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# The Regional Municipality of Durham Report

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To: Finance and Administration Committee  
From: Commissioner of Finance  
Report: #2023-F-22  
Date: September 12, 2023

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**Subject:**

2024 Regional Business Plans and Property Tax Supported Budget Guideline

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**Recommendations:**

That the Finance and Administration Committee recommends to Regional Council that:

- A) The following detailed direction and guidelines for the 2024 Business Plans and Budget for Regional Departments, Conservation Authorities and other Outside Agencies (excluding Durham Regional Police Services Board) be approved:
- i. The 2024 Property Tax Guideline not exceed an overall property tax impact of 7.25 per cent compared to the 2023 approved budget including 0.50 per cent dedicated to fund anticipated property tax impacts resulting from Provincial Bill 23, *More Homes Built Faster Act, 2022*, and the guideline increases for Conservation Authorities as detailed in recommendation A (ii)
  - ii. The 2023 Operating Budget for each Conservation Authority not exceed an increase of 2.5 per cent, plus or minus any current value assessment adjustments, and the 2024 Special Benefitting Programs Budget for each Conservation Authority not exceed an increase of 1.5 per cent, plus or minus any current value assessment adjustments, compared to the 2023 approved budget
- B) The following detailed direction and guideline for the 2024 Business Plans and Budget for the Durham Regional Police Services Board be approved:
- i. The 2024 Business Plans and Budget for the Durham Regional Police Services Board not exceed \$267.966 million, an increase of 8.26 per cent compared to the 2023 approved budget for the Durham Regional Police Service, which translates to an overall budgetary property tax impact of 2.50 per cent
- C) The requested funding by Oak Valley Hospital for the Uxbridge Hospital redevelopment, under the Region's Community Investment Grant Program, be approved up to a maximum of \$10.0 million subject to the execution of a funding agreement with terms satisfactory to the Commissioner of Finance that include milestone payments and performance deliverables;

- D) The requested funding by Lakeridge Health for the Bowmanville Hospital Expansion, under the Region's Community Investment Grant Program, be approved up to a maximum of \$37.5 million subject to the execution of a funding agreement with terms satisfactory to the Commissioner of Finance that include milestone payments and performance deliverables;
- E) A moratorium be placed on the acceptance of any funding submissions/requests under the Region's Community Investment Grant Program until the current Council approved funding commitments have been fully funded from within the current annual funding envelope - which is to be 2026 at the earliest, and further that staff be directed to review the Region's Community Investment Grant policy and bring forward recommended changes for Council's consideration that reflect the service delivery challenges facing the Region and the alignment of provincial and municipal funding;
- F) The February 2024 Finance and Administration Committee meeting be moved from February 13, 2024 to February 21, 2024 and the preliminary timetable for the 2024 Regional Business Plans and Budget be approved as outlined in Attachment #1 to this report, which includes the following key dates:
- i. December 20, 2023 – final Regional Council approval of the 2024 Water Supply and Sanitary Sewerage Business Plans and Budget;
  - ii. February 21, 2024 – Finance and Administration Committee consideration of the staff report recommending adoption of the proposed 2024 Property Tax Supported Business Plans and Budget;
  - iii. February 28, 2024 – final Regional Council approval of the entirety of the 2024 Property Tax Supported Business Plans and Budget; and
- G) Copies of this report be forwarded to the Durham Regional Police Services Board, Durham Region Transit Commission, Conservation Authorities, Durham Regional Local Housing Corporation, and other Outside Agencies to guide the development of detailed 2024 Business Plans and Budget.
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## **Report:**

### **1. Overview**

- 1.1 This report provides an overview of the current economic factors impacting the Region's 2024 property tax supported Business Plans and Budget as well as the Regional priorities and initiatives for both 2024 and the four-year forecast period (2025 to 2028). This report also identifies pressures and risks facing the Region that need to be considered in establishing the 2024 Regional Business Plans and Budget guidelines including provincial funding impacts on the 2024 budget; approved 10 year financial plans for transit and paramedic services; decisions approved in year; and approved or anticipated legislative and regulatory changes impacting the Region's programs and services.
- 1.2 This report also outlines the proposed timetable and public engagement strategy for the 2024 Business Plans and Budget.

## 2. Purpose and Use of the Recommended Guideline

- 2.1 The overall 2024 property tax guideline provides a capped tax impact for the 2024 Regional Property Tax Supported Business Plans and Budget. This guideline is an overall impact which is then allocated across all departments, Durham Region Transit (DRT), 9-1-1 Emergency Service System, Durham OneNet Inc., Conservation Authorities and Durham Regional Local Housing Corporation (DRLHC). Durham Regional Police Service has a separately identified property tax guideline for Council consideration.
- 2.2 The establishment of specific property tax guidelines at this time provides direction and assists staff with finalizing the 2024 budget submission for presentation to Regional Council in February 2024.
- 2.3 Regional staff will continue to review priorities and pressures with a goal of delivering the annual Property Tax Supported Business Plans and Budget within the guideline. However, the Region is faced with a constantly changing external environment that continues to affect our service delivery.

## 3. 2024 Property Tax Guideline Overview

- 3.1 Through this report, staff are seeking Regional Council approval for a 2024 Regional property tax guideline impact for Regional Departments, Conservation Authorities and other Outside Agencies (excluding Durham Regional Police Service) not to exceed 7.25 per cent compared to the 2023 approved budget (after net weighted assessment growth). This includes 0.5 per cent dedicated to fund anticipated property tax impacts resulting from provincial Bill 23, *More Homes, Built Faster Act, 2022* and related legislation and the following specific guidelines for Conservation Authorities:
  - The 2024 Operating Budget for each Conservation Authority not exceed an increase of 2.5 per cent compared to the 2023 approved budget plus or minus any current value assessment adjustments, and
  - The 2024 Special Benefiting Programs Budget for each Conservation Authority not exceed an increase of 1.5 per cent compared to the 2023 approved budget, plus or minus any current value assessment adjustments.
- 3.2 In addition to the 7.25 per cent increase noted above, staff are seeking Regional Council approval for a 2024 property tax guideline impact of 2.50 per cent dedicated for the Durham Regional Police Service to fund base pressures (estimated by Durham Regional Police Service at \$15.16 million) and other strategic priorities of the Durham Regional Police Services Board (estimated at \$5.27 million). This translates to an overall increase of 8.25 per cent on the Durham Regional Police Service budget compared to their 2023 approved budget.

- 3.3 The overall Regional property tax guideline impact of 9.75 per cent (after net weighted assessment growth) including 0.50 per cent dedicated to fund anticipated property tax impacts resulting from provincial Bill 23, *More Homes, Built Faster Act, 2022* and the 2.50 per cent for the Durham Regional Police Services Board will result in an annual budgetary increase of approximately \$301 for an average residential property owner in Durham Region with an estimated 2024 current value assessment of \$483,100.
- 3.4 Based on current 2023 assessment growth and through discussions with the Municipal Property Assessment Corporation (MPAC), net weighted assessment growth is estimated at approximately 2.2 per cent (excluding net assessment growth in Seaton and Cherrywood). This is fairly consistent with the net weighted assessment growth of 2.1 per cent (excluding net assessment growth in Seaton) realized for the 2023 Budget. The current 2023 net weighted assessment growth estimate for 2024 taxation is only a preliminary estimate and should be used with caution as the actual assessment growth could vary either higher or lower than this estimate.
- 3.5 Setting the recommended guideline was achieved in consultation with the CAO, Regional departments, and Durham Region Transit and through detailed review of 2024 to 2028 operating pressures and 2024 to 2033 capital priorities. In addition, this guideline contemplates changes in the local and broader economic, political and social environments and associated risks and uncertainties facing the Region in the delivery of its programs and services. The Durham Regional Police Service guideline balances the current budget request of the Durham Regional Police Service staff and the Board's Finance Committee, which is being submitted to the Durham Regional Police Services Board for deliberation at their September 19, 2023 meeting, with the significant pressures being felt across all essential services provided by the Region.
- 3.6 The development of the recommended guideline incorporates the sustainable use of Development Charges, Canada Community-Building Funds (formally the Federal Gas Tax Fund), Provincial Gas Tax Funds and the Region's reserves and reserve funds to fund one-time operating and capital investments. Strategically optimizing the use of reserves and reserve funds in this way is effective in offsetting or mitigating tax levy increases without automatically shifting the tax levy increase to the next budget year. As staff continue to develop the 2024 Business Plans and Budget submissions, all additional opportunities to sustainably use the Region's reserves and reserve funds will be pursued. The optimized usage of reserves, reserve funds and debt financing will be critical to achieve the recommended property tax guideline.
- 3.7 The 2024 Regional Business Plans and Budget, which includes a nine-year capital forecast, will provide additional details on the utilization of alternative revenue sources including reserves and reserve funds for operating and capital expenditures as well as debenture financing, where appropriate, for significant priority capital projects that are planned for 2024 and the nine-year forecast. It is worth noting that the Region is entering into a period with a series of significant investments in major projects for which the Region has been accumulating funding over the last number of years. In addition, as a result of these significant capital projects, the Region is also entering into a period of significant increases in

the usage of debt to partially or fully fund a number of these significant projects resulting in debt repayment impacts over the forecast period.

- 3.8 To achieve the guideline recommended in this report Regional departments, boards, commissions and outside agencies will continue to review their operating and capital business plans and budgets for efficiencies, prioritizing and pursuing the necessary adjustments to balance competing priorities, capital requirements and operating pressures. The same will be required of the Durham Regional Police Service to achieve the recommended guideline.

#### **4. Projected 2024 Base Pressures and Non-Discretionary Items**

- 4.1 Preliminary 2024 budget analysis indicates several base pressures and non-discretionary items that are required to continue to deliver the Region's existing programs and services including:
- The annualization of 2023 budget decisions and adjustments for one-time items included in the 2023 budget;
  - Contractual and inflationary increases;
  - Economic increases (salary/benefit contracts); and
  - Items that have received in-year approval by Regional Council during 2023.
- 4.2 Base pressures for 2024, currently estimated at \$34.6 million are much more significant than in prior years due in large part to a number of items that have received in-year approval by Regional Council during 2023 and significant inflationary pressures experienced in 2023 and projected for 2024. In July, the Bank of Canada projected inflation to stay around 3 per cent for next year, returning to the 2 per cent target by the middle of 2025. However, the Region is experiencing significantly more than this currently, particularly for capital projects.
- 4.3 Escalating prices directly impact Regional expenditures, including material inputs and services utilized for Regional service delivery. Projected gasoline pricing and national energy pricing are easing providing some relief to these operating components of the budget.
- 4.4 With the economy continuing to respond to supply shortages, tight labour markets, rising wages and resulting inflation this places additional pressure on the Region's budget and increases financial risks. These financial pressures are being particularly felt on the Region's capital program.
- 4.5 Staff continue to review these base budget pressures as well as explore all opportunities for efficiencies and line by line savings to help mitigate the impacts of these base pressures and to achieve the recommended 2024 property tax guideline.

## **5. Strategic Investment in Core Service Areas – Durham Region Transit and Region of Durham Paramedic Services**

- 5.1 As part of the 2023 business planning and budget process, staff presented the 2023 – 2032 Region of Durham Paramedic Services Service and Financing Strategy ([Report 2023-COW-7](#)) and the Durham Region Transit's Service and Financing Strategy (2023 – 2032) ([Report 2023-F-5](#)) to Committee and Council in February 2023.
- 5.2 These reports outlined a 10-year strategy, beginning in 2023, for increased annual investment in these two critical front line core service areas to address current and forecast growth, modernization and service pressures.
- 5.3 To meet the current and projected service pressures to Region of Durham Paramedic Services and the priorities for service delivery and electrification for Durham Region Transit, significant priority funding increases approved through these 10 year plans are included in the 2024 guideline. This represents an incremental dedicated 0.53 per cent property tax levy increase for Region of Durham Paramedic Services and a 2.0 per cent property tax levy increase for Durham Region Transit.

## **6. Strategic Investment in Core Service Areas – Works Department**

- 6.1 The Works Department is supporting unprecedented projected housing growth requiring critical Regional services (roads, water/sewer, waste management, and facilities infrastructure). The volume of work to provide servicing and services to these projected developments exceeds that which can be provided with current staffing resources. The Region is committed to ensuring we optimize our staffing resources and deliverables. We are doing this by identifying efficiencies and modernizations—not only in our work processes but also in how we organize our work and ourselves. As a result, an assessment of the resources and organizational structure of the Works Department, undertaken by an external consultant, is underway at the time of writing this report.
- 6.2 This external consulting team will review the current staff complement of the Works Department, with a focus on determining how many staff are needed to meet the increasing demands of the department projected for the next five to 10 years. In addition, the consulting team will review the organizational structure to ensure it positions the Department to handle new and emerging projects to support current and future residents.

6.3 There have been significant implications for the Works Department resulting from provincial changes announced through Bill 23 and related legislation and the development of lands removed from the Greenbelt (most notable the Cherrywood lands). There has been dialogue about municipalities being 'made whole' and/or the developer(s) funding the Regional costs associated with the development of the lands removed from the Greenbelt. Council has provided instructions to the CAO with respect to any discussions with the Greenbelt developers to ensure the principle of 'at no cost' to existing residents and ratepayers. At the time of writing this report, there is some positive dialogue underway with respect to funding additional staffing resources. Depending upon what occurs between now and final budget deliberations, there may be significant additional impacts from the capital perspective not noted in this report as it is premature to ascertain the outcome at this point. This issue is most challenging from the water and sewer user rate perspective.

## 7. Strategic Investment in Core Service Areas – Housing and Homelessness

7.1 During 2023, Council has received various reports outlining the significant and complex challenges facing many Durham residents who are homeless or at risk of becoming homeless. The following is a list of the projected increased investment for the housing and homelessness support programs impacting the 2024 budget. Some of these items have been approved in-year and others are under development:

- Approval of 10 new outreach workers to provide supports to those in need of housing and other life stabilization supports – estimated 2024 impact of \$1.22 million ([Report 2023-COW-19 as amended](#));
- Pending the review of the outcomes from a pilot, an additional two new outreach workers to support DRT operations – estimated 2024 impact of \$0.24 million ([Report 2023-DRT-16](#));
- Establish a Housing Redevelopment Office – estimated 2024 impact of \$0.59 million ([Report 2023-COW-28](#));
- Estimated annualization for the operating expenses for the Beaverton Supportive Housing facility which is nearing completion with occupancy anticipated shortly – estimated 2024 impact of \$2.45 million;
- Estimated operating costs for 1635 Dundas Street East – 2024 impact is under development and will be informed by the ongoing consultation, services provided, and the number of residents supported (Confidential Report 2023-COW-31);
- DRLHC redevelopment and the development of the former Ritson School site – consultation is underway and will help inform the estimated 2024 impact; and
- Additional funding for the Region's At Home in Durham program – 2024 impact under review ([Report 2023-COW-13](#)).

## 8. Bill 23 – *More Homes, Built Faster Act, 2022 and Related Legislation*

- 8.1 Report [2022-COW-33](#) provided Regional Council with an overview of Bill 23, the *More Homes, Built Faster Act, 2022* and summarized the anticipated impacts of Bill 23 and related legislation to the Region, the Region of Durham taxpayers and water and sanitary sewer ratepayers. [Report 2023-F-13](#), Final Recommendations Regarding the New Regional Development Charges By-law, provided additional updates to the financial impacts.
- 8.2 Bill 23 and related legislation will have significant impacts on the Region's ability to coordinate and finance capital infrastructure investments for growth. Under this legislation, municipalities are required to phase-in new development charge rates, allow developers to 'lock-in' their development charge rates at time of development application (i.e., "rate freezing"), and provide development charge exemptions and discounts to select development categories. The implication is a smaller share of the Region's growth capital costs will be recoverable from development charges as the Region is required, under provincial legislation, to fund the impact of these provisions from non-development charge sources.
- 8.3 A partial and preliminary estimate of the non-development charge funding that will be required to compensate for the phase-in of the new development charge rates, rate freezing, rental discount provisions and mandatory exemptions for non-profit housing and secondary units is estimated at \$881.5 million by 2033. Of this, a projected \$360.0 million is for property tax supported services with the balance of \$521.5 million for water supply and sanitary sewerage user rate funded services. These estimates are based on the provincial growth targets and development of lands removed from the Greenbelt. The estimates do not include the impact of exemptions for affordable housing and attainable housing (which is yet to be defined) nor do they include financial impacts at the local area municipal level. Non-residential development levels above those forecasted as part of the Region's development charge background studies that may occur due to the removal of lands from the Greenbelt would also imply further impacts.
- 8.4 While the Region will continue to advocate for provincial funding to adequately mitigate the negative financial impact to property taxpayers and user ratepayers of the *More Homes, Built Faster Act, 2022*, and related legislation it is prudent to begin to set funds aside to address the significant financial impacts resulting from Bill 23. There are also significant resource requirements in the early years to implement the level of growth directed by the Province to achieve the home construction targets. It is therefore recommended that a minimum tax levy increase of 0.50 per cent (\$4.09 million) be dedicated to fund anticipated property tax impacts resulting from provincial Bill 23, *More Homes, Built Faster Act, 2022* and related legislation.
- 8.5 Additional modelling is currently underway to determine specific impacts on capital financing and timing of projects as a result of the reduced Development Charges receipts in 2023 and 2024 due to phase-in, freezing, exemptions and discounts. These are very significant in the next five years due to the phase-in impact of the new Development Charge bylaw. It is quite possible that greater than 0.50 per cent will be required to be set aside in a Bill 23 capital funding reserve fund to finance the shortfalls as each capital project approaches



commencement of work.

## **9. 2024 Strategic Investment Pressures**

- 9.1 In addition to addressing the non-discretionary pressures and strategic investment requirements in critical core service areas, the guideline provides for strategic investments to support other key priorities identified in the Region's Strategic Plan while balancing the need for taxpayer affordability and competitive property taxes.
- 9.2 Following sound business planning and budget practices, departments have identified strategic investments that are aligned with and support the following five goals of the Region's Strategic Plan:
- Environmental Sustainability;
  - Community Vitality;
  - Economic Prosperity;
  - Social Investment; and
  - Service Excellence.
- 9.3 Many of these initiatives are multi-year initiatives and will also have impacts on the 2025 budget and beyond. Given the base budget pressures (identified in Section 4) and the strategic investment in core service areas and financial pressures (identified in Sections 5 through 8), not all of the identified strategic investments can be accommodated within the recommended 2024 guideline. Significant prioritization and refinement of these strategic initiatives including the use of reserves, reserve funds and debenture financing is required to achieve the guideline recommended in this report.

## **10. Durham Regional Police Service**

- 10.1 On July 18, 2023, Durham Regional Police Service provided a presentation on their 2024 draft budget to the Durham Regional Police Services Board Finance Committee and intend to present the detailed 2024 budget to the full Durham Regional Police Services Board on September 19, 2023.
- 10.2 As part of the presentation to the Police Services Board, staff identified total 2024 budget pressures of \$23.11 million (9.3 per cent). This included Durham Regional Police Service defined base pressures of \$15.16 million and new investments for strategic priorities of \$7.94 million. This is subject to potential change for their final submission to the Police Services Board.
- 10.3 The following are the base pressures for 2024 that Durham Regional Police Service staff identified totaling \$15.16 million, an increase of 6.13 per cent over the 2023 approved Police Service Budget. Regional staff continue to work with Durham Regional Police Service staff to find creative solutions to reduce these operating pressures without impacting service levels:

- Contractual increases (4.7 per cent increase) – this includes negotiated salary and benefits and new premium pay for front line response positions to be phased in over 2023 and 2024 and annualization of full-time positions approved in the 2023 budget and other payroll related items (e.g., provisions for post employment benefits and WSIB costs).
  - Infrastructure (1.0 per cent increase).
  - Operating and reserve increases (0.9 per cent increase) – this includes inflationary pressures, increased contribution to the helicopter reserve and increased contribution for general facility repairs and renovations.
  - Increases in revenues and recoveries (0.5 per cent decrease) – this includes an increase in the Community Safety and Policing Grant, a projected decrease in the Court Security and Prisoner Transport Grant, and various other revenue increases for pay duty, Youth in Policing and records searches.
- 10.4 In addition, Durham Regional Police Service staff identified the following requests for increased investments in various strategic initiatives totaling \$7.94 million (3.21 per cent) which include a total of 76 new positions:
- 20 new front line officers to address growth in the Region, changes in front line workload, call response models and processes;
  - 34 uniform members in Serious and Organized Crimes, Patrol Support and Operational Support; and
  - 22 civilian positions in Serious and Organized Crimes, Operational Support and Administrative Support.
- 10.5 Durham Regional Police Service also presented a 10 year capital forecast totalling \$333.04 million for 2024-2033. The capital forecast for Durham Regional Police Service facilities will be considered as part of the Region's capital budget and forecast process.
- 10.6 Staff are recommending a 2024 guideline for the Durham Regional Police Services Board not to exceed \$267.966 million, an increase of 8.26 per cent (\$20.434 million) compared to the approved 2023 Durham Regional Police Services Board Budget or a 2.50 per cent overall increase to the Regional property tax levy. As noted above, increased investment in police services is needed to address service requirements and needs to be balanced with the service delivery and critical priority needs of Region of Durham Paramedic Services, Durham Region Transit, Regional housing and homelessness supports and Provincial Bill 23 impacts.
- 10.7 Durham Region staff will continue to work with the staff of the Durham Regional Police Service to finalize their 2024 Business Plans and Budget submission in accordance with Council's guideline.

## 11. Provincial/Federal Funding Impacts

11.1 In 2023, the Region budgeted to receive approximately 25.8 per cent of its annual property tax supported service revenue from provincial subsidies and grants.

11.2 While the Province has provided 2023 funding letters for a number of Regional program areas, there is still significant uncertainty and associated risk related to provincial funding levels for 2024. The following is a summary of the known and estimated impacts to the 2024 budget resulting from adjustments in provincial funding and changes in provincial funding formulas:

- Paramedic Services – The 2023 Regional Business Plans and Budget assumed 2023 provincial funding of paramedic services would be 2.5 per cent higher than the provincial funding provided in 2022. On August 31, 2023, the Province confirmed 2023 funding of \$30,768,370, \$760,709 higher than the 2023 budgeted funding. While the 2024 funding has not yet been confirmed, for purposes of guideline, staff are projecting the 2024 provincial funding to be higher than the actual 2023 provincial funding, reflecting the increased expenditures contemplated in the 2023 -2032 Region of Durham Paramedic Services Service and Financing Strategy.

In addition, Paramedic Services has received confirmation from the Ministry of Long-term Care on continued provincial funding to March 31, 2026 for the Region's Community Paramedicine Program. The Region is awaiting confirmation on the specific amount of funding for 2024 from the Ministry of Long-term Care as well as confirmation from the Ministry of Health on whether they will continue to provide funding in 2024 to the Region for Community Paramedicine.

- Public Health – The Province previously announced changes to the cost sharing arrangement with municipalities for mandatory programs. For 2020, the provincial funding of mandatory programs decreased from 75 per cent to 70 per cent while the funding of 100 per cent provincial funded programs dropped to 70 per cent provincial funding (with the exception of the Ontario Seniors Dental Care program, which the Province has committed to continue to fund at 100 per cent). The impact of this funding change was a reduction of approximately \$45,600 for Durham Region. In 2020, 2021 and 2022 the Province provided one-time funding so municipalities were not negatively impacted by this change. In August 2023, the Province announced that they will permanently restore annual base funding for public health to the level previously provided under the 75 per cent provincial funding model. In addition, the Province committed to provide a one per cent funding increase for public health each year for the next three years.

On August 29, 2023, the Province confirmed the 2023 provincial funding for mandatory programs of \$30,845,450 (including \$45,600 in one-time cost mitigation funding), \$183,607 lower than the 2023 budgeted funding. The Province also confirmed the 2023 provincial funding for the Ontario Seniors Dental Care program of \$2,058,975, \$155,100 lower than the 2023 budgeted funding. While the 2024 funding for both mandatory programs and the Ontario Seniors Dental Care program have yet to be confirmed,

the Region will need to adjust for this lower base funding. To date, the Province has not confirmed whether 2024 funding for public health costs for COVID response will be provided beyond December 2023. Should funding not be provided this will place additional financial pressure on public health departments as they continue to incur costs associated with delivering COVID vaccines and increased COVID related inspections.

- Childcare – In December 2022, the Province provided information on the increases in funding under the Canada-Wide Early Learning and Child Care program. Staff continue with the phased implementation of the CWELCC program.
- Social Assistance – The Province has announced further modernization efforts significantly impacting the Region's Social Assistance program in 2023 and beyond that were reported to Council through confidential report 2022-COW-29. The Province announced on March 9, 2023 that the Region of Durham, in conjunction with the Durham Workforce Authority and Durham College have now been appointed as system managers for the new employment services system. This program is anticipated to be net neutral to the 2024 budget, but the former system, no longer funded by the Province (subsidy reduction of \$4.54 million), will need to be reconfigured.
- Homelessness Supports – In 2023 the Region received \$5.0 million in federal funding under the Reaching Home Program and \$16.9 million in provincial funding under the Homelessness Prevention Program to support residents experiencing or at risk of homelessness. This is \$6.8 million higher than what was included in the 2023 budget. The Region is projected in 2024 to receive \$5.0 million in federal funding under the Reaching Home program and \$18.7 million in provincial funding under the Homelessness Prevention Program.
- Long-Term Care – On August 27, 2021, the Ministry of Long-Term Care announced a multi-year plan to increase level of care base funding starting April 1, 2021. Staff continue to incorporate this funding in the annual budgets to address resident care.
- Police – On August 10, 2020, the Province announced a review of their Court Security and Prisoner Transportation Program. The Region's current funding agreement, which expires on December 31, 2023, provided \$3,914,797 in 2023 funding, \$569,253 lower than the amount budgeted for in 2023. It is unclear at this time what impact this review may have on 2024 and future funding.

Durham Regional Police Service has received confirmation of an increase of approximately \$43,321 in 2024 under the Community Safety and Policing grant program.

- Ukrainian and Asylum Seekers Humanitarian Response in Durham – Regional staff, in collaboration with GTHA regions, agreed to a collective and coordinated response to provide supports to Ukrainian newcomers. This has been extended to address current significant issues to support asylum seekers homeless and without independent financial means. Staff have worked with partners to secure temporary accommodations for newcomers and explore other potential housing benefits as well as working with the Community Development Council of Durham (CDCD) to deliver supports. To date the Region has allocated approximately \$3.9 million to support newcomers. The Region continues to advocate for funding from the provincial and federal governments for the Region’s costs in supporting newcomers.
- 11.3 Regional staff continue to advocate for sustained provincial funding and will work with the Province to understand any further financial impacts on the 2024 Business Plans and Budget and beyond. It has been emphasized recently at AMO and is noted in the concurrent report to Finance and Administration Committee (Report 2023-F-21) that the funding model and/or service delivery model between the Province, Federal Government and local governments needs to be reconsidered as the current model is unsustainable from a local taxpayer perspective.

## 12. Impacts of Legislative and Regulatory Changes

- 12.1 The Region delivers several programs and services that are legislated or regulated by the provincial government and, to a lesser extent, the federal government. Legislative and regulatory changes often have a direct financial impact to the Region in delivering these valued and critical programs and services. The following is a list of current or potential legislative and regulatory changes that may have fiscal impacts for the Region.
- On June 14, 2021, the Ministry of the Solicitor General released five draft Regulations under the *Community Safety and Policing Act, 2019* for comment. It is expected that there will be upwards of 80 Regulations in support of this legislation. The initial five draft Regulations cover investigations, active attacker incidents, alternative provision of policing functions, the Ontario Police Arbitration and Adjudication Commission and codes of conduct for police officers, municipal police services board members and members of the Ontario Provincial Police Governance Advisory Council. The Durham Regional Police Service and the Durham Regional Police Services Board have provided comments on these draft regulations and are reviewing potential fiscal impacts to Durham Regional Police Service. Durham Regional Police Service will be providing a summary of legislative areas of concern and opportunity, to the Police Services Board and to Regional Council to consider advocacy measures.
  - In October 2021 and April 2022 the Province released Phase 1 and Phase 2 regulations and policy under the *Conservation Authorities Act*. These new regulations outline:
    - mandatory programs and services to be delivered by conservation authorities,

- the need for agreements between participating municipalities and conservation authorities to fund non-mandatory programs and services through a municipal levy,
- the requirement of conservation authorities to establish a community advisory board,
- the budget process for conservation authorities,
- the municipal apportionment methods for levying participating municipalities,
- various user fee requirements, and
- information requirements for conservation authorities.

Negotiations between the Region and the five conservation authorities on the Memorandum of Understanding are ongoing and will be subject to a separate report later in 2023. In the interim, staff are proposing that the 2024 budget guidelines for conservation authorities remain consistent with past trends for increases in the short term.

### **13. Funding Requests under the Durham Region Community Investment Grant Policy**

- 13.1 In October 2019, Regional Council approved the Durham Region Community Investment Grant Policy. Under this policy, local healthcare and post secondary education institutions can apply for funding to assist with the community fundraising requirements for capital infrastructure projects in the Region.
- 13.2 There are two funding requests currently referred to staff under this program, namely:
- Oak Valley Health - Uxbridge Hospital redevelopment project; and
  - Lakeridge Health - Bowmanville Hospital redevelopment project.
- 13.3 To support the funding requests received under the Community Investment Grant Policy, the Region's annual business plans and budget includes an annual contribution to this program. As part of the approved 2023 Business Plans and Budget, Region Council has maintained annual property tax funding of \$6.22 million for this program.
- 13.4 In order to address the two outstanding delegation requests, it is recommended that:
- The requested funding by Oak Valley Hospital, under the Region's Community Investment Grant Policy, for the Uxbridge Hospital redevelopment project be approved at a maximum of \$10.0 million subject to the execution of a funding agreement with terms satisfactory to the Commissioner of Finance that include milestone payments and performance deliverables; and

- The requested funding by Lakeridge Health, under the Region's Community Investment Grant Policy, for the Bowmanville Hospital redevelopment project be approved at a maximum of \$37.5 million subject to the execution of a funding agreement with terms satisfactory to the Commissioner of Finance that include milestone payments and performance deliverables.
- 13.5 There are two additional factors currently impacting the Region's Community Investment Grant Program that require additional consideration. First, similar to the Region's experience with large facility builds and redevelopment projects, a number of organizations qualifying under the Region's Community Investment Grant Program have experienced significant cost increases from the initial estimates provided to the Region and tender pricing received for these projects. Second, the Region is facing significant cost pressures and is challenged to meet its own essential service delivery obligations as evidenced by this report. It is therefore recommended that a moratorium be placed on the acceptance of any funding submissions/requests under the Region's Community Investment Grant program until the current Council approved funding commitments have been fully funded from within the current annual funding envelop which is anticipated to be 2026 at the earliest.
- 13.6 This proposed moratorium is not intended in any way to minimize the importance of the healthcare and post-secondary institutions and their crucial impact on the Region. However, the Region's commitment to address services pressures in critical core services areas including Durham Regional Police Service, Region of Durham Paramedic Services, Durham Region Transit, and housing and homelessness supports require the Region's primary focus in the coming few years. The ongoing tax levy support to the program of \$6.22 million is not proposed to change at this time.
- 13.7 Staff will be working on an update to the Community Investment Grant policy that reflects the service delivery challenges facing the Region and the alignment of provincial and municipal funding for Council's consideration in advance of when the program resumes.
- 14. Summary of 2024 Property Tax Guideline**
- 14.1 The following tables provides a summary of the estimated impact of the various pressures comprising the 2024 Regional Property Tax Guideline as outlined in Sections 4 through 13 of this report.

- 14.2 The amounts reflected below are subject to change based on the results of the review of the Works Department, modelling of Bill 23 impacts, outcome of Greenbelt discussions, and updates from refinement and finalization of budget submissions.

Item	Estimated 2024 Levy Impact	
	\$ (millions)	%
Durham Region Transit	16.347	2.00
Region of Durham Paramedic Services	4.332	0.53
Conservation Authorities	0.186	0.02
<i>Bill 23 – More Homes, Built Faster Act, 2022 provision</i>	4.087	0.50
Department Increases (Base Pressures)	34.559	4.23
Department Increases (Strategic Priorities)	17.728	2.17
Assessment Growth		(2.20)
<b>Net 2024 Property Tax Levy Impact for Regional Departments, Conservation Authorities, and other Outside Agencies (excluding Durham Regional Police Services Board)</b>	<b>77.239</b>	<b>7.25</b>

Item	Estimated 2024 Levy Impact	
	\$ (millions)	%
<b>Net 2024 Property Tax Levy Impact for Durham Regional Police Services Board</b>	<b>20.434</b>	<b>2.5</b>

<b>Total Net 2024 Property Levy Impact</b>	<b>97.673</b>	<b>9.75</b>
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## 15. 2025 – 2028 Forecast Highlights

- 15.1 Many of the 2024 strategic investment pressures are multi-year initiatives and will continue throughout the 2025 to 2028 forecast period. These forecasted priorities will be reviewed and realigned throughout 2024 to reflect the updated Regional Strategic Plan currently under development.
- 15.2 Based on current modeling, the Region anticipates annual property tax increases for 2025 to 2028 to be consistent with the 2023 and 2024 property tax guideline ranges. This is driven in part by ongoing funding increases for Region of Durham Paramedic Services and Durham Region Transit to meet service level needs, operating costs for the new Seaton Long-Term Care Home, costs to address needed housing and homelessness supports, increased debt repayment obligations for new facilities as well as costs to accommodate growth. Staff continue to explore alternative funding strategies including advocating for and leveraging provincial and federal funding, use of reserves, reserves funds and debenture financing as well as identifying efficiencies to reduce future property tax impacts.



## **16. 2024 Regional Business Plans and Budget Timetable**

- 16.1 The Region's business planning and budget process includes strategic planning, risk assessment, economic and financial forecasting, property tax guidelines, detailed business plans and budgets, and performance measurement. Fiscal accountability is strengthened by the multi-year planning of expenditures, financing and risk mitigation that are imbedded in the Region's Business Planning and Budget process and highlighted each year by the Region's bond raters.
- 16.2 The key dates for the 2024 Regional Business Plans and Budget timetable are outlined below and are further detailed in Attachment #1:
- Water and Sanitary Sewer User Rates
    - Finance and Administration Committee – December 12, 2023
    - Regional Council – December 20, 2023
  - Water Supply and Sanitary Sewerage Business Plans and Budgets
    - Works Committee – December 6, 2023
    - Finance and Administration Committee – December 12, 2023
    - Regional Council – December 20, 2023
  - Property Tax Supported Business Plans and Budget
    - Standing Committees – week of February 5, 2024
    - Finance and Administration Committee – February 21, 2024
    - Regional Council – February 28, 2024
  - Property Tax Strategy
    - Finance and Administration Committee – February 21, 2024
    - Regional Council – February 28, 2024
- 16.3 The 2024 proposed timetable establishes February 28, 2024 as the target date for Regional Council approval of all 2024 Property Tax Supported Business Plans and Budget.

## **17. Public Engagement Strategy for the 2024 Business Plans and Budget**

- 17.1 Transparency and education are key components of building successful public engagement on the Region's business plans and budgets with residents, businesses and stakeholders.
- 17.2 The Region remains focused on modernizing our public engagement initiatives by evaluating different standards, compiling best practices, measuring outcomes and incorporating expertise from experts.

- 17.3 The public engagement approaches for the 2024 Business Plans and Budget will continue to engage with more residents and businesses in new and different ways to encourage their feedback and will include:
- Exploring additional opportunities to engage with residents throughout the annual Business Planning and Budget process (including sharing information on engagement opportunities through various community and stakeholder events);
  - Updating the Region's Business Plans and Budget online presence, informed by data and lessons learned, to allow residents to ask questions and provide comments online in a convenient and intuitive manner;
  - Hosting a Virtual Town Hall on Thursday October 12, 2024 where residents can join over the phone, online and in-person to provide input and feedback on key priorities, ask questions about the Region's Business Plans and Budget, and learn more about the Region's programs and services;
  - Updating the award-winning Value Stories videos which highlight the details of the Region's Budget and the value these investments have on residents and businesses;
  - Updating the Budget Infographic to provide a visual summary of the service metrics and investments included in the approved budget;
  - Providing ongoing social media engagement throughout the annual business planning and budget process to support a wider understanding of the process and seek engagement throughout the process to inform budget development; and
  - Providing traditional engagement initiatives consistent with prior year activities including the utilization of print media.

## 18. Next Steps

- 18.1 In the next phase of the business planning and budget process, all program areas will review their operating and capital plans to achieve the recommended property tax guideline including:
- Refining budget estimates and priorities;
  - Exploring alternative funding strategies including the sustainable use of reserves and reserve funds, development charges, provincial and federal gas tax and debenture financing;
  - Working with the provincial and federal government to understand 2024 funding impacts;
  - Reviewing the Region's weighted 2023 net assessment growth; and
  - Carefully reviewing and prioritizing 2024 staffing requests, budget pressures and priorities and looking for efficiencies and opportunities to minimize the 2024 budget impact.

- 18.2 Staff will also closely monitor any Provincial activity relating to an update to the reassessment cycle and report accordingly.

## 19. Conclusion

- 19.1 The 2024 property tax guideline impact for Regional departments, Durham Region Transit Commission, DRLHC and funded Outside Agencies (excluding Durham Regional Police Service) is recommended to not exceed 7.25 per cent (after net weighted assessment growth). This includes 0.5 per cent dedicated to fund anticipated property tax impacts resulting from provincial Bill 23, *More Homes, Built Faster Act, 2022*.
- 19.2 In addition, staff are seeking Regional Council approval for a 2024 property tax guideline impact of 2.50 per cent dedicated to the Durham Regional Police Services Board. This represents a 2024 Durham Regional Police Service budget of \$267.966 million, an increase of 8.26 per cent compared to the 2023 approved Durham Region Police Service budget and will accommodate base pressures (estimated at \$15.16 million by Durham Regional Police Service) and other strategic priorities of the Durham Regional Police Services Board (\$5.27 million).
- 19.3 The combined impact of both guidelines is an overall Regional property tax guideline impact of 9.75 per cent. This translates to an annual budgetary increase of approximately \$301 for an average residential home in Durham Region with an estimated 2024 current value assessment of \$483,100.
- 19.4 Regional departments, boards, commissions and outside agencies will continue to review their operating and capital business plans and budgets looking for efficiencies, prioritizing and making the necessary adjustments to balance competing priorities, capital requirements, and operating pressures to achieve Regional Council's approved property tax guideline. Durham Regional Police Services Board will also be requested to review their 2024 budget to align it with the 2024 guideline approved by Regional Council. It is important to note that work is still needed to achieve the recommended property tax guideline and, as such, not all requests identified in this report may be able to be accommodated within the 2024 Business Plans and Budget and may require consideration in future years.
- 19.5 The detailed 2024 Property Tax Supported Business Plans and Budget are scheduled to be presented to the appropriate Standing Committee or Transit Executive Committee during the week of February 5, 2024, Finance and Administration Committee on February 21, 2024, and Regional Council on February 28, 2024.

**20. Attachments**

20.1 Attachment #1: Preliminary Timetable for the 2024 Regional Business Plans and Budget

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA  
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair  
Chief Administrative Officer

**PRELIMINARY TIMETABLE FOR THE 2024 REGIONAL BUSINESS PLANS AND BUDGETS**

**A) 2024 PROPERTY TAX GUIDELINE**

<b>Item</b>	<b>Description</b>	<b>Standing Committee</b>	<b>Regional Council</b>
1.	Review and Approval of the: <ul style="list-style-type: none"> <li>• 2024 Regional Business Plans and Property Tax Supported Budget Guideline</li> </ul>	Finance and Administration Committee – September 12, 2023	September 27, 2023

**B) SUPPORTING BUSINESS PLANNING REPORTS**

<b>Item</b>	<b>Description</b>	<b>Standing Committee(s)</b>	<b>Regional Council</b>
1.	Review and Approval of the: <ul style="list-style-type: none"> <li>• 2024 Water and Sanitary Sewer User Rates</li> </ul>	Finance and Administration Committee – December 12, 2023	December 20, 2023
2.	Review and Approval of the: <ul style="list-style-type: none"> <li>• 2024 Strategic Property Tax Study</li> </ul>	Finance and Administration Committee – February 21, 2024	February 28, 2024
3.	Review and Approval of the: <ul style="list-style-type: none"> <li>• 2024 Property Tax Rates</li> </ul>		February 28, 2024

**PRELIMINARY TIMETABLE FOR THE 2024 REGIONAL BUSINESS PLANS AND BUDGETS**

**C) 2024 DETAILED BUSINESS PLANS AND BUDGETS**

<b>Item</b>	<b>Description</b>	<b>Standing Committee(s)</b>	<b>Regional Council</b>
1.	Review and Approval of the: <ul style="list-style-type: none"> <li>2024 Detailed Water and Sanitary Sewer Business Plans and Budgets</li> </ul>	Works Committee – December 6, 2023 Finance and Administration Committee – December 12, 2023	December 20, 2023
2.	Review and Approval of the: <ul style="list-style-type: none"> <li>2024 9-1-1 Emergency Service System Business Plans and Budget</li> </ul>	9-1-1 Management Board November 28, 2023	
3.	Review and Approval of the: <ul style="list-style-type: none"> <li>2024 Durham OneNet Inc. Business Plans and Budget</li> </ul>	Durham OneNet Inc. Board – January/February 2024 (tentative)	
4.	Review and Approval of the: <ul style="list-style-type: none"> <li>2024 Durham Regional Local Housing Corporation (DRLHC) Business Plans and Budget</li> </ul>	DRLHC Board – January 17, 2024 (tentative)	
5.	Review and Approval of the: <ul style="list-style-type: none"> <li>2024 Planning and Economic Development Business Plans and Budgets</li> </ul>	Planning and Economic Development Committee – February 6, 2024	
6.	Review and Approval of the: <ul style="list-style-type: none"> <li>2024 Works General Tax and Solid Waste Management Business Plans and Budgets</li> </ul>	Works Committee – February 7, 2024	
7.	Review and Approval of the: <ul style="list-style-type: none"> <li>2024 Durham Region Transit Business Plans and Budget</li> </ul>	Transit Executive Committee – February 7, 2024	
8.	Review and Approval of the: <ul style="list-style-type: none"> <li>2024 Health and Social Services Business Plans and Budgets</li> </ul>	Health and Social Services Committee – February 8, 2024	

**PRELIMINARY TIMETABLE FOR THE 2024 REGIONAL BUSINESS PLANS AND BUDGETS**

<b>Item</b>	<b>Description</b>	<b>Standing Committee(s)</b>	<b>Regional Council</b>
9.	Review and approval of the: <ul style="list-style-type: none"> <li>• 2024 Departmental Business Plans and Budgets</li> <li>• 2024 Durham Region Transit Business Plans and Budget</li> <li>• 2024 Durham Regional Police Service Business Plans and Budget</li> <li>• 2024 Conservation Authorities Business Plans and Budgets</li> <li>• 2024 9-1-1 Emergency Service System Business Plans and Budget</li> <li>• 2024 Durham OneNet Inc. Business Plans and Budget</li> <li>• 2024 Durham Regional Local Housing Corporation (DRLHC) Business Plans and Budget</li> </ul>	Finance and Administration Committee – February 21, 2024	February 28, 2024