

February 13, 2021

Report to Council – February 23, 2021

**SR2021-31
2021 Budget City Departments**

**L. Ferguson
Director of Finance**

RECOMMENDED

THAT Council receives report SR2021-31 2021 Budget City Departments;
and,

THAT Council approves the following:

1. 2021 City Departments Operating Budget, with a net levy of \$21,113,365.
2. Incremental Communications and Engagement Officer for \$46,883, then making the net levy of \$21,160,248.
3. 2021 Capital Budget for \$4,400,825 and be funded as follows:
 - \$924,409 tax levy
 - \$1,143,470 Federal Gas Tax
 - \$357,950 other grants
 - \$363,500 reserves and reserve funds
 - \$1,545,000 debt
 - \$66,496 donations
4. Of the Provincial Safe Restart funds previously approved of \$1,024,108, that \$812,358 be utilized for 2021 operating pressures and the remaining \$211,750 be held for further pressures caused by the pandemic.
5. Safe Restart funds for Transit of \$72,335 be utilized for pandemic pressures on the 2021 budget.
6. Safe Restart funds for Transit of \$98,237 be utilized to offset the pandemic pressures relating to Transit from 2020.

BACKGROUND

To date Council has been presented both the City Departments 2021 operating and capital budgets. Both budgets have been approved in principle with a few items left for follow-up.

At the January 19, 2021 Council meeting Council approved that \$1,024,108 of Safe Restart funds be applied to the 2021 operating budget to offset COVID 19 pandemic pressures. As the Safe Restart funds are very specific to covering only the pandemic pressures on the budget, a validation has been completed to ensure that the funds are applied appropriately. Reporting to the Ministry is due in March which demonstrates that the Safe Restart funds have been applied appropriately. The City has received a total of \$1,576,900 Safe Restart funds for operating and \$102,647, with a possible additional \$206,603 that is specific to Transit.

A complete review of the City's User Fees is being completed, with further information and recommendations to be presented at the Finance and Administration Committee (FAC) later in the year.

A review specific to the Islands Camping and Mooring service levels and user fees will be presented to Council when the Covid Conscious Service Delivery Plan is brought back to Council the end of March or early April. It was also requested that a review of the Transient Docking fees be completed. These reports will include an analysis of the user fees, if they are at the appropriate level and, that the service is delivered in the most efficient and responsible COVID 19 pandemic conscious way possible.

In relation to the City departments capital budget, staff were to report back on the following items:

- Additional cost comparisons relating to the Vac Truck.
- Alternate funding sources for the Double Drum Roller and the Front-End Loader.
- Possible funding of the Hardy Park Sewer Reconstruction through the Wastewater Reserves.
- Analysis of the pay back for the maintenance of the Metro parking lot through the lease payments.

Staff have worked diligently to present to Council a transparent and COVID 19 pandemic conscious responsible budget. Careful consideration was given when contemplating the various funding sources which included, the Safe Restart funds, Reserves, Grants, Debt, and the tax levy.

ANALYSIS

Provincial Safe Restart Funds

The January 19th resolution of Council allocated \$1,024,108 Safe Restart funds to alleviate pressures on the 2021 Operating Budget which was an amount provided in an example of the different effects various budgeting strategies had on the 2021 and future budgets.

While staff understand the intent of Council's decisions, it became somewhat difficult to reconcile against the various budget lines as the budget was still under development.

Staff's intentions were to still complete further analysis and confirm the actual amount required prior to full approval of the budget. The amount applicable directly to the pressures of the pandemic has been reconciled to the budget lines and the following has been found:

- \$72,335 of reduced revenues pertain to Transit, which must be applied to the Safe Restart for Transit.
- Only \$681,723 of the decrease in operating revenues can be applied to Safe Restart.
- Included in the Safe Restart allocation are expenses specific to the Assessment Centre \$130,635.
- This leaves a balance of \$211,750 of the \$1,024,108.

Safe Restart Funds-Operating

Phase 1	\$1,313,900
Phase 2	<u>263,000</u>
Total	1,576,900
2021 Budget Mitigations	
Lost Revenues Applicable to Safe Restart	(681,723)
Assessment Centre Costs	<u>(130,635)</u>
Total Applicable to Safe Restart	(812,358)
Council January 19, 2021 Resolution	1,024,108
Balance Remaining	<u> </u>
(1,024,108-812,358)	<u>\$211,750</u>

It is recommended that this amount, not be included in the budget at this point, but be kept aside to mitigate further COVID 19 pandemic pressures in

2021. As 2021 unfolds the COVID Conscious Service Delivery Plan will be further considered and implemented. These funds will be required to offset increased costs and/or further lost revenues that are above the base 2021 budget that relate directly to the pandemic.

The balance remaining of the \$1,576,900 less the \$1,024,108 is \$552,792. To date the following has been identified as pandemic related pressures attributed to the Community Partners:

- \$22,262 for additional cleaning at the Library
- \$80,570 re lower Municipal Accommodation Tax (MAT)
- \$25,000 relating to the Aquatarium increase.

Balance of Safe Restart

(1,576,900-1,024,108) \$552,792

Community Partner's Identified COVID 19 Pressures

Library	(22,262)
Lost Revenue on MAT	(80,570)
Aquatarium increase	<u>(25,000)</u>
Balance Remaining	<u>\$424,960</u>

The total balance remaining of this unallocated portion of the Safe Restart funds is \$424,960.

The Province had provided Safe Restart funds that were to be used solely for Transit. The total amount of Transit specific Safe Restart funds required to alleviate the pressures of the pandemic on the 2021 Transit operating budget is \$72,335.

During the on-going 2020 yearend reconciliations it was found that a portion of the Phase 1 Safe Restart funds would be required to offset 2020 pressures. The Phase 1 allocation from the Province was \$102,647.

2020 Transit Reconciliation	Conventional Transit	Para- Transit	Total
Surplus/(Deficit) on Fare based Revenues	(\$99,174)	(\$10,027)	(\$109,201)
Surplus/(Deficit) on Other Grants*	8,219	3,920	12,139
Surplus/(Deficit) on Wages & Benefits	(32,994)	834	(32,160)
Surplus/(Deficit) on Vehicle Maintenance	24,087	(81)	24,006
Surplus/(Deficit) on Other Expenses	5,638	1,341	6,979
Surplus/(Deficit) before Safe Restart Funds	(\$94,224)	(\$4,013)	(\$98,237)
Total Transit Safe Restart Funds Received			\$102,647
Safe Restart Funds utilized	94,224	4,013	98,237
Net Surplus/(Deficit) at December 31, 2020	\$0	\$0	\$4,410

After applying the Phase 1 Safe Restart funds to the 2020 pressures the balance remaining would be \$4,410.

The Province also has indicated that Phase 2 of Safe Restart funds for Transit would be up to \$206,603. The remaining amount from Phase 1 (\$4,410) would be added to the Phase 2 amount to be applied to the 2021 budget pressures.

After the direct pressure on the Transit revenues of \$72,335 relating to the 2021 budget is applied, the balance remaining would be \$138,678 for further pandemic related pressures on Transit.

Safe Restart Funding-Transit

Phase 1	\$102,647
2020 COVID 19 Pandemic Pressures	<u>(98,237)</u>
Balance of Phase 1	4,410
Phase 2 up to	<u>206,603</u>
Total Available	211,013
2021 Budget Pressures	
Decreased Revenues	<u>(72,335)</u>
Balance Remaining	<u>\$138,678</u>

Information requested at the January 26, 2021 Council Meeting

Double Drum Roller and Front-End Loader Funding Options

The total budget amount for the double drum roller of \$45,000, and the front-end loader of \$350,000 is \$395,000. At the January 26th meeting, Council had requested that staff review alternative funding sources. The City does have a Fleet Managed Reserve Fund for this type of purchase; however, the available balance is only \$108,489. Federal Gas Tax would not be applicable.

Staff recommend that the double drum roller and front-end loader be funded through debt in the amount of \$395,000.

Hardy Park Washroom Sewer Reconstruction Project.

The Hardy Park washroom sewer reconstruction project, estimated at \$26,000, is for the reconstruction of a dedicated sewer lateral from the Hardy Park washroom to the sewer trunk on Water Street. This project is proposed due to the inadequate capacity of the current sewer lateral and the quite old sewer infrastructure on Kincaid Street.

The project is proposed being funded through the tax levy as it can be considered as part of the infrastructure for the Hardy Park washroom as opposed to being part of the sewer infrastructure running along under the street. The purpose of the lateral is to connect to the sewer infrastructure, not assist in the overall collection of wastewater to the wastewater plant.

If Council desired, it be funded from Wastewater. However, because the Wastewater budget and user fees have been approved for 2021, this amount would need to come from the Wastewater reserves. The estimated balance of the Wastewater reserves for 2020 is \$433,547 and the estimated 2020 balance of the Wastewater reserve funds is \$1,765,277. Council approved a \$200,000 contribution to Wastewater reserves for 2021.

The initial Hardy Park Washroom Park project was funded by \$100,000 from the tax levy and \$60,000 from Federal Gas Tax. It is feasible to fund this 2nd phase of the project from Federal Gas Tax.

Staff recommend that the sewer reconstruction project be funded from Federal Gas Tax in the amount of \$26,000.

Replacement of the Vac Truck

Additional information involving a cost analysis regarding leasing a vac-truck including associated labour costs has been requested.

A return on investment has been calculated as follows:

- The per hour rental cost of a truck with an operator is \$225 plus HST.
- The average annual usage of this type of truck is 1718 hours.
- The total lease cost would be \$386,550 plus HST.
- The purchase price of the truck is estimated at \$619,530 plus HST.
- The return on investment would be $\$619,530 / 386,500$ or 1.6 years.

If the rental cost of \$225 is reduced by the cost of an operator:

- The total cost per hour for an operator, estimated at our operator cost per hour, including benefits and payroll taxes is \$40.
- The adjusted cost of the rental less the cost of an operator would be \$185/hr. ($\$225 - \40).
- The estimated annual rental cost could be estimated at \$185 per hour for 1718 hours would be \$317,830 plus HST.
- The return on investment would be $\$619,530 / \$317,830$ or 1.95 years.

For further analysis:

- If the \$619,530 (with net HST \$630,434) was purchased through a 5-year debenture at 0.91% the annual payment amount would be \$129,263. The total payments over the 5 years would be \$649,318.
- If the truck was leased for 5 years at an annual lease payment of \$162,000 (with net HST \$164,851) the total 5-year cost would be \$824,256.
- If the truck was rented at the hourly rate of \$225 (with net HST \$228.96) @ 1718 hours the annual amount would be \$393,353. The total cost over 5 years would be \$1,966,765.

There is no financial business case in any of these alternate scenarios.

Staff recommend the purchase of the vac truck is funded through debt in the amount of \$650,000.

Metro Parking Lot Cost Recovery

Additional information regarding payback from the lease payments and the cost of maintenance of the parking lot has been requested.

The Metro parking lot lease for 2021 is \$35,670 and will be adjusted each year with the September to September Ontario Transportation CPI. The cost for the repaving in 2021 is budgeted at \$110,000.

The lease payments represent a 3-year payback. It is anticipated that repaving could happen in about 20 years or at least once more over the term of the 50-year lease. The lease payments will easily cover repaving.

Staff recommend the paving of the Metro parking lot be funded from the Parking Reserve Fund in the amount of \$110,000.

2020 Deferred Capital

During 2020, being conscious of the unknown extent of the effects the pandemic was having on cashflow, a number of 2020 capital projects had been identified as possible deficit mitigation. The identified projects, for City Departments, totaled \$563,151. Due to the overall deficit mitigating strategies that were utilized for City Departments throughout 2020, the total \$563,151 is not required.

It is recommended that the funds for these projects remain within Capital and be carried forward to 2021 to be completed. This will prevent the necessity of funding these projects a second time from the tax levy.

Currently work is being completed to calculate the consolidated yearend surplus or deficit. Staff will report back to Council on the actual yearend results of 2020 with a recommendation. At this time, it is not anticipated that the full amount of deferred capital will be required.

Federal Gas Tax

The estimated ending balance of Federal Gas Tax for 2020 is \$2,425,509. The 2021 allocation is \$1,353,983. The proposed projects to be funded from Federal Gas Tax for 2021 \$1,417,958, leaving a balance of \$2,369,034.

Federal Gas Tax

Beginning Balance	\$2,425,509
Federal Funding	1,353,983
Interest	<u>7,500</u>
Funds Available	3,786,992

Memorial Centre Solar Project

Debt	68,673
Railway Tunnel Debenture	148,000
Asphalt	810,000
Transit Buses	26,450
Traffic Controllers	97,000
Brock Trail	54,520
Hardy Park Washrooms	26,000
Centeen Park Seawall	112,500
Sabre Jet Pier Replacement	17,000
Library Shelving	40,815
Aquatarium HVAC	<u>17,000</u>
Estimated Project Costs	<u>1,417,958</u>
Ending Balance	<u>\$2,369,034</u>

POLICY IMPLICATIONS

Council must pass the operating and capital budgets each year as well as enacting the necessary bylaws for the tax levy, tax rates and user fees.

FINANCIAL CONSIDERATIONS

If the City Department operating and capital budgets are approved as recommended the levy increase would be \$245,846 or 1.13%.

2020-2021 City Department Budget	2020	2021	Change	Percent Chang
City Operating	\$20,742,011	\$21,113,365	\$371,354	1.79%
City Capital	1,096,800	924,409	(172,391)	-15.72%
Levy Change as of January 26, 2021	\$21,838,811	\$22,037,774	\$198,963	0.91%
Incremental Communications & Engagement Officer		46,883	46,883	
Total City Department Budget	\$21,838,811	\$22,084,657	\$245,846	1.13%

CONCLUSION

One of the primary responsibilities of City Council is to adopt the operating and capital budgets for the City thereby setting the applicable tax levy.

Both budgets were analyzed under the City's new budgeting processes. The 2021 proposed City operating and capital budgets demonstrates staff's commitment to propose a budget which is fair, transparent and with the intent to build a culture of cost management through a structured process.

The 2021 budget was also prepared with the COVID 19 pandemic and its effects in mind.

L. Ferguson, CPA, CGA
Director of Finance

Janette Loveys
City Manager