

## Finance & Audit Committee Meeting

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Zoom Virtual Call:

<https://us02web.zoom.us/j/82760622996?pwd=TINLNkt2WFc5T2dXQ1BmRG5qUTFnUT09> Passcode:  
072555



Start: Wednesday, October 7, 2020 - 10:00am

End: Wednesday, October 7, 2020 - 11:30am

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1. Acceptance of Agenda
  2. Disclosure of Pecuniary Interest for F&A Committee Members
  3. Consent Items
    - 3.1. Roll Call
  4. Action Items
    - 4.1. FA 03 20 01 - 2021 Budget & Business Plan
-  FA 03 20 01 - 2021 Budget & Business Plan
-  Conservation Halton Budget Book - 2021.pdf
5. Other Business
  6. Adjournment
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**REPORT TO:** Finance & Audit Committee

**REPORT NO: #** FA 03 20 01

**FROM:** Marnie Piggot, Director Finance

**DATE:** October 7, 2020

**SUBJECT:** 2021 Budget & Business Plan

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### **Recommendation**

**THAT the Finance and Audit Committee recommend to the Conservation Halton Board of Directors that municipal funding of \$10,430,879 in the 2021 budget be approved by a weighted vote by the Conservation Halton Board of Directors at the October 22, 2020 meeting;**

And

**THAT transfers to and from Reserves in the 2021 budget be approved as outlined in this report;**

And

**THAT the 2021 Budget & Business Plan be approved as presented.**

### **Executive Summary**

The 2021 budget is being presented for consideration by the Finance and Audit Committee to recommend their budget approval to the Conservation Halton Board of Directors at the October 22, 2020 meeting. The 2021 budget and ten-year forecasts are included in the 2021 Budget & Business Plan also provided as part of the meeting package.

The 2021 preliminary budget was submitted to both Halton and Peel region staff in July. Staff have met or will meet with Regional staff in September and October to provide any budget updates. The budget presentation to Region of Halton Council is currently planned for November 25, 2020.

The proposed final 2021 budget of \$36.8 million will allow Conservation Halton to continue to meet its strategic priorities as outlined in the Conservation Halton strategic plan, Metamorphosis. Planning by staff is underway for a refresh of Metamorphosis. The revamped plan will improve and build on our current objectives, themes and success to date.

Municipal funding in the 2021 budget of \$10,430,879 remains at the same amount included in the preliminary budget presented in June. The \$306,561 increase in municipal funding is 3% more than was requested in 2020. This increase is below the Region of Halton guideline of 3.7%. Specific guidelines have not been received from the other three municipalities.

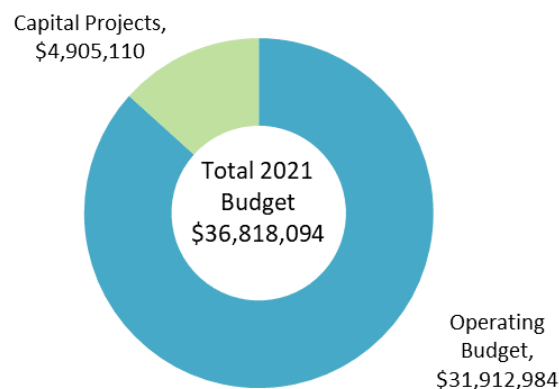
The 2021 budget and forecast considered a balance of strategic priorities, growth-related pressures and potential COVID related impacts on programs that are still uncertain at this time. We have kept the 2021 budget increase below regional guidelines by finding operating efficiencies that do not affect service levels and found alternative funding sources which includes grants. This has helped us minimize the impact on our municipal funding partners. Most of the budget continues to be funded through self-generated revenues and base municipal funding remains at less than 30% of the total funding sources.

Major drivers of the 2021 budget increase over 2020 budget amounts are related to increased staffing costs and projected lower program revenues. Planning and park revenues have been reduced from the prior year based on average historical trends and potential COVID impacts. The 2020 fiscal impact of the COVID pandemic is expected to continue well into 2021.

## Report

The 2021 budget is segregated according to Conservation Halton budget principles into Watershed Management & Support Services (WMSS) programs and the Conservation Areas. A summary of the 2021 budget is provided in this report with further budget details found in the 2021 Budget & Business Plan.

The 2021 operating budget of \$31.9 million and \$4.9 million capital budget will provide for further investments into Conservation Halton programs, services and infrastructure.



## 2021 Budget Revisions

Minor revisions have been made in the 2021 budget from the 2021 preliminary budget and there is no change in municipal funding. A summary of the 2021 budget revisions include:

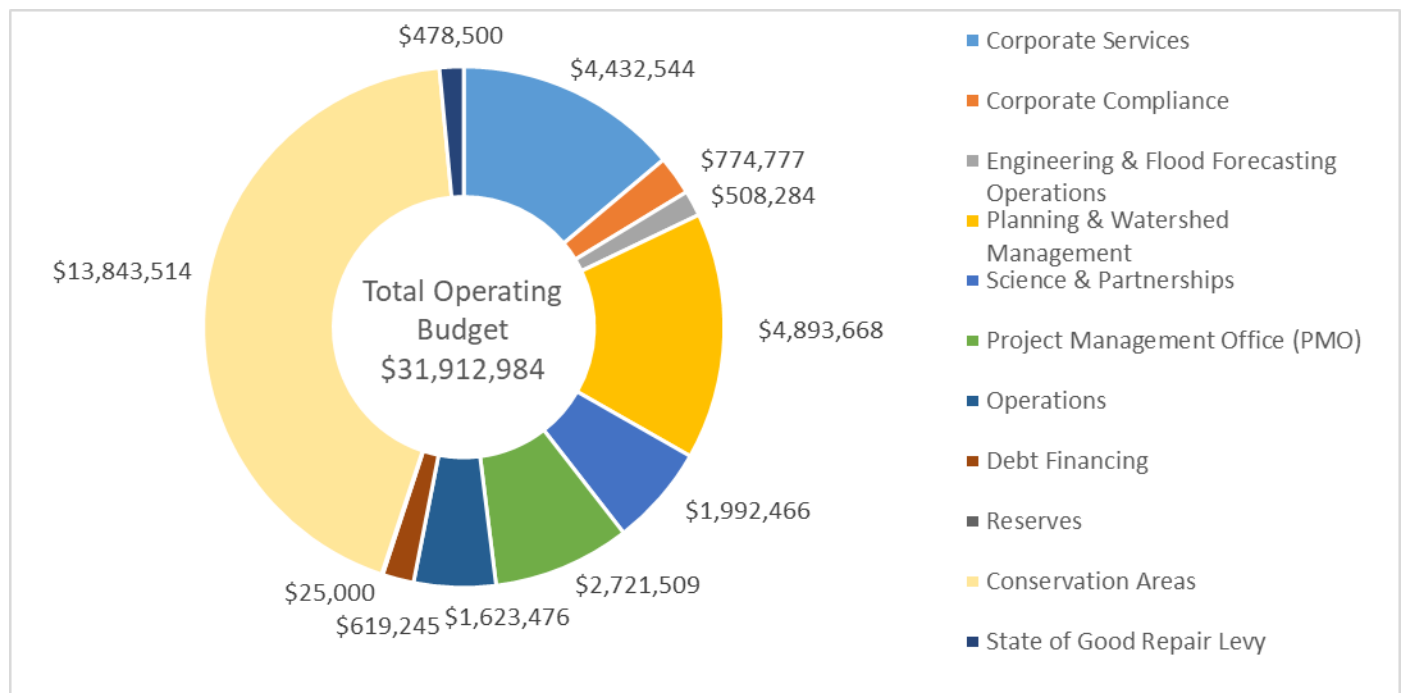
- Municipal apportionment percentages for 2021 received from the province have been updated;
- Staff compensation and benefits have been increased by \$195,000 for Watershed Management & Support Services and the Parks programs. This increase is fully funded by increased chargebacks, program revenue and other grants. The impact of the increased staff costs

resulted in a decrease of almost \$25,000 to a revised Conservation Authority operating surplus of \$251,284. The increase in program revenue reverses some of the Planning revenue decrease included in the preliminary budget. The increase has been warranted based on current projected 2020 revenue with lessened COVID pressures than originally thought.

- Municipal debt financing charges of \$569,245 provided by Region of Halton staff have been updated and have increased slightly by \$912 from the preliminary budget.

## 2021 Operating Budget

The operating budget of \$31.9 million provides for an investment of \$18.1 million in Watershed Management & Support Services programs and an investment of \$13.8 million into the Conservation Areas.



## Investing in Watershed Management & Support Services

The WMSS 2021 operating increase is partially funded by program revenue, grants, reserves and chargebacks.

Major drivers of the WMSS municipal funding increase include:

- Staff compensation and benefits cost increases of \$665,051. Staff salaries and benefits increases in the 2021 budget are related to a 1% inflation adjustment to the salary bands and an increase to 96% of the salary band approximating actual salary costs.
- Planning and Permit revenue reduction of \$171,100 adjusted closer to historical results. There is the potential for higher Planning revenues as a result of the Regional allocation program

approved in 2020 that has not been factored into the budget though this may also require additional staffing resources. There is an offsetting increase in other program revenue and grants of \$267,768.

### **Investing in our Parks**

The Conservation Areas 2021 operating budget provides for an investment of \$13,843,514 into the parks. Operating expenses have increased in the Conservation Areas 2021 operating budget by \$373,717. A large portion of the higher operating expenses are related to staffing costs which have increased by \$284,317. The staff increase is for the most part to adjust part time seasonal staff costs to better reflect historical spending. The increase in expenses is funded entirely by park program revenue.

The chargeback to the Conservation Areas for support services has increased in the 2021 operating budget by \$199,800 to \$1,393,200. The increase is related to support service staffing changes and the estimated allocation of time spent on park programs.

Program and other funding revenue have decreased by \$144,610 to \$13,526,040 from the 2020 Budget amount of \$13,670,650. Program revenue includes adjustments based on the three-year average of historical actual amounts and partially considers COVID impacts. The proposed revenue amounts assume average fee increases to continue to transition to full cost recovery.

### **Staffing**

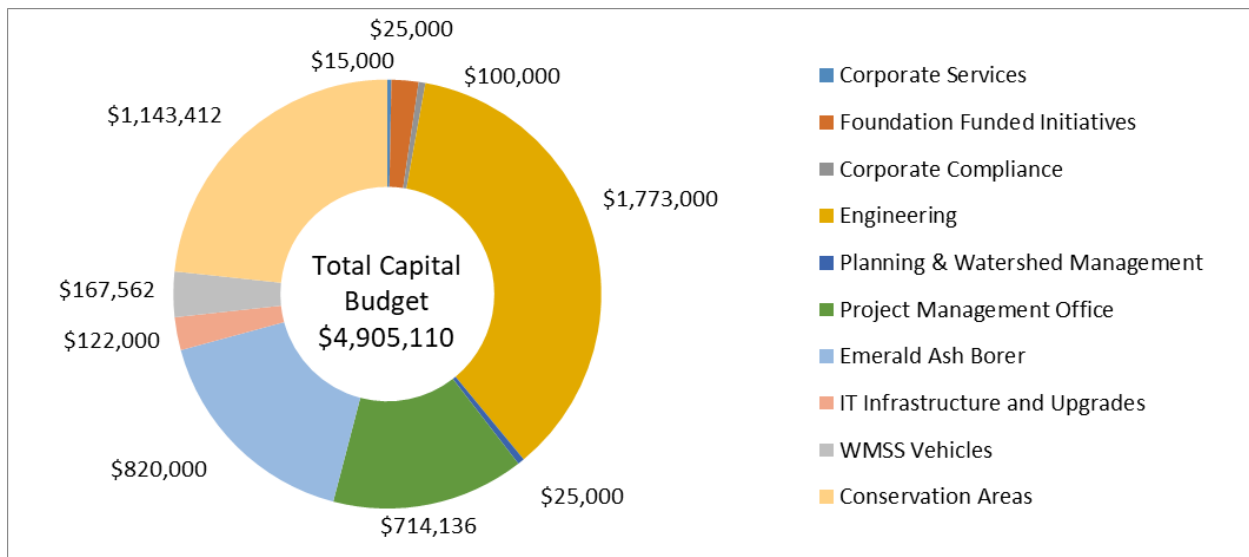
The 2021 budget includes 251 Full Time Equivalent (FTE) staff that are comprised of 113 FTE in Watershed Management & Support Services (WMSS) programs and 138 FTE in the Conservation Areas.

Total WMSS full time staff equivalent (FTE) staff has not changed from the prior year. There is an overall increase of 4.1 FTE staff positions in the parks. The staff complement chart provided in the 2021 Budget & Business Plan provides a detailed breakdown of the FTE changes.

### **2021 Capital Budget Summary**

The 2021 capital budget represents an investment of \$4.9 million into infrastructure and technology to enhance programs and services in the watershed of \$3.8 million and Conservation Areas of \$1.1 million.

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, managing the impacts of Emerald Ash Borer, land management initiatives and infrastructure improvements at the Conservation Areas.



## Municipal Funding

The total municipal funding increase of \$306,561 includes an additional \$39,300 for State of Good Repair levies for dams, channels and facility assets to gradually meet target levels established in the Asset Management Plans for these assets. Asset Management Plans have been completed for all of Conservation Halton's assets with most of the assets identified as in good condition.

Total Municipal Funding:	Budget 2021	Budget 2020	\$ Increase (Decrease)	% Increase
Operating	\$9,695,379	\$9,221,118	\$474,261	5.1%
Capital	257,000	464,000	(207,000)	-44.6%
	9,952,379	9,685,118	267,261	2.8%
State of Good Repair (SOGR) Levy - Dams & Channels; Buildings	478,500	439,200	39,300	8.9%
<b>Municipal Funding total</b>	<b>\$10,430,879</b>	<b>\$10,124,318</b>	<b>\$306,561</b>	<b>3.0%</b>

The operating and capital forecasts have been prepared with municipal funding increases ranging from 3% to 4.5% annually.

## Apportionment of Municipal Funding

Municipal funding of \$10,430,879 is apportioned to the Region of Halton, City of Hamilton, Region of Peel and Township of Puslinch according to the area and proportional current value assessment (CVA) of the municipality falling within the Conservation Halton watershed.

Based on updated current value assessment data and apportionment percentages received from the Province, the apportioned municipal funding amounts are as follows:

Municipality:	Apportionment % 2021	Municipal Funding 2021	Apportionment % 2020	Municipal Funding 2020	% Increase
Region of Halton	87.8421%	\$9,162,704	87.7576%	\$8,884,859	3.1%
Region of Peel	4.7534%	495,821	4.8142%	487,405	1.7%
City of Hamilton	7.1875%	749,719	7.2109%	730,054	2.7%
Township of Puslinch	0.2170%	22,635	0.2173%	22,000	2.9%
	<b>100.0000%</b>	<b>\$10,430,879</b>	<b>100.0000%</b>	<b>\$10,124,318</b>	

### Debt Financing, Debt Financing Charges and Debt Capacity

Municipal debt financing included in the 2021 budget of \$526,500 is comprised of 50% of the Morrison-Wedgewood Channel spill prevention design estimated costs of \$53,000 and low impact development (LID) system improvements at the Administration Office of \$500,000.

The Debt Financing Charges included in the 2021 operating budget of \$619,245 includes \$569,245 municipal debt financing charges and \$50,000 for estimated principal and interest payments on a land acquisition loan with the Hamilton Community Foundation (HCF).

The total long-term debt balance is currently \$5,671,453. The debt capacity ratio estimated for 2021 of 4.5% is based on estimated own source revenues excluding Conservation Areas program revenue. Conservation Halton has approved a debt capacity ratio of 10% in its Budget Principles.

### Reserve Funding

The reserve summary below lists the projected reserve balances at December 31, 2021 and the proposed transfers to and from reserves in the 2021 budget. A reserve continuity schedule with reserve balances to 2030 is also provided in the 2021 Budget & Business Plan.

Conservation Halton Reserves	Reserves Projected Balance Dec. 31, 2020	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, 2021
<b>Watershed Management &amp; Support Services</b>							
Vehicle and Equipment	720,083				(167,562)		552,521
Building	230,128						230,128
Building - State of Good Repair	262,293			102,000	(70,136)		294,157
Watershed Management Capital - Municipal Funds and Self Generated Funds	982,872			376,500	(575,000)		784,372
Watershed Management & Support Services Stabilization	793,193						793,193
Capital Projects - Debt Financing Charges	472,670						472,670
Digital Transformation	250,000						250,000
Legal - Planning & Watershed Management	258,891						258,891
Legal - Corporate	200,000						200,000
Water Festival	158,911					(18,615)	140,296
Land Securement	59,537	25,000					84,537
Property Management	80,040						80,040
Stewardship and Restoration	342,399				(144,000)	(17,500)	180,899
<b>Conservation Areas</b>							
Capital	2,963,738		251,284		(1,143,412)		2,071,610
Stabilization	1,000,568						1,000,568
<b>Total Reserves</b>	<b>8,775,322</b>	<b>25,000</b>	<b>251,284</b>	<b>478,500</b>	<b>(2,100,110)</b>	<b>(36,115)</b>	<b>7,393,881</b>

## Conservation Authority (CA) Act Provincial Review

For the 2021 budget, provincial funding has been assumed to remain at the same level as 2020 funding. There have been no official updates received from the Province and Minister on their review of the CA Act and the joint stakeholder meetings hosted by the Province in late 2019.

### 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 staff have developed a fiscally conservative budget for 2021. The modest increase of 3.0% for operating expenses and State of Good Repair Levy that is proposed:

- considers the potential fiscal impacts of COVID;
- recognizes our regional funding municipalities fiscal pressures;
- continues to provide core services in a growing watershed;
- ensures the needs of the increasing number of visitors at our Conservation Areas are met and
- reflects program and service enhancements to address service delivery objectives outlined in Conservation Halton's Strategic Plan Metamorphosis.

The 2021 budget addresses increased staff costs and estimated revenue shortfalls primarily through operational efficiencies. Additionally, the proposed 2021 budget continues to provide for investments in our programs to enhance service delivery, supports digital transformation initiatives, watershed planning work, greenspace revitalization, floodplain mapping, flood forecasting, and enhances user experiences at our parks.

Signed & respectfully submitted:

Approved for circulation:



Marnie Piggot  
Director, Finance



Hassaan Basit  
President & CEO/Secretary-Treasurer



Lawrence Wagner  
Senior Director, Corporate Services

**FOR QUESTIONS ON CONTENT:**

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# CONSERVATION HALTON 2021 BUDGET & BUSINESS PLAN



# FOREWARD

## Submitted by:

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## Prepared by:

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## In Collaboration with :

Senior Leadership Team and Departmental Staff from:

- Corporate Services
- Corporate Compliance
- Flood Forecasting & Operations
- Planning & Watershed Management
- Science & Partnerships
- Project Management Office
- Operations
- Parks & Recreation

## 2021 Budget Preparation Timeline

