

Council Memo



To **City Council**
Service Area Corporate Services
Date Tuesday, November 17, 2020
Subject **2021 Budget Update**

Summary

This memo serves to update Council on six developing budget-related matters for Council consideration through the 2021 budget deliberation process. These are items that were not yet finalized when the budget materials were released publically on November 5, 2020 and in some cases, are still developing. The Staff recommendations for Council deliberation and approval on December 1, 2020 will be modified / amended accordingly based upon final information being received.

The resulting impact of the items discussed in this memo are summarized as follows:

Item	Net operating budget increase	Net tax levy impact
Net budget as proposed and included in the November 17, 2020 Staff Report	\$9,019,840	3.52%
1. Assessment growth update	(\$1,000,000)	(0.39%)
a) Baker District operating budget phase-in	\$525,000	0.20%
b) Planner position	\$115,300	0.05%
Net assessment growth revenue	(\$359,700)	(0.14%)
2. The Elliott Community	\$465,300	0.18%
3. County of Wellington Social Housing – non-profit and cooperative providers	*(\$61,000) to reserve	0.00%
4. County Social Service Budget update	\$0	0.00%
5. Temporary Affordable Housing staffing resource – reserve funded	*\$150,000 from reserve	0.00%

Item	Net operating budget increase	Net tax levy impact
6. Education retained tax revenue loss	\$175,000	0.07%
Total revised 2021 net budget requirement	\$9,300,440	3.63%

*Not included in the Total revised 2021 net budget requirement

Detailed analysis:

1. Assessment growth update – Based on updated targets received from the Municipal Property Assessment Corporation (MPAC), the expected property tax assessment growth is estimated to be an additional \$1,000,000 or 0.39% tax levy reduction impact. Staff had used an estimated 1% assessment growth projection in the budget and forecast which was conservative compared to the five-year average assessment growth experienced due to the inherent risk of the impact of COVID on development activity in the City. Final assessment growth figures will be available on or around mid-December for 2021, however Staff will have early confirmation of final figures from MPAC in the last week of November. Council should be aware that the City is experiencing a slowing in building permit and development charge revenue in 2020, and assessment growth impacts from this will show in future years.

As described in the City’s [Growth Strategy](#), assessment growth revenue should be used to offset growth costs over time. A growing population means we have increasing service demands which should be funded from growth-revenues. Multi-year budgeting enables Council to match these costs over time to limit the impact of significant pressures on the property tax rate in any given year.

For this reason, Staff would urge Council to apportion this additional \$1,000,000 in growth revenues towards growth costs rather than allowing them to be used to reduce the 2021 tax levy impact artificially. Doing so, especially with the known forecasted growth expenses in 2022 to 2024, may cause unaffordable pressure on future year’s tax levy impacts when assessment growth slows (which is likely because of the slowing of building permit and development charge revenue in 2020).

Staff would recommend the following additional expenses, currently included in the 2022 forecast, be shifted into the 2021 budget to match with the growth revenues available:

- Phase-in of Baker District operating impact (growth portion) – With the approval of the Baker District public components, there is a known growth-related operating budget requirement needed in 2024 for the opening of the new library and other public open space. Similar to the strategy for the phased-in approach for the South End Community Centre which is currently included in the 2021 budget, with this additional growth revenue, Staff would recommend starting the phase-in of the Baker District operating budget of \$525,000.

- Planner position – as a result of the legislative impacts related to Planning Act amendments to shorten approval timelines which staff are required to respond to development applications, additional planning staff resources have been identified in 2022 and 2023 respectively. It would be appropriate to shift the 2022 position request into 2021 totaling \$115,300. The City's cost of development application assessment is also partially funded by development application fees, which will need to be reviewed as a result of the legislative changes.
2. The Elliott Community has identified an emerging budget pressure relating to compensation parity with other competing long-term care facilities in the local area and compression concerns as a result of provincially legislated increases for Personal Support Workers. The current proposed budget by Staff includes an increase of \$37,498 or a year-over-year 2.4% increase. The Elliott's final Board-approved budget request of the City is \$502,800 or a year-over-year 36.7% increase. This will have the impact of increasing the proposed net levy requirement of 0.18% beyond the current 3.52% presented.
 3. The County of Wellington (County) Social Housing - the County has been leading an effort to exempt non-profit and cooperative owned social housing developments from property taxes starting in 2021. This is a similar process that occurred in 2018 when they executed phase one of this effort to exempt all County-owned Social Housing properties. This has the impact of reducing the City's taxation revenue by \$1.4 million while also reducing the City's cost of Social Housing by that same amount and additionally leaving a net savings to the City of \$61,000 related to the provincial education property taxes. As required by legislation, this funding will be transferred into the Social Housing Contingency Reserve to be used in a future year towards capital repair of housing stock. For more information, please refer to the County's final report to be included on the Social Services Committee Agenda on November 18, 2020.
 4. The County is currently in the midst of their own 2021 budget development processes and was unable to have final 2021 budget figures to meet the City's budget timelines. For this reason, City Staff has used the estimates provided by the County for Social Services as part of their 2020 budget forecast. The County's revised 2021 City contribution for Social Services is now estimated at \$22.7 million as outlined in the County's Preliminary 2021-2030 Social Services Budget (to be included on the Social Service Committee Agenda November 18, 2020). This is \$300,000 more than the City's budgeted amount of \$22.4 million (net of the \$1.4 million social housing exemption reduction as noted in number 3 above). Similar to past practices of budgeting under the County's requirement given historical annual budget surplus positions, Staff are not recommending an amendment for this variance.
 5. As noted above, the total 2021 City annual budget requirement for Social Housing, Ontario Disability Support Program and Child Care subsidies including both capital and operating requirements is \$22.7 million. In addition to this, the City dedicates \$500,000 annually towards Affordable Housing development incentives in the City. On October 26, 2020, the City approved an additional \$1.0 million to be transferred from the City's

operating contingency reserves towards Affordable Housing development incentives. However, there was no funding approved for the creation of a program to assess and ultimately award this funding to the awaiting proponents.

While Staff continue to pursue the potential for transferring of this responsibility to the County, should Council direct that City Staff continue responding to housing requests in the interim, additional resources will be required. Accordingly, Staff are recommending that \$150,000 of the funding in the Affordable Housing Reserve be used in 2021 for a one-year contract position; this position would be responsible for responding to housing requests in the short-term, while assisting with the long-term creation of this program in consultation with the County, including the process and internal control structure that would satisfy legal and financial requirements. The process also needs to consider ongoing monitoring of the awarded investment in terms of affordable housing units created to ensure they remain affordable in accordance with the terms agreed upon.

6. 2020 Provincial Budget announcements – on Thursday November 5, 2020, the province announced their 2020 budget, which included a reduction to the provincial business education property taxes. This will result in savings of over \$8 million to commercial and industrial property owners in Guelph. This also has meant a net loss in education retained tax revenue for the City of \$175,000 or 0.07% net levy impact as the City is the beneficiary of the education portion of commercial and industrial payments-in-lieu (PILs) of property taxes.

In addition to the business education tax reduction, the province announced a new optional tax class for small businesses. The introduction and use of optional tax classes is part of the tax policy decision that is made by Council in March each year. Once the province releases the regulations related to this proposed tax class, staff will be analyzing the options and will present this to Council in March 2021. A decision on this tax class is not required at the time of the 2021 budget approval.

Attachments

None.

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