



# Town of Newmarket

## Agenda

### Special Committee of the Whole

Date: Monday, February 4, 2019  
Time: 9:00 AM  
Location: Council Chambers  
Municipal Offices  
395 Mulock Drive  
Newmarket, ON L3Y 4X7

Pages

1. Additions & Corrections to the Agenda
2. Declarations of Pecuniary Interest
3. Presentations & Recognitions

3.1 Operating Budget and 2019 Preliminary Budget

2

**Note:** Mike Mayes, Director of Financial Services will be present to provide a presentation.

1. That the presentation be received.

4. Deputations
5. Adjournment





# Draft 2019 Operating Budgets

Presenter: Mike Mayes  
Date: February 4, 2019



# Agenda

1. What does Council need to know for the 2019 budget?
2. Update budget recommendations
3. Further reduction options



# This Year's Theme is . . .

*Setting the stage for an extraordinary future*

- New Council, New CAO
- Community Survey
- Mulock Farm Visioning
- Development of the Corridors
- Changing environment

This is an opportunity to pause as we collectively determine our future direction through the Strategic Priority exercise.





# What is the operating budget?

The annual plan for the purchase and financing of the Town's operations.

It includes salaries, materials and supplies.

It does not include capital expenditures.

After all revenues are applied (e.g. user fees), the tax levy is used to balance the budget.



# Summary of Budget Impact on Average Residential Property



Increase	Proposed	Option 1	Option 2
Tax increase	3.95 %	3.25 %	2.99 %
Property tax	\$ 77	\$ 62	\$ 58
Water / wastewater	59	59	59
Stormwater	4	4	4
<b>Total</b>	<b>\$ 140</b>	<b>\$ 125</b>	<b>\$ 121</b>



# Rate-supported Operating Budgets





# Rate-supported Budgets



	Revenue increase included in 6-year plan		Rate Increase for the average residential property	
Water	\$ 1,570,000	9.28%	5.10%	\$ 59.00
Wastewater	\$ 740,000	3.59%		
Stormwater	\$ 218,000	11.80%	11.80%	\$ 4.00



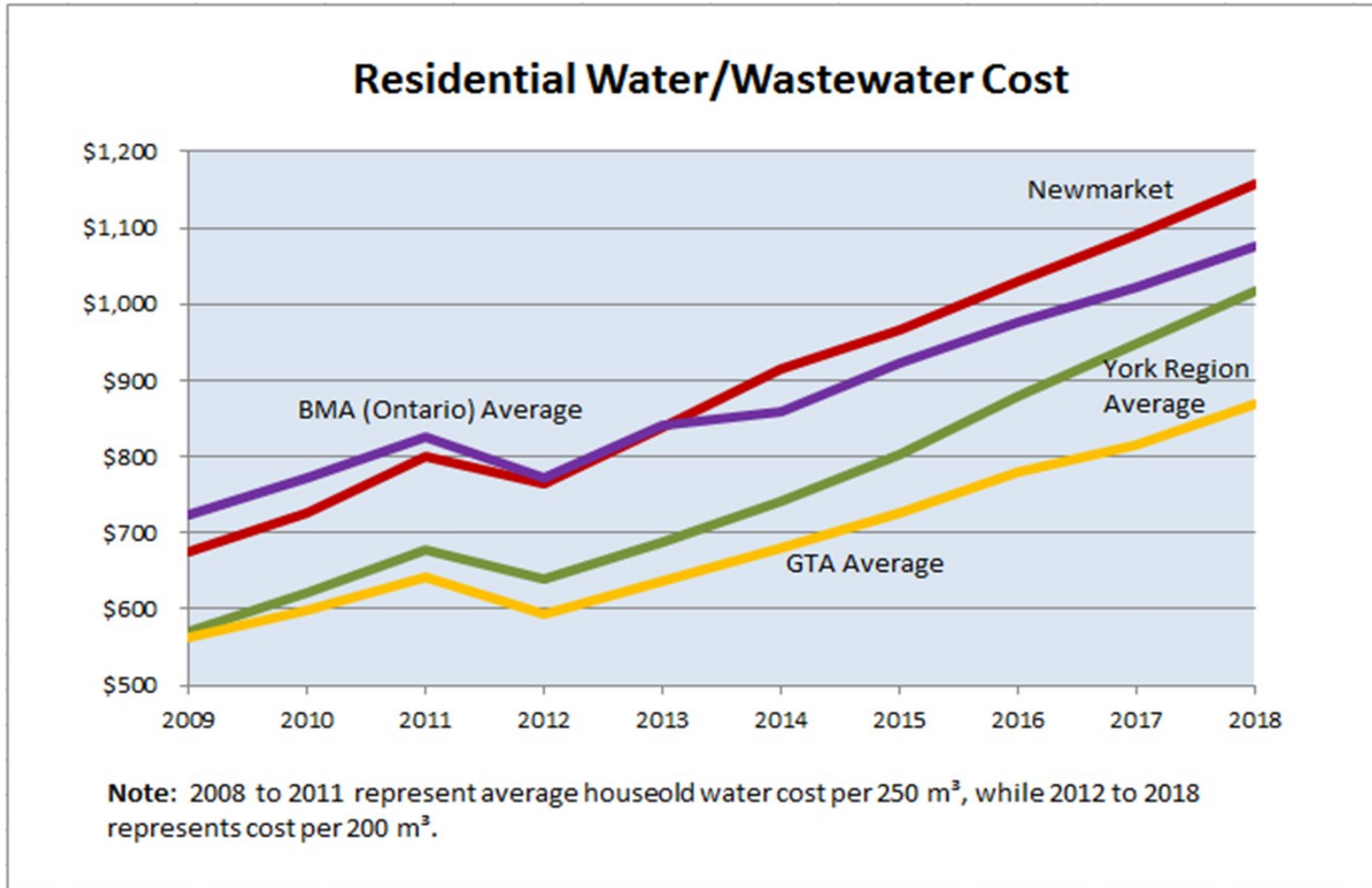
# Operating Budget - Water & Wastewater



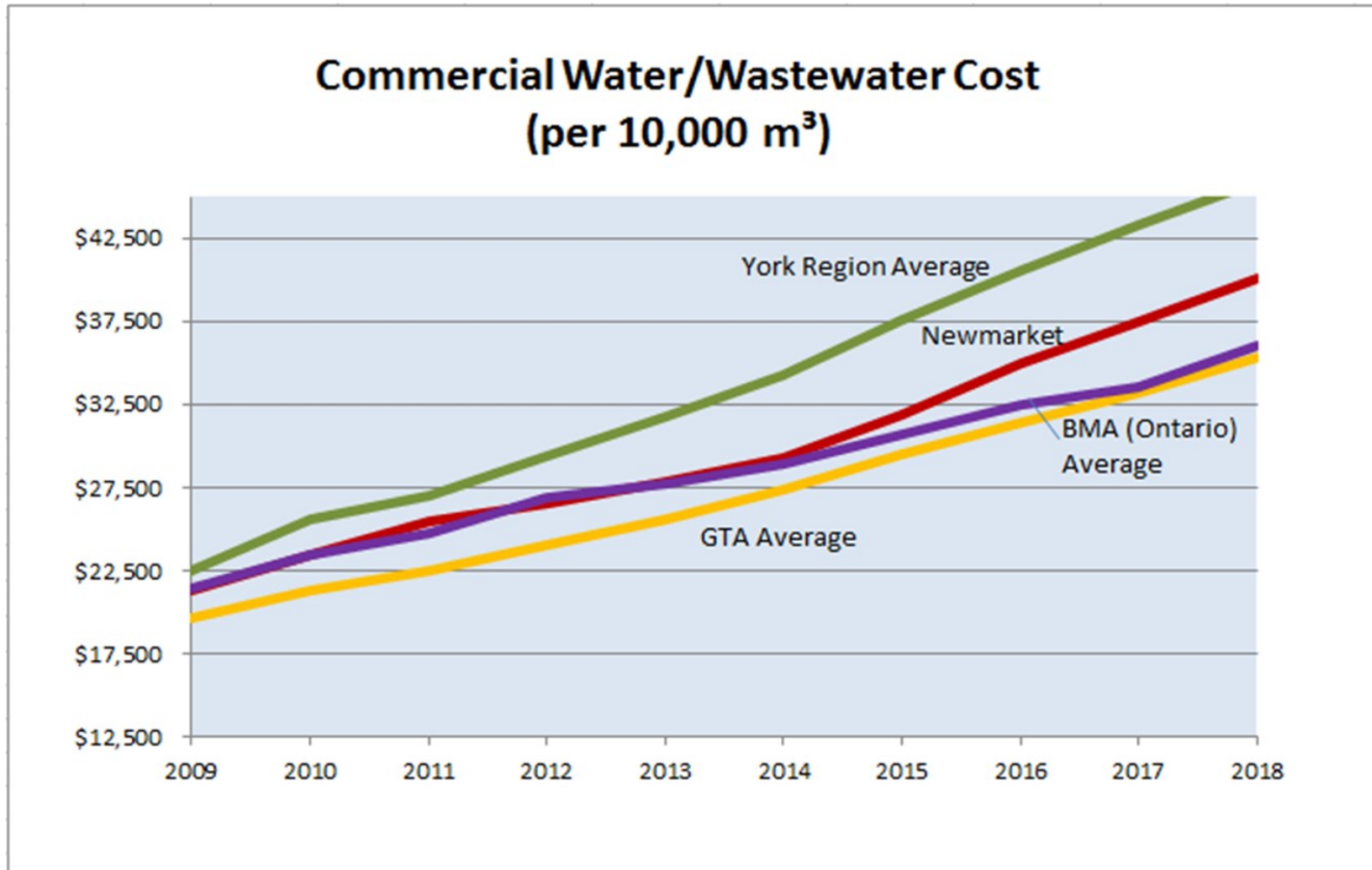
	2018	2019	Change
<b>Rate revenue</b>	<b>\$ 36,813,939</b>	<b>\$ 38,163,615</b>	<b>\$ 1,349,676</b>
Region	\$ 21,962,805	\$ 22,980,679	\$ 1,017,874
Operations	5,052,397	5,480,176	427,779
ARF	7,067,859	6,555,609	- 512,250
Overhead	2,148,000	2,214,000	66,000
Rate stabilization	582,878	933,151	350,273
	<b>\$ 36,813,939</b>	<b>\$ 38,163,615</b>	<b>\$ 1,349,676</b>



# Water/wastewater are at full cost recovery



# Tiered rates will shift burden to major business users



# Water Rate Comparison - Average Residential Property



Year	Newmarket	York Region average	% above
2008	\$ 501	\$ 424	18.2 %
2009	\$ 539	\$ 456	18.2 %
2010	\$ 581	\$ 498	16.7 %
2011	\$ 641	\$ 542	18.3 %
2012	\$ 765	\$ 640	19.5 %
2013	\$ 839	\$ 687	22.1 %
2014	\$ 914	\$ 741	23.3 %
2015	\$ 967	\$ 804	20.3 %
2016	\$ 1030	\$ 879	17.2 %
2017	\$ 1090	\$ 949	14.9 %
2018	\$ 1157	\$ 1019	13.5 %

Based on average residential consumption of 200 cubic meters per year



# Operating Budget - Stormwater



	2018	2019	Change
Revenue	\$ 1,852,084	\$ 2,069,804	\$ 217,720
Operations	\$ 1,160,623	\$ 1,284,759	\$ 124,136
ARF	340,512	435,096	94,584
Overhead	340,000	340,000	-
Rate stabilization	10,949	9,949	- 1,000
	<b>\$ 1,852,084</b>	<b>\$ 2,069,804</b>	<b>\$ 217,720</b>



# Operating Budget - Building

	2018	2019	Change
Revenue	\$ 1,680,191	\$ 1,680,191	\$ 0
Operations	\$ 2,070,238	\$ 2,156,069	\$ 85,831
Overhead	466,463	492,084	25,621
	<b>\$ 2,536,701</b>	<b>\$ 2,648,153</b>	<b>\$ 111,452</b>
Draw on reserve fund	\$ 856,510	\$ 967,962	\$ 111,452



# Tax-supported Operating Budget





# Draft 2019 Tax-supported operating Budget



	Increase \$	Tax Impact
CYFS	\$ 356,000	0.61 %
Library grant	75,000	0.13 %
Town, base budget	672,000	1.15 %
Mandatory items	223,000	0.38 %
Growth, net	-	-
Mulock Farm levy	-	-
Extraordinary items	400,000	0.68 %
	<b>\$ 1,726,000</b>	<b>2.95 %</b>
Infrastructure levy	585,000	1.00 %
<b>Total</b>	<b>\$ 2,311,000</b>	<b>3.95 %</b>



# Town Tax Dollars at a Glance

## Monthly Breakdown for an Average Resident



Service bundle	2018	2018	Change
Community Programs & Events	\$ 10.60	\$ 12.00	\$ 1.40
Public Library Services	9.83	10.04	0.21
Fire & Emergency Services	43.51	45.01	1.50
Roads, Bridges & Sidewalks	28.15	30.37	2.22
Planning & Development Services	10.56	11.36	0.80
Facilities, Parks & Trails	42.45	42.42	-0.03
By-law & Licensing Services	4.18	4.16	-0.02
Waste Management	9.70	10.05	0.35
Mulock Estate	3.87	3.87	0.00
	<b>\$ 162.85</b>	<b>\$ 169.28</b>	<b>\$ 6.43</b>



# Growth revenues will continue to be used for growth expenses



<b>Assessment Growth 1.23%</b>		<b>\$ 720,000</b>
Operating costs of previously approved growth-related capital		\$ 140,000
Incremental growth in the base budget,		76,000
Fire Master Plan:		
original request	\$ 286,000	
revised allocation	- 32,000	254,000
Mulock Farm operating costs		
total requirement	\$ 350,000	
less amount approved in 2018	- 100,000	250,000
<b>Total expenses</b>		<b>\$ 720,000</b>



# Operating costs of previously approved growth-related capital



Davis & Bathurst Intersection Improvements (Sidewalk & Streetlighting)	\$ 50,000
Sundial Park Development	10,000
Recreation Playbook Implementation for splash pads	50,000
Artificial Turf additional costs	30,000
	<b>\$ 140,000</b>



# Mulock Farm Operating Costs

## Expenses

	Descriptions	Budget	Notes
<i>Facilities</i>	Janitorial	\$ 300.00	Monthly Cleaning
	Building Repairs & Maint (General)	\$ 10,000.00	Roof, Brickwork, Windows, Etc.
	Electrical Repairs & Maint	\$ 5,000.00	Regular maintenance, inspections and unforeseen issues
	HVAC Repairs & Maint	\$ 5,000.00	Regular maintenance, inspections and unforeseen issues
	Plumbing Repairs & Maint	\$ 5,000.00	Regular maintenance, inspections and unforeseen issues
	Telephone	\$ 1,500.00	Internet and phone for security services and safety
	Hydro	\$ 10,000.00	
	Heat	\$ 25,000.00	Approx. \$3,000 per month (Oct - April), less during other seasons
	Water	\$ 2,000.00	
	Insurance	\$ 15,000.00	To be confirmed by Risk Analyst
	Security (On Site Guards)	\$ 40,000.00	Jan/Feb on site (\$30,000) and ongoing as necessary (unforeseen concerns)
	Security Systems	\$ 6,000.00	Monitoring costs for Internal and External security Systems
	Pest Control	\$ 2,000.00	
	One time site coordination matters	\$ 10,000.00	Eg. Fill in pool, surface water remediation, fencing, removing fuel tank etc.
	Departmental Labour Costs	\$ 30,500.00	Daily Site Checks (260), Attending to Contractors when on site (100), Minor Cleaning (30), Building Maintenance (80), Inspection and responding to issues (50), After hours response - OT (20), Tours (20), Supervisor/Management Labour Costs (50) (610 hrs x \$50)
Building Material	\$ 5,000.00	General materials required for building	
Building Fleet & Fuel	\$ 14,000.00	Work, parts, insurance and licensing to maintain vehicles used and fuel	
	<b>\$ 186,300.00</b>		
<i>Property</i>	7 month Park Contract	\$ 21,500.00	Garbage pick up, horticultural help (annual flowers) and Forestry help
	Parks Operator	\$ 70,000.00	Helping with Tree trimming, forestry works, snow removal, property inspection
	Property Fleet & fuel	\$ 15,000.00	Work, parts, insurance and licensing to maintain vehicles used and fuel
	Property Materials	\$ 20,000.00	Garbage bags, sod work, top dressing, seeding, soil, gravel, flowers, fencing, General material for property
Contractor	\$ 53,000.00	Landscaping, grass cutting, work around the building	
	<b>\$ 126,500.00</b>		
Contingency	\$31,280.00	10% total budget for unforeseen issues	
	<b>Total: \$ 344,080.00</b>		



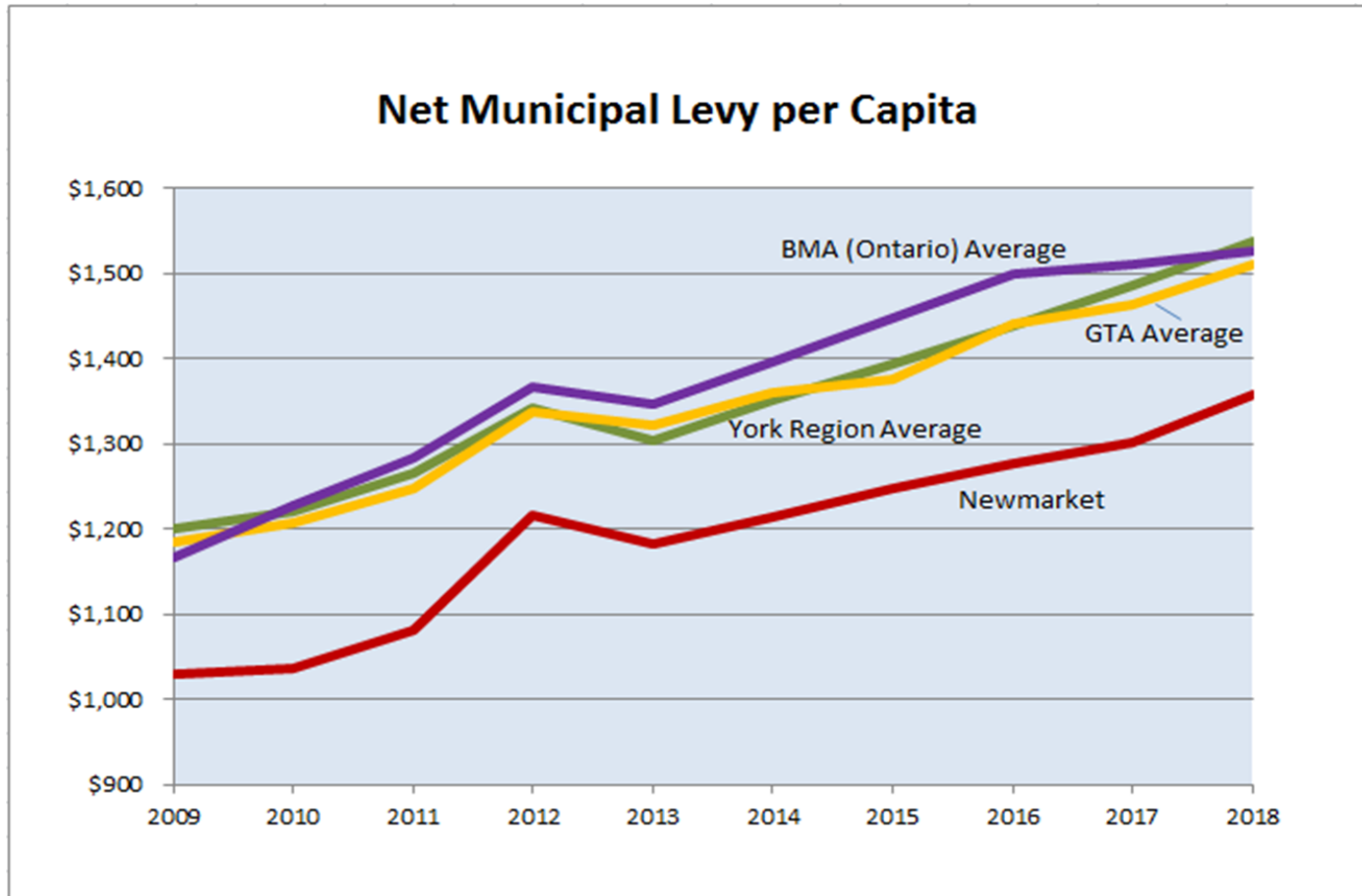
# Budget Revisions

- HR Generalist (DP# HR2) to hire support for Fire, Library and Public Works
  - Was net cost of \$14,560 and deferred
  - Revised to a net cost of \$0 and Recommended
- Built Heritage Resources (Capital DP PLN2)
  - Was a recommended capital project funded from a reserve
  - Revised to deferred operating decision package with no funding



# Revenues

## Taxes below GTA average



# Property Tax Rate Comparison - Average Residential Property



Year	Newmarket	GTA average	% below
2008	\$ 1053	\$ 1202	- 12.4 %
2009	\$ 1030	\$ 1185	- 13.7 %
2010	\$ 1036	\$ 1208	- 14.2 %
2011	\$ 1082	\$ 1248	- 13.3 %
2012	\$ 1217	\$ 1338	- 19.5 %
2013	\$ 1182	\$ 1322	- 9.0 %
2014	\$ 1215	\$ 1360	- 10.6 %
2015	\$ 1247	\$ 1377	- 10.7 %
2016	\$ 1277	\$ 1442	- 9.4 %
2017	\$ 1302	\$ 1464	- 11.1 %
2018	\$ 1359	\$ 1509	- 9.9 %

Per capita municipal levy – upper and lower tier combined





# Budget Reduction Options



# Original Tax Increase Options

	Proposed	Option 1	Option 2
CYFS	0.61%	0.61%	0.61%
Library grant	0.13%	0.13%	0.13%
Town portion, net	1.53%	1.53%	1.53%
Mulock Farm levy	0.00%	0.00%	0.00%
Extraordinary items	0.68%	0.68%	0.68%
	<b>2.95%</b>	<b>2.95%</b>	<b>2.95%</b>
Infrastructure levy	1.00%	0.25%	0.04%
<b>Tax increase</b>	<b>3.95%</b>	<b>3.20%</b>	<b>2.99%</b>
<b>Impact on average residential property</b>	<b>\$ 77</b>	<b>\$ 62</b>	<b>\$ 58</b>



## Council Direction

That staff be directed to provide further budget reduction options in advance of the Special Committee of the Whole meeting on February 4, 2019 regarding the 2019 operating budgets. These options to provide for at least an *additional \$300,000* in reductions to the 2019 tax levy requirement *without directly affecting service levels or the infrastructure levy*. Any potential risk is to be identified and assessed.



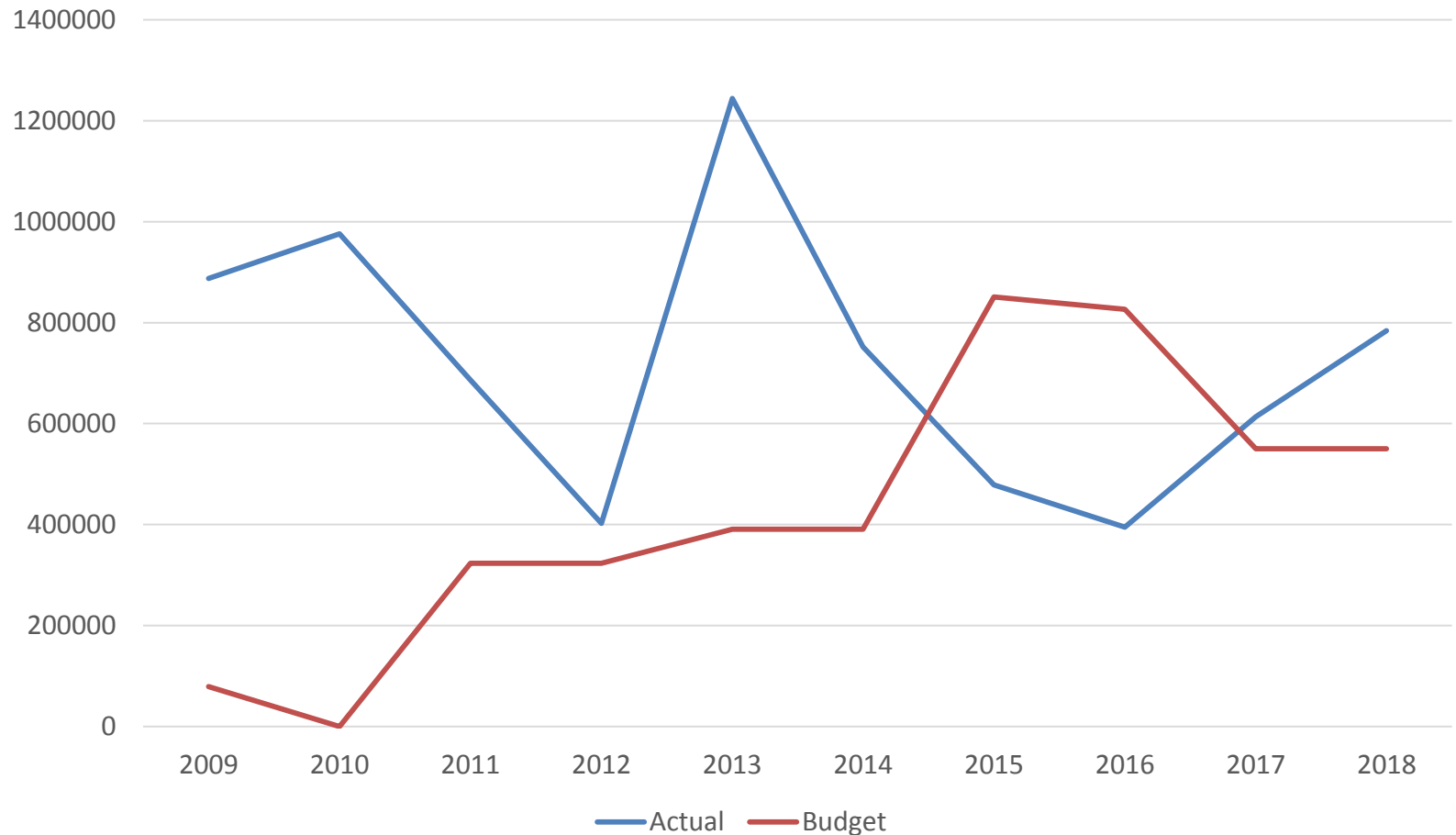


# Further Tax Reduction Options

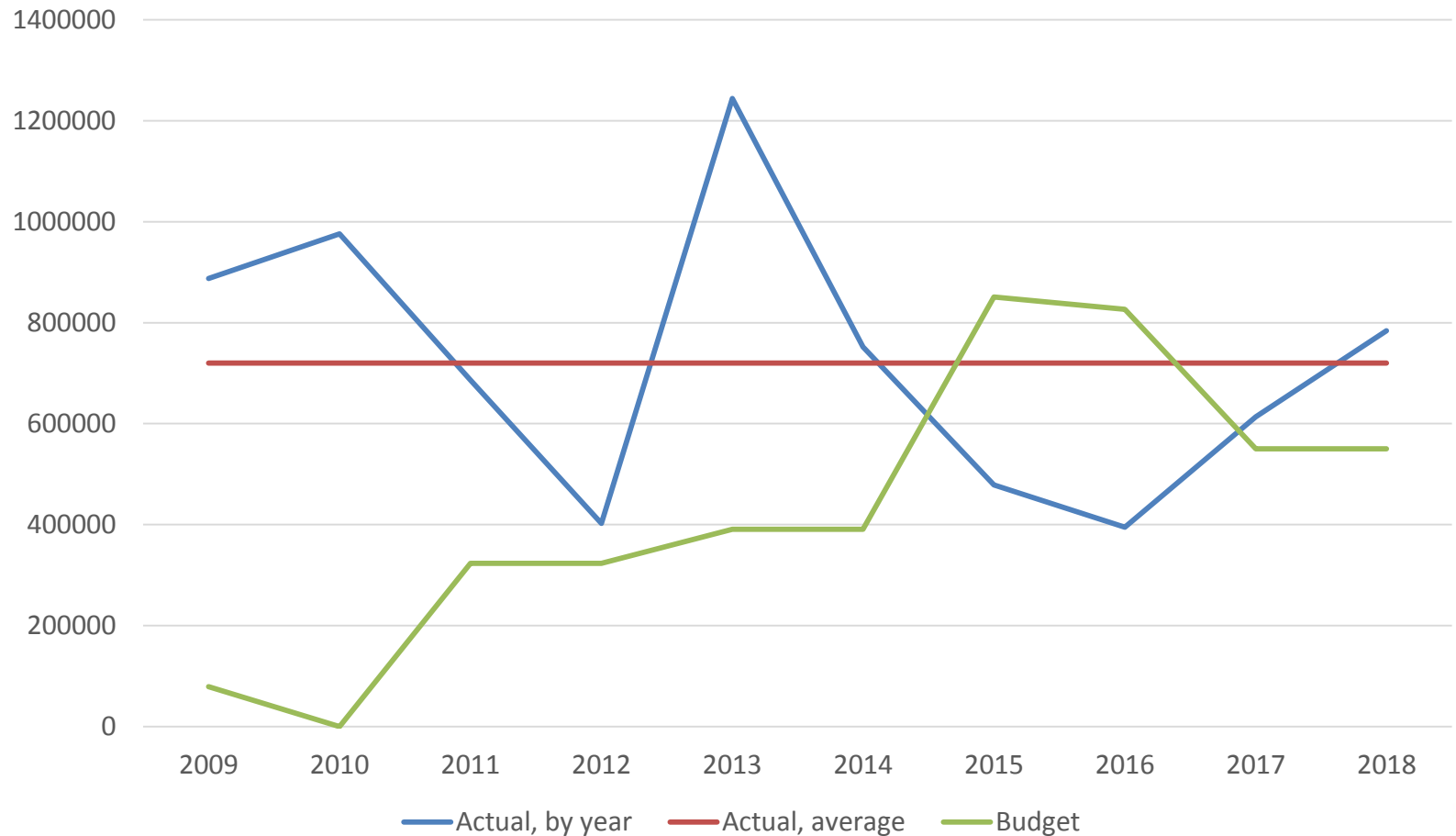
- Revenue, potential increases:
  - Supplementary taxes, up to \$150,000
  - Investment income, up to \$400,000
- Wages, potential savings:
  - Provision for vacancies – “gapping”, up to \$300,000
  - Provision for future casual wage increases, up to \$120,000



# Supplementary taxes are volatile



# Supplementary taxes - 10 year average



# Increase the budget for Supplementary Taxes

## Risk – short term

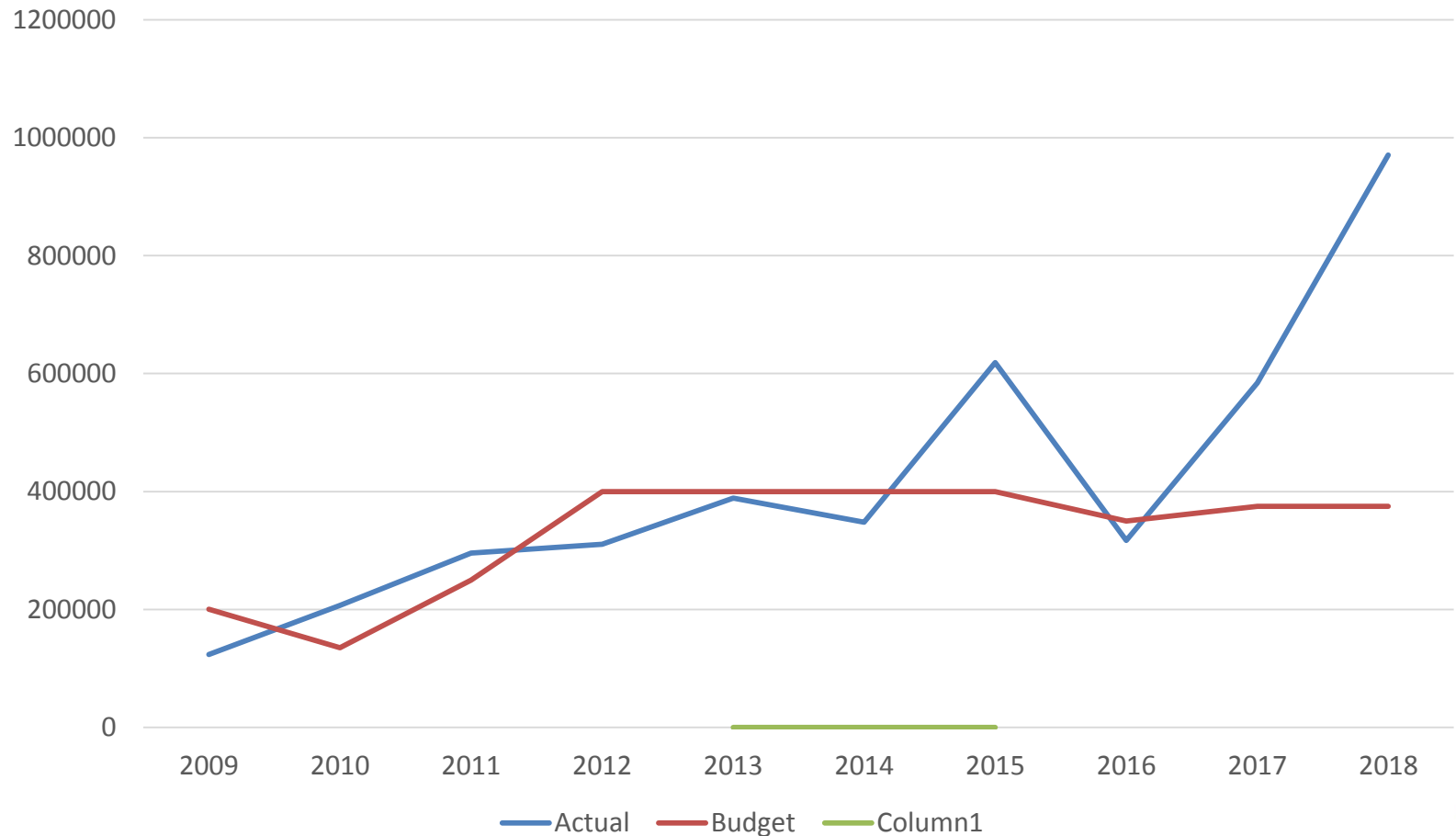
For individual years, the revenue is difficult to predict.

## Risk – medium to long term

As MPAC becomes more efficient the backlog and its related revenue will be reduced resulting in a negative budget impact. Similarly, when growth slows, there will be a negative budget impact.



# Investment income - bank (passive investments)





# Investment income – active investments



	2013	2014	2015	2016	2017	2018
Return on investment	\$ 88,170	\$ 575,918	\$ 524,636	\$ 946,519	\$ 890,938	\$ 1,370,000
Benchmark	28,403	353,967	280,137	528,997	611,715	1,295,000
<b>Incremental income</b>	<b>\$ 59,767</b>	<b>\$ 221,951</b>	<b>\$ 244,299</b>	<b>\$ 417,522</b>	<b>\$ 279,223</b>	<b>\$ 75,000</b>
Operating Allocation	\$ 50,000	\$ 125,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 75,000
Budget	\$ 50,000	\$ 125,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000
<b>Variance</b>	-	-	-	-	-	<b>- \$ 100,000</b>



# Increase the budget for Investment Income

## Risk – short term

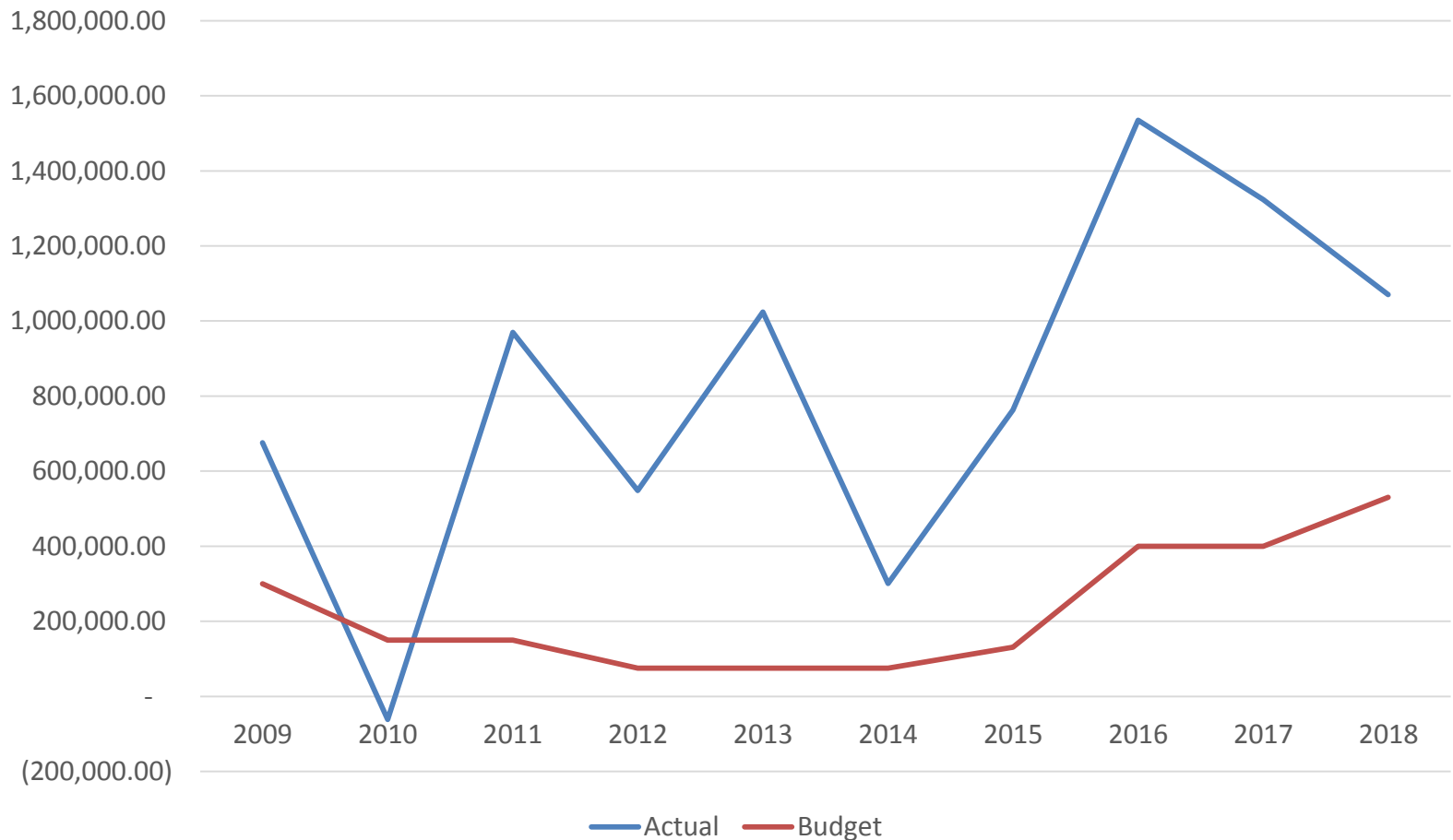
Interest rate hikes are expected so that should not be an issue.

## Risk – medium to long term

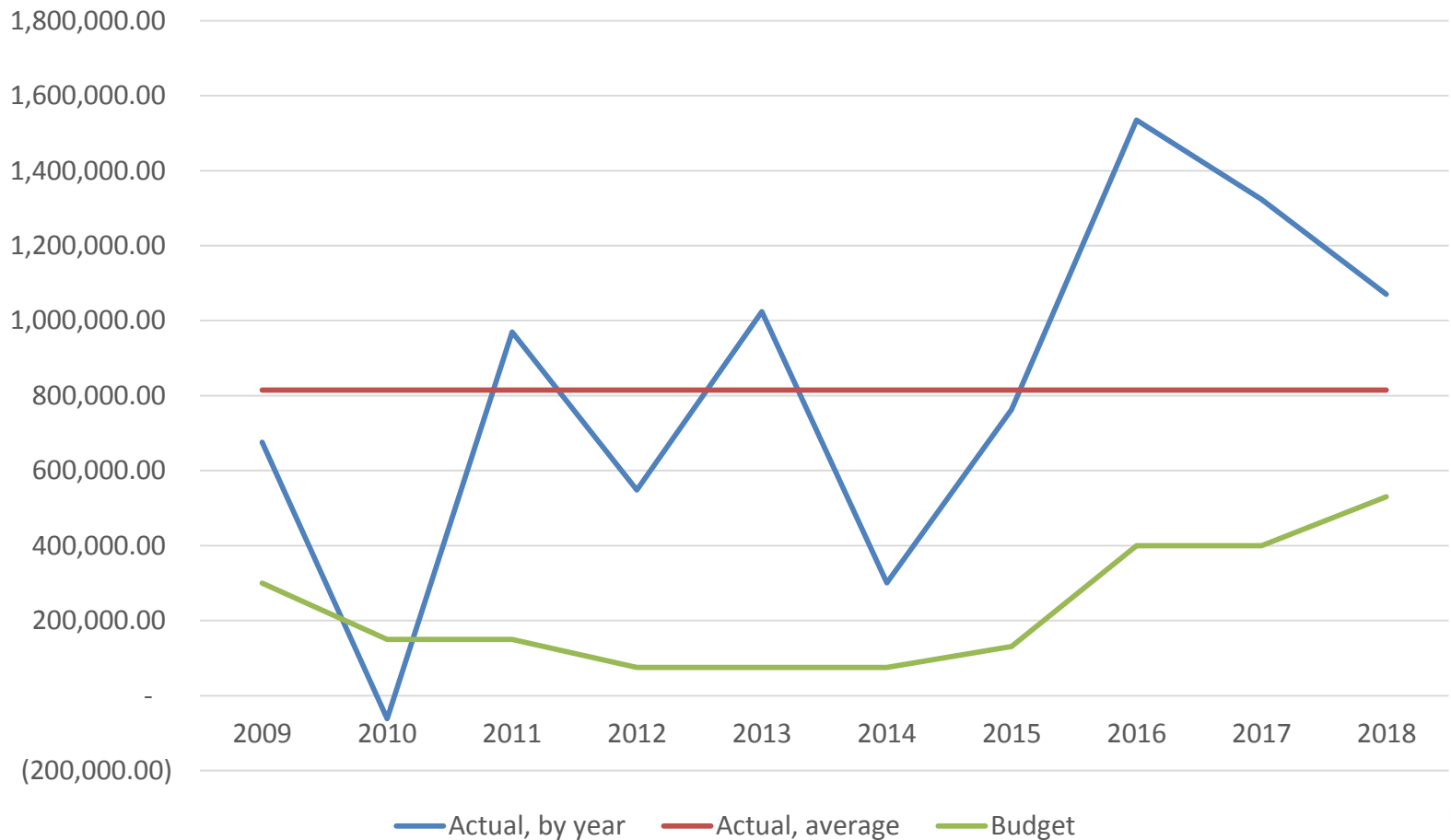
Interest rates will fluctuate over time. When they do drop there will be a negative budget impact.



# Budgetary wage savings exceed the provision for gapping



# Gapping - 10-year average



# Increase the provision for vacancies – “gapping”

## Risk

The target may be difficult to achieve if the budget does not create new positions and/or there is insufficient turnover.

To meet the target may require managing the budget through intentional hiring delays.



# Increase the provision for vacancies – “gapping”

## Risk

Recognizing we have forecasted higher levels of retirement in 2019 and 2020, and the level at which these will occur, there is an additional need for transitional overlap to provide for an effective knowledge transfer process.

This is a paradox because leaving positions vacant to achieve the target is counter to good operational management by the Town.



# Reduce the provision for future casual wage increases



No increase is expected in 2019 but a provision of \$120,000 is included in the 2019 budget

## Risk

When the casual wage scale is adjusted in the future we will have to account for an increase beyond the annual inflation rate.

Although an increase is not expected in 2019, it is always a possibility for later in the year.



# Other Considerations





# Further Tax Reduction and Risk Analysis

- Revenue:
  - Investment income, Business Enterprises
  - Penalty charges & interest on taxes
- Wages and benefits
  - Bill 148
- Other
  - Tax adjustments, Legal consulting, Utilities, Waste Management, Town grants and contributions



# Investment income

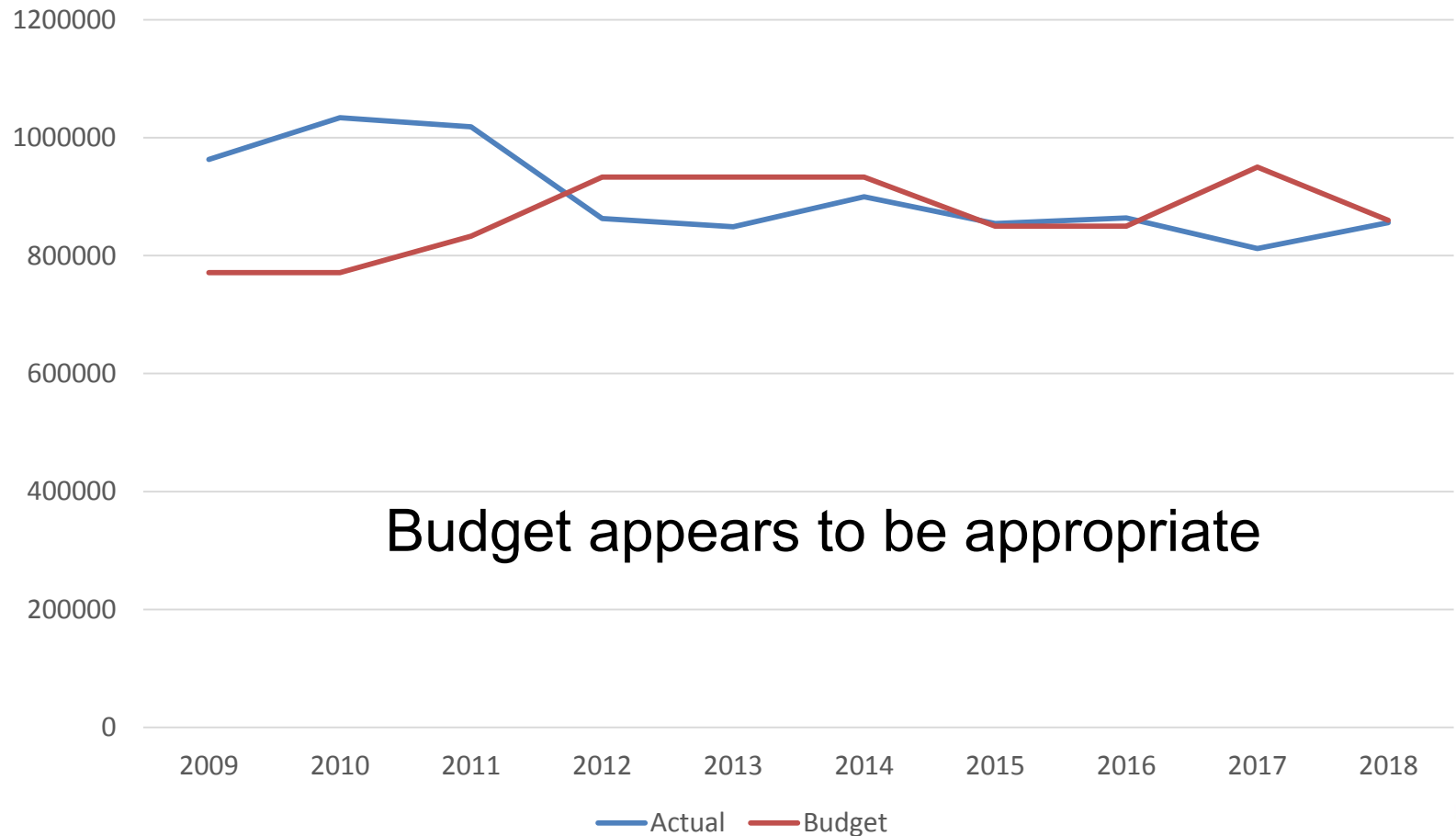
## – Business enterprises

	2011	2012	2013	2014	2015	2016	2017	2018
	<b>In \$ millions</b>							
Promissory note interest	\$ 1.30	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
Rent	0.22	0.27	0.27	0.27	0.27	0.27	0.27	0.27
Dividends	\$ 1.66	\$ 1.34	\$ 1.84	\$ 1.34	\$ 1.34	\$ 1.34	\$ 1.34	\$ 1.34
	<b>\$ 3.18</b>	<b>\$ 2.81</b>	<b>\$ 3.31</b>	<b>\$ 2.81</b>	<b>\$ 2.81</b>	<b>\$ 2.81</b>	<b>\$ 2.81</b>	<b>\$ 2.81</b>
<b>Budget</b>	<b>\$ 2.96</b>	<b>\$ 2.81</b>	<b>\$ 2.81</b>	<b>\$ 2.81</b>	<b>\$ 2.81</b>	<b>\$ 2.81</b>	<b>\$ 2.81</b>	<b>\$ 2.81</b>
<b>Variance</b>	<b>\$ 0.22</b>	<b>-</b>	<b>\$ 0.50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Income has remained steady



# Penalty charges & interest on overdue tax accounts



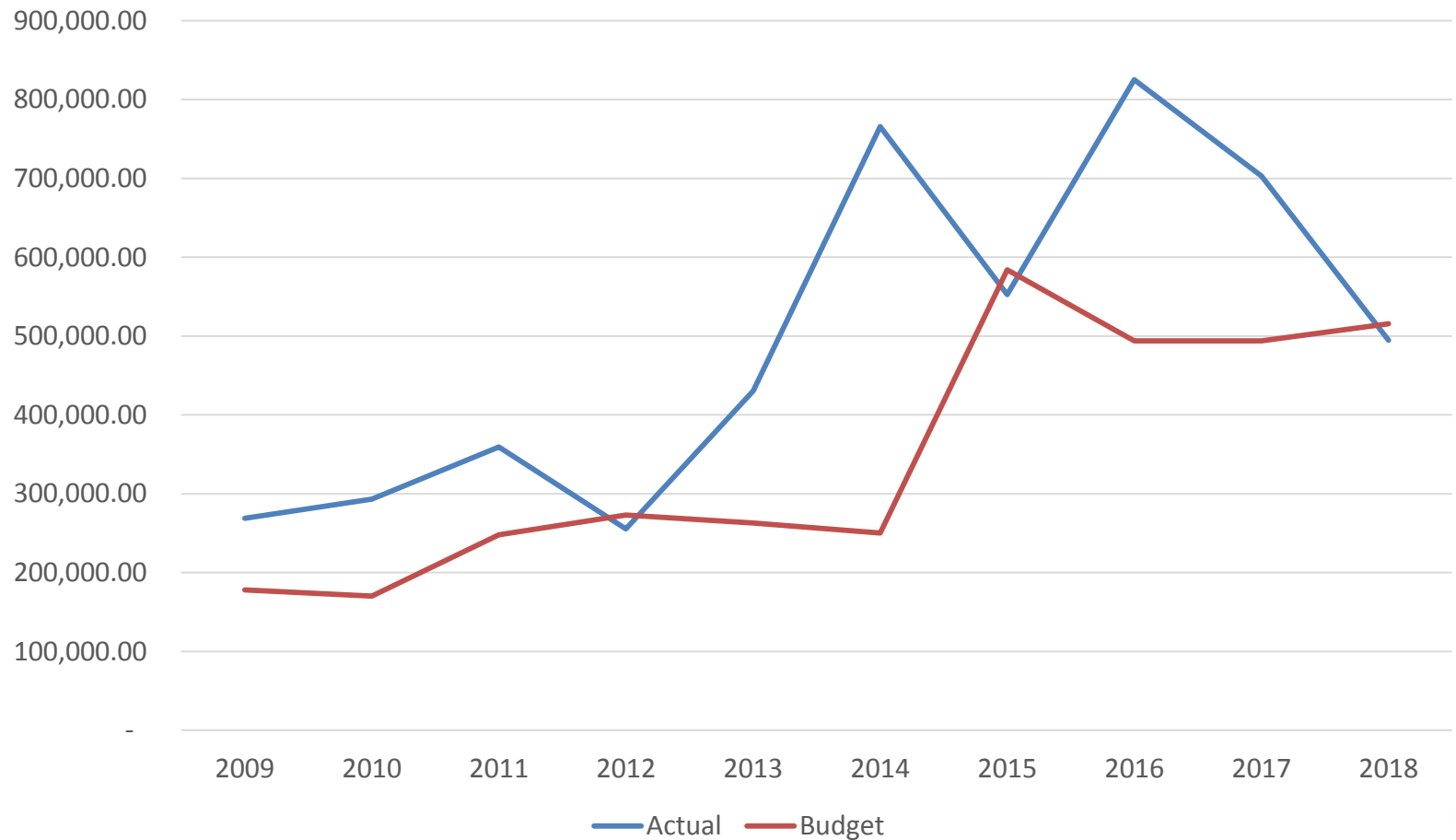
# Bill 148, A Plan for Fair Workplaces and Better Jobs



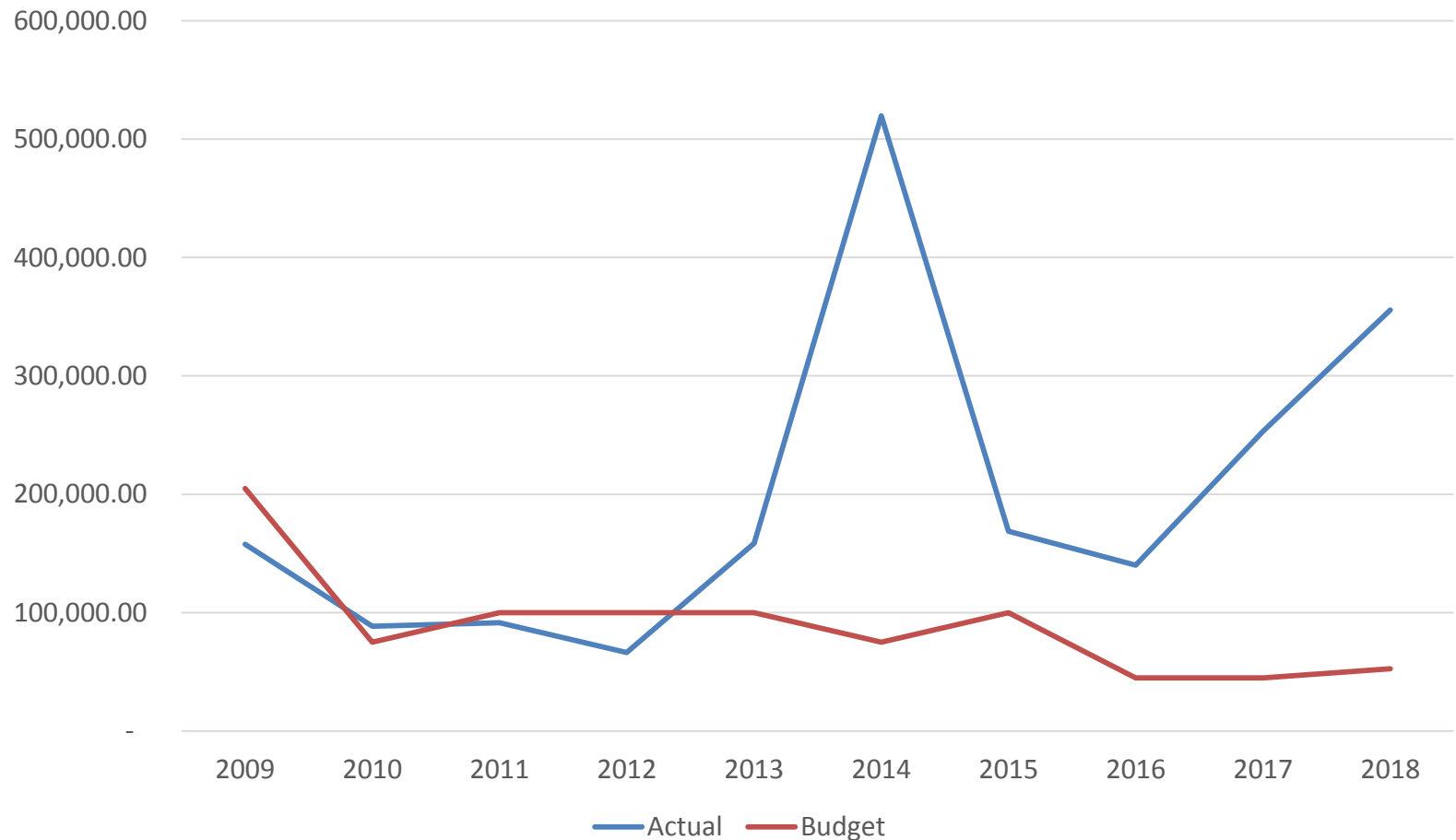
	2018	2019
<b>Projected cost</b>	<b>\$ 880,000</b>	<b>\$ 680,000</b>
Budget:		
2018 provision	\$ 280,000	\$ 280,000
2019 increase		200,000
	<b>\$ 280,000</b>	<b>\$ 480,000</b>
<b>Shortfall</b>	<b>\$ 600,000</b>	<b>\$ 200,000</b>



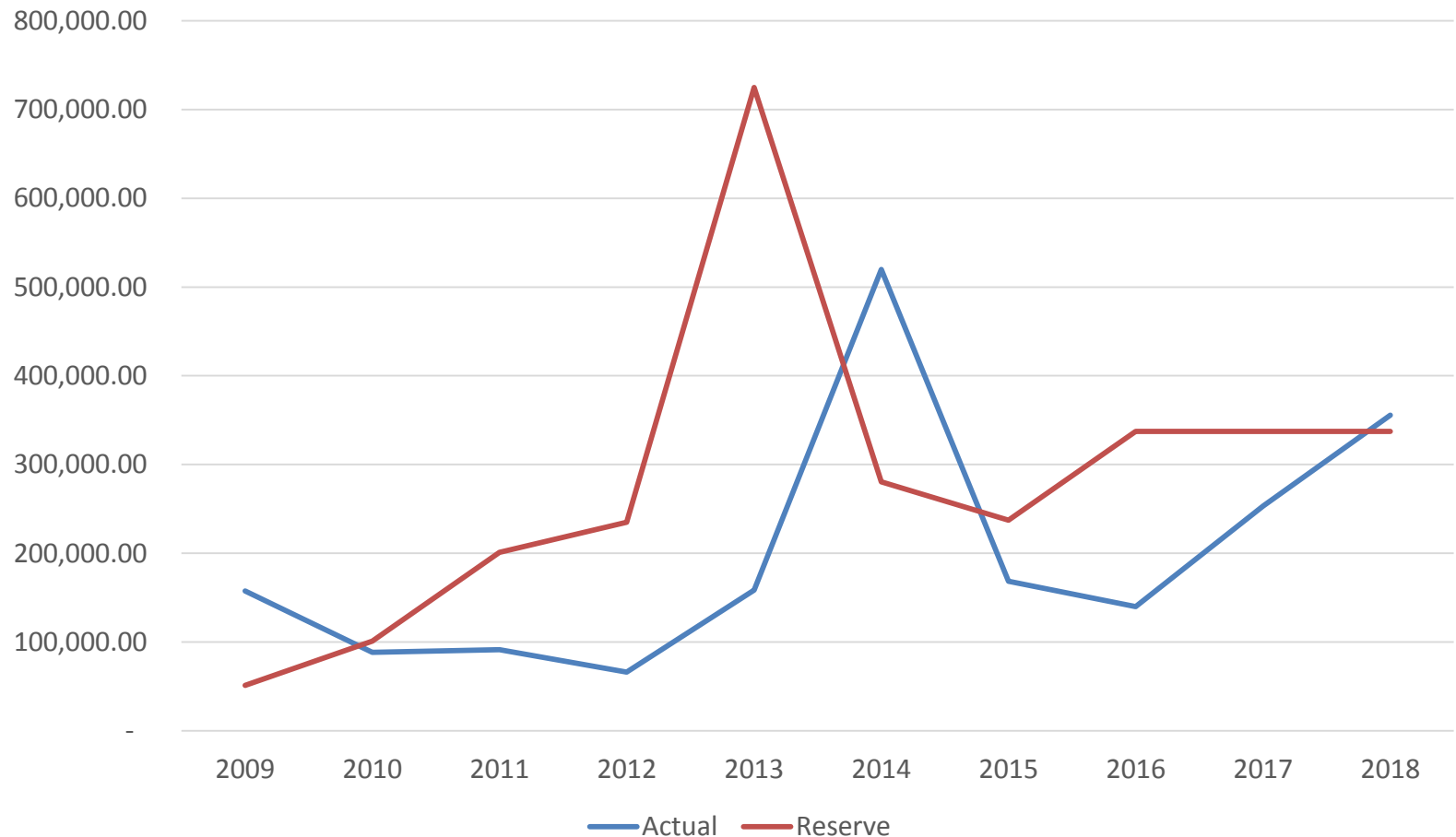
# Tax adjustments



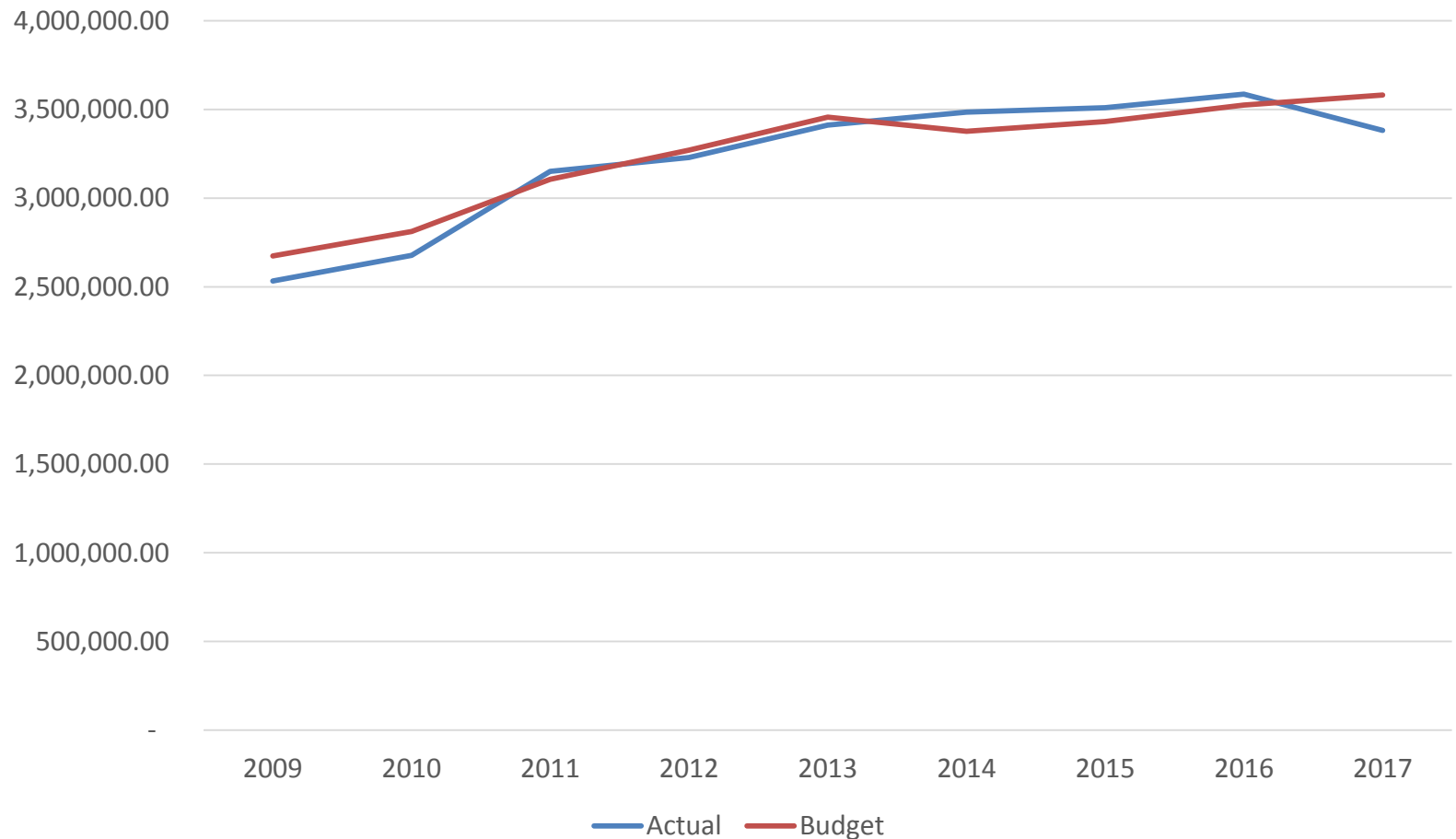
# Legal consulting – budget is not sufficient for costs



# Legal consulting is funded by reserves from annual surpluses

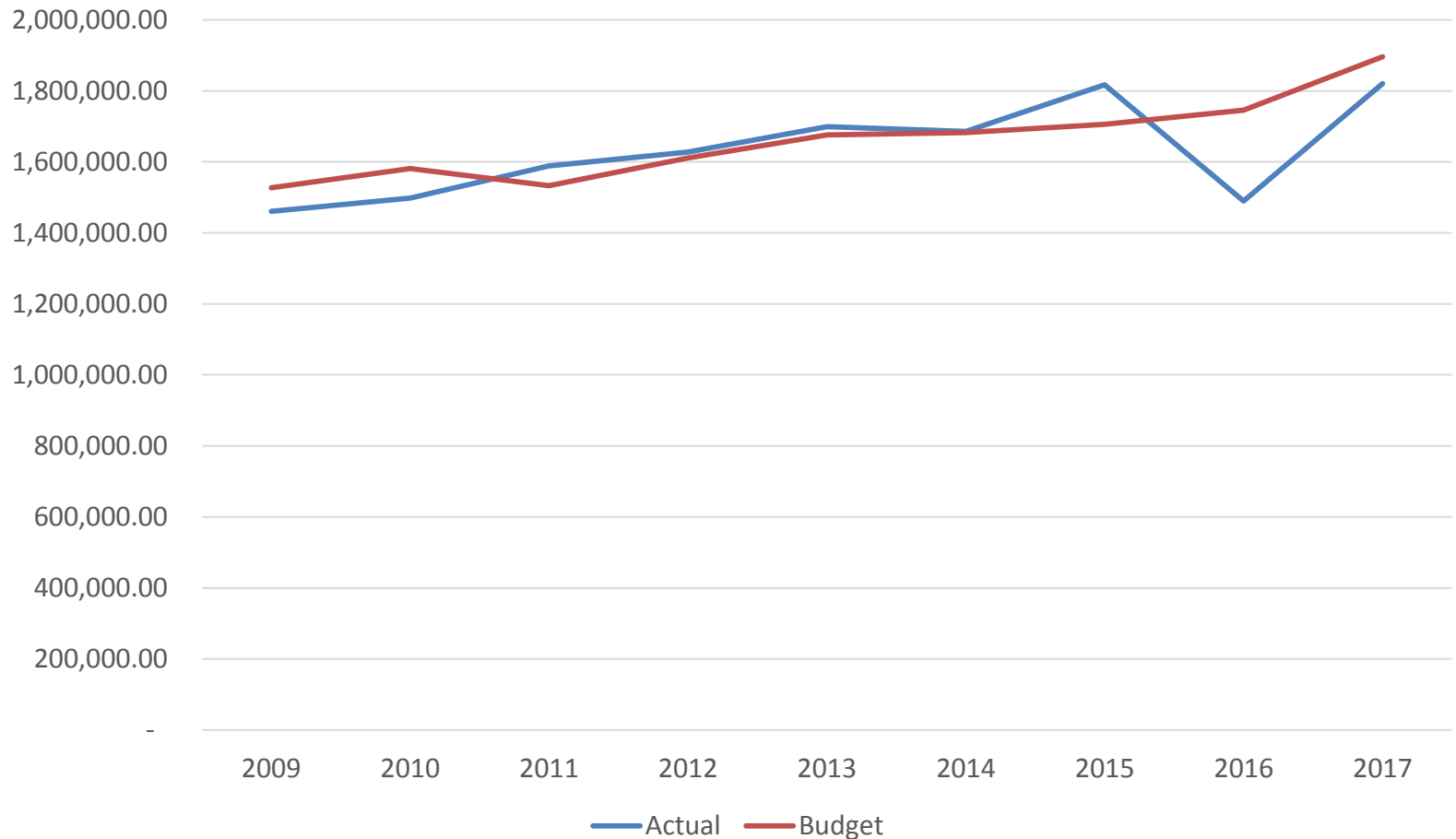


# Utilities – budget seems appropriate





# Waste Management – budget seems appropriate





# Town grants and contributions

- Newmarket Public Library (NPL) is 90% funded by a grant from the Town.
- Central York Fire Services (CYFS) is funded 59% by the Town
- Any surplus is transferred to their reserves
- These reserves have set limits and any excess returned to the Town – such as in 2015 with \$172,810 from NPL and \$234,805 from CYFS



# What's Next ?



# Next Steps

- Additional information to be provided
  - Flushing, Snowclearing legislation, Fire ants, Efficiency initiatives
  - On capital, from January 29 CoW
- February 25 – Draft Budget to CoW
- March 4 - Target date for Budget Approval
- September - Updates to 6-year plans for Water, Wastewater and Stormwater

