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The Regional Municipality of Durham Report

To: Special Committee of the Whole
From: Commissioner of Finance/Treasurer and the Chief Administrative Officer
Report: #2024-COW-39
Date: September 12, 2024

Subject:

2025 Regional Business Plans and Property Tax Supported Budget Guideline

Recommendations:

That the Committee of the Whole recommends to Regional Council that:

- A) The following detailed direction and guideline for the 2025 Business Plans and Budget for Regional Departments, Durham Region Transit Commission, Durham Regional Local Housing Corporation be approved:
 - i. The 2025 Property Tax Business Plans and Budget for Regional Departments, Durham Region Transit Commission, and Durham Regional Local Housing Corporation not exceed \$658.776 million, an increase of 5.96 per cent compared to the 2024 approved budget for Regional Departments, Durham Region Transit Commission, and Durham Regional Local Housing Corporation, which translates to an overall property tax impact of 2.72 per cent for 2025 after assessment growth;
- B) The following detailed direction and guideline for the 2025 Business Plans and Budget for the Durham Regional Police Services Board be approved:
 - i. The 2025 Business Plans and Budget for the Durham Regional Police Services Board not exceed \$292.753 million, an increase of 9.25 per cent compared to the 2024 approved budget for the Durham Regional Police Service, which translates to an overall property tax impact of 2.16 per cent for 2025 after assessment growth;
- C) The following detailed direction and guideline for the 2025 Business Plans and Budget for each Conservation Authority be approved:
 - i. The 2025 Business Plans and Budget for each Conservation Authority not exceed an increase of 2.5 per cent, plus or minus any current value assessment adjustments, compared to the 2024 approved budget, which translates to an overall property tax impact of 0.02 per cent for 2025; and

- D) 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 2025 Business Plans and Budget.
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Report:

1. Overview

- 1.1 This report provides an overview of the current economic and base budget factors impacting the Region's 2025 property tax supported Business Plans and Budget as well as the Regional priorities and initiatives for both 2025 and the four-year forecast period (2026 to 2029). This report also identifies pressures and risks facing the Region that need to be considered in establishing the 2025 Regional Business Plans and Budget guidelines including provincial funding impacts on the 2025 budget; approved 10-year financial plans for transit and paramedic services; and approved or anticipated legislative and regulatory changes impacting the Region's programs and services.
- 1.2 This report also outlines the public engagement strategy and timelines for the 2025 Business Plans and Budget.

2. Purpose and Use of the Recommended Guideline

- 2.1 The overall 2025 property tax guideline provides a capped tax impact for the 2025 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., and Durham Regional Local Housing Corporation (DRLHC). Durham Regional Police Service and the Conservation Authorities have separately identified property tax guidelines for Council consideration.
- 2.2 The establishment of specific property tax guidelines at this time provides direction and assists staff with finalizing the 2025 budget submission for presentation to Regional Council in December 2024. Timing of the guideline approval is critical for achieving approval of the 2025 Business Plans and Budget before the end of December.
- 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. 2025 Property Tax Guideline Overview

- 3.1 Through this report, staff are seeking Regional Council approval for the following 2025 property tax guidelines:
- The 2025 Property Tax Business Plans and Budget for Regional Departments, Durham Region Transit Commission, and Durham Regional Local Housing Corporation is recommended not to exceed \$658.776 million, an increase of 5.96 per cent compared to the 2024 approved budget for Regional Departments, Durham Region Transit Commission, and Durham Regional Local Housing Corporation, which translates to an overall property tax impact of 2.72 per cent compared to the 2024 approved budget;
 - The 2025 Business Plans and Budget for the Durham Regional Police Services Board is recommended not to exceed \$292.753 million, an increase of 9.25 per cent compared to the 2024 approved budget for the Durham Regional Police Service, which translates to an overall property tax impact of 2.16 per cent compared to the 2024 approved budget; and
 - The 2025 Business Plans and Budget for each Conservation Authority is recommended not to exceed an increase of 2.5 per cent, plus or minus any current value assessment adjustments, compared to the 2024 approved budget, which translates to an overall property tax impact of 0.2 per cent compared to the 2024 approved budget.
- 3.2 The combined impact of the three guidelines is an overall Regional property tax guideline impact of 4.9 per cent. This translates to an annual budgetary increase of approximately \$163 for an average residential home in Durham Region with an estimated 2025 current value assessment of \$483,100.
- 3.3 Based on current 2024 assessment growth and through discussions with the Municipal Property Assessment Corporation (MPAC), net weighted assessment growth is estimated at approximately 2.0 per cent (excluding net assessment growth in Seaton). This is slightly lower than the net weighted assessment growth of 2.6 per cent (excluding net assessment growth in Seaton) realized for the 2024 Budget. As of the end of August net weighted assessment growth (excluding net assessment growth in Seaton) is 1.26 per cent which is significantly lower than the net assessment growth realized by this time in 2023. The current 2024 net weighted assessment growth estimate for 2025 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.

- 3.4 The recommended guideline was developed in consultation with the CAO, Regional departments, and Durham Region Transit and through a detailed review of 2025 to 2029 operating pressures and 2025 to 2034 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 their current budget request with the significant pressures being felt across all essential services provided by the Region.
- 3.5 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 2025 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, senior government funding opportunities and debt financing will be critical to achieve the recommended property tax guideline.
- 3.6 The 2025 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 2025 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 major projects resulting in debt repayment impacts over the forecast period.
- 3.7 To achieve the recommended guideline, 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 2025 Base Pressures and Non-Discretionary Items

- 4.1 Preliminary 2025 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 2024 budget decisions and adjustments for one-time items included in the 2024 budget;
 - Contractual and inflationary increases;

- Economic increases (salary/benefit contracts);
 - Debt servicing costs for debenture financing approved through the 2024 Business Plans and Budget as well as additional debenture financing approved by Regional Council throughout 2024; and
 - Items that have received in-year approval by Regional Council during 2024.
- 4.2 Base pressures for 2025 are currently estimated at \$36.559 million. CPI data released on August 20, 2024, indicated that inflation fell to 2.5 per cent in July on a year-over-year basis, this is down from 2.9 per cent in May on a year-over-year basis. The Bank of Canada's forecast is for headline CPI to continue to trend lower and reach the 2 per cent target in 2025.
- 4.3 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.
- 4.4 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 2025 property tax guideline.
- 5. Strategic Investment in Core Service Areas – Region of Durham Paramedic Services, Durham Region Transit and Housing and Homelessness Supports**
- 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 were considered in the development of the 2025 budget guideline.

Paramedic Services

- 5.4 The 2023 – 2032 Region of Durham Paramedic Services Service and Financing Strategy projected a 0.49 per cent property tax levy increase for 2025. This represents a projected \$4.407 million increase (11.27 per cent) over the 2024 Durham Paramedic Services Budget. The recommended 2025 budget guideline provides for this increase and will include:

- 14 new paramedics (7 advanced care paramedics and 7 primary care paramedics) to provide 36 additional hours of paramedic services daily;
- new full-time support and management staff positions to support growth in 9-1-1 emergency service; and
- capital investments to advance new paramedic response stations.

5.5 The recommended 2025 budget guideline provides for an overall 0.49 per cent increase in the total property tax levy dedicated to the Region of Durham Paramedic Services to align with the 10-year strategy.

Durham Region Transit

5.6 In response to the Durham Region Transit's Service and Financing Strategy (2023 – 2032), the Region was targeting annual incremental increases starting at approximately 2.00 per cent per year on the overall Regional tax levy.

5.7 In bringing forward a recommended 2025 property tax guideline, staff considered the various pressures impacting the 2025 budget including increased demands for transit service, Transit's E-Mission Zero Strategy to electrify Durham Region Transit's fleet and the impact and affordability of property tax increases on Durham residents and businesses. There are also significant concerns around provincial and federal funding that are critical in achieving the objectives of the original Service and Financing Strategy. In light of these considerations, the recommended 2025 budget guideline provides for a projected overall 1.75 per cent increase in the total property tax levy dedicated to Durham Region Transit. This represents a projected \$15.741 million increase (16.7 per cent) over the 2025 Durham Region Transit Budget.

5.8 Staff are working to develop a 2025 budget for Durham Region Transit that includes incremental investments to support their strategic priorities including:

- Service enhancement and growth;
- Fleet transition to zero greenhouse gas emission vehicles; and
- Passenger amenities and infrastructure.

Housing and Homelessness Supports

5.9 Investments in housing and homelessness support programs have been identified as a key priority of Regional Council and the Community. Since 2022, the Region's investment in housing and homelessness support programs has increased by \$21.84 million (37.1 per cent). For 2025, the Region is projecting ongoing critical investments for homelessness support and shelter programs with a focus on incremental investments in the Region's rent supplement program to support resident transition from Beaverton Supportive Housing, the Microhomes and 1635 Dundas to more permanent housing.

5.10 With funding support from the provincial and federal governments, the Region is looking to advance the redevelopment of the Durham Region Local Housing Corporation sites at Malaga Road and Christine Crescent, the development of 300 Ritson Road South and Phase 2 of 1635 Dundas Street East.

6. 2025 Strategic Investment Pressures

- 6.1 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.
- 6.2 Following sound business planning and budget practices, departments have identified the following potential strategic investments for 2025 that are aligned with and support the Region's Strategic Plan:
- Finalize and implement the Region's new Diversity, Equity and Inclusion Strategy.
 - Ongoing implementation of the action items identified in the Region's Equity Audit.
 - Advancing the Region's Cyber Risk Management Program.
 - Continue implementation of Service Durham, modernizing customer service delivery and seamless customer experience.
 - Ongoing implementation of the Region's Community Safety and Wellbeing Plan.
 - Enhancements to the Durham Greener Homes program and the Durham Greener Communities program.
 - Phased implementation of the recommendations resulting from the 2024 assessment of the resources and organizational structure of the Works Department to address the servicing and services to the unprecedented projected housing growth over the forecast period.
 - Investments in public health to further support initiatives that address health inequities across the Region.
 - Implementation of an Administrative Penalty System (APS) for automatic speed enforcement and red light camera offences to alleviate the pressures on the POA Court system.
 - Ongoing implementation of projects identified under the Regional Cycling Plan including work with municipal partners on the Durham Meadoway.
 - Continue to advance the feasibility work for a low carbon district energy project in the Courtice Transit Oriented Community area in collaboration with the Municipality of Clarington and expand exploration of district energy opportunities in other transit-oriented development areas across Durham Region, in partnership with area municipalities.
 - Phase-in of costs for the new Seaton Long-term Care Home.
 - Implementation of the Family Physician Attraction and Retention Program
 - Investment in Durham OneNet Inc. to deliver improved broadband connectivity for residents, businesses and Regional facilities and traffic infrastructure across Durham.

- Advance the Region's Light Duty Fleet Electrification Strategy with the replacement of a number of vehicles with electric and hybrid electric vehicles and the continued installation of electrification infrastructure.
- Advance deep energy retrofit projects of Regional facilities informed by the Greenhouse Gas Reduction Pathway Feasibility Studies.
- Continue to progress the approved Lakeshore East GO Extension to Bowmanville including station design to capitalize on the economic and community building benefits associated with rapid transit investment.

6.3 Many of these initiatives are multi-year initiatives and will also have impacts on the 2026 budget and beyond. Given the base budget pressures (identified in Section 4) and the strategic investment in core service areas (identified in Section 5), not all of the identified strategic investments can be accommodated within the recommended 2025 guideline. 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.

7. Investment in Roads and Bridge Rehabilitation and Replacement

Road Rehabilitation Requirements

- 7.1 The Region regularly assesses the condition of its roads and records a Pavement Condition Index (PCI) value for each road segment where values range from 100 (new) to 0 (end of service life). For asset management purposes, the Region has targeted a network-wide average PCI of 65, but over recent history, the Region's network average PCI has declined from 70 in 2010, to 61 in 2015, to 55 in 2023. As reported in the Region's 2024 Asset Management Plan ([Report # 2024-F-29](#)), approximately 43 per cent of the Regional road network is rated to be in poor to very poor condition.
- 7.2 This condition decline has occurred despite the Region's recent practice of allocating Canada Community Building Fund (CCBF) funding towards road rehabilitation projects, which began in 2018 with a \$4.8 million investment, increasing to an annual allocation of \$10.1 million by 2020. Another significant source of funding for road rehabilitation has been the Regional Road Rehabilitation Levy. Annual contributions to the Regional Road Levy are \$26.1 million and have not been increased since 2018 (when it increased from \$23.7 million in 2017).
- 7.3 With additional draws from the Regional Roads Rehabilitation Reserve Fund and additional property tax funding, total investment in road rehabilitation in 2024 was about \$38.7 million, which falls short of the estimated annual investment of \$47.0 million necessary to reach a network-wide average PCI of 65 within the next ten years.

- 7.4 It is important to note that the \$47.0 million estimated annual investment requirement could increase under conditions of climate change, construction price inflation, and an expanding road network necessitated by population and employment growth. Over the past ten years, the Regional network has expanded by approximately 300 lane kilometers and reached about 2,150 lane kilometers within the 2023 year-end inventory.

Bridge Rehabilitation Requirements

- 7.5 Although the Region's inventory of bridges and culverts is rated to be in good condition overall (only 3% in poor condition, with none in very poor condition), significant expenditures are forecasted over the next ten years to ensure that rehabilitation treatments take place at critical points within asset lifecycles, and structures are replaced when necessary. The 2025 – 2033 nine-year capital forecast, included as part of the Region's 2024 Business Plans and Budget included about \$137 million in expenses, which implies an average annual investment of about \$15 million. Investments associated with coordinating bridge replacement work with Metrolinx, as it implements the GO Rail East Extension project, has also implied budget pressures for the Region.
- 7.6 Currently, the Region's annual Bridge Rehabilitation Levy is only about \$5.5 million and has not increased since 2016 (when it increased from \$5 million in 2015). In recent years, additional allocations of CCBF funds and draws from the Region's Bridge Rehabilitation Reserve Fund have been required to meet immediate bridge rehabilitation and replacement needs. These increased draws are not sustainable going forward and additional property tax funding is required.

Proposed Additional Funding for 2025 Budget

- 7.7 Financial modelling which considers forecasted expenses, the Region's current investment levels, and available reserves and reserve funds has indicated that annual increases in Regional investment towards road and bridge rehabilitation are necessary to meet asset management requirements. This modelling has indicated that incremental annual increases of approximately \$4.0 million a year until 2030 will be necessary to meet the expenses forecasted as part of the 2024 Regional Business Plans and Budget.
- 7.8 In balancing the various priorities of the Region, the proposed guideline is projecting an additional \$3 million property tax allocation in 2025 towards road and bridge rehabilitation to attempt to approach the necessary funding levels.

8. Durham Regional Police Service

- 8.1 In June, Durham Regional Police Service submitted their 2025 budget forecast to Regional Staff. This initial submission projects a total 2025 budget of \$313.3 million, which is a \$45.4 million (16.9 per cent) increase over the 2024 approved Durham Regional Police Service budget. Highlights of the preliminary 2025 budget forecast include:

Base Pressures (\$22.4 million)

- Economic Increases and other personnel costs \$14.7 million.
- Annualization of the 76 positions approved in the 2024 Budget - \$6.6 million. Council will recall that to achieve the 2024 budget guideline, Durham Regional Police Services deferred the hiring of the 76 new positions by two months from July 1, 2024, to September 1, 2024. By deferring the start date by two months, the annualization impact on the 2025 budget increased by \$1.7 million.
- Operational requirements including inflationary pressures - \$1.1 million.

Strategic Investments (\$23.0 million)

- Divisional Leadership and Frontline Constables (74 FTEs) – \$8.6 million
- Additional Uniform and Civilian Positions (94 FTEs – 43 Uniform positions and 51 Civilian positions) - \$10.7 million. These new positions are forecasted throughout the Police Service including Criminal Investigative and Community Resource, Internet Child Exploitation Unit, E-Crimes, Hate Crimes, Intimate Partner Violence Unit, Offender Management, Community Safety and Wellbeing, Use of Force Training, Emergency Measures, Digital Evidence Management, and corporate supports (including Human Resources, Finance, Information Technology, Capital Project Delivery, and Communications).
- Other Strategic Investments - \$3.7 million including incremental information technology and fleet investments.

- 8.2 The Durham Regional Police Service has indicated that they are expected to complete their facility needs assessment study this year. It is anticipated that this study will help inform the 2025 capital budget and nine-year forecast. An update on this study will be provided as part of the 2025 Business Plans and Budget report.
- 8.3 Staff are recommending a 2025 guideline for the Durham Regional Police Services Board not to exceed \$292.753 million, an increase of \$24.787 million (9.25 per cent) compared to the approved 2024 Durham Regional Police Service Budget or a 2.16 per cent overall increase to the Regional property tax levy after assessment growth. 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, and Regional housing and homelessness supports.
- 8.4 Durham Region staff will continue to work with the staff of the Durham Regional Police Service to finalize their 2025 Business Plans and Budget submission in accordance with Council's guideline.

9. 2024 Year-End Projection

9.1 Given so many variables and changes to provincial funding that occurs after a budget is approved, it is very difficult to predict what a surplus or deficit may look like for the current year. For unanticipated pressures, emergencies, or the need to match late announcements for funding, financing is often noted as at the discretion of the Commissioner of Finance. This is done to assess the best strategy at that point in time and when the year is concluded to balance the need to draw on reserves and reserve funds or utilize any in year surplus.

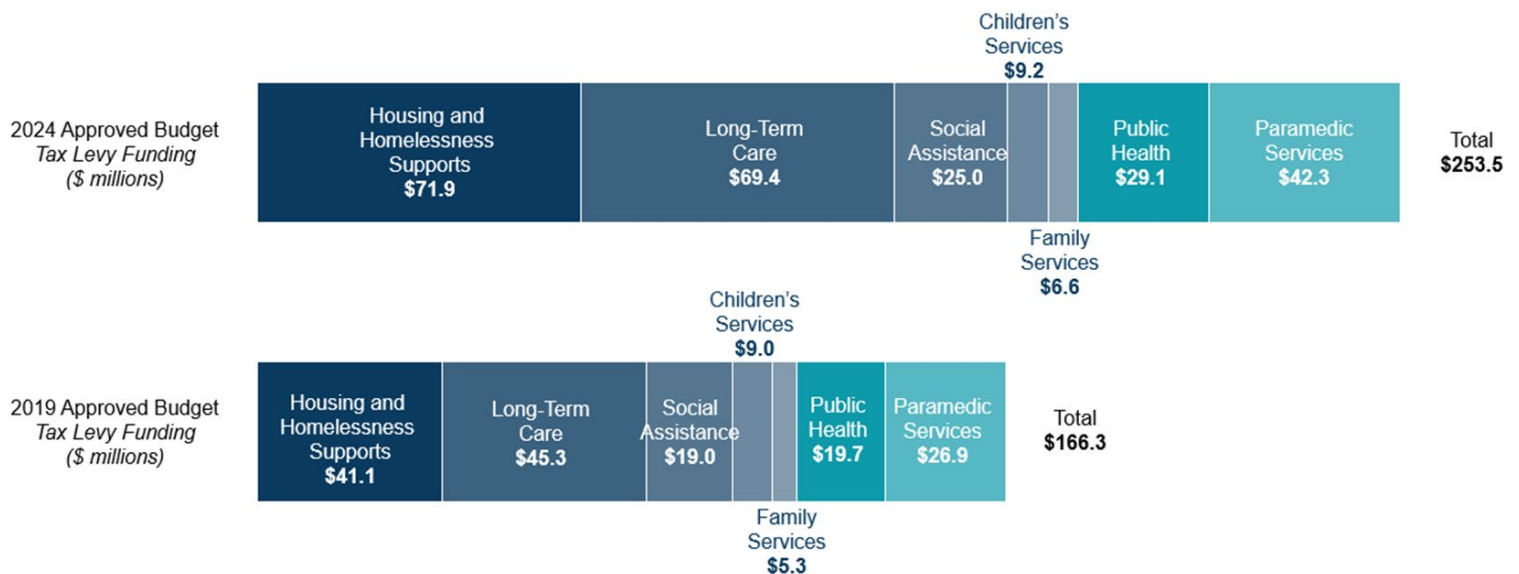
9.2 Staff continue to closely monitor 2024 financial performance and look for opportunities to advance 2025 capital priorities where feasible as well as adjust 2025 budgets for areas that have historically been underspent. This is part of the line-by-line review noted above.

10. Provincial/Federal Funding Impacts

10.1 One of the challenges facing regional municipalities across the Province is the increasing costs of social services and public health programs. In 2024, 22.9 per cent of the Region’s budget is projected to be funded from provincial sources and 9.7 per cent from federal sources. As outlined in the 2024 Regional Property Tax Supported Business Plans and Budget report ([Report #2024-F-3](#)) regional tax levy funding of social services and public health programs is estimated at approximately \$253.5 million or approximately 28.2 per cent of the overall regional property tax levy.

10.2 The following graph illustrates that Regional funding of social services and public health program has increased by \$87.2 million (52.4 per cent) between the 2019 approved budget and the 2024 approved budget. This can be attributed to a number of reasons but is indicative of the increasing reliance on the property tax base which is expected to continue in 2025.

Regional Funding of Social Services and Public Health Programs



- 10.3 In recognition of this, staff with the support of Regional Council continue to support the Association of the Municipalities of Ontario's (AMO's) call for a Social and Economic Prosperity Review and the Federation of Canadian Municipalities' (FCM's) call for a new framework for raising municipal revenue.
- 10.4 While the provincial and federal governments have provided 2024 funding letters for a number of Regional program areas, there is still significant uncertainty and associated risk related to senior government funding levels for 2025. The following is a summary of the known and estimated impacts to the 2025 budget resulting from adjustments in senior government funding and changes in funding formulas:
- Paramedic Services – The Region is projecting \$33,616,174 in 2024 provincial funding for paramedic services including \$65,459 in one-time funding. The 2024 projected funding is \$2.0 million higher than the 2024 budgeted funding. While the 2025 funding has not yet been confirmed, for purposes of guideline, staff are projecting the 2025 provincial funding to be higher than the actual 2024 provincial funding, reflecting the increased expenditures contemplated in the 2023 -2032 Region of Durham Paramedic Services Service and Financing Strategy.
Public Health – In June, the Province confirmed the 2024 provincial funding for mandatory programs of \$31,231,200, \$123,351 higher than the 2024 budgeted funding. The Province also confirmed the 2024 provincial funding for the Ontario Seniors Dental Care program of \$2,084,100, \$25,125 higher than the 2024 budgeted funding. While the specific 2025 funding for both mandatory programs and the Ontario Seniors Dental Care program have yet to be confirmed, the Province has committed to a projected 1.0 per cent increase in the mandatory program funding. The one per cent increase in Public Health funding does not keep pace with the base inflationary and contractual pressures impacting Public Health which are currently projected at 4.83 per cent. As a result, the portion of the Public Health budget funded from property taxes will have to increase to maintain service levels and to continue to meet the needs of our growing community.
 - Child Care – In December 2022, the Province provided information on the increases in funding under the Canada-Wide Early Learning and Child Care (CWELCC) program. Funding amounts have been confirmed until the end of 2024. On August 1, 2024, the Ministry of Education Early Years and Child Care Division announced a new cost-based approach to the CWELCC funding effective January 1, 2025. Staff are waiting for further details from the Province on this new approach and the impacts it will have for the Region.
 - Social Assistance – The Province 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. To date this program has been cost neutral to the Region, but the former system, no longer funded by the Province

(subsidy reduction of \$4.54 million), needed to be reconfigured. The impact of this loss in provincial funding is being phased over the 2024 and 2025 budget with approximately \$2.97 million to be accommodated within the 2025 budget. On September 4, 2024, the Ministry of Children, Community and Social Services announced that the Province will be updating municipal funding allocations for 2025 which will include an additional \$52 million in funding for Ontario Works administration in 2025. In addition, the Province indicated that they will be working with municipalities on a new funding approach for 2026 and beyond. Staff are waiting for further details from the Province on the Region's 2025 funding allocation.

- Homelessness Supports – In 2024 the Region is projecting to receive \$4.74 million in federal funding under the Reaching Home Program and \$18.68 million in provincial funding under the Homelessness Prevention Program to support residents experiencing or at risk of homelessness. In 2025 the Region is projected to receive \$4.67 million in federal funding under the Reaching Home program (a decrease of \$73,188 from 2024) and \$18.68 million in provincial funding under the Homelessness Prevention Program (consistent with the 2024 funding level).
- 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, 2024, provided \$4,090,153 in 2024 funding, \$175,356 more than the amount budgeted for in 2024. It is unclear at this time what impact this review may have on 2025 and future funding.

10.5 Regional staff continue to advocate for sustained provincial funding and will work with the Province to understand any further financial impacts on the 2025 Business Plans and Budget and beyond.

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

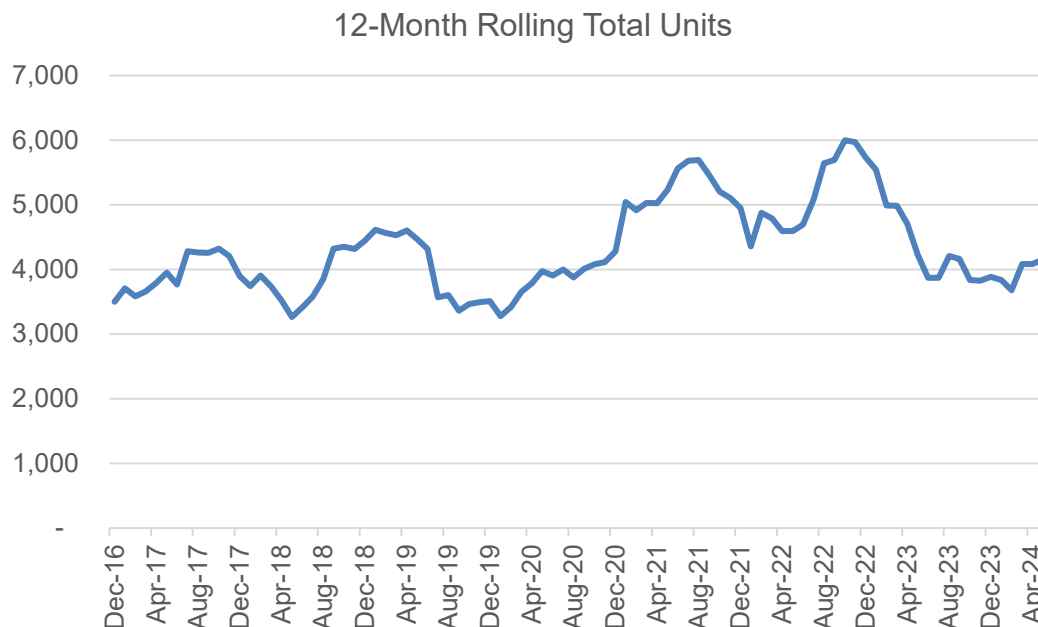
11.1 Bill 23, More Homes Built Faster Act, 2022, Bill 134, Affordable Homes and Good Jobs Act, 2023 and related legislation brought a number of changes impacting municipalities that have extensively been reported on in previous reports.

11.2 The 2024 Regional Business Plans and Budget for Property Tax Purposes included a property tax budgetary increase of 0.50 per cent (or \$4.1 million) dedicated to fund anticipated impacts resulting from provincial Bill 23 and related legislation. As reported in the related Finance and Administration Committee report (Report #2024-F-3), this level of dedicated funding was not expected to be sufficient to fully address the forecasted foregone development charge revenue, and further annual property tax increases of approximately 1.55 per cent were forecasted for each year over the 2025 to 2028 timeframe, solely to address Bill 23 and related legislation impacts. It was also noted that the amount of the shortfall would be dependent on the rate and timing of growth, and the number of

discounted and exempt units built. As such, forecasting would need to be updated on a continuous basis as new development trends emerge.

- 11.3 Subsequently, on April 10, 2024, Bill 185, Cutting Red Tape to Build More Homes Act, 2024 was proposed by the Provincial Government. Importantly, Schedule 6 of Bill 185 included the elimination of the mandatory five-year phase in of new development charge rates set out in Bill 23. Bill 185 then received Royal Assent on June 6th, 2024, with no significant changes to the proposed DC related amendments. As a result, through [Report #2024-F-16](#), Council approved the amendment of the Region’s development charge by-laws, to remove the phase-in provisions effective July 1st, 2024. This by-law is currently under appeal with mediation commencing in September 2024.
- 11.4 It is estimated that, as a result of the rate phase-in provisions of Bill 23, the Region has foregone approximately \$70.2 million in development charge revenue as of March 31, 2024. Staff continue to closely monitor the impacts and will provide a further update as part of the 2025 Business Plans and Budget.
- 11.5 Meanwhile, residential development in Durham Region has not yet shown signs of recovery since the marked decline that has occurred over the past couple of years.

Durham Region Residential Development (Units)



11.6 Given Bill 185 and current development levels, the proposed 2025 guideline does not include further property tax increases to address Bill 23 and related legislation. Amounts budgeted for Bill 23 and related legislation through the 2024 Regional Business Plans and Budget for Property Tax Purposes are projected to be maintained in the Region's 2025 Budget to address the remaining parameters of Bill 23, including those requiring municipalities to allow developers to 'lock-in' their development charge rates at time of development application and the requirement to provide development charge exemptions and discounts for certain development categories. It is important to note that the additional financial burdens on the Region from having to advance large infrastructure projects and additional staff resource requirements to support and deliver a much larger, technical and complex nine-year capital program remain.

12. Summary of 2025 Property Tax Guideline

12.1 The following tables provides a summary of the estimated impact of the various pressures comprising the 2025 Regional Property Tax Guideline as outlined in Sections 4 through 10 of this report.

12.2 The amounts reflected below may be subject to change based updates from refinement and finalization of budget submissions.

Item	Estimated 2025 Levy Impact	
	\$ (millions)	%
Durham Region Transit	15.741	1.75
Region of Durham Paramedic Services	4.407	0.49
Department Increases (Base Pressures)	10.144	1.13
Department Increases (Strategic Priorities)	6.769	0.75
Regional Subtotal Prior to Assessment Growth	37.061	4.12
Assessment Growth		(1.40)
Subtotal - Net 2025 Property Tax Levy Impact for Regional Departments, Durham Region Transit and Durham Region Local Housing Corporation	37.061	2.72
Durham Regional Police Services Board Prior to Assessment Growth	24.787	2.76
Assessment Growth		(0.60)
Subtotal - Net 2025 Property Tax Levy Impact for Durham Regional Police Services Board	24.787	2.16
Conservation Authorities	0.216	0.02
Subtotal - Net 2025 Property Tax Levy Impact for Conservation Authorities	0.216	0.02
Total Net 2025 Property Levy Impact	62.064	4.90

13. 2026 – 2029 Forecast Highlights

- 13.1 Many of the 2025 strategic investment pressures are multi-year initiatives and will continue throughout the 2026 to 2029 forecast period. These forecasted priorities will be reviewed and realigned throughout 2025 to reflect the updated Regional Strategic Plan currently under development.
- 13.2 Based on current modeling, the Region anticipates annual property tax increases for 2026 to 2029 to be consistent with the 2025 property tax guideline range. This will be very challenging to achieve, particularly with significant impacts anticipated with potential provincial and federal elections and significant social service-related pressures in the community. It is acknowledged that the pressure on taxpayers is also a primary concern. This projection is driven in part by ongoing funding increases for Region of Durham Paramedic Services, Durham Region Transit and Durham Regional Police Service 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. This also assumes a steady but constrained increase to the Durham Regional Police Service and does not accommodate significant service level changes that may be supported by Regional Council. 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.

14. Public Engagement Strategy for the 2025 Business Plans and Budget

- 14.1 Transparency and education are key components of building successful public engagement on the Region's business plans and budgets with residents, businesses and stakeholders.
- 14.2 The Region remains focused on modernizing our public engagement initiatives by evaluating different standards, compiling best practices, measuring outcomes and incorporating expertise from experts.
- 14.3 The public engagement approaches for the 2025 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 10, 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;
- Profiling a new video which highlights the details of the Region's Budget and the value these investments have for 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.

15. Next Steps

15.1 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 and maximizing alternative funding strategies including the sustainable use of reserves and reserve funds, development charges, provincial and federal gas tax, available grant opportunities and debenture financing;
- Working with the provincial and federal government to understand 2025 funding impacts;
- Reviewing the Region's weighted 2024 net assessment growth; and
- Carefully reviewing and prioritizing 2025 staffing requests, budget pressures and priorities and looking for efficiencies and opportunities to minimize the 2025 budget impact.

15.2 Aligned with Council's direction provided through [Report #2024-A-10](#) and pending approval of the 2025 property tax supported budget guideline in September, the target date for Regional Council approval of the 2025 Business Plans and Budget is December 18, 2024. This is contingent upon having an approved budget guideline early in the process.

15.3 The key dates for the 2025 Regional Business Plans and Budget timetable are outlined below and are further detailed in Attachment #1:

- Water and Sanitary Sewer User Rates
 - Committee of the Whole – December 12, 2024
 - Regional Council – December 18, 2024

- Water Supply and Sanitary Sewerage Business Plans and Budgets
 - Committee of the Whole – December 12, 2024
 - Regional Council – December 18, 2024
- Property Tax Supported Business Plans and Budget
 - Committee of the Whole – December 12, 2024
 - Regional Council – December 18, 2024
- Property Tax Strategy
 - Committee of the Whole – December 12, 2024
 - Regional Council – December 18, 2024

16. Conclusion

16.1 The following are the recommended 2025 property tax guideline impacts for Regional departments, Durham Region Transit Commission, Durham Regional Local Housing Corporation, Durham Regional Police Service and Conservation Authorities:

- The 2025 Property Tax Business Plans and Budget for Regional Departments, Durham Region Transit Commission, and Durham Regional Local Housing Corporation not exceed \$658.776 million, an increase of 5.96 per cent compared to the 2024 approved budget for Regional Departments, Durham Region Transit Commission, and Durham Regional Local Housing Corporation, which translates to an overall property tax impact of 2.72 per cent for 2025 after assessment growth;
- The 2025 Business Plans and Budget for the Durham Regional Police Services Board not exceed \$292.753 million, an increase of 9.25 per cent compared to the 2024 approved budget for the Durham Regional Police Service, which translates to an overall property tax impact of 2.16 per cent for 2025 after assessment growth; and
- The 2025 Business Plans and Budget for each Conservation Authority not exceed an increase of 2.5 per cent, plus or minus any current value assessment adjustments, compared to the 2024 approved budget, which translates to an overall property tax impact of 0.02 per cent for 2025.

16.2 The combined impact of the three guidelines is an overall Regional property tax guideline impact of 4.9 per cent. This translates to an annual budgetary increase of approximately \$163 for an average residential home in Durham Region with an estimated 2025 current value assessment of \$483,100.

- 16.3 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 2025 budget to align it with the 2025 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 2025 Business Plans and Budget and may require consideration in future years.
- 16.4 The detailed 2025 Property Tax Supported Business Plans and Budget and Water Supply and Sanitary Sewerage Business Plans and Budget are scheduled to be presented at a Special Committee of the Whole meeting on December 12, 2024, and Regional Council on December 18, 2024.

17. Attachments

- 17.1 Attachment #1: Preliminary Timetable for the 2025 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 2025 REGIONAL BUSINESS PLANS AND BUDGETS

A) 2025 PROPERTY TAX GUIDELINE

Item	Description	Standing Committee	Regional Council
1.	Review and Approval of the: <ul style="list-style-type: none"> • 2025 Regional Business Plans and Property Tax Supported Budget Guideline 	Special Committee of the Whole – September 12, 2024	September 25, 2024

B) SUPPORTING BUSINESS PLANNING REPORTS

Item	Description	Standing Committee(s)	Regional Council
1.	Review and Approval of the: <ul style="list-style-type: none"> • 2025 Water and Sanitary Sewer User Rates 	Special Committee of the Whole – December 12, 2024	December 18, 2024
2.	Review and Approval of the: <ul style="list-style-type: none"> • 2025 Strategic Property Tax Study 	Special Committee of the Whole – December 12, 2024	December 18, 2024
3.	Review and Approval of the: <ul style="list-style-type: none"> • 2025 Property Tax Rates 		December 18, 2024

PRELIMINARY TIMETABLE FOR THE 2025 REGIONAL BUSINESS PLANS AND BUDGETS

C) 2025 DETAILED BUSINESS PLANS AND BUDGETS

Item	Description	Standing Committee(s)	Regional Council
1.	Review and Approval of the: <ul style="list-style-type: none"> 2025 Detailed Water and Sanitary Sewer Business Plans and Budgets 	Special Committee of the Whole – December 12, 2024	December 18, 2024
2.	Review and Approval of the: <ul style="list-style-type: none"> 2025 9-1-1 Emergency Service System Business Plans and Budget 	9-1-1 Management Board November 26, 2024 (tentative)	
3.	Review and Approval of the: <ul style="list-style-type: none"> 2025 Durham OneNet Inc. Business Plans and Budget 	Durham OneNet Inc. Board – November 20, 2024 (tentative)	
4.	Review and Approval of the: <ul style="list-style-type: none"> 2025 Durham Regional Local Housing Corporation (DRLHC) Business Plans and Budget 	DRLHC Board – November 13, 2024 (tentative)	
5.	Review and approval of the: <ul style="list-style-type: none"> 2025 Departmental Business Plans and Budgets 2025 Durham Region Transit Business Plans and Budget 2025 Durham Regional Police Service Business Plans and Budget 2025 Conservation Authorities Business Plans and Budgets 2025 9-1-1 Emergency Service System Business Plans and Budget 2025 Durham OneNet Inc. Business Plans and Budget 2025 Durham Regional Local Housing Corporation (DRLHC) Business Plans and Budget 	Special Committee of the Whole – December 12, 2024	December 18, 2024