

**1. PROPOSED 2021 BUDGET DIRECTIONS, TIMELINE AND CONSULTATION
PROCESS**

**ORIENTATION, CALENDRIER ET PROCESSUS DE CONSULTATION
PROPOSÉS POUR LE BUDGET DE 2021**

COMMITTEE RECOMMENDATIONS, AS AMENDED

That Council approve the following:

1. The approach and timetable for consultation and consideration of the 2021 budget as outlined in the report;
2. The following directions for developing the draft 2021 budget;
 - a. That the municipal tax increase be set at 3 per cent overall inclusive of the following:
 - i. The city-wide tax levy, which includes funding for Library and Public Health, be increased by no more than 2.5 per cent for 2021 and that Council request that the Library and Public Health Boards develop their draft budgets based on their pro rata share of this tax increase;
 - ii. The Ottawa Police Services levy be increased by no more than 3 per cent and that Council request that the Police Services Board develop their draft budget based on this tax increase;
 - iii. That the Transit Levy be increased by 4.6 per cent which includes a \$5 million increase to the contribution to capital to replace the cancelled provincial gas tax increase. This represents \$33 for

the average urban household and \$9 for the average rural household, and is a reduction from the 2020 requirement of \$9 dollars per average urban household and \$4 dollars for the average rural household;

- b. That the assessment growth taxation revenues generated from new properties be estimated at 1.5 per cent of current taxation for 2021 and that Council request that the Police, Public Health and Library Boards and the Transit Commission develop their draft budgets within this allocation;
 - c. That all City user fees and charges increase in accordance with the direction outlined in the Fiscal Framework or the Long-Range Financial Plan V, including incremental COVID cost recovery;
 - d. That the Garbage Fee be increased in accordance with the approved Solid Waste Residential Collections Contracts report and to address the capital investments required for this service per the four-year capital spending plan;
 - e. That the 2021 Capital Budget be developed in accordance with the direction outlined in the 2019 DC Background Study, Long Range Financial Plan V and Fiscal Framework;
 - f. That the rate supported 2021 draft budget be developed in accordance with the approved 2017 Long Range Financial Plan V – Water, Wastewater and Stormwater;
3. That as part of the Budget 2021 process, City staff review operating budgets in detail to identify areas for potential savings resulting from changes in residents' needs due to the Pandemic, with the purpose of bringing before a Council a budget that demonstrates self-discipline and reflects the reality of the

financial situation of the City, the Province and the Country; and

4. That City departmental staff review projects not started, nor tendered or have any dependency on other projects by the City (for instance life-cycle renewal projects), to identify projects that, should the need arise, may be postponed from the 2021 budget year, with the intent to re-evaluate these projects for Budget 2022 when we will have a better understanding of the long-term financial implications of the Pandemic and its economic impacts.

RECOMMANDATIONS DU COMITÉ, TELLES QUE MODIFIÉES

Que le Conseil approuve ce qui suit :

1. La méthode utilisée et l'échéancier pour les consultations sur le budget de 2021 et son examen, comme l'indique le rapport;
2. Les directives suivantes pour l'élaboration du budget provisoire de 2021;
 - a. Que l'augmentation globale de l'impôt municipal soit fixée à 3 pour cent, ce qui suppose :
 - i. que l'augmentation de la taxe prélevée à l'échelle de la ville, qui sert entre autres à financer la Bibliothèque publique d'Ottawa (BPO) et Santé publique Ottawa (SPO), ne dépasse pas 2,5 pour cent, et que le Conseil demande au conseil d'administration de la BPO et au Conseil de santé de préparer leur budget provisoire en fonction de la part de cette augmentation qui leur revient, selon un calcul au prorata;
 - ii. que l'augmentation de la taxe prélevée pour le Service de police d'Ottawa ne dépasse pas 3 pour cent et que le Conseil demande à la Commission des

services policiers d'Ottawa d'élaborer son budget provisoire en fonction de cette augmentation;

- iii. que l'augmentation de la taxe prélevée pour le transport en commun soit fixée à 4,6 pour cent, ce qui comprend une augmentation de 5 millions de dollars à l'apport en capital en remplacement de l'augmentation de la taxe provinciale sur l'essence, laquelle a été annulée. Cela représente 33 \$ pour un ménage urbain moyen et 9 \$ pour un ménage rural moyen et cela constitue une réduction de 9 \$ pour un ménage urbain moyen et de 4 \$ pour un ménage rural moyen par rapport à l'exigence de 2020;**
- b. Que les recettes fiscales générées par la hausse de l'évaluation foncière due aux nouvelles propriétés soient estimées à 1,5 pour cent de l'imposition actuelle pour 2021 et que le Conseil municipal demande à la Commission de services policiers, à la Commission du transport en commun, au conseil d'administration de la BPO et au Conseil de santé d'élaborer leurs budgets provisoires dans les limites de cette attribution;**
- c. Que tous les frais d'utilisation et redevances de la Ville augmentent conformément à l'orientation présentée dans le cadre financier ou le Plan financier à long terme V, y compris le recouvrement des coûts additionnels liés à la COVID;**
- d. Que les frais de collecte des ordures soient augmentés conformément aux orientations du Rapport sur le renouvellement des contrats de collecte des déchets solides en bordure de rue et pour tenir compte des investissements en immobilisations requis pour ce service selon le plan de dépenses en immobilisations sur quatre ans;**
- e. Que le budget d'immobilisations de 2021 soit élaboré**

conformément à l'orientation décrite dans l'Étude préliminaire sur les redevances d'aménagement de 2019, le Plan financier à long terme V et le cadre financier;

- f. Que le budget provisoire de 2021 financé par les redevances soit élaboré conformément au Plan financier à long terme V de 2017 – Programmes relatifs à l'eau, aux eaux usées et aux eaux pluviales;
3. Que, dans le cadre du processus budgétaire de 2021, le personnel de la Ville examine attentivement le budget de fonctionnement pour cibler les domaines où des économies pourraient être faites en raison des changements dans les besoins des résidents causés par la pandémie, dans le but de présenter au Conseil un budget strict qui tient compte de la situation financière de la Ville, de la province et du pays; et
4. Que le personnel des directions générales examine les projets qui n'ont pas débuté, n'ont pas fait l'objet d'un appel d'offres ou ne sont liés à aucun autre projet de la Ville (par exemple, les projets de renouvellement du cycle de vie) pour cibler ceux qui pourraient au besoin être reportés en 2021 et réévalués dans le cadre du processus budgétaire de 2022, lorsque nous aurons une meilleure idée des répercussions financières et économiques à long terme de la pandémie.

DOCUMENTATION/DOCUMENTATION

1. Chief Financial Officer's report, Finance Services Department dated 25 September 2020 (ACS2020-FSD-FIN-0022).

Rapport de la Cheffe des finances, Direction générale des services des finances daté le 25 septembre 2020 (ACS2020-FSD-FIN-0022).

2. Extract of draft Minutes, Finance and Economic Development Committee, 6 October 2020

Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 6 octobre 2020

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
6 October 2020 / 6 octobre 2020**

**and Council
et au Conseil
14 October 2020 / 14 octobre 2020**

**Submitted on September 25, 2020
Soumis le 25 septembre 2020**

**Submitted by
Soumis par:**

**Wendy Stephanson, Chief Financial Officer, Finance Services Department / Cheffe
des finances, Direction générale des services des finances**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2020-FSD-FIN-0022

**SUBJECT: PROPOSED 2021 BUDGET DIRECTIONS, TIMELINE AND
CONSULTATION PROCESS**

**OBJET: ORIENTATION, CALENDRIER ET PROCESSUS DE CONSULTATION
PROPOSÉS POUR LE BUDGET DE 2021**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council approve the following:

- 1. The approach and timetable for consultation and consideration of the 2021 budget as outlined in the report.**
- 2. The following directions for developing the draft 2021 budget.**
 - a. That the municipal tax increase be set at 3 per cent overall inclusive of the following:**
 - i. The city-wide tax levy, which includes funding for Library and Public Health, be increased by no more than 2.5 per cent for 2021 and that Council request that the Library and Public Health Boards develop their draft budgets based on their *pro rata* share of this tax increase;**
 - ii. The Ottawa Police Services levy be increased by no more than 3 per cent and that Council request that the Police Services Board develop their draft budget based on this tax increase;**
 - iii. That the Transit Levy be increased by 4.6 per cent which includes a \$5 million increase to the contribution to capital to replace the cancelled provincial gas tax increase. This represents \$33 for the average urban household and \$9 for the average rural household, and is a reduction from the 2020 requirement of \$9 dollars per average urban household and \$4 dollars for the average rural household.**
 - b. That the assessment growth taxation revenues generated from new properties be estimated at 1.5 per cent of current taxation for 2021 and that Council request that the Police, Public Health and Library Boards and the Transit Commission develop their draft budgets within this allocation.**

- c. That all City user fees and charges increase in accordance with the direction outlined in the Fiscal Framework or the Long-Range Financial Plan V, including incremental COVID cost recovery.
- d. That the Garbage Fee be increased in accordance with the approved Solid Waste Residential Collections Contracts report and to address the capital investments required for this service per the four-year capital spending plan.
- e. That the 2021 Capital Budget be developed in accordance with the direction outlined in the 2019 DC Background Study, Long Range Financial Plan V and Fiscal Framework.
- f. That the rate supported 2021 draft budget be developed in accordance with the approved 2017 Long Range Financial Plan V – Water, Wastewater and Stormwater.

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil d'approuver ce qui suit :

- 1. La méthode utilisée et l'échéancier pour les consultations sur le budget de 2021 et son examen, comme l'indique le rapport.**
- 2. Les directives suivantes pour l'élaboration du budget provisoire de 2021.**
 - a. **Que l'augmentation globale de l'impôt municipal soit fixée à 3 pour cent, ce qui suppose :**
 - i. **que l'augmentation de la taxe prélevée à l'échelle de la ville, qui sert entre autres à financer la Bibliothèque publique d'Ottawa (BPO) et Santé publique Ottawa (SPO), ne dépasse pas 2,5 pour cent, et que le Conseil demande au conseil d'administration de la BPO et au Conseil de santé de préparer leur budget provisoire en fonction de la part de cette augmentation qui leur revient, selon un calcul au prorata;**

- ii. **que l'augmentation de la taxe prélevée pour le Service de police d'Ottawa ne dépasse pas 3 pour cent et que le Conseil demande à la Commission des services policiers d'Ottawa d'élaborer son budget provisoire en fonction de cette augmentation;**
 - iii. **que l'augmentation de la taxe prélevée pour le transport en commun soit fixée à 4,6 pour cent, ce qui comprend une augmentation de 5 millions de dollars à l'apport en capital en remplacement de l'augmentation de la taxe provinciale sur l'essence, laquelle a été annulée. Cela représente 33 \$ pour un ménage urbain moyen et 9 \$ pour un ménage rural moyen et cela constitue une réduction de 9 \$ pour un ménage urbain moyen et de 4 \$ pour un ménage rural moyen par rapport à l'exigence de 2020.**
- b. **Que les recettes fiscales générées par la hausse de l'évaluation foncière due aux nouvelles propriétés soient estimées à 1,5 pour cent de l'imposition actuelle pour 2021 et que le Conseil municipal demande à la Commission de services policiers, à la Commission du transport en commun, au conseil d'administration de la BPO et au Conseil de santé d'élaborer leurs budgets provisoires dans les limites de cette attribution.**
- c. **Que tous les frais d'utilisation et redevances de la Ville augmentent conformément à l'orientation présentée dans le cadre financier ou le Plan financier à long terme V, y compris le recouvrement des coûts additionnels liés à la COVID.**
- d. **Que les frais de collecte des ordures soient augmentés conformément aux orientations du Rapport sur le renouvellement des contrats de collecte des déchets solides en bordure de rue et pour tenir compte des investissements en immobilisations requis pour ce service selon le plan de dépenses en immobilisations sur quatre ans.**

- e. Que le budget d'immobilisations de 2021 soit élaboré conformément à l'orientation décrite dans l'Étude préliminaire sur les redevances d'aménagement de 2019, le Plan financier à long terme V et le cadre financier.**
- f. Que le budget provisoire de 2021 financé par les redevances soit élaboré conformément au Plan financier à long terme V de 2017 – Programmes relatifs à l'eau, aux eaux usées et aux eaux pluviales.**

EXECUTIVE SUMMARY

In the 2018-2022 Council Governance Review report ([ACS2018-CCS-GEN-0028](#)) a term of Council budget process was approved. One of the requirements of that multi-year budget process is the Chief Financial Officer annually presents the Finance and Economic Development Committee and Council with a directions report prior to the development of the draft budgets.

The purpose of the report is to provide Council with an understanding of the projected pressures that the City will be facing in 2021, including; impacts related to Provincial and Federal funding; COVID-19 cost impacts and reduction in revenues; the proposed annual increase in property taxation; outline the budget allocation targets for the Boards and Transit Commission; and, will seek Council endorsement of the budget strategies required to achieve the proposed taxation levels. In addition, this report proposes a timetable for the tabling, review and adoption of the 2021 budget.

COVID-19 has put extraordinary pressures on the world, Canada, Ontario and Ottawa, both as a health and economic disaster as the economy has been greatly impacted by social and physical distancing and loss of business continuity. As a result, the City responded quickly and implemented various financial mitigations strategies in response to COVID-19 and reduced service levels to meet declining demand for services, which has contributed to a corresponding decline in revenues. Additionally, it was necessary to support residents and businesses in other ways that have resulted in financial pressures for the City. These pressures have led to a projected deficit in 2020 of approximately \$181.8 million. This deficit has been partially offset by \$124.3 million in Phase 1 Safe Restart Funding from the federal and provincial governments.

An application for Phase 2 funding to recover the remaining budget pressures will be submitted. COVID-19 related impacts are also expected in 2021 on various revenues and expenses. For example, the City is anticipating a reduction in the transit and recreation revenues as ridership and recreation program registration is not expected to return to 100 per cent in 2021. The City will continue to monitor any new or ongoing federal or provincial funding programs to help mitigate additional COVID-related costs and pressures in 2021. For the purpose of this budget, the City is assuming that grants from senior levels of government will continue into 2021. If the funding does not materialize in 2021 staff will prepare mitigation measures that could include the use of city reserves, possible reductions in essential and non-essential services and various additional mitigation measures for consideration by Council.

The Capital program requirements for 2021, and forecasts for 2022-2024, are proposed to be developed in accordance with the Council approved Long-Range Financial Plan 5 (LRFP V), Transportation Master Plan, Infrastructure Services Master Plan, and 2019 Development Charges Background Study. Debt funding used to fund eligible components of the capital program requirements will be in accordance with the constraints as presented in the LRFP V and Fiscal Framework documents. As well, the City will continue to increase the contribution to capital over the remainder of the term of Council in order to bring funding closer to a “good state of repair” level as identified in the LRFP V and outlined in this report.

Financial Implications

The 2021 draft budget will be developed to reflect the financial pressures outlined in the report along with the proposed strategies.

Public Consultation and Input

Members of Council will have the opportunity to seek public input prior to budget tabling through Councillor-led virtual public consultation sessions or other means as determined by the individual Councillor. Further opportunities for the public to provide input prior to budget tabling will be available through Engage Ottawa, the City's online engagement platform.

The City will promote the Councillor-led virtual public consultation sessions and online engagement opportunities on ottawa.ca, using traditional communications tools and through the City's social media channels.

Due to the social distancing required by COVID, Councillor consultations will be conducted as virtual public meetings and other forms of engagement. Public Information and Media Relations provided supplementary materials to support Councillors in hosting virtual consultations, including templates and guidelines.

RÉSUMÉ

Un processus budgétaire du mandat du Conseil a été approuvé dans le Rapport sur l'examen de la structure de gestion publique du Conseil municipal pour 2018-2022 ([ACS2018-CCS-GEN-0028](#)). L'une des exigences de ce processus budgétaire pluriannuel veut que la cheffe des finances présente chaque année au Comité des finances et du développement économique et au Conseil un rapport sur les orientations avant l'élaboration des budgets provisoires.

Le rapport a pour but d'expliquer au Conseil les futures contraintes que subira la Ville en 2021, notamment les conséquences des changements apportés au financement provincial et fédéral, les coûts de la COVID-19 et la baisse des recettes et l'augmentation annuelle de l'impôt foncier proposée, de donner un aperçu des affectations budgétaires visées pour les conseils et la Commission du transport en commun et d'obtenir l'approbation du Conseil quant aux stratégies budgétaires requises pour atteindre les niveaux d'imposition proposés. De plus, le rapport propose un échéancier pour le dépôt, l'examen et l'adoption du budget de 2021.

La COVID-19 a exercé des pressions extraordinaires sur Ottawa, l'Ontario, le Canada et le monde entier, autant en tant que catastrophe sanitaire qu'économique, alors que la distanciation physique avait de graves conséquences sur l'économie et la continuité des opérations. Par conséquent, la Ville a répondu rapidement et mis en œuvre diverses stratégies d'atténuation financière pour lutter contre la COVID-19 et a réduit les niveaux de service pour tenir compte du déclin de la demande pour les services, ce qui a contribué à une baisse des recettes de la Ville. De plus, il a fallu appliquer d'autres mesures pour soutenir les résidents et les entreprises ce qui a exercé des pressions sur les finances de la Ville. Ces pressions ont entraîné un déficit prévu de 181,8 millions de dollars en 2020. Ce déficit a été partiellement compensé par un montant de 124,3 millions de dollars provenant de l'aide financière pour la relance sécuritaire lors de la Phase 1 du rétablissement et des gouvernements provincial et fédéral.

Une demande de financement de la Phase 2 afin de compenser les pressions budgétaires restantes a été présentée. On s'attend également à ce que la COVID ait des répercussions sur diverses recettes et dépenses en 2021. Par exemple, la Ville prévoit une réduction des recettes découlant du transport en commun et des loisirs, car elle ne s'attend pas à ce que l'achalandage dans les transports en commun et les inscriptions aux programmes récréatifs reviennent à 100 pour cent en 2021. La Ville continuera de surveiller les programmes actuels et tout nouveau programme fédéral ou provincial afin d'aider à atténuer les coûts et les pressions supplémentaires liés à la COVID en 2021. Aux fins de ce budget, la Ville présume que les subventions provenant des ordres supérieurs de gouvernement continueront en 2021. Si le financement ne se concrétise pas en 2021, le personnel élaborera des mesures d'atténuation supplémentaires, qui pourraient inclure le recours aux réserves de la Ville, la réduction possible des services essentiels et non essentiels et diverses autres mesures d'atténuation, qu'il présentera au Conseil aux fins d'examen.

Les exigences du programme d'immobilisations de 2021 et les prévisions d'immobilisations de 2022 à 2024 sont fondées sur le Plan financier à long terme V (PFLT V), le Plan directeur du transport, le Plan directeur de l'infrastructure et l'Étude préliminaire de 2019 sur les redevances d'aménagement. Le financement par emprunt utilisé pour financer les volets admissibles du programme d'immobilisations sera établi en fonction des contraintes présentées dans le PFLT V et le cadre financier. De plus, la Ville continuera d'augmenter ses contributions au fonds de réserve général pour

immobilisations durant le reste du présent mandat du Conseil afin de rapprocher le niveau de financement du niveau nécessaire pour maintenir ses actifs en « bon état », comme indiqué dans le PFLT V et dans le présent rapport.

Répercussions financières

Le budget provisoire de 2021 tiendra compte des pressions financières décrites dans le rapport ainsi que des stratégies proposées.

Consultation publique et commentaires

Les membres du Conseil pourront solliciter l'avis du public, avant le dépôt du budget, à l'occasion de séances de consultation organisées par les conseillers ou par d'autres moyens jugés utiles par chaque conseiller. Le public aura également l'occasion de s'exprimer sur le sujet avant le dépôt par l'intermédiaire de Participons Ottawa, la plateforme de participation citoyenne de la Ville.

La Ville annoncera les séances de consultation publique virtuelles des conseillers et les possibilités de participer en ligne sur le site ottawa.ca à l'aide des outils de communication habituels et par l'intermédiaire de ses réseaux sociaux.

Étant donné la distanciation physique imposée par la COVID, les consultations des conseillers seront organisées sous forme de réunions publiques virtuelles et d'autres formes d'engagement. Les Services de l'information du public et des relations avec les médias ont fourni de la documentation supplémentaire, notamment des modèles et des lignes directrices, pour appuyer les conseillers dans l'organisation des consultations virtuelles.

BACKGROUND

On December 5, 2018, Council approved a term of Council budget process as part of the 2018-2022 Council Governance Review report ([ACS2018-CCS-GEN-0028](#)). That report included the following:

- The Chief Financial Officer to bring forward a report that details the budget timetable and provides budget directions, in advance of each yearly budget.
- The various Boards and Commissions to be allocated their *pro rata* share of the tax target and any assessment growth.
- Council to direct the various Boards and Commissions to develop their draft budgets within this annual allocation.

- The City Manager to work with the Mayor and each committee chair to develop draft budgets that are in alignment with the approved direction.
- Individual Members of Council to organize and lead public consultations on the draft budget.
- The Committees to hear public delegations before deliberating on the budget and approving any revisions that can be funded from within the budgets under committee review.
- Council, sitting as Committee of the Whole to consider, to review and amend the budget.

Experience has shown that providing direction that imposes the fiscal discipline of a pre-defined tax increase helps Council mitigate tax increases to an acceptable level.

The draft budgets will identify any one-time issues and recommend strategies that may be required to achieve Council's direction. A consolidated draft budget that is balanced, as required by legislation, and reflects the directions being proposed within this report will be tabled at Council and referred to Standing Committees and the Transit Commission.

Like the 2020 budget process, Members may move a Motion at a Standing Committee to increase that Committee's budget envelope by identifying an offsetting reduction from a different Standing Committee's budget. Such Motions would be referred to City Council, sitting as Committee of the Whole, for consideration as that other Standing Committee's budget may have already been approved. Members would also continue to have the ability to increase budget envelopes/identify offsetting reductions by moving Motions at Committee of the Whole. Identified offsetting reductions must be deemed appropriate by Finance, as not all funds can be used for all purposes. For example, Members would not be able to increase a tax-supported program budget by reducing a rate supported program, or one that is funded with provincial dollars.

The public consultation and committee consideration of the budget will also include budgets from the Ottawa Police Services Board, the Ottawa Public Library Board, the Public Health Board, the Committee of Adjustment, and Crime Prevention Ottawa.

The purpose of this report is to provide Council with an understanding of the projected pressures that the City will be facing in 2021, provide a proposed annual increase in

property taxation, and to seek Council endorsement of the required budget strategies. In addition, this report proposes a timetable for the tabling, consultations, consideration and adoption of the 2021 budget.

DISCUSSION

2020 Ontario Budget

The province delivered a 2020 economic and fiscal update on March 25, 2020. This update came in the wake of Ontario's decision to postpone the release of its full 2020 provincial budget due to the COVID-19 outbreak and its related economic consequences. The 2020 Ontario Budget normally tabled in the spring will be released in November 2020. Any funding impacts or significant changes for municipalities are not known at this time and will be reported once known and prior to the adoption of the final 2021 City budget in December.

Federal/Provincial Safe Restart Program

On August 12, 2020 the City received confirmation of its allocation of the first instalment of the Federal/Provincial Safe Restart Program funding and that it will be allocated in two phases for two main streams: Municipal Operating Pressures Stream and the Transit Stream. A two-phased approach provides some flexibility to address pressures, including any ongoing or increased impacts from a resurgence of COVID-19.

Under Phase 1, the City will be receiving \$124.3 million, and the City will be submitting applications for Phase 2 funding to recover the remaining budget pressures expected from the COVID pandemic for 2020. For Transit, the funding can be used in the first quarter of 2021 up to March 31.

For the purpose of this budget, the City is assuming that grants from senior levels of government will continue into 2021. If the funding does not materialize staff will prepare mitigation options that could include the use of city reserves, possible reductions in essential and non-essential services and various additional financial mitigation measures for consideration by Council.

2021 Budget Directions and Development

As part of the budget development process approved by Council on December 5, 2018, specific Council direction is required with respect to a tax target to guide staff in the development of the 2021 draft budget that will be tabled with Council. The tax increase being proposed is 3 per cent of municipal taxation but is made up of various levies at different percentage increases.

- a) That the municipal tax increase be set at 3 per cent overall including:**
- i. The city-wide tax levy, which includes funding for Library and Public Health, be increased by no more than 2.5 per cent for 2021 and that Council request that the Library and Public Health Boards develop their draft budgets based on their *pro rata* share of this tax increase;**
 - ii. The Ottawa Police Services levy be increased by no more than 3 per cent and that Council request that the Police Services Board develop their draft budget based on this tax increase;**
 - iii. That the Transit Levy be increased by 4.6 per cent which includes a \$5 million increase to the contribution to capital to replace the cancelled provincial gas tax increase. This represents \$33 for the average urban household and \$9 for the average rural household, and is a reduction from the 2020 requirement of \$9 dollars per average urban household and \$4 dollars for the average rural household.**

Staff have completed preliminary reviews to identify 2021 pressures. The projected 2021 expenditures include legislative changes to the Canada Labour Code, along with estimated inflationary increases on contracts and purchased services. Additional operational requirements associated with the cost of operating and maintaining new infrastructure such as roads and winter maintenance costs, continued investment in Long Term Care, and increasing the investment in City tax supported capital assets as per the Long Range Financial Plan V ([ACS2017-CSD-FIN-0017](#)) have also been considered. In addition, the impact of the changes in Provincial funding for the impacted programs has been included. Estimated COVID financial pressures will continue into

2021 and are described in the next section of this report. It is anticipated that these one-time budget pressures will be offset in the budget by one-time government funding. Should this funding from upper levels of government be discontinued the City will introduce mitigation measures to backstop this shortfall wherever possible. Based on this preliminary analysis, a 3 per cent overall tax increase is being proposed.

As the municipal tax bill is made up of several different levies, it is recommended that in order to achieve a 3 per cent increase, the city-wide levy, which is the largest portion of the tax bill, be increased by 2.5 per cent. The city-wide levy funds most City services including the Library and Public Health Boards. Each Board would be allocated their individual pro-rated share of 2.5 per cent.

The Police Levy is a separate levy and is recommended to increase by the 3 per cent overall.

For Transit Services, staff recommends a Transit Levy increase of 4.6 per cent for the 2021 budget, which includes a \$5 million increase in the capital contribution. This is consistent with the Council approved 2020 budget directions to address the cancellation of the doubling of the provincial gas tax. The Transit Levy increase represents approximately \$33 for the average urban household and \$9 for the average rural household, as outlined in Table 1, and is a reduction from the 2020 requirement of \$9 dollars per average urban household and \$4 dollars for the average rural household. The transit levy should not be confused with the transit fare, which is the cost of a transit ride and is paid by the users of the system, whereas the levy is part of the municipal tax bill.

A 2021 transit fare increase of 2.5 per cent will be included in the budget as it is consistent with Council direction provided through the 2017 Transit LRFP ([ACS2017-CSD-FIN-0002](#)).

The increase in the contribution to capital for Transit is discussed in the following section. Transit Services has undertaken an exercise to identify 2021 pressures. The projected 2021 expenditure increases include legislative changes to the Canada Labour Code, estimated inflationary increases on contracts, purchased services, and utilities. Estimated COVID financial pressures will continue into 2021 are described in the next section of this report.

The yearly impact of the proposed tax increases on average homes in the urban and rural areas plus an average commercial property is shown below in Table 1.

Table 1 - Impact of Proposed Tax Directions

	Urban Home	Rural Home	Commercial Property
	Average Assessment: \$415,000	Average Assessment: \$415,000	Average Assessment: \$460,000
2020 Taxation	\$3,842	\$3,161	\$7,692
City wide @ 2.5%	63	60	126
Police @ 3%	19	19	38
Transit @ 4.6%	33	9	67
Total \$ Change	115	88	231
% Change	3.0%	2.8%	3.0%

COVID-19 Impacts

COVID-19 has put extraordinary pressures on the world, Canada, Ontario and Ottawa, both as a health and economic disaster as the economy has been greatly impacted by social and physical distancing and loss of business continuity. As a result, the City responded quickly and implemented various financial mitigations strategies in response to COVID-19 and reduced service levels to meet declining demand for services, which has had a corresponding decline in revenues. Additionally, it was necessary to support residents and businesses in other ways that have resulted in financial pressures for the City. These pressures have led to a projected deficit in 2020 of approximately \$181.8 million. This deficit has been partially offset by \$124.3 million in Phase 1 Safe Restart Funding from the federal and provincial governments. An application for Phase 2 funding to recover the remaining budget pressures will be submitted. COVID related impacts are also expected in 2021 on various revenues and expenses. For example, the City is anticipating a reduction in the transit and recreation revenues as ridership

and recreation program registration is not expected to return to 100 per cent in 2021. Additional impacts of COVID that are expected to continue into 2021 as follows:

- Reductions in revenue from transit fares, recreational programs and parking fines.
- Increased costs for:
 - Enhanced cleaning;
 - Personal Protective Equipment (PPE);
 - Safety equipment and materials;
 - Staffing costs for increase in health and safety standards and service delivery requirements.

These pressures will be addressed in the budget when tabled.

b) That the assessment growth in taxation revenues generated from new properties be estimated at 1.5 per cent of current taxation for 2021 and that Council request that the Police, Public Health and Library Boards and the Transit Commission develop their draft budgets within this allocation.

The assessment growth in 2020 was approximately 1.5 per cent and the same increase is forecasted for 2021. The 2021 forecast is based on preliminary information provided by the Municipal Property Assessment Corporation (MPAC). Final 2021 assessment growth will not be available until the end of December once the final tax roll is received.

As per the process approved by Council on December 5, 2018, the services governed by the Police, Health and Library Boards, and Transit Commission, will be allocated their individual pro-rated share of revenues resulting from growth in assessment. In addition, the annual increase to the budget for the Office of the Auditor General will also be in accordance with the budget strategy applied to Boards and Commissions. The remaining balance will be available to fund other tax supported City services.

For purposes of developing the target envelopes for 2021, assessment growth of 1.5 per cent, a tax increase of 2.5 per cent City wide, 3 per cent for Police, and 4.6 per cent for Transit have been included. The taxation targets are summarized below in Table 2. This allocation does not include any revenue from increasing user fees.

Table 2 Tax Targets - 2021 Budgetary Funding Allocations

Allocation Areas	Amount (\$000)
Assessment Growth	26,150
Tax Increases	52,760
Total	78,910
<u>Target Allocation</u>	
Police	13,245
Transit	19,165
Health	920
Library	2,130
Auditor General	95
Total	35,555
Balance for City Services	43,355

Total taxation revenues are projected to increase in 2021 by \$78.9 million. After allocating a proportionate share of the 2021 increase to Police, Transit, Health, Library and the Office of the Auditor General, the remaining balance of \$43.4 million is available to fund all other tax supported City services.

User Fees and Charges

- c) That all City user fees and charges increase in accordance with the direction outlined in the Fiscal Framework or the Long-Range Financial Plan V, including incremental COVID cost recovery.**

The Fiscal Framework sets the principles and recovery targets for municipal user fees. In general, the rate of increase in user fees is to be in relation to the cost increases associated with providing the service. Specifically, in 2021, fees will be reviewed to

ensure increased COVID costs related to delivering the service are captured in the associated fee.

As noted above, the 2021 transit fare increase of 2.5 per cent will be included in the budget as it is consistent with Council direction provided through the 2017 Transit LRF ([ACS2017-CSD-FIN-0002](#)).

- d) That the Garbage Fee be increased in accordance with the approved Solid Waste Residential Collection Contracts Renewal report and to address the capital investments required for this service per the four-year capital spending plan.**

The 2021 garbage fee increase will be increased in accordance with the Solid Waste Residential Collection Contracts Renewal report ([ACS2019-PWE-GEN-0001](#)). The use of short-term contracts was approved to best position Council to define and execute on the future of solid waste collections via an update to the City's Solid Waste Master Plan. Short term collection contracts provide flexibility to accommodate future changes to municipal waste management, which includes a shift to Extended Producer Responsibility (ERP) for the blue box recycling program by 2023. The Provincial government plans to make product manufacturers and retailers responsible for the Blue Box program. The program will encourage industry to change how it packages products to reduce waste and harmonize the blue box programs. The Province expects that changes to this program will benefit municipalities and taxpayers through reduced costs of the recycling program.

The 2021 increases are based on the factors outlined within the Solid Waste Residential Collection Contracts Renewal report, which highlighted that since 2013 the per household rate has held steady for four of the past six years and has only increased by \$6 over this time. The initial contract increases will stabilize by the third year where increases will be equal to standard inflationary increases. The short-term increases are anticipated to further decrease as the provincial government transitions the new Blue Box program by 2023.

Per the four-year spending plan for Solid Waste identified in the 2020 budget, the capital investments for the Solid Waste program are expected to increase in 2021 and over the next several years. Staff will bring forward a Solid Waste Long Range Financial Plan in 2021 to recommend financial strategies to address the current funding gap. A small increase to the garbage fee will need to be included in the 2021 increase to begin to close this funding gap in the interim and the LRFP will provide a more robust financial plan for the Solid Waste Program for the next ten years.

Capital Budgets

- e) That the 2021 Capital Budget be developed in accordance with the direction outlined in the 2019 DC Background Study, Long Range Financial Plan V and Fiscal Framework.**

The 2021 Capital Budget will be developed in accordance with the Council approved Transportation Master Plan, Infrastructure Master Plan, 2019 Development Charges Background Study, and the LRFP V. The City funds its capital program through a combination of tax funds from reserves, development charges on the growth portion of eligible projects, and debt and grants from senior levels of government. Debt funding used to fund eligible components of the capital program will be in accordance with the Fiscal Framework.

The 2021 budget will include an increase for municipal construction inflation as calculated by Statistics Canada. The rate to be used in 2021 is 2.3 per cent and is based on the increases incurred in 2019.

Rate Supported Budgets

- f) That the rate supported 2021 draft budget be developed in accordance with the approved 2017 Long Range Financial Plan V – Water, Wastewater and Stormwater.**

The budget for the services supported by the water, wastewater and stormwater rate is proposed to be considered at the same time as the tax supported budget. This allows for the Integrated Works Capital Program (combined road/water/sewer/storm capital

works funded by tax and rate supported services) to be considered and approved at the same time.

The 2021 draft budget will be developed and presented in accordance with the 2017 LRFP V – Water, Wastewater and Stormwater programs ([ACS2017-CSD-FIN-0023](#)). The LRFP V Water, Wastewater and Stormwater reflects the financial strategies that balance the need to maintain and build the capital assets that support these essential services recognizing that the assets last for multiple generations. Staff recommended the following increases as per the LRFP V: Water revenue increase of 3 per cent, Wastewater revenue increase of 4 per cent, and Stormwater revenue increase of 12 per cent, with an overall average increase of 4.8 per cent for the rate-supported services. These percentage increases are a target increase for revenue overall for each service. Percentage increases to individual volumetric and fixed rates will be lower due to year over year changes in number of households and projected consumption levels and will be detailed in the budget when tabled.

The Standing Committee on Environment Protection, Water and Waste Management Tax & Rate will receive public delegations and deliberate on both the tax and rate supported budgets on November 17, 2020. The Standing Committee on Environment Protection, Water and Waste Management Tax & Rate report would then rise to Council for final consideration.

Proposed 2021 Budget Timetable and Public Consultation Plan

Council Budget Tabling (November 4)

The City's 2021 draft operating and capital budget is proposed to be tabled at a Special Meeting of City Council on November 4. This report includes the draft budgets for services that report to a Commission, Board or special purpose body, namely Police, Transit, Library, Public Health, Crime Prevention, and the Committee of Adjustment. It should be noted that in addition the budget tabling at Council, the Transit Commission, Police Services Board, Library Board and Ottawa Board of Health, also hold meetings to table their budgets. These proposed meetings dates and the rest of the Proposed 2021 Budget Meeting Schedule are included in Document 1 of this report.

The City budget will be presented by both the Mayor and the City Manager. Each of the Board and Commission budgets will be presented by the Chair and the Head of the service. The draft budget will be available online on ottawa.ca shortly after it has been tabled.

Public Consultations

Members of Council will have the opportunity to seek public input prior to budget tabling through Councillor-led virtual public consultation sessions or other means as determined by the individual Councillor. These sessions allow residents to express their views and budget priorities to their Ward Councillor and help residents become more involved in the budget development process. Staff will canvass Members of Council regarding their plans to conduct public consultations sessions and will be available to attend individual ward meetings upon request.

Due to the social distancing required by COVID, Councillor consultations will likely be conducted as virtual public meetings and other forms of engagement. Public Information and Media Relations will provide supplementary materials to support hosting virtual consultations including templates and guidelines.

Further opportunities for the public to provide input prior to budget tabling will be available through Engage Ottawa, the City's online engagement platform. Suggestions and ideas that are generated through the engagement process will be shared with Council and management prior to budget tabling and will be considered in the development of the draft budget.

The City will promote Councillor-led virtual public consultation sessions and online engagement opportunities on ottawa.ca, using traditional communications tools and through the City's social media channels. A Draft Budget 2021 webpage will be created that will include all relevant budget information, including information about the engagement opportunities.

Budget Meetings - Committee / Commission / Boards / Advisory Committees (November 10 – December 9)

The draft operating and capital budget documents for each Committee and Transit Commission, will be reviewed by the Chair and Vice Chair of that committee as part of

their regular agenda review meetings, with input from the General Manager(s) of the respective departments.

All Standing Committees of Council along with the Transit Commission, Police Services Board, Library Board, and Advisory Committees will hold meetings to consider the 2021 draft budget for their respective areas and receive public delegations. The Proposed 2021 Budget Meeting Schedule is included in Document 1 of this report.

Council Budget Consideration / Adoption (December 9)

It is proposed that Council consider the final budget recommendations from all the Committees of Council and local Boards at its regularly scheduled meeting of December 9. Once approved, Council would then adopt the 2021 Budget.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

Not applicable.

ADVISORY COMMITTEE(S) COMMENTS

There are no comments by an advisory committee required for this report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk impediments to implementing the recommendations in this report.

FINANCIAL IMPLICATIONS

The financial implications are outlined in this report.

ACCESSIBILITY IMPACTS

There are no accessibility impact implications to implementing the recommendations in this report.

TERM OF COUNCIL PRIORITIES

This report supports the City's on-going commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 - Proposed 2021 Budget Meeting Schedule

DISPOSITION

Staff will develop the 2021 draft budget in accordance with the report recommendations and implement the budget process as outlined in the report.

Document 1 – Proposed 2021 Budget Meeting Schedule

Council, Committee or Board	Date
Board of Health - Budget Tabling	Monday, November 2
Public Library Board - Budget Tabling	Tuesday, November 3
Police Services Board (special meeting) – Budget Tabling	Wednesday, November 4
Council – Budget Tabling (special meeting) <ul style="list-style-type: none"> • City Services • Transit Services • *Police Services • *Library Services • *Public Health • Committee of Adjustment • Crime Prevention <p>*In addition to this Council meeting, the Boards and Transit Commission hold their own meetings to table their budgets</p>	Wednesday, November 4
Transit Commission (special meeting) – Budget Tabling	Wednesday, November 4
Arts, Culture, Heritage & Recreation Advisory Committee	Tuesday, November 10
Environmental Stewardship Advisory Committee	Thursday, November 12
French Language Services Advisory Committee	Monday, November 16
Standing Committee on Environmental Protection, Water & Waste Management	Tuesday, November 17
Accessibility Advisory Committee	Tuesday, November 17
Transit Commission	Wednesday, November 18
Community & Protective Services Committee	Thursday, November 19
Police Services Board	Monday, November 23
Audit Committee	Tuesday, November 24
Planning Committee	Thursday, November 26
IT Sub-Committee	Monday, November 30
Board of Health	Monday, November 30
Finance & Economic Development Committee	Tuesday, December 1
Public Library Board	Tuesday, December 1
Transportation Committee	Wednesday, December 2
Agriculture & Rural Affairs Committee	Thursday, December 3
Council – Budget Consideration / Adoption	Wednesday, December 9

**Meeting dates are subject to change and the discretion of the respective Chair*