



The Corporation of the Town of Milton

Report To:	Council
From:	Glen Cowan, Chief Financial Officer / Treasurer
Date:	December 7, 2020
Report No:	CORS-059-20
Subject:	2021 Capital and Operating Budget
Recommendation:	<ol style="list-style-type: none">1. THAT the 2021 capital expenditures and revenue sources for Town departments, including the Library, in the amount of \$56,194,925 be approved and authorized to proceed;2. 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. THAT any donations, grants or subsidies applied in the 2021 capital program to projects with development charges funding are to offset the non-growth related costs of those projects;4. THAT the 2022-2030 capital forecast for Town departments, including the Library, in the amount of \$864,940,339 as outlined in the Capital Forecast section of this report be approved in principle subject to future annual reviews as part of the capital budget process;5. THAT, in consideration of the Council direction provided via Resolution 111-20, the 2021 Town and Library operating budget be approved with a tax levy of \$73,347,027, assuming 2.39% net assessment growth, save and except for the portion of the Program Salaries and Benefits line item related to Fitness in the amount of \$183,275;6. THAT the Fitness – Salaries and Benefits in the amount of \$183,275, be approved;



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7. **THAT, if the actual net taxable assessment growth is different than 2.39%, any increase in the tax dollars generated from the Town portion of assessment growth for 2021 taxation be transferred to the Tax Rate Stabilization Reserve or any decrease in tax dollars generated from the Town portion of assessment growth for 2021 taxation be funded from the Tax Rate Stabilization Reserve;**
8. **THAT the non-union salary range adjustment for 2021 be approved at a rate of 1.50% effective for the pay period beginning closest to July 1, 2021;**
9. **THAT the Milton BIA expenditures included in the 2021 budget be approved in the gross amount of \$296,019 and having a net tax levy of \$238,637;**
10. **THAT the transfers to and from Reserves and Reserve Funds as identified on pages 336-337 of the 2021 Proposed Capital and Operating Budget (or as amended by Council) be approved.**

EXECUTIVE SUMMARY

Capital Budget

- Represents an investment of \$56.2 million in 109 projects.
 - 36% of the capital budget will extend existing services to growth areas through investment in new infrastructure and associated studies including:
 - Expansion of the road network such as the widening and reconstruction of Bronte Street (Main Street to Steeles Avenue).
 - 64% of the capital budget is non-growth related, including investment in the maintenance and rehabilitation of existing infrastructure such as the transportation network (roads, structure and traffic), public facilities and parks.
 - Operating impacts resulting from the 2021 capital program are anticipated to be approximately \$0.3 million annually in 2021 and 2022. This will increase to approximately \$0.9 million in 2023, reflecting a two year implementation for the Human Resource Information System (HRIS) and a two year ordering lead time for the Library bookmobile.



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Operating Budget

- COVID-19 impacts in the 2021 budget are expected to be fully mitigated using strategies that proved successful in 2020 including short-term reductions in spending, along with a contribution from the Tax Rate Stabilization Reserve to fund the remaining balance. Should a Federal or Provincial funding program become available, or should a portion of the 2020 Safe Restart funding remain available for 2021, the Town may be able to lessen the required draw from reserve.
- The 2021 budget as presented equates to a 3.99% change in local tax rate or \$9.90 per \$100,000 of residential assessment¹.
- When estimated Regional and Educational changes are considered, the total impact on residential property taxes is estimated at 2.28% or \$15.25 per \$100,000 of residential assessment.

The 2021 proposed budget provides for important investments including additional fire suppression staff and technological enhancements, and aligns with the priorities identified in the Council-Staff Work Plan (ES-009-20).

Further options have also been provided for Council consideration in the Decision Packages section of the budget document with respect to the potential balance between tax rates and services levels for 2021.

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 by Council. Through the Budget Call Report, CORS-044-20 amended by Res. 111-20, Council directed staff to prepare the 2021 operating budget with a residential property tax increase not exceeding 5.0% on the Town portion of the total tax levy (for an estimated total residential property tax increase of no greater than 2.66% when the Region and Education portions are considered).

The Town's comprehensive budget document was posted publicly on the Town's website on November 19, 2020 and contains full details with respect to the proposed 2021 program. The information presented in the balance of this staff report will refer to that

¹ Note – all references to the cost per \$100,000 of residential assessment are derived using the assessment values & tax rates from the 2020 tax by-law (CORS-032-20). These values will be re-stated following budget approval using the finalized 2021 assessment figures from the returned assessment roll.



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proposed budget document (including page number references) and the figures presented exclude Downtown Milton's Business Improvement Area (BIA) unless otherwise noted.

Discussion

Budget Public Input (page 14)

Beginning with the 2021 Budget, the Town transitioned to utilizing a public input survey for each term of Council rather than each budget year. As such, the development of the 2021 budget considers the public survey results received over that past several years that tend to be relatively consistent from year to year. Feedback received from other avenues during the year have also been considered such as through public meetings, public engagement on specific projects, comments received through Councillors and through a form available on the Town's website.

Some of the notable findings from the survey include the importance of funding towards future infrastructure replacement, as well as for the Town's road network and economic development. The proposed 2021 Budget responds with the redevelopment and expansion of many roadways including Bronte Street (Main to Steeles), an update to the Town's Economic Development Strategic Plan, as well as the continuation of the Town's capital financing strategy for infrastructure renewal.

At the time of writing this report the only comment received to date through the website requested that the number of full-time firefighters be increased. This aligns with the Proposed 2021 Budget as six new full time roles have been incorporated. Any further comments submitted through the website will be provided to Council in advance of the December 7 budget deliberation.

Council-Staff Work Plan Alignment (page 16)

Through ES-009-20 Council established the priorities for the remainder of the current term of Council. The proposed 2021 Budget is aligned with these priorities with investment in the following initiatives (by theme):

- Planning for Growth – New Official Plan, Government Relation Strategy, Asset Management Plan
- Increasing Revenue Potential – Economic Development Strategy, User Fee Study
- Community Attractiveness and Competitiveness – Diversity Strategy, Sustainability Leadership Plan
- Service Innovation – IT Strategic Plan, digital eServices Solution, Human Resource Information System



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Capital Budget (pages 21 – 48)

The 2021 proposed capital budget will invest in 109 projects valued at \$56.2 million. Investment in the state of good repair continues to be a high priority in the capital budget, as such \$30.2 million through 62 projects will focus on the state of good repair through the maintenance and rehabilitation of existing infrastructure with an emphasis on transportation including roads, bridges, culverts and other traffic related infrastructure. Although the majority of the \$20.1 million investment in growth projects is also focused on the road network, 2021 funding will also provide for a new village square within the Boyne area as well next steps in the Official Plan update. An additional \$6.0 million investment is related to projects that are not driven directly by growth or investments in the state of good repair and include a Human Resources Information System (HRIS), radio communications and emergency response equipment for the Fire Department and various town-wide studies including priorities identified in the 2020-2023 Council-Staff Work Plan.

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 2021 capital budget includes projects that are expected to result in increased operating costs as summarized below:

Project	2021 Impact*	2022 Impact*	2023 Impact*	Annualized Tax Levy Impact**
Technology and Administration	\$192,498	\$199,397	\$624,390	0.89%
Transportation	111,494	129,771	129,771	0.18%
Parks and Trails	37,000	37,000	37,000	0.05%
Transit	32,412	32,412	32,412	0.05%
Library	-	-	186,571	0.26%
Public Facilities	(20,750)	(83,000)	(83,000)	-0.12%
Total Operating Impacts	\$352,654	\$315,580	\$927,144	1.31%
* Represent impacts from the 2021 capital program only.				
** The percentages (%) are relative to 2020 tax rates applied to projected 2020 assessment values.				

Due to the two year implementation for the Human Resources Information System (HRIS) and the two year ordering lead time for the Library bookmobile the operating impacts from the 2021 budget will increase to \$0.9 million or a 1.31% operating tax rate levy based on current rates by 2023.



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Capital Forecast (pages 291 – 314)

The expected capital investment over the nine-year forecast from 2022-2030 is \$864.9 million and is largely focused on transportation (roads, bridges and traffic), public facilities and parks and trails with 82% 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 management plans and studies. Aside from a few exceptions (examples – planning and fiscal studies, storm water monitoring etc.), the forecast does not incorporate the costs or revenues associated with the development of the Sustainable Halton Lands, as those will be introduced following the completion of the 2021 Development Charge By-law update.

Growth in Milton will continue throughout the forecast which will result in an estimated 60% 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 41% of the capital program and are a critical component of the Town's long term financial plan. The 2021 operating budget includes increases in contributions to the Infrastructure Renewal Reserves 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 49 – 74)

Council provided direction to prepare the 2021 operating budget with a residential property tax increase not exceeding 5.00% on the Town portion of the total tax levy. In recognition of the continued uncertainty resulting from COVID-19, Council also requested strategies to mitigate the resulting pressure associated with COVID-19 without further increasing property tax revenue in 2021.

To achieve Council direction, COVID-19 impacts were first mitigated using similar strategies that proved successful in 2020. This includes short-term reductions in spending, along with a contribution from the Tax Rate Stabilization Reserve to fund the remaining balance. Should a Federal or Provincial funding program become available, or should a portion of the 2020 Safe Restart funding remain available for 2021, the Town may be able to lessen the required draw from reserve.



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To further reduce the tax impact in 2021, opportunities to increase revenues or realize efficiencies were incorporated into the budget reflecting historical trend analysis and updated forecasting. Some growth related items that were originally planned to be included in the 2021 budget were deferred including staffing and capital projects. Finally, to further mitigate the tax impact in 2021, additional contributions from stabilization reserves were included in the budget. When combined, these items result in achieving a 3.99% local property tax increase (\$9.90 per \$100,000 of residential assessment).

The operating budget includes \$146.9 million of gross expenditures to support service delivery across the growing community, of which 47.3% is funded from non-property tax revenues. The increase in the net levy of \$4.46 million from the 2020 budget can be divided into three major categories:

Non-Recurring Impacts (\$0.45 million reduction)

Non-recurring are items that are expected to have an impact on the budget for a limited time period. The estimated net financial impact of COVID-19 in 2021 of \$2.8 million is presented as a non-recurring item along with the mitigation of the impacts through expense savings of \$1.4 million and a contribution from the Tax Rate Stabilization Reserve of \$1.4 million. Also included as non-recurring items are additional contributions from stabilization reserves in the amount of \$0.45 million to phase out the amounts introduced in 2020 over a two-year period.

Status Quo Impacts (\$3.2 million increase)

\$1.8 million increase relates to inflationary adjustments, contractual obligations, legislative requirements and changes in user fees. Also included 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) and \$0.8 million in reversal of one time contributions from reserves that was used to mitigate financial pressures in 2020. These are partially offset by increased revenue in the areas of Parking and Planning fees as well as anticipated savings in fuel prices.

Extension of Services to Growth Areas (\$1.7 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 addition of a new fire crew for Station No. 5.



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Service Level Changes

The net financial impact is just under a \$2,000 increase, and relates to the implementation of an after-hours call centre for by-law enforcement and the elimination of a drop-in program due to declining participation rates.

Decision Packages (pages 75 – 83)

There are a multitude of options available to Council with respect to the potential balance between tax rates and service levels for 2021 and this section presents alternatives should Council wish to further adjust the 2021 Budget.

Human Resources (pages 65 – 66)

Through the 2021 budget the total staffing level is proposed to increase by 9.0 full time equivalents (FTEs) bringing the total Town staffing level to 637.54 FTEs. The increase in 2021 is primarily related to additional firefighters to continue staffing requirements for Fire Station No. 5, with many of the other changes being accommodated through reductions in related contract spending or other re-prioritizations.

Operating Budget 2022 and 2023 Forecast (pages 315 – 324)

The two-year operating forecast identifies a tax rate pressure of \$18.49 and \$24.68 per \$100,000 of residential assessment in each of 2022 and 2023 to maintain existing service levels. This equates to an estimated 7.2% and 8.9% tax increase at the local level in those years. Driving the increases are a combination of inflationary pressures, the reversal of one-time funding from stabilization reserves in the 2021 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, the transit facility, a human resources information system, the library bookmobile and contributions to reserves to fund the future rehabilitation and replacement of assets.

Reserves and Reserve Funds (page 325 – 339)

Summary of Reserve and Reserve Fund Transfers in 2021 (pages 336 – 337)

The aggregate balance is anticipated to increase by \$11.6 million in 2021, primarily due to the increase in Development Charge Reserves within the Infrastructure Growth Reserves category.



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Reserve / Reserve Fund Type	Dec 31, 2019 Balance	Dec 31, 2020 Estimated Balance	Dec 31, 2021 Estimated Balance
	(\$ thousands)		
Stabilization	\$9,150	\$9,789	\$10,964
Corporate Use	9,027	5,869	7,042
Infrastructure Non Growth	47,110	46,717	43,910
Infrastructure Growth	55,045	55,123	65,037
Program Specific	13,989	8,940	12,029
Boards and Committees	3,357	3,041	2,071
Total Reserves and Reserve Funds	\$137,678	\$129,478	\$141,053

Reserve and Reserve Fund Forecast (pages 336 - 339)

During the period 2020 to 2030, the aggregate balance of the reserve and reserve funds is expected to grow from \$137.7 million to \$250.5 million, with most of the increase expected in the last three years. 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 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 2030 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 36-37, 68-70)

There are a number of issues that the Town will need to remain mindful of in both 2021 and future budget processes including:

- Financial and economic implications of COVID-19 will continue to be challenging to predict given the evolving situation and changes to legislation which has especially impacted recreation and transit.
- Expansion to new growth areas in the Sustainable Halton Lands and the additional service and infrastructure requirements that will result for the Town.
- 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.
- 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.



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Opportunities (pages 36-37, 68-70)

The Town also has opportunities that will hopefully materialize that have not yet been reflected in the 2021 budget including:

- The continued implementation of the Service Delivery Review findings.
- Ontario Lottery and Gaming (OLG) Revenues may increase as outlined in report ES-011-18 and as COVID-19 restrictions are lifted.
- Continued partnerships to create a post-secondary presence in the Milton Education Village.

Downtown Business Improvement Area (BIA) (Pages 285 – 289)

Council approval is also being sought for the recommended BIA Budget that includes a gross expenditure of \$0.3 million and a net levy requirement of \$0.24 million. This budget was approved by the BIA Board in October 2020 and the BIA levy will be applicable for industrial and commercial properties within the BIA boundary.

Financial Impact

The proposed levy of \$73.3 million equates to a 3.99% change in the Town's portion of property taxes and an impact of \$9.90 per \$100,000 of residential assessment. When the estimated changes in the Region of Halton and Education shares are considered, a net increase of approximately 2.28% or \$15.25 per \$100,000 of assessment is anticipated.

Estimated Impact on Total Tax Bill per \$100,000 of Residential Assessment*

	Share of Tax Bill	2020 Taxes	2021 Increase	2021 Taxes	\$ Impact on Total Tax Bill	% Impact on Total Tax Bill
Town of Milton	37.73%	\$248.12	3.99%	\$258.02	\$9.90	1.48%
Region of Halton**	39.90%	\$267.58	2.00%	\$272.93	\$5.35	0.80%
Education***	22.37%	\$153.00	0.00%	\$153.00	\$0.00	0.00%
Total	100.00%	\$668.70	2.28%	\$683.95	\$15.25	2.28%

* Cost per \$100,000 of residential assessment are derived using the assessment values & tax rates from the 2020 tax by-law (CORS-032-20). These values will be re-stated following budget approval using the finalized 2020 assessment figures from the returned assessment roll.

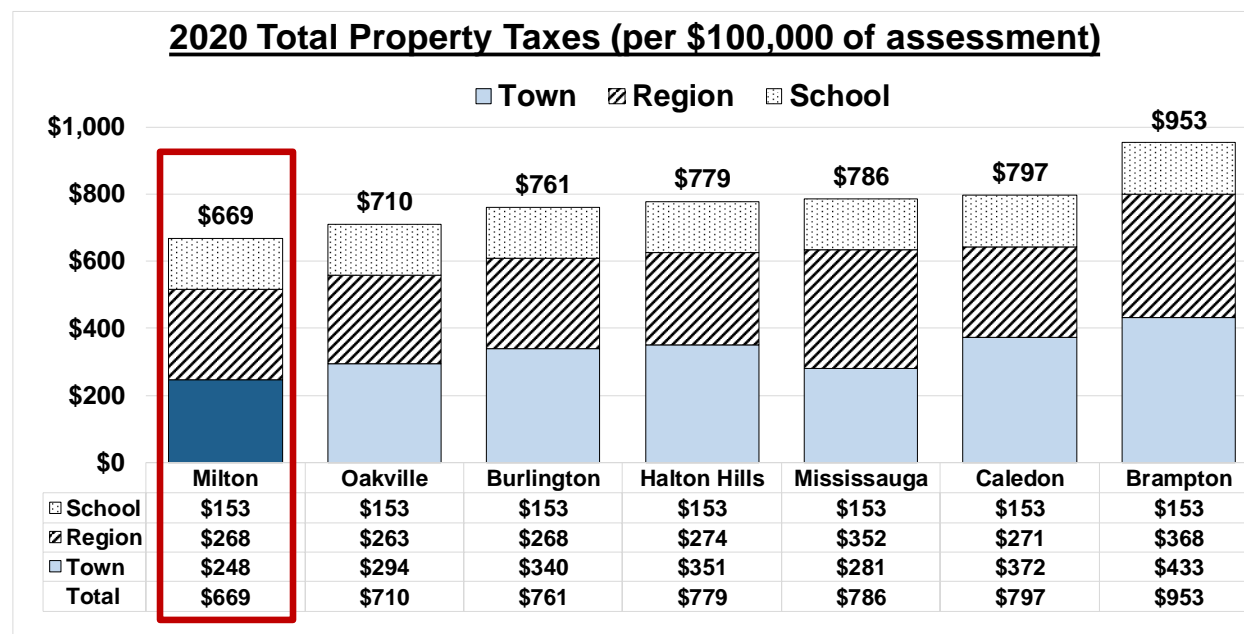
** Estimated 2021 increase per Region of Halton 2021 Budget Directions, FN-26-20 (includes enhanced waste service for urban area). Final impact may be different subject to Regional Council approval.

*** Consistent with recent experience, the 2021 education rate is presented in alignment with the prescribed rate currently outlined in O.Reg 400/98 and is subject to change through the approval of final 2021 rates by the Province.



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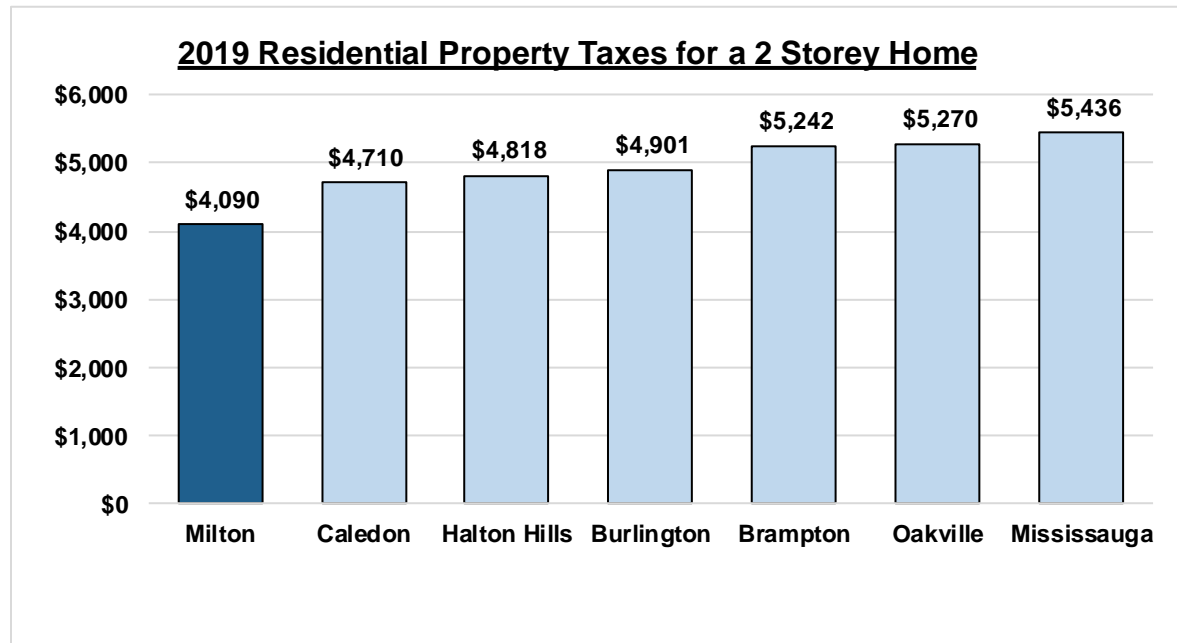
Tax rates in Milton continue to be one of the most affordable in the Province. Based on the 2020 BMA Municipal Study, Milton has the lowest taxes and rates as a percentage of household income in the GTA and is tied for the second lowest in the Province. In 2020 Milton residents paid \$669 per \$100,000 of residential assessment which is less than the surrounding Municipalities as demonstrated below.



Noting that the above graph does not capture differences in assessment values between municipalities, the following graph shows that Milton's residential property taxes (local, regional and education) for a 2 storey home are 19% lower than the comparator group.



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Source: BMA Management Consulting Inc. Municipal Study 2019. Includes Lower Tier, Region and Education.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Jennifer Kloet, CPA, CA 905-878-7252 x 2216

Attachments

None

CAO Approval
Andrew M. Siltala
Chief Administrative Officer