

# 2023 Budget Overview

## Proposed 2023 City Budgets

December 13, 2022

# Agenda

- Financial Overview
- Proposed 2023 Budgets
  - Capital
  - Operating
  - Special Projects
  - Water-Wastewater (Operating and Capital)
- Next Steps

# Financial Overview

... have grown by  
... in 200

over the  
other



## Financial Overview

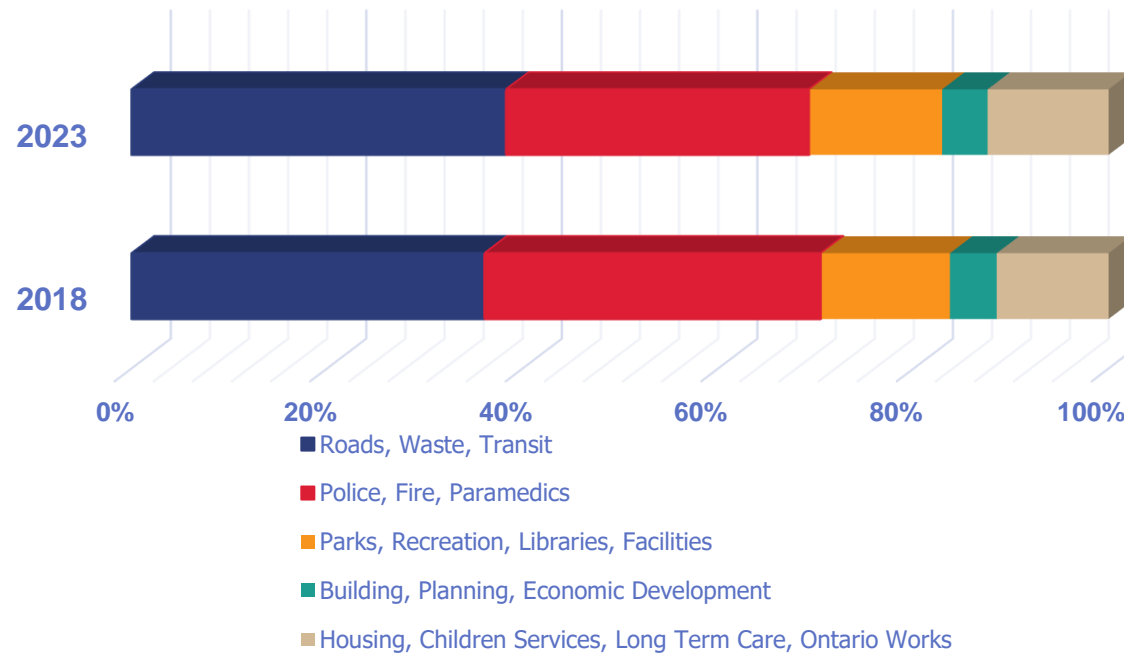
# Financial Overview

- The 2023 budget is the first budget for this term of Council
- Highlight some of the key financial initiatives that Council has undertaken
- Respond to frequent comments about the City's finances:
  - Taxes are too high
  - Not enough investment in roads
  - Too many staff
  - Too much debt
  - Use the surplus to lower taxes

# Financial Overview

## Operating Budget: 2018-2023

The City has provided a consistent level of 200+ services throughout recent history in an effective manner.



# Financial Overview

## Operating Budget: 2018-2023

- Operating Budget highlights:
  - Introduced the Special Projects budget to provide transparency on non-capital related one-time expenditures
  - Introduced various rate stabilization reserves to manage volatility and stabilize tax levy increases
  - Partnered with Peterborough County on shared services
  - 2023 Tax increase of 3% follows the long range financial plan developed in 2022 despite significant inflationary pressures
  - Introduced the Empower Program to streamline and enhance our services post-pandemic

# Financial Overview

## Capital Budget: 2018-2022

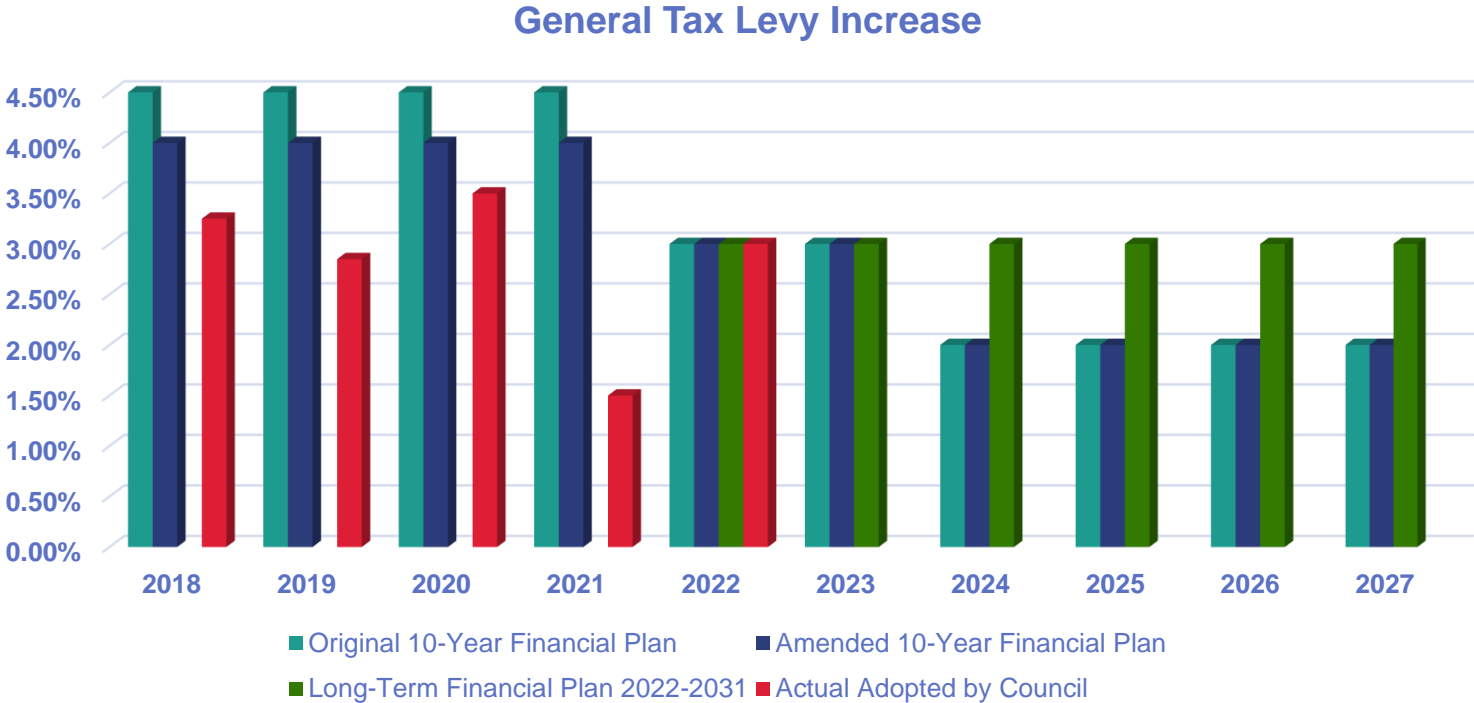
- Council invested more than \$160 million in the rehabilitation, replacement, construction and acquisition of municipal assets.
  
- Highlights include:
  - Revitalization of three downtown areas: Lindsay, Fenelon Falls and Omemee
  - Construction of the Mariposa Fire Station
  - Construction of Logie Park and expansion of Bobcaygeon Beach Park
  - Reconstruction, rehabilitation or resurfacing of nearly 680 km of roads

# Financial Overview

## Property Tax: 2018-2027

The cumulative general tax increase over 2018-2022 has been 14.90%, or an average of 2.82% per annum.

This and the graph exclude the special tax increases of 1.5% per annum over 2022-2031 for the newly adopted dedicated capital levy.



# Financial Overview

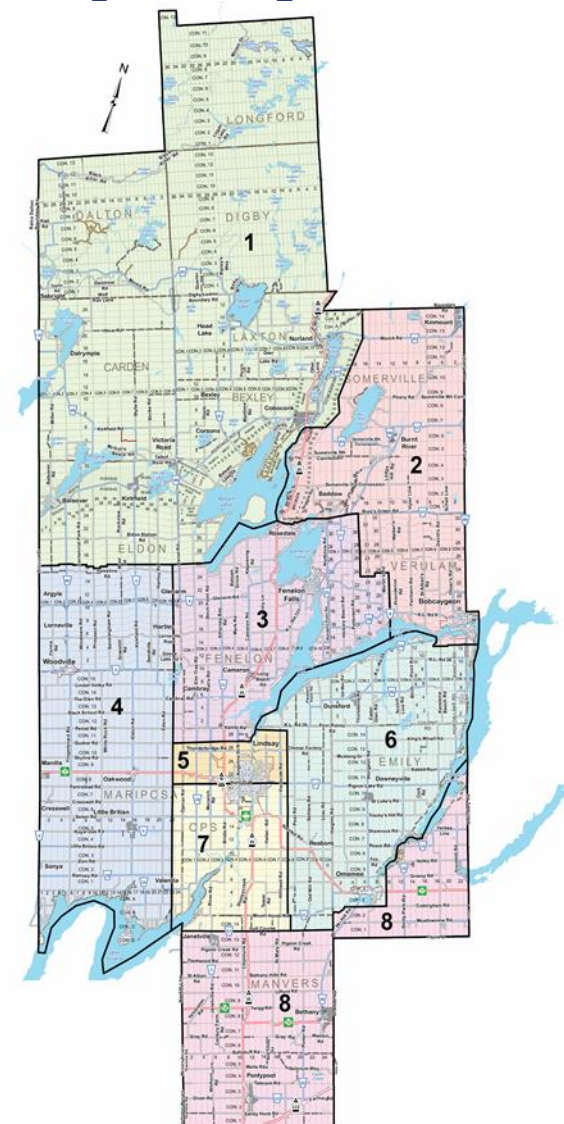
## Property Tax

There are many factors that determine how much taxes a residential property pays:

- the assessed value of the property;
- the mix of residential and non-residential properties in the municipality;
- the municipal services provided; and
- the size, location and population of the municipality

# Financial Overview

## Property Tax



**City of Kawartha Lakes  
road network is  
more than 5,300 km**



# Financial Overview

## Property Tax



### City of Toronto

- Population ~ 2,794,356
- Population Density ~ 4,428 / Km<sup>2</sup>
- Road Intensity ~ 80 households per lane Km



### City of Peterborough

- Population ~ 83,651
- Population Density ~ 1,292 / Km<sup>2</sup>
- Road Intensity ~ 37 households per lane Km



### City of Kawartha Lakes

- Population ~ 79,247
- Population Density ~ 26 / Km<sup>2</sup>
- Road Intensity ~ 7 households per lane Km

# Financial Overview

## Staffing

Staffing as a Percentage of Total Operating Expense		
1	Orillia	35.69%
2	Kawartha Lakes	37.48%
3	Kingston	40.21%
4	Peterborough City	40.60%
5	London	41.04%
6	Chatham Kent	43.64%
7	Hamilton	44.84%

8	Sudbury	45.66%
9	Sault Ste Marie	45.69%
10	North Bay	46.71%
11	Barrie	47.12%
12	Thunder Bay	47.40%
13	Ottawa	48.03%
14	Toronto	48.46%
15	Guelph	53.21%

# Financial Overview

## Year End Surplus

- The City's annual surplus has been approximately \$3 million, on average
  - 2021, Council allocated to Asset Management Reserve, Fleet Reserve, Empower project, Fleet Maintenance Reserve, Manor reserve
  - 2018 and 2020, Council allocated the surplus to the Asset Management Reserve
  - 2019, Council allocated the surplus to support community related pandemic initiatives
- A \$3 million surplus is equal to +/- 3% of the City's total tax supported budgets

# Financial Overview

## Debt

- Province prescribes the maximum amount of debt payments the City can incur
- The City currently has +/- \$140 million in debt to support its roughly \$4 billion in assets
- In the context of a household, this would be the equivalent of a home valued at \$700,000 having a mortgage of about \$24,500



# Financial Overview

## Long-Term Financial Plan

- The Long-Term Financial Plan (LTFP) is a strategic document designed to guide budgets.
  - Translates legislated requirements, master plans and other Council direction into forecasted expenditures and financing.
  - Provides context for decision-making with regard for long-term impacts.
  - Taking service levels as given, sets out a path for financial sustainability with regard for ratepayer affordability.



# Financial Overview

## Long-Term Financial Plan

- LTFP should be regularly updated to account for adopted budgets and changing circumstances.
  - Originally developed in 2017 for 2018-2027 horizon.
  - Substantively revised in 2022 for 2022-2031 horizon.
  - Targeted for revision in Q2, 2023 to account for adopted 2023 budgets and other changes to circumstances.





# 2023 Proposed Budget and Business Plan



# 2023 Budget

## Operating

- Ongoing delivery of 200+ day to day services

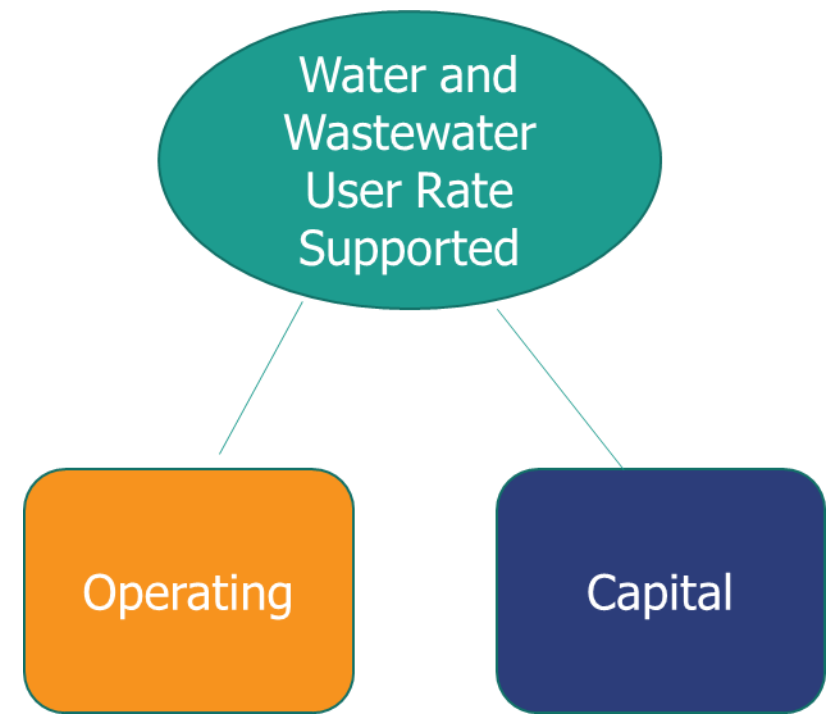
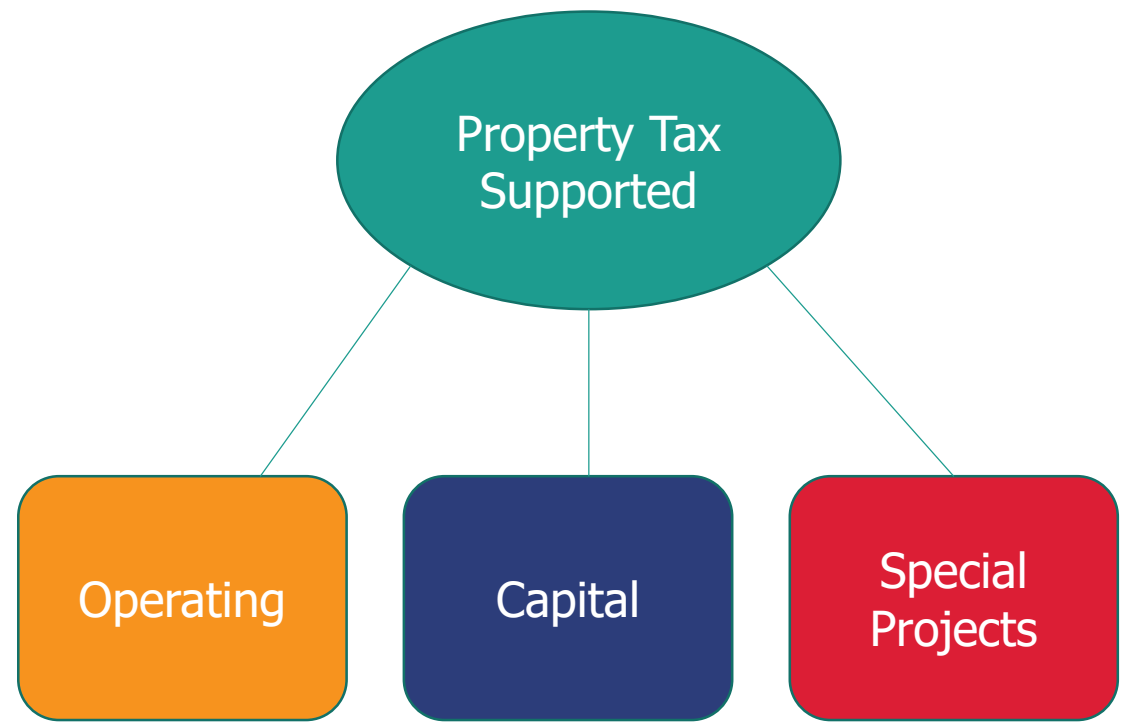
## Capital

- One time in nature
- Results in the creation of or improvement to an asset

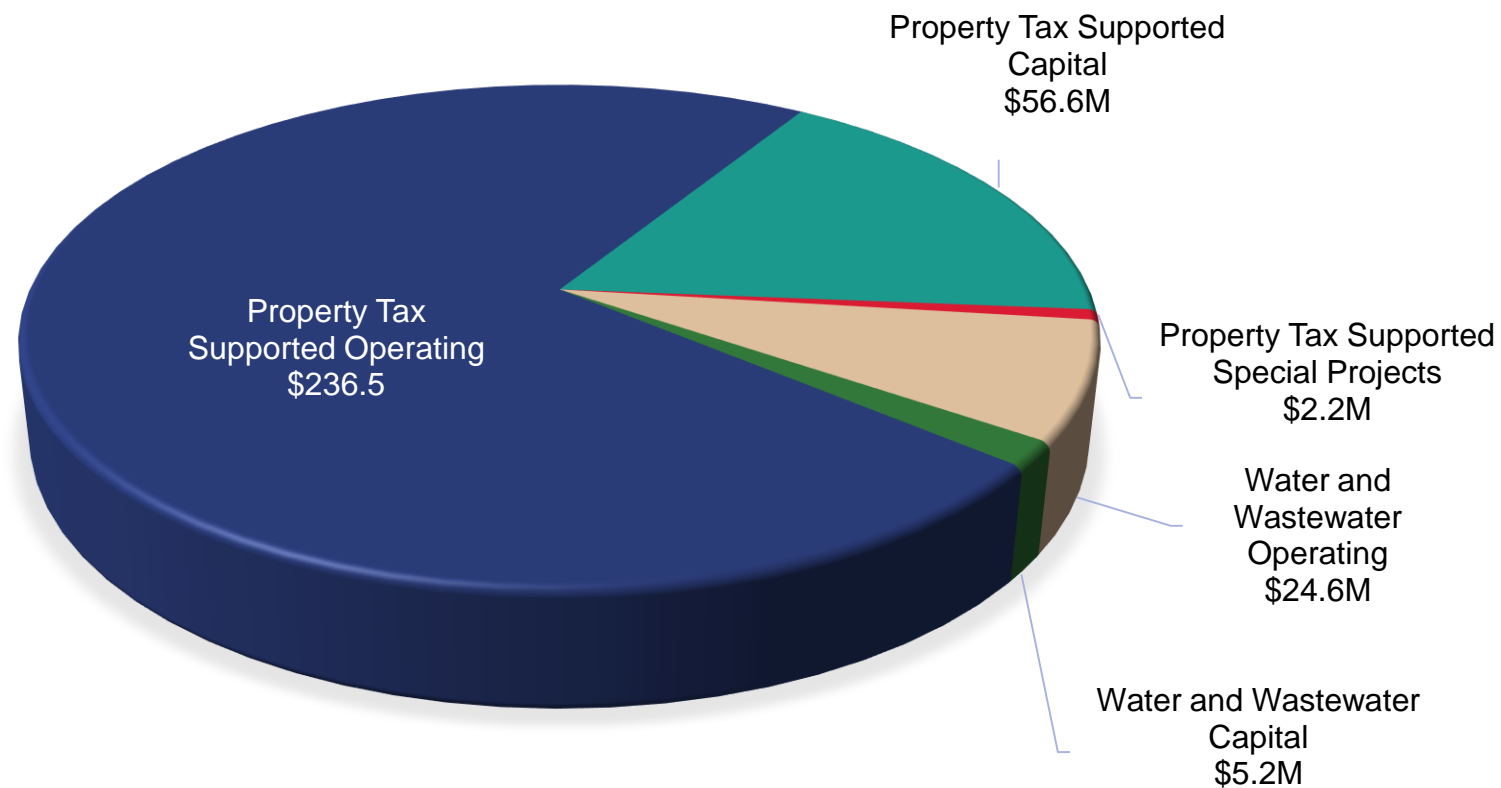
## Special Projects

- One time in nature
- Does not result in the creation of or improvement to an asset

# 2023 Budget



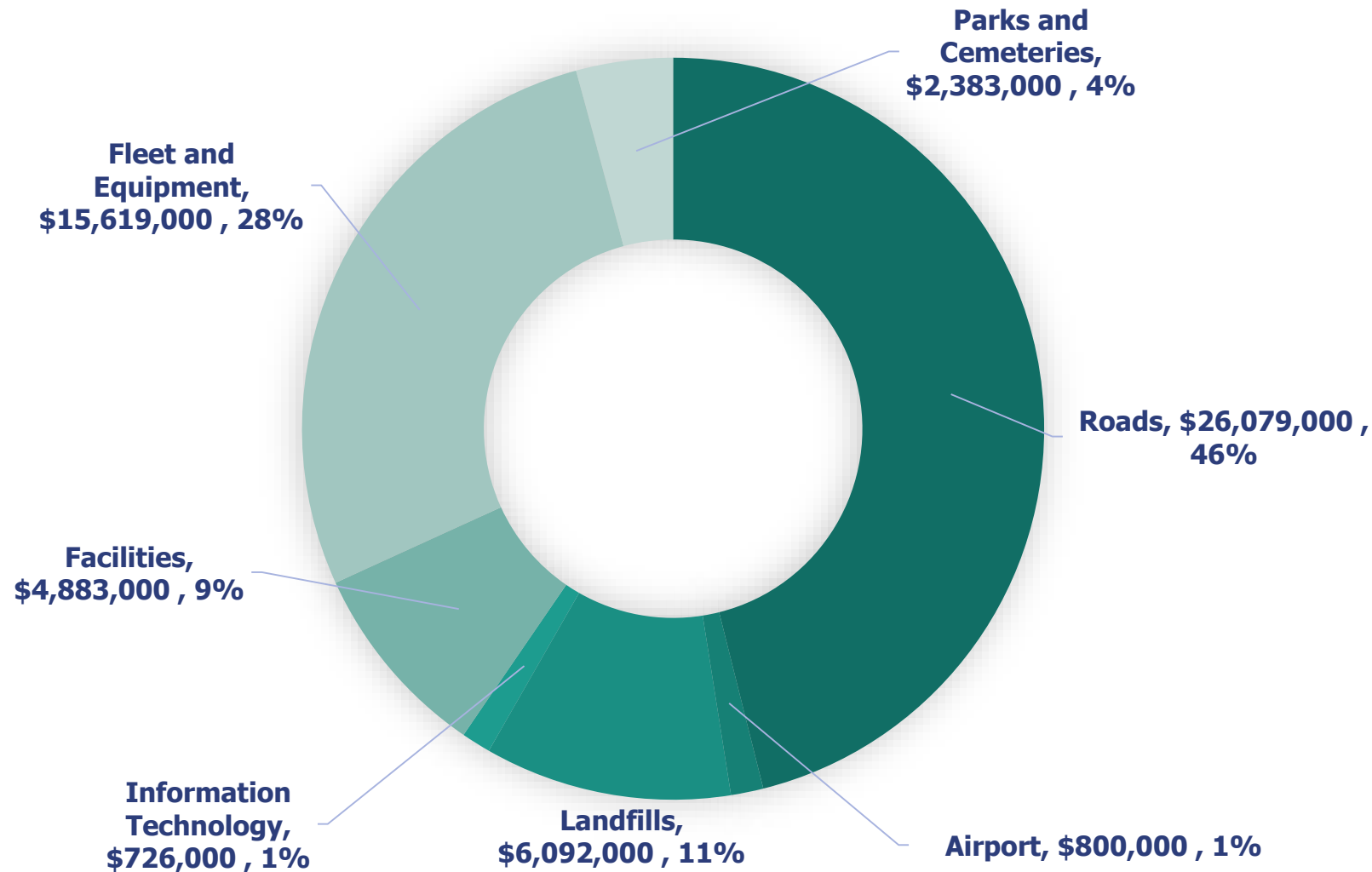
# Proposed 2023 Budgets: \$325M



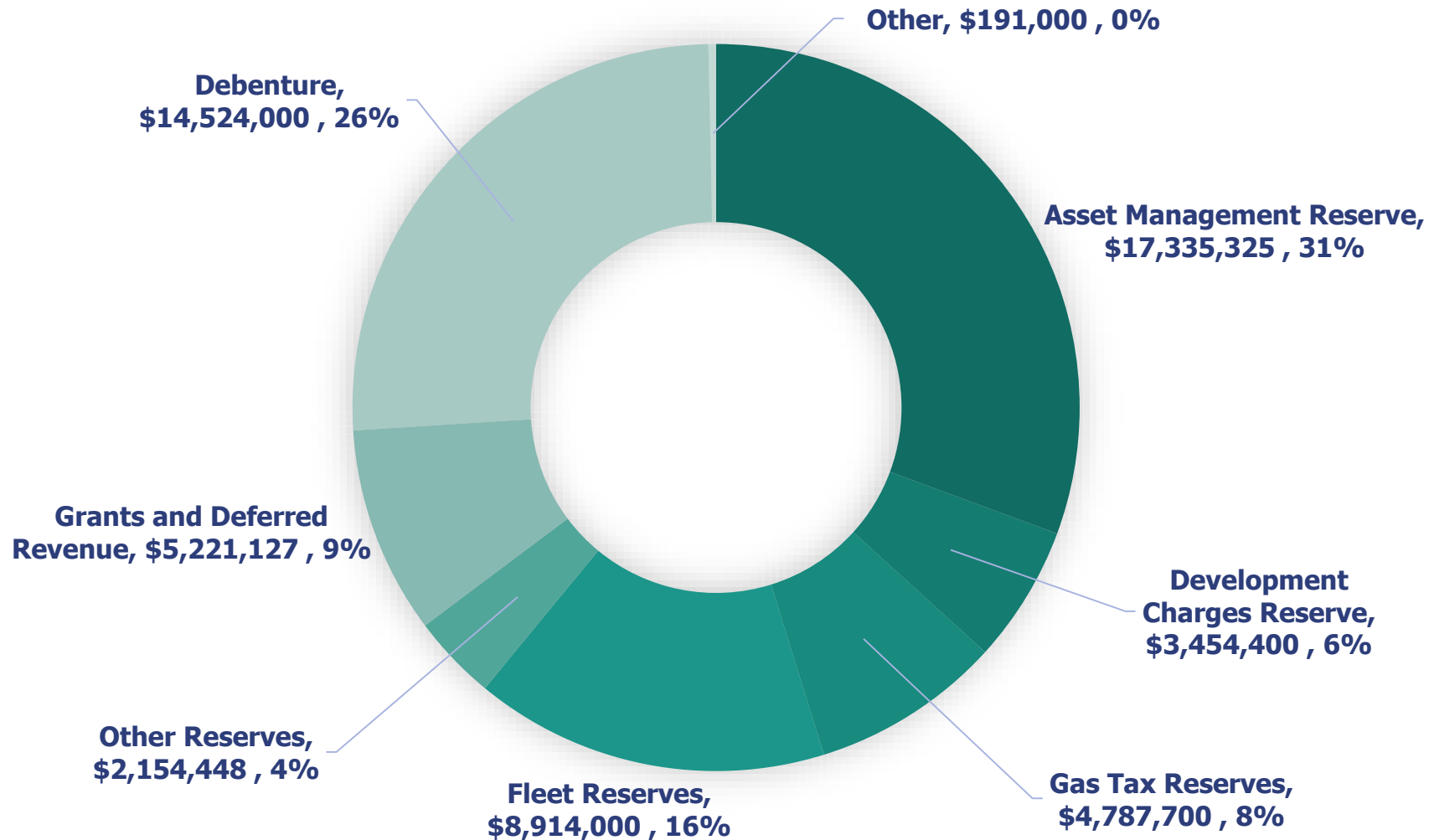


# Capital Budget

# Proposed 2023 Tax-Supported Capital Budget: \$56.6M in Expenditure



# Proposed 2023 Tax-Supported Capital Budget: \$56.6M in Financing



# Proposed 2023 Tax-Supported Capital Budget: Highlights

- Alignment with the Long-Term Financial Plan and with a continued focus on priority investments in roads.
- Significant step toward reducing the Fire fleet capital backlog.
- Grant-financed fleet acquisitions to support the Community Paramedic Program.
- Design of a new bridge over Ops #1 Drain (west Jennings Creek) to facilitate development in northwest Lindsay.
- Construction of a new cell at the Lindsay-Ops Landfill to ensure adequate landfiling capacity.
- Substantial one-time investment to address the Public Works fleet capital backlog.



# Proposed 2023 Tax-Supported Capital Budget: Deferrals

- The City continues to carry a tax-supported capital backlog due to a lack of capital investment over many years.
- Based on recent budget cycles, staff has identified a minimum of \$87.5M in known deferred capital needs as of 2022.
  - About \$58.9M relates to asset renewal as opposed to expansion, which is of material but not serious concern when compared to an average annual tax-supported capital renewal need of \$44.5M (in 2023 dollars).
  - While the tax-supported capital backlog has increased by \$5.2M (in 2023 dollars) over 2017-2022, its growth rate has been reduced dramatically from 14.4%/year to 1.6%/year over the same period.
  - With over 92% of the deferrals relating to roads, capital investment in roads is expected to remain an urgent priority for several years.

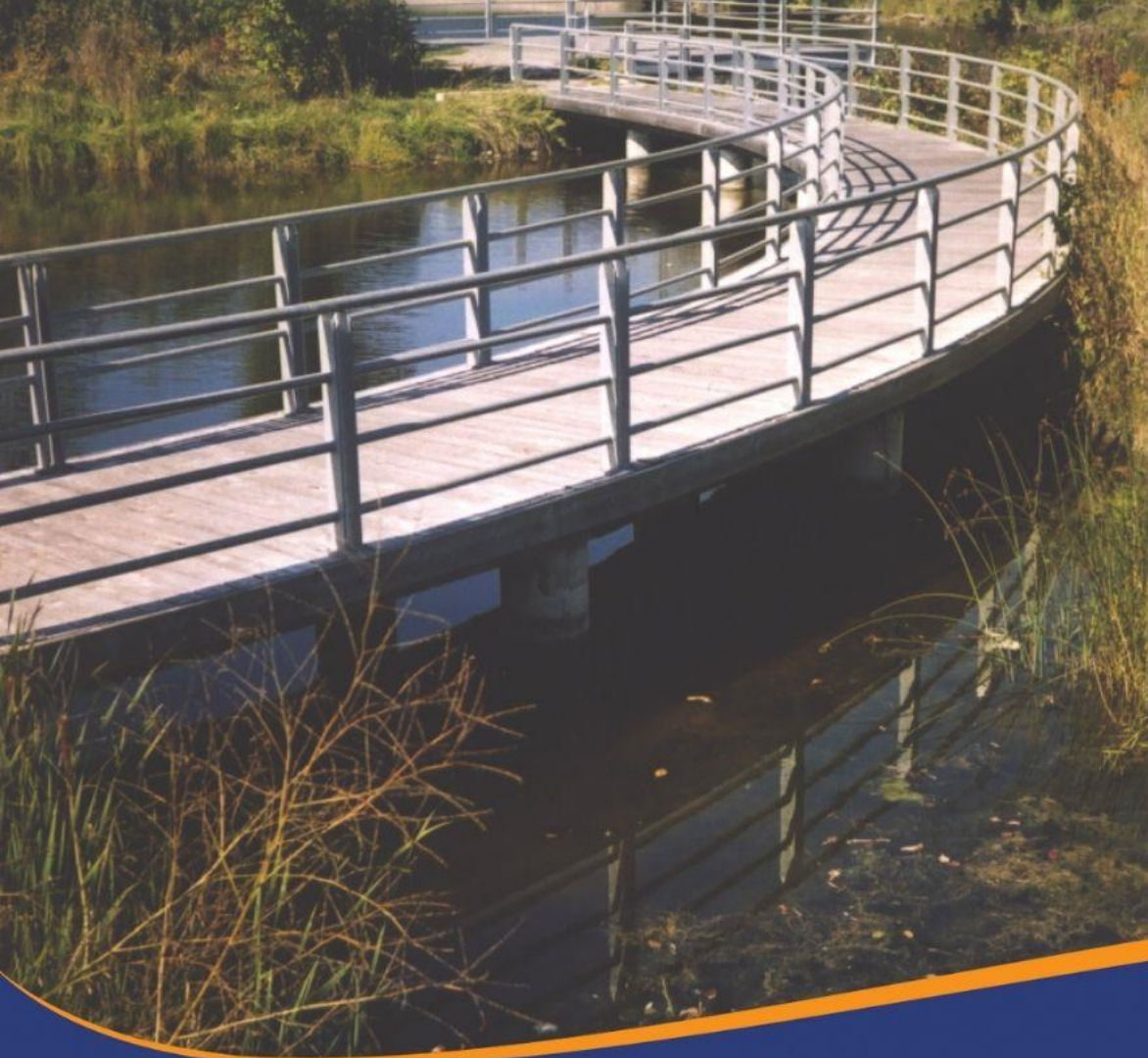
# Proposed 2023 Tax-Supported Capital Budget: Decision Units

- Prior Council forwarded several decision units to be considered during deliberation of the Proposed 2023 Tax-Supported Capital Budget.
  - These amount to \$469K, of which \$174K is already included in the proposed capital budget.
- In accordance with Council direction, staff will be forwarding an additional decision unit regarding the paving of Kagawong Road.
  - Kagawong Road is a gravel road which does not meet the City's warrant for paving.
  - At the request of local residents, Council approved the project conditional on local residents raising 50% of the cost of paving.
  - Residents' cost share has been raised and paid to the City.

# Proposed 2023 Tax-Supported Capital Budget: Dedicated Capital Levy

- As part of the 2022 Budget, Council adopted a dedicated tax levy to support the Asset Management Reserve and thus capital sustainability.
- As per the Long-Term Financial Plan, the dedicated capital levy is financed by cumulative tax increases of 1.5% per annum over 2022-2031.
- The planned 1.5% increase for 2023 equates to approximately **\$37** for the average household.





# Special Projects Budget

# Proposed 2023 Special Projects Budget

- The special projects budget was started in 2020 to house operating projects which should be budgeted and managed like capital projects.
- The special projects budget typically encompasses:
  - Studies, plans and strategies.
  - Ontario Land Tribunal appeals.
  - Other significant operating initiatives (e.g. software) which are one-time in nature but do not result in the acquisition or improvement of capital assets.

# Proposed 2023 Special Projects Budget: \$2.16M in Expenditure and Financing

## Expenditure

Uncapitalized  
Improvements,  
\$725,000 , 33%

Studies, Plans  
and Strategies,  
\$790,000 , 37%

IT and  
Software,  
\$294,000 , 14%

Ontario Land  
Tribunal Appeals,  
\$350,000 , 16%

## Financing

Contingency  
Reserve,  
\$169,227 , 8%

Grants,  
\$75,000 , 3%

Development  
Charges  
Reserve,  
\$150,000 , 7%

Tax Levy,  
\$1,764,773 ,  
82%

# Proposed 2023 Special Projects Budget: Highlights

- Implementation of the Next Generation 911 System
- Secondary Plan and Rural Zoning By-Law Appeals at the Ontario Land Tribunal
- Performance management software and by-law officer body cameras
- Parks and Recreation Strategic Plan





# Water and Wastewater Budget

Kawartha Lakes  
Jump In

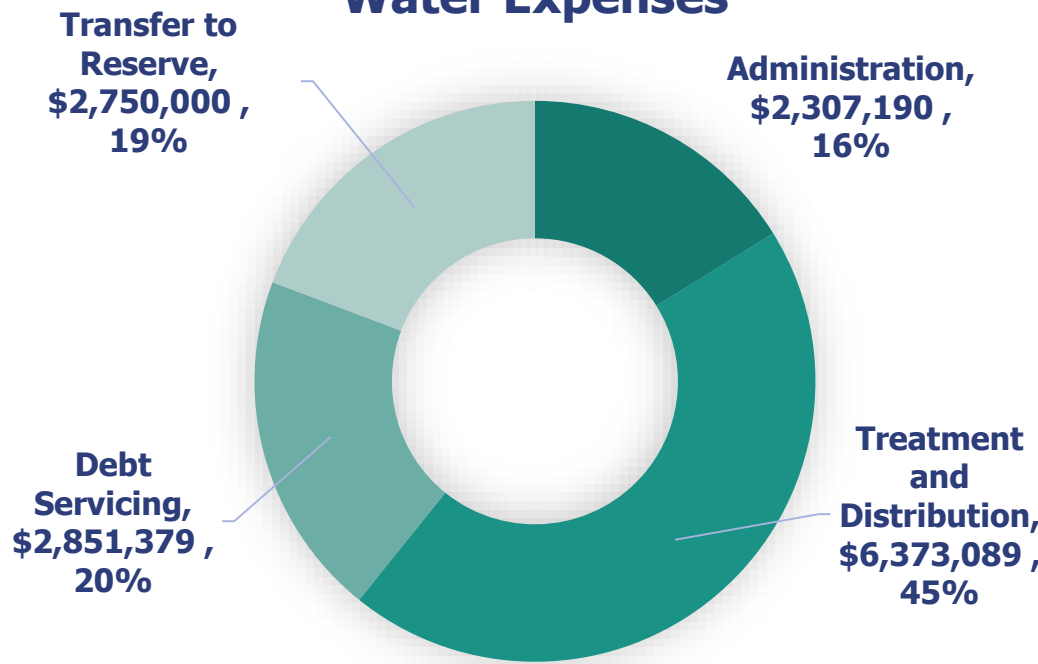


# Water-Wastewater Service Summary

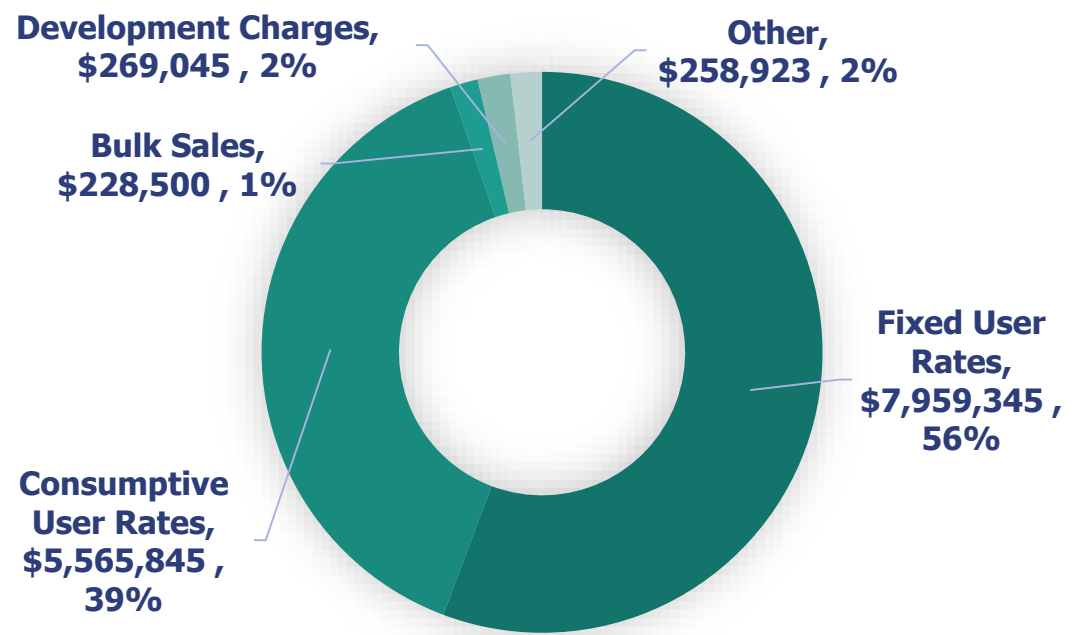
- The City is responsible for 21 water systems and 6 wastewater systems.
- Essential to both water and wastewater systems are assets such as treatment plants, pumping stations, reservoirs, watermains and sewer mains:
- Water-wastewater operations are provided through a mix of internal (City staff) and external (Ontario Clean Water Agency) resources.
- Water-wastewater services are funded by uniform user fees City-wide.
  - Due to considerable variation in costs between systems, uniformity in user fees results in large systems (mainly Lindsay) subsidizing small systems.

# Proposed 2023 Water Operating Budget: \$14.3M

Water Expenses

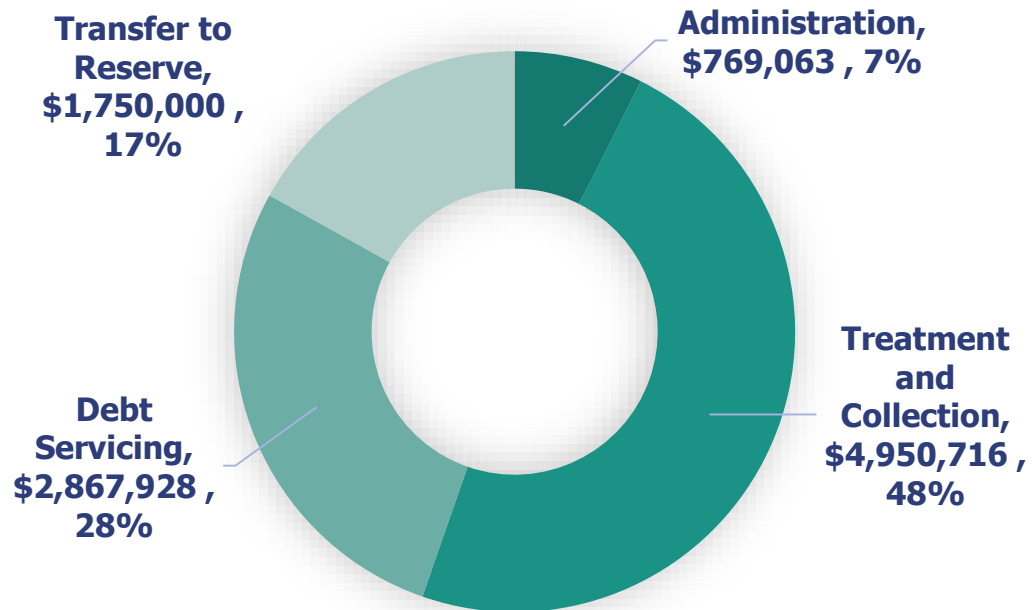


Water Revenue

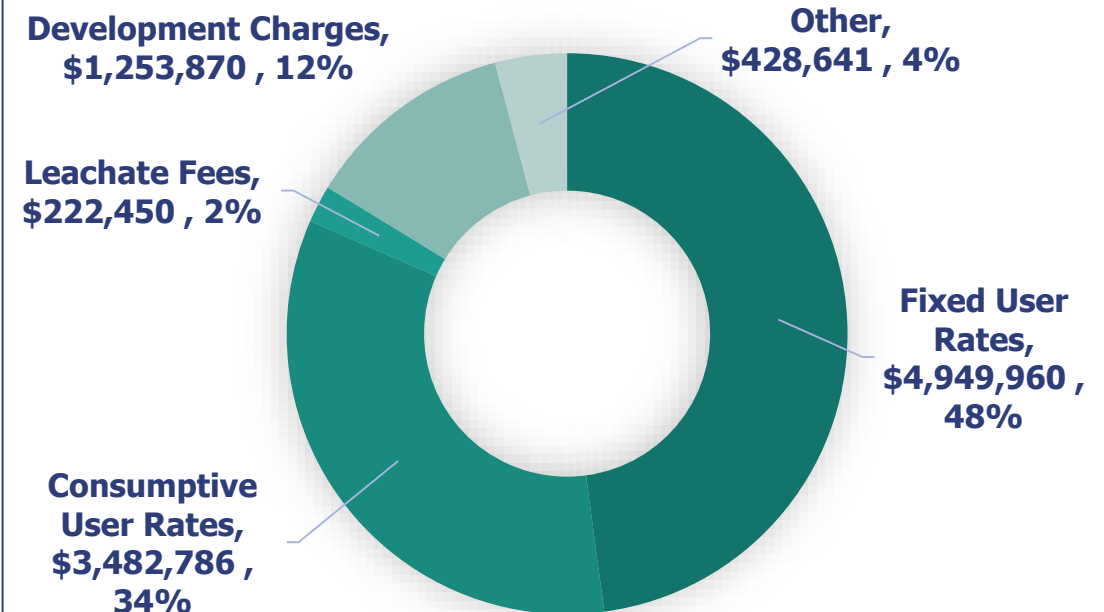


# Proposed 2023 Wastewater Operating Budget: \$10.3M

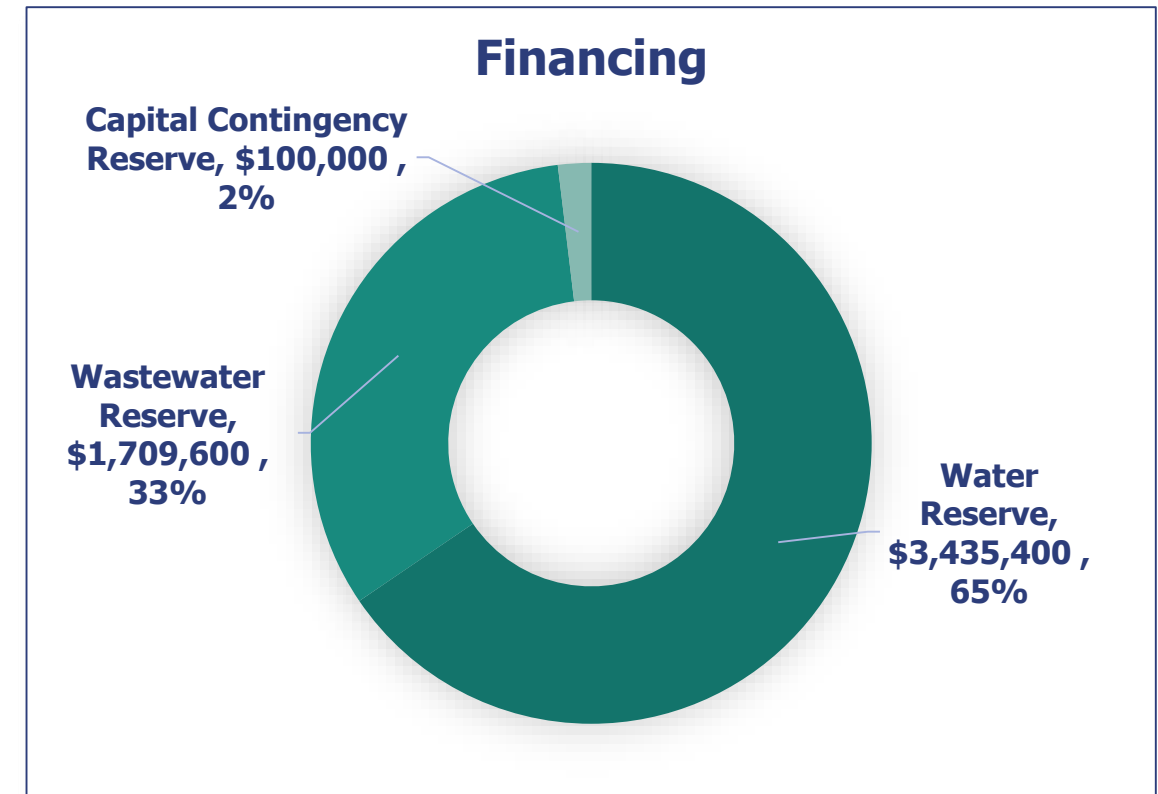
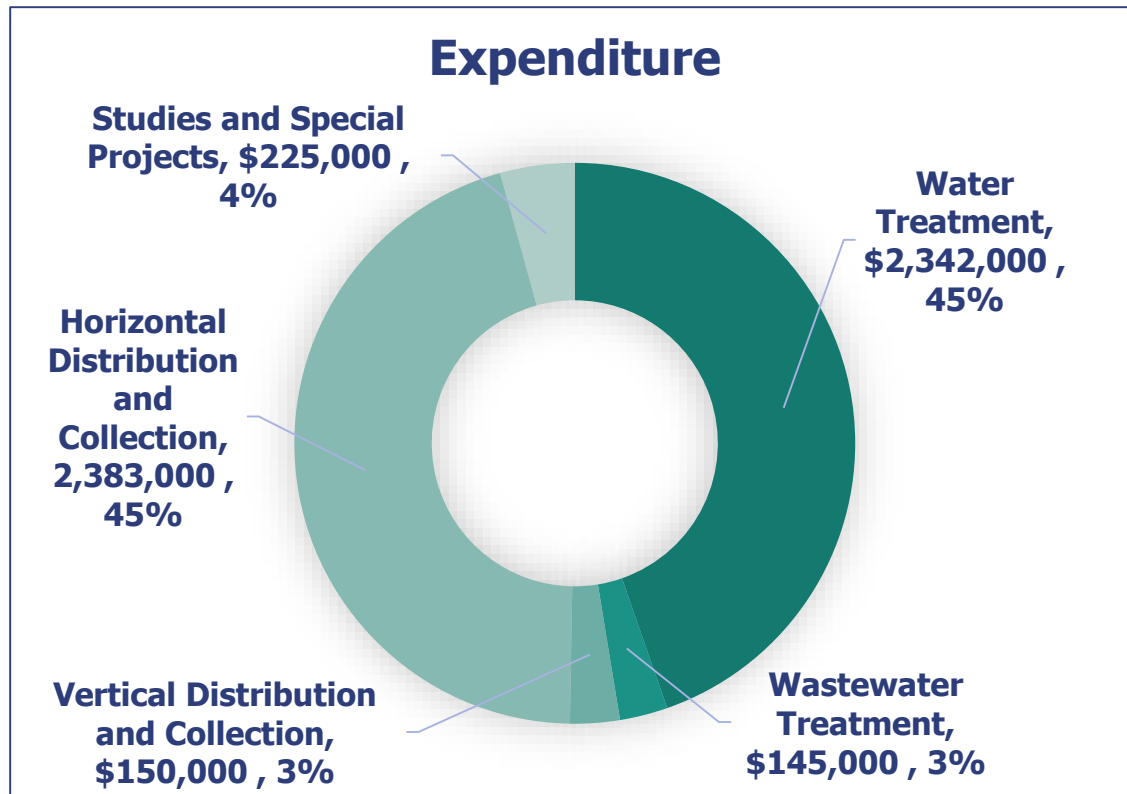
## Wastewater Expenses



## Wastewater Revenue



# Proposed 2023 Water-Wastewater Capital Budget: \$5.2M



# Proposed 2023 Water-Wastewater Budget

- Capital programming for 2023 has been scaled back as a one-time measure to enable Engineering staff to catch up on existing water-wastewater capital projects.
  - Results in a water-wastewater debt holiday for 2023.
- Otherwise, the budget is aligned with the following:
  - Water-Wastewater Rate Study
  - Long-Term Financial Plan
- Accordingly, the general user rate increase has been set to 3%.



# Operating Budget

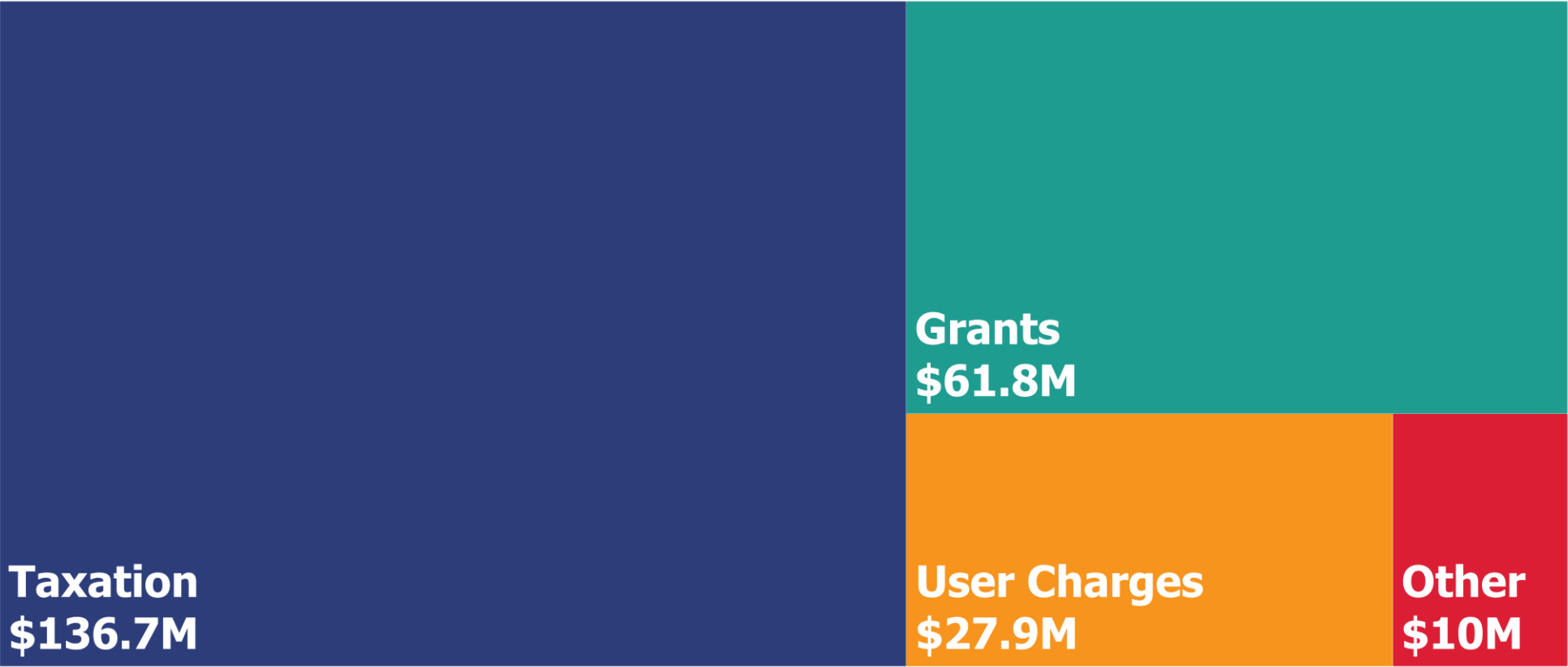
# 2023 Proposed Operating Budget: \$236.5M

## Expenses

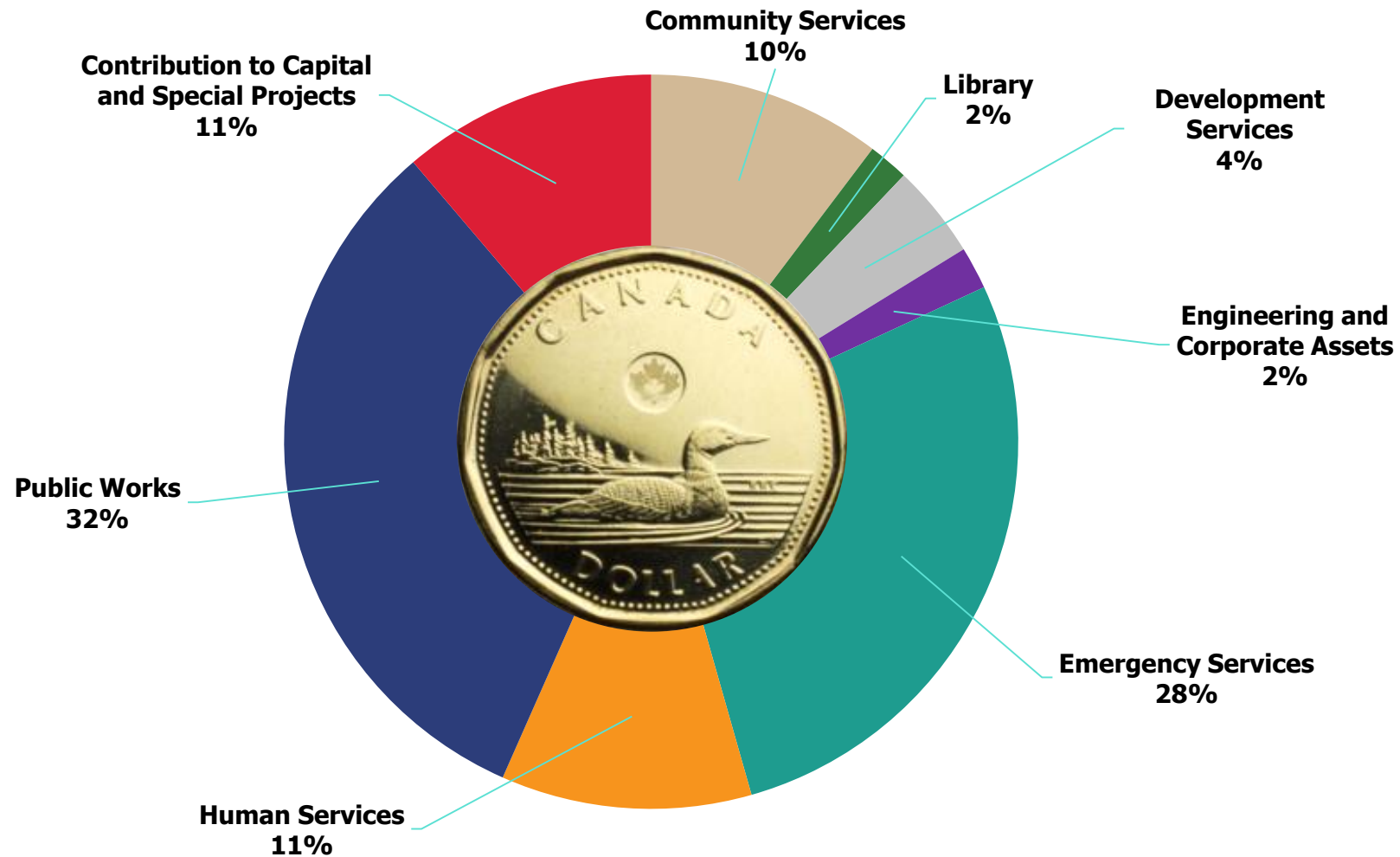


# 2023 Proposed Operating Budget: \$236.5M

## Revenues

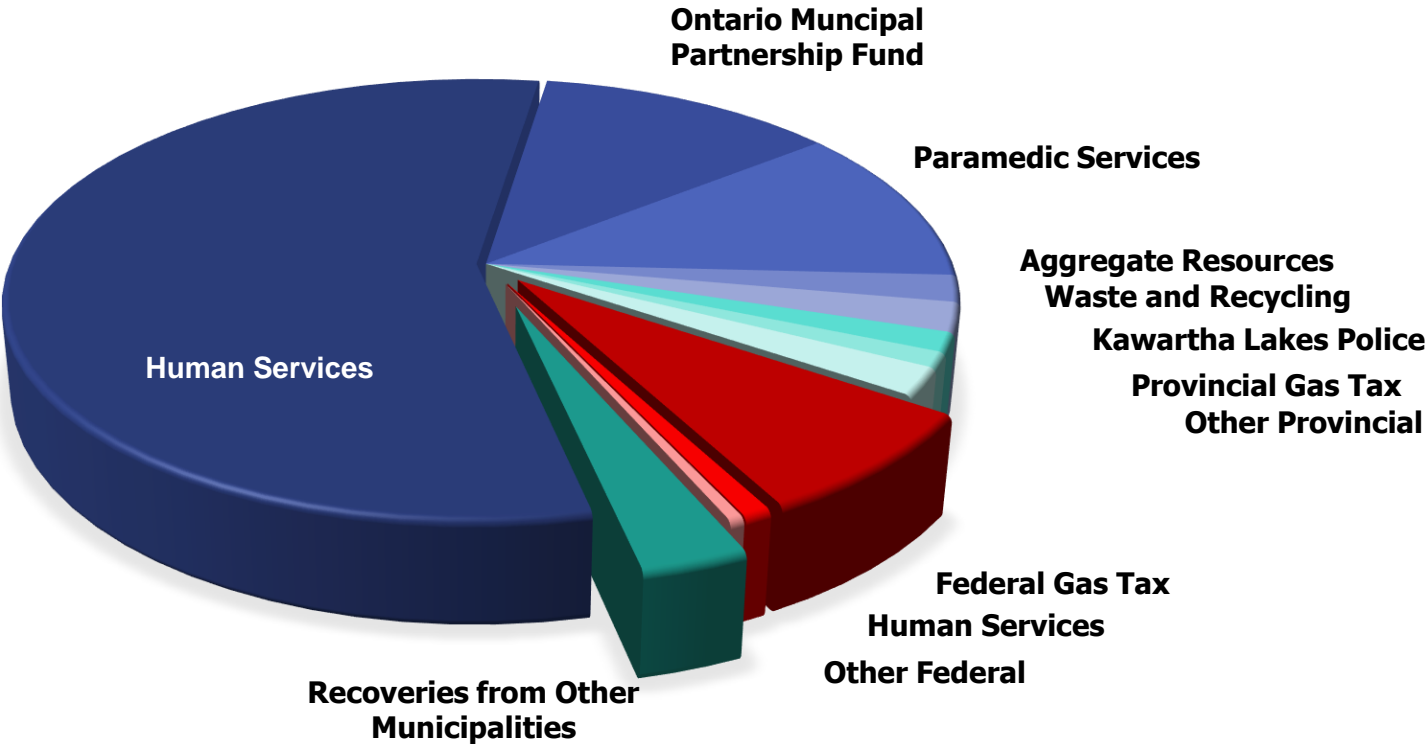


# Where Does \$136.7M in Tax Dollars Go?



# Grant Funding: \$61.8M

Provincial Grants	88%
Federal Grants	9%
Other Municipalities	3%



# 2023 Proposed Operating Budget

## Key drivers impacting the budget

Salaries and Benefits

New positions

Housing Agencies

Fuel Costs

Inflationary Pressures



# 2023 Proposed Operating Budget

- The total budgeted general tax levy increase is 3.0%
- This represents the increase in the taxation budget to support the 2023 operating budget
- This is not the increase residents will experience on their tax bill

# 2023 Budgets Themes

- Aligned with the City's Long Term Financial Plan (LTFP)
- Managing ongoing & significant inflationary pressures
- Building, maintaining & investing in reserves
- Lessening reliance on one-time relief funding, and forecasting limited increased revenues and grants

# Next Steps

## January 17 & 26 Special Council Meetings

Budget Presentations

- City Departments
- Agencies, Boards & Commissions

## February 2 Special Council Meeting

Public Meeting, 7 p.m.

- Present overview of the 2023 Budget

# Next Steps

## February 14 Special Council Meeting

Budget deliberation and approval

- Capital Budget

## February 28 Special Council Meeting

Budget deliberation and approval

- Operating Budget
- Special Projects
- Water and Wastewater Operating and Capital

# Follow along with the Budget Process

[kawarthalakes.ca/budget](https://kawarthalakes.ca/budget)

Inventory of meetings, documents and upcoming dates

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