



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: November 25, 2024

Report Number: SRCFS.24.058

Department: Corporate and Financial Services

Division: Financial Services

Subject: SRCFS.24.058 - 2025 Draft Operating Budget

Purpose:

To present staff's recommended 2025 Operating Budget to Mayor and Council for review.

Recommendation(s):

- a) That the Budget Committee of the Whole recommends that the Mayor submit for Council's review, a 2025 Operating Budget that proposes:
 - i. A 2025 Operating Budget increase of \$4,046,300 and a total tax levy of \$138,921,200 (excluding supplementary taxes), as summarized in Appendix "A" of staff report SRCFS.24.058 and;
 1. Additional \$321,700 through Mayoral decision 21-24 regarding SRCFS.24.057 Confidential Staff Report regarding the City's IT Security Program.
 - ii. A 2025 Senior Tax Assistance Grant increase to \$445;
 - iii. A 2025 Capital Asset Sustainability Levy budget increase of \$2,023,100 and total fee levy of \$12,925,200;
 - iv. As required by Ontario Regulation 284/09, Municipal Act 2001, the compliance report of expenses excluded from the 2025 Draft Operating Budget, as attached to Appendix "C" of staff report SRCFS.24.058; and
 - v. The Reserve and Reserve Fund allocations, as summarized in Appendix "D" of staff report SRCFS.24.058.
- b) That Budget Committee of the Whole recommends that Council receive for information purposes the Financial Outlook attached as Appendix "E" staff report SRCFS.24.058.

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Contact Person(s):

- Andrew Li, Financial Management Advisor, Extension 3646
- Lisa Chen, Manager, Fiscal Planning & Analysis, Extension 6311
- Gigi Li, Director Financial Services and Treasurer, Extension 6435
- Sherry Adams, Commissioners Corporate and Financial Services, Extension 2521

Report Approval:

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

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Key Messages:

- The annual Operating Budget highlights the anticipated costs offset against available funding sources needed to support ongoing City operations. The shortfall in funding is balanced with an increase in taxation.
- The 2025 Draft Operating Budget proposes a 4.50% total tax rate increase, comprised of a 3.00% tax rate increase for operational requirements and a Capital Asset Sustainability Levy increase of 1.50% tax rate equivalent.
- For an average single, detached residential property in Richmond Hill with a current assessed value of \$1.146 million in 2025, the proposed budget represents a \$96.32 annual increase, with \$64.21 related to operational requirements and a \$32.11 increase attributable to the Capital Asset Sustainability Levy.

Background:

The City of Richmond Hill’s budget is the financial expression of Council’s strategic priorities delineated into specific goals and objectives. It establishes a framework for how the City will distribute its resources to deliver municipal services and meet service delivery standards. This financial plan is informed by Council decisions through staff input, economic landscape and value proposition.

The budget estimates expenditures while taking into consideration anticipated revenues using a blend of forward looking, strategic planning along with an understanding of short-term, and historical trends. The Municipal Act requires that municipal governments produce a balanced budget and therefore all expenses must be fully offset by budgeted revenues, which are mainly comprised of property tax dollars, user fees (e.g. recreation program and planning fees) and transfers from reserves and other funds.

The City’s budget is comprised of the following components:

Category	Budgets	Description	Main Funding Sources
Capital	Capital	Capital investments (purchased or constructed) with a useful life beyond 1 year	<ul style="list-style-type: none"> • Reserves and Reserve Funds (Tax supported, Rate supported, development charges)
Operating – Tax-Supported			
Operating	City and Richmond Hill Public Library	Reflects the expenses and revenues that support ongoing day to day operations over a fiscal year	<ul style="list-style-type: none"> • Property Taxation • User Fees and Fines • Reserves and Reserve Funds
	Village of Richmond Hill Business Improvement Area	Reflects the expenses to maintain and enrich Village of Richmond Hill BIA	<ul style="list-style-type: none"> • BIA reserve fund • Tax Levy on rateable properties

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Category	Budgets	Description	Main Funding Sources
	Capital Asset Sustainability (CAS)	Monies used to fund tax supported capital programs	<ul style="list-style-type: none"> CAS Levy
Operating – Rate-Supported			
Operating	Water and Wastewater Services	Expenses and revenues that support the day-to-day operations necessary to deliver waterworks operations	<ul style="list-style-type: none"> Water and Wastewater rates User Fees and Fines
Operating	Stormwater Management (SWM) Services	Reflects the expenses and revenues that support the day-to-day operations necessary to deliver SWM	<ul style="list-style-type: none"> Stormwater Management Fee Reserves and Reserve Funds

The Operating and Capital Budgets include proposed reserve and reserve fund budget allocations. The 2025 Capital Budget was discussed at the November 19, 2024 Budget Committee of the Whole (BCW) meeting. The Consolidated 2025 Operating Budgets will be the focus of the November 25 & 26 2024 BCW meetings.

Discussion:

An operating budget is a financial plan that accounts for an organization’s anticipated day-to-day expenditures and revenues over the course of a fiscal year. The City’s operating budget is a plan for the delivery of services that residents rely on, such as road repairs, fire services, parks maintenance, snow clearing, and setting aside savings for future capital investments.

Operating Budget Process

The City’s operating budget process is a continuous, year-round activity. In April 2024, staff began to develop the 2025 Budget Strategy for Council approval later in June. Over the summer months of July and August, City staff led efforts to enhance the public’s understanding of the City’s budget while soliciting budget feedback, as part of the 2025 Budget Engagement Plan. There were 3 in-person events to engage and educate the public, in addition to a budget survey and other online and virtual initiatives to promote the budget. The feedback received was shared with the City’s Executive Leadership Team in building the 2025 budgets and the budget survey results were presented to Budget Committee of the Whole on September 24.

Parallel to the summer timeframe of budget engagement, departments began work on their anticipated 2025 budget needs, while taking into consideration current year forecasts and historical trends. The tariff of fees budget is evaluated for market competitiveness, affordability and cost recovery. From there, the departmental data is consolidated and reviewed through a series of in-depth senior management and Executive Leadership Team meetings. The draft is then compared to prior year

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projections and subsequent meetings are held to amend the draft budgets to best align with Council's budget objectives and guidelines for the upcoming year.

The 2025 Draft Operating Budgets are scheduled to be deliberated at the Budget Committee of the Whole (BCW) meeting on November 25, 2024 and a second meeting on November 26, if necessary. The meeting will include a presentation on the City's 2025 Operating Budget, including Water and Wastewater Services, Stormwater Management Services, Richmond Hill Public Library and Business Improvement Area (BIA).

A BCW meeting was held on November 5, 2024, to provide Council with a high-level overview of the budget as we launch the budget review process. On the same day, the 2025 Draft Budget Book was posted on the City's webpage. In addition, an in-person open house for the public was held at the McConaghy Centre on the evening of November 6, where staff were available to present the 2025 budgets to those that were in attendance. Throughout the process, Council members were also invited to meet with senior Departmental and/or Financial Services staff to gain a greater understanding of the budget overview, pressures, department budget book content, and process. This report provides an overview of the 2025 Draft Operating Budget and presents recommendations for Council's approval.

Strong Mayor Powers

Strong Mayor Powers, proclaimed on Nov 3, 2022, is in effect for Richmond Hill and all municipalities who committed to the Province's Housing Pledge. Under the Act, the Mayor must table a budget by February 1, and sequentially:

1. Council has 30 calendar days to pass a resolution to make an amendment
2. The Mayor can veto the resolution within 10 calendar days of passing it
3. Council can override budget veto with 2/3 votes within 15 calendar days

The Budget is deemed adopted 55 calendar days after the Mayor proposes the budget. The amendment period can be shortened by Council passing a resolution, and/or the Head of Council shortening the veto period. The Budget Committee of the Whole's role is in effect amended with the Committee proposing recommendations for the Mayor's consideration prior to the Mayor's tabling of the budget on Dec 11, 2024. Under the Act, the 30 calendar day amendment period would start that day. **Staff will recommend the shortening of the 30 calendar day amendment period at the December 11, 2024, Council meeting.**

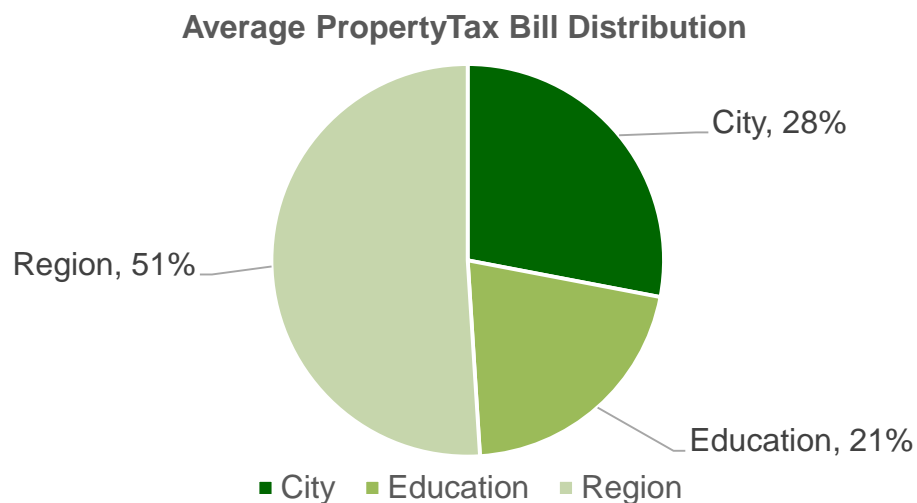
Consolidated Operating Budgets

Operating Budget

The main budget that supports City services is the tax-supported operating budget (Operating Budget). Any shortfall between Operating Budget expenses and revenues results in a tax levy increase for the year. Staff review internal processes to incorporate efficiencies and budget mitigating measures before arriving at a draft tax rate increase.

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While the City is responsible for billing and collecting property taxes for Richmond Hill, the Region of York and for the Province, the City determines the budget for the City budget only, while Regional Council determines the Regional portion and the Province determines the education rates. From the total property tax bill issued by Richmond Hill, for the average single, detached residential property, the City retains approximately 28% including the CAS Levy, while 51% is remitted to the Region and 21% is remitted to the School Boards. The 2025 total property tax bill split is consistent with the 2024 tax bill distribution. Actual percentage rates for each individual property may vary (higher or lower) due to changes in assessments determined by MPAC, whether the property is residential, non-residential, or exempt, and the impact of tax ratios approved by the Region, which are consistent with broader economic objectives.



Capital Asset Sustainability Levy Budget

The City also charges a Capital Asset Sustainability (CAS) Levy to support maintaining capital assets in a state of good repair (SOGR), as outlined in the City's Asset Management Plan and Financial Sustainability Strategy. Together, the CAS Levy and the property taxation generated through the Operating Budget represent the City's tax-supported budgets.

Business Improve Area (BIA) Budget

The Village of Richmond Hill BIA is funded from the BIA reserve fund, in addition to a special tax levy applied to commercially assessed properties within the BIA boundaries. The BIA board of management prepares and submits an annual budget to the City for inclusion into the City's overall consolidated budgets.

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Rate-Supported Budgets

Rate-supported budgets are separately maintained from tax-supported budgets and are comprised of the Water & Wastewater budget and Stormwater Management Services budget. The Water and Wastewater budget reflects the costs and revenues associated with the maintenance of the water distribution and wastewater collection system and is mainly funded through water and wastewater usage rates. The Stormwater Management budget represents the costs and revenues that are associated with maintaining the stormwater network and is funded primarily through stormwater management fees.

Consolidated Operating Budget Strategy

The 2025 Draft Consolidated Operating Budget reflects the Council adopted budget strategy endorsed via the Budget Committee of the Whole (BCW) meeting on June 11, 2024. The approved 2025 Draft Capital and Operating Budget Strategy staff report (SRCFS.24.025) includes the following objectives and directives whereby staff propose an operating budget that:

1. Supports Council priorities.
2. The operating budget considerations outlined in Staff Report SRCFS.24.025 (2025 Capital & Operating Budget Strategy) be used as a guideline in the development of the 2025 Draft Operating Budget.
3. Staff identify service level changes to meet the guideline.
4. Proposes a Capital Asset Sustainability Levy in the operating budget equivalent to 1.5% tax rate increase.
5. The Mayor directs staff to present a 2025 Draft Water & Wastewater Budget that reflects the wholesale rate increase from Region of York and approved factors from the Water/Wastewater Financial Plan;
6. The Mayor directs staff to present a 2025 Draft Stormwater Management Budget that aligns with long-term requirements.

The proposed 2025 Draft Operating Budgets, as presented in this report, were produced with consideration to the above objectives.

Expenditure and Revenue Definitions

The main operating expenditures are:

- Personnel costs – total staffing costs, including salaries, benefits, overtime, vacation and other costs related to full-time and part-time employees.
- Contracts / Services – a contractual obligations and service-related expenses that the City incurs to fulfill its municipal duties.
- Materials / Supplies – the physical materials and supplies that the City purchases to deliver on municipal services.

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- Other expenditures – other costs required to fulfill municipal services and requirements. For example, minor capital costs, municipal business, bad debts, grants, etc.
- To Other Funds – Transfer to the Other Fund (e.g. Water and Wastewater Fund and Stormwater Management Fund) or division for direct/indirect expenditure needs to carry out municipal operations.
- Contribution to Reserves and Reserve Funds – monies set aside to reserves/reserve funds and other funds to offset other current or future obligations.

The main sources of operating revenues are:

- Taxation – the amount collected through property taxation and supplementary taxes
- User Fees and Fines – generated from the community through the participation in programs and collection of fines/penalties (ie. through the City's enforcement of by-laws and other fines/penalties)
- Contributions from Reserves and Reserve Funds – monies drawn from reserves/reserve funds and other funds to offset other current expenditures
- Investment Income – earned from the City's short-term investment portfolio
- Contributions from Other Funds – recoveries from Water and Wastewater Fund, Stormwater Management Fund and Capital Fund to offset expenditures incurred in the Operating Fund
- Grants and Donations – grants and donations received from external parties

Budget Considerations – External Influences

Internal and external factors influence the City's budgets. Internal influences include Council priorities and managing finite financial resources, while external influences include demographics, legislation and overall economic outlook.

One of the key budget considerations is Richmond Hill's growth – as population increases and families move into newly built homes, the demand for services such as recreation programs, waste collection, roads maintenance and infrastructure grows.

External influences such as inflation remain a persistent pressure to both residents and the City as a whole. As of September 2024, the Ontario CPI was at 1.9% and forecasts to be around 2.0% in 2025 (*2024 Ontario Economic and Fiscal Outlook in Brief*).

Despite the slowdown in inflationary pressures on a macro level, in some instances, the City will be faced with base increases in excess of 2.0% from multi-year vendor contract rates that were entered into in previous years of higher inflation. Supply chain disruptions, geopolitical concerns and increasing demand for consumer goods may all contribute to future pricing challenges.

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To curtail the high inflation rates in the prior year, the Bank of Canada has lowered the overnight interest rate from 5.00%, at the beginning of 2024, to 3.75% as of October 2024. This will likely lead to lower returns on investment income in 2025, which has been reflected in the 2025 Operating Budget. The income reduction results in a budget pressure but has been mitigated by a decreased allocation to the Tax Rate Stabilization reserve. During the pandemic, the City received federal and provincial funding to assist against Covid-19 operating pressures as part of the Safe Restart Agreement and the Provincial Covid-19 Recovery Funds. Part of the funding (\$1.023 million) was used to offset Covid-19 related pressures as part of the 2024 Operating Budget. After the anticipated 2024 draw, the remaining funds of \$381,400 are reflected in the 2025 Operating Budget.

The City has had to adjust to a new normal, finding more cost-effective ways of doing business while maintaining existing core service levels, where feasible. The challenges and opportunities referenced above are significant pressures that have been considered as part of the City’s 2025 Draft Operating Budget, which proposes a budget increase of \$4,046,300 (or 3.00% tax rate increase).

Financial Implications:

Tax Supported Budget Overview

The City’s 2025 Draft Operating Budget proposes a budget increase of \$4,046,300 to be raised through an increase in property taxation (3.00% tax rate increase). The taxation revenue budget is presented below and is shown in thousands.

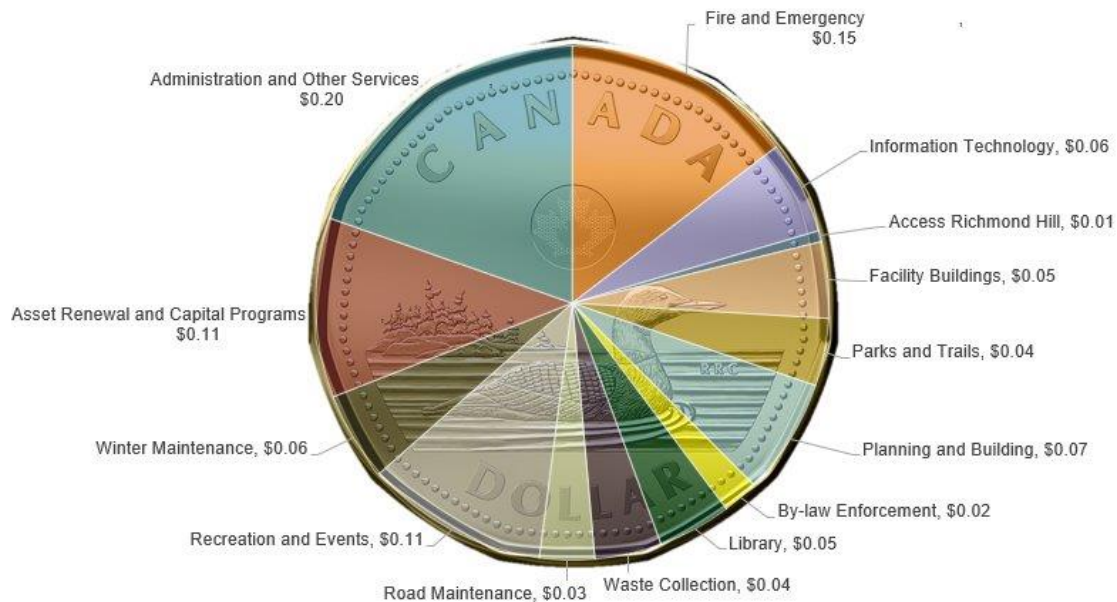
(in thousands \$)

Item Description	Property Tax	CAS Levy	Supplementary Tax	BIA Levy	Operating Budget
2024 Base	\$133,800	\$10,902	\$1,680	\$100	\$146,482
2025 Assessment Growth	1,075				1,075
2025 Budget Related Change		2,023	229	20	1,820
2025 Budget	\$134,875	\$12,925	\$1,457	\$120	\$149,377
2025 Tax Levy Increase	4,046				\$4,046
2024 Total	\$138,921	\$12,925	\$1,457	\$120	\$153,424

Property Tax Distribution by Municipal Services

The 2025 Draft Operating Budget is allocated to service areas as illustrated by the following graph:

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Municipal Impact of the Tax Rate Increase to Residential Taxpayer

In general, MPAC is responsible for updating the property assessment values in the Province every four years. The changes are phased-in over the next four years. It is important to note that assessment value changes do not affect the total amount of taxes received by the municipality. The property tax rates are re-evaluated annually to provide the same tax revenue. However, there may be fluctuations between individual homeowners, where some may increase or decrease, depending on how their property assessments have changed compared to the municipal average.

In 2016, MPAC released New Current Value Assessment (CVA) for properties which were phased-in over the next 4 taxation years, 2017 through to 2020. The next scheduled assessment update was to be performed in 2020, however, in light of the financial challenges that households were facing from the evolving Covid-19 situation, the Province had postponed the 2020 update. To date, there have not been any subsequent updates and no timeline for the next reassessment cycle has been provided.

Therefore, the CVA value for the average single, detached residential property in Richmond Hill remains at \$1.146 million for 2025, same as the prior year, and this property would see an annual impact of \$64.21 on the municipal portion of the tax bill as a result of the proposed budget increase. In addition, the average residential property owner will see an increase on their tax bill of approximately \$32.11 attributed to the Capital Asset Sustainability Levy.

The below table highlights only the City's portion of the average single, detached residential property's tax bill along with the associated 2025 Operating Budget tax levy increase.

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Estimated Annual Impact	Property Tax	CAS Levy	Total City Portion
2024 Annual Bill	\$2,140.42	\$172.51	\$2,312.93
Annual Budget Impact	64.21	32.11	96.32
2025 Annual Bill	\$2,204.63	\$204.62	\$2,409.25

Senior Tax Assistance Grant

The City provides a Senior Tax Assistance Grant for qualified senior homeowners. To be eligible, the individual must have been a Richmond Hill resident for at least one year prior to the date of application and in receipt of the Guaranteed Income Supplement as provided under the Old Age Securities Act (Canada). In 2025, the grant has been indexed and will be set at \$445 per eligible applicant.

Operating Budget Analysis

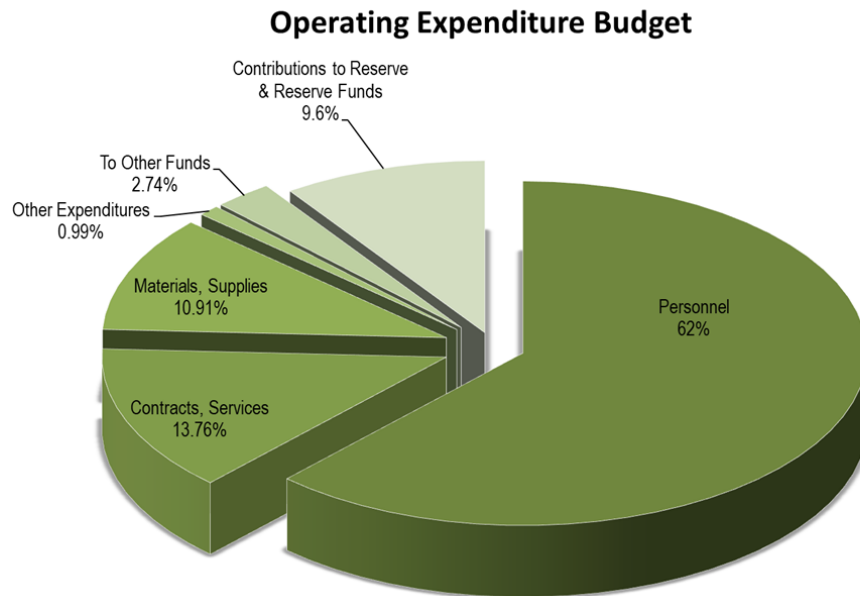
The 2025 proposed operating budget (Appendix “A”) reflects a tax levy increase of \$4,046,300 (i.e. 3.00% increase) with pressures from the following areas:

Budget Category	2024 Budget	2025 Draft Budget	Variance (Fav) / Unfav
Personnel – Permanent	\$127,356,900	\$136,193,300	\$8,836,400
Personnel – Casual	13,840,600	15,671,900	1,831,300
Personnel Expenditures	\$141,197,500	\$151,865,200	\$10,667,700
Contracts / Services	31,367,900	33,685,700	2,047,800
Materials / Supplies	26,122,000	26,718,800	596,800
Other Expenditures	2,538,000	2,537,100	(900)
To Other Funds	773,000	6,613,000	5,840,000
To Reserve & Reserve Funds	24,188,800	23,480,900	(707,900)
Non-Personnel Expenditures	\$85,259,700	\$93,035,500	\$7,775,800
Total Expenditures	\$226,457,200	\$244,900,700	\$18,443,500
User Fees & Fines	(42,560,700)	(54,100,000)	(11,539,300)
Investment Income	(9,603,000)	(6,903,000)	2,700,000
Grants / Donations	(2,520,100)	(2,019,400)	500,700
From Reserve & Reserve Funds	(13,586,600)	(9,114,900)	4,471,700
From Other Funds	(11,704,400)	(19,339,700)	(7,365,300)
Non-Taxation Revenues	(\$79,974,800)	(\$91,477,000)	(\$11,502,200)
Taxation	(144,802,300)	(147,920,100)	(3,117,800)
Supplementary Taxes	(1,680,100)	(1,457,300)	222,800
Taxation Revenues	(146,482,400)	(149,377,400)	(2,895,000)
Total Revenues	(\$226,457,200)	(\$240,854,400)	(\$14,397,200)
Net Levy Requirement	-	\$4,046,300	\$4,046,300

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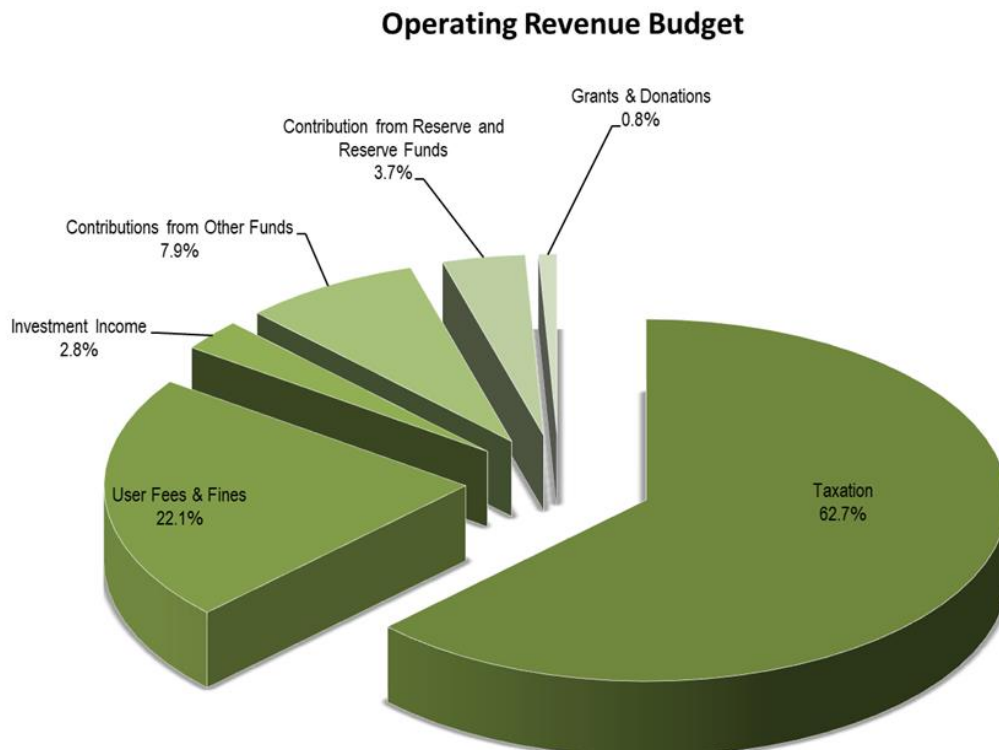
Operating Expenditures

The total expenses included in the 2025 Draft Operating Budget is \$244.9 million. The major operating expenditures are comprised of:



Operating Revenues

The main sources of City revenues are:



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Proposed Taxation Revenue

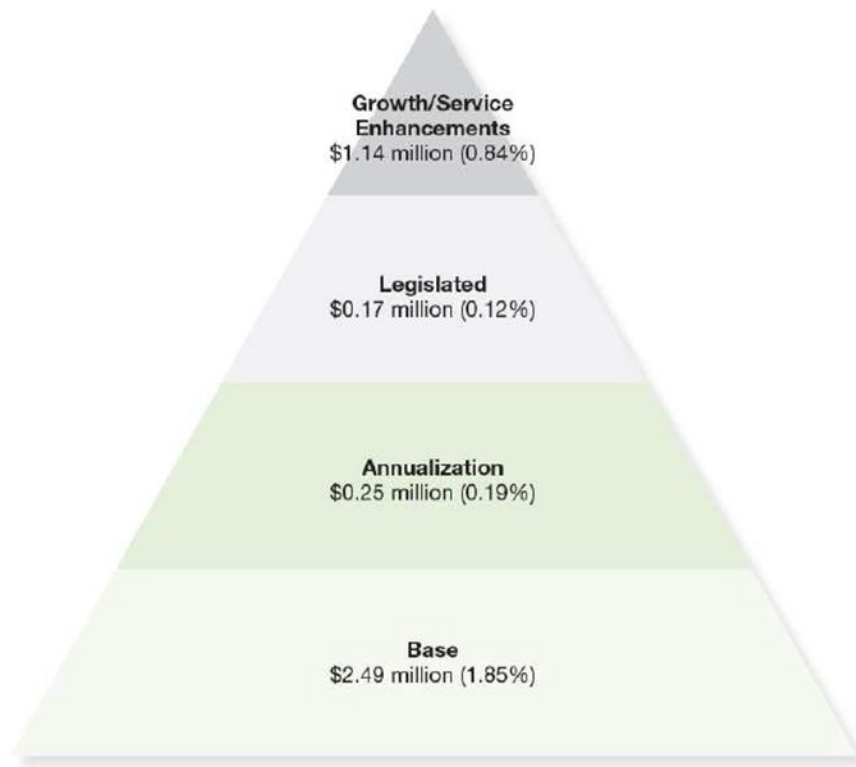
Total taxation revenue is comprised of four components:

- a) Assessment Growth
 - b) Supplementary Taxes
 - c) Budget related increases
 - d) Capital Asset Sustainability Levy
 - e) BIA Levy
-
- a) Assessment growth is the result of an increasing number of assessable properties and structures within the City. The taxation revenue assessment base will grow by 0.80% for 2025 resulting in additional taxation revenues of \$1.075 million for the City. The Municipal Property Assessment Corporation (MPAC) updates the property assessment values that are used to calculate the total assessment growth.
 - b) Supplementary taxes are generally related to new properties or properties that have had alterations or improvements that were not reflected on the previous interim or final billing. The supplementary tax revenues are budgeted at \$1.457 million in 2025 and represent a \$222,800 decrease from prior year due to lower than anticipated occupancy rates.
 - c) Budget related increases net to \$4,046,300 and are summarized by the overall changes to operating expenditures and revenues.
 - d) Capital Asset Sustainability Levy is discussed in section “C” below.
 - e) BIA Levy increase is mainly due to cost increases in office rent, utilities and computer software licenses.

Operating Budget Pressures

There are many layers to building an operating budget. At the core is the foundation, which represents all the necessary incremental costs and associated revenues that are needed to provide for day-to-day operations. The City has classified the various budget pressures into two categories; maintaining existing core business and growth/service enhancements. Maintaining existing core business is comprised of base, legislated, housing related legislation and annualization impacts. Base pressures are inflationary in nature and are essential in maintaining existing service levels. Efficiencies and savings identified are reflected as an offset to base pressures. Legislated and annualization pressures are also necessary to existing service levels but are separately highlighted as they are reflective of external governmental/regulatory influences and prior year Council approved decisions, respectively. The final layer of the budget building process is related to growth and service level enhancements, which are incremental costs from providing the same/enhanced levels of service to a growing community. A high-level breakdown of the operating budget by the various budget pressures is presented below.

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Base Pressures – 1.85% Tax Rate Impact

Base Budget increased \$2.49 million, the net result of a \$13.2 million expenditure increase offset by a \$10.7 million revenue increase.

Base Expenditure Pressures

Base expenditure pressures resulted in a budget increase of \$13.2 million as detailed in Appendix 'A'. Full-time personnel expenditures reflect an increase of \$6.8 million and includes cost of living adjustments, overtime, collective bargaining agreement contingencies, firefighters' shift premiums, sick leave payouts, adjustments to benefits rates and grade/step-rate increases. Casual personnel expenditures increased by \$1.7 million due to increased recreation program offerings, cost of living adjustment increases for eligible part-time staff and increased events workload during the summer. The City also converted 3 part-time positions to full-time positions (Data & Analytics Technologist, Customer Service Representative, Recreation Services Assistant) through the use of the Financial Control By-law section 7.5 (Operating Budget – complement control), utilizing savings in casual wages and additional revenues, resulting in zero tax impact.

The base increase for non-personnel expenditures is \$4.7 million. The increase is largely due to the Transfer to Other Funds which is related to direct/indirect/capital costs from development planning/engineering review and inspections/building permit fees (\$5.6 million). The 2024 Development Fee Review identified the many City services that contribute to the execution and administration of such fees. As a result, a cost to the

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division has been included in the budget to better reflect the true costs of each of the City's services, as they relate to the planning, development engineering, building and inspection process. In addition, there is rising inflationary cost escalations across all departments through new and existing contracts, hydro and heating costs for facilities (\$417,000), Recreation Activenet contract pricing based on higher anticipated transaction volumes (\$187,000), Recreation honorarium partnership contracts (\$179,000), IT internet upgrades (\$166,000), forestry wildlife parks contracts (\$126,000), and roads boulevard and sidewalk paving (\$106,000).

Base Revenue Pressures

The overall base revenues have increased base user fees and fines revenues are budgeted to increase by \$10.9 million. The increase is largely due to the increased recreation and aquatics programs offerings as a result of community demand and the full year operations of the Wave Pool, as well as facility and arena rental revenues (\$2.5 million). Furthermore, the increase in Recreation and Culture division user fees includes new and indexed fees, as part of the 2025 Tariff of Fees by-law update. Also, as a result of the Development Fee Review implemented from April 2024, Development Planning user fees have increased (\$1.3 million) and in Infrastructure Planning and Development Engineering (IPDE) fees increased (\$4.9 million), offset by a \$2.9 million reduction in transfers from Engineering Review Fee and Inspection Reserve, to better reflect the updated fees to achieve close to full cost recovery.

Investment income decreased by \$2.7 million due to anticipated lower returns on short-term investments, reflective of continued rate reductions from the Bank of Canada in 2024 and anticipated in 2025. Due to the decline in investment income, as part of the investment income strategy, the City has minimized the budget impact by reducing the transfer to the Tax Rate Stabilization Reserve by \$3.3 million accordingly.

Grants and Donations decreased by \$0.5 million mainly due to the reduction in funding from Safe Restart Agreement (SRA) monies. In the previous year's budget, there was \$1.0 million in SRA funds included to offset Covid-19 related operating costs (e.g. contract costs, maintenance, rental expenses) and revenue losses (e.g. aquatics and general programs and development planning revenues). As a result, based on the available funding, the City has allotted (\$381,000) the remaining SRA funding into the 2025 Draft Operating Budget to align the budget with the remaining funds from the Safe Restart Agreement monies.

Transfer from Other Funds increase by \$7.2 million, majority of the transfer (\$5.6 million) is related to indirect/direct cost recoveries from development planning/engineering review and inspections/building permit fees. The 2024 Development Fee Review identified the many City services departments that contribute to the execution and administration of such fees development related services. As a result, a cost recovery line has been included in the budget to better reflect the true costs of City services within each department/division. The remaining portion of the

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transfer from other funds (\$1.8 million) an increase to account for City incurred resources on behalf of Water, Wastewater and Stormwater operations.

Base transfers from Reserves and Reserve Funds have decreased by \$4.0 million, mainly due to the realignment (\$2.9 million) of the Inspection/Engineering Reserves for the partial funding of Infrastructure Delivery/IPDE and other staff supporting engineering inspections. These staff and resources are now funded directly through engineering review and inspection revenues rather than through the reserve. The base budget also includes the removal of \$0.5 million draw from the Richmond Hill Public Library Special Purpose Reserve.

Annualization Pressures – 0.19% Tax Rate Impact

Annualization pressures represent the incremental full year impact of prior year approved staff and/or programs. The 2025 Draft Operating Budget includes a tax rate impact of \$253,000 related to the annualization of 4 full-time staffing positions approved in 2024 Operating budget. There were an additional 7 full-time staffing positions requested in 2024 for the implementation of Bills 109,23 and 97 (SRPBS.24.002) that were fully funded from non-tax funded revenues and/or other funds and do not have an annualized tax rate impact to the 2025 Draft Operating Budget.

Legislated Pressures – 0.12% Tax Rate Impact

Legislated pressures amounted to \$167,000 in the 2025 Draft Operating Budget. The Province increased the minimum wage from \$16.55 per hour to \$17.20 per hour, effective October 1, 2024. Due to the new legislation, the City's minimum wage earners and resulting wage compression on other part-time staff have contributed to a budget increase of \$131,000, mainly within the Recreation and Culture and Public Works Operations divisions who employ seasonal and part-time staff.

Moreover, the budget also includes a tax rate impact of \$26,000 for a temporary contract staff to support administrative changes related to the Development Charges Act. And a \$10,000 communication cost increase to notify Richmond Hill residents of the upcoming transition of the City's Blue Box program to full producer responsibility on December 31, 2025, as legislated by the provincial government.

Growth Pressures – 0.84% Tax Rate Impact

The net growth impact to the budget is an increase of \$1,135,000. This provides for the same or enhanced levels of service to a growing community reflective of larger volumes or higher levels of activity. It is inclusive of new staff requests and new programs, offset by the revenues from property assessment growth.

There are 4 new full-time, one contract to full-time conversion and 1 part-time staffing requests, totaling \$500,000. There are 4 other staff request from Infrastructure and Engineering Services (Senior Municipal Inspector, Development Construction Coordinator and Process Coordinator, Transportation) who are fully funded from the

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Reserve and a Project Coordinator funded from savings in casual wages and has no tax rate impact. (Appendix “B”).

Growth program expenditure pressures represent a budget increase of \$1,709,700, mainly related to the sixth year of an eight-year phase-in plan to fund the Public Works Enhancement Program, the third year of a five-year plan to phase-in and fund the addition of 16 Firefighters, growth-related computer hardware needs, software upgrades and licensing costs, waste management recycling contracts and materials, streetlight hydro and maintenance contracts, additional staffing hours and materials for waste management and parks events, signs and pavement markings, sanitation encampment cleanup, and a new Cultural Centre as well as Diversity Equity and Inclusion (DEI) support events. In addition, the budget includes non-recurring consulting for the Budget-to-Pay program, and corporate wide Indigenous training which are all fully funded from various reserves to minimize the tax levy impact (Appendix ‘B’).

In 2025, the property assessment growth is 0.8%, generating an additional \$1,074,700 in taxation revenue.

Richmond Hill Public Library Board (RHPL)

RHPL operates under the direction of the Library Board, appointed by City Council, and governed by the *Public Libraries Act*. The RHPL Board’s total 2025 Draft Operating Budget is \$9.71 million, consisting of \$11.3 million in total expenditures and total revenues \$1.61 million. The net budget is funded from municipal property taxation and reflects an overall increase of \$846,400.

The increase in expenditures is mainly related to grade/step and benefits rate increases as well as the cost-of-living adjustment. There is also the pressure from the annualization of the Digital Product Manager position that was approved for 2024. Furthermore, funding from the Special Purpose Reserve has been removed to reflect the diminishing balance in the reserve account. All these were partially offset by the reduction in Collection Development to reflect greater focus on growth Collections in capital and the additional funding from York Region District School Board for shared costs of the Richmond Green Library.

Resolution to Exclude Amortization and Post-Employment Expense Budgets

Accounting regulations require municipalities to report on financial statement expenses traditionally not included in the operating budget. Ontario Regulation 284/09, Budget Matters – Expenses, allows the City of Richmond Hill to continue to budget on a basis other than based on accounting regulations, and exclude amortization and post-employment benefits related expenses. Before adopting a budget that excludes such expenses, Council must pass a resolution on a report (Appendix “C”) that outlines the impact to the accumulated surplus, and the impact on the future tangible capital asset funding requirements of the municipality.

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Capital Asset Sustainability Levy Budget

Recognizing the long-term funding challenges for tax-supported capital investments, Council adopted the Capital Asset Sustainability Strategy as part of the 2016 Operating Budget. The Capital Asset Sustainability Levy (CASL) is applied to support maintaining capital assets in a state of good repair (SOGR). The initial strategy approved an annual 1% tax rate increase over ten-years, ending in 2025. With continuing pressures on the state of good repair – aging infrastructure, growth, and cost escalations, Council approved the CASL increase to 1.5% tax rate equivalent starting in 2024 and continuing into the 2025 Operating Budget as approved as part of the 2025 Operating Budget Strategy.

At the June 11, 2024, meeting Council endorsed a 2025 CAS Levy increase of 1.5% tax rate equivalent for 2025. The 2025 increase will generate an additional \$2,023,100 contributing to a total budget of \$12,925,200 for future capital asset funding. This amount is included in the \$20,184,000 of tax supported capital asset funding for annual contributions to future capital investments.

Housing Accelerator Fund (HAF)

The Housing Accelerator Fund (HAF) is a multi-year federal investment announced in November 2023 to accelerate housing development. The City is taking bold actions to address the nationwide housing crisis by developing housing-enabling policies and programs to expedite development and facilitate the creation of much-needed housing for the community. Richmond Hill's HAF Action Plan includes nine initiatives, driven by interdepartmental collaboration, focused on removing barriers, enabling housing options, and accelerating efforts to address the local housing challenges effectively.

The total funds received and to be received, along with the Community Improvement Plan (CIP) Incentive Fund are based on meeting milestones and unit targets along the way and are reflected below, separate from the consolidated Operating Budget. The table below presents the estimated costs of the HAF program.

By Cost Category	2024 Budget	2025 Budget	2026-2027 Outlook	Total
Personnel – Casual	\$297,700	\$1,009,200	\$1,375,600	\$2,682,500
Contracts / Services	897,400	776,300	10,000	1,683,700
Total Implementation Costs	\$1,195,100	\$1,785,500	\$1,385,600	\$4,366,200
Incentive Fund			13,000,000	13,000,000
Infrastructure Contribution			5,700,000	5,700,000
Total HAF Programs	\$1,195,100	\$1,785,500	\$20,085,600	\$23,066,200

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Other Financial Impacts

Pursuant to the Mayoral direction 21-24 at the November 5 BCW meeting, staff were directed to include \$100,000 into the 2025 Operating Budget for Cybersecurity contracts, in addition to 2 full-time positions (Senior Security Analyst and Security Analyst) as part of SRCFS.24.057 – Confidential Staff Report regarding the City’s IT Security Program). The total increase to the proposed draft 2025 budget tax levy is \$321,700 and would result in an additional tax rate increase of 0.24%, on top of the proposed 3.00% tax rate increase. The Mayoral direction also included the addition of a second full-time Security Analyst in 2026 and \$200,000 in the 2025 Capital Budget for cybersecurity projects.

Furthermore, at the November 25 BCW meeting, two other reports will be presented for BCW consideration. One staff report related to Community and Cultural Grant Program & Community Enhancement & Economic Vitality Reserve Fund and another one related to Economic Development Mission to Hannover Messe. These reports, if recommended by the Budget Committee of the Whole to the Mayor, may have additional 2025 Operating Budget implications.

Financial Outlook and Staffing Plan

One of the City’s budget principles relates to detailed long-term and short-term planning. The multi-year financial outlook is one of the planning tools used by Council and staff. The provision of a multi-year financial outlook ensures that Council is provided with a financially prudent forecast of the future implications of decisions made in the present day.

Appendix “E” provides an updated operating financial outlook based on the proposed 2025 Draft Operating Budget and outlook for 2026-2028. The schedule assumes that:

- Tax rate pressures shown for each year are approved and incorporated into the base revenues of the next year; and
- No surpluses/deficits are expected.

The City’s base budget outlook includes inflationary and growth pressures, as well as, a factor on non-tax revenue growth of 3% per year from 2026 to 2028, reflecting the projected inflationary pressure on the expenditures. Assessment growth has been conservatively forecasted at 1.00% for 2026 to 2027 and 1.2% for 2028, compared to actual assessment growth of 0.8% in 2025 and 1.31% in 2024.

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The Outlook forecasts a tax levy increase of \$5.76 million in 2026, \$7.4 million in 2027 and \$5.8 million in 2028 (refer to Appendix “E”) as summarized below:

City Services	2025 Draft Budget	2026 Outlook	2027 Outlook	2028 Outlook
Base	\$ 2,492,200	\$ 3,992,700	\$ 5,032,600	\$ 5,047,400
Annualization	252,600	97,500	493,600	493,700
Legislated	166,500	100,000	100,000	100,000
Growth / Service Enhancements	1,102,300	1,856,400	2,283,100	2,069,400
Taxation	(1,074,700)	(1,389,200)	(1,460,800)	(1,859,600)
Tax Levy Increases	\$ 2,938,900	\$ 4,657,400	\$ 6,448,500	\$ 5,850,900
Tax Rate Increase before Special Items	2.18%	3.32%	4.37%	3.73%
Public Works Enhancement	557,400	557,400	534,900	-
16 Firefighters	550,000	550,000	446,400	-
Tax Levy Increase	\$ 4,046,300	\$ 5,764,800	\$ 7,429,800	\$ 5,850,900
Tax Rate Increase	3.00%	4.11%	5.04%	3.73%
HAF	\$ 1,785,500	\$ 946,800	\$ 19,138,800	

The incremental personnel costs include the annualized impacts of approved new resources, the incremental expenditure for new staff additions as requested by departments, grade/step increases (based on projected staff movement) and cost of living increases based on the projected cost of living increases. The non-personnel costs include the forecasted costs for future resources and programming requirements to support various City initiatives such as IT strategy, Fire Master Plan, Public Works Enhancement, automated speed enforcement program and regular business. The outlook does not include the full impacts of the items that are still being assessed such as housing related legislation resources and the Blue Box Transition implementation.

The estimated cost of the HAF program is included, the amount is fully funded by the Federal grant and is not expected to have any impact on the tax rate.

Reserves and Reserve Funds Budget

Appendix “D” provides an overview of the transfers to and from Reserves and Reserve Funds that are included in the Draft Operating Budgets.

Relationship to Strategic Plan 2024-2027:

The presentation of the 2025 Draft Operating Budgets relate to Pillar 3, Strengthening our Foundations, specifically Priority 1, Make decisions that are evidence-based and data-driven to enable the City’s long term financial sustainability, as well as social, environmental and economic sustainability.

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Conclusion:

This report includes a summary of the 2025 Operating Budget:

- The 2025 Operating Budget provides for a Municipal Tax Levy of \$138,921,200 (excluding supplementary taxes) which includes a \$4,046,300 (3.00%) budgetary increase over 2024.
- The provision of a Special Levy generates an additional \$2,023,100, to a total of \$12,925,200, for Capital Asset Sustainability (reflective of a 1.5% tax rate equivalent increase).

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. If you require an alternative format please call the contact person listed in this document.

- Appendix A: Operating Budget Pressures
- Appendix B: Net Growth Pressures
- Appendix C: Compliance Report under O. Reg. 284/09, Budget Matters – Expense
- Appendix D: 2025 Application of Reserve and Reserve Fund Transfers in the Budget
- Appendix E: 2026 - 2028 Financial Outlook

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Report Approval Details

Document Title:	SRCFS.24.058 - 2025 Draft Operating Budget.docx
Attachments:	- SRCFS.24.058 - Appendix A - Operating Budget Pressures.pdf - SRCFS.24.058 - Appendix B - Growth Pressures.pdf - SRCFS.24.058 - Appendix C - Compliance Report.pdf - SRCFS.24.058 - Appendix D - Reserve and Reserve Fund Transfers.pdf - SRCFS.24.058 - Appendix E - 2026-2028 Financial Outlook.pdf
Final Approval Date:	Nov 17, 2024

This report and all of its attachments were approved and signed as outlined below:

Gigi Li - Nov 13, 2024 - 12:24 PM

Sherry Adams - Nov 13, 2024 - 1:10 PM

Darlene Joslin - Nov 17, 2024 - 10:53 AM