



**FORTFRANCES**  
BOUNDLESS

**2022 OPERATING BUDGET**

**ADMINISTRATIVE  
REPORT**

Date: 2022-02-22  
From: Dawn Galusha, Treasurer  
To: Committee of the Whole  
File Number: 2022-AF-07

## ISSUE

Setting a budget for the Town of Fort Frances which is the estimate of revenues and expenses for the 2022 fiscal year, while determining the appropriate tax rates for all classes of properties, and considering if 2022 is the optimal time to reduce the Large Industrial ratio.

## ADMINISTRATIVE RECOMMENDATION

Administration recommends:

**THAT Council of the Town of Fort Frances approve the Operating Budget increase of \$427,969 for 2022; and**

**FURTHER THAT Option 3 be utilized, being the option that adjusts the Large Industrial Tax ratio by one-third of the difference between the 2021 ratio and the Industrial ratio; therefore reducing it to 5.345519 to attract and encourage new industrial investment in Fort Frances.**

## STRATEGIC IMPACT

Objective #1- Attracting new industry and attracting investment for local business development. In considering the tax rate on Large Industrial, this may help bring new industry to Fort Frances.

Objective #8- Undertake Asset Management Planning/ Address Budgetary Gap for infrastructure/ Develop a preventative approach to maintenance. This budget contains preventative maintenance, as well as an increase to the Reserve Fund transfers in order to satisfy the Asset Management Plan. This increase is 1.4% on top of last year's tax rate.

Objective #10- Examine opportunities to generate additional revenue. This was done through the increase to the User Fees for 2022 in the amount of 4.0%. Additional revenue is difficult under COVID especially when there is uncertainty as to shutdowns.

Objective #13- Maintain/Enhance Existing Levels of Service. At this time, services are being maintained at existing levels and we have budgeted Summer Programs in 2022 as we had prior to the COVID impacts.

Objective #15- Support recruitment and retention of Health Human Resources, and advocate for appropriate service levels for health care in our community. We are continuing to support Physician recruitment in our community to ensure that we have high quality medical care available.

Objective #18- Continue to promote and support Fort Frances Seniors Centre. We will continue to support it and ensure that it remains viable now and into the future. There are meals, coffee, games, fitness classes, and woodworking hosted at the Centre.

Objective #19- Improve information technology capacity. Many increases to the Information Technology section of the budget are to ensure that we are meeting this objective.

## OPTIONS & ALTERNATIVES

- (1) That Council approve the Operating Budget increase of \$427,969 with the following options for tax rates as outlined in the attached:
  - (a) Option 1 - Using Starting Ratios with no changes to the Large Industrial Ratio
  - (b) Option 2- Adjusting the Large Industrial Ratio to be equal to the Industrial Ratio in 2 years
  - (c) Option 3- Adjusting the Large Industrial Ratio to be equal to the Industrial Ratio in 3 years
- (2) That Council detail further changes to the Budget that they wish to see Administration bring forward.

## HISTORY

Pursuant to the *Municipal Act, 2001*, Section 290, for each year, a local municipality shall, in the year or the immediately preceding year, prepare and adopt a budget including estimates of all sums required during the year for the purposes of the municipality, including,

- a) Amounts sufficient to pay all debts of the municipality falling due within the year;
- b) Amounts required to be raised for sinking funds or retirement funds; and
- c) Amounts required for any board, commission or other body.

## ANALYSIS

Administration has been working on operating projections for the 2022 year. Administration had reviewed the budget line by line in advance of sending the information to Council, and as such we feel we are proving an accurate budget forecast for 2022. These projections were presented to the Executive Committees during the week of February 7.

The only change made since those initial budgets was to reduce the Meals on Wheels allocation from \$5,500 to \$0. As you can see from the attached request from Riverside, the request for Meals on Wheels support in 2022 is \$20,490. At the November Administration and Finance Executive Committee the direction was not clear as to future support. At that time, we provided the grant for the second half of 2021, the *Memberships and Grants Policy* was sent, and that was where the decision was left. At the February 8, 2022 Administration and Finance Executive Committee the members were in favour of eliminating this cost if we had not already committed to it.

Again this year, I want to reiterate that COVID-19 has impacted our community in such a way that 2020 and 2021 are not necessarily comparative years. Each manager really worked through their relative budgets to determine what 2022 is projected to be, with COVID still impacting us in some areas.

The major external uncontrollable components of the budget are as follows:

Description	Impact on Budget
OPP Contract	-\$51,923
Court Security Grant Allocation	18,382
Northwestern Health Unit Levy	4,038
Rainy River District Social Services Administration Board Levy	38,562
Insurance increases	74,094
OMPF Grant	-133,300
Total Change in Uncontrollable Grants and Levies	-50,147

The major internal uncontrollable costs:

Description	Impact on Budget
Salaries & Benefits Increases	\$382,512
Election Expenses (Every 4 years)	43,600
Airport Crack Sealing (Not in 2021 Budget)	15,000
Airport One-Time Expenses (Line Painting & Internal Audit)	23,000
Information Technology Increased Expenses	37,000
Council- Legal	19,000
Council- Integrity Commissioner	55,000
Administration- Legal	25,000
Treasury- Audit Fees and Software	29,593

In addition to the increased costs above, there was also an increased allocation to the transfer to reserve funds in the amount of \$159,900, which is the 1.4% increase as suggested by the Asset Management Plan. We see long-term debt savings in the amount of \$43,080, assuming no additional long-term debt is incurred in 2022.

In addition, the COVID-19 impacts on the revenue at the MSC have been a reduction of approximately \$227,000 from the 2020 budget to 2022 budget. The projected revenue at the Airport is also down just over \$92,000 from the 2020 budget to the 2022 budget based on a reduced number of flights, therefore, terminal and landing fee reductions. We are hopeful that 2023 will bring us back to the anticipated revenue in the 2020 budget or greater. In order to help lessen this burden on the taxpayers in 2022, we have allocated \$424,000 of the COVID Restart Grants towards the 2022 budget.

The Preliminary 2022 General Operating Budget presented, indicates a deficit of \$427,969.

The Preliminary Water and Sewer balanced budgets are incorporated in the budget document package, but they do not have a direct impact on the General Operating budget. The Water & Sewer Budgets are stand-alone utilities supported by Water & Sewer rates, which are a cost of living, but do not directly affect taxation rates.

Division	2021	2022	Increase/ Decrease	Amount
Corporate Services	(10,574,903)	(10,519,072)	Increase	55,831
Administration & Finance	1,278,045	1,484,659	Increase	206,614
Emergency Services (includes COVID-19)	3,301,734	3,281,094	Decrease	(20,640)
Community Services	2,336,300	2,425,146	Increase	88,846
Operations & Facilities	3,379,827	3,500,363	Increase	120,536
Planning & Development	278,997	255,779	Decrease	(23,218)
<b>Total Budget Increase</b>				<b>427,969</b>

In considering the impact of the 2022 budget on the tax rates for ratepayers in the Town of Fort Frances, please consider the following:

- 1.4% of the increase is a reserve transfer due to the results of the AMP
- The remaining tax rate increase for 2022 is 2.50% (Option 1), 3.08% (Option 2), and 2.88% (Option 3)
- CPI for 2021 was 5.2%

I also reviewed the preliminary increases for other municipalities and found the following:

- Dryden- 4.15 %
- Sioux Lookout- 1.9 %
- Kenora- Not yet presented
- Thunder Bay- 2.36 % after growth and net of COVID-19 one-time costs
- North Bay- 4.27 %
- Sudbury- 3.1 %

I have also had questions around whether we can use the Operating surplus in order to reduce the tax rate impact for 2022. The following is information from the AMCTO MAP Course- Unit 1 - Applying a surplus to the budget would certainly reduce the tax levy, but the following year, the municipality would have to budget without the benefit of that surplus, while also covering increased costs arising from inflation, possible new employee contracts, and other factors.

In addition, as outlined in *Policy 1.19, Long-Term Capital Financial Plan*  
Section 4 c i) Allocation of Operating Surplus:

- That any Operating (General Fund) surplus over \$25,000 at the end of the fiscal year be transferred to the Corporate Project Reserve Fund, Corporate Vehicles & Equipment Reserve Fund and the Corporate Building Reserve Fund for future capital expenditures. That any Operating (General Fund) deficits be funded from the Corporate Reserve Fund(s) as directed and approved by Council.

As a result, I will continue to advise Administration and Council that we place the majority of our estimated surplus into reserves on an annual basis.

## CONSULTATION

The following groups have been consulted and have had major input into the Operating Budget:

- Senior Managers
- Middle Managers
- Executive Committees

## SUPPORTING DOCUMENTS

- (1) Riverside- Meals on Wheels Support Request
- (2) 2022 Draft Budget Report
- (3) Option 1- Tax Rates with no change to Large Industrial Ratio
- (4) Option 1- Tax Analysis
- (5) Option 2- Tax Rates with Reduction to Large Industrial Ratio over 2 years
- (6) Option 2- Tax Analysis
- (7) Option 3- Tax Rates with Reduction to Large Industrial Ratio over 3 years
- (8) Option 3- Tax Analysis