



Town of Newmarket
395 Mulock Drive P.O. Box 328,
Newmarket, Ontario, L3Y 4X7

Email: info@newmarket.ca | Website: newmarket.ca | Phone: 905-895-5193

Third Quarter 2023 Financial Update Staff Report to Council

Report Number: 2023-75

Department(s): Financial Services

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

Meeting Date: November 13, 2023

Recommendations

1. That the report entitled Third Quarter 2023 Financial Update dated November 13, 2023 be received; and,
2. That Council approve changes to the 2023 capital budget 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 2023 budget for the third quarter ending September 30, 2023.

Background

Council approved the 2023 Budget totaling \$210.4 million on April 3, 2023 ([Report 2023-21](#)).

Components	\$ in millions
Tax-supported operating budget	\$94.9
Rate-supported operating budgets	\$52.4
Capital Budget	\$63.1
Total	\$210.4

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

Discussion

This report outlines the financial results on each component of the Town’s budget for the third quarter ending September 30, 2023.

Tax-Supported Operating Budget

At the end of the third quarter of 2023, revenues were higher than budget by \$1.5 million, and expenditures were lower than budget by \$3.0 million resulting in a net favourable variance of \$4.5 million.

Revenues were favourable with bank interest income higher than budget by \$1.6 million due to high-interest rates. In 2022, the favourable variance from bank interest was transferred to the Asset Replacement Reserve Fund. Staff may recommend a similar approach in 2023 depending on the final year-end results.

Tax penalty and interest were favourable by \$0.5 million. The favourable variances were offset by lower revenues of \$0.6 million in recreation and culture programs.

Expenditures were favourable in Recreation and Culture programs (offsets the unfavourable in Recreation and Culture revenues), wage gapping from temporary staffing vacancies, road maintenance, sidewalk rehabilitation and general repairs and maintenance.

Based on the year-to-date third quarter results, the year-end forecast remains unchanged, anticipating to be favourable by \$0.4 million mainly due to salary gapping and penalty & interest revenues.

Central York Fire Services (CYFS)

CYFS incurred a net favourable variance of \$0.4 million from lower than budgeted expenditures, mainly from temporary vacancies.

A report on the third quarter results will be tabled to the Joint Council Committee (JCC) on November 7, 2023.

CYFS year-end projection is a surplus of \$0.2 million.

Newmarket Public Library

The Library incurred a net favourable variance of \$0.2 million. The third quarter results will be presented to the Library Board on November 15, 2023.

It is projected that the Library will be close to the budget at year-end.

Rate-Supported Operating Budget

Water and Wastewater

At the end of the third quarter, water and wastewater incurred a net favourable variance of \$0.9 million. This was mainly due to temporary staff vacancies, lower expenditures in the cathodic protection program, and general maintenance and repairs.

It is anticipated that the water and wastewater operating budgets will be achieved as planned.

Stormwater

Stormwater incurred a net favourable variance of \$0.3 million. This was mainly due to lower expenditures on CCTV program, maintenance, and catch basin cleaning.

It is anticipated that the stormwater operating budgets will be achieved as planned.

Capital Budget

Capital expenditures of \$16.7 million were incurred at the end of the third quarter against the approved capital budget of \$63.1 million. The year-to-date capital expenditures at the end of the third quarter may be understated as work have been performed, but awaiting for invoices.

	YTD Q3 Expenditures \$ in millions	Total Budget \$ in millions	Completion Rate %
Standard Program	\$12.4	\$27.6	44.9%
Major Projects	\$4.3	\$34.0	12.6%
Unallocated Provision		\$1.5	
Total	\$16.7	\$63.1	26.4%

Based on the progress at the end of the third quarter, Staff identified some of the 2023 capital projects will not be completed by end of the year. Project delivery timeline changes are not uncommon and some of the reasons are, but not limited to:

- complexity of the project (both known and unknow)
- timing of the Request for Pricing (“RFP”) evaluation

- availability of the vendors / contractors
- supply chain for goods / materials
- timing of work based on business constraints
- seasonality of work
- in-year priorities that result in workplan changes and re-prioritization

The report “[2024 Preliminary Draft Capital and Rate-Supported Operating Budgets](#)” outlines that \$12.4 million capital funding from the 2023 capital budget under the standard program will be transferred to 2024 (\$10.1 million) and 2025 (2.3 million).

Under the major projects for Mulock Park related projects and Automated Metering Infrastructure project (“AMI”), \$20.5 million capital funding from the 2023 capital budget will be transferred to 2024 (\$14.7 million) and 2025 (\$5.8 million)

On the other hand, there is capacity to deliver more under the 2023 Municipal Infrastructure Program. To provide the necessary funding of \$7.0 million for the additional work in 2023, it will require an acceleration of the 2024 CSA to the 2023 capital program.

Based on the above changes, the 2023 Capital Budget will be revised from \$63.1 million to \$37.2 million. Refer to Appendix 4 for further details.

	Standard Program \$ in millions	Major Projects \$ in millions	Unallocated Provision \$ in millions	Total \$ in millions
2023 Approved Capital Budget	\$27.6	\$34.0	\$1.5	\$63.1
2023 projects not completed in 2023, to be continued in 2024 and 2025 (Appendix 4)	\$(12.4)	\$(20.5)	\$0	\$(32.9)
Increase in 2023 Municipal Infrastructure Program	\$7.0	\$0	\$0	\$7.0
Revised 2023 Capital Budget	\$22.2	\$13.5	\$1.5	\$37.2

All changes impacting the 2024 Capital Budget and 2025 CSA are captured accordingly.

Conclusion

This report provides a summary of the year-to-date third-quarter financial results on the tax-supported operating budget, rate-supported operating budgets, and capital budget. A report on the preliminary fourth quarter results will be tabled to the Committee of the Whole (“CoW”) in Q1 2024.

Business Plan and Strategic Plan Linkages

This report supports the Town's core value of financial sustainability and stewardship.

Consultation

Business units were consulted on the financial results.

Human Resource Considerations

Not applicable.

Budget Impact

Report on the preliminary fourth quarter results will be tabled in Q1 2024

Attachments

Appendix 1 – 2023 Third Quarter Operating Results

Appendix 2 – 2023 Third Quarter Water, Wastewater and Stormwater Operating Results

Appendix 3 – 2023 Third Quarter Capital Expenditures

Appendix 4 – 2023 Approved Capital Budget Transfers to 2024 and 2025

Approval

Mike Mayes, CPA, CGA, DPA

Director of Financial Services

Esther Armchuk, LL.B

Commissioner, Corporate Services

Contact

Andrea Tang, CPA, CA

Manager, Finance & Accounting / Deputy Treasurer, atang@newmarket.ca (ext. 2104)