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Report 2024-145

Report Title: 2025 Budget Update

Committee Name: Finance and Audit

Committee Meeting Date: November 5, 2024

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Finance

Approved by: Jennifer Moore, CAO

Council Meeting Date: November 20, 2024

Strategic Plan Priorities: ☒ Innovate for Service Excellence
☐ Ignite Economic Opportunity
☒ Foster a Thriving Community
☐ Propel Sustainable Growth
☐ Champion a Vibrant Future

Information Report

That the Finance and Audit Committee, receive Report 2024-145 '2025 Budget Update', for information; and

Further That the Committee recommend that County Council receive this report for information."

Purpose

The purpose of this report is to provide council with an update on the 2025 budget process.

This report provides a summary of the levy impact of the 2025 budget that was adopted by County Council through the 2024 – 2026 multi-year budget process.

New items have been identified that Council should consider for inclusion in the 2025 budget. Staff have conducted a review and identified savings/changes that offset these new pressures.

Background

On December 13, 2023 County Council adopted its first multi-year budget (covering the years 2024 through 2026) with the approval of resolution 2023-12-13-894 and the adoption of By-law 41-2023.

The Municipal Act and the County Multi-Year Budget Policy allow for the adoption of a multi-year budget. The budget must be reviewed and re-adopted by council annually. Subsequent years of a multi-year budget can be adjusted if the change falls into one of the following categories:

1. New or Changed Legislation/regulation – A new or changed legislation or regulation with a financial impact to the municipality.
2. New Council Direction – A new Council direction that has transpired after the approval of the multi-year budget.
3. Cost or Revenue Driver – Cost or Revenue Driver – A corporate or service area budget adjustment as a result of changes in economic conditions and/or federal and provincial government funding changes.
4. New Funding Opportunities – Any announcement of new funding opportunities that would benefit The County to participate in and may require additional spending/funding to qualify.
5. Carryovers – Any carryovers as approved by Council in the annual Carryover bylaw.

Consultations

Staff have identified new items (since the original adoption of the 2024 – 2026 budget) that meet the required criteria in the multi-year policy and should be considered for inclusion in the 2025 budget.

The finance team has worked with the County departments to review the 2025 budget and identified savings, changes to project schedules, and changes to assumptions, and other significant items.

The senior leadership team has met to discuss the 2025 budget, review the identified items and come up with a plan to stay within the original levy increase that was adopted for 2025.

Legislative Authority / Risk Considerations

The Municipal Act, 2001, Sections 289 and 291

Discussion / Options

The following is a summary of the levy impact in the 2025 budget as adopted in the 2024 – 2026 multi-year budget process:

| | <u>\$</u> | <u>% of Levy</u> |
|--|---------------------|------------------|
| 2024 Levy | \$74,097,987 | |
| 2025 Levy | <u>\$81,981,976</u> | |
| Increase | \$7,883,980 | 10.64% |
| | | |
| Estimated Growth | <u>\$1,481,960</u> | <u>2.00%</u> |
| 2025 Levy Increase (after growth) | \$6,402,020 | 8.64% |

As presented during the 2024 budget deliberations, there were some significant known items that were having an impact on the levy increase in the 2025 budget. A reminder of these items is included in the chart below.

| | <u>\$</u> | <u>% of Levy</u> |
|---|--------------------|------------------|
| The first GPL & NCAM debenture payment (2 payments per year starting in 2026) | \$3,228,207 | 4.36% |
| 2025 Issue papers approved during the 2024-2025 budget process | \$1,125,208 | 1.52% |
| Dedicated Infrastructure Levy increase | \$740,980 | 1.00% |
| Dedicated Housing Levy increase | <u>\$740,980</u> | <u>1.00%</u> |
| Total | \$5,835,375 | 7.88% |
| | | |
| Salaries and Benefits (Assumptions for union increases, Merit, COLA, and benefit inflationary increases) Please note that some County positions are covered by specific funding and are not paid for by the levy. | \$2,460,720 | 3.32%* |

The following items have been identified since the adoption of the 2024 – 2026 multi-year budget. These items will impact 2025 (and beyond) and will be presented for Council's consideration.

| | <u>\$</u> | <u>% of Levy</u> |
|--|--------------------|-------------------------|
| New Public Works Issue Paper – Digital Mobile Radio System | \$100,000 | 0.13% |
| New Public Works Issue Paper – Security System Improvements | \$162,500 | 0.22% |
| Treatment Bed Program (Pilot included in 2024 only) | \$241,029 | 0.33% |
| 310 Division Operating costs (estimated) | \$500,000 | 0.67% |
| Updated Salaries and Benefits | <u>\$275,000</u> | <u>0.37%</u> |
| Total | \$1,278,529 | 1.73% |
| | | |
| Potential levy increase (after growth) with new items | \$7,680,549 | 10.37% |

The following items are savings, additional revenue, and other adjustments that will reduce the levy requirement in 2025.

| | \$ | <u>% of Levy</u> |
|--|--------------------|-------------------------|
| GPL Staffing Agency fee savings | \$100,000 | 0.13% |
| Increased Waste Revenue (Bag tags and tipping fees) | \$50,000 | 0.07% |
| External Services reduction (HSEP) | \$13,500 | 0.02% |
| Reduction in transfers to reserves (Ec Dev) | \$20,000 | 0.03% |
| Increased OCIF Allocation (Transportation base levy reduced to offset) | \$625,351 | 0.84% |
| 473 Ontario Street Housing Project modified schedule (construction financing interest costs) | \$470,468 | 0.63% |
| Elgin St Housing Project (debenture less than anticipated) | \$70,000 | 0.09 |
| Total | \$1,349,319 | 1.82% |
| | | |
| Potential levy increase (after growth) with new and offsetting items | \$6,331,230 | 8.54% |

Financial Impact

It is not possible to calculate the actual impact of a potential 2025 levy increase on the taxpayer because there are variables that have not been finalized. However, an 8.54% levy increase is estimated to cost the owner of the median home in Northumberland approximately \$148.00 more on the County portion of their tax bill.

Member Municipality Impacts

There is no direct impact to member municipalities but the County levy increase impacts the overall levy increase to Northumberland property taxpayers that also includes the local municipal and education components.

Conclusion / Outcomes

It is recommended that this report be received for information.

Attachments

1. Report 2024-145 ATTACH 1 'Report 2023-139 Finance '2024 – 2026 Draft Budget and Long Term Plan'
2. Report 2024-145 ATTACH 2 'Resolution 2023-12-13-894'
3. Report 2024-145 ATTACH 3 'By-law 41-2023 – A By-law to Adopt the Estimates of General Purposes for the Municipal Corporation'
4. Report 2024-145 ATTACH 4 '2024 Budget Deliberations Discretionary Spending Summary'