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Q1 2021 Financial Update Staff Report to Council

Report Number: 2021-33

Department(s): Financial Services

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Meeting Date: May 3, 2021

Recommendations

1. That the report entitled Q1 2021 Financial Update dated May 3, 2021 be received; and,
2. That changes to the 2021 capital program be made as outlined in the report; and,
3. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Purpose

The purpose of the report is to:

- provide a financial status update on the 2021 Budget for the first quarter; and
- obtain Council approval on the changes to the 2021 capital program.

Background

Council approved the 2021 Budget totaling \$174.7 million on December 14, 2020. Quarterly Financial Update reports are provided to advise results of the tax-supported operating budget, rate-supported operating budgets and capital budget. As recommended by the Fiscal Strategy, investment performance results are reported separately.

Discussion

The 2021 Budget totals \$174.7 million and is comprised of the following:

	\$ (in millions)
Tax-supported	89.8
Rate-supported	47.0
Capital	37.9
Total	174.7

This report outlines the financial results on each component for the first quarter ending March 31, 2021. The first quarter results are usually not significant and the capital budget update will focus on recommended changes to the capital program.

1. Tax-Supported Operating Budget

At the end of the first quarter of 2021, revenues were lower than budget by \$1.39 million, and expenditures were lower than budget by \$4.75 million resulting in a net favourable variance of \$3.36 million. This includes the year-to-date March COVID-19 expenditures of \$1.32 million. At this time, the Safe Restart grant of \$769,000 and 2021 COVID-19 Recovery Funding for Municipalities Program of \$2,458,182 have not been netted against the Q1 COVID-19 expenditures. These grants will be applied at year-end to offset full-year COVID-19 expenditures.

The major driver for lower revenues was facility closures resulted from the COVID-19 pandemic which impacted recreation, art and culture programs, ice rentals, fitness programs and memberships.

Facility closures also resulted in lower direct expenditures, such as casual wages and supplies associated with delivering the above programs. Winter control expenditures from January to March were lower than budget. In addition, there were temporary favourable variances in general consulting, road maintenance and sidewalk rehabilitation. Staff anticipate that these expenditures will incur as budgeted in the 2021 fiscal year.

Central York Fire Services (CYFS)

CYFS incurred a net favourable variance of \$0.28 million mainly due to temporary lower expenditures in uniforms and clothing, repairs and maintenance (equipment, vehicle and facilities) and consulting. Staff anticipate that these expenditures will incur as budgeted in the 2021 fiscal year.

A report on the first quarter results will be tabled to Joint Council Committee (JCC) on May 4, 2021.

Newmarket Public Library

The first quarter results were presented to the Library Board on April 21, 2021. There were no significant year-to-date variances.

2. Rate-Supported Operating Budget

Water and Wastewater

At the end of the first quarter, water and wastewater incurred a net favourable variance of \$0.60 million. Revenues were higher than budget by \$0.47 million. This is consistent with the 2020 trend that residential consumption was higher during the pandemic.

Expenditures were lower than budget by \$0.13 million mainly due to temporary variance in repairs and maintenance. Staff anticipate that these expenditures will incur as budgeted for the 2021 fiscal year.

Year-to-date March expenditures included \$0.09 million in water rebates from the 2021 Financial Relief Program, to be offset by the savings from the waived 2021 water and wastewater rate increase from the Region.

Stormwater

Stormwater incurred a net favourable variance of \$0.20 million mainly due to temporary lower expenditures in repair, maintenance and cleaning. Staff anticipate that these expenditures will incur as budgeted for the 2021 fiscal year.

3. Capital Budget

Capital expenditures of \$0.60 million were incurred at the end of the first quarter against the original capital program of \$36.27 million. The 2021 capital program and capital spending authority were amended to \$41.62 million and \$42.01 million respectively based on the “2020 Preliminary Q4 Operating and Capital Budget” dated April 12, 2021.

The following additional capital project is being requested to be included in the 2021 capital program:

- \$0.85 million for consulting services associated with the Ray Twinney outdoor rink. This includes schematic design, design development, tender and tender support, contract administrative and site inspection.

Further, based on the Q1 procurement status update on the 2021 capital program, there were capital projects totaling \$2.27 million where procurement process had not started. It is very unlikely that the original capital delivery on these projects will materialize by year-end. Therefore, a provision of \$1.0 million is being set up at this time. A comprehensive review will be conducted in Q2 and the provision will be allocated to specific projects based on revised project delivery timelines. Revisions to the 2021

capital program will be reported as part of the Q2 Financial Update report that will be tabled to Committee of the Whole in September 2021.

Upon Council approval of the above changes, the unallocated portion of the standard program will be increased by \$0.15 million in order to maintain the overall standard program at \$20.00 million. The 2021 capital spending authority will remain at \$42.01 million.

	2021 Capital Spending Authority	Proposed Changes	Provision	Revised 2021 Capital Spending Authority
Standard	19,639,300	850,000	- 1,000,000	19,489,300
Unallocated	<u>360,700</u>	<u>150,000</u>	<u>-</u>	<u>510,700</u>
Subtotal - Standard	20,000,000	1,000,000	- 1,000,000	20,000,000
Major	<u>22,009,500</u>	<u>-</u>	<u>-</u>	<u>22,009,500</u>
Total	42,009,500	1,000,000	- 1,000,000	42,009,500

In addition, as outlined in the report “Mulock Park Budget Report” dated April 20, 2021, there is a potential request to further increase the 2021 capital program by \$2.00 million for the design phase of the Mulock Park project.

Conclusion

This report provides a summary on the first quarter financial results on the tax-supported operating budget, rate-supported operating budgets and capital budget. Staff will continue to monitor the budgets and provide quarterly financial updates. Q2 Financial Update report will be tabled to Committee of the Whole in September 2021.

Business Plan and Strategic Plan Linkages

This report supports the Council priority under the strategic pillar of Long Term Financial Sustainability. To align with recommendation from the Fiscal Strategy, Q1 investment results are now reported separately under the Information Report “2021 Q1 Investment Summary”.

Consultation

Operational Leadership Team (OLT) and Strategic Leadership Team (SLT) were consulted to advise of any extraordinary items in Q1.

Human Resource Considerations

Not applicable.

Budget Impact

Year-end projections will be provided in the Q2 Financial Update report to be tabled to Committee of the Whole in September 2021.

Attachments

Appendix 1 – 2021 First Quarter Operating Results

Appendix 2 – 2021 First Quarter Water, Wastewater and Stormwater Operating Results

Appendix 3 – 2021 First Quarter Capital Expenditures

Approval

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