

## **City of North Bay**

### **Report to Council**

Report No: CORP-2025-022

Date: February 10, 2025

Originator: Laura Boissonneault

Business Unit: Corporate Services

Department: Financial Services Department

Subject: 2025 General Operating Budget

Closed Session: yes ☐ no ☒

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### **Recommendation**

1. That Council receive the City of North Bay's 2025 Administration Recommended Operating Budget as set out in Report to Council CORP 2025-022 dated February 10, 2025 from Laura Boissonneault.
2. That Report to Council CORP 2025-022 referred to a Special Committee Meeting to be held on March 3, 2025.

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### **Background**

A budget is an important pillar to the overall success and financial stability of a municipality and its services. The proposed operating budget details expenses and revenues, by Business Unit and department, necessary for maintaining existing services in the 2025 fiscal year. It serves as a vital tool for understanding the organization and supporting informed decision-making.

The City's Operating Budget process is based on a zero-based budgeting philosophy whereby all prior year budget amounts are set to zero and departments must review and justify the inclusion of cost estimates for the new budget year. Budget estimates are based on anticipated requirements, historical trends, market conditions and contractual agreements. Management also takes into consideration anticipated savings expected to be realized through various capital investments and other continuous improvement initiatives when developing revenue and expense estimates for the upcoming year.

The preparation of the annual budget includes the following steps:

- 1. Preparation** - The budget process begins with resetting all cost centers and departments to zero for the new year. Personnel costs are calculated based on individual positions and established contractual rates. Updates are made for annual benefit changes, legislated costs, utilities, insurance, interdepartmental activities, and relevant capital and reserve transfers. The preliminary budgets are then reviewed and adjusted at the departmental level to include specific goods, services, and additional revenue estimates.
- 2. Department Input** - Each department reviews their budgets and determines current needs based on historical trends and future requirements to maintain existing service levels. Budgets are then promoted to senior management for review and approval. Once reviewed by senior management, budgets are

promoted to Finance where individual budget line-item variances and overall budget changes are analyzed. The 'Preliminary Operating Budget' package is then prepared for internal roundtable review with the CAO.

**3. Internal Review** – Internal roundtable meetings are held to review the Preliminary Operating Budget with departmental management, the Chief Administrative Officer, the Chief Financial Officer, and Finance staff. Budgets are collectively analyzed by individual line items, amendments are made, and the updated 'Administration Recommended Operating Budget' package is forwarded to Council for consideration through Special Budget Committee Meetings.

**4. Council Approval** – Special Budget Committee meetings are held to review the Administration Recommended Operating Budget and to finalize the budget requirements for the upcoming year. The Special Committee Meetings are open to the public.

The City and the community continue to face financial pressures due to the current economic conditions. Increased budgets for Service Partners have elevated the strain on the municipal levy. The proposed 2025 Administration Recommended Operating Budget is attached to this report as Appendix A. City operations has resulted in an overall levy change of 1.74% and Service Partners 3.76%, to present a total levy increase of 5.50%.

The proposed budget includes a transfer from the Tax Stabilization Reserve to partially offset overall budget pressures and to support a lower levy for taxpayers. Modifying last year's phase-out plan, the enclosed budget includes a transfer from the Tax Stabilization Reserve, reflecting a reduction from the 2024 amount.

Managing the 2025 budget will require a strategic approach and continual review of services in order to mitigate any year-end variances. Ongoing practices such as continuous monitoring of expenses and revenues, maximizing efficiencies within existing services and processes, strategic scheduling of staff, and efforts to find new revenue sources will continue.

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## **Financial/Legal Implications**

The Operating Budget strives to balance various pressures the City must consider on an annual basis including legislated requirements, contracts, inflation, supply chain issues, capital investments, fuel, utilities, insurance, levy requirements of Service Partners, and requests for various service enhancements.

The tax levy increase included in the proposed 2025 Administration Recommended Operating Budget is 5.50% or \$6,050,862 (before Service Level Changes). Service Level Changes (SLCs) are attached at the end of the budget package for Council's consideration during the Special Committee Meetings.

The following is a breakdown of the Levy increase by operational category:

Levy Change by Expense/Revenue Type @ 5.50%		
<b>2024 Operating Levy</b>	<b>\$ 109,961,830</b>	
Personnel Costs	1,663,793	1.51%
Goods & Services	937,649	0.85%
Financial/Capital/Reserves/Internal Transfers	763,724	0.69%
Service Partners	4,137,417	3.76%
Ancillary Revenues (higher)	(1,451,721)	-1.32%
<b>Net Increase in Levy</b>	<b>\$ 6,050,862</b>	<b>5.50%</b>
<b>2025 Operating Levy</b>	<b>\$ 116,012,692</b>	

The following is a breakdown of the 2025 Levy increase over 2024, by City Business Unit:

Levy Change by Business Unit @ 5.50%		
Community Services	407,297	6.73%
Corporate Services	356,881	5.90%
General Government	613,330	10.14%
Infrastructure & Operations	535,937	8.86%
Service Partners	4,137,417	68.38%
<b>Net Increase in Levy</b>	<b>\$ 6,050,862</b>	<b>100%</b>

## Corporate Strategic Plan

- |   |   |
|---|---|
| <input type="checkbox"/> Natural North and Near                           | <input type="checkbox"/> Economic Prosperity                |
| <input checked="" type="checkbox"/> Affordable Balanced Growth            | <input checked="" type="checkbox"/> Spirited Safe Community |
| <input checked="" type="checkbox"/> Responsible and Responsive Government |   |

## Specific Objectives

- Provide smart, cost-effective services and programs to residents and businesses
- Ensure that Council and staff have a shared perception of goals
- Ensure the efficient and effective operations of the city, with particular consideration to the impact of decisions on the property tax rate
- Promote and encourage arts and culture as a cornerstone of a dynamic community

## Options Analysis

The 2025 Administration Recommended Operating Budget was prepared with the following guidelines:

**Service Delivery** - The Administration Recommended Operating Budget was prepared with management's projections and cost estimates to deliver existing service levels. Suggestions that provide Council with options to change the current level of service have been included in the Service Level Changes section at the end of the budget package.

**Expenditures** - Represent management's best estimates to deliver the current level of service. Management's estimates include:

- Annualized approved Council initiatives
- Inclusion of contractual agreements (waste collection, Para Bus, POA, etc.)
- Legislated changes (i.e. mandatory training, safety guidelines, legal costs, WSIB rates, etc.)

- Supply chain challenges
- Expected future operational requirements

**User Fees** – Updated By-laws were passed at the Regular Meeting of Council on January 31<sup>st</sup>, 2023, to establish user fees for the four-year term of Council. Annually, amendments are reviewed and approved prior to the annual budget process. User Fee By-law amendments for 2025 were passed on January 28<sup>th</sup>, 2025.

**Other Revenue Estimates** - These estimates are based on trends, historical data, current rates, approved rate increases, projections, and any known revenue reductions.

**Utility Costs** – Budget estimates take into consideration the prior year's data as well as projected demands and rates. Calculations include such items as the benefit of energy efficiencies gained through capital investments, process improvements and enhanced education programs to improve energy conservation. Utility budgets were set based on anticipated final 2024 usage and rates, plus an forecasted rate increase (Natural Gas, 2.5% (5-yr avg) and Hydro 3.3% (3-yr avg)).

**Fuel** – The fuel budget was set based on expected usage at an estimated weighted average rate of \$1.40 per litre (12-month average), plus an allowance for the carbon tax increase (April 2025) and the Ontario Fuel Tax reestablishment (June 2025), totaling approximately \$0.06 per litre. The estimated overall weighted average fuel rate totals \$1.46 per litre.

**Staff Complement** – All staffing costs and Full Time Equivalents (FTE), including positions grant funded or directly related to Capital, are reported in the personnel costs with any associated offsetting revenues being recorded accordingly. An FTE is used to measure a worker's involvement in the service and indicates the allocation of an employed person in a way that makes workloads comparable across various contexts. Therefore, an FTE of 1.0 means that the person is equal to a full-time worker, while an FTE of 0.5 signals that the worker is only allocated to the service half the time. Throughout the City's budget, one employee's time may be allocated to several services depending on the involvement.

**Personnel Costs** – Pressures include phase-in of annualized positions and anticipated contractual salary and benefits increases. As at the date of this report, the City is engaged in contractual negotiations and therefore an estimated allowance is included in the presented budget.

**Fringe Benefits** - Benefits include items such as Employment Insurance, Canada Pension Plan, WSIB, OMERS, EHT, LTD, Life, AD&D, dental and major medical. Effective November 1<sup>st</sup>, group benefit rates increased by 0.1%. The new rates have been reflected in the enclosed budget.

**Insurance** – At the time of establishing the 2025 budget, insurance costs are estimated to increase by 10% upon renewal. The City's insurance period is from May to April. Therefore, costs for the first 4 months of 2025 are known and the estimated increase is applicable to the remaining 8 months.

**Principal, Interest and Capital Levy** – The capital levy is the annual funding contribution from the City's operating budget used to finance projects within the General Capital Budget. According to the City's current Long-Term Capital Funding

Policy, the Capital Funding Allowance is to be annually increased by 1%. For the 2025 Budget, this would represent an increase of \$1,099,618. However, as a result of the recently published asset management plan, the Long-Term capital Funding Policy needs to be reviewed and thus the 1% annual increase is not included. In 2025 the policy will be reviewed, and recommendations will be brought forward to Council.

**Debenture Financing** – In accordance with the City’s Long-Term Capital Funding Policy, the annual funding allowance for the Capital Budget includes debt financing to support capital projects, with the associated principal and interest payments budgeted within the Operating Budget.

**Service Partners** - These budgets represent services that are funded by property taxes, in whole or in part, but are operated directly by various boards and agencies. Service Partners include North Bay Police Services, North Bay Public Library, Cassellholme, District of Nipissing Social Services Administration Board, MPAC, North Bay Parry Sound District Health Unit, the North Bay-Mattawa Conservation Authority, and the Capitol Centre.

In preparation for the internal roundtable review, Service Partners received communication from the City’s CFO/Treasurer requesting submissions outlining operating budget requirements for 2025. Further discussions were held with Service Partners, the Deputy Mayor, the CFO and the CAO. The enclosed budget includes board approved Service Partner’s budgets. Approximately 68% of the 2025 levy increase is directly related to funding provided to the various Service Partners.

**Risks** - As with any budget, there are risks associated with forecasting expenditures and revenues. No contingency allowance is included in the operating budget to provide funding for one-time expenditures that are not known or expected at the time the operating budget is approved by Council. The ability to react to unforeseen events that may occur during the year may place immediate financial pressure on the current budget or the City’s reserve balances.

**Reserves** - The establishment of reserves assists in stabilizing tax rates by offsetting the budget effects that would otherwise be one-time in nature, as well as those caused by uncontrollable events or activities that can be phased in.

As at the date of the report, December 31, 2024, balances in the associated reserves were estimated as follows:

- Tax Rate Stabilization Reserve (99529R): \$ 9,579,263
- Operating Budget Contingency Reserve (99557R): \$ 1,106,474

\* The above noted balances are presented before 2024 year-end entries and include authorized net transfers out of the reserve funds as at the date of this report. The above balance reflects approximately \$2.5 million net transfers contained within the 2025 Operating Budget and Proposed Service Level Changes.

The City of North Bay’s Reserve Policy forms a critical component of the municipality’s Long-Term Financial Plan. The reserves mentioned above are the primary reserves relating to the General Operating Budget. The Tax Stabilization Reserve balance is temporarily above the City’s targeted level of 5% to 10% of the total municipal tax levy being \$5.8 to \$11.6 million for 2025 (based on the presented municipal levy before the inclusion of service level changes). However, with the outstanding authorized transfers and the planned components within the 2025 Operating budget

the balance is projected to be within policy target limits. The Operating Budget Contingency Reserve is slightly below the City's targeted level of 1% of the 2025 gross operating budget, being approximately \$1.65 million.

**Next Steps** – The 2025 Administration Recommended Operating Budget is proposed to be referred to the Special Committee Meetings of Council scheduled to discuss the 2025 Operating and Capital Budgets. The first meeting is scheduled for March 3<sup>rd</sup>, 2025. Additional meetings are planned throughout March, with the budget expected to be approved by the Council at the Special Meeting of Council on March 31<sup>st</sup>, 2025.

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### **Recommended Option**

1. That Council receive the City of North Bay's 2025 Administration Recommended Operating Budget as set out in Report to Council CORP 2025-022 dated February 10, 2025 from Laura Boissonneault.
2. That Report to Council CORP 2025-022 be referred to a Special Committee Meeting to be held on March 3, 2025.

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Respectfully submitted,

Name: Laura Boissonneault, CPA, CGA

Title: Director, Financial Services / Deputy Treasurer

### **I concur with this report and recommendation,**

Name Shannon Saucier, CPA, CA

Title: Director, Strategic Initiatives

Name Peter E.G. Leckie, B.A. (Hons.), LL.B.

Title: City Solicitor

Name Alan Korell P.Eng.

Title: Interim City Engineer

Name Jason Whiteley

Title: Fire Chief

Name Ian Kilgour, MCIP, RPP

Title: Director, Community Services

Name Wanda Trottier, CHRL

Title: Director, Human Resources

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

Name John Severino, P.Eng., MBA

Title: Chief Administrative Officer

### **Personnel designated for continuance:**

Margaret Karpenko, CPA, CMA

Chief Financial Officer /Treasurer