



TO: GENERAL COMMITTEE

SUBJECT: 2024 BUSINESS PLAN AND BUDGET DIRECTIONS

WARD: ALL

PREPARED BY AND KEY CONTACT: J. KUEHL, MANAGER OF BUSINESS PLANNING AND BUDGETS, EXT. 4425

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SUBMITTED BY: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

C. MILLAR, CHIEF FINANCIAL OFFICER AND TREASURER

D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

B. ARANIYASUNDARAN, GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH MANAGEMENT

R. JAMES-REID, EXECUTIVE DIRECTOR OF ACCESS BARRIE

I. PETERS, DIRECTOR OF LEGAL SERVICES

CHIEF ADMINISTRATIVE OFFICER APPROVAL: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That staff prepare the 2024 Business Plan and Budget for City Services that incorporates the Budget Development Guidelines identified in Appendix "B" to Staff Report EMT003-23 and includes the Infrastructure Investment Fund (to be renamed from the former Dedicated Infrastructure Renewal Fund) increase of 2%, as approved in Council motion 23-G-023 (2023 Business Plan approval).
2. That staff prepare the 2024 Business Plan and tax rate supported Budget by continuing and increasing the total contribution from the Reinvestment Reserve to \$2.9 million from \$2.76 million in 2023 to help offset tax supported cost pressures.
3. That a letter from the Chief Financial Officer and Treasurer be sent to the following service partners and their respective Agencies, Boards and Commissions, that requires their budget submission to include appropriate level of details and explanations to allow Council to make more informed decisions, and that a copy of Staff Report EMT003-23 be included:
 - a) Barrie Police Service;
 - b) County of Simcoe;
 - c) Barrie Public Library;

- d) Lake Simcoe Region Conservation Authority;
 - e) Nottawasaga Valley Conservation Authority; and
 - f) Simcoe Muskoka District Health Unit.
4. That staff prepare the 2024 Business Plan for rate supported services that includes:
- a) Recommendations for changes to user fees that reflect the full cost of providing the program or service, including fixed assets, net of any subsidy approved by Council; and
 - b) Contributions to reserves that are consistent with the Financial Policies Framework and Council direction that reflect, to the extent possible, the anticipated current and future commitments against the reserves.
5. That any significant impacts to the 2024 budget be presented for consideration, including:
- a) New investments and changes in level of service;
 - b) Changes in staff complement levels; and
 - c) User fees that are added, removed, or increased/decreased by 5% or more.
6. That a ten-year Capital Plan be prepared that includes a one-year capital budget, a four-year forecast, and a five-year capital outlook, addressing both growth and renewal of infrastructure, with consideration to the maintenance of the City's AA+ credit rating and fiscal health.
7. That the 2024 Budget Development Schedule identified in Appendix "A" to Staff Report EMT003-23, be used to develop the 2024 Business Plan for Council's review and approval of the City Services portion of the tax rate no later than December 2023 and Service Partner budget approval in late January 2024.

PURPOSE & BACKGROUND

8. The purpose of this report is to seek Council direction and approval of the guidelines and schedule staff will follow when preparing the 2024 Business Plan and Budget. It will also highlight some of the challenges that will need to be taken into consideration in the preparation of the budget.
9. Over the last number of years, staff and Council have prepared the annual Business Plan and Budget guided by the following key principles included in the City's Financial Policy Framework:

Principle	Meaning
Respect for the taxpayer	<ul style="list-style-type: none"> • Constant search for excellence and value with due regard to economy, efficiency and effectiveness. • A City that lives within its means with predictable tax levels
Maintain and enhance the City's financial condition	<ul style="list-style-type: none"> • Sufficient revenues are raised to fund operations, while maintaining appropriate levels of reserves and debt • Credit ratings sustained and/or improved

	<ul style="list-style-type: none"> • “User pay” is an operating principle considered for all program areas • Identify new funding sources/financing methods • Maintain assets
Pursue innovation	<ul style="list-style-type: none"> • Continuously find efficiency and quality improvements in the way we manage and deliver services

10. The 2024 Business Plan and Budget will align with Council's Strategic Plan, with continued focus on implementing the growth framework and investment in renewing the City's current infrastructure to the greatest extent feasible given the status of reserve levels. Based on Council direction and guiding principles, staff will bring forward a recommended capital plan that does not compromise the City's financial condition and credit rating.

ANALYSIS

Business Plan Development and Schedule

11. For the 2024 Business Plan and Budget process, staff are recommending the budget for City services be approved in early December 2023 with Service Partner Budgets being approved in late January 2024. The benefit of an earlier approval is that tenders can get to market earlier to achieve better pricing. A detailed timeline is provided in Appendix “A” to Staff Report EMT003-23.
12. The Corporation's business planning approach integrates three phases: departmental work plan development; operating and capital budget development; and, Public engagement and reporting to Council.
13. Staff will prepare the 2024 Business Plan and Budget in line with a number of parameters and principles that are outlined in Appendix “B” to Staff Report EMT003-23.
14. In an effort to improve the understanding of how tax dollars are spent, the following is a listing of public education/engagement activities planned for the 2024 Budget and Business Plan:
- a) “*Understand Where Your Tax Dollars Go*” public education campaign;
 - b) Dedicated web page on Barrie.ca for budget information including Budget Allocator;
 - c) Education and promotion of engagement opportunities via print, social media and radio; and
 - d) Post Budget approval – media release, full page spread in the Barrie Advance and an insert accompanying the final tax bills.

Water and Wastewater Rate Supported Budgets

15. Staff recommend 2024 rate increases that are sufficient to accommodate capital reserve contributions at a level that will meet the City's capital commitments, after considering operational needs. The 2021 Water and Wastewater Financial Plans and Rate Analysis Study forecasted 2024 rate increases of 4% for water and 5% for Wastewater.



Parking Rate Supported Budgets

16. The Parking service is intended to be self-sustaining through user pay revenue. Approval of the parking strategy (20-G-168), which allowed for upcoming changes to the pricing structure, should see an improvement in the financial sustainability of the parking service and smaller draws on the Parking Reserve.

Reinvestment Reserve

17. The Reinvestment Reserve is used to fund projects and initiatives deemed to have significant strategic and/or community benefit. This reserve is funded from 80% of the dividends received from Barrie Hydro Holdings Inc up to a maximum year-end balance of \$10M. The other 20% of the Barrie Hydro Holding Inc dividend goes to the Tax capital reserve. As at March 31, 2023, the Reinvestment Reserve had an uncommitted balance of \$4.3M.
18. The Barrie Hydro Holding Inc dividend is funded from the Alectra dividend (forecast to be \$6.7M for 2024, so an approximate contribution to the Reinvestment reserve of \$5.4M). The 2024 total commitments to the Reinvestment Reserve are \$5.8M related to covering CIP Funding (\$1.25M), including the assumed approval of motion 2 in Staff Report EMT003-23 that continues and increases the smoothing impact of growth/offsetting tax levy increases for 2024 (\$1.75M), and finally contributions to the Theatre reserve (\$2.5M) and community grant program (\$300K).

Direction from Council (23-G-022) for 2024 and Budget Pressures

19. In the approval of the 2023 Business Plan and Budget, Council directed staff to include a Dedicated Infrastructure Renewal Funding (DIRF) levy of 2% in 2024. This is an increase over the 1% levy in the 2023 budget, with the additional 1% being dedicated towards a Stormwater Capital Infrastructure. The tax levy is the key mechanism by which the City is developing the ability to maintain the extensive infrastructure renewal needs associated with over \$4.5 billion in tax rate support assets such as roads, sidewalks, facilities and stormwater assets. The renewal works for the remaining \$3.1 billion in assets is funded by water and wastewater assets.
20. The following items are already either approved or create a known budget pressure as well as an expectation on growth which will lower the required tax rate increase:

Description	Pressure/ Opportunity	Comment
20 Firefighters	Pressure	Council pre-approved 20 Fire Fighter complement positions to allow the recruitment process to being in advance of 2024 (approximately \$2.1M or 0.68% on the tax levy)
Reserve Management	Pressure	<p>The Tax Stabilization Reserve is currently in a deficit position and below its target level. In addition, there are \$2.5M of draws in 2023 that subsidize the Tax Rate that put further pressure on this reserve</p> <p>The County of Simcoe reserve is forecast to be in a deficit position by the end of 2023, due to the current level of contributions being noticeably lower than the draws from the reserve. Staff are working on a strategy to increase the level of contributions to this reserve.</p>

Labour Contracts	Pressure	<p><u>Collective Agreements</u> The City is party to various collective agreements negotiated with its unionized workforce. The CUPE agreement includes a 2% increase for 2024. The BPFPA expires on December 31st, 2023.</p> <p><u>Benefits</u> Benefit cost increases are driven by usage, total number of covered employees, and the cost of items covered under the plan. Updated rates will be available later in the budget process.</p> <p><u>Presumptive Legislation</u> The financial risk associated with Presumptive Legislation for cancers, PTSD, and other WSIB related claims continues to be an exposure for the City. A Workplace Safety and Insurance Board (WSIB) reserve has been placed under greater pressure in the last two years. City staff are currently analyzing this, but a larger contribution to the reserve is very likely necessary going forward</p>
Contractual Obligations	Pressure	<p>The City is party to various operating contracts (e.g. Transit, Winter Control, Waste Collection, and Security). Generally, these contracts contain provisions for annual increases tied to indices such as the Consumer Price Index.</p> <p>In particular, the Waste Collection contract – which ends in April of 2024 – is anticipated to result in higher costs than the City is currently paying, which will put pressure on the tax rate.</p>
Repairs & Maintenance	Pressure	<p>City owned assets such as infrastructure, buildings, and equipment continue to age.</p> <p>Many of the departments responsible for maintaining these assets have conducted reviews of spending for repairs and maintenance. The results of these reviews indicate that historical budgets have been insufficient to maintain assets in a manner that will achieve optimum economic life.</p>
Growth	Opportunity	<p>Recent information from MPAC indicates that the City may see above average growth in the coming year. The City typically expects around \$4M in Assessment Growth (which lowers the required tax levy increase) but expects this number to be closer to \$6M</p>
Investment Income	Opportunity	<p>Yields have increased dramatically over the last year. As we transition to a Prudent Investor Standard portfolio, staff and the Prudent Investor Board look for opportunities to pick up yield by adding more asset classes to the current investment portfolio.</p>

Service Partner Budgets

21. The City’s Service Partner budgets made up approximately 37% (\$103M) of the total 2023 tax supported operating budget. The following are the services provided to the City of Barrie property owners by these boards, commissions and agencies:

Service Type	Service Provider
Policing	Barrie Police Services Board
Library	Barrie Public Library Board
Social Services	County of Simcoe (Ontario Works, Social Housing, Child Care, and Long-Term Care)
Land Ambulance	County of Simcoe
Museum & Archives	County of Simcoe
Airport	County of Simcoe
Tourism	Tourism Barrie
Environment	Lake Simcoe Regional Conservation Authority and Nottawasaga Valley Conservation Authority
Health	Simcoe Muskoka District Health Unit, Royal Victoria Hospital, and Physician Recruitment

22. These organizations have budget development timelines that may not align with the City. Staff will contact each Service Partner to inform them of the City’s timelines in order to coordinate budget plans to the extent possible, however estimates may be required in the City’s business plan where necessary.
23. Service Partner budgets include both operating and capital requirements. However, except for the County of Simcoe, the capital requirements have remained relatively stable over time. The fluctuation in the County of Simcoe capital program is being managed through the County of Simcoe Capital Reserve, with an annual reserve contribution to minimize the year over year impact to the tax base.

ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS

24. There are no environmental or climate change matters directly related to the recommendations.

ALTERNATIVES

25. The following alternatives are available for consideration by General Committee:

Alternative #1

General Committee could establish a tax rate/user fee target.

This alternative is not recommended. Staff have recently started the 2024 Business Plan and Budget process, while this report identifies some pressures and opportunities, it is still early in the process for staff to have a complete picture of all the 2024 pressures. Setting a target at this stage may have uninformed consequences. Council will have an opportunity to review the budget later in Q3 of 2023, which will include more complete information.

Alternative #2

General Committee could change the proposed Business Plan development schedule.

The budget planning process involves a coordinated and phased approach across the entire organization, which will apply Council's direction and provide community engagement on the issues related to the 2024 Business Plan. The anticipated approval of December 2023 should be adequate to prepare the plan, as well as allow for earlier tendering of work related to projects.

FINANCIAL

26. There are no direct financial implications for the Corporation resulting from the proposed recommendations as this is direction only with respect to the preparation of the 2024 Business Plan and Capital Plan.

LINKAGE TO 2022-2026 STRATEGIC PLAN

27. The recommendations included in this Staff Report support the following goals identified in the 2022 - 2026 Strategic Plan:
- Affordable Place to Live
 - Community Safety
 - Thriving Community
 - Infrastructure Investments
 - Responsible Government
28. The approved annual business plan and budget reflects the real-world efforts to implement Council's strategic goals. Directions provided in this staff report are an opportunity for Council to ensure the City's resources continue to be expended in a manner consistent with these goals.



APPENDIX "A"

Proposed 2024 Business Plan Development Schedule

Date	Committee/Council	Activity
June 14, 2023	General Committee	Consideration the 2024 Budget Direction report
June 21, 2023	Council	Approves the 2024 Budget Direction Report
May - November 2023		Staff produce work plans; draft operating, capital, and rate budgets as well as proposed user fees; executive management review; public engagement; production of budget and business plan materials.
November 8, 2023	Finance and Responsible Governance Committee	2024 Business Plan and Budget presentation and binders distributed to Council
November 22, 2023	Finance and Responsible Governance Committee	Budget deliberations on 2024 Business Plan
November 29, 2023	General Committee	Committee Review of City Services
December 6, 2023	Council	Council Approval of City Services
December 13, 2023	Finance and Responsible Governance Committee	Service Partner 2024 Business Plan presentations
January 17, 2024	General Committee	Service Partner 2024 Business Plan deliberations
January 31, 2023	Council	Service Partner 2024 Business Plan Approval

APPENDIX "B"

Budget Development Guidelines

Operating Budget

- Staff will develop one budget year and three forecast years
- The budget will present the cost of maintaining current service levels and the annualization of prior period decisions
- The budget will include an estimate of assessment growth based on the value of newly assessed property throughout 2023
- Contributions to reserves will be consistent with the Financial Policies Framework
- User fees will be assessed to strive for reduced taxpayer subsidy and full cost recovery where appropriate

Capital Budget

- Staff will develop an updated 10-year capital plan consisting of a 1-year budget, 4 year forecast, and 5 year outlook
- Staff will first look to fund projects using external opportunities such as grants or development related funding wherever possible, and then the City's own reserves
- Capital projects are being budgeted with schedule and cost certainty and a commensurate plan for allocation of resources