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## **CORPORATE SERVICES INFORMATION REPORT - FINANCIAL SERVICES-2015-41**

**TO:** Mayor Tony Van Bynen and Members of Council  
Committee of the Whole

**SUBJECT:** 2015 Second Quarter Report – Operating, Capital, Water & Wastewater, Investment Summary

**ORIGIN:** Manager of Finance and Accounting

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***In accordance with the Procedure Bylaw, any member of Council may request an Information Report to be placed on an upcoming Committee of the Whole agenda for discussion.***

### **COMMENTS**


The purpose of this report is to advise Council on the second quarter results for 2015. Preliminary projections indicate that some revenue budget targets might not be achieved by year end. Staff are however conducting an in-depth review of all yearend projections and will be in a position to provide a more accurate projection in the Third Quarter report. Nevertheless, our goal is to achieve a financially sound 2015 year end result using due diligence and fiscal prudence.

### **Tax Supported Operating Budget**

Revenues to the end of June totaled \$57,315,116, while expenditures totaled \$35,729,505 for the same period, creating a surplus of \$21,585,612. The reason for the large surplus is that final residential tax bills have been issued. Although there currently is a favorable variance of \$962,403 compared to budget, this is not expected to continue.

### **C.A.O. - Office**

There have been savings in this area, mostly from staff vacancies (wage gapping) in the Strategic Initiative department. In addition, consulting and training costs are both below budget.



## **Corporate Services**

Revenues track below budget; mainly as a result of lower parking infraction and bingo license revenue. The revenue variances are expected to improve but it would appear that the year end result may be significantly under budget. The favourable expense variance is mainly due to timing and as such may not all be realized at year end.

## **Central York Fire Services**

Salaries and benefits for Central York Fire Services were \$207,000 under budget at the end of the second quarter due to staff gapping, as two budgeted positions are not yet filled. Other expenses combined are \$112,000 below budget. CYFS is currently facing higher than usual sick/injury absences which are negatively affecting the overtime budget, but a surplus in the \$100,000 to \$300,000 range is projected. As per past practice, any potential deficit or surplus would be funded from or transferred to the CYFS reserve fund

## **Community Services**

Timing differences and staff gapping account for the expense and revenue variances in this commission. Despite revenues showing a favorable variance of \$147,900 due mainly to Spring-Summer program fees, preliminary estimates indicate that revenues will fall short of the year-end budget targets.

## **Development & Infrastructure Services**

Revenues at the end of the second quarter were \$98,423 below budget due mainly to solar revenues being lower than expected due to delays in installing solar panels at the Magna Center. Expenditures are \$270,999 below budget mainly as a result of annual maintenance programs and staff gapping.

An interim payment of \$43,500 was received from the province in June regarding the 2013 ice storm claim. This has been applied to the Winter Control Reserve.

## **General Government**

Lower interest rates are starting to impact our investment income. As a result, it is projected that we will be below budget.

## **Taxation**

Tax revenues reflect the billing for both interim and final residential property taxes, as well as interim commercial property taxes at the end of June. Final commercial property taxes and supplementary taxes will be billed in the second part of the year; tax revenues are expected to continue to be in line with the budgeted amounts.

We continue to be challenged by property tax assessment appeals. A proactive assessment strategy is being developed to address this.

## Capital Budget

Approximately \$5.7 million or 10% of the \$57.5 million in budgeted capital expenditures was spent at the end of the second quarter. \$1.9 million was spent on the Old Town Hall, \$411,000 was spent on the Bayview Avenue Pumping Station, and approximately \$1.7 million was incurred on the Honeywell Retrofit Project. At this time, it is too early to project the year-end results.

## Water and Wastewater Budget

Water consumption volumes are lower than projected. As a result, revenues from user charges are approximately \$1.2 million lower than budget while costs charged by the Region are \$725,000 lower than budget.

The severe winter necessitated emergency repairs that were contracted out due to staff shortages at the beginning of the year. \$738,000 was spent on maintenance in the first six months. It may be appropriate to fund some of these expenditures from reserves. Staff are reviewing this and will report further in the 3<sup>rd</sup> quarter report.

There have been some cost savings and additional revenues to offset these variances. For instance, a \$122,597 credit was received from York Region for flushing in 2012. Additional development charge funding was identified in our 2014 DC study for the Operations Centre debt. This includes the unused 2014 portion (\$532,961) and the 2015 allocation (\$548,123).

By using reserves and deferring transfers to the rate stabilization funds, it is anticipated that the water and wastewater funds will end the year with a positive balance.

## Investments

Active investments:

The Investment Summary for the Six Months Ended June 30, 2015 (attached), provides the details of all investments held during the first six months of 2015. No new investments have been made in 2015, although investments for water meter replacement (\$6.7 million) and streetlight retrofits (\$3.1 million) are included in the 2015 capital program.

None of our investments are subject to any variance between initial cost and market value.

The average weighted yield was 2.34% compared to a weighted average benchmark of 1.13% for the six month period. We earned incremental income of \$102,385, \$87,500 of which was transferred to the Tax-Supported Operating Fund, as approved by Council in the 2015 budget. The remaining \$14,885 was allocated proportionally to the Reserve Funds.

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

- \$8,346,535 (62.3%) in non-traditional investments;
- \$5,000,000 (37.3%) GIC with a major bank
- \$56,105 (0.4%) loan to an external party

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

Passive investments:

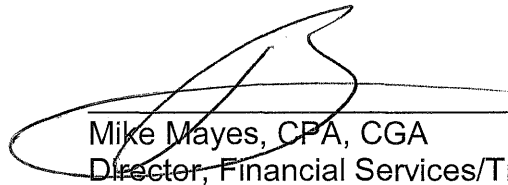
In addition to the active investment income noted above, interest was earned on our bank accounts. For the six-month period, the Royal Bank of Canada has paid the Town \$494,270 in interest. \$188,576 was earned by the operating fund and the balance was earned by, and added to, the reserve funds. These funds earned interest at an annual rate of 1.25% up to January 27, and 1.10% when the prime rate dropped on January 28.

**CONTACT**

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



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



Anita Moore, AMCT  
Commissioner, Corporate Services

DS/nh

Attachments:      2015 Second Quarter Results-Operating Results (1 pg.)  
                          2015 Second Quarter Capital Expenditures (1pg.)  
                          2015 Second Quarter Water and Wastewater Operating Results (1 pg.)  
                          Investment Summary for the Six Months Ended June 30, 2015 (1pg.)

**Town of Newmarket  
2015 Second Quarter  
OPERATING RESULTS**

Departments	Year-to-Date (June 30, 2015)			Full Year
	ACTUAL	BUDGET	VARIANCE	Budget
	\$	\$	\$	\$
<b>Members of Council</b>				
<i>Revenues</i>	-	-	-	-
<i>Expenditures</i>	601,968	617,894	15,926	1,280,340
<b>Net surplus/(deficit)</b>	<b>(601,968)</b>	<b>(617,894)</b>	<b>15,926</b>	<b>(1,280,340)</b>
<b>C.A.O. - Office</b>				
<i>Revenues</i>	17,163	4,503	12,660	245,000
<i>Expenditures</i>	1,723,735	1,996,448	272,713	3,072,958
<b>Net surplus/(deficit)</b>	<b>(1,706,572)</b>	<b>(1,991,945)</b>	<b>285,373</b>	<b>(2,827,958)</b>
<b>Corporate Services</b>				
<i>Revenues</i>	503,570	767,380	(263,810)	1,534,767
<i>Expenditures</i>	4,385,107	4,548,220	163,113	10,542,669
<b>Net surplus/(deficit)</b>	<b>(3,881,537)</b>	<b>(3,780,840)</b>	<b>(100,697)</b>	<b>(9,007,902)</b>
<b>Central York Fire Services</b>				
<i>Revenues</i>	32,983	18,499	14,484	295,530
<i>Expenditures</i>	5,776,541	6,128,267	351,726	13,132,074
<b>Net surplus/(deficit)</b>	<b>(5,743,558)</b>	<b>(6,109,768)</b>	<b>366,210</b>	<b>(12,836,544)</b>
<b>Community Services</b>				
<i>Revenues</i>	2,861,017	2,713,034	147,983	6,634,672
<i>Expenditures</i>	4,039,267	4,073,223	33,956	9,142,724
<b>Net surplus/(deficit)</b>	<b>(1,178,250)</b>	<b>(1,360,189)</b>	<b>181,939</b>	<b>(2,508,052)</b>
<b>Development &amp; Infra. Services</b>				
<i>Revenues</i>	2,568,135	2,666,558	(98,423)	8,265,131
<i>Expenditures</i>	15,012,080	15,283,079	270,999	34,273,869
<b>Net surplus/(deficit)</b>	<b>(12,443,945)</b>	<b>(12,616,521)</b>	<b>172,576</b>	<b>(26,008,738)</b>
<b>Library Services</b>				
<i>Revenues</i>	126,639	136,568	(9,929)	342,727
<i>Expenditures</i>	1,561,444	1,588,524	27,080	3,258,541
<b>Net surplus/(deficit)</b>	<b>(1,434,806)</b>	<b>(1,451,956)</b>	<b>17,150</b>	<b>(2,915,814)</b>
<b>General Government</b>				
<i>Revenues</i>	1,016,293	1,058,805	(42,512)	3,453,109
<i>Expenditures</i>	1,276,903	1,255,757	(21,146)	2,512,739
<b>Net surplus/(deficit)</b>	<b>(260,610)</b>	<b>(196,952)</b>	<b>(63,658)</b>	<b>940,370</b>
<b>Debt Servicing</b>				
<i>Revenues</i>	1,441,138	1,440,476	662	3,380,944
<i>Expenditures</i>	2,138,229	2,138,229	(0)	4,238,853
<b>Net surplus/(deficit)</b>	<b>(697,091)</b>	<b>(697,753)</b>	<b>662</b>	<b>(857,909)</b>
<b>Property Taxes</b>				
<i>Revenues</i>	48,748,178	48,734,275	13,903	55,767,375
<i>Expenditures</i>	298,985	372,004	73,019	634,000
<b>Net surplus/(deficit)</b>	<b>48,449,194</b>	<b>48,362,271</b>	<b>86,923</b>	<b>55,133,375</b>
<b>Allocations</b>				
<i>Revenues</i>	-	-	-	-
<i>Expenditures</i>	(1,084,756)	(1,084,756)	(0)	(2,169,512)
<b>Net surplus/(deficit)</b>	<b>1,084,756</b>	<b>1,084,756</b>	<b>(0)</b>	<b>2,169,512</b>
<b>GRAND-TOTAL</b>				
<i>Revenues</i>	57,315,116	57,540,098	(224,981)	79,919,255
<i>Expenditures</i>	35,729,505	36,916,889	1,187,384	79,919,255
<b>Net surplus/(deficit)</b>	<b>21,585,612</b>	<b>20,623,209</b>	<b>962,403</b>	<b>-</b>

# Town of Newmarket

## 2015 Second Quarter

### CAPITAL EXPENDITURES

Commission / Department / Area	Year-to-Date Actual (June 30, 2015) (\$)	Budget for 2015 (\$)	% of Spending
<b><u>General Government</u></b>			
	6,386	4,837,021	0.1%
<b>Total</b>	<b>6,386</b>	<b>4,837,021</b>	<b>0.1%</b>
<b><u>Corporate Services</u></b>			
Information Technology	106,577	2,498,482	4.3%
Legislative Services	-	291,044	0.0%
<b>Total</b>	<b>106,577</b>	<b>2,789,526</b>	<b>3.8%</b>
<b><u>Community Services</u></b>			
Recreation & Culture Services	11,226	821,935	1.4%
<b>Total</b>	<b>11,226</b>	<b>821,935</b>	<b>1.4%</b>
<b><u>Development &amp; Infrastructure Services</u></b>			
Planning & Building	31,375	1,017,416	3.1%
Roads	589,039	19,922,236	3.0%
Water	22,912	8,435,179	0.3%
Wastewater	415,676	705,422	58.9%
Facilities	1,918,146	2,911,023	65.9%
Parks	732,956	5,799,541	12.6%
Trails	6,236	2,043,151	0.3%
Other	1,713,562	4,661,340	36.8%
<b>Total</b>	<b>5,429,902</b>	<b>45,495,308</b>	<b>11.9%</b>
<b><u>Library Services</u></b>			
	20,840	1,258,984	1.7%
<b>Total</b>	<b>20,840</b>	<b>1,258,984</b>	<b>1.7%</b>
<b><u>Central York Fire Services</u></b>			
	153,531	2,262,707	6.8%
<b>Total</b>	<b>153,531</b>	<b>2,262,707</b>	<b>6.8%</b>
<b>GRAND TOTAL</b>			
	<b>5,728,462</b>	<b>57,465,481</b>	<b>10.0%</b>

# Town of Newmarket

## 2015 Second Quarter

### WATER & WASTEWATER OPERATING RESULTS

Area	Year-to-date (June 30, 2015)				Full Year Budget
	Actual	Budget	Variance		
	\$	\$	\$	%	
<b>Water Rate Group</b>					
<i>Revenues</i>	7,248,645	7,786,813	(538,168)	-6.9%	15,720,573
<i>Expenditures</i>	7,247,426	6,922,308	(325,118)	-4.7%	14,107,639
<b>Net</b>	<b>1,218</b>	<b>864,505</b>	<b>(863,287)</b>	<b>-70864.6%</b>	<b>1,612,934</b>
<b>Wastewater Rate Group</b>					
<i>Revenues</i>	7,509,756	8,454,514	(944,758)	-11.2%	17,071,579
<i>Expenditures</i>	6,804,316	7,851,574	1,047,258	13.3%	15,812,059
<b>Net</b>	<b>705,441</b>	<b>602,940</b>	<b>102,501</b>	<b>17.0%</b>	<b>1,259,520</b>
<b>Allocations</b>					
<i>Revenues</i>	-	-	-	0.0%	-
<i>Expenditures</i>	1,084,754	1,084,767	13	0.0%	2,169,512
<b>Net</b>	<b>(1,084,754)</b>	<b>(1,084,767)</b>	<b>13</b>	<b>0.0%</b>	<b>(2,169,512)</b>
<b>Transfer To/ From Rate Stabilization Reserves</b>					
<i>Revenues</i>	-	-	-	0.0%	-
<i>Expenditures</i>	122,598	351,471	228,873	65.1%	702,942
<b>Net</b>	<b>(122,598)</b>	<b>(351,471)</b>	<b>228,873</b>	<b>0.0%</b>	<b>(702,942)</b>
<b>GRAND-TOTAL</b>					
<i>Revenues</i>	14,758,401	16,241,327	(1,482,926)	-9.1%	32,792,152
<i>Expenditures</i>	15,259,094	16,210,120	951,026	5.9%	32,792,152
<b>Net</b>	<b>(500,693)</b>	<b>31,207</b>	<b>(531,900)</b>	<b>-1704.4%</b>	<b>-</b>

### Investment Summary for the Six Months Ended June 30, 2015

Description	Principal Amount		Starting Date	Term	January 1 to June 30, 2015			
	2015-01-01	2015-06-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
CIBC - GIC	\$5,000,000	\$5,000,000	2013-11-01	2 years	2.10%	\$52,068	\$27,829	\$24,239
Royal Bank - GIC	\$20,000,000	\$0	2014-02-07	1 year and 2 days	1.43%	\$29,775	\$25,184	\$4,591
Loan - Newmarket Soccer Club Development Charges and Planning	\$60,593	\$56,105	2011-09-30	10 years	4.00%	\$1,165	\$327	\$837
Loan - Newmarket Soccer Club Indoor Facility Mortgage	\$2,293,063	\$0	2013-12-20	3 years *	Prime Rate** +2%	\$5,968	\$1,492	\$4,476
Internal Loan -Solar Panels (2013, Various Facilities)	\$252,703	\$250,183	2013-12-01	20 years	Prime Rate**	\$3,722	\$1,393	\$2,329
Internal Loan - RJT Solar Panels (2014)	\$851,861	\$845,932	2015-01-01	20 years	Prime Rate**	\$9,438	\$3,531	\$5,907
Internal Loan - Honeywell Phase 2 Energy Retrofit Project	\$5,577,795	\$7,250,420	2013-12-10	20 years	Prime Rate**	\$95,876	\$35,870	\$60,005
<b>Total</b>	<b>\$34,036,015</b>	<b>\$13,402,640</b>				<b>\$198,012</b>	<b>\$95,627</b>	<b>\$102,385</b>
Operating Budget, transferred to the Tax-Supported Operating Fund in 2015 per the Investment Strategy								<b>\$87,500</b>
Incremental investment income allocated to reserve funds in 2015 per the Investment Strategy								<b>\$14,885</b>

\*The amount was fully paid up on January 19, 2015.

\*\* The prime rate for this reporting period is 3%. It was decreased to 2.85% at the end of January 2015, and to 2.7% on July 16, 2015.