

2023 Budget Deliberations: Treasurer's Update



February 21, 2023
Finance and Labour Relations Committee

Objectives

- Review where things are now
- Continue review of the proposed expansions and discuss impacts of any proposed amendments to the draft budget
- Clarify any items as required
- Determine if any additional information is required to move draft budget forward



Tax Supported Operating Budget

- At the first budget meeting in January, using information collected in the previous 2-3 months, the initial draft tax levy increase was a 5.80% increase over the 2022 budget- an almost \$4 million increase in the total budget of approximately \$140 million
- Council heard that just over \$72 million in taxation dollars was required to maintain service levels
- Since then, there have been a number of amendments to the draft budget, almost all of which represent changes to the estimates to maintain current service levels based on additional information from staff and external partners



Tax Supported Operating Budget

- Some of the significant effects and updates included wage and benefit adjustments driven by collective agreements and rising benefit costs, increases to capital reserves for asset management and infrastructure planning, and costs related to shared service agreements
- The proposed updates have been possible due to refined estimates from staff and external partners and are the result of Council discussions
- What was not explicitly quantified was pricing effects due to greater-than-anticipated inflationary impacts across most expense categories and across most sectors in the Province – more than double or triple that seen in previous years



Tax Supported Operating Budget

- The current state of the draft is...still draft – any and all items are open for discussion and revision
- Except where legislatively prescribed, all service areas can be reduced to contain costs
- Some of the increases are anticipated as temporary or have been somewhat mitigated by additional fee revenues, 'gapping' strategies and the use of reserves but many of the increases may be permanent in nature
- There are several expansions still to hear and discussions still to likely affect the draft presentation but here is a review of the changes so far, and a projection based on the remaining items



Tax Supported Operating Budget

- At the last budget meeting, February 7, 2023, 6 project-type expansions were added to the draft budget, and 7 staffing items were discussed, which if approved will add 3 full-time positions and change 4 part-time positions to full-time
- Still to be discussed are 4 new positions and changing 3 current positions to roles that add to the current service levels
- As we work through these, consider the impacts to overall service levels and a couple of other concepts we haven't really discussed in terms of the budget but are financial concepts nonetheless



Tax Supported Operating Budget

- The first contextual concept is referred to as 'service creep' in the context of general staffing levels
- Typically, when new initiatives are identified, or legislative changes occur that impact the work of staff, resource gaps may be identified, but not always addressed immediately
- This is because there is a tendency to try to best utilize any existing capacity, to see how it goes, and determine the significance of the impact first, and then revisit as resources reach or exceed capacity
- This is a fiscally responsible approach, because sometimes there may be enough capacity for the item with minimal impact



Tax Supported Operating Budget

- But it can result in a degree of invisibility of this gradually increasing impacts as many priorities are managed behind the scenes
- At some point, the addition of the extras results in service creep – the incremental increase, bit-by-bit to a point where some priorities must necessarily be deprioritized which can disaffect the current service level due to this exceeded capacity
- Decreased service levels can become evident in several ways, including extended timelines, responsiveness to issues and capacity to take on any new initiatives
- In addition to decreased service level, unmanageable workload can lead to burnout, turnover and recruitment challenges for the City



Tax Supported Operating Budget

- The concept of service creep wouldn't exist if staffing resources were added at the outset – for example, when a new legislative reporting change occurs, or a new study is adopted to improve service levels
- But because sometimes these incremental pieces might be a few hours here and there, or a day or two a year, hiring new staff or part-time staff every time would result in periods of over-capacity
- So, addressing the issue tends to be deferred until internal capacity is exceeded
- Contracting out or hiring a staff member early can mitigate this effect in some cases, but most of the time, additional services end up added to existing portfolios



Tax Supported Operating Budget

- Staffing costs are the largest single investment that municipalities make, and Stratford is no exception
- For context only, Greater Toronto and Hamilton Area's 26 municipalities spend between 50-60% of their budgets on staffing costs
- Rural municipalities typically spend a lower proportion on salaries, ranging from 35%-45%
- In 2022, Stratford's staffing costs were approximately 37% of the total approved budget
- In 2023, including the proposed expansions, this changes to 38%



Tax Supported Operating Budget

- The second contextual consideration is around the level of taxation that is required to deliver City services
- Stratford, by most measuring sticks is considered a small city (pop. est. 32,000)
- Comparisons should be considered to a degree, but a City's uniqueness must also be considered – for example, the challenges to deliver a full portfolio of large City services while maintaining a heritage feel and attracting tourism speak to Stratford's diversity and complexities when trying to compare
- Many of our service delivery models must necessarily mirror larger City service models, but....



Tax Supported Operating Budget

- Stratford doesn't have the sheer size of an assessment base of many of those comparators
- We don't have a huge commercial and industrial assessment base to reduce costs for the residents like larger centres do
- Given our 'natural resources' – those things that draw people to live and visit here, it's not always easy to find true comparators – so we just need to remember that some things will necessarily be different in Stratford, compared to other municipalities



Tax Supported Operating Budget

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To review:



Tax Supported Operating Budget

			% Change in Levy	
	68,264,126	Previous Net Tax Levy		
	72,221,153	Current Proposed Net Levy		
	3,957,027	Starting Increase to Net Levy	5.80%	
	4,528,519	If no expansions considered (revised for other operational changes)	6.63%	0.83%
Significant Impacts to 2023 Draft Budget compared to 2022				
1	210,000	Wage amounts 'gapped' in 2022 budget (50% and 75% of expansion salaries)	0.31%	
2	1,296,113	Change in FT Wages	1.90%	
3	132,918	Change in PT Wages including parallel	0.19%	
4	740,816	Total chg in Benefit (Increase) includes new offer of OMERS for PT and revised estimates	1.09%	
5	179,900	Phase in Britannia II long-term debt (50%)	0.26%	
6	3,345,781	Increase in transfers to Reserve funds-10-year capital	4.90%	
7	(1,703,526)	Reduction in long-term debt payments	-2.50%	
8	1,006,812	Inflationary Impacts and Other post-draft package amendments	1.47%	
9	819,705	Total budgetary impacts attributed to shared services in total	1.20%	
10	(1,500,000)	Use of Tax Stabilization Reserves (prior surpluses) to partially mitigate increased costs	-2.20%	6.63%



Tax Supported Operating Budget

11	147,000	Total project expansions discussed at previous meeting (strategic priorities, cemetery vehicle)	0.22%	
12	539,053	Total staff expansions discussed at previous meeting	0.79%	
13	(15,753)	Adjustment to anticipated savings in Transit if PT goes to FT	-0.02%	
14	(269,527)	Total staff expansions deferred /gapped (for illustration only)	-0.39%	0.59%
15	424,177	Total staff expansions still to be heard (included for illustration only)	0.62%	
16	(212,089)	Total staff expansions deferred /gapped (for illustration only)	-0.31%	0.31%
	5,141,381	Revised proposed increase to draft budget at February 7, 2023 if all expansions considered	7.53%	1.73%

- After the last meeting, 0.59% was added to the draft budget which brought the total increase to 7.22% and if tonight's expansions considered further, adds 0.31% to bring the total increase, if all items were approved to 7.53%
- This is 1.73% (or \$1.18 million) from where things started at the first meeting



Taxes and Tax Rates

	Starting Net Levy Budget in Dollars	Levy Increase in Dollars	Levy Increase % over Prior	Estimated Resulting Local Tax Rate	Estimated Education Rate	Estimated Total Tax Rate	Estimated Increase in Local Tax Rate	Estimated Increase in Total Tax Rate	Estimated Total Taxes on \$350,000 home
2023 Proposed	\$ 68,264,126	\$ 5,141,381	7.53%	0.01355243	0.00153	0.01508243	5.58%	5.08%	\$ 5,278.85
2022	\$ 64,714,288	\$ 3,549,838	5.59%	0.01283590	0.00153	0.01435390	5.70%	4.98%	\$ 5,023.87
2021	\$ 63,457,399	\$ 1,256,889	2.02%	0.01214359	0.00153	0.01367359	1.38%	1.22%	\$ 4,785.76
2020	\$ 62,200,510	\$ 2,980,290	5.03%	0.01197832	0.00153	0.01350832	-0.40%	-0.94%	\$ 4,727.91

- Previous presentation comments around the cumulative effects for years prior to 2020 were understated as the calculations ignored assessment changes, which were occurring in those years.
- In any case, the 2023 impact if all expansion items were approved and no additional items added, would be an increase from 2022 of \$255 (\$21 monthly) on that average assessment value that has not changed since 2020 for most property owners (cumulative effect since 2020 on this assessment value = \$551, or \$46 monthly)



Next Steps

- Further analysis for all property types will be provided at a post-budget meeting before approving the tax rates for an understanding of how the non-residential property classes are impacted.
- Once the remaining expansions have been presented, Council will have heard the challenges and opportunities, risks and benefits associated with all draft budget items and will have the opportunity to bring any additional items forward for discussion, including anything contained in the draft budget
- Should a Council member have a specific item that they wish to remove from the draft budget, add to the draft budget, or simply have a further discussion about this may begin after the items presented, and/or at the next meeting, scheduled for March 7th



Questions

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