



To: Mayor Burrow and Members of Council
From: Christine Martin, Director of Finance

Subject: Budget 2025 – MPI Municipal Price Index

RECOMMENDATION

THAT Report F-24-13 be received for Council's consideration.
And THAT Council direct Staff and Committees to draft 2025 budgets so that the total Operations levy increase does not exceed 2.5% and the Capital does not exceed the approved 1.5% levy increase over the previous year's budget.

BACKGROUND

Staff will be preparing for 2025 Budget deliberations. This preparation will be based on existing service levels. In order to assist them in completing their estimates, Council is being asked to provide direction with regard to proposed increases to the 2025 estimates. To this end, the Township's Municipal Price Index (A-1) has been calculated.

The MPI (Municipal Price Index) is a customized inflationary index, not unlike CPI but is specific to the Municipal sector. It is comprised of variables that represent Elizabethtown-Kitley's basket of goods. The 2 variables in the MPI calculation are (1) the weightings of the expenditure categories and (2) the inflation factor used for each component. The 2024 MPI indicates that the 2025 Levy will need to increase by approximately 6%. This figure should be considered for guideline purposes only as the indicators and data used to compile the index are what we know as of October 1, 2024. The budget will be examined in more detail in the coming weeks.

- Consumer Price Index (CPI) increase for November is used to estimate many of the year over year increases, especially in relation to salaries and wages. This year the Ontario CPI is estimated to increase by about 2%.

Staff is looking for guidance from Council to provide the maximum percentage increase over the 2024 levy which could be considered. This will allow staff to work toward a targeted and fair budget. Details of any deviation from the percentage set would be presented with justification and explanation through budget discussions the attached document is simply a guideline for Staff and Council expectations.

DISCUSSION/OPTIONS

Some key areas of the budget include:

- The 2025 Ontario Provincial Police billing is estimated to total \$1,729,536. The annual billing statement was received October 4, 2024 indicating a \$218,367 increase over 2023 plus and additional \$114,835 for 2023 reconciliation. This is a total of \$333,202 increase from the previous year and equates to a 4.33% direct hit to the levy. Initially, the MPI I was only going to increase the amount for the 2024 increase as I intended to propose that the 2023 reconciliation be covered through reserves. We have received new information that the Province may potentially be in discussions to help with this extreme fluctuation so I have removed the OPP costing from the calculations for now as it would tip the MPI to an increase of over 6% to the 2025 budget.
- Capital Contribution – an increase of 1.5% over the 2024 Levy will be added per the approval of the 2022 Asset Management Plan. This will result in additional Capital spending of approximately \$ 115,311 in 2025.
- Estimated Insurance costs have been factored with 6% increase based on discussions with the Township Insurance Broker.
- Discussions with contractors providing the larger public works materials indicate potentially a 5% increase for 2025 but Staff are preparing to do RFT's to see if we can do better.
- CPI is trending downward but so are interest rates. I have included a 1.5% COLA for staff, estimating that is what it will be in November.
- Interest rates being reduced a few times this year it has not only impacted our bottom line for 2024 but also plays into the estimates for 2025.
- Most other categories I have applied a general 2% increase based on the average CPI over 2024.

FINANCIAL IMPLICATIONS

Staff will strive to present a 1st draft of a budget for 2024 based not higher than 4% and address the OPP billing issue when we have more information.

LINK TO STRATEGIC PLAN

We will strive to be fiscally sustainable through prudent and future focused financial management

OTHERS CONSULTED

- Statistics Canada
- Deloitte Canada
- Department Heads