2021 Budget Planning
What we’re going to cover tonight:

- Recap of the Budget Planning By-law
- Proposed Strategy for 2021
- Considerations for Budget Development
- Timetable for Budget Deliberations
Budget Planning By-law
Approved by Council on October 17, 2019

Guiding principles of sustainability, transparency and supporting council priorities.

- **BASE SERVICES** for Revenues and Expenses
- **CAPITAL PROGRAM** for Debt Charges and Pay-as-you-go
- **NEW PROGRAMS** for Council Priorities and Other New
- **ASSESSMENT GROWTH** for Costs of Growth

2020 Gross Budget of $1.4 Billion
2021 Multi-year Forecast
Prepared with 2020 Budget

BASE SERVICES
3.0%
2.0%
9.9%

CAPITAL PROGRAM
+ 1.1%
+ 3.2%
+ 0.0%

NEW PROGRAMS
+ 0.2%
+ 0.0%
+ 0.0%

ASSESSMENT GROWTH
+ 0%
+ N/A
+ N/A

Levy W/WW WM

= 4.3%
= 5.2%
= 9.9%
2021 Multi-year Forecast Plus COVID-19
Prepared with 2020 Budget

- COVID-19 emergency response and changing the way we do business
- Community job losses
- Development slow down, access to trades and industry capacity
2021 Proposed Strategy

2% Increase + % COVID-19
1% allocated to Operating Services
1% allocated to Capital Funding
2020 Gross Budget of $1.4 Billion

Proposed strategy allocates to:

- Levy: $7.8 million
- Water & Wastewater: $2.5 million
- Waste Management: $0.8 million

Capital: $375.5M
Water & Wastewater: $128.0M
Waste Management: $57.2M
Levy: $830.0M

2% increase, $11.1M
Current Environment
Operating Cost Challenges

• KPMG Sustainability Review identified operating budget is lean and discretionary services “are more the exception than the rule”
  • “cost reductions have been underway prior to the service sustainability review”; “Financial constraints have impacted service levels in certain areas”
• Labour related cost represent 43% of budget and guided by collective agreements
• Still trying to understand on-going and one time expenses of COVID-19 and how Prov/Feds will support
Current Environment

Capital Cost Challenges

• 2016 AMP identified $0.5 billion renewal backlog that is not going away.
• The 10 year capital plan has a funding shortfall of $1.2 billion.
• 2016 AMP requires Average Annual Rate of investment of $225 million to maintain current levels of service. We are at $67 million.
• Option to fund the gap in alignment with Financing Strategy or reduce desired levels of service or continue to defer with risks
Achieving a 1% increase will be challenging:

- Levy pressures of labour related costs and Development Charge grants
- Water & Wastewater pressures of labour related costs, repairs and maintenance
- Waste Management $8.1 million increase for curbside collection contract awarded in 2020 (net of reserve mitigation)
Capital Program
Debt Charges & Pay-As-You-Go/Reserves

- Levy - Capital Financing Policy need of 2.16%/yr. for 10yrs
- W/WW – Safe Drinking Water Act need avg. of 3.15%/yr. for 10yrs
- Modify request in light of current environment:
  - Minimize increase to capital asset backlog
  - Avoid exponential impact of catch up on future budgets
  - Be ready for potential stimulus
- Waste Management - reserve strategy established and funded in base.
Required Capital Funding
Based on Capital Financing Strategies

Levy

Water and Wastewater

$ Millions

- 100 200 300 400 500 600 700

$ Millions

- 100 200 300 400 500 600 700

2019 2020 2021 2022 2023 2024 2025 2026 2027 2028

2019 2020 2021 2022 2023 2024 2025 2026 2027 2028

Renewal Funding Gap  Inflation Adj. AARI

Annual Contributions  Current State
Capital vs Operating Budget Requirements

Share of Budget Dollars Required for Capital

- 2016: $400M (Capital Budget) vs $200M (Operating Budget)
- 2017: $500M (Capital Budget) vs $300M (Operating Budget)
- 2018: $600M (Capital Budget) vs $400M (Operating Budget)
- 2019: $700M (Capital Budget) vs $500M (Operating Budget)
- 2020: $800M (Capital Budget) vs $600M (Operating Budget)

Capital requirement has risen from 30% to 41% of annual budget requirements

Share of budget increases dedicated to Capital

- 2017: 2.0% Levy, 4.0% W/WW, 6.0% WM
- 2018: 2.0% Levy, 4.0% W/WW, 6.0% WM
- 2019: 4.0% Levy, 8.0% W/WW, 10.0% WM
- 2020: 6.0% Levy, 10.0% W/WW, 12.0% WM

Have made more gains with funding for capital in W/WW rather than the Levy
New Programs
Council Priorities and Other

Acknowledging the impact of COVID-19:

• No new programs will be recommended in 2021
• New programs be given consideration in 2022 or beyond
Assessment Growth
Used for Costs of Growth

• 2020 decline in building activity will likely impact 2022 assessment growth
• 2021 Estimate based on MPAC projections
• Historical 3 year average was 1.5%
• Funds used for tax increment grants, growth capital and operating

1.2% (1.2%) 0.0%
COVID-19
Base and One-time

- Changes to the way we do business will have base and one-time costs
- Reasonable expectation of Prov/Fed funding supports to mitigate but outstanding
- Recovery plan may identify opportunities to reduce costs (i.e. work from home)
- Financial impact will be reported to council monthly to inform budget
2021 Proposed Strategy

- **BASE SERVICES**: 1.0% + 1.0% + 2.0%
- **CAPITAL PROGRAM**: 1.0% + 1.0% + 0.0%
- **NEW PROGRAMS**: 0.0% + 0.0% + 0.0%
- **ASSESSMENT GROWTH**: 0% + N/A + N/A
- **COVID-19**: $+/- $+/- $+/-

**2% Increase + ??% COVID-19**
1% allocated to Operating Services
1% allocated to Capital Funding
### Proposed timetable

<table>
<thead>
<tr>
<th>Subject/Topic</th>
<th>Meeting Type</th>
<th>Option A</th>
<th>Option B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Planning</td>
<td>BRCOTW</td>
<td>June 25, 2020</td>
<td>June 25, 2020</td>
</tr>
<tr>
<td>Capital</td>
<td>BRCOTW</td>
<td>October 15, 2020</td>
<td>November 26, 2020</td>
</tr>
<tr>
<td>Rate</td>
<td>BRCOTW</td>
<td>November 26, 2020</td>
<td>January 14, 2021</td>
</tr>
<tr>
<td>Rate</td>
<td>Council</td>
<td>December 17, 2020</td>
<td>January 21, 2021</td>
</tr>
<tr>
<td>ABCs</td>
<td>BRCOTW</td>
<td>December 10, 2020</td>
<td>January 28, 2021</td>
</tr>
<tr>
<td>Consolidated Levy</td>
<td>BRCOTW</td>
<td>January 14, 2021</td>
<td>February 11, 2021</td>
</tr>
<tr>
<td>Levy, Capital, User</td>
<td>Council</td>
<td>January 21, 2021</td>
<td>February 18, 2021</td>
</tr>
<tr>
<td>Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Budget workshops to precede each BRCOTW meeting, as per appendix 1 of the report.
Next Steps

• Council approval of the Budget Timetable
• Monthly updates on COVID-19 impacts
• First Budget Review Committee to review Capital October 15
• Review of timetable at all subsequent BRCOTW meetings with consideration for COVID-19 uncertainties
Questions?