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REPORT FIN-2021-002

TO: Mayor and Members of Council

FROM: Mary Hasan, Director of Finance/Treasurer

MEETING DATE: January 13, 2021

SUBJECT: 2021 Capital and Operating Budget Update
File No. F26 OPE, F26 CAP and F05 BUD

RECOMMENDATIONS

THAT Report FIN-2021-002 regarding the 2021 Capital and Operating Budget Update be received; and

That should Council wish to phase in further costs associated with the Cambridge Fire Services Contract, that _____ be incorporated in the 2021 Operating Budget and funded by Taxation Levy; and

That should Council wish to decrease the contribution to the Asset Management Discretionary Reserve, that Council authorizes a decrease of _____ to be incorporated in the 2021 Capital Budget and result in a tax levy decrease.

DISCUSSION

Purpose

The purpose of this report is to:

- 1.) Provide Council an update on the items that were discussed at the November 25, 2020 Budget Meeting; and
- 2.) Provide Operating and Capital Budget changes that have occurred due to more current information being available to staff.

Background

Council received the following reports as part of budget deliberations:

- Report FIN-2020-037 – 2021 Proposed Capital Budget at the October 28, 2020 Capital Budget Meeting
- Report FIN-2020-039 – 2021 Proposed Budget at the November 25, 2020 Budget Meeting.
- Report FIN-2020-040 – 2021 Grant Application Program at the November 25, 2020 Budget Meeting.

The following information was presented to Council to summarize the proposed Capital and Operating Budget at the November 25, 2020 Budget Meeting:

	2020 Approved Budget	2021 Proposed Budget	Difference	Estimated Tax Rate Impact
Total Capital Taxation Levy	\$1,442,416	\$1,540,566	\$98,150	2.28%
Total Operating Taxation Levy	\$2,866,694	\$3,015,906	\$149,212	3.47%
Total Municipal Taxation Levy	\$4,309,110	\$4,556,472	\$247,362	5.75%

The estimated 5.75% tax rate impact presented on November 25, 2020 excluded the following potential tax levy increases:

- Community Grants – see Report FIN-2020-040 – 2021 Grant Application Program;
- 2021 operating base budget increases; and
- Further phasing of the Cambridge Fire Services contract.

Operating Budget Updates

- 1.) Council at its meeting held on November 25, 2020 received Recreation Committee Resolution No. 2020-005 regarding the proposal for Baseball Diamond Netting at the Puslinch Community Centre (PCC).

At this meeting, Council directed staff to:

- investigate solutions based on policy, including parking policies, and scheduling to mitigate fly balls from hitting the parking lot or soccer fields;
- report back on the potential for replacement trees to be planted where they have been removed due to the installation of ball diamond lighting; and

- that staff report back in 2021 on a tree replacement policy for the Township and that staff utilize the County of Wellington (County) Tree Replacement Policy during this process.

Staff Update

The Director of Public Works, Parks and Facilities has recommended the following approaches for parking policies and scheduling policies at the PCC baseball diamond:

- Limit the PCC baseball diamond to flight restricted balls and wooden bats. The aluminum bats today are very powerful and the velocity of the ball is too great to be played at such a small baseball diamond.
- Install parking liability signage indicating park at your own risk (foul ball area). Township is not responsible for damage.

The Director of Public Works, Parks and Facilities has recommended the following for the replacement of trees to be planted where they have been removed due to the installation of baseball diamond lighting:

- Township staff will consult with the County's Green Legacy nursery to obtain 15 to 25 young trees for planting on the berm. If larger more mature trees are desired, the Township will be required to utilize its landscaping vendor to supply this stock.

The Director of Public Works, Parks and Facilities has recommended the following for a tree replacement policy for the Township:

- Public Works and Parks will take into consideration that any capital projects that involve the removal of trees or desired foliage to meet the needs of construction be rectified by planting new trees and any desired landscaping.
- This would involve an additional cost to the tender and provide Council the opportunity to review this additional cost and its budgetary impacts.
- Any tree replacement that results from storm or disease damage is funded by the Parks Maintenance Grounds account in the operating budget.

Budget Impact:

No budget impact at this time.

- 2.) The budget presented on November 25, 2020 included an amount of \$37,540 for Community Grants in Account No. 01-0100-4600 (ie. 2020 approved grant amount).

Staff Update

Council at its meeting held on November 25, 2020 approved grant funding amounts as outlined below:

Organization	2021 Approved Grant Allocation
Aberfoyle Agricultural Society	\$3,000
Aberfoyle Farmers’ Market	\$3,000
Puslinch Lake Conservation Association	\$12,500
Sunrise Therapeutic Riding and Learning Centre –Category 3 Application	\$12,500
Wellington County Plowmen’s Association	\$180
Whistle Stop Cooperative Preschool	\$1,000
Friends of Mill Creek – Grand River	\$0
Sunrise Therapeutic Riding and Learning Centre – Category 2 Application	\$2,000
Total per above	\$34,180

Budget Impact:

Tax levy decrease of \$3,360

- 3.) The budget presented on November 25, 2020 did not include any tax levy increases associated with further phasing of the Cambridge Fire Services contract.

Staff Update

At its meeting held on January 16, 2019 Council authorized for staff to proceed with the phased in costs associated with the Cambridge Fire Services Contract with one quarter of the cost to be phased into the 2019 operating budget at an amount of \$34,450.

At its meeting held on January 2, 2020 Council authorized for staff to proceed with phasing in an additional amount of \$13,780 in the 2020 budget. Council at this meeting

also supported phasing 50% of the Cambridge Fire Services Contract Cost to the General Taxation Levy over 4 years.

The 2021 proposed budget has incorporated a total amount of \$48,230 in Account No. 01-0040-4320 associated with the Cambridge Fire Services contract which is equal to the 2019 and 2020 approved amounts. Township staff are seeking Council's direction as to whether an additional amount of tax levy funding should be phased into the general taxation levy related to the Cambridge Fire Services Contract.

Budget Impact:

No budget impact at this time.

- 4.) The budget presented on November 25, 2020 did not include the Safe Restart Funding for 2021 lost rental revenues.

Staff Update

The 2021 proposed operating budget presented on November 25, 2020 included reductions in rental revenues due to the COVID-19 pandemic resulting in a total tax levy increase of approximately \$59K as outlined below:

- Optimist Recreation Centre (ORC) – decrease in rental revenues of \$18K
- Parks – decrease in rental revenues of \$5K
- PCC – decrease in rental revenues of \$36K

On December 16, 2020, the Township received notification from the Ministry of an additional allocation of \$38,000 to help the Township with 2021 COVID-related operating pressures.

The Township received a previous allocation of \$190,500 earlier in 2020 to support the Township's COVID-19 operating costs and pressures as it relates to the Township's 2020 financial position. The Township is required to report back to the Province in March 2021 with details on the use of the provincial funds. The Province has indicated that unspent amounts can be placed in a reserve to support potential COVID-19 costs and pressures in 2021. The unspent amount as of December 31, 2020 is not quantifiable at this time.

It is recommended that the \$59,000 of operating pressures budgeted for 2021 as it relates to the decrease in rental revenues be funded from the above noted funding.

Budget Impact:

Tax levy decrease of \$59,000.

- 5.) Council at its meeting held on November 25, 2020 directed staff to fund the following one-time base budget increases from their respective operating budget surplus:
- a. One-time heritage plaque costs of \$1,900 from the 2020 heritage committee operating budget surplus;
 - b. One-time planning advertising costs of \$1,500 from the 2020 planning operating budget surplus

Staff Update

The 2021 proposed budget has been updated based on this direction.

Budget Impact:

Funded by the 2020 surplus – therefore, no tax levy impact.

- 6.) Council at its meeting held on November 25, 2020 directed staff to investigate a cost recovery approach for the OPP's use of the room in the Township Municipal Office.

Staff Update

Staff will report back on this matter in 2021.

Budget Impact:

No budget impact at this time.

- 7.) Council at its meeting held on November 25, 2020 directed staff to investigate the increase in water protection costs in the Municipal Office.

Staff Update

The Director of Public Works, Parks and Facilities has indicated that the main increase is due to an increased use of salt as a result of the extractor washer/dryer machine in the Fire & Rescue Services department.

The allocation of costs between the three facilities (Municipal Office, PCC and ORC) will also be more closely examined in 2021.

Budget Impact:

No budget impact

- 8.) Council at its meeting held on November 25, 2020 directed staff to determine methods to increase ball diamond and rink board advertising.

Staff Update

Services staff have recommended the following methods to increase ball diamond and rink board advertising:

- Township's Website
- Monthly Community Newsletter
- Tax Insert
- Marquee Sign
- Rink Board and Baseball Diamond banner with "Advertise Here"
- Bang the Table Software
- Newspaper

Budget Impact:

No budget impact

- 9.) Council at its meeting held on November 25, 2020 directed staff to explore purchasing opportunities with the County and/or neighboring municipalities for calcium for 2022.

Staff Update

The Township has signed a two-year contract for calcium which expires as of December 31, 2021.

The Director of Public Works, Parks and Facilities inquired with the County and the County has indicated that they do not require enough calcium per year to benefit from mutual tendering as the vast majority of their road system is asphalt and not gravel. Gravel roads require calcium as a dust suppressant. The Director of Public Works, Parks and Facilities has indicated that he will explore purchasing opportunities with the neighboring municipalities for calcium after the expiry of the current contract.

Budget Impact:

No budget impact

- 10.) Council at its meeting held on November 25, 2020 directed the Chief Administrative officer to review the "DZ" license medical as part of an expense policy decision corporate-wide in 2021.

Staff Update

Staff will report back on this matter in 2021.

Budget Impact:

No budget impact

- 11.) Council at its meeting held on November 25, 2020 approved the 2021 one-time base budget increases amounting to \$10,031 as outlined below:

Description	2021 Approved One-Time Base Budget Increase
Fire & Rescue Services - Red Cross First Responder Certification	\$1,290
Fire & Rescue Services - Red Cross Instructors Certification	\$630
Fire & Rescue Services - Installation of new civic address signs	\$8,111

Staff Update

The 2021 proposed budget has been updated based on this direction.

Budget Impact:

One-time tax levy increase of \$10,031.

- 12.) Council at its meeting held on November 25, 2020 approved the 2021 permanent base budget increases amounting to \$13,821 as outlined below:

Description	2021 Approved Permanent Base Budget Increase
By-law Enforcement Officer - Safety Work Shoes	\$175
Fire & Rescue Services - Canadian Critical Incident Stress Foundation's Conference	\$2,550
Fire & Rescue Services - Red Cross CPR Certification	\$860
Puslinch Community Centre - Outdoor Maintenance	\$2,800
Public Works – Calcium	\$7,436

Staff Update

The 2021 proposed budget has been updated based on this direction.

Budget Impact:

Tax levy increase of \$13,821

- 13.) The budget presented on November 25, 2020 incorrectly noted a position in the incorrect band placement.

Staff Update

Based on a recent job evaluation completed, the band placement has been corrected in this version of the operating budget resulting in an increase in salaries and benefits.

Budget Impact:

Tax levy increase of \$11,041.

- 14.) The budget presented on November 25, 2020 included payment in lieu of tax revenue based on the 2020 assessment roll. The 2021 assessment roll was recently provided by the Municipal Property Assessment Corporation (MPAC).

Staff Update:

Based on the 2021 assessment roll returned by MPAC, the payments in lieu of tax revenue in the Corporate cost centre have increased by \$4,291.

Budget Impact:

\$4,291 tax levy decrease.

- 15.) The budget presented on November 25, 2020 included an amount of \$1,155 for the Firehouse Support Contract Renewal.

Staff Update:

This amount has been removed due to the implementation of a new system in the Fire & Rescue Services department.

Budget Impact:

\$1,155 tax levy decrease.

Operating Tax Levy Impacts – Excluding Building Department

Outlined below is a reconciliation of the operating tax levy reported on November 25, 2020 to the proposed operating tax levy as a result of the changes outlined in the items discussed above. The Building Department is reported on separately as there are no tax levy impacts associated with changes to the Building Department budget.

Description	Amount	Comments
Operating Tax Levy	\$3,015,906	November 25, 2020 – FIN-2020-039
2021 Grant Application Program	-\$3,360	Item 2 above
Safe Restart Funding – 2021 operating pressures	-\$59,000	Item 4 above
One-Time Base Budget Increases	\$10,031	Item 11 above
Permanent Base Budget Increases	\$13,821	Item 12 above
Job Evaluation – Band Placement	\$11,041	Item 13 above
Payments in Lieu of Taxes – 2021 Assessment Roll Return	-\$4,291	Item 14 above
Firehouse Support Contract	-\$1,155	Item 15 above
Proposed Operating Tax Levy	\$2,982,993	

Updates to Building Department Proposed Budget – No Tax Levy Impact

- 1.) The budget presented on November 25, 2020 incorrectly noted a position in the incorrect band placement.

Staff Update:

Based on a recent job evaluation completed, the band placement has been corrected in this version of the operating budget resulting in an increase in salaries and benefits.

Budget Impact:

\$11,041 increase in expenditures in the Building Department Budget with no tax levy impact.

Building Department Impacts – No Tax Levy Impact

Outlined below is a reconciliation of the building department operating budget reported on November 25, 2020 to the proposed building department operating budget as a result of the change outlined above.

Description	Amount	Comments
Total Expenses	\$578,757	November 25, 2020 – FIN-2020-039
Job Evaluation – Band Placement	\$11,041	Item 1 above
Adjusted Building Expenses	\$589,798	
Total Revenues	\$442,205	November 25, 2020 – FIN-2020-039
Total Reserve Transfers	\$147,593	
Tax Levy Impact	\$0	

Capital Budget Updates

- 1.) The budget presented on November 25, 2020 included contributions to the Asset Management (AM) Discretionary Reserve of \$1,338,916.

Staff Update:

The amount contributed to the AM Discretionary Reserve in 2020 was \$1,208,766.

The 2019 AM Plan recommended that the Township maintain a minimum target balance of \$2.0 million and a maximum target balance of \$4.0 million in its AM Discretionary Reserve.

The increase in the reserve contribution to the AM Discretionary Reserve of \$130K allows the Township to be within the target balance.

The total overall capital taxation levy is proposed to be \$1,540,566 (increase from 2020 approved budget of \$1,442,416). This represents an increase in total overall capital taxation levy of \$98,150. Should Council wish to reduce the contribution to the AM Discretionary Reserve, it is recommended that the reduction not result in a total overall capital taxation levy decrease.

Township staff will provide Council with the balances in discretionary and restricted reserves over the forecast period (from 2021 to 2030) prior to budget approval.

Budget Impact:

No budget impact at this time.

- 2.) Council at its meeting held on November 25, 2020 directed staff to incorporate the capital costs associated with the replacement of the generators in the AM Plan and the Capital Budget and Forecast.

Staff Update:

The Director of Public Works, Parks and Facilities is in the process of obtaining cost estimates for the emergency generators for a possible replacement to be updated in the AM plan and the Capital Budget and Forecast in the event of failure of the generators or excessive repair costs associated with the generators.

Budget Impact:

No budget impact at this time.

- 3.) The Township was recently notified of its 2021 Ontario Community Infrastructure Fund – Formula Based Component Funding for the 2021 year.

Staff Update:

The 2021 Capital Budget has been updated to include this funding. The previous version of the budget did not include this funding based on correspondence received from the Ministry of Infrastructure dated March 14, 2019 which indicated that the program is under review.

The recent correspondence dated December 2020 from the Ministry of Infrastructure indicated that the Ministry continues to work with the Association of Municipalities of Ontario and municipalities to review the design of the program.

The 2021 formula allocation for the Township is \$168,923 based on the allocation notice received.

Budget Impact:

This funding is recommended to be utilized for the Concession 4 - County Road 32 to Sideroad 10 North - Asset No. 56 project noted in the 2021 Capital Budget. This does not impact the tax levy as this grant funding is being allocated to a project that was previously funded by the AM Discretionary Reserve.

FINANCIAL IMPLICATIONS

Current Proposed Tax Levy Impact

Outlined in the table below is the current proposed tax levy impact based on the items discussed in this Report:

Description	2020 Approved Budget	2021 Proposed Budget	Difference
Total Capital Taxation Levy	\$1,442,416	\$1,540,566	\$98,150
Total Operating Taxation Levy	\$2,866,694	\$2,982,993	\$116,299
Total Municipal Taxation Levy	\$4,309,110	\$4,523,559	\$214,449

MPAC 2021 Returned Assessment Roll

Similar to previous practise, the 2021 returned assessment roll obtained from MPAC is compared to the 2020 returned assessment roll to determine the assessment change for the median/typical properties in the Township. The assessment change is incorporated in the calculation of the tax rate impact for the median/typical property.

Please note that the education tax rates have not been finalized. The education tax rates have been assumed to be the same as 2020 in the analysis below. Please note that the amounts below for the County are preliminary as the County's budget will be passed in January 2021.

The 2021 returned assessment roll has resulted in little to no assessment changes due to the Province's postponement of the 2021 assessment update as a result of the COVID-19 pandemic.

As a result of the reassessment cycle being deferred until 2022, the 2020 assessment values are deemed for 2021. There is however new assessment growth as outlined below.

The Township's 2021 new assessment growth is approximately 1.50% or \$36.7M (ie. new construction and renovations). If there had not been any new assessment growth in the Township, the proposed 2021 budget would have resulted in a Township tax increase of 4.98% and \$50.59 and a blended tax increase of 2.47% and \$139.11 on the median/typical single family home.

Median/Typical Single Family Home

The following table shows that the proposed 2021 budget results in a Township tax increase of 3.63% and \$36.90 and a blended tax increase of 2.23% and \$125.42 on the median/typical single family home (2020 Assessment - \$601,000; 2021 Assessment - \$601,000).

Description	% of Total Tax Bill	2020	2021	\$ Change from 2020	% Change from 2020
Median Assessment		\$601,000	\$601,000	\$0	0%
Yearly Township Taxes	18%	\$1,016.58	\$1,053.48	\$36.90	3.63%
Yearly County Taxes	66%	\$3,692.54	\$3,781.06	\$88.52	2.40%
Yearly Education Taxes	16%	\$919.53	\$919.53	\$0	0%
Yearly Blended Taxes	100%	\$5,628.65	\$5,754.07	\$125.42	2.23%
Yearly Township Taxes per \$100K Assessment		\$169.15	\$175.29	\$6.14	3.63%
Yearly Blended Taxes per \$100K Assessment		\$936.55	\$957.42	\$20.87	2.23%

Median/Typical Farmland Property

The following table shows that the proposed 2021 budget results in a Township tax increase of 3.63% and \$10.88 and a blended tax increase of 2.23% and \$36.99 on the median/typical farmland property (2020 Assessment - \$709,100; 2021 Assessment - \$709,100).

Description	% of Total Tax Bill	2020	2021	\$ Change from 2020	% Change from 2020
Median Assessment		\$709,100	\$709,100	\$0	0%
Yearly Township Taxes	18%	\$299.86	\$310.74	\$10.88	3.63%
Yearly County Taxes	66%	\$1,089.18	\$1,115.29	\$26.11	2.40%
Yearly Education Taxes	16%	\$271.23	\$271.23	\$0.00	0.00%
Yearly Blended Taxes	100%	\$1,660.27	\$1,697.26	\$36.99	2.23%
Yearly Township Taxes per \$100K Assessment		\$42.29	\$43.82	\$1.53	3.63%
Yearly Blended Taxes per \$100K Assessment		\$234.14	\$239.35	\$5.22	2.23%

Median/Typical Small Retail Commercial Property

The following table shows that the proposed 2021 budget results in a Township tax increase of 3.63% and \$58.23 and a blended tax increase of 1.49% and \$197.92 on the median/typical small retail commercial property (2020 Assessment - \$636,100; 2021 Assessment - \$636,100).

Description	% of Total Tax Bill	2020	2021	\$ Change from 2020	% Change from 2020
Median Assessment		\$636,100	\$636,100	\$0	0%
Yearly Township Taxes	12%	\$1,604.25	\$1,662.48	\$58.23	3.63%
Yearly County Taxes	44%	\$5,827.11	\$5,966.81	\$139.69	2.40%
Yearly Education Taxes	44%	\$5,879.07	\$5,879.07	\$0.00	0.00%
Yearly Blended Taxes	100%	\$13,310.43	\$13,508.35	\$197.92	1.49%
Yearly Township Taxes per \$100K Assessment		\$252.20	\$261.35	\$9.15	3.63%
Yearly Blended Taxes per \$100K Assessment		\$2,092.51	\$2,123.62	\$31.11	1.49%

Median/Typical Standard Industrial Property

The following table shows that the proposed 2021 budget results in a Township tax increase of 3.63% and \$174.01 and a blended tax increase of 1.60% and \$591.48 on the median/typical standard industrial property (2020 Assessment - \$1,181,000; 2021 Assessment - \$1,181,000).

Description	% of Total Tax Bill	2020	2021	\$ Change from 2020	% Change from 2020
Median Assessment		\$1,181,000	\$1,181,000	\$0	0%
Yearly Township Taxes	13%	\$4,794.35	\$4,968.37	\$174.01	3.63%
Yearly County Taxes	47%	\$17,414.53	\$17,832.00	\$417.47	2.40%
Yearly Education Taxes	39%	\$14,762.50	\$14,762.50	\$0.00	0.00%
Yearly Blended Taxes	100%	\$36,971.38	\$37,562.87	\$591.48	1.60%
Yearly Township Taxes per \$100K Assessment		\$405.96	\$420.69	\$14.73	3.63%
Yearly Blended Taxes per \$100K Assessment		\$3,130.52	\$3,180.60	\$50.08	1.60%

APPLICABLE LEGISLATION AND REQUIREMENTS

Municipal Act, 2001

ATTACHMENTS

Schedule A – 2021 Proposed Operating Budget

Schedule B – 2021 Proposed Expenditures, Reserve Transfers and Revenues Summary

Schedule C - 2018 to 2030 Capital Plan Summary

Schedule D - Projects by Year – 2018 to 2030

Schedule E – Capital Summary – Funding Sources by Year

Schedule F - 2021 Proposed Capital Budget Compared to the 2020 and 2019 Approved Capital Budget Funding Comparisons

Schedule G - 2021 Proposed Ten Year Plan Compared to the 2020 and 2019 Ten Year Plans