



Finance Department

TO: Budget and Corporate Services Committee

SUBJECT: 2013 Proposed Current Budget Financial Overview

Report Number: F-02-13

File Number(s): 435-03

Report Date: December 11, 2012

Ward(s) Affected: 1 2 3 4 5 6 All

Date to Committee: January 15, 2013

Date to Council: March 18, 2013

Recommendation: Receive the Proposed 2013 Current Budget, Performance Measurement Targets and Rates & Fees (also known as Proposed 2013 Current Budget Review Binder); and

Direct staff to present the following recommendation to the Budget and Corporate Services Committee on February 28, March 5 and 7 (if required), 2013 for review and final approval, taking into consideration committee amendments; and

Approve the 2013 Current budget including any budget amendments approved by the Budget and Corporate Services Committee to be applied against the proposed net tax levy amount of \$127,967,391.

Purpose:

- Address goal or action in strategic plan
- Address other area of responsibility

To present an overview of the Proposed 2013 Current Budget, aligned with the city's strategic plan, Burlington, Our Future.

Reference to Strategic Plan:

- | | |
|--|-------------------------------------|
| <input type="checkbox"/> Vibrant Neighbourhoods | <input type="checkbox"/> Prosperity |
| <input checked="" type="checkbox"/> Excellence in Government | <input type="checkbox"/> N/A |
-

Executive Summary:

Council approved the City of Burlington's 2012 Long Term Financial Plan, report F-22-12, whereby recommendation 1 was that "Base budget tax rate changes align closely with inflation. ... The measure used for inflation will be a three year annual rolling average of the Consumer Price Index (Toronto)." Staff worked to develop a budget that meets this recommendation.

Per the table below, the City's 2013 proposed base tax increase of 2.3% conforms to report F-22-12.

	City Tax Impact	Overall Tax Impact
City Tax Levy	\$121,956	
Base Budget:		
Corporate Challenges	\$3,573	
Local Boards & Committees	\$233	
Operating Challenges	\$547	
Re-deployment	\$(8)	
Operating Efficiencies	\$(1,469)	
Total Base Budget	\$2,875	
Total Levy	\$124,831	
Tax Impact (%)	2.3%	1.2%
Tax Bill Impact (\$/\$100,000 CVA)	\$8.89	\$11.77
Provision to the JBMH Reserve Fund	\$1,200	
City Business Cases	\$876	
Sub-total	\$2,076	
Total Levy	\$126,907	
Tax Impact (%)	4.0%	1.9%
Tax Bill Impact (\$/\$100,000 CVA)	\$15.31	\$18.19

The report is organized in the following sections:

- 2013 Current Budget Summary
- Highlights of the 2013 Proposed Current Budget
- 2013 Operating Challenges
- Base Budget Efficiencies
- Expenditures and Revenues
- Net Zero Budgets
- Local Boards and Committees
- Service Enhancements / New Initiatives
- One-time Funding
- Listing of Uncommitted Other Initiatives (Appendix B)
- Urban Area Apportionment (Appendix F)
- 2013 Projected Year-end Retained Savings.

The report introduces a listing of Business Cases not included in the Proposed Budget Submission per Appendix B, reference numbers 67 to 82.

Background: F-22-12 City of Burlington's 2012 Long Term Financial Plan

Discussion:

2013 Current Budget Summary

The 2013 Proposed Current Budget was prepared and is submitted following the strategic directions in "Burlington, Our Future." An array of services that meet Vibrant Neighbourhoods, Prosperity and Excellence in Government are included. A few examples are listed below:

Vibrant Neighbourhoods:

- Alton Community Centre,
- Safety inspections, and
- Growth in assets, including road markings and sidewalks.

Prosperity:

- Alton Community Centre

Excellence in Government:

- GTA Tax Room Transfer to Capital,
- Dedicated Infrastructure Renewal Capital Levy,
- Risk and Consulting Services, and
- Increased Provision to the JBMH Redevelopment project.

The Proposed 2013 Current Budget has been thoroughly reviewed by EBC. All expenditures have been reviewed and evaluated to determine their priority for 2013. Revenues have been projected responsibly, and investment income has been projected aggressively. The proposed Current Budget presents a balance between identified needs, council directions, corporate strategic plans, and financing capabilities.

The focus of committee's strategic review for the 2013 Current Budget is the decision making business cases (see Appendices A and B).

Highlights of the 2013 Proposed Current Budget

The 2013 net tax levy is the net amount of property taxes collected for the support of city services consisting of a proposed base amount of \$125,891,646 plus recommended business cases of \$2,075,745, for a total proposed net tax levy of \$127,967,391. Business cases are proposed variations in the budgeted expenditures or revenues for which separate budget disclosure is warranted.

The budget includes a 3.4% increase in gross expenditures, which total \$203,263,205 (Appendix C, Summary of Gross Expenditures & Revenues). This includes new spending for the Alton Community Centre, capital projects and growth, offset by growth

in assessment (i.e. taxes on new homes). Other expenditure changes are net zero accounting entries that have no impact on the overall bottom line. Additional costs are offset by a 1.0% increase in non-tax revenues, which total \$75,295,814. Overall, this is an increase of \$6,010,962 over the approved 2012 net tax levy.

2013 Operating Challenges

The city has base budget operating challenges in 2013 totalling \$546,562. The following are three of the largest:

- E-Government facility rental and communications (3-year costs funded by one-time revenues),
- Reduced parking fine revenue (volume), and
- Increase in custodial and rental rates of school board properties.

Please reference Appendix A (Ref. #'s 17 to 32) for all identified operating challenges.

Base Budget Efficiencies

The 2013 proposed current base budget reflects efficiencies totalling \$1,468,683. The listing below provides a few of the significant items:

- Increased Planning & Building revenues (volume and price),
- Increased transit fare and charter revenues due to increased ridership,
- Increased rental and programming revenue in Parks & Recreation (volume and price), and
- Increased recoveries under Region Road Maintenance Agreement

Please reference Appendix A (Ref #'s 33 to 47) for a complete listing of base budget efficiencies.

Expenditures

The 2013 current budget supports several types of expenditures, which include human resource costs, hydro, diesel fuel and gasoline costs, minor capital/operating expenses, grants to local boards, contracted service costs and other expenditures.

The following table provides an allocation of the gross expenditures (\$203,263,205) by category.

EXPENDITURE CATEGORIES	2012 BUDGET	2013 PROPOSED BUDGET	\$ Change vs. 2012	% Change vs. 2012
Human Resources	\$ 93,816,779	\$ 96,961,200	\$ 3,144,421	3.4%
Operating/Minor Capital Equipment & Purchased Services	31,606,631	32,317,612	710,981	2.2%
Debt Charges, charity rebates & service charges	12,433,711	11,758,287	(675,424)	-5.4%
Transfers To Others (incl. Local Boards & Citizen Committees)	12,135,716	12,410,764	275,048	2.3%
Internal Charges	6,770,594	6,658,296	(112,298)	-1.7%
Provisions to Capital and Reserves & Reserve Funds	37,349,473	39,557,046	2,207,573	5.9%
Sub-total	\$ 194,112,904	\$ 199,663,205	\$ 5,550,301	2.9%
Contribution to JBMH	\$ 2,400,000	\$ 3,600,000	\$ 1,200,000	50.0%
Total Expenditures	\$ 196,512,904	\$ 203,263,205	\$ 6,750,301	3.4%

Human Resource Impacts

Municipalities are service organizations that rely heavily on human resources (HR) to deliver the range and quality of services that residents have come to expect. Human resource costs (including benefits, training, etc.) as a percentage of the City's gross budget has changed from 50.5% in 2004 to 47.7% proposed for 2013.

The following is a breakdown of 2013 HR changes:

	Base Budget		Business Cases		Total	
	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%
Earnings	\$1,034	1.4%	\$965	1.2%	\$1,999	2.6%
Benefits	\$885	5.1%	\$241	1.4%	\$1,126	6.5%
Other	\$17	1.8%	\$2	0.2%	\$19	2.0%
Total	\$1,936	2.1%	\$1,208	1.3%	\$3,144	3.4%

The year-over-year base increase for HR costs is approximately \$3.1 million (or 3.4%). For further details, please refer to Appendices D and E to this report.

Impact on the budget of OMERS' 3 year increase to contribution rates

In 2010, OMERS announced a 3 year contribution rate increase for the OMERS plan. Both the required employee contributions and the matched employer contributions were impacted.

In the 2013 budget, the cost of employer contributions for OMERS totals \$3.6 million. The OMERS rate increases have resulted in increased costs on average of \$0.6 million each year (2011 – 2013). Appendix A, ref # 3 identifies the 2013 increase of \$0.6 million.

Full Time Equivalent (FTE) Redeployment

The chart in Appendix E provides a summary of the budgeted FTE changes (2012-2013) by department, comparing the 2013 proposed budget and the 2012 approved budget. Including base budget adjustments, base budget solutions, and recommended business cases, the overall staffing impact is a reduction of 0.19 full-time equivalents (FTEs) as a result of redeployments.

There was redeployment of 8.79 FTE in the base budget. Business cases recommended by EBC bring forward 8.60 FTE, resulting in a slight reduction to the FTE complement.

Operating/Minor Capital Equipment & Purchased Services

The proposed 2013 budgets for Operating/Minor Capital Equipment and Purchased Services expenses are contained, showing an overall increase of \$710,981, or 2.2% including commodities. The following key areas contribute to the 2013 budget increase:

- The overall increase for commodity costs such as diesel, gasoline, hydro and natural gas is \$389,423 or 5.0%, including increased diesel fuel prices in Transit (\$157,562) and Roads & Parks Maintenance (\$23,470); increased hydro costs due to annualization of new lit fields (\$49,366), Alton Community Centre (\$41,670) and street lighting cost increases (\$98,300).
- Other external services, mainly in Risk & Consulting Services (\$160,000)
- E-Government facility rentals (3-year cost - \$144,000)
- Increased salting & sanding supplies for Winter Control (\$87,684)
- Snow removal (\$82,065); this includes snow removal for Alton Community Centre.
- Communications re E-Government (\$21,500) and Information Technology Services (\$58,382)
- Search fees for by-law enforcement (\$60,800)
- Increases in computer software maintenance; mainly Information Technology Services (\$39,941) and Transit (\$16,400).
- Custodial expenses for school board properties (\$53,738)

The above are offset by a number of decreases in:

- Elimination of mobile equipment in Roads & Parks Maintenance (\$107,000),
- Reduction in allocation for Strategic Plan Implementation (\$100,000),
- Elimination of auxiliary Tax overflow for Handi-van (\$90,000),
- Elimination of Taxi Scrip Expenditures (\$71,500),
- Reduction in food & drink in Tyandaga (\$69,000), and
- Reduced catering expenses for Paletta Mansion (\$61,130).

Please reference Appendix A (Ref. #'s 4, 17, 19, 20, 21, 43, 49, 51, 64 & 65) for further information.

Debt Charges, Charity Rebates & Service Charges

Debt charges are the annual amount spent in the Current Budget to repay both principal and interest on the debt financing used to fund projects in the capital budget. The year-over-year decrease is \$725,424 or 5.7%. The following key areas contribute to the 2013 budget decrease:

- Reduced non-tax supported debt charges for 414 Locust Street in Parking and Parks & Recreation (\$574,913)
- Reduction in Special Circumstances Debt (recovery from Hydro funds) (\$253,615)
- Increase in tax supported debt charges of \$100,000

Outlined in F-22-12 is strategic objective 2, Responsible Debt Management; whereby, “the city will make every effort to continue to minimize the impact of debt servicing cost on the taxpayer and manage existing and future debt levels.” To manage debt levels effectively, the city has in place a strong debt policy and appropriate measures to manage financial risks. Staff, in preparing the 2013 Proposed Current Budget, adhered to the current policy and recommendation 2 detailed in F-22-12.

In addition, vacancy rebates increased by \$50,000 to reflect a 4-year rolling average.

Please reference Appendix A (Ref. #'s 22, 27 & 39) for further information.

Provisions to Capital and Reserves & Reserve Funds

Overall, provisions to capital are expected to increase by \$1,519,782 or 6.5% over the 2012 budget. The increases are primarily in:

- \$910,000 GTA Tax Room Transfer (Appendix A, Reference # 10) and
- \$609,782 Dedicated Infrastructure Renewal Levy (Appendix A, Reference # 11).

These increases have been accommodated within the 2.3% base budget tax increase.

Strategic objective 4, Predictable Infrastructure Investment, outlined in F-22-12 states that “the city has an obligation to protect its investment and strike a balance between new/enhanced facilities and the proper maintenance of existing infrastructure.” The above increase of \$609,782 or 0.5% dedicated infrastructure renewal levy is in place to

address infrastructure. Once a full scale asset management based on life cycle costing is developed, appropriate targets and a financial plan to determine the right level of contributions required can be established.

Provisions to reserves & reserve funds are expected to increase by \$687,791 or 5.0% over the budget of the previous year. The proposed increases, which are offset by minimal decreases, are primarily in:

- Provision to Contingency Reserve (Appendix A, Reference # 7),
- Vehicle Depreciation Reserve Fund (Appendix A, Reference # 8),
- Provision to Parking District Reserve Fund (Appendix A, Reference # 27), and
- Provision to Insurance Reserve (Appendix A, Reference # 53).

Strategic objective 3, Improved Reserves and Reserve Funds, outlined in F-22-12 states that “maintaining adequate reserves allows the city the financial flexibility to respond to uncontrollable factors (like economic cycles), short-term and one-time needs and sustainability to plan for today and the future.” Apart from provisions to capital, the major increase is a provision of \$300,000 (\$200,000 through base and \$100,000 as a business case) to the Insurance Reserve; this is needed to accommodate the premium increase for 2013.

Revenues

The proposed 2013 current budget is supported by several sources of department and corporate revenue, which includes property taxes, subsidies and grants, payments-in-lieu of property taxes, fees for service and other forms of revenue. The table below provides an allocation of the current budget revenues by category.

REVENUE CATEGORIES	2012 BUDGET	2013 PROPOSED BUDGET	\$ Change vs. 2012	% Change vs. 2012
Controllable Revenues				
Fees & Charges	\$ (24,247,556)	\$ (25,089,938)	\$ (842,382)	3.5%
Other Revenues & Recoveries	(9,622,217)	(10,014,282)	(392,065)	4.1%
Total Controllable Revenues	\$ (33,869,773)	\$ (35,104,220)	\$ (1,234,447)	3.6%
General Revenues & Recoveries				
Net Tax Levy (Excl JBMH)	\$ (119,556,429)	\$ (124,367,391)	\$ (4,810,962)	4.0%
Investment Earnings	(4,800,000)	(4,900,000)	(100,000)	2.1%
Penalties & Interest	(2,100,000)	(2,100,000)	-	0.0%
Grants & Subsidies	(12,623,863)	(12,611,170)	12,693	-0.1%
Transfers From Capital Fund To Operating Fund	(2,709,803)	(2,592,314)	117,489	-4.3%
Internal Recoveries	(7,000,162)	(6,871,973)	128,189	-1.8%
Transfers From Reserves & Reserve Funds	(6,234,368)	(6,221,722)	12,646	-0.2%
Other	(5,218,506)	(4,894,415)	324,091	-6.2%
Total General Revenues & Recoveries	\$ (160,243,131)	\$ (164,558,985)	\$ (4,315,854)	2.7%
Sub-total	\$ (194,112,904)	\$ (199,663,205)	\$ (5,550,301)	2.9%
Levy for JBMH	\$ (2,400,000)	\$ (3,600,000)	\$ (1,200,000)	50.0%
Total Revenues	\$ (196,512,904)	\$ (203,263,205)	\$ (6,750,301)	3.4%

Controllable Revenues

In accordance with provincial legislation, the City of Burlington imposes fees or charges for services provided, for costs payable for the use of its property, and for interest charges and other penalties that the City considers appropriate.

Overall controllable revenues are increasing by \$1,234,447 or 3.6% over 2012. The following revenues contribute to the overall increase:

- Transit Fare Revenue (Appendix A, Ref. # 46)
- Site Plan Application Fees (Appendix A, Ref. # 47),
- Registration Fees (Appendix A, Ref. # 45),
- Rental Revenue (Appendix A, Ref. # 45), and
- Subdivision Administration Fees (Appendix A, Ref # 47).

Property Taxes or Net Tax Levy (\$124,367,391) plus JBMH Levy (\$3,600,000)

The single largest portion of City funding comes from property taxes. As outlined in F-22-12, strategic objective 1 is Competitive Property Taxes; whereby, “the city must respond to the demand for programs, services, and the continued maintenance of our exiting infrastructure in an affordable manner. As a result, the city must strike a balance between conflicting goals, such as minimizing tax increases, while maintaining existing programs, services and infrastructure, and providing new services in a climate of increasing costs.” Staff worked to develop a budget that meets recommendation 1, whereby, “Base budget tax rate changes align closely with inflation. ... The measure used for inflation will be a three year annual rolling average of the Consumer Price Index (Toronto).”

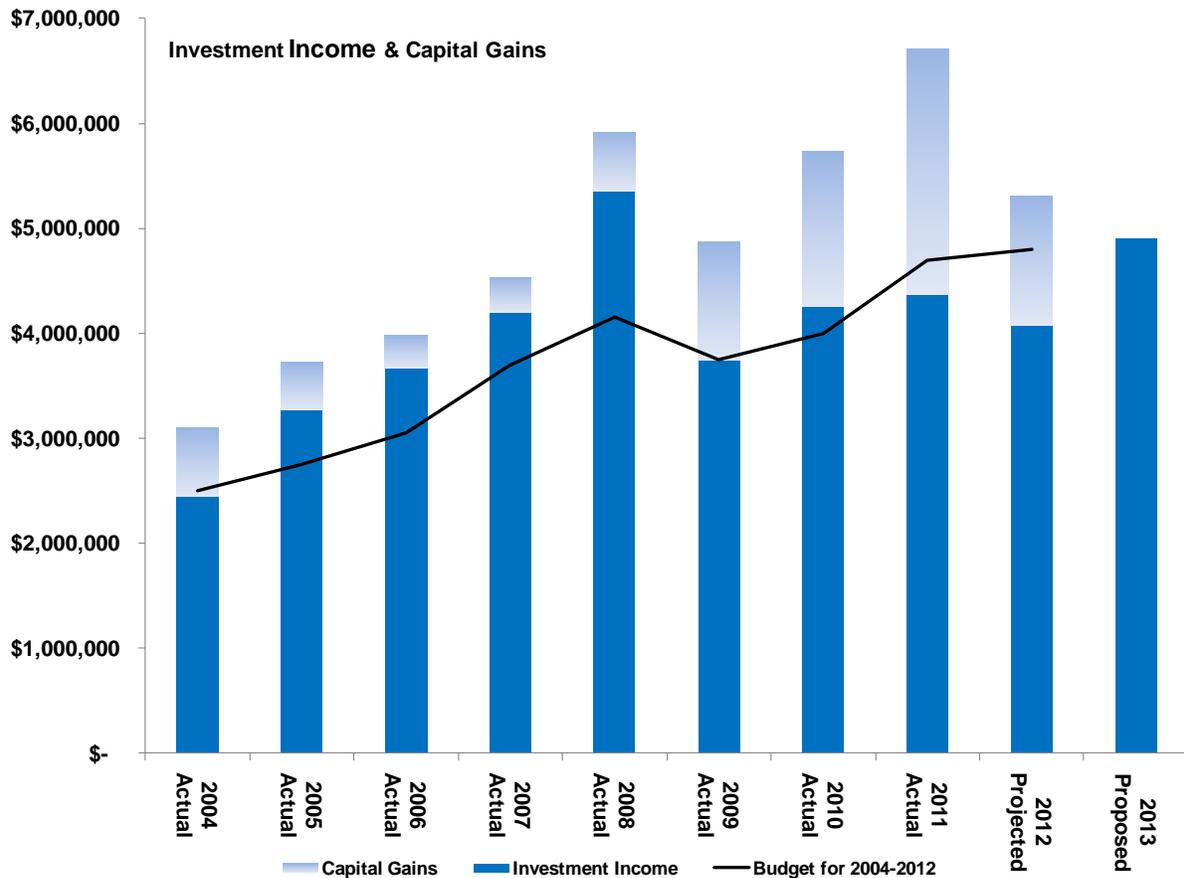
In 2013, 61.2% of the total city funding will be provided by a direct tax levy plus 1.8% of the total city funding by a levy for the JBMH. This represents an increase of \$6,010,962 or, 4.93% over 2012.

The increase in gross expenditures is offset by growth in weighted assessment of 0.87%, which results in a net 4.0% urban City tax levy increase. The increase for rural properties is 4.6%. This does not mean that an urban homeowner will pay 4.0% more property taxes than in 2012. The City’s tax increase, when combined with the approved regional budget and education tax rates, will result in an overall increase in urban property taxes of 1.9% (2.0% for rural properties). This equates to an increase of \$18.19 per \$100,000 of residential assessment.

General Revenues and Recoveries

Current budget general revenues and recoveries, excluding property taxes, are expected to generate \$40,191,594 in 2013. This represents a net decrease of \$495,108 or 1.2%.

Investment Earnings: The 2013 proposed budget for earnings on investments has increased by \$100,000 or 2.1% over the 2012 budget. The budget for investment earnings varies from year to year based on general economic trends, the mix of investments in the City’s portfolio and the fluctuating balances in reserves and reserve funds. For 2013, the city anticipates a stabilized interest rate environment.



Note: the City does not budget for capital gains

Grants and Subsidies: \$7.14 million, or 3.5% of the City’s proposed total budgeted revenues, is provided by provincial and federal grants and subsidies, which are tied directly to legislated cost-sharing arrangements. In 2013, neither provincial funding nor federal funding has increased over 2012. Subsidies and grants contribute toward higher gross revenues and gross expenditures (through transfers for reserve funds), but have no impact on the City’s operating budget increase.

As the single shareholder of Burlington Hydro, the City has budgeted to receive dividend and interest payments of \$5,130,000 in 2013, similar to 2012.

Transfers from Capital Fund to Operating: The 2013 current budget includes transfers of capital funds to the operating budget of \$2,592,314, which is \$117,489 or a 4.3% decrease over the 2012 budget. Of this amount, approximately \$2.5 million is recovery for staff time and \$0.1 million is recovery for vehicle usage. Staff that work on

capital projects charge the cost of their time worked against the capital budget and realize a corresponding recovery of those costs in the current budget.

Internal Recoveries: 3.4% of the City's budgeted revenues come from inter-departmental charge backs. The departments that most commonly use internal charge backs are Roads and Parks Maintenance and Parks and Recreation. Included are the following recoveries:

- \$3.5 million recovery for vehicle and equipment usage
- \$2.0 million recovery for facility usage, and
- \$0.5 million recovery for staff time including overtime.

For every \$1 of internal recovery, there is a corresponding \$1 internal expense.

Transfer from Reserve Funds: Transfers from reserves and reserve funds occur to eliminate tax rate fluctuations due to unanticipated expenditures and revenue shortfalls. In 2013, 3.1% of the City's proposed current budget is provided through transfers from reserves and reserve funds. This includes the continued contributions of \$789,430 transferred from the Provincial Dedicated Gas Tax Reserve Fund to Transit and \$250,000 transferred from the Hydro Reserve Fund Year to the current budget. Year-over-year, there is a \$12,646 or 0.2% increase in transfers from reserves and reserve funds. The following are major transfers from reserves and reserve funds:

- Transfer from the Tax Rate Stabilization Reserve Fund for OMERS (Appendix A, Ref. # 3)
- Transfer from the Tax Rate Stabilization Reserve Fund for one-time initiatives (Appendix A, Ref. #'s 16, 32 and 66).

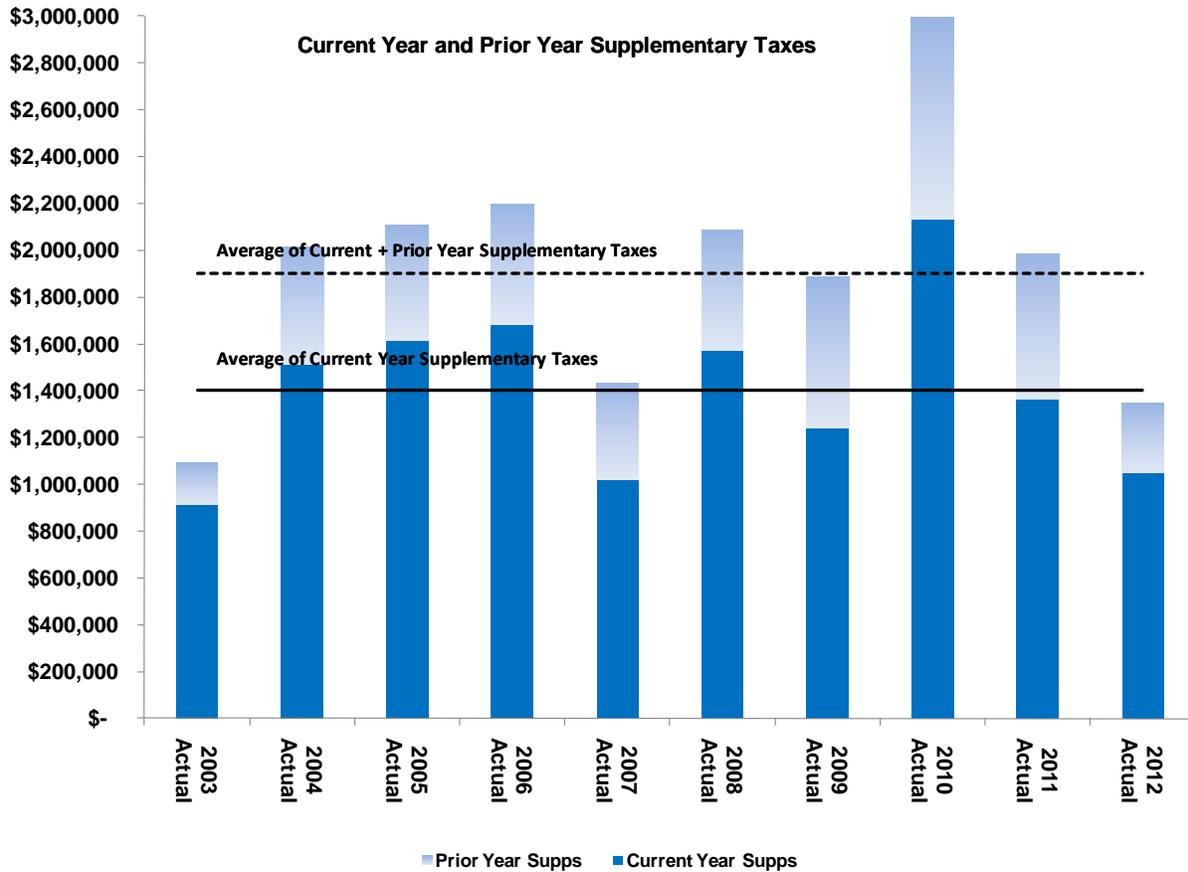
Other Revenues: Other sources of general revenues include Payments in Lieu of Taxes and supplementary tax revenue, which represents 2.3% of the 2013 proposed current budget.

Payments in Lieu of Taxes: Increased by \$17,775 or 0.6% reflecting 2012 actuals.

Supplementary Tax Revenue: During the year, the City receives supplementary tax revenue for both the current year and prior years. This revenue is based on assessments provided by the Municipal Property Assessment Corporation (MPAC) for new construction occupied during the current year (known as supplementary assessments) as well as buildings which were constructed and occupied in prior years and were inadvertently omitted from the assessment roll (known as omitted assessments).

From 2003 to 2012, current year revenues as a percentage of total (current year plus prior years) revenues have been approximately 73.7% or \$1.4 million per year on average. Thus, the remaining 26.3% of these revenues is due to the backlog of new construction for which MPAC was not able to assess in the year of occupancy. For some of the backlog, once assessed, the city receives more than one year of tax revenue in a given calendar year.

The 2013 proposed current budget for supplementary taxes has been lowered to \$1,350,000 (Appendix A, reference # 50) to reflect 2012 actuals and 10 year history of current year revenues. As the city is nearing residential greenfield build-out, it is imperative that we do not rely too heavily on this revenue source.



Net Zero Budgets

“Net zero budgets” are services budgeted as self-sustaining so that they do not rely on tax levy funding. The following table shows the transfers to/from reserve funds, resulting in a net zero impact for 2013 budget purposes.

Net Zero Grouping	Food Services	Tyandaga	Parking
Expenditures	\$ 897,227	\$ 1,193,207	\$ 1,020,812
Revenues	(1,053,989)	(1,269,216)	(2,099,696)
Sub-total	\$ (156,762)	\$ (76,009)	\$ (1,078,884)
Transfer to/(from) Reserve Fund	\$ 156,762	\$ 76,009	\$ 1,078,884
Net Budget	\$ -	\$ -	\$ -

Note: Actual 2012 transfers to/from the reserve funds will be reported as part of the annual Retained Savings Disposition Report. The December 31, 2012 reserve fund balance will also be reported.

Local Boards & Committees

Local Boards include the Burlington Public Library, Burlington Museums (2), Burlington Art Centre, Burlington Performing Arts Centre, Tourism Burlington and the Burlington Economic Development Corporation (BEDC). There are also eleven citizen committees that receive funding from the City on an annual basis and the Sound of Music, which is a stand-alone non-profit corporation that receives annual funding within the Citizen Committee budget category. For 2013 an increase of 2.0% was provided for local boards and committees in the city's base budget submission. Excluding local board business cases, the overall submission for local boards and committees equates to an increase of \$269,680 or 2.3% year over year.

Given the unique governance structure of local boards, EBC did not include any decision making business cases within the proposed budget submission. The business cases for each local board are provided for full committee and council review. Board-requested funding requests are shown below:

Local Boards	2012 City Funding (\$000's)	2% Base Increases (\$000's)	Ongoing Business Cases (\$000's)	Budget Yr. Over Yr. % Change *	FTE Request
Burlington Public Library	\$8,903	\$178	\$497	7.6%	7.8
Museums	\$583	\$12	\$7	3.3%	0.2
Burlington Art Centre	\$764	\$15	\$170	24.3%	0.0
Burlington Performing Arts Centre	\$625	\$12	\$357	59.1%	2.0
Tourism Burlington	\$343	\$7	\$0	2.0%	0.0
BEDC	\$580	\$12	\$370	65.7%	1.0

** Excluding business cases, the year over year budget increase is 2.0%.*

Please reference Appendices B and I (confidential) (Ref #'s 73 to 82) for a complete listing of Local Board decision making business cases.

Decision Making Business Cases – City Recommended

Staff were cautious in bringing forward service enhancements and new initiatives. The 2013 current budget supports \$2,075,745 in ongoing net expenditures as well as \$942,400 in one-time expenditures offset by one-time revenues (net \$0). This category includes the impact on operating of the Alton Community Centre, reduced supplementary taxes, risk & consulting services, and increased provisions to the JBMH and the Insurance Reserve.

These items are found in Appendix A, Reference #'s 48 to 66.

One-time Funding

In accordance with approved policy 1.5.8, some of the budgeted expenditures in the 2013 Proposed Current Budget were identified as one-time in nature. EBC recommended that the majority be shown as business cases and funded from a one-time source of revenue (net zero impact).

The result is that unique one-time needs can be addressed without affecting the tax rate, and without being built into the budget in future years. The total amount of one-time funding being proposed in this budget is \$1,110,400 (Appendix A, reference #'s 32 and 66). Within this total are \$908,700 to implement the service management framework throughout the corporation (Appendix A, Ref. # 49), \$165,000 for E-Government (Appendix A, Ref # 17) and \$15,000 for the Burlington Teen Tour Band (Appendix A, Ref. # 56).

As in previous years, the anticipated prior year's retained savings has been relied upon to supplement the Tax Rate Stabilization Reserve Fund for the purpose of offsetting one-time expenditures. In the 2012 Retained Savings Disposition report, staff will recommend that \$1,110,400 of the favourable year-end variance be transferred into the Tax Rate Stabilization Reserve Fund, which will later be applied to offset the proposed one-time items identified for funding in 2013.

Decision Making Business Cases – City Not Recommended

A listing of decision making business cases not included in proposed budget is included in Appendix B. These items, while of value, did not fit within the proposed budget given other priorities and therefore were not recommended by EBC for inclusion in 2013. This list includes \$1,627,636 in on-going net expenditures and \$12,000 in one-time expenditure requests. Refer to Reference #'s 67 to 72 for further information.

Urban Area Apportionment Tax Rate Calculations

The proposed 2013 Current Budget recommends a city tax rate increase of 4.0% for the urban area and a 4.6% increase for the rural area. Appendix F shows how the 2013 Urban Area Apportionment is calculated. The Tax Rate Calculations are detailed and summarized in Appendix G.

The difference in the tax rate increase is because the relative changes in the urban area apportionment were no longer comparable to the relative changes in taxable assessment for the whole city. Both factors involved in the calculation (apportioned net costs and weighted assessment) are difficult to balance annually.

The distinction between urban and rural services is becoming less and less clear as there are sidewalks, pathways and streetlights in specific sections of the rural area. Transit service represents the most unique service that is delivered to the “exclusive” benefit of the urban area, and with the largest cost.

Finance staff continue to monitor and review the apportionment of costs between the urban and rural areas.

2012 Projected Year-End Retained Savings

This report was written in December 2012. A significant number of entries need to be made in the financial system in January, including processing invoices for contracted services such as winter control, payroll processing, etc. At this time, staff anticipate the 2012 retained savings to range from \$3.0 million to \$4.0 million or 1.5% to 2.0% of gross 2012 expenditures. Staff will provide a verbal update at the committee meeting if a more definitive figure is available, and will be reporting in February 2013 regarding the retained savings disposition strategy.

Financial Matters:

Approval of the 2013 Current Budget will establish the authority for preparing the 2013 Tax Levy By-law.

Per the table below, the City’s 2013 proposed base tax increase of 2.3% conforms to report F-22-12:

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City Tax Levy	\$121,956	
Base Budget:		
Corporate Challenges	\$3,573	
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Communication Matters:

Public Consultation

Refer to report EBC-01-13, also in this agenda, for the 2013 EBC Budget Overview Report.

Council Information Session

As in prior years, the Current Budget review process provides for an internal Council Information Session, which will be held on Tuesday, February 12 in room 247 to allow members of Council the opportunity to ask questions about the proposed budget with departments.

Current Budget Action Request (BAR) Forms

Through the Budget Action Request (BAR) forms (sample attached as Appendix H), mayor and councillors may propose amendments including items from Appendix A and B, or any alternative items presented by committee members. BAR forms should be filled out and returned to the Director of Finance no later than Tuesday, February 19 at 4:00 p.m., for consolidation and subsequent review at the B&CS meetings on Thursday, February 28, Tuesday, March 5, and Thursday, March 7 (if required).

Budget and Corporate Services Committee Meetings

January 15, February 28, March 5 and March 7 (if required) meetings of the B&CS Committee have been advertised in the media as public meetings to consider the 2013 Current Budget with an opportunity for public input. Budget review material is also being made available to the public at the Clerks Department counter in hard-copy binder format and in an electronic format via the City's website (www.burlington.ca) by Friday, January 5, 2013.

To ensure Committee and staff are clear on the process, the starting point for amendments is the proposed net tax levy quoted in the recommendation section of this report.

Key Dates

The proposed 2013 budget meeting schedule is as follows:

- January 15 – Proposed 2013 Capital Budget and Current Budget overview at Budget & Corporate Services Committee
- January 28 – Capital Budget Council Information Session
- February (TBD) – Public Budget Consultation
- February 7 – Capital Budget Review and Approval at B&CS Committee
- February 12 – Current Budget Council Information Session
- February 19 – Council Approval of the Capital Budget
- February 19 – Budget Action Request Forms due
- February 28, March 5 & 7 - Current Budget Review and Approval at B&CS Committee
- March 18 – Council Approval of the Current Budget.

Review and approval of the current budget occurs on special scheduled B&CS Committee dates, so as to not conflict with regular agenda timelines. Unfortunately, staff were not able to schedule all the current budget review dates outside the regular committee weeks. Multiple dates have been scheduled for review and approval of the current budget, and will be used as required.

Conclusion:

The proposed 2013 current budget has been thoroughly reviewed by staff, in keeping with Council's approved strategic plan Burlington, Our Future.

Report F-22-12's final strategic objective, Recognized Value for Services, speaks to a service based budgeting. According to recommendation 5, "implementation of service based budgeting is required in order to value and cost services, ensure decisions are aligned and consider service adjustments when making decisions." This will be implemented for the 2015 budget.

Respectfully submitted,

Elisabeth Lewis
 Financial Analyst, Budgets and Policies
 905-335-7600, ext. 7852

Appendices:

- A. Summary of Current Budget Key Operating Issues & Analysis
- B. Summary of Decision Making Business Cases not included in Proposed Budget
- C. Summary of Gross Expenditures & Revenues
- D. Summary of Human Resource Costs & Benefits
- E. Summary of Base Budget FTEs by Dept 2012 - 2013
- F. Urban Area Apportionment
- G. Tax Rate Calculation
- H. Budget Action Request Form
- I. Confidential Business Case Form 78

Notifications:
 (after Council decision)

Name	Mailing or E-mail Address

Approvals:

*required _____ _____ _____ _____
 *Department City Treasurer General Manager City Manager

	To be completed by the Clerks Department
Committee Disposition & Comments	
	01-Approved 02-Not Approved 03-Amended 04-Referred 06-Received & Filed 07-Withdrawn
Council Disposition & Comments	
	01-Approved 02-Not Approved 03-Amended 04-Referred 06-Received & Filed 07-Withdrawn