



Town of Newmarket
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Elman Campbell Museum Fund Staff Report

Report Number: 2018-44

Department(s): Financial Services

Author(s): Mike Mayes, Director, Financial Services

Meeting Date: December 10, 2018

Recommendations

1. That the report entitled Elman W. Campbell Museum Fund dated November 19, 2018 be received; and,
2. That this fund be renamed from a "Trust Fund" to The Elman Campbell Museum Fund; and,
3. That the balance in the fund be transferred to the Town of Newmarket's reserve fund bank account and be accounted for as a reserve fund effective January 1, 2019; and,
4. That the restrictions as set out in the original agreement be maintained; and
5. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

See below.

Purpose

The purpose of this report is to meet Elman W. Campbell's intentions for the Museum Fund and ensure compliance with the original agreement. This can be best

accomplished by converting the current “Trust Fund” into a reserve fund while maintaining the Museum Board’s authority.

Background

By-law 1988-170 approved and enacted a November 30th, 1988 agreement between Elman W. Campbell and the Town of Newmarket (attached as Appendix A). The general terms were as follows:

1. That a fund would be created and entitled The Elman Campbell Museum Fund.
2. That this fund would be administered by the Town.
3. That the Town would allocate from the income of the fund a portion for the Museum Board to use for capital expenditures, including artifacts and displays.
4. If the allocated income exceeds the capital requirements, a portion may be spent on operating expenses.
5. That the original contributions or “capital” of the fund would be maintained.

The fund has been referred to as a “Trust Fund” and set aside in a bank account separate from the Town’s other operating and reserve funds. It is not clear why this happened.

There is no evidence that a legal trust relationship was ever established; however, separate financial statements are prepared for the “trust” and additional audit fees are incurred as a result.

At the end of 2017, the fund had a balance of \$329,000; \$120,000 in short to mid-term investments and the remainder in cash. The separation and size of the account limits the investment returns.

Discussion

To comply with the original 1988 agreement, the following changes should be undertaken:

1. The fund should be renamed The Elman Campbell Museum Fund (or Museum Fund for short).
2. The Fund should no longer be referred to as a “trust”.
3. The Museum Board should make formal annual capital requests for the use of the Museum Fund’s income.

The separate Museum Fund bank account should be closed and the balance transferred to the Town’s reserve fund bank account. There is no requirement for a separate bank account. The reserve fund would be allocated interest. Better returns can be achieved through this consolidation.

Separate audited financial statements should no longer be prepared: they are not required. This will result in some internal efficiencies and possibly some savings on our audit costs.

Council has never made a formal decision on any of the previous years' investment income for the fund. Under the Agreement, they may allocate it to the Museum Board or increase the "capital" portion of the fund (the portion not available for future expenditures). When the Town's consolidated 2018 results are brought forward for disposition, this can be addressed.

Conclusion

Next steps:

Approval of these recommendations would remove the requirement of a separate set of financial statements for the Fund, and the need for a separate audit.

When the Town's 2019 results are determined, Council can then decide on the capital portion of the Museum Fund.

Business Plan and Strategic Plan Linkages

This report links to Newmarket's key strategic directions in being Well Managed through fiscal responsibility.

Consultation

The Town's Audit Committee recommended a review of the Elman Campbell Museum Fund.

The Town's Legal Services department has confirmed that there is no trust relationship.

The current term Museum Board was disbanded before there was an opportunity to discuss this matter with them. Council will appoint members to a new Board early in 2019. Although it does not appear that its approval is required, obtaining their feedback is recommended.

Human Resource Considerations

Not applicable.

Budget Impact

By consolidating the fund with the other reserve funds, a better rate of return can be achieved on investments. This would increase future funds available to the Museum Board.

Potentially, some of the investment income could be applied to the operating budget if the revenue exceeds the current capital requirements. This is not recommended but is an option for consideration. The ability to do so already exists and is not subject to adopting the recommendations of this report.

Attachments

Appendix A – By-law 1988-170, agreement between Elman Winton Campbell and the Town of Newmarket

Approval

Mike Mayes, CPA, CGA, DPA
Director, Financial Services/Treasurer

Esther Armchuk, LL.B
Commissioner of Corporate Services

Contact

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