



**DRAFT 2025 BUDGET
DOCUMENT**

December 2024

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INTRODUCTION



Message from the Chief Administrative Officer

New Community Strategic Plan Implementation

2024 was another challenging year for the organization, but I am pleased to note that we were able to adopt a new 10-year Community Strategic Plan for the Township (**Appendix 1**). The Strategic Plan includes our Mission to provide exceptional public service, and our commitment to do so by offering customer service that surpasses expectations, promoting community connection, maintaining sound financial management and ensuring long-term community health and prosperity. Included as well is the Vision 2034 to create conditions for communities to thrive, and to accomplish that by providing services and amenities to create an environment where all Woolwich communities can flourish. New in the Plan is our Commitment to Community Connection and how we will use the Play, Live, Work model to guide Woolwich's growth and expansion and we will ensure that every resident has the opportunity to live a vibrant, fulfilling life. Our Values are also important to highlight because they will serve as the foundation of our actions and decisions. Through the adoption of the core values we are making a commitment to fiscal sustainability, transparency, community engagement, inclusivity, planned development and environmentalism and sustainability. Over the next 10 years our Strategic Priorities will focus on: cultivating long-term prosperity, empowering communities to be adaptable and engaged, providing effective and open leadership and maintaining an innovative customer service focus.

To ensure that there will be an appropriate tracking mechanism in place concerning the progress being made regarding the implementation of the new Community Strategic Plan, the new strategic priorities will be implemented through an enhanced Corporate Business Plan program that will be developed in 2025. This new format will articulate the success that is being made in terms of implementing the Community Strategic Plan, as well as the corporate planning and related actions that are being recommended to Council to further advance the new Plan. Reporting this information in a user-friendly way is important so that Council, and the public will clearly see progress being made in terms of the implementation of both the Community Strategic Plan and the related Business Plan.

Progress will be measured, tracked and presented by Senior Management as part of the submission of the regular Quarterly Reports to Council throughout each fiscal year. This way everyone has an opportunity to see how the Township is doing in terms of acting on the strategic priorities, and everyone will have an understanding of the state of the Township's budget and finances. To accomplish this there will need to be strong alignment between the Community Strategic Plan, the Corporate Business Plan and the Annual Budget.

Challenges in 2025

The Township will continue to see significant growth, primarily in the urban areas of Breslau and Elmira, and will continue to be one of the fastest growing area municipalities in Waterloo Region. Managing this growth will continue to be a challenge for the Township because with growth comes many growth-related pressures. The Township will face the need for significant new investment in the Breslau area to support new

housing and economic development/employment land opportunities. There will also be pressure on the Township to purchase land and provide opportunities for affordable housing to address the affordability crisis, and to implement strategic development opportunities as part of the implementation of the Elmira Downtown Core revitalization plan. As well, the municipality will be faced with important decisions related to planning for a future recreation complex/wellness hub in Breslau, and a consolidated public works facility for our operations staff team. To ensure that the Township can achieve more balanced assessment growth, we will need to facilitate the development of new employment land so that we don't end up being simply a bedroom community over time.

As previously reported to Council, we will be faced with making important decisions related to our fiscal sustainability. We have seen post-COVID inflationary increases, significantly higher than the standard inflation, and it is having an impact on our equipment reserves especially in the areas of Fire and Infrastructure Services. The Township needs to bolster our reserves so that we will have the funding place to purchase the equipment that is vital to our municipal service delivery. At this time, we need to curtail capital spending levels to help us build back our reserves and reserve funds. This is out of necessity, it's not necessarily the wise thing to do, but it is the prudent thing to do along with an investment of time and effort in long term capital planning and priority setting. The Township also needs to focus time, attention and additional resources into solving all of the issues that are contributing to the water and wastewater deficits which have been significant as of late. Staff believe that these deficits in the utility areas will continue unless there is a shift to having the staff resources in place to complete proactive monitoring and improved analytics. It will be important for the Township to complete advocacy work with our senior levels of government to secure not just stable, reliable and predictable funding to help address our infrastructure deficit, but also funding for development related infrastructure. We believe that we can show how funding support from the senior levels of government will align with our collective priorities regarding addressing the housing crisis and providing for additional employment land to ensure support for economic development efforts. In addition, we will need to ramp up efforts to explore front ending by developers so that they are working with us to deliver on these opportunities.

The most significant issue that will need to be discussed as part of the 2025 budget process is the notion that we can't be all things to all people, because we simply do not have the fiscal and human resources to meet everyone's needs. We have to put a focus on making choices, no doubt tough choices, so that we are establishing corporate priorities and allocating the necessary resources to act on those priorities as outlined in the Strategic Plan. Work will be completed this coming year to enhance the Business Plan to show outcomes and key performance indicators so as to ensure the appropriate tracking and monitoring back to the priorities outlined in the Community Strategic Plan. It is important that we create a capital ranking system to allocate capital dollars to priority areas and move away from the allocation based system. In order to make these fundamental changes in capital budgeting we will need more investment in analytical resources across the corporation, and to make improvements to our internal systems/processes to position ourselves appropriately for the future.

Another area that is concerning is the impact of decisions on us by higher levels of government. This year during the Region's budget process they explored potential cuts to their budget that would have simply offloaded the costs to the Township. The increase in minimum wage has had a significant impact on the 2025 budget but is outside of our control and decision-making as it is made by the Province. Lastly, the Federal Government and the implementation of the carbon tax will see the budget increase by \$25,000 for a total annual carbon tax of \$144,000.

As we look towards 2051, and the fact that the Township will be growing to a size of 50,000 population, we need to all appreciate that we can no longer run a Township the same way as one with a population of 25,000. I have been saying for multiple terms of Council that we are at a critical turning point and transition from a rural Township to a small urban municipality. As such, we will need Council support regarding the vision, priority setting and resources to ensure that we set ourselves up appropriately for long term success.

David Brenneman

Message from the Director of Financial Services / Treasurer

2024 was a transitional year for the Finance Department. In late 2023, the former Finance Director took an extended leave of absence, and an interim Finance Director guided the Township through the 2024 budget process. I joined the Township in June 2024 and the finance team has had to adjust through multiple leadership transitions while ensuring financial operations continue uninterrupted for our residents.

The Township is also transitioning. From a largely rural community of the past to a mix of rural and large urban settlements. With increased growth and complexity comes increased financial challenges. We simply can't continue to do things the same way we always have and expect them to work the same way as we continue to grow.

Our tried and tested budgeting approach is no longer viable, and with critically low reserve funds, the Township is in a vulnerable financial position to respond to future needs. However, with new financial leadership comes a new perspective, and we have begun a shift in finance to position the Township to meet future challenges:

- In October 2024, staff introduced a Long-Term Financial Framework (LTFF) which established a financial foundation for the Township.
- In October 2024, staff presented a water / wastewater utility study and identified challenges in our utility rates which need to be addressed.
- In December 2024 Council approved several new financial policies to build out a framework for success
- In December 2024 Council was presented a plan to update our aging financial software.

While these are important first steps, change will not happen overnight. It will take many years of concentrated effort to modernize our financial processes to effectively respond to the challenges ahead. In 2025 the finance team will focus on understanding the Township's long term financial position and will be proposing measures to address its long-term financial stability.

The 2025 Draft Budget presets a 7.5% tax rate increase and a 2.5% infrastructure reserve increase. This will provide required funding to maintain existing service levels, adapt to recent economic shocks such as the increase in equipment costs, and make modest investments in our future such as updated finance software and critical staffing needs.

Unfortunately, the world will not stand still and wait for us to catch up. We need to adapt quickly to the economic and political challenges on the horizon while continuing to deliver high quality financial services our residents expect. We also need to make bold investments in our future.

The Township has an ambitious strategic plan, however, with anything in life, this comes at a cost. There is simply no way around it, if Woolwich wants to continue to be a great place to play, live and work we need to increase financial investment to ensure our

success. We simply can't achieve our long-term strategic goals with our current financial resources.

Balancing achieving our strategic goals while keeping taxes and rates affordable will not be easy. Finance will be working diligently to articulate our long term, but it will require a commitment from all stakeholders to develop a long-term mindset and to prioritize decisions that provide the most benefit to taxpayers over the long term.

"The best time to plant a tree was 20 years ago, the second-best time is now" ~Chinese Proverb

Colm Lynn

TOWNSHIP OVERVIEW

The Township of Woolwich is a rural township in Southwestern Ontario, Canada. It is part of the Regional Municipality of Waterloo, which is one of the fastest growing regions in the country. Woolwich is located immediately to the north and east of the City of Waterloo and is bounded by the cities of Cambridge, Kitchener, and Waterloo.

Woolwich Township is made up of 10 small communities, with the three largest settlements being Elmira, St. Jacobs (home base for the national Home Hardware chain), and Breslau, where the Region of Waterloo International Airport is located. With Woolwich's substantial population of Old Order Mennonite families, it is also not unusual to see horse-drawn buggies and farm equipment alongside suburban vehicles.

With a population of just over 28,000 (2022) Woolwich has identified significant growth and development pressures, major infrastructure challenges and the investment that is required in building and addressing healthy community priorities. Through the development of strategic priorities and actions we can establish that we are a modern and progressive semi-urban municipality that is still committed to enhancing its strong rural roots.

Quick Facts

- Total number of private dwellings at year end 2021 in Woolwich is 9,360
- From 2016-2021 Woolwich had a population growth of 8%
- The average after-tax household income in Woolwich 2020 was \$111,000

General Population

- Total Population of Woolwich at year end 2021 approximately 26,999
- Total Population Region of Waterloo at year end 2021 approximately 587,167
- From 2016 to 2021, the Region's population increased by 9.7%
- Approximate 2021 Population of the largest Individual Settlements within Woolwich Township:
 - Elmira 10,790
 - St. Jacobs 1,959
 - Breslau 5,053

ECONOMIC OVERVIEW

Canadian Economy

Recent information from Statistics Canada showed that Canada’s annualized growth has slowed to 1% in Q3 2024. While not a technical recession (2 consecutive periods of economic decline), on a per capita basis this represents the 6th consecutive quarterly decrease in GDP per capita. GDP per capita is a measure which may better represent the perceived impact on Canadians.

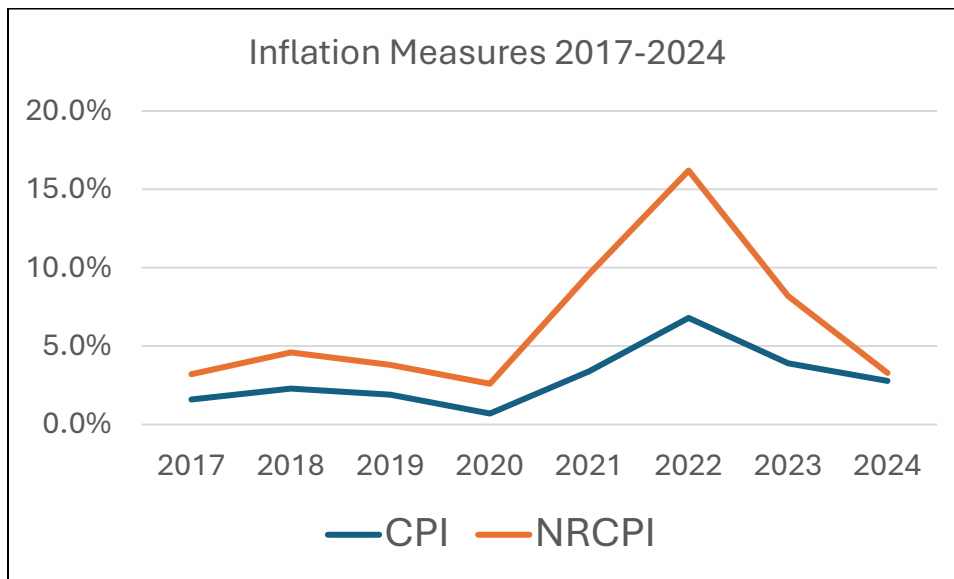
Inflation

A major concern over the past few years has been the high inflationary environment, reaching a 40-year high peak in mid-2022. Inflation is cumulative, meaning that even slowing inflation does not represent a decrease in prices. Municipalities have struggled to adapt to this higher inflationary environment while maintaining affordability for residents. It is important to remember that Inflation is the rate of price increase and a lower inflation rate, does not represent a price decrease.

NRCPI (Non-residential construction price index)

While CPI measures consumer price changes it does not accurately reflect the capital work the Township undertakes. Non-residential construction price index (NRCPI) measures the costs of construction for non residential buildings. This index is a far better measure of costs in our capital program.

While CPI has been very high in recent years, NRCPI has trended even higher reaching an annual rate of 16.2% in 2022. Inflating costs simply to CPI will fail to meet the cost challenges of the capital program. The chart below outlines this difference:



Interest Rates

Interest rates (monetary policy) are used to either stimulate the economy (low rates) or to restrain inflation (high rates). After reaching high levels in recent years, interest rates have been cut five times in 2025 and the overnight target rate now stands at 3.25% (as of December 2024) down from 5.0% in June 2024.

Interest rates impact the Township in two ways.

1. **Reduced investment income.** The rate of return on our investments are negatively impacted by declining rates. Our bank interest is immediately reduced, while longer-term investments returns are reduced because maturing investments cannot be reinvested at previously high rates.
2. **Lower debt interest costs.** The interest rates affect the cost of debt financing. Although current borrowing costs are fixed, lower interest rates will reduce the cost of future debt issues.

It should be noted that the Township historically holds more investments than it does external debt. Therefore, falling rates will have an overall negative impact on its financial position.

Election Uncertainty

The federal election is scheduled for Fall 2025 and the provincial election is scheduled for 2026. As the Township is reliant on grants and other federal and provincial funding, any potential change in government or policy generates significant uncertainty for the Township's finances. Timely advocacy to senior levels of government for infrastructure funding will be critical.

American Trade Uncertainty

With the recent Presidential election in the US, the CAD / USD exchange rate has declined. This means that purchases denominated in US dollars, such as heavy equipment and software, could see an increase in cost because of the higher exchange rate.

In addition, there has been significant discussion on increased or retaliatory tariffs which could increase the price of commodities in capital projects. This creates increased financial uncertainty for the Township.

GROWTH PRESSURES

The population in the Township of Woolwich is expected to grow to 51,204 people and 17,395 households by 2051. This growth will almost double the 2021 recorded population. In addition, with the recent expansions to the settlement areas and direction from Provincial government to remove barriers and build housing the population has potential to increase even more. Most of the growth will be accommodated in greenfield areas, within the urban settlement areas, through the development of new subdivisions. These subdivisions will add additional demand for programs, services, equipment and long-term maintenance costs for such things as roads, trails, facilities and other infrastructure. Phasing and staging of land development will be crucial for the ability of the Township to manage this growth and continue to provide infrastructure and services to meet the demands of the increased population. The Township must also ensure that employment land, institutional land and community spaces are planned for and supported to provide a balance of land uses, jobs and services.

The Township adheres to a growth should pay for growth philosophy. Where the financial burden of new growth should not be borne by existing residents where possible. To the extent possible the Township relies on development charges (DC's) to fund the infrastructure needs of growth and assessment growth to cover operating needs. However, it should be noted that DC's do not fund the full costs of growth infrastructure and some forms of development such as accessory residential dwellings are exempt from DC's. Therefore, some costs must be partially burdened by existing residents. In addition, future replacement costs of development funded assets must be eventually shouldered by the tax base. Also, there is not a one-to-one relationship between increased service need and assessment. This puts pressure on the Township to maintain service levels to respond to the demands of growth and to continue to provide services and programs to new residents.

Assessment Growth

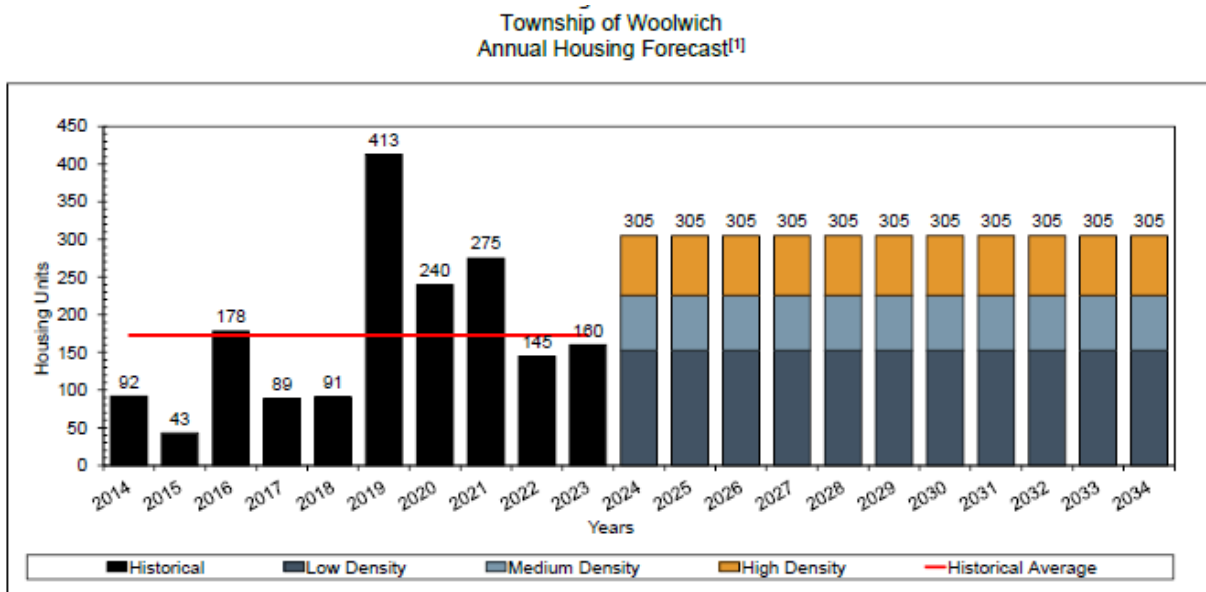
Actual growth in the Township has not been as high as previously forecast. The most recent DC study anticipated over 300 units in the Township annually starting in 2024 however recent estimates for 2024 estimate growth of around 100 units. Recent announcements to reduce immigration levels and potential changes to development related legislation adds to the uncertainty in growth and development. However, Development Services staff are optimistic that over the next several years we will hit the expected levels of growth.

Staff are currently projecting new assessment growth for 2025 to be approximately 2.69% which translates into an additional \$430,750 in property tax revenue. Staff are also aware of several developments which are planned to be constructed over the next few years which will increase our assessment growth. The Township's assessment growth history can be seen in the graph below (it should be highlighted that 2023 was a catch-up year for MPAC hence the significant increase that year):



Future Anticipated Growth

The following table was included in the 2024 DC Background Study. It shows anticipated growth of 305 units each year until 2034. The projected growth in 2024 was 305 units, however, only approximately 100 units will be constructed in 2024, well below forecast. However, staff are expecting to see over 400 new units constructed in 2025 and over 300 in 2026 plus accessory dwelling units which don't add DC revenue but do impact Township services.



This DC study information is a very basic analysis, and further work needs to be done to project future growth. This will become increasingly important as accurate DC revenue forecast will be critical to ensuring financing is available to fund and repay growth infrastructure.

BUDGET TIMELINES

The Township of Woolwich will be pursuing a budget timeline with approval occurring in the first quarter of 2025. Earlier budget adoption is becoming a municipal best practice and it is hoped that this timeline will be improved in future years.

Budget Parameters Presented to Council	September 10, 2024
Budget Parameters Approved by Council	September 24, 2024
2024 Budget Packages Published Online	December 31, 2024
Budget Report presented to Council Budget Overview Presentation Budget Presentations Operating & Capital – IS and RCS	January 7, 2025 Full Day
Budget Presentations Operating & Capital – CAO, COR, Council, DS, Finance and Fire	January 9, 2025 Full Day
Special Council (Budget Break Week) New this year	January 14, 2025
Budget Delegations, Deliberations and Additional Requests	January 21, 2025
Council Budget Deliberations	January 23, 2024 Full Day
Water and Wastewater Budget Discussion (at Committee of the Whole)	February 4, 2025
Final Report and Voting on the Budget (at Regular Council)	February 18, 2025

Budget Parameters

On September 10 and 24, 2024, Council considered Report F14-2024 regarding parameters for staff to create the 2025 budget. The direction given to staff at this meeting was:

1. Supports existing service levels as provided for in the 2024 Budget Parameters, with potential efficiencies to be reviewed by Council, along with any recommended service level changes, in the 2025 Budget;
2. Supports the 2025 Budget be prepared with a 2.5% - 7.5% base change target for the annual operating and capital budget;
3. Continues to support the concept of special levies above and beyond the base rate change, and that Council sets the amount for the increase to the Infrastructure Levy at 2.5% and 0% for the Climate Action Levy for the 2025 Budget;
4. Direct staff to prepare the 2025 Budget without any new debentures, excluding those already preapproved and for water and wastewater infrastructure projects; and
5. Direct staff to prepare the 2025 Budget while keeping reserve funds with appropriate balances.

Staff have incorporated this direction in the proposed Draft 2025 budget.

PUBLIC BUDGET CONSULTATION

After considering the 2024 Budget Feedback Report C08-2024, Council directed staff to “...provide online engagement for public consultation as outlined in the report, with a paper-based alternative offered to those who need it.”

Staff developed a budget survey based on Council’s request and released it in September. The survey remained open for about 5 weeks and had 205 survey responses. The theme from written comments is provided below:

Findings

The high-level findings from the public survey include:

- Most respondents (60%) rated the value of services they get for their tax dollars in Woolwich as fair or better
- There was a high level of support (73%) for continuing to increase infrastructure funding through the infrastructure levy
- The top five service budget priorities identified were infrastructure, roads and winter maintenance, water & wastewater, affordable housing and parks and trails
- The bottom five priorities for survey respondents were: Art, Culture and Community Events, By-law and Parking Compliance, and Communication and Customer Service, economic development and tourism and affordable housing
- When asked about setting the tax rate, just over half of respondents (52%) indicated they would prefer to limit the tax increase, even if services declined

Charts summarizing numerical responses are included in **Appendix 2 - 2025 Budget Engagement Survey**. Additional findings and an explanation of how they were incorporated into the draft 2025 budget are shown below.

Incorporating Feedback into the 2025 Budget

Staff value the public feedback from the survey and have incorporated feedback when developing the budget in the ways outlined below.

Topic	Public Feedback	2025 Draft Budget
Infrastructure Levy	<p>There was strong support: 73% indicated increased funding was important or very important.</p> <p>Several respondents used the open-ended question to request road infrastructure improvements.</p>	<p>A dedicated 2.5% investment in infrastructure will provide more than \$400,000 in additional funding to support future infrastructure and equipment needs like roads, bridges, stormwater, facilities, playgrounds, vehicles, equipment and technology upgrades.</p>
Climate Action/ Greening Levy	<p>Support for increased funding was mixed:</p> <ul style="list-style-type: none"> • 42% opposed • 36% in support • 20% unsure <p>One respondent stressed the importance of using the funds in the Climate Reserve instead of letting funding remain unused.</p>	<p>No increase for 2025, consistent with Council's direction at budget parameters, however existing contributions will continue to provide financial support for the Woolwich Climate Action Plan in development.</p> <p>Staff have included several corporate initiatives to reduce the Township's environmental impact and increase greening and expect further needs to accomplish the Woolwich Climate Action Plan.</p>
Taxes Rates	<p>A majority of respondents (52%) preferred limiting the tax increase, even if services decline, while 29% preferred setting a tax rate that maintains existing services and fewer 10% requested more or improved services.</p> <p>Written comments highlighted concerns of increasing taxes, with comments related to the cost of living, inflation and staffing expenditures</p>	<p>While department budgets projected a 14.5% tax increase, senior staff reduced this number to 10% to meet the target set by Council.</p> <p>As requested by Council, staff will provide a list of additional service cuts to further reduce the tax levy.</p>

Topic	Public Feedback	2025 Draft Budget
<p>Service Levels</p>	<p>Several responses called for increased service levels for:</p> <ul style="list-style-type: none"> • Road, gravel road and infrastructure maintenance • improved traffic flow, public transit and an Elmira bypass • more walkable communities • sidewalk snow clearing in more settlements • shop local and downtown revitalization • public and business services in Breslau • reopen an Elmira Police Station • evening and weekend by-law and parking enforcement • affordable housing • resources for Fire Services • communication, engagement and customer service <p>Two respondents mentioned the distribution of services expressing concerns of services in smaller settlements and recreational services outside Elmira.</p> <p>One respondent suggested reducing grants for community organizations.</p>	<p>It is Council's role to adjust services to a level that balances the community's needs and ability to pay.</p> <p>As Council requested, staff included a list of services Council could consider reducing that would further limit the tax increase.</p> <p>While a little more than half of respondents supported reduced service levels to limit the tax increase, most who responded to the open-ended question, requested an increase to specific services. For example, communication and customer service was the lowest ranked priority, but several respondents requested improved service in the open-ended questions.</p>

Topic	Public Feedback	2025 Draft Budget
Fees and Charges	<p>Feedback was mixed:</p> <ul style="list-style-type: none"> • 44% said fees were about right • 42% suggested increasing fees to reduce taxes <p>Some respondents provided specific feedback about fees in the open-ended section:</p> <ul style="list-style-type: none"> • reduce service fees for children • increase user fees for non-residents and/or open program registrations for residents before non-residents • concerns about high Water and Wastewater rates • lower building permit costs for local, independent builders 	<p>Fees and charges can be a useful tool to limit tax increases and charge fees only to those who use a service.</p> <p>Staff drafted the budget based on modest increases to fees which were approved by Council in December, including youth discounts and extra charges for non-resident for some programs.</p> <p>Water and wastewater rates will be set by Council in February.</p> <p>Provincial legislation does not allow municipalities to charge different building permit fees for different builders.</p>

Topic	Public Feedback	2025 Draft Budget
Budget Process	<p>Some respondents provided comments related to the budget process; for example finding efficiencies, evaluating services to decide if they are needed and cutting non-essential spending.</p> <p>One respondent recommended that Council provide direction to staff on the tax rate before they develop the draft budget.</p>	<p>Staff continuously evaluate services and regularly find efficiencies, however operating efficiencies found in previous years are not generally noted. For example, staff advised Council in 2021 when \$5,000 in savings was achieved by cost sharing GIS software. Those savings continued every year. This year staff are expecting an <i>additional</i> \$3,000 in savings with this shared service, however since it is not a new efficiency, it was not noted in the budget. Further, with budget reductions over the last few budget years efficiencies are becoming harder to find.</p> <p>Service level changes are a Council decision and staff have provided optional services Council could consider reducing.</p> <p>The draft budget meets the targets set by Council and staff have identified where reductions were made to meet Council's target of a 7.5% base annual operating and capital budget.</p>

Survey Limits

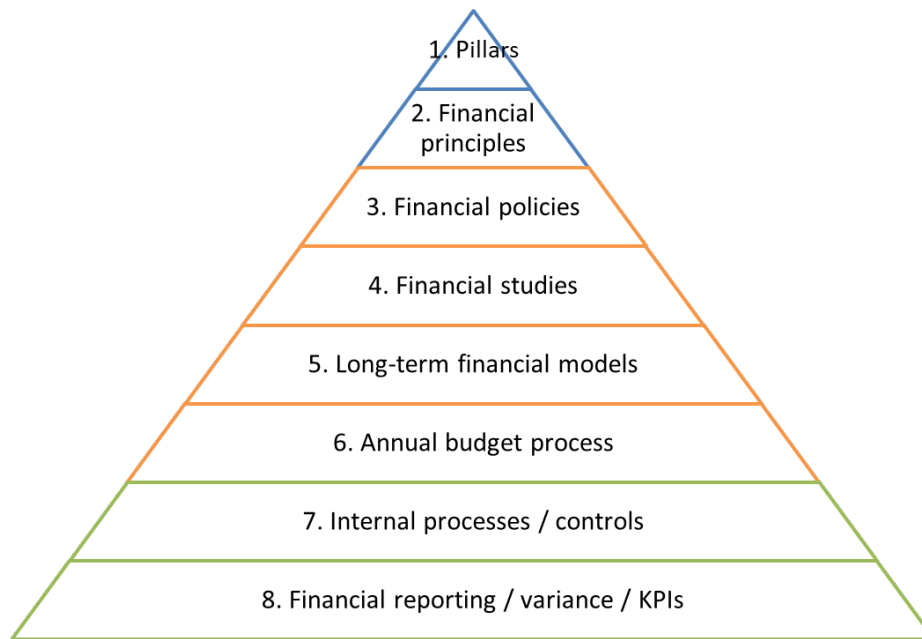
This survey is not a statistically significant sample of residents or property owners so it cannot be used to make definitive conclusions. However, with 205 respondents completing the survey online and by paper, this survey is a good indicator of public sentiment.

While responses were provided residents with a variety of ages, no one under 18 years old completed the survey. Staff also caution that there were fewer residents outside Elmira who responded, and a majority of the people who completed the survey came from residents rather than the business community. Staff will work to engage more people try to improve under-represented demographics in future years, especially those under 18 years old.

LONG TERM FINNCIAL FRAMEWORK (LTFF)

LTFF Overview

With the growing economic uncertainty, having a solid financial position is more important than ever. As approved by Council in report F15-2025, the Township established a Long-Term Financial Framework (LTFF) as a roadmap to long term sustainability. The LTFF is a comprehensive approach to financial management in the municipality. The framework is intended to serve as a guide for developing policies, budgets, and integrating financial studies into financial planning reporting.



The framework focuses on three financial pillars.

- Sustainability. Maintaining a strong financial position over the long term. This requires long-term planning and funding.
- Adaptability. Having the financial capacity to respond to uncertainty risks and to take advantage of opportunities. This requires strong reserves and debt capacity.
- Responsibility. Ensures tax and ratepayers are getting the best value for money. This ensures that services are performed efficiently and for the best cost over the long term.

Current Financial Position

While the framework is a critical first step on the path to long term sustainability, it is important to be aware of Woolwich's high current fiscal position while reviewing the budget. It is presented in a similar fashion to the LTFF pillars described above:

Sustainability

Maintaining a strong financial position over the long term requires long term planning and funding plans. It also requires strong capital reserves to ensure funding is available to meet future infrastructure needs. In light of funding and resourcing constraints, the Township has historically taken a short-term perspective with single year operating and capital budgeting with little planning or savings for future years.

Staff are working on developing necessary long-term financial plans including a funded 10-year capital plan and a fiscal growth framework. This long-term approach will enable the Township to understand its long-term funding needs and begin to address these through building up reserve balances. It will also be important to consider multi-year operating budgets to anticipate potential impacts beyond the next fiscal year.

All of this will take significant time and effort but will pay dividends over time.

Adaptability

Adaptability involves having appropriate financial resources to respond to emerging financial risks and to take advantage of potential opportunities. The Township has critically low reserve and reserve fund balances and is in a vulnerable place to respond to financial challenges.

Reserves and reserve funds have been trending very low in recent years and extensive internal borrowing has shifted these balances to critical levels. Equipment reserves are in a deficit position, however corrective action is being taken in the 2025 budget to address this. This includes an increase in the equipment reserve transfer for fire vehicle replacement and one time use of 1% of the infrastructure levy increase to fund the equipment reserve.

Without sufficient reserve balances, the Township is at considerable risk to respond to uncertainty and has limited ability to take advantage of emerging opportunities.

Responsibility

The Township has maintained very low tax rates and is among the lowest of its comparators. While this may appear to be a positive fact for taxpayers in the short term, this approach can also be fiscally irresponsible over the long term. As described above, the Township has taken a short-term approach to budgeting, depleting reserves each year to fund capital or curtailing necessary investments in order to keep the tax rate low.

This approach has diminished the Township's long term financial health. This will likely require large future tax increases to recover to a level of financial stability.

Future Work

While there is significant work to ensure long term fiscal sustainability, the long-term financial framework approved in 2024 provides a roadmap. Staff have presented important policies in 2024 such as investments and debt which will ensure a more responsible approach to future investing and borrowing.

Other policies such as reserve and reserve fund policies are currently in progress and will be presented to Council in 2025. These will set targets for reserve and reserve funds and more easily be able to highlight shortfalls and needs in reserve and reserve funds.

A shift to longer term capital planning and reporting is required and will begin in 2025. New financial software presents an excellent opportunity to overhaul existing processes and to implement best practices into new systems. Significant analysis and investigation is still required to fully understand the Township's financial picture and to develop financial strategies to appropriately respond.

However, it should also be noted that there is currently little capacity to actually perform this work due to chronic underinvestment in finance resources over the past decades. A new staff request for a senior financial analyst has been included in the budget for 2025, which if approved, will allow the Township to begin this critical and important work.

OPERATING BUDGET OVERVIEW

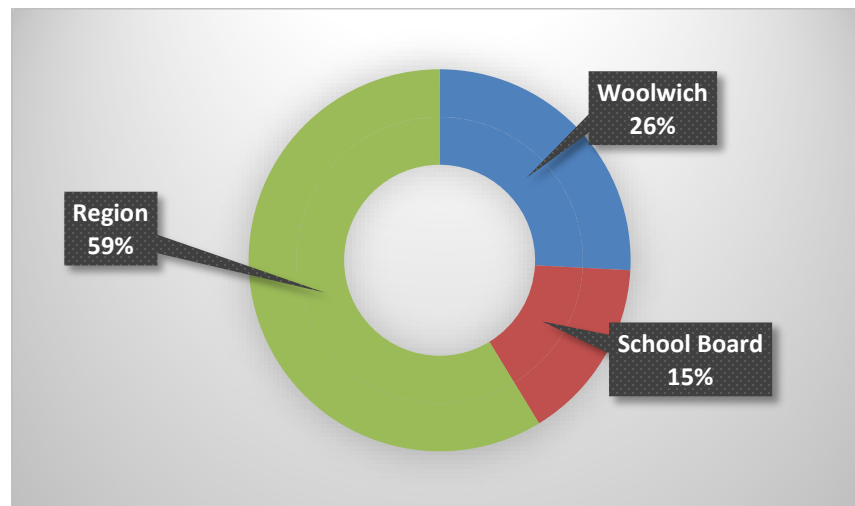


OPERATING BUDGET OVERVIEW

Over the last several years, it has become increasingly difficult to navigate supply chain issues, cost escalations, inflation pressures while maintaining a low tax increase. Staff are continually striving for quality service with limited personnel, while also trying to manage significant growth pressures, and a changing political landscape.

Woolwich continues to face upward pressures resulting from the historic inflationary environment. Woolwich continues to be at a critical point in its development because of the pace of growth over the last 17 years and into the future. This paired with increased costs for the goods and services Woolwich relies on to serve our residents and business community, has made the 2025 Budget an incredibly challenging budget to develop as growth and service delivery demands continue to outpace revenues and resources.

Looking into the development of the 2025 Draft Budget, the following chart shows the breakdown of Municipal taxes and gives a perspective as to the impact Township property tax has on our residents. The chart reflects the actual breakdown of taxes for 2025, which shows that for every dollar paid in taxes, Woolwich receives \$0.26.

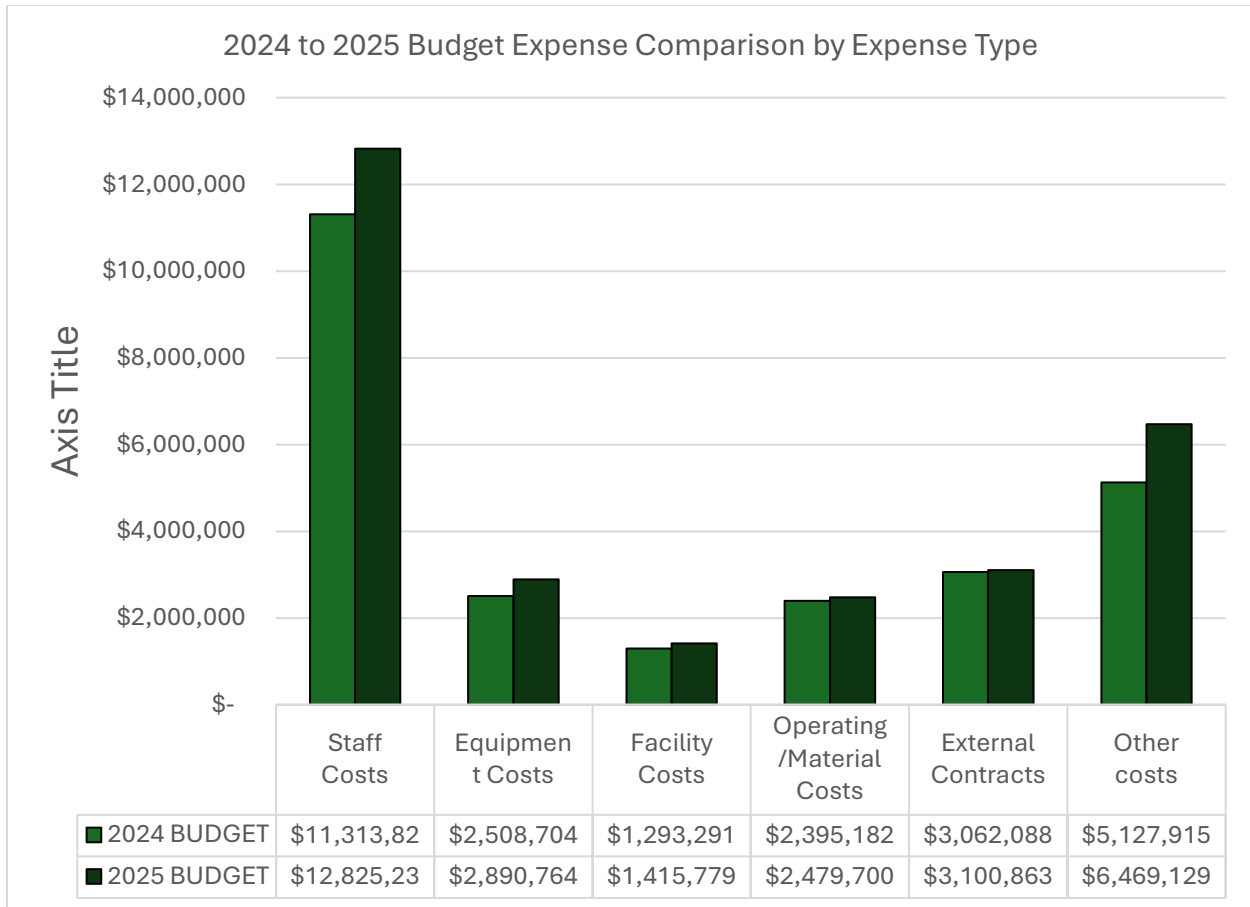


As a part of the development of the 2025 Budget, the Senior Management Team discussed the challenging pressures that come from increased demands on the Township while balancing scarce resources.

Staff continue to seek out efficiencies that can be implemented as part of the budget process. This exercise has been proving more and more difficult with annual reductions in operating budgets and upper government funding reductions.

Cost Breakdown

As a general guide to the budgeted expenditures and revenues being proposed through the 2024 Operating Budget, the following two charts will give Council a snapshot as to where operating budget dollars are being spent in 2025:



The chart above shows the breakdown of expenses sources in the Township.

- The Township’s most important asset and largest cost continues to be staffing. More detail on staffing costs are outlined in the paragraphs below.
- Equipment costs include ongoing repair and maintenance activities as well as contribution to the equipment reserve for replacement. Over the past few years, heavy equipment has dramatically increased in price well above inflation. As a result, equipment reserve contributions have increased particularly in fire services. More detail on this can be found in the reserve capital section and in the fire department summary.
- Operating and material costs reflect purchased goods across the Township. This increase is the result of typical inflationary increases.
- External contracts are contracted services outsourced to external vendors who have specialist abilities or scale needed to carry out work we cannot accommodate with existing staff. Changes here relate to inflationary increases as well as reductions in contract costs through budget reviews.
- Other costs are primarily reserve transfers to the capital budget. These funds flow through the operating budget as other revenue and then transferred to the capital program. The increase in costs relate to the higher infrastructure reserve contribution from the infrastructure levy and the increased equipment reserve contribution.

Staffing Costs

One of the biggest budget cost drivers continues to be human resource costs, which are required to maintain and enhance our service delivery. Municipal operations are service driven and therefore human resource costs account for a considerable proportion of our overall operating expenditures, not including special levies.

The staff costs included in the above graph relate to three main drivers:

1. The Pay Equity and Market Study review from 2022 but which was phased in over four years.
2. The movement of staff along the existing pay band. For example, newer hires are typically hired at lower or mid parts of the pay band. As they gain experience, they move along the existing job band until they hit the maximum job rate
3. Cost of living adjustments (COLA) these are inflationary increases given to reflect the rising cost of living adjustments. It is important to note that the with the recent high inflation COLA increases have been below inflation for several years.

The Township refers to funded full-time positions as FTE's. Through previous budget processes, Council asked that future budget material include a comparison of FTEs in each departmental budget area from the previous year. The 2025 Operating Budgets contain a comparison of 2024 FTEs to what is being proposed in 2025. For more detail on staffing positions over time see **Appendix 3 - Staffing Analysis**.

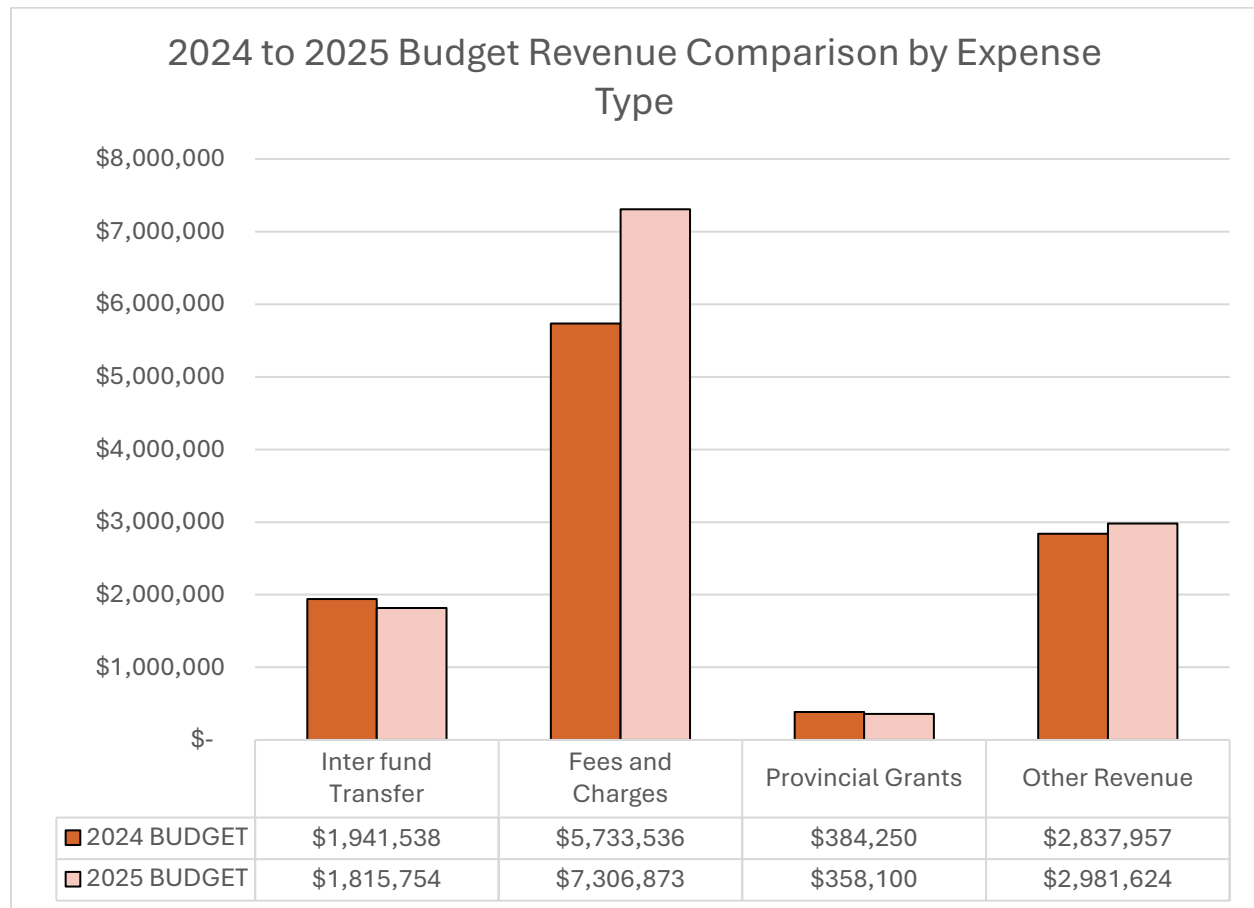
New Staff Positions

While it is important to keep tax rates low, it is important to resource the Township appropriately to respond to the demands of the public. As such the Staff have recommended several critical positions to adapt to the changing and increasing work demands. Further information on the below positions can be found in the noted appendices:

- Senior Financial Analyst – **Appendix 4**
- Operations Supervisor – **Appendix 5**
- Engineering Traffic Technician – **Appendix 6**
- Fire Training Officer (including training gap analysis) – **Appendix 7**

Operating Revenue

The chart below shows the breakdown of revenue sources in the Township:



- Interfund transfers reflect the transfers from reserve funds and fluctuate based on reserve contributions.
- Fees and charges are user fees which are charged to end users to cover the cost of delivering the service. This is outlined in more detailed below.
- Provincial grants in the operating budget is primarily the OMPF grant which has declined in recent years and is therefore not a sustainable funding source.
- Other revenue includes the Enova dividend as well as investment income, tax penalties, and miscellaneous revenue.

Fees and Charges

Staff have recently undertaken a review of fees and charges culminating in the amendments in Report F20-2024. The following analysis was performed in the development of these By-laws:

- Review of Current Legislation – to ensure that all departments understand and agree on the implications of recent legislation

- Municipal Fees and Best Practices Design Comparisons – to provide a financial context for fee adjustments (market comparisons of Township’s fees and charges)
- Recommended Fee and Charge Refinements – recommended refinements to improve fee structure.
- Fees and charges have generally been increased by a 3% inflationary amount where reasonable and are often rounded to the nearest whole number.
- Other charges have increased or been added where a specific need has been identified or is in line with best practice.

Investment and Other Revenue

Interest rates have declined several times in 2024, from a high of 5% in early 2024 to the current overnight of 3.25% (as of December 2024). It is anticipated that the rate will decline further in 2025 to help stimulate the economy.

While this represents good news for future borrowing needs, the Township is a net beneficiary of higher interest rates through bank and investment income.

In 2024 the budget for investment income was \$475,000. As of November 2024, investment income has exceeded budget by approximately \$100,000. Investment income has historically been budgeted between \$200,000 and \$300,000 annually in most years.

The Township has been maintaining very low reserve balances been carrying out an extensive internal borrowing program which will greatly reduce available cash balances and reduce interest income.

Considering the declining rate environment and lower than expected cash balances, the budgeted amount should be reduced considerably in 2025 and likely again in 2026. However, as some higher yielding longer-term investments are still fixed, this will mitigate some of this reduction. Staff are recommending investment income reduced by \$100,000 to \$375,000 in 2025.

This will carry a further risk in the 2026 budget as investments mature and rates decline further. Best practice suggests that investment income remain relatively static and surplus investment income be transferred to reserves. This avoids interest rates swings impacting the tax base but will be phased in over future years to smooth out the impact.

2024 Surplus Deficit

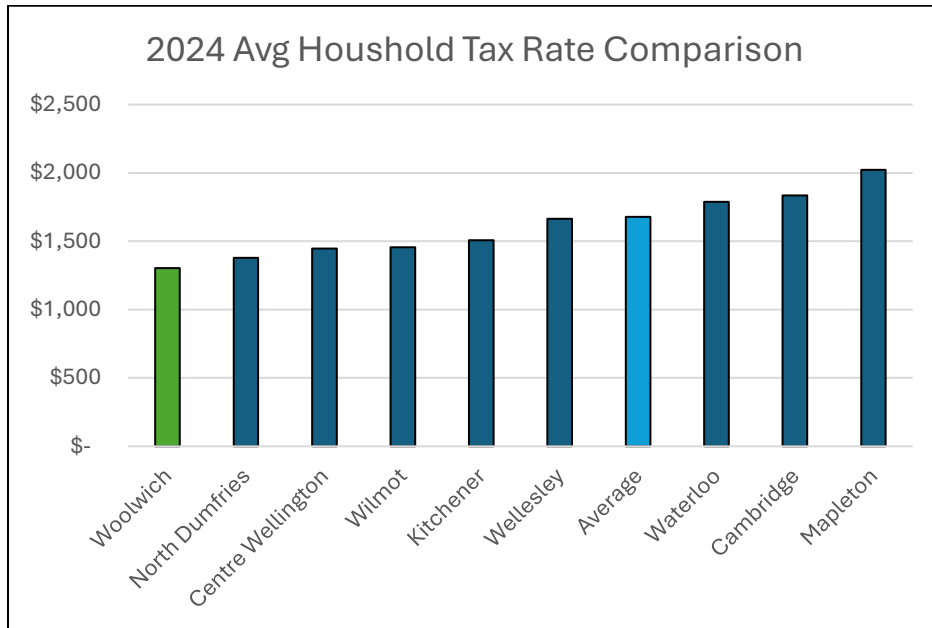
In report F13-2024, staff reported a tax supported operating surplus of \$216,544. This was driven by higher than budgeted interest income (described above) and a one-time surplus in the Enova dividend. These surpluses were offset by higher than expected volunteer fire fighting related costs.

The 2025 budget proposes a decrease in investment income and addresses the shortfall in volunteer fire fighter salary budgets by adjusting based on a rolling 3-year activity

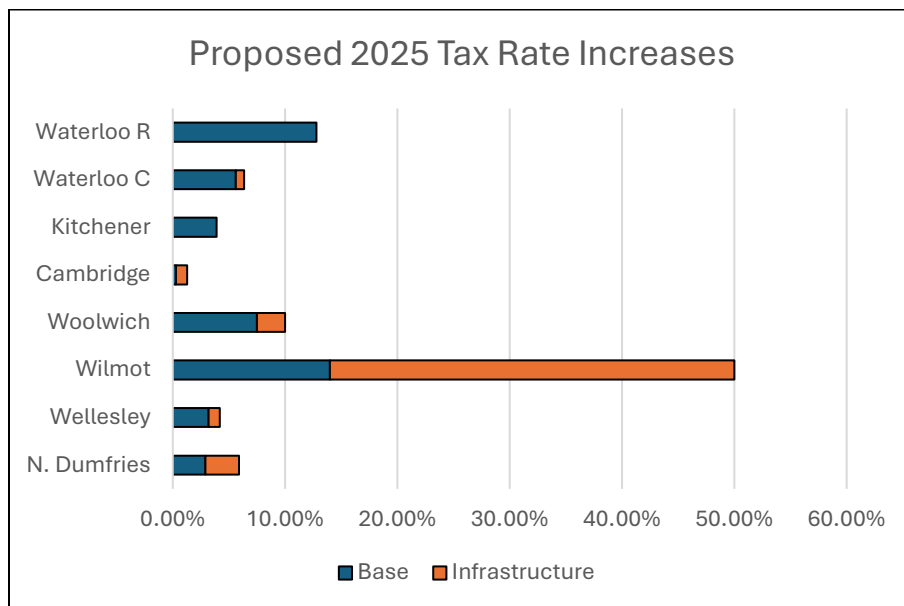
average. These costs should now be more accurately reflected in the budget in future years.

Tax Rate Perspective

While it can be difficult to compare tax rates due to different tax classes, weightings and assessment values of municipalities, it is fair to say that the Township’s residential tax rate is quite low compared to its peers. The table below shows the residential tax rate comparison related to our comparators based on the average assessment value.



Below is a 2025 proposed tax rate increase comparison.



Woolwich's increase is lower than the Region. Wilmot's tax increase is significantly higher than Woolwich due to the one time increase in infrastructure funding. While Woolwich also has significant infrastructure funding needs and the lowest overall tax rate, Staff are proposing a more affordable increase than the Region or Wilmot Township. It should be noted that many municipalities are still deliberating and approving their 2025 budgets and the figures presented are subject to change.

Further tax comparison information can be found on **Appendix 8 - Tax Rate Comparison**.

CAPITAL BUDGET OVERVIEW



CAPITAL BUDGET OVERVIEW

Capital Expenditures

The 2025 Capital Budget has a proposed expenditure plan of approximately \$28.7 million. This is significantly lower than 2024's proposed spending of \$36.6 million and is reflective of a conscious effort to right size our capital program considering acute funding constraints in our reserve and reserve funds.

The proposed capital plan in 2025 is still almost 3 times larger than ten years ago when the approved capital plan only amounted to \$7.5 million. It should be noted that while the Township is showing a 10-year capital plan, only the first year is adequately funded. This means the Township does not currently have sufficient financial resources to deliver its long term capital goals. There is a need to take a longer-term view to develop a robust 10-year capital plan with identified funding sources. This shift will take a significant effort over many years.

When preparing the Capital Budget and forecast, staff had to consider the following:

- The overall goals and objectives to be achieved by the Township as communicated in the Strategic Plan
- Status of the current year's projects and any potential carry over
- Identification of new capital works
- Growth related timing and development needs
- Funding allocations, reserve and reserve fund levels
- Asset Management planning through state of the infrastructure reviews
- The priorities given to projects to ensure short and long-term initiatives fulfill the needs of the Township

The projects identified in the Capital Budget represent an attempt to balance competing priorities with the resources available and the existing reserve balances. However, it has become apparent that without a shift in thinking and a substantial injection of resources, the long-term budget presented is not sustainable nor attainable. While there currently is not a detailed analysis to fully understand the funding shortfall, it is clear there is not enough capital funding today to manage the renewal of existing assets funding growth projects and achieving strategic objectives.

Information Technology (IT)

A focus for capital works in the Corporate Services Department will be computer hardware, including server improvements and annual PC replacements. Also included in this budget is a project started in 2025 to update the Township's financial software, which is needed as the Township has outgrown the existing financial program. The IT Capital budget also includes:

- Moving to an integrated HR and Payroll software
- New building software, funding from the building reserve
- Additional server storage
- Replacement backup power supplies
- Security testing

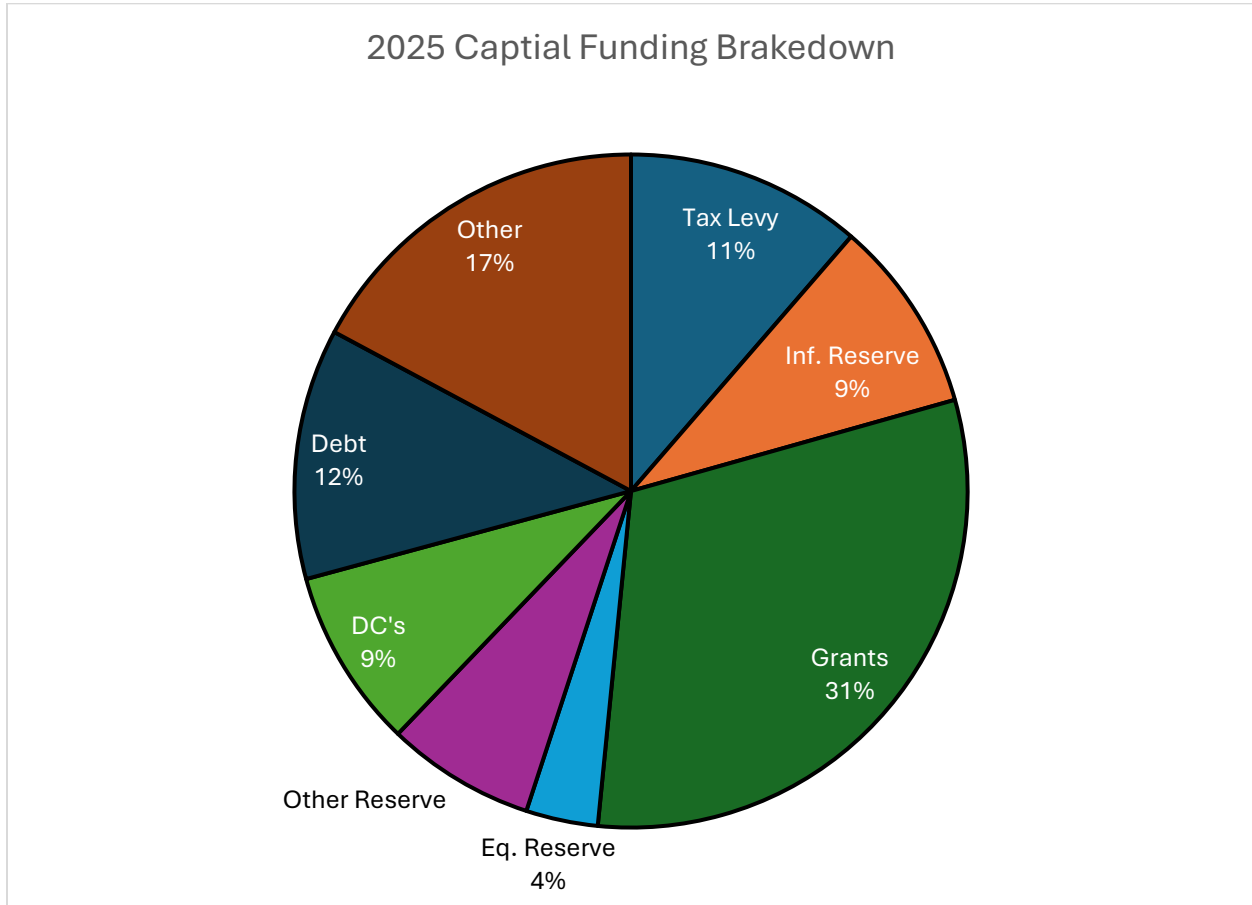
Infrastructure Services

Key Infrastructure Projects include:

- Completion of the Breslau Drain #1 construction project;
- \$4.35M associated with the Elmira Downtown Core Revitalization;
- \$3.0M Hot Mix Asphalt program;
- \$2.4M of Bridge and Culvert programming;
- \$1.9M of sewer lining;
- Engineering for water and wastewater servicing for the East Side Lands in Breslau ; and,
- \$1.65M Weigel Stormwater Management Pond clean-out.

CAPTIAL FUNDING

The following is a breakdown on the revenue sources for the proposed 2025 Capital Budget:



Tax Supported Funding Sources

Capital Levy

The capital budget is supported by a direct contribution from the tax levy. For 2025 this amount is \$2.6 This is primarily driven by increases in IT software implementation and fire equipment reserve contribution.

In future years, the Township will move towards a more fully reserve funded approach to capital funding. This will include a long-term plan with consistent annual reserve contributions to avoid fluctuations in the tax levy related to in year over year changes in capital spending.

Infrastructure Reserve Fund (Levy)

The Infrastructure Levy was first introduced in 2012. The Infrastructure Levy was introduced to address the Township's infrastructure deficit.

Just over \$1.96 million annually is being directed to through the Infrastructure Levy to the Infrastructure Reserve Fund to help address the infrastructure deficit, to make sure we are addressing Provincial downloading, and to build upon previous years Staff are recommending that Council consider adding an additional 2.5% or \$400,000 to \$2.36 million annually.

While the establishment of the infrastructure levy has aided the municipality in addressing its infrastructure deficit, it is important to note that the roads and bridges needs studies completed in 2012 found that a levy of between 3-4% per year was required.

It is recommended for 2025 that 1% of this levy increase (approximately \$160,000) be directed to the equipment reserve funds as a one-time increase to help stabilize this reserve. The use of the remainder of the infrastructure reserve fund in the capital program has been reduced by this amount for 2025.

Also proposed in 2025, is the inclusion of the \$88,000 infrastructure levy to support the renewal and upgrading of financial and HR software. Capital needs such as new systems and software have limited funding sources apart from a direct contribution from the capital levy. As the current infrastructure levy allows for the renewal of hardware / software and a portion of the existing levy will be used for these high priority projects.

Climate Action/Greening Levy

The Township instituted a Climate Action/Greening Levy in 2019. As of 2024, an annual allocation of \$336,000 is included in the Recreation and Community Services Budget. Council's endorsement of "50 by 30" and "80 by 50", whereby the Township will cut greenhouse gas emissions 50% by 2030 and 80% by 2050 will result in the need for additional funding once an implementation plan has been developed for the municipal actions required in the Transform-WR Strategy. Last year's creation of a sustainability coordinator will assist with meeting these objectives

A new staff resource was added in June 2024 and this resource will be used to develop an implementation plan to utilize this climate action / greening funding.

As per Council direction following budget parameters discussion, the 2025 budget was prepared with no proposed increase to the Climate Action/Green Infrastructure Levy. The further adjustment list proposes a \$100,000 reduction in this greening levy to achieve Council's 2.5% target.

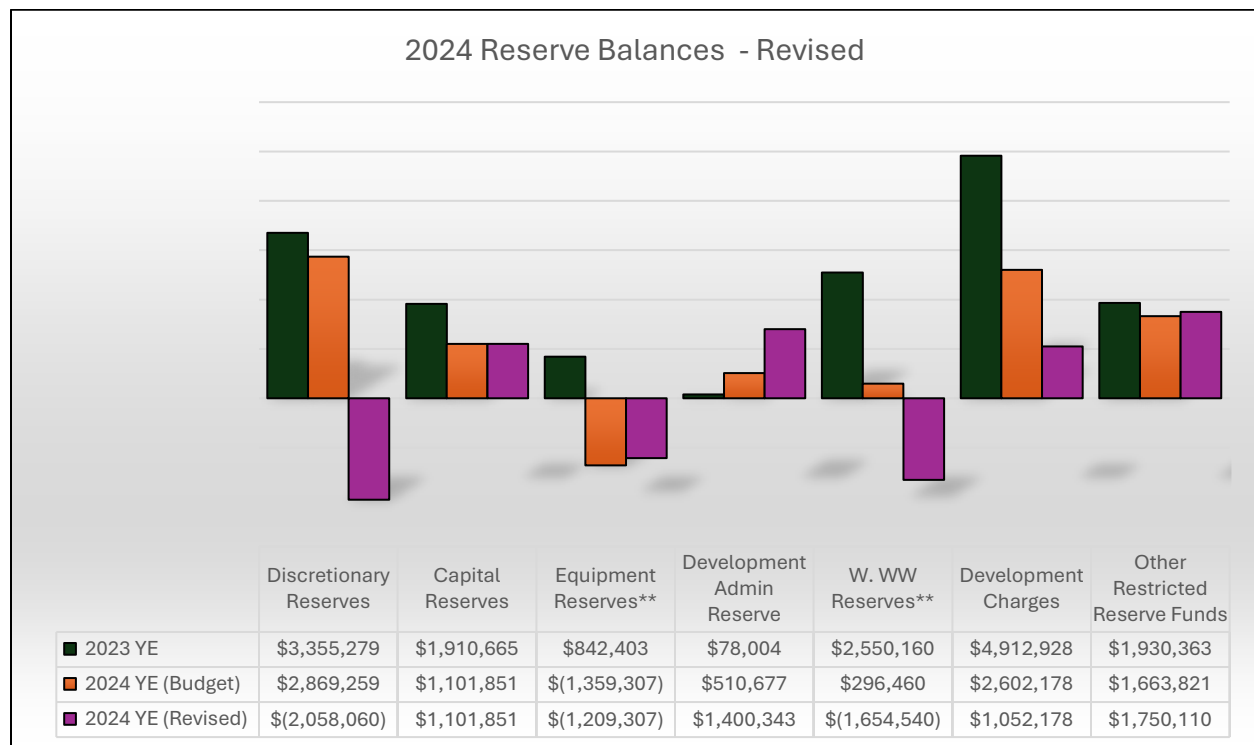
Reserve and Reserve Funds

Best practice for capital budgeting follows a reserve fund approach. Rather than fund capital projects directly, annual reserve contributions are made to reserves and the capital expenditures are funded from these reserves based on long term capital needs and anticipated reserve balances. This approach allows the ability to smooth out fluctuations in capital spending and to build up reserve funds over time.

The Township has historically followed a hybrid reserve / pay as you go approach. Most capital revenue received each year is transferred in to reserves, then transferred out and fully allocated to capital projects in the following budget year. This short-term approach results in capital spending which closely matches annual revenue rather than taking a long term or priority based approach.

As most capital revenue is consumed in the same year, this approach also does not allow reserves to be built to save for future needs or to respond to changing priorities. The inevitable outcome of this approach over time is very low reserve balances and an increased risk to the long-term capital sustainability.

The graph below outlines the change in reserve position from 2023 Year End. Specific reserve detail can be found in **Appendix 9 – Reserve and reserve fund detail**.



It should be noted that the Townships true reserve fund position is more difficult to assess due the Township’s pay as you go approach to capital. Therefore, a conservative estimate has been used in this analysis.

The 2024 budget presented to Council had already forecast a significant decrease in reserve and reserve fund balances in 2024. This included a deficit in the equipment reserves as the result of new fire truck purchases.

In preparation for the 2025 budget, a revised reserve forecast was performed. The revised forecast showed the existing low reserve position has further deteriorated.

The major changes from the 2024 budget forecast include ongoing water and wastewater operating deficits. These operating deficits were not forecasted in the 2024 budget and must be funded from the capital reserve.

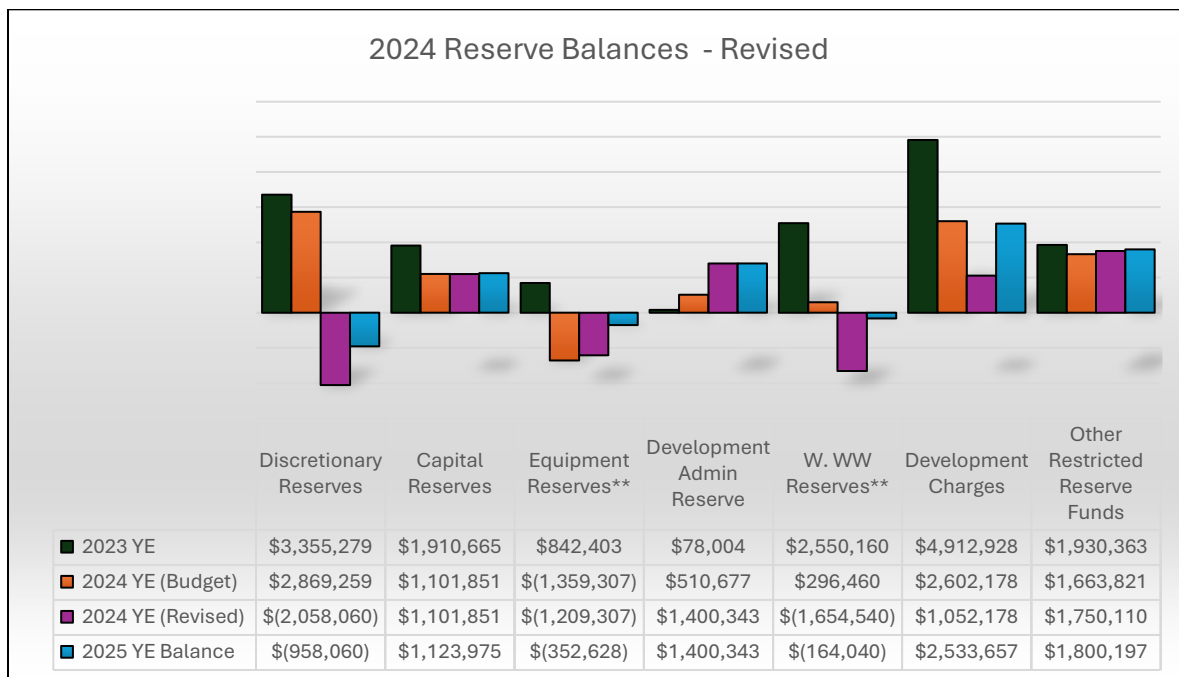
In addition, high levels of internal borrowing were previously unrecognized in reporting to Council. This level of internal borrowing must be funded by the working capital reserve. The combined impact of utility deficits and internal borrowing as of 2024 is approximately \$7 million - \$2 million related to utility reserves and \$5m impact in working capital (discretionary) reserves.

The specifics of the borrowing are described in more detail in the debt section. However, it should be noted that internal borrowing is a high-risk activity that must be performed with caution. Internal borrowing requires an identified funding source or must be funded from existing Township funds such as the working capital reserve (which was established for temporary borrowing) until the borrowing is repaid. This has not been the practice in the past.

As of 2024, until an external funding source is identified, existing discretionary reserve balances have been fully depleted. This means that until these reserves are replenished, the Township has no ability to respond to unexpected events.

The Township is also not permitted to use obligatory or restricted reserve funds for reasons other than the legislated purpose. This situation poses an ongoing financial risk for the Township.

In 2025, the Township will undertake immediate action to secure funding for repayment of the working capital reserves. It is anticipated that the corrective action will improve the reserve position. The 2025 estimate is indicated in the blue bars in the graph below.



To prevent similar situations arising in the future, the Township needs to shift to a long-term priority and reserve-based approach. This will take a concerted effort over several years to develop the frameworks and culture required to ensure a stable financial position. More detail on specific reserves and reserve funds can be found below:

Capital Reserves

The following are the primary capital reserves used in the funding of the capital program:

- Infrastructure Reserve Fund – Primary funding source for major infrastructure renewal and asset replacement. (Discussed above)
- Climate Greening Reserve Fund – funding for infrastructure work contributing to greener, healthier environment. (Discussed above)
- Property Building – for the major costs of maintaining public buildings and associated property.
- Park Fund - for the acquisition and development of public parks and recreational properties.
- Walter Bean Trail Fund - financing for improvements to the Walter Bean Trail.
- Working Capital Reserve – the purpose of this reserve is to fund short term cash flow needs and internal borrowing. Internal borrowing has not been accurately reflected in this reserve and has been adjusted in this budget. This is described in more detail below.

Equipment Reserves

The Equipment Reserve Fund is used for the replacement of vehicles and heavy equipment. This includes fire trucks, snowplows, passenger vehicles and other major equipment.

Recent years of high inflation has increased the cost of many goods. Heavy equipment in particular has seen cost increases well above the price of inflation. The Township historically budgeted for replacement needs based on an annual contribution to a reserve fund based on the expected life of the equipment and the last purchase price.

However, with the recent high-cost increases, existing annual contributions have not been sufficient. For example, the cost of a fire truck has almost doubled in recent years from a pre Covid cost of less than \$800,000 to over \$1.5 million today. As a result, the current equipment reserve is in a negative position due to insufficient contributions to support the current cost of replacements.

The 2025 Budget recommends an increase to the fire equipment reserve of \$225,000 annually to begin to address this deficit. While this is a large increase, this contribution is still insufficient. Staff are also recommending an additional 1% (approximately \$160,000) of the proposed Infrastructure Levy as a one time top up to stabilize the equipment reserve for 2025.

Development Administration Reserve Fund

The Development Administration Reserve is used to assist in offsetting administration and inspection costs incurred in the case of new development. In 2024, there was a significant increase in the funding for this reserve related to an increase in development applications. This reserve fund is set aside for future costs related to development that are expected to occur in future years.

It should be noted that this reserve fund is not legislatively restricted as Building (OBC) or Development Charges.

Utility Reserves

Utility reserves are the funding source for water and sewer related projects. This reserve is funded through contributions from water and wastewater rates. The capital contribution established in 2006 and have not been indexed or increased. In 2024 budget, Council was made aware of low reserve situation in utility reserves and increased the rates to allow for additional contributions.

However, as there is no current operating reserve for water and wastewater rates, any operating deficits are required to be funded from the capital reserves. Over the past few years, these factors have resulted in increased projected deficits in both the water and wastewater reserves.

As a result of this fiscal reality, Staff proposed a significant reduction in water and wastewater capital spending in 2025 in order to stabilize these reserves.

Discretionary Reserves

In addition to the capital reserves outlined above, the Township maintains a number of discretionary reserves. The purpose of these reserves is to fund unforeseen expenditures primarily in the operating budget. Examples of the discretionary reserves include:

- Working Capital Reserve - To finance short-term cash deficiencies and avoid external borrowing costs.
- Insurance Reserve - to accommodate annual fluctuations in cost of claims (deductibles) and premiums.
- Capital Budget Contingency - mitigate the impacts of unforeseen events, extraordinary expenditures in the capital budget.
- Operating Budget Contingency - mitigate the impacts of unforeseen events, extraordinary expenditures and reductions in revenue in the operating budget.
- OMB / Legal Reserve - offset extraordinary and unforeseen OLT or legal expenditures
- Winter Stabilization - mitigate the impacts of unforeseen winter events or extraordinary expenditures.

- Special Circumstances Reserve – funds costs related to special projects or circumstances as approved by Council from time to time.

Working Capital Reserve

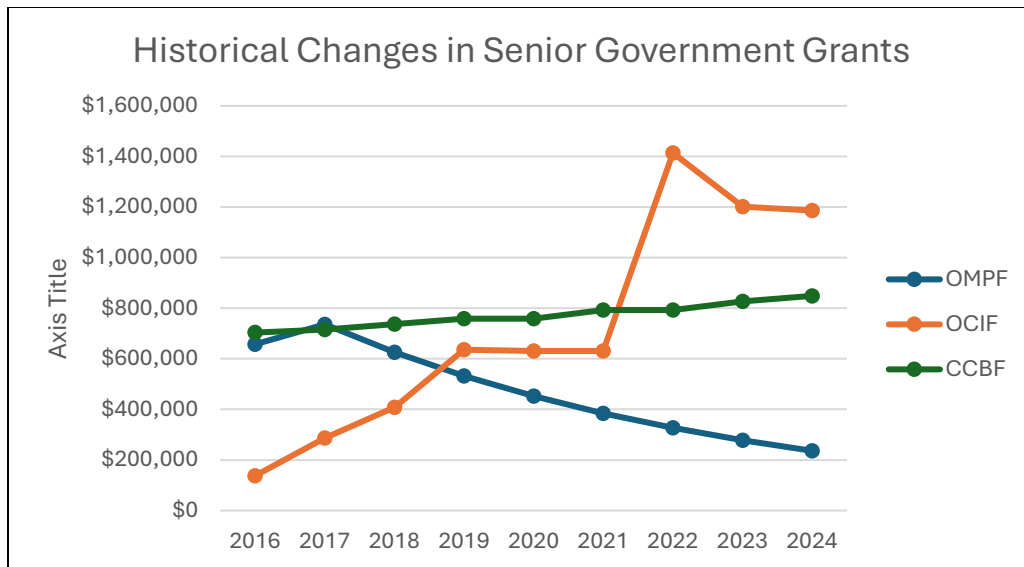
The purpose of the working capital reserve is to finance short-term cash deficiencies and avoid external borrowing costs. Past practice was that short-term cash needs were indirectly assumed to be offset against this reserve. Having this reserve ensured an appropriate cash flow buffer for timing of capital projects.

However, as there is less than \$2 million in this reserve, there is a limited funding source for cash flow needs. To ensure stable operations and tracking, best practice would be to commit any temporary borrowing against this reserve to account for current funding levels. If this approach is taken, the current level of internal borrowing would greatly exceed the total value of this reserve. In addition, the extent of internal borrowing is so great, there are not sufficient balances in any discretionary reserves to support this. This poses an immediate and unsustainable cash flow risk.

Immediate corrective action is being taken by staff to secure external funding to repay this working capital reserve and to ensure appropriate cash balances are available. Going forward, there is an urgent need for improved cash flow monitoring and reserve accounting which has not been performed in the past. This additional work will require additional resources in finance and a senior financial analyst has been proposed in the 2025 budget.

Provincial and Federal Grants

The graph below outlines the historical changes in senior government grants over the past few years. While some grants such as the CCBF have remained relatively consistent, there have been larger variations in other grants. The OMPF has declined over time which is offset by increases in OCIF grants. The Township is heavily reliant on such grants to fund programs, and this variability in funding can impact predictability and reliability in developing budgets.



Ontario Municipal Partnership Fund (OMPF)

The Township annually receives an unconditional operating grant from the Province called the Ontario Municipal Partnership Fund (OMPF). This grant program is designed to assist northern and rural municipalities. In 2018 the Township’s OMPF payment started decreasing by 15% increments every year. The Township’s current OMPF allocation of \$236,200 in 2024 is a cumulative \$500,000 decrease since 2017.

As reported to Council in F14-2024 Budget Parameters 2025, Staff expected a further 15% reduction in OMPF funding which would amount to approximately \$35,000. However, on October 30, 2024, the province announced that the Township’s OMPF funding would remain consistent at 2024 levels.

Ontario Community Infrastructure Fund (OCIF)

Since 2015, the Township has been receiving annual funding from the Province under the OCIF formula-based funding program. At the start of the grant program the Township received only \$137,620 but that figure increased to \$1,413,990 in 2022. The Township saw a 15% (\$212,098) decrease to \$1,201,892 in 2023 and a further decrease in 2024 to \$1,185,858. In 2025 we will be receiving \$1,363,737. In recent years OCIF has mainly been used as a funding source for the Township’s resurfacing and maintenance paving programs.

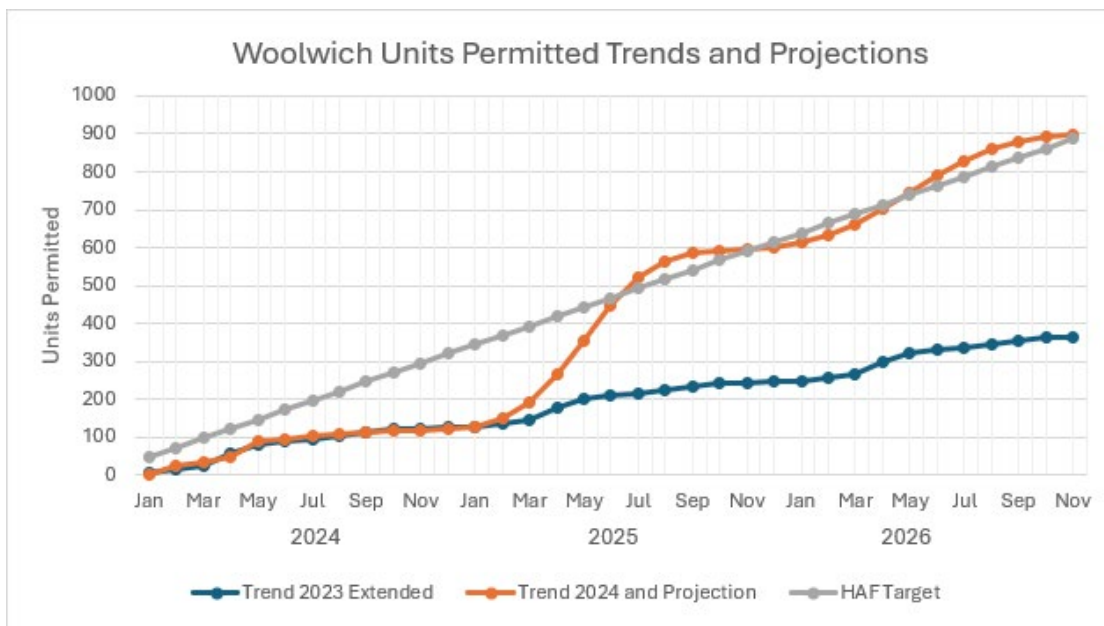
Canada Community Building Fund (CCBF)

The Township has been receiving CCBF (formally known as the Federal Gas Tax), since 2006. The Township receives federal funding under this program to support the capital budget. This program is currently managed by AMO (Association of Municipalities Ontario). The CCBF program allows municipalities to carry over funds for up to five years which ensures municipalities have the flexibility to direct funding towards desired

projects. The Township is receiving \$848,852 in 2024. The CCBF agreement was extended in 2024 and was presented to Council in June.

Housing Accelerator Fund (HAF)

In February 2024, the Township was advised by the Canadian Mortgage and Housing Corporation that our Housing Accelerator Fund (HAF) application for funding in the amount of \$6.72 million was approved and an initial advance of \$1.68 million was received. The Township is expecting three (3) additional installments over the next 3 years which are conditional on initiatives in the application being achieved and housing targets met. Staff expect we will see an increase in housing unit permits in 2025 and this will result in alignment with our HAF targets. The Township is using the funding provided to complete 10 initiatives required through the program including a significant portion of the funds allocated towards a strategic property purchase in Downtown Elmira to facilitate a mixed-use development with housing units.



Development Charges

The Township adheres to a growth should pay for growth philosophy. Where the financial burden of new growth should not be borne by existing residents where possible. To the extent possible the Township relies on development charges (DC's) to fund the infrastructure needs of growth. In 2024 the Township performed a DC Background Study to update the rates charged for new development.

Anticipated Growth Costs

The table below summarizes the costs and funding included in the 2024 DC Background Study. It is important to note that the DC study's main purpose is to support the calculation of DC charges and does not represent an approved capital plan. The DC

study (and the asset management plan) are important contributing documents to the development of the Township’s long term capital plan.

CATEGORY (Excl POA/Emerg)	2023 Closing DC Balances	10 Year Capital Costs	Benefit to Existing	Grants / Other	DC Revenue	Total Anticipated Revenue	Township to Fund Shortfall
DC-FIRE	9,447	13,086,840	4,013,800	-	5,230,303	5,230,303	(7,847,090)
DC-PUBLIC WORKS	5,945,396	142,649,936	40,709,196	-	37,520,924	37,520,924	(99,183,616)
DC-RECREATION	694,843	41,334,510	356,238	5,400,000	11,792,811	17,192,811	(23,446,856)
DC-LIBRARY	131,189	2,523,000	2,523,000	1,438,000	988,848	2,426,848	35,038
DC-SEWER	(1,283,336)	88,229,336	18,433,400	18,433,400	17,733,815	36,167,215	(53,345,456)
DC-STORMSEWER	-	3,000,000	2,250,000	-	670,460	670,460	(2,329,541)
DC-GENERAL GOVERNMENT	388,295	5,873,726	1,500,995	-	2,740,880	2,740,880	(2,744,552)
DC-WATER	(972,908)	33,340,308	33,340,308	2,675,100	10,383,883	13,058,983	(21,254,233)
Total	4,912,928	330,037,655	103,126,937	27,946,500	87,061,923	115,008,423	(210,116,305)

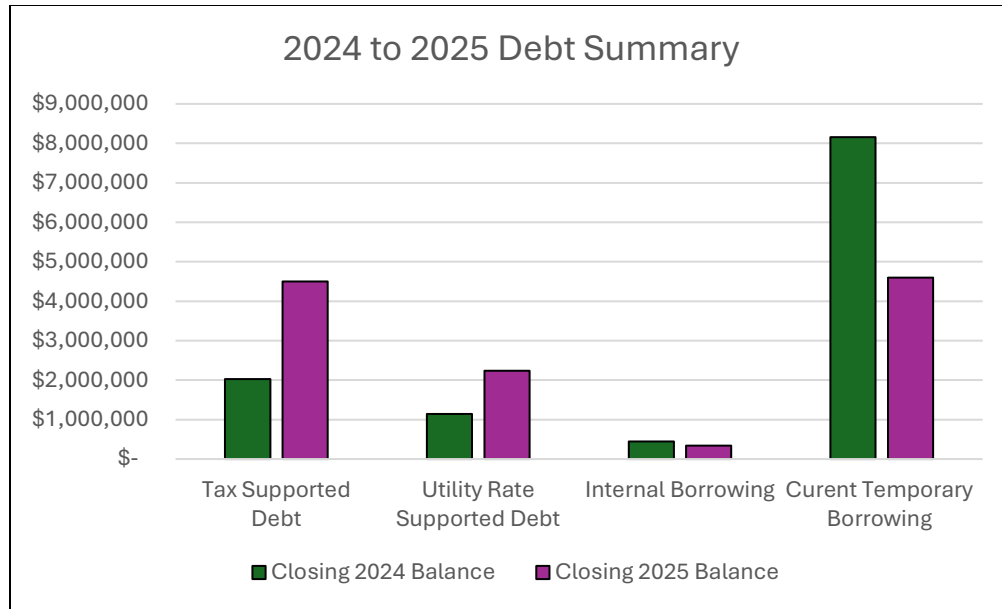
At the end of 2023 the closing balances of DC reserves was a total of \$4.9 million. It is important to note that the utility DC reserves are also in a negative balance of approximately \$2.25 million and are effectively borrowing from the other DC reserves.

Of note, the proposed 10-year growth related capital costs exceed \$330 million. The total anticipated DC and grant revenue over this time horizon is \$115 million which leaves a \$210 million shortfall to be funded from the Township or other funding sources. This level of capital spending simply could not be supported by the Township’s existing financial resources meaning the proposed growth capital plan is not financially viable.

Debt Funding

With limited reserves and a hybrid pay as you go approach to capital, the Township will need to issue debt as part of its long-term financing strategy. Debt is an important capital financing tool which can spread out the cost of an asset evenly along its useful life. However, debt is not a substitute for long term planning or maintaining adequate reserves. It is critical to use debt responsibly to protect the fiscal health of the Township. The recently approved debt management policy will ensure more responsible use of debt in the Township.

The graph below outlines the projected debt position at the end of 2024. The fill list of outstanding and proposed debt can be found in **Appendix 10 – Debt Overview**:



Tax Supported Debt

As of the end of 2024, the Township has approximately \$2.0M in tax supported debentures. This debt relates to facility upgrades including the construction of the WMC. Tax supported debt means that any repayments must be made through property taxes which may impact future tax rates.

Utility Rate Supported Debt

Utility (rate) supported debt is debt that is funded directly through utility rates. The repayment of this debt is funded by utility rates and needs to be considered when setting future utility rates. Current rate supported debt includes the Elroy Acres Water Extension project (2009), and the Industrial Drive Sewer (2023).

Internal Borrowing

The Township has historically undertaken internal borrowing which is borrowing from reserves which are earmarked for other purposes and repaid back to those reserves.

Internal borrowing is not a common practice in municipalities as it carries a higher amount of risk. This is because the internal borrowing requires sufficient internal cash reserves as opposed to external funding.

To operate a successful internal borrowing program requires high reserve balances and strong long-term cash flow / reserve forecasting capabilities. This ensures sufficient funding is available and that cash for ongoing operations can be maintained. The Township has neither of these factors as it has very low reserve balances and limited financial modelling. In these circumstances, internal borrowing would not be recommended as a financing option for the capital program.

At the end of 2024 previously approved internal borrowing includes just over \$440k for the LED Streetlight conversion project and the 2021 Hot Mix Resurfacing Program. The identified funding source could not be easily identified at the time of print, so it has been assumed this funding should be committed against the working capital reserve until it is repaid.

Current Temporary Internal Borrowing

The temporary internal borrowing shown in the far-right graph above is an attempt to more clearly illustrate the extent of internal short-term borrowing and reserve offsetting at the end of 2024.

First, the equipment reserve is currently in a negative position of approximately \$1.2 million. While this was anticipated in 2024 a funding source was not identified and was not shown as internal borrowing in the 2024 budget. For transparency, as an offset against other reserves until it is repaid. It is anticipated this reserve will return to a positive balance in 2025 with increased contributions and would no longer be considered temporary borrowing.

Second, both the water and wastewater accounts are running significant operating deficits. The combined utility deficits for 2024 are estimated at close to \$2 million. The 2025 water and sewer capital budgets were drastically reduced to provide time for the utility budgets to recover. It is hoped these reserves will return to a positive balance once the source of the current deficits is identified and utility rates are increased. Finance and Infrastructure Services staff are actively working together to address this issue.

Most importantly to the current reserve position, the Township is internally funding the construction of Breslau Drain #1. This project was identified in in the 2024 budget and subsequent reports to be funded by \$2.7 million in external debenture and \$4 million in developer funding.

However, the 2024 budget report also noted there was uncertainty about the drain project costs being eligible for debenture. It also discussed potential delays in payments for the benefitting properties. The drainage act states construction costs can only be recovered after the construction work is completed.

This effectively means the Township is currently financing the entire project as of December 2024. This amounts to approximately \$5 million spent in 2024 and an additional \$2.6 million anticipated in the 2025 capital budget.

Quite simply, the Township does have the financial capacity for this level of internal borrowing. The Township's very low existing reserves and high levels of internal borrowing exceeds the total current estimate of all available non-restricted reserve balances. This represents a critical cash flow risk and ongoing risk to the current financial stability of the Township until funding is secured.

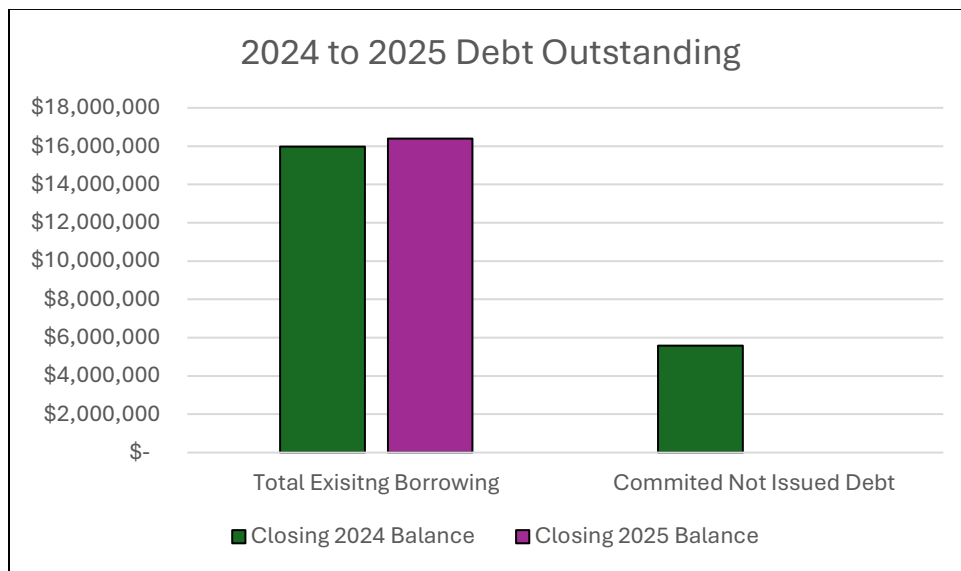
While this is considered a short-term funding issue, staff are currently taking immediate action to secure developer financing for the developer portion of this project which is estimated to be approximately \$2.7 million.

Additionally, staff will be discussing with the Region the potential to debenture finance this project in advance rather than waiting for the usual process of project completion. This would generate an additional \$2.6 million. If these efforts are successful, this will greatly reduce the reliance on internal borrowing and greatly improve the financial stability of the Township.

However, going forward this situation has highlighted a critical need to monitor cash flows more closely which would be performed by the Senior Financial Analyst proposed in the 2025 budget.

Approved but not Issued Debt

As of the end of 2024, the Township will have approximately \$5.7 million in committed but not issued debt. This is a combination of external debentures and further internal borrowing. This committed debt is shown in relation to the existing debt below.



There is a direct relationship between committed and not issued debt and existing borrowing. Once the debt is issued it is no longer committed and added to existing borrowing.

Previously approved utility debt included \$1.1 million for the Elmira North Sanitary Sewer Pumping Station. This will be a 10-year external debenture issued in 2025.

As described above there are an additional \$2.6 million in additional costs for Breslau Drain #1. As there is no current source of external funding, ongoing costs must be internally funded. However, any developer contributions are expected in 2025 to reduce the amount the Township is cash flowing.

An external debenture for this project would reduce internal funding for this project but would still need to be repaid through future budgets. The anticipated cost of this funding is \$344,000 which would represent approximately 2% tax rate increase in 2026 and beyond. These repayment costs have not been included in the 2025 budget as they would be incurred in 2026.

Additionally, there is \$1.95 million in funding required for the Elmira Downtown Core Revitalization plan. While this project was anticipated to be fully funded from the HAF program, there is uncertainty about receiving the last two installment payments in 2026 and 2027. The prudent approach is to assume that this \$1.95 million will need to be externally funded through a line of credit. There is currently a line of credit secured to facilitate the short-term funding of this work and is anticipated to be repaid in 2-3 years once development work is completed and the land is sold. It is anticipated that rental income would offset the interest costs for this line of credit until the land is sold.

Policy Limits

In December 2024 Council approved a debt management policy which outlines the conditions for the use of debt in the Township. This policy will protect the long-term stability of the Township and ensure that debt is used responsibly.

The Debt Management Policy outlines hard and soft limits to understand its current debt capacity limits and the potential risk to the Township. While it was also agreed at that time that policy limits would include any internal borrowing, the extent of internal borrowing described above makes this very difficult as much of this borrowing does not have regular repayments to base the ratio calculations on. Instead, only existing debt will be included in the repayment analysis and internal borrowing will be assumed to be currently funded through the working capital reserve. This would then be reflected in the debt to reserve ratios.

The current debt policy limits are outlined in more detail below:

Hard Limits

Debt to Own Source Revenue

This ratio is a measure of the principal and interest payable annually as a proportion own source revenue. It should not exceed a target of 10% of the total revenues on line 2610 of schedule 81 of the FIR.

For 2024, the total debt payments are \$692,533. Own source revenues are \$28,192,493. This represents 2.46% of own source revenues and **is within** the policy limits.

Soft Limits

Total Debt to Operating Revenue

This measure identifies the percentage of annual operating revenues that would be required to retire the Township's net debt. It is also a key measure used by Standard

and Poor's when assessing the debt burden of the municipality. A target rate of less than 55% should be maintained.

For 2024, total source revenues are \$28,192,493. Total debt outstanding is \$3.9 million which represents 13% of own source revenues and is well within the policy limits.

However, if current internal borrowing is included, the total debt burden would be \$11.8 million. This represents 42% of own source revenues and is much closer to the S&P limit described above.

Debt Servicing to Discretionary Reserve Ratio

This ratio is used to determine how many years the Township could pay for debt servicing obligations in the absence of new revenue. Having an appropriate mix of debt and reserves is essential for fiscal sustainability. The purpose of this ratio is to ensure that debt is used conjunction with reserve funding and not relied upon as a primary funding source.

- A target of 1:14 annual debt costs / discretionary reserves should be maintained.
 - The Townships debt costs are \$692,533. The estimated discretionary reserve balances are **negative** \$2 million due to the internal borrowing described above which were assumed to be from working capital reserves.
 - This ratio cannot be calculated with negative reserve balances, but it is well below the 1:14 policy limit and the Township is therefore **not within** this policy limit.
- A target of 1:1 of total debt outstanding to discretionary reserves should be maintained.
 - Total debt outstanding is \$3.9 million. As mentioned above, discretionary reserve balances are **negative** \$2 million due to internal borrowing.
 - This ratio cannot be calculated with negative reserve balances. The Township is therefore **not within** this policy limit.
- For DC debt, a target of 1:1 of total debt development charge debt outstanding to development reserves should be maintained.
 - The Township does not have any external DC debt however there is internal borrowing within reserves.
 - A comparison of positive to negative DC reserves can be made to calculate this ratio.
 - The estimated DC interfund borrowing is \$3.8 million as of 2024. The total amount of positive DC balances is approximately \$7.1 million.
 - The ratio is approximately 0.5:1 and **is within** this policy limit.

DEPARTMENT SUMMARIES



Council

Department Overview

Council's role is to develop and evaluate the policies and services provided by the municipality. This requires balancing public representation and the well-being of the municipality. Council's budget includes special events, funding to waive fees and charges and costs related to the Technical Remediation Advisory Committee (TRAC) and the Grand River Accessibility Advisory Committee (GRAAC).

Budget Pressures

Council's budget has relatively few pressures; however, staff are monitoring the fees and charges waiver account which has seen an increase in expenses in the past years as additional fee waiver requests are received. Additional funding in this account would accommodate additional approvals, however a proposed increase has been removed from the budget to limit the tax increase as directed by Council.

2025 Budget Highlights

Staff recommend minor increases to meeting expenses to reflect actual costs of providing both in-person and remote meetings and collaboration initiatives based on expected costs for Region-wide physician recruitment and the Reconciliation Action Partnership initiatives. Council will also notice a shift in expenses with no net impact from miscellaneous to special events which covers initiatives like the State of the Township or the Mayor's Pancake Breakfast.

Chief Administrative Officer

Department Overview

- Office of the CAO
- Climate Action and Sustainability
- Economic Development and Tourism
- Emergency Management
- Fire Services

The Office of the CAO is responsible for the overall administration of the Township and is directly accountable to Council.

Climate Action and Sustainability is responsible for co-ordinating the implementation of climate action across the Township.

Economic Development and Tourism is responsible for supporting local businesses and economic growth through key programs and services. Core services include business retention/expansion and attraction, corporate promotion and partnerships, and visitor services coordination.

Emergency Management is responsible for the development, management and training of our Emergency Plan.

Fire Services is responsible for providing community risk reduction services through its core functions of administration, public education, fire prevention, fire suppression, rescue, and training and development.

Budget Pressures

No significant budget changes in the 2025 Budget can be found in the CAOs Office, or the areas of Economic Development and Tourism, and Climate Action and Sustainability.

Work related to completion of the 10-year Community Strategic Plan is finished and hence the elimination of consultant related costs. As for Economic Development and Tourism, we are transitioning back to one FTE and a seasonal support position, and expenses related to the implementation of the St. Jacobs Brand Audit and Wayfinding Signage Project will be offset by Municipal Accommodation Tax (MAT) funding. In terms of the area of Climate Change & Sustainability, a separate budget section has been created but no major expenses are anticipated as the focus this year is on the development of an Action Plan to implement the TransformWR Strategy.

The Fire Services area pressures relate to the continued implementation of market adjustments for volunteer firefighter positions, the need for a significant increase in the transfer of funding into the Equipment Reserve Fund, the implementation of new software the addition of a Fire Training Officer, the completion of a Fire Master Plan and higher allocations for projected volunteer staffing costs at each of the station levels using a three year average.

2025 Budget Highlights

CAOs Office

- Elimination of Strategic Plan professional services allocation

Economic Development and Tourism

- Transition back to one FTE and seasonal support position
- Implementation of the St. Jacobs Brand Audit and Wayfinding Signage project

Fire Services

- Continued implementation of market adjustments for volunteer firefighters
- Significant increase required for allocation to Equipment Reserve
- Increase in allocation for volunteer firefighter station costs based on 3-year average
- Implementation of new software
- Completion of Fire Master Plan
- The addition of a Fire Training Officer (**Staffing justification and related gap analysis is included in Appendix 7**)
- Increased Firefighter Health and Safety regulations
- Information on the Truck Standard Analysis can be found in **Appendix #11 – Truck Standard Analysis**

Corporate Services

Department Overview

- By-law Enforcement
- Clerks Division
- Communications
- Human Resources
- Information Technology

The Clerks' Division is responsible for providing meeting support to Council and Committees, including orientation and training, while ensuring compliance with legislation as well as Township By-laws. This Division also has responsibility for community grants and corporate communications, including supporting the Township's website, social engagement platform and social media.

Information Technology (IT) is responsible for supporting Township staff on all hardware and software-related needs, from mobile devices, computers, desktop applications to server and networking needs. IT maintains public wireless connections in facilities and is responsible for security of corporate systems. It supports users at the Administration Office, Woolwich Memorial Centre, Breslau Community Centre, Operations Yards, St. Jacobs Arena and six fire stations. As the Township grows, looks to find efficiencies by automating work and provide online services to residents like online payments or self-service portals, IT will continue to play a critical role in helping the Township to modernize.

By-law Enforcement supports our communities by responding to complaints about by-law infractions. The division is also responsible for licencing, the school crossing guard program and the new Administrative Monetary Penalty System that will divert the vast majority of administrative offences out of the court system and make it dispute resolution efficient, effective and customer service focused.

Human Resources (HR) is responsible for providing HR management programs and services consistent with Council policies, Township procedures, and regulatory requirements to enable the Township to meet its business and service goals. This division supports other departments with staff recruitment, onboarding, training, retention and offboarding. HR staff lead the Township's health and safety program.

Budget Pressures

As presented in the 2024 budget, there is an ongoing need for a Manager of Licensing and Enforcement Services. This position has been removed from the budget to limit the tax increase as previously directed by Council. This will limit the work the division can do to support other departments, update regulatory by-laws to fit current needs and community expectations as well as respond to new and emerging issues like homelessness, legal issues and legislative changes. The division will continue to rely on part-time and student officers to respond to a growing number of requests for service in 2025.

As the number of requests for by-law enforcement services grows, staff have included a second by-law enforcement vehicle in the Development Charges background study with the purchase timing in 2024-2025. Staff have selected a compact, hybrid, pickup truck which is the best balance of low purchase price, fuel efficiency, environmental impact and utility. Additional information can be found in **Appendix 12 - Vehicle Request Form - By-law Truck (vehicle)**.

Staff expected a further 15% reduction in provincial operating grant funding, however the province recently announced that the Township's OMPF funding would remain consistent at 2024 levels, so this is not a budget pressure for 2025.

2025 Budget Highlights

Staff previously reported to Council on new requests for Community Grants and Council directed staff to add two new grants to the budget for consideration of the grant amount during budget deliberations: Hearts Open for Everyone (H.O.P.E.) and Shelter Movers South-Western Ontario. To limit the tax increase as directed by Council, the full request of these grant requests could not be accommodated in the budget. The grants budget also includes:

- cost of living increases that were pre-approved for the term of Council
- minor net increases to the Equity, Diversity, Inclusion and Belonging (EDIB) and miscellaneous grant categories

The Clerks portion of the budget includes no net changes for 2025; however, a portion of licensing revenue and legal costs have shifted from Clerks to By-law Enforcement to better reflect the responsible division. The Communications portion of this budget includes the following changes:

- a reduction in part-time salaries by switching the paid summer website student position to an unpaid field placement student in 2025
- increased funding to communicate and engage with residents with a new public engagement platform and professional communications support in emergencies
- a new revenue line capturing predicted revenues from the new digital community sign on Industrial Drive in Elmira

The Information Technology (IT) budget includes two new significant corporate enterprise software costs: a new, integrated Human Resources and Payroll software system to replace a system that only supports payroll. There is also an increase in infrastructure and security services for added costs such as server support contracts to delay capital purchases and maintenance of the Woolwich Memorial Centre audio system.

The By-law Enforcement budget includes a new line for property cleanups to cover costs officers have incurred when folks experiencing homelessness leave their belongings behind. 2025 will be the first full year using the Administrative Monetary Penalty System (AMPS) to bring more simple resolutions for offences out of the Provincial Offences Court, so both expenses and revenues have been updated to reflect projections. The

professional services budget line has also been reduced since one-time costs related to AMPS implementation are no longer required. This division budget does not include new staff, and the new legal and licencing revenue lines have no net impact having been shifted from Clerks as noted above.

The crossing guard budget includes a reduction in part-time salaries for one crossing guard from a location in Breslau as approved by Council. There are no notable changes to the human resources budget. The Corporate Services Division also includes the Corporate Overhead budget, which includes the following minor changes:

- Removal of the general equipment repairs budget line to be combined with IT repairs
- Minor reductions in office supplies, postage and photocopying to reflect lower spending in these accounts
- An increase in minor capital, offset by a transfer from development charges for small by-law enforcement equipment
- An increase of \$107,000 in the water/sewer admin overhead allocation to limit the tax increase as directed by Council, following a high-level, overhead apportionment analysis based on head count
- No reduction to the OMPF grant as noted above

Development Services

Department Overview

- Building Division
- Development Engineering
- Planning

The Building Division is responsible for the administration and enforcement of the Ontario Building Code Act as well as some Municipal By-laws as they relate to new development and construction.

Development Engineering is responsible for providing engineering review, administration and oversight for all development-related applications from commencement (pre-consultation) to implementation (construction) to final completion (deficiency review, certification, and final assumption).

Planning Services is responsible for helping build the Township's future by managing growth and the physical form of the Township. The Planning services division works on developing and implementing policies and regulations to ensure the Township vision is achieved.

Budget Pressures

Development Services has noted a significant change to staff and resource requirements due to Provincial and Regional shifting of responsibilities. Changes to development boundaries and legislated timelines now requires significant long-range comprehensive planning of 25+ years to ensure that the Township is prepared for the infrastructure and soft servicing requirements to meet the housing needs of our residents, along with Provincial housing pressures to build more homes and faster. Our development partners anticipate that 2025 will provide renewed development interest and as economic conditions improve, pressures associated with development will intensify. We have heard this from several local land developers and builders in the last few months as to their feeling of renewed optimism for growth in 2025 and beyond.

To ensure that Development Services has the tools needed to deal with these pressures, cost effective budget options must include consideration for efficiencies through software and evaluation of resources that ensure efficient and timely project approval and optimal consideration of department costs and expenditures.

2025 Budget Highlights

The Township is expecting to see a significant amount of growth in 2025 with the build out of two subdivisions in Breslau and several medium density residential developments. In addition, there will be new planning applications that the Township is expecting to process in 2025 to initiate development on the land within the newly expanded settlement area. The result of these projections is that the Building and

Development Engineering divisions are anticipating that there will be additions to the reserve funds for the respective divisions in 2025.

As of January 1, 2025, the Regional Planning responsibilities are proposed to be removed through the proclamation of Bill 23. This will require the Township Planning staff to take on additional planning review and commenting responsibilities that were previously completed by the Region. The Planning division anticipates this may result in additional work for staff and additional needs in specific expertise areas. The Planning division will assess the impacts with the transition of responsibilities and will report back to council mid 2025. No additional staffing resources are proposed in the 2025 budget at this time, but staff expect a greater budget allocation for peer reviews to fill gaps from the transition.

Major projects in 2025 for the Planning division include the completion of the new Township Official Plan which will incorporate the Breslau Secondary plan work, the Regional Official Plan and the 2024 Provincial Planning Statement. Another major project is the Heritage Study to evaluate heritage properties in the Township for future designation or identification as properties of interest. Several other projects funded through the Housing Accelerator Fund are included in the 2025 budget to develop the planning framework to facilitate future development and provide direct incentives to development which is aligned with our Housing Needs Assessment such as rental housing units. The last major project included in the Planning division budget is the Termite program. The Township committed to a 5-year program for the removal of Termites in key areas. 2025 will be the 5th year of the 5-year program.

The Building division, as a self funded division, has a healthy reserve fund which staff are proposing to draw from in 2025. Staff are proposing two new vehicles for building inspectors at a value of \$50,00 each and the expansion of Building software at a cost of \$65,000. These items are required for the Building division to be efficient, accountable and responsible. The Building division currently uses CityView software which was purchased in 2005. Staff are proposing to expand this software to experience a wider range capabilities of the program. This is expected to result in significant efficiencies within the division with approximately 500 hours of staff time saved. The software will eliminate staff administrative tasks and allow the division to utilize staff time more efficiently thus resulting in delay in hiring additional staff resources. Additional modules through CityView will be evaluated in future years' budgets.

Additional information for the vehicles can be found in **Appendix 13 – Vehicle Request Form – Building**.

Financial Services

Department Overview

- Management and Budget (Financial Planning and Policy)
- Financial Operations and Accounting
- Payroll and Benefits Administration
- Revenue Services

Financial Services is responsible for the processing and administration of property taxes, and full suite administration, oversight, and reporting on all financial matters for the Township.

Management and Budget (which also includes Financial Planning and Policy) is responsible for the overall financial planning and policy development of the Township. This includes coordinating the operating and capital budget, developing long term financial plans, and ensuring appropriate financial policies are in place to reduce risk and ensure the effective financial management of the Township.

Financial Operations and Accounting ensures all daily and regular financial operations are performed. This includes but is not limited to purchasing, accounts payable, journal entries, bank and account reconciliation, regular reporting through monthly and annual financial statements, year-end processes, grant reporting and other government returns.

Payroll and Benefits Administration ensures the timely payment of all employees, regular remittances to CRA and external bodies, registration and administration of the Town's various benefit programs.

Revenue Services provides overall revenue collection and administration for the Township. This includes ensuring the calculation and collection of property taxes, water and wastewater billing, accounts receivable, and related customer service enquiries for these services.

Budget Pressures

With the increased growth and complexity, it has become much more difficult for the finance staff to keep pace with increasing demand. The finance department complement has remained relatively static over the past decade while the size and complexity of the Township budgets has greatly increased. New standards, regulations and legislation have placed additional strain on the limited staff complement. This has resulted in a focus on day-to-day operations with process improvement and long-term financial planning falling behind. Recent absences and turnover have placed further strain on the limited financial resources available.

From a corporate perspective the Township's current financial position is in very poor condition and requires immediate external funding to ensure short term sustainability.

Over the long term, there is a need to fundamentally change the existing budget process and move to more long-term models. There is also a need for improvement in financial

reporting to provide the public with an accurate picture of the organization's financial health. There is also an urgent need to update aging software and processes and a robust cultural shift is needed to improve financial accountability across the organization. It is unlikely these critical tasks can be completed with the existing staff complement. This represents a critical risk to the organization if it is allowed to continue. The budget proposals outlined below will begin to address these issues.

2025 Budget Highlights

New Financial Software

Due to growth in recent years and increased complexity of the Township's operations, the current finance software solution does not meet current needs and is out of date. The shift to more modern technologies offers several benefits, including:

- Efficiency through enhanced workflow and automation
- Improved database integrity
- Greater security and resiliency
- Elevated reporting capabilities
- Better ability to meet the needs of citizens

To ensure successful implementation of the new software, additional staffing resources are required. Financial services currently do not have the bench strength and capacity to dedicate the time required to implement a software of this scale and complexity. It is anticipated that this project will take two-years to implement, which will involve planning, implementation, and post-implementation activities. Critical to the successful implementation this project will be ensuring sufficient staff resources are available. Staff are recommending two contract positions: Project Coordinator/Business Analyst and Financial Specialist.

The estimated total two-year capital project cost is \$613,000.

- \$207,000 for the implementation in 2025
- \$206,000 for contract staff support in 2025
- \$206,000 for contract staff support in 2026

The 2025 capital budget includes \$413,000 for approval which represents the implementation cost and one year of staff support.

Investment Revenue

In 2024 the budget for investment income was \$475,000. As of November 2024, investment income has exceeded budget by approximately \$100,000. Considering the declining interest rate environment and lower than expected cash balances driven by increased internal borrowing (reserve deficits), this amount should be reduced by at least \$100,000 in 2025. This impact may grow in future years. It should be noted that the Township's investments are not managed internally and there has been a growing need for cashflow analysis in recent years.

Investment revenue may continue to decline in 2026 budget. Best practice suggests that investment income remain relatively static to avoid fluctuations in interest rates with fluctuations offset against reserves. However, this approach will need to be addressed in future years with further reserve analysis.

Senior Financial Analyst

The 2025 budget includes a request for a Senior Financial Analyst to assist with important long-term planning and reporting functions. This new position will assist all departments with financial analytical work to improve the improve decision making across the organization and provide long-term value for taxpayers. This report has identified critical areas in reserves, borrowing and cash flows that have put the Township at significant risk. This position is an urgent need to ensure the Townships financial sustainability. More information is available in **Appendix 4 - Senior Financial Analyst**.

Infrastructure Services

Department Overview

- Asset Management
- Engineering
- Operations (Roads, Water and Wastewater)

Asset Management is the responsibility of every department that maintains tangible assets on behalf of the Township. Properly managing assets is crucial to effective and efficient service delivery. In its simplest form this involves understanding what the municipality owns, the condition and then applying the most cost-effective strategy for intervention, renewal, replacement and/or disposal to meet defined service levels and maximize useful life.

Engineering is responsible for Municipal Drains, capital programming associated with water and sewer infrastructure and the Township's transportation network.

Operations is responsible for the day-to-day and long-term preventative and reactive maintenance type activities to ensure reliable and efficient systems, such as water distribution, wastewater collection, stormwater management and transportation networks.

Budget Pressures

There are a number of pressure points in the Operations section that require attention. Road patrol duties are currently performed on a part-time basis in the spring, summer and fall with all winter road patrol being shared by the Manager of Operations, Roads Supervisor and Water/Wastewater Supervisor. Further, on-call duties throughout the year are shared by the same managers and supervisors, which requires each one to be on call 17 weeks of the year. This is not a sustainable solution to this critical responsibility as the workload requirements on these three positions is not permitting the section to adequately manage day-to-day operations nor does it permit them the ability to long range plan as they are continually jumping from one fire to another.

Other areas that are creating challenges are the amount of contracted service projects that occur annually (ditching, culvert replacements, gravel and surface treatment programs, water valves, fleet management). Based on the workload of the Supervisors, there is little ability to manage the number of contracted services projects, which leaves contractors to their own devices. Woolwich is fortunate to have excellent local contractors; however, this is not an ideal situation and is less efficient when contractors need direction or answers to inquiries. Operations struggles to efficiently manage our fleet inventory, which is valued at over \$7 million, as there is not a dedicated person assigned for this task, and it is spread throughout the management group. This translates into performing more reactive maintenance than preventative activities, resulting in unplanned service delivery disruptions and higher costs.

Staff Report IS17-2024 (enclosed) was presented to Council on October 22, 2024 seeking pre-budget approval for a full-time Operations Project Supervisor; however, it was

Council's direction to bring this request forward during budget deliberations for 2025. The report remains accurate, and the position is included as part of the Infrastructure Services 2025 Operating budgets. This new position is crucial in helping to alleviate some of the significant pressures being experienced in the Operations section and will provide a much-needed resource to deal with the legislative area of road patrol, manage contracted services, fleet programming and ensure some resiliency within the department.

The Engineering section is struggling with customer service demands associated with traffic control and corridor management. Currently, there is one position in the organization that deals with all of the permitting associated with driveways, municipal consent approvals for utility works like telecommunications, gas and hydro along with the Township's traffic calming and monitoring programming. Since 2022 there has been an 89% increase in applications received and processed. This has resulted in further delays associated with the Traffic Calming program. Staff appreciate that traffic calming is a high priority for Council and one that many residents voice concern over. It remains a specialty that is lacking in the department and yet the process currently in place is similar to other area municipalities, with Woolwich's procedure recently being adopted by a neighbouring township. This can be construed as Woolwich's approach to traffic calming is appropriate, but the department lacks the staff resources to be able to make a meaningful impact.

The Infrastructure Services Department is seeking an additional staffing resource with a specialty in traffic engineering. The position being requested is a Traffic Engineering Technician and it is included in the 2025 operating budget. The position would also support the current workload associated with corridor management and add much needed help with relatable asset management analytics. Without this additional resource staff will continue to fall further behind leading to more customer frustrations.

Unfortunately, this is yet another difficult budget year as the Township is attempting to manage its growing operations and maintenance obligations and keep up with the much-needed capital investment and renewal programming in the face of fiscal and political uncertainty. A continuing theme that has been noted in previous budget years is that the influx of new levy is insufficient to meet the needs of the community and the challenges to properly plan and implement the infrastructure needed for sustainable growth. It is not this Council that has led the organization to where it is today but many years of fiscal decisions that were intended to provide spending restraint have resulted in unintended fiscal consequences that essentially subsidized rate payers. Now when faced with the stark realities of cost escalations far outpacing typical inflationary numbers, there is no ability to pull from 'rainy day' reserves for the unforeseen challenges that arise, and there is limited ability to strategically plan for the future. These previous decisions to strip operating budgets and hold staffing levels to bare minimums has led to the current state of the organization's fiscal health.

It is not all doom and gloom, as there are many things in Council's control, but it will take a significant course correction and concerted long range thinking to put the Township into the sustainable position that is required. To adequately manage the Township's increasing asset inventory, more predictable and sustainable funding increases and alternate revenue sources are required. While the Infrastructure Reserve Fund was a

visionary implementation in 2012, the amount being generated is not sufficient to build up any form, of a reserve as year over year, what goes in is allocated in that same year. It is significant to note that of the entire 2025 Capital Budget, which is just over \$28.8 million, there is just over \$1.2 million of new levy, equating to 4.4% of the entire budget. Unless a decision is made to become more self-sufficient, the Township will continue to be reliant on other funding sources, which are not reliable in the long term. This year's Infrastructure Services capital budget is \$18,549,500 with a \$6,500,770 contribution coming from the Federal and Provincial governments, this equates to over 35% of the entire budget. In contrast, new levy and the department's share of the infrastructure reserve fund amounts to only 14%.

To help improve the financial position of the organization, efforts were made to minimize capital expenditures from the water and sewer reserve fund with the intent to maintain this approach for two consecutive years. This is a holding strategy and should not solely be relied upon to improve the fiscal position of the reserve accounts as long-term this will only result in much higher maintenance costs and greater service disruptions.

The Township also needs to address the lack of resources and invest in critical positions that can improve the organization's analytical and long-range planning abilities. If not, more drastic measures will need to be implemented until a fiscal sustainable model is achieved. Without appropriate action certain assets will further degrade or be disposed of for the sake of others as there will not be sufficient funding and/or staffing resources to sustain what the Township currently has in its inventory let alone the infrastructure that is already slated to be assumed. There are two staffing requests that are vitally important to both the engineering and operations section of the department this year; however, there is an important vacancy that continues to exist, which is the Manager of Engineering. Tough decisions were needed to be made again this year and unfortunately the Infrastructure Services Department will continue to be the only department without a dedicated back up for the Director.

2025 Budget Highlights

The proposed capital projects for Infrastructure Services in 2025 amount to over \$18 million. Some of the more notable projects that are proposed include:

- Completion of the Breslau Drain #1 construction project;
- \$4.35M associated with the Elmira Downtown Core Revitalization;
- \$3.0M Hot Mix Asphalt program;
- \$2.4M of Bridge and Culvert programming;
- \$1.9M of sewer lining;
- Engineering for water and wastewater servicing for the East Side Lands in Breslau ; and,
- \$1.65M Weigel Stormwater Management Pond clean-out.

The 2025 Capital Hot Mix Paving Program includes the following.

The resurfacing of:

- Chilligo Road between Guelph/Woolwich Townline to Lerch Road;
- Covered Bridge Drive between Line 86 and Hill Street; and,
- Peel Street between Katherine Street and Sunset Drive.

The rehabilitation of:

- Maryhill Road between Side Road 16 and Zingervilla Place; and,
- Side Road 16 between Line 86 and Maryhill Road

The Maintenance Paving Program includes Sunset Drive in Winterbounre between its terminus and Peel Street.

The 2025 Capital Bridge and Culvert Program includes a number of engineering projects with only one reconstruction project, which is related to the expansion of municipal wastewater servicing within the East Side Lands of Breslau. The most notable engineering project is the Low-Level Bridge. This is an important water crossing for the Horse and Buggy Community and it is nearing its useful life. The bridge underwent an emergency repair in 2021 due to significant erosion that compromised its structural integrity. The bridge has been undergoing underwater inspections since and without a long-term solution the water crossing will no longer exist.

This is the first year for the detailed engineering work necessary for the expansion of municipal servicing within the East Side Lands of Breslau. This is an important growth-related project that will establish alignments for both water and wastewater servicing needed for managed and balanced growth to occur. This is a critical piece in realizing the significant opportunity that the East Side Lands in Breslau affords. With a mix of residential and employment lands, coupled with the Region of Waterloo International Airport, the future Metrolinx Go Station, the planned new Highway 7 and proximity to Highway 401, the East Side Lands are one of the most significant and important growth areas in the province and should be embraced as a rare and unique opportunity for the Township of Woolwich to rise to the occasion.

Recreation and Community Services

Department Overview

- Recreation Services
- Operations (Facilities, Parks, Cemeteries, Trails, Environmental)
- Project Management

Recreation Services is responsible for promoting healthy, active lifestyles to improve quality of life, social connections, and physical well-being. The division is dedicated to service provision, revenue generation, and is structured into administration, programming, special events, and community development. This division ensures customer satisfaction, program delivery, and community capacity building.

The Operations area manages the Township's largest departmental operating budget, responsible for the maintenance of 33 Township facilities, 38 parks, 7 cemeteries, sports fields, woodlots, and more, to ensure recreation facilities and amenities, fire stations, and other Township facilities meet the needs of our residents. The environmental area is responsible for trails, working collaboratively with our community and volunteers to protect our natural environment through education, awareness and greening initiatives.

Project Management is responsible overseeing the annual capital plan, focussing on asset renewal, park and facility enhancement, and equipment upgrades and replacements. New to the portfolio, the Project Supervisor is responsible for managing the department's asset management program in coordination with the Asset Coordinator.

2025 Budget Highlights

Factors impacting the 2025 operating budget include:

- Utilities Costs (hydro, water, sewer)
- Carbon Tax increase (natural gas) \$25,000 in 2025 / \$145,000 annually
- Part-time wages (minimum wage increase for 145 part-time and summer staff)
- Aquatic part-time wages (daytime staff recruitment and retention)

New Amenities (park land, park amenities, playgrounds, splash pad Budget Pressures

The department strives to balance community needs and expectations, programs, and service delivery with increased costs for maintenance, service contracts and utilities. Many program costs are offset with revenues generated through user fees from program registrations and ice rentals, aquatics, leases, facility rental permits, advertising, grants and partnerships. The Township also provides subsidies to important affiliated users and sport organizations, community groups and partners to support their operations. Additionally, RCS delivers many programs, events and services to the community which don't generate or aren't fully offset by revenues, but that support health, well-being, social interaction and connectivity. These important community services include:

- Libraries
- Pools and arenas
- Trails & environmental initiatives
- Parks, sport fields, open spaces, and woodlots
- Community events (Canada Day, Family Day etc)
- Playgrounds and splash pads

New Amenities – Subdivisions

Budget challenges will continue to arise through parks and infrastructure inherited by the department through new subdivision development. Challenges to balance community expectations and meet the Parks and Recreation Master Plan identified service levels, funding the timely installation of new amenities when residents move to new neighbourhoods with available park/green space.

As a result of continued growth, the department will acquire 5 acres of new parkland and open space in 2025, along with many kilometers of new trails. This parkland dedication and assumption of undevelopable lands comes with expectations from the community for grass cutting, garbage collection, landscaped areas and new amenities such as playgrounds, multi-use courts and trail systems. The department has added 50 acres of parkland since 2011 and saw the addition of 3 parks added in 2024 with 5 more parks in developments currently in the draft plan approval stage.

The Operations area responsible for maintenance of these assets is comprised of one Supervisor, 11 full-time staff, and temporary summer staff. It's worth noting that despite continued growth, the addition of parklands and amenities, and the expectations to meet service level standards, the department has not seen the addition of full-time frontline staff in more than 10 years. Similar to the challenges in Infrastructure Services, contract management is a significant undertaking that continues to grow with deficient oversight. In addition to managing full-time and part-time staff, the Operations Supervisor oversees contracts for turf, winter maintenance, fire and security, HVAC, refrigeration, fleet and more. The department is not proposing the addition of either frontline or contract supervisory staff in 2025 due to competing corporate priorities and current financial challenges but highlight challenges continue to exist.

Capital

The department's 10-year capital forecast based on priorities, service levels, and asset management data to best present a capital plan that includes new amenities and asset renewal. Pressures in 2025 and beyond lie primarily in the need for predictable capital funding to support large capital projects such as the St. Jacobs Area floor replacement, and also the need for the department to dedicate significant resources annually to ensure we meet our legislated requirements for asset management.

The departments typical annual capital plan fluctuates between \$2 and \$5 million depending on project needs, including asset renewal and new amenities for all Township facilities, parks and trails. This year's capital plan has been reduced significantly to \$1.25

million in recognition of the current funding challenges and the need to fund the proposed facility renewal at the St. Jacobs Arena in 2026, which may require external borrowing or a further reduction in asset renewal to complete.

The department's capital plan has historically been primarily allocated to the repair and replacement of customer facing facilities, with operations facilities and fire stations reaping the challenges. The lack of reliable and sufficient capital funding significantly limits our ability to plan for growth related enhancements and new facilities, such as a fire station or a new recreation complex/wellness facility in Breslau.

Appendices

Appendix 1 – 2024-2034 Strategic Priorities

Appendix 2 - 2025 Budget Engagement Survey

Appendix 3 – Staffing Analysis

Appendix 3b – Payroll Cost to Budget

Appendix 4 – Increase in Staffing Request Form – Senior Financial Analyst

Appendix 5 – Increase in Staffing Request Form – Operations Project Supervisor

Appendix 6 – Increase in Staffing Request Form – Engineering Traffic Technician

Appendix 7 – Increase in Staffing Request Form – Fire Training Officer

Appendix 8 - Tax Rate Comparison

Appendix 9 – Reserve and Reserve Fund Analysis

Appendix 10 – Debt Overview and Forecast

Appendix 11 – Truck Standard Analysis

Appendix 12 - Vehicle Request Form - By-law Truck

Appendix 13 – Vehicle Request Form - Building