



SUBJECT: 2022 Budget Overview

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

FROM: Finance Department

Report Number: F-36-21

Wards Affected: All

File Numbers: 435-01

Date to Committee: November 3, 2021

Date to Council: November 23, 2021

Recommendation:

Receive the proposed 2022 budget book; and

Direct staff to present the recommendations in Appendix A to the Corporate Services, Strategy, Risk and Accountability Committee meetings of November 30 and December 2, 2021 for review and approval, taking into consideration committee amendments.

PURPOSE:

This report provides an overview of the proposed 2022 operating and capital budget and forecast.

Background and Discussion:

In July 2021, Council approved the 2022 Budget Framework Report. This report provided Council with the parameters on which the proposed 2022 budget would be prepared, outlined key budget pressures and forecasted a preliminary city tax increase of 5.57% for 2022.

Since that time, staff have finalized the preparation of the 2022 Budget which results in a recommended City tax increase of 5.45% (3.18% overall including Region of Halton and Boards of Education). This report will outline the process undertaken to finalize the budget, discuss key challenges addressed in the budget and summarize the financial impacts.

The 2022 budget submission continues to adhere to the guiding principles and directions of the following reports:

- F-25-21: 2022 Budget Framework Report
- F-29-19: 2019 Financial Condition Assessment
- CM-06-19: 2018-2022 Burlington's Plan: From Vision to Focus
- F-22-12: The City of Burlington Long Term Financial Plan

Companion Reports

In addition to this budget overview report there are two additional staff reports which provide greater details of items related to the City's infrastructure.

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|--|------------------------|
| Asset Management Plan (ES-47-21) | EICS November 15, 2021 |
| Asset Management Financing Plan Update (F-34-21) | EICS November 15, 2021 |

2022 PROPOSED BUDGET

Strategy/process

The budget process provides a venue in which decisions are made to ensure an appropriate balance between affordability, maintaining service levels and financial sustainability is achieved over the long term.

The budget focuses on:

- Mitigating the financial impacts of COVID-19;
- 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.

2022 Budget Format

The budget is again presented in a service-based format combining both operating and capital needs allowing Council and residents to see how our services meet the growing demands of our community. 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 a new Green category is being introduced to identify projects that support the city's climate goals.

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.

Two Budgets in One – COVID-19 Pandemic

The COVID-19 pandemic continues to impact our city. Not only does it pose an immediate health concern for people, it is expected to continue to have wide-reaching economic impacts on individuals and businesses.

It represents one of the most significant financial challenges municipalities have ever faced. The financial impacts are the result of restrictions designed to reduce the transmission of the virus within our community. As reported monthly since early 2020, the financial impacts of COVID-19 on the City are significant.

As a result of the continued financial pressures of the ongoing COVID-19 Pandemic, the 2022 Budget will again be presented as two budgets in one. Similar to the 2021 budget, the steps to develop the 2022 budget were as follows:

- **Base Budget** - The budget was first built under traditional business as usual assumptions with all City services adjusting their ongoing base budgets to reflect service efficiencies and standard inflationary pressures offset with “normal” changes to revenues based on fee changes and volumes.
- **COVID Budget** – All City services were asked to separately identify one-time budget adjustments required as a result of COVID-19. These adjustments include one-time reductions in budgeted revenues and changes in expenses to recognize temporary Service redesign plans required to protect the health and wellbeing of residents, businesses and staff. Finally, services were asked to make further one-time budget adjustments to expenditures reflecting continued travel restrictions and additional savings resulting from remote working such as decreases in professional development given virtual training opportunities, meeting expenses and mileage.

The net result of these one-time COVID-19 impacts have been shown separately from the ongoing base budget throughout the budget documents. The ongoing 2022 budget results in a tax increase while the one-time 2022 COVID budget has been offset by temporary cost savings and a one-time funding plan.

Safe Restart Agreement Funding

The City has been fortunate to receive approximately \$19.8 million of Safe Restart Funding from senior levels of government. Approximately \$6.9 million of this funding was used to offset 2020 losses. Although the 2021 budget forecasted significant COVID impacts and relied on over \$6.7 million of Safe Restart Funding current projections estimate that a further \$3.7 million of this funding will be required to offset year-end COVID impacts.

Under these assumptions, approximately \$2.46 million of Safe Restart Funding will be available to offset the 2022 estimated COVID impacts.

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 will also provide 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 for staff.

2022 Estimated COVID-19 Impacts

Budgetary pressures associated with the COVID-19 pandemic are expected to continue into 2022. The largest of these impacts relate to decreased revenues particularly in Recreation programs, facility rentals and Transit fares. Staff have spent considerable time reviewing the financial impacts on Services experienced during 2021 and recognize that many of these conditions will continue into 2022 with gradual improvement as the year progresses and current restrictions continue to ease. Unlike the Federal and Provincial Governments, the City cannot budget for a deficit and therefore must budget/fund revenue shortfalls.

The projected total 2022 revenue impact of COVID-19 is \$5.57 million due to modified operations of various programs and services and reduced capacity limits in place to protect the health and safety of residents. Additionally, there is a one-time increase of \$366,000 in human resource costs in areas such as part-time staffing and overtime as well as \$70,000 of other increased expenditures. This is directly related to addressing COVID related service modifications to protect public health and continue to maintain adequate service levels during the pandemic. The actual impact will depend on the duration of the pandemic and the extent to which province-wide restrictions and measures impact City services and operations. Close monitoring and monthly financial impact reporting to Committee will continue for the foreseeable future.

COVID-19 Mitigation Measures

In order to help offset the impacts related to the pandemic, Services have continued to identify temporary mitigation savings in 2022 given continued restrictions and a remote working environment. These savings are considered to be temporary in nature and have a minimal impact on service delivery.

Overall, a total of \$1.23 million in one-time mitigation measures have been incorporated into the 2022 Budget which include:

- Savings in program supplies - \$86,500

- Savings in office supplies, mileage, professional development and other miscellaneous expenses as a result of work from home arrangements and virtual training opportunities - \$452,000
- Reduced provision to reserve funds as a result of decreased revenues - \$695,000

To offset the balance of the impacts the remaining \$2.46 million of Safe Restart Funding will be used as well as require a draw of \$2.3 million from the Tax Rate Stabilization Reserve Fund. Should additional Safe Restart Funding be provided by senior levels of government the draw from Tax Rate Stabilization Reserve Fund can be reduced or eliminated.

Included in the 2022 Budget document is a summary of the one-time COVID-19 financial impacts. These COVID one-time budget adjustments have been identified separately in each of the service areas.

Budget Review Process

The internal 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 \$1.35 million realized).
- The Corporate Infrastructure Committee conducted an in-depth review of the 10-year capital program ensuring adherence to financial policies, coordination of projects and alignment with the Strategic Plan and corporate initiatives.
- A corporate / strategic review by the Strategy and Risk Team (SRT) which included alignment to strategic objectives and review and recommendation of specific risk mitigation measures in the 2022 Budget amounting to \$1.21 million.

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 was altered and the timing advanced to earlier in the budget development process to start our journey around Integrated Business Planning and Budgeting.

This past September, eight Council Workshop sessions were scheduled over four days to allow the City Services to present overviews of their business plans to Council. Each of the City Services were grouped into the eight sessions by themes somewhat aligned to the Strategic Plan.

These workshop presentations included:

- 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

In addition, an opening presentation on the first day (September 22) provided an overview of the incremental budget investments including staffing that have been made during this term of Council (2019-2021). As well, Committee received a closing presentation (September 29) which included a summary of the main themes presented during the workshop and an update on the overall Designing and Evolving Our Organization (DEOO) process.

Budget Action Request (BAR) Forms

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 the 2022 Budget, the BAR form process will be amended. Prior to the meetings scheduled for budget review, each Member of Council is requested to prepare a memo (similar to the Motion Memorandum) outlining the various budget amendments they wish to propose. This memo will include the rationale for each proposed budget amendment. Attached to this motion memorandum will be a form similar to the traditional BAR form which will summarize each Member of Council's proposed amendments and amounts.

As has been done in the past, all proposed amendments will be consolidated into one document to form the agenda for the budget review meetings. Individual memos will 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.

Motion Memorandums and BAR forms are due to Finance by 4pm on November 23, 2021 to allow sufficient time for consolidation into the CSSRA agenda of November 30, 2021.

Budget Review and Approval Timelines

Below is a brief timeline of the 2022 budget review and approval process:

Date	Meeting	Item
November 22, 2021	TEAMS Live	2022 Budget Virtual Town Hall
November 23, 2021		Budget Motion Memorandums and BAR Forms due to Finance
November 30 and December 2, 2021	CSSRA	2022 Budget Review and Approval
December 14, 2021	Council	2022 Budget Approval

BUDGET PRESSURES, FINANCIAL SUSTAINABILITY AND BUDGET RISKS

The city continues to closely monitor revenue sources and 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 2022 and future years. These pressures include:

Human Resource Management, Labour Market and 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.

A significant risk to the corporation is the attraction and retention of human resources 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 and the new environment that supports remote work for non-front-line functions making it easier for people to live and work in different locations;

- Increasing challenge to retain and attract employees across a range of professional and technical job classes;
- Ability to hire qualified candidates;
- Labour market shortages; and
- A compensation and rewards system which has become less competitive within our market comparators.

The above pressures all remain relevant and even more so within a COVID environment. Employers, including the City of Burlington, have responded to COVID with increased digitization and automation of workplace practices, and employees now have more opportunity to consider working for companies who are no longer within commuting distance. This adds to the labour market risk, putting additional pressure on the city's competitiveness from a culture, compensation and leading practices perspective.

Labour market and staff retention risk has been identified as the number one enterprise risk for the City. While additional staff positions were added to the 2021 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.

Designing and Evolving our Organization

Since 2019, a corporate-wide strategic initiative has been undertaken to engage Council and staff in refining the organizational design through Designing and Evolving our Organization (DEOO). 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. These risks were highlighted during the Service Information Workshops held this past September.

Designing and Evolving our Organization has allowed the City of Burlington to continue to evolve to meet the changing environment, to address the strengths and weaknesses of the organization in a strategic and comprehensive manner and most importantly prepare for the future.

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.

Annually DEOO includes the following process:

- Assessing current state resources based on risks and 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 and related budget implications.

By following these steps, DEOO has become a 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 are identified and prioritized, giving consideration to rationalization where it makes sense and process improvements. These decisions are reflected in an annually updated DEOO plan and incorporated into the budget.

In advance of the 2022 budget, a total of 15 new FTE staff positions and three staff conversions were approved as part of report PL-46-21. These positions have been reflected in the 2022 base budget and are outlined separately in the Human Resources Summary included in the budget book. The costs have been fully offset with additional budget revenues within the Community Design and Development Review and Building Permit and Inspection Services. As a result, they do not impact the 2022 tax increase.

Four additional staffing changes for 2022 as part of DEOO are reflected in the recommended risk mitigation measures under the category of Sustaining City Services.

Building a 21st Century Workforce

There are several technology related projects currently underway to modernize the delivery of city services and provide ongoing operational efficiencies and improved data analytics. Some of these 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; and
- Operationalizing the city's new Business Intelligence (BI) platform.

Each of these major initiatives require financial and staffing resources to ensure a successful implementation and as well as ongoing operational support.

Included in the DEOO item mentioned above, a permanent resource is being requested to support the strategy, processes and technology for the Business Intelligence (BI) platform.

Controllable Revenues

In 2022, the City is forecasting \$5.57 million shortfall in revenues across city operations as a result of the COVID-19 pandemic. While it is difficult to predict the long-term impact, it is expected that there will once again be a significant reduction in revenues as these are highly dependent on the phased recovery of services and the future participation in city programs and services by residents and businesses. For 2022, anticipated revenue reductions have continued to be reflected as one-time impacts. Should a portion of these revenue reductions prove to be longer term in nature, they will need to be incorporated as permanent adjustments to future budgets.

User fees such as recreation program fees, facility rentals, transit fares, licenses and permit fees represent roughly 11.9% of city funding (\$33.6 million). As an example, each 10% permanent reduction in these revenues would represent a \$3.4 million budget increase or 1.84% city tax impact.

Assessment Growth

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 2022 Budget Framework report assumed assessment growth at 0.60% however, the estimated weighted assessment growth for the 2022 budget is lower at 0.45%. This provides approximately \$820,244 of additional revenue to offset inflation and growth-related costs in the base budget.

The assessment growth is an estimate as the final in-year assessment growth is not known until early December. The assessment growth of 0.45% reflects increased assessment from new construction offset by reductions to assessment resulting from appeals based on Assessment Review Board (ARB) decisions and Requests for Reconsideration.

In 2021 the city experienced reasonable residential growth, however loss in assessment due to complex commercial ARB appeals results in lower than expected overall net growth. Significant assessment reductions include the resolution of long-standing multi-year appeals from commercial shopping plaza properties, large office buildings, box stores and warehouses which together resulted in a - 0.22% loss in weighted assessment growth.

To mitigate the impact of the reduced assessment growth a one-time draw from the Tax Rate Stabilization Reserve Fund of \$280,000 for assessment growth stabilization equivalent to 0.15% has been included in the 2022 Proposed Budget.

Over the past 5 years, net assessment growth has ranged from a high of 1.07% to a low of 0.34% for an average of 0.58%.

Year	Net Assessment Growth
2018	0.41%
2019	0.64%
2020	1.07%
2021	0.34%
2022 Proposed	0.45%
2018-2022 Average	0.58%

Economic Considerations

The City has a number of large purchases that are paid using United States (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 significant price volatility during the COVID-19 pandemic. This results in the construction price index increasing higher than the rate of inflation. This has had a significant impact on the capital program.

Infrastructure Funding Deficit and Asset Management Plan

On the November 15th EICS committee, Council will be receiving the 2021 Asset Management Plan (ES-47-21), which has been revised and refined significantly to incorporate updated costing, design standards and to meet legislative requirements. It provides the city's most comprehensive and detailed asset management plan to date. The Asset Management Plan will be presented along with the Asset Management Financing Strategy Update (F-34-21).

Staff continue to support the dedicated infrastructure levy as the most sustainable and prudent approach to managing the needs of our city assets. For 2022, this represents a 1.25% levy (\$2.28 million).

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, 2021, the City's total debt charges as a percentage of own source revenue is estimated to be 9.3%. 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.

Planning for the Future – Reserves and 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.

Reserves and reserve funds provide tax rate and cash flow stability when the City is faced with unforeseen or uncontrollable events such as the COVID-19 Pandemic. 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 plan for future liabilities.

- **Stabilization Reserve Funds** – These reserve and reserve funds are used to mitigate raising 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 (\$22.4 million to \$33.6 million).

As of September 2021, the consolidated balance of these reserve funds is at the lower end of the target at 10.4%.

- **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 \$5.2 billion, this equates to an estimated \$104 million.

As of September 2021, the City's uncommitted consolidated balance in capital renewal reserve funds is approximately \$38.2 million, well below the intended target.

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

Contributions to Corporate Reserves and 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 future liabilities.

Local Boards

Local Boards include the Burlington Public Library, Burlington Museums, Art Gallery of Burlington, The Burlington Performing Arts Centre (BPAC), Tourism Burlington and Burlington Economic Development. For 2022, a base budget increase of 1.75% was provided for local boards, equating to \$278,890.

2022 PROPOSED CAPITAL PROGRAM

As presented in previous years, the capital program categorizes projects into the following three areas:

- **New / Enhanced projects:** increases to current service levels beyond what the city currently provides, not as a result of growth
- **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 this year is the inclusion of a fourth category to identify the city's investment in **green infrastructure**. This category includes projects which support the city's climate goals.

The 10-year capital program (2022-2031) is \$829.5 million. The table below provides a summary for each service category. Infrastructure renewal represents the largest type at 68.5% followed by growth-related projects at 15.1%, new / enhanced projects of 12.8% and green projects of 3.6%.

10-year capital budget by service category

Project Type	New/ Enhanced	Infrastructure Renewal	Growth	Green	Total
A City That Grows	\$ -	\$ 2,110	\$ 2,400	\$ 42	\$ 4,552
A City That Moves	\$ 69,229	\$ 311,670	\$ 92,302	\$ 10,427	\$ 483,628
A Healthy and Greener City	\$ 26,968	\$ 155,386	\$ 29,505	\$ 16,511	\$ 228,370
An Engaging City	\$ 1,865	\$ 15,350	\$ 436	\$ 321	\$ 17,972
A Safe City	\$ 483	\$ 35,286	\$ -	\$ 1,822	\$ 37,591
Good Governance	\$ -	\$ 1,000	\$ -	\$ -	\$ 1,000
Enabling Services	\$ 7,420	\$ 47,620	\$ 250	\$ 1,093	\$ 56,383
Total	\$ 105,965	\$ 568,423	\$ 124,892	\$ 30,216	\$ 829,496

All values in thousands ('000)

Numbers may not add due to rounding

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 (61.1%) of the overall funding envelope. The program continues to rely on the cash flow from development charge revenue to fund growth projects (8.9%), federal and provincial gas taxes (10.1%), vehicle depreciation reserve funds (6.1%), park dedication reserve fund (2.0%) and other recreation facility renewal reserve funds for recreation assets. As well, 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 and Park Dedication**

The city approved an updated Development Charges (DC) By-law which came into effect on June 1, 2019. Strategic initiative 4.1.f states: "New infrastructure needed to support growth is paid for by new development".

The 2022 proposed capital budget and forecast includes development charge funding of approximately 8.9%. The growth-related capital infrastructure included in the 2019 DC Background Study formed the basis of projects included in the 2022 capital budget and forecast.

Spending of development charges is based on the City's policy that expenditures in any year do not exceed the uncommitted balance in the reserve fund at the end of the preceding year. Development Charge revenues over the last 5 years (2016-2020) have averaged \$5.0 million per year. As of October, approximately \$5.7 million has been received in 2021.

Park Dedication revenues over the last 5 years (2016-2020) have averaged \$2.8 million per year. As of October, approximately \$2.5 million has been received in 2021.

Staff will continue to closely monitor these revenue sources as fluctuations can significantly impact the funding of the city's capital program.

On July 21, 2020, the Province approved Bill 197, Covid-19 Economic Recovery Act. As part of this new legislation, staff will be required to update the DC Background Study, alternative parkland dedication and develop a Community Benefits Charge strategy by September 18, 2022. As noted in finance report (F-47-20) on Bill 197, Covid-19 Economic Recovery Act, 2020, the updates will allow the city to collect growth-related revenue on additional services, remove the 10% discount on soft services and collect a percentage of land value on high density developments, potentially increasing our revenue however, not creating revenue neutrality.

Canadian Community Building Fund and Provincial Gas Tax

The Canadian Community Building Fund (formerly known as the Federal Gas Tax program) was introduced in 2005 and provides approximately \$5.8 million of funding annually for infrastructure renewal. Of the total money received, 75% is used to fund road projects while the remaining 25% supports Transit renewal needs such as the conventional bus replacement program.

The Provincial Gas Tax program was introduced in 2004 and provides funding for transit capital and operating expenditures. Of the approximately \$2.38 million of funding received annually, the city uses \$880,000 to support transit 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.

Funding has been reflected in the 10-year capital program based on current and anticipated applications to the Public Transit stream.

Staff Direction

The following staff direction is addressed as part of this report and the accompanying proposed capital budget and forecast:

- **Recognition and support of Burlington 2SLGTBQIA+ community through City infrastructure initiatives (CPRM-04-21, SD-15-21, SD-16-21, SD-17-21, SD-18-21, SD-19-21)**

“Direct the Director of Transportation to consider as part of the 2022 capital budget three (3) additional Pride (rainbow) crosswalks to be installed by Q4 2022, using pre-established criteria, and based on input from the community survey. Report to committee and council on the locations, timing and cost no later than Q2 2022 (SD-16-21).”

Included under the category of “A City that Moves” is a capital project called Pride (Rainbow) Crosswalks with funding of \$45,000 identified for 2022. This project will fund the installation of 3 rainbow crosswalks for 2022.

Also included under the category of “A Healthy and Greener City” is a capital project called City Benches with annual funding of \$40,000 per year over the 10-year forecast. This project reintroduces funding to the program which implements the placement of benches throughout the city based on locations determined annually by Council members. The installation of rainbow benches can be implemented under this program.

2022 PROPOSED OPERATING BUDGET

Chief Financial Officer (CFO) Review

Finance undertook a detailed line by line review of the base budget and met virtually with each of the services. This review resulted in approximately \$1.35 million in budget reductions through changes to expenditures and revenues.

Highlights of expenditure savings / revenue increases in the 2022 proposed budget for City Services include:

- Reduction in operating / minor capital equipment of \$155,100 in areas such as fuel, utilities, salt usage and other operating materials;

- Reduction in purchased services in the amount of \$342,000 in areas such as contracted services, consulting and advertising;
- Revenues were increased by \$815,000 particularly in areas such as Transit and Development Application fees. While revenue decreases are anticipated for 2022 due to COVID-19, these impacts have been reflected as one-time for 2022 to mitigate the impact to the tax base.

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. These figures represent Service's base budgets as well as temporary COVID adjustments. Excluded are any financial impacts of recommended risk mitigation measures listed below.

Service Category	2022 Operating Investment
A City That Grows	\$ 13,189
A City That Moves	\$ 54,564
A Healthy and Greener City	\$ 43,208
An Engaging City	\$ 19,042
A Safe City	\$ 37,686
Good Governance	\$ 8,181
Enabling Services	\$ 26,275
Corporate Expenditures	\$ 82,665
Total	\$ 284,810

Gross budget values are in thousands ('000)
Numbers may not add due to rounding

2022 PROPOSED RISK MITIGATION MEASURES

Risk mitigation measures are proposed variations in the budgeted expenditures or revenues for which separate budget disclosure is warranted. These risk mitigation measures are grouped and disclosed separately and are divided into 3 categories as follows:

Sustaining City Services (\$685,333 net)

- Additional funding for on-going recreation facility maintenance to meet lifecycle requirements and reduce risk.

- One-time funding to support a Gypsy Moth spraying program in 2022.
- One-time funding to extend the contracts of 2 By-law Enforcement Officers.
- 4 additional staffing positions recommended as part of the Designing and Evolving Our Organization (DEOO) process.

Enhancing Services (\$199,130 net)

- Funding to make the Free Transit for Seniors pilot a permanent program
- Operating expenses of the new Orchard Community Hub

Modifications to Services to Address COVID (\$332,733 net)

- Funding to make the bus cleaning pilot program permanent
- Dedicated operations space for Building Inspection and By-law Enforcement staff

Additional Items Unable to Be Accommodated (not included in the proposed budget)

In addition to the above risk mitigation measures recommended in the 2022 budget, a number of additional items could not be accommodated. These items include:

- 8 Transit Operators to support the 4 new conventional buses purchased in the 2022 budget. As the buses are not anticipated to be delivered until late 2022, these operating impacts (\$836,000) will need to be included in the 2023 budget.
- 1 Specialized Transit Operator to support the new specialized vehicle purchased in the 2022 budget. As the vehicle is not anticipated to be delivered until late 2022, this operating impact (\$135,000) will need to be included in the 2023 budget.
- Additional prioritized DEOO positions (\$1,176,000) which have been deferred to 2023.
- An annual provision (\$100,000) to the Forestry Reserve Fund to support future recurring pest-management activities.
- A one-time request from the Art Gallery of Burlington (\$230,000) for organizational and human resources redesign.

Financial Matters:

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 after consideration of user fees and other corporate revenues.

The 2022 proposed budget reflects service efficiencies, leveraging non-tax revenue sources, addressing risk and continuing on a path towards long-term financial sustainability.

For 2022, this consists of a proposed base amount of \$191,855,939 plus recommended risk mitigation measures of \$1,217,196 for a total proposed net tax levy of \$193,073,135. This net tax levy represents 67% of total operating revenues in 2022.

Overall, the 2022 budget maintains the city's financial position, addresses corporate risk and ensures residents continue to receive the programs and services that provide for the high quality of life in Burlington.

The budget is presented as follows:

- The city's base budget is presented with a 2.46% tax increase which reflects standard inflationary impacts.
- Estimated assessment growth (new residential units and businesses) of 0.45% as well as a one-time draw from the tax rate stabilization reserve fund of \$280,000 (0.15%) to achieve an overall 0.6% net assessment growth. This reduces the base budget tax impact to 1.86%.
- Additional budget pressures required to address labour market risk and a decrease in Halton Court Services revenues add 0.71%.
- Impacts of prior and pending Council decisions result in a tax increase of 0.48%.
- The operating impacts of previously approved capital projects result in an additional tax increase of 0.48%.
- The dedicated infrastructure levy of \$2.28 million results in an additional tax increase of 1.25%.

This brings the total proposed city tax increase to 4.78% before recommended risk mitigation measures.

Included in the 2022 Proposed Budget are recommendations aligned to three categories of risk mitigation as follows:

- **Sustaining city services** (\$685,333) results in an additional tax increase of 0.37%

- **Enhancing services** (\$199,130) results in an additional tax increase of 0.11%
- **Modifications to city services to address COVID** (\$332,733) results in a tax increase of 0.18%

Inclusion of these categorized Risk Mitigation measures brings the total proposed city tax increase to 5.45%. When combined with the proposed Region of Halton increase and the Boards of Education, the overall tax increase is 3.18% equivalent to \$24.76 per \$100,000 of residential current value assessment (CVA).

This increase is slightly below the 5.57% projected tax impact presented in the 2022 Budget Framework report approved by Council in July 2021.

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

	Budget Change	Tax Impact	One-time COVID Impact	Tax Impact
City Services	\$ 2,826,458	1.54%		
Corporate Revenues and Expenditures	\$ 1,685,887	0.92%		
Base Impact	\$ 4,512,345	2.46%		
Assessment Growth		(0.45%)		
One-time Funding to Address Assessment Growth Lower than Projected for 2022	\$ (280,000)	(0.15%)		
Revised Base Impact	\$ 4,232,345	1.86%		
Additional Budget Pressures	\$ 1,300,000	0.71%		
Prior and Pending Impacts of Council Decisions	\$ 885,666	0.48%		
Previously Approved Capital Projects	\$ 883,540	0.48%		
Infrastructure Levy	\$ 2,278,000	1.25%		
One-time COVID Impact			\$ 4,771,962	2.61%
One-time COVID Funding			\$ (4,771,962)	(2.61%)
Cumulative Impact	\$ 9,579,551	4.78%	\$ -	0.00%
Sustaining City Services	\$ 685,333	0.37%		
Enhancing City Services	\$ 199,130	0.11%		
Modifications to Services to address COVID	\$ 332,733	0.18%		
Total Impact	\$ 10,796,747	5.45%	\$ -	0.00%
Estimated Overall Tax Impact (City, Region, Education)		3.18%		
- After Risk Mitigation Measures				

*Region of Halton 2.00% and Board of Education 0.00%

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

Year	City Tax Increase	Overall Increase (City, Region, Education)
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%
2022 Proposed	5.45%	3.18%
4-yr Avg.	4.14%	2.51%
10-yr Avg.	4.01%	2.27%

Over the last four years the average city tax change is 4.14% and the overall tax change is 2.51%. During this four-year period, the city's budget included the 1.25% infrastructure levy to direct towards the growing 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 4.01% with an overall tax rate change of 2.27%.

According to the 2020 BMA annual study, Burlington remains below the group average of surrounding GTHA municipalities when comparing the tax burdens of similar properties.

Climate Implications

There are several ways in which climate change can impact the budget. For example, increasing extreme weather events such as wind, freezing rain, extreme heat and cold can result in operational expenditures due to clean-up costs potentially requiring a review of the Severe Weather Reserve Fund and impacts to infrastructure resulted in unbudgeted expenses to repair and/or replace.

Similarly, efforts to mitigate climate change can have a budgetary impact. Investments in renewable energy and electric vehicle charging infrastructure to help reduce greenhouse gas emissions require higher upfront investments but save the city on operating costs in the longer-term.

In 2019, City Council declared a climate emergency, prioritizing the fight against climate change by applying a climate lens to the City's plans, actions and the budget. Since that time the Council has:

- approved a Corporate Energy and Emissions Management Plan (2019) with a target for city operations to be net carbon neutral by 2040
- approved Climate Action Plan (2020) with a target to become a net carbon neutral community by 2050
- received a Climate Projections Report (2021) based on available science, outlining how Burlington's climate has and is projected to change
- received a Warmer, Wetter & Wilder Story Map to illustrate past events that have taken place and how they have impacted the community
- joined the Global Covenant of Mayors on Energy and Climate Change (2020) and began to disclose climate action initiatives and data through the Carbon Disclosure Project in 2021.

There are many foundational initiatives in the city's Vision to Focus (V2F) that will require significant funding to achieve the city's aspirational climate goals.

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 and engagement platform as a communication medium through videos, webcast and online surveys.

A budget survey was available on the city's Get Involved Burlington Website from July 5, 2021 to September 30, 2021. A total of 539 responses were received. A summary of the survey responses can be found in Appendix B.

The "Budget Basics" video continues to be available on the website which explains how the city develops its budgets.

This year, the City is again using a budget simulation tool, Balancing Act, to educate the public on the City's budget and highlight the challenge of maintaining and improving services to the public, with limited sources of revenue. Using this tool, the public can simulate where they would recommend City Service budgets be amended to either increase or reduce overall spending and revenues.

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 2022 budget data in an intuitive and illustrative form.

Finance staff provided a budget presentation at a Ward 3 meeting on September 27, 2021. A virtual budget townhall using the TEAMS live format will be held on November 22, 2021.

A comprehensive report outlining the 2022 Budget Engagement process (Report F-37-21) will be presented to Committee on November 30, 2021.

Conclusion:

The proposed 2022 budget has been thoroughly reviewed by staff. Decisions considered as part of the 2022 budget deliberations 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 2022 tax levy. The 2022 proposed overall property tax increase of 3.18% is slightly lower than the 2022 Budget Framework Report.

Respectfully submitted,

Lori Jivan

Coordinator of Budgets and Policy

905-335-7600 ext. 7798

Appendices:

- A. Budget Recommendations
- B. 2022 Budget Survey Results

Report Approval:

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

Appendix A: 2022 Budget Recommendations

Approve the 2022 Operating Budget including any budget amendments approved by the Corporate Services, Strategy, Risk and Accountability Committee to be applied against the proposed net tax levy amount of \$193,073,135; and

Approve the 2022 Capital Budget for the City of Burlington, with a gross amount of \$77,324,020 with a debenture requirement of \$8,600,000, and the 2023-2031 capital forecast with a gross amount of \$752,172,369 with a debenture requirement of \$38,975,000 as outlined in report F-36-21 and as amended by the Corporate Services, Strategy, Risk & Accountability Committee; and

Approve that if the actual net assessment growth is different than the estimated 0.45%, 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 \$8,600,000 in 2022 as tax supported 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.