



PORT COLBORNE

Subject: 2024 Operating (Levy) Budget

To: Committee of the Whole - Budget

From: Corporate Services Department

Report Number: 2023-161

Meeting Date: October 18, 2023

Recommendation:

That the Corporate Service Department, Financial Services Division, Report No. 2023-161 Subject: 2024 Operating (Levy) Budget, **BE RECEIVED**; and

That the working capital reserve be funded, up to the Reserve Fund policy target, as outlined in Report No. 2023-161; and

That the 2024 Operating (Levy) Budget as outlined in Report 2023-161, **BE APPROVED**.

Purpose:

The purpose of this report is to present the proposed 2024 Operating (Levy) Budget to the Budget Committee of the Whole.

Background:

The 2024 Operating (Levy) Budget is presented in a similar fashion as the prior year Operating (Levy) Budget.

Financial Services would like to thank City staff from all departments for their leadership and support in developing this 2024 Operating (Levy) Budget.

Should the 2024 Operating (Levy) Budget be approved by the Budget Committee of the Whole on October 18, 2023, it will move forward to be ratified at the October 24, 2023, Council meeting.

Similar to the 2024 Capital and Related Project Budget, the 2024 Operating (Levy) Budget was developed through a process that requested Council and staff input. Staff have based their recommendations after considering:

- The City's established Vision/Mission/Values
- The Strategic Pillars identified in the City's Strategic Plan
- The following themes/focuses:
 - Environment and Climate Change
 - Welcoming, Livable, Healthy Community
 - Economic Prosperity
 - Increased Housing Options
 - Sustainable and Resilient Infrastructure
- Tactically considering where the City can support and drive competitive advantages:
 - People
 - Processes – getting to simple (moving towards)
 - Community – Connection
 - Location
- Service levels
- Growth – achieving economies of scale
- Impact of leading a reduction in the Infrastructure Deficit

The budget document should be read in conjunction with the 2024 Capital and Related Project Budget (Report 2023-160) presented to the Budget Committee of the Whole on September 20, 2023 and ratified by Council on September 26, 2023.

Discussion:

Financial Services highlights the budget is a plan to allocate resources in advance for the maximum benefit of City residents and stakeholders. It is a method to authorize revenue and expense authority. In preparing the 2024 Operating (Levy) Budget, certain assumptions and estimates are necessary. They are based on information available to staff at the time of preparing the budget. Actual results will vary although as regulated through the *Municipal Act*, a balanced budget is required.

Property Tax Impact

If the proposed 2024 Levy Budget is approved as presented the blended tax increase to the average residential property valued at \$213,407 would be 2.9% or \$102. The rate change is 57% related to the 2023 Capital and related Project Budget and 43% related to the Operating Budget.

The estimated impact provides for assessment growth of approximately 1.0%. This estimate has been based on the Municipal Property Assessment Corporation (MPAC) database. Should growth end the year higher or currently reported growth be adjusted lower the estimated impact to the same residential property noted above would increase or decrease.

Budget Summary

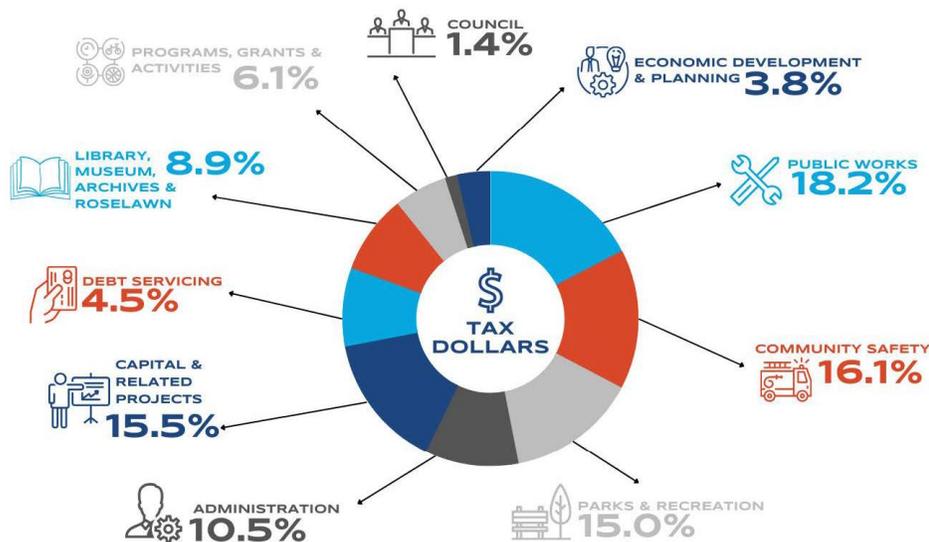
This budget was developed to maintain current service levels and continue to strengthen the City through a variety of initiatives, including those highlighted below.

The number of initiatives and actions that are funded within this budget is significant.

This year, like in prior years, each department had an opportunity to present their operations to Council through departmental updates. These started in March and continued through August. In addition to those presentations, staff from each department remain available and will be available at the upcoming budget meeting to respond to service level and related budget questions, if required. Staff encourage Council to reach out to department heads with any questions in advance, if possible.

The 2024 Operating (Levy) Budget as outlined in Appendix A – 2024 Operating (Levy) Budget Presentation and Appendix B – Levy Budget Appendices totals \$26,375,365.

In percentage terms, tax dollars support the following (as allocated in Appendix G):



On a year over year basis, it is notable to identify the amount of budget allocated to capital increased to 20% (15.5% + 4.5%) up from 17% in the prior year. This reflects Council's strategic commitment to sustainable and resilient infrastructure.

Some highlights of the budget include:

- An increase in the number of Physician grants from one to two and an increase in the grant available to \$100,000 from \$75,000.
- Funding of \$200,000 from \$21,000 to improve the City tree canopy from 32% to 40% per the forthcoming Urban Forest Management Plan.
- An investment of \$206,000 up from \$100,000 for Canal Days to improve on attractions and emergency preparedness.
- An investment of \$247,000 up from \$188,000 in our business community through the new Community Improvement Plan (CIP). Representing 1% of the Levy.
- Support community events, including the community concert series with an \$82,000 investment equally 1/3 of % of the Levy. This us up from \$54,000 in the prior year.
- Introduce a new discounted rain barrel program in addition to the low flow toilette rebate program.
- 57% of the tax impact supports the Capital and Related Project Budget.
- No new debt is proposed in the Operating (Levy) budget. Levy debt will be paid down by \$590,000 to \$14,240,000.

Some significant budget pressures included in the 2024 Operating (Levy) Budget are:

- Insurance cost pressures have been experienced at the City like other municipalities. The estimated impact on the budget is \$117,700. Staff identify the insurance market continues to be defined as difficult/“hard”. A public procurement process is currently underway. Staff will prepare a report to Council with respect to its outcome before year end.
- Contract service which are driven by service levels and need. These include ditching, grass mowing, pavement marketings, tree canopy and plant maintenance and snow ploughing are budgeted to increase \$241,200.

The cost impact of the budget highlights and budget pressures were partially offset by a reduction in the full-time equivalent (FTE) employee count of 3.2, negotiated changes in fire post-retirement benefit, allocating interest to drain construction projects and changes in the City’s phone system.

Other salient changes include:

- The cost allocation project that followed the methodology of the Financial Information Return (FIR) is now complete. This year remaining cost centres were allocated to departments. Examples of cost centres include Council, CAO and Corporate Services. These allocations help inform full cost recovery fee levels in operations such as Planning and Building.
- The Levy budget, which includes funding for the Capital and Related Project Budget, now has all capital funding flowing through the central capital cost centre (Capital – Non-Debt Funding). Specifically, facility capital is no longer flowing through the Museum, Archives and Roselawn or the Library cost centres. In the future this will remove yearly funding swings from their cost centres and allow users to better identify on-going operational decisions year to year like other City departments.

2023 Forecast

The City is forecasting a year end surplus of \$123,982. This surplus is identified in Appendix A on page 22 and in the various appendices attached to this report. In preparing this forecast, as with this budget, certain assumptions and estimates are necessary. This forecast is based on information available to Staff at the time. Actual results will vary.

This surplus is net of the recommended transfer to the working capital reserve funds to maintain the Reserve Fund policy target which is 10% of the Levy. This represents a reserve fund transfer of \$150,700

At the time of writing this report Staff anticipate recommending any remaining surplus at year-end also be transferred to the general tangible capital asset (infrastructure) reserve in recognition of the infrastructure deficit and projects requiring Council consideration in 2024 as outlined in the 2024 Capital and Related Project Budget.

Risks to the Operating (Levy) Budget

Actual events and results can be substantially different from what is expected or implied as a result of risk, uncertainties, and other factors, many of which are beyond the control of Council and Staff, including, but not limited to:

- Changes to legislation, including rules and regulation
- Decisions of other levels of government
 - i.e. Ministry of the Environment, Conservation and Parks
 - i.e. the Bereavement Authority of Ontario

- Unforeseen and/or unplanned environmental considerations related to approved projects
- Economic weakness or other unforeseen factors impacting changes in past patterns of facility and service usage and/or goods purchased by users and customers
- Inflation advancing more than anticipated
- Interest rates declining which impact investment income and related reserve transfers
- Unexpected changes or usage in infrastructure
- Unbudgeted and/or unexpected changes in needs or wants of residents resulting in Council approved changes in service levels or goods and service offerings
- A resurgence in COVID-19 or other epidemics, pandemics, or other public health crisis event
- Weather conditions that impact operations, including community events

Looking Forward

As identified on many occasions, “everyday is budget day” in a municipality. Corporate Services continues to identify continuous improvement is a process. Looking forward to 2024, staff identify the following activities that will help determine the financial outcomes of the City going into the 2025 budget process:

- In the process of the City’s insurance tendering as the time of writing this presentation.
- Reviewing the application of the Municipal Accommodation Tax (MAT)
- Perform service level reviews (Transportation, Parks, and Arena)
- Finalize reviewing fees (specifically non-full cost recovery fees)
- Continue to work on Key Performance Indicators (KPIs) and related benchmarks, where applicable
- Complete the Infrastructure Needs Assessment and Non-Linear Asset Management Plan to support future capital and related project budgets
- Update the development charges by-law so growth pays for growth

- Working on a multi-year operating forecast (anticipated T1 reporting time [June 2024])
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Internal Consultations:

As sated, Financial Services would like to thank City staff from all departments for their leadership and support in developing this 2024 Operating (Levy) Budget.

Financial Implications:

Financial Services identifies the proposed 2024 Operating (Levy) Budget is a staff recommendation that Council can adjust, if required.

Public Engagement:

The 2024 Operating (Levy) Budget was published on the City's website on October 4, 2023, through the agenda process. The 2024 Capital and Related Project budget will be considered by the Budget Committee the Whole on October 18, 2023, and, if approved by Committee of the Whole, Council on October 24, 2023.

Following the budget process, staff will continue to review service levels and operations. Should changes be requested or sought, staff will seek input and where necessary approval from Council.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Environment and Climate Change
 - Welcoming, Livable, Healthy Community
 - Economic Prosperity
 - Increased Housing Options
 - Sustainable and Resilient Infrastructure
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Conclusion:

Staff recommend that the Committee of the Whole recommend approval of the 2024 Operating (Levy) Budget as outlined in this report and the various appendices.

Appendices:

- a. Appendix A – 2024 Operating (Levy) Budget Presentation
- b. Appendix B – Levy and Self Sustaining Entities (SSE) Summary
- c. Appendix C – Divisional Summary and Detail
- d. Appendix D – Self Sustaining Entities (SSE) Divisional Summary
- e. Appendix E - Facilities Detail and Appendix F - Transportation & Parks Detail
- f. Appendix G - Tax Allocation

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.