

December 31<sup>st</sup>, 2024

RE: Township of Wilmot 2025 Draft Municipal Budget

Dear Members of Township Council,

I'm writing to you as a concerned resident of Wilmot Township regarding the Draft 2025 Municipal Budget. As outlined in the document, the proposed budget calls for a significant tax increase largely driven by a need to increase funding for the Infrastructure Renewal Reserve which is needed as a result of past decisions made with little thought on future implications. I currently work for a neighbouring municipality and have a number of years of involvement with municipal budget planning, preparation and implementation, so with this massive proposed increase I've taken it upon myself to take a deeper dive into the budget document to see if I could identify concerns and areas of possible opportunities. I've spent significant time going through not only this document, but a number of others on the Township website which relate to the budget package.

I fully understand the need for the large ask to get the required Asset Management Plan (AMP) funding back on track, as I work with similar funding plans and deal with asset replacements. That being said, I don't think the proposed approach is an acceptable or sustainable strategy for Wilmot's residents to bear. The problems we face today are years in the making, and I think it is the duty of this Council to take a hard look at finding a balance between securing the necessary long term funding with the ability for residents and businesses to actually pay for these costs without further negative impacts during the already difficult cost of living situation. A significant single year adjustment is not a viable option to correct past decisions, and while it may be advertised as a "one-time increase" in the media release, this increase is in fact a permanent fixture every year moving forward as highlighted in Figure 1 of the budget document. Furthermore, this figure actually shows an annual increase of the 2025 Reset amount over the next 10 years in addition to anticipated base taxation increases. While Figure 1 isn't accompanied by actual numbers, the chart appears to show tax revenue doubling in the next six years, and the 2025 Reset appears to increase by about 10% over the same time period. Its not clear what assumptions are made here regarding growth taxation versus existing, but there doesn't appear to be sufficient transparency to fully understand the long term implications of the proposed increase.

The Township has been put in a poor position, and I think we need to move forward understanding that we need to work collaboratively to deal with this in manageable pieces, and a single year shift is not an acceptable solution. This also means that tough decisions need to be made by this Council about how the Township proceeds, and sacrifices need to be made in order to get things back on track in a fiscally responsible way that mitigates the impact to Wilmot's residents. I think there needs to be some serious effort taken to look at how to extend asset life, as well as a balance of optimizing or scaling back what is funded on a year to year basis, both in a capital and operating sense. Poor decisions have been made in the past, but forcing the residents of Wilmot to foot a bill this large indefinitely would be failing the community almost as much as making the past decisions which got us to this point.

In reviewing the document, I've come up with a number of items I feel need to be brought up. While some items may have already been noted through your own reviews, I feel like I'm reviewing the information through a unique lens that may be different from the majority of the public, and I'm hopeful that the members of this Council will take the time to read through this to better assist with their own examination process. Below are a few section summaries to hopefully communicate as clearly as possible my observations. I would also like to state that this is not an all encompassing list as I feel there are other areas of opportunity, but the hope is to get the major observation themes and allow each of you to further investigate.

### **Structural Concerns**

Before we talk about how to address the current situation, I think some focus needs to be put on controls to prevent this type of mis-management from occurring again. It appears that in the past funds were moved between reserves to pay for projects, as well as from capital to operating to offset higher operating costs to mitigate annual tax increases.

- Do policies currently exist to provide guardrails for staff as to how reserve funds can be managed? One of the operational requests speaks to how the Building Division Reserve has been significantly depleted over time to offset tax increases. Furthermore, the Reserve Fund Balance document on the Township's website shows five reserves with negative balances. Its not evident that there are currently any policies to prevent a negative reserve balance in the 10 year operating or capital plans.
- What approvals are required to transfer from one reserve to another? Does this require Council approval? If Council approval is currently not required this should be looked at as Council should have a say over shifting funds from one reserve to another as that shouldn't be a common practice.

I noticed that the major tax implication is related to boosting the Infrastructure Renewal Reserve. It appears this reserve covers Fire, Transportation and Parks/Facilities assets. I believe this brings management risk with having such a broad funding pool that is responsible for so many different asset types.

- Is there a reason that these three areas are being combined into a single reserve? My recommendation would be to split this into multiple reserves that are more accurately funded by specific asset replacement plans and drawn off of with no cross funding to better control reserve balances. In the inevitable event that the fire vehicle budgeted at \$1.25M (FS-2025-02) becomes more expensive due to pending Canadian dollar/US tariffs issues, the overage will come from the same reserve that funds roads and facilities renewal to the detriment of those other areas.
- I believe each of these items should have their own reserves that are funded based on their individual asset management plans and are not allowed to cross-fund shortfalls without Council approval (ie. Facilities reserve contributions shouldn't be funding Fire assets and vice versa). This may also better define Development Charge (DC) components for various system growth.

- In my experience a Fleet Reserve has also been used as a basis for funding the replacement of all fleet assets and are separate from other capital needs which helps to better manage fleet specific costing.

Is there a 10 year capital plan? The Township website includes one as a “living document” but appears to be from 2022 or 2023. This should be included in every yearly budget to show capital planning for future years and show any peaks and valleys. The capital plan should also be created in a manner that can be supported by reserve contributions. Without having an updated 10 year capital plan, there is no transparent business case for the \$4.5M Infrastructure Renewal Reserve funding. Without an annually updated capital plan, there is no basis for the reserve contribution needs. This plan is needed for staff to look for opportunities to defer work and spread out the increases to more manageable levels, and to be transparent to Council and the community that that kind of analysis is actually being done.

How is community growth factored into the long term tax revenue needed to improve the AMP targets? I know where is a large subdivision approved between New Hamburg and Baden, how does that help with these AMP burdens?

Operating Request Form #2025-08 speaks to using tax money to help fund Development Charge exemption gaps. I understand that some exemptions are legislated, but in a time of affordability concerns, why is the Township approving additional exemptions and making the taxpayers responsible for paying this shortfall? I understand that development charge exemptions can encourage new businesses and expansion opportunities, but as the request form states, the current reserve fund balances “are near zero”, so why would we offer exemptions at all? A DC exemption impacts taxpayers on an ongoing basis. I would ask that removing DC exemptions be considered as other local municipalities have done. Does further development help our residents if it increases the cost of living?

## **FTE Concerns**

I don't see anywhere in the budget that outlines current FTE employee counts, and summarizes the additional position asks. I find this a bit surprising as this would help provide transparency to how the organization is structured as compared to service levels, as well as show how the organization intends to be structured to adjust to changing service levels.

There are currently 5 new positions requested with a total budget impact of 4.62%. In reviewing the FTE related Operating Request forms, I don't think these are written well enough to justify approval of the proposed expenditures at the same time as trying to address the request for a significant capital replacement injection. In addition none of these positions appear to be related to the delivery of the increased capital program.

In my mind, with the need to address the significant reserve shortfall, none of these positions are needed at this time. I see value in all of them, but none are written in a manner that clearly shows how they are financially beneficial.

- Senior Urban Forester – Valuable in the future, but seems to be somewhat handled through contracted services (doesn't show a cost comparison of contracted service savings compared to FTE expense). Low risk of not having this position at this time.
- Economic Development & Tourism Officer – does not adequately explain the role or the value that the position brings. Low risk of not having this position at this time.
- Senior Policy Planner – I understand this as my organization approved additional positions to assist with the Bill 23 implications. However we got this a year ago, so one would think that the changes are being somewhat handled today. The description says more downloading from the Region, is there a corresponding FTE removal at the regional level? I can see this position being needed the most, but not sure it is warranted with the other increases proposed.
- Revenue Supervisor – I see the value here, but there are not community growth metrics to support the workload listed. I think this can be deferred to future year due to priority on reserve increases.
- Grants Coordinator – I understand the need for this position, but the request didn't quantify the missed opportunity of not having this position. How many/what value of grants were not able to be applied for in the past year or two due to lack of a dedicated resource? Also the budget includes a decrease of \$35k in grants so I don't see the value this position is bringing for an annual expense of \$113k.

## **Operating Concerns**

In reviewing the line-by-line Operating budget it is not very informative and should be restructured to show the current year's forecasted spend, as well as the percent increase of each budget item from the previous year. Without showing a 2024 forecast for each item, how can Council and the public have a level of trust that the 2025 line items are reasonable? Not having a forecast makes me question the justification for every line item.

I took a close look at a number of the line items, and the majority of what was reviewed relating to fuel, natural gas, electricity showed no increase from 2024 to 2025 which makes me question how accurate these numbers are and what was used to support the request.

- As an example, the Wilmot Rec Complex's electricity budget for 2025 is unchanged from 2024 at \$366k. With no forecast for 2024, how are we anticipating we performed against the 2024 budget? Are we trending higher, lower, on target? Utility costs go up most years so not budgeting an increase either means energy consumption is expected to drop, the previous year was over budgeted, or increases are not being looked at with any kind of philosophy.

Another big area is fuel costs. While I know that estimating fuel prices is extremely difficult, it's widely understood that there is a carbon price increase planned for April, so there should be an increase if the fleet size and utilization is not changing. That being said, we need to understand 2024 forecasting to determine if 2025 is being done properly.

Departmental KPI's are a useful tool to quantifying service levels, however there should be a 2025 budgeted number to show metrics that the budget is based on. Is service expected to increase/decrease/maintain?

On page 30, are capital funds being used to offset wage increases in the Public Works department? Would this not be further contributing to the reserve balance issues?

### Capital Concerns

What is the current Infrastructure Renewal Reserve balance (anticipated end of 2024)? Is the reserve boost request reflective of the current allocation balances and needs?

- Fire – 7%
- Parks/Facilities – 33%
- Transportation – 60%

2025 Capital Infrastructure Renewal Reserve requests total \$8,390,925. How much of this is being funded from existing reserve vs the reset taxation amount? The Reserve Balance document on the Township website does not list the Infrastructure Renewal Reserve so how is this all being funded? I see in request FS-2025-01, \$4M of the fire hall would be funded from Fire DC's, but the 2023 year end Fire DC reserve only had a balance of \$127k?

The bulk of the 2025 capital plan is related to three fire department assets which total approximately \$5.6M, or 67% of the total budget.

- The fire vehicle replacement is driven by end of life replacement based on age. Are any other aspects taken into account? We do a Vehicle Replacement Rating based on a combination of age, mileage, Repair & Maintenance expenses, and down time. In an effort to mitigate costs, we regularly extend the life of fleet assets based on other condition factors.
- How many fire calls were each unit used on in the past 2 years (fire vs Motor Vehicle Accidents)?
- What is the impact of “*The Fire Underwriters Insurance Grading for the Township can be negatively impacted using older apparatus and could result in a downgrade of the Public Fire Protection Classification (CFPC) should the township not demonstrate a suitable effort to replace aging fire apparatus.*”? What does this downgrade mean in financial terms and how is this risk actually quantified?
- It appears that unit 639 needs to be upsized, would this “growth” cost not be funded from DC's? The 100' ladder is needed for future 6 storey buildings. What is the timeline of getting structures that tall?
  - The 100' ladder requirement seems to be the main driver of the new fire hall (flood concerns have been dealt with for the past 60 years).
  - Does mitigation of the current budget situation allow for an opportunity to put a cap on development of taller structures and delay the fire station build and procurement of the large aerial for a few more years pending current overall unit condition and call count?

With the long lead items, is the funding actually needed now or in 2027? We do early procurement where the funds are committed, but not actually needed until the year of expenditure (and identified as such). I'm not sure what kind of deposit (if any) are needed for fire truck procurements but there doesn't appear to be a need to actually secure the full funding requirement in year 1 of an item that takes 2 years to receive.

Furthermore, is the fire hall design complete? It states that \$600k was included in the 2024 budget, where does that work stand and how accurate is the construction estimate? 2024 highlights include no mention of the design work status which leads me to believe it is not complete (page 20/21 of budget package). If the design has not been completed what is the construction budget based on, and why are the full construction funds being asked for now? The request states that it will take 2 years to construct, so why are all of the funds needed in year 1? We split long term project funding over multiple years to mitigate funding requests and make implementation and in-year spend more achievable.

Capital request #COR-2025-001 requests \$200k for annual hardware, software and network infrastructure upgrades. How many desktops, notebooks, tablets, servers and network switches are required to be replaced? This value seems excessive unless the intention is to replace a significant amount of equipment. The 10-year capital plan on the Township's website only shows \$58k for 2025 for this item? Is there an opportunity to spread this equipment replacement out over a longer period of time?

Capital request #IS 2025-023 references that the requested new salt dome would also align with the Public Works Operations Centre's master plan for future growth. Would that not be partially funded from Development Charges to accommodate growth in service levels? I would also be curious to understand what the noted costly repairs have amounted to for the roof repairs as compared to the design and construction of a new structure. I understand a new structure needs to be built, but just wondering if this is an option to push off another year with some localized foundation repairs being its already been put off since 2020?

As mentioned previously, I understand the need for the capital injection to correct decisions from the past that have put the Township in a difficult position. Capital replacement planning is a necessary step to operate the Township's assets in a fiscally responsible way, and I fully support that type of work. However, the strategy to correct the issue in an expedient manner by increasing taxation revenue at a significant expense to Wilmot's current residents is not an acceptable path forward. It is imperative to have a 10-year capital plan included as part of the annual budget that outlines long term replacement plans and supports reserve contributions. Without this tool, there is no transparency to support the reserve contribution needs which the residents are being asked to fund. We also need to ensure Development Charges are being properly applied to support growth coming to the community. Finally, there needs to be more transparency on the operating budget to demonstrate adequate annual performance in all areas. Without completing annual forecasting, it is not possible to tell the story of how the Township is performing and what funding shortfalls or opportunities may exist.

I look to this Council to ensure they are fully educated on the Township's existing and future operations plan, and ask the difficult questions on behalf of the residents. There needs to be a willingness to look at these issues from multiple angles and explore creative solutions. There also needs to be an understanding that Wilmot's residents can't afford this increase, and the organization needs to take a closer look at how to extend asset life and work within our means. The Township may not be able to afford to do all of the things it wants to do, but it needs to adapt to this reality that's been created from past decision that have had a lasting impact.

This situation is producing not only a need to determine a long-term solution to overcome our financial shortcomings, but also an opportunity to identify and install controls to prevent the same shortsighted decision making from happening again. In order ensure a prosperous future for our community, we need to recognize that past practice needs to evolve and we have to work differently moving forward. My hope is that this Council can work together to come up with a better budget strategy that gets the Township back on a path to fiscal responsibility in a manner that is financially affordable for the residents of Wilmot Township.

Sincerely,

