



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer/Treasurer

Date: December 9, 2019

Report No: CORS-073-19

Subject: 2020 Capital and Operating Budget

Recommendation:

1. **THAT the 2020 capital expenditures and revenue sources for Town departments, including the Library, in the amount of \$77,585,968 be approved and authorized to proceed;**
2. **AND THAT, in accordance with s.s. 5(1) of the Development Charges Act, 1997 and S. 5 of Ontario Regulation 82/98, it is Council's clear intention that any excess capacity provided by any of the above referenced works will be paid for by future development charges;**
3. **AND THAT any donations, grants or subsidies applied in the 2020 capital program to projects with development charges funding are to offset the non-growth related costs of those projects;**
4. **AND THAT the following 2021 fleet projects be authorized to proceed and be awarded through the procurement process in 2020:**
 - a) C450117 1 Ton Crew Dump Truck (4 units) - \$309,000,
 - b) C450150 Haul All/Packer (1 unit) - \$158,620;
5. **AND THAT \$2,512,813 of the 2021 capital expenditure for the continuation of the construction of Fifth Line from Highway 401 to Derry Road be authorized to proceed and be awarded through the procurement process in 2020;**
6. **AND THAT the 2021-2029 capital forecast for Town departments, including the Library, in the amount of \$803,264,047 as outlined in the Capital Forecast section**



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of this report be approved in principle subject to future annual reviews as part of the capital budget process;

7. AND THAT, in consideration of the Council direction provided via Resolution 215-19, the 2020 Town and Library operating budget be approved with a tax levy of \$67,953,785, assuming 1.75% net assessment growth, save and except for the portion of the Program Salaries and Benefits line item related to Fitness in the amount of \$289,130;
8. AND THAT the Fitness – Salaries and Benefits in the amount of \$289,130, be approved;
9. AND THAT, if the actual net taxable assessment growth is different than 1.75%, any increase in the tax dollars generated from the Town portion of assessment growth for 2020 taxation be transferred to the Tax Rate Stabilization Reserve or any decrease in tax dollars generated from the Town portion of assessment growth for 2020 taxation be funded from the Tax Rate Stabilization Reserve;
10. AND THAT the non-union salary range adjustment for 2020 be approved at a rate of 1.75% effective for the pay period beginning closest to July 1, 2020;
11. AND THAT the Milton BIA expenditures included in the 2020 budget be approved in the gross amount of \$325,511 and having a net tax levy of \$230,633;
12. AND THAT the transfers to and from Reserves and Reserve Funds as identified on pages 362-363 of the 2020 Proposed Capital and Operating Budget (or as amended by Council) be approved.



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EXECUTIVE SUMMARY

Capital Budget

- Capital budget represents an investment of \$77.6 million in 117 projects.
- 54% of the capital budget will extend existing services to growth areas through investment in new infrastructure including:
 - Expansion of the road network.
 - Land acquisition for the new Transit Operations Centre.
- Capital budget includes an investment of \$31.9 million in the state of good repair, largely focused on roads and related infrastructure.
- Operating impacts resulting from the 2020 capital program are anticipated to be approximately \$0.5 million annually.

Operating Budget

- To reduce the tax impact from a projected 9% on local taxes, the following actions were taken:
 - Certain projects and service expansions have been deferred beyond 2020.
 - Funding for the next fire crew and additional staffing resources have been deferred to future years.
 - Service level reductions are being proposed in several program areas.
- In addition to the above measures, further reductions were required to achieve the 5% target. As such, the budget incorporates a number of specific transfers to the operating budget from stabilization reserves.
- The 2020 budget presented equates to a 5% change in local tax rate or \$12.40 per \$100,000 of residential assessment¹.
- When estimated Regional and Educational changes are considered, the total impact on residential property taxes is estimated at 2.62% or \$17.93 per \$100,000 of residential assessment.

Additional options have also been provided that could provide for a tax rate impact down to 3% on the local share of property taxes in accordance with Council's direction.

REPORT

Background

The budget process provides a venue within which decisions as to the appropriate balance between affordability, service levels and financial sustainability can be made. Section 290 (1) of the Municipal Act requires municipalities to prepare and adopt an annual budget. In accordance with Town's Budget Management Policy No. 113 budget guidelines are set

¹ Note – all references to the cost per \$100,000 of residential assessment are derived using the assessment values & tax rates from the 2019 tax by-law (CORS-026-19). These values will be re-stated following budget approval using the finalized 2020 assessment figures from the returned assessment roll.



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by Council. Through the Budget Call Report, CORS-049-19, Council directed staff to prepare the 2020 operating budget with a range of residential tax impacts between 3% and 5%.

The Town's comprehensive budget document was posted publicly on the Town's website on November 19, 2019 and contains full details with respect to the proposed 2020 program. The information presented in the balance of this staff report will refer to that proposed budget document (including page number references) and the figures presented exclude Downtown Milton's Business Improvement Area (BIA) unless otherwise noted.

Discussion

Public Engagement (page 13)

The 2020 budget planning process included a budget survey to gain feedback from Town residents and business owners on levels of investment in services, property tax changes and management of the infrastructure deficit. The public engagement survey received 415 responses to the online survey and 402 responses from a statistically reliable random telephone survey. Full survey results are outlined in the 2020 Budget Call Report (CORS-049-19). Feedback from the engagement process is being addressed through numerous projects and program areas in the 2020 budget, including:

- Redevelopment and expansion of many roadways including Thompson Road (Britannia to Louis St. Laurent), Louis St. Laurent (4th Line to James Snow Parkway), Fifth Line (Hwy 401 to Derry), Bronte (Main to Steeles)
- Additional rehabilitation of existing roadways through expanded asphalt, surface treatment and asphalt overlay programs.
- Continued development of Derry Green Business Park

Capital Budget (pages 21 – 50)

The 2020 proposed capital budget will invest in 117 projects valued at \$77.6 million. Approximately 54% of this year's capital budget will be invested in infrastructure to support the growing community with the largest investment in the expansion of the road network along with land acquisition for the new Transit Operations Centre. Investment in the state of good repair continues to be a high priority in the capital budget. An investment of \$31.9 million will be made into 68 projects with a strong emphasis on roads and related infrastructure. An additional \$4.2 million investment is included in the capital budget to support projects such as new radio communications and emergency response equipment for the Fire Department and safety improvements at rail crossings that are neither driven by growth or infrastructure renewal but that will benefit the community.



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Multi-Year Infrastructure Projects (page 31)

To facilitate large construction contracts and improve cash flow forecasting, multi-year infrastructure projects are routinely undertaken and approved by Council. Included in the 2020 budget is a multi-year project for the construction of Fifth Line from Highway 401 to Derry Road which will be completed over multiple years. Construction is forecasted to start between late 2020 and early 2021 pending property acquisitions, utility relocation and permits. A multi-year approval of \$6.2 million allows for the tendering of the entire scope of work while phasing the funding across 2020 and 2021.

Fleet Pre-Approvals (page 31)

Similar to previous years, the budget seeks approval of a two year budget for equipment replacement for vehicles with lengthy lead times for purchasing. This report requests the pre-approval of two (2) capital projects from the 2021 forecast for equipment replacement needs in the amount of \$0.5 million to facilitate the advanced ordering during 2020 for delivery in 2021.

Operating Impacts from Capital Projects (page 35)

Investing in new and expanded infrastructure can have a significant financial impact on future operating budgets and tax levies. In addition to the operational costs, contributions to reserves are also introduced with the addition of new infrastructure in order to prevent increases in the Town's annual infrastructure deficit. The 2020 capital budget includes projects that are expected to result in increased operating costs as summarized below:

Project	2020 Impact*	2021 Impact*	2022 Impact*	Annualized Tax Levy Impact**
Roads	\$ 372,180	\$ 444,926	\$ 444,926	0.69%
Technology and Administration	78,039	78,039	78,039	0.12%
Other	1,406	1,406	1,406	0.00%
Total Operating Impacts	\$ 451,625	\$ 524,371	\$ 524,371	0.81%

* Represent impacts from the 2020 capital program only.
 ** The percentages (%) are relative to 2019 tax rates applied to projected 2019 assessment values.

Capital Forecast (pages 325 – 343)

The expected capital investment over the nine-year forecast from 2021-2029 is \$803.3 million and is largely focused on roads and related infrastructure, public facilities and parks and trails with 83% of funds directed towards these services. The forecast continues to include the infrastructure to support growth in the HUSP areas as well as the Town's infrastructure renewal and replacement requirements presented through various asset



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management plans and studies. Aside from planning and fiscal studies, the forecast does not incorporate the costs or revenues associated with the development of the Sustainable Halton Lands. Furthermore, the forecast does not incorporate any of the legislative changes that were made through the introduction of Bill 108, the More Homes, More Choice Act, 2019 as the detailed regulations related to that Act have yet to be released.

Growth in Milton will continue throughout the forecast which will result in an estimated 62% of funding coming from external sources, largely development charges. Milton is forecasted to remain within the stated debenture capacity limits of the Province and Council. As demonstrated in the Fiscal Impact Study presented through Report CORS-062-17, the debt capacity will be further pressured after the Sustainable Halton Lands are introduced into the forecast.

Reserves and reserve funds finance 30% of the capital program and are a critical component of the Town's long term financial plan. The 2020 operating budget includes increases in contributions to the Infrastructure Renewal Reserve to reduce the infrastructure deficit and provide for the future rehabilitation needs of growth related assets (either constructed by the Town or assumed from developers following the construction of local neighbourhoods). These increased contributions are necessary to support the long-term infrastructure renewal needs of the Town in the 9-year forecast period and beyond.

Operating Budget (pages 53 – 81)

What makes Milton different from other municipalities is the Town's unique combination of having the highest rate of growth along with the most affordable tax rates. Financial pressures mount as service expands to support the growing community.

The 2020 budget attempts to utilize a combination of strategies to manage these conditions while delivering on Council's direction. To manage the pressure on tax rates, new capital projects and service expansions have been deferred. Similarly, funding related to the next fire crew and additional staffing resources have been deferred to future years. Service level reductions have also been proposed to several discretionary services.

Even with the above measures, further reductions were required. As opposed to additional deferrals and reductions, the proposed budget incorporates a number of specific transfers to the operating budget from stabilization reserves. Although these transfers achieve the financial targets established, they are not sustainable and increase the pressures in future budget years.

The operating budget includes \$143.6 million of gross expenditures to support service delivery across the growing community (prior to decision package items), of which 50.2% is funded from non-property tax revenues. The increase in the net levy of \$4.3 million from the 2019 budget can be divided into three major categories:



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Status Quo Impacts

\$2.0 million increase related to inflationary adjustments, contractual obligations, legislative requirements and changes in user fees. Included in this amount is a \$1.0 million increase in transfers to reserves to reduce the Town's infrastructure deficit previously discussed in the Town's Asset Management Plan (CORS-067-17). Also included are one time contributions from stabilization reserves in the amount of \$1.2 million to mitigate financial pressures in 2020.

Extension of Services to Growth Areas

\$3.3 million increase includes transfers to reserves to fund the future rehabilitation of newly assumed or constructed infrastructure, along with the operating costs such as the annualization of the costs associated with the new Sherwood Community Centre.

Service Level Changes

\$1.0 million decrease. The following table presents a list of the service level changes in the operating budget (prior to decision package items).

Summary of Proposed Service Level Changes		
Program Area	Description	2020 Increase / (Decrease) on Tax Levy
Finance	Eliminate the budget survey for the 2021 Budget Process.	\$(15,000)
Operations	Eliminate the passive weed control program.	(549,904)
	Reduction in tree plantings by approximately 300 trees from the base target of 750 trees per year.	(122,054)
	Eliminate tree maintenance of the ornamental pear trees along Thompson Road.	(59,354)
Recreation and Culture Facilities	Elimination of the Milton Community Fund and re-direct Ontario Lottery Corporation funds to capital infrastructure.	(250,000)
	Grant to Woodbine Mohawk Park to an upset limit of \$20,000 for the 2020 Canada Day fireworks display with anticipated funding from sponsorship.	-
	18 month pilot for a Youth Space program based on the recommendations from COMS-010-19 with funding from the Tax Rate Stabilization Reserve.	-
Main Branch	Open the Main Branch for an additional six Sundays at a cost of \$6,000 with funding through staff scheduling efficiencies & self serve technologies.	-
Total		



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In addition to the service level changes above, a number of service level increases that had previously been requested by Council or identified as a part of various master plans or reports have not been included within the proposed budget in order to ensure the targeted tax rate could be achieved. These include:

- Conversion of seasonal operations workers to full time as recommended through the Service Delivery Review (ES-015-19);
- Reallocation of low performing transit routes and replacement via a Home to Hub service as identified in the 2019-2023 Milton Transit Service Review and Master Plan Update (ENG-021-19);
- Traffic control “Slow Down” lawn sign campaign (Res 196-19 of the July 22, 2019 Council meeting); and
- a dedicated Sustainability and Energy Management position (Res 194-19 of the July 22, 2019 Council meeting).

Decision Packages (pages 85 – 90)

This section presents options identified by staff for Council consideration to reduce the tax impact for the Town from a 5% increase on the local tax rate to a 3% increase in accordance with Council’s direction. While these items have been identified by staff for Council consideration, they are not recommended as they would either result in decreased service levels or create financial risk.

Human Resources (pages 72 – 73)

Through the Strategic Workforce Plan, CORS-078-15, and the Human Capital Report, CORS-043-17, an assessment was completed identifying the challenges and opportunities of the Town’s current staffing model. It was noted through those reports that the Town has a much higher reliance on part time staff and has approximately 100 fewer full time staff than the comparable municipalities in the study. These findings directly relate to the Town’s ability to comply with legislation, mitigate risk, provide customer service and meet service level demands.

Through the 2020 budget the total staffing level is proposed to increase by 12.3 full time equivalents (FTEs) bringing the total Town staffing level to 628.57 FTEs. The increase in 2020 is primarily to support the program offerings for the new Sherwood Community Centre which opened in the fall of 2019.

Operating Budget 2020 and 2021 Forecast (pages 347 – 351)

The two-year operating forecast identifies a tax rate pressure of \$25.74 and \$24.71 per \$100,000 of residential assessment in each of 2021 and 2022 to maintain existing service levels. This equates to an estimated 9.9% and 8.6% tax increase at the local level in those



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years. Driving the increases are a combination of inflationary pressures, the reversal in 2021 of one-time funding from stabilization reserves in the 2020 budget as well as continued growth within the Town. Included in the projected costs is the expansion of services to new growth areas, additional fire crews, new transit buses and routes and contributions to reserves to fund the future rehabilitation and replacement of assets.

Reserves and Reserve Funds (page 355 – 365)

Summary of Reserve and Reserve Fund Transfers in 2020 (pages 362 – 363)

The aggregate balance is anticipated to decrease by \$1.6 million in 2020, primarily due to transfers to fund the capital program for both the new 2020 projects as well as commitments remaining for previously-approved projects.

Reserve Type	Dec 31, 2018 Balance	Dec 31, 2019 Estimated Balance	Dec 31, 2020 Estimated Balance
Total Reserves	\$ 40,215,025	\$ 44,481,762	\$ 48,951,460
Total Reserve Funds	37,026,647	38,725,434	34,741,247
Total Capital Provision and Development Charges	61,010,206	33,819,383	31,694,495
Total Reserves and Reserve Funds	\$ 138,251,878	\$ 117,026,579	\$ 115,387,202

The balances for both the Tax Rate Stabilization Reserve and the Building Rate Stabilization Reserve Fund are underfunded when compared to the target balances identified in the reserve and reserve fund policies.

- The Tax Rate Stabilization Reserve is forecast to gradually increase over the forecast but does yet not reach the target balance by the end of the 10 years.
- The Building Rate Stabilization Reserve Fund is expected to reach its target balance towards the end of the forecast period as a result of the rate changes approved through the 2019 User Fee Report, CORS-046-18, combined with an increase in expected permits.

The 2020 budget continues the Town's infrastructure funding strategy of reflecting an inflationary increase to the existing capital-related transfers, a contribution for the lifecycle cost of new assets and a \$1.0 million increase to reduce the existing infrastructure deficit.

Reserve and Reserve Fund Forecast (pages 360, 365 - 366)

During the period 2019 to 2029, the aggregate balance of the reserve and reserve funds is expected to grow from \$117.0 million to \$248.1 million. The Town continues to use tools to guide its financial forecasting and planning, including the Town's Asset Management Plan (CORS-067-17) and the Fiscal Impact Study (CORS-062-17). Through



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these studies, it has been recognized the Town's contributions to capital reserves will require augmentation through future budgets to ensure sufficient funds are available to adequately finance infrastructure renewal requirements. The forecast period presented to 2029 assumes continuation of the Town's infrastructure funding strategy. Should this strategy be altered, both the reserve and capital project forecasts would require a corresponding adjustment.

Financial Challenges and Risks (pages 75 – 76)

There are a number of issues that the Town will need to remain mindful of in both 2020 and future budget processes including:

- Existing infrastructure funding deficit and Asset Management Plan requirements.
- Staffing levels as many of the needs identified in the Human Capital Report, CORS-043-17, have yet to be incorporated into the approved budget.
- The next two fire crews have been deferred to 2021 and 2022 and will be reflected in the service plans and coverages for the Town.
- Adequacy of the stabilization reserves when compared to the target balances.
- Financial pressures that may result from legislative changes at both the Provincial and Federal level.
- Certain service enhancements that are related to resident feedback or master plan recommendations were either deferred or excluded from the 2020 budget.

Opportunities (page 77)

There are also opportunities that the Town will hopefully see materialize that have not yet been reflected in the 2020 budget including:

- Phase 2 of the Service Delivery Review project will continue in 2020 to review additional program areas.
- Several Master Plans are expected to be presented to Council in 2020 which will allow for informed decisions with respect to the future service delivery.
- Ontario Lottery and Gaming (OLG) Revenues may increase as outlined in report ES-011-18.
- Continued partnership with Wilfrid Laurier University.
- A return to an unweighted residential ratio below 80% is potentially achievable in a 5 year timeframe with further increases in the non-residential share by the end of the planning period.

Downtown Business Improvement Area (BIA) (Pages 319 – 321)

Council approval is also being sought for the recommended BIA Budget that includes a gross expenditure of \$0.33 million and a net levy requirement of \$0.23 million. This budget was approved by the BIA Board in October 2019 and the BIA levy will be applicable for industrial and commercial properties within the BIA boundary.



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Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Jennifer Kloet, CPA, CA 905-878-7252 ext.
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Attachments
None

CAO Approval
Andrew M. Siltala
Acting Chief Administrative Officer