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## **Q3 Operating, Capital, Water & Wastewater, Storm water and Investment Summary Information Report**

Report Number: 2018-36

Department(s): Financial Services

Author(s): Mike Mayes, Director, Financial Services

Date: November 28, 2018

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**

In general, growth related revenues have slowed.

A net surplus of \$370,000 is projected at this time. This is due mainly to higher tax revenues (Payments in Lieu and supplementary taxes). The gapping target will also be exceeded.

The Water and Wastewater rate groups will be in a deficit of \$500,000 due to lower revenues and higher charges for water from the Region due to increased flushing. The Stormwater rate group is projecting a surplus of \$250,000. Rate stabilization reserves will be used to balance year-end rate group results.

### **Purpose**

The purpose of this report is to advise Council on the third quarter results for 2018 and provide a forecast of the year-end results.

### **Background**

It is corporate policy (FIN 2-01) to prepare financial reports to Council as at March 31<sup>st</sup> (if Budget approved), June 30<sup>th</sup>, September 30<sup>th</sup>, and December 31<sup>st</sup> (a preliminary and a final report) of each year. The third quarter report includes a forecast of year-end results.

## **Discussion**

### **Tax Supported Operating Budget**

Revenues to the end of September totaled \$79.5 million, while expenditures totaled \$61.9 million, resulting in a surplus of \$17.6 million. The larger than budgeted net surplus – a favorable variance of \$2.4 million - is mainly due to lower net expenditures in Central York Fire Services, Development & Infrastructure Services and General Government.

Total revenues are \$1.0 million below budget, mostly due to timing. Some Payments-in-Lieu have not been billed at this point and reserve transfers have not been made in many areas as the corresponding expenditures have not been incurred.

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

Consulting and salaries (managed gapping) are below budget and are expected to continue.

A year-end surplus of \$100,000 is projected.

### **Corporate Services**

Revenues are slightly below the budget at this point. Shortfalls in Legal recoveries are due to a slowdown in subdivisions. Licensing fees, also lower than budget, will be reviewed as part of the regulatory review Council workshop in the first quarter of 2019 and may be subject to change or rightsizing. Higher revenue from the tax area and higher finance administration fees associated with site plan agreements partially offset the shortfalls.

Higher legal consulting expenses due to on-going litigation matters and higher transfers to reserves have been offset by lower salaries and wages (gapping) in a number of departments.

A year-end surplus of \$70,000 is projected.

Of this \$170,000 is attributable to wage gapping.

### **Central York Fire Services**

Expenditures are \$890,000 below budget at this point. Wages and benefits have been accrued for a new collective agreement (recently settled), but still reflect a favorable variance to budget due to lower overtime and standby, as well as gapping of new positions. Lieu time, paid in November, will be \$130,000 over budget and vehicle repairs & maintenance will be over budget which has been the trend in the last several years. Both factors have been factored in to the Joint Council Committee (JCC) recommended 2019 budget. Lower wellness related expenses, resulting from the cancellation of the

contract, will be somewhat offset by expenses for a new training initiative. A year-end surplus of \$50,000 is projected which would be transferred to reserves.

### **Community Services**

Revenues and related expenditures are over budget. The Fair Workplaces, Better Jobs Act, 2017 (Bill 148) continues to be a significant driver for the higher casual wages. See the attached Appendix A for a detailed explanation of variances.

The Commission is projecting a deficit of \$500,000.

Of this, \$480,000 is specifically identifiable as being the result of the provisions of Bill 148.

### **Development & Infrastructure Services**

Expenditures and related revenues (reserve transfers) are lower than budget. See the attached Appendix B for a detailed explanation of variances.

The Commission is projecting a surplus of \$350,000. Of this, \$450,000 is attributable to wage gapping.

Building revenues are lower than budget by \$400,000. Any shortfall will be offset by reserve fund transfers at year-end.

### **Newmarket Public Library**

The third quarter results were presented to the Library Board on October 10, 2018. There are no significant year-to-date variances nor are there any areas where the budget is not projected to be met.

Overall, a surplus of approximately \$100,000 is projected. Most, if not all, of the surplus will be returned to Town, as Library Reserves were reviewed and increased last year.

### **General Government**

Interest revenue is projected to be at least \$500,000 over budget due to higher cash balances as a result of lower capital spending, as well as a higher interest rate earned on our cash balances (increased prime lending rate).

Tax write-offs and cancellations are projected to be \$200,000 higher than budget, as there are amended notices and at least one appeal still expected.

Overall, this area will be on budget at year-end.

## Corporate Provisions:

Some provisions for are made at a corporate level because it is impractical to allocate them at a departmental level. This could be due to not having sufficient information or due to shifting requirements.

For compliance with Bill 148, \$280,000 was provided for in the 2018 budget. This was intended to be part of a 5-year transition towards recognizing the full budget impact. For some departments, the impact was not expected to be significant. Recreation & Culture was able to identify a \$480,000 cost driver. According to the Town's estimate, the direct impact of the new legislation in 2018 will be \$955,000. The remaining \$655,000 will be funded from operational savings and reserves.

On a similar basis, consolidated savings of \$500,000 were expected for wage gapping – savings from delays in filling vacancies. In 2018, Development & Infrastructure Services, CAO's Office (Strategic Initiatives), and Corporate Services (Procurement and Licensing) are anticipating savings to exceed that target by \$220,000.

## Taxation

Property tax revenues are slightly below budget due to timing. A supplementary P.I.L billing and higher supplementary tax revenues are projected to result in a favorable year-to-date variance of \$350,000.

### Summary – Tax-Supported Operating Budget Forecast

Department / Commission	Projected 2018 Surplus / (Deficit)	Breakdown		
		Impact of Bill 148	Wage gapping	Other drivers
C.A.O. Office	\$100,000		\$100,000	
Corporate Services	\$70,000		\$170,000	(\$100,000)
Community Services	(\$500,000)	(\$480,000)		(\$20,000)
DIS	\$350,000		\$450,000	(\$100,000)
General Government		\$280,000	(\$500,000)	\$220,000
Taxation	\$350,000			\$350,000
Consolidated Total	\$370,000	(\$200,000)	\$220,000	\$350,000

## Capital Budget

Approximately \$11.9 million (21.2%) of the \$56.2 million in budgeted capital expenditures was spent at the end of the third quarter on a variety of projects. The percentage of approved budgets is low, due to a variety of factors. Additional information on Development & Infrastructure projects is included in the October 29<sup>th</sup> memo to Council. This report does not include the Mulock Farm property purchase which was settled in October.

A substantial capital carry over is anticipated.

## Water, Wastewater and Storm Water Budgets

At the end of the third quarter, rate revenues in water and wastewater were lower than budget due mainly to the delay in the new water meter project which was budgeted to bring in an additional \$500,000 in billable consumption from the new more reliable meters. Transfers from reserves were also lower as the associated expenses had not been incurred.

Higher expenditures for water purchased from the Region (7% higher than budget) include water used for flushing and swabbing at close to triple the volume from last year. The costs due to flushing after 9 months are over \$1 million. The increased flushing and system maintenance is required to maintain chlorine residual levels that meet regulatory requirements, particularly in the north end of the Town in dead-end areas. There are plans in place to have 2 separate zones in the future that should improve the situation. These higher costs have been offset somewhat by lower expenditures for pipe relining, hydrant painting and swabbing.

A deficit of \$500,000 is anticipated due to lower revenues resulting from the delay in the new water meter project and higher expenses for the cost of water used. A transfer from rate stabilization would be required.

In stormwater, the revenue variance is mostly due to timing and should essentially balance out by year-end. Expenses are lower due mainly to much lower stormwater maintenance/catchbasin cleaning.

A surplus of \$250,000 is anticipated due to lower expenses. This would be transferred to the appropriate reserves.

## Investments

### *Active investments:*

The investment summary for the nine months ended September 30, 2018 (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 2.19% compared to a weighted average benchmark of 2.01% for the period. We earned incremental income of \$89,624 all of which was transferred to the Tax-Supported Operating Fund, as this amount was less than the \$131,250 which was approved by Council in the 2018 budget. This situation is expected to continue, as two increases to the prime lending rate have increased the benchmark and consequently have largely diminished our incremental income.

Our 2 GIC's totalling \$30 million come due at the beginning of December (7<sup>th</sup> and 10<sup>th</sup>) and we will be looking to reinvest the funds using a laddered approach not to exceed 5 years. A 90 day \$20 million GIC was purchased on October 10<sup>th</sup> with an interest rate of 2.5%.

At the end of the third quarter, the investment portfolio included (see Investment Summary Q3 attached):

\$54,082,164 (84.7%) GIC's with major banks  
\$9,781,814 (15.3%) in non-traditional investments  
\$27,678 (0.0%) loan to an external party

Of the \$54 million in GIC's, \$14 million are secondary market GIC's. These are GIC's bought back from clients who need to get out of their non-cashable GIC's before maturity and purchased by the Town through our investment broker – Royal Bank of Canada – often with better yields than regular GIC's. Interest on these GIC's 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 GIC's term instead of recognizing it all when it matures.

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 investments noted above, CIBC has paid the Town \$1,302,298 in interest on our bank accounts. These funds currently earn interest at an annual rate of 2.45%.

## **Conclusion**

The challenges and opportunities encountered in 2018 will influence the 2019 budget.

## **Business Plan and Strategic Plan Linkages**

This report links to Newmarket's key strategic directions in being Well Managed through fiscal responsibility.

## **Consultation**

Comments were requested from all departments and the Strategic Leadership Team has reviewed the report.

## **Human Resource Considerations**

Not applicable.

## **Budget Impact**

We are expecting to exceed our gapping target by \$220,000. The Fair Workplaces, Better Jobs legislation (Bill 148) will have a significant impact on our casual/sessional/ seasonal wages. A year-end surplus will allow us to increase our reserves and provisions which have been identified to be insufficient such as our Legal Reserves.

## **Attachments**

2018 Third Quarter Operating Results (1 pg.)

2018 Third Quarter Capital Expenditures (1 pg.)

2018 Third Quarter Water, Wastewater and Stormwater Operating Results (1 pg.)

Investment Summary for the Nine Months Ended September 30, 2018 (1 pg.)

Appendix A (2 pgs.)

Appendix B (1 pg.)

## **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)

## **Approval**

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

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

**Town of Newmarket  
2018 Third Quarter  
OPERATING RESULTS**

Departments	Year-to-Date to September 30, 2018)			Full Year
	ACTUAL	BUDGET	VARIANCE	Budget
	\$	\$	\$	\$
<b>Members of Council</b>				
<i>Revenues</i>	3,500	-	3,500	-
<i>Expenditures</i>	886,132	918,286	32,154	1,257,654
<b>Net surplus/(deficit)</b>	<b>(882,632)</b>	<b>(918,286)</b>	<b>35,654</b>	<b>(1,257,654)</b>
<b>C.A.O. - Office</b>				
<i>Revenues</i>	125,547	125,999	(452)	168,000
<i>Expenditures</i>	2,360,124	2,699,342	339,218	3,113,183
<b>Net surplus/(deficit)</b>	<b>(2,234,577)</b>	<b>(2,573,343)</b>	<b>338,766</b>	<b>(2,945,183)</b>
<b>Corporate Services</b>				
<i>Revenues</i>	1,435,126	1,481,579	(46,453)	1,975,471
<i>Expenditures</i>	8,531,342	8,575,472	44,130	11,627,700
<b>Net surplus/(deficit)</b>	<b>(7,096,215)</b>	<b>(7,093,893)</b>	<b>(2,322)</b>	<b>(9,652,229)</b>
<b>Central York Fire Services</b>				
<i>Revenues</i>	198,318	245,377	(47,059)	327,172
<i>Expenditures</i>	9,072,662	9,962,132	889,470	14,553,412
<b>Net surplus/(deficit)</b>	<b>(8,874,344)</b>	<b>(9,716,755)</b>	<b>842,411</b>	<b>(14,226,240)</b>
<b>Community Services</b>				
<i>Revenues</i>	6,006,935	5,343,338	663,597	7,281,322
<i>Expenditures</i>	8,755,718	7,688,640	(1,067,078)	10,215,891
<b>Net surplus/(deficit)</b>	<b>(2,748,783)</b>	<b>(2,345,302)</b>	<b>(403,481)</b>	<b>(2,934,569)</b>
<b>Development &amp; Infra. Services</b>				
<i>Revenues</i>	4,753,849	7,242,792	(2,488,943)	9,396,041
<i>Expenditures</i>	24,359,189	27,901,705	3,542,516	37,480,465
<b>Net surplus/(deficit)</b>	<b>(19,605,339)</b>	<b>(20,658,913)</b>	<b>1,053,574</b>	<b>(28,084,424)</b>
<b>Library Services</b>				
<i>Revenues</i>	195,955	206,087	(10,132)	339,190
<i>Expenditures</i>	2,465,578	2,601,818	136,240	3,521,642
<b>Net surplus/(deficit)</b>	<b>(2,269,622)</b>	<b>(2,395,731)</b>	<b>126,109</b>	<b>(3,182,452)</b>
<b>General Government</b>				
<i>Revenues</i>	3,181,388	2,149,199	1,032,189	4,251,200
<i>Expenditures</i>	3,085,899	2,643,861	(442,038)	3,392,645
<b>Net surplus/(deficit)</b>	<b>95,489</b>	<b>(494,662)</b>	<b>590,151</b>	<b>858,555</b>
<b>Debt Servicing</b>				
<i>Revenues</i>	2,444,340	2,448,891	(4,551)	3,365,191
<i>Expenditures</i>	4,242,223	4,222,543	(19,680)	5,712,525
<b>Net surplus/(deficit)</b>	<b>(1,797,882)</b>	<b>(1,773,652)</b>	<b>(24,230)</b>	<b>(2,347,334)</b>
<b>Property Taxes</b>				
<i>Revenues</i>	61,138,865	61,283,530	(144,665)	61,283,530
<i>Expenditures</i>	-	-	-	-
<b>Net surplus/(deficit)</b>	<b>61,138,865</b>	<b>61,283,530</b>	<b>(144,665)</b>	<b>61,283,530</b>
<b>Allocations</b>				
<i>Revenues</i>	-	-	-	-
<i>Expenditures</i>	(1,866,214)	(1,866,214)	(0)	(2,488,000)
<b>Net surplus/(deficit)</b>	<b>1,866,214</b>	<b>1,866,214</b>	<b>(0)</b>	<b>2,488,000</b>
<b>GRAND-TOTAL</b>				
<i>Revenues</i>	79,483,824	80,526,792	(1,042,968)	88,387,117
<i>Expenditures</i>	61,892,652	65,347,585	3,454,933	88,387,117
<b>Net surplus/(deficit)</b>	<b>17,591,173</b>	<b>15,179,207</b>	<b>2,411,966</b>	<b>-</b>

# Town of Newmarket

## 2018 Third Quarter

### CAPITAL EXPENDITURES

Commission / Department / Area	Year-to-Date Actual (September 30, 2018) (\$)	Budget for 2018 (\$)	% of Spending
<b><u>General Government</u></b>			
	790,977	29,377,129	2.7%
<b>Total</b>	<b>790,977</b>	<b>29,377,129</b>	<b>2.7%</b>
<b><u>Corporate Services</u></b>			
Information Technology	677,735	2,581,767	26.3%
Legislative Services	-	116,000	0.0%
<b>Total</b>	<b>677,735</b>	<b>2,697,767</b>	<b>25.1%</b>
<b><u>Community Services</u></b>			
Recreation & Culture Services	199,815	1,195,653	16.7%
<b>Total</b>	<b>199,815</b>	<b>1,195,653</b>	<b>16.7%</b>
<b><u>Development &amp; Infrastructure Services</u></b>			
Planning & Building	262,284	3,067,624	8.6%
Roads	4,709,709	19,979,714	23.6%
Water	952,240	15,703,832	6.1%
Wastewater	-	298,900	0.0%
Storm Water	80,030	1,907,775	4.2%
Facilities	1,138,942	5,722,376	19.9%
Parks	1,597,027	11,053,443	14.4%
Trails	93,605	1,269,439	7.4%
Other	925,352	5,641,417	16.4%
<b>Total</b>	<b>9,759,189</b>	<b>64,644,520</b>	<b>15.1%</b>
<b><u>Library Services</u></b>			
	106,816	568,965	18.8%
<b>Total</b>	<b>106,816</b>	<b>568,965</b>	<b>18.8%</b>
<b><u>Central York Fire Services</u></b>			
	366,703	7,700,795	4.8%
<b>Total</b>	<b>366,703</b>	<b>7,700,795</b>	<b>4.8%</b>
<b>Unallocated Adjustment</b>		<b>(50,000,000)</b>	
<b>GRAND TOTAL</b>	<b>11,901,235</b>	<b>56,184,829</b>	<b>21.2%</b>

# Town of Newmarket

## 2018 Third Quarter

### Water, Wastewater & Stormwater Operating Results

Area	Year-to-date (September 30, 2018)				Full Year Budget
	Actual	Budget	Variance		
	\$	\$	\$	%	
<b>Water Rate Group</b>					
<i>Revenues</i>	13,026,375	13,761,817	(735,442)	-5.3%	18,151,456
<i>Expenditures</i>	12,549,013	12,938,890	389,877	3.0%	16,999,754
<b>Net</b>	<b>477,362</b>	<b>822,927</b>	<b>(345,565)</b>	<b>-72.4%</b>	<b>1,151,702</b>
<b>Wastewater Rate Group</b>					
<i>Revenues</i>	15,230,092	15,994,548	(764,456)	-4.8%	21,096,997
<i>Expenditures</i>	15,367,932	14,814,904	(553,028)	-3.7%	19,517,821
<b>Net</b>	<b>(137,840)</b>	<b>1,179,644</b>	<b>(1,317,484)</b>	<b>-111.7%</b>	<b>1,579,176</b>
<b>Storm Water Rate Group</b>					
<i>Revenues</i>	1,831,611	1,418,696	412,915	29.1%	1,852,084
<i>Expenditures</i>	751,565	1,099,116	347,551	31.6%	1,501,135
<b>Net</b>	<b>1,080,046</b>	<b>319,580</b>	<b>760,466</b>	<b>238.0%</b>	<b>350,949</b>
<b>Allocations</b>					
<i>Revenues</i>	-	-	-	0.0%	-
<i>Expenditures</i>	1,866,000	1,866,000	0	0.0%	2,488,000
<b>Net</b>	<b>(1,866,000)</b>	<b>(1,866,000)</b>	<b>0</b>	<b>0.0%</b>	<b>(2,488,000)</b>
<b>Transfer To/ From Rate Stabilization Reserves</b>					
<i>Revenues</i>	-	-	-	0.0%	-
<i>Expenditures</i>	-	445,369	445,369	100.0%	593,827
<b>Net</b>	<b>-</b>	<b>(445,369)</b>	<b>445,369</b>	<b>0.0%</b>	<b>(593,827)</b>
<b>GRAND-TOTAL</b>					
<i>Revenues</i>	30,088,078	31,175,061	(1,086,983)	-3.5%	41,100,537
<i>Expenditures</i>	30,534,510	31,164,279	629,769	2.0%	41,100,537
<b>Net</b>	<b>(446,432)</b>	<b>10,782</b>	<b>(457,214)</b>	<b>-4240.5%</b>	<b>-</b>

### Investment Summary for the Nine Months Ended September 30, 2018

Description	Principal Amount		Starting Date	Term	January 1 to September 30, 2018			
	2018-01-01	2018-09-30			Interest Rate	Return on Investment	Benchmark Return	Incremental Income
Royal Bank	\$13,000,000	\$14,082,164	2017-09-21	Various	various	\$190,984	\$189,683	\$1,301
National Bank	\$25,000,000	\$25,000,000	2017-12-07	1 year	1.95%	\$364,623	\$375,582	-\$10,959
National Bank	\$5,000,000	\$5,000,000	2017-12-10	1 year	1.95%	\$72,925	\$75,117	-\$2,192
National Bank	\$0	\$10,000,000	2018-05-11	3 years	2.93%	\$113,989	\$78,143	\$35,846
Loan - Newmarket Soccer Club Development Charges and Planning Fees	\$38,151	\$27,678	2011-09-30	10 years	4.00%	\$917	\$461	\$457
Internal Loan -Solar Panels (2013, Various Facilities)	\$221,538	\$213,299	2013-12-01	20 years	3.00%	\$4,903	\$3,282	\$1,620
Internal Loan - RJT Solar Panels (2014)	\$566,662	\$547,274	2015-01-01	20 years	3.00%	\$12,557	\$8,407	\$4,150
Internal Loan - Magna Solar Panels (2015)	\$1,372,556	\$1,327,677	2016-01-01	20 years	2.70%	\$27,392	\$20,378	\$7,014
Internal Loan - Honeywell Streetlights Retrofit Project	\$7,935,827	\$7,693,564	2013-12-10	20 years	3.00%	\$158,528	\$106,140	\$52,388
<b>Total</b>	<b>\$53,134,734</b>	<b>\$63,891,656</b>				<b>\$946,817</b>	<b>\$857,193</b>	<b>\$89,624</b>
Incremental investment income included in 2018 Operating Budget, transferred to the Tax-Supported Operating Fund in 2018 per the Investment Strategy								<b>\$131,250</b>
Incremental investment income allocated to reserve funds in 2018 per the Investment Strategy								<b>-\$41,626</b>

## **Appendix 'A'**

Expenses in the Recreation & Culture Department have surpassed budget year to date by \$1,095,643. Revenues have surpassed budgeted expectations year to date by \$786,240 leaving the department with an operating budget deficit of \$309,404 year to date.

There are four key categories that are contributing to the over expenditures of the Recreation & Culture Department:

- Casual/Sessional/Seasonal Wages
- Advertising
- Purchase of Goods and Services
- Rent

### **Casual/Sessional/Seasonal Wages**

This has been driven largely by casual/sessional/seasonal (c/s/s) wage related expenses which have exceeded budget by \$858,518. There are essentially four key drivers for the overage in c/s/s/ wages.

- 1) Bill 148 - \$480,000 impact year to date – two elements of Bill 148 were implemented effective January 1, 2018. The minimum wage increase represents an average rate increase of 15% for all c/s/s staff. Two paid sick days for all staff was also implemented.
- 2) Full time staff backfill - \$150,000 impact year to date – there were three full time staff that were on medical leave and backfilled. The backfilled wages were paid out of c/s/s staff wages.
- 3) Marketing wages - \$61,000 impact year to date – Council approved use of the CIF (Community Improvement Fund) for marketing initiatives associated with the Theatre. The wages for c/s/s staff in Marketing will be transferred out at year end.
- 4) Wages associated with additional programming - \$302,000 – the three largest business units in Recreation & Culture from a revenue standpoint are aquatics, fitness, and camps. These three areas saw a collective increase in wages of \$302,000 with a corresponding revenue increase of over \$687,000. In other words, without the wage expenses of \$302,000 we would not have achieved over \$687,000 in revenues.

Please note that as a result of the increase in wages, there is a corresponding benefit increase of over \$30,000.

### **Advertising - \$43,767**

Traditionally, the Recreation & Culture Department produced two activity guides (fall/winter) and one summer camp guide. From a cost perspective the fall and winter guides cost the Town approximately \$44,000 each once advertising revenue is factored. As a cost savings initiative a number of years ago, the department attempted to do one fall and winter combined guide in an effort to save \$44,000. However, that was met with considerable resistance from the community and, as the largest marketing vehicle for the department, put revenues at risk. So the department now produces two guides again, which accounts for the over expenditure.

### **Purchase of Goods - \$93,137**

The Fitness Centre has surpassed revenue expectations in excess of \$283,000 year to date. Over \$70,000 of this driver is a result of meeting the needs of the membership. Those additional revenues would not have been achieved without those expenses.

### **Services & Rents - \$153,829**

Summer Camps is the primary driver of this increased expense – largely facility rentals and vendor relationships to deliver the camp programs. This was offset by over \$184,000 in revenues that surpassed budget expectations.

### **Permitting Revenue - \$50,000 Year to Date**

As previously forecasted permitting revenues, particularly in ice and fields, continues to be trending lower than budget. This emerging year over year trend has been addressed in the 2019 draft budget process.

In summary, while the Recreation & Culture Department is netting approximately \$309,000 below budgeted expectations year to date, if the Bill 148 had not been implemented the department would be operating at a net surplus.

Moving forward, the department is expecting to come in at an operating deficit of \$500,000 by year end with the Bill 148 impacts expected to surpass \$600,000 by year end.

## **Appendix 'B'**

At the end of Q3 2018, the Development & Infrastructure Services Commission had a net favourable operating budget variance of approximately \$1 million, consisting of about \$3.5 million of favourable variance in expenditures and \$2.5 million of unfavourable variance in revenues.

The variance in expenditures was mainly due to:

- 1) \$450,000 lower salary/wage costs from gapping savings on unfilled positions (asset management, fleet supervisor, planner-Committee of Adjustment, vacant supervisor and lead hand positions in roads and parks area in the first and second quarters);
- 2) \$1,300,000 lower annual program spending partially due to timing of costs not yet being reflected;
- 3) \$410,000 lower than expected solid waste contract costs;
- 4) \$280,000 lower utility costs;
- 5) \$550,000 lower general contract costs for maintenance of roads, parks and facilities, again due partially to timing of costs not yet being reflected; and
- 6) \$110,000 lower expenditures in miscellaneous accounts

The variance in revenues were mainly due to:

- 1) \$2,200,000 less transferred from ARF, Planning and Solid Waste reserves. These transfers will be adjusted at year-end based on annual program spending and overall operating results in the Planning and Solid Waste service areas.
- 2) \$40,000 less grant funding provided for the solid waste blue bin recycling program;
- 3) The foregoing was offset by \$210,000 higher than expected Planning fee revenues
- 4) \$400,000 in lower Building fees and related reserve fund transfers

In anticipation of year-end operating results, the Development & Infrastructure Services Commission is projecting a favourable variance of \$350,000 at the end of fiscal 2018, which would include:

- 1) \$300,000 in savings for salaries and benefits;
- 2) \$300,000 lower costs for the solid waste contract;
- 3) \$150,000 higher than expected Planning fees;
- 4) Less \$250,000 in higher than expected costs for winter control;
- 5) Less \$100,000 for lower Engineering labour cost allocation to capital projects;
- 6) Less \$50,000 for the smaller solid waste blue bin recycling program grant