

REPORT TO: Conservation Halton Board

REPORT NO: # CHB 08 23 02

FROM: Marnie Piggot, Director, Finance

DATE: October 19, 2023

SUBJECT: 2024 Budget & Business Plan

Recommendation

THAT the municipal funding of \$11,774,197 in the 2024 budget **be approved by a weighted majority vote by the Conservation Halton Board based on the 2024 budget municipal apportionment;**

And

THAT the \$149,000 benefit-based municipal funding for Halton Region for the Floodplain Mapping Update project **be approved;**

And

THAT transfers to and from Reserves in the 2024 budget **be approved as outlined in this report;**

And

THAT the 2024 Budget & Business Plan **be approved as presented.**

Executive Summary

The 2024 Budget & Business Plan (Appendix A) provided in the meeting package was recommended for approval by the Conservation Halton (CH) Finance & Audit Committee at the October 6, 2023, meeting.

CH staff have submitted the 2024 budget to participating local and regional municipal staff for their review and consideration. Budget presentations to municipal councils are planned for Halton Region on November 15th, with the Township of Puslinch and City of Hamilton to be confirmed.

The 2024 budget continues to balance the delivery of core programs and services with Momentum strategic priorities, inflationary, and growth-related pressures. The 2024 budget incorporates Conservation Authorities (CA) Act regulation priorities, Bill 23 impacts, and an increased focus on recommended capital infrastructure projects. The budget proposed is consistent with the preliminary budget presented in June with revisions for updated 2024 apportionment percentages received from the Province, debt financing charges, and the addition of benefit-based Halton Region municipal funding of \$149,000 for the Floodplain Mapping Update project.

The 2024 budget of \$50.2 million is summarized in the chart below. The amounts are categorized according to the CH- Halton Region Programs & Services Inventory that is aligned with CA Act regulations. The combined operating budget totals approximately \$40.6 million and the capital budget totals \$9.6 million.

Budget Summary	2024 Budget	2023 Budget	Increase / (Decrease)
Revenue			
Program Revenue	\$ 20,687,260	\$ 18,713,896	\$ 1,973,364
Municipal Funding	11,774,197	11,298,835	475,362
Grants, Other Funding & Other Municipal Funding	9,487,756	6,244,081	3,243,675
Internal Chargeback Recoveries	3,342,554	3,022,997	319,557
Transfers from Reserves	3,977,827	2,411,299	1,566,528
Provincial Funding	920,820	810,438	110,382
Total Revenue	\$ 50,190,414	\$ 42,501,546	\$ 7,688,867
Expenses			
Corporate Administration & Operations	\$ 7,084,698	\$ 6,968,715	\$ 115,983
Natural Hazards & Watershed Management	7,465,809	6,127,595	1,338,214
Permitting & Planning	5,117,089	5,322,854	(205,765)
Conservation Lands			
Land Management	1,988,579	2,128,364	(139,785)
Parks & Recreation	16,360,173	15,207,419	1,152,754
Debt Financing	631,576	580,126	51,450
Transfers to Reserves	1,898,763	992,337	906,426
Capital	9,643,727	5,174,136	4,469,591
Total Expenses	\$ 50,190,414	\$ 42,501,546	\$ 7,688,868
Total Budget Surplus	\$ -	\$ -	\$ -

Base municipal funding in the 2024 budget is 4.2% or \$475,362 higher than 2023 funding. This increase combined with the \$149,000 benefit-based municipal funding is within the Halton Region guideline of 5.7%. The majority of the budget continues to be funded through self-generated revenues and base municipal funding remains at less than 24% of the total funding sources. Specific guidelines have not been received from the other three funding municipalities.

Municipal State of Good Repair (SOGR) levies are proposed to increase in total by \$59,600. The increase includes \$53,000 for dams and channels to provide for the municipal funding level to reach the target amount plus inflation by 2028, based on the Asset Management Plan for Dams and Channels. The target municipal funding has been achieved for facilities in the 2024 budget with the increase of \$6,600 in the SOGR levy for buildings.

Debt financing of \$1.5 million is requested in the 2024 budget, consistent with the 2023 budget forecast related to the Central Works Operations Centre project.

The anticipated Conservation Areas operating surplus in the 2024 budget of \$1.3 million is significantly higher than the 2023 budget surplus of \$427,337. Revenues remain conservatively

estimated based on 2021-2023 activity with increases offset by increased park operating expenses, including higher insurance premiums, facility maintenance, and part time staff expenses.

2024 Budget highlights:

Major drivers of the 2024 budget increase of \$7.7 million over 2023 budget amounts are:

- \$4,469,591 increase in the capital budget primarily due to Conservation Areas projects that are increasing by a total of \$3.4 million, including Developer Contribution Reserve (DCR) projects totaling \$1.7 million. The 2024 budget for the Central Works Operation Centre costs is increasing by \$1 million.
- \$1,157,777 increase in Staff Salary and benefits for:
 - \$528,967 for four full-time equivalents (FTE) staff positions that are partly funded through increased internal chargeback recoveries and new funding agreements, with minimal municipal funding impact.
 - \$318,917 for increased part time and project contract staff that are fully funded by increased program revenues and project grants.
 - \$309,893 in total staff salary and benefits costs including a 2.5% inflation increase to the salary bands.
- \$831,593 increase in purchased services primarily due to an increase in partnership projects planned for 2024. These amounts are directly offset by increased program revenues and project grants.
- \$871,826 increase in the transfer to reserves for the Conservation Areas budgeted operating surplus based on historical trending and forecasting for 2024.

Report

2024 Budget Revisions

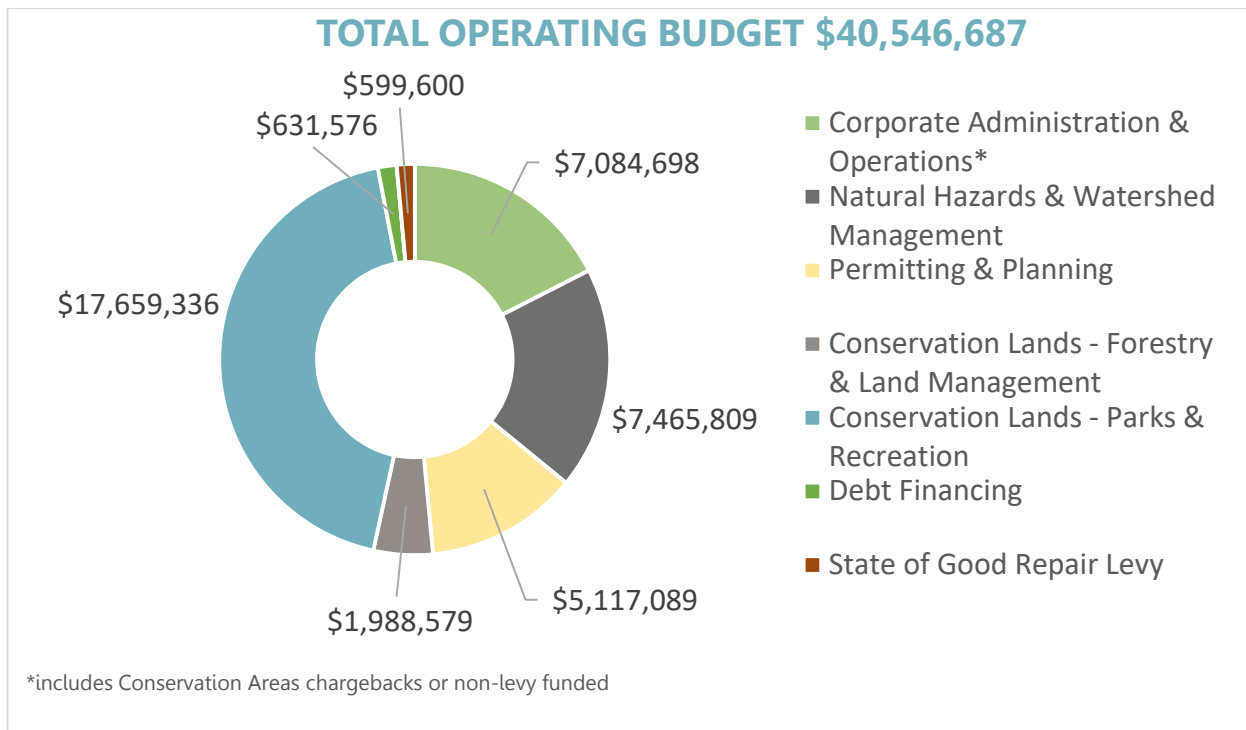
Revisions have been made in the 2024 budget from the preliminary budget presented in June which reflects updated modified current value assessment (MCVA) municipal apportionment percentages received from the Province, slightly revised debt financing charges, and an increase of \$149,000 for the 2024 Floodplain Mapping Update capital project costs.

Revised 2024 debt financing charges received from Halton Region staff resulted in a less than \$1,000 change compared to the preliminary budget. The 2024 Floodplain mapping project capital costs are funded by a benefit-based municipal levy to Halton Region to accelerate the floodplain mapping update and is beyond the Business Case submitted in 2019. The \$149,000 benefit-based municipal levy combined with the base MCVA apportioned municipal funding is within the 5.7% Halton Region guideline.

2024 Operating Budget

The 2024 operating budget of \$40.5 million provides for an investment of \$22.9 million in Watershed

Management & Support Services (WMSS) programs and an investment of \$17.6 million into the Conservation Areas. The following graph shows the distribution of the operating budget by department.



Inflation has been assumed generally at a rate of 2.5% for 2024.

The 2024 operating budget increase of \$3.3 million over the 2023 budget is funded by program revenue, grants, reserves, municipal funding, and internal program chargeback recoveries. Operating budget expense and funding amounts are summarized in the chart below.

Major drivers of the operating budget increase include:

- \$1,157,777 increased staff salary and benefits costs. Four new staff positions (3 WMSS, 1 Park) have been funded through new funding agreements and internal recoveries with minimal municipal funding impact.
- \$871,826 increase in the transfer to reserves for the Conservation Areas budgeted operating surplus that is reasonable based on historical revenue trends and increased activity planned for 2024.
- \$843,405 in materials, supplies, and purchased services primarily due to new Partnership Projects.
- \$313,199 in increases in internal chargebacks to programs for the recovery of staff time spent on programs and projects funded by program revenues and grants.

Operating Budget	2024 Budget	2023 Budget	Increase / (Decrease)
Operating Expenses:			
Staff Salary & Benefits	\$ 25,063,313	\$ 23,905,536	\$ 1,157,777
Materials & Supplies	3,021,832	3,010,020	11,812
Purchased Services	6,310,869	5,479,276	831,593
Financial	651,600	595,330	56,270
Internal Chargebacks	2,968,734	2,655,535	313,199
Debt Financing Charges	631,576	580,126	51,450
Transfer to Reserves - Land Securement	-	25,000	(25,000)
Transfer to Reserves - SOGR Levy Dams & Channels	415,700	362,700	53,000
Transfer to Reserves - SOGR Levy Buildings	183,900	177,300	6,600
Transfer to Reserves - Conservation Areas Operating Surplus	1,299,163	427,337	871,826
Total Operating Expenses	\$ 40,546,687	\$ 37,218,160	\$ 3,328,527
Funding of Operating Expenses:			
Program Revenues and Fees	\$ 20,772,261	\$ 18,747,896	\$ 2,024,365
Provincial (Ministry MNRF) - Operating Grant	155,034	155,034	-
Municipal Funding	11,029,597	10,376,835	652,762
Municipal Funding - SOGR Levies Dams & Channels and Buildings	599,600	540,000	59,600
Other Grants & Program Funding	4,377,542	4,028,235	349,307
Internal Chargeback Recoveries	3,342,554	3,022,997	319,557
Transfers from Reserves	270,100	347,163	(77,063)
Total Operating Funding	\$ 40,546,687	\$ 37,218,160	\$ 3,328,527

For further detail please reference the CH 2024 Budget & Business Plan (Appendix A).

Staffing

The 2024 budget includes 264 Full Time Equivalent (FTE) staff that are comprised of 129 FTE in Watershed Management & Support Services (WMSS) programs and 135 FTE in the Conservation Areas.

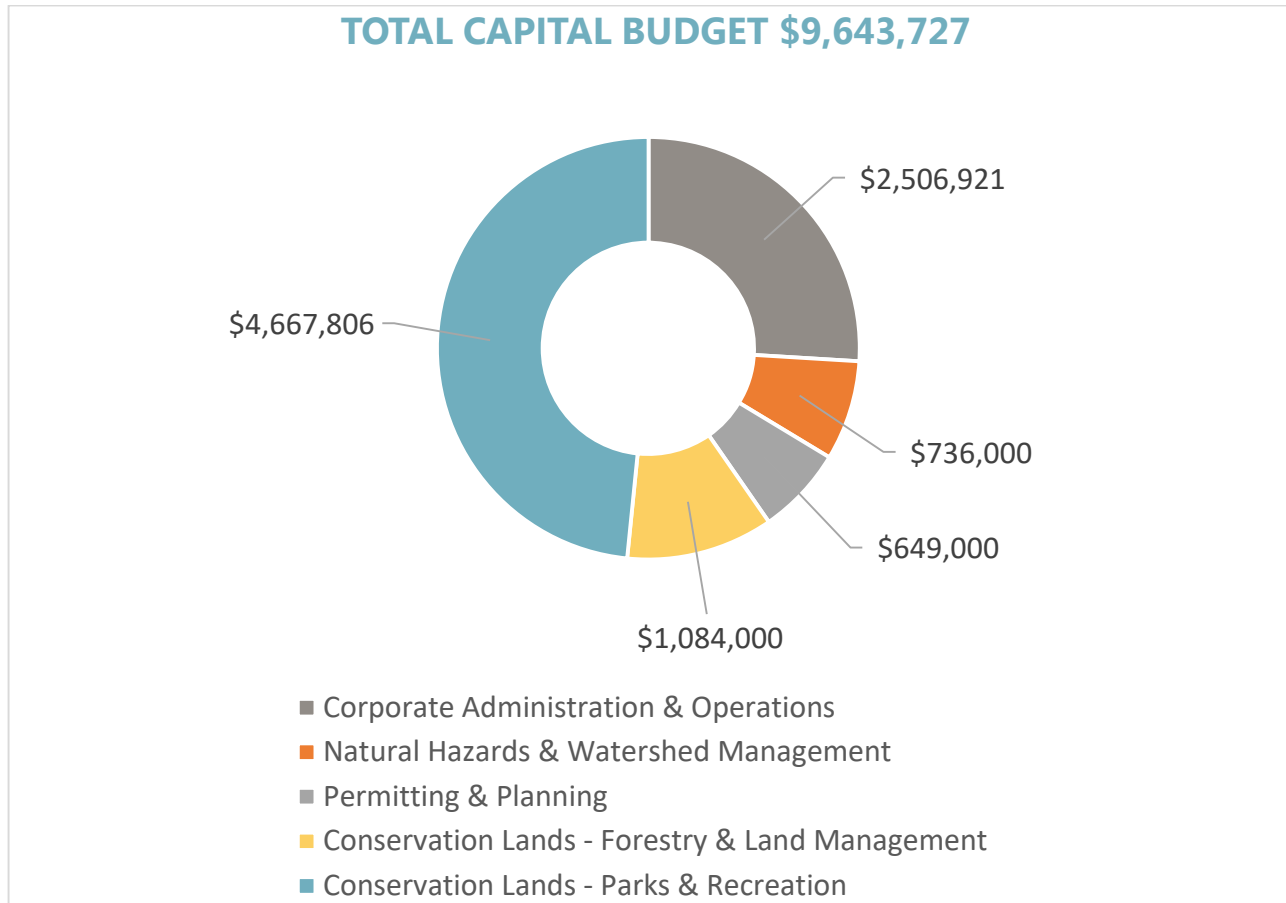
The net increase in positions and funding is associated with new funding agreements and changes in program priorities and workplans consistent with strategic plan initiatives.

2024 Capital Budget Summary

The 2024 capital budget represents an investment of \$9.6 million into infrastructure and technology to enhance programs and services. This is comprised of an investment in the watershed of \$5 million and Conservation Areas of \$4.6 million.

The WMSS capital budget provides funding for the rehabilitation of flood control infrastructure, updating of flood plain mapping, investments in technology upgrades, fleet replacements, development of studies and plans, managing the impacts of Emerald Ash Borer, land management initiatives, and infrastructure improvements.

The Parks capital budget provides funding for facility, infrastructure, and ski hill improvements, along with DCR projects including the Crawford Lake Boardwalk and the Kelso and Crawford Lake Visitor centres.



Base Municipal Funding

The total base municipal funding increase of \$475,362 includes an additional \$59,600 for SOGR levies for dams, channels, and facility assets to gradually meet target levels established in the Asset Management Plans for these assets. Asset Management Plans have been completed for all of CH's assets with most of the assets identified as in good condition.

Municipal Funding	2024 Budget	2024 Municipal Funding	2023 Municipal Funding	Municipal Funding Increase/(Decrease)
Operating (excl. SOGR levy)	\$39,947,087	\$11,029,597	\$10,376,835	6.3%
Capital	9,643,727	145,000	382,000	-62.0%
State of Good Repair (SOGR) Levy - Dams & Channels; Facilities	49,590,814	11,174,597	10,758,835	3.9%
	599,600	599,600	540,000	11.0%
Total	\$50,190,414	\$11,774,197	\$11,298,835	4.2%

Apportionment of Base Municipal Funding

Base municipal funding of \$11,774,197 is apportioned to Halton Region, City of Hamilton, Peel Region, and Township of Puslinch according to the area and proportional MCVA of the municipality falling within the CH watershed.

Based on updated current value assessment data and apportionment percentages received from the Province, the apportioned municipal funding amounts are as follows:

Municipality:	2024 MCVA Apportionment (%)	2024 MCVA Apportioned Funding (\$)	2023 MCVA Apportionment (%)	2023 MCVA Apportioned Funding (\$)	% Increase
Halton Region	87.9309%	\$10,353,158	87.9192%	\$9,933,846	4.2%
City of Hamilton	7.2191%	849,991	7.1961%	813,075	4.5%
Peel Region	4.6278%	544,886	4.6664%	527,249	3.3%
Township of Puslinch	0.2222%	26,162	0.2183%	24,665	6.1%
	100%	\$11,774,197	100%	\$11,298,835	

Ontario Regulation 402/22 requires CH to allocate the proposed 2024 municipal funding being requested according to Categories 1, 2, and 3 defined in the CA Act. CH established these Categories in its Programs & Services (P&S) Inventory in 2022. Municipal funding for Category 2 P&S will continue to be apportioned to its funding municipalities, though funded through Memorandums of Understanding (MOUs) developed in partnership with noted municipalities. The 2024 budget does not include municipal funding for Category 3 P&S.

Conservation Authorities Act (CAA) Programs & Services (P&S) Categories:	2024 MCVA Apportioned Funding (\$)	2023 MCVA Apportioned Funding (\$)
Category 1	\$11,302,815	\$10,818,279
Category 2	471,382	466,882
Category 3	-	13,674
Total	\$11,774,197	\$11,298,835

Debt Financing, Debt Financing Charges, and Debt Capacity

Debt financing of \$1.5 million is requested in the 2024 budget, consistent with the 2023 budget forecast related to the new Central Works Operations Centre project.

Debt financing charges included in the 2024 operating budget of \$631,576 includes \$581,576 municipal debt financing charges and \$50,000 for estimated principal and interest payments on a land acquisition loan with the Hamilton Community Foundation (HCF).

The total long-term debt balance is currently \$4,887,991 including debt financing received in 2023. The debt capacity ratio estimated for 2024 of 3.5% is based on estimated own source revenues excluding Conservation Areas program revenue. CH has approved a debt capacity ratio of 10% in its Budget Principles.

Reserve Funding

The summary below provides the recommended transfers to and from reserves in the 2024 budget and the resulting projected reserve balances at December 31, 2024. A reserve continuity schedule with reserve balances to 2033 is also provided in the 2024 Budget & Business Plan.

Conservation Halton Reserves	Projected Reserves Balance Dec 31, 2023	Contribution from Surplus	State of Good Repair Levy	Contribution to Capital Projects	Contribution to Operating Expenses	Projected Reserves Balance Dec 31, 2024
Watershed Management & Support Services						
Vehicle and Equipment	\$ 557,273			\$ (224,921)		\$ 332,352
Building	832,504			(500,000)		332,504
Building - State of Good Repair	403,920		183,900	(222,000)		365,820
Watershed Management Capital - Municipal Funds and Self-Generated Funds	1,395,079		415,700	(310,500)		1,500,279
Watershed Management & Support Services Stabilization	1,057,212			(80,000)	(100,000)	877,212
Capital Projects - Debt Financing Charges	518,146					518,146
Digital Transformation	285,700			-		285,700
Legal - Planning & Watershed Management	841,995				(100,000)	741,995
Legal - Corporate	200,000					200,000
Water Festival	169,334				(13,600)	155,734
Land Securement	141,239					141,239
Property Management	1,012,642			(100,000)		912,642
Stewardship and Restoration	306,888				(56,500)	250,388
Conservation Lands – Parks & Recreation						
Capital	3,099,958	1,299,163		(2,270,306)		2,128,815
Stabilization	1,146,490					1,146,490
Total Reserves	\$ 11,968,380	\$ 1,299,163	\$ 599,600	\$ (3,707,727)	\$ (270,100)	\$ 9,889,316

Impact on Strategic Goals

This report supports the Momentum priority of Organizational Sustainability.

Financial Impact

CH staff have developed a fiscally conservative budget for 2024. The increase of 4.2% for base municipal funding including SOGR Levy and the additional \$149,000 benefit-based municipal funding that is proposed:

- Recognizes the fiscal pressures faced by CH's funding municipalities and, combined with CH's exceptional efficiencies, the total budgeted municipal funding increase is within the Halton Region guideline of 5.7%;

- Ensures the needs of the increasing number of visitors at our Conservation Areas are met; and
- Reflects program and service enhancements to address service delivery objectives outlined in CH's strategic plan, Momentum.

The proposed 2024 budget continues to provide for investments in programs to enhance service delivery, digital transformation initiatives, watershed planning work, greenspace and property management initiatives, floodplain mapping, flood forecasting, and improved user experiences at CH parks. Programs and services are funded in a manner utilizing sustainable, conservative revenue streams. Reserves are maintained at levels to ensure financial sustainability which support SOGR targets.

Signed & respectfully submitted:



Marnie Piggot
Director, Finance

Approved for circulation:



Hassaan Basit
President & CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT:

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Attachment: 2024 Budget & Business Plan