



# Town of Newmarket

## Agenda

### Special Committee of the Whole - Electronic

Date: Monday, November 9, 2020  
Time: 1:00 PM  
Location: Streamed live from the Municipal Offices  
395 Mulock Drive  
Newmarket, ON L3Y 4X7

#### 1. Notice

At this time, the Municipal Offices remain closed to the public. This meeting will be streamed live at [newmarket.ca/meetings](http://newmarket.ca/meetings).

##### Public Input

Individuals who wish to submit input to Council in relation to an item on this agenda have the following options available.

1. Email your correspondence to [clerks@newmarket.ca](mailto:clerks@newmarket.ca) by end of day on Sunday, November 8, 2020. Written correspondence received by this date will form part of the public record; or,
2. Make a live remote deputation by joining the virtual meeting using the Town's videoconferencing software and verbally provide your comments over video or telephone. To select this option, you are strongly encouraged to pre-register by emailing your request and contact information to [clerks@newmarket.ca](mailto:clerks@newmarket.ca).

#### 2. Additions & Corrections to the Agenda

**Note:** Additional items are marked by an asterisk\*.

#### 3. Conflict of Interest Declarations

#### 4. Presentations

##### 4.1. Fiscal Strategy - Next Steps

**Note:** Mike Mayes, Director of Financial Services/Treasurer will be in attendance to provide a presentation on this matter. This item is related to item 6.1.

1. That the presentation provided by the Director of Financial Services/Treasurer regarding the Fiscal Strategy - Next Steps be received.

4.2. 2021 Preliminary Draft Tax-Supported Operating Budget

**Note:** Mike Mayes, Director of Financial Services/Treasurer will be in attendance to provide a presentation on this matter. This item is related to item 6.2.

1. That the presentation provided by the Director of Financial Services/Treasurer regarding the 2021 Preliminary Draft Tax-Supported Operating Budget be received.

5. **Deputations**

6. **Items**

6.1. Fiscal Strategy - Next Steps

1. That the report entitled Fiscal Strategy – Next Steps dated November 9, 2020 be received; and,
2. That Council endorse the implementation plan for the Fiscal Strategy as outlined in this report; and,
3. That the Treasurer be authorized and directed to do all things necessary to give effect to this resolution.

6.2. 2021 Preliminary Draft Tax-Supported Operating Budget

1. That the report entitled 2021 Preliminary Draft Tax-Supported Operating Budget Report dated November 9, 2020 be received; and,
2. That subject to any additional direction from Committee, that the proposed budget be incorporated into the Draft Budgets to be presented to Committee of the Whole on December 7, 2020; and,
3. That the Treasurer be authorized and directed to do all things necessary to give effect to this resolution.

7. **Closed Session (if required)**

8. **Adjournment**

# Fiscal Strategy – Next Steps

Presenter: Mike Mayes

Date: November 9, 2020



# Agenda

1. Strategic Plan Linkages
2. Council Workshop
3. Comparative Fiscal Diagnostics
4. Fiscal Strategy Recommendations
5. Implementation
6. Considerations
7. Measuring the progress of effective implementation



# Strategic Plan Linkage

Under the Pillar of Long-term Financial Sustainability, Council has the following Strategic Priority:

*Ensure ongoing continuous improvement and a service level analysis for consideration. Utilize both internal and external resources to complete **an assessment of the Town's overall financial health** to support effective and efficient long-term planning*



# Council Workshop



The Fiscal Strategy was presented at a Council Workshop on September 28, 2020

- Report and presentation are on our website:  
Town Government/Budgets and Finances/Fiscal Strategy

Staff has a blueprint for next steps:

- Implementation
- Measurement of progress.



# Comparative Fiscal Diagnostics

- Data for comparator municipalities was drawn from their 2018 Financial Information Return (FIR) and Statistics Canada's 2016 Census.
- Comparative charts developed for fiscal capacity, infrastructure intensity, reserves, debt, revenues and expenditures.
- Recommendations were derived from the key findings.



# Comparative Fiscal Diagnostics – report card

Fiscal Capacity	moderately high
Infrastructure Intensity	average to slightly below average
Reserve Balances	below average
Overall financial position	good





# Fiscal Strategy Recommendations

The 79 recommendations summarized:

- Refine the capital budget process
- Revise the development charge (DC) by-law to incorporate legislative changes
- Prepare a community benefits charge (CBC) strategy and by-law
- Accelerate work on asset management plans (AMP) and integrate them with the budget process and DC Study update (Item 2)



## Recommendations cont'd

- Increase spending on infrastructure rehabilitation and replacement
- Carry out a comprehensive rate setting study that covers water, wastewater and stormwater rates
- Employ strategies to increase contributions to reserves to build them to more appropriate levels. This includes the Asset Replacement Fund, Rate Stabilization, Contingency and Growth.



## Recommendations cont'd

- Review our investment strategy and practices to increase returns
- Update policies that support the Fiscal Strategy
- The Treasurer should provide an annual update of the fiscal strategy to Council

The Town agrees with all of the recommendations



# Implementation 2020-2021

Activity/initiative	Description
<b>2020</b>	
2021 budget process	Preliminary Draft Budget, presented on October 5
<b>2021</b>	
Reserve Fund review	Updates to our existing Reserves and Reserve Funds, and Asset Replacement Funds Policies and related strategies
Asset Management Plans (AMP)	Development and refinement of AMP's
DC update and CBC study	Revisiting our 2019 Development Charges (DC) and simultaneously initiating a Community Benefits Charge (CBC) study



# Implementation 2021-2022

Activity/initiative	Description
<b>2021-2023</b>	
Annual reporting	Enhancements to our current annual reporting
Future budget processes	Deferred as there was insufficient time to incorporate them into the 2021 process
<b>2022</b>	
Rate-supported Financial Plans	Updates of the 2017 Water, Wastewater and Stormwater 9-year Plans



# Implementation 2022-2023

Activity/initiative	Description
<b>2022-2023</b>	
Budget Policy	Formalization and expansion of our current practices.
Debt Policy update	Revision of our existing Debt Policy and practices.
Investment Strategy update	Revision of our existing Investment Policy, strategy and practices.



# Considerations

1. Council direction is required
2. The Capital Budget will undergo significant changes
3. Asset Management will be integrated into the budget process
4. There is an opportunity for growth studies to be done



# Council direction is required



These will be addressed in separate reports to Council in the future.

1. Uploading local water and wastewater services to the Region (#44)
2. Reviewing our investments in Newmarket-Tay Power and ENVI (#72, 73)





# The Capital Budget will undergo significant changes

Changes made in 2020 to the Capital Budget

- elimination of capital carryovers (#7)

Changes to be included in future budgets.

- Pre-construction and construction expenditures are to be split (#8) and approved separately by Council (#9)
- Shovel-ready approach to approval (#10)
- Asset Replacement Fund (ARF) is to be only used to fund replacements (#52)



# Asset Management will be integrated into the budget process



Including the Asset Management team in the 2021 budget process provided a better result.

- To be included in the process from the beginning (#30)

However, not interfere with:

- To expedite development of the Asset Management Plans (#28)



# There is an opportunity for growth studies to be done

There have been major changes resulting from the COVID-19 Economic Recovery Act 2020.

- Discount removed on Development Charge - DC soft-services; recreation, library (#26)
- Regulations allowing the creation of a Community Business Charge - CBC (#27)

Opportunities:

- Efficiency of combining DC & CBC studies
- Review and revise growth numbers



# Measuring the progress of effective implementation

Fiscal Strategy Elements	Key Performance Indicators (KPI's)
Capital Management	<ul style="list-style-type: none"><li>• Condition rating</li><li>• Delivery – capital expenditures as a % of budget</li><li>• Funding – reinvestment ratio</li></ul>
Debt Management	<ul style="list-style-type: none"><li>• Debt servicing costs as a % of own source revenue</li></ul>
Revenue Enhancement	<ul style="list-style-type: none"><li>• Taxes - levy per capita</li><li>• Water and wastewater – average annual residential cost</li><li>• Diversification – tax revenue as a % of total revenue</li><li>• Return on investment</li></ul>
Reserve Management	<ul style="list-style-type: none"><li>• Discretionary reserves - % of own source revenue</li><li>• Capital reserves - % of accumulated amortization</li></ul>



# 2021 Draft Tax-supported Budget

Presenter: Mike Mayes

Date: November 9, 2020



# Agenda

1. Updates
2. COVID-19
3. Overview
4. Tax-supported Operating
5. Options
6. Next Steps



# Updates

What has changed since October 5



# Budget considerations

Fiscal Strategy Workshop, September 28

- Report and presentation to Council

CYFS budget reviewed by JCC, October 13

- No additional staffing
- ARF contributions maintained at 2020 level
- Inclusion of new revenues

Financial Update – 3<sup>rd</sup> Quarter, November 16

- Adjustments to Capital Spending Authority require changes to Capital Program





# Budgeting in a COVID-19 world

Influence on the 2021 budget



# Pandemic will have no direct impact on the 2021 budget

- **Based on what we currently know** and the \$1.8 million Safe Restart grant, it appears that the 2020 budget will be manageable
- In that case, the pandemic may not directly factor into the 2021 budget
  - no deficit carryover
  - no additional tax increase



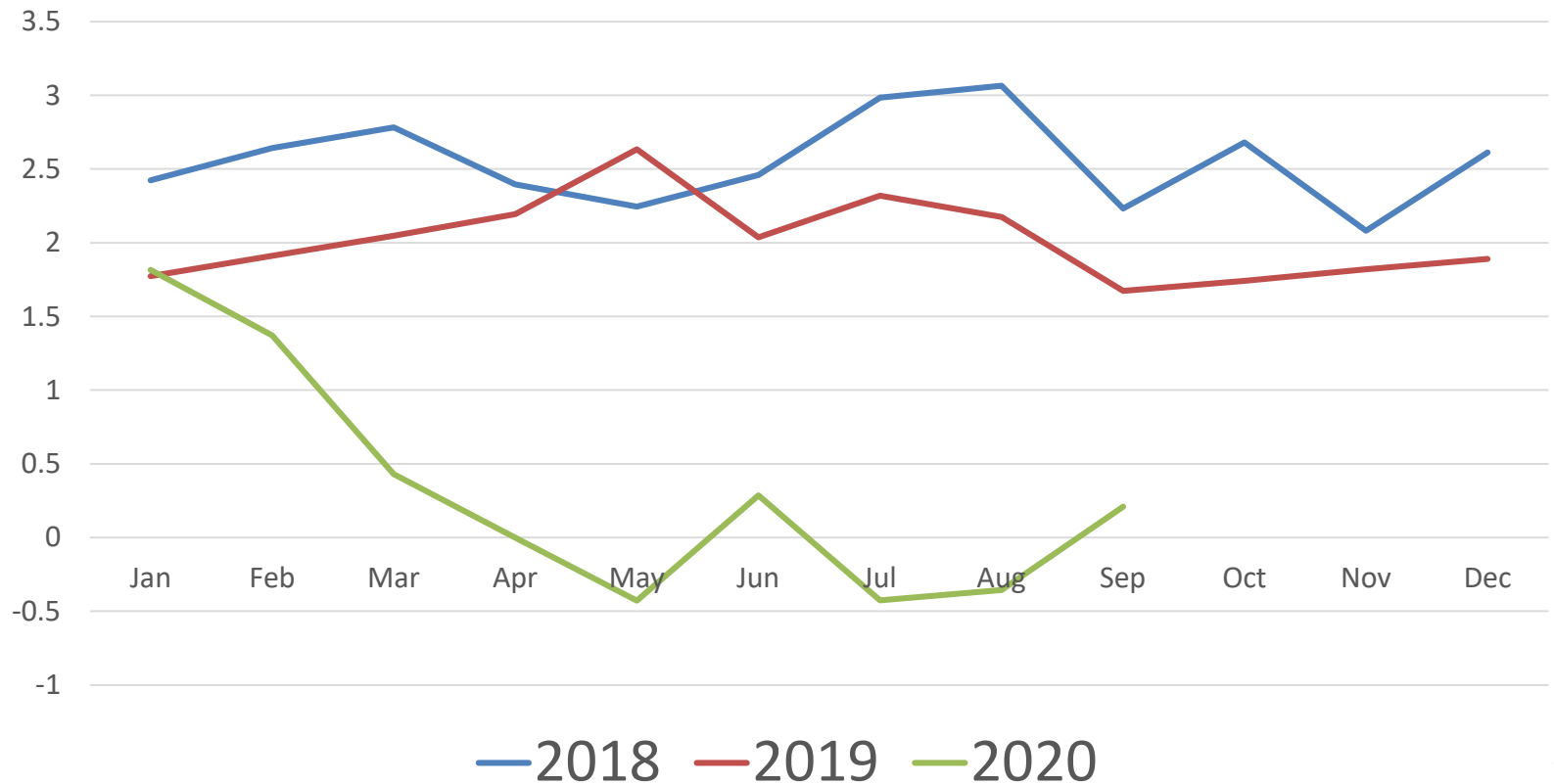
# However, the pandemic does have an indirect impact

- Uncertainty about how long the pandemic will last and what the “new normal” will look like
  - 1% Tax Levy for a contingency
- Slower economy:
  - Inflation is assumed to be 0% to 1%
  - Growth reduced to 0.65% - half of normal



# Inflation 2018 to 2020

## Toronto CPI



# Overview

2021 budget at a glance



# There are many budgets:

Operating Budgets:	
<b>Tax-supported</b> – Town, Fire, Library, Mulock Farm, BIA	<b>\$ 91.0 million</b>
Rate-supported – water, wastewater, stormwater, building permits	46.4 million
	\$ 137.4 million
Capital budget	\$ 37.9 million
Total	\$ 175.3 million



# Budget Impact on Average Residential Property

	% increase	\$ increase
<b>Property tax</b>	<b>2.99 %</b>	<b>\$ 64.79</b>
Water / wastewater	4.00 %	\$ 49.44
Stormwater	10.00 %	\$ 4.21
Total		\$ 118.44

Based on an average single detached home with an assessment value of \$700,000, on a 465 square metre lot, using 200 cubic metres of water per year



# Overview of tax-supported operating budget increase



	Tax %	\$
Base	0.99%	\$ 618,750
COVID contingency	1.00%	625,000
ARF	1.00%	625,000
<b>Tax levy</b>	<b>2.99%</b>	<b>\$ 1,868,750</b>





# Tax-supported Operating

Roads, recreation, fire, library, by-laws  
and more



# Tax-supported operating budget by governance

	Town	CYFS	Library	Total
	In \$ millions			
Expenses	\$ 62.1	\$ 17.2	\$ 3.4	\$ 82.7
Reserve transfers	6.6	1.4	0.3	8.3
	<b>\$ 68.7</b>	<b>\$ 18.6</b>	<b>\$ 3.7</b>	<b>\$ 91.0</b>
Non-tax revenues	- 22.2	- 0.4	- 0.4	- 23.0
<b>Tax levy</b>	<b>\$ 46.5</b>	<b>\$ 18.2</b>	<b>\$ 3.3</b>	<b>\$ 68.0</b>



# Tax-supported operating budget increase allocation



	Base	Growth	ARF	Total
Town	\$ 338,750	\$ 384,000	\$ 625,000	\$ 1,347,750
CYFS	280,000			280,000
Library		22,000		22,000
BIA (net)	0			0
COVID	625,000			625,000
<b>Total</b>	<b>\$1,243,750</b>	<b>\$ 406,000</b>	<b>\$ 625,000</b>	<b>\$ 2,274,750</b>



# Decision Packages included in the Base Budget



Ref	Description	Staffing	Net Impact
HR1	Health & Safety Risk Management	1 FTE	\$ 42,312
CFYS7	CYFS Accounts Administrator for Cost-Recovery Program	0.2 FTE	0
IT3	Redundant Internet Connection		1,800
COMM2	Digital Engagement - Hey Newmarket		25,000
PLN1	Cultural Heritage Planning		5,000
ISI1	Electric Vehicle Charging Stations		9,000
IT5	Video Conferencing Licensing		10,000
		<b>1.2 FTE's</b>	<b>\$ 93,112</b>



# Growth revenues applied to growth expenses

Allocations	
CYFS	\$ 0
Library	22,000
Incremental growth	50,000
2021 capital – operating expenses	67,500
Fiscal Strategy - Growth Reserve	151,000
Available for Decision Packages	115,500
<b>Assessment growth</b>	<b>\$ 406,000</b>



# Decision Packages included in the Growth Budget



Ref	Description	Staffing	Net Impact
ROAD1	Records Management And Asset Tracking For Fleet Area	1 FTE	\$ 27,736
CS2	Increase Customer Service staff complement by .5 FTE (1.5 to 2)	0.5 FTE	49,906
FIN1	Meet the needs of increased volumes due to P-card best practices and Prompt Payment requirements	0.4 FTE	35,760
		<b>1.9 FTE's</b>	<b>\$ 113,402</b>
CYFS6	2 Additional Firefighters	2 FTE's	151,000
LIB4	Electronic Materials		22,000
		<b>3.9 FTE's</b>	<b>\$ 286,402</b>



# Staffing Requests

The budget contains requests for 5.1 full-time equivalents – 1.2 in the base budget and 3.9 in growth

- 0.2 FTE's for CYFS Accounts Administrator for Cost-Recovery Program (CYFS7) was approved by Council on September 21
- The remaining are provisions in the budget with hiring on hold until approved by Council
  - A similar approach was taken in 2020



# Options

For Council's consideration





# Council budget direction

*That endorsement be given to staff to proceed with preparation of the 2021 budgets employing the structure and targets as amended, **with options for reductions around Asset Replacement Fund contributions and Consumer Price Index as decision points for Council** and a tax levy increase target of 2.99% consisting of:*

- a. 0.99% base rate;*
- b. 1.00% COVID-19 related contingencies;*
- c. 1.00% Asset Replacement Fund contributions*



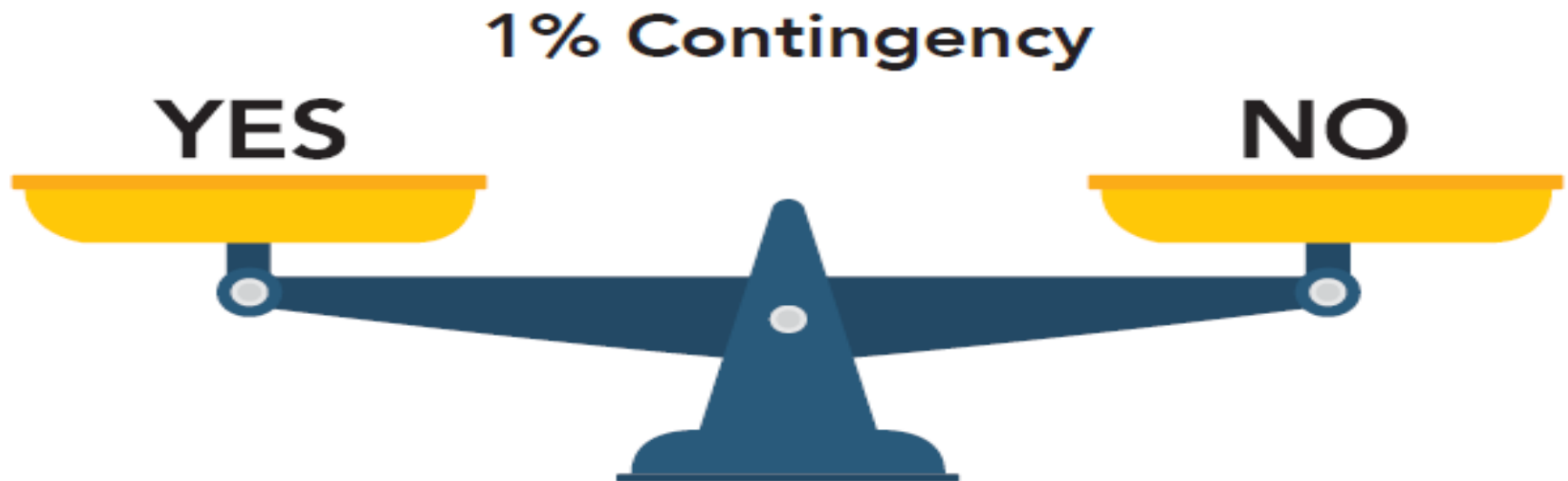
# 2021 – A Little Different

Balancing the economic impact of COVID-19 with fiscal responsibility and planning for the future



# How do we manage the effects of COVID?

## THE BALANCING ACT: Proposed Ideas & Solutions



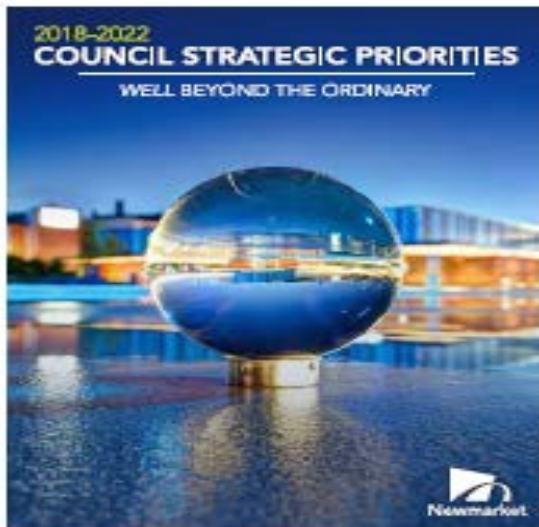
# Fiscal Strategy and Asset Replacement



Do we pay  
now or do we  
pay later?



# Council Strategic Priorities



**Do we move  
ahead or put  
on hold?**



# Next Steps

Schedule of upcoming meetings



# Important future dates

ACTIVITY	DATE	MEETING	STATUS
Presentation of the Preliminary Draft budgets	October 5	Committee of the Whole	Done
Review of the CYFS budget	October 13	Joint Council Committee	Done
Capital and Rate-Supported Operating Budgets, Rate Financial Plans	October 19	Special Committee of the Whole	Done
Tax-Supported Operating Budget ARF and Fiscal Strategy	November 9	Special Committee of the Whole	In process
Presentation of the Draft Budgets and remaining Fees & Charges for approval	December 7	Committee of the Whole	
Approval of the Budgets and remaining Fees & Charges	December 14	Council	



# Community Engagement



**GET INVOLVED**

Fill out the budget survey (beginning week of November 9):  
**[newmarket.ca/2021budget](https://newmarket.ca/2021budget)**







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## **Fiscal Strategy – Next Steps Staff Report to Council**

Report Number: 2020-82

Department(s): Financial Services

Author(s): Mike Mayes, Director of Financial Services/Treasurer

Meeting Date: November 9, 2020

### **Recommendations**

1. That the report entitled Fiscal Strategy – Next Steps dated November 9, 2020 be received; and,
2. That Council endorse the implementation plan for the Fiscal Strategy as outlined in this report; and,
3. That the Treasurer be authorized and directed to do all things necessary to give effect to this resolution.

### **Executive Summary**

The Fiscal Strategy was presented at a Council Workshop held on September 28, 2020. Overall, in comparison to other Ontario municipalities, the Town's financial position is good. Some areas were identified for improvement, which can be addressed over the next three years.

### **Purpose**

The purpose of this report is to set out a blueprint for next steps and set out the development of an ongoing methodology to measure progress.

## Background

In line with a number of our core values including accountability, accessibility, courage and creativity – the Town has proactively created a fiscal strategy to ensure our future sustainability as a community. This was presented to Council on September 28, 2020.

The Fiscal Strategy Report and Presentation can be found on the Town's website:

<https://www.newmarket.ca/TownGovernment/Pages/Budgets%20and%20Finances/Fiscal-Strategy.aspx>

Overall, in comparison to other Ontario municipalities, our financial position is good. The comparative fiscal diagnostics demonstrated that Newmarket has a moderately high fiscal capacity with an average to slightly below average infrastructure intensity. The main concern was the Town's below average reserve balances.

The Fiscal Strategy also identified some areas where there is work to do. Appendix A has a full list of the 79 recommendations. They can be summarized as:

1. Refine the capital budget process
2. Revise the development charge (DC) by-law to incorporate legislative changes
3. Prepare a community benefits charge (CBC) strategy and by-law
4. Accelerate work on asset management plans (AMP) and integrate them with the budget process and DC Study update (Item 2)
5. Increase spending on infrastructure rehabilitation and replacement
6. Carry out a comprehensive rate setting study that covers water, wastewater and stormwater rates
7. Employ strategies to increase contributions to reserves and build them to more appropriate levels. This includes the Asset Replacement Fund, Rate Stabilization, Contingency and Growth.
8. Review our investment strategy and practices to increase returns
9. Update policies that support the Fiscal Strategy
10. The Treasurer should provide an annual update of the fiscal strategy to Council

This review was pursuant to the Council Priority "...to complete an assessment of the Town's overall financial health to support effective and efficient long-term planning."

## Discussion

Appendix A includes all 79 Fiscal Strategy Recommendations, and provides for each of them the Town's position and an implementation timeline.

References in this report will indicate the specific recommendation in brackets, e.g. (#x).

## **Town staff agrees with all of the recommendations**

22 recommendations are shown as “current practice”. These are not yet in a formal policy or are not applied consistently. Inclusion in the recommendations confirms these initiatives and provides additional insight.

Two recommendations have a “maybe” position:

- Before the Town considers a non-residential development charge structure that parallels the Region, it should ensure that there are benefits in doing so (#25).
- Uploading water and wastewater services to the Regional Municipality of York could have operational and other impacts beyond efficiency gains that should also be considered before moving forward with this item (#44).

There is no disagreement with any of the recommendations.

## **Implementation can be lined to activities and initiatives**

The implementation timelines include the following Town activities and initiatives that could include execution of the recommendations:

<b>Activity/Initiative</b>	<b>Description</b>	<b>Recommendations addressed</b>
2021 budget process	Preliminary Draft Budget, presented on October 5	5
Future budget processes	Relates to the budget process, but there is insufficient time to incorporate them into the 2021 process	21
Reserve Fund review	Updates to our existing Reserves and Reserve Funds, and Asset Replacement Funds Policies and related strategies	5
Asset Management Plans (AMP)	Development and refinement of AMP's	4
DC update and CBC study	Revisiting our 2019 Development Charges (DC) and simultaneously initiating a Community Benefits Charge (CBC) study	6
Rate-Supported Financial Plans	Updates of the 2017 Water, Wastewater and Stormwater 6-year Plans	10
Annual reporting	Enhancements to our current annual reporting	5
Budget Policy	Formalization and expansion of our current practices	15
Debt Policy update	Revision of our existing Debt Policy and practices	4
Investment Strategy update	Revision of our existing Investment Policy, strategy and practices	1

Please note that some of the recommendations relate to more than one activity. For purposes of this report, they have been allocated to the activity where it is most likely that the change will occur.

### **Council direction is required**

There are 3 recommendations, not included in the table above, which will require Council direction. Authorization would be required as there are operational, service level and other implications other than financial.

- Uploading local water and wastewater services to the Region (#44)

It is possible that there may be efficiencies gained if the Region were to consolidate the water and wastewater services; however, we would not be the ones benefitting from these savings. In addition, it is possible that the disentanglement of operations could result in additional costs.

- Reviewing our investments in Newmarket-Tay Power and ENVI (#72, #73)

Part of the reason that the Town has comparably lower reserve balances is that it still owns the local utility. While this can be part of the reconciliation of the discrepancy, the Town has been applying the proceeds from this investment to supplement the operating budget: it is recommended that the dividends should be allocated to reserves (#60). In addition, the review would look for ways to increase these dividends.

These will be addressed in separate reports to Council in the future.

### **The Capital Budget will undergo significant changes**

In addition to the changes made in 2020 for the Capital Budget – elimination of carryovers (#7) – the Fiscal Strategy recommends further segregations in the Capital budget.

Pre-construction and construction expenditures are to be split (#8) and approved separately by Council (#9). In addition, with some exceptions, construction costs should only be approved after pre-construction activities have been completed (#10). This “shovel-ready” approach can be managed through the interim Capital Program reviews that were started in 2020.

To allow the build-up of the Asset Replacement Fund (ARF), it is only to be used to fund replacements (#52), with rehabilitation work for infrastructure funded on a pay-as-you-go basis (#48). Based on our current capital expenditure projections, 75 to 80% of the Capital Budget that would normally be funded by ARF, is for rehabilitation. This transition will require significant analysis.

These are major changes to be included in future budgets.

### **Asset Management will be integrated into the budget process**

Including the Asset Management team in the 2021 budget process provided a better result. Building upon this, it is recommended (#30) that to be more efficient, they will be included in the process from the beginning.

However, care must be taken not to interfere with the expedited development of the Asset Management Plans (#28).

### **There is an opportunity for growth studies to be done**

The current Development Charges (DC) by-law was adopted in 2019 and will not expire for another 4 years. However, there have been major changes resulting from the COVID-19 *Economic Recovery Act, 2020*.

- Elimination of the mandatory 10% discount on soft-services; such as Recreation and Library (#26)
- Regulations allowing the creation of a Community Benefits Charge (#27)

The Community Benefits Charge is a new land value based charge that can be used to pay for growth-related capital costs. Municipalities are now allowed to impose a CBC for the capital costs of facilities, services and matters required because of development or redevelopment.

There are parallels between the two studies – DC and CBC. It is recommended that they both be done at the same time. This would be a more efficient process, preventing overlaps and eliminating gaps between the two.

There is an opportunity to review and revise the growth numbers. There is uncertainty over the employment numbers which were used in the previous DC Background Study. Consideration should also be given to non-traditional places of employment; such as working from home and remote workplaces.

### **Measuring the progress of effective implementation**

The Fiscal Strategy used comparative fiscal diagnostics to put Newmarket's financial situation in perspective. Data was drawn from comparator municipalities' 2018 Financial Information Return (FIR) and from Statistics Canada's 2016 Census. Comparative charts were then developed for fiscal capacity, infrastructure intensity, reserves, debt, revenues and expenditures. The recommendations were derived from key findings.

It is not necessary to repeat this process on an annual basis to measure progress.

- It is extensive and would require internal resources or retaining a consultant
- The data is dated and lends itself more to longer term analysis
- The process is not transparent and can be perceived to not be impartial

Progress can be measured in two ways:

1. Workflow – the status of the 79 recommendations as they are being completed – essentially a report card
2. Financial KPI's – key performance indicators can be chosen that demonstrate the effectiveness of the strategy

Both of these methodologies could be displayed on a dashboard and reported to Council on an annual basis (#77). The KPI's would track progress in the 4 elements of the Fiscal Strategy, which are very similar to our 5 elements of a Sustainable Financial Strategy.

<b>Fiscal Strategy Elements</b>	<b>Sustainable Financial Strategy Elements</b>	<b>Key Performance Indicators (KPI's)</b>
Capital Management	Asset management	<ul style="list-style-type: none"><li>• Condition rating</li><li>• Delivery – capital expenditures as a percentage of budget</li><li>• Funding – reinvestment ratio</li></ul>
Debt Management	Debt	<ul style="list-style-type: none"><li>• Debt servicing costs as percentage of own source revenue</li></ul>
Revenue Enhancement	Revenue	<ul style="list-style-type: none"><li>• Taxes - levy per capita</li><li>• Water and wastewater – average annual residential cost</li><li>• Diversification – property tax revenue as a percentage of total revenue</li></ul>
	Investment strategy	<ul style="list-style-type: none"><li>• Return on investment</li></ul>
Reserve Management	Reserves and Reserve Funds	<ul style="list-style-type: none"><li>• Discretionary reserves - percentage of own source revenue</li><li>• Capital reserves - percentage of accumulated amortization</li></ul>

Where possible, the KPI's are taken from the annual municipal study provided by BMA Management Consulting Inc. or are industry standards.

All of the proposed KPI's can be calculated as required, and therefore can be used to support budget and other financial planning.

They may be compared to other municipalities, industry standards, historical trends or targets.

### **Implementation Schedule**

Implementation of the recommendations will depend upon the timing of the activities and initiatives, and the availability of resources.

Activity/Initiative	Implementation Timing	Comments
2021 budget process	2020	“Low hanging fruit”
Reserve Fund review	2021 – 2 <sup>nd</sup> quarter	This is a high priority as it addresses the primary fiscal concern
Asset Management Plans (AMP)	May 2021	Led by the Asset Management team
DC update and CBC study	2021	Using resources from the Strategic Initiatives department
Rate-Supported Financial Plans	2022	Using resources from the Strategic Initiatives department
Annual reporting	2021 to 2022	Two year phase-in
Future budget processes	2021 to 2023	Phase into budgets, coordinating with other activities and initiatives
Budget Policy	2022 to 2023	Dependent upon the availability of resources
Debt Policy update		
Investment Strategy update		

External consulting may be required for some of these initiatives, such as the DC Update and CBC Study. In others, such as policy work, a peer review would be useful.

Investing in additional resources – staffing or consulting – could expedite implementation of the Fiscal Strategy recommendations.

## Conclusion

This report sets out a blueprint for implementation of the Fiscal Strategy over the next three years.

It could take decades to fully realize the effectiveness of the Fiscal Strategy. For this reason, monitoring of progress is essential.

## Business Plan and Strategic Plan Linkages

The recommendations of the Fiscal Strategy are supportive of Long-Term Financial Sustainability and furthers all of Council Priorities under that pillar:

1. Utilize ongoing community engagement to help inform program, services and financial planning.

Enhances the quality of the information being presented to the public.

2. Develop a multi-year operating and capital budget that aligns with budget policies.

Integrates Asset Management Plans, rate setting studies, capital budgets on fiscal policies.

3. Ensure ongoing continuous improvement and a service level analysis for consideration. Utilize both internal and external resources to complete an assessment of the Town's overall financial health to support effective and efficient long-term planning.

Evaluated the Town's fiscal capacity and compared it to other Ontario municipalities.

4. Complete a comprehensive and up-to-date Asset Management Plan that reflects a Corporate Risk Strategy and continued investment into the Asset Replacement Fund.

Accelerates the development and application of Asset Management Plans and reserve fund contributions to support them.

## **Consultation**

These recommendations have been reviewed and are supported by the Strategic Leadership Team. (SLT).

Members of Council were presented with an overview of the Fiscal Strategy at a workshop held on September 28, 2020. Their comments and questions have been incorporated into this report.

## **Human Resource Considerations**

If Council decides to accelerate implementation of the Fiscal Strategy, additional resources would be required. This could be the addition of a Financial Business Analyst on a contract or permanent basis.

## **Budget Impact**

If Council decides to accelerate implementation of the Fiscal Strategy, additional resources would be required either for staffing or consulting.

The proposed 2021 Capital program includes a Development Charges (DC) update and the development of a Community Benefits Charge (CBC).

## **Attachments**

Appendix A – Fiscal Strategy Recommendations



## **Approval**

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

Esther Armchuk  
Commissioner, Corporate Services

## **Contact**

For more information on this report, contact: Mike Mayes at 905-953-5300, ext. 2102 or via e-mail at [mmayes@newmarket.ca](mailto:mmayes@newmarket.ca)



## APPENDIX A - Fiscal Strategy Recommendations

Managing the Capital Plan		Town's Position	Implementation Timeline
1	Council approval of Capital Spending Authority in the budget should constitute the authority to spend on a capital project	Current process	Budget policy
2	In the case of multi-year projects, Capital Spending Authority can extend for the full term of the project. Normally this would involve multi-year contracts	Current process	Budget policy
3	Capital Spending Authority for multi-year projects should automatically be built into the budget if the projects are already in progress	Current process	Budget policy
4	Council should approve both the annual capital budget and Capital Spending Authority each year	Current process	Budget policy
5	Council should publish a ten-year capital plan with complete project-by project funding sources as part of the budget process	Agree	Future budget processes
6	Staff should maintain an internal 20-year capital plan (and longer for asset management purposes)	Agree	Future budget processes
7	Capital carryovers should be eliminated (achieved in the 2020 budget process but needs to be continued). If a project has not been started, it should go through the budget process again	Current process	Budget policy
8	Capital projects should be divided into pre-construction and construction components wherever appropriate (i.e., where environmental assessments, land acquisition, engineering design and so on are required)	Agree	Future budget processes
9	Council should approve pre-construction and construction activities separately for the same project	Agree	Future budget processes
10	Construction of a capital project should only be approved once preconstruction activities and approvals are complete. Both pre-construction and construction can be approved for the same budget year if there is a solid expectation that pre-construction activities will be completed during the year and the project will start construction	Agree	Future budget processes
11	Business cases should be required for projects over \$100,000. These could be incorporated in the Town's decision packages	Agree	Future budget processes
12	The capital budget should include breakdowns of growth versus rehabilitation	Current process	2021 budget process
13	The budget process should include an analysis of the factors affecting capital priority setting and a discussion of the rationale for the capital projects selected for both Capital Spending Authority and the Ten-year Plan	Current process	2021 budget process
14	As part of the budget process, Council should see a "best estimate" of year-end capital spending, showing the portion expected to be delivered by functional area/priority, pre-construction versus construction, growth versus rehabilitation and anything else that would help with priority-setting	Current process	Annual reporting
15	The capital budget overview should include both a departmental and a functional/sectoral breakdown	Current process	2021 budget process
16	The budget and the actuals from the previous year should be presented on a consistent basis	Agree	Annual reporting

Growth Capital		Town's Position	Implementation Timeline
17	Staff should monitor residential versus non-residential development charge collections and compare the results to expected ratios from the Development Charge Background Study	Agree	Annual reporting
18	The annual development charges report should include a breakdown of residential versus non-residential collections and disbursements	Agree	Annual reporting
19	If the results of the residential compared to non-residential analysis show that non-residential development charge collections continue to lag, the Town should shift costs to residential in the next Development Charge Background Study to the extent that is fair and reasonable	Agree	DC update and CBC study
20	Recognizing that non-residential development charge collections may be permanently impaired, the Town should develop a plan to address the tax levy impact of the shortfall, either by constraining the capital program or raising additional revenue to compensate for the shortfall	Agree	Future budget processes
21	Staff should prepare forecasts of development charge collections and present them as part of the budget process	Agree	Future budget processes
22	In the next development charges update, the Town should require a reconciliation of post-period benefits identified in the 2019 Development Charge Background Study with the new development charge to ensure that previously identified post-period benefits are being appropriately captured in the new bylaw	Agree	DC update and CBC study
23	In the next development charges study, the Town should require Townwide engineered services to be calculated separately (roads and associated infrastructure, water, sewer, stormwater)	Current process	DC update and CBC study
24	The Town should monitor growth trends and adjust the capital plan so that it is reasonably commensurate with the rate of growth	Agree	Future budget processes
25	The Town should consider a non-residential development charge structure that parallels the Region's	Maybe	DC update and CBC study
26	As soon as is practicable, Newmarket should revise its development charge bylaw to incorporate the beneficial changes with respect to the elimination of the 10% discount for soft services, adjust the services eligible for DC recovery and introduce a class-based approach to DCs	Agree	DC update and CBC study
27	Staff should prepare a community benefits charge strategy and bylaw for Council's consideration	Agree	DC update and CBC study
Asset Management		Town's Position	Implementation Timeline
28	The Project Management Office should accelerate work on asset management planning so that initial integrated versions of all asset management plans are available for consideration in the 2023 budget cycle (beginning in Fall 2022)	Current process	Asset Management Plans
29	Asset management plans should include level of service considerations and a funding plan from the beginning so that appropriate tradeoffs can be made	Current process	Asset Management Plans
30	The funding strategy embedded in asset management plans should be integrated with the budget process and the next update of the Development Charges Background Study	Agree	Future budget processes
31	Staff should carefully review and update current asset replacement values and the current long-term estimates of funding needs as part of the asset management planning process	Agree	Asset Management Plans
32	The funding plan should include estimates of the asset management costs associated with infrastructure for future growth	Agree	Asset Management Plans
33	The Town should plan to increase future spending on infrastructure rehabilitation and replacement and incorporate steady increases for that purpose in the capital budgeting process	Agree	Future budget processes

Water, Wastewater & Stormwater		Town's Position	Implementation Timeline
34	Set water rates according to Newmarket's needs	Current process	Rate-supported financial plans
35	Commission or carry out a comprehensive rate-setting study that covers water, wastewater and stormwater rates	Current process	Rate-supported financial plans
36	Ensure that the rate-setting study considers long-term asset management funding needs, inter-generational equity, water demand (impact of conservation), the cost of climate change adaptation, increased costs due to intensification, and a contingency factor for yet-to-be identified costs such as regulatory changes	Agree	Rate-supported financial plans
37	Investigate the reasons for Newmarket's historically higher than average rates and address controllable factors	Agree	Rate-supported financial plans
38	Develop 80- to 100-year asset management plans for water, wastewater and stormwater, and firm ten-year capital plans with funding sources identified	Agree	Rate-supported financial plans
39	Integrate the rate plan with the ten-year capital plan and long-term asset management plans	Agree	Rate-supported financial plans
40	Increase rate stabilization reserves to allow for economic as well as weather-related variations in revenues	Agree	Future budget processes
41	Develop a detailed financial plan for water and wastewater that includes an analysis and forecast of capital and operating costs and incorporates the results of the rate-setting study	Agree	Rate-supported financial plans
42	Extend the time horizon of the water and wastewater financial plans to ten years	Agree	Rate-supported financial plans
43	Develop a financial plan for stormwater comparable to the plans for water and wastewater	Agree	Rate-supported financial plans
44	Consider working together with the other "Northern Six" municipalities in York Region to investigate the benefits and costs of transferring local water and wastewater responsibility to the Region or cooperating in other ways	Maybe	TBD

Building Reserves		Town's Position	Implementation Timeline
45	A new Contingency Reserve should be established to provide support for unforeseen and currently unquantifiable needs (e.g., pandemic, climate change, disasters, emergencies, changes in Provincial funding)	Agree	Future budget processes
46	A new Growth Reserve should be established to fund shortfalls in development charge collections and non-DC-eligible growth infrastructure	Current process	Budget policy
47	The new Growth Reserve should be funded by a budgetary allocation each year corresponding to a minimum of the avoided cost of the 10% development charge discount for planned growth projects that year plus an allocation from the annual surplus	Agree	Future budget processes
48	A separate pay-as-you-go reserve should be established for ongoing rehabilitation spending to give the Asset Replacement Reserves time to build	Agree	Future budget processes
49	The pay-as-you-go capital reserve should be funded by allocations in the budget process	Agree	Future budget processes
50	The Asset Replacement Reserve should be restructured according to the estimated needs identified in preliminary asset management plans	Agree	Reserve fund review
51	Future contributions to the various sectors in the Asset Replacement Fund should be based on needs identified in asset management plans	Agree	Reserve fund review
52	The only draws from the Asset Replacement Reserve for the next ten years should be for replacement spending	Agree	Future budget processes
53	The contribution to the Asset Replacement Fund should be increased by a minimum of 1% per year for the next ten years	Current process	Budget policy
54	Each year's incremental contribution should add to the base contribution to the Asset Replacement Fund	Current process	Budget policy
55	The contributions to the Asset Replacement Fund should be in addition to the funding needed for capital rehabilitation projects	Agree	Future budget processes
56	After ten years, the contributions to the Asset Replacement Fund should be reassessed	Agree	Budget policy
57	After ten years, the condition of the Asset Replacement Fund should be evaluated in relation to then current asset management plans with a view to determining whether draws for rehabilitation purposes are feasible	Agree	Budget policy
58	The current internal loan between the rate- and tax-supported portions of the Asset Replacement Fund should be eliminated	Agree	Reserve fund review
59	The policy of pooling rate- and tax-supported Asset Replacement Fund reserves should be dropped, and intra-reserve borrowing between tax and rate-supported reserves should not be permitted	Current process	Reserve fund review
60	Over the next five years, the Hydro dividend should be transitioned to a contribution split 75:25 between the tax-supported Asset Replacement Fund and the new Contingency Reserve	Agree	Budget policy
61	Over the next five years, the annual surplus should be transitioned to a contribution split: <ul style="list-style-type: none"> <li>o 50% to the new tax-supported Growth Reserve</li> <li>o 25% to the new Contingency Reserve</li> <li>o 25% to other reserves that are below target, and if none, to the Asset Replacement Fund</li> </ul>	Agree	Budget policy
62	Finance staff should prepare long-term reserve forecasts and present them to Council as part of the fiscal strategy update during the budget process	Agree	Future budget processes
63	The Town's Reserve Policy should be amended to reflect the recommended changes in this report	Agree	Reserve fund review
64	The Town's Surplus Policy should be updated to reflect the recommended changes in this report	Agree	Budget policy

Managing Debt		Town's Position	Implementation Timeline
65	The Town should stay on its current trajectory to pay off its debt by 2026, save for the Mulock Farm debt	Current process	Debt Policy update
66	The internal borrowing provisions of the debt management policy should be tightened with respect to payback period, interest rate earned, and portion of the reserve fund balance available for internal borrowing	Agree	Debt Policy update
67	Although the 10% limit on debt servicing costs as a share of own source revenue is reasonable, in practice the Town should strive to keep it below 5%	Agree	Debt Policy update
68	The Town should consult with York Region with respect to the potential for refinancing its Mulock Farm debt at a shorter term and a lower rate	Agree	Debt Policy update
Enhancing Revenue		Town's Position	Implementation Timeline
69	The Town should consider moderate increases in property taxes to support infrastructure investment, primarily asset management, after economic conditions have improved	Agree	Future budget processes
70	The current policy governing the use of assessment growth revenue should be retained	Current process	Budget policy
71	Any portion of assessment growth revenue not needed for growth purposes in the budget should be allocated to the new Growth Reserve	Current process	Budget policy
72	The Town should request an analysis of the corporate strategy and financial situation and prospects of both NT Power and Envi Networks from these companies	Agree	TBD
73	Depending on the results of the self-analysis, the Town should consider commissioning independent analyses of both companies with a view towards maximizing the value of NT Power and increasing the dividend it provides and assessing the market positioning of ENVI	Agree	TBD
74	The practice of allocating investment returns above benchmark to subsidize operating should be abandoned. Investment returns on reserves should be entirely allocated to reserves	Agree	2021 budget process
75	The Town should consider allocating a portion of its investments to ONE Investment, either through the Legal List or prudent investor	Agree	Investment Strategy update
76	The Treasurer should provide a stand-alone investment report to Council annually, including both realized and mark-to-market returns	Agree	Annual reporting
Conclusion		Town's Position	Implementation Timeline
77	The Treasurer should provide an annual update of the fiscal strategy to Council as part of the budget process, and a detailed review of the strategy at the beginning of each Council's term	Agree	Future budget processes
78	The budget process should include an introductory overview presentation of the entire budget in an integrated fashion—operating, capital and rates supported	Agree	2021 budget process
79	The Town should extend the time frames for its financial planning—multiyear operating budget, ten-year capital plan, long-term reserve and debt forecasts, DC revenue forecasts, and long-term asset management plans	Current process	Rate-supported financial plans







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## **2021 Preliminary Draft Tax-Supported Operating Budget Staff Report to Council**

Report Number: 2020-81

Department(s): Financial Services

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

Meeting Date: November 9, 2020

### **Recommendations**

1. That the report entitled 2021 Preliminary Draft Tax-Supported Operating Budget Report dated November 9, 2020 be received; and,
2. That subject to any additional direction from Committee, that the proposed budget be incorporated into the Draft Budgets to be presented to Committee of the Whole on December 7, 2020; and,
3. That the Treasurer be authorized and directed to do all things necessary to give effect to this resolution.

### **Executive Summary**

The Tax-supported Budget endeavors to maintain existing service levels for the Town's existing population (base budget) and future population (growth). The preliminary draft budget proposes a 2.99% tax increase which equates to approximately \$64.79 for the average residential property.

Council must balance the competing priorities of the economic impact of the pandemic with fiscal responsibility in the 2021 budget. Reduction options have been presented for Council to consider.

Wherever possible, Fiscal Strategy recommendations have been implemented.

## **Purpose**

The purpose of this report is to obtain Council's direction on the Tax-Supported Operating Budget.

## **Background**

Report 2020-35, 2021 Budget Process and Target set out the structure for the Tax-Supported Operating Budgets. It was presented at the Special Council Meeting – Electronic on May 19, 2020. The following is an excerpt from the adopted motion:

*That endorsement be given to staff to proceed with preparation of the 2021 budgets employing the structure and targets as amended, with options for reductions around Asset Replacement Fund contributions and Consumer Price Index as decision points for Council and a tax levy increase target of 2.99% consisting of:*

- a. 0.99% base rate;*
- b. 1.00% COVID-19 related contingencies;*
- c. 1.00% Asset Replacement Fund contributions.*

The Preliminary 2021 Draft Budgets were presented on October 5, 2020 as a starting point for community consultation and Council consideration.

### **Council Workshop on the Fiscal Strategy**

Council was presented a report and presentation on September 28, 2020. This included comparative diagnostics on Newmarket's financial sustainability, and made 79 recommendations resulting from that analysis.

As noted in the accompanying report, Fiscal Strategy – Next Steps, some of the recommendations have been included in the 2021 budget. The Strategy provides a larger context to be considered when making budget decisions.

### **Budgeting in a COVID-19 world**

Although the COVID-19 pandemic appears to have no direct budget impact on the 2021 budget, there are indirect impacts:

- Uncertainty about how long the pandemic will last and what the “new normal” will look like
  - Council has directed a 1% Tax Levy for a contingency

- Slower economy
  - Inflation is assumed to be in the 0% to 1% range
  - Growth has been reduced to 0.65% - half of what we would normally expect

### **The CYFS budget has been reviewed by JCC**

The Newmarket / Aurora Joint Council Committee (JCC) met on October 13, 2020 to review and make recommendations on the Central York Fire Services (CYFS) budgets. Three changes were made to the operating budget submission.

1. No additional staffing until supported by a recommendation from the new Fire Master Plan.
2. Asset Replacement contributions to be maintained at the 2020 level.
3. Increase in the revenue budget to include new revenues.

As per the Joint Services Agreement, the CYFS budget has been forwarded to Aurora Council for review and comment. After that, it will come back to Newmarket Council for approval.

## **Discussion**

### **THE TAX-SUPPORTED OPERATING BUDGET IS \$91 MILLION**

The Tax-supported Operating Budget is \$91 million allocated according to governance consisting of the following:

	Town	CYFS	Library	Total
	In \$ millions			
Expenses	\$ 62.1	\$ 17.2	\$ 3.4	\$ 82.7
Reserve transfers	6.6	1.4	0.3	8.3
	<b>\$ 68.7</b>	<b>\$ 18.6</b>	<b>\$ 3.7</b>	<b>\$ 91.0</b>
Non-tax revenues	- 22.2	- 0.4	- 0.4	- 23.0
<b>Tax levy</b>	<b>\$ 46.5</b>	<b>\$ 18.2</b>	<b>\$ 3.3</b>	<b>\$ 68.0</b>

These numbers have been updated to reflect the changes to the CYFS budget recommended by JCC.

The tax levy funds 75% of these budgets. Non-tax, or ancillary revenues fund the remainder, of which user fees and charges are 13% of the budget.

Reserve transfers are net of transfers to and from reserves and reserve funds, and include direct transfers to the Capital budget. The largest component of these transfers is contributions to the Asset Replacement Fund (ARF) - \$6.5 million.

The requested increase has been allocated as follows:

	Base	Growth	ARF	Total
Town	\$ 338,750	\$ 384,000	\$ 625,000	\$ 1,347,750
CYFS	280,000			280,000
Library		22,000		22,000
BIA (net)	0			0
COVID	625,000			625,000
<b>Total</b>	<b>\$1,243,750</b>	<b>\$ 406,000</b>	<b>\$ 625,000</b>	<b>\$ 2,274,750</b>

For 2021, a 1% tax increase will generate property tax revenues of approximately \$625,000.

The Base Budget is defined to be the net cost to maintain the Town's service levels for a stable population. This is net of ancillary revenues and efficiencies. Tax-supported operating budgets have property taxation as a primary funding source and are further divided according to governance such as the Central York Fire Services (CYFS), the Town of Newmarket Public Library Board (Library) and the Town of Newmarket Downtown District BIA (BIA). The Town's budget covers all of the other municipal services, including the internal support services.

Decision Packages included in the Base Budget are listed in Appendix A. There have been no changes to this list.

Growth expenses are the incremental expenses necessary to maintain service levels for a growing population. The Town uses the sustainable practice of applying growth revenues only to growth expenses, and, to date, has been successful in limiting growth expenses to the available growth revenues.

#### **Assessment growth revenues will be applied against growth expenditures**

Assessment growth for 2021 of 0.65% (\$406,000) appears to be achievable. The following is the revised allocation of tax-supported growth revenue:

<b>Allocations</b>	
CYFS	\$ 0
Library	22,000
Incremental growth	50,000
2021 capital – operating expenses	67,500
Fiscal Strategy - Growth Reserve	151,000
Available for Decision Packages	115,500
<b>Assessment growth</b>	<b>\$ 406,000</b>

JCC removed the requirement for a CYFS allocation. To confirm with the recommendations of the Fiscal Strategy, these funds can be diverted to the Growth Reserve Fund. Council could take this opportunity to start providing for the Mulock Park: a strategic decision to build a fund for capital expenditures, and to build room in the base budget to avoid the need for a future tax increase.

The operating impact of 2021 capital projects is based on the current capital requests.

Decision Packages proposed for in the Growth Budget are listed in Appendix B. This has been updated to reflect JCC's recommendations.

Appendix C lists the Decision Packages that have been deferred for consideration in future years.

### **Council has asked for options to reduce the tax increase**

Council's endorsement of the 2021 budget target included direction for staff to provide "options for reductions around Asset Replacement Fund contributions and Consumer Price Index ..."

In this budget, Council must balance the competing priorities of the economic impact of the pandemic with fiscal responsibility in the 2021 budget. This can be split into 7 issues for their consideration.

#### **1. Budgeting in a COVID world**

The pandemic and resulting restrictions have had a major financial impact. There is uncertainty about the extent – both in terms of duration and cost. Revenue targets may not be achievable. Additional financial relief may be required for residents; support may be required for local businesses. At this time it is difficult to project what the future may hold.

For this reason, a 1% tax levy is proposed, as a prudent measure. It would generate \$625,000 and would address a Fiscal Strategy recommendation.

Doing otherwise would risk having to make service level adjustments. This would be similar to what we did for 2020, but unlike 2020 there may not be additional funding from the provincial or federal governments.

## 2. Asset Replacement Fund (ARF)

The Fiscal Strategy introduced the concept of intergenerational equity – that financial responsibility should be shared fairly between current and future residents. In simpler terms, the question is do we pay now or later?

Not only does paying later have the potential to increase costs, it also does not match costs with benefits. As much of our current infrastructure was provided by developers, current residents are paying a minimal cost if they do not contribute towards the cost of replacement. Depreciation is a normal cost of doing business.

For this reason, the Town has been targeting annual tax levy increases of 1% to enhance contributions to the Asset Replacement Fund. Doing so narrows the infrastructure funding gap and ensures that we can maintain our service levels by replacing capital assets when required.

Deferring this increase in whole or in part would result in larger increases in the future.

## 3. Council Strategic Priorities

Council has established its strategic priorities for this term of Council and grouped them under 6 pillars. To move forward with Council's vision, to deliver on these priorities, expenditures have been included in the proposed 2021 budgets; \$99,000 in the Tax-supported Operating Budget and \$635,000 in the Capital Budget.

Operating Budget	• Digital Engagement – Hey Newmarket	\$ 25,000	
	• Eliminating transfer of investment returns from the reserve fund	\$ 65,000	
	• Electric Vehicle Charging Station	<u>\$ 9,000</u>	\$ 99,000
Capital Budget	• DC update and CBC Study	\$ 100,000	
	• Mulock Drive Multi-Use Path Feasibility Design Study	\$ 200,000	
	• Active Transportation Implementation Plan	\$ 175,000	
	• Trails & Multi-Use Path	\$ 100,000	
	• Stormwater Wet Pond Bathymetric Surveys	<u>\$ 60,000</u>	\$ 635,000

## **Conclusion**

### **Upcoming dates:**

- December 7 – Committee of the Whole - Presentation of the Draft Budgets and remaining Fees & Charges for approval
- December 14 – this is the target date for approval of the 2021 budget and remaining Fees & Charges

Council may choose to extend this time for further deliberations.

There will also be opportunities for Councillors to meet with or to obtain additional information from the Treasurer or other Members of Staff.

### **Reserve and Reserve Fund Budgets**

Contributions to and from Reserve Funds are derived from the Operating and Capital Budgets. After they have been approved, the Reserves and Reserve Funds Budget can be compiled.

## **Business Plan and Strategic Plan Linkages**

This 2021 Budget is supportive of Long-Term Financial Sustainability and furthers all of Council's Priorities under that pillar:

1. Ongoing community engagement
  - Conduct ongoing public engagement related to financial planning
2. Develop a multi-year operating and capital budget that aligns with budget policies
  - Develop a comprehensive budget policy
3. Ensure ongoing continuous improvement
  - Advance REV It Up recommendations
4. Complete Asset Management Plans
  - Update the capital financing sustainability strategy

Consideration has been given to the recommendations of the Fiscal Strategy:

- The practice of allocating investment returns above benchmark to subsidize operating should be abandoned. Investment returns on reserves should be entirely allocated to reserves
  - Transfer of \$65,000 of investment returns in the reserve fund has been eliminated

- A new Contingency Reserve should be established to provide support for unforeseen and currently unquantifiable needs (e.g., pandemic, climate change, disasters, emergencies, changes in Provincial funding)
  - The budget includes a 1% tax levy for COVID-19 related contingencies
- The contribution to the Asset Replacement Fund should be increased by a minimum of 1% per year for the next ten years
  - The budget includes a 1% tax levy for an increase in contributions to the Asset Replacement Fund
- The Town should consider moderate increases in property taxes to support infrastructure investment, primarily, asset management after economic conditions have improved
  - A tax levy increase is recommended for 2021
- The current policy governing the use of assessment growth revenue should be retained
  - Assessment growth revenue has not been applied as general revenues
- Any portion of assessment growth revenue not needed for growth purposes in the budget should be allocated to the new Growth Reserve
  - On this basis, the funds not required by CYFS should be transferred to the Growth Reserve Fund, or to a growth-related reserve fund such as the Mulock Park Reserve.

## **Consultation**

This report builds on the presentation of the Preliminary Draft Budgets to Committee of the Whole on October 5, 2020.

At the time of writing this report, the following question has been submitted regarding the Tax-supported Operating Budget.

- Reconsideration of the deferral of \$20,000 for eSignature Software (IT4)

## **Human Resource Considerations**

The preliminary draft budgets include adding 3.1 full time equivalent (FTE's) positions to the staffing complement. These are new staff:

- Convert the Fleet Administrative contract position to permanent full-time (1 FTE – ROAD1)
- Convert the Health & Safety Specialist contract position to permanent full-time (1 FTE – HR1)

Also additional hours for regular part-time staff:



- 7 hours per week for the CYFS Accounts Administrator for Cost-Recovery Program (0.2 FTE - CYFS7). This was approved by [Council on September 21, 2020 \(item 9.1.2.](#)
- Convert 2 part-time positions in Customer Service to full-time (0.5 FTE – CS2)
- Convert a part-time position in Financial Services to full-time (0.4 FTE – FIN1)

In consideration of the uncertainty around COVID and the economic climate, it is recommended that a similar approach to last year's deferral of staffing requests be taken - that a provision be made in the budget for the requests but that **hiring for these positions remain on hold until approved by Council**. The exception would be the pre-approved additional hours for the CYFS Accounts Administrator.

## Budget Impact

The Preliminary Draft Tax-supported Operating Budget provides for \$91 million in expenditures. Funding would be provided from property taxes - \$68 million, and ancillary revenues - \$23 million.

For an average residential property with an assessed value of \$700,604, this would mean a property tax increase of 2.99% or \$64.79.

## Attachments

Appendix A – Summary of Tax-Supported Operating Budget Decision Packages, Base

Appendix B - Summary of Tax-Supported Operating Budget Decision Packages, Growth

Appendix C – Summary of Deferred Tax-Supported Operating Budget Decision Packages

## Approval

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

Esther Armchuk  
Commissioner, Corporate Services

## Contact

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Appendix A – Summary of Tax-supported Operating Budget Decision Packages, Base									
Form #	STATUS	FTE	Initiative Name	Area Responsible	Category	Revised Score	Operating Cost	Revenue / Recovery /	Net Impact on Tax
<a href="#">HR1</a>	Recommend	1	Health & Safety Risk Management	Human Resources	Mandatory	22	42,312		42,312
<a href="#">CYFS 7</a>	Approved	0.2	Accounts Administrator for Cost-Recovery Program	CYFS	Service Level Change	14	45,652	45,652	0
<a href="#">IT3</a>	Recommend		Redundant Internet Connection	Information Technology	Service Level Change	11	1,800		1,800
<a href="#">COMM2</a>	Recommend		Digital Engagement - HeyNewmarket	Communications	Maintenance/Replacement	9	25,000		25,000
<a href="#">PLN 1</a>	Recommend		Cultural Heritage Planning	Planning	Service Level Change	9	5,000		5,000
<a href="#">ISI1</a>	Recommend		Electric Vehicle Charging Stations	Innovation & Strategic Initiatives	Service Level Change	8	15,000	6,000	9,000
<a href="#">IT5</a>	Recommend		Video Conferencing Licensing	Information Technology	Service Level Change	8	10,000		10,000
<b>Total</b>		<b>1.2</b>					<b>144,764</b>	<b>51,652</b>	<b>93,112</b>



Appendix B - Summary of Tax-supported Operating Budget Decision Packages, Growth									
Form #	STATUS	FTE	Initiative Name	Area Responsible	Category	Revised Score	Operating Cost	Revenue / Recovery /	Net Impact on Tax
<a href="#">ROAD 1</a>	Recommend	1	Records Management And Asset Tracking For Fleet Area	PWS - Roads	Growth	16	38,522	10,786	27,736
<a href="#">CS2</a>	Recommend	0.5	Increase staff complement by .5 FTE (1.5 to 2)	Customer Service Department	Growth	13	158,257	108,351	49,906
<a href="#">FIN 1</a>	Recommend	0.4	Meet the needs of increased volumes due to Pcard best practices and Prompt Payment requirements	Finance	Growth	12	77,186	41,426	35,760
<a href="#">LIB 4</a>	Recommend		Electronic Materials	Library	Growth	9	22,000		22,000
<b>Total</b>		<b>1.9</b>					<b>295,965</b>	<b>160,563</b>	<b>135,402</b>



Appendix C – Summary of Deferred Tax-supported Operating Budget Decision Packages									
Form #	STATUS	FTE	Initiative Name	Area Responsible	Category	Revised Score	Operating Cost	Revenue / Recovery /	Net Impact on Tax
<a href="#">CYFS 6</a>	Deferred	2	2 Additional Firefighters	CYFS	Growth	17	257,280	106,280	151,000
<a href="#">PARK 2</a>	Deferred	2	Parks, Open Space and Forestry Maintenance	PWS - Parks	Growth	16	155,617	126,922	28,695
<a href="#">ROAD 2</a>	Deferred	1	Roads Maintenance	PWS - Roads	Growth	16	77,510	55,898	21,612
<a href="#">PARK 3</a>	Deferred	1	Marianneville Maintenance	PWS - Parks	Growth	13	77,809		77,809
<a href="#">LS3</a>	Deferred	0.5	Conversion of Claims and Risk Analyst position to FTE	Legislative Services	Service Level Change	12	108,892	56,466	52,426
<a href="#">CS1</a>	Deferred	1	Staff resources for increasing volumes & decreasing service levels	Customer Service Department	Growth	11	72,595		72,595
<a href="#">LS2</a>	Deferred	1	Full-time permanent Records Management Specialist position	Legislative Services	Service Level Change	11	82,724	31,347	51,377
<a href="#">FAC 1</a>	Deferred	2	Operations and Maintenance of Facilities for Recreational Programming in Youth Centre, Museum and Gorman Pool	PWS - Facilities	Growth	10	118,016	35,208	82,808
<a href="#">FAC 2</a>	Deferred		Monthly HVAC Inspections and Preventative Maintenance Services	PWS - Facilities	Maintenance/Replacement	10	60,000		60,000
<a href="#">IT4</a>	Deferred		eSignature Software	IT	Service Level Change	7	20,000		20,000
<b>Total</b>		<b>10.5</b>					<b>1,030,443</b>	<b>412,121</b>	<b>618,322</b>