



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: 2023 Year-End Deficit and Year-End Reserve Balances
Date of Report: May 30, 2024
Date of Meeting: June 24, 2024
Report No: 2024-FI-016

1.0 Issue / Origin

This report provides Council with a summary of the 2023 year-end deficit and makes recommendations on the funding of the deficit.

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 – 2023 Year-End

The 2023 year-end Operating deficit has been calculated as \$31,724 (which includes a Library Surplus of \$11,570) 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)
Building	(\$120,468)	<ul style="list-style-type: none">Actual revenue was approximately \$350,000 less than 2023 budget, however, this loss was partially offset by a reduction in transfers to reserves and expense savings of approximately \$112,500, for a net loss of approximately \$240,000. The net loss was reduced by a transfer from building reserves

		of \$120,135 (reduced building reserve to \$NIL), resulting in a final net loss for year-end of approximately \$120,468 for 2023.
CAO/Corporate	\$351,854	<ul style="list-style-type: none"> • \$117,225 Tax Revenues in excess of Budget (increased tax interest and penalty revenue, additional supplementary billing revenue and additional payment in lieu revenue) • \$114,125 Salary Savings due to salary gapping as well as the delay in hiring a CAO Assistant and Human Resources Assistant. Some of these savings were intentional as the salary impact for the review of Director Salaries were funded by these savings. • \$80,730 Benefit Savings primarily due to arrangement with Interim CAO (as well as not incurring benefits for the CAO Assistant or Human Resources Assistant)
Council	\$2,528	<ul style="list-style-type: none"> • \$8,805 from Council Conference/Education Expense Savings • \$5,000 from Council Committee Expense Savings • (\$10,620) Salaries and Severance Expense Exceeding Budget
Clerks	\$3,101	<ul style="list-style-type: none"> • (\$90,650) Legal Fees Exceeding Budget • \$12,595 Integrity and Ombudsman Savings • \$24,960 Salary and Benefit Savings • \$8,885 User Fees Revenue Increase (firework revenue, lottery revenue and licencing revenue) • \$44,700 Transfer from Reserves from 2022 Budget carryover for Comms Coordinator
Treasury	(\$91,531)	<ul style="list-style-type: none"> • \$70,730 Increased Investment Income • (\$51,420) Salary and Benefits Exceeding Budget due to Staffing Changes and Salary Review changes • (\$25,695) Insurance Premium Cost Increase • (\$11,610) Consulting and Audit costs Exceeding Budget (Annual Audit and ARO Consulting Fees) • (\$9,710) Tax Fees Exceeding Budget (Assessment Management Fees for Gravel Pits and Tax Sale Fees) • (\$53,810) Tax Write-offs Exceeding Budget (Charity Rebates, Section 357/358 Adjustments, Supplemental Changes, ARB, MOS and TI adjustments, Errors Corrections)
Public Buildings	\$10,164	<ul style="list-style-type: none"> • (\$9,405) Beaverton Town Hall Rental Revenue Decrease • \$31,725 Salary and Benefit Savings • (\$37,272 Net Overage in Building Repairs • \$6,234 Savings in Materials • \$17,625 Net Savings Custodian fees

Health and Safety	\$6,786	<ul style="list-style-type: none"> • \$9,320 Savings in Salaries • (\$2,095) Education/Conferences and Program costs Exceeding Budget
IT	(\$61,162)	<ul style="list-style-type: none"> • (\$10,040) IT Subscriptions Exceeding Budget • (\$17,920) IT Agreement Exceeding Budget. • (\$7,150) IT Telephone Exceeding Budget • (\$6,245) IT Internet Connectivity Exceeding Budget
Fire	(\$145,032)	<ul style="list-style-type: none"> • (\$87,855) Salary & Benefits Exceeding Budget • \$10,015 Fire Protective Clothing Savings • (\$6,540) Fire Radio Agreement Exceeding Budget • \$10,220 Fire Training Program Savings • (\$6,015) Decreased Fire Revenue • (\$7,270) Fire Vehicle Gas and Oil Exceeding Budget • (\$44,960) Net Fire Repairs & Maintenance Exceeding Budget • \$16,000 Fire Consulting Savings
By-Law	(\$35,457)	<ul style="list-style-type: none"> • \$3,960 in Animal Control Revenue Exceeding Budget • (\$33,360) By-Law Salaries and Benefits Exceeding Budget • \$6,350 Animal Control Salary and Benefit Savings • (\$3,180) Animal Control Vehicle Gas and Oil Exceeding Budget • (\$2,800) Animal Control Supplies Exceeding Budget
Public Works	(\$93,614)	<ul style="list-style-type: none"> • \$38,755 Net Salary & Benefit Savings (Mechanic position not hired) • \$25,725 Consultant Savings • (\$43,450) Road Revenue Decrease • \$33,685 Net Program Materials Savings • \$50,000 Street Calming Initiative Savings • (\$210,986) Equipment Usage Surplus Transfer to Roads Reserve Fund
Waste Management	\$7,058	<ul style="list-style-type: none"> • \$7,730 Savings in Rental Equipment • (\$1,045) Garbage Supplies Exceeding Budget
Health Centres	\$13,427	<ul style="list-style-type: none"> • \$5,340 Increased Revenues from BTHC • \$7,325 Increased Revenue from Cemeteries • (\$2,780) Building Expenses Exceeding Budget BTHC • \$4,620 Salary Savings from Cemeteries • (\$1,375) Cemetery Expense Exceeding Budget

Parks & Recreation	\$145,866	<ul style="list-style-type: none"> • \$12,335 Increased Summer Camp Revenue • \$85,710 Increased Ice Rental Revenue • (\$47,315) Salaries & Benefits Exceeding Budget • \$46,695 Recreation Expense Savings (difficulty securing contract instructors, reduced Meeting and Materials, Events, and Advertising)
Library	\$11,570	<ul style="list-style-type: none"> • \$36,175 Salary and Benefit Savings • (\$8,585) Net Program expenses Exceeding Budget • \$8,627 Building Expense Savings • (\$23,625) Net Revenue/Grant Decrease
Planning	(\$36,814)	<ul style="list-style-type: none"> • (\$86,940) Decreased Planning Fees Revenue • \$29,270 Salary and Benefit Savings • \$24,235 Consulting Expense Savings
Total Deficit	(\$31,724)	

Based on the analysis above, it is recommended that the Library Surplus of \$11,570 be transferred to the Library Rate Stabilization Reserve at year-end and that a total of \$43,294 be transferred from the Corporate Rate Stabilization Reserve to cover the 2023 year-end deficit.

4.0 Reserve Balances

Reserves and Reserve Funds are an important long-term financial planning tool for municipalities and are used to set aside funds for a future purpose.

Definitions

Reserves	Monies set aside by approval of Council and not restricted by legislation. Reserves can be related to projects that are of a nature prescribed and are managed by approval of Council.
Deferred Reserve	Deferred Reserves are an Obligatory Reserve Fund. These are monies that are set aside and legally restricted by Provincial Legislation, a Municipal By-law, or agreement. The funds are raised for a specific purpose and cannot be used for any other purpose.
Capital Reserve Funds	The Township of Brock has Capital Reserve Funds which is considered to be a Discretionary Reserve Fund. These are monies set aside for a specific purpose by Council and legislated by municipal by-law.
Reserve Fund	Monies set aside for a specific purpose as required by Provincial Legislation, Municipal By-Law, or agreement. The Township of Brock has both Obligatory and Discretionary Reserve Funds.

As at December 31, 2023, the Township had total reserves of approximately \$23,811,082 and an estimated year-end 2024 balance of \$16,054,264 as follows:

Category	Account Name	December 31, 2023	Estimated Year-End 2024
Reserves	Working Capital	\$500,000	\$500,000
Reserves	Election	\$55,645	\$83,495
Reserves	Committed Projects	\$160,721	\$46,356
Reserves	Planning	\$15,000	\$5,295
Reserves	Legal	\$50,000	\$90,000
Reserves	Golf Tournament	\$50,385	\$31,383
Reserves	Rate Stabilization	\$1,428,021	\$500,511
Reserves	Library Rate Stabilization	\$157,985	\$138,871
Total Reserves		\$2,417,757	\$1,395,911
Obligatory Reserves			
Deferred Reserve Fund	Development Charges – Hard Services	\$2,082,714	\$1,646,426
Deferred Reserve Fund	Development Charges – Soft Services	\$4,562,554	\$1,025,193
Deferred Reserve Fund	Federal Gas Tax	\$1,435,491	(\$45,379)
Deferred Reserve Fund	Building	\$0	\$2,276
Deferred Reserve Fund	Parkland	\$246,383	\$250,782
Total Obligatory Reserves		\$8,327,142	\$2,879,298
Capital Reserve (Discretionary)			
Capital Reserve Fund	Public Buildings	\$1,346,430	\$1,336,302
Capital Reserve Fund	Admin Equipment	\$337,138	\$67,883
Capital Reserve Fund	IT	\$39,368	\$58,896
Capital Reserve Fund	CTH-OCA Improvements	\$274	\$278

Capital Reserve Fund	Fire	\$181,811	\$180,931
Capital Reserve Fund	Building Department	\$67,822	\$73,652
Capital Reserve Fund	Canine	\$72,203	\$98,143
Capital Reserve Fund	Roads Department	\$4,252,022	\$3,821,449
Capital Reserve Fund	Sidewalk	\$34,966	\$175,675
Capital Reserve Fund	Arenas	\$2,067,022	\$1,422,329
Capital Reserve Fund	Streetlights	\$107,268	\$108,703
Capital Reserve Fund	Harbour	\$608,758	\$579,810
Capital Reserve Fund	Parking Lots	\$65,977	\$1,769
Capital Reserve Fund	Snow/Dust Suppressant	\$267,172	\$269,658
Capital Reserve Fund	Parks	\$107,998	\$54,441
Total Capital Reserve Fund		\$9,556,229	\$8,249,919
Discretionary Reserve			
Reserve Funds	Brock Hydro	\$2,910,291	\$2,944,112
Reserve Funds	Insurance	\$268,599	\$248,205
Reserve Funds	Main Street Drainage	\$30,880	\$31,420
Reserve Funds	Wilfrid Hall	\$8,185	\$9,545
Reserve Funds	Manilla Hall	\$56,090	\$59,489
Reserve Funds	Post Employment	\$235,910	\$236,365
Total Reserve Funds		\$3,509,954	\$3,529,136
Total of all Reserves, Deferred Revenue, Capital Reserve Funds and Reserve Funds		\$23,811,082	\$16,054,264

Development Charges – Estimated Year-End 2024

Development Charges for Hard Services includes Development Charges collected for both Engineering (Public Works) and Fire. The balance above of \$1,646,426 is allocated as follows:

- \$1,592,305 for Engineering
- \$54,121 for Fire

Development Charges for Soft Services includes Development Charges collected for General Government, Parks and Public Works Equipment. The balance above of \$1,025,093 is allocated as follows:

- (\$13,793) for General Government (could potentially be overdrawn IF no DC's received throughout the year)
- \$878,951 for Parks, Recreation and Library
- \$160,036 for Public Works Equipment

Arena Reserves - Estimated Year-End 2024

The arena reserve has an estimated balance of \$1,422,329 as of December 31, 2024 and is allocated as follows:

- \$595,514 for Beaverton Arena
- \$326,225 for Cannington Arena
- \$500,590 for Sunderland Arena

Capital Reserve Fund – Roads – Estimated Year-End 2024

The Capital Reserve Fund for Roads has an estimated balance of \$3,821,449 as of December 31 2024, allocated as follows:

- \$489,585 for Gravel
- \$0 for Thorah Island Gravel
- \$907,862 for Fleet Replacement
- \$2,424,002 for Roads and Bridges

Rate Stabilization – Estimated Year-End 2024

The Rate Stabilization Reserve is, for the most part, funded by surpluses in prior years. It is a discretionary reserve and Council can allocate the funds from this reserve and is also used to offset any deficits at year-end.

As previously outlined, the 2023 year-end deficit is approximately \$43,294 and it is recommended that this deficit be funded from Rate Stabilization Reserve.

If funded by Rate Stabilization, the estimated reserve balance at December 31, 2024, will be approximately \$457,217.

Library Rate Stabilization – Estimated Year-End 2024

As reported above, the Library has a surplus of \$11,570 at year-end 2023 and it is recommended that this surplus be transferred to the Library Rate Stabilization reserve. If transferred, it is estimated that the Library Rate Stabilization Reserve balance will be approximately \$150,441 at year-end December 31, 2024.

5.0 Related Policies / Procedures

N/A

6.0 Financial / Budget Assessment

As outlined in the report.

7.0 Asset Management

N/A

8.0 Climate Change Impacts

N/A

9.0 Communications

N/A

10.0 Conclusion

This report provides a summary of all reserves as of December 31, 2023, and an estimate for year-end 2024. In addition, it recommends that the 2023 year-end deficit of \$43,294 be funded from rate stabilization and that the Library surplus of \$11,570 be transferred to the Library Rate Stabilization Reserve.

11.0 Recommendation

It is recommended that report 2024-FI-016

Council approve the transfer from Rate Stabilization of \$43,294 to cover the 2023 year-end Deficit; and that

Council approve the transfer of \$11,570 to the Library Rate Stabilization Reserve for year-end 2023.