



TO: Budget and Corporate Services Committee

SUBJECT: 2013 EBC Budget Overview Report

Report Number: EBC-01-13

File Number(s):

Report Date: December 10, 2012

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

Date to Committee: January 15, 2013

Date to Council: January 28, 2013

Recommendation: For information only

Purpose:

- Address goal or action in strategic plan
- Establish new or revised policy or service standard
- Address other area of responsibility

This report provides Executive Budget Committee's perspective on the work completed by staff in preparation for council's 2013 capital and current budget review and comments on financial strategies for 2013 and future years. This report complements the two 2013 budget reports (capital and current) prepared by Finance staff, also within this meeting agenda.

Reference to Strategic Plan:

- x Vibrant Neighbourhoods
 - x Prosperity
 - x Excellence in Government
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Background:

Council approved the city's strategic plan Burlington, Our Future as a guide for 2011-2014, including strategic directions related to vibrant neighbourhoods, prosperity and excellence in government.

Council approved the long term financial plan (Report F-22-12) on November 26, 2012, with the following key financial strategic objectives for the city:

1. Competitive Property Taxes
2. Responsible Debt Management
3. Improved Reserves and Reserve Funds
4. Predictable Infrastructure Investment
5. Recognized Value for Services

As part of report F-22-12, Council approved recommendation 1 pertaining to competitive property taxes, to maintain "base budget tax rate changes that are aligned closely with inflation."

Discussion:

Executive Budget Committee is pleased to present the 2013 proposed budget with a city base budget tax increase of 2.3%. (2013 budget inflation target 2.64%, based on three year rolling average of Consumer Price Index (CPI), Toronto).

Proposed Budget

The city's base budget is presented with a 2.3% increase, including existing city services and funding for infrastructure; with a proposed overall city increase of 4.0% including an increased levy for the city's contribution to the Joseph Brant Memorial Hospital redevelopment and EBC recommended business cases (i.e. the opening of Alton Community Centre).

Operating Budget	2013 Proposed Budget	City Tax Impact	Overall Tax Bill Impact	FTE Change	City FTE Complement
2012 Tax Levy	\$121,956				1121.49
Base Budget					
Corporate Challenges	\$3,573				
Local Boards & Committees	\$233				
Removal of 2012 one-time expenditures	\$0			(3.92)	
Operating Challenges	\$547			(0.25)	
Re-deployment	(\$8)			(4.62)	
Operating Efficiencies	(\$1,469)				
Base Budget Levy	\$124,831	2.3%	1.2%		1112.70
Tax Bill Impact (\$/\$100,000 CVA)		\$8.89	\$11.77		
JBMH Levy Increase	\$1,200				
Base Budget Levy	\$126,031	3.3%	1.6%		
Tax Bill Impact (\$/\$100,000 CVA)		\$12.78	\$15.66		
Decision Making Business Cases					
City – EBC recommended	\$876	4.0%	1.9%	8.60	1121.30
City – Transit referred to 2013 Budget	\$584	4.5%	2.1%	4.20	
City- EBC not recommended	\$1,043	5.4%	2.4%	10.00	
Recommended by Local Boards	\$1,401	6.5%	2.9%	11.0	

Customer Service

This is a key corporate priority and three areas of focus will continue in 2013:

- Customer service strategic leadership, staff training and empowerment: the corporate customer service steering committee now includes the city manager and general managers; the customer service team will continue staff training and is focused on quality assurance, how and when customer feedback can be collected in order to enhance service satisfaction. The service catalogue now in development will assist with community reporting and will also clarify one 'business owner' for each service. The 2013 budget submission is very focused on priority services and shows adjustment where value to the customer and long term investment value is better realized.
- E-Government is one of the key corporate strategies for excellence in government in Burlington. Web based service delivery will continue to be enhanced and a new web portal will be implemented. The 2013 budget continues the commitments made in 2012 and provides for workspace costs that were noted previously but not budgeted in 2012. Information Technology (IT) opportunities will continue to be explored so that ongoing resources are not consumed with maintenance activities and so that new opportunities can be pursued in a timely way. Partnerships continue to be explored and IT Disaster Recovery will be a priority in 2013, based on the audit findings (will be reported to the Audit Committee in 1st Q 2013).
- Public involvement continues and a proposed engagement charter was presented to Budget and Corporate Services Committee in December 2012. Using the IAP2 continuum, citizen engagement will continue with enhanced information sharing and additional involvement planned for key decisions. Transition will be evident in 2013 as service owners and project managers take responsibility for appropriate citizen engagement within their service areas. The public involvement coordinator role is budgeted to the end of October 2013.
- Burlington Transit's installation of the Computer Aided Dispatch and Automated vehicle Location system (CAD/AVL) will provide additional customer service enhancements. The system will provide customers with real time bus information on the internet, smart-phone and/or electronic message boards. A partnership has been established with the Town of Oakville on the procurement of a system that would operate in each municipality, but would have many opportunities to look at partnerships that both municipalities could benefit from. The procurement steps began in early December 2012 and will continue into early 2013. The system will:
 - help manage the data collection of routes, ridership, peak period usage and on-off counts that will enhance the reporting features of transit
 - include automatic passenger counters that will allow for the reduction in future hiring of consultants to achieve an often tedious, costly and labour intensive feature.

Maintaining Existing Capital Assets

The Capital budget continues to place pressures on the current budget. Strategies and actions are in place to focus on aging infrastructure needs with a 1.25% increase included in the base budget submission of a 2.3% city tax increase. This incremental funding is specifically targeted to continue to address infrastructure renewal needs. It is crucial as we move forward that continued attention is focused on protecting the investment in our existing infrastructure and strike a balance strategically choosing between investing in new/enhanced facilities and divesting what may no longer be required.

Roads Asset Renewal Funding Needs

Engineering report E-33-11 presented council an update on the quality of the city's road pavement, anticipated deterioration given existing funding levels and a strategy for stabilizing the decline. It is estimated that an additional \$3 million in funding annually over five years, applied to pavement resurfacing will stabilize the decline of the network pavement quality.

In response, as part of the 2012 approved budget, Council approved an additional \$1.2 million to the base funding of \$500,000 already in the ten year capital program. This brought the total 2012 approved capital budget and forecast to \$1.7 million annually to fund the city's road resurfacing needs. Roads and Park Maintenance report RPM-14-12 provided council a summary of the 2012 expanded program. In order to reduce the funding gap in achieving a stable road surface network as defined in report E-33-11, staff have included in the 2013 proposed capital budget an increased allocation to the local road resurfacing program to an average of \$2 million annually. Based on the most recent assessment, the pavement resurfacing is under funded by about \$1 million annually. Thus it is estimated that the pavement performance indicators will continue to decline marginally for Local and Collector roads and more notably for the Arterial roads. If Arterial roads decline too dramatically in the next several years, consideration may need to be given to diverting some of the Local and Collector road resurfacing funding to Arterial roads. The impact of the additional funding on the pavement performance indicators will be reassessed annually and reported on in future corporate infrastructure reports.

Asset Management

As per Report CSI-09-12, Council approved the purchase of the RIVA Decision Support (DS) software to supplement the City's Asset Management System. Implementation of this system will integrate the existing pavement, bridge, and storm sewer management systems into a tool allowing for long term full life cycle asset management and development and quantification of a comprehensive long term financial plan for these roadway assets. Considerable effort is being put into building decision tree algorithms for rehabilitation and renewal of the roadways assets. This is an important step to ensure the future utilization of the system for long term financial planning is as realistic as possible and reflective of local conditions in Burlington. This project implementation

is ongoing and it is anticipated that this model, allowing for the financial analysis of various policy scenarios to address the city's deferred infrastructure needs as well as future requirements will be available in 2013.

The facility asset management tool has been built utilizing the VFA software system and is being used in the preparation of the 2013 budget and forecast and to inform various decision making scenarios for facility renewal and rehabilitation for city operated facilities as well as other city owned facilities operated by local boards and joint venture partners.

The efforts on the development of sound analysis tools for full life cycle planning and investment decisions for infrastructure renewal and rehabilitation allow for better and more effective decision making and capital allocation. As well, senior government funding assistance to municipalities is increasingly being tied to the requirement for municipalities to have asset management plans in place to justify the need for funding assistance. As a leader in municipal asset management, the city is well positioned to meet this new and emerging requirement.

Randle Reef

As per report DI-1-12; Randle Reef Update, Council approved to direct \$230,000 annually towards the city's contribution to the clean up of Randle Reef. The 2013 proposed current budget includes an annual provision to Randle Reef, by way of reallocating \$230,000 of the \$350,000 budget provision to the Railway Crossing reserve fund.

The city has two grade separations in the 2013 proposed ten year capital budget forecast, which make use of the provision to the railway crossing reserve fund. With the remaining \$120,000 annual provision from the current budget and the continued \$500,000 annual provision from the capital budget, sufficient funding is forecasted to be in place in order to complete the two grade separations based on proposed timing and costing information.

On October 3, 2012, Regional Council approved a commitment of \$2 million toward the Randle Reef clean up bringing the total project funding by Halton Region and the City to \$4.3 million. Halton Region will not be a signatory to the agreement with Environment Canada and has agreed to flow the \$2 million to the city. As such, the annual contribution of \$430,000 (includes the Region's funding) will be issued during the month of April; commencing April 2013 and ending April 2022.

Plains Road Vision and Functional Plan implementation

Plains Road is an important Mixed Use Corridor in the City's Official Plan and a major arterial road in Aldershot. A Council adopted "Plains Road Vision Urban Design Guidelines" (2006) presented a conceptual plan to transform this arterial road (and former King's Highway) to more of a "Main Street" with enhanced active transportation facilities and streetscape improvements. This is intended to complement the Land Use

transformation that is occurring and will continue to occur along Plains Road as per the City's Official Plan. An implementation plan for carrying out the functional improvements along Plains Road has recently been completed by a consultant. Several options for the Community's and Council's consideration are presented in the Consultant's Report. Extensive public consultation has been undertaken in developing the options. At the Community Services meeting of October 3, 2012, staff provided an overview of the status of this implementation plan (Report E-45-12). The implementation options for Council's consideration could involve capital improvements over a 20 year period and several of the improvement options identify capital work that is currently not identified in either the 2012- 2021 Capital Budget and Forecast or the proposed 2013-2022 Capital Budget and Forecast.

A detailed report on the implementation options, their associated costs and benefits and on the financing of a recommended implementation plan will be brought to Committee in the second quarter of 2013.

Local Boards

As in past years, EBC is challenged during their budget review as the governance for the budget submissions is through their respective board, with the city's annual budget providing operating and/or capital funding to the respective board based on the priorities and decisions of council. As in past years, all requests from the boards are being shown to Committee in the budget documents. The local board senior staff have had two 2012 meetings with senior city staff (ongoing plan for regular liaison meetings, separate from budget planning) and have been provided training in Results Based Accountability. As with department (current) and asset category (capital) EBC reviews, boards have met with an EBC panel to discuss their budget submissions. Each board has identified their business cases in order of priority. The 2013 requests from the boards are significant.

The new Alton Community Centre and Library was an anticipated priority for the Library in the 2013 and 2014 budgets. The recommendations from EBC are different for the city's staffing and the library's staffing requests related to Alton. EBC does recommend Library staffing for Alton. Unfortunately, from a governance perspective, EBC does not have enough detail about the Library's budget submission to comment on whether the projected FTEs for 2013 and 2014 are 'right sized' considering their full service budget allocations. Governance challenges were identified with the local boards report presented to Committee in December 2012, and with the engagement charter presented at the same meeting. Further discussion will occur at 2013 quarterly governance meetings.

The Burlington Performing Arts Centre (BPAC) has now completed a full year of operation and their 2013 budget requests are based on a more realistic operating environment than in previous years. There is still work to do between CSI and the board regarding asset management funding, which will be resolved in 2013, similar to other boards. BPAC Repair & Renewal allocations have not been included in the 2013 budget, pending these discussions with CSI. As with other city facilities, investment in

repair and renewal is important to protect asset value and to ensure sustainability long term.

The Burlington Art Centre (BAC) does not have a reserve fund and is an aged facility owned by the city. At this time, there is not a finalized asset management plan for this facility. In reviewing the master agreement between the city and the BAC, the capital investment planning chart from the BPAC relationship agreement and lease has been used to help clarify roles and responsibilities, with funding responsibilities to be confirmed.

In Q3, 2012, Burlington Economic Development Corporation's (BEDC) Board of Directors endorsed the objectives contained in the Employment Lands Operational Plan with respect to establishing accelerated economic growth/development targets within the context of the 5 strategic employment districts. On October 22nd, Council provided direction to BEDC to complete the analysis for the employment districts by the end of 2013 as well as transition the organization to a new operating model.

Overall, Council must consider community and City needs (base budget and business cases), including existing facilities and services and the new Alton facility, the commitment to JBMH redevelopment, and then make informed decisions about which of the business cases submitted by the boards are reasonable and possible for 2013.

Revenue Impacts

Assessment growth allows a municipality to increase tax revenue without a corresponding tax increase. As residential Greenfield build out occurs, the city's assessment growth will be significantly impacted.

Weighted Assessment Growth

Assessment growth allows a municipality to finance increased costs without increasing taxes. From 2002 to 2007, Burlington's weighted assessment growth ranged anywhere from 2.19% (2004) to 3.69% (2002). However, in the last five years (2008 – 2012) there has been a decline in weighted assessment growth, representing an average of 1.40% as follows:

- 2008 1.15%
- 2009 1.86%
- 2010 1.32%
- 2011 1.64%
- 2012 1.01%

The weighted assessment growth for the 2013 budget is 0.87%. During 2012, MPAC's resources have been dedicated for the most part to the reassessment and defending the backlog of outstanding appeals at the Assessment Review Board. This has resulted in a delay in properties (mostly non-residential) being assessed during 2012.

Supplementary Taxes

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. 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 the given calendar year.

MPAC is committed to providing supplementary assessments on new properties in a timely manner, as is evidenced by their performance target to assess new residential units within 6 months of occupancy. This means that supplementary taxes for residential units have started to reflect only one year of tax revenue. The 2012 budget for supplementary taxes was increased by \$400,000 to \$1.75 million. The 2012 actual revenues realized is \$1,355,761 or 77.5% of the amount budgeted for 2012, resulting in an unfavourable variance of \$394,239.

As stated in the BMA Management Consulting Inc. (BMA)'s report for 2010, Burlington "currently faces challenges with respect to maintaining its urban boundary as it approaches full build out". This makes it imperative that we do not rely too heavily on this revenue source. Therefore, it is proposed for 2013 that supplementary taxes be reduced by \$400,000 to \$1,350,000.

Human Resources Management

At the October 25, 2012 quarterly governance meeting, staff presented each of the strategic directions from Burlington, Our Future in a Results Based Accountability framework (RBA) format. One of the indicators presented was "supportive workplace and engaged workforce". Continuing the city's efforts to be an 'employer of choice' and to encourage excellence and optimize the use of financial and human resources, weekly meetings have been held in 2013 by the City Manager, General Managers and Executive Director of Human Resources. During these meetings, senior staff review vacancies and consider redeployments where possible based on priority areas of service. The strategic plan is used to inform decisions about priority areas. Human Resource costs have remained steady since 2005, at approximately 49% of the city's gross budget.

Workforce Planning

As a recap on workforce planning, council will remember that the city's workforce is primarily focused on direct service delivery. Development and Infrastructure services, technical services, professional services, management and administration are the other groupings that were reported on in Report CM-18-11. Staff previously cautioned that the year of Alton Community Centre opening would be a challenge. Report CM-18-11 updated the city's workforce plan and identified the following outcomes:

- Forecast of FTEs over the next three years
- Review of FTEs by department and services
- Service impacts if FTEs are reduced
- Efficiencies and savings to offset increases in FTEs.

2013 Priorities

In the 2013 proposed budget, staff have continued efforts to redeploy resources and respect incumbents. A total of 8.8 FTEs have been redeployed from 2012 to cover the proposed 2013 new positions, including one time contracts approved in the 2012 budget and the temporary closure of Centennial Pool and Mountainside Arena. Staff have continued to focus on re-aligning resources to priority needs, which has assisted EBC in controlling workforce increases.

For 2013, EBC reviewed submissions from each department, division and service area and considered also the projections that departments and divisions provided in 2011 when they were forecasting three years out.

As anticipated, the following priorities are included within EBC's recommended budget of 4.0%:

- Field Services Technician to address Emerald Ash Borer (Report RPM-16-12)
- 3 year contract positions for risk and consulting services, including implementing service based management
- Alton Community Centre staffing.

In addition, there are other key priorities that have not yet been included within the 4.0% proposed budget. These include the following:

- submissions from the local boards (see later section in this report)
- corporate projects and accessibility coordinator
- expanded transit service
- fire staffing requests, including additional firefighters for Station 8, which was identified in previous years.

2014 Priorities

Staff are currently finalizing the service catalogue, which will be in place for the 2015 budget through service based budgets. In the 2014 budget, council can expect to see the following priorities addressed with human resources impacts:

- Continuation of Official Plan
- Continuation of E-Government program
- Full year implementation of Alton Community Centre and Library (parks and recreation and library impacts)
- Municipal Election (Fall 2014).

All of these were anticipated in the three year projections provided by staff in 2011 and 2012.

2015 Priorities

- Completion of Official Plan and E-Government program
- Service based budgets fully implemented based on business cases for each service
- New strategic plan with 2014-2018 Council.

Compensation

City Staff

The 2013 budget includes the compensation adjustments previously approved by council related to three of the union negotiations completed in 2012 (1.9% respectively for 2013). The 2013 proposed budget includes a 1.5% increase for the non union employees merit budget, commencing April 1, 2013. Council will recall that the 2012 budget changed non union compensation to a merit based salary budget increase only on anniversary date performance reviews and eliminated the general economic increase (Report HR-11-11). As of October 22, 2012, 67.9% of non union employees (282 of 415 employees) are being compensated below job rate (100% is job rate). A staff direction approved in March 2012 directed “the Executive Director of Human Resources to report to BCS Committee regarding the options for wage information that could be collected from local employers and provide to Committee before union and non union wage and salary decisions are made”. Neither the Burlington Chamber of Commerce nor the Burlington Economic Development Corporation conduct local wage surveys. Human Resources staff contacted various local companies that the City would be compares to. The local companies that were contacted were not interested; they participate in other purchased professional compensation surveys; are directed on a national basis and/or did not want to release confidential information.

Council

Staff report on the annual economic adjustment and/or compensation for mayor and members of council, which is paid directly by the City of Burlington, with funding from the city and Region of Halton. The adjustments to date have been based on a citizen committee recommendation regarding compensation and expenses (Report HR-9-11 most recently). The 2013 budget includes a Council economic adjustment based on a consumer price index generated formula which equates to 1.85%, effective January 1, 2013 (the increase will be retroactive after budget approval). The January 1 timeline matches the timeline approved by regional council in their 2013 budget deliberations. Staff have included the following compensation for council in the 2013 budget:

	Mayor	Councilor
City	\$122,096	\$53,278
Region	\$45,827	\$45,827
Total	\$167,923	\$99,105

Clerks staff were ready to proceed with another citizen advisory committee review in 2012, but that did not seem to be the best approach. Clerks staff are planning to gather a group of citizens together in 2013 and will be reporting on the scope for committee review early in the new year.

If Council preferred to adjust their (City) compensation for 2013 in line with the budget for non union staff (1.5%), the following compensation would be implemented after budget approval:

	Mayor	Councilor
City	\$121,676	\$53,095
Region	\$45,827	\$45,827
Total	\$167,503	\$98,922

Other Resource Impacts

Implementation of the strategic plan continues on an ongoing basis. Staff are committed to the priorities identified in Burlington, Our Future, and to implementation of the new business processes being introduced through the city manager. For the 2013 budget and future years, EBC has reduced the base budget funding allocated to the strategic plan implementation from \$400K per year to \$300K per year. This reflects more reliance on service owners to prepare budgets based on strategic and day to day needs, as well as practical workload demands. The corporate funds support continued flexibility each year for implementation, while recognizing the corporate need for regular reporting to committee and council and annual community reporting. 2013 allocations will be determined based on council's decisions in the 2013 capital and current budget review and approval process. The general manager of corporate services is accountable for this funding beginning in 2013.

Communication Matters:

Public Consultation

During development of the 2013 proposed budget, the city is hosting a city-wide budget public meeting, to be held January 30 2013 at the Burlington Art Centre. Invitations will be sent out to stakeholder groups and public advertising on the city's website, Burlington Post, Facebook, Twitter, and media releases.

Timelines

The proposed meeting schedule for budget review and approval is summarized in the finance reports in this agenda with Council approval anticipated as follows:

- February 19, 2013 Council Approval of the Capital Budget
- March 18, 2013 Council Approval of the Current Budget

Executive Budget Committee would like to recognize the efforts of all staff involved in the development of the capital and current budgets.

Supplementary reports provided to committee in January and February related to the 2013 budget include:

- Artificial Turf Strategy (PR-3-13) for January 16th Community Service Committee
- Gymnasium Rates Strategy (PR-4-13) for January 16th Community Services Committee

- Review of Fleet Management and Vehicle Depreciation Reserve Funds (RPM-02-13) for February 2013.
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Conclusion:

EBC is pleased to submit the proposed 2013 budgets, a balanced program based on Burlington, Our Future and continued value and service delivery to taxpayers. We encourage council to continue its strategic approach to budget review and empower staff to implement the financial and service directions provided by the annual budget process.

Respectfully submitted,

Jeff Fielding, Scott Stewart, Kim Phillips, Roy Male, Joan Ford, Allan Magi, Bruce Zvaniga

Appendices:

A.
B.

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	