



# Staff Report

## Finance and IT Services

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**Report To:** Committee of the Whole  
**Meeting Date:** May 14, 2018  
**Report Number:** FAF.18.56  
**Subject:** 2017 Year-End Balances  
**Prepared by:** Ruth Prince, Director of Finance and IT Services

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### A. Recommendations

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THAT Council receive staff report FAF.18.56, entitled “2017 Year-End Balances”, and;

THAT Council approve the allocation of the 2017 Taxation year-end surplus of \$60,990 to the Human Resources Reserve, and;

THAT Council approve that any differences or remaining taxation surplus be transferred to or reduce the amount of the recommended transfer to the Human Resources Reserve, and;

THAT Council approve the allocation of the 2017 Water year-end surplus of \$131,256.67 to the Water Asset Replacement Reserve Fund, and;

THAT Council approve the allocation of the 2017 Wastewater year-end deficit of \$71,166.04 from the Wastewater Rate Stabilization Reserve, and;

THAT Council approve the allocation of the 2017 Building year-end surplus of \$675,709.13 to the Building Rate Stabilization Reserve Fund, and;

THAT Council approve the allocation of the 2017 Harbour year-end surplus of \$5,681.27 to the Harbour Reserve.

### B. Overview

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This report presents the 2017 Year-End Balances for Taxation, Water, Wastewater, Building and Harbour, and gives options on how to allocate the funds for Council’s consideration.

### C. Background

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The results from the 2017 Unaudited Financial Statements have identified the following cost savings for the year:

- 1) Taxation - \$60,999.00
- 2) Water -\$131,256.67
- 3) Wastewater – (\$71,166.04)
- 4) Building - \$675,709.13
- 5) Harbour - \$5,681.27

The analysis below outlines the variances that have led to these surpluses, as well as staff recommendations for where the funding should be transferred.

## **D. Analysis**

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### **Taxation - \$60,999**

Taxation ended the year with a small surplus of \$60,999 which represents 0.04% of the overall 2017 taxation budget. For the most part Taxation departments ended the year on budget. Due to the large amount of snow at the end of 2017, Winter Control ended the year with a deficit but almost all other departments ended the year on budget.

Both Short Term Accommodation (STA) and Development Engineering had surpluses for the year of \$122,502.10 and \$163,979.96, respectively. These amounts have been transferred to deferred revenue to offset expenditures in future years. The STA is on a two year license renewal so 2017 fees transferred into deferred revenue will offset the 2018 expenditures. For development engineering, the fees collected in 2017 will be used over multiple years as development staff costs continue over the entire project.

### **Water - \$131,256.67**

Water had a good 2017 and ended the year with a \$131,256.67 surplus. The surplus was a result of expenses being under-budget as well as revenue being over-budget. For the year, Water ended about \$50,000 over-budget on all external revenues. On the expenses side, Water saw the Collingwood Water Taking Agreement (\$27,000) and Emergency Breaks and Repairs (\$37,000) run under-budget.

In addition to transferring the year-end surplus into the Asset Replacement Reserve Fund the Town also collected \$93,098.99 in Vacant Lot fees. This funding was also transferred into the reserve fund. At the 2017 year-end, Water had \$9,186,985.90 in the Asset Replacement Reserve Fund and \$552,536.21 in the Rate Stabilization Reserve.

As per the Town's current Asset Management Plan the Water Department has \$46.1M worth of assets that are deemed to be in Poor/Fair Condition. Staff continue to work on creating an internal document which will include a more detailed listing of what assets are failing, when these assets need to be replaced, and what funding they will require.

### **Wastewater – (\$71,166.04)**

Wastewater ended the year with a \$71,166.04 deficit for 2017. The major factor behind the deficit is due to Hydro ending the year well over-budget. This was partially off-set by a good year in revenues which ended the year over-budget as well.

In 2017 Wastewater collected \$61,352.11 in Vacant Lot fees. This was transferred into the Wastewater Asset Replacement Reserve Fund. At year-end the Wastewater Department had \$166,398.97 in the Rate Stabilization Reserve and \$16,724,112.48 in the Asset Replacement Reserve Fund.

As per the Town's current Asset Management Plan, the Wastewater Department is better off than Water but still has \$11M in assets that are in either Poor or Fair Condition.

### **Building - \$675,709.13**

The Building Department ended the year with a surplus of \$675,709.43. Similar to 2016 the Building Department had another busy year and that is shown in the revenues collected. Building permit revenue was almost double the budget.

As per the reserve policy the annual surplus will be transferred into the Rate Stabilization Reserve Fund and be available for either capital purchases (vehicles) or for years that have a deficit. The policy outlines a target of 125% of annual revenues which represents a balance of \$1,652,000; at the end of 2017 the balance is at \$1,035,574.38 (including the 2017 surplus).

### **Harbour - \$5,681.27**

The Thornbury Harbour ended the year with a \$5,681.27 surplus which represents about a 1% variance on expenses. Despite the poor weather for the 2017 boating season the Harbour had a good year. Expenses came in under-budget while the major revenue streams, Mooring, Transient, and Winter Storage, all came in slightly over-budget.

After salaries and benefits the next largest expense for the Harbour is the annual rent payment made to the Department of Oceans and Fisheries, which amounted to \$81,596. The rent payment is calculated using annual revenue and will continue to increase as the revenues increase.

Included in the year-end transfer to the Harbour Reserve was \$50,000, which was ear-marked for the upgrades to the fuel system. Due to additional engineering requirements and having to increase the capital budget to include the replacement of not only the fuel lines but also the tanks, this project was pushed off until 2018.

Within the 2018 budget staff included a forecast for the Harbour Reserve of \$139,843, with the actual ending balance being \$194,524.25. The \$55,000 difference is due to the \$50,000 capital funding being held in the Harbour Reserve and as the project rolled into 2018 and the year-end surplus. The reserve will be the main funding source for the fuel system upgrades in 2018.

### **Capital**

Unlike the Operating Budget the Capital Budget does not end the year with a surplus or deficit. Rather, each project that requires additional funding is approved through a recommendation from Council. If a project comes in under budget either the current year revenue (taxation or user-fees) becomes part of the surplus in the operating budget, or if the project was funded from reserves that funding stays in the reserve for future use.

The list below looks at the major capital projects for 2017:

- 1) Fire Pumper Replacement – this vehicle was purchased in 2017 and the Town is expecting delivery in 2018. The cost was \$447,787.65.

- 2) Ice Resurfacers – similar to the pumper the ice resurfacers were ordered in 2017 and will be delivered in 2018, the cost is \$68,910 which includes a \$10,000 trade in.
- 3) Elma and Alice Street Reconstruction – the Town spent \$74,136.63 with the continued efforts for preliminary design, the project will continue into 2018.
- 4) Replacement Plow Truck – the Town replaced a plow truck in 2017 with final costs at \$283,032.78.
- 5) Surface Treatment – in 2017 the Town spent \$503,206.31 to resurface 22kms of roads throughout the Town.
- 6) Black Bridge – costs have not been finalized but to date the Town has spent \$643,116.86 repairing Black Bridge in Clarksburg.
- 7) Charles and Mary Street Watermain Replacement – costs have not been finalized but to date the Town has spent \$544,522.95 on this project.

## **E. The Blue Mountains Strategic Plan**

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Goal #4: Promote a Culture of Organizational and Operational Excellence

Objective #4: To Be a Financially Responsible Organization

## **F. Environmental Impacts**

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None.

## **G. Financial Impact**

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The financial impact for each area of the Town has been outlined in the Analysis section of this report.

## **H. In consultation with**

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Senior Management Team

Sam Dinsmore, Deputy Treasurer/Manager of Accounting and Budgets

## **I. Attached**

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None.

Respectfully Submitted,

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Ruth Prince  
Director of Finance and IT Services

For more information, please contact:

Ruth Prince

[directorfit@thebluemountains.ca](mailto:directorfit@thebluemountains.ca)

519-599-3131 extension 228