



Subject: 2025 Consolidated Budget

Department: Corporate Services

Division: Finance

Report #: CPS-2024-096

Meeting Date: 2024-12-10

Recommendations

THAT report CPS-2024-XXX, 2025 Consolidated Budget, be received; and,

That Council approve the 2025 Consolidated budget as set out in Option ____ of CPS-2024-096 dated December 10, 2024, as follows:

<insert appropriate resolution for Option A, B, or C>

Overview

There are a number of key drivers in the 2025 Budget including policing costs, inflation, capital cost escalation, service level changes, and low assessment growth.

The key highlights from the 2025 Budget Report as proposed by staff are as follows:

- Continued economic uncertainty resulting from legislative changes at the Provincial level, a change in administration with our largest trading partner in the US, anticipated elections at both the federal and provincial levels, and ongoing global geo-political conflicts worldwide
- Assessment growth for the 2025 taxation year is low at 0.53%. The levy equivalent of assessment growth, i.e., how much the tax levy could increase without any tax impact, is \$222,046.
- Reallocation of costs from tax-supported to user rate/self-funded budgets results in a \$392,000 decrease to the levy
- Previously approved and net one-time items (excluding Police) decrease the 2025 levy by approximately \$114,000.
- Inflation and contractual increases result in a levy increase of approximately \$3,103,000
- Operating impacts of capital projects, excluding debt servicing costs, add another \$99,000 to the property tax levy for 2025

- Non-tax revenue adjustments reduce the 2025 levy by approximately \$2,616,000
- Debt servicing costs and capital funding requirements increase the levy by approximately \$224,000
- Service level changes for tax supported programs total approximately \$1,125,000 and for user rates \$12,000
- A 2025 property tax levy requirement for Town Services of \$38,958,003, which is an increase of \$1,441,152 (3.8%) over 2024 and results in a property tax impact after assessment growth of 2.95% for the average residential property
- A 2025 property tax levy requirement for Policing services, excluding any one-time relief is approximately \$5,925,706, or an increase of \$1,547,162 (35.3%) over 2024 and results in a property tax impact after assessment growth of 3.62% for the average residential property, and,
- Projected debt issuances and capital funding needs, excluding any deferral of impacts from one-time relief for OPP costs, will result in property tax increases in the forecast years (2026-2029) that range from 4.6% to 7.9%.

The primary purpose of this report is to provide Council with a high-level overview of the proposed operating budget and multi-year operating forecast.

Background

The property tax bill has three components: Town of Orangeville, County of Dufferin, and Education portions. The Town portion of the total bill is 62% and the County and Education portions are 28% and 10% respectively. The tax impacts for the Town portion only applies to 62% of the total property tax bill.

On December 2, 2024 staff formally tabled the 2025 Budget Report, which included the proposed 2025 operating budget for both Town Services and Policing Services, a 2026-2029 operating budget forecast and the 2025-2034 capital program.

The 2025 Budget is the third budget of this term of Council. Staff have worked diligently to develop a 2025 Consolidated Budget that balances service and infrastructure pressures with affordability for tax- and ratepayers. The 2025 Consolidated Budget builds from investments and strategies initiated in 2024 that will continue into 2025 and future years.

The proposed 2025 property tax levy requirement for Town Services, excluding Policing Services delivered by Ontario Provincial Police (OPP), is approximately \$39 million, which is an increase of \$1.441 million and results in a tax increase of 2.9%. The property tax levy requirement for Policing Services is a combination of OPP costs net of a court security grant provided directly to the Town and is determined by the province through various arms of the Ministry of the Solicitor General. The property tax levy requirement for Policing Services in 2025, excluding any one-time relief from the province, is \$5.9M which is an increase of \$1.547 million and results in a tax increase of 3.6%. Combined, the total tax impact is 6.6%. On the average residential property, this results in an annual tax increase of approximately \$222 for 2025. It should be noted

that this increase is for the Town portion of the total bill only. Education rates remain unchanged for 2025 and the County of Dufferin is scheduled to approved its budget in early 2025.

The Town undertook a water and wastewater rate study during 2024 to recalculate user rate needs and set user rates for these services, forecasting them over the next ten years. The results of that study propose to increase Water rates by 11.4% and Wastewater rates by 8.0% in 2025. The combined impact on the average residential utility bill would be approximately \$105 annually.

The proposed 2025-2034 capital program provides \$72 million in investments in critical infrastructure in 2025 and \$312 million across the ten-year planning horizon. Approximately \$43 million of the 2025 capital budget relates to that are being carried forward from 2024 into 2025 and \$29 million relates to new works being undertaken. The proposed capital program contemplates total debt issuance of \$67 million across the ten-year planning horizon, of which \$19 million is identified in 2025.

Analysis/Current Situation

The proposed 2025 budget maintains all existing levels of service, provides for responsible growth in service levels through staffing and non-staffing initiatives, and is designed to improve corporate capacity and future readiness.

1. Budget Approach

Staff have incorporated a number of material drivers into the 2025 Consolidated Budget including:

- **Reallocations of costs between tax-supported and user rate budgets ($\pm 392,000$)**
During 2025 budget development, staff reviewed internal allocations of costs between the tax-supported and user rate budgets and determined that more costs, primarily relating to oversight, are appropriately allocated to the latter.
- **Items previously approved by council and net one-time items ($-\$114,000$)**
In-year approvals such as the administrative monetary penalty system, closure of the visitor centre, and the removal of coloured crosswalk maintenance, as well as reversals of previous one-time items more than offset one-time increases being proposed for a health and safety audit, Springbrook trail repairs and vehicle maintenance for an aerial truck near end of life.
- **Inflationary adjustments to base budget ($+\$3,103,000$)**
The base budget has been adjusted by inflationary impacts on general operating expenses including, but not limited to insurance and commodity items (fuel, natural gas and hydro), service contracts, the salary market review, cost of living increases for staff and increased costs for benefits.
- **Operating impacts of capital projects, excluding debt servicing costs ($+\$99,000$)**

Additional ongoing operating budget is needed for security information and event management monitoring, the parking enforcement ticketing system, and increases for the HVAC service contracts at Alder Recreation Centre.

- **Non-tax revenue adjustments (-\$2,616,000)**

During 2024, staff undertook a comprehensive review and consolidation of the Town's user fees and charges. The results of this update, including water and wastewater rate increases, have been captured in budgeted revenue estimates.

- **Debt servicing costs and capital funding estimates (+\$224,000)**

Anticipated debt servicing costs associated with 2024 capital funding needs have been added, as well as adjustments to several capital reserve contributions to ensure future capital replacements and renewal reflect future costs.

- **Service level changes (SLCs) (+1,136,000)**

Staff have reviewed the 2025 plan needs and are putting forward only the most critical service level change requests that will help the Town achieve its strategic plan objectives. Investments in staff capacity for initiatives that have a corporate wide impact including government relations, protect the Town's information technology systems and data, provide support for public works, and oversight resources to bring the Town's stormwater management infrastructure into a state of good repair are being proposed. Additionally, investments in sidewalk improvements and maintenance, staff training and safety, the Maker Space in Library, public communications, vandalism prevention and repairs are needed to meet community need and mitigate organizational risks. A full list of service level changes can be found in the Budget Report on pages 17 and 18. For each service level change that has a staffing impact, a staff report is included on the agenda that provides a more detailed rationale for the request.

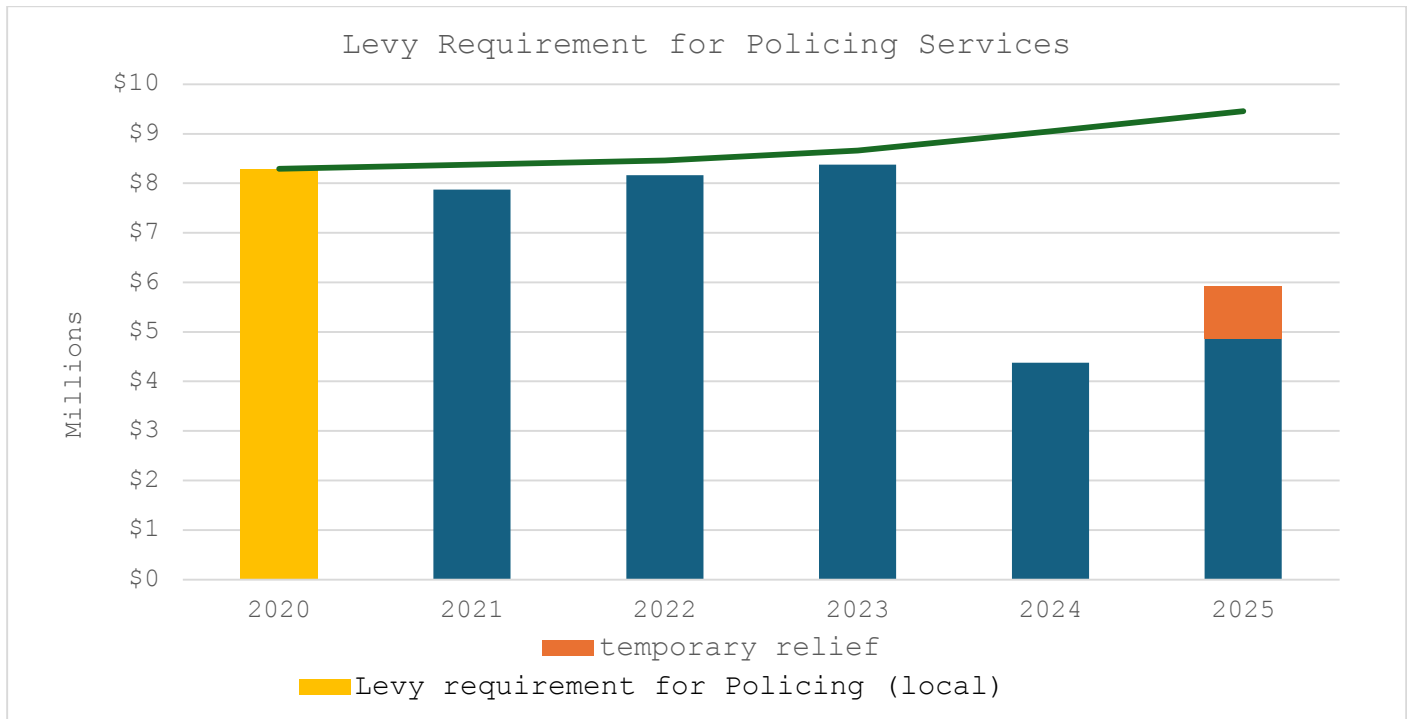
2. OPP Billing Model

Following a three-year transition period for moving toward the OPP Cost Recovery Billing Model, the 2024 budget year included a one-time refund related to the 2022 billing year reconciliation of approximately \$705,000 and overall, the 2024 budget saw substantial reduction in policing costs in the range of \$4 million. The one-time refund needs to be added back in the 2025 budget.

This past July, the OPP settled a four-year collective agreement that saw increases of 4.75% in 2023, 4.5% in 2024, and 2.75% in each of 2025 and 2026. For the 2023 and 2024 budgets, a budget provision of 1% for each year was included in their billing model. The 2025 billing amount of approximately \$6.1 million reflects a 'catch up' of prior year estimates, as well as the increase for 2025. The total increase for 2025 is \$1.7 million and is comprised of the removal of the one-time 2024 savings of \$705,000 and increased costs of \$1,042,000. There are significant increases in OPP services province-wide and staff have requested that representatives from the OPP come to explain their budget to council at their earliest convenience.

The increased cost of policing services from the OPP is partially offset by a \$200,000 court security grant being recognized in the 2025 Town budget.

The following chart shows a history of the levy requirement for policing services since the transition to an OPP delivered service in October 2020:



The Ministry of the Solicitor General sets the budgets for all municipal parties who participate in the OPP contract using a data-driven approach for both base service and calls for service. It is important to note that the OPP reconciles its costs annually. Any difference between estimated and actual costs for 2025 will be accounted for in late 2026 and applied to the 2027 billing cycle.

Temporary Relief for 2025

On November 29, subsequent to publishing the staff proposed 2025 Town of Orangeville Budget document, the Province announced temporary support for small and rural municipal participants in OPP-delivered policing by offsetting the 2025 impacts of OPP salary increases. This temporary relief includes:

- A 3.75 per cent bill reduction on 2023 total reconciled costs,
- A 44 per cent bill reduction on 2023 reconciled overtime costs, and
- A 10 per cent bill reduction on amounts invoiced for 2025 policing costs.

The Town of Orangeville has been advised that its post-billing temporary reduction is approximately \$1,048,483. The range of options as to how to treat this temporary reduction in the 2025 Consolidated budget are:

- A. Approve the overall impact of proposed 2025 budget as presented at 6.6% and redirect the savings to a capital reserve on a one-time basis, preserving the

budget capacity for 2026, and resulting in no further associated levy increase in 2026. This approach provides more funding that is needed for capital to either accelerate capital projects or avoid future debt;

- B.** Reduce the property tax levy for Policing services by the full reduction in 2025, recognizing that it will need to be added back in 2026, resulting in an estimated tax increase of 2.4% for just this one item in 2026;
- C.** Apportioning the temporary relief between a one-time levy savings and a one-time capital reserve contribution. This allows for some reduction in tax impacts in 2025 while not deferring the full impact to 2026 and providing more funding needed for capital to either accelerate capital projects or avoid future debt.

Assuming that the third option is a 50/50 split of the temporary relief, the following table outlines the final 2025 tax impacts for each option noted above:

Town of Orangeville Tax Impacts	A	B	C
Town Services, excluding Policing services	5.44%	2.95%	4.19%
Policing Services	1.13%	1.13%	1.13%
Total Town of Orangeville tax impact	6.57%	4.08%	5.32%
Town of Orangeville annual tax increase on the average residential property	\$222	\$137	\$179

3. Draft Resolutions

Given the temporary nature of the OPP billing relief announced by the province on November 29, staff recommend adopting the proposed budget as tabled on December 2 with the budget capacity from the temporary relief redirected to a capital reserve contribution. Including the temporary relief as a savings in the 2025 budget will have the effect of deferring impacts to the 2026 budget, which is already projected to have a significant tax impact.

Recognizing that Council has some options with respect to the November 29 announcement, staff have drafted three alternatives to final operating budget approval resolutions:

A. Resolution for adopting the budget with an overall tax impact of 6.6% as proposed on December 2:

That the Municipality of the Town of Orangeville:

Direct staff to add a one-time contribution to the General Capital reserve in the amount of \$1,048,483;

Approve the 2025 Operating Budget for Town Services excluding Policing Services, with a property tax levy requirement of \$40,000,436; and

Receive the 2025 billing statement from the Minister of the Solicitor General for Ontario Provincial Police, adjusted for one-time relief from the province, at a cost

of \$5,077,223 and approve the 2025 Operating Budget for Policing Services, inclusive of grant funding with a property tax levy requirement of \$4,877,223; and,

Approve the 2025 Capital Budget and approve-in-principle the 2026-2034 Capital Forecast as set out in the 2025 Budget Report presented on December 2, 2024, adjusted for final year end carry-forward actuals.

B. Resolution for reducing the 2025 budget by the full amount of the temporary relief being provided by the province:

That the Municipality of the Town of Orangeville:

Approve the 2025 Operating Budget for Town Services excluding Policing Services, with a property tax levy requirement of \$38,958,003; and

Receive the 2025 billing statement from the Minister of the Solicitor General for Ontario Provincial Police, adjusted for one-time relief from the province, at a cost of \$5,077,223 and approve the 2025 Operating Budget for Policing Services, inclusive of grant funding with a property tax levy requirement of \$4,877,223;

Approve the 2025 Capital Budget and approve-in-principle the 2026-2034 Capital Forecast as set out in the 2025 Budget Report presented on December 2, 2024, adjusted for final year end carry-forward actuals.

C. Resolution to apportion the temporary relief being provided by the province on a 50/50 basis between a tax levy reduction and an increase to the General Capital reserve contribution:

That the Municipality of the Town of Orangeville:

Direct staff to add a one-time contribution to the General Capital reserve in the amount of \$524,242;

Approve the 2025 Operating Budget for Town Services excluding Policing Services, with a property tax levy requirement of \$39,482,245; and

Receive the 2025 billing statement from the Minister of the Solicitor General for Ontario Provincial Police, adjusted for one-time relief from the province, at a cost of \$5,077,223 and approve the 2025 Operating Budget for Policing Services, inclusive of grant funding with a property tax levy requirement of \$4,877,223; and,

Approve the 2025 Capital Budget and approve-in-principle the 2026-2034 Capital Forecast as set out in the 2025 Budget Report presented on December 2, 2024, adjusted for final year end carry-forward actuals.

Corporate Implications

The overall levy and tax impacts of the proposed consolidated budget tabled on December 2 are outlined in the charts below:

Property tax levy	2024	2025	levy increase \$	levy increase %
Town Services, excluding Policing	\$37,516,851	\$38,958,003	\$1,441,152	3.8%
Policing Services	\$4,378,544	\$5,925,706	\$1,547,162	35.3%
Total	\$41,895,395	\$44,883,709	\$2,988,314	7.1%

Tax Impacts - Average residential property*	2024	2025	tax increase \$	tax impact %
Town Services	\$3,027.63	\$3,127.36	\$99.73	3.3%
Policing Services	\$353.35	\$475.69	\$122.34	34.6%
Totals	\$3,380.98	\$3,603.04	\$222.06	6.6%

*net of assessment growth of 0.53%. The total tax bill also includes county and education portions. The county intends to approve their 2025 budget in January 2025 and education tax rates remain unchanged for 2025.

For reference, the above impacts were calculated for the three alternatives related to the temporary relief from the province for OPP costs and results are summarized in the following table:

Options	Impact	Town Services excluding Policing Services	Policing Services	Totals
Levy Increase	Option A	\$2,489,635	\$498,679	\$2,988,314
	Option B	\$1,441,152	\$498,679	\$1,939,831
	Option C	\$1,965,394	\$498,679	\$2,464,073
% Levy Increase	Option A	6.60%	11.40%	7.10%
	Option B	3.80%	11.40%	4.60%
	Option C	5.20%	11.40%	5.90%
Tax Impact on Town portion of the property tax bill	Option A	5.44%	1.13%	6.57%
	Option B	2.95%	1.13%	4.08%
	Option C	4.19%	1.13%	5.32%
Annual impact of the Town portion of the property tax bill on the average residential property	Option A	\$183.89	\$38.17	\$222.06
	Option B	\$99.73	\$38.17	\$137.90
	Option C	\$141.81	\$38.17	\$179.98

The multi-year forecast has been developed that captures future inflationary pressures as well as reflecting more operating impacts of capital, including debt servicing costs. The following table provides a projection of tax impacts and user rate increases for 2026-2029, provided there is no deferral of OPP costs into 2026:

	2026	2027	2028	2029
Projected property tax impact	7.9%	4.9%	6.7%	4.6%

Conclusion

Subject to council approval of the 2025 Consolidated Budget, staff will begin implementing plans, programs, service levels and capital projects included in the 2025 Operating and Capital Budgets effective January 1, 2025.

Strategic Alignment

Strategic Plan

Strategic Goal: Future-Readiness and Corporate Capacity

Objective: Innovation, Collaboration, Sustainability and Capacity

Sustainable Neighbourhood Action Plan

Theme: Corporate and Fiscal

Strategy: Demonstrate municipal leadership by considering the environmental, social and economic impacts of all Town decisions

Notice Provisions

Particulars confirming all statutory notice provisions, as well as notice provisions contained within the Notice Policy, have been fulfilled.

Respectfully reviewed and submitted,

Prepared by:

Antonietta Minichillo
General Manager, Corporate Services

Cheryl Braan
Treasurer, Finance

Attachment(s): None