

Staff Report

Report To: City Council
Report From: Kate Allan, Director of Corporate Services
Meeting Date: July 19, 2021
Report Code: CR-21-076
Subject: 2022 Call to Budget

Recommendations:

THAT in consideration of Staff Report CR-21-076 respecting 2022 Call to Budget, City Council approves the use of a survey to:

1. Solicit Council feedback and direction for the purpose of developing the 2022 multi-year capital plan; and
2. Consider service levels and changes for the 2022 budget.

Highlights:

- The budget process provides a venue within which decisions as to the balance between affordability, service levels, and financial sustainability can be made.
- The Strategic Plan Refresh and asset management principles inform the development of capital plans.
- Input from Council through the "Call to Budget" survey and feedback gathered through the Citizen Engagement process will provide staff with additional direction in finalizing the recommended service level changes and capital plans presented to Council.

Strategic Plan Alignment:

[Strategic Plan](#) Priority: Clear Direction - KR2 - Align total municipal levy to Council's directed threshold each year while maintaining capital increase of 1 per cent annually

Background:

Section 290(1) of the Municipal Act requires municipalities to prepare and adopt an annual budget. Through the Call to Budget report, staff aims to provide Council with some context information that will impact the 2022 budget as well as reconfirm Council priorities as it comes to long-term capital investment strategies. The direction from Council will inform staff as they prepare their multi-year capital plans and consider service levels and other operating impacts. The budget process provides a venue within which decisions as to the balance between affordability, service levels, and financial sustainability can be made. Council will recall a similar exercise in advance of the 2021 budget preparation.

During 2021 Council underwent the process of refreshing the City's strategic plan. That new document will provide a foundation that both informs projects for 2022 and also assists staff in prioritizing projects where needs and wants exceed available resources.

Council recently approved a debt management and [capital budget policy](#). The policies formalize debt limits and annual capital levy increases which allow for staff to anticipate funding availability and generate longer term capital plans. The benefit is that capital plans no longer have to be presented and approved in the same timeframe as the budget and as such, they can be an ongoing program allowing staff to plan for projects outside of the confines of a fiscal year-end.

The City is about to undertake a Citizen Engagement Survey the results of which will be reported back to staff and Council in time to be considered for the 2022 budget.

Finally, asset management principles, sustainable and stable operating budgets, and providing the infrastructure for development as identified in the Development Charges Study completed in 2019 complete the foundation on which the operating budget and capital plans are built.

Analysis:

Through the Call to Budget Survey, Council will have the opportunity to provide input on the total threshold for a levy increase.

The City of Owen Sound has experienced steady but limited growth when compared to our local Municipal neighbours and urban comparators. New assessment absorbs levy increases limiting the burden to existing taxpayers.

When growth is limited a greater ratio of the total levy increase is realized by the existing tax base. Growth explains why actual tax rate increases are less than the total levy change. For example on a total levy change of 4.25%; with anticipated growth in revenue dollars of \$350,000 and a County rate increase of 2%, the estimated rate increase for a taxpayer would be reduced to 2.6%.

The current estimate for the base budget accounts for 2.25% basis points of the total levy increase. This base budget increase includes wage related changes for existing staffing and service levels, contractual increases for third party contracts, and estimated increases on materials and supplies based on inflation and external market pricing. Once added to the 1% capital levy brings the total estimated levy increase before Police Services to 3.25%

Other factors which are outside of standard base budget increases include but are not limited to:

- Increase in airport management contract following expiry of existing contract and RFP award for management services.
- Upcoming changes to Public Transit service through Transit Study and RFP for contracted services
- Change in Ontario Municipal Partnership Fund assessment equalization grant. The grant distributes income based on the total current value assessment in comparison to the provincial average. In the event that Provincial growth outpaces growth in the City of Owen Sound and so long as the program remains in its current form, we may see an increase in this grant.
- Elimination of the Vacant Unit Rebate Program
- Impact of efforts to sell the Courthouse Property
- Recommendation of Art Gallery Ad Hoc Expansion Committee
- The overall change in the Police Board budget
- The overall change in Library Board levy
- Other recommended changes in staffing and service levels to be presented and supported by staff.

Capital Program

As noted above, the formalization of a policy to allocate a dedicated 1% to the capital levy each year sets the foundation for the development and adoption of multi-year capital budgets. It also allows staff to prepare and present capital plans to Council at a time that is not directly tied to the

budget. It should be noted; that if there were a circumstance where capital needs required more than the 1%, that recommendation and approval would require Council approval as part of the budget or pre-budget approval.

A benefit of multi-year capital programs is that it allows for continuous capital planning. Currently, the capital budget receives approval at the same time as the municipal levy and as such, unless prebudget approval is granted, the procurement process does not begin until the spring, and projects that are not completed within the fiscal year (now shortened due to timing of budget bylaw) are considered “deferred”. The multi-year budget once approved will allow for tendering to occur at a time that makes sense given construction seasons and not the fiscal year. Earlier tendering will result in better pricing and may reduce the number of construction contracts that exceed original estimates.

In order to build capital plans, staff will follow a similar process to 2021. Each department prepares a 10-year capital plan to inform the five-year capital program to be presented to Council. Projects will be filtered first to ensure that any projects required to meet Strategic Objectives and Asset Management priorities are addressed first. For other identified needs, staff will utilize the matrix developed with Council input to “score” on a consistent basis across the organization. Through the Call To Budget Survey, Council will be asked to weigh the criteria most important in developing the scoring formula.

Highlighted in the 2022 capital presentation will be a few large capital investments which will be brought to “shovel ready” status in anticipation of future grant opportunities. These projects will not be funded however will be noted as priorities when funding becomes available. Additionally, continuing with the commitment made in 2021, Council will have the opportunity to reconfirm the allocation of gas tax to annual asphalt resurfacing and the allocation of Ontario Community Infrastructure Funding to future phases of the Downtown River Precinct.

Finally, there will be an opportunity for Council to highlight any other specific projects that may not be explicitly identified through the previous inputs.

Financial Implications:

Ultimately the City’s budget including the General Operating Budget, 2022 Capital levy, Owen Sound Police Board Budget, and Union Public Library Levy

results in the total Municipal Levy to be used in determining the tax rates for the 2022 fiscal year.

Communication Strategy:

Budget meetings are held as special meetings that are open to the public and broadcast or streamed consistent with other meetings of council and committee. All budget documents are available on the City's website.

Consultation:

City Manager

Manager of Strategic Initiatives

Attachments:

Capital Detail and Rationale Sheet

Unweighted matrix to be evaluated in Call to Budget Survey

Recommended by:

Kate Allan, Director of Corporate Services

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Kate Allan, Director of Corporate Services at kallan@owensound.ca or 519-376-4440 ext 1238.