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Date November 15, 2023 **Report No.** 2023-674
To Chair and Members
Finance Committee
From Joelle Daniels
Commissioner, Corporate Services/City Treasurer

1.0 Type of Report

Consent Item
Item For Consideration

2.0 Topic **2023 Variance Update to Include the Brantford Police Service [Financial Impact – \$1.74 million deficit]**

3.0 Recommendation

- A. THAT report 2023-674 titled 2023 Variance Update to Include the Brantford Police Service BE RECEIVED; and
- B. THAT staff BE DIRECTED to earmark an additional \$1.74 million from the Corporate Contingency Reserve (RF0554) in the event it is needed to address the forecasted deficit being projected by the Brantford Police Service for 2023.

4.0 Executive Summary

In September 2023, the Finance Committee was provided a mid-year variance update report. The report estimated a tax-supported deficit of approximately \$700,000 for 2023 due to a number of factors; most notably a shortfall in employee gapping savings. In accordance with previous Council direction, the report confirmed that an amount of \$750,000 was already earmarked in the Corporate Contingency Reserve to offset any annual deficits up to this amount.

On October 12, 2023, staff from Police presented the Brantford Police Services Board with an updated yearend variance report based on actual experience to September 30, 2023. This report has forecasted a yearend deficit for Police services of \$1,735,826.

5.0 Purpose and Overview

The purpose of this report is to update the Finance Committee on the 2023 deficit forecasted by the Brantford Police Service, and provide a recommendation for potentially addressing the budget deficiency.

6.0 Background

In September 2023, staff provided the Finance Committee with report [2023-540](#), which advised that an estimated yearend tax-supported deficit of \$702,836 was being forecasted to December 31, 2023. This amount represents 0.39% of the property tax levy. The forecasted deficit was largely due to a shortfall in employee gapping savings and staffing pressures at Brantford Fire, which were partially offset by a forecasted surplus in the City's investment income.

The report confirmed to the Committee that staff had already earmarked an amount of \$750,000 from the City's Corporate Contingency Reserve (RF0554) to offset a deficit up to that amount in accordance with previous Council direction. This would be a sufficient amount to offset the deficit forecasted in the report. All local boards were also requested to provide their variance estimates for disclosure in that report.

7.0 Corporate Policy Context

N/A

8.0 Input From Other Sources

The report presented to the Brantford Police Services Board is provided as an attachment to this report, and staff from Brantford Police have been invited to respond to any questions of the Finance Committee.

9.0 Analysis

Subsequent to presentation of the City's variance projection to the Finance Committee in September, Police staff provided an updated variance projection to the Brantford Police Services Board on October 12, 2023. The report is

attached as Appendix A, and forecasts a yearend deficit for the Brantford Police Service of \$1,735,826.

The annual budget for the Brantford Police Service is firstly approved by the Brantford Police Services Board, with ultimate approval given by City Council as part of the overall municipal budget. Council is not bound to adopt the budget submitted by the Board. The actual financial results of Police are consolidated into City's yearend financial statements.

If the municipality ends the year in a deficit position, the Municipal Act states in Section 290(4)(c) that the municipality shall provide for any operating deficit in the budget of the following year. If a deficit is experienced, it could be funded either from a draw on existing reserves or through an increase to next year's operating budget. As such, any deficit experienced by the Brantford Police Service could be funded using one of the following options:

1. Include a provision in the 2024 Police Services Budget to recover the 2023 deficit
2. Draw from Police reserves
3. Additional draw from the City's Corporate Contingency Reserve

The report provided to the Brantford Police Services Board did not include any recommendations on how the forecasted deficit would be handled. At the time this report was prepared, the 2024 operating budget for Police had also not been presented to the Board.

With uncertainties surrounding how the Board intends to address the forecasted deficit, City staff believes that it is prudent to earmark an additional \$1.74 million from the Corporate Contingency Reserve at this time. It is hopeful that the Board will consider other options to address the deficit, which would reduce the amount earmarked by the City.

10.0 Financial Implications

Should Police end the year in the forecasted deficit position, the overall municipal deficit including Police would increase to \$2.44 million, representing 1.34% of the property tax levy.

It is regular practice to maintain the balance of the City's Corporate Contingency reserve at 1.5% of the levy. If an additional draw on this reserve is needed to fund a Police deficit, the uncommitted balance in this reserve will reduce to

approximately \$575,000. The Corporate Contingency reserve does not receive a budgeted allocation, and is topped up to its target level when a surplus is realized. If no surplus is realized for 2023, this reserve will not see any top up moving into 2024, which will hinder the City's ability to react to unanticipated financial pressures in 2024.

11.0 Climate and Environmental Implications

There are no quantifiable climate or environmental implications associated with this report.

12.0 Conclusion

This report updates the City's Finance Committee on the yearend deficit projection being forecasted by the Brantford Police Services, which was shared with the Brantford Police Services Board at its October meeting.



Joelle Daniels
Commissioner, Corporate Services/City Treasurer

Attachments (if applicable)

Appendix A – BPS Operating Actual to Budget Report

In adopting this report, is a by-law or agreement required? If so, it should be referenced in the recommendation section.

By-law required yes no

Agreement(s) or other documents to be signed by Mayor and/or City Clerk yes no

Is the necessary by-law or agreement being sent concurrently to Council? yes no