



# Staff Report

## Finance and IT Services

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**Report To:** Committee of the Whole  
**Meeting Date:** May 15, 2017  
**Report Number:** FAF.17.61  
**Subject:** 2016 Year-End Surpluses  
**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.17.61, entitled "2016 Year-End Surpluses", and;

THAT Council approve the allocation of the 2016 taxation year-end surplus of \$53,624 to the Legal 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 Legal Reserve, and;

THAT Council approve transferring \$231,150 of the year-end surplus into the Water Asset Replacement Reserve Fund and;

THAT Council approve transferring \$57,332 into the Wastewater Rate Stabilization Reserve from the 2016 year-end surplus, and;

THAT Council approve transferring \$334,156 into the Building Rate Stabilization Reserve Fund from the 2016 year-end surplus, and;

THAT Council approve transferring \$13,809 into the Harbour Reserve from the 2016 year-end surplus.

### B. Overview

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This report presents the 2016 Year-End Surpluses 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 2016 Unaudited Financial Statements have identified the following cost savings for the year:

- 1) Taxation - \$53,624
- 2) Water -\$231,150

- 3) Wastewater - \$57,332
- 4) Building - \$334,156
- 5) Harbour - \$13,809

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 - \$53,624**

Taxation ended the year with a small surplus of \$53,624 which represents 0.28% of the overall 2016 taxation budget. Highlights of the 2016 year end include the following:

- Salaries and Benefits ended the year on budget at 100%. Although there are still vacant positions in the taxation departments, salaries and benefits ended at 100% of budget due to the fire union negotiations.
- Hydro costs ended the year slightly over budget by \$5,584. If not for the costs savings in Streetlights due to the LED installations, hydro costs would have ended the year much higher, with the bulk of the expenses being at the Beaver Valley Community Centre. Staff will be monitoring hydro costs throughout 2017.
- IT Service Agreements ended the year over-budget by almost \$20,000 due to the lower Canadian dollar and the continued automation, which results in more software licenses being required.
- Vehicle Expenses came in well under budget by \$51,875. This was due to the lower cost of fuel in 2016.
- Legal Expenses come in well over-budget by more than \$100,000.
- Facility Maintenance ended the year slightly over budget by almost \$16,000. This could have been much higher had staff completed all of the necessary annual maintenance on Town facilities. As the Town's facilities continue to age, more funding will be needed towards their annual maintenance.
- External Revenues ended the year over-budget. Due to the collection of outstanding property taxes, Penalty and Interest ended the year under budget, however, this was offset with interest on Town investments coming in over-budget. Community Centre Rentals were almost \$15,000 over-budget, showing a good turnaround from the past few years of being under-budget.

Staff are recommending that the \$53,624 surplus be transferred into the Legal Reserve to be used in any future years where legal costs come in well above the annual budget. Including this transfer, the Legal Reserve will end the year with a balance of \$133,783.

### **Water -\$231,150**

Water had a good 2016 ending the year with a surplus of \$231,150 or a 5.8% budget variance. The surplus was mostly driven by cost savings however, Water was slightly over budget in revenues.

- Salaries and Benefits ended 2016 slightly under-budget at 97%. The Water Department is at their full staff compliment.
- Collingwood Water Agreement ended the year well under budget at 63%, or a surplus of \$74,382. The Town is taking less water from Collingwood and supplying more from the Thornbury Treatment Plant.
- Hydro costs ended the year over budget by almost \$34,000. Staff will be closely tracking hydro costs throughout 2017.
- Facility and Site Maintenance also ended the year over budget by \$8,388. This is another expense that staff will be closely monitoring in preparation for the 2018 budget.
- External Revenues also ended the year slightly over-budget by 4%.

Staff are recommending that the 2016 Water surplus be transferred into the Water Asset Replacement Reserve Fund. The Water Rate Stabilization Reserve currently has a balance of \$519,500 which staff believe at this time is a sufficient amount to fund any potential future deficits. For this reason staff is recommending that the surplus go into the asset replacement reserve fund to be available for future capital projects. This reserve fund has a balance of \$8,322,444 which includes the 2016 surplus.

#### **Wastewater - \$57,332**

Wastewater had an interesting 2016 but did end the year with a \$57,332 surplus or 2% variance in their budget. During the year Wastewater had a large main break on Highway 26 which resulted in \$454,600 in repairs and maintenance, all of which was funded from the Wastewater Asset Replacement Reserve Fund. Listed are factors that led to the \$57,332 surplus:

- Salaries and Benefits ended the year slightly under budget at 92% mostly in full-time salaries as Wastewater had a few vacancies throughout the year which have all been filled.
- Hydro costs ended the year at almost 50%, or \$122,400 over-budget. Staff are looking at ways to reduce hydro consumption and this expense will be tracked closely throughout 2017.
- Facility Maintenance also ended the year over-budget. As with many departments in the Town, Wastewater has aging facilities that are requiring more repair and maintenance dollars each year. This is another expense that staff will be closely monitoring in preparation for the 2018 budget.
- Overall Expenses ended that year over budget by \$99,845.
- Landfill Leachate revenues ended the year well over-budget as the new cell at the Landfill requires the leachate to be hauled to the Craighleith Main Sewage Lift Station and properly treated.
- External Revenues also ended the year slightly over-budget by 3.9%.

Staff are recommending that the \$57,332 surplus be transferred to the Wastewater Rate Stabilization Reserve to be available in future years for any potential deficits. Rates were kept flat in 2017, but with Hydro costs still running higher and the Landfill looking at other options for the leachate, staff want to be prepared for a potential 2017 deficit. Including the \$57,332 surplus the Wastewater Rate Stabilization Reserve has a balance of \$243,761 at the 2016 year-end.

### **Building - \$334,156**

The Building Department had a very busy 2016, with 563 permits issued, 196 of those being new dwellings and a total of \$126M in Construction Value. Building ended 2016 with a \$334,156 surplus. This surplus is due to two factors; being under-budget in expenses and over-budget in revenue:

- Salaries and Benefits ended the year under-budget at 89% as Building had a few vacancies throughout the year, most of which were filled. However, Building is still advertising for one position.
- Contract Services ended the year over budget, as Building relied on Meaford to help with inspections throughout the year as they continued to fill vacant positions.
- Overall expenses for Building ended 2016 at 91% of budget.
- Revenues were the main reason Building ended with a large surplus as Building permit revenue came in almost \$300,000 over the 2016 budget.

Staff are recommending that the \$334,156 surplus be transferred into the Building Rate Stabilization Reserve Fund, which will be available for future year capital purchases and to help fund any future year deficits that may potentially happen in the Building Department. At the end of 2016, including the \$334,156, the Rate Stabilization Reserve Fund has a balance of \$378,078.

### **Harbour - \$13,809**

The Harbour had a good 2016 boating season and ended the year with a \$13,809 surplus, which represents a 2.6% variance on the total budget. A few factors led to this surplus:

- Salaries and Benefits finished the year slightly under-budget at 95% due to the full-time employees spending more time at the other locations under their responsibility (Town Hall, OPP Detachment, and Ravenna Hall).
- Utilities ended 2016 over-budget with both Hydro (116%) and Water (219%) being over-budget. Staff will continue to monitor the hydro costs for the Harbour and make necessary adjustments in future budgets. The Harbour had a water line break in 2016 which lead to being over-budget. This problem has been fixed.
- Facility Maintenance also ended the year over-budget. This is another expense that staff will need to track as the Harbour Office and Shower Building continue to age. These facilities will continue to require more repair and maintenance funding.
- Revenues overall ended on budget with the main source of revenue, being Mooring Fees, coming in at budget while other revenue sources such as Launch Fees and Winter Storage come in slightly over-budget.

Staff are recommending that the surplus of \$13,809 be transferred into the Harbour's Reserve to be available for future capital project funding or emergency purchases. At the end of 2016, including this \$13,809, the Harbour Reserve has a balance of \$135,446.

## **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 2016:

- 1) Library Roof Replacement – this project is on-going and will require more funding.
- 2) Fire Pumper Replacement – this project was completed in 2016 and came in on budget.
- 3) Trestle Bridge Upgrades – this project was completed in 2016 and came in under-budget.
- 4) Dasher-board Replacement – this project came in well under-budget in 2016 and the excess funding was transferred to the Library Roof Replacement project.
- 5) Cemetery Storage Building – this project was not completed in 2016 but will be done in 2017.
- 6) Thornbury West End Road Improvements (Sobeys) – this project is on-going.
- 7) Elma and Alice Street Reconstruction – this project was not started in 2016, however staff have awarded the Preliminary Design early in 2017.
- 8) 33<sup>rd</sup> Sideroad Reconstruction – this project came in under-budget and other than a few final touches was completed in 2016.
- 9) Hillcrest Drive Resurfacing – this project came in well under-budget, and similar to the 33<sup>rd</sup> Sideroad has a few small touches to be done but the majority of the project was completed in 2016.
- 10) Ravenna Storage Building – this project was not completed in 2016 but will be done in 2017.
- 11) Mary and Charles Street Watermain Replacement – this project was not completed in 2016 but is well under way in 2017.

Overall 2016 was a good year for capital projects, and staff will be very busy in 2017 either wrapping up projects, completing ones that were delayed and starting the new projects in 2017.

## **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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