

DATE: February 18, 2025

REPORT NO: T-02-2025

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

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

OVERVIEW:

- At the January 27, 2025 Council meeting, Administration presented the 2025 Draft Operating and Capital Budget which required a base tax levy of \$10,542,540, equating to a levy increase of 7.58%, after factoring in assessment growth. With the inclusion of the hospital levy of \$206,900, the total proposed levy, after assessment growth, represented a 7.21% increase over 2024.
- This report recommends a revised base tax levy of \$10,363,130, reflecting a decrease of \$179,410 (or 1.85%), compared to the January 27, 2025 report.
- This revised levy represents a 5.73% increase over 2024, after factoring in assessment growth. With the inclusion of the hospital levy, the **total recommended levy, after assessment growth, represents a 5.40% increase over 2024**. The estimated increase in the West Lincoln portion of the tax bill, for an average residential home, is \$90.34, or \$7.53 increase per month.
- Council will be presented with the Final 2025 Operating and Capital Budget Report, with all necessary schedules, at the February 24, 2025 Council meeting.

RECOMMENDATION:

1. That, Recommendation Report T-02-2025, titled “2025 Operating and Capital Budget Update”, dated February 18, 2025, be received; and,
2. That, the 2025 general base tax levy of \$10,363,130 be approved; and,
3. That, the 2025 hospital levy of \$206,900 be approved; and,
4. That, the 2025 urban service area levy of \$199,440 be approved; and,
5. That, the 2025 water and wastewater utility user fees and charges, as presented in Schedule B, with an effective date of July 1, 2025 be approved; and,
6. That, Administration be directed to prepare the Final 2025 Operating and Capital Budget report, with all necessary attachments, for presentation and approval at the February 24, 2025 Council Meeting.

ALIGNMENT TO STRATEGIC PLAN:

The 2025 Budget supports all of the 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:

At the January 27, 2025 Council meeting, Report T-01-2025 was presented to Council, which outlined the 2025 Draft Operating and Capital Budget. This is attached as **Schedule C**, as information for Council. This draft budget required a 2025 general base tax levy of \$10,542,540, which represented a 7.58% increase over the 2024 levy.

While Administration continues to endorse the previously proposed levy of \$10,542,540, representing a 7.58% increase over 2024, the feedback received from Council at the January 27, 2025 Council meeting has been recognized. Therefore, in response to this, Administration has provided a path towards a reduced 2025 general levy requirement ask from Council through this report.

It is important to remember that 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.

CURRENT SITUATION:

The following adjustments have been made to the initial Draft 2025 Operating and Capital Budget that was presented at the January 27, 2025 Council meeting. These adjustments have resulted in a **decrease to the levy of \$179,410 or a 1.85% decrease**. This results in a revised levy requirement of \$10,363,130, reflecting a 5.73% increase over 2024, after assessment growth. With the inclusion of the hospital levy, the total recommended levy of \$10,570,030, after assessment growth, **is a 5.40% increase over 2024**. Administration is not recommending any changes to the hospital levy or the urban service area levy as presented in Report T-01-2025.

Administration has prepared a presentation outlining the changes to the 2025 Operating and Capital Budget, which is attached as **Schedule A** to this report. These changes, and any further changes, will be reflected in the Final 2025 Operating and Capital Budget Report and its accompanying schedules, at the February 24, 2025 Council meeting.

1. \$120,000 Reduction to Capital-Related Reserve Transfers

The budget for Project 1185, Silverdale Road Resurfacing (Twenty Mile Road to Regional Road 20), has been further analysed by Administration upon recently being in receipt of a pavement/geotechnical report that better informed Administration of the existing pavement structure and subsurface condition of this road. While the project

scope would remain the same, a new budget is proposed of \$1,200,000, a reduction of \$300,000 from what was presented through Report T-01-2025. The new budget of \$1,200,000 would be funded through a Transfer from the Capital Reserve of \$650,000 and \$550,000 of CCBF funding. This expenditure reduction allows for a decrease in the capital reserve transfer in 2025.

In addition, in light of Administration's continued work on the 2024 year-end financial analysis, further review of the levy-funded reserve transfer requirements has been performed. This, coupled with the Silverdale Road project change, has resulted in the following reserve transfer adjustments:

- Capital Reserve Transfer, reduced by \$100,000
- Facility Reserve Transfer, reduced by \$10,000
- Planning Reserve Transfer, reduced by \$10,000

It is important to note that the 2025 reserve transfers that remain within the base levy would still allow for the appropriate funding of the 2025 capital and special projects.

2. \$59,410 Decrease to Wages and Benefits Budget

Through the 2024 Operating Budget, Council approved a temporary role of Community Engagement and Events Coordinator within the Recreation Department, which represented a 0.5 FTE (full-time equivalent) increase. This 0.5 FTE position was originally included in the Draft 2025 Budget presented on January 27, 2025. While Administration endorses retaining of the position, based on feedback received along with the need to balance budgetary pressures, Administration has now removed the role from the 2025 base budget, resulting in a **decrease to the levy of \$53,840**.

In addition, the West Lincoln Public Library Board approved a reduction to the part-time Public Service Assistant pooled hours, by 210 hours, resulting in a **decrease to the levy of \$5,570**.

ADDITIONAL OPTIONS:

In addition to the above adjustments, Administration has provided additional options to Council if the desire is to lower the levy requirement further. If Council were to approve any of the options below, the result would be an additional decrease to the levy as outlined. A separate resolution would be required to direct Administration to make these changes to the 2025 Operating and Capital Budget.

Option 1: Remove Project 1221, Trees for All, from the Ten Year Capital Plan

Trees for All represents a Niagara Peninsula Conservation Authority (NPCA)-led initiative where funding is provided to enable tree plantings on private and public property. More information on this project is included on Schedule D to Report T-01-2025. This is a three-year project, spanning 2025 to 2027, at a total budget of \$30,000, and is funded through a Transfer from the Capital Reserve. If this project is eliminated from the Ten Year Capital Plan, this would result in a decrease to the levy of \$30,000. This would not result in any service level changes provided to the public.

Option 2: Use of Planning Reserve to Fund the Loss in Developer Contribution for Planning Department Position

As discussed during the 2024 budget process, the Land Owners Group is not providing funding in the amount of \$121,200 that was to be used towards the additional Planning Department position as approved through Report PD-76-2022. The 2024 levy impact was \$61,200, with the remaining \$60,000 being funded from the Planning Reserve. In the 2025 budget, Administration has proposed the full impact of this position to be levy-funded, with this remaining \$60,000 on the 2025 levy, rather than funded from the Planning Reserve.

However, Council could opt for the deferral of this \$60,000 on the 2025 levy, and have it funded through the Planning Reserve. This means that the full impact of this position, with the remaining \$60,000, would be deferred for one more year, and it would be included on the 2026 levy. If this was done, it would result in a decrease to the 2025 levy of \$60,000. This would not result in any service level changes currently provided to the public.

Option 3: Remove Budget for Community Group Grants Program

The Township has historically provided funding in the budget towards a community sponsorship program for local non-profit organizations. Upon review of the applications, Administration provides a recommendation to Council on how to allocate the funding.

Currently, the 2025 budget reflects an amount of \$15,610 towards this program. If the program was eliminated, it would result in a decrease to the levy of \$15,610. While this would not result in a service level change provided to the general public, these non-profit organizations may be negatively impacted by this loss in funding.

Options 1 to 3 listed above have been offered to Council as they would not result in significant service level changes or the elimination of any permanent staff. Council can direct Administration to include one of the above options, or a combination of them. The inclusion of any of the above options would result in a new levy.

WATER AND WASTEWATER USER FEES:

Schedule B to this report outlines the recommended Water and Wastewater utility user fees and charges, all of which would come into effect on July 1, 2025.

It is important to remember that the Township's Water and Wastewater expenditures are to be funded 100% through user fees, therefore having appropriate user fees established to cover the costs of providing the associated service is essential.

The 2025 budget accounts for a 6.0% increase to the water and wastewater variable (consumptive) rates, a 6.0% increase to the fixed water and wastewater base rates, and a 6.0% increase in the bulk water filling station rate, all effective July 1, 2025. The resulting new fees are included on the attached schedule.

Administration is proposing a new user fee, "Customer Failure to Allow Access to or Installation of Water Meter", of \$100. When a situation arises that warrants this fee, it

would be charged quarterly through the customer’s utility bill, until the meter is replaced. The justification for this fee is as follows: In the event that Administration identifies a need to replace an existing water meter, time is spent coordinating with the customer on this. For customers that are responsive to these requests in a reasonable time, no fee would be charged. However, in some cases, the customer is unresponsive to all communication attempts or the customer refuses access, which leads to the water meter never being replaced. This results in estimates being placed on the customer’s water account, which can lead to inaccurate billing. Therefore, for repeatedly unresponsive customers or those that refuse access, this fee is warranted to recover costs associated with the attempt to install a new meter, which is essential to ensure accurate billing and system maintenance. This fee will allow for better cooperation in the meter installation process, reduce administrative burden, and improve overall system efficiency. Administration is currently reviewing the process in which the fee would be charged, with a planned implementation of the new fee on July 1, 2025, in line with all other utility user fee changes.

FINANCIAL IMPLICATIONS:

Administration is recommending a 2025 general tax levy of \$10,363,130, 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.

This levy supports a 2025 Capital Budget that includes 50 Capital and Special Projects, at a total value of \$10.1 million, and supports a 2025 Operating Budget that includes \$24 million in operating expenditures.

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:

	2024 Total Taxes	2025 Total Taxes (Updated)	\$ Change	% Change
Assessment	\$390,400	\$390,400	\$0	0%
Municipal	\$1,658.00	\$1,752.04	\$94.04	5.67%
Hospital	\$38.68	\$34.98	-\$3.70	-9.57%
TOTAL	\$1,696.68	\$1,787.02	\$90.34	5.32%
Urban Service Area	\$72.60	\$76.83	\$4.23	5.83%
TOTAL WITH URBAN SERVICE AREA	\$1,769.28	\$1,863.85	\$94.57	5.35%

The Township portion of the tax bill will see a monthly increase of \$7.53 on the average single detached home in the rural area and a monthly increase of \$7.88 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 were then reviewed and discussed with the Finance Department and CAO. The budget adjustments presented in this report were prepared and discussed with each applicable department. This report was prepared in consultation with the CAO. The Library Board approves the budget submitted for the Library and any requested adjustments. The Water and Wastewater utility user fees were prepared in conjunction with the applicable departments.

CONCLUSION:

It is requested that the updated 2025 Operating and Capital Budget and the water and wastewater user fees be approved as presented. Administration will be presenting the Final 2025 Operating and Capital Budget, with all necessary attachments, at the February 24, 2025 Council Meeting.

SCHEDULES:

- **Schedule A** 2025 Operating and Capital Budget Update Presentation
- **Schedule B** Water and Wastewater Utility User Fees and Charges
- **Schedule C** Report T-01-2025 – 2025 Draft Operating and Capital Budget

Prepared & Submitted by:

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Approved by:

Justin Paylove
(On behalf of CAO McBride)