

**Township of Southgate  
Administration Office**

185667 Grey Road 9  
Dundalk, ON N0C 1B0



**Phone:** 519-923-2110  
**Toll Free:** 1-888-560-6607  
**Fax:** 519-923-9262  
**Web:** www.southgate.ca

**Staff Report FIN2021-034**

**Title of Report:** FIN2021-034 2022 Budget

**Department:** Finance

**Council Date:** November 10, 2021

**Recommendation:**

**Be it resolved that** Committee of the Whole receive Staff Report FIN2021-034 2022 Budget as information.

**Background:**

Municipal Act, 2001 s. 290(1) requires a municipality shall:

“prepare and adopt a budget including estimates of all sums required during the year for the purposes of the municipality, including,

- (a) amounts sufficient to pay all debts of the municipality falling due within the year”.

On December 16, 2009, Council approved Tangible Capital Assets Policy #28. The treatment of tangible capital assets is intended to be in accordance with the Public Sector Accounting Board (PSAB) PS3150. Required studies and other initiatives that relate directly to the acquisition of a tangible capital asset shall be capitalized. If the study/initiative does not relate directly to the acquisition of a tangible capital asset, then the expense shall be recorded in the year in which they occur.

On June 16, 2021, Council received Staff Report FIN2021-019 Asset Management Plan 2021 and approved Bylaw 2021-084, being a by-law to adopt Asset Management Plan 2021 (AMP). The AMP adopted met the Province of Ontario legislated requirements for all municipalities to “refresh” their existing Asset Management Plans (AMP), but under specific guidelines spelled out in Ont. Reg. 588/17. Among several new guidelines is the requirement for a section of the AMP that deals with Climate Change, for example. The initial version of the AMP is limited to Core Assets. The AMP noted that at the current funding level, Southgate’s infrastructure gap (I-Gap) is still growing, based on core asset alone. The next AMP update will be to expand the plan to include all capital assets.

On October 6, 2021, Council received Staff Report FIN2021-030 2022 Budget which contained a proposed timeline for the budget process as follows:

Wednesday, October 6, 2021	9am	Regular Council	Set Budget timeline
Wednesday, November 10, 2021	9am	Council/ Committee of the Whole	Present 2022 Multi-year Capital and 2022 Special Project Multi-year Forecasts
Tuesday, November 23, 2021	9am	Council/ Committee of the Whole	Discuss 2022 Capital and 2022 Special Project Budgets
Wednesday, December 8, 2021	9am	Council/ Committee of the Whole	Present 2022 Operating Budget
Tuesday, December 21, 2021	9am	Council/ Committee of the Whole	Discuss/Recommend 2022 Operating Budget

Tuesday, January 11, 2022	7pm	Public Information Meeting	Staff to present consolidated 2022 Budget and receive public comments
Wednesday, January 19, 2022	9am	Council/ Committee of the Whole	Discuss/Recommend 2022 Operating Budget (if needed)
Wednesday, February 2, 2022	9am	Regular Council	Approval of consolidated 2022 Budget

### **Staff Comments:**

An overview of the 2022 Budget – Capital and Special Project Plan presenting the departmental highlights is provided as Attachment 1.

The 2022 Budget – 10 year Capital plan detail is provided as Attachment 2.

The 2022 Budget – 10 year Special Project plan detail is provided as Attachment 3.

The preliminary schedules of Reserve, Deferred Revenue and Reserve Funds for the 2022 Budget and 2021 Projection are provided as Attachment 4. The 2022 Budget schedule will be updated once the operating budget is developed.

The Tangible Capital Asset Policy (Policy #28 - Attachment 5) provides examples of capital vs maintenance expenditures. The 2022 Budget – Capital presents projects that will be capitalized per Policy #28. The 2022 Budget - Special Projects presents projects that are considered a current operational cost and not eligible to be capitalized. For example, the Roads Needs Study and Bridge Study are presented as Special Projects as they do not directly relate to the acquisition of a tangible capital asset, only provide information to be used in a capital decision.

AMP Section 5 – Financial Strategy is provided as Attachment 6. As noted in the AMP, the I-Gap will realistically never be fully resolved, but work should be done to reduce it. It will always require taxation increases to make any progress on the I-Gap. Efforts in recent years has only slowed the growth of the I-Gap, not reduce it. Use of debt should be limited to funding growth capital, not replacement capital. Using debt to fund replacement capital is a sign of financial stress. Southgate has recently issued debt for replacement capital.

In 2022, due to growth, a full new sewage treatment facility is presented at a cost of \$16,386,200, and mostly funded by debt of \$14,657,580. However, consultants are completing a study of the alternatives. It is hoped that an alternative solution can be identified that will cost in range of \$2 million to \$5 million. The capital plan will be updated when more accurate information is available. Also in 2022, due to growth, is the construction of a water tower at the cost of \$5,760,000, funded by debt.

Wastewater	Sewage Treatment Facility upgrades	\$ 14,657,580
Water	Water Tower	\$ 5,760,000
		\$ 20,417,580

**Financial Implications:**

In 2021, an increase of \$130,758 in the taxation levy equated to a 1% change in the blended tax rate.

The draft 2022 Capital 10 year forecast has a requirement from taxation of \$2,442,788, an increase of \$220,590 from the 2021 level. The increase of \$290,688 would result in an estimated 1.7% increase in the 2022 blended tax rate.

The draft 2022 Special Project 10 year forecast has a requirement from taxation of \$155,600, an increase of \$68,930 from the 2021 level, mainly due to the waste relocation project which would extend the useful life of the landfill. The increase of \$66,060 would result in an estimated 0.5% increase in the 2022 blended tax rate.

In addition to the above, there will also be other cost pressures on the operating budget (i.e cost of living, insurance, fuel, etc)

**Communications & Community Action Plan Impact:**

This report has been written and presented to Council in accordance with the Southgate Community Action Plan:

**Mission Statement Pillars**

- Trusted Government
- Economic Prosperity.

**Themes:**

- Municipal Services
- Public Communications

**Core Values:**

- Integrity
- Stewardship

**Concluding Comments:**

The draft 2022 Capital 10 year forecast has a requirement from taxation of \$2,442,788, an increase of \$220,590 from the 2021 level. The increase of \$290,688 would result in an estimated 1.7% increase in the 2022 blended tax rate.

The draft 2022 Special Project 10 year forecast has a requirement from taxation of \$155,600, an increase of \$68,930 from the 2021 level, mainly due to the waste relocation project which would extend the useful life of the landfill. The increase of \$66,060 would result in an estimated 0.5% increase in the 2022 blended tax rate.

In addition to the above, there will also be other cost pressures on the operating budget (i.e cost of living, insurance, fuel, etc)

Respectfully Submitted,

**Dept. Head:**        **Original Signed By**  
William Gott, CPA, CA, Treasurer

**CAO Approval:**    **Original Signed By**  
Dave Milliner, CAO

**Attachments:**

1. 2022 Budget - 10 year Capital and Special Project Plan - Presentation
2. 2022 Budget - 10 year Capital Plan - Departmental Detail
3. 2022 Budget - 10 year Special Project Plan – Departmental Detail
4. 2022 Budget – Reserves, Deferred Revenue and Reserve Funds
5. Policy #28 – Tangible Capital Assets Policy
6. Asset Management Plan 2021 – Section 5 - Financial Strategy