



Submitted by: Diane Larder, Director of Finance

Report No: 2023-008

Council Meeting Date: Regular Council - 18 Jan 2023

Subject: 2023 Budget Summary

File: F05-2023

RECOMMENDATION:

1. That Report 2023-008 be received for information.

2. That Council adopt the 2023 Budget By-law.

BACKGROUND & COMMENTS:

The 2023 draft capital budget was presented to Council at the December 7th, 2022 meeting with a 6.85% increase to the tax levy for a total levy requirement of \$3,046,646. Through various discussions, Council was able to reduce the increase to 5.40%; \$3,005,180 to be funded from taxation. Report 2022-217 highlights the amendments made to the 2023 capital budget.

The 2023 draft operating budget was presented at the December 21st, 2022 Council meeting with a tax levy requirement of \$7,346,437; 9.32% tax levy increase.

Combining both Capital and Operating Budgets, the 2023 Budget presents a total tax levy requirement of \$10,351,167 for an increase of 8.15%. Report 2022-207 from the December 21, 2022 speaks to the projected assessment growth for the Township while Report 2022-208 highlights the impact of both the tax levy increase and the assessment growth.

As part of the budget discussion of December 21st, 2022; the following reserve for broadband, previously named SWIFT Reserves has been renamed Infrastructure Project Reserves. This reserve will be available for current and future Township projects.

Schedule A attached provides the balance of the reserves over a period of 10 years, aligning to the Township's 10 year capital plan. As the 10 year capital plan evolves and projects are aligned within, the reserve schedule will be adjusted accordingly.

Reserve Policy has been included for reference.

FINANCIAL IMPLICATIONS:

The financial impact of the 2023 Capital and Operating Budget presents a tax levy requirement of \$10,351,167; 8.15% increase.

LINK TO STRATEGIC PLAN:

The Corporation of the Township of Zorra

P.O. Box 306, Ingersoll, Ontario N5C 3K5

Tel. (519) 485-2490 • Toll Free 1-888-699-3868 • Fax (519) 485-2520 • E-mail: admin@zorra.ca

Goal:

We are an engaged community that values all members and actively encourages involvement, engagement, openness and transparency.

Action:

Accountability and Transparency

ATTACHMENTS:

[Schedule A - Reserve Schedule \(2023-2032\)](#)

[Reserve Policy 500-07](#)

Approved By:

Diane Larder, Director of Finance

Don MacLeod, Chief Administrative Officer

Karen Martin, Director of Corporate Services

Status:

Approved - 11 Jan 2023

Approved - 12 Jan 2023

Approved - 12 Jan 2023



CONTINUITY OF RESERVES FOR THE PERIOD OF 2022 TO 2023

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Reserves											
Working Fund	\$ 541,209	\$ 541,209	\$ 541,209	\$ 541,209	\$ 541,209	\$ 541,209	\$ 541,209	\$ 541,209	\$ 541,209	\$ 541,209	\$ 541,209
Insurance Deductible	\$ 39,679	\$ 39,679	\$ 39,679	\$ 39,679	\$ 39,679	\$ 39,679	\$ 39,679	\$ 39,679	\$ 39,679	\$ 39,679	\$ 39,679
Election Reserves		\$ 5,000	\$ 10,000	\$ 15,000	\$ -	\$ 5,000	\$ 10,000	\$ 15,000	\$ -	\$ 5,000	\$ 10,000
Surplus/Deficit	\$ 614,924	\$ 632,056	\$ 611,056	\$ 611,056	\$ 611,056	\$ 611,056	\$ 611,056	\$ 611,056	\$ 611,056	\$ 611,056	\$ 611,056
Infrastructure Projects	\$ 695,000	\$ 835,000	\$ 1,005,000	\$ 1,180,000	\$ 1,355,000	\$ 1,530,000	\$ 1,705,000	\$ 1,880,000	\$ 2,055,000	\$ 2,230,000	\$ 2,405,000
Land Development	\$ 73,646	\$ 73,646	\$ 73,646	\$ 73,646	\$ 73,646	\$ 73,646	\$ 73,646	\$ 73,646	\$ 73,646	\$ 73,646	\$ 73,646
Fire-Vehicles	\$ 294,141	\$ (151,859)	\$ (3,779)	\$ 208,463	\$ 424,949	\$ (4,235)	\$ 220,997	\$ 150,734	\$ 322,066	\$ 561,085	\$ 304,884
Fire-Equipment	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,571	\$ 6,571
Fire-Building	\$ -	\$ 2,500	\$ 23,100	\$ 54,312	\$ 86,148	\$ 118,621	\$ 151,743	\$ 185,528	\$ 219,989	\$ 255,139	\$ 290,992
Fire-Communications	\$ -	\$ 12,000	\$ 24,000	\$ 36,000	\$ 48,000	\$ 60,000	\$ 72,000	\$ 84,000	\$ 96,000	\$ 108,000	\$ 120,000
Fire-SCBA	\$ -	\$ 25,000	\$ 63,000	\$ 101,000	\$ 139,000	\$ 177,000	\$ 197,000	\$ 118,000	\$ 96,000	\$ (50,500)	\$ (12,500)
Public Works-Building	\$ -	\$ -	\$ 50,000	\$ 101,000	\$ 153,020	\$ 206,080	\$ 260,202	\$ 315,406	\$ 371,714	\$ 429,148	\$ 487,731
Public Works-Equip	\$ 566,693	\$ 636,693	\$ 657,193	\$ 827,603	\$ 820,341	\$ 621,834	\$ 363,517	\$ 37,833	\$ 130,036	\$ 335,383	\$ 454,137
Recreation	\$ 218,973	\$ 95,973	\$ 52,013	\$ (56,866)	\$ 51,377	\$ 81,785	\$ 94,401	\$ 109,270	\$ 56,436	\$ 175,945	\$ 177,844
Dam Rehabilitation	\$ 340,000	\$ 417,000	\$ 494,000	\$ 571,000	\$ 648,000	\$ 725,000	\$ 802,000	\$ 879,000	\$ 956,000	\$ 1,033,000	\$ 1,110,000
Infrastructure-Levy	\$ 801,397	\$ 369,397	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)	\$ (0)
Total Reserves	\$ 4,192,233	\$ 3,539,865	\$ 3,646,688	\$ 4,309,673	\$ 4,997,996	\$ 4,793,246	\$ 5,149,021	\$ 5,046,932	\$ 5,575,402	\$ 6,354,361	\$ 6,620,249
Reserve Funds											
MNR-Aggregate	\$ 767,915	\$ 814,792	\$ 724,931	\$ 774,986	\$ 845,775	\$ 885,775	\$ 925,775	\$ 965,775	\$ 893,223	\$ 836,071	\$ 876,071
Village Affairs/ERTH	\$ 159,141	\$ 159,141	\$ 159,141	\$ 159,141	\$ 159,141	\$ 159,141	\$ 159,141	\$ 159,141	\$ 159,141	\$ 159,141	\$ 159,141
Parkland	\$ 52,463	\$ 52,463	\$ 52,463	\$ 52,463	\$ 52,463	\$ 52,463	\$ 52,463	\$ 52,463	\$ 52,463	\$ 52,463	\$ 52,463
Building Dept	\$ 572,553	\$ 442,553	\$ 392,553	\$ 342,553	\$ 267,553	\$ 217,553	\$ 167,553	\$ 117,553	\$ 67,553	\$ 17,553	\$ (32,447)
Development Charges	\$ 204,148	\$ 233,812	\$ 263,476	\$ 293,140	\$ 312,504	\$ 331,703	\$ 361,367	\$ 365,972	\$ 374,312	\$ 382,652	\$ 390,992
Federal Gas Tax	\$ 33,742	\$ 33,742	\$ 48,742	\$ 48,742	\$ 48,742	\$ 48,742	\$ 48,742	\$ 48,742	\$ 48,742	\$ 48,742	\$ 48,742
Total Reserve Funds	\$ 1,789,962	\$ 1,736,503	\$ 1,641,306	\$ 1,671,025	\$ 1,686,178	\$ 1,695,377	\$ 1,715,041	\$ 1,709,646	\$ 1,595,434	\$ 1,496,622	\$ 1,494,962
Total Reserves	5,982,195	5,276,368	5,287,994	5,980,698	6,684,174	6,488,623	6,864,062	6,756,578	7,170,836	7,850,983	8,115,211



Purpose:

The objective of the reserves policy is to ensure adequate working capital is available for cash flow and contingency purposes, and as a source of funding the Township's long-term capital plan, while maintaining reasonable tax rates and user fees.

Governing Legislation:

Authority Under Municipal Act, 2001 c. 25 (as amended)

Section 290 – in preparing the budget, the local municipality may provide for such reserves as the municipality deems necessary.

Section 293 – specifies that the Minister may make regulations requiring a municipality to establish a reserve fund designated for prescribed liabilities, defining “liabilities”, requiring a municipality to make payments into the reserve fund, prohibiting the municipality from changing the purpose for which the reserve fund is designated; and prescribing the conditions under which the municipality may change the designation of all or any part of the reserve fund, and borrow from the reserve fund.

Section 417 – allows a municipality to provide in its budget for the establishment or maintenance of a reserve fund for any purpose for which it has authority to spend money and that a municipality may by by-law provide that the money raised for a reserve fund may be spent or applied to a purpose other than that for which the fund was established.

Definitions:

“Reserve”: means an allocation from net revenue at the discretion of Council, after the provision for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund. Municipal Councils may set up reserves for any purpose for which they have the authority to spend money. Reserves are part of a revenue fund and therefore, do not earn interest on their own.

“Reserve Fund”: A reserve fund differs from a reserve in that the reserve fund assets are segregated and restricted to meet the purpose of the reserve fund. All earnings derived from such investments must form part of the reserve fund. There are two types of reserve funds: discretionary reserve funds and obligatory reserve funds.

“Discretionary Reserve Funds”: A reserve or reserve fund created at the discretion of Council whenever revenues are earmarked to finance future expenditures of a purpose designated by Council. Revenues set aside for acquisition of fixed assets is an example of discretionary reserve funds.

“Obligatory Reserve Funds”: A reserve fund created when senior government statute or agreement requires that revenue received for special purposes be segregated from the general revenues of the municipality. Obligatory reserve funds are to be used solely for the purpose prescribed for them by statute or agreement. Development Charges and Cash-Lieu-of Parkland are examples of obligatory reserve funds.

Policy:

1. Principles and Objectives:

- 1.1 The Township recognizes that the strategic use of reserves and reserve funds is an essential part of long term corporate financial planning. In addition, reserves and reserve funds shall receive priority consideration for the distribution of surplus funds and non-recurring revenues.
- 1.2 The primary objectives for reserve and reserve funds shall be:
 - 1.2.1 Adherence to statutory requirements.
 - 1.2.2 Promotion of financial stability and flexibility
 - 1.2.3 Provision for major capital expenditures
 - 1.2.4 Smooth expenditures which would otherwise cause fluctuations in the operating budget;
 - 1.2.5 To take advantage of financial opportunities that may arise.

2. Procedures:

- 2.1 Reserves and Reserve Fund Categories – reserves will be maintained in the following categories:
 - 2.1.1 Capital Reserves – used to fund specific replacement or renewal of capital assets. As the assets of the Township increase, so should the contribution from the Operating Budget to these reserves for the replacement and refurbishment needs of the underlying capital assets, based on lifecycle costing.
 - 2.1.2 Departmental Specific Reserve – established in response to specific provincial and/or municipal requirements.
 - 2.1.3 Government Funded Reserves – established to track the revenues received from the Provincial and Federal Governments for specific services. Funding received from other levels of government will be used in future budgets as per the guidelines or requirements of each program.
 - 2.1.4 Stabilization Reserves – used to offset extraordinary and unforeseen expense requirements, one-time expenses, revenue shortfalls, to avoid significant fluctuations on the general tax levy and to manage cash flows.
- 2.2 Reserves and reserve funds may be closed only by resolution of Council.
- 2.3 The Township Treasurer is authorized to process transfers to and from reserves and reserve funds in compliance with the sources and uses listed in Appendix “A”, which forms an integral part of this policy, and in accordance with annual operating and capital budgets.
- 2.4 Reserve transfers not part of the annual operating or capital budget or set out specifically in this policy must be approved by Township Council.



- 2.5 Target balances, funding sources and uses of reserves and reserve funds are set out in Appendix "A".

3. Annual Reporting and Monitoring

- 3.1 An annual continuity schedule will be included in the budget package created and provided to Council each year.
- 3.2 An annual review of cash flow requirements and appropriate fund balances shall be undertaken to determine whether modifications are appropriate for the reserve policy.

Next revision date: (every five years)

Accessible Formats:

If you require this document to be in an accessible format, please contact the Director of Corporate Services at clerk@zorra.ca or 519-485-2490 ext. 7228.



APPENDIX A

Reserve Name	Target Balance	Sources of Funding	Use of Funding
Capital Reserves			
Fire (Emergency) Vehicles & Equipment	Balance sufficient to meet ten-year capital forecast commitments	Current Year Capital Budget and proceeds from the sale of vehicles/equipment	Replacement of vehicles at the end of their anticipated useful life
Fire (Emergency) Buildings	Balance sufficient to meet asset management	Current Year Capital Budget	Capital repairs and replacement costs-emergency facilities
Fire (Emergency) Communication	\$200,000	Current Year Capital Budget	Replacement of communication towers
Roads Vehicles/Equipment	Balance sufficient to meet ten-year capital forecast commitments	Current Year Capital Budget and proceeds from the sale of vehicles/equipment	Replacement of vehicles at the end of their anticipated useful life
Public Works Housing	Balance sufficient to meet asset replacement	Current Year Capital Budget	Capital repairs and replacement cost - public works facilities
Recreation	Balance sufficient to meet asset replacement	Current Year Capital Budget and proceeds from the sale of vehicles and equipment	Capital repairs and replacement costs of buildings and vehicles - recreation facilities.
Dams	To fund the UTRCA preferred alternative scope of work to the Embro Dam and Harrington Dam Presentation June 20, 2017	Current Year Capital Budget	Reserve was established in 2018, to set funding for costs associated with repairs to the Embro Dam and Harrington Dam in partnership with the UTRCA.
Infrastructure/Climate Change/Broadband/Energy	Balance sufficient to meet ten-year capital forecast commitments	Current Year Capital Budget	Funds raised from annual capital tax levy used for current capital budget requirements
Industrial Land / Gravel Pits	Costs associated with purchase and development	Sale of surplus land / Current Year Capital Budget	Development cost of future industrial land/purchase of future gravel pit for municipal use



Storm Management	\$100,000	Fees collected under the Township's Storm Water System Operating by-law	Annual maintenance costs and replacement costs
Information Systems	Average annual replacement requirements for hardware & corporate software in accordance replacement policy for hardware & required software updates	Current year Capital Budget	Replacement cost – hardware & software technology
Departmental Specific Reserves			
MNR Aggregate Fund	\$500,000 (Value of 1.4km of paved double lift road)	Annual Aggregate Royalties from Ministry of Natural Resources	Royalties used towards Road related capital projects Upgrading gravel road to pavement (double lift)
Village Affairs/ERTH	n/a	Annual Interest and Dividends from ERTH shareholder	Used to fund projects that service the communities of Embro and Thamesford
Building Department	n/a	Annual surplus within Building Dept budget	To stabilize fluctuation in building permit activity and ensure that department is self-supporting; requirement under the Building Code Act.
Severance/Parkland	n/a	Fees collected under the Planning Act	For parkland redevelopment.
Development Charges	Maximum amounts approved under the Development Charges Study 2019	Fees collected under the Township's development charges by-law 32-2019	To assist in financing identifiable capital projects required to meet the increased need for services resulting from growth and development.
Election Reserves	\$24,000	Current year Operating Budget	To stabilize fluctuation of the tax levy and ensure funds are made available to fund the municipal election every 4 years.
Government Funded Reserves			
Federal Gas Tax	Based on contributions from	Federal Government	New incremental capital spending on



	the Federal Government on a per capita basis.	administered by AMO	infrastructure including local roads, bridges and active transportation that enhance sustainability outcomes in accordance with the New Deal for Cities and Communities Agreement.
Stabilization Reserves			
Working Fund	15% of tax levy	Operating Budget	To support corporate cash flow
Insurance	\$40,000	Operating Budget	Unbudgeted claims, non-insurable claims and claims less than the Township's insurance deductible;
General Surplus/Deficit (Operating)	n/a	Current Year end operating surplus/deficit.	Emergency and unplanned situations; and tax stabilization due to significant assessment appeals beyond operating budget provisions; as determined appropriate by Council; and current year end Township surplus/deficits.
Disaster/Emergency Relief	\$200,000	Annual surplus from Fire & Public Works	Emergency and unplanned natural disasters