

Upper Thames River Conservation Authority Board of Directors'
Finance and Audit Committee Agenda
Tuesday September 24, 2024 at 1:00 P.M – 1424 Clarke Rd.
London, Ontario (Hybrid)

1. Modifications to the Agenda

2. Declarations of Pecuniary Interest

3. Administrative Business

- 3.1. Approval of Minutes of Previous Meeting: July 19, 2024
- 3.2. Business Arising from Minutes

4. Reports – For Consideration

- 4.1. Budget and Reserves Policy – FA-09-24-08
- 4.2. 2025 Budget Discussion BoD-08-24-57 – Referred to Committee
- 4.3. Fossil Fuel Free Portfolio Discussion – Referred to Committee – FA-09-24-09

5. Reports – In Camera

- 5.1. Financial Information that Belongs to the Authority and has Potential Monetary Value – 2024 Audit Planning Letter

6. Adjournment

Tracy Annett, General Manager

To: Finance and Audit Committee
From: Christine Saracino
Date: 5 September 2024
File Number: FA-09-24-08
Agenda #: 4.1
Subject: Budgetary and Reserve Policy

Recommendation

The Finance and Audit Committee reviews the policy document attached for discussion purposes.

Background

The Authority has no guidelines for staff to prepare budgets, and it has been a year-by-year event to establish them. The board has expressed a wish to see longer-term budgets. We now find that it would be advantageous to create a framework for budgeting and by extension the management of reserves. Equally, the categorization of programs instituted by the province for 2024 necessitates the re-categorization of reserves this year. Because budgets and reserve management are intimately tied, this set of guidelines is written from this approach in two parts.

We have seen and heard the discussion about the 2024 and preliminary draft 2025 budgets about how best to fund Category 1 programs. There is a growing recognition that at a minimum, Category 1 programs must be fully resourced. This includes Category 1 capital repair costs for water and erosion control structures which are rising. As a result, this has dictated the approach taken in these guidelines that will enable the organization to take a path of financial stability, predictability, and capability to deliver the mandatory services on behalf of the province as we are directed to do.

Page 3 sets out the policy statements for operating budgets as follows:

1. Category 1 program budgets must be fully funded so that the organization's fiduciary responsibilities for mandatory program activities are met.
2. Category 2 program budgets should be balanced evidencing full cost recovery for contracted works.
3. Category 3 program budgets may not be balanced with the understanding that additional grants, contributions, and donations may be secured during the budget year.

4. Category 3 campground operations must be balanced and will likely evidence a projected surplus.

Page 4 provides the budget statements for capital budgets:

1. Water and erosion control projects, as Category 1 costs, must be fully funded in the year they are completed or the following year. This requirement allows for future amortization expenses for which deferred revenue is available to support project costs. Deferred revenue will then be included in annual operating budgets.
2. UTRCA-wide capital projects, also as Category 1 costs, must also be fully funded in the year they are completed or the following year. Capital maintenance levy will be made in sufficient amount each year for the planned projects. Like the water and erosion control projects above, full funding is required to avoid significant increases of operating levy in subsequent years for organizational capital requirements.
3. Capital budgets for campground operations will likely evidence deficits in spending, acknowledging that the cost for current year spending is borne into the future. For this reason, capital budgets will be prepared by including the cost of future amortization in the operating budget and ensuring that revenues used to support the future amortization are available. Capital budgets for campground operations must have adequate evidence of payback, be it increasing revenues, reduced costs, improved safety conditions or similar benefits.

Implications for many of these policy statements are described in an appendix, however, these budgetary statements in total will bring the organization to a balanced position without room to build reserves.

The second part of the policy describes Reserve Management guidelines and sets target ranges for reserves based on historical costs and risks. While this is truly a task best left for a time when a comprehensive asset management plan is in place, it is not without merit to establish some expectation of target balances and funding for reserves. This statement is a critical point in understanding reserves. If we set a target range for adequate reserves, we must also ask to what extent those reserves need to have funding set aside to support them.

You can equate that question to a personal example: Individuals are often advised by financial planners to keep 3 months' income on hand for a rainy day, in case of job loss, or serious illness. Many people would like to have 3 months' income sitting in a bank account, ready to be used at any given time. But the likelihood that you would need to access the total of that value on any given day is only 50%, or even less. The first is the notion of a target reserve balance, the second, at perhaps 50%, is the funding of that target that you can probably live with.

Page 6 lists the reserves, and the target balances we believe are justified.

Page 9 expands the page 6 table to include a funding target and the resulting cash value of reserve funds it implies.

The bottom of page 9 identifies that we currently have approximately half of the ideal cash value for reserves funding. This then implies that the budgetary policy, as written, will not allow

us to reach either the target range for reserves or the target funding status as written. And this implies that further discussion is needed on the reserves question and whether the budgetary statements need to be changed to allow for the building of reserves.

Recommended by:

Christine Saracino, Supervisor, Finance and Accounting

Budgetary and Reserves Policies

September 2024



Budgetary and Reserves Policies

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1 Purpose, Objectives and Principles

1.1 Purpose

The Budgetary and Reserves Policies demonstrate the intentional choice on the part of the Board of Directors of the Upper Thamer River Conservation Authority (UTRCA) to ensure the stability of the UTRCA's mission centre programs and ongoing operations and to provide a source of internal value for organizational priorities such as future program opportunities, capacity building, and asset management.

The policies provide a set of guidelines for the development of both short and longer-term budgets and govern the management and administration of reserves and reserve funds. They are implemented in concert with other UTRCA governance and financial policies and are intended to support the goals reflected by those related policies as well as strategic and operational plans.

1.2 Objectives

1. To comply with legislated requirements,
2. To adhere to sound financial management practices and accounting standards,
3. To develop widely understood budgeting processes, and
4. To promote financial flexibility.

1.3 Principles

1. Applicability – these policies apply to all program, unit, and organizational budgets, reserves, and reserve funds the UTRCA administers.
2. Integration – reserves and reserve funds management will be an integral part of the budgeting and strategic financial planning of the organization. All significant financial planning must consider the potential effect on reserves.
3. Liquidity – adequate working capital funding must be available for all approved budgets. Adequate and appropriate levels of reserves and reserve funds shall be maintained to meet financial obligations, including those to:
 - a. fund long-term deferrals for existing assets,
 - b. replace and rehabilitate capital infrastructure as required and described in asset management plans,
 - c. provide a funding contingency for unanticipated expenditures or needs that might arise from time to time, such as an unexpected loss of revenues.
4. Stability and consistency across years so that future municipal council budgets will not be unnecessarily impacted by either delayed or advanced project spending.
5. Credit and borrowing – the UTRCA will maintain reserves and reserve funds in such a way as to keep the organization's credit status sound and to keep the cost of borrowing at a minimum.

2 Budgetary Policy

2.1 Policy Statement: Operating Budget

- Category 1 program budgets must be fully funded to meet the UTRCA's fiduciary responsibilities for mandatory program activities.¹
- Category 2 program budgets should be balanced evidencing full cost recovery for contracted works.
- Category 3 program budgets may not be balanced with the understanding that additional grants, contributions, and donations may be secured during the budget year.²
- Category 3 campground operations must be balanced and will likely evidence a projected surplus.³

The UTRCA will strive to develop balanced annual operating budgets (inclusive of amortization expense), in order to:

- avoid unduly burdening municipalities by unexpected levy demands,
- reflect the full cost of program delivery,
- assist in reaching and managing appropriate reserve levels,
- position the UTRCA with appropriate asset replacement funding,
- ensure adequate resources are available to mitigate environmental damages due to changing climate pressures occurring now and into the future, and
- achieve long-term financial stability and flexibility.

2.2 Operating Budget Inclusions

- FTEs for all permanent staff to be allocated,
- Allowance for overlap of retiring staff to be considered and included where known,
- Wage grid increase estimate,
- Best estimates for wage modifiers (i.e., statutory deduction rates, benefit rates),
- Amortization for existing assets and estimates for future year amortization on budgeted capital expenditures, and
- All known contract revenues.

¹ Sufficient levy will be made, regardless of the percentage of costs it covers, so that all Category 1 costs will be covered 100%. This is a balanced budget.

² From time to time, Category 3 programs may run deficits. For this reason, there must be a category 3 reserve established.

³ Because the campgrounds generally budget with a surplus, the reserve is increasing regularly. However, as needed capital spending takes place, additional amortization is incurred annually. This puts pressure on the annual budget to deliver surpluses. As long as the campgrounds can produce a surplus each year, the operations there are effectively "paying for" all the capital spending which has happened in earlier years.

Because Category 1 programs and services have not always produced surpluses, today's amortization expense is placing a burden on the category 1 budget necessitating more levy now for past capital spending in that category. Some, but not all, capital amortization is directly allocated to Category 2 and 3 program areas.

2.3 Policy Statement: Capital Budget

- Water and erosion control projects, as Category 1 costs, must be fully funded in the year they are completed or in the following year. This requirement allows for future amortization expenses for which deferred revenue is available to support project costs. Deferred revenue will then be included in annual operating budgets.⁴
- UTRCA-wide capital projects, as Category 1 costs, must also be fully funded in the year they are completed or the following year. The capital maintenance levy will be made in sufficient amount each year for the planned projects. Similar to the water and erosion control projects above, full funding is required to avoid significant increases of operating levy in subsequent years for organizational capital requirements.
- Capital budgets for campground operations will likely evidence deficits in spending, acknowledging that the cost for current year spending is borne into the future. For this reason, capital budgets will be prepared by including the cost of future amortization in the operating budget and ensuring that revenues used to support the future amortization are available. Capital budgets for campground operations must have adequate evidence of payback be it increasing revenues, reduced costs, improved safety conditions, or similar benefits.
- When approved, capital budgets will continue to be adjusted as new information is known and edits will be reported to the Board. Should the total of capital projects appear to exceed 10% of approved costs, re-approval will be required by the Board.

2.4 Capital Budget Inclusions

- UTRCA-wide vehicle and equipment needs, land improvement projects, new buildings and building system improvements, technology needs, and land acquisitions and dispositions, amortized according to the Capitalization and Amortization Guidelines,
- Water and erosion control projects including all those with projected provincial Water and Erosion Control Infrastructure (WECI) funding and those requiring levies,
- Anticipated wages for capital expenditures and corresponding decreases for wages in the operating budget,
- Amortization impacts on the operating budget starting in the current year plus one and following years for the life of the capital acquisition or project, if not fully funded in the year of completion or acquisition.

⁴ Current at 2024, for water and erosion control structures, we have sufficient deferred revenue to cover 93% of past capital amortization expenses. With a requirement that 100% of capital spending be funded for each capital project as it is complete, this percentage should climb to 100% over time.

3 Reserves Policy

3.1 Reserves Policy Statement

- Reserves⁵ shall be maintained in accordance with any applicable legislation and in respect of specific funding contributions.⁶
- Reserves do not necessarily need be fully funded.⁷
- There is no requirement to segregate the funding of reserves into discrete accounts. Reserve funds may be combined.
- Use of reserves shall be approved in conjunction with annual budgets.
- When reserves are deemed insufficient, a plan will be instituted to replenish them.
- Reserves will be categorized as:
 - a. **Obligatory** – created as a result of legislation, contractual agreement, donation, or recognition of the source of funds which may require revenues to be used for special purposes separate from general revenues.
 - i. Land transactions as described by Ministry of Natural Resources (MNR) Policies and Procedures for the Treatment of Conservation Authority Generated Revenue, and differentiating between UTRCA-interest only and those amounts for lands the province may have had an interest in,
 - ii. Directed donations (e.g., for Memorial Forest programs, Harrington Grist Mill),
 - iii. Capital Asset Renewal Reserve (Category 1) as per asset management plans,
 - iv. Water and Erosion Control Structures Reserves (Category 1) created through special benefitting levies and as described through asset management plans.
 - b. **Discretionary** – created through Board motion to set aside funding to finance a future expenditure. Examples of such may be for stabilization or risk management efforts.
 - i. Operating Reserves for:
 1. Category 1 Programs
 2. Category 2 Programs
 3. Category 3 Programs
 4. Category 3 Programs – campground operations
 - ii. Long-term Investment Reserve – held to smooth market advances and declines each year

⁵ Actively managing reserves necessitates planning and discussion about what level of reserves should be maintained, whether it needs to be funded, and most importantly, what mechanism is in place to create and maintain the reserve. This in turn dictates what our budget requires. Combined, these decisions constitute long-term financial planning.

⁶ This requires periodic review and valuation of balances in conjunction with the setting of long-term asset management plans and budgets.

⁷ This too will require a plan developed in conjunction with cash management and investment guidelines.

3.2 Recommended Reserve Balances

Table 1 outlines the target balance range for each type of reserve, and the balance as of January 2024.

Table 1. Target Balance Range

Type of Reserve	Balance Jan 2024	Target Balance Range
Land Transactions Reserve	\$30,859	Increases as land is sold
Directed Donations Reserve	\$82,379	Target as donations received
Capital Asset Renewal Reserve	\$1,014,702	\$2,000,000 - \$3,000,000
Water and Erosion Control Structures Reserves	\$1,532,262	\$3,000,000 - \$4,000,000
Category 1 Operating Reserve	\$315,593	\$1,900,000 - \$2,800,000
Category 2 Operating Reserve	--	0
Category 3 Operating Reserve	\$-90,368	\$2,600,000 - \$4,000,000
Category 3 Campgrounds Operating Reserve	\$3,061,858	\$2,300,000 minimum
Long-term Investment Reserve	\$146,228	\$2,840,000
Total	\$6,093,513	\$11,940,000 - \$18,940,000

3.3 Types of Reserves

3.3.1 Land Transactions Reserve

The Land Transactions Reserve is intended to meet regulatory requirements, to hold value for land parcel acquisition according to the UTRCA's Land Acquisition and Disposition Policy, and meet provincial disposition requirements. The MNR provides guidance on the disposition of land parcels, in the value of which there may have been a provincial interest. While provincial constraints as to the use of gains on the sale of land are now relaxed, it is useful to recall that the UTRCA lands have been acquired over a long period of time with perhaps several funders. Land acquisitions were recorded at their original cost and may have been at a comparatively high value. Any buildings may have been removed and a parcel may now be vacant floodplain lands. As a result, not all land sales may produce gains.

The UTRCA should keep land sale values in a reserve for potential future land acquisition which may arise at any time. The Land Transactions Reserve should be fully funded so as to make it possible to buy land as desired. This reserve should be held in two parts: UTRCA Interest Only Lands and Joint Interest Lands.

3.3.2 Capital Asset Renewal Reserve

The Capital Asset Renewal Reserve⁸ is intended to address the need for major repair or acquisition of buildings, equipment, furniture, fixtures, infrastructure, and technological tools necessary for the effective operation of the organization and its programs. This reserve is not intended to support those flood control structures that are funded through special benefitting levies, nor is it intended to supply the campgrounds' capital needs.⁹

The target amount of the Capital Asset Renewal Reserve may be considered as the minimum total of the next two to three year's capital requirements.

3.3.3 Water and Erosion Control Structures Reserves

The Water and Erosion Control Structures Reserves (aka Structures Reserves) are intended to provide a means to level demands on member municipalities and to ensure a ready source of value for structure operating needs as well as for major flood control structure capital needs if they are unfunded at the time of capital projects being completed. The reserves shall be segmented according to the structures that the organization manages and reflect the constituent beneficiaries' special-benefitting contributions.

The target amount of each structure reserve will be determined based on historical operating expenses, forecasts for operating activities, and in consideration of the risks each structure bears and their failure modes.

It is a goal that the Structures Reserves shall be funded to 50% to continue preserving life and property as required as a Category 1 activity. The investment of such reserve funds should be maintained in the UTRCA's long-term portfolio.

3.3.4 Long-term Investment Reserve

A Long-term Investment Reserve shall be established to hold gains and losses of the long-term investment portfolio. Due to the nature of these investments in market-based securities, and the desire to make this investment a perpetual pool of value to the organization, annual fluctuations may be more impactful than desired on normal operations. Therefore, in order to separate the effect of market swings, it is recommended that these gains and losses be held in a separate

⁸ Budgetary pressures often impede capital program expenditures or investments for maintenance and replacement especially for organizations that don't prepare a multi-year capital plan or properly consider the impact of capital projects on the operating budget. This lack of investment makes it increasingly difficult to have assets available or sustain the asset in a condition necessary to provide expected service levels. Ultimately, deferring essential maintenance or asset replacement could reduce the organization's ability to provide services and could threaten public health, safety and overall quality of life. In addition, as the physical condition of the asset declines, deferring maintenance and/or replacement could increase long-term costs and liabilities. Organizations should therefore establish capital planning, budgeting and reporting practices to encourage adequate capital spending levels. Such a multi-year capital plan as determined through an Asset Management Planning process should address the continuing investment necessary to properly maintain capital assets. Such practices should include proactive steps to promote adequate investment in capital renewal and replacement and necessary expenditure levels for maintenance.

⁹ Until an asset management plan is established which can inform more accurate needs for this reserve, UTRCA shall begin to segregate 10% of the value of new assets acquired each year in a reserve out of surpluses. The reserve can accrue over time. This would then require our annual capital budgets to be not only fully funded now but to add 10% to the value of the assets being acquired or built. In effect, our capital budget for UTRCA-wide assets must be 110% funded in the short-term.

reserve at this time, subject to future review. It is recommended that the reserve reach 40% of the portfolio's value.¹⁰

3.3.5 Operating Reserves

Minimum Operating Reserves will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The bulk of the cost centres contained in the UTRCA's annual budget are operating cost centres. These programs create the increases or decreases to operating reserves.¹¹

The recommended target range for the *Category 1 Operating Reserve* is between **two and three months of annual operating costs** or approximately \$1.9M - \$2.8M. The calculation of average operating costs includes all recurring, predictable expenses such as salaries and benefits, overhead costs, office, utilities, travel, program, and ongoing professional services. The calculation of average monthly expenses shall exclude some expenses, for example, flow-through amounts, one-time, or unusual purchases. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.

The target for the **Category 2 Operating Reserve is zero** and it will be unfunded. Because Category 2 programs are contracts, it is expected that the price for those contracts will be set in advance considering all possible costs to recover over the period of the contract. It is possible that small surpluses or deficits may occur in which case they will be assumed to clear in the following contract period.

The target range for the **Category 3 Operating Reserve** shall be **4-6 months of annual operating costs** or approximately \$2.6M- \$4M due to the funding variability of the programs in this category. It may be necessary to curtail programs quickly in response to a lack of grant funding; therefore, adequate reserves may be necessary to complete or wind down programs.

The **Category 3 Campgrounds Operating Reserve** normally constitutes 20% of the annual expenses of the organization. The conservation areas have proven to be highly successful at generating sufficient income for operations in addition to a surplus, without any municipal support and without significant, long-overdue capital investment. The Campgrounds Reserve is long established, and plans are currently in place for significant capital investments in 2024 which will deplete the reserve in future years over the life of the assets acquired. The potential risk to the organization should the campgrounds fail to open (as envisioned in early 2020 during the pandemic) or should a serious event occur which prohibits continued operations (e.g., fire)

¹⁰ Reserve funds for the full cost replacement or rehabilitation of major assets excluding flood control will be funded from ongoing operations at a rate which reflects the life of the asset. In the year of acquisition, contributions to these funds will begin and shall be based on an estimate of the useful life of each asset acquired. Funds shall be invested pursuant to the investment policy of the organization based on the timing of future asset replacements. This reserve will therefore be funded to approximately \$3M.

At a point in time which this reserve reaches approximately 40% of the portfolio value, then, it would not be likely that more in a reserve would be required and ceasing additions to this reserve would be possible. This then implies that a 40% loss of value in a single year, while not appealing, would not completely derail the finances of the organization in a single stroke because the reserve to compensate for it existed.

¹¹ Because reserves are, by nature, a contingency for a year with poor financial performance, operating reserves are dynamic pools of value and should be reviewed and adjusted in response to both internal and external changes.

requires the Campgrounds Reserve to be a **minimum of six months operating costs**, or approximately \$2.3M.

3.4 Funding Status of Reserves

The Category 1 Operating Reserve need not be fully funded as it is mandatory under provincial regulation and, therefore, fully fundable by member municipalities. The Category 2 Operating Reserve need not be fully funded as it is intended to be very short-term balances to be cleared under a subsequent contract. The Category 3 Operating Reserve should be adequately funded to smooth the provision of those programs.

The funding status of the Category 3 Campgrounds Reserve should be 100% to allow for near-term capital spending. Annual operations have added to this reserve and capital spending will soon begin to deplete it.

Table 2 outlines the status of the UTRCA’s reserves as of January 2024.

Table 2. Status of Reserves as of January 2024

Reserve	Balance Jan 2024	Target Reserve Balance	Funding Target	Amount of Reserve to be Funded
Land Transactions	\$30,859		100%	\$30,859
Directed Donations	\$82,379		100%	\$82,379
Capital Asset Renewal	\$1,014,702	\$2M - \$3M	100%	\$2M - \$3M
Water and Erosion Control Structures	\$1,532,262	\$3M - \$4M	50%	\$1.5 - \$1.75M
Category 1 Operating	\$315,593	\$1.9M- \$2.8M	50%	\$.95M - \$1.4M
Category 2 Operating	--	No target	--	--
Category 3 Operating	\$-90,368	\$2.6M - \$4M	50%	\$1.3M-\$2M
Category 3 Campgrounds	\$3,061,858	\$2.3M min	100%	\$2.3M
Long-term Investment	\$146,228	\$2.8M	100%	\$2.8M
Total	\$6,093,513	\$14.6M - \$18.9M		\$11M - \$13.4M

At the beginning of 2024, there is \$6,829,360 available to fund reserves, as show in Table 3.

Table 3. Funding Available for Reserves as of January 2024

Financial Assets and Liabilities	As of January 2024
Cash and near cash	\$810,397
Receivable in cash	\$854,865
Payables and accrued liabilities	-\$1,049,208
Investment accounts	\$15,502,627

Financial Assets and Liabilities	As of January 2024
Deferred revenues	-\$9,289,321
Net Assets	\$6,829,360

3.5 Accounting for Reserves

Approved budgets effectively dictate where and how reserves can be increased or will decrease. Movements of value in and out of reserves (reserve transactions) will be planned for each budget period. As projects or special activities are completed during the year, reserve entries may be made even though final accounting is completed at year end. A report of reserve balances is made each year end.

1. Long-term investment portfolio gains recognized are not allocated in year through service cost centre allocations with the belief that those gains should support long-term financial strength. They will be held in the Long-term Investment Reserve.
2. Unrecognized long-term portfolio gains will be accounted for using the Public Sector Accounting Board standard 3450 in effect from 2022.
3. Long-term investment portfolio losses and impairments recognized will be applied to:
 - a. the Long-term Investment Reserve,
 - b. then to the Category 1 Operating Reserve.
4. Any other annual operating surpluses will be applied to:
 - a. any deficit in the appropriate category Operating Reserve to first clear it,
 - b. then to the Capital Asset Renewal Reserve, to the extent of 10% of the current year's capital expenditures (excluding flood control), until it reaches its target and to maintain it at target,
 - c. of the remainder, to the appropriate category Operating Reserve.
5. Any annual operating deficits will be applied to:
 - a. the appropriate category Operating Reserve with plans for rebuilding.
6. The Water and Erosion Control Structures Reserves will be maintained from surpluses of flood control operating activities which may include excess levy required to support this reserve. This reserve also carries the deficits from operations of each structure.
7. The Land Transactions Reserve will be maintained with the gains from land dispositions after costs and will support new land acquisition as necessary and according to provincial policy regulation on land reserves. Where possible, revenues and expenses will be deferred until such time as a land transaction is completed.

3.6 Use of Reserves

3.6.1 Identification of Appropriate Use of Reserves

The General Manager and staff will identify the need for access to the various operating or other reserves and confirm that the use is consistent with the purpose of the reserves as described in this policy. This step requires analysis of the reason creating the need to use reserves (i.e., the reason of any deficit), the availability of any other sources of value before using reserves, and evaluation of the time period that the reserve will be needed and how it will be replenished.

Similarly, the need for the use of Structures Reserves will be identified as annual budgets are prepared.

As land transactions are planned to occur, the effect on the Land Transactions Reserve will be identified and presented to the Board by special request as they are not common transactions.

3.6.2 Authority to Use Reserves

The Board of Directors has control over reserves. By approving an annual budget, the Board provides authority to the General Manager for the use of reserves. The budgets requested will include rationale for the use of reserves and plans for replenishment. The organization's goal is to replenish the reserves used by the end of the year following its use or, in the case of Structure Reserves, up to three years following its use, to restore the reserve(s) to the target minimum amount.

3.7 Reporting Requirements

The General Manager / Secretary-Treasurer is responsible for ensuring that the reserves are maintained and used only as described in this policy. Upon approval for the use of reserves via budget approval, the General Manager and staff will maintain records of the use of funds and plan for replenishment, if required. Reports to the Finance and Audit Committee on progress to restore the reserves to the target minimum amount may be made if requested.

4 Relationship to Other Policies and Procedures

The UTRCA maintains the following Board-approved policies and plans, which may contain provisions that affect the creation, sufficiency, and management of reserves.

1. Contingency or Disaster Preparedness Plan,
2. Cash Management and Investment Policy,
3. Land Acquisition and Disposition Policy,
4. 20 Year Flood Control Structures Forecast (updated annually),
5. UTRCA Asset Management Plan (underway in 2024), and
6. Purchasing Guidelines (2018).

5 Review of Policy

The Budgetary and Reserve Policy will be reviewed every other year, at a minimum, or sooner if warranted by internal or external events. Changes to the policy will be recommended by management to the Board of Directors.

6 Policy Amendments

Appendix A. Definitions

Budget: An approved plan to spend a certain amount in a given fiscal year or project period. It is a plan represented by dollars as income and dollars as expenditure. UTRCA currently prepares annual budgets for approval and long-term budgets for information and discussion purposes.

Capital Asset Renewal: The term *capital asset* describes assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets include major government facilities, infrastructure, equipment and networks that enable the delivery of public sector services. The performance and continued use of these capital assets is essential to the health, safety, economic development and quality of life of those receiving services. Renewal and replacement refers to the process by which these assets are kept in good repair or replaced as needed.

Discretionary Reserves: These are reserves created by the Board for specific purposes.

GFAO: Government Finance Officers Association of the United States and Canada, a professional association of state, provincial and local finance officers dedicated to the sound management of financial resources.

Liquidity: A measure of an asset's convertibility to cash. There is a hierarchy of needs for funds in any organization. It typically progresses as:

1. Daily operations, for vendor accounts and payroll including source deductions and pension payments.
2. Peak period expenses, in the case of UTRCA, summer through fall.
3. Planned capital spending for significantly large purchases such as vehicles, major construction repairs on flood control assets or building projects.
4. Reserve funds required on depletion.

Public Sector Accounting Board: Board created to serve the public interest by establishing accounting standards for the public sector. Canada's standard-setting Boards and Oversight Councils are the Accounting Standards Board, Public Sector Accounting Board, Auditing and Assurance Standards Board, Canadian Sustainability Standards Board, Accounting Standards Oversight Council, and Auditing and Assurance Standards Oversight Council. These bodies together form the Financial Reporting and Assurance Standards of Canada.

Reserve: An appropriation from net revenue and/or cost savings at the discretion of the Board, after the provision for all known expenditures. A reserve has no reference to any specific asset or bank account and does not require the physical segregation of money or assets as in the case of a reserve fund. The Board may set up reserves for any purpose for which they have the authority to spend. Therefore reserves may not have a fund of cash associated with it.

Operating Reserve: An operating reserve is intended to provide an internal source of value for situations such as a sudden in-year increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or minor uninsured losses of an operating nature. Because the

authority budgets annually, use of reserves to balance funding gaps should be minimal. However, at times, small program surpluses or deficits may arise which may increase or decrease these reserves. An operating reserve is not intended to replace a permanent loss of revenue, eliminate an ongoing budget gap or hold value for unplanned future operating use. It is the intention of the Authority that the operating reserves is used when required and rebuilt within a reasonably short period of time. It can be considered the 'general equity' account.

Reserve Fund: A reserve fund is a pool of dollars in a bank account or investment account which may or may not equal the full value of a reserve. Reserve funds can be segregated or combined with other reserve funds.

A reserve may or may not have a reserve fund associated with it. If it does, it may not always be 100% of its reserve value. Reserve funds are cash dollars that have been set aside either by a resolution of the Board or a requirement of government by statute or agreement to meet a future expenditure. Reserve funds are either discretionary (being established by the Board) or obligatory (being established by virtue of a government requirement. To maintain cash flow flexibility, and because the Authority has an approved investment policy regulating cash management, reserve funds need not be segregated from other monies. Funds supporting reserves will be held in the various investment accounts the Authority maintains.

DRAFT

Appendix B. Reserve Balances

Reserve balances as of January 2024.

Count		Total	Category 1 General	Category 1 Special Distr.	Category 2	Category 3	Cat 3. Other Campgrounds
	Obligatory Reserves						
1	Land Transactions - Authority interest only	-					
1	Land Transactions - Provincial interest only	30,859	30,859				
5	Donor-Directed Reserves	82,379	82,379				
1	Capital asset renewal Reserve	1,866,194	1,866,194				
19	Structures Reserves	3,580,295		3,580,295			
	Discretionary						
3	Operating Reserves	3,716,489	514,317			140,315	3,061,858
1	Long-term Investment Reserve	146,228	146,228				
31		9,422,444	2,639,977	3,580,295		140,315	3,061,858
	Draws against reserves	(3,328,931)	(1,050,216)	(2,048,032)		(230,682)	-
	Net Reserves	6,093,513	1,589,760	1,532,262		(90,368)	3,061,858

DRAFT

To: UTRCA Board of Directors
From: Tracy Annett, General Manager
Date: August 27, 2024
File Number: 08-24-57
Agenda #: 6.1
Subject: 2025 Preliminary Draft Budget and Communications

Recommendations

1. THAT the 2025 Preliminary Draft Budget report be received.
2. THAT the 2025 Draft Budget be developed in conformity to the updated Conservation Authorities Act (CAA) and Ontario Regulation 402/22: Budget and Apportionment.
3. THAT staff BE DIRECTED to include a 3% increase to Schedule B of Municipal Cost Apportionment Agreements.
4. THAT staff BE DIRECTED to prepare a 2025 Draft Budget based on feedback received from the members.

Purpose

This report seeks direction from the Board of Directors on the 2025 Preliminary Draft Budget assumptions and process to prepare the 2025 Draft Budget.

Background

Budgets for 2025 and beyond more accurately reflect actual costs to support legislative requirements, local environmental needs, and municipal and public demands for service. The budget provided meets the requirements of the Budget and Apportionment Regulation (O.Reg. 402/22) and continues to use the Modified Current Value Assessment to apportion costs for general levy and benefit-based apportionment for structures.

The 2025 Preliminary Draft Budget separates the Authority's programs and services, consistent with Section 21 of the Conservation Authorities Act (CAA) and as required by [Mandatory Programs and Services Regulation O.Reg. 686/21](#):

- Category 1 – Mandatory programs and services defined in regulation that may be funded with municipal levy,
- Category 2 - Programs and services delivered at the request of the municipality with funding under agreement with the benefiting municipality,

- Category 3 - Other programs and services that the Authority determines are advisable to implement within our watershed jurisdiction, with funding through cost apportionment agreements with participating municipalities and primarily self-generated through user fees, government and other agency grants, donations, etc.

Discussion

Staff are seeking high-level budget direction from the Board as guidance for further preparation of the 2025 Draft budget to be provided at the October meeting. Staff may also consider final adjustments based on feedback prior to approval at the Annual General Meeting in February. Changes are possible and expected at each stage of the budget development and through consultation with our member municipalities.

In developing the preliminary 2025 budget, staff considered the following:

- Requirements under the Conservation Act and regulatory amendments,
- Cost of living adjustments (COLA) and grid step increases,
- Inflation (Consumer price index – CPI),
- Multi-year contractual obligations,
- Operating, capital, and program pressures,
- Board approved Fee Policy,
- Focus on internal efficiencies,
- General economic outlook, and
- Impacts on service delivery.

Levy Apportionment

O. Reg 402/22 – Budget and Apportionment outlines the three current methods of apportioning expenses/costs. Under this legislation, conservation authorities can apportion costs for all Category 1 (mandatory) programs and services and can only apportion costs for Category 2 and 3 programs and services with agreements in place with municipalities. General operating expenses and capital costs that benefit all municipalities (formerly referred to as “corporate administrative costs”) can be levied without agreement.

A summary of levy apportionment by type of costs is provided in Table 1 below. As part of the budget process and in keeping with current practice, conservation authorities are required to consider the use of self-generated revenue as per Board-approved Fees Policy.

Table 1: Levy Apportionment by Type of Costs

Types of Costs	Description
Category 1 – all mandatory programs	• Operating expenses for programs and services that benefit all participating municipalities (i.e., general levy) would be

Types of Costs	Description
and services	apportioned using the MCVA* or benefit-based methods. <ul style="list-style-type: none"> • Capital costs that benefit all would use the MCVA, benefit-based or agreement methods. • Capital costs and operating expenses for programs and services that benefit only one or some municipalities (e.g., certain infrastructure operation/ maintenance costs related to dams) may be apportioned by benefit-based methods.
Category 2 - all municipal programs and services	<ul style="list-style-type: none"> • Capital costs and operating expenses would be apportioned directly and entirely to the participating municipality that has entered into a MOU or other agreement under s. 21.1.1 of CAA with the conservation authority for the authority to provide the program and service on the municipality's behalf.
Category 3 - other programs and services (watershed determined programs)	<ul style="list-style-type: none"> • Capital costs and operating expenses would be apportioned in accordance with cost apportioning agreement. Agreements include the MCVA methods, and costs to be updated annually.

*Note: MVCA amounts for 2025 were not received from the province in time to incorporate into the Preliminary Draft Budget but are attached to this report. The Draft Budget will reflect the 2025 apportionment.

Self-generated revenues

The UTRCA continues to generate funds in all program areas where possible. In creating this preliminary budget, the following Category 1 programs and services apply self-generated revenue to reduce the levy request from our participating municipalities:

- 1) **Planning and Regulations Fees** – Section 21.3(1) Direction, which has been in effect since 2023 and continues from January 1, 2024 to December 31, 2024, requires a conservation authority not to change the amount of the fee it charges or the manner in which it determines the fee for any program or service that may be provided by the conservation authority. This relates to reviewing and commenting on planning and development related proposals or land use planning policies, or for permits issued by conservation authorities.

This budget anticipates that the fees freeze will be extended through 2025. Estimates for 2025 fees are anticipated to recover approximately 35% of costs and not follow the UTRCA Fees Policy of recovering 50% of expenses for this program area through fees. The office of the minister has indicated that a decision will be made after the freeze ends on January 1, 2025, about “whether or not to extend the freeze” (London Free Press, August.) If the fees freeze is lifted, any changes will require consultation and not be realized until later in 2025. It is not anticipated that the fees freeze will reduce levy requirements in 2025.

- 2) **Lands Management** – Revenues generated through various land leases have been applied to Category 1 programs and services.
- 3) **Corporate Costs** - The Preliminary Draft Budget identifies common or general administrative, human resources, financial, marketing and communications, and fleet services costs. Corporate costs of \$1,694,275 are being recouped through distribution to Category 2 and 3 programs and services to offset Category 1 expenses. The remainder of the costs are supported by investment income and deferred capital levy.

Preliminary Draft Budget Issues

The 2025 Preliminary Draft Budget is affected by several issues and Board direction is needed prior to finalizing for circulation to member municipalities. Details are provided below.

In 2024, early estimates for UTRCA's 2025 budget were prepared for the City of London's multi-year budget process. To provide an estimate of funding needed, the UTRCA's submission anticipated no new revenue sources and the need to remove past deficits to produce a balanced budget. Considering those two factors, a 30% increase in funding from 2024 amounts would be required to present a balanced budget, particularly for Category 1 programs. Ultimately, through the approval of the Mayor's budget, a 15% increase was included in the City's multi-year budget for 2025.

Early 2025 budget discussions at the Finance and Audit Committee (F&A) meeting in May included discussion around the estimated 30% increase in funding to support mandatory Category 1 programs and services. Considering that the City had only approved a 15% increase, the Committee recommended that staff prepare communication products to support advocacy around a business case submission.

Since the initial F&A discussions, staff have worked diligently to control costs and explore additional funding sources. These efforts are reflected in the 2025 Preliminary Draft Budget. Although communications are still important, aligning with the City's budget process allows more time to develop and receive input from all Board members to present the implications of this Preliminary Draft Budget for individual municipalities.

Key messages are that:

- Mandatory Category 1 programs and services require long-term stable funding to meet our legislative responsibilities,
- There are very limited alternative funding sources for these mandatory programs and services.

Budget Overview

The attached Preliminary Draft Budget displays the capital and operating costs by category of programs and services along with the revenues we expect will support each category. The UTRCA continues to seek additional funding support through leveraging funds. Much of that effort is realized in Category 3 programs. The costs in each category of program are identified as follows.

Category 1 – Mandatory Programs:

The Preliminary Draft Budget identifies total operating expenses of \$12,813,452, representing an approximate 15% increase in levy. It is noted that the province has provided Modified Current Value Assessment (MCVA) amounts for activities related to the Conservation Authorities Act and the Clean Water Act. MCVA amounts are attached, as they have not yet been incorporated into the preliminary budget. MPAC assessments have not been updated since 2016, resulting in minor changes in assessment between 2024 and 2025.

A new provincial agreement has been approved which provides funding for the UTRCA to continue delivering the Drinking Water Source Protection program until March 2027. However, overhead costs have been capped, and therefore, do not recover all the costs associated with the program. These shortages can be accommodated in 2025, but future budgets may need to include a Clean Water Act levy.

Category 2 – Municipal Programs:

New Category 2 contracts have been negotiated and costs are recouped accordingly.

Category 3 – Watershed Determined Programs:

Watershed determined programs have had a 75+ year history of the UTRCA delivering programs and services under the Conservation Authorities Act. The purpose of the CAA remains unchanged. Cost apportioning agreements have been negotiated for program areas that include:

- Stewardship and restoration,
- Subwatershed planning and monitoring, and
- Community outreach and education.

Alternative sources of funding support many programs and services in this category. Significant funding through senior levels of government is anticipated to begin this fall and continue through 2025. Cost apportioning with participating municipalities allows leveraging of these grant programs and provides base contributions to stabilize funding sources. A 3% cost of living increase for these programs is proposed to align with COLA; however, it should be emphasized that the cost apportioning contributions return more than 12:1 for each dollar invested in these programs and services.

Other Category 3 Programs:

Campground Operations will remain a separate line item in the budget, with any revenues generated from operations directed towards a reserve fund to support much needed capital improvements, as noted above.

Capital Projects:

Considerable capital work has been planned for 2025 as the UTRCA continues to work to maintain aging infrastructure. Inflation has meant rising costs and has made it difficult to estimate project costs for future projects with any certainty. The 2025 Preliminary

Draft Budget includes capital projects and outlines the proposed flood and erosion control structures capital projects and other capital projects for 2025, for information and consideration.

- **Flood and Erosion Control**

The UTRCA recognizes that the Preliminary Draft Budget includes increases to flood and erosion control structures capital project costs, which can vary significantly for special benefitting municipalities. The Authority is sensitive to the impacts on these municipalities and will be meeting with each municipality to discuss the timing and phases of implementation and levying.

The UTRCA has applied for alternative funding sources to offset capital costs to member municipalities. Approved funding and updated projects will be reflected in the 2025 Draft Budget to be presented to the Board in October.

- **Other Capital Projects**

A deficit is projected for capital expenditure needs primarily attributed to the campgrounds, where campground projects are depreciated through conservation areas reserves.

Conservation authorities have no restriction in developing deficit budgets aside from prudent fiscal management. Many organizations develop deficit budgets particularly with respect to capital spending, in effect putting off securing the matching revenue into the future. However, in recognition of the nature of the Category 1 services that the UTRCA is mandated to provide, we attempt to reduce future burden on levies in favour of making levy requirements fully understood as they are needed. Therefore, this budget includes all spending requirements for 2025 as we know them today and indicates the impact of deficits on our existing reserves. While campground capital spending can be mitigated by the existing campgrounds reserve, other operating and capital draws on reserves are not sufficient to support the organization to this extent on an on-going basis.

Input Requested

With the changes to regulations, the 2025 Preliminary Draft Budget shows the distribution of costs by program area and category, and which costs are supported by the various types of funding.

- Category 1 programs are proposed at a 66% levy contribution with the remainder supported by grants, self-generated, and federal and provincial sources.
- Category 2 programs and services are funded entirely through municipal agreements.
- Category 3 programs are proposed with a 3% increase to the cost apportioning agreements. Costs of Category 3 programs to participating municipalities are less than 8% while the remaining 92% will be from contracts or other self-generated sources.

Staff are requesting feedback on potential actions / alternatives to develop a budget that may be supported by our municipal representatives. Alternatives being considered include:

1. Increase levy for Category 1 programs and services to cover all costs for these mandated programs (any additional increases could be shown as deficit).
2. Establish target percentage funding for mandatory Category 1 programs and services. In 2024, 60% of these program costs were funded by the levy; the 2025 Preliminary Draft Budget proposes 66% funding through the levy.

Board discussions will inform staff on how to finalize the draft 2025 budget prior to circulating to member municipalities and follows the schedule provided:

2025 Budget Development Schedule

March 2024: Staff initiate workplans for 2025 to predict Budget needs

June 2024: Board Direction regarding Budget Concepts

August 2024: Board Direction regarding Preliminary Draft Budget followed by municipal input sessions with Senior staff

October 2024: Draft Budget presented to Board

November 2024- February 2025: Municipal input sessions with senior staff and Draft Budget circulation to member municipalities

January 2025: Board review of municipal comments and Draft Budget reconsideration

February 2025: Budget review and approval of the Budget and apportionment

Summary

The 2025 Preliminary Draft Budget illustrates an increase in levy of \$1,121,851 to support Mandatory Category 1 programs and services for the organization. The additional levy allows the annual operating deficit to be reduced to present a balanced budget. This projection includes a conservative estimate of “soft revenue,” typically contract revenue that is expected during the year from programs that have not yet been announced.

Capital amounts include increases to water and erosion control structure capital project costs and recognise these costs can vary significantly for special benefitting municipalities. The UTRCA has applied for alternative funding sources to offset capital costs to member municipalities. Approved funding and updated projects will be reflected in the 2025 Draft Budget to be presented to the Board in October.

While we are proud of the effort and commitment of staff to achieve the ends in delivering programs and services that improved watershed health, the amounts included intend to move to a sustainable funding model for mandatory programs and services; cost recovery for municipal contracts; and a continued commitment to leverage funds received through our Category 3 cost apportioning agreements. Our expectation is that

budgets for 2025 and beyond will more accurately reflect actual costs to support legislative requirements, local environmental needs, and public demands for service.

Recommended by:

Tracy Annett, General Manager / Secretary-Treasurer

Christine Saracino, Supervisor Finance

Jenna Allain, Manager Environmental Planning and Regulations

Brad Glasman, Manager Integrated Watershed Management

Teresa Hollingsworth, Manager Community and Corporate Services

Chris Tasker, Manager Water & Information Management

Brent Verscheure, Manager Lands, Facilities and Conservation Areas

Attachments:

2025 Preliminary Draft Budget For Discussion

2025 UTRCA's Conservation Authorities Act and Clean Water Act Levy Apportionment

Upper Thames River Conservation Authority Levy Apportionment Data for 2025

The modified current value assessment method is based on property tax values and how much of the geographic area of the participating municipality is located within the authority's area of jurisdiction.

Municipality	% in CA	2024 Tax Year Current Value Assessment (CVA) (Modified)	2024 Tax Year CVA (Modified) in CA Jurisdiction	CVA Based Apportionment Percentage
Municipality of South Huron	8	1953079167	156,246,333	0.2024
City of London	82	60304810158	49,449,944,330	64.0489
Township of Lucan Biddulph	32	860171025	275,254,728	0.3565
Municipality of Middlesex Centre	49	3895311738	1,908,702,752	2.4722
Municipality of Thames Centre	92	2724053000	2,506,128,760	3.2460
Township of Blandford-Blenheim	12	1485641478	178,276,977	0.2309
Township of East Zorra-Tavistock	89	1472685943	1,310,690,489	1.6976
Town of Ingersoll	100	1869882998	1,869,882,998	2.4219
Township of Norwich	13	1777843570	231,119,664	0.2994
Township of South-West Oxford	62	1280797330	794,094,345	1.0285
City of Woodstock	100	6837690524	6,837,690,524	8.8564
Township of Zorra	100	1908401645	1,908,401,645	2.4718
Total of Oxford Area Municipalities	-	16632943488	13,130,156,642	17.0065
Township of Perth East	51	2138784312	1,090,779,999	1.4128
Township of Perth South	98	913181437.3	894,917,809	1.1591
Town of St. Marys	100	1129497883	1,129,497,883	1.4630
City of Stratford	100	5536395464	5,536,395,464	7.1709
Municipality of West Perth	67	1684386349	1,128,538,854	1.4617
UTRCA TOTAL			77,206,563,553	100.0000

Upper Thames River Source Protection Authority Clean Water Act (CWA) Levy Apportionment Data for 2025

Municipality	% in SPA	2024 Tax Year Current Value Assessment (CVA) (Modified)	2024 Tax Year CVA (Modified) in SPA Jurisdiction	CVA Based Apportionment Percentage
Municipality of South Huron	8	1953079167	156,246,333	0.2018
City of London	82	60304810158	49,449,944,330	63.8549
Township of Lucan Biddulph	32	860171025	275,254,728	0.3554
Municipality of Middlesex Centre	49	3895311738	1,908,702,752	2.4647
Municipality of Thames Centre	92	2724053000	2,506,128,760	3.2362
Township of Strathroy - Caradoc	7	3351091641	234,576,415	0.3029
Township of Blandford-Blenheim	12	1485641478	178,276,977	0.2302
Township of East Zorra-Tavistock	89	1472685943	1,310,690,489	1.6925
Town of Ingersoll	100	1869882998	1,869,882,998	2.4146
Township of Norwich	13	1777843570	231,119,664	0.2984
Township of South-West Oxford	62	1280797330	794,094,345	1.0254
City of Woodstock	100	6837690524	6,837,690,524	8.8295
Township of Zorra	100	1908401645	1,908,401,645	2.4643
Total of Oxford Area Municipalities	-	16,632,943,488	13,130,156,642	17.0065
Township of Perth East	51	2138784312	1,090,779,999	1.4085
Township of Perth South	98	913181437.3	894,917,809	1.1556
Town of St. Marys	100	1129497883	1,129,497,883	1.4585
City of Stratford	100	5536395464	5,536,395,464	7.1492
Municipality of West Perth	67	1684386349	1,128,538,854	1.4573
UTRCA TOTAL			77,441,139,968	100

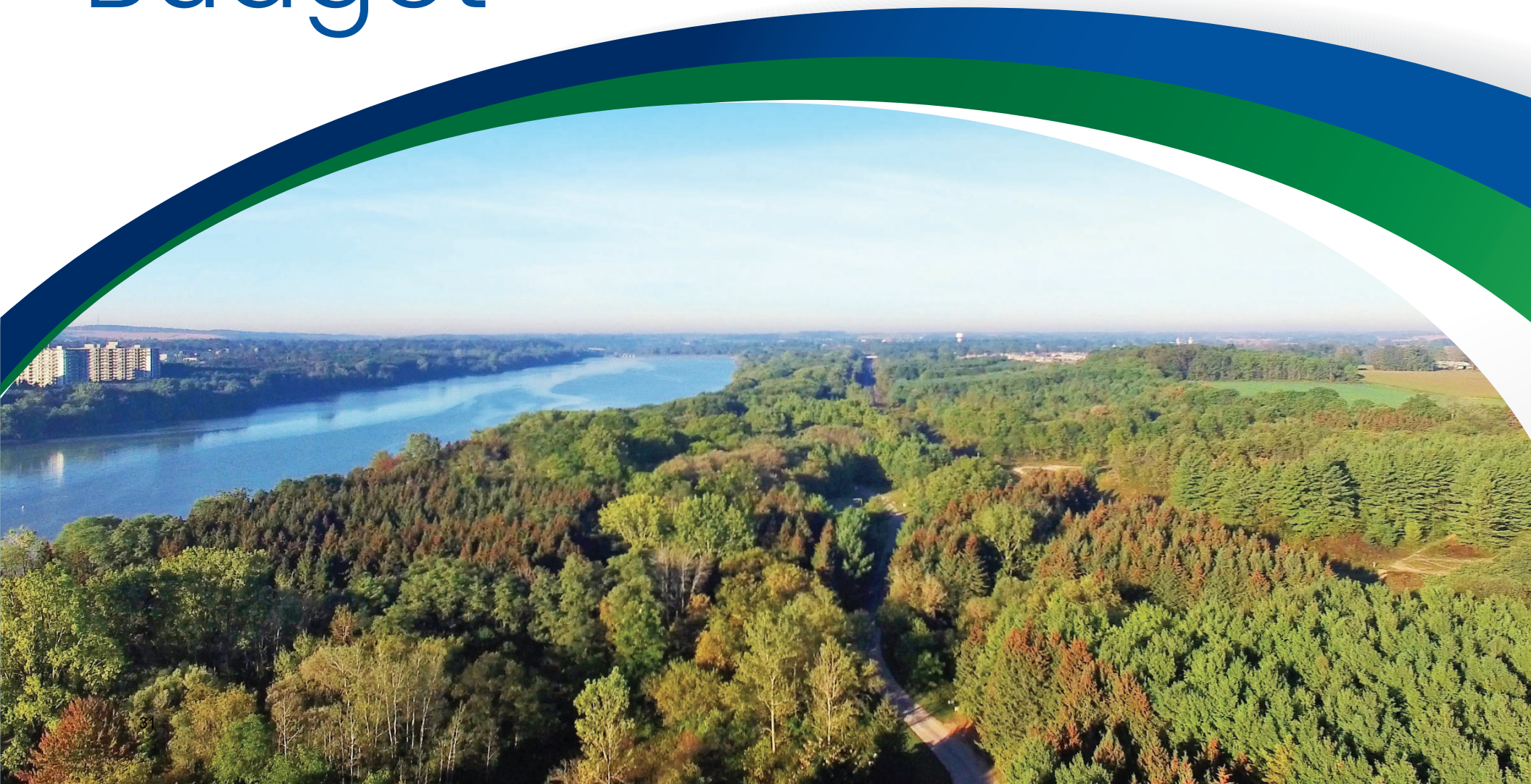
Preliminary Draft
2025
Budget

August 27, 2024

www.thamesriver.on.ca

UPPER THAMES RIVER
CONSERVATION AUTHORITY

For Discussion





Budget Development Schedule

March 2024

Staff initiate workplans for 2025 to predict budget needs

June 2024

Board direction regarding budget concepts

August 2024

Board direction regarding Preliminary Draft Budget followed by municipal input sessions with senior staff

October 2024

Draft Budget presented to Board

November - February

Municipal input sessions with senior staff and Draft Budget circulation to member municipalities

January 2025

Board review of municipal comments and Draft Budget reconsideration

February 2025

Board review of Draft Budget and approval of Budget and Apportionment

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2025 Preliminary Draft Budget: Overview

The Upper Thames River Conservation Authority's (UTRCA) 2025 Preliminary Draft Budget accurately reflects actual costs to support legislative requirements, local environmental needs, and municipal and public demands for service. The budget provided for discussion meets the requirements of the Budget and Apportionment Regulation (O.Reg. 402/22) and continues to use the Modified Current Value Assessment to apportion costs for general levy and benefit-based apportionment for water and erosion control structures.

The 2025 Preliminary Draft Budget separates the UTRCA's programs and services into three categories, consistent with Section 21 of the Conservation Authorities Act (CA Act) and as required by Mandatory Programs and Services Regulation O.Reg. 686/21:

- Category 1 - Mandatory programs and services defined in regulation that may be funded with municipal levy.
- Category 2 - Programs and services delivered at the request of the municipality. Funding under agreement with the benefiting municipality.
- Category 3 - Other programs and services that the Authority determines are advisable to implement within our watershed jurisdiction that are funded through cost apportionment agreements with participating municipalities and self-generated funding sources such as user fees, government and other agency grants, donations, etc.

What are the Mandatory Programs and Services?

- Planning and regulations
 - Regulations under the CA Act (Prohibited Activities, Exemptions and Permits)
 - Planning activities
- Water management
 - Flood forecasting and warning
 - Infrastructure operations and maintenance

- Mapping, studies, and information management
- Climate change risk and mitigation
- Low water response
- Natural hazards outreach programs
- Land management
 - Lands management, risk, enforcement
 - Lands strategy – implementation (strategy completed in 2024)
 - Public access on UTRCA lands for passive recreation
 - Natural heritage conservation on UTRCA lands
- Provincial water monitoring
- Drinking water source protection
- Watershed strategy – implementation (strategy completed in 2024)
- Essential corporate costs

UTRCA's Category 1 programs and services are broader than those of most other conservation authorities due to the size and scope of the water and erosion control structures and program.

Budget Development

In developing the 2025 Preliminary Draft Budget, staff considered the following:

- Requirements under the Conservation Authorities Act and regulatory amendments,
- Cost of living adjustments (COLA) and pay grid step increases,
- Inflation (consumer price index),
- Multi-year contractual obligations,
- Operating, capital, and program pressures,
- Board approved Fee Policy,
- Focus on internal efficiencies,
- General economic outlook,
- Impacts on service delivery.

The UTRCA has used a very conservative approach to spending, as well as proactive investigations into alternative sources of funding in 2024, in an effort to minimize financial impacts on member municipalities in 2025 and beyond. Early estimates are that the deficit budgeted for 2024 will be much lower than expected.

Budget Decision-Making Drivers

The following items have informed the development of the 2025 Budget:

1. Recognition of the Need to Increase the Municipal Share of Category 1 Mandatory Programs and Services Operating Costs

Recent legislation has identified programs and services Conservation Authorities are mandated to provide (referred to as Category 1) that are eligible to be fully funded from municipal levy. In 2024, the municipal levy supported just under 60% of the cost of providing these mandatory services at the UTRCA.

The long-term goal is to increase the share of the costs of Category 1 programs being borne by municipalities and reduce reliance on other, undependable sources of funding, to ensure the stability of these programs and services. Without consistent and dependable funding for mandatory programs and services, the UTRCA is unable to create a responsible level of reserve funds.

The 2025 Preliminary Draft Budget illustrates close to a 15% increase in the municipal share of Category 1 expenses. This increase will move the municipal share to 66% of all Category 1 operating expenses. Although not covering all Category 1 operating costs, this increase will allow for programs and services to be delivered and is within the 15% increase approved by the City of London in their multi-year budget.

2. Increased Costs to Mandatory Programs

Examples of more costs being added to mandatory programs include recent decisions regarding the Drinking Water Source Protection (DWSP) program and the funding model for the Provincial Groundwater Monitoring Network (PGMN); both Category 1 programs. The provincial government has indicated

that funding provided to support the administrative overhead costs for DWSP is being reduced over three years (2024 to 2026) to a maximum of \$50,000 per year. Overhead costs for the Thames-Sydenham Source Protection Region, of which the UTRCA is the administrative lead, currently exceed \$85,000 annually.

The provincial government currently limits capital project funding for the PGMN to \$5,000 per Conservation Authority, regardless of the number of stations being monitored. Aging station equipment must be maintained or replaced. The UTRCA monitors 28 wells at 22 sites.

3. Alternative Sources of Funding

The UTRCA continues to investigate opportunities to attract partnerships, user fees, and alternative funding sources to support all programs and services. A contract with the federal government is currently being negotiated that may bring support to the UTRCA's rural stewardship efforts. By obtaining funding support, Category 3 programs and services leverage the municipal investment and assist in supporting Category 1 corporate costs. The Preliminary Draft Budget estimates that Category 3 programs and services will leverage the municipal share 12:1 in 2025.

The budget includes an estimated 3% increase in Category 3 programs and services expenses, largely due to the cost of staff compensation. The Preliminary Draft Budget includes a 3% increase in wages across the organization and the UTRCA is committed to fair and competitive compensation.

The provincial government froze planning fees in 2022, limiting the amount of user fees that can be collected by the Authority. The UTRCA's Board-approved policy has been to recoup 50% of the cost of providing planning and development services. Currently, the UTRCA is recouping approximately 35% of expenses.

4. Significant Increase in Capital Projects for Specific Municipalities

Considerable capital work has been planned for 2025 as the UTRCA continues work to maintain aging infrastructure. Inflation has meant rising costs and has made it difficult to estimate project costs for future projects with any certainty.

The UTRCA recognizes that the preliminary draft budget includes increases to capital project costs, which can vary significantly for special benefitting municipalities. The Authority is sensitive to the impact on these municipalities and intends to meet with each municipality to discuss the timing and phases of implementation and levying.

The UTRCA has applied for alternative funding sources to offset capital costs to member municipalities. Approved funding and updated projects will be reflected in the 2025 Draft Budget to be presented to the Board in October.

Table 1. Summary of Costs and Funding Sources per Category

	Category 1	Category 2	Category 3	Other Category 3 (Campgrounds)	TOTAL
Operating Costs	\$12,813,452	\$1,247,715	\$8,070,561	\$4,723,527	\$26,855,256
Provincial Transfer Payments - Conservation Authorities Act	181,213	--	--	--	181,213
Provincial Transfer Payments - Clean Water Act	573,941	--	--	--	573,941
Federal/Provincial Grants and Contracts	667,351	--	5,406,613	--	6,073,964
Municipal Contracts	407,167	1,247,715	216,800	68,331	1,940,013
Self-Generated Revenue	2,449,201	--	1,590,072	4,952,281	8,991,554
Municipal Levy	8,513,490	--	--	--	8,513,490
Municipal Cost Apportioning Agreements	--	--	626,543	--	626,543
Total Funding Sources	12,792,363	1,247,715	7,840,028	5,020,612	26,900,718
Surplus or (Deficit)	(\$21,089)	0	(\$230,534)	\$297,085	\$45,462

Table 2. Operating Budget

	2025 Category 1	2025 Category 2	2025 Category 3	2025 Other Category 3 Campgrounds	2025 Total
Revenues					
Municipal Levy + Cost Apportionments (Cat. 3)	\$8,513,490	-	\$626,543	-	\$9,140,033
Municipal Levy amortized from deferrals	294,157	-	1,584	-	295,741
Provincial Transfer Payment - CA Act	181,213	-	-	-	181,213
Provincial Transfer Payment - Clean Water Act	573,941	-	-	-	573,941
Municipal Contracts	407,167	\$1,247,715	216,800	\$68,331	1,940,013
Provincial Contracts	468,663	-	307,300	-	775,963
Federal Grants and Contracts	198,688	-	5,099,313	-	5,298,001
Land Management Agreements	496,269	-	652,283	71,592	1,220,144
User Fees	866,600	-	242,400	4,879,362	5,988,362
Donations and Other	79,125	-	693,805	1,327	774,257
Investment Revenue	713,050	-	-	-	713,050
Total Operating Revenues	12,792,363	1,247,715	7,840,028	5,020,612	26,900,718
Expenses					
Wages and Benefits	9,991,959	753,052	2,373,418	2,486,193	15,604,622
Depreciation Expenses	1,439,882	-	22,074	164,770	1,626,726
Property Related Expenses	833,284	36,975	549,879	843,709	2,263,847
Technical and Consulting Services	523,335	30,420	281,904	197,173	1,032,832
Computers and Communications	553,217	13,050	29,174	20,712	616,152
Insurance and Risk Management	362,039	2,675	12,651	120,270	497,635
Materials and Supplies	446,511	92,100	341,084	283,152	1,162,847
Fleet Related Expenses	159,750	-	1,565	4,750	166,065
Staff Travel, PD, PPE, Uniforms	149,665	20,450	23,245	40,304	233,664
Board per Diems	21,265	-	-	-	21,265
Banking and Other	26,820	-	3,602,780	-	3,629,600
Corporate Allocations	(1,694,275)	298,993	832,788	562,494	-
Total Operating Expenses	12,813,452	1,247,715	8,070,561	4,723,527	26,855,256
Surplus or (deficit)	(\$21,089)	0	(\$230,534)	\$297,085	\$45,462

Table 3. Capital Projects

Water and Erosion Control Structure Capital Projects	Levy	Other Funding	Expenses	Preliminary Forecast 2025 Net
Fanshawe Dam	\$55,000	-	\$55,000	-
Centreville Dam	36,629	-	4,000	\$32,629
Dorchester Mill Pond Dam	16,500	\$12,500	29,000	-
Dorchester CA Dam	4,000	-	4,000	-
Embro Dam	89,000	-	64,000	25,000
Fullarton Dam	47,000	-	4,000	43,000
Harrington Dam	11,500	-	11,500	-
Ingersoll Channel	-	-	-	-
London Dykes	2,708,000	7,612,000	10,307,500	12,500
Mitchell Dam	169,564	25,000	119,000	75,564
Orr Dam	195,000	-	125,000	70,000
Pittock Dam	-	-	-	-
Shakespeare Dam	6,000	-	6,000	-
Stratford Channel	20,806	-	-	20,806
St Marys Floodwall	-	-	-	-
Wildwood Dam	580,500	462,500	925,000	118,000
Total	\$3,949,499	\$8,112,000	\$11,664,000	\$397,499

Considerable capital work has been planned for 2025 as the UTRCA continues work to maintain aging infrastructure. Inflation has meant rising costs and has made it difficult to estimate project costs for future projects with any certainty.

The UTRCA recognizes that the Preliminary Draft Budget includes increases to capital project costs, which can vary significantly for special benefitting municipalities. The Authority is sensitive to the impact on these municipalities and intends to meet with each municipality to discuss the timing and phases of implementation and levying.

The UTRCA has applied for alternative funding sources to offset capital costs to member municipalities. Approved funding and updated projects will be reflected in the 2025 Draft Budget to be presented to the Board in October.

Other Capital Projects	Levy	Funding	Expenses	Preliminary Forecast 2025 Net	Notes
Capital Asset Renewal Reserve					
IT server equipment	\$58,000		\$58,000	-	
Fleet vehicle and equipment replacement	361,000	\$75,000	616,000	-\$180,000	Ongoing capital asset renewal/replenishment - 5 light-duty trucks, 2 EV/HEV/PHEV compact vehicles, and equipment
Pittock CA reservoir shoreline erosion control			120,000	-120,000	Ongoing bank stabilization and erosion control along north/south shoreline
Former Children's Safety Village renovations (AODA compliance)			200,000	-200,000	Renovations to comply with Accessibility for Ontarians with Disabilities Act (AODA)
Sub-total	443,500	75,000	1,018,500	-500,000	
Category 3 Campgrounds Reserve					
Tri-park business plans			120,000	-120,000	Deferred from 2024
Fanshawe CA / Wildwood CA gatehouse / entrance design plans			60,000	-60,000	
FCA electrical upgrades - seasonal sites			416,937	-416,937	Deferred from 2024
FCA roads - day use area				-	Deferred from 2024 to 2026
FCA roads - campground			300,000	-300,000	Campground roads prioritized over day use area
FCA canoe launch - day use area			40,000	-40,000	Phase 2 accessible canoe/kayak launch (day use)
FCA Lakeview Pavilion renovations			50,000	-50,000	Project to be confirmed
FCA campground washroom renovations (AODA compliance)			400,000	-400,000	Deferred from 2024
Pittock CA 3rd washroom renovations			-225,000	225,000	Cost estimate increased; deferred to 2025
PCA entrance and bridge infrastructure (Woodstock)		150,000	315,000	-165,000	Delayed from 2024 by City of Woodstock
PCA washroom repairs (AODA compliance)			75,000	-75,000	Deferred from 2024
PCA registration building renovations			100,000	-100,000	Gatehouse removal, centralized registration/camp store upgrade (includes new integrated gate system)
Wildwood CA electrical upgrades			75,000	-75,000	New electrical servicing upgrades (overnight campsites)
WCA roads			500,000	-500,000	Campground road replacement (asphalt / recycled asphalt)
WCA playground equipment			130,000	-130,000	Delayed from 2024
Sub-total	-	150,000	2,356,937	-2,206,937	
Total Other Capital Projects	\$443,500	\$225,000	\$3,375,437	-\$2,706,937	

Table 4. Municipal Levies

Municipality	General Distribution Rates - Operating and Capital (See Municipal Levies Detail: General Distribution Rates on page 7)						Category 1 Levy - General Distribution Total
	Clean Water Act	CA Act	Clean Water Act	Clean Water Act	CA Act	CA Act	
	2024 MCVA%	2024 MCVA %	2025** MCVA %	2025 Levy	2025** MCVA %	2025 Levy	
Oxford County	16.9295	16.9810	16.9295		16.9810	\$1,260,787	\$1,260,787
London	63.8935	64.0880	63.8935		64.0880	4,758,336	4,758,336
Lucan Biddulph	0.3497	0.3507	0.3497		0.3507	26,038	26,038
Thames Centre	3.1877	3.1974	3.1877		3.1974	237,397	237,397
Strathroy-Caradoc*	0.3034		0.3034				
Middlesex Centre	2.4364	2.4438	2.4364		2.4438	181,445	181,445
Stratford	7.1849	7.2068	7.1849		7.2068	535,083	535,083
Perth East	1.4139	1.4182	1.4139		1.4182	105,297	105,297
West Perth	1.4853	1.4899	1.4853		1.4899	110,620	110,620
St Marys	1.4560	1.4604	1.4560		1.4604	108,430	108,430
Perth South	1.1594	1.1629	1.1594		1.1629	86,342	86,342
South Huron	0.2003	0.2009	0.2003		0.2009	14,916	14,916
Zorra Township	-	-	-		-	-	-
South-West Oxford	-	-	-		-	-	-
Total	100	100	100	-	100	\$7,424,690	\$7,424,690

Special Benefitting Rates*** - Operating and Capital (See Municipal Levies Detail: Special Benefitting Rates on page 8)							Category 1 Levy - Special Benefitting Total	Category 1 Mandatory Program Levy Total
Structure (Single Benefitting Municipality)		Wildwood Dam (London 80%, St Marys 14%, all municipalities 6% MCVA)		Pittock Dam (Oxford County 61.1%, London 32.9%, all municipalities 6% MCVA)		Total		
Structure (100%)	2025 Levy	%	2025 Levy	%	2025 Levy			
Ingersoll Channel	\$28,000	1.0189	\$9,751	62.1189	\$155,297	\$193,048	\$1,453,835	
Fanshawe Dam	592,500	83.8453	802,400	36.7453	91,863	4,247,063	9,005,398	
London Dykes	2,754,000							
Springbank Dam	6,300							
	-	0.0210	201	0.0210	53	254	26,292	
Dorchester CA Dam	56,500	0.1918	1,836	0.1918	480	78,815	316,212	
Dorchester Mill Pond Dam	20,000							
	-	-	-	-	-	-	-	
	-	0.1466	1,403	0.1466	367	1,769	183,214	
Stratford Channel	242,000	0.4324	4,138	0.4324	1,081	289,025	824,108	
RT Orr Dam	41,806							
Shakespeare Dam	5,000	0.0851	814	0.0851	213	6,027	111,324	
Mitchell Dam	107,000	0.0894	856	0.0894	224	352,643	463,264	
Fullarton Dam	244,564							
St Marys Floodwall	65,000	14.0876	134,818	0.0876	219	200,037	308,467	
	-	0.0698	668	0.0698	175	843	87,184	
	-	0.0121	116	0.0121	30	146	15,062	
Embros Dam	100,000	-	-	-	-	111,500	111,500	
Harrington Dam	11,500							
Centreville Dam	40,629	-	-	-	-	40,629	40,629	
	\$4,392,799	100	\$957,000	100	\$250,000	\$5,521,798	\$12,946,489	

* Strathroy-Caradoc is currently excluded from the UTRCA's jurisdiction by Order-in-Council.

** Province provided updated MCVA after preliminary draft budget package produced.

***The UTRCA uses a benefit-based method to apportion the operating expenses and capital costs for the water control structures it operates and maintains. The local share of the costs (after reduction by available funding from senior government or other sources) is apportioned based on the benefit to the municipalities. For Fanshawe, Wildwood, and Pittock Dams, the shared benefit was determined when the funding for construction of the structures was discussed. For all other structures, the municipality where each structure is located is the sole beneficiary and, therefore, covers all the local share of operating and maintenance costs.

This approach is consistent with how these costs have been apportioned in the past and is described in the Conservation Authorities Act Regulations (Ontario Regulation 402/22 Section 7(6)).

Table 5. Municipal Levies Detail: General Distribution Rates - Operating Levy and Capital Maintenance Levy

Category 1 Mandatory Programs	Program Cost	Municipal Support
Environmental Planning and Regulations		
- Regulations under S28.1 Natural Hazards	\$1,453,897	\$729,000
- Planning Activities	1,428,463	796,000
Water Management		
- Flood Forecasting and Warning	739,951	586,848
- Infrastructure Operations and Maintenance (see pg 8 Municipal Levies Detail: Special Benefitting Rates)	1,690,332	1,000
- Mapping, Studies, and Information Management	1,446,145	1,345,000
- Climate Change Risk and Mitigation	308,265	183,500
- Low Water Response	13,204	13,000
- Natural Hazards Outreach Programs	492,875	337,608
Land Management		
- Lands Management (Risk, Enforcement, Encroachment)	777,012	730,500
- Lands Strategy Implementation (including Acquisition and Disposition)	73,302	52,000
- Public Access for Passive Recreation (see pg 8 Municipal Levies Detail: Special Benefitting Rates)	1,432,338	891,300
- Natural Heritage Conservation on UTRCA Lands	577,274	162,500
Provincial Water Monitoring	178,103	166,500
Drinking Water Source Protection	556,695	-
Watershed Management Strategy Implementation	196,217	210,000
Essential Corporate Costs	1,449,379	776,435
Total Operating Levy	12,813,452	6,981,190
Capital Maintenance Levy (not flood control related)	4,068,537	443,500
Total Costs to Levy (MCVA general distribution except where noted as special benefitting rates)	\$16,881,989	\$7,424,690

Table 6. Municipal Levies Detail: Special Benefitting Rates - Operating and Capital

Structure	Passive Recreation Dam Operation and Maintenance	Infrastructure Operation and Maintenance		Special Benefitting Total for Structures
		Operation, Routine and Preventative Maintenance - Flood Control Structures	Capital Repairs and Environmental Assessments	
Fanshawe Dam	-	\$537,500	\$55,000	\$592,500
Wildwood Dam	-	376,500	580,500	957,000
Pittock Dam	-	250,000	-	250,000
London Dykes	-	46,000	2,708,000	2,754,000
St. Marys Floodwall	-	65,000	-	65,000
Ingersoll Channel	-	28,000	-	28,000
Stratford Channel	-	21,000	20,806	41,806
Springbank Dam	\$6,300	-	-	6,300
RT Orr Dam	47,000	-	195,000	242,000
Mitchell Dam	75,000	-	169,564	244,564
Harrington Dam	-	-	11,500	11,500
Embro Dam	11,000	-	89,000	100,000
Fullarton Dam	60,000	-	47,000	107,000
Shakespeare Dam	1,000	-	4,000	5,000
Dorchester CA Dam	500	-	56,000	56,500
Dorchester Mill Pond Dam	3,500	-	16,500	20,000
Centreville Dam	4,000	-	36,629	40,629
Total Levies for Structures under Special Benefitting	\$208,300	\$1,324,000	\$3,989,499	\$5,521,799

Table 7. Category 1 Programs and Services Operating Budget

Category 1 includes the programs and services that the Province of Ontario has deemed mandatory for a Conservation Authority to deliver.

Funding

- The CA is permitted to levy their member municipalities for the full cost of delivering these mandated programs and services. The UTRCA uses revenues from agricultural leases, interest earned on investments, and internal program chargeback recoveries by allocating costs, to reduce the levy impact on member municipalities.
- All corporate costs may be included as Category 1 (i.e., eligible for full levy funding) but UTRCA is allocating program-specific costs to programs and services in all three categories. Essential corporate costs that are not program-specific are included as a grouping within Category 1 below.

Expenses by Type	Enviromental Planning and Regulations	Water Management	Land Management	Provincial Water Monitoring	Drinking Water Source Protection	Watershed Management Strategy	Essential Corporate Costs	Total
Wages and Benefits	\$2,216,068	\$2,751,429	\$1,589,919	\$110,069	\$315,418	\$166,056	\$2,843,000	\$9,991,959
Depreciation Expenses	2,298	665,221	220,866				551,498	1,439,882
Property Related Expenses	1,000	172,550	305,734				354,000	833,284
Technical and Consulting Services	61,000	85,090	57,256		146,484		173,505	523,335
Computers and Communications	51,000	112,412	32,666	5,000	27,779		324,360	553,217
Insurance and Risk Management		41,314	29,657	1,500			289,569	362,039
Materials and Supplies	200	78,253	168,608	2,000	700		196,750	446,511
Fleet Related Expenses			-				159,750	159,750
Staff Travel, PD, PPE, Uniforms	16,800	17,864	34,381		1,220		79,400	149,665
Board per Diems					5,265		16,000	21,265
Banking and Other		6,820					20,000	26,820
Corporate Allocations	536,292	760,970	421,988	59,534	59,829	30,160	(3,563,049)	(1,694,275)
Total Operating Expenses	2,884,658	4,691,921	2,861,076	178,103	556,695	196,217	1,444,783	12,813,452

Table 8. Category 2 Programs and Services Operating Budget

Category 2 programs and services are delivered at cost to specific municipalities under contract.

Funding

- Delivered at cost to specific municipalities under contract (cannot be funded through levy).

Expenses by Type	City of London ESA / Lands Management	City of London Water Quality Monitoring	Drinking Water Source Protection Risk Management	2025 Total
Wages and Benefits	\$566,021	\$64,345	\$122,685	\$753,052
Depreciation Expenses				-
Property Related Expenses	36,175		800	36,975
Technical and Consulting Services	1,500		28,920	30,420
Computers and Communications	250		12,800	13,050
Insurance and Risk Management			2,675	2,675
Materials and Supplies	82,100		10,000	92,100
Fleet Related Expenses				-
Staff Travel, PD, PPE, Uniforms	13,650		6,800	20,450
Board per Diems				-
Banking and Other				-
Corporate Allocations	237,438	24,349	37,206	298,993
Total Operating Expenses	937,134	88,695	221,886	1,247,715

Table 9. Category 3 Programs and Services Operating Budget

Category 3 programs and services are those that a Conservation Authority determines are advisable to provide to further the purpose of the Conservation Authorities Act.

Funding

- Multiple funding sources including municipal support through cost apportioning agreements (cannot be funded through levy) (see page 12).
- Category 3 programs and services are funded largely through contracts and grants, most of which require some financial support from municipalities.
- The budget reflects anticipated funding from senior government grant program.

Expenses by Type	Community Partnerships and Education	Water Quality Database Management	Subwatershed Planning and Monitoring	Landowner Stewardship Programs	Land Lease Management	2025 Total
Wages and Benefits	\$729,554	\$37,723	\$439,298	\$936,069	\$230,775	\$2,373,418
Depreciation Expenses		4,914	2,632		14,528	22,074
Property Related Expenses	20,260			246,800	282,819	549,879
Technical and Consulting Services	1,560	60,000	37,244	131,100	52,000	281,904
Computers and Communications	3,720	7,525	10,764	5,250	1,915	29,174
Insurance and Risk Management	731		101	380	11,439	12,651
Materials and Supplies	76,215		2,000	226,964	35,905	341,084
Fleet Related Expenses			-		1,565	1,565
Staff Travel, PD, PPE, Uniforms	5,240	800	1,125	11,700	4,380	23,245
Board per Diems						-
Banking and Other	16,780		22,200	3,555,000	8,800	3,602,780
Corporate Allocations	215,133	12,018	127,164	439,485	38,989	832,788
Total Operating Expenses	1,069,192	122,980	642,528	5,552,747	683,114	8,070,561

Table 10. Category 3 Municipal Cost Apportioning Agreements

Municipality	2024 MCVA %	2025 MCVA TBD*** %	Category 3 Cost Apportionment
Oxford County	16.981	16.981	\$106,393
London	64.088	64.088	401,539
Lucan Biddulph	0.351	0.351	2,197
Thames Centre	3.197	3.197	20,033
Strathroy Caradoc	-	-	-
Middlesex Centre	2.444	2.444	15,311
Stratford	7.207	7.207	45,154
Perth East	1.418	1.418	8,886
West Perth	1.490	1.490	9,335
St Marys	1.460	1.460	9,150
Perth South	1.163	1.163	7,286
South Huron*	0.201	0.201	1,259
Total	100	100	\$626,543

*Municipality of South Huron is not participating in Category 3 programs.

** Province provided updated MCVA after preliminary draft budget package produced.

Table 11. Other Category 3 Programs and Services (Campground Operations) Operating Budget

Campground operations are also Category 3 programs and services but are not included in municipal cost apportioning agreements as their funding is self-generated.

Expenses by Type	Cost
Wages and Benefits	\$2,486,193
Depreciation Expenses	164,770
Property Related Expenses	843,709
Technical and Consulting Services	197,173
Computers and Communications	20,712
Insurance and Risk Management	120,270
Materials and Supplies	283,152
Fleet Related Expenses	4,750
Staff Travel, PD, PPE, Uniforms	40,304
Board per Diems	
Banking and Other	
Corporate Allocations	562,494
Total Operating Expenses	4,723,527

August 27, 2024

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UPPER THAMES RIVER
CONSERVATION AUTHORITY

For Discussion

Preliminary Draft

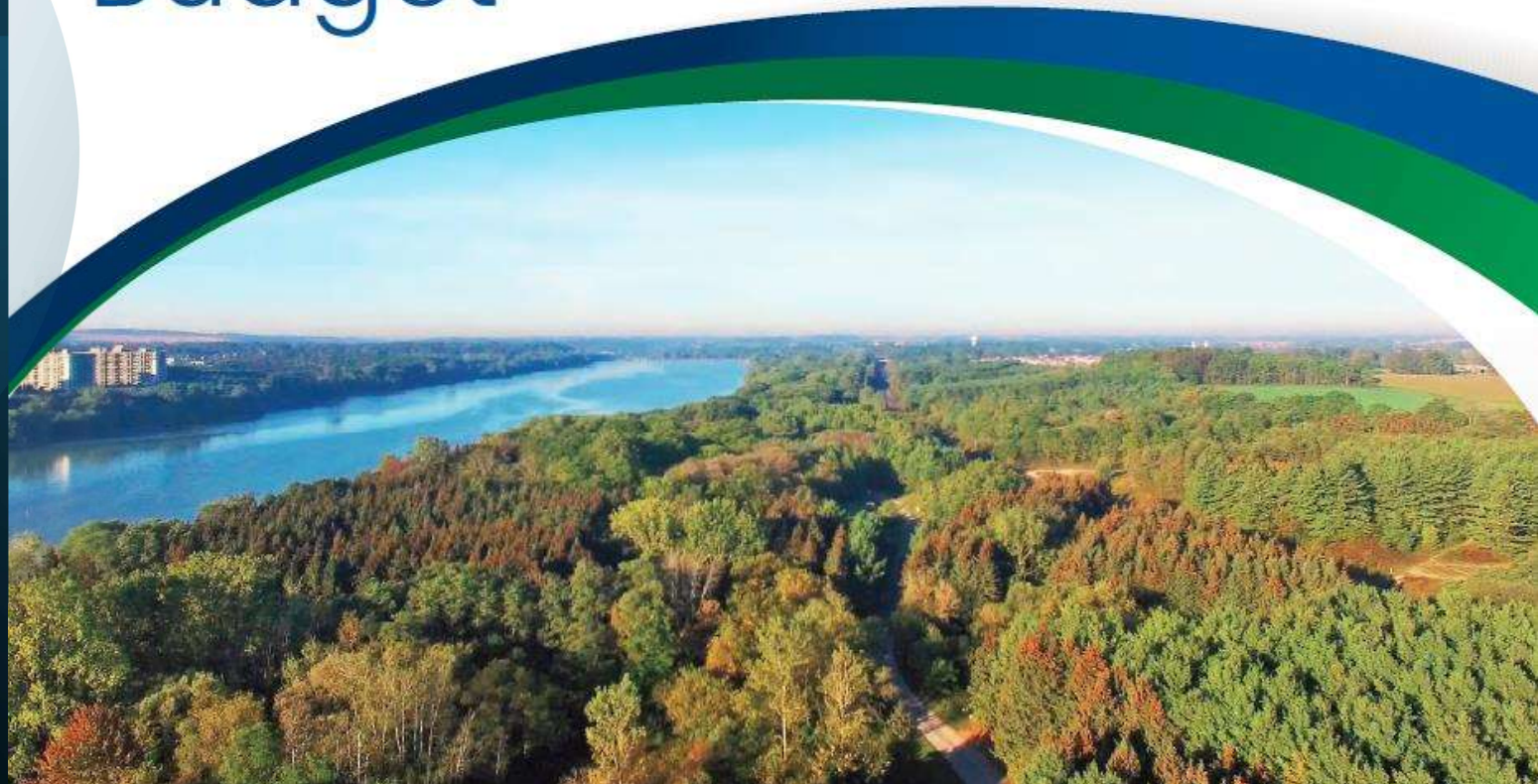
2025

Budget

Board of Directors
Meeting

August 27, 2024

Preliminary
Budget
Discussion



Preliminary Discussion topics



BUDGET FIGURES WILL CHANGE
AND BE REFINED OVER THE
COMING MONTHS



PRELIMINARY BUDGET PRESENTED
ILLUSTRATES A BALANCED BUDGET
FOR CATEGORY 1 PROGRAMS



INCREASES THE MUNICIPAL SHARE
OF MANDATORY PROGRAMS AND
SERVICES / CATEGORY 1

Key
Considerations
that informed the
development of
the 2025
Preliminary
Budget

Recognition of the **Need** to Increase the Municipal Share of Category 1 Mandatory Programs and Services Operating Costs to ensure the delivery of provincially mandated programs.

- Eligible to be fully funded from municipal levy. In 2024, the municipal levy supported just under 60% of the cost of providing these mandatory services at the UTRCA.
- The long-term goal is to reduce reliance on other, less dependable sources of funding, to ensure the stability of these programs and services and allow the Authority to build responsible reserves.
- The 2025 Preliminary Draft Budget illustrates a \$1,121,851 increase in the municipal component of revenues for Category 1 operating expenses. This increase will move the municipal share to 66.4% of Category 1 operating expenses.
- Municipal Levy does not cover all Category 1 operating costs, this increase will allow for programs and services to be delivered. (Approximately the increase approved by the City of London in their multi-year budget).

Key Considerations that informed the development of the 2025 Preliminary Budget

While recognizing:

- The tolerance of Member Municipalities to absorb continuing provincial downloading.
- In 2024 very early estimates indicated for 2025 a potential need for 12% increase in levy and cost apportioning combined.
- Significant impact to both category 1 and category 3 programs of a large federal grant extending 5 years and perhaps 5 years beyond
- Continuing workforce changes and wage burden increases (CPP2), insurance premium increases above inflation, insurance coverage difficulties, cyber risks, political change
- The requirement to keep capital infrastructure in good repair. Many projects have already been deferred for many years and provincial capital grants have not been increasing.

What's included



Stability in delivering Mandatory programs at the current service level



Wage costs rise in relation to recent inflation, and remain competitive thereby reducing risk of escalating retention issues



Expected amounts from a new federal grant currently being negotiated



GIS services upgrade



No new staffing (beyond federal grant requirements)

Alternative Levy Amounts for Operating Category 1 Mandatory Programs

Levy Increase	Total Amount (Additional Levy) \$	Risk / Implications/ Projected Deficits
15.2%	\$1,121,851 66.4% of costs	Stability in program service delivery Reduces reliance on already low levels of reserves Meets fiduciary responsibility for providing provincially mandated programs
12%	\$883,361 64.6% of costs	Results in a projected Deficit of \$259,579 Relies on alternative funding sources Existing low levels of reserves will continue to be depleted, therefore unsustainable
8%	\$588,361 62.3% of costs	Results in a projected Deficit of \$554,579 Relies more heavily on alternative funding sources, increased risk to the organization Will necessitate depletion of reserves
3%	\$223,361 59.4% of costs	Limitations in our ability to leverage municipal contributions for other funding opportunities Results in a projected Deficit of \$919,579 Inability to provide 3% wage increase Relies on alternative funding sources with substantial risk to the organization

Other Potential Revenues and Cost Savings

Source	Approx. Impact	Risk
Fees revenues change from 35% to 50%	Will add \$300,000 to \$350,000 fees collected	Freeze may not be lifted Will require consultation prior to fees increases implementation Assumes the same level of planning and permitting activity as estimated for 2024
Category 1 Corporate Allocations	\$832,788 costs offset from Category 3 contracts	Contracts are not guaranteed or predictable year-to-year e.g. Changes in governments (provincially and federally) may impact contracts
Land Sales	Unknown values until sale is underway / Timing unknown	One time funding shifts levy need to future years Use of income from sales for operational needs (vs. Use as specified reserves for purchase of other lands, build reserves /investment income etc.)
Alternative compensation increase	2.75% vs 3.0% -\$37,875 from levy	Not being competitive to attract and/or retain staff over the long term.

Capital Budget

- Considerable capital work is planned for 2025 to maintain aging infrastructure.
- Capital project costs can vary significantly among special benefitting municipalities.
- The UTRCA has applied for alternative funding to offset capital costs to member municipalities.
- When known, approved funding and updated project costs will be reflected in the 2025 Draft Budget October presentation.

Discussion

Recommendation:

THAT feedback be referred to the September meeting of the Finance and Audit Committee.

Budget Development Schedule

March 2024

Staff initiate workplans for 2025 to predict budget needs

June 2024

Board direction regarding budget concepts

August 2024

Board direction regarding Preliminary Draft Budget followed by municipal input sessions with senior staff

October 2024

Draft Budget presented to Board

November - February

Municipal input sessions with senior staff and Draft Budget circulation to member municipalities

January 2025

Board review of municipal comments and Draft Budget reconsideration

February 2025

Board review of Draft Budget and approval of Budget and Apportionment

To: Finance and Audit Committee
From: Christine Saracino
Date: 5 September 2024
File Number: FA-09-24-09
Agenda #: 4.3
Subject: Fossil Fuel Free Portfolio Discussion – Referred to Committee

Background

This item was referred to the Finance and Audit Committee for discussion by the following motion passed at the August 2024 Board of Directors meeting:

Mover: Skylar Franke

Secunder: Sandy Levin

TO refer the discussion regarding fossil fuel free portfolio to the Finance and Audit Committee.

Carried.

For Information and Discussion

Further to the request at the August board meeting about information on the Fossil Fuel Free (FFF) possibilities for our portfolio with PHN, the following was provided by them.

50% of the portfolio is now in FFF funds. The equity portion of our portfolio is currently made up of the FFF version of funds for both Canadian and Global investments. The Emerging Markets portion of equities is not in FFF funds. There is an option to move to that type for that portion of equities, earlier discussed but not decided upon. That would bring the FFF portion to 55%. The target for equities in the portfolio is 60%.

The bond portion of the portfolio is also not currently of the FFF type, and it is not recommended to move it there. The portfolio would be expected to perform poorly from such a swap. The Canadian economy and market indices are heavily weighted with energy sector assets, particularly in equities so that when oil-based stocks perform well, the portfolio does not perform as well as the broader equity market.

There is no FFF alternative strategy for either the real estate or mortgages funds as these are private market assets.

There would be no change in fees for the FFF strategies and they are available to us as institutional investors, aside from the real estate and mortgage funds.

Submitted by:

Christine Saracino, Supervisor, Finance and Accounting