



Declarations & Pecuniary Interest

Presentation

1. Tax Supported Operating Budget Presentation

The Director of Financial Services/Treasurer will be in attendance to present on the matter.

Note: Presentation to be distributed when available.

Deputations

Items

2. Tax Supported Operating Budget Report

Financial Services
November 20, 2017

Note: Report to be distributed when available.

3. 2018 Central York Fire Services Budget for Aurora Comment

Page 1

Director of Financial Services, Town of Aurora
November 7, 2017

Note: Aurora Council supports the draft 2018 Central York Fire Services budget as recommended for approval by the Joint Council Committee.

1. That the report entitled "2018 Central York Fire Services Budget for Aurora Comment" be received.

Adjournment

TAX SUPPORTED OPERATING BUDGET

**Special Committee of the Whole
November 20, 2017 – 9:00 a.m.**

Presented by:

Mike Mayes, Director, Financial Services

BACKGROUND



Budget process overview

On an annual basis, the Town of Newmarket prepares an annual budget to authorize its expenditures for the year. For 2018, this includes:

- \$127 million in operating expenditures
 - **\$84 million in tax-supported operations**
 - \$43 million in rate-supported operations (water, stormwater, building)
- \$26 million in capital expenditures

When developing the budget, the Town prioritizes projects and services that are required to meet legislative requirements and community needs.

Although the budgets are broken down into service areas, the budget is considered and recommended as a whole to enhance the Town's decision-making process.



Potential impact on the average residential property



Proposed increases for the average residential property with a 2017 assessment of \$508,750

	2018 Budget	Increase		Monthly cost
Initial target	\$ 1,857.74	\$ 60.22	3.35%	\$ 154.81
\$200,000 in reductions		- \$ 6.47	-0.36%	- \$ 0.54
Revised target	\$ 1,851.27	\$ 53.75	2.99%	\$ 154.27



Budget Schedule

Date	Activity
October 16	Preliminary draft budgets to Cow
October 23	Info report to Council with additional details and answers to questions
November 13	Special CoW – capital & rate-supported operating budgets
November 20	Special CoW – tax-supported operating budget
November 27	Regular CoW – budget and fees & charges
December 4	Council approval – budget and fees & charges



Council Priorities

The focus of the 2018 Budget is Sustainability:

1. Financial
2. Environmental
3. Community
4. Organizational Readiness

Council's strategic priorities:

1. Developing corridors and community
2. Manage assets, maintain service levels and cultivate talent
3. Cultivate innovation and growth



2018 Budget Process

- Budget Components

- Extraordinary Items – items which would normally be included in the Base Budget but are considered separately because their magnitude has the potential to distort the rest of the budget if it has to absorb them.
 - May be new regulatory requirements or substantial increases beyond normal inflation in the cost of goods and services.
 - May also be significant budget reductions.



2018 Budget Process

- Definitions

- Decision Package – budgetary requests for Enhancements, Growth Expenses, and Mandatory Items are submitted with all related costs, net of recoveries
- ARF or Asset Replacement Fund – monies set aside in a reserve fund to finance the replacement of existing Capital Assets such as roads, watermains and sewers



2018 Budget Process

- Assumptions



Assumptions used in the 2018 Budget:

- Inflation – the March 2017 Toronto CPI was used as a predictor of inflation – 2.1%
- Growth – the Town's Growth Revenue Model projects a 1.24% increase for 2018
- Preserve service levels for a growing population with any reductions based on prioritization
- Service level preservation takes precedence over service level enhancements



2018 Budget Process

- Methodology

The large budget was made more manageable by splitting it into sections or buckets.

Each of these buckets is filled by a funding source.

The amount available from each funding source is determined by Council in consultation with staff.

Budgets are then created by balancing service levels expectations with resources.



Council's Tax Target

Extract from June 6, 2017



That Joint CAO/Commissioners, Corporate Services Report Financial Services 2017-29 dated May 4, 2017 regarding the 2018 Budget Process and Target Update be received and the following recommendations be adopted:

- That the preliminary draft budget be prepared using the budget directives set out in this report; and that staff be directed to provide a base budget for Council's consideration that does not exceed 2.35%; and,
- That staff be directed to provide a total budget (base, enhancements, extraordinary items and Asset Replacement Fund) not to exceed 3% which outlines options and ways to achieve savings of between \$175,000 - \$200,000 (being the difference between 2.99% and the projected total target amount of between 3.35% - 3.50% set out in the Finance Report); and,
- That the proposed strategic theme, Council priorities and budget focus be adopted; and,
- That the 2018 public engagement plan for the 2018 budget be approved.



Funding envelopes – operating budgets

OPERATING BUDGETS	BASE	ENHANCEMENTS	GROWTH
Tax-supported operations	2.35%	Carried forward from 2015	1.24%
Asset Replacement Fund	1%		
Extraordinary items			
Tax total	3.35% *		
Water	6 year plan	In Base	1.24%
Wastewater	6 year plan	In Base	1.24%
Stormwater	6 year plan	In Base	In Base
Building	N/A	In Base	In Base

- With options for \$200,000 in savings – reductions, efficiencies, new revenue, etc.



Operating Budget – Taxes Revenue



	2017	2018	Change
Tax revenue (prior to increase)	\$ 57,484,378	\$ 57,484,378	\$ 0
2018 assessment growth		695,000	695,000
Other revenues	16,424,109	17,291,119	867,010
	\$ 73,908,487	\$ 75,470,497	\$ 1,562,010



Operating Budget – Taxes Expenses



	2017	2018	Change
Operations	\$ 73,418,375	\$ 75,927,412	\$ 2,509,037
ARF	8,876,948	9,688,548	811,600
Overhead	-2,761,610	-2,954,463	-191,853
Net reserve and reserves funds	-5,624,226	-5,313,320	310,906
	\$ 73,908,487	\$ 77,348,177	\$ 3,439,690



Operating Budget - Taxes

	2017	2018	Change
Revenue	\$ 73,908,487	\$ 75,470,497	\$ 1,562,010
Expenses	\$ 73,908,487	\$ 77,348,177	\$ 3,439,690
Extraordinary items		929,108	929,108
Mitigating options		-929,108	-929,108
Budget Target	\$ 0	\$ 1,877,680	\$ 1,877,680
			3.35%
Reduction options		-200,000	-200,000
Tax increase	\$ 0	\$ 1,677,680	\$ 1,677,680
			2.99%



Hitting the Target

Tax Increase by component	Starting Point	Hitting the Target	Budget Target
Base	1.86%		1.86%
Mandatory items	0.12%		0.12%
Annualization	0.09%		0.09%
Committed enhancements	0.28%		0.28%
Enhancements *	0.44%	-0.44%	0.00%
Growth, net **	1.36%	-1.36%	0.00%
	4.15%	-1.80%	2.35%

* No new initiatives in 2018

** Softening of service levels



Operating Budget – Taxes, Committed Enhancements



Completion of initiatives from 2015:	
Sidewalk snow clearing Phase 4	\$ 100,000
Traffic Management Phase 4	55,000
	\$ 155,000



Operating Budget – Taxes, Growth revenue and expenses

Assessment growth at 1.24%	\$ 695,000
Operating costs for growth related capital approved for 2017:	
applied to 2018	\$ 87,200
carried forward to 2019	136,300
Incremental growth provision	69,431
Decision Packages recommended	402,069
	\$ 695,000

No tax impact



Decision points for Council

1. **Which Decision Packages are to be included in the budget or deferred – Tax Supported**
2. Which Capital Projects are to be included or deferred
3. **Options for managing the Extraordinary Budget Items**
4. **Options for achieving a further \$200,000 in savings**
5. **Bill 148**



Options for achieving a further \$200,000 in savings



Further \$200,000 in savings

Options for Council to achieve additional savings	Risk
Reduce ARF	Low to medium
Further reduction in service levels	Medium
Assume higher growth rate	Medium
Increase user fee charges	Low to medium
Use reserves	Medium
Budget reductions	Medium
Do nothing	Low
Combination of options	Low to medium



Reduce ARF

- \$562,000 increase in contributions to asset replacement fund could be deferred
- Risk is to the sustainability of our capital program
- Risk can be mitigated by :
 - Making this a temporary measure
 - Grants
 - Future cashflow – reduced EAB & debt-
 - Asset Management – lifecycle & planning



Further reduction in service levels

- The preliminary draft budget includes some softening of services, but additional reductions could be made in the following areas:
 - grass cutting program
 - downtown waste management
 - winter maintenance on trails
 - trail maintenance and garbage/cleaning
 - building maintenance/janitorial
 - winter sidewalk clearing (defer)
 - Summer students
 - downtown flower program



Assume higher growth rate

- Current projected growth is 1.24% and the resulting \$695,000 has been applied to growth expenditures
- Increasing this projection by 0.25% would increase revenue by \$140,000
- The risks are:
 1. Not achieving the revised target
 2. Returning to unsustainable practices



Increase user fee charges

- 2018 fees targeted a 2.1% increase
- Recreation fees were not increased, but have a 3% increase in volume
- Risk:
 - User fees have minimal elasticity - further increases, may reduce usage and revenue
- Service Pricing Policy will be updated in 2018



Use reserves

- Funds could be drawn from reserves
- This is contrary to the Town's practice to not use reserves to buy down tax increases
- It is not sustainable as the amount drawn from reserves becomes a budget driver in the following year



Budget reductions

- Budget refinements could be made:
 - De-annualization of new hires could defer part of the expense to the following year
 - Refinements to some of the provisions made in the budget
 - Risk is whether the revised provision would be sufficient
- Up to \$200,000 in reductions is possible



Do nothing

- Do not decrease the budget by \$200,000
- The tax increase would remain at 3.35%



Combination of options

Staff recommendation

1. **\$200,000 in budget refinements**
2. \$100,000 in budget refinements and reduce ARF contribution by \$100,000
3. Reduce ARF contribution by \$200,000



Options for managing the Extraordinary Budget Items



Extraordinary Budget Items

Waste management, amount in excess of inflation and growth	\$ 429,108
Tax adjustments	200,000
Legal services	200,000
EAB	100,000
In addition to 2.99% increase	\$ 929,108



Low risk options to reduce the impact of extraordinary items

Waste management reserve - phasing cost increase over 2 years	\$ 250,000
End of Honeywell Phase 1 – funding is no longer required in tax base	149,000
	\$ 399,000
Extraordinary items, net	\$ 530,108



Additional mitigation options for Council to choose from

Option	Comment
Deferral / phasing of Tax, and Legal provisions to 2019	Medium risk. May fund deferral from possible 2017 surplus. Up to \$ 200,000
Limiting annual EAB program	Low risk but will require extending the duration of the program. Up to \$100,000
Reduce Infrastructure levy	Low to medium risk. Can be managed. Up to \$ 562,000
Additional levy	0.95%
Combination of above	To total \$ 530,108



Staff Recommendation

Waste management reserve	\$ 250,000
End of Honeywell Phase 1	149,000
Deferral of Tax, and Legal provisions	200,000
Limiting annual EAB program	100,000
Reduce Infrastructure levy	230,108
	\$ 929,108



Bill 148



Bill 148 – Fair Workplaces, Better Jobs Act, 2017



The Province of Ontario introduced this legislation on June 1, 2017:

- To increase the minimum wage to \$14/hour in 2018 and to \$15/hour in 2019
- Changes to scheduling, vacation and holiday pay and personal/emergency leaves, among other things.



Bill 148 – Fair Workplaces, Better Jobs Act, 2017



As legislation has not been enacted yet, there is uncertainty about what the final law will include, what exceptions may be made, and if there will be any phasing.

The Town has estimated that the maximum potential impact would be a cost in excess of \$1 million – which would almost entirely be funded by tax-supported operating budget.



Options/Recommendations to Respond to Bill 148

1. Do nothing – monitor the passage of the Bill and respond in 2019;
2. Provide for the potential full impact (not recommended);
3. Provide for a partial amount to be included in the budget (recommended)



Financial/operational tools

To address the potential impacts include:

1. A separate tax levy;
2. Increase user fees in affected areas;
3. Reduce the ARF contribution;
4. Apply rate stabilization reserves;
5. Re-organizing work resources
6. Manage budgets through delayed hiring (gapping) and other means
7. A combination of the above



Recommendation to Respond to Bill 148

- Provide for 75% of the projected maximum cost
- Phase-in over 5 years
- The 2018 impact would be \$235,000 which could be covered by:
 - An additional 0.42% levy, or
 - Reduction in the contribution to ARF



Which Decision Packages are to be included in the budget or deferred – Tax Supported



Decision Packages

	Mandatory	Growth	Enhancement
Town	\$ 70,000		\$ 155,000 *
CYFS		262,678	
Library		139,391	
Tax-supported total	\$ 70,000	\$ 402,069	\$ 155,000
Capital	\$ 194,490	\$ 47,379	

* Commitments made in previous years are included in enhancement – there are no new items.



How to give feedback

Residents are encouraged to Get Involved in the 2018 budget process



Give us your feedback on the 2018 budget by:

- Playing our "Put your money where it matters" budget game at **newmarket.ca/2018budget**
- Contacting the Town of Newmarket at **905-895-5193** or by emailing **finance@newmarket.ca**
- Speaking with your Council representative. For more information, visit **newmarket.ca/mayorandcouncil**
- Attending or giving a deputation at an upcoming budget meeting – **November 13, 20 or 27.**

For updates on the budget process and more information, visit **newmarket.ca/2018budget**

**BE ENGAGED.
USE YOUR VOICE.**

Next Steps

Date	Activity
October 16	Preliminary draft budgets to Cow
October 23	Info report to Council with additional details and answers to questions
November 13	Special CoW – capital & rate-supported operating budgets
November 20	Special CoW – tax-supported operating budget
November 27	Regular CoW – budget and fees & charges
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CORPORATE SERVICES COMMISSION
Financial Services

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November 16, 2017

CORPORATE SERVICES REPORT – FINANCIAL SERVICES 2017-58

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: Tax Supported Operating Budgets

ORIGIN: Director, Financial Services/Treasurer

RECOMMENDATIONS:

1. That Corporate Services Report-Financial Services 2017-58 dated November 16, 2017 regarding the 2018 Tax Supported Operating Budgets be received and the following recommendations be adopted:
 - a) That Committee review the information provided and provide direction;
 - b) And that such direction be incorporated into a consolidated budget recommendation which will be presented to Committee of the Whole on November 27, 2017.

COMMENTS:

Purpose

The purpose of the November 13, 2017 Special Committee of the Whole meeting was to facilitate discussion on the proposed \$84 million in tax-supported operations, which includes options for: a further budget reduction of \$200,000, extraordinary items, and dealing with Bill 148.

Budget Impact

The proposed tax-supported operating budget would result in a 2.99% tax increase, which is estimated to be \$53.75 for the average residential property.

Summary

Most of the information was presented with the Preliminary Draft Budget on October 16, 2017 or was included with Financial Services Report 2017-49 - Supplementary Information for Preliminary Draft Budgets. Staff has continued to refine budget options. There have not been any changes made to the budget.

Background

There have been no changes to the tax-supported operating budget.

Staff updated the options presented to Council on three key issues. Recommendations have also been presented. Committee is being asked to provide direction on these or other options. Consideration has been given to minimizing risk and, wherever possible, not deferring increases to future years (sustainability).

Options for achieving a further \$200,000 in savings

It is recommended that budget refinements be used, that adjustments be made to some of the provisions made in the budget. At risk is whether the revised provisions would be sufficient.

Alternatively, some or all of these savings could result from a reduction in contributions to the asset replacement fund (ARF). This is presented as an option but not as the primary choice as ARF reductions may be required to assist in other areas.

Options for managing the extraordinary budget items

It is recommended that:

1. Tax room created by payments for Phase 1 of the Honeywell project be applied - \$149,000.
2. The waste management reserve be used to phase in the waste management increase over 2 years - \$250,000. This will be a driver for 2019.
3. Requested increases in tax adjustments, legal services, and Emerald Ash Borer (EAB) be deferred - \$300,000. This will be a driver in the next 1 to 3 years.
4. ARF contributions be reduced - \$230,108. This will be a driver in the next 1 to 5 years.

Although the majority of these expenses are being deferred, this is considered appropriate as 2018 is an exceptional year. Staff may have to manage the third item and will report to Council.

Bill 148

Municipalities are challenged in calculating the impact of the Bill due to the uncertainty of the final approved requirements and what phasing may, or may not be included. It would be responsible to include some provision. It is also important to not over burden taxpayers if there is potential for a lower impact due to legislative or operational changes. The phasing-in of an increase of this magnitude would be appropriate.

For these reasons, a 5-year phase-in is recommended, based on 75% of the projected maximum cost. This would be approximately \$235,000 per year.

Next Steps

The information provided at the two Special Committees of the Whole – November 13, 2017 on Capital and Rate-Supported Operating Budgets, and November 20, 2017 on the Tax-Supported Operating Budget are intended to help inform Committee's decisions on the budgets. Direction provided will be incorporated into a draft budget to be presented to Committee of the Whole on November 27, 2017.

In addition to general confirmation or revision of the budget recommendations, specific direction is being sought on:

1. Decision Packages to be included in the budget or deferred
2. Capital Projects to be included or deferred
3. Options for managing the Extraordinary Budget Items
4. Options for achieving \$200,000 in savings
5. Strategy for Bill 148

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

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

CONSULTATION

On October 23, 2017 Joint Council Committee (JCC) recommended the Central York Fire Services (CYFS) budget. In compliance with the Joint Services Agreement, the capital budget was forwarded to Aurora's General Committee for review on November 7, 2017. Aurora Council is supportive of the budget.

The Newmarket Library Board approved the library's budget at their meeting on September 20, 2017.

Appendix A includes answers to questions that have been received.

HUMAN RESOURCE CONSIDERATIONS

Additional staffing resources are required to maintain service levels for a growing community and to address mandatory requirements. In accordance with the assumptions for the 2018 budget, none of them are enhancements. The tax-supported budget includes the following Decision Package requests:

Funded from growth

- 4 additional firefighters (#16)
- Applications Support Analyst to support Fire Services (#24)
- Enforcement Officer for licensing (#10)
- 2 Enforcement Officers for parking (#25)
- Digital Communications Specialist (#19)
- Conversion of a Solid Waste Inspector from casual to full-time (#37)
- Conversion of a part-time Parks Attendant to full-time (#33)
- Conversion of contract Fitness Programmer to permanent full-time (38)

In addition, the following positions are required to support the capital program and are funded by the relevant capital project:

- 2 staff for Asset Management implementation (#4)
- Part-time Telecommunications support (#23)

BUDGET IMPACT

Operating Budget (Current and Future)

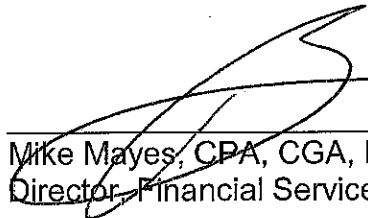
The proposed tax-supported operating budget would result in a 2.99% tax increase, which is estimated to be \$53.75 for the average residential property.

Capital Budget

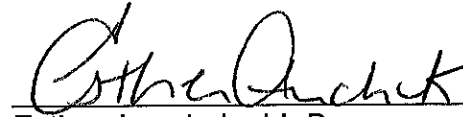
Adjustments to asset replacement fund contributions would impact future capital budgets.

CONTACT

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



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



Esther Armchuk, LL.B.
Commissioner, Corporate Services

MM/lm

Attachment:
Appendix 'A' - Answers to Budget Questions

Appendix A – Answers to Budget Questions

General

1. The Decision Packages have a category entitled points, and Capital pages have a priority ranking. How did we establish this prioritization?

Capital budget requests are prioritized on the following basis:

- Priority 1 for legislated requirements, health & safety or contractual obligation
- Priority 2 for replacement
- Priority 3 for other

This simple system is limited in that only having three categories, it does not allow for sufficient differentiation.

The Decision Packages are testing out a new system which is based on points:

- 0-9 points for priority
- 0-3 points for service level
- 0-5 points for business case
- 0-24 points for risk reduction

These prioritizations assist staff in making recommendations but are not intended to replace Council consideration. For this reason all deferred capital projects and decision packages are provided for Council's consideration.

2. How are operating costs allocated to ARF, Water/Wastewater or the tax-supported operating budget?

Costs are incurred to meet service requirements. Therefore, the service or activity that requires them determines where the costs should be allocated – in other words, activity based accounting. This is straightforward for most direct costs. It can become more complicated for maintenance costs and indirect costs.

Costs incurred on capital assets may either be maintenance (operating budget) or capital costs (capital budget). Accounting standards set the rules. Basically capital costs are those incurred to create an asset, or those which extend its life beyond what would normally be expected. All other costs are maintenance costs.

Generally nothing is charged directly to the asset replacement fund or any funding source. It is charged to the appropriate business unit, operating or capital, and receives appropriate funding based on the business unit. Items charged to capital could be reimbursed by DC's, grants or other funding sources as long as there is no restriction from the funding source.

Indirect costs, also known as support costs or overhead are allocated to services using methodologies that estimate usage by the service departments.

The challenge is in applying these principles in a budget because the budget estimates must be made based on which areas will be serviced. For instance, if a new position is charged to capital, this means that it is estimated that 100% of that person's time will be devoted to creating or developing assets. During the year, this will be supported by time the position allocates to the appropriate projects.

3. What is the amount of staff costs charged to the capital budget?

As noted in question 2, staff expenses may be allocated to the capital budget if it is projected that they will be working on the development and creation of capital assets. These costs are applied during the year when time is recorded on these specific projects.

These are included in the 2018 budget and are considered to be capital expenditures and are accounted for accordingly:

- \$900,000 from Engineering
- \$100,000 from IT
- \$241,869 in new requests
 - \$194,490 for asset management (Decision Package #4)
 - \$47,379 for telecommunications projects (Decision Package #23)

This practice complies with Public Sector Accounting Standards.

4. How is the Asset Replacement Fund (ARF) used in the 2018 budget?

The preliminary draft budget includes \$17,671,000 in transfers from the ARF:

- 67% for the new capital projects - \$11,857,000
- 6% for funding debt servicing on replacement assets - \$992,000
- 27% for minor capital and capital programs in the operating budgets
 - \$3,352,000 in the tax-supported budget
 - \$1,470,000 in the rate-supported budgets

This practice complies with Public Sector Accounting Standards.

Since 2015, the budget allocation to new capital has increased by 3% while the budget allocation to the operating budget for capital-related expenditures in the operating budget has decreased by 3%.

Stormwater Budget

As a reminder, there are three financial performance indicators which we try to achieve when translating 6-year financial plans into annual budgets. They are all measures of sustainability.

- Rate revenues – set a ceiling for increases. Increases are lower if the other measures can still be met.
- Contributions to the asset replacement fund (ARF)
- Contributions to the rate stabilization reserve fund

If there are unforeseen budgetary issues that prevent the achievement of all three goals, contributions to the reserve funds will be decreased if rate increases are not considered to be acceptable.

On slide 19 of the November 13, 2017 PowerPoint presentation it was stated that “additional expenses have been offset by lowering ARF contribution.” The following questions were asked in regards to this:

5. Why not increase Rate Revenue to cover the shortfall?

This is addressed in question 9. The required increase was not considered acceptable. An option was provided on October 16, 2017 for a 24.4% increase. There did not appear to be any support for it.

6. Is there a plan to put the funds back when revenue exceeds budget?

Any surplus in the Stormwater area can only be used for stormwater purposes. It would be applied to one or both of the reserves – asset replacement fund or rate stabilization. As rate stabilization is meeting its target in the 6-year plan, the surplus would be transferred to the ARF which is currently below target.

7. Is there separate tracking in place to ensure that this will happen?

Yes, there is a comparison of ARF contributions and balances to the 6-year financial plan. Although it is not required, this plan will be updated in 2018 to reflect these revisions.

8. Is this an exceptional year that justifies lowering the ARF contribution and will this not be happening in the future?

This is an exceptional year from both a positive and negative point of view. There are expenses that were not factored into the 6-year plan. Future years will need to compensate for this with increased ARF contributions, which is why the plan will require updating. There are also opportunities in the form of grants and partnering that can mitigate the potential impact of the adjustment in contributions.

9. Slide 21 of the same presentation mentions that Newmarket has the lowest residential stormwater rate (of the 12 municipalities with separate stormwater rates). Would this still be true if the additional expenses referenced above had not been offset by the ARF?

To cover these additional expenditures and to maintain the ARF contribution at the 6-year plan's level would have required a fee increase of about 50%. If this substantial increase was implemented, Newmarket's residential charge would have been the 4th lowest based on 2017 rates – possibly lower depending on what increases other municipalities have implemented for 2018.

Building Department Budget

10. What were the 2016 results and what is projected for 2017?

For 2016, the Building Department budget included a \$655,000 draw from reserves. Permit revenue was \$900,000 higher than projected and there was a \$368,000 transfer to reserves.

The 2017 budget includes an \$855,000 draw from reserves. As of the end of September, permit revenue has exceeded the annual budget by \$224,000. It is possible that there will be no draw on reserves for 2017.

Building permit revenue projections are conservative. As the demand has the potential to be volatile and the Building surplus cannot be applied to the tax-supported budget, this has not been a significant issue.

Capital Budget

11. Could we get a retrospective look and a forward look, what firetrucks have been replaced in the last 5 years and will be replaced in the next 10 years – detailing age and numbers?

Central York Fire Services and Financial Services will be providing a joint information report to address this prior to the final budget recommendation on November 27, 2017.

12. How are "General" and "Other Funding Source" normally funded?

General funding is from either the operating budgets (tax or rate-supported as appropriate) or from general capital reserves – those not designated for a specific purpose.

Other funding sources cover anything else not specifically mentioned. It does not include asset replacement fund (ARF), development charges (DC's), reserves & reserve funds, federal gas tax, and general funding. In the recommended 2018 capital budget, \$1,265,972 in other funding sources includes:

- \$630,000 in grants
- \$350,000 in a combination of grants and sponsorships
- \$197,152 from the Town of Aurora for its share of Fire Services
- \$ 88,720 in additional contributions from developers

13. Will \$100,000 for Clifford Perry Place trail connection to the Dave Kerwin Trail be carried forward from the 2017 budget?

Allocations for capital budgets are carried forward if the funds are unspent and the project is incomplete. There is no specific budget for this item but it is being considered under Trails Implementation and it appears that it will have funds to be carried over into 2018. Inclusion of the trail connection in this projection is being checked and will be confirmed.

14. Which reserve fund is being used for the capital project Davis Drive & Bathurst Street Intersection Improvements (#34)?

This project is eligible for 100% funding from Development Charges (DC's) and is budgeted accordingly. No financing from reserve funds is required.

15. For the Community Energy Plan (#29), is the intent to seek out some government funding?

The budget includes \$195,000 from a grant and \$200,000 from general funding.

16. Additional information was requested on three projects:

- Heritage Conservation District update (#26)
- Fernbank Farm maintenance (#47)
- Outdoor Train (#56)

Reports will be provided to Council on these prior to any expenditures being incurred. This condition will be included in the draft budget recommendation.



Town of Aurora

General Committee Report

No. FS17-053

Subject: 2018 Central York Fire Services Budget for Aurora Comment

Prepared by: Dan Elliott, Director of Financial Services - Treasurer

Department: Financial Services

Date: November 7, 2017

Recommendation

- 1. That Report No. FS17-053 be received; and**
- 2. That Council support the draft 2018 Central York Fire Services budgets as recommended for approval by the Joint Council Committee.**

Executive Summary

For Central York Fire Services (CYFS), Newmarket has final budget approval authority under the agreement; however, Aurora must be given the opportunity to provide comments to Newmarket for consideration prior to their final approval.

- This report presents the draft 2018 Operating and Capital Budgets of CYFS.
- Aurora's multi-year phase-in of expected CYFS cost increases has been in place for three years
- The recommendations of this report, and any comments of Council made by amendment will be conveyed to Newmarket Council by the Clerk's Office.

Background

Central York Fire Services (CYFS) is a consolidated fire service that strives to provide excellence in fire protection, prevention, public fire education and emergency services to the residents of Aurora and Newmarket.

CYFS operates under the direction of a six-member Joint Council Committee (JCC) comprised of three members from each of the Town Councils of Aurora and Newmarket. The Joint Council Committee provides and administers a borderless, single tier of fire protection and prevention services throughout both Towns in

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accordance with the Consolidated Fire Services Agreement, the Fire Services Master Plan, and the *Fire Protection and Prevention Act*.

Under the joint services agreement between Newmarket and Aurora, the operating costs of CYFS are shared on a proportional basis, using three factors combined: share of call volume, share of combined population, share of combined assessment values. The sharing formula is based upon a multi-year weighted averaging of the above factors, alleviating the severity of annual fluctuations in any of the three factors or their average. This year, Aurora's share increased from 40.6% in 2017 to 40.65% of the total cost for 2018 fire services. This change in share results in an additional cost to the Town of Aurora of \$125,000.

For 2015, a new Fire Master Plan was approved by the Joint Council Committee (JCC) resulting in a significant impact on the cost of fire services, due primarily to the addition of a new fire hall and pumper truck, including a new 20 person crew to staff this new apparatus. These costs are being introduced over several years including 2018's budget.

Analysis

The draft 2018 CYFS Operating and Capital Budget report is attached.

The attached report is the CYFS 2018 budget report prepared by Newmarket staff and the Fire Chief. This budget has been reviewed and approved by the Joint Council Committee (JCC) at its meeting of October 25, 2017. The Fire Chief will be making a short presentation in connection with this report, and will field any questions the Committee may have.

Aurora Council may provide any comments on this budget to Newmarket Council for consideration during their final approval deliberations of their entire budget, which includes the budget for CYFS.

Aurora's multi-year phase-in strategy of cost increases for CYFS has been in place for three years.

Initially, the incremental costs of implementing all recommendations of the Fire Master Plan update were identified. As the timing of the implementation of these costs over the coming six years was not clear at the time, for 2015 budget, Aurora adopted a six year phase-in strategy to smooth the impacts of the new costs to the tax rate. The implementation of the new costs has taken longer than initially expected. The 2018 CYFS budget is below the initial expectations of both Newmarket and Aurora staff. Aurora's phase-in strategy, if continued would lead to over budgeting for 2018.

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Accordingly, the draft Aurora 2018 budget was adjusted to reflect the draft CYFS budget for 2018.

Staff are satisfied that the 2018 draft CYFS budget reflects the financial resource needs of the fire service. As previously noted, it is less than initially anticipated. JCC had very little concern or discussion on this budget. The report to JCC prepared by Newmarket staff and the Fire Chief is included as Attachment #1, and is self-explanatory.

Any comments of Aurora Council will be conveyed to Newmarket through the Clerk's Office.

The recommendation presented in this report is one which, if adopted, would convey Aurora's support for the final approval of the CYFS draft budgets by Newmarket. Any comments of Council may be added by amendment to the resolution. The final adopted resolutions will be conveyed to Newmarket Council through the Clerk's Office.

Advisory Committee Review

None

Financial Implications

The Aurora share of the CYFS budget for 2018 is approved by JCC at the amount of \$10,490,381, being an actual increase of \$473,746 over the JCC approved budget for 2017.

For 2018, had Aurora continued with its full planned phase-in strategy, the 2018 budget and levy would have been materially overstated compared with the draft CYFS budget. Accordingly, for 2018, the Aurora budget for CYFS was adjusted downward from the planned amount to an earlier draft budget amount for CYFS. The budget savings realized by the reduction have been reallocated to other budget pressures within the Town's draft 2018 overall operating budget to be presented to General Committee on November 7, 2018. Subsequent to our adjustment, minor changes by Newmarket have occurred; however, Aurora's draft CYFS budget estimate amount for 2018 remains valid.

Communications Considerations

The CYFS budget is one component of the Town's 2018 Operating Budget. Comments of Aurora will be communicated to Newmarket Council by the Clerk's Office.

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Link to Strategic Plan

CYFS is a municipal shared services arrangement unique in Ontario. Providing input to the CYFS budget by Aurora Council demonstrates the Strategic Plan principle of leveraging partnerships and leadership in corporate management.

Alternative(s) to the Recommendation

1. Council may choose to provide comments on the draft 2018 JCC approved CYFS budget by way of making amendments to the staff recommendations of this report.

Conclusions

The 2018 CYFS draft budget presented has been recommended for approval by the Joint Council Committee overseeing the department. Aurora Council now has the opportunity to provide comments for consideration by Newmarket Council when they move to approve a final budget for CYFS.

Attachments

Attachment #1 Draft CYFS 2018 Operating and Capital Budgets – Updated report, (as approved by JCC on October 25, 2017, and recommended for approval by Newmarket Council in the coming weeks.)

Pre-submission Review

CAO only, due to timing requirements of Newmarket Council.

Departmental Approval



Dan Elliott, CPA, CA
Director of Financial Services
- Treasurer

Approved for Agenda



Doug Nadorozny
Chief Administrative Officer



October 10, 2017

**JOINT CENTRAL YORK FIRE SERVICES AND CORPORATE SERVICES REPORT
FINANCE 2017- 44**

TO: Joint Council Committee

SUBJECT: Draft 2018 Operating and Capital Budgets - Update

ORIGIN: Central York Fire Services – Fire Chief
Director, Financial Services/Treasurer

RECOMMENDATIONS

1. That Joint CYFS / Corporate Services Report – Finance 2017-44 dated October 10, 2017 regarding the Draft 2018 Operating and Capital Budgets - Update be received and the following recommendations be adopted:
 - a. That the Joint Council Committee (JCC) receive and review the draft budgets; and
 - b. That the October 25, 2017 JCC meeting be used to finalize a recommendation to be sent to Aurora Council for review and then to Newmarket Council for approval.

COMMENTS

Purpose

The purpose of this report is to provide an overview of the Operating and Capital Budget requests for 2018.

Budget Impact

The proposed budgets are within the funding envelopes for the operating budget – tax impact established by both municipalities.

Summary

The 2018 budget continues to address implementation of the 2014 Fire Department Master Plan Update (FDMPU) over a 5-year period.

BACKGROUND

On September 26, 2017 JCC was presented with Report 2017- 42 which provided an overview of the draft operating and capital budgets for CYFS. Since that time, staff has reviewed the budget and propose some revisions that will slightly increase the tax impact, while remaining within the targets set and without negatively impacting the current service level.

This report consolidates the details from the original report and should be received as a replacement for it. Changes are noted and highlighted in yellow.

DRAFT BUDGETS

Operating Budget

Wages and benefits

Based on recent contract settlements and arbitration awards, sufficient provision has been included. However, with the current contract in the hands of an arbitrator, it is possible that revisions may be required.

Overtime

Overtime can fluctuate greatly, as evidenced by results in the last several years. Overtime in 2015 was \$299,000 (budget: \$220,000), while in 2016 overtime was \$185,000 compared to a budget of \$220,000. At the end of the second quarter of 2017, overtime expenditures are \$79,000, which is below the year-to-date budget of \$100,000. The 2018 budget request has retained overtime budget funding at the 2017 level of \$200,000.

New hires

4 new firefighter positions are budgeted to be hired in April of 2018, with a corresponding provision for 75% of their annual salary. The budget also includes annualization for the remaining 25% for the 4 new firefighters hired in April 2017. This will be the case again in 2019 when the remaining 25% for the 2018 new hires will be included.

In addition to the hiring of 4 additional firefighters, the 2018 draft budget includes the allocation of costs from IT for a new Application Support Analyst. The new position, to be hired in March, 2018 by Newmarket's IT department, would assist CYFS by overseeing the technology needs of the department with respect to the records management software (Firehouse). The position would also act as a liaison with York Regional Police, Richmond Hill Emergency Services, and other outside agencies that may address the IT needs of CYFS. The FDMPU outlined the hiring of this position last year but it was deferred.

The wages and benefits will be charged to CYFS as a support cost allocation.

Fleet Maintenance

The Fire fleet is costly to maintain and over the last several years actual expenses have increasingly been over budget. This trend is expected to continue, with 2017 year-to-date expenses already exceeding the annual budget. Work order charges were increased in 2017 by 23% to reflect full cost recovery. In 2018 the cost has been increased by 3%. Fleet maintenance includes the cost of parts, as well as the hourly charges by Newmarket staff (2017 budget - \$218,960). There is a risk that the

2018 budget will be exceeded in which case we will have to manage the overage with offsetting decreases in other expenses or by drawing on reserves.

Support costs

The Town of Newmarket allocates a proportional share of its overhead costs to CYFS. This includes a share of human resources, payroll, accounting, procurement, legal, insurance, and communications. These costs have been increased by 5.8% before the addition of the costs for the new IT hire. Support costs as a percentage of total expenses have increased from 3.6% to 4.0%.

Dispatch Service

The budget for dispatch services was decreased in 2017 by \$45,000 to better reflect the actual charges from York Region and Richmond Hill Fire Services. Actual costs incurred in 2016 were \$440,000 compared to a budget of \$460,000. The budget has been maintained at the 2017 level.

Infrastructure Levy / Asset Replacement Fund (ARF)

CYFS / Finance Report 2017-14, Capital and Asset Replacement Fund Forecast, presented options to JCC on how to deal with the infrastructure deficit. The contributions to the Asset Replacement Fund have been increased by \$249,600 to meet the requirements as set out in the capital budget. \$49,600 of the increase represents an allocation of previous years' transfers which are no longer required.

Training

Since 2011 CYFS has been using the former Timothy Street Operations Centre as an interim training facility. Newmarket is unable to use the land or the facility for other planned purposes, as there is no current suitable alternative location for fire training. The 2018 budget request has maintained annual facility rental charges at the 2017 level of \$30,000.

Cost Allocation

The 2017 budget reflects a 0.05% change in the cost allocation – Newmarket's share being decreased to 59.35% (2017 - 59.4%) and Aurora's share increasing to 40.65% (2017 - 40.6%). This is a shift of \$129,000 in annual operating costs.

Capital Budget

Replacement

Capital replacements are funded by the Asset Replacement Fund (ARF). This includes the following for 2018:

- Replacement of Personal Protective Equipment - \$55,000
- Replacement of Fire Equipment - \$100,000

A 10-year projection of future replacement requirements indicates that there will be a funding deficiency. As a result, the ARF contributions have been increased by \$249,600 for 2018.

Growth

As part of the budget request for the 4 additional firefighters, personal protective equipment and uniforms for the new recruits (\$27,000) have been requested. An additional fire prevention vehicle (\$38,500) has been requested for the position budgeted and hired in 2017. The chassis (\$400,000) for a new fire engine for Station 4-5, with a total budget of \$985,000, has been included in order to

start the procurement process in 2018 for delivery in 2019 to align with the completion of the new fire station. Development Charges (DC's) are the funding source for all of these items.

Other

In conjunction with an app created by Newmarket GIS, tablets (\$19,500) will allow for better record management for CYFS's "Stay Fire Smart" door-to-door campaign to educate residents on the importance of working smoke and carbon monoxide alarms and home escape planning. The Prevention division will also use tablets during onsite inspections to generate reports, take pictures and send the owner the electronic report from the site. This amount will be funded from the CYFS Reserve Fund.

US Exchange

Major capital purchases tend to be from American suppliers. As such, the increase in the exchange rate for U.S dollars has had a significant impact on capital costs and reserves. This is the major reason for the increase in capital funding requirements.

To reduce the risk of fluctuations, exchange rates are based on current values and will be locked in as soon as the budget is approved.

Reserves

Financial Services Report 2015-46 recommended a target level for the CYFS reserve fund. This was adopted by JCC. The three components are:

1. 50% of CYFS' total annual budget for the most volatile expenditure items such as overtime, fuel, repairs, utility costs, and legal costs. This provision would be about \$615,000;
2. Net contributions for light vehicle purchases, which will be \$331,000 at the end of 2017;
3. Other contingency amounts defined by JCC from time to time. \$19,500 will be required to fund the purchase of the tablets.

The target for the CYFS Reserve would be \$965,500. Before any adjustments for 2017 operating results, the projected balance is \$941,000.

At a future meeting, a proposal will be made to consolidate the light vehicle program into the asset replacement fund.

IMPACT ON THE MASTER FIRE PLAN

This report is consistent with the budget methodology set out in the 2008 Master Fire Plan and it includes certain staffing recommendations from the 2014 Fire Department Master Plan Update (FDMPU) and sets the foundation for the needs of the Fire Service.

Implementation of the Fire Master Plan

The implementation staffing option selected by JCC was a phased approach over 5 years. This included hiring four firefighters on an annual basis and additional support staff – HR Consultant, Fire Inspector, Administrative Assistant, and IT resources. The draft 2018 budget deferred some of these hirings for future consideration.

CONSULTATION

This report has been prepared by the Treasurer for the Town of Newmarket in consultation with the Fire Chief. The Treasurer for the Town of Aurora has reviewed this report.

BUDGET IMPACT

Operating Budget (Current and Future)

Aurora Council has set a 1.3% tax increase target for Fire Services. Aurora's share of the proposed operating budget is an increase of \$473,748, which is equivalent to a 1.10% tax increase.

Newmarket Council adopted a budget target for 2018 which included an additional \$725,000 (1.29% tax increase) for Fire Services. Newmarket's share of the proposed operating budget is an increase of \$661,337 (1.18% tax increase).

These amounts include the increased contributions to the Asset Replacement Fund. The difference in taxation bases and change in the allocation account for the discrepancy in the increases.

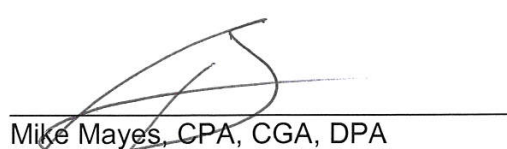
Capital Budget

The capital budget will be within the funding envelope as outlined in Joint CYFS / Finance Report 2017-14, Capital and Asset Replacement Fund Forecast. This report did a review of future funding requirements and recommended increases in contributions to the Asset Replacement Fund (ARF).

CONTACT

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



Ian Laing, Fire Chief
Central York Fire Services

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Director, Financial Services/Treasurer
Town of Newmarket

Reviewed by:

Dan Elliott, Director Financial Services
Treasurer
Town of Aurora

DS/lm

Attachments:

- 2018 CYFS Draft Operating Budget
- 2018 CYFS Capital Budget Summary

**CENTRAL YORK FIRE SERVICES
2018 OPERATING BUDGET**

Updated: October 18, 2017

OBJECT ACCOUNTS	2017	2018 Budget				Increase/(Decrease)	
	Budget	Base	G & E	Revisions	Total	\$	%
Expenses							
4011 Management Salaries	627,788	641,841			641,841	14,053	2.2%
4021 Regular Salaries & Wages	14,708,729	15,001,684	280,489		15,282,173	573,444	3.9%
4024 Standby/Callback	86,000	86,000			86,000	-	0.0%
4025 Overtime	200,000	200,000			200,000	-	0.0%
4026 Lieu Time Paid	617,000	617,000			617,000	-	0.0%
4031 Casual/Seasonal Wage	20,000	20,000			20,000	-	0.0%
4109 Direct Payroll Benefits	4,801,000	4,893,592	81,342		4,974,934	173,934	3.6%
Sub Total Salaries and Benefits	21,060,517	21,460,117	361,830	-	21,821,947	761,430	3.6%
4216 Stationery & Office Supplies	15,000	15,000			15,000	-	0.0%
4217 Photocopier Lease & Supplies	5,000	5,000		2,500	7,500	2,500	50.0%
4219 Emergency Mgmt. Materials	4,000	6,500		(2,500)	4,000	-	0.0%
4229 Janitorial Supplies	20,000	20,000			20,000	-	0.0%
4232 Fuel for Vehicles	110,000	110,000		(5,000)	105,000	(5,000)	-4.5%
4261 Uniforms, Clothing	132,000	127,000		12,000	139,000	7,000	5.3%
4269 Misc.	11,000	18,000		(7,000)	11,000	-	0.0%
4272 Vehicle Repairs & Maintenance	130,000	130,000		37,800	167,800	37,800	29.1%
4273 Building Repairs & Maintenance	120,000	157,800		(37,800)	120,000	-	0.0%
4278 Equipment Repairs & Maintenance	148,500	148,500		10,000	158,500	10,000	6.7%
4299 Capital Acquisitions	67,800	77,800		(17,800)	60,000	(7,800)	-11.5%
4303 Cell Phone	21,650	13,850		10,300	24,150	2,500	11.5%
4311 Hydro	90,000	92,500			92,500	2,500	2.8%
4321 Heat	50,000	52,500		(7,500)	45,000	(5,000)	-10.0%
4331 Water	15,000	10,000		5,000	15,000	-	0.0%
4404 Consulting Services	60,000	60,000			60,000	-	0.0%
4425 Education/Corporate Tuition Assist.	11,000	11,000		(2,500)	8,500	(2,500)	-22.7%
4462 Fire Prevention	28,000	25,500		12,500	38,000	10,000	35.7%
4463 Fire Investigation	2,500	2,500			2,500	-	0.0%
4464 Association Allowance	3,000	13,000		(10,000)	3,000	-	0.0%
4465 Dispatch Service	460,000	460,000			460,000	-	0.0%
4466 Wellness Program	145,000	145,000			145,000	-	0.0%
4471 Mileage/Parking/Tolls	4,000	4,000		(1,000)	3,000	(1,000)	-25.0%
4472 Memberships & Subscriptions	7,500	7,500			7,500	-	0.0%
4474 Medical Oversight	15,000	14,000		1,000	15,000	-	0.0%
4474 Training	100,000	100,000			100,000	-	0.0%
4478 Conferences & Seminar Fees	20,000	20,000			20,000	-	0.0%
4667 Property Lease	30,000	30,000			30,000	-	0.0%
4511 Street Snowploughing Contract	10,000	10,000			10,000	-	0.0%
4662 Contingency Account	45,000	45,000			45,000	-	0.0%
5105-5109 Work Order Charges	218,960	225,000			225,000	6,040	2.8%
5151- 5162 Support Cost Allocation	911,482	934,508	110,761		1,045,269	133,787	14.7%
4911 Transfer to Capital	6,600	-			-	(6,600)	-100.0%
4936 Asset Replacement Fund	850,000	1,099,600			1,099,600	249,600	29.4%
Total Expenses	24,928,509	25,651,175	472,591	-	26,123,766	1,195,257	4.8%
Revenues							
7431 Fire Dept. Recoveries	290,000	307,172			307,172	17,172	5.9%
7471 Misc. Charges	10,000	10,000			10,000	-	0.0%
Total Revenues	300,000	317,172	-	-	317,172	17,172	5.7%
Net Expenditure Before Transfers	24,628,509	25,334,003	472,591	-	25,806,594	1,178,085	4.8%
Transfers to/(from) Reserve Fund							
4922 Transfer to Reserve Fund	55,000	-			-	(55,000)	-100.0%
7542 From Reserve Fund	(12,000)	-			-	12,000	-100.0%
Net Expenditure	24,671,509	25,334,003	472,591	-	25,806,594	1,135,085	4.6%
Newmarket's share(2018-59.35%; 2017-59.40%)	14,654,876	15,035,731	280,483		15,316,214	661,337	4.5%
Aurora's share(2018-40.65%; 2017-40.60%)	10,016,633	10,298,272	192,108		10,490,381	473,748	4.7%
	24,671,509	25,334,003	472,591	-	25,806,594	1,135,085	4.6%

2018 CAPITAL BUDGET

FIRE SERVICES	
Project Description	
Tablets for Suppression and Prevention	
Life Cycle Replacement of Personal Protective Equipment	
Personal Protective Equipment & Uniforms for New Recruits	
Purchase of an Additional Prevention Vehicle	
Replacement of Equipment	
New Fire Engine for Station 4-5	
TOTAL - Central York Fire Services	

EXPENDITURES		FINANCING					Remarks
Total Cost	2018 Cost	Asset Replace. Fund	Develop. Charges	Reserves & Reserve Funds	Operating Fund	Other	
19,500	19,500			19,500			
55,000	55,000	55,000					
27,000	27,000		27,000				
38,500	38,500		38,500				
100,000	100,000	100,000	100,000				
985,000	400,000		400,000				
\$ 1,225,000	\$ 640,000	\$ 155,000	\$ 565,500	\$ 19,500			