



## REPORT N° FIN 2019-031

<b>Date</b>	25/09/2019
<b>Submitted by</b>	Frédéric Desnoyers
<b>Subject</b>	2020 Budget Tabling Report
<b>File N°</b>	N/A

1) **NATURE/GOAL :**

The purpose of this report is to table to Council for consideration the Draft 2020 budget

2) **DIRECTIVE/PREVIOUS POLICY :**

Adopt an annual operating and a capital budget; property tax bylaws cannot be passed until both budgets have been adopted. Under the Act, municipalities are not permitted to budget for an operating deficit.

3) **DEPARTMENT'S RECOMMENDATION :**

**THAT** Report no. FIN2019-031, which includes a copy of the 2020 draft preliminary budget, as recommended by staff, be received as information in preparation for deliberations.

**QUE** le Rapport no. FIN2019-031, qui inclut une copie de l'ébauche préliminaire du budget 2020, tel que proposé par le personnel, soit reçu à titre d'information en préparation aux délibérations.

4) **BACKGROUND :**

On August 21, 2019 Council approved report FIN2019-026, which gave the administration a target of 3% for the tax rate increase.

5) **DISCUSSION :**

**A. Property tax rate**

This report provides Council with the analysis to support the draft 2019 Operating and Capital budgets. The 2019 Draft Operating Budget represents a 3.03 per cent tax increase broken out as follows

2020 Municipal Tax Rate (\$'s)			
	Amount	Tax Rate	Cumulative
Service Level	\$286,000	1.42%	1.42%
Discretionary	(167,977)	-0.83%	0.59%
Non-discretionary	421,434	2.09%	2.68%
Public Library	69,878	0.34%	3.03%
<b>Total</b>	<b>\$609,335</b>		

## **B. Water and Sewer Rates**

The Water and Sewer rates will increase by 4.0 percent for fixed rates and 2.0 percent for variable rates. This increase is necessary to keep up with the operational costs including debt servicing as well as to pay for capital costs. All of the supporting analysis was updated by City Staff from Hemson's study prepared for the 2019 budget.

## **C. Waste Rates**

The waste rates for residential properties remain unchanged at \$187.50 and commercial rates are as described in table below. The commercial rate increases follow the policy set three years ago to gradually increase commercial waste rates closer to market rates.

<b>2019 Waste Rates (\$'s)</b>		
	<b>2019</b>	<b>2020</b>
<b>Residential</b>	\$187.50	\$187.50
<b>Commercial</b>		
• <b>Waste Bags</b>	\$400	\$400
• <b>Waste Bins - minimum</b>	\$2,000	\$2,225
- <b>Per ton</b>	\$135	\$150

## **D. Capital Budget**

The 2020 capital budget for the City amounts to \$7.5 million and addresses the growth related, repair and maintenance and strategic capital investments envisioned for 2019. This report also describes the capital work-in-progress (e.g capital projects approved in previous years and there are \$19.6 million in unspent capital funds projected as at December 31, 2019.

## **E. The 2020 Operating Budget**

### **1. Property tax rate**

The property tax impact for residents is based on the net tax requirement for all of the City services and the revised assessment base that has been provided by the Municipal Property Assessment Corporation (MPAC). The resident's final property tax bill is estimated to be complete in April when the City is notified of the tax requirements of the County and the school boards.

For 2020, the municipal taxes for an average home assessed at \$293,500 will be \$2,017 resulting in an increase of \$59 or 3.03% per cent over the amount in 2019. In 2020 a 1% tax increase represents 19\$/year for the average home owner. The table below summarizes the tax bill for an average ratepayer in Clarence-Rockland (excluding County and school taxes).

<b>Average Ratepayer – Clarence-Rockland (\$'s)</b>				
<b>Bill</b>	<b>2019</b>	<b>2020</b>	<b>\$Diff.</b>	<b>%</b>
<b>Property taxes*</b>	\$1,958	\$2,017	\$59	3.03%
<b>Water/ sewer - 165M<sup>3</sup> per year</b>	\$818	\$840	\$22	2.69%
<b>Waste service</b>	\$187.50	\$187.50	0	0.00%

\*average home assessed at \$293,500

For the purpose of budget deliberations, Council is reminded that for every 1% change in taxation, there is a corresponding impact of \$201,000 on the operating budget.

**1% = \$201,000**

## **2. Operating budget by department**

The operating budget is prepared by looking at the total expenditures required by the City over one complete fiscal cycle. These expenditures are offset by revenues that come from non-tax sources including items such as grants from the Province, fees, and fines with the balance coming from property taxation. The operating budget by department is summarized below and detailed in the "Overview and Summaries" section of the budget book.

<b>2020 Operating Budget (000's) By Department</b>			
	<b>2019</b>	<b>2020</b>	<b>%</b>
<b>Departments</b>	\$31,307	\$31,811	1.6%
<b>Library</b>	918	992	8.1%
<b>Water</b>	3,398	3,404	0.2%
<b>Sewer</b>	2,408	2,481	3.0%
<b>Waste</b>	2,716	2,904	6.9%
<b>Total</b>	<b>\$40,747</b>	<b>\$41,592</b>	<b>2.1%</b>

\*The total is not equal to the required tax increase of 3.03% as the table is only looking at expenditures and not the revenues.

## **3. Tax-supported operating budget pressures**

Appendix A identifies the detailed budget pressures that are addressed in this budget. The following are the major items by category of expense for tax-supported budget.

<b>2020 Operating Budget (\$'s) Tax-supported Budget Pressures by Expense category</b>	
a – Revenue	\$(458,054)
b – Compensation	563,068
c – Operating costs	286,532
d – Capital levy	502,127
e – Grants	(354,216)
f – Library	69,878
<b>Total</b>	<b>\$609,335</b>

Below is a summary of the major reductions incorporated in the 2020 budget in order to get the tax increase from 6% to 3% as requested by Council during the budget guideline report. These reductions are already integrated in the budget changes.

- (230,000) – Salaries and benefits, required change in the guideline report was over evaluated
- (125,000) – Pay-as-you-Go (contribution to reserves)
- (58,500) – Information Technology position (50%)
- (46,000) – OPP, required change in the guideline report was over evaluated
- (48,000) – Increase in investment income budget
- (25,000) – Decrease in snow contribution reserve
- (23,000) – Decrease in legal fees budget
- (16,000) – Decrease in protective services vehicle repairs
- (13,000) – Decrease in finance consultant

#### **a. Revenue - \$458,054**

The City is expecting an additional \$380,000 in tax revenue as a result of increased properties in 2020 representing a growth rate of 2%. To date, staff have not heard of any changes to its Ontario Municipal Partnership Fund grant and the grant is maintained at last year's level of \$610,100.

This budget proposes an average increase in fees and charges of 2% that will bring an added revenue of \$12,000.

The current proposed budget also has a total increase of 3.6 % on daycare fees.

The City's investment income was increased by \$48,000 as a direct result of higher returns on investment and a higher cashflow.

Finally, the City's budget for Provincial Offences Act Fines is decreased

by \$50,000 to \$150,000. This brings the POA budget down \$250,000 from its level of \$400,000 in 2015.

#### **b. Compensation - \$563,068**

The principle pressure for compensation are the costs of increments for staff that are moving through the salary grid, the negotiated increase for the cost of living and the increase in benefits rates. The total pressures for base compensation amount to approximately \$400,000 on a base budget of \$15M.

In 2020, the Workplace Safety & Insurance Board (WSIB) is completely changing their rate structure. The overall increase is \$24,141, but there was a significant change in the allocation of the cost between departments. The daycares and the library were the most affected. The WSIB cost for daycares increased by \$58,000 and \$11,000 for the library which gave a reduction to all other departments by approx. \$45,000

In addition, the following items are included:

- 54,300 – Mayor’s salary from part-time to full-time
- 58,500 – New IT position (50%)

Staffing Distribution Full time Permanent Positions			
	2019	2020	Change
CAO	2	2	
HR	3	3	
Clerk’s office	2	2	
Building Maintenance	1	1	
Finance	9	9	
IT	3	4	1
Protective Services	11	11	
Community Services	17	17	
Daycares	49	49	
Infrastructure and Planning	45	45	
<b>Total</b>	<b>142</b>	<b>143</b>	<b>1</b>

The total count of Full time of employees in the City of Clarence-Rockland for 2020 amounts to 143.

#### **c. Operating costs - \$286,532**

The operating cost pressures are detailed in Appendix B.

Discretionary - \$(2,500)

Many small items identified in Appendix B.

Level of Service Standard - \$(131,000)

Included is the service level reduction in transit.

Non-discretionary - \$171,019

\$21,320 increase for the OPP and many more increases identified in Appendix B.

Internal transfers - \$249,013

Many items identified in Appendix B, overall all internal transfers cancel each other.

**d. Capital Levy – \$502,127**

The capital levy is a primary source of revenue to support the City's capital budget. It includes both the current levy that is transferred from operating to capital (e.g. Pay-as-you-Go) as well as the in-year debt charges. The capital levy provides the leverage that is necessary to ensure that the City's capital budget is adequately funded. However, the capital levy has a direct impact on the current year's tax rate. Therefore, the capital levy must be assessed along with the many other in-year tax pressures.

This proposed budget includes an increase of \$417,000 in the Pay-as-you-Go portion and \$85,127 in debt charges of the capital levy as follows:

<b>Capital levy (\$'s)</b>			
<b>Pay-as-you-Go (Contribution to reserves)</b>			
	<b><u>2019</u></b>	<b><u>2020</u></b>	<b>Change</b>
Roads	\$1,254,762	\$1,506,762	\$252,000
General	297,753	297,753	
Economic Development	100,000	125,000	25,000
Fleet and Buildings	973,233	1,113,233	140,000
UCPR	465,000	396,297	(68,703)
OCIF	329,874	591,090	261,216
<b>Subtotal</b>	<b>\$3,420,622</b>	<b>\$4,030,135</b>	<b>\$609,513</b>
<b>Debt Charges</b>			
Debt Charges	1,696,171	1,781,298	85,127
<b>Total capital levy</b>	<b>\$5,116,793</b>	<b>\$5,811,433</b>	<b>\$694,640</b>

Excluding UCPR and OCIF	<b>\$4,321,919</b>	<b>\$4,824,046</b>	<b>\$502,127</b>
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The capital levy and the City's long-term debt situation are discussed in detail in the "Overview and Summaries" section of the draft 2020 budget.

#### **e. Grants - \$354,216**

These include 2 adjustment to current grants being received. They are both internal transfers and do not affect the 2020 budget. Most grants have not been confirmed for 2020 and therefore have not been adjusted. Here are a few grants included in the 2020 not yet confirmed:

- \$610,100 – Ontario Municipal Partnership Fund (OMPF)
- \$396,297 – United County of Prescott Russell road grant
- \$17,658 – Court Security and Prisoner Transportation Grant
- \$591,090 – Ontario Community Infrastructure Fund (OCIF)

#### **f. Public Library - \$69,878**

The Public Library Board have identified \$69,878 in budget pressures for 2020. This includes \$29,219 in compensation, \$10,509 in operating costs and \$34,150 to fund its proposed capital projects for 2020.

### **F. The Draft 2020 Capital budget**

#### **1. Works-in-Progress review**

The City's Capital-works-in-Progress (WIP) as at December 31, 2019 represents projects that were approved by City Council in previous years that have some remaining unspent spending authority. As at December 31, 2019, it is projected that \$19.6 million will remain in capital budget authority to be spent. These details are provided in the Capital budget section of the budget book.

#### **2. 2020 Draft Capital Budget**

Capital expenditures include expenditures to purchase, develop or construct major new assets with useful lives greater than one year that are used in the delivery of City programs and services, together with expenditures made to rehabilitate, expand or improve the service delivery capability of existing assets.

The funding of the City's capital budget is from the following sources:

- a. General fund – represents the operating fund of the City and is where the City's Pay-as-you-Go provisions e.g. capital levy is

directed. These payments are essentially used in the current year to finance capital projects that lowers the amount of borrowing that is required.

- b. Asset Management reserve funds – these reserve funds are intended to address some of the requirements of the City’s Asset Management Plan. They include fleet renewal, fleet renewal fire, building renewal and equipment renewal.
- c. Capital reserves – represents unused funds that have been provided for in previous budgets for specified capital reserves including general capital, sewer, water, waste and parks.
- d. Development charges – fees paid by developers to pay for the growth-related portion of the City’s infrastructure.
- e. Grants – includes funding sources such as dedicated gas tax and provincial conditional or unconditional grants for capital purposes.
- f. Debt - represents the portion of a capital project that will be financed by future borrowing.

The capital budget for the City amounts to \$7.5 million and addresses the growth-related, repair and maintenance and strategic capital investments envisioned for 2020.

<b>2020 Capital Budget (000's)</b>			
	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
Tax-Supported	\$9,944	\$7,727	\$6,522
Water	673	2,089	981
Sewer	420	364	0
Waste	850	35	0
Library	42	21	55
<b>Total</b>	<b>\$11,929</b>	<b>\$10,236</b>	<b>\$7,558</b>

### **3. Reserves & reserve funds**

As at December 31, 2019, the City forecasts having \$13.5 million in reserves. From that amount \$5.2M is the development charge reserve and \$4.6M is reserves for rate-supported infrastructure (water, sewer & waste), leaving only \$3.7M. When preparing the capital budget all infrastructure reserves are used as financing. This budget assumes \$3.4 million in funding for 2020 from City reserves to pay for capital projects. The reserves and reserve funds balances are presented in detail in the “Overview and Summaries” section of the draft 2020 budget.

### **G. The 2020 Budget for Water, Sewer and Waste**



Each of these budgets is self-financed from revenues contributed by the users of the service. Each budget is supported by a comprehensive model to forecast future capital expenses and ensure self-funding.

## 1. Water Services

### a. Operating Budget

The following rate increases are proposed for 2020:

	<u>2019</u>	<u>2020</u>	<u>%</u>
<b>Connections</b>	7,489	7,639	2.0%
<b>Fixed Charge</b>	\$13.32	\$13.85	4.0%
<b>Consumption Charge</b>	\$1.3067	\$1.3328	2.0%

The water services budget funds water treatment, distribution, repairs and the cleaning of water lines. The expenditure budget for 2019 amounts to \$3.4 million. The majority of these expenditures are recovered through the water rates - metered rate revenue is projected at \$1.5 million and the fixed rates will generate \$1.2 million in revenue. Other revenues from local improvement charges, re-connection charges, meter sales, etc. will fund the remaining water system expenditures.

<b>Water Services Budget (\$'S)</b>			
	<b>Budget</b>		
	<b>2019</b>	<b>2020</b>	<b>Difference</b>
<b>Fixed rate</b>	\$1,207,329	\$1,269,858	\$62,529
<b>Metered revenues</b>	1,537,167	1,579,651	42,484
<b>Other revenues</b>	653,727	554,130	99,597
<b>Total revenues</b>	<b>\$3,398,223</b>	<b>\$3,403,639</b>	<b>\$5,416</b>
<b>Operating costs</b>	3,172,422	3,208,734	36,312
<b>Contribution to reserves</b>	225,801	194,905	(30,896)
<b>Total Expenses</b>	<b>\$3,398,223</b>	<b>\$3,403,639</b>	<b>\$5,416</b>

### b. Capital Budget

Only one investment is planned for 2020 which is \$981,000 for watermain replacement on Wallace Street

## 2. Sewer services

### a. Operating Budget

The following rate increases are proposed for 2020:

	<b>2019</b>	<b>2020</b>	<b>%</b>
<b>Connections</b>	5,529	5,659	2.3%
<b>Fixed Charge</b>	\$13.25	\$13.78	4.0%
<b>Consumption Charge</b>	\$1.7207	\$1.7551	2.0%

The sewer services budget funds sewer collection, sewage treatment and repairs to lines and the system. The expenditure budget for 2020 is \$2.13 million. The majority of these expenditures are recovered through the sewer rates - metered rate revenue is projected at \$1.5 million and fixed rates are anticipated to generate \$0.91 million in revenue. Other revenues from local improvement charges, re-connection charges, account charges, etc. will fund the remaining sewer system expenditures.

<b>Sewer Services Budget (\$'S)</b>			
	<b>Budget</b>		
	<b>2019</b>	<b>2020</b>	<b>Difference</b>
<b>Fixed rate</b>	\$879,085	\$914,275	\$35,190
<b>Metered revenues</b>	1,492,603	1,530,849	38,246
<b>Other revenues</b>	36,086	36,086	0
<b>Total revenues</b>	<b>\$2,407,774</b>	<b>\$2,481,210</b>	<b>\$73,436</b>
<b>Operating costs</b>	2,041,574	2,132,004	90,430
<b>Contribution to reserves</b>	366,200	349,206	(16,994)
<b>Total Expenses</b>	<b>\$2,407,774</b>	<b>\$2,481,210</b>	<b>\$73,436</b>

### 3. Waste Services

#### a. Operating Budget

The following rate increases are proposed for 2020:

	<b>2019</b>	<b>2020</b>	<b>%</b>
<b>Clients</b>			
<b>Residential</b>	9,524	9,682	2%
<b>Commercial</b>			
▪ Bags	234	297	27%
▪ Bins	80	100	25%
<b>Rates</b>			
<b>Residential</b>	\$187.50	\$187.50	0%
<b>Commercial</b>			

▪ Bags	\$400	\$400	0%
▪ Bins – minimum	\$2,000	\$2,225	11%
▪ Bins - tonnage	\$135	\$150	11%

The rate increases are necessary to accommodate operating costs of the waste system and to ensure the funding for the long-term infrastructure requirements. The commercial rate increases follow the policy set three years ago to gradually increase commercial waste rates closer to market rates.

The funds expended in waste services include garbage collection, disposal, recycling, and the handling of hazardous waste. The expenditure budget for 2020 is \$2.9 million with residential charges revenue projected at \$1.8 million and commercial revenue at \$0.4 million.

<b>Waste Services Budget (\$'S)</b>			
	<b>Budget</b>		
	<b>2019</b>	<b>2020</b>	<b>Difference</b>
<b>Residential</b>	\$1,785,750	\$1,815,375	\$29,625
<b>Commercial</b>	307,990	416,326	108,336
<b>Other revenues</b>	622,708	672,699	49,991
<b>Total revenues</b>	<b>\$2,716,448</b>	<b>\$2,904,400</b>	<b>\$187,952</b>
<b>Operating costs</b>	2,591,161	2,737,267	146,106
<b>Contribution to reserves</b>	125,287	167,133	41,846
<b>Total Expenses</b>	<b>\$2,716,448</b>	<b>\$2,904,400</b>	<b>\$187,952</b>

## **H. Councillors initiatives**

As part of the 2020 budget process, individual councillors were invited to submit request of projects that they would like to see.

All of the initiatives received are included in Appendix C.

Council is to discuss these projects during the 2020 budget deliberations and to vote collectively on an action plan.

## **6) CONSULTATION:**

In terms of public consultation, the public were notified of the Council budget deliberation dates identified in the recommendation section of this report.

In addition, the public were invited to provide comments on the budget to the following e-mail address Budget@CLarence-Rockland.com. Any comment received will be provided to Council

7) **RECOMMENDATIONS OR COMMENTS FROM COMMITTEE/ OTHER DEPARTMENTS :**

N/A

8) **FINANCIAL IMPACT (expenses/material/etc.):**

As included in this report.

9) **LEGAL IMPLICATIONS :**

N/A

10) **RISK MANAGEMENT :**

N/A

11) **STRATEGIC IMPLICATIONS :**

N/A

12) **SUPPORTING DOCUMENTS:**

- 2020 Draft Operating and Capital budget Document (issued separately)
- Appendix A – Summary by Category
- Appendix B – 2020 Major changes
- Appendix C – 2020 Council initiatives