

Subject: September 2020 Financial Reports**Recommendation:**

**BE IT RESOLVED THAT Council receive Report #2020-0165,
September 2020 Financial Reports, for information.**

Background:

The Corporate Services Department has prepared the attached financial reports, as at September 30, 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 September 30, 2020, with approximately 75% of the year lapsed. Total revenues were at approximately 74% 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 72% of budget because consumption tends to be higher in the summer months. The Safe Restart COVID-19 funding of \$159,016 has been included in the report to offset the direct COVID-19 expenses incurred to September 30, 2020.

Appendix 2 to this report summarizes operating expenditures compared to budget at September 30, 2020. Total expenses were at approximately 70% of budget and appeared to be on track because there are still significant debenture principal and interest payments to be paid. This report includes \$159,016 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 September 30, 2020. MCC revenues were at 62% of budget and trending below

the prior year due to closures from COVID-19 from mid-March to July 6. MCC expenses were at 65% 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. Revenues are lower in September because schools have re-opened, but are continuing at strong levels given the impact of COVID-19 on capacity limitations.

Appendix 4 summarizes revenues and expenditures related to Pelham Transit. Approximately \$154,000 in provincial gas tax funding has been received, with \$50,000 deferred and placed in a reserve fund for future expenditures, and \$100,000 of Community Transit grant has been received. 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 50% 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. In addition, the Town has not yet paid the Region for contracted services for September.

Appendix 5 to this report includes the 2020 capital report at September 30, 2020. Most capital projects are proceeding, totaling \$3.7 million, and of those, 66% of the budget had been spent. \$2.7 million in projects have been deferred to 2021, and \$955 thousand in projects are red-circled pending further information or funding. Projects carried forward from prior years totaled \$3.9 million, and 83% 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.

Based on the most recent year-end projections, it appears the Town will have sufficient expenditure savings and additional revenues to cover these expenditures if additional funding is received for COVID-19 related operating pressures under Phase 2 of the Safe Restart funding program. If the Town does not receive additional funding and cannot find expenditure savings or additional revenues, any resulting deficit would 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 could potentially result in an increase to the 2021 budget.

The Town has received \$428,500 for COVID-related operating pressures and \$18,334 for COVID-related transit pressures under Phase 1 of the Safe Restart Agreement. An application for Phase 2 funding was submitted in November, and funding announcements will be made before the end of the calendar year.

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 September 30, 2020

Appendix 2 – Monthly Expenditure Report at September 30, 2020

Appendix 3 – Meridian Community Centre Report at September 30, 2020

Appendix 4 – Transit Report at September 30, 2020

Appendix 5 – Capital Projects – Third Quarter Reporting at September 30, 2020

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