

2021 Operating Budget – Council Follow-up

As a follow up to the Corporate Services, Strategy, Risk and Accountability meeting on January 21 additional information with respect to the 2021 proposed operating budget was requested by members of council. The following is a consolidation of the questions and responses. Where appropriate, page numbers from the Proposed 2021 Operating Budget book have been referenced.

Budget General

Item: **Reserve Funds**

Question: Provide historical information on stabilization, capital and corporate reserve funds and reason for differentiating cash balance vs uncommitted balance.

Response: Stabilization Reserve Funds:

The target balance established for the consolidated stabilization reserve funds is set at 10-15% of the city's own source revenues. Over the last ten years, there has not been a significant gain overall in the city's uncommitted balance for stabilization reserve funds. Average growth over the last ten years has been approximately 7.2%. Over the ten-year period, the city has not met or been within the target range. *(Refer to Chart 1 attached for ten-year detail)*

Corporate Reserve Funds:

Corporate reserve funds provide for various contingent and future liabilities. Specifically, for Employee Accident and Benefits reserve funds, the City budgets annually for the current year costs expected to be incurred from these liabilities but does not budget for the estimated future liability. Over the last ten years, there has been an increase in these reserve funds averaging 12.4% per year, however the balance does not reflect the full actuarial valuation. The impact of post-employment benefit expenses is communicated annually as part of the financial statements. *(Refer to Chart 2 attached for ten-year detail)*

Capital Reserve Funds:

The city has adopted the target to maintain a minimum balance in capital reserve funds of 2% of the city's asset replacement value. Over the last ten years, the city's capital renewal reserve fund balances as a percentage of our replacement value has hovered around 1% (half the target balance). Although the renewal reserve fund balances have exhibited some growth, the pace of growth does not coincide with the changes we have and will be experiencing in our overall asset inventory replacement value. *(Refer to Chart 3 attached for ten-year detail)*

***It is important to note that targets are based on the city's uncommitted balance as an accurate depiction of funding available for future use. Cash balances include funds approved by council to be spent on specific initiatives and therefore are not available for future spending.*

Item: **Reserve and Reserve Funds - Budget**

Question: Please provide a listing of 2021 budgeted provisions and draws from Reserve and Reserve Funds.

Response: Refer to Chart 4 attached.

Item: **2020 BMA Comparative Study**

Question: Please provide updated tax burden graph and taxes as a % of income if available.

Response: The updated BMA study was recently received from regional staff. There is no difference in terms of where Burlington is ranked relative to the other municipalities as well as the group average. Refer to Chart 5 and 6 attached.

Item: **Debt**

Question: Provide the amount of Tax supported debt charges budgeted in 2021 as well as total debt approved (issued and not issued).

Response: The 2021 proposed operating budget for tax supported debt charges is \$8.5 million. As of December 31, 2020, the city has approximately \$81.98 million in total principal debt outstanding, along with total approved debt not issued of approximately \$17.8 million bringing total debt outstanding of \$99.78 million. Council approved the 2021 capital budget which would add \$7.8 million of approved debt in 2021.

Risk Mitigation Measures

Item: **2021-076 Tree Management – 3 additional arborists**

Question: Are the forestry resources identified on page 33 related to the private tree by-law or requests for additional resources in general?

Response: The 3 additional arborists positions are required to support general forestry operations and not the private tree bylaw.

Item: **Heritage Rebate Program**

Question: What would be the cost to provide a heritage property tax rebate program to owners of eligible commercial heritage properties similar to the existing residential heritage tax rebate program?

Response: Based on preliminary review, Burlington has 8 designated commercial heritage properties under the Ontario Heritage Act. If all designated properties applied and received a heritage property tax rebate of 20%, the total city rebate cost would be approximately \$15,000. A rebate amount equivalent to 20% is consistent with other municipalities that offer a commercial heritage property tax rebate. The budget would need to increase from the existing \$45,000 for the residential heritage rebate program to approx. \$60,000.

Should council increase the budget to implement a commercial heritage property tax rebate program in 2021, Community Planning staff will prepare a report to committee for the passage of a by-law. Staff would inform the Region of Halton of the program and request their consideration for matching the commercial Heritage Property Tax Rebate by-law in Burlington. The Region currently participates in the Residential Heritage Property Tax Rebate program.

Other Additional Items

Question: What is the total of other additional items not included in the proposed budget (both \$ and tax impact) on page 87/88 of the budget book?

Response: The total of the other additional items not included in the 2021 proposed budget has a net financial impact of \$2,780,139. If all additional items were included in the budget it would increase the city tax impact by a further 1.59%.

A City that Grows

Item: **Projected assessment growth from new units**

Question: Provide an estimate of new units in the development pipeline over the next few years and what this may mean for assessment growth each year.

Response: Planning staff have estimated the timing for development approvals by year and type of development over the next five years (this estimation is an upset limit based on development applications, which are subject to change). Assumptions regarding the potential timing of building permit issuance, construction and unit occupancy have been incorporated into the analysis. Using current assessment values for 2021 and an average current value assessment for 2022-2025 for the unit types (low rise, mid rise, high rise) the overall assessment and growth projections were calculated for each year. The chart below summarizes this information recognizing these are estimates to provide an indication of new residential development forecasts for the next few years.

It is important to recognize that not all applications will receive approval as submitted in that the unit counts may decrease through the application process. The timing represents staff's best estimate (applications approvals, building permits, construction, occupancy, and finally addition to the assessment roll) knowing many of these variables and related timing are outside the control of staff.

There are a significant number of anticipated development units in the planning review pipeline. Many development applications are not included in the chart below as they are at varying stages of the planning process including; pre-application, under consideration, require site plan approval, or have been appealed to the Local Planning Appeal Tribunal (LPAT). Estimates of the number of units not included in the analysis given the status of their application in the planning process and factors outside of the city's control are as follows:

Development Applications: Under Consideration or Require Site Plan Approval: 586 units

Development Applications Appealed to LPAT: 3,638 units

Pending Development Applications (OPA & ZBLA)– Pre-Application that have held Pre-application community Meetings: 6,358 units

Below are the projections of the development forecast.

Forecasted Development Applications (2021-2025)

Year	2021	2022	2023	2024	2025
# Units Assessed	510	642	700	1467	1,205
Estimated Weighted Assessment	260,914,446	239,751,624	250,100,000	538,750,000	439,200,000
Estimated Assessment Growth	0.50%	0.46%	0.48%	1.03%	0.83%

Questions Received After February 1, 2021

Item: Green Initiatives Reserve Fund

Question: Is there an opportunity to provide funding to the green initiatives reserve fund without adding a green levy in 2021?

Response: In October 2020 Council approved the Interest Allocation Policy. Under this policy any capital gains in excess of budgeted investment income are to be allocated equally between the Tax Rate Stabilization Reserve Fund and Infrastructure Renewal Reserve Fund at year end. Staff are proposing an amendment to this policy retroactive to December 31, 2020 to allocate the first \$250,000 of capital gains over the investment income budget to the Green Initiatives Reserve Fund and the balance to be allocated equally between Tax Rate Stabilization and Infrastructure Renewal Reserve Funds. This policy amendment will be brought forward to the March 3rd CRRSA meeting.

Item: Tree Removal and Replacement Information – Urban Forestry

Question: Provide a 3-year summary of tree removals and replacements. How is the program funded? How much cash-in-lieu was collected in 2020?

Response: The following table provides a three-year summary of tree removals and replacements for each program:

Non-EAB Removals/Replacements	2014- 2018	2018	2019	2020	3 Yr Total (2018- 2020)	3 yr Avg	2021 Projected
Total Removals		547	741	797	2085	695	800
Total Replacements		341	737	1000	2078	693	908
Difference (replacements - removals)		-206	-4	203	-7	-2	108
EAB Removals/Replacements	2014- 2018	2018	2019	2020	3 Yr Total (2018- 2020)	3 yr Avg	2021 Projected
Total Removals	7918	1046	727	926	2699	900	833
Total Replacements	2888	1297	1247	0	2544	848	530
Difference (replacements - removals)	-5030	251	520	-926	-155	-52	-303

Tree Removals:

Tree removals are funded through the annual operating budget. The proposed 2021 operating budget includes \$880,000 allocated to Non-EAB tree maintenance (includes removals) combined in-house and contracted services, and \$410,000 allocated to EAB removals (contracted services only). The EAB program is a static annual budget of \$861,000. Stump grinding, tree replacement, and injections are also funded through this program. These programs are managed by different branches within the Forestry section (Non-EAB maintenance is administered through Forestry Operations, and EAB management is administered through Forest Planning and Health).

Non-EAB trees are removed annually due to poor health or deemed high risk by staff. This work is completed by in-house crews and contracted services depending on the type of work and need for specialized equipment. The numbers noted within the table do not include trees removed as a result of large storm events.

Historically, the Non-EAB tree removal budget is overspent as it is required to mitigate known risks. It is important to note that contracted services are utilized on an increasing basis due to staffing shortages of in-house crews. This also leads to increased operations costs.

The EAB program has consistently exhausted its budget allocated toward removal. In 2020 all replacement planting was deferred with funds redirected to address the need to prioritize the removal of declining ash trees. The EAB program was approved as a 10-year program and is expected to conclude at the end of 2024. EAB removals are completed solely by contracted services. The majority of street ash tree removals is expected to be completed by the end of 2021 and park trees by the end of 2022. It is anticipated that all the objectives of the program will be achieved by 2024.

Tree Replacement Planting:

Tree planting is pre-planned and coordinated through the Forestry section's Forest Planning and Health branch. All planting is done through contracted services as a supply, install, and maintenance contract.

EAB tree replacements are lagging due to the prioritization of tree removal over replacement for the purpose of risk mitigation. In addition, there is a forecasted program shortfall of 1,050 tree replacements, valued at approximately \$450,000. This was communicated in report RPF-27-20 - EAB Management Program Update at the EICS meeting of October 5, 2020.

The tree planting program is funded through the annual operating budget. The proposed 2021 operating budget includes \$451,000 allocated to street and park tree replacement planting for Non-EAB replacements and \$221,500 for EAB tree replacements. Although the scope of work is the same, these programs are funded and tracked by different cost centres.

The budget for Non-EAB replacements has increased substantially from \$230,000 in 2018, to \$451,000 in 2020 (includes committing funds to private tree planting and woodlot regeneration planting in 2021).

The current funding will allow staff to maintain the current service level of 1:1 replacement to removal. In order to meet the 2022 target of 2:1 replacement to removal ratio as identified within the Vision to Focus document, additional funds will be required to be added to the base budget, estimated at approximately \$500,000 annually.

Cash In lieu Funds

In 2020, cash in lieu of tree replacement was collected through the administration of the private tree bylaw, totalled approximately \$70,000 (combined public and private tree compensation). These funds will result in the planting of approximately 230 trees.

The majority of these trees are planned to be given away to residents twice annually through an application process with the intent that they be planted on private property. Program specifics will be communicated through an upcoming Private Tree Bylaw update report.

Item: **201-063 Parking capacity measures at Beachway and Lowville Park (page 79)**

Question: Provide the assumptions used to determine the anticipated parking revenues at Beachway.

Response: The financial impacts are based on weekends only from 9am-9pm reflecting 22 weeks which equates to 44 days + 4 stat holidays = 48 days (weekends only).

Item: **Expansion of Specialized Transit (page 87)**

Question: Can the additional handi-van purchased this year in Capital be put in service without the need for the additional driver or will it be used as a spare? How many additional trips could be accommodated by having the additional driver? What is the current demand for service now and has it been impacted by COVID?

Response: The additional van cannot be put into service without an operator. This vehicle is a growth vehicle funded under the ICIP funding it is not for a spare vehicle. There is an 8-month timeframe for delivery of the vehicle, as such the operator can be delayed until the 2022 budget. One new van can accommodate up to 700 trips per month. We are currently carrying about 65% of trips however, the demand for this service was increasing substantially before covid as a result of the free service for seniors mid day.

Item: **Additional items**

Question: Are there other additional items that staff could bring forward for budget deliberations around an annual budget savings target, tipping fees paid to the region for the leaf program, possibility of extending the free transit for seniors' pilot and impact of a larger reduction to the provision to contingency given the uncommitted balance in this reserve.

Response: See below. These items have been included in the consolidated BAR form listing.

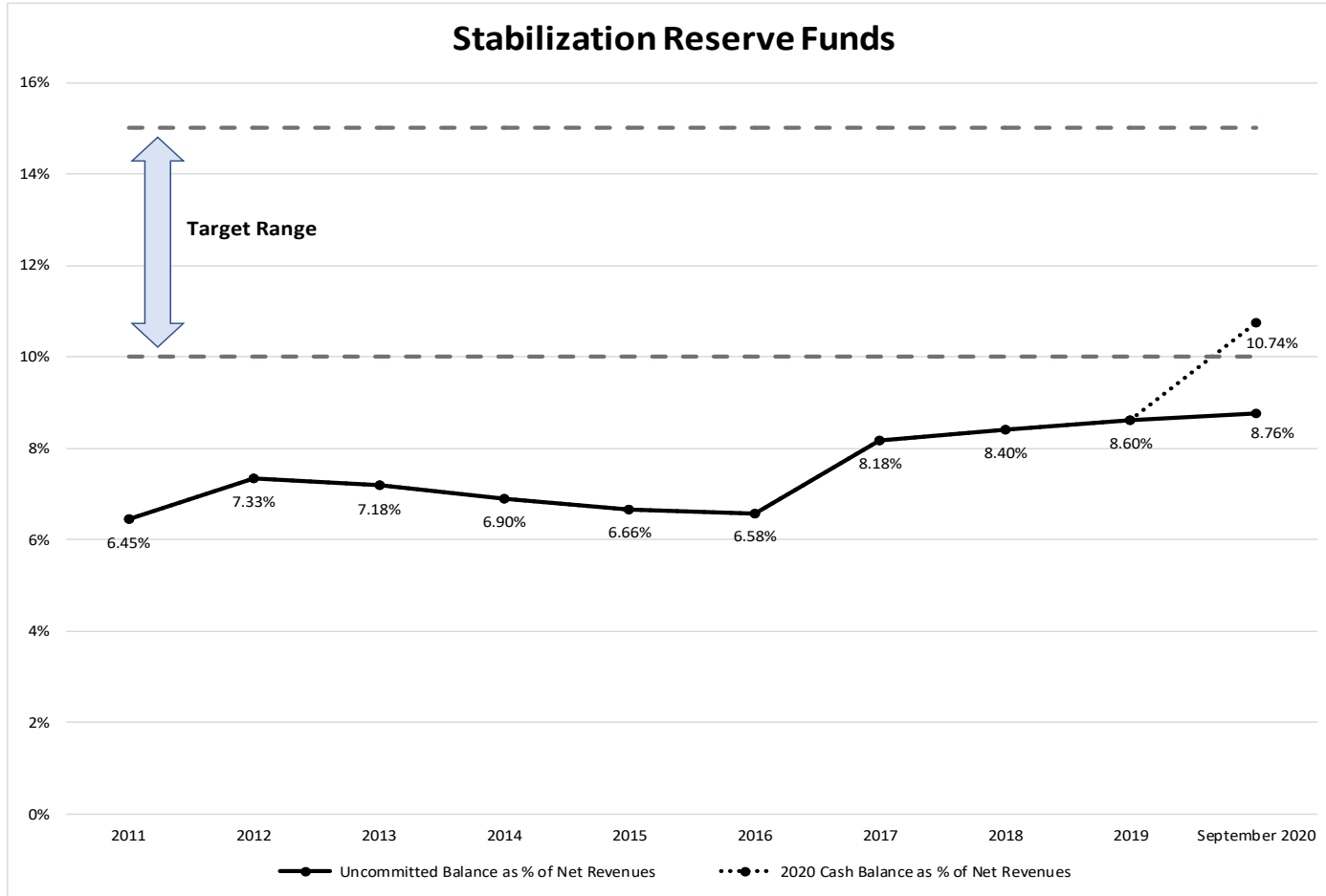
City Manager Sustainable Expenditure Savings Target – As part of the City Manager's upcoming 2021 Objectives for review and approval by Council (April CSSRA Committee), Tim is recommending a new annual sustainable expenditure savings target of \$250,000. Tim is proposing that this savings target begin as part of the 2021 Budget deliberations with actual budget restatements to be implemented by June 30/21.

Leaf Program Tipping Fees - The City Manager has had an initial discussion with the CAO from the Region regarding the requirement for the city to pay regional tipping fees for the leaves we collect and dispose of through our loose-leaf collection program. The outcome of these discussions is that the Region is prepared to consider this request for 2022 as part of the regional waste management costs charged to Burlington property owners. However, no final decision has been made to date by the Region on this change. The 2021 budget amount for the cost to dispose of the leaves is \$97,000.

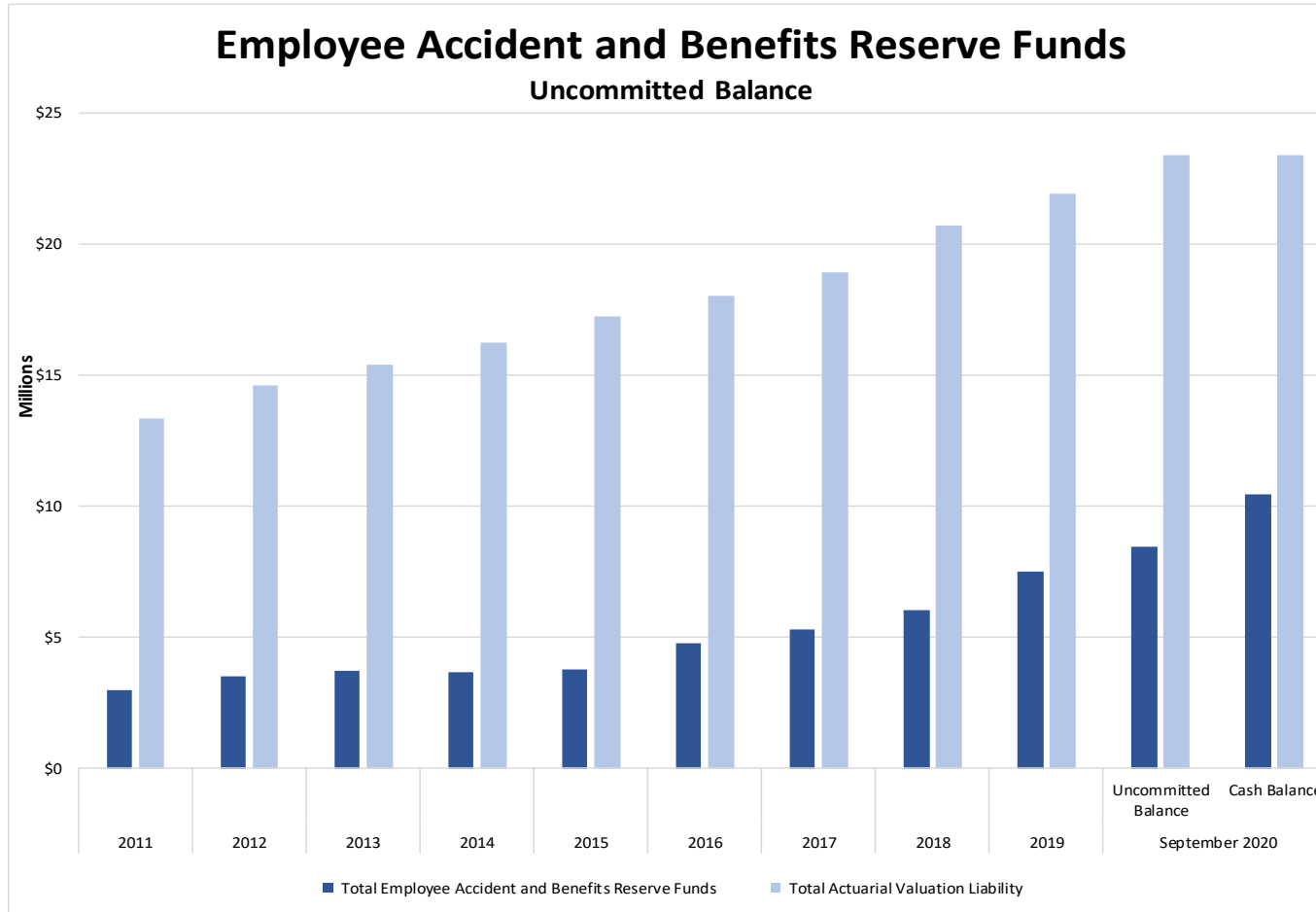
Free Transit for Seniors pilot program – The current pilot program is set to end part way through 2021. An option is to extend the pilot for the entire year of 2021 and bring forward the permanent program in the 2022 budget once actual ridership and associated revenue loss through this program are better quantified. This would reduce the budget by \$116,700 while continuing the pilot to the end of the year.

Provision to Contingency Reserve – as stated in the budget reduction list provided to you on February 1st, the list included a \$100,000 reduction to the provision that would flatline the amount to the 2020 budget. The note included that the uncommitted balance was approximately \$9.5 million. A question was asked as to whether the amount of the provision could be reduced further given this balance. Legal staff are reviewing outstanding and potential future litigation matters. At this time, a range could be considered for Committee's discussion. This range would be from \$100,000 (results in a budget provision of \$2,038,445) to \$338,445 (results in a budget provision of \$1,800,000).

Chart 1

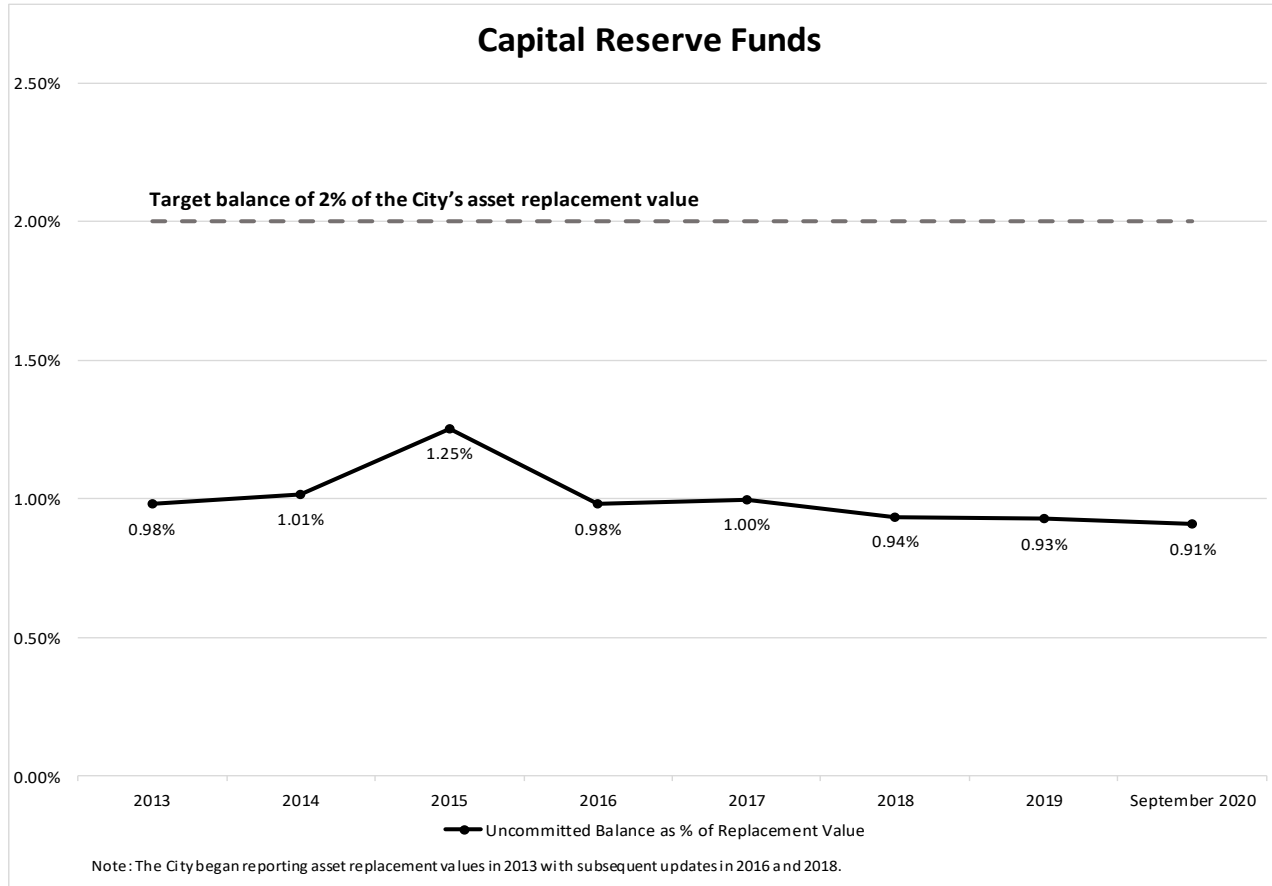


STABILIZATION RESERVE FUNDS	Uncommitted Balance									Uncommitted Balance	Cash Balance
	2011	2012	2013	2014	2015	2016	2017	2018	2019	September 2020	September 2020
Contingency	2,393,269	3,750,961	3,630,283	6,044,173	3,304,959	3,972,317	5,033,285	6,272,559	8,020,692	9,648,615	11,870,254
Severe Weather	3,183,342	3,196,092	2,327,815	783,758	2,936,380	3,272,078	3,810,543	3,912,790	4,017,264	4,017,264	4,017,264
Tax Rate Stabilization	4,399,502	5,199,366	5,998,155	5,223,807	5,116,571	4,427,596	4,112,553	4,174,615	4,456,241	3,504,664	5,887,556
Planning Fee Stabilization	1,086,483	1,125,904	1,160,002	1,194,973	1,811,844	1,750,510	3,278,551	3,706,352	2,850,706	2,850,706	3,001,066
Engineering Fee Stabilization	559,268	614,979	399,511	369,766	285,943	200,793	812,578	664,949	539,939	539,939	539,939
Commodity Stabilization Reserve Fund						35,486	190,341	195,449	557,672	557,672	557,672
TOTAL STABILIZATION (excl. BP)	\$ 11,621,864	\$ 13,887,302	\$ 13,515,767	\$ 13,616,476	\$ 13,455,697	\$ 13,658,781	\$ 17,237,851	\$ 18,926,714	\$ 20,442,515	\$ 21,118,861	\$ 25,873,751
GROWTH YOY		19.5%	-2.7%	0.7%	-1.2%	1.5%	26.2%	9.8%	8.0%	3.3%	
Balance as % of Net Revenues	6.4%	7.3%	7.2%	6.9%	6.7%	6.6%	8.2%	8.4%	8.6%	8.8%	10.7%



	Uncommitted Balance									Uncommitted Balance	Cash Balance
EMPLOYEE ACCIDENT AND BENEFITS RESERVE FUNDS	2011	2012	2013	2014	2015	2016	2017	2018	2019	September 2020	
Employee Accident	\$ 1,672,195	\$ 1,828,707	\$ 2,055,329	\$ 2,416,114	\$ 2,581,964	\$ 3,051,287	\$ 3,471,795	\$ 3,919,373	\$ 4,724,809	\$ 5,640,910	\$ 7,644,059
GROWTH YOY		9.4%	12.4%	17.6%	6.9%	18.2%	13.8%	12.9%	20.6%	19.4%	
Actuarial Valuation Liability - WSIB	\$ 4,179,000	\$ 4,797,866	\$ 5,093,052	\$ 5,410,556	\$ 5,792,894	\$ 6,066,755	\$ 6,353,418	\$ 7,479,819	\$ 7,984,359	\$ 8,516,156	\$ 8,516,156
Benefits	\$ 1,336,208	\$ 1,678,464	\$ 1,653,848	\$ 1,272,717	\$ 1,212,517	\$ 1,737,970	\$ 1,813,038	\$ 2,106,052	\$ 2,803,935	\$ 2,797,790	\$ 2,797,790
GROWTH YOY		25.6%	-1.5%	-23.0%	-4.7%	43.3%	4.3%	16.2%	33.1%	-0.2%	
Actuarial Valuation Liability - Benefits	\$ 9,148,700	\$ 9,805,445	\$ 10,314,843	\$ 10,844,266	\$ 11,421,340	\$ 11,938,792	\$ 12,573,154	\$ 13,224,006	\$ 13,950,786	\$ 14,864,563	\$ 14,864,563
TOTAL	\$ 3,008,403	\$ 3,507,170	\$ 3,709,177	\$ 3,688,831	\$ 3,794,481	\$ 4,789,257	\$ 5,284,833	\$ 6,025,425	\$ 7,528,745	\$ 8,438,700	\$ 10,441,849
Total Actuarial Valuation Liability	\$ 13,327,700	\$ 14,603,311	\$ 15,407,895	\$ 16,254,822	\$ 17,214,234	\$ 18,005,547	\$ 18,926,572	\$ 20,703,825	\$ 21,935,145	\$ 23,380,719	\$ 23,380,719
Overall % Liability Funded	22.6%	24.0%	24.1%	22.7%	22.0%	26.6%	27.9%	29.1%	34.3%	36.1%	44.7%

Chart 3



CAPITAL RESERVE FUNDS	Uncommitted Balance									Uncommitted Balance	Cash Balance
	2011	2012	2013	2014	2015	2016	2017	2018	2019	September 2020	
VDRF	1,616,183	2,444,426	4,770,031	5,106,616	6,262,983	6,527,020	4,061,119	4,715,186	4,824,696	4,137,857	4,137,857
Transit Related	2,837,739	1,919,662	2,762,884	2,819,083	1,627,662	2,486,629	1,850,664	2,910,896	1,538,460	2,969,783	2,969,783
Other Infrastructure Renewal	3,087,352	3,630,292	5,730,011	5,066,934	6,988,487	3,172,457	4,224,585	10,246,008	10,340,379	15,350,957	15,422,664
Parks & Recreation Infrastructure	970,151	948,432	954,165	895,517	2,041,584	2,391,748	2,501,908	2,237,623	2,429,191	1,929,993	1,929,993
Federal Gas Tax	1,411,941	2,470,294	2,953,029	2,781,832	3,858,415	2,760,599	4,572,721	3,530,432	4,470,432	2,024,514	2,024,514
Hydro	4,520,597	4,541,716	4,592,665	4,786,159	5,917,835	6,170,032	6,244,289	7,548,573	7,368,695	4,347,913	4,347,913
Local Boards Infrastructure	343,437	828,263	1,429,918	2,374,984	2,975,451	3,444,813	3,978,179	3,754,957	3,312,917	2,957,582	2,957,582
Parking District Renewal	977,064	1,157,362	1,297,878	1,537,920	1,624,627	1,905,006	1,943,282	2,314,809	2,454,897	2,391,586	2,391,586
Sims Square Reserve Fund								800,411	978,717	729,138	729,138
TOTAL CAPITAL RF	\$ 15,764,464	\$ 17,940,448	\$ 24,490,581	\$ 25,369,045	\$ 31,297,046	\$ 28,858,303	\$ 29,376,747	\$ 38,058,894	\$ 37,718,382	\$ 36,839,323	\$ 36,911,030
GROWTH YOY		13.8%	36.5%	3.6%	23.4%	-7.8%	1.8%	29.6%	-0.9%	-2.3%	
Balance as % of Replacement Value			1.0%	1.0%	1.3%	1.0%	1.0%	0.9%	0.9%	0.9%	0.9%

2021 Budgeted Provisions/Draws

Chart 4

Budgeted Provisions	2020 Budget	2021 Proposed Budget	\$ Change	Notes
Provision to Contingency	2,038,445	2,138,445	100,000	
Provision to Insurance	3,550,000	3,600,000	50,000	
Provision for PY Write-offs	800,000	900,000	100,000	
Provision to Policy RF	100,000	100,000	0	
Provision for IT Renewal	57,881	60,775	2,894	
Provision for Election	160,000	160,000	0	
Provision for Future Exp - Fire	15,000	15,000	0	
Provision for Emergency	20,500	20,500	0	
Provision for Inventory	5,000	5,000	0	
Provision to VDRF	4,207,390	4,383,739	176,349	
Provision to Capital General	3,620,300	3,620,300	0	
Provision for Infrastructure	24,220,700	26,400,700	2,180,000	Directed to fund COVID impacts
Provision for Infrastructure - Building and Inspections	28,000	29,400	1,400	
Provision to Strategic Land	240,000	240,000	0	
Provision for Culture/Public Art	125,000	125,000	0	
Provision to Tyandaga (Net Zero)	20,825	(77,654)	(98,479)	
Provision to Downtown Parking (Net Zero)	1,412,477	1,020,082	(392,394)	
Provision to Food Services (Net Zero)	397,956	(244,838)	(642,794)	
TOTAL	41,019,474	42,496,449	1,476,975	

Budgeted Draws	2020 Budget	2021 Proposed Budget	\$ Change	Notes
Draw from Benefits	(10,000)	(10,000)	0	
Draw from EAF	(113,000)	(113,000)	0	
Draw from FSRF - signs	(13,000)	(13,000)	0	
Draw from FSRF - trees	(60,000)	(60,000)	0	
Draw from Prov Gas Tax	(1,000,000)	(764,200)	235,800	
Draw from Hydro - Finance	(50,000)	(25,000)	25,000	
Draw from TRSRF	0	(450,000)	(450,000)	For assessment growth shortfall
Draw from Hydro	(250,000)	(200,000)	50,000	
Draw from General	(330,708)	(330,708)	0	
TOTAL	(1,826,708)	(1,965,908)	(139,200)	

Chart 5

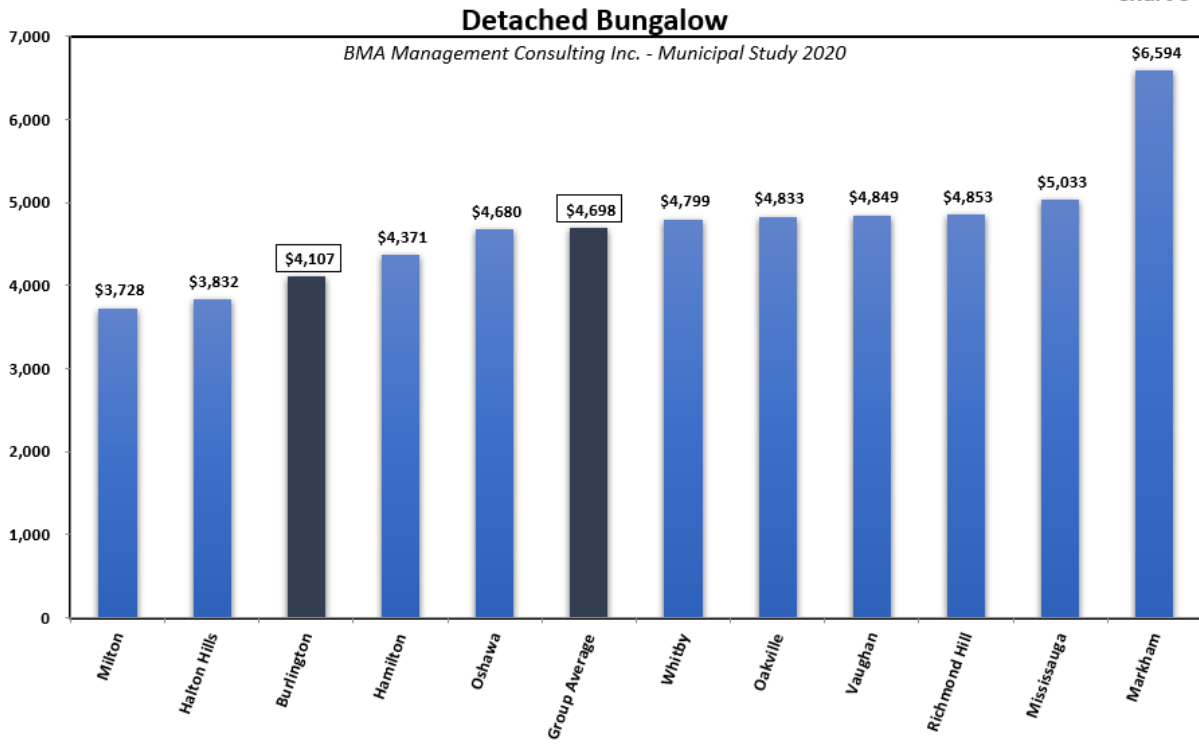


Chart 6

