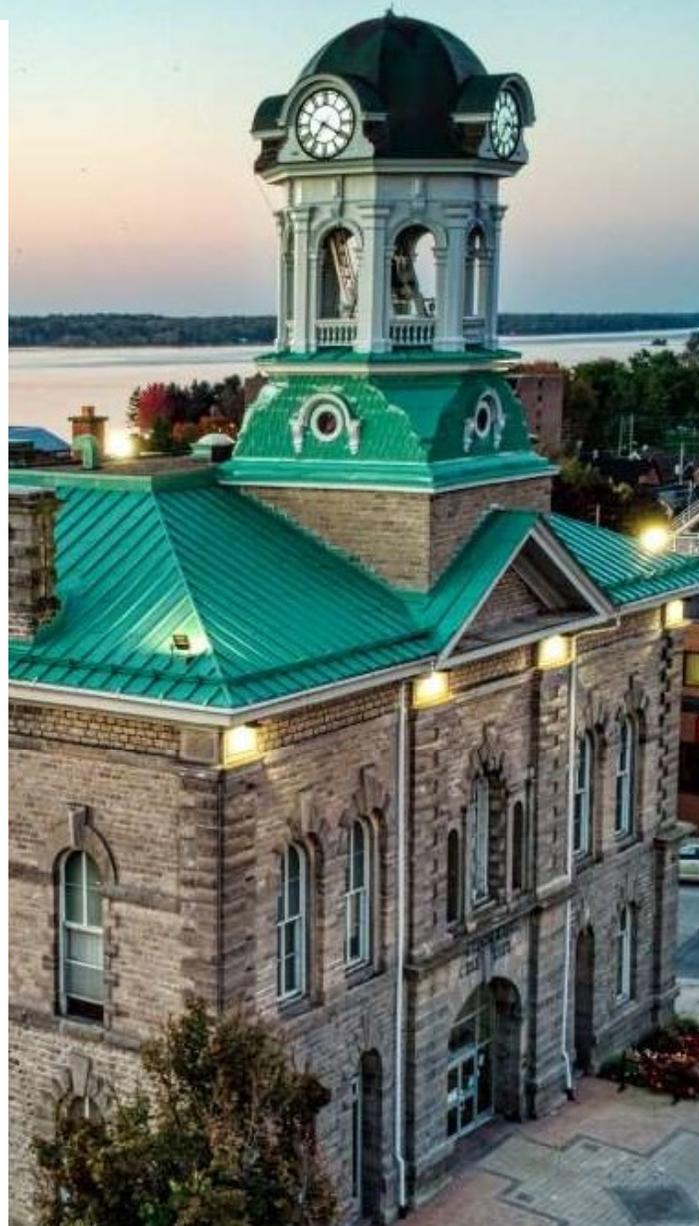


2024 Budget Overview

SEPTEMBER 26, 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, council priorities 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 departments proposed budget and begins the process of looking at the budget as a whole for the 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 are mandated by Provincial regulations and/or compliment City services . Council may suggest limits to budget increases but do not have direct control over the delivery of the service. They include:

- Police Services Board
- Brockville Public Library
- United Counties of Leeds Grenville Joint Services Committee (Provincial Offences, Paramedic Services, Community and Social Services)
- Leeds, Grenville & Lanark District Health Unit
- St. Lawrence Lodge

-
- The Aquatarium
 - The Cataraqui Regional Conservation Authority
 - Brockville YMCA
 - Frontenac Arch Biosphere

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 2023, without considering any surplus or deficit is \$2,500,000. As part of the budget mitigations strategies for the 2023 budget, \$650,000 was taken from the Fiscal Policy Reserve to reduce the tax levy. A plan will be created during the 2024 budget process to return these funds to the reserve.

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 and formula based grants such as the Canada Community Building Fund.

The 2024 allocation for the Canada Community Revitalization Fund is anticipated to be \$1,412,852. The expected balance at the end of 2023 is \$484,086.

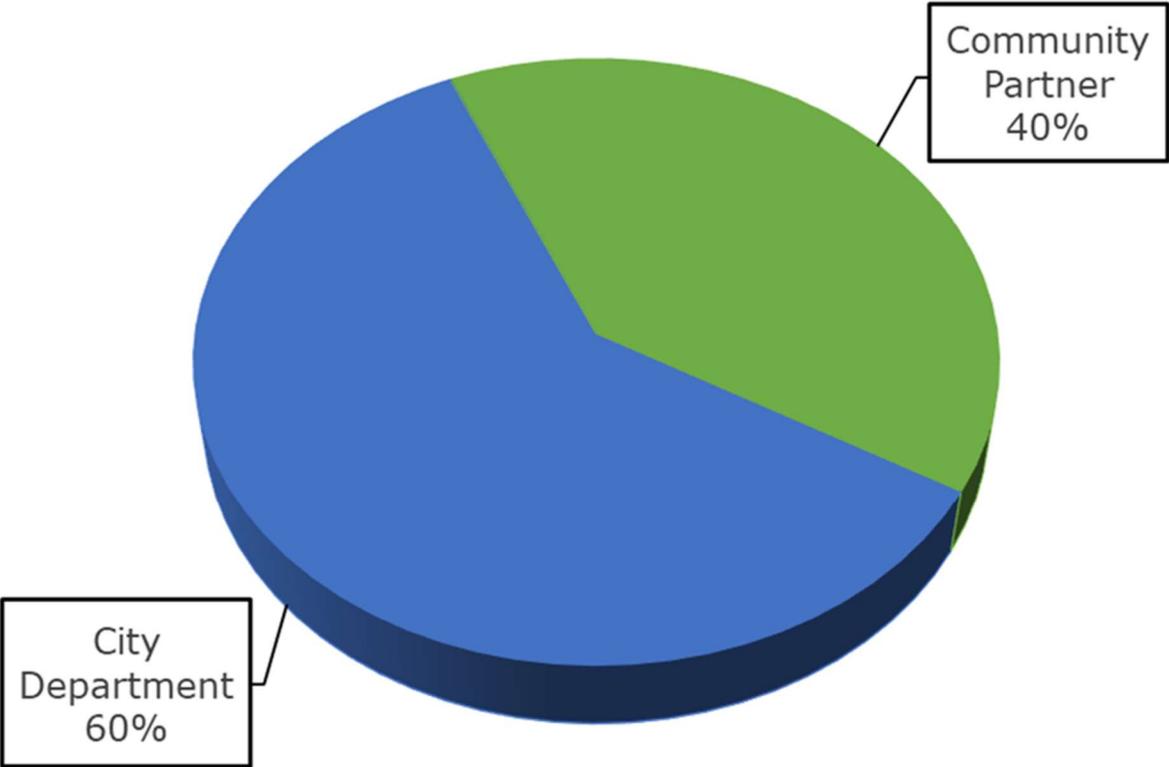
The Ontario Community Infrastructure Fund is another formula based grant specifically for infrastructure and asset management. The 2024 allocation has not yet been announced but expected this fall. The projected balance for 2023 is \$446,520.

The City also receives donations for specific community interest projects.

Budget Allocation

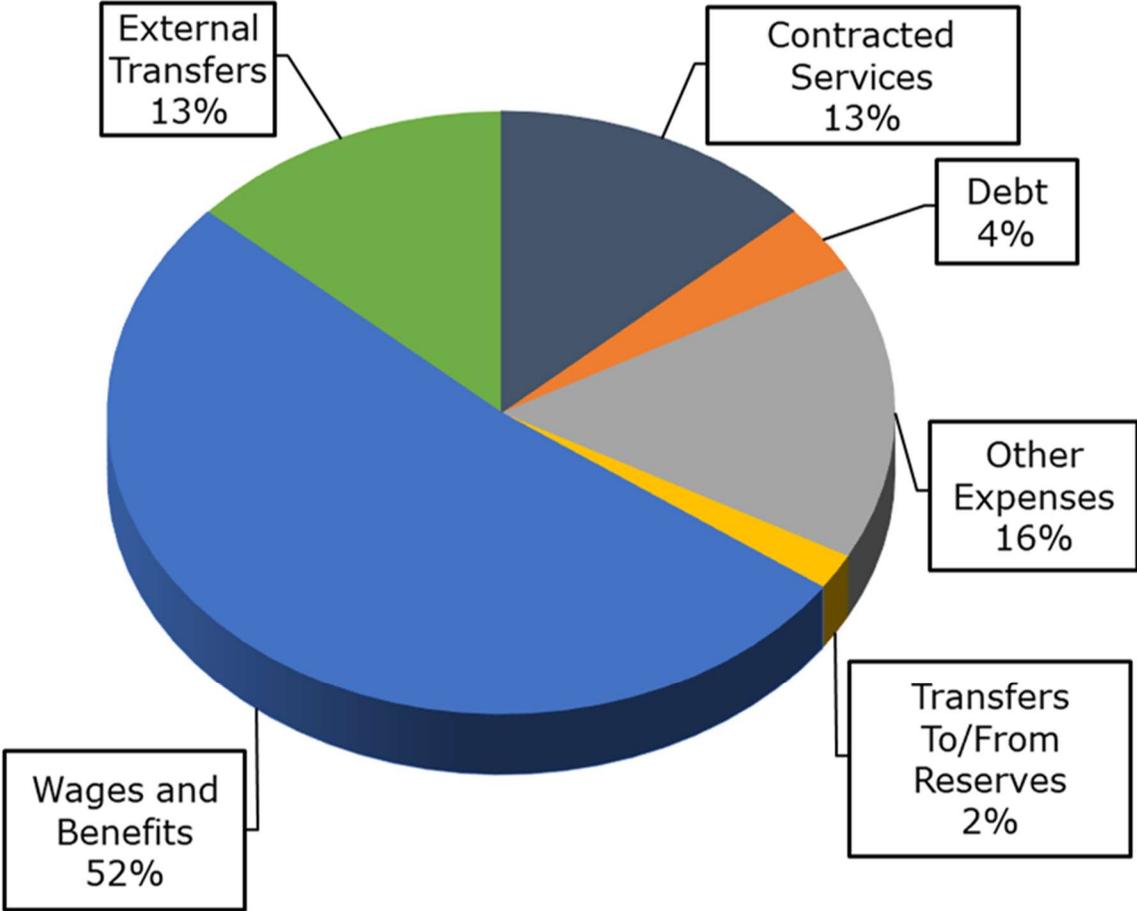
The following graphs, based upon the 2023 approved budget, depict the split between City Departments (60%) and Community Partners (40%).

2023 FINAL APPROVED BUDGET



The following graph shows that 52% 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.

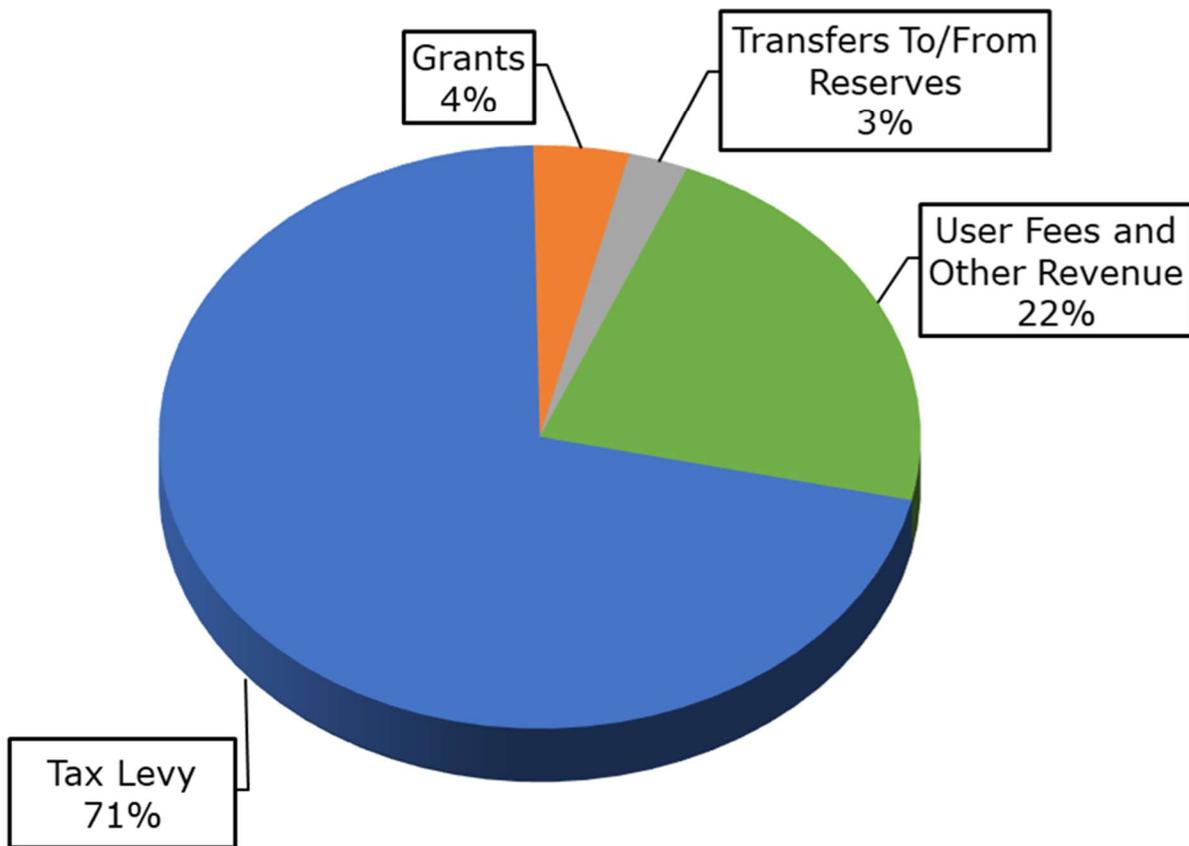
TOTAL 2023 BUDGETED EXPENSES



How the Budget is Funded

This graph shows that the Tax Levy funds 71% of the budget and User Fees fund 22%. Only 3% is funded by reserves.

TOTAL 2023 BUDGETED REVENUES



Budget Challenges

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

Consumer Price Index

The August 2022 Ontario Consumer Price Index was 6.9%. The August 2023 Consumer Price Index was reported at 3.8%. The Bank of Canada predicts that Consumer Price Index will remain around 3% for the next year, returning to the 2% target by the middle of 2025.

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.
- Fire Services contracts expire December 31, 2023.
- Police Civilian members will receive 1% increase in January 2024 and 1% in October 2024. Their contract expires December 2024.
- Police Uniform contract expired at the end of 2022.

Non-Union Policy

The policy established for non-union staff increases is based on Consumer Price Index. The minimum increase is 1% to a maximum of 3%. As of writing this report, the August 2023 Consumer Price Index was 3.8%. The percent increase has not yet been approved by Council.

Payroll Costs/Benefits

Payroll costs, other than direct wages, include CPP, EI, EHT, WSIB and the Ontario Municipal Employees Retirement System pension plan. The combined projected increase for Health and Dental benefits is 13%. Long term disability benefits are estimated to increase by 5%. The Life and AD&D rates are guaranteed until 2025. Effective January 2024 CPP will have a two-tier earnings limit. Once the first level of annual maximum pensionable earnings limit has been reached, a second rate will be applied until the second level is reached. This second level is estimated to be about \$188 per employee.

Debt and Interest Rates

The Bank of Canada's policy rate is currently set at 5% in an attempt to stem inflation. While the Bank of Canada's rate does affect the interest rate the City receives from Infrastructure Ontario, the two rates do not move in tandem. The Bank of Canada rate went from 3.25% in September 2022 to 5% as of September 2023. The long term rates from Infrastructure Ontario went from 4.46% to 4.48% in the same time period.

Strategically, new debt has not been taken out until the interest rates come down a bit and as long as cashflow stays healthy. At the end of 2023 principal on long term debt will be \$15,500,000. The debt for St. Lawrence Lodge Redevelopment falls off by the end of 2025. At the end of 2025 outstanding debt would be \$9,900,000. However, there remains \$500,000 of new debt to be taken out from the 2021 budget, \$2,600,000 from the 2022 budget, and \$2,900,000 from the 2023 budget and subsequent approvals, for a total of \$6,000,000 of new debt to be taken out. This will bring the 2025 debt level back to the \$15 million range.

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 increase can vary slightly from year to year. However, with the current economic challenges, it was necessary to increase the tax levy for 2023 significantly 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%
- 2023 \$40,899,432 percent increase 8.19%

The major causes for the 2023 high increase were:

- New Solid Waste Contract \$1,200,000
- Fuel Increases \$133,000
- Payroll costs other than wages \$359,582 (partly due to addition of part-time employees in the OMERS pension plan)

Mitigation measures were required to lessen the tax levy increase included a \$650,000 contribution from the Fiscal Policy Reserve. A plan to replace these funds into the reserve will be made during the 2024 budget process.

Assessment Base

Property taxes are calculated by multiplying the assessed value of a property by the tax rate applicable to the property tax class, such as residential or commercial.

The tax rate is based upon multiple factors in its calculation:

- Step 1 - Taxable Assessment x Tax Ratios = Weighted Assessment
- Step 2 - Tax Levy ÷ Weighted Assessment = Tax Rate

Taxable assessment is the assessment that is calculated by MPAC in terms of a property's current market value.

The tax ratios set the relative tax burden amount of the various property tax classes in relation to the residential tax rate where the residential tax ratio is always 1. As an example, a property tax class with a tax ratio of 1.5 will have a tax rate 1.5 times the residential tax rate.

The tax levy is the portion of the annual budget that is funded by the tax payers of the City.

Simply, an increase in weighted assessment, the denominator, will decrease the effect of an increase to the tax levy on the tax rate. For example:

- If there is no change in tax levy, but the weighted assessment increases, the tax rate will decrease.
- If the tax levy increases, but weighted assessment stays the same, the tax rate will increase.
- If the tax levy increases at the same percentage as the weighted assessment increases, the tax rate will stay the same.
- If the tax levy increases at a lower rate than the increase in the weighted assessment, the increase to the tax rate will be lower than the percentage increase to the tax levy.

The assessment of properties in Ontario are calculated by the Municipal Property Assessment Corporation (MPAC). Normally, MPAC

performs province wide reassessments every four years. Due to the COVID 19 pandemic Municipal Property Assessment Corporation, who are governed by the Province, did not do the reassessment in 2020. In August 2023 the Province decided to hold off the reassessment through the end of 2024, meaning that the property assessment base for the 2024 tax year will continue to be based on fully phased in, January 1, 2016, current values. This also means that, other than in year adjustments, such as when a property assessment value is decreased due to an application to Municipal Property Assessment Corporation for reconsideration, the assessment base will only be increased due to growth. To date, in 2023, the assessment base has increased by \$22,397,700 in new assessment. This increase represents a 1% increase to the weighted assessment.

To provide an example of the effect of this increase in the assessment base, (or 1% increase to the weighted assessment) with no change to the levy, the increase to the tax rate in 2023 would have been 6.3% instead of 7.3% a decrease of 1%.

Three Year Outlook

Three Year Budget

During the early planning stages of the 2024 budget process, it had been suggested that a multi year budget be utilized. Upon further reflection and consideration, staff recommend postponing a formal multi year budget process. In discussion with peers and information provided through the Municipal Finance Officers Association, in order to move to a multi year budget additional planning, processes, and policies must be established , before it can be implemented appropriately. A number of elements need to be updated, such as the Asset Management Plan, 10 year capital plan and long term financial plan. These updates will be started in 2024.

In lieu of presenting a formal multi year budget for Council's consideration a 3 year outlook has been created and will be presented. This outlook will be created to provide a high level projection of some of the major elements of the operating budget. At this time, if the level of increase is not known, for example with wages and benefits or community partners, Consumer Price Index estimates will be used.

Future Challenges

As a formal multi year budget is not proceeding at this time, future challenges, both operating and capital are outlined below to provide Council information of what lies ahead. This list is not exhaustive but are an example of current known challenges.

Parks

- **Homeless encampments and vandalism.** Instances of encampments and vandalism have significantly increased throughout and following the pandemic. Staff are required to address these issues constantly, sometimes even daily. This issue disproportionately affects the City Parks causing real damage and harm to the City parks infrastructure. Without additional resource provisioning in conjunction with a consolidated strategy to address these issues, the Parks division resources will continue to be thinned reducing delivery of Parks services.
- **Railway Tunnel.** The railway tunnel is a large and complex City asset. Six years following completion of its renovation, components of the tunnel equipment are reaching the end of their service lifespan. Considerable investment in both replacement components and technologically specific skills will be required to maintain this asset as a primary tourist attraction for the City.

Public Works

- **Public Works Staff.** Public works staff are the primary resource of the Public Works department. The regulatory requirements, responsibilities and services provided by the Public Works Division have steadily increased. However, staffing has not increased in keeping with demand. The Public Works department sees a widening void between the workload and the availability of staff resources to manage the workload.
- **Increased costs of materials and contracted services.** Increasing costs of materials and contracted services is an ever-present obstacle for Public Works. Although some budgetary increases keep pace with Consumer Price Index, the nature of the materials, equipment and contracted services are greater than CPI creating excessive budgetary and operational pressure on the division.
- **Bylaws.** Bylaws, whether parking, care and use of streets, solid waste or other regulations, the current lack of capacity and coordination to enforce bylaws creates undue hardship for the Public Works division. Problems enforcing bylaws often creates significant undue inefficiencies that result in increased liability exposure to the City and additional unplanned costs.

Transit

- **Delivery Lead Times.** Long lead times for deliveries of buses is a reoccurring challenge. Cut-away buses are budgeted for replacement and procured on a schedule. The delivery of buses is approximately 30 to 40 weeks industry wide creating pressure to extend the life of buses sometimes beyond service life of equipment, leading to breakdowns and service interruptions.
- **Strategic Service Improvements.** Strategic service improvements to the assets and technologies require investment. The effective route to improvement is through the collection of

data and stats. These note which service requires upgrades to technology and software. Technology related to Transit systems is available, however, it is not always scalable and affordable for smaller operations and smaller municipalities.

Pedestrian Vehicle Infrastructure

- **Aging Infrastructure.** Aging infrastructure in terms of vehicle and pedestrian roads, bridges, and culverts all require repair or replacement at some point in their service life. Repair and replacement projects to maintain the City's vehicle and pedestrian infrastructure are very costly and require significant planning and coordination.
- **Pedestrian gaps.** Pedestrian gaps are a challenge within the City pedestrian transportation network. Additional work is needed to add or improve, for example, crosswalks, regulatory painting, sidewalk continuity, curb cuts for pedestrian ramps.
- **Streetlights.** Streetlights currently installed throughout the City are nearing their approximated service lifespan. Investment for the replacement of the City's streetlighting should be planned to begin in phases spanning several years.

Airport

- **Aging Infrastructure.** Aging infrastructure including the large area of asphalt runways, taxiways, the existing terminal building, lighting systems will require significant investment to repair or replace.
- **Staffing levels.** Staff that currently perform airport operations are provided by a third-party contractor who has operated the airport since the 1980's. The contractor continues to provide competitive tenders that see them continue to operate the service as the most cost competitive option when compared to their competition. The City needs to develop an alternative in the case that the current

service contractor decides to retire to prevent a significant increase in operational costs.

Fleet

- **Succession planning.** Staff of the fleet department requires specialized trade licenses and experience with the maintenance of automotive, heavy equipment, commercial and coach vehicle classifications. Two of the current four maintenance staff will be eligible for retirement in the next three years. Succession and strategic planning should be prioritized to recruit, train and equip the next generation of qualified fleet maintenance staff to provide maintenance services.

Facilities

- **Aging Buildings.** Aging buildings owned by the City are used by staff, City services and City partners and lessees. With all aging buildings eventual large cost renovations and repair are inevitable. These projects are being planned. However, the cost of repairs is significant.
- **Arena systems and equipment.** City Arenas are aged with equipment and components that are at the end of their service lifespan. These systems and equipment require investment in maintenance and overhaul to ensure uninterrupted operations until the new facility is built. The City's Multi Use Recreational Facility project design is well underway. Investment in maintenance to the existing equipment is required to ensure that the existing equipment can operate reliably and continuously as a stopgap until the new facility project is complete.

Solid Waste

- **Blue box subsidy.** Loss of the Blue Box subsidy approximately \$108,000 (2025), with the change in legislation regarding recycling.
- **Recycling responsibility.** Recycling responsibility to transition to producer's responsibility in 2025. City costs at that point will reduce, but what costs might remain is still unknown.
- **Solid waste diversion program.** The costs of the introduction of a solid waste diversion program such as organics or Foodcycler in 2026 is unknown.

Engineering

- **Staffing levels.** Additional staffing of a Civil Engineering Technologist needed in 2024 due to:
 - An increase in workload caused by the increase in residential and commercial development.
 - Transition of project management to the Engineering Division from Operations.
 - Transfer of Locates Technician position will require a back up to cover vacations, sick time, etc.
 - Requirement to increase the number of capital projects to ensure assets are being rehabilitated at an appropriate level.
 - Ability to respond to an increase in inquiries from the public for such things as drainage issues, flooding issues, general request for information.
 - Assist in the development of the city's asset management program as it relates to the Engineering Division.

Geographical Information Systems

- **Staffing levels.** Additional staffing of a Geographical Information Systems Technician is required to assist the current staff with the

daily workload. As the city's Geographical Information Systems system grows so does the requirement to maintain and update the system. As well as assisting in the development of the city's asset management program as it relates to the Geographical Information Systems Division, this addition staff would increase the current Geographical Information Systems staff's responsibility to supervisor as well as allowing more emphasis on coordinating the city's asset management program. The asset management plan is a legislated requirement, and applicable to all federal and provincial grant applications.

Fire

- **Fleet.** Updating of vehicles for the Chief and Deputy is required. Moving away from Tahoe's and towards a hybrid smaller vehicle in keeping with the move towards greener solutions to environmental strain is important. The trade ins and purchase should net around \$60,000 for both.
- **Station 2 garage doors.** The three garage doors at the back of Station 2 need to be replaced. The quote from earlier this year is \$10,000 to \$12,000 each so the estimated cost is about \$36,000.
- **Dispatch consoles.** In three to four years, the consoles in dispatch will be at their end of life. The cost has been estimated at approximately \$400,000. This is a large cost that could be planned for.

Information Services

- **Cyber security.** Cyber security is a constant challenge as the landscape and types of attaches are constantly changing. This may increase the need for a higher level of security.
- **Virtual hosts.** Virtual hosts will need a replacement plan in five years at an approximate cost of \$150,000.

Budget Timeline

Tuesday September 26, 2023: 2024 Budget Kick-off

Saturday October 21, 2023: User Fees, Water and Wastewater
Operating and Capital

Saturday November 18, 2023: General Levy-Operating and Capital

Tuesday November 28, 2023: Community Partners

Tuesday January 9, 2024: 2024 Budget Approval