



Staff Report

Finance – Budgets & Accounting

Report To: Special Meeting of Council
Meeting Date: October 26, 2021
Report Number: FAF.21.176
Title: 2022 Budget Pressures
Prepared by: Sam Dinsmore, Deputy Treasurer/Manager of Accounting & Budgets

A. Recommendations

THAT Council receive Staff Report FAF.21.176, entitled “2022 Budget Pressures”;

AND THAT Council receives the information contained in this report that identifies a potential 16% Residential Tax Rate increase based on Staffs preliminary budget development and a range of funding pressures;

AND THAT Council provide direction to staff on how to proceed with the further review of current levels of service and consideration of potential decreases of services and/or potential fees and charges adjustments.

B. Overview

This report looks at the pressures facing the 2022 budget as compared to the Council direction of a 0% tax rate increase. Staff do not suggest that a 16% increase to Residential Tax Rates is acceptable and requires significant further discussion and debate with members of Council prior to the December 2021 Budget deliberations.

C. Background

At the June 1, 2021 Committee of the Whole, Council unanimously approved the following resolution:

Moved by: Councillor Bordignon

Seconded by: Councillor Uram

AND THAT Council direct staff to present a 2022 budget with a tax rate change of 0% over the 2021 tax rate, while maintaining current service levels.

Staff have completed the internal reviews of the budget and the preliminary 2022 tax levy is sitting at \$20,480,902 which equates to a 16% residential tax rate increase over 2021. In the 2021 Approved Budget, the Tax Levy increase for 2022 was proposed at 4.4% over 2021 with an

estimated Tax Levy of \$18,156,123. Staff identifies that these estimates are not approved through the 2021 budget; however, were estimates based on the 2021 Approved Budget.

The Analysis section goes into full detail of what is driving this increase and options for Council's consideration. No options have been given on potential adjustments to the Town's level of service as they are set by Council and can only be changed by Council.

D. Analysis

The 2021 tax levy was approved at \$17,396,763 with the growth achieved through 2021 a net zero 2022 tax levy is \$17,773,645 which takes in to account \$376,882 in growth. This starting point is significantly lower than staff have initially forecasted. Initial forecast had growth at 3.9% or \$650,000, to date this growth is not being seen.

Currently the Town is sitting at a 2022 tax levy of \$20.5M which is \$2.7M over the target set by Council on June 1st.

Below is a list of the major pressures on the 2022 Budget.

Committees of Council

Through 2021 and into 2022 the Town will have completed four major studies: Economic Development Study, Communications Study, Leisure Activities Plan and the Sustainability Plan. All four of these studies have generated action items which require funding to be completed.

Economic Development Study - \$92,500

Communications Study - \$36,500

Sustainability Plan - \$75,000

In addition, \$25,000 has been included for the Physician Retention and Recruitment Committee which has been the standard amount for the past few years. \$125,000 has been recommended by staff and is being included for the Rural Access to Broadband Internet Technology Task Force (RABIT) to fund potential initiatives that may be brought forward and are being driven by this Task force, mainly the exploration and installation of fibre cable. The Transportation Advisory Committee has also requested \$50,000 be included in the 2022 base budget for emerging technologies.

In total \$404,000 (2.32%) is being included in the 2022 Proposed Budget as directed by these committees.

Additional Firefighters

In staff report [FAF.21.149 Situational Report of Fire Fighter Resources for the Town of The Blue Mountains](#), Council approved the addition of 4 full-time Fire Inspector/Suppression positions. These additional staff will have a \$520,000 (2.99%) impact on the Proposed 2022 Budget.

Annualization of 2021 Additions

During budget deliberations for the 2021 Budget the hiring date of positions was delayed lessening the burden of the additions on the 2021 tax rate. By doing this the 2022 tax rate has to then pick up the cost to annualize as some positions were delayed up to six months. In total the annualizing of those positions and the funding for the Fire Master Plan will add \$224,000 (1.29%) to the 2022 tax levy.

In [FAF.21.083 – 2022 Budget report](#), this number was stated at \$110,000. The increase has been caused by the revenues that were attached to some of the positions that were not realized and therefore require additional taxation funding.

Additional Long-Term Debt

Through 2021 the Town took out two additional pieces of Long-Term Debt: one for the Landfill Mining and Expansion project and the second for the purchases of 19 Napier Street and 125 Peel Street. These debentures require \$219,000 (1.26%) in additional taxation starting in 2022.

Curbside Garbage and Recycling Contract

A trend that started in 2020 is continuing into 2022 as the Town is seeing large increases to the tonnage being pick-up through the curbside contract. This can be attributed to more part-time and seasonal residents spending more time in the Town.

The 2022 increase is forecasted at \$162,000 (0.93%); this increase is driven by two factors: the first is an annual indexing of the contract (\$40,500) and the second being the increased tonnage (\$121,500).

Currently a resident can put out one bag per week of garbage without a tag with bag two then requiring a \$3 bag tag. Included in the findings of the KPMG Comparator Review was the idea to charge \$3 per bag on all bags and remove the one free weekly bag. Staff have calculated a revenue budget of \$450,000 per year which would fully fund the garbage collection contract (not the recycling and organics portion). Making this change would align the residents that are using the service are paying for the service. Staff are seeking direction from Council on whether this change should be implemented through 2022.

Staff are also looking for Council endorsement to explore other collection schedules (such as bi-weekly) for the next contract. Due to contract restrictions the Town cannot make this change until the current contract ends in 2023.

Increases to Asset Replacement Reserve Funds

Through 2021 in accordance with Ontario Regulation 588/17, the Town approved a number of Asset Management Plans. For a number of asset classes the Town was not sufficiently saving enough to fund the capital required to maintain the level of service that had been established by the Town; the main two classes being under-funded is bridges and roads linear (roads, stormwater, sidewalk, streetlights). In those specific asset management plans Council endorsed

a phased in approach to increase the annual transfers over the next three to five years to close this funding gap.

For 2022 the increased is budgeted at \$513,000 (2.95%) with similar increases seen annually over the next three to five years. These increases are tied to specific projects and are based on the rational established in the various asset management plans. However, Council does have some options with this amount:

- Option 1 – do not increase the transfers to the asset management plan which would lead to an increase in long-term debt. This option is circular as the tax base will either be responsible for the transfer or the long-term debt
- Option 2 – lower the level of service offered by the Town and push out capital projects which in turn requires a lower annual transfer to the asset replacement reserve funds. An example of this is around the Town's tar and chip roads. As per the asset management plan these roads are resurfaced every 7 years resulting in roughly 33 kilometers being resurfaced every three years at a cost of \$1.8M. Council could lower this level of service to resurface every 10 years resulting in a budget of \$1M every three years. Staff do not recommend making these changes on the fly without significant public consultation.

[Fleet Asset Management Plan](#)

[Bridges and Culvert Asset Management Plan](#)

[Sidewalk Asset Management Plan](#)

[Streetlight Asset Management Plan](#)

[Stormwater Asset Management Plan](#)

[Road Asset Management Plan](#)

[Wastewater Asset Management Plan](#)

[Water Asset Management Plan](#)

[Parks and Trails Asset Management Plan](#)

[Facility and Equipment Asset Management Plan](#)

Cost of Living Adjustment (COLA) and Step Increases

Included in each year's budget is a COLA increase for Town staff which up until 2020 was based on market comparators. In 2020 the Town established with Council approval of the Compensation Administration Program Policy (POL.COR.20.05); the policy states:

Economic Increase: Annually a Cost of Living Adjustment will be applied. This COLA increase will be set to match the Canadian Consumer Price index (CPI) as reported in September annually, as approved through the budget process.

At the time this report was written the September CPI had not been published and staff have been carrying a 2% COLA as a starting point. In addition, staff budget positions based on the step that the employee is at rather than budgeting all staff at step five. For 2022 there are a number of positions moving up a step which in turn is putting more pressure on the salaries and benefits budget. In total the COLA and Step Increases are adding \$311,000 (1.79%) and this

amount is expected to go up as September CPI is expected to be well above 2%. The Town Performance Management Program that was endorsed by Council was implemented in 2021 and will have staff go through a formal process to achieve progress through steps. The Program was initially proposed to be implemented in 2020, however staff recommended not to move forward with its implementation due to the COVID Pandemic.

Revenues

For 2022 some revenues are increasing and a few streams decreasing. Staff are budgeting for some new streams to start in 2022 such as Food Truck revenues; however, they are hard to budget given no history of sales.

Council has a few options for increasing revenues and improving efficiencies:

- Increase the set fee – the Town could increase an already established fee such as increasing paid parking from \$5/hour to a higher amount. Staff recommended \$10 per hour in 2021 and fees per hour were set at \$5.00;
- Introduce new fees and charges;
- Consider local service area fees;
- Consider selling land that could be declared surplus to the Town's needs;
- Introduction of Resident and Non-Resident Fee's; and
- Bring specific services to or close to self-funded.

Other Items

At the time of writing this report the Town is still waiting on additional information to complete the budget:

- OPP Contract Cost for 2022
- Grey Sauble Conservation Authority 2022 Budget
- Ontario Municipal Partnership Fund (OMPF) grant
- Compensation Review both for Non-Unionized Staff and a report by the Council Compensation Committee Review Committee
- Community Improvement Plan Contributions

All these items could have an impact on the 2022 budget.

Additions

The chart below summarizes the Council directed and staff priorities for additions to the 2022 budget. Given the current budget pressures staff are not going to include any of these initiatives for Council consideration unless given clear direction to do so through this report. Please note giving the direction to include a business case in the 2022 Proposed Budget does not approve the addition; however, requires staff resources to complete for a fulsome understanding of each specific ask.

Addition	Directed by
Taxation	
Noxious Weed Control	Council
Programming and Special Events Coordinator	Council -Leisure Activities Plan
Land Surveying	Council – Leisure Activities Plan
Waterfront Enhancements	Council - Leisure Activities Plan
Customer Service Model for Centralized Customer Service with enhanced inquiry tracking	Council
Splitting Manager of Economic Development and Communications into two positions	Council
Director of Smart Cities	Council - RABIT
Tomahawk Seasonal Staff	Staff
Additional By-law Staff	Staff
Parks and Trails Full-time Operators	Staff
IT Infrastructure Analyst	Staff
Manager of Capital Projects	Council
User-Fees	
Building – Full-time Administrative Assistant	Staff
Development Engineering Reviewers (Contracts)	Staff
Harbour Summer Student	Staff

E. Strategic Priorities

1. Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders

2. Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

3. Community

We will protect and enhance the community feel and the character of the Town, while ensuring the responsible use of resources and restoration of nature.

4. Quality of Life

We will foster a high quality of life for full-time and part-time residents of all ages and stages, while welcoming visitors.

F. Environmental Impacts

N/A

G. Financial Impacts

A \$20.5M tax levy would result in a 16% increase to the residential tax rate which would equate to a \$340 increase in property taxes on a house assessed at \$620,000.

Staff fully acknowledges the impact of this increase and takes this opportunity to bring this concern to Council in advance of Budget deliberations and are committed to continue to look for not only efficiencies to operations but options to increase revenue.

H. In Consultation With

Senior Management Team

I. Public Engagement

The topic of this Staff Report has not been the subject of a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. However, any comments regarding this report should be submitted to Sam Dinsmore, Deputy Treasurer/Manager of Accounting & Budgets at budgetteam@thebluemountains.ca.

J. Attached

None.

Respectfully submitted,

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Ruth Prince
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For more information, please contact:
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Report Approval Details

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Attachments:	
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This report and all of its attachments were approved and signed as outlined below:

Sam Dinsmore - Oct 13, 2021 - 10:30 AM

Ruth Prince - Oct 13, 2021 - 10:43 AM

No Signature found

Shawn Everitt - Oct 13, 2021 - 11:07 AM