



Special Council Meeting

Town of Gravenhurst

September 17, 2020

2021 Budget



Agenda

- Context for 2021 Budget
- 2021 Considerations
- 2021 Budget Review Timelines
- Discussion
- Direction to Administration



Context for 2021 Budget



Town of Gravenhurst

- COVID-19 has drastically changed Town operations since March 2020
- Town facilities were closed as per Provincial Order and immediate action was taken to manage costs as previously reported by the Chief Administrative Officer
- Significant community impacts felt because of closures to the Opera House, Centennial Centre, YMCA, library, parks and sports fields
- Over 80% of Town services continued, albeit in a different manner
- Council approved a number of relief measures for municipal taxpayers including the waiver of penalty and interest on outstanding 2020 taxes for five months
- Prompt decisions/actions kept the Town safe but will not be sustainable in 2021

Federal/Provincial Governments

- COVID-19 related support provided by the Federal and Provincial levels of government to business community and individuals since the start of the pandemic
- \$522,500 received under Phase 1 of the Federal-Provincial Safe Restart Agreement. Additional funding will be available on an application basis under Phase 2.
- The annual Ontario Municipal Partnership Fund (OMPF) grant of \$1.9 million not expected to change for 2021

Assessment Growth

- MPAC (Municipal Property Assessment Corporation) does a reassessment of all properties in Ontario every four years
- This results in some property values increasing and others decreasing which directly impacts on property taxes payable
- The next reassessment scheduled for 2021 has been postponed in light of the pandemic
- MPAC operations to capture new assessment are progressively ramping up, but assessment growth for 2021 is expected to be under 1%

Inflationary Pressures

- As COVID-19 unfolded earlier in 2020, the Town took advantage of attractive pricing for construction contracts
- However many items were in short supply and this put upward pressure on other prices
- As we move further into the COVID-19 environment we are seeing prices slowly go up for across the board
- Canada CPI (Cost Price Index) rose 0.1% in July on a 12 month basis
- Projected to increase by 0.6% for 2020 and 1.3% for 2021
- Town cost increases are generally higher than CPI

2021 Budget Drivers

Operations

- There will be cost pressures from service contracts, supplies, hydro, insurance, and legal fees
- Revenues related to development (building permits, planning fees) may be impacted by the protracted pandemic
- All this may be managed within inflation (as in prior years)

HOWEVER

- Managing in a COVID-19 environment will be the most significant cost driver as it will:
 - require changes to protocols and processes that are less efficient
 - result in increased expenditures for supplies, monitoring and cleaning
 - reduce capacity in programs, activities and rentals lowering fee-based revenues



2021 Budget Drivers Capital

- Lower prices in 2021 has positioned the Town well to optimize investment in capital projects. Based on observed trends, 2021 costs will increase as raw material prices go up and construction demand increases
- Emergency repairs to aged infrastructure not sized for current and future weather events are a reminder to continue to maintain capital investments
- Town should proceed with the 2021 Capital Budget recognizing that the study of Town storm drainage system that will take place in 2021 will drive investments in linear infrastructure for the next 3-5 years
- Short-term capital financing needs have been addressed through Report COR 2020-17 and recommendations approved by Council September 15,
- Capacity to invest \$7.1 million in Town assets as per the Multi-Year Plan



Looking to 2021

- As Town gradually opens up, operational requirements, pursuant to COVID-19, for enhanced screening, physical distancing and cleaning will increase costs and reduce revenues
- Supplies and contractors will be in short supply as the economy opens up in Q3 2020 and beyond putting upward pressure on costs
- Uncertainty if this “new normal” is a 2020-2021 phase, or a permanent change to how we do business
- COVID-19 will drive resource needs for the 2021 Budget however the multi-year capital plan and investment in Town core infrastructure are just as important
- Focused resource allocation will be required in order to find the right balance between taxes and services

Target Rate Increase

Tabled at Working Session August 11, 2020

Historical

- 1.0% contribution to Capital Reserves
- 2.0% contribution to CRRF
- 1.1 to 2.7% increase for Operations
- (3.0 to 3.3 % Assessment Growth)
- 1.6 to 2.8% Tax Levy Increase

2021 Target

- NO contribution to Capital Reserves
- NO contribution to CRRF
- 1.5% increase for Operations
- **1.0 – 3.0% increase for COVID-19**
- (1.0% Assessment Growth)
- 1.5 – 3.5% Town Tax Levy Increase

Suggestions to “manage” COVID-19 Costs

Tabled at Working Session August 11, 2020

- Use of Tax Stabilization Reserve
 - Since COVID-19 costs and protocols may or may not be permanent consider utilizing the Tax Stabilization Reserve to partially offset increases
 - In 2022 or 2023 if these costs are clearly part of the “new normal”, they can then be put onto the tax levy
- Consider closure/divestiture of Non-Core Operations
 - Gravenhurst Opera House
 - Marina Gas Bar and Muskoka Wharf boat slips
 - YMCA operated pool and fitness facility



2021 Considerations



Goals for 2021 Budget

- Minimal increase to Tax Levy
- Simpler Budget Documents
 - Capital: 5 year summary, one-year of details
 - Operating: Simpler submission
- Budget Approval before Christmas

2021 Budget – Key Issues

1. Manage costs for core activities
2. Adequate funding for capital reserves to execute multi-year plan
3. Provide for internal borrowing repayments AND repayment of external debt that comes due in 2024
4. Deal with COVID-19 related financial impacts without increasing taxes

What Does the Town Need?

- Gradual but safe return to more normal life
 - Opening up of Town Hall for limited appointments
 - Access to the Library for access to media and free internet
 - Centennial Centre scheduling of winter ice
 - Eventual re-opening of the YMCA pool and fitness center
 - Restructuring of the Opera House programming for 2021 to meet COVID-19 protocols

- Consideration of the financial situation of the community
 - Continue to waiver arrears notice and related fees till end of year
 - Freeze all user fees and service charges for 2021
 - Keep the 2021 tax rate increase as low as possible

Financial Impact of COVID-19

Examples

- Centennial Centre Arena Operations:
 - Town subsidy will increase by \$130,000
- Opera House
 - TBD. Goal is to adjust programming to minimize impact.
- YMCA partnership
 - Town obligation approximately \$275,000 (for utility costs)
 - Additional operating subsidy request anticipated based on experience from other YMCA re-openings (post COVID-19) across the country
- Capital Projects
 - Tender prices are trending up by 10-20%

Operational Impact of COVID-19

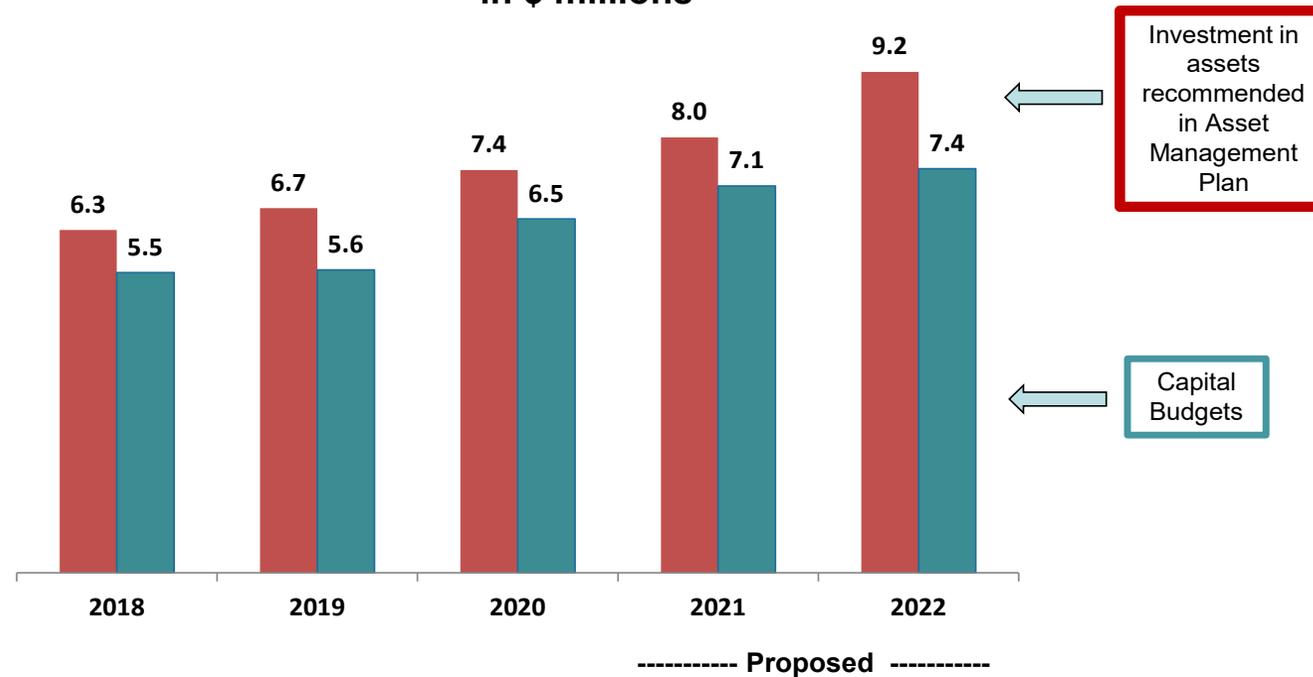
- Service delivery will be slower
 - Longer wait times for responses to customer complaints, e.g. pothole repair
 - Operations protocols for COVID-19 mean activities take longer
- Access to programs will be constrained by COVID-19 protocols
 - Ice time available at 70% of previous capacity with limited participation and fewer people allowed to watch from the stands
 - Opera House will seat 20-50% fewer patrons
 - Size of classes, lessons, recreation programs will be significantly reduced
- Limited face-to-face engagement with public
 - Increased business activity via email
 - Access to staff and meetings by phone, computer, Zoom or other means
 - Limited face-to-face with appropriate protocols by appointment only

Why Is Capital Still A Priority?

- Historical investment in maintaining assets has been low
- Since 2017 the Town has an Asset Management Plan approved by Council that addresses this issue over a 20 year time-frame
- The Capital Budget and Multi-Year Plan has grown towards the requirements of the Asset Management Plan
- However a gap still exists, and Town assets will deteriorate more rapidly without increased financial investment in capital
- This is reflected in the Town 2019 financial statements where our assets are being amortized (used up) at the rate of \$6.1 million* whereas investment in assets is \$4.7 million*

* 2019 Consolidated Financial Statements for the Town of Gravenhurst

Capital Program Continues to Increase but still lags recommendations in Asset Management Plan previously approved by Council in \$ millions



Capital Deferrals Are Costly

- Example 1: Fire Station 1 (Fire HQ) Roof Replacement
 - Was phased in over a number of years to “manage” capital budget
 - Resultant damage increased repair & maintenance spending
 - Budgeting for multiple projects resulted in higher overall capital costs
 - Negative public perception

- Example 2: Barkway Road Rehabilitation
 - Spent \$1.3 million in 2020
 - Deferral of this project, as per past practice, would:
 - Reduce the effectiveness of current betterment strategy
 - Shorten the life of the asset
 - Result in increased costs of up to 30% to rehabilitate/reconstruct road in the future

- Multi-Year Capital Plan
 - Considers the implications of multiple options
 - Prioritizes projects to maximize value while addressing need

Community Reinvestment Reserve Fund (CRF)

- Estimated 2020 year-end balance net of commitments - \$2.8 million

- CRF usage
 - Repay external debt as it comes due
 - ❖ \$3.45 million balance required in 2024 to pay off debt
 - ❖ Debt repayment will be a challenge with reduced operating surpluses

 - Source of internal borrowing for capital projects
 - ❖ Finances approximately 40% of capital program
 - ❖ As the capital program grows internal borrowing has increased
 - ❖ 2% tax levy increase budgeted each year for prior year borrowings

- Recommendation
 - 1% levy increase to provide for 2020 repayment **on one-time basis**

“Managing” COVID-19 Impacts

- Use Provincial Safe Restart Agreement Funds
 - These funds have been specifically provided to help municipalities manage the financial impact of COVID-19
 - Closures and early decisions by Council mean financial impact of COVID-19 in 2020 will be minimal
 - Use up to \$340,000 (up to a 2% tax levy increase) to off-set COVID-19 related impacts (revenue losses, cost increases) in 2021 Budget
 - Separate out costs in budget presentation to Council and for accounting to the Province
 - Ensure funds are available for 2022 impacts if pandemic continues
 - Build financial impact into base budget only when we know the new protocols are the path forward

2021 Budget - Checking the Boxes

Risk Factors

1. Impact of costs for core activities
2. Inadequate funding for capital reserves
3. Existing commitments may squeeze capacity to repay internal borrowings and provide for repayment of external debt
4. Addressing COVID-19 related financial impacts without increasing taxes until we know they are permanent

Recommended Actions

1. Limit impact of operations to 1.5% increase
2. Use Municipal Modernization funding to free up capital reserves for Multi-Year Capital Plan
3. 1.0% levy increase for contribution to CRF
4. Use Safe Restart Agreement funds to offset COVID-19 related costs in short term.



Updated Tax Levy Target Increase

September 17, 2020

Historical

- 1.0% contribution to Capital Reserves
- 2.0% contribution to CRRF (Community Reinvestment Reserve Fund)

- 1.1 to 2.7% increase for Operations

- (3.0 to 3.3 % Assessment Growth)

- 1.6 to 2.8% Tax Levy Increase

Updated 2021 Target

- NO contribution to Capital Reserves
- 1.0% contribution to CRRF

- 1.5% increase for Operations
- **2.0% increase for COVID-19 (estimate)**
- (2.0%) Safe Re-start Agreement funds (estimate)

- (1.0% Assessment Growth)

- **1.5% Town Tax Levy Increase**



2021 Budget Review Timelines





2021 Budget Review Timeline

Activity	Timeline
Council Working Session – 2021 Budget	August 11
Report to Council – 2021 Fee By-Law	September 15
Special Council Meeting – 2021 Target/Timelines	September 17
Public Engagement – <i>Bang The Table</i>	September – December
Special Council Meeting - Table 2021 Budget	November 26
Special Council Meetings – 2021 Budget Review	December 8-10
Special Council Meeting – 2021 Budget Approval	December 10





Discussion



Discussion

- Dealing with COVID-19 impacts
 - Use of Safe-Restart Agreement funds
- Contribution to Community Reinvestment Reserve
 - Implications
- Bang The Table
 - New mechanism for community consultation
- Proposed timeline for 2021 Budget review
- Target of 1.5% levy increase for 2021 Budget



Direction to Administration





Direction to Administration through a Council Resolution

- Target for 2021 Budget
- Approval of timeline for 2021 Budget Review