



## REPORT

**REPORT TO:** Chair and Members of the Budget Committee

**REPORT FROM:** Duncan Robertson, CPA, CMA  
Budgets & Financial Reporting Supervisor

Moya Leighton, CPA, CGA, MBA  
Manager of Accounting & Town Treasurer

**DATE:** December 10, 2018

**REPORT NO.:** CORPSERV-2019-0002

**RE:** 2019 Proposed Operating Budget and Business Plans

### RECOMMENDATION:

THAT Report No. CORPSERV-2019-0002 dated December 10, 2018 regarding the 2019 Proposed Operating Budget and Business Plan be received;

AND FURTHER THAT the proposed base Operating Budget levy increase of 3.3% be approved;

AND FURTHER THAT the proposed 0.6% dedicated levy to address the infrastructure funding deficit be approved;

AND FURTHER THAT Council approve the formation of a Public Benefit Reserve Fund in accordance with Section 37 of the Planning Act;

AND FURTHER THAT the 2018 proposed Operating Budget for general Town purposes be approved at a net for levy amount of \$50,689,500, being a total Town tax levy increase of 3.9% excluding provisions for the Acton and Georgetown Business Improvement Associations, equating to an estimated overall increase of 2.4% including Town, Region and Education portions;

AND FURTHER THAT the Acton BIA expenditures included in the 2019 budget be approved in the gross amount of \$172,510 and having a net tax levy of \$95,065;

AND FURTHER THAT the Georgetown BIA expenditures included in the 2019 budget be approved in the gross amount of \$270,050 and having a net tax levy of \$212,050.

## **BACKGROUND:**

The Operating Budget is one of the Town's primary documents in supporting service delivery that is efficient, effective and economical. In preparing the 2019 preliminary Operating Budget, Town staff has considered department business plans, the Town's Strategic Plan, Long Range Financial Plan and Asset Management Plan.

The 2019 budget was prepared in accordance with the Council-approved Report CORPSERV-2018-0037 that outlined the guidelines for preparing the Operating and Capital Budgets. The 2019 Preliminary Operating Budget is summarized in Appendix A.

As presented in the report, the preliminary Operating Budget was developed in consideration of the following opportunities and challenges for 2019:

1. Moderate assessment growth;
2. Compensation adjustments for staff including pre-approved recommendations from the Non-Union Salary Survey and Council Compensation reports;
3. Operating impacts of previously approved capital projects;
4. Inflationary pressures related to the continuation of existing services;
5. Replenishment of reserves to cover the replacement cost of assets, as outlined in the 2018 Long Range Financial Plan (Report CORPSERV-2018-0031);
6. Advancement towards 24 x 7 full-time service within Fire Services per the Fire Services Master Plan;
7. Addressing existing resourcing gaps within Information Services as presented in the Corporate Technology Strategic Plan through report CORPSERV-2018-0038;
8. The transition of the ActiVan program to an in-house service and the continuation of existing contractual positions;
9. Uncertainty around the continuation of funding programs for municipalities under the new provincial government.

The Operating Budget has evolved through a collaborative process between Council members and staff. Following communication of the budget guidelines in July, staff has worked to prepare the budget with a net levy increase of no greater than 3.9% in the Town portion. Town staff addressed the budget constraints through multiple consultations with the Senior Management Team. Earlier in January, the Senior Management Team presented their respective 2019 Business Plans to their respective Committees. These business plans form the guiding documents for the development of the proposed Operating Budget. Ward-based budget briefings were conducted with members of Council in early January, allowing Council members the opportunity to review the preliminary budget with the Senior Management Team prior to the formal presentation of the 2019 Operating Budget for approval.

The Operating Budget is presented at a net levy increase of 3.9%, in accordance with the guidelines presented to Budget Committee on July 17, 2018. Facing numerous financial challenges in delivering the budget within the prescribed guidelines, staff was able to meet the target and deliver on Council's strategic priorities by carefully reviewing all requests and identifying internal efficiencies and opportunities for external funding.

Throughout 2018, Council made recommendations that impacted the budget preparation process for 2019. Appendix C lists the various items referred to Budget Committee and provides an update on the status of those initiatives pertaining to the 2019 budget.

Included in the net levy increase is a recommendation to introduce a dedicated levy of 0.6% to address the infrastructure deficit. This levy will be transferred to the Capital Replacement Reserve and will be used to ensure the infrastructure deficit remains manageable.

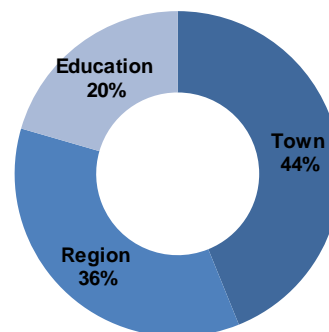
### COMMENTS:

The proposed 2019 Operating Budget recommends a net levy amount of \$50,689,500, representing a 3.9% increase in the Town's portion, equating to an estimated residential tax impact of 2.4% as outlined in the below chart:

<b>PROPERTY TAX IMPACT 2019 OPERATING BUDGET</b> (Per \$100,000 of residential assessment)				
	2018 Final Budget	2019 Preliminary Budget	\$ Change	% Change
Town	\$364	\$378	\$14	3.9%
Region *	\$295	\$301	\$6	1.9%
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

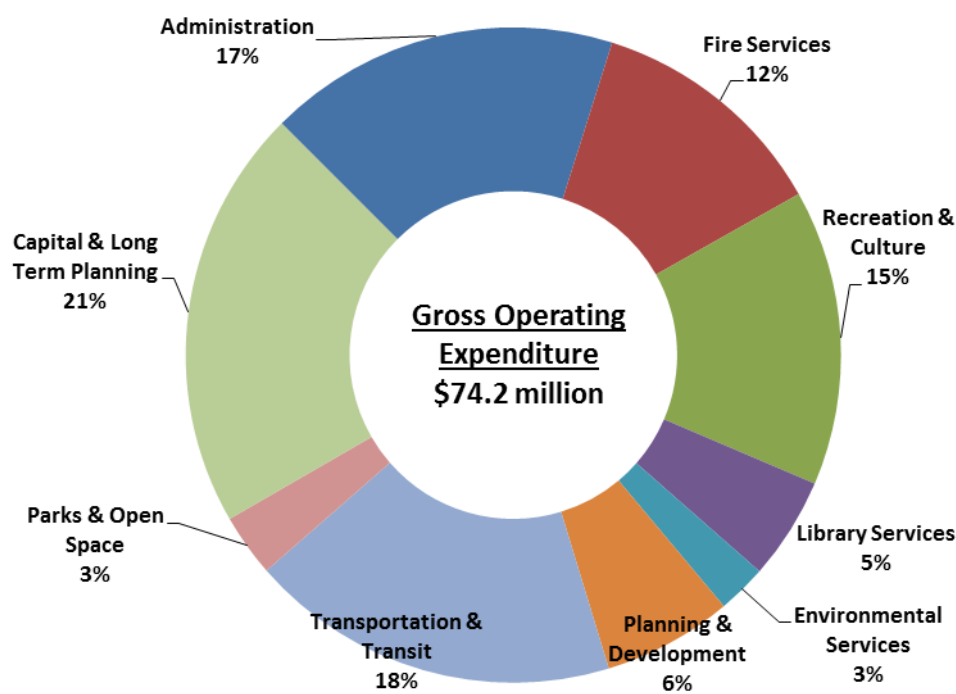
**DISTRIBUTION OF  
RESIDENTIAL TAX DOLLARS**



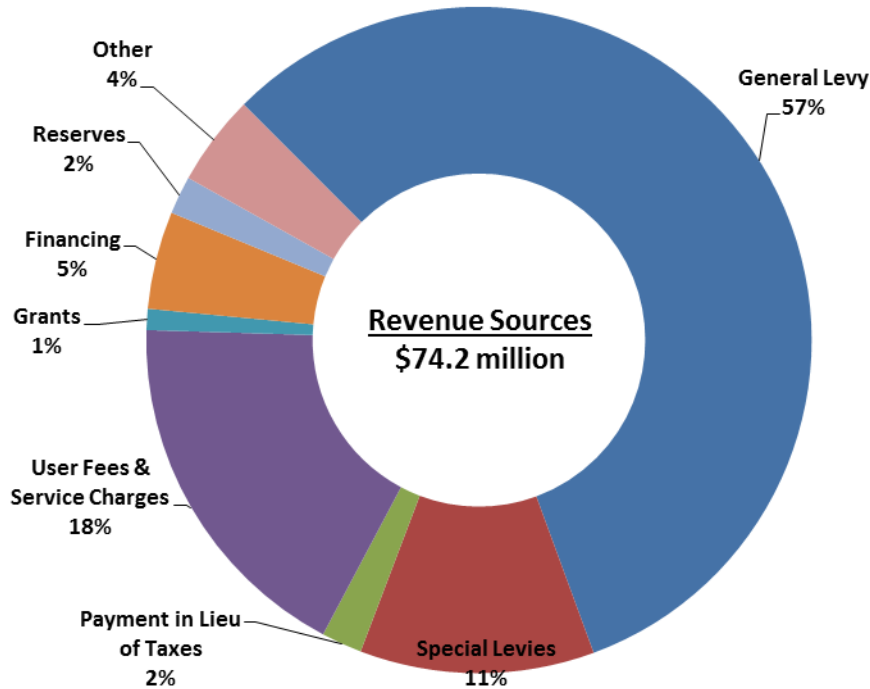
The 3.9% increase in the Town's net levy is comprised of a net base operating budget increase of 3.3%, net of the reduction in the special levy for the Fair Workplaces, Better Jobs Act 2017, and a dedicated levy of 0.6% for infrastructure planning. Considering the inflationary pressures and challenges facing the Town in 2019, as well as staff's commitment to address service level requirements highlighted in the Corporate Technology Strategic Plan, acceleration of the Fire Services Master Plan, and the infrastructure deficit identified in the Asset Management Plan, the overall increase in proposed expenditures is \$4,666,456. To fund this increase, staff first considers all revenue sources other than property taxes and only funds the remaining balance through the increase to the tax levy. As a result, \$2,742,956 of the increase in expenditures will be funded from other sources or assessment growth, with the

remainder to be funded through a proposed increase to the tax levy of \$1,923,500 (3.9%). The 2019 Preliminary Operating Budget is summarized in Appendix A.

The Town's gross operating expenses are budgeted at \$74,228,181 and fund a number of programs and services that support the safety and well-being of residents and businesses and preserve the high quality of life in the Town. Some of these services have a direct and immediate effect on the community while other responsibilities, such as long term planning or policy development, seek to support the growth of the community – balancing future needs while upholding current standards. The 2019 Preliminary Operating Budget expenses are summarized by service category in the graphic below:



Taxation accounts for 68% of the funding for the Town's Operating Budget, including 11% from Special Levies, while the remaining balance is primarily comprised of user fees, service charges and earned interest. Fees are charged to users of many Town services to ensure that those who benefit from the service are directly contributing to cover service expenses. When setting user fees and service charges, the Town considers a variety of factors, such as whether the service provides an individual or community benefit, ability of residents to pay for these services, charges of neighbouring municipalities for similar services and limits set by Town policy or other legislative requirements. The user rates and fees for 2019 are established in report CORPSERV-2018-0042. Other revenue sources do not typically increase at the pace of inflation on expenditures for Town services or with the Town's growth, such as earned interest or federal and provincial grant funding. As a result, the budget is largely supported through taxation. Sources of revenues used to fund the \$74,228,181 in operating expenses are displayed in the graphic below:



### **Highlights of the 2019 Preliminary Operating Budget:**

(See Appendix B for the summary of changes)

### **Revenue:**

- Assessment growth is currently budgeted at 2.8% which translates into \$1,444,000 in additional revenue for the Town. The increase in assessment helps maintain service level standards in the context of a growing community.
- An additional \$248,300 is anticipated in development revenues resulting from the new fee structure and anticipated increase in applications (e.g. Vision Georgetown, Halton Hills Premier Gateway).
- Contributions from the Building Permit Reserve Fund of \$430,500 to balance expenses in 2019 (a net increase of \$154,500). The actual amount will be dependent on developments moving forward – primarily in multi-unit residential development.
- Interest revenue earned on investments increased by \$250,000. Historically, excess interest income is placed into the Technology Replacement Reserve. Instead it is proposed to leave the interest income in the operating budget to fund the Information Services positions recommended through the Corporate Technology Strategic Plan.

## **Expenses:**

### **All Departments:**

- Compensation and benefits make up half of total gross expenditures, which is reflective of the service-focused nature of municipalities. Previously approved contract adjustments, performance increments, job evaluation changes and an economic adjustment for non-union staff of 1.75% have resulted in a base budget increase of \$1,720,800. This amount is comparable to adjustments in other municipalities, takes into consideration collective agreement settlements, and ensures salary gaps as per the Town's market salary survey comparators are not widened. Subject to the approval of the 2019 Operating Budget, the economic adjustment will be retroactively applied to payroll date of January 1, 2019.
- The compensation and benefits number above also reflects staff recommendations that came as a result of the non-union market salary survey conducted in 2017 and the Council Compensation Survey in 2018.
- Inflationary pressures on existing services in consideration of the CPI forecasted inflation of 2.0% for 2019, as well as materials and supplies required to maintain existing service levels amount to an expenditure increase of \$506,600.
- Increased expenditures of \$113,500 relate to previously approved capital projects.
- Creation of the special levy to address the infrastructure deficit at a 0.6% tax levy increase of \$284,000.
- Additional contributions to reserves as per the 2018 Long Range Financial Plan in the amount of \$525,950 to support long term capital planning.

### **Office of the CAO:**

- Continuation of contractual Cultural Services Assistant and Curatorial Assistant positions totalling \$76,800 to support Cultural Services. These positions compensate for the loss of pre-existing resources, as a result of restructuring, and are critical to maintaining existing service levels. This has a net zero tax levy impact as it is anticipated to be funded through the projected 2018 operating surplus.

<b>BUDGET INCLUSIONS</b>	<b>TOTAL COST</b>	<b>BUDGET IMPACT</b>
<b>One Time:</b>		
Cultural Services Assistant	<b>\$42,500</b>	-
Curatorial Assistant	<b><u>\$34,300</u></b>	-
<b>Total One Time</b>	<b><u>\$76,800</u></b>	-

### Corporate Services:

- The recommendations from the Corporate Technology Strategic Plan include an increase to the total staff complement by three positions, as well as the outsourcing of specialized functions that are more efficiently provided externally, for a net budget increase of \$401,500.
- The existing four contractual positions in the department are recommended to continue through to the end of 2019 at a total cost of \$282,300. These positions include the Purchasing Clerk, the Assessment Analyst, the Financial Accountant and the Communications Coordinator. They will be funded through a one-time contribution from the 2018 operating surplus for a net zero impact on the general tax levy in 2019. The Communications Coordinator position is a shared resource with Library Services – costs for four days per week are budgeted within Corporate Services and the remaining one day is budgeted under Library Services.

BUDGET INCLUSIONS	TOTAL COST	BUDGET IMPACT
<b>One Time:</b>		
Purchasing Clerk	<b>\$30,000</b>	-
Assessment Analyst	<b>\$102,700</b>	-
Financial Accountant	<b>\$83,100</b>	-
Communications Coordinator	<b><u>\$66,500</u></b>	-
<b>Total One Time</b>	<b><u>\$282,300</u></b>	-
<b>Ongoing:</b>		
Database Administration	<b>\$50,000</b>	<b>\$50,000</b>
Applications Analyst	<b>\$119,800</b>	<b>\$111,800</b>
Supervisor of Infrastructure and Operations	<b>\$129,100</b>	<b>\$121,100</b>
Applications Analyst	<b><u>\$126,600</u></b>	<b><u>\$118,600</u></b>
<b>Total Ongoing</b>	<b><u>\$425,500</u></b>	<b><u>\$401,500</u></b>

### Library:

- Continuation of the shared Communications Coordinator position with Corporate Services (one day per week). This position is funded through a one-time contribution from the 2018 operating surplus and has a net zero impact on the general tax levy in 2019.

BUDGET INCLUSIONS	TOTAL COST	BUDGET IMPACT
<b>One Time:</b>		
Communications Coordinator	<b>\$16,600</b>	-

## Fire Services:

- Continuation of the existing Customer Service Representative contract through the 2019 budget year at a cost of \$51,300. This position will be funded through a one-time contribution from the anticipated 2018 Fire Services operating surplus for a net zero impact on the general tax levy.
- Acceleration of the Fire Services Master Plan with the proposed addition of 5.0 net FTE firefighters to extend the existing 12 hour full-time manned truck to a 24 hour service, effectively improving emergency response time with 24 hour coverage throughout Halton Hills for a net cost of \$444,700.

BUDGET INCLUSIONS	TOTAL COST	BUDGET IMPACT
<b>One Time:</b> Customer Service Representative	<b>\$51,300</b>	-
<b>Ongoing:</b> 5.0 FTE Firefighters	<b>\$444,700</b>	<b>\$444,700</b>

## Transportation & Public Works:

- Succession planning for the Chief Building Officer position of \$93,000 offset by a contribution of the same amount from building permit reserve funds, resulting in a net zero impact on the tax levy. The ongoing permanent staff complement will remain unchanged, as the successful candidate will succeed the current Chief Building Officer upon their retirement in 2019.
- In 2018, the ActiVan specialized transit program transitioned operations to an in-house service as an interim solution, as approved by Council. Additional expenses of \$233,800 are a reflection of the increase in costs to fully administer services in-house and will be funded from the Tax Rate Stabilization Reserve during the transition period for a net zero impact on the 2019 tax levy. Costs include thirteen contract positions – eleven drivers and two dispatch/administrative positions.
- \$23,600 has been included for two additional school crossing guards at Danby Road and Silver Pond Drive and Danby Road and Barber Drive intersections.
- One-time expenses in Transportation include the addition of a Traffic Analyst contract position. This position is funded through a one-time contribution from the anticipated 2018 operating surplus for a net zero impact on the general tax levy in 2019.

BUDGET INCLUSIONS	TOTAL COST	BUDGET IMPACT
<b>One Time:</b>		
CBO Succession Planning	<b>\$93,000</b>	-
ActiVan Specialized Transit	<b>\$233,800</b>	-
Traffic Analyst	<b><u>\$80,800</u></b>	-
<b>Total One Time</b>	<b><u>\$407,600</u></b>	-
<b>Ongoing:</b>		
School Crossing Guards – Two Locations	<b>\$23,600</b>	<b>\$23,600</b>

### Planning & Sustainability:

- One-time funding from the anticipated 2018 operating surplus of \$86,800 in Policy and Development Review and \$102,900 in the Office of Sustainability has been included in the budget for the continuation of two contract positions – the Policy & Development Planner and Senior Sustainability Planner & Energy Coordinator.

BUDGET INCLUSIONS	TOTAL COST	BUDGET IMPACT
<b>One Time:</b>		
Planner - Policy & Development Review	<b>\$86,800</b>	-
Sr. Sustainability Planner & Energy Coordinator	<b><u>\$102,900</u></b>	-
<b>Total One Time</b>	<b><u>\$189,700</u></b>	

### Recreation & Parks:

- A budget inclusion of \$153,500 in additional operating costs for the two Youth Centres in Halton Hills has been included in the Recreation Services budget. These costs include the relocation of the Open Door Youth Centre and its programming to surplus space at Gary Allan High School and 2.0 full time equivalent (4 part-time positions) to support the increased hours of operation at both centres. The Community Affairs Committee received Report R&P-2017-0006 in 2017, which approved the financial proposal for maintaining youth centre operations at Off the Wall (Acton) and Open Door (Georgetown). Staff successfully assumed operations of both centres through the approval of one-time funding in 2017 and 2018 from the Tax Rate Stabilization Reserve.
- One time expenses include \$14,000 for fees associated with the Commission on Accreditation of Rehabilitation Facilities (CARF). CARF is a third party, international, private, not-for-profit accreditation system that develops and revises state-of-the-art standards for organizations to promote quality, value and optimal outcomes of services to enhance the lives of the persons served. The CARF accreditation survey occurs every three years within the Senior Services

division of Recreation & Parks and is funded through the Tax Rate Stabilization Reserve.

BUDGET INCLUSIONS	TOTAL COST	BUDGET IMPACT
<b>One Time:</b> CARF Accreditation	<b>\$14,000</b>	-
<b>Ongoing:</b> Youth Centre Operations and Integrated Youth Services	<b>\$153,500</b>	<b>\$153,500</b>

#### **Corporate Expenses:**

- A one-time \$50,000 contribution to the Public Art Reserve as approved in the Public Art Policy (Report COMMSERV-2016-0001). This represents the final one-time contribution of \$50,000 to establish the minimum balance in the reserve of \$100,000.
- In 2019, a new special tax levy is proposed at 0.6% (\$284,000) for contributions to the Capital Replacement Reserve to address the deficit in funding required for capital maintenance as identified in the Corporate Asset Management Plan.

BUDGET INCLUSIONS	TOTAL COST	BUDGET IMPACT
<b>One Time:</b> Contribution to Public Art Reserve	<b>\$50,000</b>	<b>\$50,000</b>
<b>Ongoing:</b> Special Levy – Infrastructure Gap	<b>\$284,000</b>	<b>\$284,000</b>

#### **Capital Budget Impacts:**

The total impact of the Town's capital program on the 2019 Operating Budget is \$113,500, consisting of amounts approved as part of prior year capital budgets and the 2019 Capital submission as outlined below:

Project		Amount	Description
<b>Office of the CAO</b>			
2000-22-0003	Document Management Solutions	41,500	Additional operating cost from the implementation of eScribe
<b>Transportation &amp; Public Works</b>			
8500-19-0105	Trafalgar Sports Park	30,000	Additional resources related to grounds maintenance
8500-11-1702	Georgetown Sports Action Park	2,000	Additional resources related to grounds maintenance
8500-11-1801	Maple Creek Park Ph 2	4,000	Additional resources related to grounds maintenance
8500-11-0103	Cemetery Revitalization & Renewal	1,000	Additional resources related to grounds maintenance
	Hillcrest Cemetery	15,000	Additional resources related to grounds maintenance
<b>Corporate Expenses</b>			
2300-04-1805	Backup Network Link w/ Fire Services	20,000	Ongoing operating costs for additional network support
<b>Total 2019 Operating Budget Impact</b>		<b>113,500</b>	

### **Budget Inclusions:**

When considering resources that are required to effectively deliver on Council's priorities, staff not only looks at what can be accommodated within the 3.9% budget guidelines, but also undertakes a review of departmental base budgets to identify efficiencies that could result in savings. In addition, staff examines external opportunities that can expand the Town's funding capacity. These reviews are conducted in the context of the departmental Business Plans, and subsequent follow up meetings with the Senior Management Team. The Budget inclusions are the result of these strategic reviews.

It should be noted that there are no Decision Packages for consideration in the proposed 2019 Operating Budget.

### **Public Benefit Reserve Fund:**

Section 37 of the Planning Act addresses increased density and height provision by-laws in place with developers. Under Section 37, the municipality is required to establish a special account where monies received under the by-law shall be paid. A Public Benefit Reserve Fund needs to be established to hold these funds in order to meet the requirements of the legislation. The following criteria have been developed for the Public Benefit Reserve Fund:

Statement of purpose	To fund facilities, services or matters in the community as permitted by the Planning Act Section 37
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Target Balance	Not applicable
Funding Sources	Contributions received by the Town as provision for authorized increases in the height and density of development
Contribution requirements	Interest earnings will be distributed to the reserve fund in accordance with the Planning Act Section 37
Utilization Requirements	Facilities, services or matters as set out in the applicable development agreement by-law

To date the Town does not hold any funds received under Section 37.

#### **Acton Business Improvement Area:**

The 2019 budget for the Acton Business Improvement Area can be found in Appendix D. The proposed 2019 budget is for \$172,510 in gross expenditures and a net tax levy of \$95,065.

#### **Georgetown Business Improvement Area:**

The 2019 budget for the Georgetown Business Improvement Area can be found in Appendix E. The proposed 2019 budget is for \$270,050 in gross expenditures and a net tax levy of \$212,050.

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

The annual Operating Budget is a major funding and decision-making tool and is used to support and advance Council's Strategic Priorities.

#### **FINANCIAL IMPACT:**

Staff is recommending the proposed 2019 Operating Budget net levy requirement in the amount of \$50,689,500. This represents an estimated overall increase to the residential tax rate of 2.4%, including Town, Region and Education portions. The 3.9% increase in the Town portion consists of a 3.3% base budget increase plus a 0.6% dedicated levy for long term capital planning.

#### **CONSULTATION:**

The preparation of the Operating Budget was done in consultation with staff from every department.

**PUBLIC ENGAGEMENT:**

The Town's budgets are an important tool in determining the service requirements needed by the community. Public input is important when determining the priorities for the Town. With this in mind, staff advertises the budget meetings in the local papers and on the Town's website. The public is invited to attend the Budget Committee's review of the Operating Budget on January 15, 2019.

**SUSTAINABILITY IMPLICATIONS:**

The Town is committed to implementing our Community Sustainability Strategy, Imagine Halton Hills. Doing so will lead to a higher quality of life.

The recommendation outlined in this report advances the Strategy's implementation.

This report supports all pillars of sustainability through financing capital projects related to the pillars as outlined on the detailed project information sheets and, in summary, the alignment of this report with the Community Sustainability Strategy is excellent.

**COMMUNICATIONS:**

Upon approval of the Operating Budget, it will be posted on the Town website for the public to download. Copies can be purchased from the Finance department or viewed at the Acton and Georgetown branches of the Halton Hills Public Library.

**CONCLUSION:**

Staff is recommending that the proposed 2019 Operating Budget be approved at a net for levy amount of \$50,689,500. If approved by Council, the net increase to the residential tax rate would be approximately 2.4% including Town, Region and Education portions.

Reviewed and Approved by,



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



**Jane Diamanti, Acting CAO**