

# 2023 Budget Planning and Timetable

Budget Review Committee of the Whole

CSD 22-2022  
July 21, 2022

Helen Chamberlain, Director, Financial Management and Planning



# 2023 Budget Planning

Budget Review Committee of the Whole  
July 21, 2022

# 2023 Key Themes

- Asset Management Plan required to comply with legislation requiring sustainable financial strategy by 2024
- Sustaining current service levels funded in the operating budget
- Current environment of inflation well in excess of Core CPI target of 2.0%

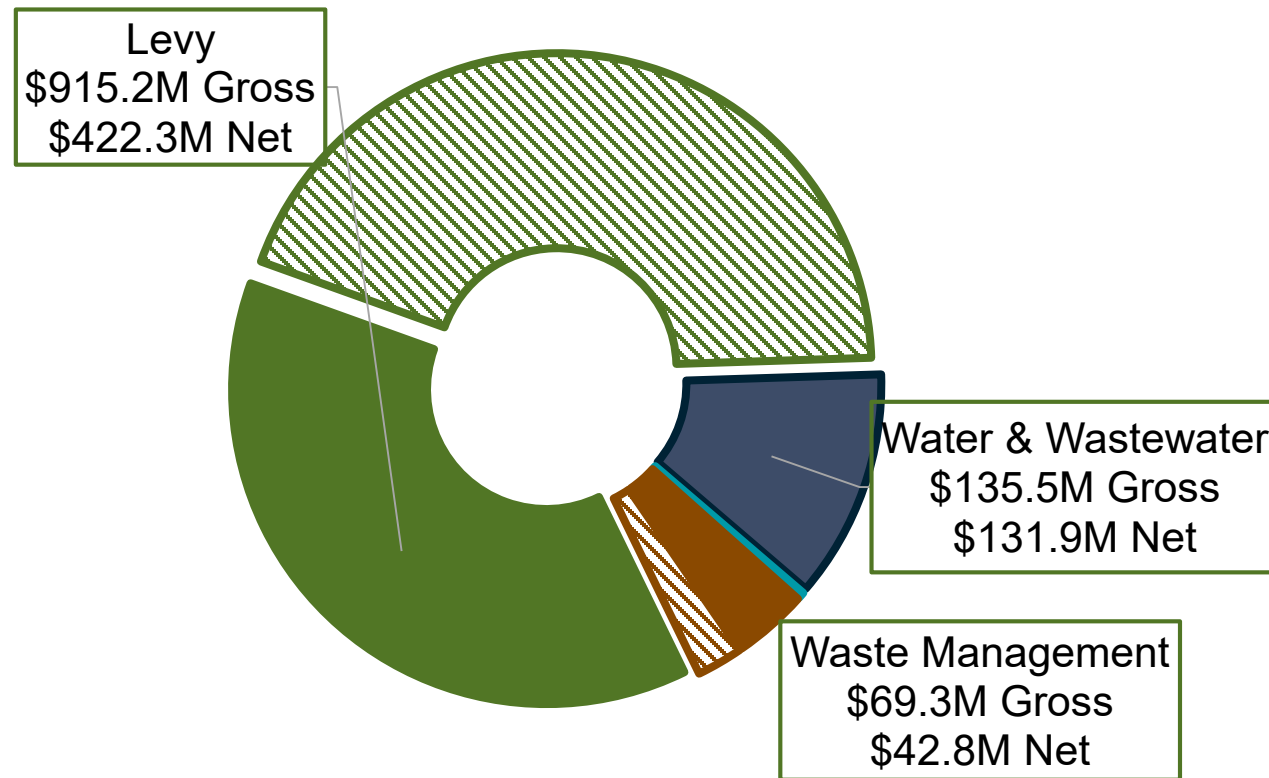
# 2023 Budget Planning

What we're going to cover:

- Proposed Strategy for 2023 Budget
- Budget Timetable
- Conclusion/Next Steps

# 2022 Gross Operating Budget of \$1.1 Billion

Net Operating Budget of \$597 Million inclusive of ABCs



Current services are funded:

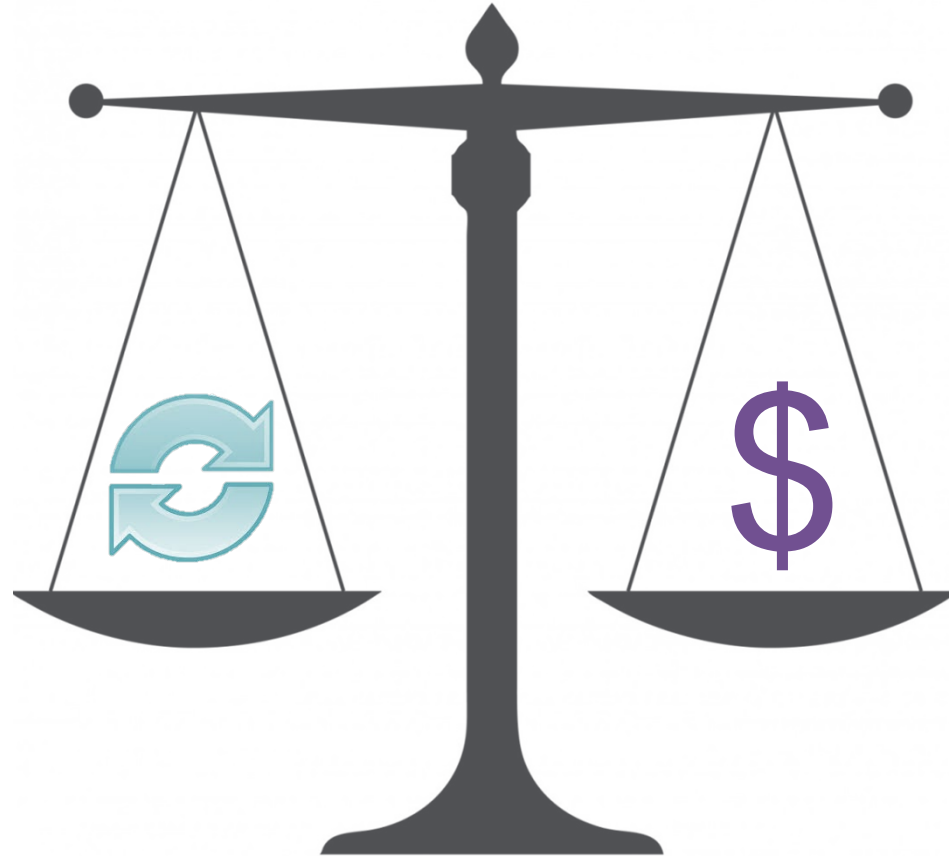
- 54% by the tax levy and rates (solid segments)
- External sources fund 46% (hashed segments)

# Budget Strategy

## Guiding Principals

### Sustainability

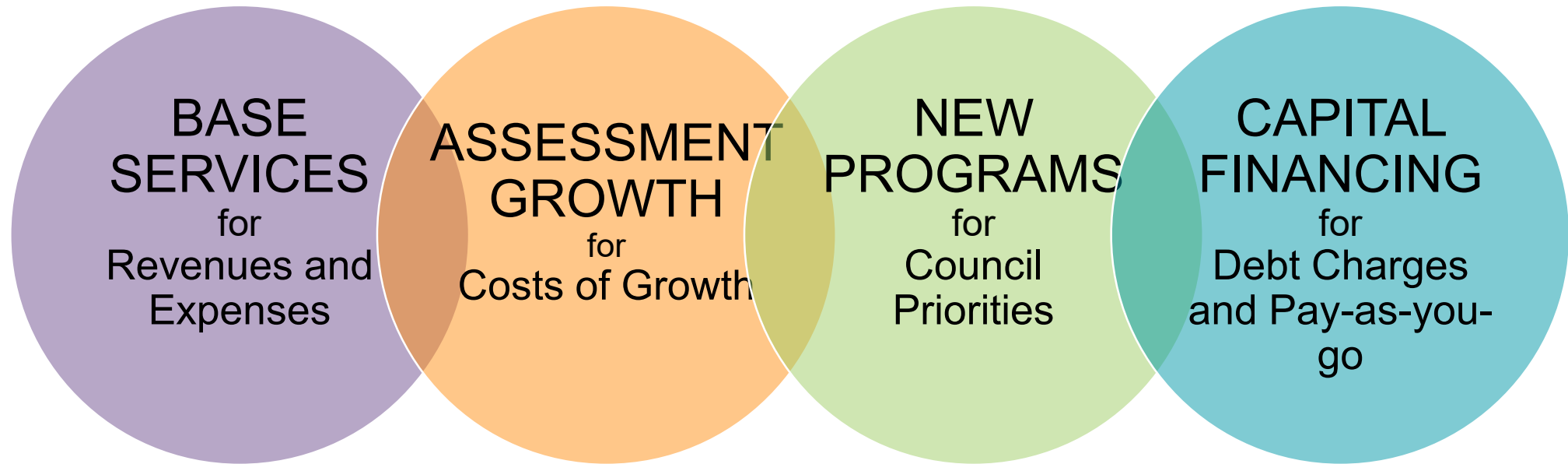
Funding to maintain service levels



### Affordability

Consideration of taxpayer cost of services

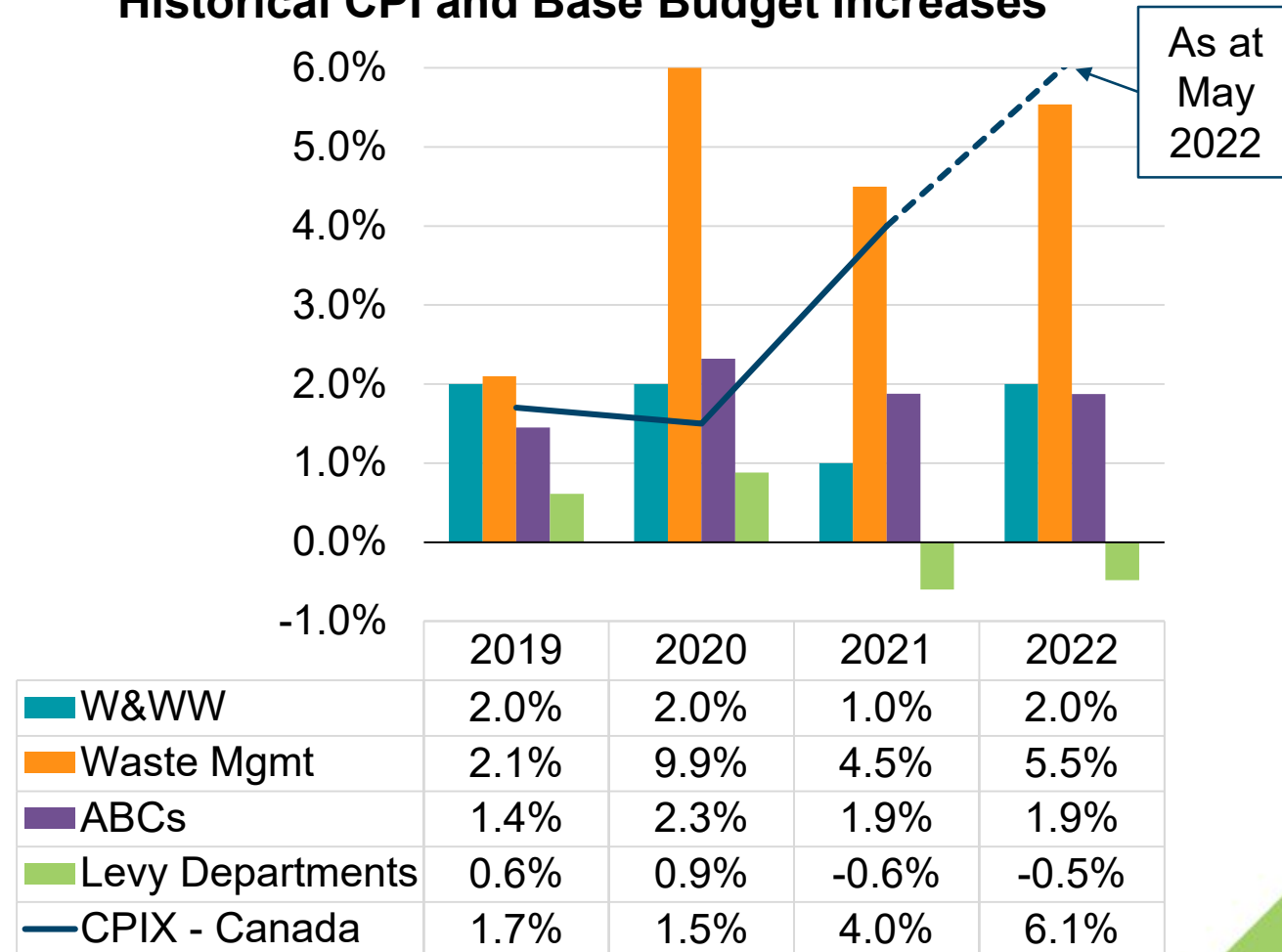
# Budget Planning By-law



# Base Services Sustainability

- Materials, contracts, labour costs, etc. are impacted by higher inflation
- Budget increases for Levy over last 4 years average 0.1%
- Inflation for the same period averages 3.3%
- Results in constrained funding for current service levels

Historical CPI and Base Budget Increases



Excludes increases for new programs and capital financing



# Base Services

## Departmental Cost Pressures

- Fuel prices up 40%
- Utilities prices increasing between 7 to 10%
- Insurance premiums increasing 30%
- Software support costs increasing 18%
- Labour related wages and benefits pressure is 2.8%

All in excess of 2%

# Base Services

## ABC Cost Pressures

### **NRH**

- Rental revenue is tied to tenant earnings, most are on a fixed income

### **NRPS**

- collective agreements and full cost of 2022 addition of 7 FTEs, in addition to pressures similar to Region (software, fuel, etc.).
- program changes of 1% (\$1.7M) of NRPS budget being considered above base budget.

### **Courts**

- Fine revenues are 46% lower than budgeted for 2022 at March

# Base Services

## Rate Cost Pressures

### **Water & Wastewater**

- Fuel prices up 40%
- Chemical prices up 20%
- CSO program 30% increase to return to \$4 million

### **Waste Management**

- Pressure will be dependent upon decisions relating to future of the MRF, end producer responsibility legislation, and reserve strategy

# Base Services

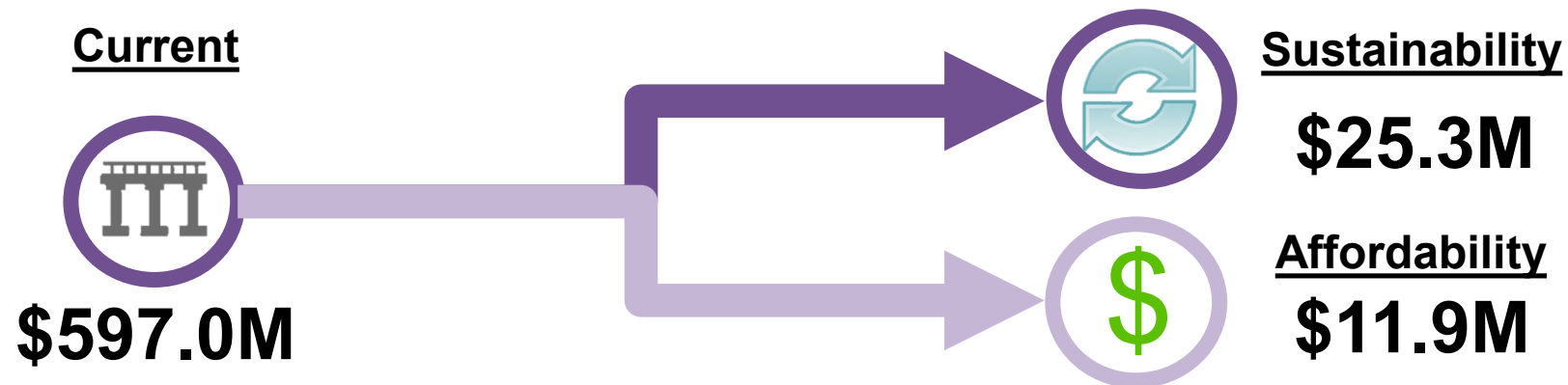
## 2023 Budget Strategy

### Sustainability

- Current 2023 estimate up to 4.4%
- Preserves funding for current services

### Affordability

- Target 2%
- Choices will need to be made on delivery of services

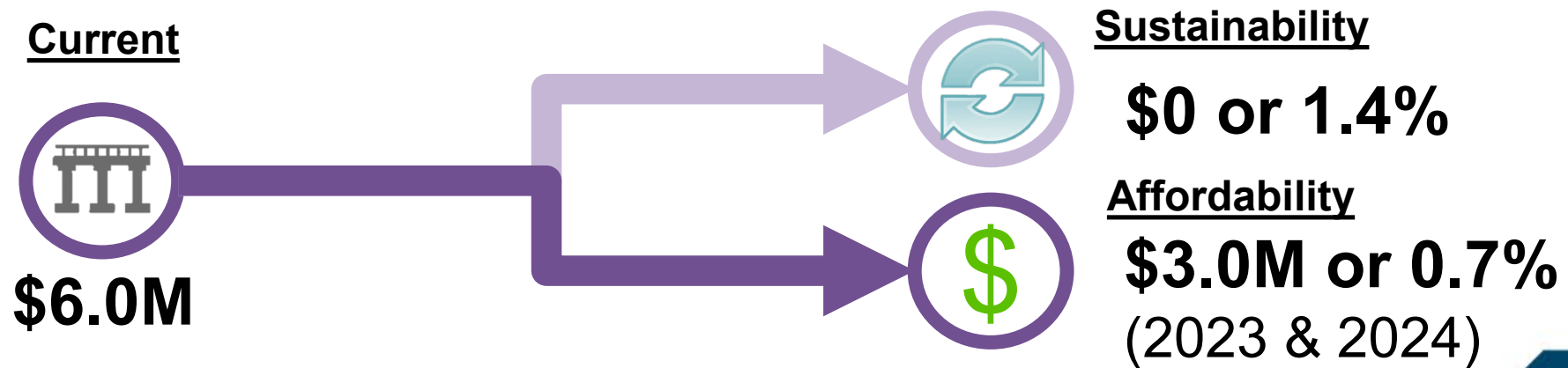


# Base Services

## 2022 use of Reserves

Reserves fund one-time programs and unforeseen costs

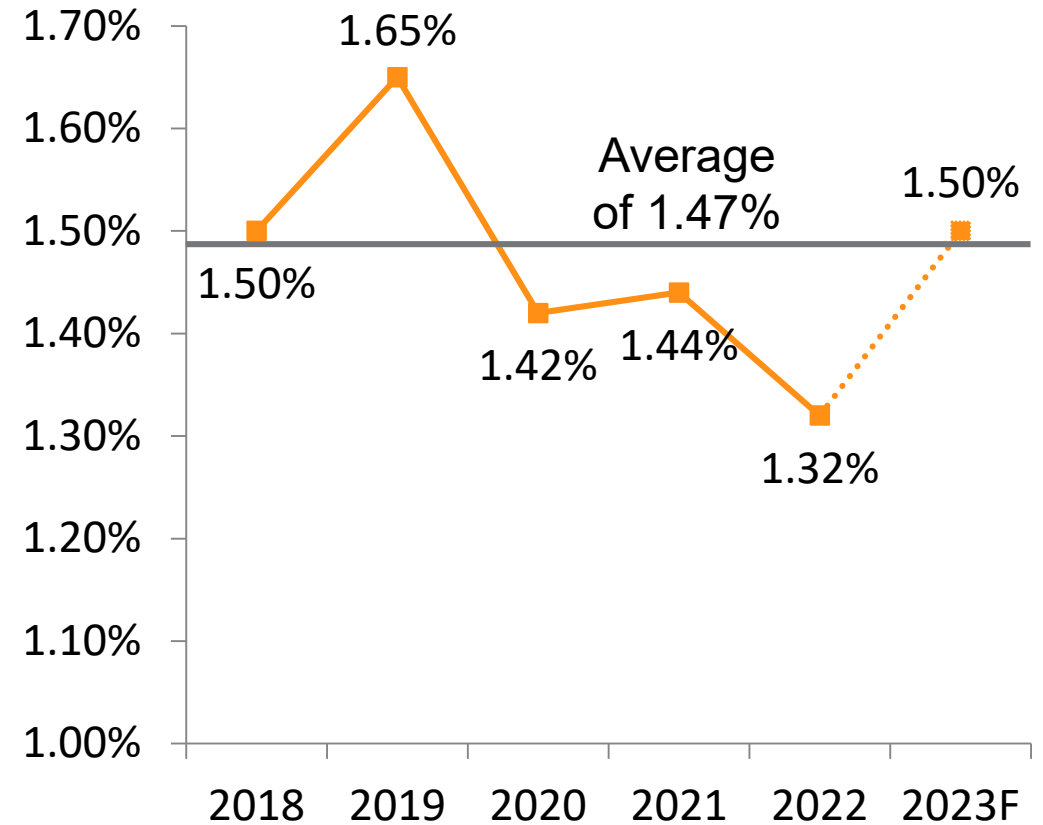
- 2022 budget used \$40.6 million of reserve funding
  - \$32.2 million of one-time items, primarily COVID-19
  - Waste tax rate mitigation of \$2.4 million
  - Levy tax rate mitigation of \$6.0 million



# Assessment Growth

Estimated at 1.5% or \$6.3 million

- MPAC delivers final assessment growth in December, staff will monitor throughout the budget process
- Policy prioritizes growth for incentives, capital financing, operating costs of growth, Council Priorities
- 2023 strategy to use as funding for continuity of services



# Assessment Growth

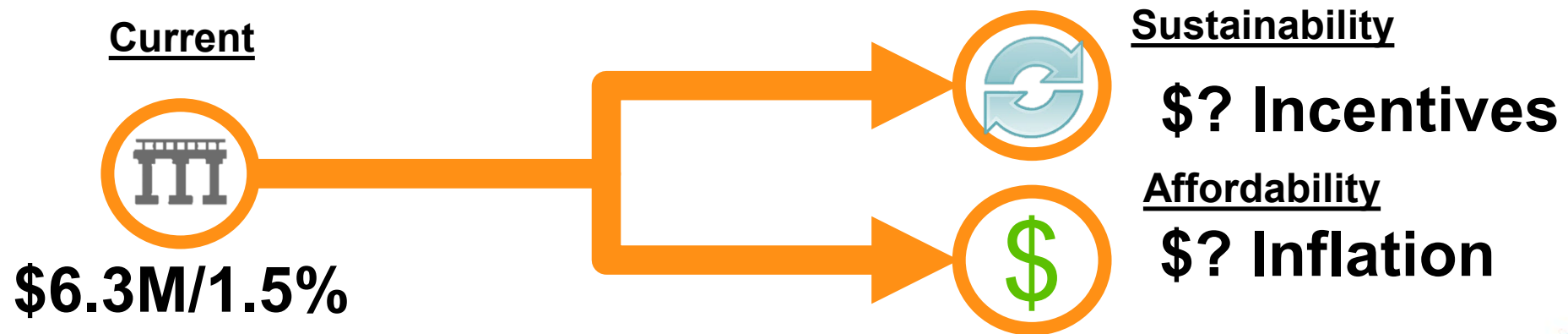
## 2023 Budget Strategy

### Sustainability

- Funding incentives and capital costs that support growth
- Water/Wastewater growth costs must be funded from rates

### Affordability

- Contained within funding coming from assessment growth



# New Programs

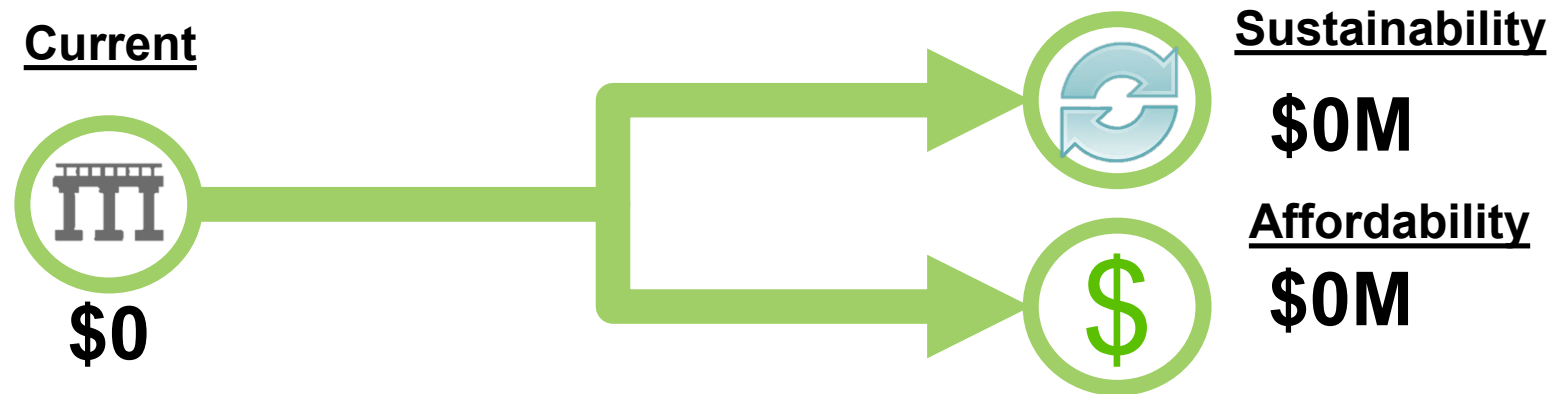
## 2023 Budget Strategy

### Sustainability

- Maintain base services that support Council Priorities
- Aligns with existing organizational capacity

### Affordability

- No new programs recommended





# Capital Financing

## 2023 Budget Strategy

Funding capital sustainability has been improving since 2019

However, without further investment - project deferrals will increase capital backlog

Year	Levy	Water/ Wastewater
2022	1.00%	3.15%
2021	0.52%	1.00%
2020	1.54% (LTC)	3.15%
2019	0.40% (NRT)	3.15%

# 2023 Capital Budget Update

## Preliminary Capital Budget

Subject to on-going review

Gross Request	Amount (Millions)
Submitted	\$395
Current Funding Available	<u>234</u>
Deferred Capital	161
2023 Strategy	<u>16</u>
Net Deferred Capital	\$145

\*Inclusive of external funding to allocated projects

# Capital Financing

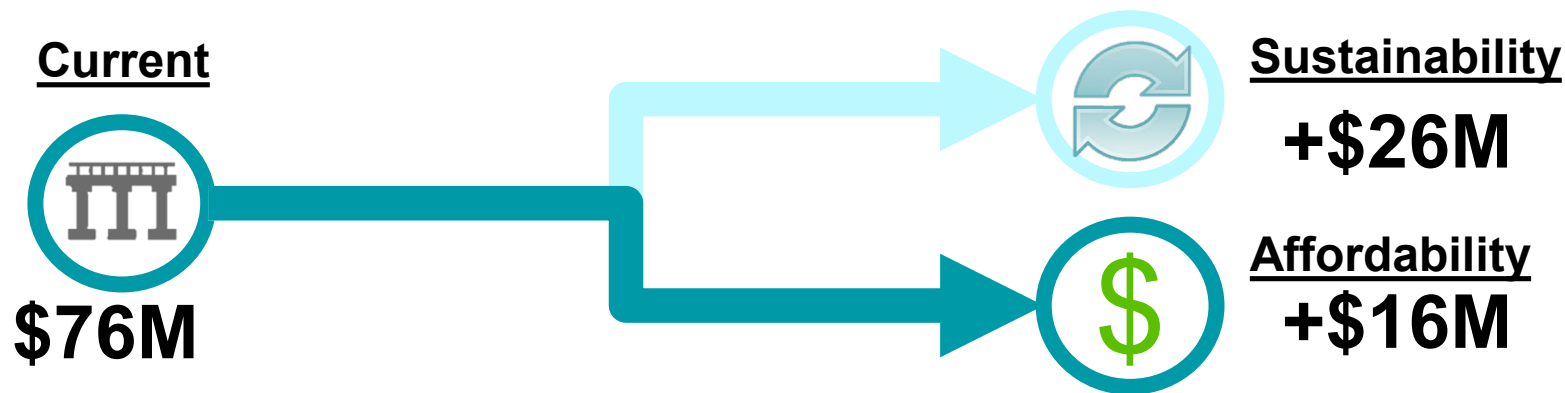
10 year strategy to support 2022 AMP

## Sustainability

- Levy (Dept + ABCs) 3.8%
- Water/Wastewater 7.2%
- Fund backlog over 10 years
- Target of \$437M by 2032

## Affordability

- Levy (Dept + ABCs) 2.5%
- Water/Wastewater 5.0%
- Fund backlog over 50 years
- Target of \$290M by 2032



# COVID-19

## Pandemic and Recovery Costs

- Expectation that 2023 budget will be required to support:
  - COVID-19 clinical costs (call center, vaccines)
  - Recovery of services deferred during pandemic response
- Continue to fund as with 2021 and 2022 using Taxpayer Relief Reserve until funding from other levels of government is confirmed (one-time use)
- Net Levy impact of zero

# Transit Commission

Special regional tax levy to be established in 2023

- Special Levy will be recommended in accordance with strategies proposed with the triple majority process; completely separate from the General Levy
- Municipal requisition will be calculated using approved methodology based on assessment and service hours; will vary by municipality (similar to Waste Management)
- Municipal transit upload was estimated at 7.3% of the General Levy

# Budget Planning By-law

## Sustainability

Category	Levy	W/WW	Waste Management
2023 Base Services	4.4%	3.2%	9.1%
2022 Base Services	1.4%	N/A	5.7%
New Services	0.0%	0.0%	0.0%
Assessment Growth	Net 0%	N/A	N/A
Capital Financing	3.8%	7.2%	0.0%
<b>Sustainable Approach</b>	<b>9.6%</b>	<b>10.4%</b>	<b>14.8%</b>

# Budget Planning By-law

## Sustainability and Affordability

Category	Levy	W/WW	Waste Management
2023 Base Services	4.4%	3.2%	9.1%
2022 Base Services	0.7%	N/A	(3.6%)
New Services	0.0%	0.0%	0.0%
Assessment Growth*	(1.0%)	N/A	N/A
Capital Financing	2.5%	5.0%	0.0%
<b>Proposed Approach</b>	<b>6.6%</b>	<b>8.2%</b>	<b>5.5%</b>

\*estimating 2/3 (\$4M) of assessment growth to mitigate Levy budget

A line by line review will minimize pressure of discretionary and one-time items, maximize use of assessment growth and efficiency savings to recommend a responsible and sustainable budget

# Meeting Timetable

Meeting Type	Subject/Topic	Date
BRCOTW	Budget Planning	July 21, 2022, 4:00 p.m.
Budget Workshop	Budget 101	December 8, 2022, 4:00 p.m.
BRCOTW	Capital	January 5, 2023, 6:30 p.m.
BRCOTW	Rate	January 12, 2023, 6:30 p.m.
Council	Rate By-law	January 19, 2023, 6:30 p.m.
BRCOTW	Transit Commission	January 19, 2023, 4:00 p.m.
BRCOTW	ABCs	January 26, 2023, 6:30 p.m.
BRCOTW	Consolidated Levy	February 9, 2023, 6:30 p.m.
Council	Levy, Capital, User Fee By-laws	February 23, 2023, 6:30 p.m.



# Next Steps

- Council approval of the Budget Timetable
- Dec. 8 workshop education on process as opposed to typical content for Q&A
- Jan. 5 first Budget Review Committee to review Capital



Questions?

