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**For Information**

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**REPORT TITLE: Budget Policy and Reserve Management Policy Compliance Update  
– June 30, 2023**

**FROM: Davinder Valeri, 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 June 30, 2023.

**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 June 30, 2023.
  - Within the operating budget, one activity (receipt of one-time funding) resulted in no net budget impact.
  - There were activities in 64 capital projects resulting in a net budget decrease of \$18.4 million including \$6.6 million returned to capital reserves and \$11.8 million returned to Development Charges Reserves.
  - The available balance of the Tax Supported Rate Stabilization Reserve is 8.8 per cent of the total 2023 Tax supported Operating Budget and is within the five to 10 per cent target range.
  - The available balance of the Utility Rate Stabilization Reserve is 7.8 per cent of the total 2023 Utility Rate supported operating budget and is within the five to 10 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

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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 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 first update for 2023 and specifically on the activities for the six-month period ending June 30, 2023, 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 June 30, 2023.

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

During the reporting period, a budget increase of \$87,000 was approved in accordance with the Budget Policy. This budget increase request was 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)**

During the reporting period, there was one capital project budget increase totalling \$250,000 approved and processed under Council delegated authority during the reporting period (see Appendix II).

#### **b) Redeployments**

During the reporting period, 21 capital project budgets redeployments for \$30.1 million were approved and processed under Council delegated authority in accordance with the Budget Policy (see Appendix III).

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

During the reporting period, four capital project budget increases totalling \$2.0 million and three capital project budget decreases totalling \$7.1 million were approved in accordance with the Budget Policy. This results in a net decrease of \$5.1 million in budget requests with net zero cost to the Region of Peel (see Appendix IV).

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### d) Reduction

Through active management of capital projects, the budgets of three projects under Roads and Transportation were reduced by \$4.3 million under Council delegated authority during the six months ending June 30, 2023 (see Appendix V). Funding of \$0.3 million was returned to the Tax Supported Capital and \$4.0 million was returned to the Development Charges Reserve Funds.

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

The table below provides a summary of these capital activities.

Activities	No. of Projects	Net Budget (\$M)	Net Budget Increased (Decreased) (\$M)	Request from/(Return to) Reserves (\$M)	
				Capital Reserves	DC Reserves
a) Projects Closed					
Tax Supported	24	84.2	(6.4)	(4.8)	(1.6)
Utility Rate Supported	36	129.1	(8.0)	(1.5)	(6.5)
<b>Subtotal</b>	<b>60</b>	<b>213.3</b>	<b>(14.4)</b>	<b>(6.3)</b>	<b>(8.1)</b>
b) Project Increased <sup>1</sup>	1	2.8	0.3	-	0.3
b) Projects Decreased <sup>1</sup>	3	113.7	(4.3)	(0.3)	(4.0)
<b>Subtotal</b>	<b>4</b>	<b>116.5</b>	<b>(4.0)</b>	<b>(0.3)</b>	<b>(3.7)</b>
<b>TOTAL<sup>2</sup></b>	<b>64</b>	<b>329.8</b>	<b>(18.4)</b>	<b>(6.6)</b>	<b>(11.8)</b>

<sup>1</sup>Projects Increased/Decreased represents ongoing work and remains active; the "Net Budget" for these projects in the above table refers to the Net Budget prior to the increase/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 \$18.4 million or 6 per cent of the total net budget of \$329.8 million. Of the \$18.4 million net budget decreased, \$6.6 million were returned to capital reserves and \$11.8 million to Development Charges Reserve Funds.

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

For the six-month period ending June 30, 2023, there were no fund transfers requested between sub-reserves and no request to create a new sub-reserve under Council delegated authority.

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### **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 Reserve – Tax**

The closing cash balance of the Tax Supported Rate Stabilization Reserve as at June 30, 2023 was \$166.4 million, or 8.8 per cent of the 2023 Tax Supported Operating Budget, which is in compliance with the target range. As \$73.9 million in expenditures were committed by Council (\$73.0 million primarily approved during the 2023 budget process, another \$0.9 million approved through in-year council resolutions), the remaining available reserve balance of \$92.5 million translates to 4.9 per cent of the 2023 total expenditures (i.e. slightly below the target range).

As the use of the Tax Rate Stabilization Reserve provides financial flexibility to the Region, further use of this reserve will continue to be rigorously monitored.

The budget process allows Council to review all the pressures at the same time to decide where it wants to allocate resources. There will continue to be discussions at budget deliberations as to what the Region can afford to move ahead with and what it cannot.

#### **b) Rate Stabilization Reserve – Utility Rate**

The closing cash balance of the Utility Rate Supported Stabilization Reserve as at June 30, 2023 was \$51.2 million or 7.8 per cent of the 2023 Utility Rate Supported Operating Budget, which is in compliance with the target range. As \$5.3 million in expenditures were committed by Council (primarily approved during the 2023 budget process), the remaining available reserve balance of \$45.9 million translates to 7.0 per cent of the 2023 total expenditures (i.e., which is still within the target range).

## **BILL 112 RISKS AND IMPLICATIONS**

The Budget has been developed assuming Peel's services will continue to be provided, not withstanding any governance decisions resulting from Bill 112.

## **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 June 30, 2023.

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### APPENDICES

Appendix I	Operating Budget Increase from Unanticipated Funding
Appendix II	Capital Budget Increase Under Delegated Authority
Appendix III	Capital Budget Redeployments Under Delegated Authority
Appendix IV	Capital Budget Increase/(Decrease) Resulting from External Funding
Appendix V	Capital Budget Reductions Under Delegated Authority

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