

THE CORPORATION OF THE MUNICIPALITY OF MISSISSIPPI MILLS

STAFF REPORT

DATE: October 22, 2024

TO: Council

FROM: Kathy Davis, Director of Corporate Services, Treasurer
Andrew Hodge, Deputy Treasurer

SUBJECT: 2025 Draft Budget Update and Details 1

RECOMMENDATION:

THAT Council receives this report as information.

BACKGROUND:

The Municipality's draft 2025 budget was tabled on October 8, 2024. At that meeting, Council requested further information related to information presented. Staff has prepared the following to answer Council questions and provide more detail and context for Council's consideration.

In a second Budget Update to be distributed prior to the October 22 and October 24 meeting, staff will provide preliminary budget amendments, explanations, and updates to the Budget Binders.

This report is structured to examine in greater depth:

- a) Summary information:
 - a. Schedule A and Schedule B
 - b. Survey data summary and relationship of age of participants to results
 - c. Survey data percentage of respondents compared to population
 - d. Long Term Financial Plan timelines
 - e. Tax, debt, and reserve utilization ratio analysis
- b) Taxation:
 - a. Assessment values and projected growth from 2023 to 2025
 - b. Total increase in assessment that is considered in the budget
 - c. Percentage increase in assessment last year
 - d. Household growth
 - e. Additional tax revenue associated with growth
 - f. Commercial tax revenue and growth implications
 - g. Definitions and examples of exempt properties and multi-residential properties
 - h. Tax increase scenarios

- c) Debt:
 - a. Historical debt information and payout dates
 - b. New debt proposed and impact on 2025 budget
 - c. Annual repayment limit
 - d. Debt increase scenarios
- d) Reserves and Reserve Funds:
 - a. Options for utilization of reserves
 - b. Clarification related to reserves and the designation of funds to specific projects.
- e) Operating Budget:
 - a. Increased cost of employee benefits – what is included in ‘medical’ coverage

A one-page fact sheet is also included with this report for Council’s reference (see Attachment 1).

DISCUSSION:

- a) Summary information
 - a. Included in Budget Binder # 2, Tab 3 are two summary schedules; Schedule A and Schedule B.

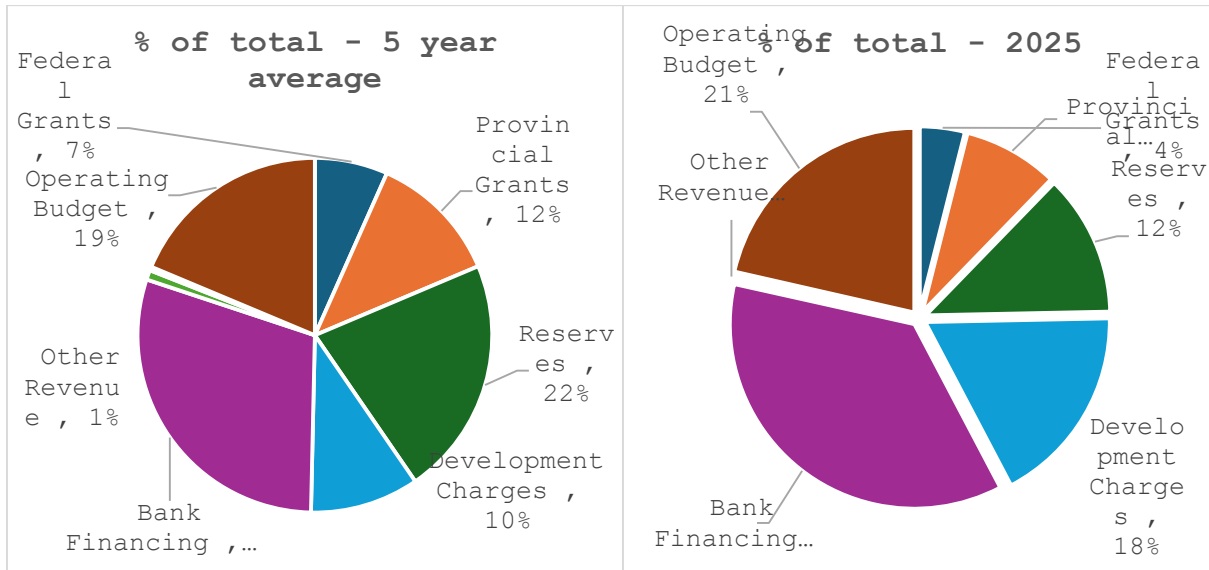
Schedule A depicts the overall operating budget for each department in the Municipality as proposed in the 2025 draft budget. It also details all operating revenue included in the proposed budget. In the event that capital projects are planned to be funded from the operating budget, these amounts are included in Schedule A because they are offset by tax and other in-year revenues. The overall total shown on this schedule beside “required revenue” represents the amount of planned operating expenditures that are in excess of planned revenues.

Schedule B is a more fulsome summary of operating and capital expenditures, by department. It also includes all planned debt financing and grant funding in addition to operating revenues and taxes.

Both schedules show a final result of tax revenue required. At the time the budget was tabled, this amount is \$1.76 million. When all budget deliberations are complete, and resulting savings, tax increases, borrowing, and reserve draws are incorporated, the shortfall will be \$0.00.

- b. Survey data can be found in Budget Binder # 2, Tab 2. Page 8 of the Budget Survey Report includes information about ward and age of survey respondents. The highest age category representation was 65+, representing 37% of survey respondents.
- c. The survey had 328 respondents, which represents roughly 2% of the population of Mississippi Mills.

- d. The Municipality has engaged KPMG to support the development of its Long Term Financial Plan. The project is planned to begin in January of 2025, and has a 13 week project timeline. Staff plan to have a draft report for presentation to Committee of the Whole in March 2025.
- e. In preparing for the Budget Tabling, staff analyzed the past five years' data to determine how capital purchases had been funded. The chart on the left shows the result of this analysis, and the chart on the right shows the tabled and proposed distribution for 2025.



b) Taxation:

- a. Assessment Values and Growth over time (see chart below)
- b. Assessment Increase (see chart below)
- c. Percent Assessment Increase (see chart below)

	2023	2024	2025 (forecast)
Total assessed value (Residential)	\$1,997,278,636	\$2,031,230,536	\$2,063,607,536
Total assessed value (excludes exempt properties)	\$2,262,529,918	\$2,313,232,118	\$2,345,609,118
\$ increase		\$ 53,741,800	\$ 32,377,000
% increase		2.4%	1.4%

- d. According to MPAC projections, growth in Mississippi Mills that will be reflected on the 2024 roll is estimated to be between 100 and 118 additional households.

To maintain a conservative estimate, 85% of the higher estimate is used in projections, which equals **100 houses and an assessed value of \$32.4 million.**

- e. At current tax rates, this increase represents **additional Municipal tax revenue of \$187,957.** We have also estimated that new homes that are completed during 2025 will bring in additional **Supplemental Tax revenue of \$310,823.** This is based on estimates considering prior year supplemental billings.
- f. Tax rates as found in the 2023 Tax Levy By-Law are summarized below. An example of a \$500,000 assessed value property depending on the type of property is used to depict variations in tax revenue. As discussed at the meeting on October 8, an increase in commercial properties will have a more favourable impact on tax revenues.

Type of Property	2023 Municipal Tax Rate	Municipal taxes based on \$500,000 assessment
Residential	.499063%	\$2,495
Multi-Residential	.548969%	\$2,745
Industrial	1.263446%	\$6,317
Commercial	.919737%	\$4,599
Farmland	.124766%	\$624

- g. Examples of properties which may be exempt from Municipal tax include Crown Land and property, places of worship, educational institutions, hospitals, charitable organizations, cemeteries and burial grounds, public libraries, conservation lands, and some non-profit housing (funded by the province). Multi-residential properties are defined as s buildings or properties with multiple self-contained residential units that are intended for rental or non-owner-occupied purposes.
- h. A 1% tax increase in the 2025 budget is equal to roughly **\$118,200** in tax revenue.

c) Debt

- a. A debt schedule is available in Binder # 2, Tab 6, page 2. This schedule shows all debt and planned debt held by the Municipality. Two loans are schedule to be paid in full in 2025: \$839.58 owing on Arena Loan # 4, and \$45,635.42 owing on Ottawa St. Road Work.
- b. As of December 31, 2024 the Municipality will owe \$22,505,489.72. Proposed additional debt for 2025 according to this chart equals \$3,558,607. An updated chart will be provided in Council's next binder update, as an additional project (pre-approved by Council) has been added in the amount of \$975,915.50 being County Road 29 Watermain Construction. As such, the proposed additional debt in the

2025 draft budget will increase to \$4,534,522.50. The same chart shows that annual debt payments in the 2025 proposed budget are equal to \$2,649,531.76. Once the loan for the County Road 29 Watermain has been added, the new debt payments amount will be \$2,733,275.57.

- c. The Ministry provides an Annual Repayment Limit (ARL) to the Municipality annually. The ARL represents the additional debt payments that the Municipality can take on, annually. In 2024, this amount is calculated as \$3,280,825. The Ministry estimates that at a 7% interest rate, this means that the Municipality can borrow between \$13,452,031 and \$34,757,109, depending on the term. Please see Attachment 2 for the ARL calculation and information.
- d. Council may decide to secure additional debt to fund capital projects. As an example, \$1,000,000 in debt over 25 years at 7% interest will result in additional costs of roughly \$86,000 each year for the following 25 years. Using the 2025 tax rate increase revenue of \$118,200, this means that a 0.72% tax rate increase would need to be implemented in the following year should such a debt be incurred.

d) Reserves and Reserve Funds

- a. Similar to borrowing, Council may decide to allocate spending from reserves to fund capital projects or other items. In Binder # 2, Tab 6, page 1, a summary listing of all reserves and proposed spending from reserves for 2025 is included for Council's reference. Should Council choose to spend funds from reserves, the balances in this schedule would be updated and the new balance provided.
- b. In follow up to the discussion at the Council meeting, and to provide further clarity, the recently revised Reserves and Reserve Funds Policy defines a reserve as "an allocation from net revenue, as identified by Council, as part of a funding strategy related to programs or projects set out in the municipality's annual budget." Council has discretion over how the reserves are spent, and approval for the utilization of reserves is normally provided to staff via approval of the annual budget. On occasion, Council may approve use of reserves during the year for new or emerging needs.

Additionally, in some instances, Council may take further action and create a discretionary reserve fund, "approved by by-law and created at the discretion of Council to earmark revenues intended to finance future expenditures or for a designated purpose". At this time the Municipality does not have any specific discretionary reserve funds.

e) Operating Budget

- a. Further to the request for information from Council, staff would like to provide the following clarification related to the definition of "medical benefits". These benefits include Physiotherapy, Chiropractic, Medical supplies, massage, and prescriptions.

OPTIONS:

Option A: THAT Council receives this report as information.

FINANCIAL IMPLICATIONS:

While this information is intended to provide Council with greater detail related to specific items and considerations related to the 2025 budget, there are no recommendations and no financial implications.

STRATEGIC PLAN

This information in this report is intended to support Council's deliberations and decision making related to all Strategic initiatives.

PUBLIC ENGAGEMENT

None

SUMMARY:

The report provides an overview of additional information requested by Council related to Mississippi Mills' 2025 draft budget, covering both operating and capital expenditures for each department. It outlines projected tax revenue needs, assessment growth, and sources of funding, including debt financing, grants, and reserves. The report also highlights the results of a public survey and provides a summary of tax rates for different property types. Additionally, it discusses the municipality's debt levels, potential new borrowing, and the use of reserves for future projects. Lastly, it includes information on key financial policies and projected expenditures, such as medical benefits for staff.

Respectfully submitted by,

Kathy Davis,
Director of Corporate Services, Treasurer

Reviewed by:

Name,
Title

ATTACHMENTS:

- 1. 2025 Draft Budget One-Pager
- 2. Annual Repayment Limit