



Staff Report to Committee of the Whole

DATE: Monday, February 27, 2023

DEPARTMENT: Administration

SUBJECT: Introduction to Significant Budget Pressures and Budget Items

BACKGROUND:

The intent of this report, and more broadly this Committee of the Whole meeting, is to introduce Council to the significant budget pressures and significant budget items that the City is facing as it works to build the 2023 budget and the 2023-2027 Five Year Financial Plan.

A historical and long-standing focus on low taxes together with the decision in 2020, 2021 and 2022 to further reduce the tax increase as a result of the COVID pandemic; high growth rates; unanticipated legal and financial pressures from external partners; and, unprecedented inflation are together creating significant budget pressures that the City must navigate in the 2023 budget process and beyond.

While some of the above items were factored into the 2022-2026 Five Year Financial Plan, the reality is that the City, last year, was projecting at least a 6% tax increase in each of the next four years even before some of these items were known or factored in.

The 2022 budget report to Council noted the following:

Due to the COVID-19 pandemic, Council made the decision in 2020 and 2021 to reduce the recommended tax increases to assist residents who were affected by the pandemic, recognizing that future year tax increase percentages would likely be higher. These reductions, along with previous years of low tax increases, have been made possible due in large part to the growth of the tax base within the City and through the use of surplus and reserves.

Council will note that the 2021-2025 Five-Year Financial Plan approved last year had a projected 2022 tax increase of 5%. Currently, the proposed 2022 tax increase is 2.95%. This lower tax increase has been attained mainly from new taxes raised through growth and the use of the surplus reserve tax stabilization fund. It is worth noting that due to the low tax increases over the last number of years and ambitious programming of

services, the next four years in the financial plan are currently projected to be at least 6% per year.

The following table highlights both the projected and actual tax increases from 2020 onwards.

	Projected Tax Increase	Actual Tax Increase
2020	3.49%	1.9%
2021	3.95%	2.95%
2022	5%	2.95%

COMMENTARY:

In late March and April, staff will bring forward the full municipal 2023 budget and the 2023-2027 Five Year Financial Plan for Council to deliberate.

Despite this, staff are bringing forward the items on this agenda now because several of the items are either time sensitive, have significant budget implications, or both. These items include, the YMCA additional operating subsidy and potential purchase of the YMCA Recreation Centre (aquatic facility), the addition of 27 new firefighters over three years, a new RCMP building and up to five new police officers this year should Council wish to maintain an officer to population ratio of 1:750, and additional staff at City Hall. Each of these items are outlined in detail in the following reports in this agenda.

Some of these items may have very serious and negative implications for the City if not funded in 2023. For example, there is a real risk that the YMCA will begin a process of closing their operations at the Recreation Centre if the City does not double its financial support by the end of March (which is in advance of the City's budget process completing). However, there may also be some items in this Committee of the Whole agenda that, while critical to the operations of the City, have some degree of flexibility in a decision making and funding timeline and therefore are able to be included in the City budget process to take place in late March through April.

Therefore, when Committee of the Whole is considering the items in each of the subsequent reports, it may wish to determine whether it wishes Council to decide on the matter at the March 6th Council meeting in advance of the 2023 budget process, or if the Committee of the Whole wishes staff to include the matter for consideration within the 2023 budget process.

FINANCIAL IMPLICATIONS:

As noted above, a historical and long-standing focus on low taxes together with the Council decision in 2020, 2021 and 2022 to further reduce the tax increase due to COVID, high growth rates, unanticipated legal and financial pressures from external partners, and unprecedented inflation are together creating significant budget pressures that the City must navigate in 2023 and beyond.

Prior to 2023, the City was projecting a base budget that would result in at least a 6% increase in taxes in each of the next four years.

In addition to this base budget projection, Council is faced with a number of significant budget items that it must consider and if supported, will not only have budget implications in 2023 but in subsequent years as well.

For reference, for 2023 a 1% tax increase equates to approximately \$380,000.

LEGAL IMPLICATIONS:

Council has the authority, via resolution in a Council meeting (not Committee of the Whole), to authorize expenditures for the 2023 budget in advance of the 2023 budget and five-year financial plan being approved. However, Council should know that in these instances, decisions made by Council and then subsequently acted upon by staff, cannot be reversed during the budgeting process.

OPTIONS:

THAT Committee of the Whole receives this report for information.

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SUBMITTED BY: Darren Kiedyk, Chief Administrative Officer

Concurrence: Donna Petrie, Senior Manager of Business Development and Events

Concurrence: Yari Nielsen, Director of Parks, Recreation and Facilities

Concurrence: Matthew Baldwin, MCIP, RPP, Director of Planning and Subdivision

Concurrence: Katelyn Balzer, P.Eng., Director of Engineering and Public Works

Concurrence: Michael Dillabaugh, CPA, CA, Director of Finance

Concurrence: Marie Watmough, Deputy Director of Corporate Services

Concurrence: Braden Hutchins, Director of Corporate Services