

2024 Operating Budget

Budget Review Committee of the Whole
December 7, 2023

2024 General Levy Operating Budget

Key Themes



2023 Results

2023 deficit along with incremental inflation pressures



Provincial Policy

Impacts of Bill 23
Development Charges exemptions and provincially subsidy not keeping pace



Asset Management Plan (AMP)

From AMP of 3.8% to strategy of 2.5% to recommended increase of 1.5%



Mitigations

\$5.7M included to reduce departmental year over year increase from 5.9% to 3.7% in line with inflation

2024 Consolidated General Levy Budget

What we're going to cover:

- Key Drivers
- Recommended Departmental Budget
- Risks and Opportunities
- Summary, Multi-year and Next Steps

Key Drivers - Budget Planning by-law

Guiding Principles

Sustainability

Funding to maintain service levels



Affordability

Consideration of taxpayer cost of services

Transparency

Key Drivers - Council Strategic Priorities

Effective Region

- driving towards a sustainable budget, mitigations from non-mandatory service delivery

Equitable Region

- affordable and attainable housing direct investments and DC grants, public health and mental health enhancements

Prosperous Region

- People Plan investments, development DC and tax increment incentives

Key Drivers - 2023 Forecast Budget Deficit



2023 departmental deficit of \$5 million impacts 2024 budget:

- Development charge grants and exemptions of \$6.4M on-going
- Inflation pressures in utilities, food and supplements in long term care facilities, employee health benefits, etc.
- Some pressures less visible in 2023 as they were largely offset by gapping from significant staff turnover

Key Drivers - Provincial Policy Impacts



- Provincial subsidy not keeping pace with inflation:
 - Public Health \$0.3M in 2023 to \$0.9 M in 2024 from the General Levy
 - However Mental Health reduced General Levy funding from \$0.5M in 2023 to \$0.1M in 2024
- Bill 23 imposed Development Charge (DC) exemptions, General Levy funding required to ensure DC reserves are available to pay for growth infrastructure
 - 2023 cost was \$7.9 million

Key Driver - Capital Financing

General Levy funds 48%, \$3.5B of Asset Management Plan

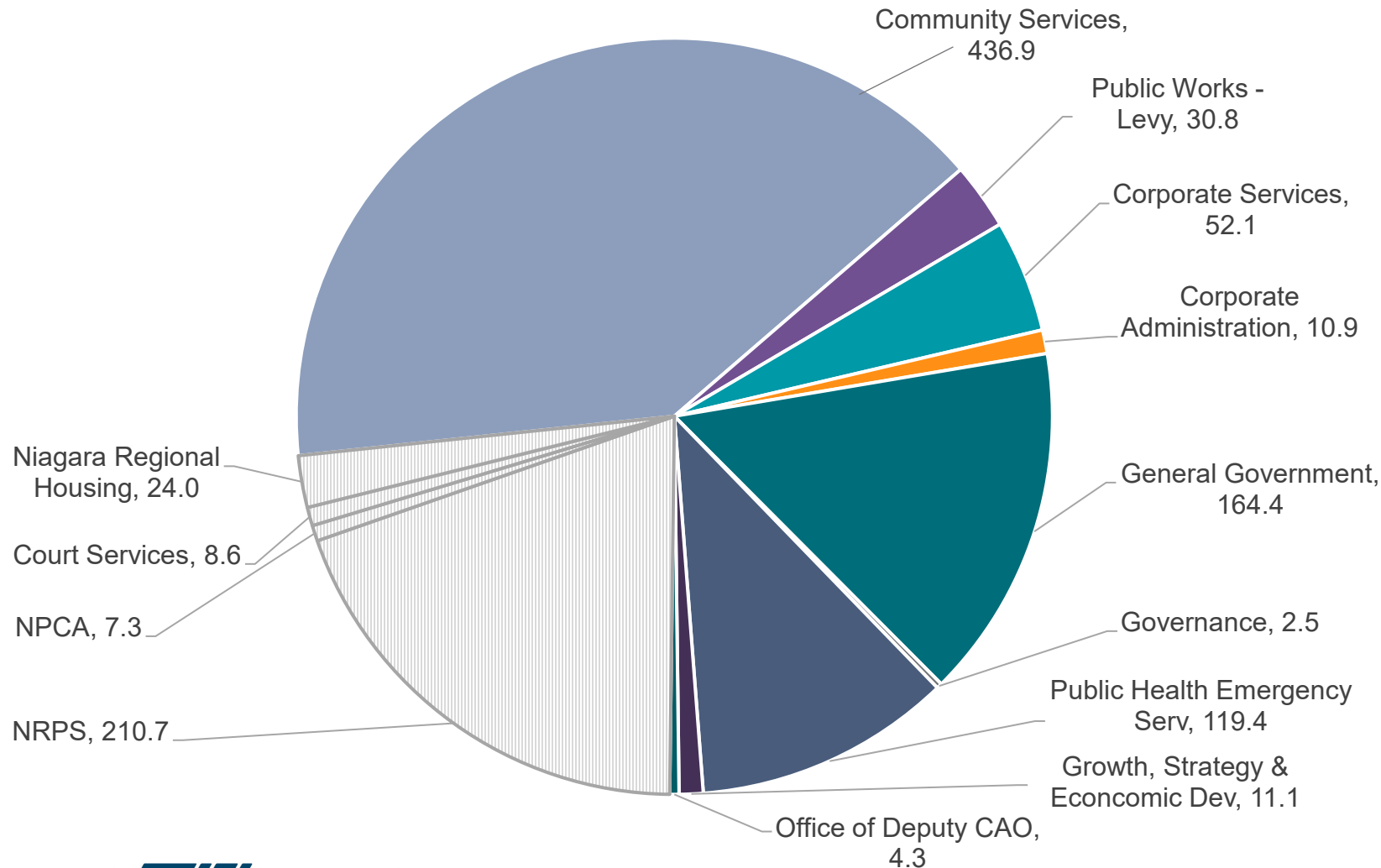


53% of assets in fair condition or better, 47% of assets in poor or very poor state

Description	Asset Management Plan	2024 Budget Strategy
2032 Target Annual Investment	\$269M	\$158M
Operating Budget Increase	3.8% increase for 10 years	2.5% increase for 10 years
2024 Capital increase in dollars	\$16.9M	\$11.1M

Key Drivers – Departmental Gross Expenses

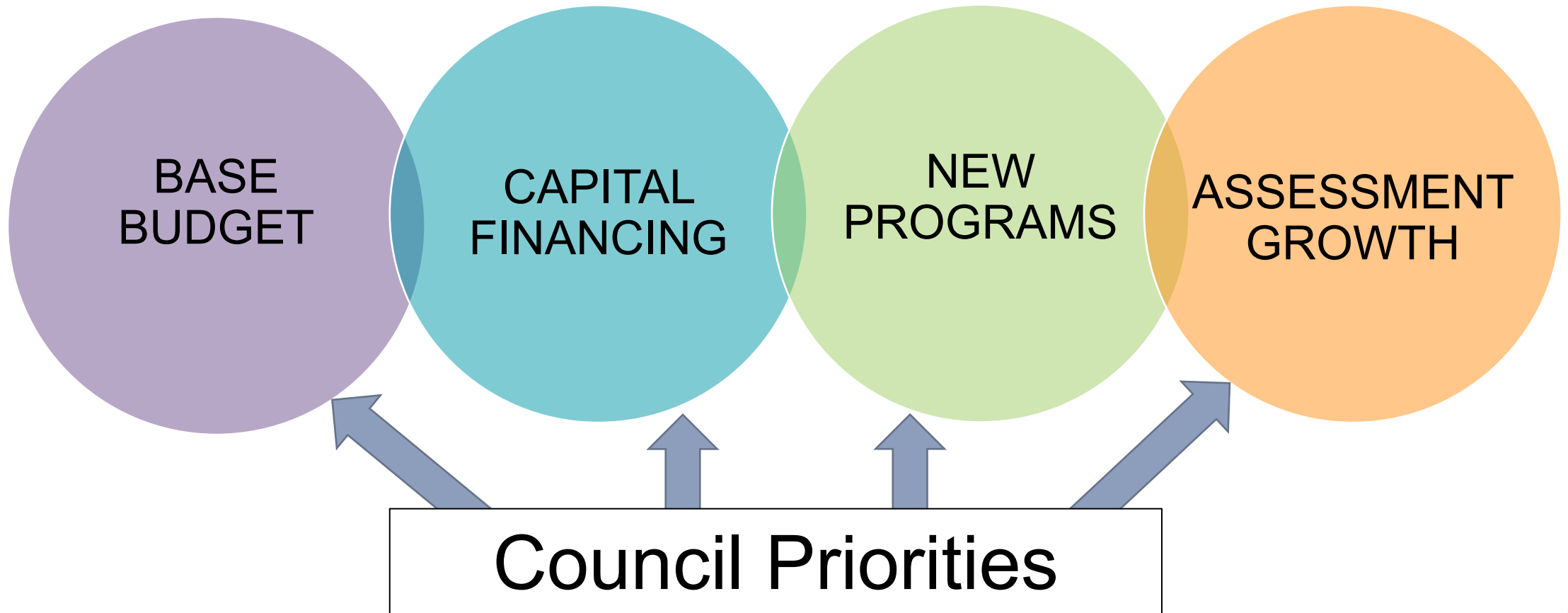
Gross Expenses of \$1.1B



Regional expenses are 77% of gross expenses however only 58% of General Levy

Key Drivers - Budget Planning By-law

Budget Categories



Recommended Departmental Budget

2024 General Levy Summary

Gross \$1.1B, Net \$484.7M

General Levy Operating Budget (in millions)	Recommended					Required	
	2023	2024	\$ year over year change	% year over year change	% of Consolidated Levy	% year over year change	% of Consolidated Levy
Departments	256.1	265.5	9.4	3.7%	2.1%	5.9%	3.4%
NRPS	177.9	190.5	12.6	7.1%	2.9%	7.1%	2.8%
NPCA	7.1	7.3	0.2	2.4%	0.1%	3.0%	0.1%
Courts	(0.1)	(0.1)	0.0	-22.0%	0.0%	-22.0%	0.0%
NRH	3.6	4.4	0.9	24.0%	0.2%	24.0%	0.2%
ABC Subtotal	188.4	202.1	13.7	7.3%	3.2%	7.3%	3.1%
2022 Tax Deferral					0.0%		0.4%
Bill 23 Impact		8.0	8.0		1.8%		2.2%
New Programs		1.4	1.4		0.3%		0.4%
Capital Financing		6.7	6.7		1.5%		2.5%
Growth Expenses		1.0	1.0		0.2%		0.2%
Assessment Growth					-1.7%		-1.5%
Consolidated Levy Budget	444.4	484.6	40.2		7.4%		10.7%

2024 General Levy Summary

Revised NRPS Budget

General Levy Operating Budget (in millions)	Recommended					Required	
	2023	2024	\$ year over year change	% year over year change	% of Consolidated Levy	% year over year change	% of Consolidated Levy
Departments	256.1	265.5	9.4	3.7%	2.1%	5.9%	3.4%
NRPS	177.9	188.5	10.6	6.0%	2.4%	7.1%	2.8%
NPCA	7.1	7.3	0.2	2.4%	0.1%	3.0%	0.1%
Courts	(0.1)	(0.1)	0.0	-22.0%	0.0%	-22.0%	0.0%
NRH	3.6	4.4	0.9	24.0%	0.2%	24.0%	0.2%
ABC Subtotal	188.4	200.1	11.7	6.2%	2.7%	7.3%	3.1%
2022 Tax Deferral		-	-		0.0%		0.4%
Bill 23 Impact	-	8.0	8.0		1.8%		2.2%
New Programs		1.4	1.4		0.3%		0.4%
Capital Financing		6.7	6.7		1.5%		2.5%
Growth Expenses		1.0	1.0		0.2%		0.2%
Assessment Growth		-	-		-1.7%		-1.5%
Consolidated Levy Budget	444.4	482.6	38.2		6.9%		10.7%

Departmental Budget

Summary of Key Drivers

	\$	%
2023 Net Budget	256.1	
Pressures: Labour Related	20.8	
Pressures: Contract Increases/Inflation	5.6	
Pressures: Develop Charge Incentives and Exemptions	4.0	
Expenditure Change Increase	30.4	
Other Net Revenue Increase	(3.6)	
Ministry Funding Revenue Increase	(11.7)	
2024 Net Budget Increase Required	15.1	
2024 Net Budget Required	271.2	5.9%
Mitigations Recommended	(5.7)	-2.2%
2024 Net Budget Recommended	265.5	3.7%
Mitigations Not Recommended	(2.0)	-0.8%



2024 Department Budget

Cost Pressures of \$15.1M or 5.9%

- Labour related costs of \$13.2M for current contracts, health benefits, OMERS due to eligibility changes, two extra working days (net of subsidy and one-time items totalling \$7.6M)
- Inflationary pressures of \$5.6M related to mandatory housing provider operating subsidy increases, software licensing, homelessness and long-term care operational costs, insurance premiums, utilities, contracted maintenance and hired equipment
- \$4.0M related to mandatory and discretionary development charge grants and exemptions for ancillary dwellings, agriculture and smart growth

2024 Department Budget

Cost Pressures of \$15.1M or 5.9% continued

- Program pressures have been partly offset by increased subsidy and revenues of \$4.7M however subsidy increases are not keeping pace with inflation
- Debt charge reduction of \$3.5M offsets long term care per diem reduction and increased borrowing costs for approved but unissued debt (net \$0 impact)
- Other reductions of \$3.2M from funding one extra working day from reserve, defer housing capital loan and grant program under review, operating cost efficiencies from one less long-term care facility and increased supplemental and payment-in-lieu tax revenue

2024 Department Budget

Mitigations of \$5.7M

- Departmental mitigations of \$4.1M and Corporate mitigations totalling \$1.6M have been incorporated in the recommended budget, reducing the departmental pressure from \$15.1M (5.9%) to \$9.4M (3.7%)
- Departmental Mitigations include:
 - Reduction of \$4.0M increase required in DC incentives and exemptions to \$2.2M; a reduction of \$1.8M
 - \$2.3M in reductions across all departments as per Appendix 2

2024 Department Budget

Mitigations of \$5.7M

Labour related cost mitigations include:

- \$0.9M gapping increase from 1% of salary budgets to 40% of historical trends
- \$0.7M change to general compensation assumptions
- \$0.4M departmental mitigations

Labour Related Cost Categories (in millions)	2023 Budget	2024 Budget	\$ Increase from 2023	% Increase from 2023
Labour Pressure	239.9	247.7	7.8	3.2%
Benefits Pressure	63.8	67.7	3.9	6.1%
Fully Subsidized Program Increase	0.0	7.0	7.0	n/a
One Time	1.3	0.6	-0.7	-55.7%
Gapping	-1.3	-2.2	-0.9	73.1%
Departmental Mitigations	0	-0.4	-0.4	n/a
Two Extra Days	0	2.1	2.1	n/a
Total Labour Related Costs	303.7	322.5	18.8	6.2%

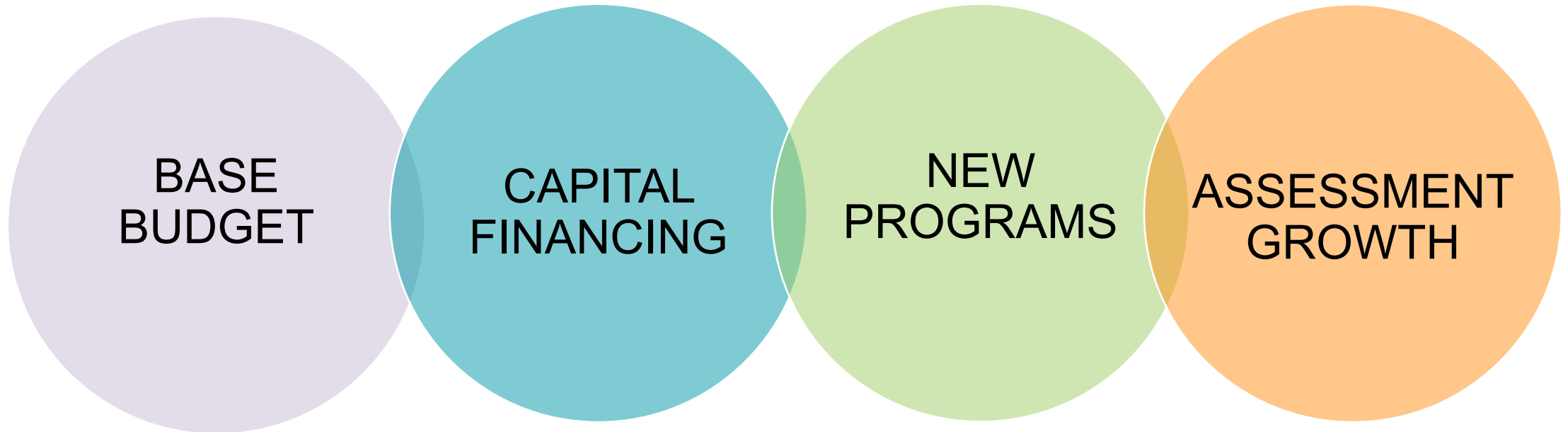
2022 Tax Deferral

Deferred to 2025, \$0 budget pressure

- 2022 Budget used \$6M of Reserves to defer the General Levy Tax increase
- 2023 Budget used \$4M from Reserves to defer 2022 General Levy Tax Increase
- 2024 Budget Strategy to reduce Reserves to \$2M
- 2024 Budget continues \$4M from Reserve
- Defer the 2022 General Levy Tax Increase to 2025/2026

Key Drivers - Budget Planning By-law

Budget Categories



Capital Financing

Incremental \$6.7M (1.5%)

Description	Asset Management Plan	2024 Budget Strategy	2024 Budget
2032 Target Annual Investment	\$269M	\$158M	\$158M
Operating Budget Increase	3.8% for 10 years	2.5% for 10 years	1.5% in 2024
2024 Capital increase in dollars	\$16.9M	\$11.1M	\$6.7M

Reduction of \$4.4M requires 11 projects to be deferred
Cumulative \$40M loss in comparison to 10-year strategy

New Program - Bill 23

Incremental \$8M (1.8%)

In millions	2023 Budget	2024 Budget
Phase In Discount	13.0	7.6
Rental Discount	4.5	1.0
Total Gross Expenditures	17.5	8.6
Taxpayer Relief Reserve Funding	(17.5)	(0.6)
Net Levy Impact	-	8.0

Sustainable funding for Provincial Policy

New Programs

Incremental \$1.4M (0.3%)

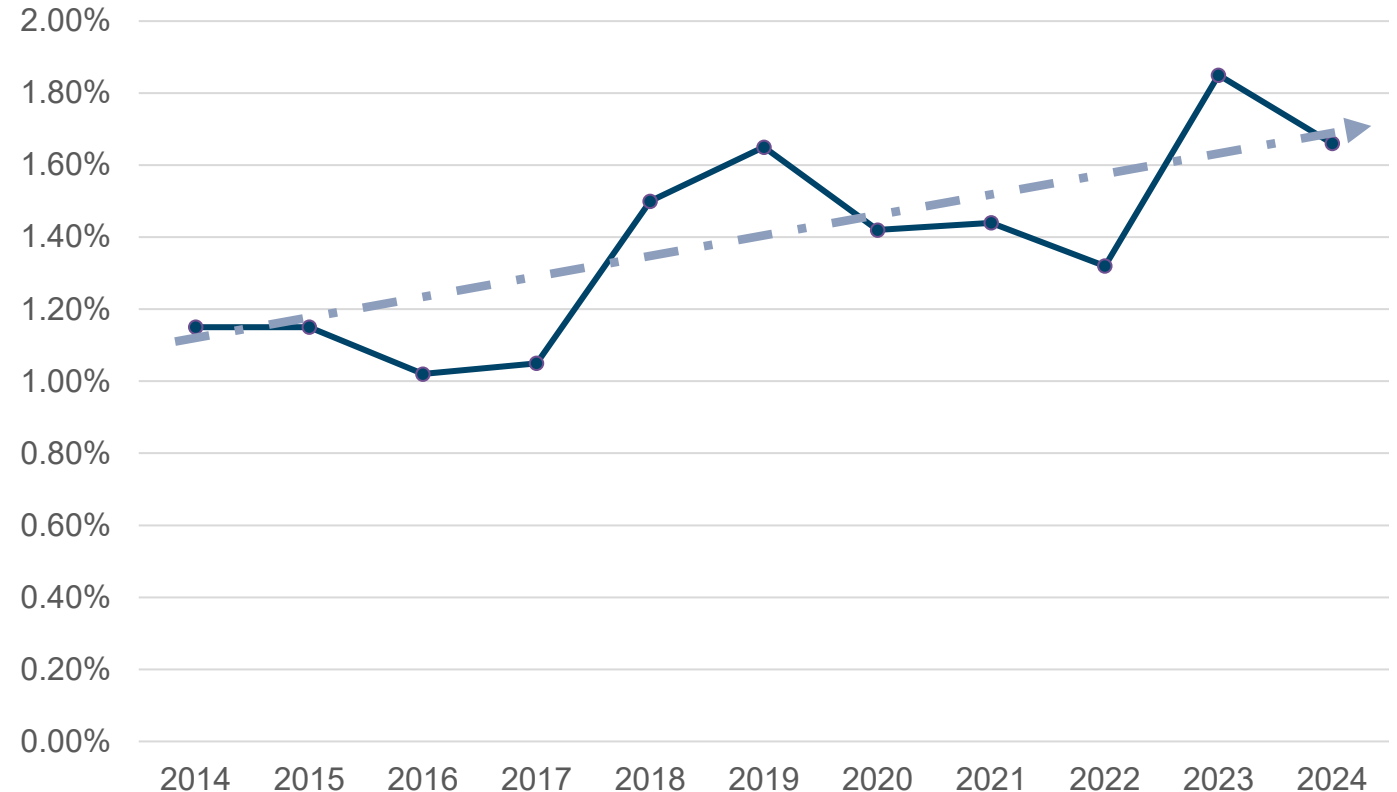
New Programs recommended supporting Council Priorities:

- \$0.1M Mental Health psychiatric consultation incorporated into Case Management Services
- \$0.2M People Plan implementation costs
- \$1.0M Housing Provider subsidy

Assessment Growth

10-year history

- Additional revenue from new properties constructed in the Region
- For 2024, 1.66% equates to revenue of \$7.4M



Assessment Growth

\$7.4M equivalent to 1.7% on the Consolidated General Levy

Description	\$	% of the Levy
2024 Assessment Growth	\$7.4M	1.66%
Operating Costs of Capital	(\$0.5M)	(0.11%)
Tax Increment Grants	(\$0.5M)	(0.12%)
Remaining Available to Offset Council & Capital Priorities	\$6.3M	1.43%

1.43% to mitigate costs of growth, capital and council priorities

Department Staffing

Permanent and Temporary Staff

Description	Perm FTE	Temp FTE
2023 Adjusted Budget	2,722.7	310.3
New FTE (net cost of zero)	80.1	34.8
Temp to Perm (net cost to zero)	5.0	(5.0)
Temps Expiring	0.0	(15.5)
COVID-19 Temps Expiring	0.0	(178.9)
Mitigations	(4.1)	0.0
2024 Budget	2,803.7	145.7

see CSD 54-2023 Appendix 6

- Increase of 81 in Perm FTE:
 - 80.1 funded positions
- Temporary resources decreasing primarily due to COVID-19 no longer required

One Time Items

In accordance with Policy, Taxpayer Relief Reserve may fund items that will not continue in the base budget

- \$0.7M consulting and temporary staff resources per Appendix 3
- \$1.1M one extra working day
- \$2.4M homelessness services to be funded with Homelessness Prevention Program (HPP) in future
 - Plus up to additional \$1.7M net to be reported to Council

Taxpayer Relief Reserve

Forecast Inclusive of Budget Items

Taxpayer Relief Reserve (in thousands)	2023 Forecast	2024 Budget	2025 Multi-year	2026 Multi-year
Taxpayer Relief Reserve: Opening Balance	47,345	25,597	15,183	13,278
Forecasted Year End Deficit inclusive of ABC's	(2,914)			
Extra Working Day		(1,053)		
2022 Tax Deferral	(4,000)	(4,000)	(2,000)	
Economic Incentives (Bill 23)	(8,565)	(600)		
One Time	(915)	(721)		
COVID-19	(5,355)			
Homelessness (One Time)		(4,132)		
Other	0	93	95	96
Taxpayer Relief Reserve: Closing Balance	25,597	15,183	13,278	13,374

- Target Balance is \$70.7M to \$106.1M
- Annual Contribution of \$850K was removed in 2023 Budget

Risks and Opportunities



Labour Related Costs

Estimates made for 3 of 6 collective agreements outstanding and gapping savings



Inflation

Volatility could increase or decrease estimates



Provincial Policy

Bill 23 cost based on actual development; unknowns remaining around attainable housing - possible future allocation of costs to WWW and Special Levies



Asset Management Plan (AMP)

Decrease may impact long-term capital and repairs and maintenance



Sustainability

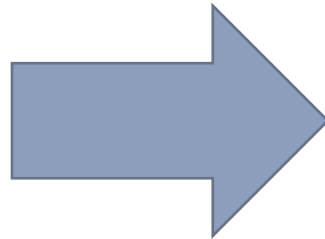
2022 Tax Deferral still at \$4M will impact future years

General Levy Summary

Departmental Budget Impact

Total Household Increase of \$80.50/year

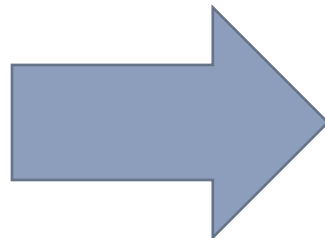
Regional services
increasing \$9.4M



\$38.90/year

For every 298,000 of
household assessment

Bill 23, Capital
Financing, New
Programs \$17.1M



\$41.60/year

(Net of assessment growth)
For every 298,000 of
household assessment

2024 Consolidated General Levy

Average Household Assessed at 298,000 Annual Taxes of \$1,988

General Levy Operating Budget (in millions)	2023	2024	\$ year over year change	% year over year change	% of Consolidated Levy	Incremental Cost per Household
Departments	256.1	265.5	9.4	3.7%	2.1%	\$38.9
NRPS	177.9	188.5	10.6	6.0%	2.4%	\$44.0
NPCA	7.1	7.3	0.2	2.4%	0.1%	\$0.9
Courts	(0.1)	(0.1)	0.0	-22.0%	0.0%	\$0.1
NRH	3.6	4.4	0.9	24.0%	0.2%	\$3.5
ABC Subtotal	188.4	200.1	11.7	6.2%	2.7%	\$48.5
2022 Tax Deferral		-	-		0.0%	\$0.0
Bill 23 Impact	-	8.0	8.0		1.8%	\$33.0
New Programs		1.4	1.4		0.3%	\$5.6
Capital Financing		6.7	6.7		1.5%	\$27.5
Growth Expenses		1.0	1.0		0.2%	\$4.3
Assessment Growth		-	-		-1.7%	(\$28.8)
Consolidated Levy Budget	444.4	482.6	38.2		6.9%	\$129.0

Departments and ABC increases total **4.8%** increase
 Bill 23 Impact of 1.8% , Capital Financing of 1.5% and New Programs of 0.3% total **3.6%** increase.
 After benefit of assessment growth of **1.5%** net increase is 6.9%

Multi-Year Outlook

- Looking at opportunities to do business differently, shared services, revenue opportunities, facilities rationalization etc.
- Current estimates:
 - 2025 increase of 6.5%, 2026 increase of 5.8%
 - Based on current rates of inflation and known pressures
 - Continuation of Budget Strategy for capital financing and 2022 tax deferral
- Financial opportunity for 2025 and beyond to provide opportunities to analyze and execute

Next Steps

- December 14, 2023
 - General Levy By-law Approval
 - Capital Budget By-law Approval (BRC-C 30-2023)
- March/April 2024 – Tax Policy decisions
- April 2024 – Approval of General Levy Tax Rate



Questions?

