A. Recommendations

THAT Council receive Staff Report FAF.20.080 entitled “2021 Budget”;

AND THAT Council endorse the following recommendations as included in this report;

1. Creation of an Appendix to be included at the back of the Budget Book with the statistics and graphs/charts;
2. Timeline for adding more Departments using Zero Based Budgeting;
3. Go from four days of Committee of the Whole budget meetings down to two days;
4. Separation of Operating and Capital which would include a complete Capital Section after going through the Operating divisions and departments;
5. Continue with the three year Operating budget;
6. Council setting a percentage increase or decrease target for the tax rate (Town rate only);
7. Continued inclusion of the Fees and Charges within the budget process;
8. Continued inclusion of a five year capital forecast with year one being approved;
9. Full approval of multi-year projects in year one;
10. Endorsement of a new Public Notice process as included in this report;
11. Inclusion of a Return on Investment statement for addition to the budget requests;
12. Re-budgeting of uninitiated capital projects;

AND THAT Council direct staff to start the 2021 Budget process using the current levels of service and deliveries;

AND THAT Council endorse a percentage change of X.XX% for the 2021 Tax Rate over the 2020 Tax Rate.

B. Overview

This report is to gather Council’s upfront inputs into the 2021 budget as staff begin the process.
C. Background

Each year staff send a kick-off report to Council to start the budgeting process. Staff are requesting Council input and direction on how the budget book will be laid out and what information will be contained within it. Throughout the report staff have laid out options for Council to consider for operating, capital, and for the charts and graphs.

In addition, Attachment 1 is the proposed timeline for the 2021 budget. Staff are looking to bring the budget forward in December 2020 to Committee of the Whole with final approval in early February 2021. This timeline is two months shorter than the 2020 budget process. Staff believe it is important to get the budget set as early in the year as possible to give clear guidance for the year.

Staff believe this is the most responsible and earliest timeline that can be achieved. A number of significant expenditures are not known until close to the end of the year. These include Policing Contract costs, Ontario Municipal Partnership Fund, payroll rates, and other smaller grants.

Staff are expecting COVID-19 to continue impacting the Town well into 2021 and staff will therefore continue the monthly report about the additional costs incurred or on-going lost revenues as long as the pandemic is still impacting residents, businesses and Town operations. During the budget process staff will be factoring in on-going COVID-19 impacts and making considerations for on-going budgets.

D. Analysis

Layout of the Budget Book

Currently the Budget Book starts with general information and highlights for the upcoming year’s budget. Then it moves into a number of charts and graphs showing various information including capital summaries, long-term debt forecasts, comparison to other municipalities and Grey County budget information. All of this is good information for both the Public and Council as they make their decisions; however, it can be a distraction and can bog down the reader in data and stats before they start into the budget. Staff are recommending that this information be moved to an appendix and included at the back of the budget book. In addition, a more comprehensive and robust Executive Summary will be included for future years.

Next comes the department and division sheets. First is the department sheets which include a department organizational chart, and the fees and charges with any proposed changes. Each division of that department comes next with their operating, proposed additions to the budgets, and then their capital budgets. First the book works through the taxation funded departments, then the user-fee departments and finally the Blue Mountains Public Library.

Staff are recommending that operating and capital be separated. First the book would work through the operating budget as it has in previous years and then have all capital together in
one area of the book. Making this change allows Council to see all the proposed capital projects in one area which can help prioritize the upcoming year.

Operating Budget

Another consideration is the three year budget; staff recommend staying with this format. The first year being proposed and the following two years being projections. Although a number of things can change before those years happen, having a few years’ worth of projections can be worthwhile as it shows the future costs for the division. If Council wishes, staff could go down to a one year or up to a five year budget. Staff do not believe that a one year budget would be sufficient information for both Council and the Public. Forecasting out to five years might prove difficult and the reliability of the information would be very low the further out the projections go.

Another consideration is around the process of completing an operating budget. Starting in 2020, all divisions started with a blank operating budget which helps to start the process of zero based budgeting. Staff are recommending that this practice continue for divisions that have not started true zero base budgeting.

For the 2021 Budget the Administration and Finance and IT Services will both continue the use of zero base budgeting with Legal Services starting the process. Planning and Development Services will follow in 2022, then Community Services in 2023 and finally the Operations Department in 2024.

The final consideration for Council is whether there is a desire for Council to set a percentage increase or decrease for the tax rate prior to staff starting the budget process. Setting this gives staff a target to meet while internal budget deliberations are ongoing. Setting a percentage increase or decrease of the Tax Rate does not mean that same percentage will be applied to the Tax Levy. The Tax Levy could increase by 3% however with growth the Tax Rate could stay flat at 0%.

A consideration for the Committee of the Whole budget meetings themselves is to focus more on an in-depth Executive Summary which should allow Council to move through the budget process in a quicker fashion. Staff are recommending that the meetings be booked for two days rather than the current four days. Members of the public have reached out to Finance with this suggestion, saying that the four days is too long and could be condensed into a shorter timeframe and still achieve the same goals and outcomes. Making this change would also greatly reduce the amount of staff hours spent in those meetings. The staff time for those four days of meetings is roughly $30,000.

Fees and Charges

Starting in 2017, staff began including the proposed Fees and Charges for the upcoming year for Council consideration. Staff are recommending to continue with the process as the Fees and Charges tie in to the revenues budget lines. It also allows the Fees and Charges to go through the same public process as the budget, rather than having to duplicate those processes.
Council could however remove the Fees and Charges entirely from the budgeting process and have staff bring them to Council and the Public through a separate public engagement process.

**Capital**

Currently, staff present a five year capital budget with the projects in the upcoming year for approval. For major multi-year projects, the budget is presented and approved in year one; this model allows staff to proceed without having to stop and wait for a budget process. The goal is to have the construction part of the projects being tendered in November to February time period. Staff strongly recommend that this practice continue; however, Council could direct staff to budget each line item (preliminary engineering, final engineering, and construction) in the year they will occur.

Another option for Council consideration would be to adopt a multi-year capital budget (two or three). This would lead to greater streamlining of the capital budget process and give the Public a better forecast of projects to come. At this time, staff would not recommend this change until a more comprehensive asset management plan has been written by the Town.

**Public Meeting Process**

The Public consultation is an integral part of the budgeting process; however, it is also one of the more time consuming pieces. For the 2020 Budget from the date of the original Council meeting (where the Committee recommendations were approved) to the date of the by-law passing was seven weeks (originally eight). The reason behind this time lag is the Notice Policy which states that Public Notice for Major Issues (which the budget would be classified as) is 21 days. Then having to work with the Council and Committee meetings led to significant time.

Staff are recommending that the Budget follow a specific Public Notice format. The day after Council approves the Committee recommendations the notice would be published for a Public Meeting to be held at the next Council meeting, two weeks later. The Budget By-law would then be presented at the Council meeting following that, another two weeks. If there were changes coming from the Public Meeting staff would have sufficient time to make those changes.

By converting to this timeline, staff would have three to four weeks which is a significant amount of time especially on the capital side of the budget. Staff feel comfortable making this recommendation as the dates of the Public Meeting and By-law passing are published with the Proposed Budget, in this case November 16, 2020 which would give roughly two months of public notice, well exceeding the Notice Policy.

If during the Public Meeting process the Town is still under a declared emergency staff will follow the newly enacted “Virtual Public Meetings / Public Engagement During any Period Where an Emergency has been Declared to Exist in All or Part of the Municipality”.
Additions to the Budget

Staff are recommending one small change for the additions to the budgets. The full business cases were implemented in 2020 and is working well to give Council and the Public detailed information (including non-financial) around a potential enhancement to a current level of service or additional staff requirements. Starting in 2021, a Return on Investment (ROI) section will be added to each business case to provide enhanced information for Council to consider during these requests. The ROI section may be financially related but the majority of the time will be tied to a social or cultural investment being made by the Town.

Summary Recommendations

1. Creation of an Appendix to be included at the back of the Budget Book with the statistics and graphs/charts;
2. Timeline for adding more Departments using Zero Based Budgeting;
3. Go from four days of Committee of the Whole budget meetings down to two days;
4. Separation of Operating and Capital which would include a complete Capital Section after going through the Operating divisions and departments;
5. Continue with the three year Operating budget;
6. Council setting a percentage increase or decrease target for the tax rate (Town rate only);
7. Continued inclusion of the Fees and Charges within the budget process;
8. Continued inclusion of a five year capital forecast with year one being approved;
9. Full approval of multi-year projects in year one;
10. Endorsement of a new Public Notice process as included in this report;
11. Inclusion of a Return on Investment statement for addition to the budget requests;
12. Re-budgeting of uninitiated capital projects;

E. The Blue Mountains Strategic Plan

The Blue Mountains Strategic Plan

Goal #4: Promote a Culture of Organizational and Operational Excellence
Objective #4: To Be a Financially Responsible Organization

F. Environmental Impacts

None.

G. Financial Impact

The annual budget is one of the most important annual documents as it outlines the projects and prioritizes for the upcoming year as well as allowing for appropriate funding (both dollar and staff resources).
H. In consultation with

Senior Management Team

I. Public Engagement

The topic of this Staff Report has not been subject to a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. Comments regarding this report should be submitted to Sam Dinsmore, Deputy Treasurer/Manager of Accounting and Budgets at finance@thebluemountains.ca.

J. Attached

1. 2021 Budget Timeline

Respectfully Submitted,

Sam Dinsmore
Deputy Treasurer/Manager of Accounting and Budgets

Ruth Prince
Director of Finance and IT Services

For more information, please contact:
Sam Dinsmore
finance@thebluemountains.ca
519-599-3131 extension 274
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<tr>
<th>Task</th>
<th>Due Date</th>
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<tbody>
<tr>
<td>Budget pre-consultation report</td>
<td>June 30, 2020</td>
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<tr>
<td>Operating and Capital data distributed to SMT &amp; SAM</td>
<td>June 15, 2020</td>
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<td>All information due back to Finance including, Operating, Capital,</td>
<td>August 14, 2020</td>
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<td>and Fees and Charges</td>
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<td>Budget Review meetings with Service Area Manager and Director</td>
<td>August 31 to September 11, 2020</td>
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<td>Addition to the Budget requests vetted by SMT</td>
<td>September 14, 2020</td>
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<td>Final information due back to Finance, 2021 Work Plan, and Division</td>
<td>September 25, 2020</td>
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<td>Sheet</td>
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<td>CAO &amp; Director of FIT to review departmental budgets with</td>
<td>October 20 to 30, 2020</td>
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<td>Department Heads</td>
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<td>Distribution of Proposed Budget to Council, Committee, SMT &amp; SAM</td>
<td>November 16, 2020</td>
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<td>Budget Meetings – Committee of the Whole Review</td>
<td>December 7 to 11 and 14 to</td>
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<td>18, 2020</td>
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<td>Council Approved Recommendations from COW Budget Meetings</td>
<td>Beginning of January 2021</td>
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<td>Public Information Centre and Public Meeting</td>
<td>End of January 2021</td>
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<tr>
<td>Staff Report – Follow-up to comments from Public Information Centre</td>
<td>Beginning of February 2021</td>
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<td>and Public Meeting</td>
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<td>Budget By-law Approved by Council</td>
<td>Beginning of February 2021</td>
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