



**TO:** GENERAL COMMITTEE

**SUBJECT:** 2020 BUSINESS PLAN AND BUDGET DIRECTIONS

**WARD:** ALL

**PREPARED BY AND KEY CONTACT:** M. JERMEY, MANAGER OF BUSINESS PLANNING & BUDGETS, EXT. 4407  
J. COWLES, SENIOR MANAGER OF CORPORATE FINANCE AND INVESTMENT, EXT. 5347  
C. MILLAR, DIRECTOR OF FINANCE AND TREASURER, EXT. 5130

**SUBMITTED BY:** M. PROWSE, CHIEF ADMINISTRATIVE OFFICER  
D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES  
A. MILLER, RPP, ACTING GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH MANAGEMENT  
R. JAMES-REID, EXECUTIVE DIRECTOR OF ACCESS BARRIE  
R. BUNN, EXECUTIVE DIRECTOR OF INNOVATE BARRIE  
Z. LIFSHIZ, EXECUTIVE DIRECTOR OF INVEST BARRIE  
I. PETERS, DIRECTOR OF LEGAL SERVICES

**GENERAL MANAGER APPROVAL:** D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

**RECOMMENDED MOTION**

1. That staff prepare a Business Plan for 2020 for all tax supported services that considers:
  - a) One budget year and three forecast years;
  - b) The cost of maintaining current programs at current service levels, based on anticipated 2020 activities;
  - c) Annualization of prior period decisions;
  - d) The financial impact on the 2020 budget of Council directions throughout 2019;
  - e) Recommendations for changes to funding sources that result in a decreased reliance on property taxes through the implementation of user fees that strive to recover the full cost of services where practicable;

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- f) An estimate of assessment growth based on the value of newly assessed property throughout 2019;
  - g) The continuation of an annual Dedicated Infrastructure Renewal Fund;
  - h) Contributions to reserves that are consistent with the Financial Policies Framework;
  - i) Options/strategies for smoothing the cost of service delivery related to growth pressures such as the net operating impact of capital; and
  - j) A cap on any potential 2020 tax increase of 3%, excluding legislated changes, and the levy associated with the Dedicated Infrastructure Renewal Fund.
2. That staff prepare a Business Plan for 2020 for Water and Wastewater services that includes:
    - a) The cost of maintaining current programs at current service levels, based on anticipated 2020 activities;
    - b) Annualization of prior period decisions;
    - c) Recommendations for changes to user fees that reflect the full cost of providing the program or service, including fixed assets, net of any subsidy approved by Council;
    - d) An estimate of water consumption that reflects past consumption patterns and forecasted conditions in 2020;
    - e) Options/strategies for smoothing the cost of service delivery related to growth pressures; and
    - f) Contributions to reserves that are consistent with the Financial Policies Framework and Council direction that reflect, to the extent possible, the anticipated current and future commitments against the reserves.
  3. That staff prepare a Business Plan for 2020 for Parking Services that includes:
    - a) The cost of maintaining current programs at current service levels, based on anticipated 2020 activity;
    - b) Annualization of prior period decisions; and
    - c) Recommendations for changes to user fees that reflect the long-term full cost of providing the program or service, including fixed assets, net of any subsidy approved by Council.
  4. That any significant impacts to the 2020 budget, such as recommended new investments and changes in level of service, or changes in staff complement levels, be presented for consideration.
  5. That any user fees that are added, removed, or increased/decreased by 5% or more of the current fee, be presented within the Business Plan Binder.

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6. That the existing 2019-2028 Capital Plan be used as the basis to develop a ten year Capital Plan that includes a one year capital budget, a four year forecast, and a five year capital outlook.
    - a) 1 year approved Capital Budget (2020)
      - i) With multi-year approvals in accordance with the capital control policy
      - ii) Project specifics
      - iii) Detailed funding
    - b) 4 year Capital Forecast (2021 – 2024)
      - i) Project specifics
      - ii) Detailed funding
    - c) 5 year Capital Outlook (2025 – 2029)
      - i) Project specifics where available
      - ii) Detailed funding
  7. That staff prepare the 2020 Capital Budget with appropriate consideration of:
    - a) Council's 2018-2022 strategic goals;
    - b) Continued focus on the execution of the Growth Management Plans;
    - c) Investment in renewing the City's current infrastructure utilizing a risk based approach for project selection;
    - d) Availability of financial resources and consideration of the Financial Policy Framework;
    - e) Availability of staff resources to do the work; and
    - f) The Net Operating Impact of the proposed Capital Plan.
  8. That staff continue ongoing efforts to realize improved value for money for the tax payer through identifying and implementing efficiencies in processes and practices.
  9. That staff continue to provide public education and engagement during the 2020 Business Plan and Budget development process.
  10. That the 2020 Budget Development Schedule identified in Appendix "A", be used to develop the 2020 Business Plan for Council's review and approval no later than December 2019.
  11. That the County and all Agencies, Boards, and Commissions be advised of Council's expectations that:
    - a) The budget directions established herein, with emphasis on the cap to the property tax increase, are expected to be used when preparing their 2020 budgets;
    - b) Budgets are to be prepared in accordance with the 2020 Budget Development Schedule; and,
    - c) Budget changes directly linked to Provincial legislated changes/announcements be identified separately in the budget submissions sent to the City

12. That staff report back to General Committee in September 2019 on the results of the Stormwater Funding Study including recommendations and next steps which may include a recommendation to establish a stormwater levy.

**PURPOSE & BACKGROUND**

13. This report describes the approach staff will take when preparing the 2020 Business Plan and Budget, and seeks Council’s direction on guidelines and principles for staff. Council’s budget directions will allow staff to efficiently build financing plans that demonstrate a clear relationship between costs and service levels.
14. Over the last number of years, staff and Council have prepared the annual Business Plan and Budget guided by the following key principles included in the City’s Financial Policy Framework:

<b>Principle</b>	<b>Meaning</b>
Respect for the taxpayer	<ul style="list-style-type: none"> <li>• Constant search for excellence and value with due regard to economy, efficiency and effectiveness.</li> <li>• A City that lives within it means with predictable tax levels</li> </ul>
Maintain and enhance the City’s financial condition	<ul style="list-style-type: none"> <li>• Sufficient revenues are raised to fund operations, while maintaining appropriate levels of reserves and debt</li> <li>• Credit ratings sustained and/or improved</li> <li>• “User pay” is an operating principle considered for all program areas</li> <li>• Identify new funding sources/financing methods</li> <li>• Maintain assets</li> </ul>
Pursue innovation	<ul style="list-style-type: none"> <li>• Continuously find efficiency and quality improvements in the way we manage and deliver services</li> </ul>

15. For the 2020 Business Plan and Budget, staff will continue to be guided by Council direction. However, as described in the memo to Council on June 3, recent provincial legislative changes are expected to have an impact on the City’s 2020 Business Plan and Budget. While the specific details of the changes are still unclear, staff will continue to monitor and provide updates throughout the development of the 2020 Business Plan and Budget.
16. The continued focus for the 2020 Business Plan and Budget will be the execution of Growth Management Plans and investment in renewing the City’s current infrastructure. It is expected the proposed Bill 108 will have significant impacts on how the City will finance the needed Capital Infrastructure to support growth. While the details of the bill are not yet known, based on Council direction and guiding principles, staff will be bringing forward a recommended capital plan that does not compromise the City’s existing financial condition and credit rating. As well, staff plan to bring forward an updated long range financial plan in 2020.

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17. Over the last number of years, Council has approved the City's Business Plan and Budget at the end of January. For the 2020 Business Plan and Budget process, staff are recommending the budget be approved in early December 2019. The benefit of an earlier approval will allow tenders to get to market earlier to achieve better pricing. Staff have already begun the 2020 budget development process and are well positioned to meet the recommended approval date.

### **ANALYSIS**

18. Council approval of the 2020 Business Plan and Budget is anticipated to be completed in December 2019. A high level timeline is provided in Appendix "A".

### **One Year Operating Budget and a Three Year Operating Forecast**

19. Staff will prepare a one year operating budget and a three year operating forecast for the 2020 business plan. This will provide management and Council a four year view of current and future financial conditions to guide decisions. The forecast information will help identify revenue and expenditure trends and highlight the timing of operating impacts of capital works.

### **Water and Wastewater Rate Supported Budgets**

20. The 2015 Water and Wastewater Financial Plans suggest an annual rate increase of 2% for water and 3% for wastewater. Staff recommend 2020 rate increases that are sufficient to accommodate capital reserve contributions at a level that will meet the City's capital commitments, after taking into account operational needs. Based on the forecasted capital commitments, it is anticipated that the recommended annual rate increases for water and wastewater will be higher than suggested in the Financial Plans.

### **Parking Rate Supported Budgets**

21. While Parking has realized improvements to operational revenue from sources such as waterfront lots in recent years, the service continues to generate an operating deficit.
22. A working group has been formed with City Staff to update the existing Parking Strategy that will aim to achieve the following.
- a) Understand current and future demand for parking
  - b) Make recommendations on the management of current and future parking inventory
  - c) Create a financial strategy to ensure parking is sustainable within the user rate including the need to make changes to existing parking user fees
  - d) Recommend solutions to enhance the customer experience and address existing business problems with the use of parking technology
  - e) Engage with key stakeholders and residents
23. The parking strategy update is anticipated to be completed by Q1 2020 and will make recommendations on parking services for Council consideration to ensure the parking user rate is sustainable in both the short and long-term. Any changes to parking rates or other parking by-law parameters such as hours of enforcement will be recommended as part of this report. For the interim period, staff will continue to seek ways to increase revenue and mitigate the draw on the Parking Reserve.

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### 2020 Budget Pressures and Opportunities

24. Historical tax rate increases for the last several years, have averaged approximately 3%. However, only a portion of this goes toward maintaining service levels for current City operations (0.5% in 2019). Staff have always sought opportunities to enact responsible process efficiencies to save money without a detrimental impact to services, and will continue to do so. It is these efficiencies that have helped keep tax rate increases lower than would otherwise be needed. However, a substantial amount of work has already been completed on the 2020 budget and it suggests the City is reaching a point where the continued erosion of available financial resources will no longer be sustainable without a change in service expectations. Appendix "B" expands on known budget pressures and opportunities likely to be significant factors in the 2020 Business Plan.
25. A number of legislative changes introduced and/or implemented recently by the Province of Ontario are widely reported to place additional financial pressure on municipalities beginning in 2019. Some of these pressures will be felt directly, while others will impact the City indirectly through the City's service partners. The legislative environment continues to evolve. Staff will be actively monitoring the situation and reporting to Council as new information becomes available. For the 2020 Budget, Staff will isolate and report on the financial impact of legislative changes to provide better transparency and accountability over the 2020 tax rate increase.
26. The City is investing significant funding in growth related infrastructure which will in-turn drive necessary increases to operational and support resources. It is well understood that infrastructure such as roads and pipes needs to be in place before homes can be built. However, along with added infrastructure comes the need for operational and support resources which can be much more difficult to define. These resources need to be brought online with a reasonable lead time ahead of residents and businesses moving in. Staff will present a financial strategy for on-boarding these resources as part of the 2020 Budget.

### Review of User Fees

27. The Financial Policies Framework directs the Corporation to strive to recover the full cost of services including: direct materials; staff time; corporate support overhead; capital costs and amortization; and, any other applicable costs. However, full cost recovery is also subject to appropriateness based on several other conditions such as:
  - a) Extent of private, commercial and community benefit (note: community benefit includes environmental considerations);
  - b) Use of service by non-residents;
  - c) Rates for commercially available services; and,
  - d) Impact of changing user fees on demand levels/utilization rates.

Changes in fees influence the level of taxpayer subsidy that is provided for fee-based programs. Increasing the Corporation's reliance on fee revenues to support programs and services, has been a direction consistently followed during each of the last several business planning cycles.

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### Managing Reserves and Reserve Funds

28. The 2020 Business Plan will continue to emphasize the importance of managing the City's financial condition. The City's financial condition will be measured based on guidance from the Public Sector Accounting Board (PSAB), Canada's standard-setter for public sector financial reporting and methodology for assessing a government's financial condition. The key elements of financial condition (i.e. sustainability, flexibility, and vulnerability) can be described using a series of indicators.
29. Reserves and reserve funds help a municipality accomplish two goals – achieve tax and user rate stability, and contribute to the consistent provision of services. Typically, reserves are a way of financing large capital expenditures and determining affordability thresholds for the ten year capital plan. They also provide a source for funding unplanned events or emergencies, or are used to take advantage of opportunities that were not anticipated when the budget was prepared.

### 10 Year Capital Plan

30. The current Capital Budget adopted by City Council on January 28, 2019 consists of a detailed Capital Budget for 2019, and includes future years' costs for multi-year projects that are commencing in 2019 or prior. The Capital Budget also forecasts projects for the 2020 – 2023 timeframe (capital forecast), and the capital funding requirements (capital outlook) for 2024 – 2028.
31. The Infrastructure Implementation Plan (IIP) identified asset expansion work and timing required to meet the City's growth plans as related to the secondary plan areas. The IIP was based on needs identified through master planning exercises, which also identified asset capacity needs within the former City boundary. While the timing of growth has resulted in the evolution of the IIP, these master plans generally formed the basis for the consideration of growth projects throughout the development of recent Capital Budgets, and will continue to be a key input to the 2020 Capital Budget. Master plans have been updated and will be referenced for preparation of the 2020 Capital Budget. In addition, the IIP is being aligned with the capital budget cycle to keep approved projects in line with growth.
32. The City's approach to asset management planning has formed the development of the 2019 Capital Budget and will form the foundation for the consideration of asset renewal and replacement projects throughout the development of the 2020 Capital Budget. As in previous years, this approach will consider the condition and remaining useful life of the Corporation's assets, as well as their criticality in service delivery. It will reflect a decision making framework that considers a comprehensive risk assessment process and lifecycle cost analysis.
33. The inclusion of any new proposed works in the 2020 Capital Budget will reflect any constraints associated with the level of financial and staffing commitment required to address the magnitude of work being carried forward from prior periods.
34. The Corporation's requirement to invest in assets exceeds the City's affordability thresholds. In alignment with the City's Corporate Asset Management Strategy, the Capital Prioritization Committee (comprised of senior and executive staff), will be applying a prioritization process using a matrix based approach to identify the risk of failure and consequence of failure associated with assets. This approach influences judgements about which capital projects should be recommended.

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35. Continued effort will be directed towards capturing the operating and maintenance savings/or expenditures associated with capital investments in a manner that allows those savings and/or expenditures to be captured in the operating budget for 2020 and beyond.
  36. The City's Capital Project Control Policy allows for multi-year approvals for project phases that will span multiple years. As such, through previous capital plans, funding has been committed for 2020 and future years. With the approval of the 2019 Capital Plan, approximately \$69M (gross) was committed for 2020.

#### Capital Funding

37. In accordance with Council's direction to reduce debt levels, staff have identified an approach to funding capital projects which would first look to external funding opportunities, such as grants or development related funding, and then the City's own reserves. The City's cash flow requirements, interest rate projections, who is benefiting from the project, and potential debt repayment strategies, are included in the analysis. For example, repayment using Development Charges (DC's) would be considered. This approach is intended to ensure that all external sources of funding for projects are fully leveraged, and that when debt financing is recommended, it is based on a solid rationale that will be communicated to Council.

#### Service Partner Budgets

38. As stated, a number of legislative changes introduced and/or implemented recently by the Province will impact the City indirectly through its service partners. Very few of the City's service partners will be unaffected. Staff have reached out to key service partners to gain a better understanding of the likely financial impact facing the City. Unfortunately, very little information is available from the Province at this time, limiting the service partners' ability to identify financial impacts. Given the potentially significant financial impact to the City, staff recommend that service partners be required to specifically identify the financial impact of legislative changes in their budget submissions to the City. This will provide Council with greater transparency over a substantial portion of the City's budget.

39. The City's Service Partner budgets made up approximately 31% (approximately \$85M) of the total 2019 amount levied on City of Barrie taxpayers. The following are the services provided to the City of Barrie property owners by these boards, commissions and agencies:

<b>Service Type</b>	<b>Service Provider</b>
<b>Policing</b>	Barrie Police Services Board
<b>Library</b>	Barrie Public Library Board
<b>Social Services</b>	County of Simcoe (Ontario Works, Social Housing, Child Care, and Long-Term Care)
<b>Land Ambulance</b>	County of Simcoe
<b>Museum &amp; Archives</b>	County of Simcoe
<b>Airport</b>	Lake Simcoe Airport Corporation
<b>Tourism</b>	Tourism Barrie
<b>Environment</b>	Lake Simcoe Regional Conservation Authority and Nottawasaga Valley Conservation Authority
<b>Health</b>	Simcoe Muskoka District Health Unit, Royal Victoria Hospital, and Physician Recruitment

40. These organizations need to develop their 2020 operating budgets concurrently with the City. Subject to General Committee's feedback about the recommendations in this report, staff will contact each Service Partner to outline Council's expectations with respect to budget requests as well as coordinate budget plans and timelines.
41. Service Partner budgets include both operating and capital requirements. However, with the exception of the County of Simcoe, the capital requirements have remained relatively stable over time. The fluctuation in the County of Simcoe capital program is being managed through the County of Simcoe Capital Reserve, with an annual reserve contribution to minimize the year over year impact to the tax base.

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#### Business Planning Process and Development Schedule

42. The Corporation's business planning approach integrates three phases: departmental work plan development; operating and capital budget development; and, Public engagement and reporting to Council.
43. In an effort to improve the understanding of how tax dollars are spent, the following is a listing of public education/engagement activities planned for the 2020 Budget and Business Plan:
  - a) Continue to enhance "*Understand Where Your Tax Dollars Go*" public education campaign;
  - b) Dedicated web page on Barrie.ca for budget information including Budget Allocator;
  - c) Online surveys and public engagement via social media to seek input into the proposed service level changes;
  - d) Dedicated email address for public feedback;
  - e) Education and promotion of engagement opportunities via print, digital monitors, online and radio; and,
  - f) Post Budget – media release, full page information in the Barrie Advance and tax bill insert.

#### Stormwater Funding Strategy

44. The City's Drainage Masterplan has identified numerous stormwater improvements to help mitigate the effects of climate change, increase public safety, protect property and improve the quality of stormwater runoff entering Lake Simcoe. The costs associated with the identified capital improvements as well as existing renewal and operational needs are substantial.
45. The City has retained AECOM to prepare a stormwater funding study to assess funding needs as well as funding options. This study is presently underway and is expected to be completed this summer. Staff will report back with recommendations upon completion of the Study which may include different approaches to financing these projects such as a stormwater levy.

#### ENVIRONMENTAL MATTERS

46. There are no environmental matters directly related to the recommendations.

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## ALTERNATIVES

47. The following alternatives are available for consideration by General Committee:

### Alternative #1

General Committee could establish a lower maximum acceptable tax levy and/or user fee threshold.

If General Committee wishes to establish a lower maximum threshold, consideration should be given to the average tax rate increase over the last number of years, which has been approximately 3%. As noted in the report, there are a number of financial challenges outside the City's control, such as increasing inflation and legislated changes. Pressures such as these will make it difficult to achieve an increase lower than historical norms without eroding the City's ability to deliver services at the level to which residents are accustomed.

That being said, staff recognize that tax levy and/or user fee increases create the risk that taxation and fee levels could exceed residents' ability/willingness to pay.

With this in mind, the business planning and budget process is designed to promote a balance between affordability and service delivery. Elements of the process, such as the requirement for staff to present new investment and service recommendations (including all requests for additional staff complement) separately from the base budget, are included specifically to enhance transparency over changes to service levels which may impact the cost to residents.

If the City is to realize a lower than average tax rate increase for 2020, it will likely need to be achieved through reductions in specific services and/or service levels.

### Alternative #2

General Committee could change the proposed Business Plan development schedule.

This alternative is not recommended. The City of Barrie's Business Plan process is a comprehensive series of steps designed to identify planned workloads, service levels, and related financing plans for the entire organization. A significant level of coordination is required and the proposed schedule has been designed to reflect, in staff's judgement, the best approach for applying Council's directions and engaging the community in a dialogue about issues related to the 2020 Business Plan. The anticipated approval no later than December 2019, allows staff to adequately plan and execute all required tasks.

## FINANCIAL

48. There are no direct financial implications for the Corporation resulting from the proposed recommendations as this is direction only with respect to the preparation of the 2020 Business Plan and Capital Plan.

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**LINKAGE TO 2018-2022 STRATEGIC PLAN**

49. The recommendation(s) included in this Staff Report support the following goals identified in the 2018-2022 Strategic Plan:
- Growing Our Economy
  - Fostering a Safe and Healthy City
  - Building Strong Neighbourhoods
  - Offering Innovation and Citizen Driven Services
  - Improving the Ability to Get Around Barrie
50. The approved annual business plan and budget reflects the real-world efforts to implement Council's strategic goals. Directions provided in this staff report are an opportunity for Council to ensure the City's resources continue to be expended in a manner consistent with these goals.

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APPENDIX "A"

Proposed 2020 Business Plan Development Schedule

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Date	Activity
June 2019	Committee/Council approval of the 2020 Budget Directions
March – November 2019	Staff produce work plans; draft operating, capital, and rate budgets as well as proposed user fees; prioritize capital projects; executive management review; public engagement; production of budget and business plan materials.
November 2019	2020 Business Plan presentation and binder distribution to Council
December 2019	Committee/Council review and approval

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APPENDIX “B”

Budget Pressures & Opportunities

Description	Pressure/Opportunity	Comments
Labour & Related	Pressure	<p><u>Collective Agreements</u> The City is party to various collective agreements negotiated with its unionized workforce and manages compensation for its non-unionized staff on an annual basis.</p> <p>The CUPE agreement calls for a 1.8% annual increase while the BPPFA agreement calls for an annual 1% increase in January followed by an additional 1% increase in July</p> <p><u>Benefits</u> Benefit cost increases are driven by usage, total number of covered employees, and the cost of items covered under the plan. Staff have estimated a 2.15% increase in 2020. However, updated rates will be available later in the budget process.</p> <p><u>Presumptive Legislation</u> The financial risk associated with Presumptive Legislation for cancers, PTSD, and other WSIB related claims continues to be an exposure for the City. A Workplace Safety and Insurance Board (WSIB) reserve is maintained to mitigate the risk. The reserve has been placed under greater pressure in the last year to 18 months and is being depleted at a higher rate recently than in previous years. To address this change, there was an increase in the contribution to the WSIB reserve in 2019. Staff will continue to monitor the financial exposure and the adequacy of the reserve. If changes are needed, staff will bring a recommended solution to Council.</p>
Utilities	Opportunity	<p>The Energy Management Group will seeks to maximize the financial benefit of grants and subsidies that may become available and will continue to monitor industry news to provide the best information available. Preliminary information suggests that:</p> <ul style="list-style-type: none"> <li>• Rates for electricity for electricity will decrease by 5.4% for 2020. In addition, consumption is expected to decrease 0.5% resulting from efficiency initiatives.</li> <li>• Rates for natural gas will increase by 1.4% for 2020. In addition, consumption is expected to increase by 8.2%.</li> </ul>



Contractual Obligations	Pressure	<p>The City is party to various operating contracts (e.g. Transit, Winter Control, Waste Collection, and Security). Generally, these contracts contain provisions for annual increases tied to indices such as the Consumer Price Index. For example, the cost for the City's transit contract is expected to increase for 2020 based on an estimated 2.5% CPI inflationary adjustment.</p> <p>The winter operations budget is calculated based on a three year rolling average of actual costs. The 2018 winter control budget was overspent by approximately \$750K which will place upward pressure on the rolling average for 2020. Trending over the past five to ten years indicates that weather patterns are becoming more intense.</p>
Fuel	Pressure	<p>Fuel costs are expected to increase by approximately 9% for 2020. The increase is based on a preliminary estimate of \$1.14/litre based on price trending and the addition of the carbon tax.</p>
Repairs & Maintenance	Pressure	<p>City owned assets such as infrastructure, buildings, and equipment continue to age.</p> <p>Many of the departments responsible for maintaining these assets have conducted a 3 year review of spending for repairs and maintenance. The results of these reviews suggest that historical budgets have been insufficient to maintain assets in a manner that will achieve optimum economic life.</p> <p>The preliminary estimate is that a 20% increase will be needed to align budgets with historical costs. As noted, these results are preliminary and staff will be further scrutinizing the level of investment needed.</p>
Investment Income	Opportunity	<p>2020 will see the full introduction of the Prudent Investor Standard for municipal investment. Under the new standard municipalities will be permitted to further diversify investments to achieve better returns at a similar level of risk.</p>



Reserve Management	Pressure	<p>The Dedicated Infrastructure Renewal Fund is expected to once again contribute 1% to the City's annual tax rate increase.</p> <p>In addition, 2020 will be the second year of the Fleet Renewal Reserve phase-in. The phase-in will increase the contribution to the reserve by \$450K in 2020.</p> <p>Finally, the contribution to the Landfill Closure reserve will increase by another 10% as required by City's Financial Policies.</p> <p>Staff will continue to review the adequacy of reserves and make recommendations for adjustments to contributions.</p>
Debt Servicing Costs	Pressure	<p>Interest rates are expected to see a modest increase over the rates originally forecasted for the 2020 debenture. After adjusting for the change in interest rates, the 2019 schedule for debt issuance suggested an additional \$2.3M in tax funded debt servicing cost for 2020.</p> <p>While most of the 2020 debenture is in relation to funds already expended for projects such as the Barrie-Simcoe Emergency Services Campus, changes to the 2020 Capital Plan may also impact this cost pressure.</p> <p>In addition, changes to the <i>Development Charges Act</i> proposed under Bill 108, if passed, will significantly impact debt financing decisions for growth related assets classified as soft services. In many instances, large soft service capital projects (e.g. Recreation Centres and Libraries) would have been good candidates for debt financing due to their benefit to future tax payers and long useful life. DCs would be used to service the debt. Bill 108, would provide for some mitigation through a new Community Benefit Charge under the <i>Planning Act</i>. However, details released to date are not sufficient to determine whether the City would be kept whole.</p>



Service Partners	Pressure	<p>Many of the City's Service Partners prepare their budgets on a different schedule from the City. As a result, it is too early to get accurate budget information from Service Partners.</p> <p>Staff have prepared preliminary estimates based on forecasts provided for the 2019 budget. Where forecasts were not provided, increases were assumed to be in line with historical norms.</p> <p>In addition, most of the City's Service Partners are exposed to a number of legislative changes introduced and/or implemented recently by the Province. The financial impacts are anticipated to be relatively significant for the service partners, however, without further legislative detail, these impacts can't be quantified at this time.</p>
User Fees, Service Charges, Passes, and Memberships	Pressure	<p>Growth has taken longer to come on-line than previously thought. As a result, staff have determined that is necessary to correct for a delay in increased Planning Revenue assumed to begin in 2019. The adjustment would result in reduction to Planning Revenue expectations of approximately \$1M for 2020.</p> <p>Anticipated building permit fees have also been decreased for 2020 as a result of delayed growth. However, the decrease in planned revenue will not impact the tax rate as Building operates under a self-sustainment enterprise model.</p> <p>In addition, although early 2019 charge volumes have increased substantially, given the relatively short timeframe for the change, staff have conservatively estimated the anticipated Police Fine revenue for 2020 to be in line with the reductions experienced in 2018 and identified in the 2019 business plan. In 2019, a \$600K draw from the TRSR was budgeted to help mitigate what is expected to be a temporary drop in revenue.</p>
Operating cost of capital/ additional growth resources	Pressure	<p>The City's significant investments into growth related infrastructure will in-turn drive necessary increases to operational and support resources. Along with added infrastructure comes the need for operational and support resources. In some service areas, these resources need to be brought online prior to residents and businesses moving in. Staff will present a financial strategy for on-boarding these resources as part of the 2020 Budget.</p>