



Committee Report

To: Warden Mitch Twolan
Members of the Corporate Services Committee

From: Edward Henley
Director of Corporate Services

Date: October 22, 2020

Re: Amended 2021-2025 Proposed Corporate Budget and Forecast

Staff Recommendation:

That the 2021 budget, requiring a levy of \$52,571,440, be adopted as amended; and

That a by-law be prepared for Council adoption establishing the levy and corresponding tax rates and tax ratios.

Background:

The 2021-2025 Proposed Corporate Budget and Forecast report was presented to Committee on October 8, 2020. An initial 11.73% increase (2021) was determined with the first submissions by the Senior Management Team - see Chart 1 in Appendix. This was subsequently revised for the first presentation to Committee which proposed a 6.95% increase (2021) - see Chart 2 in Appendix. These levy increases did not include an estimated property tax base growth rate of 1.50% (2021) or 1.00% (2022-2025).

The proposed amendments to the 2021-2025 Proposed Corporate Budget and Forecast report outlined in this report are summarized for the 2021 budget and the 2022-2025 forecast as follows - also see Chart 3 in Appendix.

Levy increase	2021	2022	2023	2024	2025
Initial Budget	11.73%	0.24%	0.14%	4.48%	3.72%
Revised Budget	6.95%	4.78%	0.22%	4.69%	2.25%
2nd Revision incl. growth (est.)	3.95%	4.88%	3.49%	3.50%	3.49%

Committee requested staff revisit the budget and propose a revision that includes the following:

1. Reducing the increase in 2021 by shifting some of the levy increase to 2023 where there was forecasted to be a minimal increase
2. Rebuilding the reserves
3. Contact the Province to determine if the Ontario Community Infrastructure Fund (OCIF) grant which ended in 2020 (\$566,000) would be continued

4. Determine if it is possible to have two separate County levies printed by the lower-tiers on the property tax bills with the second levy possibly targeted for infrastructure funding

1. Reducing the Increase in 2021 and shifting to 2023

The proposed amendment is to internally borrow \$750,000 (2021) and \$750,000 (2022) from internal reserves to fund bridge infrastructure projects and to repay the internal borrowing with a levy in 2023 and 2024. The spreading out over two years is proposed after a review of the increases. A single combined amount of \$1,500,000 in one single year for borrowing and repayment causes large swings in the following year levy increase. Spreading it out over 2 years mitigates the large swing.

The two reserves to fund the internal borrowing would be the Non-Departmental Facilities Reserve (\$910,000) and the Working Fund (\$590,000). Both funds have had multi-year trend forecasts for the next 5 years or longer and it has been determined that there are sufficient funds for the existing proposed budgeted items to fund them however there will be limited funds for unbudgeted items.

The cost of borrowing internally is budgeted at \$8,000 (2021), \$16,000 (2022) and \$8,000 (2023) and this assumes an interest rate of 1.16% which is the current interest rate mid-point between the current bank account overdraft rate (1.7%) and the rate that the reserves are normally paid. The interest would be included in the Transportation and Environmental Services budget. These rates are variable as they are based on the County's bank's prime rate however "Interest rates will be low for a long time", as stated on July 15, 2020 by Tiff Macklem, the Governor of the Bank of Canada, which is the entity that sets the Bank of Canada prime rate that the chartered banks base their rates on.

The option of borrowing internally is more flexible, efficient, and cost-effective than a formal infrastructure loan. Infrastructure Ontario generally starts at 5-year terms for borrowing and the County only requires 2 years for each of the two \$750,000 tranches. The chartered bank is able to lend for 2 years and would be at approximately 1.16% however it would be for a fixed period of time and interest is payable for that entire period even if it is paid off early or not needed immediately. Use of internal borrowing only costs interest when the invoice is actually paid until the levy is collected in the future year. The internal borrowing route has less paperwork, similar interest rate, potentially fewer days to pay interest and no requirement to pay the bank any interest penalty for paying it off early.

2. Rebuilding the Reserves

The committee was shown several charts illustrating the declining reserve balances due to extensive use in prior budget years to minimize levy increases. The downward trend was moving away from the median average of reserves held by other comparable Counties and was not sustainable.

This amended budget proposes increases in transfers to reserves in the following manner:

- 2023 = \$650,000, 2024 = \$1,035,000, and 2025 = \$3,380,000

Increases to transfers to reserves were rejected as an option for 2021 as the Committee desired to further reduce the levy increase. It was similarly rejected for 2022 as the proposed levy increase in 2022 was higher than in 2021. The increases in the transfers to

reserves were set for 2023-2024 so that the levy increase after estimated growth in the property tax base would be a steady 3.50%.

It is important to note that actual future reserve usage and contributions can vary from the budget. This is because some reserve contributions are determined at year-end and are based on current year events, such as the WSIB reserve or other reserves. A balanced budget is passed which means that there is no anticipated surplus or deficit at year-end, however this is a possibility each year and the tax stabilization reserve was created to mitigate these circumstances. The tax stabilization reserve has been used regularly to fund new unbudgeted items and each annual budget is set up to assume that there will be a surplus in the prior year's balanced budget to fund the next year's operating budget. Work is being done to eliminate this usage of the tax stabilization reserve as there is no guarantee there will be a surplus from the balanced budget.

The proposed 2023-2025 increases in the transfers to reserves have been budgeted in the Non-Departmental budget and will be redistributed to other departments during budget preparation in 2022 for the 2022-2026 Budget and Forecast. The increases also serve as a placeholder for any budget items requiring a levy increase for the 2023-2025 years that may have been inadvertently missed or unanticipated for inclusion at this time.

The budget proposed on October 8 would bring the 2025 reserve levels to 2006 balances while the amended budget shown in the red hashed line brings it closer to 2012 balances - see Chart 4 in appendix. Chart 5 in the appendix shows a forecast in striped columns of the ratio of reserves to expenditures and how the County compares to other similar counties. The ratio gradually improves by 2025 but remains significantly lower than the median average and even further increases in transfers to reserves would be required to return to the median average that the County most recently met in 2015.

3. Contact the Province about OCIF grant funding for 2021

The County's Municipal Advisor for the Ministry of Municipal Affairs and Housing was contacted on October 14, 2020 for further information on the extension of the Ontario Community Infrastructure Fund (OCIF) grant for 2021 or another equivalent new grant program. No information was available at that time.

It is recommended that the County proceed with the budget on the assumption that no allocation based infrastructure grant funding is forthcoming and that if grant funding does come that it be considered as a bonus or extra rather than a required part of the budget. The asset management regulation passed in 2017 required municipalities to no longer include unconfirmed grant funding in municipal budgets to ensure municipalities contemplate better how to fund projects and ensure adequate funding is in place.

Prior to the pandemic the senior levels of government had large levels of debt. With recent pandemic-related financial announcements, the annual deficit at the federal and provincial levels have increased drastically and higher loan repayments will be required on this new debt. It is recommended that the County determine a way of budgeting that reduces its reliance on grant funding for replacing its existing infrastructure and becomes more self-sufficient.

A forecast of levy increases if the OCIF grant is renewed at \$566,000 per year for 2021-2025 is shown in Chart 6 in the appendix.

4. Having two separate County levies on the lower-tier printed property tax bills

The County does not print the property tax bills as property taxes are collected by the lower-tiers. In order to move forward with this proposal it would be necessary to ensure that the lower-tiers have tax-billing software that can meet this request, or if they would be required to acquire new software and at whose cost.

Six of the eight lower-tiers responded by the time of the writing of this report. The six respondents all used the same property tax bill program, although it was not confirmed if they were all using the same version with the same capabilities. There was a second field that could be used but it was designed for area specific charges. It is not confirmed that a property tax rate would be properly calculated using that field or if it would be best to request the software vendor to write an update that would be able to correctly apply the proposed second separate County rate. More information would be needed to find out if it is possible and the vendor is agreeable to making any required software updates, the potential timelines, the cost and who would pay for it, and any other pertinent details along with testing for tax account administration accuracy and will follow the regulations for administering property taxes as set out in the Municipal Act.

It is not known at this time what tax billing software the other two lower-tiers use or if they have the same capability or, if a different system, would require additional negotiations with software vendors.

It is recommended at this time that this proposal not be considered for 2021 or 2022 but be investigated for potential 2023 implementation, if still desired, which is the first year that the increases to the transfers to reserves are recommended as noted above.

Other amendments

Some corrections were made to the Planning and Development Services and Human Services budgets. An increase in funding from the Safe Restart Grant of \$6,797 was added in Human Services to offset reduced revenues. Repayment of the money borrowed from the Working Fund for the 2020 and 2021 loan payments of the Support the Bruce loan were added; \$148,428 (2022) and \$385,204 (2023). Loan repayments for the Support the Bruce loan were added for additional years to the end of the loan term; \$373,000 (2022), \$373,000 (2023), \$373,000 (2024), \$186,500 (2025).

Further reductions

Further reductions would necessitate changes to existing service levels and would require significant time to plan and calculate the monetary and non-monetary impacts for Committee review. To finalize the levy tax rates in January it is recommended that Committee advise staff of any service level changes at the October 22 Committee meeting.

Financial/Staffing/Legal/IT Considerations:

The financial, staffing, legal or IT considerations associated with this report are included in the budget.

Interdepartmental Consultation:

The Senior Management Team prepared the budget information presented.

Link to Strategic Goals and Elements:

None.

Approved for Submission:

Sandra Datars Bere
Chief Administrative Officer

Chart 1: Initial Senior Management Team Budget Submission

Department	2020	2021	2022	2023	2024	2025
CAO	1,343,939	1,699,867	1,617,652	1,550,588	1,571,626	1,589,642
Corporate Serv.	0	0	0	0	0	0
Non Dept.	2,978,983	3,438,794	3,581,825	2,753,247	3,272,981	3,332,693
ITS	0	0	0	0	0	0
Workplace Engagement Services	0	0	0	0	0	0
Paramedic Serv.	6,695,275	6,909,835	7,694,657	7,647,969	8,551,858	8,990,300
Transportation	13,922,100	16,574,559	16,090,284	16,616,493	17,072,423	17,608,197
Human Services	7,178,244	7,957,792	8,312,318	8,400,990	8,629,889	8,819,053
Brucelea	4,172,792	4,905,643	4,376,050	4,505,014	4,641,082	4,750,141
Gateway	3,695,510	4,063,505	4,069,644	4,188,240	4,302,527	4,393,834
Museum	2,008,714	2,091,848	2,174,436	2,249,743	2,222,558	2,830,546
Library	3,999,054	4,089,753	4,147,365	4,156,825	4,238,896	4,297,117
Planning & Dev.	3,858,371	3,970,351	3,769,779	3,843,279	3,911,177	3,974,547
Total	49,852,982	55,701,947	55,834,010	55,912,388	58,415,017	60,586,070
Levy Increase (excl. growth)		11.73%	0.24%	0.14%	4.48%	3.72%

Chart 2: Revised Budget Submission - October 8, 2020

Department	2020	2021	Change	2022	2023	2024	2025
CAO	1,343,939	1,696,672	352,733	1,617,796	1,550,723	1,571,749	1,589,764
Corporate Serv.	0	0	0	0	0	0	0
Non Dept.	2,978,983	3,009,717	30,734	3,581,825	3,403,247	4,307,981	6,712,693
ITS	0	0	0	0	0	0	0
Workplace Engagement Serv.	0	0	0	0	0	0	0
Paramedic Serv.	6,695,275	6,615,521	-79,754	7,223,067	7,071,399	7,335,491	7,644,421
Transportation	13,922,100	15,755,841	1,833,741	16,208,039	16,987,703	18,191,044	18,006,652
Human Services	7,178,244	7,818,787	640,543	8,215,047	8,368,596	8,602,702	8,782,824
Brucelea	4,172,792	4,363,292	190,500	4,618,147	4,659,363	4,798,560	4,910,728
Gateway	3,695,510	3,997,442	301,932	4,148,744	4,178,571	4,294,956	4,388,331
Museum	2,008,714	2,051,051	42,337	2,174,864	2,250,177	2,222,998	2,830,980
Library	3,999,054	4,057,077	58,023	4,152,550	4,167,525	4,250,106	4,308,816
Planning & Dev.	3,858,371	3,954,837	96,466	3,936,564	4,013,397	4,084,691	4,151,512
Total	49,852,982	53,320,237	3,467,255	55,876,643	56,650,701	59,660,278	63,326,721
Levy Increase (excl. growth)		6.95%		4.79%	1.39%	5.31%	6.15%

Chart 3: Proposed Amended Budget Submission - October 22, 2020

Department	2020	2021	Change	2022	2023	2024	2025
CAO	1,343,939	1,696,672	352,733	1,617,796	1,550,723	1,571,749	1,589,764
Corporate Serv.	0	0	0	0	0	0	0
Non Dept.	2,978,983	3,009,717	30,734	3,581,825	3,403,247	4,307,981	6,712,693
ITS	0	0	0	0	0	0	0
Workplace Engagement Serv.	0	0	0	0	0	0	0
Paramedic Serv.	6,695,275	6,615,521	-79,754	7,223,067	7,071,399	7,335,491	7,644,421
Transportation	13,922,100	15,013,841	1,091,741	15,474,039	17,745,703	18,941,044	18,006,652
Human Services	7,178,244	7,811,990	633,746	8,215,047	8,368,596	8,602,702	8,782,824
Brucelea	4,172,792	4,363,292	190,500	4,618,147	4,659,363	4,798,560	4,910,728
Gateway	3,695,510	3,997,442	301,932	4,148,744	4,178,571	4,294,956	4,388,331
Museum	2,008,714	2,051,051	42,337	2,174,864	2,250,177	2,222,998	2,830,980
Library	3,999,054	4,057,077	58,023	4,152,550	4,167,525	4,250,106	4,308,816
Planning & Dev.	3,858,371	3,954,837	96,466	4,457,992	4,767,919	4,457,691	4,338,012
Total	49,852,982	52,571,440	2,718,458	55,664,071	58,163,223	60,783,278	63,513,221
Levy Increase (excl. growth)		5.45%		5.88%	4.49%	4.50%	4.49%
Less Estimated growth		-1.50%		-1.00%	-1.00%	-1.00%	-1.00%
Net Increase after growth (est.)		3.95%		4.88%	3.49%	3.50%	3.49%

Department	2020	2021	Change	2022	2023	2024	2025
Corporate Serv.	1,942,658	1,872,454	-70,204	1,933,732	2,031,053	2,088,456	2,078,833
ITS	2,587,609	2,774,216	186,607	2,726,135	2,752,183	2,778,690	2,805,663
Workplace Engagement Serv.	1,382,237	1,428,931	46,694	1,431,346	1,457,053	1,482,002	1,507,478
Non Dept.	3,591,086	3,675,494	84,408	4,249,485	3,455,268	4,004,583	4,072,342
Total	9,503,590	9,751,095	247,505	10,340,698	9,695,557	10,353,731	10,464,316

Chart 4: Effects of 2023-2025 Amendments on Reserves

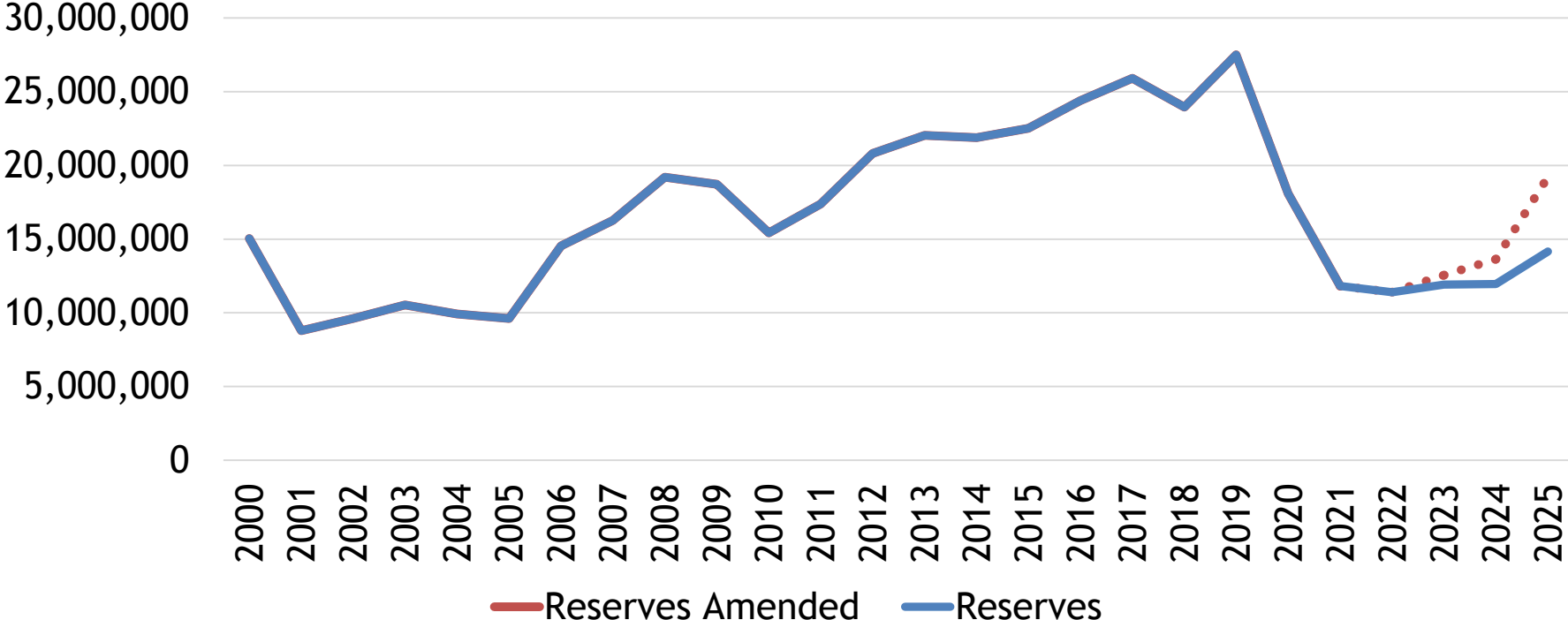


Chart 5: Total Reserves and Discretionary Reserve Funds as a % of Municipal Expenses
Some reserves may have some year-end contributions not shown here.

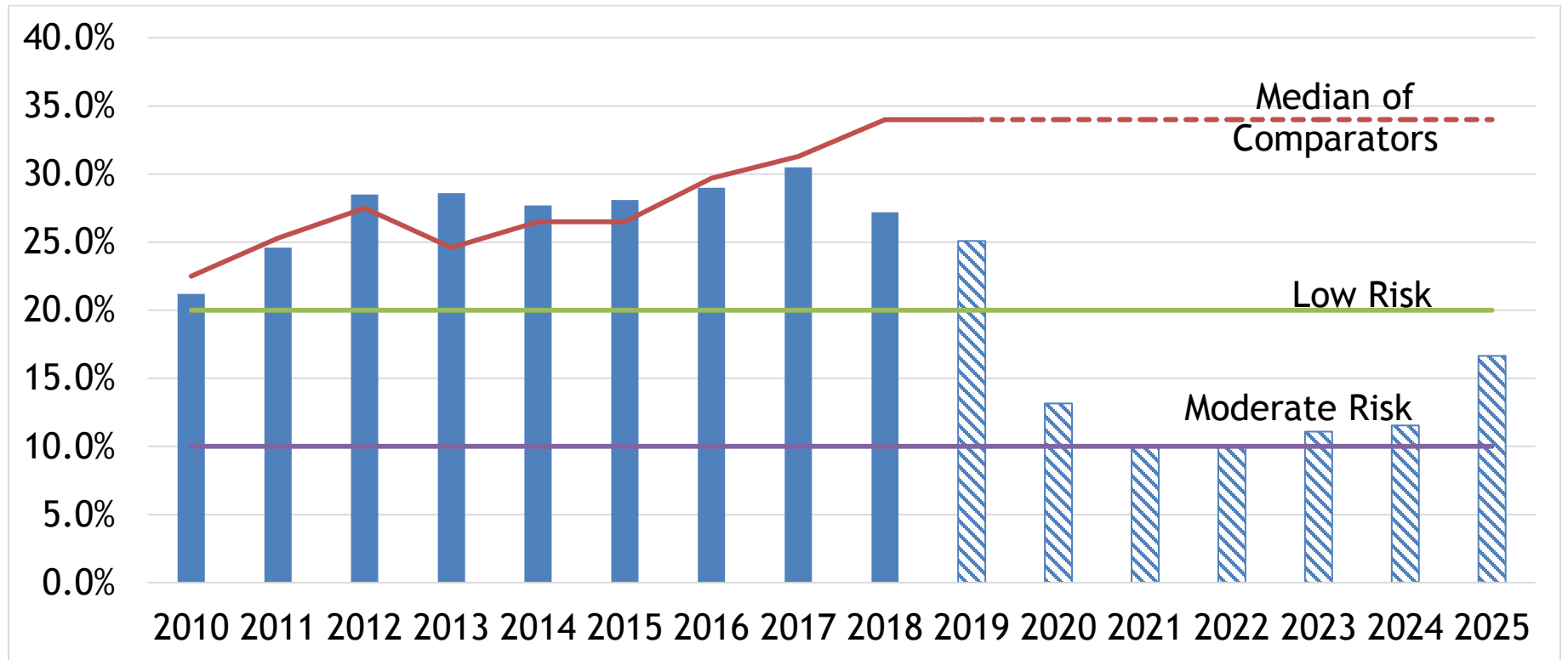


Chart 6: Revised Budget Submission - October 22, 2020 - assuming \$566,000 annual OCIF funding continues

Department	2020	2021	Change	2022	2023	2024	2025
CAO	1,343,939	1,696,672	352,733	1,617,796	1,550,723	1,571,749	1,589,764
Corporate Serv.	0	0	0	0	0	0	0
Non Dept.	2,978,983	3,009,717	30,734	3,581,825	3,403,247	4,307,981	6,712,693
ITS	0	0	0	0	0	0	0
Workplace Engagement Serv.	0	0	0	0	0	0	0
Paramedic Serv.	6,695,275	6,615,521	-79,754	7,223,067	7,071,399	7,335,491	7,644,421
Transportation	13,922,100	14,447,841	525,741	14,908,039	17,179,703	18,375,044	17,440,652
Human Services	7,178,244	7,811,990	633,746	8,215,047	8,368,596	8,602,702	8,782,824
Brucelea	4,172,792	4,363,292	190,500	4,618,147	4,659,363	4,798,560	4,910,728
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Museum	2,008,714	2,051,051	42,337	2,174,864	2,250,177	2,222,998	2,830,980
Library	3,999,054	4,057,077	58,023	4,152,550	4,167,525	4,250,106	4,308,816
Planning & Dev.	3,858,371	3,954,837	96,466	4,457,992	4,767,919	4,457,691	4,338,012
Total	49,852,982	52,005,440	2,152,458	55,098,071	57,597,223	60,217,278	62,947,221

Levy Increase (excl. growth)		4.32%		5.95%	4.54%	4.55%	4.53%
Less Estimated growth		-1.50%		-1.00%	-1.00%	-1.00%	-1.00%
Net Increase after growth (est.)		2.82%		4.95%	3.54%	3.55%	3.53%

Department	2020	2021	Change	2022	2023	2024	2025
Corporate Serv.	1,942,658	1,872,454	-70,204	1,933,732	2,031,053	2,088,456	2,078,833
ITS	2,587,609	2,774,216	186,607	2,726,135	2,752,183	2,778,690	2,805,663
Workplace Engagement Serv.	1,382,237	1,428,931	46,694	1,431,346	1,457,053	1,482,002	1,507,478
Non Dept.	3,591,086	3,675,494	84,408	4,249,485	3,455,268	4,004,583	4,072,342
Total	9,503,590	9,751,095	247,505	10,340,698	9,695,557	10,353,731	10,464,316

Levy increase	2021	2022	2023	2024	2025
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Initial Budget	11.73%	0.24%	0.14%	4.48%	3.72%
Revised Budget	6.95%	4.78%	0.22%	4.69%	2.25%
2nd Revision incl. growth (est.)	3.95%	4.88%	3.49%	3.50%	3.49%
OCIF Revision incl. growth (est.)	2.82%	4.95%	3.54%	3.55%	3.53%