



CORPORATE SERVICES

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MEMORANDUM

TO: Mayor Salonen, Members of Finance and Budget Committee

CC: Sharon Chambers, Chief Administrative Officer

FROM: Dan Elliott, Interim Treasurer and Chief Financial Officer

DATE: February 15, 2024

RE: Amendments to Report COR-2024-07 Cost Reduction Options

After the publishing of the initial public agenda for the Finance and Budget Committee meeting of February 15, 2024, staff have had new information arise on two of the proposed budget amendments as follows:

Community Services Option 1: 30 Neville Street Property

The existing tenant of the Neville Street Property is continuing their tenancy until June 30, 2024. Their rent of \$50,000 was not included in the draft 2024 budget as this is a temporary and unsustainable item to include in the budget. Along with the rental income comes the property tax billing for this period estimated to be \$13,600. This was overlooked in preparing the Cost Reduction report. Accordingly, the cost reduction available for this Option is reduced from \$50,000 to \$36,400.

Infrastructure Services Option 4: Loosetop Operating Budget – Wilmot Line Re-Gravelling

The re-gravelling of Wilmot Line was the planned project for 2024 for the Loosetop re-gravelling operations. The Cost reduction option indicated the total project costs are \$150,000. There is cost recovery from the City of Waterloo of \$75,000. If the project is removed from the 2024 operating budget, the real budget savings is only the net of \$75,000. The report may not have been abundantly clear in this regard.

Based on the above, the summary table in the financial implications section is revised as follows:

Summary of Adjustment Options (updated)		Tax Savings (cost)
Office of the CAO		
1	Contracted Services reduction - Website management	\$ 2,000
2	Advertising budget reduction	1,000
3	MCE Leadership Training	15,000
4	Lock-out training and hazard assessments	13,500
Community Services		
1	30 Neville Street	36,400
2	Seasonal labourer positions	19,040
Corporate Services		
1	Grand River Accessibility Committee project funds	500
2	Archives Budget	1,200
3	Bylaw enforcement part time hours	25,000
4	Reduction to bylaw clothing provision	500
5	Reduction of Municipal Election Reserve contribution	2,000
6	Reduction of memberships budget	1,120
7	Administrative Fees revenue budget overstated	(41,300)
Infrastructure Services		
1	Bridge and Culvert Maintenance	20,000
2	Roadside Operating Budget - Tree and Brush removal	5,000
3	Curb, Gutter, and Sidewalk repairs	10,000
4	Loosetop Program - re-gravelling	75,000
5	Reduction in seasonal student hours	9,000
Development Services		
1	Office Supplies	150
2	Heritage Section minor capital	5,000
3	Economic Development activity funds return to 2023 levels	25,000
Development Services Buildings Division:		
4	Eliminate 3rd party shredding service for large format (\$750 savings, but this is a non-tax impact budget)	-
		\$ 225,110

It is important for Finance and Budget Committee to recognize that all budgets are prepared with the best information and as much accuracy as is reasonably possible. Actual costs and revenues on virtually all budget areas will be different from the budgeted values. This is what drives year end surplus or deficit results in the normal course.

Since preparing the budget, several budget variances have surfaced already. Variances experienced have generally been where invoice actual costs are exceeding budget estimates. This has occurred several times in the IT software and licencing as invoices for annual renewals arrive higher than expected. These minor variances are not being reported as budget adjustments but are already concerning as the budget is considered very detailed and specific, with no “general provisions” included.

Committee is reminded that there is no contingency line within the current draft budget to address matters that may arise during the year, including the ability to cover budget deficits which may arise. All such capacity has been removed from the budget through annual efforts to bring budgets to absolute basics to minimize tax increases in past years. Deficits of past years have been funded necessarily from reserves, further impairing the financial health of the municipality.



CORPORATE SERVICES *Staff Report*

REPORT NO: COR-2024-07

TO: Council

SUBMITTED BY: Dan Elliott, Interim CFO

PREPARED BY: Corporate Leadership Team

REVIEWED BY: Sharon Chambers, CAO

DATE: February 15, 2024

SUBJECT: Cost Reduction Options for 2024 draft Operational Budget

RECOMMENDATION:

THAT Report COR-2024-07 be received for information.

SUMMARY:

During the operating budget discussions, several motions were passed, asking staff to go back to their department budgets and review for opportunities for budget savings and the implications of such if any. The Fire Department was specifically exempted. This report is organized by department as a consolidated response.

BACKGROUND:

As Committee was previously advised, during the development process for the 2024 budget, each department was significantly constrained as they were each provided a funding envelope representing only an inflationary increase to their net budget. Not all costs of our municipal operation trend with inflation, with some higher, and some lower. Additionally, all revenues

were examined to see if fee increases, or volumetric increases would result in additional revenues.

Budget Committee must be cautious when making operating budget reductions from those presented by the administration, as these either result in reductions in specific service levels or result in reduced flexibility for the department to respond to emerging issues and situations throughout the year. Some reductions will simply be deferral of costs into the next operating budget, creating budget pressures higher than inflation in that year. Other reductions may have other consequences.

Staff have reviewed their detailed budgets and report as follows:

REPORT:

Office of the Chief Administrative Officer

Option 1: Contracted Services reduction

Service Level: Prompt website changes and enhancements.

Cost Impact: \$2,000 reduction for 2024

Risk: Will increase the amount of time required to make web updates and increase reliance on internal staff to troubleshoot and make updates, taking time away from other core activities.

Option 2: Advertising Budget Reduction

Service Level: Outreach to community.

Cost Impact: \$1,000 reduction for 2024 (of total \$3,000)

Risk: Will have to decline speciality ads, including Remembrance Day, Happy Holidays, for print publications. Will reduce the amount of Facebook advertising.

Option 3: MCE Leadership Training (Contracted Services)

Service Level: Succession planning for current leaders. Investment in leadership roles demonstrates commitment to staff and recognizes their value.

Cost Impact: \$15,000 reduction for 2024

Risk: Can reduce the amount of training needed to ensure strong leaders who help enhance corporate culture. Leadership training increases staff retention and

encourages skills and behaviour required to lead teams in moving the Township forward.

Option 4: Lockout Training and hazard assessments

Service Level: Can be paused in 2024 as the Township puts more focus on the operating budget to ensure Health and Safety priorities, such as First Aid Kits, are current and that the Township is meeting all legislative requirements with health and safety equipment.

Cost Impact: \$13,500 reduction for 2024

Risk: This activity can be delayed for 2024 while other priorities are in focus, such as the WSIB Excellence program and health and safety.

Community Services

Option 1: 30 Neville Street Property

Service Level: Forego taking occupancy until July 2024

Cost Impact: \$50,000 additional cost recovery from 30 Neville Street Property Tenant

Risk: \$50,000 in cost recovery revenue would not be included in the 2025 budget. Additionally, the full property and utility expenditure budget would also be included in the 2025 budget that accounts for an additional \$25,000 due to full occupancy and operations. A further total of \$75,000 would be added to the 2025 budget, creating an approximate 0.7% tax increase.

Option 2: Seasonal Parks/Facilities Labourer Positions

Service Level: Reduction in Seasonal Parks/Facilities Labourer positions. This reduction lowers service delivery in facility cleaning, sports field maintenance, and horticulture (beautification of flowerbeds across the Township)

Cost Impact: Reduction of 2 Seasonal positions (1,120 hours) creates a savings of \$19,040.

Risk:

- Absences, sickness, time off requests are become more cumbersome to operations.
- Filling special event and tournament shifts becomes more difficult. Spreading hours out equally amongst crew, as well as difficulty filling shifts if absences, sickness, or time off requests when they happen. Cost savings may not be realized with increased overtime and staff fatigue.

- Lower standard of service delivery with responsibilities for sports field set-up, facility cleaning, and special event facilitation (areas of revenue), and inspections.
- Beautification of flowerbeds, or potential new service levels to address Mike Schout Wetlands, or waste receptacles on Snyder's Road will not be accomplished.

Corporate Services

Option 1: Project Funds for Grand River Accessibility Advisory Committee

Service Level: The purpose of these funds is to cover any unbudgeted expenses that arise from the Township's participation on the Grand River Accessibility Committee, including honorariums for facility accessibility inspections or projects such as the development of Facility Accessible Design Standards.

Cost Impact: \$500.00 savings to the tax funded operating budget.

Risk: As a public sector organization, the Township has an obligation to meet the requirements under the AODA by January 1, 2025. Facility inspections play a key role in obtaining feedback from the Accessibility Advisory Committee to help the Township achieve legislative compliance. Likewise, to support legislative compliance, the Township is often invited to participate in cross-municipal projects as a member of the Accessibility Advisory Committee. Having funds available allows the Township to contribute to these projects.

Option 2: Eliminate Archives Budget

Service Level: The Corporate Archives is a service area that requires significant attention. The Corporate Archive as a service area serves as the official repository to historical records of the municipality, including vital and financial records, reports, and meeting minutes. The Corporate Archives is an essential piece of the Township's Corporate Records and Information Management Program which has seen significant technological transformation and investment in 2023. Staff have proposed to include the costs of a membership (\$175 USD) to the Association of Records Managers and Administrators (ARMA) in the 2024 proposed budget which would provide Township staff with access to weekly updates with timely & relevant resources; special discounts on training and certificate programs, events and programs; online and chapter community, industry groups, and mentorship programs; complimentary webinars from industry experts; and, 24/7 access to a library of publications. Staff have also included an addition \$1000 to cover costs associated with records management supplies (labels, file folders, etc.)

Cost Impact: \$1200.00 savings to the tax funded operating budget.

Risk: Historically, based on 3-year average, \$343.81 was spent for memberships within a municipal archive organization, and \$1,055.81 on supplies. In 2023, both line items were reduced to \$0.

Option 3: By-law Enforcement Part-time Hours

Service Level: Since introducing a second Part-time Officer in 2021, the budget expenses for part-time hours within Municipal Law Enforcement have been rolled over. This has often led to a surplus in funds within the part-time wage. These funds were originally intended to cover expenses related to evening, weekend, and special event enforcement coverage.

Cost Impact: \$25,000 savings to the tax funded operating budget (reduce the 2024 proposed budget to \$54,700).

Risk: There is no risk associated with this budget adjustment. For the past two years the Municipal Law Enforcement team has adequately managed to cover evenings, weekends and special events within approximately \$45,147.64 (based on a three-year average). Staff would not recommend lowering the budgeted amount beyond \$54,700 as a buffer is recommended to manage any additional time needed to enforce overnight parking in winter 2024.

Option 4: Reduction to Clothing (Uniform) Budget

Service Level: Based on existing Township policy, where appropriate, Township staff are provided uniforms for select positions. Municipal Law Enforcement staff receive three polo shirts; one quarter zip sweatshirt; 3-in-1 high visibility coat; two pairs of pants; work boots, and a belt. These uniforms contain the Township branding and high visibility striping for Officers' safety.

Cost Impact: \$500.00 savings to the tax funded operating budget (reduce the 2024 proposed budget to \$1100.00 based on a 3-year average).

Risk: With the current complement within the Municipal Law Enforcement team, there is no anticipated replacements of uniforms in 2024. Should there be any turnover in 2024, staff anticipate covering any costs associated within the \$1100.00.

Option 5: Reduce contribution to Municipal Election Reserve

Service Level: The purpose of the Municipal Election Reserve is to make that eliminates or offsets the costs associated with the annual municipal election every four years. A healthy reserve would see \$25,000 set aside annually to provide \$100,000 to cover all expenses necessary for the operation and execution of the municipal election. An additional \$2,000 was included in the proposed Municipal Election Reserve account to cover costs associated with staff training 2025 in the leadup to the 2026 Municipal Election.

Cost Impact: \$2,000 savings to the tax funded operating budget.

Risk: The training can likely be covered within the existing election budget. As such, there are no risks with removing these costs.

Option 6: Reduce Memberships budget by \$1,120.

Service Level: A detailed review identified three memberships of three positions that can be removed with low risk. We currently have three memberships to the same Asset Management organization, when only one employee is primarily tasked with the related functions. The Manager and Director will no longer be receiving updates, emails, and issues notes from the organization directly, relying only on the one staff person to filter all information and provide it to their manager or director as appropriate throughout the year.

Additionally, a Canadian Association of Municipal Administrator's membership for the Director was included in the budget, but it is felt that the CAO, being a separate member, is the only one that needs to be a member of this organization.

Cost Impact: \$1,120 reduction.

Risk: Limited risk to the corporation.

Option 7: Administrative Fees Revenue budget overstated.

Service Level: During the detailed fine-toothed comb review of the Corporate Services budget, it was noted that Administrative Fees revenue was budgeted in 2023 at \$90,000, with 2023 actuals of \$67,252, and a draft budget of \$121,300. This budget was created by a former member of our team. Upon review it appears that this budget should be adjusted to \$80,000, requiring a \$41,300 reduction of revenue.

Cost Impact: \$41,300 reduction in revenues is an overall increase to the tax levy requirement.

Risk: With an overstated revenue budget in this line, the risk to the corporation is that the overstated budget will contribute to a reduction of year end surplus results, or a higher deficit ending position for the year.

Infrastructure Services

Option 1: Bridge and Culvert Maintenance Operating Budget – Minor Culvert Replacements

Service Level: This budget category includes materials, equipment and contracted services required for routine and preventative maintenance activities on the comprehensive asset category of bridges and culverts. The 2024 budget proposal

includes deck sweeping, culvert inlet/outlet maintenance and provision for one minor culvert replacement. This budget category has been in development since 2019, and with recent asset management condition assessment of the comprehensive asset category, a follow-up report on operating program requirements is anticipated for 2024 that will further outline and detail annual program needs.

Cost Impact: \$20,000 savings to the tax funded operating budget in 2024

Risk: With the provision of capital budget programming for large-sized culverts (non-OSIM), the minor culvert replacement portion of the 2024 operating budget could be absorbed in the capital program, as needs arise.

Option 2: Roadside Operating Budget - Tree/Brush Removal

Service Level: This budget category includes materials, equipment and contracted services for tree and brush removal from the roadside environment. Hazard removals are completed on a priority-basis, as budget allows. Typically, the operating budget can account for between 5-10 major tree removals. The cost per tree removed can range from \$2000-\$12,000 depending on several variables.

Cost Impact: \$5000 savings to the tax funded operating budget.

Risk: Reducing this budget line will reduce the service level of tree removals and add to the growing backlog of tree removal needs in the urban and rural roadside environment.

Option 3: Roadside Operating Budget - Concrete Curb, Gutter, and Sidewalk Repairs

Service Level: This budget category includes materials, equipment, and contracted services for concrete-related rehabilitation within the right of way. This includes curb and gutter repairs, as well as the repairs required under the Maintenance Standard for sidewalks.

Cost Impact: \$10,000 savings to the tax funded operating budget.

Risk: Reducing this budget line will reduce the service level of curb replacements primarily. Damaged curbs and gutter will allow water and seepage into the road platform base through cracking, which will further expedite deterioration of road conditions. Additionally, where it impacts drainage in driveway locations, which is a common complaint received, curb and asphalt replacements will not be undertaken.

Option 4: Loosetop Operating Budget – Wilmot Line Re-Gravelling

Service Level: This budget category is for a comprehensive re-gravelling of Wilmot Line, as is required on annual or biennial basis because of the average daily traffic on this gravel road, which ranges between 800-1300 vehicles per day.

Cost Impact: The total cost of this program is roughly \$150,000 that includes materials, equipment and contracted services required to re-gravel this road. Materials were budgeted for in 2023 as this was historically budgeted a year in advance of the program need, which would then be carried forward to 2024. Contracted services and equipment budget is proposed in 2024. This road is cost-shared; as such, any cost-savings proposed should be considered half of the proposed reduction amount.

Risk: Some work is expected on Wilmot Line to ensure serviceability based on the volume of use; In addition, staff are working with the City of Waterloo on potential roadway improvements at Wideman Road (City road) in support of the Schneider Land's file. The cost of these is not known at this time. With respect to road operation and maintenance, the liability of maintenance standards and road hazards falls to the operating authority, which in this case is Wilmot Township. Any road hazards resulting from reduced maintenance or capital needs would increase liability potential to the Township.

Option 5: Reduction in Seasonal Student Hours - Engineering

Service Level: This budget category is for seasonal students required to deliver regulatory inspections, routine contractor/contract management activities, field data collection and safe work practices in Engineering-based programs.

Cost Impact: Reducing 400 hours would provide \$9,000 cost-savings to the tax funded operating budget.

Risk: The tasks completed by students are not able to be completed by other department staff because of utilization levels of full-time staff in project management, approvals and contract administration tasks. The tasks completed by students ensure compliance in new CLI-ECA regulatory requirements, as well as existing regulated Maintenance Standard inspections. In addition, student hours support contractor and materials oversight to ensure quality and quantity of routine infrastructure work in the field. Reduction of hours would likely need to be offset with increase in contracted services cost, however that impact is not something that can be reviewed accurately before timeline requirements of this report.

Development Services

Option 1: Planning Section - Office Supplies

Service Level: The Planning Section, similar to the Building Section, is almost an entirely staff-based budget with limited discretionary funds. The Office Supplies budget

provides a base amount to cover photocopier/printer use which is estimated, but ultimately dependent, on the volume of circulations prepared in any given year.

Cost Impact: \$150 savings if budget of \$1000 reduced to average annual (\$850) or \$250 savings if budget of \$1000 reduced to 2023 actual of \$750.

Risk: Cutting the budgeted amount may not end up in anticipated reduction as expense is largely driven by number of applications and size of circulations – budget actuals are based on usage and circulations are mandatory expenses not discretionary.

Option 2: Heritage Section - Minor Capital

Service Level: Budget Line to cover costs of potential designation of Heritage resource. Recent changes to Planning Act and Heritage Act create a 2yr time limit for properties to be moved from local Heritage Registry or undesignated properties to designation. Wilmot's registry contains over 100 listings which will expire at the end of 2024 and those properties will then become ineligible for designation for a period of 5 years. Heritage Wilmot was tasked with prioritizing and advancing critical properties to registration and that work is ongoing.

Cost Impact: \$5000 further reduction to Heritage Budget (budget was already reduced in draft budget by 61% through elimination of summer student position)

Risk: Cutting the budgeted amount would result in funds not being available to allow for the designation of a heritage building in 2024 - should Heritage Wilmot identify a critical property deserving of protection under the Heritage Act. Eliminating funding could harm the relationship between the Township and staff with the volunteer committee by restricting the opportunity to preserve a deserving property. Delay would require a pause for 5 years before budgeting for and attempting to designate said property in the future which could potentially cause the loss of a heritage resource. \$5000 was budgeted in 2023 for use by the Committee to designate a property and no property was advanced by the Committee in 2023 and the monies then were returned to the operating surplus.

Option 3: Economic Development Program Funds

Service Level: Historically the Township has not provided general funds for program support and development within Economic Development. Recent efforts to build relationships and plan for the long-term economic health of the community have identified the need for targeted funds to be available for evolving program/event support.

Cost Impact: Total cost saving \$25,000 could be generated if 2024 budgets for Marketing/Promotion and Office Supplies were returned to 2023 budget levels.

Risk: The Township would have limited funds to appropriately fund and cost share in emerging program/event opportunities.

Option 4: Building Section

Service Level: The Building Section, like the Planning Section, is almost an entirely staff-based budget with limited discretionary funds. Throughout the pandemic and continuing through 2023 staff digitized the entirety of department records and utilized a third-party shredding company due to the considerable volume of material. Through the digitization of department processes the volume of large format material has been significantly reduced and the volume of material requiring shredding should be manageable through manual destruction methods.

Cost Impact: Total cost saving \$750 could be generated if 2024 budget for Office Supplies was reduced to \$500 by eliminating allowance for annual third-party shredding of large format drawings.

Risk: There is no particular risk identified provided confidential plans and materials are effectively destroyed.

FINANCIAL CONSIDERATIONS:

The following table summarizes the options presented for budget adjustments for consideration by Council.

Summary of Adjustment Options		Tax Savings (cost)
Office of the CAO		
1	Contracted Services reduction - Website management	\$ 2,000
2	Advertising budget reduction	1,000
3	MCE Leadership Training	15,000
4	Lock-out training and hazard assessments	13,500
Community Services		
1	30 Neville Street	50,000
2	Seasonal labourer positions	19,040
Corporate Services		
1	Grand River Accessibility Committee project funds	500
2	Archives Budget	1,200
3	Bylaw enforcement part time hours	25,000
4	Reduction to bylaw clothing provision	500
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1	Bridge and Culvert Maintenance	20,000
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4	Loosetop Program - re-gravelling	150,000
5	Reduction in seasonal student hours	9,000
Development Services		
1	Office Supplies	150
2	Heritage Section minor capital	5,000
3	Economic Development activity funds return to 2023 levels	25,000
Development Services Buildings Division:		
4	Eliminate 3rd party shredding service for large format (\$750 savings, but this is a non-tax impact budget)	-
	Total proposed savings – net	\$ 313,710

ATTACHMENTS:

None