



**Mike Mayes, Director
Financial Services/Treasurer**

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February 19, 2015

CORPORATE SERVICES REPORT - FINANCIAL SERVICES-2015-06

TO: Mayor Tony Van Bynen and Members of Council
Committee of the Whole

SUBJECT: Preliminary Fourth Quarter Results

ORIGIN: Director, Financial Services/Treasurer

RECOMMENDATION

THAT Corporate Services Report - Financial Services – 2015-06 dated February 9, 2015 regarding the Preliminary Fourth Quarter Results be received and that the balance in the Working Capital reserve be transferred to the rate stabilization reserve fund.

COMMENTS

Purpose

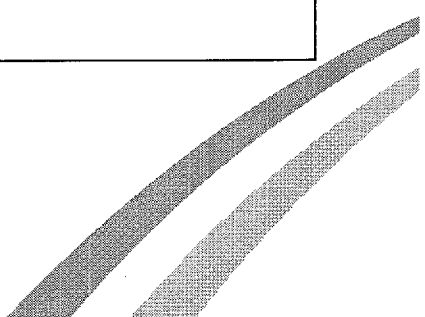
The purpose of this report is to advise on the projected 2014 year-end results, as well as to obtain Council approval to transfer the balance in the Working Funds Reserve to the Corporate Rate Stabilization Reserve.

Budget Impact

A small surplus is projected, after making reserve and reserve fund transfers and other provisions. This amount would be transferred to the Efficiency/Enhancement Reserve in accordance with policy.

Summary

There were many extraordinary items in 2014. We were negatively impacted by an insurance reassessment, insurance premium increases, significant tax assessment adjustments, while struggling to meet revenue targets and the demands of growth. Our fiscal policies ensured that we had sufficient reserves set aside to cover these items.



PROJECTED 2014 TAX-SUPPORTED OPERATING RESULTS

After making transfers from the appropriate reserves, a small surplus is projected. No significant transfers to reserves are anticipated at this point.

Cost drivers

The 2014 results are being negatively impacted by a number of cost increases above the rate of inflation. Insurance premiums, lower in the first two years with our new supplier, have climbed back to 2011's level. In addition, a supplemental assessment in the amount of \$878,000 was received early in the year for 2002 to 2012 from our previous insurance supplier. This assessment was the result of growing damage awards and associated larger settlements. The insurance claims reserve was depleted and the corporate rate stabilization reserve was put in to a deficit position as a result of the required transfers to cover the unbudgeted increases. The transfer of the Working Funds Reserve balance of \$1.1 million to the Corporate Rate Stabilization Reserve will eliminate the deficit.

The impact of the Emerald Ash Borer continues to be reflected in the urban forestry management budget. \$42,000 was incurred in 2014 which was offset by a corresponding transfer from the capital reserve.

Assessment disputes and subsequent decisions from the Assessment Review Board (ARB) resulted in some large one-time tax adjustments. In addition, vacancy rebates continue to exceed our projections. The ARB is expediting cases in an effort to clear their backlog by 2016. In addition, consultants are aggressively pursuing clients to challenge assessments. The year-end projection for tax cancellations is \$615,000 over budget which is recommended to be covered by a transfer from the rate stabilization reserve.

All of the above are also budget drivers for 2015. The Financial Services department is moving to more of an assessment management approach in order to more proactively deal with tax adjustments.

2014 saw increased costs associated with the winter season and as a result \$178,000 was transferred from the reserve to offset higher snow ploughing and winter control road and sidewalk expenses. It is too soon to say if we can expect to receive any funding from our Ice Storm claim made under the Ontario Disaster Relief Assistance Program.

In 2014 some revenues did not come in as expected. Examples of this include recreation program revenues, recreation advertising, field rentals, parking revenue, and bingo licenses.

Financial Sustainability

The 2014 Development Charges update made additional funding available for debenture financing. \$146,000 more in DC funding was available in 2014 and this amount grows in future years. These amounts have not been applied to debenture financing this year and will be used to mitigate the end of the Magna sponsorship in 2015.

A prudent approach in prior years whereby reserves were increased where necessary and possible has placed the Town in the position where the unforeseen events of 2014 could be covered by drawing on these reserves.

Growth

Additional employee costs were incurred to meet the service demands of a growing population and maintain the established level of service. This meant that we did not realize the savings expected from gapping due to hiring delays.

Investing in our future

The implementation of our investment strategy resulted in positive returns in 2014. Traditional investments, in GIC's, earned \$75,000 more than the interest earned on our bank balance. Non-traditional investments, financed by reserve fund loans, earned an additional \$147,000 over what we would have earned by keeping our cash in the bank. Our investment target for 2014 will be met. Infrastructure investments in solar panels started to bring in revenues – over \$60,000 in 2014.

Newmarket Public Library

A small surplus is expected which would be added to the Library Reserve.

Central York Fire Services (CYFS)

The preliminary 2014 results were reported to the Joint Council Committee (JCC) on February 3. There will be a small surplus which will be transferred to the CYFS Reserve Fund.

Newmarket Downtown Business Improvement Area (BIA)

The BIA will be transferring its surplus of \$6,251 to its reserve.

Capital

Capital expenditures are projected to be approximately \$20 million compared to the approved amount of \$57.3 million, with significant carryovers anticipated. This area will be addressed as we expand the implementation of our Asset Management Plan.

Water/Wastewater Rate Groups

Revenues and expenses are projected to end the year under budget. A surplus is anticipated which will be transferred to the Rate Stabilization Reserves. The 6-Year Water and Wastewater Financial Plans targeted this reserve to be between 5-10% of revenues. This transfer will put it close to achieving 5%.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

This report links to Newmarket's strategic directions in being Well Managed through fiscal responsibility.

CONSULTATION

This report has been prepared in consultation with the CAO and Commissioners. The Library and CYFS have been consulted on their issues.

BUDGET IMPACT

Operating Budget (Current and Future)

At this time the operating surplus is projected to be minimal and would be transferred to the Efficiency/Enhancement Reserve, in accordance with policy. If the final audit results vary significantly from our current position, the transfer to the Efficiency/Enhancement Reserve Fund would be adjusted. Staff will provide an information report on the final audit amount.

Consideration has been given to Financial Sustainability to ensure that the impact on future budgets is minimized.

CONTACT

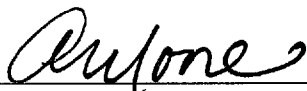
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