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**For Information**

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**REPORT TITLE: Budget Policy and Reserve Management Policy Compliance Update  
– December 31, 2021**

**FROM: Gary Kent, CPA, CGA, ICD.D, Chief Financial Officer and Commissioner  
of Corporate Services**

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**OBJECTIVE**

To provide an update on activities related to the use of delegated authority to adjust the operating budget, capital budget, reserves and reserve funds, in accordance with the financial policies for the six-month period ending December 31, 2021.

**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, 2021.
  - There were activities in 106 capital projects resulting in a net budget decrease of \$32.6 million including \$32.5 million returned to capital reserves and \$0.1 million returned to Development Charges reserves.
  - The balance of the Tax Supported Rate Stabilization Reserve is 10.9 per cent of the total 2022 Tax supported operating budget, slightly exceeding the target range of five to ten per cent.
  - The balance of the Utility Rate Stabilization Reserve is 7.8 per cent of the total 2022 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 2021 and specifically on the activities for the six-month period ending December 31, 2021, 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, 2021.

### **3. Capital Budget Changes Under Delegated Authority**

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

During the reporting period, there were three budget increases totalling \$0.4 million approved and processed under the delegated authority during the reporting period (see Appendix I).

#### **b) Redeployments**

During the reporting period, 16 capital budget redeployments for \$4.3 million were approved and processed under Council delegated authority in accordance with the Budget Policy (see Appendix II).

#### **c) External Funding**

During the reporting period, two budget increases totalling \$0.2 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 III).

#### **d) Reduction**

Through active management of capital projects, the budgets of four projects under Corporate Finance, Water and Wastewater were reduced by \$13.8 million under Council delegated authority during the six months ending December 31, 2021 (see Appendix IV). Funding was returned to the Tax Supported Capital and Utility Supported Capital reserves.

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### 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) Project Closed					
Tax Supported	61	62.8	(9.9)	(9.9)	(0.1)
Utility Rate Supported	38	39.5	(9.4)	(9.4)	(0.0)
<b>Subtotal</b>	<b>99</b>	<b>102.3</b>	<b>(19.3)</b>	<b>(19.2)</b>	<b>(0.1)</b>
b) Project Increased <sup>1</sup>	3	3.2	0.4	0.4	0.0
c) Project Decreased <sup>1</sup>	4	30.8	(13.8)	(13.8)	0.0
<b>Subtotal</b>	<b>7</b>	<b>34.0</b>	<b>(13.3)</b>	<b>(13.3)</b>	<b>0.0</b>
<b>TOTAL<sup>2</sup></b>	<b>106</b>	<b>136.2</b>	<b>(32.6)</b>	<b>(32.5)</b>	<b>(0.1)</b>

<sup>1</sup>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.

<sup>2</sup>Numbers may not add up due to rounding.

The total impact of the above capital project changes is an overall net budget decrease of \$32.6 million or 24 per cent of the total net budget of \$136.2 million. Of the \$32.6 million net budget decrease, \$32.5 million were returned to internal capital reserves and \$0.1 million to Development Charges reserve funds.

### 5. Changes to Reserves and Reserve Funds Under Delegated Authority

For the six-month period ending December 31, 2021, there were no fund transfers requested between sub-reserves and no request to create a new sub-reserve under Council delegated authority.

### 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.

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### **a) Rate Stabilization Reserves – Tax**

The balance of the Tax Supported Rate Stabilization Reserves as at December 31, 2021 was \$169.5 million or 10.9 per cent of the 2022 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, 2021 was \$49.7 million or 7.8 per cent of the 2022 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, 2021.

## **APPENDICES**

Appendix I - Capital Budget Increase Under Delegated Authority  
Appendix II - Capital Budget Redeployments Under Delegated Authority  
Appendix III - Capital Budget Increase Resulting from External Funding  
Appendix IV - Capital Budget Reductions Under Delegated Authority

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