



# Staff Report

## Finance and IT Services

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**Report To:** Special Committee of the Whole  
**Meeting Date:** May 27, 2019  
**Report Number:** FAF.19.063  
**Subject:** 2018 Year-End Surplus  
**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.19.063, entitled “2018 Year-End Surplus”, and;

THAT Council approve the allocation of the 2018 Taxation year-end surplus of \$84,381 to the Health Services 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 Health Services Reserve, and;

THAT Council approve the allocation of the 2018 Water year-end surplus of \$109,833 to the Water Rate Stabilization Reserve, and;

THAT Council approve the allocation of the 2018 Wastewater year-end surplus of \$15,167 to the Wastewater Rate Stabilization Reserve, and;

THAT Council approve the allocation of the 2018 Building year-end surplus of \$350,243 to the Building Rate Stabilization Reserve Fund, and;

THAT Council approve the allocation of the 2018 Harbour year-end surplus of \$69,018 to the Harbour Reserve.

### B. Overview

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This report presents the 2018 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 2018 Unaudited Financial Statements have identified the following cost savings for the year:

- 1) Taxation: \$84,381
- 2) Water: \$109,832.64
- 3) Wastewater: \$15,167.39
- 4) Building: \$350,243.43
- 5) Harbour: \$69,017.62

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 - \$84,381**

Taxation ended the year with a small surplus of \$84,381 which represents 0.56% of the overall 2018 taxation budget. For the most part Taxation departments ended the year on budget. Due to the heavy winter and the acquisition of additional snow plows, 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 ended the year with deficits, of \$86,183.94 and \$152,245.20, respectively. These amounts were transferred from deferred revenue to offset these expenditures. The STA program is on a two year license renewal and 2017 fees were transferred into the deferred revenue account to offset the 2018 expenditures. For Development Engineering, fees are collected over multiple years for various projects, which causes this Division to fluctuate between yearly surpluses and deficits.

### **Water - \$109,832.64**

Water ended 2018 with a \$109,832.64 surplus. This surplus was a result of revenue being over-budget, which can be linked to the dry summer. For the year, Water ended about \$106,000 over-budget on the fixed and consumption utility billings. This surplus was transferred into the Water Rate Stabilization Reserve. At the end of 2018, this Reserve had a balance of \$674,484.22. This balance represents 16.5% of the total revenues generated by the Water Department. Included in the 2019 Approved Budget is a forecast of this reserve which does show the Water Department drawing on this funding in 2021.

In addition to transferring the year-end surplus into the Rate Stabilization Reserve the Town also collected \$86,661.88 in Vacant Lot fees. This funding was transferred into the Water Asset Replacement Reserve Fund. At the 2018 year-end, Water had \$10,482,489.66 in the Asset Replacement Reserve Fund.

### **Wastewater - \$15,167.39**

Wastewater ended the year with a \$15,167.39 surplus. This surplus is a result of Wastewater being under-budget in expenses, and similar to water, over-budget in revenue. The Wastewater Division ended the year about \$118,000 over-budget in fixed and consumption utility charges, however, private sewer billings come in under-budget resulting in Wastewater revenues being overall on budget. On the expenses side, the Wastewater Division ended the year under-budget in Salaries and Benefits, as well as Equipment Breaks, Repairs, and Maintenance.

Wastewater's surplus has been transferred into the Wastewater Rate Stabilization Reserve. At the end of 2018, this Reserve had a balance of \$530,275.38. This balance represents 18% of the total revenues generated by the Wastewater Department. Included in the 2019 Approved Budget is a forecast of this reserve which does show the Wastewater Department drawing on this funding in 2019.

In 2018 Wastewater also collected \$55,880.87 in Vacant Lot fees. This was transferred into the Wastewater Asset Replacement Reserve Fund. At year-end, Wastewater had \$16,685,925.75 in the Asset Replacement Reserve Fund.

### **Building - \$350,243.43**

The Building Department ended the year with a surplus of \$350,243.43. Similar to 2017 the Building Department had another busy year and that is shown in the revenues collected. Additionally, Expenses for the Building Department ended the year under-budget, mainly due to Salaries and Benefits and its related expenses, such as Administrative Expenses, Personnel, Training and Travel, ending the year under-budget, which were due to staff vacancies at the beginning of 2018.

As per the reserve policy the annual surplus will be transferred into the Building 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 \$1,441,000; at the end of 2018 the balance is at \$1,343,869.06 (including the 2018 surplus).

### **Harbour - \$69,017.62**

The Thornbury Harbour ended the year with a \$69,017.62 surplus which can be attributed to ending the year under-budget in expenses, as well as over-budget in revenue. Expenses, specifically Salaries and Benefits, came in under-budget as expected, as the Harbour Manager position is currently vacant, as this position is filling the Acting Director of Community Services role.

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 \$86,000. The rent payment is calculated using annual revenue and will continue to increase as the revenues increase. On the revenue side, the Harbour had a good year selling fuel and services, ending the year \$40,416 over-budget in revenue.

The Harbour also took out long-term debt in 2018 for its docks and dredging, which amounted to \$611,972.44, and will be paid off in 2031. The principal and interest payments are roughly \$60,000 per year.

The Harbour surplus has been transferred to the Harbour Reserve, which is the main funding source for future capital projects. At the end of 2018, the Harbour Reserve had a balance of \$263,541.87.

## **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. Public Engagement**

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The topic of this Staff Report has not been subject to a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. Comments regarding this report should be submitted to Ruth Prince, Director of Finance and IT Services at [directorfit@thebluemountains.ca](mailto:directorfit@thebluemountains.ca)

## **J. 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