



## **Council Budget Principles**

The Council of the Town of Aurora is responsible for two key elements in carrying out their duties. Council must represent and advance the interests, needs and actively plan for the future, and serve the residents and businesses of the community of the Town of Aurora, while also responsibly managing a large municipal corporation, including its future, resources, assets, needs and interests. The funding raised and used by the corporation comes primarily from within the community, and must be used wisely, obtaining good value and cared for responsibly. Within the context of annual corporation budgets, Council is committed to remain engaged with the community and continually strengthen the municipal corporation's overall fiscal sustainability, balanced with the need for Aurora's property taxation levels and water rates to remain comparable and affordable within the context of the Greater Toronto Area.

In exercising its budget setting duties, Council should be mindful that the primary funding source is from taxpayers, and it is Council's duty to be responsible in this regard, making fiscally responsible decisions with respect to services offered, service levels offered, and other uses and application of the taxpayers' funding, being mindful of the long term and short term impacts to both the corporation and the taxpayer.

Council recognizes that there are many different external influences which have impacts to the Town's budgets, costs and services. The following items each cause tax increase pressures upon the budgets of the Town. Council is committed to address each of these issues in a manner which respects the taxpayer, the financial health of the municipal corporation and our staff serving Aurora:

- New and emerging legislative compliance requirements increasing demand on municipal resources and staffing
- Growth of the community, and the resultant volumetric increase in demand for services and facilities provided and available. Such costs are normally offset by growth in base revenues arising from the new residents and businesses.
- Community expectations for newer, evolving and additional services and facilities over and above today's existing service levels
- The need to develop the financial capacity to meet current and future capital infrastructure replacement needs to provide reasonable service levels in a sustainable manner. Infrastructure sustainability funding has historically been a low priority for municipal governments across the country. Aging and deteriorating infrastructure requiring urgent repair or replacement has now brought this issue to the forefront for all levels of government.

- Economic pressures such as interest rate fluctuations and inflationary pressures
- Cost increases in some supply sectors which exceed inflation, such as electricity
- Pressures on wage and benefits costs, including collective agreements
- Service and supply contract renewals and existing committed multi-year contracts

Council recognises that during every budget debate, various perspectives and interests are represented and raised at the Council table. To assist in these prospective discussions, Council has reviewed and agreed on a consensus basis that the following principles will guide the development, review and approval processes of each budget for the Town. These Budget Principles will be reviewed by Council in the first year of each Council term, and at any other time as requested by Council.

The following principles will guide the preparation, review and evaluation for approvals of the Annual Operating, Capital and Utility budgets for the Town:

### **Open and Transparent Process**

1. The Town's Budget Process shall include opportunities for input from members of the public and community groups. All feedback, comments and suggestions received through solicitation tools such as email, website, surveys or others, will be conveyed to General Committee – Budget (Budget Committee) as they are received throughout the budget review process.
2. The Town's Budget Process should include a formalized system or survey for community input, as determined by the Finance Advisory Committee.
3. All meetings of the Budget Committee shall be open to the public, except those aspects which are permitted and appropriate to be held in closed session, such as but not limited to discussions regarding collective agreement negotiation provisions, personnel matters, or litigation.
4. Budget materials, presentations, disclosures and Budget Committee review processes shall be open and transparent. All materials will be prepared with the intended audience being a member of the general public where reasonable and practical. A specific section of the Town's website will contain all relevant budget materials, presentations, summaries and reports throughout the process, and updated to reflect the final approved budgets.
5. Council will undertake to complete the review and approval of operating budgets prior to the commencement of each the new budget year. For a budget in respect of the year following a municipal general election, the budget review process will begin early in the new budget year, as required by statute.

6. In making comparisons to other municipalities in respect to processes, performance, service levels, cost, revenue rates or any other basis, the Town shall have regard to, at minimum, the following municipalities:
  - a. All other lower tier municipalities of York Region.
  - b. Municipalities in the Durham Region, Peel Region, and Region of Halton Hills which have populations within 30% of the Town's population.
  - c. York Region where applicable.
  - d. Ontario Municipal Benchmarking Initiative materials where applicable.

### **Budgets to be Fiscally Responsible**

7. The Town will prepare a traditional municipal balanced budget. Ontario Regulation 284/09 allows for exclusion from such budget certain accounting estimates such as amortization, and post-employment benefit liabilities. The impact of these excluded items will be presented separately as part of the budget submission as required of the Regulation.
8. The Town will not use or rely upon prior year operating surpluses to fund or balance the Operating Budget.
9. The Town will not rely on one-time or short-term temporary funding sources to fund or balance the Operating Budget, unless directly associated with corresponding temporary expenses for events or special purpose programs.
10. Council and staff will continually look to implement changes in technique, tools or approaches to delivering all services and functions which will reduce costs, or improve the efficiency or effectiveness of our work and programs. Where necessary, capital investments required to achieve such improvements will be prioritized.
11. The annual operating budget will not be impacted by year to year fluctuations of the actual capital budget approval. Rather a singular, stable and predictable funding transfer to Infrastructure Sustainability Reserves will be included.
12. Council is committed to adequately fund infrastructure repair, replacement and improvements through annually evaluating the future funding needs, and when indicated, increase annual contributions to infrastructure sustainability reserves. Such increases will be included in the Fiscal Strategy budget area. Additionally, the Town will ensure that its capital repair and replacement program remains in alignment with the approved asset management plan while attempting to replace assets at the optimal point in time to ensure the efficient and effective use of scarce capital funding as per the Ten Year Capital Investment Plan.
13. Council recognizes that budget decisions made in one year may impact future budget years. To ensure open and public awareness, the Town has adopted a multi-year budgeting framework where Council approves the first year's budget of its term and receives an accompanying forecast of the next three budgets. In the second

year of its term, Council will approve a three year operating budget, including all related tax impacts. Using multi-year budgets and forecasts improves fiscal health and service delivery through:

- a. better coordination of budgeting and strategic priorities,
- b. greater certainty for departments in managing expenditures and service levels
- c. improved fiscal discipline of the organization
- d. streamlined budget reviews that focus on key changes in assumptions and the reasons driving such changes
- e. allowing staff to develop budgets with fixed targets in place, allowing early response to circumstances and budget constraints of such targets.
- f. reduces uncertainty about future year tax levies
- g. provides longer term outlook to outside organizations that rely upon the Town for a share of their funding, which enables them to plan and deliver their programs more effectively.

In addition, when considering a new capital investment, Council will also consider the anticipated incremental operating costs that the new investment will produce.

14. A separate Special Phasing Budget will be used to address significant permanent tax pressures. These pressures will be mitigated through a phase-in over multiple fiscal years, using tax stabilization reserves where necessary. Foreseen significant pressures, such as the operating costs for a facility under construction, will be phased-in in advance where possible. Unforeseen pressures will be phased-in as promptly as appropriate. Phasing of such tax pressures may result in tax rate increases which are in excess of inflation so as not to adversely impact the delivery of existing services and facilities. Where appropriate, growth revenues will be allocated toward new costs such as these.
15. In the event that previously established operating budget directives are sought to be reduced by Budget Committee or Council, a balanced approach will be used whereby roughly 50% of such amount will be through internal cost reductions which have minimal impact on service levels, with the remaining amount through new revenue streams, fee increases exceeding inflation, or definitive service or program reductions identified by Budget Committee.

### **Inflation is a Reality for both the community and the Corporation**

16. Council and our taxpayers recognize that annual tax increases approximating inflation are necessary to support the perpetuation of existing services, facilities and operations, while accommodating new growth in population and the demand for more of these same levels of services, facilities and operations such growth creates. For reference, Council will refer to the annual 12 month CPI index for the Toronto Area, as reported by Statistics Canada for the period June 1<sup>st</sup> to May 31<sup>st</sup>, ending in the year prior to the budget under review.

Should the inflation rate for a given fiscal year exceed two percent, Staff will present Council with options for the mitigation of any inflation in excess of two percent for its consideration.

17. It is reasonable to expect that administrative support overhead type costs are necessary, and should remain in a consistent ratio to the cost of core front line services and operations. The growth of the community and demand for Town services affects both the core front line and administrative functions of the corporation.

### **Growth should pay for growth**

18. Any available growth revenues will firstly be directed toward growth driven expenditures such as the extension of existing Town services to new communities, residents and businesses.

### **The Town will Advance Priorities**

19. Council is committed to advancing the strategic priorities as set out in the Town's Strategic Plan, balanced with affordable and coordinated advancements of the goals and objectives set out in our various Master Plans, including but not limited to:
  - a. Strategy Plan
  - b. Communications Strategic Plan
  - c. Corporate Administrative Plan
  - d. Corporate Environmental Action Plan
  - e. Cultural Master Plan
  - f. Downtown Revitalization Plan
  - g. Economic Development Master Plan
  - h. Information Technology Strategic Plan
  - i. Long Range Asset Management and Investment Plan
  - j. Official Plan (community growth plan)
  - k. Parks Master Plan
  - l. Promenade Plan
  - m. Pursuit of Top 100 Employer status
  - n. Servicing Master Plan
  - o. Trails and Open Spaces Master Plan
  - p. Transportation Master Plan

It is recognized that it may not be financially possible to make advancement in all areas each year. Council will annually identify and prioritize such items during the annual budget review process.

20. Innovation, efficiencies, service excellence, maintaining public safety, and service level improvements come through the continuous learning and development of our staff. Training and development funding will be provided in the budget in the range of 1% to 3% (to be determined) of the Total Salaries and Benefits costs. In the first

year of each term of Council, data from the comparator municipalities will be presented to confirm the Town's percentage allocation.

### **Historical Underfunding must be addressed**

21. A separate annual Fiscal Strategy budget is intended to:
  - a. Eliminate the infrastructure funding gap which arose from a long history of underfunding the costs of wear & tear on (consumption of) our infrastructure.
  - b. Reduce reliance upon unsustainable revenue sources by the operating budget, such as supplementary tax and other development driven revenues.

The driver for the need for current tax increases in this regard is a historical underfunding of contributions to infrastructure reserves, and the provincially mandated new municipal asset management regulation. The impact of these factors is more pronounced as a Town's capital infrastructure ages. This situation is being experienced in virtually all municipalities across Canada, particularly by those municipalities such as Aurora who implemented long periods without increasing taxes. The "no tax increase" years actually made matters worse for each of these municipalities, as the core operations experience inflationary pressures every year, as does the cost of rehabilitation and replacement of infrastructure.

Current service levels of the base operating budget should not suffer due to the need to address this historical funding issue. Council is committed to increase property taxes in order to increase its contributions to reserves for funding necessary infrastructure rehabilitation and renewal. Both the Town's approved strategic asset management policy and asset management plan which outline asset service levels and the Town's strategy for meeting them; as well as the Town's Ten Year capital Investment Plan are reviewed and updated on a regular basis.

It is understood that the Fiscal Strategy budget will normally push the tax rate impact to the resident beyond inflation rates when combined with the Operating Budget.

22. Historically the Province has provided "tax room" to municipalities. Since 1998, the Province of Ontario has generally held education tax rates revenue neutral for existing properties each year, resulting in a decline of the portion of the property tax bill going toward education. Some of these reductions have been offset by increased regulatory compliance requirements which have directly or indirectly added costs to the municipalities. Overall, it needs to be recognized that due to the historical net zero tax increases for education taxes, the province annually opens "tax room" on the bill for municipalities to address funding pressures such as infrastructure and compliance costs. Council and the community need to recognize that to access this tax room, the local taxes need to increase by more than general inflationary levels. Failing to access this tax room in one year is difficult to recapture in future years.