

For Information

DATE: July 16, 2013

REPORT TITLE: **BUDGET POLICY AND FINANCIAL CONTROL BY-LAW COMPLIANCE
UPDATE - JUNE 2013**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

OBJECTIVE

To provide Regional Council with an update on activities related to the use of delegated authority to change operating budget, capital budget, reserves and reserve funds, for the six-month period ending June 30, 2013.

REPORT HIGHLIGHTS

- On May 9, 2013 Council approved a new principle-based Financial Management By-law and a new rule-based Budget Policy that replace the previous Financial Control By-law (both are referred to as the "Budget Policy" hereafter for the purpose of this report).
- The Budget Policy provides internal financial controls, administrative rules and delegated authority to staff to carry out day-to-day business and requires that staff report to Council at a minimum of twice annually on the activities related to the use of delegated authority.
- Several adjustments to the operating budget, capital budget and reserves were processed under Council delegated authority in accordance with the Budget Policy during the six months ending June 30, 2013.
- As at June 30, 2013, both the Tax Supported Working Fund Reserves and the Utility Rate Supported Stabilization Reserve balances are in compliance with the Budget Policy.

DISCUSSION**1. Background**

The Budget Policy establishes financial controls and provides administrative rules and procedures to staff to apply in carrying out Regional businesses. The objective of the Budget Policy is to provide the appropriate balance between financial control, risk and enabling operational efficiency. To achieve this, the Budget Policy delegates authority to staff to deal with day-to-day operations related to changes to operating budget, capital budget and reserves within prescribed parameters. This allows staff to respond to opportunities and issues in a timely manner to achieve operational efficiency while maintaining effective internal controls.

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The Budget Policy requires that staff report to Council at a minimum of twice annually on the activities related to the use of delegated authority. The semi-annual reporting requirement ensures Council is kept abreast of these activities. This report provides an update on the activities for the six-month period ending June 30, 2013, including any reporting requirements as specified in the previous Financial Control By-law (FCBL) in effect until May 8, 2013 and the new Budget Policy effective May 9, 2013.

2. Operating Budget

Operating budget redeployments are processed during the course of business to respond to changes in operations for effective service delivery. There were no adjustments of this nature for the six months ending June 30, 2013.

3. Capital Budget

a) Authorization to Increase Project Commitments Beyond Originally Approved Budget

The Budget Policy requires that staff report net budget increases beyond originally approved budgets that are approved internally under Council delegated authority. There was one request of \$35,000 approved in accordance with the Budget Policy for the six months ending June 30, 2013 as outlined in Appendix I.

b) Reduce Project Budget Requirements

The Budget Policy authorizes delegated staff to reduce project budget requirements when the opportunity arises. There was one reduction request of \$4.8 million approved under Council delegated authority for the six months ending June 30, 2013 as outlined in Appendix II.

c) Redeployments and Redistributions

Capital budget redistributions and redeployments are processed to facilitate effective management of capital programs and projects. In order to better manage existing projects, 62 capital budget redistributions and redeployments were approved and processed under Council delegated authority in accordance with the Budget Policy during the reporting period. These redeployments and redistributions include:

- Four activities related to the unallocated capital portfolio as discussed further in section d) below.
- Fifty-eight activities related to projects that were merged for ease of contract management or separated into smaller more manageable sized project.

d) Unallocated Capital Project

The Budget Policy requires that staff report the activities and available balances of unallocated capital projects. Appendix III provides Council with a summary of the activities that were approved in accordance with the Budget Policy for the six months ending June 30, 2013.

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e) Summary of Capital Project Activities

During the six months ending June 30, 2013, there were changes to the estimated cost of 108 projects. The changes fall into three broad categories:

- Projects closed out during the reporting period
- Projects with increased requirements
- Projects with reduced requirements

The net result of all these activities in the reporting period was a return to reserves that represented 2 per cent of the overall budget of the projects involved. A detailed description of these activities is included below.

- For the six-month period ending June 30, 2013, 104 projects were closed resulting in \$14.4 million being returned to reserves. Projects are closed either because the project has been completed or the project has been stopped/deferred or rebudgeted.
- There were three budget increases resulting in an additional \$10.4 million being requested from reserves. These include two requests of \$10.3 million that were reported to Council on a project by project basis over the past six months and one request of \$35,000 that was approved under Council delegated authority in accordance with the Budget Policy.
- There was one project with reduced budget requirements resulting in \$4.8 million being returned to reserves.

The aggregate of these changes was to return \$8.8 million to reserves. This can be further broken down into \$6.9 million returned to internal reserves and \$1.9 million to Development Charge (DC) reserve funds. This \$8.8 million represents a variance of 2 per cent from the net budgets of \$446.0 million established for these projects.

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The table below provides a summary of the capital activities that impact the reserves and reserve funds during the reporting period.

Table: Summary of Capital Activities Impacting Reserves and Reserve Funds

Activity	# of Projects	Project Net Budget (\$M)	Unspent Net Budget/ Net Decrease (Increase) (\$M)	Return to/(Request from) Reserves (\$M)	
				Internal Reserves	DC Reserves
Projects Closed-out					
Tax Supported	39	33.4	3.6	2.6	1
Utility Rate Supported	64	122.4	10	4.1	5.9
Unallocated	1	0.8	0.8	0.8	0.0
Subtotal	104	156.6	14.4	7.5	6.9
Increased Project Requirement	3	277.7	(10.4)	(0.6)	(9.8)
Decreased Project Requirement	1	11.7	4.8	0.0	4.8
TOTAL	108	446.0	8.8	6.9	1.9

Note:

"Increased/Decreased Project Requirements" represent ongoing work and remain active; the "Project Net Budget" of these projects in above table refers to the Net Budget before increase or decrease.

4. Reserves and Reserve Funds**a) Transfer of Funds between Sub Reserves**

The Budget Policy delegates authority to staff to transfer funds between Sub Reserves for the purposes of reclassification. For the six-month period ending June 30, 2013, there was one request to transfer between Sub Reserves approved under Council delegated authority. This involved a \$6.6 million transfer to finalize internal borrowing arrangements upon completion of the Snelgrove Place project.

b) Required Balance in Working Fund and Stabilization Reserves

The Budget Policy requires that the portfolio balances of Working Fund Reserve for Tax Supported programs and Stabilization Reserves for Utility Rate Supported programs be maintained between five and ten per cent of respective total operating budget. Utilization of working fund reserves provides Regional Council with an effective tool to manage risk with tax rates and utility rates.

i) Tax Supported Working Fund Reserves

The balance of the Tax Supported Working Fund Reserves as at June 30, 2013 is estimated at \$87.8 million, net of the GO Transit liability of \$102.7 million. The balance represents approximately 6 per cent of the 2013 Tax Supported operating budget, in compliance with the Budget Policy.

ii) Utility Rate Supported Stabilization Reserves

The balance of the Utility Rate Supported Working Fund Reserves as at June 30, 2013 is estimated at \$30.7 million, or 8 per cent of the 2013 Utility Rate Supported operating budget, in compliance with the Budget Policy.

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CONCLUSION

The Budget Policy provides internal financial controls, administrative rules and delegated authority to staff to manage changes to operating budget, capital budget and reserves. It requires that staff report activities related to the use of delegated authority to Council at a minimum of twice yearly. The activities presented in this report are compliant with the Budget Policy and this report satisfies the reporting requirements of the Budget Policy for the six-month period ending June 30, 2013.



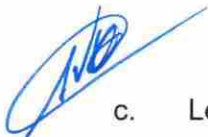
Norma Trim
Chief Financial Officer
and Commissioner of Corporate Services

Approved for Submission:

for 

D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Bruce Taylor at extension 4737 or via email at Bruce.Taylor@peelregion.ca



c. Legislative Services

MA-B2-6

**Region of Peel
 Authorization to Commit a Project to Over Budget Expenditure
 For the Period of January 1 - June 30, 2013**

Program	Project		Original Net Budget	Revised Net Budget	Additional Funds Approved	
	Number	Name			Amount	From Reserves
Wastewater	052510	Inflow/Filtration	\$ 543,000	\$ 578,000	\$ 35,000	Wastewater CFSR
		Total	\$ 543,000	\$ 578,000	\$ 35,000	

* The above transaction meets the requirements of Clause 311(b) Appendix D of the Budget Policy effective May 9, 2013.

**Region of Peel
 Authorization to Reduce Project Budget Requirement
 For the Period of January 1 - June 30, 2013**

Program	Project		Original Net Budget	Revised Net Budget	Reduced Funds Approved	
	Number	Name			Amount	From Reserves
Water	081175	600mm Feedermain - Mississauga	\$ 11,692,965	\$ 6,892,965	\$ 4,800,000	DC Regional Water
		Total	\$ 11,692,965	\$ 6,892,965	\$ 4,800,000	

**Regional Municipality of Peel
 Unallocated Capital Financing Project Status (\$'000)
 As at June 30, 2013**

	Roads	Region Water	Region Wastewater
Balance at December 31, 2012	\$ 850	\$ 639	\$ 1,725
2013 Budget Allocation	1,000	1,000	1,000
Previous year's unallocated projects closed and funding returned to reserve	(850)		
Less *: Reallocations less than or equal to \$250,000	(650)	(250)	
Less: Reallocations over \$250,000 (approved by Council reports)	-	-	-
Balance at June 30, 2013	\$ 350	\$ 1,389	\$ 2,725

* Allocation approved under Council Delegated Authority as in Financial Control By-law 2004-45 (in effect until May 8, 2013) and the Budget Policy effective May 9, 2013.