



Subject: Budget 2024

Report to: Thorold City Council

Recommendations

1. That the proposed estimates on the attached Departmental schedule entitled "Operating Budget Summary 2024 **BE APPROVED**;
2. That the attached 2024 Departmental Capital Budgets **BE APPROVED**;
3. That the 10 year forecasts **BE RECEIVED** for information purposes;
4. That the Reserve and Reserve Fund schedules **BE APPROVED**;
5. That the allocation of any general surplus/deficit resulting in 2024 in equal shares to the Municipal Land and Building Reserve; the Municipal Development Reserve; the Capital Asset Reserve and the Capital Asset Transportation Reserve funds **BE APPROVED**;
6. That an allocation of 75% of any surplus to a maximum of \$50,000.00 in the 2024 Winter Control Operating Budget to the Winter Control Stabilization Reserve, provided that this allocation does not create or magnify a deficit at year-end for 2024, **BE APPROVED**;
7. That Council **APPROVE AND ADOPT** report DF02-2024 to meet the requirements of Ontario Regulation 284/09 with respect to expenses that have been excluded from the 2024 budget, assuming no further changes to Capital provisions;
8. That all other aspects of Report DF 2-2024 **BE APPROVED**; and
9. That the Director of Finance **BE AUTHORIZED** to finalize the 2024 City Budget Estimates, with the appropriate Rating By-law presented to Council.

Key Facts

- Draft Operating and Capital Budgets
- Net Levy Change – Increase of 2.99%
- Estimated impact on City General portion of bill to average residential home valued at 273,600 is \$52 increase

Analysis

The Budget package contains the following attachments:

- a. Executive Summary
- b. Operating Budget & Impacts
- c. Deferrals, Reductions & Revenue Enhancements
- d. Capital Schedules
 - i. Capital Asset Renewal Schedule
 - ii. Capital Budget 2024
 - iii. Financing Proposals for Unfunded Capital
 - iv. Ten Year Forecast
- e. General Equipment
 - i. General Equipment Replacement Contribution
 - ii. Ten Year Forecast
- f. Reserves
- g. Other Budgets – Library & BIA (TBD)

O. Reg 284/09

In 2009 the Province of Ontario passed, as part of the Municipal Act, Ontario Regulation 284/09. The new regulation, in force as of January 1, 2009, gives municipalities the option of excluding amortization expense, post-employment benefit expenses and solid waste landfill closure and post-closure costs from budgets. However, in place of the exclusion a report must be prepared for Council about the excluded expenses and adopted prior to the adoption of the budget for the year.

The changes to accounting standards move the preparation of the City's Financial Statements to an accrual basis, while budgets continue to be prepared on a cash basis for these expenses. Therefore, the surplus on the Financial Statements will differ from the surplus for budgeting purposes. The differences surround capital items, debt repayment, post-employment benefits and solid waste landfill closure and post-closure expenses, and contaminated lands expenses.

In accordance with the regulation, this report is required to contain at least the following:

1. An estimate of the change in accumulated surplus of the municipality to the end of the year resulting from the exclusion of these expenses.
2. An analysis of the estimated impact of the exclusion of any of the expenses on future tangible capital asset funding requirements of the municipality

The City's Actual Accumulated Surplus for the year ended December 31, 2022 consisted of the following:

Investment in Tangible Capital Assets		\$ 174,316,914
Reserves & Reserve Funds	55,169,771	
Deficit (mainly unfunded Capital)	(9,581,547)	
Net		45,588,224
Unfunded Liabilities to be recovered from		
Future Revenues:		
Landfill Costs	\$(6,033,085)	
Employee Post-Employment Benefits	\$(2,023,352)	
Contaminated Sites	\$(114,700)	
Debt	<u>\$(574,671)</u>	(8,745,808)
ACCUMULATED SURPLUS Dec 31, 2022		\$ 211,159,330

The 2024 budgets, as presented to Council, exclude the following, which will be reflected on the Financial Statements:

	General Budget
Add To Surplus:	
Acquisition of Assets	\$24,002,600
Debt Repayment Principal Portion	\$ 140,700
Transfer To/From Reserves and Reserve Funds	\$2,618,700
Deduct from Surplus:	
Estimated Amortization Expense	(\$4,219,700)
Estimated change Post-Employment Benefits	\$(50,000)
Estimated Change Landfill Liability/Contaminated Sites	\$0
TOTAL Net Increase Accumulated Surplus	\$22,492,300

There is no financial impact to the budget, from the exclusion of Amortization and Post Employment Benefit Reserves, etc. expenses. This reflects simply an accounting of the differences between the two reporting methods: budget preparation versus the Financial Statement preparation. The City is more than covering the amortization (depreciation) costs, of tangible capital assets and contributing towards the life cycle replacement of such assets on a phased in basis.

SUMMARY

The draft budget reflects a 2.99% net levy increase. This equates to an estimated increase on the City portion of the bill for the average residential home valued at \$273,600 of \$52.

It should be noted that there is an extensive list of deferrals/reserve support to meet the target.

Prepared and Recommended by:
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