



REPORT

TO: Chair and Members of Budget Committee

FROM: Moya Leighton, Treasurer

DATE: November 15, 2023

REPORT NO.: CS-2023-037

SUBJECT: The 2024 Proposed Budget and Business Plan

RECOMMENDATION:

THAT Report No. CS-2023-037 dated November 15, 2023 regarding the 2024 Proposed Budget and Business Plan be received;

AND FURTHER THAT the proposed base operating budget levy increase of 8.30% be approved;

AND FURTHER THAT a 0.78% increase to the State-Of-Good Repair special levy be approved;

AND FURTHER THAT a total net levy of \$69,736,745 be approved, which includes an increase net of assessment growth of \$5,807,445 or 9.08% for the Town portion of the 2024 operating budget, noting that this excludes any increases related to provisions for the Acton and Georgetown Business Improvement Associations (BIA), the Region of Halton or Board of Education; A combined overall net levy increase of 5.70% can be anticipated based on the proposed Town rate of 9.08%, preliminary Regional budget directions of 4.0% and a 0% education increase;

AND FURTHER THAT the Acton BIA expenditures included in the 2024 budget be approved in the gross amount of \$151,136.91, with a tax levy of \$112,254.91;

AND FURTHER THAT the Georgetown BIA expenditures included in the 2024 budget be approved in the gross amount of \$313,700.00, with a net tax levy of \$220,500.00;

AND FURTHER THAT the 2024 capital budget in the amount of \$26,642,000 be approved;

AND FURTHER THAT the nine year, 2025-2033 capital budget forecast in the amount of \$580,497,000 be approved in principle subject to an annual review;

AND FURTHER THAT once approved by Budget Committee, the Budget be put forward as the Mayor's Budget for approval by Council;

AND FURTHER THAT staff be authorized to proceed with the capital program, and any acquisitions or approval of awards, subject to the usual Town policies, by-laws, and procedures.

KEY POINTS:

The following are key points for consideration with respect to this report:

- The 2024 net operating budget is \$69,736,745 which is an increase of \$5,807,445 or 9.08% for the Town portion, after assessment growth. The increase includes an 8.30% (\$5,307,445) base budget increase plus an increase to the State of Good Repair (SOGR) special levy of 0.78% (\$500,000) to address the infrastructure funding gap.
- The increase to the base levy covers requirements for legislative compliance, resources for responsibilities that have been downloaded from other levels of government, inflationary increases required to maintain existing service levels and operational needs related to increased demand.
- The combined tax rate increase is 5.70% after factoring the Region of Halton and Education rate increases, reflecting estimates of 4.0% and 0.0% respectively.
- The 2024 capital budget is \$26,642,000 which is an increase of \$2,999,000 from the 2023 budget. The 2024 capital program is a result of aligning growth-related capital projects with the timing of growth and ensuring financial affordability and sustainability, particularly in the non-growth state of good repair program.
- The budget will continue to support a fiscally sound approach to building reserves and managing debt, in accordance with the Town's policies and the Long-Range Financial Plan.

BACKGROUND AND DISCUSSION:

The Town's operating and capital budgets are the primary documents that support efficient, effective and economical service delivery. The following factors are considered in developing Town budgets: levels of service, Council's strategic priorities, key corporate plans such as the Asset Management Plan and Corporate Energy Plan,

departmental business plans and targets established through the Long-Range Financial Plan (LRFP).

As in previous years, the 2024 budget document evolved through an iterative and collaborative process between Council members, the CAO and senior staff. In the spring, a training session was held to ensure staff had a full understanding of the budget process and a set of guiding principles was used to provide a foundation for development of the budget.

Throughout the summer, each department carefully reviewed their operations, as well as rates and fees to seek efficiencies, with the resulting impacts included in the 2024 budget. In addition, the Cross-Functional Budget Review Committee representing staff from all departments met to consider proposed capital projects and prioritize them in accordance with an established decision-making tool. The capital ranking matrix uses scoring related to asset risk, level of service risk, and corporate risk to prioritize capital projects corporately in order of impact and need. Priority projects were recommended to the Senior Management Team on July 26, 2023. This initial review and prioritization identifies budget pressures and opportunities in the capital program.

On October 17, 2023, the 2024 Preliminary Budget Forecast report (CS-2023-027) was presented to Budget Committee. This report outlined the resources necessary to continue with existing levels of service and address the priorities identified by Council, while also recognizing the challenges for 2024 associated with limited assessment growth, lower revenues from development charges, the current economic environment, and the impacts of downloaded services from changing legislation.

On November 13, 2023, a budget workshop provided members of Budget Committee with an opportunity to hear from the public, the Mayor and members of Council, the CAO, the Town Treasurer, and members of the Senior Management Team, in an open forum for any budget-related questions.

A summary of the 2024 proposed operating budget is outlined in Appendix A; operating budget requests are listed in Appendix B and the 2024 capital budget plus a nine-year forecast (2025 – 2033) are shown in Appendix C.

Important to note are the referrals to Budget Committee by Council throughout the year. These are monitored and incorporated into the proposed budget where appropriate. Appendix D lists the various items that have been referred to Budget Committee during 2023 and provides an update on the status of those initiatives as they pertain to the 2024 budget.

The Business Improvement Associations (BIAs) submit their annual budgets to their respective boards for approval and these are included with the Town's 2024 operating budget so that the appropriate amounts can be levied. Acton BIA's budget is provided in Appendix E and Georgetown BIA's budget is provided in Appendix F.

Property Tax Levy

The 2024 proposed operating budget is being presented at \$69,736,745 for 2024. This is a net levy increase (Town portion) of \$5,807,445 or 9.08% and is comprised of the following:

Table 1

Inflation and additional funding required to maintain existing service levels, as well as to support statutory compliance, and proposed new/enhanced services	7.61%
Annual increase for Insurance costs in the base budget	0.50%
Special levy dedicated to supporting the Town's State of Good Repair Program	0.78%
In-year Council requests	0.19%
TOTAL	9.08%

This increase to the Town's annual operating budget equates to a 4.32% increase to the tax bill (for the Town's portion) and an overall increase of 5.70% when the Region and Education increases are included. Table 2 below summarizes both the impact to the Town's operating budget and the impact to the tax bill:

Table 2

Net Operating Budget Impact			Tax Bill Impact				
Budget Drivers	2024 Increase to Budget	2024 Increase to Budget	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
Maintain current service levels	\$4,313,401	6.75%		3.21%	\$27.37	\$173.12	
Management of existing assets	\$980,929	1.53%		0.73%	\$6.22	\$39.34	
Downloaded/Legislated impacts	\$416,559	0.65%		0.31%	\$2.64	\$16.70	
Corporate & community security	\$618,120	0.97%		0.46%	\$3.92	\$24.79	
Council requests	\$120,936	0.19%		0.09%	\$0.77	\$4.87	
Total Base Operating Budget	\$6,449,945	10.09%		4.80%	\$40.92	\$258.82	
Assessment Growth	-\$642,500	-1.01%		-0.48%	-\$4.08	-\$25.81	
Total Town of Halton Hills	\$5,807,445	9.08%		4.32%	\$36.84	\$233.01	49.08%
Region of Halton			47.56%	1.38%	\$11.77	\$74.43	33.94%
Education			34.50%	0.00%	\$0.00	\$0.00	16.98%
Total			100.00%	5.70%	\$48.61	\$307.44	100.00%

Note: Region of Halton 2024 budget increase is subject to change

The 9.08% budget increase results in an additional \$36.84 per \$100,000 of residential current value assessment (CVA) or a 4.32% increase on the tax bill to address the Town’s budgetary needs. After considering the additional impacts of the Regional preliminary operating budgets (4.00%) and school boards (0.00%), this equates to a total combined increase of \$48.61 per \$100,000 of CVA. For the average assessed value of a home in Halton Hills of \$632,500 (per the latest MPAC assessment), this results in a \$307.44 increase to the residential property tax bill in 2024. Table 3 summarizes the property tax impact per \$100,000 of CVA for the 2024 operating budget.

Table 3

**Property Tax Impact
(per \$100,000 CVA)**

	2024 Share of Tax Bill	2023 Taxes	2024 Budget Impact	2024 Taxes	\$ Increase on Tax Bill	% Increase on Tax Bill
Town	49.08%	\$405.53	9.08%	\$442.37	\$36.84	4.32%
Region	33.94%	\$294.17	4.00%	\$305.94	\$11.77	1.38%
Education	16.98%	\$153.00	0.00%	\$153.00	\$0.00	0.00%
Total	100.00%	\$852.70	5.70%	\$901.31	\$48.61	5.70%

Operating Budget Highlights

The preliminary operating budget was prepared in consideration of the following challenges and budget drivers for 2024:

- **2023 One-time costs reversal** – The reversal of \$35K for one-time budget inclusions approved in the 2023 operating budget results in additional base budget room to reduce the 2024 net budget.
- **External debt** - Following the completion of a term loan that was funded from the base operating budget, an extra \$136K of additional base budget room has been freed up in 2024 and is used to reduce the net budget.
- **Assessment growth** – Based on current estimates it is anticipated that assessment growth in 2024 will be 1.02%, yielding additional revenues of \$642,500. This is an increase over prior years (0.7% in 2021, 0.5% in 2022, 0.7% in 2023) however, there are pending decisions on property tax appeals that will continue to pose challenges for the realization of assessment growth for the Town within the short term.

- **Inflationary concerns** – The continuing pressure on interest rates, construction costs (material and labour) and consumer prices, indicate that inflationary pressures are expected to continue and have been reflected in the 2024 budget.

A 3.0% estimate for inflation has been included for select items and where possible, budget increases to reflect actual costs have been included for known budget increases.

- **Compensation** – An additional \$2.6 million has been included to address the total cost increase for salaries and benefits of the existing 2023 staff complement including adjustments for step increases, anticipated union increases, benefits increases and non-union cost of living adjustments.
- **Insurance premiums** – an increase of \$318K is included in the operating budget as a provision for an estimated 15% insurance premium increase.
- **Legal and enforcement fees** – an additional \$355K is required to phase-in increases to the operating budget for legal (\$175K) and enforcement (\$180K) services as the Town is experiencing a significant increase in volume related costs pertaining to these services.
- **Cybersecurity** – an additional \$240K is needed to further advance the Town’s investment in cyber security in the face of increasingly sophisticated cybersecurity threats, to protect the Town’s assets and operations. Included in this are technology enhancements and an additional staff member.
- **Downloaded and legislated impacts** – There are increasing budgetary pressures to maintain compliance with the current and changing legislative requirements and/or industry standards, including a minimum wage increase in the Employment Standards Act, downloaded services as a result of Bill 23 (*More Homes Built Faster Act*), accommodation requirements in AODA (*Accessibility for Ontarians with Disabilities Act, 2005*), and fire prevention requirements under the Fire Prevention and Protection Act to name a few.
- **Commitments carried over from the prior year budgets** - As part of the budget commitments approved in prior years, \$248K will need to be included in the 2024 budget (e.g. contributions to the WSIB reserve, operating impacts from capital projects approved in prior years, and implementation of year 3 of the 8-year Senior Services Delivery Review).

Operating Budget Inclusions

Appendix B lists a summary of the operating budget requests included in the 2024 operating budget. These budget inclusions address priority budget increases at a total net cost of \$1,128,100. Operating budget requests includes resources to maintain

current services levels, meet legislative requirements, manage existing infrastructure and assets, address corporate and community safety and address council referrals to Budget Committee.

Special Levies

Special levies are raised to provide a funding source that directs tax levies to a specific purpose or objective. In report CS-2023-027 2024 Preliminary Budget Forecast, Council approved the collapse of all but one of the existing special levies and the renaming of the State of Good Repair (SOGR) special levy. The 2024 budget includes an annual increase of \$500,000 for this SOGR special levy which is transferred to Town reserves for the purpose of maintaining Town assets in a state of good repair.

The SOGR special levy (formerly infrastructure gap special levy) was first introduced in 2019 as a critical financing source to address long term capital needs for replacement of core infrastructure. The 2022 Core Infrastructure Asset Management Plan (report ADMIN-2022-0014) identified that the Town's infrastructure funding deficit totals \$14.5M per annum. This was based on a comparison of the projected whole lifecycle needs with the funding available in the 10-year planned capital and operating budget forecast. This gap is expected to increase as construction costs rise and new assets are constructed.

Accordingly, the SOGR special levy annual increase is required on an on-going basis and is a critical capital funding source in the LRFP, for the infrastructure deficit and the growing state-of-good repair program. One of the key objectives of the LRFP and the Asset Management Plan is to ensure that a sustainable financing plan is provided, to address the SOGR needs of the Town's existing assets on a timely basis and therefore eventually reduce the infrastructure gap.

Capital Budget Highlights

The capital budget is developed in consideration of Council's strategic priorities, the capital forecast approved in principle as part of the 2023 budget, the Corporate Asset Management Plan, the Corporate Energy Plan, department strategic plans, and in-year Council and Committee reports. The Town's 2024 capital budget was prepared with a focus on affordability and alignment of the growth-related capital program with the timing of when growth is expected to occur.

The proposed 2024 capital budget amounting to \$26,642,000, is funded in the main through capital reserves, followed by grants from other levels of government, development charges, general/special levies, and recoveries from other municipalities. The funding strategy is based on many factors including an analysis of the timing and mix of projects and a reserve cash flow analysis undertaken as part of the 2023 LRFP update.

The table shown below summarizes the proposed capital budget by department and the associated funding sources:

Table 4

2024 Capital Budget

Department	Gross Cost	General & Special Tax Levies	Development Charges	Capital Reserves	Ontario Community Infrastructure Fund (OCIF)	Canada Community-Building Fund	Other
Office of the CAO	190,000	40,000	-	150,000	-	-	-
Business, Environment & Culture	675,000	-	-	675,000	-	-	-
Corporate Services	415,000	-	-	415,000	-	-	-
Library	612,000	419,000	-	193,000	-	-	-
Fire Services	1,208,000	110,000	-	1,098,000	-	-	-
Transportation & Public Works	18,102,000	1,670,000	1,978,000	8,047,000	2,300,000	2,025,000	2,082,000
Planning & Development	470,000	-	310,000	160,000	-	-	-
Recreation & Parks	4,970,000	138,000	125,000	4,707,000	-	-	-
Totals	26,642,000	2,377,000	2,413,000	15,445,000	2,300,000	2,025,000	2,082,000

The highest value projects scheduled for 2024 total \$15,443,000 and are highlighted in the following table. These ten projects account for approximately 58% of the total proposed capital budget.

Table 5

Top Ten Capital Projects (2024)

Project No.	Project Name	Total Cost
6200-26-2403	Replacement of Culverts #194C and #60C, Eighth Line S of 10 Side Road	3,118,000
6500-06-0102	Equipment Replacement	2,292,000
6200-27-0101	Glen Lawson Construction	2,289,000
6200-16-0104	Pavement Management	1,956,000
8251-06-2401	MMSP HVAC Replacement	1,799,000
6200-16-2501	Fourth Line Resurfacing 17 sdrd to Hwy 7	1,040,000
5900-25-2401	Replace Tanker 743 (T1)	1,000,000
6200-20-1901	Harold Street Reconstruction	750,000
6500-06-1701	New Equipment	660,000
3000-15-0101	Library Materials	539,000
Total		15,443,000

Impacts of Capital Budget on Operating Budget

As capital projects are completed, some projects can impact the operating budget. For example, new software implementation may have an associated subscription fee or new assets require maintenance. There is an operating budget impact of \$206,800 in 2024 for prior-year approved capital projects and the proposed 2024 capital budget.

The following table provides further details on the operating impacts in 2024:

Table 6

Operating Impacts from Capital Budgets Approved in Prior Years

Project	2024 Impact
6500-18-0110 Transit infrastructure maintenance	1,000
2300-10-2104 Digitization of Application Process	50,000
2600-05-2201 Insurance Claims Management Software	16,800
6810-25-1001 Vehicle Replacement for Specialized Transit Services	10,000
6810-25-1601 Vehicle Purchase for Specialized Transit Services	20,000
Total Operating Impacts	97,800

Proposed Operating impacts from the 2024 Capital Budget

Project	2024 Impact
Transportation & Public Works	
6100-06-2401 New Vehicle for Traffic Operations	7,000
6100-16-0103 School Zone Traffic Calming Program	2,000
6100-17-1801 Infill Sidewalk Connections	2,000
6100-18-2301 40 km/h Speed Limit Area Implementation	4,000
6100-21-0107 Streetlight Installation and Replacement	4,000
6100-21-1701 Rural Intersection Streetlighting	1,000
6100-21-1802 Streetlight Pole Transformer Replacement	2,000
6100-28-0101 Opticom installation/Replacement Program	2,000
6100-28-0107 LED Traffic Signal Replacement	2,000
6100-28-1516 Neighbourhood Traffic Calming	2,000
6100-28-1703 Pedestrian Crossovers	6,000
6100-28-1808 Mandated AODA Accessible Traffic Signals	40,000
6500-06-2402 Operations Centre Brine Storage Capacity	5,000
6500-18-0110 Traffic Infrastructure	5,000
6500-28-1002 Traffic Signal Controller Replacement	6,000
6810-25-1601 New ActiVan Vehicles	20,000
Recreation & Parks	
8211-02-2402 Acton Arena LCDB Low E Ceiling	(3,000)
8500-24-2402 Trails Development - Glen South	2,000
Total Operating Impacts	109,000
TOTAL OPERATING BUDGET IMPACT (including prior year)	206,800

Ten-year Capital Plan (2024 – 2033)

The ten-year capital program and funding sources are summarized in Table 7 below:

Table 7

2024 Ten-year Capital Plan (in \$000s)

Department	2024	2025	2026	2027	2028 - 2033	Total
Office of the CAO	\$ 190	\$ 40	\$ 40	\$ 100	\$ 300	\$ 670
Business, Environment & Culture	675	833	628	693	3,123	5,952
Corporate Services	415	1,735	1,390	7,625	8,298	19,463
Library Services	612	854	682	680	18,063	20,891
Fire Services	1,208	1,623	2,644	4,285	19,764	29,524
Transportation & Public Works	18,102	38,282	25,592	66,679	170,338	318,993
Planning & Development	470	1,095	1,600	1,700	5,240	10,105
Recreation & Parks	4,970	21,310	31,503	20,344	123,414	201,541
Total	26,642	65,772	64,079	102,106	348,540	607,139
Funding Sources						
Capital Reserves	15,445	22,566	16,864	23,333	111,213	189,421
Development Charges	2,413	16,321	27,280	62,888	107,247	216,149
Debentures	-	-	11,550	-	43,769	55,319
Grants & Subsidies	6,407	4,200	4,200	3,700	19,700	38,207
General & Special Tax Levies	2,377	2,185	2,185	2,185	13,111	22,043
Total	\$ 26,642	\$ 45,272	\$ 62,079	\$ 92,106	\$ 295,040	\$ 521,139
Unfunded Capital Program	\$ -	\$ 20,500	\$ 2,000	\$ 10,000	\$ 53,500	\$ 86,000

The nine-year capital forecast of \$580,497,000 (2025 to 2033) is subject to change due to many factors such as the timing of growth, cost increases, availability of funding and changing priorities. As such, it is presented to Budget Committee for approval in principle only and will be reviewed and updated each budget year.

When compared to the previous 2023 ten-year plan, there is an increase within the twelve month period of \$88.8 million. This is largely driven by the updated state-of-good-repair (rehabilitation and replacement) program which incorporated costs from recent tenders and design work. Funding sources identified through the LRFP update are in a shortfall position of \$86.0 million for the ten-year capital program. This unfunded capital program will be reviewed through future LRFP updates and will require alternate funding sources or an adjustment to the timing of the capital program.

Acton Business Improvement Area

The 2024 budget for the Acton Business Improvement Area can be found in Appendix E. The proposed 2024 budget is \$151,136.91 in gross expenditures and a net tax levy of \$112,254.91. This represents a 5% net levy increase from 2023.

Georgetown Business Improvement Area

The 2024 budget for the Georgetown Business Improvement Area can be found in Appendix F. The proposed 2024 budget is \$313,700.00 in gross expenditures and a net tax levy of \$220,500.00. This represents a 2% net levy increase from 2023.

STRATEGIC PLAN ALIGNMENT:

This report aligns to the Town's Strategic plan recognizing the value to provide responsive, effective municipal government and strong leadership in the effective and efficient delivery of municipal services.

This report also identifies fiscal and corporate management as one of the Town's Strategic priorities.

RELATIONSHIP TO CLIMATE CHANGE:

This report is administrative in nature and does not directly impact or address climate change and the Town's Net Zero target.

PUBLIC ENGAGEMENT:

Public Engagement has been conducted as follows:

All Budget Committee meetings are open to the public and the notice of all meetings is posted on the Town's website. In addition, the opportunity for the public to provide comments throughout the budget process was made available through a dedicated budget page on the Town's Let's Talk platform. The page went live on October 18, 2023 with the 2024 Preliminary Budget Forecast, and the draft Budget and Business Plan was subsequently posted on November 7, 2023. Accordingly, Communications staff ran two rounds of promotion.

Following the approval of the budget, the final version of the 2024 Budget and Business Plan will be posted on the Town's website and documents will be available for viewing through the branches of the Halton Hills Public Library.

INTERNAL CONSULTATION:

The preparation of this report and budget information was done in consultation with all departments.

FINANCIAL IMPLICATIONS:

This report has an immediate financial impact and requires a funding source.

The proposed 2024 operating budget is recommended at a net levy amount of \$69,736,745. The proposed levy increase is 9.08% and includes a net base operating budget increase of 8.30% and an increase of 0.78% to the SOGR special levy. If approved by Council, the net increase to the residential tax rate would be approximately 5.70% when the Town's increase is combined with those estimated by the Region of Halton (4.0%) and Education (0.0%).

The proposed 2024 capital budget of \$26,642,000 is being submitted for Budget Committee's consideration along with a 9-year (2025-2033) capital forecast totaling \$580,497,000. The 9-year forecast is for approval in principle only and will be reviewed as part of the annual budget process each year.

Reviewed and approved by,

Laura Lancaster, Commissioner of Corporate Services

Chris Mills, Chief Administrative Officer