



CORPORATE SERVICES *Staff Report*

REPORT NO: COR-2024-14

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: March 4, 2024

SUBJECT: Final 2024 Operating, Utility and Capital Budgets

RECOMMENDATION:

THAT Report COR-2024-14 Final 2024 Operating, Utility and Capital Budgets be received; and,

THAT the Final 2024 Operating, Utility and Capital Budget as amended and recommended by Finance and Budget Committee as set out in Attachment B, subject to any late budget amendments at this meeting, be approved; and

THAT the CAO and Treasurer are hereby authorized to execute any documents and agreements necessary to issue the 2024 debt financing contained within the 2024 Budget; and

THAT, once the Region of Waterloo and the Province of Ontario have each approved their respective property tax rates for 2024, the Treasurer prepare a report and draft bylaw to formally establish tax rates and tax billing due dates for the 2024 Final Tax Billing.

SUMMARY:

This report presents the final 2024 Operating, Utility and Capital Budgets as amended and recommended by the Finance and Budget Committee for Council approval and adoption.

Attachment B contains the full detailed budget package recommended by Committee. Attachment A summarizes the adjustments made by Committee during their reviews.

BACKGROUND:

The annual budget process plays a crucial role in corporate planning, encompassing both short-term and long-term considerations. 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.

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.

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, and does not raise or include any funding for these other purposes.

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. The draft budget now reviewed by the Finance and Budget Committee was originally prepared by senior staff under the direction of the Chief Administrative Officer and the Interim Treasurer.

The budget development process included 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 work was underway, the Finance team worked to fully understand and bring to Council key financial issues facing the municipality. From a budget perspective, the Township must focus on addressing immediate community needs, address inflationary pressures, increase contributions to capital reserves, and defer lower priority capital projects where possible. The municipality must work to position itself better 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.

The draft budget was presented to Council on January 15, 2024, and was referred to Finance and Budget Committee for detailed review, amendment, and recommendations to Council.

Following a detailed financial review the Finance and Budget Committee, the 2024 budget was 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 2024 Budget, the Township of Wilmot's residential tax rate will increase 10.8%, adding approximately \$123 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 8.32% increase in the total tax billing.

The key elements driving the 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 provision has been reduced to reflect only a portion of the year as the Town will occupy this property beginning mid-year. New operating and occupancy costs arise due to the Township's need to expand into this facility. The conversion to Township uses results in a new net budget pressure of \$87,900 or 0.8% tax increase.
- The Township budgets for most staffing and other costs within the operating budget. Some 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. These interdepartmental charges were reviewed in 2023 for the 2024 budget. 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 have been 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.
- 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.
- Minor other budget amendments by Committee have resulted in very minor net increase to the budget.

When combined, these noted items are the key driving forces behind the recommended 10.8% 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 the Draft budget. 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, has now been reflected in the final budget.

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 \$193 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. Additional reductions of proposed projects were made by Committee during reviews. As a result, the 2024 capital budget is 44% lower than shown in the ten-year outlook in 2023, with the 2025 forecast being 23% lower than last year's forecast.

The recommended \$12.6 million capital plan for 2024 includes:

- Repair and Replacement type projects totalling \$5.1 million
- Growth and New type projects totalling \$7.1 million
- Studies and Other Initiatives of \$450,000.

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

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

The 2024 operating, utility and 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 herein presented to Council for adoption. A summary of budget amendments made by Finance and Budget Committee to the draft budget originally presented is summarized in Attachment A with the detailed Budget package in Attachment B.

ATTACHMENTS:

- A. 2024 Summary of Finance & Budget Committee Amendments
- B. 2024 Draft Operating Budget and Capital Budgets Package