



TOWN OF TILLSONBURG

2021 Budget Overview

November 30 , 2020



General Budget Information

The Operating and Capital budgets outline how the Town of Tillsonburg will use its finances to deliver essential services to its residents. The Operating budget covers day-to-day expenses, while the Capital budget covers major infrastructure requirements.

In accordance with the *Municipal Act*, the Town is required to implement a balanced budget and cannot plan for a deficit. The budget is balanced when all budgeted revenues equal budgeted expenditures. Any budgeted shortfalls in revenues over expenditures form part of the ***tax levy***.

Budget Process

Department Planning Town departments assess their needs and priorities for the coming year. Departments submit Operating & Capital budgets and draft Business Plans.	July - Sept
Public Budget Survey Posted for public input regarding Operating and Capital budget preparations.	Sept
Finance Review The Finance team reviews all draft Business Plans in addition to Operating and Capital departmental budget entries for anomalies and accuracy.	Sept - Oct
Senior Leadership Team Review The Director of Finance leads the Senior Leadership Team in reviewing the budgets and developing a budget submission to Council.	Sept - Oct
Special Council Budget Meetings The draft budget is presented to Council via special budget meetings open to the public.	Nov-Jan
Council Approval Anticipated Council approval of the 2021 budget.	Jan



2021 Economic Challenges

The Town of Tillsonburg is facing challenges common to many municipalities including:

- COVID-19 pressures relating to decreased revenues and increased expenditures including duration uncertainty.
- Inconsistent financial support / late funding notifications from upper levels of government.
- MPAC property reassessment delay due to COVID-19 by at least one year; no phase-in growth to be realized.
- Changing legislation with respect to tax rates, property classes, development charges, and more.

2021 Economic Advantages

There are some favourable economic advantages available to municipalities including:

- Decreased debenture lending rates as a result of the ongoing pandemic.
- New upper government funding opportunities to assist with negative pandemic pressures including capital related initiatives.

2021 Budget Assumptions

- Maintain existing levels of service
- Reduce tax supported debt (-1%)
- Six month COVID-19 impact (January-June)
- Retain existing reserve balances
- New development assessment growth estimated static to 2020 (\$220,000); funding source for the Operating budget.
- OCIF funding conservatively estimated as \$199,190 (2020 \$221,450; 10% reduction). Any increased funding will be contributed to the Asset Management Reserve. Any decreased funding will result in elimination of project(s) or revised funding source from reserve/debenture.

2021 Proposed Operating Budget

- Consideration and significant adjustments (savings and pressures) have been made across all departments to estimate a 2021 COVID-19 impact over a six month period (January – June).
 - The pandemic pressures (lost revenue/increased cleaning/PPE) are resulting in an unfavourable impact estimated at \$734,886.
 - Though not sustainable in the long-term, discretionary expenditures have been reduced over this six month period reflecting a decrease of -0.64% to the 2020 Town budget base.
- An emphasis has been placed on retaining our existing reserves; no draws from the Tax Rate Stabilization have been applied.

2021 Operating Budget Pressures

Non-Discretionary

Six Months of COVID-19 Impact	\$	734,886	4.4%
Staffing Adjustments (Fire Comm)	\$	192,403	1.2%
Payroll Deductions (OMERS, CPP, EI, WSIB)	\$	61,625	0.4%
Benefits (Health, Dental & Life)	\$	57,255	0.4%
Heat, Light & Water - HLW (est. 7.4% increase)	\$	45,000	0.3%
Insurance Deductible	\$	30,000	0.2%
Insurance (est. 12% increase)	\$	23,900	0.1%

Discretionary

Cost of Living Adjustment - COLA (1.5%)	\$	88,200	0.5%
New Employee Requests - FTE	\$	78,740	0.5%

TOTAL	\$	1,312,009	
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2021 Proposed Operating Budget

Additional discretionary items identified for Council consideration / deliberation for reduction (addition) include:

	Budgeted Cost	% Impact
External Community Grants	\$ 51,500	0.31%
Community Events (Turtlefest, Santa Parade, etc.)	50,000	0.30%
Doctor Recruitments	35,000	0.21%
BIA Façade Improvement	31,000	0.19%
RCP New Tree Preservation/Planting Program	30,000	0.18%
BIA Downtown Beautification	14,400	0.09%
SOMA	16,000	0.10%

	Unbudgeted Cost	% Impact
COVID-19 to 9 Months (July-Sept)	\$ 304,783	1.84%
COVID-19 to 12 Months (Oct-Dec)	197,933	1.19%

2021 Proposed Capital Budget

- There is a 0% increase to capital spending contained in the 2021 budget; a static base figure has been maintained reflecting that of 2020 (\$2,118,500).
- Historically, the Phase-In assessment dollars have been utilized annually as the Capital budget base growth. The pandemic has affected MPAC's ability to conduct reassessments in 2020, and as such there is at least one year delay. There are no Phase-In assessment dollars to be realized in 2021 as a revenue source; historically \$330,000.
- Maintained capital spending was reflected as a priority by 70% of Public Budget Survey respondents; this has been accomplished.
- The use of tax-supported debt is marginally lower than that of 2020; the cost of borrowing has decreased as a result of the pandemic.
- An emphasis has been placed on retaining our existing reserves for further accumulation and utilization on future capital projects.

2021 Proposed Capital Budget

Department	Total	%
Public Works	\$ 4,011,630	49%
Storm Sewers	1,749,400	21%
Fleet	817,000	10%
Engineering	305,000	4%
Economic Development	265,000	3%
Airport	195,000	2%
Building Maintenance	155,000	2%
Fire	145,000	2%
Corporate Services (IT)	121,000	1.5%
Parks	110,000	1%
Contribution to Reserve	96,098	1%
Cemetery	60,000	.7%
Museum	59,000	.7%
Police	57,000	.7%
Recreation	10,000	.1%
Total 2021 Capital Budget	\$ 8,156,128	100%

Funding Source	Total	%
Grants	\$ 3,762,890	46%
Taxation	2,118,500	26%
Tax Supported Debt	997,000	12%
DC Reserves	699,338	9%
Miscellaneous	265,000	3%
User Pay Debt	180,000	2%
Reserves	133,400	2%
Total Capital Funding	\$ 8,156,128	100%

Year	Taxation Component
2017	\$ 1,176,600
2018	1,458,600
2019	1,788,600
2020	2,118,500
2021	\$ 2,118,500 Proposed

2021 Consolidated Budget Proposal

The net 2021 consolidated Operating and Capital tax supported budget is proposed at \$17,222,200 representing a \$629,200 (3.79%) increase over the previous year.

	2020 Budget	2021 Budget	Variance \$	Variance %
Budget Requirements				
Sub-total	16,593,000	17,442,200	849,200	5.12%
Municipal Taxes - New Growth		(220,000)	(220,000)	
Consolidated Budget Requirement	16,593,000	17,222,200	629,200	3.79%

2021 Consolidated Budget

Revenues

User Charges	\$	5,940,600	40%
Grants		5,465,500	37%
Debt Proceeds		1,177,000	8%
Reserves		1,031,100	7%
Special levy		780,500	5%
Other		299,600	2%
Taxation – New Growth		220,000	1%
THI Dividend		140,000	1%
Total Revenue	\$	15,054,300	100%

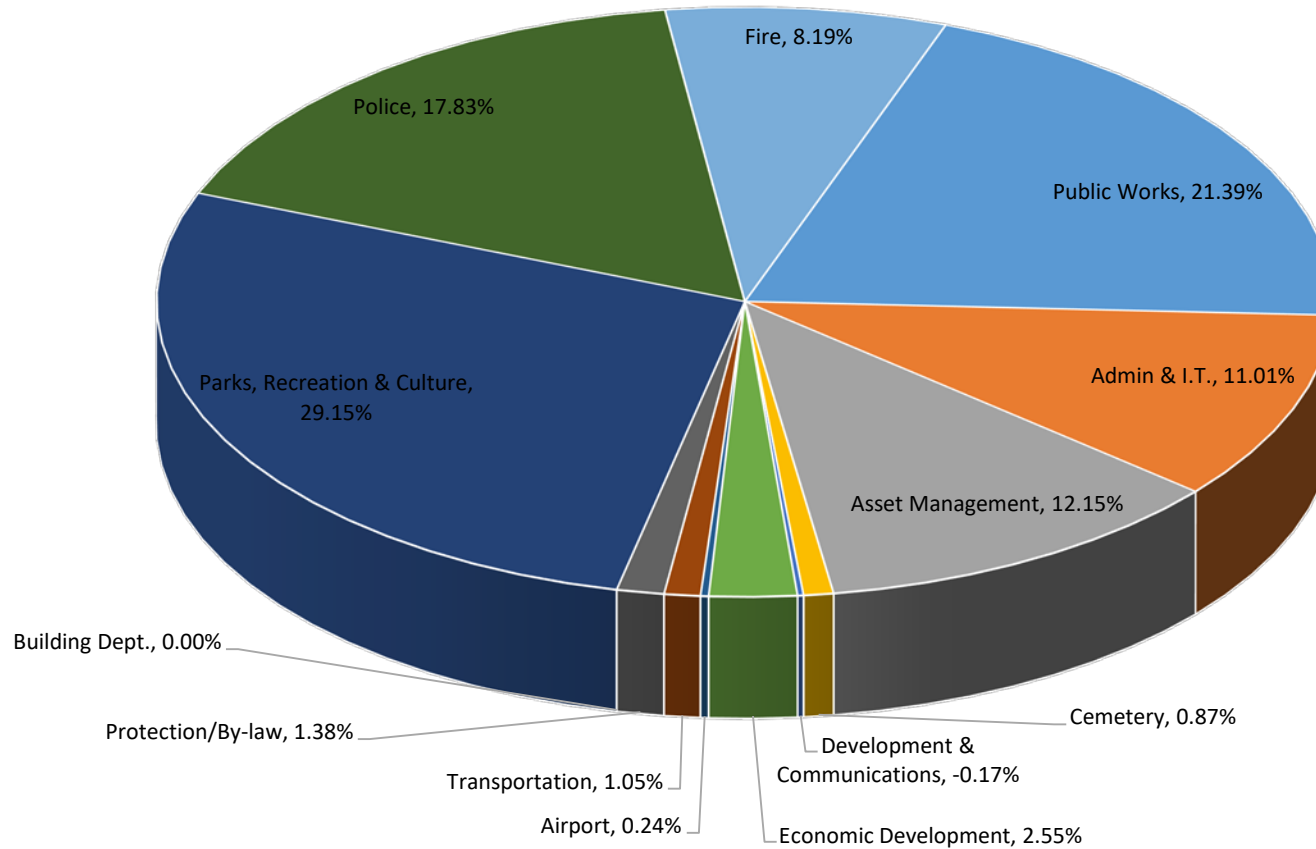
Expenditures

Operating Expenses	\$	24,120,400	75%
Capital Expenses		8,156,100	25%
Total Expenditures	\$	32,276,500	100%

<u>Net Amount to be Raised from Taxation</u>	\$	17,222,200	↑ 3.79%
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Proposed 2021 Tax Levy Requirement

Proposed Tax Levy By Department

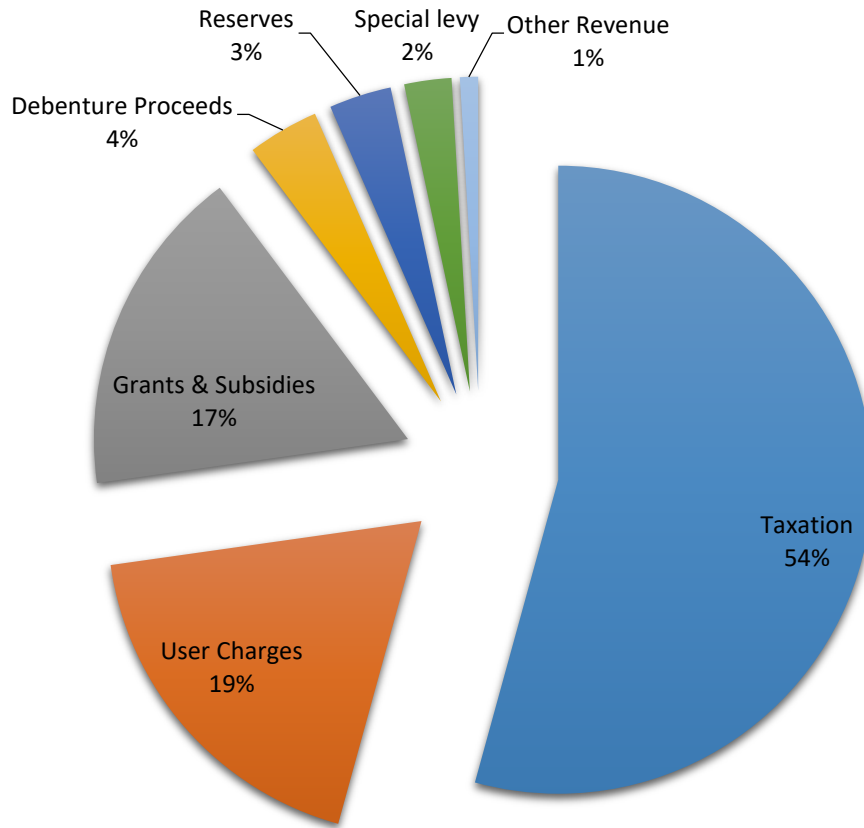


Sources of Revenue

- Taxation
- User Fees
- Grants
- Reserves & Trusts
- Debt Financing (user paid / taxation / operational savings)
- Other
 - Special Levy
 - Interest
 - Donations

Sources of Revenue

2021 Proposed Consolidated Budget



	Percentage	Dollars
Taxation	54.3%	\$ 17,442,200
User Charges	18.5%	\$ 5,940,600
Grants & Subsidies	17.0%	\$ 5,465,500
Debt Proceeds	3.7%	\$ 1,177,000
Reserves	3.2%	\$ 1,031,100
Special levy	2.4%	\$ 780,500
Other Revenue*	0.9%	\$ 299,600
Total	100%	\$ 32,136,500

*Interest, donations

Sources of Revenue

User Fees

- Many services are provided by the Town through taxation dollars, however several services have a fee attached that fully or partially recovers the cost of providing that service (e.g. permits, licensing, recreation programs, transfer station, etc.)
- The Town has a complete Rates & Fees By-Law that details these charges; the 2021 proposed fee schedule will be presented to Council at the December 14 regular meeting.
- The Town also provides services to other organizations such as the County of Oxford for water and wastewater operations and Tillsonburg Hydro for hydro operations.

Sources of Revenue

Grants

- The Town receives several million dollars annually in grant funding from upper orders of government. Some of these are from Gas Tax both Federal and Provincial, Partnership Funds for downloaded services, policing initiatives, transit, economic development, recreation, etc.
- Grants often can only be used for specific purposes and require reporting to ensure the costs are eligible for funding.
- Town staff remain diligent in reviewing both new and existing grant opportunities in order to ensure full advantage of available funding assistance.

Sources of Revenue

Debt Financing

- Municipal debt is not a revenue tool however it can be an important financing tool.
- Municipalities can only incur long-term debt for capital projects.
- All debentures are applied through coordination with our upper tier, Oxford County, and usually funded via Infrastructure Ontario (i.e. the Province).
- The Province, through the Ministry of Affairs and Housing, establishes debenture limits for all municipalities on an annual basis; known as the *Annual Repayment Limit (ARL)*.

Sources of Revenue

Debt Financing

Annual Repayment Limit (ARL)

- The ARL may be summarized as the maximum amount that a municipality can pay in principal and interest payments in the year for long-term debt (i.e. the Province does not limit the Towns borrowing capacity by the amount of the borrowing but rather by the ability to repay the debt).
 - Longer amortization periods allows a municipality to continue to borrow a greater amount.
- The calculation uses data obtained from the Financial Information Return (FIR) to provide an upper limit/ceiling on debt repayment costs to an amount equal to 25% of operating revenue.
- The ARL is provided to the Town annually and updated as required by the Treasurer prior to an application submission for new debt.

Sources of Revenue

Debt Financing

Some reasoning to utilize debt to finance capital projects include:

❖ **Spreading out the cost of capital projects over their useful lives**

Borrowing spreads project cost(s) over applicable useful life and allows infrastructure costs to be paid not just by today's taxpayer, but additionally by future users.

❖ **Limited additional internal and external financing sources**

There is often not enough resources to directly pay for a project in one year through internal financing sources such as reserves and existing assets available for sale. Additionally, external financing sources including government grants (federal and provincial) and fundraising/donations also offers limited sources of supplementary funding.

❖ **Low interest rates or escalating project costs**

When interest rates are low it makes sense to borrow for a project sooner, rather than pay a higher cost for the project later.

Sources of Revenue

Debt Financing

Three different types:

Debt Supported by Users

- Users are defined such as THI and the County which pay for their fleet, aquatic users pay a fee towards capital costs of pools, fire communication customers pay for equipment required for their service, and residents pay for certain assets funded through a debenture that is repaid through the tax bill.

Debt Supported by Operational Savings

- Certain capital projects create savings that allow the Town to repay debt incurred to fund these projects.

Debt Supported by Taxation

- These are funds borrowed to fund the activities of the Town for capital projects. Subsequent principal and interest payments are included in the Operating budget funded by taxation.

Sources of Revenue

Debt Financing

There is currently \$14,764,638 in total cumulative issued debt; \$10,282,016 of which is tax supported as indicated in the below summary. Specific details can be found within Tab 11 of the 2021 budget binders.

Type	Total Current Debt
Tax Supported	\$ 10,282,016
Operational Savings	\$ 3,309,000
User Pay	\$ 1,173,622
Total Outstanding Debt	\$ 14,764,638

Please note that this total excludes Council approved debt of:

- \$2,088,000 in recently committed construction financing which is yet to be spent.
- \$160,000 in debt financed project(s) which have yet to be completed/financed.

The Town has paid down \$1,458,200 of debt principal over the course of 2020.

Sources of Revenue

Reserves & Trusts

- Reserves are revenues set aside at the discretion of Council to provide for future expenditures and assist with long term financial stability and financial planning.
- By maintaining reserves, the Town can accumulate funds for future or contingent liabilities – ***a key component of sound long-term financial planning practices***. They also provide flexibility to absorb unexpected shifts in revenues and expenditures and fund one-time expenditure requirements.
- The Reserve Policy details the sources of funds, where funds are to be used, and the targeted recommended threshold value. Some of the funds are at the discretion of the Council (unrestricted) and some are mandated by other orders of government (restricted).

Sources of Revenue - Reserves & Trusts

Unrestricted Reserves

Unrestricted Reserves

INDEX	20120 Opening Balance January 1	Interest Income collected for 2020	2020 Transfers In	2020 Sub-total	Commitments 2020	2020 Balance @ December 31	2021 Transfers In	Commitments New 2021	Commitments from CFWD in 2021	Projected Ending Balance for 2021
Council Reserve	3,557	5	21	3,583	-	3,583				3,583
Election Reserve	18,568	31	10,129	28,728	-	28,728	10,000			38,728
Transit Reserve	-	-	-	-	-	-				0
Physician Recruitment Reserve	58,660	87	70,349	129,096	-	129,096				129,096
Tax Rate Stabilization Reserve	723,134	1,070	120,063	844,267	159,785	684,482			175,000	509,482
IT Equipment Reserve	87,827	143	70,616	158,586	25,000	133,586		133,400		186
Asset Management reserve	974,091	1,544	266,546	1,242,181	-	1,242,181		54,000	251,300	936,881
Fleet & Equipment Reserve	390,401	645	144,525	535,571	401,500	134,071	100,000			234,071
Fire Dept. Equipment Reserve	153,253	249	47,249	200,751	100,000	100,751	30,000			130,751
Fire Dept. Labour Reserve	-	-	-	-	-	-				0
Police Reserve	78,682	117	468	79,266	76,500	2,766				2,766
Police Service Board Reserve	18,006	29	14,598	32,633	-	32,633				32,633
Engineering Reserve	75,144	112	162,825	238,082	7,500	230,582			208,600	21,982
Development Remediation Reserve	18,168	27	273	18,468	-	18,468				18,468
Linear Infrastructure Reserve	309,863	460	2,451	312,775	183,400	129,375			50,000	79,375
Airport Reserve	6,144	11	25,048	31,203	5,900	25,303				25,303
Waste Mangement Reserve	1,888	3	11	1,902	-	1,902				1,902
Winter Maint Reserve	-	-	-	-	-	-				0
RCP Reserve	527,704	790	51,956	580,450	101,800	478,650	16,300	30,300	135,000	329,650
Facility Infrastructure Reserve	555,935	830	653,825	1,210,589	381,727	828,862	12,500		682,000	159,362
Cemetery Reserve	66,897	99	398	67,394	20,000	47,394			45,100	2,294
Downtown Parking Reserve	265,969	395	1,659	268,023	-	268,023	4,100			272,123
Econ Development Reserve	337,311	508	40,035	377,854	208,694	169,160	76,000	29,100	216,026	34
	4,671,200	7,156	1,683,046	6,361,402	1,671,807	4,689,596	248,900	246,800	1,763,026	2,928,670

Sources of Revenue - Reserves & Trusts

Restricted Reserves

Restricted Reserves

Development Charges Reserves	2020 Opening Balance January 1	Interest Income at December 31 2020	Transfers In at December 31 2020	2020 Sub-total	Commitments 2020	2020 Balance December 31
General	69,173	724	55,527	125,424		125,424
Fleet	501,292	4,142		505,434	62,400	443,034
Fire	379,163	1,197	71,158	451,518		451,518
Police	5,742	23	6,429	12,194		12,194
Parking	8,698	26		8,724		8,724
Storm Water	57,314	169		57,483		57,483
Roads	1,052,250	4,269	615,488	1,672,007	43,300	1,628,707
Recreation	324,155	3,125	119,484	446,764	220,500	226,264
	<u>2,397,788</u>	<u>13,675</u>	<u>868,086</u>	<u>3,279,549</u>	<u>326,200</u>	<u>2,953,349</u>

Obligatory Reserves

Gas Tax	581,310	12,890	481,496	1,075,696	480,000	595,696
Building Fees	498,304			498,304		498,304

Sources of Revenue Reserves & Trusts

The Town is responsible for the oversight of various Trust Accounts that holds money which can be used in the operation of the Town or for distribution by the Trustees often per the specific direction(s) of the donor(s).

<u>Trust Funds</u>	Opening Balance at Jan 1 2020	Balance at Oct 31 2020
JL Scott McLean	150,002	87,167
Parkland	20,404	23,429
Community Trusts	73,075	75,660
Perpetual Care	931,545	948,774
Annandale House	129,836	139,193
Cemetery Mntce.	35,333	35,360
Cemetery Prepaid	29,988	29,519
Scholarships	35,414	34,692
Lake Lisgar Revitalization	28,390	33,348
	<u>1,433,987.55</u>	<u>1,407,142.00</u>

Sources of Revenue

Taxation Terminology

Amount to be Raised from Taxation (Tax Levy) is the amount needed to be collected from taxpayers to fund the Operating and Capital programs.

Property Tax Class is the classification(s) of a property (i.e. residential, commercial, industrial, etc.).

Tax Ratio expresses the burden of tax liability against each respective tax class as annually established by our upper tier, the County of Oxford.

Total Weighted Assessment is the sum of all property class assessments multiplied against their established ratio. Calculated as:

Property Class Assessment Value x Property Class Ratio

Residential Tax Rate is the rate that is used to collect the required funds based on the assessed value of the property. Calculated as:

Amount to be Raised from Taxation ÷ Total Weighted Assessment

Sources of Revenue

Taxation

$$\text{Taxation} = \text{Assessment Value} \times \text{Tax Rate}$$

- Assessment value is determined through a service contract with the Municipal Property Assessment Corporation (MPAC).
- Assessments are based on market value and are adjusted every four years with a phase in of increases over four years (i.e. 2016 valuation is phased in 2017 through 2020). Reductions in value are taken in the first year.
 - * There are no phase-in dollars in 2021 since the pandemic created delays for MPAC in performing their 2020 reassessment evaluations.
- Annually through the budget process, the municipality calculates the needs for taxation and adjusts the levy accordingly.

Sources of Revenue

2021 Taxation Growth

	<u>Assessment</u>	<u>Taxation</u>
Used in Capital Budget		
MPAC 2020 Phase-In Growth (deferred reassessment year)	N/A	\$0
Used in Operating Budget		
Growth from New Construction (estimated based on history)	TBA	\$220K

Sources of Revenue

Property Tax Bill

The Town's tax levy represents a portion of a residents' property tax bill.

Total property tax payable also includes smaller allowances which includes:

- Upper Tier (County) Tax Levy (draft 2021 budget 2.1%)
- Library Levy (draft 2021 budget 0%)
- Sewer Levy (County eliminated effective January 1, 2021)
- Education Levy (historical 3 year average decrease -5%)

Sources of Revenue

Residential Town Tax Levy Impact

Year	Levy	Change %	
2010	0.0075423	-0.1%	
2011	0.0074565	-1.1%	
2012	0.0073753	-1.1%	
2013	0.0072597	-1.6%	
2014	0.0072221	-0.5%	
2015	0.0072359	0.2%	
2016	0.0072343	0.0%	
2017	0.0074868	3.5%	
2018	0.0076522	2.2 %	
2019	0.0078527	2.6 %	
2020	0.0079907	1.8%	
2021	0.0081469	1.96%	proposed

Sources of Revenue


Proposed Residential Town Tax Levy Impact

$$\text{Taxation} = \text{Assessment Value} \times \text{Tax Rate}$$



Median Residential Assessment = \$244,102

2021 Proposed Taxation = \$244,102 x 0.0081469 = \$1,989

 **1.96% = \$38.14**

Sources of Revenue

Total Proposed Residential Property Tax Impact

2021 Taxation

Residential Median Assessment \$244,102



	2020	2021	\$ Var.	% Var.
Residential Rate (proposed)	0.0079907	0.0081469		
Town Levy (Proposed)	\$ 1,950.53	\$ 1,988.67	\$ 38.14	1.96%
County (draft budget)	902.35	921.30	18.95	2.10%
Sewers (eliminated)	52.08	- -	52.08	-100%
Library (draft budget)	90.05	90.05	-	0%
Education (estimated)	373.48	373.48	-	0%
Total Residential Levy	\$ 3,348.05	\$ 3,373.50	\$ 5.01	0.15%

Recommended Budget Process

Questions, Deliberations, Resolutions, Approval

- Business Plans, Capital, and Operating budget presentation/review, by department.
 - November 30 & December 7-8 Council budget meetings
- Council to ask any/all questions (as required) as we proceed through the departmental budget presentations/review.
- Council resolutions to request white papers containing additional information.
 - Reports provided at the December 16 (5pm-9pm) Council budget meeting
- All other (non-white paper) budget-related resolutions and item deliberations to be tracked by staff and deferred to the January 6 (5pm-9pm) Council budget meeting.
- Motion to approve Capital/Operating budget to regular Council meeting agenda.
- External Group Grant Requests
 - January 18 (6pm-9pm)
- Operating & Capital budgets approved
 - January 25 regular Council meeting