



TOWN OF
HALTON HILLS
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MEMORANDUM

TO: Mayor Lawlor and Members of Council

FROM: Moya Leighton, Treasurer

DATE: November 17, 2023

MEMO NO.: CS-2023-003

SUBJECT: 2024 Proposed Budget – Consideration of a 1% Decrease

PURPOSE OF THE MEMORANDUM:

The purpose of this memorandum is to provide Members of Council with information to assist them in the consideration of the risks and implications of reducing the proposed 2024 budget by one percent (1%).

BACKGROUND:

When staff prepare any operating budget a number of key steps are considered:

A review is completed of all the upcoming departmental operating requirements and the related costs are categorized as per the hierarchical framework, which consists of five levels.

The first level of the hierarchy looks at the Town's existing service levels which are considered to be core services. Next, staff consider the costs that are required to maintain assets in a state of good repair. This includes a review of asset life cycles, the actual physical condition of an asset and the undertaking of a risk assessment. The third level of the hierarchy is focused on all the non-discretionary budget items that the Town has had to absorb either through downloading or through changes in legislation. The fourth level is focused on the cost of growth and staff look at the current core services and determine the cost to service the population growth to ensure the same levels of service are provided to all residents. Lastly if there are any new services, enhanced levels of service, in year changes to service levels or requests for new services by Council, they are categorized into the fifth level.

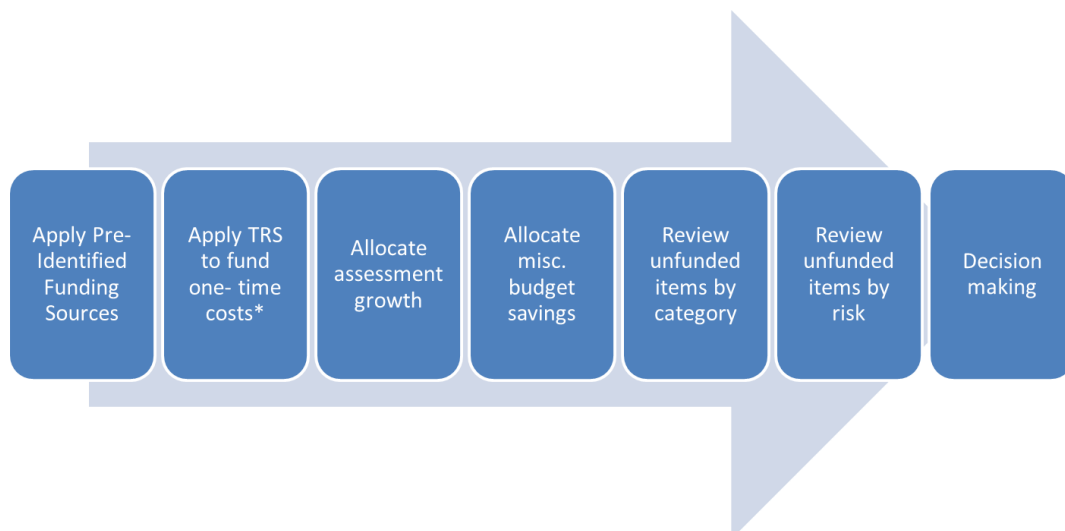
Figure 1 below provides an outline of the hierarchical framework.

Figure 1 - Hierarchical Framework



Once the costs have been categorized as per the hierarchy, each increase is reviewed from the perspective of available funding sources, and whether the cost is considered to be one time in nature or on-going. If a cost does not have an identified funding source at the end of this review, staff undertake a risk analysis to determine the impacts to the Town of not proceeding with that particular service, program or resource. At the end of the prioritization process, a list of increases is compiled and forms the basis of the proposed budget for the upcoming year. Figure 2 outlines the operating budget prioritization process.

Figure 2 - Operating Budget Prioritization Process



COMMENTS:

The Budget binder that was published on November 6, 2023, was updated after the budget forecast report was written on October 2, 2023. Table 1 below shows the differences between the two sets of numbers.

TABLE 1

| | October 2nd Budget Forecast | November 6th Budget Binder | Difference |
|--|--|---|-------------------|
| Net Budget Increase | \$6,065,186 | \$5,807,445 | \$257,741 |
| Maintaining Current Service Levels | | | |
| Compensation | \$2,528,684 | \$2,535,408 | -\$6,724 |
| Contract Cost Increases | \$375,600 | \$430,600 | -\$55,000 |
| Fuel, utilities & supplies | \$340,934 | \$338,334 | \$2,600 |
| Miscellaneous budget increases | \$313,471 | \$291,817 | \$21,654 |
| Operating impacts from the capital program | \$328,000 | \$273,600 | \$54,400 |
| Growth | -\$280,000 | -\$642,500 | \$362,500 |
| Downloaded / Legislated Impacts | | | |
| Impacts of Bill 23 | \$148,200 | \$149,400 | -\$1,200 |
| Minimum Wage Increase | \$8,000 | \$9,289 | -\$1,289 |
| In Year Council Requests | | | |
| Business Investment Attraction Coordinator | \$0 | \$119,200 | -\$119,200 |
| | | | <u>\$257,741</u> |

The original request, made by Council to reduce the proposed budget by 1% was made based on the October 2, 2023, budget forecast report, as shown in Table 2 below. Based on the October 2nd budget forecast a 1% reduction would equate to \$696,320:

TABLE 2

| October 2, 2023 | | | |
|---------------------------|---------------------|---------------------|------------------------|
| | 2023 | 2024 | Budget Increase |
| Budget | \$63,286,800 | \$63,566,800 | |
| Increase to budget | | \$6,065,186 | |
| 2024 Growth | <u>\$280,000</u> | | |
| | <u>\$63,566,800</u> | <u>\$69,631,986</u> | 9.54% |
| 1% Reduction | | <u>\$696,320</u> | |

Subsequently, the proposed 2024 operating budget was reduced by \$257,741 (0.41%) and published as the draft budget on the Town's website. Table 3 below, shows that \$438,579 of additional reductions would need to be made to achieve the 1% target, based on the October 2nd Budget Forecast report:

TABLE 3

| Budget Decrease - (budget forecast vs binder) | | |
|--|-------------|--------------------|
| | | 1% Decrease |
| Increase to budget Oct 2, 2023 | \$6,065,186 | \$696,320 |
| Increase to budget Nov 6, 2023 | \$5,807,445 | |
| Decrease | \$257,741 | -\$257,741 |
| Remaining amount for 1% reduction | | <u>\$438,579</u> |

Since the published draft budget (dated November 6th) is based on the lower proposed budget increase of \$5,807,445, staff have used these numbers to prepare this memorandum. The hierarchical framework and prioritization model were used to categorize the additional budget of \$5,807,445, and these costs are outlined in Appendix 1. For illustrative purposes only, two lines have been drawn on the document in the Appendix and show where a 1% mark, and a 0.59% (1.00% less 0.41%) mark would land.

The lines run through levels 3, 4 and five of the hierarchical framework, of which only level 5 relates to new and or enhanced services, totaling \$259,300, which falls below both a 1% decrease (if considering the budget binder) and below the \$438,579 (if considering the budget forecast target).

Level 3 costs are downloaded, legislated, or mandated and will have an immediate negative impact to the Town in 2024 if they are removed from the budget. Assessment growth funds 100% of Level 4 cost increases, resulting in a net \$0 impact on the budget for this category.

A one percent (1.0%) reduction on \$5,807,445 reduces the proposed annual increase by \$4.06 per \$100,000 of residential current assessed value or \$25.65 per average assessed residential value of \$632,500. This is outlined in Table 4 below:

TABLE 4

| Net Operating Budget Impact | | |
|------------------------------------|-------------------------|-------------------------|
| Budget Drivers | 2024 Increase to Budget | 2024 Increase to Budget |
| Maintain current service levels | \$4,313,401 | 6.75% |
| Management of existing assets | \$980,929 | 1.53% |
| Downloaded/legislated impacts | \$416,559 | 0.65% |
| Corporate & community security | \$618,120 | 0.97% |
| Council requests | \$120,936 | 0.19% |
| Total Base Operating Budget | \$6,449,945 | 10.09% |
| 1% Reduction | -\$639,293 | -1.00% |
| Assessment Growth | -\$642,500 | -1.01% |
| Total Town of Halton Hills | \$5,168,152 | 8.08% |
| Region of Halton | | 4.00% |
| Education | | 0.00% |
| Total | | |

| Tax Bill Impact | | | | |
|--------------------------------|-------------------------------|---|--|--------------------------------|
| Overall Share of 2023 Tax Bill | 2024 Impact on Total Tax Bill | Tax bill increase per \$100,000 of assessment | Tax bill Increase per \$632,500 assessment | Overall Share of 2024 Tax Bill |
| | 3.21% | \$27.37 | \$173.12 | |
| | 0.73% | \$6.22 | \$39.34 | |
| | 0.31% | \$2.64 | \$16.70 | |
| | 0.46% | \$3.92 | \$24.79 | |
| | 0.09% | \$0.77 | \$4.87 | |
| | 4.80% | \$40.92 | \$258.82 | |
| | -0.48% | -\$4.06 | -\$25.65 | |
| | -0.48% | -\$4.08 | -\$25.81 | |
| 47.56% | 3.85% | \$32.78 | \$207.36 | 0.00% |
| 34.50% | 1.38% | \$11.77 | \$74.43 | 0.00% |
| 17.94% | 0.00% | \$0.00 | \$0.00 | 0.00% |
| 100.00% | 5.23% | \$44.55 | \$281.79 | 0.00% |

CONCLUSION:

The proposed 2024 operating budget is being presented at a net year over year increase of \$5,807,445 (\$6,449,945 less \$642,500 growth). Council have been provided with a list of all the proposed 2024 changes as well as the risks associated with not proceeding with each one. Should Council wish to propose changes to the proposed budget, the Budget Amendment form is available to be completed and sent to the clerk.

Reviewed and approved by,

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer