



Town of Newmarket
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Q3 2022 Financial Update Staff Report to Council

Report Number: 2022-59

Department(s): Financial Services

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Meeting Date: December 5, 2022

Recommendations

1. That the report entitled Q3 2022 Financial Update dated December 5, 2022 be received; and,
2. That Council approve the transfer of bank interest earned in excess of the annual budget of \$725,000 to the Asset Replacement Fund reserve; and,
3. That Council approve the transfer of savings realized on debt servicing in the tax-supported operating budget to the Asset Replacement Fund; 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 third quarter financial results;
- provide an update on year-end forecasts; and
- obtain Council approval to supplement contributions to the Asset Management Fund (ARF).

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.

As outlined in the [Q2 Financial Update](#) report, the 2022 capital program and capital spending authority is currently at \$49.7 million.

Discussion

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

Tax-Supported Operating Budget

At the end of the third quarter of 2022, revenues were lower than budget by \$1.6 million, and expenditures were lower than budget by \$4.4 million resulting in a net favourable variance of \$2.8 million.

Revenues were lower than budget mainly in recreation and culture programs totaling \$1.8 million partly due to facility closures resulted from the pandemic at the beginning of the year. As well, participation rates had not returned to the levels prior to the pandemic. The unfavourable revenue variance was partially offset by favourable variances in direct costs such as casual wages and supplies associated with delivering these programs. An adjustment of \$0.7 million was made to Recreation revenues in Q3 to properly account for revenue recognition of prepaid punch passes.

Parking infractions were below budget by approximately \$0.3 million. Favourable variances in revenues were incurred from higher penalty and interest revenues of \$0.5 million and bank interest of \$0.9 million due to higher interest rates. Bank interest at the end of Q3 was at \$1.3 million which had already exceeded the full year budget of \$0.7 million by \$0.5 million. To compensate for the shortfall in the Town's equity investments (per the Q3 2022 Investment Summary Information Report), Staff recommends transferring the favourable variance from interest income at year-end to ARF.

As a result of the 2022 Development Charge update, Development Charge funding for Principal Debenture payments for the Youth Centre, Harry Walker Extension and Magna Phases 1 & II have increased; therefore reducing the funding requirements in the tax-supported debenture principal payment contributions. Staff recommends transferring the corresponding favourable variance to ARF.

These supplementary contributions to the ARF are intended to partially offset the funding deficiencies identified in the Council-approved Asset Management Plans for core assets. This will be further addressed in workshops in 2023 regarding the Reserve and Reserve fund Review, and the annual Asset Management Update

Expenditures were lower than budget in roads, sidewalks, playground and parks maintenance, repairs and rehabilitation. Any remaining budget balances will be transferred to their corresponding reserves at year-end.

By the end of Q3 2022, COVID-19 related expenditures of \$0.3 million were incurred. The expenditures were incurred for enhanced health & safety measures at the Operations Centre, additional vehicle and equipment rentals.

Based on the year-to-date Q3 results, the tax-supported operating budget is forecasted to achieve a balanced budget at year-end.

Central York Fire Services (CYFS)

CYFS incurred a net favourable variance of \$0.2 million mainly due to temporary vacancies.

A report on the third quarter results will be tabled at the next Joint Council Committee meeting (JCC) (date to be confirmed).

Any year-end surplus will be transferred to the Fire Services Operating Reserve in accordance with JCC policy.

Newmarket Public Library

The Library incurred a nominal favourable variance by the end of the third quarter. The results were presented to the Library Board on November 16, 2022.

Any year-end surplus will be transferred to the Library Operating Reserve or to a New Library reserve in accordance with past practice.

Rate-Supported Operating Budget

Water and Wastewater

At the end of the third quarter, water and wastewater incurred a net favourable variance of \$1.9 million. This was mainly due to lower expenditures in CCTV program, pipe

relining, cathodic protection program and general maintenance. Any year-end surplus will be transferred to the respective rate stabilization reserves.

Stormwater

Stormwater incurred a net favourable variance of \$0.3 million. This was mainly due to lower expenditures in CCTV program, stormwater maintenance and catch basin cleaning. Any year-end surplus will be transferred to the stormwater rate stabilization reserve.

Capital Budget

Capital expenditures of \$19.1 million (\$13.5 million in standard program and \$5.5 million in major projects) were incurred at the end of the third quarter against the revised capital program of \$49.7 million.

Major projects are defined as items that have a very high expenditure-to-staff effort ratio (such as Mulock Park) or minimal effort from dedicated capital project staff (such as Fire Station 4-5). Other major projects include Advanced Metering (a multi-year project) and pumper truck replacements that have since been delivered in Q4.

There is no proposed changes to the 2022 capital program and no proposed changes to the 2022 capital spending authority.

Conclusion

This report provides a summary on the year-to-date third quarter financial results on the tax-supported operating budget, rate-supported operating budgets and capital budget. Report on year-end results will be tabled to Committee of the Whole (CoW) in Q1 2023.

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

It is forecasted that the tax-supported operating budget will achieve a balanced budget at year-end.

Any surplus incurred in the rate-supported operating budgets will be transferred to their corresponding rate stabilization reserves.

Attachments

Appendix 1 – 2022 Third Quarter Operating Results

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

Appendix 3 – 2022 Third Quarter Capital Expenditures

Appendix 4 – 2022 Third Quarter Capital Projects Update

Approval

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