

Councillor Barry Saunders  
Chairperson of the Finance Standing Committee  
2021 Midyear Budget Review Statement  
July 20, 2021

As per our usual budget management measures, Mr. Mayor, the Finance Standing Committee recently completed its mid-year review of the Town's 2021 operating budget.

Council will be pleased to learn the budget remains balanced as required by law. Compared to the initial estimates, the budget has increased by 0.66%, or \$23,491, to \$3,557,169.

This mid-year review presented several challenges for the Committee to resolve.

As Council will recall, each year during the budget process, we update our five (5) year long-term debt and capital plan based on forecasted equipment replacements/upgrades and infrastructure projects. In the last iteration of this plan, we had hoped to replace the backhoe in 2024; however, recent information has suggested this is no longer feasible or advisable given the current condition of this asset. The backhoe is a 2003 model, and it was obtained as a used piece of equipment in 2013. It is an essential component of the Public Works Department's fleet. In addition to this, the Town's sewer jet, acquired in the 1990s, has exceeded its useful life and must be replaced. These expedited equipment purchases will add pressure on the budget over the short term (two to three years).

Besides equipment purchases, the budget has seen impacts from unexpected maintenance to the wastewater treatment system, higher than projected investments in asphalt, and decreased revenue in recreation due to the pandemic. Despite these challenges, Mr. Mayor, the Committee has managed to reconcile the fluctuations, and I'll now speak to the details.

## **Revenues**

The revised estimates for revenue are as follows:

	<b><i><u>Initial</u></i></b>	<b><i><u>Revised</u></i></b>	<b><i><u>Variance</u></i></b>	<b><i><u>Percentage</u></i></b>
Taxes	2,752,718	2,777,236	24,518	0.89%
Sale of goods and services	103,625	95,008	- 8,617	-8.32%
Other revenue from own sources	127,389	134,416	7,027	5.52%
Provincial grants	216,134	216,134	-	0.00%
Federal grants	146,754	146,754	-	0.00%
Transfers from reserves	<u>187,058</u>	<u>187,621</u>	<u>563</u>	0.00%
	3,533,678	3,557,169	23,491	0.66%

Primarily, the increase in revenue is driven by taxes, which have increased by 0.89%. We are projecting to see a decrease of around \$23,000 in ice rentals due to the pandemic's impact and the stadium's closure earlier this year. There are, of course, offsets on the expenditure side (i.e., supplies, utilities, wages, etc.), so the net impact to the overall budget is lower.

The Committee has also factored in two pending land sale transactions, which will generate around \$13,000 in revenue.

The budget still includes the COVID-19 safe restart grant of approximately \$185,000. As we know, this is one-time special revenue provided by the Government of Newfoundland and Labrador. The 2022 budget will not include this grant; therefore, adjustments will be required.

## **Expenditures**

The revised expenditures are as follows:

	<b><i><u>Initial</u></i></b>	<b><i><u>Revised</u></i></b>	<b><i><u>Variance</u></i></b>	<b><i><u>Percentage</u></i></b>
General Government	618,265	612,564	- 5,701	-0.92%
Protective Services	98,100	97,100	- 1,000	-1.02%
Transportation Services	984,550	1,015,608	31,058	3.15%
Environmental Health	513,984	522,682	8,698	1.69%
Recreation Services	347,816	329,343	- 18,473	-5.31%
Fiscal Services	<u>970,962</u>	<u>979,873</u>	<u>8,911</u>	0.92%
	3,533,677	3,557,170	23,493	0.66%

The expenditure adjustments are summarized below.

- (1) \$2,750 was removed from Council expenses. The Committee determined there will be no travel for the remainder of the year for MNL or other related meetings.
- (2) Our asphalt investment was increased by \$43,703 to \$93,703. To date, the Town has repaired 2,070 m3 of asphalt under a contract, and the Public Works Department has fixed many potholes. The revised budget includes resources to complete an additional 35 tonnes of pothole repairs.
- (3) We have maintained the \$10,000 to complete ditching work throughout the community. The latter equates to 1,370 meters, and the Public Works Department is currently preparing a priority list for Council's consideration. We have also maintained the \$4,000 to address the ditching issue behind Adams Avenue.
- (4) To date, the Town has incurred around \$8,100 to repair lift station pumps. We must also install a line at the wastewater treatment plant, at the recommendation of Abydoz, that will cost around \$5,500. The budget reflects these expenses along with a contingency of \$2,500 for unanticipated issues.

- (5) As noted earlier, Council will need to acquire a backhoe and sewer jet. We anticipate this equipment will cost \$150,000 and \$92,000, respectfully. In addition, Council will also need to replace the ride-on lawnmower in the Recreation Department at the cost of around \$25,000. The latter was also acquired in the 1990s and has exceeded its useful life. Council intends to finance this equipment, and the budget includes allocations for debt servicing.
- (6) The budget also includes debt servicing for the 2021 Main Street Upgrade and the Greenridge Road waterline loop.
- (7) Finally, Mr. Mayor, we set aside \$31,760 under capital expenditures for the Town's share of the COVID-19 stimulus projects (\$20,314) and the non-rebated HST on equipment purchases (\$11,446).

There were other minor variances in the expenditure estimates as well, and I would be happy to address them if Council has any questions.

### **Capital Projects**

As Council is aware, the Town is actively involved in the following capital works projects that are being funded through cost-share arrangements with the Federal and Provincial Governments:

- Main Street Upgrade (750 meters in the west-end)
- Greenridge Road Waterline Loop
- Chlorine Booster Station
- Fallsvie Park dock/slipway and gateway/directional signage
- Station Road slipway and floating dock
- Riverside Drive Tourism Site Development
- Diamond Pond Walking Trail
- Stadium Lights Upgrade

- Stadium Canopies
- Recreation Storage Shed
- Stadium Plant Improvements
- Beaumont Heights Brook Improvements
- Public Works Storage Shed
- Town Hall Renovations
- Fire Hall Renovations

I won't go through the project details, Mr. Mayor, because they were covered in your community report dated July 8, 2021. I will say, however, that the projects total around \$2,400,000, and Council's share varies from 0% to around 33% depending on the project/program.

As a cautionary note for the 2022 budget, it is clear that Council will need to slow down expenditures in the coming fiscal years. Given what we know at this point, our debt-serving costs are expected to increase by around \$56,000 in 2022 to accommodate equipment purchases and anticipated infrastructure projects. When you also consider that the budget currently includes \$185,000 in revenue from the COVID-19 safe restart grant, which will not be there next year, the Finance Standing Committee will be challenged to balance the Town's needs. However, we do anticipate debt-servicing costs to reduce considerably in 2024 when we retire some long-standing loans. The following two years will be challenging, and we will need to adapt the adage – "Look after the pennies because the dollars will look after themselves."

Mr. Mayor that concludes my mid-year report.

## **Resolutions**

### *Resolution #1*

Be it resolved that Council shall adopt the revised 2021 operating budget as circulated and presented.

### *Resolution #2*

Be it resolved that Council shall, notwithstanding section 9.2 of the *2021 Municipal Operating Budget Tax Schedule and Policy*, authorize the Town Manager/Clerk to disburse the \$250 grant to the Grand Falls-Windsor-Bishop's Falls Food Bank effective immediately.

### *Resolution #3*

Whereas the Public Works Department's backhoe and sewer jet have exceeded their useful life and must be replaced; and whereas the Recreation Department's ride-on lawnmower has exceeded its useful life and must be replaced; therefore, be it resolved that Council shall instruct the Town Manager/Clerk to seek financing to acquire a loan totalling up to \$267,050 to purchase a backhoe, sewer jet, and ride-on lawnmower in 2021.