



Corporation of the Township of Brock

Staff Report to the Mayor and Members of Council

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Position: Director of Finance/Treasurer
Title / Subject: 2024 Budget Guideline
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1.0 Issue / Origin

Leading up to the 2025 Budget Presentation, staff have been actively working on drafting the 2025 operating and capital budgets and this report highlights a number of factors affecting the overall 2025 budget.

2.0 Background

The total draft 2025 budget is approximately \$29,257,988 and includes capital expenses of \$13,414,195 and operating expenditures of \$15,843,793.

Staff have performed an extensive review of budget items included in the budget to minimize the budgetary levy increase for 2025.

At the current time, the draft budget 2025 levy increase, after estimated growth of \$44,998 or 0.42%, is approximately 4.77% or \$511,559. This is equivalent to an increase of approximately \$23.93 per year, per each \$100,000 of residential assessment (or \$1.99 per month). For a residential home, with a current value assessment of \$300,000, this is equivalent to an increase of approximately \$5.98 per month or \$71.78 per annum.

The draft levy increase of \$511,559 is made up as follows:

- \$198,825 or 1.86% for non-discretionary inflationary items
- \$145,880 or 1.36% for service level inflationary increases
- \$7,629 or 0.07% for new staffing
- \$141,515 or 1.32% for new initiatives
- \$17,710 or 0.17% for reduced net revenue

For illustration purposes and for council consideration, to reduce levy further, additional revenue or expense reductions would be required as follows:

Reduction	\$
0.25%	\$26,784
0.50%	\$53,569
0.75%	\$80,353
1.00%	\$107,137

While still in draft, staff have spoken with several other local municipalities and understand that the draft proposed levy increases are in the range of 3.75% to 8% (of the 8 municipalities canvassed, only one municipality was looking at a draft levy increase under 4%).

3.0 Analysis

Non-Discretionary Inflationary Items

The 2025 draft budget includes expenses for non-discretionary, inflationary items, of approximately \$198,825 for items that the municipality requires to continue operations and are unavoidable as follows:

Expense	Change
Salaries and Benefits	\$534,844
Utilities	\$24,485
Insurance Premium Increase	\$10,000
Office Expenses & Postage	\$8,050
Bank Charges	\$2,700
Property Taxes	\$2,525
Gas and Oil	\$2,000
Memberships	\$1,275
Annual Audit Fees	\$1,000
Sub-total	\$586,879
Contingency Reduction	(\$99,000)
IT Expense Reduction	(\$18,951)
Debenture Reduction	(\$690)
Mileage Reduction	(\$150)
Sub-total	\$468,088
Increased OMPF	(\$57,800)
Increased Rents	(\$41,290)
Increased Misc. Revenue	(\$40,684)
Increased Bank Interest	(\$30,000)
Increased Hydro Int.	(\$15,000)
Increased Tax Interest	(\$60,000)
Increased PIL Revenue	(\$7,000)
Growth Allocation	(\$17,489)
Estimated Non-Discretionary Inflation	\$198,825

Service Level Inflationary Increases

There are a number of expense that the municipality incurs annually to support operations. These expense lines are tied to service levels and should Council want to re-consider service levels and the impacts any changes may have on residents, it is possible that these service level inflationary increases could be changed. The service level inflationary increases approximate \$145,880 as follows:

Expense	Change
Dust Layer Materials	\$45,000
Fire Response Agreements	\$44,776
Library Levy Increase	\$38,751
Recreation Programming	\$18,300
Patching Materials	\$15,000
Legal (Transit Review)	\$15,000
Winter Control Sand/Salt	\$10,000
Tax Write-offs	\$10,000
Sweeping and Flushing	\$8,800
Vehicle Repairs	\$4,600
Streetlight Repairs	\$4,600
Education and Training	\$3,500
Fire Volunteer Insurance	\$3,000
Catch Basin Materials	\$3,000
Parking Lot Line Marking	\$2,900
Fire Education	\$2,000
Tree Maintenance	\$1,855
Assessment Management	\$1,000
Sidewalk Repairs	\$730
Wildlife Care & Control	\$700
Tipping Fees (Refuse)	\$630
Protection Clothing	\$500
Equipment Repairs	\$500
Kennel Cleaning Supplies	\$300
Garage Expenses	\$275
Pound Supplies	<u>\$200</u>
Sub-total	\$235,917
Reduced Hall Expenses	(\$15,900)
Facility Repairs	(\$7,215)
Safety Devices	<u>(\$2,690)</u>
Sub-total	\$210,112
Increased Recreation Revenue	(\$36,400)
Increased Rate Stabilization Draw	(\$15,000)
Growth Allocation	<u>(\$12,832)</u>
Estimated Service Level Inflation	\$145,880

New Initiatives

Included in the 2025 draft budget is a number of new initiatives that are either new for 2025 or never previously budgeted for. These new initiatives are estimated to be \$141,515 as follows:

Expense	Change
Parking Lot Cleaning	\$131,568
Fire Aerial Repair	\$5,500
Community Improvement Plan Grants	\$5,000
Mayors Networking Events	\$3,000
Defib Program – Medical Director	\$3,000
Sunderland Historical Elevator Inspections	\$1,400
Employee Retirement and Memorial Donations	\$1,200
Accessibility Advisory Committee	\$1,000
Spay & Neuter Grant	\$695
Staff Long Service Recognition	\$600
CAO Meals Expense	\$500
Day Camp Phones	\$500
Sub-total	\$153,963
Growth Allocation	<u>(\$12,448)</u>
Estimated New Initiatives	\$141,515

Revenue Reduction and Expenditure Reductions

In addition to the budgetary items previously outlined, there are a number of miscellaneous items which affect budget from year to year, such as reduced revenues or expenditure decreases. The overall impact of these changes is approximately \$17,710 for 2025 budget.

Expense	Change
Reserve Usage Reduction	\$463,250
Misc. Revenue Reduction	\$41,800
Expense Reductions	<u>(\$485,782)</u>
Sub-total	\$19,268
Growth Allocation	<u>(\$1,558)</u>
Estimated Net Revenue Reduction	\$17,710

The 2024 Corporate Budget included reserve transfers of \$440,064 to support the following:

- \$280,000 Rate Stabilization Transfer to Sunderland Arena Reserve
- \$135,064 Rate Stabilization Transfer to Support Council Budget Reductions while staff worked on addressing revenue issues

The expenses and revenues have been removed in the 2025 Corporate Budget.

New Staffing

For the draft 2025 budget, the levy impact of new staffing is approximately \$7,629 relating to benefits for a full-time position and the transfer of funding from one full time seasonal officer position to accommodate increased funding for a part-time officer who will be utilized and scheduled, as required, throughout the 7-day work week (additional cost for this is \$900).

The budget also includes funding, at half-year, for a new Temporary Facilities Coordinator to assist the Director Parks, Recreation & Facilities. While this position is included in the budget, staff have funded it from Rate Stabilization, therefore, the net levy impact of this position is \$nil.

Department	\$	Position
Clerks	\$7,400	Benefits for Communications and Tourism Coordinator
Protection	\$900	Part-time Officer
Parks	\$55,583	Temporary Facilities Coordinator
Sub-total	\$63,883	
Rate Stabilization Draw	(\$55,583)	
Growth Allocation	(\$671)	
Total	\$7,629	

Reserve Contributions for Asset Management Purposes

The draft 2025 budget includes reserve contributions for asset management purposes of \$2,610,785 as follows:

Department	\$	Explanation
Public Works	\$723,300	Roads Capital Reserve
Public Works	\$558,485	Fleet Reserve
Fire	\$320,000	Fire Capital Reserve
Parks	\$165,000	Public Buildings
Other Transportation	\$140,000	Sidewalk Capital Reserve
Parks	\$100,000	Parks Reserve
Parks	\$100,000	Beaverton Arena
Parks	\$100,000	Cannington Arena
Parks	\$100,000	Sunderland Arena
Treasury	\$75,000	GP Replacement by 2028
Other	\$50,000	Streetlight Reserve
Clerks	\$40,000	Legal Reserve

Parks	\$40,000	Harbour Reserve
Clerks	\$30,000	Election Reserve
Protection	\$25,000	Canine Reserve
Public Works	\$20,000	Thorah Island Road Reserve
IT	\$19,000	IT Capital Reserve
Building	\$5,000	Building Capital Reserve
Total	\$2,610,785	

Included above is an increase of \$50,000 to the Parks Reserve and a further \$137,441 to the Public Works Fleet Reserve, however, these increases have been **funded by rate stabilization** for 2025, therefore, no levy impact.

Reserve contributions in 2024 totalled \$2,427,300.

Further, the Township has recently been informed that our financial software will need to be replaced by 2028 and Microsoft will no longer be supporting the software. At the present time, staff are not sure which software will be purchased to replace our current software, nor what the cost will be, however, it is recommended that the Township start setting funds aside for the replacement by 2028. It is estimated that new software will be upwards of \$300,000 to \$400,000 and we may require consulting assistance for implementation and setup. Staff have recommended a contribution to a reserve of \$75,000 for 2025, **funded by rate stabilization**.

Additional Asset Management Funding

The Provincial Asset Management regulation required that municipalities complete an asset management plan (AMP) outlining a lifecycle management and financial strategy to manage municipal assets for a ten (10) year period. Not only will the AMP be used by municipalities to help better understand and inform municipal capital investment decisions, the plan will also be used to continue receiving much needed grant funding moving forward.

As discussed this morning in our presentation from Hemson Consulting, the Township has a 10-year infrastructure need of over \$210,000,000, and at our current funding levels, this represents an unfunded deficit of approximately \$133,000,000 over the next ten (10) years when considering the investments needed to replace assets at the end of their useful life and carryout the capital needs outlined in our most recent needs studies.

Despite the funding gap identified, the requirements of the asset management regulation require municipalities to consider their current funding levels, current levels of service and the proposed service levels (PLOS) over the next 10 years. The draft results of the asset management plan as presented by Hemson Consulting outlines an alternative financing strategy for Council consideration over the next 10 years that will seek to better align the priorities of the municipality to develop a strategy the focuses on achieving proposed levels of service over the next 10 years. Therefore, the level of investment required in this scenario is much more in line with the Township's ability to invest in infrastructure to meet the proposed targets while aiming to balance resident affordability. This plan proposes funding these needs

over the next 10 years and would require increased (additional) levy contributions of approximately 3.34% per year (compounded) for the next 10 years. The Township of Brock, like all municipalities in the Province, is for the first time developing proposed levels of services as part of the asset management program. Therefore, it is imperative that the Township monitor the annual investment needs and corresponding levels of service to ensure that the Township continues moving toward the targets set out.

It is staff's recommendations that Council give consideration to increasing asset management reserve contributions by a minimum of 2% per year, for the next 10 years. While this will not solve our infrastructure deficit concerns, it would demonstrate that we are making efforts to address while still being cognizant of taxpayer affordability. It is anticipated that any shortfall in funding can be co-funded through other grant funding opportunities with upper-levels of government. If not, the Township can adjust their annual capital asset funding levels to meet the PLOS as part of the mandatory annual review process which is required under regulation to monitor the Township's progress in implementing its asset management plan.

Rate Stabilization

The Rate Stabilization reserve is estimated to be \$859,370 at year-end 2024 (excluding Library Rate Stabilization). In drafting the 2025 budget, staff have utilized funding of approximately \$536,838 (excluding use of Library Rate Stabilization), leaving an approximate balance of \$322,532 at year-end 2025 as follows:

Department	\$	Purpose
Estimated 2025 Opening Balance	\$859,370	
Public Works	\$33,650	CN Signage
Public Works	\$76,164	One Time Salary & Benefit Continuance
Public Works	\$20,000	Traffic Calming
Public Works	\$137,441	Fleet Reserve
Clerks	\$10,000	Ombudsman
Clerks	\$15,000	Transit Legal Review
Corporate	\$25,000	Corporate Training
Corporate	\$4,000	Diversity, Equity and Inclusion Training
Fire	\$10,000	Fire Training
Parks	\$20,000	Overhaul Arena Compressors
Parks	\$55,583	Temporary Facilities Coordinator
Parks	\$50,000	Parks Reserve
Treasury	\$5,000	General Consulting
Treasury	<u>\$75,000</u>	Reserve for New Financial Software
Estimated 2025 Closing Balance	\$322,532	

The Library Rate Stabilization Reserve is estimated to be approximately \$275,537 at year-end 2024. The 2025 draft budget includes draws of \$34,794 for administration (\$20,500) and smoothing the impact of salary increases over two years (\$14,294), leaving an estimated balance of \$240,743 at year-end 2025.

The 2024 budget included rate stabilization reserve draws of \$800,216 (including a draw of \$19,114 from Library Rate Stabilization).

Other Reserve Draws

Included in the 2025 draft budget are reserve draws (excluding rate stabilization) of approximately \$321,371 (up from \$227,419 in 2024) as follows:

Department	\$	Reserve	Purpose
Library	\$14,000	Development Charges	Books
Library	\$8,800	Fowler & Hewitt-Baillie Trust	Library Operations
Building	\$58,393	Building Reserve	To offset reduced revenue
Clerk	\$2,150	Election Reserve	Voter List Management
Council	\$15,000	Committed Projects	Green Initiatives
Council	\$20,000	Committed Projects	Downtown Revitalization
Council	\$4,500	Committed Projects	Community Improvement
Planning	\$9,705	Planning Reserve	OP Review
Planning	\$35,295	Development Charges	OP Review
Fire	\$34,528	Development Charges	Debenture
IT	\$22,500	IT Reserve	GovStack
Protection	\$6,500	Sick & Injured Animal	Animal Welfare
Treasury	\$25,000	Insurance Reserve	Partial offset of expenses
Roads	\$65,000	Hydro Reserve	Expense Offset
Total	\$321,371		

Draft Capital Plan

The draft 2025 budget includes capital expenditures of approximately \$13,414,195 as follows:

Department	\$	Expenditure
Public Works	\$828,000	Road Rehabilitation
Public Works	\$500,000	Gravel Program
Public Works	\$245,000	Double Surface Treatment
Public Works	\$210,000	Slurry Seal
Public Works	\$200,000	H2L
Public Works	\$265,000	New Sidewalks
Public Works	\$31,000	Sidewalk Replacement/Repair
Public Works	\$103,000	Boundary Road Agreement
Public Works	\$23,000	Bridge Needs Study
Public Works	\$440,000	Tandem Axle Snowplow
Public Works	\$115,000	Crew Cab Dump Pickup
Parks	\$9,200,000	Sunderland Arena
Parks	\$60,000	Beaverton Arena - Dehumidifier
Parks	\$60,000	Beaverton Arena – IR Unit
Parks	\$150,000	Beaverton Picnic Pavilion
Parks	\$150,000	Beaverton Harbour Washroom – Design and Drawings

Parks	\$20,000	Manilla Hall Ramp and Stairs
IT	\$22,500	GovStack – Pre Approved
Fire	\$791,695	Pumper Truck – Pre-Approved
Total Proposed Capital 2025	\$13,414,195	

All of these expenses have been funded by either grants, reserves or donations.

Budget Survey

The Township undertook a 2025 budget survey that was open to residents, businesses and stakeholders from July 31st to September 30, 2024.

The data gathered offers insight into the community’s views on service delivery, budget priorities and the Township’s budget and financial planning.

Out of the respondents, the largest age group to provide feedback were those aged 45 to 64, followed by those aged 35 to 44.

In terms of relationship with the Township, the majority identified as residents, followed by business owners and a few individuals who work in town. Of those respondents, approximately 91.2% of participants felt they were somewhat familiar with the Township’s budget process, while 3.5% were very familiar and 5.3% not at all familiar.

When asked about service areas where the Township could add value by adding MORE tax dollars, the areas ranked as follows:

- (1) Asset Renewal
- (2) Fire and Emergency Services
- (3) Enforcement and Licensing
- (4) Roadway Maintenance
- (5) Natural Environment
- (6) Community Programs
- (7) Economic Development and Tourism

When asked about service areas where the Township could add value by investing LESS tax dollars, the areas were ranked as follows:

- (1) Fix or sell under utilized assets
- (2) Roadway Maintenance
- (3) Economic Development and Tourism
- (4) Digital Services
- (5) Complete Community (Accessibility, Partnerships)
- (6) Enforcement and Licensing
- (7) Natural Environment
- (8) Fire and Emergency Services
- (9) Asset Renewal

The survey also provided opportunities for residents to provide their comments on additional services they would like to see the Township provide to its residents and an area for additional comments and feedback.

The full survey, comments and feedback has been attached to this report.

4.0 Related Policies / Procedures

N/A

5.0 Financial / Budget Assessment

The draft 2025 budget currently indicates a levy increase of 4.77%, however, this increase does not include additional contributions for asset management purposes.

5.1 Asset Management

As outlined in this report.

6.0 Climate Change Impacts

N/A

7.0 Communications

N/A

8.0 Conclusion

This report provides an overview of the Draft 2025 Capital and Operating Budget prior to the formal budget presentation on January 27, 2025.

9.0 Recommendation

That Council receive report 2024-FI-031 for information.