



**SUBJECT: 2020 Budget Overview**

**TO: Committee of the Whole**

**FROM: Finance Department**

Report Number: F-46-19

Wards Affected: All

File Numbers: 435-01

Date to Committee: November 4, 2019

Date to Council: November 18, 2019

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**Recommendation:**

Receive and file the proposed 2020 budget book; and

Direct staff to present the recommendations in Appendix A to finance department report F-46-19 to the Committee of the Whole – Budget meetings of December 10 and 12, 2019 for review and approval, taking into consideration committee amendments.

**Purpose:**

This report provides an overview of the proposed 2020 operating and capital budget and forecast.

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**Background and Discussion:**

**Vision to Focus (V2F)**

The city has recently approved 2018-2022 Burlington's Plan: From Vision to Focus. This document is the corporate workplan for the term of Council to align with the long-term vision of the 25-year Strategic Plan.

This workplan includes 5 focus areas:

- Focus Area 1 - Increasing Economic Prosperity and Community Responsive City Growth
- Focus Area 2 - Improving Integrated City Mobility

- Focus Area 3 - Supporting Sustainable Infrastructure and a Resilient Environment
- Focus Area 4 - Building More Citizen Engagement, Community Health and Culture
- Focus Area 5 - Delivering Customer Centric Services with a Focus on Efficiency and Technology Transformation

To ensure alignment with Vision to Focus, decisions about resources and pacing of project implementation were discussed by the Operating and Capital Budget Leadership Teams as part of the 2020 budget process. Establishing priorities for new City investment was a key step in developing the budget this year.

Linking Vision to Focus to the budget provides accountability between what is achieved and the value to taxpayers. This process provides a clear link between the strategy and the investment required to implement the initiatives.

The budget is one mechanism that implements Vision to Focus through specific project initiatives. Report F-41-19 on this same agenda outlines items that are included in the 2020 budget which support Vision to Focus initiatives.

In addition, the 2020 budget submission continues to adhere to the guiding principles and directions of the following reports:

- F-28-19: 2020 Budget Framework Report
- F-29-19: 2019 Financial Condition Assessment
- CM-06-19: 2018-2022 Burlington's Plan: From Vision to Focus
- F-03-19: 20-Year Simulation of Forecasted Budget Drivers
- F-12-17: Asset Management Financing Plan
- F-22-12: The City of Burlington Long Term Financial Plan

## **Budget Process**

The budget process provides a venue in which decisions are made to ensure the appropriate balance between affordability, service levels and financial sustainability are maintained.

The budget review process included:

- A line-by-line review of the base operating budget by the Chief Financial Officer and Service Owners (budget reductions of \$1.02 million).
- The Corporate Infrastructure Committee conducted an in-depth review of the 10-year capital program.

- A corporate / strategic review by the Operating Budget Leadership Team. This team is comprised of the City Manager, Chief Financial Officer, Executive Director of Human Resources, Chief Information Officer (rotating member) and the Director of Transit (rotating member).
- A corporate / strategic review by the Capital Budget Leadership Team. This team is comprised of the Executive Director of Environmental, Infrastructure and Community Services, Chief Financial Officer, Director of Roads, Parks and Forestry (rotating member) and the Executive Director of Community Planning, Regulation and Mobility (rotating member).
- Alignment to strategic objectives and review of operating business cases.

### **Budget Timelines**

Budget timelines have been advanced from prior years with a goal of approving the budget prior to year-end. The following is a summary of proposed timelines for review and approval of the budget:

<b>Date</b>	<b>Meeting</b>	<b>Item</b>
November 4	COW	Budget Overview Report
November 12 - 14	Rooms 305, 307 & 309	Council Information Sessions
November 19	N/A	Telephone Town Hall
December 10 & 12	COW - Budget	Budget Review and Approval
December 16	Council	Budget Approval

## **2020 PROPOSED BUDGET**

The 2020 Budget document has been redesigned and presented in a service-based format aligned with V2F. The book consolidates the Operating and Capital budgets along with Service Business Plans. Linking the operating programs and capital projects to service categories consistent with V2F results in a more customer centric budget.

### **Service-Based Budget**

The 2020 proposed budget is presented in a service-based format allowing Council and residents to see how our services meet the 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.

This year the Service budgets have been realigned to more closely follow the Vision to Focus Plan. By doing so we are better positioned to demonstrate how investments made by the city deliver on key initiatives in the Vision to Focus 4-year workplan and overall Strategic Plan.

The capital program will continue to be presented as a 10-year program, with projects further categorized as new / enhanced, renewal, or growth infrastructure. This year capital projects will now be grouped under the respective realigned Service Categories they support. This will result in a more refined and customer focused approach to budgeting.

### **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.

The 2020 proposed budget attempts to strike a balance between identifying efficiencies, leveraging non-tax based revenue sources, revising service levels, and continuing to build towards long-term financial sustainability through additional investment in infrastructure renewal.

For 2020 this consists of a proposed base amount of \$172,060,655 plus recommended business cases of \$1,574,524 for a total proposed net tax levy of \$173,635,179. This net tax levy represents 65.5% of total operating revenues in 2020. The 2020 proposed capital projects are approximately \$85.8 million, with a ten-year program of \$809.7 million. Overall, the 2020 budget ensures the city's strong financial position is maintained and residents receive the programs and services they value.

The budget focuses on maintaining service levels; ensuring our assets are maintained in a good state of repair; continuing to provide strategic investments aligned to Vision to Focus; and upholding legislative requirements while ensuring competitive property taxes. The budget is presented as follows:

- The city's base budget is presented with a 2.41% tax increase.
- Assessment growth (new residential units and businesses) of 0.60% reduces the based budget tax impact to 1.81%
- The dedicated infrastructure levy of \$2.075 million as per the asset management financing plan results in an additional tax increase of 1.25%
- Business cases to address climate change impacts of \$921K result in an additional tax increase of 0.55%
- Business cases to manage risk and address corporate priorities of \$654K brings the total tax increase to 4.00%.
- Combined with the proposed Region of Halton increase and the Boards of Education, the overall tax increase is projected at 2.44%.
- Also included for Council's consideration are unfunded service enhancements which if added to the budget brings the city tax increase to 4.73% (2.76% when combined with the Region and Education taxes).

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

	2020 Budget Change	2020 Tax Impact
City Services	\$ 3,343,323	2.00%
Corporate Revenues and Expenditures	\$ 681,722	0.41%
<b>Cumulative Impact ( \$/%)</b>	<b>\$ 4,025,046</b>	<b>2.41%</b>
<b>Assessment Growth</b>		<b>-0.60%</b>
<b>Cumulative Impact ( \$/%)</b>	<b>\$ 4,025,046</b>	<b>1.81%</b>
<b>Dedicated Infrastructure Renewal Levy</b>	<b>\$ 2,075,000</b>	<b>1.25%</b>
<b>Cumulative Impact ( \$/%)</b>	<b>\$ 6,100,046</b>	<b>3.06%</b>
<b>Addressing Climate Change Impacts</b>	<b>\$ 920,558</b>	<b>0.55%</b>
<b>Addressing Risk Management and Corporate Priorities</b>	<b>\$ 653,966</b>	<b>0.39%</b>
<b>Grand Total</b>	<b>\$ 7,674,570</b>	<b>4.00%</b>
<b>Overall Tax Impact (City, Region, Education)</b>		<b>2.44%</b>

Numbers may not add due to rounding

## Budget Investment by Service Category

The following table summarizes the gross investment in City Services by each of the Service Categories as well as Corporate Revenues and Expenditures.

Service Category	2020 Operating Investment	2020 Capital Investment	
A City That Grows	\$ 9,369	\$ 462	
A City That Moves	\$ 52,537	\$ 37,473	
A Healthy and Greener City	\$ 39,739	\$ 36,955	
An Engaging City	\$ 18,215	\$ 1,275	
A Safe City	\$ 35,939	\$ 1,201	
Good Governance	\$ 8,401	\$ -	
Enabling Services	\$ 21,887	\$ 8,426	<b>Total Investment</b>
Corporate Revenues / Expenditures*	\$ 78,803	\$ -	
<b>Total</b>	<b>\$ 264,891</b>	<b>\$ 85,792</b>	<b>\$ 350,683</b>

\* Includes the tax supported funding to the capital program

Gross budget values are in thousands ('000)

Numbers may not add due to rounding

## Budget Savings and Increased Revenues

Finance undertook a detailed line by line review of the base budget and met with each of the services. This review resulted in approximately \$1.02 million in budget reductions through changes to expenditures and revenues.

Highlights of expenditure savings / revenue increases in the 2020 proposed budget include:

- Various reductions of \$345,000 to non-salary related HR line items to reflect historical spending
- Reduction in operating / minor capital equipment of \$92,300 in areas such as salt usage and utilities
- Reduction in purchased services in the amount of \$146,500 in areas such as contracted services and cell phones
- Corporate revenues were increased by \$77,000
- Flatlined the corporate provision to the contingency reserve which resulted in \$100,000 of savings

- Increased revenues of \$261,000 with the majority being in building permit revenues, recreation and transit revenues

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

### **Provincial Audit and Accountability Fund**

In May 2019, the Province announced the creation of the Audit and Accountability Fund which provided \$7.35 million for large urban municipalities and district school boards interested in conducting service delivery and administrative expenditure review with the goal of finding efficiencies while protecting important front-line services.

The City was successful in securing \$250,000 of funding from this program to review the following services:

- Corporate Fleet - Assess the corporate wide inventory of vehicles; Green Fleet Strategy, allocation and use of corporate vehicles and best practices.
- Leaf Collection - Assess the effectiveness and service level of the current program.
- Winter Maintenance - Assess efficiencies in service delivery and cost effectiveness of employing internal vs external resources, review of service standards and best practices.
- Pre-Building Permit Development Approval Process - Assess the detailed business process for zoning clearance and verification, site grading and alterations, and committee of adjustment variances.

This third-party review is currently underway with results anticipated to be shared with Committee in late December 2019. Potential cost savings or process improvements resulting from the review will be incorporated into future budgets.

### **BASE BUDGET PRESSURES, 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 2020 and future years.

These pressures include:

### **Human Resource Management, Labour Market & Workforce**

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% in 2004 to 46.4% in 2020.

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;
- increasing challenge to retain and attract employees across a range of professional and technical job classes;
- ability to hire qualified candidates; and
- a compensation system which has become less competitive within the market.

This has been identified as the number one enterprise risk for the City. While some additional staff positions were added to the 2020 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.

### **Growth Impacts**

The impacts from growth accounts for a portion of the city's increased costs year over year. 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 2020 budget is 0.60% which provides approximately \$995,764 of additional revenue to offset inflation and growth-related costs in the base budget. The 0.60% 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.



## **Economic Considerations**

The City has a number of large purchases that are paid for using US dollars such as fire trucks and software maintenance. The foreign exchange risk can cause large fluctuations in the market value of these goods at any time during the year given changing economic conditions. Legislation limits the City in its ability to protect itself against this risk as it is restricted in the amount of US dollars it can purchase in advance and prohibited from entering into foreign exchange contracts.

Further, many materials and supplies the city uses in construction activities are driven by market conditions and more recently higher tariffs. This results in the construction price index increasing higher than the rate of inflation and has a significant impact on the capital program.

## **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 2020, a base budget increase of 1.75% was provided for local boards, equating to \$269,381.

## **Infrastructure Funding Deficit and Asset Management Plan**

On April 18, 2017, Council approved the City's Asset Management Plan (AMP), which was revised and refined significantly to meet legislative requirements and provides the city's most comprehensive and detailed asset management plan to date. The Financing Plan was approved on May 15, 2017 (report F-12-17) and used the information from the AMP to determine the sustainability and effectiveness of the financing plan. The key components of the AMP and corresponding financial plan are as follows:

- City assets with a combined replacement value of approximately \$3 billion
- City's unfunded renewal needs (backlog) of \$126.5 million
- Overall "Good" (adequate for now) condition of city assets
- City's annual renewal requirements are \$67.5 million
- Dedicated Infrastructure Levy of 1.25%
- Re-purposing the hospital levy in phases as the city's obligation is fulfilled

This plan addresses historic underfunding of infrastructure and sets a course for the city to close the infrastructure deficit. The update of the AMP and Financing Plan is a significant undertaking as such it is updated every four years, with the next update to be brought forward to Council in 2021. However, changes occur within that time which we know will have a considerable impact on the AMP and Financing Plan.

Some of the notable factors impacting the plan are as follows:

- Cost escalations - Staff are experiencing an exponential increase to hard and soft costs for a vast majority of our construction projects. In some cases, cost increases of up to 20% have occurred and are resulting in our annual funding allotment achieving less in terms of the number of projects.
- Budget considerations - During the 2019 budget process, reductions were made to tax supported capital funding. As a result, the capital program experienced a loss of \$929,000 of funding annually. This equates to \$18.6 million over 20 years and \$55.7 million over the 60-year plan.
- Climate Change Impact - Changing climate conditions are impacting the useful life of certain assets such as the city's roadways. The intense rain and changing thaw-cycles are creating significantly more water penetration on roadways than originally factored. Furthermore, the increasing demand to be more environmentally conscious and be on the forefront of climate change, requires substantial investment. Things such as future replacement with electric vehicles, and carbon-neutral facilities come with higher capital costs that will need to be factored into the next update.
- Levels of Service - Facilities are undergoing a significant and costly transition where "like for like" is no longer an acceptable service standard. Renewal of city buildings has been following an "incurred standard", meaning that in the absence of a defined level of service for city buildings, there is a level of service that is expected among the community and the city has been delivering on this expectation. This incurred standard is significantly increasing the cost for facility renewals outside of "like for like", which has not been factored into the AMP. The increased costs are due to soft costs from more complex and intricate design structures that increase project costs and administration, environmental costs (LEED, carbon-neutral, geo-thermal), changing accessibility standards, and expanded footprints.

The above are a few notable examples that will drive changes in the city's update of the AMP and financing plan in 2021. The changes we anticipate will be significant and are being experienced both on our needs as well on our funding. As costs are increasing it puts pressure on the funding allotment and our ability to deliver our annual program while addressing the backlog. As a result, it puts greater emphasis on the importance of the dedicated infrastructure levy as it represents a consistent and strategic approach to investment in the city's infrastructure state of good repair that is both sustainable in the short and long term.

As part of the 2020 proposed budget, staff will continue to support the 1.25% dedicated infrastructure levy as the most sustainable, and prudent approach to managing the needs of our city assets.

The city will bring forward an updated Asset Management Plan and Financial Plan in 2021 which will provide an update to asset inventories, overall condition of city assets as well as recommended changes, if any to the financial plan.

As a result of the challenges outlined above the proposed capital budget prioritizes renewal funding and specifically resurfacing dollars to the city's arterial road network. The implication of this is the elimination of the local road shave and pave program in 2020 and a significant reduction in funding available for local and collector renewal in forecast years. This may result in the city not being able to participate in joint projects with the Region.

## **Debt**

The proposed budget 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, 2019, the City's total debt charges as a percentage of own source revenue is estimated to be 10.3%. 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.

## **Legislative Changes**

All municipalities remain susceptible to financial pressures resulting from legislative changes at the Provincial and Federal levels.

Bill 108 More Homes, More Choice Act, received Royal Assent on June 6, 2019. As noted in a previous report CM-11-19, there are significant financial implications to the City as a result of the Bill 108, however it is difficult to quantify the full extent of the impacts at this time given the limited information available in the legislation and lack of regulations providing further clarity.

At a high level there will be financial implications resulting in the following areas at minimum:

- Administrative costs and cash flow impact due to changes to effective date for development charges and deferred payment arrangements.

- Potential for appraisal costs for land values.
- Increased use of debt financing for growth infrastructure, impacting the city's debt capacity and the Development Charge (DC) quantum.
- Changes to the Community Benefit Charge (CBC) that cannot be predicted or forecasted.
- Increased exemptions will result in taxpayer supported funding of growth-related costs.
- Reduced funding available for "soft services" such as recreation centres, park development and libraries as a result of their exclusion from the DCs, park dedication and former Section 37 public benefits dependent on the regulations (percentage cap of the CBC).

### **Planning for the Future - Reserve Funds**

Reserves and reserve funds when used in conjunction with debt policies are a critical component of a municipality's long-term financial plan and financial health.

A financial condition assessment of the city is presented to Council every four years. The most recent was in June 2019 (Report F-29-19). This report presents the city's financial health and position, observations and a review of reserve and reserve funds with related financial policies.

Reserves and reserve funds provide tax rate and cash flow stability when the City is faced with unforeseen or uncontrollable events. It ensures cash flows are sustained and allows for internal financing for temporary or one-time expenditures. Furthermore, these funds provide the City flexibility to manage debt levels and planning for future liabilities.

- **Stabilization Reserve Funds** – These reserve and reserve funds are used to mitigate the risk of rising taxes or reducing service levels due to unforeseen or temporary events. In order to continue to build the balance and to maintain a prudent level, the city is targeting an uncommitted balance in stabilization reserve funds of between 10-15% of net revenues.

As of 2018, the consolidated balance of these reserve funds is below target at 8.9%. Furthermore, in the 2019 budget, there was \$2.4 million of commitments approved, which was partially offset with a provision amount of \$1.6 million from 2018 retained savings.

- **Capital Reserve Funds** - Annual contributions to capital funds that are consistent and predictable is vital for the future rehabilitation and replacement of assets. The city is targeting a balance equal to 2% of the total asset replacement value.

Based on the City's total asset replacement value of \$3 billion, this equates to an estimated \$60 million.

As of 2018, the City's uncommitted consolidated year-end balance in capital reserve funds is approximately \$40.7 million, below the intended target. Furthermore, the consolidated balance in capital reserve funds has decreased by 11% over the last five years.

- Corporate Reserves and Reserve Funds - These reserve and reserve funds are used to manage current costs that will be transferred to future generations, as the City incurs liabilities that do not have to be paid immediately. Reserve funds in this category include the Employee Accident, Benefits and Insurance reserve funds.

Contributions to Corporate Reserve / Reserve Funds should take into consideration the liability associated with these funds. A sufficient budget allocation is required to fund WSIB costs and post employment benefits so that the Employee Accident Reserve Fund and Benefits Reserve Fund can eventually be replenished to cover the liabilities.

## **2020 PROPOSED BUSINESS CASES**

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

In 2020, these business cases have been divided into 2 categories as follows:

### **Addressing Climate Change Impacts**

- An additional 8 conventional Transit Operators required to support the purchase of 4 additional conventional transit buses
- An additional specialized Transit Operator required to support the purchase of an additional specialized transit bus
- One-time funding to support the following initiatives:
  - Development of Phase II (Adaptation) of the City's Climate Action Plan
  - Support for the Bay Area Climate Change Partnership (funding for 2 years)
  - Additional resources to complete the update to the Urban Forestry Management Plan

### **Addressing Risk Management and Corporate Priorities**

- Ongoing phased funding to address non-union salary competitiveness as well as one-time funding to update the City's job evaluation system

- Addition of a Health and Safety Associate position to promote a safety culture and ensure compliance to legislation and corporate standards
- Addition of a Cyber Security Analyst position to maintain the confidentiality, integrity and availability of corporate information and IT assets
- One-time funding to support the following initiatives:
  - Development of an Inclusivity and Diversity Strategy for Burlington as an employer
  - Cyber Security Resilience
  - IT Service Desk support
  - Corporate Security
  - Steps to Safety Home Visit Program (funding for 4 years)
  - Staffing for the newly expanded Joseph Brant Museum
  - Burlington Performing Arts Centre's Cultural Diversity Initiative

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

In addition to the above business cases recommended in the 2020 budget, a number of business cases have been provided in the Proposed Budget Book for Council's consideration. These business cases are not funded / included within the 4.00% tax increase.

They include:

- Additional staffing and associated vehicles to support the implementation of a city Private Tree By-law
- Free transit program for children under the age of 12
- Gardener Landscapers and associated equipment for the maintenance of Downtown Streetscapes
- Additional resources for Winter Maintenance including:
  - The conversion of temporary staffing to full-time to enhance winter sidewalk operations
  - A Roads Technician Intern for Winter Maintenance
  - Contracted services for 3 graders for winter operations
  - Contracted services for loaders and tractors for winter operations

Should Council approve all of these additional business cases (\$1,220,194) it would add an additional 0.73% tax increase above the Proposed 2020 Budget of 4.00%.

Further, Appendix D provides a listing of other budget requests 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 Team for review given overall budget pressures identified.

## 2020 PROPOSED CAPITAL PROGRAM

As presented in previous years, the capital program identifies 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 as a result of growth

The 10-year program (2020-2029) is \$809.7 million. The table below provides a summary for each service category. Infrastructure renewal represents the largest type at 69% followed by growth-related projects at 17% and new / enhanced projects of 14%.

### 10-year capital budget by service category

Project Type	Infrastructure Renewal	Growth	New/ Enhanced	Total
A City That Grows	\$ 570	\$ 2,250	\$ -	\$ 2,820
A City That Moves	\$ 284,667	\$ 93,195	\$ 91,734	\$ 469,597
A Healthy and Greener City	\$ 172,532	\$ 39,058	\$ 14,123	\$ 225,713
An Engaging City	\$ 15,494	\$ 20	\$ 1,220	\$ 16,734
A Safe City	\$ 31,557	\$ -	\$ 95	\$ 31,652
Good Governance	\$ 1,500	\$ -	\$ -	\$ 1,500
Enabling Services	\$ 51,600	\$ -	\$ 10,056	\$ 61,655
<b>Total</b>	<b>\$ 557,920</b>	<b>\$ 134,523</b>	<b>\$ 117,228</b>	<b>\$ 809,670</b>

\*All values in thousands ('000)  
Numbers may not add due to rounding

69%

17%

14%

## **Funding the Capital Program**

The capital program is funded from a variety of sources. Tax supported funding (cash and debt funding provided by the operating budget) continues to be the largest component accounting for more than half (54.1%) of the overall funding envelope. The program continues to rely on the cash flow from development charge revenue to fund growth projects (8.5%), federal and provincial gas taxes (9.8%), vehicle depreciation reserve funds (5.7%), park dedication reserve fund (4.1%) and other recreation facility renewal reserve funds for recreation assets. This year a significant increase in anticipated funding from the Investing in Canada Infrastructure Program (ICIP) has been included into the 10-year capital program.

### **Non-tax Supported Capital Funding:**

#### **Development Charges**

Strategic initiative 4.1.f states:

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

The city has recently approved a new Development Charges By-law which came into effect on June 1, 2019. The growth-related capital infrastructure included in the 2019 DC Background study has been used to develop the 10-year program.

The proposed 10-year capital program includes development charge funding of approximately 8.5%. Development Charge revenues received to date in 2019 have been considerably less than prior years. This may be a result of delays in development due to Bill 108. Staff will continue to closely monitor this revenue source and related implications. The capital program 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.

#### **Park Dedication**

The 10-year capital program includes Park Dedication funding of approximately 4.1%.

Bill 108 consolidates funding of parkland dedication, public benefits through density as well as soft services (parks and recreation and library services) currently financed through development charges into a Community Benefits Charge. It is very difficult to determine the full impact of this change which creates uncertainty in forecasting funding for future works.



### **Federal and Provincial Gas Taxes**

The Federal Gas Tax program was introduced in 2005 and provides approximately \$5.6 million of funding annually for infrastructure renewal. Of the total money received, 75% is used to fund road projects while the remaining 25% supports the conventional transit bus replacement program.

The Provincial Gas Tax program was introduced in 2004 and provides funding for transit capital and operating expenditures. Of the approximately \$2.3 million of funding received annually, the city uses \$1 million to support operating expenditures with the balance used to support the transit capital program.

### **Investing in Canada Infrastructure Program**

The Investing in Canada Infrastructure Program (ICIP) is a national cost-shared infrastructure funding program between the federal government, provinces and territories, and municipalities and other recipients. This program will see up to \$30 billion in combined federal, provincial, municipal and other partner funding directed into four funding streams: Public Transit, Community, Culture and Recreation, Green and Rural and Northern.

The Province has announced intakes for two of the programs the City is eligible for:

- Public Transit - supports the construction, expansion and improvement of public transit systems and networks across Ontario.
- Community, Culture and Recreation - supports community infrastructure priorities across the province, that improve access to and / or quality of community, cultural, and recreation priority infrastructure projects.

We expect the announcement for the Green stream intake to come sometime later this year.

The ICIP is a cost shared program between the three levels of government. The funding has been reflected in the 10-year capital program based on applications to the Transit and Community, Culture and Recreation streams as outlined in report CM-22-19.

## **COUNCIL INFORMATION SESSIONS**

As in prior years, the budget review process includes three council information sessions. These sessions provide council with the opportunity to ask questions regarding the proposed budget to city staff.

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 budget. The consolidated listing of the budget review forms will structure the agenda for the budget review at the COW-Budget meetings beginning December 10th.

Budget Review Forms are due back to the Chief Financial Officer by November 20, 2019.

This will allow time for consolidating the information and distributing the summary in an agenda for the public and committee review.

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### **Financial Matters:**

The proposed 2020 budget results in a proposed net tax levy of \$173,635,179 for a city tax increase of 4.0%.

The proposed 2020 capital budget is \$85.8 million, with a ten-year program of \$809.7 million.

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% (\$2.075 million) from the operating budget to support the city's infrastructure requirements.

Approval of the 2020 Budget will establish the authority for preparing the 2020 Tax Levy By-law. The proposed city increase of 4.0%, which, when combined with the Region of Halton and educational taxes, provides an overall property tax increase of 2.44% for urban residential taxpayers. For each \$100,000 of residential assessment, this translates into an overall increase of \$19.38.

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### **Public Engagement Matters:**

The City is continuously looking for ways to improve and increase transparency for the public. Staff will continue to use the city's website as a communication medium through videos, webcast and online surveys.

Over the summer a budget survey was available on the city's Get Involved Burlington site. A total of 103 participants completed this survey.

On September 14<sup>th</sup>, the city hosted its first Food for Feedback event. The 2020 Budget was one of the key topics for which staff were seeking public feedback. The goals of this event were to:

- Provide an opportunity for the community to come out and provide feedback / learn more about a variety of city initiatives all in one place.
- Create an engagement event where we would be able to attract and engage with varying demographics including those that can be under-represented – youth and millennials, young families, newcomers / multicultural communities.
- To build good will / trust in the community by thanking residents for feedback by providing a free lunch from food trucks.

The event was very successful with close to 1,000 people attending. City Staff working at the booths were very pleased with the number of people that engaged with them by a variety of methods; taking a survey, voting on choices / options, providing ideas, asking questions, signing up for the engagement portal. They all remarked that they were able to connect with people that they normally wouldn't hear from. Overall, the resident feedback at the event was very positive.

In addition to the 103 surveys completed online, an additional 101 were completed at the Food for Feedback event. The combined results of this feedback is summarized in Appendix F.

The “Budget Basics” video continues to be available 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 2020 budget data in an intuitive and illustrative form.

Similar to previous years, a telephone town hall is scheduled for November 19<sup>th</sup>.

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## **Conclusion:**

The proposed 2020 budget has been thoroughly reviewed by staff. Decisions made through the 2020 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, use of one-time revenues, and service level revisions that may be associated with achieving the desired 2020 tax levy.

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Respectfully submitted,

Lori Jivan

Coordinator of Budgets and Policy

905-335-7600 ext. 7798

**Appendices:**

- A. Budget Recommendations
- B. Efficiencies by Service
- C. History of Weighted Assessment Growth
- D. Preliminary Budget Requests Not Accommodated / Funded
- E. Council Information Session Agendas
- F. Summary of Public Engagement Feedback

**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: 2020 Budget Recommendations**

### **Budget Recommendations**

Approve the 2020 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 \$173,597,452; and

Approve the 2020 Capital Budget for the City of Burlington, with a gross amount of \$85,791,551 with a debenture requirement of \$7,613,145, and the 2021-2029 capital forecast with a gross amount of \$723,878,943 with a debenture requirement of \$47,592,200 as outlined in report F-46-19 and as amended by the Committee of the Whole - Budget; and

Approve that if the actual net assessment growth is different than 0.60%, any increase in tax dollars generated from the City portion of assessment growth from the previous year be transferred to the Tax Rate Stabilization Reserve Fund or any decrease in tax dollars generated from the City portion of assessment growth from the previous year be funded from the Tax Rate Stabilization Reserve Fund; and

Administer the debenture in the amount of \$6,113,145 in 2020 as tax supported debt; and

Administer the debenture in the amount of \$1,500,000 in 2020 as special circumstances debt; 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.

## Appendix B: 2020 Efficiencies by Service

Service	Efficiencies
Cemetery	Proactively assessing the condition of monuments in pioneer cemeteries allows for proactive maintenance of work prior to further deterioration or collapse. This reduces health and safety risk and results in beautification of the cemetery.
Parking Management	Increasing the availability of Electric Vehicle (EV) charging stations in the Downtown. This improves customer service and promotes the use of electric vehicles supporting the city's goal of reducing GHGs. The majority of charging stations installed to date have been funded from the Workplace EV Charging Incentive Program grant. There are 18 stations installed to date with 2 additional stations planned each year until 2023.
Municipal By-Law Enforcement and Licensing	With the addition of 2 new By-Law Enforcement Officers in 2019, shifts have been adjusted to provide 6-day service with 10 and 12 hours of coverage. This has also resulted in a reduction in paid overtime.
Building Code Permits & Inspections	A comprehensive review of all building permit fees and other related permit costs is being undertaken. This update to the fee structure better aligns with current service delivery and time allocated to specific permit types. This ensures that fees for service charged will maintain the enterprise model in the current development environment and that the proposed fees are competitive and in line with other municipalities.
Community Design & Development Review	Staff are currently undertaking a review of the pre-building permit approvals process, including Committee of Adjustment, Zoning Examination and Grading and Drainage Control in order to identify opportunities to improve efficiencies and customer service. It is anticipated that this review will result in a decrease in review time per application, reduction on staff workload, and improved customer service levels.

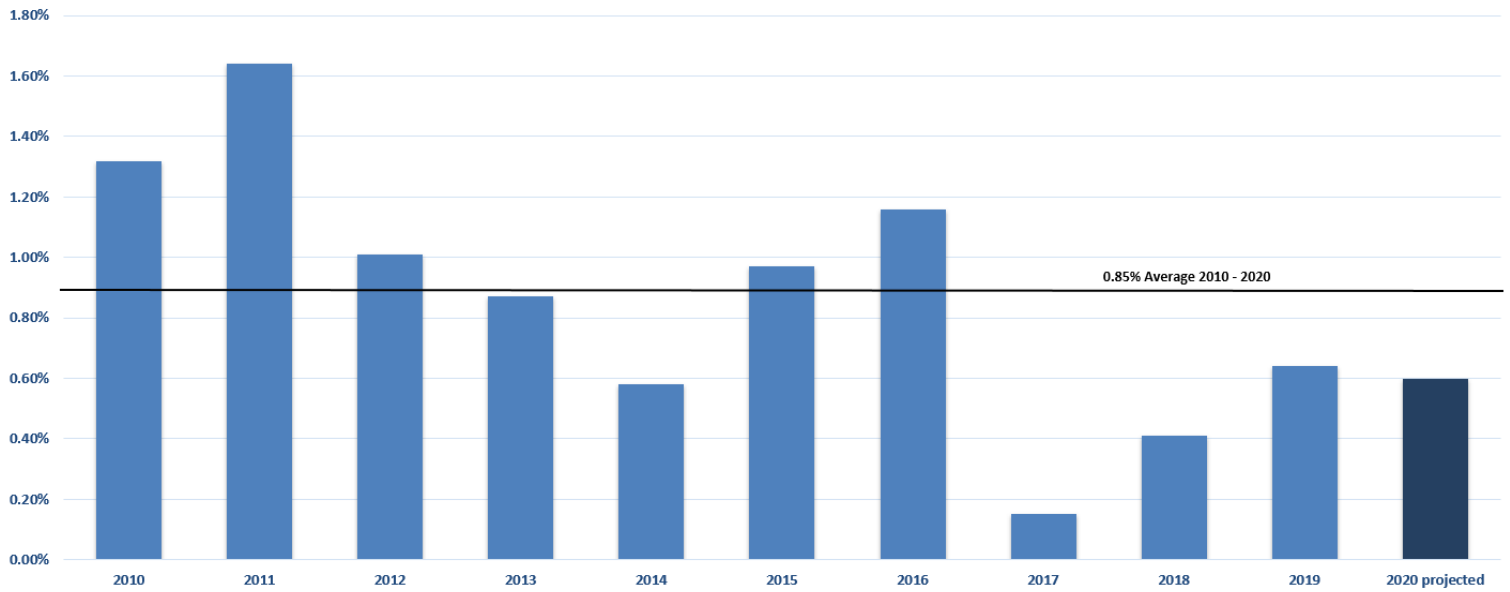
Service	Efficiencies
Fire Emergency Response	Frigidaire has donated a washer and dryer to each fire station to give back to community firefighters. As a result, uniforms and protective gear can be cleaned at the fire station eliminating contamination of firefighter homes and their personal appliances of possible emergency scene carcinogens.
Fire Prevention and Public Education	Implementation of a pilot program to sell merchandise with the Burlington Fire Department logo on it as a keepsake or collectible. This program is popular with other municipal fire departments as a revenue generation opportunity.
Council & Citizen Committee	Completed a review of citizen committees including structure and format. This review has provided an opportunity to ensure the community is part of the review process and is engaged throughout. Over 500 citizens have provided feedback to the current model. This will be used to determine innovative approaches going forward of new methods of providing advice to Council. Results of this review will be provided to Council in the Fall of 2019.
Asset Management	<ul style="list-style-type: none"> <li>• Use of an Unpiloted Aerial Vehicle (Drone) to inspect hard to access infrastructure. Drones are quick to deploy and provide excellent visual record of the inspection that can be compared from year to year. Inspections are safer as staff and contractors are not exposed to live traffic. Transportation and Transit service is not disrupted by inspections and costs are reduced as large equipment is not required to inspect the underside of structures.</li> <li>• Use of mobile technology to access more data in the field and collect data digitally. This improves staff's decision-making abilities in the field, saves time in data collection and allows for more timely updating of the city's source asset information systems.</li> <li>• A cross-departmental Asset Management Awareness training session was held to improve staff's understanding of Asset Management system processes, practices and connection to the overall goals of the organization.</li> </ul>

Service	Efficiencies
Fleet Management	<ul style="list-style-type: none"> <li>• An update to the Green Fleet Strategy will be undertaken in 2020.</li> <li>• The service is currently reviewing the allocation and use of corporate vehicles and best practices as part of the Provincial Audit and Accountability Review. The results of this review will be presented in December 2019.</li> </ul>
Parks and Open Space – Design and Development	The grouping of similar projects for procurement often result in favourable tender pricing as well as savings in staff time involved in the procurement process.
Financial Management	<ul style="list-style-type: none"> <li>• Improved internal controls to address increased attempts of fraudulent activity.</li> <li>• In the process of implementing a new point of sale technology which will streamline the process for corporate cashiering.</li> <li>• Implemented a new module with Bids &amp; Tenders to automate the management of contracted documents such as insurance certificates.</li> <li>• Improved the presentation and communication of the budget documents by combining the Operating Budget, Capital Budget and Service Business Plans into one document.</li> <li>• No longer providing verbal tax information to real estate lawyers. This improves data accuracy on ownership changes by providing on-line tax certificates to show property tax status. Overall this has resulted in increased revenues from tax certificates.</li> <li>• Implementation of Tangible Capital Asset (TCA) reporting for Local Boards. This has streamlined the process for year-end reporting.</li> </ul>
Information Technology	Cost savings have resulted from the ongoing review of applications and services to identify the opportunity to decommission or reduce usage where possible. This reduces the ongoing cost of software maintenance and support.



Service	Efficiencies
Geographic Information and Mapping	<ul style="list-style-type: none"> <li>Utilizing existing software, the service was able to provide 3D support for the re-examination of the Official Plan. This provided visualizations of different scenarios.</li> <li>The replacement of static maps with embedded GIS mapping on many pages of the city's website. This ensures the data presented is the most up-to-date information available.</li> <li>Condition information for various assets is now being updated out in the field using a software app. This provides real time information to anyone with access to the GIS system layer and eliminates the need for manual transcribing of information.</li> </ul>
Roads and Structures – Design and Construction	<ul style="list-style-type: none"> <li>100% online bid &amp; tender submissions on capital projects. Eliminates manual review of submissions and reduces physical return of documents saving staff time.</li> <li>Utilize standard AutoCADD block and template across the region of Halton which provides efficiencies when tendering joint projects, maintains consistency for consultants and reduces editing and reviewing drawings.</li> </ul>
Facilities and Buildings – Design and Construction	<p>Installation of circuit monitoring equipment in city facilities to better manage utility consumption for savings in gas and electricity and attuned to conservation and CO2 reduction.</p>
Human Resources	<ul style="list-style-type: none"> <li>Workplace Violence reporting has been amalgamated into the same reporting system as Workplace Incident report. This allows for improved tracking of trends and incidents for reporting.</li> <li>Implementation of a new online module in the city's disability management software allows for online reporting of WSIB incidents. This eliminates the need for paper based forms and allows for more timely and accurate reporting of Health and Safety data.</li> <li>In preparation of the new ERP system all processes within HR are being process mapped to identify efficiencies, manual processes that can be automated, and identification of best practices.</li> </ul>

## Appendix C: Weighted Assessment Growth



**Appendix D: Preliminary Budget Requests Not Accommodated / Funded**

Service	Preliminary Request Name	On-going Value	One-time Value	FTE	
				FT	PT
Transit	Transfer of Provincial Gas Tax to Fund Transit Capital Program	\$ 350,000			
Information Technology	Data Integration Specialist	\$ 126,185		1.00	
Traffic Operations Management	Automated Speed Enforcement	\$ 355,167			
Road and Sidewalk Maintenance	Field Services Technician - Contracted Services	\$ 95,000		1.00	
Environment and Energy	Energy and Emissions Analyst	\$ 103,199		1.00	
Tree Management	Tree Maintenance - Parks (Frontline Arborists)	\$ 166,692		2.00	
Fleet Management	Fleet Analyst	\$ 105,518		1.00	
Strategic Communications and Government Relations	Engagement and Volunteer position	\$ 85,378		1.00	
Community Design and Development Review	Development Planner	\$ 107,614		1.00	
Community Design and Development Review	Zoning Technician and Committee Clerk	\$ 162,705	\$ 4,360	2.00	
Recreation	Expansion of special needs and youth programming	\$ 100,000		1.00	
Community Design and Development Review	Waterfront Lands Planning Policy Review		\$ 250,000		
Parks and Open Space - Design and Development	Technician - Field Services	\$ 104,019		1.00	
Financial Management	Financial Analyst for Financial Services	\$ 105,300		1.00	
Roads and Structures - Design and Construction	Construction Ambassador / Inspection Coordinator	\$ 16,065		1.00	
Arts and Culture	Public Art Planner	\$ 42,264		1.00	
Community Design and Development Review	Downtown Action Plan		\$ 100,000		
Cemetery	Cemetery Seasonal Student	\$ 15,000			0.4
Community Design and Development Review	Burlington Housing Strategy Study and Action Plan		\$ 300,000		
<b>Total</b>		<b>\$ 2,040,106</b>	<b>\$ 654,360</b>	<b>15.0</b>	<b>0.4</b>

## **Appendix E:**

### **Council Information Sessions Detailed Agendas**

**Note that these sessions cover both the Operating and Capital Budgets  
for each of the Service Categories**

<b>November 12, 2019</b>	
<b>Rooms 305 / 307 / 309</b>	
<b>9:30 am - 12:30 pm</b>	
<b>Service Category</b>	<b>Services</b>
An Engaging City	Art Gallery of Burlington Arts and Culture Burlington Museums Burlington Performing Arts Centre Burlington Public Library Tourism Burlington Strategic Communications and Government Relations
A City that Moves	Parking Management Road and Sidewalk Maintenance Roads and Structures - Design and Construction Traffic Operations Management Transportation Network Planning

## **Council Information Sessions Detailed Agendas (Continued)**

<b>November 13, 2019</b>	
<b>Rooms 305 / 307 / 309</b>	
<b>1:00 pm - 4:00 pm</b>	
<b>Service Category</b>	<b>Services</b>
A Healthy and Greener City	Cemetery Environment and Energy Organized Sport Support Parks & Open Space Maintenance Parks and Opens Space - Design and Development Recreation Surface Water Drainage Tree Management
Good Governance	Council and Citizen Committee
Enabling Services	Service Burlington Financial Management Human Resources Information Technology Facilities and Buildings Design Corporate Signs Fleet Management Geographic Info and Mapping Asset Management

## **Council Information Sessions Detailed Agendas (Continued)**

<b>November 14, 2019</b>	
<b>Rooms 305 / 307 / 309</b>	
<b>9:30 am - 12:30 pm</b>	
<b>Service Category</b>	<b>Services</b>
A Safe City	Fire Communication Fire Prevention and Public Ed Fire Protection Emergency Management By-law Enforcement Animal Control Halton Court Service
Good Governance	Corporate Legal Corporate Management Internal Audit Mayor and Council
A City that Moves	Specialized Transit Transit
A City that Grows	Building Code Permits and Inspection Burlington Economic Development Corporation Community Design and Development Review