



Subject: 2023 Levy Budget

To: Committee of the Whole - Budget

From: Corporate Services Department

Report Number: 2022-245

Meeting Date: December 7, 2022

Recommendation:

That the Committee of the Whole recommend to Council:

That the Corporate Services Department, Financial Services Division, Report No. 2022-245 Subject 2023 Levy Budget **BE RECEIVED**; and

That the sustainability and working capital reserve funds be funded, up to the Reserve Fund policy target, as outlined in Report No. 2022-245; and

That \$2,000,000 resulting from contractual settlement related to a previous sale of land, as outlined in Report 2022-245 be transferred to the infrastructure reserve; and

That the 2023 Levy Budget as outlined in Report No. 2022-245, **BE APPROVED**.

Purpose:

The purpose of this report is to present the proposed 2023 Levy Budget to the Budget Committee of the Whole.

Background:

The 2023 Levy Budget is presented in a similar fashion as the prior year Levy Budget.

Financial Services would like to thank City staff from all departments for their leadership and support in developing this 2023 Levy Budget.

Should the 2023 Levy Budget be approved by the Budget Committee of the Whole on December 7, 2022, it will move forward to be ratified at the December 13, 2022, Council meeting.

Similar to the 2023 Capital and Related Project budget, the 2023 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
 - Supporting economic prosperity initiatives
 - Supporting environmental sustainability initiatives
 - Supporting a welcoming and livable community
 - Supporting increased and enhanced housing options
- Tactically considering where the budget can support and drive competitive advantages:
 - People
 - Processes – getting to simple (moving towards)
 - Community – Connection
 - Location
- Service levels
- Growth – achieving economics of scale
- Impact of leading a reduction in the Infrastructure Deficit

The budget document should be read in conjunction with:

- The 2023 Capital and Related Project Budget (Report 2022-248) presented to the Budget Committee of the Whole on December 7, 2022.
- The 2023 Proposed User Fees and Charges (Report 2022-244) presented to the Budget Committee of the Whole on December 7, 2022.

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 2023 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 2023 Levy Budget is approved as presented the blended tax increase to the average residential property valued at \$212,035 would be 2.94% or \$114.

The rate change is 51% related to the 2023 Capital and related Project Budget and 49% related to the Operating Budget.

The estimated impact provides for assessment growth of approximately 0.5%. 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

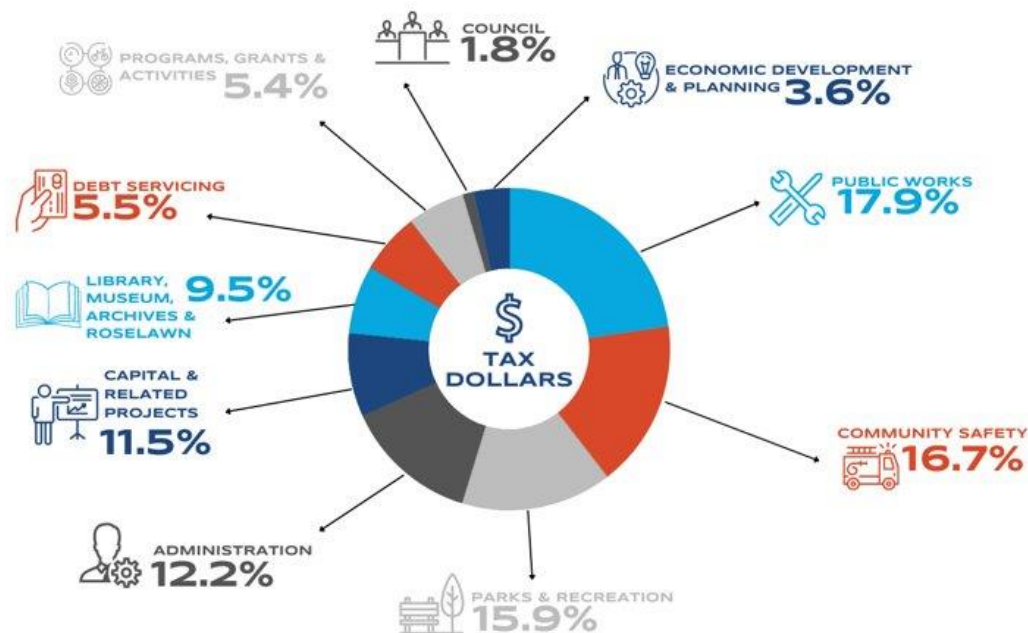
This budget was developed to maintain current service levels, increase capacity to fully re-activate Roselawn and continue to strengthen the City through a variety of initiatives, including those highlighted below.

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

This year, each department had an opportunity to present their operations to Council through departmental updates. These started in April and continued through September. 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 2023 Levy Budget as outlined in Appendix A – 2023 Levy Budget Presentation and Appendix B – Levy Budget Appendices totals \$34,072,299.

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



Some highlights of the 2023 Levy Budget include:

- Supports on-going operational improvements within departments (see departmental presentations).
- People investment to support the continued re-activating of Roselawn (\$216,800 representing 6,587 additional hours).
- Enhanced Community Improvement Funding (CIP) from \$115,000 to \$172,500 to encourage redevelopment and support growth.
 - CIP review and update to be presented for approval in the first trimester of 2023.
- Support for electric vehicle charging, \$20,000.
- Community grants budget increased by 20% to \$43,200.
- Community events budget increased to 1/3 of 1% (0.0033%) of the Levy.
 - Look to expand past civic holidays by partnering with the Business Improvement Areas (BIAs) and community organizations.
- Note that the YMCA is offering expanded hours starting January 2, 2023 - Saturday until 9pm and opening Sunday 7am to 9pm (this will be a trial basis until April 30, 2023).
- 51% of the tax impact supports the Capital and Related Project Budget.
- No new debt is proposed. Levy debt will be paid down by \$744,000 to \$14.8 million.

Some significant budget pressures included in the 2023 Levy budget are:

- Inflation has been a significant headwind. An example exists with auto fuel that is budgeted up \$97,630 year over year and 70% over the past two years.
- Employee benefits, including the Fire department, increased \$308,399. The increase relates to OMERS (expanded to include part-time), CPP (changes), EI, employer health tax, and Health and Dental.
- Insurance cost pressures have been experienced at the City like other municipalities. The impact on the budget is \$142,309. A public procurement process for the City's insurance program will start in Trimester 1 of 2023. The current contract ends December 31, 2023. Staff identify the insurance market continues to be defined as difficult/"hard".

- Computer software costs have increased as a result of data and security compliance requirements. Staff, as previously communicated to Council, has implemented a Cloud first approach using leading software providers. Staff are in discussions with other municipalities as potential partners to implement a system for the City to maintain digital human resource records and improve financial accounting/reporting capabilities as the City's current provider has indicated the City's current system will not be supported by the current vendor and Staff can identify support to date has been underwhelming.

Other salient changes include:

- Some savings to offset the cost pressures experienced in the 2023 Levy Budget include hydro at the VHWC, a reduction in rental expenses as a result of purchasing Public Works equipment, a reduction in City staff levels following a restructuring of Public Works, offset by new people investments in the Museum and Roselawn. Headcount and FTE accounts are included in the presentation in Appendix A.
- As of January 1, 2023 the Niagara Region will complete the full amalgamation of transit across the Niagara Region. The cost of the City's transit service currently contracted to Niagara Region Transit will no longer appear in the budget of the City. This represents a reduction of \$165,400 or 0.75% to the City's budget. Without this reduction, the blended tax increase to the average house would be approximately 0.4% higher.
- The cost allocation project within Financial Services continues its implementation. This budget reflects fleet and facilities as fully being allocated to departments. The final areas to finalize are global operations, project management and stores. These areas will be reviewed in conjunction with the Financial Information Return (FIR) methodology in 2023.
- There is no separate budget for COVID-19 related costs. Additional costs or lost revenue, if any, will be noted throughout the year.
- As highlighted in the 2023 Capital and Related Project budget, the 2022 Budgets require no external borrowing. The 2023 Levy Budget identifies outstanding borrowing related to levy operations is projected to decline by approximately \$744,000 to \$14,842,000 in 2023.

2022 Forecast

The City is forecasting a year end surplus of \$374,415. This surplus is identified in Appendix A on page 20 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 reserve transfers recommended in this report:

- That the sustainability and working capital reserve funds be funded, up to the Reserve Fund policy target which is 10% of the Levy. This represents a total reserve fund transfer estimated at \$262,502.
- That \$2,000,000 resulting from contractual settlement related to a previous sale of land, as outlined in Report 2022-245 be transferred to the infrastructure reserve.

At the time of writing this report Staff anticipate recommending any remaining surplus at year-end also be transferred to the infrastructure reserve in recognition of the infrastructure deficit and projects requiring Council consideration in 2023 as outlined in the 2023 Capital and Related Project Budget.

Risks to the 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
 - i.e. Bill 39, Better Municipal Governance Act, 2022 was introduced subsequent to the development of this budget and is still being reviewed at the time of printing this presentation
- Decisions of other levels of government
 - i.e. Ministry of the Environment, Conservation and Parks
 - i.e. the Bereavement Authority of Ontario
- 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 – note inflation was budgeted differently for different expenses ranging from 0% to the 35% range (fuel costs increased 70% over 2 years)
- Poor weather impacting attendance at Nickel Beach or events such as Canal Days
- Higher precipitation and lake levels compared to 2022 increasing inflow and infiltration or changing water usage
- 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

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 2023, staff identify the following activities that will help determine the financial outcomes of the City going into the 2024 budget process:

- Updated actuarial review on post-retirement benefits
- Tendering insurance for the January 1, 2024 year (noting the market continues to be difficult / “hard”)
- Reviewing the application of the Municipal Accommodation Tax (MAT)
- Perform service level reviews (Transportation, Parks, and Arena)
- Complete a fee framework (already completed review of main fees: Cemetery, Marina, Beach, Arena, Building, and Planning)
- Complete the final phase of the cost allocation project that is consistent with the Provincial Financial Information Return (FIR) guidelines to approximate full cost accounting for programs
- Continue the review of drainage, ditching and storm sewer financial planning. Specifically reviewing their impact on the levy
- Continue to work on Key Performance Indicators (KPIs) and related benchmarks, where applicable
- Complete the Infrastructure Needs Assessment to support future capital and related project budgets.
- Update the development charges by-law so growth pays for growth

Internal Consultations:

As stated, Financial Services would like to thank City staff from all departments for their leadership and support in developing this 2023 Levy Budget.

Financial Implications:

Financial Services identifies the proposed 2023 Levy Budget is a staff recommendation that Council can adjust, if required.

Public Engagement:

The 2023 Levy Budget was published on the City's website on November 28, 2022. The 2023 Levy Budget will be considered by the Budget Committee of the Whole on December 7, 2022 and, if approved by the Budget Committee of the Whole, Council on December 13, 2022.

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:

- 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 2023 Levy Budget as outlined in this report and the various appendices.

Appendices:

- a. Appendix A – 2023 Levy Budget Presentation
- b. Appendix B to G – 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.