

Town of Whitby Staff Report

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Report Title: Recommended 2020 Operating and Capital Budget

Report to: Council

Date of meeting: February 24, 2020

Report Number: CS 08-20

Department(s) Responsible:

Corporate Services Department

Submitted by:

Ken Nix, Commissioner of Corporate Services/Treasurer

Acknowledged by M. Gaskell, Chief Administrative Officer

For additional information, contact:

Ann McCullough, Manager Financial Planning x2246

1. Recommendation:

1. That the proposed 2020 operating budget in the amount of \$141,449,640 be approved with a tax levy of \$100,248,134.;
2. That the proposed 2020 capital budgeted expenditures and financing sources in the amount of \$82,319,115 including \$10,229,000 of debt financing for the capital projects outlined on page 238 be approved;
3. That in accordance with s.s. 5(1) of the Development Charges Act, and S. 5 of Ontario Regulation 82/98, it is Council's clear intention that any excess capacity provided by any of the capital projects will be paid for by future development charges;
4. That any donations, grants or subsidies applied in the 2020 capital program to projects with development charges funding are to offset the non-growth related costs of those projects;
5. That the 2021 to 2029 capital forecast in the amount of \$718,124,641 be received for information and subject to future annual reviews as part of the capital budget process; and
6. That the transfers to and from reserves and reserve funds as identified on pages 149 to 150 of the 2020 Proposed Budget be approved.

2. Highlights:

- The Town's recommended 2020 Operating and Capital Budget achieves Council's target of a 1.99% increase as the Town's impact on the total residential property tax bill, representing an additional \$8.90 per month for the average residential Whitby taxpayer.
- The proposed budget builds on the strategic investments from the prior year in improving and transforming our service delivery, while balancing our focus on infrastructure renewal and planning for our community's continued growth.

3. Background:

In February 2019, as part of the 2019 Recommended Budget report ([CS 17-19](#)) staff presented Council with a projected 2020 tax increase of 1.92% on the overall property tax bill.

As per the 2020 Budget Process ([CS 41-19](#)), in October, Council approved the 2020 to 2022 Business Plan and considered the draft Long Range Financial Plan. In January 2020 Council approved the 2020 Budget Target report ([CS 03-20](#)) and as a result set a 1.99% tax bill impact for the Town's portion of the total residential property tax bill.

This budget responds to community and Council priorities:

1. Continue to deliver on the services and infrastructure valued by residents.
2. Prepare for the future residents and continue to enjoy high quality of life as Whitby grows.
3. Invest in priorities that matter to residents and support foundation to deliver on these priorities.

The recommended Operating and Capital Budget and Budget Highlights publications were released February 3, 2020.

Council held a public meeting regarding the proposed 2020 Budget on February 18, 2020 where an overview of the 2020 budget and priorities were presented. Following the presentation the meeting provided an opportunity for members of the public to share their thoughts and questions prior to Council's budget deliberations.

This report comes forward as the culmination of the 2020 budget process with Council's deliberations on February 24, 2020.

4. Discussion:

Budget Summary

- The budget was prepared through a detailed review of all budget lines and services and service levels, and incorporates continuing efforts to create efficiencies (\$4.0M since 2012) and maximize revenue opportunities.
- The recommended budget includes all service and or program delivery changes approved by Council during the year and those items directed by Council for consideration in the 2020 budget.

- The budget also reflects continuing priority to maintain community infrastructure while also preparing for the growth of our community.
- The budget summary (Attachment 1) provides an overview of the major components of the budgetary impacts.

Capital Budget Highlights

- Represents an investment of \$82M for 447 projects.
- 34% is invested in infrastructure renewal projects, 64% in new infrastructure to extend services to our growth areas and 2% for community enhancements and strategic initiatives.
- The capital program is funded: 52% by non-tax based sources including, development charges, grants (e.g. Federal Gas Tax Fund), user fee based reserves and other external funding sources; 36% by the Town's tax based funded reserves; and the remaining 12% by Long Term Debt, comprised of 11% DC funded debt and 1% tax based funded debt .

Operating Budget Highlights

- Includes \$141M of gross expenditures to support existing service levels, investment in infrastructure renewal and to prepare for expanding services and new infrastructure in growth areas.
- The operating program is funded \$100M from the property tax levy including the \$5.6M or 5.90% budgetary increase, and the remaining \$41M is funded from other revenues.

Reserve and Reserve Funds

- Reserve and reserve funds are a critical component of the Town's Long Range Financial Plan (LRFP) and are used to maintain a stable financial position, minimize fluctuations in the tax rate and support future funding requirements. They are funded from development charges, user fees, operating surpluses, external sources and tax-based contributions.
- As outlined on page 149 and 150 of the 2020 Budget, there is \$4.9M in draws from reserve and reserve funds. This is necessary to finance services provided that are operating in nature, (e.g. debt payments, grants issued by the Grants Review Committee). It also includes the anticipated \$3.9M draw from Federal Gas Tax Reserve Fund for capital asset maintenance funding envelope.
- The 2020 budgeted contributions to reserve and reserve funds total \$32.5M. The primary ongoing contributions are to the Asset Maintenance Reserve Fund of \$22.1M to support infrastructure renewal projects as part of the Town's asset management plan and \$7.1M to the Growth Reserve Fund to pay for the cost of new infrastructure in growth areas that due to legislation cannot be paid for by development charges. There is also \$962K in one-time transfers to reserves. As discussed in the Target Report the

one-time transfers are recommended to assist with pressures over the next couple of years and include:

- \$332K to the Tax Rate Stabilization Reserve to bring it up to 1% of taxes levied which is considered a best practice as a minimum target
- \$341K to the One-Time Reserve (LTFR) representing the estimated gapping related to the 2020 Business Plan position requests
- \$289K to the Growth Reserve Fund representing the overall one-time revenues included in the 2020 budget
- Pages 153 to 155 of the 2020 Budget outline in detail the forecasted uncommitted reserve and reserve fund balances estimated for the 2019 year-end and the 2020 budgeted/assumed draws and receipts. Staff update this forecast through the year and report to Council.

Long-Term Debt

- The 2020 capital budget includes \$10.2M of debt financing for:

2020 Additional Long Term Debt Request (1)	Amount	Annual Repayment Source
Des Newman/CP Rail Grade Separation	\$8,750	Development Charges
North Whitby Sports Complex	\$754	Tax Based Reserves (2)
White's Bridge	\$725	Development Charges and Tax Based Reserves
Total Additional Long Term Debt Requested in 2020	\$10,229	

Notes:

1. The projects recommended for debt financing in 2020 are all multi-year budget projects and future budget year amounts are not included in the amounts above.
 2. The portion of the project eligible for development charges is being paid with DC reserves and will not utilize long-term debt.
- The debt will be repaid from the reserves/reserve funds noted above and the anticipated debt payments are reflected in the long-term Uncommitted Reserve forecast beginning on page 243.

- The Town's existing debt, the 2020 budgeted debt and forecasted future long-term debt and how the annual debt payments are within the Town' debt capacity policy thresholds are shown on pages 237 to 242.

Residential Property Tax Impact

- For the average residential Whitby household the Town's increase results in an additional \$8.90 per month or 1.99% on the overall property tax bill.
- When combined with the assumed Regional and Provincial Education rate increases, the total estimated increase is \$14.01 per month or 3.14%.
- The 2019 BMA Municipal Study, an independent annual study of 110 participating Ontario municipalities, includes property taxes as a percentage of household income as a measure of affordability. Within the participating GTA municipalities, Whitby ranked mid-range. When compared to the participating Durham Lakeshore municipalities, Whitby is in the middle with Clarington below and both Pickering and Oshawa above. Whitby remains in this position after applying the 2020 expected overall property tax increases.

Considerations Beyond 2020

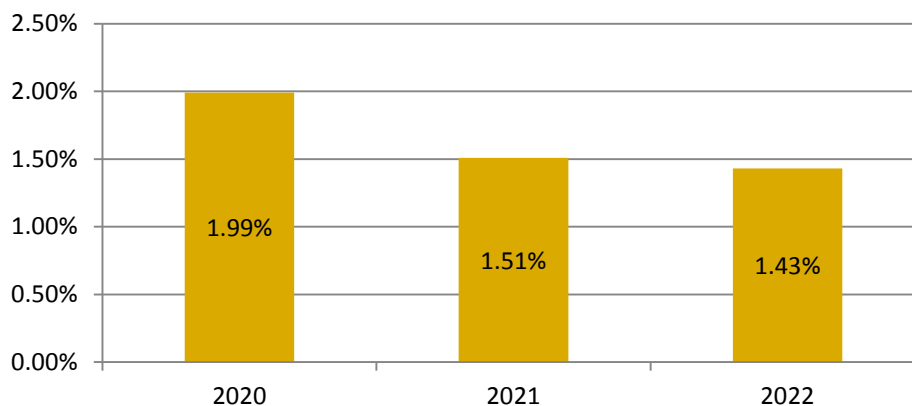
2020 to 2022 Business Plan

- Council approved the Business Planning Process in June through CAO Report 18-19. The Business Planning Process identified that the Business Plan would drive the annual update of the Town's Long Range Financial Plan (LRFP) and together with the Work Plans develop the proposed annual Budget target.
- The Town's LRFP model identifies future financial implications of current service delivery and master plans, including primarily the Town's:
 - Municipal Asset Management Plan – which guides what we need to do to take care of \$2B worth of infrastructure;
 - Growth Plan - from the Development Charge Background Study which informs what infrastructure both hard and social that are needed to accommodate anticipated growth; and
 - Business Plan – mission critical action items required to modernize or repurpose resources to introduce new and/or modified services so that together we deliver services that make a difference in our community.
- Council's endorsement of the Business Plan and resulting LRFP provide consensus on medium term direction, not budget approval. However, this medium term direction is critical given many of the initiatives that will enable the Town to achieve its mission are multi-year projects.
- Council approved the 2020 to 2022 Business Plan and asked that options, such as increasing debt, to reduce the LRFP financial implications associated with the business

plan be brought forward for Council's consideration. Staff have analyzed various options and brought forward the implications in a separate report CS 02-20 for Council's information and consideration.

- Budget estimates and projects have continued to be refined since the model was developed. The recommended budget and forecast incorporates some additional debt analyzed in CS 02-20 and as such the 2020 target and two-year outlook are now projected to be lower than initial estimates. The recommended 2020 target rate increase of 1.99% on the overall tax bill is based on a 5.9% budgetary impact which is less than what was identified in the LRFP model and is projected to decrease over the next 2 years of Council.

Projected Impacts on the Overall Property Tax Bill



Potential Risks

- There is a significant level of uncertainty related to pressures mainly beyond the control of Council that may change the current forecasted budgetary impacts including:
- Provincial changes - new legislation, most notably Bill 108 from a potential financial implications perspective, although they are not known at this time. There are also many announced Provincial funding changes, some with known impacts but many still with no details. Although there is not an immediate impact on the Town, given it receives very little provincial funding, there are significant consequences at the Regional level, and will put further pressure on the overall property tax increase for Whitby residents;
- Economy/Climate Change – there could be impacts in the local economy from the recent Oshawa assembly plant that closed at the end of 2019. In addition, there are likely initiatives related to adaptation to climate change that have not yet been factored into the Town's masterplans (e.g. MAMP, growth related infrastructure) that could significantly affect project costs.

- Inflationary budget assumptions – the budget includes a large number of assumptions as all labour agreements have or will expire in 2020, including potential labour negotiation impacts due to the province’s removal of part-time to full time equal pay, group benefits renewal rate is unknown in addition to many other significant expenditure category inflationary assumptions e.g. energy/utility/insurance costs.
- Given the potential risks, it is staff’s recommendation that the one-time transfers to reserves be approved to provide the potential flexibility to mitigate future impacts.

5. Financial Considerations:

- Recognizing the Town is 34% of the property tax bill, the Town’s budgetary increase of \$5.6M represents a 1.99% impact on the overall property tax bill.
- The recommended 2020 Operating Budget is \$141M and the Capital Budget is \$82M.
- The gross operating expenditures of \$141M are funded from the following sources:

Taxation (including Payments in Lieu and Supplemental Taxes)	\$102M
User Fees	\$26M
Other Revenues	\$6M
Transfers from Reserves and Internal Recoveries	\$7M
Total Revenues	\$141M

- The gross capital expenditures of \$82M are funded from the following sources:

Asset Management Reserves	\$27M
Development Charges	\$29M
Growth Reserve Fund	\$7M
Program Reserves	\$8M
Stabilization Reserves	\$0M

One-Time Reserve Fund	\$1M
Long-Term Debt	\$10M
External Contributions	\$0M
Total Financing	\$82M

6. Communication and Public Engagement:

Community Survey

- The Town undertook a public opinion poll in 2018 to gauge resident satisfaction, perceptions and expectations with Town programs and services. Report ([CAO 02-19](#)) provides details of the telephone and online survey, however highlights include:
- 91% of respondents reported overall quality of life in Whitby as excellent (41%) or good (49%);
- 63% of respondents are satisfied with Whitby as a place to live;
- 81% of respondents are proud to say they are from Whitby;
- 81% of residents feel they are getting “good” or “very good” value for their tax dollars, up 4 per cent from the results of the 2016 poll; and,
- the majority of respondents were comfortable with current level of tax
- The results of these biennial surveys help inform the development of our strategic priorities and program/service delivery which are reflected in our work plans and budgets.

Communications Plan

- The communications plan for the 2020 Budget was implemented in late 2019 to increase awareness of the budget process and its milestones and to promote the engagement and feedback opportunities during the annual budget process.
- The communications tactics include: Town Website and Web banner; Council Highlights; media releases; Whitby Perspective; social media channels; advertisement on the Town Page in Whitby This Week; posters or digital signs at various Town facility notice boards including the Library and sign boards at Fire Halls, McKinney and IPSC arenas. These measures are in excess of the requirements of the Town’s Notice By-law.
- In addition, notification is sent to those listed on the Interested Parties List regarding budget.

7. Input from Departments/Sources:

- The preparation of the annual budget requires significant resources from every department.
- The budget is based upon Council approved policies, the approved 2020 to 2022 Business Plan, inflationary assumptions and initial budget submissions by departments.
- Staff utilized their knowledge and experience and input received from the public regarding programs and services and collaborated in the development, review and prioritization of the budget.
- The Senior Leadership Team participated in the recommended prioritization of the capital program and support the recommended budget. However, it is important to recognize that due to financial constraints, the budget does not provide for all the requested needs and as such, work plans reflect that some initiatives have been deferred to future years and others are planned to be implemented over a longer time period.

8. Strategic Priorities:

The 2020 budget report aligns with Council's 2018 – 2022 Goals and in particular:

- To ensure all municipal affairs are conducted with professionalism and integrity.
- To enhance the transparency and accessibility of Town Hall and ensure effective public consultation and engagement.
- To continue the Whitby tradition of responsible financial management and respect for the taxpayer; and to understand the importance of affordability and sustainability to a healthy, balanced community.
- To continuously improve the effectiveness and efficiency of service delivery.
- Building a collaborative, inclusive, respectful and creative work environment that engages the abilities of all staff to solve problems, accomplish new things and deliver the best outcomes to residents.

The 2020 budget process and the budget report supports the Town's Corporate Strategic Plan and in particular the following objective related to the Organization Priority:

- Develop and utilize comprehensive business and financial planning processes.

9. Attachments:

Attachment 1 – 2020 Budget Summary

Budget Summary

The Town of Whitby is in a good financial position, provides services that are valued by its citizens and when surveyed considered they received good value for their tax dollars. In order to sustain this position, the 2020 budget includes investments to maintain service delivery, maintain infrastructure and plan for growth in our community. As a result, the budgetary increase consists of:

- \$3.6M to maintain service delivery
- \$1.5M to maintain infrastructure in a state of good repair;
- \$0.5M to plan for service delivery and new infrastructure to accommodate growth and prepare for the future

Given the Town's portion of the total property tax bill is approximately 34% the Town's budgetary increase results in a 1.99% impact on the total property tax bill.

Building the 2020 Budget

In 2019, a Corporate Strategic Plan (CSP) and Business Planning Process were approved. The new business planning process facilitated the prioritization of the goals of the community, Council and those arising from the CSP. The outcome of the prioritization is reflected in the three year Business Plan, approved in October (see tab 2). The Business Plan then drove the development of Departmental Annual Work Plans and the 2020 Budget and Capital Forecast.

A number of pressures has also affected the Town's budget including: contractual and inflationary pressures; providing for the full-year operating impacts of the prior year decisions; the impact the Town's growth has on services and programs; the impacts of the economy and other external influences.

The revenues and expenditures changes from 2019 Budget to 2020 Budget are summarized below by the nature of their change.

Summary of Budget Changes

Item		Expenditures (\$000's)	Revenues (\$000's)	Net Budgetary Increase (\$000's)
2019 Budget		132,969	(132,969)	0
Base Budget Changes:				
Prior Decisions & Annualizations	(a)	569	(35)	534
Inflationary Adjustments	(a)	2,046	27	2,073
Total Base Budget Changes		2,615	(8)	2,607
Program Changes:				
Other Changes	(a)	888	72	960
Assessment Growth	(c)		(2,823)	(2,823)
Capital Maintenance Program Funding	(b)	1,508		1,508
Capital Growth Program Funding	(c)	1,248		1,248
Total Program Changes		3,644	(2,751)	893
Recommended Decision Items:				
Positions	(c)	2,058	(74)	1,984
Non-Position	(c)	100		100
Capital Projects (funded by reserves, no operating impact)	(c)			
Total Decision Items		2,158	(74)	2,084
2020 Budget		141,386	(135,802)	5,584

Each of the above drivers of changes to the budget are further explained in the following summary, however the budget changes are presented in the following three areas of focus.

Budget Change Summary:	Expenditures (\$000's)	Revenues (\$000's)	Net Budgetary Increase (\$000's)
Maintain Service Delivery - sum of item (a's)	3,503	64	3,567
Maintain Infrastructure – item (b)	1,508		1,508
Planning for Growth – sum of item (c's)	3,406	(2,897)	509
Total Budget Change	8,417	(2,833)	5,584

Base Budget Changes

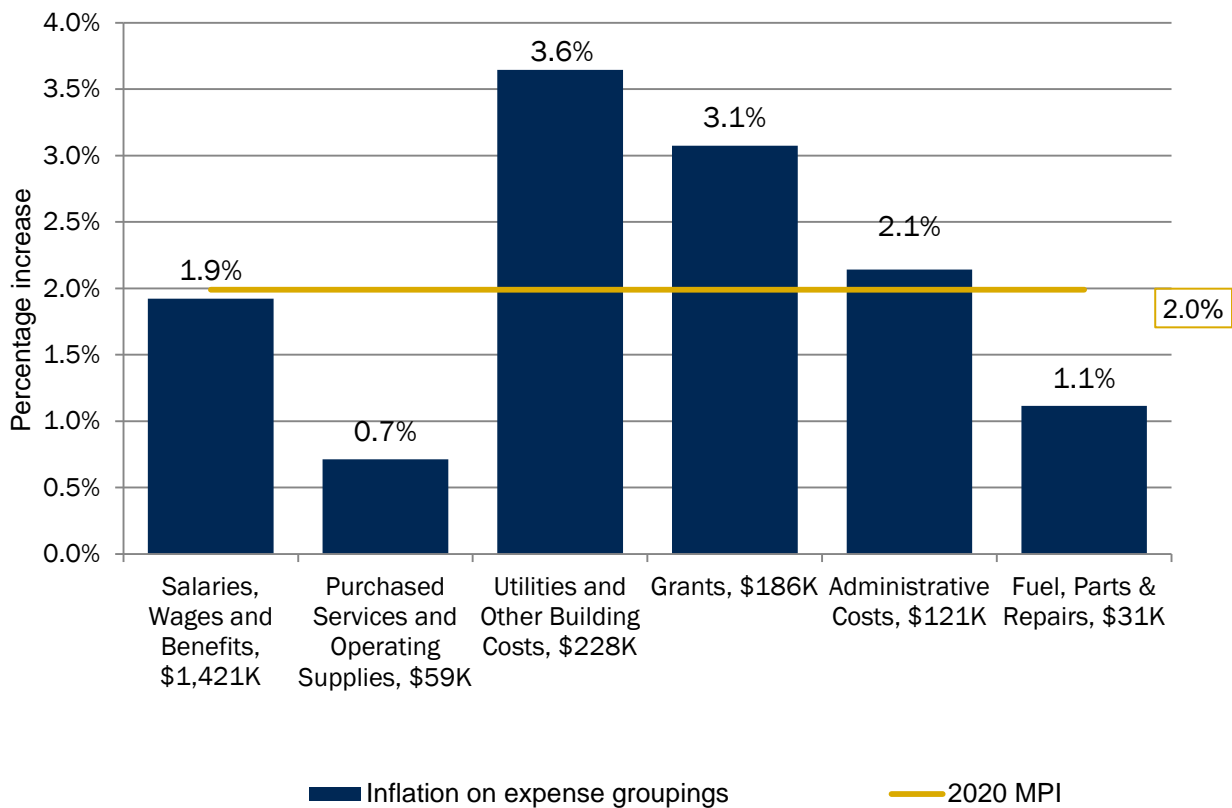
Inflationary Adjustments

Expenditures

The Town’s inflationary pressures are affected by contractual labour agreements, utilities, insurance, grants (primarily to the Library and Station Gallery to address their inflationary pressures) and operating supplies costs. These pressures differ from the commonly quoted Consumer Price Index (CPI) that is based on purchasing patterns of individual / household consumer vs those of a municipal corporation. The basket of goods used to calculate CPI (i.e. food, clothing etc.) is not comparable to the Town’s basket of goods (i.e. labour, energy costs) that are required to provide community services. As a result, the inflationary impacts facing a municipality are typically greater than the household CPI.

The overall inflationary increase on the operating expenses is \$2,0M which primarily relate to salaries and benefits, utilities, insurance and other administrative costs as well as grants to the Whitby Public Library and Station Gallery. This represents a 2.0% inflationary increase from the previous year.

**2020 Forecasted Municipal Price Index
Inflation impact \$2,046K**



The cost of salaries and benefits are the most significant area of increase. For 2020 budget, assumed economic adjustments have been incorporated as all of the Town's labour agreements have or will expire in 2020. It also reflects impacts for job evaluations, position step changes, and benefit changes. It should be noted this year's benefit impact is less than typical as the actual 2019 renewal for group benefits was significantly less than the estimate included in the 2019 budget. Without this type of savings the 2020 inflationary experience for this component would have increased from the 1.9% to 2.8%, which is more in line with previous years' experience.

In addition, wherever possible, departments repurposed budget amounts to offset other areas of increased pressures. Included in Purchased Services and Operating Supplies is (\$97K) repurposed to other areas. Without this, the inflationary factor would have been 1.9% rather than 0.7%, more in line with the Town's overall experience.

As a result, when combined without these savings the Town's overall MPI would have been 2.7% rather than the 2.0%, and more in keeping with previous experience.

Revenues

The budget forecast includes revenue adjustments based on approved user fee increases. However, these have been offset for the most part by a reduction in investment income due to an anticipated interest rate decrease forecasted by the Bank of Canada and financial institutions and elimination of the draw from reserves to fund certain retiree benefit costs.

It is a continuing focus of staff to look for other revenue options to help offset budgetary pressures, however legislative limitations restrict the Town's abilities to raise significant additional revenues to supplement revenue requirements.

Prior Decisions and Annualizations

The 2020 forecast includes \$0.5M for the reversal of the prior year's anticipated one-time revenues and expenses used to minimize the impacts in 2019. The largest item relates to the one-time group benefits related gapping estimate. This gapping estimate is reviewed each year and adjusted based on current human resource complement information. The gapping estimate is maintained at the 2019 level in the 2020 budget.

In addition, the budget annualizes the prior year approved positions. There is no budgetary impact since the positions were funded either by the capital program or through user fees. (refer to the last page of this section for details concerning the Prior Decisions and Annualizations)

Program Changes

Assessment Growth

Assessment growth is comprised of both positive changes, from new development added during the year, and negative changes, including results from appeals, demolitions, etc. The total of all of these in-year changes is the net assessment growth for 2020 resulted in \$2.8M additional property tax revenue.

This assessment growth is greater than initial estimates for 2020 budget. Development in the West Whitby area and the increase of tax revenues related to the Metrolinx facility helped deliver these strong growth numbers. Although these revenues from growth were achieved earlier than anticipated, it also brings increased budget pressures through additional expenses to service the growth. There will be continued assessment growth in 2021 and 2022 budgets, however the level of growth needs to be re-evaluated each year.

The budget includes utilizing the additional assessment growth to assist with pressures over the next couple of years.

1. Include the full year impact of all Business Plan related positions as opposed to only a half year to avoid a \$341K impact in 2021's budget. However, given that there will be savings as not all of these positions will be in place for the full year, staff are proposing a one-time contribution to LTFR equal to the \$341K to reflect the half-year gapping estimate.
2. Make a one-time contribution of \$332K to the Tax Rate Stabilization Reserve. This will bring:
 - the Tax Rate Stabilization Reserve up to 1% of taxes levied which is considered best practice as a minimum target; and
 - help ensure the overall Stabilization Reserve category to within the Town's policy target balance of a minimum of 5% and maximum of 10% of gross expenditures is sustainable given risk of outstanding assessment appeals.

Other Changes

As part of the budget process, efficiencies are realized through the annual line-by-line review where budget reductions have been achieved without affecting service levels. Due to the growth the Town is experiencing, these ongoing budget reductions are not in line with efficiencies realized in previous years (i.e. \$4.0M has been realized since 2012).

The budget also includes adjustments to address program/service delivery for growth, service level changes, and capital impacts adding to the budget. In addition, a number of anticipated one-time revenues and expenses are included resulting in a budget reduction. This includes maintaining the one-time group benefits gapping at the 2019 amount. As a result, the new 2020 one-time items totaled a net revenue position and rather than have this as an impact in 2021's budget when this revenue is removed, the budget proposes to transfer this one-time revenue of \$289K as a one-time contribution to the Growth Reserve Fund. It also includes one-time items discussed above related to increased Assessment Growth. These changes total \$960K as outlined below.

Summary of Other Program Changes

Drivers of Change (\$ in 000's)	Revenue	Expense	Total
Growth	\$21	\$518	\$539
Service Level	\$261	\$65	\$326

Drivers of Change (\$ in 000's)	Revenue	Expense	Total
Capital Impacts	\$20	\$83	\$103
Non-Recurring Items	(\$231)	\$263	\$32
Efficiencies	\$0	(\$40)	(\$40)
Total Other Program Changes	\$72	\$888	\$960

Capital Maintenance Program Funding

Maintaining Infrastructure

According to Statistics Canada reports, municipalities are responsible for the majority of public infrastructure. As an example, 68% of roads are owned by municipalities¹. The shift of responsibility for infrastructure to municipalities over time is considerable as shown in the table below.

In contrast, as per an AMO report, the share of total taxes paid by an individual in Canada, when sales taxes, income taxes, property taxes etc., are taken into account is presented in the table below. Ontario municipalities receive only 9 cents of every tax dollar raised in Canada while the Provincial and Federal governments receive 44 cents and 47 cents respectively.

Infrastructure Ownership			
Federal	28%	15%	47%
Municipal	36%	59%	9%

As a result, maintaining public infrastructure in a state of good repair is a significant responsibility and cost for municipalities. Strategic investments in alignment with prudent infrastructure practices must be made at the right time in order to help extend the life of the infrastructure and lower the overall cost of ownership while ensuring the infrastructure remain current and safe for public use.

The Town owns approximately \$2.1 billion of public infrastructure. We rely on infrastructure to provide residents, businesses, employees and visitors with safe access to important services, such as transportation, recreation, culture, economic development and much more.

The Town's Asset Management Plan is vital in ensuring the Town manages this infrastructure by making the strategic investments in our infrastructure at the right time help extend the life and lower the overall cost of ownership while ensuring infrastructure remains current and safe for public use.

¹ Source Canada's Core Public Infrastructure Survey: Roads, Bridges and Tunnels, 2016

Similar to other municipalities the funding requirements outlined in the Asset Management Plan exceed the Town’s current funding. This is often referred to as the Infrastructure Gap. This gap will continue to be monitored through the annual update of the Town’s Asset Management Plan and the Long Range Financial Plan (LRFP).

The Town’s existing policy for maintenance contributions recognizes the importance of appropriately funding the maintenance of infrastructure so that pressures of inflation and growth do not erode the current level of infrastructure funding. As a result, the budget includes a \$1,508K increase to the Asset Management Reserve Fund providing a Funding Allocation as shown in the table below.

2020 Capital Maintenance Funding Envelope (000’s)

Infrastructure Category	2019 Funding Envelope	Increase for 2018 Audited Assumptions	Increase for 2018 Audited Acquisitions	Inflationary Increase	2020 Funding Envelope
Facilities	\$ 4,134	\$ -	\$ 37	\$ 175	\$ 4,346
Parks	\$ 1,891	\$ -	\$ 34	\$ 81	\$ 2,006
Roads & Related	\$ 10,822	\$ 307	\$ 125	\$ 473	\$ 11,726
Fleet & Equipment	\$ 3,705	\$ -	\$ 116	\$ 161	\$ 3,982
	\$ 20,552	\$ 307	\$ 312	\$ 889	\$ 22,060
			Total Change		\$ 1,508

Capital Growth Program Funding

Planning for Growth

As a municipality grows, it incurs additional growth related costs to pay for the acquisition of infrastructure, the maintenance of this infrastructure, and costs to provide services to the growing population base. The Town receives revenues through the collection of development charges (DC) and additional property tax revenues due to growth, however due to provincial legislation and as identified in previous DC reports, Cost of Growth Studies, and recently, in the Long Range Financial Plan, growth does not pay for the full cost of growth.

The Town must pay for growth related capital costs that are legislatively not fully recovered through development charges. In order to fund this tax based cost Council’s Growth Reserve Fund policy requires the annual contribution to this reserve, when combined with other financing strategies (i.e., long-term debt) be sufficient to pay for the Town’s legislative share of Capital Growth Projects. Based on the 10 year Capital Growth Program included in the 2020 budget an increased contribution of \$1.25 million is required in addition to assumed average annual increased contribution of 0.9%.

Recommended Decision Items

Capital Projects

The budget includes a number of capital related decision items. These relate to the position requests as well as recommended community or corporate initiatives. These are proposed to be funded from reserves/reserve funds and therefore do not have a 2020 budgetary impact.

Positions

Investment in staff resources enables the Town to maintain and modernize service delivery to meet our growing community and the increasing service delivery expectations. The 2020 LRFP forecasts 151 FTE's, an average of 15 per year, to address future growth requirements over the next 10 years, both in terms of providing services and maintaining our infrastructure.

This analysis was primarily driven by growth requirements and did not capture existing staffing capacity shortfalls.

To allow for an informed investment in resources aligned with the newly developed business planning and prioritization process that was underway, 2019's budget was considered a pause year concerning new position requests. As a result, the requests were limited to five FTE's representing only those funded by development fees or temporarily from a capital project from the 19 critical position requests identified last year. A shortfall of 10 FTE's compared to the average of 15 per year required to address future growth.

The 2020 budget target recognizes that due to:

- legislative/compliance changes (such as new accounting standards under PSAB, Construction Act changes) outside of Council's control;
- servicing new growth area requirements; and
- service level investments contemplated in the Business Plan and draft 2020 Work Plans including an increase in service level to address key community priorities;

the Town requires additional staff resources to maintain the services valued by our community and deliver on the community priorities as we grow.

The recommended budget includes funding for 18.8 FTE position requests at a cost of \$2.1M, summarized as:

Business Plan Theme	Legislated / Compliance	Growth	Service Level
Community Building		0.3	1.0

Business Plan Theme	Legislated / Compliance	Growth	Service Level
Community Engagement and Communications		2.0	1.0
Community Safety and Transportation		6.9	1.0
Economic Development			1.0
Effective Government	1.3	4.3	
Total	1.3	13.5	4.0

Please refer to tab 4 for additional information regarding the recommended decision items.

Potential Risks

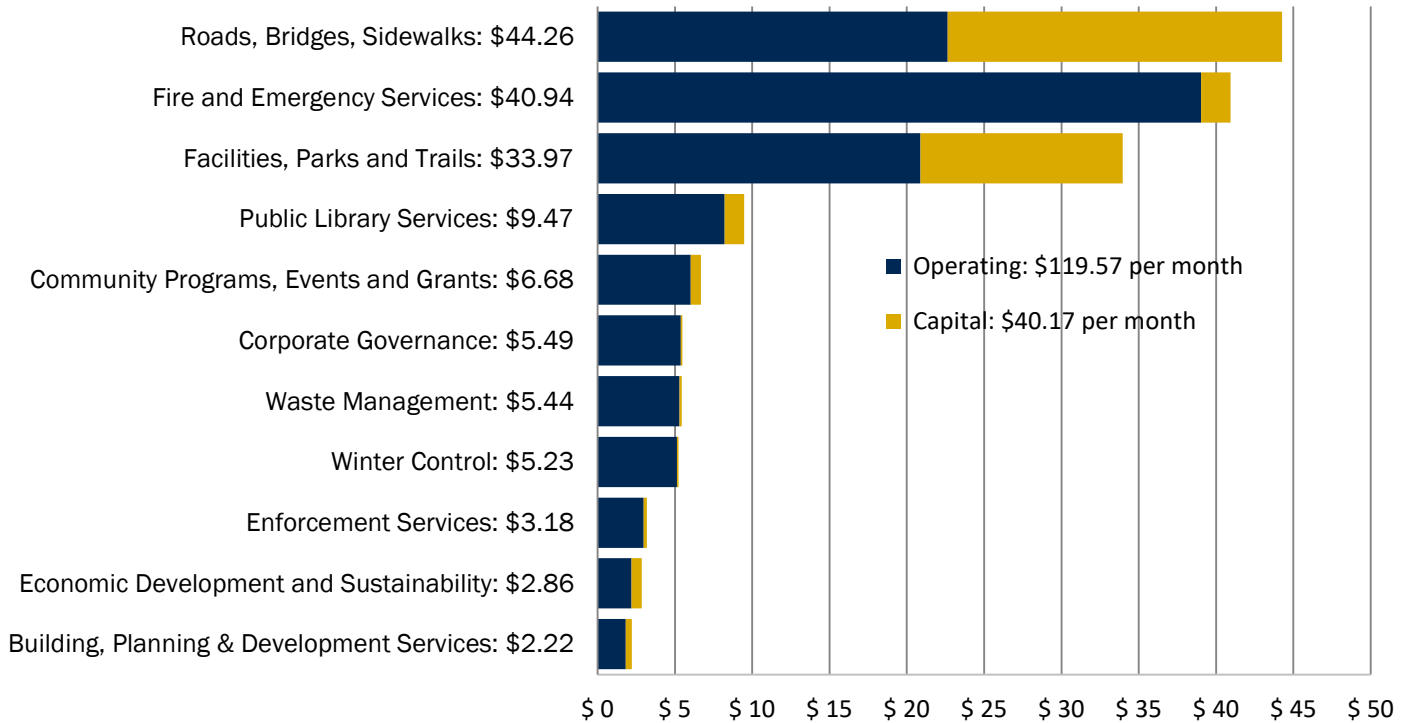
The budget, prepared in the fall of 2019, includes estimates and assumptions regarding 2020. There are a few areas where there are potential risks that should be highlighted, including:

- Provincial legislation changes - most notably Bill 108 from a potential financial implications perspective concerning the Capital Growth Program. The implications are not known at this time as regulations have not been released. It is anticipated that there could be reduced revenues compared to the existing Development Charge regime which could impact the ability to pay for the Capital Growth Program as it is currently forecasted over the ten years in this budget.
- Economy/Climate Change – there could be impacts in the local economy from the recent Oshawa assembly plant that closed at the end of 2019. In addition, there are likely initiatives related to adaptation to climate change that have not yet been factored into the Town’s masterplans (e.g. MAMP, growth related infrastructure) that could significantly affect infrastructure project costs.
- Inflationary budget assumptions – the budget includes a large number of assumptions as all labour agreements have or will expire in 2020, including potential labour negotiation impacts due to the province’s removal of part-time to full time equal pay, group benefits renewal rate is unknown in addition to many other significant expenditure category inflationary assumptions e.g. energy/utility/insurance costs.

Overall Budget Related Property Tax Impact

The recommended 2020 budget achieves the target of a 1.99% increase as the Town’s impact on the total residential property tax bill. This represents an increase of approximately \$8.90 per month per household*.

Services Received from Monthly 2020 Town Property Taxes*



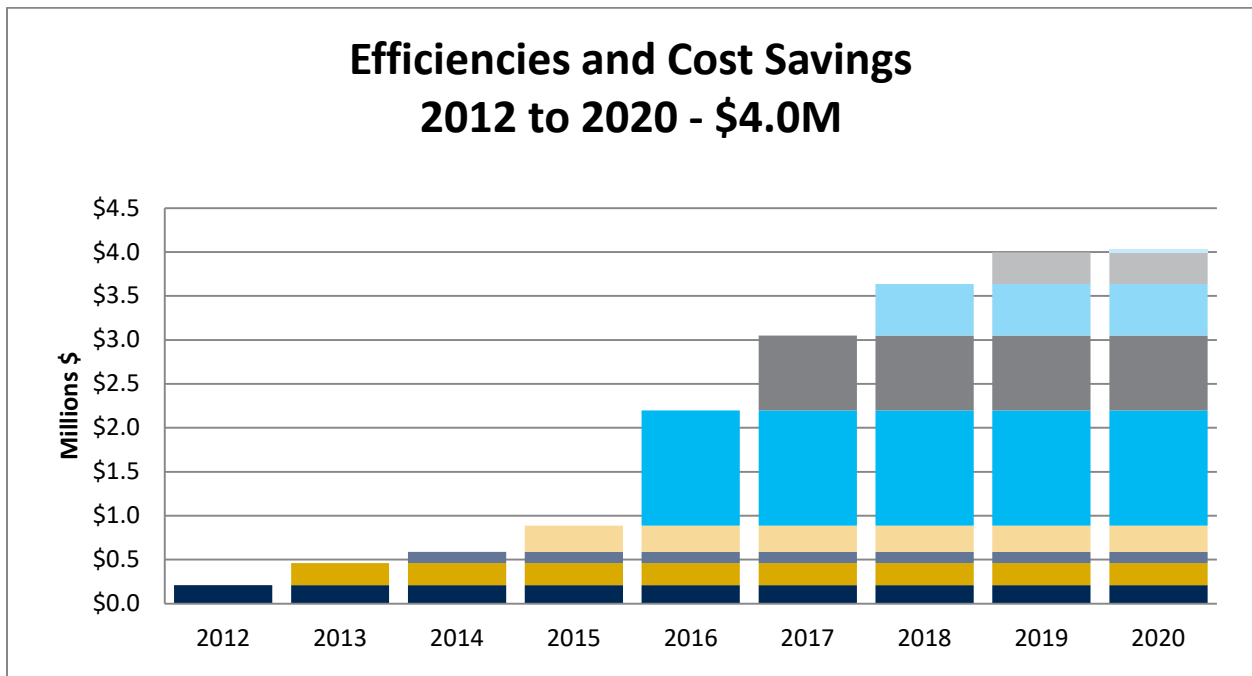
Service	Monthly Operating	Monthly Capital	Monthly Total
Roads, Bridges, Sidewalks	\$22.63	\$21.63	\$44.26
Fire and Emergency Services	\$39.03	\$1.91	\$40.94
Facilities, Parks and Trails	\$20.88	\$13.09	\$33.97
Public Library Services	\$8.22	\$1.25	\$9.47
Community Programs	\$6.02	\$0.66	\$6.68
Corporate Governance	\$5.37	\$0.12	\$5.49
Waste Management	\$5.29	\$0.15	\$5.44

Service	Monthly Operating	Monthly Capital	Monthly Total
Winter Control	\$5.14	\$0.09	\$5.23
Enforcement Services	\$2.97	\$0.21	\$3.18
Economic Development and Sustainability	\$2.20	\$0.66	\$2.86
Building, Planning & Development Services	\$1.82	\$0.40	\$2.22
Total	\$119.57	\$40.17	\$159.74

*Based on the 2019 average assessment value of \$470K, as identified by MPAC Property Notice Assessment (January 1, 2016) the Town share of property taxes is \$160 per month.

**The capital budget allocated to various services fluctuates year to year based on current capital program requirements

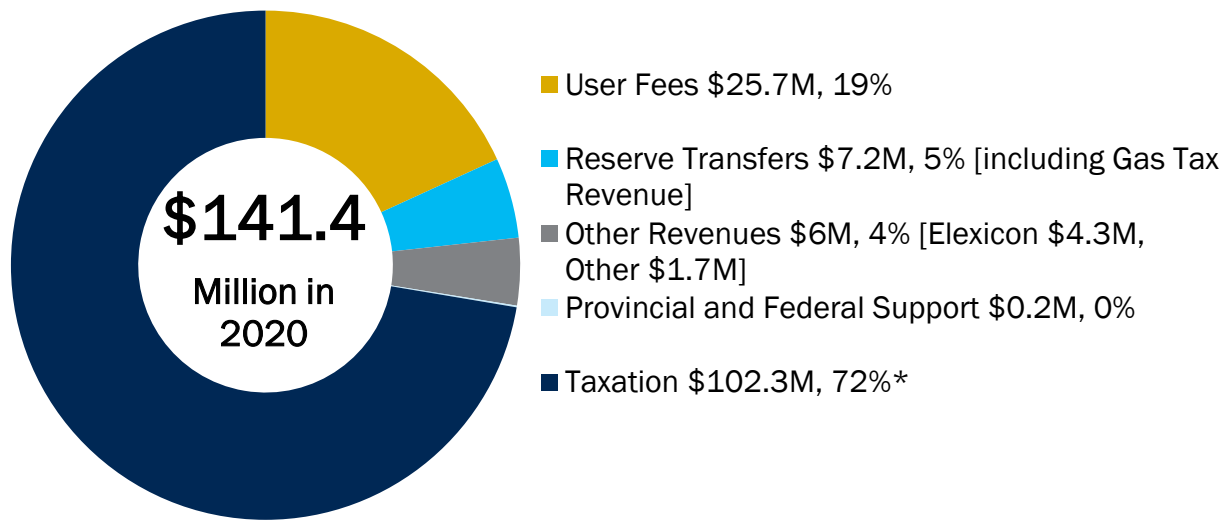
Continuing Efficiencies and Cost Savings



2020 Budget Financial Highlights

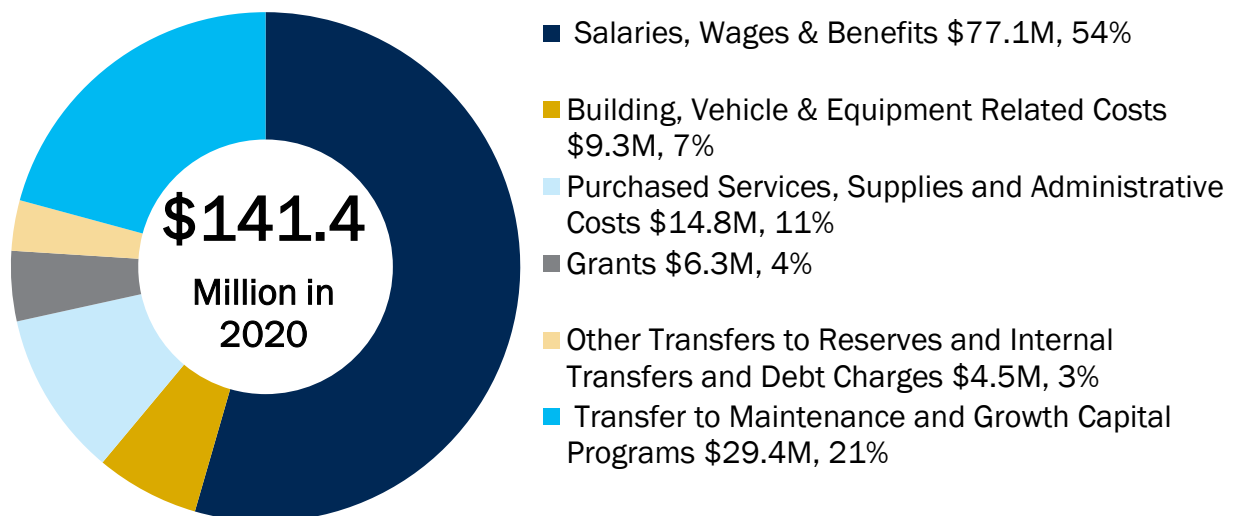
The recommended 2020 Operating Budget is \$141 million and the Capital Budget is \$82 million. The following charts depict the revenues, expenditures and funding sources.

2020 Operating Budget Revenues by Category

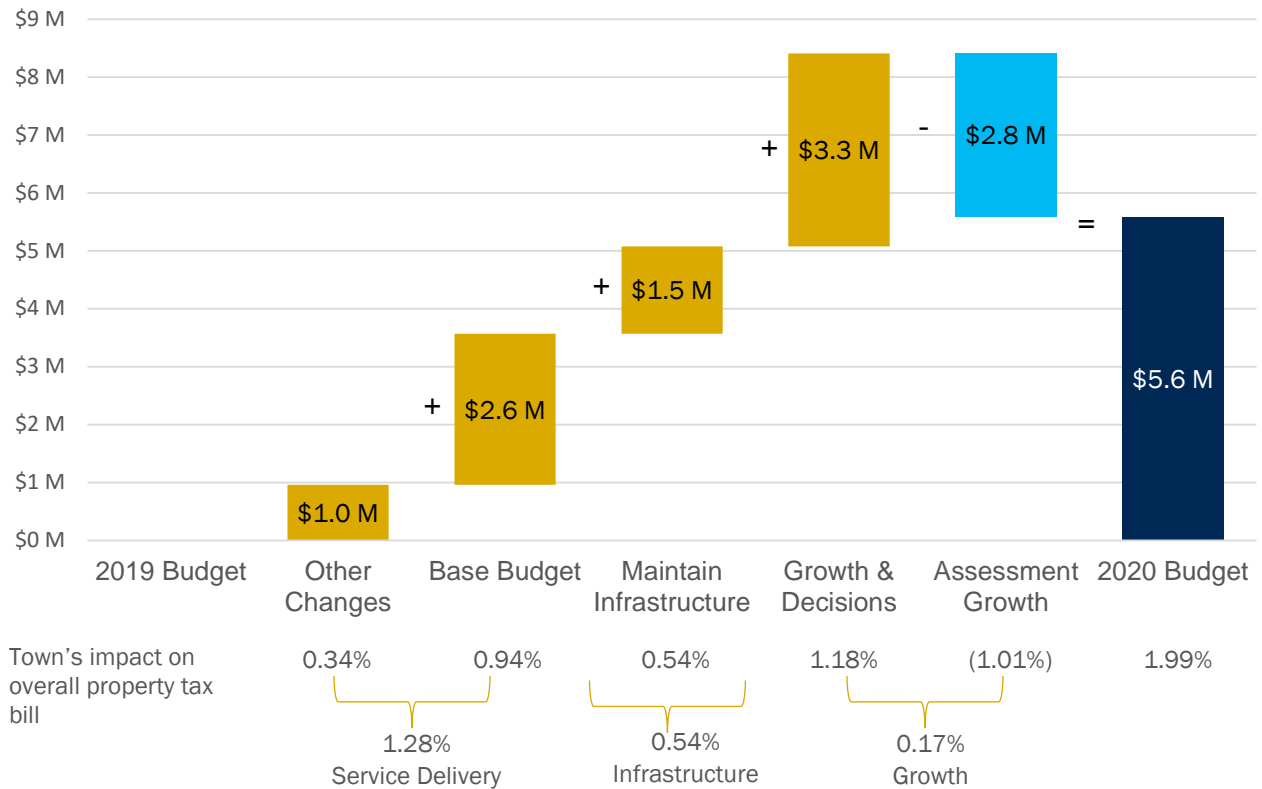


*Taxation includes the General Tax Levy \$100.2M, Payments In Lieu and Supplemental Taxes \$2.1M

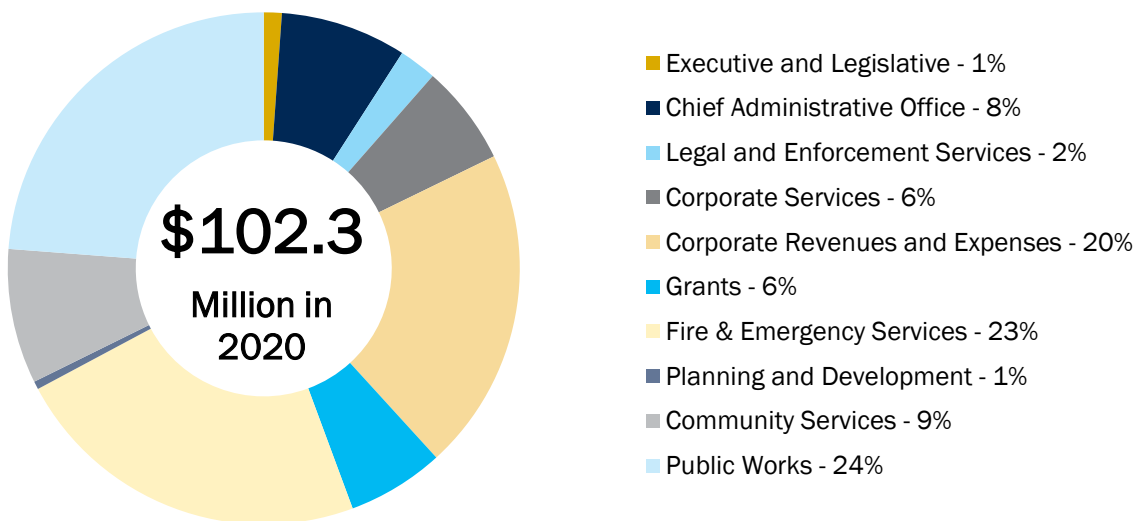
2020 Operating Budget Expenditures by Category



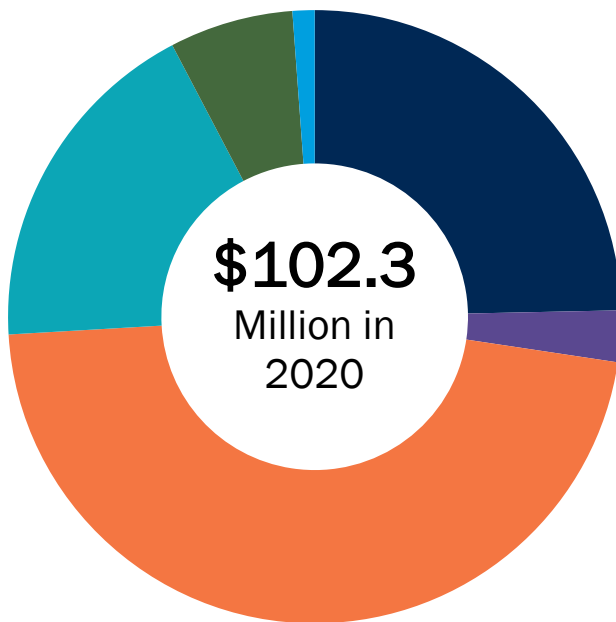
2020 Town of Whitby Budget Change



Departmental net budget supported by property taxes

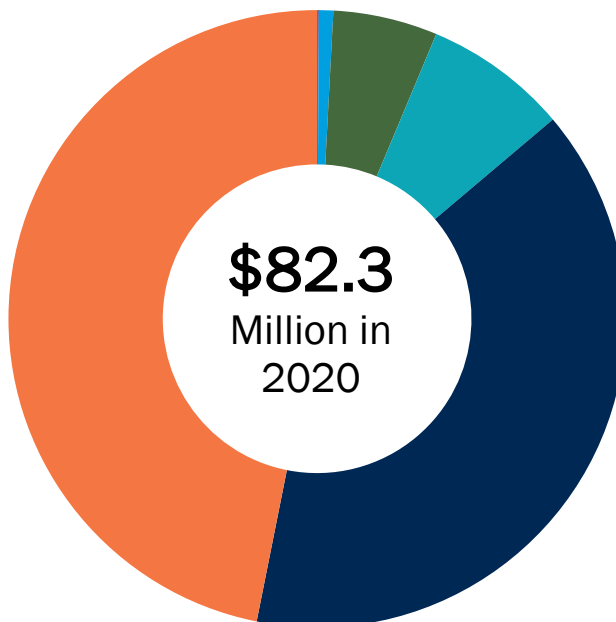


2020 Property Taxes Invested by Business Plan Theme



- Community Building - \$25.2M, 24.7%
- Community Engagement and Communication - \$2.8M, 2.7%
- Community Safety and Transportation - \$47.8M, 46.7%
- Effective Government - \$18.7M, 18.2%
- Environmental Sustainability - \$6.7M, 6.5%
- Economic Development - \$1.2M, 1.2%

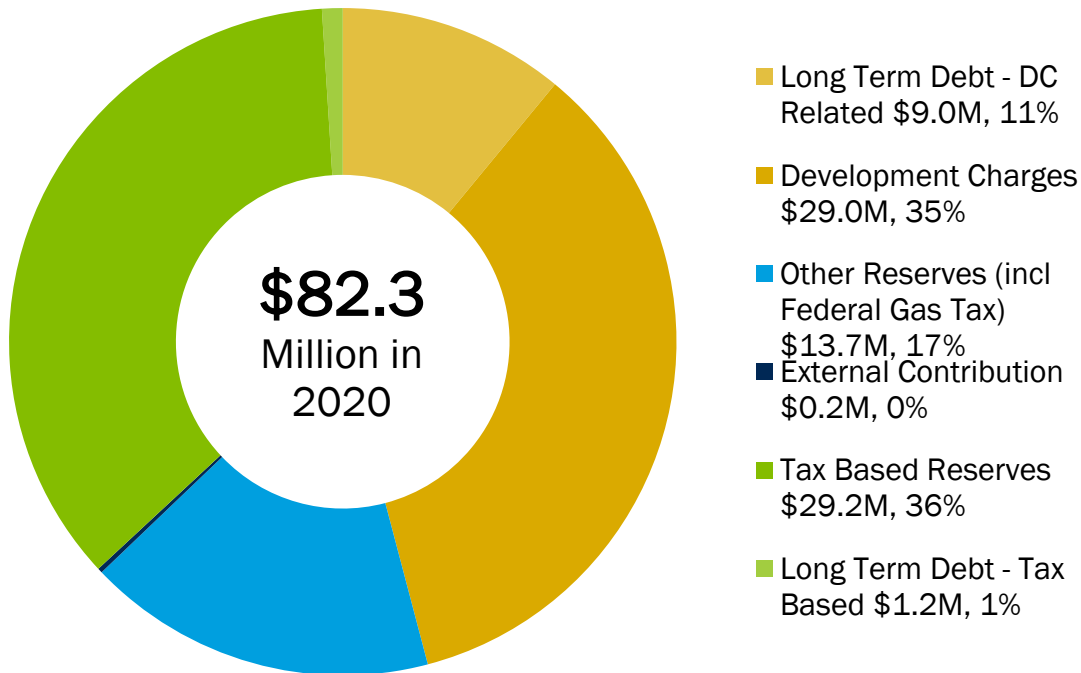
2020 Capital Budget by Business Plan Theme



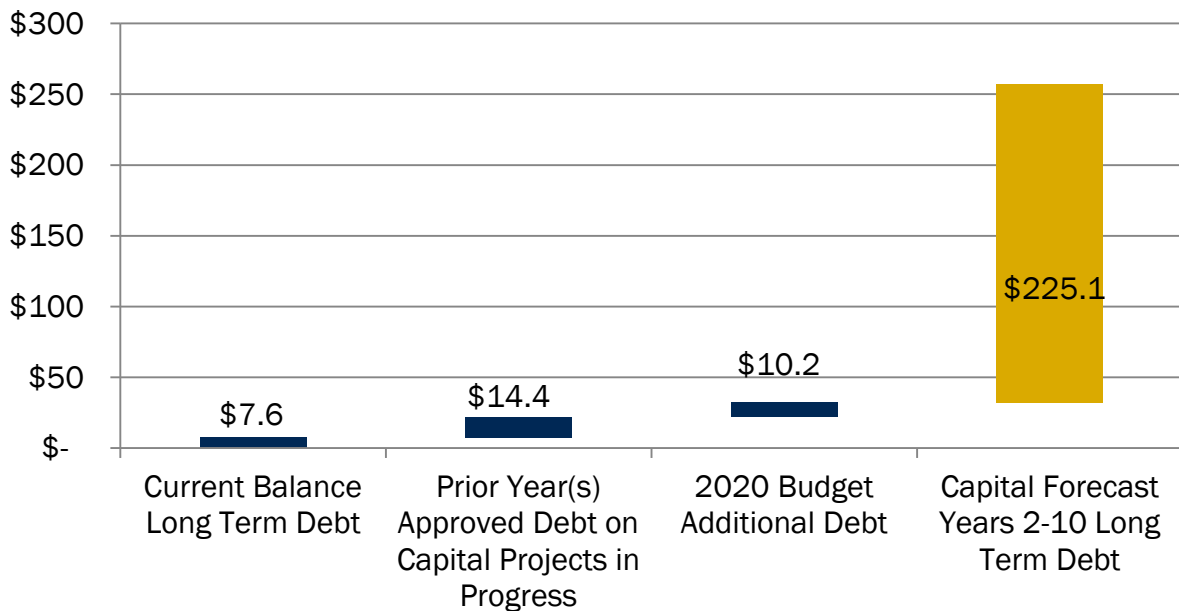
- Community Engagement \$0.1M, 0%
- Economic Development \$0.6M, 1%
- Environmental Sustainability \$4.5M, 5%
- Effective Government \$6.2M, 8%
- Community Building \$32.2M, 39%
- Community Safety and Transportation \$38.5M, 47%

The 2020 Capital Budget allocation is 34% for infrastructure maintenance projects, 64% for growth related projects and 2% for ongoing initiatives and proposed new initiatives / community enhancements.

2020 Capital Budget by Financing Source



Long Term Debt - Committed and Forecasted (millions \$)*



*Excludes any annual long term debt payments

The above chart reflects that Whitby, similar to other growing municipalities, requires debt as part of the long term financing strategy.

The Capital Forecast Years 2-10 Long Term Debt includes the estimated West Whitby Front Funding agreement that has a sunset date in 2027, the remaining balance is projected to be funded with the use of long term debt.

Corporate Uncommitted Reserve Forecast – 2020 Budgeted Reserve Receipts and Draws

The estimated 2020 year end uncommitted reserve and reserve fund balances below are based on the 2019 year-end reserve and reserve fund balances. At the time of preparation, the 2019 fiscal year end process was in still in progress and the 2019 year end balances have been estimated based on information available.

Reserve Category (\$ in 000's)	Forecasted Opening Balance	2020 Receipts	2020 Draws	Estimated 2020 Year End Balance
Asset Management	\$18,482	\$22,430	(\$27,030)	\$13,881
Growth	\$23,874	\$7,867	(\$6,941)	\$24,800
Development Charges	\$65,173	\$26,230	(\$35,813)	\$55,599
Program	\$34,035	\$3,440	(\$8,579)	\$28,896
Stabilization	\$10,022	\$369	(\$1,782)	\$8,609
One-Time	\$3,968	\$1,317	(\$1,710)	\$3,575
Total	\$155,563	\$61,654	(\$81,856)	\$135,361

(For details of each of the reserve and reserve funds within the above six reserve categories refer to the Corporate Revenue and Expenses section.)

Downtown Whitby Business Improvement Area

The Downtown Whitby Business Improvement Area is overseen by a Board of Management. The board is responsible for the improvement, beautification and maintenance of municipally owned land, buildings and structures in the Business Improvement Area (BIA), beyond that provided at the expense of the municipality generally and to promote the area as a business or shopping area.

The BIA prepares its own budget and presents it to its membership. The Board approved budget and the BIA tax levy is then recommended to Council for approval prior to March 31st.

The Town’s Operating Budget includes only the Town Programs and Services and excludes the BIA.

2019 Budget Restatements

There are several restatements to the 2019 approved budget based on changes throughout the year. These changes have no overall impact on the 2019 approved budget; however are mainly reallocations or reclassifications. The 2019 restatements in the 2020 budget include:

- Creation of a new Strategic Initiatives division within the Chief Administrative Office department.
- Reallocation of the Economic Development and Advertising and Sponsorship divisions from the Community Services department to the Strategic Initiatives division within the Chief Administrative Office department.
- Reallocation of the Downtown Development and Sustainability divisions from the Planning and Development department to the Strategic Initiatives division within the Chief Administrative Office department.
- Reallocation of the Parking Enforcement piece of the Parking Services division from the Public Works department to the Legal and Enforcement Services department. The Parking Operations piece of the Parking Services division has remained in the Public Works department within the Transportation Engineering and Parking Services division.
- Reallocation of Accessibility within Community Services from the Recreation, Youth and Seniors' Services division to the Facilities division to reflect organizational responsibility changes.

Staff Complement

Department	Full-Time Current	Part-Time Current	Full-Time Proposed	Part-Time Proposed	Notes
Executive and Legislative	3.00	0.00	0.00	0.00	1
Chief Administrative Office	43.00	1.46	7.00	(0.39)	2,3,5
Legal and Enforcement Services	23.00	3.43	2.00	1.20	2,3,5
Corporate Services	52.35	2.98	5.00	(0.69)	2,4,5
Fire and Emergency Services	141.00	1.46	0.00	0.00	
Planning and Development	49.00	0.97	1.00	0.00	2,3,4,5
Community Services	82.00	80.60	0.00	0.00	2,3
Public Works	157.51	42.18	3.00	0.70	2,3,5
Town of Whitby Total	550.86	133.08	18.00	0.82	

- (1) Reflects the non-elected staff in the Mayor and Council's office
- (2) FTE's were adjusted to reflect changes through the year
- (3) Part-time FTE have been updated based on review with Human Resource Services and Corporate Services to better reflect standard work hours for unit and budgeted hours

- (4) Includes new positions approved in the 2019 Budget. See last page in this section for details.
- (5) See Decision Item tab for proposed positions.

Operating Budget

Corporate Summary

Financial Account Category Followed by Division (\$ in 000's)	2019 Budget	Base Budget Changes		Program Changes		2020 Budget
		Prior Decisions	Inflation	Other Changes	Decision Items	
Revenues						
Taxation	(\$93,937)		\$7	(\$2,829)		(\$96,759)
Grants	(\$183)	\$5	\$38	(\$10)		(\$150)
Program Revenues, Fees and Fines	(\$23,183)	\$67	(\$464)	(\$44)	(\$74)	(\$23,698)
Miscellaneous Revenue & External Recoveries	(\$2,245)	\$2	\$15	\$230		(\$1,998)
Other Revenues	(\$6,249)		\$210			(\$6,039)
Transfers from Reserves & Internal Recoveries	(\$7,173)	(\$109)	\$161	(\$98)		(\$7,220)
Total Revenues	(\$132,970)	(\$35)	(\$34)	(\$2,751)	(\$74)	(\$135,864)
Expenditures						
Salaries, Wages & Benefits	\$73,443	\$475	\$1,421	(\$367)	\$2,084	\$77,056
Building Related Costs & Utilities	\$6,186	\$76	\$228	\$131	\$6	\$6,627
Vehicle & Equipment Maintenance and Fuel	\$2,693	\$84	\$31	(\$136)	\$11	\$2,683
Purchased Services and Supplies	\$8,235	(\$25)	\$59	\$467	\$101	\$8,836
Administrative Costs	\$5,666	(\$33)	\$121	\$195	\$66	\$6,015
Grants	\$6,060		\$186	\$52		\$6,298
Debt Charges	\$1,393					\$1,393
Transfers to Reserves and Internal Transfers	\$29,294	(\$8)	\$61	\$3,303	(\$109)	\$32,542
Total Expenditures	\$132,970	\$569	\$2,107	\$3,645	\$2,158	\$141,450
Net Operating Budget		\$534	\$2,072	\$895	\$2,084	\$5,585
Executive and Legislative						
Executive and Legislative	\$1,150		\$6	(\$21)		\$1,136
Chief Administrative Office	\$6,533	\$20	\$121	\$523	\$781	\$7,977
Legal and Enforcement Services	\$2,648	(\$32)	(\$429)	(\$42)	\$242	\$2,388
Corporate Services	\$5,530	\$88	\$187	(\$80)	\$607	\$6,333
Corporate Revenues and Expenses	(\$75,337)	\$345	\$506	\$313		(\$74,172)
Grants	\$5,901		\$186	\$52		\$6,139
Fire & Emergency Services	\$22,251	\$9	\$517	\$119		\$22,896
Planning and Development	\$800	(\$30)	\$121	(\$382)		\$509
Community Services	\$8,335	\$73	(\$5)	\$132		\$8,534
Public Works	\$22,191	\$59	\$862	\$279	\$454	\$23,845
Net Operating Budget		\$534	\$2,072	\$895	\$2,084	\$5,585

Note: Numbers may not add due to rounding

Prior Decisions – refer to the last page in this section for details

Prior Decisions and Annualizations Details

Summary of Prior Decisions and Annualization

Drivers of Change (\$ in 000's)	Revenue	Expense	Total
Prior year decisions – Reversal of 2019 One-time Items	\$94	\$440	\$534
Annualization of 2019 Approved Position Related Decision Items	(\$129)	\$129	\$0
Total Prior Decisions and Annualization	(\$35)	\$569	\$534

Prior Year Decisions – Reversal of 2019 One-time Items

Nature of One-time Item (\$ in 000's)	Revenue	Expense	Total
Benefits Related Gapping	\$0	\$300	\$300
Anticipated one time administrative savings		\$70	\$70
Hydro Savings IPSC – ICI Initiative	\$0	\$84	\$84
One time deferral of transfer to the Façade Grant	\$0	\$75	\$75
Leased Property temporary revenues	\$60	\$0	\$60
Part year impact of Capital Items	\$0	\$57	\$57
Elimination of vacant unit/building rebate	\$0	(\$100)	(\$100)
Other prior year related revenue and expenditure changes	\$34	(\$46)	(\$12)
Total	\$94	\$440	\$534

Annualization of 2019 Approved Position Related Decision Items

Request (\$ in 000's)	FTE	Revenue	Expense	Total	
Position Related Requests:					
1	Financial Analyst ERP (3 Year Contract Position)	1.00	(\$72)	\$67	(\$5)
2	Principal Planner (2 Year Contract Position)	1.00	(\$37)	\$32	(\$5)
3	Inspections Clerk	1.00	\$0	\$0	\$0
4	Building Inspector	1.00	(\$20)	\$0	(\$20)
5	Supervisor of Subdivision Inspections	1.00	\$0	\$0	\$0

2020 Budget

Request (\$ in 000's)		FTE	Revenue	Expense	Total
6	IT Related Costs for 2019 Position Requests	n/a	\$0	\$30	\$30
Total Annualization			(\$129)	\$129	\$0