

Staff Report

Presented By: Jim Bundschuh, Director, Corporate Services

Meeting Date: December 11, 2023

Subject: 2024 Budget and Business Plan

Attachment(s):
Schedule A - 2024 Business Plan
Schedule B - 2024 Reserves
Schedule C1 - Low Service Priorities Not Included in Plan – Capital
Schedule C2 - Low Service Priorities Not Included in Plan – Operating
Schedule D - Residential Property Tax Impact
Schedule E - Property Tax Rates by Assessment Class

Recommendation

That Council approve the 2024 Town of Saugeen Shores Business Plan to include:

1. The 2024 Operating Budget with net operating income of \$10,145,756;
2. The 2024 Capital expenses of \$61,920,825 (net of revenue);
3. The 2024 use of reserves of \$13,774,296; and
4. The 2024 proceeds from debt of \$38,000,773; and further

That Council approve the Town of Saugeen Shores Tax Levy for 2024 be set to \$23,295,469;

That Council establish a rate-based Future Capital Special Levy of \$496,322;

That Council approve the BIA levies for 2024, set at \$33,000 for the Port Elgin BIA and \$57,500 for the Southampton BIA; and,

That Council pass the Tax Levy By-law establishing the 2024 Tax Rates at the January 8, 2024 Council meeting.

Report Summary

This report provides details on the Municipal 2024 Business Plan and Budget, based on the outlined assumptions as deliberated with Council on November 22 and 29, 2023. A Town of Saugeen Shores 2024 Tax Levy set at \$23,295,469 will result in an estimated combined blended tax rate increase of 4.99%. This represents a \$207 increase to the average household assessed at \$314,000. The lower-tier municipal portion of the increase to the average household is \$116, and the lower-tier municipal rate increase is 5.30%. A new rate-based

Future Capital Special Levy representing \$49 to the average household in 2024 is being introduced to support the Town's 10-year Capital Plan.

Background/Analysis

The 2024 Business Plan is focused on improving services to our residents such as detailing a transition plan to successfully launch the new Aquatics and Wellness Centre in 2025 and increasing our investment in the Town's water and wastewater system to increase capacity while preserving its integrity. In addition, the Plan focuses on a suite of environmental initiatives, including an Urban Tree Canopy Plan, implementing park masterplans, and the expansion of the successful FoodCycler program.

The 2024 Business Plan, for the first time, is based on the 10-year Asset Management Plan (AMP). The AMP is a legislative requirement from the province and details core assets (i.e. roads, bridges, water, wastewater, etc.). By July 2024, the Town is required to complete the AMP for non-core infrastructure (i.e. facilities, parks, and recreational assets) which will continue to improve the accuracy of the Town's forecasts.

This year's Business Plan has begun the process of developing a long-term plan for operating, reserves, and debt that will be completed next year for the 2025 Plan. Understanding the long-term implications of a decision, combined with understanding the long-term needs and challenges facing the Town, better enables Council to prioritize needs delivered through this comprehensive plan.

During the November 29, 2023 Business Plan Meeting, Council gave direction to staff to inform the final budget resulting in a tax increase of 5.30%. The Town increase combined with estimated education rates and estimated County rates results in a 4.99% blended tax rate. The Province of Ontario has not provided guidance on 2024 Education tax rates, but in the last number of years, the rate has remained unchanged. The County of Bruce has presented their budget with a tax rate of 6.16%. If the Education tax rate or the County's final tax rate differs substantially from the currently provided values, the 2024 proposed levy of \$23,295,469 may represent a blended tax rate different from 4.99%.

A new Future Capital Special Levy is being introduced to fund the \$310,683,812 to be invested in the 2024-2032 Asset Management Plan to address the infrastructure needs of the community. A rate-based special levy will begin with a measured approach in 2024 at \$496,322 and will increase by that amount annually through 2032. By 2032 the rate-based special levy will stabilize at approximately \$4.5 million annually.

Deliberations on November 22 and 29, 2023 resulted in the following changes:

1. Council determined which items in the draft plan were higher service priorities that needed to be included in the final plan. Attached in Schedules 'C1' and 'C2' is a summary of the items removed from the Business Plan and Budget.
2. Additionally, Council directed staff to make use of the 2023 surplus to fund one-time projects.
3. Based on Council direction, Fees and Charges increases were adjusted to range from 3.5%-5.0%. The 2024 Fees and Charges are included in the Council agenda for Council approval prior to January 1, 2024.
4. Lastly, a request for proposal closed in the last week for the Town's insurance rates which lowered the budget.

The changes incorporated into the final Business Plan result in a budget that delivers on the service needs of our community while ensuring that tax rates remain affordable. The use of reserves allows the measured Future Capital Special Levy to grow to the required funding level by 2032. The use of reserves in 2024 (see Schedule B: 2024 Reserves) is summarized as follows:

Starting Budgeted Reserve Balances	\$46,932,201
Capital Expense Net of Revenue and Debt	\$23,920,052
Less Operating Net Income	\$10,145,756
Reduction in reserves	\$13,774,296
Closing Budgeted Reserve Balances	\$33,157,904

Note that the attached reserve schedule, showing a number of reserves to be closed at the end of 2023, is consistent with the Reserve Policy report presented on October 23, 2023. A 2023 Reserve Activity report will be presented to Council in 2024 as part of the year-end process in which the actual list of reserves to be closed will be finalized.

The significant capital commitment will require debt funding as follows:

- AWC of \$42 million of debt (\$24,400,773 in 2024);
- Large 2028 projects (Fire Hall, Operations Centralization, Southampton Town Hall and Library, Lamont Sports Par Phase 3) requiring \$10-28 million of debt;
- Water, wastewater, and landfill of over \$60 million of debt (\$13,600,000 in 2024) which would need to be funded by rate increases (may change pending results of studies); and
- Other debt of \$10-20 million in 2026-27 to support the nine years of measured increases in the Special Levy.

Annual loan payments will hit a high of \$13 million based on a 5% interest rate to support total debt compared to our Annual Repayment Limit (ARL) of \$16 million. The debt plan needs to be evaluated project by project on an annual basis to make sure debt is scaling appropriately with revenues.

Linkages

- Corporate Strategic Plan Priority #1: Facilitate Appropriate Growth in our Communities

Financial Impacts/Source of Funding

2024 Tax Levy of \$23,295,469 and a rate-based Future Capital Special Levy of \$496,322.

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