



## Staff Memo

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**Report To:** South Huron Council

**From:** **Rebekah Msuya-Collison, Chief Administrative Officer and Julia Warwick, Director of Financial Services/Treasurer**

**Date:** December 11, 2023

**Subject:** Follow-up from November 27, 2023 Budget meeting

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### **Recommendation:**

That South Huron Council receives the memo of Rebekah Msuya-Collison, CAO and Julia Warwick, Director of Financial Services/Treasurer re: Follow-up from November 27, 2023 Budget meeting for information.

### **Purpose:**

As requested by Council at the November 27, 2023 Budget meeting.

1. To provide Council with information on past five years cost of living adjustment (COLA), bench marking data, dollar amounts of 3% and 2% COLA (including Council) and the number of those in the grid that will not be moving on the grid.
2. To provide Council with information on the OPP Stabilization reserve and change to the levy with \$50,000 used from the reserve towards OPP costs.
3. To provide Council with information on the Working Fund reserve and impact to levy with use of the funds to offset the general tax levy.

### **1. Wages Information**

The chart below summarizes five years' COLA information.

Budget Year	Stats Can CPI Index*	South Huron COLA
2023	6.7%	0%
2022	4.4%	4.4%
2021	0.5%	0.5%
2020	1.9%	1.9%
2019	2.2%	2.2%

\*Source:

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000413&pickMembers%5B0%5D=1.14&cubeTimeFrame.startMonth=09&cubeTimeFrame.startYear=2023&referencePeriods=20230901%2C20230901>; 2020 and 2021 utilized Canada CPI instead of Ontario CPI

The benchmarking information comprises data received from municipalities including Bruce County, Huron County, Lambton County, Lambton Shores, Middlesex Centre, North Middlesex, St. Mary's Stratford, Strathroy-Caradoc, and London. The data includes the average prospective COLA increases for 2024 that are not yet approved. Note: some municipalities have different COLA increases across the distinct employee groupings due to union agreements.

- Management Non-Unionized – Average: 2.58% (3 municipalities responded)
- Inside Workers (Unionized and Non-Unionized) – Average: 2.85% (2 municipalities responded)
- Outside Workers (Unionized and Non-Unionized) – Average: 2.45% (3 municipalities responded)

COLA	2024 Budget Impact	2024 Levy Impact	2024 Council Wages Impact
2.0%	104,510	78,501	3,675
3.0%	156,766	117,751	5,513
3.6%	188,119	141,302	6,616

There will be an estimated 65 full-time individuals that do not move on the grid in 2024.

As noted in the memo provided to council on November 27, 2023, a portion of the 3% change in the base wages budget line relates to the 2023 in-year increase from the **draft** grid (used for budget purposes) to the **approved** 2023 grid. If no other changes were made in 2024 to base wages (i.e., no FTE changes, no step movements, etc.) other than to update the budget to reflect the approved 2023 grid, this would equate to an approximate

\$98,000 increase in the base wages budget (a 1.9% change year over year). The remainder of the 3% change year over year is primarily related to step movements through the grid.

## 2. OPP Stabilization Reserve

This reserve provides funding to minimize the impact of contract renewal costs. Established from previous year credit. It has a recommended minimum level of funding at 1% the general levy.

Using the 2023 general levy, 1% equates to approximately \$103,908. The reserve has had a balance of \$303,839 since December 31, 2018. The last time the contract costs increased was in 2021.

Council requested staff to provide information on utilizing \$50,000 from the reserve to put towards OPP costs in 2024.

**Assuming all else remains unchanged**, should Council choose to put \$50,000 towards the OPP contract costs the impact on the tax rates would be as follows:

	Rural (Ward 1 & 3)	Urban (Ward 2)
Current Tax Rate Increase Proposed	4.14%	2.12%
Tax Rate Increase if Utilize \$50K from OPP Reserve	3.79%	1.48%

Note that due to policing costs being split 45/55 between rural and urban wards per the amalgamation order, the impact of pulling from this reserve would have a proportionately greater impact on the urban tax rate than the rural one (i.e., the urban tax rate would decrease by more than the rural tax rate).

The impact of 2024 OPP contract renewal is a *decrease* of \$84,305 on the levy. Therefore, staff do not recommend pulling from the reserve this year as this would be contrary to the intended use of the reserve as established in the reserve policy.

## 3. Working Fund Reserve

This reserve provides funding to offset extraordinary and unforeseen expenditure requirements, one-time expenditures, and shortfalls to minimize fluctuations on the general tax levy and to manage cash flows. It has a

recommended minimum level of funding at 75% of the amount of the current year's taxes receivable.

Using the projected 2023 average for current year's taxes receivable, 75% equates to approximately \$3,225,074. The reserve has an estimated balance of \$3,870,768 for December 31, 2023 using 2023 budget figures.

For council consideration in discussion of the Working Fund Reserve balance, note that investment income earned to date in 2023 has been significantly higher than budgeted. Staff estimate a budget variance of approximately \$628,000 related to levy investment income.

Options for Council consideration for use of Working Fund Reserve to offset one-time expenditures and/or minimize fluctuations on the general tax levy include:

- One-time initiatives in the operating budget as identified within the Budget Impacts and Priorities sheet
- Capital projects currently proposed to be funded via the Tax Levy as identified in the 10-year capital forecast
- Expenses related to the referred resolutions for discussion per the December 11, 2023 budget meeting agenda

***Assuming all else remains unchanged,*** utilizing \$114,000 from the working fund reserve to fund items already included in the proposed 2024 budget would result in an estimated tax rate increase of 3.00% for rural wards and 1.15% for urban wards.

Staff caution Council on the utilization of the Working Fund Reserve as this represents a non-sustainable source of annual funding and therefore is not recommended for use on a routine basis to reduce the annual tax rate. Staff do not recommend utilizing projected 2023 surplus funds as final figures are unknown at this time and committing those funds would mean they are not available to offset extraordinary and unforeseen expenditure requirements.