

DATE: February 24, 2025

REPORT NO: T-04-2025

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

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

OVERVIEW:

- Council is presented with the 2025 Final Operating and Capital Budget, which includes a general base tax levy of \$10,255,120, representing a 4.62% levy increase over 2024, after factoring in assessment growth. With the inclusion of the hospital levy of \$206,900, the total levy, after assessment growth, **represents a 4.31% increase over 2024.**
- The Township portion of the tax bill will see an estimated annual increase of \$72.08, or \$6.01 monthly increase, on an average residential home in the rural area. For a home in urban area of Smithville, the Township annual tax increase is estimated at \$71.26, or \$5.94 monthly increase.
- The overall tax bill, which includes all three taxing authorities, will increase by an estimated 5.91% for an average single family home in the urban service area.
- The Urban Service Area Levy is \$186,320 in 2025, which represents no change from the 2024 levy. This will result in the Urban Service Area tax for an average home in 2025 to be \$71.78, compared to \$72.60 in 2024.
- The 2025 budget supports \$10,044,650 in Capital and Special Projects to be completed in 2025.
- The overall Ten Year Capital Plan estimates \$160,520,100 in expenditures towards special projects, infrastructure rehabilitation and investment in new assets which will provide service level improvements.
- This final budget supports approximately \$23.6 million in operating expenditures funded by property taxes, user fees, grants and reserve transfers.

RECOMMENDATION:

1. That, Recommendation Report T-04-2025, titled “2025 Final Operating and Capital Budget”, dated February 24, 2025, be received;
2. That, a 2025 tax levy of \$10,255,120, which represents a 4.62% tax levy increase after factoring in assessment growth, be approved; and,

3. That, the 2025 hospital levy of \$206,900 be approved; and,
4. That, the 2025 Urban Service Area Levy of \$186,320 be approved; and,
5. That, the Detailed 2025 Capital Program, attached as Schedules C and D to this report, totalling \$10,044,650 be approved; and,
6. That, the balance of Capital and Special Projects for the years 2026 to 2034 as outlined on Schedules E and F to this report be approved in principle; and,
7. That, the 2025 water and wastewater utility user fees and charges, as presented in Schedule H, with an effective date of July 1, 2025, be approved;
8. That, a By-law be passed which amends By-law 2024-82, Schedule A, to incorporate the water and wastewater user fees and charges effective July 1, 2025; and,
9. That, tangible capital asset amortization estimated at \$3,730,723 and post-employment expenses estimated at \$22,800 be and are hereby excluded from the 2025 Operating and Capital Budget as permitted through Ontario Regulation 248/09.

ALIGNMENT TO STRATEGIC PLAN:

The 2025 Final Operating and Capital 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 outlined the 2025 Draft Operating and Capital Budget. This draft budget required a 2025 general base tax levy of \$10,542,540, which represented a 7.58% increase over the 2024 levy, along with a hospital levy of \$206,900 and an urban service area levy of \$199,440. While Administration continues to endorse these levies, the feedback received from Council to lower the levy was recognized. In response to this, Administration provided a path towards a reduced 2025 general levy requirement through delivering Report T-02-2025.

Report T-02-2025, presented at the February 18, 2025 Corporate Services Committee meeting, outlined the 2025 Operating and Capital Budget Update. The updated budget required a 2025 general tax levy of \$10,363,130, reflecting a decrease of \$179,410 compared to the January 27, 2025 levy, and a 5.73% increase over 2024.

CURRENT SITUATION:

At the February 18, 2025 Corporate Services Committee meeting, further reductions were made to the general and urban service area tax levies as approved by Council. The amending motion was passed by Council as follows:

“That, the Operating and Capital Budget found in “Recommendation Report T-02-2025 - Regarding the 2025 Operating and Capital Budget Update” be amended by the following items:

- *That, the Urban Service Area tax levy maintain the 2024 rate*
- *That, the planning reserve fund the \$60,000 loss in developer contributions for the planning department position*
- *That, Project 1221, Trees for All, be removed from the 10-year capital plan.”*

The impact of these changes to the budget is as follows:

- **Urban Service Area Levy Remains Unchanged from 2024**

The 2025 draft budget proposed a 2025 Urban Service Area Levy of \$199,440. Council approved an amendment to this 2025 levy amount, to reflect the same levy as 2024 of \$186,320. In order to maintain the same levy as 2024, a reduction of \$13,120 was required. Administration advised Council that this could be accomplished as follows: a reduction in the Contribution to the Streetlight Reserve of \$5,000 and a reduction in the Repair & Maintenance Contracted Services budget expenditure of \$8,120. These two items result in a decrease to the Urban Service Area levy of \$13,120.

- **Removal of Project 1221, Trees for All, from the Ten Year Capital Plan**

This was proposed as a three-year project, with a \$30,000 budget, and funding from the Capital Reserve. With Council approving the elimination of this project from the Ten Year Capital Plan, this results in a decrease to the levy of \$30,000, through a reduction in the 2025 Capital Reserve Transfer, as funding is no longer needed for this project.

- **Reserve to Fund the Loss in Developer Contribution for Planning Position**

Council approved the use of the Planning Reserve to fund the loss in the developer contribution from the Land Owners Group for an additional Planning Department position, rather than to fund this from the 2025 levy. Background information is available in Report T-02-2025. This results in a decrease to the levy of \$60,000. This means that the full impact of this position (this remaining \$60,000) would be deferred for one more year, and included as part of the 2026 budget.

In addition, the West Lincoln Public Library Board approved further changes to their 2025 Library Budget at their February 11 Board Meeting, which include:

- Decrease in hourly wage from \$20.80 to \$19.80 for full-time and part-time Public Service Assistants
- Additional decrease in part-time Public Service Assistant pooled hours, by 290 hours
- Project 1077 (Revitalization of Caistorville Branch) was revised to include a project budget of \$20,000 in 2025, with a remaining budget of \$80,000 deferred to 2026. The total project cost of \$100,000 remains unchanged.
- Project 1173 (Addition to Makerspace) was revised to include a project budget of \$5,000 in 2025 and \$15,000 in 2026. The total project cost of \$20,000 remains unchanged.

These Library operating changes above result in a decrease to the general levy of \$18,010. The capital-related changes do not result in a levy impact.

Therefore, the general levy changes above account for a **further reduction to the general tax levy of \$108,010**, or a 1.11% decrease, compared to what was presented in the February 18 report. This results in a new general tax levy of \$10,255,120.

OPERATING BUDGET

The 2025 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 base budget requires a tax levy of \$10,255,120, which represents a 4.62% (or \$546,010) increase over 2024, after factoring in assessment growth. With the inclusion of the hospital levy of \$206,900, the total levy, after assessment growth, **represents a 4.31% increase over 2024.**

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

HOSPITAL LEVY

The 2025 Budget includes a hospital levy of \$206,900. This represents 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 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 2025 Budget includes an Urban Service Area levy of \$186,320, a \$0 levy change over 2024; this was approved by Council as explained above. The average residential home will pay \$71.78 in 2025, a decrease of \$0.82 from 2024.

CAPITAL BUDGET

The 2025 Capital and Special Projects Budget totals \$10,044,650 and is funded through a combination of reserves, grants, user fees and debentures. The Ten Year Capital Plan includes a total investment of \$160,520,100 over the years 2025 to 2034. Capital investments have a direct impact on the service level Township residents receive.

\$5,674,250 is budgeted to keep our infrastructure assets like facilities, roads and parks in a good state of repair. \$2,400,400 is being invested into renewing equipment and rolling stock. Environmental projects related to Water, Wastewater and Storm Water will receive funding of \$1,345,000. The balance of \$625,000 relates to special projects that include studies, master plans, and software implementation. All details regarding the Capital and Special Project Budgets can be found on the following Schedules:

- **Schedule C** 2025 Capital and Special Projects - Summary

- **Schedule D** 2025 Capital and Special Projects - Detail
- **Schedule E** 2025 Ten Year Capital Plan - by Funding Source
- **Schedule F** 2025 Ten Year Capital Plan - by Department

Approximately 18% of the general tax levy, or \$1,832,200, is applied to reserve transfers that fund Capital and Special Projects. In addition, 3.33% of the gross general levy increase in 2025 is attributable to reserve transfers that fund Capital and Special Projects. More information on the 2025 Reserve Transfers is available in **Schedule G**.

The 2025 Capital Budget does not require any debenture financing. Through a future Corporate Services Committee meeting, Administration will provide an Information Report on the Township's debt management, in order to comply with the Township's Capital Financing and Debt Management Policy (POL-T-01-2021).

WATER AND WASTEWATER

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. These budgets include reserve transfers totalling \$386,580 to the Water and Wastewater reserves, in order to ensure adequate funding for infrastructure repairs and replacements. It is important to note that this is a significant reduction from the 2024 reserve transfer of \$549,460, which was done to mitigate rate increases to the best of Administration's abilities.

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. **Schedule H** to this report outlines the utility user fees, all of which come into effect on July 1, 2025.

In previous years, Administration has proposed fee increases based solely on the Water and Wastewater Rate Study and Financial Plan approved by Council through Report T-25-2020. However, this 2020 Rate Study forecasted certain levels of expenditure increases from the Niagara Region that are now being surpassed. The 2025 Budget includes Project 324 (Water Rate Study and Financial Plan) which will ensure utility rates are set at appropriate levels to cover the system costs.

It is important to note that the Niagara Region approved their 2025 water budget increase of 7.06% 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. Administration made concerted effort to keep the Township 2025 water and wastewater increases below the 2025 Region increases, however the Region's increases are putting pressure on the Township budgets.

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.

ONTARIO REGULATION 284/09 REQUIRED REPORTING

As a municipality, the Township is required to follow the accounting standards established by the Public Sector Accounting Board (PSAB). The PSAB standards do not require municipal budgets to be prepared on a fully accrual basis. The Township, like most Ontario Municipalities, continues to prepare budgets on a cash basis. A key outcome of the annual budget is a tax rate. The tax rate is based on annual cash requirements, and therefore does not include the PSAB requirements around accrual accounting and accounting for “non-financial assets and liabilities”. Ontario Regulation 284/09 allows a municipality to exclude estimated expenses from its annual budget related to the following:

- Amortization Expense
- Post-Employment Benefit Expenses
- Solid waste landfill closure and post-closure expenses – N/A to our Township

In addition to these excluded expenses, the cash based budgets prepared by the Township include certain types of transactions that need to be excluded for PSAB reporting purposes. These are not covered in Ontario Regulation 284/09:

- Debenture principal repayments
- Funds from debenture issuances
- Transfers to and from reserves
- Tangible Capital Asset expenditures

The regulation requires that a municipality report on the impact of these excluded costs. In particular, reporting is required to estimate the impact on the accumulated surplus and on the future tangible capital asset funding requirements resulting from the exclusion of any of the expenses listed above. The impact of these adjustments is discussed below:

- **Amortization Expense:**

Amortization expense represents the reduction in the economic benefits realized by the Township's Tangible Capital Assets during the fiscal period. Amortization expense should not be used to determine the impairment of an asset; however, it is a good tool to predict the future annual financial commitment required for asset rehabilitation or replacement. The 2025 Operating and Capital Budget excludes \$3,730,723 of estimated amortization expense, which would reduce the accumulated surplus.

- **Transfers to and from Reserves:**

The 2025 Budget includes total transfers to reserves relating to Tangible Capital Assets of \$2,238,380. Further, in 2025, \$3,942,095 is being transferred from reserves to finance Tangible Capital Assets. These transfers are treated as expenditures and revenues, respectively, in the 2025 Budget. However, they are excluded from accrual accounting and, on a net basis for the 2025 year, result in an overall decrease to the Township's accumulated surplus.

- **Tangible Capital Asset Expenditures:**

The 2025 Budget includes \$9,419,650 in recommended Tangible Capital Asset Investments. These investments are treated as expenditures in the 2025 Budget; however, in accrual accounting, they are treated as non-financial assets and are not expensed, therefore resulting in an increase to the accumulated surplus.

- **Post-Employment Benefit Expense:**

Post-employment benefits are non-pension benefits provided to employees that met specific criteria upon retirement. The Township has received an actuarial valuation of the Township's post-employment benefit liability in accordance with PSAB 3250 and 3255 standards. The actuary has estimated a liability and expense increase of \$22,800, which is excluded from the 2025 Operating Budget. This will result in a decrease to the accumulated surplus.

- **Debenture Principal Repayments:**

The 2025 Budget includes \$955,130 in debenture principal payments. Under the accrual method of accounting, debenture principal payments are considered a reduction of the debt liability and not an expense. For accrual accounting purposes, these payments are not expensed, therefore resulting in an increase to the accumulated surplus.

- **Debenture Issuance Proceeds:**

The 2025 Budget includes no debenture financing relating to Tangible Capital Assets, therefore there is no impact on the Township's accumulated surplus.

Impact on Accumulated Surplus:

The accumulated surplus shown in the Township's Financial Statements represents the net resources available to provide future services. It does not represent surplus cash. The Township's accumulated surplus as calculated using PSAB standards was \$105.8 million as of December 31, 2023. The closing balance as of December 31, 2024 is not yet available. The chart below outlines the estimated impact of excluding the Ontario

Regulation 284/09 expenses, along with the other PSAB reporting adjustments:

Tangible capital asset amortization	- 3,730,723
Reserve financing for tangible capital assets	- 3,942,095
Debenture issuance proceeds	-
Post employment benefit net expense	- 22,800
Total decrease to accumulated surplus	- 7,695,618
Investment in tangible capital assets	9,419,650
Debenture principal payments	955,130
Reserve contributions related to the acquisition of tangible capital assets	2,238,380
Total increase to accumulated surplus	12,613,160
Net increase (decrease) to accumulated surplus	4,917,542

FINANCIAL IMPLICATIONS:

The Budget consists of a general tax levy of \$10,255,120, a hospital tax levy of \$206,900, and an urban service area levy of \$186,320. These levy requirements represent the revenue the Township needs to collect in order to fund services and infrastructure needs.

For the 2025 Budget, assessment growth is valued at \$97,772 (1.01%). This means that of the \$546,010 increase in the required general tax levy, the first \$97,772 of that increase does not increase the taxes paid by property owners.

This levy supports a 2025 Capital Budget that includes 49 Capital and Special Projects, at a total value of \$10.0 million, and supports a 2025 Operating Budget that includes \$23.6 million in operating expenditures.

The Township portion of the tax bill will see an estimated annual increase of \$72.08 or \$6.01 monthly increase on an average single detached home in the rural area. For the same home in the urban area of Smithville, the Township annual tax increase is estimated at \$71.26 or \$5.94 monthly increase.

From a taxpayer perspective, the estimated impact to the total tax bill, based on an average assessment of \$390,400, is outlined in the chart below. This includes all three taxing authorities. The overall tax bill will increase by an estimated 5.91% for an average single detached home in the urban area, or 6.01% in the rural area.

	2024 Total Taxes	2025 Total Taxes	\$ Change	% Change
Assessment	\$ 390,400	\$ 390,400	\$ -	0.00%
Municipal	\$ 1,658.00	\$ 1,733.78	\$ 75.78	4.57%
Hospital	\$ 38.68	\$ 34.98	\$ (3.70)	-9.57%
Total Township	\$ 1,696.68	\$ 1,768.76	\$ 72.08	4.25%
Total Region	\$ 2,889.18	\$ 3,128.40	\$ 239.22	8.28%
Education	\$ 597.31	\$ 597.31	\$ -	0.00%
TOTAL	\$ 5,183.17	\$ 5,494.47	\$ 311.30	6.01%
Urban Service Area	\$ 72.60	\$ 71.78	\$ (0.82)	-1.13%
TOTAL WITH URBAN SERVICE AREA	\$ 5,255.77	\$ 5,566.25	\$ 310.48	5.91%

The 2025 Water and Wastewater (Sewer) Budgets include total expenditures of \$2,354,480 and \$2,631,040, respectively. The updates to the utility user fees and charges will come into effect on July 1, 2025. The water consumptive and fixed rates are set to increase 6.0%. The below chart shows the impact of the new rates for a residential property, based on an average quarterly consumption of 45 cubic metres. The average quarterly utility bill would increase by \$19.42, or \$6.47 per month.

	Quarterly Charge		\$ Change	% Change
	July 2025	Current		
Water Consumptive	\$ 81.45	\$ 76.95	\$ 4.50	6%
Sewer Consumptive	\$ 94.05	\$ 88.65	\$ 5.40	6%
Water Base	\$ 50.87	\$ 47.99	\$ 2.88	6%
Sewer Base	\$ 117.26	\$ 110.62	\$ 6.64	6%
Total	\$ 343.63	\$ 324.21	\$ 19.42	6%

INTER-DEPARTMENTAL COMMENTS:

Department Heads have been involved in the updating of both the Operating and Capital budgets pertaining to their area of responsibility. The Library Board approves the budget submitted for the Library.

CONCLUSION:

It is concluded that the 2025 Operating and Capital Budget report and recommendations be approved as presented. The approval of the 2025 Budget establishes the tax levy that will be collected in 2025. Property tax represents the Township’s main revenue source that enables the delivery of municipal services within the municipality.

SCHEDULES:

- **Schedule A** 2025 Operating Budget Summary
- **Schedule B** 2025 Operating Budget by Department
- **Schedule C** 2025 Capital and Special Projects - Summary
- **Schedule D** 2025 Capital and Special Projects - Detail
- **Schedule E** 2025 Ten Year Capital Plan - by Funding Source
- **Schedule F** 2025 Ten Year Capital Plan - by Department
- **Schedule G** 2025 Reserve Transfers
- **Schedule H** 2025 Water and Wastewater Utility User Fees and Charges

Prepared & Submitted by:

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