



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: January 26, 2021

Report Number: SRCFS.21.001

Department: Corporate and Financial Services

Division: Financial Services

Subject: 2021 Draft Operating Budget

Purpose:

To present the City of Richmond Hill's 2021 Draft Operating Budgets for Council Approval.

Recommendation(s):

- a) That the 2021 City Operating Budget;
 - a. Summarized in Appendix "A" with a recommended budget increase of \$0 and a total tax levy of \$117,956,300 (excluding supplementary taxes), be adopted;
 - b. That the 2021 Seniors Tax Assistance Grant remain at \$404;
 - c. That the draft By-law No. 7-21, attached as Appendix "D", be enacted to adopt the 2021 City Operating Budget.
 - d. That any financial impact, as a result of Covid-19, be funded by the Safe Restart Agreement funds and staff to provide periodic financial update reports on the operating impact of the Covid-19 pandemic.
- b) That the Capital Asset Sustainability Fee budget increase of \$1,179,600 and total fee levy of \$6,571,700 for the 2021 taxation year, be adopted;
- c) That the draft By-law No. 8-21, attached as Appendix "E" be enacted to adopt the 2021 Water, Wastewater & Stormwater Budgets;
- d) That the Financial Outlook (attached as Appendix "C") be received;
- e) That, as required by Ontario Regulation 284/09, Municipal Act 2001, the compliance report attached as Appendix "G" be approved for expenses that have been excluded from the 2021 Draft Budget.
- f) That Council support the review of the Theatre and Staff prepare options for Council consideration to reduce the tax support budget required.

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Report Approval:

Submitted by: Sherry Adams, Commissioner of Corporate and Financial Services

Approved by: Mary-Anne Dempster, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached

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Background:

The 2021 Operating Budget is scheduled to be deliberated at the Budget Committee of the Whole (BCW) meeting on January 26, 2021. The following report provides an overview of the 2021 Draft Operating Budget and presents recommendations for Council's approval.

As at December 26, 2020, York Region had officially moved into lockdown phase amid rising Covid-19 cases. Trips outside the home are limited to essential travel only and large social gatherings are to be avoided. Lockdowns are effective for a minimum of 28 days and reassessed thereafter. On January 12, 2021, the Ontario government declared a second provincial emergency and issued stay at home orders effective January 14, 2021. At the time of writing, a vaccine had been approved and an initial supply made ready to be administered. However, there continues to be significant challenges, and the social and financial impact of the pandemic is expected to persist well into 2021.

A lot of uncertainty still remains, from the length of the lockdown to the efficacy of the vaccine, to the change in public consumption patterns as the community returns or rather, adapts to a new normal. All of these variables carry with them a large degree of uncertainty which will have a material impact on the City's operations going forward. An operating budget is a financial plan to account for an organization's intended outlay of expenditures and generation of revenues. It is based on a balance of historical trend and outlook into the future. When there is no historical precedence and great uncertainty in the future, it is important to build a 2021 budget that is closer to a median outcome. Neither reflective of a worse-case scenario, which may consist of a full year lockdown, or best case scenario where the community returns to pre-2020 business as usual operations.

The City of Richmond Hill's operating budget process is a continuous, year round undertaking. Staff develop departmental work plans reflective of the City's Strategic Priorities and ensure they are consistent with Council's budget objectives and guidelines for the upcoming year. The body of this report will identify the key points from the budget strategy approved by Council at the June 23 BCW meeting.

Throughout the 2020 fiscal year, staff have been closely monitoring operational results in order to forecast the 2020 financial outlook, as well as to gain insight into what a 2021 Operating Budget may entail. This report will provide a breakdown of the key components of the budget as shown by the various pressures and categories, including the resulting tax impact to the average residential property owner. Also, consistent with prior years, the draft budget was subject to ongoing in-depth review and scrutiny by the Executive Leadership Team.

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These are challenging times for our residents and businesses, many of whom have had to temporarily shut down operations or close down all together. Collectively, we have all had to learn to do more with less. Nevertheless, the City strives to maintain existing levels of services, where feasible and advisable under provincial regulations. The 2021 Operating Budget, as presented, reflects the City's best efforts to assist the community by proposing a 0% tax rate increase.

The City's proposed operating budget is a static budget that attempts to account for a reasonable facsimile of 2021 operations. It is understood that actual results will differ and, with the uncertainties presented by Covid-19 and related regulations, could differ quite significantly. As noted earlier, the City's objective was not to propose a budget that was too aggressive or conservative because of the difficulty in forecasting a rapidly fluid situation and in order to mitigate potentially large year over year budget changes, should things return to some degree of normalcy.

Instead, a separate Covid-19 related financial impact analysis (See Appendix "H") is presented to understand and highlight the financial impact of a potential Covid-19 recovery phase. The analysis considers the additional costs or savings from social distancing and changes in public consumption patterns in 2021. For example, the continued need for social distancing and related regulations has already necessitated the postponement and cancellation of various recreation programs, which will negatively impact the City's revenues. The facilities and community centres that house these programs will generate savings in hydro and water costs for as long as these buildings remain dormant. Staff will need increased protective equipment and IT requirements to accommodate for greater remote work, which will in turn generate savings through reduced in-office printing and photocopying costs.

The financial impact of Covid-19 affects almost all facets of the City's operations, directly or indirectly. Richmond Hill was forced to adjust and adapt in 2020 and will continue to navigate a fluid situation in 2021 as more data becomes available. The Covid-19 related financial impact analysis attempts to capture some of the larger or known impacts to date. From the analysis, the overall impact to the City's 2021 net budget is a deficit of approximately \$4,644,500 considering a phased opening of facilities, which would have equated to a 3.94% tax rate increase if it was incorporated into the proposed draft operating budget. However, the estimated deficit is presented for analysis purposes only, as the situation continues to evolve.

As part of the Safe Restart Agreement, the City received federal and provincial funding of \$4,131,900 in 2020 and another \$1,747,000 in 2021. These funds were provided to assist municipalities against Covid-19 operating costs and pressures. The current 2020 forecast indicates that approximately \$1.5 million of the funding received in 2020, will be needed to offset the 2020 deficit, leaving \$2.6 million for 2021. Should the City realize the estimated \$4,644,500 deficit in 2021, the tentative plan is to offset the deficit by first implementing mitigating measures before utilizing the remaining \$2.6 million from 2020,

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in addition to the \$1.7 million funding received for 2021. The remaining deficit of approximately \$297,500 would be funded from the Tax Rate Stabilization Reserve. In summary, the estimated 2021 deficit of \$4.6 million does not directly impact the 2021 tax levy. Instead, any deficit will be funded from the Safe Restart Agreement monies and Tax Rate Stabilization Reserve, if necessary, as this is the intended purpose of these funds. Staff will provide regular updates through the year as the situation evolves.

Operating Budget Strategy

The 2021 Draft Operating Budget reflects the Council adopted budget strategy endorsed via the Budget Committee of the Whole (BCW) meeting on June 23, 2020. The approved 2021 Draft Operating Budget Strategy includes the following objectives and directives whereby staff propose a budget that supports:

1. Council priorities;
2. A tax rate increase of no more than 0.5%;
3. The operating budget considerations outlined in Staff Report SRCFS.20.015 (2021 Capital & Operating Budget Strategy) be used as a guideline in the development of the 2021 Draft Operating Budget.

The proposed 2021 Draft Operating Budget, as presented in this report, meets all of the above objectives.

Budget Committee of the Whole Review

At the January 26, 2021 BCW meeting, staff will present an overview of the 2021 Draft Consolidated Operating Budget reflecting a \$0 tax levy increase (0%) which includes the financial impact from City Services and the Richmond Hill Public Library Board.

2021 Draft Operating Budget – Pressures	
Base	\$(373,500)
Legislated	113,700
Growth / Service Enhancements	732,400
Property Tax / Supplementary Tax	(1,472,600)
Unsustainable Revenue Sources	1,000,000
2021 Tax Levy Impact	\$0

Detailed information was previously provided to Council Members the week of January 12, 2021 in the form of the “Annual Budget Binder.” Members were also invited to meet with senior Departmental and/or Financial Services staff to gain a greater understanding of the budget overview, pressures, binder content, and process.

Page 6**Financial/Staffing/Other Implications:****Total Operating Budget**

The 2021 proposed operating budget reflects a Tax Levy increase of \$0 (i.e. 0% increase).

	2020 Budget	2021 Draft Budget	Inc / (Dec) from 2020
Expenditures			
Personnel			
Personnel - Permanent	\$ 113,180,000	\$ 113,584,200	\$ 404,200
Personnel - Casual	10,596,200	10,538,300	(57,900)
	<u>123,776,200</u>	<u>124,122,500</u>	<u>346,300</u>
Non - Personnel			
Contracts / Services	22,970,100	22,914,000	(56,100)
Materials / Supplies	22,248,500	22,074,900	(173,600)
Other Expenditures	5,478,800	5,543,700	64,900
To Reserve & Reserve Funds	10,057,200	9,432,600	(624,600)
	<u>60,754,600</u>	<u>59,965,200</u>	<u>(789,400)</u>
Total Expenditures	\$ 184,530,800	\$ 184,087,700	\$ (443,100)
Revenues			
User Fees & Fines	(38,783,600)	(39,482,100)	(698,500)
Investment Income	(5,050,000)	(4,200,000)	850,000
Grants / Donations	(1,653,900)	(1,768,900)	(115,000)
From Reserve and Reserve Funds	(13,072,300)	(11,231,700)	1,840,600
From Other Internal Sources	(7,646,500)	(7,607,900)	38,600
Non-Taxation Revenue	<u>(66,206,300)</u>	<u>(64,290,600)</u>	<u>1,915,700</u>
Taxation	(117,478,800)	(119,797,100)	(2,318,300)
Total Revenues	\$ (183,685,100)	\$ (184,087,700)	\$ (402,600)
Tax Levy Increase	\$ 845,700	\$ -	\$ (845,700)

Proposed Taxation Revenue

Taxation revenue comprises of four components – Assessment growth, Capital Asset Sustainability Levy, Supplementary Taxes, and budget related increases. Assessment growth is the result of an increasing number of assessable properties and structures within Richmond Hill. The taxation revenue assessment base grew by 0.91% in 2021

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resulting in additional taxation revenues of \$1.06 million. Supplementary taxes increased by \$410,800 based on anticipated in year additions once lockdown conditions are alleviated. In total, these two revenue streams have contributed an additional \$1.47 million to budgeted revenues.

Continuing with the Capital Asset Sustainability Strategy adopted by Council as part of the 2016 Operating Budget, the Capital Asset Sustainability (CAS) Levy is applied to support the repair and replacement of capital assets, as outlined in the City’s Financial Sustainability Strategy. The 2021 increase will generate an additional \$1,179,600 for future capital asset funding for a total budget of \$6,571,700.

The taxation revenue budget is presented below.

	Property Tax	Supplementary Taxes	Total	Capital Asset Sustainability Levy
2020 Base	\$ 116,894,500	\$ 1,430,000	\$ 118,324,500	\$ 5,392,100
2021 Assessment Growth	1,061,800	-	1,061,800	-
2021 Budget Related Increase	-	410,800	410,800	1,179,600
2021 Increase	1,061,800	410,800	1,472,600	1,179,600
Total Tax Levy	\$ 117,956,300	\$ 1,840,800	\$ 119,797,100	\$ 6,571,700

Recycling at Super Mailboxes

At the November 25, 2020 Council meeting, staff were directed to continue to accept new requests for installation of recycling containers at super mailbox locations and to report back on an education plan for residents regarding recycling at super mailbox locations. Based on the current outstanding as well as anticipated additional requests, staff recommend an additional 60 installations in 2021. The total program cost will be \$82,000 – \$1,200 per location plus \$10,000 for the education plan. The pickup from these recycling containers will not generate additional costs from Miller Waste Company. Given the timing of the Council motion, the anticipated cost of the program is not included in the 2021 Draft Operating Budget. Should Council decide to proceed, there will be a tax rate impact of \$82,000 or 0.07%.

Senior’s Tax Grants

The City of Richmond Hill provides a Seniors Tax Assistance Grant for qualified senior homeowners. To be eligible, the individual must have been a Richmond Hill resident for at least one year prior to the date of application and in receipt of the Guaranteed Income Supplement as provided under the Old Age Securities Act (Canada). The 2020 grant was \$404. The grant is indexed to the tax rate increase as set by the City of Richmond Hill. In 2021, the grant will remain at \$404 per eligible applicant.

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Municipal Impact of the Tax Rate Increase to Resident Taxpayer

Every four years, the Municipal Property Assessment Corporation (MPAC) is responsible for updating all the property assessment values in the Province, of which the changes are then phased-in over four years. It is important to note that assessment value changes do not affect the total amount of taxes received by the municipality. The property tax rates are re-evaluated annually to provide the same tax revenue. However, there may be fluctuations between individual homeowners, where some may increase and some may decrease, depending on how their property assessments have changed compared to the municipal average.

In 2016, MPAC released New Current Property Value Assessments (CVA) to be phased-in over the next 4 years for the taxation years 2017 through to 2020. A property assessment update was to be performed in 2020 for the 2021 taxation year. However, in light of the financial challenges households may be facing due to the COVID-19 situation, the Province has postponed the 2020 Assessment Update. The CVA value for the average single, detached residential property in Richmond Hill is \$1,146,000 in 2021, same as prior year, and this property would see an annual impact of \$0 on the municipal portion of the tax bill. In addition, the average residential property owner will see an increase on their tax bill of \$19.55 attributed to the Capital Asset Sustainability Fee.

Estimated Tax Impact	City Portion of Tax bill	Capital Asset Sustainability Fee
Annual	\$ -	\$ 19.55
Monthly	-	1.63
Daily	-	0.05
2021 Average Tax Bill	\$ 1,954.48	\$ 109.74

The current tax bill lists the assessed property value, property tax rates and taxes for each of the following: the City of Richmond Hill, the Region of York and the Province. The Capital Asset Sustainability fee is included as part of the City's taxation portion. Actual percentage rates for each individual property may vary (higher or lower) due to changes in assessments levied by Municipal Property Assessment Corporation (MPAC); whether the property is residential, non-residential, or exempt; and the impact of tax ratios approved by the Region, which are consistent with broader economic objectives.

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2021 Draft Operating Budget

In order to meet Council's direction of no more than a 0.5% tax rate increase, as per the 2021 Operating Budget Strategy, staff focused on the below main areas as described below to achieve a 0% tax rate increase:

- 1) No new staff additions. Review alternatives to manage staffing needs through reorganizations as well as efficiencies found from technology updates. The 2021 draft operating budget includes no new staff additions.
- 2) Finding savings and efficiencies in non-personnel costs. The 2021 draft budget includes \$2.94 million in savings and efficiencies, detailed in Appendix "B" and are categorized as follows:
 - a. Savings from Re-organization: (\$1,583,500)
 - b. Savings from Richmond Hill Public Library: (\$572,100)
 - c. Savings from technology and related contracts: (\$379,500)
 - d. Savings from administrative efficiencies: (\$360,000)
 - e. Savings from cancelled or reduced programs: (\$25,900)
 - f. Savings on facilities and building costs: (\$20,000)
- 3) Aligning revenues based on best effort forecasts, as well as recent actual trends;
 - a) Supplementary tax revenues were increased by \$410,800 for a total of \$1,840,000, which is consistent with 2018 & 2019 actual results
 - b) Penalties and Interest revenues for late payment of taxes were increased by \$589,800, which is more in-line with 2019 actual levels. In 2020, as a result of the financial hardships caused by Covid-19, Council decided to waive the interest and penalty fee on late fees through to the end of 2020. Beginning January 31, 2021, interest on unpaid taxes will be applied monthly. Late payment penalties will apply to 2021 tax instalments.

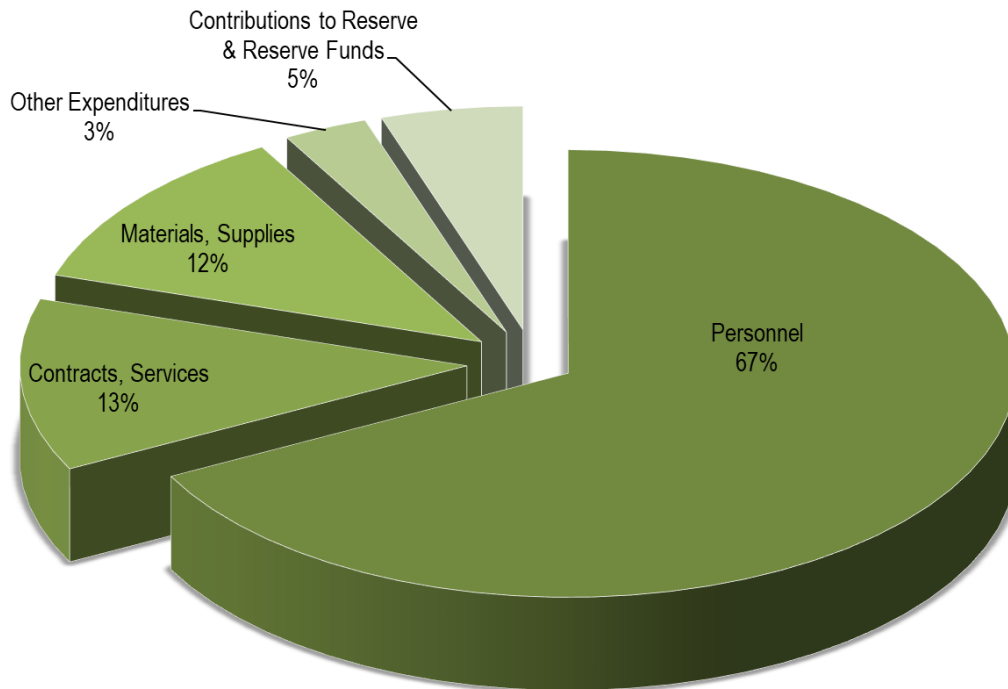
Operating Budget – City Services

The 2021 City Services Draft Operating Budget (Appendix "A") proposes a net budget increase of \$0, (or 0.0%).

Operating Expenditures

The total expenses included in the 2021 Draft Operating Budget is \$184.1 million. The major operating expenditures are comprised of Personnel costs (\$124.1 million), Contract/Services (\$22.9 million) and Materials/Supplies (\$22.1 million), each representing 67%, 13% and 12% respectively.

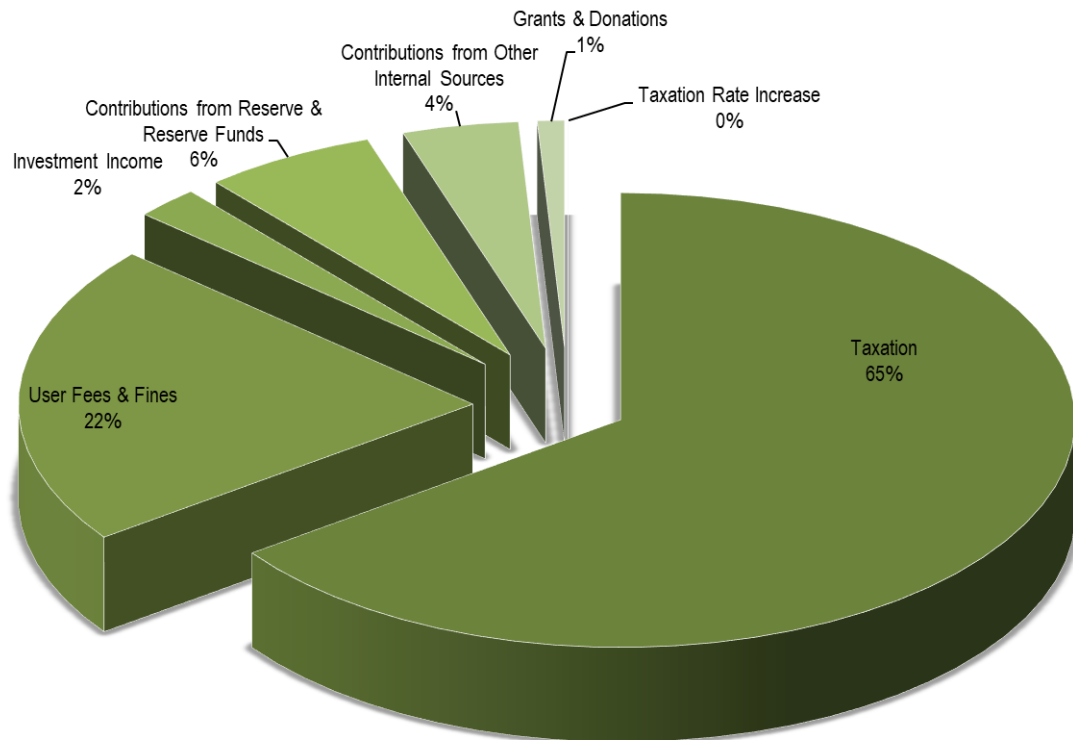
Operating Expenditure Budget



Operating Revenues

The main source of the City’s revenue is from Taxation and User Fees and Fines as graphically depicted below as 65% and 22% respectively. Other sources of revenue include Contributions from Reserve and Reserve Funds (6%), Other Internal Sources (4%), and Investment Income contributes (2%).

Operating Revenue Budget



City Services – Base Pressures

Base pressures are generally inflationary in nature and are essential in maintaining existing service levels. Efficiencies and savings identified are reflected as an adjustment to the base.

Base Expenditures

Base expenditure pressures in 2021 produced a total decrease of \$914,200, as detailed in Appendix 'A'. Personnel expenditure pressures alone reflect an increase of \$94,200 and includes cost of living adjustments, benefit rates changes and employee step-rate increases, offset by savings from the re-organization.

For non-personnel expenditures, staff were tasked with identifying opportunities for savings and efficiencies, which are reflected in the various expense categories. The Refuse and Recycling contracts along with telephone, data communications and cellular costs have contributed to the majority of the savings in the Contracts and Services

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section while the fuel, winter material supplies and equipment maintenance costs from the Public Works Enhancement program provided the savings in materials and supplies. There is a reduction in transfer to reserves for non-growth capital salaries as well, the Richmond Hill Public Library reduced the amount of transfer to fund their collection development costs, consistent with prior years. For the 2021 Draft Operating Budget, \$1 million in non-personnel cost savings have been proposed.

Base Revenues

User fees and fines revenues are budgeted to increase by \$698,500. Approximately \$590,000 of the increase is related to property tax interest & penalties revenues, which have increased based on historical trend. The additional revenue increases are mainly the result of the Tariff of Fees update and is partially offset by Library Services' discontinuation of late penalty charges, which is in line with other neighbouring municipalities' libraries.

Grants and Donations increased by \$110,000 as a result of additional funding from York Region for small business recovery grant program. Transfers from Reserves have been reduced by \$1,315,600 due in part to the decreased reliance on reserves for funded positions, reduction in transfer from capital for non-growth capital salaries and Richmond Hill Public Library's phased reduction of transfers from the Library Reserves.

Transfers from internal sources have been reduced by \$38,600 due to the reduction of internal chargebacks from the Sign shop being outsourced.

Legislated Pressures

The financial impact of new legislation on how municipal services are provided includes an additional \$113,700 to account for the minimum wage increases related to casual staff under the Parks Operations and Recreation & Culture divisions.

Growth Pressures

The net growth impact to the budget is a decrease of \$740,200. This category reflects the provision of the same level of service but to a growing community reflective of larger volumes or higher levels of activity.

Growth pressures for new resources and program expenses are reflected in the 2021 budget and total \$732,400. These costs include \$500,000 for the second year of an eight year plan to fully tax-fund the Public Works Enhancement Program, \$150,000 for IT software needs and a Special Assistant to the Mayor.

In 2021, the property assessment growth is 0.91%, generating an additional \$1,061,800 in taxation revenue. Meanwhile, supplementary taxes are budgeted to increase by \$410,800, based on anticipated in year tax roll additions once lockdown measures subside.

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Unsustainable Revenue Sources

Consistent with prior years, staff also considered budget adjustments for revenue items that have been historically unachievable, or that are unsustainable going forward. Included in the 2021 Draft Operating Budget is a \$150,000 reduction in the Transfer from the Training & Development Reserve to reduce the reliance on tax-supported reserve accounts for ongoing annual programs.

Due to the continuing low interest rate environment, the draft budget reflects a decrease in investment income by \$850,000, which represents year two of a three-year phased reduction of Investment Income by \$2.5 million. This is in an effort to align the current \$4.2 million investment income budget to a level that is closer to actual short-term investment returns (i.e. \$3.4 million) by 2022.

Richmond Hill Public Library Board

RHPL operates under the direction of a Library Board appointed by the Council at the City of Richmond Hill. The Board is governed by the *Public Libraries Act*. The Richmond Hill Public Library Board's 2021 Draft Operating Budget is \$7.8 million. The total expenditure budget is \$9.3 million and the total revenue budget is \$1.5 million. The net budget is funded from municipal property taxes and reflects an increase of \$42,000.

Richmond Hill Theatre for the Performing Arts

The Richmond Hill Centre for the Performing Arts is a Community Theatre approved by Council in 2004 and opened to the public February 28, 2009 under the mandate of delivering a community-based theatre programming with a subsidy of no more than 1% on the tax rate. Since inception, the theatre has required a tax support budget to supplement revenues generated from performances and sponsorships. The following table depicts the last five years of financial activity, which clearly illustrates an effort to increase revenues to limit reliance on tax support funding. Due to the seating capacity at the theatre, this has been a challenging task.

	2017 Approved Budget	2018 Approved Budget	2019 Approved Budget	2020 Approved Budget	2021 Draft Budget
Programming Costs (CSD)	\$ 2,817,900	\$ 3,007,600	\$ 3,030,200	\$ 3,062,500	\$ 3,080,100
Revenues (CSD)	(2,413,500)	(2,529,900)	(2,608,200)	(2,739,200)	(2,814,000)
Facility Management (P&I)	382,400	386,200	391,200	387,800	377,600
Net Budget	\$ 786,800	\$ 863,900	\$ 813,200	\$ 711,100	\$ 643,700

Staff anticipate the Theatre will not open until June 2021 at the earliest to the public, however, the Manager is developing virtual paid programming and livestream programming to assist with offsetting fixed costs, although reduced, still exist whether

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the building is open or closed. In addition, the Theatre is planning for paid drive in opportunities once the weather permits.

The Theatre is a valued community service, but as with all user paid services has an expectation to strive to be a self-sufficient operation. Over the next six months, staff will review the existing operations and provide Council with recommendations on the operations moving forward in order to further decrease the tax support required.

Financial Impact from Covid-19

The proposed 2021 Draft Operating Budget has included the financial impact of mainly a business as usual environment while also considering the effects of a new normal. However, as the City continues towards a Covid-19 recovery path in 2021, there will be new data and corresponding regulations that may substantially change how the City operates. The situation will be fluid and it is imperative that the City remains flexible in order to adapt.

In the middle of March 2020, the World Health Organization upgraded the COVID-19 outbreak from a global health emergency to a pandemic. It was around this time that the City began to close facilities and encouraged staff to work from home, where feasible. As a result of the current lockdown, this arrangement has continued to be the mandate to date (January 2021). All throughout 2020, multiple lines of businesses have been affected and none more so than the Recreation and Culture division. Many recreation programs and theatre events have had to be delayed, postponed or offered virtually because of social distancing requirements. This has generated significant losses in program revenues, which were partially mitigated by savings in casual staff and facility costs. Other impacted revenues streams include reduced parking fines and park permits as a result of social gathering restrictions. Investment income was also forecasted significantly below expectations due to the continued low interest rate environment and Bank of Canada interest rate cuts. Further details on the Covid-19 impact on 2020 operations can be found in staff report (SRCFS.21.003 - 2020 Operating Forecast, COVID-19 Pressures and Updated Outlook).

Looking forward to 2021, a lot of the same issues encountered in 2020 will also affect the City in 2021. Under the Recreation & Culture section, the postponement of program start dates may contribute to a projected loss of \$3.365 million, offset by savings in facility costs of approximately \$673,000. Investment income is estimated to be approximately \$1.674 million below expectations due to the continued low interest environment. A summary of the larger or known Covid-19 financial impacts by department are found in Appendix H, as well as in the Financial Impact from Covid-19 section of the Corporate Overview found on the City's website. Based on a phased opening of facilities, staff project a potential \$4,644,500 deficit as a result of a continued Covid-19 recovery phase in 2021.

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The estimated \$4.6 million deficit is not incorporated in the 2021 Draft Operating Budget. Throughout 2021, the City will first look to limit any deficit by implementing different mitigating measures as was done in 2020. For example, the City implemented a full-time hiring freeze and generated savings from discretionary training & conference costs in 2020, amongst other measures. After first taking this proactive approach to finding savings, the City will then look to utilize the federal and provincial funding from the Safe Restart Agreement and then from the Tax Rate Stabilization Reserve to subsidize any further deficit in 2021.

Covid-19 Recreation & Facility Maintenance Analysis

As noted earlier, the Recreation and Culture division has experienced the greatest impact from the Covid-19 pandemic. Many recreation programs and theatre events have had to be cancelled, postponed or offered virtually in 2020 because of provincial lockdowns and social distancing requirements. This has generated significant losses in program revenues, which were partially mitigated by savings in casual staffing and facility maintenance costs.

As the community continues to navigate through the consequences of Covid-19 in 2021, it is implicit that there continue to be a need for social distancing and capacity limits along with related provincial regulations that will ultimately affect public demand and participation levels for the City's recreation programs. While public confidence will gradually build up during the recovery period, it may take months or even years to recover to pre-pandemic confidence and consumption patterns.

The 2021 draft operating budget provides for the operating costs of the City's community centers, pools, arenas and other recreation facilities premised on a business as usual scenario, where there is no financial impact from Covid-19. Under this scenario, the related revenues and expenses in operating recreation programs at these facilities are expected to generate a net revenue of \$3,306,800, coupled with the \$6,390,200 in facilities maintenance and ongoing expenses, the total costs to operate recreation facilities have a baseline tax rate impact of \$3,083,400 or 2.61%. (Appendix "I")

With anticipated prolonged effects from Covid-19 in 2021, staff have included the projected financial impact on recreation facilities of a Covid-19 recovery phase as well as an extended lockdown phase (worst case scenario) as a supplement to the 2021 draft operating budget for analysis purpose.

In the Covid-19 recovery phase, where facilities have tentative re-opening dates throughout 2021, modifications have been made to the programs to include a hybrid approach of the traditional in-person and a new virtual format. Participation rates for all programs have been reduced compared to the previous years and additional expenses are included to ensure that the programs adhere to provincial Covid-19 regulations and safety measures. As a result of these changes, the total costs are expected to be

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\$6,035,400 or a tax rate impact of 5.12% in 2021. This also represents an additional cost of \$2,952,000 or 2.51% tax rate impact incremental to the 2021 draft operating budget (business as usual).

Under the extended lock down state, there will be very limited opportunity for facilities re-opening. Programs will be operated primarily in the virtual format while casual staffing and programs expense will still be incurred. The total costs are expected to be \$7,114,700 or a tax rate impact of 6.03% in 2021. This also represents an additional cost of \$4,031,300 or 3.42% tax rate impact compared to the business as usual. Details of the financial impact are shown in Appendix “I”.

While the full impact of Covid-19 remains uncertain, the situation is ever-changing with new regulations and measures being announced, staff will continue to monitor and provide updates to Council.

Financial Outlook and Staffing Plan

One of the City’s budget principles relates to detailed long-term and short-term planning. The multi-year financial outlook is one of the planning tools used by Council and staff. The provision of a multi-year financial outlook ensures that Council is provided with a financially prudent forecast of the future implications of decisions made in the present day.

Appendix “C” provides an updated operating financial outlook based on the proposed 2021 draft operating budget and outlook for 2022-2024. The schedule assumes:

- that the tax rate pressures shown for each year are approved and incorporated into the base revenues of the next year; and
- that no surpluses/deficits are expected.

Base budget outlook for the City includes inflationary and growth pressures estimated at 2% and a 2% factor on non-tax revenue growth. Assessment growth has been conservatively forecasted at 1.50% for 2022 to 2024.

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	Draft Budget	Outlook		
	2021	2022	2023	2024
City Services				
Base	\$ (373,500)	\$ 1,384,300	\$ 1,643,900	\$ 1,647,100
Legislated	113,700	-	-	-
Growth	732,400	981,700	1,100,000	1,150,000
Property Tax / Supplementary Tax	(1,472,600)	(1,769,300)	(1,878,200)	(1,958,800)
Unsustainable Funding Sources	1,000,000	850,000	400,000	-
Tax Levy Increases	\$ -	\$ 1,446,700	\$ 1,265,700	\$ 838,300
Tax Rate Increase (estimated)	0.00%	1.21%	1.00%	0.63%
Covid-19 Related Impact	4,644,500			
Funded - Safe Restart Agreement	(4,347,000)			
Funded - Tax Rate Stabilization Reserve	(297,500)			
Tax Levy Increase	\$ -	\$ 1,446,700	\$ 1,265,700	\$ 838,300
Tax Rate Increase	0.00%	1.21%	1.00%	0.63%
Public Works Enhancement		500,000	500,000	500,000
Tax Levy Increase (incl. Public Works Enh.)		\$ 1,946,700	\$ 1,765,700	\$ 1,338,300
Tax Rate Increase		1.63%	1.39%	1.01%
Recreation Programs - Covid Impact		3,540,300	1,830,100	-
Tax Levy Increase (incl. Rec Programs - Covid-19)		\$ 5,487,000	\$ 3,595,800	\$ 1,338,300
Tax Rate Increase		4.58%	2.83%	1.01%
Capital Asset Sustainability	\$ 1,179,600	\$ 1,197,300	\$ 1,270,900	\$ 1,325,500

The Outlook anticipates annual increases ranging from \$1.3 million to \$2.0 million (see Appendix "C"), excluding Covid-19 related impacts to recreation programs, due to the forecasted costs of future resources and programming requirements to support the City of Richmond Hill's various Strategic Plan Priorities. The inclusion of Covid-19 related impacts to recreation programs produces annual increases of up to \$5.5 million and \$3.6 million in 2022 and 2023, respectively.

2021 Draft Water, Wastewater & Stormwater Budgets

As a result of the ongoing Covid-19 situation, the City is maintaining 2020 Water & Wastewater retail rates and Stormwater rates throughout 2021 in order to provide residents with rate relief during these uncertain times created by the pandemic. Included in the 2021 Draft Water, Wastewater & Stormwater Budgets is the proposed Water and Wastewater combined wholesale rate increase of 0% from the Region of York for combined Water and wastewater services. The budget also proposes a 0% rate increase for Stormwater.

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Water & Wastewater Services

The 2021 Draft Water and Wastewater Budget provides for:

- A combined 0% Water & Wastewater retail rate increase, consistent with a 0% wholesale rate increase for provision of water and wastewater treatment services passed from the Region of York.
- Contribution to Repair & Replacement reserve funds to continue to provide for full replacement funding of Water & Wastewater assets

The draft By-law No. 8-21 in Appendix “E” shows the combined retail rate of \$4.7424 per cubic metre, a water service only rate of \$1.9667 per cubic metre and a flat rate at \$253.28 per quarter for wastewater services. While all properties in the City of Richmond Hill are required to have a water meter installed, periodically a property becomes occupied before the meter is installed. In these instances, those properties without a water meter will be charged a flat rate of 1 cubic metre per day at the current combined water & wastewater retail rate. The rate freeze continues to be consistent with the legislatively required Safe Drinking Water Act, 2002, Ontario Regulation 453/07. The budget also incorporates the results of the approved Financial/Rate Study completed by staff in 2018.

Stormwater Management Services

The budget proposes a 0% rate increase for stormwater management. The Stormwater Management Rate was adopted by Council in 2013. The basis of the rate was presented in the report, Stormwater Management Financing Feasibility Study (SRCFS.13.007). The annual rate per residential home owner will remain at \$73.95 and for non-residential, multi-residential and condominiums the rate will remain at \$214.83. In 2022 staff will be implementing a more equitable rate structure based on land area, as approved by Council

The required public notice has been provided on January 6, 2021 for the February 10, 2021 meeting at which this budget is recommended for adoption. Council adoption of the 2021 Draft Water, Wastewater & Stormwater Budgets will facilitate the proposed retail charges to be effective for April billings.

Reserves and Reserve Funds Budget

Appendix “F” provides an overview of the transfers to and from Reserves and Reserve Funds that are included in the Draft Operating Budgets.

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Resolution to Exclude Amortization and Post-Employment Expense Budgets

Accounting regulations require municipalities to report on financial statements expenses traditionally not included in the operating budget. Ontario Regulation 284/09, Budget Matters – Expenses, allows the City of Richmond Hill to continue to budget on a basis other than based on accounting regulations, and exclude amortization and post-employment benefits related expenses. Before adopting a budget that excludes such expenses, Council must pass a resolution on a report (Appendix “G”) that outlines the impact to the accumulated surplus, and the impact on the future tangible capital asset funding requirements of the municipality.

Relationship to the Strategic Plan:

The City of Richmond Hill’s annual Operating Budget reflects the overall use and wise management of resources, and should be considered the annual financial reflection of the City’s Strategic Plan. The Strategic Plan goals are represented in the annual budget process through:

- Stronger Connections in Richmond Hill not only through the efficient provision of services common to all residents but also from the methods used to reach out to the public for budget input. Suggestions and feedback from residents and businesses are an important part of the City’s budgeting process.
- Better Choice in Richmond Hill as reflected in the mosaic of service options available to residents from transportation throughout the City to the various recreation programs offered. Better choice also reflects the common services all residents have come to depend on, whether it be with Fire Emergency services or prompt winter maintenance of roads and sidewalks. The annual budget communicates the details of the high-quality services that Richmond Hill residents and businesses are accustomed to.
- A more vibrant Richmond Hill is also made apparent through the budgeting process with many cultural, recreational and creative programs and initiatives included in the annual budget.

Conclusion:

This report includes a summary of the 2021 Draft Operating Budgets:

- The 2021 Operating Budget provides for a Municipal Tax Levy of \$117,956,300 (excluding supplementary taxes) which includes a \$0 (0.0%) budgetary increase over 2020.

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- The provision of a Special Levy generates an additional \$1,179,600, to a total of \$6,571,700, for Capital Asset Sustainability (reflective of a 1% tax rate equivalent increase).
- The retail rate for water & wastewater services and the stormwater management rate is recommended to remain flat which will continue to provide full cost recovery for water, wastewater & stormwater functions and replacement funding of related assets to support future sustainability of the water, wastewater & stormwater infrastructure.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format please call the contact person listed in this document.

- Appendix A: Operating Budget Pressures
- Appendix B: Efficiencies Listing
- Appendix C: 2022 - 2024 Financial Outlook
- Appendix D: By-Law to adopt the 2021 City Services Operating Budget
- Appendix E: By-Law to adopt the 2021 Water, Wastewater & Stormwater Budget
- Appendix F: 2021 Application of Reserve and Reserve Fund Transfers in the Budget
- Appendix G: Compliance Report under O. Reg. 284/09, Budget Matters – Expense
- Appendix H: Covid-19 Related Financial Impact Analysis
- Appendix I: Covid-19 Recreation & Facility Maintenance Analysis

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Report Approval Details

Document Title:	SRCFS.21.001 - 2021 Operating Budget Staff Report.docx
Attachments:	<ul style="list-style-type: none">- SRCFS.21.001 - Appendix A - Operating Budget Pressures.pdf- SRCFS.21.001 - Appendix B - Efficiencies.pdf- SRCFS.21.001 - Appendix C - 2022-2024 Financial Outlook.pdf- SRCFS.21.001 - Appendix D - Bylaw 7-21 - 2021 City Operating Budget.pdf- SRCFS.21.001 - Appendix E - Bylaw 8-21 - 2021 WWW and SWM Budgets.pdf- SRCFS.21.001 - Appendix F - Reserve and Reserve Fund Transfers.pdf- SRCFS.21.001 - Appendix G - Compliance Report.pdf- SRCFS.21.001 - Appendix H - Covid-19 Related Financial Impact Analysis.pdf- SRCFS.21.001 - Appendix I - Covid-19 Rec and Facility Maintenance Analysis.pdf
Final Approval Date:	Jan 19, 2021

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

David Dexter - Jan 18, 2021 - 4:23 PM

Sherry Adams - Jan 18, 2021 - 5:32 PM

MaryAnne Dempster - Jan 19, 2021 - 8:24 AM