

Date: 2021-04-29

Subject: **2022 Budget Process**

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Report Number: Corporate Support Services-2021-674

Recommendations:

1. That the report titled **2022 Budget Process** to the Council meeting of June 9, 2021 be received;
2. That the 2022 Budget be developed in recognition of the considerable economic uncertainty and challenges facing residents and businesses, as a result of COVID-19;
3. That the 2022 Budget be developed to provide Budget Committee with various tax levy scenarios for consideration, including a 0% property tax change option on the City's portion of the tax bill;
4. That the 2022 Budget timelines be tentatively scheduled, in order to achieve approval prior to the beginning of the 2022 fiscal period, pending the ongoing review of the external environment related to COVID-19 and related advocacy efforts for funding relief from other levels of government.

Overview:

- **The 2022 Budget presents challenges for the City of Brampton, given the prolonged impacts of the COVID-19 pandemic and the uncertainty surrounding economic and social recovery to support our residents and businesses.**
- **Given the uncertainty of whether the City will be in a state of response versus recovery, the Budget will be developed to fund the City's pre-Covid-19 service levels as approved by Council notwithstanding the impacts of the pandemic.**

- **Any financial losses recognized in 2022 will be managed through Federal and Provincial funding or through the General Rate Stabilization Reserve on the assumption that the impact of this pandemic on City services is temporary in nature and once it subsides Brampton's expenditure and revenues will revert to the pre-pandemic baseline.**
- **Annual budget pressure expectations for the City consist of approximately 2% inflation, 2% Infrastructure Levy and 1% Transit Levy.**
- **In this term of Council the property tax funding utilized for base operations and growth has decreased from \$421 million in 2018 to \$415 million in 2021 representing a decrease of 1.4%. The property tax funding contributed to capital through the levies has increased from \$53.6 million to \$87.2 million or 63% increase.**
- **If a 3% levy increase were approved in the 2022 Budget this would result in an increase in the contribution by \$14.9 million or a 17.1% increase, bringing the total contribution to \$102 million. The average annual growth rate of the levies since 2014 is 21%.**
- **The City has successfully reached a healthy and sustainable contribution to capital infrastructure reserves with 21% of Property Taxes collected supporting the repair and replacement of City assets. When benchmarking to neighbouring Municipalities as at 2019; Brampton is ranked the third highest illustrating the City's historical commitment to build a healthy contribution that supports the maintenance of City infrastructure.**
- **As the 2022 budget is being developed, it is important to consider the rate of growth of base operations in relation to the special purpose levies. A sustainable approach is to grow the contribution to Infrastructure reserves in tandem with property tax increases. For example; a 1% property tax increase of \$5 million, would result in a 1% levy increase or \$872 thousand. This methodology maintains the City's 20% tax-based contribution to capital relative to property taxes.**
- **Assessment Growth provided by MPAC for the 2020 fiscal year continued on the same trajectory as 2019, recognizing a steep decline from the historical trend. The City is projecting a 1.1 % increase for the 2021 fiscal year. For the period of 2014-2018 the City had recognized an average annual increase to the tax base of 2.8% related to Assessment Growth, which provided a stable source of funding for growth in operations. 2020 Assessment Growth resulted in an increase of 1.2% to the tax base, which is a decrease of over 60% from 2018.**

- **To meet the challenges of the Pandemic, staff recommend the 2022 Budget be developed with various tax levy scenarios for Budget Committee’s consideration, including a 0% property tax change option on the City’s portion of the tax bill. The following focus areas are recommended to guide budget development:**
 - **Develop baseline budget requirements, in order to maintain existing service levels in existing and new growth areas.**
 - **Identify any COVID-19 related expenditure and revenue budget pressures for 2022.**
 - **Review and assess impacts of:**
 - **Increasing user fees where appropriate**
 - **Delaying service growth**
 - **Deferring city-wide strategic initiatives**
 - **Reducing or realigning service levels to meet changes in public demand**
 - **Maximizing eligible reserves to fund one-time operating expenditures**
 - **Mitigating inflationary impacts through efficiencies and/or**
 - **Alternative service delivery methods, as identified in the recent corporate-wide service reviews.**
 - **Identify the impacts of aligning increases to the Infrastructure and Transit Levy with the equivalent % increase in property taxes.**
 - **Review existing tax-based capital contributions to determine if opportunities exist to reduce or reprioritize tax-funded capital plans.**
- **In addition to the internal efforts above to manage and mitigate the impacts of this pandemic, advocacy efforts for recovery and sustainability funding from other levels of government will be critical to the success of the City in limiting impacts of budget pressures for 2022 and beyond.**
- **Proposed timelines for the 2022 Budget are included in this report and have been tentatively scheduled for approval on December 8th, 2021. Staff recognize the need to remain flexible in these uncertain times and will continue to monitor developments related to COVID-19 and advocacy efforts, in order to advise Council of any recommended changes to the 2022 Budget approval timelines, as required.**
- **Staff will continue to monitor the implications of the pandemic on the current year’s 2021 Budget and will advise Council through the interim year end projections of any further funding from the Provincial and Federal Government, implications to City reserves or the sustainability to Brampton’s financial position.**

Background:

Municipalities are required to prepare and adopt a budget on an annual basis, as per the *Municipal Act, 2001*, section 290. The budget process report provides Council and the Public with the processes and timelines necessary to meet legislative requirements and achieve the strategic objectives of the organization.

For the 2021 fiscal year, the City has been advised by the Provincial and Federal government of eligible funding under the Safe Restart Agreement (SRA) and the 2021 COVID-19 Recovery Funding for Municipalities (CRFM). To date this funding amounts to \$79.0 million, approximately \$23.4 million for municipal pressures and \$55.5 million for transit specific pressures.

While the impacts of COVID-19 on the City's operations are anticipated to continue into 2021, it is anticipated that the commitment of eligible funding to date positions the City to offset Transit operational losses and a significant portion of all other Municipal deficits. Staff continue to monitor revenues and expenses against the 2021 Budget and will report to Council if there are any material changes to expectations. The next scheduled forecast on the Operating Budget will be the 2nd Quarter Forecast for the period ending June 30, 2021. This report is typically presented to Council in September.

Current Situation:

The 2022 Budget presents challenges for the City of Brampton, given the prolonged impacts of the COVID-19 pandemic and the uncertainty surrounding economic and social recovery to support our residents and businesses.

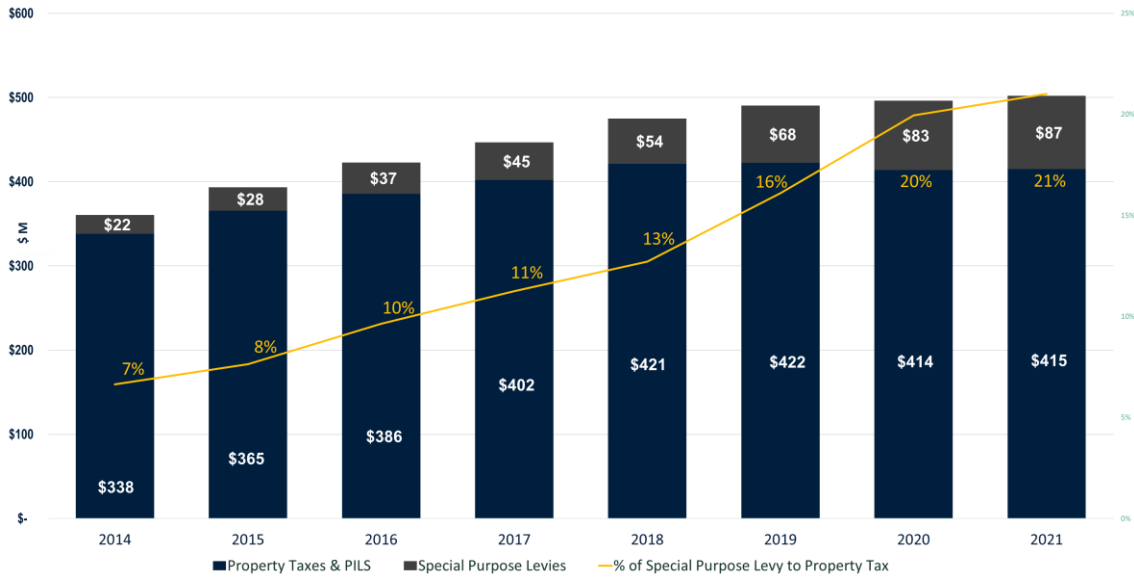
Given the uncertainty of whether the City will be in a state of response versus recovery, the Budget will be developed to fund the City's pre-Covid-19 service levels as approved by Council notwithstanding the impacts of the pandemic.

Any financial losses recognized in 2022 will be managed through Federal and Provincial funding or through the General Rate Stabilization Reserve on the assumption that the impact of this pandemic on City services is temporary in nature and once it subsides Brampton's expenditure and revenues will revert to the pre-pandemic baseline.

In addition to addressing the financial challenges resulting from the current pandemic, annual budget pressure expectations consist of approximately 2% inflation, 2% Infrastructure Levy and 1% Transit Levy.

In this term of Council the property tax funding utilized for base operations and growth has decreased from \$421 million in 2018 to \$415 million in 2021 representing a decrease of 1.4%. The property tax funding contributed to capital through the levies has increased from \$53.6 million to \$87.2 million or 63 % increase. Please refer to Table 1.

Table 1: 2014 – 2021 Special Purpose Levies as a % of Property Tax



If a 3% levy increase were approved in the 2022 Budget this would result in an increase in the contribution by \$14.9 million or a 17.1% increase, bringing the total contribution to \$102 million as illustrated in Table 2. The average annual growth rate of the levies since 2014 is 21%.

Table 2: 2014 – 2021 Special Purpose Levies Annual Growth



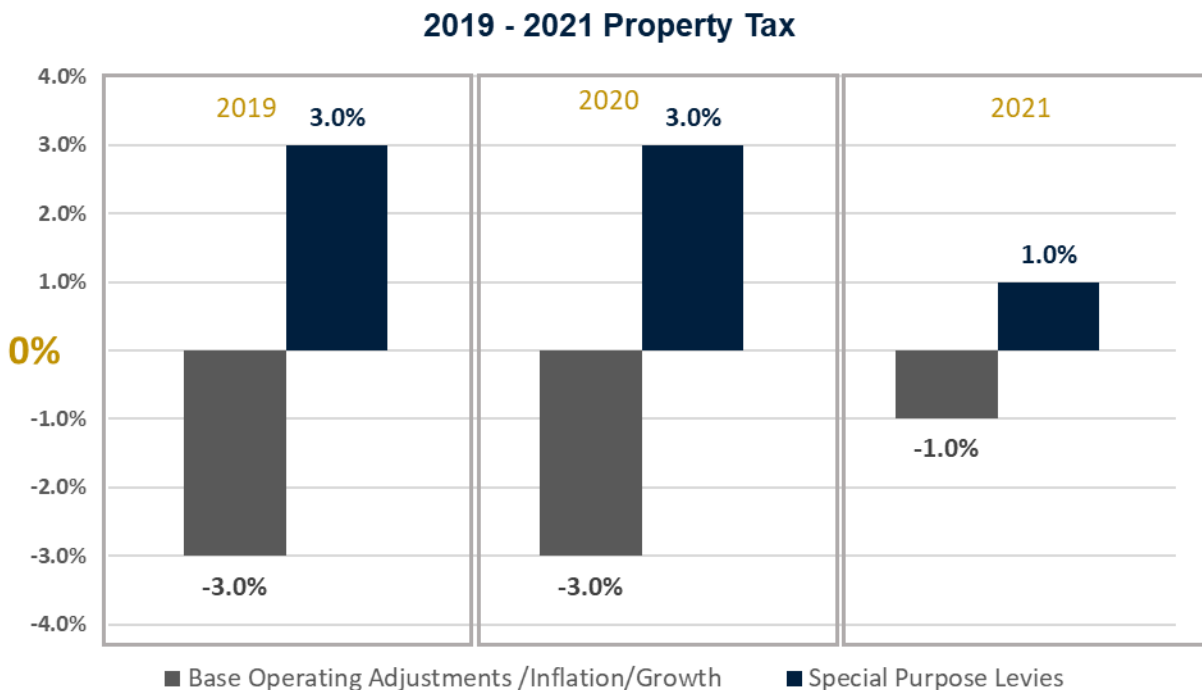
The City has successfully reached a healthy and sustainable contribution to capital infrastructure specific reserves with 20% of Property Taxes collected supporting the repair and replacement of City assets. When benchmarking to neighbouring Municipalities as at 2019; Brampton is ranked the third highest illustrating the City's

historical commitment to build a healthy contribution that supports the maintenance of City infrastructure.

In addition staff are currently working on an updated 2021 Capital Asset Management Plan (CAMP) which will advise on the State of Local Infrastructure, establish current and desired levels of services, the Asset Management Strategy and associated Financing Strategy. With this information staff will be able to advise on the appropriate level of contribution to close potential infrastructure gaps to achieve sustainable management of City assets.

Since 2019, Council has approved three consecutive years of 0% property tax increases while contributing to the infrastructure and transit levies. In order to achieve this, staff have modernized existing processes, maximized efficiencies and aligned funding operations with eligible reserves to minimize property taxes for residents and businesses. In addition, budgets have been systematically right-sized to recognize the benefit of revenue growth or new streams of revenue in addition to other measures to mitigate property tax. Illustrated in Table 3 below.

Table 3: 2019 – 2021 Property Tax Breakdown

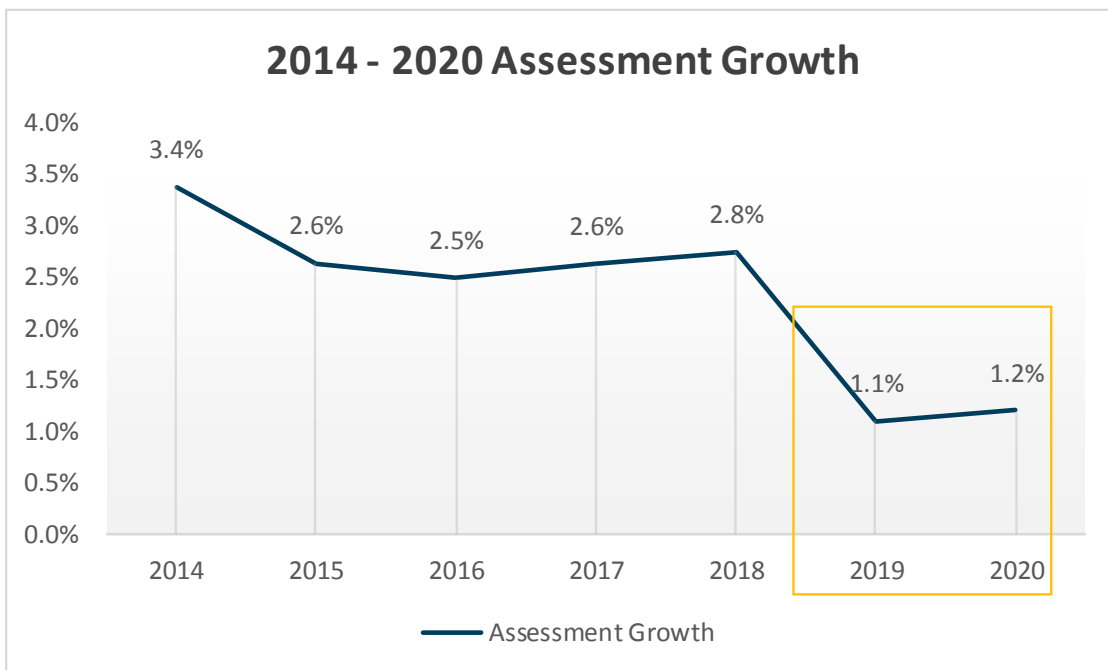


As the 2022 budget is being developed, it is important to consider the rate of growth of base operations in relation to the special purpose levies. A sustainable approach is to grow the contribution to Infrastructure reserves in tandem with property tax increases. For example; a 1% property tax increase of \$5 million, would result in a 1% levy

increase of \$872 thousand. This methodology maintains the City's 20% tax based contribution to capital relative to property taxes.

Assessment Growth provided by MPAC for the 2020 fiscal year continued on the same trajectory as 2019, recognizing a steep decline from the historical trend. The City is projecting a 1.1 % increase for the 2021 fiscal year. For the period of 2014-2018 the City had recognized an average annual increase to the tax base of 2.8% related to Assessment Growth, which provided a stable source of funding for growth in operations. 2020 Assessment Growth resulted in an increase of 1.2% to the tax base, which is a decrease of over 60% from 2018.

Table 4: Historical Trend of the City's Assessment Growth:



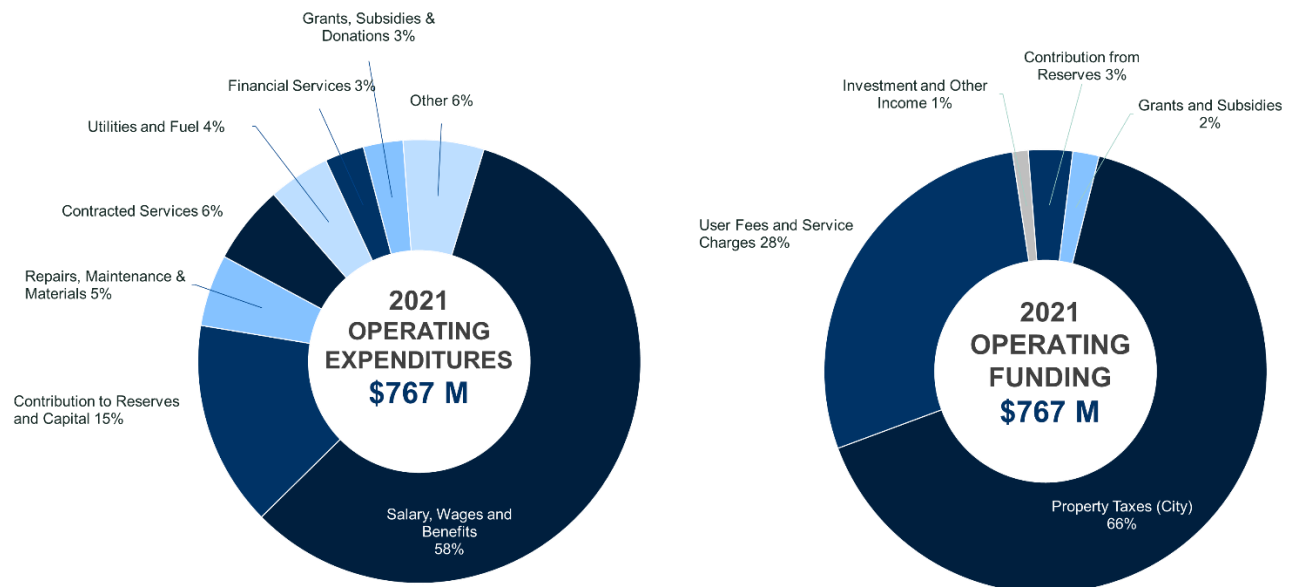
To meet the challenges of the Pandemic, staff recommend the 2022 Budget be developed with various tax levy scenarios for Budget Committee's consideration, including a 0% property tax change option on the City's portion of the tax bill. The following focus areas are recommended to guide budget development:

- Develop baseline budget requirements, in order to maintain existing service levels in existing and new growth areas.
- Identify any COVID-19 related expenditure and revenue budget pressures for 2022.
- Review and assess impacts of:
 - Increasing user fees where appropriate
 - Delaying service growth
 - Deferring city-wide strategic initiatives

- Reducing or realigning service levels to meet changes in public demand
 - Maximizing eligible reserves to fund one-time operating expenditures
 - Mitigating inflationary impacts through efficiencies and/or
 - Alternative service delivery methods, as identified in the recent corporate-wide service reviews.
- Identify the impacts of aligning increases to the Infrastructure and Transit Levy with the equivalent % increase in property taxes.
 - Review existing tax-based capital contributions to determine if opportunities exist to reduce or reprioritize tax-funded capital plans.

The 2021 Operating Budget was approved by Council on December 9th, 2020, at an amount of \$766.9 million. The primary drivers of expenditures in the 2021 Operating Budget are labour and contributions to reserves, whereas revenues are largely received through property taxes and user fees. The following charts illustrate the budget breakdown of expenditures and revenues by category.

2021 Operating Budget – Expenditure and Revenue by Category (\$000s)



In addition to the internal efforts above to manage and mitigate the impacts of this pandemic, advocacy efforts for recovery and sustainability funding from other levels of government will be critical to the success of the City in limiting impacts of budget pressures for 2022 and beyond.

2022 Budget Timelines

Proposed timelines for the 2022 Budget are included in this report, pending any changes to the external environment related to COVID-19 and related advocacy efforts for relief funding from other levels of government.

The Proposed Budget document is projected to be distributed on November 1st, 3 weeks prior to the commencement of Budget Committee deliberations on November 22nd.

Subsequent to distribution of the Proposed Budget document, staff will continue the practice of holding individual Councillor Briefings to discuss and review the budget document and solicit questions ahead of Council deliberations. These meetings are scheduled to take place between November 2nd and November 12th. Staff will capture all feedback from these meetings for presentation at the beginning of Budget Committee deliberations.

Budget Committee deliberations are proposed to take place between November 22nd and December 3rd, with final budget approval occurring at a Special Council Meeting on the evening of December 8th.

Staff recognize the need to remain flexible in these uncertain times and will continue to monitor developments related to COVID-19 and advocacy efforts with other levels of governments, in order to advise Council of any recommended changes to the 2022 Budget approval timelines, as required.

The following table illustrates the 2022 Budget schedule:

Deliverable	Action	Tentative Schedule
Proposed 2022 Budget Document	Distribution of the proposed 2022 Budget Document to Council and the Public	November 1st
Individual Councillor Questions and Feedback	Staff meetings with members of Council to solicit questions and feedback on Budget documents, prior to deliberations	November 2nd to November 12th
Budget Committee Deliberations	Budget Committee to deliberate budget proposal and provide recommendations to Council	November 22nd to December 3rd
Budget Approval	Special Council meeting to approve of the 2022 Budget	Evening of December 8th

Corporate Implications:

N/A

Term of Council Priorities:

This report fulfils the Council Priority of a Well-Run City through strict adherence to effective financial management policies and supports Brampton's 2040 Vision by ensuring sustainable financial operations.

Conclusion:

The 2022 Budget presents challenges for the City of Brampton, given the prolonged impacts of the COVID-19 pandemic and the uncertainty surrounding economic and social recovery to support our residents and businesses.

This report highlights the anticipated 2022 Budget pressures, along with proposed strategies and timelines to achieve a Budget that meets the needs of our community.

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