

BUDGET COMMENTARY – Version 2

Staff and Council have worked diligently to prepare this draft budget, understanding that there are tough decisions to be made about allocating resources. Council is striving to balance these allocations in a manner that is equitable, sustainable, and logical given the limited funds available. This is not an easy task, and Council takes this responsibility very seriously.

2024 Review

The Municipality faced several notable cost increases throughout the year. Insurance premiums rose by just over \$40,000, primarily due to the realigning of the policy period to match the fiscal year, which added two additional months to 2024 expenses. Contributions to Au Château increased by approximately \$11,000, DNSSAB by \$35,000, and the Health Unit by \$3,000. Additionally, fuel-related costs continued to rise. For the Municipality, increases in fuel prices affect not only vehicle operations but also the cost of gravel, road patching materials, and delivery surcharges.

Several key capital projects progressed in 2024, as outlined during the 2024 budget deliberations. The Temagami North Lagoon project is nearing completion, while discussions are ongoing with the engineering team to determine the most suitable approach for the Temagami North Water Tower. Substantial upgrades to the Temagami North Water Treatment Plant were completed this year. The Ontario Northland Railway (ONR) Crossing project, however, was not completed in 2024, and the timeline for its completion remains uncertain. Bridge work was limited to minor repairs, with plans to complete the remaining portion of the Lake Temagami Access Road Bridge later this year. In addition, several capital improvements were carried out under OCWA's Capital Letter initiative.

Many of these projects that are supported by funding already secured, have been formally approved through Council resolutions, or are required under regulatory or contractual obligations.

Beyond capital infrastructure, several strategic focus areas advanced in 2024. The Municipality continued implementing recommendations from the Organizational Review, including the adoption of an updated organizational chart and a comprehensive Human Resources Policy—both approved by Council. Progress also continued on the Asset Management Plan, which is treated as a dynamic, evolving document. An Asset Management and GIS Intern was hired to assist in defining service levels and compiling updated replacement cost data, among other aspects of the plan and mapping.

Staff have also supported Council through a Visioning Exercise to help define long-term municipal priorities. While the Service Delivery Review remains ongoing and is expected to continue into 2025, preliminary assessments are underway. In preparation for long-term sustainability Solid Waste Management will be a focus in 2025, evaluating landfill lifespans and exploring alternative waste management options. Lastly, work on the Recreation Strategy continues, with efforts to enhance program offerings and boost community participation rates.

In 2024, the Municipality deposited nearly \$340,000 into reserves, which includes the 10% capital replacement allocation from area-rated charges. An additional \$266,681 will be transferred to reserves, as recently approved by Council, including unspent OCIF and NORDS allocations, the Lake Temagami waste transfer station reserve, and the remaining balance of the unclaimed 2024 fire pump subsidy. Reserve withdrawals in 2024 totaled \$105,000, comprising \$35,000 for the ice resurfacer (from general reserves), \$42,000 from the arena reserve originally intended for a dehumidifier (postponed pending potential funding), and \$28,000 from the Official Plan Reserve.

It is still too early to determine if the Municipality was in a surplus or deficit position for the 2024-year end, however the Municipal Audit is underway and this will soon be realized.

2025 Budget Planning

The 2025 budget before you represents the collaborative efforts of the Council-appointed Budget Working Group and municipal department heads. It is important to note that this is a draft budget that has not yet been approved by Council.

Wage projections for 2025 are based on current staffing levels, with a 2.4% contingency applied. This reflects a more moderate approach compared to 2024, when a 10% contingency was included and wages were budgeted at the upper end of the applicable salary ranges.

Key projects identified in the 2025 Capital Budget include the completion of the Temagami North Lagoon project and continued progress on the Temagami North Water Tower, along with final upgrades to the Temagami North Water Treatment Plant—all supported through the ICIP Green Infrastructure Stream. Additional investments are proposed to be made in line with OCWA's Capital Letter, including resurfacing work on previously treated roads, preparation of engineered plans for a future Public Works garage, and strategic reserve contributions for landfill closure, lagoon desludging, and grinder pump timers.

Other planned works include repairs to the Lake Temagami Access Road and other gravel roadways, energy efficiency assessments of municipal facilities, and safety improvements to buildings based on inspection findings. These initiatives are at various stages—some supported by confirmed funding, others approved by Council resolution, and a number mandated through regulatory or operational obligations.

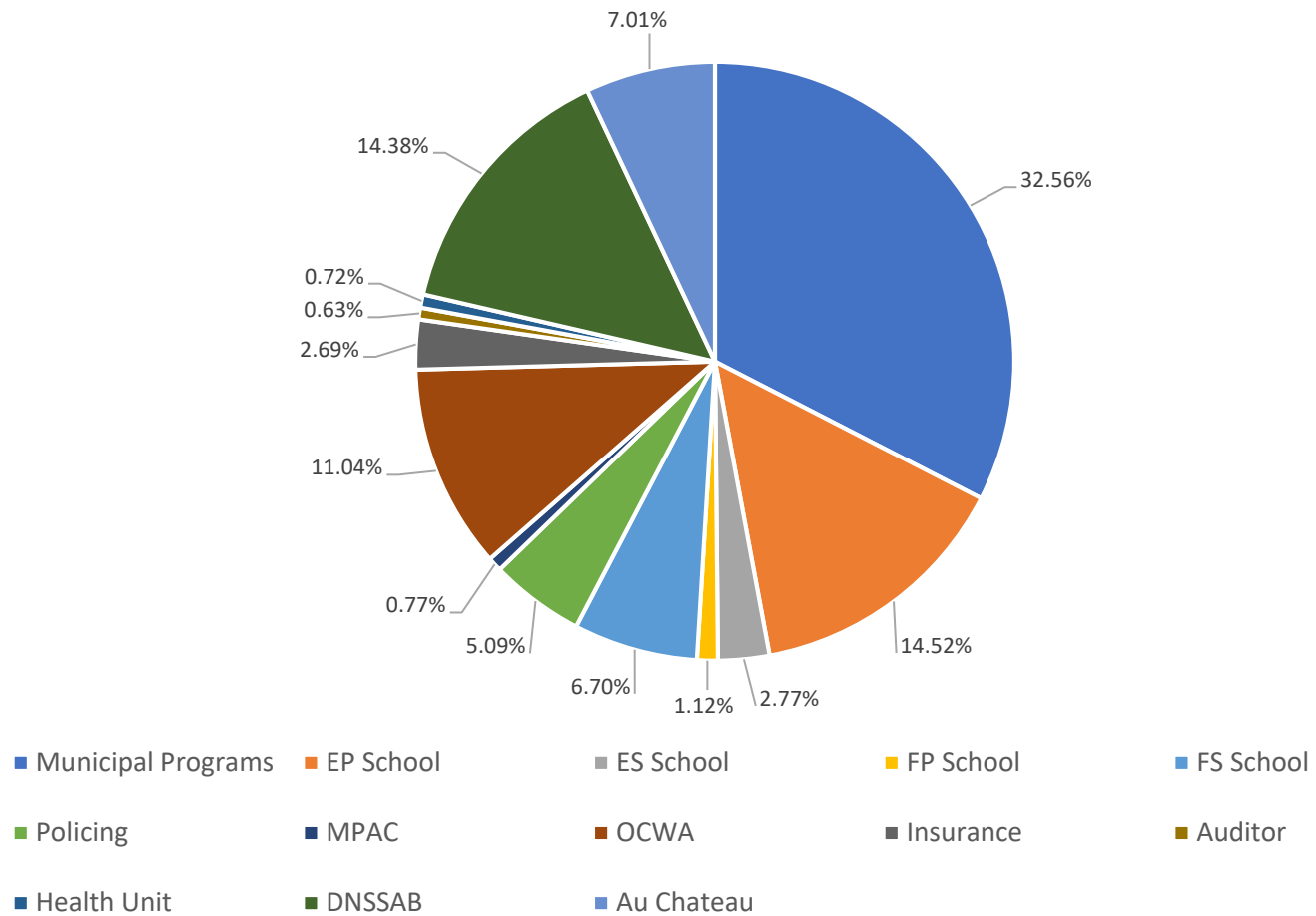
In parallel, several funding applications remain under review. These proposals support residential development in Temagami North, significant enhancements to the Caribou Mountain attraction, and critical ice plant infrastructure upgrades at the Temagami Arena and Community Centre. Please see the document titled "Pending Funding" for further details on this.

It is also of note that Council has recently passed a resolution directing that all major capital expenditures shall be funded collectively by all users. This decision will have a direct impact on the overall municipal budget and will reduce the reliance on area-rated charges for specific services.

Allocation of Tax Revenues

It is important for our community to know that we are required to allocate a large portion of the Municipal Tax Revenues, prior to commencing with our own programs. The Municipality estimates approximately \$7,400,000.00 in operational costs. The chart and table below outline the costs outside of the municipality's discretion, totaling approximately \$5,017,000.00. **This leaves us with approximately 33 cents on every tax dollar raised for municipal operations and capital costs.**

As you will see, the increase in the mandatory costs results in approximately \$279,000.00 which would call for a 6.2% increase in the tax rate alone. However, the Budget Working Group has proposed a 4% increase in the tax rate for 2025. The Budget Committee has also proposed 2025 borrowing in the amount of \$555,338.31 to fund proposed capital projects for this year. When you factor in the \$1,472,970.72 of previously approved borrowing, this would bring the Municipality's total amount to approximately \$2,028,309.03 when loans are fully debentured. We are also already proposing additional borrowing of approximately \$366,904.58 in 2026 for a new Fire Truck for the Marten River Fire Department. Please see the document titled "Estimated Borrowing" for further details on this.



Agency	2024 Costs	2025 Costs	Increase	% of overall operations
Education	1,867,867.61	\$1,867,867.61	\$-	25%
Policing	376,860.00	\$378,694.00	\$1,834.00	5%
MPAC	55,880.43	\$57,154.16	\$1,273.73	1%
OCWA	593,914.00	\$821,500.00	\$227,586.00	11%
Insurance	200,000.00	\$200,000.00	\$-	3%
Auditor	36,103.00	\$47,000.00	\$10,897.00	1%
Health Unit	51,375.76	\$53,432.70	\$2,056.94	1%
DNSSAB	1,043,148.00	\$1,070,037.00	\$26,889.00	14%
Au Chateau	513,272.00	\$521,264.00	\$7,992.00	7%

Reserves

At 2024 year-end, reserve balances are projected to be approximately \$3.9 million, which includes the unused 2024 NORDS Funding and OCIF Allocation. While this may be considered modest given the scale of municipal infrastructure and operations, the balance positions Council to respond to unexpected repair needs or take advantage of newly announced funding opportunities. While the majority of these reserves have been allocated to specific capital items, such as infrastructure improvements and essential services, a portion remains as discretionary reserves to address unforeseen needs and opportunities. Please see the document titled “Municipal Reserves” for further details on this.

Maintaining a healthy reserve fund is crucial for the financial stability and sustainability of a municipality. According to online research, Ontario municipalities are generally recommended to maintain reserves equivalent to approximately 50% of their annual operating expenses. This ensures that they are adequately prepared to handle emergencies, fund future capital projects, and manage cash flow effectively. For the Municipality of Temagami, maintaining healthy reserves will allow us to continue providing essential services and to invest in the long-term wellbeing of our community.

Capital Items

Attached to this commentary, you will find a listing of proposed capital items that have been identified as priorities for the 2025 budget cycle. It is important to note that the Municipality of Temagami continues to work on the asset management plan and we are hopeful that we will soon have a working document to help guide future budgets, however it is imperative that we continue with department identified capital improvements yearly, as to not fall further behind in maintaining our assets. Please see the document titled “Proposed 2025 Capital” for further details on this.

Proposed Tax Rate & Area Rated Charges

The budget working group is considering a 4% increase in the property tax rate for the 2025 budget year. Every 1% Increase to the tax rate, results in approximately \$45,000 of tax revenues.

The area-rated charges for water, sewer, garbage, and grinder pumps are expected to see a slight decrease in some areas and a significant increase in other this year. This is due to the increased costs determined by the Ontario Clean Water Agency. These include approximately \$65,000 in additional chemical costs, \$40,000 in additional utility costs, increase in the annual maintenance letter, and the additional UV Building contract. The figures below include both the operational and the 10% for future capital improvements/replacement.

2024 TAX & AREA RATED CHARGES					
Assessment Value of Property	\$200,000.00	\$400,000.00	\$600,000.00	\$800,000.00	\$1,000,000.00
Property Tax (0.00936192)	\$1,872.38	\$3,744.77	\$5,617.15	\$7,489.54	\$9,361.92
Education (0.00153)	\$306.00	\$612.00	\$918.00	\$1,224.00	\$1,530.00
Water (1 unit)	\$1,419.99	\$1,419.99	\$1,419.99	\$1,419.99	\$1,419.99
Sewer (1 unit)	\$436.32	\$436.32	\$436.32	\$436.32	\$436.32
Garbage (1 unit)	\$120.83	\$120.83	\$120.83	\$120.83	\$120.83
Grinder (1 unit)	\$434.98	\$434.98	\$434.98	\$434.98	\$434.98
Transfer Station (.000551)	\$110.20	\$220.40	\$330.60	\$440.80	\$551.00
PROPOSED 2025 TAX & AREA RATED CHARGES					
Assessment Value of Property	\$200,000.00	\$400,000.00	\$600,000.00	\$800,000.00	\$1,000,000.00
Property Tax (0.00973640)	\$1,947.28	\$3,894.56	\$5,841.84	\$7,789.12	\$9,736.40
Education (0.00153)	\$306.00	\$612.00	\$918.00	\$1,224.00	\$1,530.00
Water (1 unit)	\$1,577.75	\$1,577.75	\$1,577.75	\$1,577.75	\$1,577.75
Sewer (1 unit)	\$821.30	\$821.30	\$821.30	\$821.30	\$821.30
Garbage (1 unit)	\$80.17	\$80.17	\$80.17	\$80.17	\$80.17
Grinder (1 unit)	\$413.53	\$413.53	\$413.53	\$413.53	\$413.53
Transfer Station (.000398)	\$79.60	\$159.20	\$238.80	\$318.40	\$398.00

Other Significant Anticipated Costs

The Ontario Clean Water Agency (OCWA) has identified a potential future capital requirement of approximately \$3,000,000 for the installation of a secondary water treatment train at the Temagami South Water Treatment Plant. While this type of redundancy is already in place at the Temagami North facility, the Temagami South system currently operates with a single treatment train. In the event of a failure, there would be no capacity to treat water for the South service area (until repaired), posing a risk to service continuity and public health. Municipal staff are actively pursuing external funding opportunities to support this critical infrastructure investment and ensure long-term resiliency in the Temagami South water system.

Thank you to those who had provided you feedback through the survey that was distributed through social media and the Municipal website. Your feedback has been brought forward to council for consideration.