

Draft 2019 Operating Budgets

Presenter: Mike Mayes

Date: February 4, 2019



Agenda

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



This Year's Theme is . . .

Setting the stage for an extraordinary future

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

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





What is the operating budget?

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

It includes salaries, materials and supplies.

It does not include capital expenditures.

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



Summary of Budget Impact on Average Residential Property



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



Rate-supported Operating Budgets



Rate-supported Budgets



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



Operating Budget

- Water & Wastewater

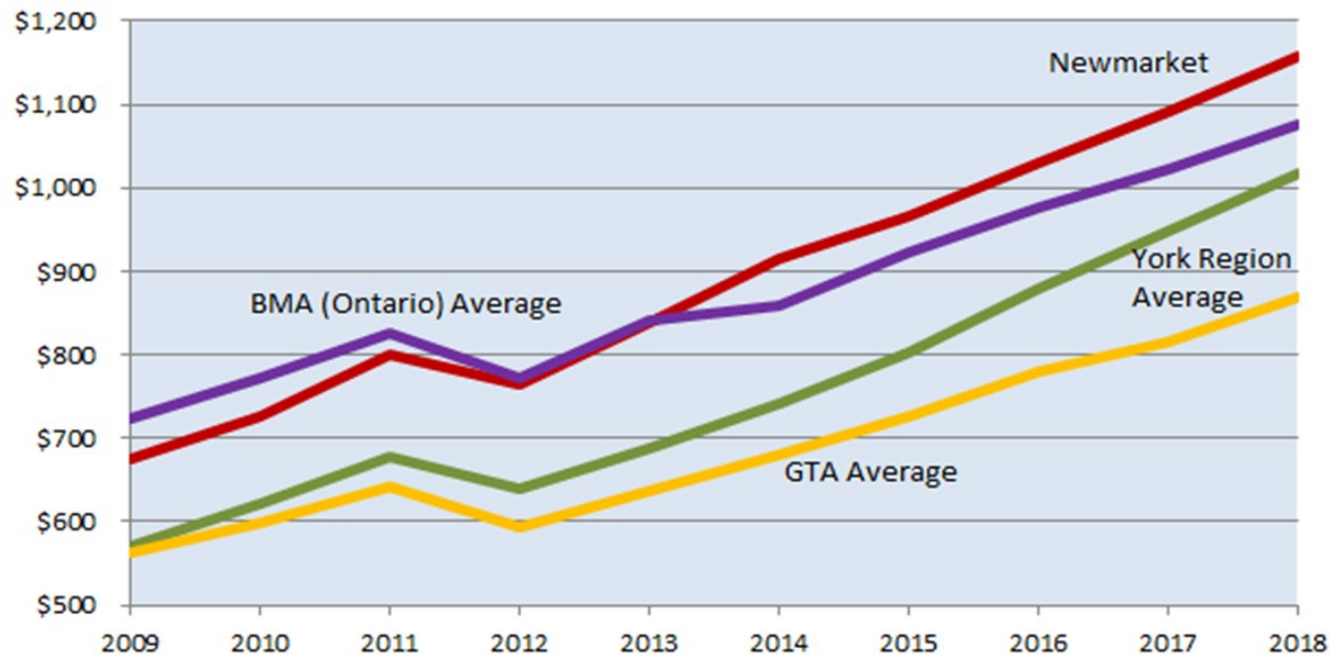


| | 2018 | 2019 | Change |
|---------------------|----------------------|----------------------|---------------------|
| Rate revenue | \$ 36,813,939 | \$ 38,163,615 | \$ 1,349,676 |
| Region | \$ 21,962,805 | \$ 22,980,679 | \$ 1,017,874 |
| Operations | 5,052,397 | 5,480,176 | 427,779 |
| ARF | 7,067,859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



Water/wastewater are at full cost recovery

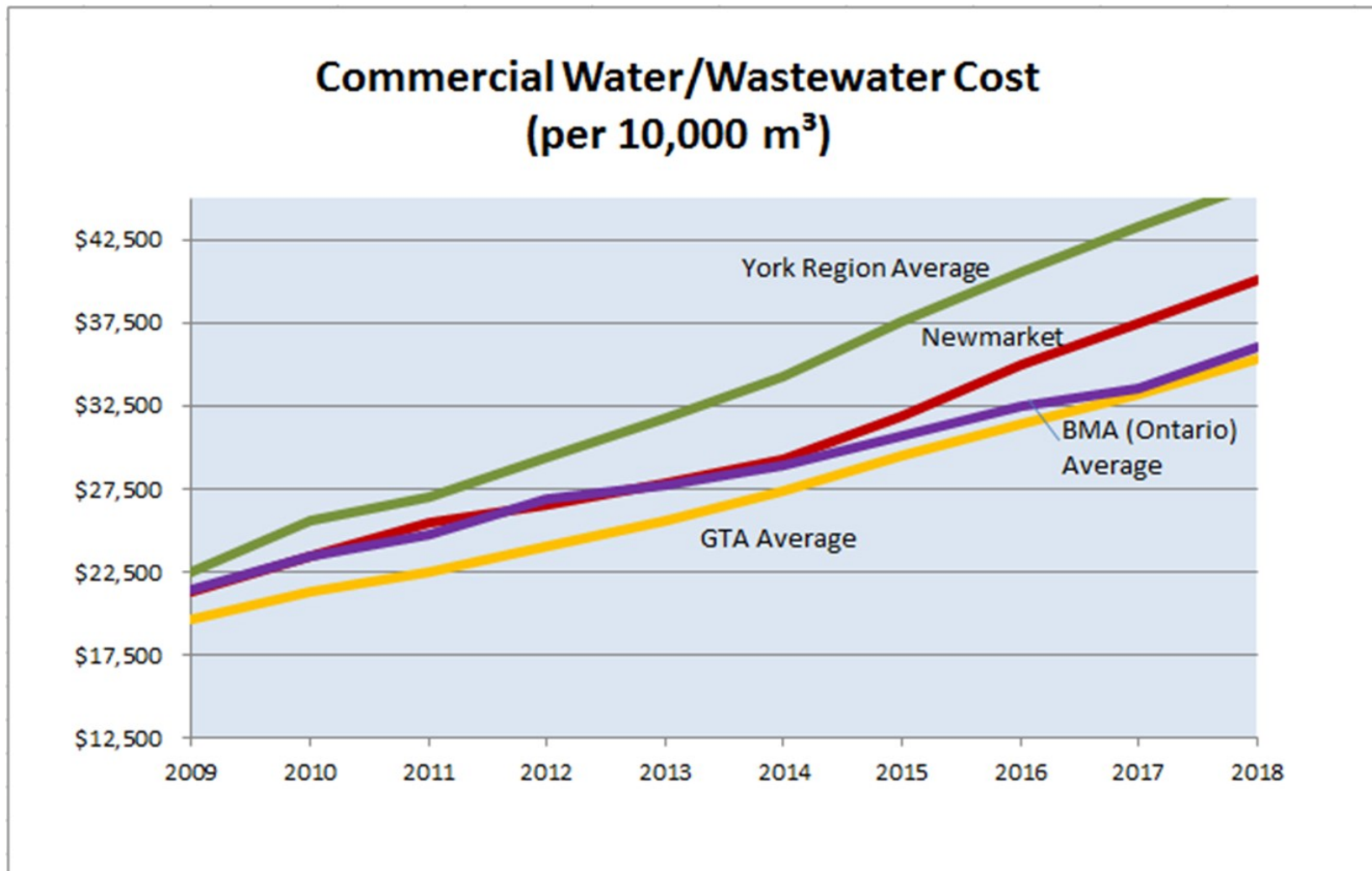
Residential Water/Wastewater Cost



Note: 2008 to 2011 represent average household water cost per 250 m³, while 2012 to 2018 represents cost per 200 m³.



Tiered rates will shift burden to major business users



Water Rate Comparison

- Average Residential Property



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

Based on average residential consumption of 200 cubic meters per year



Operating Budget - Stormwater



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



Operating Budget - Building



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



Tax-supported Operating Budget



Draft 2019 Tax-supported operating Budget



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



Town Tax Dollars at a Glance

Monthly Breakdown for an Average Resident



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



Growth revenues will continue to be used for growth expenses



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



Operating costs of previously approved growth-related capital



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



Mulock Farm Operating Costs



Expenses

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



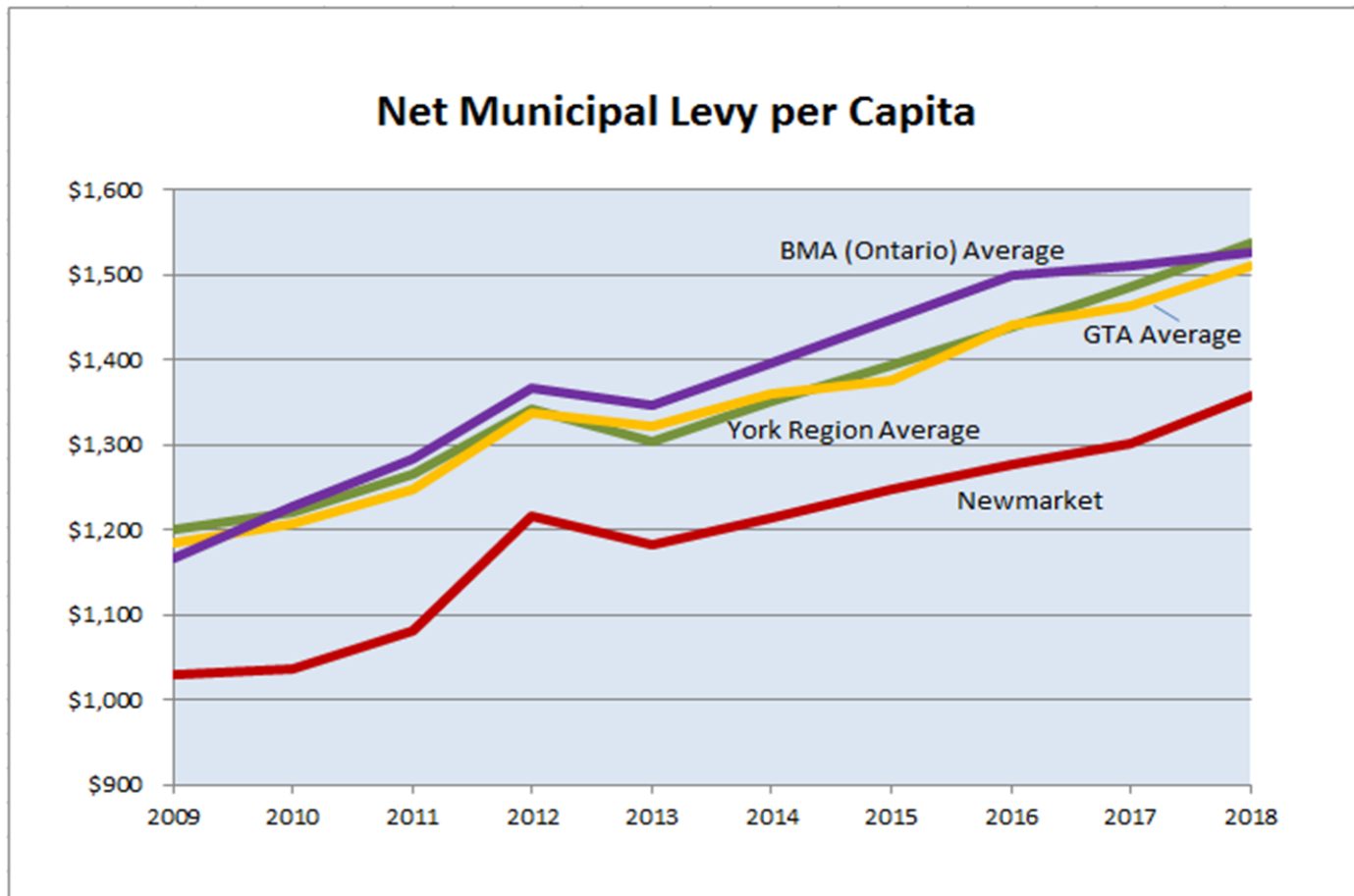
Budget Revisions

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



Revenues

Taxes below GTA average



Property Tax Rate Comparison - Average Residential Property



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

\$ 149

\$ 150

Per capita municipal levy – upper and lower tier combined



Budget Reduction Options



Original Tax Increase Options



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



Council Direction

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

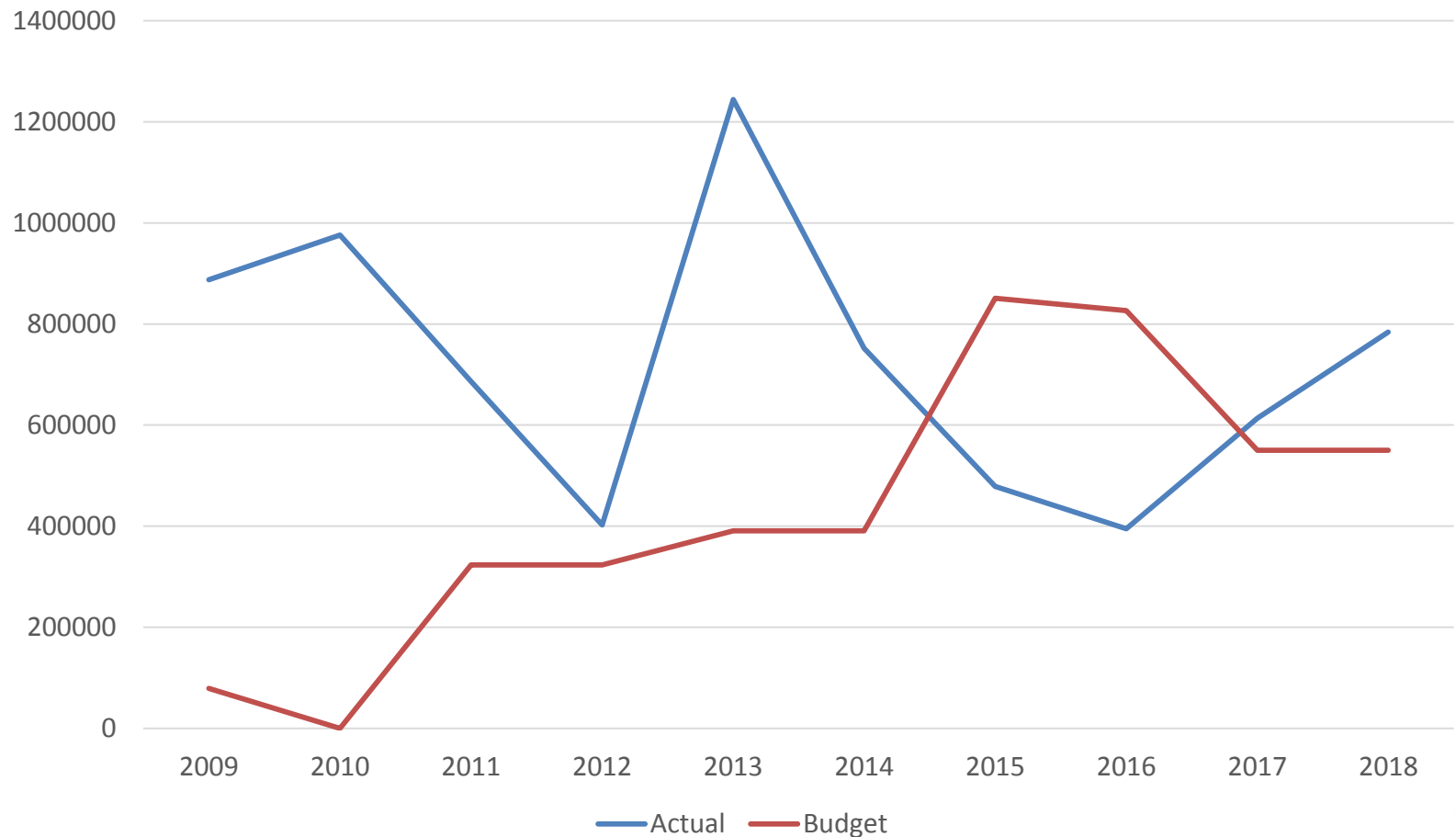


Further Tax Reduction Options

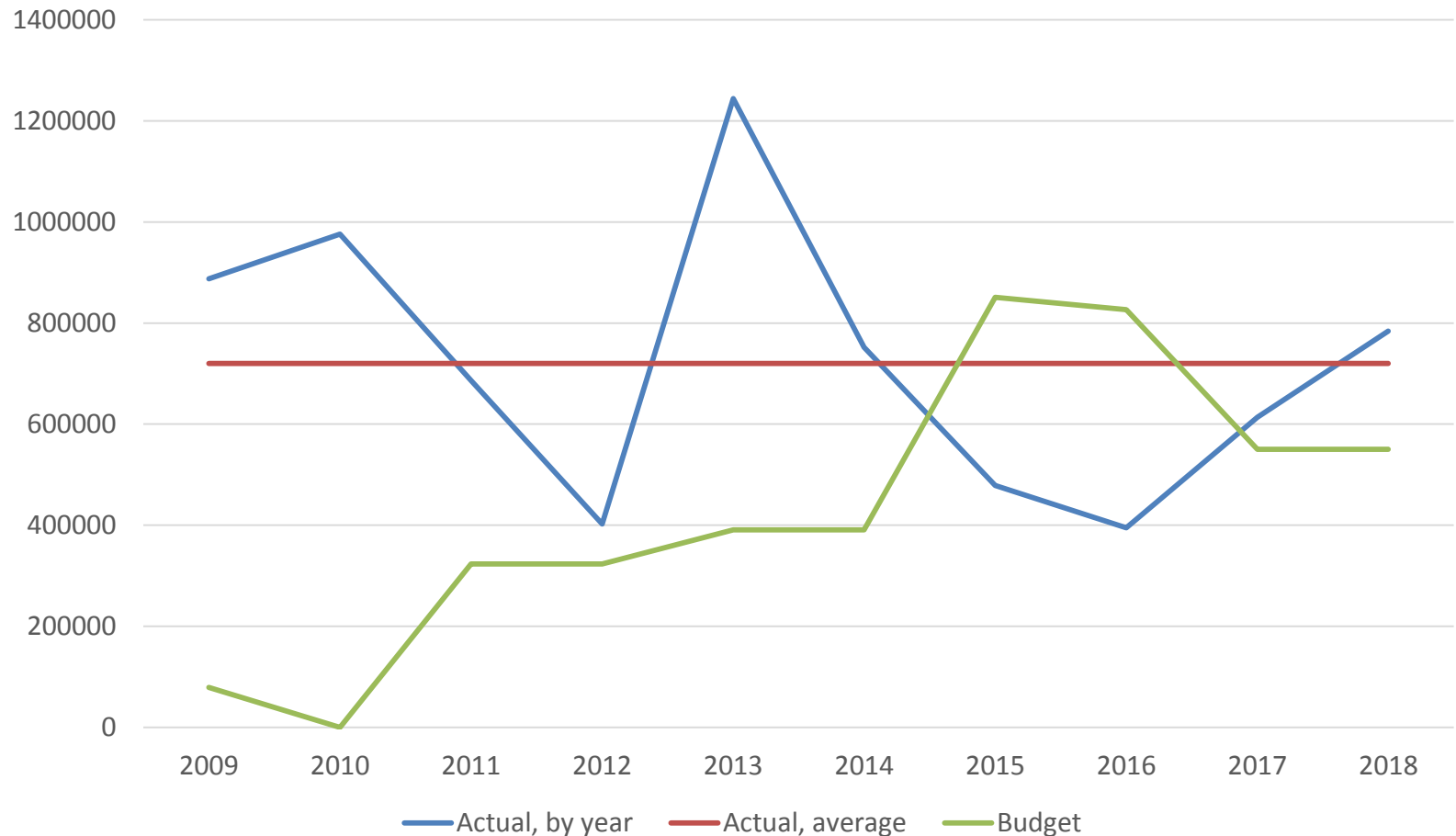
- Revenue, potential increases:
 - Supplementary taxes, up to \$150,000
 - Investment income, up to \$400,000
- Wages, potential savings:
 - Provision for vacancies – “gapping”, up to \$300,000
 - Provision for future casual wage increases, up to \$120,000



Supplementary taxes are volatile



Supplementary taxes - 10 year average



Increase the budget for Supplementary Taxes

Risk – short term

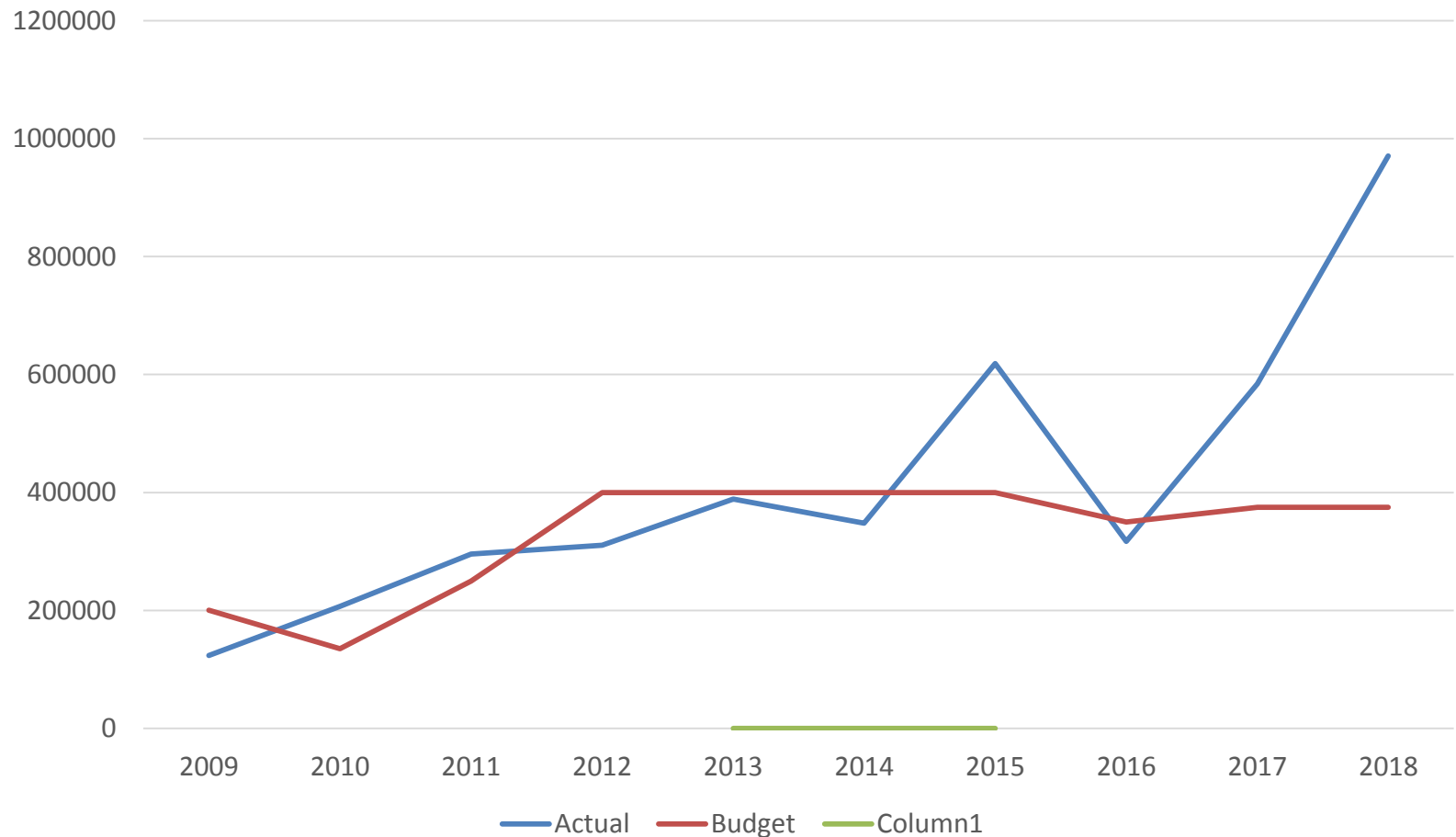
For individual years, the revenue is difficult to predict.

Risk – medium to long term

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



Investment income - bank (passive investments)



Investment income

– active investments

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



Increase the budget for Investment Income

Risk – short term

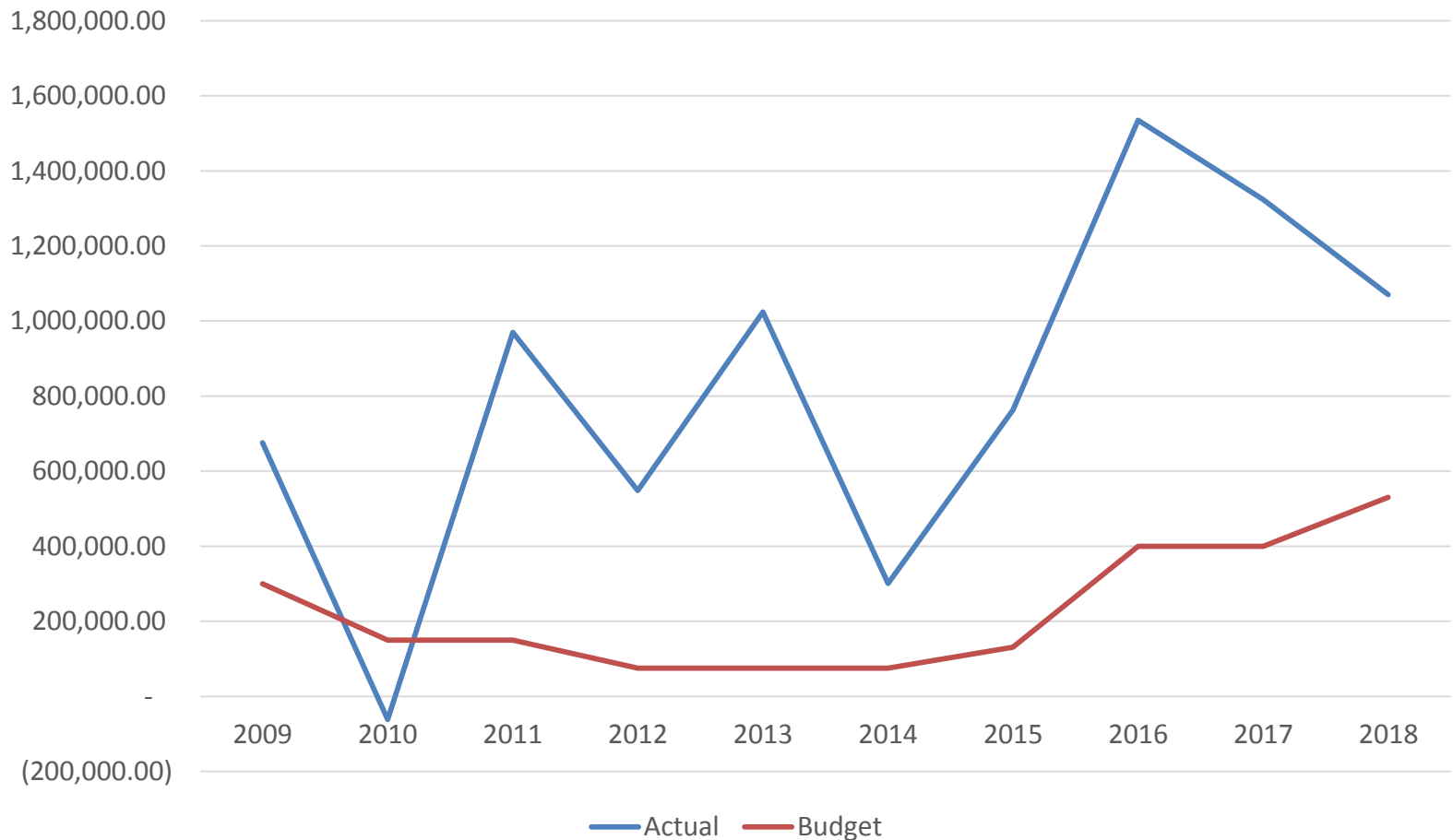
Interest rate hikes are expected so that should not be an issue.

Risk – medium to long term

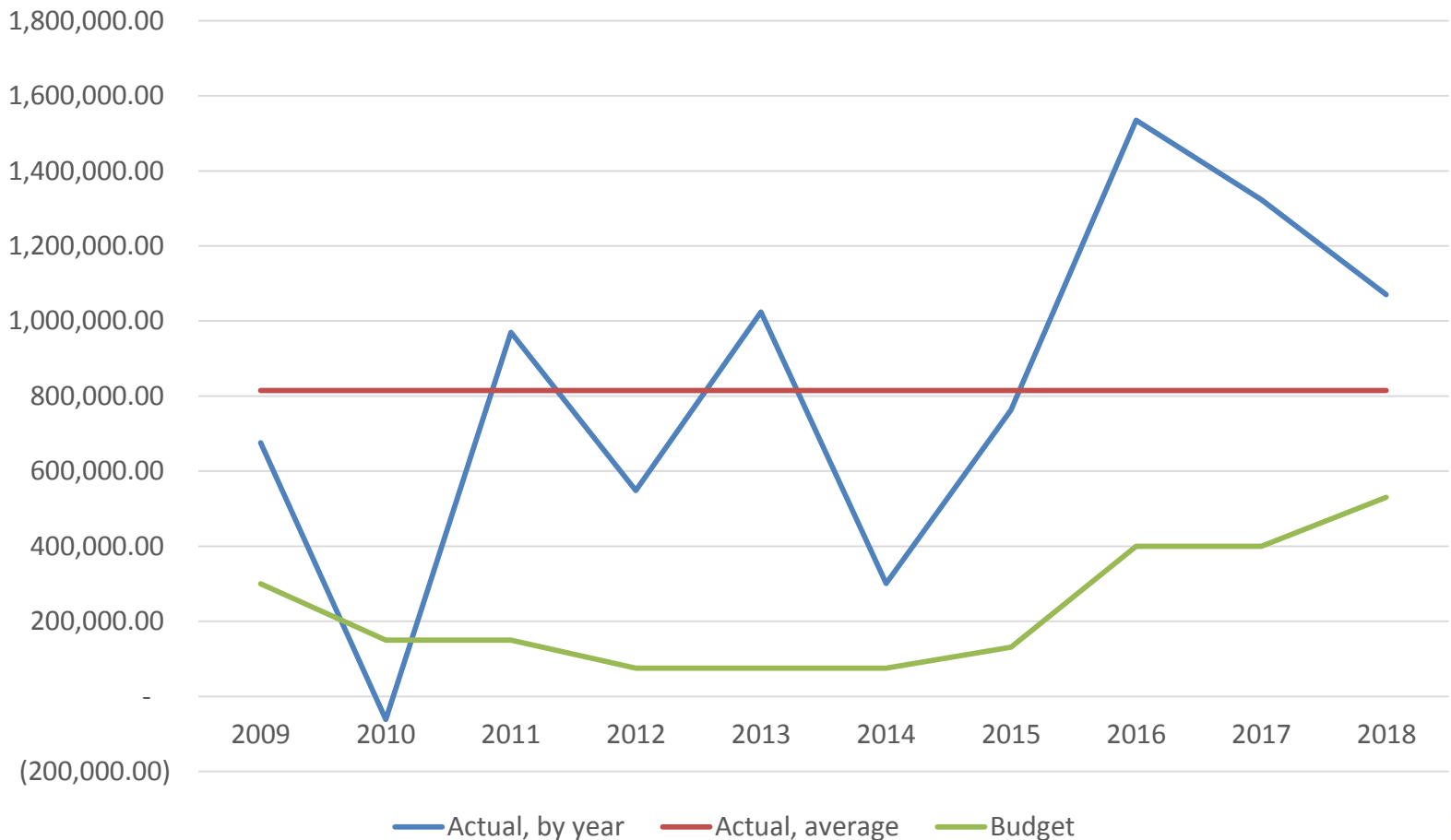
Interest rates will fluctuate over time. When they do drop there will be a negative budget impact.



Budgetary wage savings exceed the provision for gapping



Gapping - 10-year average



Increase the provision for vacancies – “gapping”

Risk

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

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



Increase the provision for vacancies – “gapping”

Risk

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

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



Reduce the provision for future casual wage increases

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

Risk

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

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



Other Considerations



Further Tax Reduction and Risk Analysis

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



Investment income

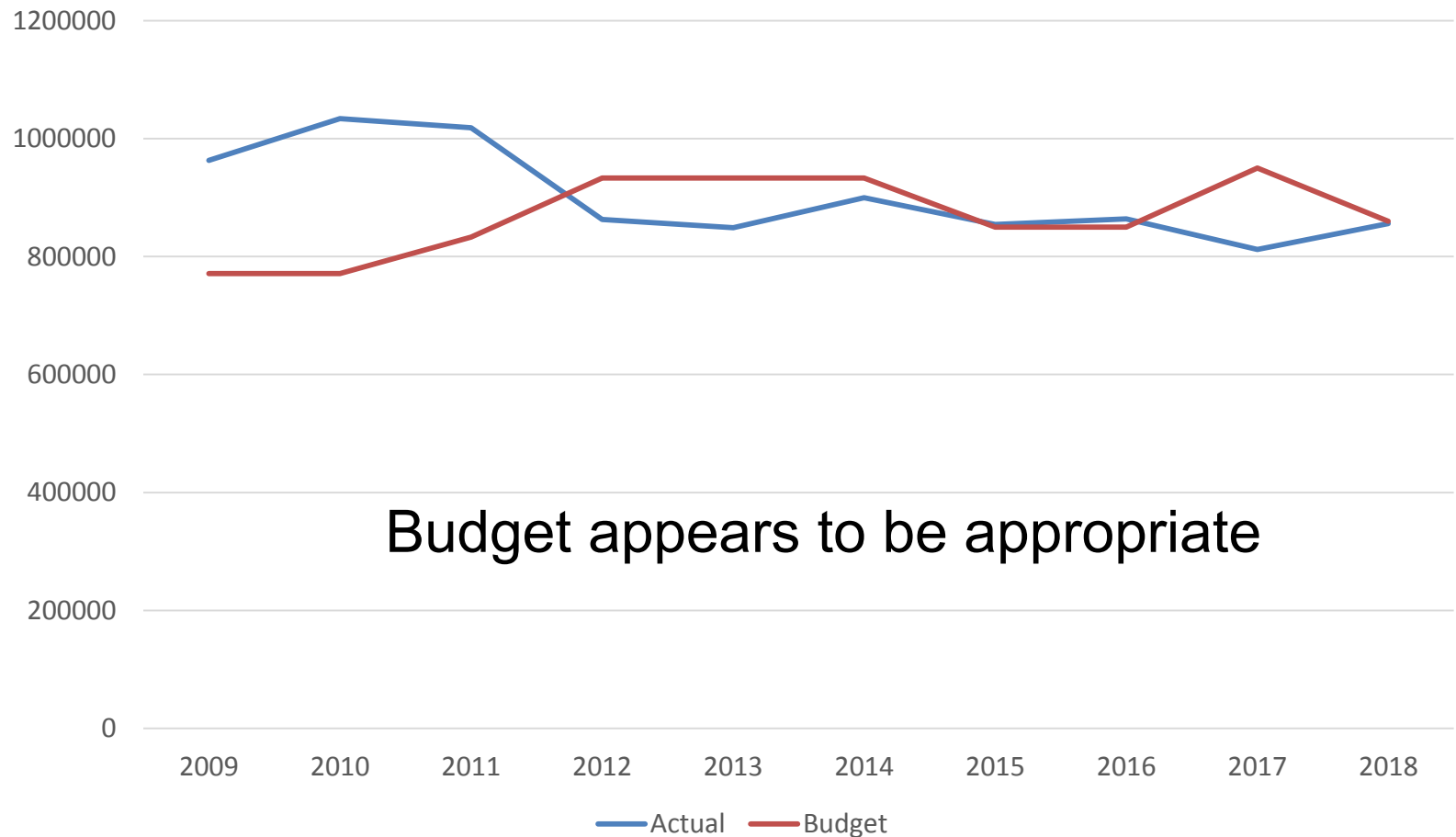
– Business enterprises

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

Income has remained steady



Penalty charges & interest on overdue tax accounts



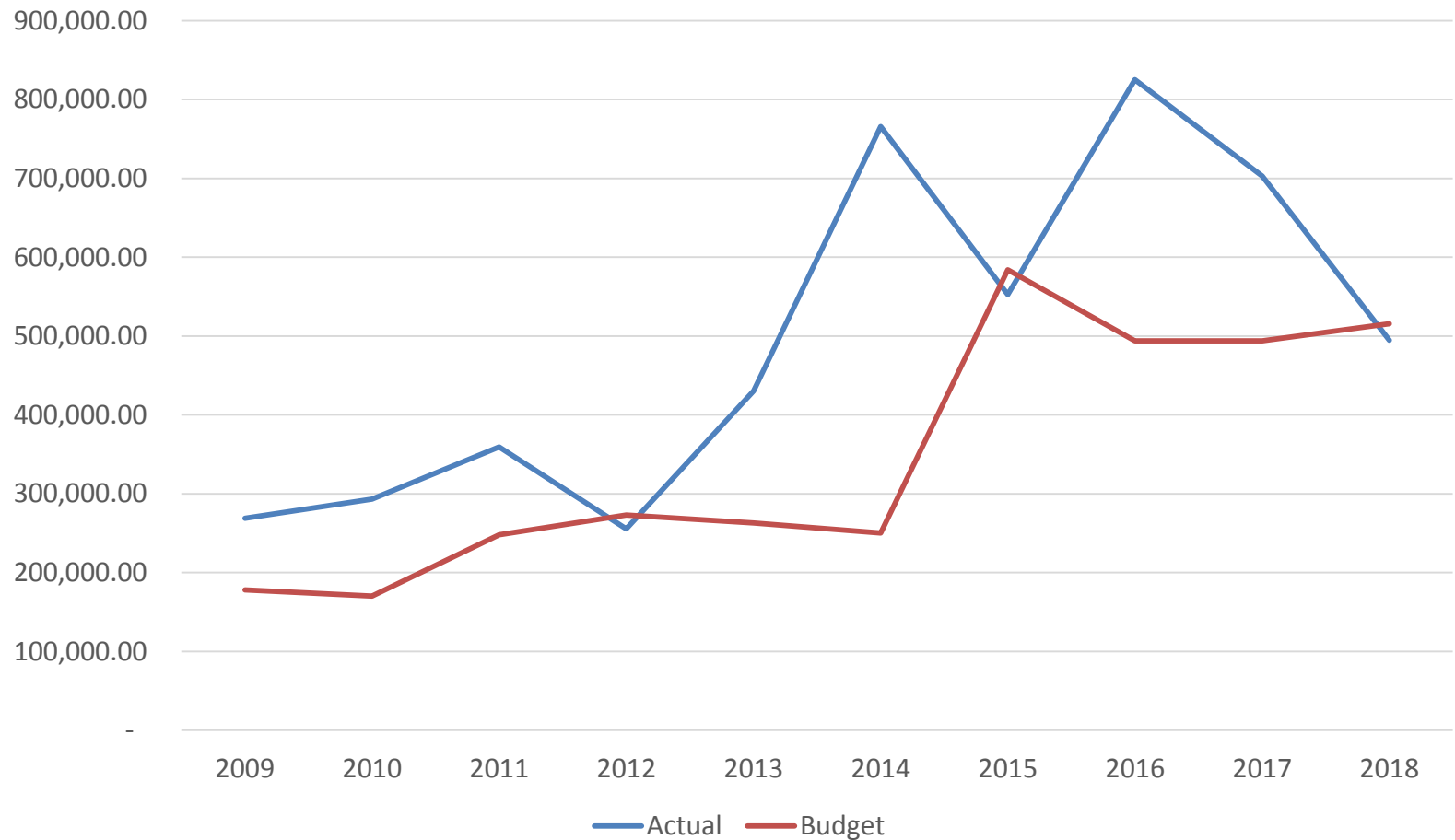
Bill 148, A Plan for Fair Workplaces and Better Jobs



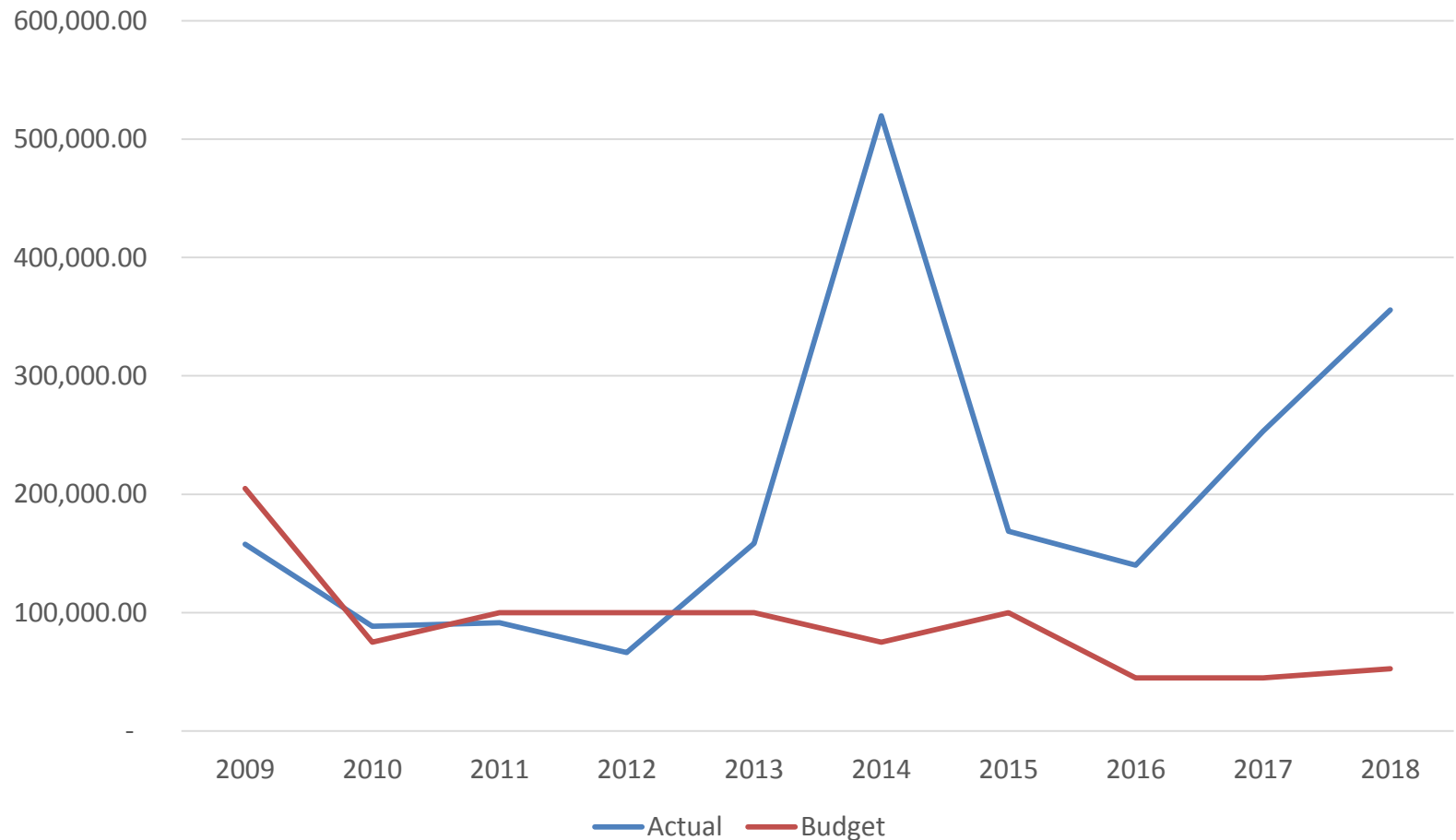
| | 2018 | 2019 |
|-----------------------|-------------------|-------------------|
| Projected cost | \$ 880,000 | \$ 680,000 |
| Budget: | | |
| 2018 provision | \$ 280,000 | \$ 280,000 |
| 2019 increase | | 200,000 |
| | \$ 280,000 | \$ 480,000 |
| Shortfall | \$ 600,000 | \$ 200,000 |



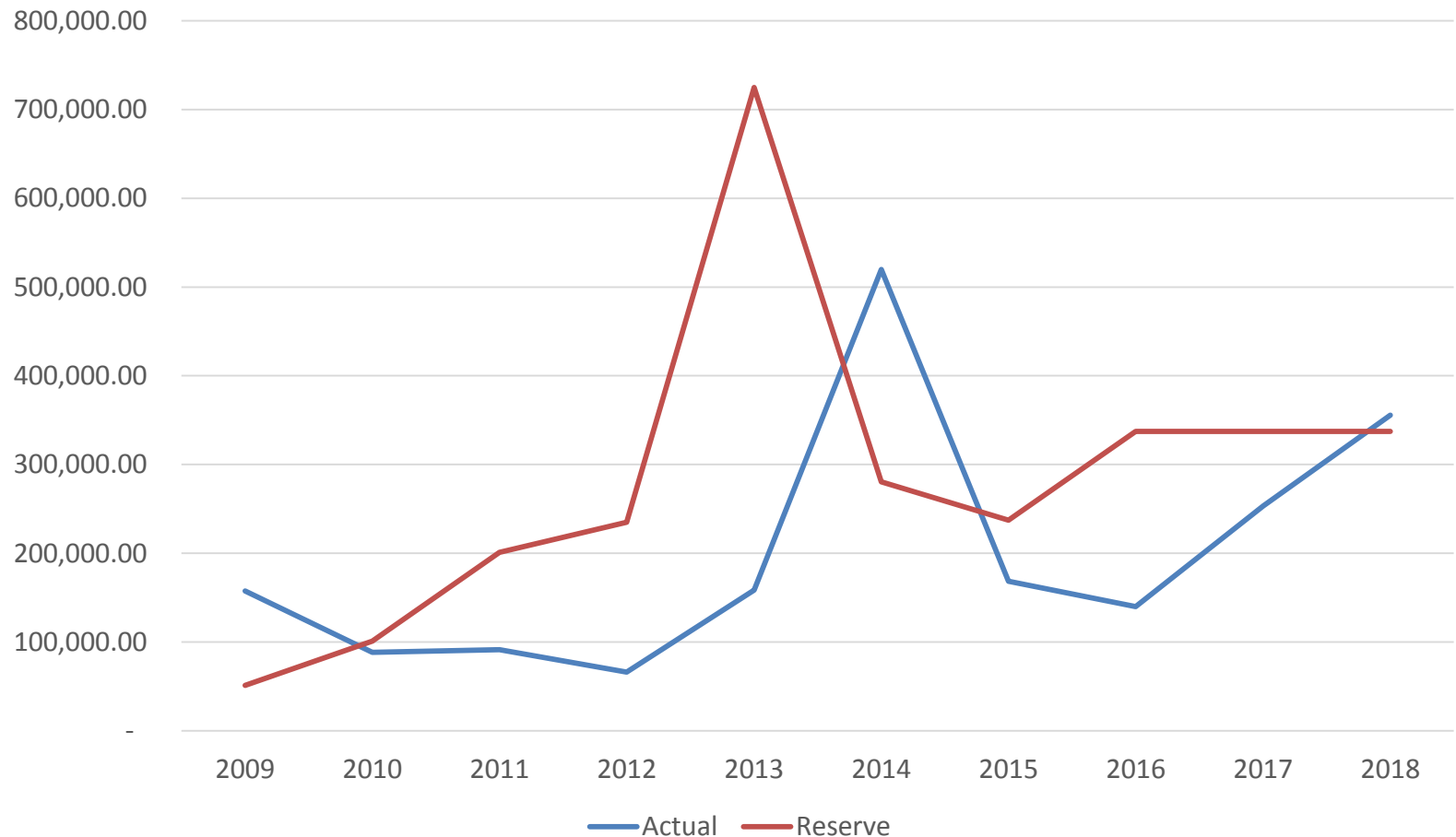
Tax adjustments



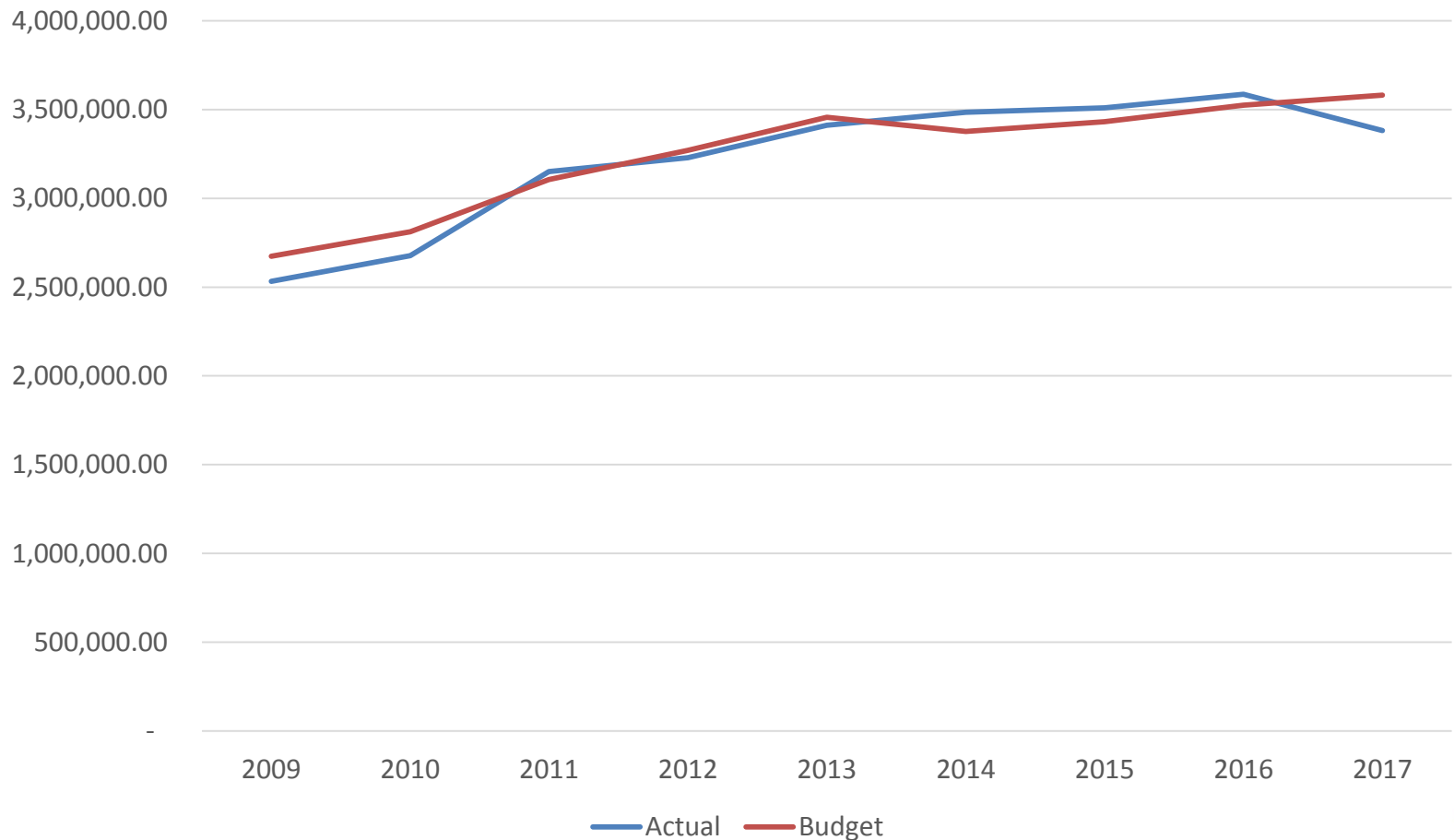
Legal consulting – budget is not sufficient for costs



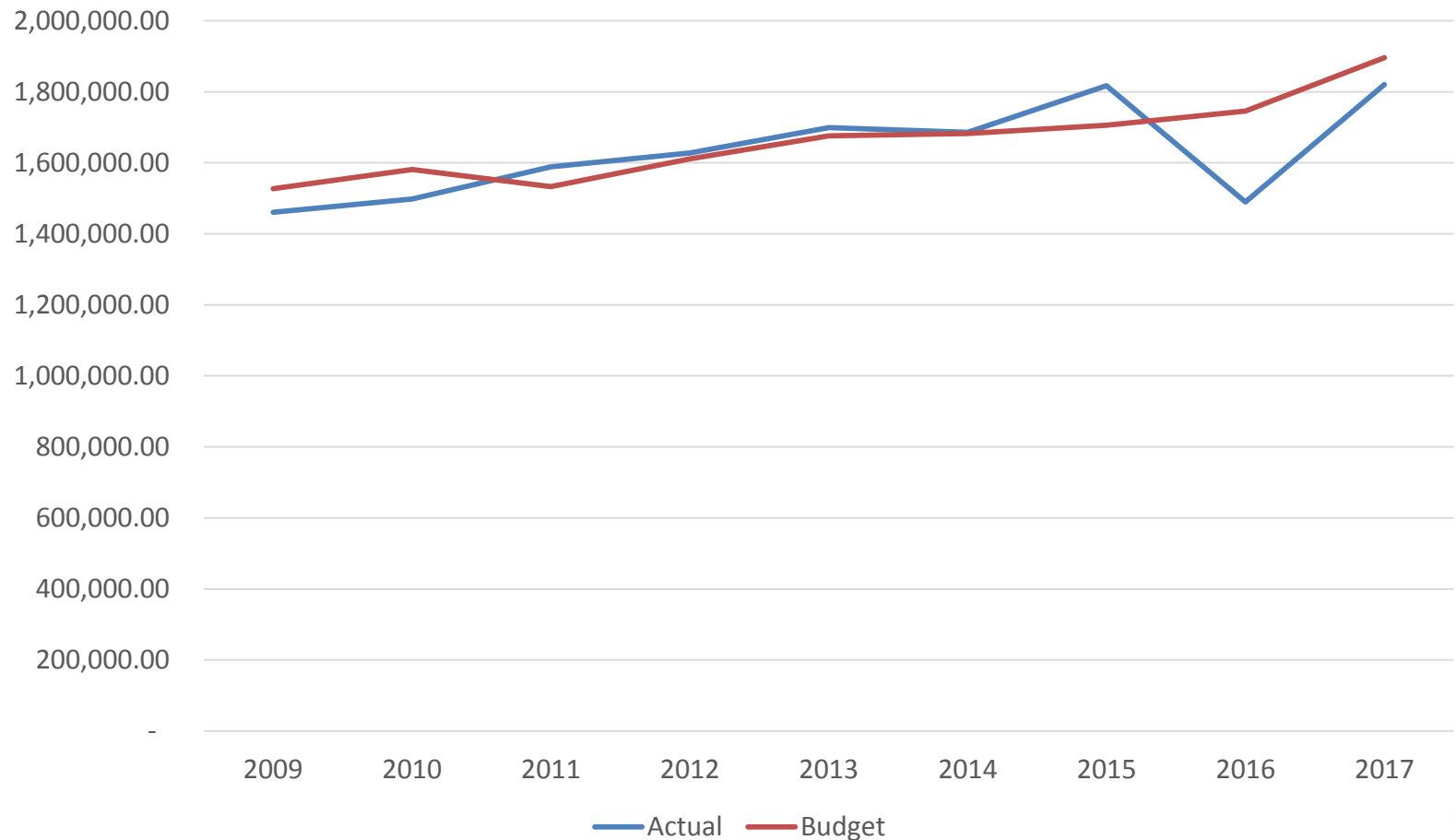
Legal consulting is funded by reserves from annual surpluses



Utilities – budget seems appropriate



Waste Management – budget seems appropriate





Newmarket

Town grants and contributions

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



What's Next ?



Next Steps

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

