

Staff Report

To: Board of Directors

From: Mark Critch, General Manager, Corporate and Financial Services/CFO

Date: December 20, 2024

Subject:

2025 Proposed Capital and Operating Budget

Recommendation:

That Staff Report No. 58-24-BOD regarding the 2025 Proposed Capital and Operating Budget be received; and

Further that the Board of Directors vote to approve the 2025 Proposed Capital and Operating Budget for use in consultation with the participating municipalities; and

Further that the 2025 Proposed Capital and Operating Budget be made available on the Conservation Authority's Governance webpage for the general public and participating municipalities to view in advance of the 2025 Budget vote planned for January 2025.

Purpose of this Staff Report:

The purpose of this Staff Report No. 58-24-BOD is to provide the 2025 Proposed Capital and Operating Budget for review as required by O.Reg.402/22: Budget and Apportionment (formerly O.Reg.139/96). This regulation requires that the accompanying proposed budget document be circulated to participating and specified municipalities 30 days prior to the final weighted vote scheduled for January 24, 2025. The 2025 Proposed Capital and Operating Budget was created using the Board-approved budget estimates/assumptions, and a copy of the proposed budget document is attached.

Background:

I. Budget Process for 2025

The 2025 Budget has followed the same process outlined below as previous years, except the Board approval timelines have moved forward by 2 months (from March/April to January). This is in response to requests from funding partners for earlier budget information to inform their budget processes, and it will enable staff to begin project work earlier in the current budget year.

- 1) Board of Directors approve the budget assumptions.
- 2) Staff review of Base Operating Budget for:
 - Efficiencies/Cost Savings
 - Additional funding sources
 - Changes to program expenditures/funding
- 3) Based on the Strategic Plan, the Executive Leadership Team will consider potential key areas of investment for 2025.
- 4) Work with municipal funding partners through communication of budget details and highlights, along with presentations to local Councils as required.

II. Assumptions

On May 24, 2024, the Board of Directors approved Staff Report No. 05-24-BOD regarding the 2025 budget assumptions. Staff proceeded to work within those assumptions to develop the 2025 Budget. The Board-approved budget assumptions used for 2025 are:

Assumption	Approved Guideline	Actual
Inflation	Up to 2.50%	When applicable
COLA	Up to 3.00%	3.00%
Strategic Initiatives	Up to 1.50%	0.00%
Asset Management Infrastructure Funding	0.50%	0.50%

The 2025 Budget does contain additional investments for 2025 Annual Priorities that align with the Strategic Plan, but the net increase is 0% (no additional municipal funding required) due to the use of rate stabilization reserves and other external funding.

III. Summary of Progress to Date

The 2025 preliminary budget submissions were provided to participating and specified municipalities on October 31, 2024. Each submission included information on the 2025 approved budget assumptions, a comparison document outlining the 2025 funding request to 2024, and confirmation that the final budget will be presented to the Board for final approval and voting on January 24, 2025.

At the request of our municipal funding partners, staff made budget presentations to senior staff or Councils at York Region, the Township of Oro-Medonte, the Town of New Tecumseth and the Town of Innisfil. At the January 24, 2025 Board of Directors' meeting, a recorded weighted vote would be the final step of the 2025 Budget process.

IV. Budget Highlights

Detailed information is provided in the attached 2025 Proposed (Capital and Operating) Budget book. Some highlights regarding the 2025 proposed budget are as follows:

	2024*	2025	Change
Operating	\$15.0M	\$15.8M	\$0.8M
Capital	\$12.1M	\$15.5M	\$3.4M
Total	\$27.1M	\$31.3M	\$4.2M

*Restated budget (Approved July 2024 through Staff Report No. 40-24-BOD)

Issues:

What's New for the 2025 Capital, Project and Operating Budget

Staff developed the 2025 Budget to address the draft 2025-2028 Strategic Plan priorities and 2025 Annual Priorities within the Board of Directors' guidelines to limit the increase in municipal funding categories to no more than 2%.

I. Categories for Municipal Funding

Municipal funding categories changed in 2024 due to changes to the *Conservation Authorities Act*. Accordingly, all expenditures that require funding from a municipality fall into the three categories below:

- 1) Category 1 Mandatory funding apportioned using Modified Current Value Assessment (MCVA), Category 1 Special Benefitting funding which uses benefit-based apportionment for Mandatory work specific to a participating municipality, and Category 1 *Lake Simcoe Protection Act*, referred to as LSPA (also Mandatory but unique to this Conservation Authority).
- 2) Category 2 (Municipal requested; not mandatory), and
- 3) Category 3 (Conservation Authority requested, beneficial to the watershed; not mandatory).

II. Continuing to Work with Funding Partners

The 2025 Budget was developed with the understanding of the fiscal challenges being faced by municipal funding partners. The alternate challenge to Conservation Authority staff in the development of the budget is the difficult economic climate facing all public sector organizations. The approved assumptions recognized that the Conservation Authority would need to adjust base costs as the funding increase would not cover inflation.

Ensuring each participating and specified municipality pays its fair share of the costs in the operating and capital and project budget is a legislative requirement and critical for the

financial sustainability of the Conservation Authority. In 2025, it is anticipated that all funding partners will pay their respective Conservation Authority budget request. A reminder that the City of Orillia is only legally obligated to pay the Lake Simcoe Protection Plan (LSPP) portion of the Conservation Authority funding request.

Relevance to Conservation Authority Policy:

The Conservation Authority is required to prepare annual budgets as part of its fiscal control and responsibilities. The operating and capital budget is used in the audit process for evaluation by the external auditing firm. Annual audits are required under Section 38 of the *Conservation Authorities Act*.

Impact on Conservation Authority Finances:

Total Expenditures

The total amount of expenditures for the 2025 proposed Capital and Operating Budget is \$31.3M, up \$4.2M from the restated 2024 Budget. The operating increase of \$0.8M is mainly being driven by the 3% increase in cost-of-living allowance for staff and consulting work related to municipal floodplain mapping projects and updates to Offsetting program strategies and Regulations and Stormwater Management guidelines. Capital and project spending has increased by \$3.4M, with work on the new Nature Centre at Scanlon Creek being the major driver of the increase in 2025. A summary of the 2025 capital and project investments of \$15.5M can be found on page 16 in the attached 2025 Proposed Budget document.

I. Opportunities for Efficiencies

Annually, staff review business operations and procurement looking for operational savings and efficiencies (both staff time and money). Here are some recent examples, with savings embedded in the 2025 Budget:

- New co-managed IT support provides the most cost-effective approach to protecting IT infrastructure;
- Continued benefit from the Procurement Audit that resulted in multi-year savings in waste management, telecom and a different payment provider;
- Additional procurement supports to leverage the new (2024) procurement software, ensuring improved consistency and increased efficiency in the procurement process; and
- Building on the switch of landlines to Teams phones in 2024, which will improve customer service and decrease the asset management costs associated with landline phones.

II. Salary/Wages

Wages and benefits continue to be the largest line item in the annual budget. Projected spending for 2025 is \$13.8M for all wages and benefits for full time, part-time and contract staff, an increase of \$0.4M (+3.1%) over 2024. This increase includes the Cost-of-Living Allowance (COLA) increase and step increases for eligible staff.

Staffing Summary:

	2024*	2025	Change
Full Time Equivalent (FTE)	109.6	109.6	0
Permanent Part Time (PPTE)	2	2	0

*Restated budget (Approved July 2024 through Staff Report No. 40-24-BOD)

The budget also includes 32 contracts for seasonal work and additional capacity needed for funded projects or programs.

Below is a historical summary of Increases to Cost-of-Living Allowance (COLA):

Year	COLA
2021	1.00%
2022	2.00%
2023	2.00%
2024	2.00%
Proposed 2025	3.00%

Working within the budget assumptions approved by the Board in May 2024, staff are recommending a 3% increase for staffing expenses, in line with local municipal and Conservation Authority partners increase for 2025.

Total Revenue

Total Revenue for the 2025 proposed Capital, Project and Operating Budget is \$31.3M, which is up (\$4.8M). This is mainly being driven by capital spending related to the construction of the new Nature Centre.

Revenue Category	2024* (000's)	2025 (000's)	+/- (000's)
Category 1 Funding (2.00%)	5,456	5,565	109
Category 1 Funding - Special Benefiting	-	200	200
Category 1 Lake Simcoe Protection Act Funding (2.00%)	2,865	2,921	56
Category 2 Funding (2.00%)	623	636	13
Category 3 Funding (2.00%)	354	361	7

Revenue Category	2024* (000's)	2025 (000's)	+/- (000's)
Provincial and Federal Funding	2,003	2,153	150
Deferred Funding and Municipal Agreements	2,977	1,381	(1,596)
Revenue Generated by Conservation Authority	12,190	18,037	5,848
Total	\$26,468	\$31,255	\$4,787

*Restated budget (Approved July 2024 through Staff Report No. 40-24-BOD)

I. Category 1 Mandatory Funding

The Conservation Authority's requested Category 1 funding in the amount of \$5,565K represents an increase of 2.00% over the restated 2024 Budget. The increase was used to cover Cost-of-Living-Adjustment for existing staff and inflation when applicable for program expenses. This is within the endorsed guidelines provided by the Board of Directors.

The Conservation Authority has also requested Category 1 Special Benefitting funding in the amount of \$200K from the Region of Durham. This represents the portion of the cost to update floodplain mapping work in portions of the Beaver River and Whites Creek watershed that fall within Durham Region.

II. Category 1 Lake Simcoe Protection Act Mandatory Funding

The 2025 proposed *Lake Simcoe Protection Act* funding increased by 2.0% to \$2,921K. This was within the Board-endorsed guideline of 2.0% above the restated funding from the 2024 Budget. The *Lake Simcoe Protection Act* apportionment uses a separate apportionment table provided by the Province.

III. Category 2 Work on behalf of the Municipality Funding

In 2025, funding provided to the Conservation Authority by the municipalities to complete work identified in Memorandums of Understanding is increasing by 2.0% over the restated 2024 Budget. This is in line with Board approved guidelines, along with expectations of municipal funding partners.

IV. Category 3 Funding requested by the Authority

The Education and Engagement program is essential to ensuring a long-term understanding and passion for Lake Simcoe. Based on the determination made by the Ministry of the Environment, Conservation and Parks, Education and Engagement programs would fall into Category 3 for municipal funding. For 2025, the budget contains a 2% increase in funding (over the restated 2024 Budget), which is within the Board-endorsed target.

V. Provincial and Federal Funding

The 2025 proposed budget for Provincial and Federal funding (new and deferred) is \$2,153K, which is up 7.5% from \$2,003K in 2024. This change in funding can be attributed primarily to funding opportunities that came forward in the Fall of 2024 and carry over through the end of 2025. Any in-year funding approved by the Provincial and Federal governments in early 2025 will be added to the budget through an in-year restatement. The 2025 Proposed Capital and Operating Budget includes a provision for Ministry of Natural Resources transfer payments in the amount of \$68,371, which has remained the same for the last three years. This \$68,371 represents the only annual Provincial funding for operating expenses.

VI. Deferred Funding and Municipal Agreements

There is reduced use of deferred funding in 2025, partly due to the completion of some large projects that were utilizing deferred funding in 2024, such as the Scanlon Restoration project, the Beaverton Low Impact Development (LID) project, other restoration and floodplain mapping projects. Looking forward, the Conservation Authority will be minimizing the use of deferred revenue as the transition to mandatory program funding instead of special capital funding occurred.

VII. Revenue Generated by the Conservation Authority

The 2025 proposed budget for Revenue Generated by the Conservation Authority is \$18.1M, up 48.0% from \$12.2M in 2024. The significant increase in revenue is due to the funding through the Foundation for the construction of the new Nature Centre. Total Foundation support at the time of the budget is \$8,321K, including support of the Nature Centre, Education programming, Climate Change studies, forestry, and restoration work. Additional funds from the Foundation will become available throughout the year, at which time a second round of requests will take place. Education programming fees also contribute to the increase in Conservation Authority revenue, seeing an increase of \$85K over 2024.

Staff continue to monitor investment of idle cash, looking to receive the highest rate of return to offset rising project costs. In 2024, staff recognized the changing interest rate environment and entered into three longer term interest agreements with fixed rate returns of between 4.6% to 5.0%. For 2025 and beyond, this will provide higher than market interest returns that will go directly into reserves for future use.

The 2025 Budget for Planning and Development fees was developed using the same fee schedule as was used in 2024, due to the Provincial decision to freeze fee schedules across the province. Volume numbers have been adjusted to reflect all current information and take into account a full year with the *Bill 23* changes.

Summary of 2025 Municipal Funding

The 2025 Budget is supported by \$9,483K in funding from municipal funding partners.

	2024* (000's)	2025** (000's)	Change (000's)
Region of York	\$6,071	\$6,184	\$113
Region of Durham	520	530	10
Municipality of Bradford-West Gwillimbury	464	474	10
City of Barrie	1,475	1,506	31
Town of Innisfil	408	421	13
Town New Tecumseth	46	46	1
Township of Oro Medonte	95	98	3
Township of Ramara	80	82	2
City of Kawartha Lakes	62	63	1
City of Orillia*	76	78	2
Total	\$9,297	\$9,483	\$186

*2024 Budget includes Board approved restatements for comparison purposes, for in-year funding and changes related to LSP allocation adjustments.

**Excludes \$200K for Category 1 Special Benefit funding from Durham Region for Floodplain Mapping

Reserve Draws

The 2025 proposed Annual Budget includes a net draw of \$20K from reserves.

Reserves	Opening Balance (Estimate)	2025 Contribution	2025 Draws	Projected Ending Balance
Rate Stabilization	\$3,967	818	(639)	\$4,146
Asset Management	2,376	304	(344)	2,336
Working Capital	306	-	(292)	14
Restricted	1,709	133	-	1,842
Total	\$8,358	\$1,255	(\$1,275)	\$8,338

The current reserve adequacy for the budget is in line with the Conservation Authority's targets for 2025. A more thorough review of reserves will be done at year end and will be reported back to the Board of Directors in the 4th Quarter Financial Report.

Summary and Recommendations:

The 2025 Proposed Capital and Operating Budget of \$31.3M can be summarized into the following key highlights:

- Budget in line with Board approved budget assumptions
- Preliminary Budget was circulated in October but there is a legislated requirement to circulate a more detailed draft budget 30 days in advance of a vote.
- Construction of the new Nature Centre will commence in 2025.
- Reserve adequacy is at or above Board endorsed staff targets.
- The 2025 Budget is balancing the need of investing in staff, research and assets, while meeting the budget targets provided by funding partners.

It is therefore **Recommended That** Staff Report No. 58-24-BOD regarding the 2025 Proposed Capital and Operating Budget be received; and **Further that** the Board of Directors vote to approve the 2025 Proposed Capital and Operating Budget for use in consultation with the participating municipalities; and **Further that** the 2025 Proposed Capital and Operating Budget be made available on the Conservation Authority's Governance webpage for the general public and participating municipalities to view in advance of the 2025 Budget vote planned for January 2025.

Pre-Submission Review:

This Staff Report has been reviewed by the Executive Leadership Team, including the General Manager, Corporate and Financial Services/CFO and the Chief Administrative Officer.

Signed by:

Signed by:

Mark Critch
General Manager, Corporate and Financial
Services, CFO

Rob Baldwin
Chief Administrative Officer

Attachments:

1. 2025 Proposed Budget

Draft 2025 Budget

Board of Directors

December 20, 2024

Mark Critch, CPA, CMA,

GM, Corporate and Fin. Services/CFO



Lake Simcoe Region
conservation authority



Member of Conservation Ontario

Presentation Outline

1. What's New for the 2025 budget?
2. 2025 Budget Assumptions Re-visited
3. 2025 Annual Priorities
4. 2025 Budget
5. Overview of Reserves
6. Looking ahead to 2026
7. Budget Story



What's New for the 2025 Budget?

1. Our timelines have shifted forward, from March/April approval to January
2. Fee Freeze, imposed by the Province of Ontario, continues into 2025
3. Construction of the New Nature Centre at Scanlon Creek to start in early 2025, with expected completion by March 2026



2025 Annual Priorities

1. Commence construction of the new Nature Centre at Scanlon Creek
2. Advance work on Lake Simcoe Conservation Preserve *
3. Continue critical lake ecology research
4. Develop an Indigenous relations framework *
5. Multi-year Talent Management Strategy

* Indicates direct 2025 investment (from reserves)

2025 Annual Priorities

6. Corporate Re-branding *
7. Flood Forecasting, Warning & Low Water program audit
8. Conservation Authority Advocacy *
9. Finalize Watershed Indicators
10. Digital Strategy – Internal Business Portal *

* Indicates direct 2025 investment (from reserves)



Proposed 2025 Budget

Guidelines – Approved by the Board of Directors in May 2024

	Guideline	Draft Budget
Inflation	Up to 2.50%	When applicable
COLA	Up to 3.00%	3.00%
Growth/Strategic Initiatives	Up to 1.50%	0.00%
Category 1, 2 and 3 funding	2.00%	2.00%
Asset Management Infrastructure Levy	0.50%	0.50%

Operating and Capital Budget

Budget	2024 Approved*	2025 Draft Budget	Change
Operating	\$15.0M	\$15.8M	\$0.8M
Capital	<u>12.1M</u>	<u>15.5M</u>	<u>3.4M</u>
Total	\$27.1M	\$31.3M	\$4.2M

*Restated 2024 Budget(approved July 2024 through Staff Report No. 40-24-BOD)

Expenditures By Service Areas

Service Area	2024 Budget*	2025 Budget	+/-
Corporate	\$2.7M	\$3.1M	\$0.4M
Ecological Management	1.9M	2.0M	0.1M
Education & Engagement	0.8M	0.9M	0.1M
Greenspace Services	1.1M	1.1M	0.0M
Planning & Development Services	4.8M	5.0M	0.2M
Water Risk Management	2.4M	2.6M	0.2M
Watershed Studies & Strategies	1.2M	1.1M	(0.1M)
Capital	<u>12.1M</u>	<u>15.5M</u>	<u>3.4M</u>
Total Expenditures	\$27.1M	\$31.3M	\$4.2M

*Restated 2024 Budget (approved July 2024 through Staff Report No. 40-24-BOD)

Summary of Revenues

Revenue Category	Restated 2024*	Draft 2025 Budget	+/-
Category 1 Levy Funding (2.00%)	\$5.5M	\$5.6M	\$0.1M
Category 1 Funding – Special Benefiting	0.0M	0.2M	0.2M
Category 1 Lake Simcoe Protection Plan (2.00%)	2.9M	2.9M	0.1M
Category 2 Funding (2.00%)	0.6M	0.6M	0.0M
Category 3 Funding (2.00%)	0.4M	0.4M	0.0M
Provincial and Federal Funding	2.0M	2.2M	0.2M
Deferred Funding & Municipal Agreements	3.0M	1.4M	(1.6M)
Revenue Generated by Authority	<u>12.2M</u>	<u>18.0M</u>	<u>5.8M</u>
TOTAL	\$26.5M	\$31.3M	\$4.8M

*Restated 2024 Budget (approved July 2024 through Staff Report No. 40-24-BOD)

2025 Municipal Funding – Increasing 2.0%

In 000s	2024 Approved (restated)*	2025 Draft Budget	Increase/ (Decrease)
Region of York	6,071	6,184	113
Region of Durham**	520	530	10
Town of Bradford-West Gwillimbury	464	474	10
City of Barrie	1,475	1,506	31
Town of Innisfil	408	421	13
Town of New Tecumseth	46	46	1
Township of Oro-Medonte	95	98	3
Township of Ramara	80	82	2
City of Kawartha Lakes	62	63	1
City of Orillia***	76	78	2
Total	9,297	9,483	186
			2.00%

* 2024 Budget includes all Board approved restatements for in-year funding and changes related to LSPP allocation adjustments

** Excludes \$200K for Category 1 Special Benefit funding from Durham Region for Floodplain Mapping

*** City of Orillia’s funding obligation is only for the LSPP portion of the budget

2025 Operating Budget Highlights

1. There are no new FTE's being added in 2025
2. Cost of Living increase for 2025 is established at 3%, in line with local municipalities and conservation authorities
3. Updates to floodplain mapping for Beaver River and Whites Creek watershed is being funded through Special Benefiting funding from the Region of Durham
4. Efficiencies found in the 2025 Budget:
 - a) Co-managed IT support for Network Security
 - b) Multi year savings from external Procurement Audit
 - c) Switch of landline phones to Teams phones



2025 Budget: Reserve Activity

	2025 Opening Balance*	2025 Transfers	2025 Draws	Projected Ending Balance
Rate Stabilization	\$3,967	\$818	(\$639)	\$4,146
Asset Management	2,376	304	(344)	2,336
Working Capital	306	-	(292)	14
Restricted	<u>1,709</u>	<u>133</u>	-	<u>1,842</u>
Total Reserves	\$8,358	\$1,255	(\$1,275)	\$8,338

*Estimated Opening Balance for January 1, 2025



2025 Capital and Projects Budget

Projects	Amount in 000s
Offsetting (Water Balance, Ecological and Phosphorous)	\$3,935
Simcoe Hydrology and Coefficient Monitoring	661
Restoration	440
Other Projects	370
Climate Change Studies	310
Stormwater Management Inspection and Maintenance	299
Landcover Update	209
Watershed Plan Modernization	169
	\$6,393
Capital Purchases and Projects	Amount in 000s
Scanlon Creek Nature Centre	\$8,125
Asset Management: Infrastructure and Building	660
Asset Management: Machinery and Equipment	149
Lake Simcoe Preserve	165
	\$9,099
Total Capital and Projects	\$15,492

Looking Ahead to 2026: Areas for Improvement

1. Looking to establish multiyear budget assumptions to better inform our municipal funding partners
2. Need to begin internal budget discussions earlier to provide better context to budget assumptions related to the new Nature Centre
3. Budget Companion document is under development with release expected later in Q1 2025
4. Opportunity to engage earlier with finance leads at funding municipalities, increasing two-way communication and improving transparency



2025 Budget Story

1. Draft budget will be available for 30 days following Board approval, adhering to all legislative requirements
2. 2025 Budget is within all Board approved assumptions
3. Upon request, staff have presented to Councils'/senior staff at 4 municipalities. At/near all budget targets.
4. New Nature Centre construction begins in January, no municipal funding used for the capital portion
5. 2025 Operating and Capital Budget is prudent and practical; balancing additional investments in our staff, our assets, our research and our annual priorities



Questions?