

## REPORT

**REPORT TO:** Mayor Bonnette and Members of Council

**REPORT FROM:** Duncan Robertson, Budgets and Financial Reporting Supervisor  
Moya Jane Leighton, Treasurer and Manager of Accounting

**DATE:** June 21, 2018

**REPORT NO.:** CORPSERV-2018-0037

**RE:** 2019 Operating and Capital Budgets and 2020-2028 Capital Forecast Guidelines

### RECOMMENDATION:

THAT Report No. CORPSERV-2018-0037 dated June 21, 2018 regarding the 2019 Operating and Capital Budgets and 2020-2028 Capital Forecast Guidelines be received for information.

### BACKGROUND:

The purpose of this report is to provide information on the challenges and opportunities associated with the anticipated 2019 budget. The Chief Administrative Officer (CAO), Senior Management Team (SMT) and Accounting staff has reviewed the key drivers of the preliminary operating budget and will be conducting the same exercise with the capital budget. Staff will continue to refine the operating and capital budgets for presentation to the Budget Committee in early 2019.

Staff presented Council with an updated Long Range Financial Plan (LRFP) through Report CORPSERV-2018-0031. The intent of the LRFP is to ensure the Town manages its financial portfolio effectively to maintain existing service levels and healthy reserves. The recommendations set out in the 2018 LRFP have been taken into consideration in preparing the 2019 preliminary operating budget.

Staff conducted the third Halton Hills Citizen Service Delivery and Performance Measurement Survey in 2015, to measure various aspects of service delivery and compare to the previous surveys undertaken in 2005 and 2011. Staff has considered the results of this survey in developing their 2019 budgets and departmental Business Plans. Subject to Council approval, staff expects to undertake a fourth Halton Hills Citizen Service Delivery and Performance Measurement Survey in 2019. This survey is an important performance measurement tool used to gauge the level of citizen satisfaction and importance with respect to Town services and to gain an understanding of citizens' needs, as well as areas requiring improvement. This feedback is considered

in the development of Council’s Strategic Plan, which in turn, is utilized by departments in creating their respective business plans.

The Corporate Technology Strategic Plan (CTSP) is complete, following nine months of extensive consultations and analysis. It is being presented to Council through Report CORPSERV-2018-0038. The strategic direction going forward will be to elevate the importance of technology in the corporation and to leverage it as an enabler of modern business practices. With these goals in mind, the preliminary operating budget has included a financially sustainable option to address deficits in the technical infrastructure and the level of support for the Town’s suite of business applications.

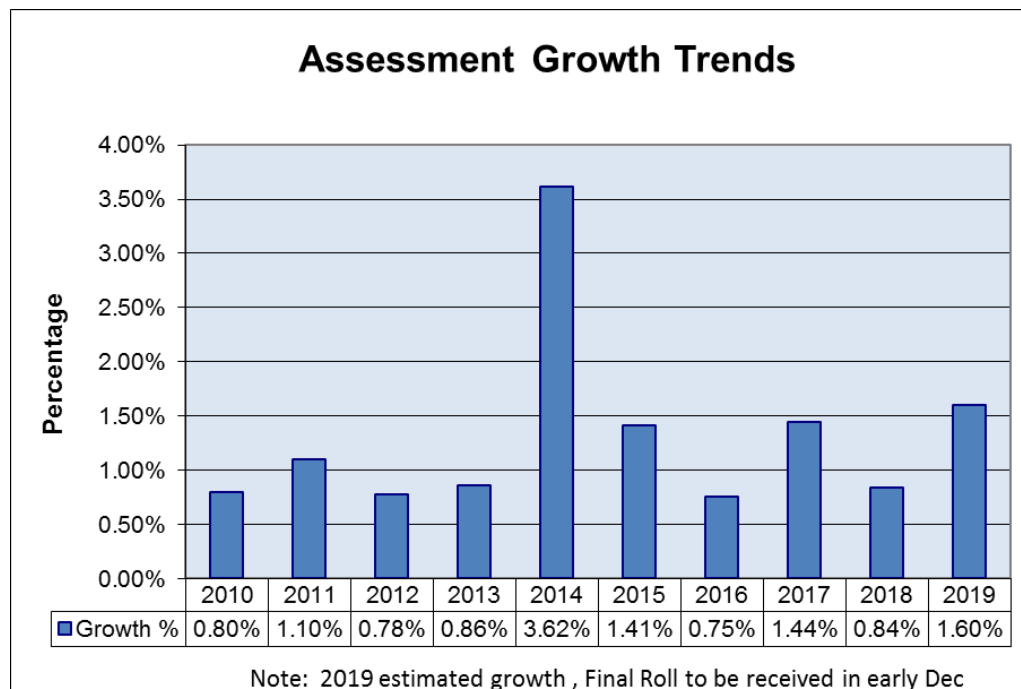
**COMMENTS:**

APPENDIX B summarizes the various pressures that the Town is projecting for the 2019 budget year. The net tax levy is outlined below:

<b>2019 Base Budget</b>	<b>\$</b>	<b>48,938,900</b>	<b>3.3%</b>
<b>Fire Services Levy</b>	<b>\$</b>	<b>284,000</b>	<b>0.6%</b>
<b>Preliminary 2018 Net Operating Levy</b>	<b>\$</b>	<b>49,222,900</b>	<b>3.9%</b>

The 2019 budget forecast was prepared using the following challenges and opportunities:

1. For 2019, staff is projecting 1.60% assessment growth or additional revenue of \$870,000. This is related mostly to new residential housing construction within the Town;



2. There is a projected impact of \$1,719,700 for compensation and benefits adjustments. This includes previously approved contract adjustments, performance increments, job evaluation changes, proposed economic adjustment, any benefit costs associated with the Town's benefit provider, Canada Pension Plan/Employment Insurance and Workers' Safety and Insurance Board changes. This amount includes the approved recommendations of the Non-Union Salary Survey and Council Compensation reports;
3. Operating impacts of previously approved capital projects amount to an expected \$115,800 increase to the annual budget;
4. Inflationary pressures on existing services based on the CPI forecasted inflation of 2.0% for 2019, as well as increases in materials and supplies required to maintain service levels have a projected base budget impact of \$387,900;
5. The preliminary operating budget includes an estimated increase of \$631,000 for contributions to reserves, subject to approval of the Long Range Financial Plan (Report CORPSERV-2018-0031);
6. At its meeting held on May 12, 2006, the Fire Services and Emergency Planning Committee adopted Recommendation No. 2006-0013 which supported a Special Fire Services Levy of 1.2% per annum. The original intent of the levy was to provide sufficient funding to hire four new full-time firefighters annually. As a result of operational changes instituted in 2007, the annual recruitment was reduced from four full-time staff to two. Council will see the same request for two new firefighters as part of the 2019 budget, as the Town gradually advances to 24 x 7 full-time service to match the growth in the community. In the interim, Fire Services will continue to effectively manage and maintain its excellent composite structure, utilizing the services of both part-time and full-time staff.

The levy has been utilized to partially support debenture payments on the building of two new fire stations and to support the overall Fire Services capital program. For the 2019 budget, Fire Services has determined a 0.6% levy, which equates to \$284,000, is sufficient to meet their present needs;

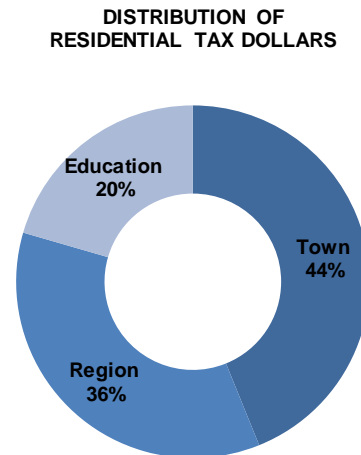
7. The CTSP presented through report CORPSERV-2018-0038 addressed existing resourcing gaps within Information Services. The operating forecast proposes the hiring of three positions in Information Services and additional database management support. Interest on long-term investments is proposed as the primary funding source for these resources. Historically, excess interest income is placed into the Technology Replacement Reserve. Instead it is proposed to leave the interest income in the operating fund, thereby increasing the base budget revenue by \$250,000 to fund these positions resulting in a net budget increase of \$152,000;

8. The current projected 2018 operating surplus related to additional supplementary taxes and salary gapping will be used to fund the transition of the ActiVan program to an in-house service and the continuation of existing contractual positions to the end of 2019. A feasibility study will be conducted after the transition period to determine ongoing budget funding. The ongoing need of positions currently under contract will be evaluated at the end of their terms in 2019.
  
9. It should be noted that under the new provincial government, there is uncertainty around the continuation of funding programs for municipalities. Staff will continue to monitor any impact on existing Town programs that rely on provincial contributions and any changes around future funding opportunities.

In consideration of a 3.9% increase, the property tax impact per \$100,000 of residential assessment is illustrated below:

PROPERTY TAX IMPACT 2019 OPERATING BUDGET (Per \$100,000 of residential assessment)				
	2018 Final Budget	2019 Preliminary Budget	\$ Change	% Change
Town	\$364	\$378	\$14	3.9%
Region *	\$295	\$301	\$6	2.0%
Education **	\$170	\$170	\$0	0.0%
<b>Total</b>	<b>\$829</b>	<b>\$849</b>	<b>\$20</b>	<b>2.4%</b>

Notes:  
 \* Based on Regional 2019 budget guidelines  
 \*\*Based on 2018 Education rates



### **Budget Schedule**

The capital and operating budgets will be provided to Council in one consolidated document prior to the first Budget Committee review meeting. The capital budget will be reviewed by Budget Committee separately from the operating budget as in previous years. The members of the Senior Management Team will be present at each Ward briefing to answer any questions that members of Council may have.

APPENDIX B outlines the 2019 budget and business plan schedule. The Budget Committee reviews for both the capital and operating budgets will be scheduled in 2019 during the new term of Council. Public delegations will be heard at that time.

## **Operating Budget**

Preparations for the 2019 operating budget process commenced in April of 2018. Accounting staff worked closely with each department to formulate the preliminary budget.

Department Business Plans, forecasted changes to existing operations and historical revenues and expenditures were analysed and reviewed to determine the 2019 proposed base budget requirements necessary to continuing the existing service levels of the departments.

Staff is proposing that Business Plan presentations continue to be made to Standing Committees prior to the Budget Committee's review so that Council has the opportunity to hear the story behind the numbers. As part of the final budget presentation, the Treasurer will provide an Executive Summary to Council highlighting key information.

Staff will continue to review services and their associated costs and revenues over the upcoming months as the final budget document is developed and refined. Members of Council will have an opportunity to discuss the proposed operating budget in detail at the Ward briefings prior to the Budget Committee review.

## **Capital Budget**

The capital budget process began in April of 2018. Working closely with Accounting staff, each department began by updating the 2019 capital budget and 2020 – 2028 capital forecast to reflect the next 10 years of planned capital spending. Staff will continue to work diligently to meet the parameters of the available capital funding, carefully evaluating and positioning projects to best utilize the Town's available resources. As well, clear links to supporting legislation and Town initiatives, such as the Strategic Plan, will be provided in the capital budget detail (CB1) forms.

The capital budget relies on the Capital Replacement Reserve as the primary source of funding; other reserves are also used to support specific projects, e.g., the Technology Replacement Reserve. The preliminary operating budget currently estimates reserve contributions of \$631,000 for 2019. This is subject to change, pending the recommendations from the 2018 LRFP in Report CORPSERV-2018-0031.

Staff will continue to review the 2019 to 2028 capital budget and forecast and present the recommended use of reserve funds to Budget Committee in the new term of Council in early 2019. Members of Council will have an opportunity to discuss the proposed capital budget in detail at the ward briefings prior to Budget Committee review.

## **Budget Document**

The 2019 budget document will continue to provide Council, Town staff and the public with a more informative and transparent narrative of the Town budget. In addition to the financial projections, this document provides background information supporting the

proposed budget, the value behind the services and projects being delivered, and how each department's work plan is aligned with Council's Strategic Plan priorities. The departmental section of the binder will include a business plan for each department, organizational charts, the 2019 budget, and any budget inclusions.

### **Budget Briefings**

Capital and operating Ward briefings will be scheduled once Budget Committee dates are known. The intent is to provide members of the Budget Committee with an opportunity to hear from the CAO and the Town Treasurer on the corporate ranking process, the contents in the budget binder, the assumptions used to complete the budget and to answer any questions.

### **RELATIONSHIP TO STRATEGIC PLAN:**

The annual operating and capital budgets are major funding and decision-making tools used to implement the actions of the Town's Strategic Plan. The effective, efficient and economical delivery of the Town's existing services is one of Council's top strategic priorities for the current Council term.

### **FINANCIAL IMPACT:**

There is no direct financial impact associated with this report as any impact will be reflected in the budget documents to be considered and approved by Budget Committee and Council.

### **CONSULTATION:**

The report was prepared in consultation with senior staff from all departments.

### **PUBLIC ENGAGEMENT:**

This report has been prepared as information only. No public engagement was required in reference to this report.

### **SUSTAINABILITY IMPLICATIONS:**

The sustainability implications of the recommendations of the report were reviewed against the requirements of the Town's Sustainability Implications Worksheet. The Worksheet is completed for substantial non-administrative reports, major projects, studies, policies and initiatives that are relevant to advancing the Town's economic, cultural, environmental and social wellbeing, and quality of life. Since this report is none of the latter, the Sustainability Implications section is not applicable.

### **COMMUNICATIONS:**

All Budget Committee meetings are open to the public and the notice of all meetings is posted on the Town's website. In addition, specific notices are placed in local newspapers advising the public of the dates that Budget Committee reviews both the

operating and capital budget and the date available for the public to appear as a delegation.

The budget documents will be available to the public for viewing through the branches of the Halton Hills Public Library or through the Corporate Services department. Once the budgets are approved, summary information is available on the Town's website.

**CONCLUSION:**

In 2019, there will be both challenges and opportunities for the Town. Staff will continue to review services and their associated costs and revenues and refine the operating and capital budgets accordingly.

The budget process will continue to take a corporate approach to its discussion, preparation and submission. The result will be that both capital and operating budget funding will be aligned with those areas that are identified in the Town's Strategic Plan, Long Range Financial Plan, Citizen Service Delivery and Performance Measurement Survey and the Corporate Technology Strategic Plan.

Reviewed and Approved by,

A handwritten signature in black ink that reads "M. J. Leighton". The signature is written in a cursive style with a large, looped initial "M".

**Moya Jane Leighton, Manager of Accounting and Town Treasurer**

A handwritten signature in black ink that reads "Jane Diamanti". The signature is written in a cursive style with a large, looped initial "J".

**Jane Diamanti, Acting CAO**