



Financial Services Staff Report

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Recommendation:

That the Council of the Township of Woolwich, considering Report F01-2025 respecting Draft Budget - 2025:

1. Discuss and debate the Draft 2025 Operating and Capital Budgets; and
2. Direct staff to bring the 2025 Operating and Capital Budgets forward with any amendments directed by Council for final discussion by Committee of the Whole on February 4, 2025 and approval by Council on February 18, 2025.

Background:

This report provides Council a brief overview of Staff's recommendation of the 2025 Township operating and capital budget. As part of continuous improvement efforts, for 2025 Staff have created a separate budget document with provides detailed budget information for Council review. This approach is consistent with municipal best practice and is a foundation reference document which can be built upon in future years.

Budget Parameters

On September 10 and 24, 2024, Council considered Report F14-2024 regarding parameters for staff to create the 2025 budget. This direction requested staff to present a draft budget with tax rate increase between 2.5% and 7.5%. It also directed a maximum 2.5% infrastructure levy and to include no additional debt (except for water and sewer).

Attachments

- **Attachment 1** is the Budget Book which contains important financial information and context regarding the proposed 2025 Draft Operating and Capital Budget.
- **Attachment 2** is the 2025 Draft Operating Budget contained in it is the staff recommended budget. This draft budget proposes a 7.5% base tax rate increase with a 2.5% increase to the infrastructure levy. This represents the upper end of Council's budget parameter range.
- **Attachment 3** is the 2025 Draft Capital Budget for approval and includes a 10 year capital forecast to provide a guide for future years.
- **Attachment 4** includes a list of key adjustments which have been made by Staff and are already reflected in the Draft 2025 Operating budget. These reductions are included to provide Council with more information about what was needed to achieve the 7.5% increase.
- **Attachment 5** includes a list of adjustments which are **not** currently reflected in the budget. These reductions are not recommended by Staff but represent potential reductions which would further reduce the tax rate from 7.5% to the 2.5%. This represents the lower band of the direction provided in the Council Parameters report.

Comments:

The following paragraphs contain highlights of the proposed 2025 Budget. Please note that full details can be found in **Attachment 1 – Budget Package**.

Economic Pressures

There is significant economic uncertainty on the horizon in 2025. The Canadian economy is slowing, recent elections in the US have decreased the Canadian dollar and is a real threat of trade tariffs which could increase the costs of many goods. In addition, upcoming provincial and federal elections could change the funding landscape for municipalities.

Under this uncertainty, managing new growth in the Township will continue to be a challenge, with substantial infrastructure investments required to support growth, continued downloading of services and reductions in upper government funding.

Current Financial Position

With the uncertainty highlighted above, having a solid financial position to respond to challenges is more important than ever. The long term financial framework introduced in 2024 is a critical step on the path the Township's long term sustainability, however, there are some concerns related to Woolwich's current fiscal position to be aware of when considering the 2025 Draft Budget.

- The Draft 2025 Budget, based on past practice, is a single year operating budget and only a single year funded capital plan. Considering the projected growth of the

municipality, a longer term view is needed in future years with a 10-year capital plan and understanding the multi-year operating impacts of decisions.

- The Township has very low reserve and reserve fund balances and is in a vulnerable place to respond to financial challenges. Many reserves are in a deficit position and require immediate corrective action. A number of corrective actions are in progress and are outlined in the budget book.
- The Township has maintained very low tax rates and is among the lowest in its comparators. While this may appear to be a positive impact for taxpayers in the short term, this has diminished the Township's long term financial health and will require larger future tax increases.
- The Township has internally financed significant capital projects. Combined with the low reserve positions outlined above, this is a critical issue. Immediate action has been taken, and further actions will be taken in 2025, to secure external funding and replenish depleted reserves.

2025 Operating Budget Highlights

- Staffing costs have increased due to annualization of salaries, continued implantation of market pay study, COLA adjustments and grid movements.
- Volunteer firefighter budgets have been increased to reflect actual recent call volumes
- Staff have recommended four critical positions needed to cope with changing and increasing work demands.
 - Senior Financial Analyst
 - Fire Services – Training Officer
 - Operations Supervisor
 - Traffic Technician
- Equipment replacement - increase the annual reserve contributions due to inflationary increases heavy equipment and vehicle replacement costs.
 - 1% (approximately \$160,000) of the proposed Infrastructure Levy increase is recommended to be directed to the equipment reserve as a one time top up in 2025.

2025 Capital Budget Highlights

- Sharply curtailed water and wastewater capital program to stabilize reserves due to operating deficits
- Continued essential capital work on roads and bridges to ensure a state of good repair

- Critical facilities and property maintenance capital activities to ensure the functioning of Township facilities
- New HR and Finance software upgrades to ensure continued functioning of support services

Interdepartmental Impacts:

All departments have an integral role in developing and executing the Township’s Operating and Capital Budgets.

Financial Impacts:

The Draft 2025 Budget proposes a net levy increase of \$1,600,072 which translates into a 10.0% tax increase. This reflects a base tax increase of 7.5% and a 2.5% increase to the Infrastructure Levy.

The table below outlines the impact of the proposed increase on a typical household with average assessment.

Tax Element	Proposed Increase	Projected Increase per household
Woolwich – Base	7.50%	\$86.97
Infrastructure Levy	2.50%	\$28.99
Climate Action Levy	0.00%	\$0.00
Township Total	10.00%	\$115.96
Region	10.00%	\$264.54
School Board	0.00%	\$0.00
		<u>\$380.50</u>

The Township total increase would amount to \$115.96 for an average resident. It is important to note that regional share makes up the majority of the tax bill and a similar tax increase for the Region would be \$264.54. The School Board rate has remained flat for several years and no proposed increases are anticipated.

Community Strategic Plan Impacts:

By creating an accurate and funded Township capital and operating budgets, the Township is ensuring alignment with key values of fiscal responsibility and sustainability and will ensure economic prosperity.

Conclusion:

The budget is the primary financial document of the Township. Despite challenging economic conditions, Staff were able to present a responsible budget which will continue to keep Woolwich as one of the lowest tax rates in the area.

Staff recommend that the 2025 Operating and Capital Budgets be brought forward for final Council approval on February 18, 2025. Following approval of the levy budget, Staff will prepare and seek Council approval of 2025 tax rates, pending notification of Region-wide tax ratios.

Attachments:

1. 2025 Budget Book
2. 2025 Draft Operating Budget (*with Actuals up to November 2024*)
3. 2025 Draft Capital Budget and Forecast (*with Actuals to November 2024*)
4. 2025 Adjustments Reflecting a 7.5% tax rate increase
5. 2025 Adjustments Proposed to achieve a 2.5% tax rate increase