



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: November 28, 2023

Report Number: SRCFS.23.052

Department: Corporate and Financial Services

Division: Financial Services

Subject: **SRCFS.23.052 - 2024 Draft Operating Budget**

Purpose:

To present staff's recommended 2024 Operating Budget to Mayor and Council for review.

Recommendations:

- a) That the Budget Committee of the Whole recommends that the Mayor submit for Council's review, a 2024 Operating Budget that proposes:
 - i. A 2024 Operating Budget increase of \$6,087,200 and a total tax levy of \$133,887,100 (excluding supplementary taxes), as summarized in Appendix "A" of staff report SRCFS.23.052;
 - ii. A 2024 Senior Tax Assistance Grant increase to \$432;
 - iii. A 2024 Capital Asset Sustainability Levy budget increase of \$1,917,600 and total fee levy of \$10,902,100;
 - iv. As required by Ontario Regulation 284/09, Municipal Act 2001, the compliance report of expenses excluded from the 2024 Draft Operating Budget, as attached to Appendix "C" of staff report SRCFS.23.052;
 - v. The Reserve and Reserve Fund allocations, as summarized in Appendix "D" of staff report SRCFS.23.052; and
- b) That Budget Committee of the Whole recommends that Council receive for information purposes the Financial Outlook attached as Appendix "E" staff report SRCFS.23.052.

Contact Person:

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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.

Background:

The City of Richmond Hill’s budget is the financial expression of Council’s strategic priorities delineated into specific goals and objectives. It establishes a framework for how the City will distribute its resources to deliver municipal services and meet service delivery standards. This financial plan is informed by Council decisions through staff input, economic landscape and value proposition.

The budget estimates expenditures while taking into consideration anticipated revenues using a blend of forward looking, strategic planning along with an understanding of short-term, and historical trends. The Municipal Act requires that municipal governments produce a balanced budget and therefore all expenses must be fully offset by budgeted revenues, which are mainly comprised of property tax dollars, user fees (e.g. recreation program and planning fees) and transfers from reserves and other funds.

The City’s budget is comprised of the following components:

Category	Budgets	Description	Main Funding Sources
Capital (State of Good Repair and Growth)	Capital	Capital investment costs (purchased or constructed) with a useful life beyond 1 year	Reserves and Reserve Funds (Tax supported, Rate supported, development charges)
Operating (Tax-Supported)	Operating Budget	Reflects the expenses and revenues that support ongoing day to day operations over a fiscal year	<ul style="list-style-type: none"> • Property Taxation • User Fees and Fines • Reserves and Reserve Funds
Operating (Tax-Supported)	Capital Asset Sustainability (CAS)	Monies used to fund tax supported capital programs	CAS Levy
Operating (Rate-Supported)	Water and Wastewater Services	Expenses and revenues that support the day-to-day operations necessary to deliver waterworks operations	<ul style="list-style-type: none"> • Water and Wastewater rates • User Fees and Fines
Operating (Rate-Supported)	Stormwater Management (SWM) Services	Reflects the expenses and revenues that support the day-to-day operations necessary to deliver SWM	<ul style="list-style-type: none"> • Stormwater Management Fee • Reserves and Reserve Funds

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The Operating and Capital Budgets include proposed reserve and reserve fund budget allocations. The Capital Budget was discussed at the November 21, 2023 Budget Committee of the Whole meeting. The Consolidated Operating Budgets will be the focus of the November 28 and December 5, 2023 meetings.

Consolidated Operating Budgets

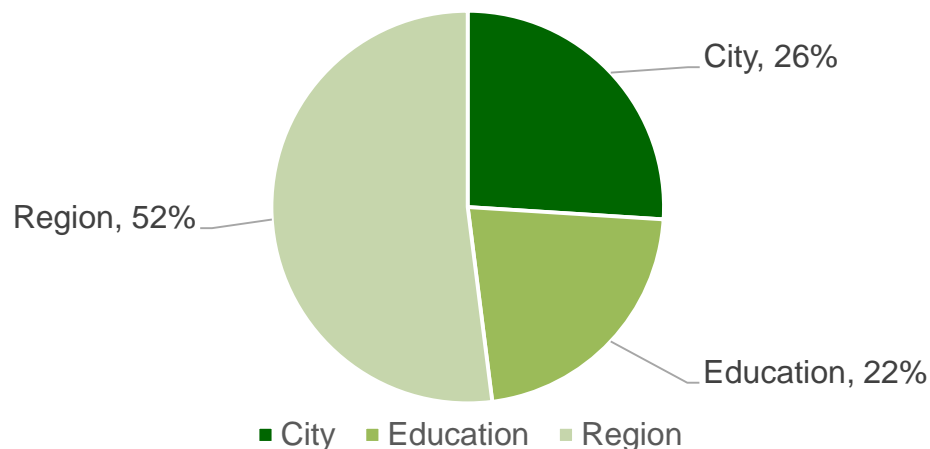
An operating budget is a financial plan that accounts for an organization's anticipated day-to-day expenditures and revenues over the course of a fiscal year. The City's operating budget is a plan for the delivery of services that residents rely on, such as road repairs, fire services, parks maintenance, snow clearing, and setting aside savings for future capital investments.

Operating Budget

The main budget that supports City services is the tax-supported operating budget (Operating Budget). Any shortfall between Operating Budget expenses and revenues results in a tax levy increase for the year. Staff review internal processes to incorporate efficiencies and budget mitigating measures before arriving at a draft tax rate increase.

While the City is responsible for billing and collecting property taxes for Richmond Hill, the Region of York and for the Province, the City determines the budget for the City budget only, while Regional council determines the Regional portion and the Province determines the education rates. From the total property tax bill issued by Richmond Hill, for the average detached residential property, the City retains approximately 26%, while 52% is remitted to the Region and 22% is remitted to the Province. 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.

Average Property Tax Bill Distribution



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Capital Asset Sustainability Levy Budget

The City also charges a Capital Asset Sustainability (CAS) Levy to support the repair and replacement of state of good repair (SOGR) capital assets, as outlined in the City's Asset Management Plan and Financial Sustainability Strategy. Together, the CAS Levy and the property taxation generated through the Operating Budget represent the City's tax-supported budgets.

Rate-Supported Budgets

Rate-supported budgets are separately maintained from tax-supported budgets and are comprised of the Water & Wastewater budget and Stormwater Management Services budget. The Water and Wastewater budget reflects the costs and revenues associated with the maintenance of the water distribution and wastewater collection system and is mainly funded through water and wastewater usage rates. The Stormwater Management budget represents the costs and revenues that are associated with maintaining the stormwater network and is funded primarily through stormwater management fees.

Consolidated Operating Budget Strategy

The 2024 Draft Consolidated Operating Budget reflects the Council adopted budget strategy endorsed via the Budget Committee of the Whole (BCW) meeting on June 27, 2023. The approved 2024 Draft Capital and Operating Budget Strategy staff report (SRCFS.23.034) includes the following objectives and directives whereby staff propose an operating budget that:

1. Supports Council priorities
2. The operating budget considerations outlined in Staff Report SRCFS.23.034 (2024 Capital & Operating Budget Strategy) be used as a guideline in the development of the 2024 Draft Operating Budget
3. Proposes a tax rate increase target of 3%, excluding the Capital Asset Sustainability Levy
4. Staff identify service level changes to meet the guideline
5. Proposes a Capital Asset Sustainability Levy in the operating budget equivalent to 1.5% tax rate increase
6. That staff present a 2024 Draft Water & Wastewater Budget that reflects the wholesale rate increase from Region of York and approved factors from the Water & Wastewater Financial Plan
7. That staff present a 2024 Draft Stormwater Management Budget that reflects the new stormwater management funding and rate structure

The proposed 2024 Draft Operating Budgets, as presented in this report, were produced with consideration to the above objectives.

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Expenditure and Revenue Definitions

The main operating expenditures are:

- Personnel costs – total staffing costs, including salaries, benefits, overtime, vacation and other costs related to full-time and part-time employees
- Contracts / Services – a contractual obligations and service related expenses that the City incurs to fulfill its municipal duties
- Materials / Supplies – the physical materials and supplies that the City purchases to deliver on municipal services
- Other expenditures – other costs required to fulfill municipal services and requirements. For example, minor capital costs, municipal business, bad debts, grants, etc.
- Contribution to Reserves and Reserve Funds – monies set aside to reserves/reserve funds and other funds to offset other current or future obligations

The main sources of operating revenues are:

- Taxation – the amount collected through property taxation and supplementary taxes
- User Fees and Fines – generated from the community through the participation in programs and collection of fines/penalties (ie. through the City's enforcement of by-laws and other fines/penalties)
- Contributions from Reserves and Reserve Funds – monies drawn from reserves/reserve funds and other funds to offset other current expenditures
- Investment Income – earned from the City's short-term investment portfolio
- Contributions from Other Funds
 - Water and Wasterwater Fund and Stormwater Management Fund recoveries offset expenditures incurred in the Operating Fund on behalf of Water, Wastewater and Stormwater operations
 - Capital Fund recoveries offset expenditures incurred in the Operating Fund to deliver capital programs
- Grants and Donations – grants and donations received from external parties

Budget Considerations – External Influences

Internal and external factors influence the City's budgets. Internal influences include Council priorities and finite financial resources, while external influences include demographics, economic outlook and legislation.

One of the key budget considerations is Richmond Hill's growth – as population increases and families move in to newly built homes, the demand for services such as recreation programs, public safety, waste collection and infrastructure grows.

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The financial impacts of Covid-19 have largely subsided, however, there continues to be lingering challenges that remain as the City adapts to a new normal. Inflation is a persistent pressure to both residents and the City as a whole. As of September 2023, the Ontario CPI was at 3.6% and forecast to be around 2.5% in 2024 (*2023 Ontario Economic Outlook and Fiscal Review*). Supply chain disruptions, geopolitical concerns and increasing demand for consumer goods have contributed to inflation rates. Prolonged 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 prevented a full pre-pandemic level recovery in recreational aquatics program offerings and revenues.

In contrast, the Bank of Canada has raised the overnight interest rate from 4.25%, at the end of 2022, to 5.0% in 2023. This has led to positive returns on investment income which is expected to continue into 2024. This mitigates Operating Budget pressures and generates additional income allocated to reserve funds. During the pandemic, 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. Part of the funding (\$2.5 million) was used to offset the Covid-19 related pressures as part of the 2023 Operating Budget. A portion of the remaining funding has been included in the 2024 Operating Budget to account for ongoing post-pandemic pressures that were initially thought to be temporary, but have become more persistent pressures (e.g. permanent price escalations and lower development revenues due to economic uncertainty).

The City has had to adjust to a new normal, finding more cost effective ways of doing business while maintaining existing core service levels, where feasible. The challenges and opportunities referenced above are significant pressures that have been considered as part of the City's 2024 Draft Operating Budget, which proposes a budget increase of \$6,087,200 (or 4.76% tax rate increase).

Operating Budget Process

The City's operating budget process is a continuous, year-round activity. In April 2023, staff begin to develop the 2024 Budget Strategy for Council approval in June. The tariff of fees for the budget year is evaluated for market competitiveness, affordability and cost recovery. Over the summer months of July to August, departments commence work on their anticipated 2024 budget needs, while taking into consideration current forecasts and historical trends. From there, the departmental data is consolidated and reviewed through a series of in-depth senior management workshops and Executive Leadership Team meetings. The draft is compared to the prior year's projections and there are many meetings held to amend the draft budgets to best align with Council's budget objectives and guidelines for the upcoming year.

The 2024 Draft Operating Budgets are scheduled to be deliberated over two Budget Committee of the Whole (BCW) meetings on November 28 and December 5, 2023. The first session will provide an overview of the City's 2023 Accomplishments followed by

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separate departmental budget presentations from the Office of the City Manager, Planning and Building Services, and Community Services. The second meeting will include presentations for Corporate and Financial Services, Corporate Accounts, Water and Wastewater Services, Stormwater Management Services, Richmond Hill Public Library and Business Improvement Area (BIA).

A 2024 Budget Workshop was held on November 7, 2023, in the form of a Special Council Meeting to provide Council with a high level overview of the budget as we launch the budget review process. The 2024 Draft Budget Book was posted on the City's webpage on November 8, 2023. Council 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. This report provides an overview of the 2024 Draft Operating Budget and presents recommendations for Council's approval.

Strong Mayor Powers

Strong Mayor Powers, proclaimed on Nov 3, 2022, is in effect for Richmond Hill and all municipalities who committed to the province's Housing Pledge. Under this Act, the Mayor must table a budget by February 1, and sequentially:

1. Council has 30 calendar days to pass a resolution to make an amendment
2. The Mayor can veto the resolution within 10 calendar days of passing it
3. Council can override budget veto with 2/3 votes within 15 calendar days

The Budget is deemed adopted 55 calendar days after the Mayor proposes the budget. The amendment period can be shortened by Council passing a resolution, and/or the Head of Council shortening the veto period. The Budget Committee of the Whole's role is in effect amended with the Committee proposing recommendations for the Mayor's consideration prior to the Mayor's tabling of the budget on Dec 13. Under the Act, the 30 calendar day amendment period would start that day. **Staff will recommend the shortening of the 30 calendar day amendment period at the December 13, 2023, Council meeting.**

Financial/Staffing/Other Implications:

The 2024 Draft Operating Budgets will be reviewed over two BCW meetings, with November 28 and the first half of December 5 focusing on the Tax-Supported Operating Budget. The Rate-Supported Budgets will be presented in a separate staff report for the December 5 agenda.

Tax Supported Budget Overview

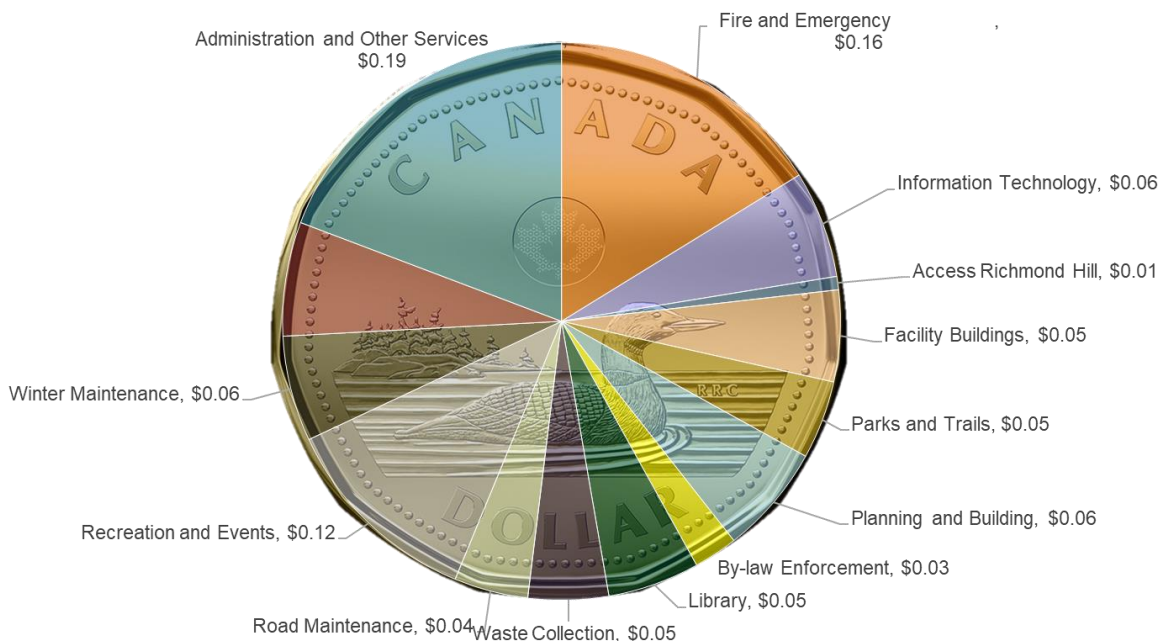
The City's 2024 Draft Operating Budget proposes a budget increase of \$6,087,200 to be raised through an increase in property taxation (4.76% tax rate increase). The taxation revenue budget is presented below.

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Item Description	Property Tax	Supplementary Tax	Operating Budget
2023 Base	(\$126,146,000)	(\$1,840,800)	(\$127,986,800)
2024 Assessment Growth	(1,653,900)		(1,653,900)
2024 Budget Related Change		(160,700)	5,926,500
2024 Budget	(127,799,900)	(1,680,100)	(129,480,000)
2024 Tax Levy Increase	(6,087,200)		(6,087,200)
2024 Total	(\$133,887,100)	(\$1,680,100)	(\$135,567,200)

Property Tax Distribution by Municipal Services

The 2024 Draft Operating Budget is allocated to service areas as illustrated by the following graph:



Municipal Impact of the Tax Rate Increase to Residential Taxpayer

In general, 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 the same tax revenue. However, there may be fluctuations between individual homeowners, where some may increase or decrease, depending on how their property assessments have changed compared to the municipal average.

In 2016, MPAC released New Current Value Assessment (CVA) for properties 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

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financial challenges that households were facing from the evolving Covid-19 situation, the Province had postponed the 2020 update. To date, there have not been any subsequent updates and no timeline for the next reassessment cycle has been provided.

Therefore, the CVA value for the average single, detached residential property in Richmond Hill remains at \$1.146 million for 2024, same as the prior year, and this property would see an annual impact of \$96.54 on the municipal portion of the tax bill as a result of the proposed budget increase. In addition, the average residential property owner will see an increase on their tax bill of approximately \$30.42 attributed to the Capital Asset Sustainability Levy.

Estimated Tax Impact	City Portion of Tax Bill	CAS Levy
Annual	\$96.54	\$30.42
Monthly	8.05	2.54
Daily	0.26	0.08
2024 Average Tax Bill	\$2,124.65	\$174.87

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). In 2024, the grant has been indexed and will be set at \$432 per eligible applicant.

Operating Budget Analysis

The 2024 proposed operating budget (Appendix “A”) reflects a tax levy increase of \$6,087,200 (i.e. 4.76% increase) with pressures from the following areas:

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Budget Category	2023 Budget	2024 Draft Budget	Variance (Fav) / Unfav
Personnel – Permanent	\$122,859,200	\$129,442,300	\$6,583,100
Personnel – Casual	10,374,500	12,408,100	2,033,600
Personnel Expenditures	\$133,233,700	\$141,850,400	\$8,616,700
Contracts / Services	26,227,700	28,434,000	2,206,300
Materials / Supplies	22,210,200	22,830,200	620,000
Other Expenditures	7,828,500	8,096,500	268,000
To Reserve & Reserve Funds	10,597,900	10,612,000	14,100
Non-Personnel Expenditures	\$66,864,300	\$69,972,700	\$3,108,400
Total Expenditures	\$200,098,000	211,823,100	\$11,725,100
User Fees & Fines	(38,478,600)	(42,105,100)	(3,626,500)
Investment Income	(6,400,000)	(9,600,000)	(3,200,000)
Grants / Donations	(4,175,000)	(2,518,100)	1,656,900
From Reserve & Reserve Funds	(14,028,900)	(12,005,000)	2,023,900
From Capital Fund	(718,500)	(1,017,000)	(298,500)
From WWW/SWM Fund	(8,310,200)	(9,010,700)	(700,500)
Non-Taxation Revenues	(\$72,111,200)	(\$76,255,900)	(\$4,144,700)
Taxation	(126,146,000)	(127,799,900)	(1,653,900)
Supplementary Taxes	(1,840,800)	(1,680,100)	160,700
Taxation Revenues	(127,986,800)	(129,480,000)	(1,493,200)
Total Revenues	(\$200,098,000)	(\$205,735,900)	(\$5,637,900)
Net Levy Requirement	-	\$6,087,200	\$6,087,200

Proposed Taxation Revenue

Total taxation revenue is comprised of four components:

- a) Assessment Growth
 - b) Supplementary Taxes
 - c) Budget related increases
 - d) Capital Asset Sustainability Levy
- 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 1.31% for 2024 resulting in additional taxation revenues of \$1.654 million for the City. The Municipal Property Assessment Corporation (MPAC) updates the property assessment values that are used to calculate the total assessment growth.
 - b) Supplementary taxes are generally related to new properties or properties that have had alterations or improvements that were not reflected on the previous interim or final billing. The supplementary tax revenues are budgeted at \$1.68 million in 2024

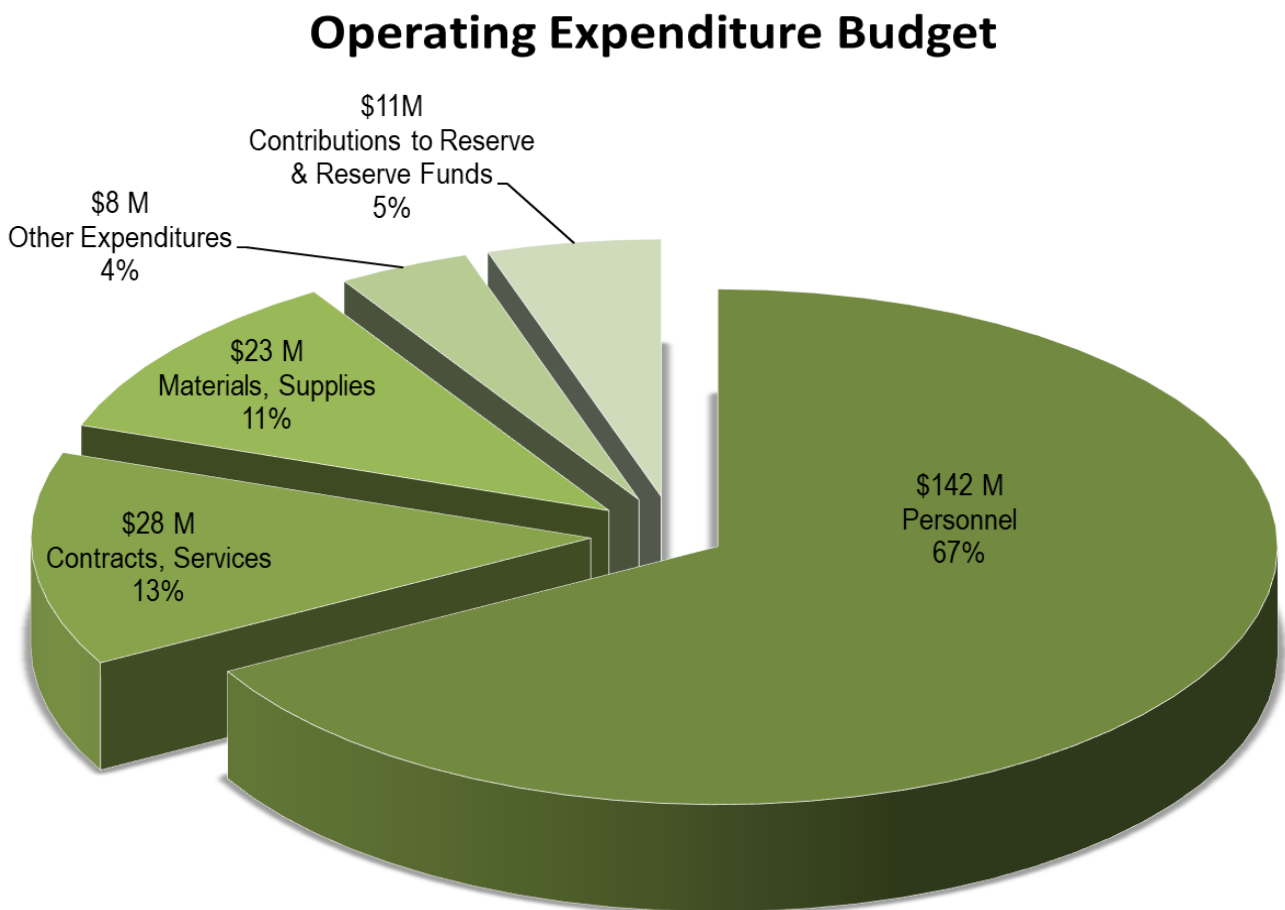
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and represent a \$160,700 decrease from prior year due to expected slowdowns in occupancy rates.

- c) Budget related increases net to \$6,087,200 and are summarized by the overall changes to operating expenditures and revenues.
- d) Capital Asset Sustainability Levy is discussed in section “C” below.

Operating Expenditures

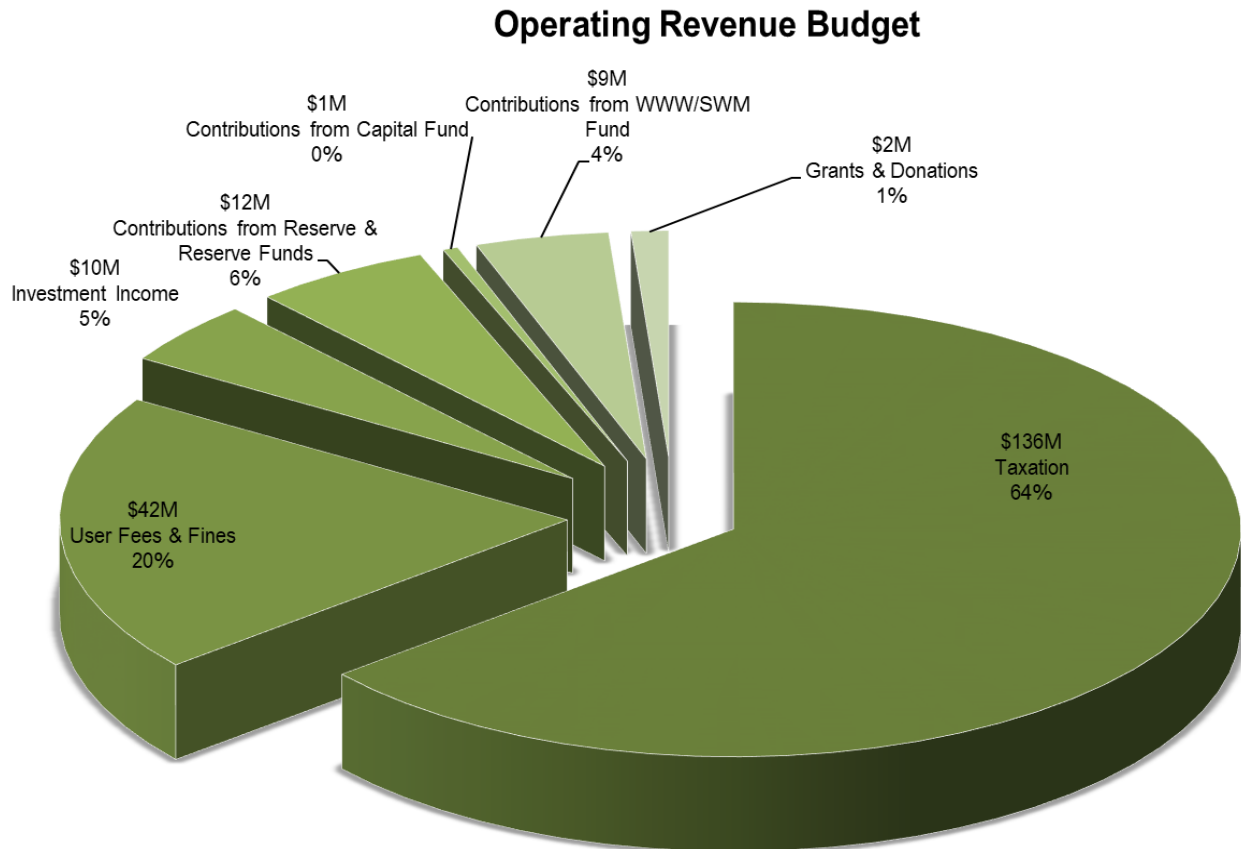
The total expenses included in the 2024 Draft Operating Budget is \$211.8 million. The major operating expenditures are comprised of:



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Operating Revenues

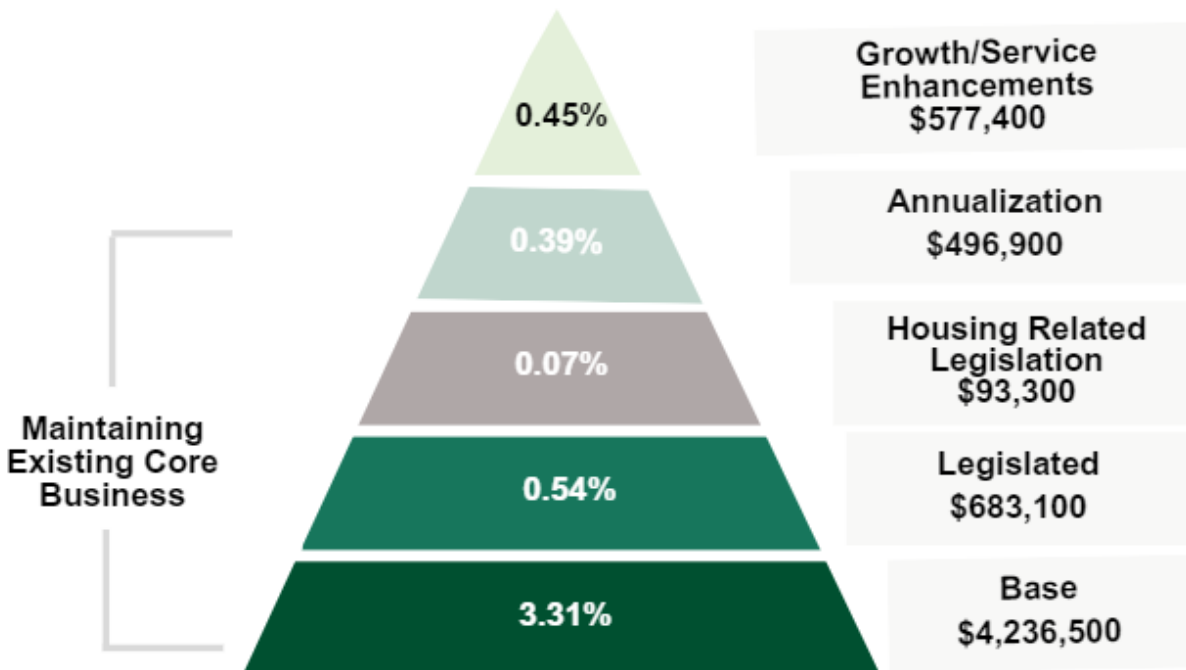
The main sources of City revenues are:



Operating Budget Pressures

There are many layers to building an operating budget. At the core is the foundation, which represents all the necessary incremental costs and associated revenues that are needed to provide for day to day operations. The City has classified the various budget pressures into two categories; maintaining existing core business and growth/service enhancements. Maintaining existing core business comprises of base, legislated, housing related legislation and annualization impacts. Base pressures are inflationary in nature and are essential in maintaining existing service levels. Efficiencies and savings identified are reflected as an offset to base pressures. Legislated and annualization pressures are also necessary to existing service levels but are separately highlighted as they are reflective of external governmental/regulatory influences and prior year Council approved decisions, respectively. The final layer of the budget building process is related to growth and service level enhancements, which are incremental costs from providing the same/enhanced levels of service to a growing community. A high level breakdown of the operating budget by the various budget pressures is presented below.

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Base Pressures – 3.31% Tax Rate Impact

Base Budget increased \$4.2 million, the net result of an \$8.3 million expenditure increase offset by a \$4.1 million non-taxation revenue increase.

a) Base Expenditure Pressures

Base expenditure pressures resulted in a budget increase of \$8,344,100 as detailed in Appendix 'A'. Full-time personnel expenditures reflect an increase of \$4,868,500 and includes cost of living adjustments, overtime, collective bargaining agreement contingencies, reinstatement of firefighters' shift premiums, sick leave payouts, adjustments to benefits rates and grade/step-rate increases. Casual personnel expenditures increased by \$1,480,500 due to the partial recovery from pandemic levels, including the return of part-time staff from the anticipated reopening of the wave pool, increased recreation program offerings and cost of living adjustment increases for eligible part-time staff.

The base increase for non-personnel expenditures is \$1,995,100. The increase is largely due to rising inflationary cost escalations across all departments, vehicle rentals and Automated Vehicle Locating (AVL/GPS) contract costs (\$436K), Recreation honorarium partnership contracts (\$323K), Recreation Activenet contract pricing based on higher anticipated transaction volumes (\$307K), OLT consulting costs fully funded through reserves (\$150K), insurance premiums (\$137K), janitorial services costs (\$128K), net facility maintenance costs (\$76K).

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b) Base Revenue Pressures

The overall base revenues have increased Base user fees and fines revenues are budgeted to increase by \$3.7 million. The increase is largely due to the anticipated recovery from recreation and aquatics programs, facility rental revenues, combined with the re-opening of the Wave Pool (scheduled re-opening date in July 2024) (\$2.9 million). The Wave Pool was closed for the entirety of 2023. There continues to be labour shortages which has prevented the aquatics section from reaching full pre-pandemic programming levels. Furthermore, the increase in Recreation and Culture division user fees includes new and indexed fees, as part of the 2024 Tariff of Fees by-law update.

Also, Planning and Building Services contributed total base revenue increases (\$247,500) in both development planning revenues, related to Official Plan Amendments (OPA) to reflect current forecasts, and building permit revenues based on historical trend. Corporate and Financial Services' budget included revenue increases of \$318,900 for Office of the Clerk's revenues (eg. lottery license, marriage licenses) and Financial Services revenues (e.g. tax roll recoveries, new account fees, ownership change fees, etc.) based on anticipated volume, combined with inflationary fee indexing.

Investment income increased by \$3.2 million due to higher expected returns on short-term investments, reflective of the continued increases in Bank of Canada rates, currently at 5.0% as of the time of writing. As part of the investment income strategy, the City has allocated an additional \$1.9 million transfer to the Tax Rate Stabilization Reserve accordingly to offset the tax rate impact of any potential declines in future interest rates.

Grants and Donations decreased by \$1.6 million mainly due to the reduction in funding from Safe Restart Agreement (SRA) monies. In the previous year's budget, there was \$2.5 million in SRA funds included to offset Covid-19 related operating costs (eg. vehicle fuel, maintenance, rental expenses) and revenue losses (eg. aquatics and general programs and development planning revenues). These pandemic related pressures were anticipated to be transitory but have persisted into 2023 and will likely be factors in 2024. As a result, based on the available funding, the City has allotted a portion (\$1.02 million) of the remaining SRA funding into the 2024 Draft Operating Budget to offset against the remaining aquatics programming deficit, contributing to a decrease in grant funding and a tax rate impact of approximately \$1.5 million.

Base transfers from the Water and Wastewater and Stormwater Management Funds have increased by \$558,000 as a result of additional efforts and resources identified in the Operating Fund for Water and Wastewater and Stormwater Management activities.

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Legislated Pressures – 0.54% Tax Rate Impact

Legislated pressures reflect the incremental impact of new legislation (non-Bill 23/109 or other housing related legislation) on the delivery of municipal services. Total legislated pressures amounted to \$683,100 in the 2024 Draft Operating Budget. The Province increased minimum wage from \$15.50 per hour to \$16.55 per hour, effective October 1, 2023. Due to the new legislation, the City's minimum wage earners and resulting wage compression on other part-time staff have contributed to a budget increase of \$373,100, mainly within the Recreation and Culture and Public Works Operations divisions who employ many seasonal and part-time staff.

Moreover, the budget also includes the loss of tow truck license and late renewal fee revenues, as a result of legislation shifting tow truck regulations and enforcement back to the Provincial government. Other legislated pressures include additional costs for software licenses, regulatory compliance for electrical safety testing, municipal elections as well as a new full-time staffing request for a Water and Wastewater Project Manager, as needed under CLI ECA (Consolidated Linear Infrastructure Environmental Compliance Approval) who will be fully funded from the Water and Wastewater Fund.

Housing Related Legislation Pressures – 0.07% Tax Rate Impact

Housing related legislation pressures have been separately identified apart from other legislated pressures to isolate the incremental impacts from Bill 23 (More Homes Built Faster Act, 2022), Bill 109 (More Homes for Everyone Act, 2022), Richmond Hill's Housing Pledge and other legislation to provide affordable housing to the community. The 2024 Draft Operating Budget incorporates two contract staffing positions (Heritage Planner II and Planner II), who are fully funded from the Tax Rate Stabilization Reserve and do not have a tax rate impact. These two positions were included as part of the Request for Approval - Implementation of Bills 109, 23 and 97 - Revised Development Application Review and Approval Process staff report (SRPI.23.059), which was endorsed at the July 12 Council Meeting. Therefore, the net budget impact of housing related legislation is \$93,300, which relates to the loss of previously available development charges funding for staff cost recovery due to Bill 23.

Annualization Pressures – 0.39% Tax Rate Impact

Annualization pressures represent the incremental full year impact of prior year approved staff and/or programs. The 2024 Draft Operating Budget includes a tax rate impact of \$496,900 related to the annualization of 9 full-time staffing positions approved in 2023. There were an additional 6 full-time staffing positions requested in 2023 that were fully funded from reserves and/or other funds and do not have an annualized tax rate impact to the 2024 Draft Operating Budget.

Growth Pressures – 0.45% Tax Rate Impact

The net growth impact to the budget is an increase of \$577,400. This pressure category reflects the provision of the same or enhanced levels of service to a growing community reflective of larger volumes or higher levels of activity. It is inclusive of new staff requests and new programs, offset by the revenues from property assessment growth.

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There are 5 new full-time and 3 part-time staffing requests equal to \$312,600. There is one staff request (Program Manager, Infrastructure Delivery) who is fully funded from the capital fund and has no tax rate impact (Appendix “B”).

Growth program expenditure pressures represent a budget increase of \$1,918,700, mainly related to the fifth year of an eight-year phase-in plan to fund the Public Works Enhancement Program, the second year of a five-year plan to phase-in plan to fund the addition of 16 Firefighters, increased volume of homes receiving waste collection services, and increased number of digital programs and licenses. In addition, the budget includes non-recurring consulting for Procurement Review, Financial Master Plan, Water, Wastewater and Stormwater Management Financial Plan and a One Window Program which are all fully funded from various reserves and reserve funds to minimize the tax levy impact (Appendix ‘B’).

In 2024, the property assessment growth is 1.31%, generating an additional \$1,653,900 in taxation revenue.

Richmond Hill Public Library Board (RHPL)

RHPL operates under the direction of the Library Board, appointed by City Council, and governed by the *Public Libraries Act*. The RHPL Board’s total 2024 Draft Operating Budget is \$8.95 million, consisting of \$11.3 million in total expenditures and total revenues \$2.35 million. The net budget is funded from municipal property taxation and reflects an overall increase of \$450,100.

The increase in expenditures is mainly related to base personnel increases, for benefits, grade/step level increases combined with phased-in cost of living adjustments based on a pay equity review. RHPL is also requesting the addition of 3 part-time Pages and a full-time Digital Product Manager position, to be converted from a capital funded contract. Further, inflationary pressures for IT software maintenance and additional security hours were mainly offset by savings in office/library supplies, personal protective equipment and funding from York Region District School Board for shared costs of the Richmond Green Library.

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 “C”) 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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Capital Asset Sustainability Levy Budget

Recognizing the long-term funding challenges for tax-supported capital investments, Council adopted the Capital Asset Sustainability Strategy as part of the 2016 Operating Budget. The Capital Asset Sustainability Levy (CASL) is applied to support the repair and replacement of state of good repair (SOGR) capital assets. The initial strategy approved an annual 1% tax rate increase over ten-years, ending in 2025. With continuing pressures on the state of good repair – aging infrastructure, growth, and cost escalations, Council approved the CASL increase to 1.5% tax rate equivalent through SRCFS.20.026 Financial Sustainability Strategy, however implementation was deferred due to other City Plans in progress.

At the July 12, 2023, meeting Council endorsed a 2024 CAS Levy increase of 1.5% tax rate equivalent for 2024. The 2024 increase will generate an additional \$1,917,600 contributing to a total budget of \$10,902,100 for future capital asset funding. This amount is included in the \$20,184,000 of tax supported capital asset funding for annual contributions to future capital investments.

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 "E" provides an updated operating financial outlook based on the proposed 2024 Draft Operating Budget and outlook for 2025-2027. 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 (2.5% for 2025, 2.1% for 2026 and 2.0% for 2027) based on forecasted CPI. Assessment growth has been conservatively forecasted at 1.00% for 2025 to 2027, compared to actual assessment growth of 1.31% in 2024 and 1.61% in 2023.

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The Outlook forecasts a tax levy increase of \$7.1 million in 2025, and decreases thereafter in 2026 and 2027 (refer to Appendix “E”) as summarized below:

City Services	2024 Draft Budget	2025 Outlook	2026 Outlook	2027 Outlook
Base	\$ 3,051,000	\$ 5,466,600	\$ 4,703,900	\$ 4,706,300
Annualization	496,900	200,500	667,800	232,000
Legislated	776,400	350,000	367,000	405,000
Growth / Service Enhancements	999,800	1,333,300	1,361,700	1,807,600
Temporary but Persistent	1,185,500			
Property Tax / Supplementary Tax	(1,653,900)	(1,338,900)	(1,423,400)	(1,505,500)
Tax Levy Increases	\$ 4,855,700	\$ 6,011,500	\$ 5,677,000	\$ 5,645,400
Tax Rate Increase before Special Items	3.84%	4.70%	3.95%	3.71%
Public Works Enhancement	681,500	557,400	557,400	557,300
16 Firefighters	550,000	550,000	550,000	538,300
Tax Levy Increase	\$ 6,087,200	\$ 7,118,900	\$ 6,784,400	\$ 6,741,000
Tax Rate Increase	4.76%	5.57%	4.72%	4.43%
Capital Asset Sustainability	\$ 1,917,600	\$ 2,028,400	\$ 2,156,500	\$ 2,280,900

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 various City initiatives such as IT strategy, Fire Master Plan, Public Works Enhancement, automated speed enforcement program and regular business. It also includes an anticipated full recovery of Aquatics in Recreation Programs by the end of 2026, with the assumption that labour shortages will be alleviated and programming will be able to match demand and participation rates. The outlook does not include the full impacts of the items that are still being assessed such as housing related legislation resources and the Blue Box Transition implementation.

Reserves and Reserve Funds Budget

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

Relationship to Council Strategic Priorities 2020 to 2022:

The City of Richmond Hill’s annual Operating Budgets reflect 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

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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 2024 Operating Budget:

- The 2024 Operating Budget provides for a Municipal Tax Levy of \$133,887,100 (excluding supplementary taxes) which includes a \$6,087,200 (4.76%) budgetary increase over 2023.
- The provision of a Special Levy generates an additional \$1,917,600, to a total of \$10,902,100, for Capital Asset Sustainability (reflective of a 1.5% tax rate equivalent increase).

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: Compliance Report under O. Reg. 284/09, Budget Matters – Expense
- Appendix D: 2024 Application of Reserve and Reserve Fund Transfers in the Budget
- Appendix E: 2025 - 2027 Financial Outlook

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Report Approval Details

Document Title:	SRCFS.23.052 - 2024 Operating Budget.docx
Attachments:	- SRCFS.23.052 - Appendix A - Operating Budget Pressures.pdf - SRCFS.23.052 - Appendix B - Growth Pressures.pdf - SRCFS.23.052 - Appendix C - Compliance Report.docx - SRCFS.23.052 - Appendix D - Reserve and Reserve Fund Transfers.pdf - SRCFS.23.052 - Appendix E - 2025-2027 Financial Outlook.pdf
Final Approval Date:	Nov 23, 2023

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

Gigi Li - Nov 22, 2023 - 8:58 PM

Sherry Adams - Nov 23, 2023 - 8:35 AM

Darlene Joslin - Nov 23, 2023 - 12:05 PM