

2022 Budget Deliberations: Treasurer's Introduction and Overview



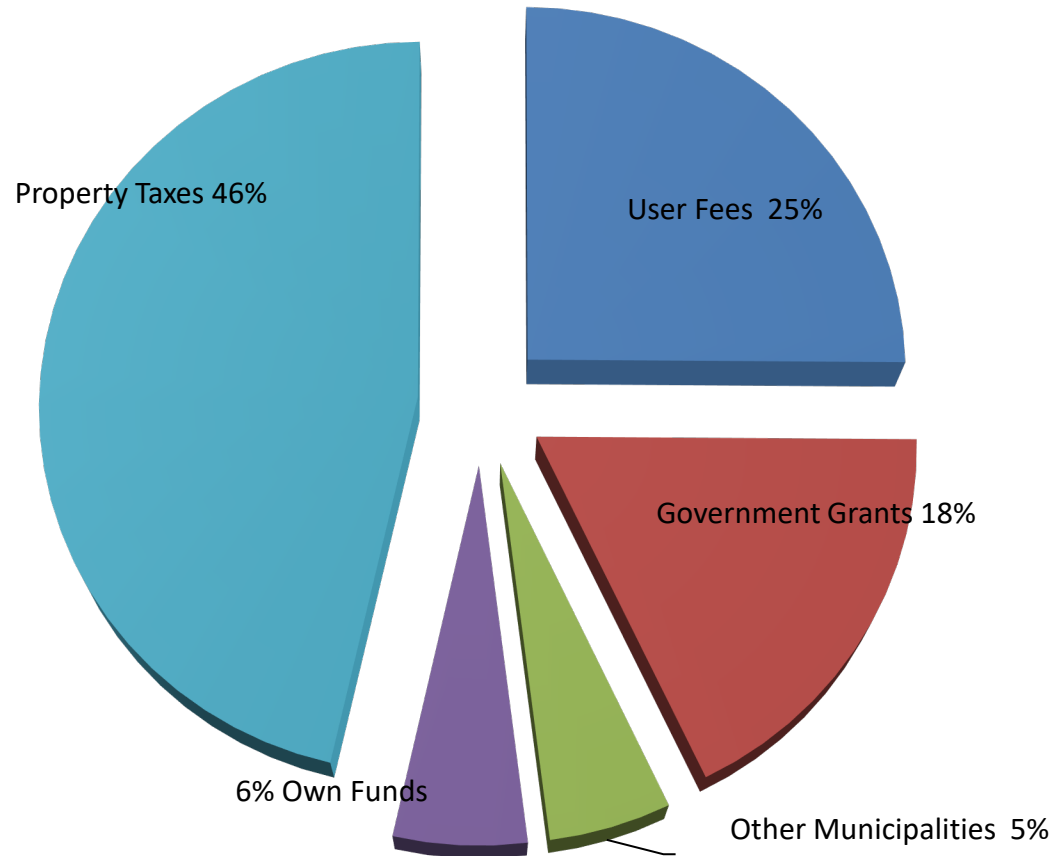
December 14, 2021
Finance and Labour Relations Committee

Today's Objectives

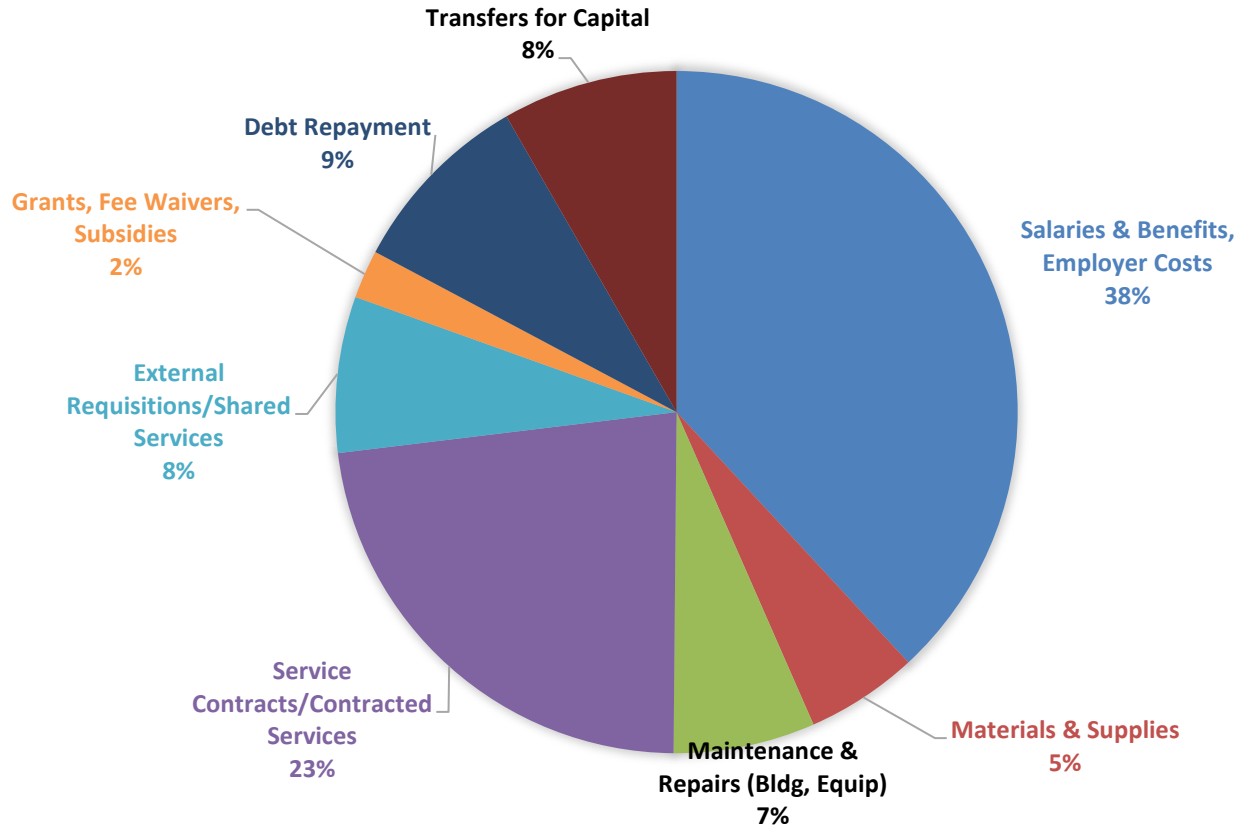
- To receive the draft budgets from staff and local boards as a coordinated unit, including those supported fully by user-fees
- Affirmation that the budget is one document made up of various inputs, not separate requests from each department. Much is interconnected.
- To ask questions to understand what is being requested for 2022
- Today's session is not intended to commence deliberations or discuss the relative merits of one request against another, but rather receive the draft budget and seek clarifications as required
- To make a note of specific items you wish to explore further or that warrant further discussion



Municipal Funding by Type



Municipal Expenditures by Type



Tax Supported Operating Budget

Preliminary Net Budget (Levy) Increase \$6,683,132 10.5%

After Mitigating Adjustments (\$1.200,000) \$5,483,132 8.6%

After 'blending' estimated education tax rates, and looking at estimated growth, expected residential tax rate increase approximately 5.8%

OR

Estimated \$23.38/month (\$280.62 annual) increase on a home assessed at \$350,000*

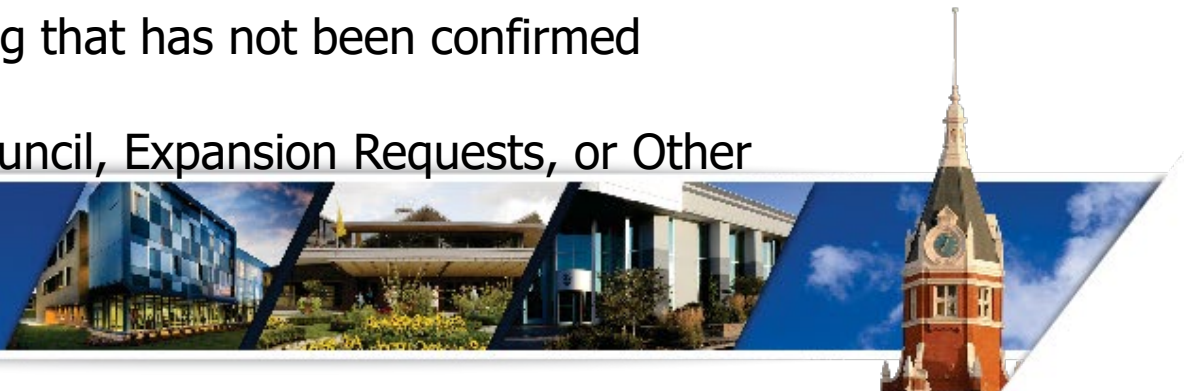


Tax Supported Operating Budget

Base budget still contains some assumptions and estimates that could require adjustments as we move through deliberations (these will be tracked from the original documents).

Examples of items that might change :

- Insurance premiums on renewal (current estimate of 10% increase)
- Benefit program on renewal (current estimate of 2% increase)
- Final assessment growth figures from MPAC (current estimate = 2021 levels)
- Recurring grant funding that has not been confirmed
- New direction from Council, Expansion Requests, or Other



Tax Supported Operating Budget

Base budget **includes:**

- Debt repayment for new borrowings of approximately \$26 million authorized in 2021 to be issued in 2022
- Salary and benefit adjustments for cost of living
 - Note: benefit increase estimated at 2% but since preparing estimates, have new information on CPP and EI escalating employer costs, which could have an additional impact of \$175,000+
- Second of two phased-in increases to wages impacted by Admin salary review (approximately \$180,000)



Tax Supported Operating Budget

Base budget also **includes:**

- Estimated increase to insurance premium costs of 10% but this could be as high as 15-20%, adding another \$162,500+
- Costs for approved service enhancements undertaken in 2021
- Use of tax stabilization reserves to assist with operational costs and replace Covid funding that is not expected to recur
- Inflationary impacts for materials and supplies, contracted services and other general operating expenses (3.7%)



Tax Supported Operating Budget

Base budget **also includes:**

- Increase in transfers to capital reserve funds (to assist with current and future year infrastructure investments)
- Efficiencies and other reductions in planned expenditures that offset some of the inflationary impacts
- No new debt proposed in 2022
- Assumed new revenues from assessment growth estimated of \$1.2 million (2021 - \$627,800)***



Tax Supported Operating Budget

Base budget **does not** include

- Amounts for covid-related fee waiver requests (2021=\$110,000 previously funded from Strategic Community Reserve)
- Proposed expansion requests provided in budget package amounting to \$662,833, or an additional 1% on the net levy
- Sufficient reserve transfers to adequately fund the 10-year capital forecast and strategic asset management plan that was adopted in 2021
 - Strategies for implementing this will be required over several years



Items Referred to Budget

At the Finance and Labour Relations Committee Pre-Budget meeting on October 4, 2021, staff were provided direction for 16 items referred to the 2022 proposed budget:

5 items received direction of 'no further consideration' for 2022
11 items received direction to consider in the 2022 budget

The approach varied for the presentation of the 12 items as follows:

Included directly in the 2022 proposed budget:

- | | |
|---|-----------|
| 1. Rental fee waivers for Curling event | \$40,000 |
| 2. Community Safety & Well-being resources | \$17,000 |
| 3. Fundraising initiative for Grand Trunk Community Hub | \$150,000 |
| 4. Accessibility renovation for Library (from reserves) | \$280,000 |



Items Referred to Budget

Included in the 2022 proposed budget with expansion request forms:

- | | |
|----------------------------------|----------|
| 5. Public Housing Review Officer | \$38,440 |
| 6. Municipal Cultural Plan | \$65,000 |
| 7. Municipal Partnership Program | \$50,000 |
8. The Asset Management Financial Strategy was given consideration by virtue of the recommended capital budget and forecast. Further analysis will continue as we move forward with the Asset Management Strategy.
9. The green standards policy was given consideration, and staff recommend the formation of a working group in 2022 to develop the strategy for this and other climate change initiatives.
10. Active transportation committee has been provided annual spending.
11. St. Mary's Healthcare follow up report is in progress.



Other Expansion Requests

Included in the 2022 proposed budget with expansion request forms:

- | | |
|---|-----------|
| 1. Policing – Records Management resource | \$111,350 |
| 2. Policing – Mental Health resource | \$111,350 |

Not included in the 2022 proposed budget with expansion request forms:

- | | |
|--|-----------------|
| 3. Manager of Inclusion, Equity and Indigenous Initiatives | \$148,793 |
| 4. Coordinator of Equity, Inclusion and Accessibility | \$74,858 |
| 5. Full-time custodians (eliminate P/T) | \$42,624 |
| 6. Transit Supervisor (weekends) | \$49,200 |
| 7. Planning Secretary-Increase to 35 hours/week | \$20,334 |
| 8. Library Makerspace Assistant | \$12,184 |
| 9. Cultural Plan Staff Resource | <u>\$75,000</u> |

Total additional levy-based expansions not included	\$422,993
Would add to proposed levy increase in draft budget	0.7%



Capital Budget

- 99 proposed capital projects totaling \$39,037,590
 - 15 of these are 'carried forward' from 2021, funded from prior year reserves, (\$15.9 million)
 - 84 of these are funded with current year (\$7.5 million) and prior year (\$15.6 million) reserve contributions (\$22.9 million)
- The primary focus of the City's capital budget is the replacement and rehabilitation of existing assets used in the delivery of City services.
- "New" initiatives have generally not been financially planned for and will require difficult priority setting by this and future Councils to fund acquisition or construction, and future operating costs.



Capital Budget

Not included in the 10-year Capital plan /forecast

- Renewable natural gas (RNG) initiative
- Community Hub (but seed funding currently in reserves while awaiting grant funding announcements)
- Industrial Land Expansion
- Other new facilities or strategic initiatives
- Other capital items identified in the asset management plan but not yet captured or staged for timing (to be determined)



Long-Term Debt

Borrowing for the following projects was authorized in 2021:

	Amount	Principal/Interest (est)
Aerial Fire Truck	\$1,864,100	\$130,053
Queen Street Storm	\$15,355,000	\$1,422,806
Britannia Phase II	\$4,685,000	\$332,716
Quinlan Pumping Station	\$4,000,000	\$370,645 (from DCs)
Total authorized	\$25,904,100	\$1,885,576 levy impact

Debentures will be finalized for projects based on timing, but payments for all projects are expected to begin in 2022 and have been included in the 2022 proposed budget.

No additional new debt is being proposed in the 2022 draft budget.



Capital Reserves & Reserve Funds

Projected balances at the end of 2021

Capital Reserve Funds (all)	\$27,944,240
Deferred Grants (all)	\$2,823,710
DCs (all)	<u>\$12,218,960</u>
Available for use – Capital	\$42,986,940
Annual Contributions (reserves & grants)	\$10,065,000
2022 Projects	\$39,951,000
10-year forecasted projects	\$267,324,518



Capital Reserves & Reserve Funds

Total 10 year Forecasted Projects				\$ 267,324,518
Balance in Capital Reserves @ 2021 estimated - all reserves				\$ (57,032,389)
Includes Deferred Grants and all available DCs				
Annual Transfers/Funding (Using Current Levels)	\$ 10,065,000	x 10 years		\$ (100,650,000)
Estimated DCs available over next 10 years (based on previous levels)				\$ (15,000,000)
Additional Tax Revenues from Growth ** Estimated @ 500,000 per year				\$ (5,000,000)
Available Funding, all sources				\$ (177,682,389)
Shortfall /No funding Available				\$ 89,642,129
Annualized Shortfall				\$ 8,964,213



To Defer or Not to Defer

- The implications of deferring a capital project to a future year include:
 - Increased future costs of capital due to inflation
 - Doubling the infrastructure gap for next and future years
 - Reducing future capacity for community or Council initiatives
 - Unknown pressures might arise in a future year, further eroding flexibility such as the following examples:
 - SS download deferred in 2022 of \$1.2 million to impact 2023
 - Surprise unfunded/underfunded capital needs for things previously deferred (older fuel tanks, significant building repairs, etc)
 - Once all assets from the asset management plan are incorporated into the forecast, the pressures may increase further



Taxes and Tax Rates

- A budget or levy increase does not translate exactly into the same increase to tax rates.
- The method to arrive at the tax rate after the budget process is a complex process that involves consideration of the ratios between property classes.
- It factors in shifts between property class types, increases in assessments, from both market value perspectives and actual new growth.
- To arrive at the 'blended' or combined impact to a property owner, the Education rate is also factored in.
- Until all the variables are known, it's not possible to fully analyze the impact to the taxpayer.



Taxes and Tax Rates

- But we can comment on a few historical facts:
- Tax rates in the City of Stratford have remained incredibly low for the past 10 years.
- Reassessments by MPAC scheduled for 2020 and subsequent years have not occurred due to COVID, meaning that residents have not seen taxes increase significantly due to assessment value changes in the past 2 years.
- Residents have also not seen a significant impact due to increases in the City's operational and capital needs as overall dollars are carefully spent.
- In the past 10 years, almost all property tax pressures faced by residents have been due to changes in their property values, not due to exorbitant tax rates set by the City.



Taxes and Tax Rates

- Tax rates for the City are considered in the mid-range compared to other cities that offer similar services and have similar housing costs, according to the BMA Consulting Study that the City has participated in annually for a number of years.
 - The study compares participant municipalities across the province in various areas with a standardized 'measuring stick'.
- The proposed budget does not significantly impact the City's relative rankings compared to similar cities/municipalities.
- While not within the control of the City, factors that impact residents that are also considered include:
 - Local employment (unemployment) rates
 - Local family income levels



Taxes and Tax Rates

	Levy Increase in Dollars	Levy Increase % over Prior	Estimated Resulting Local Tax Rate	Educational Rate	Estimated Total Tax Rate	Estimated Increase in Local Tax Rate	Estimated Increase in Total Tax Rate	Estimated Total Taxes on \$350,000 home	Estimated Total Taxes on \$250,000 home
2022 Est	\$ 5,483,132	8.64%	0.01294535	0.00153	0.01447535	6.60%	5.86%	\$ 5,066.37	\$ 3,618.84
2021	\$ 1,256,889	2.02%	0.01214359	0.00153	0.01367359	1.38%	1.22%	\$ 4,785.76	\$ 3,418.40
2020	\$ 2,980,290	5.03%	0.01197832	0.00153	0.01350832	-0.40%	-0.94%	\$ 4,727.91	\$ 3,377.08
2019	\$ 2,543,141	4.49%	0.01202594	0.00161	0.01363594	-0.31%	-0.93%	\$ 4,772.58	\$ 3,408.99
2018	\$ 1,613,217	2.93%	0.01206350	0.00170	0.01376350	-1.41%	-1.88%	\$ 4,817.23	\$ 3,440.88
2017	\$ 1,677,924	3.14%	0.01223654	0.00179	0.01402654	0.71%	-0.02%	\$ 4,909.29	\$ 3,506.64
2016	\$ 2,095,327	4.09%	0.01214987	0.00188	0.01402987	0.54%	-0.04%	\$ 4,910.45	\$ 3,507.47
2015	\$ 1,915,714	3.88%	0.01208509	0.00195	0.01403509	0.34%	-0.28%	\$ 4,912.28	\$ 3,508.77
2014	\$ 2,818,542	6.05%	0.01204462	0.00203	0.01407462	-0.68%	-1.21%	\$ 4,926.12	\$ 3,518.66
2013	\$ 1,723,889	3.85%	0.01212669	0.00212	0.01424669	0.00%	-0.63%	\$ 4,986.34	\$ 3,561.67
2012	\$ 1,726,152	4.00%	0.01212715	0.00221	0.01433715	0.00%	-0.69%	\$ 5,018.00	\$ 3,584.29

Increase to combined total tax rates over 10 years		0.96%
Increase to total taxes payable over 10 years due to tax rate increases	\$	48.37
Increase to total taxes payable over 10 years due to reassessments	\$	1,482.09

- Increase based on proposed budget for a \$350,000 home is \$280.62 or \$23.38 per month



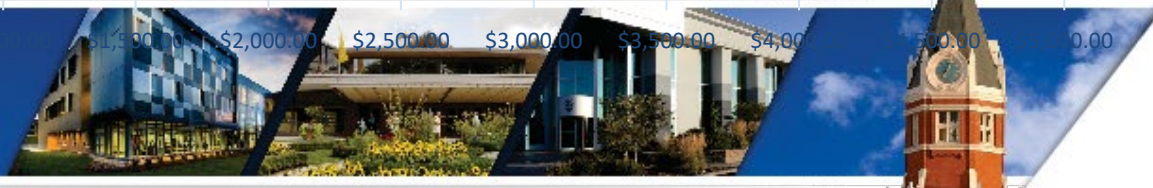
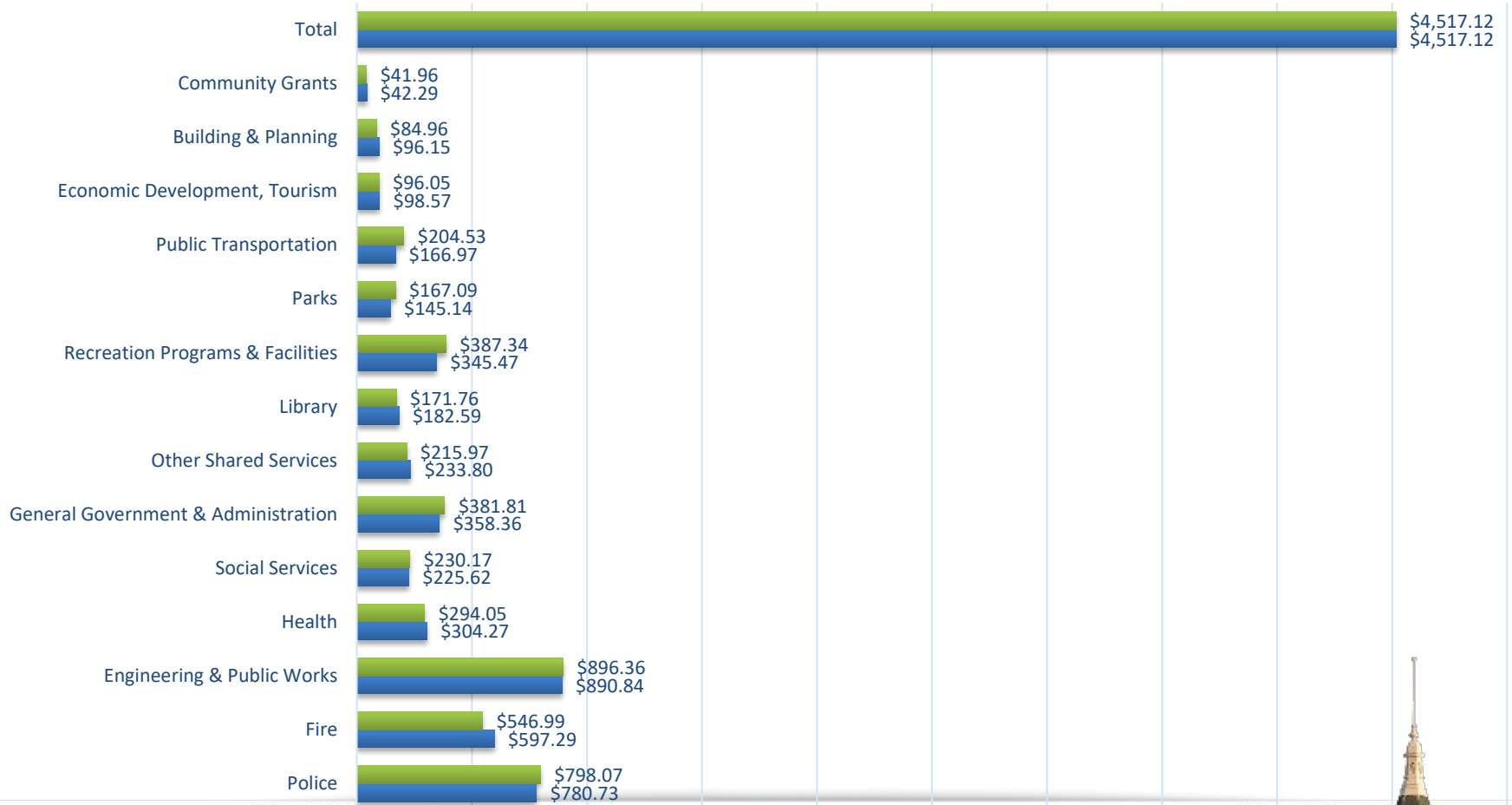
Tax Supported Operating Budget

- Total annual taxes on that \$350,000 home in 2021 were \$4,785.76 and would be approximately \$5,066.37 if the proposed budget were adopted as is.
 - Based on estimated revenues from growth, which are not yet finalized.
- Each percentage on the tax levy equates to approximately \$677,000.
- If 1% savings in the levy increase could be found, this translates into an estimated annual reduction of \$29 per year, or \$2.41 per month for that property example.



How are the tax dollars allocated?

2022 Proposed vs 2021



Positive Outcomes

- Stratford remains a desirable tourist destination, which brings people and retail spending to the area, supporting our residents and business owners – making Stratford a great place to live too
- Industrial land acquisition and development projects continue, which not only add job and other economic stimuli, but also grow the taxable assessment base, allowing the costs of services to be spread over more properties
- The Queen Street storm water project in 2021 represented the final upgrade that was identified from a flooding event in 2002 – increasing Stratford's resiliency to major future events



Positive Outcomes

- Green initiatives assist in reducing the environmental footprint the City makes, and while there are costs to this, it remains important for the sustainability of our lands, and future generations' quality of life
- We're moving in the right direction with respect to prioritizing infrastructure investment
- Even with a tax increase as proposed, Stratford tax rates remain in the mid-range compared to similar cities



What Does it all Mean?

- In order to move Council-identified priorities forward, while still maintaining levy-supported infrastructure (roads, bridges, storm), tax rates must increase beyond historic levels.
- Services supported by non-core infrastructure (not only today's infrastructure, but future proposed infrastructure) need to be critically reviewed for not only initial costs, but long-term ongoing sustainability.
- Tax rate increases in 2022 are unavoidable, even if specific services are reduced or eliminated for 2022 (exiting services takes time and often cannot happen overnight).
- It's not only the operating budget that need to be considered, but the assets that are used in delivering that service – and what the near-term pressures are for those assets.
- Tough conversations are ahead around what strategic priorities are affordable.



Next Steps

- Survey to residents to be issued in early December, consisting of several questions designed to receive feedback on the proposed budget and sensitivities to priorities.
- A report summarizing any feedback received will be provided to Council once the survey closes, anticipated for January 17, 2022.
- Deliberations are scheduled to begin January 17, 2022, and continue on January 25 and 31, as required.
- Final Council approval by by-law anticipated February 14, 2022 (staff recommendation).
- Early approval of the 2022 budget will allow staff to get RFPs and tenders out early to secure best pricing and selection from bidders.



Recommendations

THAT the 2022 draft operating and capital budgets be received as presented;



Questions

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