

Municipality of Lakeshore – Report to Council

Corporate Services

Financial Planning and Analysis



To: Mayor & Members of Council
From: Justin Rousseau, Corporate Leader- Chief Financial Officer
Date: January 15, 2024
Subject: 2024 Draft Budget

Recommendation

This report is for information only.

Background

Section 290 of the *Municipal Act, 2001* states:

A local municipality shall in each year prepare and adopt a budget including estimates of all sums required during the year for the purposes of the municipality including,

- a. amounts sufficient to pay all debts of the municipality falling due within the year;
- b. amounts required to be raised for sinking funds or retirement funds;
and
- c. amounts required for any board, commission or other body.

The budget shall, in such detail and form as the Minister may require, set out the estimated revenues and estimated expenditures; and provide that the estimated revenues are equal to the estimated expenditures.

The Draft Budget is based on the Municipality of Lakeshore's 'own purposes' requirements, which are the dollars required for operating and capital needs of the municipality. Municipal costs are funded from a combination of user rates (water and wastewater), user fees and taxation (tax levy required for all other budget centres).

The Draft Budget is prepared based on detailed review of base budget allocations in relation to operating costs for service delivery. Staff submit budget requests, which are reviewed by the Corporate Leadership Team (CLT) resulting in the recommended budget that accompanies this report.

Comments

General Budget Overview

The municipal levy required in 2024 is \$42,068,129 which represents an increase of \$3,275,116 before growth. With assessment growth of \$876,722 the levy requirement after growth is \$2,398,394 or 6.23 % tax increase to an existing homeowner. On an average assessed property of \$275,000 this represents a monthly tax increase of \$9.50 for 2024.

When combined with the estimated rates from County and Education rates residents can expect a 5.38% increase in total property taxes cost over 2023.

A high-level summary of the changes from the 2023 Budget to the 2024 Draft Budget which comprise the \$3,275,116 increase is provided below along with subsequent explanations for each change.

Operating Expenses and Revenue		Capital Enhancements	
Legislative Impacts	\$293,567	Asset Management Planning Reserve Enhancements	\$1,163,790
Revenue Recoveries	(2,520,725)		
One-Time Costs from 2023	1,450,088		
Wages and benefits- Inflation and provisions for contractual agreements	687,445		
Staffing Enhancements-Tax funded	198,787		
Staffing Request-Pre committed	350,750		
Inflation and Contractual Increases	1,687,986		
Transfer from Tax Stabilization	(700,000)		
Changes Line by Line Revenue and Expenses	663,428		
Total	\$2,111,326	Total	\$1,163,790

Capital Investment

The 2024 Capital Budget includes capital investments of \$22.5 M of infrastructure work including water and wastewater. Capital investment is comprised of:

- \$1.9M for wastewater works
- \$6.6 M for water works
- \$1.5 M for Bridges and Culverts
- \$0.6 M for Community Benefits and Parks
- \$2.0 M for Facilities, Furniture and Fixtures
- \$0.4M for Plans, Studies and Council Programs
- \$5.4 M for Roads
- \$0.6 M for Stormwater
- \$0.6 M for Technology and Office Equipment
- \$0.5 M for Trails Maintenance and Tree Planting
- \$2.4 M for Vehicles and Fire Equipment

As identified in the chart above, an additional \$1,163,790 is being allocated to capital funding as part of the 2024 Budget. The additional transfer is needed to continue to support the Municipality future infrastructure and capital needs and forms is part of the recommendation from the Asset Management Plan passed by Council in 2022.

A full listing of capital purchases and projects is provided in the Capital Budget.

Reserves and Reserve Funds

These funds are used for various municipal purposes and play a critical role in long-term financial planning and financial sustainability. Some of the benefits of having reserves available for infrastructure planning include:

- a) the ability to stabilize tax rates when dealing with variable and sometimes uncontrollable factors **(used in the 2024 budget to reduce burden of inflation to the taxation rate, a withdrawal of \$700,000 has been provided for)** – Leaving a balance of \$41,860 in the tax stabilization reserve (prior to the close out of 2023 year-end)
- b) financing one-time and short-term investments
- c) accumulating the funding for significant current and future infrastructure investments **(Increases in funding of \$1,163,790 for capital programs has been provided for)**- Attributed all towards roads in 2024
- d) managing the use of debt

The Summary of Reserves identifies the purpose for each reserve, its projected 2023 ending balance, the effects of the 2024 Draft Budget recommendations, and funding targets, some of which were established under Policy FN-398 – Reserve and Reserve Funds and developed through Asset Management planning.

Revenues and Recoveries

The Municipality of Lakeshore's growth has been apparent through its high building permit activity and development charge collections over the past few years.

In addition, the 2024 Budget has increases in planning fees revenue of \$220,100 based on a user fee review completed in 2023. Increases in User fees and revenue adjustments total \$283,045 in the areas of the ATRC, Recreation, Marina and the POA office have also been provided for. Increases in investment income \$425,000 from the implementation of the investment policy.

The revenue required to offset the new solid waste contract requires an adjustment of \$1,600,080

Increases in water and wastewater revenue have been built into the 2023 budget based on the recommendation of the water and wastewater rates study completed in 2022 calling for 4% and 9% increased to both rates.

Increases to wastewater revenue are \$662,337 and \$482,007 for water. It should be noted that both rate models are self-funding.

Development charges also continue to be a significant source of revenue for the Municipality. As these are encumbered revenues, they can only be applied to growth related projects.

Expenditures

One-Time Adjustments

As part of the 2023 budget, Council approved a total of \$1,450,088 in one-time adjustments primarily from the use of the tax stabilization reserve to cover significant increases seen in 2023. The impact of the annualization of the one-time adjustment to the 2024 budget is an increase of 3.74% to the municipal levy before any operating budget adjustments.

To lessen the impact of the 2023 large transfer from the tax stabilization reserve impacting the 2024 budget a two-year repayment plan was required and is the reason for the 700,000 transfers from tax stabilization in 2024.

Wages and Benefits

Following the Municipality's collective agreements and remuneration policies, several economic adjustments were made to reflect negotiated increases for 2024 where required. An inflationary increase based on the Consumer Price Index from 24 month rolling average was provided for Council and non-union staff wages in accordance with policy and Council direction upon the completion of the salary review and reorganization in 2023. The annualized impact of wages from 2023 to 2024 is \$687,445.

As the 2024 budget was prepared before the finalization of the CUPE Full Time collective agreement provisions have been added to the budget for potential increases due to contract negotiations, those provisions have been made in the total above.

All recommended staffing positions for the 2024 budget have been prepared with full business case reviews so that Council and the public can see the needs and risk associated with the resourcing gaps in the municipality.

New staff positions being recommended in 2024 amount to \$533,289 of which \$334,532 are funded by Grants for a Net Impact of \$198,757. This included 4 position conversions as part of the reorganization for council to debate the service level enhancement to our residents which totals \$30,387 for all 4 this is included in the total of \$198,757. The total requested levy for staffing service level changes is .51% of the tax increase.

Council via resolutions in 2023 approved the addition of a Corporate Leader, DL Energy Management and also a Workforce Advisor and those costs have been added to the base budget for 2024.

A complete listing of these positions and their cost including labor burden is provided below;

Operating Budget Centre	Position Title	Budgetary Impact	Grant Funding	Net	Levy Percentage
Service Level Impacts					
Digital Transformation	Information Technology Summer Students (2)	31,891	0	31,891	.08%
By-law	Administrative Assistant (full time)	87,147	0	87,147	.22%
Financial Planning	TL Asset Management	129,332	80,000	49,332	.13%
Public Service	Public Service Representatives (2) (full time)	174,532	174,532	0	0
Public Service	Customer Service Representatives (4 Part Time)	80,000	80,000	0	0
Position Conversions					
Economic Development	DL-Economic & Intergovernmental Affairs Conversion	3,048	0	3,048	.01%

Communications	TL to DL Civic Engagement	9,678	0	9,678	.02%
ATRC	TL to DL ATRC Facilities and Fields	8,322	0	8,322	.02%
Public Service	TL to DL Public Service	<u>9,339</u>	<u>0</u>	<u>9,339</u>	<u>.02%</u>
Total Positions for Approval		\$533,289	\$334,532	\$198,757	.51%
Pre-committed and approved					
Work Force Development	Work Force Development Officer	124,729	0	124,729	Pre committed
Engineering	DL- Energy Management/ Utilities	156,928	150,000	6,928	Pre committed
Community Health and Safety	Corporate Leader-Community Health and Safety	<u>219,093</u>	<u>0</u>	<u>219,093</u>	Pre committed
Total pre-commitments funded by Tax		\$500,750	\$150,000	\$350,750	

Legislative, Inflation and Contractual Impacts

Legislative Impacts of \$293,567 include the adjustment required for \$419,084 for the eligible portion of the ATRC from the Development Charges Reserve. Other Legislative costs include mandatory ESA requirements and the increase to the Conservation Authority as well as the Building Code Act reserve transfer

Inflationary and Contractual cost of \$1,687,986 including the rising cost of the police contract \$48,500, increases to fire dispatching services \$39,700, increases to security and Janitorial Contacts totaling \$70,000 & Solid waste contracts increases of \$1,523,021.

Line-Item Adjustment Increase

The budget calls for \$634,379 in line item increases and reductions the largest one being and adjustment for tile loans and debentures of \$133,841 followed by HR consulting cost of \$100,000 for recruitment services and additional costs for areas such as software

licensing and telecommunications, and increases facilities maintenance costs, supplies, fuel and oil cost.

Offsetting some of the additional cost is forecasted savings in utilities cost from conversion to LED lights of \$210,500 in all budget centres, as well as reductions in insurance premiums factoring in the increase in the insurance deductible.

Water & Wastewater

The Municipality completed an update to the Water and Wastewater Rate Study in 2022 to provide solutions to support the municipality's short and long-term goal to ensure financially sustainable water and wastewater systems. The recommendations from the updated rate study have been incorporated into the 2024 Draft Budget as well as the 2024 User Fees By-law. Below is a summary of the change in the water rates for 2024.

Water Rates	2023	2024
Consumption Rate	\$1.62	\$1.68
Flat Rate	\$21.68/month	\$22.55/month
Wastewater Rates		
Consumption Rate	\$1.83	\$1.99
Flat Rate	\$23.24/month	\$25.33/month

New for 2024

List of New Positions

- Increases transparency by showing Council and residents all the staffing requests in one summary page

New 5-Year Operating Forecast for All Departments and Budget Centres

- The 2024 Budget is Lakeshore’s First Multi-Year budget which forecasts 5 years of operating cost based on trends and fiscal policy document commitments such as requirements of the Asset Management Plan to contribute 3% of the rates to reserves to sustain our infrastructure.

New 5-Year Capital Forecast and Long-Range Planning

- The 2024 Budget is Lakeshore’s First Multi-Year Capital Forecast budget as well which looks at Lakeshore’s Capital Plans and 5 years and reviews the funding able to carry out such plans
- Lakeshore 5-Year Capital Plans Total 319 Million Dollars based on updated information

- Lakeshore will have Reserve Transfer totalling 150 Million dollars in that time frame, leaving a significant funding gap
- The outcome of this will require significant prioritization of projects and counited investment in the tracking of infrastructure plans and projects, to ensure the highest and best use of limited funds

New Budget Centre Wage Change Overview

- The 2024 Budget includes a Wage Change Overview for each area to provide a quick summary of adjustments that are from one budget year to the next, those that are legislative in nature based on collective agreements and pay policies and those Council can make decisions on based on service levels provided to our residents.

The Development of an Interactive Budget Application for Residents

- The 2024 Budget Develops Essex County first-ever budget application and interactive data for the residents of Lakeshore to enjoy. It allows for a focused selection of budget centres with interactive graphs and data to explore to enhance our resident's understanding of the municipal budget. It is AODA compliant and built to Government Finance Officers Association Standards so Lakeshore can apply for the Distinguished Budget Presentation Award.

The budget can now be found online at

<https://lakeshore.ca/budgetapp>

Others Consulted

ERCA
LTVCA
County of Essex
Ministry of Municipal Affairs and Housing

Financial Impacts

An additional municipal levy requirement before growth of \$3,275,116 is recommended for the 2024 Budget. After factoring in the growth projection of \$876,722 the municipal levy requirement after growth is \$2,398,394 for 2024. This translates into an annual increase of 114 dollars per home assessed at 275,000 or a 6.23% Tax rate increase to the residents of the Municipality of Lakeshore.

When combined with the estimated rates from the County and Education rates residents can expect an annual increase of 197 dollars per home assessed at 275,000 or a 5.38% increase in total property taxes cost over 2023.

There were several operating budget requests and capital budget requests that were either deferred to future years or not recommended at the CLT budget review stage. These budget issues are provided to Council in the Appendices to the budget document along with any business cases for staffing.

Report Approval Details

Document Title:	2024 Draft Budget.docx
Attachments:	
Final Approval Date:	Jan 24, 2024

This report and all of its attachments were approved and signed as outlined below:

Prepared by Justin Rousseau

Approved by Truper McBride