



Date: December 20, 2021
To: Mayor and Council
Author: Ryan McLeod, CPA, CA
RE: 2022 Municipal Budget – Executive Summary
Report No.: FS-2022-01

RECOMMENDED ACTION

1. That the 2022 Draft Budget **BE RECEIVED** for deliberations, which proposes a municipal tax rate increase of \$62.39 on a home assessed at \$250,000 (2016 assessment); and,
2. That the transfer of any unspent tax dollars on 2021 capital projects to reserves for their completion in 2022 **BE APPROVED**.

BACKGROUND

As per section 290, of the *Municipal Act, 2001*, every year, municipalities are required to prepare and adopt a budget. The budget must include all estimated revenues, expenses, debt repayments and reserve contributions or withdrawals for the year.

The annual budget serves 3 main purposes;

- 1) It determines the amount of revenue to be raised from property taxes
- 2) It provides an opportunity to direct financial resources towards municipal priorities.
- 3) It provides a tool for financial management and control throughout the fiscal year.

The Town of Kingsville municipal budget includes both 'property tax' supported operations and 'water & wastewater rate' supported operations. The property tax supported budget determines the property tax rate, while the water and wastewater budgets form the basis for future water and wastewater rate discussions.

DISCUSSION

Property Tax Supported Budget

The budget consists of two main components: an Operating Budget and a Capital Budget which are summarized in Table 1 below.

Table 1 – Operating and Capital Budget Totals

	2022 Draft Budget	2021 Budget	Increase (Decrease)
Operating Budget	\$ 15,685,859	\$ 14,497,804	\$ 1,188,055
Capital Budget	5,001,246	4,993,933	7,313
Less: Supplemental Taxes	(341,000)	(341,000)	-
Tax Levy	\$ 20,346,105	\$ 19,150,737	\$ 1,195,368

Operating Budget

The Operating Budget funds the day-to-day services provided by the Town. Administration is committed to responsibly managing financial resources to maintain or enhance the level of service the Town provides to its residents. The total 'net' operating expenses for 2022 are summarized in Table 2 below. 'Net' operating expenses refers to gross operating expenses, less operating revenues, + / - operating reserve adjustments.

Table 2 – Net Operating Expenses, By Department

	2022 Draft Budget	2021 Budget	Increase (Decrease)
Council	\$ 285,280	\$ 230,031	\$ 55,249
General Administration	2,003,417	1,613,916	389,501
Information Technology	646,993	597,177	49,816
Animal Control	27,800	26,600	1,200
Fire	1,719,566	1,592,313	127,253
Police	3,269,016	3,362,091	(93,075)
Building & By-law	280,000	221,000	59,000
Public Works	3,085,792	2,803,248	282,545
Sanitation	1,531,549	1,441,343	90,206
Cemetery	38,681	44,735	(6,054)
Parks & Recreation	2,384,816	2,223,706	161,110
Planning	412,949	341,645	71,304
Total Operating Budget	\$ 15,685,859	\$ 14,497,804	\$ 1,188,055

The detailed departmental operating budgets can be found on pages 11 – 31 of the Municipal Budget.

The major factors contributing to increased operating costs are as follows:

Inflation

According to Statistics Canada, the Consumer Price Index rose by 4.7% between November 2020 and November 2021. The general rise in goods and services impacts a wide range of municipal operating expenditures, including; labour, contracted services, materials, fuel and utilities. While management strives to find efficiencies wherever possible, the general increase in the cost of goods and services cannot be completely avoided.

Growth Related Costs

The Town has been in the fortunate position to realize assessment growth through new construction in recent years. For 2022, the increase in the Town's weighted assessment through 'real growth' will be 2.64%. While this additional assessment allows the Town to distribute certain overhead costs over a larger base, this new growth also has direct servicing cost implications. For example, the Town's policing and garbage contracts are based on the number of households. Park maintenance is a function of the size and quantity of parklands. Streetlight hydro is based on the number of streetlights. Road maintenance is a function of lane kilometers. As the municipality grows, so will the operating costs required to maintain the established levels of service.

Wages and Benefits

Wages and benefits represent the single most significant component of the Town's operating expenses. Based on the existing staffing complement, salaries and wages funded by taxation will increase by \$322,000 due to COLA adjustments, market value grid increases (non-union) and collective agreements (union). A further \$207,000 in budgetary increases is required to fund the roll over impact of positions added in 2021, but only budgeted for part of the year.

Increased Staffing Complement

An internal review of staffing resources has concluded the Town continues to be understaffed in several key areas. Despite some staffing additions in recent years, the Town continues to have the lowest level of staffing among comparator municipalities in Essex County by a significant margin. Staffing levels have a direct correlation to the services which the Town can provide to its residents.

The 2022 budget includes new positions, which are funded by a combination of taxes, user fees, water and wastewater rates. The 2022 tax impact of the proposed new positions amount to \$252,000. The proposed positions respond directly to Council and community priorities. Rationale for each position has been provided in a separate report accompanying the Budget agenda package.

Insurance

Based on the results of the Town's Insurance renewal, the Town's 2022 premiums are expected to increase by \$107,452 (2022 - \$603,119, 2021 - 495,667). This increase

can be attributed to a combination of market conditions and increasing replacement values for real property.

OMPF Funding Decrease

In 2022, the amount the Town receives from the Ontario Municipal Partnership Fund (OMPF) will decrease by \$31,800 (2022 - \$719,900, 2021 - \$751,700). This unconditional grant is calculated by the Province using a variety of financial indicators. The two most significant indicators are ‘Total Weighted Assessment divided by the number of Households’ and ‘Median Household Income’. The Province uses these indicators to assess a Municipality’s ability to generate sufficient revenue through property taxation. As noted in Table 3 below, Kingsville is above the Provincial average on both of these indicators, suggesting that Kingsville is not an economically challenged municipality.

Table 3 – OMPF Primary Financial Indicators

	Kingsville	Provincial Average
Total Weighted Assessment Per Households	\$295,558	\$289,000
Median Household Income	\$77,429	\$69,000

COVID-19 Implications

The Coronavirus is expected to continue to have a significant impact on Municipal operations in 2022. Fortunately, the Town has preserved sufficient funding from its 2021 Federal-Provincial Safe Restart Grant to mitigate the anticipated financial impact that COVID-19 would otherwise have on the municipal operating budget. The 2022 budget includes \$417,750 in funding from the Safe Restart Grant. This funding supplements direct out-of-pocket expenses for COVID related matters, revenue shortfalls, as well as economic and tourism recovery efforts resulting from COVID-19 restrictions.

Capital Budget

The capital budget consists of current year capital expenditures, which are offset by various funding sources such as grants, reserve withdrawals, and other revenue. The capital budget also includes reserve contributions and long-term debt servicing costs. The capital budget is summarized in Tables 4 and 5 below:

Table 4 – Capital Budget Summary

	2022 Draft Budget	2021 Budget	Increase (Decrease)
Capital Expenditures	\$ 18,146,035	\$ 18,846,064	\$ (700,029)
Less: Funding Sources			
<i>Grants</i>	(6,030,960)	(3,131,364)	(2,899,596)
<i>Reserves</i>	(3,513,182)	(6,329,039)	2,815,857
<i>Other Revenue</i>	(505,194)	(1,233,637)	728,443
<i>Development Charges</i>	(6,908,750)	(5,519,700)	(1,389,050)
<i>Long-term Debt</i>	(606,250)	(1,316,000)	709,750
Net Capital Expenditures	581,699	1,316,324	(734,625)
Transfers to Reserves	3,375,000	2,760,000	615,000
Debt Service Costs	1,044,547	917,609	126,938
Total Capital Budget	\$ 5,001,246	\$ 4,993,933	\$ 7,313

Table 5 – Capital Budget, By Department

	2022 Draft Budget	2021 Budget	Increase (Decrease)
General Administration	160,022	160,022	-
Information Technology	15,400	6,000	9,400
Fire	315,000	363,000	(48,000)
Police	80,000	80,000	-
Public Works	3,543,518	3,630,080	(86,562)
Parks & Recreation	737,306	704,831	32,475
Planning	150,000	50,000	100,000
Total Capital Budget	\$ 5,001,246	\$ 4,993,933	\$ 7,313

Major capital projects proposed for 2022 include:

- Over \$13 million for road reconstruction and resurfacing
- \$1.5 million for bridge replacements
- \$1.1 million for parks and recreation projects
- \$150,000 for Information & Technology upgrades
- \$100,000 for the development of the Main Street Strategy

A detailed list of the proposed capital projects can be found on pages 6 – 9 of the budget document. The funding sources for each capital project, such as grants, reserves, development charges, etc. are identified in the columns on the right hand side

of the schedule. Please note, only those projects with amounts in the far right column of the schedule impact current year taxation.

Infrastructure Sustainability

The Town's 2017 strategic plan sets out a goal to become a leader in sustainable infrastructure renewal and development. In an effort to close our infrastructure deficit, the Town made a commitment to increase capital spending on infrastructure and / or reserve contributions by 2.9% of the annual tax levy, each year. Unfortunately, due to operating pressures and budget limitations, the 2022 draft budget falls short of this infrastructure funding target. In 2022, Administration plans to complete an update of its Asset Management Plan for core infrastructure which will include a renewed financial strategy to address the Town's infrastructure funding deficit.

Development Charges

The 2022 capital budget includes a number of growth related capital projects which are eligible for full or partial funding through Development Charges (DCs). The draft budget has applied approximately \$6.9 million of DCs to various property tax supported projects (i.e new or upgraded roads) and \$4 million in DCs to water and wastewater projects.

As many of these infrastructure projects support developments which are not yet built, the Town has not collected sufficient development charges required to fund these projects. Instead, the Town will be required to debt finance the development charge component in the interim, and repay this debt with the future collection of DCs.

Long-term Debt

Other than the Development Charge projects noted above, the only other long-term debt funded project in 2022 refers to the partial funding of Road 2 E reconstruction (\$606,250). This debt will have to be repaid through future tax levies.

The total debt issuance resulting from the 2022 capital budget is summarized below;

Table 6 – Projected Debt Issuance

Tax Funded Debt	\$ 606,250
Development Charge Debt	\$ 9,743,750
Total Projected Debt Issuance	\$ 10,350,000

The Town has sufficient debt capacity to finance the projects included in the 2022 Capital budget.

Deferred or Declined Projects

Every year, Administration is required to make difficult decisions as to which capital projects are included in the draft budget presented to Council. This results in a number of priority projects which are deferred to future years or declined. Though each project advances a community need, Administration considers potential grant opportunities, relationship to Strategic Priorities, and staff capacity to execute in its recommendations to Council. Please refer to Appendix A for a list of capital projects which were

considered by Administration or Council for inclusion in the 2022 budget but are not included in the current draft budget. There will be opportunity for further discussion on deferred or declined projects during budget deliberations.

2021 Carryover Projects

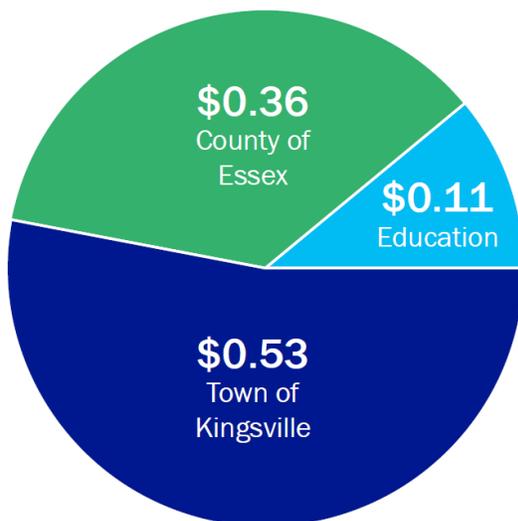
Every year, the capital budget includes various projects that were approved in the prior year but were incomplete at year end. There are a variety of factors which can contribute to a delay in project completion, such as unforeseen complications, weather conditions, access to materials or contractor availability. Administration recommends that the unexpended funds associated with any projects in process at year end should be set aside to fund their completion in the next budget cycle.

Taxation

When a resident receives their tax bill, they are actually paying 3 different taxes: Municipal (or local) taxes, County taxes and Education taxes.

Based on the 2022 Draft budget, every tax dollar that a Kingsville resident pays will be divided as follows:

Figure – 1



Municipal Tax Levy

The 2022 draft budget proposes a total Tax Levy of \$20,346,105 (2021 - \$19,150,737).

The Residential Tax Rate is calculated as follows:

Total Tax Levy / Weighted Assessment Base = Residential Tax Rate

Based on this formula, any increase to the Town's assessment base will reduce the impact of budgetary changes on the tax rate.

Assessment Growth

According to the assessment roll return provided by MPAC, the weighted value of the Town's assessment base will increase by 2.64% in 2022 (2021 – 2.4%). Due to COVID-19, the Province has deferred the implementation of the new assessment cycle, therefore 100% of the Towns' assessment growth relates to new construction. A detailed breakdown of the Town's assessment base and how each property class contributes to the tax levy can be found on page 4 of the budget document.

Council should note that due to the deferral of the new assessment cycle, all property values are based on their assessed values as of January 1, 2016 and do not reflect the significant increase in market values the Town has witnessed in recent years. Based on the 2022 Assessment Role, the median assessment value of a single family home is \$239,000.

Tax Rates

The 2022 budget proposes a municipal tax rate increase of \$62.39 on a home assessed at \$250,000.

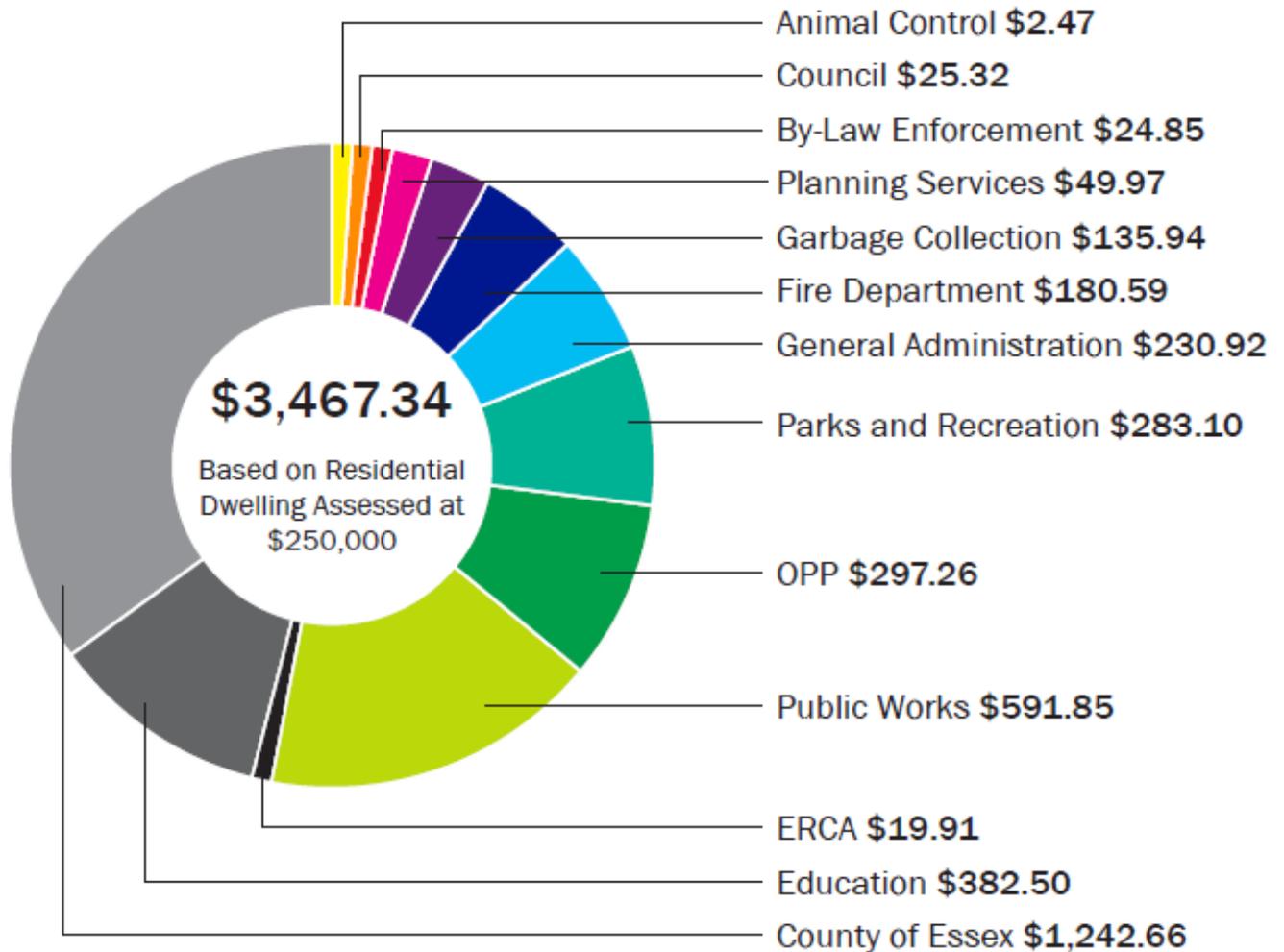
As illustrated in Figure 1 above, the municipal taxes represent only 53% of the total property tax bill that Kingsville residents will pay. The County tax rate is established by County Council and is set to increase by 1.6%. The Education Tax rate is established by the Province and is unknown at this time.

Assuming the Education Rate does not change, the overall 2022 property rate would increase by 2.4%.

For budget discussion purposes, Council should be aware that a 1% change in the municipal tax rate equals approx. \$200,000.

Tax Dollars at Work

The following chart illustrates how the tax dollars, on a home assessed at \$250,000, would be distributed based on the 2022 draft budget.



Water and Wastewater Rate Supported Operations

A summary of all water and wastewater rate funded operations can be found on page 32 of the budget document. The detailed operating budgets for these departments, can be found on pages 34-37. Water and wastewater capital projects, along with the various funding sources, are listed on page 33.

Budget Deliberation Dates

The following dates have been set for budget deliberations;

- Meeting #1 - Wednesday, January 12th, 2022
- Meeting #2 - Wednesday, January 19th, 2022
- Meeting #3 (if necessary) – Wednesday, January 26th, 2022

FINANCIAL CONSIDERATIONS

In 2021, the Town of Kingsville had the lowest combined Property Tax, Water and Wastewater rates by a significant margin. Please refer to Appendix B for details.

Based on the most recent Municipal Financial Information Returns, Kingsville generates the lowest revenue per household, when considering Property Taxes and the OMPF grant.

To address any of Council's priorities, enhance community services, or to simply maintaining existing service levels in response to inflationary pressures, the Town will have to accept an increase to its tax levy.

ENVIRONMENTAL CONSIDERATIONS

There are no specific environmental considerations associated with this report.

CONSULTATIONS

The Senior Management Team and Managers were consulted with respect to their operating and capital budget centers.



Ryan McLeod, CPA, CA
Director of Financial & IT Services

REVIEWED BY:



John Norton
Chief Administrative Officer

LINK TO STRATEGIC PLAN

Strive to make the Town of Kingsville a more accessible community.

Promote the betterment, self-image and attitude of the community.

To promote a safe community.

Support growth of the business community.

Manage residential growth through sustainable planning.

Manage growth through sustainable planning.

Improve recreational and cultural facilities and opportunities within the Town of Kingsville.

Effectively manage corporate resources and maximize performance in day-to-day operations.

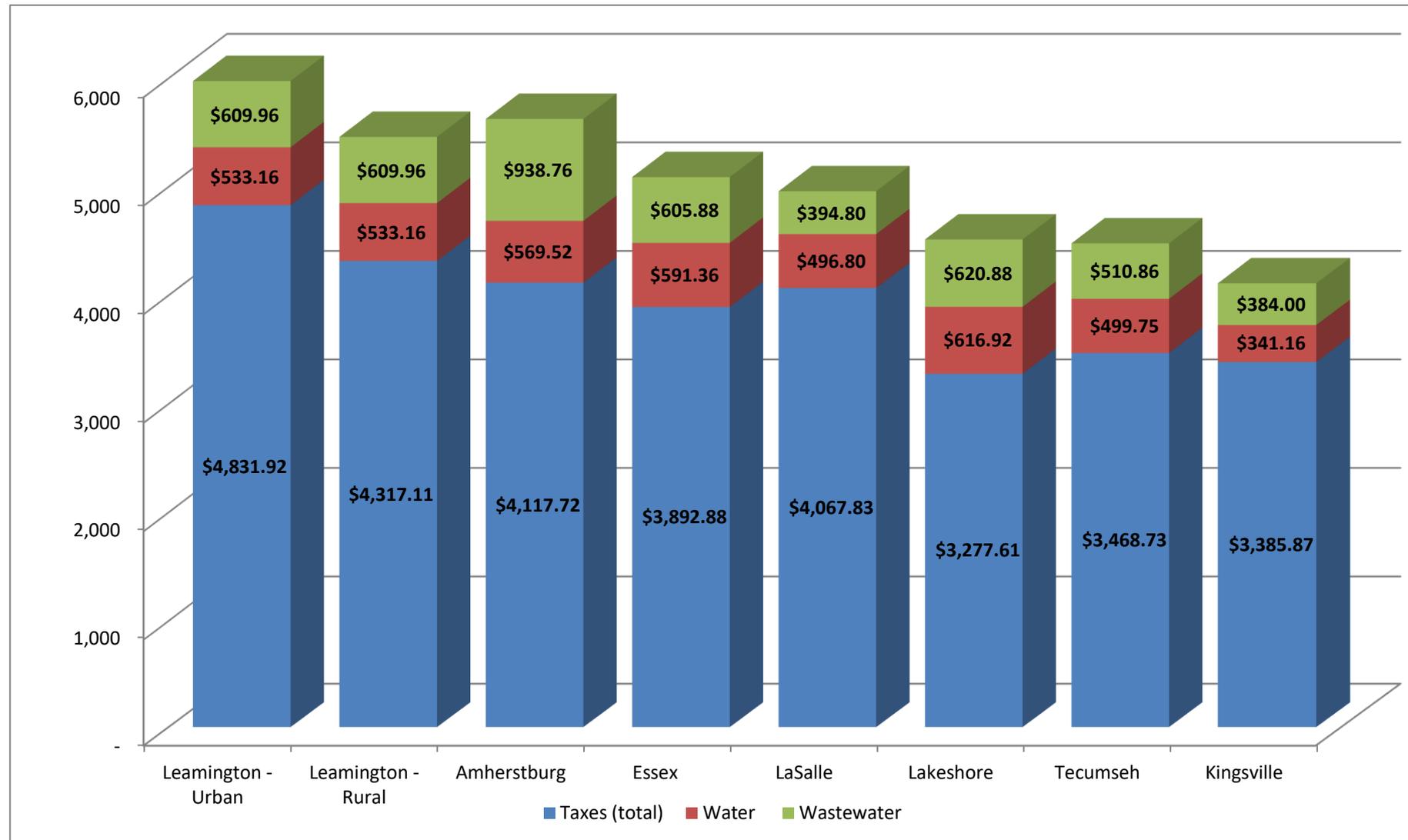
Link to Council 2021-2022 Priorities

- COVID-19 and the health and safety of the community
- Customer Service: Training, Technology, Staff, Review Standards/Level of service
- Housing: Affordability (lot sizes, developer incentives, second dwellings, density, etc.)
- Greenhouse: lights & dark sky, odours (site plan compliance, bylaws, other tools)
- Programming Increase: Youth and Seniors
- A development plan for Downtown Kingsville / Main Street
- Financial savings: Schools closings, Migration Hall
- Economic Development: strengthen tourism/hospitality
- COVID - economic recovery
- Communications: Strategy – Policy (social media), Website refresh and other tools, Public engagement
- Housing: Migrant Worker Housing – Inspections (Building/Fire), regulate, reduce, or increase
- Committees / Boards: Review and Report
- Policy Update: Procedural Bylaw
- Economic Development: diversify the economy, create local jobs, industrial, Cottam
- Infrastructure (non-Municipal): Union Water expansion & governance
- Infrastructure (Municipal): Asset Management Plan update, the infrastructure funding deficit
- No direct link to Council priorities

APPENDIX A - Deferred or Declined Capital Projects

Dept	Description	Notes / Priority Rating	Account Number	Budget Amount	Funding Source						
					Grants		Other Revenue	Transfer from Reserves	Development Charges	LTD	Current Year Taxation
					Provincial	Federal					
MARINA	Cedar Island Marina Masterplan	Lack of funding commitment to any recommendations that may be identified in the master plan.		\$ 110,000							\$ 110,000
PARKS	Cedar Island Beach - Accessible Mats (Mobi)	Defer to possible grant opportunity		\$ 30,000							\$ 30,000
PARKS	Paving Trail at Ridgeview Park	Considered, but no recommended due to budgetary constraints		\$ 235,000							\$ 235,000
PARKS	Mettawas Park (Phase 1 Development) - Trails, Plantings, Water Feature, Pond with footbridge, Parking lot, Boardwalk	Budgetary constraints in light of other Parks priorities		\$ 900,000			\$ 330,000	\$ 405,000			\$ 165,000
PARKS	Feasibility Study for Arena Expansion (Gym, Walking track)	Budgetary constraints in light of other Parks priorities		\$ 110,000							\$ 110,000
PW	Supply and install 2 additional pedestrian crosswalks	Other locations would include: Main St E @ Greenway, Main St W @ Chuckwagon		\$ 80,000							\$ 80,000
PW	Dock Road - Reconstruct retaining wall and sidewalk to grade - Design (engineering) Only			\$ 30,000							\$ 30,000
PW	Land acquisition / expropriation behind Taco Bell / Tim Hortons and Engineering Costs	Private Property Matter, Traffic Study may identify more cost effective solutions. Possible DC project		\$ 950,000							\$ 950,000
PW	Sidewalk Reconstruction Program - Horwath Ave (south side only) from Division Street to Sumac	Low - No immediate safety risk. Deferred due to budgetary and staff constraints in light of major infrastructure projects		\$ 70,000							\$ 70,000
PW	Sidewalk Reconstruction Program - County Road 27 East (west side only) from County Road 34 to Hill Street	Low - No immediate safety risk. Deferred due to budgetary and staff constraints in light of major infrastructure projects		\$ 110,000							\$ 110,000
REC	Outdoor Movie System	Defer to possible grant opportunity		\$ 22,000							\$ 22,000
				\$ 2,647,000	\$ -	\$ -	\$ -	\$ 330,000	\$ 405,000	\$ -	\$ 1,912,000

2021 Windsor Essex Region Comparison
Residential home valued at \$250,000 using 20 m3/mo of water



Municipality	Leamington - Urban	Leamington - Rural	Amherstburg	Essex	LaSalle	Lakeshore	Tecumseh	Kingsville
Taxes (total)	\$ 4,831.92	\$ 4,317.11	\$ 4,117.72	\$ 3,892.88	\$ 4,067.83	\$ 3,277.61	\$ 3,468.73	\$ 3,385.87
Water	\$ 533.16	\$ 533.16	\$ 569.52	\$ 591.36	\$ 496.80	\$ 616.92	\$ 499.75	\$ 341.16
Wastewater	\$ 609.96	\$ 609.96	\$ 938.76	\$ 605.88	\$ 394.80	\$ 620.88	\$ 510.86	\$ 384.00
Total	\$ 5,975.04	\$ 5,460.23	\$ 5,626.00	\$ 5,090.12	\$ 4,959.43	\$ 4,515.41	\$ 4,479.35	\$ 4,111.03

2020 FIR Data

Municipality	Leamington - Urban	Leamington - Rural	Amherstburg	Essex	LaSalle	Lakeshore	Tecumseh	Kingsville
OMPF	\$ 2,157,000		\$ 1,338,400	\$ 4,008,100	\$ -	\$ 542,200	\$ 37,600	\$ 857,600
Taxation	\$ 34,360,572		\$ 25,518,652	\$ 17,226,499	\$ 37,781,752	\$ 35,827,531	\$ 24,626,248	\$ 19,388,014
	\$ 36,517,572		\$ 26,857,052	\$ 21,234,599	\$ 37,781,752	\$ 36,369,731	\$ 24,663,848	\$ 20,245,614
Households	11,237		9,528	9,068	11,511	14,884	9,187	9,084
Revenue / Household	\$ 3,250		\$ 2,819	\$ 2,342	\$ 3,282	\$ 2,444	\$ 2,685	\$ 2,229