



Staff Report

Finance

Report To: COW_Finance_Admin_Fire_Community_Services
Meeting Date: November 18, 2024
Report Number: FAF.24.139
Title: 2025 Budget Timeline and Overview
Prepared by: Monica Quinlan, Director of Corporate and Financial Services

A. Recommendations

THAT Council receive Staff Report FAF.24.139, entitled “2025 Budget Timeline and Overview” for information;

AND THAT Council establish a guideline for staff to follow in preparing the initial draft of the 2025 Budget.

B. Overview

This report presents key economic, financial, and operational challenges facing the Town as we approach the 2025 budget. The report seeks Council's guidance to ensure the budget aligns with strategic priorities, sustains essential services, and responsibly manages reserves.

Key decisions involve setting guidelines for the budget to help balance our financial stability with the need for more services, infrastructure projects, and maintaining a healthy financial future. Council’s guidance will help staff create a first draft of the budget that reflects our community's priorities while considering current economic, operational and financial conditions.

C. Background

To support the development of the 2025 budget, staff have been actively compiling and analyzing both financial and non-financial data. This process involves a detailed review of current spending, projections of future costs, assessments of service demands, and infrastructure needs. These efforts ensure that the proposed budget will be well-informed, aligning with Council’s priorities and addressing the community’s evolving needs.

D. Analysis

This report presents an overview of the financial and operational challenges our municipality faces as we prepare for the 2025 budget. Staff have conducted a review of economic

conditions, community growth, service demands, and infrastructure requirements to inform budget planning.

The following sections outline the current economic environment, the increasing demand for services, asset management requirements, and the impact on reserves. Council's guidance on these issues will be crucial as we develop a preliminary budget that aligns with strategic priorities and responsibly addresses these pressing challenges.

Economic Environment:

The latest Consumer Price Index (CPI) in Ontario is at 1.9%, showing a downward trend and signs of stabilization compared to the elevated levels seen in recent years. This decrease marks a shift from the higher inflation rates that significantly impacted the cost of goods and services. This marks the smallest annual increase since February of 2021 and the main contributor to the reduction was lowering gasoline prices. A stabilized CPI could help provide some relief from the steep cost increases the Town has been facing in recent budgets, although key costs are still influenced by other economic and market factors, this is most notable in construction pricing.

The Building Construction Price Index (BCPI) for non-residential buildings in Ontario continues to trend in an increasing pattern reporting a 3.5% increase annual in the 3rd quarter. The ongoing rise in these costs impacts the Town by driving up the costs of capital projects. This escalation in costs strains the Town's budget and puts additional pressure on reserves and funding sources.

Service Demand Pressures on the Town:

The Town has experienced an over 33% increase in population since 2016, this has placed considerable pressure on local services and infrastructure to meet the growing community's needs. Additionally, the Town welcomes over 2.5 million visitors each year, which adds further strain on municipal resources, from roads and public facilities to emergency services and waste management. This steady influx of both new residents and visitors heightens demand for robust infrastructure and reliable services.

The rapid growth of the Town has required an evolution in its organizational structure to ensure it can effectively meet the demands of service delivery. The corporate service delivery review was initiated to help staff restructure operations, enabling the Town to better manage this unprecedented growth. This review also provided valuable insights by categorizing each department's services according to specific service types (see Table 1), which helps clarify roles and responsibilities across the organization and supports efficient service delivery. This updated structure is phased over an 18-24 month period with the first phase being incorporated in 2024 and moving into the full implementation in the 2025 budget.

(Table 1 – Service Types)

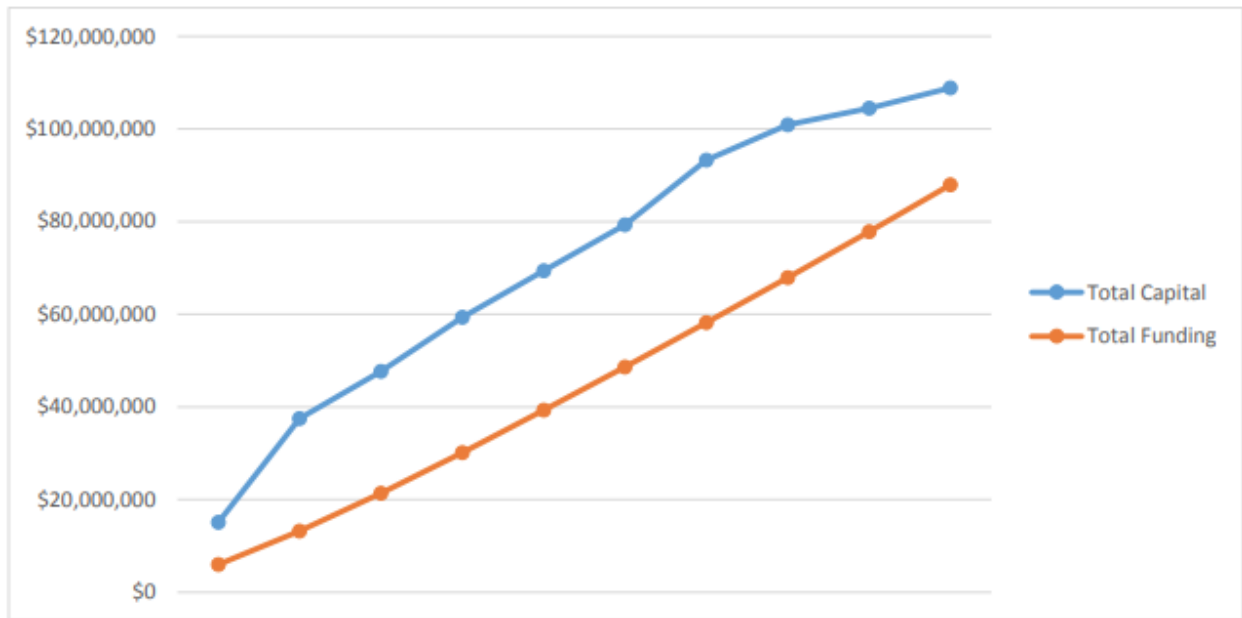
Service Type	Description
Mandatory (Must Do)	Service is mandated or required by legislation. Deemed to be a required service.
Essential (Should Do)	Not legislatively required, but service is necessary for the municipality to operate reasonably. Deemed to be a required service.
Traditional (Can Do)	The service is historically provided by all peer municipalities. Each service in this classification will be further examined to find out whether circumstances are changing in a way that would impact whether the service is still required or appropriate.
Discretionary (Nice to Do)	Service is offered by the municipality to respond to particular community needs, based on a positive business case, or other specialized purposes. Each service will be further reviewed to determine if the business case is still valid and the service is still required.

Asset Management (AM) and Infrastructure Needs:

The Town’s AM responsibilities include maintaining and upgrading essential infrastructure such as roads/bridges, water/wastewater systems, public facilities, parks and more. As these assets age, they require significant investment to ensure safety, reliability, and efficiency. However, rising costs in construction, materials, and labor, along with the need to meet evolving regulatory standards, create budget pressures that can limit the Town’s ability to address all asset needs promptly. Balancing immediate maintenance demands with long-term planning for future infrastructure projects is a key challenge in the budgeting process, requiring strategic prioritization to ensure sustainable and effective use of resources.

On the latest update to the Asset Management Plan (AMP) staff (see Staff Report [FAF.23.004](#)) identified that with increasing costs in the construction industry the funding gap for AM had grown (see Figure 1). Staff continue to work with the AMP to understand the funding gap and provide Council with more information to assist in developing future budgets. It is important to understand that failing to address AM needs today only defers the issues, ultimately leading to higher costs and more urgent repairs in the future, as delayed maintenance and upgrades compound over time. This is also true for all Capital Projects (growth or AM related) delays often result in costlier repairs or replacements in the future.

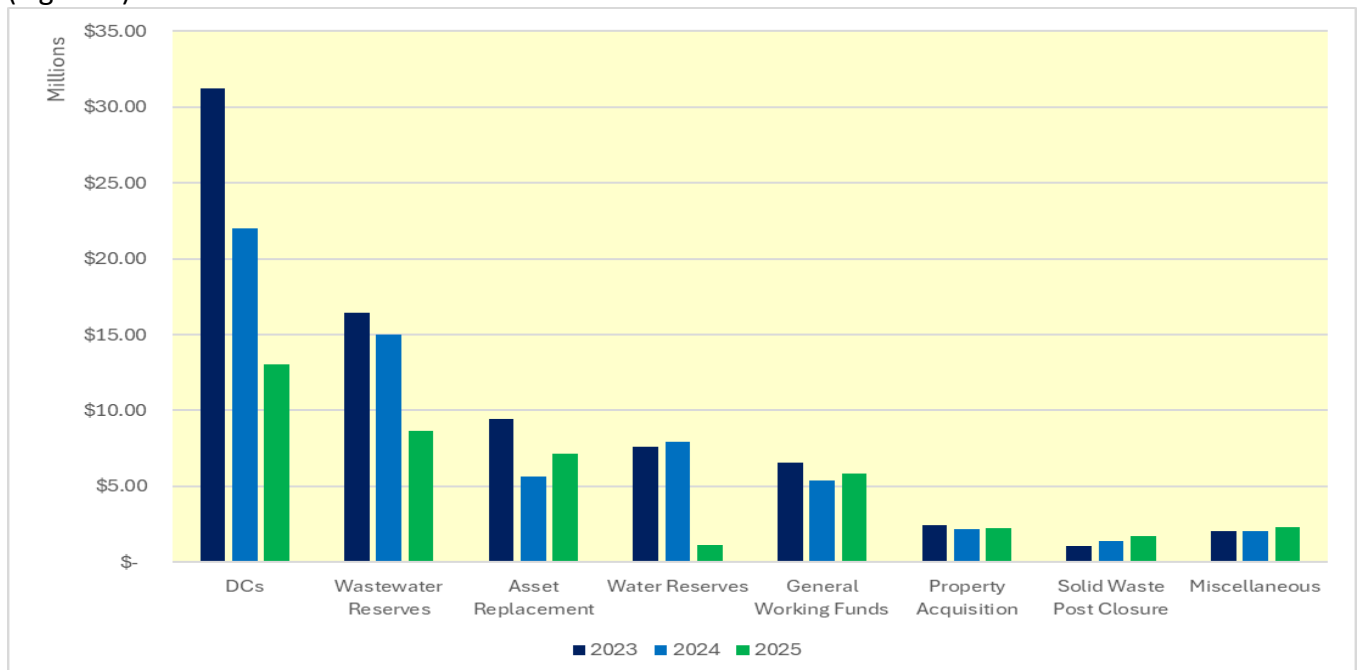
(Figure 1)



Pressures on Reserves & Reserve Funds:

Figure 2 below provides a projection of reserves and reserve funds based on the information available today, this detail will be further refined and extended over 5 years as we continue to work through the budget process. As you can see much pressure is placed on these funds when higher service demands and capital needs are required, noting that in general based on the approved capital programs we see the balances decreasing over the 3-year period. The total reserves balances are as follows: 2023 (Actual): \$76.7M; 2024 (Projected): \$61.6M; 2025 (Projected): \$42.1M.

(Figure 2)



2025 Budget – Baseline Overview:

To provide context for the 2025 budget, this section outlines the considerations that were requested to be included in 2025, along with key budget items that are uncontrollable such as inflation impacts, contract obligations and mandated service requirements, as they continue to shape the overall budget. Together, these items provide a baseline from which staff can develop a budget plan that responsibly balances planned projects with the financial realities facing the Town.

Table 2 below provides a preliminary breakdown of the estimated impacts on the 2025 operating budget for taxation. Considering that each percentage point of taxation equates to approximately \$200,000 with the noted changes there is significant pressure on the tax rate. The listing includes the items that have been included through council resolution as well as items that are uncontrollable such as the OPP costs or the inflationary impacts.

(Table 2)

Item	Estimated \$\$ Impact	Estimated Tax Rate Impact
Salary Market Review (to P60)	\$ 652,205	3.3%
OPP Costs	570,038	2.9%
Urban Forestry Program (Net of Current Tree Program)	518,600	2.6%
Reorganization	485,000	2.4%
Salary Progression/COLA @2.5%/Updated Contracts	479,421	2.4%
Garbage Collection Inflationary	439,853	2.2%
Fire Department	458,177	2.3%
Excess Fill Remediation	254,000	1.3%
Asset Mgmt Transfers	202,713	1.0%
Physician Recruitment	100,000	0.5%
Other Inflationary Items (i.e. Insurance/Utilities/Fuel etc.)	75,000	0.4%
Grants & Donations	50,000	0.3%
GROWTH		-2.5%
	\$ 4,285,006	18.9%

Additional work remains to complete the budget, specifically in reviewing all proposed items and establishing priorities. This step is essential to align the budget with our strategic goals and optimize resource allocation. However, there are options for members of Council to consider in trying to reduce the overall tax impact such as:

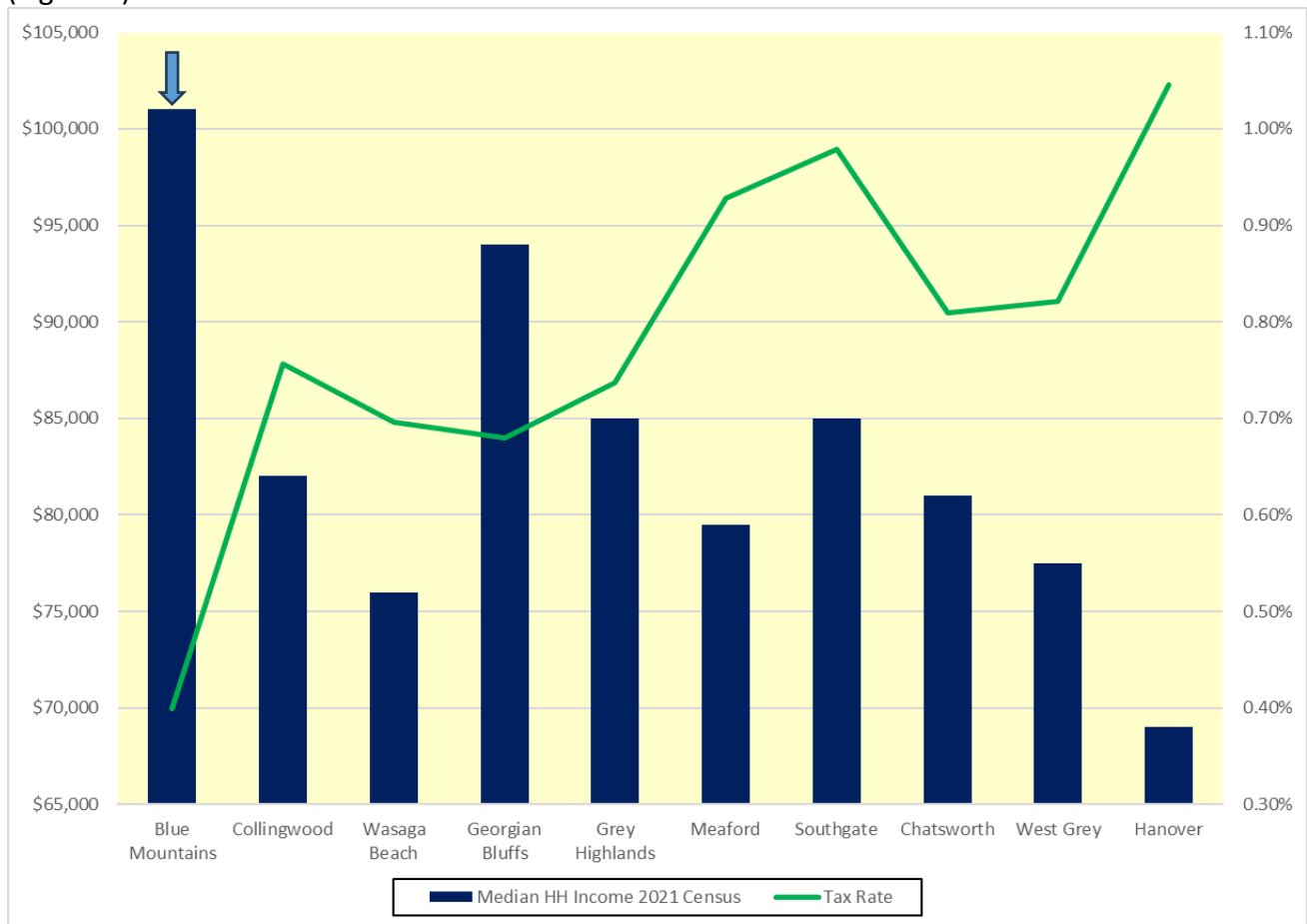
- Delay (or Phase) projects and/or programs – noting that however in some cases such as Asset Management projects this could mean increasing costs down the road, so it is important to take a practical and pragmatic approach.
- Increase other user fees such as application and licensing fees to assist in offsetting the increasing costs due to inflation.
- Review services to either reduce the level of service and/or eliminate the “nice to dos”.
- Use reserves and/or reserves funds to offset some of the uncontrollable impacts.
- Designate certain projects as dependent on securing grant funding.

- Include gapping funds where vacancies persist and/or to recognize a natural level of attrition.

As we continue on the budget journey staff can provide options for members of Council to consider and review.

It's also important to understand how the Town's tax rate compares to that of its municipal partners, noting that variations in service levels can significantly impact overall costs and tax rates. In Figure 3 below the median household incomes¹ have been plotted alongside the 2024 tax rates, you will note that the Town's tax rate is the lowest in comparison to our municipal peers.

(Figure 3)



2025 Budget Timeline:

To guide our budget planning process effectively, a timeline has been established. This timeline outlines key milestones, from initial drafting and review stages to final approval, ensuring that each phase allows for thorough analysis, council input, and public engagement. Staff note that

¹ Statistics Canada. 2023. (table). Census Profile. 2021 Census of Population. Statistics Canada Catalogue no. 98-316-X2021001. Ottawa. Released November 15, 2023

this timeline is flexible and may change depending on circumstances but that it will be followed as an overall guide.

September – Input Sheets due to Finance;
October – Departmental meetings to review Operational and Capital Budget input;
November 15th – Budget documentation of service and major projects to be provided to Finance from individual departments;
November 25th – Committee of the Whole Staff Report, seeking direction;
December 13th – First Draft budget book to be issued to members of Council;
December 20th – First Draft budget book to be issued publicly;
January 7th – 10th – Budget Review Special Committee of the Whole

E. Strategic Priorities

1. Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders.

2. Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

3. Community

We will protect and enhance the community feel and the character of the Town, while ensuring the responsible use of resources and restoration of nature.

4. Quality of Life

We will foster a high quality of life for full-time and part-time residents of all ages and stages, while welcoming visitors.

F. Environmental Impacts

NA

G. Financial Impacts

Given the cost increases facing the Town in 2025 staff would recommend a 10% to 12% target for the Draft 2025 Operating Budget, this would result in an estimated annual impact of:

- \$210 for a median assessed home of \$520,000 or \$17.50/month;
- \$403 for an assessed home of \$1,000,000 or \$33.68/month; or
- \$605 for an assessed home of \$1,500,000 or \$50.44/month.

H. In Consultation With

Shawn Everitt, Chief Administrative Officer
Vicky Bouwman, Asset Management Specialist

I. Public Engagement

The topic of this Staff Report has not been the subject of a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. However, any comments regarding this report should be submitted to Monica Quinlan, Director of Corporate and Financial Services mquinlan@thebluemountains.ca.

J. Attached

1. NA

Respectfully submitted,

Monica Quinlan
Director of Corporate and Financial Services

For more information, please contact:
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Report Approval Details

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

Monica Quinlan - Nov 12, 2024 - 8:57 AM