



City of
Peterborough

To: Members of the Finance Committee

From: Richard Freymond, Commissioner of Corporate and Legislative Services

Meeting Date: August 16, 2023

Subject: Staff Presentations - 2024 Budget Guideline Report CLSFS23-040

Purpose

A report to advise Council that a Finance Committee meeting will be held Wednesday, August 16, 2023, at 6:00 pm, to hear staff presentations on the 2024 Budget Guideline.

Recommendation

That Council approve the recommendation outlined in Report CLSFS23-040 dated August 16, 2023, of the Commissioner of Corporate and Legislative Services, as follows:

That Report CLSFS23-040 advising Council that presentations from the Chief Administrative Officer and Department Commissioners respecting the 2024 Budget Guideline, will be made on August 16, 2023, at 6:00 pm, be received.

Budget and Financial Implications

There are no budget or financial implications to receiving this report.

Based on a number of early assumptions, an All-Inclusive rate increase of 5.59% has previously been proposed by staff for the 2024 Budget and is reflective of maintaining the status quo.

Background

A Public Meeting will be held on August 16, 2023, at 6:00 pm and is in response to direction provided by Council on June 26, 2023 whereby Council resolved:

- a) That respecting the 2024 Budget Guideline Report CLSFS23-028, staff be directed as follows:
- i) that each Commissioner make a presentation to the Finance Committee by the end of August on their respective Departmental Budgets that would provide additional information assuming a 2024 Budget Guideline all-inclusive tax increase of 5.59%, and
 - ii) that the presentations also include information and the resulting financial and/or service level impacts assuming a 3% and a 7% All-Inclusive Budget Guideline increase, respectively.
- b) That the presentations include information from each Commissioner on their anticipated largest 2024 Capital projects.
- c) That Council request the Peterborough Police Services Board to consider deferring any 2024 staffing enhancements as identified in the Police Service's five-year staffing plan to allow the financial impact of the annualization of any new hires that occurred in 2023 to ease pressures on the 2024 budget.

To provide additional context, the 2024 Budget Guideline Report CLSFS23-028 dated June 19, 2023 is attached to this Report.

If necessary, the Finance Committee meeting will be recessed to August 17, 2023 at 7:00 pm to further consider the information provided.

Submitted by,

Richard Freymond
Commissioner of Corporate and Legislative Services

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Attachments:

Appendix A – 2024 Budget Guideline, Report CLSFS23-028



City of
Peterborough

To: Members of the Finance Committee

From: Richard Freymond, Commissioner of Corporate and Legislative Services

Meeting Date: June 19, 2023

Subject: 2024 Budget Guideline, Report CLSFS23-028

Purpose

A report to recommend the 2024 Budget Guideline.

Recommendations

That Council approve the recommendations outlined in Report CLSFS23-028 dated June 19, 2023, of the Commissioner of Corporate and Legislative Services as follows:

- a) That the Draft 2024 Operating Budget reflect an estimated All-Inclusive (Municipal, Education, Sanitary Sewer Surcharge) increase of 5.59% for general Operating Budget impacts and in support of the capital program, including a provision for Stormwater Protection; and
- b) That Council request the Peterborough Police Services Board to consider deferring any 2024 staffing enhancements as identified in the Police Service's five-year staffing plan to allow the financial impact of the annualization of any new hires that occurred in 2023 to ease pressures on the 2024 budget.

Budget and Financial Implications

There is a lot of uncertainty at this point in time in attempting to estimate an All-Inclusive rate increase. Based on a number of early assumptions, an All-Inclusive rate increase of 5.59% is the net effect increase in total tax levy requirements (5.99%), changes in assessment values, such as growth or re-assessment, (- 0.83%), water and sewer surcharge increases (0.43%) and any change in education rates (0.00%).

The recommended All-Inclusive increase of 5.59% would add \$97.45 to the combined municipal, education, storm and sewer surcharge levy for every \$100,000 of assessment.

Chart 1 is representative of some of the 2024 Budget Net Requirement impacts that staff are aware of as the Preliminary 2024 Budget Guideline Report was prepared and are considered over and above the amounts in the 2023 Operating Budget base. Each line in the chart impacts the All-Inclusive rate.

**Chart 1
 Preliminary 2024 Budget Impacts**

Ref	Description	2024 Incremental Adjustments to Base Budget Amounts (\$000)
Col 1	Col 2	Col 3
1	Operating Cost Pressures	
2	Compensation	2,599,500
3	Annualization of 2023 Police staffing increase & Police Reserve	2,023,000
4	General inflation	600,000
5	Insurance	550,000
6	Contingency	350,000
7	Fuel prices	420,000
8	Recycling - Transition to Extended Producer Responsibility	(195,000)
9	Source Organics Program Operating Costs	654,000
10	Transit	941,000
11	Outside agencies (PCCP, PPH)	685,600
12		
13	Total Operating Cost Pressures	8,628,100
14		
15	Additional Levels of Service for Capital	
16	Increase to Capital Levy (Inflation)	69,000
17	Replenish Levy/FRMP CL (over 5 years) used in 2020 budget	162,000
18	Wastewater Protection - Storm & Sanitary	620,000
19	Replenish debt financing for 2023 budget FC motion impacts	290,900
20	Capital financing Policy at 1.00% Excl New Arena	1,639,600
21	Impact of additional TS debt related to the Twin pad	320,000
22	Additional Levels of Service - Capital	3,101,500
23		
24	Total Net Requirement Increases	11,729,600
25	Impact of Net Requirement Increases on All-inclusive Rate	5.99%

Background

2024 Budget Process

In April 2023, staff began the process of compiling the preliminary 2024 Budget estimates.

During the various review stages, staff will ensure the 2024 Draft Budget, to be presented to Finance Committee on November 6, 2023, achieves the guidelines ultimately approved through discussions of this report.

2024 Budget Survey

The City engages with residents each year as it prepares the draft budget 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, including public meetings and residents' interactions with Council and City staff through in-person conversations, phone calls and emails. Input from the community engagement is considered with other budget inputs such as legislated requirements and financial pressures.

The budget survey is a consultation tool – a way for residents to provide their opinions and comments for Council's consideration. To reduce barriers and to encourage participation in the survey, registration was not required. It is not a scientific sample survey that is statistically defensible. It does not necessarily reflect the opinion of the population. The survey should be considered as a feedback tool that assists the conversations around budget priorities, City services, how to fund services and projects, and service level expectations.

The budget survey was open from March 28 to April 21, 2023. 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 415 responses to the survey, up from 274 in 2022.

The survey was hosted on the City's online community engagement platform, Connect Peterborough, at connectptbo.ca. To date, there have been approximately 1,200 visits to the 2024 Budget project page, with about 450 visits arriving from direct traffic from people who entered the website address, about 640 from social media links, about 85 from referrals from other sites, and about 30 from search engines. Hard copies of the survey were available upon request and at the in-person, drop-in meetings held on April 13 and 21, 2023.

The budget survey and budget drop-in meetings were promoted through local media with coverage through television, radio, newspaper and online news outlets as well as on social media and through the City's website.

Survey participants were asked how much they value various municipal service categories using a scale of very important, important, moderately important, slightly important and not important. Results showed that across all categories respondents find municipal services to be important, with the following categories receiving the highest number of very important responses.

- Enabling affordable housing
- Social services
- Sewers, water, stormwater management
- Fire prevention, police, paramedics
- Environment protection, support for green projects

When asked to rank a list of issues, the average rankings placed the options in the following order:

1. Housing/accommodations
2. Social issues
3. Health/public health
4. Cost of living
5. Physician recruitment
6. Environment/climate change/sustainability
7. Economy/jobs/economic issues
8. Health and vitality of the downtown
9. Arts, culture and heritage
10. Infrastructure/transportation
11. Crime/criminal activity
12. Governance and transparency
13. Provision of recreation facilities

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 multiple options (previous year's response in brackets).

- Introduce new user fees for some City services that currently have no fees – 49.2% (54%)
- Increase user fees for City services that currently have fees – 48.5% (47%)
- Increase property taxes – 40.4% (30%)
- Reduce service levels – 34.6% (38%)

Respondents indicated what they think the property tax change should be in 2024 based on their expectation for infrastructure and service levels. Based on the information available at the time, assumptions were made on what each option

meant in terms of increasing, maintaining, or decreasing service levels to help inform the selection by participants.

- Generally, maintain existing levels of service, 3.5% increase – 27.5%
- Increase investments in infrastructure/services, 3.6% to 4% increase – 22.7%
- Reductions in services and infrastructure when accounting for inflationary increases, 1% to 3.4% increase – 14.9%
- Greater investments in infrastructure/services, greater than 4% increase – 10.9%
- Other (please specify) – 10.9%
- Substantially reduce services and infrastructure maintenance, 0% increase – 8.6%
- Drastically reduce services and investments in infrastructure, decrease property taxes – 4.5%

In addition to the specific questions, the survey included several opportunities for respondents to provide other comments on the budget. Respondents provided comments on topics such as the cost of living/inflation, housing, addictions, mental health issues, setting strategic goals for the City, the health of the downtown, reducing City expenses, finding efficiencies, maintaining infrastructure, police services, transit, roads, the environment and nature areas.

Public Meetings

In addition to the Budget Survey, the Finance Chair and Vice Chair along with Council members hosted two casual drop-in style meetings on April 13 and 20 for residents to share their comments and ideas. The drop-in meetings were an alternative to the more formal consultation option provided by appearing as a delegation at a Council meeting. About 30 people attended the two meetings. New to the budget process this year, the Finance Chair and Vice Chair will also be hosting two drop-in meetings in November after the Draft 2024 Budget is released to provide another opportunity for conversations and questions when the details of the draft budget are available.

Attendees at the two drop-in meetings in April spoke about priorities including road conditions, sidewalks, cycling infrastructure, the trail network, arts funding, arts grants process, housing, homelessness, climate change, a social innovation centre for marginalized people, empowering marginalized people, the economy, and the downtown.

A What We Heard summary from the Budget Survey and drop-in meetings is provided online at peterborough.ca/budget, on the budget project page at connectptbo.ca/2024Budget, and through hard copy upon request.

Public Meetings – Budget Guideline

A public meeting was held on May 31, 2023 for members of the public to provide their input into the 2024 Budget Guideline. Issues raised by the speakers at the public

meeting included comments supporting tax increases to invest in affordable housing and homelessness issues, and support for stable funding for the arts.

Other opportunities for public input are planned in November and December 2023.

Input provided by the community through the public engagement will be considered in preparing the Draft 2024 Budget, in conjunction with several criteria such as available funding and other resources, legislative requirements, and health and safety requirements.

5.59% All-Inclusive Increase

Through this Budget Guideline Report, staff recommend a 5.59% All-Inclusive increase comprised of a 5.99% net requirement increase (general operating (5.67%) and Stormwater Protect (0.32%)), changes in assessment values such as growth or re-assessment (- 0.83), and an additional 0.24% Sewer Surcharge increase related to water increase and 0.19% 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	Net Requirement net of Assessment change and Stormwater Protection	Storm Water Protection	Water rate impact on SS	Additional SS for Wastewater Protection	Education Rate	Total
C1	C2	C3		C4		C5
2018	1.98%	0.39%	0.34%	0.26%	-0.12%	2.85%
2019	1.63%	0.37%	0.35%	0.25%	-0.10%	2.50%
2020	2.03%	0.36%	0.23%	0.23%	-0.10%	2.75%
2021	2.92%	0.00%	0.24%	0.22%	-0.39%	2.99%
2022	2.09%	0.34%	0.24%	0.20%	0.00%	2.87%
2023	2.40%	0.33%	0.24%	0.18%	0.00%	3.15%
2024 Proposed	4.84%	0.32%	0.24%	0.19%	0.00%	5.59%

Alternative Increases

Staff recognize that the recommended All-Inclusive rate increase is higher than previous years, but it does represent what is necessary to maintain service levels. If Council wants to explore ways to reduce the 5.59% increase, service levels and staffing will be impacted.

For instance, Council could use the [KPMG Budget and Services Analysis](#) final report presented to Council through Report CLSFS20-057 dated November 2, 2020 as a sample way in which a lower tax increase may be reached. The KPMG Report was in the context of preparing the Draft 2021 Budget and considered all services of the City, categorizing the Operating Expenditures as either:

- Mandatory, Essential, Traditional or Discretionary.

If Council were to direct staff to return with an All-inclusive rate increase of 3.0% instead of the recommended 5.59% for 2024, this scenario would require cutting approximately \$5.08 million in property tax levy net requirement, based on the approved 2023 budget. Using the KPMG Report as a guide and giving a sense of the magnitude of the reductions required, this could be achieved by eliminating all of the Discretionary budget and service areas and 28.6% of the property tax levy net requirement for the Traditional budget and service areas.

The KPMG Report also provided a comparative analysis of overall spending by program area level compared to other municipalities.

2024 Operating Budget

Although still early in the process, there are a number of factors expected to impact the 2024 Operating Budget as set out below:

Final 2020 Assessment to be Used For 2024 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.

The Assessment Act provides for a four-year assessment update cycle. 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, 2022 and 2023.

At the time of writing, no information has been received to indicate a reassessment will be available for 2024.

**Chart 3
A Sample Calculation of the Assessment for 2024**

Taxation Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Valuation Date	January 1, 2012	January 1, 2016	January 1, 2016	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	\$360,000	\$360,000
Phase-in	0	25.00%	50.00%	75.00%	100.00%	100.00%	100.00%	100.00%	100.00%
CVA for Taxation	\$320,000	\$330,000	\$340,000	\$350,000	\$360,000	\$360,000	\$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 0.8% 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. An early estimate of real assessment growth will be 0.8% (assumption was 0.8% in 2022 and actual was 1.1%). Each assessment class is estimated as follows for 2024:

- Residential 0.75%
- Multi-residential 5.00%
- Commercial 0.00%
- Industrial 0.00%

Compensation

Personnel costs are a major component of the operating budget. Contracts for ATU L169, CUPE L126, CUPE L504, and CUPE L1833 are currently under negotiation. Contract increase placeholders have been built into the budget to facilitate the budget process. As contracts are settled the contract rates will be incorporated into the budget.

General Inflation

Current economic forecasts from the banking and business sectors have identified risks associated with current world issues. With these issues in mind in conjunction with the positive effects of Canada's Central Bank's monetary policies projected inflationary pressures are thought to be lessening in what is anticipated to be a more stable year of 2024. The anticipated Inflation Rate for 2024 is 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 for all items except energy and food.

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 \$0.6 million.

Insurance

Municipalities across Ontario have faced insurance increases over the past several years. Peterborough is no exception with an 82.5% increase over the last 4 years. The current assumption is for an easing of the increase in 2024, but still material at 7-10%.

Contingency

Over the past several years budget pressure to maintain a low All-Inclusive rate has resulted in an inability to right size the City's Contingency budget account. To put it in perspective, if the City were to adopt a 1% of gross expense contingency policy, the contingency account balance would be approximately \$3.34 million, yet the 2023 Contingency budget is \$0.3 million. Staff is recommending a contingency budget for 2024 of \$0.65 million, a \$0.35 million increase.

Fuel Prices

There continues to be a high degree of risk and uncertainty in predicting fuel prices. Current fuel prices are expected to moderate or increase slightly in 2024. Continued geopolitical uncertainty add significant risk to fuel price forecasts. The effect of fluctuating fuel prices on the City's budget is significant. As a rule of thumb, the City can expect a \$30,000 impact for every \$0.01 change in the pump price of fuel. City staff will continue to monitor prices through the budget cycle; however, early estimates place an increase somewhere between \$0.3 - \$0.5 million.

In addition to the volatility in the world markets, there are further increases anticipated from the Federal Government Carbon Tax program estimated to be approximately \$119,000.

Recycling and Source Separated Organics

The Waste Management division will see significant changes in the coming year as 2024 will be the first full year of operation for the Source Separated Organics (SSO) program. As well, it is anticipated that the City will be ending the majority of its recycling program as it transitions eligible properties to producer responsibility for the Blue Box Program. Processes and agreements are still being developed, but a preliminary estimate of the net cost related to these two program changes are net savings in recycling of \$195,000 and incremental costs for the annualization of the SSO program in the amount of \$654,000, for a combined net increase of \$459,000.

Transit

Staff brought forward Report IPSTR23-003 dated May 8, 2023, and made recommendations respecting levels of service that respond to Council's previous

direction during 2023 Budget approval. Council deferred the Report pending discussions of the Transit Liaison Committee.

It is further anticipated that as the Transit Liaison Committee begins its work, levels of service related to Transit services may continue to evolve, further impacting the 2024 budget. As such, it is anticipated that additional funding will be required to meet on-going operating costs, pending Council's decision on 2023 service levels. Restoring Transit funding to previous levels of service would be \$0.941 million and does not factor in any enhancements.

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 pursuing all energy retrofit projects to ensure anticipated savings are being realized.

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 0.16 cents per cubic meter of natural gas and is included in the purchase price.

City/County Weighted Taxable Assessment

The most recent 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 2024, the County/City shares will remain at 55.7% / 44.3% (2023 – 55.7% / 44.3%).

Social Services

The Ministry of Education has communicated that there will be changes to the funding formula for Children's Services starting January 1, 2024 however full details have not been made available yet. As a result, no impact has been included in the Budget Guideline for this change.

Transfers to Other Organizations

Peterborough County City Paramedics (PCCP)

It is anticipated that costs pressures will continue in the paramedic services. As at the time of writing, 2024 information is not available for this service.

Peterborough Public Health (PPH)

As part of the 2019 Provincial Budget, the Province indicated that they planned to 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.

Although the Province has provided one-time funding to offset the potential burden to local funders in each of the past four years, the current commitment for this one-time funding ends in December 2023 and no indication has been given at this stage that this will change.

If there is no Mitigation Funding in 2024 and base funding stays the same, PPH would require additional funding from local funders for as much as \$1.9 million in addition to current levies, which equates to a 67% increase over 2023 funding to PPH.

In addition to uncertainty about Ministry funding, there are other potential and anticipated cost-drivers that will impact the expenses of PPH including salaries and benefits due to increases in union contracts and benefit costs.

The recommendations in this Report include a status quo budget for PPH with a 0% increase in provincial funding which results in a 12% increase in funding from the City and other local partners.

Police

During the 2023 budget process, Police Services indicated that they would be pursuing the recommendations set forth in the report submitted by KPMG so that in addition to the annualization costs of the 11 new positions approved in the 2023 budget, there are planned staffing enhancements for 2024. The cost of annualizing the 2023 new staffing positions in the 2024 budget and funding the operating budget costs that were reserve funded in 2023 together have a significant impact on the 2024 All-Inclusive rate.

The addition of 2024 staffing enhancements would move the All-Inclusive rate far beyond what is already proving to be an uncharacteristically high All-Inclusive rate. Recommendation b) of this Report requests that the Police Services Board review the Service's 5-year staffing plan and consider deferring the planned staffing enhancements in 2024 to ease the pressure on the 2024 budget.

Storm Water Protection and Sewer Surcharge

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

That related to a dedicated stormwater protection fee:

Council recognizes the need to, over time, increase the annual stormwater funding allocation by an additional \$6.2 million, subject to annual budget discussions; and

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.

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 2024, staff are recommending continuing the implementation of this program with the sixth incremental increase of \$620,000 increasing in the Sewer Surcharge Rate from 104.46% to approximately 106.13%.

Education Rates

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, 2022 and 2023, the province held the assessment values used by municipalities to 2020 values. This was reflected in the education rates which were also held at 2020 levels. At the time of writing, no information has been received to indicate any changes to the Education Rates for 2024. The 2024 Draft Budget will be prepared and presented to Council based on the premise that the Education rates will again be held at 2020 levels.

Recommendation Respecting the All-Inclusive Tax and Sewer Surcharge Rates and Levies

The All-Inclusive Rate is made up of three components: Net Tax Requirement, Education Tax and Sewer Surcharge. If the Education rate and Sewer Surcharge are held constant, we can see the impact of changes to the Net Tax Requirement on the All-Inclusive Rate.

Taking all the above recommendations into consideration, staff are recommending that the residential tax and sewer rates and resulting levies per \$100,000 of residential assessment be 5.59% for 2024.

Chart 4 summarizes the residential tax and sewer rates and resulting levies per \$100,000 of residential assessment.

Chart 4
All-Inclusive Rate per \$100,000 of Assessment

Comparative All Inclusive Tax and Sewer Surcharge Rates and Levies Per \$100,000 of residential Assessment					
Ref C1	Description C2	2023 C3	2024 C4	Change from 2023	
				Amount C5	% C6
1.01	Gross Expenditures	325,657,681	335,427,400	9,769,719	3.0%
1.02	Amount raised from taxation	154,044,341	165,773,942	11,729,600	7.6%
1.03	Effect of 2024 Real Assessment Growth on change in all- inclusive rate				0.6%
2.00	<u>Residential Tax Rates</u>				
2.01	Municipal	1.3846560%	1.4746530%	0.0899970%	6.5%
2.02	Education (estimate)	0.1530000%	0.1530000%	0.0000000%	0.0%
2.03	Total	1.5376560%	1.6276530%	0.0899970%	5.9%
3.00	<u>Annual Water Rates</u>	196.72	200.65	3.93	2.0%
4.00	Sewer Surcharge Effective Rate	104.46%	106.13%	1.7%	1.6%
	<u>Levies / Collected</u>				
5.00	Water Revenues	19,160,100	19,543,300	383,200	2.0%
5.01	Sewer Surcharge	19,214,100	19,911,700	697,600	3.6%
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	1,384.66	1,474.65	89.99	6.5%
7.02	Education	153.00	153.00	0.00	0.0%
7.03	Total	1,537.66	1,627.65	89.99	5.9%
7.04	<i>Per month</i>	<i>128.14</i>	<i>135.64</i>	<i>7.50</i>	<i>5.9%</i>
8.00	Sewer Surcharge Payable	205.49	212.95	7.46	3.7%
8.01	<i>Per Month</i>	<i>17.12</i>	<i>17.75</i>	<i>0.62</i>	<i>3.7%</i>
9.00	Total Municipal Tax, Sewer and Stormwater	1,590.15	1,687.60	97.45	6.1%
9.01	<i>Per Month</i>	<i>132.51</i>	<i>140.63</i>	<i>8.12</i>	<i>6.1%</i>
10.00	Combined Mun and Ed Tax Plus Sewer Surcharge & Stormwater	1,743.15	1,840.60	97.45	5.59%
11.01	<i>Per Month</i>	<i>145.26</i>	<i>153.38</i>	<i>8.12</i>	<i>5.59%</i>

Notes

- 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.
- A \$1,959,572 change in net tax levy for 2024 equates to a 1% change in the Combined Municipal and Education Tax on Assessment plus Sewer Surcharge.
For example, to lower the 2024 proposed 05.59% increase to 04.59%, \$1,959,572 net tax levy funded expenditures would have to be eliminated.

How changes in Net Tax Levy effect the All-Inclusive rate

An increase in the Net Tax Requirement above 5.59% would allow for not only services to be maintained but increases in service levels and/or increases in capital program support, and effectively create a scenario whereby Council could identify and move forward with additional priorities such as those identified in the Strategic Plan and/or

additional investments in existing priorities. Conversely, increases below 5.59% in the Net Tax Requirement would require a reduction in services and/or decrease in capital program support.

The following chart illustrates the effects of changes to the All-Inclusive Rate (AIR) on tax levy and property taxes per \$100,000 of residential assessment.

Impact of Net Tax Requirement on All-Inclusive Rate (AIR)

Levels of Net Requirement	Net Tax Requirement	Increase or decrease in Tax Levy available for operating and capital support	Rate	Dollar impact per \$100,000 of Residential Assessment	Change in dollar impact per \$100,00 of Residential Assessment
Proposed AIR minus 3%	\$5,850,890	(\$5,878,710)	2.59%	\$45.16	(\$52.29)
Proposed AIR minus 2%	\$7,810,460	(\$3,919,140)	3.59%	\$62.59	(\$34.86)
Proposed AIR minus 1%	\$9,770,030	(\$1,959,570)	4.59%	\$80.02	(\$17.43)
Proposed All-Inclusive Rate (AIR)	\$11,729,600	\$0	5.59%	\$97.45	\$0.00
Proposed AIR plus 1%	\$13,689,170	\$1,959,570	6.59%	\$114.88	\$17.43
Proposed AIR plus 2%	\$15,648,740	\$3,919,140	7.59%	\$132.31	\$34.86
Proposed AIR plus 3%	\$17,608,310	\$5,878,710	8.59%	\$149.74	\$52.29

If Council wishes to receive additional input respecting alternative All-Inclusive Rate increases and have a more fulsome understanding of the impacts those increases may have on existing levels of service, staff could as a next step, return in the August cycle of Council and make presentations to Committee for their consideration.

2024 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.

It is anticipated that the recommended increase of 5.59% will provide an infusion of some amount of additional capital financing. The following topics impacting the Capital Budget provide additional insights into the capital program.

Capital Levy

In order for capital levy funding to keep pace with inflation staff continue to recommend an inflationary adjustment to the amount of capital levy raised through taxation.

Replenish Flood Reduction Master Plan (FRMP) Capital Levy (CL)

As a means to advance the 2020 general capital program the 2020 FRMP CL was redirected to general CL. The FRMP CL is being “repaid” the amount of the transfer over 5 years.

Stormwater / Wastewater Protection

As discussed earlier in this report, there are annual increases to the Stormwater Protection Program of \$ 0.62 million through the net levy requirement and the Wastewater Protection Program of \$0.35 million through an increase to the Sewer Surcharge Rate.

Replenishment of Debt Financing Costs

As part of the 2023 Budget deliberations, Council approved motions to reduce the All-Inclusive rate through reductions in debt financing costs related to deferring capital projects. Without these reductions being replenished in 2024 the reduction will permanently reduce the base amount of debt financing available in future years.

Provision for Additional Capital Financing

The Capital Financing Plan, approved by Council based on Report CPFS12-011 and updated with Report CLSFS21-024, is intended to leverage the relatively low cost of borrowing to address the need to move forward with much needed capital works. For 2024, the increase for additional capital financing through the Capital Financing Policy is recommended at 1.00%.

Debt Maturing in 2024 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 repurposed in the capital program.

Chart 5 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**

	2024	2025	2026	2027	2028
	\$	\$	\$	\$	\$
Tax supported	695,961	1,159,655	1,110,735	943,686	1,400,275
Non-Tax Supported	1,078,818	136,481	1,460,122	323,797	1,167,856
Total	1,774,779	1,296,136	2,570,857	1,267,483	2,568,131

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 million in debt servicing, assuming a 3.65% interest rate for 10 years supports \$8.3 million in capital work.

Through the 2024 budget process, staff will review and determine the portion of the All-Inclusive increase required to fund the operating budget and the portion to provide additional support to the capital program.

Debt Capacity

Each year the Province calculates the City’s Annual Debt Repayment Limit. The Province stipulates that a municipality may not commit more than 25% of its total own-purpose revenues (Net Revenues) to service debt and other long-term obligations without obtaining prior approval from the Ontario Municipal Board.

In place of the provincial guideline, the City has its own, more stringent Debt Management Policy. The policy was approved as part of report CPFS12-011 dated April 4, 2012 and revised through Council’s approval of report CLSFS21-024 on July 5, 2021. The policy includes a maximum current year annual debt approval based on 16.5% of the City’s consolidated own-purpose revenues (Net Revenues).

In calculating the 2024 Debt capacity a combination of two factors significantly impacted the City’s remaining debt limit. First, COVID-19 had a material impact on the City’s own-purpose revenues reducing the amount of debt servicing dollars available. Secondly, rising interest rates effected the calculation of the amount of debt that could be supported by the diminished debt servicing dollars.

The reduction of the available debt capacity in the 2024 capital budget will put additional strain on an already underfunded capital program. A staff report will be presented to council at a later date to discuss the City’s debt capacity for 2024.

Dividends from City of Peterborough Holdings Inc. (CoPHI)

At this point in time, it is assumed that the City will receive \$5.2 million (\$5.2 million – 2022) in regular dividend payments from CoPHI.

Legacy Fund Investment

The proceeds from the sale of assets of Peterborough Distribution Inc to Hydro One have been placed in a Legacy Fund and invested with ONE Fund as approved with Report CLSFS21-020 dated May 10, 2021.

Based on current investment returns and the volatility of the market, it is anticipated that the return that can be achieved in 2024 on the investments held will be revenues of approximately \$1.575 million.

Pre-commitments of Capital Financing

Chart 6 summarizes the pre-commitments of funding Council has approved, towards the 2024 capital program. Altogether, there is \$29,385,000 in funding to four different projects.

Chart 6 2024 Approved Capital Pre-Commitments

	Project name	Report Reference / Council Approval Date	Total 2024 Commitment	Total 2025 Commitment	Total 2026 Commitment	Total 2027 Commitment	Total 2028 Commitment
1	Additional Hydro Excavation Truck	2023 budget recommendation	\$ 885,000	\$ -	\$ -	\$ -	\$ -
2	Canadian Canoe Museum - Capital Build	CLSFS21-021	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
3	Healthy Planet Arena - Phase 2 of project	2023 budget recommendation	\$ 4,000,000	\$ -	\$ -	\$ -	\$ -
4	New Arena and Aquatics Complex	CSD21-009	\$ 24,000,000	\$ -	\$ -	\$ -	\$ -
5	Lansdowne Street Rehabilitation - Park Street to Otonabee River	IPSENG23-008	\$ 3,050,000	\$ -	\$ -	\$ -	\$ -
6	Curtis Creek Watershed Improvements	IPSENG23-010	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
7	Temporary Traffic Signals at intersection of Brealey Drive and Cherryhill Road	IPSENG23-013	\$ 160,000				
8	Total		\$ 33,595,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
9	Tax Supported		\$ 9,970,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
10	Non-Tax Supported		\$ 23,625,000	\$ -	\$ -	\$ -	\$ -

Next Steps

The 2024 Budget Schedule includes the following key dates:

June 26	City Council to consider approving a Guideline for 2024 Draft Budget
November 6	2024 Draft Budget documents presented to Finance Committee
November 9 & 14	Public Engagement Drop in session
November 14	Public meeting for City Council to hear comments from the community on the 2024 budget
November 15	Outside Organizations attend Finance Committees Budget deliberations
November 20 to 23	Finance Committee deliberates on the 2024 Draft Budget
December 11	Council Considers approval of the 2024 Budget

Summary

If the recommendations in this report are approved, staff will continue to prepare a 2024 Draft Budget that reflects a target of 5.59% of an 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,

Richard Freymond
Commissioner of Corporate and Legislative Services

Contact Name:

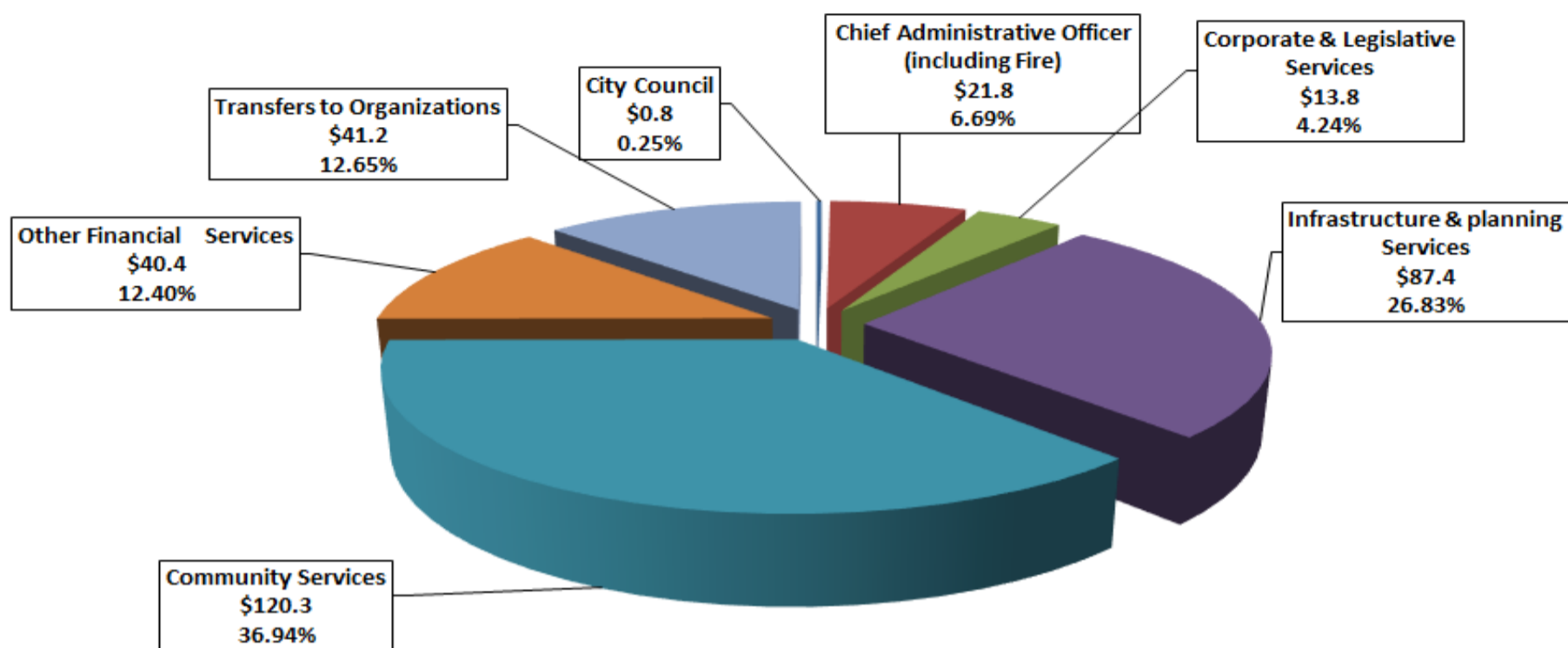
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Attachments:

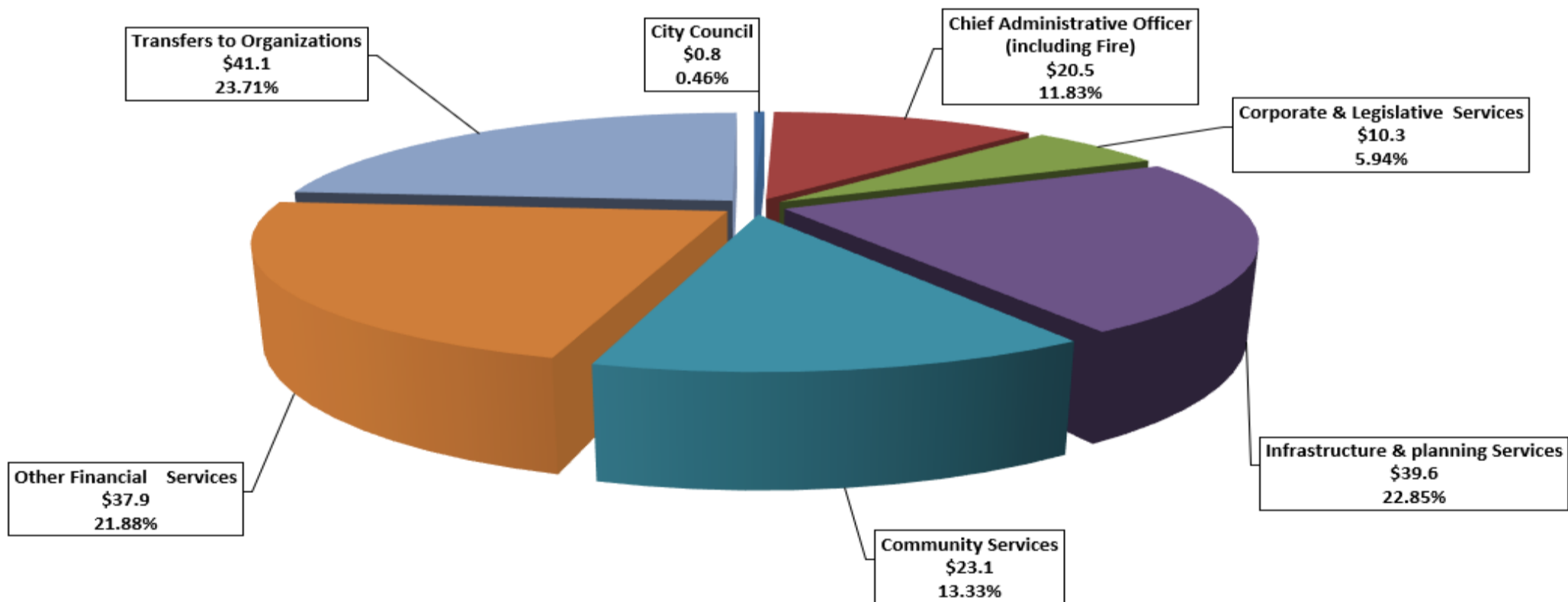
Appendix A – 2023 Gross Operating Expenditures and 2023 Net Operating Expenditures

Appendix B – What a Residential Taxpayer Pays for Various Municipal Services for the Year 2023

2023 Budget Operating Gross Expenditures \$ 325.7 (Million)



2023 Net Expenditures - \$173.3 (Million)



What a Residential Tax Payer Pays for Various Municipal Services
For the Year 2023
Based on \$100,000 of Residential property assessment

Service, Program, Transfers	Net Requirement Before Indirect Revenues	Allocated Indirect Revenue	Net tax Levy	Residential Municipal Tax Rate	Tax levy	% of Total
City Council						
City Council	814,981	90,362	724,619	0.006513%	6.51	0.47%
	814,981	90,362	724,619	0.006513%	6.51	0.47%
Chief Administrative Officer						
Office of Chief Administrative Officer	582,141	64,546	517,595	0.004653%	4.65	0.34%
Fire Services	18,700,480	2,073,439	16,627,041	0.149455%	149.46	10.79%
Emergency Management	502,129	55,674	446,455	0.004013%	4.01	0.29%
Communications	744,557	82,554	662,003	0.005951%	5.95	0.43%
	20,529,307	2,276,213	18,253,095	0.164071%	164.07	11.85%
Corporate and Legislative Services						
City Clerk	886,255	98,265	787,990	0.007083%	7.08	0.51%
Financial Services	2,321,130	257,358	2,063,772	0.018551%	18.55	1.34%
Facilities Management	1,198,598	132,896	1,065,702	0.009579%	9.58	0.69%
Human Resources	1,234,407	136,866	1,097,541	0.009865%	9.87	0.71%
Corporate Information Services	3,727,714	413,315	3,314,399	0.029792%	29.79	2.15%
Facilities and Planning Initiatives	168,884	18,725	150,159	0.001350%	1.35	0.10%
Legal Services	689,968	76,501	613,467	0.005514%	5.51	0.40%
	10,226,956	1,133,926	9,093,030	0.081734%	82	5.90%
Infrastructure Planning Services						
Office of Infrastructure & Planning Services	178,228	19,761	158,467	0.001424%	1.42	0.10%
Planning	1,334,239	147,935	1,186,304	0.010663%	10.66	0.77%
Peterborough Airport	2,276,593	252,420	2,024,173	0.018195%	18.19	1.31%
Building Inspection and Protective Services	865,025	95,911	769,114	0.006913%	6.91	0.50%
Engineering, Construction and Public Works	12,780,733	1,417,080	11,363,653	0.102144%	102.14	7.38%
Asset Management and Capital Planning	1,617,468	179,339	1,438,129	0.012927%	12.93	0.93%
Transportation	12,987,125	1,439,964	11,547,161	0.103794%	103.79	7.50%
Environmental Services	7,581,711	840,632	6,741,079	0.060593%	60.59	4.38%
	39,621,122	4,393,041	35,228,081	0.316654%	316.65	22.87%
Community Services						
Community Service Administration	2,146,845	238,034	1,908,811	0.017158%	17.16	1.24%
Recreation	1,213,152	134,510	1,078,642	0.009696%	9.70	0.70%
Arts, Culture and Heritage	5,364,204	594,763	4,769,441	0.042871%	42.87	3.10%
Arenas	2,361,883	261,877	2,100,006	0.018876%	18.88	1.36%
Social Services	12,005,407	1,331,115	10,674,292	0.095948%	95.95	6.93%
	23,091,491	2,560,298	20,531,192	0.184548%	184.55	13.33%
Capital Levy, Debt & Financial Summary						
Capital Financing Costs	33,241,597	3,685,704	29,555,894	0.265669%	265.67	19.19%
Property Taxation Costs	3,021,901	335,057	2,686,844	0.024151%	24.15	1.74%
Other Expenditures	1,358,522	150,628	1,207,894	0.010857%	10.86	0.78%
Contingency Provision	297,596	32,996	264,600	0.002378%	2.38	0.17%
	37,919,616	4,204,385	33,715,232	0.303056%	303.06	21.89%
Transfers to Organizations For Provision of Services						
Police Services	29,102,936	3,226,824	25,876,112	0.232592%	232.59	16.80%
Fairhaven	1,600,000	177,402	1,422,598	0.012787%	12.79	0.92%
Peterborough County/City Paramedics Service	6,117,663	678,304	5,439,360	0.048893%	48.89	3.53%
Otonabee Region Conservation Authority	830,795	92,115	738,680	0.006640%	6.64	0.48%
Primary Health Care Services Peterborough	0	0	0	0.000000%	0.00	0.00%
Peterborough Public Health	1,541,352	170,899	1,370,453	0.012319%	12.32	0.89%
Peterborough & Kawarthas Economic Development	1,081,332	119,894	961,438	0.008642%	8.64	0.62%
Peterborough Humane Society	454,825	50,429	404,396	0.003635%	3.63	0.26%
Greater Peterborough Innovation Cluster	144,230	15,992	128,238	0.001153%	1.15	0.08%
Business Improvement Areas	177,500	19,681	157,820	0.001419%	1.42	0.10%
	41,050,633	4,551,540	36,499,093	0.328079%	328.08	23.69%
Total Net Expenditures	173,254,106	19,209,765	154,044,341	1.384656%	1,384.66	100.00%

Notes

1. 'Net Tax Levy' equals gross expenditures less all sources of direct revenues that may apply. For example, Transportation gross expenditures less transportation revenues equals net transportation tax levy.

2. Residential Municipal Tax Rate' shown is expressed as a percentage that when multiplied by CVA and divided by 100 equals the tax levy shown for each service. As example, the tax rate for Council is 0.006513% and the resulting tax levy for every \$100,000 of residential assessment is 6.51 (0.00006513 X \$100,000 /100 = 6.51). Some totals and subtotals may not add exactly due to rounding differences.

3. Tax Levy shows what the taxpayer with the shown CVA pays in 2023 for the services.