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**For Information**

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**REPORT TITLE:**     **Budget Policy and Reserve Management Policy Compliance Update  
– June 30, 2020**

**FROM:**             Stephen Van Ofwegen, Commissioner of Finance and Chief Financial  
Officer

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**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 June 30, 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 June 30, 2020.
  - There were activities in 76 capital projects resulting in a net budget decrease of \$61.0 million including \$57.6 million returned to reserves and reserve funds and \$3.4 million returned to Development Charges (DC) reserves
  - The balance of the Tax Supported Rate Stabilization Reserve is 9.6 per cent of the total 2020 Tax supported operating budget, within the target range of five to ten per cent.
  - The balance of the Utility Rate Stabilization Reserve is 8.0 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 first update for 2020 and specifically on the activities for the six-month period ending June 30, 2020, including reporting requirements as specified in these policies.

### **2. Operating Budget Changes Under Delegated Authority**

#### **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, 2020.

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

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

There were four budget increases totalling \$0.8 million approved under the delegated authority during the reporting period (see Appendix I (a)).

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

During the reporting period, 11 capital budget redeployments for \$17.5 million were approved and processed under Council delegated authority in accordance with the Budget Policy (see Appendix II).

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

There were no projects receiving external funding through delegated authority during this reporting period.

Council approved a budget increase totalling \$0.4 million for GE Booth Odour Mitigation project during the same period. This budget increase was 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 75 per cent 3R's Target's budget was reduced by \$55.0 million under Council delegated authority during the six months ending June 30, 2020 (see Appendix IV).

Funding was returned to the capital reserves to enable future capital projects in the long-term Waste Management Plan, easing the reliance on debt.

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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) Projects Closed					
Tax Supported	53	86.0	(4.2)	(1.7)	(2.5)
Utility Rate Supported	17	247.8	(4.3)	(1.5)	(2.8)
<b>Subtotal</b>	<b>70</b>	<b>333.8</b>	<b>(8.5)</b>	<b>(3.2)</b>	<b>(5.3)</b>
b) Projects Increased*	4	8.5	0.8	0.6	0.2
c) Projects Decreased*	1	70.3	(55.0)	(55.0)	0.0
<b>Subtotal</b>	<b>5</b>	<b>78.8</b>	<b>(54.2)</b>	<b>(54.4)</b>	<b>0.2</b>
<b>Approved by Delegated Authority (a+b+c)</b>	<b>75</b>	<b>412.6</b>	<b>(62.7)</b>	<b>(57.6)</b>	<b>(5.1)</b>
d) Projects Increased*	1	156.5	1.8	0.0	1.8
<b>Approved by Council (d)</b>	<b>1</b>	<b>156.5</b>	<b>1.8</b>	<b>0.0</b>	<b>1.8</b>
<b>TOTAL**</b>	<b>76</b>	<b>569.1</b>	<b>(61.0)</b>	<b>(57.6)</b>	<b>(3.4)</b>

\*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 \$61.0 million or 10.7 per cent of the total net budget of \$569.1 million. Of the \$61.0 million net budget decrease, \$57.6 million was returned to internal reserves and \$3.4 million was returned to DC reserve funds.

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

For the six-month period ending June 30, 2020, there were no fund transfers requested between sub-reserves and no requests to create new sub-reserves 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

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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 June 30, 2020 was \$144 million or 9.6 per cent of the 2020 Tax Supported Operating Budget, which is in compliance with the prescribed requirement.

### b) Rate Stabilization Reserves – Utility Rate

The balance of the Utility Rate Supported Stabilization Reserves as at June 30, 2020 was \$45 million or 8.0 per cent of the 2020 Utility Rate Supported Operating Budget, which is in compliance with the prescribed requirement.

## 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, 2020.

## APPENDICES

- Appendix I (a) - Capital Budget Increase Under Delegated Authority
- Appendix I (b) - Capital Budget Increase Approved by Council
- Appendix II - Capital Budget Redeployments Under Delegated Authority
- Appendix III - Capital Budget Increase Resulting from External Funding
- Appendix IV - Capital Budget Reduction under Delegated Authority

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*For further information regarding this report, please contact Norman Lum, Director, Business Y Financial Planning, (905) 791-7800 ext. 3567 or via email [Norman.Lum@peelregion.ca](mailto:Norman.Lum@peelregion.ca).*

**Reviewed and/or approved in workflow by:**  
Department Commissioner and Division Director.

Final approval is by the Chief Administrative Officer.



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N. Polsinelli, Interim Chief Administrative Officer