

Town of Erin

# Corporate Report



Date: 2018-08-29  
 To: Mayor & Members of Council  
 From: Ursula D'Angelo, Director of Finance

Report Number:  
 2018-29F  
 Meeting Date:  
 2018-09-04

## Subject

**Proposed 2019 Budget Guidelines**

## Recommendation

**Be it resolved that** Council receives the Director of Finance's Report # 2018-29F for information purposes.

**And that** Council approve the 2019 Budget Timetable and the Proposed 2019 Budget Guidelines

## Background

For the past two years, Council has approved budget guidelines to begin the budget process. Last year's budget guidelines created the Town's first multi-year operating and capital budgets (three years). This year, the process was further refined by adding one year, thus, a four year financial plan with an emphasis on community engagement before the draft budget is presented to Council in efforts to be more open, transparent and inclusive.

In the preparation of the proposed 2019 Budget Guidelines, the following factors were incorporated.

1. Municipal elections
2. Strategic initiatives approved in 2018
3. Multi-year budget and forecasts
4. Greater public consultation
5. External factors

## **Municipal Elections**

At the end of October, municipal elections will take place. The 2019 Budget Process Timeline (Appendix A) was moved to accommodate the new term of Council. There will be three budget workshops for Council-elect in November that will be open to the public. After the workshops, Council-elect will have the opportunity to consult with the public before the Draft 2019 Budget is presented on December 6, 2018.

## **Strategic Initiatives**

Initiatives that were approved for 2018 Budget, such as the Strategic Plan, Asset Management Plan, Recreation and Culture Masterplan, Economic Development Strategy and Development Charges Study will be completed with the new term of Council. These will be incorporated in 2020 budget process.

For the 2019 Budget, it is recommended that programs budget to provide 2018 services and changes in service levels will be guided by the community feedback and submitted as Resource Requests and/or Capital Requests.

## **Multi Year Budget and Forecasts**

A four year financial plan is recommended to assist with planning of resources to optimize delivery of services. At the conclusion of the process, Council would approve 2019 Budget and recognize 2020-2022 Forecasts. In subsequent budget processes, Council will be able to revise the forecasted years.

## **Greater Public Consultation**

This year, following the Town of Erin Citizen Engagement Charter, there will be increased emphasis on community consultation efforts to create an open dialogue where the public can participate during the budget process. This year, 2019 Budget Priorities Public Survey will be launched in the fall. Feedback from the survey will be reported to Council during the budget process. Council-elect will also have the opportunity to consult with the community in November before the Draft 2019 Budget is presented in December 6, 2018.

## **External Factors to Consider During the 2019 Budget Process**

### ***Legislative Changes Impact on Labour Costs and Operations***

The recently elected Progressive Conservative Ontario government will shift the economic vision of the province. We will monitor legislative initiatives that may affect budget deliberations and will report to Council.

### **Minimum Wage**

Planned changes to the minimum wage will not be incorporated in the Draft 2019 Base Budget. Minimum wage was to increase to \$15 (workers over 18 years old) and to \$14.10 (students under 18 years old) in January 2019. Changes to minimum wages affect the Recreation and Parks and Roads programs.

### ***Factors in the Economy***

According to Statistics Canada, CPI inflation for June was 2.5% and for July was 3%. In the Bank of Canada “Monetary Policy Report – July 2018”, the Federal Government and Bank of Canada renewed their commitment to Canada’s Inflation-Control Strategy with a target of 2% until 2021. In addition, changes to international trade tariffs, such as the North American Free Trade Agreement, will make prices more volatile of supplies and materials used by the Town.

### **Proposed 2019 Budget Guidelines**

The Proposed 2019 Budget Guidelines provides direction for program managers as they prepare budgets and plan necessary resources to deliver municipal services.

### ***Multi-Year Financial Plan***

With the intention to provide a more holistic approach to financial planning for the Town, we are proposing one year budget and three year budget forecast. Thus, at the end of the budget process, Council would approve the 2019 Budget and recognize the 2020 to 2022 Budget Forecasts. The three year forecasts will provide information for planning purposes and may be changed in future budget deliberations.

### ***Budget Submission Package***

Budget submission package will have four components.

1. 2019 Base Budget Submission plus Budget Forecasts 2020-2022
2. Operations Plan (2019 to 2022)
3. Resource Requests (2019 to 2022)
4. Capital Project Requests (2019 to 2022)

The Finance Department will provide analysis, support and assistance during the process.

#### *1. 2019 Base Budget Submission and Budget Forecasts 2020-2022*

The Draft 2019 Base Budget will provide same services levels as 2018 and incorporate results from community consultations. This will provide a solid base in preparation for a new budget approach that will be introduced next year called “Priorities Based Budgeting” where programs are matched to community priorities.

The following are some assumptions that, in consultation with the Finance Department, will be used by program managers:

- a. maintain current staff complement;
- b. salaries include progression increases and no cost of living adjustments are included;
- c. price changes as per contractual obligations;

- d. fuel and natural gas are limited to 2% CPI inflation target (*Bank of Canada, Monetary Policy Report, July 2018*) although it was recently measured at 3%. Program managers are asked to find savings to make up the difference;
- e. Earlier this year, the CAO directed program managers to find 1% savings within their budgets for 2019;
- f. hydro and water rate changes will be determined and recommended by the Finance Department in collaboration with staff;
- g. 2018 One-Time Resource Requests will be removed from program budgets;
- h. Recommended Resource Requests and Capital Requests for 2019 to 2020 will be reviewed and re-submitted for consideration.

## 2. *Operations Plan*

Staff will complete an Operations Plan (Appendix B) for four years for each program. This form will provide an opportunity to describe the services that are provided to the Town in the base budget. A section to provide updates on 2018 initiatives. And, a section where four year efficiencies, greater effectiveness and cost savings in delivering services can be described. These initiatives will reflect results from community consultations in the Fall.

Initiatives that have additional operating costs will not be included in the draft 2019 Base Budget and Forecast 2020-2022 and will appear in a separate form called “Resource Requests”.

## 3. *Resource Requests*

Similar to last year, there will be a separate form for resource requests (Appendix C) with a minimum of \$5,000. Each request will be the result of public consultation requesting changes to services that were not incorporated in the base budget. The form must include the budget year, description, link to public consultation results, information about changes to service levels and implications if resource is not approved.

## 4. *Capital Budget Requests*

Each program will complete a separate Capital Budget Request form (Appendix D) for each year that will describe the project, service impact, why it is needed, cost of the project, funding and implications to operating costs. The “Associated Strategy or Plan” column will incorporate results from public consultations.

### Submission Packages

The Finance Department will consolidate each program budget package and analyze the results of the submissions. Requests for new resources will be deliberated by senior management and prioritized for consideration by Council and public consultation during the budget presentations. Senior management will prioritize according to legal requirements, minimum standards of service and community feedback.

## **Financial Impact**

There is no financial impact.

## **Conclusion**

Adoption of proposed 2019 Budget Timetable will provide dates for presentation of draft budgets and public input sessions. In addition, the proposed 2019 Budget Guidelines will provide comprehensive information for Council and the public.

## **Appendices**

Appendix A – Budget Timetable

Appendix B – Operations Plan

Appendix C – Resource Request

Appendix D – Capital Request Form

| <b>Proposed 2019 Budget Timetable</b> |   |
|---------------------------------------|---|
| Tuesday, September 4, 2018            | Proposed Budget Process & Guideline Presentation  |
| September 5 - October 5, 2018         | Public Consultation   |
| Friday, October 19, 2018              | Department Submissions  |
| Tuesday, November 13, 2018<br>6:30pm  | Budget Workshops with Council-elect (Fire & Emergency Services and Parks and Recreations)       |
| Wednesday November 14, 2018<br>6:30pm | Budget Workshops with Council-elect (Roads and Water Services)                                  |
| Thursday, November 15, 2018<br>6:30pm | Budget Workshops with Council-elect (Corporate Services, Building, Planning By-law Enforcement) |
| November 16 to December 5, 2018       | Council-elect Public Consultation   |
| Thursday, December 6, 2018 6:30pm     | Draft 2019 Budget (Council and Public Consultation)   |
| Tuesday, December 18, 2018<br>6:30pm  | Final 2019 Budget & User Fees By-law Presentation (Special Council Presentation)                |



## Operations Plan

|                 |  |
|-----------------|--|
| <b>Program:</b> |  |
|-----------------|--|

**Summary Description of Services:**

**Update on 2018 Efficient and Effective Initiatives:**

**2019 Efficient and Effective Initiative(s)**

| <i>Description of initiative</i> | <i>Associated Strategy or Plan</i> | <i>\$ Savings</i> |
|----------------------------------|------------------------------------|-------------------|
|                                  |                                    |                   |
|                                  |                                    |                   |
|                                  |                                    |                   |
|                                  |                                    |                   |
|                                  |                                    |                   |

**2020 Efficient and Effective Initiative(s)**

| <i>Description of initiative</i> | <i>Associated Strategy or Plan</i> | <i>\$ Savings</i> |
|----------------------------------|------------------------------------|-------------------|
|                                  |                                    |                   |
|                                  |                                    |                   |
|                                  |                                    |                   |
|                                  |                                    |                   |
|                                  |                                    |                   |

**2021 Efficient and Effective Initiative(s)**

| <i>Description of initiative</i> | <i>Associated Strategy or Plan</i> | <i>\$ Savings</i> |
|----------------------------------|------------------------------------|-------------------|
|                                  |                                    |                   |
|                                  |                                    |                   |
|                                  |                                    |                   |
|                                  |                                    |                   |

**2022 Efficient and Effective Initiative(s)**

| <i>Description of initiative</i> | <i>Associated Strategy or Plan</i> | <i>\$ Savings</i> |
|----------------------------------|------------------------------------|-------------------|
|                                  |                                    |                   |
|                                  |                                    |                   |
|                                  |                                    |                   |
|                                  |                                    |                   |





## Resource Request

|                     |  |
|---------------------|--|
| <b>Program:</b>     |  |
| <b>Budget Year:</b> |  |

Resource Request(s) in priority sequence; type of expense (*O=one-time or C=continuous*)

| <i>Request #1 - Description</i>  | <i>One Time or Continuous Cost</i> | <i>Associated Strategy or Plan</i> |
|--|------------------------------------|------------------------------------|
|  |                                    |                                    |
| <b>Service Impact – Describe how service levels will change or is it a regulatory requirement that needs to be met</b> |                                    |                                    |
|  |                                    |                                    |
| <b>Implications of not getting resource</b>  |                                    |                                    |
|  |                                    |                                    |
| Revenue  |                                    | <i>Description</i>                 |
| Expense  |                                    | <i>Description</i>                 |
| Net  |                                    | Funded by Taxation                 |



# Capital Request

|                     |  |
|---------------------|--|
| <b>Program:</b>     |  |
| <b>Budget Year:</b> |  |

**Capital Request(s) in priority sequence; type of expense**

| <i>Request #1 - Description</i>  | <i>Operating Budget Impact (staff or other costs)</i> | <i>Associated Strategy or Plan</i> |
|--|---|------------------------------------|
|  |   |                                    |
| <b>Service Impact – Describe how service levels will change or is it a regulatory requirement that needs to be met</b> |   |                                    |
|  |   |                                    |
| <b>Implications of not getting resource</b>  |   |                                    |
|  |   |                                    |
| Source(s) of Funding   |   | <i>Description</i>                 |
| Expense  |   | <i>Description</i>                 |