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Q1 2022 Financial Update Staff Report to Council

Report Number: 2022-35

Department(s): Financial Services

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Meeting Date: May 30, 2022

Recommendations

1. That the report entitled Q1 Financial Update for 2022 dated May 30, 2022 be received; and,
2. That changes to the 2022 capital program and capital spending authority 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 this report is to:

- provide a financial status update on the 2022 Budget for the first quarter ending March 31, 2022; and
- obtain Council approval on changes to the 2022 capital program and capital spending authority.

Background

Council approved the 2022 Budget totaling \$174.4 million on December 13, 2021 ([Report 2021-93](#)).

Components	\$ in millions
Tax-supported operating budget	92.2
Rate-supported operating budget	49.4
Capital Budget	32.8
Total	174.4

Quarterly Financial Update reports are provided to inform results of the tax-supported operating budget, rate-supported operating budgets and capital budget.

[2021 Preliminary Q4 Operating and Capital Budget](#) Report identified changes of \$14.7 million to the capital program which increased the 2022 capital spending authority to \$47.5 million.

Discussion

This report outlines the financial results on each component of the Town's budget for the first quarter ending March 31, 2022. The first quarter results are usually not significant as variances are mostly due to timing. Capital budget update will focus on recommended changes to the capital program.

Tax-Supported Operating Budget

At the end of the first quarter of 2022, revenues were lower than budget by \$1.2 million, and expenditures were lower than budget by \$4.7 million resulting in a net favourable variance of \$3.5 million.

Revenues were lower than budget mainly due to facility closures resulted from the pandemic. This impacted lower revenues in recreation, art and culture programs, ice rentals, fitness programs and memberships. This was offset by favourable variance in casual wages and supplies associated with these programs. Expenditures were also lower than budget in general maintenance, repairs and rehabilitation due to timing. It is anticipated that expenditures will incur to budget for the remainder of the year.

Central York Fire Services (CYFS)

CYFS incurred a net favourable variance of \$0.5 million mainly due to temporary vacancies. The wages budget included the hiring of cohorts for the new fire hall approved in the 2019 and 2020 budgets. The final eight were hired in Q2 of 2022 to coincide with the completion of Station 4-5. Wage gapping from the new fire hall incurred for the first quarter had been transferred to reserve as approved by the Joint Council Committee (JCC).

A report on the first quarter results will be tabled to JCC in July 2022.

Newmarket Public Library

The Library incurred a net favourable variance of \$0.1 million. The first quarter results were presented to the Library Board on May 11, 2022.

Rate-Supported Operating Budget

Water and Wastewater

At the end of the first quarter, water and wastewater incurred a net favourable variance of \$0.4 million. This was mainly due to lower expenditures in pipe relining, cathodic protection program and general maintenance & repairs due to timing. Expenditures in these programs are anticipated to incur throughout the year.

Stormwater

Stormwater incurred a net favourable variance of \$0.3 million. This was mainly due to lower expenditures in CCTV program, maintenance and catch basin cleaning due to timing. Expenditures in these programs are anticipated to incur throughout the year.

Capital Budget

Capital expenditures of \$1.8 million were incurred at the end of the first quarter against the revised capital program of \$46.80 million. The 2022 capital spending authority was also amended to \$47.50 million (including an unallocated provision of \$0.7 million) based on the "[2021 Preliminary Q4 Operating and Capital Budget](#)" Report.

As outlined in the 2023 Budget Process report dated May 2, 2022 ([Report 2022-30](#)) inflationary pressures were anticipated to have an impact on the Town's operating and capital budgets. This was experienced in the recent award for the 2022 Municipal Infrastructure Program. Below are 2022 capital projects that require additional budget due to price increases and acceleration of work from 2023 to 2022:

Project	Original Project Budget \$	Price Increases \$	Work Acceleration \$	Revised Project Budget \$
Municipal Infrastructure Program	8,432,100	2,174,300	2,174,300	12,780,700
Bridges & Culverts	420,000	0	210,000	630,000
Trails & MUP	470,000	0	250,000	720,000
Total	9,322,100	2,174,300	2,634,300	14,130,700

The above increases totaling \$4.8 million will be funded from the Asset Replacement Fund Reserve Fund (ARF). \$2.2 million of the increase was due to price increases and the remaining \$2.6 million was due to acceleration of work from 2023 to 2022.

It has been the Town's practice to set the standard program at \$20.00 million as the threshold for operational capacity. The 2022 standard program will be increased by the price increase of \$2.2 million to \$22.2 million. Price increase does not have any impact on operational capacity.

Further, based on the Q1 procurement status update on the 2022 capital program, there were capital projects 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 approximately \$1.9 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.

Upon Council approval of the changes to the 2022 Capital Budget, the 2022 capital program and capital spending authority will be adjusted to \$49.7 million.

	Capital Spending Authority \$	Changes \$	Provision \$	Revised Capital Spending Authority \$
Standard Program	19,292,250	4,808,600	(1,926,550)	22,174,300
Unallocated Provision	707,750	(707,750)	0	0
Revised Standard Program	20,000,000	4,100,850	(1,926,550)	22,174,300
Major Projects	27,502,700	0	0	27,502,700
Total	47,502,700	4,100,850	(1,926,550)	49,677,000

As identified in the [2021 Preliminary Q4 Operating and Capital Budget](#), the 2023 capital spending authority is currently at \$33.4 million. With the proposed changes, the 2023 capital spending authority will be adjusted down by \$2.6 million to \$30.8 million to reflect the acceleration of work from 2023 to 2022.

Status update on various approved capital projects is outlined in Appendix 4 – Capital Projects Update. Regular updates will be incorporated as part of the Quarterly Financial Update reports.

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 (CoW) in August 2022.

Business Plan and Strategic Plan Linkages

This report supports the Council priority under the strategic pillar of Long Term Financial Sustainability.

Consultation

Business Units were consulted on capital delivery status and operating results.

Human Resource Considerations

Not applicable.

Budget Impact

Year-end projections will be provided in the Q2 Financial Update report to be tabled to CoW in August 2022.

Attachments

Appendix 1 – 2022 First Quarter Operating Results

Appendix 2 – 2022 First Quarter Water, Wastewater and Stormwater Operating Results

Appendix 3 – 2022 First Quarter Capital Expenditures

Appendix 4 – Capital Projects Update

Approval

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