

2021 Budget and Business Plans

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Town Treasurer & Director of Accounting

December 7, 2020



Agenda

1. Budget process overview
2. Proposed tax levy increase (trends & comparisons)
3. Operating Budget
4. Budget challenges
5. Long Range Financial Plan - Reserves & debt management update
6. Capital Budget
7. Capital Forecast

Budget Process Overview

August to November:

- Set Long Range Financial Plan guidelines/targets
- Identify Council strategic priorities
- Provide strategic direction and training to staff
- Compile business plans, operating & capital budgets
- Bring preliminary budget to SMT for review
- Review by Cross Functional Committee; recommendations to SMT

November 9th

- Prepare and present Budget Directions to Council

Week of November 23rd

- Hold Ward meetings

December

- Review by Budget Committee; approval by Council

PROPOSED TAX LEVY INCREASE

Proposed 2021 Tax Levy (Town)

	2020 Budget (\$)	2021 Budget Target (\$)	2021 vs. 2020 Budget Change	
Net Expenditures				
Council	957,600	962,200	4,600	0.5%
Office of the CAO	4,386,400	4,789,400	403,000	9.2%
Corporate Services	5,492,000	5,761,300	269,300	4.9%
Library Services	3,651,100	3,754,700	103,600	2.8%
Fire Services	8,667,955	9,172,055	504,100	5.8%
Transportation & Public Works	13,767,800	14,144,000	376,200	2.7%
Planning & Development	1,438,100	1,554,100	116,000	8.1%
Recreation and Parks	7,442,300	8,045,600	603,300	8.1%
Corporate Revenues & Expenses	9,458,900	9,561,000	102,100	1.1%
Total Net Expenditures	55,262,155	57,744,355	2,482,200	4.5%
General Levy	(43,557,900)	(46,595,600)	(3,037,700)	7.0%
Special Levies	(8,734,400)	(9,090,400)	(356,000)	4.1%
Assessment Growth	(1,265,000)	(353,500)	911,500	
Total Taxation	(53,557,300)	(56,039,500)	(2,482,200)	4.6%
Net Town Tax Impact (Net of Assessment Growth)	(53,910,800)	(56,039,500)	(2,128,700)	3.9%

**3.9%
Tax
Levy
Increase**

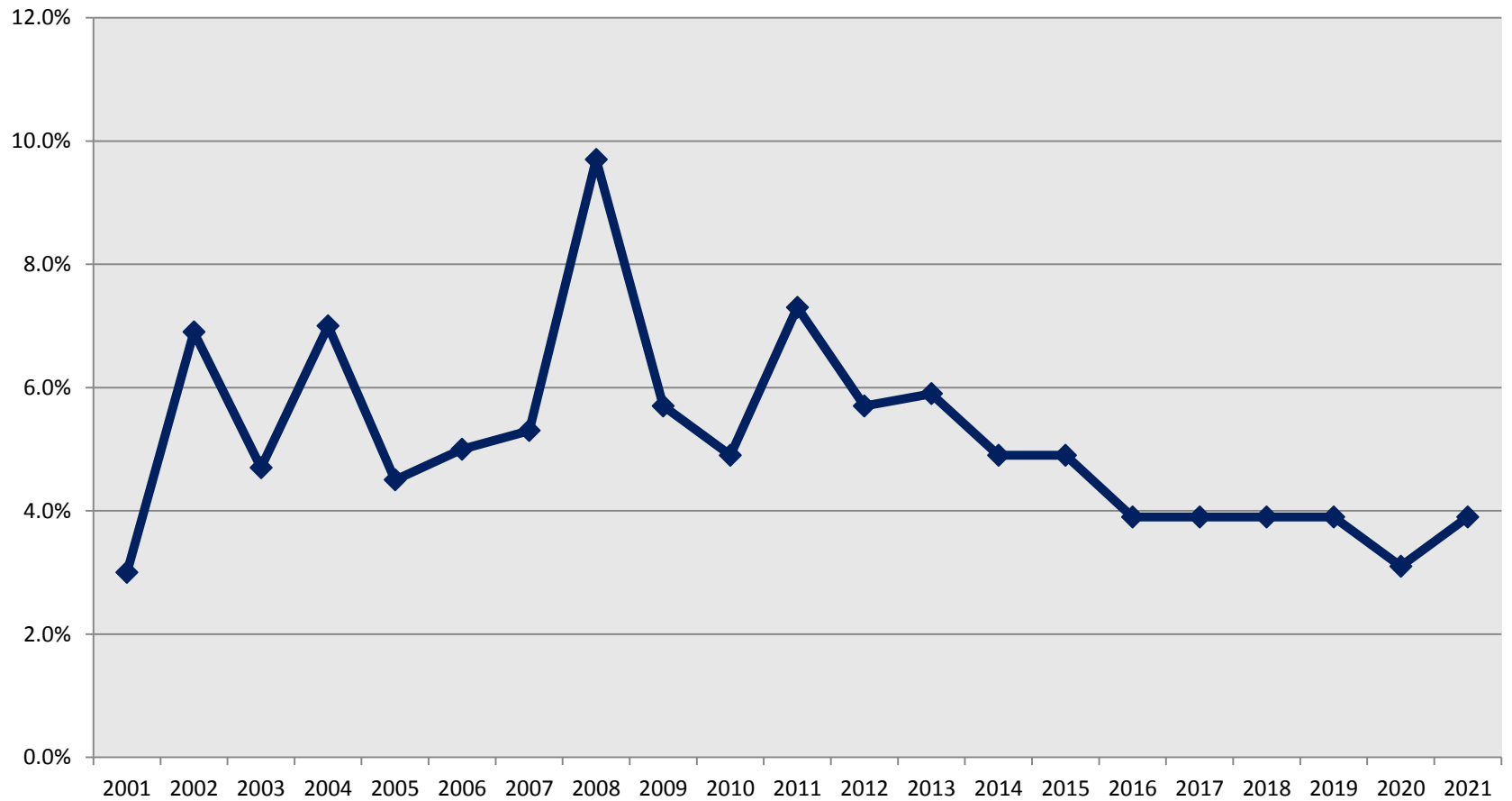
3.9% Levy made possible by:

- Implementation of efficiency savings and extra revenues

Type of Savings	Amount
Staff Training	\$34,150
Meals & Travel	\$19,300
Contracted Services & Supplies	\$26,000
Reduced OT/Shift premium	\$40,146
Other/Miscellaneous	\$16,254
Increased revenues - permits & general recoveries	\$19,500
TOTAL	\$155,350

- A small increase in assessment growth
- No increase to services or staffing levels – (previous contract positions continue as contracts in 2021 – funded - TRS reserve)
- One time redirection of special levy to mitigate operating increases

Town of Halton Hills Net Tax Levy - 20 Year Trend



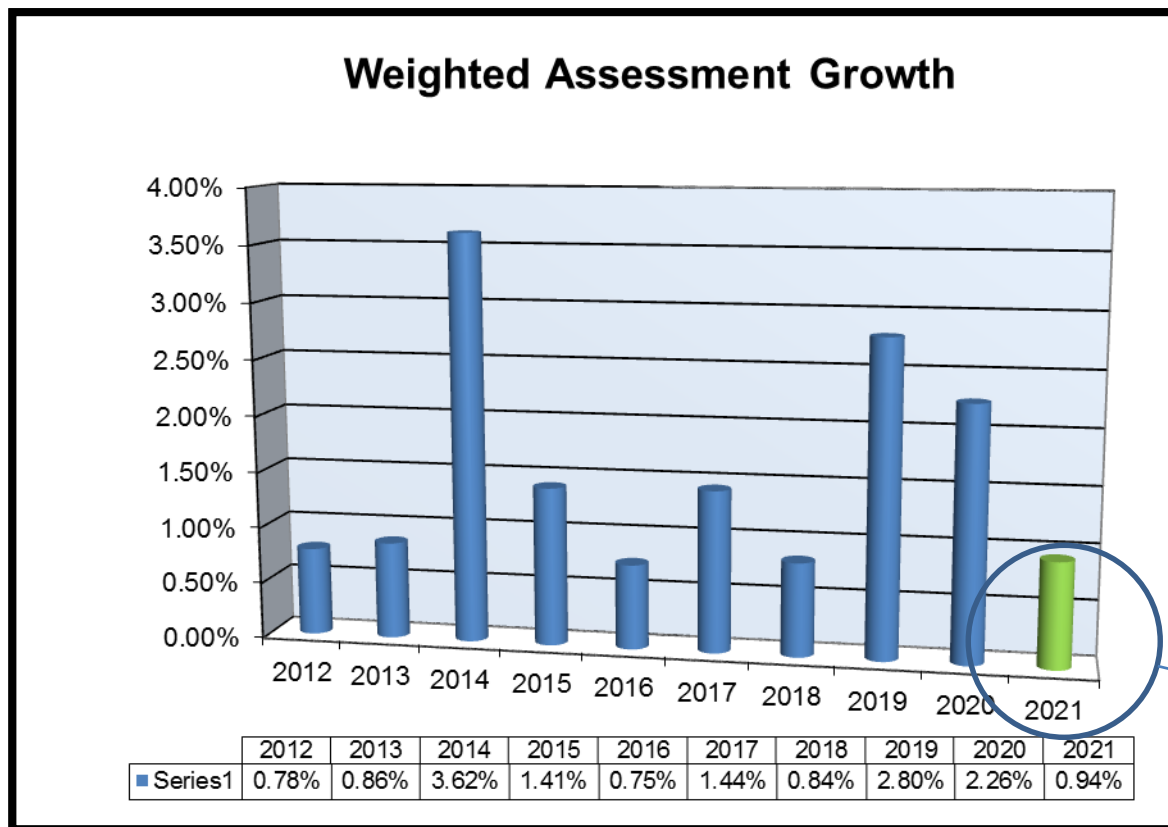
2021 Assessment Growth

Assessed Value Increase		Represents an increase of:
2020 Billing	2021 Billing	2021 Budget
\$15.10Bn	\$15.24Bn	\$353,500
0.94%		0.7%

- **Driven by:**

- New residential housing construction- approx. 82% of the total

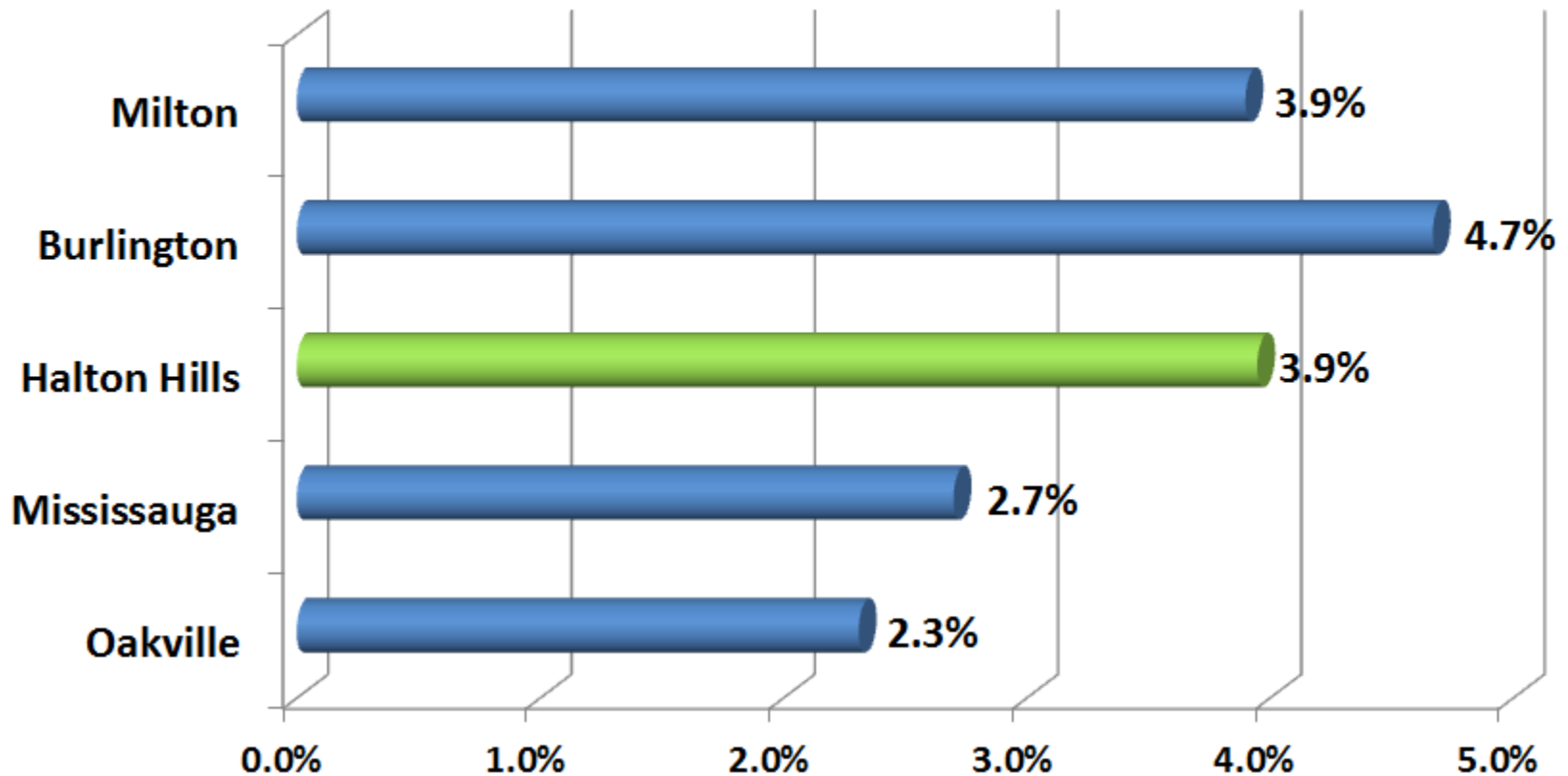
Assessment Growth Trend



0.94%
ESTIMATED
ASSESSMENT
GROWTH

Lowest
in 3
years

Town of Halton Hills 2021 Proposed Tax Levy Increases Comparison



Comparative tax levies are proposed only and are subject to change



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2021 Blended rate

3.9% increase is - Town portion only

Tax rate increases will be finalized using a blended rate comprising of:

- Town of Halton Hills
- Halton Region
- School Boards

2021 Tax Levy Distribution

PROPERTY TAX IMPACT 2021 OPERATING BUDGET (Per \$100,000 CVA)

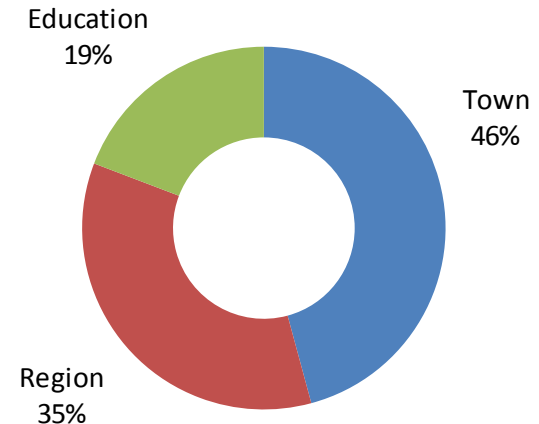
	2020 Final Budget	2021 Preliminary Budget	\$ Change	% Change
Town	\$351	\$365	\$14	3.9%
Region *	\$274	\$279	\$5	1.8%
Education **	\$153	\$153	\$0	0.0%
Total	\$778	\$797	\$19	2.4%

Notes:

* Based on Regional 2021 proposed budget

**Based on 2020 Education rates

DISTRIBUTION OF RESIDENTIAL TAX DOLLARS



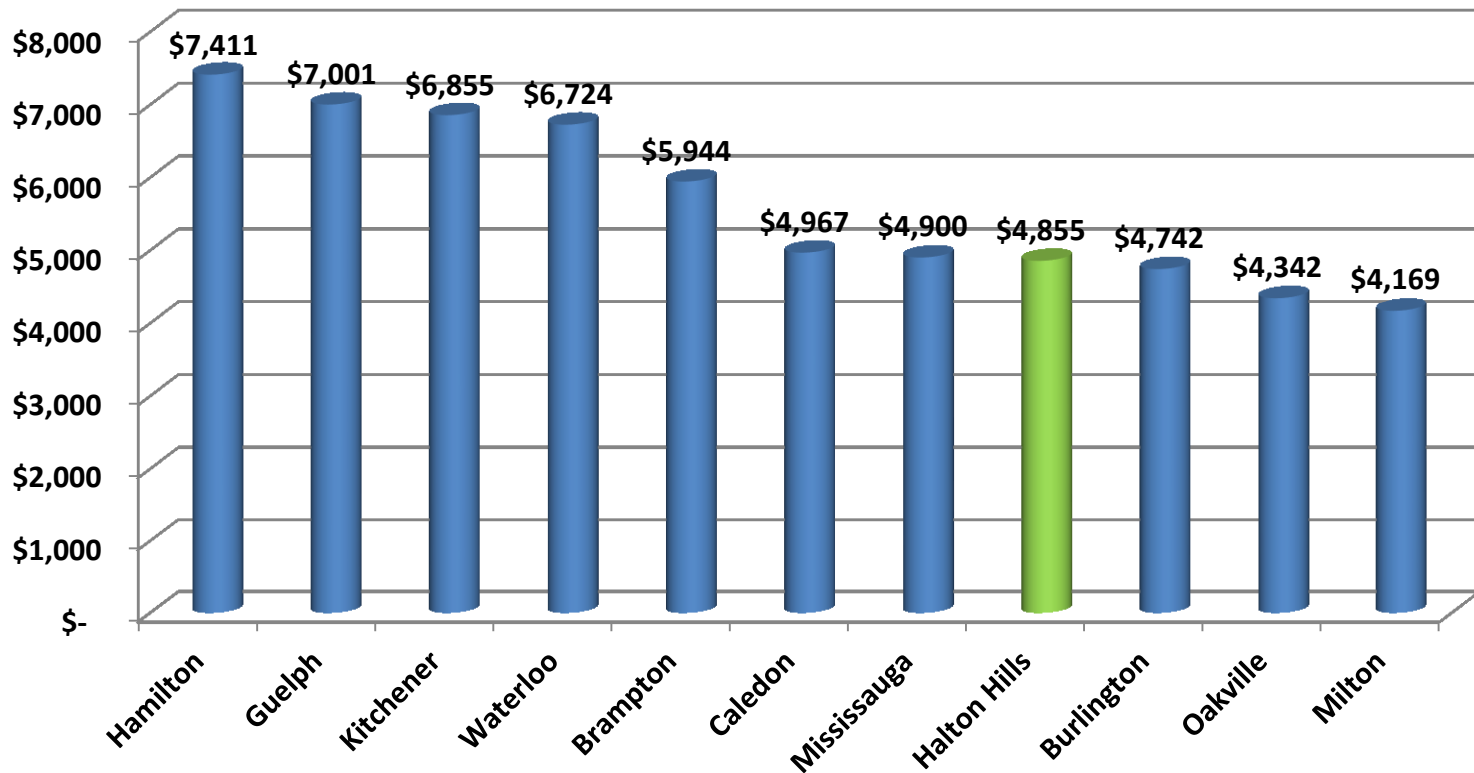
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What does this mean to the average residential tax payer?

Average Assessed value of a single family home in Halton Hills \$623,500
(most recent CVA – 2016)

Increase per \$100K	Total Increase on CVA of \$623,500
\$19	\$118.47

2020 Residential Property Tax Comparison on Home Assessed at \$623,500



Note: How the Town compared in 2020 using average value of single family home (2016 CVA)

OPERATING BUDGET

2021 Operating Budget Overview

- Moderate assessment growth of 0.94% (\$353,500)
- Salary & benefits increases (\$1,516,500) – *(includes previously approved union contract adjustments)*
- Inflationary pressures on existing services (\$86,100)
- Operating impacts of the capital program (\$149,900)
- Total contributions to reserves per the LRFP (\$11.5M)
- Continuation of the Special Infrastructure Gap levy to support the recommendations set out in the Corporate Energy Plan (\$324,000)
- One-time redirection of Infrastructure Gap levy to support 2021 operating budget (\$150,000)
- Reduction in Recreation & Parks user fee revenues (\$252,600)
- Insurance premium increases (\$311,800)
- Repurposing of existing special levies for financial sustainability (\$1.37M)

BUDGET CHALLENGES

Budget Challenges

- Uncertainty around COVID-19
- Unavoidable cost increases:
 - Insurance rate premium increase - 40%
- Limited assessment growth
- Lower than planned revenues from Development Charges
- Reduction in recreation user fee rates

Budget Challenges – COVID-19

- Proposed budget does NOT include any COVID-19 adjustments for revenues or expenses
- Instead –any 2021 COVID-19 impacts will be reported as variances to budget
 - Provides methodology to track the true cost of the pandemic
 - Streamlines future funding applications

Mitigation Options Available

Pivot quickly to changes – reducing costs where possible to match changes in revenues

Defer capital program to manage cash flow

Draw on reserves to fund shortfalls and/or cash flow interruptions

Seek funding/deferred payment options from upper levels of government

Budget Challenges – Insurance Premium Increases

Premium changes (last 3 years & projected trends):

Budget Year	% increase year over year
2018	7%
2019	11%
2020	26%
2021	20% (forecast)
2022	20% (forecast)
2023	Insurance mkt expected to ease

Insurance increases continued

Main drivers:

- Hardened global insurance market
- Weather-related catastrophic losses
- Lower returns on investments
- Municipal liability coverages:
 - ❖ Claims inflation
 - ❖ Loss development (setting aside reserves for what-ifs)
 - ❖ Increased exposure (population growth increases risk ie: slip & falls)
 - ❖ Joint & several liability - In Ontario – even a 1% liability can result in a municipality paying 100% of damages
 - ❖ Increasingly litigious society

Insurance increases continued

Mitigating measures:

- Managing more claims in-house
- Engaging a broker to determine when claim needs to be escalated to the insurance company
- Maximizing the adjusting services to settle claims in house
 - ❖ Sending fewer claims to the insurer

LONG RANGE FINANCIAL PLAN

2021 Reserve Contributions

■ Considerations

- Alignment with Council-approved policy (e.g., minimum reserve balance targets)
- Performance against sensitivity targets
- Ensure sufficient levels to:
 - Assist with unanticipated events
 - Prepare for growth
 - Smooth expenditures & avoid fluctuations in capital and operating budgets

■ 2021 - \$11.5M contributions to reserves

Reserve Contributions & Repurposed Special Levies

- Hospital and Arena special levies have been repurposed into Financial Sustainability special levy (\$1.37M)
- This levy will be used to sustain capital reserves and support:
 - State of good repair of growing asset base
 - Asset management plan strategy & implementation
 - Strategic priorities - climate change & environment
 - Timely expansion/new infrastructure to support growth

Reserve Contributions & Hydro PN Repayment

(\$million's)	2020	2021	2022	2023	2024	2025	Total
Proceeds	\$ 3.1	\$ 2.8	\$ 2.8	\$ 2.8	\$ 2.8	\$ 1.8	\$ 16.1
Interest	0.6	0.5	0.4	0.2	0.2	-	1.9
Total	\$ 3.7	\$ 3.3	\$ 3.2	\$ 3.0	\$ 3.0	\$ 1.8	\$ 18.0

- Total repayment of \$18.0M has been fully integrated into the LRFP to sustain capital reserves to support:
 - Climate Change & Environment strategic priorities (e.g. Low Carbon Design Brief)
 - Asset Management strategy implementation

Debt Financing

■ Considerations

- Performance against targets to ensure affordability:
 - Provincial - 25% of net revenues; Council limit- 10% net tax levy
- Balance of investment returns against borrowing costs
- Interfund borrowing levels (interfund loan)
- Alternate funding options
- Overall debt load and capacity for future borrowing

■ 2021 – No additional external debt

- Debt ratios projected to stay close to Town's Council approved limit and within a Provincial moderate risk category in the short term

Long Range Financial Plan Next Steps

- Staff continue to update the LRFP model to reflect:
 - Recent revisions to the timing of the capital program re: COVID
 - COVID related operating impacts
 - Uncertainty re: timing of growth
- Detailed LRFP update will be shared with Council in the new year

CAPITAL BUDGET



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2021 Capital Budget

Department	Gross Cost	General & Special Tax Levies	Development Charges	Capital Reserves	OCIF	Gas Tax	Other
Office of the CAO	1,036,500	-	45,000	951,500	-	-	40,000
Corporate Services	1,477,700	135,000	-	1,342,700	-	-	-
Library	530,400	399,000	-	131,400	-	-	-
Fire Services	968,000	118,000	-	850,000	-	-	-
Transportation & Public Works	13,196,300	1,995,100	1,160,000	4,584,300	1,581,500	2,429,700	1,445,700
Planning & Sustainability	550,000	-	168,000	382,000	-	-	-
Recreation & Parks	4,350,800	233,000	1,805,000	2,142,800	-	-	170,000
Totals	22,109,700	2,880,100	3,178,000	10,384,700	1,581,500	2,429,700	1,655,700



2021 Capital Budget Highlights

Council's Priorities	\$M
Climate Change & Environment	1.4
Fiscal & Corporate Management	6.1
Local Autonomy & Advocacy	0.1
Shaping Growth	1.1
Transportation	13.4
	<u>22.1</u>

Top 5 Capital Projects (Highest \$ value)	Gross Cost
Collector/Arterial Asphalt Resurfacing Program	2,343,200
Pavement Management	1,956,100
Cycling Infrastructure Maple Avenue Trafalgar Road to River Drive	1,545,000
Third Line Resurfacing - Urban Limit to 32 Side Road	1,287,500
Digitization of Application Processes	1,100,000

2021 Capital Budget (and prior years)- Operating Impacts

Total Operating Impact In 2021

	\$
Prior Year Capital Budget Operating Impacts	
Acton Indoor Pool Network	6,000
Data Storage Strategy & Archiving Software	10,000
Construction Inspection Software	5,500
Public Works Labour	55,200
Acton Youth Centre	63,200
	<u>139,900</u>
2021 Capital Budget Operating Impacts	
Visit Halton Hills Tourism Website	10,000
Total Operating Impacts	<u>149,900</u>

Total Operating Impact In 2022

	\$
Asset Management Information System*	170,000
Digitization of Application Process	100,000
Activan Transit Software	20,000
Citizen Engagement Tax System	10,000
Active Transportation Improvements	10,000
Trafalgar Sports Park Field of Dreams	19,000
Miscellaneous	28,900
Total Operating Impacts	<u>357,900</u>

* approved in 2020 capital budget

Proposed Capital Forecast 2022-2030

Year	Gross Cost	General & Special Tax Levies	Development Charges	Capital Reserves	Debentures	Other
2022	59,189,000	3,085,100	7,274,000	22,651,900	25,000,000	1,178,000
2023	33,622,700	3,125,100	5,719,000	11,798,400	6,744,000	6,236,200
2024	27,180,200	3,145,100	9,405,000	10,942,000	-	3,688,100
2025	27,780,400	3,165,100	5,412,000	15,123,500	-	4,079,800
2026	27,700,100	3,185,100	8,986,000	10,299,500	1,500,000	3,729,500
2027	32,933,600	3,185,100	9,528,000	11,187,000	6,244,000	2,789,500
2028	35,761,600	3,185,100	6,529,000	11,231,200	10,000,000	4,816,300
2029	17,079,000	3,185,100	2,364,000	7,668,900	-	3,861,000
2030	11,122,400	3,095,100	260,000	7,767,300	-	-
Total	272,369,000	28,355,900	55,477,000	108,669,700	49,488,000	30,378,400

9 year forecast is subject to change – for approval in principle only

2021 Budget Recap

- **2021 is “Budget Light” – In these uncertain times – the Town is staying the course:**
 - Maintaining pre-pandemic service levels and core services
 - Ensuring reserves stay strong in order to respond to growth and unexpected expenditures, including COVID
 - Keeping taxation increases stable
 - No additional debt required
 - Continue to fund key projects and programs to support the Town’s Strategic Plan

Next Steps

2021 Budget Consideration by Council for final approval	December 14, 2020
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Questions?



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