

**Township of Southgate
Administration Office**

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Staff Report FIN2022-006

Title of Report: FIN2022-006 2022 Budget

Department: Finance

Council Date: February 2, 2022

Recommendation:

Be it resolved that Council receive Staff Report FIN2022-006 2022 Budget as information; and

That Council approves the 2022 Budget, as presented.

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 (operating and capital consolidated).

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.

On December 21, 2021, Council received Staff Report FIN2021-046 2022 Budget which contained the draft 2022 Budget which reflected a requirement from taxation of \$8,766,194, an increase of \$775,893 from the 2021 level, which was estimated to equate to a 5.3% blended tax rate increase (using the estimated blended tax rate of \$135,759 (2021 - \$130,758) per 1%.

Be it resolved that Council receive Staff Report FIN2021-046 2022 Budget as information; and

That Council approve that the 2022 Budget be presented with amendments to include all proposed budget cuts, as presented, other than the By-law Enforcement FTE, at the Public Information Meeting being held on January 11, 2022; and

That Council direct staff to amend the 2022 budget with amendments to include all proposed budget cuts, as presented, other than the By-law Enforcement FTE, and bring back for Council’s consideration and approval at the February 2, 2022 Council meeting.

After the amendments, the draft 2022 Budget reflected a requirement from taxation of \$8,523,444, an increase of \$533,143 from the 2021 level, which was estimated to equate to a 3.5% blended tax rate increase.

Staff Comments:

Staff advertised the January 11, 2022 Public Information Meeting (PIM) on the website and in the local newspaper and requested questions and comments on the proposed budget be submitted for presentation and discussion. No comments were

received, either in advance submission or verbally at the PIM. 4 members of the public attended the PIM.

The County of Grey Council will be discussing its 2022 Budget on January 28, 2022. The current draft to be discussed anticipates a tax rate increase of 2.88% (down from 3.75%), which impacts Southgate's estimated Blended Tax Rate increase.

On December 15, 2021, Council received the Ministry of Infrastructure- 2022 OCIF Funding notice (Item 12.2.5) which noted a 2022 allocation of \$485,177. As the 2022 Budget anticipated \$108,914, staff is recommending the additional funding be utilized to increase the scope of the Srd 73 project from just single surface treatment (\$54,000) to asphalt (\$430,263). Being able to asphalt opposed to just single surface treatment will be a longer term investment and reinstatement of the asset.

On December 23, 2021, the Resource Productivity & Recovery Authority posted the 2022 Blue Box Steward Funding Obligation and Municipal Funding Allocation Model. Southgate's 2022 allocation is \$161,437. The 2022 Budget had anticipated an allocation of \$90,000 (a decrease from the 2021 allocation of \$123,812). As a result, the 2022 Budget has been amended.

The December 21, 2021 reduction in capital funding resulted in the amount to be raised from taxation to \$2,205,788, \$16,410 below the \$2,222,198 raised in 2021. Roads Capital had a reduction of 3.2% compared to the financial strategy requirement of a 10% increase the current 10 year capital plan required.

Given the County of Grey reduction and the Solid Waste revenue increase, staff is recommending that the contribution to Road Infrastructure Reserve be increased to \$264,000 (from \$169,000) so that the budget stays at Council's target of a 3.5% blended tax rate increase overall. With the recommended increased contribution to the Roads Infrastructure Reserve, the amount raised from taxation for Roads capital would be an increase of 3.3% rather than a reduction of 3.2%

The draft 2022 Budget is provided as Attachment 1.

The Summary of 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.

Financial Implications:

The revised draft 2022 Budget has a requirement from taxation of \$8,550,007, an increase of \$559,706 from the 2021 level.

The increase of \$559,706 would result in approximately a 3.5% increase in the 2022 blended tax rate distributed as:

	Levy Increase	Growth	Tax Rate Funded	Estimated Blended Tax Rate Impact
Operating	\$ 409,186	\$ 143,235	\$ 265,951	2.5%
Special Projects	\$ 68,930	\$ 24,129	\$ 44,801	0.4%
Capital	\$ 81,590	\$ 28,560	\$ 53,030	0.5%
	\$ 559,706	\$ 195,924	\$ 363,782	3.5%

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, as presented, has a requirement from taxation of \$8,550,007, an increase of \$559,706 from the 2021 level. Based on the estimate of a 1% increase in the blended tax rate of \$135,759, the increase would result in approximately a 3.5% increase 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