

# 2022 Pre-Budget Meeting



October 4, 2021





# A Few 2021 Financial Highlights

- The current operating bank balance at September 24<sup>th</sup>, 2021 was \$23,861,616.
- Accounts Receivable, are currently \$3,225,000, comparable to previous years
- Trade accounts Payable are currently \$4,228,550 which fluctuates and is current each week
- Outstanding taxes are \$10,761,000, which includes the final tax installment due in October. Approximately \$1,345,000 of this amount relates to prior tax years and is actively managed



# A Few 2021 Financial Highlights

- Festival Hydro has begun issuing dividends again. Q4 of 2020 and Q1 & 2 of 2021 are outstanding (total amount outstanding is approximately \$585,000). Discussions have been held to determine when these payments will be fully caught up and it is anticipated it will be before year-end.
- The 2021 net budget funded by taxation was \$63,453,932 (2020 - \$62,200,510).



## 2021 Revenue as of August 23

- Annual journal entries for some departments still need to be recorded (i.e. Grants, Other Municipalities) – these figures are very preliminary
- Similar to 2020, Parking, Recreation and Transit revenues continue to be significantly under budget as a result of the Covid impact to operations
- Parking revenues are forecasted to be \$1,000,000 under budget. The budget also includes a transfer to the reserve fund of \$917,635. The parking reserve fund currently has a balance of \$3,246,234.
- Recreation revenues are forecasted to be under budget by \$600,000.
- Some Transit revenue losses have been offset by receipt of Provincial Safe Restart funding



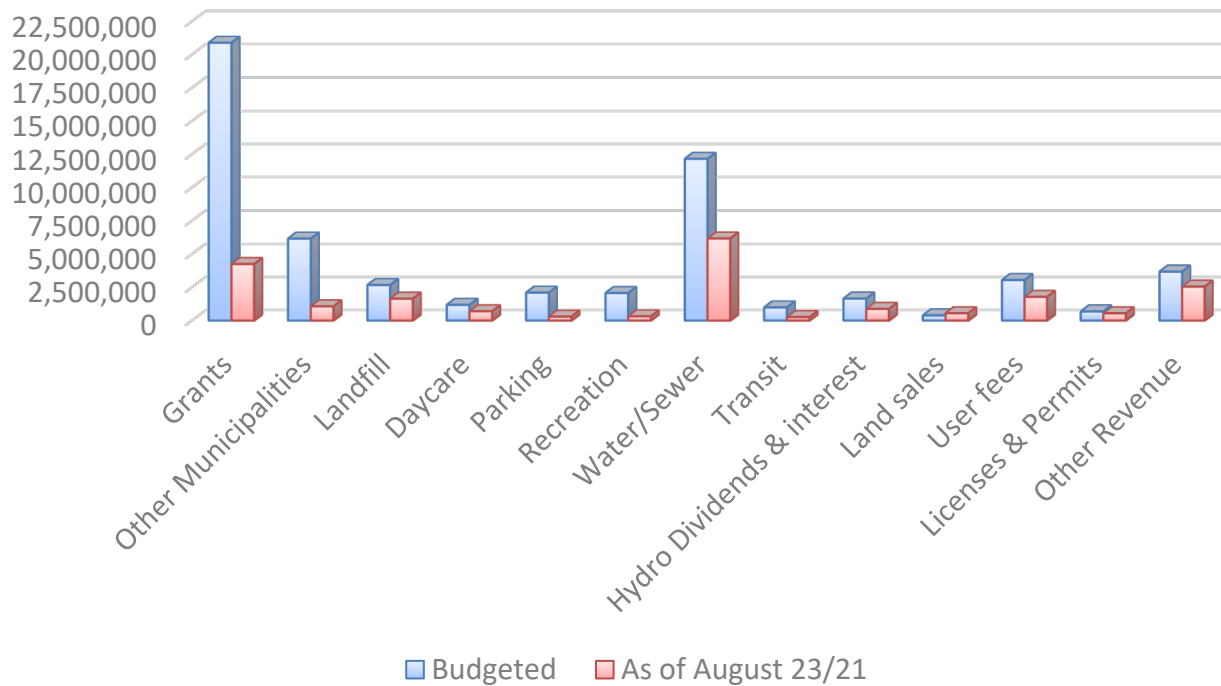
# 2021 Revenue as of August 23

	2021 Budget	Actuals as at August 23/21 (Approximately 64% through the year)	%
<b>Grants</b>	20,887,111	4,249,270	20.34%
<b>Other Municipalities</b>	6,162,749	1,069,104	17.35%
<b>Landfill</b>	2,673,150	1,647,050	61.61%
<b>Daycare</b>	1,182,200	702,141	59.39%
<b>Parking</b>	2,100,000	298,406	14.21%
<b>Recreation</b>	2,068,690	321,240	15.53%
<b>Water/Sewer</b>	12,156,000	6,171,911	50.77%
<b>Transit</b>	988,165	264,051	26.72%
<b>Hydro Dividends &amp; Interest</b>	1,654,450	875,876	52.94%
<b>Land Sales</b>	391,080	550,781	140.84%
<b>User Fees</b>	3,047,545	1,781,985	58.47%
<b>Licenses &amp; Permits</b>	687,000	549,131	79.93%
<b>Other Revenue</b>	<u>5,097,037</u>	<u>2,553,058</u>	50.01%
	<u>59,095,177</u>	<u>21,034,004</u>	36.46%
<b>Taxes</b>	<u>63,712,339</u>	<u>62,964,178</u>	100.11%



# 2021 Non-Tax Revenue as of August 23

2021 Revenue as of August 23, 2021



## 2021 Operations as of August 23

- Departments continue to try to reduce operating expenses where possible to reflect reduced revenues, similar to 2020. These include conferences and training and other non-essential expenses that can be avoided as a result of reduced activity. These efforts, along with lower than expected salaries and wages due to vacancies, have offset some of the revenue losses.
- Social Services, shared with the Province, Perth County and the Town of St. Marys, typically completes accounting at year-end and is not reflected in the year-to-date figures.
- User pay divisions (i.e. water, sanitary, waste and Britannia St. apartments) are separate from levy-based services. Any surplus or deficit in these divisions is transferred to/from the reserve/reserve funds at the end of the year and do not affect the overall tax levy surplus/deficit.





# 2021 Net Levy-Based Operations by Department as of August 23, 2021

	2021 Budget	Actual	Variance	% of Budget	
<i>Mayor's Office</i>	106,025	62,081	43,944	59%	
<i>Council</i>	660,302	222,103	438,199	34%	
<i>CAO's Office</i>	950,590	506,570	444,020	53%	
<i>Human Resources</i>	645,540	472,407	174,133	73%	
<i>City Clerk</i>	707,330	397,321	310,009	56%	
<i>Finance &amp; Treasury</i>	1,631,260	887,980	743,279	54%	
<i>Information Technology</i>	1,857,330	791,797	1,065,533	43%	
<i>Parking</i>	1,525,000	230,993	1,294,006	15%	Journal entry to transfer to reserve fund and reallocate expenses recorded at year end - \$1,022,935
<i>Crossing Guards</i>	227,415	79,853	147,562	35%	
<i>General Government</i>	4,765,710	5,628,609	(862,899)	(118%)	Journal entries to reallocate principal and interest debt payments still need to be recorded - \$2,618,000
<i>City Buildings</i>	1,619,900	768,791	851,109	47%	
<i>Fire</i>	8,090,140	5,462,241	2,627,900	68%	
<i>Police</i>	14,025,107	8,487,118	5,537,989	61%	
<i>Development Services</i>	1,525,452	793,829	731,623	52%	
<i>Engineering</i>	1,953,825	1,063,263	890,562	54%	
<i>Fleet</i>	1,668,290	1,248,218	420,072	75%	Journal entry to reallocate salaries will bring this in line with budget
<i>Roads</i>	5,827,980	1,989,008	3,838,972	34%	
<i>Storm</i>	2,887,761	253,191	2,634,570	9%	Journal entry to reallocate principal and interest debt payments of \$1,181,956 and transfer to reserve fund of \$1,331,000 recorded at year end
<i>Library</i>	3,001,506	1,889,763	1,111,743	63%	
<i>Airport</i>	438,375	227,861	210,514	52%	
<i>Anne Hathaway Daycare</i>	1,793,940	1,011,794	782,146	56%	
<i>Parks</i>	2,023,186	1,240,741	782,445	61%	
<i>Recreation</i>	6,927,850	2,378,740	4,549,110	34%	
<i>Cemetery</i>	862,200	294,649	567,551	34%	
<i>Transit</i>	3,659,641	1,697,140	1,962,501	46%	
<i>Parallel Transit</i>	<u>516,210</u>	<u>272,989</u>	<u>243,221</u>	53%	
<b>Total</b>	<b>69,897,865</b>	<b>38,359,050</b>	<b>31,538,815</b>	<b>55%</b>	



# User Pay

## Operations by Department as of August 23, 2021

	<u>2021 Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% of Budget</u>											
<b>Social Services Admin</b>	1,739,640	824,074	915,566	47%	- Net budget is \$0, the amount is distributed to other SS departments.										
<b>Ontario Works</b>	10,446,800	3,330,095	7,116,705	32%	- Overall, SS departments trending for modest surplus. Journal entries to reallocate expenses still to be done.										
<b>Housing</b>	11,008,210	5,586,905	5,421,305	51%	- Overall, SS departments trending for modest surplus. Journal entries to reallocate expenses still to be done.										
<b>Childcare</b>	7,989,160	3,875,488	4,113,672	49%	- Overall, SS departments trending for modest surplus. Journal entries to reallocate expenses still to be done.										
<b>Sanitary</b>	7,328,000	1,207,713	6,120,287	16%	- Surplus/deficit will be transferred to/from reserve.										
<b>Water</b>	4,834,390	1,925,197	2,909,193	40%	- Surplus/deficit will be transferred to/from reserve.										
<b>Waste</b>	4,304,340	1,573,845	2,730,495	37%	- Surplus to be transferred to reserve fund.										
<b>Britannia St. Apartments</b>	400,280	63,394	336,885	16%	- Surplus to transferred to reserve fund.										



# Capital Projects

- 2021 approved capital projects were approximately \$79,650,000 (including additional approvals during the year).
- Projects expected to carry forward to 2022 total approximately \$56,168,000, including the currently unfunded Renewable Natural Gas Project for \$22,700,000 and \$33,468,000 of other projects impacted by Covid and other constraints in the year.
- From the 2021 capital forecast, there were an additional \$20,000,000 in capital works anticipated for 2022, but the proposed budgets are still in preparation.



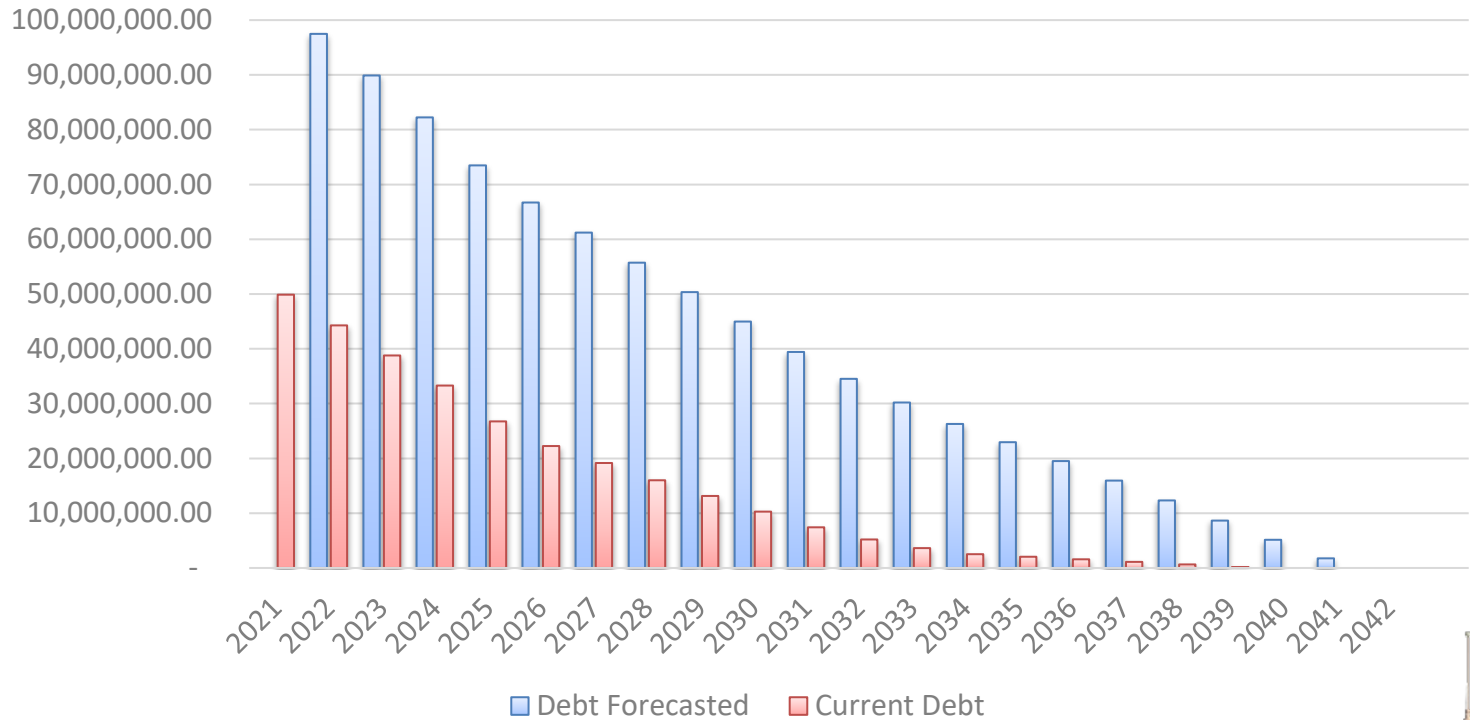
# Long-Term Debt

- Annual debt repayment limit (ARL) is prescribed by the Ministry of Municipal Affairs and Housing as a maximum of 25% of net revenues (excludes government grants, deferred revenues, gain/loss on sale of assets, etc.). This does not include interest.
- The City's limit for 2020 was \$15,128,665. Long-term debt as at December 31, 2020 was approximately \$56 million with annual payments of \$6.3 million, excluding interest.
- Long-term debt authorized in 2021 of \$33 million (with annual payments of approximately \$2 million) is not included in these figures and increases them accordingly.
- For reference only, the City's maximum debt, assuming a borrowing rate of 5% over 15-20 years, would be approximately \$200 million (note: utilizing these maximums is not being recommended due to the strain it would cause to the levy in order to service those levels).



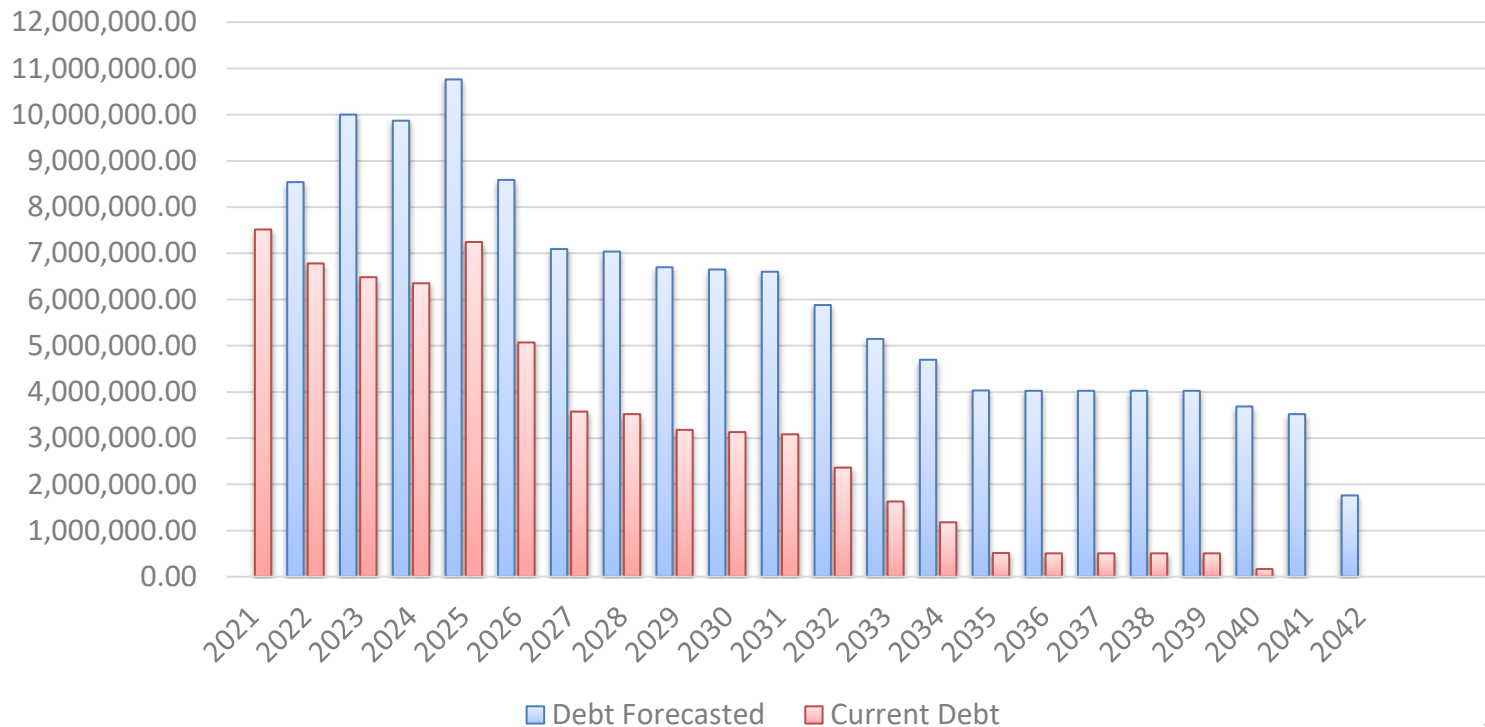
# Projected Debt at Present

## Debt Outstanding



# Projected Debt Service Costs

## Debt Service Costs



# Reserves and Reserve Funds

- Reserve Funds are funds specifically committed for a purpose, through legislative restrictions, such as gas tax funding, DCs, or by resolution or by-law. Spending from these reserve funds must be for the designated purpose. Reserve Funds must necessarily be segregated in their own bank account.
- Reserves are also designated but represent an allocation of operational surpluses. These are funded with the City's general bank account.
- Both represent liabilities to the Corporation – essentially internal obligations that must be have the appropriate funding set aside (that's why they're presented as 'negative').
- Most capital reserve funds arise as a result of levy or user fee transfers with the intention of funding current year projects or setting aside funds for future projects.
- Projected balances are based upon best estimates to include projects that have been approved but not yet completed.



# Projected Reserve Funds

		Opening	Budgeted	Budgeted	Uncommitted Closing
		Balance 2021	Transfer In	Transfer Out	Balance
R-R11-AIRP	Capital - Airport	(460,863.66)	(80,000.00)		(540,863.66)
R-R11-BRIT	Capital - Britannia St Apts	(169,288.30)	(114,340.00)		(283,628.30)
R-R11-CEME	Capital - Cemetery	58,117.02	(184,000.00)	95,410.00	(30,472.98)
R-R11-FACI	Capital - Facilities	(845,401.84)	(290,000.00)	1,053,585.00	(81,816.84)
R-R11-FIRE	Capital - Fire	(852,451.78)	(125,000.00)		(977,451.78)
R-R11-FLET	Capital - Fleet	(4,188,199.52)	(704,560.00)	1,270,000.00	(3,622,759.52)
R-R11-GTCH	Grand Trunk Community Hub	(5,417,303.80)			(5,417,303.80)
R-R11-HOUS	Capital - Housing	(1,503,239.33)	(673,000.00)	850,000.00	(1,326,239.33)
R-R11-ITCA	Capital - IT equipment	(1,061,579.53)	(155,570.00)	415,000.00	(802,149.53)
R-R11-OCIF	Ontario Community Infrastructure	(962,233.23)		796,308.00	(165,925.23)
R-R11-POLI	Capital - Police	(771,476.95)	(500,960.00)	981,273.00	(291,163.95)
R-R11-PRKG	Capital - Parking	(3,246,234.43)	(917,635.00)	380,764.00	(3,783,105.43)
R-R11-RIMP	Impost Fees	(9,223.37)			(9,223.37)
R-R11-PWCA	Capital- Public Works	(5,197,986.50)	(1,337,900.00)	276,324.00	(6,259,562.50)
R-R11-RECR	Capital - Recreation	(1,109,147.03)	(174,000.00)	659,400.00	(623,747.03)
R-R11-SSCA	Social Services	(1,558,609.71)			(1,558,609.71)
R-R11-LAND	Landfill	(514,804.15)			(514,804.15)
R-R11-LIBR	Capital - Library	(259,154.20)	(276,355.00)	302,000.00	(233,509.20)
R-R11-RPRO	Proceeds Sale of Industrial	1,863,550.62		391,080.00	2,254,630.62
R-R11-STRM	Capital - Storm	(2,516,576.48)	(1,331,000.00)	3,623,327.00	(224,249.48)
R-R11-STRA	Strategic Community Dev	(369,808.22)		250,500.00	(119,308.22)
R-R11-TRAN	Transit Capital	(99,824.62)			(99,824.62)
R-R11-WAST	Capital - Waste	(3,586,236.03)	(494,660.00)	3,268,900.00	(811,996.03)
R-R11-WATR	Capital- Water	(3,440,293.57)	(994,968.00)	1,677,577.00	(2,757,684.57)
R-R11-WORK	Working Capital	(970,768.56)	(110,000.00)	1,478,500.00	397,731.44
R-R11-WWTR - Capital	Capital - Wastewater	(289,912.94)		2,444,168.00	2,154,255.06
	Discretionary - subtotal	(37,478,950.11)	(8,463,948.00)	20,214,116.00	(25,728,782.11)





# Projected Reserve Funds

		Opening	Budgeted	Budgeted	Uncommitted Closing
		Balance 2021	Transfer In	Transfer Out	Balance
R-DGS-ADMN	General Services Admin	(429,079.90)		70,000.00	(359,079.90)
R-DGS-FIRE	General Services Fire	(1,239,466.47)			(1,239,466.47)
R-DGS-IREC	General Services Indoor Rec	(2,913,183.91)			(2,913,183.91)
R-DGS-LIBR	General Services Library	(1,110,726.49)		20,000.00	(1,090,726.49)
R-DGS-MPKG	Municipal Parking	(97,251.01)			(97,251.01)
R-DGS-OREC	General Services Outdoor Rec	(1,578,963.49)			(1,578,963.49)
R-DGS-POLI	General Services Police	(800,149.36)			(800,149.36)
R-DGS-TRAN	Transit	(453,400.06)			(453,400.06)
R-DIS-OTRN	Infrastructure Transportation	(443,062.83)		175,000.00	(268,062.83)
R-DIS-ROAD	Roads and Traffic Signals	(2,280,591.36)		111,575.00	(2,169,016.36)
R-DIS-WAST	Wastewater	(1,076,238.70)			(1,076,238.70)
R-DIS-WATS	Water Service	(511,760.25)			(511,760.25)
R-DSC-STWM	Area Specific Storm	338,335.72			338,335.72
	Dev Charges	(12,595,538.11)	0.00	376,575.00	(12,218,963.11)



# Projected Reserve Funds

		Opening	Budgeted	Budgeted	Uncommitted Closing
		Balance 2021	Transfer In	Transfer Out	Balance
R-R11-RFED	Federal Gas Tax	(6,241,054.98)	(1,995,834.00)	6,257,175.00	(1,979,713.98)
R-R11-RGAS	Provincial Gas Tax	(612,878.21)	(467,239.00)	994,000.00	(86,117.21)
R-R11-RPLT	Public Land Reserve	(673,955.27)		82,000.00	(591,955.27)
R-R11-RPLA	Development deposits	(113,325.12)			(113,325.12)
	Subtotal	(7,641,213.58)	(2,463,073.00)	7,333,175.00	(2,771,111.58)
	Obligatory - subtotal	(20,236,751.69)	(2,463,073.00)	7,709,750.00	(14,990,074.69)

- Of note, the bank balance for reserve funds at the end of 2020 was \$12,313,999.
- These balances do not reflect debenture financing that, when received will help to partly replenish these balances.



# Projected Reserves

		Opening Balance 2021	Estimated In	Estimated Out	Projected Closing Balance 2021
G-R00-ELEC-0000	Election Expenses	(169,117.86)	(55,000.00)		(224,117.86)
G-R00-INSR-0000	Insurance	(241,153.79)			(241,153.79)
G-R00-SICK-0000	Sick Leave	(5,994,089.88)	(475,000.00)	277,800.00	(6,191,289.88)
G-R00-WCBO-0000	WSIB	(695,510.87)			(695,510.87)
G-R00-WNTR-0000	Winter Control	(253,591.91)			(253,591.91)
G-R06-PCIN-0000	Library- Perth County Information Network	(16,341.25)			(16,341.25)
G-R07-BSUR-0000	Building Permit Reserve	(156,466.73)			(156,466.73)
G-R14-STAR-0000	Economic Development	(37,520.00)			(37,520.00)
G-R14-TAXS-0000	Tax Rate Stabilization	(1,727,405.27)	(75,000.00)	500,000.00	(1,302,405.27)
G-R18-BRDS-0000	Local Boards & Committees	(34,387.54)		7,340.00	(27,047.54)
G-R18-CLRK-0000	Clerk Investigations	(46,256.29)	(10,000.00)	30,000.00	(26,256.29)
G-R18-HRCO-0000	HR Salary Contingency	(258,174.00)		27,984.00	(230,190.00)
G-R18-SPEC-0000	Special Projects	(771,739.79)	(10,000.00)	245,000.00	(536,739.79)
G-R18-STUD-0000	Management & Planning Studies	(190,094.41)	(10,000.00)		(200,094.41)
G-R18-WATR-0000	Water Rate Stabilization	(1,255,353.80)			(1,255,353.80)
G-R18-WWTR-0000	Wastewater Rate Stabilization	(1,454,803.20)	(2,138,421.00)		(3,593,224.20)
	TOTALS	(13,302,006.59)	(2,773,421.00)	1,088,124.00	(14,987,303.59)

- Of note, the bank balance for the general account at the end of 2020 was \$11,744,051 and investment accounts of an additional \$19 million assists in supporting these internal commitments.



# Asset Management

- The City, like all municipalities in Ontario, is facing significant asset management pressures and must carefully consider investment in capital projects in the context of the services and service levels provided.
- Next steps include:
  - Orientation of a new asset management coordinator later this fall
  - Providing training to staff and Council around what Asset Management means to Stratford

## Ensuring that:

- the asset registry is complete and accurate
- the 10 year capital forecast includes all assets required to provide services
- the forecast has a sustainable and responsible funding strategy
- the forecast utilizes all available funding tools and what happens to the plan if those funding streams aren't realized
- Reviewing the City's service levels to ensure all appropriate assets required to deliver services are included in the forecasts



# Asset Management

- Staff will be looking at building up the longer-term forecasts to a 20-year+ plan which necessarily will have fewer details and be more fluid over time as priorities shift but will serve to illustrate that in the longer term, these pressures are not reducing.
- This approach allows funding requirements to be projected with more stability and allows for time to consider alternatives to asset types, service levels or even if certain services should continue at all in order to mitigate any infrastructure deficits (shortfalls in funding in the longer-term plans).
- Under Provincial regulations, level of service and financial strategy considerations must be integrated with the City's budgeting process by 2024. Eligibility for future capital funding is dependant upon this.



## 2022 and Beyond Budget Pressures

- COVID continues to create uncertainty in projected revenues and expenses. To date we have received approximately \$9.7 million in funding related to COVID (2021 - ~\$4.1 million; 2020 - ~\$5.6 million).
  - Additional funding is not anticipated, therefore, revenues are expected to be impacted, and remain lower than pre-Covid levels for some services.
- Costs to proceed with operational and capital projects continue to escalate at rates faster than inflation (Consumer Price Index).
  - Insurance costs in 2021 increased 30% in 2021 for many municipalities. While this is not expected to recur at this level, 2022 is anticipated to be 10%.
  - Going into 2022, the City has been advised that we are no longer able to obtain environmental insurance coverage for underground tanks over 25 years old and we have several of these (estimated replacement cost \$440,000-\$502,500).



# 2022 Budget Challenges

- A 2-3% tax increase, while reflecting general inflationary impacts, does not address infrastructure projects that have been previously deferred and identified as unfunded, nor the inflationary impacts beyond 2-3%.
- Reserves need significant contributions to align with adopted policies and forecasts.
- Items referred to budget discussions in 2021 that may not be easily accommodated within current operations (see attached list).
- Items that have been prioritized but without a budget allocation, such as strategic plan initiatives, the conceptual Community Hub, and the requirements for Industrial lands and expansions
  - Some of these may include alternative funding sources such as DCs, but there could be a cash requirement up front that needs consideration.



# 2022 Budget Approach so far

- With the previous information considered, staff are attempting to provide Council with a financially responsible budget without reducing service levels.
- This includes:
  - Building up reserves to reduce infrastructure pressures in future years
  - Using debt as an appropriate funding tool
  - Considering all available revenue tools, which includes growth funding growth, and whether additional services should move closer to being fully user pay funded
  - Integration of the asset management plan and use of the AMP to establish rehabilitation plans
  - Growth related development and how this gets funded, both at the outset, and ongoing





## 2022 Budget Approach so far

- It should be noted that 2-3% tax increase, while reflecting general inflationary impacts, does not address inflationary increases beyond 2-3%, nor approved infrastructure projects that have been previously deferred and identified as unfunded.
- It also is not considering other significant future projects such as the Community Hub and Industrial land inventory. These will require significant resources that have not yet been determined.
- Capital projects and the corresponding funding sources that have been previously approved will carry forward into the 2022 Capital Forecast and budget process. This is intentional to ensure that previously committed reserves are not erroneously allocated again, but also to demonstrate the proposed operational workload ahead (previously approved projects do not impact the upcoming budget as they were approved with a funding plan).



# 2022 Budget Approach so far

## Considerations during Capital Priority Setting:

- Sector investment needs (roads, water etc, including master plans if available)
- Individual project merits as well as optimal timing in the context of the 10-year forecast
- Health and Safety impacts
- Operational/capacity constraints to completing certain works
- Funding sources
- Growth vs rehabilitation and replacement
  
- It's important to recognize that the \$63 million dollars raised from taxation does not adequately reflect the whole picture – for example, in 2021, there were approved expenditures of \$121 million of which \$58 million were funded by non-taxation revenues, including user fees, grants and previously raised reserves.
  
- It is the \*net\* expenses that are funded by taxation.



## 2022 Budget Approach so far

- During 2022, staff will be working towards future budget presentations including a multi-year operating forecast of three to five years.
- This approach attempts to capture the impacts of decisions to the operating expenses, such as maintenance costs for a new piece of fleet or loan repayments on future debt.
- In any budget, however, it is only the proposed single year that is being approved for projects as well as for financial commitment.
  - Presenting a multi-year forecast does not explicitly approve future years projects nor operating commitments and are simply for planning and awareness purposes.



## Next Steps

- As budget preparation is well underway with previous direction to staff considered (maintenance of current service levels, where possible, maintaining increases to 2-3% where possible), staff now look to members of Committee for further input on:
  - Items previously referred to budget for consideration (see attached listing)
  - Any new emerging priorities and initiatives

