

# STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG



<b>Report to:</b>	Mayor and Council Members	<b>Priority:</b>	<input checked="" type="checkbox"/> High <input type="checkbox"/> Low
<b>Submitted by:</b>	Ian D. Davey, BBA CPA CA Treasurer / Director of Corporate Services	<b>Meeting Type:</b>	Open Session <input checked="" type="checkbox"/> Closed Session <input type="checkbox"/>
<b>Meeting Date:</b>	December 13, 2021		
<b>Report No.:</b>	Corporate Services-156-21		
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**Subject/Title:** Establishment of a Tax Rate Stabilization Reserve

## RECOMMENDATION:

THAT Council authorize staff to establish a Tax Rate Stabilization Reserve in accordance with the Town of Cobourg Reserve Fund Policy as approved October 5, 2015; and

FURTHER that Council authorize the transfer of \$305,000 from anticipated 2021 operating surpluses to fund this reserve.

## 1. STRATEGIC PLAN

N/A

## 2. PUBLIC ENGAGEMENT

N/A

## 3. PURPOSE

The purpose of this report is to recommend to Council the establishment of a new reserve to be funded from annual operating surpluses which may result from time to time based on both revenues in excess of budgeted amounts and planned expenditures not being made in a fiscal year.

## 4. ORIGIN AND LEGISLATION

Quoting from the existing Reserve Fund Policy, “Reserves and Reserve Funds are financial management tools that are an essential part of a sound fiscal policy to address long-term objectives. Reserves may be used to mitigate fluctuations in economic factors, changes in government funding, or unanticipated events.”

A request was made by Council during the November 25 and 26, 2021 Committee of the Whole 2022 Budget Review meeting for staff to investigate possible savings within the 2021 Operating Budget which could be used for the purpose of establishing a Tax Rate Stabilization Reserve.

## 5. BACKGROUND

The 2021 Operating Budget was approved by Council on February 1, 2021 by Council Resolution 042 – 21. The 2021 Operating Budget was prepared at a time when there was still much uncertainty as to what the full impact of the pandemic would be on municipal operations for 2021.

The 2021 Operating Budget included provision for the filling of several vacant positions throughout the organization based on anticipated hire dates which were forecast at that time. In some cases these positions remained vacant past the forecast hire date and some are still vacant.

In addition, other positions that became vacant during the year have been allowed to remain vacant.

The result is anticipated surpluses will be realized at the end of the 2021 fiscal year and these funds will be available to establish a Tax Rate Stabilization Reserve.

The Tax Rate Stabilization Reserve is intended to stabilize tax increases from year to year and will form part of the Equity of the Town of Cobourg.

## 6. ANALYSIS

The intention of this report has been to concentrate specifically on savings from vacant positions throughout the 2021 fiscal year to determine if there are projected savings which could be used to fund a Tax Rate Stabilization Reserve.

The staff recommendation is that should Council approve the creation of this new reserve that a future report will be brought back to Council prior to the completion of the 2021 financial audit with a more fulsome policy for the future use of this reserve including both minimum and target balances and a more complete analysis of final 2021 operating surpluses available for transfer to this reserve.

Attached to this report as “Schedule A” is a conservative summary of 2021 anticipated savings in the amount of \$305,000 and the suggestion is that this

amount be used as the initial transfer to establish the Tax Rate Stabilization Reserve.

## 7. FINANCIAL IMPLICATIONS/BUDGET IMPACTS

The financial impact on the 2021 fiscal year would be to reduce the expected operating surplus created by staff vacancies by \$305,000 and use these funds to establish the Tax Rate Stabilization Reserve.

The Tax Rate Stabilization Reserve will be used at the discretion of Council to limit the impact on future tax rates as a result of expenditure increases or revenue shortfalls.

Prior to the completion of the annual financial audit each year a report will come to Council with a recommendation for future transfers to this reserve.

Council may wish to apply all or a portion of the initial \$305,000 transfer to the 2022 Operating Budget to reduce the Municipal Tax Levy increase which currently is 6.3% as approved by the Committee of the Whole on November 26, 2021.

## 8. CONCLUSION

That Council authorize the creation of a Tax Rate Stabilization Reserve and further that Council authorize the transfer of \$305,000 from anticipated 2021 operating surpluses into this reserve.

### Report Approval Details

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This report and all of its attachments were approved and signed as outlined below:

**Tracey Vaughan, Chief Administrative Officer - Dec 9, 2021 - 4:46 PM**