



## CORPORATE SERVICES

### *Staff Report*

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REPORT NO: COR-2025-28

TO: Council

SUBMITTED BY: Greg Clark, Director of Corporate Services/CFO

PREPARED BY: Greg Clark, Director of Corporate Services/CFO

REVIEWED BY: Harold O'Krafka, Acting Chief Administrative Officer

DATE: June 2, 2025

SUBJECT: Finance Analysis from 2011 to Present - Update

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#### RECOMMENDATION:

THAT Report Cor-2025-28 Finance Analysis from 2011 to Present – Update be received for information.

#### SUMMARY:

- Work on providing the requested information continues
- Reserve fund balances have been drawn down over the last 15 years, primarily related to tax funded and Development Charge funded reserve funds
- Annual statements prepared based on Public Sector Accounting Board standards, show annual deficits averaging \$3.8 million since 2008, primarily due to the introduction of PSAB 3150 Fixed Assets.
- Staff will provide the balance of requested information in September 2025, in conjunction with a Council meeting to review the financial status of the township prior to the 2026 budget.

#### BACKGROUND:

At the Council meeting of December 16, 2024, Councillor Sidhu brought forward the following notice of motion, which as approved;

WHEREAS Wilmot Township is currently facing a deeply challenging financial position and a significant infrastructure gap.

WHEREAS members of the public do not have a comprehensive document to reference outlining the historical position of Wilmot Township.

WHEREAS to better inform Council and the public about the factors that have contributed to this situation, it is essential to compile a comprehensive historical report on the Township's financials. This report will provide valuable context, highlight trends, and identify key policy decisions that have influenced our current financial standing.

THEREFORE, BE IT RESOLVED THAT Wilmot Township Council directs staff to prepare a report on the Township's financials from 2011 forward, including a high-level summary that provides an overview of the following:

1. The status of reserves over time, including growth, depletion, and annual balances;
2. Annual tax increases;
3. Annual debt levels;
4. Annual operating and capital budgets;
5. Annual actual operating and capital expenditures;
6. Annual contributions to reserves;
7. The Township's investments, including how they have been allocated and any returns or losses;
8. Investments spent within the community and their impact;
9. Analysis of spending habits, including any notable trends or shifts;
10. Policy improvements made in response to financial challenges; and
11. The Township's current financial position, including debt levels, revenue sources, and expenditures.

AND THAT the report include an explanation of how these factors have contributed to the current infrastructure gap and financial challenges;

AND FURTHER THAT this report be made available as a resource to improve transparency and understanding of Wilmot Township's financial history and present poor condition; and,

AND FURTHER THAT staff report back to Council in Q2 after budget deliberations, or sooner, if possible.

### REPORT:

As staff highlighted at the December 16<sup>th</sup> meeting, the volume of work required to complete all of the items requested above was beyond the Finance teams capacity given the timeline of Q2 2025. This report provides a preliminary view into some of the items and the balance will be addressed as part of the 2026 Budget process, with a meeting to be held in September 2025 outlining the complete financial condition of the Township.

## Reserve Funds

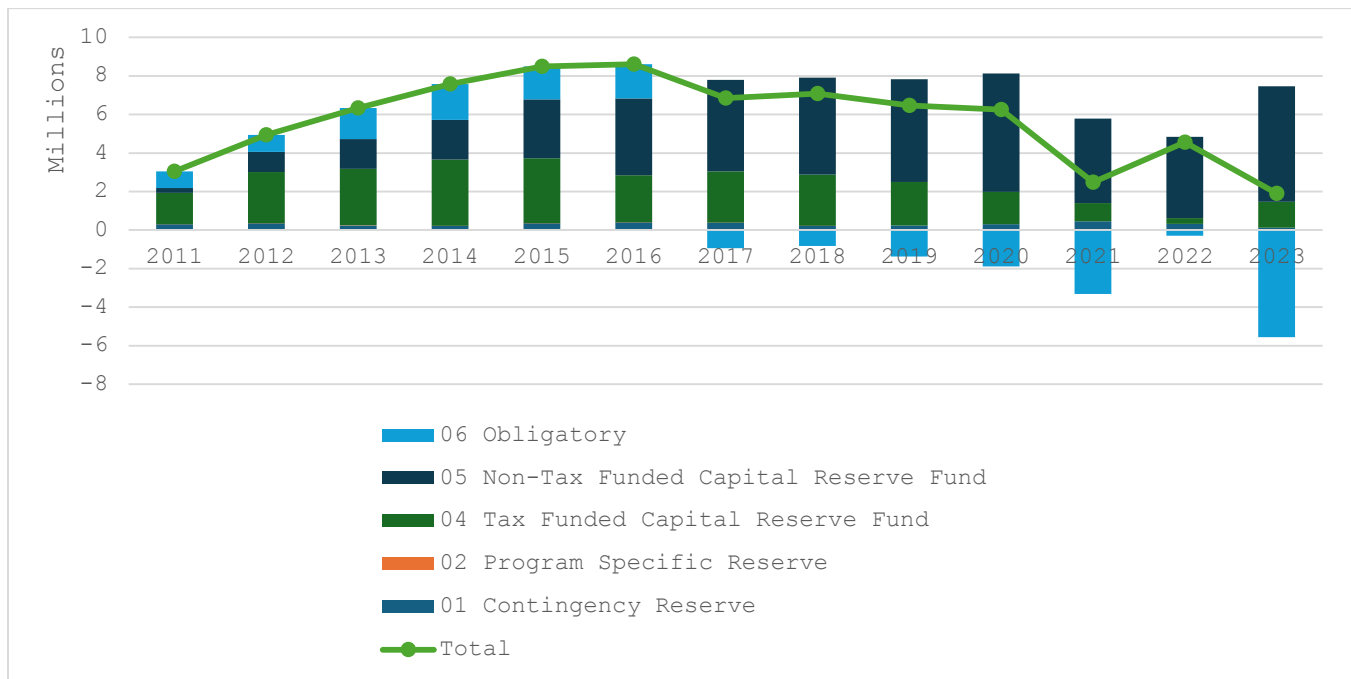
Table 1 below shows the balance of the Townships Reserves and Reserve Funds from 2011 to 2023. Starting in 2011 the total balance began to grow primarily due to contributions to tax funded reserve funds, starting in 2017 the total balance began to decrease, which reflects reductions in obligatory reserve funds and tax supported reserve funds. The non-tax supported reserve funds continued to have positive balances.

The primary reason for the reduction in the tax supported reserve funds is increased capital spending without increases in transfers to reserve funds from the operating budget. The level of spending in the capital plan was higher than the transfers. The reason for reduction in the obligatory reserve funds is use of development charges to fund growth capital needs, and the impact of internal charges on the Building Reserve Fund, which was in a \$2 million negative position by the end of 2023.

In addition to the actions shown above, there has been an accounting change starting with 2023, when funding of capital projects is only completed as actual expenses are incurred. This is based on PSAB standards where revenues should be aligned with expenses. Previous to this, funding was transferred to most projects when they were approved, meaning that the actual reserve funds balances would have been higher. This had a secondary impact in that interest earned on bank balances was not attributed to reserve funds correctly, this is being corrected in 2024 and the budget had been corrected for 2025.

The 2024 Long-term Financial Statement – Reserves and Debt will be provided to Council on July 28<sup>th</sup> and will provide a more detailed analysis of each group of reserves as at December 31, 2024.

Table 1 Reserve and Reserve Fund Balances 2011 to 2023



## Year End Reporting - PSAB

As per the Municipal Act, 2001 (MA), all municipalities must complete year end financial statements passed on Public Sector Accounting Board (PSAB) standards, and since 2008 this has included accounting for Fixed Assets according to PSAB 3150. PSAB 3150 required that municipalities account for fixed assets using depreciation instead of expensing the entire amount in the year it was constructed or purchased. This change is reflected in the addition of depreciation expense to the annual statements, however, annual budgets continue to be prepared on a modified cash basis, where transfers to reserve funds are budgeted but no depreciation expense. Excluding Other Income(Expenses) when the transfer to reserve funds is greater than annual depreciation, municipalities will have a PSAB surplus, and when it is less, they will have a deficit. The Other Income (Expenses) is related to items that are not part of the ongoing annual operations, items such as change in the value of investment in Enova, one time grants for capital and deferred revenue utilized from Development Charge collections. These items are either related to growth capital (DCs) or not sustainable and consistent in nature.

Since the introduction of PSAB 3150 the Township has had an annual deficit every single year, averaging \$3.8 million per year. When including Other Income (Expenses) the annual surplus has averaged \$378 thousand per year. The biggest drivers of this are an annual \$1 million of deferred revenue utilized, which is primarily DCs, \$2 million in annual grants from the federal and provincial governments, and \$586 thousand average annual increase the value of the investment in Enova.

Starting with the 2025 budget and continuing for the next 3 years Council has approved/endorsed increasing the annual transfer to capital reserve funds by over \$1 million per year. In 2028 the annual operating variance should be in a surplus position moving forward.

Depreciation is a good representation of what an existing asset cost when originally constructed or purchased, and reflects the annual cost of service it provides. However, with long lived assets it does not reflect the future replacement value which will can be many times the original costs due to inflation and changes in construction standards. Therefore using depreciation as an estimate of the needs to Asset Management is of limited value, and instead an annual infrastructure renewal estimate is required, the 2022 Asset Management Plan estimated this number at \$12.6 million, versus current depreciation of \$6.6 million.

An update to the Asset Management Plan is required to meet O.Reg 588/17 requirements for July 1, 2025, that reflects levels of service. In addition works needs to be completed on the Asset Management plan to ensure it includes all assets and reflects current conditions and values accurately. This work will take time to complete, and will inform long-term capital planning over the next budget cycles.

### **Next Steps**

Finance staff are working to compile the balance of the information request, and will provide it in advance of the September Council meeting where it will be discussed in advance of the 2026 budget process.

### **ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:**

Financial Stability

### **FINANCIAL CONSIDERATIONS:**

There are no direct financial impacts from this report.

### **ATTACHMENTS:**

None