

Council Memo



To	City Council
Service Area	Corporate Services
Date	Thursday, December 2, 2021
Subject	2022 and 2023 Budget Update

Summary

This memo serves to update Council on developing budget-related matters for Council consideration through the 2022 and 2023 budget deliberation process. These are items that were not yet finalized when the budget materials were released publicly on November 4, 2021 and in some cases are still developing. The staff recommendations for Council deliberation and approval on December 2, 2021 are amended below (as indicated in yellow) based upon final information being received.

That the following recommendations be referred to the December 2, 2021 City Council meeting:

1. That the 2022/23 operating budget be approved at a gross expenditure budget of \$481,768,460 and \$500,610,142 with a 2022 property tax and payment-in-lieu of taxes levy requirement of \$278,081,357 or 3.59 per cent over 2021 and a 2023 property tax and payment-in-lieu of taxes levy requirement of \$293,029,001 or 4.38 per cent over 2022 inclusive of the following:
 - a. 2022-23 fees, rates and charges, and inclusive of:
 - i. A stormwater base charge of \$7.00 per month equivalent residential unit or 9.37 per cent increase over 2021 and \$7.60 per month equivalent residential unit or 8.57 per cent increase over 2022.
 - ii. A water and wastewater basic service charge for each of 2022 and 2023 equivalent to 2021 rates.
 - iii. A water volume charge of \$1.87 per cubic meter, or 2.75 per cent increase over 2021 and \$1.95 per cubic meter, or 4.28 per cent increase over 2022.
 - iv. A wastewater volume charge of \$1.99 per cubic meter or 2.58 per cent increase over 2021 and \$2.05 per cubic meter or 3.02 per cent increase over 2022.
 - b. City service budget requirement, net of proportionate share of assessment growth, totaling an increased net levy requirement in

2022 of \$5,445,712 or 2.05 per cent, and in 2023 of \$7,075,961 or 2.54 per cent.

- c. Local Boards and Shared Services budget requirement, net of proportionate share of assessment growth, totaling an increased net levy requirement in 2022 of \$4,066,841 or 1.53 per cent, and in 2023 of \$5,093,182 or 1.84 per cent.
 - d. Total transfers to/from Reserve and Reserve Funds in each of 2022 and 2023 in accordance with the reserve and reserve fund summary.
 - e. The City Building base budget being allocated towards the prioritized Strategic City Building Investment items.
 - f. No additional investment for Strategic City Building Investment Items.
2. That the Guelph General Hospital levy in the amount of \$750,000 be budgeted for the second and third of six years as approved on December 3, 2019, resulting in a net levy increase of 0.28 per cent in 2022.
 3. That the 2024–2025 operating budget forecast be received for information.
 4. That the 2022-2023 Capital Budget in the gross expenditure amount of \$141,423,650 and \$161,907,150 respectively and the required operating budget resulting from these projects totaling \$2,099,910 and \$919,340 respectively be approved, inclusive of the following:
 - a. Funding transfers from capital reserve funds and other sources including partnerships and grants in each of 2022 and 2023.
 - ~~b. Available city building reserve funding will be applied to capital projects in prioritized order as listed in the Strategic City Building Investment Summary.~~
 5. That the 2024-2031 Capital Forecast in the gross amount of \$1,736,763,840, be received for information with the following implications:
 - a. Operating budget impact from this forecast totaling \$8,417,210.
 - b. A City Building Reserve Fund will reach a deficit position of \$34.2 million by 2031.
 - c. A 100RE Reserve Fund deficit position of \$15.6 million by 2031.
 - d. A debt forecast that leverages the City's available capacity in the eight-year period.
 6. That the Downtown Guelph Business Association 2022 and 2023 budget with gross expenditures of \$699,252 and \$719,512 respectively, and a total levy of \$660,000 and \$679,800 respectively be approved.
 7. That the Health Care Spending (Fire) Reserve (#103), the Evergreen Donation Bequest Reserve Fund (#134), and the Community Paramedicine Reserve Fund (#348) be created, and that the name of Federal Gas Tax Reserve Fund be updated to the Canada Community-Building Reserve Fund

(#343) and Appendix A of the Reserve and Reserve Fund Policy be amended accordingly.

Detailed Analysis

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 \$825,264 or 0.31% 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-19 on development activity in the City. Final assessment growth figures will be available on or around mid-December for 2022, however staff will have early confirmation of final figures from MPAC in the last week of November. Council should be aware that staff are concerned about the current economic environment and the impact it may have on growth in our City in the next year, building permit activity could slow with rising inflation rates, and significant supply chain gaps. Collectively, this puts risk on the achievability of the 2023 assessment growth projection.

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 \$825,264 in growth revenues towards growth costs in 2023 as the growth costs exceeded growth revenue in that year. Doing so, especially with the known forecasted growth expenses in 2023 to 2025, will also help mitigate pressure on future years’ tax levy impacts if assessment growth slows. The net levy impact in 2023 would be a reduction to the proposed levy of 0.31 per cent.

Guelph Farmers’ Market – As part of report [Guelph Farmers’ Market – 10C Negotiation Update – 2021-338](#), Council approved the following motion:

That the City provide 10 Carden Shared Space transitional funding totaling \$500,000 over six years (2022 to 2027), recognizing the loss of revenue incurred by the Saturday Farmers’ Market due to COVID-19, the costs associated with developing and implementing new programming, and the Market’s 200th anniversary in 2027, and that this be included in the 2022/23 multi-year budget.

As per this recommendation staff recommend including the amounts in the four-year budget as outlined in the table below and that these amounts be funded from the Tax Operating Contingency Reserve (180), net of any revenue that is collected in each year from the market sales:

2022	2023	2024	2025	2026	2027	Total
\$150,000	\$100,000	\$50,000	\$50,000	\$50,000	\$100,000	\$500,000

Minimum wage – As part of the [2021 Fall Economic Statement](#), Working for Workers, the Ontario government will introduce legislation that, if passed would

raise the general minimum wage from \$14.35 to \$15.00 per hour effective January 1, 2022. The special minimum wage rate for liquor servers would be eliminated and they would be entitled to general minimum wages. Students under the age of 18 would also see an increase in their special minimum wage rates from \$13.50 to \$14.10 an hour. These proposed changes are part of the government's broader effort to support, protect and attract workers, and make Ontario the top place to live, work, and raise a family. Minimum wage increases may have ripple effects through the City as it may cause compression issues. Staff have reviewed and estimate the 2022 impact related to minimum wage to be approximately \$130,000 or 0.05 per cent increase to the net levy.

Operating Impact from Capital Project RD0357 Cycling Network Expansion (ICIP-GUE-05) – The operating impact from capital related to this project of \$254,600 in 2022 is also included in project RD0387 and therefore can be removed from the operating budget. The net reduction to the net levy is 0.10 per cent

Strategic City Building Investments Update

There have been a few minor administrative corrections made to the [Strategic City Building Investment](#) Strategy which mean the summary table has been updated as follows:

Table 1: Updated City Building Investment requirement

Investment (in thousands)	2022	2023	2024	2025
Operating Investment	\$ 3,999	\$1,353	\$1,614	\$2,594
FTEs	24.4	16.3	17	25.3
Capital Investment	\$ 1,565	\$0	\$0	\$1,800
Total Investment	\$ 5,564	\$1,353	\$1,614	\$4,394
Tax Levy Impact	2.10%	0.49%	0.55%	1.41%

a) Paramedic Services Master Plan – After further review and analysis of the budget documents staff realized that the revenue was missed being picked up in the summary document. Therefore, the updated net levy impact is outlined below.

Table 2: Updated Requested investment in Paramedic Services Master Plan

Investment (in thousands)	2022	2023	2024	2025
Operating Investment	\$384.8	\$24.2	\$(170.2)	\$375.2
FTEs	4.0	2.0	-	4.0
Capital Investment	-	-	-	-

Total Investment	\$384.8	\$24.2	\$(170.2)	\$375.2
Tax levy impact	0.15%	0.01%	(0.06%)	0.12%

b) Cultural Heritage Action Plan Implementation – After the budget was released to Council it was brought to staffs’ attention that a portion of the funding in 2022 was not a permanent requirement and should have reversed in 2023.

Table 3: Updated Requested investment in Cultural Heritage Action Plan Implementation

Investment (in thousands)	2022	2023	2024	2025
Operating Investment	\$496.6	\$(257.4)	\$(123.4)	\$122.9
FTEs	1.0	-	-	1.0
Capital Investment	-	-	-	-
Total Investment	\$496.6	\$(257.4)	\$(123.4)	\$122.9
Tax levy impact	0.19%	(0.09%)	(0.04%)	0.04%

c) Economic Development Servicing Agreements – After the budget was released to Council, it was brought to staffs’ attention that this funding is needed for five years and was not a request for one-time funding. Therefore the 2023 amount should be zero and the tax levy impact zero per cent. The amount would reverse out of the 2027 budget.

Table 4: Updated Requested investment for Economic Development Servicing Agreements

Investment (in thousands)	2022	2023	2024	2025
Operating Investment	\$300.0	-	-	-
FTEs	-	-	-	-
Capital Investment	-	-	-	-
Total Investment	\$300.0	-	-	-
Tax levy impact	0.11%	0.00%	0.00%	0.00%

d) Emerging Transportation Technology Office – After the budget was released to Council, staff realized that this Strategic Investment had been included at the gross expenditure with no offsetting revenue. The chart below is updated to reflect a revenue allocation from the traffic safety initiatives Council has approved.

Table 5: Updated Requested investment for Emerging Transportation Technology Office

Investment (in thousands)	2022	2023	2024	2025
Operating Investment	-	\$103.0	\$97.0	-
FTEs	-	1.0	1.0	-
Capital Investment	-	-	-	-
Total Investment	-	\$103.0	\$97.0	-
Tax levy impact	-	0.04%	0.03%	-

Attachments

None

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