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Date	November 15, 2023
To	Finance Committee – November 15, 2023
From	Heather Sachs, Director of Financial Services/Treasurer
Report No.	FIN 27-23
Report Title	Operating Budget 2024 - Update

Recommendation

That Report FIN 27-23 respecting the 2024 Operating Budget - Update, be received as information; and,

That Council direct staff to present the final version of the 2024 Operating Budget for review and adoption at a future meeting of council.

Executive Summary

Section 290 (1) of the Municipal Act, 2001 requires that each year local municipalities prepare and adopt estimates for the purposes of the municipality including amounts sufficient to pay all debts falling due within the year, and amounts required for any board, commission, or other body. Preparing and adopting annual budget estimates determines Aylmer's revenue requirements that will need to be collected through taxation and user rates. The updated Water and Wastewater Rates for 2024 will come before Council through by-law at the next meeting.

Town of Aylmer Council has approved the final capital budget on November 1st which is a good first step to allow for the tendering process to commence. A report outlining some of the budget pressures that the Town will be facing was presented to Council at the August 9th, 2023 meeting at which time the operational budget estimates anticipated a 10.81% tax levy increase in 2024.

Since the original budget that included several assumptions was presented, many areas of the operational budget have been refined and the Town has benefited from announcements to clarify areas of uncertainty.

Background

As previously mentioned, the intent for the 2024 operating budget is to maintain affordability for residents during this uncertain time with rising interest rates. Staff are not suggesting that Council address the substantial capital infrastructure gap apparent in this current operating budget year with the pressures encountered by residents such as cost of groceries, gas, and essentials. With Council's support, we will wait for the growth in assessment to come through before suggesting an increase in contribution to reserves as this is not the year to address the historical gap.

OMPF funding was announced for the Town for 2024 which increased just over 26.5k from 2023. With the analysis of the grants and donations for community groups, Council also made the tough decision to reduce the contributions for these programs by \$7,900 for 2024. This has also been reflected in the operating budget to this point.

While EI premiums increased from 1.63% to 1.66% in 2024, the maximum insurable earnings will increase from 61,500 in 2023 to 63,200 in 2024. The CPP contribution rate is set to stay the same at 5.95%, however, there is a second ceiling adding an additional amount to the CPP expense for 2024 to a maximum of \$188 per employee over the threshold. The maximum pensionable earnings will increase to \$68,500 from \$66,600 in 2023. The maximum insurable earnings for WSIB will be \$112,500, up from \$110,000 in 2023 but the WSIB rate is forecasted lower as expected due to the efficiencies that have been recently announced by the province. The estimates provided by our insurance provider matched our assumptions for 2024 so there are no significant changes from what was communicated prior. All the changes in these rates have helped contribute to forecast a tax levy impact of 7.32% at this point.

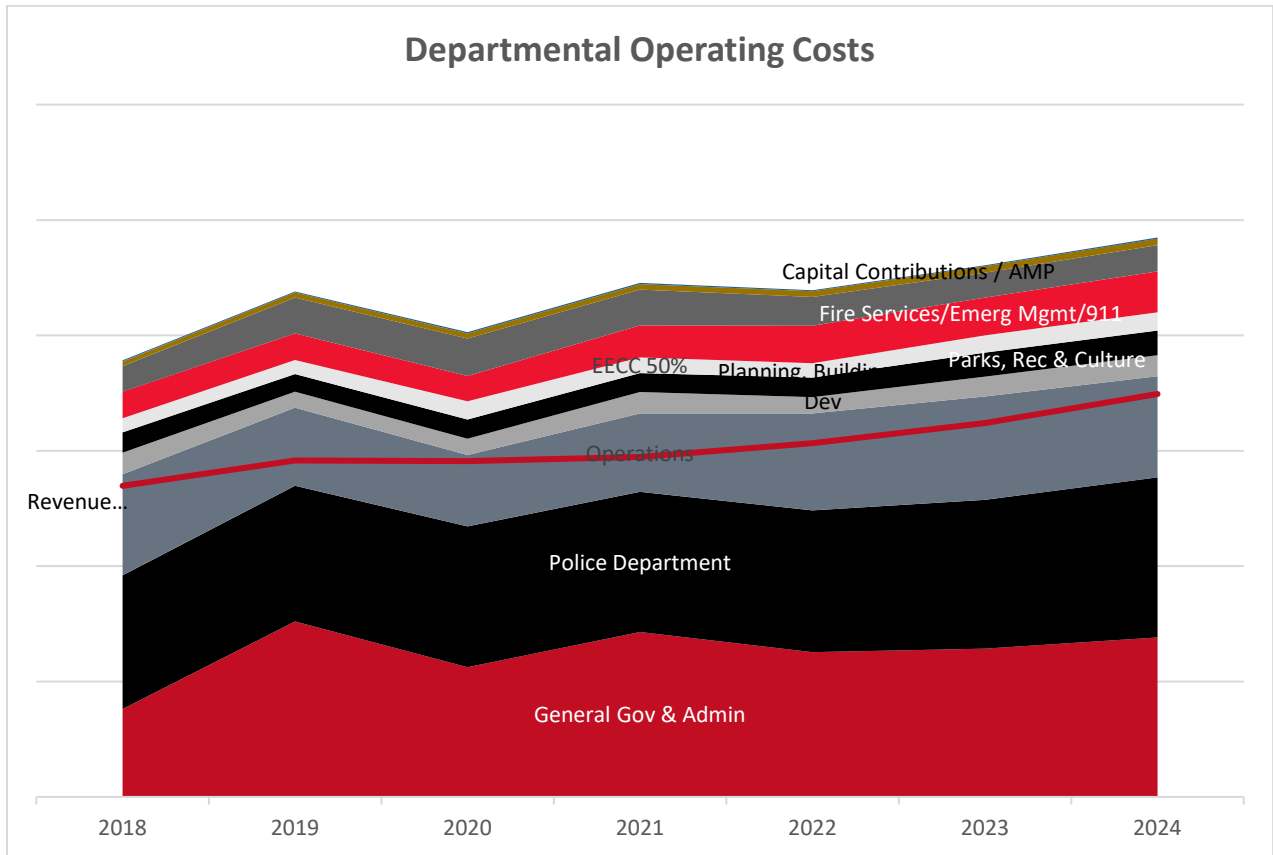
Through various follow-up conversations with MPAC to evaluate new properties and through the closure of several building permits since August, the growth accounts for a reduction of approximately 2.76% when converted to a tax rate increase.

With the current assessment data, a residential tax rate appears to be hovering around an increase of approximately 4.6%. Attached are the Preliminary 2024 Operating budget files as an update for Council consideration. Pending finalization of the MPAC assessment for 2024, the final rates will be presented for Council consideration and approval in December.

Analysis

The current tax levy impact as a starting point for 2024, prior to any adjustments or increases, was approximately 3%. When adding estimated increases related to insurance costs due to claims, decreased revenues from the sale of property, contractual salary increases of 1.5% for 2024, increased costs in contractual labour, increased costs from inflationary pressures in materials and repairs and maintenance on an aging fleet of vehicles, and considerations from the budget survey, the overall tax levy impact appears to be approximately 7.32%. The wage review completed over the past few years has shown that the town was behind in wage updates when compared to the market which has also been corrected in this preliminary 2024 operating budget file.

Departmental Operating Costs



The majority of the changes overall are related to salary and contracted services. Any contracted service reductions have come from being able to complete more of the services with inhouse expertise. The departments that had minimal changes related to anything other than salary include Government and Administrative, Planning and Development, Protection Services, Police Services, and Water and Wastewater.



**TOWN OF AYLMER
Summary of All Units**

	Current Year	Future	Future	Future
	Budget 2023	Budget 2024	Roll 2023 to 2024 increase/(decrease)	Roll 2023 to 2024 increase/(decrease)
	YTD	YTD	YTD	%
General Fund Expenditures				
Total Salaries, Wages & Benefits	6,691,588.13	7,215,756.53	524,168.40	7.83%
Total Admin, Materials and Supplies	4,895,951.35	5,070,906.13	174,954.78	3.57%
Total Contracted Services	1,433,940.01	1,405,853.11	-28,086.90	-1.96%
Total Rents and Financial Services	15,589.00	15,589.00	0.00	0.00%
Transfer to Own Funds	1,939,416.00	1,331,212.00	-608,204.00	-31.36%
Total Long Term Debt	67,803.00	951,681.00	883,878.00	1303.60%
Total General Fund Expenses	15,044,287.49	15,990,997.77	946,710.28	6.29%
General Fund Revenues				
Total Taxation Revenues	-6,507,576.90	0.00	6,507,576.90	-100.00%
Total Payments in Lieu of Taxes	0.00	0.00	0.00	0.00%
Total Tax Write-offs	25,000.00	25,000.00	0.00	0.00%
Total Canada / Ontario Grants	-2,750,211.59	-2,766,769.42	-16,557.83	0.60%
Total Municipal Contributions	-425,268.00	-447,665.00	-22,397.00	5.27%
Total User Fees and Charges	-5,166,670.00	-5,728,030.00	-561,360.00	10.87%
Total Licenses, Permits and Rentals	-165,185.00	-155,185.00	10,000.00	-6.05%
Total Fines and Penalties	-68,900.00	-68,900.00	0.00	0.00%
Total Other Revenues	-294,000.00	-299,000.00	-5,000.00	1.70%
Total Transfer To / From Own Funds	-125,000.00	-25,000.00	100,000.00	-80.00%
Total General Fund Revenues	-15,477,811.49	-9,465,549.42	6,012,262.07	-38.85%
Net General Fund (Revenue)/Expenditure	-433,524.00	6,525,448.35	6,958,972.35	
Total Operating Projects / Capital from Operating	433,524.00	458,524.00	25,000.00	5.77%
Tax Levy	0.00	6,984,149.48	6,984,149.48	

Fire

Most of the changes in Fire include the addition of the 30k contribution to reserves for the fire communications equipment requested by the County.

EECC

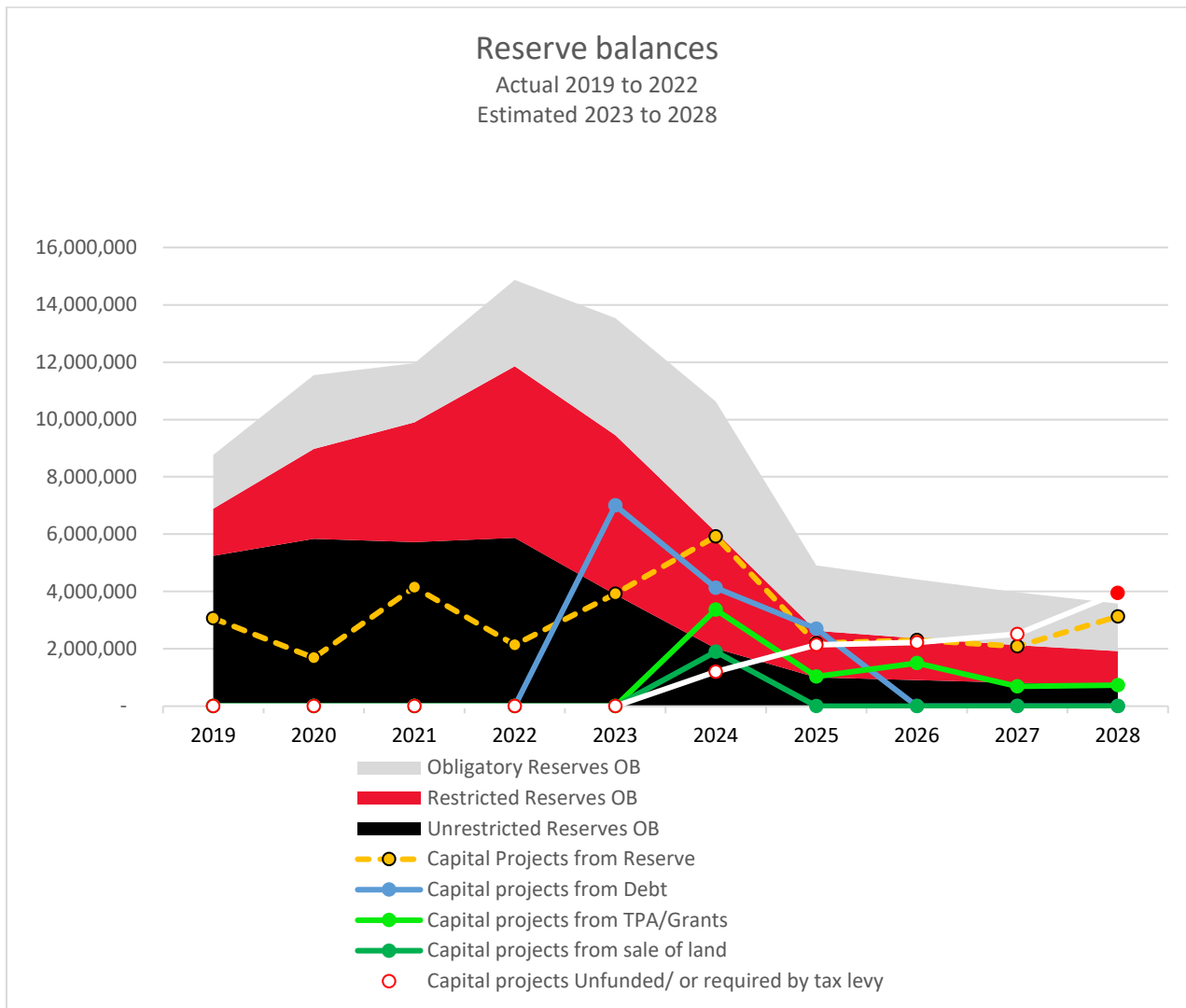
The EECC operating budget estimate has been included for information purposes only but will be presented to the board for consideration before the final budget is approved.

Police

Negotiations are ongoing between the PSB and the Police Service regarding compensation. The Police operating budget will be presented to the board for consideration before the final details will be published on December 6th.

Reserve Balances

As mentioned previously, Council had endorsed that staff prepare a final loan application up to an amount of \$7.7 m. The water tower project is expected to cost around \$11.3 m. This project has been forecasted to be entirely funded out of debt and grant funding at this point. The remainder of the projects have been suggested to be paid from reserves as in past practices. The graph below shows how the past reserve balances will be drawn down to normal levels by the 2027-2028 timeframe with the estimated capital expenditures until then. The blue line represents the issuance of debt for the water tower in 2023 and the green line represents the cash injection from the ICIP grant for the water tower occurring in 2023-2025. The orange dotted line shows the cash outlay of capital investment required from reserves spiking in 2024-2027 due to Elk Street, Lagoon Optimization, SCADA and investment in the industrial infrastructure for AIM Park. Currently, staff are not recommending any further cuts to funding transfers to capital or reserves because of the impending commitments.



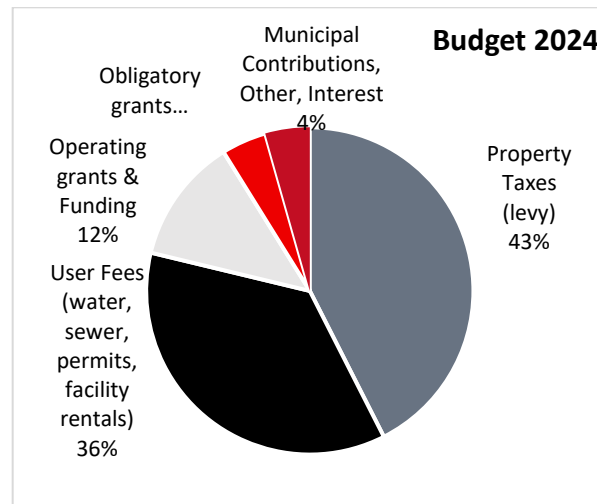
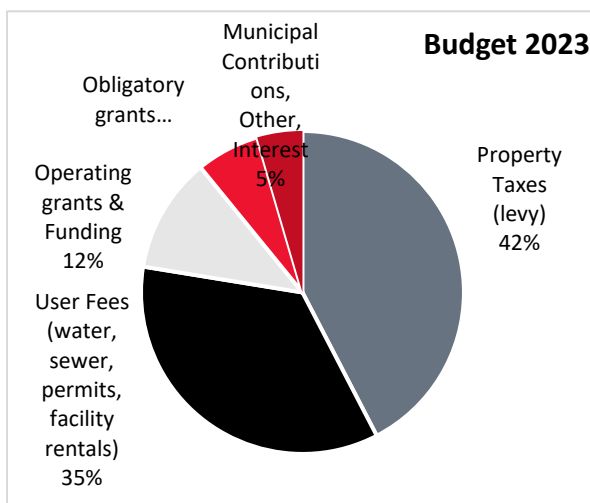
Council Initiatives Reserve

As mentioned, since inception, the Council initiatives reserve has been used as a one-time affordability measure to help offset the tax levy impact. Staff are recommending for 2024 that Council choose to sponsor a few initiatives from this reserve to specific departments throughout the year instead of just offsetting the overall levy increase.

For example, if Council wishes to sponsor a parks beautification initiative, then they would offset part of the incremental operating increase in this department through a one-time Council initiative contribution. Council would therefore remove the expenditure in 2025 and the Council contribution of revenue would also be removed to avoid having a deficit in next year's operating budget.

2023/2024 Funding Breakdown

In 2024, the Town is expecting obligatory grants to remain between 4 - 6% of the overall funding for 2024 and this amount is booked as deferred revenue. Various funding amounts have not yet been announced so assumptions have been included in this comparison illustrating the potential impact.



Financial Impact

Table 1. 2024 Preliminary Town Budget

Capital	\$17,727,565
Expenditures*	\$16,424,522
*includes transfers to reserves	
Revenue	
User Fees (Water, Sewer, Permits, Facilities)	\$ 5,952,115
Grants	\$ 2,766,769
Investments/Other	\$ 721,665
Levy Requirement	\$ 6,984,150

Table 2. Potential Additional Levy Impact

2023 Levy: \$6,507,577	2024 Levy: 6,984,150
2023 Mill Rate: 0.906030	***2024 Mill Rate: 0.947349
2023 Levy Increase: 5.82%	***2024 Levy Increase: 7.32%

* Additional Impact based upon 2023 Average single home CVA of \$214,000

** Amounts exclude Upper-Tier and Educational Levy

*** Assumptions are based upon MPAC data as of November 6, 2023

Strategic Priorities

This report supports the goals and objectives set out in [Council's Strategic Pillars](#).

The goals it supports include:

Pillar Two – Planning for the Future by ensuring the community has infrastructure to support future growth and sustain current needs for providing safe drinking water for all users.

Pillar Three – Economic Vitality by helping to attract growth to the town and creating opportunities for our neighbours.

Pillar Five – Public Service Excellence by delivering municipal services in a safe and efficient manner.

Conclusion

Staff have undertaken an extensive review with all leadership related to the 2024 budget and have included the public and Council feedback received to date. It is staff's hope that the Town's 2024 Budget will be approved in December.

Respectfully submitted by:

Andy Grozelle
Chief Administrative Officer

Heather Sachs
Director Financial Services

Josh Brick
Director of Corporate & Legislative Services

Rob Johnson
Director of Operations

Terry Koning
Associate Director of Infrastructure and Operations

Chief Todd McKone
Fire Chief
Town of Aylmer

Reviewed by Andy Grozelle, Chief Administrative Officer

Appendix

Attachments

1. Preliminary 2024 Operating Budget

Follow Up

In adopting this report, what follow up action is required?

By-law

Agreement(s)/document(s) to be signed by Mayor and/or Clerk

Social media/Website update or communication

Other communication – Specify: