

Staff Report

Report To: City Council
Report From: Kate Allan, Director of Corporate Services
Meeting Date: January 30, 2023
Report Code: CR-23-013
Subject: 2023 Call to Budget Survey Summary

Recommendations:

THAT in consideration of Staff Report CR-23-013 respecting 2023 Call to Budget Survey, City Council directs staff to move forward with 2023 Budget development with the actions taken as noted in the report.

Highlights:

- The Call to Budget survey process commenced in 2020 and provides Council with an opportunity to communicate priorities and thresholds in advance of budget deliberations.
- The Strategic Plan refresh continues to guide budget development along with requirements identified through asset management planning and development support.
- Roads and roads-related capital continue to be a top priority for Council and staff.

Strategic Plan Alignment:

Clear Direction - KR2 - Align total municipal levy to Council's directed threshold each year while maintaining capital increase of 1 per cent annually

Previous Report/Authority:

n/a

Background:

The 2023 Budget survey was made available on December 20, 2022.

The data collected in the survey is ultimately shared back through this report to Council and will help staff to focus discussions during the final stages of budget development and the budget presentation. Although comments made in the survey will be provided to staff, they do not form direction from Council. Any recommendations brought forward will be open for discussion, and ultimate consensus and approval of changes will be captured during the budget meetings. The budget survey is only one of many ways that Council input will be incorporated into future plans and presentations.

Councillors were given links to the previous years' budget presentation and meeting minutes to respond to the survey. The 2022 BMA report and statistics were also included for Council's information. This information will also be part of the 2023 publicly available budget presentation.

The budget is as much a historical document in that it incorporates decisions made throughout the year as it is a future-oriented forecast. The budget reflects the outcomes of decisions made by Council and incorporates staff estimates for the costs and revenues associated with the ongoing service levels. As we move through the year, the budget should be referenced as context for decision-making. Strategic planning, decisions of Council and committee and external pressures drive the budget. The decisions made through 2023 will ultimately be captured and reflected in the 2024 operating budget.

Analysis:

The survey responses have been presented to staff as part of the budget preparation meetings. The purpose of this report is to detail the action items and how the input will be incorporated into the budget presentations in February.

It should be noted that the input into the capital budget will be fully captured in the July 2023 meeting as the interim update planned for February, including the details sheets, is mostly complete ahead of completion of the survey.

Question 1	Each participant provided their name
Question 2	With regards to the budget process, the capital detail sheets provided for each capital project provide the information you need to understand the projects recommended.
Responses	All respondents agreed or were neutral.
Comments	Middlebro' felt that an opportunity to view some of the projects in person would be helpful for the purpose of assessing needs vs. wants
	Grieg emphasized that the descriptions must include the full scope of the proposed project.
	Merton requested that the forms include revenue generating or cost containment potential as well as alternatives considered (i.e. rent vs buy). Merton also asked that it be highlighted if equipment purchases could have the capacity to share with other governments or organizations and further identify whether purchases fall under a social procurement policy.
Actions	<ul style="list-style-type: none"> • The capital detail sheets were amended in 2022 to provide more space for descriptions. This should allow for the full scope to be included as well as any considerations such as the capacity of use and alternatives considered. • The City of Owen Sound does not currently have a social procurement policy. However, this concept will be addressed as part of the updates to the purchasing bylaw, which is planned for completion by Q3 2023. Recommended updates for this policy will be brought forward through Corporate Services Committee. • In addition to the provided photos, future detail sheet templates will include addresses or coordinate locations to allow the users of templates to find and view the proposed project locations or assets to be updated.

Question 3	With regards to the capital detail sheets, is there additional information associated with capital projects that you feel would assist you in your decision-making?
Responses	4 participants provided comments
Comments	Middlebro' would like a system to determine needs vs wants
	Boddy would like to see offsets in the operating budget where a capital project has been scored to provide operational efficiencies.
	Farmer would like to understand better what funding has already been committed.
	Merton would like to understand the climate mitigation impact and carbon footprint information relating to current and proposed future capital equipment purchases. Merton would also like to see a line item that may be drawn from for future social infrastructure or community well-being initiatives in future budgets. Merton also noted that resale value, disposal costs and replacement values should be included.
Actions	<ul style="list-style-type: none"> The second page of the capital detail sheets includes the capital matrix and each of the attributes which determine the overall "score" of each capital project. The needs vs wants balance and environmental impacts should be clear from the staff-provided comments for each category.
	<ul style="list-style-type: none"> To clarify, the multi-year capital budget was approved in July 2022. As such, it's reasonable to assume that the 2023 capital plan is underway. Part of the presentation to council at this interim update will clarify the capital program's status.
	<ul style="list-style-type: none"> As per the resolution carried out at the meeting on January 16, 2023, the 2023 operating budget presentation will include the proposed addition of a line item in the budget for community well-being

	funding requests allowing for Council deliberation and ultimate direction on this item.
	<ul style="list-style-type: none"> • Future templates will include the resale, cost of disposal and replacement value of capital projects where applicable.
	<ul style="list-style-type: none"> • A report on the progress of the Climate Change adaptation plan and the development of the Climate Change Mitigation Plan is scheduled for presentation to the Operations Committee on February 16th.
Question 4	Capital projects are prioritized based on a matrix which aims to capture the priorities of Council and the updated objectives in the Strategic Plan. For each matrix, category provide a relative degree of importance from your perspective.
Responses	The attributes were scored such that they will be weighted in the following order from highest to lowest. These updated scores will be applied to the capital projects in the July presentation of the 2024 to 2028 multi-year capital plan.
	<ul style="list-style-type: none"> • Impact on Operational Performance
	<ul style="list-style-type: none"> • Health and Safety Concerns
	<ul style="list-style-type: none"> • Opportunity to Leverage with Grant funding
	<ul style="list-style-type: none"> • Required for legislative compliance
	<ul style="list-style-type: none"> • Number of People Positively Impacted
	<ul style="list-style-type: none"> • Identified for replacement in the Asset Management Plan
	<ul style="list-style-type: none"> • Identified in the Strategic Plan
	<ul style="list-style-type: none"> • Degree of association with Climate Change adaptation or mitigation
	<ul style="list-style-type: none"> • Improves Aesthetic Value of the City or the asset
	<ul style="list-style-type: none"> • Supports Inclusion, Equity and Diversity
	<ul style="list-style-type: none"> • Identified through public input

Comments	Farmer feels that Climate change adaptation and mitigation should be separated in the matrix. The opportunity to discuss this request will be brought forward as part of the budget presentation.
Question 5	Are there any other attributes or variables that should be evaluated in prioritizing capital projects
Responses	7 participants provided input
Comments	Middlebro' would like to see prioritization around the ability to fund without borrowing.
	Kukreja and Hamley would like to see replacement costs.
	Boddy would like to see prioritization around facilitating growth of the assessment base and reiterated that operating budget reductions should support operational efficiencies.
	Grieg would like to ensure that decisions take into account external economic pressures.
	Farmer reiterated that climate change adaptation and mitigation be two separate evaluation criteria.
	Merton echoed that evaluation includes the facilitation of economic growth and sustainability. Tie into regional initiatives as well as cross-sectoral partnerships and shared funding opportunities
Actions	<ul style="list-style-type: none"> • As noted above, an updated matrix including expanded financing considerations, shared funding opportunities and ability to fund without borrowing • Adding a category to capture to which degree the project will encourage growth • Separating climate change mitigation and adaptation • Replacement costs, although not a criterion for the matrix score, will be added to the first page for information
Question 6	With regards to the capital plan, are there any projects which you are more heavily in favour of?

Responses	Nearly all respondents noted Alpha Street reconstruction.
	Other mentions went to: Facility improvements Fire Hall and Protection Services North End of 9 th Ave E 4 th Ave West Reconstruction
Question 7	Regarding the capital plan, are there any projects you feel need to be reconsidered or deferred?
Responses	Deferral of DRP phases 3 and 4 was noted several times.
	Other mentions went to: Art Gallery Expansion Review asphalt program in the context of climate mitigation Electric transit buses (this is not currently a funded project) Duncan diamond improvements Rationalize city facilities through a sustainability lens
Actions	These projects will be highlighted for further discussion at the budget presentation.
Question 8	With regards to the multi-year plan, are there any projects that you feel are missing that should be added
Responses	Caboose Roof Green Bin Program Outdoor water fountains Sale of unopened road allowances Lighting on the island of Harrison park Funding to support climate protection work Bridge feasibility study for north of 10 th St

	Inclusion of water and wastewater capital in the multi-year capital plan
Actions	<ul style="list-style-type: none"> • Each project will be highlighted for discussion at the capital plan update meeting. • The funding source for climate protection may be considered as part of the discussion resulting from the January 16th resolution around adding funds to the budget for community-led projects and programs. • Water and wastewater capital will be included in July's comprehensive capital budget meeting.
Question 9	Was the presentation to review the 2022 Operating Budget sufficient to have appropriate background ahead of final levy approval?
Responses	One participant did not agree but did not provide comments as to why
Comments	Merton felt that utilization data /cost recovery and revenue generated for city-owned assets included with an inventory would be a valuable reference along with operating costs.
Actions	Staff reference utilization data, revenues and total inventories when setting budgets to achieve service levels. Confirm with Council if more time is required for Council to verify the figures provided by staff or if the focus will remain on setting priorities and service levels.
Question 10	The most recently published annual CPI increase was 6.9%. The City has locked in wage increases for unionized employees, and a Council approved wage increase of 1.5% for non-union employees through to the end of 2023. Wages represent 64% of the City's gross budget. As shown in Appendix D. In 2022, A home assessed at \$232,000 paid \$3,052 in municipal taxes. (i.e. not including the upper tier/County levy or the levy for education taxes)Is there an upper limit to the total % levy (municipal budget) increase that you would be willing to support?

Responses	<p>One respondent felt a levy increase in line with CPI is reasonable.</p> <p>Another response thought that it should be less than CPI but did not give a figure.</p> <p>Remaining responses were:</p> <p>2%, 1.5%, 1% and two thought we should be at 0%</p>
Actions	<ul style="list-style-type: none"> Staff are preparing a budget that includes only status quo service levels and reflects both proposed and implemented reductions in staffing. This is the minimum budget increase that can be achieved without further reducing levels of service. With regards to recommended increases, Council will be presented with options; however, they will not be captured in the overall draft levy increases presented. These options will include items like the provision for third-party funding requests noted previously.
Question 11	<p>With regards to the budget process, the business case template (Appendix B) provided for each proposed service level change will provide you with the information you need to understand the proposal being made. (For clarification, a service level change will impact the experience of an end-user by changing the output by adding or enhancing a Municipal Service)</p>
Responses	Two participants disagreed
Comments	Where there is a recommended service level increase, staff should recommend an offsetting service level decrease.
	<p>What is also needed are evaluations from management of service adjustments to lessen department costs. I.e., working to gather leaves from cemetery rather than 'leaf' them or what would an extra two days on grass cutting look like with more flexibility for response to reduce department costs. Or, what would a reduction in engineering look like, particularly if development slows?</p>

	The business case template should explicitly include fields for the social and environmental implications along with the financial.
Actions	Future business cases can be amended to separate specific fields for social and environmental impacts.
Question 12	Is there any additional information that would be helpful in considering proposed changes to service levels?
Comments	Comparative analysis from other municipalities
	A forecast of the cost of postponed action
	Other comments noted in question 10
Actions	Input will be shared with staff ahead of preparing future business cases.
Question 13	Are there any new services or multi-year initiatives that you would like to see considered in future operating budgets?
Comments	Green Bin
	Investment Attraction Strategy
	Allocating funds to CIP Program
	Funding partners for climate protection work
	A plan to map and strengthen City – Community led Partnerships.
Actions	Input has been shared with staff. Green Bin will be addressed in the upcoming waste management strategy presentation. Funding third-party initiatives and community partnerships will be included for discussion at the operating budget meeting.
Question 14	Are there any services currently offered by the City of Owen Sound that you feel should be evaluated with the possibility of scaling back or reducing the level of service?

Responses	Transit
	Art Gallery
	Kelso Beach Ball Diamond
	Fireworks
	Shifting to perennial gardens and partnering with gardening organizations
Actions	This feedback will be provided to staff for future discussion through committee and strategic planning.

Other Questions:

Of the projects in the budget book, how many are underway and does the priority ranking indicate that they are proceeding in that order?

The multi-year capital budget was approved in July 2022. It is safe to assume that the majority of 2023 capital projects are underway at the planning stage if not tendered. The meeting planned for February 7 will provide an update on the status of the 2023 capital plan. The priority scores do not indicate the order in which projects are commenced. These scores are a way to compare capital projects by a similar set of criteria. They also aid in prioritizing how limited funding and staffing resources are applied. I.e. it does make sense to defer a high-scoring project in favour of one that scores much lower.

Are we accounting for the ecological services of parks and hazard land?

The budget is prepared in line with PSAB accounting standards. The net budget ultimately becomes the tax levy and does not include any non-financial costs or benefits.

Are there forecasts for revenue generated by new builds?

The budget factors in new revenue in two ways. There is a revenue line item for in-year supplemental taxes received for new assessment that was not included on the tax roll at the time tax rates were calculated. By budgeting for this revenue, the existing tax base benefits from a reduction in the total levy. This is a complex number to estimate because it relies heavily on the timing of MPAC processes and valuations. That estimate is currently \$175,000. The second way that growth impacts the budget is for new builds that have been included in the tax roll. This new assessment does not affect

the levy; however, it does reduce the total tax rate, also benefitting existing taxpayers.

How are Staff oriented to the priority scaling process? (notes discrepancies in scores across projects)

The matrix is approximately six years old and continues to evolve with each annual budget process. Staff review the matrix and the scoring tool at a pre-budget meeting early in the year. Some of the categories are subjective and require interpretation and professional judgement, and with multiple staff providing input there will inevitably be some discrepancies in that interpretation. The ultimate score is helpful in prioritizing projects, but as valuable is the matrix as a communication tool and a quick reference for the benefits of a project across a broad set of attributes. The matrix is utilized not only for allocating resources but also as a reference tool for staff across the organization and Council. As such, the notes for each attribute are as important as the score.

Will public members on our Committees at large have an opportunity to provide input into the budget priorities and direction?

Absolutely! This is an excellent opportunity to reinforce that the budget is as much a reflection of historical decision-making as it is a forecast. The work we do in committee, through strategic planning and decision-making, is the input that drives the budget. The day set aside to review and approve the ultimate document is the final step in that process and should not be viewed as the catalyst of those decisions. Committees drive the strategy that drives the budget, not the other way around.

Communication Strategy:

Budget meetings are planned for February 6th and 7th, with a public meeting tentatively set for the final Council meeting in February.

Consultation:

Council Survey Responses

Attachments:

Survey Responses

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.