



## STAFF REPORT

**Title:** 2025 Operating Budget

**Meeting Date:** November 26, 2024

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### **Executive Summary:**

The City of Cold Lake annually prepares an Operating Budget and details of funding sources and expenditures to deliver municipal services consistent with service levels as approved by Council. Attached is the proposed 2025 Operating budget for Council's consideration.

The 2025 Operational Budget is estimated at \$59,038,035 (2024: \$58,011,249) and includes a transfer of \$6,610,000 to the 2025 Capital Budget of which \$5,284,000 is a transfer of ID349 funding and the remaining \$1,326,000 coming from the operating transfers. The budget includes the anticipated ID349 taxation revenue and the Intermunicipal Collaboration Framework (ICF). The proposed budget includes a forecasted 4.39% average increase in municipal taxes subject to final assessments and further consideration by council prior to setting the 2025 tax rate. Tax rates will be set in May 2025.

Inflationary costs to goods and services, insurance premiums, utility and fuel cost increase have a significant impact to the budget. There has also been a significant increase in RCMP costs related to the funding formula change resulting from increase in population over 15,000. These costs have required the City to consider the programs and services it provides to the community. The City has been able to maintain the programs and services that the residents of the community have come to value.

A few new programs and/or services have been also added, such as ongoing annual funding for the downtown security project which has been a successful program in reducing opportunities for vandalism and vagrancy in the community. The City has increased event budgets for Aqua Days and Canada day and provided additional funding for the Community Capital Grant program which is a popular matching-grant program to support community capital projects. Additionally, annual funding has been allocated for a second cut of the marina basin vegetation.



Lastly, the City of Cold Lake's ongoing dispute with the Government of Canada over Payments in Lieu of Taxes will be heard by the Federal Court of Appeal in 2025. The legal dispute with the Government of Canada is over the Federal Government not paying its fair share of property taxes based on erroneous interpretations of federal legislation relating to the Canadian Forces Base (CFB) – Cold Lake. This dispute has been ongoing since 2012 and has a significant impact to the municipal budget whereby the City must have allowances for the Government of Canada's short falls in the payments to the City. With Federal Court of Appeal date in 2025, it is anticipated that the decision will also be dropped by the end of the fiscal year.

The 2025 Operational Budget of \$59,038,035, the City receives approx. \$1,160,000 in provincial revenue and approx. \$5,000 in federal funding to assist with operational costs for various program and services. This figure is of interest, as the Provincial and Federal Governments continue to erode and/or download services onto municipalities. As in past years, property taxes from residential and businesses along with user fees are the primary revenue sources of what operates the City of Cold Lake. The level of Provincial and Federal funding that supports communities continues to decline and is shrouded with uncertainty.

Further to the above, the City will push forward with three (3) major projects including Lakeshore Drive and the Public Works Operations Centre (that will continue to require funding support into 2026), as well as the Waste Water Treatment Plant, in partnership with the Cold Lake Regional Utilities Services Commission. Just these projects have an order of magnitude infrastructure investment of \$75 million dollars.

In summary, the City of Cold Lake budget generally increased from \$58,011,249 to \$59,038,035 (1.77% or \$1,026,786) between 2024 and 2025. Appreciated that the fact that the budget has several areas that move do to trending (both increase and decreases in revenue and expenditures) and/or contractual obligations, the significant impacts to costs in the budget can summarized in a few impacts in the budget including:

- ~\$515,000 RCMP Operational Costs
- ~\$228,500 Utility fees including carbon tax increases
- ~\$190,000 Transitioning the Commercial Security Contract that was developed in partnership with Cold Lake Regional Chamber of Commerce into the operating budget.
- ~\$30,000 Fuel and Diesel costs
- ~\$14,000 Library and Museum Operational Increases
- ~\$50,000 Community Capital Grants



The above may be over simplifying context however it does provide quick understanding on what impacts the budget and why. The background of this report provides a more fulsome some of the 2025 Operating Budget.

**Background:**

The 2025 budget was presented to Council with service level documents consisting of programs and services being delivered by the City of Cold Lake. This year, the budget deliberations included a Council session reviewing changes to the budget and services as compared to 2024 and discussion around revenue sources.

Highlights of the 2025 Operating Budget Include:

- General expenses increase due to inflation resulting in higher prices for goods, increased fuel costs, and increase utility costs.
- RCMP funding formula change due to the City exceeding a population of 15,000 in the 2021 Federal Census. Funding has been restricted throughout the years and annually one-fifth of the cost is being added to the budget over five (5) years (2022 - 2026) to ensure the tax increase is manageable with the remaining being funded from restricted funds. An additional one-fifth has been added for 2025 resulting in four-fifths of the new annual cost being funded;
- Increase in expense for RCMP wage increase as per the Collective Bargaining Agreement the RCMP signed with the federal government;
- Increased community capital grant funding;
- Approximately 2.5% increase to City licensing, user fees, and utility rates in consideration of inflationary increases;
- Commitment for ongoing funding for the commercial property security program;
- Funding increases for the museum, Cold Lake public library, and Northern Lights Library System.

The budget includes a \$1,000,000 allowance for uncollectible taxes due to the Payment in Lieu of Taxes (PILT) dispute with the Government of Canada, and a total transfer to the Capital Budget of \$6,610,000 to assist in replacing and providing new infrastructure that will help the City build a more sustainable community. Just over \$24.5 million will be generated from taxation revenue with the balance coming from other funding sources which include grants, donations, user fees, taxation revenue from the ID349 and the MD of Bonnyville ICF payment.

By approving this budget, Council has committed to a 4.39% tax increase in 2025; however, taxes levied are proportionate to the assessment of the property. Some municipal property taxes may increase and some may decrease at a different rate depending on the increase or decrease in the assessed value in proportion to other properties in the City.



**Alternatives:**

Council may consider the following options:

1. Council may adopt the 2025 Operating Budget totaling \$ 59,038,035 with \$6,610,000 to be used for capital purposes.
2. Council may pass an interim Budget.

**Recommended Action:**

Administration recommends that Council approve the 2025 Operating Budget as presented totaling \$59,038,035.

**Budget Implications (Yes or No):**

Yes

**Submitted by:**

Kevin Nagoya, Chief Administrative Officer