



Grand River Conservation Authority Minutes – CA Act Regulations Committee

Date: May 10, 2023
Time: 1:00 p.m.
Location: GRCA Zoom Virtual Meeting
Members Present: John Challinor II, Susan Foxtton, David Miller, Shawn Watters, Chris White
Staff: Samantha Lawson, Karen Armstrong, Sonja Radoja, Eowyn Spencer

1. Call to Order

The meeting was called to order by the Chair at 1:00 p.m.

2. Certification of Quorum

Quorum was certified with all Members present.

3. Review of Agenda

Moved by: Shawn Watters

Seconded by: Susan Foxtton

THAT the agenda for the Conservation Authorities Act Regulations Committee Meeting be approved as circulated.

Carried.

4. Declarations of Pecuniary Interest

None.

5. Minutes of the Previous Meeting

Moved by: David Miller

Seconded by: John Challinor

THAT the minutes of the previous Conservation Authorities Act Regulations Committee Meeting held on March 13, 2023 be approved as circulated.

Carried.

6. Discussion Items:

6.1. Municipal MOU for Category 2 Programs and Services Meetings Update

- S.Lawson noted that staff have met with nearly all of GRCA's participating municipalities to discuss the draft Memoranda of Understanding (MOUs) as required under new regulations, and two remaining meetings are scheduled for May and June.

- Participating municipalities have been showing support for the draft as presented, and it is anticipated that the final agreement will come back to this Committee near the end of summer. Staff expect that the MOUs will be presented to municipal councils in early fall.
- S.Lawson has also been coordinating with neighbouring conservation authorities where there is shared jurisdiction with a municipality.

6.2. Overview of O.Reg. 402/22 Budget & Apportionment – presentation

K.Armstrong provided an overview of the budget and apportionment regulation under the CA Act, which is replacing the current levy and apportionment regulations, and proposed an updated timeline for the 2024 budget cycle. The new regulation is in effect and will be implemented for the 2024 budget.

The presentation highlighted that the regulation clarifies budgetary limitations on the Minister-appointed agricultural sector representative, which does not immediately apply to the GRCA as a representative has not been appointed at this time. Additionally, it identifies that an annual budget be prepared for 2024 and subsequent years, and includes four phases:

- Phase 1: categorizing revenue and expenses and apportionment. K.Armstrong identified the different methodologies for apportionment of expenses for the various categories. For category 1 expenses, the options for apportionment are based on the evaluation of the benefit of programs and services, including:
 - i. all participating municipalities using modified current value assessment (MCVA) or agreement;
 - ii. one or more participating municipalities but not all municipalities in the watershed using a benefit-based calculation; or
 - iii. all participating municipalities benefit but with a disproportionate benefit-based calculation.

Category 2 expenses are to be apportioned according to the terms agreed to in the MOUs. Category 3 expenses are apportioned according to MOU, if applicable, or a benefit-based calculation or MCVA, as applicable. General operating and capital expenses are apportioned using MCVA.

Allocation of self-generated or other revenue to individual categories will be discussed and documented annually, and category 1 programs and services must be evaluated to determine the most appropriate method of apportionment. These considerations are discussion points for this Committee and will require Board direction or approval.

- Phase 2: Outlines the draft budget format, approval, and consultation requirements. This phase requires little to no change in the process the GRCA follows with the current budget timeline, however, the budget format will change to comply with the regulation, and consideration for opportunities to raise additional funds and use self-generated revenue to finance programs and services must be included in the budget. The draft budget must be approved by the Board for consultation, circulated to participating municipalities with apportionment information for consultation as required, and posted to the GRCA website.
- Phase 3: The regulation requires that the Board approve the apportionment amounts in a recorded vote that requires a weighted majority. 30 days' advance notice of the apportionment vote is to be provided to municipalities along with the most recent version of the draft budget and each municipality's apportionment amount. This is similar to the process the GRCA currently has in place, although the timing will change.
- Phase 4: Relates to the approval process of the final budget. The final budget must be in the same format as the draft, include the approved apportionment amounts and reflect any

consultations or feedback from participating municipalities. The final budget approval must be a recorded vote, which is already in practice, and it may be a majority vote or weighted vote, whichever is stated in the by-law (currently a weighted vote at the GRCA). Following approval, a copy of the final budget must be sent to the Minister (MNR), each participating municipality, and posted on the GRCA website.

S.Lawson indicated that the process as outlined in the new regulation is in keeping with practices already in place at the GRCA.

Board members discussed the regulation and the required changes to the 2024 budget framework. There were questions related to the apportionment of specific expenditures and whether the GRCA is adequately resourced to undertake the large task; the overall impact on the municipal apportionment as related to the levy in prior years; and how surpluses may be handled on an annual basis.

K.Armstrong and S.Radoja responded to questions, noting the following:

- If the Board chooses to implement the MCVA methodology for category 1, given that this is the current methodology used, the categorization of expenditures will not be as onerous as attempting to quantify a benefit-based approach. If it is determined that a different approach be taken this year, resources and the impact on staff time will have to be considered.
- With the initial draft of the budget with the 2024 framework in place, it is anticipated that the overall increase in municipal apportionments will be in line with previous years' levy increases.
- In the initial draft framework, surpluses have been allocated in a manner that removes the use of the water management operating reserve transition fund for a permanent staffing position that was approved as a temporary measure in 2022 and uses the transition reserve for some category 3 programming, which is an approved use.

It was noted that decisions on reserve allocations will be presented annually to the Board for consideration prior to approval of the budget.

S.Lawson added that some category 1 and 3 categorizations have been shifted as a result of the regulatory changes, meaning that some programs that were not previously funded by the levy can now have municipal apportionments allocated to them, and vice versa.

6.3. Draft 2024 Budget Framework

S.Radoja provided a detailed overview of the draft budget framework for the 2024 budget cycle. The presentation of charts included details regarding high-level assumptions of all programs and services revenue and expenses, funding mechanisms, self-generated funds, and highlighted municipal and other funding sources for all four categories (three categories of programs and services, and general operating and capital expenses).

To provide a starting point, an estimated increase of 2.5% was added across all areas, and surplus allocations and adjustments were considered. The draft template also assumes ongoing operations are status quo with no changes to any programs and services.

The allocation of surplus enables removing the use of water management operating reserve to fund the new engineer position in 2024, which created a deficit. Based on additional updates under category 3 programming, it was identified that the transition reserve may be used to offset a deficit in the environmental education program, which creates an overall surplus in category 3 programs and services that can be allocated to reduce category 1 programs and services expenses which will reduce the overall impact on municipal apportionment.

Based on the initial assumptions outlined in this first round of implementing a draft budget template under the new framework, the estimated outcome is an impact that is very similar to prior years' budget.

S.Radoja reiterated that the figures provided are a rough estimate of the budget with the new framework. Surpluses and surplus allocations are speculative at this stage in planning based on the initial draft of the budget. Any allocations of surpluses will require Board approval and will be presented appropriately.

The Committee thanked staff for the overview, noting that the initial draft looks reasonable and makes sense with the explanations. The Chair added that as there are still several items to be considered, the initial draft looks promising for a minimal impact on the municipal apportionment.

6.4. May Board Report

Staff asked about the preference of having a report and presentation to the Board in May to provide a general overview of the 2024 budget cycle and introduction of the proposed timelines for implementation of the new framework. It was determined that a high level presentation and introductory report would be beneficial. K.Armstrong and S.Radoja will prepare a report and presentation.

Discussion: Confirmation of timelines

The proposed timeline of the new budget cycle was supported by the Committee. The Board will receive an initial overview in May of the new regulation, with a first draft budget to be approved in September/October, a second draft, as applicable, presented in January with a vote to approve apportionment, and the final budget approval will occur at the Annual General Meeting. Municipalities to be notified in accordance with timing in the regulation.

Discussion: Apportionment – category 1, and category 3 surplus

Karen reiterated the options for calculating the allocation of operating and capital revenue and expenses for program categories one and three to determine the amount to be apportioned to participating municipalities. The identified methodologies are all participating municipalities benefit equally (MCVA); one or more participating municipalities benefit but not all (benefit-based calculation); or all participating municipalities benefit but with a disproportionate benefit.

The Committee briefly discussed the methodologies, identifying challenges with any attempt to break out individual benefits of various programs and services, aside from what is already in use with the MCVA method. The MCVA method reflects the watershed approach. Identifying a disproportionate benefit would be challenging because, much like a municipality, programs and services may vary year over year and it is difficult to predict future needs e.g. planning. The Committee also discussed the proposed use of category 3 surplus to be allocated back to category 1.

The Chair reiterated that this is the first budget with the new budget framework, and it can evolve going forward as applicable. In terms of discussion or Board direction on surplus allocation, staff would defer to the Board, which will be an annual consideration during the budget cycle.

Moved by: Sue Foxtan

Seconded by: John Challinor

THAT the Ad-hoc Conservation Authorities Act Regulations Committee supports the proposed timelines for the 2024 Budget Cycle;

AND THAT the Ad-hoc Conservation Authorities Act Regulations Committee supports the use of the watershed benefit methodology using the modified current value assessment method to

determine the apportionment of category 1 programs and services to participating municipalities;

AND THAT the Ad-hoc Conservation Authorities Act Regulations Committee supports the proposed allocation of the estimated surplus in category three.

Carried.

7. Other Business

There was no Other Business.

8. Next Meeting – At the Call of the Chair

9. Adjourn

Moved by: John Challinor

THAT the meeting of the Ad-hoc Conservation Authorities Act Committee be adjourned.

Carried.

The meeting was adjourned at 2:01 p.m.