



**Town of Aurora
Budget Committee Report**

No. FS19-045

Subject: 2020-22 Operating Budget Decision Unit Items

Prepared by: Jason Gaertner, Manager, Financial Management

Department: Finance

Date: November 25, 2019

Recommendation

- 1. That Report No. FS19-045 be received for information; and**
- 2. That the remaining incremental Aurora Cultural Centre 2020, 2021 and 2022 budget pressures be funded from existing budgeted Library Square funding; and**
- 3. That Council approve a further 0.5% tax levy increase for 2020 and 2021 in support of the Town's planned Library Square construction debenture; and**
- 4. That the Library Square debenture annual carrying cost funding be contributed to the Tax Rate Stabilization reserve until such time that it is required for its intended purpose.**

Executive Summary

Through its report and accompanying presentation on November 5, 2019, staff presented to Council the Town's first multi-year draft operating budget for 2020, 2021 and 2022 for review by the Budget Committee.

The draft operating budget recommended a tax rate increase that was within Council's directed annual rate increase ceiling of inflation plus one percent for the Town's key fiscal strategies.

- Two operating budget items were identified for the Budget Committee's consideration that were not included in staff's presented draft operating budget

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Should Council approve these two operating budget items and the budget as presented, the Town's total required tax levy rate increase would become 3.4, 3.4 and 2.9 percent for 2020, 2021 and 2022, respectively.

Background

Through the report and accompanying presentation on November 5, 2019, staff presented to Council the Town's first multi-year draft operating budgets for 2020, 2021 and 2022 for review by the Budget Committee. At that time, staff also presented two operating budget items for consideration.

Analysis

Two operating budget items were identified for the Budget Committee's consideration that were not included in staff's presented draft operating budget

Two budget pressures have been identified that do not fall within staff's current recommended tax levy increases for each year. These pressures relate the Town's planned Library Square development and the operations of its community partner, the Aurora Cultural Centre (ACC).

Library Square

Together, Council and staff are in the process of refining the final design and requirements relating to the construction of a new community hub, currently referred to as Library Square. The planned Library Square work includes many dimensions:

- A new addition to the Church Street School
- A new outdoor square
- An above ground pedestrian bridge linking the new addition and the library
- New parking configuration, and
- New library vestibule, program rooms and Yonge St. Entrance

The total required investment for this project is presently estimated to be \$47.9 million. The Town's proposed investment strategy for this project includes the use of debt as a source of funding. The Town's debt tolerance for this project was defined as the debt principal cannot exceed a point where its annual carrying costs exceed an equivalent value to a 1 percent tax rate increase being approximately \$484,700 in 2020. The investment strategy for this project plans to use the maximum defined debt threshold. This debt is expected to be required in late 2021 or early 2022. This provides the Town

time to strategically phase in the annual carrying costs of principal and interest for this debt. It is recommended that this new debt's annual cost equivalent of a 1 percent tax increase be phased in over 2020 and 2021 in two equal tax rate increases of 0.5%.

Aurora Cultural Centre (ACC)

The ACC has identified operating pressures in each of the next three fiscal years totaling \$67,000, \$19,000 and \$21,400 in 2020, 2021 and 2022, respectively. These pressures are driven by a 2019 base salary funding catch-up of \$30,400, new required annual salary adjustments and rental income losses. The Town has budgeted inflationary increases of \$8,300, \$8,500 and \$8,700 for 2020 to 2022, respectively. Once these available amounts have been applied to the pressures, the net remaining ACC funding requirements become \$58,700, \$10,500 and \$12,800 for the next three years. Staff recommend that each of these net remaining pressures be funded out of existing Library Square operating budget funding that is included in staff's recommended draft budget thus avoiding the need for any further incremental tax rate increases.

Advisory Committee Review

The Financial Advisory Committee does not review the annual draft operating budget, however they review the detailed budgets of each Town department on a rotating basis. This approach allows the Budget Committee to focus their review on the key changes and pressures arising in the annual budget, while relying upon the work of the Finance Advisory Committee in regards to the review of each department's ongoing core operating budget details.

Legal Considerations

Section 291 of the Municipal Act provides that a municipality may prepare and adopt multi-year budgets. For the second and each subsequent year, Town Council will have the opportunity to re-review the budget, make any necessary changes and re-adopt the budget for the year to which the budget applies.

Financial Implications

Should the Budget Committee recommend to Council for its approval the above noted operating budget items, a further increase to the Town's tax levy rate of 0.5 percent in both 2020 and 2021 would be necessary. With these increases included, the Town's

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total required tax levy rate increase could become 3.4, 3.4 and 2.9 percent for 2020, 2021 and 2022, respectively.

If Council approves the additional tax increases for Library Square carrying costs, it is recommended that the Town also plan to allocate the funds to the Town's Tax Rate Stabilization Reserve until such time it is required for its intended purpose. The Tax Rate Stabilization reserve is used to stabilize or control the effects on the Town's annual required tax levy relating to a significant short-term positive or negative budget shock.

Communications Considerations

This report will be posted to the Town's Budget and Financial Information web page for transparency and accountability as part of the overall annual budget communications and engagement plan.

Link to Strategic Plan

Developing the annual budget supports all aspects of the Strategic Plan. Specifically, this report supports the Plan principles of Leadership in Corporate Management, Leveraging Partnerships, and Progressive Corporate Excellence and Continuous Improvement.

Alternative(s) to the Recommendation

1. The Committee may make recommendations for changes to the 2020, 2021 and/or 2022 draft operating budgets at any time during its review process.

Conclusions

Council established a budget target for the 2020, 2021 and 2020 operating budgets of inflation plus 1 percent in support of fiscal strategies, representing a maximum 3 percent tax increase.

Through careful review, staff have developed and presented to the Budget Committee for its review and recommendation to Council for approval draft operating budgets for the next three years requiring an annual tax rate increase of 2.9 percent that meets all of Council's criteria and goals as set out in their directives to staff.

Staff have also identified two pressures in addition to its recommended 2.9 percent increase each year along with recommendations for their mitigation. Should Council

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approve these items as presented, the Town's total required tax levy rate increase would become 3.4, 3.4 and 2.9 percent for 2020, 2021 and 2022, respectively.

Attachments

None

Previous Reports

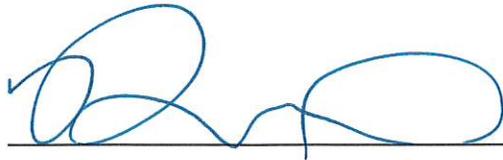
FS19-031: 2020-22 Operating Budget

FS19-020: 2020-22 Budget Development Direction

Pre-submission Review

The Agenda Management Team's review of this report was facilitated by e-mail on Monday, November 18th.

Departmental Approval



**Rachel Wainwright-van Kessel, CPA, CMA
Director, Finance
- Treasurer**

Approved for Agenda



**Doug Nadorozny
Chief Administrative Officer**