



# Committee Report

<b>To:</b>	Warden and Members of Grey County Council
<b>Committee Date:</b>	December 9, 2021
<b>Subject / Report No:</b>	FR-CW-02-22
<b>Title:</b>	2022 Budget Overview and Background Report
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<b>Reviewed by:</b>	Kim Wingrove, Chief Administrative Officer
<b>Lower Tier(s) Affected:</b>	
<b>Status:</b>	Recommendation adopted by Committee as presented per Resolution CW07-22; Endorsed by County Council January 13, 2022 per Resolution CC11-22

## Recommendation

1. That Report FR-CW-02-22 regarding the 2022 Budget Overview and Background Report be received.

## Executive Summary

As an upper-tier municipality, S. 289 of the Municipal Act (2001) requires that the County annually prepare and adopt a budget including estimates of all sums required for the year.

The 2022 budget overview and background report provides Council with the estimated revenue, expenses and levy funding requirements as developed by staff. It includes investments of 1.21% of own source revenue to support asset management, 1% for affordable housing, and 0.75% for support to future healthcare capital and equipment projects.

The overview also highlights some of the additional pressures on funding, which includes:

- Inflationary increases to the Non-residential Construction Price Index
- Staffing to improve service levels and new initiatives
- Reductions in Provincial Offences revenue
- Frozen administration funding costs for Ontario Works
- An anticipated 5%-10% decrease in Provincial Child Care funding
- Increased insurance costs
- Increased fuel costs

The total proposed operating and capital budgeted expenditures for 2022 are \$185,235,700. After accounting for assessment growth, the levy budgetary increase is \$3,565,400 or 3.75%.

## Background and Discussion

Corporate budget assumptions were developed by the Finance, Human Resources and Information Technology departments for assessment growth, supplementary taxation and write-offs, insurance, salaries and benefits, utilities, technology costs etc. and provided to Council in report [FR-CW-23-21 High Level Budget Assumptions](#).

Responding to COVID-19 continues to impact the 2022 budget with expenditures included for staffing, supplies and personal protective equipment included and offset by either anticipated departmental specific COVID-19 funding or Federal-Provincial funding. There are a number of unknown factors and associated risks with the assumptions that have been made to develop the proposed budget and these factors are discussed later in this report.

Inflation continues to pressure operating and capital budgets; staff have used recent pricing and best estimates for capital projects. For some departments, projects were not awarded in 2021 due to lack of bids or pricing received; these projects have been carried over in the 2022 budget. A comparison of the Non-Residential Construction Price Index (NRBCPI) for Q3 2021 reports an annual inflation increase of 11.6%.

On the revenue side, despite the recent rise in inflation, interest rates remain low. The County has continued to estimate investment income conservatively. Provincial reductions to support for program administration are also having a negative impact on revenue and the bottom line.

The 2022 proposed budget has been prepared to maintain services that support each department's mandates, legislative requirements and to deliver Grey County's stated priorities and expected service levels. In addition, the 2022 proposed budget also contains service level enhancements to maintain and/or improve levels of service and these initiatives are summarized in the report.

## 2022 Proposed Budget at a Glance

The 2022 budget as proposed by staff and based upon information at the time this report was finalized contemplates an estimated net levy requirement of \$65,908,200, which is an estimated net levy increase of 3.75%.

The 2022 proposed funding requirements by functional area are shown below. The departments formerly summarized as Social Services have been renamed Human Services and now includes Paramedic Services.

### **2022 Proposed Budget – Net Levy Requirement**

Function	2021 Net Levy	2022 Net Levy	Increase / (Decrease)	% Change
Corporate Services	\$10,864,600	\$12,212,200	\$1,347,600	
Planning & Community Development	\$4,465,500	\$4,913,300	\$447,800	
Human Services	\$26,026,900	\$26,757,300	\$730,400	
Transportation Services	\$20,985,800	\$22,025,400	\$1,039,600	
<b>Funding Required</b>	<b>\$62,342,800</b>	<b>\$65,908,200</b>	<b>\$3,565,400</b>	<b>5.72%</b>
New Assessment Growth	\$1,184,400		(\$1,184,400)	
<b>Additional Funding to be Raised from Taxation – Net Levy Increase</b>	<b>\$63,527,200</b>	<b>\$65,908,200</b>	<b>\$2,381,000</b>	<b>3.75%</b>

As was the case in 2021, the Ontario Government has postponed the Municipal Property Assessment Corporation’s (MPAC) reassessment update. Property assessment for the 2022 property tax year will continue to be based on January 1, 2016 assessed value unless there have been changes to the property.

New assessment growth is the sum of all changes that happened in the County’s tax base during 2021; this includes new construction, renovations, demolitions, appeals etc. The preliminary growth number of \$1,184,400 is being incorporated into the 2022 budget based upon information available from MPAC at the time this report was written. The growth estimate will be updated in the 2022 budget with the actual growth results from MPAC when the 2022 assessment roll is returned in December 2021. In comparison, the 2020 growth was \$1,242,400 and \$1,847,900 in 2019.

The funding required to be raised from taxation will be impacted if assessment growth does not meet or exceed the estimated \$1,184,400 in taxation.

## Provincial/Federal Funding and Cost Sharing

The following summarizes impacts of provincial and federal funding and cost sharing agreements with Grey County.

### Health Unit

Health Unit staff advised that mitigation funding will be received for 2022 that results in the deferral of the \$603,700 impact to Grey County for the municipal cost sharing requirement. The budget has been developed with a 0% increase in funding to the Health Unit.

## *Social Assistance, Ontario Works and Employment Services*

The modernization of social services has an impact on this budget with Ontario Works provincial funding for administration costs frozen at the 2018 actual expenditure levels of \$2,977,900 since 2019. This results in a shortfall of \$126,800.

The Province has implemented a centralized intake model for accessing benefits, with the plan to significantly reduce the County's responsibility for this work. Unfortunately, the process is not yet operating as intended, requiring the County to continue to fully staff this responsibility with reduced resources.

## *Child Care*

In 2022, it is expected that Ministry of Education support for Administration funding will decrease from 10% to 5%. The Ministry has confirmed Mitigation Funding can be used to fund the shortfall that will be created in the Administration budget; if this funding was not available, it would result in an approximate \$271,100 net levy increase. When Mitigation Funding has been fully utilized, this will create a budget impact.

Also beginning in 2022, it is anticipated that a requirement to cost share Expansion operating expenses in an 80/20 cost share with the Ministry will occur; staff have presented the budget with a 25% phase in of the \$259,100 cost share and have shown a levy contribution of \$64,800 with the balance of \$194,300 funded from reserve. The phase in of the municipal contribution will impact the next three budget years.

## *Social Services Relief Fund (SSRF)*

The 2022 County Social Initiatives program reflects a \$28,000 contribution from the SSRF fund.

## *Transportation Services*

Federal Gas Tax (now renamed the Canada Community-Building Fund (CCBF)) continues to be an important source of revenue to support road construction and maintenance. In 2022, based on the 2019-2023 allocation notice, the budget includes \$2,975,833 in funding from this source.

The Ontario Community Infrastructure Fund (OCIF) – formula based funding allocation has been included in the 2022 budget based on the 2021 allocation notice of \$1,279,946. As of the date this report was written, no announcement has been received from the Province relating to the 2022 OCIF formula based program.

## Service Levels, New Initiatives and Staffing Level Changes

The 2022 budget incorporates additional resources to maintain and improve service levels, along with funding for new initiatives. The following recaps some of the proposed service level

changes, new initiatives or pressures and staffing level changes that have been incorporated into the 2022 budget:

- Clerks – Funding has been included to provide for a position to coordinate records and information management processes. This includes training staff in the use of document management software (Alfresco) and to provide assistance to departments in responding to freedom of information requests and auditing records to ensure appropriate security and retention timelines are met. Due to a retirement, a former hybrid position is now being split into two dedicated roles – Records Management in Clerks and Technology Support and Security in IT.
- Finance – The budget includes the full year restructuring cost within the finance department outlined in report CAOR-CW-06-21 that was approved by council after the 2021 budget was approved. The budget impact of two additional Financial Analysts and a Manager of Revenue is \$343,700.
- Human Resources – This budget includes two additional HR Generalists to expand assistance to departments beyond the resources currently provided to the Long Term Care departments as well as an HR Clerk to assist with work that is being done within departments. One of the HR Generalist positions is funded for 2022 from Safe Restart Funding.
- Provincial Offences – Trends are showing a decrease in fine revenue accompanied by an increase in delegated staff responsibilities from the Province. After cost sharing with Bruce County this budget is anticipated to result in a net revenue reduction and corresponding negative change to the levy of \$203,300 compared to 2020.
- The Health Care Initiatives transfer to reserve has been increased by one quarter of a percent of County levy and this results in a budget increase of \$168,500. This was recommended in report CAOR-HCF-14-21.
- Long Term Care – To achieve the targets set out in “Ontario’s Long-Term Care Staffing Plan” to increase staffing levels to 3.25 hours of direct resident care for PSW-RPN-RN staffing as well as the increase in staffing required for the Behavioural Support Transition Unit (BSTU) at Grey Gables, the budgets reflect an additional 52.3 full time equivalent (FTE) that is funded by the Province. In 2020, an operating budget surplus of \$565,900 was transferred to the Lee Manor reserve; this surplus was primarily the result of provincial revenue from five temporary beds. It was anticipated that funding for these beds would continue however the Province rescinded the bed licenses effective April 2021 and this resulted in a budget impact in 2022. Staff has mitigated the required 2022 levy increase by showing a \$565,900 transfer from reserve; discussions are underway with the Province in hopes that three of the five beds can be reinstated.
- Planning and Community Development – Based on recommendations approved in PDR-CCTF-01-21 a Manager of Climate Change Initiatives has been included in the 2022 budget as well as Climate Change Initiatives of \$200,000 which is offset by reserve funding for a net levy impact of \$50,000. The Manager position was approved after the

2021 budget process and funded from the Energy Audit reserve in 2021. The 2022 budget for wages and benefits has been adjusted to reflect the Director of Planning's promotion to Deputy CAO and the Senior Planner's transition to Manager of Planning.

- Affordable Housing – A decision was made during the 2021 budget process to allocate 1% of County levy to an affordable housing reserve with the initial contribution allocated from the One Time Funding Reserve. The 2022 proposed budget has a \$622,700 transfer to the reserve funded from the levy.

The mortgage for the Golden Town property was paid as per report FR-CW-26-21 and as a result, the principal and interest payment of \$434,600 is no longer required. The levy requirement in the housing budget has been reduced by this amount.

- Paramedic Services – The addition of a Wellness and Administration Manager will provide leadership to team members including responding to labour management inquiries, collective agreement interpretation and implementation, education, infection prevention and control, onboarding new staff and return to work programs. This position will receive 50% Ministry funding beginning in 2023. As well, this budget includes a 7.3 FTE increase for staff in the Community Paramedic for Long Term Care program that is fully funded by the Province. The Paramedic Services budget is also impacted by an increase in self insured WSIB rates to reflect duration and cost of claims as well as increased fuel costs.
- Economic Development – Community Transportation; Report CAOR-CW-10-21 discussed enhancing the routes at a cost of \$223,000 that would be considered as part of the 2022 budget deliberations. The budget requirement differs from what is quoted in the report due to changes in pricing; as a result, the Grey Transit budget reflects an increase of \$188,600.
- Transportation Services – The 2022 budget includes an approximate 7.84% increase of \$765,900 in taxation funding for the Major Roads and Bridge Construction program. This includes a 1.21% levy increase to the investment in capital as recommended in the Asset Management Strategy as per the Ten Year Capital report FR-CW-19-21. This budget is also impacted by higher pricing for goods including fuel.

## Risks in Assumptions

The budget has been developed using best estimates in both revenues as well as expenditures. Examples of assumptions that have been made are as follows:

- Economic Development – The Business Enterprise Centre (BEC) agreement with the Province expires March 31, 2022. The budget has been developed on the basis that funding for this program will continue.
- Long Term Care – It is anticipated that the Case Mix Index (CMI) for fiscal year 2022-2023 will not be known until after the 2022 budget is approved. Staff have used an online calculator provided by AdvantAge Ontario to estimate the CMI. As well, these budgets could be impacted by changes to provincial funding and changes in ministry directives.

- COVID-19 – Staff has made assumptions on staffing and supply requirements and assume the Province will provide funding as long as Ministry directives are in place.
- Paramedic Services – It is assumed that the funding formula utilized by the Province will remain consistent with 2021.
- Procurement – some projects did not move forward in 2021 due to lack of bids and/or prices received. This has impacted 2022 budget estimates and, in some cases, higher project costing has increased the use of reserves.

## Budget Realignment

- Forestry and Trails budget have been combined into one budget for 2022.
- Transportation Services has realigned the budget into a presentation more consistent with other departments.

The budget categories are:

- Ordinary Maintenance
- Winter Maintenance
- Facilities, Depots and Domes
- Supervision, Overhead and Administrative
- Machinery and Equipment
- Major Road and Bridge Construction

The 2021 budget and actual costs have been reallocated to align with the 2022 budget to provide a year over year budget comparison.

## Legal and Legislated Requirements

Section 289 of the *Municipal Act, 2001*, as amended, provides for the following in regards to annual budgets;

Yearly budgets, upper tier

- (1) For each year, an upper-tier municipality shall, in the year or immediately preceding year, prepare and adopt a budget including estimates of all sums, required during the year for the purposes of the upper-tier municipality, including,
  - a) Amounts sufficient to pay all debts of the upper-tier municipality falling due within the year;
  - b) Amounts required to be raised for sinking funds or retirement funds;
  - c) Amounts in respect of debenture debt or lower-tier municipalities for the payment of which the upper-tier is liable; and
  - d) Amounts required by law to be provided by the upper-tier municipality for any of its local boards, excluding school boards.

Exception

- (1.1) Despite subsection (1), a budget for a year immediately following a year in which a regular election is held, may only be adopted in the year to which the budget applies.





## Financial and Resource Implications

The proposed budgets as developed by staff and based upon the information available at the time this report was finalized, will require an additional \$3,565,400 to be raised from taxation or an estimated levy increase of 5.72%. This 2022 budgetary levy increase has been estimated to be assisted by an additional \$1,184,400 in new 2021 assessment growth. After taking growth into consideration, this equates to a 2022 net budgetary levy increase of 3.75% to be raised from taxation.

In order to realize an overall net levy increase of less than 3.75%, further budgetary reductions and/or the use of reserve funding would be required. The estimated net levy increase could also change if the 2021 estimated assessment growth of \$1,184,400 is not realized. For Council's information, a 1% levy increase equals approximately \$635,000.

## Relevant Consultation

- Internal – CAO, Senior Management Team, Managers and Finance Staff
- External (list)

## Appendices and Attachments

none