

RIDEAU LAKES BUDGET 2025: EXPLAINER (January 22, 2025)

Rideau Lakers want to know why the recommended 2025 tax increases are so high? Easy answer: because the tax increases in the past few years have been too low. Council chose to kick the can down the road by keeping tax increases lower than they should have been and replaced it with debt. The Township's budget is \$24.5 million... that is a combination of Operating and Capital Costs.

Township's expense basis: Operating costs & Capital costs

Operating is mostly staff wages, but it is also all the costs we would associate with operating our own properties...maintenance and repairs, utilities, insurance, office and equipment supplies, travel, rent, vehicles, banking and accounting fees, etc....all the expenses associated with running a Township, a business or our lives. Every year, just like we would do, municipalities also put money away in Reserves...which is just a savings account to pay for big ticket items we know are coming.

Capital Costs are fixed, one-time expenses spent on the purchase of land, buildings as well as construction and equipment needed to deliver Township services. It is the total cost of assets that are needed to provide the Township's infrastructure and are usually financed and paid for over many years. For example, capital costs are to build or improve roads and the equipment needed to maintain the roads and operating costs are to pay the operator, buy the fuel and insurance, etc. Every year In Rideau Lakes it takes about \$4.7M of the \$24.5M for roads, vehicles and equipment replacement and for capital costs associated with the buildings and property. All of the Rideau Lakes' infrastructure that will, sooner or later, must be replaced is about \$106M.

2023 Advise To Council To Ensure Sufficient Funds Available To Cover Capital Costs

In Sept 25/2023 the Treasurer reminded Council that Rideau Lakes had not been generating sufficient revenue (taxation, transfers, grants) to pay for our annual \$4.7M capital costs. This is referred to as an infrastructure gap. The Township has been borrowing to cover the annual capital costs. In January 2024 Council was told again that after funding the operating budget, there was only \$2.45M in reserves for annual capital work but that is only half of the \$4.7M we need and every year we are short around \$1.6M so have been borrowing the money to fill the gap.

2024 New Debt Added

Rideau Lakes has now added new debt for the Portland landfill property, the Fire Hall and the Portland Hall/Library. As old debt from years gone by has been paid off, we haven't put the money that was freed from debt repayment into our reserves to fund our annual \$4.7M capital but instead have put it towards paying for the new assets. Every year that we don't fund the \$4.7M we must borrow, which increases our debt payments and the costs of financing the debt.

In February 2024 Council was told that by reducing the 2024 tax rate increase from the recommended 6% to 3.5% along with deferring some 2024 projects to 2025, that meant that the forecast deficits for 2025-2027 would mean borrowing another \$800K in each year as municipalities are not allowed to run deficits. The alternative would be to cut the planned capital expenditures, but we didn't do that.

2025 Fiscal Sustainability Problem

On Jan 13/2025 the Acting Treasurer presented 2025 options...none of them are what we would like but here we are. The council knew all the above, and still passed lower tax rates than we should have, which only put off the inevitable. Our debt right now is around \$6.8M. Can we afford to take on and pay for more debt? We need to take the next 2-3 years of passing realistic tax rates, contribute to our reserves (savings) and if we have an annual surplus, the full surplus should go into the reserves. If we don't do those things we are only passing the problem on to our future selves and onto the next generation of Rideau Laker.