



City of
Peterborough

To: **Members of the Finance Committee**

From: **Richard Freymond**
Commissioner of Corporate and Legislative Services

Meeting Date: **July 12, 2021**

Subject: **Report CLSFS21-022**
2022 Budget Guidelines

Purpose

A report to recommend the 2022 Budget Guidelines.

Recommendation

That Council approve the recommendation outlined in Report CLSFS21-022, dated July 12, 2021, of the Commissioner of Corporate and Legislative Services, as follows:

That the Draft 2022 Operating Budget reflect an estimated 2.75% All-Inclusive (Municipal, Education, Sanitary Sewer Surcharge) increase for general Operating Budget impacts and in support of the capital program, including a provision for Stormwater Protection.

Budget and Financial Implications

Based on a number of early assumptions, a combined 2.75% All-Inclusive rate increase equates to a \$5.0 million (3.5%) increase in total tax levy requirements.

Chart 1 is representative of the 2022 Budget impacts that staff are aware of as the Preliminary Budget Guideline Report was prepared and are considered over and above the amounts in the 2021 Operating Budget base. Each line in the chart impacts the All-Inclusive rate. Financial impacts to maintain existing levels of service are estimated to be \$4.0 Million and when combined with \$2.1 Million in funding enhancements for the capital program that staff would recommend be made, result in total of \$6.1 Million in budgetary increases.

A 1% change in the All-Inclusive Rate equates to \$1,811,756. The recommended All-Inclusive increase of 2.75% would add an estimated \$45.18 to the combined municipal, education, storm and sewer surcharge levy for every \$100,000 of assessment. For an average taxpayer based on an estimated 2022 median

assessed value of \$260,000, the recommended All-Inclusive increase of 2.75% would add an estimated \$117 to the combined municipal, education, storm, and sewer surcharge levy.

Chart 1

2022 Budget Impacts as per Preliminary Budget Guideline Report

Ref	Description	2022 Incremental Adjustments to Base Budget Amounts
Col 1	Col 2	Col 3
1	To Maintain Existing Levels of Service	
2	Issues Carried Forward from 2021	
3	Insurance	\$ 307,500
4	Right-sizing POA Net Revenues	\$ 137,950
5	Public Works Material Costs for Winter Control	\$ 50,000
6	Right sizing staff education and training	\$ 140,000
7	Sub-total Issue Carried over from 2021	\$ 635,450
8	Other Issues	
9	Landfill costs	\$ 200,000
10	General Inflationary Pressures	\$ 500,000
11	Fuel Price Impact	\$ 338,820
12	Federal Carbon Tax Impact - Vehicle Fuel	\$ 78,180
13	Information Technology	\$ 690,500
14	Net Impact of Staffing Compensation	\$ 1,427,000
15	Heat and Utilities	\$ 90,400
16	Snow Clearing	\$ 53,200
18	Sub-total Other Issues	\$ 3,378,100
19	Total Operating Budget Impacts to Maintain Levels of Service	\$ 4,013,550
20	Additional Levels of Service for Capital	
21	Increase to Capital Levy (Inflationary)	\$ 67,600
22	Replenish Capital Levy/FRMP CL (over 5 Years) used in 2020 Budget	\$ 162,000
23	Waste Water Protection – Storm and Sanitary Sewer	\$ 970,000
24	Capital Financing Policy	\$ 905,500
25	Additional Levels of Service - Possible Capital financing	\$ 2,105,100
26	Total Operating Budget increases	\$ 6,118,650

Background

2022 Budget Process Began April 2021

In April 2021, staff began the process of compiling the preliminary 2022 Budget estimates.

During the various review stages, staff will ensure the 2022 Draft Budget, to be presented to Budget Committee on November 1, 2021, achieves the guidelines ultimately approved through discussions of this report.

2022 Budget Survey

The City engages with residents to gather information about public priorities and feedback as it drafts the budget each year for Council's consideration. The City consults with the community throughout the budget process – at the beginning when setting the guideline, when the draft budget is released, and before Council considers approving the budget.

The annual budget survey is one way the City engages with residents alongside other consultation opportunities, including public meetings as well as calls and emails between the community and Council and City staff.

The budget survey was open for about four weeks from March 25 to April 22, 2021. The survey offered broad, high-level topics and questions as one way for residents to engage in the budget process at this early stage of drafting the budget. There were 503 responses to the survey.

Some of the information gathered in the survey is presented below. Appendix A, the "What We Heard" document, provides a full summary of the budget survey results.

Survey respondents ranked the most important issues facing the community, recognizing that not all these issues are within the City's control. The following is the overall ranking from most important to least important with the previous year's ranking in brackets:

1. Social issues (e.g., poverty, social services and resources, childcare) (2)
2. COVID-19 recovery (not ranked in 2020)
3. Housing/accommodations (1)
4. Economy/jobs/economic issues (6)
5. Health/public health (e.g., addiction services/healthy communities initiatives) (5)
6. Cost of living (3)
7. Environment/climate change/sustainability (4)
8. Crime/criminal activity (8)
9. Infrastructure/transportation (7)
10. Arts, culture, and heritage (12)
11. Provision of recreation facilities (9)
12. Governance and transparency (e.g., bylaws, resident-government relations, community engagement activities) (11)

Survey participants were also asked how well the City is doing in terms of service delivery. The following municipal service groups had the highest percentage of very satisfied or somewhat satisfied responses:

- Garbage
- Fire prevention, police, paramedics
- Sewer, water, stormwater management
- Providing and maintaining parks and greenspaces
- Recycling

Respondents were the least satisfied with the City's enabling of affordable housing. For all other categories a majority of respondents indicated they were either satisfied, very satisfied, or neutral.

Participants were asked to consider some of the broad tools that the City has available for balancing its budget, as required by law. They could select one option or a mix of up to three options.

- Introduce new user fees for some City services that currently have no fees – 44% (46% in 2020)
- Increase user fees for City services that currently have fees – 41% (46% in 2020)
- Increase property taxes – 34% (39% in 2020)
- Reduce service levels – 33% (28% in 2020)

Outside of the specific questions in the survey, the survey included an option at the end for respondents to provide other comments on the budget. Respondents provided comments on topics such as housing, infrastructure, climate change, roads, arts and culture, taxes, development planning, the environment, housing, poverty, and the economy.

Public Meetings – Virtual Budget Roadshow

In addition to the Budget Survey, the Finance Chair and Co-Chair along with Council members hosted a series of informal virtual drop-in style meetings for residents to share their comments and ideas. The Budget Roadshow has normally been a series of in-person meetings; however, this year with the COVID-19 pandemic, the meetings were held virtually with residents being able to attend online or by phone.

Budget Roadshow meetings were held on March 31, April 7, and April 21, 2021. Attendees spoke about priorities such as road maintenance, the provision of recreational amenities, climate change action, planning for development, the police budget, and property taxes. Video recordings of the meetings have been posted online for people to watch at their convenience.

Public Meetings – Budget Guideline

A Public Meeting was held virtually on June 23, 2021 for members of the public to provide their input into the 2022 Budget Guideline. Issues raised by the speakers at the public meeting included comments related to electric vehicles; the climate crisis and renewing the policing contract with Cavan Monaghan Township.

Other opportunities for public input are planned in November and December 2021.

Input provided by the community through the public engagement will be considered in preparing the Draft 2022 Budget, in conjunction with several criteria such as available funding and other resources, legislative requirements, and health and safety requirements.

2.75% All-Inclusive Increase

Through this Budget Guideline Report, staff recommend a 2.75% All-Inclusive increase comprised of a 2.19% general operating and capital program increase, 0.35% to provide \$620,000 for Storm Water Protection and an additional 0.21% to provide \$350,000 in Sewer Surcharge. Chart 2 lists the All-Inclusive increases for the past 6 years.

Chart 2
All-Inclusive Increase

Year	Operating	Storm Water Protection	Additional SS for Waste Water Protection	Total All-Inclusive Increase
2016	3.00%			3.00%
2017	2.72%			2.72%
2018	2.20%	0.39%	0.26%	2.85%
2019	1.88%	0.37%	0.25%	2.50%
2020	2.15%	0.36%	0.24%	2.75%
2021	2.41%	0.36%	0.22%	2.99%
2022 Proposed	2.19%	0.35%	0.21%	2.75%

2022 Operating Budget

A general discussion on a number of factors is set out below:

COVID-19 Pandemic

The COVID-19 pandemic continues to have a significant impact on the operations of the City as outlined in Report CLSFS21-004 dated February 8, 2021. An updated COVID-19 impact report will be presented to Council in July. Any forecasted Operational deficit for 2021 that cannot be offset with either reserve transfers, external subsidies, or some other form of non-tax revenues, will need to be included in the 2022 Operational Budget. The impact the pandemic will have on the 2022 budget is expected to be limited as the provincial vaccination program continues and it is anticipated that operations and the economy in general will be recovering in 2022. However, it is unknown when interest rates will begin to rise again so the 2022 budget for investment income has been based on the current rates.

Final 2020 Assessment to be Used For 2022 Budget

The assessment of all property in Ontario is carried out by the Municipal Property Assessment Corporation (MPAC). The current value assessment (CVA) of a property is an estimate of the market value of a property at a fixed point in time.

Beginning with the 2009 taxation year, amendments to the Assessment Act provided for a four-year assessment update cycle. The years 2009 – 2012 were based on a valuation date of January 1, 2008. For 2013, and continuing through 2016, property assessment values have been based on a January 1, 2012 valuation date. For 2017, and continuing through 2020, property assessment values were based on a January 1, 2016 valuation date. 2021 would have typically been based on re-assessment values as of January 1, 2020. Due to the COVID-19 pandemic, the Provincial Government deferred the MPAC reassessment for 2021 and deemed that the “Destination Assessment” for 2020 will also be used for 2022 Municipal tax purposes.

Chart 3 provides a sample calculation of the assessment for 2022.

Chart 3 – Sample Calculation of 2022 Assessment

Taxation Year	2016	2017	2018	2019	2020	2021	2022
Valuation Date	January 1, 2012	January 1, 2016	January 1, 2016	January 1, 2016	January 1, 2016	January 1, 2016	January 1, 2016
CVA	\$320,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000
Phase-in	0	25.00%	50.00%	75.00%	100.00%	100.00%	100.00%
CVA for Taxation	\$320,000	\$330,000	\$340,000	\$350,000	\$360,000	\$360,000	\$360,000

In the example above, the 2020 "destination assessment" is the fully phased-in CVA with a January 1, 2016 Valuation Date.

Assessment 0.7% Real Growth Projections

Various events and activities influence assessment growth. These include zoning changes, subdivision activity and new construction.

Staff have completed an initial review, including building permits, zoning changes, subdivision activity and condominium plans in light of the impact from the COVID-19 pandemic. An early estimate real assessment growth will be 0.7% (assumption was 0% in 2021 and actual was -0.6%). Each assessment class is estimated as follows for 2021:

- Residential 0.75%
- Multi-residential 2.00%
- Commercial 0.00%
- Industrial 0.00%

Economic Factors – General inflation and Consumer Price Index (CPI) projected to be approximately 1.5% to 2.0% for 2022

In 2021, in releasing the Ontario Budget, the Province provided their Fiscal Outlook estimating inflation for 2022 at 2.0%. Other forecasts from the banking

and business sectors have supported this forecast and have identified an inflation rate of approximately 1.5% to 2.0%.

In an effort to drive efficiencies, and relieve pressure on the taxpayer, the City has instructed staff to submit Draft Budgets assuming a 1.5% inflationary increase.

Impacts subject to inflationary pressures are difficult to quantify, but a conservative estimate of the impact to the operating budget for expenses, other than personnel costs and other pressures specifically addressed, would be \$0.5 million.

Fuel Prices

There continues to be a high degree of risk and uncertainty in predicting fuel prices. Early in 2021, there have been increases in the cost of fuel. Starting in April 2022 there will be an additional, 2.3 cents per litre (CPL) for Regular Gas, and 2.8 CPL for Diesel as a result of the FGCT. Chart 4 provides an estimation of the financial impact of the FGCT. The cumulative impact will increase to \$377,460 in 2022 up from \$299,200 in 2021, for a net impact of \$78,180.

Chart 4

Federal Carbon Tax Impact on Regular and Diesel Fuel Prices Based on Estimated City Usage

Year	Regular Gas (CPL)	Litres	Cumulative Impact	Diesel Clear & Coloured (CPL)	Litres	Cumulative Impact	Total Cumulative Impact
2019	0.044	391,750	17,240	0.0534	2,479,470	132,400	149,640
2020	0.066	391,750	25,860	0.0801	2,479,470	198,610	224,470
2021	0.088	391,750	34,470	0.1068	2,479,470	264,810	299,280
2022	0.111	391,750	43,480	0.1347	2,479,470	333,980	377,460

2022 Budget prices have been forecast using the last 12 months actual prices, the FGCT projected impacts and global demand forecasts.

Personnel Costs

Personnel costs are a major component of the operating budget. Contracts settled for the 2022 budget year are the Amalgamated Transit Union (Local 169), CUPE Locals 126, 504 and 1833, Fire Fighters Association (Local 169) and Peterborough Senior Officers Association. Appropriate assumptions for negotiated settlements will be made for contract settlements with the Peterborough Police Association and Non-Union group.

Utilities

The City has a Price Hedging contract in place that mitigates a portion of cost increases in the price of electricity consumed. Savings in re-lamping streetlights is conservatively estimated to save the City approximately \$0.3 million per year. Until the capital costs are recouped, the savings are being used to finance the capital costs of re-lamping. Staff are following up on all energy retrofit projects to ensure anticipated savings are being realized.

The cost of natural gas is not anticipated to increase in 2022. The volume of gas used by the City has been right sized to better match prior years actual usage and has generated a modest budget savings.

The 2019 Federal budget introduced a Carbon tax (FGCT) that took effect in April 2019. The tax is in the form of a charge of 0.02 cents per cubic meter. The price has increased in 2021 and is anticipated to increase again in 2022.

City/County Weighted Taxable Assessment

A new five-year agreement for consolidated municipal services management (CMSM) between the City and Peterborough County was signed in 2019 with the approval of Report CAO19-012 dated December 2, 2019. The CMSM agreement has a term of January 1, 2020 to December 31, 2024. The previous year's weighted average current value assessment continues to be the allocation basis to calculate the City-County proportionate share for both Provincial Offences and Social Housing. For 2022, the County/City shares will be 55.5% / 44.5% (2021 54.1% / 44.9%).

Social Services

The Province continues to change and adjust to a new service model however the full impacts are unknown at this time. The Ontario Works administration funding continues to be based on 2018 actuals. The Province is currently moving ahead with changing the Children's Services Administration funding threshold from 10% to 5%, in addition to the 50/50 cost share that began in 2021. The New National Child Care strategy is in the beginning stages of planning so the impacts for 2022 are unknown at this time. The need for the Overflow Shelter continues to increase and so do the costs associated with it.

Transfers to Other Organizations

Paramedic Services

As part of the 2019 Provincial Budget, the Province indicated that Land ambulance dispatch services will be streamlined by integrating Ontario's 59 emergency health services operators and 22 provincial dispatch communication centres. They also indicated they are committed to exploring new models of care and delivery for emergency health services to improve care for patients and reduce duplication so not every ambulance is sent to an emergency. In terms of any restructuring of paramedic services, the Ministry of Health and Long-Term Care has committed to forming working groups across the province to have discussions with municipal and other various stakeholder groups. No new information has been received regarding these initiatives, so the 2022 Budget Guideline has assumed no changes to operations as a result of the provincial announcement.

Peterborough Public Health (PPH)

As part of the 2019 Provincial Budget, the Province indicated that by 2020-21, they planned to establish 10 regional public health entities and 10 new regional boards of health with one common governance model and change the provincial-municipal cost sharing of public health to a 60/40 cost-shared model. Since this announcement, the Province has changed the target for provincial-municipal cost

sharing to 70/30 to be implemented in 2020. The current cost-shared model has been 75/25 for only a portion PPH's budget. During deliberations of the 2019 Budget, Council approved a plan to transition over 3 years (2019 – 2021) from 75/25 to a 70/30 funding model. The Province has committed to providing additional funding to PPH for all COVID-19 response and vaccination costs. As with PCCP, no information has been received from the Ministry regarding the changes to public health boards, so the 2022 Budget Guideline has assumed there will be no changes to operations.

Fairhaven

In May 2021, Fairhaven's Committee of Management approved the 2022 Operating and Capital Budget requests to the City of Peterborough with no increase. Fairhaven's 2022 operating budget request is \$1.55 million and capital budget request is \$243,754. The capital budget request is in accordance with Fairhaven's ten-year capital plan as presented in 2012. The COVID-19 pandemic continues to be a financial and operational concern for Fairhaven, but the Province through the Ministry of Health and Long-Term Care has made commitments to continue funding extra related costs for the duration of the pandemic. As a result, Fairhaven is confident that an increase to municipal funding in 2022 is not required.

Storm Water Protection and Sewer Surcharge – 0.55% Impact on All-Inclusive

On February 13, 2017, in consideration of Report USEC17-001 Water Resource Protection, Council resolved the following:

- c) That related to a dedicated stormwater protection fee:
 - i) Council recognize the need to, over time, increase the annual stormwater funding allocation by an additional \$6.2 million, subject to annual budget discussions; and
 - ii) In the first year, being 2018, an additional amount up to \$620,000 be included in the "All-Inclusive" budget, subject to budget discussions and final budget approval.
- d) That related to an increased sanitary sewer surcharge, the 2018 Draft Budget and Work Program include the first year of a 10-year phase-in, or \$350,000, to gradually fund an additional annual amount of \$3.5 million in sanitary funding through increases in the sanitary sewer surcharge.

The 2021 budget deferred the storm water protection increase and capitalized the funds to support all of the capital program, including storm water protection. For 2022, it is recommended that the Draft Operating Budget include the third increment of \$620,000 along with the fourth incremental increase in the Sewer Surcharge Rate from 102.92% to 104.70%.

Education Rates – expected to remain the same

Although Education Rates are established by the Province, they affect the final All-Inclusive tax increase. Draft Education Rates are typically published by the Province in December of each calendar year for the following year. For the last

number of years, the rate has been declining as assessment in the Province has increased. In 2021, the province held the assessment values used by municipalities to 2020 values. This was also reflected in the education rates which were also held at 2020 levels. The 2022 Draft Budget will be prepared and presented to Council based on the premise that the Education rates will again be held at 2020 levels.

Comparative All-Inclusive Tax and Sewer Surcharge Rates and Levies

Taking all the above recommendations into consideration, the following chart summarizes the residential tax and sewer rates and resulting levies per \$100,000 of residential assessment.

Comparative All Inclusive Tax and Sewer Surcharge Rates and Levies Per \$100,000 of residential Assessment					
Ref C1	Description C2	2021 C3	2022 C4	Change from 2021	
				Amount	%
				C5	C6
1.01	Gross Expenditures	292,912,882	292,912,882	-	0.0%
1.02	Amount raised from taxation	141,990,232	147,016,667	5,026,435	3.5%
1.03	Effect of tax ratio plan on change in all-inclusive rate				0.0%
1.04	Effect of 2022 Real Assessment Growth on change in all-inclusive rate				0.6%
2.00	<u>Residential Tax Rates</u>				
2.01	Municipal	1.2952480%	1.3331060%	0.0378580%	2.9%
2.02	Education (estimate)	0.1530000%	0.1530000%	0.0000000%	0.0%
2.03	Total	1.4482480%	1.4861060%	0.0378580%	2.6%
3.00	<u>Annual Water Rates</u>	189.08	192.86	3.78	2.0%
4.00	Sewer Surcharge Effective Rate	102.92%	104.70%	1.8%	1.7%
	<u>Levies / Collected</u>				
5.00	Water Revenues	18,416,100	18,784,400	368,300	2.0%
5.01	Sewer Surcharge	18,195,700	18,880,600	684,900	3.8%
6.00	Per \$100,000 dollars of Residential Assessment	100,000	100,000	0	0.0%
7.00	<u>Residential Tax Levy on Assessment</u>				
7.01	Municipal	1,295.25	1,333.11	37.86	2.9%
7.02	Education	153.00	153.00	0.00	0.0%
7.03	Total	1,448.25	1,486.11	37.86	2.6%
7.04	Per month	120.69	123.84	3.15	2.6%
8.00	Sewer Surcharge Payable	194.60	201.92	7.32	3.8%
8.01	Per Month	16.22	16.83	0.61	3.8%
9.00	Total Municipal Tax, Sewer and Stormwater	1,489.85	1,535.03	45.18	3.0%
9.01	Per Month	124.15	127.92	3.76	3.0%
10.00	Combined Mun and Ed Tax Plus Sewer Surcharge & Stormwater	1,642.85	1,688.03	45.18	2.75%
11.01	Per Month	136.90	140.67	3.76	2.75%
Notes					
1 The tax levies shown are per \$ 100,000 of assessment Individual tax levies and percentage changes will vary depending on actual assessed values each year.					
2 A \$1,811,756 change in net tax levy for 2022 equates to a 1% change in the Combined Municipal and Education Tax on Assessment plus Sewer Surcharge. For example, to lower the 2022 proposed 2.5% increase to 1.5%, \$1,811,756 net tax levy funded expenditures would have to be eliminated.					
3 For a median single family dwelling unit (not on waterfront) assessed at \$ 260,000 for 2021 and \$ 260,000 for 2022					
Combined Mun and Ed Tax Plus Sewer Surcharge & Stormwater		4,271.40	4,388.88	117.48	2.75%

2022 Capital Budget

The amount of capital work to be done to maintain the City's assets or expand its infrastructure due to increasing demands continues. The Capital Budget is funded from numerous sources including, but not limited to, tax levy from the Operating Budget (Capital Levy), debenture financing (principal and interest paid out of the Operating Budget), Sewer Surcharge, Reserves, Federal Gas Tax and other Provincial and Federal grants, as available.

Based on the median assessed residential home with an assessed value of \$260,000, an estimated amount of 1.05% (\$44.90) of the All-Inclusive rate increase of 2.75% (\$117.48) requested is proposed to be directed towards financing the capital program. Assuming the total property taxes for the median assessed residential home for 2022 were \$4,389, an amount of \$1,034 would be directed to supporting the capital program.

Provision for Additional Capital Financing

At its meeting held April 23, 2012, based on recommendations in Report CPFS12-011, dated April 4, 2012, Council approved a new Capital Financing Policy. The policy identified additional capital levy and created additional capacity to issue new debt but increased the amount of annual principal and interest to be repaid that has to be budgeted in the annual operating budget.

The following was established:

- c) That the maximum current year annual debt repayment is based on 15% of the City's consolidated own-purpose revenues (Net Revenues), inclusive of the tax-supported current year debt payment, which is limited to 8% of the corporation's own purpose revenues; and
- d) That, to phase-in the new maximum debt limit, the total annual amount of new tax-supported debt charges and any increase in the capital levy provision be limited so that the impact on the residential All-Inclusive tax increase does not exceed 1% per year.

Debt Maturing in 2022 and Future Years

The future effects of the Capital Financing Policy are starting to be realized; part of the justification of the Capital Financing Policy was that, in addition to adding capital funding in years it was utilized, it also created base funding in the budget. When the debt matures the amount budgeted for debt servicing costs become available to be re-purposed in the capital program.

Chart 5 below identifies the debt servicing costs that will be made available from debt that has matured in the previous year.

Chart 5**Debt Servicing Available from Maturing Debt**

Summary of Debt Servicing Costs on Maturing Debt					
	2022	2023	2024	2025	2026
Tax supported	476,823	1,029,597	695,961	1,159,655	1,110,735
Non-Tax Supported	448,695	132,033	1,078,818	136,481	1,460,122
Total	925,518	1,161,630	1,774,779	1,296,136	2,570,857

The amount of debt that can actually be issued from these debt servicing costs depends on many factors such as interest rates and the term of the debt, but as an example, \$1.0 M in debt servicing, assuming a 2.5% interest rate for 10 years supports \$8.1 M in capital work.

Through the 2022 budget process, staff will review and determine the portion of the 2.75% All-Inclusive increase required to fund the operating budget and the portion to provide additional support to the capital program.

In addition, a Report will be presented to General Committee on June 14, 2021 with a proposed update to the Capital Financing Policy.

Dividends from City of Peterborough Holdings Inc. (CoPHI)

For 2022, it is assumed that the City will receive \$5.2 (\$5.2 – 2021) million in dividend payments from CoPHI, the Peterborough Utilities Group of Companies.

Legacy Fund Investment

One-half of the proceeds from the sale of Assets of Peterborough Distribution Inc to Hydro One have been placed in a Legacy Fund with ONE Investment. The other half will be placed in a High Interest Savings Account pending a potential Council decision regarding investment in City of Peterborough Holdings Inc. (Report CLSFS21-020 dated May 10, 2021).

Assuming a 3% return can be achieved in 2022 on the investments held, investment revenues of \$1.5 M will be realized.

Pre-commitments of Capital Financing

Chart 6 summarizes the pre-commitments of funding Council has approved, towards the 2022 Capital program. Altogether, there is \$17,701,504 in funding to eleven different projects or initiatives. Of this amount, \$14,051,504 is tax supported and essentially represents the total amount of tax supported debt available, inclusive of any debt maturing in 2022.

Chart 6
2022 Approved Capital Pre-Commitments

	Project name	Report Reference	Development Charges	Capital Levy Reserve	Tax Supported Debt/Capital Levy	Total 2022 Commitment
1	Eastern Ont. Cell Gap and Capacity Extension 3				\$ 140,900	\$ 140,900
2	Canadian Canoe Museum - Capital Build				\$ 580,000	\$ 580,000
3	Peterborough Organics Project & Low Carbon Economy Fund Application Results	IPSES19-010			\$ 1,769,414	\$ 1,769,414
4	Simcoe Street Parking Garage Rehabilitation	2021 Budget Request			\$ 1,500,000	\$ 1,500,000
5	Simcoe Street Culvert at Parking Garage	2021 Budget Request			\$ 1,500,000	\$ 1,500,000
6	Lansdowne West - Spillsbury to Clonsilla project - no amount specified	Motion by Council Dec 14, 2020			\$ 1,000,000	\$ 1,000,000
7	Museum Signage	Motion by Council Dec 14, 2020			\$ 200,000	\$ 200,000
8	PSWC - COVID-19 Resilience Infrastructure Stream Funding	CSD20-007			\$ 1,550,000	\$ 1,550,000
9	Bus Expansion	ICIP			\$ 1,017,730	\$ 1,017,730
10	Fire Station	CAOFS21-004	\$ 3,650,000		\$ 3,650,000	\$ 7,300,000
11	Urban Park	CLSFM21-19			\$ 1,143,460	\$ 1,143,460
12						\$ -
13	Total		\$ 3,650,000	\$ -	\$ 14,051,504	\$ 17,701,504

Next Steps

The 2022 Budget Schedule includes the following key dates:

July 12, 2021	City Council to consider approving a Guideline for the 2022 Draft Budget
November 1, 2021	2022 Draft Budget documents presented to Finance Committee
November 15, 2021	Public meeting for City Council to hear comments from the community on the 2022 Draft Budget
November 16, 2021	External agencies attend City Council's budget deliberations
November 22-24, 2021	Finance Committee deliberations on the 2022 Draft Budget
December 13, 2021	City Council considers approval of the 2022 Budget

Summary

If the recommendations in this report are approved, staff will continue to prepare a 2022 Draft Budget that reflects a target of a 2.75% All-Inclusive tax increase. There are, however, many impacts that are not fully understood at this time and there is a risk in committing to this increase. A critical review of all programs is ongoing to find efficiencies and mitigate cost increases.

Submitted by,

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Commissioner of Corporate and Legislative Services

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Attachments:

- | | |
|--------------|---|
| Appendix A - | 2022 Budget Survey Results |
| Appendix B – | 2021 Gross Operating Expenditures and 2021 Net Operating Expenditures |
| Appendix C - | What a Residential Taxpayer Pays for Various Municipal Services for the year 2021 |



2022 BUDGET SURVEY

Budget priorities. What we heard.



Esker

In 2000, the Kawartha Rotary Club, in partnership with the City of Peterborough, commissioned the installation of Esker at Millenium Park. The piece reflects on the history of its location on the Otonabee River, while also expressing the idea that everything begins, and ends, with nature.

Artists: Michael Belmore/Mary Anne Barkhouse

Medium: Bronze/Granite

Date Installed: 2001

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Budget Consultation

WHAT WE HEARD

The City engages with residents to gather ideas and feedback as it drafts the budget each year for City Council's consideration. The City consults with the community throughout the budget process – at the beginning when setting the guideline, when the draft budget is released, and before Council considers approving the budget. This "What We Heard" report outlines the community input from the consultation at the beginning of the process for the drafting of the 2022 Budget, which is provided to Council ahead of setting the guidelines for preparing the draft 2022 Budget.

Budget Roadshow

With the COVID-19 pandemic limiting in-person gatherings, City Council's Budget Roadshow became more of a "homeshow" this year with residents attending the meetings virtually or by phone from their home or wherever it was convenient for them to join the drop-in sessions.

Switching to an online or by-phone meeting was a bit of a departure from the informal, conversational drop-in sessions that have been held in previous years. Even with the new format, the sessions provided an opportunity for residents to share their ideas and priorities with Council members and Finance staff.

Council held three Budget Roadshow meetings on March 31, April 7 and April 21, 2021. Attendees spoke about priorities such as roads, recreational amenities, climate change, planning, the police budget, and property taxes. Video recordings of the meetings have been posted online for people to watch when it's convenient for them.

The Budget Roadshow was part of a community engagement approach that also included a survey and the traditional contacts between Council, City staff, and the community.

Survey

The budget survey was open for four weeks from March 25 to April 22, 2021. The survey offered broad, high-level topics and questions as one way for residents to engage in the budget process at this early stage of drafting the budget. There were **503 responses** to the survey.

Respondent Demographics

The City asked for some basic demographic information as part of the survey in order to compare the demographics of survey respondents with the overall demographics of the community. For example, 73.5% of respondents indicated they own their home, while the 2016 census put homeownership in the City of Peterborough at 63%.

This chart compares the ages of the survey respondents with the 2016 Census information for our community.

Age	Survey	2016
15-19	1.6%	5.5%
20-29	10.7%	14.4%
30-39	18.1%	11.7%
40-49	14.5%	10.8%
50-59	17.7%	13.9%
60-69	23.6%	13.2%
70-79	11.9%	8.6%
80+	1.6%	7.3%

Budget Roadshow

RESULTS OVERVIEW: SERVICES

Community Issues by Ranking

Survey respondents ranked the most important issues facing the community, recognizing that not all these issues are within the City's control.

The following is the overall ranking from most important to least important (previous year's ranking in brackets):

1. Social issues (e.g. poverty, social services and resources, child care) (2)
2. COVID-19 recovery (not ranked in 2020)
3. Housing/accommodations (1)
4. Economy/jobs/economic issues (6)
5. Health/public health (e.g. addiction services/healthy communities initiatives) (5)
6. Cost of living (3)
7. Environment/climate change/sustainability (4)
8. Crime/criminal activity (8)
9. Infrastructure/transportation (7)
10. Arts, culture and heritage (12)
11. Provision of recreation facilities (9)
12. Governance and transparency (e.g. bylaws, resident-government relations, community engagement activities) (11)

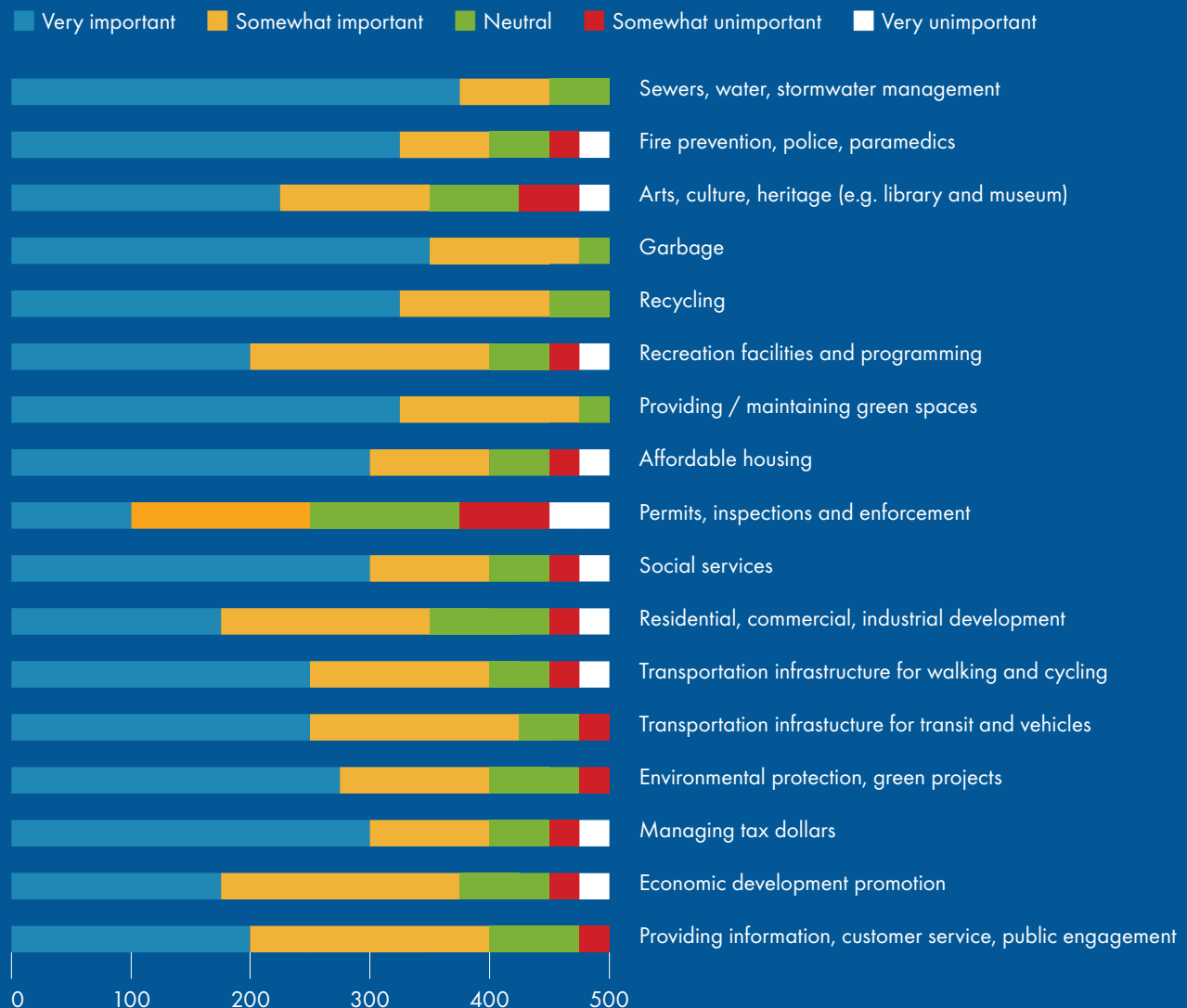
In a comments section, respondents specified other topics they believe are most important to the community including property taxes, road conditions, addiction services, new recreational facilities, climate action, a new skatepark, organic waste collection and composting, pickleball courts, and sidewalks.

Appendix A

Municipal Services

Survey participants were asked how well the City is doing in terms of service delivery and to indicate the importance of specific types of municipal services. For the third consecutive year, the following municipal service groups had the highest percentage of very important or somewhat important responses:

- Sewers, water, stormwater management
- Fire prevention, police, paramedics
- Garbage
- Recycling



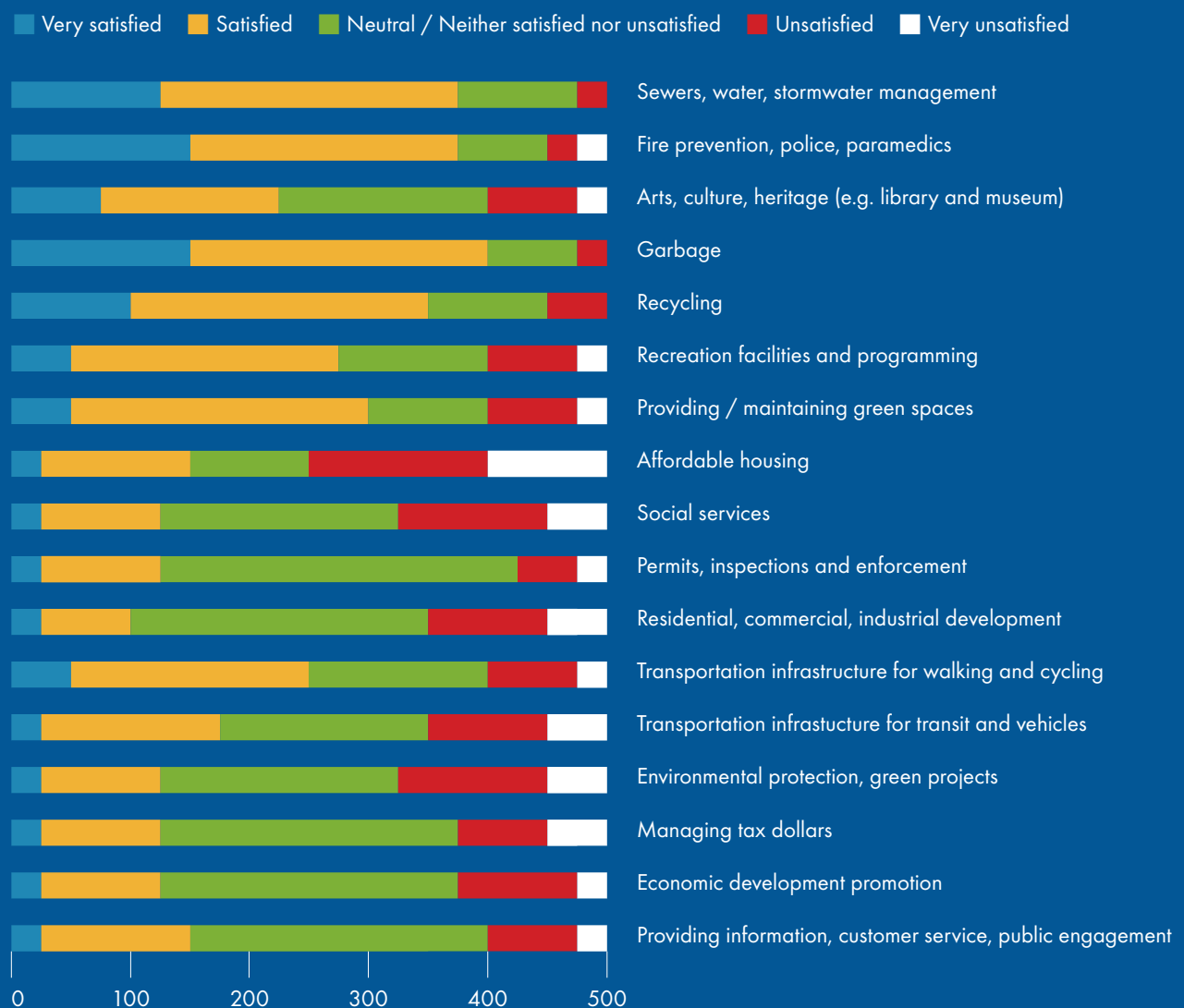
Appendix A

Service Delivery

In terms of how well the City is delivering services, most respondents were either very satisfied or satisfied with the following municipally-funded services:

- Garbage
- Fire prevention, police, paramedics
- Sewer, water, stormwater management
- Providing and maintaining green spaces
- Recycling

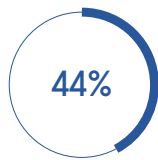
The only category with most respondents indicating they were dissatisfied or very dissatisfied was enabling affordable housing.



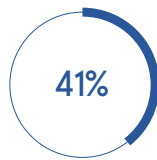
RESULTS OVERVIEW: BUDGET

Balancing the Budget

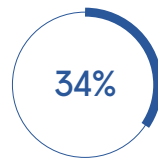
Participants were asked to consider some of the broad tools that the City has available for balancing its budget, as required by law. They could select one option or a mix of up to three options (previous year's response for each question provided in brackets).



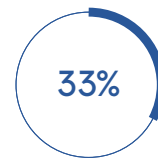
Introduce new user fees
for some City services
that currently have no fees
(46%)



Increase user fees for
City services that
currently have fees
(46%)



Selected increase
property taxes
(39%)



Reduce service levels
(28%)

Property Taxes and Service Levels

Respondents indicated what they think the property tax change should be in 2022 based on their expectation for infrastructure and service levels (previous year's response for each option provided in brackets).

Infrastructure and Service Levels	Property Tax Change	Current	Previous
Generally maintain most existing levels of service	2% to 2.5% increase	26.4%	(20.7%)
Maintain existing levels of service keeping pace with inflationary increases and legislated requirements	2.5% to 3% increase	19.2%	(18.5%)
Increase investments in infrastructure/services	4% increase	16.5%	(17.9%)
Other (responses included comments such as eliminate the use of consultants, wage freezes, increasing revenue outside of property taxes, increasing taxes on large corporations, and reducing spending on non-essential services)	N/A	12.8%	(7.9%)
Reduce service levels and infrastructure maintenance	0% increase	11.3%	(9.3%)
Will require reduction in services and infrastructure investments when accounting for inflationary increases and legislated requirements	1% increase	10.5%	(8.9%)
Substantial decrease in services and investments in infrastructure	Decrease	3.3%	(3.6%)

RESULTS OVERVIEW: COVID-19

COVID-19 Recovery

Respondents were asked to share their ideas on actions specific to the municipality that could be considered to support COVID-19 recovery as the City works with Peterborough Public Health, the Province and the Federal Government.

There were 236 responses to this question. In the comment box provided, respondents shared ideas such as:

- Enhancing support for the most vulnerable
- Taking measures to prevent future pandemics
- Reducing spending
- Improving transportation
- Providing tax relief
- Supporting mental health and addiction services
- Financial assistance for businesses
- Investing in housing

RESULTS OVERVIEW: CONSULTATION & COMMUNICATION

Future Consultation

Beyond the core questions on budget priorities, the City also asked questions about how respondents learned about the survey and how they want to get information about the budget to help us plan future consultations.

Providing Budget Information

For how residents would like to get information on the budget, respondents indicated strong support for the use of the City's website, budget summaries and guides, as well as the use of social media. Respondents showed that people are getting their information from a range of sources with 20.7% of respondents saying they learned about the survey from family or friends, 19.5% through Facebook, 17.3% from other sources such as community groups, 12.2% from news media, and 10.4% directly from the City's website.

Future Consultation Methods

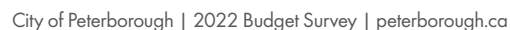
Survey respondents could choose up to three methods for how they would prefer to interact with the City (2020 results for each option provided in brackets):

- 71% would prefer to engage with the City through online surveys (71%)
- 46% asked for email communications (39%)
- 19% showed support for public meetings or open houses (29%)
- 25% supported engaging through a web-based discussion forum (24%)
- 9% would participate in a random telephone survey (10%)

The survey was one touch point for residents who want to engage in the budget process. This is the beginning of the process. There are several public meetings scheduled through the budget development process, with final approval of the budget expected in December 2021. Information on engagement opportunities are posted online at peterborough.ca/budget, distributed to local media, and promoted through the City's various communications channels.

SURVEY QUESTIONS

- Q1 Do you have a home or business in the City of Peterborough?
- Q2 You don't need to be familiar with the City's budget to take part in this survey. We would like to understand how familiar the community is with the budget, this way we can work to provide the information people want and need.
- Q3 How important do you think the following services/programs are to the community?
- Q4 Please rate the following municipal services based on how well you think the municipally-funded services are being delivered in our community, taking into consideration of changes in service levels related to the public health measures in place during the COVID-19 pandemic.
- Q5 From your perspective, and recognizing that not everything is within City control, what are the most important local issues facing the City at the present time? (On a scale of 1-12, with 1 being the most important)
- Q6 If the most important issue facing the City at the present time was not listed in the question above, please tell us what it is.
- Q7 As the City works with Peterborough Public Health, the Province, and the Federal Government, please share any ideas on actions specific to the municipality that could be considered to support COVID-19 recovery.
- Q8 To balance the 2022 Budget as required by law, the City of Peterborough has a number of options to consider. Which of the following options would you prefer the City use to balance its budget? (Note: User fees are monies you would pay to the City to access specific services, facilities and utilities, such as licences, permits for using City-owned facilities such as arenas and recreation centres, and utilities such as stormwater management.) You can select one option or up to three options.
- Q9 To maintain levels of service, the City has typically increased taxes at about 2% annually. Based on your expectations for infrastructure and service levels, please tell us what you think the all-inclusive (municipal, education, and sewer surcharge) property tax level should be in 2022.
- Q10 How did you find out about the 2022 Budget questionnaire?
- Q11 What ways would you like to be able to get information about the City's annual budget? (please select your top five)
- Q12 Thanks for sharing your experience with the City. We'd like to check in on how you would prefer to interact with us. From the list below, please tell us which channels you are most likely to participate in. Please select up to three.
- Q13 Do you own or rent your current place of residence?
- Q14 In which area of the City is your home address located (you don't need to consider any official boundaries - just choose how you identify the area where your home is located)?
- Q15 In which age category do you fall?
- Q16 Do you identify as...?
- Q17 And, finally, the City of Peterborough wants to know if you have any further comments or suggestions to add about any of the topics covered in this survey. Please type your comments in the space provided.

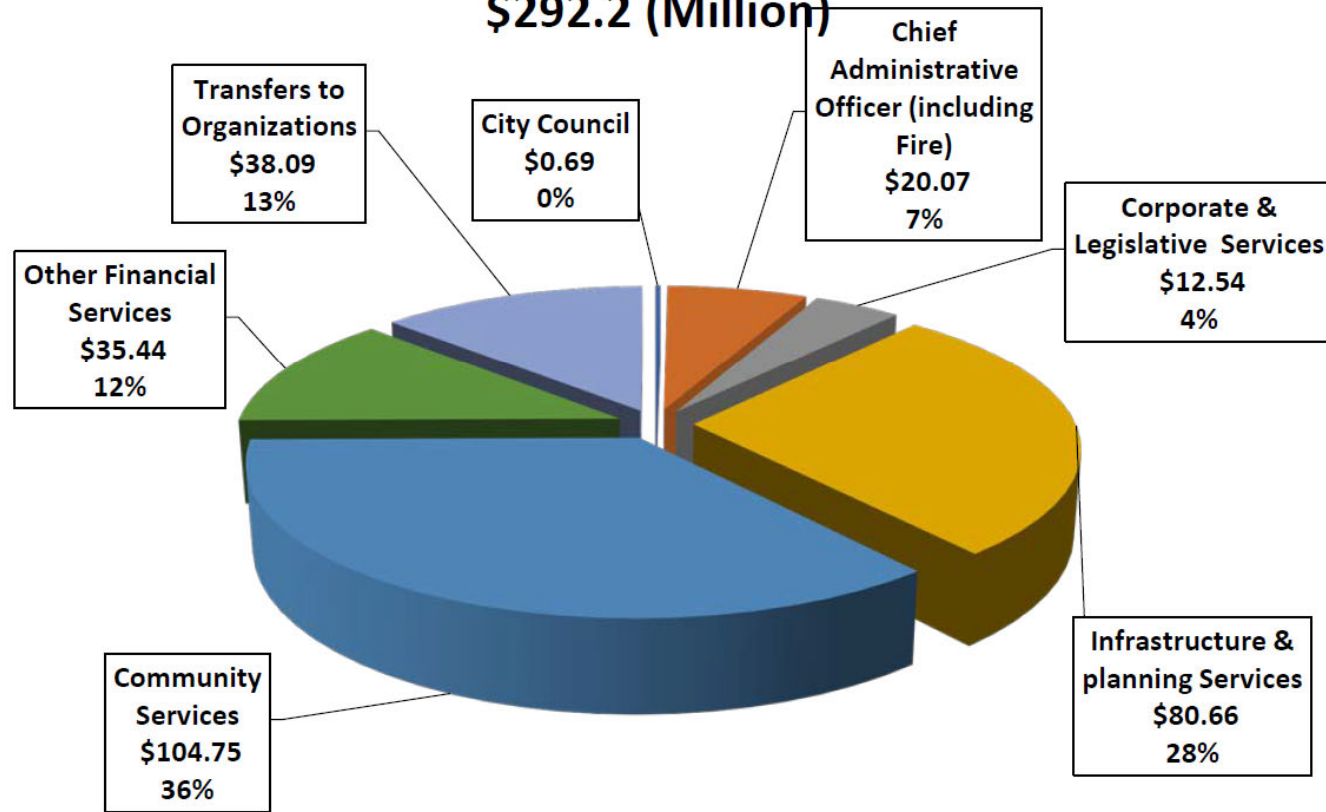
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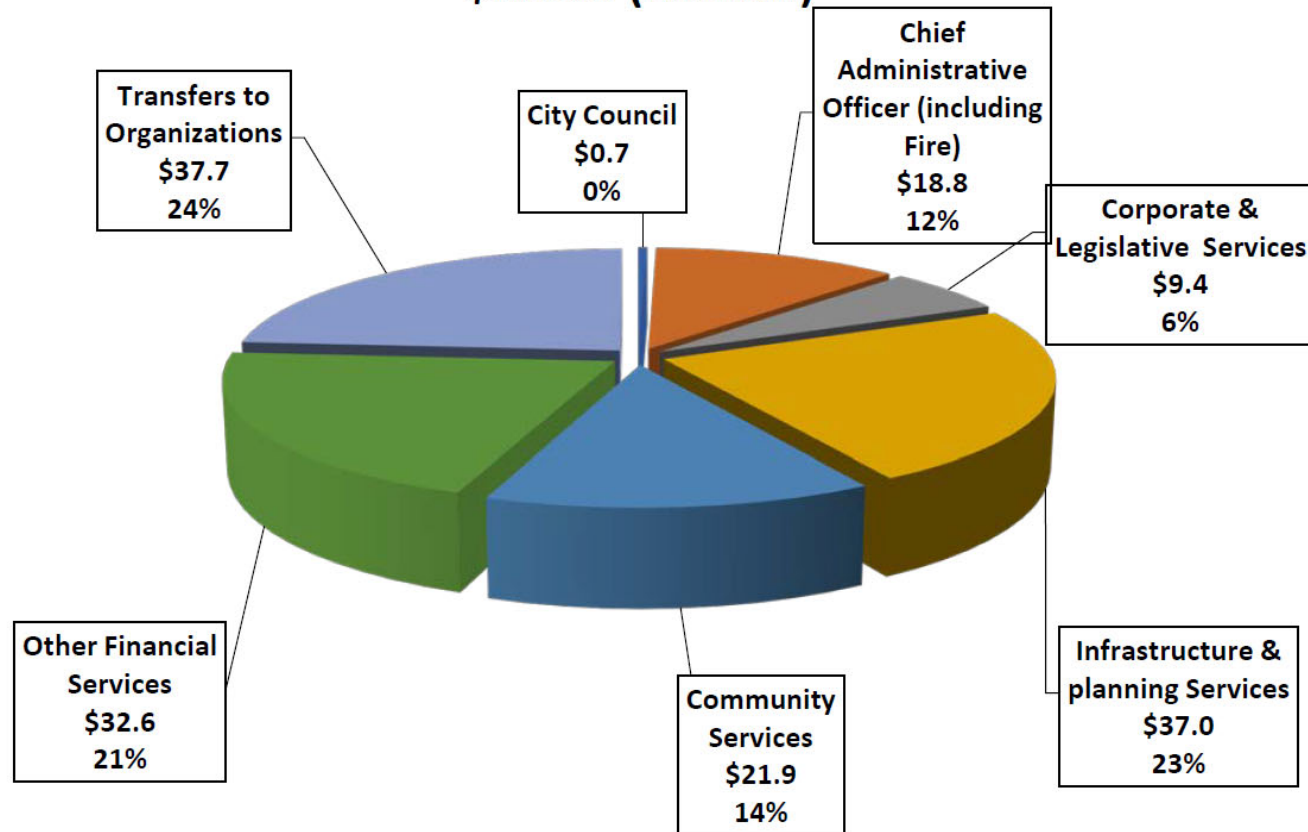
City of Peterborough

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2021 Budget Operating Gross Expenditures - \$292.2 (Million)



2021 Budget Net Operating Expenditures - \$158.0 (Million)



Comparative All Inclusive Tax and Sewer Surcharge Rates and Levies
Per \$100,000 of residential Assessment

Ref C1	Description C2	2021 C3	2022 C4	Change from 2021	
				Amount	%
				C5	C6
1.01	Gross Expenditures	292,912,882	292,912,882	-	0.0%
1.02	Amount raised from taxation	141,990,232	147,016,667	5,026,435	3.5%
1.03	Effect of tax ratio plan on change in all-inclusive rate				0.0%
1.04	Effect of 2022 Real Assessment Growth on change in all- inclusive rate				0.6%
2.00	<u>Residential Tax Rates</u>				
2.01	Municipal	1.2952480%	1.3331060%	0.0378580%	2.9%
2.02	Education (estimate)	0.1530000%	0.1530000%	0.0000000%	0.0%
2.03	Total	1.4482480%	1.4861060%	0.0378580%	2.6%
3.00	<u>Annual Water Rates</u>	189.08	192.86	3.78	2.0%
4.00	Sewer Surcharge Effective Rate	102.92%	104.70%	1.8%	1.7%
	<u>Levies / Collected</u>				
5.00	Water Revenues	18,416,100	18,784,400	368,300	2.0%
5.01	Sewer Surcharge	18,195,700	18,880,600	684,900	3.8%
6.00	Per \$100,000 dollars of Residential Assessment	100,000	100,000	0	0.0%
7.00	<u>Residential Tax Levy on Assessment</u>				
7.01	Municipal	1,295.25	1,333.11	37.86	2.9%
7.02	Education	153.00	153.00	0.00	0.0%
7.03	Total	1,448.25	1,486.11	37.86	2.6%
7.04	Per month	120.69	123.84	3.15	2.6%
8.00	Sewer Surcharge Payable	194.60	201.92	7.32	3.8%
8.01	Per Month	16.22	16.83	0.61	3.8%
9.00	Total Municipal Tax, Sewer and Stormwater	1,489.85	1,535.03	45.18	3.0%
9.01	Per Month	124.15	127.92	3.76	3.0%
10.00	Combined Mun and Ed Tax Plus Sewer Surcharge & Stormwater	1,642.85	1,688.03	45.18	2.75%
11.01	Per Month	136.90	140.67	3.76	2.75%

Notes

- 1 The tax levies shown are per \$ 100,000 of assessment
Individual tax levies and percentage changes will vary depending on actual assessed values each year.
- 2 A \$1,811,756 change in net tax levy for 2022 equates to a 1% change in the Combined Municipal and Education Tax on Assessment plus Sewer Surcharge.
For example, to lower the 2022 proposed 2.5% increase to 1.5%, \$1,811,756 net tax levy funded expenditures would have to be eliminated.
- 3 For a median single family dwelling unit (not on waterfront) assessed at \$ 260,000 for 2021 and \$ 260,000 for 2022
Combined Mun and Ed Tax Plus Sewer Surcharge & Stormwater

4,271.40

4,388.88

117.48

2.75%