



MUNICIPALITY OF THAMES CENTRE

REPORT NO. CAO-018-23

TO: Mayor and Members of Council
FROM: Chief Administrative Officer
MEETING DATE: December 11, 2023
SUBJECT: **Proposed Operating and Capital Budget 2024**

RECOMMENDATION:

THAT Report No. CAO-018-23 be received for information;

AND THAT the 2024 Proposed Operating Budget be approved in principle, as presented, including a tax levy of increase of 1.4%;

AND THAT the 2024 Proposed Capital Budget of \$9,237,797 be approved in principle, as presented;

AND THAT a Capital Infrastructure levy of 1% be approved;

AND THAT Council establish a Community Grants program for 2024 with the London Children's Museum and West Nissouri Non-Profit Seniors' Complex requests to be referred to that process, once initiated;

AND THAT staff be authorized to utilize Legal and Insurance reserve accounts, for their intended purposes throughout the year, if necessary;

AND THAT the Proposed 2024 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 2024 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 2024.

PURPOSE:

The purpose of this report is to present Council the Proposed 2024 Operating and Capital budgets and to discuss the items and services provided for within the budget documents in order to establish the 2024 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.

For the first time, at its June 26, 2023 meeting, Thames Centre Council passed a Budget Process report, specifically, for the 2024 Budget process.

The following focus areas were approved to guide the 2024 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 2024 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 2024 Budget Binder to senior staff
Senior Management Team review, Budget Revisions & Prep. of Draft Budget Package
Public Engagement
Staff Preparation of Budget Workshop material
Council Workshop
Special 2024 Budget Meeting of Council

COMMENTS:

The 2024 Budget presents 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 inflation raising the cost of goods and services the Municipality uses; higher interest rates increasing debenture costs; and, additional operating expenses approved subsequent to the approval of the 2023 Budget that need to be embedded into the 2024 Operating Budget.

Including the focus areas referenced above, additional lenses have been applied to the 2024 budget process compared to previous years, including greater transparency, sustainability and a demonstrated respect for tax dollars.

In Council's 2023 budget process, it was presented only with 2022 and 2023 budget lines. Within the 2024 budget process, Council is further presented with 'actuals' for 2022 and YTD 2023. That stated, due to functional re-alignment and new cost centers, there are some instances where the 2024 Proposed budget lines are different than the 2022 and 2023 comparisons, particularly Council, Office of the CAO and Legislative Services areas. However, the budget envelopes remain similar but provides greater clarity and transparency moving forward.

Staff further used 5-year actual averages when considering the proposed 2024 operating budget rather than looking at previous year budgets and adding inflation. Budgeting to actuals results in a more transparent process that is more reflective of where resources are required.

On the capital side, Capital Business Case templates were created and used to prioritize requests based on urgency and requirements across departments.

Of note, staff will also be implementing in 2024, for the first time, 'Questica Open Book,' a public facing online data transparency tool that will allow residents to visualize the 2024 Budget for more effective citizen engagement.

Council referred the following items to 2024 budget considerations:

Detailed design work to upgrade King Street in Thorndale from a rural to urban cross section complete with sidewalks and street illumination:

\$150,000 is included within the Proposed 2024 capital budget for this design work.

Community Garden pilot project for 2024:

\$15,000 is included within the Proposed 2024 operating budget for this pilot project.

London Children's Museum and West Nissouri Non-Profit Seniors' Complex funding requests:

Staff is recommending a Community Grant program to be initiated in 2024, with \$40,000 of total funding included in the proposed operating budget. If approved, these requests can be referred to that process.

Aligning the Proposed 2024 Budget to the 2024-2027 Strategic Plan

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 – as an example, the DC reserve fund for

Parks and Recreation Services is currently in a negative balance of \$2.3 million. An annual Capital Infrastructure levy will build toward sustainably funded capital reserves.

- Funding included to complete the Asset Management Plan in 2024 which will then inform a sustainable long-term Financial Management Plan for the Municipality;
- Project Management principles, practices, templates, tracking, accountability and project teams/charters to be implemented through a Project Manager, funded through the capital budget. Project Manager, in tandem with Asset Management and multi-year capital budgets to mitigate risk identified by the Auditor at the June 12, 2023 Council meeting related to, *“a significant increase in capital projects that were not completed... this puts a tremendous burden on the Finance Department to monitor reach of these projects and ensure they are properly financed and recorded. This also delays the Municipality’s ability to obtain long-term financing or complete final grant submission for these projects.”* The total work in progress has grown from approximately \$4 million at year-end 2021 to approximately \$12.5 million estimated year-end 2023. Inclusive of the proposed 2024 capital of approximately \$9.5 million brings a total amount of work in progress of over \$22 million. Approved capital works should be completed as efficiently as possible before new projects are commenced and a dedicated Project Manager will ensure project management principles are applied to all Municipal capital projects to assist in ensuring on-time/on-budget projects along with vendor management and proper procurement consistently applied. A Project Manager role is included in this budget, absorbed internally within the total proposed capital projects for 2024, with no impact on the tax levy.
- Tree Planting program funding is included in this proposed budget to address Sustainability Goal 7D, *“The Municipality should develop a Tree Planting Program and ensure that funding is made available for this initiative.”*
- The 2024-2027 Strategic Plan is incorporated into budgets through prioritizing the allocations of financial resources as per Strategic Priorities 1B
- The 2024 proposed Budget maintains affordable and sustainable tax levels, as per Sustainability Goal 7B, with a total recommended levy increase of 2.4%, which is at or below current inflation of 3.1%.

Smart Planning

- As per Smart Planning Goal 2A, to reduce wait times for Planning applications, the proposed 2024 Budget includes Key Performance Indicator (KPI) development, including to properly track wait times, amongst other organizational KPI’s. The Budget also includes a sharpened focus for the Planning division by proposing to have Upper Thames River Conservation Authority (UTRCA) partners take on the Municipal Source Water Protection responsibility. The budget reflects the By-Law Compliance responsibility being moved to Legislative Services as well as the Economic Development function being moved to the Office of the CAO. The

sharpened focus of Planning and Building Services is further augmented by having additional 0.5 Fulltime Equivalent (FTE) support that has been repurposed internally. Planning/Building Fees and Charges have also been updated to be in alignment with other local municipalities and supports the additional 0.5 FTE while easing the impact on the general tax levy.

- The 2024 proposed Budget includes consideration of Smart Planning Goal 2F regarding, 'the Municipality could implement a Community Improvement Plan.' With work currently underway on a draft plan, to be finalized in 2024, the budget includes some monies for Council to consider implementation of its CIP, once finalized.

Community Communications and Engagement

- This goal to increase communications between the Municipality (Council and staff) and the community, for greater transparency in decision-making on budgets, planning, and infrastructure, including goal to better communicate annual community events is achieved to a large extent, by the Communications Coordinator. This role is integral to the implementation of the Strategic Goals in this area, 3A, 3B and 3C related to Town Hall's, community feedback, etc.
- A Community Grant program is reflected in this budget for greater Community Engagement.
- A proposed capital project to update the Council Chamber A/V system is included to address Goal 3D, to improve live streaming of Council meetings.

Active Living

- Goal 4C respecting Council consideration of developing and implementing a Parks and Trails Masterplan is in the 2024 Community Services workplan and budget.
- Proposed funding for improvements and extensions to trail network is within the Proposed 2024 Budget.
- Walking path upgrades at Thorndale Community Park are included in the 2024 Proposed Capital Budget.

Economic Development

- Council has created an Economic Development Committee as per Goal 5F within the Economic Development pillar, with some funding available to support the new committee set to meet for the first time in 2024.
- Funding is included in the 2024 Proposed Budget for potential economic development incentives related to Council's Community Improvement Plan, once approved.

- The Proposed Budget includes funding for a 2024 Support Local Campaign and staff will work with Middlesex County, as per Goal 5B, to support retention and attraction of local businesses.
- A Tourism Strategy and/or potential Tourism Masterplan can be initiated in 2024 with funds included in the Proposed Budget as per Goal 5G.

The 2024 Proposed Budget and resulting tax levy increase is primarily reflective of the following highlights (not limited to):

Costs (Savings)

145,650	Ontario Municipal Partnership Fund (OMPF) -unconditional grant funding is allocated at 85% of 2023 levels
13,781	OPP-costs included per Billing Statement received September 27, 2023 - 2024 adjustments will include actual 2022 reconciliation of costs
(344,952)	Insurance-cost centres with tax levy impact-costs included at 2023 actuals plus 10%, estimated by ORR insurance. Comparatively, the 2023 budget included insurance at Frank Cowan costs with any variance to be transferred to the Insurance Reserve at the end of 2023
(6,260)	CPI-included on identified rents, revenues for 2024 totalling \$162,748 at 4%
(400,000)	Bank Interest-\$500,000 given projected balance once all capital projects completed and projected Bank of Canada interest rate mid year 2024 of 4%
245,573	Transfer to Tax Stabilization Reserve-Pay Equity placeholders
152,447	Wages and benefits-cost centres with tax levy impact-includes 1.95% annual-per current union contract and historical application; changes in deduction maximums; student grid changes; anticipated step increases; benefits changes, etc.
195,138	Wages and benefits-change in overall staffing complement
13,000	Fire Stipend increase-phased in over 5 years-2024 impact-Dor \$5,000-Thor \$5,000
120,500	Fire Points-Training, Work Party, Meetings and Firefighting (points) increase in rates \$1 per point plus increase in staffing complement-Dor \$93,000-Thor

	\$27,500
180,615	AMP Capital Contributions-1.7% levy increase plus accumulated CPI impacts,
74,478	Fleet increased contribution to reserve tax levy impact based on 10% increase over 2023 contributions per 10 year projections-subject to change based on further analysis
(33,750)	Fleet-new inter-allocations from fleet for water and building vehicle costs-full cost recovery
(256,615)	Solid Waste Diversion-transition to producer responsible-2023 net budget less 2024 net budget
(158,558)	Reverse 2023 one times that impact the tax levy
105,207	2024 one-times that impact the tax levy
19,875	IT Service Agreement tax levy impact increase over 2023 of \$20,000 plus additional \$5,000 for on-site support one day per week
10,207	AMP update re: 588/17-balance of 2024 costs not funded from reserve as reserve balance is exhausted
-	Gravel Aggregate-increase in royalty revenue of \$41,000 is offset by \$41,000 Transfer to Transportation Capital Reserve
(13,308)	Telecommunications-reduction in budget necessary as a result of account review and removal of a number of phones/lines with tax levy impact
(39,900)	Legal-transition from threshold budget to 5 year historical average for all accounts-reserve balance available for general municipal services if over and above budget with tax levy impact
(20,000)	Insurance third party to be funded from reserve as needed
18,200	Hydro-increases for cost centres with tax levy impact
25,780	Union Gas-increases for cost centres with tax levy impact
32,407	Source Water Protection function to UTRCA
20,000	Tree Planting Program Economic Development
15,000	Addition of 15000 for Community Partnership Grants

73,816	Increase in Playground wages from 2023 to 2024
5,750	Water-increases for cost centres with tax levy impact
(188,000)	MPAC assessment
15,000	Community Garden
30,000	Key Performance Indicator (KPI) development and public dashboard
20,000	CIP Incentives
3,000	Fire Fighter Stipends
\$74,081	Total of identified highlights
0.64%	2024 Levy increase due to above identified highlights (\$74,081)
0.36%	Remaining consolidated offsetting impacts not identified above (\$41,157)
0.4%	Increase (26%) in Upper Thames Conservation Authority Levy (\$45,261)
1.40%	2024 Proposed Levy increase

FINANCIAL IMPLICATIONS:

The 2024 Proposed Operating Budget includes a tax levy of \$11,650,516 (2023 - \$11,490,017 and a proposed capital budget totaling \$9,237,797 (2023 - \$15,213,469).

STRATEGIC PLAN LINK

Pillar: Sustainability

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

CONSULTATION

Senior Management Team
Diane Gallinger, Deputy Treasurer
Nicole Bowery, Financial Analyst

ATTACHMENTS:

2024 Draft Operating Budget
2024 Draft Capital Budget
2024 Budget - Continuity of Reserve Funds
2024 Budget - Continuity of Development Charges



2024 Budget - 2023 Annual Debt Repayment Limit Calculations
2024 Budget - Key Performance Indicators
2024 Budget - Other Supporting Documents
2024-2027 Strategic Plan

Prepared by: D. Barrick, Chief Administrative Officer