



**SUBJECT: 2018 budget framework**

**TO: Committee of the Whole**

**FROM: Finance Department**

Report Number: F-28-17

Wards Affected: All

File Numbers: 435-03

Date to Committee: June 26, 2017

Date to Council: July 10, 2017

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**Recommendation:**

Receive and file finance department report F-28-17 regarding the 2018 budget framework.

**Purpose:**

- An Engaging City
- Good Governance

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**Background and Discussion:**

This report provides Council with the parameters on which staff will prepare the 2018 budget. The framework presented in this report will outline principles that have been recognized by Council as important policy decisions, as well as highlight budget drivers that will impact the 2018 budget.

In November 2012 Council approved the City of Burlington's Long Term Financial Plan which outlined strategic objectives and policies to ensure financial sustainability and responsible financial management. In March 2015, the BMA report provided recommendations that enhanced the existing financial policies to ensure fiscal sustainability and maintain flexibility to address changing conditions. In May, 2017, the Asset Management Financing Plan maintained the recommended increases to the dedicated infrastructure renewal levy. The 2018 budget will keep with the objectives and

updated policies of these reports, as they represent important and prudent policy decisions of this council.

In addition, in January 2017, Council received the 20 year simulation of forecasted budget drivers (F-02-17), which provided a high level overview of major budget drivers and expected future tax rate impacts. Inherent in the annual operating budget process are the normal pressures of inflation, growth, resources and fluctuating revenues, compounded by infrastructure renewal costs.

The 20 year simulation presented to Council in January 2017 (updated to reflect the 2017 approved budget) is attached for your reference as Appendix A, to provide a forward looking outlook on the city’s budget impacts. This simulation estimated a 4.82% tax increase for 2018 based on anticipated cost drivers.

To mitigate these cost drivers, budget targets have been established which will require services to realize substantial efficiency savings or revenue increases (price or volume). These targets reduce the anticipated tax increase to 4.0% for 2018.

When the proposed budget is presented for Committee’s review, staff will outline the efficiency savings found to meet these targets. Business cases will be included for any service level changes.

2018 Forecast	20 Year Simulation Approved 2017 Budget		Revised with efficiency savings	
	Value (Millions)	Tax Impact	Value (Millions)	Tax Impact
Service Pressures*	\$3.87	2.53%	\$2.62	1.72%
Corporate Expenditures / Revenues	\$0.42	0.27%	\$0.42	0.27%
Assessment Growth	(\$0.91)	(0.6)%	(\$0.91)	(0.6)%
<b>Base Budget</b>	<b>\$3.38</b>	<b>2.21%</b>	<b>\$2.13</b>	<b>1.39%</b>
Infrastructure Renewal Funding	\$2.00	1.31%	\$2.00	1.31%
Business Cases (estimate)	\$1.98	1.30%	\$1.98	1.30%
<b>Total Forecasted City Impact</b>	<b>\$7.36</b>	<b>4.82%</b>	<b>\$6.11</b>	<b>4.00%</b>

\*Includes a 2% increase for Local Boards

**Related reports:**

- F- 12-17      2016 Asset Management Financing Plan
- F-21-16:      Phase 1 Financial Plan for the 2015-2040 Strategic Plan
- F-02-17:      20-Year Simulation of Forecasted Budget Drivers
- F-15-15:      BMA Financial Condition Assessment
- F-22-12:      The City of Burlington Long Term Financial Plan

**Strategy/process**

**2018 Capital Budget:**

Continued changes to the capital budget bring focus to infrastructure renewal projects and growth projects. The capital budget continues to remain a 10-year program, broken down by asset categories.

Any projects outside the scope of infrastructure renewal or the Development Charge program (growth) will continue to require a new capital initiatives form (formally called business case) for Council's consideration during the capital budget review process.

**2018 Operating Budget:**

The base budget will continue to focus on maintaining service delivery. Changes to levels of service will require a business case to outline the details of the change in a transparent manner.

The 2018 operating budget will continue to be presented in a service-based format with two years history for comparison.

In addition, all business cases will include commentary as to how the requested change aligns to one or more of the following items:

- City's Strategic Plan
- Burlington Leadership Team (BLT) Work Plan
- Departmental Workplan
- Service Business Plan

### **Budget Process:**

2018 is the second year the operating budget will be developed using Questica software system. This software provides enhanced functionality for budget development. End-user training and development of reporting capabilities are key steps to ensure the city benefits from the efficiencies and functionalities the system provides.

The 2018 budget timelines are developed similar to last year with a December approval of the Capital Budget and a January approval of the Operating Budget. In future years we will be targeting more aggressive timelines which would bring both the Capital and Operating Budgets forward together in advance of year-end (excluding election years).

Below is a brief timeline of the 2018 budget process.

- |   |                   |
|---|-------------------|
| • COW - Capital Budget Overview         | November 9, 2017  |
| • Capital Council Information Session   | November 16, 2017 |
| • COW - Capital Budget Review           | December 1, 2017  |
| • COW - Operating Budget Overview       | December 1, 2017  |
| • Council Capital Budget Approval       | December 11, 2017 |
| • Operating Council Information Session | December 12, 2017 |
| • COW - Operating Budget Review         | January 18, 2018  |
| • Council Operating Budget Approval     | January 22, 2018  |

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### **Financial Matters:**

Staff will prepare the 2018 budget on the framework presented above, representing the city's long term financial plan, and the important policy decisions of this council.

### **Connections to City Plans**

Staff will ensure the 2018 Budget development is aligned to the strategic initiatives within the Strategic Plan and phase 1 financial requirements are included in the proposed budget when brought forward this year.

Staff will ensure that the objectives of the city's Asset Management Plan are being adhered to during the development of the 2018 budget.

Growth related projects in the Capital Budget will adhere to the 2014 Development Charges Background Study.

The below chart highlights the results of Council’s comprehensive budget deliberations at both the City and the Region;

<b>Year</b>	<b>City* Tax Increase</b>	<b>Hospital Tax Increase</b>	<b>Total (City, Region, Education)</b>
2011	0.91%	0.00%	0.94%
2012	3.29%	1.03%	1.79%
2013	4.46%	1.00%	1.81%
2014	3.50%	0.93%	1.49%
2015	3.64%	0.00%	2.08%
2016	3.14%	0.00%	2.01%
2017	4.42%	0.00%	2.60%
<b>Total</b>	<b>23.36%</b>	<b>2.96%</b>	<b>12.72%</b>
<b>3-yr Avg.</b>	<b>3.73%</b>	-	<b>2.23%</b>
<b>7-yr Avg.</b>	<b>3.34%</b>	-	<b>1.82%</b>

*\* includes the hospital*

Over the last three years the average city tax change is 3.73% (including the hospital) and the overall tax change is 2.23%. For the seven years reflecting the term of the current members of Council the city tax change is 3.34% with an overall tax rate change of 1.82%.

### **Public Engagement Matters:**

The city will be seeking input from the public on the 2018 budget in two parts. A telephone town hall will be conducted which will allow residents to pose questions of staff on budget related items or simply listen in to learn more. Online survey opportunities will also be provided. The results of all public engagement will be reported back to Council in advance of the budget review process.

### **Conclusion:**

Financial sustainability will continue to be our key strategic priority. The budget will continue to face rising pressure from infrastructure renewal costs, limited revenue growth, and completion of strategic plan initiatives representing visions to meet important community needs. These factors ultimately impact property taxes and reserve fund balances to maintain / enhance existing service levels and quality of life.

Respectfully submitted,

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**Appendices:**

- A. 20-Year Simulation of Forecasted Budget Drivers

**Report Approval:**

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.