



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: February 7, 2023

Report Number: SRCFS.23.007

Department: Corporate and Financial Services

Division: Financial Services

Subject: 2023 Draft Operating Budget

Purpose:

To present the City of Richmond Hill's 2023 Draft Operating Budgets for Council deliberation.

Recommendation(s):

- a) That Staff Report SRCFS.23.007 regarding the 2023 Operating Budget be received;
- b) That the following staff recommendations be deferred to the February 14, 2023 Budget Committee of the Whole meeting for approval:
 1. That the 2023 City Operating Budget:
 - i. With a recommended budget increase of \$4,674,300 and a total tax levy of \$126,291,200 (excluding supplementary taxes), summarized in Appendix "A" be approved;
 - ii. That the 2023 Senior Tax Assistance Grant increase to \$420 be approved;
 - iii. That the draft By-law 23-23, attached as Appendix "D", be referred to the February 22, 2023 Council meeting for adoption.
 2. That the Capital Asset Sustainability Fee 2023 budget increase of \$1,216,000 and total fee levy of \$8,984,500, be approved;
 3. That the draft By-law 24-23, attached as Appendix "E" for the 2023 Water, Wastewater & Stormwater Budgets, be referred to the February 22, 2023 Council meeting for adoption;
 4. That the Financial Outlook (attached as Appendix "C") be received for information; and

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5. 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:

The City's operating budget process is a continuous, year-round process. 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. Consistent with prior years, the draft budget involved an in-depth review by the Executive Leadership Team.

An operating budget is a financial plan that accounts for an organization's anticipated expenditures and revenues. 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 and 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).

The 2023 Operating Budget is scheduled to be deliberated over two Budget Committee of the Whole (BCW) meetings on February 7 and February 14, 2023. The first session will provide an overview of the City's 2023 Operating Budget followed by separate departmental budget presentations from Community Services, Office of the City Manager, Richmond Hill Public Library and Business Improvement Area (BIA). The second meeting will include presentations for Planning and Infrastructure, Corporate and Financial Services, Corporate Accounts, and Water and Wastewater Services / Stormwater Services. The following report provides an overview of the 2023 Draft Operating Budget and presents recommendations for Council's approval.

Heading into 2023, the financial impact of Covid-19 has subsided as compared to the previous three years. However, these continue to be challenging times for both residents and businesses. Supply chain disruptions and increasing demand for consumer goods has contributed to rising inflation rates, which have not only impacted residents but the City as a whole. Significant increases to commodity prices, such as fuel and natural gas, have made it more costly to operate vehicles for public works and manage facility operations. Additionally, labour shortages have led to reduced aquatics, fitness and general recreational program offerings and revenues.

In contrast, the Bank of Canada raised the overnight interest rate from 0.25% to 4.25% in 2022 and most recently to 4.50% in January 2023. This has led to positive returns on short-term investment income which is expected to continue into 2023. Additionally, 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 will be used to offset the 2022 Covid-19 related deficit and \$2.5 million has been included as part of the 2023 Draft Operating Budget.

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The City has had to adjust to a new normal, finding more cost effective ways of doing business while maintaining existing service levels, where feasible. The challenges and opportunities referenced above are significant pressures that have been considered as part of the City’s 2023 Draft Operating Budget, which proposes a budget increase of \$4,674,300 (or 3.84% tax rate increase).

Operating Budget Strategy

The 2023 Draft Operating Budget reflects the Council adopted budget strategy endorsed via the Budget Committee of the Whole (BCW) meeting on June 28, 2022.

The approved 2023 Draft Operating Budget Strategy includes the following objectives and directives whereby staff propose a budget that:

1. Supports Council priorities;
2. The operating budget considerations outlined in Staff Report SRCFS.22.017 (2023 Capital & Operating Budget Strategy) be used as a guideline in the development of the 2023 Draft Operating Budget.

The proposed 2023 Draft Operating Budget, as presented in this report, achieves the above objectives.

Budget Committee of the Whole Review

At the February 7, 2023 BCW meeting, staff will present an overview of the 2023 Draft Consolidated Operating Budget reflecting a \$4,674,300 tax levy increase (i.e. 3.84% tax rate increase). This includes the financial impact from City Services as well as the Richmond Hill Public Library Board.

Operating Budget - Tax Levy Impacts	2023 Draft Budget
Base	\$6,917,700
Legislated	317,000
Annualization	503,000
Growth/Service Enhancements	1,357,800
Property Tax / Supplementary Tax	(1,921,200)
Unsustainable Revenue Sources	(2,500,000)
2023 Tax Levy Increase	\$4,674,300

Detailed information was provided to Council Members during the week of January 23, 2023 in the form of the Corporate Overview and Department Budget Books. Members were also invited to meet with senior Departmental and/or Financial Services staff to gain a greater understanding of the budget overview, pressures, department budget book content, and process.

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Financial/Staffing/Other Implications:

Total Operating Budget

The 2023 proposed operating budget (Appendix “A”) reflects a Tax Levy increase of \$4,674,300 (i.e. 3.84% increase).

Budget Category	2022 Budget	2023 Draft Budget
Personnel - Permanent	\$ 115,809,600	\$ 122,658,000
Personnel - Casual	10,905,200	10,374,500
Personnel Expenditures	126,714,800	133,032,500
Contracts / Services	24,717,000	26,329,200
Materials / Supplies	21,604,700	22,281,400
Other Expenditures	6,765,400	7,828,500
To Reserve & Reserve Funds	9,462,300	10,597,900
Non-Personnel Expenditures	62,549,400	67,037,000
Total Expenditures	\$ 189,264,200	\$ 200,069,500
User Fees & Fines	(40,340,400)	(38,428,600)
Investment Income	(3,775,000)	(6,400,000)
Grants / Donations	(1,346,200)	(4,175,000)
From Reserve and Reserve Funds	(13,745,800)	(13,905,200)
From Capital Fund	(524,000)	(718,500)
From Water & Wastewater Fund	(7,996,300)	(8,310,200)
Non-Taxation Revenues	(67,727,700)	(71,937,500)
Taxation	(121,536,500)	(123,457,700)
Total Revenues	\$ (189,264,200)	\$ (195,395,200)
Total Overall Levy Requirement	\$ -	\$ 4,674,300

Proposed Taxation Revenue

Total taxation revenue is comprised of four components:

- a) Assessment growth,
- b) Capital Asset Sustainability Levy,

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- c) Supplementary Taxes, and
 - d) Budget related increases.
- a) Assessment growth is the result of an increasing number of assessable properties and structures within the City. The taxation revenue assessment base will grow by 1.61% for 2023 resulting in additional taxation revenues of \$1.921 million. The Municipal Property Assessment Corporation (MPAC) updates the property assessment values that the total assessment growth is based upon.
- b) 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 2023 increase will generate an additional \$1,216,000 for future capital asset funding for a total budget of \$8,984,500.
- c) Supplementary taxes are budgeted at \$1.841 million in 2023, consistent with the prior year. The taxation revenue budget is presented below.
- d) The City’s draft 2023 Operating Budget proposes a budget increase of \$4,674,300 to be raised through an increase in property taxation.

	Property Tax	Supplementary Taxes	Total	Capital Asset Sustainability Levy
2022 Base	\$ 119,695,700	\$ 1,840,800	\$ 121,536,500	\$ 7,768,500
2023 Assessment Growth	1,921,200	-	1,921,200	-
2023 Budget Related Increase	4,674,300	-	4,674,300	1,216,000
2023 Increase	6,595,500	-	6,595,500	1,216,000
Total Tax Levy	<u>\$ 126,291,200</u>	<u>\$ 1,840,800</u>	<u>\$ 128,132,000</u>	<u>\$ 8,984,500</u>

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 \$420 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 \$75.08 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	\$ 75.08	\$ 19.55
Monthly	6.26	1.63
Daily	0.21	0.05
2023 Average Tax Bill	\$2,030.34	\$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.

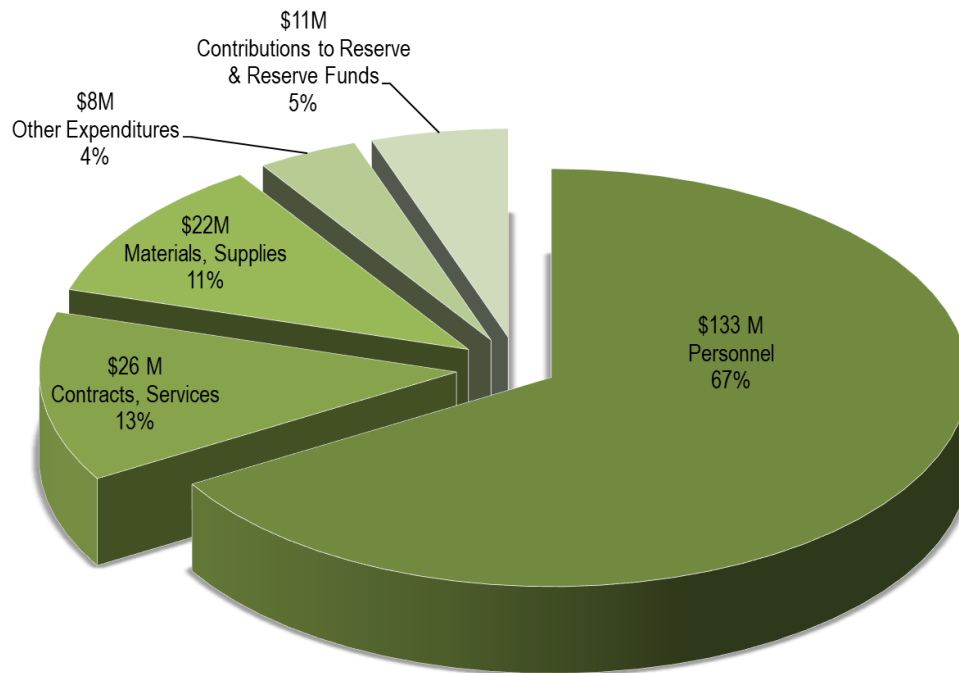
Operating Expenditures

The total expenses included in the 2023 Draft Operating Budget is \$200 million. The major operating expenditures are comprised of:

- Personnel costs (\$133 million), representing 67%,
- Contracts / Services (\$26.3 million), representing 13%
- Materials / Supplies (\$22.3 million), representing 11%
- Other expenditures (\$7.8 million), representing 4%
- Contribution to Reserves and Reserve Funds (\$10.6 million), representing 5%

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Operating Expenditure Budget

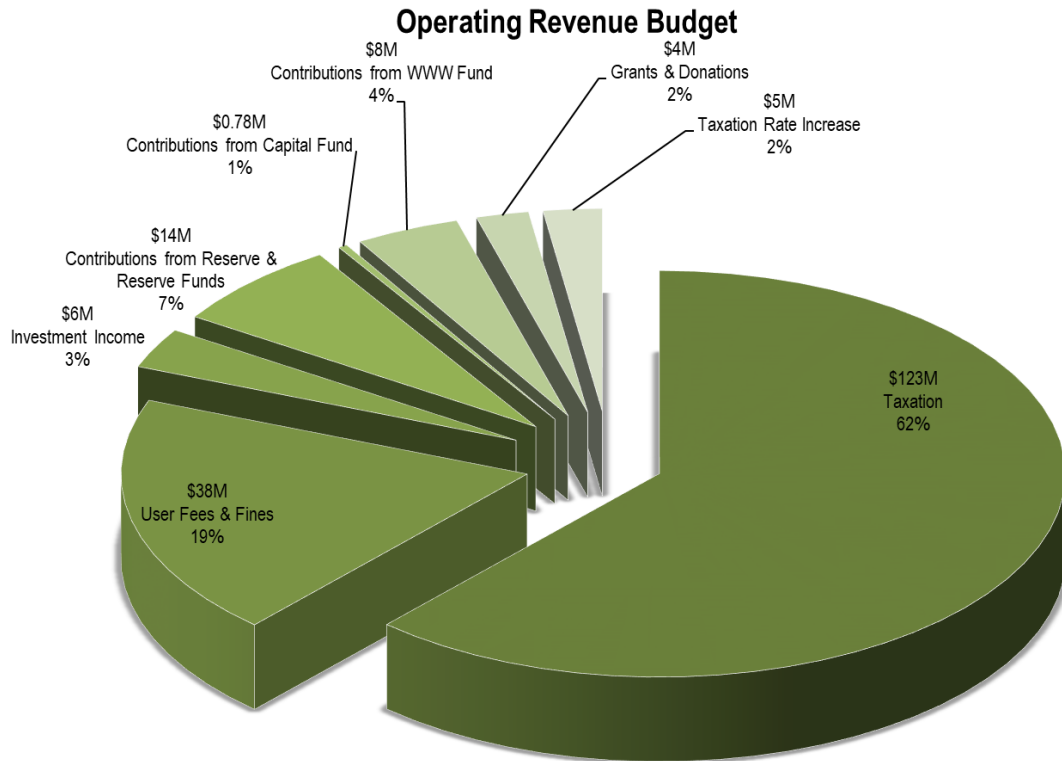


Operating Revenues

The main sources of City revenue are:

- Taxation \$123,457,700, representing 62%
- User Fees and Fines \$38,428,600 representing 19% ,
- Other sources of revenue include Contributions from Reserves and Reserve Funds (7%), Other Internal Sources (5%), Investment Income (3%) and Grants and Donations (2%).

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City Services – Base Pressures

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

Base Expenditures

Base expenditure pressures in 2023 produced a total increase of \$6,917,700 as detailed in Appendix 'A'. Full-time personnel expenditure pressures reflect an increase of \$4,169,600 and includes cost of living adjustments, collective bargaining agreement changes, firefighters' sick leave payout, adjustments to benefits rates and grade/step-rate increases. Casual personnel expenditures decreased as a result of severe shortages in aquatics staff and crossing guards, partially offset against increases in OMERS costs for casual staff and contract extensions.

The base increase for non-personnel expenditures is \$3,943,800. The increase is largely due to rising inflationary cost escalations, vehicle maintenance/equipment rentals/fuel surcharges (\$912K), winter control maintenance (\$400K), forestry tree planting (\$368K), refuse and recycling contracts (\$317K), facility maintenance including HVAC and plumbing (\$214K) as well as IT software requirements (\$158K).

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Additionally, due to the rise in interest rates, the City has budgeted a Transfer to the Tax Rate Stabilization Reserve of \$1.355 million as part of the investment income strategy to provide future stability in investment income variability.

Base Revenues

Base user fees and fines revenues are budgeted to decrease by \$2,094,500. The reduction is a result of the full year Wave Pool closure, reduced operating hours in the aquatics section and reduced program offerings in the General and Arena Program section due to labour shortages. Revenues are further reduced from the elimination of the Brand Partnership program and from Subdivision Maintenance and Development Planning which reflect the slowdown in growth and in the economy due to rising inflation and interest rates.

Investment income increased by \$2,625,000 due to higher returns on short-term investments, reflective of more aggressive rate increases than initially expected from the Bank of Canada. As part of the investment strategy, the City will adjust the transfers to the Tax Rate Stabilization Reserve accordingly to offset any potential declines in future interest rates. Also, as a result of the positive returns, the City avoided the final year phased reduction of \$425,000 in investment income.

Grants and Donations increased \$328,800 mainly due to \$142,200 funding from Bell for the Utility Coordinator position under the Energy and Waste section, \$129,400 to reflect the Grant to be received for Streamlined Development Approval Fund (TPA) and \$75,000 from the RPRA (Resource Productivity & Recovery Authority) for the blue box program.

Transfers from the Water and Wastewater Fund have increased by \$313,900 as a result of additional efforts and resources identified in the Operating Fund for Water and Wastewater activities as identified in the Water and Wastewater Financial Plan.

Legislated Pressures

These pressures reflect the financial impact of new legislation on the delivery of municipal services being provided. This amounts to \$317,000 in the 2023 Draft Operating Budget. Minimum wage increases for casual staff predominantly in Parks Operations and Recreation & Culture divisions, as well as, Public Works Operations account for \$126,300, while OMERS for newly eligible casual staff in Community Services and Building Services account for a \$125,400 increase. These increases are offset by funding from the Transfer from Building Permit Stabilization Reserve Fund for \$14,700. Additionally, overtime for legislated Firefighter Certification reflects an additional increase of \$80,000.

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Annualization Pressures

The financial impact to the 2023 budget totals \$503,000, related to the tax rate impact for the annualization of the 16 Firefighters approved in 2022 (\$500,000) and computer software licenses for the Library (\$3,000).

Growth Pressures

The net growth impact to the budget is a decrease of \$563,400. This pressure category reflects the provision of the same level of service but to a growing community reflective of larger volumes or higher levels of activity. It is inclusive of new staffing requests and new program costs, offset by the revenues from property assessment growth.

There are 15 new full-time staffing requests equal to \$410,000; 7 staff requests are fully funded from reserves, reserve funds or capital fund and have no tax rate impact while 1 staff request is offset by a reduction in casual wages (Appendix “B”).

Growth program pressures combine for a budget increase of \$947,800, mainly related to the third year of an eight-year plan to fully tax-fund the Public Works Enhancement Program (Windrow) (\$500,000), additional IT software requirements (eg. Microsoft enterprise agreement migration, ERP functionality, and ePermitting software) and cellular phones (\$175,000), Encampment Cleanup support (\$167,900) as well as a Diversity, Equity and Inclusion contractor (\$84,100).

In 2023, the property assessment growth is 1.61%, generating an additional \$1,921,200 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. The draft budget includes \$2,500,000 of COVID-19 grant funds from the Safe Restart Agreement. This amount represents a significant portion of the projected grant remaining that would be available following the 2022 yearend operating results. There is a correlation to the need for this estimated grant revenue, and the decrease in the revenues in the Recreation and Culture program estimated for 2023.

Richmond Hill Public Library Board (RHPL)

RHPL operates under the direction of a Library Board appointed by City Council. The Board is governed by the *Public Libraries Act*. The RHPL Board’s 2023 Draft Operating Budget is \$8.41 million. The total expenditure budget is \$10.8 million and the total revenue budget is \$2.4 million. The net budget is funded from municipal property taxes and reflects an increase of \$440,600 related mainly to personnel increases as well as Library’s contribution to the Infrastructure Repair and Replacement Reserve Fund.

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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 2023 draft operating budget and outlook for 2024-2026. The schedule assumes that:

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

The City’s base budget outlook includes inflationary and growth pressures, as well as, a factor on non-tax revenue growth (2.3% for 2024, 2% for 2025, 2026) based on forecasted CPI. Assessment growth has been conservatively forecasted at 1.50% for 2024 to 2026, compared to actual assessment growth of 1.61% in 2023 and 1.47% in 2022.

	Draft Budget	Outlook		
	2023	2024	2025	2026
City Services				
Base	\$ 6,917,700	\$ 5,366,300	\$ 5,300,900	\$ 4,720,200
Legislated	317,000	489,900	1,294,100	761,400
Growth	860,800	2,104,300	860,400	1,215,400
Property Tax / Supplementary Tax	(1,921,200)	(1,824,300)	(1,958,700)	(2,085,500)
Tax Levy Increases	\$ 6,174,300	\$ 6,136,200	\$ 5,496,700	\$ 4,611,500
Tax Rate Increase (estimated)	5.08%	4.97%	4.15%	3.27%
Funded - Safe Restart Agreement/Covid-19 Recovery	(2,500,000)			
Public Works Enhancement	500,000	500,000	500,000	500,000
Fire Master Plan (16 Firefighters)	500,000	500,000	500,000	500,000
Tax Levy Increase	\$ 4,674,300	\$ 7,136,200	\$ 6,496,700	\$ 5,611,500
Tax Rate Increase	3.84%	5.78%	4.90%	3.98%
Capital Asset Sustainability	\$ 1,216,000	\$ 1,234,400	\$ 1,325,400	\$ 1,411,200

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The Outlook forecasts a tax levy increase of \$7.1 million in 2024, and decreases thereafter in 2025 and 2026 (See Appendix “C”). The incremental personnel costs include the annualized impacts of approved new resources, the incremental expenditure for new staff additions as requested by departments, grade/step increases (based on projected staff movement) and cost of living increases based on the most recently approved collective agreements. The non-personnel costs include the forecasted costs for future resources and programming requirements to support the City’s various Strategic Plan initiatives such as IT strategy, Fire Master Plan, Public Works Enhancement and regular business. It also includes a partial recovery of Aquatics in Recreation Programs with the assumption that participation rates in group activities will gradually return to pre-COVID-19 levels over the next few years.

2023 Draft Water, Wastewater & Stormwater Budgets

Included in the 2023 Draft Water, Wastewater & Stormwater Budgets is the proposed Water and Wastewater combined retail rate increase of 3.3% (effective April 1, 2023).

This is 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, approved by Council and implemented in 2022.

Water & Wastewater Services

The 2023 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. 24-23 in Appendix “E” shows the combined retail rate of \$5.0605/m³, and a water service only rate of \$2.0986/m³. While all properties in the City are required to have a water meter installed, periodically a property becomes occupied before the meter is installed. In these instances, properties without a water meter will be charged a flat rate of 1 m³/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.

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Stormwater Management Services

In 2020, Council approved a 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 worship) 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. Staff implemented this updated, more equitable rate structure for billing effective April 2022.

This budget proposes a 0% rate increase for stormwater management services. In 2023, staff will continue to review the funding for stormwater management and refine the rate structure model, by reviewing the property classification and land use types to ensure an equitable allocation between residential and non-residential rate payers.

The annual rates for 2023 are unchanged. The residential rate 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 agricultural/farm lands 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.

The 2023 stormwater management rate structure reflects the capping of the impervious areas for residential to 1 acre and the capping for agriculture lands, golf courses and vacant lands to 10 acres per SRCFS.22.040 approved by Council on December 7, 2022.

The required public notice will be provided on February 13, 2023 for the February 22, 2023 Council meeting where this budget will be recommended for adoption. Council adoption of the 2023 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.

Resolution to Exclude Amortization and Post-Employment Expense Budgets

Accounting regulations require municipalities to report on financial statement 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.

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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 2023 Draft Operating Budgets:

- The 2023 Operating Budget provides for a Municipal Tax Levy of \$126,291,200 (excluding supplementary taxes) which includes a \$4,674,300 (3.84%) budgetary increase over 2022.
- The provision of a Special Levy generates an additional \$1,216,000, to a total of \$8,984,500, for Capital Asset Sustainability (reflective of a 1% tax rate equivalent increase).
- Effective April 1, 2023, 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.
- Effective April 1, 2023, the retail rate for stormwater services is recommended to be based on the multi-tiered rate structure, with respective capping on residential, agricultural/farm land, vacant lands and golf courses, in order to provide full cost recovery for stormwater services.

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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 23-23 to adopt the 2023 City Services Operating Budget
- Appendix E: By-Law 24-23 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

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Report Approval Details

Document Title:	SRCFS.23.007 - 2023 Operating Budget.docx
Attachments:	<ul style="list-style-type: none">- SRCFS.23.007 - Appendix A - Operating Budget Pressures.pdf- SRCFS.23.007 - Appendix B - Growth Pressures.pdf- SRCFS.23.007 - Appendix C - 2024-2026 Financial Outlook.pdf- SRCFS.23.007 - Appendix D - Bylaw City.pdf- SRCFS.23.007 - Appendix E - Bylaw WWW.pdf- SRCFS.23.007 - Appendix F - Reserve and Reserve Fund Transfers.pdf- SRCFS.23.007 - Appendix G - Compliance Report.pdf
Final Approval Date:	Jan 31, 2023

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

Gigi Li - Jan 31, 2023 - 1:46 PM

Sherry Adams - Jan 31, 2023 - 1:46 PM

Task assigned to Darlene Joslin was completed by delegate Kelvin Kwan

Kelvin Kwan on behalf of Darlene Joslin - Jan 31, 2023 - 2:56 PM

Appendix A – Operating Budget Pressures

Budget Category	2022 Budget	Base	Legislated	Annualization	Growth/Service Enhancements	Unsustainable Revenue Sources	2023 Draft Budget	Inc / (Dec) from 2022
Personnel - Permanent	\$ 115,809,600	\$ 4,822,300	\$ 80,000	\$ 883,300	\$ 1,062,800	\$ -	\$ 122,658,000	\$ 6,848,400
Personnel - Casual	10,905,200	(652,700)	251,700	-	(129,700)	-	10,374,500	(530,700)
Personnel Expenditures	126,714,800	4,169,600	331,700	883,300	933,100	-	133,032,500	6,317,700
Contracts / Services	24,717,000	1,287,100	-	3,000	322,100	-	26,329,200	1,612,200
Materials / Supplies	21,604,700	656,500	-	-	20,200	-	22,281,400	676,700
Other Expenditures	6,765,400	864,600	-	-	198,500	-	7,828,500	1,063,100
To Reserve & Reserve Funds	9,462,300	1,135,600	-	-	-	-	10,597,900	1,135,600
Non-Personnel Expenditures	62,549,400	3,943,800	-	3,000	540,800	-	67,037,000	4,487,600
Total Expenditures	\$ 189,264,200	\$ 8,113,400	\$ 331,700	\$ 886,300	\$ 1,473,900	\$ -	\$ 200,069,500	\$ 10,805,300
User Fees & Fines	(40,340,400)	2,094,500	-	-	(182,700)	-	(38,428,600)	1,911,800
Investment Income	(3,775,000)	(2,625,000)	-	-	-	-	(6,400,000)	(2,625,000)
Grants / Donations	(1,346,200)	(328,800)	-	-	-	(2,500,000)	(4,175,000)	(2,828,800)
From Reserve and Reserve Funds	(13,745,800)	(22,500)	(14,700)	(383,300)	261,100	-	(13,905,200)	(159,400)
From Capital Fund	(524,000)	-	-	-	(194,500)	-	(718,500)	(194,500)
From Water & Wastewater Fund	(7,996,300)	(313,900)	-	-	-	-	(8,310,200)	(313,900)
Non-Taxation Revenues	(67,727,700)	(1,195,700)	(14,700)	(383,300)	(116,100)	(2,500,000)	(71,937,500)	(4,209,800)
Taxation	(121,536,500)	-	-	-	(1,921,200)	-	(123,457,700)	(1,921,200)
Total Revenues	\$ (189,264,200)	\$ (1,195,700)	\$ (14,700)	\$ (383,300)	\$ (2,037,300)	\$ (2,500,000)	\$ (195,395,200)	\$ (6,131,000)
Total Overall Levy Requirement	\$ -	\$ 6,917,700	\$ 317,000	\$ 503,000	\$ (563,400)	\$ (2,500,000)	\$ 4,674,300	\$ 4,674,300

Appendix B – Growth Pressures (Staffing and Programs)

Department	Description	2023 Draft Budget
Staffing		
CFS - Comm	Communications Supervisor	\$ 76,500
CFS - IT	Business Analyst	59,700
CFS - FS	Payroll Specialist	51,700
CFS - FS	Procurement Management Advisor	66,900
	Fully funded from Capital Fund	(66,900)
CFS - FS	Senior Analyst - Stormwater Revenue Business Support	56,900
	Fully funded from Water Quality Protection Reserve Fund	(56,900)
CFS - HR	HR Associate	47,900
CSD - CS	Policy Researcher	44,700
CSD - CS	Customer Service Representative Conversion (Operation Reception/Adjudication)	1,500
CSD - PWO	Arborist	45,400
CSD - PWO	Roads Technician	101,100
	Fully funded from Casual Wages	(100,800)
PID - FAC	Project Manager (Life Cycle Planning)	82,300
PID - FAC	Project Manager (Facility Infrastructure)	82,300
	Fully funded from Capital Fund	(82,300)
PID - IDS	Asset Management Analyst	56,900
	Fully funded from Capital Fund	(56,900)
PID - P&B	Building Mechanical Engineer	72,900
	Fully funded from Building Permit Stabilization Reserve Fund	(72,900)
PID - P&B	Zoning & Compliance Plans Examiner	52,400
	Fully funded from Building Permit Stabilization Reserve Fund	(52,400)
Total Staffing		\$ 410,000
Programs		
CSD - PWO	Public Works Enhancement Program	500,000
CFS - IT	IT Software (migration to Microsoft enterprise agreement, ERP functionality and ePermitting software) & Cellular phones	175,000
CSD - PWO	Waste Management - Refuse and Recycling contracts, Special Events Encampments Cleanup support	167,900
OCM - S&T	Diversity, Equity and Inclusion (DEI) Contractor	84,100
CSD - PWO	Streetlights Hydro and Maintenance	17,400
CSD - PWO	Urban Forestry - parks contracts	4,500
CSD - Rec	General program and facility management for Xpression Condo space (net of user fees)	(1,100)
LIB - ADM	Financial Sustainability Initiative (Development Manager and program costs)	170,100
LIB - ADM	Fully offset by library generated revenues	(170,100)
Total Programs		947,800
Total Staffing and Programs		\$ 1,357,800

Appendix C – 2024-2026 Financial Outlook

	Draft Budget	Outlook		
	2023	2024	2025	2026
Expenditures				
Personnel - Permanent	\$ 6,848,400	\$ 5,833,100	\$ 6,358,400	6,474,500
Personnel - Casual	(530,700)	622,500	568,200	100,000
Personnel Expenditure	\$ 6,317,700	\$ 6,455,600	\$ 6,926,600	\$ 6,574,500
Non-Personnel				
Contracts, Services	1,612,200	672,000	755,500	251,900
Materials, Supplies	676,700	979,300	600,400	625,400
Other Expenditures	1,063,100	882,500	101,000	102,000
To Reserves & Reserve Funds	1,135,600	194,000	106,300	106,900
	4,487,600	2,727,800	1,563,200	1,086,200
Total Expenditures	\$ 10,805,300	\$ 9,183,400	\$ 8,489,800	\$ 7,660,700
Revenues				
User Fees & Fines	\$ 1,911,800	\$ (963,400)	\$ (879,100)	\$ (893,700)
Investment Income	(2,625,000)	-	-	-
Grants, Donations	(328,800)	(4,900)	(5,000)	(5,100)
From Reserves & Reserve Funds	(159,400)	(254,600)	(150,300)	(64,900)
From Other/Internal Sources	(508,400)	-	-	-
Non-Taxation Revenue	(1,709,800)	(1,222,900)	(1,034,400)	(963,700)
Taxation	(1,921,200)	(1,824,300)	(1,958,700)	(2,085,500)
Total Revenues	\$ (3,631,000)	\$ (3,047,200)	\$ (2,993,100)	\$ (3,049,200)
Tax Levy Requirements	\$ 7,174,300	\$ 6,136,200	\$ 5,496,700	\$ 4,611,500
Tax Rate Increase	5.90%	4.97%	4.15%	3.27%
Funded - Safe Restart Agreement/Covid-19 Recovery	(2,500,000)	-	-	-
Tax Levy Increase	\$ 4,674,300	\$ 6,136,200	\$ 5,496,700	\$ 4,611,500
Public Works Enhancement		500,000	500,000	500,000
Fire Master Plan (16 Firefighters)		500,000	500,000	500,000
Total Levy Requirements		\$ 7,136,200	\$ 6,496,700	\$ 5,611,500
Tax Rate Increase	3.84%	5.78%	4.90%	3.98%

Appendix D

The Corporation of the City of Richmond Hill

By-Law 23-23

A By-Law to Adopt the 2023 City Operating Budget

Whereas section 290 of the Municipal Act, 2001, authorizes the Council of the City of Richmond Hill to prepare and adopt a yearly budget;

And Whereas Council at its meeting of February 22nd, 2023 adopted the 2023 City Operating Budget that was presented in Staff Report SRCFS.23.007;

And Whereas public notice of Council's intention to pass this By-law was given since February 13, 2023 in accordance with the City of Richmond Hill By-law No. 170-07;

Now Therefore The Council Of The Corporation Of The City Of Richmond Hill Enacts As Follows:

1. That the 2023 City Operating Budget as approved by Council at its meeting on February 22, 2023 are hereby adopted.
2. The Council of the Corporation of the City of Richmond Hill is hereby authorized to charge a Capital Asset Sustainability Levy as approved by Council at its meeting on February 22, 2023.

Passed this 22 day of February, 2023.

David West
Mayor

Stephen M.A. Huycke
City Clerk

The Corporation of the City of Richmond Hill

By-Law 24-23

A By-Law to Adopt the 2023 Water, Wastewater & Stormwater Budgets

Whereas section 290 of the *Municipal Act, 2001*, authorizes the Council of the City of Richmond Hill to prepare and adopt a yearly budget;

And Whereas Council at its meeting of February 22nd, 2023 adopted the recommendations of the staff report SRCFS.23.007 pertaining to the 2023 Water, Wastewater and Stormwater Budgets;

And Whereas public notice of Council's intention to pass this By-law was given since February 13, 2022 in accordance with the City of Richmond Hill By-law No. 170-07;

Now Therefore The Council Of The Corporation Of The City Of Richmond Hill Enacts As Follows:

1. That the 2023 Water, Wastewater & Stormwater Budgets as received by Council at its meeting on February 22nd, 2023 are hereby adopted.
2. That items i, ii, and iii of By-Law 139-21 be repealed and replaced as follows:
 - i. The Council of the Corporation of the City of Richmond Hill is hereby authorized to levy a stormwater management rate equal to \$9.54 per 1,000 square feet annually, to a maximum land area of 43,560 square feet, effective April 1, 2023 on residential property identified by Section 7 of the *Assessment Act*.
 - ii. The Council of the Corporation of the City of Richmond Hill is hereby authorized to levy a stormwater management rate equal to \$21.02 per 1,000 square feet annually, effective April 1, 2023 on commercial and industrial property as identified by Section 7 of the *Assessment Act*.
 - iii. The Council of the Corporation of the City of Richmond Hill is hereby authorized to levy a stormwater management rate equal to \$21.02 per 1,000 square feet annually, effective April 1, 2023 on each condominium building or complex with a water meter installed.
 - iv. The Council of the Corporation of the City of Richmond Hill is hereby authorized to levy a stormwater management rate equal to \$3.20 per 1,000 square feet annually, to a maximum land area of 435,600 square feet, effective April 1, 2023 on farm property identified by Section 7 of the *Assessment Act*.
 - v. The Council of the Corporation of the City of Richmond Hill is hereby authorized to levy a stormwater management rate equal to \$4.25 per 1,000 square feet annually, to a maximum land area of 435,600 square feet, effective April 1, 2023 on golf courses identified by Section 7 of the *Assessment Act*.
 - vi. The Council of the Corporation of the City of Richmond Hill is hereby authorized to levy a stormwater management rate equal to \$3.20 per 1,000 square feet annually, to a maximum land area of 435,600 square feet, effective April 1, 2023 on vacant land identified by Section 7 of the *Assessment Act*.

The Corporation of the City of Richmond Hill
By-law 24-23

Page 2

3. That items 43a, d, e and f, 46, 47, 49 and 51 of Schedule F to By-Law 83-22 and Chapter 684 of the Municipal Code be repealed and replaced effective April 1, 2023, as follows:

	<u>Description of Service</u>	<u>Fees</u>
46.	Water and Wastewater Rate	\$5.0605 per cubic metre
47.	Water Services Only	\$2.0986 per cubic metre
	Stormwater	
51a.	Residential, per annum	\$9.54 per 1,000 sq. feet (to maximum of 43,560 sq. ft)
51b.	Commercial & Industrial, per annum	\$21.02 per 1,000 sq. feet
51c.	Condominium building or complex with a water meter installed, per annum	\$21.02 per 1,000 sq. feet
51d.	Agricultural Land/Farm, per annum	\$3.20 per 1,000 sq. feet (to a maximum of 435,600 sq. ft)
51e.	Golf courses, per annum	\$4.25 per 1,000 sq. feet (to a maximum of 435,600 sq. ft)
51f.	Vacant land, per annum	\$3.20 per 1,000 sq. feet (to a maximum of 435,600 sq. ft)

Passed this 22 day of February, 2023.

David West
Mayor

Stephen M.A. Huycke
City Clerk

Appendix F – 2023 Application of Reserve and Reserve Fund Transfers in the Budget

	BASE	LEGISLATED	GROWTH	TOTAL	BASE	SPECIAL LEVY	TOTAL	TOTAL	TOTAL
	Trf to Operating				Trf from Operating			Trf to Water & Wastewater	Trf from Water & Wastewater
RESERVES									
Administrative and Legal	184,700	-	-	184,700	-	-	-	-	-
Anti-Tampering Devices	6,500	-	-	6,500	-	-	-	-	-
Disabled Parking	50,000	-	-	50,000	(50,000)	-	(50,000)	-	-
Elections	-	-	-	-	(200,000)	-	(200,000)	-	-
Inspection Fees	864,700	-	-	864,700	-	-	-	-	-
Library	516,200	-	-	516,200	-	-	-	-	-
Monitoring	25,000	-	-	25,000	-	-	-	-	-
O.M.B.	200,000	-	-	200,000	-	-	-	-	-
Park Inspection	270,900	-	-	270,900	-	-	-	-	-
Staffing, Training and Development	315,300	-	-	315,300	-	-	-	-	-
Street Signs	82,200	-	-	82,200	-	-	-	-	-
Tax Rate Stabilization*	741,300	-	-	741,300	(1,355,000)	-	(1,355,000)	-	-
Theatre Rate Stabilization	-	-	-	-	(30,000)	-	(30,000)	-	-
Trees	65,500	-	-	65,500	-	-	-	-	-
Lake Wilcox Remediation	400	-	-	400	-	-	-	-	-
Water/Sewage Rate Stabilization	-	-	-	-	-	-	-	-	(1,714,000)
Development Engineering	2,279,200	-	-	2,279,200	-	-	-	-	-
Recycling & Green Bins	22,800	-	-	22,800	-	-	-	-	-
TOTAL RESERVES	5,624,700	-	-	5,624,700	(1,635,000)	-	(1,635,000)	-	(1,714,000)
RESERVE FUNDS									
225 E.B.C.R&R	300,000	-	-	300,000	(300,000)	-	(300,000)	-	-
Building Permit Stabilization	1,175,200	14,700	125,300	1,315,200	-	-	-	-	-
Capital Asset Continuity	-	-	-	-	(367,500)	-	(367,500)	-	-
Cash-in-Lieu of Parkland	96,800	-	-	96,800	-	-	-	-	-
Community Enhancement & Economic Vitality	2,740,600	-	500,000	3,240,600	-	-	-	-	-
General Government Services	93,300	-	-	93,300	-	-	-	-	-
Indoor Recreation	128,800	-	-	128,800	-	-	-	-	-
Infrastructure R&R	2,785,900	-	-	2,785,900	(13,305,400)	(972,800)	(14,278,200)	-	-
Insurance	185,000	-	-	185,000	(272,000)	-	(272,000)	-	-
Library Services	92,700	-	-	92,700	-	-	-	-	-
Parks Development & Facility	224,000	-	-	224,000	-	-	-	-	-
Pubworks Yard & Fleet	78,500	-	-	78,500	-	-	-	-	-
Theatre R&R	-	-	-	-	(95,000)	-	(95,000)	-	-
Water Quality Protection	-	-	-	-	-	-	-	225,000	(1,218,700)
Sanitary Sewer R&R	-	-	-	-	-	-	-	-	(2,950,400)
Watermain R&R	-	-	-	-	-	-	-	-	(5,134,000)
Watermeter R&R	-	-	-	-	-	-	-	60,000	(1,708,000)
Cash to Capital RF	-	-	-	-	(3,054,800)	(243,200)	(3,298,000)	-	-
Prop Divestiture & Acq	360,500	-	-	360,500	-	-	-	-	-
Strategic Rapid Transit	522,900	-	-	522,900	-	-	-	-	-
Ecological Legacy RF	55,000	-	-	55,000	-	-	-	-	-
TOTAL RESERVE FUNDS	8,839,200	14,700	625,300	9,479,200	(17,394,700)	(1,216,000)	(18,610,700)	\$285,000	(\$11,011,100)
RESERVE & RESERVE FUNDS	\$14,463,900	\$14,700	\$625,300	\$15,103,900	(\$19,029,700)	(\$1,216,000)	(\$20,245,700)	\$285,000	(\$12,725,100)

Appendix G - Compliance Report under O. Reg. 284/09, Budget Matters – Expenses

The City of Richmond Hill's 2023 Operating Budget:

Amortization and Future Tangible Capital Asset Funding Requirements

The budget does not include amortization expense of its tangible capital assets (\$36.478 million – 2021). The 2023 Operating Budget does include reserve fund contributions of \$26.052 million (\$15.041 million related to Operating and \$11.011 related to Water & Wastewater Budget) for capital asset replacement, and \$3.298 million for new capital assets. The *2023 Capital Budget* reports (SRCFS.23.002) highlighted potential financial impacts on future capital asset funding requirement. Council discussed reserve fund contribution increases, and staff have incorporated it into the current year's budget.

Post-Employment Benefits

The budget does not include post-employment benefits related expenses (\$24.058 million – 2021).

Accumulated Surplus

Including above expenses in the 2023 budget would decrease the City's accumulated surplus by \$60.536 million.

Ontario Regulation 284/09, Budget Matters – Expenses, ONTARIO REGULATION 284/09

Exclusion

1. In preparing the budget for a year, a municipality or local board may exclude from the estimated expenses described in paragraph 3 of subsection 289 (2) and in paragraph 3 of subsection 290 (2) of the Act all or a portion of the following:

1. Amortization expenses.
2. Post-employment benefits expenses.
3. Solid waste landfill closure and post-closure expenses.

Report

2. (1) For 2011 and subsequent years, the municipality or local board shall, before adopting a budget for the year that excludes any of the expenses listed in section 1,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution.

(2) If a municipality or local board plans to adopt or has adopted a budget for 2010 that excludes any of the expenses listed in section 1, the municipality or local board shall, within 60 days after receiving its audited financial statements for 2009,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution.

Contents

3. A report under section 2 shall contain at least the following:

1. An estimate of the change in the accumulated surplus of the municipality or local board to the end of the year resulting from the exclusion of any of the expenses listed in section 1.
2. An analysis of the estimated impact of the exclusion of any of the expenses listed in section 1 on the future tangible capital asset funding requirements of the municipality or local board.

Review

4. The Ministry of Municipal Affairs and Housing shall initiate a review of this Regulation on or before December 31, 2012.

Commencement

5. **This Regulation is deemed to have come into force on January 1, 2009.**