

Subject: May 2020 Financial Reports**Recommendation:**

BE IT RESOLVED THAT Council receive Report #2020-0094-Corporate Services for information.

Background:

The Corporate Services Department has prepared the attached financial reports, as at May 31, 2020, for the information of Council. The MCC and Transit reports also include non-financial indicators such as hydro usage and ridership.

Analysis:

Appendix 1 to this report summarizes operating revenues compared to budget as at May 31, 2020, with approximately 42% of the year lapsed. Total revenues were at approximately 38% of budget and were starting to track below budget due to the financial impact of COVID-19. The financial impact from the closure of facilities and cancellation of programs that resulted from COVID-19 are evident in transit and MCC revenues as well as certain miscellaneous user fees and charges for services. Most other revenue sources such as grants, transfers from reserves, and property taxation are in keeping with the budget. The duration of the impact from the pandemic is unknown. Four months of water and wastewater had been billed and appeared to be on track because consumption tends to be higher in the summer months, depending on weather conditions.

Appendix 2 to this report summarizes operating expenditures compared to budget at May 31, 2020. Total expenses were at approximately 37% of budget and appeared to be on track because there are still significant debenture principal and interest payments to be paid. Direct costs related to COVID-19 such as purchase of computer equipment and additional cleaning costs are being tracked separately and are excluded from this report. These costs have been included in a report to Council on the financial impact of COVID-19.

Appendix 3 summarizes the revenues and expenditures related to the MCC at May 31, 2020. MCC revenues were at 32% of budget and trending below the prior year due to closures from COVID-19. Miscellaneous revenues for the MCC were at 57%

of budget for the year, predominantly due to server sales. MCC expenses were at 36% of budget, which is below the expectation for the first five months of the year as a result of reduced wages from the facility closure and lower hydro rates, which are partially offset by full year insurance expensed and cost of supplies that are related to the server revenues. It is anticipated that revenues for the MCC will be below budget at year-end due to the impact of the pandemic.

Appendix 4 summarizes revenues and expenditures related to Pelham Transit. Transit revenues are minimal because provincial and Region funding will be received later in the year, as in the past. Commencing mid-April, Pelham Transit began to operate as a Dial-a-Ride service, in which riders are pre-booked and pre-screened. Transit expenditures were at 37% of budget due to reduced cost of contracted services in April and May, but any cost savings are expected to result in reduced grant funding.

Appendix 5 to this report includes the 2020 capital report at March 31, 2020. Most capital projects are proceeding, totaling \$4.7 million, and of those, 21% of the budget had been spent. \$1.7 million in projects have been deferred to 2021, and \$970 thousand in projects are red-circled pending further information or funding. Projects carried forward from prior years totaled \$3.9 million, and 75% of the carryforward amount had been spent.

Council-approved expenditures outside of budget

The Town's Reserve and Reserve Fund Policy S400-08, approved by Council on January 13, 2020, states under Standard of Care in section 4.3 a) i) that Council shall ensure that any expenditure approval outside of the Budget process includes the source of funding from Reserves, Reserve Funds, or other sources as appropriate. This helps to ensure that the Town can accurately forecast and plan for its Reserves and Reserve Funds and manage cash flows, ensuring adequate funding sources for all expenditures. In addition, it helps to ensure that there are not any unavoidable or unanticipated impacts on property taxation increases in a future year.

The *Municipal Act*, 2001, S.O. 2001, as amended, states in section 290(4)(c)(ii) that in preparing the budget for a year, a local municipality shall provide for any deficit of any previous year that resulted because expenses were incurred by the municipality that were not in the budget for that year and were not paid for that year from a reserve, sinking or retirement fund.

The following list of expenditures have been approved by Council with no source of funding. This is in contravention of the Reserve and Reserve Fund Policy S400-08, except for item (3) for which Council suspended the Reserve and Reserve Funds

Policy. Unless the Town can find expenditure savings or additional revenues, which is unlikely due to the COVID-19 pandemic, any resulting deficit will have to be added to the 2021 budget in order to comply with the *Municipal Act*.

Unbudgeted Expenditures Approved by Council with no Funding Source:

(1) Legal and Planning Consultant for Cannabis Control Committee	\$130,000
(2) Local Planning Appeal Tribunal (LPAT) Hearings	75,000
(3) Parking Study	50,000
Total	<u>\$255,000</u>

The 2020 budgeted general tax levy is \$14,946,487. Accordingly, a 1% increase in property taxes amounts to approximately \$150,000. The unbudgeted expenditures of \$255,000 is equivalent to a 1.7% tax levy increase for 2021.

Financial Considerations:

Expenditures approved by Council outside of the budget without an identified funding source will likely result in an increase to the 2021 budget.

The anticipated financial impact of COVID-19 has been excluded from this report and has been provided in a separate report to Council. This also has the potential to impact the 2021 budget.

Alternatives Reviewed:

Not applicable.

Strategic Plan Relationship: Strong Organization

By reviewing the monthly financial reports, Council can remain informed about whether there are any significant budget variances that would impact year-end financial results.

Consultation:

These reports have been provided to the Pelham Finance and Audit Committee for review.

Other Pertinent Reports/Attachments:

Appendix 1- Monthly Revenue Report at May 31, 2020

Appendix 2- Monthly Expenditure Report at May 31, 2020

Appendix 3- Meridian Community Centre Report at May 31, 2020

Appendix 4- Transit Report at May 31, 2020

Appendix 5- Capital Projects – First Quarter Reporting at March 31, 2020

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