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- 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

