



City of North Bay Report to Council

Report No: CORP-2024-015

Date: February 23, 2024

Originator: Laura Boissonneault

Business Unit:

Department:

Corporate Services

Financial Services Department

Subject: 2024 General Operating Budget

Closed Session: yes no

Recommendation

1. That Council receive the City of North Bay's 2024 Administration Recommended Operating Budget as set out in Report to Council CORP 2024-15 dated February 23, 2024 from Laura Boissonneault.
2. That Report to Council CORP 2024-15 be referred to a Special Committee Meeting to be held on March 4, 2024.

Background

A budget is an important pillar to the overall success and financial security of a municipality and its services. The presented operating budget details expenses and revenues, by Business Unit and department, that the City of North Bay needs in order to maintain existing services for the 2024 fiscal year. A budget is a tool to understand the organization and to support decision making.

The City's Operating Budget process is based on a zero-based budgeting philosophy whereby all prior year budget amounts are set to zero and departments must review and justify the inclusion of cost estimates for the new budget year. Budget estimates are based on anticipated requirements, historical trends, market conditions and contractual agreements. Management also takes into consideration anticipated savings expected to be realized through various capital investments and other continuous improvement initiatives when developing revenue and expense estimates for the upcoming year.

The preparation of the annual budget includes the following steps:

- 1. Preparation** - Finance starts the budget process by rolling existing cost centers and departments into the next year with zero dollars. Finance populates personnel costs based on individual positions and contractual rates established through union contacts, personnel agreements, and City salary by-laws. Annual benefit changes and legislated costs are updated as well as utilities, insurance, interdepartmental activities, and applicable capital & reserve transfers. Budgets are then promoted to the departmental level for review and input of individual goods and services and ancillary revenue amounts.
- 2. Department Input** - Each department reviews their budgets and determines current needs based on historical trends and future requirements to maintain existing service levels. Budgets are then promoted to senior management for review and approval. Once reviewed by senior management, budgets are promoted to Finance where individual budget line item variances and overall budget changes are analyzed. The

'Preliminary Operating Budget' package is then prepared for internal roundtable review with the CAO.

- 3. Internal Review** – Internal roundtable meetings are held to review the Preliminary Operating Budget with departmental management, the Chief Administrative Officer, the Chief Financial Officer, and Finance staff. Budgets are collectively analyzed by individual line items, amendments are made, and the updated 'Administration Recommended Operating Budget' package is forwarded to Council for consideration through Special Budget Committee Meetings.
- 4. Council Approval** – Special Budget Committee meetings are held to review the Administrative Recommended Budget and to finalize the budget requirements for the upcoming year. The Special Committee Meetings are open to the public.

The City and the community continue to experience cost pressures relating to the current economic condition. As a result, the enclosed budget includes a transfer from the Tax Stabilization Reserve to partially offset economic pressures experienced throughout the various Business Units and to support a lower levy for rate payers. It is recommended that the use of reserve funds within the operating budget be phased out over a 5-year period. Accordingly, the transfer from reserves was reduced from \$1,990,628 in 2023 to \$1,600,000 in 2024.

Managing the 2024 budget will require a strategic approach and continual review of services in order to mitigate any year-end variances. Ongoing practices such as monitoring discretionary spending, maximizing efficiencies within existing services and processes, strategic scheduling of staff, and efforts to find new revenue sources will continue.

The proposed 2024 Administration Recommended Operating Budget is attached to this report as Appendix A.

Financial/Legal Implications

The Operating Budget strives to balance various pressures the City must consider on an annual basis including legislated requirements, contracts, inflation, supply chain issues, capital investments, fuel, utilities, insurance, levy requirements of Service Partners, and requests for various service enhancements.

The tax levy increase included in the proposed 2024 Administration Recommended Operating Budget is 4.76% or \$5,034,207 (before Service Level Changes). Service Level Changes (SLCs) are attached at the end of the budget package for Council's consideration during the Special Committee Meetings. Included in the budget package is the City's share of funding required to support the operations of various service Partners, such as North Bay Police Services and the District of Nipissing Social Services Administration Board, which represents approximately 51% of the overall tax levy increase for 2024.

The following is a breakdown of the Levy increase by operational category:

| Levy Change by Expense/Revenue Type @ 4.76% | | |
|---|----------------------|--------------|
| 2023 Operating Levy | \$105,765,198 | |
| Personnel Costs | 1,200,648 | 1.14% |
| Goods & Services | 738,117 | 0.70% |
| Financial/Capital/Reserves/Internal Transfers | 1,646,567 | 1.56% |
| Service Partners | 2,564,008 | 2.42% |
| Ancillary Revenues (higher) | (1,115,133) | -1.05% |
| Net Increase in Levy | \$5,034,207 | 4.76% |
| 2024 Operating Levy | \$110,799,405 | |

The following is a breakdown of the 2024 Levy increase over 2023, by City Business Unit:

| Levy Change by Business Unit @ 4.76% | | |
|--------------------------------------|--------------------|-------------|
| Community Services | 487,066 | 9.68% |
| Corporate Services | (3,366) | -0.07% |
| General Government | 1,302,265 | 25.87% |
| Infrastructure & Operations | 684,234 | 13.59% |
| Service Partners | 2,564,008 | 50.93% |
| Net Increase in Levy | \$5,034,207 | 100% |

Corporate Strategic Plan

- | | |
|---|---|
| <input type="checkbox"/> Natural North and Near | <input type="checkbox"/> Economic Prosperity |
| <input checked="" type="checkbox"/> Affordable Balanced Growth | <input checked="" type="checkbox"/> Spirited Safe Community |
| <input checked="" type="checkbox"/> Responsible and Responsive Government | |

Specific Objectives

- Provide smart, cost-effective services and programs to residents and businesses
- Ensure that Council and staff have a shared perception of goals
- Ensure the efficient and effective operations of the city, with particular consideration to the impact of decisions on the property tax rate
- Promote and encourage arts and culture as a cornerstone of a dynamic community

Options Analysis

The 2024 Administration Recommended Operating Budget was prepared with the following guidelines:

Service Delivery - The Administration Recommended Operating Budget was prepared with management’s projections and cost estimates to deliver existing service levels. Suggestions that provide Council with options to change the current level of service have been included in the Service Level section at the end of the budget package.

Expenditures - Represent management’s best estimates to deliver the current level of service. Management’s estimates include:

- Annualized approved Council initiatives
- Inclusion of contractual agreements (waste collection, Para Bus, POA, etc.)
- Legislated changes (i.e. mandatory training, safety guidelines, legal costs, WSIB rates, etc.)
- Supply chain challenges
- Expected future operational requirements

User Fees – Updated By-laws were passed at the Regular Meeting of Council on January 31st, 2023, to establish user fees for the four-year term of Council. Annually, amendments are reviewed and approved prior to the annual budget process. User Fee By-law amendments for 2024 were passed on January 30th, 2024.

Other Revenue Estimates - These estimates are based on trends, historical data, current rates, approved rate increases, projections, and any known revenue reductions.

Utility Costs – Budget estimates take into consideration the prior year’s data as well as projected demands and rates. Calculations include such items as the benefit of energy efficiencies gained through capital investments and enhanced education programs to improve energy conservation. Natural Gas budgets were set based on 2023 projections, plus an 8.7% increase (5-year average). Hydro budgets were set at 2023 projections, plus a 2% increase.

Fuel – The fuel budget was set based on expected usage at an estimated weighted average rate of \$1.57 per litre (12-month average), plus the carbon tax increase in April 2024, and the Ontario Fuel Tax reestablishment by June 2024, totaling \$0.0529 per litre. The estimated overall weighted average fuel rate totals \$1.62 per litre (2023 - \$1.78).

Staff Complement – All staffing costs and Full Time Equivalents (FTE), including positions grant funded or directly related to Capital, are reported in the personnel costs with any associated offsetting revenues being recorded accordingly. An FTE is used to measure a worker's involvement in the service and indicates the allocation of an employed person in a way that makes workloads comparable across various contexts. Therefore, an FTE of 1.0 means that the person is equal to a full-time worker, while an FTE of 0.5 signals that the worker is only allocated to the service half the time. Throughout the City's budget, one staff may be allocated to several services.

Fringe Benefits - Benefits include items such as Employment Insurance, Canada Pension Plan, WSIB, OMERS, EHT, LTD, Life, AD&D, dental and major medical. Effective November 1st, group benefit rates increased by 0.2%. The new rates have been reflected in the enclosed budget.

Insurance – At the time of establishing the 2024 budget, insurance costs are estimated to increase by 10% upon renewal. The City's insurance period is from May to April. Therefore, the first 4 months of 2024 is known and the increase is applicable to the remaining 8 months.

Long-Term Capital Financing

- **Principal, Interest and Capital Levy** – The capital levy is the annual funding contribution from the City's General Operating Budget that is used to finance projects within the City's General Capital Budget. In accordance with the City's Long-Term Capital Funding Policy, the Capital Funding Allowance increase of 1% is included in the 2024 Budget, which represents an increase of \$1,057,652. As in prior years, the budget does not include an inflationary adjustment in the calculation of the Capital Levy.
- **Debenture Financing** – In accordance with the City's Long-Term Capital Funding Policy, the annual funding allowance for the Capital Budget includes debt financing to support capital projects, with the associated principal and interest payments budgeted within the Operating Budget.

Service Partners - These budgets represent services that are funded by property taxes, in whole or in part, but are operated directly by various boards and agencies. Service Partners include North Bay Police Services, North Bay Public Library, Cassellholme, District of Nipissing Social Services Administration Board, MPAC, North Bay Parry Sound District Health Unit, the North Bay-Mattawa Conservation Authority, and the Capitol Centre.

In preparation for the internal roundtable review, Service Partners received communication from the City's CFO/Treasurer requesting submissions outlining operating budget requirements for 2024. Further discussions were held with Service Partners, the Deputy Mayor, the CFO and the CAO. The enclosed budget includes board approved Service Partner's budgets.

Approximately 51% of the 2024 levy increase is directly related to funding provided to the various Service Partners.

Risks - As with any budget, there are risks associated with forecasting expenditures and revenues. No contingency allowance is included in the operating budget to provide funding for one-time expenditures that are not known or expected at the time the operating budget is approved by Council. The ability to react to unforeseen events that may occur during the year may place immediate financial pressure on the current budget or the City's reserve balances.

Reserves - The establishment of reserves assists in stabilizing tax rates by offsetting the budget effects that would otherwise be one-time in nature, as well as those caused by uncontrollable events or activities that can be phased in.

As at the date of the report, December 31, 2023 balances in the associated reserves were estimated as follows:

- Tax Rate Stabilization Reserve (99529R): \$9,055,437
- Operating Budget Contingency Reserve (99557R): \$1,106,474

* The above noted balances are presented before 2023 year-end entries and adjustments.

The City of North Bay's Reserve Policy forms a critical component of the municipality's Long-Term Financial Plan. The above noted reserves are the primary reserves relating to the General Operating Budget. The Tax Stabilization Reserve balance is currently within the City's targeted level of 5% to 10% of the total municipal tax levy being \$5.5 to \$11.1 million for 2024 (based on the presented municipal levy before the inclusion of service level changes). The Operating Budget Contingency Reserve is slightly below the City's targeted level of 1% of the 2024 gross operating budget, being approximately \$1.59 million.

Next Steps – The 2024 Administration Recommended Operating Budget is proposed to be referred to the Special Committee Meetings of Council scheduled to discuss the 2024 Operating and Capital Budgets. The first meeting is scheduled for March 4th, 2024. Additional meetings are planned throughout March, with the budget expected to be approved by Council at the Special Meeting of Council on April 2nd, 2024.

Recommended Option

1. That Council receive the City of North Bay's 2024 Administration Recommended Operating Budget as set out in Report to Council CORP 2024-15 dated February 23, 2024 from Laura Boissonneault.
2. That Report to Council CORP 2024-15 be referred to a Special Committee Meeting to be held on March 4, 2024.

Respectfully submitted,

Name: Laura Boissonneault, CPA, CGA

Title: Manager, Financial Services

I concur with this report and recommendation

Name Shannon Saucier, CPA, CA

Title: Director, Financial Services / Deputy Treasurer

Name Jason Whiteley

Title: Fire Chief

Name Ian Kilgour, MCIP, RPP

Title: Director, Community Services

Name Peter E.G. Leckie, B.A. (Hons.), LL.B.

Title: City Solicitor

Name Karen McIsaac, Dipl. M.A.

Title: City Clerk

Name Alan Korell P.Eng.

Title: Interim City Engineer

Name: Steven W. Melnichuk

Title: Director, Information Systems

Name Wanda Trottier, CHRL

Title: Director, Human Resources

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer/Treasurer

Name John Severino, P.Eng., MBA

Title: Chief Administrative Officer

Personnel designated for continuance:

Margaret Karpenko, CPA, CMA

Chief Financial Officer /Treasurer