



Town of Newmarket
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Draft 2020 Operating and Capital Budgets Staff Report

Report Number: 2019-130

Department(s): Financial Services

Author(s): Mike Mayes

Meeting Date: November 25, 2019

Recommendations

1. That the report entitled Draft 2020 Operating and Capital Budgets dated November 25, 2019 be received; and
2. And that the Draft 2020 Operating Budget with expenditures of \$134,560,230 be approved, which is comprised of the following components;
 1. \$65,229,417 for Town purposes
 2. \$17,286,952 for Central York Fire Services (Newmarket's share)
 3. \$3,717,875 for the Newmarket Public Library
 4. \$1,710,000 for the Mulock Farm levy
 5. \$30,000 for the Newmarket Downtown Business Improvement Area (BIA)
 6. \$20,379,125 for the Water Rate Group
 7. \$21,321,864 for the Wastewater Rate Group
 8. \$2,141,135 for the Stormwater Rate Group
 9. \$2,743,862 for the Building Permit Rate Group
3. And that a Capital Spending Authority of \$50,620,079 be established, being \$37,810,575 for 2020 and \$12,809,504 for 2021; and
4. That the draft 2020 Operating and Capital Budgets be forwarded to the Council meeting of December 2, 2019 for final approval; and
5. That Council authorize the Director of Financial Services/Treasurer to:
 - a) Make any necessary adjustments within the total approved budget to reflect organizational changes and any other reallocation of costs.

- b) Accept and adjust the budget for new provincial and/or federal funding provided there is no tax levy impact.
6. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

For the average residential property, the proposed budget would be a 2.99% increase in property taxes, a 4.92% increase in the combined water and wastewater rates, and a 10.86% increase in the stormwater charge.

Purpose

The purpose of this report is to obtain Committee of the Whole approval of the draft budgets – Tax-Supported Operating, Rate-Supported Operating and Capital - so that they may be recommended to Council for final approval and adoption effective January 1, 2020.

Background

Foundation for the Budget

The budget process schedule and targets were established on April 29, 2019 with [Report 2019-42, 2020 Budget Process and Target](#). This was amended and adopted by Council on May 6, 2019.

[2020 Budget Process Update, Report 2019-102](#), was presented to Committee of the Whole on October 15, 2019. Council was notified that all budget targets had been met and that there were challenges that had to be dealt with.

Budget details were provided at Special Committee of the Whole meetings intended for Council deliberations and public feedback.

On October 25, 2019:

- [2020 Preliminary Draft Rate-Supported Operating Budgets, Report 2019-108](#), provided the details for the Water, Wastewater, Stormwater and Building Permits Fees budgets. It also elaborated on the challenge of funding the Stormwater capital program.
- [2020 Preliminary Draft Capital Budget, Report 2019-110](#), provided the details of the Capital budget and introduced the concepts of a Capital Program and Capital Spending Authority. It discussed the challenges of capital carryovers and tax-supported Asset Replacement Fund (ARF) deficit.

And on November 11, 2019:

- [Preliminary Draft Tax-Supported Operating Budget, Report 2019-119](#), provided the details of the Tax-supported Operating Budget and Decision Packages – both tax and rate-supported.

These reports provided the details for the draft budgets. Any changes are noted in this report in the Discussion section.

The Town of Newmarket is a \$172.4 million operation

In addition to \$134.6 million in operational expenditures, there will be \$37.8 million in capital expenditures.

Operating budgets

The operating budgets – tax and rate-supported consist of the following expenditures:

Area	Expenses based on PSAB	Principal Repayment on Long-term Debt	Capital Financing	Transfer to Reserves/ Reserve Funds	Total Expenditures
Town	\$ 54,961,925	\$2,767,521	\$ 294,000	\$ 7,205,971	\$ 65,229,417
Mulock Farm	1,100,000	560,000		50,000	1,710,000
Downtown BIA	30,000				30,000
Library	3,446,130			271,745	3,717,875
CYFS	15,987,352			1,299,600	17,286,952
Tax-supported	\$ 75,525,407	\$ 3,327,521	\$ 294,000	\$ 8,827,316	\$ 87,974,244
Water	\$ 16,260,858	\$ 42,077		\$ 4,076,190	\$ 20,379,125
Wastewater	18,513,465	42,077		2,766,322	21,321,864
Stormwater	1,676,622			464,513	2,141,135
Building	2,743,862				2,743,862
Rate-supported	\$ 39,194,807	\$ 84,154	\$ 0	\$ 7,307,025	\$ 46,585,986
Total	\$ 114,720,214	\$ 3,411,675	\$ 294,000	\$ 16,134,341	\$ 134,560,230

Expenses based on PSAB are used for financial statement reporting as regulated by the Public Sector Accounting Board (PSAB), but do not include amortization.

Principal Repayment on Long-term Debt excludes interest which is included in Expenses.

Capital Financing is the amount transferred from the Operating to the Capital Budget. It does not include the operating and maintenance costs of new infrastructure, which is included in Expenses.

Transfer to Reserves/Reserve Funds includes contributions to the Asset Replacement Fund.

Total Expenditures are an expanded fund-based approach used for budgeting and management purposes.

The Decision Packages recommended for inclusion in the operating budgets are included in Appendix A – Decision Packages for the Base Budget and Appendix B – Decision Packages for Growth.

Capital Budget

The Capital Spending Authority is the total of all capital expenditures approved by Council and may span more than one year. This differs from the Capital Budget which is the annual component and includes the required funding. The Capital Program is the list of projects to be delivered by the Capital Budget.

The requested Capital Spending Authority of \$50.6 million includes \$37.8 million for 2020 and \$12.8 million for 2021.

The list of recommended projects for 2020 can be found in Appendix C – 2020 Capital program. The 2020 Capital Budget can be summarized as follows:

Category	ARF	DC's	General	Other	Total
Replacement	\$ 10,331,089	-	\$ 200,000	\$ 11,320,903	\$ 21,851,992
Growth	825,000	12,770,032	192,500	-	\$ 13,787,532
Other	404,000	-	254,058	1,512,993	\$ 2,171,051
Total	\$ 11,560,089	\$12,770,032	\$ 646,558	\$ 12,833,896	\$ 37,810,575

ARF – the Asset Replacement Fund funds 31% of the capital budget. It is used for the cost of replacing capital assets at the end of their life cycle. This may be determined by condition assessments such as the Roads Needs Study, and is informed by Asset Management Plans. The goal is to maintain existing service levels for the current population.

DC's – Development Charges fund 34% of the capital budget. Their focus is on growth needs as determined by the Development Charges Background Study. The goal is to maintain service levels for a growing population.

General funding is from either the tax-supported operating budget or from general capital reserves – those not designated for a specific purpose. It covers items that do not have a dedicated source of funding.

Others includes the Federal Gas Tax (\$6,458,000), reserves and reserve funds (\$1,552,993) and water rates for the water meter / AMI project (\$4,822,903).

The 2021 allocation is for projects that require a commitment to be made in 2020. These are listed in Appendix D – 2021 Capital Program and include:

- 2nd phase of projects that span two years - \$6.2 million for the new fire station and \$4.8 million for the water meter / AMI project
- Vehicles that are ordered in advance for delivery in 2021 - \$1.7 million
- Climate Change Sustainability Plan for \$60,000
- Mulock Multi-Use Plan (MUP) which does not yet have a cost estimate

The 2021 program will be expanded as part of the budget process next year. The above projects provide a starting point.

The capital budget has projects that will generate ongoing operational costs and savings.

In the Tax-supported Operating budget:

- \$1,012 of additional base costs for the Implementation of Administrative Monetary Penalty System for Parking Offences
- \$12,150 of additional growth costs for Active Transportation Implementation

In the Rate-supported Operating budget:

- \$15,000 of savings in water expenses from the Fire Hydrant Barrel Cutter

These amounts have been included in the appropriate budgets.

Discussion

All goals were achieved

The Tax-supported Operating Budget delivers on its goals:

1. A tax increase of less than 3%
 - A base budget increase of 1.99%
 - An infrastructure levy of 1.00%
2. \$546,000 in net budget reductions were found
 - The original budget reduction requirement for \$546,000 grew to \$1,121,000 when \$575,000 in extraordinary items were included and additional budget reductions were found to offset them
3. It does not include anticipated results or recommendations from the Service Delivery Review - “REV It Up”
 - The 2020 budget is not deferring costs to future years
 - The 2020 budget is not borrowing revenue or savings from future years
4. Assessment Growth Revenue of 1.3% has only been applied to growth-related expenditures.

The rate-supported budgets align with their 6-year financial plans for rate increases.

The capital program is deliverable and is within the available funding envelope. It is within the limits of operational and financial capacity.

Changes have been made to the budget

Feedback from Members of Council and new information have prompted some modifications to the preliminary draft budgets.

Extraordinary Items

The preliminary draft tax-supported budget included \$575,000 in Extraordinary Items. These were potentially significant budget challenges; however, cost reductions were found to factor them into the base budget without impairing operations or impacting the tax levy.

New information emerged since the presentation of the preliminary draft budgets.

One of the items was a 25% increase in major medical benefits. Staff have been able to incorporate changes in our plan that can mitigate this increase without jeopardizing coverage. The savings are \$259,500 from a projected increase of \$420,000.

Quotes for the renewal of our insurance are showing higher than anticipated premiums - \$240,000 more than we had provided for in the budget. This appears to be a municipal trend and no options are currently apparent.

As these two items offset each other, there is no budget impact. The difference of \$19,500 has been used to supplement benefit cost estimates.

Growth Expenditures

The growth expenditures for the tax-supported budget had included \$30,000 for “operating costs for a donated park” – this requires clarification. It is for 2.4 hectares of open space in the Glenway area that is now being conveyed (donated) to the Town by a developer. This land will require maintenance – grass cutting and forestry work on the trees.

The usual practice is to account for maintenance costs for capital additions during the budget process, and if this had been a “usual” budget item, the operating costs would have been considered with an earlier budget as this conveyance has been expected for a while. This qualifies as growth capital but was missed due to its no-cost nature. The \$30,000 budget request is to account for this oversight.

Capital Program

There were many questions on the capital budget related to projects not included in the capital program – items that were either in the Deferred or Cancelled lists. The list of

projects that were reconsidered, and the responses are in Appendix E – Capital Project Inquiries from Council.

Some items needed clarification as they were under another name. Some projects remained deferred as we do not have the operational or financial capacity to deal with them at this time and there are other priorities.

Some projects were added to the Recommended List, which was revised as a result and can be found in Appendix C – 2020 Capital Program. Capacity was made for these by deferring the following projects that had previously been recommended:

- Mezzanine Level Blinds at Operations Centre (FAC 15) – a growth request for \$23,000 funded by Development Charges
- Haskett Park TL & Breathing Space (5218047) – a growth request for \$1,650,000 funded by Development Charges
- Sport Field Lighting Phase II (5219057) – a replacement request for \$170,000 funded by the tax-supported Asset Replacement Fund

There is a \$20,000 request from Neighbourhood Network for sponsorship of a collaborative approach to diversity. If Council chooses to approve this, it is recommended that it should be dealt with as an operating budget item and funded from an appropriate reserve fund.

Further Changes

As the year progresses, there will be further changes. The next section talks about the changes that are known, but there could also be some that are not. The Town could be the recipient of unanticipated grants or the beneficiary of other opportunities. For this reason the Town is adopting a practice from the Regional Municipality of York, to delegate to the Treasurer the authority to make minor adjustments to the budget as required. This is the intention of the sixth recommendation referenced on Page 1 & 2 of this report.

Flexibility for the future

The 2020 budget is creating flexibility for the future. It has done this by reducing commitments to future budgets and creating discretionary provisions.

The budget is not deferring costs to future years if they should be dealt with in 2020. For instance, \$240,000 in costs were carried forward from the 2019 budget. There is no such deferral in the 2020 budget. All extraordinary items have been factored into the budget.

The budget contains provisions for Decision Packages that are pending review. These funds could be reallocated to other priorities. If not specifically applied, these funds will be

transferred to capital reserves – growth, general capital and/or the Asset Replacement Fund. The pending amounts total \$779,977 and include:

- \$98,784 in the tax-supported base budget
- \$391,360 in the tax-supported growth budget
- \$268,117 in the rate-supported budget
- \$21,716 in the rate-supported base budget

The Town received additional Gas Tax payments in 2019 of \$2,594,820. These funds have not been assigned and are available.

The 2020 budget does not rely on anticipated revenues or savings from future years. All estimates are reasonably attainable. The savings that may result from the REV It Up program will be available for future projects and budgets.

Conclusion

Next Steps

The Committee of the Whole has been presented with the draft 2020 operating and capital budgets. The direction provided with respect to the staff recommendations on the above will go to Council for adoption of the 2020 budgets.

The restrictions applied to the 2020 capital budget are just an interim step; the longer term solution is the creation of a comprehensive revamping of our financial policies and strategies. An overarching fiscal framework, comparable to that of York Region, is targeted to be presented to Council in May/June of 2020.

Business Plan and Strategic Plan Linkages

This report links to Council's strategic priority of long-term financial sustainability by developing a multi-year operating and capital budget that aligns with the Budget Policies.

Consultation

All members of the Senior and Operational Leadership Teams participated in the preparation of the budgets.

Members of Council provided direction, comments and questions at the Committee of the Whole meetings on April 30 and October 15, 2019; and at the Special Committee of the Whole meetings on October 28 and November 11, 2019.

Answers to questions from Members of Council are included in the appendices:

- Appendix E – Capital Project Inquiries from Council
- Appendix F – Budget Inquiries from Council

Joint Council Committee (JCC)

A special Joint Council Committee (JCC) meeting was held on October 22, 2019 to review and make a recommendation on the 2020 Central York Fire Services (CYFS) budget. The Town of Aurora will be reviewing the budget on November 25, 2019. They can then provide comments to Newmarket Council for the December 2, 2019 meeting.

Newmarket Public Library Board

The Library Board approved the Newmarket Public Library budget request on September 18, 2019.

Other Boards and Committees

There have been no budget requests from any of the boards or committees, including the Newmarket Downtown BIA.

Water, Wastewater and Stormwater Budgets

The Water, Wastewater and Stormwater budgets are based on their 6-year financial plans, which were adopted by Council on June 26, 2017.

The 2020 rates for water, wastewater, stormwater, and building permit fees will be adopted by Council on December 2, 2019.

2020 Budget Communications and community engagement

The focus of the communications and community engagement for the 2020 budget was on engaging residents through the Town's online digital platform Hey Newmarket and encouraging participants to play the 2020 budget game. The budget game helps to gauge residents satisfaction levels with Town services and also provides an opportunity for general comments and feedback. Hey Newmarket and the budget game were promoted via the Town's website, social media channels, media advisory/releases, Newmarket Now e-newsletter, Town page ads and various other communications tools and tactics. Through social media there were 354 unique link clicks to the budget game, with a reach of 10,782 and 36,396 impressions. In addition, a budget-focused brochure was mailed to all households as a tax bill insert and a budget-themed tool kit was provided to Council.

Hey Newmarket

Hey Newmarket provided information on the 2020 budget, access to the budget game, key dates and the opportunity to ask questions and provide general feedback on the budget process. In October and November, there were approximately 100 visits to the 2020 budget page on Heynewmarket.ca.

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2020 Budget: How would you like to see your tax dollars invested?

The Town of Newmarket is dedicated to serving the needs of our residents. We want your opinion on how you want to see **YOUR** tax dollars invested and on our overall budget process.

Newmarket's budgets are built around resident feedback and priorities set by the Newmarket Council. We also have to ensure that as Newmarket continues to grow, we are allocating the appropriate funds to the needs of our growing demographic, without sacrificing levels of service to our residents.

Your opinion and feedback matters to us.

Here is how you can contribute to the overall budget process:

Play our Budget Game - Investing your tax dollars

Who's listening

Mike Mayes
Director of Finance, Treasurer, Town of Newmarket
Email: finance@newmarket.ca

Play the Budget Game Investing your tax dollars

Play today! Your feedback matters!

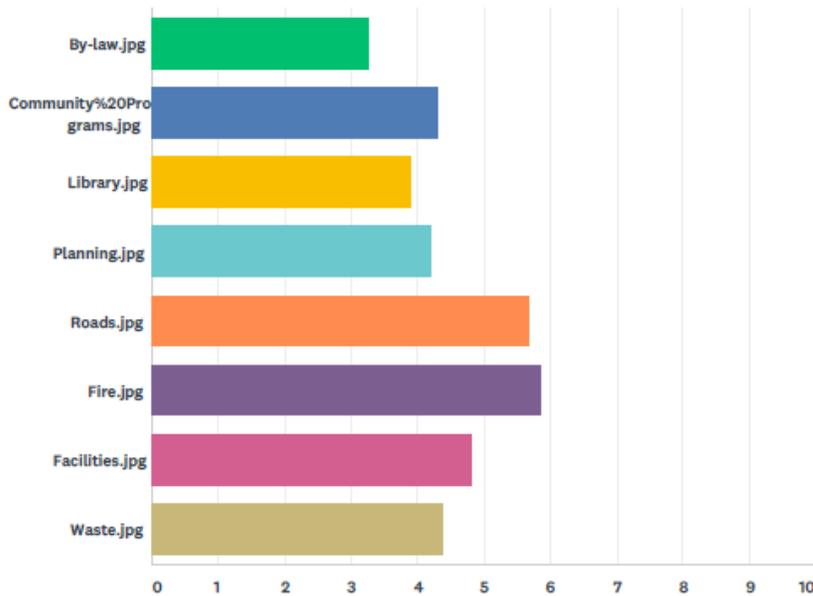
Council's Strategic Priorities

Learn more about Newmarket Council's Strategic Priorities for the 2018-2020 term!

Investing your tax dollars – 2020 budget game

The budget game asks residents to how they would like to see their tax dollars invested by ranking the Town's eight primary services by level of importance (one being most important, eight being least important).

There were approximately 250 participants in the budget game. Approximately one quarter of the participants were satisfied with all services equally. The remaining participants ranked the municipal services fairly equally with roads, bridges and sidewalk and fire services ranking slightly higher. Fire services had the highest number one ranking with 33 per cent, followed by roads, bridges and sidewalks at 19 per cent.



The budget game also asks for additional comments on the 2020 budget. Over 70 comments were received and are attached to this report for your reference as Appendix G.

This is generally consistent with the feedback received from the 2019 budget engagement and the town’s community survey (2018). The community survey found that 85 per cent of residents surveyed felt they were receiving at least fair value for their tax dollars and user fees spent in support of town services and four out of five residents surveyed are satisfied with the overall service levels provided by the Town, particularly in quality of service delivery.

Human Resource Considerations

The tax-supported and rate-supported operating budgets have limited recommendations for additional staff at this time. The three requests that have been included are all related to growth:

- 4 additional firefighters for Central York Fire Services
- Additional casual staffing for Visual Services at the Newmarket Public Library
- Additional casual staffing to maintain the donated land

The approach taken for the 2020 Budget is to limit additions to the budget, and specifically to staffing levels, until the outcomes and recommendations from the REV It Up service delivery review are received. Provision has been made in the budgets for the expense, but adjustment to the staffing complement will still require Council approval.

Budget Impact

Operating Budgets

The draft tax-supported budget would require a 2.99% tax increase, which includes an additional 1.0% as an infrastructure levy. This would be an increase of \$59.74 to the average residential property.

The combined water and wastewater increase would increase the cost to the average residential property by 4.92% or \$59.72.

The stormwater budget would increase the cost to the average residential property by 10.86% or \$4.12.

Combined with the projected Regional tax increase, an average residential property would see the following property tax increases:

	2019	2020	Increase \$	Increase %
Town	\$ 1,998.04	\$ 2,057.78	\$ 59.74	2.99 %
Region	2,082.39	2,144.03	61.64	2.96 %
	4,080.43	4,201.81	121.38	2.97 %
School Board	996.18	996.18	0.00	0.00 %
	\$ 5,076.61	5,197.99	\$ 121.38	2.39 %

The recommended draft operating budgets would result in a 2.39% “all-in” (Region, School Board, Town) tax increase to the average residential taxpayer – subject to tax shifting and finalizing tax rates.

Capital Budget

The recommended draft capital budget includes \$37,810,575 in expenditures, for which there is adequate financing provided.

Attachments

- Appendix A – Decision Packages for the Base Budget
- Appendix B – Decision Packages for Growth
- Appendix C – 2020 Capital Program
- Appendix D – 2021 Capital Program

- Appendix E – Capital Project Inquiries from Council
- Appendix F – Budget Inquiries from Council
- Appendix G – Budget Individual Comments

Approval

Mike Mayes, CPA, CGA, DPA
Director of Financial Services

Esther Armchuk, LL.B
Commissioner, Corporate Services

Contact

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