



Town of Newmarket
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Q2 2022 Financial Update Staff Report to Council

Report Number: 2022-49

Department(s): Financial Services

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

Meeting Date: August 22, 2022

Recommendations

1. That the report entitled Q2 2022 Financial Update dated August 22, 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 changes to the 2023 capital spending authority be made as outlined in the report; 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 2022 capital program, 2022 capital spending authority and 2023 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. Due to the reorganization, the Parks & Facilities business unit is now rolled up under the Community Services Commission.

As outlined in the [Q1 2022 Financial Update report](#), the 2022 capital program and capital spending authority were adjusted to \$49.7 million.

Discussion

This report outlines the year-to-date financial results on each component of the Town's budget for the second quarter ending June 30, 2022, and provides year-end forecasts.

Tax-Supported Operating Budget

At the end of the second quarter of 2022, revenues were lower than budget by \$0.7 million, and expenditures were lower than budget by \$5.6 million resulting in a net favourable variance of \$4.9 million.

Revenues were lower than budget mainly due to facility closures resulted from the pandemic. This impacted lower revenues of \$0.9 million in recreation, art and culture programs, ice rentals, fitness programs and memberships. This was offset by favourable variances totaling \$0.6 million in casual wages and supplies associated with these programs. Parking infractions were below budget by approximately \$0.2 million. The unfavourable variances in revenues were partially offset by higher penalty and interest revenues \$0.3 million and bank interest \$0.1 million due to higher bank balance.

Expenditures were lower than budget in roads, sidewalks, playground and parks maintenance, repairs and rehabilitation due to timing. These expenditures are anticipated to be spent by year-end or any remaining budget balances will be transferred to their corresponding reserves at year-end.

By the end of Q2, COVID-19 related expenditures of \$0.2 million were incurred. The expenditures were mainly for enhanced health & safety measures at the Operations Centre, additional vehicle and equipment rentals.

Furthermore, the storm on May 21, 2022 resulted in \$0.05 million costs to remove damaged trees and debris, tree pruning, tree stumping and staff time.

Based on the year-to-date Q2 results, the year-end forecast is anticipated to be favourable by \$0.5 million mainly due to salary gapping and higher penalty & interest revenues offset by additional costs associated with the [Casual Employee Resourcing Strategy](#).

Central York Fire Services (CYFS)

CYFS incurred a net favourable variance of \$0.9 million mainly due to temporary vacancies. The wages budget included the hiring of cohorts for the new fire hall. 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 up to the first quarter had been transferred to reserve.

A report on the second quarter results will be tabled to Joint Council Committee (JCC) in September 2022.

Any year-end surplus will be transferred to the Fire Services Operating Reserve.

Newmarket Public Library

The Library incurred a nominal favourable variance by the end of the second quarter. The results will be presented at the next Library Board meeting on September 11, 2022.

Any year-end surplus will be transferred to the Library Operating Reserve.

Rate-Supported Operating Budget

Water and Wastewater

At the end of the second quarter, water and wastewater incurred a net favourable variance of \$1.3 million. This was mainly due to lower expenditures in CCTV program, pipe relining, cathodic protection program and general maintenance due to timing. At this time, it is anticipated that the water and wastewater operating budgets will be achieved as planned.

Stormwater

Stormwater incurred a net favourable variance of \$0.4 million. This was mainly due to lower expenditures in CCTV program, stormwater maintenance and catch basin cleaning due to timing. At this time, it is anticipated that the stormwater operating budget will be achieved as planned.

Capital Budget

Capital expenditures of \$7.3 million were incurred at the end of the second quarter against the revised capital program of \$49.7 million.

The 2022 approved capital budget of \$0.9 million for “Facilities Asset Replacement” included \$0.15 million for phase 1 of electrical replacement at Ray Twinney Recreation Complex (RTC). Based on the consultant’s recommendation, considering the existing site conditions and future electrical needs of the site, phase 1 and phase 2 replacement should be combined which will bring the total project budget at \$0.45 million. As the lead time on equipment of this type is currently about 26 weeks (6 months), contract is to be awarded at the end of August in order to complete the replacement by March 2023 to minimize the impact on the recreation services in RTC. Based on the revised capital delivery, the approved budget of \$0.15 million for this project will not be required in 2022. Instead, the project will be deferred to 2023 with a revised budget of \$0.45 million.

Based on the above changes, the 2022 capital spending authority will remain at \$49.7 million as outlined in the chart below. Majority of the approved capital projects have been awarded or in the process of being awarded. A provision of \$1.9 million remains to account for projects that have not started at this time.

	Capital Spending Authority \$	Changes \$	Provision \$	Revised Capital Spending Authority \$
Standard Program	24,100,850	(150,000)	(1,926,550)	22,024,300
Unallocated Provision	0	150,000	0	150,000
Revised Standard Program	24,100,850	0	(1,926,550)	22,174,300
Major Projects	27,502,700	0	0	27,502,700
Total	51,603,550	0	(1,926,550)	49,677,000

The 2023 capital spending authority will be increased by \$0.45 million from \$30.8 million to \$31.25 million to include the electrical replacement project at Ray Twinney Recreation Complex.

Conclusion

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

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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

Staff will continue to monitor the budgets and adjust the year-end forecasts if required. A report on the third quarter results will be tabled at the December 5, 2022 CoW.

Attachments

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Approval

Mike Mayes, CPA, CGA, DPA

Director of Financial Services

Karthik Venkataraman

Acting Commissioner of Corporate Services

Contact

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