

STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG



Report to:	Mayor and Council Members	Priority:	<input checked="" type="checkbox"/> High <input type="checkbox"/> Low
Submitted by:	Ian D. Davey, BBA CPA CA Treasurer / Director of Corporate Services idavey@cobourg.ca	Meeting Type:	Open Session <input checked="" type="checkbox"/> Closed Session <input type="checkbox"/>
Meeting Date:	August 23, 2021		
Report No.:	Corporate Services-093-21		
Submit comments to Council			

Subject/Title: 2022 Operating and Capital Budget – Municipal Levy Target

RECOMMENDATION:

THAT Council receive this report for information purposes and provide direction to staff to target a base levy increase for the 2022 operating budget equal to the 12-month change in the Consumer Price Index which currently is 3.1% as of June 30, 2021 plus an additional 1.55% for Assessment Growth based on the New Assessment Forecast Report as provided by the Municipal Property Assessment Corporation as of June 30, 2021.

1. STRATEGIC PLAN

N/A

2. PUBLIC ENGAGEMENT

The preparation of the annual municipal operating budget is intended to be an open and transparent process. In prior years methods such as open houses and surveys have been used to engage the public with limited success. In addition, a Council meeting is held for the purpose of allowing members of the public to present directly to Council and Senior Staff their views and priorities for consideration during the annual budget process. These efforts have achieved modest success in prior years.

The plan for the 2022 budget cycle is to continue with an open public meeting to allow for public submissions and to use the Engage Cobourg platform to receive feedback from the public.

In addition, the County of Northumberland are currently using an on-line participatory budgeting tool to garner enhanced public engagement and input on priority areas as part of their 2022 budget process. This tool will allow residents to increase or decrease revenues and expenditures within specific services and make offsetting adjustments to maintain a balanced budget. It also allows for the resident to increase or decrease in service levels and the corresponding impact on the budget.

In discussions with the County Treasurer, there was considerable staff work required to input the data necessary to make the use of this tool a meaningful exercise. The intention of the County is to monitor the response that they get from the public and then they will make a decision on the future use of this tool based on the feedback. If this pilot is successful, then the lower tier municipalities may wish to use the tool in future budget years.

3. PURPOSE

The purpose of this report is to provide Council with a recommendation for a target base level increase for the 2022 Operating Budget and to provide a schedule of important dates for budget meetings moving through the fall of 2021.

The intention is to have an approved 2022 Operating and Capital Budget passed by Council at the Regular Council meeting of December 13, 2021.

4. ORIGIN AND LEGISLATION

The Municipal Act, 2001 c.25 Section 290 requires that “for each year a local municipality shall, in the year or in the immediately preceding year, prepare and adopt a budget including estimates of all sums required during the year for the purposes of the municipality, including,

- a) amounts sufficient to pay all debts of the municipality falling due within the year
- b) amounts required to be raised for sinking funds or retirement funds
- c) amounts required for any board, commission or other body

The annual budget is the tool used to establish the amount of taxes to be levied on properties within the municipality and to determine the nature and level of service to be provided to the taxpayers of the municipality.

5. BACKGROUND

Town of Cobourg staff prepare an annual operating budget for the current year and a forecast for the two subsequent years. A capital budget is prepared on a similar three-year basis. Council approves and adopts the current year operating and capital budgets.

6. ANALYSIS

Municipal Levy Target 2022

The 2021 fiscal year was unique for all municipalities in the Province of Ontario given the impact and the financial uncertainty created by the global pandemic.

The 2021 operating budget for the Town of Cobourg saw the reduction or elimination of service levels most noticeably in the parks, recreation and culture areas. As a result, the total municipal levy for 2021 of \$24,793,569 represented an increase of 0.4% over the 2020 levy which after allowing for net new growth in assessment of 0.6% resulted in a true reduction of 0.2% over the prior year.

The Consumer Price Index for the 12 months ended June 30, 2020 reported a modest 0.7% increase, however when combined with the municipality's 2021 budget reduction after growth of 0.2% resulted in a 0.9% true reduction in purchasing ability which equates to approximately \$223,000 based on our 2021 municipal tax levy.

It is the assumption of this report that municipal services and service levels will return to pre-pandemic levels for the 2022 fiscal year. Ultimately this will be a decision of Council as we move through the budget process this fall.

One of the strategies which has allowed the municipality to maintain a strong financial position during the last 18 months during the pandemic is to delay hiring for new positions or keep several key positions vacant. While this strategy has been successful in the short term it cannot be maintained over the long term as our taxpayers look to see a return to pre-pandemic service levels.

The impact of 2021 budget reductions are now being compounded with inflationary pressures as our economy moves towards a recovery. There are supply side pressures combined with an increase in consumer spending which has seen a spike in inflation during the first six months of 2021. For the 12-month period ended June 30, 2021, CPI has seen an increase of 3.1%.

The Consumer Price Index is a measure that is often used by municipalities for budget purposes. It is a published index produced by Statistics Canada on a monthly basis and is the most quoted indicator of inflationary trends that is easily recognized and understood by the public. It includes a basket of goods and services including key municipal expenditure items such as fuel and energy costs.

The Non-Residential Construction Price Index is another often quoted indicator of cost pressures being faced by municipalities. This index is published quarterly and for Ontario includes two regions, Toronto which has seen a 7.7% increase on an annual basis to the end of June 2021 and Ottawa which has seen a 10.1 increase over that same period. The price increases being seen in the construction industry, most noticeably with respect to the cost of materials, will continue to place significant pressure on most capital works being undertaken by the municipality.

Historically over the last five years, the municipal tax levy has increased by an average of 2.14% on an annual basis. It is important that levy increases stay consistent with inflation otherwise financing capacity begins to be eroded over time which can lead to levy increases in excess of inflation in future years.

Assessment growth is another factor taken into consideration during the municipal budget process. The Municipal Property Assessment Corporation (MPAC) provide a quarterly report entitled “New Assessment Forecast” which provides their estimate of expected growth during the year, split between Residential and Non-Residential assessment. MPAC uses the data available to them including actual supplementary and omitted assessments issued plus open building permits which have been submitted to them by the municipality.

MPAC provides their growth forecast based on an 85% target and a 100% target since the completion of projects does not always happen on schedule. As of June 30, 2021, MPAC is forecasting new assessment of between 1.55% and 1.82% for the 2021 year. This is based on new assessment projections of between \$44,645,000 (85%) and \$52,527,000 (100%).

This new assessment growth is expected to generate between \$383,500 and \$450,000 when it is added to the assessment roll for the 2022 taxation year. The 2022 operating budget will reflect expenditure increases required to provide services to these properties.

The Consumer Price Index and New Assessment Forecast will continue to be monitored as the municipal budget process continues over the next four months which may require that targets be adjusted accordingly before Council approves the 2022 municipal operating and capital budgets.

Budget Schedule 2022

The 2022 operating and capital budget templates have been distributed to municipal staff with a target date of **September 10, 2021** to return completed draft budgets to the finance department.

The period from **September 13 to September 27** will be used by the finance department to review budget submissions, seek clarification, and make any required additions, deletions, or corrections prior to returning draft budgets to staff.

The next step in the budget process will include a series of staff level meetings with the CAO, Treasurer, Finance department staff, the Division Director and appropriate staff to review the draft budget submissions in detail. This process will happen between **October 4 and October 15, 2021**.

October 22, 2021 is the target date for release of the full draft operating and capital budgets to Council, Senior Staff, and the Public.

November 8, 2021 is the date to be set aside for a Public Meeting for Council to receive public submissions on the budget. This timing will allow interested members of the public to have had a two-week period to review the draft budget prior to the public submissions.

November 9 and 10, 2021 will provide for two days of open public meetings to allow senior staff to provide an overview of significant changes to their budgets including staffing changes, special projects, capital projects and any projected service level change as a result of Council directives.

November 25 and 26, 2021 are the dates for the Committee of the Whole to meet for the complete review of the 2022 operating and capital budgets with the objective of approving a final budget for 2022 to be approved by resolution at Regular Council.

December 13, 2021 will be the date for the final passage of the 2022 Operating and Capital Budget in Regular Council.

7. FINANCIAL IMPLICATIONS/BUDGET IMPACTS

An increase in the Municipal Levy of 3.1% based on the annual CPI increase to June 30, 2021 would provide an additional revenue to the municipality of \$768,600.

A further increase of 1.55% based on the most current new assessment forecast as provided by MPAC at the lower end of the projected growth impact will provide additional funds of \$383,500 to assist with servicing this assessment.

The tax impact of this level of municipal levy increase would be \$25 for each \$100,000 of assessment.

8. CONCLUSION

The 2022 municipal budget process is currently underway with the objective of having an approved budget no later than December 13, 2021.

The staff recommendation is that the target municipal levy increase be held to no more than the CPI increase with the additional amount for new assessment as forecast by MPAC. This will help to ensure that municipal budgets are not eroded by inflationary pressures moving forward.

Report Approval Details

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This report and all of its attachments were approved and signed as outlined below:

Tracey Vaughan, Chief Administrative Officer - Aug 13, 2021 - 2:32 PM