



# 2023 Budget & Long-term Plan Overview

December 14<sup>th</sup>, 2022

*\*Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.*



# Presentation Outline



- Long-term Financial Planning Framework
- Responsible Taxation
- 2023 Draft Consolidated Budget & Long-term Plan Overview
- Next Steps
- Questions



# Long Term Financial Planning Framework

# The Four Strategic Priorities



Economic  
Prosperity  
and  
Innovation



Sustainable  
Growth



Thriving and  
Inclusive  
Communities



Leadership  
in Change

# LTFPF Overview



- Long Term Financial Planning Framework (LTFPF) ensures current budget year is not considered in isolation
- Framework of principles that guide financial decision making
- Assesses financial implications of current and proposed strategic directions
- Ensures alignment of short-term decisions with long-term strategies
- Ten year detailed financial plan for Capital and Operating
- Current year budget and nine year forecast
- Living document annually updated
- Allows for possibility of Council approved multi-year budgets

# LTFPF Cycle/2023 Budget Schedule



May/ July	<ul style="list-style-type: none"><li>• Finance and Audit Committee / Council approval of target levy increase and dedicated infrastructure target levy</li><li>• Examine all revenues/expenditures for saving opportunities and efficiencies</li></ul>
July/ August	<ul style="list-style-type: none"><li>• Budget stakeholder consultation</li><li>• Identify Issue Papers and major impacts</li><li>• Develop departmental Draft Budgets</li></ul>
September	<ul style="list-style-type: none"><li>• Review Issue Papers at Standing Committee meetings</li><li>• Detailed Departmental Draft Budgets and Long-term Plans submitted to Finance for review &amp; preliminary consolidation</li></ul>
October	<ul style="list-style-type: none"><li>• Review of Departmental Draft Business Plans</li><li>• Develop Draft Long-term Financial Plans by department and Consolidated Financial Model</li></ul>
October/ November	<ul style="list-style-type: none"><li>• Review Preliminary Budgets at Standing Committee meetings</li><li>• ADDED – Outgoing Council Preliminary Draft Consolidated Budget Overview</li><li>• Finalize Business Plans and Draft Budgets</li><li>• Consolidate Draft County Budget and Long-term Financial Plan</li></ul>
December	<ul style="list-style-type: none"><li>• Post budget documents on website for public review</li><li>• Council Meeting – Consolidated Draft Budget Overview</li></ul>
January	<ul style="list-style-type: none"><li>• Review Departmental Draft Budgets and Issue Papers at Standing Committees</li><li>• Council Budget Deliberation Meeting</li><li>• Regular Council Meeting – Consideration for Budget Approval</li></ul>
Ongoing	<ul style="list-style-type: none"><li>• Financial reporting</li><li>• Review for efficiencies, savings and funding opportunities</li></ul>

# LTFPF Transparency



- Master Plans derived with public and stakeholder consultation embedded within financial model
- Stakeholder engagement
- Draft budget and long-term plan posted on website for public review
- Departmental business plans and Budget Issue Papers posted on website
- Monthly Financial Results presented to Finance and Audit Committee
- Quarterly Financial Results provided to Standing Committees and Council reporting actual performance vs. budget
- Finance staff available throughout the year
- Formal Annual Reports highlighting financial performance

# LTFPF Transparency - Stakeholder Engagement

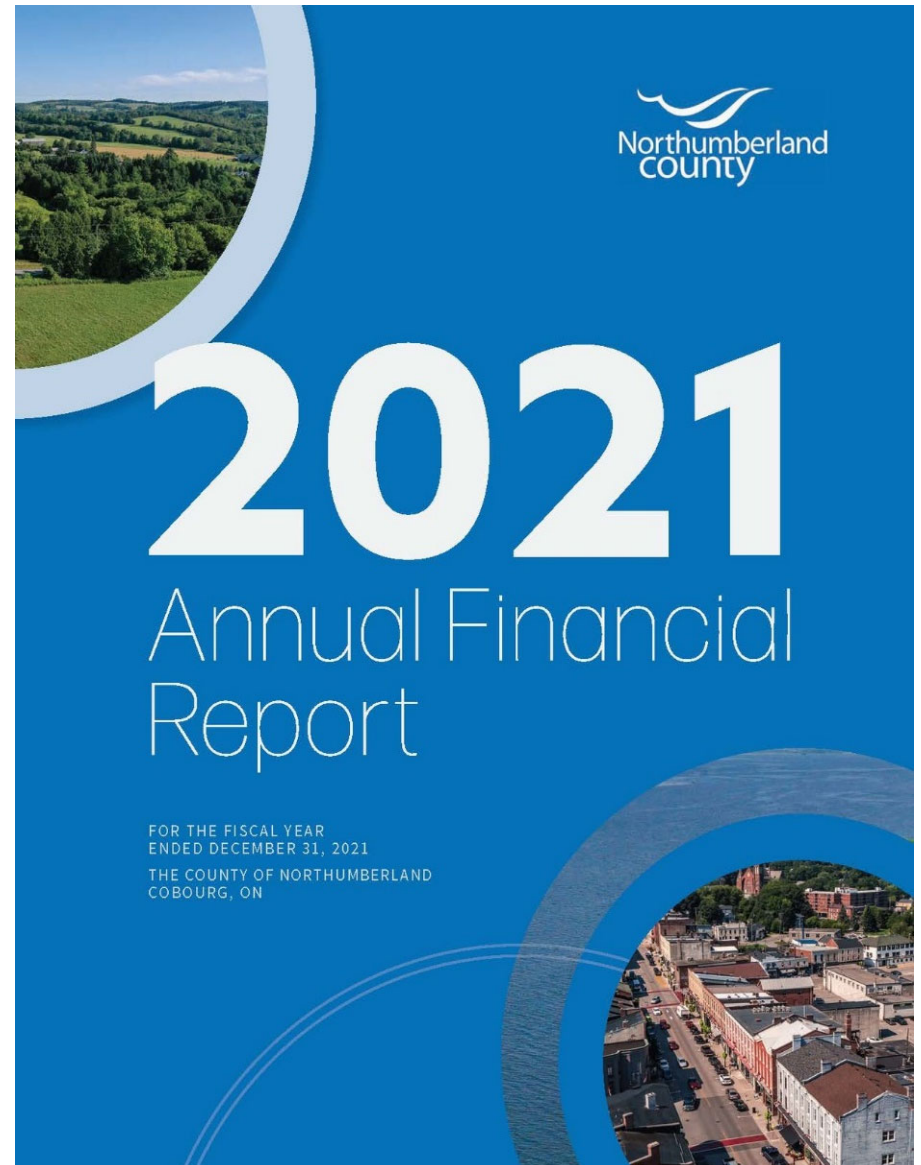


- Communications & Community Engagement Plan for:
  - Informing
  - Educating
  - Consulting
- Survey May 5<sup>th</sup> – May 31<sup>st</sup>
- Results reported to Finance and Audit Committee and Council July for guiding budget and long-term financial planning decision making
- 144 responses (77 in 2021 Budget Simulation Pilot)
- Questions comprised of responses based on pre-set options and commentary





# LTFPF Transparency - Reporting





# LTFPF Inputs

- Stakeholder consultation
- Strategic Plan
- Master Plans
- Economic indices
- Council recommend target base levy increase
- Provincial legislation changes / funding models on mandatory programs
- Asset Management
- Service Levels (taxpayer/resident/client needs)

# LTFPF Inputs – Long-term Plans



**IT STRATEGIC PLAN**  
INFORMATION TECHNOLOGY

**DIGITAL STRATEGY 2019**  
SMART Northumberland  
An Intelligent Community

**Northumberland County 2019-2023 Strategic Plan**

**Northumberland County OFFICIAL PLAN**

**Northumberland County Archives & Museum Strategic Plan 2020-2023**

**Northumberland County Cycling Master Plan**

**County of Northumberland Waste Management Master Plan Final Report**

**ASSET MANAGEMENT PLAN**  
Core Assets – Roads, Structures and Storm Sewer

**Northumberland County TRANSPORTATION MASTER PLAN**

**Northumberland County Affordable Housing Strategy**  
Final Report  
February 2019

**Northumberland County Housing and Homelessness Plan 2019 – 2029**

**Northumberland County Natural Heritage System Plan**

**GOLDEN PLOUGH LODGE STRATEGIC PLAN 2018 - 2022**

**Northumberland County Forest Master Plan**

**An Integrated Economic Development Master Plan 2017 AND BEYOND**



# LTFFP Target Levy Rate

- Consistent modest levy increases over time
  - Limits volatility, strategic
- Committee / Council approved **5.0%** target levy increase for 2023 and Dedicated Infrastructure Levy calculated at **2.0%** of prior year levy
- Committee / Council approved **3.0%** base levy target increase for 2024-2032 Long-term Plan
- Dedicated Infrastructure Levy
  - Reserve for New Campbellford Bridge (cost escalations - inflationary pressures)



# LTFPF Target Levy Rate- Inflationary Indices

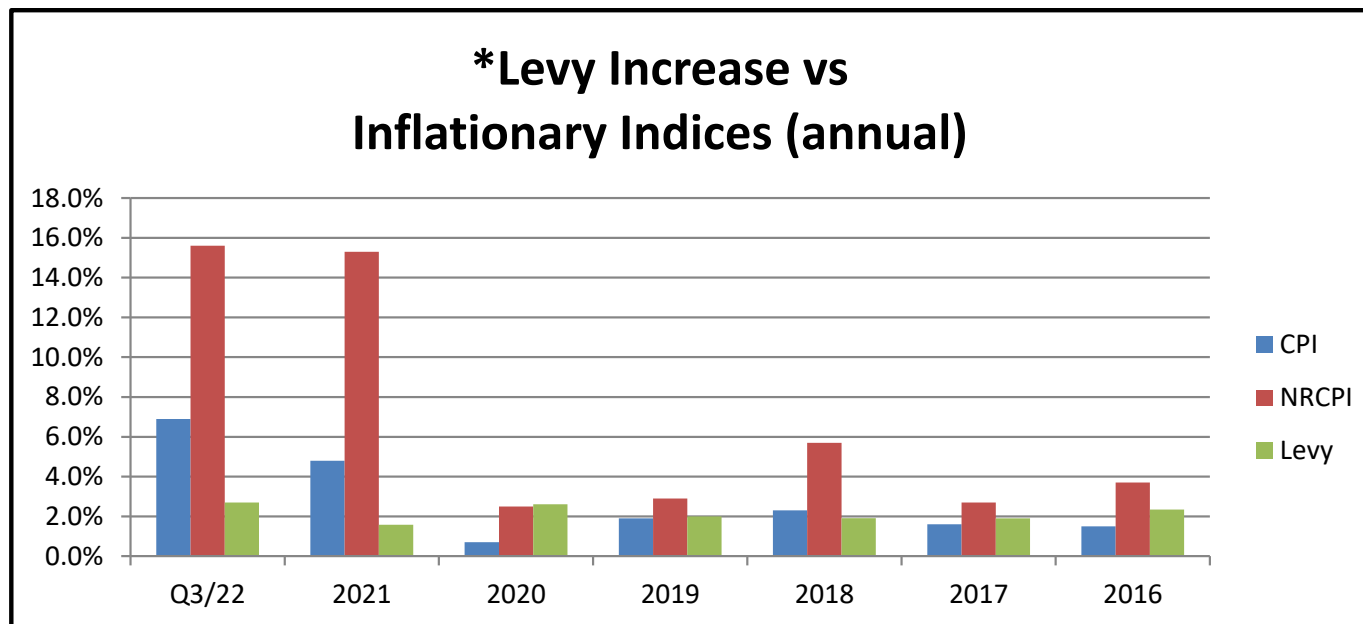


- Various indices reviewed under framework for setting target
- Levy target rate considers weighting for types of expenditures
- Consumer Price Index (CPI)
  - Bank of Canada (BOC) targets 2.0%
  - September 2022 **6.9%** (12-month change)
  - BOC expects CPI to remain elevated into next year declining to ~3.0% in late 2023 then return to 2.0% by the end of 2024
- Non-residential Building Construction Index (NRCPI)
  - Measures price changes for construction materials and skilled/unskilled labour
  - Year-over-year Q3 2022 **15.6%** (GTA)



# LTFPF Target Levy Rate- Inflationary Indices

- Need to consider inflation based on mix of goods and services for providing County services
  - Not keeping pace with overall inflationary pressures
  - Significant erosion of Operating and Capital Budgets 2022 & 2021
  - Risk of maintaining service levels
  - Compounds on Infrastructure Deficit
  - Cost escalations realized for Long-term Capital plan



*\*Levy after growth and hospital funding*

# Responsible Taxation

# Responsible Taxation - Unrealistic Targets



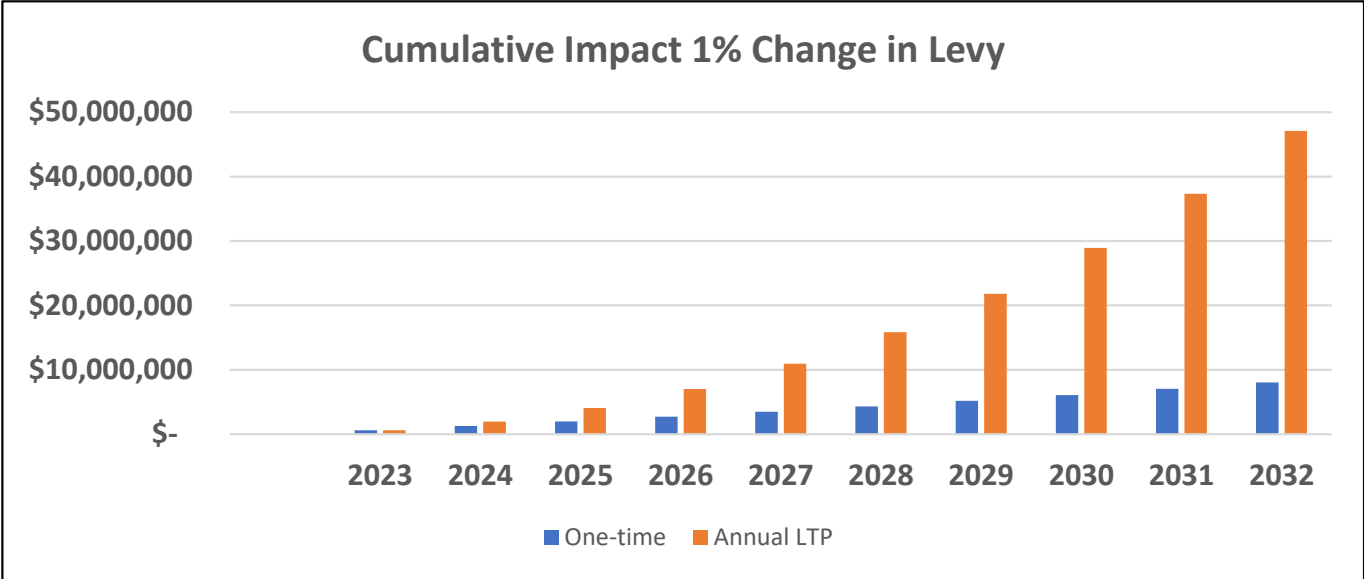
- Defer capital projects
  - Increased maintenance costs
  - Reduction in service levels
- Reduce reserve contributions / Deplete existing reserves
  - Less flexibility for unplanned events
  - Reduced savings for future projects
- Increase debt
  - Limits future options for funding projects
  - Funds committed to repayment well into the future
- Strategic plan demands a corporate culture of finding operating efficiencies



# Responsible Taxation - Unrealistic Targets



- Cumulative loss of financial capacity in long-term plan from a 1.0% target levy reduction
  - One-time reduction cumulative; **\$8.0M**
  - Annual reduction in long-term plan cumulative; **\$47.1M**
  - Taxation decrease to median home **~\$12.60** (est. 2023)
  - Large proportion of County budget non-discretionary tied to mandatory service and program delivery



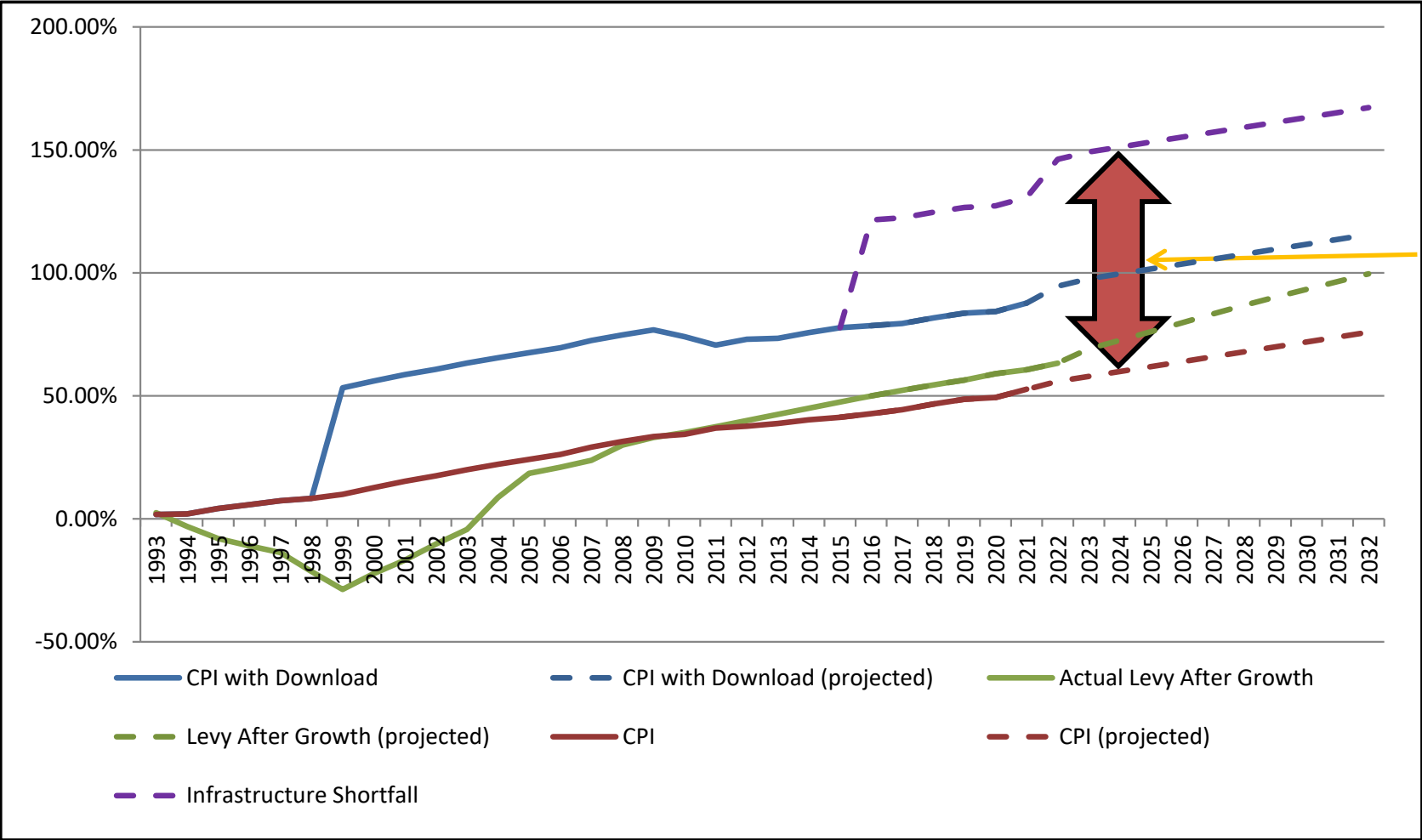
# 2023 Budget & Long Term Plan Overview

# Overview – The History



- Prudent & strategic financial decisions since 2001
- Financial lessons learned from the past (1990s)
- Rebuilt budget while delivering existing services and downloads
- Cost effective ways to implement needed service improvements
- Challenge to meet expectations and minimize levy
- Remain focused on today & the future

# Overview – The History

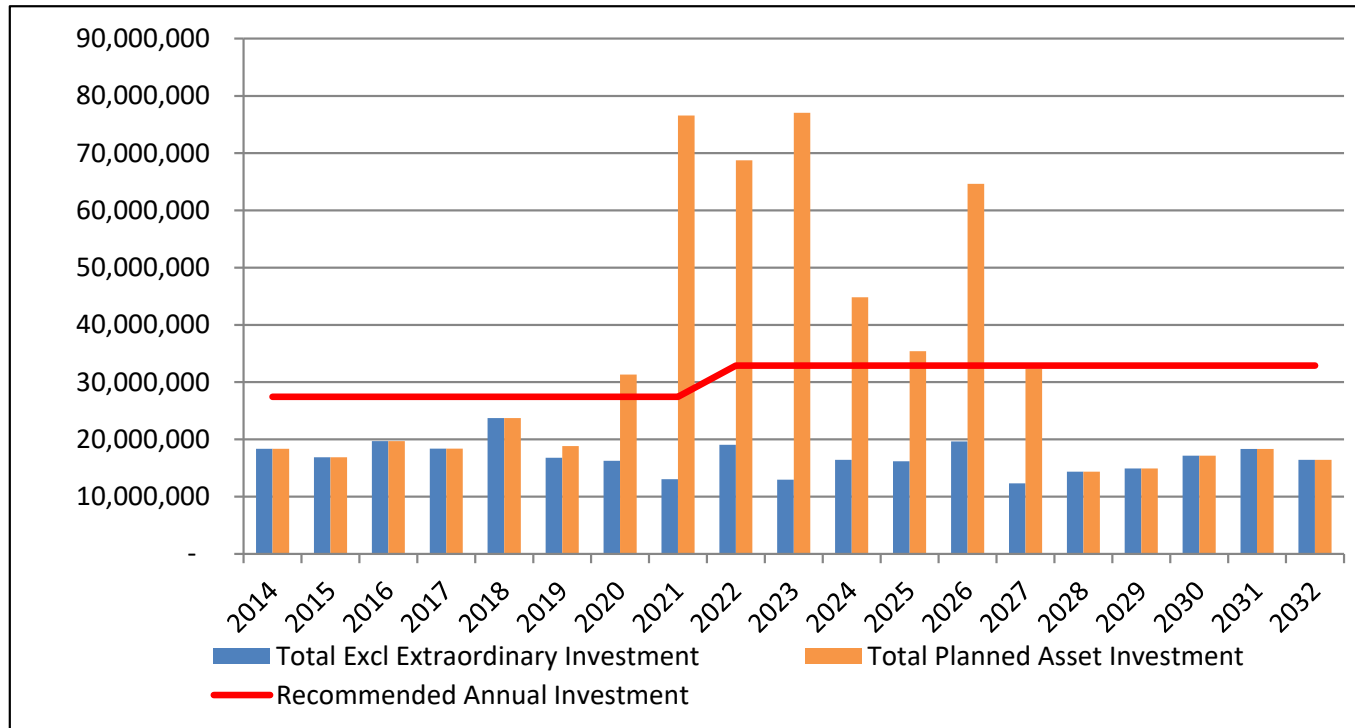


Current Funding Gap

# Focus on the Future

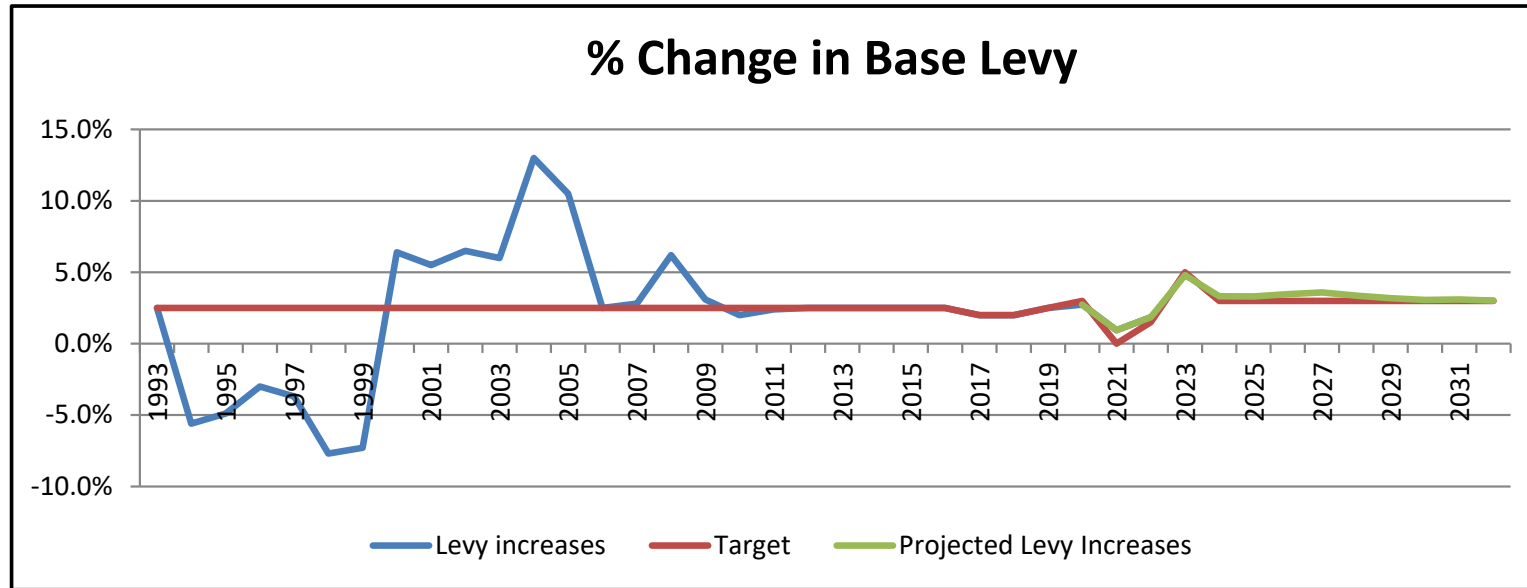


Capital Investments vs Asset Mgmt Plan  
Investment Target



- AM Plan estimates \$32.9M needed annually
- County-wide DC's:
  - Reduces debt and reserve financing large projects (ex. GPL Redevelopment)
  - Expands financial capacity Transportation Construction
  - Levy savings other capital investments (ex. Paramedics fleet)
- Need to:
  - Continue to ramp up capital budgets
  - Continue to contribute to reserves
  - Continue to assess inflationary pressures

# Funding the Future

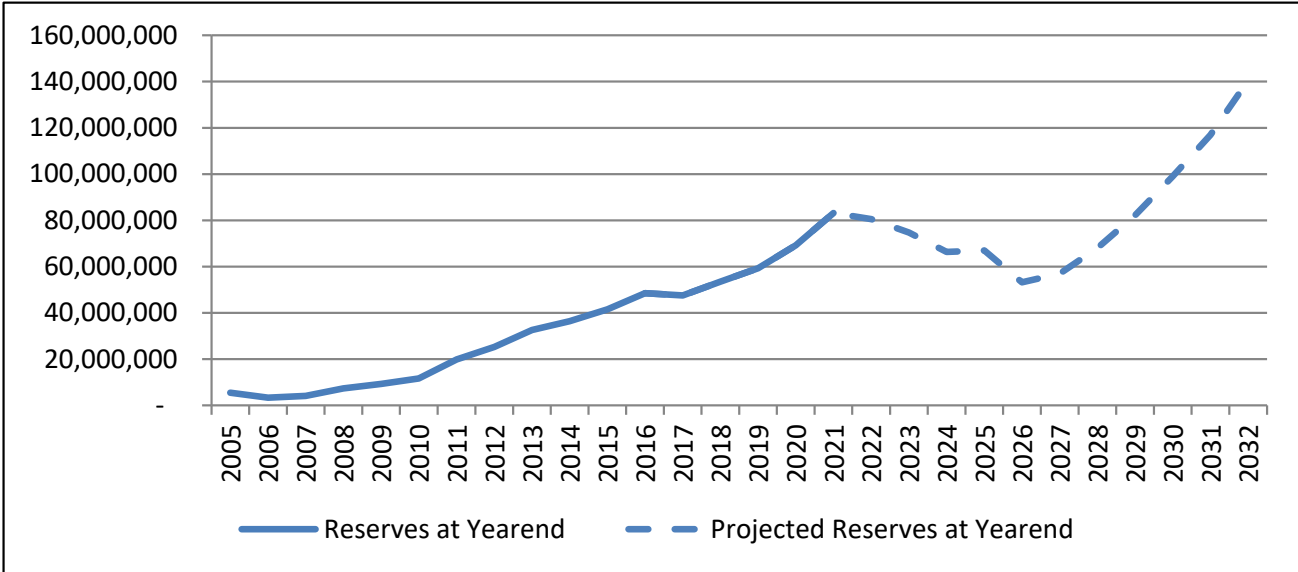


- Primarily stable levy increases since adopting LTFPF
- Not keeping pace with inflation risks return to erratic increases in future years
- Years of insufficient levy increases compound in long term plan as base moving forward in future years
- 10 year plan requires increases above 3.0%
- Dedicated capital levy introduced in 2016 to begin to address infrastructure gap
- Typical annual \$500K additional levy financing towards Transportation Construction Program funded from additional OCIF funds
- New Transportation Construction Program funding strategy to be proposed aligned with needs identified in new AM Plan and Provincial funding methodologies

# Reserve Trend – 2005 to 2032



Forecasted Yearend Reserves

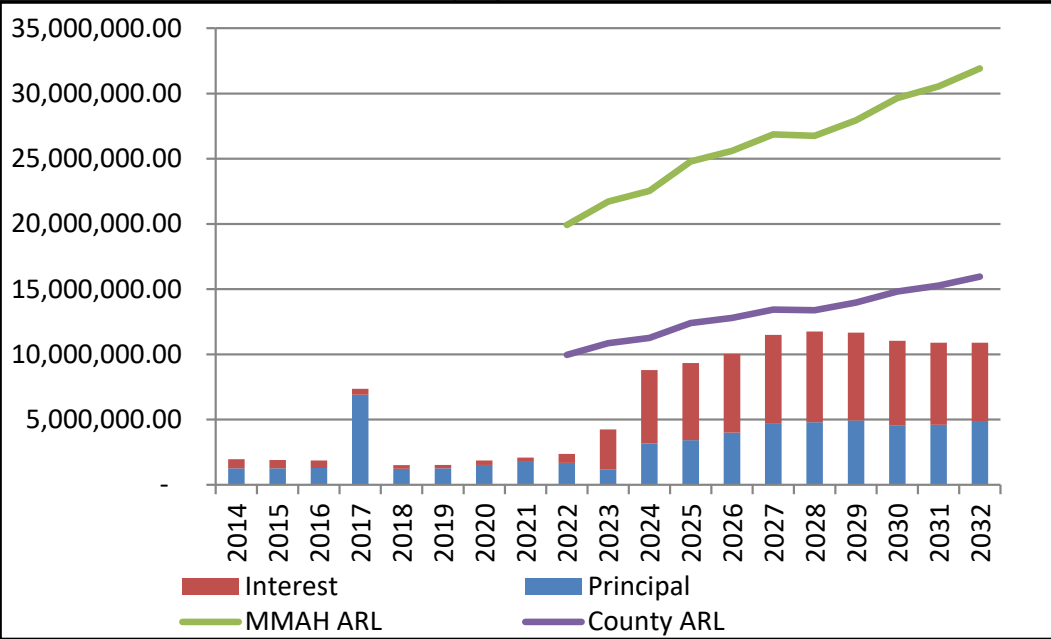


- Utilization over next 10 years for financing large projects and rate stabilization
- Reserves will fluctuate as drawn upon for intended usages
- Projected reserve balance will be depleted in 2026 to less than that of comparator average before gaining ground again towards financing future needs
- New County Reserve Policy approved 2021 for managing reserves
- Consistently building into operating budgets
- Contributions are aligned to priorities in AM Plan
- AM Plan, Master Plans identify significant future needs
- Future landfill closure/post closure liability \$24.5M / reserve \$2.4M (2021)

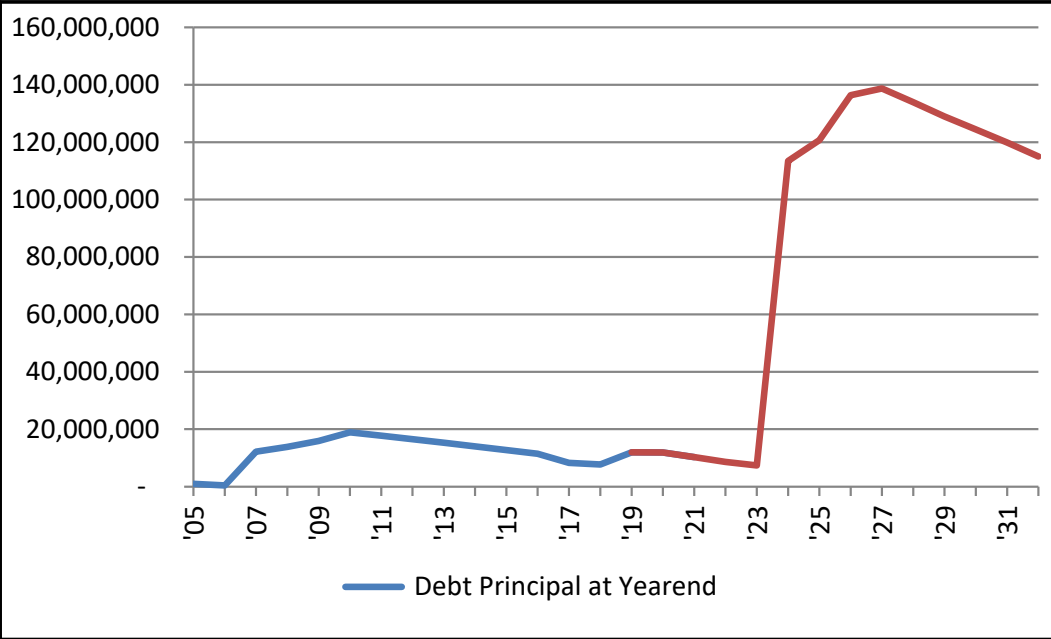


# Long-term Debt

Debt Repayment Schedule



Forecasted Yearend Debt



- Currently well below forecasted MMAH Annual Repayment Limit (ARL)
- Encroaching on County ARL established under newly adopted Debt Policy
- Will require greater utilization of reserves in future models to limit debt servicing costs
- Inflation and high interest rate environment further burden debt capacity as financing source
- Will take on new debt in the next few years increasing debt utilization, higher interest rates
  - GPL/NCAM Redevelopment
  - Elgin Park Redevelopment
  - Placeholders Social Housing Expansion Projects, Brighton Paramedic Base, Consolidated Operations Facility



# Economic Outlook



- Inflation rose to a 4-decade high in 2022 reaching 8.1%; latest CPI 6.9% (October year-over-year)
- Non-residential Building Construction Index at the 3rd quarter 2022 GTA 15.6%
- Heightened consumer demand combined with global supply chain issues and war in Ukraine continue to drive inflationary pressures
- BOC overnight interest rate increased from its lower bound of 0.25% at start of year to current 4.25%
- Aggressive BOC tightening in monetary policy starting to ease inflationary pressures; however, lagging impact
- BOC forecast inflation to decline to around 3% in late 2023 and return to 2% by the end of 2024
- Household affordability a challenge for many with increased inflation and interest rates
- BOC anticipates gross domestic product (GDP) will be around 3.2% in 2022 declining to 1.0% in 2023 before rebounding and reaching 2.0% in 2024
- COVID-19 continues to create significant uncertainties

# 2023 Opportunities and Challenges



- Opportunities
  - Interest Revenues -\$1.4M
  - GPL Supplementary Staffing Funding -\$680K
  - WDO Funding -\$600K
  - Waste Maturing Debt -\$534K
  - MRF Revenues -\$430K
  - MRF Divestment Asset Proceeds (Reserves)
- Challenges
  - Broad Inflation all Departments
  - Interest Construction Financing -\$2.2M
  - MRF Divesture Costs -\$966K
  - Bag Tag Revenue -\$275K
  - Insurance -\$179K
- Issue Papers levy impact \$1.6M



# Bill 23, More Homes Built Faster Act



- Housing Services no longer an eligible service for Development Charges (D.C.'s)
  - Lost source of critical financing to expand stock of subsidized and market rental housing units aligned with Affordable Housing Strategy
  - \$2.4M D.C.'s: Elgin Park Redevelopment and 473 Ontario Street in current D.C. Background Study
  - ~\$15M D.C.'s: Estimate for over 250 new affordable housing units to be constructed over the next 2-7 years
  - \$739 nominal reduction in County D.C.



# Bill 23, More Homes Built Faster Act

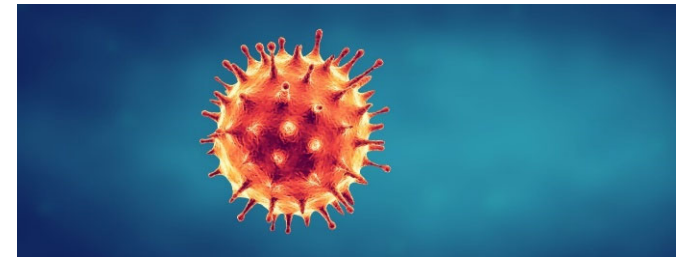


- Removal of Studies as eligible for D.C.'s
  - \$650K D.C.'s: Various Studies in current D.C. Background Study – effective with future D.C. bylaw updates
- New Statutory Exemptions: Affordable units, attainable units, inclusionary zoning units and non-profit housing development
  - Additional burden to fund these exemptions from a non-D.C. source
- Mandatory Phase-in of D.C.s
  - D.C. by-laws passed after June 1, 2022
- Property Tax impact
  - Transfer of burden from growth primarily to existing tax base
  - **~27%** increase (based on 2023 levy) to make up anticipated lost D.C. revenues or consideration for reductions to housing projects, infrastructure investments, programs or services
  - **~\$360** increase to average home in Northumberland

# COVID-19 Impacts



- Safe Restart funding fully utilized
- Utilization of staff training savings and reserves as possible source of offset if required
- Possible impacts
  - GPL and Paramedics staffing, PPE, cleaning/sanitization
  - Community and Social Services emergency sheltering, non-profit housing supports
  - NCHC cleaning/sanitization, rental revenues with rent freezes
  - POA reduced fines revenues
  - Finance reduced interest revenues
  - Facilities cleaning/sanitization, building alterations/modifications
  - Transportation backfill for critical operations
  - Land Use Planning permit and planning fees





# 2023 Budget Details

- Key capital projects & purchases include:
  - GPL & NCAM Redevelopment
  - Elgin Park Housing Redevelopment
  - Ontario St. Housing Development
  - LHC and Corporate facilities projects
  - Roads and Bridge work
  - Equipment Transportation, Waste & Paramedic Depts.
  - Mattress Diversion Program
  - Residual Waste E.A.



# Draft 2023 Budget



- Proposed levy increase after growth is 5.9%
  - Base levy increase of 4.8% (target 5.0%)
  - Dedicated Infrastructure Investment 1.1%
- Growth estimated at 1.8%
- Not fully recovering erosion in levy based on 2021/22 inflationary impacts
- Hospital funding \$250K continues based on 5-year commitment commencing in 2022
- Total levy \$68.0M
- Supports priorities in 2019 – 2023 Strategic Plan
  - Maintains existing programs and services
  - Supports shared services
  - Funds immediate capital needs
  - Invests for the future

# Dedicated Infrastructure Investment



- DIL introduced in 2016 continues in 2023 to address the Infrastructure Gap
- Based on 2.0% of 2022 base levy
  - Total \$1.3M in 2023
  - 2022 DIL was based on 1% of 2021 base levy
  - 2023 incremental increase 1.1%
  - Allocated to the Bridge reserve in 2023
- DIL increases modestly in long-term plan
  - 2024 - \$1.3M
  - 2025 - \$1.5M
  - 2026 - \$1.6M
  - 2027 - \$1.6M



# Draft 2023 Budget (Cash)



## Draft Cash Budget Summary

Operating expenses	\$127.2M
Capital	\$75.8M
Debt Principal Repayment	\$1.2M
Change in Reserves	<u>(\$5.9M)</u>
	\$198.3M
Grants & Subsidies	\$60.2M
Other Non-levy Revenue	\$22.8M
Debt/Construction Financing	<u>\$47.3M</u>
Levy	\$68.0M

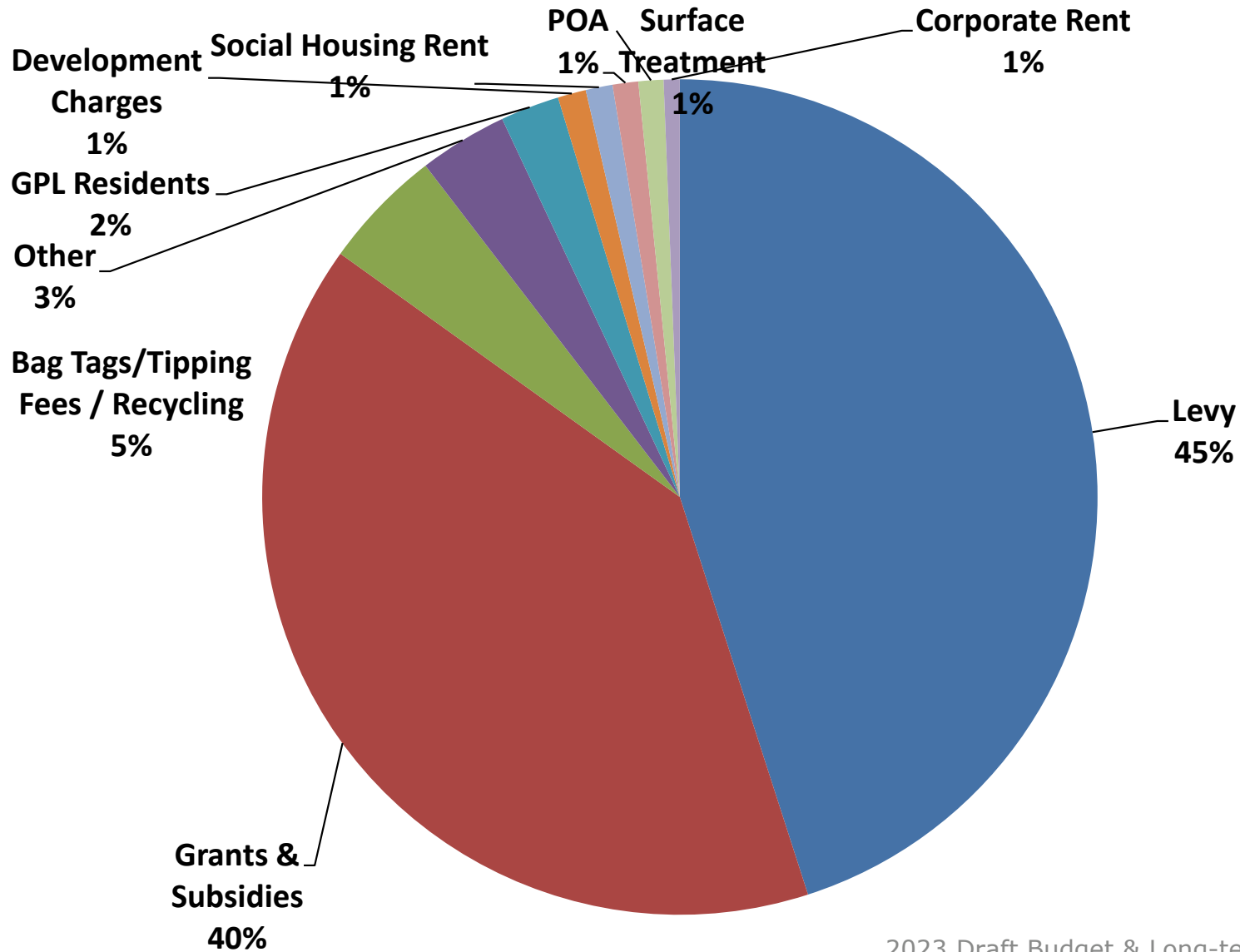
# Draft 2023 Budget (Accrual)



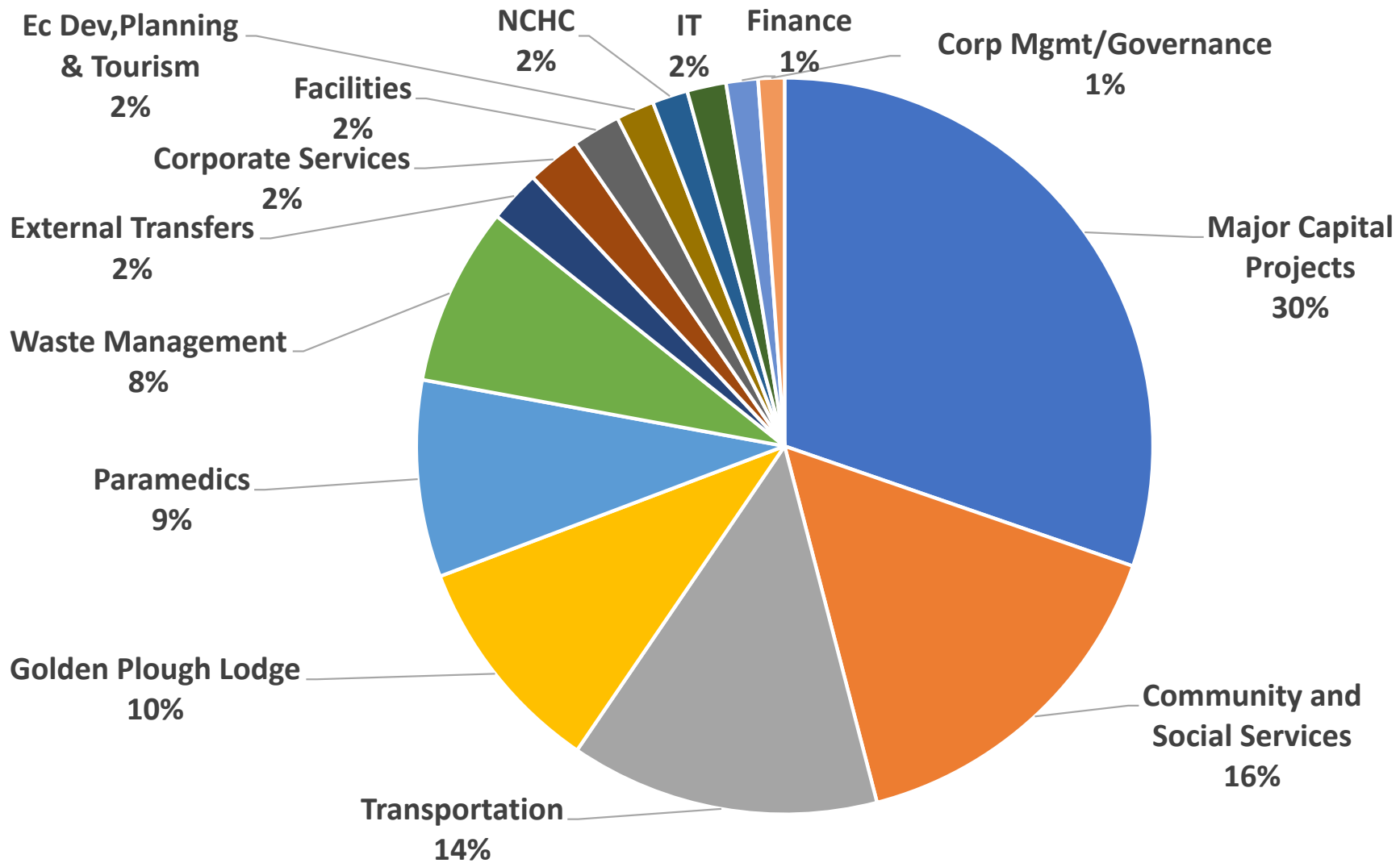
## Draft Accrual Budget Summary

Cash based budget	\$198.3M
Less:	
Debt Principal Repayment	\$1.2M
Capital Purchases	\$75.8M
Debt/Construction Financing	\$47.3M
Add:	
Amortization	\$9.5M
Future Employee Benefits	\$0.4M
Landfill Post-Closure Liability	<u>\$0.6M</u>
Accrual based budget	\$84.5M

# How is 2023 Budget Funded?

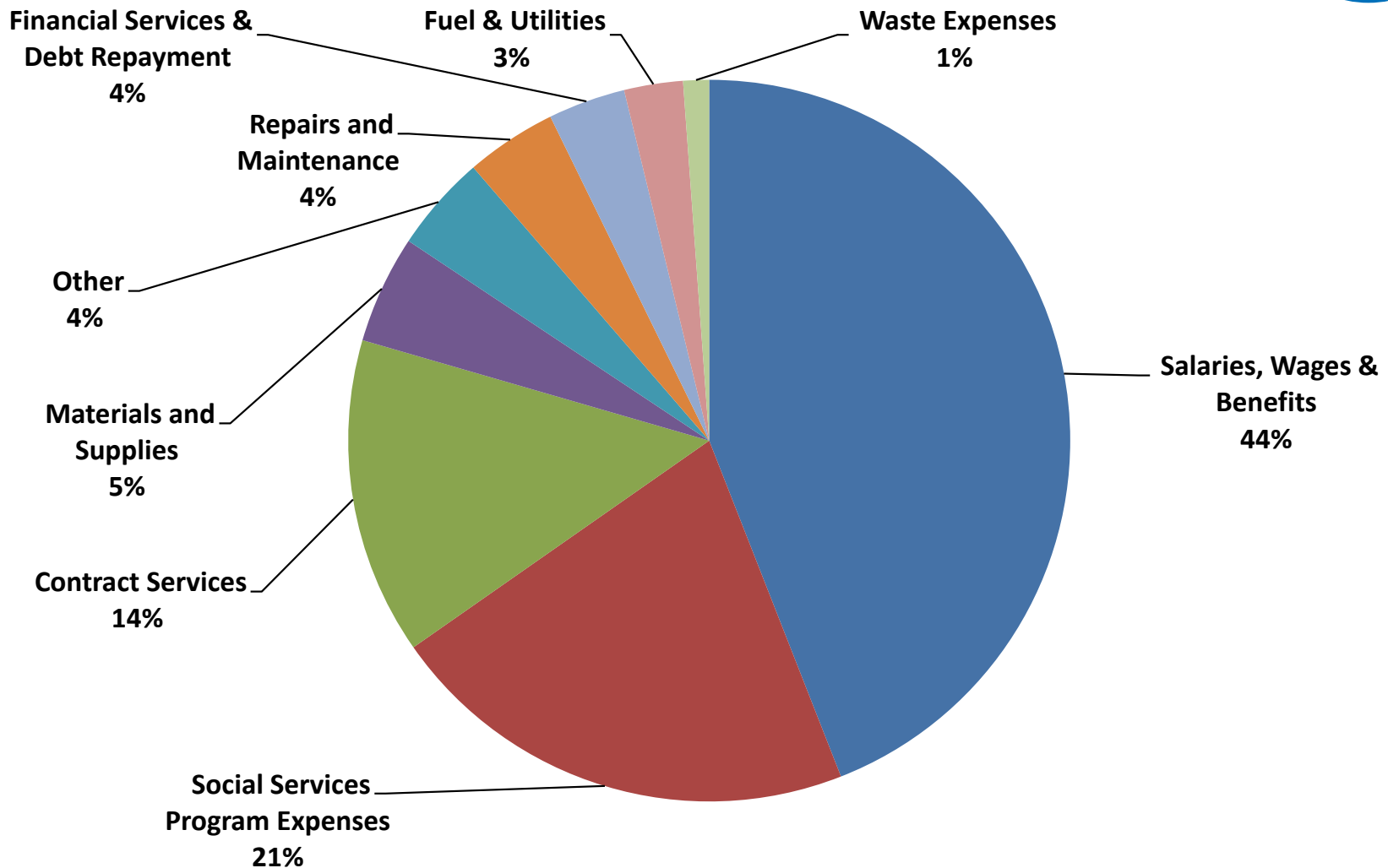


# How is 2023 Budget Allocated?

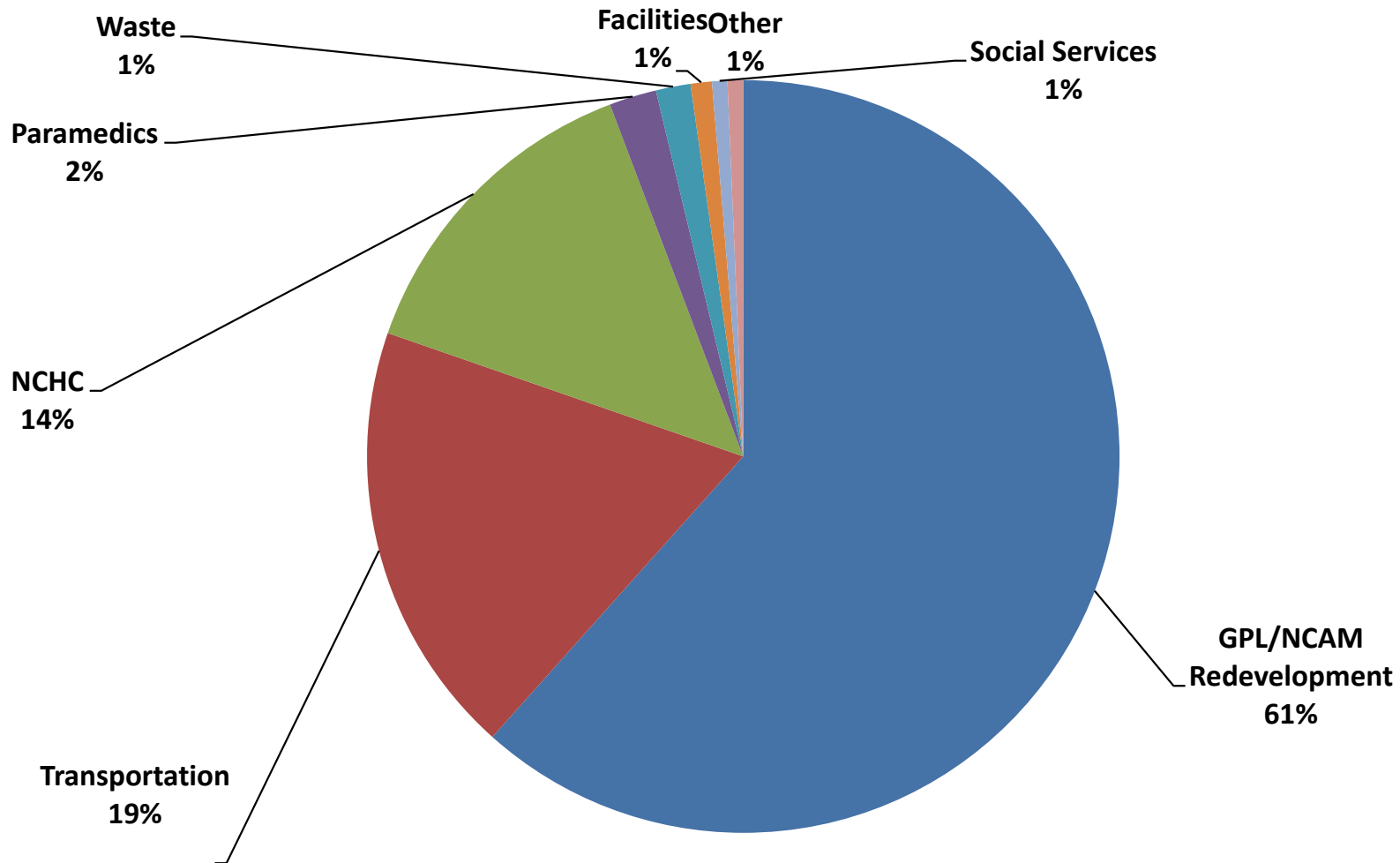


Note: Operating, capital and debt servicing costs excluding internal charges

# How is 2023 Operating Budget Allocated?



# How is 2023 Capital Budget Allocated?



# Tax Rate Impacts



## Estimated Residential Tax Rate



2022

$$.004933890 \times \$259,000^* = \mathbf{\$1,277.88}$$

2023

$$.005217711 \times \$260,000^* = \mathbf{\$1,356.60}$$

**Increase for the average home will be \$78.72**

- Average home value represents MPAC Current Value Assessment (CVA) data
  - CVA is used for annual property tax billing calculations (not market values)
  - CVA represents valuation dates of January 1, 2016
  - MPAC assessment update has been postponed again (typically all properties updated on 4-year cycle). Property assessments for the 2023 property tax years will continue to be based on January 1, 2016 CVA.

\* Median home value in Northumberland County per MPAC based on single family detached home.

The analysis above is based on preliminary assessment roll and 2022 existing tax policy which are subject to change.

# Next Steps



January 9, 10, 11 – Standing Committee reviews Departmental Draft Budgets and Issue Papers



January 18 – Council Budget Deliberation meeting



January 25 - Consideration for Budget approval regular Council meeting



Begin implementing immediately upon approval. Tax rates/ratios to be approved April/May





Questions?

