



Administrative Report

To: Warden MacDonald and Members of Essex County Council

From: Melissa Ryan, CPA
Director, Financial Services/Treasurer

Date: Wednesday, October 16, 2024

Subject: 2025 Pre-Budget Discussion

Report #: 2024-1106-FIN-R21-MR

Purpose

The purpose of this report is to update Council on the current status of the County's 2025 budget and to outline the changes made to improve transparency in this year's budget process. These changes are a direct response to feedback from the 2024 budget discussions, aiming to provide greater clarity and ease in this year's budget deliberations.

Background

The County of Essex has followed a consistent budget process for the past decade. However, during the 2024 budget deliberations, County Council expressed a clear desire for a more transparent process to support informed decision-making. In response, Administration undertook a review to enhance key elements of the budget process, ensuring greater clarity and accessibility for Council.

This report aims to provide Council with an overview of the current budget status and to outline the changes in the process for the 2025 budget deliberations. These adjustments are intended to improve the flow of information and ensure Council has the necessary tools to engage in thorough and informed budget discussions.

Discussion

The discussion below provides important information for Council as well as proposed changes. All of the details provided below are intended for information purposes only.

Current Budget Status

Administration initiated the budget process in August of 2024, and after gathering all departmental requests, the initial tax rate increase was projected at 11.16%, representing a levy increase of \$17,313,080.

Following a thorough review by Finance, the CAO, and the Senior Leadership Team (SLT), we have made significant reductions, bringing the current proposed levy increase to \$11,479,890, or 6.37%.

Out of this \$11.5 million increase, approximately \$4 million is in relation to contractual increases, including the NU market salary review as well as all other negotiated contract increases presented to Council throughout the 2023 and 2024 year.

There is also a \$950,000 increase in spending to begin addressing the Asset Management Plan gap that was identified in the 2024 AMP plan as well as a \$1.5 million contribution to the expansion reserve to ensure we have adequate funding for growth projects.

We are sharing this update with Council to provide a clear picture of where we stand prior to the presentation of the 2025 Staffing Request report, which will include recommendations for the positions requested by various departments that have made it past the Finance, CAO and Senior Leadership Team review phase.

The complete Draft 2025 Budget will be released to Council on Thursday, November 7, 2024, and to the public on November 14, 2024. Deliberations will take place on November 28, 2024.

Organics (Green Bin) Program Costs

Following consultations with local municipal partners, Municipal Tax Experts (consultant) and EWSWA, it has been determined that the organics program special area rate costs will be deferred until January 2026 for all Local Municipal Partners. This decision was made based on several key considerations:

- **Program Costs Still Unfinalized:** Since the full costs of the organics program have yet to be finalized, initiating charges in January 2025 for a service not yet operational could lead to public dissatisfaction. Deferring the costs until 2026 ensures that charges align with the program's actual start.
- **Additional Time for Municipalities:** Local municipalities require additional time to ensure that their records are accurate for the

affected properties. Without finalized costs and program details, they are unable to adequately prepare.

- **Assessment Roll Confirmation:** Waiting until the November assessment rolls are finalized will allow us to confirm the eligible properties, ensuring accuracy before billing.

In addition, some program costs—including those for buildings, bins, and non-user fee-related expenses—will be borne by all municipalities beginning in January 2026, despite some municipalities not fully rolling out the program until 2027. Municipalities that will delay the full rollout until 2027 will still be responsible for their share of non-user fee costs in 2026. In 2027, these municipalities will take on their direct user fees when the program is fully operational.

From an accounting perspective, the costs incurred by the County starting in late 2025 (likely in November or December) will be set up as receivable from each local municipality for the following year, 2026. This method ensures that the County can manage the program costs in the interim without passing them on prematurely to the municipalities. The two months of extra costs incurred at the end of 2025 will be spread across the 2026 fiscal year, lessening the financial impact on taxpayers.

Change in Staffing Levels

In previous years, a staffing report detailing positions added to the annual budget was presented to Council after budget deliberations and approval of budget funds. During the 2024 budget discussions, Council indicated a preference for receiving the staffing report prior to deliberations. This will allow for a thorough review of the positions being proposed and provide clarity on how the allocated budget dollars will be utilized. The Director, Human Resources will present this report at the Council meeting on November 6, 2024, and will seek approval for these positions. The Draft 2025 Budget has been prepared to include these proposed positions and the proposed tax rate increase noted above includes the funding to support these proposed positions.

2024 Year End Results

Traditionally, the annual budget document included achievements and challenges that focused on the current year. This year, we have updated our templates to emphasize future goals and the upcoming budget rather than recapping the current year's performance. Year-end projections will still be included for comparative purposes, however, a comprehensive report highlighting each department's achievements and challenges from 2024 will

be presented in the first few months of 2025. The goal of this change is to improve the efficiency of the budget deliberation meeting.

Transparency in Budget Templates and Funding Sources

During budget discussions, there was a consensus on the importance of clearly identifying line items that are levy-funded, reserve-funded, or supported by other sources (such as provincial or federal funding). This will be incorporated into the new templates to enable Council to make informed decisions regarding any changes and their impacts on the budget. During the preparation stage, Financial Analysts have highlighted items that represent contractual or legislated increases, inflationary adjustments, or service level enhancements, ensuring clear communication about the drivers behind any increases or decreases which will be discussed in the budget overview report. Additionally, there may be minor adjustments to the final budget book, such as updates to the staffing count, the inclusion of a Council page, a strategic plan page, and a list of proposed items that were not included in the final budget.

Strategic Plan Incorporation

In late 2023, the County's first-ever strategic plan was approved by Council. This strategic plan will serve as a guiding framework as we develop the budget and prioritize initiatives that align with its goals. The strategic plan has been integrated into the Business Case template and will be a recurring theme in our budget presentations and materials moving forward, ensuring that administration remains aligned with Council's direction.

Reserve Management Policy Targets Incorporation

In mid-2024, the County approved its first Reserve Management Policy, which outlines threshold target balances for our reserves to support effective future planning. The budget will be developed with these targets in mind, and any changes during deliberations will need to reflect these guidelines.

Early Start for Budget Deliberations

Budget deliberations will now begin earlier in the day, starting at 9 AM. This change aims to prevent late-night fatigue and ensures ample time is allocated for thorough deliberation.

Separation of IT Budget

Following the approval of a new Director of Information Technology in 2024, the IT department will have its own dedicated budget. This marks a shift from previous years when IT expenses were typically included in the Finance

budget. This change supports greater spending transparency and recognizes the strategic role information technology has in all of the County's services.

Approval of Budget

In previous years, each department's budget was approved immediately following its presentation, which sometimes caused confusion during overall budget deliberations. This year, Council will have the option to either receive or approve each departmental budget after the presentation. This change is intended to streamline decision-making and avoid complications that arise from reconsidering a department's budget later in the same meeting. If there are items still under deliberation that may require further discussion, a motion to receive the department's budget would be appropriate. However, if Council is satisfied with the presentation and its contents, a motion to approve the budget would be appropriate.

All of these changes are being communicated in advance of the budget deliberations to ensure a clear understanding of the new processes. As stated earlier, the Draft 2025 Budget will be shared with Council November 7, 2024 and with the public on November 14, 2024. The current proposed budget reflects a tax rate increase of 6.37%, which will be discussed and deliberated further on November 28, 2024. While that presentation will provide a high-level review of the changes noted above, Administration believes it is essential to bring this information forward now to keep Council well-informed as we prepare for the upcoming budget deliberations.

Financial Implications

This report is for information only. There are no financial implications associated with this report. The changes proposed in this report focus on enhancing the clarity and efficiency of the budget process. Any and all references to proposed tax rate changes will be deliberated on November 28, 2024.

Consultations

Senior Leadership Team

Strategic Plan Alignment

| Working as Team Essex County | Growing as Leaders in Public Service Excellence | Building a Regional Powerhouse |
|---|--|--|
| <ul style="list-style-type: none"> <input type="checkbox"/> Scaling Sustainable Services through Innovation <input checked="" type="checkbox"/> Focusing "Team Essex County" for Results <input type="checkbox"/> Advocating for Essex County's Fair Share | <ul style="list-style-type: none"> <input type="checkbox"/> Being an Employer with Impact <input type="checkbox"/> A Government Working for the People <input checked="" type="checkbox"/> Promoting Transparency and Awareness | <ul style="list-style-type: none"> <input type="checkbox"/> Providing Reliable Infrastructure for Partners <input type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County <input type="checkbox"/> Harmonizing Action for Growth <input type="checkbox"/> Advancing Truth and Reconciliation |

Recommendation

That Essex County Council receive report number 2024-1106-FIN-R21-MR, 2025 Pre-Budget Discussion as information.

Approvals

Respectfully Submitted,

Melissa Ryan

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

| Appendix | Title |
|-----------------|--------------|
| N/A | N/A |