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CORPORATE SERVICES COMMISSION  
Financial Services

TOWN OF NEWMARKET  
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March 3, 2017

**CORPORATE SERVICES REPORT – FINANCIAL SERVICES – 2017-13**

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: 2016 Preliminary Fourth Quarter Report – Operating, Investment and Capital Budget Summary

ORIGIN: Director, Financial Services/Treasurer

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**RECOMMENDATION(S):**

**THAT Corporate Services Report-Financial Services – 2017-13 dated March 3, 2017 regarding 2016 Preliminary Fourth Quarter Report – Operating, Investment and Capital Budget Summary be received and the following recommendation be adopted:**

- i. **THAT the reserve transfers totaling \$235,000 listed below be approved.**

**COMMENTS:**

**Purpose:**

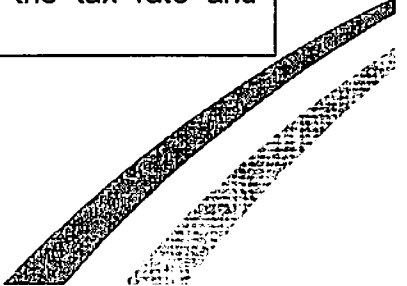
The purpose of this report is to advise Council on the preliminary fourth quarter results for 2016, including the investment summary and the capital budget, as well as to obtain Council approval for allocations of the surplus to reserves.

**Budget Impact:**

After making reserve and reserve fund transfers and other provisions which have been authorized by budget, policy or delegated authority, there is an estimated operating surplus of \$238,000. This report recommends that \$235,000 of the surplus be transferred to reserves consisting of \$35,000 for Corporate Consulting, \$100,000 for the Election and \$100,000 for Legal. After the recommended reserve transfers and subject to the results of the audit, the revised Operating Surplus of \$3,000 would be transferred to the Efficiency/Enhancement Reserve in accordance with policy.

**Summary:**

Implementation of the recommendations in this report will place the Town in an improved position to deal with financial sustainability, potential fluctuations in the tax rate and unforeseen events.



<b>RECOMMENDED RESERVE TRANSFERS</b>	
<b>RESERVES</b>	<b>RECOMMENDED TRANSFER</b>
Reserves for Operational Contingencies and Cyclical Expenses	
Election	\$ 100,000
Legal Reserve	100,000
Corporate Consulting	35,000
<b>TOTAL</b>	<b>\$235,000</b>

### **Reserves for Operational Contingencies and Cyclical Expenses**

The Election Reserve is funded every year from operations for the municipal election, which takes place every 4 years. In 2016, there was a by-election which drew on funds from this reserve. As a consequence, additional funds are required to reach a projected balance of \$348,000 in 2018. This amount should be sufficient to cover the cost of the election as it is currently managed and does not include any provision for changes that are being contemplated.

Ensuring adequate funding for legal fees associated with various litigation matters, as well as real estate matters, is prudent. The current reserve, with a balance of \$237,000 before transfers, should be enhanced. This area will be identified as a driver for the 2018 budget.

Various consulting studies are being contemplated and it is recommended that additional funding be set aside to assist with these projects.

### **PROJECTED 2016 TAX-SUPPORTED OPERATING RESULTS**

2016 was a challenging year, with regular meetings to discuss managing the budget and gapping. The end result is a success - prior to making any transfers to reserves, a projected surplus of \$238,000. This represents less than 0.5% of the budget. The favorable variance is largely the result of lower wages and benefits (gapping) where the target was exceeded by approximately \$150,000.

After making the transfers described above, there would remain an amount of approximately \$3,000 which would be transferred to the Efficiency/Enhancement Reserve as per the Town's policy.

Included in the above results are:

1. Transfers to Reserves
  - (i) A transfer to the Insurance Reserve of \$60,000 - the savings on premiums will fund a provision for growing claim costs;
  - (ii) A transfer of \$66,000 to the Winter Control Reserve as an operational contingency – to provide for future weather fluctuations;
  - (iii) A transfer to the Waste Management Reserve of \$187,338 to help offset higher costs of the new contract;
  - (iv) A transfer of \$101,076 for Economic Development which will be available for future re-investment.
  
2. Transfers from Reserves
  - (i) \$68,187 from the Election Reserve to cover unbudgeted costs associated with the by-election;
  - (ii) \$43,000 from the Sale of Property Reserve Fund to net expenses associated with a potential land sale with the proceeds;
  - (iii) A transfer of \$48,000 from the Wages and Benefits Reserve to support our attraction and retention strategy;
  - (iv) \$48,000 from the Human Resources Reserve to help cover some higher consulting costs; these were funds previously allocated for HR consulting.
  
3. Carryover requests totaling \$64,495 to assist with 2016 budget initiatives not completed during the year;
  
4. An additional provision of \$77,000 to cover potential uncollectible accounts in Legislative Services, Engineering Services and Recreation.

### **Central York Fire Services (CYFS)**

Lower than budgeted expenses, due mainly to a delay in the implementation of the wellness program, combined with lower dispatch and callback costs in Central York Fire Services (CYFS), is expected to result in an operating surplus of approximately \$360,000. This surplus will be transferred to the CYFS Reserve Fund in accordance with JCC's recommendation in Report 2015-46 that established a target for the Reserve Fund based on the most volatile expenditure items plus an amount for contingencies. The surplus will assist in achieving the target level (\$780,000 for 2016). \$60,000 of the surplus transferred to the Reserve Fund has been allocated for the startup of the wellness program in 2017. The results were presented to the Joint Council Committee (JCC) on February 7, 2017.

## **Newmarket Public Library**

The Newmarket Public Library is forecasting a surplus in the range of \$125,000 which will be transferred to the Library General Reserve pending a review and Library Board recommendation on its use. Financial Services Report 2015-51 recommended a target level for the Library's General Reserve to assist in future years for planned, as well as unforeseen, events or projects.

### **Investments**

#### *Active investments*

The Investment Summary for the twelve months ended December 31, 2016 (attached) provides the details of all investments held during the year.

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

The average weighted yield was 3.69% compared to a weighted average benchmark of 2.06% for the twelve month period. We earned incremental income of \$417,522, \$175,000 of which was transferred to the Tax-Supported Operating Fund, as approved by Council in the 2016 budget. The remaining \$242,522 was allocated proportionally to the Reserve Funds.

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

- \$10,506,399 (18.9%) in non-traditional investments;
- \$45,000,000 (81.0%) GIC's with major banks;
- \$42,640 (0.1%) 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*

\$618,357 in interest was earned on our bank accounts. Currently we are receiving a better interest rate from the bank on our bank balance than what we can earn on a short-term financial instrument.

### **Capital Carry-overs**

The 2016 capital expenditures budget totaled \$65,510,824 (see attached). Actual expenditures were \$18,451,097, including approved but non-budgeted amounts of \$1,328,822 for Old Town Hall. A total amount of \$29,731,109 is to be carried over into 2017 and a further \$11,733,224 is to be carried forward to 2018. The allocation to future years is a step towards multi-year capital budgeting.

Carry-overs are the transfer of the unspent portion of capital budgets, to the following year. As such, the expenditures and financing already have Council approval. The budget amounts carried over are combined with the “new” budget amounts and are reported on the financial statements.

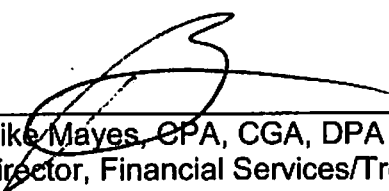
Major carryover projects include:

- Road, bridge and sidewalk projects - \$9,462,805;
- Water and sanitary sewer projects, including water meter replacement program - \$9,780,642;
- Property acquisition along the Holland River - \$3,063,255;
- Parks projects, including Artificial Turf Sports Field - \$3,106,454;
- Fire Station 4-5 Design and Construction - \$3,810,000;
- Replacement of Fire Trucks - \$1,295,731;

The carryovers will be subject to further more extensive review, as the Town moves to a multi-year capital budgeting approach. Formal criteria will be developed for the carry-over of capital budgets. The final report is anticipated to be issued in May.

## CONTACT

For more information on this report, contact: Mike Mayes at 905-953-5300, ext. 2102 or via e-mail at [mmayes@newmarket.ca](mailto:mmayes@newmarket.ca)



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



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Esther Armchuk, LL.B.  
Commissioner, Corporate Services

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Attachments:

- a) Investment Summary for the Twelve Months Ended December 31, 2016 (1pg.)
- b) 2016 Fourth Quarter Capital Expenditures and Carryovers (1 pg.)
- c) 2016 Fourth Quarter Operating Results (1 pg.)

**Investment Summary for the Twelve Months Ended December 31, 2016**

Description	Principal Amount		Starting Date	Term	January 1 to December 31, 2016			
	2016-01-01	2016-12-31			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
CIBC - GIC	\$5,000,000	\$0	2015-11-02	1 year	1.50%	\$62,877	\$39,822	\$23,055
National Bank - GIC		\$5,000,000	2016-11-02	1 year	1.60%	\$12,932	\$7,678	\$5,253
CIBC - GIC	\$40,000,000	\$0	2015-09-16	180 days	1.25%	\$101,370	\$77,041	\$24,329
CIBC - GIC	\$40,000,000 expired on Sep .12		2016-03-14	182 days	1.41%	\$281,227	\$189,479	\$91,748
CIBC - GIC	\$0	\$40,000,000	2016-09-12	365 days	1.45%	\$174,795	\$114,521	\$60,274
Loan - Newmarket Soccer Club Development Charges and Planning Fees	\$51,616	\$42,640	2011-09-30	10 years	4.00%	\$1,905	\$452	\$1,453
Internal Loan -Solar Panels (2013, Various Facilities)	\$242,624	\$232,239	2013-12-01	20 years	3.00%	\$7,137	\$2,260	\$4,877
Internal Loan - RJT Solar Panels (2014)	\$616,283	\$591,844	2015-01-01	20 years	3.00%	\$18,154	\$5,749	\$12,405
Internal Loan - Magna Solar Panels (2015)	\$1,487,890	\$1,431,001	2016-01-01	20 years	2.70%	\$39,472	\$13,888	\$25,584
Internal Loan - Honeywell Phase 2 Energy Retrofit Project	\$8,122,218	\$8,251,315	2013-12-10	20 years	3.00%	\$246,651	\$78,106	\$168,545
<b>Total</b>	<b>\$55,520,631</b>	<b>\$55,549,039</b>				<b>\$946,519</b>	<b>\$528,997</b>	<b>\$417,522</b>
Incremental investment income included in 2016 Operating Budget, to be transferred to the Tax-Supported Operating Fund in 2016 per the Investment Strategy								<b>\$175,000</b>
Incremental investment income allocated to reserve funds in 2016 per the Investment Strategy								<b>\$242,522</b>

**Town of Newmarket  
2016 Fourth Quarter  
CAPITAL EXPENDITURES AND CARRYOVERS**

Commission / Department / Area	2016 Actual	2016 Budget	Variance	Cancel / Offset	Carryover to 2017	Carryover to 2018
<b>General Government</b>						
	626,392	4,595,931	3,969,539	268,455	637,829	3,063,255
<b>Total</b>	<b>626,392</b>	<b>4,595,931</b>	<b>3,969,539</b>	<b>268,455</b>	<b>637,829</b>	<b>3,063,255</b>
<b>Corporate Services</b>						
Information Technology	576,454	2,681,188	2,104,734	-	1,830,144	274,590
Legislative Services	773	11,544	10,771	-	10,771	-
<b>Total</b>	<b>577,227</b>	<b>2,692,732</b>	<b>2,115,505</b>	<b>-</b>	<b>1,840,915</b>	<b>274,590</b>
<b>Community Services</b>						
Recreation & Culture Services	194,696	1,027,012	832,316	494,561	337,755	-
<b>Total</b>	<b>194,696</b>	<b>1,027,012</b>	<b>832,316</b>	<b>494,561</b>	<b>337,755</b>	<b>-</b>
<b>Development &amp; Infrastructure Services</b>						
Planning & Building	430,431	1,396,768	966,337	48,049	918,288	-
Roads	8,157,967	20,271,663	12,113,696	2,650,891	7,062,805	2,400,000
Water	514,022	10,236,186	9,722,164	265,422	9,456,742	-
Wastewater	20,949	786,039	765,090	441,190	175,000	148,900
Facilities	1,787,401	1,946,392	158,991	(1,182,428)	1,522,219	-
Parks	657,980	4,417,971	3,759,991	653,537	3,106,454	-
Trails	1,119,651	3,384,170	2,264,519	347,037	1,917,482	-
Other	499,781	2,050,809	1,551,028	198,399	1,352,629	-
<b>Total</b>	<b>13,188,182</b>	<b>44,489,998</b>	<b>31,301,816</b>	<b>3,422,097</b>	<b>25,511,619</b>	<b>2,548,900</b>
<b>Library Services</b>						
	98,395	1,263,086	1,164,691	180,800	527,412	456,479
<b>Total</b>	<b>98,395</b>	<b>1,263,086</b>	<b>1,164,691</b>	<b>180,800</b>	<b>527,412</b>	<b>456,479</b>
<b>Central York Fire Services</b>						
	3,766,205	11,442,065	7,675,860	1,410,281	875,579	5,390,000
<b>Total</b>	<b>3,766,205</b>	<b>11,442,065</b>	<b>7,675,860</b>	<b>1,410,281</b>	<b>875,579</b>	<b>5,390,000</b>
<b>GRAND TOTAL</b>	<b>18,451,097</b>	<b>65,510,824</b>	<b>47,059,727</b>	<b>5,776,194</b>	<b>29,731,109</b>	<b>11,733,224</b>

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**Town of Newmarket**  
**2016 Fourth Quarter**  
**OPERATING RESULTS**

Departments	Year-to-Date (December 31, 2016)			Full Year
	ACTUAL	BUDGET	VARIANCE	Budget
	\$	\$	\$	\$
<b>Members of Council</b>				
<i>Revenues</i>	-	-	-	-
<i>Expenditures</i>	1,226,089	1,292,911	66,822	1,292,911
<i>Net surplus/(deficit)</i>	(1,226,089)	(1,292,911)	66,822	(1,292,911)
<b>C.A.O. - Office</b>				
<i>Revenues</i>	91,984	65,000	26,984	65,000
<i>Expenditures</i>	2,496,804	2,800,282	303,478	2,800,282
<i>Net surplus/(deficit)</i>	(2,404,820)	(2,735,282)	330,462	(2,735,282)
<b>Corporate Services</b>				
<i>Revenues</i>	1,729,943	1,486,224	243,719	1,486,224
<i>Expenditures</i>	10,912,251	10,738,560	(173,691)	10,738,560
<i>Net surplus/(deficit)</i>	(9,182,308)	(9,252,336)	70,029	(9,252,336)
<b>Contral York Fire Services</b>				
<i>Revenues</i>	308,836	295,530	13,306	295,530
<i>Expenditures</i>	13,644,968	13,623,761	(21,207)	13,623,761
<i>Net surplus/(deficit)</i>	(13,336,133)	(13,328,231)	(7,902)	(13,328,231)
<b>Community Services</b>				
<i>Revenues</i>	6,628,378	6,354,266	274,112	6,354,266
<i>Expenditures</i>	9,787,467	9,319,345	(468,122)	9,319,345
<i>Net surplus/(deficit)</i>	(3,159,088)	(2,965,079)	(194,009)	(2,965,079)
<b>Development &amp; Infra. Services</b>				
<i>Revenues</i>	8,298,245	8,852,633	(554,388)	8,852,633
<i>Expenditures</i>	33,966,709	35,723,179	1,756,469	35,723,179
<i>Net surplus/(deficit)</i>	(25,668,465)	(26,870,546)	1,202,081	(26,870,546)
<b>Library Services</b>				
<i>Revenues</i>	328,332	328,659	(327)	328,659
<i>Expenditures</i>	3,353,784	3,354,111	327	3,354,111
<i>Net surplus/(deficit)</i>	(3,025,452)	(3,025,452)		(3,025,452)
<b>General Government</b>				
<i>Revenues</i>	4,610,660	4,526,200	84,460	4,526,200
<i>Expenditures</i>	3,991,208	2,875,366	(1,115,842)	2,875,366
<i>Net surplus/(deficit)</i>	619,452	1,650,834	(1,031,382)	1,650,834
<b>Debt Servicing</b>				
<i>Revenues</i>	3,247,962	3,251,058	(3,096)	3,251,058
<i>Expenditures</i>	4,237,477	4,237,477	(0)	4,237,477
<i>Net surplus/(deficit)</i>	(989,515)	(986,419)	(3,096)	(986,419)
<b>Property Taxes</b>				
<i>Revenues</i>	56,406,601	56,836,223	(429,622)	56,836,223
<i>Expenditures</i>	-	-	-	-
<i>Net surplus/(deficit)</i>	56,406,601	56,836,223	(429,622)	56,836,223
<b>Allocations</b>				
<i>Revenues</i>	-	-	-	-
<i>Expenditures</i>	(1,968,799)	(1,969,199)	(400)	(1,969,199)
<i>Net surplus/(deficit)</i>	1,968,799	1,969,199	(400)	1,969,199
<b>GRAND-TOTAL</b>				
<i>Revenues</i>	81,650,941	81,995,793	(344,852)	81,995,793
<i>Expenditures</i>	81,647,959	81,995,793	347,835	81,995,793
<i>Net surplus/(deficit)</i>	2,982	-	2,982	-