

Date: November 4, 2020	Originator's files:
To: Chair and Members of Budget Committee	
From: Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer	Meeting date: November 23, 2020

Subject

2021 Budget Considerations

Recommendation

That the report dated November 4, 2020, entitled "2021 Budget Considerations" from the Commissioner of Corporate Services and Chief Financial Officer be received for information.

Background

The 2021 Budget and Business Plans are recommended for approval by Budget Committee. It is Budget Committee's role to review and if necessary to modify or amend the budget prior to recommending its adoption to Council. This report highlights some line items that Budget Committee may wish to consider.

Comments

Staff would like to draw Committee's attention to five items within the budget that Committee may wish to discuss in more detail:

1. Infrastructure Levy:

The infrastructure levy is an additional amount provided to fund capital infrastructure projects. It is designed to close the infrastructure gap; that is, the amount currently funded and the amount required to ensure that Mississauga's infrastructure is well maintained. It also assists in reducing the impact of price inflation on the capital budget.

Staff recommend that the infrastructure levy be set at 2 per cent for the 2021 budget. Budget Committee may wish to increase this percentage to further advance the building of new infrastructure such as the waterfront or new community facilities in other areas of the City or to reduce the levy percentage to reduce the overall tax rate in this year of financial difficulty for some taxpayers.

A reduction of the levy from two per cent to one per cent will reduce the capital funding available over ten years by \$45 million. While the projects that get deferred will be subject to

Council approval it is important to note that \$48 million is being funded in 2021 through debt which is supported by the infrastructure levy. This \$48 million funds portions of the Central Library Redevelopment, Burnhamthorpe Community Centre Redevelopment, Paramount Fine Foods Centre Renewal and Carmen Corbasson Community Centre Redevelopment amongst other debt funded projects. Considerations include project timing, cost of deferral, ability to stop/start projects, funding sources and impact of a change on a service or the community.

2. Savings from service reductions in MiWay:

\$7.6 million in efficiencies will be realized in MiWay in 2021 as a result of the move from Kipling Station to Islington Station and the cancellation of express routes 100 and 185.

Staff have recommended an equivalent one-time transfer in 2021 to the capital reserve fund to maintain the current service frequency on Hurontario during the construction of the HuLRT. This recommendation by staff replaced the need for a budget request and assisted in keeping the tax rate down. In 2022, the \$7.6million savings will offset the \$22 million loss of revenue from the GTAA PILT.

Alternatively committee could choose to take the savings in 2021 to reduce the residential tax rate increase by 0.5 per cent. The budget forecast for 2022 as proposed contains a 2.9 per cent residential tax increase for the city portion which would increase by 0.5 per cent if the savings were taken in 2021 rather than transferred to the capital reserve fund.

3. Planned Temporary Facility Closures/Savings:

The Central Library will be closing for major reconstruction on December 31, 2020. Burnhamthorpe Community Centre will be closing for the pool addition in April 2021. These closures will provide savings of \$1.0 million in 2021 and \$1.7 million in 2022. The budget has proposed transferring the savings to the capital reserve in 2021 and 2022. This avoids the need to re-budget for staffing in 2023 when the facilities are reopening. Using the savings in 2021 would reduce the residential tax rate by 0.07 per cent but would require an equivalent increase in 2023 when the facilities reopen.

The proposed budget contains administrative efficiencies of \$0.78 million which resulted from transferring LAC operations to the City in 2020. It has been proposed that these savings be set aside in the capital reserve fund to provide for future repair and renovation of the LAC building. Alternatively committee could choose to take the savings in 2021 to reduce the residential tax rate increase by 0.05 per cent. However, as with the MiWay service reductions, this would increase the tax rate in 2022 by 0.05 per cent.

4. Diesel Price Assumptions:

Diesel prices per litre dropped from \$0.99 at the end of 2019 to \$0.63 with the onset of the COVID-19 lockdown and the sudden decrease in fuel consumption as the economy contracted. Diesel prices are currently at \$0.75. Staff have assumed a 2021 average price

for the budget of \$0.85. The budgeted price could be reduced by \$0.10 cents to \$0.75 achieving a 0.1 per cent decrease in the proposed residential tax rate increase. Any risk of an increase in the fuel price could be offset in 2021 from the commodity reserve. Assuming prices recover during 2021, the tax rate would need to increase by 0.1 per cent in 2022 to offset the recovered price.

5. Global Adjustment for Electricity:

On November 5, 2020 the Provincial Government tabled its 2020 Budget which proposed to reduce Global Adjustment (GA) costs for non-Regulated Price Plan consumers pending approval by the Ontario Legislature.

A potential savings of \$2.2 million is projected, subject to the finalization of legislation. Staff have not assumed the savings in the 2021 Operating Budget. A savings of \$2.2 million would result in a 0.1 per cent decrease in the proposed residential tax rate increase.

Financial Impact

For 2021 and 2022 Budget and Tax Impacts, see Appendix 1.

Conclusion

The budget proposes a 1 per cent tax increase on the total property tax bill. Committee may wish to consider the five items listed in this report as possible changes to the proposed budget.

Attachments

Appendix 1: Financial Impact of Considerations



Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer

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