



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: November 23, 2021

Report Number: SRCFS.21.052

Department: Corporate and Financial Services

Division: Financial Services

Subject: **SRCFS.21.052 - 2022 Draft Operating Budget**

Purpose:

To present the City of Richmond Hill's 2022 Draft Operating Budgets for Council Approval.

Recommendation(s):

- a) That the 2022 City Operating Budget;
 - a. Summarized in Appendix "A" with a recommended budget increase of \$0 and a total tax levy of \$119,676,900 (excluding supplementary taxes), subject to minor changes based on final Municipal Property Assessment Corporation (MPAC) tax roll update in December 2021, be adopted;
 - b. That the 2022 Seniors Tax Assistance Grant remain at \$404;
 - c. That the draft By-law No. 138-21, attached as Appendix "D", be enacted to adopt the 2022 City Operating Budget;
 - d. That any financial impact, as a result of Covid-19, be funded by the Safe Restart Agreement and/or Provincial Covid-19 Recovery Funds and staff provide periodic financial update reports on the operating impact of the Covid-19 pandemic.
- b) That the Capital Asset Sustainability Fee budget increase of \$1,196,800 and total fee levy of \$7,768,500 for the 2022 taxation year, be adopted;
- c) That the draft By-law No. 139-21, attached as Appendix "E" be enacted to adopt the 2022 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 2022 Draft Operating Budget; and
- f) That the 2021 Operating Forecast Q4 (attached as Appendix "I") be received for information purposes.

Page 2

Contact Person:

Andrew Li, Financial Management Advisor, Ext. 3646

Gigi Li, Manager Fiscal Planning and Strategy, Ext. 6435

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.

Page 3

Background:

The 2022 Operating Budget is scheduled to be deliberated at the Budget Committee of the Whole (BCW) meeting on November 23, 2021. The following report provides an overview of the 2022 Draft Operating Budget and presents recommendations for Council's approval.

Starting in March 2020, the World Health Organization upgraded the Covid-19 outbreak from a global health emergency to a pandemic. The effects of the virus had reached all parts of the globe and continue to do so worldwide, at varying degrees of severity. The first year of the pandemic was largely reactionary due to the unexpected and overwhelming nature of the disease.

In 2021, year two of the pandemic, it was more about containment and management, as mitigating measures were applied and a vaccine was rolled out to the public in phases. From the City's perspective, it had adapted and changed a lot of the ways in how the organization operated. Social distancing necessitated more virtual offerings of Recreation programs, increased online payment options and greater work from home arrangements for staff, to name a few. Some changes may be temporary, only in effect for as long as the pandemic persists, while other changes represent a more effective way of doing business, a new normal.

To date, a large majority of Ontario's population has been fully vaccinated and plans are to gradually increase capacity limits for both indoor and outdoor settings soon, with assistance from the Province's vaccine certificate program. As things look to stabilize, City operations will continue to adjust to a new normal, which is reflected in the draft 2022 Operating Budget. 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, based on a median outcome. The draft 2022 Operating Budget is neither reflective of a worse-case scenario, which may involve a full year lockdown, or a best case scenario where the community fully returns to pre-2020 business as usual operations but a cautious approach to gradual recovery and return to the new normal.

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 April 27, 2021 BCW meeting and highlight how these factors are incorporated into the draft budget. Consistent with prior years, the draft budget was subject to ongoing in-depth review by the Executive Leadership Team.

This staff report will provide a breakdown of the key components of the budget by the various pressure categories, including the resulting tax impact to the average residential property owner. As part of the budgeting process, staff have also been closely

Page 4

monitoring the 2021 year-to-date results in order to project a 2021 Operating Forecast, detailed in the body of this year, and to gain insight into the development of the draft 2022 Operating Budget. Lessons learned in 2021 will help provide reference for 2022 operations.

These continue to be challenging times for our residents and businesses. Collectively, we have all had to adapt to a fluid and ever evolving situation. Nonetheless, the City strives to maintain existing service levels, where feasible. After presenting a 0% tax rate increase for fiscal 2021, the City's draft 2022 Operating Budget, as presented, proposes a comparable 0% tax rate increase.

The City's proposed operating budget is a static budget that attempts to account for a reasonable projection of 2022 operations. It is understood that actual results will differ, especially given the challenges and uncertainties presented by Covid-19 and related regulations. In order to mitigate the potentially large year over year budget changes, a separate Covid-19 financial impact analysis is shown (Appendix 'H'), to understand and highlight the financial impact of a potential recovery phase. The analysis considers the additional costs or savings from social distancing and other changes in public consumption patterns in 2022. For example, continued Covid-19 concerns may impact Recreation program offerings, capacity restrictions, participation rates and staffing related to the Vaccine Certificate Policy. These factors together would result in a significant loss in net revenues and are considered as part the analysis.

From the analysis, the overall impact to the City's 2022 net budget is a deficit of approximately \$5,599,000 (excluding Library), which would have equated to a 4.68% tax rate increase if incorporated into the proposed draft operating budget. However, the estimated deficit is presented for information and analysis purposes only, as the situation continues to evolve.

As part of the Safe Restart Agreement and the Provincial Covid-19 Recovery Funds, the City received federal and provincial funding of \$4,131,900 in 2020 and another \$7,328,890 in 2021, totaling \$11,460,790. These funds were provided to assist municipalities against Covid-19 operating costs and pressures. The City incurred a \$1.553 million deficit in 2020 and is currently projecting a 2021 deficit of \$5.035 million, detailed in the body of this report. If the estimated 2022 Covid-related deficit of \$5.599 million is realized, the total deficit from 2020-2022 would be approximately \$12.187 million versus total funding received of \$11.461 million. The remaining deficit of approximately \$726,410 would then be funded from the Tax Rate Stabilization Reserve.

In summary, the estimated 2022 Covid-19 related deficit of \$5.599 million does not directly impact the 2022 tax levy. Instead, any deficit will be funded from the Safe Restart Agreement and Provincial Covid-19 Recovery Funding monies first and then the Tax Rate Stabilization Reserve, if necessary, as this is the intended purpose of these funds.

Page 5

Operating Budget Strategy

The 2022 Draft Operating Budget reflects the Council adopted budget strategy endorsed via the Budget Committee of the Whole (BCW) meeting on April 27, 2021. The approved 2022 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%;
3. The operating budget considerations outlined in Staff Report SRCFS.21.012 (2022 Capital & Operating Budget Strategy) be used as a guideline in the development of the 2022 Draft Operating Budget.

The proposed 2022 Draft Operating Budget, as presented in this report, meets all of the above objectives.

Budget Committee of the Whole Review

At the November 23, 2021 BCW meeting, staff will present an overview of the 2022 Draft Consolidated Operating Budget reflecting a \$0 tax levy increase (i.e. 0% tax rate increase) which includes the financial impact from City Services as well as the Richmond Hill Public Library Board.

2022 Draft Operating Budget – Pressures	
Base	\$16,700
Legislated	172,500
Annualization	145,500
Growth / Service Enhancements	960,900
Property Tax / Supplementary Tax	(1,720,600)
Unsustainable Revenue Sources	425,000
2022 Tax Levy Impact	\$0

Detailed information was previously provided to Council Members during the week of November 8, 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.

Financial/Staffing/Other Implications:

Total Operating Budget

The 2022 proposed operating budget reflects a Tax Levy increase of \$0 (i.e. 0% increase).

Page 6

Budget Category	2021 Budget	2022 Draft Budget	Inc / (Dec) from 2021
Personnel - Permanent	\$ 113,809,000	\$ 115,923,000	\$ 2,114,000
Personnel - Casual	10,464,700	10,733,200	268,500
Personnel Expenditures	124,273,700	126,656,200	2,382,500
Contracts / Services	22,903,000	23,904,600	1,001,600
Materials / Supplies	22,094,900	22,979,500	884,600
Other Expenditures	5,534,700	6,012,500	477,800
To Reserve & Reserve Funds	9,432,600	9,527,000	94,400
Non-Personnel Expenditures	59,965,200	62,423,600	2,458,400
Total Expenditures	\$ 184,238,900	\$ 189,079,800	\$ 4,840,900
User Fees & Fines	(39,482,100)	(40,340,400)	(858,300)
Investment Income	(4,200,000)	(3,775,000)	425,000
Grants / Donations	(1,768,900)	(1,643,400)	125,500
From Reserve and Reserve Funds	(11,330,100)	(13,653,000)	(2,322,900)
From Other Internal Sources	(7,660,700)	(8,150,300)	(489,600)
Non-Taxation Revenues	(64,441,800)	(67,562,100)	(3,120,300)
Taxation	(119,797,100)	(121,517,700)	(1,720,600)
Total Revenues	\$ (184,238,900)	\$ (189,079,800)	\$ (4,840,900)
Total Overall Levy Requirement	\$ -	\$ -	\$ -

Page 7

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 the City of Richmond Hill. The taxation revenue assessment base will grow by 1.46% for 2022 resulting in additional taxation revenues of \$1.721 million. The Municipal Property Assessment Corporation (MPAC) updates the property assessment values, for which total assessment growth is based upon.

Traditionally, the City’s Operating Budget deliberations occur in the new year, after MPAC’s final updates. The City’s draft 2022 Operating Budget will be presented at an earlier BCW meeting in November this year, however, MPAC will not have completed their final updates and adjustments until mid-December. It is not anticipated that the final assessment base report from MPAC will have a material impact on the City’s property assessment growth and correspondingly, property tax revenues. However, minor changes can be expected and will be incorporated into the City’s property tax collection process. A 0.01% increase in assessment percentage, equates to approximately \$11,800 in additional property taxation revenue.

Supplementary taxes are budgeted at \$1.841 million in 2022, consistent with the prior year. 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 state of good repair of capital assets, as outlined in the City’s Financial Sustainability Strategy. The 2022 increase will generate an additional \$1,196,800 for future capital asset funding for a total budget of \$7,768,500.

The taxation revenue budget is presented below.

	Property Tax	Supplementary Taxes	Total	CAS Levy
2021 Base	\$ 117,956,300	\$ 1,840,800	\$ 119,797,100	\$ 6,571,700
2022 Assessment Growth	1,720,600	-	1,720,600	-
2022 Budget Related Increase	-	-	-	1,196,800
2022 Increase	\$ 1,720,600	\$ -	\$ 1,720,600	\$ 1,196,800
Total Tax Levy	\$ 119,676,900	\$ 1,840,800	\$ 121,517,700	\$ 7,768,500

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 2021 grant was \$404. The grant is indexed to the tax rate increase as set by the City of Richmond Hill. In 2022, the grant will remain at \$404 per eligible applicant.

Page 8

Municipal Impact of the Tax Rate Increase to Resident Taxpayer

Every four years, MPAC is responsible for updating all the property assessment values in the Province, of which the changes are then phased-in over the next 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) which were phased-in over the next 4 year taxation years, 2017 through to 2020. The next scheduled assessment update was to be performed in 2020, however, in light of the financial challenges that households were facing from the evolving Covid-19 situation, the Province had postponed the 2020 update. Earlier this year, MPAC had announced that the update would also not be completed in 2021 or 2022, and that there is currently no scheduled date as of yet.

Therefore, the CVA value for the average single, detached residential property in Richmond Hill remains at \$1.146 million for 2022, same as the 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 approximately \$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
2022 Average Tax Bill	\$ 1,955.26	\$ 126.92

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 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.

Page 9

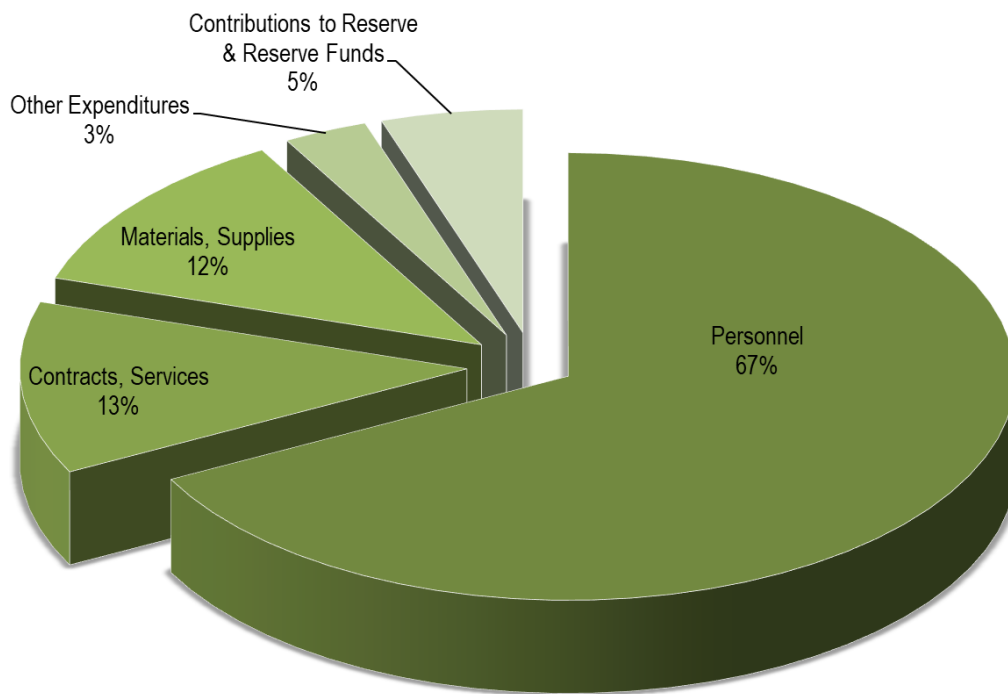
2022 Draft Operating Budget

The 2022 Draft Operating Budget (Appendix “A”) proposes a net budget increase of \$0, (or 0.0%).

Operating Expenditures

The total expenses included in the 2022 Draft Operating Budget is \$189.1 million. The major operating expenditures are comprised of Personnel costs (\$126.7 million), Contract/Services (\$23.9 million) and Materials/Supplies (\$23.0 million), each representing 67%, 13% and 12% respectively.

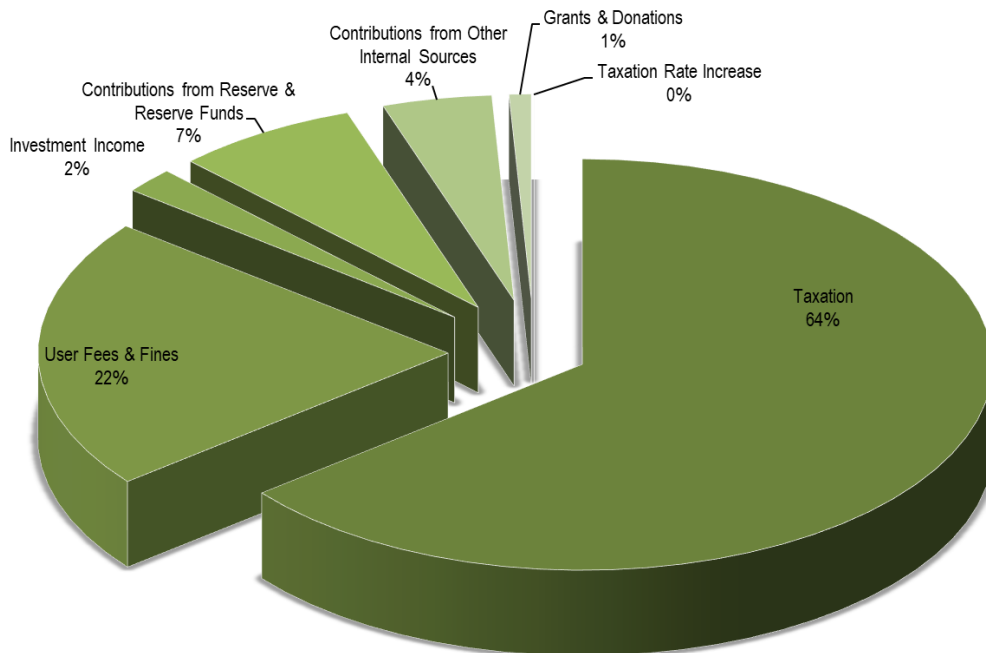
Operating Expenditure Budget



Operating Revenues

The main source of the City’s revenue is from Taxation and User Fees and Fines as graphically depicted below as 64% and 22% respectively. Other sources of revenue include Contributions from Reserve and Reserve Funds (7%), Other Internal Sources (4%), and Investment Income (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 2022 produced a total increase of \$2,375,300, as detailed in Appendix 'A'. Personnel expenditure pressures alone reflect an increase of \$984,000 and includes cost of living adjustments, benefit rates changes and employee grade/step rate increases, offset by savings from negotiated CUPE agreement and eliminated payroll and lieu time carryforward.

The base increase for non-personnel expenditures is \$1,391,300. The increase is largely due to rising insurance premiums, collection development, winter material supplies and hydro rates. Other contributing factors also include additional IT requirements related to computer and hardware maintenance for antivirus protection, modelling, backup servers and VPN licenses.

Page 11

Base Revenues

User fees and fines base revenues are budgeted to increase by \$858,300.

Approximately \$300,000 of the increase is related to property tax interest & penalties revenues, which have increased based on forecasted trend. The additional revenue increases are mainly the result of increases in Lake Wilcox parking fines, facility rentals, Theatre and other Recreation fees, reflective of the approved 2022 Tariff of Fees By-Law update.

Transfers from Reserves have also increased by \$1,118,200 partly due to additional draws from Building Services and Development Engineering reserves for personnel costs related to digitization projects and development related activities. In addition, increased draws for Library operations were budgeted to address core capability gaps.

Transfers from internal sources have increased by an additional \$489,600 due to transfers from the Water and Wastewater Fund as a result of additional efforts and resources identified in the Operating Fund for Water and Wastewater activities as identified in the Rate Study exercise. Similarly, the Operating Fund also received increased transfers for Stormwater related activities.

Legislated Pressures

The financial impact of new legislation on how municipal services are provided totals \$172,500. Minimum wage increases for casual staff under the Parks Operations and Recreation & Culture divisions account for \$154,500 of the increase, while \$18,000 is related to legislated support payment fees reductions under Recreation (Integration Services).

As a result of the recent announcement by the Provincial Government to increase minimum wage to \$15.00 per hour effective January 1, 2022, it has been determined that there will be impact to the 2022 Operating Budget. The 2022 approved Tariff of Fee By-law (SRCFS.21.031), approved by Council, allow staff to nominally increase user fees to account for operational cost increases to adjust to the Covid-19 pandemic guidelines set forth by the Province of Ontario. In order to recover the additional expenses resulting from the legislative minimum wage increase, Recreation and Culture Division Staff will be adjusting the 2022 Tariff and Fees in program and indoor and outdoor facility permitting areas that can accommodate slight increases based on municipal comparisons in order to recover the \$94,000 increase to casual wages within the Recreation & Culture Division and \$46,700 within the Parks Operations Division.

Growth Pressures

The net growth impact to the budget is a decrease of \$759,700. 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 staffing requests total \$200,400 and include 4 full-time requests (3 are fully or partially funded from reserves) as well as the costs for 16

Page 12

firefighters, which are fully funded from the Community Enhancement and Economic Vitality Reserve Fund (Appendix 'B').

The 2021 Fire Service Master Plan (FSMP) was received as information by Council November 10, 2021 through Staff Report (SRCS.20.21). Recommendation #31 from the 2021 FSMP reaffirms the recommended additional staffing as was previously received in the 2016 FSMP. SRCS.20.21 discussed the request would be forthcoming in the 2022 Operating Budget. The 2022 Operating Budget includes the request for 16 Firefighters with a start date of June 2022 for Council's consideration, together with the safety equipment, protective clothing and training; the total cost is \$795,200. A January 2022 start date for the firefighters would translate to a full year cost of \$1,342,200. To ease the burden on the 2022 Operating Budget and future budgets, staff propose to phase-in the full impact over 5 years from the Community Enhancement and Economic Vitality Reserve Fund. This would reflect an annual increase of \$500,000 to the Operating Budget for each of the next five years, starting in the 2023 Operating Budget.

Growth program pressures combine for a budget increase of \$760,500, mainly related to the third year of an eight year plan to fully tax-fund the Public Works Enhancement Program (\$500,000), the snow windrow opt out program (\$126,000) and the LDD moths program (\$109,000). In addition, the City has also budget for consulting costs related to the Richmond Hill Centre Development team, Age-Friendly Community Strategy and Diversity, Equity and Inclusion Strategy, which are fully funded from various reserves and reserve funds (Appendix 'B').

In 2022, the property assessment growth is 1.46%, generating an additional \$1,720,600 in taxation revenue.

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. Due to the continuing low interest rate environment, the draft 2022 Operating Budget reflects a decrease in investment income by \$425,000, which represents half of the final phase in amount of \$850,000 to reduce the investment income by \$2.5 million. This is in an effort to align the current \$3.775 million investment income budget to a level that is closer to actual short-term investment returns (i.e. \$3.35 million).

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 2022 Draft Operating Budget is \$7.96 million. The total expenditure budget is \$10.0 million and the total revenue budget is \$2.04 million. The net budget is funded from municipal property taxes and reflects an increase of \$191,900.

Page 13

Richmond Hill Centre for the Performing Arts Core Services Review

In 2021, a theatre review process was initiated internally with the objective of maintaining a community cultural benefit in Richmond Hill balanced with a financially sustainable service delivery model. The resulting theatre review recommendations are centered around the following areas – focusing on corporate alignment within the Recreation and Culture Division by leveraging existing expertise inherent in Division staff, ensuring consistency of policies and procedures, and improving cohesion with other City Divisions; adjusting organizational structure by reducing casual wages and improving the volunteer program, while also evaluating and enhancing front of house coordination; further developing fiscally sustainable programming by reducing present shows and increasing rental shows, increasing Canadian content, expanding education and camp/afterschool programming, and reducing equipment rentals through capital investments long term; and, implementing a theatre management framework that is more cohesive with other Division portfolios. The result of these recommendations are a reduction of \$260,000 in the 2022 operating budget, with \$230,000 included in the Theatre section and \$30,000 included in the Facilities section.

Financial Impact from Covid-19

The proposed 2022 Draft Operating Budget has included the financial impact of primarily 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 2022, there will be new data and corresponding regulations that may substantially change how the City operates. Despite an increasingly vaccinated population and declining case counts, the situation will be fluid and it is imperative that the City remains flexible in order to adapt.

After nearly two years of the pandemic, multiple lines of the City's businesses have been affected and none more 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 revenue 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. Further details on the Covid-19 impact on 2021 operations can be found in the 2021 Q4 forecast section of this staff report.

Looking forward, a lot of the same issues encountered in 2021 may also affect the City in 2022. Under the Recreation & Culture section, reduction in program offerings and capacity limits may contribute to a projected loss of \$2.287 million. Meanwhile, additional casual staffing needs, costing approximately \$1.193 million, may be required to verify vaccination status of all the patrons entering community centres and arenas, as per the legislated Vaccine Certificate Policy (September 2021).

Page 14

Public Works Operations continue to provide front facing services while remaining agile throughout the various province mandated public health restrictions and requirements. With the continued trend of working from home, an increase in garbage and recycling collection expenses of approximately \$281,200 can be expected, offset against a reduction in community outreach and education program costs. Fire and Emergency Services anticipate financial pressures of \$192,500 in an extended Covid-19 recovery phase in 2022 from additional cleaning supplies, protective equipment and overtime as a result of the restrictions on combining crew staff to cover for absenteeism required to maintain daily operations.

Investment income is estimated to be approximately \$1.235 million below expectations due to the continued low interest environment. Meanwhile, development planning revenues may also be impacted by \$513,100, as a result of stagnant growth from a Covid-19 recovery phase. In the case of further restrictions, Library operations anticipate net savings of \$254,800 due to reduced casual staffing costs, offset by lower library-generated revenues from reduced hours of operations. A summary of the larger or known Covid-19 financial impacts are found in Appendix H. In total, staff project a potential \$5,599,000 deficit (excluding Library operations) as a result of a continued Covid-19 recovery phase in 2022.

The estimated \$5.6 million deficit is not considered as part of the 2022 Draft Operating Budget. Throughout 2022, the City will first look to limit any deficit by utilizing the federal and provincial funding from the Safe Restart Agreement and Covid-19 Recovery funds, then from the Tax Rate Stabilization Reserve to subsidize any further deficit in 2022.

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 2022 draft operating budget and outlook for 2023-2025. 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 2023 to 2025.

Page 15

	Draft Budget	Outlook		
	2022	2023	2024	2025
City Services				
Base	\$ 16,700	\$ 1,549,700	\$ 1,722,900	\$ 1,851,400
Legislated	172,500	-	-	-
Growth	1,106,400	929,700	1,225,500	1,102,100
Property Tax / Supplementary Tax	(1,720,600)	(1,795,200)	(1,853,700)	(1,913,000)
Unsustainable Funding Sources	425,000	425,000	-	-
Tax Levy Increases	\$ -	\$ 1,109,200	\$ 1,094,700	\$ 1,040,500
Tax Rate Increase (estimated)	0.00%	0.91%	0.87%	0.80%
Covid-19 Related Impact	5,599,000			
Funded - Safe Restart Agreement/Covid-19 Recovery	(4,872,590)			
Funded - Tax Rate Stabilization Reserve	(726,410)			
Tax Levy Increase	\$ -	\$ 1,109,200	\$ 1,094,700	\$ 1,040,500
Tax Rate Increase	0.00%	0.91%	0.87%	0.80%
Public Works Enhancement		500,000	500,000	500,000
Fire Master Plan (16 Firefighters)		500,000	500,000	500,000
Tax Levy Increase		\$ 2,109,200	\$ 2,094,700	\$ 2,040,500
Tax Rate Increase		1.74%	1.67%	1.58%
Recreation Programs - Covid Impact		2,778,100	1,852,100	926,100
Tax Levy Increase (incl. Rec Programs - Covid-19)		\$ 4,887,300	\$ 3,946,800	\$ 2,966,600
Tax Rate Increase		4.02%	3.15%	2.29%
Capital Asset Sustainability	\$ 1,196,800	\$ 1,214,700	\$ 1,254,400	\$ 1,294,400

The Outlook anticipates annual increases ranging from \$2.0 million to \$2.1 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 Priorities. The inclusion of Covid-19 related impacts to recreation programs produces annual increases of up to \$4.9 million, \$3.9 million and \$3.0 million in 2023, 2024 and 2025, respectively.

2022 Draft Water, Wastewater & Stormwater Budgets

Included in the 2022 Draft Water, Wastewater & Stormwater Budgets is the proposed Water and Wastewater combined retail rate increase of 3.3% (effective April 1, 2022) largely driven by a 3.3% wholesale rate increase for water and wastewater, charged by the Region of York. The budget also includes a more equitable rate structure for Stormwater by property type and site area to reflect the appropriate allocation of the rate burden between residential and non-residential rate payers based on stormwater contribution.

Page 16

Water & Wastewater Services

The 2022 Draft Water and Wastewater Budget provides for:

- A combined 3.3% Water & Wastewater retail rate increase, consistent with a 3.3% wholesale rate increase for provision of water and wastewater treatment services passed from the Region of York
- Greater Transfers to the Operating Fund to reflect increased workflow activity toward Water & Wastewater functions
- Increased contribution to Repair & Replacement reserve funds to continue to provide for full replacement funding of Water & Wastewater assets

The draft By-law No. 139-21 in Appendix “E” shows the combined retail rate of \$4.8989 per cubic metre, and a water service only rate of \$2.0316 per cubic metre. 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 increase 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 Plan/Rate Study completed by staff in 2019.

Stormwater Management Services

The *Stormwater Management Financing Feasibility Study (SRCFS.13.007)* presented to Council in 2013 proposed a Stormwater Management rate on a two tier rate structure. However, it was determined that stormwater services required greater staffing efforts and increased capital and infrastructure needs and the current two-tier flat rate structure (residential and non-residential) does not adequately account for urban stormwater runoff created by higher density and non-residential (e.g. commercial, industrial) developments. Impervious surfaces such as roads, parking lots, rooftops and sidewalks are constructed during land development, and these surfaces reduce the amount of runoff that soaks into the soil resulting in more runoff to control. With increased higher density (larger number of multi-residential condominiums) being built in the City, resulting in more impervious areas and lower revenue per household compared to a single family home, a more equitable and sustainable rate structure is required to reflect the equitable allocation of the rate burden between residential and non-residential rate payers. In 2020, Council approved the new rate structure recommended by staff, distributing the total revenue requirement to recover stormwater related costs by using the total area of the City (excluding exempt land such as schools and places of worships) and applying the impervious area by property type to derive a stormwater rate per square foot. The individual property annual stormwater charge is then calculated by the rate per square foot and the site area of the respective property.

Page 17

This budget proposes a change in rate structure for stormwater management as approved by Council in 2020. The Stormwater Management Rate will now be broken down by property type and site area to reflect the appropriate allocation of the rate burden between residential and non-residential rate payers based on stormwater contribution. The annual rate per residential home owner will be \$9.54 per 1,000 square feet. Commercial, industrial and condominiums rate will be \$21.02 per 1,000 square feet annually. For Agriculture/Farms and vacant lands, the rate will be \$3.20 per 1,000 square feet annually while golf courses will have a rate of \$4.25 per 1,000 square feet per annum.

This table highlights the average billing rate of a Richmond Hill property:

Property Type	Estimated 2021	Estimated 2022
Single Detached Residential	\$ 73.95	\$ 73.95
Residential Condo Unit	\$ 1.43	\$ 12.11
Regional Shopping Mall	\$ 214.83	\$ 41,939

The required public notice has been provided on November 5, 2021 for the December 8, 2021 meeting at which this budget is recommended for adoption. Council adoption of the 2022 Draft Water, Wastewater & Stormwater Budgets will facilitate the proposed retail charges to be effective for April billings.

2021 Operating Forecast (Q4)

In 2021, staff provided three updates to Council related to the City's ongoing financial impact as a result of Covid-19. The report in October (SRCFS.21.43) outlined an anticipated deficit of \$5.6 million. This Q4 update provides the latest financial impact as a result of Covid-19 and will be the final update to Council in 2021. Provincial and Federal support announced through the "Safe Restart Funding" and the "Provincial Covid-19 Recovery Funding" for 2021 of \$7.3 million and \$2.58 million carried forward from 2020 provide the necessary relief to overcome these anticipated impacts in 2021. Any remaining unused funding from the Safe Restart and Provincial Covid-19 Recovery Funding at the end of 2021 will be carried forward to overcome the anticipated financial impacts from Covid-19 in 2022.

Based on updated information, staff are currently projecting a 2021 year-end deficit of \$5.04 million, which is a favourable change of \$560,000 compared to the \$5.6 million reported in Q3 (SRCFS.21.043) and a \$390,500 unfavourable change compared to the 2021 Covid-19 Budget Scenario (Appendix "H")

The City's forecasted deficit in 2021 continues to be driven by the significant loss of non-tax revenues. The City's 2021 \$184 million expenditure budget is funded by \$43.6 million of non-tax revenues or 23.73%. The revenue losses due to Covid-19 are

Page 18

currently anticipated to be \$18.78 million, a decrease from \$19.29 million previously reported in Q3. This is a favourable change of \$506,900 compared to Q3 or \$6.64 million unfavourable change compared to the Covid-19 Budget Scenario. The \$18.78 million loss represents a 43% loss of non-tax revenues, predominately attributable to on-going closures during the first six months of the year and restricted program participants during the summer and early Fall in Recreation.

As the province gradually loosened up some of the Covid-19 related restrictions, the City opened up additional community centres, arena and pools for in-person activities. Facility rentals combined with the ongoing offering of in-person and virtual programs, is the major revenue source for the Recreation Division in 2021. Personnel savings were generated as full time staff continued to be redeployed to other departments or the immunization clinics for most of 2021, coupled with leaving employee turnover positions vacant while limited Recreation facilities were open. Expenditures incurred as a result of the immunization clinics are fully reimbursed by the Region. While Recreation is opening up more facilities in the Fall/Winter, operations will be dependent on the various Covid factors as well as program participation rates. The Vaccine Certificate Policy continues to create financial pressures to Recreation operations as screeners are required to check the vaccine status of all patrons who enter the buildings. Based on the financial results to-date and the projection for the remainder of 2021, the revenue projection, net of staffing and facilities savings, is \$1,942,800 favourable compared to the higher loss projected in the Covid-19 budget scenario submitted as part of the 2021 operating budget process, and \$661,000 more favourable compared to the Q3 forecast.

The 2021 Parking Fine revenue is expected to have an unfavourable variance of \$400,000 by the end of 2021, due to Covid-19. This is an increase of \$40,000 from the \$360,000 previously reported in Q3. The Administrative Monetary Penalty System provides reductions to parking fines in response to financial hardship. The Covid-19 pandemic has resulted in income loss and unemployment, which provides acceptable rationale for fine reductions.

The variance in Tow Truck License revenue of \$105,600 is largely due to reduced issuance of driver licenses as many tow truck companies are having difficulty recruiting back drivers who were laid off during work shortage periods.

The identified major areas of impact above are preliminary in nature and can change as the City progresses throughout the remainder of the year. The final impact will be reported as part of the 2021 operating results.

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.

Page 19

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 Council Strategic Priorities 2020 to 2022:

The City of Richmond Hill’s annual Operating Budget reflects the overall use and wise management of resources, but also touches on other goals within Council’s Strategic Priorities:

- Fiscal Responsibility in Richmond Hill to serve as a role model for municipal management. Through the operating budget, staff incorporate Council approved guidelines into building budgets that reflect the efficient and effective use of resources, while providing quality levels of service;
- Stronger Sense of Belonging in Richmond Hill provided through the efficient provision of services to all residents and from the processes in which public input is sourced. Suggestions and feedback from residents and businesses are an important part of the City’s budget process.

Climate Change Considerations:

Climate change considerations are not applicable to this staff report.

Conclusion:

This report includes a summary of the 2022 Draft Operating Budgets:

- The 2022 Operating Budget provides for a Municipal Tax Levy of \$119,676,900 (excluding supplementary taxes) which includes a \$0 (0.0%) budgetary increase over 2021.
- The provision of a Special Levy generates an additional \$1,196,800, to a total of \$7,768,500, for Capital Asset Sustainability (reflective of a 1% tax rate equivalent increase).
- Effective April 1, 2022, the retail rate for water & wastewater services is recommended to be increased by 3.3%, in order to provide full cost recovery for water and wastewater functions and replacement funding of related assets to support future sustainability of the water and wastewater infrastructure.

Page 20

- Effective April 1, 2022, the retail rate for stormwater services is recommended to be increased based on the new multi-tiered rate structure, in order to provide full cost recovery for stormwater services.

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: Net Growth Pressures
- Appendix C: 2023 - 2025 Financial Outlook
- Appendix D: By-Law to adopt the 2022 City Services Operating Budget
- Appendix E: By-Law to adopt the 2022 Water, Wastewater and Stormwater Budget
- Appendix F: 2022 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: 2021 Operating Forecast (Q4)

Page 21

Report Approval Details

Document Title:	SRCFS.21.052 - 2022 Operating Budget.docx
Attachments:	<ul style="list-style-type: none">- SRCFS.21.052 - Appendix A - Operating Budget Pressures.pdf- SRCFS.21.052 - Appendix B - Growth Pressures.pdf- SRCFS.21.052 - Appendix C - 2023-2025 Financial Outlook.pdf- SRCFS.21.052 - Appendix D - Bylaw City.pdf- SRCFS.21.052 - Appendix E - Bylaw WWW.pdf- SRCFS.21.052 - Appendix F - Reserve and Reserve Fund Transfers.pdf- SRCFS.21.052 - Appendix G - Compliance Report.pdf- SRCFS.21.052 - Appendix H - Covid-19 Related Financial Impact Analysis.pdf- SRCFS.21.052 - Appendix I - 2021 Operating Forecast (Q4).pdf
Final Approval Date:	Nov 17, 2021

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

David Dexter - Nov 16, 2021 - 4:07 PM

Sherry Adams - Nov 16, 2021 - 4:25 PM

MaryAnne Dempster - Nov 17, 2021 - 9:40 AM