



## **STAFF REPORT**

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**Meeting Date: June 13, 2022**

**Title: Amendment to the 2022 Budget – June 2022**

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**Department:** Finance

**Report Number: Finance-2022-019**

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### **Recommendation:**

**THAT Council approves an amendment to the 2022 Budget**

### **Background:**

In accordance with S. 290 of the Municipal Act, Council adopted the 2022 Budget back on February 28, 2022 (By-Law 2022-10).

Any amendments to that budget must be approved by Council.

### **Discussion:**

#### 2021 Operating Surplus

The Municipal Act requires municipalities to bring the prior year's surplus forward into the next year's Operating budget as a revenue source and to bring the prior year's deficit forward into the next year's Operating budget as an expense.

The City adopts a balanced budget each year, whereby operating revenues are equal to operating expenditures.

Generally, a surplus/deficit position is not identified until year-end, so allocations cannot be budgeted for in advance.

A surplus arises in the Operating budget when there is an excess of revenues over expenditures, a deficit would arise if the reverse were true. Year-end surpluses generally arise from two occurrences – higher than budgeted revenues including one-time only revenues, and/or lower than budgeted expenditures.

An Operating budget surplus represents one-time funding that, by its nature, cannot be relied on to recur on an ongoing basis. Therefore, the City plans to use Operating budget surpluses to fund reserves as part of a sound financial system. Reserves provide for future funding requirements, stabilize operating and capital activities, provide contingency funding for unforeseen or emergency expenses, and lessen the reliance on debt financing.

Operating budget surpluses/deficits are not equivalent to the surplus or deficit presented in the annual consolidated financial statements, which are presented in accordance with Public Sector Accounting Standards. Unlike the operating budget surplus, the surplus or deficit for financial statement purposes excludes reserve transfers, principal debt payments, and proceeds from the disposal of tangible capital assets, and includes capital revenues, gains (losses) from the disposal of tangible capital assets, and amortization.

The Operating Surplus and Deficit Policy provides a defined and transparent process for allocating year-end operating surpluses/deficits.

#### 2021 Year-End Results:

2021 post audit Operating results had a surplus (positive variance to budget) of \$1,996,504.

This was broken down as follows:

- \$0 surplus in Aaron Park operations
- \$1,996,504 surplus in All Other Department operations
  - Includes \$885,020 in Regional Air Transportation Initiative (RATI) funding received in 2021

#### 2022 Required Budget Adjust:

Revenue:

Prior Year's Surplus - \$(1,996,504)

Expense:

Transfer to Reserve - \$1,996,504

- \$885,020 RATI funding to the General Operating Reserve
  - Balance of Surplus equals \$1,111,484
- \$277,871 (25% of \$1,111,484) to the General Operating Reserve
- \$277,871 (25% of \$1,111,484) to the Emergency Capital Reserve
- \$555,742 (50% of \$1,111,484) to the General Capital Reserve Fund

### **Financial Implications:**

- No impact to 2022 Operating budget
  - Prior Year's Surplus revenue budgeted in 2022 would be equal to a Transfer to Reserve expense budget in 2022
- Reserve and Reserve Fund balances would be increased by \$1,996,504

Reserve	2021 YE Balance	2021 Surplus Allocation	Revised Balance	Reserve Upper Limit
General Operating Reserve	\$433,811	\$1,162,891	\$1,596,702	\$2,000,000
Emergency Capital Reserve	\$433,811	\$277,871	\$711,682	\$500,000
General Capital Reserve Fund	\$1,408,116	\$555,742	\$1,963,858	N/A

Note:

1. \$301,606 budgeted draw from the General Operating Reserve (RATI funds) for Airport Operations in 2022
2. \$488,858 budgeted draw from the General Operating Reserve for DPS Disbandment costs in 2022
3. \$415,500 budgeted draw from the Emergency Capital Reserve for the OPP Facility Upgrade in 2022
4. \$723,473 budgeted draw from the General Capital Reserve Fund for the OPP One-Time Start-Up costs in 2022

### **Attachments (Reference Material):**

- FI-SD-01 Operating Surplus and Deficit Policy
- 2021 Budget Variance Report