

Municipality of Lakeshore – Report to Council

Corporate Services

Financial Planning and Analysis



To: Mayor and Members of Council

From: Jessica Gaspard, Division Leader – Financial Planning and Analysis
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Date: November 19, 2024

Subject: 2025 Draft Budget – Information Report

Recommendation

This report is presented at the December 10, 2024 Council meeting for information only.

Strategic Objectives

Although this report does not directly relate to a Strategic Objective, it outlines a core municipal service by providing an overview of the 2025 Draft Budget, including financial needs, key priorities, and challenges.

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 expenditures and ensure that estimated revenues are equal to estimated expenditures.

The 2025 Draft Budget addresses the Municipality of Lakeshore's financial needs for both operating and capital requirements, funded through user rates (water and

wastewater), user fees, and taxation. Its development involved a rigorous review process, including submissions from municipal departments, subsequent evaluations by the Corporate Leadership Team (CLT), and a detailed analysis of operational and capital priorities. Throughout this process, Council's strategic objectives played a key role in shaping budget requests and capital projects. These objectives include building and maintaining municipal infrastructure in alignment with the Water/Wastewater Master Plan, developing future communities by designing and constructing one park per term, and modernizing citizen centered services such as increasing the capabilities of bylaw enforcement.

Comments

General Budget Overview

The municipal levy required for 2025 is \$44,444,090, reflecting an increase of \$3,624,970 before factoring in growth. With projected assessment growth generating \$500,000 in additional tax revenue, the net levy increase is \$3,124,970, equivalent to a 7.66% tax rate increase for existing homeowners.

For a property with an average assessed value of \$270,000, this equates to an estimated monthly tax increase of \$11.75. When combined with expected rates from County and Education authorities, residents can anticipate a blended tax rate increase of 6.30%.

Key Budget Highlights:

- ***Total Expenditures:*** \$66.1M (up from \$60.7M in 2024).
- ***Capital Projects:*** \$36.3M allocated.
- ***Reserve Contributions:*** \$32.7M.
- ***Reserve Withdrawals:*** \$43M.
- ***Recoveries:*** \$21.6M (up from \$19.8M in 2024).
- ***Tax Revenue:*** \$44.4M (representing a \$3.6M increase from 2024).

Inflationary Pressures

Inflation remains a significant challenge for municipalities in 2025. Above-average inflation has driven up operational costs, particularly for salaries, goods, and services. Additionally, non-residential construction costs have increased by approximately 10%, placing additional strain on the budget for infrastructure projects and reserve funding. These inflationary pressures necessitate difficult decisions regarding service delivery and infrastructure investments.

Postponement of Property Tax Reassessment

The Municipal Property Assessment Corporation (MPAC) has again delayed updating property assessments, leaving property taxes based on 2016 valuations. While new developments contribute to weighted assessment growth of 1.22%, these properties remain valued at 2016 construction rates.

Impact of 2024 Cuts to Reserve Funding and Transfers from Tax Stabilization

To reduce the property tax rate in 2024, Council approved one-time reserve transfers, including \$1,000,000 from the Facilities – New Reserve and \$179,000 from the Parks Furniture Reserve. Additionally, \$700,000 was drawn from the Tax Stabilization Reserve, and \$150,000 was taken from the Road Share Drainage Reserve to offset operating expenses. However, reversing these one-time measures in 2025 added a 4.80% impact to the tax levy, meaning the levy increase was already at 4.80% before any new budget change requests were considered.

Proposed Rate Increases

The following summarizes how rates and fees will change in 2025 compared to 2024, based on an average household in Lakeshore. Tax rates are calculated using the average property value assessed by MPAC, while water and wastewater rates are based on typical household usage.

Municipal Tax Rate Increase

- \$141 increase (7.66%)
- This represents the additional amount the average household will pay directly to the Municipality of Lakeshore.

Blended Tax Rate Increase

- \$234 increase (6.30%)
- This includes not only the municipal increase (\$141) but also expected increases from the County (\$93) and the School Board (\$0).
- This is the total tax increase residents will see on their tax bill.

Wastewater Rate Increase

- \$75 increase (9.00%)
- The average household will pay \$75 more for wastewater services in 2025 compared to 2024.

Water Rate Increase

- \$29 increase (4.00%)
- The average household will pay \$29 more for water services in 2025 compared to 2024.

2025 Capital Budget Overview

The 2025 Capital Budget totals \$36.3M, aligning with Council's priorities for maintaining infrastructure, roads, and parks. Major projects include:

- Comber Watermain Replacement – Phase 1: \$8M
- Rochester Watermain Replacement: \$3.7M
- Stoney Point Park Construction: \$3.5M

- County Road 22 Sanitary Trunk Upgrades: \$3.07M
- 2025 Bridge Rehabilitation Program: \$2.4M
- Fire Truck Replacement – Tanker 2 and Engine 5: \$2.07M
- Lifecycle Asphalt Replacement: \$1.9M

Taxation Budget Highlights

Revenue: \$66.1M (+8.8%)

Expenses:

- Wages: \$19.4M (+7.2%)
- Admin Expenses: \$3.76M (-3.6%)
- Operating Costs: \$8.83M (+7.7%)
- Professional Services: \$10.4M (+8.0%)
- Reserves: \$21.4M (+14.3%)

Water and Wastewater Budget Highlights

Revenue: \$21.8M (+13.7%)

Expenses:

- Wages: \$3.6M (+2.4%)
- Operating Costs: \$3.98M (+6.8%)
- Reserves: \$4.55M (+130%)

2025 Regional Comparison

- Lakeshore's tax rate increase remains one of the lowest in the region.
- Lakeshore's total weighted assessment ranks the highest in the region.

Lakeshore, with the highest weighted assessment and household income in Essex County, ranks low in levy per capita and household. Adopting a funding model similar to Tecumseh or Leamington could increase Lakeshore's levy by \$3.6 million, raising the average household tax by \$247—still \$843 less than the county's highest. If Lakeshore matched the highest-taxed municipality in Essex County, it could generate an additional \$15.6M in revenue, which could help reduce its \$23M infrastructure funding gap.

Council faces a pivotal decision regarding the future direction of infrastructure investment. One path places priority on maintaining infrastructure that supports the current tax base, ensuring reliable services and addressing immediate community needs. The alternative path focuses on investing in growth-oriented infrastructure designed to attract new development and expand the tax base over time.

While the second approach offers the potential for long-term revenue generation and economic growth, it necessitates significant upfront costs, potentially requiring higher municipal levies and increased debt until the anticipated benefits of a larger tax assessment materialize.

Striking a balance between these approaches will shape the Municipality's financial health and community development for years to come.

Reserve and Debt Forecast

- ***Reserves:*** Significant decline projected, requiring strategic planning to address a forecasted \$114.5M deficit by 2030 if no additional transfers to reserves occur.
- ***Debt:*** Projected to exceed the annual repayment limit of 15%, as outlined in the Municipality's Debt Policy, by 2028. This is primarily due to debt financing for the Stoney Point Wastewater Treatment Plant and wastewater conveyance systems, totaling \$129.75 million.

Changes to the Budget App

In 2025, Administration has made progressive improvements in providing additional value to the residents through our existing Budget App. At its core, the Budget App has been enhanced to improve transparency and trust with residents. These additions have been made as part of the feedback we received from residents on the 2024 initial launch of the Budget App.

Summary of Additions:

- **Guiding Documents:** Provides residents with the plans and studies we use to shape the budget and future forecasting.
- **How Services are Funded:** Describes each funding source, where it is sourced from, and its purpose. Explains to the residents how we fund the community.
- **Change Request Levy Impact:** Shows residents the impact on the tax increase of each change request as well as the dollar amount. This helps residents better understand how their tax dollars are working for them.
- **5-Year Levy Impact and Service Levels:** This section outlines the capital requirements to maintain the current service level of the Municipality as well as the tax rate impact just to maintain daily operations costs. This section also outlines the proposed service enhancements we would like to bring to them, and the levy increase required to fund them.

Financial Impacts

The 2025 Draft Budget strives to balance service delivery, capital investment, and fiscal sustainability while addressing external challenges such as inflation and delays in property tax reassessments. However, does not plan on any continued reliance on reserves to stabilize tax rates is not a sustainable approach.

Administration recommends adopting long-term financial strategies, including increased reserve contributions and proactive rate adjustments, to align Lakeshore’s rates and service levels with those of neighboring municipalities. These measures are essential to ensure fiscal stability and support future growth.

Several operating and capital budget requests were deferred to future years or excluded during the CLT budget review process. These items, along with any associated business cases for staffing, are detailed in the Appendices of the budget document for Council's consideration.

Attachments

The budget can now be found online at

<https://lakeshore.ca/budgetapp>

Report Approval Details

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| Document Title: | 2025 Draft Budget.docx |
| Attachments: | |
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This report was approved and signed as outlined below:

Prepared by Jessica Gaspard

Submitted by Kate Rowe

Approved by Corporate Leadership Team