

Joint Finance and Legal and Legislative Services Report FIN2024-07

To: Committee of the Whole Council
Date: September 24, 2024
Subject: 2025 Budget Development
Origin: Finance Department and Legal and Legislative Services Department

Recommendations

1. That Joint Finance and Legal and Legislative Services Report FIN2024-07, dated September 24, 2024, entitled “2025 Budget Development”, be received; and
2. That Council endorse the proposed timelines for the development and review of the 2025 Budget outlined in this report.

Purpose

This report provides an overview of the proposed 2025 Budget development process, which has been impacted by the Strong Mayor Powers granted by the Province through the Strong Mayors, Building Homes Act, 2022. This report also highlights some key considerations and pressures associated with the 2025 Budget.

Background

Annual budgets assign resources required to complete approved objectives

Development of annual business plans and budgets is a comprehensive process that takes place over several months. The 2024 business plan and budget cycle introduced a revised process where the business plan objectives were discussed and endorsed in principle by Council prior to tabling the budget.

Each year has its unique set of issues and factors that impact the business plan and budget. Approval of the budget authorizes the use of resources to achieve objectives identified through the business plan.

Strong Mayor Legislation will change the annual budget approval process

Historically, the budget process would start with staff preparing a draft budget and presenting the draft budget to Council, usually in the fall prior to the applicable budget year. Budget Committee, consisting of all members of Council, would hold a series of meetings to review and make changes to the budget submission, and make recommendations for Council approval. It was the responsibility of Council to approve the annual budget. Budget approval was typically received before the start of the budget year.

On October 31, 2023, the province granted Strong Mayor powers under Part VI.1 (Special Powers and Duties of the Head of Council) of the *Municipal Act, 2001* (the “Act”) to the Town’s head of council. These powers change how the budget is tabled and approved.

Section 284.16 of the *Act* requires a head of council granted the Strong Mayor powers to prepare a proposed budget and provide it to council for council’s consideration in accordance with the regulations. Under section 284.3 of the *Act*, the head of council can direct staff to take certain actions, such as to direct staff to prepare the proposed budget. Section 7 of O. Reg. 530/22 set out rules regarding the new budget process, which includes an amendment period, veto period, and override period. Below are the key highlights.

- By February 1 of each year the head of council shall prepare a proposed budget, provide it to each member of council and the clerk, and make it available to the public. If the head of council does not propose the budget to council by February 1, then council is required to prepare and adopt the budget.
- Within 30 days after receiving the proposed budget from the head of council, council may pass a resolution making an amendment to the proposed budget. Council may pass a resolution to shorten this 30-day period. If council does not make any amendments within the amendment period, then the proposed budget is deemed adopted.
- Within 10 days after the expiry of the amendment period, the head of council can veto a council amendment by providing on the day of the veto to each member of council and the clerk a written veto document that includes the veto and the reasons for the veto. The head of council can issue a mayoral decision shortening the 10-day veto period. If the head of council vetoes a council amendment, the amendment is deemed not to have been passed. If the head of council does not veto a council amendment, the proposed budget is deemed adopted.

- Within 15 days after the expiry of the veto period, council may override a head of council’s veto if two-thirds of the members of council vote to override the veto. Council may pass a resolution to shorten the 15-day override period. If council overrides the veto, the council amendment is deemed to be passed.

After the process for amendments, veto and override is over, the budget is deemed adopted.

Analysis

Proposed 2025 Budget timelines are similar to past budgets with adjustments due to new legislation

Staff have proposed a revised budget process to align with the new Strong Mayor powers legislation. The proposed 2025 Budget development process is similar to previous years but is adjusted to reflect how the budget is tabled and approved due to Strong Mayor powers granted to the Town under the Municipal Act. The new process incorporates the Mayor’s responsibility to propose and adopt the budget, with Council having the ability to amend the proposed budget. Timelines have been adjusted to align new legislative requirements with the existing Council meeting schedule. The following table outlines the key steps in the budget process and the proposed timelines associated with the revised process.

Proposed 2025 Budget Timelines

Date	Event
July 2, 2024	Start of Budget Process
September 4, 2024	Business Plan objectives approved in principle by Committee of the Whole
September 24, 2024	Budget Development Report presented to Committee of the Whole Mayor directs staff to prepare the budget
October 22, 2024	Preliminary Budget Preview presentation to Council
October 30, 2024	Budget Preview Binder distributed (pre-release)
November 4, 2024	Mayor officially tables Budget – Operating/Fee/Rate/Capital

November 6-13, 2024	Individual Councillor meetings with Finance staff
November 18, 20, 27, 2024	Budget Deliberations with Budget Committee Committee proposes amendments to the budget
December 3, 2024 (30 days after budget is tabled)	Council Meeting to endorse any proposed amendments. If no amendments, budget is deemed adopted
December 10, 2024 (timeline changed from 10 to 7 days)	Deadline for Mayor to veto amendments, otherwise amendments are deemed adopted
December 17, 2024 (timeline changed from 15 to 7 days)	Deadline for Council to override veto, requires 2/3 of Council to agree to override veto Budget is deemed adopted

The proposed process provides the same opportunities for Council and the public to review and provide comments/input into the budget. It also maintains similar budget timelines to previous budget cycles.

The approach to developing the budget focuses on six guiding principles

For the past several years, staff have set the following guiding principles when developing proposed budgets:

- Maintaining existing (base) programs and services provided to residents with tax levy increases aligned with inflation
- Providing for growth-related service pressures
- Providing for service level increases with dedicated multi-year funding plans (e.g., community safety, Health and Active Living Plaza)
- Priority focus on continuous improvement, optimizing efficiency and effectiveness
- Enhancing strategic funding plans for asset management (replacement and renewal)
- Providing for Cost of Living Allowances (COLA) and collective agreement obligations

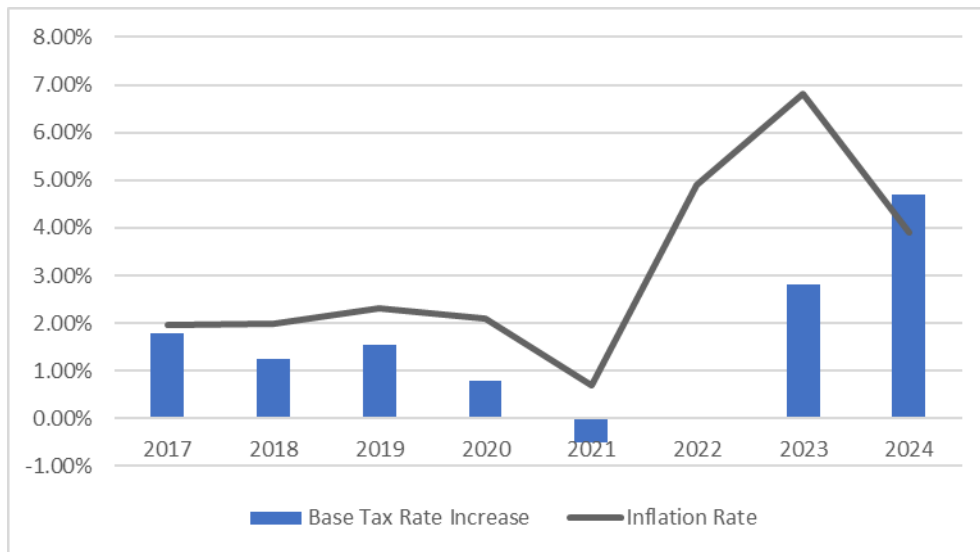
Staff have met with the Mayor regarding the 2025 Budget process and have confirmed the above noted guiding principles to assist in preparing the draft 2025 Budget. The

2025 Budget submission will focus on achieving these guiding principles, while maintaining the Town’s position of having the lowest relative taxes in York Region.

Tax levy increases have been aligned with inflation for several years

The following graph shows that the approved annual tax levy increases on existing/base programs and services have been aligned with or lower than inflation from 2017 to 2024.

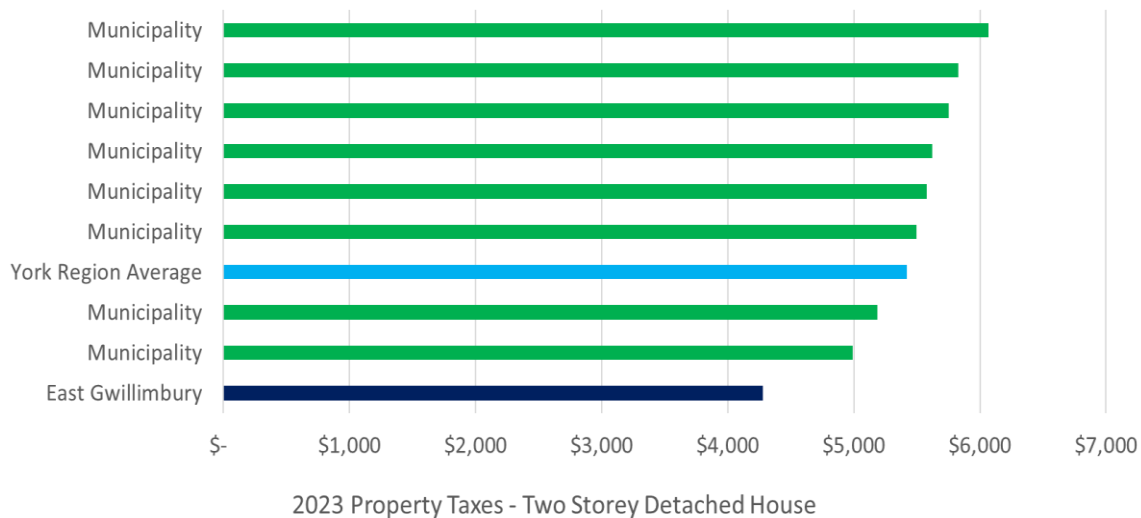
Inflation vs. Base Program Tax Levy Increases



The Town has the lowest relative taxes for a typical two storey dwelling in York Region

Based on a study undertaken by BMA Management Consulting Inc. on behalf of Ontario municipalities, East Gwillimbury has had the lowest relative taxes in York Region for the past several years for a typical two storey detached dwelling. Annual taxes on a typical two storey dwelling in East Gwillimbury are approximately \$700 lower than the next lowest York Region municipality, and \$1,140 lower than the average in York Region. The following graph shows the annual relative taxes paid in each municipality in 2023.

Relative Taxes in York Region



Source: BMA Municipal Study, 2023

Expected budget pressures for 2025 budget cycle

Health and Active Living Plaza:

Council approved construction of the Health and Active Living Plaza on September 7, 2022. Construction is well underway, with the facility scheduled to be completed in mid-2025. As presented to Council in 2023, the net annual cost to operate the facility was estimated at \$1.7 million. An updated review estimates net operating costs to total approximately \$2.1 million per year. Through a multi-year funding strategy consisting of dedicated annual tax levy increases, \$1.4 million in annual funding has been allocated towards the operating costs of the facility. To ensure funding is available to operate the facility when it is completed, approximately \$0.7 million in additional annual tax levy funding is required.

Asset Management:

The Council-approved 2024 Asset Management Plan identified an average annual gap between required expenditures and available funding to rehabilitate and replace the Town’s existing capital assets of approximately \$10 million a year over a ten year period. There are approximately \$16 million in approved bridge and road rehabilitation projects, with close to \$7 million of these costs being funded from asset management reserves.

As required by provincial legislation, the Town is in the process of completing a 2025 Asset Management Plan that must include a financial strategy to fund asset replacement needs. A financial strategy to address this funding gap will be developed to

meet the legislated July 1, 2025 deadline. However, it is clear that there is a need to increase contributions to asset management reserves to ensure sufficient long-term funding is available to pay for the rehabilitation and replacement of the Town's assets. The 2024 budget included a dedicated 1% tax levy increase for asset management needs.

Inflation:

Inflation has a significant impact on the cost of Town programs and services. Aligning tax levy increases on base programs and services with inflation has been a main budget development goal for the past several years.

From December 2023 to June 2024, Ontario inflation has ranged from 2.4% to 3.4%. Ontario inflation for July 2024 was 2.7%.

Assessment Growth:

Tax levy generated from assessment growth is used primarily to fund operating costs incurred to service the increased population in the Town. Assessment growth has averaged between 3% to 6% over the past five years. It is anticipated that assessment growth in 2024 will be very modest due to the slowdown in new construction experienced in the last year. This means that there will be a limited amount of revenue available to fund new growth-related activities in 2025.

Staffing:

The majority of programs and services the Town provides are delivered by Town staff. As a result, salaries and benefits represent approximately two-thirds of the Town's operating budget. New staffing requests are being proposed to address pressures on current service levels, meet legislative requirements, provide services to new residents and businesses, and to enhance service levels. New staff are required to provide services in the Health and Active Living Plaza when it becomes operational in mid 2025. As well, continuation of a multi-year funding plan dedicated to increase Fire and Emergency Services staffing is also being considered.

Financial Implications

Net budget pressures are projected in three major categories

Based on a review of preliminary departmental budget submissions, the following chart summarizes the areas of anticipated cost pressures for the proposed 2025 Budget and associated funding sources to offset these pressures.

Cost Pressure Category	Funding Source
Base Programs & Services <ul style="list-style-type: none"> • Inflation • Legislative Requirements • Staffing 	Tax Levy/Other Revenue Increase, Cost Reductions
Growth-related <ul style="list-style-type: none"> • Costs to service increased population/employment 	Costs offset by assessment growth
Service Level Enhancements <ul style="list-style-type: none"> • Asset management • Health and Active Living Plaza (staffing, operating costs) • Fire and Emergency Services (staffing) • Additional Council/Community priorities 	Tax Levy/Other Revenue Increase

The draft 2025 Budget will quantify the net budget pressures and associated funding requirements identified above.

Need For Public Consultation

Public input is encouraged throughout the budget process

The Town will provide several opportunities for the public to provide input into the 2025 Budget. An online survey is available for public input. Participation will be encouraged through social media and through advertisements placed by the Town. Finance staff also attended the Farmers’ Market to solicit feedback directly with residents. The public will also have an opportunity to provide comments during the budget review sessions.

Alignment to Strategic Plan

Quality Programs and Service

Responsible Growth

Environmental Stewardship

Build Complete Communities

Culture of Municipal Excellence

The five priorities identified in the Town’s 2022-2026 Strategic Plan, noted above, guide which programs, services and other activities the Town will deliver. The annual business plan outlines activities that align with the five Strategic Plan priorities. The annual

budget allocates the resources needed to deliver the activities identified in the annual business plan.

Conclusion

The Town must make some adjustments to the annual budget process due to being granted Strong Mayor powers. It is recommended that Council endorse the proposed 2025 Budget process outlined in this report.

Appendices

None

Approval

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