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## **2020 Preliminary Q4 Operating and Capital Budget Staff Report to Council**

Report Number: 2021-28

Department(s): Financial Services

Author(s): Andrea Tang, Manager, Finance & Accounting/Deputy Treasurer

Meeting Date: April 12, 2021

### **Recommendations**

1. That the report entitled 2020 Preliminary Q4 Operating and Capital Budget report dated April 12, 2021 be received; and,
2. That changes to the 2021 capital spending authority and 2021 capital program be made as detailed in this report; and,
3. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

### **Executive Summary**

The tax-supported operating budget incurred a year-end surplus of \$406,000 which included the net deficit of \$310,900 from 2020 COVID-19 expenditures.

Building incurred a deficit of \$1,280,952 which required a draw from reserve. The Building reserve as of December 31, 2020, after the draw, has a balance of \$2,714,575;

The rate-supported operating budgets for water, wastewater and stormwater incurred a surplus of \$2,145,500, deficit of \$983,000 and surplus of \$655,200 respectively. Corresponding transfer to and draw from reserves were made.

The 2020 approved capital spending authority was \$37,810,575 against actual expenditures of \$15,609,800, equivalent to 41.3% of budget. The lower capital project delivery in 2020 was impacted by the COVID-19 pandemic.

## **Purpose**

The purpose of the report is to advise Council on the preliminary results for the fiscal year ended December 31, 2020 on the following budgets:

- A. Tax-supported operating budget, including an overview on Central York Fire Services (CYFS), Newmarket Public Library and Business Improvement Area (BIA) operating results
- B. Building operating budget
- C. Rate-supported operating budgets (water, wastewater and stormwater)
- D. Capital budget

In addition, to seek Council approval on changes to the 2021 capital spending authority and 2021 capital program resulted from 2020 capital program delivery.

## **Background**

Financial Services reports on the Town's financial results on a quarterly basis. In the past, investment results were reported as part of the Quarterly Financial Update report. Investment results will now be reported separately as recommended by the Fiscal Strategy.

The preliminary unaudited results show a surplus of \$406,000 from the tax-supported operating budget. Allocation of the surplus funds will be made to the Rate Stabilization Reserve in accordance with the Corporate Policy 2-01 "Operating and Capital Financial Policy". The Q3 Financial Update report outlined a forecasted year-end surplus of \$200,000.

A Reserve and Reserve Fund review will be conducted in 2021 to align with the recommendation from the Fiscal Strategy. Further changes and/or reallocations to/from reserve and reserve funds may be made based on recommendations from the review.

## **Discussion**

### **A. Tax Supported Operating Budget**

The preliminary unaudited tax-supported operating budget shows a \$406,000 year-end surplus. Staff had previously forecasted a surplus of \$200,000.

	<b>Actual</b>	<b>Budget</b>	<b>Variance Fav. / (Unfav.)</b>
Revenues	84,600,941	90,711,928	(6,110,986)
Expenditures	84,194,879	90,711,928	6,517,048
<b>Net surplus</b>	<b>406,062</b>	<b>-</b>	<b>406,062</b>

The year-end surplus of \$406,000 included the net deficit of \$310,900 from COVID-19 expenditures incurred in 2020. The total COVID-19 related expenditures were \$2,130,500 (Town \$1,972,000+Fire \$94,500+Library \$64,000 partially offset by the Safe Restart grant of \$1,819,600 (Town \$1,684,200+Fire \$80,700+Library \$54,700)).

The Town had subsequently received an additional Safe Restart grant of \$769,000 and \$2,458,182 from the 2021 COVID-19 Recovery Funding for Municipalities program to support 2021 COVID-19 operating costs and pressures.

Revenues were unfavourable by \$6,111,000 mainly in Community Services due to facility closures resulted from the COVID-19 pandemic which significantly impacted children's programs, summer camps, aquatics programs, ice rentals, facility rentals, fitness programs and memberships.

Expenditures were favourable by \$6,517,000 resulted from facility closures; therefore expenditures in Community Services such as casual wages, related program expenses and supplies were significantly lower than budget. Furthermore, mitigation measures were in place which resulted in lower annual program spending, general consulting, contract and material costs for the maintenance of roads, parks and facilities.

Transfers to and from reserves and reserve funds were made in accordance with the budget, and within delegated authority to assist with 2020 budget initiatives that were not completed in the year.

Transfers totaling \$155,000 for cyclical expenditures included \$100,000 for Roads Needs Study and \$55,000 for Bridges & Culverts Inspection which occur every 2 to 3 years.

In alignment with Town's policy, the 2020 surplus will be transferred to the Rate Stabilization Reserve.

## Central York Fire Services (CYFS)

CYFS incurred a year-end surplus of \$1,317,600 prior to additional transfers.

<b>Surplus prior to additional reserve transfers</b>	<b>\$ 1,317,600</b>
Additional reserve transfers:	
• For station 4-5, from wage gapping	1,187,000
• Additional ARF contributions, from wellness savings	130,000
<b>Revised surplus</b>	<b>\$ 600</b>

Salary gapping savings in the amount of \$1,187,000 was transferred to a reserve fund as part of the strategy to fund the new fire station (refer to [Report 2019-28 - CYFS Reserve Fund](#)). The wellness program was on hold and savings of \$130,000 was transferred to the Asset Replacement Fund.

The 2020 net surplus of \$600 after additional transfers to reserve funds have been transferred to the CYFS reserve fund.

## Newmarket Public Library

Library incurred a year-end surplus of \$173,750 which was transferred to the Library reserve to align with past practice. Major drivers included lower than budgeted expenditures in wages and benefits, facility maintenance and materials due to the closure and modified opening protocols resulted from the COVID-19 pandemic.

## Business Improvement Area (BIA)

BIA incurred a year-end surplus of \$18,100. The surplus was transferred to a reserve to align with past practice.

## B. Building Operating Budget

Building incurred a net deficit of \$1,280,952 against a budgeted deficit of \$1,088,702, resulted in a draw of \$1,280,952 from the Building reserve. After the draw from reserve, the ending balance in the Building reserve as of December 31, 2020 is \$2,714,575.

## C. Rate-Supported Operating Budgets

The rate-supported operating budgets for water, wastewater and stormwater incurred a surplus of \$2,145,500, deficit of \$983,000 and surplus of \$655,200 respectively. Corresponding transfer to and draw from reserves were made.

## D. Capital Budget

The 2020 approved capital spending authority was \$37,810,575.

	Standard	Major	Total
Budget	24,991,069	12,819,506	37,810,575
Actual	13,117,000	2,492,800	15,609,800
Favourable variance	11,874,069	10,326,706	22,200,775
Budget as % to total budget	66.1%	33.9%	100.0%
Actual as % to total actual	84.0%	16.0%	100.0%
Actual as % to budget	52.5%	19.4%	41.3%

Actual capital expenditures totaled \$15,609,800, equivalent to 41.3% compared to budget of which 34.7% (\$13,117,000) was from standard projects and 6.6% (\$2,492,800) from major projects. The lower capital project delivery in 2020 was impacted by the COVID-19 pandemic.

The table below outlines the proposed net change of \$5,348,800 to the 2021 capital program in order to further align the planned capital project delivery in 2021.

Project	Department	2020 Project Surplus / (Deficit)	Approved 2021 capital (A)	Proposed changes to 2021 capital (B)	Revised 2021 capital (C) = (A)+(B)
Theatre Renovation	Theatre	261,747	0	60,000	60,000
Wireless Network Access	IT	16,973	0	17,000	17,000
Replace Tax Billing System	IT	-84,773	0	100,000	100,000
Replace Desktop & Peripheral	IT	26,345	182,749	26,000	208,749
Vehicle Equipment for Enforcement	Legislative Services	27,035	0	27,000	27,000
Monetary Penalty System	Legislative Services	6,000	0	6,000	6,000
Space Planning	Legislative Services	20,000	0	20,000	20,000
Records Management	Legislative Services	0	0	8,200	8,200
Station 4-5 Design & Construction	CYFS	2,028,562	6,226,601	2,028,500	8,255,101 *
New Fire Engine -Station 4-5	CYFS	552,478	0	552,000	552,000 *
Station 4-5 - Equipment	CYFS	-67,315	125,000	-67,300	57,700
Station 4-1 Renovation	CYFS	673,698	0	673,000	673,000 *
Station 4-2 Parking Lot	CYFS	42,339	0	42,000	42,000
Asset Mgmt. Strategy Implementation	Financial Services	340,448	0	340,400	340,400
Mulock GO Stn Secondary Plan	Planning	0	0	80,000	80,000
Recreation Playbook Implementation	Engineering	829,415	0	500,000	500,000
Advanced metering	Public Works	856,983	8,322,903	856,000	9,178,903 *
Sport Field Prot. Net Phase II	Public Works	53,370	190,000	80,000	270,000
<b>Total</b>		<b>5,583,305</b>	<b>15,047,253</b>	<b>5,348,800</b>	<b>20,396,053</b>

\* - Major capital projects that require minimal effort from dedicated capital project staff

Upon approval of the proposed changes, the 2021 capital spending authority will be increased to \$42,009,500. The standard capital program will remain at \$20,000,000 to fit within the anticipated operational capacity (unallocated standard capital will be

reduced from \$1,600,000 to \$360,700) and major capital program will be increased by \$4,109,500 to \$22,009,500.

	<b>2021 Capital Spending Authority</b>	<b>Proposed Changes</b>	<b>Revised 2021 Capital Spending Authority</b>
Standard	18,400,000	1,239,300	19,639,300
Unallocated	1,600,000	- 1,239,300	360,700
Subtotal - Standard	20,000,000	-	20,000,000
Major	17,900,000	4,109,500	22,009,500
<b>Total</b>	<b>37,900,000</b>	<b>4,109,500</b>	<b>42,009,500</b>

Further changes to the 2021 capital spending authority will be addressed through 2021 Quarterly Financial Update reports.

## Conclusion

This report provides a summary on the preliminary 2020 financial results. Audited 2020 financial statements will be tabled to Committee of the Whole in June and a final report on 2020 Operating and Capital Budget Summary report will be tabled at the same time.

## Business Plan and Strategic Plan Linkages

This report supports the Council priority under the strategic pillar of Long Term Financial Sustainability. To align with the recommendation from the Fiscal Strategy, 2020 investment results are now reported separately under the Information Report “2020 Q4 Investment Summary”.

## Consultation

CAO Office, Corporate Services, CYFS, Community Services, Development & Infrastructure and Newmarket Public Library have been consulted.

## Human Resource Considerations

Not applicable.

## Budget Impact

The 2020 tax-supported operating budget surplus will be transferred to the Rate Stabilization Reserve. In addition, the 2021 capital spending authority will be increased by \$4,109,500 from \$37,900,000 to \$42,009,500.

## **Attachments**

Attachment 1 – 2020 Preliminary Fourth Quarter Operating Results

Attachment 2 – 2020 Preliminary Fourth Quarter Water, Wastewater and Stormwater Operating Results

Attachment 3 – 2020 Fourth Quarter Capital Expenditures

## **Approval**

Mike Mayes, CPA, CGA, DPA  
Director of Financial Services

Esther Armchuk, LL.B  
Commissioner, Corporate Services

## **Contact**

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