



MUNICIPALITY OF THAMES CENTRE

REPORT NO. CAO-010-24

TO: Mayor and Members of Council
FROM: Chief Administrative Officer
MEETING DATE: December 9, 2024
SUBJECT: Proposed Operating and Capital Budget 2025

RECOMMENDATION:

THAT Report No. CAO-10-24 be **RECEIVED** for information;

AND THAT the 2025 Proposed Capital Budget of \$10,797,383 be **APPROVED IN PRINCIPLE**, as presented;

AND THAT the 2025 Proposed Operating Budget be **APPROVED IN PRINCIPLE**, as presented, including a tax levy of increase of 2.5%;

AND THAT a Capital Infrastructure levy of 1% be **APPROVED**;

AND THAT the Proposed 2025 Water Rate increase of 2.5% be **APPROVED** as per Section 6.5 of the 2020 Thames Centre Water & Wastewater Rate Study;

AND THAT the Proposed 2025 Wastewater Rate increase of 2% be **APPROVED** as per Section 6.5 of the 2020 Thames Centre Water & Wastewater Rate Study;

AND THAT staff be **DIRECTED** to prepare the necessary Budget By-law for the first regular meeting of Council in 2025

PURPOSE:

The purpose of this report is to present Council the Proposed 2025 Operating and Capital budgets and to discuss the items and services provided for within the budget documents in order to establish the 2025 tax levy.

BACKGROUND:

Section 290 of the *Municipal Act, 2001*, S.O. 2001, Chapter 25, as amended, provides that a municipality shall prepare and adopt a budget including estimates of all sums required during the year for the purposes of the municipality.

At its June 24, 2024 meeting, Thames Centre Council passed a Budget Process report, specifically, for the 2025 Budget process.

The following focus areas were approved to guide the 2025 Budget development:

- Develop baseline budget requirements, in order to maintain existing service levels in existing and new growth areas;
- Review and assess impacts of:
 - Increasing user fees where appropriate
 - Phasing service growth
 - Realigning service levels to meet changes in public demand
 - Maximizing eligible reserves to fund one-time operating expenditures
 - Mitigating inflationary impacts through efficiencies and/or alternative service delivery methods through partnerships
 - Review existing tax-based capital contributions to determine if opportunities exist to reduce or reprioritize tax-funded capital plans
- Advocacy efforts for funding from other levels of government
- Timelines and checkpoints for the 2025 Budget process include:
 - Council Direction and Guidance
 - Budget Preparation by Division Managers
 - Submission to Directors
 - Electronic Submission to Finance
 - Consolidation and Preparation of 1st Draft
 - Distribution of 2025 Budget Binder to senior staff Senior Management Team review, Budget Revisions & Preparation of Draft Budget Package
 - Public Engagement
 - Staff Preparation of Budget Workshop material
 - Council Workshop
 - Special 2025 Budget Meeting of Council.

COMMENTS:

The 2025 Budget presents multiple challenges for the Municipality of Thames Centre: annual budget pressures; economic uncertainty resulting in slower building permit activity and, therefore, collection of fewer Development Charges; higher OPP contract costs; and, increased cost of goods and services the Municipality uses such as hydro.

Council Referred the Following Items to 2025 Budget Considerations

- July 15, 2024, Council Meeting:
 - **Remuneration for Elected Officials** – that the base pay rate for Elected Officials be REFERRED to the 2025 Budget Process.
 - The 60th percentile grid as provided by ML Consulting has been incorporated into the proposed 2025 Budget.
 - **Remuneration for Volunteer Fire Services** – that any further adjustments to Remuneration for Volunteer Fire Services be REFERRED to the 2025 budget process.
 - A \$1.00 increase for the Volunteer Fire Service has been incorporated into the proposed 2025 Budget.

- November 18, 2024, Council Meeting:
 - **Possible Thorndale Lions Community Centre Expansion** – that an appropriate budget for a project design BE REFERRED to the 2025 budget process, with use of the Thorndale Community Centre deferred revenue fund.
 - A \$240,000 transfer from the Thorndale Lions Community Centre deferred revenue account has been incorporated into the proposed 2025 Capital Budget.

Aligning the Proposed 2025 Budgets to the 2024-2027 Strategic Plan

Economic Development

- Community Improvement Plan (CIP) grants;
- The Proposed Budget includes funding for a 2025 Support Local Campaign and staff will work with Middlesex County, as per Goal 5B, to support retention and attraction of local businesses;
- Tourism Masterplan development as per Strategic Priority 5G.

Sustainability

- 1% annual Capital Infrastructure Levy to address both risk of Capital and Development Charge (DC) reserve depletion as well as loan repayments previously committed to be funded through anticipated future DC (DCs) that are no longer coming in at predicted levels. An annual Capital Infrastructure levy will build toward sustainably funded capital program;
- Completion of the Asset Management Plan in 2025 is funded which will then inform a sustainable long-term Financial Management Plan for the Municipality;
- Investing in the sustainability and integrity of the municipal road network including bridges and culverts;
- Funding for continued tree planting and green initiatives while working closely with the Environmental Advisory Committee (EAC) as per Strategic Priority 7C;
- The 2024-2027 Strategic Plan is incorporated into budgets through prioritizing the allocations of financial resources as per Strategic Priority 1B;
- Increased grants to assist in the sustainability of local resources;
- Proposed Tax Levy increase that is fiscally prudent while maintaining affordable and sustainable taxation levels as per Strategic Priority 7B. As seen in the chart below, Thames Centre has the lowest local municipal tax rate within Middlesex County and amongst all neighboring municipalities:



Lower Tier	2024 Local Lower Tier Rate	2024 County Rate	2024 School Board Rate	2024 Total Residential Tax Rate	Total 2024 Taxes on an Average Residential Single Family Home \$363,000	\$ Difference over Thames Centre
Thames Centre	0.469437	0.443866	0.153000	1.06630300	\$3,870.68	
Middlesex Centre	0.666800	0.443866	0.153000	1.26366600	\$4,587.11	\$716.43
Lucan Biddulph	0.679525	0.443866	0.153000	1.27639100	\$4,633.30	\$762.62
Adelaide Metcalfe	0.740459	0.443866	0.153000	1.33732500	\$4,854.49	\$983.81
Strathroy Caradoc	0.768923	0.443866	0.153000	1.36578900	\$4,957.81	\$1,087.13
Newbury	N/A					-
North Middlesex	0.849453	0.443866	0.153000	1.44631900	\$5,250.14	\$1,379.46
Southwest Middlesex	0.991072	0.443866	0.153000	1.58793800	\$5,764.21	\$1,893.54
Perth South (Perth)	0.486569	0.323016	0.153000	0.96258500	\$3,494.18	(\$376.50)
Town of St Mary's	1.362987	0	0.153000	1.51598700	\$5,503.03	\$1,632.35
Ingersoll (Oxford)	0.949400	0.489998	0.153000	1.592398	\$5,780.40	\$1,909.72
Zorra (Oxford)	0.635861	0.489998	0.153000	1.27885900	\$4,642.26	\$771.58
City of London	1.420126	0	0.153000	1.57312600	\$5,710.45	\$1,839.77
Malahide (Elgin)	0.767263	0.684347	0.153000	1.60461000	\$5,824.73	\$1,954.05
Central Elgin (Elgin)	0.835969	0.684347	0.153000	1.67331600	\$6,074.14	\$2,203.46

Smart Planning

- Investing in Cloud Permit software and process automation to help reduce wait times for permit and planning applications as per Strategic Priority 2A;
- Investing in Upper Queen Street and Thorndale Road Urbanization in line with Strategic Priority 2D;
- Investing in a Long-Term Water Usage study for future planning

Community Communications and Engagement

- Continued community feedback and engagement initiatives including Ward meetings and Town Hall forums as per Strategic Priorities 3A, 3B and 3C;
- Community Grants;
- New website completion with metrics dashboard.



Active Living

- Strategic Priority 4C respecting development of a Parks and Trails Masterplan;
- Investing in Trails (Wye Creek, Valleyview)
- Investing in parks and playgrounds (Boardwalk Development)

OPERATING BUDGET

The 2025 Proposed Budget and resulting tax levy increase is primarily reflective of the following highlights (not limited to):

<i>Expense (Revenue)</i>	<i>Initiative</i>
\$350,000	Increase in operational costs (e.g. materials, supplies, wage increases including collective agreement obligations, etc.)
\$50,000	Planning Fee revenue reduced from previous year to align with actuals
(\$155,000)	Increased in OMPF annual allocation
(\$150,000)	Operational savings (Insurance, Benefits, etc.)
(\$95,000)	New Assessment (0.8% which is less than previous years)
\$0	Total of Identified Highlights
0.0%	2025 Levy increase due to above identified highlights
0.4%	Estimated 23% increase in UTRCA levy (\$53,295)
0.4%	Estimate 14% increase in Ontario Hydro (\$53,800)
0.2%	Increase in 2025 OPP billings (\$21,156)
1%	Capital Infrastructure Levy (\$120,000)
1.5%	2026 OPP increase phase-in (\$180,000)
3.5%	2025 Total Proposed Levy Increase



Ontario Provincial Police (OPP) Contract – Phase In a portion of the Increase

As discussed at the November 4, 2024 Council meeting, the 2025 OPP contract was set to increase by approximately 19% for the Municipality of Thames Centre - equating to approximately a 3% local levy impact. On November 29th, 2024, the Solicitor General sent a letter stating:

“The total billing statement that was initially provided to you for 2025, inclusive of the increases resulting from the new collective agreement, was \$2,193,752. Today’s proposed billing changes will provide an estimated \$318,490 in financial relief for your municipality, bringing the new total for OPP services being billed to your municipality in 2025 to \$1,875,262.”

This one-time provincial assistance defers the unprecedented OPP increase and gives municipalities more time to phase in the impact that is now taking effect in 2026. To help mitigate the approximate 3% levy impact to the local property tax levy, staff is recommending to phase in this impact over two years: 1.5% in 2025 and approximately 1.5% in 2026.

The proposed 1.5% levy (\$180,000) for OPP phase-in would be embedded in the base budget to assist in easing the 2026 impact and will be used to help fund the overall OPP billings of approximately \$2.2 million in 2026 onwards.

In 2025, however, the \$180,000 is included in the proposed budget to be used as one-time funding only (to be used for OPP billing 2026 onwards) for the following:

Department	Description	Amount
Solid Waste (Landfill)	SWM pond design and ECA required upgrades	\$ 40,000.00
Fleet	replace 2 tires plus repairs	\$ 23,500.00
	replace 2 tires	\$ 3,500.00
	replace 2 tires	\$ 3,500.00
	replace 2 tires	\$ 3,500.00
	replace 4 tires	\$ 2,000.00
	new tires and wheels	\$ 2,000.00
	new seat	\$ 1,000.00
	brakes	\$ 700.00
	new tires (x4)	\$ 1,400.00
	new tires and brakes (x4)	\$ 2,300.00
	new steering tires x2	\$ 3,500.00
	6 new tires	\$ 24,000.00
	new 60' offset ditch bank flail mower	\$ 5,200.00
	new brakes and tires (x4)	\$ 2,300.00
	brakes and tires (x4)	\$ 2,300.00
	brakes and tires (x4)	\$ 2,300.00
Thames Centre Trails	Trails Master plan update	\$ 40,000.00
Council Initiatives	Top up for Council Initiatives	\$ 17,000.00
		\$ 180,000.00



Council may elect to forego this recommendation and absorb the full impact of the OPP costs in 2026 which would add a minimum of 3% to the start of the next budget cycle. Further, the proposed 2025 one-time expenditures listed above would not be approved and/or other funding sources would be required.

FlightExec Expansion Capital Project – Utilization of Development Charges

A 2% levy increase was included in the 2024 Operating Budget to help pay for the future debt payments associated with the Flight Exec Expansion capital project that was completed in 2024. With a total project cost of \$7,422,048.04, approximately \$1.38 million was funded through donations and the remaining \$6.04 million is to be debt financed.

The original project valued at \$1.4 million was included in our 2021 DC Study, however, the final scope and budget for the completed project was much larger. After discussing it further with our external consultants, Watson & Associates Economists Ltd., Thames Centre can reprioritize the remaining recreation projects contained within our 2021 DC Study to allow up to 62% of the FlightExec Expansion capital project costs to be recovered through DC's.

Staff recommends that 50% of the total project costs be recovered through DC's and debt financed. As of November 2024, Infrastructure Ontario's interest rate for a 20-year loan was 4.33%, resulting in the following estimated annual payments;

Estimated Annual Debt Payments	\$ 454,564.23
Amount Allocated in 2024 Budget (2.0% of levy)	<u>(229,800.00)</u>
Amount to be Recovered annually through DC's	<u><u>\$ 224,764.23</u></u>

Council may choose to forego this recommendation and not allocate 50% of this project to DC's which would mean an additional 1.8% would need to be added to the property tax levy for 2025.

CAPITAL BUDGET

The proposed 2025 Capital Budget includes 23 projects with a value of \$10,797,383. Utilizing capital business cases, as attached, projects have been prioritized based on need and are predominately related to infrastructure investments such as roads, water/wastewater and storm water projects.

Further, there are 27 projects being carried over from previously approved capital budgets totaling \$4.7 million worth of remaining work to be completed. Subject to approval, Thames Centre will have 50 capital projects valued at \$15 million underway in 2025.

FINANCIAL IMPLICATIONS:

The 2025 proposed Operating Budget includes a tax levy of \$12,170,235 (2024 - \$11,880,316) and a proposed Capital Budget totaling \$10,797,383 (2024 - \$9,262,797).

STRATEGIC PLAN LINK

Pillar: Sustainability

Goal: Ensure that the Municipality maintains fiscal prudence, along with affordable and sustainable taxation levels.

CONSULTATION:

K. Harrison, Financial Analyst
Senior Management Team

REFERENCES:

CAO-019-23 - FlightExec Renovation Capital Project – Financing Update

ATTACHMENTS:

2025 Draft Operating Budget
2025 Draft Capital Budget, including Capital Business Cases
2025 Fleet Overview
2025 Reserve and Reserve Fund Projections, including Development Charges Continuity Schedule
2025 Deferred Revenue Projections
2024 Annual Debt Repayment Limit Calculations
2024 Draft 2024 BMA Municipal Study Report (excerpts)
2024-2027 Thames Centre Strategic Plan
2025 Budget - Other Supporting Documents

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