



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: September 9, 2024

Report No: ES-023-24

Subject: 2025 Budget Call Report

- Recommendation:**
1. THAT the Mayor be requested to consider the following when preparing the 2025 Proposed Budget for Council consideration:
 - a. That the 2025 Capital and Operating Budgets and Forecasts be prepared in alignment with the Town's Council-approved strategic plans and long-term studies (example: Strategic Plan, Official Plan, Asset Management Plan, Fiscal Impact Studies, Master Plans etc.)
 - b. That the 2025 Proposed Operating Budget be presented with an estimated total residential property tax increase of approximately 6.5% (inclusive of projected tax rate changes for the local, regional and education portions of the levy).
 2. THAT staff be directed to prepare a Capital and Operating Budget Reference Document for the Mayor and Council to consider, including options to reduce the tax levy impact for the year 2025 as well as opportunities for additional investment.

EXECUTIVE SUMMARY

- Through ES-016-24, Council approved a multi-year financial strategy with a targeted total property tax rate increase (inclusive of the Region and School Boards) of 4.5% to 7.0%, until such time that non-sustainable funding sources were eliminated, funding deficits were reduced, and the Town's property tax rate fell within the range of comparators (while remaining below the average).

EXECUTIVE SUMMARY

- The estimated budget pressure for 2025 is equivalent to an increase in the total property taxes of 7.31% (or \$56.65 per \$100,000 of assessment). This figure includes a pressure in the local property tax rate of 13.84%.
- Key areas of investment that are expected for the Town in 2025 include Fire Services, Transit Services and Digital Services, which are supportive of the Town's strategic goals.
- The Town's total tax levy is lower than surrounding local municipalities by an average of 18% for the average 2-storey home, and Milton property taxes as a percentage of household income remains lowest in the GTA and second lowest in the Province.
- The 2025/26 forecasted budget pressures that are presented in this Budget Call report are based on data and information currently available. As the detailed budget is developed this forecast will continue to be refined to include additional information that is identified.
- The budget process outlined herein has been developed with consideration of the changes introduced through Bill 3 (Strong Mayors, Building Homes Act, 2022).

REPORT

Background

Section 290 (1) of the Municipal Act requires municipalities to prepare and adopt an annual budget. In June 2023 the Province of Ontario approved Bill 3, Strong Mayors, Building Homes Act, 2022 which expanded the strong mayor powers to more cities in Ontario, including Milton. Section 284.16 of the Municipal Act, 2001 (as amended by Bill 3) identifies that the duty of preparing a proposed budget for a municipality and providing the proposed budget to the council for consideration is now the responsibility of the head of council.

To support the 2025 budget process, and consistent with prior years, staff will prepare budget reference material following the principles outlined in Financial Management - Financial Principles Policy No. 110 and the direction provided by Council. The budget process continues to be an avenue to prioritize and balance the allocation of available resources to achieve the various targets and priorities.

The Budget Call report provides background, context and financial considerations related to the 2025 budget.

Discussion

Milton has experienced steady population growth since 2001 and has consistently ranked as one of Canada's fastest growing communities. With a population of 140,260 residents at the end of 2023 and projections showing that figure approximately doubling over a 15 year period, the Town continues to be faced with a number of financial challenges and opportunities. Within this context, the budget serves as a financial plan that provides guidelines and direction to staff for the allocation of resources and the provision of services and infrastructure.

Public Input

The budget development process considers the ongoing feedback that is received from the public throughout the year as part of the public engagement that is undertaken for Town initiatives such as master plan updates and planning processes, as well as the 2022 Citizen Engagement Survey. Included as Appendix A is an excerpt of the survey findings regarding property taxes, value for tax dollars and infrastructure funding.

In addition to these ongoing opportunities for public engagement, residents and business owners were also invited to provide comments and input related to the prioritization of services and investments for the 2025 budget year. This opportunity was available from July 2, 2024 through the Let's Talk Milton platform and was advertised through a public service announcement and social media posts. While the platform will continue to remain open and available for comments through December 1, 2024, all comments received to end of day August 21 are attached as Appendix B to this report.

Additional comments received between August 22 and December 1, 2024 will be shared with Council in advance of the December 2, 2024 budget meeting.

Growth Forecast

An important consideration in the preparation of the budget is estimating the rate of growth expected in the community which affects both revenues and expenses in the capital and operating budgets. Growth in the community will result in incremental tax revenues from assessment growth. It also drives the requirement to expand services and infrastructure such as roadways, parkland and facilities to the growing community.

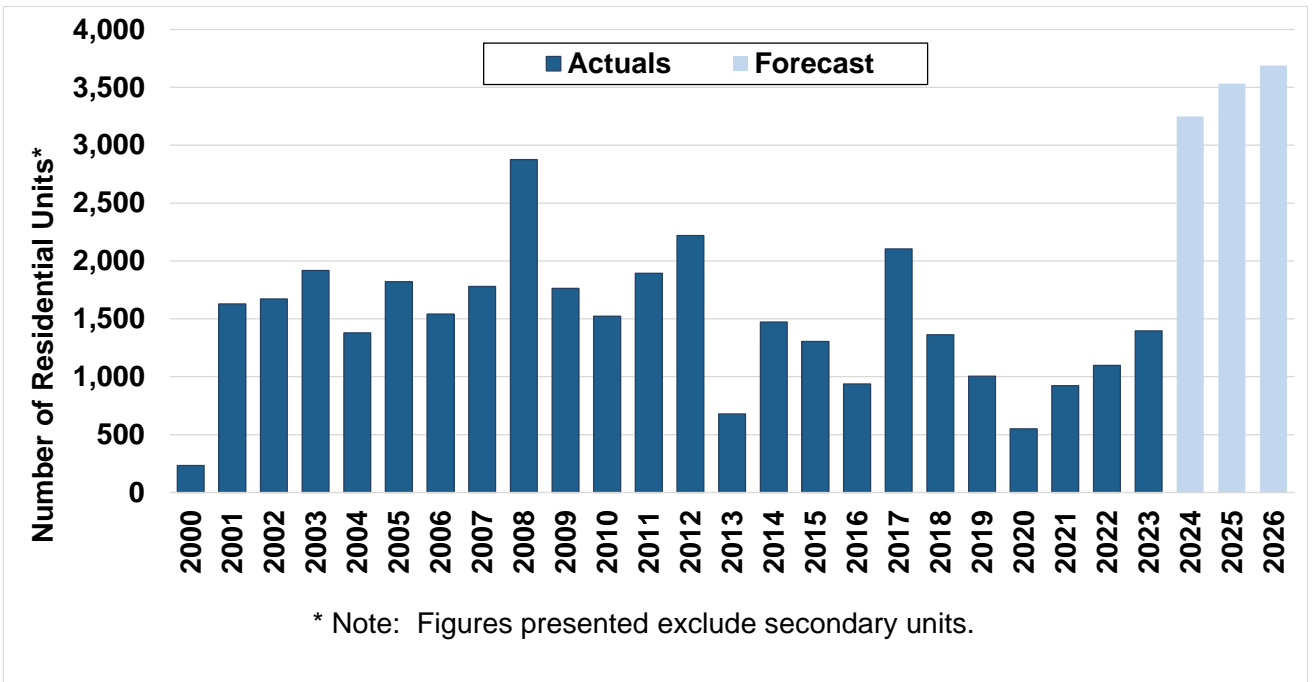
The taxes raised from residential growth do not currently cover the costs of services provided and therefore balancing growth between the residential and non-residential sectors is critical to financial stability. Over recent years, residential growth has outpaced non-residential with

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the mix of assessment (unweighted) changing from 71.8% residential in 2001 to 82.9% residential in 2024.

Over the next several years, residential building activity is anticipated to be higher than previous activity experienced by the Town as illustrated in the following graph.

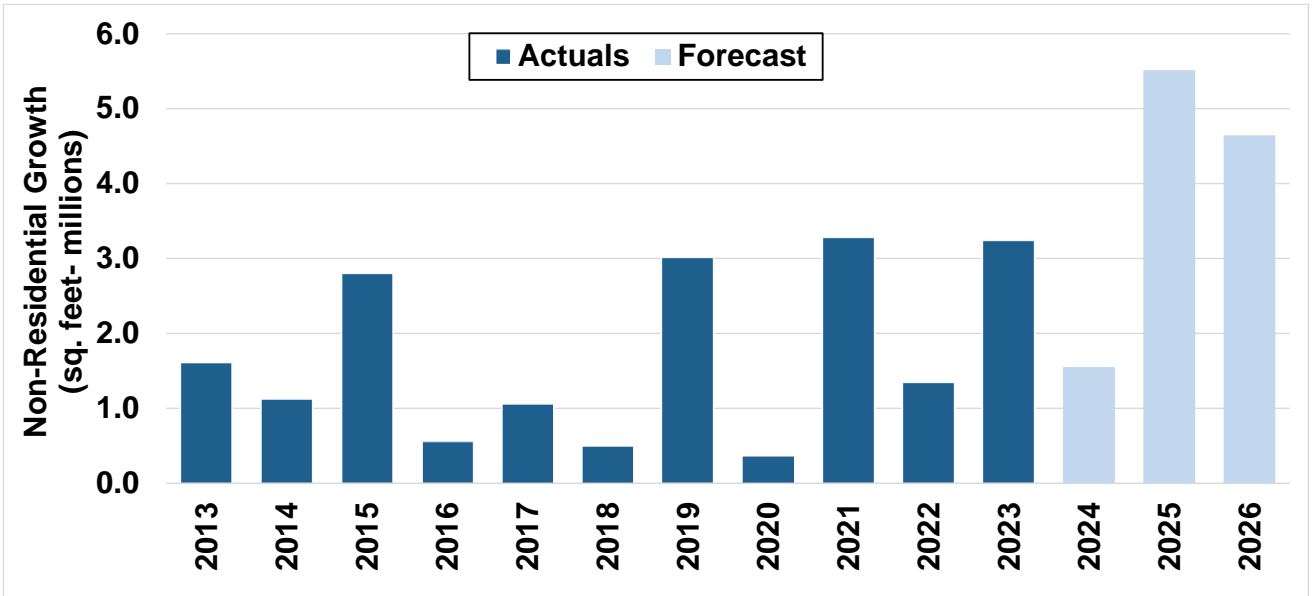
Figure 1 - Town of Milton Residential Growth



Non-residential activity is also expected to remain strong with 5.5 million square feet of development anticipated in 2025.

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Figure 2 - Town of Milton Non-Residential Growth



The projected increases in the levels of residential and non-residential growth from 2024 to 2026 are expected to result in higher levels of annual assessment growth revenues, and will therefore influence the budget processes in future years. Assessment growth for the current budget year (2024) will be influenced by prior volumes, and due to the relatively lower growth totals in recent years, lower assessment growth dollars are expected.

Capital Budget and Forecast

A 10-year capital budget and forecast will be prepared that will identify the investment required to support the anticipated growth in the community as well as the Town’s infrastructure maintenance and rehabilitation needs. The starting point for preparing the 2025-2034 budget and forecast will be the 2025-2033 forecast presented through the 2024 budget process. The forecast estimated that the capital investment for 2025 would be approximately \$177.9 million, with a 9-year investment totaling \$1.4 billion. The budget and forecast will be updated to reflect revised construction timelines, updated cost estimates (including inflation) and current corporate priorities.

Operating Impacts from Capital

Investing in new and expanded infrastructure has a significant financial impact on future operating budgets and tax levies. Capital investment in local infrastructure that is constructed



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by developers and assumed by the Town through new developments (including local roads and stormwater assets) also results in ongoing incremental costs. Capital budgets will continue to identify the operational impacts resulting from investment in new or expanded services including the maintenance of newly constructed roads and parks, expanded transit services, new facilities and information technology infrastructure. Future capital investment to maintain or replace assets is also required and as such, contributions to reserves for the long-term rehabilitation and/or replacement of new assets will be identified.

Infrastructure Funding Deficit & Asset Management Plan

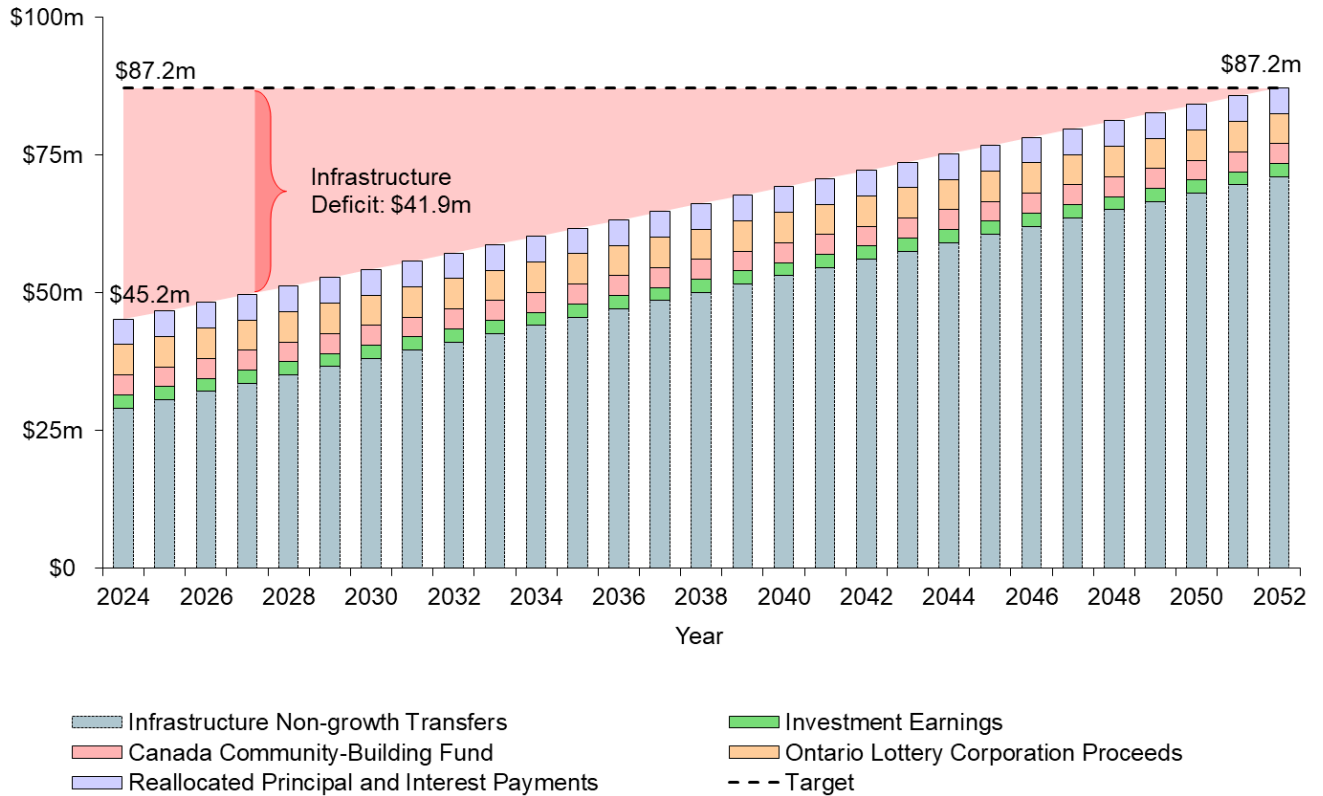
The Town's Corporate Asset Management Plan (AMP) was updated in 2024 (via report ES-017-24) to include all of the Town's \$3.4 billion in assets. The 2024 AMP included a lifecycle funding analysis that considered current lifecycle management strategies, levels of service, condition assessments, replacement costs, and risk management strategies.

The study estimated that approximately \$87.1 million in capital lifecycle funding is required each year to support the Town's infrastructure. By comparison, the current amount of sustainable funding available to the Town each year amounts to approximately \$45.2 million, resulting in an annual funding deficit of approximately \$41.9 million for the Town. In order to sustain current services and service levels, a gradual reduction to the funding deficit will be required.

As illustrated in the following graph, if the Town resumes the strategy of contributing incremental annual lifecycle funding in the amount of \$1.5 million, the deficit would be eliminated in approximately 27 years.

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Figure 3 - Impact of Net New Annual Transfers of \$1.5 Million on Closing Annual Deficits



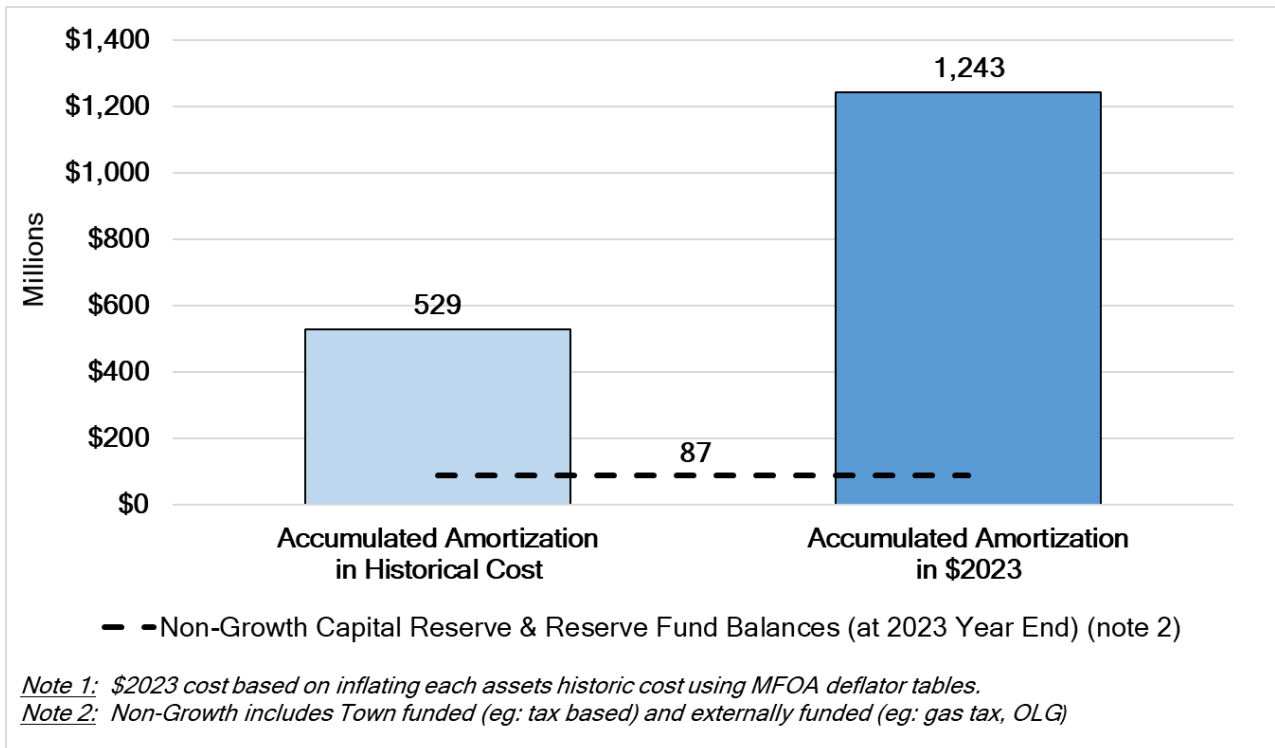
It should be noted that amounts presented exclude both inflation and future acquisitions of additional assets. During this 27 year period, the Town's asset base will continue to grow through assets constructed by the Town or assumed from the development community. Should the Town continue its existing policies of adding sustainable funding sources for the future lifecycle costs of those new assets at the time of acquisition, and of increasing the funding base each year with consideration for inflationary rates, this will also further contribute to the growth of the annual funding sources that are available during the period.

Another method of reviewing the degree to which the Town is setting aside funds for future rehabilitation is to compare the capital replacement reserve and reserve fund balances to the accumulated amortization on the Town's assets (i.e. the degree to which existing assets have aged). These figures are depicted on the following graph, and suggest that additional contributions to capital reserve are required for the Town's existing assets based on the service levels currently provided. Although other financing tools (example debt or future contributions)

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will be available as a part of the funding strategy, the differences noted below exceed the current Provincially mandated and Council established debt capacity limits.

Figure 4 - Measure of Infrastructure Renewal Funding Status



2023-27 Strategic Plan

A Strategic Plan for the years 2023-2027 was approved through report ES-009-23. The plan identifies the following priorities for this term of council and will drive progress towards the long range vision of Milton in 2051:

- Invest in People
- Innovate in Technology & Process
- Quality Facilities & Amenities
- Connected Transit & Mobility
- Planned Community Growth

Due to the multi-year nature of several of the growth related initiatives included in the plan, budget approval has already occurred or the financial impacts have been incorporated into

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the operating and capital budget forecasts for several items. Additional or new funding requests will be presented where required as the various initiatives proceed to finalization or when the scope and expected outcomes have been further defined.

Workforce Planning

The Town of Milton's full time staff complement is notably lower than that of comparator municipalities. The Town also has a higher reliance on contractors and part time staffing in several service areas. These factors influence the way in which services can be delivered, and also affect the levels of service that can be provided to a growing community.

Staffing level requirements are reviewed annually, with consideration for Town goals and priorities as well as existing service levels and pressures. Performance measures are also assessed in relation to new staffing needs. In recent budget years due to financial pressures, a limited number of positions have been added and previously forecasted needs have been deferred. The 2025 operating budget forecast presented herein includes a provision to address some of the highest priority staffing requirements, however, this leaves a number of pressures and risks outstanding. Should the Town be unable to achieve adequate staffing levels it will result in impacts to the delivery and quality of services that residents receive in various areas.

Other Revenue Sources

Aside from property taxes, user fees and service charges provide a significant portion (19.6%) of the Town's overall revenues each year. Other sources of revenue that the Town of Milton proactively pursues to help manage the overall tax pressures include items such as, but not limited to: external grants, investment income and cost recovery agreements with external organizations. As many of these sources are either frozen or stagnant and do not increase with inflation and growth, the Town faces ongoing pressures in trying to meet the requirements of a growing community.

Through effective management of Town user fees, which includes indexing annually by the Municipal Price Index (MPI), fees are charged to the direct users of many Town services to cover part or all of the costs of providing these services.

Aside from annual inflation, comprehensive studies are also undertaken periodically to compare the effective rates to the related cost (via activity based costing), as well as to benchmark the Town's rates to its peers. The latest comprehensive study on the Town's user fees, excluding recreation and transit, was completed in 2022 (staff report CORS-058-22). Internal reviews of Recreation and Facility fees were completed through the 2023 and 2024



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Budget process, with a comprehensive review for this area anticipated in 2025. Transit fees were reviewed in 2024 as part of the Transit 5-Year Service Plan and Master Plan Update.

The majority of rates and fees within the forecast will be indexed in 2025 using the MPI for expenditures of 4.01% as presented in staff report ES-020-24.

2025 Operating Budget and Forecast

Through the 2024 Operating and Capital Budget staff completed an operating budget forecast for the pressures anticipated in 2025 and 2026. Based on the assumptions at the time, staff were projecting a significant tax levy pressure to the Town portion of the tax bill in those years. The major drivers of the forecast included:

- Inflationary impacts to maintain existing levels of service.
- Funding to gradually reduce the infrastructure deficit.
- Extending services to new growth areas including the Boyne Secondary Area.
- Investment in service areas due to higher density growth.
- Phased reduction of non-sustainable reserve funding.

Staff will continue to revise the forecast throughout the budget process. However, based on new information and analysis undertaken through the first two quarters of 2024 some of the more significant adjustments to the forecast include:

- Higher than anticipated inflationary pressures.
- Accelerated investment in service areas due to higher density growth.
- Deferred timing of assessment growth.

Including the assumptions previously mentioned, the projected pressures equate to a 13.84% tax rate change in 2025 and 12.07% in 2026. Put another way, the revised forecast is currently projecting a tax pressure equivalent to \$44.66 per \$100,000 of residential assessment in 2025 and a further \$44.33 in 2026. These amounts are relative to the existing annual cost of \$323 per \$100,000.

The following table provides a summary of the primary drivers impacting the 2025 and 2026 forecast (with further detail provided in Appendix C).



The Corporation of the Town of Milton

Discussion

Component	2025			2026		
	Net Levy Impact \$ (000's)	Residential Tax		Net Levy Impact \$ (000's)	Residential Tax	
		per \$100K of Assessment*	% Change		per \$100K of Assessment*	% Change
Prior Year Tax Levy	\$99,181	\$322.71		\$115,617	\$367.38	
Inflation and Base Adjustments:						
Inflation (MPI)	\$4,631	\$14.72	4.56%	\$4,313	\$13.00	3.54%
Non-recurring & Reversal of One-Time Transfers	\$483	\$1.54	0.48%	\$1,152	\$3.47	0.95%
Infrastructure Deficit	\$1,500	\$4.77	1.48%	\$1,500	\$4.52	1.23%
Other Base Adjustments	\$1,149	\$3.65	1.13%	\$1,025	\$3.09	0.84%
Total Inflation and Base Adjustments	\$7,763	\$24.67	7.64%	\$7,990	\$24.08	6.55%
Growth Related:						
State of Good Repair for Constructed & Assumed Assets	\$4,056	\$12.89	3.99%	\$6,348	\$19.13	5.21%
Expanded Service Delivery to Growth Areas	\$2,581	\$8.20	2.54%	\$3,074	\$9.27	2.52%
Other Growth-Related Impacts	\$2,036	\$6.47	2.00%	\$3,579	\$10.79	2.94%
Total Growth Related	\$8,673	\$27.56	8.54%	\$13,001	\$39.18	10.67%
Total Increase in Levy	\$16,436	\$52.23	16.18%	\$20,991	\$63.26	17.22%
Total Tax Levy	\$115,617	\$374.94		\$136,608	\$430.64	
Estimated Assessment Growth (net of reductions)**	(\$2,380)	(\$7.56)	-2.34%	(\$6,284)	(\$18.94)	-5.15%
Forecasted Net Tax Levy Increase	\$14,056	\$367.38	13.84%	\$14,707	\$411.70	12.07%

* Based on 2024 CVA values per 2024 Final Tax Levy By-law, CORS-014-24. Through the annual tax setting bylaw tax rates are re-calculated each year using current year assessment values.

** This is the amount net of anticipated losses from Assessment Review Board appeals, Request for Reconsiderations, and Section 357 Applications (tax class changes, properties razed by fire, etc.).

When potential changes to the Region and Educational portion of the property tax bill are considered, the total potential impact to ratepayers is estimated as follows:

		2025	2026
Town Tax Rate Pressure	\$ Change	\$44.66	\$44.33
	% Change	13.84%	12.07%
Overall Tax Rate Pressure*	\$ Change	\$56.65	\$56.80
	% Change	7.31%	6.83%

* Includes estimated Town, Regional and Educational portion of the property tax bill. Estimated Regional change in 2025 is based on Region report FN-19-24, estimated Educational portions are held constant consistent with reports FN-11-24 and CORS-014-24.

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Budget vs Actual Variance Trend

As shown in the table below, over the previous five years the year-end operating expenditures have been within 2.2% of the approved net budget and 1.1% of the approved gross budget.

Figure 5 - Five Year Historical net Budget Variance Trend

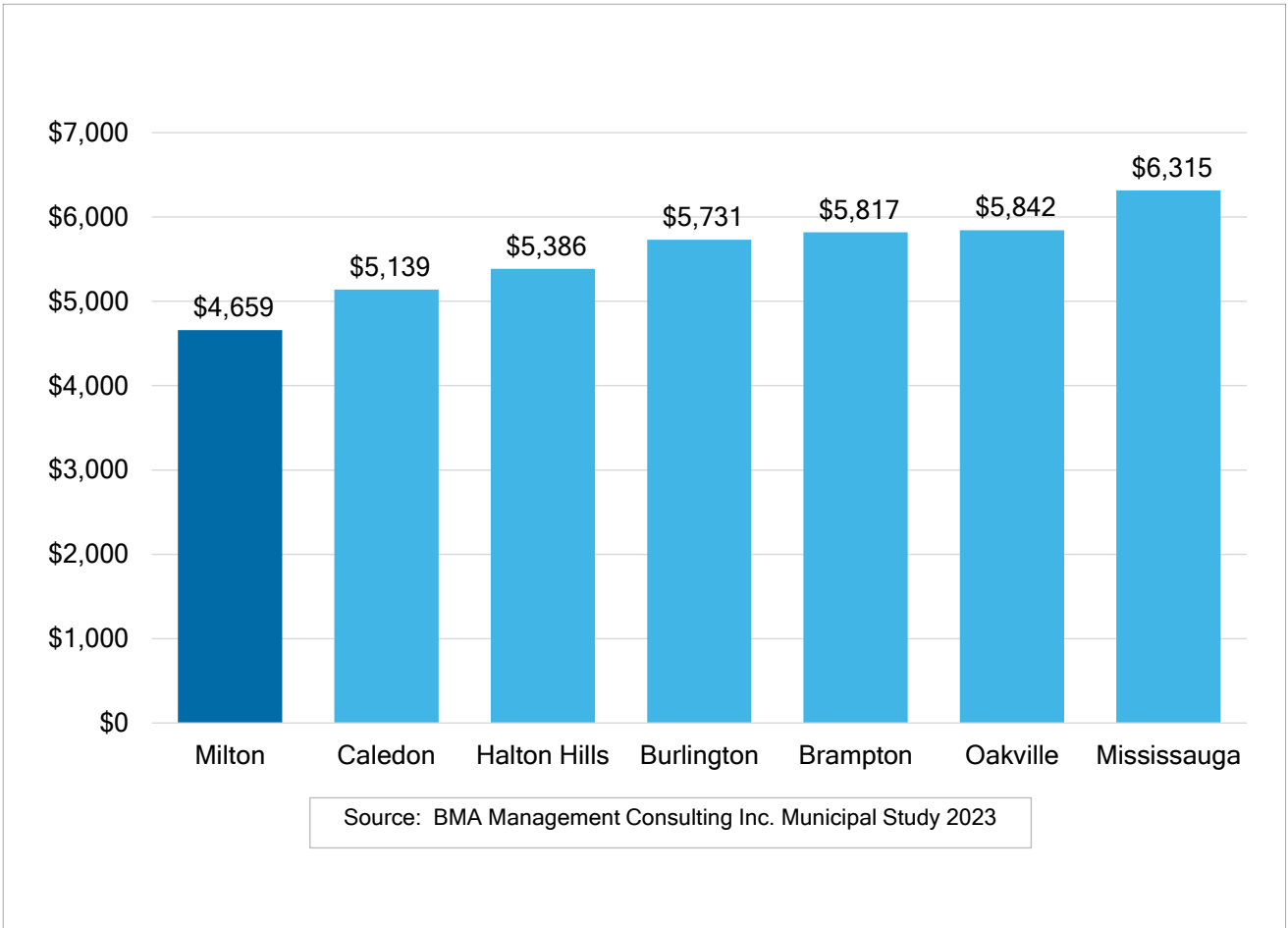
	2019	2020	2021	2022	2023	Average
Variance (\$Millions)	\$1.22	\$1.85	\$4.45	\$0.45	\$(0.23)	\$1.5
% Variance to Net Budget	1.9%	2.7%	6.0%	0.6%	(0.3)%	2.2%
% Variance to Gross Budget	0.9%	1.3%	30%	.03%	(0.1)%	1.1%

*Positive variance represents a favourable variance and a negative variance represents an unfavourable variance.

Comparing Milton’s Taxes to Other Local Municipalities

When comparing Milton’s overall residential tax bill (including Town, Region and Education portions) to surrounding municipalities, Milton continues to have the lowest tax rates. The following graph shows that Milton’s total residential property taxes for a 2 storey home are 18% lower than the comparator group average.

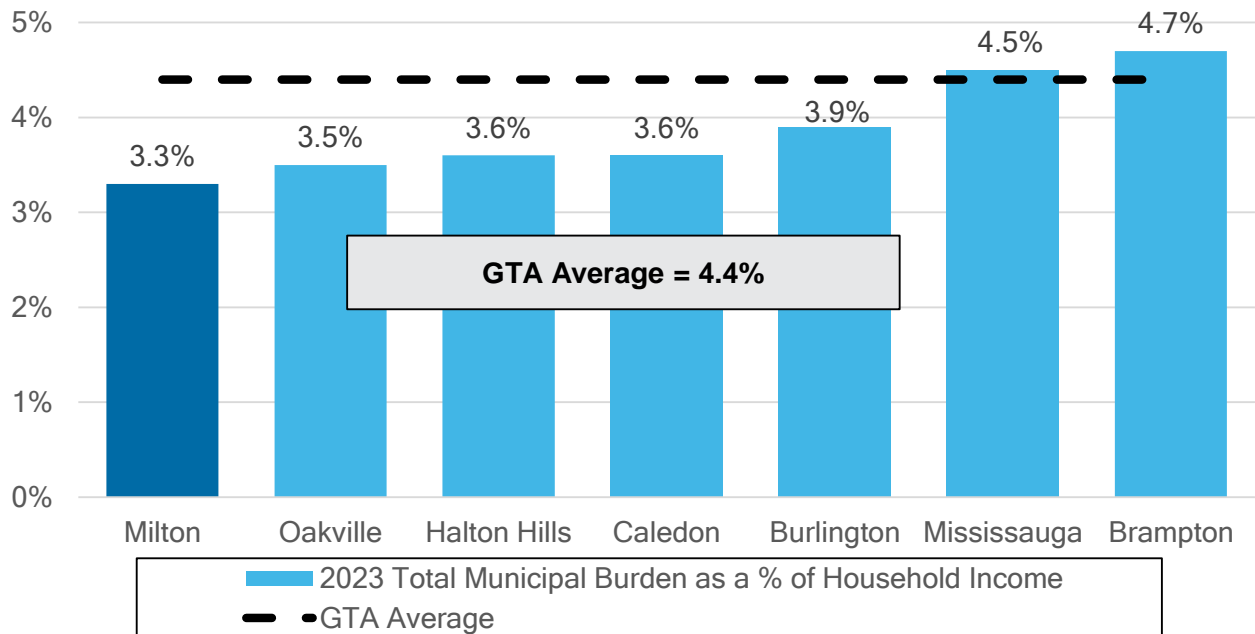
Figure 6 - 2023 Residential Property Taxes for a 2 Storey Home



Affordability

Each year BMA Management Consulting completes a municipal comparative study on behalf of over 100 participating Ontario municipalities. Included in the study are various indicators and metrics to help evaluate a municipality’s financial condition including an analysis of affordability where the municipal burden (property taxes and water/wastewater rates) is calculated as a percentage of household income. Milton is second lowest when compared to the other participating Ontario Municipalities and is the lowest in the GTA.

Figure 7 - 2023 Total Municipal Burden as a % of Household Income



Source: BMA Management Consulting Inc. Municipal Study 2023

Recommendations

Through ES-016-24 Council endorsed a Multi-Year Financial strategy wherein the annual target for the total property tax rate increase (inclusive of the Town, Region and Province) be established between 4.5% and 7.0% until such time that the following outcomes are achieved:

- The Town has eliminated the use of non-sustainable funding sources (such as the Tax Rate Stabilization Reserve) for on-going operating costs
- Further progress towards reducing the annual infrastructure deficit has been achieved, and other annual funding deficits (such as development charge exemptions and property tax write-offs) have been eliminated
- The Town's property tax rate falls within the range of the comparator municipal group, while remaining lower than the average of those peer municipalities.

Included as Appendix D is a scorecard which will be used to track the progress that the Town is making relative to the three measurable criteria identified in staff report ES-016-24. As these measures were only recently established, no progress has yet been made in advance of the 2025 Budget process.

In ES-016-24 it was noted that due to existing service and inflationary pressures, the Town's budget may need to remain at the high end of this range for several years. After which, the Town would strive to maintain annual incremental increases towards the low to medium portions of the range until such time as the three outcomes indicated above are achieved.

As such, and in consideration of the forecasted operating pressures in 2025, it is recommended that the Mayor be requested to consider preparing the 2025 proposed budget presented with a total estimated residential property tax increase of approximately 6.5%.

In order to arrive at a total residential property tax increase of approximately 6.5%, the degree of increase to the local municipal tax rate will have to consider the potential changes to the levy requirements of the Region, Police Board and School Boards. Assuming tax rate increases of 4% by the Region and Police Board, and 0% by the School Boards, an overall property tax rate increase of 6.5% would imply a local tax rate increase for the Town of 11.9%. Should the Region, Police or School Boards finalize a budget at a higher increase, a reduction to the local increase would be necessary in order to maintain the target total residential tax rate change. Scenario testing that has been undertaken, for example, suggests that a local tax increase of 10.8% or lower may be necessary in order to achieve the budget target.

The proposed budget target outlined above will provide a challenge for staff and Council as opportunities will need to be identified to reduce the 13.84% pressure that is currently forecasted for 2025. As a part of the budget process annually, staff look to identify opportunities to manage the tax rate pressure, including but not limited to the following potential strategies:

- defer service enhancements and new capital projects;
- review other revenue sources;
- reduce or modify existing service levels or delivery methods;
- consider alternative financing strategies (example - utilization of reserves).

These methods will continue to be utilized as part of the 2025 Budget process.

Timetable and Process

Staff across the organization are preparing detailed estimates for the capital and operating budgets and forecasts. Budget information is scheduled to be available for Council and the public in November. In accordance with the approved Council meeting calendar for 2024, a Council workshop on the budget is scheduled for November 25. Public delegations and Council deliberations on the budget will occur on December 2 (and December 3 if necessary). A summary timetable with important budget deadlines is included as Appendix E to this report.



The Corporation of the Town of Milton

Similar to the prior year, the 2025 budget process will be under Bill 3, Strong Mayors, Building Homes Act, 2022. A summary of the process that is anticipated for the 2025 budget is outlined in Appendix F.

Financial Impact

The budget pressures for the years 2025 and 2026 result from inflationary impacts, the use of non-sustainable funding in prior year budgets, costs associated with densification, the expansion of services to new areas and the infrastructure deficit, amongst other items. Current estimates suggest that the cost to maintain existing service levels and make incremental progress on the existing deficits would result in a tax pressure of 13.84% on the Town portion of property taxes.

As the budget is developed, detailed program and service estimates will be refined as information becomes available and further analysis is undertaken. Opportunities to manage the timing of the pressure on the tax levy will also be identified.

As shown in the table below, the recommendations contained in this report would potentially increase the total property tax bill by 6.50% or \$50.43 per \$100,000 of assessment.

Potential Pressure on the Total Tax Bill per \$100,000 of Residential Assessment*

	Share of Tax Bill	2024 Taxes	2025 Increase	2025 Taxes	\$ Impact on Total Tax Bill	% Impact on Total Tax Bill
Milton Services	36.61%	\$ 271.75	11.26%	\$ 302.34	\$30.59	3.94%
Fire Services	7.12%	\$ 50.97	15.40%	\$ 58.82	\$7.85	1.01%
Total Milton	43.73%	\$ 322.72	11.91%	\$ 361.16	\$38.44	4.96%
Regional Services	23.09%	\$ 183.34	4.00%	\$ 190.67	\$7.33	0.95%
Police Services	14.66%	\$ 116.43	4.00%	\$ 121.09	\$4.66	0.60%
Total Region of Halton**	37.75%	\$ 299.77	4.00%	\$ 311.76	\$11.99	1.55%
Education***	18.52%	\$ 153.00	0.00%	\$ 153.00	\$0.00	0.00%
Total	100.00%	\$ 775.49	6.50%	\$ 825.91	\$ 50.43	6.50%

* Cost per \$100,000 of residential assessment are derived using the assessment values & tax rates from the 2024 tax by-law (CORS-014-24). These values will be re-stated following budget approval using the finalized 2023 assessment figures from the returned assessment roll.

** Per Region of Halton 2025 Budget Directions approved by Council through resolution FN-19-24 (includes enhanced waste service for urban area).

*** Consistent with recent experience, the 2025 education rate is presented in alignment with the prescribed rate currently outlined in O.Reg 400/98 and is subject to change through the approval of final 2025 rates by the Province.

Milton’s tax rates and affordability are currently amongst the lowest in the GTA and province and well below the Town’s neighbouring municipalities.

Respectfully submitted,



The Corporation of the Town of Milton

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Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Jennifer Kloet, Manager,
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ext 2216

Attachments

- Appendix A - 2022 Citizen Engagement Survey Results
- Appendix B - Public Input Results
- Appendix C - 2025 and 2026 Operating Budget Pressure Details
- Appendix D - Multi-Year Financial Strategy and Key Indicators
- Appendix E - 2025 Budget Timetable
- Appendix F - Summary of Process Resulting from Bill 3 Amendments to the Municipal Act

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.