

Notice

In accordance with the Town's Procedure By-law, no decisions are to be made but rather this meeting is an opportunity for Council to have informal discussion regarding various matters.

Declarations of Pecuniary Interest

Items

1. PowerPoint Presentation by the Director of Financial Services/Treasurer p. 1 regarding the 2017 Operating Budget.

Adjournment

The 2017 Budget Challenge

Presenters: Mike Mayes
Chris Kalimootoo
Cindy Wackett
Lynn Georgeff
Wanda Bennett

November 14, 2016



Over the last five years, the funding for the base budget has been shrinking.

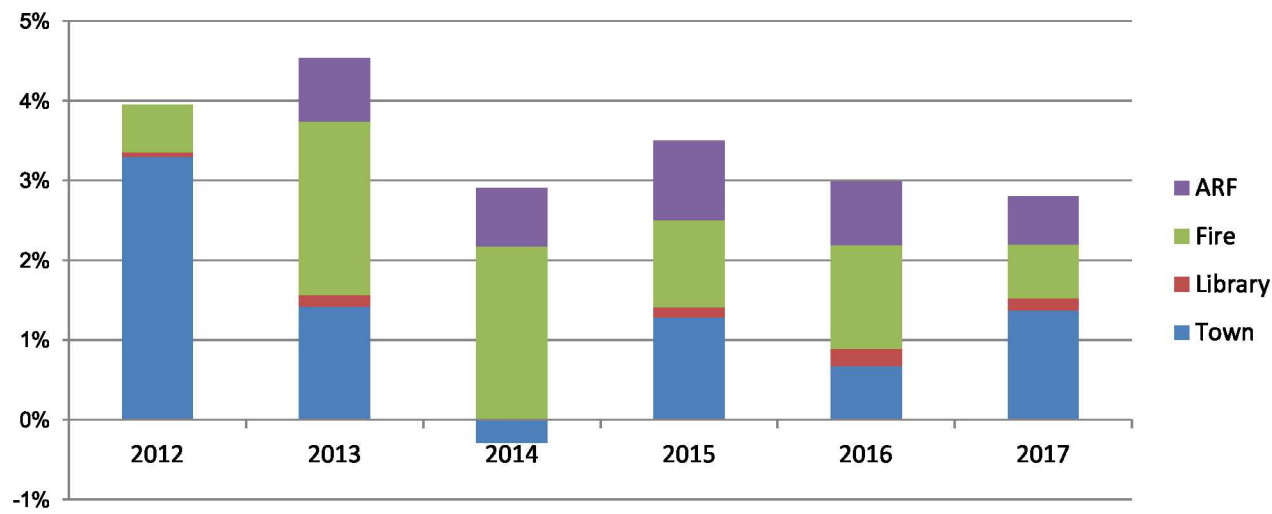
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Tax Increases: 2012 to 2016 & 2017 target

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------|------|------|-------|------|------|------|
| ARF | - | 0.80 | 0.74 | 1.00 | 0.80 | 0.60 |
| Fire | 0.60 | 2.18 | 2.17 | 1.09 | 1.30 | 0.68 |
| Library | 0.05 | 0.14 | 0.10 | 0.13 | 0.22 | 0.15 |
| Town | 3.30 | 1.42 | -0.29 | 1.28 | 0.67 | 1.37 |
| Total | 3.95 | 4.54 | 2.72 | 3.50 | 2.99 | 2.80 |

3



Base Budget Tax Increases: 2012 to 2017



| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------------|-------------|--------------|--------------|-------------|--------------|--------------|
| Town (from previous slide) | 3.30 | 1.42 | -0.29 | 1.28 | 0.67 | 1.37 |
| Net Growth | -0.08 | 0.27 | -0.46 | 1.38 | -0.21 | 0.51 |
| Enhancements | - | - | - | -0.30 | -0.34 | -0.27 |
| Extraordinary items | -1.72 | -1.84 | - | -1.65 | -2.17 | -1.78 |
| Base | 1.50 | -0.15 | -0.75 | 0.71 | -2.05 | -0.17 |

Base budget increases **are not** keeping pace with inflation.



Extraordinary Items for 2017



| | |
|---|------------|
| Hydro-electric costs | \$ 471,592 |
| Emerald Ash Borer (EAB) | \$ 262,000 |
| Artificial turf field maintenance | \$ 20,000 |
| Hydro SWM pond lease | \$ 15,000 |
| Waste management | - |
| Revenue right-sizing phase in from 2016 | \$ 130,000 |
| Animal shelter contract | \$ 60,000 |
| Cell phone costs | \$ 24,000 |
| \$ 982,592 | |

5



The 2017 Budget Challenge



| | | |
|-----------------------------------|----------------|-------------------|
| Tax target | 2.80% | \$ 1,545,026 |
| Allocation to infrastructure levy | (0.60%) | (331 ,077) |
| CYFS | (0.68%) | (375,221) |
| Library | (0.15%) | (82,762) |
| Growth “surplus” | 0.51% | 281,415 |
| Enhancements | (0.27%) | (150,000) |
| Extraordinary items | (1.78%) | (982,592) |
| Provision for base budget | (0.17%) | (\$95,211) |

This **excludes** fully addressing the growth of services, Council priorities, new service level enhancements and inflation.



Solutions for Consideration



If we were to run the Town like a private sector business, our options would be to:

1. Find efficiencies
2. Cut costs
3. Re-evaluate unprofitable business lines
4. Increase revenue

7



1. Find Efficiencies

The Town continues to find ways to be more efficient.

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Continuous Improvement Journey



Organization Structure, Service Alignments & Reviews



- Central York Fire Services
- Commission Restructuring
- Continuous Improvement/Strategic Initiatives Office
- Corporate Records Management

- Council Committees
- Customer Service Centre
- Economic Development
- Human Resources
- Information Technology
- Library Services



Service Process & Efficiency



Reviews:

- Council Communications (2014)
- Core Services Review (2001)
- Corporate Policy Review (2014)
- Council Orientation (2010)
- Customer Relationship Management (2005)
- Delegation of Authority (2015)
- Development Applications Approval Process (2005)
- Grant Coordination (2009)
- INNOVATENewmarket (2016)
- Job Descriptions & Evaluation (2014)
- N6 Shared Services Review (2014)
- Performance Measurement (ongoing)
- Service Process Mapping - Site Plan, Curb Cuts, etc. (ongoing)
- Results Based Accountability in Recreation (2014)
- Service Delivery Review (2011)



Cost Savings & Efficiencies



Programs:

- ELITE (2010-onward)
- Programs for Excellence, Efficiency & Creativity – PEEC (2005-2010)
- Idea\$ (pre-2005)
- Dear Bob (on-going)
- Public Works Services – Mundane Tasks Initiative (2014 onwards)
- ECAT - Energy Conservation Action Team (2010)
- Revenue, Efficiency & Value – REV (2012-2013)
- Revenue Sourcing Study – RSS (2012-2014)

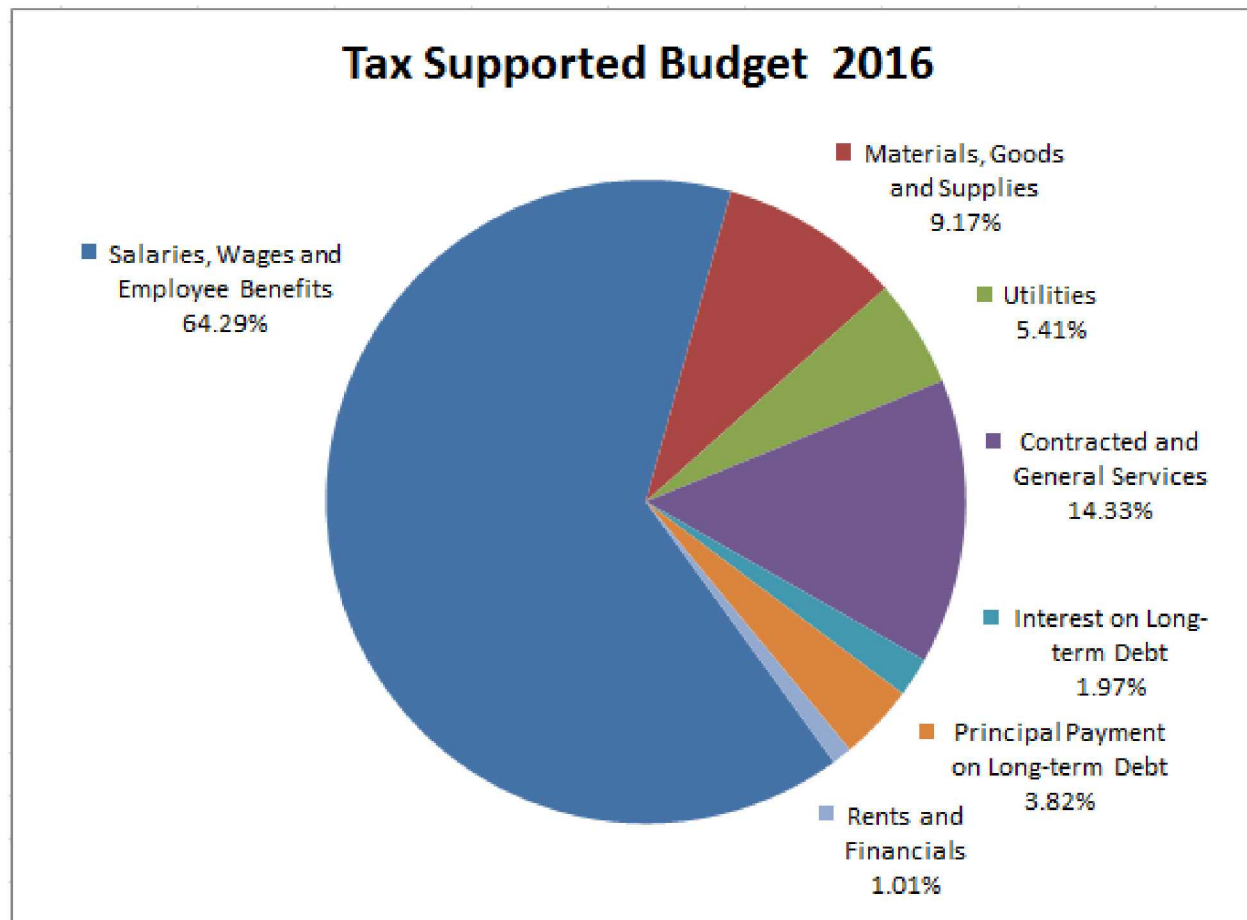


2. Cut Costs

Cutting costs has had some limited success but ultimately entails a larger degree of risk.



Major Expenses: Wages and Benefits



Total Compensation

A Complex ROI



INPUT

- Marketplace Factors
- Legislation
- Community Demands
- Hot Spots & Critical Risk Needs
- Perception of Fairness
- Policies
- Labour Relations Landscape

OUTPUT

- High Productivity Levels
- Solid Engagement Levels
- Positive Can Do Attitude
- High Level of Collaboration
- Retention & Attraction
- Innovative Approaches
- Talent Management Strategy
- Efficiency Focused
- Community Satisfaction

RESULT: Award winning culture that delivers on Council's Strategic Priorities and the Corporate Strategic Plan.



3. Re-evaluate Unprofitable Business Lines

In municipal terms, this means reduction of service levels – which would be contrary to what the community tells us.



Survey Says...



| SERVICE CATEGORY | 2013 Average Choice Incl. maintain | 2014 Average Choice Incl. maintain | 2015 Average Choice Incl. maintain |
|-----------------------------------|--|--|--|
| By-law Licensing Services | 98.4% | 99.7% | 96.16% |
| Community Programs/Events | 99.8% | 100.5% | 98.42% |
| Facilities, Parks and Trails | 101.5% | 101.8% | 100.38% |
| Fire Services | 99.1% | 99.2% | 96.57% |
| Planning and Development Services | 99.1% | 101% | 98.09% |
| Public Library Services | 98.6% | 100.6% | 96.96% |
| Roads, Bridges and Sidewalks | 101.5% | 101.8% | 102.08% |
| Solid Waste Management | 100.3% | 100.3% | 99.73% |

2014 Community Survey: 84% of residents felt they were receiving fair value for their taxes and 95% of residents are satisfied living in Newmarket.



4. Increase Revenue

The Town continues to pursue opportunities to increase revenue but we are experiencing diminishing returns.



New Sources of Revenues Have Limited Impact



Grants, donations and sponsorships:

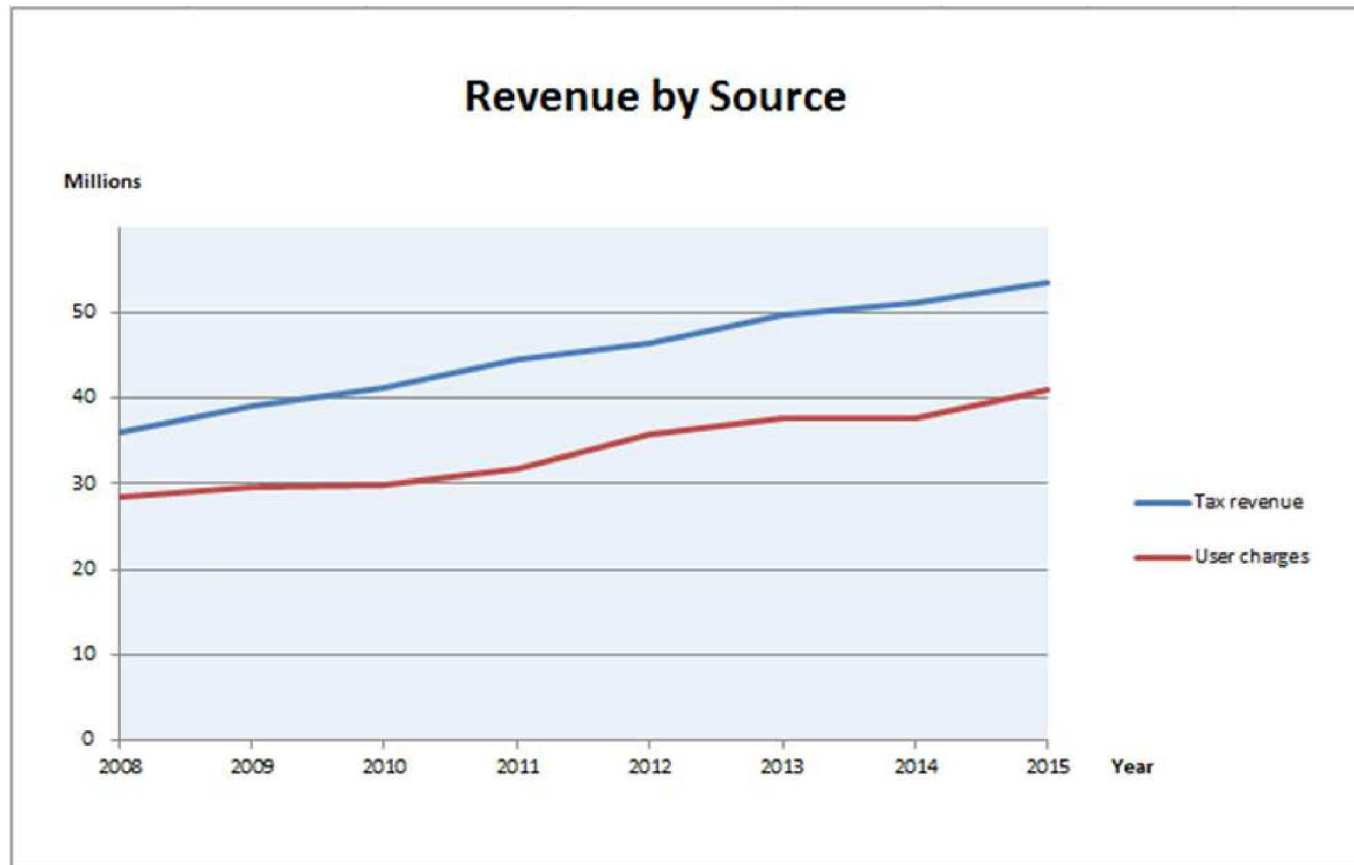
- tend to be for capital items

New fees and charges:

- can have a service-level impact
- can be perceived as 'just another tax'



Updating the Service Pricing Policy *Will Not* Increase Revenues



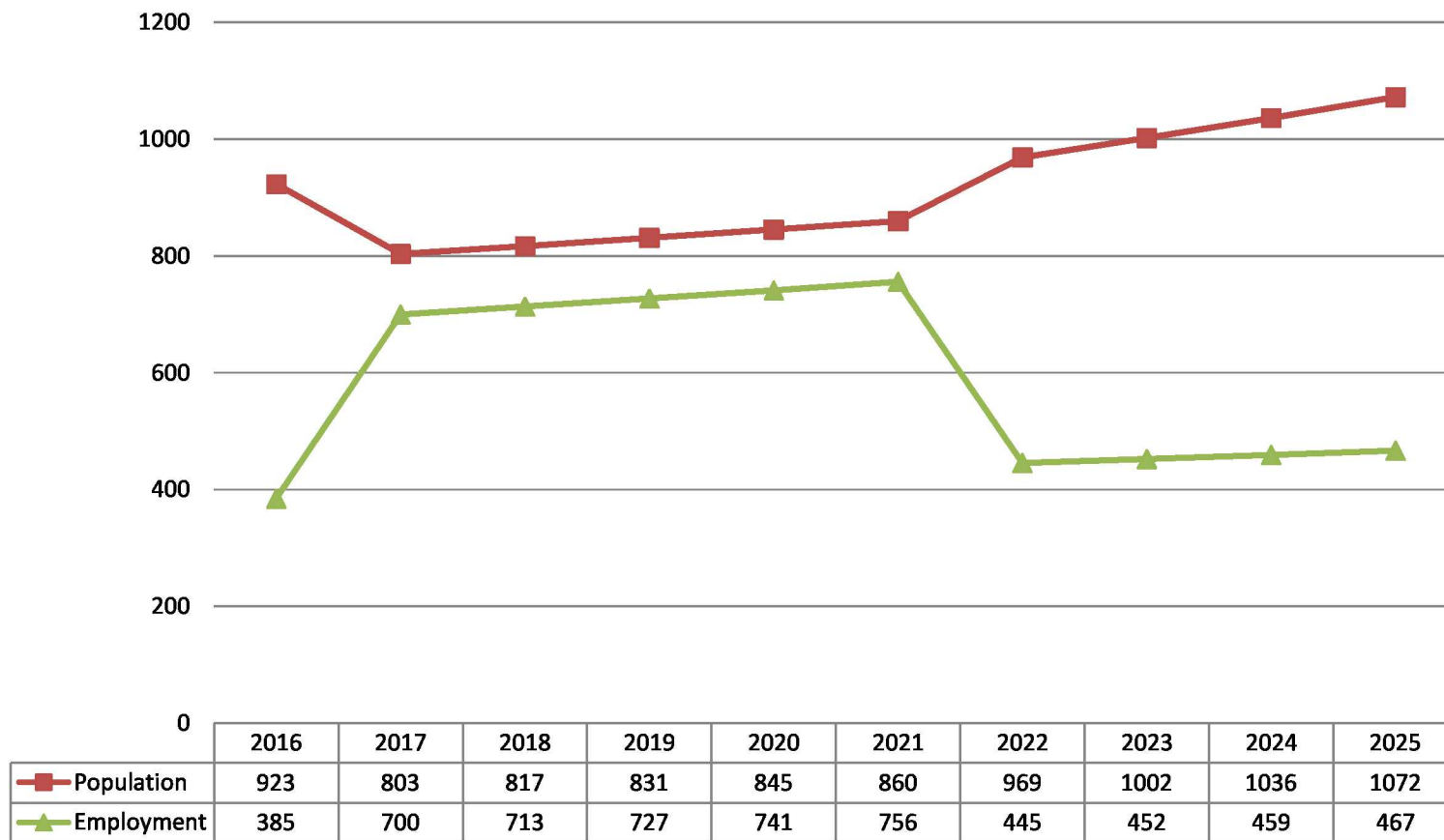
Stormwater Management Rate – Revenue Neutral



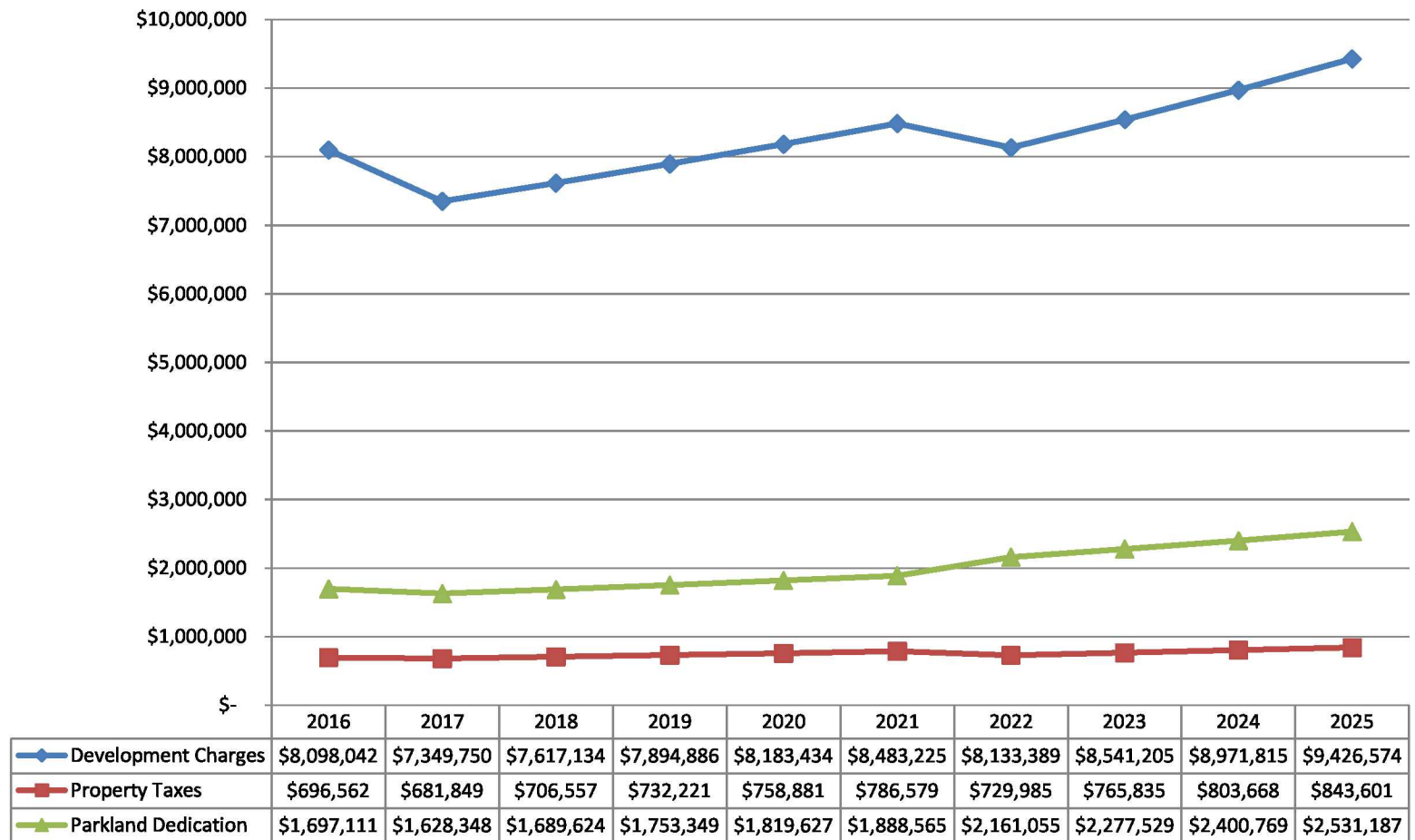
| | Taxes | Water and Wastewater | Stormwater | Total |
|--|---------------|----------------------|--------------|---------------|
| 2016 Revenue | \$ 55,000,000 | \$ 30,000,000 | - | \$ 85,000,000 |
| Increase with Status Quo | \$ 1,500,000 | \$ 1,900,000 | - | \$ 3,400,000 |
| 2017 Revenue with Status Quo | \$ 56,500,000 | \$ 31,900,000 | - | \$ 88,400,000 |
| Change in Total Annual Municipal Costs | 2.8% | 6.3% | n/a | 4.0% |
| Increase in the Stormwater Charge | \$ 100,000 | \$ 1,700,000 | \$ 1,600,000 | - |
| 2017 Revenue with Stormwater Charge | \$ 55,100,000 | \$ 31,700,000 | \$ 1,600,000 | \$ 88,400,000 |
| Change in Total Annual Municipal Costs | 0.2% | 5.7% | new | 4.0% |



Projections do not show a Growth Surge



Growth Revenue Projection



Projected Assessment Growth



| Year | Assessment Growth \$ | Assessment Growth % |
|------|----------------------|---------------------|
| 2016 | \$ 696,562 | 1.31% |
| 2017 | \$ 681,849 | 1.23% |
| 2018 | \$ 706,557 | 1.24% |
| 2019 | \$ 732,221 | 1.24% |
| 2020 | \$ 758,881 | 1.25% |
| 2021 | \$ 786,579 | 1.25% |
| 2022 | \$ 729,985 | 1.12% |
| 2023 | \$ 765,835 | 1.14% |
| 2024 | \$ 808,568 | 1.17% |
| 2025 | \$ 843,601 | 1.18% |

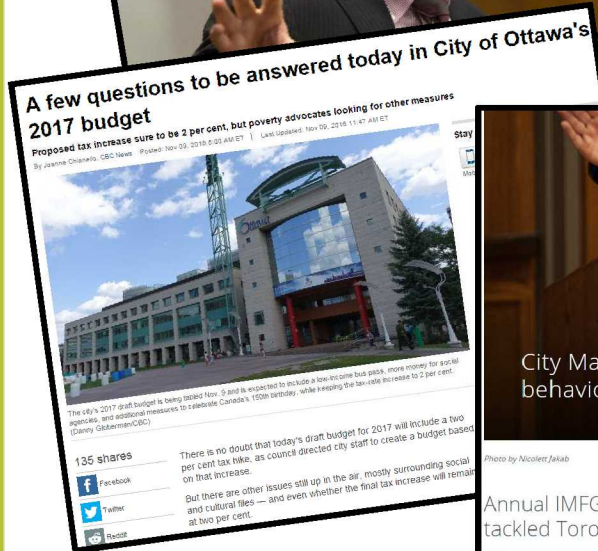


Solutions for Consideration

1. Find efficiencies **X**
2. Cut costs **X**
3. Re-evaluate unprofitable business lines /
adjust service levels ?
4. Increase revenue **X**
 - Additional tax revenue ?

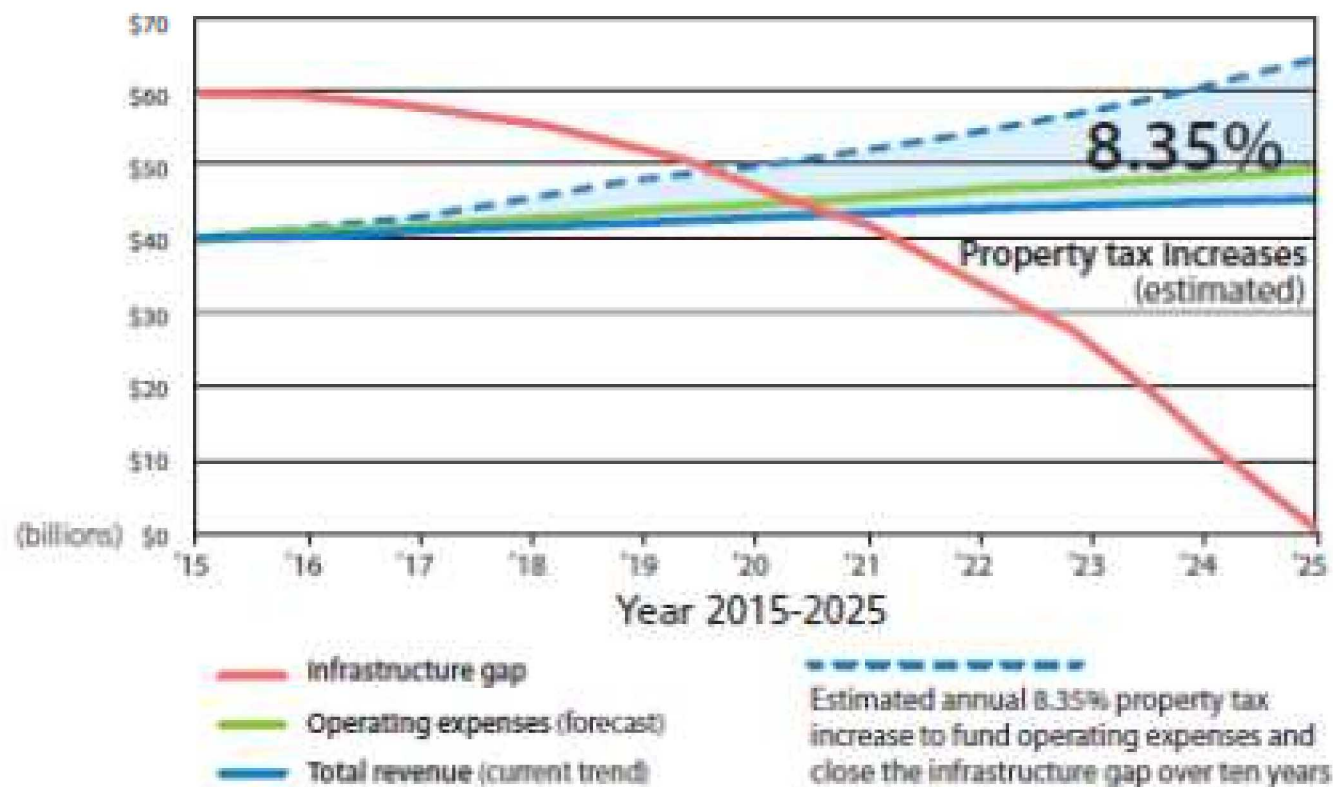


We Are Not Alone



What's Next Ontario

Revenue Needed to Fund Operating Expenses & Infrastructure Gap



Source: AMO



2017-19 Outlook (Excluding

Infrastructure Levy) as presented June 20, 2016



| TAX INCREASE | 2016 BUDGET | 2017 | 2018 | 2019 |
|------------------------------------|----------------|--|-------------|-------------|
| | | Starting point based on known drivers, subject to refinement | | |
| Base budget (Town) | 1.49 | 1.50 | 1.50 | 1.50 |
| CYFS – including growth | 1.30 | 1.66 | 1.50 | 1.50 |
| Newmarket Public Library | 0.22 | 0.15 | 0.15 | 0.15 |
| Phasing of 2015 enhancements | 0.33 | 0.27 | 0.26 | |
| Growth expenses (excludes CYFS) | 0.68 | 0.30 | 0.30 | 0.30 |
| Growth revenue | (1.00) | (1.00) | (1.00) | (1.00) |
| Enhancements | 0.01 | | | |
| Revenue adjustments | 1.59 | 0.23 | | |
| Other one-time adjustments | 0.43 | | | |
| Adjustments to capital financing | (0.42) | | | |
| Other reductions | (2.44) | TBD | TBD | TBD |
| TOTAL - prior to refinement | 2.19 | 3.11 | 2.71 | 2.45 |

28 Projections will be updated during the 2017 budget process



Budget Policy: Moving Toward Sustainability



1. Continue to base the budget target on the Consumer Price Index (CPI)
2. Match growth revenues and expenses
3. The base budget needs to be maintained and as a consequence, service-level enhancements and extraordinary adjustments should be additional to the allocation for the base budget

29



Budget Schedule



| ACTIVITY | DATE | STATUS |
|--|--------------------------|-------------|
| Special Committee of the Whole Workshop – Operating Budget | November 14 1:30 p.m. | In progress |
| Special Committee of the Whole Workshop – Financial | November 21 1:30 p.m. | |
| Committee of the Whole – remaining Fees & Charges | November 28 1:30 p.m. | |
| Special Committee of the Whole – Preliminary draft budget | December 5 10 a.m. | |
| Council approval of remaining Fees & Charges | December 5 7 p.m. | |



Budget Schedule (cont'd)



| ACTIVITY | DATE | STATUS |
|--|-------------------------|--------|
| Draft budget information available to public and on website | December 12 | |
| 2017 | | |
| Special Committee of the Whole – Capital Budget and Asset Replacement Fund | January 16 10 a.m. | |
| Special Committee of the Whole – Operating Budget | January 30 1:30 p.m. | |
| Committee of the Whole - Draft capital and operating budgets | February 6 1:30 p.m. | |
| Council approval of the Budget | February 13 7 p.m. | |



Discussion



- Feedback
- Direction
- Next steps

