



Town of Newmarket
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Q2 Operating, Capital, Water & Wastewater, Storm water and Investment Summary Information Report

Report Number: 2019-22

Department(s): Financial Services

Author(s): Dawn Schellenberg, Manager, Finance & Accounting

Date: August 6, 2019

In accordance with the Procedure By-law, any member of Council may make a request to the Town Clerk that this Report be placed on an upcoming Committee of the Whole agenda for discussion.

Executive Summary

See below.

Purpose

The purpose of this report is to advise on the results of the operating, capital, water, wastewater and storm water budgets, as well as the investment summary at the end of June 30, 2019.

Background

To provide information regarding second quarter results of 2019.

Discussion

Tax Supported Operating Budget

At the end of the second quarter of 2019, revenues were higher than budget by \$822,000, while expenditures were lower than the budget by \$3.9 million. The main areas contributing to these variances were Central York Fire Services, General Government, and Development & Infrastructure Services.

In Development & Infrastructure Services, the favorable variance in operating expenditures is largely due to timing. Annual program spending, as well as general consulting, contract and material costs for the maintenance of roads, parks and facilities account for the majority of the lower expenditures to date. Gapping is also a smaller factor, with three positions vacant. Utility costs, solid waste contract costs and asset management costs are also below budget.

In General Government, the favorable revenue variance is due to higher interest revenue on our bank balances, as well as investment income from short-term GIC's purchased with our operating funds. Tax rebates and adjustments are in line with the budget at this point in the year. Assessment appeals are following a new process which has slowed things down. Current year adjustments, which cannot be done until after the final billing is posted, will be booked in the third and fourth quarters.

In Community Services, higher revenues are driven primarily by Fitness Centre, Aquatics and Seniors Programming. Expenses are also somewhat higher than budget, driven by casual wages and purchase of goods associated with achieving the higher revenues.

Central York Fire Services

Although Central York Fire Services does not have a current collective agreement salaries and benefits have been accrued at the budgeted level. Even so, wage related expenses are below budget, due to lower overtime, Workplace Safety Insurance Board reimbursements and vacant positions. At the end of June, there were 6 vacant positions and the hiring of 4 additional firefighters budgeted for April 1st has been postponed to 2020.

The majority of the other expense variances are due to timing. The Wellness Program is on hold and a new provider may not be hired until 2020. More information is contained in CYFS Budget Report – Second Quarter 2019-23, which will be presented to JCC in September.

Newmarket Public Library

The second quarter results will be presented to the Library Board on September 18, 2019. There are no significant year-to-date variances.

Capital

Approximately \$4.7 million (9.5%) was spent by the end of the second quarter on a variety of projects, including payments for 2 replacement fire trucks, NewMakeit, various infrastructure projects, and vehicle replacements. The low percentage is due to a number of factors, including late budget approval, slower than expected developer construction progress on parks, and the timing of payments yet to be processed. More details on Development & Infrastructure projects are included in the Commissioner's memo dated July 25th.

The 2019 capital budget, including amounts budgeted in prior years, totals \$50 million. Details can be found in Financial Services Report 2019-17 entitled Transitioning to a Capital Plan.

Water, Wastewater and Storm Water Budgets

At the end of the second quarter, revenues are lower than budget by \$1.1 million and expenditures are lower by \$565,000. Discussions are taking place with York Region to attempt to receive compensation for higher flushing costs in prior years.

Storm water revenues were twice the budget at the end of June, due to timing of the billing. Bills were sent out in June with the final tax bills.

Trends

At this point plans to cut provincial funding have been directed at the upper tier and single tier municipalities and have not been aimed at lower tier municipalities. The Town has applied for a grant under the Audit and Accountability Fund and is preparing a tender to go out to undertake an expenditure review with the goal of finding service delivery efficiencies.

We continue to monitor Bill 108, More Homes More Choices Act, 2019. A by-law came into effect on July 21st which incorporates some of the changes included in Bill 108.

Investments

Active investments:

The investment summary for the six months ended June 30, 2019 (attached) provides details of all investments held as at this date. None of our investments are subject to any variance between initial cost and market value.

The average weighted yield was 2.83% compared to a weighted average benchmark of 2.45% for the period. We earned incremental income of \$126,848, which was higher than the \$37,500 approved by Council in the 2019 budget to be transferred to the Tax Supported Operating Fund. Therefore, \$89,348 was allocated to the Reserve Funds.

At the end of the first quarter, the investment portfolio included:

\$81,612,457 (89.6%) GICs with major banks
\$9,460,548 (10.4%) in non-traditional investments
\$20,946 (0.0%) loan to an external party

Of the \$81.6 million in GICs, \$21.6 million are secondary market GICs. These are GICs bought back from clients who need to get out of their non-cashable GICs before maturity and purchased by the Town through one of our investment brokers, often with better yields than regular GICs. Interest on these GICs is reported based on their effective yield, in accordance with Public Sector Accounting Standards. This means the Town reports interest over the course of the GICs term instead of recognizing it all when it matures.

\$20 million of the GICs are short-term operating investments. In January a 90-day \$20 million GIC came due and a 180-day GIC for the same amount was purchased with operating funds. As of the end of June we earned \$275,000 on these short-term investments.

It is the opinion of the Treasurer, that all investments made were in line with the investment policies, strategies and goals adopted by the Town.

Passive investments:

In addition to the active investments noted above, CIBC has paid the Town \$546,000 in interest on our bank accounts. These funds currently earn interest at an annual rate of 2.45%.

Conclusion

See above.

Business Plan and Strategic Plan Linkages

This report links supports Newmarket's strategic pillar of long-term financial sustainability.

Consultation

The Strategic Leadership Team has reviewed the report.

Human Resource Considerations

Not applicable.

Budget Impact

It is very early to forecast year-end results.

Attachments

2019 Second Quarter Operating Results
2019 Second Quarter Capital Expenditures
2019 Second Quarter Water, Wastewater and Stormwater Operating Results
Investment Summary for the Six Months Ended June 30, 2019

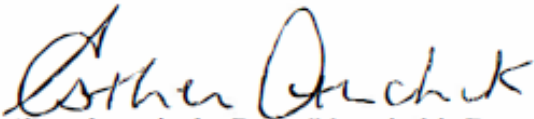
Contact

For more information on this report, contact Dawn Schellenberg at 905-953-5300, ext. 2104 or via e-mail at dschellenberg@newmarket.ca

Approval



Mike Mayes, CPA, CGA, DPA
Director, Financial Services/Treasurer



Esther Armchuk, B.A. (Hons), LL.B.
Commissioner of Corporate Services

**Town of Newmarket
2019 Second Quarter
OPERATING RESULTS**

Departments	Year-to-Date to June 30, 2019			Full Year
	ACTUAL	BUDGET	VARIANCE	Budget
	\$	\$	\$	\$
Members of Council				
<i>Revenues</i>	-	-	-	-
<i>Expenditures</i>	673,214	636,025	(37,189)	1,277,073
Net surplus/(deficit)	(673,214)	(636,025)	(37,189)	(1,277,073)
C.A.O. - Office				
<i>Revenues</i>	10,628	127,465	(116,837)	254,932
<i>Expenditures</i>	2,091,219	2,199,855	108,636	3,394,526
Net surplus/(deficit)	(2,080,591)	(2,072,390)	(8,201)	(3,139,594)
Corporate Services				
<i>Revenues</i>	874,336	1,075,511	(201,175)	2,151,050
<i>Expenditures</i>	5,793,516	6,237,487	443,971	12,474,987
Net surplus/(deficit)	(4,919,180)	(5,161,976)	242,796	(10,323,937)
Central York Fire Services				
<i>Revenues</i>	168,142	177,280	(9,138)	354,561
<i>Expenditures</i>	6,033,642	6,962,658	929,016	15,126,393
Net surplus/(deficit)	(5,865,500)	(6,785,378)	919,878	(14,771,832)
Community Services				
<i>Revenues</i>	3,655,940	3,137,886	518,054	7,787,612
<i>Expenditures</i>	5,322,053	5,165,160	(156,893)	11,308,054
Net surplus/(deficit)	(1,666,113)	(2,027,274)	361,160	(3,520,442)
Development & Infra. Services				
<i>Revenues</i>	2,761,600	3,019,834	(258,234)	6,206,059
<i>Expenditures</i>	15,525,024	18,160,934	2,635,910	36,673,764
Net surplus/(deficit)	(12,763,424)	(15,141,100)	2,377,676	(30,467,705)
Library Services				
<i>Revenues</i>	124,475	133,538	(9,063)	331,477
<i>Expenditures</i>	1,776,999	1,787,154	10,155	3,574,339
Net surplus/(deficit)	(1,652,523)	(1,653,616)	1,093	(3,242,862)
General Government				
<i>Revenues</i>	2,278,282	1,607,799	670,483	4,551,200
<i>Expenditures</i>	649,213	585,247	(63,966)	1,100,490
Net surplus/(deficit)	1,629,069	1,022,552	606,517	3,450,710
Debt Servicing				
<i>Revenues</i>	1,210,373	1,260,376	(50,004)	2,520,745
<i>Expenditures</i>	2,840,739	2,855,647	14,908	5,711,283
Net surplus/(deficit)	(1,630,367)	(1,595,271)	(35,096)	(3,190,538)
Property Taxes				
<i>Revenues</i>	56,463,358	56,185,914	277,444	63,831,298
<i>Expenditures</i>	-	-	-	-
Net surplus/(deficit)	56,463,358	56,185,914	277,444	63,831,298
Allocations				
<i>Revenues</i>	-	-	-	-
<i>Expenditures</i>	(1,309,040)	(1,309,040)	(0)	(2,651,973)
Net surplus/(deficit)	1,309,040	1,309,040	(0)	2,651,973
GRAND-TOTAL				
<i>Revenues</i>	67,547,134	66,725,603	821,531	87,988,934
<i>Expenditures</i>	39,396,580	43,281,126	3,884,547	87,988,936
Net surplus/(deficit)	28,150,554	23,444,477	4,706,078	(2)

Town of Newmarket

2019 Second Quarter

CAPITAL EXPENDITURES

Commission / Department / Area	Year-to-Date Actual (December 31, 2019) (\$)	Budget for 2019 (\$)	% of Spending
<u>General Government</u>			
	64,969	4,593,880	1.4%
Total	64,969	4,593,880	1.4%
<u>Corporate Services</u>			
Information Technology	437,683	2,025,139	21.6%
Legislative Services	-	71,295	0.0%
Total	437,683	2,096,434	20.9%
<u>Community Services</u>			
Recreation & Culture Services	45,051	712,191	6.3%
Total	45,051	712,191	6.3%
<u>Development & Infrastructure Services</u>			
Planning & Building	420,907	914,737	46.0%
Roads	719,999	11,363,244	6.3%
Water	304,275	4,929,873	6.2%
Wastewater	-	211,137	0.0%
Storm Water	62,502	929,000	6.7%
Facilities	885,453	3,270,418	27.1%
Parks	185,617	7,936,081	2.3%
Trails	21,236	1,611,238	1.3%
Other	619,046	1,997,917	31.0%
Total	3,219,035	33,163,645	9.7%
<u>Library Services</u>			
	64,673	454,875	14.2%
Total	64,673	454,875	14.2%
<u>Central York Fire Services</u>			
	910,575	8,989,539	10.1%
Total	910,575	8,989,539	10.1%
GRAND TOTAL	4,741,986	50,010,564	9.5%

Town of Newmarket

2019 Second Quarter

Water, Wastewater & Stormwater Operating Results

Area	Year-to-date (June 30, 2019)				Full Year Budget \$
	Actual	Budget	Variance		
	\$	\$	\$	%	
Water Rate Group					
<i>Revenues</i>	8,621,158	9,393,647	(772,489)	-8.2%	18,985,783
<i>Expenditures</i>	8,346,765	8,684,522	337,757	3.9%	17,445,909
Net	274,393	709,125	(434,732)	-158.4%	1,539,874
Wastewater Rate Group					
<i>Revenues</i>	9,356,862	10,709,858	(1,352,996)	-12.6%	21,646,586
<i>Expenditures</i>	10,381,932	10,035,690	(346,242)	-3.5%	20,052,081
Net	(1,025,071)	674,168	(1,699,239)	-252.0%	1,594,505
Storm Water Rate Group					
<i>Revenues</i>	2,088,802	1,020,414	1,068,388	104.7%	2,069,804
<i>Expenditures</i>	713,187	871,428	158,241	18.2%	1,719,855
Net	1,375,615	148,986	1,226,629	823.3%	349,949
Allocations					
<i>Revenues</i>	-	-	-	0.0%	-
<i>Expenditures</i>	1,326,437	1,326,438	1	0.0%	2,652,852
Net	(1,326,437)	(1,326,438)	1	0.0%	(2,652,852)
Transfer To/ From Rate Stabilization Reserves					
<i>Revenues</i>	-	-	-	0.0%	-
<i>Expenditures</i>	-	415,737	415,737	100.0%	831,474
Net	-	(415,737)	415,737	0.0%	(831,474)
GRAND-TOTAL					
<i>Revenues</i>	20,066,821	21,123,919	(1,057,098)	-5.0%	42,702,173
<i>Expenditures</i>	20,768,321	21,333,815	565,494	2.7%	42,702,173
Net	(701,501)	(209,896)	(491,605)	234.2%	(0)

Investment Summary for the Six Months Ended June 30, 2019

Reserve Fund Investment Summary for the Six Months Ended June 30, 2019

Description	Principal Amount		Starting Date	Term	January 1 to June 30, 2019			
	2019-01-01	2019-06-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
Royal Bank	\$14,082,164	\$14,643,321	2017-09-21	Various	various	\$138,103	\$177,906	-\$39,803
National Bank	\$10,000,000	\$10,000,000	2018-05-11	3 years	2.93%	\$145,296	\$121,493	\$23,803
Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	1 year	2.85%	\$84,797	\$72,896	\$11,901
Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	2 years	3.26%	\$96,996	\$72,896	\$24,100
Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	3 years	3.33%	\$99,079	\$72,896	\$26,183
Bank of Nova Scotia	\$6,000,000	\$6,000,000	2018-12-10	4 years	3.43%	\$102,054	\$72,896	\$29,158
CIBC	\$6,000,000	\$6,000,000	2018-12-10	5 years	3.55%	\$105,625	\$72,896	\$32,729
Royal Bank	\$0	\$3,476,731	2019-04-29	441 days	2.92%	\$17,523	\$14,702	\$2,820
BMO	\$0	\$3,492,405	2019-04-29	406 days	2.92%	\$17,602	\$14,769	\$2,833
Loan - Newmarket Soccer Club Development Charges and Planning Fees	\$24,686	\$20,946	2011-09-30	10 years	4.00%	\$452	\$277	\$175
Internal Loan -Solar Panels (2013, Various Facilities)	\$210,511	\$204,872	2013-12-01	20 years	3.00%	\$3,080	\$2,515	\$565
Internal Loan - RJT Solar Panels (2014)	\$540,714	\$527,445	2015-01-01	20 years	3.00%	\$7,928	\$6,475	\$1,453
Internal Loan - Magna Solar Panels (2015)	\$1,312,514	\$1,281,880	2016-01-01	20 years	2.70%	\$17,339	\$15,734	\$1,605
Internal Loan - Honeywell Streetlights Retrofit Project	\$7,611,715	\$7,446,351	2013-12-10	20 years	2.70%	\$100,708	\$91,383	\$9,325
Sub-Total	\$63,782,304	\$71,093,951				\$936,581	\$809,733	\$126,848
Incremental investment income included in 2019 Operating Budget, transferred to the Tax-Supported Operating Fund in 2019 per the Investment Strategy								\$37,500
Incremental investment income allocated to reserve funds in 2019 per the Investment Strategy								\$89,348

Operating Investment Summary for the Six Months Ended June 30, 2019

Description	Principal Amount		Starting Date	Term	January 1 to June 30, 2019			
	2019-01-01	2019-06-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
Van City Credit Union	\$20,000,000		2018-10-10	90 days	2.50%	\$10,959	n/a	n/a
CIBC	0	\$20,000,000	2019-01-11	180 days	2.83%	\$263,616	n/a	n/a
Sub-Total	\$20,000,000	\$20,000,000				\$274,575		