



Subject: 2022 Levy Budget

To: Committee of the Whole - Budget

From: Corporate Services Department

Report Number: 2021-275

Meeting Date: October 28, 2021

Recommendation:

That the Corporate Services Department, Financial Services Division, Report 2021-275 Subject 2022 Levy Budget **BE RECEIVED**; and

That the 2022 Levy Budget as outlined in Report 2021-275, **BE APPROVED**.

Purpose:

The purpose of this report is to present the proposed 2022 Levy Budget to the Budget Committee of the Whole.

Background:

The 2022 Levy Budget is presented in accordance with the timeline approved by Council through Report 2021-174.

Financial Services would like to thank City staff from all departments for their leadership and support in developing this 2022 Levy Budget.

Should the 2022 Levy Budget be approved by the Budget Committee of the Whole on October 28, 2021, it will move forward to be ratified at the November 8, 2021, Council meeting.

Similar to the 2022 Capital and Related Project budget, the 2022 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

- A need to connect the community
- A desire to come out of the COVID-19 pandemic stronger
- Planning and building for growth
- Organizational capacity
- Organizational financial flexibility

The budget document should be read in conjunction with:

- The 2022 Capital and Related Project Budget (Report 2021-240) approved by the Budget Committee of the Whole on September 16, 2021 and ratified by Council on September 27, 2021.
- The 2022 Proposed User Fees and Charges (Report 2021-277) presented to the Budget Committee of the Whole on October 28, 2021.

Financial Services acknowledges that the format of the 2022 Levy Budget has evolved from the 2021 Levy Budget. One main differential this year is the inclusion of the prior year (2021) re-forecasted budget and the 2021 forecast. Financial Services would like to thank Council for their support and encouragement with respect to the account structure changes that have been made to date. Staff's hope is Council will find the new format as a continued movement towards increasing accountability and transparency.

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 2022 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 2022 Levy Budget is approved as presented the blended tax increase to the average residential property valued at \$207,501 would be 2.8% or \$104.

This is inclusive of the 1.1% blended rate increase or \$41 to the average residential property valued at \$207,501 approved by Council in the 2022 Capital and Related Project Budget.

The estimated impact provides for assessment growth of approximately 1%. This estimate has been made after discussions with staff at the Municipal Property Assessment Corporation (MPAC). At the time of presenting this 2022 Levy Budget, staff are assured that MPACs reporting tools identify the City's assessment growth has achieved this 1% growth assumption. 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

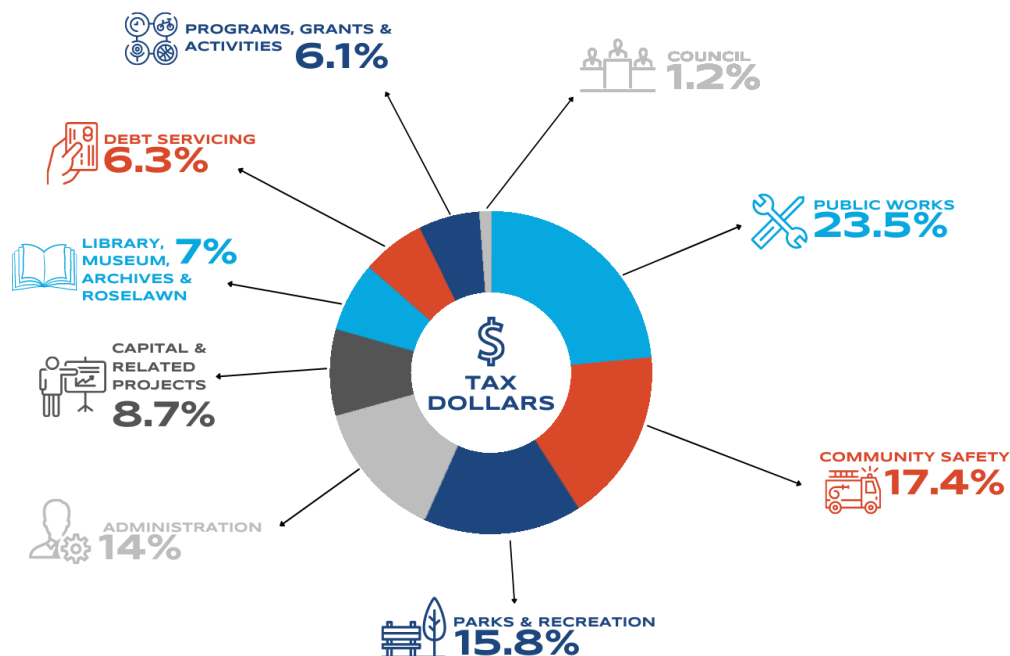
This budget was developed recognizing City services continue to remain operational and active during the COVID-19 pandemic, departments have developed budgets that maintain current services levels while continuing to strengthen the City.

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

This year, each department had an opportunity to present their operations to Council through departmental updates. These started in May and continued through September. In addition to those presentations, staff from each department will be available at the upcoming budget meeting to respond to specific questions about new and existing programs and service levels, if required. Staff encourage Council to reach out to department heads with any questions in advance, if possible.

The 2022 Levy Budget as outlined in Appendix A – 2022 Levy Budget Presentation and Appendix B – Levy Budget Appendices totals \$31,245,829.

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



Some highlights of the 2022 Levy Budget include:

- Re-Activating Roselawn through the Museum operations. The estimated net operating cost of this initiative is \$267,000.

- Fibre WiFi costs for the Library, Museum, HH Knoll and Vale Health & Wellness Centre plus the self-sustaining entity (Sugarloaf Marina). The total cost of this initiative is \$40,000. Staff underwent a project to review City wide telephone and internet costs. After including this new cost, the total budget for telephone and internet has reduced by \$23,400.
- Enhanced Community Improvement Program funding (CIP) from \$67,000 to \$125,000 to encourage redevelopment and support growth. Staff identify that a Council approved CIP review is currently underway.
- Increased patching and spraying budgets from a combined \$70,000 to \$100,000 to help extend the useful life of City roads.
- Playground equipment repair and maintenance budget increased from \$3,000 to \$20,000.
- This budget forecasts a transition to the Niagara Region Transit (NRT) OnDemand service. At the time of writing this report details of the transfer have not been finalized. A transition date later than January 2022 may need to be considered. The funding model for the transition is not anticipated to have any impact on the 2022 levy other than the revenue and expense lines the related revenue and expense appear in.

Some significant budget pressures included in the 2022 Levy budget are:

- On October 21, 2021 the Province reduced our Ontario Municipal Partnership Fund (OMPF) by 5.3% which is equivalent to \$143,400. This lost revenue was offset by a reduction to the tax reassessment and uncollectible account. The budget in that account has been reduced to approximately \$187,000. Should additional funding be required to offset tax reassessments and uncollectible amounts the General Stabilization could be utilized.
- Employee benefits related to the fire department increased \$287,000, primarily related to changes in insurance coverage related to presumptive cancer legislation.
- Employee benefits, excluding the Fire department increased \$375,000. Approximately half of this was related to increases related to OMERS, CPP, EI, and Health and Dental. The other half relates to the requirement for a “true-up” representing 2021 under budget based on forecast.
- Utilities are budgeted \$169,100 or 12% higher than in the past based on best estimate pricing increases.

- Facility maintenance costs are budgeted to increase by \$71,100 or 12% based on need and inflationary factors.
- Legal costs are budgeted to increase by \$71,100 to align with the 2021 forecast. As the City plans for growth and reviews older contracts these costs are anticipated to remain elevated. In this respect this increase relates to administrative activities and are not a result of litigation.
- Insurance costs have increased by \$130,800 per contracts. As directed by Council, staff will be taking the insurance program to market in 2022.
- Computer software costs have increased \$71,000 to align with the 2021 forecast. The City's cost structure around software costs changed significantly as COVID-19 progressed and a move to modernize method of service took hold. Similar to the work staff did with the telephone and interest costs, staff plan to review software costs and related options in the coming year.

Other salient changes include:

- Ensuring self-sustaining entities (SSEs) are self sustaining continues to be a work in progress. This budget moves the overhead allocation from 5% to 10% of revenue for the Marina and Beaches. In this budget the Cemetery and Building Inspection division overhead have been left at 5% of revenue. Fees for the Cemetery and Building Inspection division are being reviewed at the time of presenting this budget. Financial Services identifies these allocation rates will be proposed for revision for the second trimester (T2) of 2022 (being August 31, 2022).
- As identified in the 2022 Capital and Related Project budget, \$530,000 of transportation related costs have been moved to the Transportation operating budget from the capital budget. Readers of this report should identify this artificially makes the Public Works increase appear significantly greater than actual.
- The administrative levy cost recovery for administrative (including staff time), related facility, insurance, and fleet costs from the rate budgets (Water, Wastewater and Storm) was reviewed by staff during 2021. This review was noted during the 2021 budget process. The 2022 budget, similar to the Trimester 2 Report 2021-263, reflects a change in the transfer from \$607,100 to \$988,000. As a percentage of the rate program this reflects approximately an 8% overhead charge. Staff will be presenting Council with options to hold the residential (meters that are 5/8 to 3/4) water and wastewater rates constant on a combined basis for 2022.

- COVID-19 related costs have been budgeted at \$92,000 to be funded from the remaining COVID-19 related grants provided by the Provincial Government.
- In the 2021 budget, staff budgeted \$340,000 as an efficiency target on the personnel line of the budget. This target was achieved through the reorganization of certain departments. As identified in the appendices the City's headcount is up by 4 from 237 to 241 (excluding volunteer fire fighters) over the prior year. That increase includes 6 additional students. Net the additional students the City was down 2 employees, a Director and Manager position. In the 2022 Global Revenue budget, Staff have budgeted \$326,600 as another efficiency target.
- As highlighted in the 2022 Capital and Related Project budget, the 2022 Budgets require no external borrowing. The 2022 Levy Budget identifies outstanding borrowing related to levy operations is projected to decline by approximately \$889 thousand to \$15.6 million in 2022.

Looking Forward

As identified on many occasions, "everyday is budget day" in a municipality. Financial Services anticipates this new budget layout may provide the opportunity for new questions and direction from Council. Corporate Services continues to identify continuous improvement is a process. Looking forward to 2022, staff identify the following activities that will help determine the financial outcomes of the City going into the 2023 budget process:

- Development of departmental tactical plans to mobilize the City's Strategic Plan.
- Implementing Human Resources' new Performance Management program.
- Human Resources to complete Post-Retirement benefits review.
- Tender insurance contract.
- Complete a review of computer software programs.
- Review PGA Tourism activities and related other sources of revenue.
- Review fees and costs associated with the cemetery to ensure the active cemetery is self sustaining.
- Review fees associated with the Building Inspection division.

- Develop a fee framework and related reporting mechanism for all fees.
- Complete the cost allocation model started in 2021 that is consistent with the Provincial Financial Information Return (FIR) guidelines to approximate full cost accounting for programs.
- Establishing Key Performance Indicators (KPIs) and related benchmarks, where applicable.
- Complete the Infrastructure Needs Assessment to support future capital and related project budgets and related budgets.
- Enhancing drainage, ditching and storm sewer financial planning. Specifically reviewing the \$132,900 of drain costs (in addition to the \$85,000 budgeted for City drains) on the levy.
- Develop a multi-year fleet plan.
- Implement a new purchasing by-law.
- Complete the beach and road end studies.

Internal Consultations:

As stated, Financial Services would like to thank City staff from all departments for their leadership and support in developing this 2022 Levy Budget.

Financial Implications:

Financial Services identifies the proposed 2022 Levy Budget is a staff recommendation that Council can adjust, if required.

Public Engagement:

The timeline for the 2022 Levy Budget was approved at the June 28, 2021 Council meeting. The 2022 Levy Budget was published on the City's website on October 14, 2021 and submitted through the agenda process at the end of the week of October 18, 2021. The 2022 Levy Budget will be considered by the Budget Committee of the Whole on October 28, 2021 and, if approved by the Budget Committee of the Whole, Council on November 8, 2021.

Following the budget process, staff will continue to review service levels and operations. Should changed 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:

- Service and Simplicity - Quality and Innovative Delivery of Customer Services
 - Attracting Business Investment and Tourists to Port Colborne
 - City-Wide Investments in Infrastructure and Recreational/Cultural Spaces
 - Value: Financial Management to Achieve Financial Sustainability
 - People: Supporting and Investing in Human Capital
 - Governance: Communications, Engagement, and Decision-Making
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Conclusion:

Staff recommend Council approve the 2022 Levy Budget.

Appendices:

- a. Appendix A – 2022 Levy Budget Presentation
- b. Appendix B to H – Levy Budget Appendices

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.