

MEETING NO: # 03 18
DATE: October 25, 2018
TIME: 1:30 – 2:30 pm
PLACE: CH Admin. Office, 2596 Britannia Road West, Burlington ON
905.336.1158 x 2236

AGENDA

Page #

1. **Acceptance of Agenda as distributed**
2. **Disclosure of Pecuniary Interest for Finance & Audit Committee**
3. **Consent Items**
Roll Call & Mileage
Approval of Finance & Audit Committee Minutes dated June 5, 2018 2 - 3
4. **Action Items**
- 4.1 **2019 Budget and Business Plan** 4 - 17
Report #: FA 03 18 02
5. **Other Business**
6. **Adjournment**

MEETING

Finance & Audit Committee # 02 18

MINUTES

A meeting of the Finance & Audit Committee was held on June 5, 2018 beginning at 9:30 a.m. at Conservation Halton Administration Office, Burlington ON.

Present: Moya Johnson
Jim Sweetlove
John Vice
Gerry Smallegange

Absent with Regrets: Rob Burton

Absent: Cathy Duddeck
Rob Duvall

Staff Present: CAO, Hassaan Basit
Senior Director Corporate and Strategic Initiatives, Sheryl Ayres
Director of Finance, Marnie Piggot
Executive Assistant, Adriana Birza

Next F&A Committee meeting: October 25, 2018

1. **Acceptance of AMENDED Agenda**

FA 02 01 Moved by: Gerry Smallegange

THAT the **AMENDED Agenda be accepted.**

2. **Disclosure of Pecuniary Interest for Finance & Audit Committee**

There was no disclosure of pecuniary interest

3.0 **Consent Items**

Roll Call & Mileage
Approval of Finance & Audit Committee Minutes dated April 12, 2018

The Consent Items were approved as presented.

4.0 **Action Items**

4.1 **2019 Preliminary Budget and Business Plan
Report #: FA 02 18 01**

FA 02 02 Moved by: John Vice
Seconded by: Gerry Smallegange

THAT the Finance & Audit Committee **recommend to the Conservation Halton Board of Directors that the attached 2019 Preliminary Budget and Business Plan be approved for budget discussion purposes with funding watershed municipalities.**

Carried

5.0 Other Business

- 5.1 Gerry Smallegange requested an update on the status of Developer Contributed funds for the CH parks capital development.

Conservation Halton to bring an update report at Board of Directors on DC Funds allocation/challenges in September.

6.0 Adjournment

Moved: Moya Johnson

The Finance & Audit Committee **adjourned at 10: 06 a.m.**

Carried

DRAFT

REPORT TO: Finance & Audit Committee

REPORT NO: # 03 18 02

FROM: Sheryl Ayres, Senior Director, Corporate & Strategic Initiatives
905-336-1158, ext. 2250; sayres@hrca.on.ca

DATE: October 25, 2018

SUBJECT: 2019 Budget and Business Plan

Recommendation

That the Finance and Audit Committee recommend to the Conservation Halton Board of Directors that:

- Municipal funding of \$9,677,687 in the 2019 Budget and Business Plan be approved by a weighted vote by the Conservation Halton Board of Directors at the November 22, 2018 meeting;
- Municipal funding of \$300,311 being the Provincial funding matching portion included in the 2019 Budget be approved;
- Transfers to and from Reserves be approved as outlined in this report;
- The 2019 Budget and Business Plan be approved as presented.

Executive Summary

The 2019 budget is being submitted to the Finance and Audit Committee for recommendation of approval by the Conservation Halton Board of Directors at the November 22, 2018 meeting. The detailed 2019 Budget and Business Plan includes, for each department, a business plan, key objectives and activities, key performance indicators, a staffing overview and program budgets.

Conservation Halton's 2019 operating and capital budget and 2020-2028 forecast provides the resources that are needed to protect, restore and manage the natural resources in the watershed and deliver programs, services, and infrastructure. The 2019 operating budget of \$29.1 million and the capital budget of \$5.6 million provide for a combined investment of \$34.7 million into programs, services and infrastructure.

Although the budget increase over the 2018 approved budget is \$3.0 million, the majority of the increase is funded from self-generated revenue and grants. The balance of the increase is funded through municipal levies in the amount of \$430,000 which results in an increase of 4.5% over 2018 municipal funding. Total municipal funding of \$9.98 million makes up less than a third of all funding sources in the 2019 budget.

A summary of the municipal funding included in the 2019 budget is as follows:

	Budget 2019	Budget 2018	\$ Increase (Decrease)	%Increase
Total Municipal Funding:				
Operating	8,916,785	8,605,511	311,274	3.6%
Capital	647,013	656,813	-9,800	-1.5%
	9,563,798	9,262,324	301,474	3.3%
State of Good Repair (SOGR) Levy - Dams & Channels; Buildings	414,200	286,000	128,200	44.8%
Municipal Funding	9,977,998	9,548,324	429,674	4.5%

The increase in municipal funding for operating and capital programs is \$301,474 or 3.3% and the balance of the municipal funding increase of \$128,200 will support an increase to the State of Good Repair Levy. Included in the municipal funding increase is an increase in debt financing charges of \$86,053 or .9% of the municipal funding increase. The increase in debt financing is primarily a result of the debt financing increase requested in 2018 for Kelso Dam rehabilitation work. The operating and capital forecast has been prepared with municipal funding increases ranging from 4% to 4.5% annually including the phase in of the State of Good Repair Levy.

One of the key service targets in Conservation Halton's Strategic Plan is to limit operating and capital municipal funding increases to regional budget guidelines. The operating and capital increase of 3.3% is within the Region of Halton guideline of 3.5% and with apportionment shifts the increase apportioned to Peel Region is 3% and within Peel Region's guideline of 3.2%. The City of Hamilton has provided a guideline of 1.5%.

Revisions made in the 2019 budget from the 2019 preliminary budget submitted in June include the following:

- Two new staff positions and one existing staff position have been removed from the 2019 budget along with the related funding and chargeback impacts. The impact on municipal funding for the staff changes was a decrease of \$24,032. This also reduces new net Watershed Management and Support Services (WMSS) FTE's to 2.6.
- The Shoreline Management capital project, in the amount of \$40,000, has been removed and instead an operating expense in Ecology for shoreline monitoring, in the amount of \$8,000, has been added.
- Debt financing charges provided by Region of Halton staff have been updated and include debt financing for 50% of Scotch Block and Channel project costs and 100% for a space needs review and potential new or renovated space in 2020-23 in the forecast.
- The State of Good Repair Levy for Dams and Channels has been reduced to \$339,200 from \$483,468. With the 2018 budget, this levy was intended to be phased in over a four year period but will now be phased in over a longer timeframe and be fully implemented over a ten year period by 2027.
- The State of Good Repair (SOGR) levy for Buildings has been reduced to \$75,000 from \$175,000. The original estimate of \$175,000 included the buildings at our current Operations Centre. The future of this site and an evaluation of space needs will be undertaken in a future year and therefore we have reduced this funding until there is more certainty around facility space and needs.
- Vehicle & Equipment replacements have been updated in 2019 and the forecast. There is no impact to municipal funding for this change.

Report

The 2019 budget report is based on summary information provided in the 2019 Budget and Business Plan.

2019 Operating Budget Summary

Conservation Halton has established two primary budget categories in its Budget Principles, Watershed Management and Support Services (WMSS) and the Conservation Areas, based on the funding sources for these categories. Whereas the programs and services in the WMSS category receive municipal funding support, the Conservation Areas are self sufficient in funding sources through the program fees charged to park visitors. Annual park operating surpluses are transferred to the Conservation Area capital reserve to fund park capital project expenditures. The parks do not receive municipal funding for the recreation programs provided with the exception of education programs.

The operating budget of \$29.1 million provides for an investment of \$16.3 million into the Watershed Management and Support Services (WMSS) and an investment of \$12.8 million into the Conservation Areas.

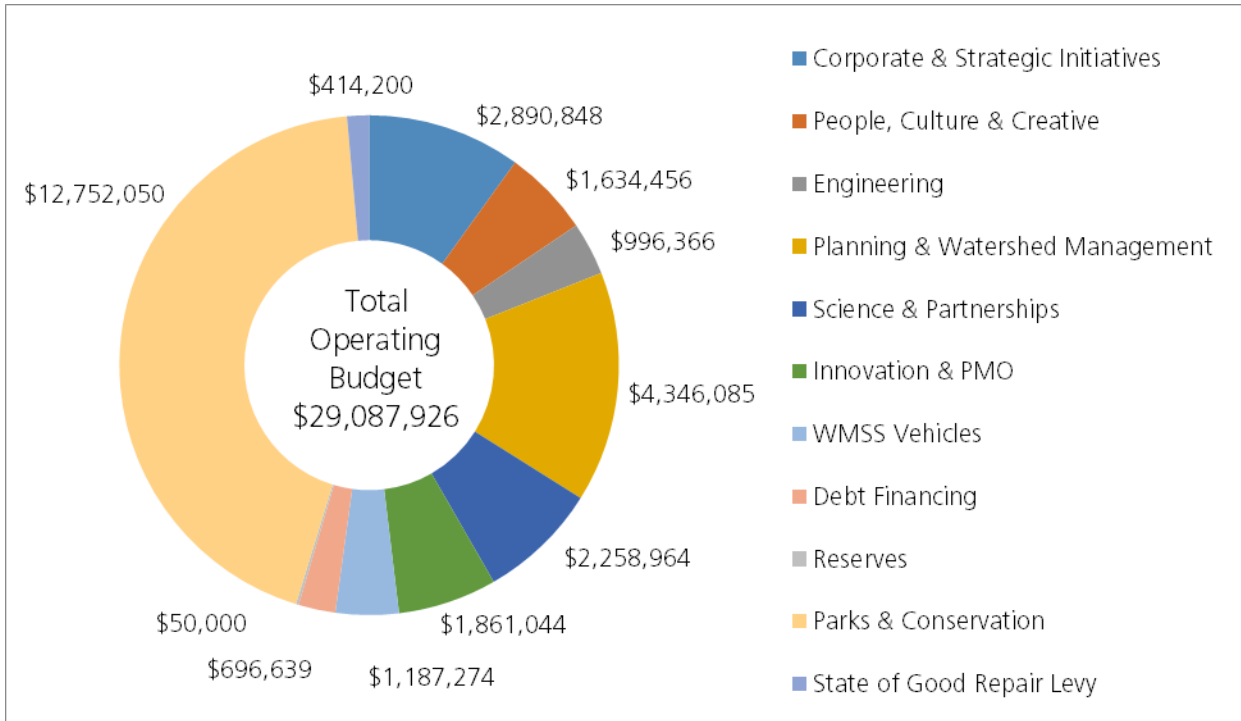
Operating budget expenditures have increased by \$1.7 million over the 2018 budget with the majority of the increase funded by program revenue and other grants. The 2019 budget requires municipal funding of \$8.9 million excluding the State of Good Repair Levy, an increase of 3.6% or \$311,274 from our municipal funding partners to deliver the programs and services offered by Conservation Halton. Further details of the operating budget for each department are provided in the departmental business plans.

Salaries and benefits totalling almost \$19.1 million make up the largest expense in the 2019 budget. This is an increase of almost \$1.4 million from the \$17.7 million included in the 2018 budget. This includes adjustments to staff compensation based on an increase of 1.75% on the salary bands and an estimate for the phased in compensation system review that commenced in 2018. The Watershed Management & Support Services program staff salaries and benefits increase is \$420,322 that is partially municipal funded offset by increase in program revenue, chargebacks and other funding. The increase in Conservation Areas staff salaries, benefits and minimum wage adjustments are fully funded by program revenues of \$617,135. The balance of the increase in staffing costs is related to full time equivalent (FTE) staff additions with WMSS new staff costs of \$148,857 for 2.6 FTE's and Conservation Area new staff costs of \$173,991 for 3.0 FTE.

Assumptions Used in Preparing the 2019 Operating Budget

- Inflation has been assumed at 1.75% to 2%. Although the rate of inflation is expected to increase to 2.5% in the third and fourth quarters of 2018, the Bank of Canada expects inflation to return to about 2% in 2019. According to Statistics Canada, the Consumer Price Index as of August 2018 for Ontario is 2.8%.
- Salaries for 2019 are proposed to increase by 1.75%. Salaries are based on 91% and 94% of the top of the salary band for Conservation Areas and Watershed Management and Support Services (WMSS) staff respectively. These percentages are consistent with the 2018 budget and represent the proportion of actual salaries to the top of the band.

The following chart shows the distribution of the operating budget by department.



Investing in the Watershed

The WMSS 2019 operating budget expenses of \$16.3 million have increased by \$523,138 over the 2018 operating budget. This increase is funded by program revenue, grants, reserves and chargebacks of \$211,864. Municipal operating funding for WMSS programs is proposed to increase by \$311,274 in 2019.

Major drivers of the WMSS operating budget increase include:

WMSS staff salaries and benefits	\$420,322
Accounting restatement of Source Protection chargeback	(95,000)
New staff offset by positions not replaced in the 2018 budget	148,857
Digital transformation purchased services	30,000
Reallocation of expenses to Conservation Areas budget	(45,700)
Municipal debt financing charges	86,053
Transfer to Land Securement Reserve	25,000
Transfer to Vehicle & Equipment Reserve	(50,000)
Partnership Projects	(151,321)
Net inflationary increases and other	26,727
State of Good Repair Levy	128,200
Total increase in 2019 operating budget	\$523,138

Salaries and benefits have increased by 1.75%, as previously discussed, as a conservative inflationary increase. A net increase of 2.6FTE's is included in the budget to address increasing demands on

services. An accounting restatement of the chargeback from the Source Protection program has been made to be consistent with the provincial reporting requirements.

Municipal debt financing charges will increase in 2019 by \$86,053 as a result of new financing for dams and channels capital projects in 2018 and 2019. Municipal debt financing and debt charges are discussed in more detail later.

Proposed enhancements in Information Technology and Engineering Flood Forecasting and Operations will continue to facilitate the digital transformation process and modernize these operations. These initiatives are recommended in the Technology Landscape Assessment completed in 2018 and in the Strategic Plan.

The 2019 budget includes a transfer to the Land Securement Reserve to begin to set aside funding for future land acquisition requirements as opportunities arise. A decrease in the transfer to the Vehicle & Equipment Reserve is a result of an evaluation of the condition of the current fleet of vehicles, composition of the current fleet, and future needs.

Investing in our Parks

The Conservation Areas 2019 operating budget provides for an investment of \$12,752,050 into the Conservation Areas.

Operating expenses have increased in the Conservation Areas 2019 operating budget by \$1,138,146. The increase in expenses is funded by increased Program revenue, with the exception of a proposed increase in municipal funding for Education programs of \$47,646, bringing 2019 municipal funding to \$240,000 from the 2018 Budget amount of \$192,354.

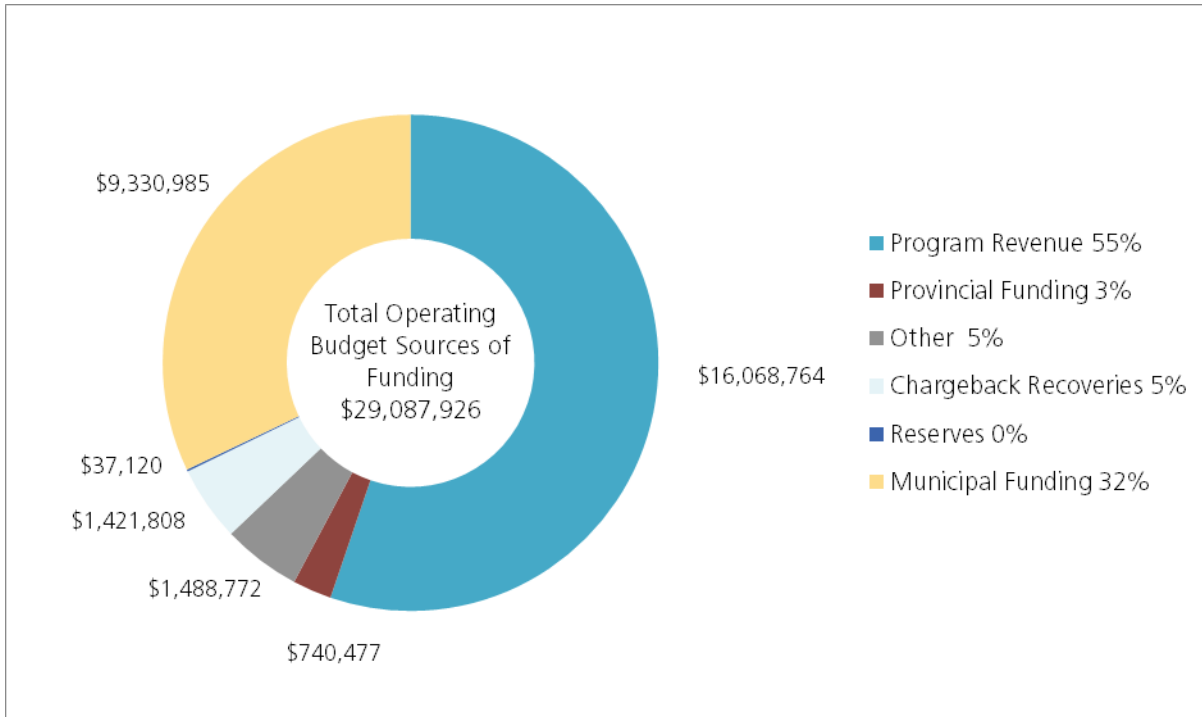
Increases in expenses are largely related to staffing. Two new full time positions are included in the operating budget to assist with lift and maintenance needs at the parks. The impact of the minimum wage increase in 2018 has been fully factored in to the operating budget accounting for most of the staffing cost increase.

New programs included in the Conservation Areas operating budget are the implementation of a Visitor Impact Monitoring and Management program that is identified as a Strategic Plan initiative for 2019.

The chargeback to the Conservation Areas for support services has decreased in the 2019 operating budget by \$65,286 to \$990,500. The decrease is the net impact of the second year of a phased increase to the parks chargeback of \$79,614, offset by a reduction of \$144,900 for positions not being replaced in 2018 that were included in the 2018 Budget.

Program revenue has increased by \$1,090,500 to \$12,489,750 from the 2018 Budget amount of \$11,399,250. Program revenue increases include adjustments based on the three year average of historical actual amounts, new program offerings and proposed 2019 fee increases, assuming average fee increases of 2 to 5%. The revenue increase is offset by a reduction of \$180,000 associated with the elimination of the snow tubing program at Kelso/Glen Eden.

Sources of Budget Funding



Conservation Halton is proactive at generating funding through sources, such as self-generated revenues, to mitigate the financial impact to our funding municipalities. In a 2017 survey completed by Conservation Ontario, conservation authorities primarily receive funding from municipal levies at an average rate of 53%. The 2019 operating budget funding sources are consistent with prior years with the majority of funding being derived from self-generated revenues and only one-third of the budget funded from the municipal funding of \$9.3 million.

Municipal funding is provided by the Region of Halton, City of Hamilton, Region of Peel and Township of Puslinch. Municipal funding is apportioned according to the area and proportional current value assessment of the municipality falling within the Conservation Halton watershed and is detailed in the Municipal Apportionment section of the 2019 Budget and Business Plan.

Program revenue included in the operating budget has been assumed to increase based on inflationary increases and growth where applicable. In order to continue our proactive approach to funding the budget from program revenue, a Program Rates and Fees Review is currently underway and is planned to be completed in the fall of 2018 with a report from the consultant to be presented at the November Board of Directors meeting. This review will ensure that fees are set at appropriate levels to recover costs of providing services and will also benchmark fees against other similar service providers to ensure equity to the consumers of the services.

Staff Complement Changes

The 2019 operating budget provides for a net change of 5.6 full time equivalent (FTE) which provides for 2.6 FTE in Watershed Management and Support services and 3.0 FTE in the Conservation Areas. A summary of the changes is provided below with further details provided in the departmental business plans.

Department Staffing Summary					
	2018 Approved FTE	2019 Service Adjustment	2019 Reallocation of Staff	2019 Total FTE	Net Change 2019 vs 2018
Corporate & Strategic Initiatives	23.3	-1.3	0.4	22.4	-0.9
People, Culture & Creative	11.7	1.3	0.0	13.0	1.3
Engineering	6.3	1.0	0.0	7.3	1.0
Planning & Watershed Management	35.4	0.6	-0.4	35.6	0.2
Science & Partnerships	15.3	2.0	0.0	17.3	2.0
Innovation & Project Mgmt Office (PMO)	10.3	-0.3	0.0	10.0	-0.3
WMSS Operations	8.7	-0.7	0.0	8.0	-0.7
Conservation Areas	132.7	3.0	0.0	135.7	3.0
Total	243.7	5.6	0.0	249.3	5.6

State of Good Repair Levy

Conservation Halton owns a variety of assets with a net book value at December 31, 2017 of \$65.5 million based on historical costs. The largest asset owned is land at \$35.5 million and 54% of the total net book value. After land, infrastructure that includes dams and channels, buildings and machinery & equipment account for \$27.2 million of the net book value or 41%.

An Asset Management Plan (AMP) for Dams and Channels was completed in 2017. An Asset Management Plan for Buildings is expected to be completed in 2018, and a Plan for the balance of assets planned for 2019 to complete the comprehensive AMP.

The Dams and Channels AMP identified a total annual investment of \$1.5 million to maintain these assets in a state of good repair with 50% proposed to be municipally funded. The State of Good Repair Levy for dams and channels was implemented in the 2018 budget and is included in the forecast as being fully phased in by 2026.

Included in the operating budget is a request for a State of Good Repair Levy of \$414,200, an increase of \$128,200 over the 2018 amount of \$286,000. The 2019 State of Good Repair Levy consists of \$339,200 for dams and channels assets and a new amount of \$75,000 requested for buildings and facility assets. The State of Good Repair Levy will be transferred to the Watershed Management Capital and Building Reserve to fund 2019 and future capital works.

In the 2018 budget, the State of Good Repair Levy for dams and channels was proposed to be phased in over a four year period. Throughout 2018 further discussions have taken place with staff at the Region of Halton to prepare a long term financing strategy for funding asset management needs. Based on the outcome of the discussions, the funding required for dams and channels will be phased in over a longer period of time to mitigate increases in the levy and provide an increase of approximately 1% per year.

An Asset Management Plan for building assets is underway and expected to be completed in the fall of 2018. A Facility Condition Assessment was completed to assess the current condition of building assets and identified a requirement of \$75,000 annually to maintain building assets, outside of the conservation areas, in a state of good repair.

Debt Financing and Debt Capacity

Debt financing charges included in the 2019 operating budget of \$696,369 includes \$666,639 municipal debt financing charges and \$30,000 for estimated principal and interest payments on the 2015 land acquisition loan with the Hamilton Community Foundation.

Municipal debt financing charges in the budget and forecast are based on information provided by Halton Region staff. Debt financing charges are calculated based on Halton Region's rate of return on investment earnings and include 3.2% for Kelso Dam, over a 30 year amortization period, and 3.0% for debt proposed in the forecast, amortized over a 20 year period. Capital projects that have been debt financed include significant dams and channels capital projects and the Administration Office major renovations.

The long term debt balance is currently \$2.8 million. This does not include debt that has been approved, but not yet issued, in the amount of \$4.2 million for the rehabilitation of Kelso Dam. This debt will be issued once project expenses are incurred. Combining the current debt with the amount yet to be issued for the Kelso Dam rehabilitation capital project, the long term debt balance is expected to increase to \$7 million in 2019. The outstanding debt balance will result in a debt capacity ratio of 5.1%, based on the estimated 2019 own source revenues and excluding Conservation Areas program revenue.

Reserve Funding

Included in the 2019 operating budget is Vehicle and Equipment Reserve funding of \$25,000 that has decreased by \$50,000 from the 2018 budget amount of \$75,000. The annual reserve contribution is based on the planned ten year average of the WMSS vehicle and equipment replacements. With the reduction in vehicle replacements and vehicle fleet in recent years the Vehicle and Equipment Reserve balance has grown in excess of current needs. Vehicle replacements and reserve funding have been reassessed in the budget and forecast to bring this Reserve balance to a more appropriate level.

A new transfer of \$25,000 to the Land Securement Reserve is proposed in the 2019 budget. The transfer will help to ensure funds are available to respond to opportunities that meet the guidelines established in the Land Securement Strategy approved in 2018.

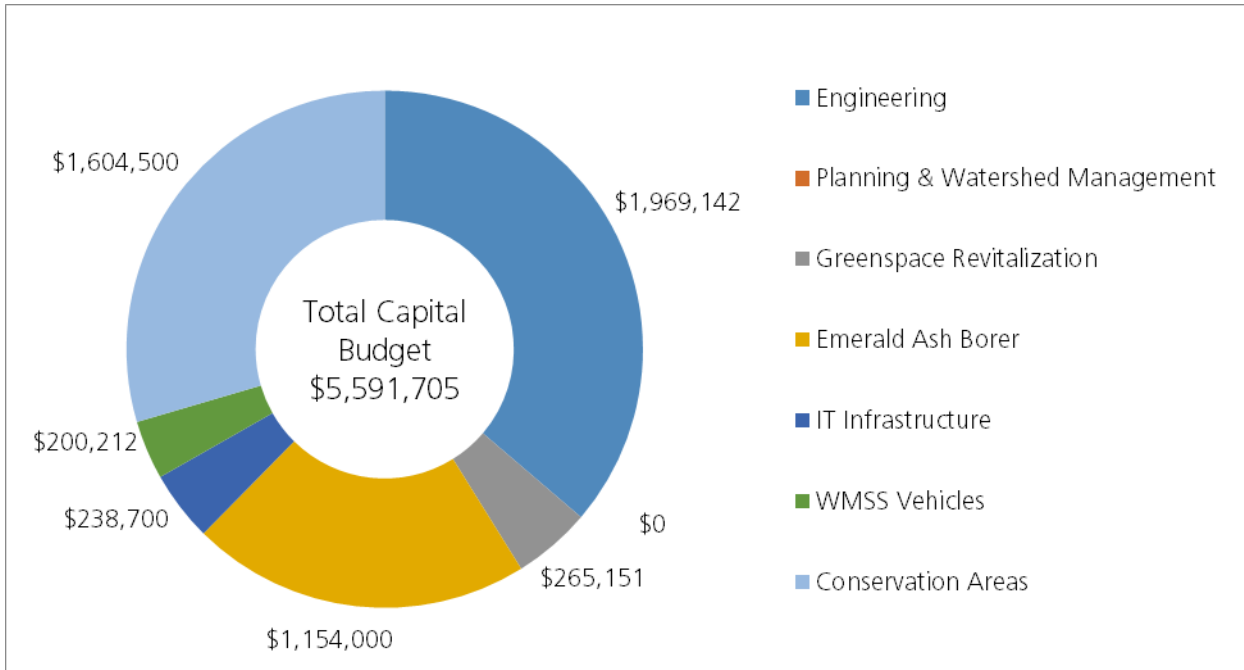
The reserve summary below lists the projected reserve balances at December 31, 2019 and the proposed transfers to and from reserves in the 2019 budget. A reserve continuity schedule with reserve balances to 2028 is provided in the Reserve section of the 2019 Budget and Business Plan.

Name of Reserve	Reserves Projected Balance Dec. 31, 2018	Contribution from Municipal Funding	Contribution from Surplus	State of Good Repair Levy	Contribution to Capital Projects	Contribution to Operating Expenses	Reserves Projected Balance Dec. 31, 2019
Watershed Management & Support Services							
Vehicle & Equipment	1,026,235	25,000			(200,212)		851,023
Building	190,879			75,000	(150,000)		115,879
Watershed Management Capital - Municipal Funds and Self Generated Funds	564,184			339,200	(565,794)		337,590
Watershed Management & Support Services Stabilization	702,413						702,413
Capital Projects - Debt Financing Charges	186,567						186,567
Legal	258,889						258,889
Water Festival	171,911					(22,120)	149,791
Land Securement	8,336	25,000					33,336
Property Management	93,900						93,900
Stewardship and Restoration	239,837				(2,451)	(15,000)	222,386
Conservation Areas							
Capital	2,311,351		478,700		(1,004,500)		1,785,551
Stabilization	854,568						854,568
Total Reserves	6,609,070	50,000	478,700	414,200	(1,922,957)	(37,120)	5,591,893

2019 Capital Budget Summary

The 2019 capital budget represents an investment of almost \$5.6 million into infrastructure and studies to provide programs and services in the watershed of \$4.0 million and conservation areas of \$1.6 million. The budget is increasing by \$1.3 million over the 2018 budget for Watershed Management and Support Services and Conservation Areas projects.

The capital budget provides funding for projects such as the rehabilitation of flood control infrastructure, updating of flood plain mapping, investments in digital transformation and technology upgrades, vehicle and equipment replacements, development of studies and plans, managing the impacts of Emerald Ash Borer, land management initiatives and infrastructure improvements at the Conservation Areas.



Investing in the Watershed

The proposed capital budget provides for an investment of \$4.0 million into Watershed Management and Support Services. Although the WMSS capital projects have increased in cost by \$738,884, the municipal capital funding required for WMSS capital projects of \$647,013 has decreased by (\$9,800) or (1.5%). The increased costs are funded by other sources such as grants and reserves.

The WMSS 2019 capital budget consists of the following department project costs:

<u>Corporate & Strategic Initiatives</u>	
Ortho Imagery	60,000
<u>Engineering</u>	
Dams & Channels Maintenance Projects	1,387,516
Flood Forecasting & Warning Program	115,000
Flood Rain Mapping Update	466,626
<u>Innovation & PMO</u>	
Administration Office	150,000
Giant's Rib Geopark	100,000
Glenorchy	15,151
<u>Emerald Ash Borer</u>	1,154,000
<u>Information Technology Infrastructure</u>	238,700
<u>Vehicle and Equipment Replacement</u>	200,212
<u>Other Foundation Funded Projects</u>	100,000
CAPITAL WMSS	3,987,205

Investing in our Parks

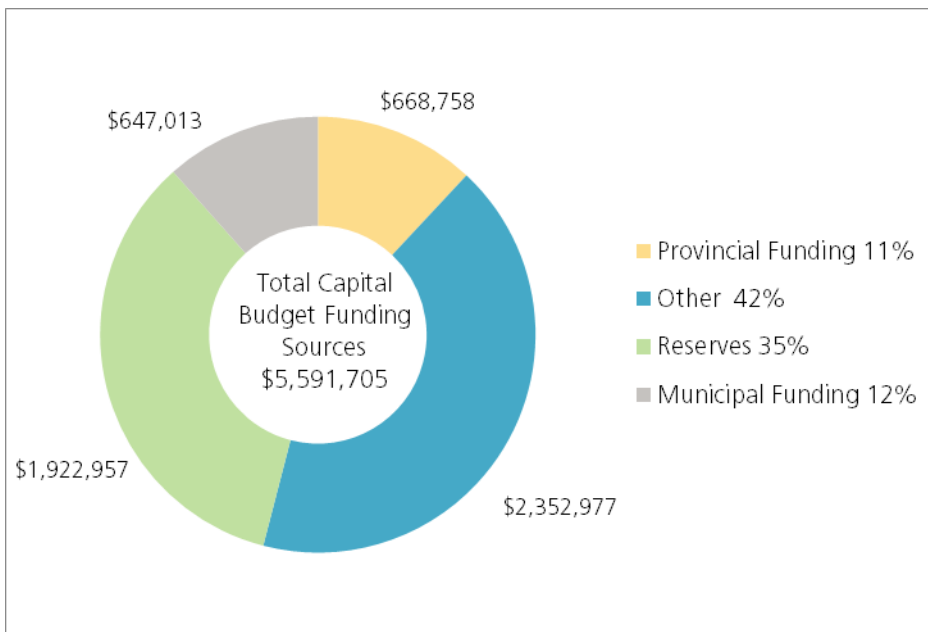
The proposed capital budget provides for an investment of \$1.6 million into the Conservation Areas. Capital project expenditures are largely funded by the Conservation Areas Capital Reserve. The parks Capital Reserve is funded through the transfer of annual park operating surplus to the Reserve.

The Conservation Area 2019 capital budget includes:

Facility Major Maintenance	996,000
Vehicle and Equipment Replacement	108,500
Developer Contribution Works	500,000
CAPITAL CONSERVATION AREAS	1,604,500

Sources of Capital Budget Funding

A summary of the funding sources is provided in the chart below.



Other funding includes municipal debt financing from the Region of Halton to complete Milton & Morrison Wedgewood channel repairs in 2019. It is important to note that approval of this project and committing to debt financing for this project commits future operating budget increases for the repayment of principal and interest on the financing.

2019 Budget and Operating Forecast 2020-2028

Throughout 2018, discussions with staff at the Region of Halton have taken place to develop a long-term financing strategy that ensures funds are available to meet current programming needs, future needs for growth in services are addressed and planning for maintaining assets in the future is prioritized. The long-term strategy proposes a municipal funding increase in the 2019 budget and operating forecast between 4 – 4.5% annually. These annual increases will ensure we have funding in

the future to address inflationary impacts, deal with the impacts of growth in our programs and services, continue to phase-in funding to maintain our assets and provide for consistent funding of the capital budget while minimizing significant fluctuations.

Key assumptions and drivers included in the operating forecast are as follows:

The addition of two new staff positions per year have been assumed in the Watershed Management and Support Services (WMSS) operating forecast. The estimated staffing additions reflect future growth and maintaining existing program service levels. Program service level reviews are completed annually as part of the budget process to reflect service level changes.

Compensation and other expenses in the forecast have been assumed to increase annually at the estimated rate of inflation of 2%.

Watershed Management and Support Services program revenues have been assumed to increase annually by a 2% inflationary rate.

Chargebacks for support services provided to internal programs take into account future compensation increases, the proportion of staffing allocated to these programs and the phasing in of Support Service staff allocations to the Conservation Areas over three years with 2019 being the second year of the phase in.

The operating forecast includes the costs of servicing existing debt and new debt financing for anticipated capital projects. Debt financing has been primarily received through the Region of Halton to assist with partially financing the 50% municipal portion of dams and channels capital projects. The estimated debt financing charges included in the operating forecast related to municipal debt financing have been provided by Region of Halton staff.

The operating forecast includes the operating impact of capital projects once the assets become operational, excluding the Conservation Area capital projects that are partly funded by developer contributions. The cost impacts related to the Developer Contribution works will be assessed through the work included in the 2019 budget for design, cost certainty and regulatory needs.

2019 Budget and Capital Forecast 2020-2028

The 2019 capital budget, forecast for 2020-2028 and financing strategy has been developed by taking into account strategic initiatives in Conservation Halton's Strategic Plan 2020, Metamorphosis. Capital priorities identified in the Asset Management Plan for Dams and Channels, the Facility Condition Assessment on buildings, the Emerald Ash Borer Business Plan, Park Master Plans and Business Plans for Conservation Areas capital projects were also considered to ensure assets are maintained in a state of good repair and address the impact of significant population growth in the region on Conservation Halton's infrastructure. The capital forecast incorporates the initiatives outlined in these documents while ensuring long-term fiscal sustainability.

The largest portion of the Watershed Management and Support Services Capital Budget and Business Plan are related to dams and channels rehabilitation and replacement capital projects. The dams and channels capital projects are based on information prepared by Conservation Halton's Engineering staff. Dams and channels capital projects are assumed to be funded 50% municipally through the State of Good Repair Levy reserve funding and debt financing for Channel and Scotch Block Dam repairs

and 50% provincially through Ministry of Natural Resources and Forestry funding, which is still to be approved as part of a grant application process.

Conservation Areas capital projects in the forecast include three projects totalling \$25.3 million that will be partly funded by developer contributions received by the Region of Halton. The capital projects and contributions collected are related to growth in Conservation Halton services; including recreation centres, water distribution and sewer collection systems. The 2019 capital budget includes funding for the preparation of designs and developing cost certainty for these projects. This information will be used to develop more refined budgets for these projects giving consideration to other sources of funding and future operating impacts.

The Strategic Plan initiatives included in the capital Forecast will enable Conservation Halton to invest in innovative ideas and technologies that will modernize operations, streamline service delivery and improve resource management. Initiatives included in the 2019 budget and 2020 – 2028 capital forecast include:

- Modernizing our flood forecasting and operations
- Improving floodplain mapping across the watershed
- Investing in digital transformation across our systems to manage, analyze and share data
- Mitigating the impacts of Emerald Ash Borer on our forests
- Enhancing environmental restoration and stewardship programs
- Revitalizing greenspaces through efforts including the proposed Giant's Rib GeoPark project
- Expanding the current Asset Management Plan for Dams and Channels and the plan being developed for Buildings in 2018 to include the remaining assets owned by Conservation Halton. The Asset Management Plans will identify the investment required to maintain infrastructure in a good state of repair and allow needs to be prioritized over wants
- Creating the capacity to offer sustainable outdoor recreation and eco-tourism experiences to over one million annual visitors to our network of parks that is increasing as a result of population growth
- Increasing self-generated revenue by 2-5% annually

Impact on Strategic Goals

This report supports the Metamorphosis strategic theme of Striving for service excellence and efficiency. This theme is supported by the objective to provide clear financial data and analysis to support informed strategic and operational decision-making for budget development and long term planning.

Financial Impact

Conservation Halton is faced with delivering core services to an increasing number of residents in the watershed and visitors to its Conservation Areas, in addition to enhancing programs and services to meet mandated timelines and service delivery objectives outlined in Conservation Halton's Strategic Plan Metamorphosis.

With a 4.5% municipal funding increase, or \$429,674, the 2019 Budget and Business Plan focuses on meeting service level targets and the initiatives required to meet the key objectives in the strategic plan.

The 2019 budget provides for investments in our programs to enhance service delivery, digital transformation, watershed planning, greenspace revitalization, floodplain mapping, flood forecasting, and park experiences. The municipal funding requested in the 2019 budget for operating and capital expenses is within Region of Halton budget guidelines for 2019.

Signed & respectfully submitted:

Approved for circulation:



Sheryl Ayres
Senior Director, Corporate & Strategic Initiatives



Hassaan Basit
CAO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT:

Marnie Piggot, Director, Finance; 905-336-1158, ext. 2240;
mpiggot@hrca.on.ca