



REPORT FIN-2021-003

TO: Mayor and Members of Council

FROM: Mary Hasan, Director of Finance/Treasurer

MEETING DATE: February 10, 2021

SUBJECT: 2021 Budget - Final
File No. F26 OPE, F26 CAP and F05 BUD

RECOMMENDATIONS

That Report FIN-2021-003 regarding the 2021 Budget – Final be received; and

That Council give 3 readings to By-law No. 2021-008 being a by-law to adopt the Budget for the Corporation of the Township of Puslinch for the year 2021.

DISCUSSION

Purpose

The purpose of this report is to:

- 1.) Provide Council an update on the items that were discussed at the January 13, 2021 Council Meeting; and
- 2.) Provide Council with information regarding the final 2021 Budget.

Background

Council received the following reports as part of budget deliberations:

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

- 4.) Report FIN-2021-002 – 2021 Capital and Operating Budget Update at the January 13, 2021 Council Meeting.

The following information was presented to Council to summarize the proposed Capital and Operating Budget at the January 13, 2021 Council Meeting.

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

Operating Budget Updates

- 1.) Council at its meeting held on January 13, 2021 directed staff to include the Hamilton Boundary Road Agreement recoveries of \$19,638 in the 2021 Operating Budget.

Budget Impact:

\$19,638 tax levy decrease.

- 2.) Council at its meeting held on January 13, 2021 directed that no further phasing of tax levy funding associated with the Cambridge Fire Services Contract be incorporated into the 2021 Operating Budget.

Budget Impact:

No budget impact.

- 3.) Council at its meeting held on January 13, 2021 directed that the overall Township tax increase for the median/typical property be 0.93%.

Budget Impact:

As outlined in the Financial Implications section below.

Operating Tax Levy Impacts – Excluding Building Department

Outlined below is a reconciliation of the operating tax levy reported on January 13, 2021 to the 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. Please note, there were no changes to the Building Department budget based on the direction from the January 13, 2021 Council Meeting.

Description	Amount	Comments
Operating Tax Levy	\$2,982,993	January 13, 2021 - Report FIN-2021-002
Hamilton Boundary Road Agreement Recoveries	-(19,638)	Item 1 above
Operating Tax Levy	2,963,355	As presented at the Public Information Meeting on January 20, 2021

Capital Budget Updates

- 1.) Council at its meeting held on January 13, 2021 authorized an additional contribution to the Gravel Roads Improvement Discretionary Reserve of 1% to be incorporated in the 2021 Capital Budget and future year budgets.

Staff Update:

An additional 1% Township tax increase amounts to \$43,500.

Previous versions of the budget had incorporated an amount of \$114,300 as a contribution to the Gravel Roads Improvement Discretionary Reserve from 2021 to 2030.

The proposed budget by-law incorporates an amount of \$157,800 as a contribution to the Gravel Roads Improvement Discretionary Reserve from 2021 to 2030.

Budget Impact:

\$43,500 tax levy increase.

- 2.) Council at its meeting held on January 13, 2021 directed that the overall Township capital tax increase for the median/typical property be 0%.

Budget Impact:

As outlined in the Financial Implications section below.

- 3.) Council at its meeting held on January 13, 2021 directed that the contribution to the Asset Management (AM) Discretionary Reserve remain as recommended by staff.

Staff Update:

In order to implement a 0% capital tax increase for the median/typical property, it is staff's recommendation that the contribution to the AM Discretionary Reserve decrease from \$1,338,916 to \$1,197,266 by an amount of \$141,650.

This is a common approach that a number of municipalities have taken as a result of the COVID-19 pandemic and the financial challenges that it has presented.

Township staff are comfortable with the reduction in the contribution to the AM Discretionary Reserve due to the recent announcement from the Province that the Township will be obtaining grant funding of \$168,923 for the Ontario Community Infrastructure Fund – Formula funding in 2021.

As noted in Report FIN-2021-002 from the January 13, 2021 Council Meeting, this funding is being utilized for Concession 4 - County Road 32 to Sideroad 10 North - Asset No. 56 project noted in the 2021 Capital Budget. This grant funding does not impact the tax levy as it is being allocated to a project that was previously funded by the AM Discretionary Reserve in previous versions of the Capital Budget.

This funding has a positive impact on the 2021 ending balance in the AM Discretionary Reserve as it was not initially accounted for as a funding source in previous versions of the capital budget.

Budget Impact:

\$141,650 tax levy decrease.

Capital Tax Levy Impacts

Outlined below is a reconciliation of the capital tax levy reported on January 13, 2021 to the capital tax levy as a result of the changes outlined in the items discussed above.

Description	Amount	Comments
Capital Tax Levy	\$1,540,566	January 13, 2021 - Report FIN-2021-002
Increase in Contribution to Gravel Roads Improvement Discretionary Reserve	\$43,500	Item 1 above
Decrease in Contribution to AM Discretionary Reserve	-\$141,650	Item 3 above
Capital Tax Levy	\$1,442,416	As presented at the Public Information Meeting on January 20, 2021

FINANCIAL IMPLICATIONS

As part of the Budget Public Information Meeting held on January 20, 2021, the following table was presented to the Public to summarize the proposed Capital and Operating Budget.

Description	2020 Approved Budget	2021 Proposed Budget	Difference
Total Capital Taxation Levy	\$1,442,416	\$1,442,416	\$0
Total Operating Taxation Levy	\$2,866,694	\$2,963,355	\$96,661
Total Municipal Taxation Levy	\$4,309,110	\$4,405,771	\$96,661

The Budget Public Meeting Minutes are included in the February 10, 2021 agenda package.

The following tables outlines the 2021 budget compared to the 2020 budget:

Description	2020 Budget	2021 Budget	Notes
Operating Budget			
Operating Revenues	\$2,273,016	\$2,321,453	
Operating Contributions from Discretionary Reserves	\$285,113	\$298,603	
Operating Contributions to Discretionary Reserves	\$328,750	\$328,750	
Operating Expenditures	\$5,096,073	\$5,254,660	
Total Operating Tax Levy	\$2,866,694	\$2,963,355	
Capital Budget by Funding Source			
Capital Tax Levy	\$1,442,416	\$1,442,416	
Federal Gas Tax Funding	\$440,000	\$219,877	Note A

Discretionary Reserves	\$2,036,240	\$890,678	
Restricted Reserves	\$159,429	\$444,605	
Other (grants)	\$1,333,513	\$1,499,297	
Total Capital Budget	\$5,411,598	\$4,496,873	
Total Tax Levy	\$4,309,110	\$4,405,771	

Note A – the increase in the federal gas tax funding source in the 2020 Capital Budget related to a one-time top-up payment received in 2019 of \$223,880. This one-time increase funded the 2020 roads repaving project on Watson Road South from County Road 34 to McRae Station Road.

The discretionary reserve contributions in the 2021 budget compared to the 2020 budget are outlined below:

Discretionary Reserve	2020 Budget	2020 Budget	Notes
Insurance Contingency	\$25,000	\$25,000	
Legal Contingency	\$50,000	\$50,000	
Elections	\$13,750	\$13,750	
Asset Management	\$1,208,766	\$1,197,266	Note B – Plus an Additional \$87,500 Reallocation
Information Technology	\$10,000	\$10,000	
Gravel Roads Improvement	\$114,300	\$157,800	
Aggregate Levy	\$240,000	\$240,000	
Total	\$1,661,816	\$1,693,816	

Note B – Council at its meeting held on October 28, 2020 directed staff to reallocate the previous amounts budgeted in 2018 for a Municipal Class Environmental Assessment – Municipal Water and Wastewater of \$87,500 to reduce the 2021 capital tax levy. Staff have reallocated these funds to the AM Discretionary Reserve. Therefore, the reallocation of these funds to the AM Discretionary Reserve has resulted in a lower amount of capital tax levy funding requirements in the 2021 capital budget when compared to the 2020 capital budget for the AM Discretionary Reserve.

Municipal Property Assessment Corporation (MPAC) 2021 Returned Assessment Roll

Similar to previous practice, 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 been provided by the Ministry of Finance in draft form and remain unchanged from what was previously presented at the Budget Public Information Meeting on January 20, 2021.

Please note that the County tax rates have been updated based on the County's budget by-law recently passed by County Council resulting in a decrease in the blended tax impact calculations from what was previously presented at the Budget Public Information Meeting on January 20, 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 2.24% and \$22.80 and a blended tax increase of 1.22% and \$68.47 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 0.93% and \$9.47 and a blended tax increase of 0.98% and \$55.13 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	\$1,026.05	\$9.47	0.93%
Yearly County Taxes	66%	\$3,692.54	\$3,738.20	\$45.66	1.24%
Yearly Education Taxes	16%	\$919.53	\$919.53	\$0.00	0.00%
Yearly Blended Taxes	100%	\$5,628.65	\$5,683.78	\$55.13	0.98%
Yearly Township Taxes per \$100K Assessment		\$169.15	\$170.72	\$1.58	0.93%
Yearly Blended Taxes per \$100K Assessment		\$936.55	\$945.72	\$9.17	\$0.98%

Median/Typical Farmland Property

The following table shows that the proposed 2021 budget results in a Township tax increase of 0.93% and \$2.79 and a blended tax increase of 0.98% and \$16.26 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	\$302.65	\$2.79	0.93%
Yearly County Taxes	66%	\$1,089.18	\$1,102.64	\$13.47	1.24%
Yearly Education Taxes	16%	\$271.23	\$271.23	\$0.00	0.00%
Yearly Blended Taxes	100%	\$1,660.27	\$1,676.52	\$16.26	0.98%
Yearly Township Taxes per \$100K Assessment		\$42.29	\$42.68	\$0.39	0.93%
Yearly Blended Taxes per \$100K Assessment		\$234.14	\$236.43	\$2.29	0.98%

Median/Typical Small Retail Commercial Property

The following table shows that the proposed 2021 budget results in a Township tax increase of 0.93% and \$14.94 and a blended tax decrease of **-(1.46%)** and **-\$194.39** 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	\$1,619.19	\$14.94	0.93%
Yearly County Taxes	45%	\$5,827.11	\$5,899.17	\$72.06	1.24%
Yearly Education Taxes	43%	\$5,879.07	\$5,597.68	-\$281.39	-(4.79%)
Yearly Blended Taxes	100%	\$13,310.43	\$13,116.04	-\$194.39	-(1.46%)
Yearly Township Taxes per \$100K Assessment		\$252.20	\$254.55	\$2.35	0.93%
Yearly Blended Taxes per \$100K Assessment		\$2,092.51	\$2,061.95	-\$30.56	-(1.46%)

Median/Typical Standard Industrial Property

The following table shows that the proposed 2021 budget results in a Township tax increase of 0.93% and \$44.64 and a blended tax decrease of **-(11.12%) and -(\$4,109.71)** 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	\$4,839.00	\$44.64	0.93%
Yearly County Taxes	47%	\$17,414.53	\$17,629.87	\$215.34	1.24%
Yearly Education Taxes	39%	\$14,762.50	\$10,392.80	-(4,369.70)	-(29.60%)
Yearly Blended Taxes	100%	\$36,971.38	\$32,861.67	-(4,109.71)	-(11.12%)
Yearly Township Taxes per \$100K Assessment		\$405.96	\$409.74	\$3.78	0.93%
Yearly Blended Taxes per \$100K Assessment		\$3,130.52	\$2,782.53	-(347.99)	-(11.12%)

APPLICABLE LEGISLATION AND REQUIREMENTS

Municipal Act, 2001

ATTACHMENTS

None