



SUBJECT: 2019 Budget Framework

TO: Committee of the Whole

FROM: Finance Department

Report Number: F-21-18

Wards Affected: All

File Numbers: 435-03

Date to Committee: July 9, 2018

Date to Council: July 16, 2018

Recommendation:

Receive and file finance department report F-21-18 providing the 2019 budget framework.

Purpose:

- An Engaging City
- Good Governance

Background and Discussion:

This report provides Council with the parameters on which staff will prepare the 2019 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 2019 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 Financial Health 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 2019 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 2018, Council received the 20-Year Simulation of Forecasted Budget Drivers (F-02-18), 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, as well as infrastructure renewal costs.

The 20 year simulation presented to Council in January 2018 (updated to reflect the 2018 Approved Budget) is attached for your reference as Appendix A, to provide a forward looking outlook on the city's budget impacts. Since the 2018 budget approval, minor adjustments have been made to estimates resulting in a forecasted city tax increase of 4.1% for 2019. As part of the 2019 budget development process staff will continue to look for opportunities to mitigate increases where possible.

Business cases will also be included for any service level changes.

Related reports:

F-12-17 2016 Asset Management Financing Plan
F-21-16: Phase 1 Financial Plan for the 2015-2040 Strategic Plan
F-02-18: 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

2019 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 2019 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

2019 Capital Budget and Forecast:

The capital budget continues to remain a 10-year program, broken down by asset categories with projects further categorized as renewal, growth or new / enhanced infrastructure.

The city is in the process of updating the Development Charges By-Law which expires July 1, 2019. All growth-related capital infrastructure will be identified as part of the background study with the 2019 Budget & Forecast forming the basis of the study.

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

The capital budget guidelines have been aligned with the recommendations of report F-23-18 Transit Funding Sustainability on this same agenda.

Budget Process:

Budget timelines have been adjusted from previous years as a result of the municipal election and in accordance with the Municipal Act. The inauguration of the new Council will take place in December 2018. Both the Capital and Operating Proposed Budgets will be presented to Committee in January 2019. It is anticipated that budget approval will occur in late February or early March based on the timing of Committee meetings still to be scheduled.

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 2019 budget process.

- COW - Capital and Operating Budget Overview January 24, 2019
- Capital Council Information Session January 31, 2019
- Operating Council Information Session TBD - February 2019
- COW – Capital and Operating Budget Review TBD – Feb / Mar 2019
- Council Capital and Operating Budget Approval TBD – Feb / Mar 2019

Financial Matters:

Staff will prepare the 2019 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 2019 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 2019 budget.

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

Year	City* Tax Increase	Hospital Tax Increase	Total (City, Region, Education)
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%
2018	4.36%	0.00%	2.64%
4-yr Avg.	3.89%	-	2.33%
8-yr Avg.	3.47%	-	1.92%

** includes the hospital*

Over the last four years the average city tax change is 3.89% (including the hospital) and the overall tax change is 2.33%. For the eight years reflecting the term of the current members of Council the city tax change is 3.47% with an overall tax rate change of 1.92%.

Public Engagement Matters:

The city has recently launched a new public engagement software program known as "Bang the Table". Over the summer this software will be utilized for online survey opportunities. 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.