

**Township of Southgate
Administration Office**

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Staff Report FIN2021-046

Title of Report: FIN2021-046 2022 Budget

Department: Finance

Council Date: December 21, 2021

Recommendation:

Be it resolved that Committee of the Whole receive Staff Report FIN2021-046 2022 Budget as information; and

That Committee of the Whole recommend to Council that the 2022 Budget be presented at the Public Information Meeting being held on January 11, 2022; and

That Committee of the Whole recommend to Council that the 2022 Budget, as presented, be considered for approval at the February 2, 2022 Council meeting.

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

On November 10, 2021, Council received Staff Report FIN2021-034 2022 Budget which contained the detailed 2022 Budget 10 year Capital and Special Projects plans.

On November 23, 2021, Council received Staff Report FIN2021-037 2022 Budget which contained the detailed 2022 Budget 10 year Capital and Special Projects plans for further discussion.

On December 8, 2021, Council received Staff Report FIN2021-041 2022 Budget which contained the draft 2022 Budget which reflected a requirement from taxation of \$8,661,740, an increase of \$671,439 from the 2021 level, which was estimated to equate to a 4.8% blended tax rate increase (using the preliminary estimated blended tax rate of \$134,207 (2021 - \$130,758) per 1%.

On December 8, 2021, Council received Staff Report FIN2021-042 2020 Cost of Living Index and approved a 3% adjustment to the 2022 Pay Grid.

Staff Comments:

The draft 2022 Budget is provided as Attachment 1.

The Summary of Adjustments and proposed Adjustments is provided as Attachment 2.

The draft 2022 Capital budget detail is provided as Attachment 3.

The draft 2022 Special Project budget detail is provided as Attachment 4.

The draft 2022 Budget Schedule of Reserve, Deferred Revenue and Reserve Funds, and the projected 2021 Schedule, is provided as Attachment 5, which have been updated for the operating budget impacts.

Financial Implications:

The revised draft 2022 Budget has a requirement from taxation of \$8,766,194, an increase of \$775,893 from the 2021 level.

Staff has updated the estimate of a 1% increase in the blended tax rate to \$135,759, assuming a 3.75% increase in the County tax rate and a no change in the Education Tax Rate.

The increase of \$671,439 would result in approximately a 5.3% increase in the 2022 blended tax rate distributed as:

	Levy Increase	Growth	Tax Rate Funded	Estimated Blended Tax Rate Impact
Operating	\$ 486,373	\$ 122,816	\$ 363,557	3.3%
Special Projects	\$ 68,930	\$ 17,406	\$ 51,524	0.5%
Capital	\$ 220,590	\$ 55,702	\$ 164,888	1.5%
	\$ 775,893	\$ 195,924	\$ 579,969	5.3%

The 2022 Budget reflects a cost of living increase of 3% or \$116,062 and merit increases of \$74,751, and the addition of new FTE's (Administration, Finance & By-law Assistant [as already approved by Council], By-law Enforcement Officer, Library Digital Services, and an Operator/Labourer).

Due to the retirement of the CAO in 2022, the budget anticipates the overlap of the position for a period of 18 weeks. The cost of \$62,000 is proposed to be taken from the tax stabilization reserve since it is a one-time cost.

For Winter Maintenance, the budget anticipates a decrease in the requirement of taxation due to the proposed use of the winter maintenance tax stabilization reserve of \$41,754.

Should Council wish to amend the budget further, staff has provided a list of proposed adjustments (Attachment 2) for consideration. The Treasurer recommends that Council consider limiting the service level increases (By-law Enforcement Officer [0.2%], Digital Services Assistant [0.4%]) before any cuts to capital funding. If all of the listed capital adjustments are made, the amount raised for capital will decrease from the prior year (\$220,590 less \$237,000 = \$16,410 reduction). And since the 10 year capital plan anticipates those funds, future year capital will also be negatively impacted.

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 Budget has a requirement from taxation of \$8,766,194, an increase of \$775,893 from the 2021 level. Staff has a preliminary estimate of a 1% increase in the blended tax rate of \$135,759, assuming a 3.75% increase in the County tax rate and a no change in the Education Tax Rate. The increase of \$775,893 (\$486,373 regular operating costs, \$68,930 special operating projects, and \$220,590 capital) would result in approximately a 5.3% increase (3.3% operating, 0.5% special projects, and 1.6% capital) in the 2022 blended tax rate.

Respectfully Submitted,

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

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

Attachments:

1. 2022 Budget
2. 2022 Budget – Summary of Adjustments and Proposed Adjustments
3. 2022 Budget - Capital - Departmental Detail
4. 2022 Budget - Special Projects – Departmental Detail
5. 2022 Budget – Reserves, Deferred Revenue and Reserve Funds