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Town of Aurora

Committee of the Whole Report

No. FIN24-015

Subject: 2025 Budget Timeline and Process

Prepared by: Sandeep Dhillon, Senior Financial Management Advisor

Department: Finance

Date: April 2, 2024

Recommendation

1. That Report No. FIN24-015 be received; and
2. That the proposed budget timeline as detailed in Table 2 be approved; and
3. That the timeline for amendments to the proposed budget be reduced from 30 to 27 days.

Executive Summary

This report outlines the budget process for the 2025 Budget:

- The Town will review and adopt the next two years (2025 and 2026) of the Mayor's multi-year budget, including all related tax and user rate impacts
- The 2025 capital budget and an updated 10-year capital plan will be provided for Council's review
- The Town's capital asset management funding gap will need to be addressed in this term of Council
- A December budget adoption is anticipated

Background

The Town of Aurora has adopted a multi-year budgeting framework. Under this framework, the municipality adopts the first year's budget of its term and receives an accompanying forecast of the next three budgets. In the second year of its term, the

municipality adopts a three-year operating budget, including all related tax and user rate impacts. Using multi-year budgets and forecasts improves fiscal health and service delivery through:

- better coordination of budgeting and strategic priorities
- greater certainty for departments in managing expenditures and service levels
- improved fiscal discipline of the organization
- streamlined budget reviews that focus on key changes in assumptions and the reasons driving the change
- allowing staff to develop budgets with fixed targets in place, allowing for an early response to manage circumstances and budget constraints
- reducing uncertainty about future year tax levy or user rate increases
- providing longer term outlook to outside organizations that rely upon the Town for a share of their funding, which enables them to plan and deliver their programs more effectively

As per the Municipal Act, 2001 a municipality's multi-year operating budget must be reaffirmed on an annual basis. The Town's reaffirmation process will only focus on any changes to the previously approved multi-year budget.

Analysis

The Town will review and adopt the next two years (2025 and 2026) of the Mayor's multi-year budget, including all related tax and user rate impacts

On January 31, 2023, Council approved the first year of the multi-year operating budget. On December 12, 2023, the Town adopted a three-year operating budget covering the period from 2024 to 2026. This budget included the identified all resources, funds and staff, needed to delivery the Town's core services, manage growth and implement any new initiatives for each of these years.

This multi-year operating budget must be reviewed by the municipality on an annual basis. In December 2024, the Town will adopt the 2025 operating budget along with the operating budget forecast for 2026. As part of this process, the municipality will review the Mayor's multi-year budget for 2025-26. This review process will focus on any changes to the previously adopted 2025 and 2026 budgets.

The 2025 capital budget and an updated 10-year capital plan will be provided for Council's review

Council will be presented with a similar capital package to what was reviewed as part of the 2024 budget process. The package will include three primary components being:

1. Any proposed 2025 capital project authority increases. The budget will clearly indicate which capital budget authority was approved in prior years and what authority Council is being asked to review for 2025.
2. A 2025 10-Year Capital Budget which continues to include both the total required project budget commitment along with the expected cash outflows for all capital projects. The Town will adopt the full budget for each project as part of the 2025 capital budget. This full budget will reflect the total budget that is being committed to each project for 2025. For projects which take multiple years to complete, the budget will also show how much is expected to be spent/completed in each year. This will reflect the actual planned cash outflows for the project and will be captured in the Town's 10-year capital plan and funded from reserves as they are expected to occur.
3. A summary of all previously approved capital projects that have recently concluded and been closed by staff.

The Town's capital asset management funding gap will need to be addressed in this term of Council

Another key pressure faced by the Town relates to the funding of asset management. In the fall of 2021, as part of the continued modernization of the asset management plan and framework, the Town undertook some early analysis of its infrastructure renewal funding gap. This analysis identified a total estimated replacement cost for all existing assets at \$1.5 billion. Based upon the Town's existing levels of service, an annual funding gap of \$36 million was identified. This gap will be subject to change with the Town's completion of phase 2 of the asset management framework modernization which is underway now. Table 1 presents a summary of the estimated tax and rate increases that would be necessary year-over-year for the next 10-to-20-years to address this funding gap.

Table 1
Asset Replacement Funding Gap Requirements

Capital Asset Funding Source	Tax or User Rate Increase Required Each Year (%)	Number of Years
Tax-Funded	2.9	20
Water Rate Funded	2.2	10
Wastewater Rate Funded	0.4	10
Stormwater Rate Funded	11.0	15

The previously adopted multi-year tax-funded budget included a one percent tax rate increase for each year for capital reserve contributions. The identified 2.9 percent annual tax rate increase requirement will be confirmed as part of the next iteration of the asset management plan which will include newly developed levels of services upon which future asset management decisions will be based. This updated asset management plan is to be presented to Council for review and approval in the first half of 2024.

The previously adopted multi-year water, wastewater and stormwater operating budgets include the above identified annual rate increase requirements in support of asset renewal. These rate increase will be reaffirmed by the new asset management plan as well.

A December budget adoption is anticipated

Staff anticipate that the 2025 and 2026 Budget and 10-Year Capital Plan will be deemed adopted by the municipality in December 2024 prior to the holiday season's commencement. This timing will enable staff to proceed with any necessary contract activity and other planning in preparation for the upcoming fiscal year. Table 2 presents staff's proposed timelines for the 2025-2026 budget reaffirmation and adoption.

Table 2
Budget Dates and Milestones

Meeting / Milestone	Date
Mayor provides budget to members of Council	October 29, 2024
Budget overview to Council	November 5, 2024
Presentations of departmental operating budgets, as well as proposed capital projects	November 11, 2024
Community Partner presentations as well as remaining business from November 11 th	November 18, 2024
Amendments to the Mayor's proposed budget are due to the Clerk by end of day	November 21, 2024
Special Council meeting to discuss/decide on proposed budget amendments (if required)	November 25, 2024
Last day for the Mayor to veto any amendments adopted during November 25 th meeting	December 5, 2024
Override / budget adoption	December 20, 2024 (latest)

The above timeline requires Council to shorten the budget amendment period by three days. These timelines ensure that the budget is adopted, or deemed adopted, before the holiday period. Council may choose not to shorten the amendment period but would need to hold a special meeting before the end of the day on Thursday, November 28 to meet the legislated timelines. Staff recommend proceeding with the meeting on November 25.

Further time in the process may also be saved if the Mayor does not require the full 10 days provided to veto amendments (does not require a Council meeting), meaning the override meeting, should it be necessary, could occur well in advance of December 20.

Advisory Committee Review

None

Legal Considerations

The Town has been designated with strong mayor powers. As such, the Mayor is assigned the powers and duties of the municipality with respect to proposing and adopting a budget, including a multi-year budget. Once the Mayor provides Council with the proposed budget, Council has 30 days to make any amendments. Council may

shorten the 30-day period by resolution. The Mayor may veto any proposed amendments within 10 days after the expiry of the 30-day period. A meeting is not required for the Mayor to veto any amendments. The Mayor may also shorten the veto time period. Within 15 days of any vetoes, Council may override the veto, by resolution, on a 2/3 vote of the members of Council.

If Council approves the staff recommendation in this report, then it is approving the timelines for budget approval, including the shortened time period for making amendments.

Financial Implications

There are no financial implication as a result of this report.

Communications Considerations

Staff will inform the public about the budget process by posting information to the Town's website. The calendar of budget-related meetings will also be shared on the website, in advertisements and on social media. A communications plan is currently being developed to encourage public engagement in the budget process.

Climate Change Considerations

The recommendations from this report do not directly impact greenhouse gas emissions or impact climate change adaptation. Climate change will be considered in the budget development and documents to be presented to Council in October.

Link to Strategic Plan

Developing the annual budget supports all aspects of the Strategic Plan. Specifically, this report supports the Plan principles of Leadership in Corporate Management, Leveraging Partnerships, and Progressive Corporate Excellence and Continuous Improvement.

Alternative(s) to the Recommendation

Council may provide direction.

Conclusions

The 2025 budget represents the third year of a new four-year budget cycle. The presented 2025 budget, to be distributed to Council on October 29th strives to address multiple material pressures faced by Town at this time which will include inflation and capital asset management pressures, amongst others. The 2025 and 2026 operating budget reaffirmation will focus on any changes to these previously adopted budgets. It is anticipated that should the proposed staff timelines be approved, the reviewed two-year operating budget and 2025 capital plan will be adopted by December 20, 2024, at the latest.

Attachments

None

Previous Reports

None

Pre-submission Review

Agenda Management Team review on March 14, 2024

Approvals

Approved by Rachel Wainwright-van Kessel, CPA, CMA, Director, Finance

Approved by Doug Nadorozny, Chief Administrative Officer