



STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG

Corporate, Finance, and Legislative Standing Committee

Report to: Mayor, Deputy Mayor, and Councillors
From: Adam Giddings, CPA CA
Treasurer/Director of Corporate Services

Standing Committee Date: January 11, 2024

Report Number: COR-2024-001

Council Meeting Date: January 31, 2024

Subject: **Staff Contingency Reserve Fund**

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1. Recommendation:

THAT Council provides direction to staff to prepare a staff contingency reserve fund for the purpose of allocating the net of any annual cost savings related to staff vacancies or delays in hiring new budgeted approved staff.

2. Executive Summary:

Reserve funds are funds set aside by Council to be used to reduce the sudden impact to tax rates from unexpected costs in budgets, or unexpected costs arising mid-year, act as an alternative to debt, and are an important part of budgeting. The establishment of reserve funds ensures long-term financial stability and flexibility for the Town of Cobourg. It positions the Town to respond to varying economic conditions and changes affecting the Town's financial position, and ensures the municipality has the ability to continuously carry out its responsibilities.

Establishing a staff contingency reserve fund will allow staff to account for any annual cost savings related to staff vacancies or delays in hiring new staff, while

also offsetting costs related to wage related expenditures (ex: compensation review and other staffing costs).

Municipalities often request Council direction establishing the types of reserves that may be formed, how reserve creation, funding, and withdrawals are to occur, if and how reserve funds can be redesignated, and other related administrative processes. Staff maintain a continuity schedule of each reserve and monitor whether actual reserve amounts are sufficient for projects that are budgeted to be funded through reserves.

3. Background:

The establishment of a staff contingency reserve fund was discussed at the Divisional Staff Budget Presentation Meeting on December 12, 2023.

4. Discussion:

Financial reserves are an effective practice to support Town of Cobourg long-term planning, as they allow for funds to be set aside to manage assets and costs throughout their lifecycle. This approach minimizes the use of financing, which allows the Town of Cobourg to stay within debt limits and ultimately saves taxpayers money by reducing interest costs.

The staff contingency reserve would act as a restricted reserve as funds are set aside for a specific future project, or as a contingency for excess costs in a specific area.

The staff contingency reserve would be utilized when:

1. A new employee is budgeted to be hired and there is a delay in hiring. For example, if a new employee is expected to be hired in July, and the new employee is not hired until October, the three months savings related to staff costs and benefits would be transferred to the reserve.
2. A current employee has resigned and there is a delay in hiring a replacement. For example, if an employee resigns in March and a replacement is not hired until September, the six months' savings related to staff costs and benefits would be transferred to the reserve.

In summary:

Details	Annual Costs and Benefits	Expected Date	Actual Date	Savings Added to Reserve
Delay in hiring new budgeted employee	\$100,000	July 1	October 1	\$25,000
Current employee resigned - delay in hiring replacement	\$100,000	March 1	September 1	\$50,000
Total				\$75,000

The in the above example, \$75,000 would be added to the reserve that represents the cost savings. Any additional costs related to delays in hiring/replacement of staff (ex: third party outsourcing) would be offset against the staff savings and the net would be added to the staff contingency reserve.

Further, prior to utilizing the reserve, staff will provide:

- A determination of the level of reserves required to meet anticipated future needs.
- An analysis of the current balance of the reserve fund and how much has been contributed historically.

5. Financial Impact and Budget

The implementation of a dedicated staff contingency reserve fund will provide funding options in the future, while reducing the need for additional levy increases. Further, establishing the reserve will assist in smoothing out future expenditures which may fluctuate from one year to the next, or to accumulate funds for future requirements.

6. Relationship to Council's Strategic Plan Priorities 2023 to 2027 and beyond:

Thriving Community

N/A

Service Excellence

The implementation of a staff contingency reserve provides options to facilitate future compensation reviews as well as allows for controlling unforeseen staff costs. Therefore, the reserve ensures that human resources policies and practices make Cobourg the employer of choice to attract and retain the best talent.

Sustainability

Utilizing a reserve is an effective tool to support long-term planning as it allows for funds to be set aside to manage costs throughout the lifecycle. Therefore, the reserve enhances the Town's financial plans to provide appropriate levels of services and ensure long-term sustainability.

7. Public Engagement:

The approval of the reserve fund is completed through an open session and encourages public engagement. Ongoing public engagement and transparency is conducted through the standing committee.

Further, the establishment of a staff contingency reserve fund was discussed at the Divisional Staff Budget Presentation Meeting on December 12, 2023, and therefore transparency and engagement are conducted through the Town of Cobourg's budget engagement process.

8. Attachments:

None.