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Q2 of 2021 Financial Update Staff Report to Council

Report Number: 2021-53

Department(s): Financial Services

Author(s): Andrea Tang, Deputy Treasurer

Meeting Date: August 23, 2021

Recommendations

1. That the report entitled Q2 of 2021 Financial Update be received; and,
2. That \$120,000 be added to 2021 capital project "Stormwater Management Clean Outs/Retrofits Cleaning Program to be funded from the Stormwater reserve, revising the approved budget from \$450,000 to \$570,000; and
3. That Council approve reallocation of 2021 capital programs totaling \$1,724,000 based on revised project delivery timelines as outlined in the report, of which \$1,614,000 will be reallocated as part of the 2022 capital program; and,
4. 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 an update on the year-to-date second quarter financial results;
- provide year-end forecasts; and
- obtain Council approval on changes to the 2021 capital program; and

Background

Council approved the 2021 budget totaling \$174.7 million in December 2020 and breakdown of the budget are as follows:

1. tax-supported operating budget \$89.8 million

2. rate-supported operating budget \$47.0 million
3. capital budget \$37.9 million

Subsequently, Council approved additions to the 2021 capital program and capital spending authority bringing the totals to \$42,823,300 and \$44,009,500 respectively.

Discussion

This report outlines the financial results on each budget for the second quarter ending June 30, 2021.

1. Tax-Supported Operating Budget

At the end of the second quarter, revenues were lower by \$2,311,000, and expenditures were lower than budget by \$7,373,000. Prior to any year-end reserve transfers, the tax-supported operating budget incurred a net favourable variance of \$5,062,000.

The net favourable variance includes COVID-19 expenditures of \$2,005,000. The Town received Safe Restart grant of \$769,000 and COVID-19 Recovery Funding for Municipalities Program of \$2,458,000. They have yet to be accounted for against the Q2 COVID-19 expenditures. These grants and contingency budget of \$500,000 will be applied at year-end to offset full-year COVID-19 expenditures pending year-end results. More details are outlined in the information report to Council entitled "COVID-19 Pandemic Financial Impact June 2021 Update".

Revenues were lower than budget mainly in recreation programs, art and culture programs, ice rentals and fitness programs and memberships due to facility closures impacted by the pandemic. Parking infraction revenues were also lower than budget.

Facility closures also resulted in lower direct program expenditures such as casual wages and supplies. Other temporary favourable variances were incurred due to timing such as street sweeping, road pavement marking, general maintenance, sidewalk maintenance, equipment maintenance & repairs, trail rehabilitation and tree removal program. These programs are forecasted to be fully expended by year-end.

Furthermore, lower than budgeted expenditures were incurred in winter control and any favourable variance at year-end will be transferred to the winter control reserve.

Year-end projection for tax-supported operating budget is currently forecasted to be \$300,000. Major drivers include salary gapping, higher penalty and interest revenues offset by lower bank interest income. Year-end forecast is subject to change as there are many unknowns at this time. Staff will continue to monitor the budget and adjust the year-end forecast if required.

As outlined in the report "COVID-19 Pandemic Financial Impact June 2021 Update", mitigating measures such as deferral of playground equipment replacement and partial deferral of tree removal and planting to offset financial impact from the pandemic.

Central York Fire Services (CYFS)

CYFS incurred a net favourable variance of \$1.12 million mainly due to salary gapping, consulting and wellness program being on hold. It is anticipated that there will be a surplus at year-end. The year-end surplus will be transferred to reserve as part of the strategy to fund Station 4-5.

A report on second quarter results will be tabled to Joint Council Committee (JCC) on September 7.

Newmarket Public Library

At the end of June 30, Library incurred a temporary nominal unfavourable variance. Library anticipates to be on budget by year-end.

2. Rate-Supported Operating Budget

Water and Wastewater

At the end of the second quarter, water and wastewater incurred a net favourable variance of \$1.87 million. Region did not increase their rates for the second consecutive year which contributed to the favourable variance. As well, lower than budgeted expenditures were incurred in cathodic protection program, pipe relining, emergency maintenance and general maintenance due to timing.

Region is currently conducting a water and wastewater rate study. Outcome from the study is anticipated to be tabled to the Region Council in October 2021.

At this time, there is no indication that the water and wastewater operating budgets will not be achieved as planned.

Stormwater

Stormwater incurred a favourable variance of \$0.33 million mainly due to temporary lower expenditures in stormwater management maintenance and catchbasin cleaning. Staff anticipates the budget will be fully expended by year-end.

Stormwater fees were billed in July that will be reflected in the Q3 Financial Update report to be tabled in November.

3. Capital Budget

Subsequent to Council approval of the 2021 Capital program of \$36,268,500 and capital spending authority of \$37,900,000 in December 2020, changes were made as outlined in the following reports which resulted in the revised capital program at \$42,823,300 and capital spending authority at \$44,009,500:

- Q4 2020 Financial Update – continuation of 2020 capital projects in 2021

- Q1 2021 Financial Update – addition of Ray Twinney outdoor rink (design)
- Mulock Park Budget – 2021 allocation of the project at \$2,000,000

Total capital expenditures at the end of June 30, 2021 was \$5,163,500, representing 12.1% of the revised capital program. Staff evaluated project delivery timelines and identified \$1,614,000 to be reallocated and will be included as part of the 2022 capital budget program. Remaining capital programs are projected to be completed by year-end.

Capital Program	2021 Budget	Proposed Q2 changes	2021 Revised Budget	To be included in 2022 Budget
<i>Reallocations - based on revised capital project delivery timeline</i>				
3220002 - Active Transportation Plan	175,000	- 175,000	-	175,000
3220003 - HarryWalker Pkwy East Sidewalk	100,000	- 99,000	1,000	99,000
3299002 Fleet Replacements	1,540,000	- 140,000	1,400,000	140,000
3299004 Bridges and Culverts Program	500,000	- 420,000	80,000	420,000
5219021 - Recreation Playbook Impl.	2,450,000	- 500,000	1,950,000	500,000
5219043 - Trail Lighting at Parks	280,000	- 280,000	-	280,000
5221001 Fairy Lake Boardwalk Design	110,000	- 110,000	-	-
Subtotal	5,155,000	- 1,724,000	3,431,000	1,614,000
<i>Additions</i>				
4019016 - SWM Pond Clean Outs/Retrofits	450,000	120,000	570,000	-
Subtotal	450,000	120,000	570,000	-
Total	5,605,000	- 1,604,000	4,001,000	1,614,000

The changes above do not impact the revised capital spending authority and will remain at \$44,009,500.

Conclusion

Staff will continue to monitor the budgets and report Q3 financial results in November. Any change to the year-end forecasts will also be identified in the Q3 financial update report.

Deferral of \$1,614,000 in capital programs will be included as part of the 2022 capital program.

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 Fiscal Strategy recommendation, Q2 investment results are reported under the information report “2021 Q2 Investment Summary”.

Consultation

Operational Leadership Team (OLT) and Strategic Leadership Team (SLT) were consulted on operating budgets and changes to the 2021 capital program based on revised project delivery timelines.

Human Resource Considerations

Not applicable.

Budget Impact

As outlined in this report, 2021 capital programs that will not be delivered by end of 2021 as outlined in the report will be allocated as part of the 2022 capital program.

Attachments

Appendix 1 – 2021 Q2 Operating Results

Appendix 2 – 2021 Q2 Water, Wastewater and Stormwater Operating Results

Appendix 3 – 2021 Q2 Capital Expenditures

Approval

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