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The Regional Municipality of Halton

Report To:	Regional Chair and Members of Regional Council
From:	Cyndy Winslow, Commissioner, Finance and Regional Treasurer
Date:	December 6, 2023
Report No:	FN-43-23
Re:	2024 Budget and Business Plan and Disposition of 2023 Surplus

RECOMMENDATION

1. THAT the 2024 Tax-Supported Operating Budget for Regional Services (excluding Halton Regional Police Service), with total gross expenditures of \$783,880,796 and a net levy requirement of \$321,436,137 as set out in Attachment #1 to Report No. FN-43-23 re: "2024 Budget and Business Plan and Disposition of the 2023 Surplus", be approved.
2. THAT the 2024 Tax-Supported Capital Budget for Regional Services (excluding Halton Regional Police Service and other Boards & Agencies), with total expenditures of \$181,823,000 as set out in Attachment #3 to Report No. FN-43-23, be approved.
3. THAT the 2025-2033 Tax-Supported Operating Budget Forecast for Regional Services (excluding Halton Regional Police Service and other Boards & Agencies) as set out in Attachment #4 to Report No. FN-43-23 be approved.
4. THAT the 2025-2033 Tax-Supported Capital Budget Forecast for Regional Services (excluding Halton Regional Police Service and other Boards & Agencies) as set out in Attachment #3 to Report No. FN-43-23 be approved.
5. THAT the 2024 Halton Regional Police Service Operating Budget, as approved by the Halton Police Board on October 26, 2023, with total gross expenditures of \$215,326,564 and a net levy requirement of \$203,786,630 as set out in Attachment #1 to Report No. FN-43-23, be approved.
6. THAT the 2024 Halton Regional Police Service Capital Budget, as approved by the Halton Police Board on October 26, 2023, with total expenditures of \$12,773,000 as set out in Attachment #3 to Report No. FN-43-23, be approved.

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7. THAT the 2025-2028 Halton Regional Police Service Operating Budget Forecast, as set out in Attachment #4 to Report No. FN-43-23, be approved.
8. THAT the 2025-2033 Halton Regional Police Service Capital Budget Forecast, as presented to the Halton Police Board on October 26, 2023, as set out in Attachment #3 to Report No. FN-43-23, be approved.
9. THAT the Boards and Agencies (excluding Halton Regional Police Service) levy requests for 2024 be approved as follows:
 - a. \$10,502,159 to Conservation Halton;
 - b. \$711,330 to Credit Valley Conservation;
 - c. \$325,623 to Grand River Conservation Authority.
10. THAT the 2024 Rate-Supported Operating Budget, with total gross expenditures of \$272,048,978 and a net utility rate requirement of \$252,644,736, as set out in Attachment #1 to Report No. FN-43-23, be approved.
11. THAT the 2024 Rate-Supported Capital Budget, with total expenditures of \$255,511,000 as set out in Attachment #3 to Report No. FN-43-23, be approved.
12. THAT the 2025-2033 Rate-Supported Operating Budget Forecast for Regional Services, as presented in Attachment #4 to Report No. FN-43-23, be approved.
13. THAT the 2025-2033 Rate-Supported Capital Budget Forecast for Regional Services, as presented in Attachment #3 to Report No. FN-43-23, be approved.
14. THAT the Fees & Charges for Regional Services as presented in Attachment #5 of Report No. FN-43-23 be approved.
15. THAT the non-union salary budget grid increase of 2.5% for 2024 be approved as described in Report No. FN-43-23.
16. THAT any net shortfall resulting from the Region's 2023 Tax-Supported Programs, after utilizing all provincial funding, be funded from the Tax Stabilization Reserve (501020).
17. THAT any net surplus resulting from the Region's 2023 Tax-Supported Programs, be allocated to the Tax Stabilization Reserve (501020) up to the 10% target level, and any residual surplus (excluding Police) be allocated to the Tax Capital Reserve (505010).
18. THAT any net shortfall from the Region's 2023 Rate-Supported Programs be funded from the Water/Wastewater Rate Stabilization Reserve (501110).
19. THAT any net surplus resulting from the Region's 2023 Rate-Supported Programs be allocated to the Water/Wastewater Rate Stabilization Reserve (501110) up to

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the 15% target level, and any residual surplus be allocated to the Water Capital General (505220) and Wastewater Capital General (505320) Reserves.

20. THAT any surplus or deficit resulting from a difference in the actual assessment growth from the budgeted assessment growth be funded through a transfer to or from the Tax Stabilization Reserve (501020) through the 2024 Tax Policy process.

21. THAT the Director of Legal Services be authorized to prepare all necessary by-laws.

REPORT

Executive Summary

- The 2024 Tax-Supported Net Budget for Regional Services is \$321.4 million which reflects an increase of \$15.9 million or 5.2% over the 2023 Budget, with a proposed 3.4% increase in property taxes for Regional Services after 1.7% assessment growth.
- The 2024 Tax-Supported Net Budget for Halton Regional Police Service (Police Services) is \$203.8 million, an increase of \$17.7 million or 9.5% over the 2023 Budget, as approved by the Halton Police Board on October 26, 2023, with a tax impact of 7.7% after 1.7% assessment growth.
- The 2024 combined tax impact of Regional Services and Police Services is 5.1% after 1.7% assessment growth.
- The 2024 Rate-Supported (Water and Wastewater) Net Budget is \$252.6 million, an increase of \$13.2 million or 5.5% over the 2023 Budget, with a proposed increase of 4.3% to utility rates after 1.4% customer growth and 0.8% consumption growth.
- The 2024 Tax-Supported Capital Budget (excluding Police Services) is \$181.8 million which is a decrease of \$212.6 million over the 2023 Budget.
- The 2024 Tax Supported Capital Budget for Police Services is \$12.8 million which is a decrease of \$39.2 million over the 2023 Budget.
- The 2024 Rate-Supported (Water and Wastewater) Capital Budget is \$255.5 million which is a decrease of \$47.3 million over the 2023 Budget.

Background

This report presents the Halton Region 2024 Budget and Business Plan to Regional Council for approval as follows:

- Attachment # 1 – 2024 Operating Budget for Tax-Supported and Rate-Supported Services
- Attachment # 2 – 2024 Corporate Administration Budget
- Attachment # 3 – 2024 Capital Budget & Ten Year Forecast

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- Attachment # 4 – Ten Year Operating Budget Forecast for Tax-Supported and Rate-Supported Services
- Attachment # 5 – 2024 Fees & Charges for Tax-Supported & Rate-Supported Services

The Halton Region 2024 Budget and Business Plan (provided under separate cover) includes the 2024 Tax-Supported Operating and Capital Budget and Forecast and the 2024 Water and Wastewater Rate-Supported Operating and Capital Budget and Forecast. The 2024 Tax-Supported Budget focuses on the Regional Services that Halton Regional Council oversees, and includes the funding requested from Boards and Agencies including Police Services and the Conservation Authorities. The 2024 Capital Report (provided under separate cover) includes the details of the Capital Budget.

The Police Services Budget was approved by the Halton Police Board on October 26, 2023 and a summary is provided in Report No. FN-37-23 (re: 2024 Budget Overview – Halton Regional Police Service). As required by the *Police Services Act*, the Halton Police Board is required to submit to Regional Council the operating and capital estimates of maintaining the police service and providing it with the necessary equipment and facilities. The Halton Region 2024 Budget and Business Plan provides summary tables including the 2024 Police Services Budget. Also included in the Regional Services budget are the municipal levies from Conservation Authorities, whose budgets are approved by the relevant Conservation Authority's Board, Royal Botanical Gardens and the North Halton Mental Health Clinic, which is operated by Halton Healthcare.

Operating Budget Impacts

The 2024 Tax-Supported Budget recommends a 3.4% increase in property taxes for Regional Services, which is within the guideline set out in Report No. FN-28-23 (re: 2024 Budget Directions) of a tax increase that does not exceed 4.0%, after 1.7% assessment growth.

The 2024 Budget request for Police Services reflects a net expenditure increase of 9.5% which is above the guideline provided by Regional Council of 5.7% as set out in the 2024 Budget Directions (FN-28-23). The increase is driven by resourcing requirements to address the policing needs of the growing region and support capital funding costs related to the facilities and technology programs. After assessment growth, the net tax impact for Police Services is 7.7% over the 2023 approved budget.

As shown in Table 1, the 2024 combined impact of Regional Services and Police Services is a 5.1% increase in property taxes, which is comprised of 3.4% for Regional Services and 7.7% for Police Services after assessment growth.

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Table 1: 2024 Combined Tax Impact

2024 Budget Combined Tax Impact			
	Net Expenditure Increase	Assessment Growth	Tax Increase
Regional Services	5.2%	1.7%	3.4%
Police Services	9.5%	1.7%	7.7%
Regional & Police Services	6.8%	1.7%	5.1%

Assessment growth for the 2024 taxation year will be finalized with the receipt of the final tax roll returned to municipalities on December 12, 2023. At the time of finalizing this report, the actual combined total assessment change for Halton Region for the 2023 taxation year is 1.80%, which is slightly above the 1.70% assessment growth target included in the 2024 Budget. The actual assessment growth may still change, either increasing or decreasing as a result of assessment changes and write-offs, until it is finalized on December 12, 2023. Due to the timing of finalization of the assessment roll, it is recommended that any final surplus or deficit between the actual and budgeted assessment growth be funded through a one-time transfer to or from the Tax Stabilization Reserve (501020) through the 2024 Tax Policy process, thereby keeping the combined tax rate increase at 5.1% for 2024.

As shown in Table 2, the 2024 property tax impact for Regional Services is an increase of \$6.14 and the impact for Police Services is an additional \$8.34, resulting in a combined year over year increase of \$14.48 per \$100,000 current value assessment.

Table 2: 2024 Property Tax Impact

Property Tax Impact of Regional Government Services (Per \$100,000 CVA)				
	2023	2024	Change	
	Actual	Target	\$	%
Regional Services	\$ 178.18	\$ 184.33	\$ 6.14	3.45%
Police Services	108.21	116.55	8.34	7.71%
Total Regional Taxes	\$ 286.39	\$ 300.87	\$ 14.48	5.06%

*Schedule may not add due to rounding

As shown in Table 3, the 2024 Water and Wastewater Rate-Supported Budget has a 5.5% net expenditure increase, which results in a 4.3% rate increase after including an increase of 1.4% for customer growth and 0.8% for consumption growth.

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Table 3: 2024 Rate Increase

2024 Budget Rate Increase				
	Net Expenditure Increase	Customer Growth	Consumption Growth	Rate Increase
Water & Wastewater Services	5.5%	1.4%	0.8%	4.3%

As shown in Table 4 below, the net rate increase is \$10.4 million or 4.3% after customer growth, which is the target set out in the 2024 Budget Directions (FN-28-23). Of the \$10.4 million increase, \$6.8 million or 2.8% relates to capital financing expenditures for the State-of-Good-Repair program, and \$3.6 million or 1.5% relates to the net operating costs of the water and wastewater system.

Table 4: Rate Change in Budget

2024 Budget: Operating and Capital Financing Impact (\$000s)				
	Change in Budget			
	Net Program Impact	Growth*	With Growth*	Rate Impact
Gross Operating Expenditures	\$ 6,531			
Other Revenues	(1,953)			
Net Operating Expenditures	\$ 4,577	\$ (987)	\$ 3,590	1.5%
Capital Financing Expenditures	8,633	(1,862)	6,771	2.8%
Net Program Impact	\$ 13,210	\$ (2,849)	\$ 10,361	4.3%

Schedule may not add due to rounding.

* Includes 0.8% consumption growth and 1.4% customer growth

For a typical residential customer using 226 cubic metres (m³) of water per year, this will result in an additional \$46 annually in 2024 for both water and wastewater charges, as shown in Table 5.

Table 5: 2024 Rate Impact

Rate Impact						
On a Typical Residential Customer (226 m ³ / Year)						
	2023		2024		Change*	
	Budget	Budget	Budget	Budget	\$	%
Water	\$ 496	\$ 515	\$ 19	3.8%		
Wastewater	569	597	27	4.8%		
Total	\$ 1,065	\$ 1,111	\$ 46	4.3%		

Schedule may not add due to rounding

*Based on 0.8% consumption growth and 1.4% customer growth

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Operating Budget Highlights

The 2024 Budget addresses significant pressures related to challenging economic conditions and high inflation impacting the cost of goods and services. The extended period of high inflation and continuing global inflationary trends has had a significant impact on the cost of goods, services and construction, and was a significant driver of the increases in the 2024 capital and operating budgets in order to maintain core services. Actual inflation has remained above the Bank of Canada's (the Bank) 2.0% target since March 2021, with an overall average of 5.5% experienced during this time. Throughout 2021, 2022, and into 2023, actual inflation was significantly higher than the tax increase for Regional services, creating a gap between the budget and the actual cost of services for these years. The 2023 Budget was developed with the anticipation of inflation declining and returning to the Bank of Canada's target range in 2023, therefore an inflationary assumption of 3.0% was used. However actual inflation has remained above 3.0% for longer than anticipated, and as a result the Region is experiencing contract and other increases that significantly exceed the budget.

Since reaching a peak of 8.1% in June 2022, inflation has been slowly declining, however the latest Consumer Price Index (CPI) release for September 2023 of 3.8% is still significantly above the Bank's target of 2.0%. The latest forecast from the Bank's October 2023 Monetary Policy Report projects overall inflation of 3.9% for 2023 and 3.0% for 2024. The Bank anticipates that inflation will remain persistently high, at roughly 3.5%, until the middle of 2024, and is then projected to fall to around 2.5% in the second half of 2024, before returning to the 2.0% target in 2025. The Bank noted however that the pace of future declines in inflation remains uncertain, as core inflation has been more persistent than expected. Continued periods of high inflation and cost escalations will put additional pressure on future years' budgets. The 2024 Budget incorporates known inflationary impacts, and includes an inflationary assumption of 4.0%.

In addition, there continues to be funding shortfalls, and impacts that are still not known specifically related to funding models and programs that the Province has communicated will be changing or are currently under review including the Ontario Public Health Standards and related funding.

Bill 23, *More Homes Built Faster Act, 2022*, was introduced in the Ontario Legislature on October 25, 2022 and on November 28, 2022 received Royal Assent. Bill 23 was introduced to support the objective of creating 1.5 million homes in Ontario by 2031. There are many parts of the Bill which have not been enacted as they still require further regulation or bulletins to implement and at this time their impacts are still unknown.

Changes to *Development Charges Act, 1997* (DCA) enacted through Bill 23:

- Removing housing services
- Removing certain studies, including Development Charge (DC) Background Studies, as a DC capital expense

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- Phasing in new DC rates over a 5-year period retroactive to DC by-laws passed after January 1, 2022
- Exemption for non-profit housing
- Reduction and deferral of DC payments for specific uses (i.e. long-term care, rental)
- Increasing average service level calculation from 10 to 15 years, and
- Exemption for Inclusionary Zoning

Further, housing pledges were introduced and signed on by Local Municipalities to assist the Province in meeting the objective of delivering 1.5 million homes by 2031. Halton Region has a shared objective with the Province and Local Municipalities to advance housing supply and will need to play a role in providing infrastructure in support of Local Municipal housing pledges by proactively planning for, financing and delivering infrastructure. The housing pledges represent a significant acceleration of growth in Halton Region. The housing pledges total 92,500 units by 2031, which is more than a 70% increase over the residential growth anticipated in the Region's Infrastructure Master Plans.

The enacted and proposed changes to the DCA will significantly eliminate and restrict DC collections limiting the Region's ability to fund capital works. Without alternate strategies and/or sources of funding, additional costs will fall to the existing taxpayers. The 2024 Budget includes increased contributions to housing (\$1.0 million increase) to partially address the removal of housing services from a DC eligible service, this equates to 1/5 of the annual \$5 million per year impact that will need to be addressed in future budgets. Financing plans, specifically the 2023 Allocation program, have been developed to alleviate the impacts of phasing costs and accelerated infrastructure.

The 2023 Development Financing Plan, through Report No. CA-08-23/PW-40-23/FN-36-23 (re: 2023 Allocation Program) was initially presented in October to Council and has been deferred until December. As such, the capital related to the 2023 Allocation Program is not included as part of the approval of the 2024 Budget as a Council-approved development financing plan to finance growth to 2031 is required. Furthermore, due to reduced DCs and accelerated infrastructure required to support the increased growth, alternate funding strategies were required. The financing plan includes a reduced roads program and alternate financing of key water/wastewater capacity capital works through senior level funding. Given the necessity of water and wastewater capacity to respond to the housing crisis, financing the delivery of this capacity should be a priority of both the Federal and Provincial Government. If senior funding is not secured, to finance these capital costs, debt will be used. Report No. CA-08-23/PW-40-23/FN-36-23 sought approval of development related water, wastewater and roads capital works from 2023 to 2026 to provide flexibility to proceed with projects as soon as possible and provide flexibility to implement strategies to expedite the delivery of infrastructure. For illustrative purposes, the 2024 to 2026 development related water, wastewater and roads capital estimates related to the 2023 Allocation Program are included in the 2024 Budget and Business Plan, however as noted above, the approval of this infrastructure will be subject to the approval of Report No. CA-08-23/PW-40-23/FN-36-23 or alternate report with an

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acceptable financing plan. Development-related project costs related to previous allocation program increases are included in the 2024 Budget approval.

The 2024 Budget incorporates the latest information available while identifying risks and pressures. The 2024 Budget and Business Plan supports the themes and actions identified in the Region's 2023-2026 Strategic Business Plan, and includes priority investments in critical services including long-term care, paramedic services and housing to support the health and well-being of the community, while addressing the significant pressures caused by high inflation and increased demand for services. The 2024 Budget, along with approval of Report No. CA-08-23/PW-40-23/FN-36-23 or an alternate financing report, also ensures that the Region is well-positioned to support the Province's objective of delivering 1.5 million new homes in Ontario by 2031, and therefore the growth priorities of the Local Municipalities, by implementing changes to streamline development review and advancing infrastructure delivery to support growth.

Attachment #1 provides details of the 2024 Operating Budget by gross expenditures, revenues and net expenditures by program. Attachment #2 provides details of the Corporate Administration costs, which have been allocated to the program areas, including Non-Program for the tax-supported governance-related services. Attachment #4 provides details of the 2025-2033 Operating Budget Forecast for Tax and Rate Supported Services.

Key drivers for the 2024 Tax-Supported and Rate-Supported budgets are described further below.

The Tax-Supported Budget is shown in Table 6.

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Table 6: 2024 Tax-Supported Budget

Net Operating Budget for Tax-Supported Services (Excluding Police Services) Levy Requirement by Program (\$000s)									
	2023		2024			Change in Budget			
	Approved Budget	Base Budget	Strategic Investments	Requested Budget	2024 Base / 2023 Approved		2024 Requested / 2023 Approved		
Healthy Families	\$ 5,670	\$ 6,015	\$ -	\$ 6,015	\$ 345	6.1%	\$ 345	6.1%	
Health Protection	3,802	4,050	-	4,050	248	6.5%	248	6.5%	
Immunization Services	3,931	4,090	-	4,090	159	4.0%	159	4.0%	
Infectious Disease Control	3,462	3,785	-	3,785	323	9.3%	323	9.3%	
Public Health Resources	2,551	2,683	-	2,683	132	5.2%	132	5.2%	
Paramedic Services	25,233	25,771	1,173	26,944	538	2.1%	1,711	6.8%	
Children's Services	13,087	10,734	-	10,734	(2,353)	-18.0%	(2,353)	-18.0%	
Employment & Social Services	7,233	7,623	361	7,985	390	5.4%	752	10.4%	
Housing Services	39,475	43,246	-	43,246	3,770	9.6%	3,770	9.6%	
Human Services Planning & Program Support	9,138	9,198	500	9,698	60	0.7%	560	6.1%	
Services for Seniors	24,020	27,536	262	27,798	3,516	14.6%	3,778	15.7%	
Waste Management	47,842	50,919	331	51,251	3,077	6.4%	3,408	7.1%	
Road Operations	60,445	62,512	428	62,939	2,066	3.4%	2,494	4.1%	
Development Services	8,088	8,348	-	8,348	260	3.2%	260	3.2%	
Economic Development	3,628	3,713	-	3,713	85	2.3%	85	2.3%	
Non-Program*	34,902	33,786	643	34,429	(1,116)	-3.2%	(473)	-1.4%	
Boards & Agencies	13,030	13,727	-	13,727	697	5.3%	697	5.3%	
Net Regional Impact	305,537	317,737	3,699	321,436	12,200	4.0%	15,899	5.2%	
Assessment Growth							(5,194)	1.7%	
Regional Levy Requirement	\$ 305,537	\$ 317,737	\$ 3,699	\$ 321,436	\$ 12,200	4.0%	\$ 10,705	3.4%	

Schedule may not add due to rounding

* Strategic investments for Corporate Administration are reflected under Non-Program in the net amount of \$643,000. This includes 8.0 FTEs to support Finance, Digital & Information Services, and Supply Chain Management

The 2024 Tax-Supported Budget is increasing by \$15.9 million, or 5.2%, over the 2023 Budget and includes the following key drivers and investments.

Key Drivers:

Paramedic Services includes strategic investments of \$2.2 million (\$1.2 million net tax impact) to address operational pressures and support the strategic goal identified in the 2023-2026 Strategic Business Plan to improve Paramedic Service response times. This investment includes 8.0 Paramedic FTEs and associated relief hours to provide critical support to address pressures related to growth resulting from increased call volumes, 2.0 Operations Commander FTEs to provide management of field operations, a Workforce Management Coordinator Lead to provide scheduling support and a Logistics Officer to expand logistics hours to evenings and weekends to better support 24/7 paramedic operations.

Housing Services includes an increase of \$3.3 million to support affordable and assisted housing in Halton Region, which aligns with the key priority outlined in the 2023-2026 Strategic Business Plan of expanding assisted housing. The Regional funding for new assisted housing has increased by \$1.0 million to a total of \$8.8 million in the 2024 Budget, to partially offset the loss of development charge revenues as a result of Bill 23. Additional increases include \$1.3 million in assisted housing provider grants based on the Provincial indices, and an increase of \$1.0 million in Rent Supplement programs to sustainably fund the programs and support projected growth. A strategic investment is also proposed for 3.0 FTEs to support the growing number of units managed by Halton

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Community Housing Corporation (HCHC), which is fully recovered from the HCHC Budget.

Services for Seniors 2024 Budget is increasing by \$3.8 million or 15.7% largely driven by increases in food, medical supply and other contract costs, compensation, and increased capital financing costs to support the Allendale facility replacement, without equivalent increases in provincial funding. Base funding to offset these costs increased by only 0.7% in the 2024 Budget. There are also strategic investments of \$262,000 for 2.0 FTEs to provide emergency planning and scheduling support for the Division. The 2024 Budget also includes an investment for 17.0 FTEs and associated relief hours to provide more hours of direct care for residents at the Region's Long-Term Care homes, utilizing funding provided by the Ministry of Long-Term Care with no net tax impact.

An investment of \$500,000 in additional funding for the **Halton Region Community Investment Fund** is proposed to support emerging community needs and fund key human service programs and initiatives.

Waste Management includes a \$2.5 million increase for waste management contracts based on consumer price index (CPI) increases and higher contract renewal costs for the Halton Region Household Hazardous Waste Program, a \$516,000 increase in capital financing costs to support the Waste Management State-of-Good-Repair and Landfill Equipment replacement programs, and strategic investments of \$331,000 for 2.0 FTEs proposed to support planning and implementing the strategic initiatives outlined in the approved 2023-2030 Solid Waste Management Strategy that will advance the circular economy and extend the lifespan of the landfill.

Road Operations includes a \$1.0 million increase in capital financing to fund the road resurfacing program, \$763,000 in increases for road maintenance to reflect inflationary contract increases and growth in the Regional road network, and strategic investments of \$291,000 for 2.0 FTEs to address pressures related to the Region's rapidly growing infrastructure system and support traffic and safety programs.

Other Key Drivers:

- 3.0 FTEs will provide sustainable support for Halton's growing Ontario Works caseload to improve access to financial assistance and meet client needs, and provide additional oversight, support and strategic advice to the Employment & Social Services division with a tax impact of \$361,000.
- 3.0 FTEs will provide support to the Finance department to enable appropriate oversight for the growing tangible capital asset base, review and validate the increased water consumption data provided through the implementation of Advanced Metering Infrastructure, and provide policy support ensuring the Region remains legislatively compliant and able to proactively address changes operationally and strategically, with a net tax impact of \$302,000.

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- 2.0 FTEs are required to provide support and expertise regarding complex, high-risk and high-value construction and related service procurements. These positions will accommodate the increase in procurement volumes and provide the resources necessary to expedite the procurement process that will facilitate meeting the Local Municipalities' housing targets and the Strategic Business Plan objectives. This investment is fully funded through the capital budget with no net tax impact.
- 2.0 FTEs will address pressures related to growth across the organization and provide operational efficiencies and improvements in the inventory planning, warehousing and distribution of centrally stored supplies, with a tax impact of \$203,000.
- 1.0 FTE will provide support for the Region's Digital Strategy through the implementation and ongoing support for the Salesforce Customer Relationship Management System with a tax impact of \$138,000.
- 1.0 FTE will address pressures related to an increasing number of permits and development inspections, ensuring the required level coverage is provided with sufficient oversight to protect Regional assets, with a net tax impact of \$7,000.

The 2024 Tax-Supported Budget incorporates efficiencies, savings and the reallocation of resources to priority areas to achieve a tax increase of 3.4%, which is within the guideline set out in the 2024 Budget Directions (FN-28-23) of a tax increase that does not exceed 4.0%. The 2024 Tax-Supported Budget includes the following savings and revenues of \$7.9 million which were used to fund priority areas in the tax-supported programs:

- \$3.4 million increase in investment income to reflect the sustained strong performance of the Region's investment portfolio.
- \$2.6 million reduction in Children's Services in the non-legislated Regional contribution in the fee subsidy program to reflect the reduction in the fee subsidy expenditures as a result of the fee reductions provided through the Canada-Wide Early Learning and Child Care program
- Decrease of \$980,000 due to the elimination of the capital transfer to fund the Regional Official Plan
- Increase of \$350,000 in container station revenues at the Halton Waste Management Site to reflect the new user fee schedule (Report No. PW-33-23 re: New User Fee Schedule for Disposal of Solid Waste at the Halton)
- Waste Management Site)
- Decrease of \$285,000 to reflect the removal of OLT litigation expenditures
- Decrease of \$225,000 in Public Health due to the utilization of Provincial funding to offset existing expenditures and to reflect savings trends

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Provincial Funding

The 2024 Budget was prepared with the most current information available at the time, however there is uncertainty that could affect 2024 due to reviews currently being conducted by the Province on several programs and funding models, including the Ontario Public Health Standards and related funding.

In total, \$343.0 million of Provincial funding is included in the 2024 Tax-Supported Budget and is primarily used to fund cost-shared programs in Health and Social & Community Services. As shown in Table 7 below, the total increase in Provincial funding in the 2024 Budget is \$452,000, or 0.1%.

The 2024 base budget for provincial funding is \$339.8 million and includes \$2.0 million in one-time COVID-19 funding to support COVID-19 response and recovery efforts in Public Health. The Ministry of Health has not yet communicated how COVID-19 response or recovery costs will be funded in 2024, however, it has funded all COVID-19 response and the majority of recovery one-time expenditures in 2023. Staff continue to monitor expenditures, provide the Province with quarterly reports, and advocate for additional funding to support these essential services. In addition, \$3.1 million in provincial funding is included in the strategic investments. Of this amount, \$2.1 million is related to a confirmed funding increase from the Ministry of Long-Term Care to provide more hours of direct care for residents of Long-Term Care homes as part of the Province's commitment to ensure that residents receive, on average, four hours of direct care per day by 2024-25 (SS-03-22). The remaining \$1.0 million in provincial funding included in the strategic investments for Paramedic Services is anticipated based on the current funding model.

Through the COVID-19 pandemic, the budget included anticipated increases in provincial base funding to support critical investments in the ongoing that would continue post-pandemic due to needs identified in Public Health and Long-Term Care, however the actual increases received to date have been significantly lower. This has resulted in a gap of \$3.4 million between the 2024 Budget and the latest confirmed funding allocations in Public Health and Long-Term Care. This issue has not been addressed in the 2024 Budget given the other pressing challenges in the budget, but may result in a significant unfavourable variance in 2024, and will need to be addressed in future budgets if additional provincial funding is not provided to support these essential services.

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Table 7: Provincial Funding by Program

Provincial Funding By Program (\$000s)						
	2023 Total	2024			Change in Budget	
		Base	Strategic Investments	Total	Total	
Public Health	\$ 32,979	\$ 31,757	\$ -	\$ 31,757	\$ (1,222)	-3.7%
Paramedic Services	24,583	26,658	1,040	27,698	3,115	12.7%
Children's Services	191,635	183,496	-	183,496	(8,139)	-4.2%
Employment & Social Services	26,632	27,506	-	27,506	874	3.3%
Housing Services	17,989	18,609	-	18,609	620	3.4%
Services for Seniors	48,339	51,452	2,091	53,543	5,205	10.8%
Road Operations	150	150	-	150	-	0.0%
Economic Development	208	208	-	208	-	0.0%
Total	\$ 342,514	\$ 339,835	\$ 3,131	\$ 342,966	\$ 452	0.1%

Schedule may not add due to rounding

Boards & Agencies include the Conservation Authorities, Royal Botanical Gardens, and the North Halton Mental Health Clinic. Council set guidelines through the 2024 Budget Directions (FN-28-23), which have been achieved as follows:

- Conservation Halton 5.7% increase in the municipal general levy request, including a new benefit-based levy request of \$149,000 to fund a new staff position to accelerate the floodplain-mapping project in Halton Region;
- Credit Valley Conservation 3.0% increase in the municipal general levy request;
- Grand River Conservation Authority 2.5% increase in the municipal general levy request;
- Royal Botanical Gardens has been provided a 4.0% increase as per the guideline;
- North Halton Mental Health Clinic funding of \$1.3 million, which includes an increase of \$62,000 over the 2023 Budget to reflect increased lease costs.

The Rate-Supported budget is shown in Table 8 below.

Table 8: 2024 Rate-Supported Budget

Net Operating Budget for Water & Wastewater Services (\$000s)								
	2023	2024			Change in Budget			
	Approved Budget	Base Budget	Strategic Investments	Requested Budget	2024 Base / 2023 Approved	2024 Requested / 2023 Approved		
Water Treatment and Distribution	\$ 54,471	\$ 56,117	\$ 299	\$ 56,416	\$ 1,646	3.0%	\$ 1,945	3.6%
Wastewater Treatment and Collection	64,492	66,793	301	67,094	2,301	3.6%	2,602	4.0%
Infrastructure Management	120,472	129,135	-	129,135	8,663	7.2%	8,663	7.2%
Net Program Impact	\$ 239,435	\$ 252,044	\$ 600	\$ 252,645	\$ 12,610	5.3%	\$ 13,210	5.5%
Consumption Growth (0.8%)							(1,253)	-0.5%
Customer Growth (1.4%)							(1,596)	-0.7%
Net Increase Requirement							\$ 10,361	4.3%

Schedule may not add due to rounding.

The 2024 Rate-supported budget includes the following key drivers and investments for a net rate impact of \$10.4 million or 4.3% over the 2023 budget:

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- **State-of-Good-Repair program** — \$9.7 million increase in transfers to support the water and wastewater state-of-good-repair capital program for a total of \$128.1 million, based on the Public Works Asset Management Plan (Report No. PW-01-22/FN-11-22/DI-01-22 Asset Management Program and Lifecycle Models Update).
- **Supply Chain and Inflationary Pressures** – Rate-supported programs are facing a number of significant cost pressures related to supply chain issues and inflation, including large price increases for treatment chemicals. As reported in Report No. PW-17-23 (re: Contract Extensions for Ferric Chloride and Chlorine Supplied by PVS Benson and Brenntag as Part of Water and Wastewater Treatment Process), chemical costs, especially ferric chloride, have significantly increased over the past several years, mainly due to increases in raw material costs, market demand, inflationary increases, and global supply chain shortages. The 2024 Budget includes an increase of \$2.7 million in chemical costs to address these pressures.
- **Sustainable Rate Revenue** – Since the beginning of the COVID-19 pandemic, there has been an increase in residential water consumption as a result of the shift to more residents working from home, however it is still uncertain if this trend will continue in the long term. The 2024 Budget includes an increase of 0.8% in water consumption growth from 52.9 million m³ to 53.3 million m³ to reflect the 5-year actual average seasonal conditions and pre-pandemic consumption trends. The 10-year operating forecast maintains system-wide consumption of 53.3 million m³ over the first half of the forecast period, with annual increases of 0.5% projected from 2029 to 2033, increasing system-wide consumption to 54.7 million m³ by 2033 driven by growth priorities of the Local Municipalities. Staff will monitor the impacts to projected consumption and customer growth and update as necessary throughout the forecast period.

The 2024 Rate Budget includes 11.0 FTEs recommended as strategic investments resulting in a net rate impact of \$600,000:

- 6.0 FTEs will provide increased capital project delivery capacity and agility to support the acceleration of infrastructure to support the growth priorities of the Local Municipalities, funded from the capital budget with no net rate impact.
- 3.0 FTEs will provide support for Infrastructure Master Planning to monitor and implement the Water & Wastewater and Transportation Master Plans, related studies to support the growth priorities of the Local Municipalities, and provide timely hydraulic modelling review of development applications. This investment will be partially funded through the Capital Budget and Roads Operations budget, with a net rate impact of \$224,000.
- 1.0 Project Manager II FTE will lead projects for the configuration and management of the Computerized Maintenance Management System for Halton's Water and Wastewater System Services with a net rate impact of \$121,000.

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- 1.0 FTE Project Manager III will identify immediate upstream assistance with the improvements to the Roads State-Of-Good-Repair asset class rehabilitation/replacement strategies in the Engineering & Construction division. This investment will be funded through the capital budget with no net rate impact.

In addition to the investments listed above, the 2024 Rate-Supported Budget also includes charges from the Tax-Supported Budget related to strategic investments for a Senior Construction Inspector and a Financial Analyst – Water.

The 2024 Rate-Supported Budget also incorporates savings, efficiencies and the redeployment of resources to priority programs to achieve the target set through the 2024 Budget Directions (FN-28-23) of a net rate increase of 4.3%. The following savings and revenues of \$4.5 million have been identified which were used to fund priority areas in the water and wastewater program:

- Increase of \$1.6 million in investment income realized through the sustained strong performance of the Region's investment portfolio
- Decrease in debt charges of \$1.1 million resulting from the retirement of debt
- Decrease of \$749,000 in various materials & supplies, equipment rentals, travel and meals costs, and temporary employment agencies to align with historical spending trends and reduced needs
- Decrease of \$740,000 in the Basement Flooding Mitigation program enabled through significant progress made to date in the Sewer System Optimization capital program, Weeping Tile and Downspout Disconnection programs
- \$215,000 increase in bulk water revenues due to increased demand based on historical trends
- Decrease of \$118,000 due to the removal of non-recurring computer hardware and software costs
- \$65,000 increase in sewer discharge agreement revenue based on historical trends and additional discharge agreements projected for the Industrial Waste program

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2024 Compensation Adjustments

The 2024 Budget and Business Plan includes an allowance for a 2.5% non-union salary grid increase. All salary adjustments for non-union staff are based on the Region's pay-for-performance compensation plan.

The total compensation increase is \$20.4 million for Tax-Supported and Rate-Supported budgets (excluding Police Services), which includes \$8.5 million for strategic investments for 61.0 FTEs and 18,483.4 relief hours. Of the 61.0 FTEs, 43.0 FTEs will be either fully or partially funded by provincial funding, or through the capital & HCHC budgets. The remaining 18.0 FTEs will be funded through property taxes and water and wastewater rates, and will support strategic priorities and address pressures driven by growth and increased demand for services.

Also included in the total increase is a \$2.8 million provision for the \$3/hour Personal Support Worker in Long-Term Care Wage Enhancement which was made permanent by the Province effective April 21, 2022 and is fully offset through funding from the Ministry of Long-Term Care.

Fees and Charges

As part of the 2024 budget process, staff reviewed fees and charges for all program areas and have recommended changes where appropriate. Fees and charges have increased in most programs to reflect the 2024 full cost of services as shown in Attachment #5 to this report.

Capital Budget

The capital program identifies the significant investments in infrastructure that are required to appropriately maintain and replace the Region's existing infrastructure assets (State-of-Good-Repair) and expand the infrastructure to meet the housing pledges (Development). Table 9 below summarizes the 2024 Capital Budget & Ten Year Forecast, including the Police Services capital program as presented to Council for approval (\$5.2 billion) in Attachment #3. The 2024 Budget and Business Plan for illustrative purposes includes the 2023 Allocation Program anticipated to be approved as part of Report No. CA-08-23/PW-40-23/FN-36-23 (currently deferred). As such, Table 9 below shows the water, wastewater and roads development related infrastructure requirements for 2024-2026 associated with the 2023 Allocation Program to show the magnitude of the program. In addition, 2032 and 2033 are estimated based on the 8-year average as expenditures beyond 2031 require updated water, wastewater and transportation masterplans to reflect the new planning period. The table below provides a breakout of what is included in the 2024 Budget and forecast and what is anticipated to be approved under an Allocation report (Report No. CA-08-23/PW-40-23/FN-36-23 or alternate) (\$8.8 billion). The 2024 Capital Report (under separate cover) details the 2023 Allocation Program in Appendix C.

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Table 9: 2024 Capital Report Reconciliation

2024 Capital Report Reconciliation (\$000s)											
	Gross Cost	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
2024-2033 Capital Plan											
2024 Budget and Forecast Program Expenditures*											
Water	\$ 1,243,374	\$ 130,522	\$ 81,227	\$ 53,555	\$ 106,029	\$ 140,226	\$ 159,787	\$ 145,640	\$ 101,179	\$ 117,805	\$ 207,404
Wastewater	1,060,988	124,989	125,626	67,496	149,032	222,135	88,193	76,903	102,882	38,405	65,327
Transportation	2,301,197	113,802	32,145	31,612	418,884	329,363	340,547	463,267	546,649	12,482	12,446
All Other Services	631,159	80,794	73,653	164,264	56,206	49,256	45,176	44,072	39,001	36,132	42,605
Sub-Total	\$ 5,236,718	\$ 450,107	\$ 312,651	\$ 316,927	\$ 730,151	\$ 740,980	\$ 633,703	\$ 729,882	\$ 789,711	\$ 204,824	\$ 327,782
For illustrative purposes											
Budget Estimates for 2032 & 2033 (Masterplans to 2031) - approval through future budgets											
Water	\$ 197,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,729	\$ 98,729
Wastewater	275,762	-	-	-	-	-	-	-	-	137,881	137,881
Transportation	756,616	-	-	-	-	-	-	-	-	378,308	378,308
Sub-Total	\$ 1,229,836	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 614,918	\$ 614,918
2023 Allocation Program avg. expenditures from 2024-2026 - presented to Council through Report No. CA-08-23/PW-40-23/FN-36-23											
Water	\$ 569,292	\$ 189,764	\$ 189,764	\$ 189,764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wastewater	796,017	265,339	265,339	265,339	-	-	-	-	-	-	-
Transportation	979,418	326,473	326,473	326,473	-	-	-	-	-	-	-
Sub-Total	\$ 2,344,727	\$ 781,576	\$ 781,576	\$ 781,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 8,811,281	\$ 1,231,683	\$ 1,094,226	\$ 1,098,503	\$ 730,151	\$ 740,980	\$ 633,703	\$ 729,882	\$ 789,711	\$ 819,742	\$ 942,700

*Includes 2020 Allocation Program cost increases, 2027-2031 Dev W/WW & Roads Projects, SOGR Water/wastewater & roads budgets and all other services

For illustrative purposes in Table 10 below, the 2024 Budget and forecast presents the full 10 year expenditure program including the 2023 Allocation program presented through Report No. CA-08-23/PW-40-23/FN-36-23 and estimates for 2032 & 2033 development water, wastewater and transportation capital requiring masterplan updates. Below is the combined expenditure forecast and the associated financing.

Table 10: 2024 Capital Budget & Forecast

2024 Capital Budget & Forecast											
Summary of Total Capital Budget & Financing (\$000s)											
	Gross Cost	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Program Expenditures											
Water	\$ 2,010,124	\$ 320,286	\$ 270,991	\$ 243,319	\$ 106,029	\$ 140,226	\$ 159,787	\$ 145,640	\$ 101,179	\$ 216,534	\$ 306,133
Wastewater	2,132,767	390,328	390,965	332,835	149,032	222,135	88,193	76,903	102,882	176,286	203,208
Transportation	4,037,231	440,275	358,618	358,085	418,884	329,363	340,547	463,267	546,649	390,790	390,754
Energy, Fleet and Facilities	161,013	6,197	10,928	100,233	5,736	8,369	5,629	8,985	6,358	4,084	4,494
Housing	101,200	11,200	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Digital & Information Services	103,191	13,473	16,450	14,224	10,559	10,215	8,258	7,956	7,197	7,774	7,086
Waste Management	89,376	22,908	15,124	16,705	8,807	7,835	6,460	3,030	2,872	2,924	2,711
Paramedic Services	43,594	2,180	6,489	1,229	3,917	5,762	3,246	3,446	4,590	3,575	9,160
Waterfront	12,686	5,150	-	-	4,036	-	3,500	-	-	-	-
Services for Seniors	6,620	650	650	650	650	650	770	650	650	650	650
Other Tax	19,920	6,263	1,520	8,497	439	447	472	650	524	565	544
Police	93,559	12,773	12,492	12,726	12,063	5,978	6,960	9,235	6,810	6,560	7,960
Total	\$ 8,811,281	\$ 1,231,683	\$ 1,094,226	\$ 1,098,503	\$ 730,151	\$ 740,980	\$ 633,703	\$ 729,882	\$ 789,711	\$ 819,742	\$ 942,700
Financing											
Tax Reserves	\$ 2,681,483	\$ 302,294	\$ 250,218	\$ 319,711	\$ 258,117	\$ 233,991	\$ 220,787	\$ 297,224	\$ 327,905	\$ 232,085	\$ 239,151
Rate Reserves	2,129,628	277,255	275,624	212,246	175,590	156,559	178,198	173,305	185,863	189,552	305,438
Dev't Charges - Resid.	2,974,331	422,156	350,985	349,648	272,244	178,078	218,249	247,334	261,918	336,857	336,861
Dev't Charges - Non-Res.	3,618	511	838	335	508	240	359	233	232	180	181
Capital Invstmt Revolv. Fnd	466,887	96,611	85,824	85,824	20,445	20,820	14,817	10,493	12,501	59,776	59,776
External Rcvry/Other	15,041	3,411	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292
Alternative Financing/Debtenture	540,294	129,446	129,446	129,446	1,956	150,000	-	-	-	-	-
Total	\$ 8,811,281	\$ 1,231,683	\$ 1,094,226	\$ 1,098,503	\$ 730,151	\$ 740,980	\$ 633,703	\$ 729,882	\$ 789,711	\$ 819,742	\$ 942,700

Includes financing cost. Schedule may not add due to rounding.
 - For 2023 Allocation program: Based on estimated average expenditures for 2024 to 2026.
 - For 2032 & 2033 has been estimated based on 8 year avg. from 2024 to 2031

Disposition of Surplus

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The purpose of the recommendations related to the disposition of the 2023 surplus in this report is to enable staff to close the year-end financial records and prepare the 2023 Financial Statements.

In keeping with the Region's Reserve Policy as approved by Regional Council in Report No. CS-83-02 (re: Regional Reserve Policy), any year-end surplus is used to bring the Stabilization Reserves to their target levels, with any residual surplus being distributed to the appropriate Capital Reserves (Tax, Water or Wastewater).

As approved through Report No. FN-03-21 (re: 2020 Year-End Accounting Transactions), the Regional COVID-19 Recovery Reserve (502015) was created to fund future COVID-19 recovery efforts, and was funded with one-half of the 2020 and 2021 year-end surpluses from the Regional Tax-Supported budget. Staff will review the net impact of any COVID-19 related expenditures to determine the balance remaining in the COVID-19 Recovery Reserve as part of the 2023 year-end process. A recommendation to close-out and transfer from the COVID-19 Recovery Reserve will be brought forward for Council's approval through the 2023 Year-End Transaction Report in early 2024. The year-end process will determine the final 2023 year-end position, and will be reported to Regional Council in the year-end variance report in April 2024.

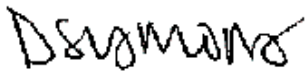
The Police Service's surplus, if any, will be transferred to a reserve in accordance with recommendations from the Halton Police Board.

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FINANCIAL/PROGRAM IMPLICATIONS

The financial implications of the 2024 Budget and Business Plan are a 5.1% increase in combined property taxes for Regional Services and Police Services, and a rate increase of 4.3% for Water and Wastewater Services.

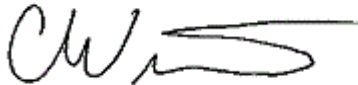
Respectfully submitted,



Debbie Symons
Director, Budgets and Tax Policy



Matthew Buist
Director, Capital and Development
Financing



Cyndy Winslow
Commissioner, Finance and Regional
Treasurer

Approved by



Jane MacCaskill
Chief Administrative Officer

If you have any questions on the content of this report,
please contact:

Debbie Symons

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Attachments: Attachment # 1 – 2024 Operating Budget for Tax-Supported and Rate-Supported Services
Attachment # 2 – 2024 Corporate Administration Budget
Attachment # 3 – 2024 Capital Budget & Ten Year Forecast
Attachment # 4 – Ten Year Operating Budget Forecast for Tax-Supported and
Rate-Supported Services
Attachment # 5 – 2024 Fees & Charges for Tax-Supported & Rate-Supported Services