



SUBJECT: 2017 Budget Framework

TO: Community and Corporate Services Committee

FROM: Finance Department

Report Number: F-14-16

Wards Affected: All

File Numbers: 435-03

Date to Committee: July 11, 2016

Date to Council: July 18, 2016

Recommendation:

Receive and file finance department report F-14-16 providing the 2017 budget framework.

Purpose:

- An Engaging City
- Good Governance

Background and Discussion:

This report provides Council with the parameters on which staff will prepare the 2017 budget. The framework presented in this report will outline principles that have been recognized by Council as important policy decisions, as well as highlight budget drivers that will impact the 2017 budget.

In November 2012 Council approved the City of Burlington's Long Term Financial Plan which outlined strategic objectives and policies to ensure financial sustainability and responsible financial management. In March 2015, the BMA report provided recommendations that enhanced the existing financial policies to ensure fiscal sustainability and maintain flexibility to address changing conditions. The 2017 budget will keep with the objectives and updated policies, as they represent important and prudent policy decisions of this council.



In addition, in January 2016, Council received the 20-Year Simulation of Forecasted Budget Drivers (F-01-16), which provided a high level overview of major budget drivers and expected future tax rate impacts. Inherent in the annual operating budget process are the normal pressures of inflation, growth, resources and fluctuating revenues, compounded by infrastructure renewal costs. This forecast as presented continues to recognize the anticipated drivers for the 2017 budget year resulting in;

2017 Forecast	Value (Millions)	% Change
Service Pressures*	\$3.08	2.11%
Corporate Expenditures / Revenues	\$0.59	0.40%
Assessment Growth	(\$1.32)	(0.90%)
Base Budget	\$2.35	1.61%
Infrastructure Renewal Funding	\$2.12	1.45%
Business Cases (estimate)	\$1.25	0.85%
Total Forecasted City Impact	\$5.72	3.91%

*Includes a 2% increase for Local Boards

The 20 year simulation presented to Council in January 2016 (updated to reflect the 2016 Approved Budget) is attached for your reference as Appendix A, to provide a forward looking outlook on the city's budget impacts.

Related reports:

- F-21-16: Phase 1 Financial Plan for the 2015-2040 Strategic Plan
- F-01-16: 20-Year Simulation of Forecasted Budget Drivers
- CW-20-15: Asset Management Plan Update
- F-15-15: BMA Financial Condition Assessment
- F-39-13: Asset Management Financing Plan
- F-22-12: The City of Burlington Long Term Financial Plan



Strategy/process

2017 Capital Budget:

Continued changes to the capital budget bring focus to infrastructure renewal projects and growth projects. The capital budget continues to remain a 10-year program, broken down by asset categories. Any projects outside the scope of infrastructure renewal or the Development Charge program (growth) will continue to require a business case for Council's consideration during the budget review process.

2017 Operating Budget:

The operating budget will continue to focus on maintaining service delivery. Changes to levels of service will require a business case.

The 2017 operating budget will once again be presented in a service-based format with two years history for comparison. As Service business plans do not dramatically change year-over-year, for 2017, they will not be included in the Operating Budget book. However, business plans will be updated for 2017 and made available for reference purposes.

In their place, there will be a service summary form, enhanced to include additional commentary by service owners on significant changes to the base budget. Appendix B provides an example of an enhanced service summary form which was originally presented to Council in January 2016.

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

- City's Strategic Plan
- City Manager's Work Plan
- Departmental Workplan
- Service Business Plan
- Due to Legislative Changes



Budget Process:

2017 is the first year the operating budget will be developed using a new budget software system (Questica Budget). This software provides enhanced functionality for budget development. As with any new software implementation, end-user training and development of reporting capabilities are key steps to ensure the city benefits from the efficiencies and functionalities the system provides.

With that in mind, the 2017 budget timelines were developed similar to last year with a January approval of the Operating Budget. In future years we will be targeting more aggressive timelines which would bring both the Capital and Operating Budgets forward together in advance of year-end.

Below is a brief timeline of the 2017 budget process.

- | | |
|---|----------------------|
| • Capital Budget Overview | November 21, 2016 |
| • Capital Council Information Session | November 24, 2016 |
| • Public Engagement | July - November 2016 |
| • Capital Budget Review | December 8, 2016 |
| • Operating Budget Overview | December 8, 2016 |
| • Operating Council Information Session | December 15, 2016 |
| • Council Capital Budget Approval | December 19, 2016 |
| • Operating Budget Review | January 19, 2017 |
| • Council Operating Budget Approval | January 23, 2017 |

Financial Matters:

The city will continue to prepare the 2017 budget on the framework presented above, representing the city's long term financial plan, and the important policy decisions of this council. The budget framework ensures that staff will bring forward a base budget that contributes to sustainability, and responsible resource allocation to balance the current needs without compromising the ability to meet the initiatives and visions of the new Strategic Plan.



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

Year	City*	Hospital	Total (City, Region, Education)
2011	0.91%	0.00%	0.94%
2012	3.29%	1.03%	1.79%
2013	4.46%	1.00%	1.81%
2014	3.50%	0.93%	1.49%
2015	3.64%	0.00%	2.08%
2016	3.14%	0.00%	2.01%
Total	18.94%	2.96%	10.12%
3-yr Avg.	3.43%	-	1.86%
6-yr Avg.	3.16%	-	1.69%

** includes the hospital*

Over the last three years the average city tax rate change is 3.43% (including the hospital) and the overall tax rate change is 1.86% this compares to a three year (May 2013-May 2016) rolling average of the CPI (Toronto) of 2.12%.

For the six years reflecting the term of the current members of Council the city tax rate change is 3.16% with an overall tax rate change of 1.69%. This compares to a six year (May 2010 – May 2016) rolling average of the CPI (Toronto) of 2.04%.

Connections:

Strategic Plan Financial Plan

On the same agenda is a report outlining the Phase 1 Financial Plan for the Strategic Plan. Staff will ensure the 2017 Budget development is aligned to the strategic initiatives within the plan and phase 1 financial requirements are included in the proposed budget when brought forward this year.

Public Engagement Matters:

The city will be seeking input from the public on the 2017 budget in two phases. Phase 1 will include online engagement opportunities through the use of the city's two main



online engagement tools – Mindmixer and Insight Burlington. This online engagement will occur over the summer months and will help to inform the next phase of engagement. Phase 2 will include a face-to-face opportunity for the public to learn more about the proposed Capital and Operating Budgets and provide their feedback in advance of Committee’s budget review process. The results of all public engagement will be reported back to Council in advance of the budget review process.

Conclusion:

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

Respectfully submitted,

Lori Jivan

Coordinator of Budgets and Policy

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Appendices: (if none delete section)

- a. 20-Year Simulation of Forecasted Budget Drivers
- b. Sample Service Summary Form

Notifications: (if none delete section)

Name

Mailing or e-mail address

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.