



Corporation of the Township of Brock

Staff Report to the Mayor and Members of Council

From: Trena DeBruijn
Position: Director of Finance/Treasurer
Title / Subject: 2022 Year-End Surplus
Date of Report: July 31, 2023
Date of Meeting: August 14, 2023
Report No: 2023-FI-020

1.0 Issue / Origin

This report provides Council with a summary of the 2022 year-end surplus and makes recommendations on the allocation of the surplus.

2.0 Background

Each year, as part of the year-end work, staff finalizes the prior year surplus or deficit and provides a report to Council, making recommendations for Council consideration on the allocation of the surplus/deficit.

3.0 Analysis

The 2022 year-end surplus has been calculated as \$943,766 and is outlined below by department, along with the major explanations for the surplus/deficit (note, the explanation column is highlighting the main reasons for each department surplus/deficit and is not intended to explain the entire exact difference within each department):

Department	Surplus (Deficit) \$	Major Explanations of Surplus/Deficit
CAO	\$397,143	<ul style="list-style-type: none"> • \$178,000 from Tax Revenues in excess of budget (increased tax interest and penalty revenue, additional supplementary billing revenue and additional payment in lieu revenue) • \$43,500 WSIB Surplus Rebate • \$150,400 Salary and Benefit Savings from hiring contract staff, salary gapping, and Admin. Assistant position not yet hired. • \$35,000 CAO Recruitment – Transfer from reserves in error as no matching expense
Council	\$8,272	<ul style="list-style-type: none"> • \$4,900 from Council Committee Expense Savings • \$3,100 from Council Other Expense Savings
Clerks	\$33,927	<ul style="list-style-type: none"> • \$25,934 from Legal Fees Expense Savings • \$13,524 from Integrity and Ombudsman Savings
Treasury	\$105,027	<ul style="list-style-type: none"> • \$61,100 increased Investment Income • \$43,300 Salary Gapping
Public Buildings	\$14,755	<ul style="list-style-type: none"> • (\$22,875) loss of Beaverton Town Hall Rental Revenue • \$13,475 Salary Savings from Gapping • \$10,000 Net Savings in Consulting/Repairs • \$4,000 Savings in Tree Planning • \$4,300 Savings in Beaverton Town Hall Utility/Building Expenses • \$6,000 Savings in Town Hall Utility/Building Expenses
Health and Safety	\$11,141	<ul style="list-style-type: none"> • \$7,700 Savings in Salaries • \$2,700 Savings in Education/Conferences
IT	(\$14,539)	<ul style="list-style-type: none"> • \$9,500 Savings in Salaries • \$15,000 Savings in IT Subscriptions • (\$33,000) IT Agreement Exceeding Budget • (\$5,800) IT Equipment Leases Exceeding Budget
Fire	\$63,559	<ul style="list-style-type: none"> • \$83,252 in Salary Savings (\$52,424 in Fire Administration Salaries due to position gapping, and savings of \$30,828 in fire hall volunteer response due to number of fire responses in the year) • (\$38,297) Fire Protective Clothing Exceeding Budget • \$13,185 in Fire Radio Agreement Savings • \$10,210 in Fire Covid Expense Savings • (\$7,500) Fire Vehicle Gas and Oil Exceeding Budget

By-Law	(\$2,509)	<ul style="list-style-type: none"> • \$11,200 in Animal Control Revenue Exceeding Budget • (\$27,370) Animal Control Salaries Exceeding Budget • \$30,000 By-Law Salary Savings • (\$3,000) Animal Control Legal Fees Exceeding Budget • (\$3,900) Animal Control Vehicle Gas and Oil Exceeding Budget • (\$4,000) By-Law Legal Exceeding Budget • (\$2,700) By-Law Clothing Exceeding Budget • (\$1,700) By-Law Vehicle Repairs Exceeding Budget
Public Works	\$96,930	<ul style="list-style-type: none"> • \$87,676 Salary Savings (Gapping) • \$53,871 Consultant Savings • \$33,384 Street Light Installation and Locate Savings • \$32,347 Increased Revenue Exceeding Budget • (\$53,364) Materials Expenses Exceeding Budget • (\$57,621) Equipment Expenses Exceeding Budget
Waste Management	\$4,098	<ul style="list-style-type: none"> • \$5,500 Savings in Rental Equipment • \$860 Savings in Garbage Supplies • (\$2,300) Garbage Tipping Fees Exceeding Budget
Health Centres	\$13,010	<ul style="list-style-type: none"> • \$4,500 Increased Revenues from BTHC • \$2,350 Increased Revenue from Cemeteries • (\$6,900) Building Expenses Exceeding Budget BTHC • \$2,500 Salary Savings from Cemeteries • \$11,300 Cemetery Expense Savings
Parks & Recreation	\$164,604	<ul style="list-style-type: none"> • \$26,900 Increased Summer Camp Revenue • \$19,100 ICIP Grant Fund Received • \$45,700 Salary and Benefit Savings (reduced summer camp staffing as changes to camp programming, reductions from summer staff departing earlier than planning (camp and harbour) and salary gapping due to sick time, etc.) • \$10,000 Summer Camp Trip Expenses – No trips in 2022 • \$33,800 Recreation Expense (difficulty securing contract instructors, reduced meeting, materials events (did not hold sports hall of fame in 2022), and Advertising (did not print annual recreation guide)) • \$21,200 Arena Reduced Covid Expenses

Library	\$62,113	<ul style="list-style-type: none"> • \$11,600 Increased Revenues • \$29,750 Salary and Benefit Savings • \$3,380 Rent Savings • \$5,575 Building Expense Savings • \$8,200 Utility Savings
Planning	(\$13,765)	<ul style="list-style-type: none"> • (\$40,900) Decreased Planning Fees Revenue • \$2,000 Increased Planning Advisory Revenue • (\$7,150) Legal Fees Exceeding Budget • \$17,400 Consulting Expense Savings • \$3,671 Committee of Adjustment Expense Savings
Total	\$943,766	

When reviewing annual surplus, it is important to consider the factors that may have contributed to the surplus.

Of the surplus of \$943,766, approximately \$582,900 relates to expenditure savings and approximately \$360,900 relates to increased revenues, over budget. The total budget operating expenditures were approximately \$13,941,117 in 2022, therefore, total savings in expenditures approximates 4% of total overall operating expenditures.

Of the increased revenues, over budget, approximately \$314,010 is related to factors that would be considered “unexpected” or “one time” and represents fiscally conservative budgeting.

	\$
Additional Tax Revenue	\$178,000
WSIB Surplus Rebate	\$43,500
Investment Income	\$61,100
Covid Expense Reduction	\$31,410
Total Unexpected/One Time	\$314,020

Additional tax revenue collected each year, over budget, can be generated for several reasons which are unforeseeable at tax time. For example, the payments patterns of our residents will affect the tax penalty and interest which the Township receives, and income related to supplemental billings are dependent upon MPAC getting new properties (or assessment) on to our rolls for billing purposes.

In 2022, the Workplace Safety and Insurance Board (“WSIB”), determined, through an actuarial review of total claims, that there program was overfunded. Accordingly, the Township (along with many other employers) received a small, one-time rebate. This was something that the Township was not aware of at budget time and could not have been budgeted for.

When preparing budget for estimated investment income, staff often refer to prior year's income as a consideration towards budgeting for the upcoming year. This line item can be a challenge to budget for as staff are not sure what the markets will do each year. Staff feel that it is better to be cautious with this budget line as the investment markets have been volatile in recent years and the Township does not want to find itself in a position where we are relying on more investment income than we are receiving.

When the 2022 budget was prepared, the COVID pandemic was (and in some ways, still is) a budget consideration. As restrictions started lessening and procedures were developed, this resulted in reduced COVID expenditures required. These COVID expenses will be revisited and reviewed in the 2024 budget process.

Of the surplus, approximately \$439,000 (or 6.5% of total salary and payroll expenses for 2022) relates to salaries and benefits not spent during the year. The salary lines are budgeted each year based upon the number of positions required to provide ongoing services. Each year, staffing changes may result in potential salary savings. This may be due to factors such as salary gapping while replacement staff is hired, staff on leave or long term disability, staff hired that do not require benefits or may be on probation until benefits are provided. There could be several factors which may affect the salary lines in any given year, however, this is something that is difficult to estimate during budget preparation. In order to provide services to our residents, a certain number of staff are required and from a budgeting perspective, it is important that we budget for each position annually.

There are many factors and considerations which go into preparing an annual budget. Staff assess the costs required to provide the services required and look to determine what changes (and the associated costs) that might be required in any given year. These changes may come from factors such as operating changes or even from changes required due to requirements implemented/downloaded from other levels of government. These assessments may increase or decrease budgets annually. In addition, staff will also consider factors such as historical spending and market driven costing, in preparing budgets. A budget is simply an estimate of what it is assumed it will cost to operate the municipality. Staff are directed to work within the budgets provided and manage their bottom departmental lines. Some accounts will be over and some will be under.

In some cases, there may be situations where work that was planned to be done, however, did not happen during the year. If the work is going to be ongoing in a subsequent year, staff will make recommendations to move the funding to reserves to be used to fund the work performed after year-end. If the work is not required, the planned funding may not be required and therefore, would transfer to surplus at year-end.

4.0 Transfer to Tax Rate Stabilization

Staff recommend that the surplus of \$943,766 be allocated as follows:

	\$
2022 Surplus	\$943,766
Less: Library Tax Rate Stabilization Reserve	\$62,113 (balance of Library Surplus)
Less: Sunderland Arena Reserve	\$19,100 (from ICIP Grant Funds Received)
Less: Public Works Reserve	\$33,000 (from Street Light Savings to be used towards Streetlight Inventory Review currently underway)
Less: Public Works Reserve	\$53,000 (from 2022 Consulting to be used towards the Roads Need Study being conducted in 2023)
Less: Tax Rate Stabilization	\$35,000 (Transfer funding for CAO Recruitment that was not completed in 2022 but funds transferred in error – Transfer back to reserve)
Remaining Balance – Transfer to Tax Rate Stabilization	\$741,553

Of the remaining surplus of \$741,553, staff recommend that this be transferred to the Tax Rate Stabilization Reserve and be considered in upcoming 2024 budget discussions and/or as part of the ongoing discussions and funding considerations for the Sunderland Arena Renovation and Expansion Project (to potentially reduce borrowing costs if this is Council's desire and direction to staff).

Staff are continuing work to advance the Sunderland Arena Renovation and Expansion Project and it is anticipated that regular reports will be brought to Council attention, that will include financial project projections and financing.

5.0 Related Policies / Procedures

N/A

6.0 Financial / Budget Assessment

As outlined in the report.

7.0 Climate Change Impacts

N/A

8.0 Communications

N/A

9.0 Conclusion

The 2022 year-end surplus has been outlined above and recommendations on allocation of the surplus have been suggested.

10.0 Recommendation

That Council receive report 2023-FI-020; and

That Council approve transfer of 2022 Year-End of \$943,766 Surplus as follows:

- \$62,113 to Library Tax Rate Stabilization Reserve;
- \$19,100 to Sunderland Arena Reserve;
- \$33,000 for Public Works Reserve for Streetlight Inventory Review;
- \$53,000 to Public Works Reserve for Road Needs Study;
- \$35,000 to Tax Rate Stabilization for CAO Recruitment Funds Transferred and Not Required in 2022; and
- \$741,553 to Tax Rate Stabilization, pending upcoming 2024 budget discussions and/or in consideration of ongoing discussions in regards to the Sunderland Arena Renovation and Expansion Project.