

# STAFF REPORT

**Department: Finance**

**Date: September 24, 2024**

**Item: 2025 Budget Guidelines and Timetable**

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**Recommendation:**

Be It Resolved That: Council approve the 2025 budget timelines and process as proposed.

**Background:**

The preparation of the 2025 municipal budget is a critical process that aims to align the Town's financial resources with its strategic priorities and operational needs. As part of this effort, the Town is committed to maintaining fiscal responsibility while addressing key areas of service delivery, infrastructure development, and community growth.

Over the past fiscal year, the Town has faced several financial challenges, including changes in provincial funding, rising operational costs, and the continued need for infrastructure maintenance and improvement. Adding to these pressures, on September 6, 2023, Domtar announced its decision to shutter its pulp and paper mill. Unfortunately, the 2025 budget must take into account potential lost property tax revenue from Domtar. All of the above factors have an impact on the 2025 budget and the careful balance the Town must strike between investing to ensure a sustainable future for our community, supporting our residents and businesses with services and infrastructure, and recognizing that this is a challenging financial time for all.

The purpose of this report is to provide Council with information regarding the 2025 budget process, key financial highlights to date, and create an opportunity for Council to provide direction early in the process on expectations, service level adjustments, key priorities, and specific capital interests.

**Analysis:**

To prepare the 2025 municipal budget, a comprehensive evaluation of key economic factors, internal cost drivers, and fiscal constraints are required to ensure

the Town can effectively manage its financial resources while delivering essential services.

Staff are seeking guidance in relation to the impact of economic factors, timetable, funding strategic projects and general format.

#### Highlights of Impacts on the 2025 Budget:

- Increased expenses by minimum of CPI trim rate of 2.9% which is estimated at approximately \$410,000 over last year.
- Lack of increased support for the Province relative to CPI.
- Increase in labour costs by 2.5% per Collective Agreements plus standard annual increases.
- Maintaining current levels of services and delivering on the Town's Strategic Plan Priorities.
- Estimated tax levy adjustment required of 6% to 12% (1% = approximately \$80,000).
- Estimated growth in property tax revenue from new builds of \$80,000-\$90,000 (will help offset approximately 1% of levy increase).

#### Elaborated Impacts:

- Consumer Price Index (CPI): The CPI, a measure of inflation, has been a critical factor in assessing cost increases across various budget lines. The CPI trim, which excludes the most volatile items, has been considered to provide a more stable estimate for inflationary pressures. The Town is expecting inflationary increases in operating costs, which will impact utilities, supplies, and contracted services at a rate of 2.9%.
- Salaries and Benefits: As per collective bargaining agreements, a 2.5% increase in salaries and benefits has been incorporated into the budget. This increase reflects the Town's commitment to fair compensation and aligns with negotiated contracts. Rising labour costs will be a significant driver of operational expenses in 2025, necessitating careful management to ensure fiscal sustainability.
- Insurance premiums are another critical cost consideration for 2025, with estimates from the Town's insurer providing the following guidance:
  - General Liability Coverage: The Town is currently anticipating up to a 10% increase in general liability coverage premiums, though the final figure may be lower, depending on market conditions.
  - Property Insurance: Property insurance premiums are projected to increase by approximately 4-6%, reflecting industry trends and potential adjustments based on the Town's risk profile.
  - Automobile Insurance: Auto insurance premiums are expected to rise by around 3%, consistent with industry-wide adjustments in response to inflation and risk factors.



- On a more positive note, the Town has seen growth over the past year and is anticipating \$80,000 – \$90,000 in new tax revenue from new builds which offsets some of the impact on budget increases for all rate payers.

#### Budget Timetable:

Staff proposes tabling the draft budget in the second half of November. This will allow Council and the public to review the proposed financial plan, providing sufficient time for feedback and potential revisions.

Further draft presentations will be scheduled and presented.

The final budget is scheduled for approval in January 2025. This timeline ensures that departments can begin the fiscal year with clarity on resource allocations and financial targets.

#### Budget Format:

To ensure the 2025 budget format meets Council's needs, we seek your input on several key aspects:

- **Budget Format:** We propose using a structure similar to the 14-page quarterly budget variance analysis, which outlines general service areas and expense categories. Does this format align with your preferences, or would you suggest any changes?
- **Historical Data:** How many years of past budgets would be helpful in your decision-making process? Would including prior year actuals provide valuable context for comparison?
- **Current Year Projections:** Would you find it beneficial to include 2024 year-to-date (Q3) figures and a forecast to year-end to better understand current trends and the financial outlook?
- **Level of Detail:** Do you prefer operating costs to be broken down by individual facility or program, or is a summary by service area sufficient for your needs?

Your feedback on these questions will guide us in finalizing a budget format that best supports your review and decision-making process. We appreciate your input to ensure the budget documentation is both comprehensive and user-friendly.

**Existing Policy:** NA

**Strategic Goal:** Effective Municipal Governance and Operations

**Financial Commitment:** NA

**Budgeted:**    **Yes** ☒    **No** ☐



**Implementation:** Upon Council Recommendation

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**Prepared By:** Julie Bouthillette, Treasurer

**Department Manager:**

**CAO/Clerk:** Joseph Burke, CAO/Clerk

**Approval of Recommendation:** Yes ☒ No ☐

**Comments:**