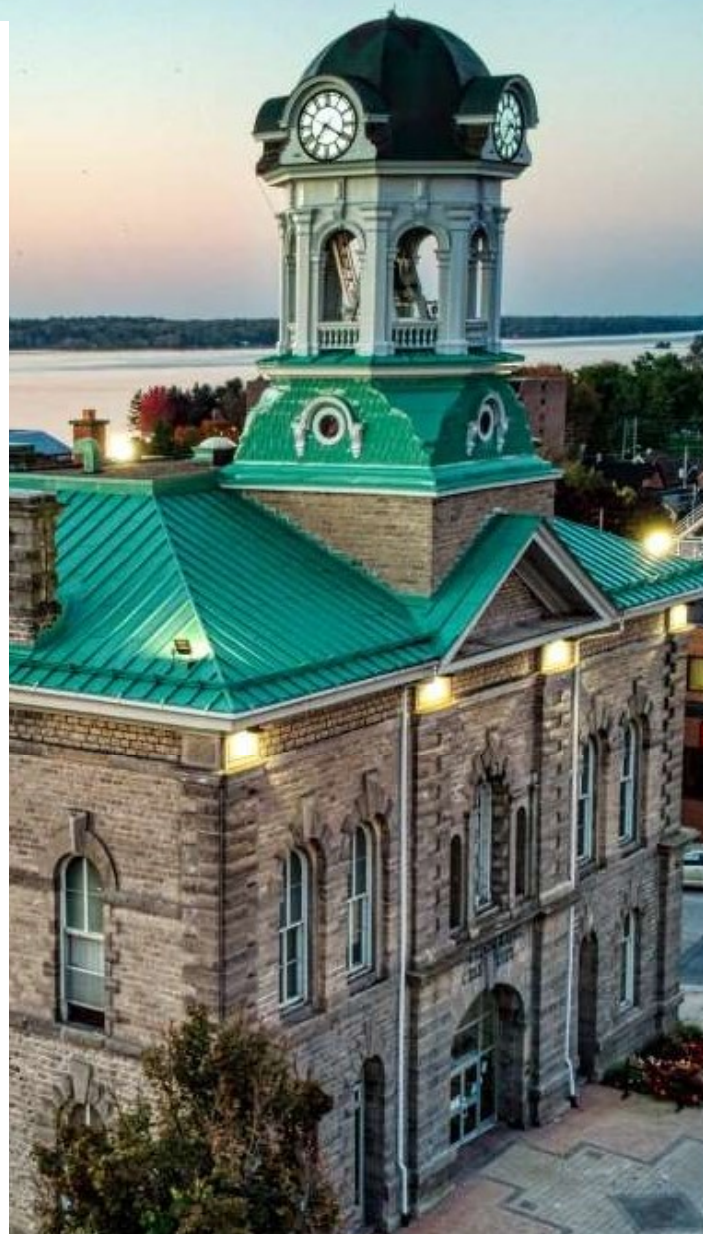


2023 Budget Overview

JANUARY 6, 2023

CITY OF BROCKVILLE



Budget Overview

Why do we budget?

The municipal budget is one of the most important responsibilities of Council. The annual budget provides a roadmap for the delivery of municipal services to the residents, businesses, and visitors of the City of Brockville. It is a financial tool to manage City resources and assets and establishes service levels. The approved budget is used to set the rates and fees required to fund the delivery of these services.

The Budget Process

There are many factors to consider while planning a budget, such as Council priorities, service levels, and asset conditions while being fiscally responsible.

Staff begin working on the budget over the summer and fall months. Each department reviews its activities and plans for the year ahead. Current and prior year's actual expenditures are taken into consideration on each line item in detail. This information is used to develop the proposed budget while considering service levels, work plans and critical asset replacement.

Each department meets with the City Manager, Treasurer, and Finance staff to review their budget requirements. This review takes a critical look at each department's proposed budget and begins the process of looking at the budget as a whole for City. Service levels are an important consideration as well as the cost of those services. Each department's ability to perform those services requires conscientious review of work plans, staffing levels, asset maintenance and replacement. It is also at this time when other funding opportunities, such as Federal and Provincial grants, debt and possible cost sharing collaborations with neighbouring municipalities are considered.

General (Tax) Levy

The general or tax levy includes the following budgets:

Operating budgets

The costs required to provide the day to day services by each City Department, but excludes the water and wastewater operating budgets which are considered separately.

Capital budgets

The capital budget establishes the costs required for asset replacement as well as any asset maintenance which is not already captured in the operating budget. The capital budget (excluding water and wastewater) is funded partially by the tax levy. Other sources of funding for the capital budget include grants, reserves, and donations.

Community Partners

The City works with various community partners that provide services that compliment City services and/or are mandated by Provincial regulations. Council may suggest limits to budget increases but will not have control over the delivery of the service. They include:

- Brockville YMCA
- Frontenac Arch Biosphere
- Joint Services
- Leeds, Grenville & Lanark District Health Unit
- St. Lawrence Lodge
- The Aquatarium
- The Brockville Public Library
- The Cataraqui Regional Conservation Authority
- The Police Services Board

Reserves/Reserve Funds Budget

As part of long-term financial management annual contributions are made into specific reserves. Reserves can provide stability for tax rates, funding for one-time expenditures, asset replacement, and provide assistance to manage debt levels. The anticipated balance of the Fiscal Policy Reserve at the end of 2022, without considering any surplus or deficit is \$3.6 million.

User Fees

User fees are charged for specific services, such as ice rentals, island and camping rentals, transit fares and building permits. These fees offset the related expenses on the tax levy.

Grants and Other Revenues

There are various Federal and Provincial grants available to municipalities, including application-based grants for specific items, such as the Canada Community Revitalization Fund, (CCRF) and formula based grants such as the Canada Community Building Fund (CCBF).

The 2023 allocation for the CCBF is \$1,412,852. The expected balance at the end of 2022 is \$1.8 million.

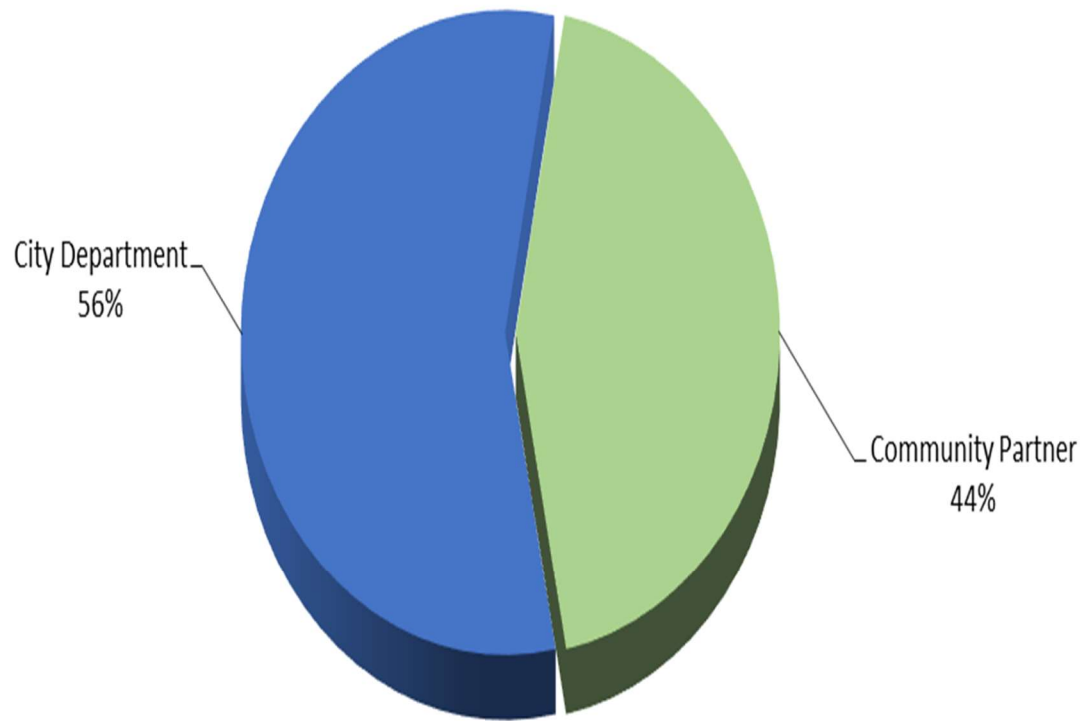
The Ontario Community Infrastructure Fund (OCIF) is another formula-based grant specifically for infrastructure and asset management. The 2023 allocation is \$1,020,022. The expected balance at the end of 2022 is \$579,841.

The City also receives donations for specific community interest projects.

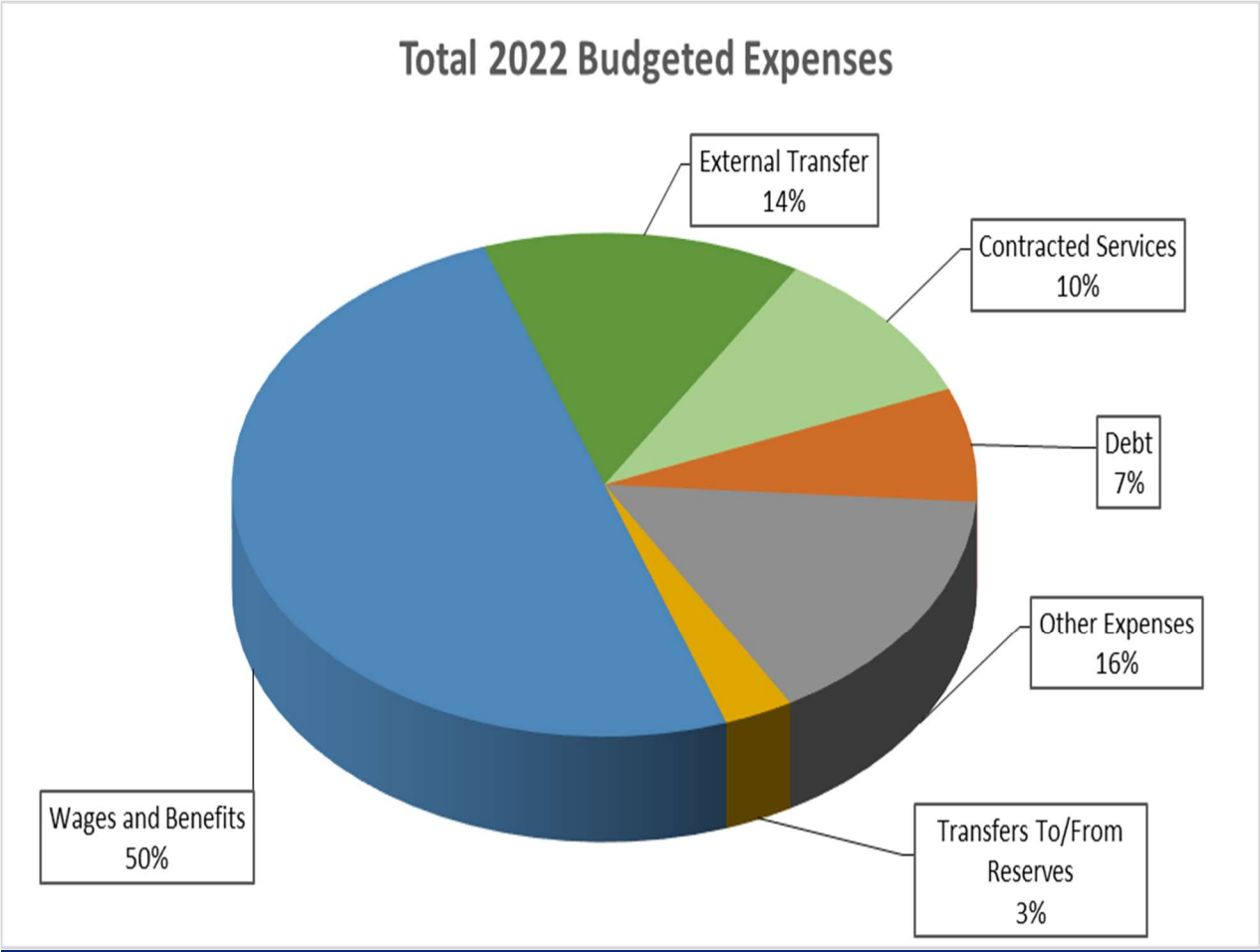
Budget Allocation

The following graphs based upon the 2022 approved budget, depict the split between City Departments (56%) and Community Partners (44%).

Final 2022 Approved Budget

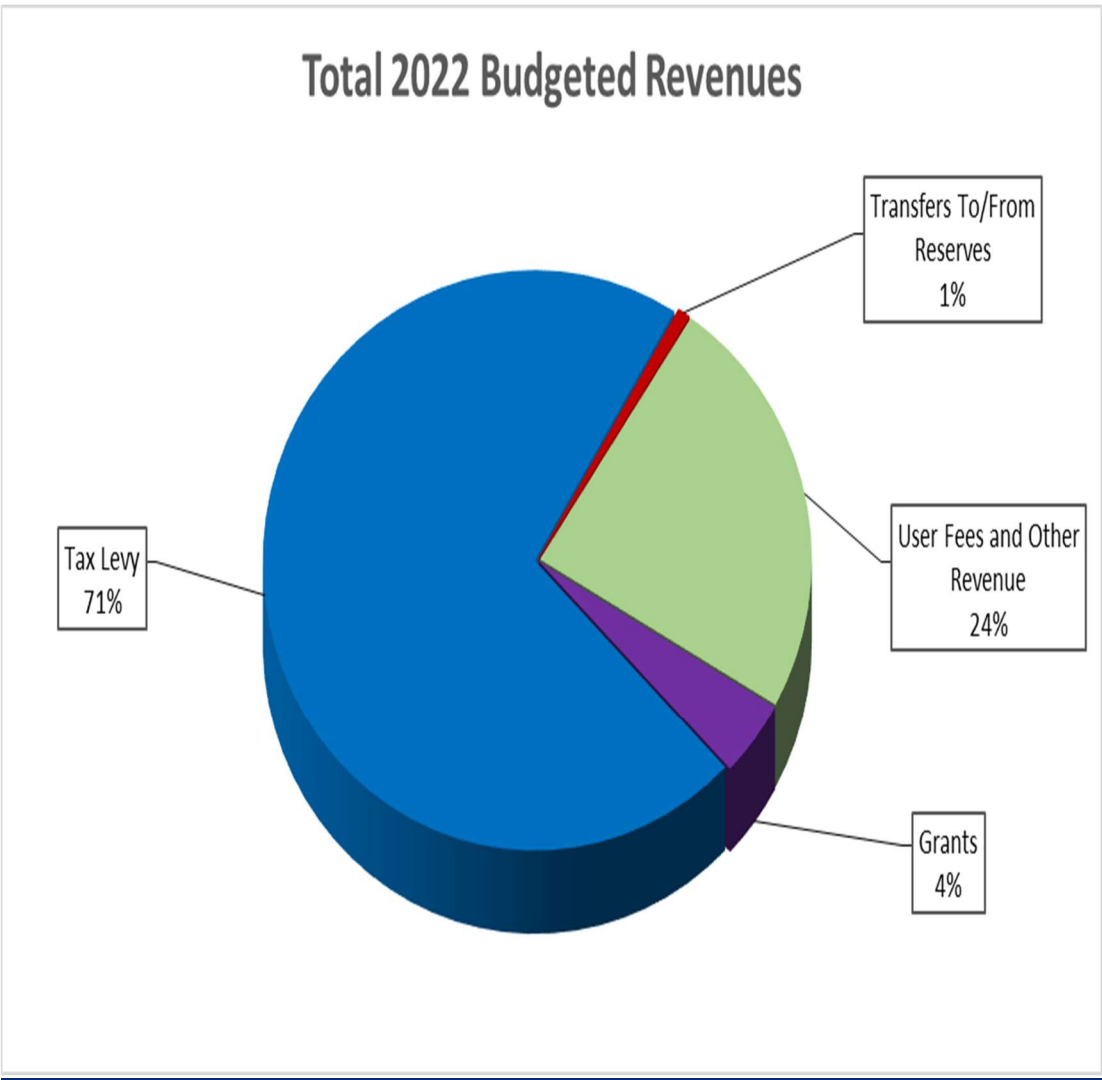


The following graph shows that 50% of the total budget is made up of wages and benefits. External transfers are made up of Community Partners other than Police Services, which are included in the expense breakout.



How the Budget is Funded.

This graph shows that the Tax Levy funds 71% of the budget and User Fees fund 24%. Only 1% is funded by reserves.



Budget Challenges

Many factors are considered throughout the budget process. Several factors, however, are beyond the City's control.

CPI

CPI has remained high in 2022 and is projected to remain high going into 2023. With many factors, including the COVID 19 pandemic, supply chain issues and volatile fuel prices. Though the Bank of Canada has increased the policy interest rate, which went from .25% in January to 4.25% in December 2022 it is expected to take some time to lower CPI.

Collective Agreements

The City has various collective agreements that determine the level of wages.

- CUPE Inside and CUPE Outside contracts expire in March of 2024. Their increase as of April 2023 will be 1.85%
- Fire Services contracts expire December 31, 2023. Their increase for 2023 is 1.75%
- Police Civilian members will receive 1% increase in January 2023 and 1% in October 2023.
- Police Uniform contract expired at the end of 2022.

Non-Union Policy

The policy established for non-union staff increases is based on CPI. . The minimum increase is 1% to a maximum of 3%. As the 2022 CPI is 6.4% as of November 2022, the 2023 increase has been budgeted at 3%.

Payroll Costs/Benefits

Payroll costs, other than direct wages, include CPP, EI, EHT, WSIB and the OMERS pension plan. CPP rates have increased by 0.25% and WSIB by 0.35% for 2023. A change to the OMERS pension plan makes all part-time staff eligible to participate in the plan. Should a part-time employees enroll in the plan, the City is required to match the contribution. By going to market for health benefits we succeeded in reducing the cost of health benefits by about 1%.

Interest Rates

With the Bank of Canada increasing the policy rate to try to stem inflation, this also increases the interest for any new debt the City incurs. From the 2022 budget there is an estimated \$2.6 million in new debt to be taken out upon the completion of the projects. The time of incurring debt will factor in the budget for debt payments, as the new debt can be strategically taken out later in the year so that only one debt payment will be required in 2023.

History of Tax Levy

The tax levy is the primary source of funding for the City operations. As can be seen in the summary below, the levy does not necessarily increase every year. However, with the current economic challenges, it will be necessary to increase the tax levy for 2023 to maintain current service levels.

- 2018 \$35,608,255 percent increase 2.86%
- 2019 \$36,316,132 percent increase 1.99%
- 2020 \$36,571,631 percent increase 0.70%
- 2021 \$36,837,119 percent increase 0.73%
- 2022 \$37,803,107 percent increase 2.62%

Budget Timeline

December 6, 2022 – Water and Wastewater Capital

December 13, 2022 – Water and Wastewater Operating

January 10, 2023 – 2023 Budget Kick-off General Tax Rate, Approval of Water and Wastewater Budgets and User Fees

January 17, 2023 – Capital

January 24, 2023 – City Department Operating

February 14, 2023 – City Department Operating and User Fees

February 21, 2023 – Community Partners

February 28, 2023 – Community Partners

March 14, 2023 – 2023 Budget Approval