

Report to Council

Report Title:	2024 Draft Budget Update		
Prepared By:	Trish Serratore, Chief Financial Officer		
Department:	Finance		
Date:	February 6, 2024		
Report Number:	FIN2024-05	File Number:	C11FIN, F05
Attachments:	Reserve and Reserve Fund Balance Capital Project Listing		

Recommendation:

That the Council of the Municipality of Brockton hereby receives Report Number FIN2024-05 – 2024 Draft Budget Update, prepared by Trish Serratore, Chief Financial Officer and in doing so approves bringing forward a By-Law to accept the 2024 Municipal Budget in the levied amount of \$_____

Report:

Background:

Staff presented the draft 2024 budget to Council on January 16, 2024. During that time, and following the meeting, staff reviewed the recommendations and direction from Council and have been able to make proposed changes within the draft budget.

2023 was the first full year of the Municipality of Brockton returning to normal operations and recovering from the impact of COVID-19. Although there were no longer service cuts, the impact of COVID-19 has played a significant role with increased operating and capital costs, and this has been further compounded with frozen property assessments at 2016 values. The Municipality is once again facing another challenging year with the 2024 budget and maintaining current level of service with minimal impact on the tax rate.

Reserve and Reserve Fund Balances

Over the last few years Council has been dedicated to capital improvements through long-term borrowing and has made commitments to Reserve Funds for future infrastructure needs.

In 2022 Council adopted the Reserve and Reserve Fund Policy which provides staff with the principles and the use and care of reserves and reserve funds in accordance with the *Municipal Act, 2001*.

During 2023 staff presented Council with a significant reduction in reserve fund contributions from prior years to alleviate financial pressures on the tax rate. The Future Recreation Facility reserve fund contributions remained unchanged with \$200,000 being allocated.

In first draft of the 2024 Tax Supported Budget, staff reinstated the annual Reserve Fund contributions to match prior year. The Reserve Funds are established to help off set the increased costs associated with the capital maintenance and reconstruction. On January 16th Council requested staff re-evaluate the annual reserve fund contributions to elevate the financial pressures and increased tax rate.

Appendix A shows the projected reserve fund balance for the end of 2024. Staff have brought forward a phased in approach to reduce the financial pressures. In the revised 2024 Draft Budget, staff have reduced the Reserve Fund contributions by \$242,460. Staff are proposing a phased in approach with 25% of the 50% reduced contributions implemented in 2024 and the remaining 25% to be implemented in 2025 to re-instate prior year (2022) contributions.

The following Reserve Fund transfers however were not reduced:

- Brant/Greenock Waste Management - increased to reflect the total revenue collected for future post-closure costs in the total amount of \$74,515.
- Future Recreation Facility Reserve Fund – remained consistent with prior year contributions of \$200,000.

It should be noted that the Reserve Fund figures are still preliminary and are subject to change during the 2023 year-end audit process.

Capital Planning and Long-term Debt

Council has leveraged both long-term debt as well as Reserve Funds over the last few years in order to continue to support the significant capital investments required in Brockton. Staff have a few capital projects that are carry-forward from the 2023 budget. Appendix B provides a summary and all capital budget details included in the 2024 draft budget.

The 2024 budget has the following projects listed as long-term debt funding:

Capital Project	Total Long-term Debt Amount	Financing Option
SCBA – as directed by Council on Jan 16th	\$334,850	Bank Financing – currently ranging from 5.50% - 6.7%
Single Axle Plow Truck	\$300,000	Bank Financing – currently ranging from 5.50% - 6.7%
Two Graders	\$540,000	Bank Financing – currently ranging from 5.50% - 6.7%
Half-Ton Crew Cab Pick-up Truck	\$70,000	Dealer financing with 0 – 0.99% financing
Tractor Replacement	\$145,000	Dealer financing with 0% financing

Capital Project	Total Long-term Debt Amount	Financing Option
ERBP – Phase 3	\$1,900,000	Infrastructure Ontario – currently construction loan. Lock in rates unknown at this time.
Total Financing Request	\$3,289,850.00	

Each capital project will require significant staff time to finalize construction plans, complete tender documents, apply for funding sources and provide project management and oversight of each project.

Appendix C, from the 2024 Draft Tax Supported Budget provided at the January 16th meeting, lists all of the outstanding long-term debt, the outstanding balance, identifies if the debenture is fixed or variable rate and the interest rate.

Walkerton/Hanover Landfill Long-Term Debt

Council requested additional information at the January 16th meeting on the long-term debt for the Walkerton/Hanover landfill. This loan was established in 2014 with a variable rate, which is prime minus 0.50%. As we are experiencing higher borrowing interest rates, it would be ideal for Council to approve staff proceeding with locking the remaining balance into a fixed term loan.

The current rates (not available for booking at this time and subject to change) range from 5.831% to 5.554% depending on the term of the loan. The bank has indicated that Prime Rate is expected to decrease in 2024, however the magnitude of that decrease is unknown. Staff do not recommend proceeding with converting the loan from a variable rate to a fix rate loan. At 5.66% interest rate, the total interest paid would be within the total budgeted amount, however the principal repayment amount would be less than what Brockton paid in 2023.

Analysis:

Since the first budget draft was presented, there have been a few modifications to both the operating and capital budgets which are outlined as follows:

General Government

- Decreased in Service Agreements for Lobbyist by \$56,250 to \$18,750 for three (3) months of service.
- Remove MIC Funding \$34,000.
- Maintenance – Equipment Reduce by \$5,000.

Walkerton Fire

- Decreased Reserve Fund transfer by \$60,000 and reallocated to long-term debt repayment for the SCBA equipment.

O.P.P and Brockton Police Service Board

- Decreased in Service Agreements for the Police Service Review \$80,000.

ERBP

- Decreased in studies to defer the Kleist Environmental Assessment to 2025; \$50,000.

Economic Development

- Façade – Program Funding reduced by \$10,000 to \$15,000.

Public Works

- Reduced reserve fund transfer for the one ton and street sweeper as per Councils direction. The one ton is now amortized over three years \$25,000 per year. The Street Sweeper is being amortized over eight years at \$62,500 per year.

Waste Management – Recycling

- Decrease in garbage collection, misallocation of an invoice which staff have adjusted. There is no increase in the waste collection budget.
- However, it should be noted that the total increase from 2023 for recycling collection from Bruce Area Solid Waste Recycling (BASWR) is \$16,238 which is in-line with the total increased rate below.
- On January 25th, BASWR accepted the 2024 budget with a 11.55% increase. The total per household cost is \$37.95 from \$34.02 in 2023.

Child Care

- Increase in wages and benefits to accommodate four full-time positions, total \$13,871.

Recreation

- **Programs**
 - Increased Wages and Benefits for part-time seasonal staff for recreation programs, such as, Dodgeball, Volleyball, Basketball, Little Chefs, and various PA Day camps, which is off-set by revenue- \$18,824.
- **Summer Day Camp**
 - Increased Programs for special summer day camp event, cost recoverable \$17,000.
- **Parks**
 - Decreased Planters to 24 units which reduced the total budget from \$30,000 to \$10,000. Staff have allocated 50% funding from grant funding.
 - Increased total capital funding for Garbage/Recycling Bins, only 50% possible funding available. Increase of \$15,000.
 - Decreased Heritage Water Garden Capital Request of \$13,000 for Pergolas and plaque updates.

Conclusion

Staff have taken into consideration the comments, concerns, and direction of Council in considering the amendments above. The total impact of the above factors equates to a municipal operating tax rate

increase of 4.65%, plus a 2.43% increase to Capital, for a total tax rate increase of **7.08%**, which would equal **\$196.62 per year, or \$16.38 per month** on the average household.

Brockton Council and Staff have been diligent over the last few years to mitigate any significant increases to the operations. Staff have been flexible and creative with navigating through challenging and unpredictable times. There are some areas where staff cannot continue to offer a high standard of service to the residents without recommending a modest increase to support the economic challenges we face today.

The draft 2024 budget presented to Council has a tax rate increase that will continue to support the community without decreasing services.

Strategic Action Plan Checklist:

What aspect of the Brockton Strategic Action Plan does the content/recommendations in this report help advance?

- Recommendations help move the Municipality closer to its Vision Yes
- Recommendations contribute to achieving Heritage, Culture, and Community Yes
- Recommendations contribute to achieving Quality of Life Yes
- Recommendations contribute to achieving Land Use Planning and the Natural Environment N/A
- Recommendations contribute to achieving Economic Development Yes
- Recommendations contribute to achieving Municipal Governance Yes

Financial Impacts/Source of Funding:

- Do the recommendations represent a sound financial investment from a sustainability perspective? Yes

Respectfully Submitted by:



Trish Serratore, Chief Financial Officer

Reviewed By:



Sonya Watson, Chief Administrative Officer