



SUBJECT: 2019 Operating and Capital Budget Overview

TO: Committee of the Whole - Budget

FROM: Finance Department

Report Number: F-02-19

Wards Affected: All

File Numbers: 435-01

Date to Committee: January 17, 2019

Date to Council: January 28, 2019

Recommendation:

Receive the proposed 2019 operating budget book; and

Receive the proposed 2019-2028 capital budget and forecast book; and

Direct the Director of Finance to present the recommendations in Appendix A to the Committee of the Whole – Budget meeting of February 21, 2019 for review and approval, taking into consideration committee amendments.

Purpose:

This report provides an overview of the proposed 2019 operating budget and the proposed 2019-2028 capital budget and forecast.

Background and Discussion:

Council approved Burlington's Strategic Plan 2015-2040 in April 2016 (Report CM-01-16). The strategic plan includes four strategic directions:

- A City that Grows
- A City that Moves
- A Healthy and Greener City
- An Engaging City

Strategic Plan

The strategic plan established Council's vision for the City. Detailed studies and planning exercises undertaken by the City, including fiscal impact analysis, master plans and asset management plans are developed in line with the overall strategic vision. These plans form the framework for capital investment and provision of services that support a growing community.

The budget process provides an avenue to prioritize and balance the allocation of resources to achieve various master plan targets and priorities and ultimately deliver services to the community. It is staff's responsibility to resource, administer and deliver strategies and initiatives laid out in the plan.

Corporate Direction

Over the past year, the Burlington Leadership Team has worked together building our organization's vision called the Corporate Direction. This direction creates alignment to accomplish our common goals and continue our collaborative work to achieve the objectives outlined in Burlington's Strategic Plan.

This direction is organized under three pillars:

1. Building our 21st century city
2. Building exceptional quality of life
3. Building our 21st century workforce

To ensure alignment with the Strategic Plan, decisions about resources and pacing of project implementation were discussed by the Operating and Capital Budget Leadership Teams as part of the 2019 budget process.

Establishing priorities for new City investment was a key step in developing the budget this year.

Linking the strategic plan and the corporate direction to the budget provides accountability between what is achieved and the cost to the taxpayer. This process provides a clear link between the strategy and the cost of implementing the initiatives.

The budget is one mechanism that implements the Strategic Plan through specific project initiatives as noted later in this report.

In addition, the 2019 budget submission continues to adhere to the guiding principles and directions of the following reports:

F-21-18: 2019 Budget Framework
CW-22-17: Asset Management Plan
F-12-17: 2016 Asset Management Financing Plan
F-02-18: 20 Year Budget Driver Forecast
F-15-15: BMA Financial Condition Assessment
F-22-12: Long Term Financial Plan

Budget Process

The operating budget review process included:

- A line-by-line review of the base budget by the Director of Finance and Service Owners (budget reductions of \$1.15 million)
- A corporate / strategic review by the Operating Budget Leadership Team. This team is comprised of the Deputy City Manager, Director of Finance, Director of Human Resources, Fire Chief (rotating member) and the City Solicitor (rotating member)
- Alignment to strategic objectives and review of business cases

The capital budget review process included:

- Cross functional teams of asset leads and members of Burlington Leadership Team to conduct in depth panel reviews of the capital budget
- A corporate / strategic review by the Capital Budget Leadership Team comprised of the Deputy City Manager, Executive Director of Capital Works, Director of Finance, Director of Parks and Recreation (rotating member) and the Director of Transportation Services (rotating member)
- Review of active capital projects and the proposed capital budget
- Alignment to strategic objectives and new initiatives

Budget Timelines

As a result of the 2018 Municipal Election and requirements under the Municipal Act, the 2019 budget approval has been delayed from prior years. In the future, staff will work towards an approval of both budgets prior to the new year.

The following is a summary of proposed timelines for review and approval of the Capital and Operating Budgets:

Date	Meeting	Item
January 17 th	COW - Budget	Budget Overview Report Capital and Operating
January 24 th	COW - Budget	Council Information Session - Capital Budget Rooms 305, 307 & 309
January 29 th	COW - Budget	Council Information Session - Operating Budget Rooms 305, 307 & 309
February 7 th	COW - Budget	Delegations for the Capital and Operating Budgets
February 21 st	COW - Budget	Capital Budget Review & Approval Operating Budget Review
February 25 th	Council	Capital Budget Approval
February 26 th	COW - Budget	Operating Budget Review & Approval
February 28 th	COW - Budget	Operating Budget Review & Approval (if required)
March 25 th	Council	Operating Budget Approval

2019 PROPOSED OPERATING BUDGET

Service-Based Budget

The 2019 proposed operating budget is presented in a service-based format allowing Council and residents to see how our services meet the needs and growing demand of our community. The identification of revenues and expenditures by service ensure staff and Council is considering service adjustments when making budget decisions, as well as providing increased transparency and awareness to the public.

Service business plans are available to the public and Council on the city website for information. These business plans provide information on the service, programs delivered and funding required to deliver the service.

Operating Budget Financial Summary

Municipalities are required by provincial law to balance their annual budget such that revenues match the expenditures for the current year. The net tax levy is the amount of property taxes required to support city services. For 2019 this consists of a proposed

base amount of \$164,312,208 plus recommended business cases of \$3,244,378, for a total proposed net tax levy of \$167,556,586. This net tax levy represents 64.5% of total annual revenues in 2019.

Overall, the 2019 operating budget ensures the city's strong financial position is maintained and residents receive the programs and services they value.

The 2019 proposed budget focuses on maintaining service levels, ensuring our assets are maintained, continuing to provide strategic investments and upholding legislative requirements while ensuring competitive property taxes. The budget is presented as follows:

- The city's base budget is presented with a 1.58% tax increase.
- The estimated impact from Regulatory and Contractual obligations of \$1.65 million results in an additional tax increase of 1.03%
- Assessment growth (new residential units and businesses) of 0.64% reduces the based budget tax impact to 1.97%
- The \$1.7 million reduction in the hospital levy repurposed to infrastructure renewal as per the asset management financing plan does not change the overall tax increase
- The dedicated infrastructure levy of \$2.0 million as per the asset management financing plan results in an additional tax increase of 1.25%
- Public transit enhancements of \$1.0 million result in an additional tax increase of 0.64%
- Two business cases to increase by-law enforcement and para transit service account for an additional \$214.6K (+0.21%) brings the total tax increase to 3.99%.
- Combined with the Region of Halton increase and the Boards of Education, the overall tax increase is projected at 2.45%.

The following table provides a breakdown of the city's tax increase.

Table A: 2019 Proposed City Tax Impact

	2019 Budget Change (000)	2019 Tax Impact
City Services	\$2,407	1.49%
Local Boards and Other Agencies	\$183	0.11%
Corporate Revenues and Expenditures	\$(38)	(0.02)%
Cumulative Impact (\$ / %)	\$2,553	1.58%
Regulatory and Contractual obligations	\$1,654	1.03%
Assessment Growth Offset		(0.64%)
Cumulative Impact (\$ / %)	\$4,207	1.97%
Repurposing of Hospital Levy to Infrastructure	(\$1,700) \$1,700	0.0%
Dedicated Infrastructure Renewal Levy	\$2,001	1.25%
Cumulative Impact (\$ / %)	\$6,209	3.22%
Public Transit Enhancements	1,029	0.64%
Other Recommended Business Cases	\$214	0.13%
Cumulative Impact (\$ / %)	\$7,453	3.99%
Overall Tax Impact (City, Region, Education)	2.45%	

Numbers may not add due to rounding

In addition to the business cases recommended in the 2019 budget, a number of additional business cases have been included in the budget documents for Council's consideration. These business cases would add an additional \$1,113,394 or 0.69% tax increase

2019 Budget Pressures

In the 2019 Budget Framework report (F-21-18), presented to Committee in July, staff indicated that the 2019 proposed operating budget will be in keeping with the objectives identified in the long term financial plan.

The framework report projected a city tax increase of 4.1% for 2019. This assumed assessment growth at 0.6%. Staff have brought forward a 2019 proposed budget with a

total city tax increase of 3.99%. The 2019 budget reflects realized assessment growth of 0.64% which will offset \$1.0 million of the required tax levy increase.

Since the Framework Report was presented, 2 significant regulatory / contractual obligations have emerged impacting the 2019 Proposed Operating Budget.

- **Recent union negotiations**

The 2019 impact from recent union negotiations/arbitrated settlements of approximately \$1.6 million is included in the proposed budget.

- **New minimum maintenance standards in winter operations**

Winter sidewalk maintenance has been added to the mandated Minimum Maintenance Standards (MMS) effective May of 2018. Approximately \$250,000 of additional funding is required to meet these provincially mandated regulations with additional costs in 2020 reflecting the full year implementation of the increased mandated standards.

Partially mitigating the impact of the above noted budget pressures was achieved through a thorough review (deep dive) of the base budget resulting in savings of \$1.15 million equivalent to 0.72% tax mitigation.

2019 PROPOSED BASE BUDGET

Human Resource Management

Municipalities are service organizations that rely heavily on human resources to deliver the range and quality of services that residents have come to expect. Human resource costs (including benefits, training, etc.) as a percentage of the City's gross budget has changed from 50.5% back in 2004 to 47.5% proposed for 2019.

Local Boards & Committees

Local Boards include the Burlington Public Library, Burlington Museums, Art Gallery of Burlington, The Burlington Performing Arts Centre (BPAC), Tourism Burlington and the Burlington Economic Development Corporation (BEDC). For 2019 a base budget increase of 2.0% was provided for local boards, equating to \$304,328.

Investment in the Capital Program

The city continues to make good progress on its infrastructure renewal needs as Council has provided *Predictable Infrastructure Investment*, in the form of a dedicated incremental infrastructure levy. The proposed budget includes a 1.25% (\$2 million) levy as recommended in the city's Asset Management Financing Plan. This plan addresses historic underfunding of infrastructure and sets a course for the city to close the infrastructure deficit.

Budget Savings and Increased Revenues

Finance undertook a detailed line by line review of the base budget and met with each of the 38 services. This review resulted in approximately \$1.15 million in budget reductions through changes to expenditures and revenues.

Highlights of expenditure savings/revenue increases in the 2019 proposed budget include:

- Reduction in gasoline and diesel costs (\$33.4k) as well as utility costs (11.8k) to align with historical actuals
- reduction in building rental (\$11.8k) and tire and tube repairs (\$27.1k)
- reduction in cellular telephone costs of \$27.4k as a result of a detailed review of phone usage and adjustments to the contract with the phone provider
- reduction in professional & consulting costs (\$20.8k)
- reduction in contract services (\$11k) as well as other external services (\$82.25k)
- reduction in vacancy rebate costs (\$100k)
- increased revenues from admissions (\$47.28k), registration fees (\$13.2k) and rental revenue (\$62.5k) to reflect increased volume of participants as well as increases to fees
- increased building permit revenues due to indexed fees (\$121.1k) reflecting an increase in the costs to administer and enforce the Building Code (Bill 124)
- Increased development revenues (\$206k) reflecting volume and indexing of fees
- Increase in transit charter revenues (\$12.5k) reflecting historical revenue trends
- Increase in parking fines (\$170k) and daily parking revenues (\$150k) to better align with historical revenue trends

In addition, service owners were asked to provide efficiency improvements they have implemented in the past year. This information is summarized in Appendix B.

FINANCIAL SUSTAINABILITY & BUDGET RISKS

The city continues to closely monitor revenue sources and financial strategies to maintain financial sustainability as outlined in the objectives of the city's long-term financial plan. There are a number of issues that the City will need to be mindful of in 2019 and future years. These include:

Infrastructure Funding Deficit and Asset Management Plan

The city's asset management plan and accompanying financing plan (2016) indicated that the city had assets valued at just under \$3 billion with an immediate unfunded renewal need of \$126.5 million. In addition, the plan suggested that the annual renewal requirements were \$67.5 million.

A renewal funding strategy has been in place for a number of years whereby an additional \$2.0 million (or 1.25% tax impact) has been invested to begin to address the infrastructure deficit. Even with further incremental investments and the repurposing of the hospital levy to the city's infrastructure, a significant deficit is expected to remain over the next 30 years.

Labour Market & Workforce

A significant risk to the corporation is the attraction and retention of talent within the Greater Toronto/Golden Horseshoe area. The following realities create a labour market and workforce risk:

- number of staff eligible to retire;
- number of municipal job opportunities within 1 hour commute of Burlington;
- ability to hire qualified candidates; and
- a compensation system requiring updates to be more competitive

While some additional staff positions were added to the 2019 proposed budget, financial constraints prevented many other pent-up needs from being incorporated. This results in deficiencies in human capital, difficulties servicing a growing population and leads to risk in operations and compliance with legislation. The existing workload is not sustainable in a number of areas. This has been identified as the number one enterprise risk for the City.

Economic Considerations

The Bank of Canada has continued to increase interest rates to 1.75% in October 2018, the fifth such increase since the summer of 2017. This trend is expected to continue at a slower pace into 2019. While increasing interest rates positively impacts the overall rate of return on the City's investment portfolio; it comes at the expense of increased borrowing costs for debenture financed projects.

Legislative Changes

All municipalities remain susceptible to financial pressures resulting from legislative changes at the Provincial and Federal levels. Previously approved legislation affecting labour costs and asset management planning have been reflected in the budget. Further changes such as cannabis legalization, climate change or growth management, may result in future budget implications.

Growth Impacts

The impacts from growth account for a portion of the city's increased costs year over year. In the 2019 proposed base budget, the cost to maintain services levels provided to a growing population and address regulatory and contractual obligations amounted to approximately \$4.2 million.

These cost increases have been offset by assessment growth which allows a municipality to finance increased costs without increasing taxes.

The weighted assessment growth for the 2019 budget is 0.64% which provides approximately \$1,025,000 of additional revenue to offset inflation and growth-related costs in the base budget. The 0.64% represents net assessment growth, as changes in assessment resulting from Assessment Review Board decisions and Requests for Reconsideration are included in the overall change.

Appendix C provides the historical weighted assessment growth as was requested by Committee.

2019 PROPOSED BUSINESS CASES

Business cases are proposed variations in the budgeted expenditures or revenues for which separate budget disclosure is warranted.

In 2019, these business cases have been divided into 3 categories as follows:

- **Public Transit Sustainability and Enhancements**
 - Transfer of \$500,000 of provincial gas tax funding from the Operating Budget to the Capital program to support the sustainability of the conventional bus renewal program.
 - An additional 6 conventional Transit Operators required to support the 3 additional buses proposed in the 2019 Capital Budget
- **Building a 21st Century Workforce**
 - One-time funding to support the phased implementation of a new Corporate Enterprise Resource Planning system (\$1.5 million)
 - One-time funding to support the development of an Integrated Transportation/Mobility Plan (\$300,000)
- **Recommended Service Enhancements**
 - An additional By-Law Enforcement Officer (bringing the total complement to 6 Officers)
 - An additional Para-Transit Operator required to support the additional Handi-van proposed in the 2019 Capital Budget

- An increase in customer service hours for the Parking Screening Officer. The additional expense is fully offset by funding from the Parking District Reserve fund.
- One-time funding to conduct a 5-year citywide home fire safety program (\$175,000)

ADDITIONAL ITEMS FOR CONSIDERATION (not included in the proposed budget)

In addition to the above business cases recommended in the 2019 budget, a number of business case have been provided in the proposed Operating Budget Book for Council's consideration. These business cases include:

- A Senior Urban Designer
- An additional By-Law Enforcement Officer (bringing the total complement to 7 Officers)
- A service growth response strategy for the Adult / 55+ program
- Additional funding to manage the Emerald Ash Borer Program
- Additional staffing needs at the Joseph Brant Museum in response to the expansion
- One-time funding for a Housing Strategy Study and Action Plan (\$300,000)
- One-time funding for an Old Lakeshore Precinct Plan Peer Reviews (\$250,000)

Should Council approve all of these additional business cases (\$1,113,394) it would add an additional 0.69% tax increase above the Proposed 2019 Budget of 3.99%.

As requested by Committee in December 2018, Appendix D provides a listing of the business cases (including those identified above) that were submitted but not included within the proposed budget. It is important to note that this is not a comprehensive list as not all requests were submitted to the Budget Leadership group for review given overall budget pressures identified. The listing has been grouped into three categories - to mitigate risk, workload pressures and growth pressures.

2019 PROPOSED CAPITAL BUDGET

The 2019 proposed capital budget is approximately \$96.8 million, with a ten-year program of \$819.3 million. The capital budget presentation has a strong focus on infrastructure renewal projects reflective of the city's commitment to the asset management plan and the Strategic Plan initiative (4.1.e) stating the city's infrastructure such as roads and buildings, are in good condition and properly maintained.

The city is making progress on its infrastructure renewal needs as Council continues to provide *Predictable Infrastructure Investment*, in the form of:

- an annual increase in the dedicated infrastructure levy of 1.25% (\$2 million); and
- continued incremental funding for the final year of the 4-year program (2016-2019) for road infrastructure renewal (\$5 million per year); and
- continued funding for storm water infrastructure improvements as previously recommended in the AMEC study in 2015. (\$8.6 million remaining of the total \$13.6 million)

As presented in previous years, this budget differentiates projects into the following three areas:

- **Infrastructure Renewal projects:** repair, refurbishment or replacement of an existing asset to extend its useful life in accordance with the asset management plan
- **Growth projects:** capital required to service growth within the city
- **New / Enhanced projects:** increases to current service levels beyond what the city currently provides, not a result of growth

The budget is presented by asset category with each project identified by one of the areas defined above. The ten-year capital program is 72% infrastructure renewal projects, 16% growth related projects and 12% for new/ enhanced projects.

Capital Budget Financial Summary

The proposed 2019-2028 capital budget and forecast project listing is provided under separate cover for Committee's review and approval.

The Capital Budget Submission:

- Underwent extensive review by asset category teams and a line-by-line review by the Asset Lead Panel Review Committee along with a full review from the Capital Budget Leadership Team.
- Presents a balance between identified needs, council directions, available financing and capacity to deliver the program.
- Reflects project costs in 2019 dollars.
- Includes a minimum 15% contingency for non-routine projects, 2% allowance for project management costs.
- Reflects updated operating budget impacts for ten years for projects in excess of \$1 million and for at least four years for all other projects as required.
- Forms the basis for the 2019 Development Charges Study.

The 10-year program for 2019-2028 is \$819.3 million. Table B below provides the breakdown for each asset category. Infrastructure renewal represents the largest type at 72%.

Table B: 10-year capital budget by category

Project Type	Infrastructure Renewal	Growth	New/Enhanced
Roadways	\$ 242,908	\$ 89,001	\$ 22,894
Storm Water Management	\$ 30,496	\$ 25,789	\$ -
Facilities & Buildings	\$ 132,290	\$ 1,319	\$ 21,206
Parks & Open Space	\$ 56,910	\$ 12,797	\$ 5,690
Parking	\$ 2,725	\$ -	\$ 18,900
Fleet Vehicles	\$ 81,482	\$ 1,310	\$ 17,897
Information Technology	\$ 32,881	\$ -	\$ 10,589
Local Boards	\$ 10,729	\$ 615	\$ 905
Total	\$ 590,420	\$ 130,832	\$ 98,081

*All values in thousands ('000)

72%

16%

12%

The capital budget uses a variety of sources for funding the program. Tax supported funding (cash and debt funding from the operating budget) continues to be the largest component accounting for over half (54.0%) of the overall funding envelope. The budget continues to rely on the cash flow from development charge revenue to fund growth projects (8.7%), federal and provincial gas taxes (9.2%), vehicle depreciation reserve funds (6.0%), park dedication reserve fund (4.3%) and other recreation facility renewal reserve funds for parks & recreation assets.

Debt

The proposed capital budget and forecast reflects *Responsible Debt Management* as the budget adheres to the city's debt policy limits while using debt in the most effective manner as per the city's long term financial plan. The city's debt policy limits the total debt charges and liabilities as a percentage of revenues to 12.5% (provincial legislated limit is 25%).

As of September 30, 2018, the City's total debt charges as a percentage of own source revenue is estimated to be 10.1%. Over the last several years, Finance staff have been using debt more efficiently to be consistent with the city's long term financial plan, by ensuring that less debt is being applied to lifecycle projects and more debt is being used towards projects that are considered new/enhanced. This has the benefit of building a more sustainable source of funding towards the city's asset management plan.

Development Charges

Strategic initiative 4.1.f states:

“New infrastructure needed to support growth is paid for by new development”

The proposed 2019 capital budget and forecast includes development charge funding of approximately 8.7%. The proposed 2019 capital budget conforms to the policy that ensures that spending in the year does not exceed the uncommitted balance in the reserve fund at the end of the preceding year.

BUDGET ALIGNMENT TO THE STRATEGIC PLAN

Operating Budget Alignment

The following items have been included in the 2019 operating budget support the initiatives of the city’s Strategic Plan.

- An additional 6 conventional Transit Operators required to support 3 additional buses proposed in the 2019 Capital Budget.
- Additional funding provided to meet new minimum maintenance standards for Winter Sidewalk Maintenance.
- Funding in 2019 to support the development of an Integrated Transportation/Mobility Plan.
- 1.25% levy increase (\$2 million) dedicated to the renewal of the city’s infrastructure as recommended in the city’s Asset Management Plan.
- Funding in 2019 to develop culturally specific programming for both youth and adults and to engage new Canadians and educate the public to the rich cultural fabric of our community.

Capital Budget Alignment

The following areas highlight notable items as part of the 2019 capital budget and forecast which are aligned to the city’s Strategic Plan.

Project	Alignment
Elgin Street Promenade Construction (RD-SW-1756) 2019	This project is included in the Core Commitment Implementation Strategy to improve active transportation in the downtown and enhance pedestrian and cycling connections.

Project	Alignment
Active Transportation Initiatives and Infrastructure (RD-SW-265) 2020-2028	These projects address the need and justification for new active transportation facilities, minor improvements to existing infrastructure and city-led initiatives to realize the intent of the cycling master plan and helps to support the complete streets vision.
Kilbride Skatepark (PO-PD-1802) 2019	This project ensures that residents in rural Burlington have unique recreational offerings in the rural area.
Community Garden Development (PO-PD-1562) 2020, 2022, 2024, 2026, 2028	This project will increase the availability of community garden plots so that residents may grow their own fresh and healthy food.
Electric Vehicle Charging Stations - Downtown (PK-PK-1795) 2019-2022	This project supports the increased use of hybrid and electric vehicles in our community and to support the goal of becoming a carbon neutral community.
Stormwater Management (Various)	Continued funding is being provided for stormwater infrastructure improvements as previously recommended in the AMEC study. These projects ensure the city is a leader in stormwater management and low impact development as well as ensures the rehabilitation and preservation of the city's creeks and streams.
Cumberland Avenue Pedestrian – Railway Underpass (RD-RA-681) 2025	These expansions to the city's trail system links to the city's park network, neighbourhoods and other forms of transportation. A number of new multi-use pathways and safe pedestrian/ cycling linkages are included in the capital budget.
Active Transportation Crossing of QEW (RD-SW-1286) 2022, 2024	
Multi-use Trail, Hydro Corridor – Mainway to Upper Middle (PO-PD-1647) 2019, 2022	
Multi-use Trail - Alton Village (PO-PD-1648) 2020	
Multi-use Trail - Sheldon Creek (PO-PD-1733) 2020, 2021	

Project	Alignment
Infrastructure Renewal Projects (Various)	Infrastructure renewal needs are being addressed in accordance with the city's Asset Management Plan with annual incremental tax funding of 1.25% to ensure assets are in good condition and properly maintained. 72% of projects in the 10-year capital program support the renewal of the city's existing infrastructure.
Growth Related Projects (Various)	\$168.9 million of growth related projects have been included in the 10-year capital program. External cost recoveries account for \$51.0 million. Of the remaining \$117.9 million of costs, \$76.0 million are funded from development charges and park dedication.

COUNCIL INFORMATION SESSIONS

As in prior years, the budget review process includes a council information session for both the capital and operating budget. These sessions provide council with the opportunity to ask questions regarding the proposed budget to city staff.

The Capital budget information session will be held on January 24th, in rooms 305, 307, and 309 from 9:30 am – 3:00 pm.

The Operating budget information session will be held on January 29th, in rooms 305, 307, and 309 from 9:30 am – 4:00 pm.

A detailed agenda for these meetings is included in Appendix E.

Budget Review Forms

Budget review forms will be provided to all members of council in an electronic format. Staff request that each Council member use these forms to highlight proposed amendments to the capital and operating budgets. The consolidated listing of the budget review forms will structure the agenda for the budget review at the COW-Budget meetings beginning February 21st.

Budget Review Forms are due back to the Director of Finance by:

- Capital Budget – **January 30, 2019**
- Operating Budget – **February 4, 2019**

This will allow time for consolidating the information and distributing the summary for committee review.

Financial Matters:

The proposed 2019 operating budget results in a proposed net tax levy of \$167,556,586 for a city tax increase of 3.99%.

The proposed 2019 capital budget is \$96.8 million, with a ten-year program of \$819.3 million.

The city has capital assets with a replacement cost of approximately \$3 billion. The capital program focuses on the city's infrastructure requirements to address the much-needed renewal of these assets in the most cost-effective manner. The budget reflects incremental tax supported funding of 1.25% (\$2 million) from the operating budget as well as the repurposing of the phase reduction to the hospital levy to support the city's infrastructure requirements.

At the December 13, 2018 Committee of the Whole Workshop, the following staff direction was passed (information will be presented at the January 17, 2019 meeting):

Direct the Director of Finance to provide budget options for the January 17, 2019 Committee of the Whole-Budget meeting for up to a maximum budget increase (city portion only) of 2%, 3% and 3.25% for 2019; and

Direct the Director of Finance to report back to the January 17, 2019 Committee of the Whole-Budget meeting on the impact of removing the 1.25% infrastructure tax levy for the 2019 Budget; and

Direct the Deputy City Manager to report back to the February 14, 2019 Committee of the Whole-Workshop meeting on the creation of a 4 year work plan based on this council's priorities, with consideration of the existing 25 year Strategic Plan. (SD-27-18)

Approval of the 2019 Operating Budget will establish the authority for preparing the 2019 Tax Levy By-law. The proposed city increase of 3.99%, which, when combined with the Region of Halton and educational taxes, provides an overall property tax increase of 2.45% for urban residential taxpayers. For each \$100,000 of residential assessment, this translates into an overall increase of \$19.99.

Public Engagement Matters:

Staff will continue to use the city's website as a communication medium through videos, webcast and online surveys.

The City is continuously looking for ways to improve and increase transparency for the public. A new "Budget Basics" video has been created and posted on the website

which explains how the city develops its budgets. In addition, a revised version of Burlington Open Budget, on the city's website, will be available to the public to allow residents to view the city's 2019 budget data in an intuitive and illustrative form. A telephone town hall as well as an in person town hall is planned for February 2019.

Conclusion:

The proposed 2019 budget has been thoroughly reviewed by staff. Decisions made through the 2019 budget need to be made in the context of the multi-year budget framework. This includes consideration of the operational and financial implications related to deferrals and service level revisions that may be associated with achieving the desired 2019 tax levy.

Respectfully submitted,

Lori Jivan

Coordinator of Budgets and Policy

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Appendices:

- A. Budget Recommendations
- B. Efficiencies by Service
- C. History of Weighted Assessment Growth
- D. Business Cases not accommodated
- E. Council Information Sessions Agenda

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.

Appendix A: 2019 Budget Recommendations

Capital Budget Recommendations

Approve the 2019 Capital Budget for the City of Burlington, with a gross amount of \$96,765,023 and a debenture requirement of \$6,978,000, and the 2020-2028 capital forecast with a gross amount of \$722,568,322 and a debenture requirement of \$56,655,218 as outlined in report F-02-19 and as amended by the Committee of the Whole - Budget; and

Administer the debenture in the amount of \$6,978,000 in 2019 as tax supported debt; and

Authorize staff to proceed with the 2019 capital projects representing not more than 50% of the 2019 capital from current funding in advance of the 2019 operating budget approval; and

Declare that, in accordance with sis. 5(1)5 of the *Development Charges Act, 1997* and s. 5 of Ontario Regulation 82/98, it is Council's clear intention that the excess capacity provided by the above-referenced works will be paid for by future development charges.

Operating Budget Recommendations

Approve the 2019 Operating Budget including any budget amendments approved by the Committee of the Whole - Budget to be applied against the proposed net tax levy amount of \$167,556,586.

Appendix B: 2019 Efficiencies by Service

Service	Efficiencies
Cemetery	New toolcat piece of equipment which has resulted in efficiencies in operations. Mapping of pioneer cemeteries in GIS system. Working on a risk assessment and correction of leaning monuments.
Environment & Energy	Energy efficiency installs, update community energy plan in house rather than contracted out, use of city sign shop at a reduced cost over an external supplier. Use of a student to develop a utility reporting system and save consulting costs.
Parks & Open Space Maintenance	Use of contracted services at schools (realignment of services) to focus internal staff on primary parks. This results in improved service in city parks. Elimination of data entry requirements for small equipment to save staff time. Development of a new health and safety form which improves communication between Services.
Roads & Sidewalk Maintenance	New software to track road deficiencies and initiate work orders. This also reduces liability. Use of an improved semi-permanent patch for minor road repair which lasts longer than prior pot hole repair methods. Increased crack sealing which is a proactive approach to extend life of infrastructure. Relocated sand stockpile so salt can be put in materials storage domes. Procuring salt early in the season to reduce costs (\$16K savings) and mitigate risk of salt shortages. Additional time spent calibrating equipment to reduce salt usage. Increase frequency of plowing to reduce need for salt.
Surface Water Drainage	Providing in house inspector to monitor contracted service. Proactive ditching program to better maintain rural road structure and reduce flooding. Conducting creek inspections on a more regular basis to identify problems early, correct early rather than during storm event. New product used on catch basins and manholes reduces settlement buildup.

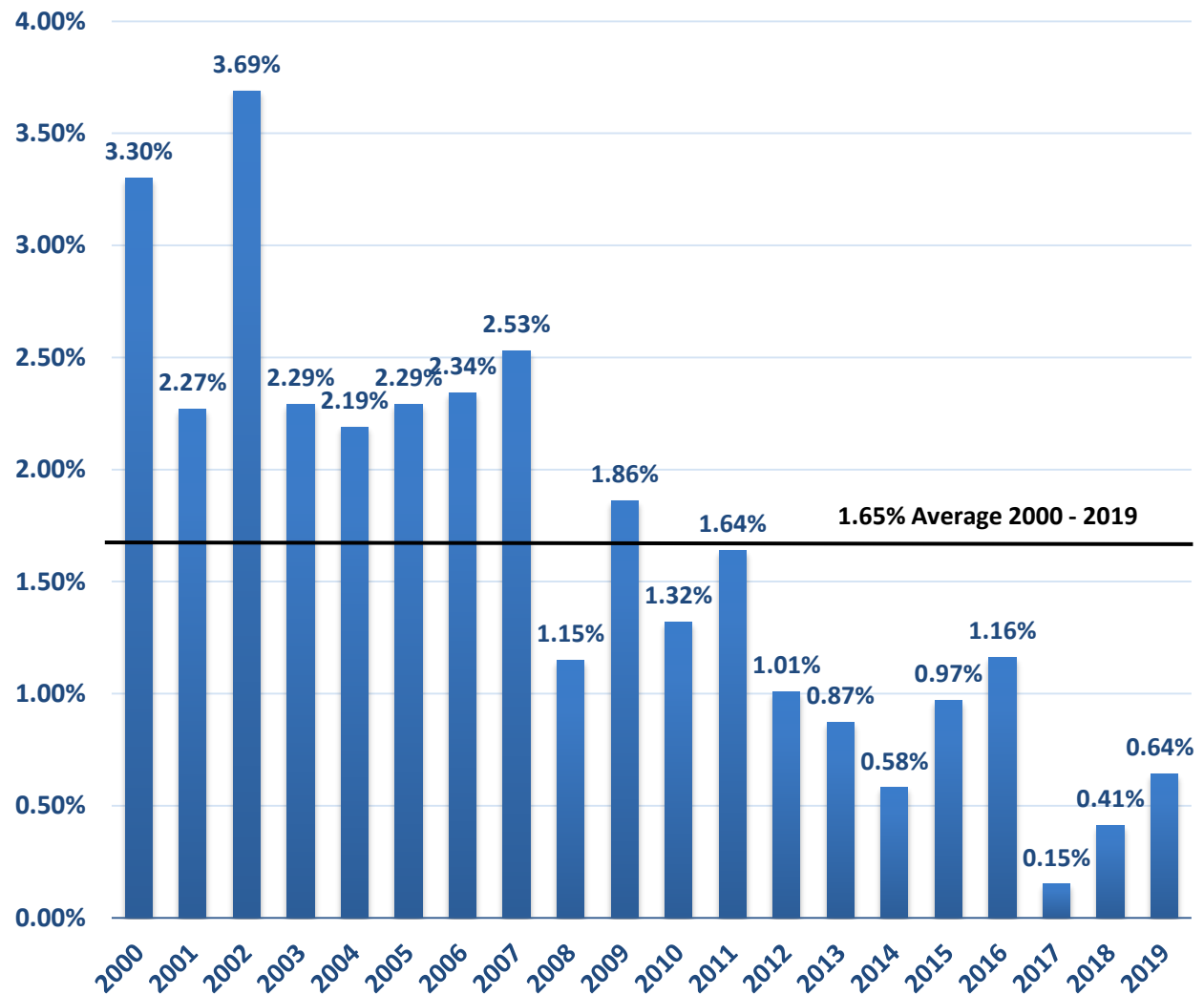
Service	Efficiencies
Tree Management	<p>Eliminate the injection of trees dying from EAB infestation. Increased use of internal staff to assess tree health and recommend removal instead of treatment. Undertake quick quotes procurement wherever possible to save staff time and bundle external tree removal contracts together for more favourable vendor pricing. Forestry unit has dedicated crane truck so larger removals can be done in-house instead of externally contracted. This equipment results in time savings as well as improved health and safety for staff. Negotiated woodchip pile removed at no cost. Implemented a tree plotter program which has resulted in improved data including access to up-to-date records and reduced manual paperwork.</p>
Parking Management	<p>New Honk mobile parking app has resulted in increased parking revenues and improved customer service. 20 new electric vehicle (EV) parking spaces added which were largely funded from a government grant program. Installation of additional wayfinding signs to direct drivers to unoccupied spaces in real time. Additional occupancy pucks installed for wayfinding and real time data analysis of parking needs. Use of license plate recognition technology has resulted in more efficient and accurate parking enforcement. Conversion of parking by-law enforcement vehicles to plug-in electric hybrid vehicles to reduce greenhouse gas emissions and fuel costs.</p>
Roads & Structure Design & Construction	<p>Prequalifying of contractors to reduce staff time required to monitor contractors. Bundling of construction projects has resulted in more favourable pricing. Region performing increased administration of their portion of joint projects. Geographical grouping of projects under staff groups reduces travel time and improves project oversight.</p>
Transit	<p>Installation of LED lighting in bus bays to reduce hydro costs. Reviewing opportunities on how work is scheduled to find efficiencies (on-going union negotiations), review of attendance management</p>

Service	Efficiencies
Arts & Culture	Events tracking in AMANDA rather than emails and spreadsheets - better staff coordination. Sound monitors in the downtown (in parking meters) result in better and more regular monitoring. Student theatre now using sign shop rather than external contractor for props. Arts grant program all administered online to save time. Applications for public art also submitted online which saves time, makes submissions easier to review and reduces paper.
Building Code Permits & Inspections	Working with applicants to provide more complete applications to free up staff time, future AMANDA process improvements.
Community Design & Development Review	Committee of Adjustment (COA) members use iPads to reduce courier and printing costs. Delegated authority for sign variances which eliminates the need for council reports. The Burlington Urban Design panel will achieve higher quality proposals. Reduction in offsite storage costs with imaging of materials and digitized records within AMANDA system.
Facilities & Buildings Design & Construction	Participating (speaking) at conferences so the registration fee is waived. Use of city shared vehicle whenever possible to reduce mileage costs. Writing up detailed project charters in advance of capital work to ensure a more efficient / effective delivery of projects.
Parks & Open Space Design	Increased use of webinars for training rather than attend in person to save travel costs. Use of consulting services rather than in-house staff to deliver capital program. This reduces the need for additional internal staffing. Aligning processes with the Roads Design and Construction Service to incorporate their best practices, provide for corporate consistency and minimizes risk. Bundling of projects of a similar nature under the same consultant / project manager - i.e. playgrounds in various parks, also surveys. This reduces procurement and project management time.

Service	Efficiencies
Council & Citizen Committee	Reduction in the number of committee meeting cycles (from 14 to 11) in a year to save staff time. Ongoing promotion of paperless meeting agendas. Reduced number of election polling stations and the promotion of internet voting as well as vote anywhere in ward. Creation of an election Candidate portal for improved customer service.
Asset Management	Under corporate enterprise license with mapping software (ESRI) the city receives credit for training and consulting costs. Management of asset information in a coordinated way ensures consistent and accurate data. This also leads to better capital budget decision making.
Corporate Legal	Realignment of work between lawyers in the department to achieve efficiencies, attending of webinars rather than in person training to reduce travel costs.
Financial Management	Brought the Museums and Burlington Art Gallery into the city's financial system (SAP) to allow the city to provide accounts payable, financial reporting and external audit support. Reconfigured SAP for the Burlington Performing Arts Centre and Burlington Economic Development Corporation to improve oversight of financial management for these local boards while introducing efficiencies through the use of the city's internal accounting services. Introduced new software to provide efficiencies in the creation of the city's Financial Information Returns (FIR) for the province. Implemented ChequePro for deposits of large cheques which allows for more timely processing of cheques and savings in staff time. No longer provide verbal tax confirmations to lawyers which reduces staff time.
Fleet Management	Reviewing of fleet lifecycles to extend vehicle use where possible. Development of parts inventory procedures. Proactive staff training needs by position. Reviewing of AVANTIS procedures to reduce errors. Continuing to move towards a green fleet to reduce greenhouse gas emissions and fuel costs.
Geographic Information and Mapping	Coordinate the purchase of office materials between GIS and Asset Management Services to reduce costs. Customer service is a combined effort between the two services. Leverage training between two groups. Knowledge sharing.

Service	Efficiencies
Information Technology	Renegotiation of contracts with Rogers and Cogeco have resulted in cost savings. Ongoing decommissioning of obsolete software to reduce maintenance costs. Elimination of back-up of tapes in favour of digital storage. Modernizing technology environment including the use of virtualized servers. Use of mobile workforce technology which increases productivity. Optimization of technology needs (not buying more than is required to support our needs).
Sign Production Service	Implementation of new software to support estimating costs of sign production.
Strategic Communications & Expenditures	Coordinated approach to grant writing and reporting. Proactive research and notifications on government legislation, changes, etc. Automated the daily media clippings rather than manual input. Providing more opportunities to provide input / engage online rather than in person. Use of telephone town hall for 2018 budget engagement. Use of video screens at Tim Hortons locations to deliver corporate communications. Installation of TV monitors in facilities for corporate communications.

Appendix C: Weighted Assessment Growth



Appendix D: Budget Requests not accommodated**Requests to Mitigate Corporate Risk**

Service	Request Name	On-going Value	One-time Value	FTE		
				FT	PT	Contract
Tree Management	Emerald Ash Borer Program	\$ 620,000				
Community Design & Development	Old Lakeshore Precinct Plan - Peer Reviews		\$ 250,000			
Human Resources	Compensation System Design non-union employees		\$ 200,000			
Recreation /Organized Sport/Culture	Asset Maintenance Funding Shortfall (P&R)	\$ 300,000				
Roads & Sidewalk Maintenance	Winter Maintenance Operations FTE Conversion for minimum maintenance standards (balance of full year cost)	\$ 254,985		4.00	(2.30)	
Tree Management	Urban Forest Management Plan Update		\$ 100,000			
Sub-Total		\$1,174,985	\$ 550,000	4.00	(2.30)	-

Requests to Mitigate Service Workload Pressures

Service	Request Name	On-going Value	One-time Value	FTE		
				FT	PT	Contract
Community Design & Development Review	Senior Urban Designer	\$ 117,794		1.00		
By-Law Enforcement	By law officer (2nd)	\$ 111,137	\$ 35,000	1.00		
Recreation	Service Growth Response Strategy for Adult/55+	\$ 114,463		1.00	1.80	
Arts & Culture	Public Art Planner (redeployed from external costs)	\$ -		1.00		
Community Design & Development Review	2 Planners	\$ 214,000		2.00		
Community Design & Development Review	Comprehensive Zoning By-law Project (3 years)		\$2,255,782			3.00
Corporate Management	Project Coordinator (restate from Consulting dollars)	\$ -		1.00		
Financial Management	Financial Analyst - Financial Services	\$ 105,517		1.00		
Fire Prevention	Public Fire and Life Safety Educator	\$ 146,609		1.00		
Information Technology	Enterprise Mobility Management - contracted out to free up internal resources	\$ 35,000				
Transit	Transit Project Leader	\$ 100,000		1.00		
Transit	Junior Transit Analyst position	\$ 84,563		1.00		
Strategic Communications & Gov't Relations	Web & Graphic Designer	\$ 93,875		1.00		
Sub-Total		\$1,122,958	\$2,290,782	12.00	1.80	3.00

Requests Resulting from Growth Pressures

Service	Request Name	On-going Value	One-time Value	FTE		
				FT	PT	Contract
Burlington Museums Board	Joseph Brant Museum Expansion (F-33-17)	\$ 150,000	\$ 58,000			
Planning Policy	Housing Strategy Study & Action Plan		\$ 300,000			
Building Code Permits & Inspection	Part 3 Building Technologist (covered by the Building permit reserve fund)	\$ -		1.00		
Parks & Open Space Maintenance	1 Permanent Gardener and 2 Seasonal Staff for Burloak park, Boich parkette & Itabashi gardens	\$ 100,000		1.00	0.76	
Transit	2 Para transit Operators	\$ 206,926	\$ 468,000	2.00		
Sub-Total		\$ 456,926	\$ 826,000	4.00	0.76	-
Total		\$2,754,869	\$3,666,782	20.00	0.26	3.00

* Note that this is not a comprehensive list of all needs. Many requests were not submitted for review to the Budget Leadership Group as Services were aware of financial pressures in other areas.

Appendix E: Council Information Sessions Detailed Agendas

Capital Budget – January 24, 2019

Time	Room 305	Room 307	Room 309
9:30 – 12:00	Roadways Stormwater Management Parks & Open Space Parking	Facilities & Buildings Information Technology Fleet Vehicles & Equipment	Local Boards
12:00 – 12:45	Break		
12:45 – 3:00	Roadways Stormwater Management Parks & Open Space	Facilities & Buildings Information Technology Fleet Vehicles & Equipment	

Operating Budget – January 29, 2019

Time	Room 305	Room 307	Room 309
9:30 – 11:00	Financial Management Corporate Management Human Resources Information Technology	Fire Communications Fire Prevention and Public Education Fire Protection Emergency Management Internal Audit	Local Boards
11:00 – 12:30	Building Code Permits & Inspection Community Design & Development Review By-Law Enforcement Animal Control	Conventional Transit Specialized Transit Corporate Legal Strategic Communications & Government Relations Environment & Energy Halton Court Services	Geographic Information & Mapping Asset Management
12:30 – 1:00	Break		
1:00 – 2:30	Organized Sport Support Recreation Arts and Culture	Cemetery Corporate Signs Fleet Management Tree Management Parks & Open Space Maintenance	Council & Citizen Committee Service Service Burlington
2:30 – 4:00	Parks & Open Space – Design and Development Facilities & Buildings – Design and Construction Roads & Structures – Design and Construction	Surface Water Drainage Roads & Sidewalk Maintenance Parking Management	Traffic Operations Management Transportation Network Planning