TOWN OF HALTON HILLS
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REPORT

REPORT TO: Chair and Members of Budget Committee

REPORT FROM: Duncan Robertson, CPA, CMA
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Jane Diamanti
Commissioner of Corporate Services

DATE: November 5, 2019

REPORT NO.: CORPSERV-2019-0036

RE: 2020 Budget Directions

RECOMMENDATION:

THAT Report No. CORPSERV-2019-0036 dated November 5, 2019 regarding the 2020 Budget Directions Report be received;

AND FURTHER THAT staff be directed to prepare the proposed Town 2020 budgets with no greater levy increase in the Town portion than 3.1%, consisting of a base budget increase not exceeding 2.5%, plus 0.6% dedicated to the Infrastructure Gap Levy, representing an expected overall property tax increase of 2.1% including Town (3.1%), Region (2.0%) and school board (0.0%) portions;

AND FURTHER THAT the specific guidelines contained in this report be used as the basis to finalize the 2020 preliminary Operating and Capital Budgets and the 2020-2029 Capital Forecast for Council's consideration.

AND FURTHER THAT Council approve the establishment of a new reserve to be used as a Green Revolving Fund where utility savings and discretionary operating surplus dollars can be allocated to Town projects that reduce energy consumption and support the Climate Change Strategy;

AND FURTHER THAT Council approves the discontinuance of the arena user surcharge, effective January 1, 2020 based on staff's recent review and assessment of the arena financing program.

BACKGROUND:

The purpose of this report is to seek approval from the Budget Committee for the guidelines to be considered in finalizing the 2020 Operating and Capital Budgets. This report will outline the resources necessary to continue with existing levels of service and address Council's key priorities, while also recognizing the challenges associated with confirmed and potential changes in the provincial direction, e.g., Bill 108 - *More Homes, More Choice, 2019* and any other changes that may affect the Region of Halton and the School Boards and in turn impact the blended tax rate.

COMMENTS:

A. <u>Executive Summary</u>

- Net of assessment growth, staff recommends a tax levy increase of 3.1%, a 0.8% reduction from 2019. The recommended levy includes inflation and non-discretionary increases required to maintain existing service levels, as well a 0.6% dedicated tax levy to close the infrastructure gap. As Council will recall, the Infrastructure Levy has replaced further annual increases to the Special Fire Services Levy, which were discontinued in 2019. The 3.1% levy also funds key priorities as follows:
    - **Shaping growth**

      The Town is continuing to advance the approved growth management land use strategy to 2031 through the development and implementation of secondary plans that will ensure a balanced and sustainable community. In addition, the Town will continue to provide input into the Halton Region Official Plan review including the Integrated Growth Management Strategy, establishing the Town`s position on the post 2031 population and the employment growth allocation with Halton Region.

      The Town will stay focused on local job growth and business investment opportunities in the community to ensure a prosperous, creative and sustainable economy. Two key strategies to be developed in 2020 include an update of the Economic Development and Tourism Strategy and the development of a Foreign Direct Investment Strategy.

      The Town is committed to increasing the supply of affordable housing in the community. In addition to the recent support for the Exchange Hotel, the Town will move forward on the Council-approved strategy of the Affordable Housing Working Group and the donation of a Town-owned property (due to property matters not yet concluded, this item cannot be discussed publicly). The CAO will be addressing a number of confidential budget-related matters as part of the Budget Directions Report presentation; these matters will also be outlined in an in-camera attachment to this report to be forwarded under separate cover.

- **Addressing transportation issues**

The Town has noted growing concerns from the public about traffic safety, particularly with regard to speeding and aggressive driving. Using the Town's updated Traffic Calming Protocol, staff is evaluating all roads to determine appropriate measures to calm traffic and keep neighbourhoods safe. The public will be invited to comment. To improve pedestrian safety, staff is recommending the installation of two additional pedestrian crossovers building on the 12 crossovers installed in the last 3 years. The budget includes a request for permanent resourcing to address both traffic and pedestrian safety.

The Town will continue to invest in infrastructure to support active transportation in the community. The Active Transportation Master Plan is underway and will be concluded in the spring of 2020, along with the Cycling Feasibility Study for Maple Ave. This plan will propose a network that will include on and off-road facilities designed to encourage travel by cycling and walking. In recent years, staff has enhanced the active transportation infrastructure with additional bike lanes and in-fill sidewalks; further enhancements are proposed including a 23 km increase in on-road bike facilities and various sidewalk improvements. The Town will build on efforts to promote use of active transportation through mapping, way-finding signage and pavement markings.

In terms of road maintenance, an increase to the Operating Budget of $100,580, amounting to two full-time staff equivalents, is recommended to ensure that the roads assumed in 2019 are maintained, along with new roads anticipated in 2020. In addition, it is proposed that funding for the replacement of various pieces of aging equipment come from the "Equipment Reserve".

Following up on changes presented in the fall with regard to winter control, resources will be re-aligned within Public Works to enable 6 additional seasonal staff to focus on sidewalk-clearing. A two-stage plow is also proposed for ice and slush removal. Ongoing costs for added seasonal staff and the two-stage plow will be accommodated within the existing budget.

The Town is preparing for the Implementation of the Transit Strategy by pursuing $1M of federal and provincial grant funding for transit-related assets to be introduced over the next three years.

- **Supporting climate change initiatives**

  On May 6, 2019, Council issued a Climate Change Emergency Declaration and set a goal to become a net zero municipality by 2030. Central to this commitment is leadership by example, with the Town demonstrating exceptional performance through its own facilities, fleet and operations. The following climate change initiatives are identified in the 2020 Budget:
  - the 2019-2024 Corporate Energy Plan including the continuation of the 0.6% ($310,000) increase to the Infrastructure Gap Levy to support the recommendations set out in the Corporate Energy Plan
  - the update of the Mayor`s Community Energy Plan
  - the continued support for the ongoing implementation of corporate and community climate change initiatives including:
    - Community Sustainability Investment Fund
    - Climate Change Action Implementation program
    - Climate Change Adaptation Strategy Implementation
    - Stormwater Master Plan development
    - Updated Green Development Standards
    - Private Tree Management Strategy (private tree by-law)
    - Property Assessed Payments for Energy Retrofits (PAPER) program
    - Consideration of e-vehicles (Fire exploring for car replacements)
    - Installation of electric vehicle (EV) charging stations for Town Hall and application for additional stations
    - Continuation of the tree planting program
    - Establishment of an urban forestry program.

- **Investing in assets in the context of climate change**:

  More severe weather arising from climate change accelerates the degradation of assets and requires investment in more robust infrastructure. The Corporate Asset Management Program will continue to advance in collaboration with internal and external partners to develop risk and lifecycle management strategies for all asset classes including natural assets. In 2020, an asset management software solution will be developed to effectively manage and forecast costs through the Corporate Asset Management Program.

- The Town relies on several key sources of revenue including assessment from the tax base, supplementary taxes, user fees, and dividend and interest payments from Halton Hills Hydro. With regard to assessment, growth to the base in 2020 is estimated to be $1,265,000. Supplementary taxes are more difficult to forecast and have been conservatively budgeted at $325,000. User fees are another significant source of revenue and are reviewed by departments every year. Based on donations and voluntary contributions from developers received to date, which are in excess of target, staff is recommending that the arena surcharge be discontinued, and the donations/contributions be used to pay down debt on the arena construction program.

- Halton Hills Community Energy Corporation will continue to provide dividends and interest payments in 2020, as well as the first installment of a 6-year promissory note re-payment plan that will result in a steady cash flow for the Town to support the (1) re-payment of debt; (2) the building of reserves; and (3) priority capital projects. The Long Range Financial Plan update presented to Council in the new year will highlight how Hydro monies will be used in accordance with these priorities.

- The Town has established a debt management approach, which targets a maximum annual debt re-payment cost of 10% of the net tax levy. Constant monitoring of debt costs and rates of return on investments enable the Town to respond quickly to changing market conditions and manage debt load appropriately. The cost of debt in the 2020 budget including principal and interest is 9.39% - which falls below the Town's internal target of 10%.

- Assuming the budgeted carrying cost of debt in 2019 and the projected carrying cost of 2020, the reduction in interest payments between 2018 and 2020 is estimated to be $236,761.

- Council approved a policy for reserves which includes target balances, along with key criteria around the use of a reserve. By referencing key sensitivity targets including reserve balances in the context of upcoming growth, the Town is able to ensure that reserves remain healthy. Reserves are important in that they strengthen the Town's financial position and reputation, serve as an accessible source of internal financing, and keep working capital intact.

- Development charges (DCs) are an important financing tool for growth; however, the timing of DC collections often does not align with the expenditures needed to support growth-related infrastructure. As such, the Town is managing a shortfall in its DC funds through a combination of internal loans from reserves and deferral of DC-funded projects. Implications of the new DC legislation will be monitored closely by staff, along with the rate of collections, and will be reported to Council.

- The Town received $5.6M in grant funding and transfers from upper levels of government in 2018 and anticipates a total of $7.2M in 2019. This additional funding has been used to advance strategic initiatives such as the ActiVan specialized transit program, corporate asset management, and the maintenance of transportation infrastructure in a state-of-good-repair (e.g., Armstrong Avenue improvements, Young Street reconstruction, 10th Line slope stabilization and the Main Street North Bridge rehabilitation- known as the "white bridge"). For the 2020 budget, staff is anticipating a minimum of $8.5M in grants and transfers.

- Over the last four years, the Town has been able to deliver on priorities by identifying and implementing efficiencies that have reduced costs. These have ranged from the introduction of time-saving technology to collaborative projects that have enhanced service and saved time and money.

- In achieving the 2020 Budget Direction, there will be funding challenges due to the changing political landscape including:
  - Bill 108, *More Homes, More Choice, 2019;*
  - Frozen and/or reduced funding for the Region, Conservation Authorities and the Boards of Education;
  - Further potential claw backs in provincial transfers. The Town expected a doubling of the provincial gas tax based on a commitment from the previous Ontario Government, representing an additional $6M over the next ten years; this has been reversed by the current Ontario Government. These funds would have supported public transit operations and infrastructure. Assuming current allocations, staff expects to receive provincial gas tax funds ($595,498) and Ontario Community Infrastructure Funding ($1,581,524) in 2020.

- The net impact on property taxes will result in an overall increase of 2.1% (blended rate), based on current value assessment and the preliminary Operating Budgets of the Region (2.0% increase) and the school boards (0.0%).

- The Operating and Capital Budgets, as well as departmental Business Plans, will be reviewed by Budget Committee on December 2, 2019 and are scheduled for Council approval on December 9, 2019.

B. Budget Schedule

The Budget Binder will be issued to Council as one consolidated document on November 6, 2019. The Budget Binder will be organized by department, with each departmental section represented by their respective Business Plan, Operating and Capital Budgets and 9-year Capital Forecast. The proposed format will support a concurrent review of a department's budget documents. Proceedings will begin with a corporate overview by the Town Treasurer, followed by a sequential presentation by each Department or Division Head of their Business Plan, and the associated Operating and Capital Budgets.

Ward briefings are scheduled for the week of November 25, 2019. The intent is to provide members of the Budget Committee with an opportunity to hear from the CAO, the Town Treasurer and members of the Senior Management Team and to provide a forum for any budget-related questions. The Budget Committee will review the budget on December 2, 2019, with Council approval scheduled for December 9, 2019.

C. Budget Principles

The 2020 Budget and Business Plan will be prepared in accordance with the following principles:

- The annual budget reflects and supports the priorities of the Town's Strategic Plan;
- The annual budget is aligned with the targets set out in the Long Range Financial Plan (LRFP) and the financial policies approved by Council;
- The annual budget accounts for the investment required to maintain infrastructure in a state of good repair in accordance with the Corporate Asset Management Plan;
- Ongoing expenses are funded from sustainable revenue sources to ensure continuity of services;
- The total debt servicing cost (principal and interest payments) does not exceed Council's approved debt limit of 10% of the Town's tax levy;
- All growth-related infrastructure costs that can be recovered under the Development Charges Act will be supported from development charge revenue in the annual budget and in accordance with the LRFP. Growth will be interim-financed through reserves, where necessary;
- Reserves are maintained as per policy in order to repair/replace infrastructure, fund identified priorities, and ensure long-term financial sustainability;
- All grants available to municipalities will be pursued (federal, provincial and other funding opportunities);
- New services, service level enhancements and increases to the full-time staff complement require an accompanying Budget Inclusion form to be considered by Council as part of the annual budget process;
- The 2020 budget does not include Decision Packages (5th consecutive budget year without Decision Packages);
- All 2020 capital projects require an accompanying Capital Project Information Sheet to be considered by Council as part of the annual budget process.

D. Recommended Budget Direction

Staff recommends a tax levy increase of 3.1%, net of assessment growth. The levy consists of a base budget increase of 2.5%, including an inflationary amount and the continuation of the Infrastructure Gap Levy of 0.6%. This proposed levy is possible because of healthy assessment growth, ongoing receipt of supplementary taxes, the Hydro re-payment plan and a careful review of all programs and services; staff is confident that they can address priority issues both from an operating and capital perspective.

The key sources of revenue supporting the budget include assessment growth, supplementary taxes, user fees, dividend and interest payments from Halton Hills Hydro and grants. Based on current estimates, 2.26% assessment growth is anticipated, which amounts to $1,265,000 in additional revenue. Supplementary taxes are more difficult to forecast; in the past six years, the amounts received have ranged from $350,000 to as high as $1.3M, depending on the focus of the Municipal Property Assessment Corporation (MPAC) for that particular year. Given these fluctuations, staff prefers to budget conservatively at $325,000.

User fees are another source of revenue, and are reviewed by departments every year in light of service delivery costs, the fees of comparable and/or neighbouring municipalities and market demand. As part of the 2020 budget process, staff undertook an in-depth analysis of the arena funding program including the contributions received to date through the capital campaign, the voluntary contributions from developers ($1,000 per residential unit), and the arena user surcharge. Staff determined that the donations and voluntary developer contributions combined have exceeded the cash financing target of $2M. The capital campaign alone has raised $2M and the voluntary contributions so far total $1.2M, of which $533,000 was approved by Council in 2015 to fund additional arena construction expenses. The arena user surcharge introduced in 2012 was budgeted to generate $2.4M to contribute to arena financing. The surcharge has brought in 1.9M to date, with an additional $520,000 needed by 2022 to meet the target. Given this analysis, staff is recommending that the user surcharge be discontinued, and that the funds received in excess of the donation and developer contribution target, representing a total of $684,000 be used to finance the arena program debt per the original intent of these contributions. Other sources of revenue are also part of the funding program including the “New Capital Reserve” (formerly ‘Special Infrastructure Levy Reserve”), development charges, and the arena special tax levy established in 2013. As of 2020, $5.15M will have been collected through this arena levy and continues to fund the debt re-payments in accordance with the funding program. According to the re-payment plan, all arena-related debt will be fully paid off by the end of 2024. Staff believes that removing the arena user surcharge and using the contributions in excess of the target will be welcomed by all arena ice, floor and hall/room users who currently contribute to the charge on top of the base rate (which in some cases may be higher than market comparators). Recreation and Parks staff will be reporting back on the full Recreation fee review in the first quarter of 2020.

Halton Hills Community Energy Corporation (HHCEC) and its subsidiaries contribute significant streams of revenue to the Town, through dividend and interest re-payments. In 2019 the annual dividends are expected to be $1,692,000, and $1.3M of this is budgeted to offset operating costs in the Town’s budget, with the remaining $378,900 contributed to reserves to assist with the Long Range Financial Plan targets. The interest re-payments relating to a $16.1M promissory note are approximately $600K each year and 100% of these funds are placed in Town reserves. In July 2019, Council approved a six year plan for the Hydro note to be repaid, thereby providing a steady and predictable cash flow to address the following in priority order: pay down debt, build reserves, and support capital projects. The Long Range Financial Plan update presented to Council in the new-year will provide further detail on how Hydro monies will be used in accordance with these priorities.

Subsequent to this promissory note monetization agreement, Hydro management requested an amendment to the 6-year re-payment plan. Whilst maintaining the six-year re-payment term, it is proposed that an earlier re-payment of $1M of principal occurs in the first year, with $1M in annual dividends being deferred, and paid out in equal installments over a four year period commencing in 2025. In 2020, the Town will expect to receive an annual dividend of $692,000 and an interest payment of $600,325 in addition to the first of six annual re-payments of the promissory note in the amount of $3,141,970. The additional $1M of principal re-payment will fund the Operating Budget shortfall that was created by the deferred dividend payment. Following full receipt of the 2020 dividends post 2028, the Town will use the associated cash to fund the priorities outlined in the Long Range Financial Plan. It is important to note that there is no net difference in the payments to be received by the Town. However, the change in the payment plan enables Hydro to maintain a good standing and meet all its financial obligations.

The Town anticipates grants and transfers from upper levels of government to total $8.5M in 2020, with $6.7M supporting the Capital Budget and $1.8M supporting the Operating Budget. These funds are instrumental in supporting the Town's public transit and transportation programs, as well as major infrastructure replacement, including funding for the following major capital projects in 2020:

- Main Street North bridge rehabilitation (known as the "white bridge")
- Mountainview Road bridge rehabilitation
- Bowman Street retaining wall reconstruction
- Fairy Lake dam retaining wall reconstruction
- 6th Line culvert replacement
- Cedarvale Community Centre revitalization
- Lauchlin Crescent walkway rehabilitation

With Council approval of the 2019 Budget and Business Plan report (CORPSERV-2019-0002), the annual increases to the Fire Services Special Levy were discontinued. The intent of the levy was to provide funding to hire between two and four full-time firefighters annually until there was sufficient enough staff to operate two 24-hour full-time trucks. The 2019 Operating Budget supported the hiring of five full-time equivalent positions within Fire Services, accelerating the provision of the second 24-hour truck and eliminating the need for further annual increases to the Fire Services Levy. Note that as the community grows, there will be a need to increase the Fire staffing complement; any requests for staffing increases will be done through the budget deliberation process using regular tax rates.

In the same report (CORPSERV-2019-0002), Council approved the reallocation of the 0.6% annual levy increase formerly used to support Fire Services to a new Infrastructure Gap Levy. This levy would fund the replacement of core infrastructure and reduce the infrastructure deficit identified in the Corporate Asset Management Plan.

It is recommended that the 0.6% increase to the Infrastructure Gap Levy, introduced in 2019, continue in 2020 to support the replacement and adaptation of core assets in the context of climate change.

E 2020 Budget Assumptions

The 2020 Budget Direction was prepared using the following assumptions:

1. A projected 2.26% increase in assessment growth for 2020, equating to additional revenue of $1,265,000. This is related mostly to new residential housing construction and the expansion of the Toronto Premium Outlet Mall;
2. A projected impact of $1,528,700 for compensation and benefits adjustments. This includes previously approved contract adjustments, performance increments, job evaluation changes, proposed economic adjustment of 1.75%, any benefit costs associated with the Town's benefit provider, Canada Pension Plan/Employment Insurance and Workers' Safety and Insurance Board changes.
3. Conversion of existing contractual positions to permanent needed to deliver expected services at a cost of $441,500;
4. Continuation of the special levy to address the infrastructure deficit identified in the State of Infrastructure Report at a 0.6% tax levy increase of $310,000 – reallocated from the Fire Services Special Levy, which was capped in 2019;
5. A projected base budget impact of $212,100 to account for inflationary pressures on existing services based on the CPI forecasted inflation of 2.0% for 2020, as well as increases in materials and supplies required to maintain service levels.
6. Contributions in the total amount of $9.9M will be made to reserves to meet the minimum targets outlined in the LRFP;
7. Operating impacts of previously approved capital projects amount to an expected $97,100 increase to the annual budget. These costs include maintenance for new sidewalk connections, street lighting, bike lanes and pedestrian crossings, as well as maintenance agreements for additional EV charging stations;
8. An adjustment in timing for the construction of the Gellert Community Centre Phase 2 addition to 2021. The design and engineering phase will continue throughout 2020 to build on the concepts developed in 2019 while taking into consideration the sustainability features identified in the Corporate Energy Plan. Staff will also be reaching out to the public for their feedback on the conceptual designs. Through the design and engineering work, staff is expected to have a more precise costing for the project, and with the pending release of the Bill 108 regulations with respect to the Community Benefit Charges, will be able to confirm the funding mechanism. In November, staff will submit an application for grant funding through the *Canada Infrastructure Program – Community, Culture and Recreation Stream*. If the application is successful, the Town's contribution to the estimated $25M project would be 26.67% of the total project cost or $6.7M;

The following is a history of the budgeting for the Gellert Community Centre Phase 2 project in relation to the design work that has been undertaken to date:

- In 2018, the budget shown in the 2018 Capital Budget forecast totalled $13 million ($11.5 million construction, $1.5 million design and engineering). The programming for the building included multipurpose space gyms (seniors and youth), fitness space, commons areas and ancillary uses. This preliminary design, done in advance of a conceptual design and related Class D costing, relied on the program elements outlined in the 2007 Recreation and Parks Strategic Action Plan. As part of the Gellert Community Centre Feasibility Study initiated in 2018 and completed the next year, it was determined that the original floor space for the triple gymnasium and associated upper level with walking track was undersized.
- The 2019 Capital Budget indicated $18 million for construction and $1.8 million for design and engineering ($19.8 million total), reflecting the adjusted costs based on an approximately 50,000 square foot facility to support the proposed programming; the provision for a walking track was not explicit in the pre-2019 budgets, but the need has been reaffirmed in the public consultation done to date as part of the 2020 Strategic Action Plan Update.
- The 2020 Capital Budget and Investing in Canada grant submission references a total budget of $25 million as follows: $20.25 million construction (Class D costing with furnishings and contingency), $2.3 million design and engineering (including design contingency) and $2.45 million to address feasibility studies, design and engineering and construction and retrofits of Phase 1 and 2 of the Gellert Community Centre to align with the Corporate Energy Plan and Climate Lens Assessments (e.g. provision of geothermal and solar infrastructure). While the total floor area of 50,000 square feet has not been adjusted since 2018, the cost escalation noted in the budget is to align with the Investing in Canada grant program funding and is subject to Council approval after grant program results.

9. Increase to the budgeted supplementary tax revenue from $275,000 to $325,000. Supplemental assessment occurs when new construction is completed or when there is an increase in the value of property during the current tax year, e.g. after a major renovation/addition. The timing of supplementary assessment is dependent upon the completion of construction and subject to an independent review by Municipal Property Assessment Corporation (MPAC). Supplementary taxes have ranged from $350,000 to as high as $1.3M in the past six years depending on MPAC’s focus for that particular year. Given these fluctuations, staff prefers to budget conservatively at $325,000, which represents an increase of $50,000;

10. The budgeted contingency for salary gapping is $755,000, representing expected savings due to anticipated retirements in 2020 and the historical averages for employee turnover and retention.

The below table summarizes the 2020 net Operating Budget based on the assumptions used in the Budget Direction:

Town of Halton Hills
2020 Operating Budget
Net Expenditures by Department

	2019		2020	2020 vs. 2019	
	Budget ($)	Forecast ($)	Budget Target ($)	Budget Change	
Net Expenditures					
Council	948,800	864,314	957,600	8,800	0.9%
Office of the CAO	2,910,000	2,843,816	3,839,300	929,300	31.9%
Corporate Services	5,494,000	5,175,188	6,039,100	545,100	9.9%
Library Services	3,794,600	3,790,685	3,651,100	(143,500)	-3.8%
Fire Services	8,584,355	8,014,242	8,667,955	83,600	1.0%
Transportation & Public Works	12,900,200	12,937,397	13,767,800	867,600	6.7%
Planning & Development	1,553,600	1,470,176	1,438,100	(115,500)	-7.4%
Recreation and Parks	6,888,850	6,754,472	7,442,300	553,450	8.0%
Corporate Revenues & Expenses	7,615,095	7,771,749	7,754,045	138,950	1.8%
Total Net Expenditures	50,689,500	49,622,038	53,557,300	2,867,800	5.7%
Town Tax Levy	(50,689,500)	(50,693,623)	(52,292,300)	(1,602,800)	3.2%
Assessment Growth			(1,265,000)	(1,265,000)	0.0%
Total Taxation	(50,689,500)	(50,693,623)	(53,557,300)	(2,867,800)	5.7%
Net Town Tax Impact (Net of Assessment Growth)	(51,954,500)		(53,557,300)	(1,602,800)	3.1%

Office of the CAO: The increase of $929,300 is reflective of the corporate re-organization to amalgamate the Corporate Asset Management and Office of Sustainability under the new Climate Change and Asset Management Division within the Office of the CAO. Corresponding decreases exist within the Planning & Development and Recreation & Parks departmental budgets.

Corporate Services: The $545,100 net increase largely represents the conversion of existing contractual positions to permanent status. These positions include the Communications Coordinator, the Assessment Analyst, the Financial Accountant and the part-time Purchasing Clerk.

Library Services: The $143,500 decrease is due to the phasing out of internal rental chargebacks for the maintenance and operations of shared space within the Cultural

Centre. The net zero impact is offset by an increase to the Facilities Operating Budget within Recreation & Parks.

Transportation & Public Works: The $867,600 net increase includes sufficient funding to maintain service levels for additional roads and park space, establish an urban forestry program, and improve the Town's catch basin cleaning program.

Planning & Development: The net decrease of $115,500 is the result of a corporate re-organization involving the move of the Office of Sustainability to the Climate Change & Asset Management Division within the Office of the CAO.

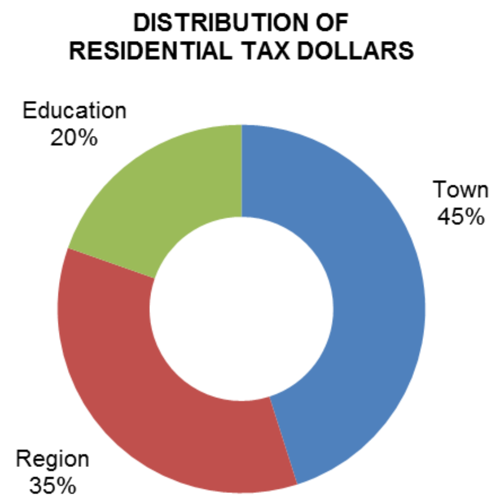
Recreation & Parks: The $553,450 increase is the net result of corporate re-organization, moving Corporate Asset Management under the Office of the CAO, and the elimination of internal rental chargebacks to the Library.

In consideration of a 3.1% increase, the property tax impact per $100,000 of current value residential assessment is illustrated below:

PROPERTY TAX IMPACT
2020 OPERATING BUDGET
(Per $100,000 CVA)

	2019 Final Budget	2020 Preliminary Budget	$ Change	% Change
Town	$359	$370	$11	3.1%
Region *	$284	$290	$6	2.0%
Education **	$161	$161	$0	0.0%
Total	**$804**	**$821**	**$17**	**2.1%**

Notes:
* Based on Regional 2020 proposed budget
**Based on 2019 Education rates



The services provided by the Town represent a 45% share of the total tax bill. After considering the preliminary Operating Budgets of the Region (2.0% increase) and school boards (0.0%), the total tax rate increase is anticipated to be 2.1% based on current value assessment. Final tax rates will be calculated once the 2020 Operating Budgets are confirmed.

F. Strategic Actions Shaping our Future:

1. Utilizing the Long Range Financial Plan

The Long Range Financial Plan (LRFP) was developed in 2018 in conjunction with Watson & Associates Economists Ltd. and was approved by Council in January 2019. The LRFP includes principles, policies and strategies to guide Council and staff in financial decision-making. The 20-year Plan was complemented by a new dynamic tool that can provide updates to the LRFP as assumptions change over time. In essence, the financial planning tool enables staff to explore 'what if' scenarios, the financial impact, and the best financing mix to keep the Town in a strong fiscal position.

In terms of analyzing the financial impact, the LRFP model considers the debt load of the Town with respect to the Council-approved debt threshold of 10% of the tax levy. Monitoring debt load in terms of current and future commitments is critical to ensuring that the Town is not over-extended in terms of interest and principle payments. More specifically, the LRFP model assists in determining which capital projects might be eligible for debt-financing and the optimum timing/amount of financing in the context of the 10% limit. The LRFP model also considers the Towns capacity to manage "internal" loans through inter-fund financing. Inter-fund loans from reserves are used to address timing variances between the receipt of development charges and the need to fund growth-related projects. Finally, the LRFP model provides guidance on the annual contribution to reserves so that reserves remain healthy and have the ability to support future capital expenditures, unexpected or unpredicted events, and/or to smooth expenditures which would otherwise cause fluctuations in the operating or Capital

Budgets. Reserves are extremely important to the ongoing financial stability of the corporation.
The Long Range Financial Plan has many key elements that factor into the annual budgeting process. As above, the financial modelling along with sensitivity analysis is used by staff to consider the impact on each of the following areas when compiling the budget:

a) Debt

The annual budget process, guided by the Long Range Financial Plan and debt policy, allows for the careful planning and tracking of the Town's debt load in the context of Council-approved limits. The financial planning tool assists in determining the need for debt to finance capital expenditures. Consideration is given to whether the debt should be issued externally, through the Region of Halton, or internally through the utilization of Town reserves. The provincially mandated municipal debt re-payment limit is calculated annually with the filing of the Financial Information Return (FIR) and provides a cap on annual principal and interest payments, ensuring they do not exceed 25% of net revenues. An internal target of 10% of the tax levy is in place through policy to keep external debt in line with the Town's risk tolerance. As below, the cost of debt in the 2020 budget is within this limit at 9.39% (down from 2019 by 0.11% and 0.61% from 2018):

2020 Cost of Debt	
Principal	$4,431,100
Interest	$596,400
	$5,027,500
Net Tax Levy	$53,557,300
	9.39%

The current borrowing portfolio contains a mixture of 10-year term loans issued through the Region of Halton, a 5-year loan issued through Southwestern Energy and 20 year loans issued through the Region on behalf of the Green Municipal Fund.

Each of these loans has a structured re-payment plan and the following table outlines the total remaining principal and interest re-payments of the current portfolio.

Dec 31st	Principal Repayments of current debt load	Principal Repayments of new 2020 Debt
2019	$23,696,743	$1,900,000
2020	-$4,431,034	-$82,869
2021	-$4,534,823	-$168,224
2022	-$4,104,381	-$173,271
2023	-$2,638,698	-$178,469
2024	-$2,245,692	-$183,823
2025	-$871,981	-$189,338
2026	-$890,399	-$195,018
2027	-$909,520	-$200,868
2028	-$929,546	-$206,894
2029	-$926,786	-$213,101
2030	-$429,062	-$108,125
2031	-$437,687	$0
2032	-$347,133	$0
	$0	$0

The interest cost of debt is an important factor to be considered in long range financial planning. Careful thought is given to interest rates on outstanding debt and the rate of return on Town's reserves. The Town holds a number of debt issuances at rates at or below the investment rate of return. The following table shows the interest rates on current outstanding debt issuances for the next 5 years, including those with rates in excess of the Town's current investment rate of return of 2.76%:

	2020	2021	2022	2023	2024
Misc Projects	3.20%	3.30%			
MMSP Arena	3.05%	3.20%	3.35%		
MMSP Arena	2.85%	2.95%	3.10%		
MMSP Arena	2.40%	2.60%	2.80%	2.95%	
LED Lights	3.95%	3.95%	3.95%	3.95%	
Acton & G'town Libraries GMF Loans	2.00%	2.00%	2.00%	2.00%	2.00%
Geothermal	1.57%	1.57%	1.57%	1.57%	1.57%
Acton Arena	2.60%	2.90%	3.10%	3.30%	3.45%
Misc Projects	1.90%	1.90%	1.95%	2.05%	2.10%

** Each debt issuance was supported by an appropriate Council approved bylaw*

In instances where the Town holds debt with a higher interest rate than that earned as a return through cash reserves, staff reviews the terms of the debt issuance and the Town's cash balances to determine if early re-payment or re-financing is feasible. During this review, staff looks at the remaining loan term; the balance of interest outstanding should the loan go full term compared to the potential interest earned on investments during that same period; the requirement for additional debt room; and, the overall cash. Staff will also focus on reducing future debt requirements by transferring monies from additional cash flows such as operating surpluses and the Hydro promissory note re-payments to reserves. This will reduce the need to take on as much debt in future years and ensure the Town has a sustainable financial future.

The debt and the associated interest have been decreasing in the last few years as per the chart below. Note that the 2019 percentage is what staff has budgeted and this will be confirmed through the year-end process:

2018 - Actual		2019 - Budget	
Principal	$3,951,798	Principal	$4,105,467
Interest	$833,161	Interest	$687,209
	$4,784,959		$4,792,676
Levy	$47,322,000	Levy	$50,689,500
10%	$4,732,200	10%	$5,068,950
Actual	10.1%	Actual	9.5%

Assuming the budgeted carrying cost of debt in 2019 and the projected carrying cost of 2020, the reduction in interest payments between 2018 and 2020 is estimated to be $236,761 (.2018- $833,161; projected 2020-$596,400).
In addition to the annual cost of debt, the total amount of debt outstanding is also of equal importance. Staff monitors the total levels of debt outstanding against numerous sensitivity targets and ensures that levels are maintained in accordance with the Town's risk tolerance. The following table outlines the Town's re-payment of outstanding debt over the past 6 years, with a net reduction in debt outstanding of $14.4 million. This significant reduction in debt load places the Town in a stronger financial position to be able to finance future anticipated growth:

Outstanding Debt		% Decrease
2014	$38,293,654	
2015	$34,906,396	8.8%
2016	$32,263,082	7.6%
2017	$27,981,565	13.3%
2018	$23,925,060	14.5%
2019 *	$23,880,047	0.2%

** Projected - includes new 2019 debt principal*

It should be noted that in line with the Town's planned management of debt, a further $5M of annual principal and interest re-payments will be made in 2020. In January 2019, through the annual Long Range Financial Plan update, staff received Council approval for the issuance of debt as follows:

Debt Term	2020	2023	2024	2025	2026	2027	2028
10 Years	2,650,000	8,000,000	2,000,000	17,000,000	4,000,000	3,000,000	4,800,000
20 Years	18,000,000	-	-	-	-	-	-
	$20,650,000	$8,000,000	$2,000,000	$17,000,000	$4,000,000	$3,000,000	$4,800,000

The Capital Budget process takes into account many factors such as the actual timing and mix of projects which impacts the final funding strategy including the debt requirements. Following this exercise, it was determined that 2020 would require a 10-year debenture of $1,900,000 to support the 22nd Side Road project- construction from Highway 7 to Limehouse. This is significantly lower than the original planned borrowing level for 2020 due to the shift in the timing of the Gellert Phase II project and the opportunity to fund $750,000 of capital projects through the one-time Federal Gas Tax grant. The estimated cost to finance this debenture, using a projected borrowing rate of 3% will be $327,380. This in turn will be repaid through the Operating Budget, fully funded over 10 years from the "New Capital Reserve".

b) Reserves

The Town's Reserve policy and Long Range Financial Planning tool facilitate careful management of reserves. Sensitivity targets are also used to monitor optimal balances and guide decision-making around long term capital expenditures.

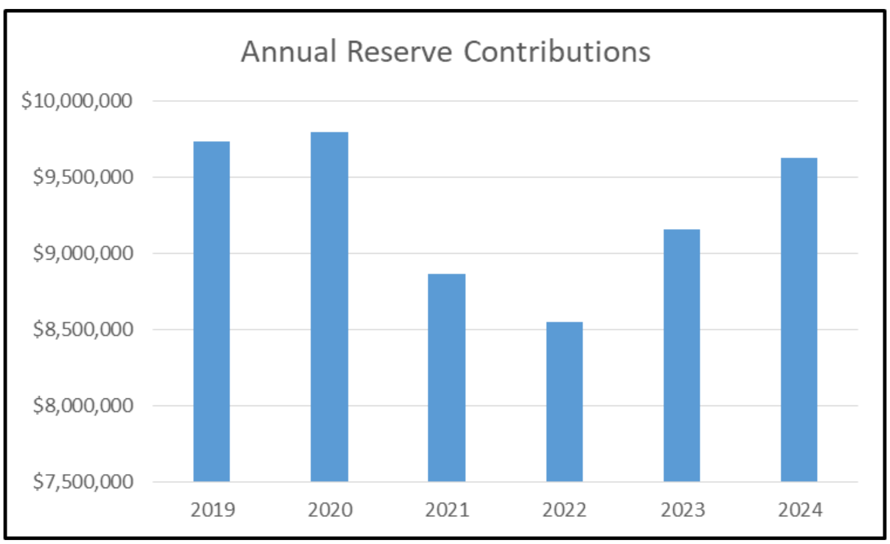
The following table outlines the proposed 2020 contributions to reserves from the Operating Budget, and demonstrates a continued focus on maintaining or exceeding targets:

Operating Budget Reserve Contributions

	2020	Increase $	Increase %
LRFP Reserve Target	$8,511,301		
Proposed Budget	$9,868,376	$1,357,075	15.9%

As noted in the above table, the Long Range Financial Plan originally anticipated contributions to reserves of $8.5 million. With the timing change for large initiatives such as the transit system and other growth related programs, there is now the opportunity to contribute $9.9 million, an extra $1.4 million to reserves in 2020 ahead of the upcoming growth years, when reserve contributions will be lower. In other words, the Town is strengthening reserves to prepare for the pressures of growth.

The following chart shows the projected annual reserve contributions over the next few years:



Reserve management is essential to ensure the ongoing financial stability of the Town. Healthy reserves assist with the funding of future capital expenditures, unexpected or unpredicted events, and/or to smooth expenditures which would otherwise cause fluctuations in the Operating or Capital Budgets.

c) Development Charges

Development charges are an important financing source for growth in municipalities. There will be changes to development charges and community benefit charges, through Bill 108 in the coming months, however the impact of these are still to be determined at the time of authoring this report. In the interim, the Town has followed existing regulations to prepare the 2020 budget and 9-year forecast.

It is anticipated that the balance in development charges at the start of the 2020 budget year will be negative ($14,675,157). This will require internal borrowing from Town reserves of $14,726,625 as forecast in Report no. CORPSERV-2019-0034, Reserves, Discretionary Reserve Funds, Obligatory Reserve Funds as at June 30, 2019, to address the timing variances between the receipt of development charges and the need to fund growth-related projects.

The following table outlines the proposed 2020 Capital Budget projects with Development Charge eligibility, and funding:

2020 Proposed Capital Projects Funded From DCs

Premier Gateway Phase 2B Secondary Plan	540,000
Hungry Hollow Trails Ph 3 Eighth Line to Cedarvale Park	238,500
Stormwater Master Plan	39,831
Development Charges Study and Community Benefit Charge	90,000
Eighth Line - Steeles to Maple EA	300,000
Barber Drive (east) Mountainview Road to Danby Road Bike	25,900
22nd SdRd Construction Hwy 7 to Limehouse	370,000
Guelph St & SInclair Ave Turn Lane Construction	135,000
Maple & Main St. S. NB Turn Lane Construction	450,000
Acton Youth Centre Construction	662,850
Traffic Calming (Various Locations)	26,400
Pedestrian Crossings (Various Locations)	33,422
Mandated Rail Crossing Upgrades	74,271
Main St Glen Williams Mountain St. to Urban Limit Reconstruction	479,439
Community Partnership - Trafalgar Sports Park Leash Free Park	256,500
Tolton Park Design & Engineering	108,000
Opticom Replacement Program	80,000
New Equipment	235,000
Traffic Infrastructure	66,000
Southeast Georgetown Planning Study	270,000
Rural Intersections Streetlighting (Various Locations)	33,000
Infill Sidewalk Connections (Various Locations)	45,000
	4,559,113

Recoveries of development charges in 2019 were lower than anticipated due to slower than expected uptake of development in south Georgetown and Georgetown infill areas. Staff will continue to monitor and report on the growth and the collection of development charges relative to the Bill 108 along with any proposed financing changes.

Staff will be presenting the updated LRFP to Council in the new year. The update will consider the Capital Budget forecasts, expected revenue sources, the impact on the Town's debt load, reserves and cash flow and changes arising from provincial legislation.

d) Investments

The following table shows a 5-year history of the average rate of return on the Town's investments. This portfolio is managed by the Region of Halton in order to benefit from the larger returns generated from pooled investments. With fluctuating market conditions and portfolio changes, some years have a higher rate of return than others:

Rate of Return on Investments

2014	3.66%
2015	3.55%
2016	2.97%
2017	2.78%
2018	2.76%

2. Finding Efficiencies and Reducing Costs

Assuming a levy of 3.1% in 2020, the Town will have a 5-year tax levy average of 3.75% -- below the Long Range Financial Plan levy target approved by Council. Over the five year period, the Town has maintained services and delivered on Council's strategic priorities by introducing more efficient approaches that reduce costs and in many cases, also enhance services. Savings enable staff to reallocate resources to areas needing greater support.

Significant efficiencies have been generated over the past few budgets cycles and include, but are not limited to, the following:

- Entering into a dispatch partnership with Burlington Fire Department, effectively reducing annual costs by $125,900 and lowering response times by 48 seconds;

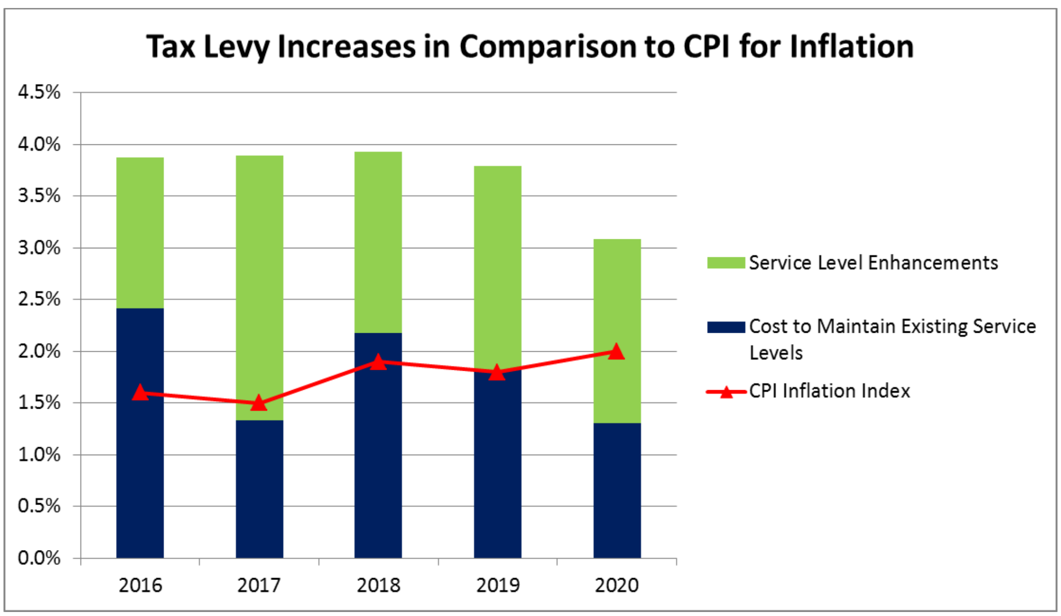
- Introducing new technology such as mobile tablets for in-the-field employees; more robust software for payroll, scheduling and time-keeping and expanded e-services, all of which reduce time and increase convenience;
- Implementing electronic management software, web streaming and closed captioning services resulting in reduced costs in document handling and the delivery of Council and Committee information in a more efficient, sustainable and accessible way;
- Adding the Long Range Financial Plan model, which has reduced the amount of time needed to develop reliable financial forecasts and expanded the ability to analyze scenarios and fiscal impacts;
- Implementing various facility improvements, as outlined in the *2018 Energy Report*, resulting in energy consumption and cost savings and a decrease in the corporate environmental footprint. Staff is recommending that a Green Revolving Fund Reserve be established as per the Corporate Energy Plan approved by Council through report PLS-2019-0067. A Green Revolving Fund (GRF) is used to establish a predictable and accountable financing source for implementation of the Corporate Energy Plan. More specifically, GRFs are financial mechanisms that recycle utility cost savings, incentives and/or grants received, and other associated cost savings and revenues to finance future energy efficiency projects and support the Climate Change Emergency Strategy;
- Conversion to LED lighting for streetlights through the Town's partnership with Southwestern Energy Inc. reducing hydro costs by $336,000 per year and supporting climate change mitigation;
- Securing alternate sources of funding from upper levels of government, which totaled $5.6M in 2018 and is projected to be $7.2M in 2019. Below are highlights of grants received and the strategic investments the Town was able to make as a result:
    - $622,500 from the Clean Water and Wastewater Fund for improvements on Armstrong Avenue;
    - $448,706 from Ontario Connecting Links for the design and engineering of the Main Street North bridge rehabilitation;
    - $177,255 from the Public Transit Infrastructure Fund for the purchase of additional fleet vehicles in the ActiVan specialized transit program;
    - $175,000 from the Federation of Canadian Municipalities for the development of a scenario-based Climate Change Adaptation Plan;
    - $137,600 from the Federation of Canadian Municipalities to support Corporate Asset Management initiatives;
    - $83,695 from the Main Street Revitalization Fund to support the Community Improvement Plan;
    - $1,879,461 from the Federal Gas Tax Fund one-time payment used to fund sports field lighting replacement at Gellert and Cedarvale Parks

($450,000), tennis court lighting replacement at Emmerson Park ($104,000), stabilization of the road base and slope of 10th Line ($500,000), Young Street reconstruction from Queen Street to Mill Street in Acton ($750,000), and the installation of EV charging stations at various Town-owned facilities ($75,000);

- $156,503 Modernization Grant from the Ontario Government to support the dispatch partnership with Burlington Fire Department ($50,000), the expansion of e-services on the renewed website ($24,000), and the introduction of the Business Concierge service to the Town ($82,500);
- Savings of 3.36% annually in interest through re-financed outstanding loan with an interest re-payment rate of 5.86% and replacing it with a varying rate debenture ranging from 1.9% to 2.5%.

3. Accommodating Base Budget Pressures from Inflation

The 2020 budget will mark the fifth consecutive year of achieving a levy target at or below 3.9%, with a 5-year average of 3.75%. In doing so, the Town has maintained existing levels of service at a rate in line with the Bank of Canada Consumer Price Index (CPI) for inflation; this has been achieved through effective financial management including aggressive debt re-payment, the building of reserves, the reduction of costs, and continuous improvement strategies. The graph below outlines service enhancements and base budget pressures from inflation in comparison with the CPI over the past five budget cycles:



By keeping the Town portion of the net levy at this 5-year average of 3.75%, the Town has been able to maintain a blended tax rate between 2.1% and 2.5% over the last five years, while advancing key priorities and enhancing services. Some major service level enhancements over the past few years include:

- Supporting the Fire Services Master Plan through the Special Fire Services Levy and providing 24 hour full-time emergency response service in all areas of Halton Hills;
- Addressing resourcing gaps identified in the Corporate Technology Strategic Plan;
- Enhancing Communications activities through the leveraging of social media and online public engagement;
- Further developing Cultural Services programming and launching public art;
- Bolstering support for Economic Development and foreign investment opportunities;
- Improving services to youth through assumption of youth centre operations (Off the Wall in Acton and Open Door in Georgetown) and the extension of hours and programming;
- Assuming ActiVan operations, and expanding the Youth Taxi Scrip program;
- Expanding the Acton Arena including an additional ice pad, six dressing rooms, a multi-purpose room, accessibility features and a warm viewing area.
- Enhancing the urban tree canopy maintenance program;
- Expanding the heritage planning function, preserving, protecting and promoting the Town's distinctive history.
- Adding to the Library's popular e-collections and expanding technology to promote creativity and technical literacy.

4. Advancing Council's Priorities:

Council's priorities as expressed through the Town of Halton Hills Strategic Plan are key considerations in the preparation of the annual departmental business plans and the Town's budget. In keeping with the defined process as set out in ADMIN-2018-0032, staff has undertaken an update of Council's priorities for the new term of Council, including a facilitated workshop held on June 6, 2019 with Members of Council and senior staff that identified focus areas for 2019-2022. A report on the inputs gathered at the workshop along with a proposed set of priorities will be formally submitted to Council in the coming weeks. However, prior to finalizing Council's priorities, staff was awaiting the final conclusion of the Provincial review of Regional Governments, which had been expected in November. The Minister of Municipal Affairs and Housing announced results of the review on October 25th, which indicated that the Province supports local decision making and would not pursue a top-down approach. Given this decision, staff will move forward with finalization of Council's Strategic Plan

In the interim, staff has been working with StrategyCorp to express the focus areas identified by Council at the workshop as a set of priorities in the context of the Vision, Mission and Strategic Goals from the previous Strategic Plan. Council confirmed through the workshop that these elements of the Strategic Plan should continue to guide the Town's strategic direction and form the foundation for the 2019-2022 priorities. Staff is also working to align the Strategic Plan with the Integrated Community Sustainability Plan ("Imagine Halton Hills") as well as with the United Nations Sustainable Development Goals. Although the new Strategic Plan has not yet been ratified by Council, staff has been able to reference input from Council's workshop to ensure that budget and business plans reflect the broad priorities of Council. The workshop facilitator prepared a draft list of focus areas arising out of the workshop that are a strong basis for identifying Council's priorities and have informed the departmental business plans and budget. The following represent the priorities identified and how staff intends to support the priorities through the 2020 Budget.

a) Shaping Growth

The Town is continuing to advance the approved growth management strategy to 2031 through the development and implementation of secondary plans. Such plans that ensure that a community is balanced and sustainable with well-planned infrastructure and services to meet the needs of residents; this includes incorporating appropriate levels of intensification, consideration of the natural environment and climate change, affordable housing, sufficient employment lands and active transportation.

Land Use Planning:

Key secondary plans to be advanced in 2020 include:

- Vision Georgetown Secondary Plan
- Destination Downtown
- Southeast Georgetown Integrated Planning Project
- Stewarttown Strategy Plan
- Halton Hills Premier Gateway Phase 2B Integrated Planning Project
- Glen Williams Scoped Secondary Plan
- Intensification Study
- Employment Land Needs Study

In addition, the Town will continue to provide input into the Halton Region Official Plan review including the Integrated Growth Management Strategy and establishing the Town`s position on the post 2031 population and employment growth.

Affordable Housing:

In recognition of the low supply of affordable housing, the Town has made a number of commitments to improve affordability. These include:

- Agreement between the Town and Habitat for Humanity Halton-Mississauga to waive permit and development fees up to $250,000 for the development of six homes on the property located at the site of the old Exchange Hotel;
- Donation of a Town-owned property for the construction of affordable housing (due to property matters not yet concluded, this item cannot be discussed publicly).
- Secondary Plan for Vision Georgetown containing policies with respect to the provision of affordable housing, including the 30 percent affordability target for new housing units;
- Deferred collection of development charges and waived planning approval fees for seniors and/or affordable housing developments, such as St. Andrews Seniors Residence and Bennett Health Centre PH1;
- Current work on the Intensification Opportunities Study Update and Downtown Georgetown Planning Study (i.e. Destination Downtown) to identify capacity for additional residential development within the existing communities of Acton and Georgetown to the year 2041;
- Changes to the Comprehensive Zoning By-law to permit accessory apartments in semi-detached and townhouse dwelling units in the urban areas of Acton and Georgetown, and in single-detached dwellings in the agricultural/rural area and Hamlets of Norval and Glen Williams;
- Administering the 2-unit (i.e. accessory apartment) program to facilitate the legal creation of more of these units;
- Facilitating partnership discussions between funders/other levels of government and private/non-profit developers, including working with the Region to access new Provincial funding;
- Examining the feasibility of using the Town Community Improvement Plan in key intensification/growth areas to assist in the provision of affordable housing;
- Seeking to partner with the Region to obtain Region Community Improvement Plan funding for affordable housing;

Town staff also recommended the following short-term actions through RPT-TPW-2019-0016 to further address housing affordability:

- Continue to review and assess Town-owned properties for opportunities to provide affordable housing, and seek partners to develop those potential “quick win” opportunities;
- Establish a Town-led Affordable Housing Working Group with representation from the Region, non-profit and for-profit developers/builders, and interested

developers in Vision Georgetown lands. The Working Group will identify feasible best practices and consider financial incentives, and establish partnerships to facilitate collaboration.

The 2020 Budget Direction includes sufficient funding for the Affordable Housing Working Group to support the short-term actions recommended in the report.

Economic Development:

In 2020, the Town will be updating its Economic Development and Tourism Strategy to reflect current market conditions and strategic priorities including the promotion of local job growth, investment and diversification. In addition, the Town will be completing a Foreign Direct Investment Strategy that will position the Town as a prime destination for investment. This strategy will also support the growth of existing business by facilitating new market access, partnerships and employment opportunities.

New in 2020 will be the development and implementation of two new innovative programs to grow the Town`s economy and create local jobs. The Business Concierge program, partly funded through the Modernization grant, will mobilize resources to assist with business-related processes and the rapid resolution of issues. The Business Retention and Expansion program will be developed to support the retention of existing businesses in the Town as well as facilitate expansions.

b) Addressing Transportation Issues

Traffic Safety:

In 2019, staff received over 140 public requests concerning traffic safety, the majority related to speeding and aggressive driving. Staff is reviewing these concerns in the context of the Town’s Traffic Calming Protocol completed earlier this year. The demand from the public for traffic calming measures has increased over the last number of years. Based on a neighbourhood approach, the recently updated protocol involves evaluating all roads to determine the most appropriate traffic calming measures. Residents will be invited to provide input on these measures through various public engagement opportunities.

To improve pedestrian safety and mobility, staff has installed 12 pedestrian crossovers over the last 3 years. In 2020, staff is recommending two additional pedestrian crossovers at Mill Street West and Cobblehill Road and Acton Blvd. and Mcdonald Blvd.

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In view of the need to address traffic and pedestrian safety, the budget includes the conversion of the existing contractual Traffic Analyst to permanent full- time. This position is required to address the increasing workload and assist with the delivery of the capital program.

Active Transportation:

The Town will continue to invest in infrastructure to support active transportation. In 2018, the Town commenced its Active Transportation Master Plan to map out a future active transportation network; this network will include on and off-road facilities that will encourage travel by cycling and walking. The Active Transportation Master Plan will be completed in spring 2020 along with the Cycling Feasibility Study for Maple Avenue. In recent years, staff has enhanced the active transportation infrastructure through additional on-road bike lanes and in-fill sidewalk connections. Staff is targeting a 23 km increase in on-road bike facilities in 2020, which includes proposed on-road bike lanes on Barber Road East. The infill sidewalk connections are focused on areas where there is a gap in infrastructure. In 2019, sidewalk improvements were made at various locations around Joseph Gibbons Public School. In 2020, it is anticipated that infill sidewalk improvements will be made at River Drive and Rosetta Street in coordination with work be completed by Metrolinx.

Greater effort has been made to promote use of active transportation in the community through the "Greenbelt Route" connector signs and way-finding signs. As part of the 2020 capital budget, staff is requesting $30,000 to establish a cycling map, additional way-finding signs and other signage, and pavement markings on the roadways to delineate active transportation infrastructure.

In addition, the 2020 capital budget includes a $70,000 request for on-road bike lanes on Barber Drive (east) from Mountainview Road to Danby Road, and a $50,000 request to construct sidewalk connections that will improve pedestrian safety and mobility in accordance with the AODA standards.

Road Maintenance:

In 2019, the Town added just over 10 kilometres of roads in new subdivisions. To ensure that these roads are properly maintained (e.g., snow removal, street cleaning), the Operating Budget has been increased by $100,580. To maintain new 2019 roads, in addition to roads anticipated in 2020, staff is proposing the addition of 2 full-time staff equivalents to the Public Works complement. Staff is also requesting a single axle plow truck through the Capital Budget, with the cost of $235,000 funded from development charges.

In 2020, thirteen pieces of equipment ranging from trucks to multi-purpose mowers and tractors will be replaced. The total cost of replacement is $972,500 and is funded through the equipment reserve. Replacing aging equipment will ensure that the Town can continue to the deliver the appropriate level of service.

In October of 2019, staff presented changes to winter control to Council in response to conditions observed this spring. To address sidewalk safety in the winter, resources will be re-aligned within Public Works to enable 6 additional seasonal staff to focus on sidewalk-clearing at the beginning of snow events. The cost of $120,000 will be absorbed internally in 2020. In addition, the 2019 purchase of a tandem truck and plow was modified to include a 2-stage plow. Staff will use this equipment through 2019/2020 to determine the effectiveness on ice and slush removal. The additional cost for the 2-stage plow was accommodated within the 2019 equipment budget.

Preparing for Transit Implementation:

In September 2019, staff put forward memorandum TPW-2019-0019 informing Council that the Town will be applying for funding through the Investing in Canada Infrastructure Program (ICIP) Public Transit Stream. Halton Hills is eligible to apply for available funding up to a maximum of $473,114 from the Provincial Government and $567,793 from the Federal Government, for a total of $1,040,907. Funding must be applied to projects directly related to transit between 2019 and 2028.

Staff proposed that the available funding be applied to the following projects:

- $100,000 for transit infrastructure of shelters and stops along the Steeles Avenue corridor within the Municipal boundaries of Halton Hills;
- $930,000 for rolling stock, which includes five (5) replacement vehicles in accordance with the Town's fleet asset management plan and one (1) additional vehicle for fleet expansion of transit services;
- And, $370,000 for transit hardware and software technology requirements for the expansion of transit and the support of specialized transit services.

The proposed projects for funding are consistent with the Town's Transit Service Strategy as per Report No. TPW-2019-0026 and have been incorporated into the preliminary 2020 Capital Budget Forecast over the next three years. The funding request was submitted in October, 2019. If successful, this $1M grant will provide a significant offset to transit-related costs.

c) Responding to Climate Change

Canada's Changing Climate Report, 2019 provides overwhelming evidence that Canada's climate has warmed during the Industrial Era, with the main cause attributable to human influence. The effects of widespread warming are evident in many parts of Canada and are projected to intensify in the future. On May 6, 2019, Council issued a Climate Change Emergency Declaration and set a goal to become a net zero municipality by 2030. Central to this commitment is leadership by example, with the Town demonstrating exceptional performance through its own facilities, fleet and operations. The following climate change initiatives are identified in the 2020 Budget.

Corporate Energy Plan:

As per the 2019-2024 Corporate Energy Plan presented to Council on October 8, 2019, achieving the net zero goal requires a radical re-think of every aspect of planning, procurement, design and operations. The new plan builds on successes to date, while implementing actions to deepen energy and emissions reductions and build organizational capacity to deliver and sustain improvements.

Below are some of the recommendations highlighted in the 2019-2024 Corporate Energy Plan:

i. Take a systematic, evidence-based approach to developing low-carbon facilities, operations and organizational capacity;

ii. Focus first on understanding and making the most of existing facilities and operations. Investment in upgrading existing facilities should prioritize those with high emissions reduction potential and should include extending the application of building automation technology;

iii. Continue and conclude the investigation into the operation of the Town’s four existing geothermal installations to get them operating at their full potential while informing the Town standard for future installations as an essential element of the carbon reduction goal;

iv. Integrate low-carbon considerations into the Corporate Asset Management Plan, particularly in the development of the Capital Budget, and in monitoring performance/costs through the asset life cycle;

v. New buildings and major renovations should be designed for climate change adaptation and a low-carbon future;

vi. Make the best use of the current fleet and resources by collecting data on current fleet practices. Prepare for technological advances in new vehicles and fleet management and expand electric vehicle adoption as these become available.

The 2020 Budget Direction includes the continuation of the 0.6% ($310,000) increase to the Infrastructure Gap Levy to support the recommendations set out in the Corporate Energy Plan. These funds would be utilized in accordance with the plan to invest in replacement infrastructure with a renewable, low-carbon strategy, as well as build out existing low-carbon mobility infrastructure such as EV charging stations. This levy is integral to the success of achieving the Town’s goal of becoming a net zero municipality.

Community Energy Plan:

The Mayor`s Community Energy Plan will be updated in 2020 to ensure it continues to align with best practices and appropriately responds to the climate change emergency. Plan policies and guidelines that reduce community greenhouse gas emissions will be updated to reflect the most up-to-date practices.

In addition, there is continued support for the ongoing implementation of corporate and community climate change initiatives expressed through Council`s Climate Change Emergency Declaration, including:

- the 2019-2024 Corporate Energy Plan including the continuation of the 0.6% ($310,000) increase to the Infrastructure Gap Levy to support the recommendations set out in the Corporate Energy Plan
- the update of the Mayor`s Community Energy Plan
- the continued support for the ongoing implementation of corporate and community climate change initiatives including:
  - Community Sustainability Investment Fund
  - Climate Change Action Implementation program
  - Climate Change Adaptation Strategy Implementation
  - Stormwater Master Plan development
  - Updated Green Development Standards
  - Private Tree Management Strategy (private tree by-law)
  - Property Assessed Payments for Energy Retrofits (PAPER) program
  - Consideration of e-vehicles (Fire exploring for car replacements)
  - Installation of electric vehicle (EV) charging stations for Town Hall and application for additional stations
  - Continuation of the tree planting program
  - Establishment of an urban forestry program.

In recognition of the elevated importance of mitigating and adapting to climate change to the Town, the community, and beyond, the Climate Change and Sustainability Office has been moved from the Planning and Sustainability Department and combined with the Asset Management Program to join the CAO's Office in a new Climate Change and Asset Management division. This division will report through the CAO's Office to reflect the urgent action needed on climate change. The alignment with asset management recognizes the need to manage our municipal infrastructure effectively in order to respond to the climate emergency.

d) Managing Infrastructure

The effective management of infrastructure involves continuous monitoring of conditions, costs, risks, age, performance, and the estimated useful lives to systematically identify and prioritize the Town's investment needs. This ensures that, with its limited financial resources, the Town effectively sustains its service delivery to residents and businesses, while adapting to climate change. For that reason, the Town's overall infrastructure management approach is shifting to a more strategic one, aimed at preserving the condition of infrastructure and extending their useful lives in the most economical way.

The Town of Halton Hills is mandated to develop and implement a Corporate Asset Management (CAM) Program for all its infrastructure and assets to be in compliance with the Ontario Regulation 588/17: *Asset Management Planning for Municipal Infrastructure*. The Town's CAM Program brings leading industry experience, best practices and innovation in asset management and is fully aligned with the Town's Strategic Plans & Objectives.

As per the State of Infrastructure Report, a key priority of the annual budget process is to ensure appropriate and financially sustainable investment in replacement infrastructure to ensure assets are maintained in a state-of-good-repair. The 2020 Budget Direction supports sound stewardship of existing assets by providing sufficient funding to maintain the desired condition and service levels of critical infrastructure.

In 2020, the funding raised through the Special Infrastructure Gap Levy will be utilized to address aging infrastructure in the context of climate change as the Town moves towards its goal of becoming a net-zero municipality. Projects in 2020 include:

- HVAC performance testing and retrofits at a number of facilities including Mold-Masters SportsPlex, Acton Arena, Gellert Community Centre and Town Hall
- Optimization of the four existing geothermal systems at Town facilities

F. Budget Challenges

1. Financing Growth

With the passing of Bill 108, *More Homes, More Choice, 2019*, the Province's Housing Supply Action Plan imposes challenges on the Town's ability to follow through with the financial strategy for funding growth-related infrastructure. The changes introduced will amend the current *Development Charges Act* (DCA) resulting in impacts on the timing of development charge collection and rate determinations, as well as the removal of soft services funding for recreation centres, parks and libraries. Soft services will be subject to a capped Community Benefit Charge (CBC) under the Planning Act; the CBC will be based on a yet to be determined percentage of appraised land value. Regulations were scheduled for release this fall, and are expected to specify this percentage and other details around the appraisal mechanism. Until these regulations are released, it is not known whether costs related to soft services will be recovered to the same degree under the previous DCA. This uncertainty makes it very difficult to plan for the funding of growth-related soft services.

Furthermore, the amended DCA for hard services, such as roads, storm water structures, and transit, allows payments in six annual increments for certain kinds of developments, including commercial developments. This will impact the Town's cash flow (and that of the Region) and create a considerable administrative burden. There are additional concerns around the gap between when the DC rate is determined and when the building permit is issued. Under the new DCA, the rate could be set much earlier than when the actual development occurs and as such, would no longer align with the actual costs for growth-related infrastructure. The Town would then need to absorb the cost difference.

The transition date for the proposed changes is January 1, 2021. This provides the Town with just over a year to prepare and approve a Development Charges Background Study for a new or amended DC Bylaw, as well as the Community Benefit Charges Strategy and Bylaw to cover soft services that no longer qualify for DCs. The short time frame will put significant pressure on municipal resources and will have municipalities competing for the limited consulting services to assist them in those tasks.

2. Timing of Growth

Recent downturns in the housing market have resulted in delays in intensification development respective to the timing set out in the LRFP. The impact has been lower DC collections than was originally anticipated. It is expected that the housing market will ramp up in the short to medium term, along with development. However, in order to maintain financial sustainability, the 2020 Capital Budget has been adjusted to reflect delays in the receipt of DC revenue.

The Mayor, CAO and Commissioner of Planning and Development were recently involved in finalizing the lake-based water and wastewater allocation for the Town of Halton Hills. The CAO advises that pending approval at the November 20, 2019 Regional meeting, 3,000 single dwelling equivalents (SDEs) will be available to the Town. The 3,000 SDEs will service the first two phases of Vision Georgetown. A portion of these units will also be used for intensification opportunities. Once details have been addressed, staff will bring forward a report to Council for information and approval.

It is important to note that there are other steps that need be completed before the Vision Georgetown development can proceed, including: approval of the Vision Georgetown Secondary Plan by the Region; completion of the judicial review related to the re-construction of the storm water structure on Trafalgar Road; and, settlement of any appeals arising from the approved Secondary Plan, and/or the Secondary Plan put forward by the developers.

3. Other Provincial Initiatives

a) Regional Review

The Government of Ontario is had undertaken a review of the governance, decision-making, and service delivery functions of Halton Region, along with seven other regional municipalities and Simcoe County. The mandate of the advisory body steering the review was to provide recommendations to the Ontario Government on opportunities to improve regional governance and service delivery. On October 25, 2019, the Minister of Municipal Affairs announced that the Province will not impose changes in size or structure on municipalities as a result of their extensive review of regional governments. The Ontario Government has indicated that they will provide municipalities with resources to support local decision-making, and has committed up to $143 million to municipalities to assist with lowering costs and improving service delivery for local residents. More information is expected over the next few weeks and staff will advise Council of any budgetary impacts.

b) Reduced Provincial Transfers

Other factors that will influence the Town's fiscal health include the lack of certainty around future provincial government transfers including the Ontario Community Infrastructure Fund (OCIF), which in 2018, funded infrastructure projects in the amount of $1M and the Province's gas tax funding, which provided $427,415 of support for the 2017/18 ActiVan operating program.

In 2017, the previous Ontario Government had promised to double provincial gas tax transfers over the next several years. The current Ontario Government has since rescinded the previous government's proposed changes to the municipal share of the gas tax funding, which will result in lost revenues to the Town of roughly $6M over the next ten years. This funding would have supported public transit operations and infrastructure.

Staff has received confirmation of $1,581,524 in OCIF monies for 2019, but the Province has signaled that the future of OCIF funding is unknown. Town staff does expect to receive provincial gas tax for the 2018/19 program in the amount of $595,498. There is no indication as yet that the provincial gas tax program will not continue in 2020 with the current funding formula. OCIF and the provincial gas tax programs represent a major source of funding for the Town.

c) **Other Funding Reductions (Region; Conservation Authorities; Boards of Education)**

Region of Halton

The Region of Halton will prepare their 2020 budget based on their latest understanding of the provincial direction. The Province has confirmed that effective January 1, 2020, the provincial cost-share for Public Health will change from the current 100 and 75 percent model, to 70 percent. Given that the Region already contributes more than 30 per cent, it is anticipated that the provincial subsidy will again be frozen in 2020. For Children's Services, the Ministry of Education provided further details for the funding changes that will now be phased in over 3 years. Starting in 2020, municipalities will be asked to cost-share the Expansion Plan operating funding at a ratio of 80 % municipal and 20% provincial/municipal; however, the Ministry of Education has committed to providing 80 percent of this funding regardless of the municipal contribution. Beginning in 2021, administrative funding will require a cost share of 50/50, and in 2022, the threshold for allowable administrative funding will be reduced from 10% to 5%. Funding reductions of $1.5 million due to the new 80/20 cost-share in the Expansion Plan funding and $765,000 due to the elimination of fee stabilization funding are anticipated in 2020. In Employment & Social Services, funding for the cost of administering the Ontario Works programs is anticipated to remain frozen in 2020. For Paramedic Services, the Ministry of Health communicated that municipalities can expect continued growth in 2020 funding which will be taken into consideration when preparing the 2020 budget. The provincial direction will provide challenges in absorbing base budget pressures from inflation, as well as the increased demand for services and other growth impacts. This has placed added pressure on the Region to identify opportunities for savings as they absorb a larger cost share for these programs. The full extent of the funding impacts will not be known until the 2020 funding allocations are received from the Province.

Conservation Authorities

The Conservation Authorities, including three that serve Halton Hills (Credit Valley Conservation Authority; Conservation Halton; Grand Valley Conservation Authority) have received notice from the province that funding for flood mitigation programs has been cut in half. In addition, Conservation Authorities have been directed by the Province to focus on their core mandate. The impact to the Town in terms of a program funding shortfall is unclear at this time.

If there is a reduction in Conservation Authority support, the Town will lose the resources and expertise they provide to develop and implement natural assets management strategies. This will eventually result in the Town having to either build capacity in-house or hire external consultants.

Boards of Education

The Province's education plan, *Education that Works for You*, includes significant funding cuts to grants available for school programs, as well as in infrastructure investment. The education portion of the property tax rate could potentially be increased by the Province to balance the funding required for the education system.

In summary, the potential impacts of these challenges on the 2020 budget and beyond are largely unknown at this point. The 2020 budget will be prepared with the best information available at the time.

4. Non-Residential Assessment

Industrial and commercial properties are taxed at a higher rate than residential, making this type of development beneficial to the Town in terms of assessment. As such, the preferred split between residential and non-residential is 80% and 20% respectively. In 2008, the Town's residential to non-residential ratio was 90/10; the construction of the Toronto Premium Outlet Mall (TPO)in 2014 was a significant factor in moving the ratio to 87.8/12.2. As of the 2019 returned roll, the ratio has changed to a healthier 86.7/13.3. Staff has noted that the recent expansion of TPO may move the non-residential percentage up slightly in 2020.

The Town's residential to non-residential ratio is comparable to other local municipalities as shown in the chart below:

	Assessment Ratio	
	Residential	Non-Residential
Halton Hills	86.7%	13.3%
Burlington	83.1%	16.9%
Milton	84.0%	16.0%
Oakville	86.9%	13.1%

Raising the non-residential component is a priority for the Town given the larger assessment value. With the completion of planning studies related to the Premier Gateway, along with the extension of servicing, and assuming a favourable market, staff anticipates a continued increase in the non-residential ratio.

RELATIONSHIP TO STRATEGIC PLAN:

The annual Budget is a major funding and decision-making tool and is used to support and advance Council's Strategic Priorities.

FINANCIAL IMPACT:

There is no direct financial impact associated with this report. Any impact will be reflected in the budget documents to be considered and approved by Budget Committee and Council.

CONSULTATION:

The preparation of this report was done in consultation with staff from every department.

PUBLIC ENGAGEMENT:

No public engagement was required in reference to this report.

SUSTAINABILITY IMPLICATIONS:

The Town is committed to implementing our Community Sustainability Strategy, Imagine Halton Hills. Doing so will lead to a higher quality of life.

The recommendation outlined in this report advances the Strategy's implementation.

This report supports all pillars of Sustainability and in summary the alignment of this report with the Community Sustainability Strategy is excellent.

COMMUNICATIONS:

All Budget Committee meetings are open to the public and the notice of all meetings is posted on the Town's website. The budget documents will be available to the public for viewing through the branches of the Halton Hills Public Library or through the Corporate Services department. Once the budgets are approved, summary information is available on the Town's website.

CONCLUSION:

The 2020 Budget and Business Plan will be prepared such that the tax levy increase, net of assessment growth, will not exceed 3.1% consisting of a base budget increase of 2.5% plus a 0.6% dedicated levy for infrastructure investments in the context of climate change. The net result is an expected overall property tax increase of 2.1% based on current value assessment, after considering the preliminary Operating Budgets of the Region (2.0%) and school boards (0.0%). Final tax rates will be calculated once 2020 Operating Budgets have been confirmed.

In achieving the 2020 Budget Direction, there will be many challenges including base budget pressures from inflation, the maintenance of infrastructure and the need to address Council’s priorities including responding to growth, housing affordability, transportation issues and climate change. While there is more certainty around the outcome of the Regional Review, details around Bill 108 have yet to be released. The priority in developing the 2020 Budget and Business Plan is to maintain existing service levels while continuing to advance Council’s strategic priorities.

Reviewed and Approved by,

Jane Diamanti, Commissioner of Corporate Services

Brent Marshall, Chief Administrative Officer