

**DATE:** January 27, 2025

**REPORT NO:** T-01-2025

**SUBJECT:** **2025 Draft Operating and Capital Budget**

**CONTACT:** Katelyn Repovs, CPA, CA, Director of Corporate Services and Chief Financial Officer

**OVERVIEW:**

- The Draft 2025 Operating Budget supports \$24 million in operating expenditures, funded through property taxes, user fees, grants and reserve transfers.
- The Draft 2025 Capital Budget includes 50 Capital & Special Projects at a total value of \$10.4 million, with the largest investment being in Transportation Infrastructure totaling \$6.8 million.
- The Draft 2025 Budget proposes a base tax levy of \$10,542,540, which represents a 7.58% increase over 2024, after factoring in 2025 assessment growth of 1.01%.
- With the inclusion of the hospital levy of \$206,900, which reflects a decrease of \$19,600 over 2024, **the total proposed levy, after assessment growth, represents a 7.21% increase over 2024.** The estimated increase in the West Lincoln portion of the tax bill, for an average residential home, is \$120.68.
- The total urban service area levy is proposed at \$199,440, an increase of \$13,120 over 2024. For an average residential home in the urban area of Smithville, this represents an estimated increase of \$4.23 from 2024.
- Every \$97,081 of additional expenditures or savings added to this draft budget equates to a 1% base tax levy adjustment, which translates to a \$16 adjustment in taxes to the average residential home.
- The final budget presentation and discussion will take place at the Corporate Services Committee meeting scheduled for Tuesday, February 18, 2025, with an additional date set for Wednesday, February 19, 2025, if required, with ratification at the Council meeting scheduled for Monday, February 24, 2025.

**RECOMMENDATION:**

- 1) That, Information Report T-01-2025, titled “2025 Draft Operating and Capital Budget” dated January 27, 2025, be received for information.

## **ALIGNMENT TO STRATEGIC PLAN:**

The 2025 Draft Budget supports the following Strategic Plan Themes:

- Build a safe, connected, caring and active community
- Champion strategic and responsible growth
- Enrich our strong agricultural legacy
- Advance organizational capacity and effectiveness

## **BACKGROUND:**

The purpose of this report is to give Council an opportunity to review and discuss the draft budget prior to the final budget meeting. Approval of the 2025 Operating and Capital Budget is scheduled to take place on Monday, February 18, 2025. If necessary, Tuesday, February 19, 2025 has also been set aside as a budget meeting.

Council is asked to approve an Operating and Capital budget each year, which is developed and presented by Administration. The 2025 budget includes approximately \$24 million of operating expenditures and approximately \$10.4 million in Capital and Special Project expenditures. These expenditure items are mainly funded through user fees, grants, reserve transfers and the tax levy. One of the key outcomes of the budget process is the establishment of the required tax levy and ultimately the tax rate, which will be levied on properties in West Lincoln. Property owners in West Lincoln receive a tax bill from the Township that includes taxes levied by the Township, Niagara Region and Province of Ontario (for Education).

Every \$97,091 increase or decrease in the tax-funded budget equates to a 1% general tax levy adjustment, which translates to an approximate \$16 adjustment in taxes paid on an average residential home assessed at \$390,400. The increase in the amount needed from the tax base does not directly relate to an increase in taxes on a residential home, but rather it is the increase in the overall tax levy required year over year.

This information is provided to assist Council in understanding the estimated effects of the draft budget as presented and alternatively how adjustments to the amount needed from the tax levy impacts the average residence. The average value of \$390,400 is based on MPAC (Municipal Property Assessment Corporation) data and is reflective of 2016 market values. At the time of writing this report, there has been no announcement from the Minister of Finance as to when a new assessment date may be introduced.

To foster public engagement in the budget process, a Budget Survey was launched in the fall of 2024 to gather community input, with the detailed findings found in **Schedule G** to this report. We received 126 responses to the Budget Survey; those that responded to the survey have provided observations on various services provided by the Township. 65% of the respondents rated the overall value they are receiving from their tax dollars as fair or better.

## **CURRENT SITUATION:**

### OPERATING BUDGET

The operating budget provides funding for the Township's day-to-day costs of delivering services. In addition, the operating levy provides funding for Capital and Special Projects through reserve transfers and debt repayment. The 2025 draft base budget requires an overall tax levy of \$10,542,540, which represents a 7.58% (or \$833,430) levy increase over 2024, after factoring in assessment growth.

Assessment growth represents new assessment that is brought on the tax roll from new builds, improvements or additions. Assessment growth results in a portion of the tax levy increase not impacting the actual taxes paid by property owners. For the 2025 budget, assessment growth is valued at \$97,772 (1.01%), which is a result of 2025 increases in the industrial and commercial assessment bases compared to 2024. This means that of the \$833,430 increase in the required tax levy, the first \$97,772 of that increase does not increase the taxes paid by property owners.

The 2025 Draft Budget Presentation, attached as **Schedule H**, outlines the major pressures contributing to the 2025 levy increase, along with the significant mitigating factors that reduce the impact of the pressures.

Further information regarding the 2025 Operating Budget can be found in **Schedule A**, which provides a summary of net expenditures broken down by each department for the current and previous budget years. **Schedule B** provides a more detailed breakdown of expenses and revenues, organized by department, comparing the current and previous budget years.

### 2025 HOSPITAL LEVY

As part of the 2021 Budget, a new hospital levy was introduced, with proposed yearly increases to the levy also shared with Council. This hospital levy is part of the financing plan related to the required local contribution to the \$200 million build. The West Lincoln contribution is \$4,524,850, to be paid for by reserves and debenture funding. The hospital levy ensures that funds are available to pay back the debenture.

To date, \$226,500 had been included in the hospital levy. The debenture proceeds of \$2,670,950 were received in July 2024, which provided Administration with the actual debenture repayment schedule over a 20-year term. Now that the annual repayment amounts are solidified, Administration has determined that a balance of \$206,900 is required in the hospital levy. This supports a decrease in the hospital levy requirement of \$19,600 from 2024, which translates to a \$3.70 decrease for an average residential home.

### URBAN SERVICE AREA LEVY

The 2025 Draft Budget includes an Urban Service Area levy of \$199,440, an increase of \$13,120 over 2024. The Urban Service Area levy is a special levy collected in the Urban

Service Area of Smithville and funds the cost of streetlights and sidewalks (including sidewalk snow removal) within this designated area. The average homeowner will pay \$76.83 in 2025, an increase of \$4.23 from 2024.

### WATER AND WASTEWATER (SANITARY SEWER)

The Township's Water and Wastewater expenditures are funded 100% through user fees. The expenditure budget for these two service areas in 2025 is \$2,354,480 for Water and \$2,631,040 for Wastewater for a total of \$4,985,520 being funded through Water and Wastewater fees. The expenditures include transfers totalling \$386,580 to the Water and Wastewater reserves in order to ensure adequate funding for infrastructure repairs and replacements.

The 2025 budget includes a 5.85% increase to the water consumptive rate, a 6.09% increase to the wastewater consumptive rate, and 6.0% increase to the fixed water and wastewater base rates, all effective July 1, 2025. This represents a blended 5.99% increase over the previous year's rates.

In previous years, Administration has proposed fee increases based solely on the Water and Wastewater Rate Study and Financial Plan presented and approved by Council through staff report T-25-2020. However, this 2020 Rate Study forecasted certain levels of expenditure increases from the Niagara Region that are now being surpassed. It is important to note that the Niagara Region approved a 2025 water budget increase of 7.06% over 2024 and a 2025 wastewater budget increase of 15.01% over 2024. The Niagara Region is responsible for the treatment and supply of water and the treatment of wastewater flows for the Township. Region charges make up the majority of the costs in the Township's water and wastewater budgets. Township Administration made concerted effort to keep the 2025 water and wastewater increases below the approved Region increases.

As the rate changes would be effective July 1, 2025, the impact would be on the September 2025 and December 2025 billings. The water consumptive rate would increase to \$1.81 from \$1.71 (per cubic meter) and the fixed quarterly rate for a ¾" service would increase to \$50.87 from \$47.99. The Bulk Water per cubic meter rate change will be \$2.46 from \$2.32. The wastewater consumptive rate would increase to \$2.09 from \$1.97 (per cubic meter) and the fixed quarterly rate for a ¾" service would increase to \$117.26 from \$110.62.

### 2025 CAPITAL BUDGET

The 2025 proposed projects total \$10,439,650. Funding of the 2025 projects requires a 5.02% increase to the levy, which equates to \$487,330 in additional revenue. **Schedule C** to this report provides a summary of each project, along with its funding source, and **Schedule D** provides a detailed description of each 2025 project. Furthermore, the 2025 Draft Budget Presentation, attached as **Schedule H**, shows the 2025 projects allocated into one of four categories: Rehabilitation/Renewal, Compliance, Growth, or Service

Improvement. Based on project values, 85% of projects fall in the Rehabilitation/Renewal category, 5% in Compliance, 7% in Growth and 3% in Service Improvement. This categorization provides further information to Council to support decision-making.

The Ten Year Capital Plan proposes a total investment of \$160,850,100 over the years 2025 to 2034. Further details regarding these projects listed by department can be found in **Schedule F** and the project funding sources can be found in **Schedule E**.

**FINANCIAL IMPLICATIONS:**

As noted above, Administration is proposing a 2025 general tax levy of \$10,542,540, a 2025 hospital tax levy of \$206,900, and a 2025 urban service area levy of \$199,440. These proposed levy requirements represent the revenue that the Township needs to collect from taxpayers in order to fund services and infrastructure needs, such as road maintenance, emergency services, parks and libraries.

From a taxpayer perspective, the estimated impact to the total local portion of the tax bill, based on an average assessment of \$390,400, is as follows:

	<b>2024 Total Taxes</b>	<b>2025 Total Taxes (Proposed)</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Assessment</b>	\$390,400	\$390,400	\$0	0.00%
Municipal	\$1,657.99	\$1,782.37	\$124.38	7.50%
Hospital	\$38.68	\$34.98	-\$3.70	-9.57%
<b>TOTAL</b>	<b>\$1,696.67</b>	<b>\$1,817.35</b>	<b>\$120.68</b>	<b>7.11%</b>
Urban Service Area	\$72.60	\$76.83	\$4.23	5.83%
<b>TOTAL WITH URBAN SERVICE AREA</b>	<b>\$1,769.27</b>	<b>\$1,894.18</b>	<b>\$124.91</b>	<b>7.06%</b>

The Township portion of the tax bill will see a monthly increase of \$10.06 on the average single detached home in the rural area and a monthly increase of \$10.41 on the average single detached home in the urban area of Smithville.

**INTER-DEPARTMENTAL COMMENTS:**

Department Heads worked with their staff to send in initial budget plans, which are then reviewed and discussed with the Treasurer and CAO, resulting in the final draft document as presented to Council. The Library Board approves the budget submitted for the Library.

**CONCLUSION:**

The 2025 Draft Operating and Capital Budget presented to Council is a collaboration

between all Township departments. This has been a challenging budget as Administration continues the attempt to balance the pressure of rising costs and the need to address the infrastructure funding gap, while managing the impact of levy increases to the property tax bill. This is an information report as the request for Final Budget approval will take place at the Corporate Services Committee meeting on February 18, 2025.

**SCHEDULES:**

- **Schedule A** 2025 Draft Operating Budget Summary
- **Schedule B** 2025 Draft Operating Budget by Department
- **Schedule C** 2025 Draft Capital and Special Projects - Summary
- **Schedule D** 2025 Draft Capital and Special Projects - Detail
- **Schedule E** 2025 Draft Ten Year Capital Plan - by Funding Source
- **Schedule F** 2025 Draft Ten Year Capital Plan - by Department
- **Schedule G** 2025 Budget Survey Results
- **Schedule H** 2025 Draft Budget Presentation

**Prepared & Submitted by:**

**Katelyn Repovs, CPA, CA**  
Director of Corporate Services/  
Chief Financial Officer

**Approved by:**

**Truper McBride**  
CAO