



**SUBJECT: 2022 budget framework**

**TO: Corporate Services, Strategy, Risk & Accountability Cttee.**

**FROM: Finance Department**

Report Number: F-25-21

Wards Affected: All

File Numbers: 435-03

Date to Committee: July 5, 2021

Date to Council: July 13, 2021

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**Recommendation:**

Receive and file finance department report F-25-21 regarding the 2022 budget framework.

**PURPOSE:**

**Vision to Focus Alignment:**

- Deliver customer centric services with a focus on efficiency and technology transformation

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**Background and Discussion:**

This report provides Council with the parameters on which staff will prepare the 2022 budget. The framework presented in this report will outline principles that have been recognized by Council as important policy decisions, as well as highlight the Multi-year Simulation which has been developed to model tax impacts for the next 5 years.

- 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 May 2017, the Asset Management Financing Plan maintained the recommended increases to the dedicated infrastructure renewal levy. A revised plan will be presented to Council in September 2021.

- In July 2019 Council received the Financial Condition Assessment report which provided a recommendation to enhance existing financial policies to continue to ensure fiscal sustainability and maintain flexibility to address changing conditions.
- In 2019 the Vision to Focus 4-year Workplan (CM-06-19) was approved which includes a number of key initiatives for this term of Council.

The 2022 budget will align with the objectives and updated policies of these reports, as they represent important and prudent policy decisions of this council.

This report also includes an enhanced Multi-Year Simulation (5 years) which provides a detailed overview of major budget drivers and expected future tax rate impacts. This is attached as Appendix A and discussed in detail throughout this report.

Inherent in the annual operating budget process are the normal pressures of inflation, growth, fluctuating revenues, as well as infrastructure renewal costs.

Separate risk mitigation measures (business cases) for increases to the budget beyond inflationary impacts will continue to be presented to Council where appropriate. These will include commentary as to how the requested change is the result of one or more of the following items:

- 4-year Workplan (From Vision to Focus)
- A new regulation or change in legislation
- An operating impact from the implementation of a capital project
- An enhancement to a service
- Ongoing implementation of the Designing and Evolving Our Organization (DEOO) process

## **Strategy/process**

### **Integrated Business Planning and Budgeting**

#### **Staff Direction**

At the Corporate Services, Strategy, Risk and Accountability (CSSRA) Committee meeting of May 5<sup>th</sup>, 2021 the following staff direction was approved: “Direct the Chief Financial Officer to report back in July 2021 as part of the budget framework report on process changes reflecting a coordinated corporate integrated business planning, measurement, budget and performance management process.”

In response to this staff direction as well as accompanying motion memorandum, staff are proposing to phase in several enhancements to better integrate business planning

and budgeting given significant workload pressures. Some of these changes will occur for the 2022 budget while others will be incorporated into future budget cycles.

## **Budget Process Changes - 2022 Budget**

### **Service Information Workshops – September 2021**

In the past, staff organized Council Information Sessions which provided council the opportunity to ask questions regarding the proposed budget to city staff. These sessions were scheduled after the proposed budget was developed and presented to Committee. This year the format of these sessions is being altered and the timing advanced to earlier in the budget development process.

This September, 8 Council Workshop sessions have been scheduled over 4 days to allow the 38 City Services to present overviews of their business plans to Council. Each of the City Services have been grouped into the 8 sessions by themes somewhat aligned to the Strategic Plan.

These workshop presentations will include:

- A summary of current financial investment by service
- An overview of current service delivery including known financial gaps and service needs
- An overview of the asset investment required for service delivery
- Key Performance Indicators (KPIs)
- An overview of service goals and objectives

A portion of the presentation on the first day (Session 1) will be set aside to provide an overview of the incremental budget investments including staffing that have been made during this term of Council (2019-2021). In addition, a portion of the presentation during the last day (Session 8) will include an update on the overall Designing and Evolving Our Organization (DEOO) process.

The Budget Overview Report (scheduled for the November 3<sup>rd</sup> CSSRA) will include a summary of any of the key risks, issues and challenges raised during these service presentations that have been addressed as part of the 2022 Budget.

A detailed agenda of the 8 sessions including a listing of services included in each session can be found in Appendix B. These sessions will be held in lieu of the traditional Council Information Sessions normally scheduled for November.

### **Enhanced multi-year budget simulation**

In prior years, Council was presented with a 20-year simulation showing forecasted tax increases within this timeframe. With the uncertainty of COVID impacts, for the 2021 Budget, the timeframe of the forecast was reduced to 10 years. For the 2022 Budget the timeframe for the simulation has been further shortened to 5 years however significantly greater detail has been brought into the analysis.

This revised simulation uses the 2021 approved budget as a starting point and adjusts the 2022–2026 forecast based on estimated budget drivers, known budget pressures and forecasted risk mitigation measures. This simulation was reviewed in depth by the Strategy and Risk Team (SRT).

As with any modeling tool, the simulation forecast has the greatest precision in the first year. It provides an analysis of what the future financial picture for the City of Burlington may look like, helps assess financial risks and the affordability of existing services and capital investments, and provides an opportunity to analyze sensitivities to assumptions.

When forecasting into the future, it is difficult to predict with 100% accuracy given uncertainties around:

- Magnitude and duration of COVID impacts
- Senior Government Grant Programs
- Changes in economic conditions and market demands
- Fluctuations in customer expectations
- Legislative changes
- Reassessment impacts
- Operating impacts from approved capital initiatives
- Business process improvements
- Climate change impacts

This revised multi-year simulation forms the basis for the budget pressures outlined later in this report.

### **Changes to the Budget Action Request (BAR) Form Process**

In previous years, BAR Forms were completed by Members of Council to propose amendments to the budget which would then be consolidated to form the agenda for the budget review meeting(s).

This form worked well to provide for public transparency and ensure appropriate staff were available to speak to proposed budget amendments during the budget review meetings however it had limitations. The traditional form did not have an area for a Member of Council to outline their rationale for proposing a budget amendment. Additionally, some Members of Council felt that this process led to a short-term focus on

achieving a desired tax increase rather than changes required to deal with the longer-term operational or strategic goals of the organization.

For 2022 staff are proposing an amendment to the BAR form process. Prior to the meetings scheduled for budget review we ask that each Member of Council prepare a memo (similar to the Motion Memorandum) outlining the various budget amendments they wish to propose. This memo would include the rationale for each proposed budget amendment. Attached to this motion memorandum would be a form similar to the traditional BAR form which would summarize all of a Member of Council's proposed amendments and amounts.

As has been done in the past, all proposed amendments would be consolidated into a document to form the agenda for the budget review meetings. Individual memos would be included within the budget review meeting package materials to ensure appropriate public disclosure.

The addition of the Motion Memorandum will provide other Members of Council and most importantly the public, greater clarity as to why an amendment is being proposed and the rationale for the budget change request.

## **Future Budget Process Changes (2023 Budget and beyond)**

### **Monthly Service Operations Updates**

As the City transitions to a new normal state of operations following the pandemic the monthly COVID updates will no longer be required. It is recommended that when this occurs the content of these updates shift to monthly service updates. These updates will allow for more regular and timely reporting on Service needs throughout the year.

### **Strategic Direction Business Plans**

A distinct business plan will be prepared for each strategic direction that includes key milestones, KPIs and resourcing requirements. It is recommended that this process be considered with the new term of Council in 2023.

### **5 Year Corporate Business Plan**

With the new term of Council it is recommend that a 5-year corporate business plan be developed combining the key milestones, KPIs and resourcing requirements of the individual Strategic Direction Business Plans. This 5-year Corporate Business Plan would form the basis for the Multi-Year Budget Simulation.

## **Full Integration of DEOO into the Budget Process**

Annually DEOO will include the following process:

- Assessing current state resources based on risks and City Service needs
- Updating the plan including resource rationalization and process improvement
- Presenting the plan for review and approval in principle
- Recommending Council consideration and approval of updated DEOO Plan & related Budget implications.

By following these steps, DEOO becomes part of our natural process of aligning our resources to the achievement of strategic objectives and effective and efficient service delivery while managing risk. Through this process, resource needs will be identified and prioritized, giving consideration to rationalization where it makes sense and process improvements. These decisions will be reflected in an annually updated DEOO plan and budget.

## **2022 Budget Presentation**

The 2022 Budget will be presented as a consolidated document of capital and operating budgets in a Service-based format. The document will include Service Business Plans with operating budget details including the prior year history for comparison. Services will be grouped into Service Categories which are closely aligned to the City's Strategic Plan. These groupings demonstrate how investments made by the city deliver on key initiatives in the 4-year workplan and overall Strategic Plan. The capital budget will continue to remain a 10-year program, with projects further categorized as new / enhanced, renewal, or growth infrastructure. New for 2022 will be the addition of a green infrastructure category to capture the city's investment in infrastructure to support our climate goals. The capital projects will also be grouped under the respective Service Categories they support.

A combined format such as this allows for the consideration of operating impacts at the same time as capital investments.

## **COVID-19 Impacts**

The COVID-19 pandemic continues to place significant pressure on the city's finances. As reported monthly as part of the COVID-19 emergency response verbal updates the city is currently forecasting \$900,000 of additional revenue losses and increased expenses as a result of the pandemic in addition to those forecasted in the 2021 budget. While we are optimistic that given the current Provincial re-opening plan and vaccination rates that city services will largely be open by 2022 we recognize that a portion of this financial strain may continue into 2022 and beyond.

Unlike the Federal and Provincial Governments, the City cannot budget for a deficit.

Staff will continue to monitor the impacts of COVID-19 and the projected recovery plan to identify pressures that are anticipated to extend into 2022.

The 2022 budget will incorporate the latest information available while identifying associated risks and pressures. There will be a continued focus on core service delivery, continuous improvement and finding cost savings in all program areas to mitigate the tax increase.

The 2022 budget documents will include a summary of COVID-19 financial impacts should there be any.

### **Safe Restart Agreement Funding**

The city remains grateful for the senior government support received to date under the Safe Restart Agreement. This funding helps municipalities like Burlington protect the health and well-being of our residents, while continuing to deliver critical public services to our community and assist with economic recovery. It also provides immediate relief from transit pressures, such as lower ridership, reduced revenues as well as for new costs due to COVID-19, such as enhanced cleaning and personal protective equipment.

To date nearly \$19.8 million in funding has been announced under the Safe Restart Agreement and the municipal transit enhanced cleaning program. \$6.9M of this funding was used to offset the 2020 year-end position. The balance of this funding will be used to offset 2021 impacts and any funding not required in 2021 will be carried over into 2022 as per the letters from the Province.

### **2022-2026 Budget Pressures**

When developing the 5-year budget simulation model, staff considered many factors including:

- Known inflationary and contractual obligations on the base budget
- Alignment to the goals and objectives of the City's Long-Term Financial Plan and Financial Condition Assessment
- The general outlook for the city including growth projections
- Infrastructure renewal funding consistent with the existing Asset Management Funding Plan
- Financial commitments resulting from recent Council decisions, previously approved capital projects and adjustments made to the 2021 Budget.
- Forecasted investments required to sustain city operations, manage community growth, and enhance city services.

Assumptions for each of these areas will be outlined in greater detail below. The items have been numbered to assist with referencing the attached simulation (Appendix A).

## **Maintaining Current Service Levels – Base Budget**

### **1. Inflationary Pressures and User Fees**

#### **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 2021 gross operating budget is 47.3%.

A significant risk to the corporation is the attraction and retention of talent. The following realities create a labour market and workforce risk:

- number of staff eligible to retire;
- ability to hire qualified candidates; and
- a compensation system requiring updates to be more competitive

One of the ways the City is looking to partially mitigate this is to move to a hybrid workforce post COVID-19. Under this model, staff working in job functions which allow for remote working will be provided the flexibility to choose this option. A hybrid workforce provides existing employees with greater flexibility over their work arrangements and location. As well, it increases the City's ability to recruit talent from across the province without necessarily requiring the new employee to relocate.

The simulation has included known and estimated contractual increases for unionized staff and standard increases for non-union staff. Also included is ongoing funding for HR Market Competitiveness (2022-2025) in the Additional HR Base Budget pressures section.

#### **Operating Expenses**

With the exception of human resources and commodities (hydro, water, fuel etc.), 2.0% inflation per year has been applied to other expense categories (materials and supplies, purchased services) and 1.75% increase per year applied to contributions to Local Boards and Committees.

#### **User Fees / Controllable Revenues**

To provide financial relief, most user rates and fees are assumed to be flatlined for 2022 and to increase at 2.0% per annum thereafter. This assumption is dependent on the nature of the revenues, the overall economic recovery post-COVID and external market conditions. Additionally, included in years 2023 and 2024 is an estimated normalizing of revenue based on shift in consumer behavior and ongoing operational impacts post-COVID, resulting in projected revenues losses of \$500,000.

### **Efficiency Savings**

As part of the annual budget development process, the Chief Financial Officer (CFO) conducts an extensive line by line review of the budget submitted by each service. While above average savings were found in 2021 it should be noted that this level of net budget reductions to the base budget was significant in comparison to recent years. Reduced estimates of potential savings have been incorporated into the simulation given known service funding challenges and service redesign impacts.

## **2. Corporate Expenditures/Revenues**

### **Provisions to 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.

The simulation includes:

- The maintenance of existing corporate reserve fund provisions.
- An annual increase to the provisions for Insurance and Contingency Reserves of \$50,000 each.

### **Corporate Revenues**

The low interest rate environment is forecasted to continue into 2022. This will impact the City's ability to generate interest revenue for 2021 and 2022 which will ultimately require the use of capital gains in order to adequately meet budget expectations. Staff are monitoring markets and economic conditions daily and will continue to take advantage of capital gains where prudent to do so.

The simulation includes:

- An increase in Investment Income of \$50,000 per year starting in 2023 based on a moderately increasing interest rate environment.

### **3. Reversal of 2021 one-time funding - reduced Assessment Growth**

For the 2021 budget actual assessment growth was 0.34% which was 0.26% lower than forecasted. To reduce the impact on the tax rate, this shortfall was offset by a one-time transfer (\$450K) from the Tax Rate Stabilization Reserve. The reversal of this one-time reserve fund draw will result in a 0.25% increase to the 2022 base budget.

### **4. Assessment Growth**

Assessment growth is estimated to be 0.6% per year from 2022 to 2024, increasing to 1.1% in 2025 and 1.0% in 2026. For the 2022 budget the estimated 0.6% growth provides approximately \$1.1 million of additional revenue to offset inflation and growth-related costs in the base budget.

These estimates are based on an analysis of future development projections including an allowance for assessment appeals. This growth can be difficult to forecast as it is dependent upon new properties being added to the assessment roll by the Municipal Property Assessment Corporation (MPAC). Should growth assumptions change they will be incorporated in the 2022 Proposed Budget and adjusted in future updates to the simulation.

Over the past 5 years, assessment growth has ranged from a high of 1.07% to a low of 0.15% for an average of 0.52%.

Year	Assessment Growth
2017	0.15%
2018	0.41%
2019	0.64%
2020	1.07%
2021	0.34%
2017-2021 Average	0.52%

### **5. Additional HR Base Budget Pressures**

In addition to the standard allowances for HR increases in the base budget there are a number of additional HR related items that are putting pressure on the simulation.

These include estimates for:

- Contractual Compensation Obligations (2022 & 2023)
- Ongoing funding for HR Market Competitiveness (2022-2025)
- Above average benefit premium increases (2022)

## **6. Adjustments made to the 2021 Budget and Impacts of recent Council decisions**

Adjustments made to the 2021 Budget to mitigate the tax increase as well as recently approved service changes will have an impact on the 2022 and future budgets. These items include:

- Annualization of 2 staff positions partially funded in 2021 Budget
- Tax based support for Tyandaga Golf Course - Report RCC-01-21 (2022-2024)
- Beachway Park maintenance costs to address parking concerns- Report TS-07-21 (2022)
- Placeholder value for adjustments to the Private Tree By-Law fee structure

## **7. Impacts of Previously Approved Capital Projects**

To mitigate the 2021 tax increase the operating expenses of newly acquired city assets were deferred. This deferral will impact the 2022 budget. These items include:

- Expansion of Specialized Transit – operating expenses for a Handi-van purchased in the 2021 Budget
- City View Pavilion and Tansley Woods Splash pad operating expenses – operating expenses for new facilities completed in 2021.

## **8. Infrastructure Renewal Funding**

The city's infrastructure renewal levy is in place to provide increased funding annually to the capital renewal program and is the largest funding source for these projects. Any long-term reduction in this funding will significantly impact the city's Asset Management Program and accompanying 60-year Financing Plan and will result in decreased levels of service across many asset categories.

The City's Asset Management Plan is currently being updated. Council received an Asset Management workshop on June 21, 2021. The updated Plan and Funding Plan will be presented to Council in September and will inform future updates to the simulation.

The simulation currently includes:

- An annual increase of 1.25% for Dedicated Infrastructure Renewal Funding.
- The repurposing of the hospital levy to infrastructure renewal in 2023 (\$150 thousand), 2025 (\$110 thousand) and 2027 (\$2.84 Million)
- An annual increase of 4% to the Vehicle Depreciation Reserve Funds to sustain the City's fleet and equipment inventory

### **2021 Infrastructure Levy & One-time Canada Community Building Fund Top Up**

In order to help offset the impacts related to the pandemic, Council approved a recommendation to temporarily redirect the planned Infrastructure Renewal Levy to the operating budget to fund one-time COVID impacts in 2021. This provided \$2.18 million of one-time funding to offset the one-time COVID impacts in 2021.

Since this item was approved, the City has been fortunate to receive Senior Government support under the Safe Restart Agreement. Staff now believe that the one-time funding provided by the Infrastructure Levy in the 2021 budget will not be required to offset 2021 operating impacts pending confirmation of the June 30<sup>th</sup> reporting to the Province.

In addition, the Federal Government announced that it will provide a one-time top-up of the Canada Community Building Fund (formerly known as the Federal Gas Tax) for 2021. For Burlington this amounts to an additional \$5.6 million for infrastructure projects.

Staff will be reporting back later this year on the recommended use of these funds including support for the Skyway Community Centre project. An application for Federal support under the Green and Inclusive Community Building Fund for this project is being made this month.

## **9. Risk Mitigation Measures**

Risk mitigation measures are proposed variations in the budgeted expenditures or revenues for which separate budget disclosure is warranted.

These key priorities identified in the simulation are classified within 3 categories. Items in these categories will be prioritized by the Strategy and Risk Team (SRT) and presented as risk mitigation measures (business cases) in the Proposed Budget documents.

### **a. Sustaining City Operations and Financing**

As Council is aware, the City of Burlington is at a tipping point related to risk management particularly with respect to City operations and internal capacity to effectively implement and execute strategy.

Management is working across and throughout the organization to stabilize and enhance our competency, capability and capacity through resource needs – from people, process, and technology – to be a customer-centered organization and to effectively deliver on our commitments.

The simulation includes a number of initiatives and obligations that serve to maintain City operations at a certain standard such as:

- Continued phased implementation of Designing and Evolving Our Organization initiative (2022-2026)
- Provision to Strategic Land Acquisition Reserve Fund – phased increase to restore the \$120K reduction made in 2021 Budget (2022-2024)
- Increased budget for tax supported debt charges – phased increase to restore the \$100K reduction made in the 2021 Budget (2022-2026)
- Phasing out of the Provincial Gas Tax support from the operating budget to help stabilize the Transit capital program (2023-2025)
- Continued investment in recreational facility maintenance (2022-2026)
- Improved investments in Forestry and other RPF operations (2023-2025)
- Ongoing operational investments in IT initiatives which support Building a 21<sup>st</sup> Century Workforce (2022-2026). Projects include:
  - the city’s new Enterprise Resource Planning (ERP) system
  - a new Enterprise Asset Management System (EAMS)
  - the continued expansion of the new Customer Relationship Management (CRM) system
  - continued operationalization of the city’s new Business Intelligence (BI) platform

### **b. Enhancing Services**

In July 2019, Council approved the 2018-2022 Burlington’s Plan from Vision to Focus (V2F). Some of the key actions of this document include improving integrated mobility, decreasing the city’s infrastructure funding gap, reduce greenhouse gas emissions from city operations and increase the city’s tree canopy.

There are a number of operational and infrastructure investments that can support the city’s goal of reducing greenhouse gas emissions by reducing the reliance on the use of fossil fuels, including:

- the greening of the corporate fleet and city facilities;
- the expansion and greening of the transit system;
- the construction of active transportation facilities related to cycling and trails; and
- an expanded tree planting and parkland acquisition program.

These initiatives have numerous environmental and social benefits, but they will require significant additional operating and capital investment on an ongoing basis if meaningful progress is to be made.

The simulation includes:

- Operationalizing the free transit for seniors pilot program (2022)
- Funding for a Green Levy beginning in 2023
- Investment in further Transit service expansion beginning in 2024
- Operating impacts of the revitalized Skyway Community Centre (2026)

### **c. Modifications to Service to address COVID**

As city services resume operations following the lifting of Provincial restrictions there will be a need to redesign how services are offered. While some of these redesign costs are being realized during the pandemic a number of the increased costs are permanent in nature and will require an adjustment beyond inflation to incorporate them into the 2022 and future budgets.

As an example, longer-term impacts may include the need for increased staffing and cleaning materials for enhanced sanitation protocols and permanent reductions to revenues related to a reduced number of available facility rental hours while this cleaning is being performed.

As mentioned earlier in this report operational changes at Beachway Park to address parking concerns required the addition of on-going funding for RPF maintenance needs.

The simulation includes:

- Additional space needs for Building and By-law staffing (2022)
- Estimated \$500K in lost revenues over 2023 and 2024 as ongoing operational impacts post-COVID and a longer-term shift in consumer behavior impact to City operations.

## **10. Allowance for Unknown Factors**

As with all forecasts, it is imperative to recognize that there are unknown factors that will likely occur in the future that could impact the model. To address these unpredictable factors, an amount of \$150,000 has been included in the 2024 forecast, increasing by \$50,000 per year. This allowance has been included to recognize that factors in the simulation such as future efficiency savings and assessment growth can be increasingly difficult to predict the further out into the future they are.

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**Financial Matters:**

Staff will prepare the 2022 budget taking into account the budget pressures identified above, while aligning to the city’s long-term financial plan and the important policy decisions of this council.

The following table outlines the forecasted tax increase for 2022:

	<b>2022 Forecasted City Tax Increase</b>
Base Budget*	2.45%
Additional Base Budget Pressures	1.32%
Infrastructure Levy	1.25%
Sub-total	5.02%
Risk Mitigation Measures	0.55%
<b>Total City Increase</b>	<b>5.57%</b>
<b>Estimated Overall Increase</b>	<b>3.33%</b>

\* Includes estimated assessment growth of 0.6%

The forecasted City tax increase for 2022 at 5.57% is an increase of 0.32% over the 5.25% presented in the last simulation. This is largely attributable to adjustments made to the 2021 budget to mitigate the tax increase and recently approved service changes. Staff will be working closely with Services during the development of the 2022 budget to try to lessen the increase.

Consideration will also be given to limiting service enhancements in 2022 including the possible protracted completion of V2F initiatives until such time as the financial situation improves. V2F is expected to be updated in Q3 2022.

The multi-year simulation forecasts the city tax impact from 2023 to 2026 to begin at 5.46% reducing to 4.58%. The overall tax rate impact (City, Region and Education) ranges from 3.33% in 2023 to 3.06% in 2026. The city’s portion of the overall tax rate impact averages 2.44% over the 2022-2026 timeframe.

The Multi-Year Simulation forecasts tax increases as follows (detailed in Appendix A):

	2022	2023	2024	2025	2026	Average 2022-2026
<b>City Tax Increase</b>	5.57%	5.46%	5.33%	4.93%	4.58%	5.17%
<b>Overall Tax Bill Impact</b>	3.33%	3.37%	3.34%	3.19%	3.06%	3.26%
<b>City Share of Overall Impact</b>	2.53%	2.53%	2.52%	2.38%	2.25%	2.44%

### Inflation (CPI)

For 2020, the Canadian 12-month CPI average was 0.7% which was the slowest growth since the 2009 economic downturn. This was largely due to a decline in consumer spending during pandemic restrictions. However, CPI rose 3.6% on a year-over-year basis in May as prices began to recover from initial pandemic related declines. The Bank of Canada targets 2% annual average inflation. Analysts are forecasting CPI to average 2.2% in 2021. These forecasts are largely dependent on the speed and strength of the economic recovery following the easing of pandemic restrictions.

### Historical Tax Increases

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

Year	City Tax Increase	Total (City, Region, Education)
2012	3.29%	1.79%
2013	4.46%	1.81%
2014	3.50%	1.49%
2015	3.64%	2.08%
2016	3.14%	2.01%
2017	4.42%	2.60%
2018	4.36%	2.64%
2019	2.99%	1.96%
2020	3.99%	2.43%
2021	4.14%	2.50%
<b>4-yr Avg.</b>	<b>3.87%</b>	<b>2.38%</b>
<b>10-yr Avg.</b>	<b>3.79%</b>	<b>2.13%</b>

Over the last four years the average city tax change is 3.87% and the overall tax change is 2.38%. During this four-year period, the city's budget included the 1.25% infrastructure levy to lower the infrastructure funding gap while at the same time provided significant investments in Transit, By-law Enforcement and Forestry.

For the last ten years the city tax change is 3.79% with an overall tax rate change of 2.13%.

According to the BMA annual study, Burlington remains below the group average of surrounding GTHA municipalities when comparing the tax burdens of similar properties.

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## **Climate Implications**

In April 2019, Council declared a Climate Emergency. Burlington's Draft Climate Action Plan (CW-20-19) identified a number of initiatives to assist the City in reducing its overall carbon footprint.

There are many foundational initiatives in the city's Vision to Focus (V2F) plan such as creating the Climate Adaptation Plan, Corporate Energy Plan, Green Fleet Strategy, Urban Forestry Management Plan and enhanced Transit that will require significant capital and operating funding to achieve the city's aspirational climate goals.

In 2020 the city developed an Interest Allocation Policy (F-48-20) whereby the first \$250,000 of capital gains in excess of budgeted investment income is transferred to the Green Initiatives Reserve Fund. The inclusion of a Green Infrastructure Levy to support several long-term environmental infrastructure initiatives including active transportation and the greening of the corporate fleet and facilities has been forecasted to begin in 2023 as part of the multi-year simulation.

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## **Engagement Matters:**

The city will continue to use existing online engagement tools such as survey opportunities and Balancing Act. The results of all public engagement will be reported back to Council in advance of the budget review process. A virtual public townhall will be scheduled in November. The Open Book platform will also be used to present the budget and allow the public to view the budget data in an interactive and intuitive format.

## Budget Timelines

Below is a brief timeline of the 2022 budget process.

- Council Workshops – Service Presentations September 22, 23, 28 & 30, 2021
  - CSSRA – 2022 Budget Overview November 3, 2021
  - 2022 Budget Virtual Townhall November, 2021 (TBC)
  - CSSRA – 2022 Budget Review & Approval November 30 & December 2, 2021
  - Council – 2022 Budget Approval December 14, 2021
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## 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 the 4-year workplan initiatives representing visions to meet important community needs. These factors ultimately impact property taxes and reserve fund balances to maintain / enhance existing service levels and quality of life.

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Respectfully submitted,

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## Appendices:

- A. Multi-Year Budget Simulation
- B. Council Workshops - Service Information Presentations detailed agenda

## Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council.