
REPORT TITLE: 2022 Operating and Capital Budget

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

RECOMMENDATIONS

That the 2022 Operating Budget at a total value of \$2,741,129,278 as set out in Summary I of the 2022 Consolidated Operating and Capital Budget, attached as Appendix II to the report of the Commissioner of Finance and Chief Financial Officer, listed on the November 25, 2021 Regional Council Budget agenda, titled “2022 Operating and Capital Budget”, be approved;

And further, that the By-law to apportion the \$1,229,735,665 net levy funding required, be presented for enactment;

And further, that the 2022 Capital Budget for Property Tax and Utility Rate Supported Services totaling \$1,122,716,681 as set out in Summary VI (a) of the 2022 Consolidated Operating and Capital Budget, attached as Appendix II to the subject report, be approved;

And further, that the Consolidated 10 Year Capital Plan totaling \$11,894,403,565 as summarized in Summary VII of the 2022 Consolidated Operating and Capital Budget, attached as Appendix II to the subject report, be approved, in principle, for planning purposes;

And further, that the changes to the user fees and charges effective January 1, 2022 proposed in Summary VIII a) and the changes to the user fees and charges effective April 1, 2022 (Water and Wastewater rates) proposed in Summary VIII b) of the 2022 Consolidated Operating and Capital Budget, attached as Appendix II to the subject report, be approved, to take effect in accordance with the associated By-law;

And further, that the salary portion of the 2022 Regional Budget which includes a 1.75 per cent non-union salary band adjustment be approved;

And further, that the Chief Financial Officer and Commissioner of Corporate Services be authorized to carry out any necessary technical adjustments in the 2022 Operating Budget, and present the necessary levy By-law for enactment;

And further, that the necessary By-law to amend the Fees By-law, to transfer the water, wastewater, sewer and waste management system fees and charges into the Fees By-law and to repeal the associated By-laws, as outlined in Summary VIII of the 2022 Consolidated Operating and Capital Budget attached as Appendix II to the subject report, be presented for enactment.

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REPORT HIGHLIGHTS

- A copy of the 2022 Budget document (draft) was distributed to Members of Regional Council on November 4, 2021.
- An Executive Overview Presentation of the Budget will take place at the Regional Council Budget meeting on November 25, 2021.
- A by-law to amend the Region's Fees By-law, to incorporate the water, wastewater, sewer and waste management system fees and charges into the Fees By-law and to repeal other associated by-laws will be brought forward to Council for enactment.
- Proposed net tax levy impact of 3.8 per cent or average property tax impact of 1.6 per cent resulting in a property tax increase of \$78 to a residential home assessed at \$578,200 and a \$139 increase to a small business assessed at \$641,900.
- Proposed Utility Rate impact of 5.8 per cent resulting in an increase of \$47 for average residential consumption and a \$118 increase for average small business consumption.
- The annual debt carrying costs related to the borrowing for the proposed budget can be supported within the Region of Peel's annual debt repayment limit as calculated in accordance with O. Reg. 403/02.
- All funds raised and collected in 2021 for a sinking fund have been deposited in said fund in accordance with section 424 of the *Municipal Act, 2001*, as amended.

DISCUSSION

1. 2022 Budget Planning Process

The 2021 Budget included a 2022 net tax levy forecast increase of 4.6 per cent. On February 11, 2021, when the 2021 Budget was approved, a budget target for 2022 was not recommended to Council as in previous years due to the level of uncertainty resulting from impacts driven by the pandemic and also the risk and impact of provincial funding changes.

When the pandemic started in early 2020, no one could have predicted it would last as long as it has. It has caused major disruptions in every aspect of society including how Peel shifted operations to keep our community safe. In 2021, the Region of Peel (Region) led the organization's largest ever undertaking to implement the Province's mandate to mass vaccinate residents. Between the ongoing COVID-19 response and the mass vaccination, close to 500 staff were redeployed from the services they normally deliver.

And now, under the fourth COVID-19 wave, it is expected that the pandemic will continue into 2022. While it is still uncertain long it will last, it is certain that additional resources and financial assistance are required. On October 28, these resources were approved to ensure the COVID-19 response could be sustained with funding coming from surpluses created from services that couldn't be fully delivered during the pandemic.

The 2022 Budget includes some expenditures related to facilities, personal protective equipment and multi-year COVID-19 expenditures previously approved by Council. These expenditures are fully funded either from the Rate Stabilization Reserves or funding from senior levels of government previously allocated to Peel so there is no net tax levy impact due to the pandemic. However, the COVID-19 response will remain Peel's top priority.

The impact on 2022 operations will ultimately depend on further waves of the pandemic and the recovery and transition to normal service delivery. The Region and external agencies have worked together to develop a budget that reflects these challenging times.

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The development of the Region’s 2022 Budget was guided by the 2015-2035 Strategic Plan and the priorities for the current Council term. The 2022 Budget continues to invest in the three areas of focus of the Strategic Plan (Living, Thriving and Leading), to build a healthy, safe and connected community that serves its residents today and strengthens a solid foundation for tomorrow.

The Region’s budget, property tax and utility rate plans are developed on the basis of respect for the taxpayer, and according to principles which include fairness, sustainability and affordability, user pays where appropriate, value for money and managing assets. By using a risk-based approach to the budget, services that are able to sustain service levels under these principles appropriately saw no significant changes while services seeing increased demand require investments where these make sense and where they will advance service outcomes to Peel’s community. Prior to considering assessing service demand and growth, cost containment measures were put in place at the beginning of the budget process resulting in savings of over \$9 million for Region Controlled services.

In addition to the Strategic Plan and Term of Council Priorities, the development of the Region’s 2022 Budget was also guided by additional resource requirements for service level adjustments due to the pandemic. Significant initiatives include the following:

- Operating Budget Items
 - Opening of the Seniors Health and Wellness Village and implementation of two Butterfly model households
 - Increasing Needs Based Housing Subsidies and Resources
 - Supporting Peel’s vulnerable population through increased community grants
 - Increased reserve contributions to support the state of good repair of infrastructure
 - COVID-19 response will remain the top priority

In addition, the following capital projects have been included in the 2022 Capital Budget and the Capital Plan:

- Investment in G.E. Booth Wastewater Treatment Plant (\$251 million)
- Road construction, intersection improvements and sustainable and active transportation (\$107.2 million)
- Housing Master Plan (\$75.2 million)
- Accommodating MTO highway widenings – 401 and QEW (\$41 million)
- Peel Living State of Good Repair (\$39.6 million)

Presented below are the key timelines leading to the development of the proposed budget.

Activity	Date
Update on the Status of the Long Term Financial Planning Strategy	April 22, 2021
Approach to the Development of the 2022 Budget – Council Report	June 24, 2021
External Agencies Presentations on Progress Report and Future Outlook	June 24, 2021
Pandemic Response – Financial Update – Council Report	October 28, 2021
Improvements in Service Delivery - Council Report	October 28, 2021
The 2021 Infrastructure Status and Outlook – Council Report	November 25, 2021
Overview and Update on the Status of Reserves	November 25, 2021

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Activity	Date
2022 Budget Presentations	
<ul style="list-style-type: none"> Regional Budget Corporate Overview Regional Services Budget Presentations Police Services Budget Presentations Conservation Authorities Budget Presentations Additional Budget deliberation 	November 25, 2021 November 25, 2021 December 2, 2021 December 2, 2021 December 9 & 16, 2021

The 2022 Budget deliberations for Council approval will begin with the Regional Budget Corporate Overview presentation on November 25, 2021. An appropriate notice with respect to the intention to adopt a budget was prepared and published in four local newspapers on November 4th & 18th, as a minimum of 10 days before the final adoption of the budget and posted on the Region's web site is required, meeting the Region's notice requirements.

2. 2022 Budget Overview

Due to the changes to Provincial funding cost-share models and the ongoing pandemic, the Region's 2022 Budget has been challenging budget to develop. This budget balances the need to maintain core services, continue the response to COVID-19, protect the community and respect the taxpayer. The 2022 Budget focuses the Regional services and resources towards having increased and measurable community impact.

The Executive Summary of the proposed 2022 Budget is contained in Appendix I of the subject report and provides a high-level overview of the proposed Budget. A comprehensive 2022 consolidated budget analysis is provided in Appendix II of the subject report.

The annual impact of the proposed 2022 budget increase is as follows:

	Average Residential	Average Small Business
Property Tax Impact of 1.6% ¹	\$78	\$139
Utility Rate Impact of 5.8% ²	\$47	\$118
Total Impact	\$125	\$257

¹ Home assessed by the Municipal Property Assessment Corporation at \$578,200, and small business with an assessed value of \$641,900

² Residential consumption of 290m³, average small business consumption of 695m³

After incorporating these increases, a residential homeowner with an assessed value of \$578,200 will pay a Regional tax and utility bill in the amount of \$2,166 and \$838 respectively.

The 2022 Capital Budget for Property Tax and Utility Rate Supported Services totals \$1,122.7 million with \$428 million for Tax Supported Services and \$695 million for Utility Rate Supported Services.

In addition to the one year Capital Budget, the Region prepares a nine year forecast, which is approved by Council in principle. The Region's 10-year Capital Plan amounts to \$11.9 billion with \$4.7 billion for Tax Supported Services and \$7.2 billion for Utility Rate Supported Services.

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3. Budget Document

The Region is committed to producing a budget that is fiscally responsible and demonstrates accountability and transparency in budget reporting. The development of the 2022 Budget document continues to be based on guidelines of the Government Finance Officers Association of the United States and Canada (GFOA) for effective budget presentation. The 2022 Budget document includes an Executive Summary, a Consolidated Operating and Capital Budget document (“Consolidated Budget”), including detailed budget documents for Regionally Controlled Services, as well as detailed budget documents for Regionally Financed External Organizations. The Executive Summary is attached as Appendix I to this report and an abridged version of the Consolidated Budget is attached as Appendix II. Full non-abridged versions were delivered to Regional Council on November 4, 2021 and the full budget is also available on the Region of Peel web-site.

The 2022 Budget continues to place focus and emphasis on services and service outcomes as opposed to administrative structure and strives to streamline how the information is presented to both Council and the public.

The Budget document includes discussions on:

- How the 2022 budget is aligned to the Region’s Strategic Plan and its three areas of focus – Living, Thriving and Leading including detailed budgets by service
- Major trends Peel is facing
- Service outcomes to meet community needs
- Key investments proposed in 2022 to serve Peel’s residents better
- Key budget assumptions and risks
- A high-level forecast for outlook years

4. User Fees

Each year a review and update, guided by the financial principle “Users Pay Where Appropriate”, as outlined in the Financial Management By-law, is conducted on the user fees. The review and update determine changes, additions and deletions to the user fee schedules.

The 2022 proposed changes to the user fees and charges have been included within the 2022 Consolidated Budget (see Appendix II) of the budget document. Summary VIII a) of the Consolidated Budget outlines the proposed changes to the 2022 operational fees covered by the User Fees By-law (including the Waste Management System Fees and Charges and the Sewer Surcharge Rate and Sewer Waste Disposal Charges). Summary VIII b) outlines the proposed changes to the Water Consumption and Wastewater System Fees and Charges and incorporates a blended increase of 5.8 per cent for the water and wastewater rates.

In prior years, staff have presented the following five separate by-laws for enactment annually:

1. A by-law to amend the Fees By-law 43-2002, as amended;
2. A by-law to amend the Water Consumption Fees and Charges By-law 14-2007, as amended;
3. A by-law to amend the Wastewater System Fees and Charges (Sewer Charge/Use Rates) By-law 15-2007, as amended;
4. A by-law to amend the Sewer Surcharge Rate and Sewer Waste Disposal Charge

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- By-law 16-2007, as amended; and,
5. A by-law to amend the Waste Management System Fees and Charges By-law 17-2007, as amended.

To streamline the process, staff are proposing to incorporate the water, wastewater, sewer and waste management system fees into the Region's Fees By-law for 2022 and beyond. One by-law will therefore be brought forward to Council for enactment this year, to amend the Region's Fees By-law, to incorporate the water, wastewater, sewer and waste management system fees and charges into the Fees By-law and to repeal the other four by-laws listed above. A complete Schedule A and Schedule B outlining all 2022 user fees will be attached to the appropriate by-law when presented to Council for enactment.

5. Debt Financing

The primary use of debt financing by the Region is to manage the mismatch in timing between revenue collection and expenditures for large utility expansions required to accommodate growth in Peel. The majority of the existing debt will be repaid with Development Charges (DC) revenues and a minor portion through property taxes. The annual debt carrying costs related to the borrowing for the proposed budget can be supported within the Region's annual debt repayment limit estimated at approximately \$462 million (per 2020 Financial Information Return) and as calculated in accordance with O. Reg. 403/02. To date, the Region's annual debt payment requirements are approximately \$142 million.

To manage the DC cash flow, and to provide additional flexibility, the Region may be required to issue between \$150 million to \$200 million of DC related debt in 2022. Debt is also expected to be utilized in 2022 as part of the Housing Master Plan – actual amounts will depend on the progression of projects under the Housing Master Plan.

In accordance with the *Municipal Act, 2001*, as amended, and the Region's Debt Management Policy, the 2022 budget includes all required contributions to sinking funds under existing debenture by-laws issued. The Treasurer advises that the sinking fund contribution requirements for 2022 are as follows:

Funding Source	Amount Budgeted (2022)
Development Charges	\$ 46,598,614
Property Taxes	\$ 1,190,129
Caledon Recovery	\$ 7,715
Total	\$ 47,796,458

Note: These amounts include sinking fund contributions for Coleraine Drive transferred to the Region of Peel from the Town of Caledon.

Also, in accordance with the *Municipal Act, 2001*, as amended, and the Region's Debt Management Policy, the Treasurer confirms that all funds required to be deposited into sinking funds will be raised and collected by year end 2021. The full accounting of the funds will be provided in the annual Treasury Report to Regional Council and annually as separate audited financial statements to the Audit and Risk Committee.

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6. Disclosure of Unfunded Liabilities

In 2009, disclosure requirements were put in place by O. Reg. 284/09. This has resulted in the Region being required to report on additional liabilities related to post-employment benefits and amortization.

a) Post-Employment Benefits (Peel Regional Police)

The 2022 Budget fully funds the current year retiree benefit payments totaling \$5.0 million, in addition the 2022 budget partially funds the accrued post-retirement benefit liability related to future payments when members retire.

b) Tangible Capital Asset Liability

The proposed 2022 annual reserve contributions for both Tax and Utility Rate supported Services exceed the respective estimated 2021 amortization expense for Tangible Capital Assets estimated at \$307 million.

7. Notional Tax Adjustment

The 2022 Operating Budget includes a projected assessment growth of 0.99 per cent, which includes a notional property tax rate technical adjustment in the amount of \$1,602,154 as determined using the Online Property Tax Analysis (OPTA) data as of October 12, 2021. The finalized property tax rate calculation adjustment will be determined in early 2022, and any additional assessment growth related revenue will be included as a technical adjustment in the Region's 2022 Final Levy By-law report to Council in April 2022.

8. Plan for the 2023 Budget

Consistent with the principle of "Respect for the Taxpayer" within the Long Term Financial Planning Strategy, net tax levy increases are in line with overall blended inflation; the Canadian Price Index (CPI) for operating costs and the Average Non-Residential Construction Index to recognize Peel's infrastructure intensive services.

As noted in Appendix I: Executive Summary, the forecasted net tax levy increase for 2023 is 5 per cent which is higher than the upper end of the Bank of Canada inflation target and above current Consumer Price Index increases. This increase includes the forecasted increase for the Peel Regional Police currently estimated at 5.3 per cent and the \$7.1 million impact of the decrease in PILT revenue from the Greater Toronto Airports Authority deferred from 2022. The forecast was developed using global and service specific assumptions, i.e., service demand, labour costs, CPI on contracts, operating impact of new capital, impact of Provincial funding changes, and previously approved Council tax strategies. The average net tax levy increase for the outlook years (2023 to 2025) is 4.1 per cent assuming assessment growth of 0.8 per cent. The outlook years also reflect an average forecasted increases for the Peel Regional Police of 5 per cent.

CONCLUSION

The proposed 2022 Budget for the Region advances Council's 20-year Strategic Plan in a fiscally responsible manner. The proposed budget represents a responsible balance between meeting community needs and maintaining long term financial sustainability, while minimizing the impact on Peel's tax and rate payers.

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APPENDICES

Appendix I - Executive Summary – Region of Peel Proposed 2022 Budget

Appendix II - 2022 Consolidated Operating and Capital Budget (Including Summaries I-VIII)

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