

Subject: August 2020 Financial Reports

Recommendation:

BE IT RESOLVED THAT Council receive Report #2020-0148-Corporate Services for information.

Background:

The Corporate Services Department has prepared the attached financial reports, as at August 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 August 31, 2020, with approximately 67% of the year lapsed. Total revenues were at approximately 67% of budget. 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 MCC opened on July 6 with one ice pad and summer programming. On July 27, the second ice pad opened due to the high demand for summer ice in the Niagara region. Eight months of water and wastewater had been billed and are at 71% of budget because consumption tends to be higher in the summer months. The Safe Restart COVID-19 funding of \$148,588 has been included in the report to offset the direct COVID-19 expenses incurred to August 31, 2020.

Appendix 2 to this report summarizes operating expenditures compared to budget at August 31, 2020. Total expenses were at approximately 63% of budget and appeared to be on track because there are still significant debenture principal and interest payments to be paid. This report includes \$148,588 of direct costs related to COVID-19 such as purchase of computer equipment and additional cleaning costs.

Appendix 3 summarizes the revenues and expenditures related to the MCC at August 31, 2020. MCC revenues were at 55% of budget and trending below the prior year due to closures from COVID-19 from mid-March to July 6. MCC expenses were at 58% of budget, which is below the expectation for the first eight 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. With the opening of the MCC in July and August, the revenue from ice and summer programming is \$163,199. The ice times were booked solid for the months of July and August due to the high demand for ice since other municipalities did not have their ice pads operational.

Appendix 4 summarizes revenues and expenditures related to Pelham Transit. Approximately \$116,000 in provincial gas tax funding was received in July and \$75,000 of Community Transit grant. Effective August 17, 2020, The Niagara Region has taken over the service delivery of the transit with on-demand service by a third party provider VIA. Transit expenditures were at 49% 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.

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, 2001*.

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	<u>50,000</u>
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.

An additional \$260,000 is estimated to be incurred between 2020 and 2021 for LPAT appeals and Normal Farm Practices Protection Board (NFPPB) Hearings.

Financial Considerations:

Expenditures approved by Council outside of the budget without an identified funding source and the additional LPAT Appeals and NFPPB hearings will likely result in an increase to the 2021 budget.

The Town has received \$428,500 for Phase 1 of COVID funding for COVID-related operating pressures and \$18,334 for Phase 1 of COVID funding for COVID-related transit pressures.

Alternatives Reviewed:

Not applicable.

Strategic Plan Relationship: Strong Organization

Be 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 August 31, 2020

Appendix 2 – Monthly Expenditure Report at August 31, 2020

Appendix 3 – Meridian Community Centre Report at August 31, 2020

Appendix 4 – Transit Report at August 31, 2020

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