

Subject: 2022 Operating Budget Report – City Wide

Reference:

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To: Mayor and Members of City Council

Recommendation:

That City Council **APPROVE** the 2022 recommended operating budget which is reflective of an overall property tax levy increase of 1.99% (inclusive of a 0% increase for City Departments, 0.83% for Agencies, Boards & Committees (ABC's) and 1.16% for the previously approved Asset Management Plan (AMP), as detailed in this report; and,

That contingent upon approval of the 2022 Recommended Budget, one-time funding estimated at \$6,732,515 (plus or minus any amounts related to Council changes to the recommended budget) **BE APPROVED** from the specific Reserve Funds as detailed in this report; and,

That contingent upon approval of the 2022 Recommended Budget, that an estimated one-time amount of \$24,886,835 **BE APPROVED** for projected 2022 COVID-19 pressures as detailed in this report and that administration be authorized to seek additional senior level government relief funding and continue with ongoing mitigation measures to address such one time costs; and,

That the updated Long Term Debt Forecast of the report (Section I of the Introduction) **BE RECEIVED** for information; and,

That the 2022 Schedule of Fees detailed in Section 14 of the budget document, Schedule C: 2022 User Fee Schedule, **BE APPROVED**; and,

That the Fees & Charges Bylaw of record **BE AMENDED** to reflect the 2022 Schedule of Fees; and,

That the necessary bylaws **BE PRESENTED** for Council's approval in support of the adoption of the 2022 Operating Budget; and,

That Council **APPROVE** the required transfers to and from various funds in accordance with the 2022 Approved Budget; and,

That the CFO & City Treasurer **BE AUTHORIZED** to process budget adjustments during the fiscal year, which do not change the overall approved property tax levy.

Executive Summary:

Administration is recommending an operating budget for the 2022 fiscal year with a property tax levy impact totalling \$8,507,937, which is reflective of a 1.99% impact on the overall property tax levy as set out below:

| | 2022 Levy \$ Impact | 2022 Levy % Impact |
|---------------------------------------|------------------------|-----------------------|
| City Departments | \$0 | 0% |
| Agencies, Boards & Committees (ABC's) | \$3,538,964 | 0.83% |
| Asset Management Plan (AMP) | \$4,968,973 | 1.16% |
| Total | \$8,507,937 | 1.99% |

City departments have brought forward a budget inclusive of \$12,336,241 of cost pressures, which have been fully offset by expenditure reductions and revenue increases.

The request from the ABC's reflected in the budget documents is an increase of \$3,538,964, which has an impact of 0.83% to the overall property tax levy. It should be noted that the overall increase based on the submissions from ABC's is a year over year increase of 2.3% of their combined budgets.

A property tax levy increase totalling \$4,968,973 for the previously approved Asset Management Plan (AMP), which is reflective of a 1.16% increase to the overall tax levy, has been included in the 2022 budget.

Notwithstanding any changes which council may choose to make to the proposed administrative recommendations, these noted amounts result in an **overall property tax levy impact of 1.99%**.

It is not the intention, through this budget report, to bring forward for consideration any changes in the tax burden as a result of assessment changes or tax policy decisions. Those changes will be separately reported to Council at a later date.

As previously communicated to City Council, the multiple years of holding the line on property taxes has resulted in significant cumulative savings accruing to taxpayers over the years and has provided for ongoing and continued future annual savings to continue. Even with the modest increases approved from 2017 to 2021, those cumulative savings have continued and are now estimated cumulatively to approximate \$956M in total (2008-2021) with ongoing annual future savings expected to be in the range of \$105M each year. Essentially this continues to illustrate that even with modest

inflationary-based increases, that after multiple years of holding the line on taxes, the overall Property Tax Levy remains well below most of our peers and hence results in continued savings to our taxpayers.

As a result of the global pandemic, the 2021 and 2022 budgets have presented new and unprecedented challenges. Given this new reality and the significant negative financial impacts to the City, Administration undertook a very detailed review of the 2022 budget submissions with enhanced scrutiny of all expenditure lines. As such, Administration has brought forward a reasonable and fiscally responsible budget that ensures the preservation of the important services currently being provided to the community while at the same time balancing the need for very limited enhancements or increases only where deemed absolutely necessary. While challenges continue in balancing the fiscal realities we face with the various municipal pressures and service enhancements that residents and Council desire, Administration has brought forward a lean and well-balanced budget for 2022 recognizing however that the post pandemic periods beyond 2022 will continue to place further and expanded challenges and pressures on the municipal budgeting process.

It is Administration's view that the 2022 recommended budget achieves a reasonable balance between fiscal restraint and the desire to maintain or improve the levels and quality of services to our citizens with due consideration to the unprecedented impacts of the global pandemic.

Background:

At its meeting of July 5, 2021, City Council received a report from the CFO & City Treasurer as it relates to the 2022 City of Windsor Proposed Budget Process and Timelines. In that report, City Council was asked to provide direction to Administration with respect to Council's priorities relative to the development of the 2022 Budget, including fiscal goals and any desired increases or decreases to service levels.

Through Decision Number: CR296/2021, City Council provided the following direction:

*That the report of the Chief Financial Officer & City Treasurer dated July 5, 2021 regarding the 2021 Proposed Budget Process & Timeline **BE RECEIVED** for information; and,*

*That in consideration of the extraordinary pandemic environment and related priorities and operational constraints, Council **APPROVE** the Operating Budget - Status Quo Process and related timelines for the development of the 2022 Operating & Capital budgets as outlined in tables A (Operating) and B (Capital) of this report; and,*

*That City Council **CONFIRMS** that Administration is to develop the 2022 10-year Capital Budget based on current funding level projections, inclusive of the operational (tax levy based) transfers to capital; and,*

*That City Council **APPROVE** an amount of \$20,000 to be funded from the Budget Stabilization Reserve Fund to explore opportunities for additional*

community engagement tools that may assist in the budget process going forward; and,

*That budget reduction options **BE PROVIDED** to achieve a zero tax levy increase; and further,*

*That the administrative guidelines in the report outlining a 5% reduction **BE REPLACED** with a 10% reduction.*

Following this, the Chief Financial Officer and City Treasurer provided the following direction to City Departments and ABC's:

City Departments

“City Departments are being asked to develop a status quo budget to carry on existing service levels for the 2022 budget year. As always, you are encouraged to bring forward your recommended service enhancements and necessary related budget increases to allow for due consideration by the Corporate Leadership Team & City Council.

*As a result of preliminary estimates of anticipated pressures for the upcoming year, City Departments are being asked to develop reduction options that will maintain 2021 net budget levels and also provide further reduction scenarios totaling **10% of your department's 2021 net operating funding levels**. These additional reduction scenarios are required to ensure that sufficient options are available to minimize the property tax levy requirement and possibly to attempt to hold the line on property taxes.”*

Also, please identify all increased expenditures or reduced revenues resulting from the COVID-19 pandemic that will impact the 2022 operating budget and that may require temporary one-time funding.”

It should be noted that all City Departments were successful in submitting options to achieve 10% reductions in their service areas in compliance with the CFO's directive.

City Funded Agencies, Boards & Committees (ABC's)

“The City of Windsor has commenced its 2022 Budget Development Process and is asking that you provide your budget request. As in prior years, the City's administrative team has endeavoured to develop a budget, which minimizes an increase to the current tax levy requirement and as such, is requesting that your organization assist in meeting this goal.

In order to assist the City of Windsor in this effort, we ask that your 2022 budget request from the City of Windsor for the next fiscal year be for an amount no greater than your approved 2021 amount.”

In the case of City Funded ABC's, all complied with administration's direction to hold the line on their budget request except for the following:

| Agency, Board, Committee | % Increase Over Prior Year Budget | \$ Increase Over Prior Year Budget |
|--|-----------------------------------|------------------------------------|
| Windsor Essex Housing Corporation | 9.65% | \$1,211,616 |
| Windsor-Essex Health Unit | 5.98% | \$217,557 |
| Essex-Windsor Emergency Medical Services (EMS) | 4.89% | \$600,000 |
| Windsor Police Services | 1.58% | \$1,483,097 |
| Essex Region Conservation Authority | 1.55% | \$26,694 |
| Total | | \$3,538,964 |

The total increase for the above-noted ABC's is \$3,538,964. All ABC's were requested to provide financial information, including details with respect to any surplus or reserve funds and the intended use of such funds. This information can be found in each ABC's respective submission in the Agencies, Boards & Committees document.

Discussion:

The 2022 Recommended Operating Budget will be available to the public through the City's website and other social media, and will include the following documents:

Operating Budget: Includes this operating budget report, summary schedules, departmental budget schedules and the following: Schedule A – 2022 Operating Budget Summary (Recommended Issues), Schedule B – 2022 Operating Budget Summary (Not Recommended Issues), and Schedule C – 2022 User Fee Schedule.

Budget Issue Detail: Includes information outlining the details of each budget issue including financial impacts, assessment of risks, FTE impacts, etc.

Agencies, Boards & Committees: Includes the budget details relative to various Agencies, Boards and Committees including organizational mission, organizational chart, budget line item details, prior year accomplishments, etc.

Executive Summary (Appendix A): In an effort to summarize the recommended changes to the 2022 Operating Budget, Administration has provided, as in prior years, an executive summary that outlines in a summarized manner the increases and decreases that were considered in the development of the budget and acts as a guide to reviewing the Budget Issue Details. This appendix will also provide a priority listing of Administration's recommended and not recommended budget changes, along with a brief description of the associated impact of accepting or not accepting the proposed budget change.

Supplementary Budget Reports on the 2021 Budget Agenda

As in previous years, the 2022 Budget Agenda will contain Council reports that have been referred to the 2022 Budget Deliberations by either City Council or a Standing Committee. In addition, the agenda will also include other reports that supplement the budget documents. These reports should be reviewed in conjunction with the full budget documents.

Public Engagement Process

Ward Meetings/Public Consultations

The 2022 budget process provided an opportunity for public input sessions at the beginning of the process on July 5, 2021 when the Budget Process and Timelines document was brought before Council. In addition, residents were provided an opportunity to participate in ten ward meetings hosted by the Mayor and all members of City Council between October 13th and November 17th. With COVID-19 restrictions limiting the opportunity for in-person gatherings, the annual ward meetings were held virtually via Zoom in an effort to enable social distancing. Windsor residents were required to pre-register to be able to participate in the virtual sessions. The Mayor and Councillors were able to provide brief updates regarding neighbourhood-specific projects and activities, while residents were able to ask questions and provide feedback. Additionally, throughout the year, departments engage residents in many public consultation sessions to deal with various municipal matters. These numerous community involvement initiatives and public engagement opportunities occur over the course of the department's day-to-day operations on multiple issues and are an extremely valuable tool in providing guidance as it relates to the annual budget development process and recommendations.

Public interaction and constituent feedback gathered during these ward sessions and public consultations are extremely valuable and help to inform municipal decisions by elected officials and administrative staff. Public feedback helps to guide Council as they prioritize service level decisions during the 2022 municipal budget deliberations.

Public Engagement Tools

On Friday, October 22nd, the City launched two new public engagement tools designed to allow residents the opportunity to provide feedback to Council and Administration in advance of the City's 2022 budget deliberations and to help residents understand how their tax dollars are spent. The first tool, the **Budget Simulator** allows residents to adjust Windsor's 2021 Approved Property Tax Funded Operating Budget by increasing, decreasing, or maintaining spending for various city services. This tool provides an excellent opportunity for residents to let Council know what their spending priorities are while experiencing the careful considerations that go into balancing the budget. In addition, residents were able to provide comments related to their choices for the various municipal services. Perhaps not surprisingly, common responses included decreasing spending on internal services that do not directly impact the community (e.g. finance, human resources, etc.) and increase services that do directly impact the

community (e.g. social and children services). Overall, the most significant decrease related to the police budget.

The second tool, the **Tax Receipt Generator**, allows residents to input their 2021 municipal property taxes in order to generate an estimated tax receipt, based on the 2021 approved net property tax funded budget that shows a breakdown of how their tax dollars are spent. The table below shows an example of the output received for the average municipal property taxes paid by residents of the City of Windsor totalling \$3,400.

| CITY OF WINDSOR PROPERTY TAX RECEIPT | | | |
|---|-----------------|--|-------------------|
| (\$3,400 PROPERTY TAXES PAID) | | | |
| Police Services | \$684.86 | Community Services | \$336.49 |
| | | <i>Parks & Forestry</i> | \$149.86 |
| Fire & Emergency Services | \$458.83 | <i>Recreation & Culture</i> | \$103.07 |
| <i>Fire & Rescue</i> | \$369.36 | <i>Libraries</i> | \$60.30 |
| <i>Land Ambulance</i> | \$89.48 | <i>Communications</i> | \$23.27 |
| Infrastructure Services | \$448.46 | General Corporate Support | \$188.44 |
| <i>Roads & Infrastructure</i> | \$139.42 | <i>Finance</i> | \$49.45 |
| <i>Transit Services</i> | \$121.65 | <i>Legal</i> | \$48.72 |
| <i>Environmental Services</i> | \$100.85 | <i>Human Resources</i> | \$44.83 |
| <i>Facilities Management</i> | \$70.67 | <i>City Clerks Office</i> | \$17.20 |
| <i>Engineering Services</i> | \$15.87 | <i>Licensing & Enforcement</i> | \$10.13 |
| Capital Projects & Reserve Funding | \$407.34 | <i>City Council & Mayor's Office</i> | \$10.05 |
| | | <i>Chief Administrative Office</i> | \$8.07 |
| Payments to School Boards | \$414.25 | Economic Development & Innovation | \$108.37 |
| Human & Health Services | \$352.95 | <i>Information Technology</i> | \$53.52 |
| <i>Social Housing</i> | \$161.75 | <i>Planning Services</i> | \$23.05 |
| <i>Long Term Care</i> | \$59.27 | <i>Economic Development</i> | \$17.41 |
| <i>Health Services</i> | \$56.70 | <i>Building Services</i> | \$14.39 |
| <i>Employment & Social Services</i> | \$55.75 | | |
| <i>Children Services</i> | \$19.49 | | |
| | | Total | \$3,400.00 |

Both public engagement tools were available to the public from Friday, October 22nd to Friday, November 12th.

Additional Public Engagement

The process will also allow the public to provide input to their Councillors and Administration after the recommended budget is made public in November and finally on December 13th during Council's 2022 budget deliberations. To facilitate the review of the documents prior to budget deliberations, the budget will be publicly released on November 22, 2021. Once released, the 2022 Budget Documents will be available for viewing through the City's website at www.citywindsor.ca/cityhall/Budget.

Administrative Review Process

In conjunction with their Commissioner, each City Department prepared preliminary budget options based on Council's direction to maintain a status quo tax levy. In late September of 2021, the Executive Directors & Senior Managers met with the members of the Corporate Leadership Team and the Financial Planning team to review the impacts of the various budget options put forth with a focus on providing a draft recommended budget to Council. Three rounds of review took place with departments working hard to consider alternatives and focus on priorities required to achieve financial sustainability targets.

Consistent with Council's direction to hold the line on taxes, Administration has prepared a 2022 Operating Budget, which is consistent with a 0% property tax levy increase for those City Departments, which fall under the direction and control of the CAO.

This difficult task, however, does not come without significant risks. These risks are itemized in the Risk Section of this report.

Appendix A – Executive Summary Overview

The budget increases and reductions have been summarized, categorized and presented in a priority order format for Council's consideration.

- **Section A – Recommended Preapprovals & Pressures With Little or No Council Discretion**

This section outlines increases that are either Council pre-approvals or pressures where there exists little to no Council discretion. These increases include items that were previously approved by Council as corporate priorities, or represent increases that must be funded in order to continue municipal operations at existing service levels. In many cases, these increases are contractual or legislative in nature.

- **Section B – Highest Priority Budget Increases Recommended by Administration**

These increases are considered by Administration to be the highest priority budget items. They are recommended and strongly supported by Administration in order to achieve efficiencies identified by the Departments as part of their annual budget review and/or to avoid significant deterioration to services. In the majority of cases, the increases have been identified as priorities that are required to maintain existing services at current levels such that without these

priority increases, services would be impacted. In addition, recognizing the changing and increased workload being faced throughout the organization, there are additional positions being proposed in this section; the majority of these expenditures have dedicated recoveries that result in a net zero impact to the property tax levy but provide significant gains in terms of efficiency and service output to the public.

- **Section C – Priority Budget Increases Recommended by Administration to Maintain or Improve Service Levels**

Increases identified in this section are priority budget items that are recommended by Administration in order to not only maintain, but also stabilize and improve key core services to the public. The budget and staffing increases in this section provide dedicated funding for existing services or are intended to fund new initiatives that provide a net benefit to the community.

- **Section D – Reductions Recommended by Administration**

This section outlines reductions that are recommended by Administration. These reductions have been thoroughly assessed to ensure that they will have **no or very little impact** on existing services, if accepted. In some cases, the reductions represent new or increased revenues/fees, either from internal recoveries or from user pay increases, or from higher expected volumes. The full details of all fee adjustments/introductions being proposed for 2022 are detailed in the budget binder, Section 13: Schedule C – 2021 User Fee Schedule.

Together, Sections A through D represent Administration’s 2022 Recommended Operating Budget for City departments to City Council. It is Administration’s opinion that the Recommended Budget, as presented with a \$0 or 0% increase to the levy, achieves the appropriate budget level required to manage the day-to-day operations and activities of the Corporation in the most efficient manner, without compromising existing service levels or expectations.

Increases requested by Agencies, Boards & Committees include a \$3,538,964 or 0.83% increase to the levy.

An increase related to the previously approved Asset Management Plan (AMP) includes a \$4,968,973 or 1.16% increase to the levy.

In total, an overall 1.99% tax levy impact has been recommended.

- **Section E – Additional Reduction Options Available to Achieve 0% Tax Levy Increase for City Departments**

The issues identified in this section provide further reduction options available to City Council. **It should be noted that given the extent of the departmental budget reductions required and recommended in Section D to achieve a 0% tax levy increase, there are no issues presented in Section E this year.**

- **Section F – Other Reduction Options Identified That Could be Used to Achieve 0% Overall Tax Levy Increase**

Given the increases requested by some city-funded ABC’s and the AMP annual increase, Section F includes additional reduction options for City Council to

consider if there is a desire to further reduce the total tax levy proposed of 1.99%. Totalling \$9,365,643, these reduction options could offset the requested ABC increases and AMP. City department's budgets have been impacted over the years by the need to offset increases in the ABC's budgets. **Administration does not recommend** the reduction of City departmental budgets to offset the ABC's requested increases or AMP. Should Council decide to introduce additional expenses not currently in the proposed budget, and wish to maintain the current proposed 1.99% overall tax levy increase, Administration requests the opportunity to prioritize Section F issues that could impact the operations the least.

- **Section G – Worthwhile Enhancements Brought Forward by Departments - Not Recommended by Administration Due to Council's Directives Relative to Fiscal Restraint**

Additional Service Enhancements can be found in Section G. Despite the connotation surrounding 'enhancement', many of these funding requests reflect increases that are being requested by Administration in order to properly and adequately provide services that are expected of the departments. As the service enhancement requests represent new funding requirements, and given the limited flexibility related to funding, they were unable to be included in the current budget recommendations; however, they are being provided to Council for information and further consideration as council may deem appropriate. As indicated earlier in this report, many of these items represent investments that will assist in continuing to provide valued services to our residents, but cannot be accommodated within the 2022 budget, given the fiscal targets that have been established. These items will continue to place continued pressure on future budgets and hence will require Administration and Council's continued pursuit of innovative funding options, including generating alternative revenue, in order to manage the financial impacts to the City's budget in the long term.

2022 Recommended Operating Budget Summary

| | \$ Impact on the Tax Levy | % Impact on the Tax Levy |
|--|---------------------------------|--------------------------------|
| 2021 Total Property Tax Levy (Including Education Levy) | \$428,359,795 | |
| Budget Issues Recommended by Administration: | | |
| <i>A Recommended Preapprovals & Pressures with Little or No Council Discretion</i> | \$7,145,689 | |
| <i>B Highest Priority Budget Increases Recommended by Administration</i> | \$4,353,855 | |
| <i>C Priority Budget Increases Recommended by Admin. to Maintain or Improve Service Levels</i> | \$836,697 | |
| <i>D Reductions Recommended by Administration</i> | (\$12,336,241) | |
| <i>Total City Departments Operating Needs / Levy Impact</i> | \$0 | 0.00% |
| <i>Agencies, Boards & Committees (ABC's) Requested Increases</i> | \$3,538,964 | 0.83% |
| <i>Previously Approved Asset Management Plan (AMP)</i> | \$4,968,973 | 1.16% |
| Total: 2022 Property Tax Levy | \$436,867,732 | 1.99% |

| | | |
|--|---------------|--|
| <i>E Additional Reduction Options Required to Achieve 0% Tax Levy Increase for City Departments</i> | \$0 | |
| <i>F Other Reduction Options Identified That Could be Used to Achieve 0% Overall Tax Levy Increase</i> | (\$9,365,643) | |
| <i>G Worthwhile Enhancements Brought Forward by Departments – Not Recommended by Administration Due to Council's Directives Relative to Fiscal Restraint</i> | \$4,309,537 | |

As noted in the highlighted cell of the above chart, the 2022 Operating Budget recommended to City Council reflects a net municipal property tax levy requirement of \$436,867,732, which represents an overall 1.99% property tax levy increase. Included in this recommendation: a \$0 or 0% increase related to City Departments, a \$3,538,964 or 0.83% increase related to Agencies, Boards & Committees (ABC's), and a \$4,968,973 or 1.16% increase related to the previously approved Asset Management Plan (AMP).

It should be noted that the final change in property taxes for individual taxpayers will not be known until City Council has made a decision as it relates to the 2022

tax policies, which is typically completed after the budget has been approved. Notwithstanding that the MPAC reassessments will not be completed for 2022, inevitably, given various and ongoing changes in assessment values, there is a shifting of the tax burden between property classes and amongst individual property owners within each property class. Further, there are many other decisions in consideration of provincial tax policies, which are to be made by Council that can impact the distribution of the tax levy. Final impacts to each of the classes will not be known until the final tax policy decisions are approved by City Council in Q2 of 2022. Additionally, the taxes paid by taxpayers include an Education amount, which is mandated by the Province of Ontario. It should be noted that the 2022 education tax rates have not yet been announced by the province and may result in an increase or decrease to the City's overall tax levy requirement.

It is not the intention, through this budget report, to bring forward for consideration any changes in tax burden as a result of assessment changes or tax policy decisions. Those changes will be separately reported to Council at a later date as noted above.

It is important to note that, as part of the Ontario Economic Outlook and Fiscal Review: Build Ontario, the Provincial government announced the continued postponement of the province-wide assessment update. This means that property taxes for the 2022 and 2023 taxation years will continue to be based on the January 1, 2016 valuation date. Property assessments will remain the same as they were for the 2021 tax year, unless there have been changes to the property.

In addition to the Municipal Property Tax Levy, the City budgets for three separate and distinct operations under segregated funds: Building Permit Operations, Off-Street Parking Operations and Sewer Surcharge Operations. The recommended budget changes and related financial impact, along with the budget issue detail outlining service impacts and risk, are detailed in the accompanying budget documents. Additional information on the Sewer Surcharge, including additional funding requirements and rate information, will be provided to Council in a separate budget report. Summary information for both Building Permit and Off-Street Parking Operations is provided below for Council's information.

Building Permit Operations

The recommended budget issues for the Building Permit Operations Budget result in a net zero dollar impact. The budgeted annual reserve contribution to the Building Permit Reserve will therefore, remain unchanged at \$169,408. The Building permit reserve is currently in a deficit of (\$9.6 million) of which the full amount is offset by a separate dedicated reserve totalling \$10.5 million. Should the positive economic trends being experienced in the City continue, it is possible that building fees revenue would increase, thereby further reducing the net deficit. A recommendation to merge the two offsetting reserves will be brought forward as part of the 2021 year-end process.

Off-Street Parking Operations

The recommended budget issues for Off-Street Parking Operations would result in an increase in the net annual transfer to the reserve for Off-Street Parking from \$1,120,812

to \$1,465,519, which represents an increase of \$344,707. The reserve is in a surplus of approximately \$1,234,588 as of September 30, 2021 and is expected to be in surplus of approximately \$2,424,400 after the 2021 projected transfer to reserve of \$1,189,812. The Off Street Parking Reserve, after many years in a deficit balance, has recently returned to a positive position because of increased revenue levels resulting from parking rate adjustments.

Summary of Major Financial Impacts on the 2021 Operating Budget

Administration’s recommended budget for City Departments is based on the objective of continued fiscal restraint while avoiding or minimizing negative impacts on services. The Corporation has faced a number of years in which budgets were reduced and realigned, and where service efficiencies were maximized in order to continue providing core services in the most efficient and fiscally responsible manner possible.

The Introduction Section of the 2022 Budget Document (Section 2, page 6) contains the Summary of Major Budget Drivers that will assist the reader in understanding the key issues that have affected the 2022 Operating Budget. A more detailed listing for each department’s increases & decreases as compared to the prior year’s budget can also be found in each department’s budget submission (Section E of each Departmental Submission) or in total in Section 11: Schedule A - 2022 Operating Budget Summary (Recommended Issues).

While Section 11 details the full list of budget drivers, the primary drivers for this year’s budget are summarized as follows:

Expenditure Increases

| | |
|--|----------------------------|
| Pre-Approved Salary, Wages & Fringe Benefit Increases | \$4,099,265 |
| Increased Funding for Homelessness Programs | \$1,305,000 |
| Increase Related to Fuel | \$1,237,489 |
| Net Staffing Adjustments to Address Service Demands | \$1,015,657 |
| Increase Related to Utilities | \$705,963 |
| Various Pre-Approvals, Legislated & Contractual Obligations | \$397,497 |
| Life Cycle Costing for Major Information Technology Costs | \$301,000 |
| Budget Increase for Landfill Tipping Fees and EWSWA Fixed Costs | \$288,144 |
| Increase in Waste and Recycling Collection Contract Costs | \$215,115 |
| Various Inflationary Pressures | \$190,900 |
| Increased Contract Costs for the Winter Maintenance of Municipal Roads | \$184,552 |
| Social Housing Service Level Standards | \$161,383 |
| Residential Snow Clearing Costs for the 2022-2023 Winter Season | \$150,000 |
| Streetlight Data Subscription Renewal | \$150,000 |
| Increased Asset Maintenance Costs for Public Works Operations | \$117,495 |
| Tonnage Increase – Collection Costs (EWSWA) | \$114,600 |
| Various Miscellaneous Expenditure Increases | \$141,572 |
| Sub-Total: Expenditure Increases | <u>\$10,775,632</u> |

Revenue Decreases

| | |
|--|------------------|
| Ministry of Long-Term Care High Wage Transition Funding Stream | \$310,704 |
| Loss of Contractual Ice Rental Revenue | \$210,000 |
| Various Miscellaneous Revenue Decreases | \$187,377 |
| Sub-Total: Revenue Decreases | \$708,081 |

Expenditure Decreases

| | |
|--|----------------------|
| Annual Debt Payments - Windsor Joint Justice Facility (JJE) Debt | (\$2,380,372) |
| Reduction in Corporate Contingency | (\$1,000,000) |
| Elimination of Vacancy Rebate Program | (\$750,000) |
| Corporate Savings From Permanent Gapping | (\$750,000) |
| Tourism Development Infrastructure & Program Reserve Transfer | (\$623,000) |
| County of Essex Recycling Collection | (\$149,580) |
| Various Miscellaneous Expenditure Decreases | (\$199,505) |
| Sub-Total: Expenditure Decreases | (\$5,852,457) |

Revenue Increases

| | |
|--|----------------------|
| Property Taxes Resulting From New Assessment Growth | (\$1,668,000) |
| Recovery Adjustments Related to Public Works Recoverable Staff | (\$749,147) |
| Tunnel Bus Fare Increase | (\$670,000) |
| EWSWA Recycling, Public Drop Off & Transfer Station Operations | (\$392,069) |
| Building Department to Charge 7% GIS User Fee | (\$290,000) |
| Asset Planning - Internal Salary Recoveries | (\$288,929) |
| Public Works User Fee Adjustments | (\$261,968) |
| Gas Tax Revenue Increase | (\$213,621) |
| Increase Traffic Recovery Revenue | (\$200,000) |
| Increase in County Revenue for Housing and Children's Services | (\$153,270) |
| Recreation & Culture User Fee Increase | (\$120,000) |
| Transit Windsor U-Pass Rate Increase | (\$117,000) |
| New Vacant Home Tax | (\$100,000) |
| Various Miscellaneous Revenue Increases | (\$407,252) |
| Sub-Total: Revenue Increases | (\$5,631,256) |

| | |
|---|------------|
| Total Net Impact: City Departments | \$0 |
|---|------------|

Taxation Comparisons with Other Municipalities

The table that follows is taken from the Draft 2021 BMA Management Inc. Municipal Study and compares Windsor's taxes to similar cities across the province for 12 types of properties in the various assessment classes.

The table shows that in 2021 Windsor's property taxes rank **below** the comparative provincial average in 9 of the 12 assessment classes reported; it is noted that in 2004 only two of Windsor's assessment classes had taxes below the provincial average:

- Residential property taxes are below average for typical average residential properties, but above average for high value (2,000 sq. ft. two storey & 3,000 sq. ft. senior executive) homes. This is attributable to Windsor's comparatively very low average residential property assessment values (approximately \$163,000 based on 2016 assessment) that require comparatively higher tax rates. The higher tax rates combined with the higher assessment values at the top end of the housing market result in relatively higher taxes on those properties. In other words, the higher end homes in Windsor, which as an established older municipality has a large stock of smaller homes, are outliers in terms of assessment value to a greater extent than in newer municipalities. Younger municipalities have a greater percentage of newer, larger homes and, therefore, the split of the total taxes among the individual properties is more homogeneous.
- Multi residential property taxes for both walk-up apartments and mid/high-rise apartments rank below the provincial average.
- Commercial properties generally rank below average, except for Motels, which are slightly above the average.
- Property taxes on industrial properties now rank below average in all categories.

As a direct result of the fiscally responsible budgets and various tax policy decisions over a number of years, very significant progress has been made with regards to Windsor's relative property tax rankings.

Comparison of Relative Tax Rates - 2021

| Tax Class Comparisons – Typical Properties | Low | High | Average | Windsor |
|---|---------|----------|---------|---------|
| Residential – Detached Bungalow Based on a detached 3 bedroom, single storey home with 1.5 bathrooms and 1 car garage. | \$3,262 | \$6,643 | \$4,269 | \$3,444 |
| Residential – Two Storey Home Based on 2 storeys, 3-bedroom home with 2.5 bathrooms, two-car garage. Total area of the house is approximately 2,000 sq. ft. of living space. | \$4,332 | \$8,262 | \$5,362 | \$5,934 |
| Residential – Senior Executive Based on a detached 2 storey, 4-5 bedrooms, 3 baths, 2-car garage with approximately 3,000 sq. ft. of living space. | \$5,058 | \$13,903 | \$7,267 | \$7,535 |
| Multi-Residential – Walk-Up Apartments Multi-residential apartments containing more than 6 self-contained units, 2-4 storeys high. | \$787 | \$2,273 | \$1,824 | \$1,512 |
| Multi-residential – Mid / High-Rise Apartment Based on a multi-residential property of more than 6 self-contained units and over 4 stories high. Comparison of taxes is based on a per unit basis. | \$945 | \$2,834 | \$2,069 | \$1,888 |
| Commercial – Office Building Per square foot of gross leasable area. | \$2.55 | \$4.59 | \$3.51 | \$2.93 |
| Commercial – Neighbourhood Shopping Typically, the smallest type of centre comprised of retail tenants that cater to everyday needs such as drug stores, variety stores and hardware stores. Can vary in size from 4,000 to 10,000 sq. ft. Comparison of taxes is based on a per square foot of floor area. | \$3.37 | \$6.50 | \$4.74 | \$3.37 |
| Commercial – Hotels Taxes per suite | \$1,023 | \$2,919 | \$1,617 | \$1,156 |
| Commercial – Motels Taxes per suite | \$965 | \$2,325 | \$1,490 | \$1,810 |
| Standard Industrial Under 125,000 sq. ft. in size. Comparison of taxes based on a per square foot of floor area. | \$0.96 | \$3.64 | \$1.96 | \$1.74 |
| Large Industrial Greater than 125,000 sq. ft. Comparison of taxes based on a per square foot of floor area. | \$0.51 | \$2.60 | \$1.23 | \$1.18 |
| Industrial Vacant Land Based on taxes per acre. | \$795 | \$22,775 | \$9,638 | \$4,430 |

Source: DRAFT 2021 BMA Management Consulting Inc. (Ontario Municipalities with Populations > 100,000)

Service Levels

In order to bring in a budget with an overall property tax levy increase of 1.99%, administration had to make many difficult choices. The 2022 budget seeks to balance competing fiscal and service delivery priorities. It should be noted however that many years of continued reductions in operating budgets have resulted in a much “leaner” organization thereby making this objective much more difficult to achieve each year.

While not recommended by administration, this objective resulted in a number of potential reductions options, which are detailed in Section 12: Schedule B – 2022 Operating Budget Summary (Not Recommended Issues). These issues are also highlighted in the Executive Summary to this report under **Sections F**.

Where service levels are recommended to change, details are provided in the individual issue descriptions outlined in the ‘Budget Issue Detail’ document.

Staffing Impacts

FTE Increases (No Financial Impact to the Tax Levy)

The 2022 Budget includes the addition of 29.7 FTE positions with no financial impact to the tax levy. All these positions have dedicated recoveries, resulting in no impact to the levy.

The majority of these additions are existing temporary positions that were added over the years to address specific service level concerns and/or grant funding requirements. In many cases, these positions have been in place for many years and are currently filled by temporary staff and/or staff seconded from other City positions. Given the temporary nature of these positions, it is very difficult to recruit quality external candidates due to the future uncertainty of permanent employment with the City. In addition, when a position is filled with a temporary candidate, this is usually short lived, as the employee leaves as soon as a permanent employment opportunity becomes available. This continuous and repetitive recruitment cycle is not efficient, resulting in low productivity for the area and significant recruitment and training costs overall.

Turnover costs are very difficult to quantify. Industry standards for an entry level position can start at 30% to 40% of the employee’s annual salary, and can escalate quickly as you move up to higher positions in the organization where the percentage can double, triple or go even higher.

Approving the conversion of these temporary positions to permanent FTE positions will allow for the recruitment of better quality candidates, reduced turnover costs, and generate overall increased efficiencies within the corporation. As indicated, making these positions permanent has no direct financial impact to the tax levy and dedicated funding is identified and in place to fund these positions.

Net FTE Increases (Budget Levy Impact)

The recommended budget also includes a net addition of 14.1 positions with a tax levy impact. The majority of these positions are made up of the reinstatement of the 4.1

caretaker positions as previously approved by Council, and the 7 positions required for the expanded level of service associated with the new Transit 518X route.

2022 City of Windsor User Fee Schedule

Traditionally, most user fees have been monitored and adjusted for price changes through the annual budget process. The budget process prompts an assessment of existing fees that are subject to change. It also provides an opportunity to identify to Council where new fees are introduced, and allows the public the opportunity to provide feedback or appear as delegations during Council's deliberation of the operating budget.

The User Fee Schedule, included in the annual budget document, has been reviewed by the Financial Planning area in conjunction with the respective operating departments. As part of the annual budget development process, Administration ensures that all user fee changes have been included and explained in the departmental budget documents.

It is being recommended that the Fee & Charges Bylaw of record be amended to reflect the 2022 Schedule of Fees as detailed in Section 13: Schedule C – 2022 User Fee Schedule of the 2022 Budget Binder.

One Time Funding

Many departmental budget issues are more appropriately funded from one-time funds rather than included as an annual base budget amount. Additionally, there are also various budget reductions that take some time to implement and therefore will not produce savings until later in 2022. As well, certain one-time expenditures are required in order to facilitate ongoing operating budget savings.

The **estimated** one time funding required for the various administrative recommendations in the budget documents is expected to be **\$6,732,515**. Funding available and projected within the Budget Stabilization Reserve (BSR) and other funding sources (as outlined in the table below) are sufficient to address the recommendations put forth by administration. It should be noted that if Council accepts further reductions not recommended by Administration there could be additional one-time funding requirements as outlined in the respective budget issue details. It is also important to note that the amount of one-time funding utilized in the 2022 Budget is significantly higher than the previous budget averages of approximately \$3M to \$4M. This was a result of funding several initiatives with reserve funding where there was some uncertainty as to the ongoing requirement for permanent funding (i.e. insurance increase & provincial revenue loss for Children's Services), and where part of the year was funded by one-time funding due the timing of the new service (i.e. new transit route).

A recommendation within this report seeks Council's approval for the required transfers from the Reserve Funds. The specific issues requiring one-time funding are itemized in the table below:

2022 Operating Budget Issues Requiring One-Time Funding

| Exec. Sum Ref. # | Issue Detail Ref. # | Budget Issue Ref. # | Department | Issue Description | Amount |
|--|---------------------|---------------------|------------------------|--|---------------------------|
| Budget Stabilization Reserve (BSR) | | | | | |
| B83 | 48 | 2022-0316 | Human Resources | Addition of Over-Complement Reserve Fund for Succession Planning | \$500,000 |
| B46 | 250 | 2022-0222 | Transit Windsor | TW Master Plan Implementation Primary Route 518X -St Clair College | \$392,000 |
| D129 | 220 | 2022-0048 | Public Works | IN CAMERA | \$283,847 |
| B45 | 269 | 2022-0010 | Housing & Children | IN CAMERA | \$271,297 |
| B64 | 158 | 2022-0110 | Facilities | One-Time Maintenance Budget Funding for the Paul Martin Building | \$246,240 |
| B65 | 55 | 2022-0130 | Council Services | One-Time Transfer to Municipal Elections Reserve Account | \$240,000 |
| B81 | 252 | 2022-0294 | Transit Windsor | IN CAMERA | \$149,684 |
| D160 | 208 | 2022-0049 | Public Works | Revenue and Expense Adjustments Related to Parking Ticket Fines | \$136,305 |
| C102 | 169 | 2022-0111 | Facilities | One-Time Funding to Maintain Temporary Supervisor, Facilities | \$136,121 |
| B88 | 13 | 2022-0347 | Information Technology | Support for Business Modernization | \$122,000 |
| D122 | 240 | 2022-0199 | Transit Windsor | Tunnel Bus Fare Increase | \$117,000 |
| C106 | 90 | 2022-0155 | Communications | To Pilot a Customer Contact Centre Administrator Position | \$106,126 |
| C110 | 142 | 2022-0184 | Engineering | Temporary Community Energy Plan Project Administrator Position | \$102,013 |
| B57 | 65 | 2022-0027 | Fire & Rescue | One Temporary Systems Administrator Position | \$101,826 |
| D137 | 19 | 2022-0219 | Finance | New Vacant Home Tax | \$100,000 |
| B40 | 283 | 2022-0365 | Housing & Children | Funding to Offset New Pressures in Homelessness Budget | \$90,000 |
| C105 | 287 | 2022-0150 | Huron Lodge | Coordinator of Attendance & Schedules Full Time Position | \$84,655 |
| C103 | 103 | 2022-0122 | Parks | Parks Operations Asset Analyst For Digitization of Asset Information | \$83,775 |
| C114 | 30 | 2022-0250 | Finance | Financial Analyst – Tangible Capital Assets (TCA) | \$78,602 |
| B79 | 39 | 2022-0278 | Finance | Financial Analyst - Parks & Recreation Support | \$74,948 |
| B78 | 36 | 2022-0272 | Finance | Temporary Full Time Energy Financial Analyst Position | \$73,948 |
| B77 | 34 | 2022-0260 | Finance | General Accounts Payable Clerk | \$73,683 |
| C104 | 165 | 2022-0126 | Facilities | Establishment of Operating Budget for 185 City Hall Square South | \$71,030 |
| D128 | 212 | 2022-0109 | Public Works | User Fee Adjustments | \$66,000 |
| B52 | 32 | 2022-0255 | Finance | One Permanent & 1X Funding for One Payroll Control & Reporting Positions | \$60,040 |
| B73 | 26 | 2022-0208 | Finance | Customer Service Clerk Related to Assessment Updates | \$55,926 |
| B74 | 28 | 2022-0218 | Finance | Property Tax Clerk for Workload Due to Increase in Property Sales | \$53,852 |
| B67 | 92 | 2022-0158 | Communications | IN CAMERA | \$43,343 |
| C109 | 11 | 2022-0172 | Building | To Continue the Safety Insights Subscription Renewal | \$35,000 |
| B85 | 3 | 2022-0331 | City Council | City Councillor Technology Budget for the Next Term of Council | \$18,650 |
| B63 | 154 | 2022-0105 | Employment & Social | IN CAMERA | \$14,306 |
| D140 | 225 | 2022-0062 | Public Works | In-Source Residential Bulk Collection Program | \$13,500 |
| B61 | 78 | 2022-0092 | Legal | Conversion of TPT Court Administrator to Temporary Full Time | \$8,374 |
| D146 | 242 | 2022-0200 | Transit Windsor | Annual Fare Increase | \$6,000 |
| Sub-Total: Budget Stabilization Reserve (BSR) | | | | | <u>\$4,010,091</u> |

2022 Operating Budget Issues Requiring One-Time Funding (continued)

| Exec. Sum Ref. # | Issue Detail Ref. # | Budget Issue Ref. # | Department | Issue Description | Amount |
|--|---------------------|---------------------|--------------------|---|---------------------------|
| <u>Self Insurance Reserve</u> | | | | | |
| A34 | 67 | 2022-0095 | Legal | Insurance Premiums - 1X Funding from the Self-Insurance Reserve | \$1,687,232 |
| Sub-Total: Self Insurance Reserve | | | | | <u>\$1,687,232</u> |
| <u>Social Housing Reserve</u> | | | | | |
| B59 | 273 | 2022-0033 | Housing & Children | Federal Block Funding Loss | \$661,282 |
| Sub-Total: Social Housing Reserve | | | | | <u>\$661,282</u> |
| <u>Previously Approved One-Time Funding</u> | | | | | |
| B45 | 269 | 2022-0010 | Housing & Children | IN CAMERA | \$271,297 |
| Sub-Total: Previously Approved One-Time Funding | | | | | <u>\$271,297</u> |
| <u>Sewer Surcharge Reserve</u> | | | | | |
| C112 | 149 | 2022-0187 | Engineering | Addition of Temporary Environmental Compliance Coordinator | \$92,613 |
| Sub-Total: Sewer Surcharge Reserve | | | | | <u>\$92,613</u> |
| <u>Safe Restart Municipal Operating Reserve</u> | | | | | |
| B76 | 44 | 2022-0229 | Human Resources | IN CAMERA | \$10,000 |
| Sub-Total: Safe Restart Municipal Operating Reserve | | | | | <u>\$10,000</u> |
| Total: One-Time Funding Requirement | | | | | <u>\$6,732,515</u> |

Estimated COVID-19 Related One-Time Budget Impacts

The ongoing global pandemic has significantly affected city departments financially. Additional requirements for personal protective equipment (PPE), enhanced cleaning protocols at various locations, additional staffing resources, and an increasing need to address homelessness and housing has contributed to increased expenditures. Large revenue losses related to recreation programs, parking and transit have significantly impacted city operations. In addition, significant corporate revenue losses from Caesars Windsor Casino, Windsor Airport and the Detroit Windsor Tunnel have contributed to an overall deficit in the City's overall finances.

As part of the budget development process, administration was asked to estimate their departmental COVID-19 related budget impacts. A total of \$24.9 million in expenditure increases and revenue losses have been estimated as illustrated in the graph below.

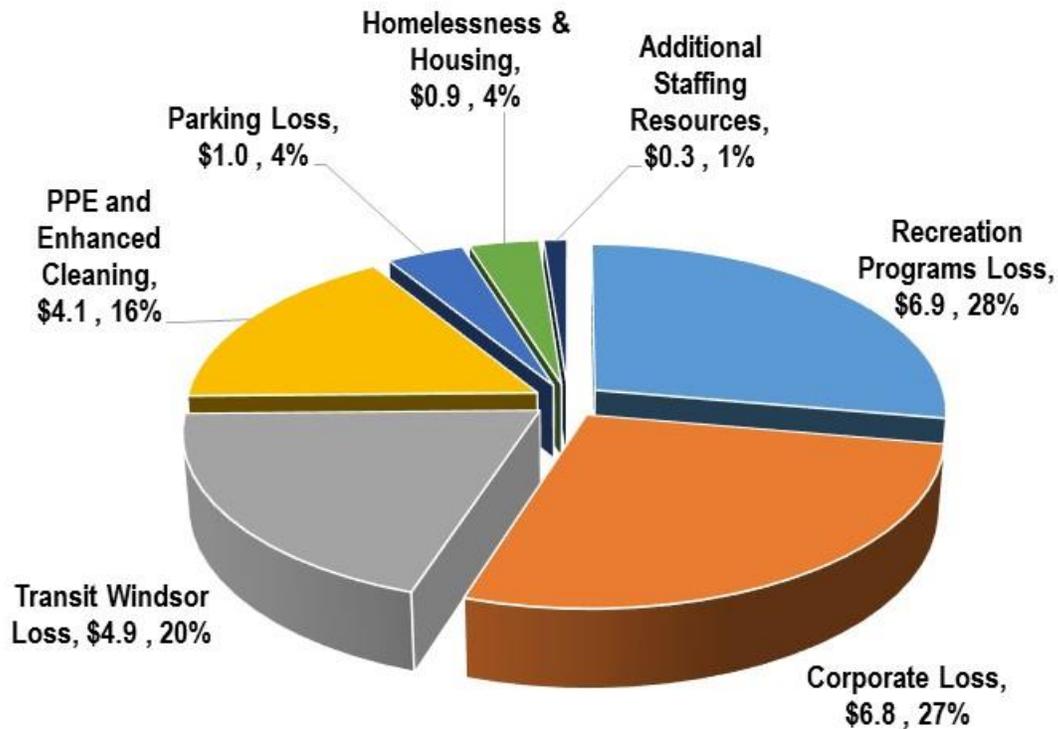
Recognizing that the financial impacts of COVID-19 are materially expected to be one-time in nature, it does not make good financial planning and budgetary sense to include these financial costs as more permanent base budget adjustments within the 2022 operating budget. Going forward in future years during the post pandemic period there will very likely be a requirement to make more permanent base budget adjustments to various impacted areas, however it is expected that at that time there would need to be more clarity as to the true future expenditure and revenue level impacts. Any base budget adjustments prior to that time would be speculative and would result in significant property tax levy spikes and fluctuations, which would be temporary in nature and create significant challenges and uncertainty for ratepayers.

Given this challenge, administration has put forth an estimated \$24.9M one-time budget estimate relating to COVID-19 for 2022. It is proposed that this amount would be closely tracked during 2022 similar to 2021 & 2020, and offset principally from the senior government financial relief grants. While there is no certainty to the extension of the Relief Funding programs for the remainder of 2021 and 2022, Administration remains hopeful that such announcements will be forthcoming.

Administration will continue to aggressively pursue similar relief funds in 2022 to offset the estimated \$24.9M impact. Additionally, other administrative measures and cost mitigation strategies would continue in 2022 similar to 2021 & 2020. It is Administration's intent to provide detailed updates to City Council on the COVID-19 related impacts and latest projections through out the year during the regular quarterly variance reporting. At that time, Council will be updated on the latest grant funding relief announcements as well as any other mitigation measures that may be necessary.

2022 Estimated Covid-19 Related One-Time Budget Impacts

Approximately \$24.9 Million



Debt Management Update

This recommended budget is consistent with the debt reduction initiatives previously approved by Council. It is important to note the significant progress that has been made on reducing the City's long-term debt. It should be noted that without the Pay-As-You-Go and Debt Reduction Policies, and assuming all the same projects had been undertaken, the current debt level would be well in excess of \$500 million compared to the actual \$63 million for 2020 (projected based on current outstanding debt to decline to approximately \$26 million by 2026). It is noted that **these projections reflect the status quo with respect to the issuance of debt and do not take into account any additional debt that could be issued by the various Consolidated City Boards or Corporations.** The actual tax supported component of the debt has been

effectively eliminated by the City in 2021. A detailed schedule of the City's long-term debt can be found as Schedule I, page 10 of the Budget Introduction Section.

Council will note however that recent approvals for debt financing by the Essex Windsor Community Housing Corporation through CMHC for the Meadowbrook Development and the Repair & Renewal Programs will result in increasing debt levels on the City's consolidated financial statements in the coming years. These programs through CMHC have allowed for the leveraging of significant funding through non-repayable loans that would not have been possible without the approved funding by the City and the issuance of mortgage debt. With the inclusion of these changes, current projections, which are dependant on timing of the various projects and may fluctuate, reflect consolidated debt levels increasing to an estimated \$50.7M by 2025 and further increase upon completion of the Repair & Renewal Projects. It is noted that while these estimates reflect an increase to consolidated long-term debt levels that the projected levels continue to remain well below the peak debt level of \$230 back in 2003. In fact, when one considers the long-term debt level in 2003 as a percentage of total financial assets at that time, it approximates 68%. Based on the most recent 2020 audited consolidated financial statements, the City's long-term debt levels as a percentage of total financial assets has fallen significantly to a level of approximately 5.4% in 2020. It is further noted, that even with the projected increase in debt levels attributable to the Community Housing Corporation that the estimated long-term debt level as a percentage of total financial assets in 2029 is expected to nominally increase and will likely approximate around 8%.

It is noted that City Council's focussed efforts on debt reduction have positioned the City well and provides some opportunity and flexibility in future years to consider potential debt issuance as one of the potential funding options to address key aspects of economic development and service enhancement investments. Administration is proposing a broader Financial Sustainability Planning exercise to be completed which would consider multiple aspects of the City's long term financial plan of which debt may be one component.

2022 - Increasingly Difficult Budgeting

Although **extremely** difficult to achieve, Administration has been able to provide Council with a zero percent budget levy increase relative to City Departments, which directly fall under the City's administrative control.

In past years, the City was also able to recommend additional savings brought forward by City Departments in order to offset the increases for those ABC's that were not able to adhere to the general direction to deliver their budget without an increase to the tax levy. This year, similar to 2021, the city department reductions required to continue this practice are not recommended by administration given the severe implications that such offsetting reductions would have relative to risks and service levels. Nonetheless, further reduction options are presented in Section 12: Schedule B – 2022 Operating Budget Summary (Not Recommended Issues) should City Council wish to further reduce the city department budgets to offset the ABC increases or AMP increase. These issues are also highlighted in the Executive Summary to this report under Section F.

Unfortunately, with continued significant inflationary pressures as a result of the opening up of the economy, and after many years of fiscal constraint, and given the increasing service demands resulting from the population growth and a vibrant economy, it is extremely difficult to find sufficient additional savings within the City controlled budgets to offset increases in the ABC budgets **without a significant impact to existing City services.**

It is the strong recommendation of the CAO and CFO that the reductions shown in Section F of the Executive Summary and also detailed in Section 12: Schedule B – 2021 Operating Budget Summary (Not Recommended Issues) not be accepted by City Council, as they were only included to demonstrate the depth of analysis.

Budgets – Looking at the Future

As one looks forward, it is extremely difficult to project future year budget requirements with a high level of certainty. The most significant uncertainty remains the ongoing financial impacts from the COVID 19 pandemic. While financial pressures estimated at \$24.9M for 2022 have been segregated from the operating budget and are being recommended for one-time funding, there remains a significant risk that expenditures and revenues may take a longer period to return to historical levels. In some cases, COVID-19 related impacts might cause certain services to establish a new normal resulting in corresponding budget increases in future years.

In addition, significant cost drivers that will impact future years are unknown or difficult to estimate more than one year into the future. Examples of these constraints include the impact of the future state of the local economy, provincial grant levels (OMPF as well as other grants), legislated changes impacting municipal costs, changes to Council priorities or residents' service expectations, interest rates, inflation, utility rate changes, fuel prices, legal related claims and outcomes of litigation and many other significant uncertainties.

If considered together with the limitations noted above however, multi-year projections can help Council approach current year budgeting with a more strategic and realistic long-term view. To facilitate these important discussions, Administration has developed a preliminary estimate of the drivers that may influence the budgets over the next three years. These estimates are detailed on page 9 of the Introduction section of the main budget book.

Generally, and certainly not unexpectedly, the projections indicate that significant challenges will continue to be faced in future year budgets. Current projections indicate potential increased levy requirements of approximately 2.4% per year over the next few years, prior to reduction options that typically materialize each year. More importantly, also **prior to any consideration of increased funding for COVID-19 related ongoing impacts and capital expenditures on aging infrastructure that may be required under the current and future Asset Management Plans as well as other major capital economic development and enhancement projects or initiatives that may require funding.** Therefore, generally speaking, over the next several years, Council can expect the continuation of very difficult decisions relative to balancing fiscal restraint goals and objectives with the desired service levels goals.

The fiscal restraint over the past several years was largely unprecedented. As a result, Windsor's property taxes are now lower than those of its peer municipalities in most assessment categories, and because of these measures, taxpayers have accrued cumulative savings in excess of \$956 million. This multiyear fiscal plan has essentially realigned the property tax profile of the City resulting in below average taxes in nine of the twelve tax classes, which is materially different from what the City faced in 2004 where the City was only below average in two classes. As well, those savings will continue indefinitely into future years through the carry forward of a much lower base budget than would have otherwise been the case.

Put in more practical terms, had the annual property tax levy increases since 2008 averaged 2% (generally around inflation), property taxes in the City of Windsor would be approximately 24.5% higher than current levels. A property owner with a home assessed at \$163,000 would therefore be paying approximately \$871 more annually than what they currently pay.

The noted constraints also apply to the operating budget contribution levels towards the capital projects that build and maintain our infrastructure, which is valued in the billions of dollars. Funding for capital projects has actually increased significantly over the last dozen years. However, as noted, this funding source will also face a decrease in purchasing power without continual and regular increases to combat the impacts of inflation. Administration has been advised that "senior level of government" funding programs will also require, going forward, strong asset planning methodologies to be in place as well as a local financial commitment in order to receive much needed grant funding. Therefore, in order to keep existing infrastructure at sustainable condition ratings, a previously approved 1.16% property tax levy increase related to an Asset Management Plan (AMP) is included in the 2022 Budget. Details of the AMP can be found in the 2022 10-Year Recommended Capital Budget included in the 2022 Capital Budget documents.

Administration will of course always continue to look for ways of minimizing any required levy increase in the future. It is possible that as each budget year is reviewed, options that are currently not apparent will be found to hold the line on taxes in that particular year. However, it is clear based on the foregoing analysis and Administration's experience of the past several years that it is becoming increasingly difficult to identify service neutral savings targets within existing base budgets.

Based on the 2022 budget as presented, and in consideration of the uncertainty surrounding the COVID-19 pandemic, Administration is recommending a 1.99% overall property tax levy increase. It is also likely that, in order to continue avoiding significant impacts on services and to achieve the goals and strategic vision of Council that future budgets will need to continue to reflect, at minimum, the inflationary pressures that can be expected on an annual basis. Furthermore, should Council wish to add services or enhance existing services, it would be necessary for dedicated additional funding to be identified.

Risk Analysis:

At its core, a municipal budget is a projection of inflows and outflows for the coming year. Due to the timing of the budget preparation and approval, many of these

projections need to be made with less than complete information. Additionally, these projections need to take into account future events and circumstances, which are often out of the control of the municipality. Therefore, as with any budget, there are risk factors associated with the recommended 2022 City of Windsor operating budget. The following is a list of some of the most important of those risks along with related mitigating measures.

1. The most significant risk to the 2022 and future operating budgets is the significant uncertainty remaining with COVID-19 on City operations and the related financial impacts that will continue. Although City departments have estimated these pressures, there remains a high risk that the projected financial impacts may be materially different.
2. Impacts of Provincial changes to municipal grants such as OMPF and Social Services could have significant impacts to municipalities and result in significant lost revenue, impacting municipal operations and service delivery. While some planned reductions in provincial funding have been deferred due to COVID-19, there remains a great deal of uncertainty as to what the impacts to municipalities will be going forward. Due to this uncertainty, this budget includes one-time funding for possible provincial revenue loss for Children's Services Administration. Administration will continue to monitor changes in the provincial budget, related legislation and regulations, and will consider such impacts going forward. Any surplus from the corporate contingency budget will be recommended as a transfer to an appropriate reserve at year-end to assist in offsetting, to some degree, the potential effects of future changes to provincial grant revenues and COVID-9 related impacts. It is important to note that the amount of the corporate contingency has been decreased by \$1M, from \$3.5M to \$2.5M to meet the fiscal targets and may not be sufficient to fully offset the cost impacts and that future budgets may require additional funding to address this matter.
3. Tax Appeals is a difficult account to budget accurately as it is impossible to predict which taxpayers will appeal assessments and the eventual outcome of those appeals. Multimillion dollar swings are not unusual in these matters. The likelihood of this risk materializing is likely or almost certain; the likely impact of the consequences is moderate. Therefore, this should be considered a significant risk. To mitigate this risk, the City has set up a dedicated reserve fund (current balance of \$12.3 million), which is currently replenished each year by inflows of approximately \$4 million. Additional mitigation could come from the existing contingency provision within the annual operating budget or the Budget Stabilization Reserve (BSR).
4. Negotiations leading to new wage settlements across various collective bargaining groups, with some wage settlements well above the rate of inflation being awarded by arbitrators to the public safety groups (Police, Fire & Ambulance), could have a significant impact on the municipal budget. This is especially important as public safety services account for the largest share of the property tax levy. The likelihood of this risk materializing is rated as likely to almost certain; the likely impact of the consequences is rated as high.

- Therefore, this should be considered a significant risk. Mitigation for this risk can come from successful collective bargaining. Reasonable provisions included in the recommended budget for this line item, as well as the BSR, provide additional mitigation. Continued advocacy for an improvement to the arbitration process is also an additional longer-term mitigation strategy.
5. Fuel related costs have been extremely volatile over the last several years. While average fuel prices decreased slightly in 2020 because of COVID-19, they have now increased by approximately 33% in 2021. There remains the risk that prices could continue to increase as the economy recovers from the pandemic. An increase in fuel prices has been reflected in the 2022 budget based on current prices. Furthermore, there is always the risk that a global crisis may increase fuel costs in the future. The likelihood of this risk materializing is rated as possible; the likely impact of the consequences is rated as moderate. Therefore, this should be considered a moderate risk. Mitigation for this risk comes from the BSR and the existing contingency provision in the operating budget.
 6. Pension funding is another risk area. Over the last several years, the global market has recovered from the collapse that negatively affected the value of assets contained in the pension funds. Any future market correction may put additional pressure in the value of these pension funds, causing an increased contribution requirement from the corporation or special funding contributions. The likelihood of this risk materializing is rated as possible; the likely impact of the consequences is rated as moderate. Therefore, this should be considered a moderate risk. Mitigation for this risk comes by way of the existing budget contingency, the Fringe Rate Stabilization reserve and the BSR.
 7. Winter control costs have generally been lower than average in the last couple of years. The potential does exist for significant negative variances if a particularly severe winter season is experienced. The likelihood of this risk materializing is rated as possible; the likely impact of the consequences is rated as moderate. Therefore, this should be considered a moderate risk. Mitigation could come from the existing contingency and the BSR.
 8. Increasing utility costs, especially for the provincial portion of the hydro bill. All utility costs are estimated at the start of the year. The likelihood of this risk materializing is rated as likely; the likely impact of the consequences is rated as moderate. Therefore, this should be considered a moderate risk. This risk is mitigated by conservation efforts and reasonable budgets. As well, further mitigation can come from the existing contingency and the BSR.
 9. Insurance Costs have continued to escalate over the last few years and the City will be looking at options for 2023 to lower the premiums going forward. This budget recommends one-time funding to offset the \$1.7M insurance premium increase in 2022 with the expectation that a solution will be found that will result in lower insurance costs. Any shortfall may need to be included in future year budgets.

10. General inflationary pressures continue to increase as the economy continues to improve. Consumer prices in Canada have risen at their fastest rate in 18 years with an inflation rate reaching **4.4% in September**, its highest level since February 2003. The likelihood of this risk materializing is rated as likely; the probable impact of the consequences is rated as high. Therefore, this should be considered a significant risk. Mitigation comes from increased allocations in many budget line items based on current market estimates for such items as fuel, insurance and utilities, as well as the existing contingency and the BSR.
11. Over the last several years, the program funding for Employment Services has allowed the City the ability to recover corporate overhead charges applicable to these programs. Should these provincial funding envelopes change, we would need to absorb the significant revenue reductions elsewhere by cutting services or by raising fees or taxes. The likelihood of this risk materializing in the coming year is rated as moderate to likely; the likely impact of the consequences is rated as significant. Therefore, this should be considered a moderate to significant risk. Mitigation comes from continued advocacy for the program and the existing contingency as well as the BSR.

Climate Change Risks

Climate Change Mitigation:

Climate change mitigation initiatives are budgeted throughout the organization and form part of the individual budget submissions.

Climate Change Adaptation:

Climate change adaptation initiatives are budgeted throughout the organization and form part of the individual budget submissions.

Financial Matters:

Financial matters are discussed in detail throughout this report.

While Administration is recommending an overall property tax levy increase of 1.99%, Council may wish to make further adjustments to the proposed budget impacts (reductions or additions) and identify alternative options. If however, Council wishes to maintain the current overall property tax levy impact of 1.99%, it would be necessary for those alternative options identified to be cost neutral.

Consultations:

The 2022 Recommended Operating Budget was developed in consultation with City Departments and City funded Agencies, Boards & Committees.

Conclusion:

The 2022 Operating Budget being recommended to City Council reflects a net municipal property tax levy requirement of \$436,867,732. This represents a \$0 or 0% increase to the levy requirement related to City departments.

Council is asked to consider an increase of \$3,538,964 or 0.83% to the levy, which has been requested from various city-funded Agencies, Boards, and Committees (ABCs).

Council is also asked to consider an additional increase of \$4,968,973 or 1.16% to the levy in order to fund the previously approved Asset Management Plan (AMP).

In total, the changes to the City Departments, ABC's, and Asset Management Plan would result in an overall property tax levy impact of 1.99%.

As with any budget, there are significant risks relative to the projections that underlie this budget. The major ones have been outlined in this report with further detailed risks contained within the budget documents. The budget is presented for Council's consideration.

Planning Act Matters:

N/A

Approvals:

| Name | Title |
|---------------|--|
| David Soave | Manager, Strategic Operating Budget Development & Control |
| Tony Ardovini | Deputy Treasurer - Financial Planning |
| Joe Mancina | Commissioner, Corporate Services / Chief Financial Officer |
| Jason Reynar | Chief Administrative Officer |

Notifications:

| Name | Address | Email |
|-------------|----------------|--------------|
| | | |

Appendices:

Appendix A: 2022 Executive Summary

- *In Camera version provided to the Mayor and Members of Council via a separate bound document.*
- *A public version of Appendix A will be made available upon public release of the budget via the City's website.*