



Staff Report for Council Meeting

Date of Meeting: February 22, 2023

Report Number: SRCFS.23.013

Department: Corporate and Financial Services

Division: Financial Services

Subject: 2023 Operating Budget Update

Purpose:

To present the City of Richmond Hill's updated 2023 Operating Budget for Council approval

Recommendation(s):

- a) That Staff Report SRCFS.23.013 regarding the 2023 Operating Budget be received;
- b) That the 2023 City Operating Budget:
 - i. Summarized in Appendix 'A' to staff report SRCFS.23.013, with a recommended budget increase of \$4,529,100 and a total tax levy of \$126,146,000 (excluding supplementary taxes), be adopted which includes the following adjustments recommended by Budget Committee of the Whole:
 - i. Reduction in contracts and materials budget to remove funding associated with the Snow Windrow Opt-Out Program (\$126,000).
 - ii. Increase summer camp revenues due to preliminary registration estimates (\$50,000).
 - iii. Cost reductions in waste container purchases (\$20,000).
 - iv. Reinstatement of half page bi-weekly Community Bulletin Board advertising in the Liberal newspaper increasing budgeted costs by \$50,800.
 - ii. That the 2023 Senior Tax Assistance Grant increase to \$419 be approved;
 - iii. That the draft By-law No. 23-23, attached as Appendix "D", be enacted to adopt the 2023 City Operating Budget

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- c) That the Capital Asset Sustainability Fee 2023 budget increase of \$1,216,000 and total fee levy of \$8,984,500, be adopted;
- d) That the draft By-law No. 24-23, attached as Appendix “E” be enacted to adopt the 2023 Water, Wastewater & Stormwater Budgets;
- e) That the Financial Outlook (attached as Appendix “C”) be received for information; and
- f) That, as required by Ontario Regulation 284/09, Municipal Act 2001, the compliance report attached as Appendix “G” for expenses that have been excluded from the 2023 Draft Operating Budget be approved.

Contact Person:

Andrew Li, Financial Management Advisor Ext. 3646

Report Approval:

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

Approved by: Darlene Joslin, 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:

An operating budget is a financial plan that accounts for an organization's anticipated expenditures and revenues over the course of a fiscal year. It is a plan for the service delivery that residents rely on, such as road repairs, fire services, parks maintenance, snow clearing and much more. The Municipal Act requires that municipal governments maintain a balanced budget therefore operational costs must be fully offset by budgeted revenues, which consists mainly of property tax dollars and user fees (eg. recreation program charges and planning fees).

Staff presented the 2023 Draft Operating Budget to Council over two Budget Committee of the Whole (BCW) meetings on February 7 and February 14, 2023. The draft budget was the result of a year-round budget process that included input from staff and review from the Executive Leadership Team.

As referenced in Appendix 'H' - Staff Report SRCFS.23.007 (2023 Draft Operating Budget), the City's proposed draft budget increase was \$4,674,300 (or 3.84% tax rate increase). The draft budget incorporated significant pressures from inflationary pricing, supply chain disruptions and rising commodity prices. Finding and retaining skilled labour had also been a challenge in the past year, leading to labour shortages, which have affected aquatics, fitness and general recreational program offerings and revenues.

Similar to other organizations, these external factors present challenges to the City. However, staff have maintained a continuous improvement mindset in finding savings, efficiencies and other budget mitigating measures. For example, the Recreation and Culture Division conducted a staff scheduling review within each facility to achieve further efficiencies, while the Theatre section continues to implement recommendations from their Core Services Review. Meanwhile, the Facility Management Division generated budget savings by incorporating technology upgrades to the pool filtration system, improving building usage scheduling and overall contract administration.

In addition, rising Bank of Canada overnight interest rates have contributed to positive returns, which have been incorporated into the investment income budget. In 2020 & 2021, the City received federal and provincial funding to assist against Covid-19 operating pressures as part of the Safe Restart Agreement and the Provincial Covid-19 Recovery Funds. An allocation of the remaining funding has been included as part of the 2023 Draft Operating Budget to partially offset pressures such as inflationary pricing on refuse and recycling contracts, winter maintenance contracts and the aforementioned reduced recreational program revenues.

As a result of continued efforts to review and find savings, additional budget reduction options were explored at the February 14 BCW meeting, which were received and moved forward to the February 22, 2023 Council meeting for approval. The budget reduction items are outlined below, along with a budget increase for the reinstatement

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of Liberal newspaper advertising tabled through Staff Report SRCFS.23.010 (Reinstatement of Community Bulletin Board in the Liberal Newspaper).

	2023 Operating Budget
2023 Draft Tax Levy Increase	\$4,674,300
1. Reduction in contract and material costs related to Snow Windrow Opt-Out Program	(126,000)
2. Increase in Summer Camp Revenues	(50,000)
3. Reduction in Waste Container Costs	(20,000)
4. Reinstatement of Liberal Advertising	50,800
2023 Revised Tax Levy Increase	\$4,529,100

1. Reduction in Public Works Operations contract and materials budget by \$126,000 in relation to the snow windrow opt-out program. Note that opting out of windrow service will continue to be an option.
2. Increase of \$50,000 in summer camp revenues as a result of preliminary registration figures observed in early February 2023.
3. The City initiated the procurement of waste containers through the tendering process, cost savings of approximately \$20,000 were realized based on actual tender pricing.
4. The Liberal newspaper is distributed to just over 50,000 homes each week (updated by Metroland on February 13, 2023). The City will be reinstating bi-weekly half-page Liberal advertising at a cost of approximately \$50,800 annually.

The combined changes lead to a net budget reduction of \$145,200, resulting in a revised 2023 tax levy increase of \$4,529,100 (or a 3.72% tax rate increase).

Senior Tax Assistance Grant

The City provides a Senior 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 2022 grant was \$404. The grant is indexed to the tax rate increase as determined by the City. In 2023, the grant will be set at \$419 per eligible applicant.

Municipal Impact of the Tax Rate Increase to Residential Taxpayer

Typically, MPAC is responsible for updating the property assessment values in the Province every four years. The changes are 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

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the same tax revenue. However, there may be fluctuations between individual homeowners, where some may increase/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 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. The update was deferred in 2021, 2022 and will continue to be postponed in 2023.

Therefore, the CVA value for the average single, detached residential property in Richmond Hill remains at \$1.146 million for 2023, same as the prior year, and this property would see an annual impact of \$72.74 on the municipal portion of the tax bill due to budget increase. 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	\$ 72.74	\$ 19.55
Monthly	6.06	1.63
Daily	0.20	0.05
2023 Average Tax Bill	\$2,028.00	\$144.45

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 determined 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.

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;

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- 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 2023 Operating Budget:

- The 2023 Operating Budget provides for a Municipal Tax Levy of \$126,146,000 (excluding supplementary taxes) which includes a \$4,529,100 (3.72%) budgetary increase over 2022.

Attachments:

The following attached documents may include scanned images of appendices, 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: 2024 - 2026 Financial Outlook
- Appendix D: By-Law to adopt the 2023 City Services Operating Budget
- Appendix E: By-Law to adopt the 2023 Water, Wastewater and Stormwater Budget
- Appendix F: 2023 Application of Reserve and Reserve Fund Transfers in the Budget
- Appendix G: Compliance Report under O. Reg. 284/09, Budget Matters – Expense
- Appendix H: SRCFS.23.007 2023 Draft Operating Budget

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Report Approval Details

Document Title:	SRCFS.23.013 - 2023 Operating Budget Update.docx
Attachments:	<ul style="list-style-type: none">- SRCFS.23.013 - Appendix A - Operating Budget Pressures.pdf- SRCFS.23.013 - Appendix B - Growth Pressures.pdf- SRCFS.23.013 - Appendix C - 2024-2026 Financial Outlook.pdf- SRCFS.23.013 - Appendix D - By-Law 23-23 to adopt the 2023 City Services Operating Budget.pdf- SRCFS.23.013 - Appendix E - By-Law 24-23 to adopt the 2023 Water, Wastewater and Stormwater Budget.pdf- SRCFS.23.013 - Appendix F - Reserve and Reserve Fund Transfers.pdf- SRCFS.23.013 - Appendix G - Compliance Report.pdf- SRCFS.23.013 - Appendix H - SRCFS.23.007 (2023 Draft Operating Budget).pdf
Final Approval Date:	Feb 17, 2023

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

Gigi Li - Feb 17, 2023 - 12:09 PM

Sherry Adams - Feb 17, 2023 - 12:37 PM

Darlene Joslin - Feb 17, 2023 - 1:54 PM