

Grand River Conservation Authority

Report number: GM-01-23-04

Date: January 27, 2023

To: Members of the Grand River Conservation Authority

Subject: Budget 2023 – Draft #2

Recommendation:

THAT Report 01-23-04 - Budget 2023 - Draft #2 be received as information;

AND THAT an amount equal to any undesignated surplus realized from the 2022 year-end operating results be transferred to the Transition reserve at the end of 2022.

Summary:

This draft continues to present a balanced budget position for 2023.

This draft of the budget includes the following significant changes since the October 28, 2022 draft #1 budget report:

- \$1,060,000 Special Projects spending
- (\$1,060,000) Special Project funding increased
- \$ 475,000 Motor Pool capital spending increased
- (\$ 475,000) Transfer from Motor Pool Reserve increased

This report includes a recommendation to transfer a portion of the 2022 operating surplus into the transition reserve at year-end 2022.

The Final Budget will include adjustments to the Conservation Area program, Outdoor Education Program, Forestry (Tree Planting) program, special projects, expenses carried forward from 2022, and the 2022 surplus carry forward (based on audited 2022 results). These adjustments are not anticipated to affect the 2023 budgeted general levy increase of 3.5%.

This draft includes the following amounts:

- Expenditures \$34,814,188
- General Municipal Levy \$12,968,000 (\$438,000 or 3.5% increase over prior year)
- Provincial Water and Erosion Control Infrastructure (WECl) Grant \$700,000
- Provincial Source Protection Program Grant \$640,000
- Reserves to decrease by \$1,379,500 in 2023

Report:

The final 2023 budget will be presented for approval at the February 24, 2023 General Membership Meeting.

This draft of the 2023 Budget includes the following changes made since the October 28, 2022 General Membership Meeting:

Special Projects Budget 2023 (net increase in expenses \$1,060,000):

- \$ 130,000 Waste Water Optimization Project expenses increased
- \$ 130,000 Provincial funding increased

\$ 100,000	Ecological Restoration Project expenses increased
\$ 100,000	Other Donations funding increased
\$ 25,000	Haldimand Water Festival expenses increased
\$ 25,000	Municipal Government funding increased
\$ 35,000	Brant/Brantford Water Festival expenses increased
\$ 35,000	Donation funding increased
\$ 30,000	Species at Risk expenses increased
\$ 30,000	Federal Government funding increased
\$ 75,000	Nature Smart Climate Solutions expenses increased
\$ 75,000	Federal Government funding increased
\$ 85,000	Profit Mapping expenses increased
\$ 85,000	Provincial funding increased
\$ 80,000	Subwatershed Study-City of Kitchener
\$ 80,000	Municipal Funding-Other
\$500,000	Guelph Lake NC Building expenses increased
\$500,000	Foundation funding increased

Capital Budget 2023 (net increase in expenses \$475,000)

\$475,000	Motor Pool Equipment expenses increased (from \$375K to \$850K)
\$475,000	Transfer from Motor Pool Reserve increased

Operating Budget 2023 (no changes for draft #2)

Transition Reserve

The transition reserve was established at year-end 2020. The purpose of the reserve is to fund expenditures related to the transitioning of GRCA to new provincial regulations requirements and/or fund costs related to managing expenses impacted by COVID-19 or revenue losses due to COVID-19. It is recommended that any 2022 year-end operating surplus that has not been designated to be incorporated into the 2023 budget be transferred to the transition reserve in 2022. By February, the year-end audit will have been completed and the year-end 2022 operating surplus will be finalized and the amount to be transferred into this reserve will be incorporated into the 2023 final budget report at the February 24, 2023 General Meeting.

Significant Outstanding Budget Items

Draft #2 operating budget continues to assume status quo operations. After actual 2022 figures are finalized, the final budget will be prepared and the outstanding matters listed below will be addressed.

(a) Year 2022 Carry forward Adjustments

2022 Surplus carry forward

Budget 2023 draft #2 assumes a \$100,000 surplus carry over from year 2022. The December 2022 Financial Summary for year-end 2022 forecasts a \$650,000 surplus. Some surplus will be carried over to 2023 to cover additional costs added to the 2023 budget. Staff recommend that any 2022 surplus that is not required to achieve a breakeven 2023 budget (i.e. municipal levy increase kept to 3.5%) be transferred into the transition reserve as outlined above. The amount of surplus to be transferred to the transition reserve is estimated to be \$300,000 to \$500,000. The 2022 carry forward surplus will be updated based on the actual yearend results.

2022 Special Projects carry forward

Any projects commenced in year 2022 or earlier and not completed by December 31, 2022 will be carried forward and added to Budget 2023 (i.e. both the funding and the expense will be added to Budget 2023 and therefore these adjustments will have no impact on the breakeven net result).

(b) Conservation Areas

Conservation Area 2023 budgeted revenue is \$10,000,000. Actual 2022 revenue is approximately \$11,200,000. The final budget version will include revised operating and capital expense amounts. The program is budgeted to break even.

(c) Outdoor Education Program.

Following an analysis of actual 2022 expenses the final budget version will be revised as considered necessary.

(d) Forestry (Tree Planting) Program

Following an analysis of actual 2022 expenses the final budget version will be revised as considered necessary.

(e) Major Water Control Structures Capital Maintenance Expenditures

A final determination of the amount of spending to be added to Budget 2023 will be impacted by unspent amounts from 2022 that will be carried forward to 2023, including the use of the reserve for 2023 projects. Current government funding opportunities includes the Disaster Mitigation and Adaptation Fund (DMAF), the National Damage Mitigation Program (NDMP), and the Provincial Water and Erosion Control Infrastructure (WECI) Program.

Attached are the following related documents:

- Budget 2023 Timetable
- Summary Reserve Report – Budget 2023
- Preliminary Budget 2023 Package to Municipalities

Financial Implications:

In this draft, the GRCA is proposing a \$34,814,188 budget. A net decrease to reserves of \$1,379,500 is budgeted.

The current inflationary economic situation and supply chain challenges have the potential to result in significant unbudgeted cost increases, in particular for large purchases/capital projects, which in turn may result in outcomes such as deferral of projects, changes in the scope of projects, and/or the use of reserves to fund unbudgeted costs.

Other Department Considerations:

None

Prepared by:

Sonja Radoja
Manager of Corporate Services

Approved by:

Karen Armstrong
Deputy CAO/Secretary-Treasurer

Samantha Lawson
Chief Administrative Officer