



City of
Peterborough

To: Members of the General Committee

From: Richard Freymond, Commissioner, Finance & Corporate Support Services

Meeting Date: August 6, 2024

Report: 2025 Draft Budget Impacts Summary, Report FCSFS24-020

Subject

A report to provide a high-level summary of the Draft 2025 Budget impacts as presented by the Treasurer on June 11 and 27, 2024.

Recommendation

That Council approve the recommendation outlined in Report FCSFS24-020 dated August 6, 2024, of the Commissioner of Finance and Corporate Support Services as follows:

That Report FCSFS24-020, 2025 Draft Budget Impacts Summary be received for information.

Background

On June 11 and 27, 2024, staff made presentations to General Committee about the 2025 preliminary budget information of each department. The purpose of these presentations was to inform members of Council about the issues the City is facing for the 2025 budget and the impacts these issues will have on the All-Inclusive Rate increase and property tax requirement.

At the end of those presentations, Council decided to revisit the presentations and a 2025 draft budget guideline in the August cycle. This report provides a summary of the impacts presented by the Treasurer to aid in Council's discussion.

Chart 1 is the same information as presented by staff on June 27, however it has been separated into two categories: Status Quo and Incremental Issues. These items are based on early information and assumptions about the 2025 budget requirements and impacts which will be refined as the budget process continues and more information becomes available.

As seen on Line 32 of Chart 1, the preliminary estimates at this stage of the 2025 draft budget process reflect that to maintain the Status Quo levels of service in 2025 would require an increase to the All-Inclusive Rate of 8.44%. To fund the identified Incremental Items would require an additional increase of 1.84%, as shown on Line 52, for a total increase of 10.28%.

Chart 1

| Preliminary Estimates of 2025 Anticipated Budget Impacts | | | |
|-----------------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------|
| Ref | Description | 2025 Incremental Adjustments to Base Budget Preliminary Amounts \$ | All-Inclusive Impact % |
| Col 1 | Col 2 | Col 3 | Col 4 |
| 1 | Status Quo | | |
| 2 | | | |
| 3 | On-going Issues | | |
| 4 | Compensation | 2,840,200 | 1.33% |
| 5 | Employee Health benefits increase (initial est.) | 2,100,000 | 0.98% |
| 6 | Annualization of positions approved in 2024 | 410,000 | 0.19% |
| 7 | Annualization of approved services/programs in 2024 | 1,147,000 | 0.54% |
| 8 | Impact of 2024 reserves on base | 1,510,000 | 0.71% |
| 9 | Maintain existing Tax Ratios | 3,100,000 | 1.45% |
| 10 | Sub-total On-going Issues | 11,107,200 | 5.19% |
| 11 | | | |
| 12 | Other Issues | | |
| 13 | PW Depreciation True up | 900,000 | 0.42% |
| 14 | General inflation | 750,000 | 0.35% |
| 15 | True up WSIB cost | 400,000 | 0.19% |
| 16 | Fuel prices | 100,000 | 0.05% |
| 17 | Other | 500,000 | 0.23% |
| 18 | Police ask (est 3%) | 1,052,000 | 0.49% |
| 19 | Outside Agencies | 231,000 | 0.11% |
| 20 | Subtotal Other Issues | 3,933,000 | 1.84% |
| 21 | Total Operating Cost Pressures | 15,040,200 | 7.03% |
| 22 | | | |
| 23 | Capital Financing Impacts | | |
| 24 | Increase to Capital Levy (Inflation) | 69,000 | 0.03% |
| 25 | Replenish Levy/FRMP CL (over 5 years) used in 2020 budget | 162,000 | 0.08% |
| 26 | Capital Financing Policy 1% - used for pre-committed capital | 2,000,000 | 0.94% |
| 27 | Wastewater Protection - Storm & Sanitary | 620,000 | 0.29% |
| 28 | Replenish CL reduced in 2024 Sherbrooke St project motion | 150,000 | 0.07% |
| 29 | DC Debt Bridge Financing Funded through Legacy Reserve (\$3,805,000 1.78%) | 0 | 0.00% |
| 30 | Total Capital Financing Impacts | 3,001,000 | 1.40% |
| 31 | | | |
| 32 | Impact of Status Quo Items on Net Requirement and All-Inclusive Rate | 18,041,200 | 8.44% |

Chart 1 (continued)

| Ref | Description | 2025 Incremental Adjustments to Base Budget Preliminary Amounts \$ | All-Inclusive Impact % |
|-------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------|
| Col 1 | Col 2 | Col 3 | Col 4 |
| 33 | | | |
| 34 | Incremental Items | | |
| 35 | | | |
| 36 | Other Issues | | |
| 37 | Housing and Homelessness | 1,800,000 | 0.84% |
| 38 | Contingency | 150,000 | 0.07% |
| 39 | Total Operating Cost Pressures | 1,950,000 | 0.91% |
| 40 | | | |
| 41 | Capital Financing Impacts | | |
| 42 | Capital financing Policy at 1.00% used for uncommitted capital | 138,200 | 0.06% |
| 43 | Unfinanced Debt servicing cost true up (total \$1,784,000 0.83%) | 784,000 | 0.37% |
| 44 | Total Capital Financing Impacts | 922,200 | 0.43% |
| 45 | | | |
| 46 | Sub-total Total Net Requirement Increases before Other Considerations | 2,872,200 | 1.34% |
| 47 | | | |
| 48 | Other Considerations | | |
| 49 | Fairhaven Expansion Operating Impact - initial provision | 1,069,100 | 0.50% |
| 50 | Total Other Considerations | 1,069,100 | 0.50% |
| 51 | | | |
| 52 | Impact of Incremental Items on Net Requirement and All-Inclusive Rate | 3,941,300 | 1.84% |
| 53 | | | |
| 54 | Total Impact of Status Quo and Incremental Items on Net Requirement and All-Inclusive Rate | 21,982,500 | 10.28% |

Capital Financing Policy

The City’s Debt Management and Capital Financing Plan as adopted by Council with Report CPFSS12-011 and amended with Report CLSFS21-024 and Report CLSFS23-033, includes the following recommendation:

- c) That, to phase-in the new maximum debt limit the total annual amount of new tax-supported debt charges and any increase in the capital levy provision be limited so that the impact on the residential all-inclusive tax increase does not exceed 1% per year.

Council has approved a number of capital projects to be funded from the 2025 and future budgets. Appendix A of this report includes a summary of the pre-committed capital projects. The debt servicing costs of these pre-committed tax-supported projects will use \$2 million of the 1% increase in capital financing, as shown on Line 26 of Chart 1. The remainder of the 1% increase, which amounts to \$138,200 as shown in the Incremental Items on Line 42, is available for other capital projects to be approved as part of the 2025 budget. This would support approximately \$1.5 million of tax-supported debt.

Next Steps

Under the Strong Mayor Powers legislation, staff receive direction about the budget from the Mayor. At this time, the Mayor advises that he is contemplating not exercising his delegated authority in this context and would prefer Council reach a consensus about a guideline increase for the 2025 budget. Should Council determine a guideline for the 2025 draft budget, the recommendation would be made to the Mayor, requesting that he take it into consideration in providing direction to staff about the preparation of the budget.

With the many significant and competing demands on the 2025 budget, it is important that the Levels of Service remain the focus as the key means to reduce the property tax requirement and the 2025 budget.

Strategic Plan

Strategic Pillar: Governance & Fiscal Sustainability

Strategic Initiative: Pursue service excellence in governance to support long-term fiscal sustainability of the City while respecting the impact of decisions on taxpayers.

The annual budget is a key tool in determining the fiscal sustainability of the City as it impacts the service levels of all City operations as well as determines the property tax burden on all taxpayers.

Budget and Financial Implications

There are no budget and financial implications to receiving this report.

Attachment

Appendix A - Pre-Committed Capital Projects for 2025 and Future Budgets

Submitted by,

Richard Freymond
Commissioner, Finance and Corporate Support Services

Contact Name:

Yvette Peplinskie

Director, Financial Services

Phone: 705-742-7777 Ext. 1862

Toll Free: 1-855-738-3755

Fax: 705-876-4607

E-Mail: ypeplinskie@peterborough.ca

2025 and Future Capital Pre-Commitments

| | Project name | Report Reference / Council Approval Date | Total 2025 Commitment | Total 2026 Commitment | Total 2027 Commitment | Total 2028 Commitment |
|----|---------------------------------------------------------------|-------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 1 | Canadian Canoe Museum - Capital Build | CLSFS21-021 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| 2 | Lansdowne Street West - Spillsbury Drive to Clonsilla Avenue | Dec. 11, 2023 with 2024 Budget | \$ 9,100,000 | \$ - | \$ - | \$ - |
| 3 | Brealey Drive - Lansdowne Street to Sherbrooke Street | Dec. 11, 2023 with 2024 Budget | \$ 10,580,000 | \$ - | \$ - | \$ - |
| 4 | Otonabee River Trail - Del Crary Park to Little Lake Cemetery | Dec. 11, 2023 with 2024 Budget | \$ 2,660,000 | \$ - | \$ - | \$ - |
| 5 | Curtis Creek Watershed Improvements | Dec. 11, 2023 with 2024 Budget | \$ 940,000 | \$ - | \$ - | \$ - |
| 6 | Effluent Disinfection Revitalization and Expansion | Dec. 11, 2023 with 2024 Budget | \$ 7,000,000 | \$ 7,000,000 | \$ 3,000,000 | \$ - |
| 7 | Replace Digester #1 & 2 | Dec. 11, 2023 with 2024 Budget | \$ 5,000,000 | \$ - | \$ - | \$ - |
| 8 | Aviation Fuel Facility | Dec. 11, 2023 with 2024 Budget | \$ 850,000 | | | |
| 9 | Aircraft Storage Hangar | Dec. 11, 2023 with 2024 Budget | \$ 700,000 | | | |
| 10 | Bonnerworth Park Redevelopment | Dec. 11, 2023 with 2024 Budget | \$ 2,390,000 | | | |
| 11 | Bonnerworh Park Redevelopment - Road Improvements | Dec. 11, 2023 with 2024 Budget | \$ 250,000 | | | |
| 12 | Lansdowne Street Rehabilitation - Park to Otonabee River | LSRS24-001 (Closed Session Report) | \$ 2,000,000 | \$ - | \$ - | \$ - |
| 23 | Total | | \$ 41,970,000 | \$ 7,500,000 | \$ 3,500,000 | \$ 500,000 |
| 24 | Tax Supported | | \$ 21,113,500 | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| 25 | Non-Tax Supported | | \$ 20,856,500 | \$ 7,000,000 | \$ 3,000,000 | \$ - |