

To: Council in Committee of the Whole

From: Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

Report Number: CNCL-23-126

Date of Report: November 24, 2023

Date of Meeting: December 1, 2023

Subject: 2024 Mayor's Budget, Reserve and Reserve Funds

Ward: All Wards

File: 03-05

1.0 Purpose

Each year the City is legislated, through the Municipal Act, 2001 (Section 290), to adopt a balanced budget. The operating and capital budgets of the municipality detail the financial obligations and required revenue needed to deliver goods and services to the community as well as investing in capital infrastructure priorities.

In June of 2023, the Province introduced legislation to grant Strong Mayor Powers to the Mayors of a number of growing municipalities which has been in effective as of July 1, 2023. Strong Mayor Powers includes responsibility for the budget. While legislation that guides municipal budgeting processes has been changed by the Province, the adoption of revenue sources, including the use of Reserves and Reserve Funds remains within Council authority.

The purpose of this report is to obtain City Council approval regarding the Reserve and Reserve Funds required to fund capital projects, tax levy dollars contributions to reserves and reserve contributions to fund operating expenses, as outlined in the 2024 Mayor's Proposed Budget.

This is the second of three reports outlining the revenue requirements for the Mayor's Proposed 2024 Budget. The first report relates to Tax Levy and Other Revenue Sources (Report CNCL-23-125) and the third report relates to the use of debt via the issuance of an Interfund note (IFN) (Report CNCL-23-127).

2.0 Recommendation

It is recommended to City Council:

That pursuant to Report CNCL-23-126 dated November 24, 2023, Council approve:

1. The Reserve and Reserve Funds required to fund \$41.00 million in capital as outlined in the 2024 Mayor's Proposed Budget, as may be amended; and,
2. Other revenue sources in the amount of \$0.470 million as outlined in the 2024 Mayor's Proposed Budget, as may be amended; and,
3. The Reserve and Reserve fund contributions to reserves from tax levy as outlined in the 2024 Mayor's Proposed Budget, as may be amended; and,
4. The Reserve and Reserve Fund contributions to operations as outlined in the 2024 Mayor's Proposed Budget, as may be amended.

3.0 Executive Summary

Not applicable

4.0 Input From Other Sources

Director, Legislative Services/City Clerk

5.0 Analysis

Reserves are one of the most important tools available to municipalities for achieving financial sustainability and flexibility. Reserves not only assist municipalities in managing risks, but they also play a role in the financing of capital costs and the provision of affordable and stable services to the community.

Capital budgeting is a process used for strategic decision making when evaluating potential expenditures or investments that are significant in amount. It involves the decision to invest funds for addition, disposition, modification or replacement of fixed assets.

The 2024 Mayor's Proposed Budget includes a recommended \$48.939 million in capital acquisitions, funded through:

- Internal Debt Financing (Interfund Note (IFN)) as recommended in Report CNCL-23-127 of \$7.469 million, as may be amended; and
- Funding from Reserve and Reserve Funds of \$41.0 million, as may be amended; and
- Funding from Other Sources of \$0.470 million (contributions from partners and the care and maintenance fund for Union Cemetery).

Annual contributions to reserves assist the City in managing future risks. The 2024 Mayor's Proposed Budget includes \$13.568 million in tax levy contributions to various reserves. These contributions are estimated on a 10-year planning horizon to save for future infrastructure requirements and other operating needs to support the long-term fiscal sustainability of the City.

Contributions from reserves into the operating budget assist the City with managing operational costs. The 2024 Mayor's Proposed Budget includes \$4.036 million in transfers from reserves to manage operational costs.

6.0 Financial Implications

The financial implications related to Reserve and Reserve Funds in the Mayor's 2024 Budget, as may be amended, are as follows:

- A total of \$41.0 million will be committed to complete the Capital Projects, as may be amended; and,
- Contributions to Reserves and Reserve Funds are proposed to be \$13.568 million, as may be amended; and,
- Reserves and Reserve Funds allocated to the Operating Budget, which may be amended based on Council decisions, \$4.036 million, as may be amended.

7.0 Relationship to the Oshawa Strategic Plan

This report supports the Oshawa Strategic Plan goals of Accountable Leadership, Economic Prosperity and Financial Stewardship to the extent that it is consistent with sound financial management.



Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department