
For Information

REPORT TITLE: **Budget Policy and Reserve Management Policy Compliance Update
– December 31, 2020**

FROM: Julie Pittini, Acting Commissioner of Finance and Chief Financial Officer

OBJECTIVE

To provide an update on activities related to the use of delegated authority to adjust operating budget, capital budget, reserves and reserve funds, in accordance with the financial policies for the six-month period ending December 31, 2020.

REPORT HIGHLIGHTS

- The Budget Policy and Reserve Management Policy provide internal financial controls, administrative rules and delegated authority to staff to carry out day-to-day business and requires staff to report to Regional Council at a minimum of twice annually on the activities related to the use of delegated authority.
 - Adjustments to the operating budget, capital budget and reserves were processed under Council delegated authority in accordance with the Budget Policy and Reserve Management Policy during the six months ending December 31, 2020.
 - Within the operating budget, two activities resulted in no budget impact.
 - There were activities in 137 capital projects resulting in a net budget decrease of \$8.9 million including \$5.3 million returned to capital reserves and \$3.6 million returned to Development Charges (DC) reserves.
 - The balance of the Tax Supported Rate Stabilization Reserve is 11.2 per cent of the total 2020 Tax supported operating budget, exceeding the target range of five to ten per cent.
 - The balance of the Utility Rate Stabilization Reserve is 8.2 per cent of the total 2020 Utility Rate supported operating budget and is within the five to ten per cent target range.
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DISCUSSION

1. Background

The Budget Policy establishes financial controls and provides administrative rules and procedures for staff to apply in carrying out Regionally-controlled businesses; similarly, the Reserve Management Policy provides guidance on the usage and management of reserves, reserve funds and specialty funds.

The objective of the Budget Policy and Reserve Management Policy is to provide an appropriate balance between financial control and operational efficiency. To achieve this, the policies delegate authority to staff to deal with day-to-day operations related to adjustments to the operating budget, the capital budget and reserves within prescribed

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parameters. This allows staff to respond to opportunities and issues in a timely manner to achieve operational efficiency while maintaining effective internal controls.

The Budget Policy and Reserve Management Policy require that staff report to Regional Council at a minimum of twice annually on the activities related to the use of delegated authority. The reporting requirements ensure that Regional Council is kept abreast of these activities. This report provides the second update for 2020 and specifically on the activities for the six-month period ending December 31, 2020, including reporting requirements as specified in these policies.

2. Operating Budget Changes Under Delegated Authority

a) Redeployments

Operating budget redeployments have the effect of changing the purpose for which the unexpended budget will be spent. There were no redeployments approved under Council delegated authority for the six months ending December 31, 2020.

b) Unanticipated Funding (maximum \$250,000 per project)

During the reporting period, a budget increase of \$150,000 was approved in accordance with the Budget Policy.

In addition, \$91,000 was also approved in accordance with the Budget Policy from the first six-month period in 2020. The funding was originally planned for a report to Council in early 2020 but was deferred due to the COVID-19 pandemic.

Both budget increase requests were received with a net zero cost to the Region of Peel (see Appendix I).

3. Capital Budget Changes Under Delegated Authority

a) Authorization to Commit a Project to Over Budget Expenditure (maximum \$250,000 per project)

There were three budget increases totalling \$0.4 million approved under the delegated authority during the reporting period (see Appendix II).

b) Redeployments

During the reporting period, seven capital budget redeployments for \$2.3 million were approved and processed under Council delegated authority in accordance with the Budget Policy (see Appendix III).

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c) External Funding

During the reporting period, six budget increases totalling \$5.4 million were approved in accordance with the Budget Policy. These budget increase requests were fully funded by external funding with net zero cost to the Region of Peel (see Appendix IV).

d) Reduction

Through active management of capital projects, the budgets of three projects under Roads and Transportation were reduced by \$2.0 million under Council delegated authority during the six months ending December 31, 2020 (see Appendix V). Funding was returned to development charges and tax supported capital reserves.

4. Summary of Capital Project Activities Impacting Reserves and Reserve Funds

The table below provides a summary of these capital activities.

Activity	No. of Projects	Project Net Budget (\$M)	Net Budget Increase/ (Decrease) (\$M)	Request from/(Return to) Reserves (\$M)	
				Internal Reserves	DC Reserves
a) Projects Closed					
Tax Supported	102	107.3	(4.0)	(2.1)	(1.9)
Utility Rate Supported	29	33.6	(3.3)	(2.6)	(0.7)
Subtotal	131	140.9	(7.3)	(4.7)	(2.6)
b) Projects Increased*	3	48.4	0.4	0.4	0.0
c) Projects Decreased*	3	10.8	(2.0)	(1.0)	(1.0)
Subtotal	6	59.2	(1.6)	(0.6)	(1.0)
TOTAL **	137	200.1	(8.9)	(5.3)	(3.6)

*Projects Increased/Decreased represents ongoing work and remains active; the "Project Net Budget" for these projects in the above table refers to the Net Budget before increase or decrease.

**Numbers may not add up due to rounding

The total impact of the above capital project changes is an overall net budget decrease of \$8.9 million or 4.5 per cent of the total net budget of \$200.1 million. Of the \$8.9 million net budget decrease, \$5.3 million were returned to internal capital reserves and \$3.6 million to DC reserve funds.

5. Changes to Reserves and Reserve Funds Under Delegated Authority

For the six-month period ending December 31, 2020, there were no fund transfers requested between sub-reserves and one request to create a new sub-reserve under Council delegated authority (See Appendix VI).

6. Status of Tax and Utility Rate Stabilization Reserves

The Reserve Management Policy requires that the balances of the Rate Stabilization Reserves for both Tax Supported services and Utility Rate Supported services be maintained within the range of five to ten per cent of their respective total annual operating budgets. Utilization of Rate Stabilization Reserves provides Regional Council with an effective tool to manage risk with tax and utility rates.

a) Rate Stabilization Reserves – Tax

The balance of the Tax Supported Rate Stabilization Reserves as at December 31, 2020 was \$168.4 million or 11.2 per cent of the 2020 Tax Supported Operating Budget, which slightly exceeds the target range.

b) Rate Stabilization Reserves – Utility Rate

The balance of the Utility Rate Supported Stabilization Reserves as at December 31, 2020 was \$46 million or 8.2 per cent of the 2020 Utility Rate Supported Operating Budget, which is in compliance with the target range.

CONCLUSION

The Budget Policy and Reserve Management Policy provide internal financial controls, administrative rules and delegated authority to staff to manage changes to the operating budget, capital budget, reserves and reserve funds.

The policies require staff to report activities related to the use of delegated authority to Regional Council at a minimum of twice annually. This report satisfies the reporting requirements of these policies for the six-month period ending December 31, 2020.

APPENDICES

- Appendix I - Operating Budget Increase Resulting from Unanticipated Funding
- Appendix II - Capital Budget Increase Approved Under Delegated Authority
- Appendix III - Capital Budget Redeployments Under Delegated Authority
- Appendix IV - Capital Budget Increase Resulting from External Funding
- Appendix V - Capital Budget Reductions Under Delegated Authority
- Appendix VI - Changes to Reserves and Reserve Funds

For further information regarding this report, please contact Norman Lum, Director, Business & Financial Planning, (905) 791-7800 ext. 3567, Norman.Lum@peelregion.ca .

Reviewed and/or approved in workflow by:

Department Commissioner, Division Director, Financial Support Unit and Legal Services.