



2025 Budget

Regular Council Meeting
December 18th, 2024

**Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.*



Presentation Outline

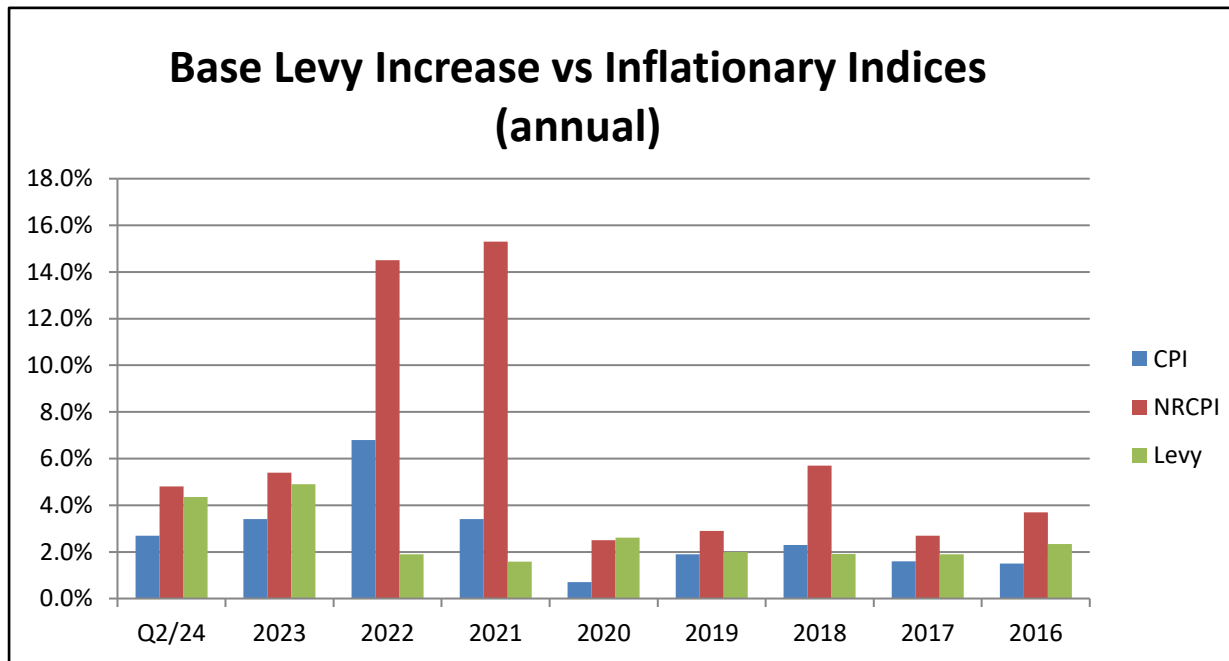


- Budget Considerations and Trends
 - Levy
 - Reserves
 - Debt
- Economic Outlook
- Revised 2025 Draft Budget
- Questions/Next Steps

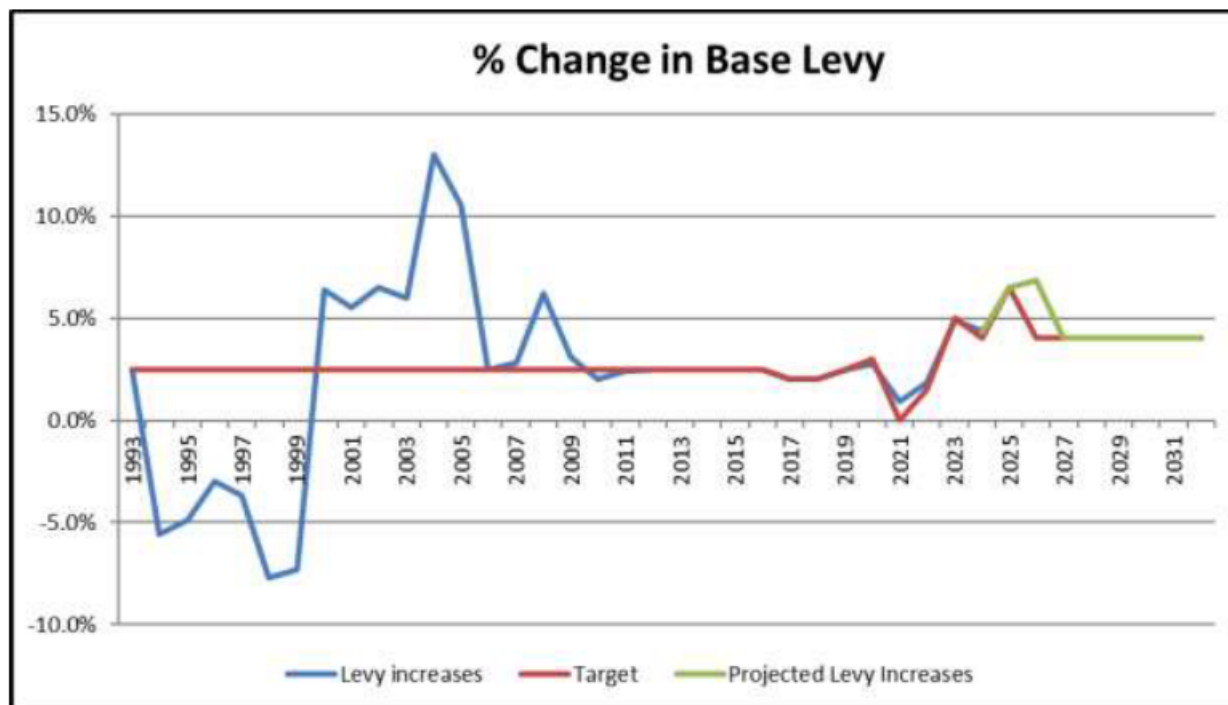
Budget Considerations - Levy



- Need to consider inflation (CPI and NRCPI)
 - Not keeping pace with overall inflationary pressures
 - Significant erosion of Operating and Capital Budgets 2021 & 2022
 - Risk of maintaining service levels
 - Compounds on Infrastructure Deficit
 - Cost escalations realized for Long-term Capital plan

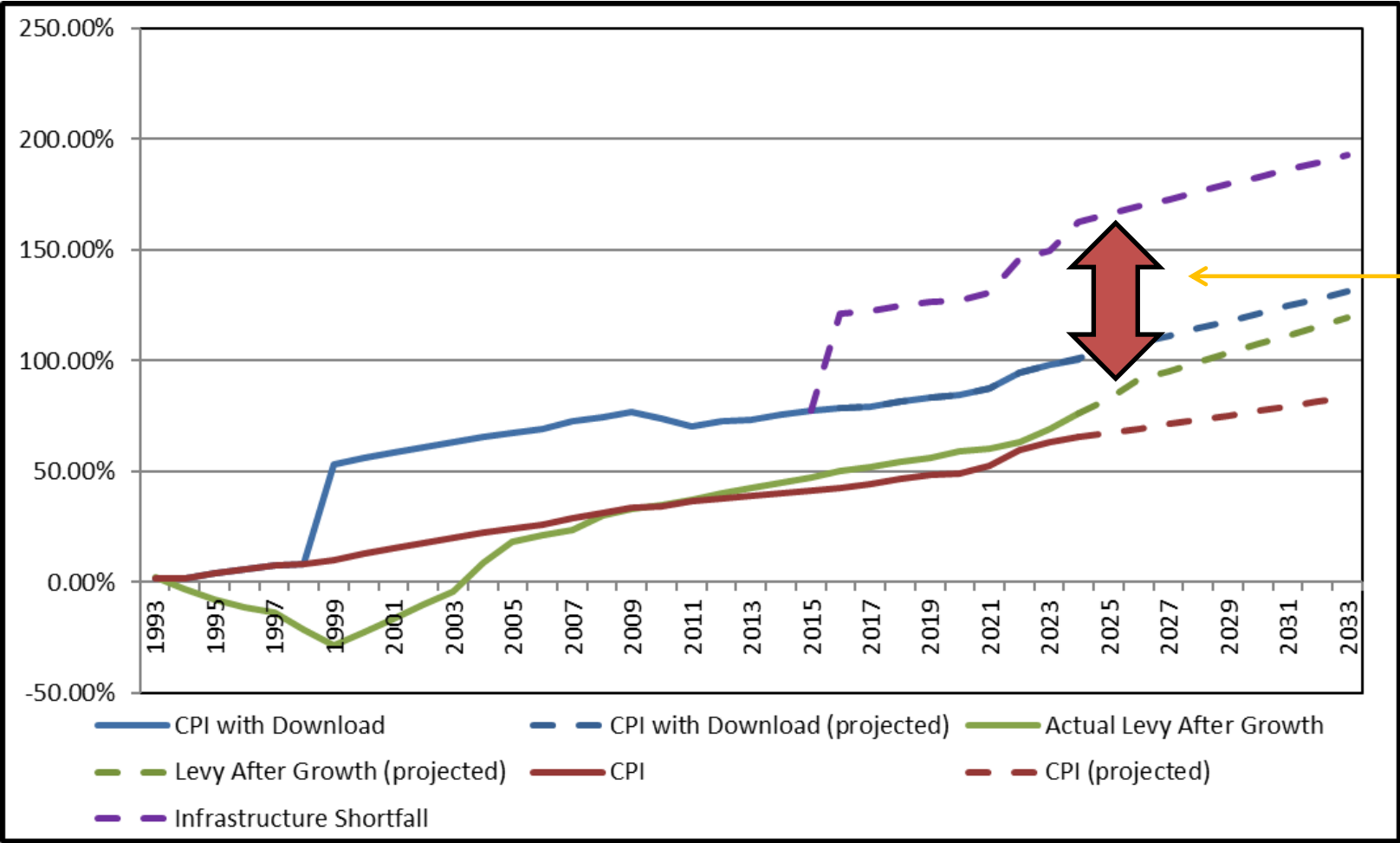


Budget Considerations - Levy



- Primarily stable levy increases since adopting LTFPF
- Recent levy increases below inflation causing pressure
- Not keeping pace with inflation risks return to erratic increases in future years
- Years of insufficient levy increases compound in long term plan as base moving forward in future years
- The draft 2025 budget levy increase (excluding the GPLNCAM debenture payment) is below inflation at 1.38%
 - This is expected to put pressure on service levels

Budget Considerations - Levy

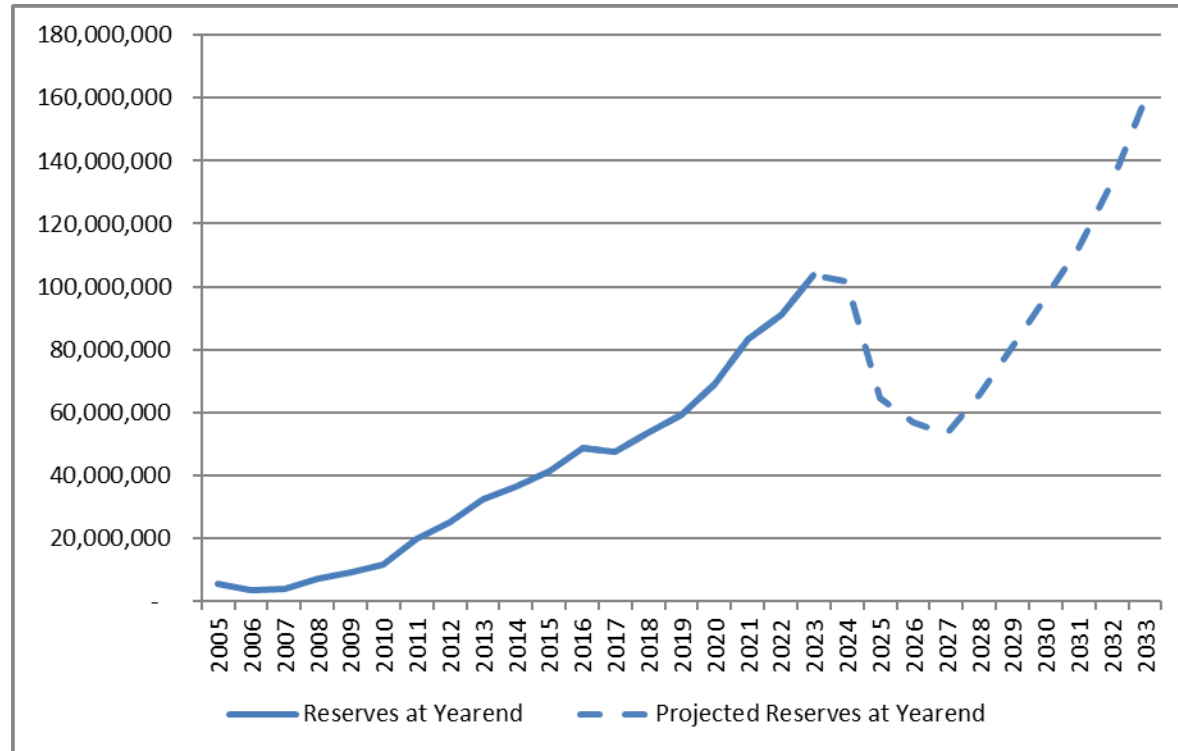


Current
Funding
Gap

Budget Considerations – Reserves



Forecasted Yearend Reserves

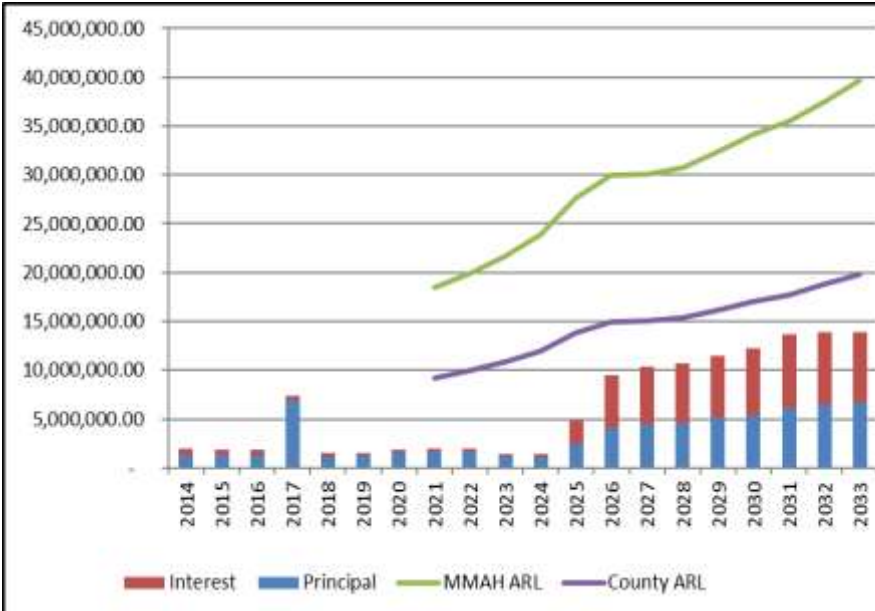


- Utilization over next 5-10 years for financing large projects and rate stabilization
- Projected reserve balance will be depleted in 2027 to less than that of comparator average before gaining ground again towards financing future needs
- Consistently building into operating budgets
- Contributions are aligned to priorities in AM Plan
- AM Plan, Master Plans identify significant future needs

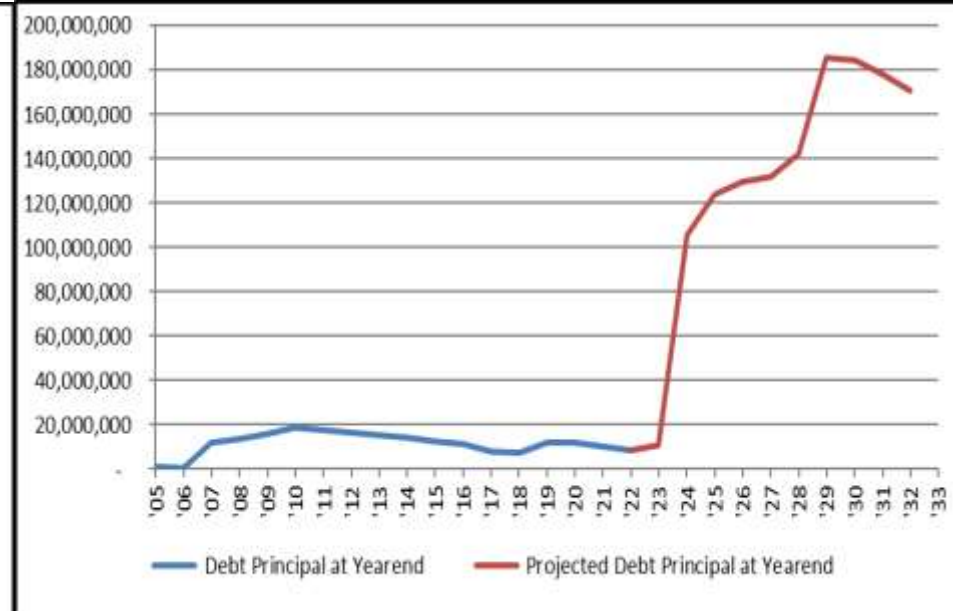
Budget Considerations – Debt



Debt Repayment Schedule



Forecasted Yearend Debt



- Currently well below forecasted MMAH Annual Repayment Limit (ARL)
- Encroaching on County ARL established under newly adopted Debt Policy
- Will require greater utilization of reserves in future models to limit debt servicing costs
- Will take on new debt in the next few years increasing debt utilization, higher interest rates
 - GPL/NCAM Redevelopment
 - Elgin Park Redevelopment and Ontario Street Project
 - Placeholders Social Housing Expansion Projects, Brighton Paramedic Base, Consolidated Operations Facility (JOB)

Economic Outlook



- Inflation has come down, but the County is still dealing with the effects of high inflation in 2022 to 2024.
 - 2.0% - CPI October 2024 (year over year)
 - 4.8% - NRCPI Q2 2024 (year over year)
- Looming tariff dispute with US poses a risk for procurement
- The Bank Of Canada overnight interest rate has been reduced five times in 2024 and is currently at 3.25%
- Long-term bond rates have remained flat but are forecasted to increase in 2025
- Household affordability remains a challenge for many after coming through a period of high inflation and interest rates

Revised 2025 Draft Budget - Background



Council Approved 2025 budget levy increase adopted on December 13, 2023 was calculated as follows:

	<u>Amount \$</u>	<u>Levy Impact %</u>
2024 Levy	\$74,097,987	
2025 Levy	<u>\$81,981,967</u>	
Increase	\$7,883,980	10.64%
Estimated Growth	<u>\$1,481,196</u>	2.0%
Levy Increase After Growth	\$6,402,020	8.65%

These numbers included a draw of \$500K from the rate stabilization reserve to partially offset the pressure from the initial GPLNCAM debenture payment

Revised 2025 Draft Budget – Background



The updated growth estimate for 2025 has the following impact on the levy increase (after growth)

Revised Growth Estimate	<u>\$1,170,748</u>	1.58%
Revised Levy Increase (after growth)	\$6,713,232	9.06%

Revised 2025 Draft Budget – New items



The following is a list of the new items that should be considered for inclusion in the 2025 budget following the multi-year budget policy requirements

	Amount \$	Levy Impact %	Notes
Public Works Issue Paper – Fire Radio System	\$100,000	0.13%	Approved
Public Works Issue Paper – Security System Improvements	\$162,500	0.22%	Closed Item
310 Division Shelter On-site Security	\$400,000	0.54%	Approved
310 Division Shelter ECE By-law Compliance costs	\$587,700	0.79%	Approved
Salaries and Benefits	\$205,000	0.28%	Update budget estimates to payroll actuals
GPL Construction Funding Subsidy	\$647,411	0.91%	Change due to update schedule
GPL Level of Care Basic Premium	\$78,840	0.11%	Change due to update schedule
GPLNCAM Debenture change to 20-year term	\$428,667	0.58%	Recommended by Finance and Audit Committee
TOTAL	\$2,637,118	3.56%	

Revised 2025 Draft Budget – New items



- The total of all new items would increase the levy requirement by \$2,637,118 or 3.56%. This would result in an increase of **\$9,350,349 or 12.62%** after growth.
- It should be noted that no levy funding has been allocated to the treatment bed program that was piloted in 2024. The program continues in the draft budget but is being funded by the \$217,000 carryover from 2024.

Revised 2025 Draft Budget



The following is a list of savings and other adjustments (recommended by staff) that will reduce the levy requirement in 2025 to 6.32%

	<u>Amount \$</u>	<u>Levy Impact %</u>	<u>Notes</u>
<u>Issue Papers</u>			
GPL Env Services Reserve Strategy IP	\$217,500	0.29%	Reduction to the minimum requirement
GPL Life Enrichment Staffing IP	\$26,970	0.04%	Reduce because of revised schedule
GPL Dietary Services Staffing IP	\$28,945	0.04%	Reduce because of revised schedule
BECN and Tourism Tech Reserves IP (2)	\$20,000	0.03%	Postpone
Waste – Lumber and Shingle Diversion Program IP	\$250,000	0.34%	Postpone
Natural Heritage Weather Event and Land Acquisition Reserves IP (2)	\$20,000	0.03%	Postpone
Natural Heritage Truck Replacement IP	\$60,400	0.08%	Postpone
Legal/Legislative Services Assistant	\$84,058	0.11%	Postpone
Made in Northumberland Rent Supp IP	\$52,000	0.07%	Postpone
Information Management Strategy IP	\$50,000	0.07%	Postpone

Revised 2025 Draft Budget



	<u>Amount \$</u>	<u>Levy Impact %</u>	<u>Notes</u>
<u>Other items</u>			
Dedicated Infrastructure Levy Increase	\$740,980	1.0%	Postpone Increase
Dedicated Housing Levy Increase	\$740,980	1.0%	Postpone Increase
Increased Waste Revenue (bag tags and tipping fees)	\$200,000	0.27%	Adjusting for increased activity (no price increases)
HSEP External Services Savings	\$13,500	0.02%	
Interest Revenue	\$250,000	0.34%	Adjust to be more in line with actuals
Reduce Transportation Base Levy by OCIF increase	\$625,351	0.84%	OCIF Funding was higher than anticipated
473 Ontario Street Construction Financing Interest	\$470,468	0.63%	Levy requirement shifts due to updated schedule
Elgin St Phase One Debt Servicing	\$75,724	0.10%	Debenture was less than budgeted
Waste Collection Contract Indexing	\$250,000	0.34%	Budgeted for increase but indexing reduced contract costs
Transportation Construction – County Road 31	\$492,000	0.66%	Postpone project
Total	\$4,668,876	6.30%	

Revised 2025 Draft Budget



- If all of the items above are adjusted to reduce the levy increase in 2025, the adjusted levy increase (after growth) will be **\$4,681,474 or 6.32%**.
- This is 0.18% below the target of 6.5% established by Council.
- The following items have also been adjusted in the revised 2025 budget but do not have an impact on the levy – except for the change in the 473 Ontario Street project noted above.
 - GPLNCAM Redevelopment Project
 - GPL Operating Costs – after move into new building
 - 473 Ontario Street Housing Project
 - Brighton Emergency Services Base
 - Internal Chargebacks (Will need to be adjusted if council makes any other changes to the 2025 draft budget)

Revised 2025 Draft Budget



Addition items to be considered by council are:

- Salary Freeze – Council and Directors
- Hiring Freeze
- Items Referred to budget deliberations
 - Finance and Audit Committee recommendation to provide \$100,000 funding to the Art Gallery of Northumberland
 - Finance and Audit Committee referral of Report 2024-158 GPLNCAM Redevelopment Project Financing to budget deliberations
 - Update From Treasurer
- Allocation of Funds to Community Grant Program for 2025
- Municipal Restructuring Study

The additional items above are NOT included in the revised 2025 draft budget (6.32% increase). Any changes will impact the total levy increase.

Revised 2025 Draft Budget (Cash)



Draft Cash Budget Summary

Operating expenses	\$147.3M
Capital	\$80.6M
Debt Principal Repayment	\$2.4M
Change in Reserves	<u>(\$31.2M)</u>
	\$199.1M
Grants & Subsidies	\$65.4M
Other Non-levy Revenue	\$34.1M
Debt/Construction Financing	<u>\$19.6M</u>
Levy	\$80.0M

Revised 2025 Draft Budget (Accrual)



Draft Accrual Budget Summary

Cash based budget	\$199.1M
Less:	
Debt Principal Repayment	\$2.4M
Capital Purchases	\$80.6M
Debt/Construction Financing	\$19.6M
Add:	
Amortization	\$9.8M
Future Employee Benefits	\$0.4M
Landfill Post-Closure Liability	<u>\$0.6M</u>
Accrual based budget	\$107.3M

Tax Rate Impacts



Estimated Residential Tax Rate



2024

$$.005612210 \times \$265,000^* = \mathbf{\$1,487}$$

2025

$$.005962024 \times \$265,000 = \mathbf{\$1,580}$$

Increase for the average home would be \$93

- Average home value represents MPAC Current Value Assessment (CVA) data
 - CVA is used for annual property tax billing calculations (not market values)
 - CVA represents valuation dates of January 1, 2016
 - MPAC assessment update has been postponed again (typically all properties updated on 4-year cycle). Property assessments for the 2025 property tax years will continue to be based on January 1, 2016 CVA.

* Median home value in Northumberland County per MPAC based on single family detached home.

The analysis above is based on preliminary assessment roll and 2024 existing tax policy which are subject to change.

Next Steps



December 18 – Review of information requested by council at the November 20 council meeting



December 18 - Consideration for Budget approval at regular Council meeting



Begin implementing immediately upon approval. Tax rates/ratios to be approved April/May

