



CORPORATE SERVICES *Staff Report*

REPORT NO: COR-2024-01

TO: Council

SUBMITTED BY: Dan Elliott, Interim Treasurer and Chief Financial Officer

PREPARED BY: Dan Elliott, Interim Treasurer and Chief Financial Officer

REVIEWED BY: Sharon Chambers, CAO

DATE: January 15, 2024

SUBJECT: Draft 2024 Operating, Utility and Capital Budgets

RECOMMENDATION:

THAT Report COR-2024-01, Draft 2024 Operating, Utility and Capital Budgets be received and immediately referred to Finance & Budget Committee for detailed review, and recommendations to Council.

SUMMARY:

This report introduces the draft 2024 Operating, Utility and Capital Budgets for referral to Finance and Budget Committee for detailed review and deliberation. Committee will then make recommendations to Council for adoption of a final 2024 budget.

BACKGROUND:

Wilmot continues to offer residents a high quality of programs and services while being fiscally responsible. Like other municipalities, Wilmot is facing budgetary pressures, including inflation, the rising cost of living and the increased cost of goods and services.

The Township is moving toward increased growth and continues to invest in infrastructure. There is optimism about the future of the Township, which residents, businesses, and visitors will confirm is a great place to live, work, play and visit.

The annual budget process is a significant element of corporate planning, both short and long-term. The budget process provides and directs funding to support the necessary daily operations of the municipality, while providing funding for future needs and infrastructure. The approved budget leads to the setting of annual tax rates for the municipality.

While the Township is mandated to collect taxes for the Region of Waterloo, and the province's education taxes, this draft budget is for Township of Wilmot purposes only.

REPORT:

The Township administration is focused on building the organization's capacity to address the many challenges facing the municipality. These include future growth planning, environmental and climate change issues, an aging population, evolution of municipal services, expansion of online services and information, as well as core financial issues. This draft budget has been prepared by senior staff under the direction of the Chief Administrative Officer and the Interim Treasurer.

The budget development process includes identifying departmental issues, needs and expansion or extension of services. Current and future regulatory and reporting changes were also reviewed and considered. Conversations took place with all members of Council, members of the public, user groups, and other stakeholders.

While that was underway, the Finance team worked to fully understand and bring to light key financial issues facing the municipality. From a budget perspective, the Township can choose to make some difficult budget decisions to increase taxes further to better position the municipality for the impending costs related to replacing aging infrastructure, as well as the required funding to enhance and increase the Township's financial ability to respond to economic, climate, environmental and technological changes, as well as the changing needs of our population.

Based on the financial review, the 2024 draft budget has been developed primarily to address key financial issues while aiming to improve services, increase capacity, and ensure adequate resources to meet the daily and future requirements of operating a high-quality municipal corporation.

With this draft 2024 Budget, the Township of Wilmot's residential tax rate will increase 10.6%, adding approximately \$121 per year to the average assessed home's property tax bill, or \$10 per month. It is important to look at the actual impact on taxpayers. When combined with the approved regional tax increase, and the education taxes, the combined impact to the average residential home is 7.6% increase in the total tax billing, adding approximately \$307 per year to the total residential tax billing of the average assessed home.

The increase amounts to approximately \$28.50 per year increase on the Township portion, and a combined increase of \$72.40 for every \$100,000 of Current Value Assessment. (Current Value Assessment values used for 2024 taxation reflect current values as of January 1, 2016, as determined by the Municipal Property Assessment Corporation.)

The key drivers of the proposed tax increases have been grouped as follows:

- Basic inflationary pressure of CPI at 3.1% (June to June – Toronto). Inflationary increases are needed to maintain the integrity of expenditure budgets and service delivery capacity.
- Annual 2.8% levy increase dedicated to increasing transfers to capital reserves for aging and new infrastructure.
- New facility on Neville Street: During 2023, the budget included a provision for rental income from the Neville Street property while awaiting evaluation for Township occupancy. In 2024, that revenue will not be included in the budget. New operating and occupancy costs arise due to the Township's need to expand into this facility. Completion of rent and new occupancy costs trigger a 1.2% tax increase.
- The Township uses the term Interdepartmental Charges form of budgeting for most staffing and other costs within the operating budget. Other costs, such as insurance, administrative management, IT services and other items, are allocated to the independent budgets of Building Services, Cemetery Operations and Water/Wastewater operations.
- Some changes will be made following a review of these charges. For 2024, the cross-charges for Cemetery and Buildings were corrected resulting in a 1.0% tax rate increase. Additional corrections related to water and wastewater charges will be deferred to the 2025 budgets.
- Reflecting an industry-wide trend, the Township's insurance and health and dental benefits increased by more than 3.1% due to inflation. These increases result in an additional 1.0% tax increase.
- During the 2023 budget, levy-funded debt was approved to fund capital projects. The debt payments required will need to be added to the 2024 budget, resulting in an additional 0.8% tax rate increase. In addition, the 2024 capital budget proposes

additional new debt, which comes with an estimated payment requirement of \$219,000, resulting in a further 2% tax increase to the 2025 budget, which could be added to the draft 2024 budget during review.

- The last tax pressure of significance for 2024 is an expected reduction in operational grant funding from the Province of Ontario, resulting in a 0.7% tax increase.

When combined, these noted items are the key driving forces behind a 10.6% proposed tax rate increase.

The 3.1% inflationary adjustment was distributed to all departments based on their controllable expenses. The 3.1% on all staffing costs was centralized to the Corporate Accounts Section. In December 2023, Council approved a comprehensive adjustment to staff compensation arising from a thorough internal pay equity review and market competitiveness review. The outcome of the package fits within the provision in Corporate Accounts. The allocation of these to each department, based on each position, will be completed for the Final Budget presentation to Council following the Finance and Budget Committee detailed reviews and recommendations for budget approval.

Water and Wastewater Operational Budgets

The Township of Wilmot purchases treated water and treatment of sanitary sewer flows from the Region of Waterloo, while we are responsible for local distribution and collection systems, billing, and account administration. The Township uses a two-rate structure for cost recovery: a volumetric charge, which principally passes through the Region of Waterloo charges to the consumer, while a fixed charge recovers the operational costs of maintaining the local systems in good and safe operating condition, repairs, and capital reserve fund provisions for the replacement of failing infrastructure.

The volumetric rates for water and wastewater services are proposed to increase by 3.5% and 4.0%, respectively, while the fixed charges for smaller meter services will increase by \$11 and \$14 per year, respectively. Combined, the average bi-monthly billing will increase from \$85.34 to \$93.09 for water, and from \$192.06 to \$211.09 for those on water and sewer services.

The principal drivers of these increases are Region of Waterloo wholesale rate increases, as core inflationary pressures on the Township operational costs. The Region is passing on to the Township inflationary pressures on operational costs, and increased processing costs.

Capital Projects Budget

The Township's overall ten-year planned capital expenditure budget has increased by 25% to \$195 million from \$156 million. The Township delayed capital projects where possible to protect capital funding needed to facilitate community growth, or to maintain reliable service delivery and community safety. As a result, the 2024 capital budget is 35% lower than shown in the ten-year outlook in 2023, with the 2025 forecast being 23% lower than last year's forecast.

The recommended \$14.6 million capital plan for 2024 includes:

- Repair and Replacement type projects totalling \$6.9 million
- Growth and New type projects totalling \$7.2 million
- Studies and Other Initiatives of \$465,000.

Attached to this report is the complete 2024 Draft Operating, Utilities and Capital budgets package.

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

The draft 2024 capital budget moves forward on the strategic initiatives and priorities of the approved Strategic Plan. The progress in some areas is slower due to financial constraints.

FINANCIAL CONSIDERATIONS:

The annual budget is presented to Council tonight for immediate referral to Finance and Budget Committee for review, deliberation, amendments, and recommendations back to Council for final approval.

NEXT STEPS:

Finance and Budget Committee deliberation meetings are open to the public, and delegations may register to speak and provide input in accordance with the Procedural Bylaw and registration processes of the Clerk's Office.

Committee meetings are currently scheduled for:

Thursday January 25, 2024 - 9:00 a.m. through to 4:30 p.m.

Saturday January 27, 2024 - 9:00 a.m. through to 4:30 p.m.

Monday February 5, 2024 - may be scheduled for continuation or follow-up at the call of the Chair.

ATTACHMENTS:

- 1) 2024 Draft Operating Budget and Capital Budgets Package
- 2) 2024 Capital Project Detail Sheets Package