



Staff Report

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Report To:	General Government Committee		
Date of Meeting:	February 1, 2021	Report Number:	FSD-005-21
Submitted By:	Trevor Pinn, Director of Financial Services		
Reviewed By:	Andrew C. Allison, CAO	Resolution#:	
File Number:		By-law Number:	
Report Subject:	2021 Operating and Capital Budgets		

Recommendations:

1. That Report FSD-005-21 be received;
2. That Council approve the 2021 Operating and Capital budgets, including “external agencies” as outlined in the 2021 Draft Budget Book, at an estimated tax levy impact of 2.50 per cent, exclusive of tax policy impacts, as directed in FSD-005-21;
3. That Council approves the 2021 budgets for the Bowmanville BIA (Attachment #1), Newcastle BIA (Attachment #2), and Orono District BIA (Attachment #3);
4. That the 2021 Draft Budget Book be amended to reflect the required tax levy request from the three business improvement areas, and that the three budgets be approved;
5. That the 2021 Draft Budget Book be amended to increase the Committee of Adjustment salaries and benefits by \$3,153.96 to reflect four persons on the Committee rather than one;
6. That the 2021 Draft Budget Book be amended to add a grant in the amount of \$115,000 to Clarington Hospice, to be funded from the Tax Rate Stabilization Reserve Fund, to offset the local portion of development charges;
7. That the 2021 Draft Budget Book be amended to remove \$40,000 from the Municipal Election budget as per Staff’s recommendation in Report LGS-006-21 (\$31,000 from postage, \$5,000 from advertising expenses and \$4,000 from printing);
8. That reserve and reserve fund contributions and new reserve/reserve funds be approved as shown in the 2021 Draft Budget Book;

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9. That the financing of capital projects, as outlined in the 2021 Draft Budget Book, be approved;
 10. That any cash flow shortfall in the Development Charges Reserve Funds be interim financed from the Municipal Capital Works Reserve Fund and General Municipal Reserve Fund, to be repaid with interest, as cash flow permits;
 11. That Report FSD-005-21 be adopted by resolution in accordance with provisions of Ontario Regulation 284/09 of the *Municipal Act, 2001*;
 12. That the appropriate by-laws to levy the 2021 tax requirement for Municipal, Regional, and Education purposes be forwarded to Council for approval, once final tax policy information is available; and
 13. That all interested parties listed in Report FSD-005-21 and any delegations be advised of Council's decision.

Report Overview

The purpose of this report is to provide necessary information to Council in order to approve the 2021 Capital and Operating Budgets. The report includes several important components and the Budget Book provides specific details. There are significant capital considerations for 2021 that further enhance the Municipality's capital infrastructure. The Budget is continuing to carry out the principles and objectives of these important Council priorities.

1. Background

2021 Draft budget and levy impact

- 1.1 This year's "Clarington Budget 2021: A Path Forward" was released to Council on January 15, 2021 and the Municipality's website the following week. This year's budget book takes on the same format as the 2020 budget, continuing our movement towards creating a budget document that is easier to understand and clear for stakeholders.
- 1.2 The budget looks to prioritize services and resources, as well as continuing to invest in our capital assets, as the Municipality moves forward in 2021 in the COVID-19 Pandemic. The budget assumes a reduction of service capacity and demand in certain services, primarily Community Services, as a direct result of the public health restrictions that are in place. While we are anticipating a recovery in 2021, it is unclear when certain services will return to their pre-pandemic levels.
- 1.3 The budget has consolidated all the accounts to reflect the current organizational structure of the Municipality following the approved corporate reorganization in 2020. Historical actual and budget information in the budget book has been realigned to the 2021 general ledger areas. Historical accounting information has not been modified; this is a presentational change only.
- 1.4 In September 2020, Council directed Staff to bring forth a budget for 2021 with a target municipal levy increase of 3.55%. Staff worked diligently to meet that target. The draft budget, including proposed new staffing, increased reserve fund transfers and maintaining service levels was reached with a 2.50% municipal levy increase. This represents approximately \$39 to the average residential taxpayer.
- 1.5 The average residential property assessment for 2021 is approximately \$394,000 (2020 - \$390,700). A 1.0% increase in the tax levy would be approximately \$15.17 annually on the property tax bill on the average assessment. As a result of the proposed budget the average municipal increase is \$38.50 per year. It should be noted that in 2021 there was no reassessment of properties, the increase in the average assessment would be related to the value of new growth.

- 1.6 A 1% increase in the levy translates into approximately \$627,500 in additional revenue to the Municipality.
- 1.7 The Region of Durham's Budget will be presented to Regional Council later this winter. It is anticipated that the impact to the Clarington taxpayer will be lower than the average Durham resident as the assessment base in the other municipalities is higher than in Clarington. It is anticipated that approximately 50% of the total property tax bill will still be related to the Region of Durham; however, at this time it cannot be confirmed.

Items for Council Consideration

- 1.8 The budget book included a list of items for consideration on page 26. These items may have been deferred by Staff in order to meet the 3.55% target or brought forth by members of Council and the public for consideration.
- 1.9 Items for consideration include approximately \$372,540 in operating costs and \$2,532,300 in capital costs. If all these items were to be included there could be an additional 4.63% to the tax levy; however, this could be mitigated through use of development charges (where allowed) or reserve and reserve funds (where feasible).
- 1.10 An item not included on this list or in the budget was a capital request from Emergency and Fire Services. To be added to the "B List" is a request for \$35,000 for an Extractor and Dryer for Station 3. These are included in other stations throughout the Municipality.
- 1.11 Included on this list is an item which has subsequently been approved; however, the funding for those items has not been determined. This includes the provision of a grant to Clarington Hospice to offset their local development charges (approximately \$115,000).
- 1.12 Council also provided pre-budget approval on January 18, 2021 to hire an outside planning consultant for options regarding recreational vehicle storage in Clarington. This item requires an increase to the Planning and Development Services consultant expense account as it was not previously included in their 2021 submission. This item was included in the determination of the levy and will be added to the appropriate expense account upon ratification of the budget.

2. Tax Rate Stabilization

- 2.1 Historically, Clarington has drawn on our Rate Stabilization Reserve Fund approximately \$800,000 per year. In 2019 this was reduced by \$200,000 with specific draws being added for forestry. In 2020, \$600,000 was drawn with additional draws for capital projects.

- 2.2 During 2020, as a result of the COVID-19 pandemic, Council approved \$1.0 million to be used for a tax rebate program. This funding was not required and per Council resolution is available for the COVID-19 CIP.
- 2.3 The 2021 Draft Budget does not include any draw from our Rate Stabilization Reserve Fund, this is in part a result of funding received from the Province of Ontario for use in 2021 to offset implications from COVID-19.

3. Tax Policy Changes

Current Policy Implications

- 3.1 A long-term strategic tax policy plan was initially approved in 2002 by the Region of Durham (who has legislative authority over tax policy), that may have an impact on final tax rates. The 2021 update is anticipated was presented to Regional Finance and Administration Committee in February 2021. Any tax ratio changes impact upon the relative share of the total taxes that each property class pays.
- 3.2 In 2020, the Region's tax policy report included a recommendation not to implement a reduced tax rate for the first \$50,000 of assessment on small-scale value-added commercial activities on farms that was announced by the Province of Ontario in 2018. There is a limited impact to taxpayers (in 2020 only seven properties in all of Durham Region would qualify) while the administrative costs would be significant.
- 3.3 In 2020, there was a request from the Town of Whitby to match support for a heritage property tax rebate. The Region only is allowed to create a program in a municipality that already has a program; therefore, this would only apply in Ajax (two properties), Whitby (30 properties) and Oshawa (8 properties). It was recommended that no program be established as it would go against the Region's objective of treating similar properties in a similar manner throughout the whole region.

Potential Future Policy Implications

- 3.4 On November 5, 2020 the Province of Ontario released the Provincial Budget 2020 - Ontario's Action Plan: Protect, Support, Recover. This budget included several measures to respond to the COVID-19 pandemic including reductions to Business Education Taxes (BET) paid by commercial and industrial taxpayers, the creation of an optional property subclass for small business properties, new tools for redevelopment and speculative sales, confirmation of the postponement of the 2021 property reassessment and other initiatives
- 3.5 Clarington is affected by tax policy decisions made on the education side by the Province of Ontario. This stems from municipalities retaining the education portion of

eligible payment in lieu (PIL) properties such as Ontario Power Generation. In the 2020 budget, the Province has reduced the Business Education Tax (BET) that is paid by commercial and industrial taxpayers. This does not impact the Municipality for the majority of taxpayers (as we collect the BET on behalf of the Province and remit to the school boards); however, as there is a portion that we retain this could reduce our payments-in-lieu-of-taxes (PILS) that we keep. The Province has indicated that for 2021 the BET rate will remain the same for PILS; however Federal properties typically pay taxes based on the commercial rates. As Darlington is owned by OPG it is likely that they will follow the Province's direction to pay the BET at the former rate.

- 3.6 The Province has indicated that there will be the ability to create an optional sub-class for small businesses. This may allow municipalities to target financial support and tax policy specifically to small businesses. As at January 21, 2021, the Province has not released any regulations or guidance on how this sub-class or potential financial support will occur. It should be noted that property tax policy is the responsibility of the Region of Durham. Staff are continuing to work with the Region to determine the implications of this policy decision.
- 3.7 The Province has not released guidance on its tools for redevelopment and speculative sales at the time of this writing.
- 3.8 The postponement of the 2021 property reassessment has resulted in no market growth for properties in 2021. As the last assessment cycle was based on a valuation date of January 1, 2016 all taxpayers are currently paying taxes based on the assessed value of their homes five years ago. When the future reassessment occurs, there will likely be shifts of the tax burden throughout the Municipality depending on the market values and the phase-in regime applied. At this time, we do not know when the next assessment date will be.

4. Staffing Requests

- 4.1 Included in the proposed budget are the following requests for new staff:
 - a. Convert contract Corporate Policy Analyst to full-time in the Office of the CAO;
 - b. Convert contract Climate Change Coordinator to a full-time Energy and Climate Change Response Coordinator in Planning and Development Services;
 - c. Create a contract Project Manager position in the Community Planning Branch of Planning and Development Services. This position is funded in part by contributions from developers;

- d. Add a full-time Principal Planner in the Development Review Branch of Planning and Development Services;
 - e. Add a full-time Development Review Technician in the Infrastructure Division of Public Works;
 - f. Create a full-time Operations Equipment Trainer position in the Operations Division of Public Works; and
 - g. Create a full-time Network Security Analyst position in the Information Services (IT) Division of Financial Services.
- 4.2 In the Draft Budget Book's executive summary, the conversion of the Corporate Policy Analyst to full-time was inadvertently missed. The position and justification was included in the section dedicated to the Office of the CAO and is included in the proposed budget.
- 4.3 Legislative Services, Community Services, and Emergency and Fire Services are not requesting additional permanent staffing in 2021.
- 4.4 The specific rationale provided by the departments in support of these requests are set out in the Draft Budget Book.

5. Operating Budget Commentary

- 5.1 The 2021 Draft Budget Book provides summary information for all the changes in the operating departments and sub-departments. This information was provided to ensure that Council was aware of the projected change from 2020. The book also is reflective of the changes in accounts resulting from the recent corporate reorganization.
- 5.2 Significant changes to operating includes the impact on the Community Services operations resulting from anticipated service restrictions from COVID-19. It is hoped that many of the service reductions will return to normal in 2022.
- 5.3 We have reviewed revenue accounts and adjusted to better reflect what the Municipality estimates to be achievable. This includes an increase to investment income to better reflect the interest earned on our investments, but also includes decreases in certain programs or Planning and Development Services revenues which are anticipated to result in more revenue.

6. Capital Budget Commentary

- 6.1 The total capital budget investment of \$23,887,348 utilizes approximately \$4.6 million of development charges, \$9.9 million of reserve funds, \$446,900 from reserves and \$697,000 from external financing sources (grants).
- 6.2 Tax levy support in 2021 to the capital budget is \$8,289,461 which is \$5,000 higher than the 2020 tax levy support. This is an increase of 0.06 per cent in the tax levy support to the capital budget; however, a \$900,000 increase in contribution to the Operations Equipment Reserve Fund is included which otherwise would have been a tax levy capital item for replacement vehicles.
- 6.3 The capital budget recommendations are incorporated in the Draft Budget Book, under the section "Capital Budget" starting on page 120. A description of the project is included for each capital budget item.

7. Debt Status

- 7.1 Current projected annual debt repayment obligations for 2021 Budget purposes total \$2,139,350 (2020 - \$2,688,395) predominantly funded from development charges. Existing debentures include those issued for: Bowmanville Indoor Soccer, Garnet B. Rickard Recreation Complex (final payment is in 2021), Community Care Durham space, Green Road grade separation, Courtice branch library, the Diane Hamre Recreation Complex, as well as retrofits for the Municipal Administration Centre and Pad A of the Garnet B. Rickard Recreation Complex.
- 7.2 In 2018, two debenture projects were funded internally and will be repaid through transfers between Reserve Funds. The Garnet B. Rickard Recreation Complex parking lot refurbishment will be repaid through a portion of the annual contribution to the Parking Lot Rehabilitation Reserve Fund. The LED light retrofit will be repaid through savings in electricity and maintenance costs for streetlights.
- 7.3 In the 2020 Budget, Council approved \$4.2 million in debentures related to the design and construction of the South Bowmanville Recreation Centre. The project did not receive funding in 2020, resulting in a delay in the project as staff review financing options. Staff are currently exploring Private-Public-Partnerships (P3s) to determine feasibility. There are no funds in the 2021 budget specific to the South Bowmanville Recreation Centre.

8. Municipal Grant and Sponsorship Programs

- 8.1 The Municipal Grant Program and the Municipal Sponsorship Program have undergone a revision in 2021, as approved by Council in the fall of 2020. The budget presented this

this report includes \$60,000 for the grant program and \$35,000 for the sponsorship program.

- 8.2 As hall boards and horticultural societies are ineligible for the new grant program, funding for these boards has been separately budgeted. There is \$37,500 remaining for other grant applicants from the budgeted \$60,000. The “Unbudgeted Needs” list, the “B list” includes requests from the hall boards in excess of the budgeted amounts.
- 8.3 Each of the seven hall boards that was formerly eligible under the grant program has been budgeted an allocation of \$3,000. Each of the three horticultural societies has been budgeted \$500.
- 8.4 Included within the “Unbudgeted Needs” list is a request for an additional \$25,000 in funding for the grant program. This will move the program towards its goal of \$1/resident for community support. Given the financial pressures that many non-profit organizations are facing due to COVID-19 this may be something that Council wishes to consider.

9. Reserve and Reserve Fund Contributions

- 9.1 Consistent with past practice, increases in reserve and reserve fund contributions are at times deemed appropriate to bolster balances in depleting reserve funds or to begin to put aside funds for an identified need. This is an important part of our asset management strategies. For 2021, there are several increases to the contributions which have been recommended in the Draft Budget Book including:

Reserve Fund	Amount of Increase
Clerk’s Fleet Reserve Fund	\$5,000
Animal Services Capital Reserve Fund	3,000
Future Staffing Reserve Fund (increase to bring to \$50,000)	22,775
Municipal Capital Works Reserve Fund	15,000
Fire Equipment Reserve Fund	100,000

Reserve Fund	Amount of Increase
Continuous Improvement Reserve Fund	(50,000)
Facilities / Park Maintenance Reserve Fund	(100,000)
Operations Equipment Reserve Fund	900,000
Community Services Capital Reserve Fund	75,000
Community Services Building Refurbishment Reserve Fund	150,000
Roads Capital Reserve Fund	130,000

10. External Agencies

- 10.1 The 2021 budget includes requests from external agencies, including the Clarington Public Library and Museums, Visual Arts Centre, Bowmanville Older Adults Association, Community Care Durham, Newcastle Community Hall and Grandview Children’s Centre.
- 10.2 The 2021 budget guidelines adopted by Council provided for a 1.8 per cent increase cap for external agencies to be included in the budget. Two organizations have requested funding in excess of this guideline. If Council wishes to provide the additional funding to the Newcastle Community Hall and Community Care Durham these requests are included in the Unbudgeted Needs (“B list”) and may be separately moved.
- 10.3 Both the Newcastle Community Hall and Community Care Durham are asking for additional funds to offset impacts from the COVID-19 pandemic. Newcastle Community Hall is anticipating significant revenue pressures as a result of cancelled rentals and capacity limitations. Community Care Durham has seen increased demand for service and corresponding service delivery cost increases to adapt to the pandemic.

11. 2021 Accrual Based Budget for PSAB per Ontario Regulation 284/09

- 11.1 Public Sector Accounting Board annual reporting requirements for municipal Budgets require that certain accrual-based items be reported to Council in conjunction with the Budget for 2011 onwards.
- 11.2 Accrual based expenses that are excluded from the 2021 tax-based budget include post-employment benefits and amortization of capital assets. Other items to transfer to a PSAB Budget include tangible capital asset acquisitions and accounting treatment of debt principal payments.
- 11.3 There is no immediate financial impact of these PSAB additions or reductions since the tax-based budget approves necessary funds to provide municipal services for 2019, but there are longer term implications.
- 11.4 The estimated change to the accumulated surplus at the end of 2019 resulting from the above items is as follows:

PSAB Additions to the 2021 Budget

Adjustment	2021 Dollar Amount
Tangible capital asset amortization	\$20,677,662
Post-employment benefit estimate	984,660
Total PSAB Additions	\$21,662,322

PSAB Reductions to the 2021 Budget

Adjustment	2021 Dollar Amount
Tangible capital asset acquisitions	\$(23,887,348)
Debt principal payments	(1,858,842)
Total PSAB Reductions	\$(25,746,190)

Total PSAB Impact

Adjustment	2021 Dollar Amount
(Increase) / Decrease in Accumulated Surplus	(\$4,083,868)

12. Concurrence

Not Applicable.

13. Conclusion

It is respectfully recommended that this report and the accompanying documents are intended to provide Council with the information necessary to make strategic decisions and ultimately adopt a budget for the 2021 fiscal year.

Staff Contact: Trevor Pinn, Director of Financial Services, 905-623-3379 ext. 2602, tpinn@clarington.net

Attachments:

Attachment 1 – 2021 Historic Downtown Bowmanville BIA Budget

Attachment 2 – 2021 Newcastle BIA Budget

Attachment 3 – 2021 Orono District BIA Budget

Interested Parties:

The following interested parties will be notified of Council's decision:

- a. Community Care Durham
- b. The Clarington Public Library and Museums
- c. Bowmanville Older Adults Association
- d. John Howard Society of Durham
- e. Newcastle Community Hall
- f. Visual Arts Centre
- g. Grandview Children Centre

Historic Downtown Bowmanville Business Centre (BIA)

January 22, 2021

APPENDIX A

	PROPOSED 2021
Administration	\$78,200.00
Events	\$70,000.00
Special Promotions	\$2,951.00
Streetscape	\$27,700.00
Capital Works	\$20,300.00
Contingency Fund	\$5,000.00
Website	\$26,000.00
Office Expenses	\$2,000.00
Total Budget	<u>\$232,151.00</u>
less surplus	<u>-\$64,712.00</u>
NET TOTAL = LEVY	<u>\$167,439.00</u>

The following budget was proposed for 2021 by the Newcastle Downtown Business Improvement Association's Board of Directors for approval by the Membership at the AGM January 26, 2021

Newcastle DBIA Proposed Budget for 2021	
Downtown Safety & Décor	23,000
Events	5,000
Advertising	10,000
Admin/Contingency	2,000
Total Expenses	40,000

Orono DBIA Budget		
	2020	2021 Proposed
Income		
Municipal Levy	6000.00	6000.00
Donations/Sponsorship Santa Claus Parade	0	7,000.00
Antique Festival – vendor payments	0	3,000.00
More Than a Car Show – vendors, registrations	0	4500.00
OPG – event sponsorship	0	1,000.00
* Capstone Grant – (Benches 2020)	10, 830.00	2,000.00
Municipality – Christmas street dec (Rec'd 12/2019)	22,140.55	-
Total	38,970.55	23,500.00
Expenses		
Christmas Main Street Star lights	10,484.37	-
Advertising & Printing	1960.00	6,200.00
Website Design and Development	2850.00	-
Website Hosting	200.00	200.00
Utilities – Ontario Hydro (Hwy Sign)	804.98	900.00
Bank fees	60.22	100.00
Benches (5)	7887.40	8000.00
Bookkeeping	158.20	200.00
Landscaping & Maintenance	3,491.52	3,500.00
Gift Sponsorship & Promotion	340.00	500.00
Post Office Box – yearly rental	195.49	200.00
Event Expenses – other than advertising		
Tree lighting	0	50.00
Antique Festival	0	3,500.00
Orono fest	0	300.00
Elf on a Shelf	0	45.00
Santa Claus Parade	0	4,500.00
Easter Egg Hunt	0	550.00
More Than a Car Show	0	750.00
Pumpkin Walk	0	150.00
Total	28,432.18	29,645.00

*Capstone Grant – each year Capstone awards community grants totally \$25,000 (part of the agreement for hosting wind turbines). This year the BIA applied for the benches. In previous years the amount has been \$2000 to go towards an event expense. It is unknown at this time - until the new funding applications become available for 2021, what the ask will be.

Events – due to the pandemic no events ran in 2020 and it is unknown what events will take place in 2021.