



TO:	GENERAL COMMITTEE
SUBJECT:	2022 BUSINESS PLAN AND BUDGET DIRECTIONS
WARD:	ALL
PREPARED BY AND KEY CONTACT:	J. KUEHL, MANAGER OF BUSINESS PLANNING & BUDGETS, EXT. 4425 C. MILLAR, DIRECTOR OF FINANCE AND TREASURER, EXT. 5130
SUBMITTED BY:	M. PROWSE, CHIEF ADMINISTRATIVE OFFICER D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES A. MILLER, RPP, GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH MANAGEMENT R. JAMES-REID, EXECUTIVE DIRECTOR OF ACCESS BARRIE I. PETERS, DIRECTOR OF LEGAL SERVICES
GENERAL MANAGER APPROVAL:	D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES
CHIEF ADMINISTRATIVE OFFICER APPROVAL:	M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That staff prepare the 2022 Business Plan with a cap of 2% for the tax supported budget, excluding legislated changes, growth related service level requirements, and Council motions related to the 2022 Business Plan approved by motion 21-G-006 (2021 Business Plan).
2. That a letter from the Treasurer identifying the 2022 Budget Directions target and a copy of Staff Report EMT003-21 be forwarded to the respective Agencies, Boards and Commissions as follows:
 - a) Barrie Police Service;
 - b) County of Simcoe;
 - c) Barrie Public Library;
 - d) Lake Simcoe Region Conservation Authority;
 - e) Nottawasaga Valley Conservation Authority;
 - f) Simcoe Muskoka District Health Unit; and
 - g) Lake Simcoe Regional Airport.

3. That staff prepare the 2022 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.
4. That any significant impacts to the 2022 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.
5. 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.
6. That the 2022 Budget Development Schedule identified in Appendix "A" to Staff Report EMT003-21, be used to develop the 2022 Business Plan for Council's review and approval no later than December 2021.

PURPOSE & BACKGROUND

7. The purpose of this Report is to seek Council direction and approval of the guidelines and schedule staff will follow when preparing the 2022 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.
8. 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• "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

9. The 2022 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 and the ongoing pressures related to COVID-19. 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

Direction from Council (21-G-006)

10. In the approval of the 2021 Business Plan and Budget, Council directed staff to include a Dedicated Infrastructure Renewal Funding (DIRF) levy of 0.75% in 2022. This is an increase over the 0.25% levy in the 2021 budget, however it is still short of the historical 1% levy. This levy is the key mechanism by which the City is developing the ability to maintain the extensive infrastructure renewal needs associated with \$3.9 billion in assets.
11. Council also directed staff to consider using \$2 million from reserves (\$1 million from the Reinvestment Reserve and \$1 million from the Tax Rate Stabilization Reserve) to offset the tax levy in 2022. This is a decrease from the \$3 million of reserve funding used for the same purpose in the 2021 Business Plan. The result is an additional pressure on the 2022 levy of approximately 0.4%.

Business Plan Development and Schedule

12. Council approval of the 2022 Business Plan and Budget is anticipated to be completed in December 2021. A high-level timeline is provided in Appendix "A".
13. 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.
14. Staff will prepare the 2022 Business Plan and Budget in line with a number of parameters and principles that are outlined in Appendix "B".
15. 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 2022 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) Online surveys and public engagement via social media to seek input into the proposed service level changes;
 - d) Dedicated email address for public feedback;
 - e) Education and promotion of engagement opportunities via print, digital monitors, online and radio; and
 - f) Post Budget – media release, full page information in the Barrie Advance and tax bill insert.

Water and Wastewater Rate Supported Budgets

16. Staff recommend 2022 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 Water and Wastewater Financial Plans are currently being updated and will be presented to Council in Staff Report INF005-21 with a forecast for annual rate increases.

Parking Rate Supported Budgets

17. The Parking Rate is under pressure due to the ongoing effects of COVID-19. Given operational shortfalls and the current deficit in the Parking Reserve, there may be a requirement to subsidize the Parking Rate from the Tax Rate in future budget years if additional parking rate increases are not palatable.

2022 Budget Pressures and Opportunities

18. Historical tax rate increases for the last several years have averaged 1.8% plus an additional 1% for the Dedicated Infrastructure Renewal Fund, however only a portion of this goes toward maintaining service levels for current City operations. The 2014 FIA (Financial Impact Analysis) model had projected that tax rate increases of 5% would be needed in some years, with an average annual rate increase of over 3%, to support funding for the City's growth plans. The gap between the FIA assumptions and the Council approved tax increases since 2014 has partially impacted the City's ability to address funding required to effectively manage growth and development in the City. Staff have always sought opportunities to enact responsible process efficiencies to save money without a detrimental impact to services and will continue to do so. However, the City has reached a point where various services cannot be maintained at the current level without higher tax rate increases. Appendix "C" expands on known budget pressures, and a couple of opportunities, likely to be significant factors in the 2022 Business Plan.

Federal Gas Tax – One time Top-up Funding

19. The Federal government has announced one-time top up funding for municipalities Federal Gas Tax allocation. At the time of writing this staff report, the enabling legislation has not yet been passed. However, it is expected the legislation will be passed and the City of Barrie will be receiving an additional \$8,624,272.
20. Throughout the Business Plan and Budget development process, staff will look for opportunities to utilize this funding that coincides with Council Strategic Priorities, Council Budget Directions, and permitted uses of the Federal Gas Tax funds.
21. A full list of permitted uses of the Federal Gas Tax Funds is included in Appendix "D". The City has historically used Federal Gas Tax funds primarily for road rehabilitation, and to a lesser degree stormwater work such as culverts and storm pond maintenance.

Safe Restart Funding

22. The 2020 and 2021 Safe Restart funding agreements with the Province stipulate that funds are to be used to offset COVID-19 operating costs and pressures, with any unused funds placed into a reserve to be utilized in the subsequent year if necessary. The Province requires municipalities to report back with an interim report in 2021 and a final report in 2022 on how the funds were utilized.

Service Partner Budgets

23. The City's Service Partner budgets made up approximately 32% (\$93.1M) of the total 2021 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	Lake Simcoe Airport Corporation
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

24. 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.
25. 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

26. There are no environmental and/or climate change impacts matters directly related to the recommendations.

ALTERNATIVES

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

Alternative #1

General Committee could establish a lower maximum acceptable tax levy and/or user fee threshold.

This alternative is not recommended. The average tax rate increase over the last number of years, has been under 2% plus an additional 1% for the Dedicated Infrastructure Renewal Fund. While it has been possible to continue to deliver services with this level of tax increase, it has not been sufficient to maintain some service levels in the face of growth pressure, or to reach the reserve levels indicated in the City's Financial Policy Framework. The target in this report remains low and may need to be achieved through reductions in specific services and/or service levels.

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 2022 Business Plan. The anticipated approval of December 2021 should be adequate to prepare the plan, as well as allow for earlier tendering of work related to projects.

FINANCIAL

28. 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 2022 Business Plan and Capital Plan.

LINKAGE TO 2018-2022 STRATEGIC PLAN

29. The recommendation(s) included in this Staff Report support the following goals identified in the 2018-2022 Strategic Plan:

- ☒ Growing Our Economy
- ☒ Fostering a Safe and Healthy City
- ☒ Building Strong Neighbourhoods
- ☒ Supporting a Vibrant & Safe Downtown
- ☒ Offering Innovative and Citizen Driven Services
- ☒ Improving the Ability to Get Around Barrie

30. 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 2022 Business Plan Development Schedule

Date	Activity
Late May/Early June 2021	Committee/Council approval of the 2022 Budget Directions
May - November 2021	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 2021	2022 Business Plan presentation and binder distribution to Council
December 2021	Committee/Council review and 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 2021
- 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 to plan for allocation of resources

APPENDIX "C"

Budget Pressures & Opportunities

Description	Pressure/Opportunity	Comments
One-time Funding	Pressure	<p>In 2021 Council approved one-time (or limited time) funding sources to reduce the tax levy increase. As these funding sources are either unsustainable, or unavailable, there is pressure on the tax rate in order to make up for the lost revenue.</p> <p><u>2021 Safe Restart Funding - \$1.32M</u> This was approved to offset the tax levy increase, however this is not available for the 2022 Budget and results in a levy pressure of approximately 0.5%</p> <p><u>Reserve Funding - \$3M</u> The Reinvestment and Tax Rate Stabilization Reserves were used to offset the 2021 levy by \$3M in 2021. For 2022, Council has asked staff to continue this funding, but at a lesser amount of \$2M. This creates a tax pressure of approximately 0.4% in 2022.</p>
Reserve Management	Pressure	<p>Council has directed that the Dedicated Infrastructure Renewal Funding (DIRF) levy be limited to 0.75%. This is an increase from the reduced rate of 0.25% in 2021 but is below the historic tax rate increase of 1%. The Tax Capital Reserve, which is supported by the DIRF, is currently overcommitted based on the existing capital plan. This trend worsens over the next 5 years, and additional contributions to the reserve, or decreased draws, will be required.</p> <p>2022 will be the third year of the planned Fleet Renewal Reserve phase-in. The phase-in amount of \$450K per year has been cut in both previous budgets, as well as the original contribution being cut by \$500K in the initial year. The plan is to increase the contribution to the reserve by \$450K in 2022. Unless the planned contributions to the reserve are reinitiated, there will be insufficient funds to replace aging fleet as well as operating budget pressure from increased repairs and maintenance.</p> <p>In the 2020 Business Plan, a draw from reserves (Reinvestment and Tax Rate Stabilization) of \$2M was enacted to help smooth the cost of growth over several years, reducing the draw by \$500K each year. In 2021 that decreased draw from reserves was cut from the budget. The plan is to decrease the draw by \$500K in 2022 which puts additional pressure on the tax rate.</p>

		<p>Finally, the contribution to the Landfill Closure reserve will increase by another 10% as required by City's Financial Policies.</p> <p>The City's reserves are forecast to be overcommitted on a consolidated basis by 2023. There should be an uncommitted balance in reserves so they are able to provide stability by smoothing the effect of variable or unanticipated expenditures. Increased contributions to reserves will be required over the coming years to address this issue.</p>
Labour & Related	Pressure	<p><u>Collective Agreements</u></p> <p>The City is party to various collective agreements negotiated with its unionized workforce and manages compensation for its non-unionized staff on an annual basis.</p> <p>The CUPE agreement includes a 1% increase in January and expires on June 30th, 2022. The BPPFA agreement calls for an annual 1% increase in January followed by an additional 0.75% increase in July.</p> <p><u>Benefits</u></p> <p>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></p> <p>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. A larger contribution to the reserve is necessary going forward. Currently \$250K is contributed annually, and this amount would need to be at least doubled based on recent trending.</p>
Utilities	Pressure	<p>The Energy Management Group will seek to maximize the financial benefit of grants and subsidies that may become available and will continue to monitor industry news to provide the best information available. Preliminary information suggests that:</p> <ul style="list-style-type: none"> • Rates for electricity will increase by 5% from 2021 budgeted values • Rates for natural gas are expected to increase by 10%
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>



Fuel	Pressure	Fuel cost is expected to be higher on average in 2022 compared to 2021. In addition, fleet activity is expected to increase resulting in higher consumption than the previous year.
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>
Investment Income	Opportunity	Yields remain low but have been increasing. 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.
Development Charges	Pressure	Development Charges (DCs) are of critical importance to the City as they are used to fund growth related infrastructure. Growth has lagged expectations and as a result the DC revenue has been much lower than anticipated. This puts pressure on the City's finances as expenditures for growth related capital projects continue. The DC Reserves are currently in a significant deficit and represent a cashflow pressure at present, as well as a future risk if development activity fails to materialize.
Service Partners	Pressure	It is too early to get accurate budget information from partners at this time, however it is expected that it will be a challenge for some Service Partners to meet lower than average rate increases due to ongoing financial pressures surrounding the pandemic.
User Fees, Service Charges, Passes, and Memberships	Pressure	<p>COVID-19 continues to have a significant impact on revenues. Transit is currently ranging between 25-30% of normal ridership, and there may be risk to future Provincial Gas Tax funding levels resulting from reduced fuel consumption in 2020. Parking revenues continue to be low with business closures and restrictions. Recreation revenues are impacted by facility closures and when open, limitations on class sizes, programming, and events. And other fees and charges across the City are also impacted by the current environment.</p> <p>With the many unknowns around the course of the pandemic and potential controls in 2022, it is difficult to know when there will be a return to historical revenue levels.</p>

APPENDIX "D"

Federal Gas Tax Eligible Project Categories

Eligible Projects include investments in Infrastructure for its construction, renewal or material enhancement in each of the following categories:

1. Local roads and bridges – i.e. roads, bridges, tunnels, highways and active transportation infrastructure (active transportation refers to investments that support active methods of travel. This can include: cycling lanes and paths, sidewalks, hiking and walking trails).
2. Public transit – i.e. a shared passenger transport system which is available for public use.
3. Drinking Water – i.e. drinking water conservation, collection, treatment and distribution systems.
4. Wastewater – i.e. wastewater and storm water collection, treatment and management systems.
5. Solid waste – i.e. solid waste management systems including the collection, diversion and disposal of recyclables, compostable materials and garbage.
6. Community energy systems – i.e. infrastructure that generates or increases the efficient usage of energy.
7. Capacity building - i.e. investments related to strengthening the ability of Municipalities to develop long-term planning practices.
8. Short-sea shipping – i.e. infrastructure related to the movement of cargo and passengers around the coast and on inland waterways, without directly crossing an ocean.

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9. Short-line rail – i.e. railway related infrastructure for carriage of passengers or freight.
 10. Regional and local airports – i.e. airport-related infrastructure (excludes the National Airport System).
 11. Broadband connectivity – i.e. infrastructure that provides internet access to residents, businesses, and/or institutions in Canadian communities.
 12. Brownfield Redevelopment i.e. remediation or decontamination and redevelopment of a brownfield site within municipal boundaries, where the redevelopment includes:
 - (a) the construction of public infrastructure as identified in the context of any other eligible category referred to in this Schedule, and/or;
 - (b) the construction of municipal use public parks and publicly-owned social housing.
 13. Sport Infrastructure – i.e. amateur sport infrastructure (excludes facilities, including arenas, which would be used as the home of professional sports teams or major junior hockey teams (e.g. Junior A)).
 14. Recreational Infrastructure - i.e. recreational facilities or networks.
 15. Cultural Infrastructure – i.e. infrastructure that supports arts, humanities, and heritage.
 16. Tourism Infrastructure – i.e. infrastructure that attracts travelers for recreation, leisure, business or other purposes.
 17. Disaster mitigation – i.e. infrastructure that reduces or eliminates long-term impacts and risks associated with natural disasters.