



MUNICIPALITY OF THAMES CENTRE

REPORT NO. F-004-24

TO: Mayor and Members of Council
FROM: Director of Financial Services/Treasurer
MEETING DATE: June 24, 2024
SUBJECT: Financial Report (Unaudited) – January to December 2023

RECOMMENDATION:

THAT Report No. F-004-24 be **RECEIVED** for information;

AND THAT Council **APPROVE** \$44,701.87 in 2023 Industrial Development Charge exemptions be funded from the Tax Stabilization Reserve;

AND THAT Council **APPROVE** \$30,500.00 raised from property taxes and storm, water and sewer rates in 2023 for one-time projects that were not initiated and/or completed in 2023 be transferred to “Reserve – Projects not Completed” to fund the future completion of these projects;

AND THAT Council **APPROVE** the 2023 surplus be transferred to reserves at December 31, 2023, as identified in this report.

PURPOSE:

The purpose of this report is to provide Council with a preliminary, unaudited, financial report for December 31, 2023, and to allocate the 2023 surplus to reserves.

BACKGROUND:

The 2023 Budget was adopted by Council on January 16, 2023 through By-Law 3-2023. Variance reports are presented to Council on a quarterly basis.

COMMENTS:

The preliminary, unaudited, financial operating results to December 31, 2023 are provided in the attached report. 2023 Budget figures, as passed by Council, are included for comparison purposes.



Overall year-to-date balances, including audit entries to date, result in a preliminary surplus of \$1,522,188 (2022 - \$1,411,589). Capital is not included in the variance report as all costs are fully funded through grants, donations, Development Charges, reserves or external transfers.

The year end audit field work commenced on May 6, 2024. Financial Statements will be presented to Council in July or August 2024.

FINANCIAL IMPLICATIONS:

Development Charge Exemptions

Section 6 (3) of Development Charges (DC's) By-law No. 17-2022 establishes an exemption of municipal wide DCs for industrial development as the result of a policy decision by Council. In 2023 there were three industrial DCs with exemptions. The municipal wide portion of DCs that were not collected totaled \$44,701.87. Given that the exemption is the result of a Council policy decision, the Municipality must fund the DCs not collected. Consistent with prior years, these exemptions have been funded in 2023 through the Tax Stabilization Reserve and no further allocation from the preliminary surplus is necessary. Council approval of the transfer through resolution is required.

One-Time Projects

The 2023 Budget included a number of one-time projects. Given that revenue was generated through the tax levy or rates to support these projects, any projects not completed or initiated prior to yearend require a transfer to reserves to fund the future completion of these projects.

2023 projects not completed include:

Project	Amount (\$)
Council Chambers – Monitor and Hookup for Agenda	3,000.00
Procedural By-law Review	2,500.00
Pay Equity/Market Review Analysis	25,000.00
Total balance carried forward to 2024	<u>\$ 30,500.00</u>

The following 2022 and prior year one-time costs for projects not initiated or not completed in 2023 with funding remaining in the “Reserves - Projects not Completed” at December 31, 2023 include:

Year	Project	Amount (\$)
2020	Transportation – Roads Needs Study	19,841.52
2022	Website Upgrades	5,000.00
2022	Building Condition Assessments	448.32
2022	Questica Enhancements	8,500.00
2022	MSA Air Quality Test Station	4,000.00
2022	Dry Hydrant Repair Whittaker Lane	5,000.00



2022 Stormwater Rate Study	59,396.06
2022 Bench Program (joint program with Lions)	8,000.00
Total balance carried forward to 2024	<u>\$ 110,185.90</u>

The total “Reserves - Projects not Completed” balance at December 31, 2023 is \$140,685.90.

Municipal Efficiencies

The municipality also has a reserve established for municipal efficiency projects that remain allocated from Municipal Modernization Grants received in prior years but unspent. Projects with remaining balances at December 31, 2023 include:

Project	Amount (\$)
Furniture, ergonomic assessments, improvements	10,766.60
Public Sector Digest Work Manager 3- year project	67,945.27
Office 365 implementation project – annual license	15,876.08
Payroll/Human Capital Management project - implementation of UKG platform, continuing in 2024	27,442.00
Organizational Review - joint project with Middlesex Centre and Strathroy-Caradoc	33,333.00
IT - upgrade to Drupal 9 (6 months in 2023, Drupal 10 in 2024)	3,158.00
Total balance carried forward to 2024	<u>\$ 158,520.95</u>

Surplus

The overall, preliminary, unaudited surplus at December 31, 2023 of \$ 1,522,188 is the result of unanticipated variances from budget and unexpended utilization of budget thresholds. The two main factors for this surplus is the higher than anticipated interest income earned and greater revenue generated from the new Circular Materials Ontario (CMO) blue box recycling program implemented in 2023.

Similar to prior year allocations, staff are recommending the transfer to departmental capital reserves based on surpluses realized in the fire, transportation, waste management, cemetery, community services, economic development, and municipal drains and the transfer of the remaining overall net surplus to the Tax Stabilization reserve, with the following exceptions:

- 1) Council Election Reserve
 Reserve Policy CP-I-1.1 establishes a target reserve balance of \$50,000. As of December 31, 2023, the Council Elections Reserve balance is \$13,756.06. Staff are recommending a contribution of \$36,243.94 to help reach the target balance for the upcoming municipal election in 2026.
- 2) Fire Protection Capital Reserve – Fire Truck



In September 2023, Council approved the purchase of a 2025 Spartan Metro Star MFD Heavy Duty Walk-In Rescue Vehicle from Safetek for \$1,321,686.36 (Report PW-FL-002-23, Resolution 300-2023). The overage of approximately \$537,000 was to be funded through “the use of existing reserves, reallocation of reserve contributions, debenture, reprioritizing capital projects, use of anticipated 2023 surplus and/ or any combination therein.” As per the Council approved 2024 Budget, \$190,000 was included in the capital fleet budget for this purchase. Staff are recommending that half of the remaining overage (\$173,500) be funded through the 2023 surplus and the balance be included in the 2025 Capital Fleet Budget.

3) Tax Stabilization Reserve

Reserve Policy CP- I- 1. 1 establishes the Tax Stabilization Reserve to be utilized in cases of emergency and unplanned situations or during times of significant assessment appeals beyond budget provisions. The remaining 2023 surplus balance of \$951,623 is being recommended as a transfer to this reserve.

The resulting allocation of the 2023 municipal surplus to reserves at December 31, 2023 is as follows:

Allocation	Amount (\$)
Waste Management Capital Reserve	238,651
Cemetery Capital Reserve	64,299
Senior’s Centre Capital Reserve	4,410
Economic Development Operating Reserve	50,793
Municipal Drain Capital Reserve	2,668
Council Election Reserve	36,244
Fire Protection Capital Reserve	173,500
Tax Stabilization Reserve	951,623
Total estimated surplus for 2023	<u>\$ 1,522,188</u>

STRATEGIC PLAN LINK

Pillar: *Sustainability*

Goal: *Ensure that the Municipality maintains fiscal prudence, along with affordable and sustainable taxation levels*

CONSULTATION:

Nicole Bowery, Financial Analyst/Purchasing Officer
 Scrimgeour & Company, External Auditors

REFERENCES:

2023 Budget
 Reserve Policy CP I-1.1

ATTACHMENTS:

F-004-24 Variance Report (unaudited) for 2023

Prepared by: E. Schinbein, Director of Financial Services/Treasurer

Reviewed by: D. Barrick, Chief Administrative Officer