

# Special Council Meeting Finance Report



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**To:** Mayor and Members of Council  
**Department:** Finance  
**Meeting Date:** September 17, 2021  
**Subject:** FIN 2021-19 2022 Draft Municipal Budget Directions

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## RECOMMENDATION

That Finance report 2021-19 dated September 17th, 2021, regarding 2022 Draft Municipal Budget Directions be received; and further,

That Staff be directed to present the DRAFT 2022 Municipal Budget, at the scheduled Council Budget meetings.

## PURPOSE/BACKGROUND

Staff recommend adding the following dates to the 2021 Corporate Calendar at the call of the Chair. The suggested Corporate Calendar sets forth the dates in 2021 for Council to review and make recommendations on the Proposed 2022 Municipal Budget.

The Final DRAFT 2022 Municipal Budget will be presented to Council at the December 8, 2021 Regular Council Meeting. Staff is requesting the Mayor to call Special Council meeting as requested below:

Meeting Type	Meeting Date	Time
Special Capital Budget Meeting	Wednesday, November 17, 2021	9:30 AM
Special Operating Budget Meeting	Thursday, November 18, 2021	9:30 AM
Regular Council Meeting	Wednesday, December 8, 2021	6:00 PM

This report commences the 2022 Budget Process. In order to ensure a comprehensive Budget package is available to Council for budget deliberations, in advance of the the Regular Council on December 8, 2021.

## ANALYSIS AND DISCUSSION

### Summary of 2021 Year-to-date:

The Township of Adjala-Tosorontio expects to deliver a balanced budget this year despite budgetary pressures. Due to the ongoing pandemic, revenues from user fees, permits and rentals are under budget for 2021. However, expenses related to training, staff development, events were all lower also due to reduced opportunities and virtual programming. In addition, provincial funding was provided to

support municipalities in offsetting any expected revenue losses or increased costs due to pandemic restrictions and accommodations. Essential municipal infrastructure work generally continued uninterrupted, despite pandemic-related volatility in prices.

In delivering service, municipalities have access to multiple funding sources, including:

- **Taxation** – in general, the Township keeps approximately 39 cents of every dollar collected in property taxes. Our 2021 Residential tax rate of 0.7062% rates among the lowest in Ontario, based on recent studies (<https://www.lowestrates.ca/blog/finance/ontario-cities-highest-lowest-property-tax-rates>) and under neighbouring municipalities, including New Tecumseth (0.949455%), Springwater (0.824282), but slightly above Essa Township (0.687479%). The Township of Adjala-Tosorontio also compares favourably to other similar sized municipalities in population or number of households, like Elliot Lake (1.0000%), Erin (1.079543%), Brockton (1.427231%), Huron-Kinloss (1.208604%), Kapuskasing (2.648444%), and Kincardine (1.303472%).
- **Transfers from other governments, grants and funds** – this includes funding from other government agencies and levels of government, including the provincial COVID funding and Municipal Modernization Program, and federal programs such as the Canada Community Building Funding (formerly Federal Gas Tax Fund), Investing in Canada Infrastructure and Municipal Asset Management Program. Staff continue to identify and apply for grant funding for Township projects. Although since many of these programs are often over-subscribed and highly competitive, the Township's investment plans should be based on the available tools and resources within its control.
- **User Fees & Service Charges** – this includes charges that are levied on residents for services, such as water, wastewater removal or the use of facilities.
- **Licences & Permits** – this includes fees for licences and permits required in the Township, including individual items such as marriage licences, dog licences and burn permits, as well as property permits such as building permits and planning applications.
- **Fines, Penalties and Charges** – this includes fines related to bylaw enforcement, parking tickets and interest.
- **Development Charges** – these fees are collected from developers and builders to help pay the growth-related infrastructure costs related to new developments and buildings.
- **Reserves** – municipalities are expected to maintain reserve funds to finance future spending requirements and protect budgets against unexpected changes in revenue and expenses. The Township maintains a number of reserves, however pressures in preceding years have caused our reserves to dip below desirable levels.
- **Debt** – municipalities are permitted to issue long-term debt only for capital projects, and may not commit more than 25 percent of own-source revenue (including property taxes, user fees and investment) to service debt.

### **Budgetary Pressures for 2022**

Staff will draft the 2022 Budget based on the established core principles from previous budgets:

- Maintaining Operational Service Level Standards
- Ensuring adequate availability of resources (human, financial, and capital)
- Strategically planned construction, maintenance, and rehabilitation of municipal infrastructure
- Responsible tax levy impacts that focus on long term financial sustainability

The operational budget pressures for 2022 include inflation, the increasing cost of construction and construction materials, reduced return on investment due to low interest rates and balance, as well as

reduced grant funding from other levels of government, including the provincial COVID-19 Grant that expires at the end of 2021.

Service delivery pressures include increasing by-law complaints and after hours requests, community expectations for service levels as people migrate from larger cities, and an increased demand for communications (both digital and traditional forms of communication) as the municipality is a key source of information for residents, particularly in times of change like COVID.

## **Capital Planning and Asset Management**

### **Service Requirements**

In terms of corporate asset management, the Township is responsible for 616 lane-km of local roads, 74 bridges and structural culverts, six municipal drinking water systems, one sanitary wastewater system, and eight stormwater management facilities. Other major asset groups include Fleet and Equipment (for both Emergency Services and Public Works Maintenance), five Facilities, and 14 Parks. Council is entrusted with the responsibility of overseeing the continued provision of safe and reliable public services derived through use of these assets.

### **Funding Challenges**

Currently, the Township's assets are nearing the end of their useful lifespans faster than we are covering the costs of replacing them; this is largely due to decades of insufficient investment in our municipal infrastructure.

As presented at the Special Meeting of Council held on September 2, 2020, the majority (58%) of the Township's roads are in poor condition, and the average condition of the Township's bridges and structural culverts is trending downwards.

The absolute minimum annual funding level required to sustain the Township's road and bridge assets is about \$3.25 M (2020 dollars). Despite nominal increases in recent years, there is still significant progress required to reach a funding level that is sufficient to sustain the Township's roads and bridges.

The infrastructure gap is a problem which has compounded over decades and therefore, any realistic corrective solution will require a long-term commitment to incrementally increase funding levels through a multi-year period.

Through O. Reg. 588/17, a Council-endorsed financial plan capable of delivering sustainable service levels will be required in the year 2025; however, until such time that meaningful progress is made in moving towards a financially sustainable path, the Township will continue to slide further into infrastructure deficit, ultimately exacerbating, and only serving to delay the inevitable financial pressures that will need to be addressed in the near future.

### **2022 Capital Budget Guidelines**

Recognizing the Township's current challenges, it is incumbent upon Staff to recommend capital projects based on value-driven prioritization; this will enable the Township to maximize the impact of its limited funding and in doing so, maximize the benefit to the community. Specifically, there are many paved roads and bridges in the Township that can be feasibly restored to good condition

through rehabilitation strategies that avoid high construction costs associated with excavation and deliver a lasting return-on-investment.

Staff also understand that it may be Council's prerogative to prioritize hard-top conversions of gravel roads. In 2022, there will be 4.8 km of hard-top conversions carried out as per Council Resolution 2021-142. The resulting trend, based on a running annual average since 2019, is that 3.2 centreline-km of hard-top conversions are being completed each year.

It should also be recognized that much of the heavy equipment used for Public Works Maintenance is past its prime, including vintage motor graders which have been kept in service beyond their typical lifespans through expensive, unplanned repairs. These machines play a crucial role in the year-round maintenance of gravel roads (comprising 23% of the Township's road network), and also gravel road shoulders on paved roads.

Recently, opportunities for grant funding support to renovate and retrofit public spaces in response to COVID-19 have become increasingly prevalent. Staff have been diligent in seeking these opportunities wherever possible. Generally, competitive grant funding proposals for capital projects which are "shovel-ready" or supported by existing plans have a higher likelihood of being selected.

#### **LEGAL IMPLICATIONS**

N/A

#### **FINANCIAL IMPLICATIONS**

None at this time

#### **POLICY IMPLICATIONS**

N/A

#### **COMMUNITY BASED STRATEGIC PLAN IMPLEMENTATION**

Effective Governance - to provide governance that is responsive to the needs of its residents in a manner that is open, transparent and fiscally responsible.

#### **CONSULTATIONS**

Rhonda Bunn, CAO

Dana Clarke, Digital Government Lead

Steve Kimberley, Technical Supervisor of Engineering and Asset Management

Senior Management Team Members

#### **NEXT STEPS**

Council approve the report and that Staff be directed to present the DRAFT 2022 Municipal Budget, at the scheduled Council Budget meetings.

#### **CONCLUSION**

Staff will act as directed.

**Prepared By:** Chris Rutters, Acting Treasurer

**Approved By:**  
Rhonda Bunn, CAO

Approved - 13 Sep 2021