

Subject: 2020 Operating Budget Report – City Wide

Reference:

Date to Council:

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Report Date: 12/6/2019

Clerk's File #: AFB/13467

To: Mayor and Members of City Council

Recommendation:

That City Council **RECEIVE** the 2020 recommended budget documents that are reflective of a \$4,887,365 increase (or 1.2% increase to the property tax levy) for requirements related to City departments; and,

That City Council **CONSIDER** a \$4,800,000 increase (or 1.2% impact on the property tax levy) to fund the Asset Management Plan (AMP); and,

That City Council **CONSIDER** a \$5,102,349 increase (or 1.2% impact on the property tax levy) in requests from City funded Agencies, Boards and Committees (ABC's); and,

That City Council **PROVIDE DIRECTION** with respect to whether it wishes to approve further reductions to offset the City Departments' recommended increase and/or the Asset Management Plan (AMP) funding and/or the Agencies, Boards and Committee's requested increases, or whether it wishes to approve additional initiatives that have not been recommended by administration; and,

That contingent upon approval of the 2020 Recommended Budget, one-time funding estimated at \$2,788,574 (plus or minus any amounts related to Council changes to the recommended budget) **BE APPROVED as funding** from the specific Reserve Funds as detailed in this report; and,

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

That the 2020 Schedule of Fees detailed in Section 14 of the budget document, Schedule C: 2020 User Fee Schedule, **BE APPROVED**; and,

That the Fees & Charges Bylaw of record **BE AMENDED** to reflect the 2020 Schedule of Fees; and,

That the necessary by laws **BE PRESENTED** for Council's approval in support of the adoption of the 2020 Operating Budget; and,

That Council **APPROVE** the required transfers to and from various funds in accordance with the 2020 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 a 2020 operating budget property tax levy increase totalling \$4,887,365 for City departments, which is reflective of a 1.2% increase to the overall property tax levy. However, in keeping with Council's directive, the 2020 budget documents, as submitted, also provide options (not recommended by Administration) which would allow Council to hold the line on the property tax levy for the City Departments that fall within City Administration's direct control. It is noted that the 2020 budget as presented has considered the various impacts of Provincial budget cuts and downloading where such impacts can be determined for 2020 (also for ABC's). Detailed budget issues across all areas identify specific impacts of such cuts and any mitigating measures and/or increased levy requirements that have resulted thereby placing further pressure on the City's 2020 budget.

Administration is also recommending a property tax levy increase totalling \$4,800,000 for the Asset Management Plan (AMP), which is reflective of a 1.2% increase to the overall tax levy. Details of the AMP can be found in report C198/2019 – 2020 8-Year Recommended Capital Budget, included in the Capital Budget document.

The request from the ABCs reflected in the budget documents is an increase of \$5,102,349 (which has a further impact of 1.2% to the overall property tax levy). It is noted that the overall increase based on the submissions from all ABC's is a year over year increase of 4.2% of their combined budgets.

Notwithstanding any changes, Council may choose to make to the proposed Administrative recommendations for City departments, should City Council wish to achieve an overall zero property tax levy increase, an additional \$9,902,349 in reductions will need to be identified to offset the increases required to fund the AMP as well as the increases requested by the ABCs. Administration has provided options for council consideration; however budget reductions to City Departments to fund the AMP and ABC's increases is NOT recommended.

Should Council accept the 2020 Operating Budget as recommended by Administration, this would result in a 1.2% increase to the required property tax levy that supports the operations of the City's departments, which is lower than the current rate of inflation (**Consumer Price Index, Canada, All Items for October 2019 = 1.9%**). An increase required to fund the Asset Management Plan to better maintain the City's infrastructure would result in an additional 1.2% increase, and should Council also approve all of the ABC funding requests, it would result in an additional 1.2% increase, for a total 2020 property tax

levy impact of 3.6% or an estimated \$102 for a residential property assessed at the average value (\$163,000).

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 such, it is emphasized that the estimated increase in property taxes for the average homeowner noted above are subject to change. Additionally, it is further emphasized that, due to reassessment phase-in changes, even keeping the total tax levy at the same amount as last year does not provide assurance that there will not be an increase for the average residential property owner. The reason for this is the shifts between the tax classes and between individual properties that inevitably arise from the re-assessment increase phase-in changes.

Should City Council wish to avoid a property tax levy increase, it is noted that after many years without a levy increase, and modest below inflation levy increases in 2017, 2018 and 2019, combined with increasing service demand due to the increasing population, service levels will no doubt deteriorate as inflationary pressures erode purchasing power.

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 and has provided for ongoing and continued future annual savings. Even with the modest increases approved from 2017 to 2019, those cumulative savings have still continued and are now estimated to approximate \$750M in total (2008-2019) with ongoing annual future savings expected to be in the range of \$100M. Essentially this continues to illustrate that even with modest increases, that after multiple years of holding the line on taxes, the overall Property Tax Levy remains below most of our peers and hence results in continued savings to our taxpayers.

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% higher than current levels. A property owner, with a home assessed at \$163,000, would therefore be paying approximately \$700 more annually than what they currently pay.

It is Administration's view that the 2020 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.

Background:

Operating Budget Process

At its meeting of July 22, 2019, City Council received a report from the CFO & City Treasurer as it relates to the 2020 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 2020 Budget, including fiscal goals and any desired increases or decreases to service levels.

Through Decision Number CR361/2019, City Council provided the following direction:

*That the report of the Chief Financial Officer & City Treasurer dated July 4, 2019 regarding the 2020 Proposed Budget Process & Timeline **BE RECEIVED** for information.*

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 2020 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 2019 net budget levels and also provide further reduction scenarios totaling **10% of your department’s 2019 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.”*

Under the direction and guidance of their Corporate Leadership Team member, and with the support of their Executive Directors and Managers who once again strived to find reductions in their Operating Budgets, **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 2020 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 2020 budget request from the City of Windsor for the next fiscal year be for an amount no greater than your approved 2019 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 or Committee	\$ Increase	% Increase Over Prior Year Budget
Windsor Police Services	\$3,868,174	4.4%
Health Unit	\$313,219	10.0%
Community Housing Corporation (Note 1)	\$253,579	2.1%
Land Ambulance	\$250,440	2.1%
Economic Development Corporation	\$226,189	19.0%

Life After Fifty	\$100,000	70.2%
Conservation Authority	\$63,737	3.9%
Handi-Transit	\$22,011	2.1%
Artcite Inc.	\$5,000	100.0%
Total	\$5,102,349	

Note 1: The total WECHC 2020 budget increase request was \$384,065 gross, resulting in a net City amount of \$253,579. Housing & Children Services is recommending that no increase be provided which represents a reduction of the full amount \$253,579 from their request. It is noted that the budget documents still reflect WECHC's original request.

The total increase for the above-noted ABC's total \$5,102,349. All ABCs 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 2020 Recommended Operating Budget will be available to the public through the internet and will include the following documents:

2020 Operating Budget Book:

Section 1: 2020 Operating Budget Report

Section 2: Introduction

- A. City of Windsor Organizational Overview (2019 Approved Budgeted FTE)*
- B. 2020 Net Property Tax Levy by Department*
- C. 2020 Net Property Tax Levy by Major Function*
- D. 2020 Summary of Major Tax Levy Drivers*
- E. 2020 Gross Budget Summary by Major Revenues / Expense Accounts*
- F. 2021 - 2023 Budget Projections Prior to Mitigations*
- G. Long Term Debt Summary*

Sections 3 - 11: Departmental Detail

- A. Departmental Overview*
- B. Budgeted Full Time Equivalent (FTE's)*
- C. Budget Summary by Division*
- D. Budget Summary by Major Revenues / Expenditures*
- E. Budget Issue Summary*

Section 12: Schedule A - 2020 Operating Budget Summary (Recommended Issues)

Section 13: Schedule B – 2020 Operating Budget Summary (Not Recommended Issues)

Section 14: Schedule C – 2020 User Fee Schedule

Section 15: Schedule D – 2019 Program & Service Based Budget

Budget Issue Detail Book:

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

Agency, Board and Committee Book:

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

Additionally, City Council will note the following key items as they relate to the 2020 budget development process that was undertaken:

Operating Budget Report - Executive Summary (Appendix A)

In an effort to summarize the recommended changes to the 2020 Operating Budget, Administration has provided, as in prior years, an **Appendix A – 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. Additional details on the various sections of Appendix A are provided later in this report.

Supplementary Budget Reports on the 2020 Budget Agenda

As in previous years, the 2020 Budget Agenda will contain Council reports that have been referred to the 2020 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 Consultation Process

The 2020 budget process provided the opportunity for public input sessions at the beginning of the process on July 22, 2019 when the Budget Process and Timelines document was brought before Council. In addition, Ward Meetings were held throughout the fall of 2019 to gather feedback from residents and key stakeholders on specific ward issues. This provided an opportunity for direct feedback to City Councillors, the Mayor and Department Heads in regard to the key budget priorities.

The process will also allow for the public to provide input to their councillors and administration after the recommended budget is made public on December 20th and finally in January during Council's 2020 budget deliberations. To facilitate the review of the documents prior to budget deliberations, the budget will be publicly released, as noted above, on December 20, 2019. Once released, the 2020 Budget Documents will be

available for viewing in every branch of the Windsor Public Library and at City Hall (Office of the City Clerk & Office of the Chief Financial Officer). The documents will also be available on the City's web site.

The process will also allow the public to provide input to their councillors and administration for a 5-week period after the recommended budget is released publicly, and also during Council's 2020 budget deliberations the week of January 27th.

Administrative Review Process

Following the direction of the CFO, and in conjunction with their Corporate Leader, each city department prepared preliminary budget options based on Council's direction to maintain a status quo tax levy. In late September of 2019, the Executive Directors & Senior Managers then met with the members of the Corporate Leadership Team and the Financial Planning team, in what is now an annual week-long meeting chaired by the CAO, to fully discuss the impacts of the various budget options put forth with a focus on providing a draft recommended budget to Council.

Consistent with Council's direction to present options to hold the line on taxes, Administration has prepared and provides a 2020 Operating Budget, which is consistent with the 2019 Property Tax Levy for those City Departments, which fall under the direction and control of the CAO. While Administration recommends a 1.2% increase relative to those City Departments, options are also put forth to allow Council to reduce the increase to zero. It is noted, however, that after many years of fiscal constraint, the reductions that would be required to avoid a property tax increase would, in administration's opinion, negatively impact the quality and level of services.

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. Referencing the chart above, the categories are as follows:

- **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 a changing and increased workload being

faced throughout the organization, there are a number of positions being proposed in this section; many 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 serve to provide dedicated funding for existing services or are intended to fund new initiatives that would provide a net benefit to the Corporation.

- **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 2020 are detailed in the budget binder, Section 14: Schedule C – 2020 User Fee Schedule.

Together, Sections A through D represent Administration’s 2020 Recommended Operating Budget for City departments to City Council. It is Administration’s opinion that the Recommended Budget, as presented with a 1.2% increase to the levy, achieves the appropriate budget level required to properly manage the day-to-day operations and activities of the Corporation in the most efficient manner, without compromising existing service levels or expectations.

Notwithstanding the recommended budget above, given City Council’s direction to receive options to hold the line on taxes, Administration examined and prioritized various reduction options presented by each City Department in an effort to provide Council with options to achieve a 0% tax levy increase. It should be noted, that due to the many years of fiscal restraint, the easier reductions have already been actioned and, therefore, some of the remaining more onerous reduction options may result in significant increases in fees, significantly reduced services, or in some cases, service elimination. To be clear, administration does not recommend these reductions. However, they are provided based on Council’ direction to present options to potentially avoid a property tax levy increase.

- First consideration was given to the **Removal of Section C** increases (Priority Budget Increases Recommended by Administration to Maintain or Improve Service Levels). Despite being identified as priority items, these reductions were the first to be brought forward for consideration in an effort to reach zero, as they are currently not in the City’s base operating budget. As noted, the option is provided for Council’s consideration given its mandate, but is not recommended by administration.

- **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 totalling \$2,211,974 available to City Council. Despite resulting in significant service reductions, and in some cases service eliminations, the options presented in Section

E are prioritized over those that follow. Again, the option is provided for Council's consideration given its mandate, but is not recommended by administration.

- **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 funding requirements of the AMP, Section F includes additional reduction options for City Council to consider if there is a desire to offset the requested increases related to these items. Totalling \$14,386,380, these reduction options more than offset the requested increases. As such, these options can be considered should Council wish to reinstate a program or service reduction from Section E. It is noted that 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. Additionally, Council may wish to consider reductions brought forward under this category in order to offset any additional items not in the recommended budget that Council may choose to bring forward as service enhancements to the 2020 Operating Budget.

- **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 funded in the current budget recommendations; however, they are being provided to Council for information and further consideration as council may deem appropriate.

- **Increase Related to the Asset Management Plan (AMP)**

This section includes the levy increase required to fund the approved Asset Management Plan (AMP). In total, the AMP increase is \$4,800,000.

- **Increase Requested by Agencies, Boards & Committees**

This section outlines the increases requested by various ABC's. As noted above, despite a request to return a 2020 budget submission that was equal to 2019 funding levels, a number of agencies were unable to do so. In total, the ABC increase is \$5,102,349.

**Impact Summary – 2020 Recommended Operating Budget
(Property Tax Levy Supported Operating Budget)**

	\$ Impact	Municipal Property Tax Levy	Cumulative % Property Tax Levy Impact	Cumulative \$ Impact on A \$163,000 Home
2019 Total Property Tax Levy (Including Education Levy) Approved by Council		\$415,445,013		
Section A: Recommended Preapprovals & Pressures with Little or Not Council Discretion	\$6,981,905	\$422,426,918	1.7%	\$49
Section B: Highest Priority Budget Increases Recommended by Administration	\$4,747,776	\$427,174,694	2.8%	\$82
Section C: Priority Budget Increases Recommended by Administration to Maintain or Improve Service Levels	\$2,675,461	\$429,850,155	3.5%	\$101
Section D: Reductions Recommended by Administration	(\$9,517,777)	\$420,332,378	1.2%	\$34
Removal of C (Not Recommended): Priority Budget Increases Recommended by Administration to Maintain or Improved Service Levels	(\$2,675,461)	\$417,656,917	0.5%	\$16
Section E: Additional Reduction Options Required to Achieve 0% Tax Levy Increase for City Departments	(\$2,211,974)	\$415,444,943	0.0%	\$0
Section F: Other Reduction Options Identified That Could be Used to Achieve 0% Overall Tax Levy Increase	(\$14,386,380)			
Section G: Worthwhile Enhancements Brought Forward by Departments – Not Recommended by Administration Due to Council's Directives Relative to Fiscal Restraint	\$704,262			
Asset Management Plan (AMP)	\$4,800,000	\$420,245,013	1.2%	\$34
Agencies, Boards & Committees (ABC's)	\$5,102,349	\$420,547,362	1.2%	\$34

As noted in the highlighted cells of the above chart, the 2020 Operating Budget being recommended to City Council reflects a net municipal property tax levy requirement of \$420,332,378 including the estimated status quo education amount. This represents a \$4,887,365 or 1.2% increase to the levy requirement related to City departments only. Also included in the chart is an increase of \$4,800,000 or 1.2% increase related to the Asset

Management Plan (AMP) and an increase of \$5,102,349 or 1.2% requested from city-funded Agencies, Boards, and Committees (ABCs) which are beyond the control of City Administration. If left unmitigated, the total required tax levy for 2020 would be \$430,234,727 reflective of a \$14.8 million increase (or 3.6%).

The recommended 1.2% increase in the levy for City Departments would translate to an estimated \$34 year over year increase in property taxes for a home valued at \$163,000 under a **status quo** scenario relative to assessment values, the education levy and Council's tax policies. If Council were to also approve the increase related to the AMP and the requested increase for the ABC's, the total impact for the same residential property would be approximately \$102 year over year.

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 2020 tax policies, which is typically completed after the budget has been approved and the levy requirements are known for both the municipal and education purposes. Inevitably, due to the overall change in assessment values, there is a shifting of the tax burden between property classes and as well, 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. Additionally, the taxes paid by taxpayers include an Education amount, which is mandated by the Province of Ontario. The 2020 education tax levy and accompanying tax rates have not yet been announced by the Minister. It should be noted that the recommended property tax levy increase as presented in this report is based on a status quo education levy for 2020. Any increases or decreases to the 2020 education tax levy that will ultimately be set by the Province could impact the final amount. Based on recent trends, a small increase is possible.

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 such, it is emphasized that the estimated increase in property taxes noted above are subject to change.

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 would result in a switch from an overall annual reserve deficit to an overall reserve surplus. The annual draw from the Building Permit Reserve would decrease by \$976,796, resulting in an annual reserve contribution of \$169,408. The Building permit reserve is currently in a deficit of (\$10.4 million) of which almost the full amount is offset by a separate dedicated reserve totalling \$10.3 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 deficit.

Off-Street Parking Operations

The recommended budget issues for Off-Street Parking Operations would decrease the annual budgeted surplus to be transferred to the reserve for Off-Street Parking from \$2,885,749 to \$2,830,843, which represents a decrease of \$54,906. The reserve is currently in a surplus of approximately \$273,000. The Off Street Parking Reserve, after many years in a deficit balance, has recently returned to a positive position as a result of increased revenue.

Summary of Major Financial Impacts on the 2019 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.

It is also important to note that the 2020 budget includes various impacts of Provincial budget cuts and downloading where such impacts can be determined for 2020 (also for ABC's). Examples include the decrease in funding for OMPF, the revenue decrease for Employment and Social Services, and the reduction in funding to the Health Unit. Detailed budget issues across all areas identify specific impacts of such cuts and any mitigating measures and/or increased levy requirements that have resulted thereby placing further pressure on the City's 2020 budget.

The Introduction Section of the 2020 Budget Document (Section 2, page 5) contains the Summary of Major Budget Drivers that will assist the reader in understanding the key issues that have affected the 2020 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 12: Schedule A - 2020 Operating Budget Summary (Recommended Issues).

While Section 12 details the full list of budget drivers, the primary drivers for this year's budget are summarized as follows (in 000's):

Expenditure Increases:

Net Staffing Adjustments to Address Increased Service Demands	\$3,390
Pre-Approved Salary, Wages & Fringe Benefit Increases	\$2,856
Utility Cost Increases	\$544
Various Inflationary Pressures	\$453
Workforce Management Software / Maintenance	\$450
Various Pre-Approvals / Contractual Obligations	\$376

Budget Increase for Landfill Tipping Fees and EWSWA Fixed Costs	\$356
Increase in Community Improvement Plan Tax Rebate	\$350
Establishment of Operating Budget for Paul Martin Building	\$280
Transit Windsor Growth Initiatives	\$260
Various Miscellaneous Expenditure Increases	\$225
Transit Windsor Fuel Market Rate Increase	\$190
Increase to Insurance Premiums	\$184
Adjustment to Security Requirements for New 350 City Hall	\$180
Social Housing Service Level Standards	\$163
Equipment Reserve Contributions for Fleet Replacements	\$115
Net Costs Related to Accident Repairs Made in the Right-Of-Way	\$113
Trail Maintenance Budget	\$100
Total Expenditure Increases	\$10,585

Revenue Decreases:

Ontario Municipal Partnership Fund (OMPF) Reduction	\$995
Dirty Yard Work Order User Fee Revenue Reduction	\$336
Reduction in Revenues Related to Interest and Penalties on Tax	\$200
Reduction in Parks Development Salary Cost Recoveries From Capital	\$179
E-Bingo Program	\$166
Various Miscellaneous Revenue Decreases	\$87
Total Revenue Decreases	\$1,963

Expenditure Decreases:

Reduction in Contingency Budget	(\$2,000)
Various Miscellaneous Expenditure Decreases	(\$27)
Total Expenditure Decreases	(\$2,027)

Revenue Increases:

Property Taxes Resulting From New Assessment Growth	(\$2,000)
Gas Tax Ridership Increase	(\$842)
Sewer Surcharge – Increase to Corporate Overhead Transfer to Levy	(\$759)
Various Miscellaneous Revenue Increases	(\$722)
Annualized Adjustments to Payments in Lieu of Property Taxes	(\$283)
Transit Windsor Revenue	(\$260)
Mortgage Account Administration Fee	(\$250)
Recovery Adjustments Related to Public Works Recoverable Staff	(\$132)
Increase in County Revenue for Housing and Children Services	(\$132)
Increase in Huron Lodge Resident Rental Revenue	(\$130)
Adjust Recoveries from Capital Projects	(\$124)
Total Revenue Increases	(\$5,634)
Total Net Impact (City Departments)	\$4,884

Taxation Comparisons with Other Municipalities

The table that follows is taken from the 2019 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 2019 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) 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 which 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 well below the provincial average.
- Commercial properties generally rank well below average, except for Motels, which are slightly above the average.
- Property taxes on industrial properties now rank well below average in all categories.

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

Comparison of Relative Tax Rates - 2019

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.	\$3,152	\$6,303	\$4,066	\$3,295
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.	\$4,083	\$7,806	\$5,130	\$5,680
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.	\$4,854	\$13,281	\$6,966	\$7,163
Multi-Residential – Walk-Up Apartments Multi-residential apartments containing more than 6 self-contained units, 2-4 storeys high.	\$782	\$2,189	\$1,700	\$1,348
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.	\$929	\$2,484	\$1,902	\$1,723
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.	\$3.50	\$6.16	\$4.79	\$3.50
Commercial – Office Building Per square foot of gross leasable area.	\$2.64	\$4.88	\$3.61	\$3.08
Commercial – Hotels Taxes per suite	\$1,082	\$2,855	\$1,619	\$1,224
Commercial – Motels Taxes per suite	\$1,047	\$2,653	\$1,505	\$1,801
Standard Industrial Under 125,000 sq. ft. in size. Comparison of taxes based on a per square foot of floor area.	\$1.02	\$3.51	\$2.11	\$1.83
Large Industrial Greater than 125,000 sq. ft. Comparison of taxes based on a per square foot of floor area.	\$0.55	\$2.86	\$1.32	\$1.22
Industrial Vacant Land Based on taxes per acre.	\$833	\$16,595	\$8,264	\$3,193

Source: 2019 BMA Management Consulting Inc. (Ontario Municipalities with Populations > 100,000)

Service Levels

In order to bring in a budget with the option to avoid a property tax levy increase for City Departments, administration had to make many difficult choices. The 2020 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, making this objective much more difficult to achieve.

While not recommended by administration, this objective resulted in a number of potential reductions options, which are detailed in Section 13: Schedule B – 2020 Operating Budget Summary (Not Recommended Issues). These issues are also highlighted in the Executive Summary to this report under **Sections E and F**.

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

2020 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 2020 Schedule of Fees as detailed in Section 14: Schedule C – 2020 User Fee Schedule of the 2020 Budget Binder.

One Time Funding

There are many departmental budget issues that 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 2020. 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 \$2,788,574 (See details see Table that follows). Funding available and projected within the BSR is 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. Recommendation E seeks Council’s approval for the required transfers from the Reserve Funds.

2020 Operating Budget Issues Requiring One-Time Funding

Exec. Sum Ref. #	Issue Detail Ref. #	Budget Issue Ref. #	Department	Issue Description	One-Time \$ Required
B 45		2020-0017	Corporate Accounts	Workforce Management Software / Maintenance	\$1,107,795
* C 121		2020-0283	Planning & Building	IN-CAMERA	\$458,566
C 102		2020-0081	Council Services	Conversion of Corporate Marketing and Communications Officer Position	\$120,034
B 89		2020-0060	Finance	Conversion of Asset Coordinator Position from Budget Stabilization Reserve to Capital Funding	\$110,000
B 60		2020-0309	Huron Lodge	IN-CAMERA	\$99,209
A 43		2020-0312	Huron Lodge	IN-CAMERA	\$95,000
B 61		2020-0167	Engineering	Addition of CEP Project Administrator Position	\$86,271
C 125		2020-0064	Finance	One-Time Funding of Financial Analyst - Parks & Recreation Support	\$74,245
C 123		2020-0018	Finance	One-Time Funding for Financial Analyst - tangible Capital Assets (TCA)	\$74,045
C 128		2020-0113	Engineering	BSR Funding for a Temporary General Accounts Payable Clerk Position	\$66,734
B 57		2020-0326	Parks & Facilities	IN-CAMERA	\$60,000
B 91		2020-0028	Engineering	IN-CAMERA	\$58,203
C 124		2020-0049	Finance	One-Time Funding for Customer Service Clerk Related to Assessment Updates	\$55,920
B 94		2020-0218	Recreation & Culture	Windsor Water World Operations	\$50,000
B 52		2020-0288	Planning & Building	IN-CAMERA	\$45,963
D 148		2020-0293	Public Works	User Fee Adjustments	\$45,000
C 115		2020-0050	Finance	Conversion of Financial Analyst (Assessment & Administration) from Budget Stabilization Reserve	\$42,000

B 90		2020-0322	Human Resources	On-Line Safety Data Sheet (SDS) Management System	\$40,000
D 151		2020-0103	Finance	IN-CAMERA	\$35,000
A 42		2020-0311	Huron Lodge	IN-CAMERA	\$33,000
B 93		2020-0250	Transit Windsor	Rerouting Ottawa 4 Bus Route	\$27,839
B 79		2020-0354	Fire & Rescue	Mass Notification System	\$3,750
Total Operating Budget Issues Requiring One-Time Funding					\$2,788,574

** One-Time Funding of \$229,283 to come from the Budget Stabilization Reserve (BSR) and \$229,283 to come from the Building Permit Reserve (BSR).*

Note: All other one-time funding requirements to come from the Budget Stabilization Reserve (BSR).

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 over \$500 million compared to the actual \$71 million for 2019 (projected to decline to \$36 million by 2024). **These projections assume 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. It is noted that the actual tax supported component of the debt has been effectively eliminated by the City with a balance of \$4 million for 2019 and falling to zero by 2021.** A detailed schedule of the City's long-term debt can be found as Schedule G of the Budget Introduction Section.

2020 - Increasingly Difficult Budgeting

Although **not recommended** and difficult to achieve without some significant service reductions, Administration has been able to once again provide Council with options that could achieve a zero 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 2019, 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 13: Schedule B – 2020 Operating Budget Summary (Not

Recommended Issues) should city council wish to further reduce the city department budgets to offset the ABC increases. These issues are also highlighted in the Executive Summary to this report under Sections E and F.

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

It is the strong recommendation of the CAO and CFO that the reductions shown in Sections E and F of the Executive Summary and also detailed in Section 13: Schedule B – 2020 Operating Budget Summary (Not Recommended Issues) not be accepted by City Council, as they were only included in the budget documents to provide Council with options to achieve a 0% tax levy increase.

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. This is due to the fact that the significant cost drivers that will impact those 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, utilities 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 impact the budgets over the next three years. These estimates are detailed on page 8 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 years' budgets. Current projections indicate potential increased levy requirements of approximately 3.2% per year over the next few years, prior to reduction options that typically materialize each year, but importantly also **prior to any consideration of increased funding for capital expenditures on aging infrastructure that may be required under Asset Management Plan as well as other major capital 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 decade was largely unprecedented. As a result, Windsor's property taxes are now lower than those of its peer municipalities in most assessment categories, and as a result of these measures, taxpayers accrued cumulative savings in excess of \$750 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 than 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% higher than current levels. A property owner with a home assessed at \$163,000 would therefore be paying approximately \$700 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. But, 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 1.2% property tax levy increase related to an Asset Management Plan (AMP) is being recommended in the 2020 Budget. Details of the AMP can be found in Report C 198/2019 – 2020 8-Year Recommended Capital Budget included in the 2020 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 decade that it is becoming increasingly difficult to identify service neutral savings targets within existing base budgets.

Based on the 2020 budget as presented, administration is recommending a modest tax increase in order to sustain operations. It is also likely that, in order to continue avoiding significant impacts on services and to achieve the goals set by Council in its 20-year strategic vision document 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 2020 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. 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 to 2020 and beyond, there still remains a great deal of uncertainty as to what the impacts to municipalities will be

going forward. 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 increased 2019 budget contingency related to provincial budget cuts 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. It is important to note that this amount may not be sufficient to fully offset the cost impacts and that future budgets may require additional funding to address this matter.

2. 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 \$10.6 million), which is currently replenished each year by inflows of approximately \$4 million. Additional mitigation could come from the \$1.5 million existing contingency provision within the annual operating budget or the Budget Stabilization Reserve (BSR).
3. 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), will 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. Additional mitigation is provided by reasonable provisions included in the recommended budget for this line item as well as the BSR. Continued advocacy for an improvement to the arbitration process is also an additional longer-term mitigation strategy.
4. Fuel related costs have been extremely volatile over the last several years. While average fuel prices increased slightly in 2019, they have started to come back down in recent months. There remains the risk that prices could spike again in 2020. An increase in fuel prices has been reflected in the 2020 budget. Furthermore, there is always the risk that 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 \$1.5 million existing contingency provision in the operating budget.
5. Pension funding is another risk area. Over the last several years, the global market has largely recovered from the collapse that negatively impacted 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 \$1.5 million existing budget contingency, the Fringe Rate Stabilization reserve and the BSR.

6. Winter control costs have been generally 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 \$1.5 million existing contingency and the BSR.
7. 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 \$1.5 million existing contingency and the BSR.
8. General inflationary pressures that may continue to increase as the economy continues to improve. 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 comes from increased allocations in many budget line items relative to known increased costs, as well as the \$1.5 million existing contingency and the BSR.
9. 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 \$1.5 million existing contingency as well as the BSR.

Financial Matters:

Financial matters are discussed in detail throughout this report.

While Administration is recommending a modest municipal levy increase of 1.2%, in adhering to Council's direction to provide options to hold the line on taxes, reduction options to achieve a zero percent levy increase for City Department's under the control of City Administration have been presented for consideration. Should Council wish to reject any of the proposed reduction options, then additional or substitute options will need to be identified. This would hold true with respect to the addition of any service enhancements Council wishes to implement as well.

Additionally, if City Council wishes to achieve an overall zero tax increase including the Asset Management Plan and Agencies, Boards & Committees, \$14,789,714 in additional savings will need to be identified to offset the increase submitted by the noted entities. As

noted earlier in the report, **Sections E & F** of the Executive Summary includes additional reduction options for Council's consideration in order to offset this increase.

At this time, it is not known if a decrease in education taxes will serve to offset a portion of the recommended budget increase.

Consultations:

The 2020 Recommended Operating Budget was developed in consultation with City Departments and City funded Agencies, Boards & Committees.

Conclusion:

The 2020 Operating Budget being recommended to City Council reflects a net municipal property tax levy requirement of \$420,332,378 including the status quo education amount. This represents a \$4,887,365 or 1.2% increase to the levy requirements related to City departments. Administration believes that the proposed budget achieves a responsible and reasonable balance between fiscal restraint and the desire to maintain or improve the levels and quality of services.

Council is asked to consider an additional increase of \$4,800,000 in order to fund the Asset Management Plan (AMP). This would result in a cumulative tax levy increase of 2.4% and a 2020 municipal property tax levy requirement of \$425,132,378.

Council is also asked to consider an additional increase of \$5,102,349 that has been requested from various city-funded Agencies, Boards, and Committees (ABCs). If left unmitigated, inclusive of the ABCs budget requests, the 2020 increased levy requirement will result in a total cumulative tax levy increase of 3.6% and a 2020 municipal property tax levy requirement of \$430,234,727.

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 consideration.

Planning Act Matters:

N/A

Approvals:

Name	Title
David Soave	Manager, Operating Budget Development & Financial Administration
Tony Ardovini	Deputy Treasurer - Financial Planning
Joe Mancina	Chief Financial Officer & City Treasurer
Onorio Colucci	Chief Administrative Officer

Notifications:

Name	Address	Email

Appendices:

Appendix A: 2020 Executive Summary provided to Mayor and Members of Council only (Separate Bound Document).

Members of the general public can view this document at www.citywindsor.ca