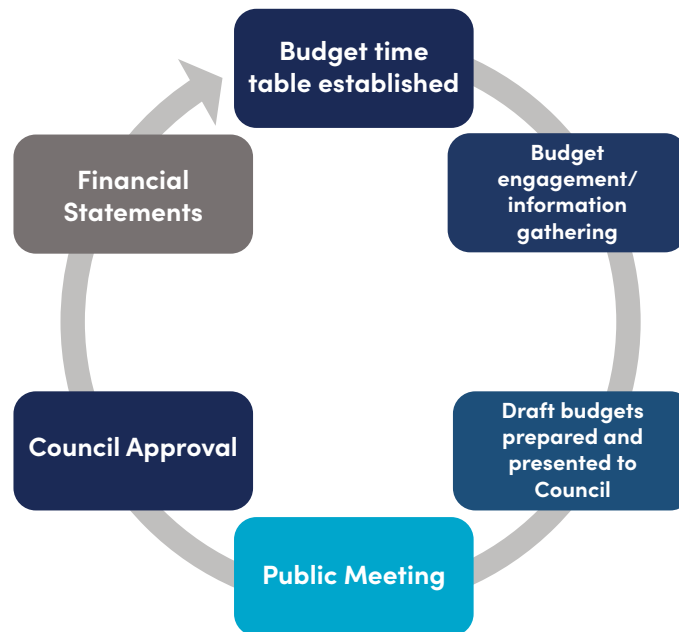
Overview of the Town's Budget/Forecast Process ►

A continuous, often complex 12 month process, budgets and forecasts draw information and direction from a wide range of sources. The budget is not an isolated event; rather it is an ongoing integrated process that translates the Town's services, service levels, policies, public input and plans into a single, consolidated financial road map.

The following chart summarizes the key events and dates in the budget/forecast process:

Date	Event(s)
March - June	<ul style="list-style-type: none"> ■ Planning begins for next year's budget
June	<ul style="list-style-type: none"> ■ Council approves budget/forecast timetable ■ Prior year Audited Financial Statements are presented to Council
August	<ul style="list-style-type: none"> ■ Work begins on Operating Budget Forecast
September	<ul style="list-style-type: none"> ■ Deadline for submission of Operating Budget Forecast ■ Review begins on Operating Budget submission and preliminary Capital Budget/Long Range Capital Forecast (LRCF) information
October	<ul style="list-style-type: none"> ■ Deadline for submission of Capital Budget/LRCF ■ Review continues on Capital Budget/LRCF
November	<ul style="list-style-type: none"> ■ Capital Budget/LRCF and General Levy Reserve Allocations presented and reviewed by General Government Committee at Public Budget meeting ■ Operating Budget Forecast presented to General Government Committee (tentative) ■ Deadline for submission of Operating Budget
December	<ul style="list-style-type: none"> ■ Capital Budget/LRCF and Reserve Allocations approved by Council ■ Work continues on Operating Budget
January	<ul style="list-style-type: none"> ■ Work continues on Operating Budget ■ Departments begin current year approved capital projects ■ Operating budget Education Session
February	<ul style="list-style-type: none"> ■ Operating Budget presented and reviewed at General Government Committee Public Budget meeting ■ Operating Budget approved by Council

Budget Overview ►



How to Have Your Say!

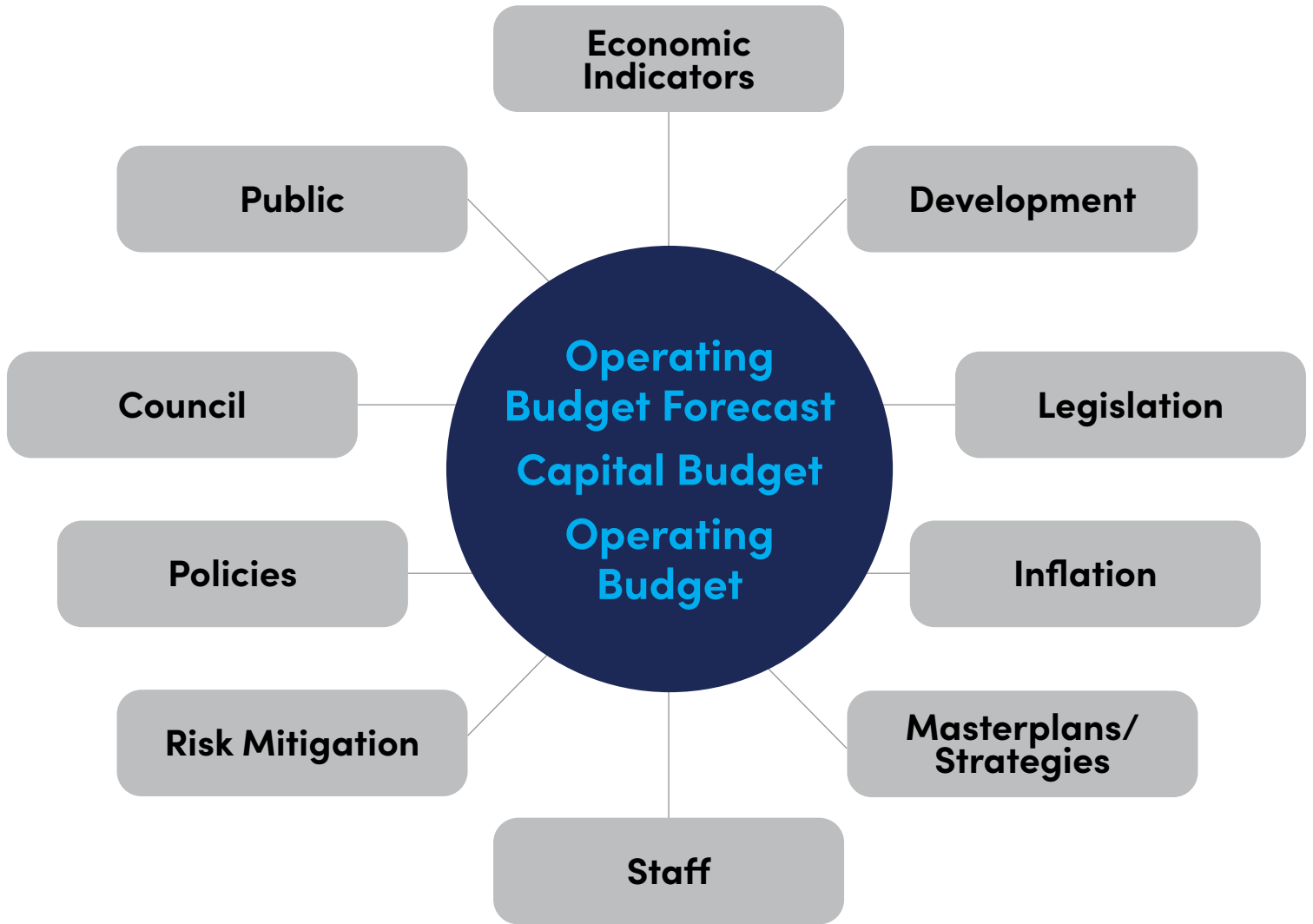
To effectively and efficiently deliver services to the community, public input, feedback, comments, suggestions are essential. There are numerous ways for Ajax residents to get involved:

- Ongoing correspondence and interaction with Mayor and Council
- Contact, correspondence, discussions with Town staff
- Public forums
- Regularly scheduled Council and Community Affairs and Planning meetings
- Quality system customer feedback
- The Town's public engagement forum, In My Opinion (IMO) Hub
- Social media platforms
- Customer Polling

Finally, receiving comments and questions from the public is one of the first items on the agenda at the November Capital Budget and Long Term Forecast meeting, January Operating Budget Workshop and February Operating Budget meeting.

How is the Budget Determined? ▶

Inform the Budget



Common Budget and Forecast Terms ►

Assessment

The value assigned to a property by the Municipal Property Assessment Corporation (MPAC) used as a basis for property taxation.

Assessment Growth

The additional taxation revenue the Town receives from the new homes and businesses that are built each year. This revenue is used to cover the cost of providing services to the new residents/businesses and for long term financial planning.

Annualization Cost

The incremental costs of a new facility or position that was approved for less than 12 months in the prior budget year.

Base Budget

Covers services already approved in previous budgets, adjusted for inflation, wage increases, user fee increases, general revenue and financing (e.g. increased reserve transfers)

Brownfields

Properties that were originally developed for industrial and commercial uses and which are now underutilized, derelict or vacant. The soil and water may or may not be impacted by contaminants as result of past practices and uses.

Business Unit

An organizational unit with a specific strategic focus and the authority to expend corporate resources in order to deliver an internal or external service.

Capital Budget

One time expenditures for major projects (often referred to as “infrastructure”) such as roads, vehicles/equipment, parks, sidewalks, trails, streetlights, playgrounds and buildings. It includes both the development of new, and the maintenance/rehabilitation of existing infrastructure.

Casino Ajax Revenues

All municipalities who have slots and gaming facilities, receive a percentage share of the revenues from Ontario Lottery and Gaming (OLG). It is up to each municipality to determine how it uses its revenues. For details on how the Town spends its slots revenues, please refer to the Slots Revenue Facts information sheet on the Town’s website.

Community Improvement Plan (CIP)

A Community Improvement Plan or CIP is a tool that allows a municipality to direct funds and implement policy initiatives toward a specifically defined project area. Community Improvement Plans are intended to encourage revitalization initiatives and/or stimulate development and redevelopment

Debenture Debt

A type of long term loan used as partial financing for major capital building projects. The debt, including interest, is repayable over 10 to 25 years. Debenture debt spreads the project cost and related tax rate increase over a number of years and ensures that future taxpayers pay their fair share of capital projects being completed today.

Development Charges

A charge paid by developers to partially pay for the cost of new capital projects required as a result of growth (e.g., new roads, parks, trails, community centres, fire stations, etc.). Development charges do not cover the entire cost of a capital project, as legislation requires municipalities to fund a portion of most projects. In addition, certain expenditures are exempt from development charges and must be paid entirely by the municipality.

Grant

A monetary contribution – typically from one level of government to another – as a means to lend support to a specific service, program or function. The Town of Ajax makes grants available to various local community organizations for special events and programs.

General Tax Levy

Sometimes referred to as the “Tax Levy”, the general tax levy is the net expenditures funded by property taxes.

Long Range Capital Forecast (LRCF)

The same type of expenditures as the Capital Budget, with the only difference being that the forecast covers a ten-year period, while the capital budget is for a one-year period.

Lower Tier Municipality

A lower tier municipality forms part of an upper-tier municipality. Municipal responsibilities set out under the Municipal Act and other Provincial legislation are split between the upper-tier and lower-tier municipalities.

Ajax is a part of a low-tier government system and collects property taxes on behalf of the Region of Durham and the Province for local school boards. For every dollar collected, approximately 55 cents is allocated to the Region, 14 cents – the Town only keeps 31 cents.

Operating Budget

The expenditures (e.g., wages/benefits, supplies, contracted services, utilities, etc.) required to deliver day to day Town services. It also includes the revenues that the Town receives (e.g., user fees, interest income, building permit fees, etc.). Covers day to day costs.

Operating Budget Forecast

Process used to calculate the estimated operating surplus or deficit for the current budget year. The forecast is completed using actual expenditures/revenues up to August 31 and projections for September to December.

Operating Impact from Capital

Identifies additional operating costs – including compensation, maintenance costs etc. – resulting from new or expanded assets such as a facilities, vehicles, trails or parks being put into service during the budget year.



Payment-In-Lieu

Compensation from the Federal and/or Provincial governments in recognition of lost property tax revenue. Federally and provincially owned land are exempt from taxation, however, they often compensate the municipality with 'payment-in-lieu of taxes.'

Reserves/Reserve Funds

Monies set aside for specific purposes, including both operating and capital budget items. There are two main types of reserves/ reserve funds:

- **Statutory/Obligatory** – municipalities are required by legislation to establish certain reserve funds (e.g., Development Charges, Parkland, Federal Gas Tax)
- **Discretionary** – can be established by Council for a specific purpose (e.g., Vehicle/Equipment Replacement, Debt Reduction)

Supplementary Revenue

Based on the supplementary and omitted assessments issued by MPAC for new properties or improvements to properties that were not assessed on the annual assessment roll. Omitted assessments can be issued as far back as the current year plus two years (residents can be assessed back as far as 2019 for their new properties).

Tax Levy

The total amount to be raised by property taxes for operating and debt service purposes specified in the annual Tax Levy By-law. The Town is also responsible for levying taxes for the Region of Durham, Boards of Education and the Business Improvement Area.

Tax Rate

The rate levied on each real property according to assessed property value and property class.

Upper Tier Municipality

Is formed by two or more lower-tier municipalities. Municipal responsibilities are set out under the Municipal Act and other Provincial legislation are split between upper-tier and lower-tier municipalities. The Region of Durham is the Upper-tier to the Town of Ajax.

How the Town Plans for its Financial Future ►

The financial policies and practices adopted by current and past Councils, formed the foundation for the development of the Financial Sustainability Plan (the “FSP”). The FSP represents current municipal best practices, as well as “Made in Ajax” policies that reflect our specific and unique challenges/opportunities.

The Plan consists of a number of financial policies, with the following key policies approved by Council:

- Financial Sustainability Plan
- Discretionary Reserve Administration
- Discretionary Stabilization Reserves
- Discretionary Capital Reserves
- Long Term Debt Management
- Canada Community Building Fund (previously Federal Gas Tax funding)

Key Documents, Studies & Plans that Support the Budget ►

Budgets and forecasts rely heavily upon the various studies, plans and strategies that have previously been debated and adopted by Council. These key supporting documents share one common characteristic – extensive public consultation.

Five of the core documents for the Town of Ajax are summarized below:

1. **2018-2022 Strategic Plan – Stronger Together**

Adopted by Council at the beginning of each term, the strategic plan sets out the priorities and goals for the Town over the four year Council term. Included in the 2018 - 2022 Strategic Plan are three Key Focus Areas: Leading in our Community, Investing in our Community and Connecting our Community. These focus areas are supported by a number of actions that form the basis for achieving the core promise: “We strive to be leaders in all that we do; and foster a vibrant, innovative and connected community”. The strategic plan is managed throughout the term of Council, with a formal status report presented once per year.

2. **Development Charges Background Study**

Subject to the requirements of the Province’s Development Charges Act, all municipalities are required to adopt and then update a study every 5 years. The study identifies the new infrastructure and vehicles/equipment required due to growth, including their estimated cost and approximate timing. Roads, bridges, street lighting and sidewalks required are identified to buildout, while all other projects (e.g., community centres, libraries, firefighting equipment, etc.) are identified for a 10 year period. The Town’s last study was completed in 2018, with a subsequent amendment in 2020.

3. **Recreation, Parks & Culture Master Plan**

The master plan determines the needs and priorities related to services and facilities for recreation, parks and culture demands within the Town. The plan provides an action plan for the development of future recreation facilities (indoor and outdoor), trails, parks, arts and cultural facilities over a 10-year period. The newest plan is expected to be finalized in 2021.

4. **Transportation Master Plan**

Last updated in 2019, this master plan identifies the Town's transportation requirements (i.e., road network, trails, sidewalks, etc.). The plan is reviewed on a regular basis, with the timing of major updates driven by such factors as changes in land use assumptions, Provincial planning initiatives/legislation and transportation planning studies carried out by other levels of government such as the Region of Durham.

5. **Fire Master Plan**

This master plan will provide a 10-year, community-driven plan to guide operational improvements and enhance how services are provided throughout the community. It will provide the framework and recommendations for operational improvements and service enhancements, and include an assessment of operations and divisions including administration, training, prevention and public education, suppression and emergency response, fire stations, apparatus and equipment, and communications. The plan is currently in the final stages of approval and is expected to be approved in 2021.

There are a number of other master plans, studies and strategies that feed into the budget and forecast process including those covering Library Services, Community Safety, Diversity & Community Engagement, Climate Action and Economic Development & Tourism.

Other items that impact the Town's budget & forecast process are:

- **Departmental User Fees & Charges By-Laws**
- Provincial Legislation and Regulations
- Tax Assessment

What Makes up the Town's Budget

The Town's budget consists of the following six components:

1. Operating Budget

The operating budget includes all of the expenditures (e.g., wages/benefits, supplies, contracted services, utilities, etc.) required to deliver day to day Town services. It also includes the non-tax revenues that we receive (e.g., ice rentals, interest income, planning and development fees, etc.).

The operating budget for the Town consists of 7 departments, over 195 separate business units and more than 3,500 individual line accounts. The operating budget is prepared based on existing service levels which are then adjusted for the cost of supporting new growth in the Town (i.e., providing services to the new homes and businesses) and legislative requirements

Two significant expenditures in the operating budget are general levy funded Reserve/Reserve Fund Allocations and Long Term Debt Payments, which together make up approximately 13% of the net operating budget.

The amount to be raised from taxation is based on the approved Net Operating Budget, which is calculated as the Gross Operating Expenditures less Operating Revenues/Recoveries received from non-tax sources (such as user fees, fines, interest income etc.)



2. Capital Budget/Long Range Capital Forecast

The budget and forecast include one-time expenditures for major projects (often referred to as "infrastructure") such as roads, vehicles/equipment, parks, trails, playgrounds and buildings; as well as studies and information technology. It includes both the development of new and the maintenance/rehabilitation of existing infrastructure.

The budget covers a one-year period (the upcoming budget year) while the long range capital forecast covers the following ten-year period. The ten years of the forecast period are reviewed and revised annually as part of the budget process.

The funding for capital projects comes from a wide range of different sources, with the most common ones listed below:

- Development Charges
- Casino Ajax Revenues
- Elexicon Investment Interest and Dividends
- Reserves and Reserve Funds
- Debenture Debt
- Federal Gas Tax Revenues
- Other grants, donations and external funding sources

3. Business Cases

Requests for new staffing, projects and other initiatives proposed by staff are documented in Business Cases for consideration by Council through the annual budget process.

Costs may include salaries/benefits for new full time or part time staff required to maintain existing service levels, comply with Provincial and other legislation, undertake new initiatives, or add new services, etc.

It may also include other costs and revenues associated with the expansion of existing programs or undertaking new initiatives and services.

4. Library Grant

The Ajax Public Library operates independent of the Town of Ajax, however the grant provided by the Town to the Library accounts for approximately 93% of the Library's annual operating budget. One member of Council sits on the Library Board and participate in the Board's decision making processes. The Board provides reports to Ajax Council as required throughout the year and provides their annual grant request as part of the Town's budget process.

5. Other Taxation Revenue

These revenues reduce the general levy amount that must be raised by property taxes. It includes:

- Supplementary taxes, which are taxation revenues raised during the year from new homes and businesses as they are assessed and added to the tax rolls.
- Payments in Lieu of Taxation (PIL), Linear Properties (Railway Lines and Hydro Corridors) and Taxable (Shared PIL) properties which are payments received from other governmental bodies that are not required to pay property taxes, but make payments to the Town to offset the cost of services they receive.

How Tax Rates are calculated ▶

The following is a simplified explanation of the complicated process of calculating property tax rates:

Step 1: Calculate the Net Operating Budget



Step 2: Calculate Amount to be Raised by Taxation



Step 3: Update Tax Ratios

All property classes have a defined ratio, relative to the Residential class which is set at 1.000. By comparison, the ratio for the Commercial class is 1.4500. Tax policy refers to changing (usually lowering) a non-residential ratio, which transfers the tax burden to other property classes, primarily to the Residential class. Tax policy decisions are the responsibility of the Region of Durham, in consultation with the area municipalities.

Step 4: Tax Rate Calculation



Step 5: Your Property Tax Calculation



How Reassessment Affects the Town's Budget ►

While assessment is the responsibility of the Municipal Property Assessment Corporation (MPAC), the rules and regulations about assessment are set by the Province of Ontario. Reassessments are completed every four years, with assessment increases phased in equally over the four year period.

Impact on Town – The Town does not get any additional tax revenue as a result of reassessment (i.e., it is revenue neutral). The first step each year is to lower the existing Town tax rate to reflect the fact that the Town now has a higher assessment base.

Impact on Individual Taxpayer – Taxpayers may see an assessment related increase or decrease, depending on their assessment increase relative to the Town and Region averages. The Province has mandated that assessment related increases be phased-in equally over four years, while assessment related decreases are granted immediately.

The most recent reassessment was completed in 2016. Due to the pandemic, the reassessment scheduled for 2020 was postponed and no new reassessment date has been determined at this time.

How the Town Estimates the Projected Annual Surplus or Deficit

The Operating Budget Forecast is an estimate of the total operating expenditures and revenues for the current budget year. The difference between the forecast and the budget results in an estimated operating budget surplus or deficit for the current year.

This Forecast serves a number of short and long term financial planning purposes including:

- Preliminary identification of trends, issues, etc., that may need to be incorporated into the following year's operating budget
- If an operating surplus (revenues are greater than expenditures) is projected, the forecast provides an estimated amount available for transfer to capital reserves, which can be an important revenue source for the upcoming Capital Budget and Long Range Capital Forecast
- If an operating deficit (expenditures are greater than revenues) is expected, strategies will be developed to address the shortfall, usually by transferring funds from the Stabilization Reserve. If the funds in the reserve are not sufficient to cover the deficit, the remaining amount must be added to the next year's tax levy.

Understanding the Town's Budget Process

Q: Why are the property taxes on a similar home in Toronto (e.g. same square footage, number of bathrooms, lot size, etc.) often much lower than a house in Ajax?

A: There are three main reasons for this difference, not only between Ajax but between other GTA municipalities as well:

1. **Special Provincial Funding** – since amalgamation in 1998, the Province has given the City of Toronto millions of dollars in special grants and loans, funding which was not provided to any other municipality in Ontario.
2. **Toronto Business Taxes Subsidize Residential Taxes** – Toronto has historically taxed their businesses at much higher rates than other jurisdictions, which allows Toronto to keep residential taxes lower. A commercial business in Toronto pays 3.2 times more in taxes than a homeowner, while in Durham Region that same business only pays 1.5 times more.
3. **Special Taxing Powers** – The Province has granted Toronto the authority to charge special taxes or levies (e.g. land transfer tax), which also allows them to keep their residential property taxes lower.

Q: Why are municipal tax rate increases often higher than the rate of inflation?

A: When people talk about inflation, they are usually referring to Statistics Canada's Consumer Price Index (CPI), a theoretical "shopping basket" of consumer goods. Unfortunately, CPI does not reflect the cost increases that all municipalities face for expenditures such as contracted goods/services, utility costs for streetlights and large facilities, insurance, building materials, asphalt, concrete, etc.

The Town calculates its own Municipal Price Index (MPI) which reflects the cost of the goods and services used by the Town to deliver services. This MPI is used to assess user fee increases and ensure that inflationary changes are reflective of the 'basket of goods' used specifically by municipalities and includes costs related to service delivery, maintenance of municipal infrastructure, public safety, regulatory and legislative requirements.

Q: What specific budget pressures is the Town facing?

A: While each budget year brings a new set of issues, there are four main challenges impacting both current and future budgets:

1. Continuing Growth – While providing services to new homes and businesses does come with a cost, growth does provide a number of revenues that help minimize tax increases. These revenues include assessment growth, supplementary taxes, development charges and planning & development fees.
2. Existing Infrastructure – The Town has a vast network of existing roads, trails, sidewalks, buildings, playgrounds, parks, streetlights, etc. and that network is added to each year as new development occurs. It is essential that the Town spend the funds necessary to keep these assets in good repair and to avoid higher maintenance costs in the future.
3. New Town Facilities – Audley Recreation Centre Phase two, Pat Bayly Square and Paradise Park are examples of important new community spaces that have been constructed recently. The operating cost of new facilities can make it difficult to maintain tax increases below the rate of inflation.
4. Legislative Impacts – A number of legislation requirements continue to impact the Town's Operating Budget including: Bill 148 Fair Workplaces, Better Jobs Act, increase in minimum wage, updates to the rate frameworks for both Workplace Safety & Insurance Board (WSIB) the Canada Pension Plan (CPP) and implementation of Asset Management reporting requirements. The impact of these legislative impacts significantly impact the operating budget. For example, in 2018 the budget impact of Bill 148 was \$703,500 with \$266,000 additional costs incurred in 2019.
5. Increasing Costs – Some costs increases are within the Town's control but many are not. Inflation on goods and contracted services, recent challenges such as the COVID-19 public health emergency and climate change, can drive up the cost of the service delivery and capital projects.

Q: What are User Fees?

A: Many services offered to residents are available equally to all and these would be included as part of your property taxes. Examples include Fire protection, snow plowing of roads, grass cutting in parks etc. User fees are the rates charged for the delivery of products or services to residents that are optional and offered on a fee for service basis. Examples include rental of meeting rooms, purchase of a permit, enrollment in a day camp program etc.

Q: Do user fees cover the costs of the service?

A: No this is not always possible. Although these fees are reviewed annually and compared against other areas and similar municipalities, staff balance the recovering of charges and ensuring that programs and services are offered to the public in an affordable and responsible manner.

Q: Do Development Charges cover the entire cost of the capital projects required for new development?

A: No. But we are getting closer. Provincial legislation, specifically the Development Charges Act, requires municipalities to contribute to certain development projects. Other legislative requirements can further increase the amount a municipality must contribute. While recent legislative changes have broadened the scope of project costs that can be recovered through Development Charges, certain capital items such as administration buildings and the acquisition of parkland, are exempt and must be 100% paid for by taxpayers.

Q: Why do my total taxes sometimes increase more than the Town's tax rate increase?

A: The Town only controls 31% of the total tax bill, with the Region responsible for 55% and the final 14% controlled by the Province for education. If the Region and/or Provincial increases are higher than the Town's, then your total increase will be higher than the Town's increase.

Also, a reassessment related increase (where the value of your property is increasing at a faster rate than the average for the whole municipality) may cause your total tax increase to be higher.

Q. How is Ajax using the Canada Community Building Fund (previously Federal Gas Tax) funding they get from the Federal government?

A. In 2005, all municipalities signed an agreement in order to receive the Federal Gas Tax fund which was updated in April 2014 and is in place until 2023. The government recently changed the name of this grant to the Canada Community Building Fund. To date, Ajax has used the money to make the new Fire Headquarters/Training Facility, Operations & Environmental Services Operations Centre and the Audley Recreation Centre, green, energy efficient LEED certified buildings. The Town is focusing gas tax funds towards capital expenditures for road resurfacing/reconstruction, energy efficiency (e.g. LED Lighting), storm water quality, storm water management pond maintenance, Sportsfield and Recreation capacity, non- DC portion of Transportation and Recreation services, and Asset Management.

Q: What external announcements or potential changes may impact the Town's budget?

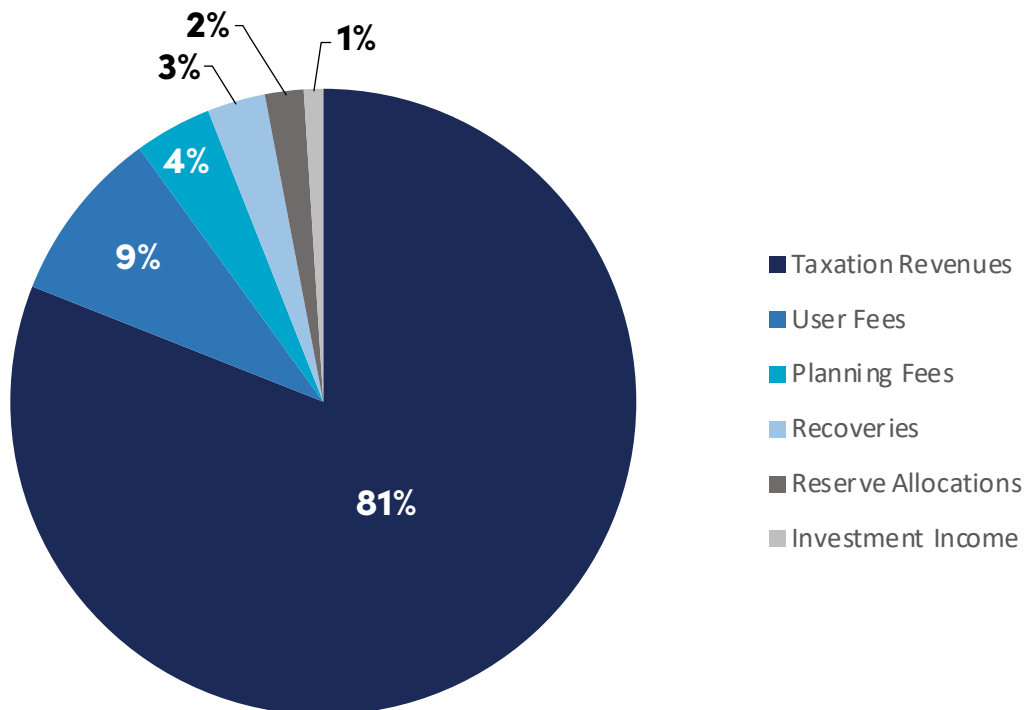
A: The Town's two major non-property tax revenues, revenues from Slots at Casino Ajax and Elexicon investment income are subject to potential changes.

Slots Revenues – In 2018, the Town's budget included \$7,687,500 for slots revenue. The majority of the slots revenue is dedicated to reserves that fund the construction and maintenance of infrastructure. In March 2018, the provincial government and OLG announced that Pickering would host a new Casino, which opened in July 2021. In 2020, Covid caused the closure of the Casino and as a result, revenues dropped to \$1,728,830. Closures have persisted into 2021 and a significant decline in revenues is expected in 2021 and beyond.

[View the Town of Ajax Casino Ajax Revenues document.](#)

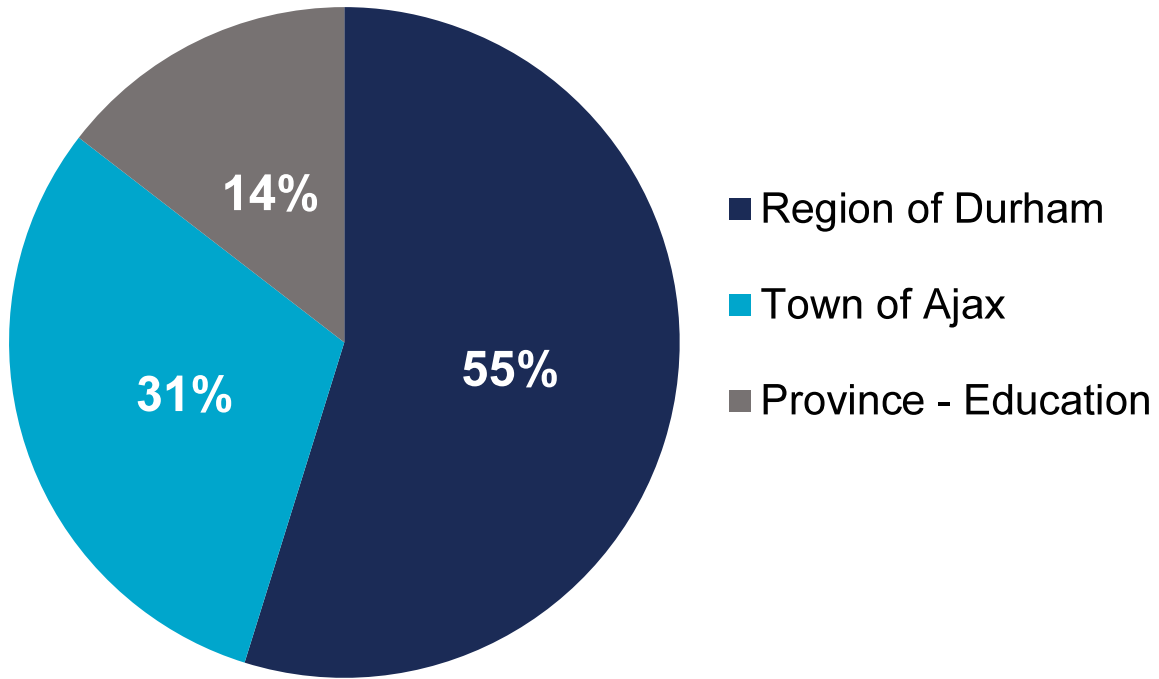
Q: Where does the Town get the revenue for the General (Tax) Levy Budget?

A: See following chart, 2021 Operating Revenues by Source.



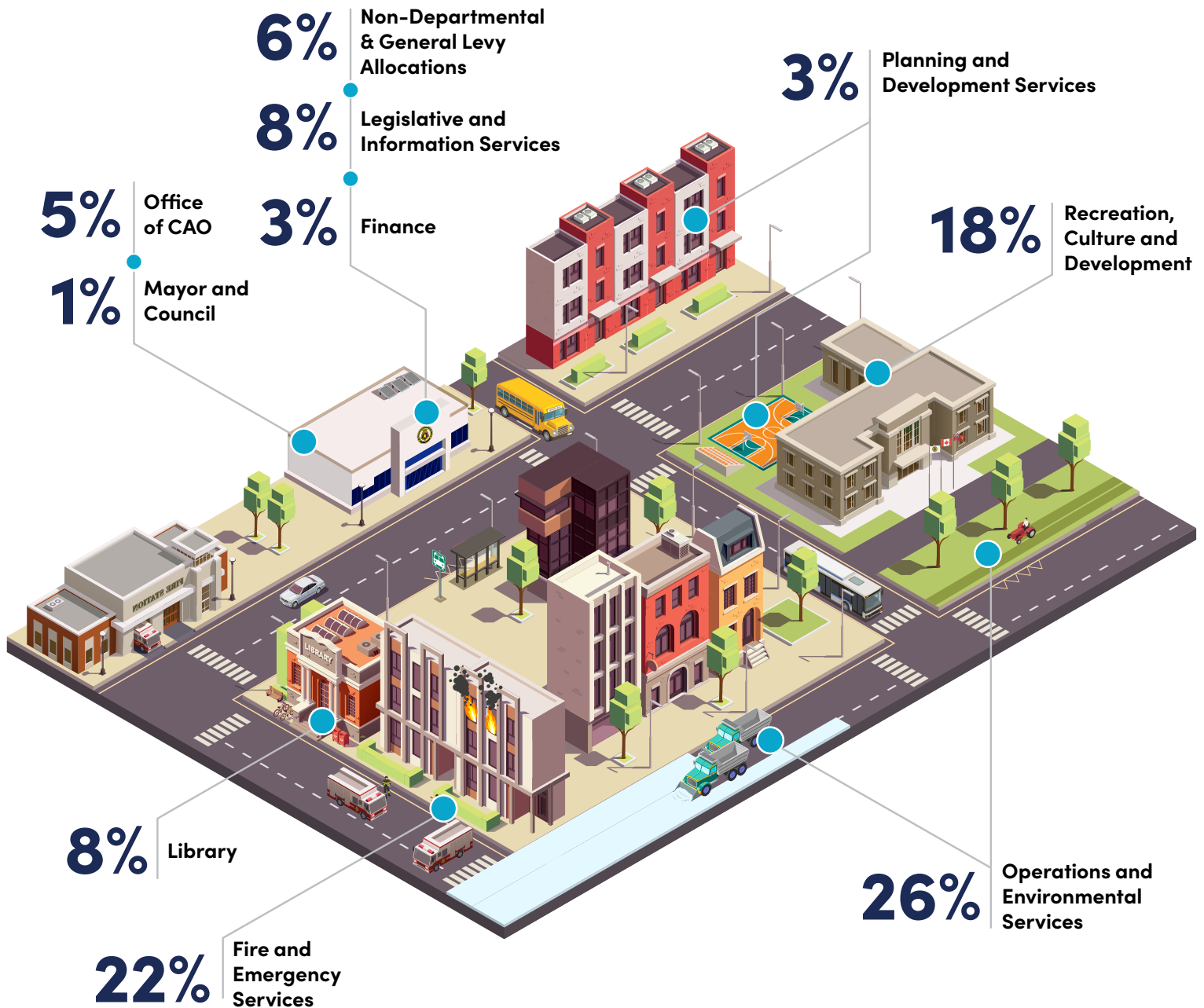
Q: How does the Town spend their portion of the tax bill?

A: See following chart.



Operating Budget

Covers day-to-day services of the municipality and is funded by property taxes and fees.



Services ▶

Town of Ajax	Region of Durham	Province of Ontario
<ul style="list-style-type: none"> ■ Road services including winter control ■ Fire & emergency services ■ By-law enforcement ■ Policy planning ■ Libraries ■ Recreation programs ■ Aquatics, leisure, youth, adult/senior programs ■ License and permits ■ Maintenance of roads ■ Economic development ■ Business retention and attraction ■ Crossing guards ■ Streetlights ■ Sidewalks ■ Community development and growth management ■ Heritage preservation and promotion ■ Traffic and transportation management ■ Asset management ■ Special events 	<ul style="list-style-type: none"> ■ Police Services ■ Maintenance of main/major roads ■ Public health services ■ Regional planning and growth development ■ Public transit ■ Water and sanitary sewers ■ Waste management ■ Paramedic services ■ Traffic systems ■ Social services 	<ul style="list-style-type: none"> ■ Education

