

# 2024 BUDGET

Management Discussion & Analysis



---

## Table of Contents

<b>1</b>	<b><i>Introduction</i></b> .....	<b>2</b>
1.1	Purpose and structure of this report.....	2
1.2	Background .....	2
<b>2</b>	<b><i>Illustrative Impact on a Typical Tax Bill</i></b> .....	<b>3</b>
<b>3</b>	<b><i>External Factors and Considerations</i></b> .....	<b>4</b>
	High cost of Goods and Services .....	4
3.1	AECL PILT Agreement .....	6
3.2	Significant increase in development activity .....	6
3.3	Recreation & Culture Master Plan.....	7
3.4	Increased Insurance Cost.....	7
3.5	Delayed update of assessment values.....	7
<b>4</b>	<b><i>Organizational Factors and Considerations</i></b> .....	<b>8</b>
4.1	CUPE Contract Negotiations .....	8
4.2	Human Resources .....	8
4.3	Water and Wastewater .....	9
4.4	Waste Collection .....	9
4.5	Plan Development.....	10
4.6	Major projects for 2024 .....	10
4.7	Assumptions .....	11
<b>5</b>	<b><i>2024 Municipal Budget at a Glance</i></b> .....	<b>12</b>
5.1	Capital budget for 2024 .....	12
5.1.1	Considerations from the Asset Management Plan .....	14
5.2	Operating Budget for 2024 .....	15
5.2.1	Operating expenses.....	18
5.2.2	Operating revenues .....	19
5.3	Impact of the Capital and Operating Budgets on Reserves.....	20
<b>6</b>	<b><i>2023 Water and Wastewater Budgets</i></b> .....	<b>20</b>

# 1 Introduction

## 1.1 Purpose and structure of this report

This report provides a high-level summary and overview of the proposed 2024 Operating and Capital Budgets, to be tabled at Council for discussion on March 20<sup>th</sup>, 2024. It contains:

- A description of the impact of the proposed budget on the property tax rate, tax levy and the **tax bill**
- An overview of the capital budget
- An overview of the operating budget, including a description of revenue sources and expense categories.
- A description of the factors that have been considered during the development of this budget:
  - External events that have impacted Deep River
  - Internal considerations and significant changes
  - Significant assumptions
- A description of the impact of the proposed budget on reserves

## 1.2 Background

Staff used a standard budgeting approach which considered expense and revenue trends over the past four years while also accounting for current and evolving factors in the preparation of this budget. Previous general ledger codes and their alignment with the new consolidated general ledger codes was also incorporated into this review. Underlying assumptions of revenues and expenses were tested, and historical trends were considered.

Council adopted a proposed set of User Fees on December 20<sup>th</sup>, 2023. These adjusted fees have been included in the 2024 Operating Budget.

As is usual for the new term of Council, a review and update of the four-year strategic plan is underway. The proposed 2024 Operating and Capital Budgets account for the discussions held so far, as well as furthering the existing strategic objectives reflected in the 2019 to 2022 Strategic Plan.

## 2 Illustrative Impact on a Typical Tax Bill

Deep River ratepayers pay a combined property tax that is comprised of municipal, county, and education portions. The tax paid by each property is dependent on that property’s tax class (residential, commercial, industrial, etc.), and its assessment value relative to the overall assessment value of the Town. As required by provincial legislation, property values are assessed by the Municipal Property Assessment Corporation, an independent provincial agency, and are currently still based on 2016 values. Deep River also receives payments in lieu of tax (PILT) from AECL and other agencies with federally owned land in Deep River.

**The 2024 Capital and Operating budgets proposed in this document will result in an increase of approximately 6.5% in the average residential property tax bill, which is made up of a:**

- 7.9% increase in the municipal tax portion,
- 5.3 % increase in the county tax portion, and
- 0% increase in the education tax portion

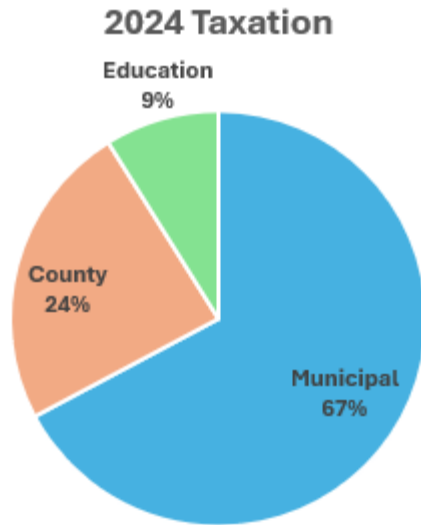
Table 1 shows illustrative examples of the impact of the proposed budget on a “per \$100,000” basis and for a typical residential and commercial property in Deep River.

Table 1: Impact of taxation increase on a typical tax bill

		2023 Taxation	2024 Taxation	Total \$ Change	% Change
<b>Residential</b>	<b>Combined property tax</b>	<b>1,617</b>	<b>1,723</b>	<b>106</b>	<b>6.52%</b>
per \$100,000 in assessed value	Municipal	1,073	1,158	85	7.90%
	County*	392	412	21	5.30%
	Education*	153	153	0	0.00%
<b>Total for a residential property with a median assessed value of \$204,000</b>		<b>3,300</b>	<b>3,515</b>	<b>215</b>	<b>6.52%</b>
		2023 Taxation	2024 Taxation	Total \$ Change	% Change
<b>Small / retail commercial property</b>	<b>Combined property tax</b>	<b>3,538</b>	<b>3,729</b>	<b>191.464</b>	<b>5.41%</b>
per \$100,000 in assessed value	Municipal	1,947	2,101	154	7.90%
	County*	710	748	38	5.30%
	Education*	880	880	0	0.00%
<b>Total for a commercial property with a median assessed value of \$138,000</b>		<b>7,217</b>	<b>7,607</b>	<b>391</b>	<b>5.41%</b>

\* County of Renfrew and education tax rates set for 2023

The **municipal portion** of the property tax on the median single-family home in Deep River will increase by approximately \$173, and by \$212 for the median small / retail commercial property.



Deep River ratepayers pay a combined property tax that is comprised of municipal, county, and education portions. Figure 1 shows the relative sizes of the components of a residential property tax bill.

Figure 1: Breakdown of a typical residential property tax bill

### 3 External Factors and Considerations

The following externally driven factors were considered in the preparation of the 2024 Capital and Operating budgets.

#### High cost of Goods and Services

Canada experienced very high levels of inflation from 2021 to 2024 which have had a significant impact on the cost of goods and services for the municipality. Although inflation rates have diminished recently, costs for goods and services remain high. Continuing supply chain issues also have a significant impact on costs.

Furthermore, inflation in building and construction costs remains high, affecting most of the Town's capital projects (the local Building Price Index for non-residential buildings was 5.9% for Q3 & 4 of 2023).

The impact of the high and prolonged inflation rate can be seen in the significant tax increases that municipalities across the province are implementing in 2024. Table 2 lists the tax rate increases across the County of Renfrew, and for the comparator group of municipalities used in the Financial Master Plan. Note that Deep River's increases have been similar to the average increase across these groups.

Table 2: Comparison of tax rate increases across Renfrew County

	2023	2024	Combined increase over last two years
<b>County of Renfrew</b>	<b>2.50%</b>	<b>5.30%</b>	<b>7.93%</b>
<b>County of Renfrew municipalities (average)</b>	<b>3.82%</b>	<b>7.96%</b>	<b>12.09%</b>
Admaston-Bromley	10.00%	22.00%	34.20%
Renfrew	3.97%	11.22%	15.64%
Greater Madawaska	6.68%	7.46%	14.64%
Petawawa	6.33%	7.00%	13.77%
Killaloe, Hagarty and Richards	5.01%	7.94%	13.35%
Laurentian Valley	4.34%	8.00%	12.69%
Whitewater Region	6.98%	5.20%	12.54%
<b>Deep River</b>	<b>3.50%</b>	<b>7.90%</b>	<b>11.68%</b>
Pembroke	2.95%	7.94%	11.12%
Horton	2.56%	5.40%	8.10%
North Algona-Wilberforce	2.63%	3.00%	5.71%
Arnprior	3.00%	2.50%	5.58%
McNab-Braeside	4.30%	unknown	
Bonnechere Valley	3.00%	unknown	
Brudenell, Lyndoch and Raglan	1.85%	unknown	
Madawaska Valley	1.69%	unknown	
Head, Clara and Maria	0.00%	unknown	
Laurentian Hills	0.00%	unknown	
<b>Comparator municipalities in Fin. Master Plan (average)</b>	<b>4.81%</b>	<b>6.58%</b>	<b>11.71%</b>
North Huron	20.70%	3.80%	25.29%
Aylmer	5.80%	10.81%	17.24%
Renfrew	3.97%	11.22%	15.64%
Petawawa	6.33%	7.00%	13.77%
Goderich	4.75%	7.00%	12.08%
<b>Deep River</b>	<b>3.50%</b>	<b>7.90%</b>	<b>11.68%</b>
Hanover	0.91%	10.48%	11.48%
Gananoque	3.00%	7.00%	10.21%
Perth	5.10%	4.00%	9.30%
Casselman	3.60%	4.30%	8.05%
Prescott	3.70%	4.00%	7.85%
Petrolia	2.70%	1.50%	4.24%
Laurentian Hills	0.00%	unknown	
Espanola	4.00%	unknown	
Southwest Middlesex	4.10%	unknown	

### 3.1 AECL PILT Agreement

The Town of Deep River Financial Master Plan (2020) highlighted the importance of Atomic Energy of Canada (AECL) as the Town's largest ratepayer. Members of Council and staff worked with AECL and Canadian Nuclear Laboratories (CNL) to successfully negotiate a Payment In Lieu of Taxes Agreement (the Agreement) which was entered into by the three parties in 2021. The purpose of this Agreement was for all parties to work with the Municipal Property Assessment Corporation (MPAC) to conduct a retrospective review of the property assessment values over a ten-year period to ensure alignment with the significant investments that occurred at the Chalk River Laboratory site during that time.

A specific methodology to identify any potential discrepancies and financially reconcile any difference was included in the Agreement. The outcome of this process was concluded in 2023 which resulted in a one-time retroactive AECL PILT payment of \$2,354,725. For the purposes of this budget, staff recommend that the full amount of this payment be invested in a capital reserve that will be focused on a range of significant capital improvements for the provision of services within the community.

Contained in the capital section of this budget is a combined total for projects to be directly funded from this **"PILT Agreement Reserve" of \$1,261,300**. These projects include a replacement Fire Pumper, downtown improvements, upgrades to both the Deep River Community Library and the Arena and a significant contribution toward our road rehabilitation projects.

### 3.2 Significant increase in development activity

One of the key objectives identified in the 2019 to 2022 Strategic Plan is the growth of new housing opportunities in Deep River. It is clear from the progress over the past year and a half that this objective will continue to be a priority once the revised strategic plan has been completed. There has been continued interest and activity from developers including three active Plans of Sub-division with several other potential housing developments in various stages of the planning process. Construction is underway on the new Long-Term Care facility at the Deep River and District Hospital as well as the Morrison Park Townhouse development. The proposed 2024 Operating Budget has considered impacts from this activity that range from Building Permits and Development Charges to Staff education and human resource allocations.

Variances between the 2023 Operating Budget and the actuals from planning related expenses and revenues have been incorporated into the proposed 2024 Operating Budget.

### 3.3 Recreation & Culture Master Plan

The Town of Deep River Financial Master Plan (FMP), 2020 highlighted the need to reconsider our Recreation & Culture funding model due to the high per household cost of services which is significantly higher than the comparator group of municipalities.

## Recreation and Culture per Household 2018

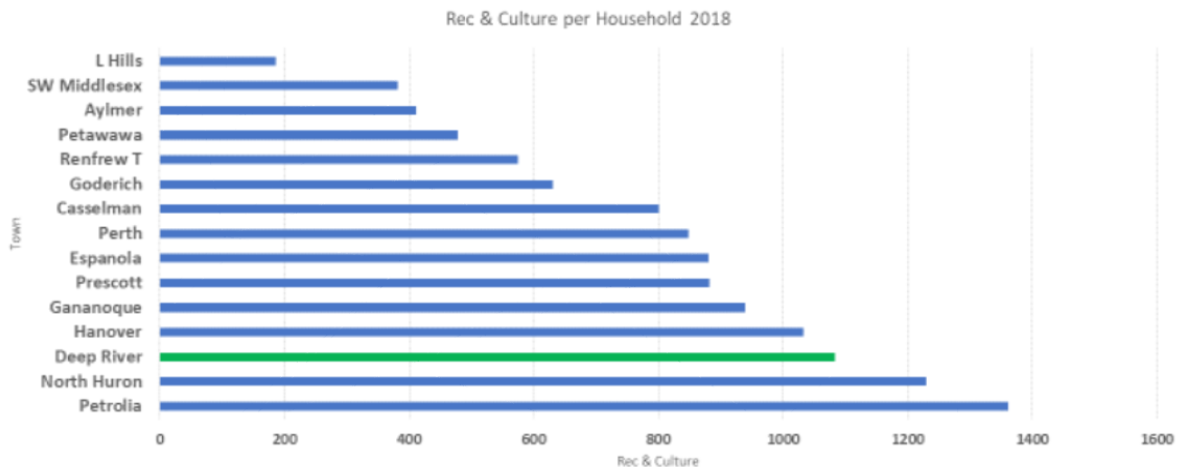


Figure 2: Extract from Financial Master Plan

The FMP rationale that was provided for this high per-household cost is “*This level is largely due to two factors. It has a very wide variety of facilities, many inherited from the early AECL days, and they serve not only Town residents but also many from neighbouring municipalities.*”

Although no direct impacts of contributions from other municipalities to our Recreation & Culture facilities and programs have been included in this budget funds to invest in the development of a Recreation & Culture Master Plan have been included. First steps in the engagement process with our neighbouring Municipalities have been identified and a more comprehensive strategy is expected to be a key component of the Recreation & Culture Master Plan.

### 3.4 Increased Insurance Cost

The total increase to the cost of insurance included in the proposed 2024 Operating Budget is just over \$20,000 which represents a 15% increase from the 2023 rates. This change represents just under a 0.3% increase to our total proposed 2024 Operating Budget. This is consistent with municipal insurance industry trends.

### 3.5 Delayed update of assessment values

In 2020, the Provincial government postponed the regular four-year update to assessment values and indicated that property taxation in 2021 would be based on the 2016 assessments.



In the 2021 Fall Economic Outlook statement, the Provincial government extended this delay further to the end of 2023. Since then, there have been no announcements as to when assessments will be updated. At the earliest, these would resume in 2025.

As a result, only new developments (assessed at 2016 values) have contributed to growth in the tax base. Previously, the tax base would have grown through a combination of assessed value growth and new developments.

Note that the update to assessment values would not directly impact the municipal budget, only the relative proportion of taxation paid by each property owner.

---

## 4 Organizational Factors and Considerations

The following significant and atypical changes to the municipality's operations impacted the 2024 operating budget.

### 4.1 CUPE Contract Negotiations

The current Collective Agreements with CUPE Local 740 (Town Hall and Operations employees) and CUPE local 740 (Library workers) expired on February 29, 2024. Notice to bargain for both agreements have been given and the collective bargaining process for CUPE 740 is scheduled to begin on March 25, 2024, with supplementary dates scheduled in April. It must be noted that once progress has been made in the bargaining process with CUPE 740, bargaining with CUPE 4740 will be scheduled. Both contracts were five-year agreements which were negotiated pre COVID and contained modest annual increases (1.5% per year). Due to the significantly high levels of the Consumer Price Index (CPI) that have taken place since the spring of 2019 it is anticipated that relatively high levels of wage increases will be proposed by CUPE.

Staff have reviewed recent trends in Collective Agreements and Interest Arbitration (2019-2024) and have proposed a 2024 Operating Budget based on those trends. As bargaining is about to begin it would be inappropriate to provide specific details on those wage increases.

### 4.2 Human Resources

Several changes are contained in the proposed budget to the allocation of Human Resources to various cost centers in order to better reflect the specific cost of each service.

Workman's Compensation cost has continued to escalate which is a significant impact to the overall Human Resource cost in this budget. A summary of these impacts is included in Section 5.2.1 Operating Expenses of this report.

### 4.3 Water and Wastewater

Over the past two years we have conducted a Water & Wastewater Operations Review, an internal operations feasibility study, a market Request for Proposal for the operation of our water and wastewater systems and finally a contract negotiation which is proposed in a new Water & Wastewater Agreement By-Law at the March 20, 2024, regular meeting of Council. This new model is expected to provide significant annual cost savings however the new model has not been utilized in the preparation for this budget. The new model will only be in place for three quarters of the year and this change represent a major shift in operating models that is new for Deep River. For these reasons, the proposed 2024 Budget for Water & Wastewater Operations is based on the pre 2024 model. All potential savings in 2024 from the adoption of the new service model will be proposed as an extra transfer to the corresponding water or wastewater reserves to bolster their depleted balances. It must be noted that this would be in addition to the proposed transfer to reserves that is contained in the proposed budget.

A CNL rate review was conducted in late 2023 with final revisions currently underway. The results of this review will be presented to Council in Q2 or Q3 of 2024. For the purposes of the proposed 2024 budget volumes and rates consistent with the current contract have been utilized.

Significant investments in projects related to water and wastewater that will enable forecasted housing development have been included in this budget proposal. This is consistent with housing targets identified in both the Strategic Plan and the Deep River Official Plan. Watermain and Sanitary Sewer main relining, along with inflow and infiltration projects, to address capacity issues are proposed as part of the capital budget.

A Town of Deep River Utility Rate Study was developed with Watson & Associates and was adopted by Council in 2021. This study recommended a three-year review which has been included in this budget. Assumptions on capital investments and corresponding grant funding from the Provincial and Federal governments was included in the adopted scenario which will be tested as part of this review to ensure adopted rates provide adequate resources into capital investments.

### 4.4 Waste Collection

A significant increase in the cost for solid waste and recycling collection has been incorporated into the budget. It must be noted that this is a long-term (10-year) fixed price agreement for solid waste collection. The significant increase in cost demonstrated in the 2024 budget will represent a significant decrease in cost over what might have been expected in the latter years of this agreement.

It should also be noted that recycling collection (a short-term contract) is expected to transition to a producer-pay system in 2025. This will eliminate the approximately \$300,000 / year cost for this service to the community.

## 4.5 Plan Development

Both project financial resources along with Human Resource allocations have been considered for plan development. Capital projects are proposed for a Recreation & Culture Master Plan, a review of the Utility Rate Study, Asset Management Plan and Community Improvement Plan work.

## 4.6 Major projects for 2024

The following major projects are proposed for 2024 in support of the Town's Strategic Plan:

### ***Projects related to improvements in governance, administrative efficiencies, and customer service***

- Extending and updating the Financial Master Plan, focusing on updates to Procurement and Purchasing policies, and developing a thorough Reserve and Reserve Fund policy.
- Continuation of the general by-laws and policies review.
- Leveraging the upgraded financial software system to improve services to residents and internal efficiencies.
- Continuation of improvements to internal performance measurement and workplace culture program.
- Training and developing staff, particularly recent hires, to build organizational capabilities and support succession planning.
- Implementation of a property tax fairness audit process.

### ***Projects related to increased population and a vibrant economic sector***

- Policy updates to support and guide further development, including the further review and update of the Town's Zoning by-law, and the initiation of the secondary plan for the Keys Conference Centre property and marina area.
- Continued implementation of the Community Improvement Plan (streetscape improvements, implementation of the CIP Grant program).
- Continued interactions with local developers, and development of further partnerships to create new housing opportunities.

### ***Projects related to quality and reliable infrastructure and facilities***

- Continued updates to the Town's asset management plans, including a long-term infrastructure rehabilitation / replacement plan.
- Road and sidewalk rehabilitation projects, and the design work for future road reconstruction projects.
- Relining of water and wastewater mains to test the feasibility of evolving relining technologies, improve water quality, and reduce inflow and infiltration to gain capacity within the wastewater system.
- Various improvements and capital upgrades to water and wastewater treatment plants.

- Completion of accessibility, efficiency, and safety upgrades to the Deep River Library and Public Works Facility.
- Necessary structural and mechanical repairs to the Community Pool.
- Continuation of the marina docks replacement and rehabilitation project (contingent on grant funding).
- Upgrades and improvements to the Town Hall emergency power and connectivity to ensure essential services are available in emergencies.
- A capital contingency budget to allow for short notice small infrastructure repair or replacement.

***Projects related to improvements in recreational opportunities***

- Engage with neighboring municipalities on recreation and culture funding models.
- Initiating the development of a formal medium-to-long term Recreation and Culture Master Plan.
- Revisions to recreational programming, including new programs.

## **4.7 Assumptions**

The primary assumptions made during the development of this budget include:

- Only new “non-resident” user fees that were adopted in the December 2023 User Fee By-Law have been included in the 2024 operating budget.
- A 25% reduction in user fee revenue at the Community Pool has been included to account for the ongoing closure.
- The Marina will operate as usual (seasonal dates, operating times, services available).
- Revenue generated from the sale of the two Hammond Court properties was received in Q1 of 2024. This has been included in the 2024 budget along with a corresponding transfer to reserves for 100% of the proceeds.
- Building permits for the new long-term care and family health team facilities at the DRDH campus were issued in 2023. Building inspection costs have been included in 2024.
- No revenue from Development Charges has been included in the 2024 budget. Note that all Development Charge fees must be placed into an obligatory reserve fund. Development Charge revenue from 2023 will be utilized as part of capital project funding.
- A \$50,000 budget has been included as a contribution towards Deep River’s portion of utility costs for Keys School if the Town of Deep River and the County of Renfrew purchase Keys School from the Renfrew County Public School Board.
- A grant of \$20,000 for North Renfrew Family Services has been included in the 2024 operating budget.
- A \$15,000 grant has been included for the 2024 Deep River Summerfest.
- The Community Grant program continues with a \$35,000 budget.

- The Community Improvement Plan financial incentive program continues in 2024 with a budget of \$25,000.
- An estimate of Deep River's portion of the Pembroke Airport & North Renfrew Landfill Operations Board operating budgets has been included in the budget.
- A transfer of \$5,000 to the Airport Runway reserve has been included in the operating budget. This reserve was used to fund the purchase and installation of new gas tanks and pumps in 2022.
- A transfer of \$10,000 from the Cemetery Trust has been made to fund care and maintenance of the cemetery.
- AECL PILT will be paid consistent with MPAC roll.
- Due to significant turnover in the Finance department, the 2022 audited financial statements are incomplete. Completion is expected in April, 2024, followed shortly after that by the 2023 audit. Reserve balances have been estimated and cannot be confirmed until both audits are complete.

---

## 5 2024 Municipal Budget at a Glance

### 5.1 Capital budget for 2024

Table 3 outlines the proposed capital projects for 2024, the associated costs, and sources of funding. **A total of \$4,099,363 in capital spending** (excluding water and wastewater) is recommended, with **45%** of the funds to be drawn from reserves. Approximately **9%** will be sourced from grants and other funding, and **8%** from taxation revenue received in 2024.

Currently, **\$1,426,550 in debt financing** is proposed for 2024 for the rehabilitation of the Community Swimming Pool. Contributions from neighbouring municipalities will be considered in the final funding model for this project.

Council must approve any new debt on a case-by-case basis and staff will make further presentations for each new arrangement. Further, should funding any project through debt become the more favourable option, staff will make this recommendation to Council for approval.

Section 5.3 below contains more details on the impact of this budget on reserve levels.

It should be noted that projects requiring grant funding are conditional on that funding being received. Staff will continue to research and apply for all appropriate grants in relation to all Capital projects.

All potential changes to the current proposed Capital funding model will be presented to Council for approval.

Note that all *significant projects* have been included in the 2024 Capital Budget, including those which may not be “capitalized”, and which were historically included in the operating budget. This is to improve monitoring and budget tracking, and better align with accounting best practices. *Significant projects* are those which have high complexity, high cost, long timeframes, and/or require multiple service providers.

Table 3: Capital budget for Municipal Operations and Infrastructure

	2024 Budget	Carried forward from 2023	Reserve	Taxation in 2024	Debt Financing	Grant and Other Funding
<b>Total Capital Budget for Municipal Operations</b>	<b>4,099,363</b>	<b>147,300</b>	<b>1,845,000</b>	<b>332,013</b>	<b>1,426,550</b>	<b>348,500</b>
<b>Contingency</b>	<b>100,000</b>	-	-	<b>100,000</b>	-	-
Annual capital contingency	100,000	-	-	100,000	-	-
<b>Finance and Administration</b>	<b>138,000</b>	-	<b>138,000</b>	-	-	-
Rec & Culture Master Plan	50,000	-	50,000	-	-	-
Downtown Revitalization	60,000	-	<b>60,000</b> <sup>1</sup>	-	-	-
Utility Rates Study - review	20,000	-	20,000	-	-	-
Technology Replacement	8,000	-	8,000	-	-	-
<b>Facilities</b>	<b>2,098,350</b>	<b>7,300</b>	<b>316,000</b>	-	<b>1,426,550</b>	<b>348,500</b>
Library Improvements	16,300	-	<b>16,300</b> <sup>1</sup>	-	-	-
Town Hall Improvements	95,000	7,300	24,700	-	-	63,000 <sup>2</sup>
Fire Hall - internal paint	35,000	-	35,000	-	-	-
Downtown EV charging station	220,000	-	-	-	-	220,000 <sup>3</sup>
Marina Dock Upgrades Phase 4	80,000	-	40,000	-	-	40,000 <sup>4</sup>
Marina Building	15,000	-	15,000	-	-	-
Community Pool - rehabilitation	1,452,050	-	-	-	1,426,550	25,500 <sup>5</sup>
Arena Improvements	85,000	-	<b>85,000</b> <sup>1</sup>	-	-	-
Public Works Yard	100,000	-	100,000	-	-	-
<b>Fleet</b>	<b>1,208,013</b>	<b>140,000</b>	<b>836,000</b>	<b>232,013</b>	-	-
Police Cruiser	86,000	-	86,000	-	-	-
Trackless Sidewalk Machine	232,013	-	-	232,013	-	-
Zero-turn Mower	20,000	-	20,000	-	-	-
Truck 30 (water truck)	90,000	90,000	-	-	-	-
PW half-ton truck	65,000	50,000	15,000	-	-	-
Fire Pumper truck	715,000	-	<b>715,000</b> <sup>1</sup>	-	-	-
<b>Infrastructure</b>	<b>555,000</b>	-	<b>555,000</b>	-	-	-
Road rehabilitation	385,000	-	<b>385,000</b> <sup>1</sup>	-	-	-
Stormwater rehabilitation	150,000	-	150,000	-	-	-
Catch basin repair program	20,000	-	20,000	-	-	-

- Notes:
1. Projects funded from AECL PILT Agreement Reserve (highlighted in blue)
  2. Nuclear Emergency Preparedness grant
  3. ChargeON and ZEVIP grants
  4. DFO grant
  5. Dectron grant

Table 4 shows the projected capital budgets for 2025 to 2028. These are provided for information only and will change as the planning horizon shortens.

Table 4: Projected capital plan for 2024 to 2027

	Total	2025	2026	2027	2028
<b>Total Capital Budget</b>	<b>3,500,904</b>	<b>916,968</b>	<b>901,968</b>	<b>851,968</b>	<b>830,000</b>
Contingency	400,000	100,000	100,000	100,000	100,000
Finance and Administration	40,000	10,000	10,000	10,000	10,000
Facilities	640,000	190,000	-	450,000	-
Fleet	1,185,000	155,000	330,000	0	700,000
Infrastructure	623,936	291,968	20,000	291,968	20,000
Fire	611,968	170,000	441,968	0	0

### 5.1.1 Considerations from the Asset Management Plan

In 2022, Council adopted an Asset Management Plan (AMP) for the Town's core assets (transportation, stormwater, water, and wastewater assets). The plan outlined the lifecycle activities and estimated funding required to maintain the current levels of service delivered by these assets for the next twenty years.

The 2024 Operating and Capital Budgets show increases in infrastructure rehabilitation and maintenance activity over previous years, but these are still below the levels described in the Asset Management Plan. This is due to limitations in reserves and funding available, in addition to the limited capacity of staff and suppliers.

Asset management is an ongoing effort, and staff continue to develop the AMP. In 2024, provincial legislation requires the Town's asset management plan be extended to include other town assets such as facilities and fleet. Further, staff are working with the Town's consulting engineers to develop rolling medium to long-term capital project plans identifying specific repair/rehabilitate projects. A detailed condition assessment of the two treatment plants has also been included in 2024, with the intention to develop a comprehensive maintenance plan for these complex assets in order to maximise life expectancy.

## 5.2 Operating Budget for 2024

The proposed 2024 Operating and Capital budget requires that **\$9,165,670** be raised from municipal taxation, an **increase of 9.6%** compared to the 2023 operating and capital budgets.

Table 5: Consolidated municipal operating budget

	2022 Budget	2023 Budget	2024 Budget	\$ Diff. (from 2023 Budget)	% Diff. (from 2023 Budget)
<b>Total revenue to be raised from taxation</b>	<b>7,191,020</b>	<b>8,359,675</b>	<b>9,165,670</b>	<b>805,995</b>	<b>9.6%</b>
<b>Expenses</b>	<b>9,171,267</b>	<b>9,132,172</b>	<b>9,787,134</b>	<b>654,962</b>	<b>7.2%</b>
<b>Revenues</b>	<b>-3,127,116</b>	<b>-2,497,043</b>	<b>-2,665,853</b>	<b>-168,811</b>	<b>6.8%</b>
Revenues (user fees, etc.)	-1,879,190	-2,127,743	-1,816,814	310,928	-14.6%
Revenues (OMPF, PILT adds, supp's, etc.)	-1,247,926	-369,300	-849,039	-479,739	129.9%
<b>Transfers</b>	<b>1,146,869</b>	<b>1,724,545</b>	<b>2,044,390</b>	<b>319,844</b>	<b>18.5%</b>
Transfer from Reserves	0	-17,800	-10,000	7,800	-43.8%
Transfer to Capital from general taxation	202,500	827,581	620,143	-207,438	-25.1%
Transfer to Reserves	944,369	914,764	1,434,247	519,482	56.8%

The following table and figures show the breakdown of the municipal operating budget across departments, and Sections 5.2.1 and 5.2.2 describe significant changes to operating expenses and revenues, respectively.

The Capital and Operating budgets for Water and Wastewater services are listed separately in section 6 below.

*Note that the 9.6% increase in the amount to be raised from taxation does not result in an equivalent increase in individual non-PILT property tax bills. The property tax paid by each property is dependent on that property's assessment value relative to the overall assessment value of the Town.*

*The impact of this budget on a typical property's tax bill is described in Section 2 above.*



Table 6: Operating budget summary by category

	Budget 2022	Actual 2022	Budget 2023	Actual 2023	Budget 2024	\$ change	% Change
<b>Corporate Administration</b>	<b>2,037,641</b>	<b>1,811,300</b>	<b>2,251,693</b>	<b>1,058,035</b>	<b>2,732,634</b>	<b>480,941</b>	<b>21.4% ▲</b>
Expense	1,298,106	1,324,813	1,516,077	1,306,068	1,462,557	-53,519	-3.5% ▼
Revenue	-133,234	-214,948	-121,995	-248,033	-101,050	20,945	-17.2% ▼
Transfers to/from reserves	872,769	701,434	857,611	0	1,371,127	513,516	59.9% ▲
<b>Recreation and Facilities</b>	<b>1,027,012</b>	<b>1,141,855</b>	<b>995,287</b>	<b>884,109</b>	<b>1,101,958</b>	<b>106,671</b>	<b>10.7% ▲</b>
Expense	1,533,501	1,612,718	1,521,489	1,386,930	1,642,608	121,118	8.0% ▲
Revenue	-510,489	-475,049	-575,985	-502,821	-545,250	30,735	-5.3% ▼
Transfers to/from reserves	4,000	4,187	49,782	0	4,600	-45,182	-90.8% ▼
<b>Transportation (Roads, sidewalks, etc.)</b>	<b>832,406</b>	<b>858,611</b>	<b>848,420</b>	<b>980,078</b>	<b>915,284</b>	<b>66,864</b>	<b>7.9% ▲</b>
Expense	1,211,812	1,274,574	1,028,508	1,281,213	920,402	-108,106	-10.5% ▼
Revenue	-379,406	-372,012	-579,191	-301,134	-530,261	48,930	-8.4% ▼
Transfers to/from reserves	0	-43,950	399,103	0	525,143	126,040	31.6% ▲
<b>Environmental Services (solid waste, stormwater)</b>	<b>487,002</b>	<b>433,782</b>	<b>519,567</b>	<b>501,570</b>	<b>788,269</b>	<b>268,701</b>	<b>51.7% ▲</b>
Expense	679,495	645,005	714,718	755,280	1,008,472	293,753	41.1% ▲
Revenue	-220,593	-221,125	-236,000	-253,710	-245,203	-9,203	3.9% ▲
Transfers to/from reserves	28,100	9,903	40,849	0	25,000	-15,849	-38.8% ▼
<b>Library</b>	<b>414,449</b>	<b>414,568</b>	<b>452,972</b>	<b>355,997</b>	<b>469,761</b>	<b>16,789</b>	<b>3.7% ▲</b>
Expense	430,530	421,035	493,372	399,448	499,070	5,698	1.2% ▲
Revenue	-18,081	-33,616	-44,600	-43,450	-31,309	13,291	-29.8% ▼
Transfers to/from reserves	2,000	27,149	4,200	0	2,000	-2,200	-52.4% ▼
<b>Planning and Development (planning, ec dev, tourism)</b>	<b>194,126</b>	<b>160,621</b>	<b>116,518</b>	<b>101,819</b>	<b>203,283</b>	<b>86,766</b>	<b>74.5% ▲</b>
Expense	229,126	212,694	127,918	139,101	213,683	85,766	67.0% ▲
Revenue	-275,000	-52,073	-251,400	-37,282	-133,920	117,480	-46.7% ▼
Transfers to/from reserves	240,000	0	240,000	0	123,520	-116,480	-48.5% ▼
<b>Health Services (cemetery, healthcare)</b>	<b>8,575</b>	<b>6,807</b>	<b>68,434</b>	<b>43,395</b>	<b>114,905</b>	<b>46,471</b>	<b>67.9% ▲</b>
Expense	64,100	67,068	88,684	60,776	145,155	56,471	63.7% ▲
Revenue	-55,525	-60,262	-20,250	-17,382	-20,250	0	-
Transfers to/from reserves	0	0	0	0	-10,000	-10,000	-
<b>Council</b>	<b>116,294</b>	<b>108,167</b>	<b>171,865</b>	<b>134,516</b>	<b>175,196</b>	<b>3,331</b>	<b>1.9% ▲</b>
Expense	116,294	108,167	171,865	134,376	175,196	3,331	1.9% ▲
Revenue	0	0	0	140	0	0	-
Transfers to/from reserves	0	0	0	0	0	0	-
<b>Protection Services</b>	<b>3,321,442</b>	<b>3,600,171</b>	<b>3,304,220</b>	<b>3,288,490</b>	<b>3,513,419</b>	<b>209,199</b>	<b>6.3% ▲</b>
<b>Fire Service</b>	<b>1,728,393</b>	<b>1,838,315</b>	<b>1,593,778</b>	<b>1,676,340</b>	<b>1,457,641</b>	<b>-136,136</b>	<b>-8.5% ▼</b>
Expense	1,732,893	1,843,485	1,473,778	1,683,713	1,467,641	-6,136	-0.4% ▼
Revenue	-4,500	-5,170	-10,000	-7,373	-10,000	0	-
Transfers to/from reserves	0	0	130,000	0	0	-130,000	-100.0% ▼

	Budget 2022	Actual 2022	Budget 2023	Actual 2023	Budget 2024	\$ change	% Change
<b>Police Service, Police Service Board</b>	<b>1,576,873</b>	<b>1,655,186</b>	<b>1,677,763</b>	<b>1,635,312</b>	<b>1,925,481</b>	<b>247,717</b>	<b>14.8% ▲</b>
Expense	1,750,195	1,781,256	1,833,945	1,790,729	2,075,552	241,607	13.2% ▲
Revenue	-173,322	-126,070	-159,182	-155,417	-153,071	6,111	-3.8% ▼
Transfers to/from reserves	0	0	3,000	0	3,000	0	-
<b>Building, by-law enforcement, animal welfare</b>	<b>14,975</b>	<b>105,283</b>	<b>30,679</b>	<b>-23,512</b>	<b>123,297</b>	<b>92,618</b>	<b>301.9% ▲</b>
Expense	124,015	156,381	159,819	139,072	169,797	9,978	6.2% ▲
Revenue	-109,040	-51,098	-129,140	-162,584	-46,500	82,640	-64.0% ▼
Transfers to/from reserves	0	0	0	0	0	0	-
<b>Emergency preparedness</b>	<b>1,200</b>	<b>1,387</b>	<b>2,000</b>	<b>350</b>	<b>7,000</b>	<b>5,000</b>	<b>250.0% ▲</b>
Expense	1,200	1,387	2,000	132	7,000	5,000	250.0% ▲
Revenue	0	0	0	219	0	0	-
Transfers to/from reserves	0	0	0	0	0	0	-

### 2024 Operating Budget

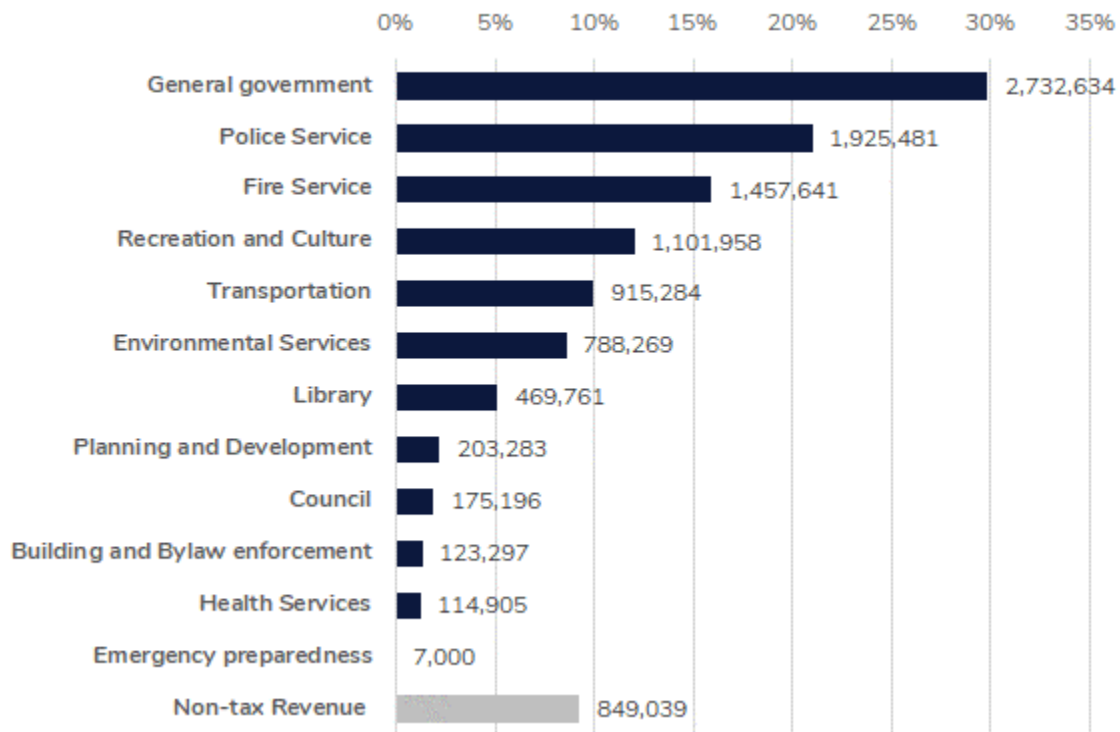


Figure 3: Departmental net operating expenses

### 5.2.1 Operating expenses

**Operating expenses (excluding water & wastewater) total \$ 9,787,134, an increase of 7.2% compared to Budget 2023.**

The following significant components of the operating expenses should be noted:

#### ***Compensation and staffing costs***

The overall increase in combined salaries, wages and benefits across the organization is 3.8% (refer to Table 7). This increase is driven by:

- Salary and wage increments for non-unionized staff as required by the updated by-laws.
- An estimated increase for unionized staff in anticipation of the upcoming contract negotiations.
- Increased training and development costs.
- Increased WSIB costs.
- A slight decrease in the cost of insured benefits. The Town of Deep River is part of a group benefits program through the County of Renfrew. Pricing is related to claims and usage history.
- Increases in legislated deductions, especially the extension of OMERS to part-time staff, and increases in CPP, EI, and EHT.
- Reductions in part-time staffing for the Community Pool

Table 7: Summary of Salaries, Wages and Benefits

	Budget 2022	Actual 2022	Budget 2023	Actual 2023	Budget 2024	\$ change	% Change
<b>General government</b>	<b>5,098,113</b>	<b>5,309,318</b>	<b>5,725,752</b>	<b>5,829,054</b>	<b>5,941,091</b>	<b>215,339</b>	<b>3.8% ▲</b>
<i>Regular salaries</i>	<i>4,184,895</i>	<i>3,760,112</i>	<i>3,836,115</i>	<i>3,883,465</i>	<i>3,988,189</i>	<i>152,075</i>	<i>4.0% ▲</i>
<i>Part-time salaries</i>	<i>607,803</i>	<i>777,632</i>	<i>673,990</i>	<i>810,763</i>	<i>712,636</i>	<i>38,646</i>	<i>5.7% ▲</i>
<i>Benefits</i>	<i>305,415</i>	<i>771,573</i>	<i>1,215,647</i>	<i>1,134,826</i>	<b>1,240,265</b>	<b>24,618</b>	<b>2.0% ▲</b>

#### ***Workplace Safety and Insurance Board (WSIB) costs***

WSIB budgeted costs have increased significantly from prior years as a result of the increased claims trend the Town has experienced since 2017. The Town is a Schedule II employer with WSIB, which means that the Town reimburses WSIB for all claims paid, with an 18% administrative fee charged. While there is no insurance premium payable to WSIB, the Town does have additional workers compensation insurance for excess claims.

The 2024 Operating Budget has total WSIB and workers compensation costs budgeted at approximately \$276,000 comprising committed payments, expected claims, and workers compensation insurance. Any unused amount will be transferred to the WSIB reserve at the end of the year to increase the balance available for future fluctuations.

### ***Other significant changes to expenses***

In addition to the items listed above, other significant changes to expenses include

- An increase in transfers to reserves and reserve funds from approximately \$900,000 to approximately **\$1,430,000**. This is primarily due to the increased transfers to capital and to the significant supplementary PILT payment expected from the recent completion of the Science Collaboration Centre.
- Property and liability insurance premiums for the Town are expected to increase by 15% for 2024. This is an industry-wide trend which has affected many municipalities. The allocation of insurance costs across departments has been updated to better reflect risk and usage levels, based on guidance provided by the insurance provider.
- General increases in most areas are related to high inflation rates.
- Decreases resulting from the introduction of the new Fire Service model
- The allocation of organization-wide costs such as insurance, WSIB, and salaries has been reviewed and updated for 2024.

### **5.2.2 Operating revenues**

Non-tax revenues (excluding water & wastewater) have increased significantly to a total of **\$2,665,853**. The following significant changes in revenues should be noted:

#### ***Supplementary assessment increase for AECL properties***

The property tax assessment roll used to develop this budget did not include a recently completed AECL building. Staff have estimated the additional PILT and retained education tax as an additional revenue line in this budget. This is the primary cause for the significant increase in non-taxation revenue in the 2024 budget.

#### ***Other significant changes to non-taxation revenues***

In addition to the above points, other significant changes to non-taxation revenue include:

- Revenue from sale of Town owned land – the net proceeds of the sale of the Hammond Court properties are to be transferred to reserves.
- Increases in general user fees to better reflect costs.

### 5.3 Impact of the Capital and Operating Budgets on Reserves

Table 8 outlines the changes to reserve levels as a result of the Capital and Operating budgets described above.

Table 8: Changes to Municipal Reserves

	2023 Estimated Closing Balance	2024 Proposed transfers		2024 Projected Closing Balances
		From Reserves	To Reserves	
Reserves	2,601,094	-620,013	1,434,247	3,415,198
Reserve Funds	933,312	0	0	933,312
Obligatory Reserve Funds	0	0	0	0
AECL PILT Agreement reserve	0	-1,261,300	2,354,725	1,093,425
<b>Totals</b>	<b>3,534,405</b>	<b>-1,881,443</b>	<b>3,788,972</b>	<b>5,441,934</b>

Due to significant turnover in the Finance department, the 2022 audited financial statements are incomplete. Completion is expected in April, 2024, followed shortly after that by the 2023 audit. Reserve balances have been estimated and cannot be confirmed until both audits are complete.

## 6 2023 Water and Wastewater Budgets

The Water and Wastewater budgets are self-contained, in that they are not funded from taxation, but through user fees as per the Water and Sewer Sustainability Act, 2002. Per legislation, the revenues and expenses must net to zero in each year. This is typically achieved by transferring any surplus revenue to reserves.

A combined increase in user fees of 7.6% has been proposed consistent with the 2021 Utility Rate Study.

The following tables show the breakdown of the capital and operating budgets for Water and Wastewater operations.

Table 9: Capital budget for Water and Wastewater Operations and Infrastructure

	2024 Budget	Carried forward from 2023	Reserve	Taxation in 2024	Debt Financing	Grant and Other Funding
<b>Total Capital Budget for Water and Wastewater</b>	<b>3,931,313</b>	<b>-</b>	<b>290,000</b>	<b>172,500</b>	<b>1,862,408</b>	<b>1,806,405</b>
<b>Water</b>	<b>2,765,063</b>	<b>-</b>	<b>95,000</b>	<b>86,250</b>	<b>1,312,408</b>	<b>1,271,405</b>
General Capital Work (OCWA) - Water	86,250	-	-	86,250	-	-
Water Main Relining	850,000	-	0	-	850,000	-
Infrastructure Repair program - water valves	20,000	-	20,000	-	-	-
Infrastructure Repair program - fire hydrants	20,000	-	20,000	-	-	-
THM Remediation	1,733,813	-	-	-	462,408	1,271,405 <sup>1</sup>
Adjustable Trench Box	15,000	-	15,000	-	-	-
AMP - Treatment Plant Condition Assessment and Maintenance Plan	40,000	-	40,000	-	-	-
<b>Wastewater</b>	<b>1,166,250</b>	<b>-</b>	<b>195,000</b>	<b>86,250</b>	<b>550,000</b>	<b>535,000</b>
General Capital Work (OCWA) - Sewer	86,250	-	-	86,250	-	-
Sanitary Sewer Relining	600,000	-	0	-	550,000	50,000 <sup>2</sup>
Infrastructure Repair program - manholes	20,000	-	20,000	-	-	-
Hammond Court Rehabilitation	420,000	-	135,000	-	-	485,000 <sup>3</sup>
AMP - Treatment Plant Condition Analysis and Maintenance Plan	40,000	-	40,000	-	-	-

Notes:

1. ICIP grant
2. Development Charges
3. OCIF, Gas Tax, Development Charges

Table 10: Operating budget for Water and Wastewater operations

	Budget 2022	Actual 2022	Budget 2023	Actual 2023	Budget 2024	\$ change	% Change
<b>Water</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-237,872</b>	<b>0</b>	<b>0</b>	<b>-</b>
Expense	1,791,988	1,756,861	1,931,599	1,615,030	2,015,482	83,883	4.3% ▲
Revenue	-2,112,349	-1,961,238	-2,367,346	-1,852,902	-2,334,245	33,101	-1.4% ▼
Transfers to/from reserves	320,362	204,377	435,747	0	318,763	-116,983	-26.8% ▼
<b>Wastewater</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>-383,333</b>	<b>0</b>	<b>0</b>	<b>-</b>
Expense	1,043,584	1,050,984	1,115,703	882,000	1,072,703	-42,999	-3.9% ▼
Revenue	-1,150,284	-1,162,099	-1,241,629	-1,265,334	-1,353,260	-111,631	9.0% ▲
Transfers to/from reserves	106,751	111,114	125,926	0	280,557	154,630	122.8% ▲

Table 11 below outlines the changes to reserve levels as a result of the Water and Wastewater Capital and Operating budgets described above.

Table 11: Changes to Water and Sewer Reserves

	2023 Estimated Closing Balance	2024 Proposed transfers		2024 Projected Closing Balances
		From Reserves	To Reserves	
Reserves - Water	233,127	-86,250	232,513	379,391
Reserves - Wastewater	388,481	-86,250	194,307	496,537
<b>Totals</b>	<b>621,608</b>	<b>-172,500</b>	<b>426,820</b>	<b>875,928</b>

Due to significant turnover in the Finance department, the 2022 audited financial statements are incomplete. Completion is expected in April, 2024, followed shortly after that by the 2023 audit. Reserve balances have been estimated and cannot be confirmed until both audits are complete.