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Draft 2019 Operating and Capital Budgets Staff Report

Report Number: Assign Report Number in eSCRIBE.

Department(s): Financial Services

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Meeting Date: February 25, 2019

Recommendations

1. That the report entitled Draft 2019 Operating and Capital Budgets dated February 25, 2019 be received; and
2. That the draft 2019 Operating Budget with expenditures of \$131,460,319 be approved, which is comprised of the following components;

\$ 62,974,247	for the Town portion
\$ 17,542,965	for Central York Fire Services (Newmarket's share)
\$ 3,603,459	for the Library portion
\$ 1,810,000	for the Mulock Farm levy
\$ 30,000	for the Newmarket Business Improvement Area (BIA)
\$ 19,003,283	for the Water Rate Group
\$ 21,669,086	for the Wastewater Rate Group
\$ 2,069,804	for the Stormwater Management Rate Group
\$ 2,757,475	for the Building Permit Rate Group

3. And that the draft 2019 Capital Budget with new expenditures of \$ 27,529,765 be approved; and
4. That the draft 2019 Operating and Capital Budgets be forwarded to the Council meeting of March 4, 2019 for final approval; and

5. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

For the average residential property, the proposed budget would be a 3.95% increase in property taxes, a 5.1% in the combined water and wastewater rates, and an 11.8% increase in the stormwater charge.

Council has directed that options be presented that could reduce the tax levy increase to 3.20% and 2.99%, and that the inclusion of additional capital projects be considered.

Purpose

This report is to obtain Committee of the Whole approval of the draft 2019 Operating and Capital Budgets so they may be recommended to Council for final approval and adoption.

Background

Setting the stage for an extraordinary future

The timing of the 2019 budget process shifted due to the election of a new Council. This condensed the amount of time available for deliberation on the budget. In addition, the new Council has not yet had the opportunity to finalize their strategic priorities for this term. As a result, 2019 should be considered a transition year.

Foundation for the Budget

Financial Services Report 2018-33, 2019 Budget Process & Target, was adopted by Council on December 17, 2018 and established the overall process, schedule, public engagement plan and targets for the 2019 budgets. The principles were:

1. The initial base budget was built using a 2.95% inflationary increase - the 2.7% October 2018 annual increase in the Toronto CPI plus 0.25% for conversion to municipal costs.
2. The base budget for CYFS is the amount included in their 10-year financial plan, and adjusted by changes in application of the funding formula.
3. The budget for the Library is the amount approved by the Library Board.
4. No increase for the Mulock Farm levy.
5. No service level enhancements.

6. Assessment growth at 1.23% will be applied against the growth expenses.
7. A 1% tax levy increase for infrastructure.
8. The 2017 6-year financial plans be used as the basis for the water, wastewater and stormwater budgets.
9. Increases in the Building permit rate group are to be funded from its reserve fund.
10. The capital budget is to be within the available funding envelope.

For 2019, a 1% tax increase will generate property tax revenues of approximately \$585,000.

To this, Council added the direction that staff prepare options to reduce the proposed 3.95% tax increase. The options were:

1. A total tax rate not to exceed 3.2% (Consumer Price Index less 0.5% plus 1% for infrastructure);
2. A total tax rate not to exceed 3% (inclusive of the infrastructure levy).

With this foundation, preliminary draft budgets were presented to Committee of the Whole on January 10, 2019. The options were met by decreasing the contributions to the Asset Replacement Fund. Staff did not recommend that approach but considered that it had the lowest risk at that time. (Further review of budget reduction options is contained below in the Discussion section.)

Tax-Supported Operating Budgets

Town Portion of the Base Budget

The base budget is the net cost to maintain the Town's service levels for a stable population: it includes non-tax revenues and efficiencies. The initial base budget was built using a 2.95% inflationary increase - the 2.7% October 2018 annual increase in the Toronto CPI plus 0.25% for conversion to municipal costs.

\$1,131,000 was originally provided. This was reduced by \$469,000:

- Salaries and wages - Town policy is to base the economic increase for salaries and wages on the annual increase in the Toronto CPI as reported for October of the year to the budget. For 2019, this would have meant an increase of 2.7%. A review of our municipal comparators indicated that a 1.85% increase would be more appropriate. This resulted in savings of \$250,000.

- New revenues – The approved fees and charges for 2019 included new revenue lines. It is difficult to forecast what their individual budget impact will be, especially in the first year of implementation; however, an additional \$60,000 is projected and included in the budget.
- Efficiencies – Throughout the preparation and review process, budget lines are assessed against their future needs and historical trends. \$159,000 was found this way.

The revised provision is \$662,000.

Central York Fire Services (CYFS)

The Joint Council Committee (JCC) approved an Asset Management Plan and 10-year financial outlook at its meeting on June 12, 2018. These documents formed the starting point for CYFS's 2019 operating and capital budget requests. Newmarket's share of the 2019 base budget increase was calculated to be \$425,000.

Due to the timing of the election which caused a problem with scheduling meetings, JCC has not yet been able to provide its specific recommendation on the 2019 budget. The Treasurers from Aurora and Newmarket have met with the Fire Chief to develop an interim recommendation. This proposal, which has been consolidated into the preliminary draft budget, provides for the fulfillment of some of the outstanding recommendations from the previous Fire Master Plan.

The costs of operating Central York Fire Services are split between Newmarket and Aurora applying an agreed upon formula which factors in population, assessment and call volume. Due to Aurora's higher rate of growth, Newmarket's share of the budget will decrease by \$69,000.

Newmarket Public Library (NPL)

An inflationary increase of \$77,000 was provided for the Library grant. The Newmarket Public Library's main source of revenue is its annual grant from the Town. 90% of the library's budget is funded from this.

The Newmarket Public Library Board approved a budget on May 16, 2018 with an increase of \$75,000, recognizing \$2,000 in efficiencies.

Mulock Farm levy

Due to the high profile of this supplementary levy, it is being shown in the budget as a separate component. The 2018 Supplementary Budget for the Mulock Farm included a 2.6% tax levy increase. This was sufficient to fund the operating costs of the Mulock Farm as a passive park. No additional increase is required for 2019, as additional costs will be offset by increased revenue availability.

	2018 Budget	2019 Budget	Net change
Debt servicing	\$ 1,460,000	\$ 1,460,000	\$ 0
Property maintenance	100,000	350,000	250,000
Subtotal expenses	\$ 1,560,000	\$ 1,810,000	\$ 250,000
Revenue – parkland dedication	- 100,000	- 100,000	0
Revenue – assessment growth	0	- 250,000	- 250,000
Total	\$ 1,460,000	\$ 1,460,000	\$ 0

Although the expenses have increased by \$250,000, property maintenance is funded by growth and has no impact on taxes. The current taxpayer is not paying more; new assessment is covering the increase.

Newmarket Downtown Business Improvement Area (BIA)

The BIA has a special levy for businesses within its district. The total amount remains unchanged at \$30,000. The expense budget is limited to that funding.

Service Level Enhancements

Enhancements are the net cost of increases to service levels. There was no provision for service level enhancements in the original budget. Nine initiatives have been added as they passed the following criteria:

1. Had a priority rating or 20 or more.
2. Did not impact funding envelopes:
 - a. If tax-supported, would not increase the levy increase.
 - b. If rate-supported, would not affect the rate increase.

Ref. #	Description	Rating	Gross cost	Funding
DIS 24	Land Use and Permit Tracking (Building)	27	\$ 44,411	Building permit reserve fund
DIS 21	Water Digitization Software Annual Maintenance Fee	27	\$ 15,000	Water rate stabilization reserve
DIS 9	Frederick Curran Sanitary Sewer Pumping Station Maintenance	27	\$ 20,000	Wastewater rate stabilization reserve
LEG5	Consultant Services for a Records and Information Management Strategy	23	\$ 40,000	Consulting reserve
LEG6	Hire 2 Municipal Enforcement Officers and equipment	21	\$ 158,156	Parking fine revenue
DIS 25	Land Use and Permit Tracking (Planning)	20	\$ 30,746	Planning revenues
DIS 26	Land Use and Permit Tracking (Engineering)	20	\$ 30,746	Engineering revenues
PARK 8	Clear Fire Ants at SWM Pond	17	\$ 35,000	Stormwater reserves
ISI 2	Grant Coordinator Contract Extension	21	\$ 67,005	Reduced funding requirements
HR2	Human Resources Generalist	21	\$ 72,800	Funded from Growth Reserve and Budget Reductions

LEG6 - Hiring 2 Municipal Enforcement Officers and equipment will add two full-time positions to the staffing complement. The funding for this project is supported by a business case.

The net costs to the tax-supported budget is a savings of \$1,093.

See Appendix A - 2019 Operating Decision Packages for further details.

Mandatory Items

Mandatory items are increases in services levels, to both internal and external customers, that are the result of legal requirements, such as new legislation or binding agreements. The initial budget set aside \$93,000 for these, but the requests were for \$325,000, an increase of \$233,837.

A list of these items is provided in Appendix A - 2019 Operating Decision Packages. No individual item is significant enough to be considered an extraordinary item, so budget practice required room to be found for them in the base budget.

Growth

Net growth is the additional cost to maintain the existing level of service for a growing community, including both expenses and revenues. The goal for 2019 is to be financially sustainable by matching growth revenues with expenses - growth revenues not to be applied to the base budget.

Assessment growth for 2019 is projected to be 1.23%. In consultation with the Planning Department, projected population and employment numbers were extrapolated into the type of construction they will generate. This has formed the basis for a growth revenue forecast model. This model was used for supporting the 2014 Development Charges Background Study and 2016 Parkland Dedication By-laws; and will be reviewed against the 2019 DC update.

Assessment growth at 1.23%	\$ 720,000
Expenses:	
Operating costs of previously approved growth-related capital	\$ 140,000
Mulock Farm operating costs	\$ 250,000
Incremental growth in the base budget	\$ 76,000
Fire Master Plan – 2019 allocation	\$ 286,000
Reduction of Fire allocation to stay within funding envelope	(\$32,000)
Expense total	\$ 720,000

An option for the Mulock Farm is covered in Discussion below.

Incremental growth reflects costs that increase as the Town grows. This includes supplies and contracted services for the maintenance of roads and other infrastructure, waste management and telecommunications.

Asset Replacement Fund (ARF)

The Infrastructure Levy is the increase in the annual contributions to the tax-supported Asset Replacement Fund (ARF). The Capital Financing Sustainability Strategy recommended an annual increase in the tax-supported ARF contribution equal to a 1% tax increase. This resulted in infrastructure levies in 2013 (0.84%), 2014 (0.74%), 2015 (1%), 2016 (0.80%) and 2018 (0.68%). There was no tax-supported increase in 2017. The rate-supported budgets have factored ARF requirements into their 6-year plans and are moving towards sustainability.

For 2019, a 1% increase equates to \$585,000. CYFS, supported by its 10-year financial plan and asset management plan has requested \$120,000 of this.

Council adopted the Asset Replacement Fund Policy on May 8, 2018. A major result of this policy is that the ARF is only to be used to fund Tangible Capital Assets (TCA) – it is no longer to be used to fund debt servicing, major repairs and maintenance or other operating budget items. To ensure that there would be no budget impact, the contributions from the operating funds were decreased by the same amount as the funding to the operating funds from the ARF. It should be noted that this change does not reduce the amount of funding available for TCA, it just recognized the actual amount available.

The following table summarized the policy change and the increased levy.

ARF	2018 budget contributions	Policy changes	Budgetary increases	Draft 2019 contributions
Town	\$ 8,019,552	-\$ 4,774,026	\$ 487,600	\$ 3,733,126
CYFS	1,115,338		200,000	1,315,338
Library	223,550			223,550
Water	3,127,156	- 560,551	7,844	2,574,449
Wastewater	3,940,703	- 1,150,057	965,600	3,756,246
Stormwater	340,512		94,584	435,096
	\$16,766,811	-\$ 6,484,634	\$1,755,628	\$12,037,805

The amounts for CYFS includes the portion paid by Aurora – \$446,997 in 2018 and \$534,136 in 2019.

The tax-supported budgetary increase is \$585,400 being \$467,600 for the Town and \$117,800 for Newmarket’s share of CYFS (58.9%).

Extraordinary Budget Items

Extraordinary items are costs which would normally be included in the base budget but are considered separately because their magnitude would disrupt service levels if additional funding was not provided. These can be new regulatory requirements or substantial increases beyond normal inflation for the cost of goods and services. The practice has been to only include items that exceed normal inflationary or growth increases by \$100,000.

\$400,000 has been included in the 2019 budget:

- \$150,000 for defending the Town’s interests in terms of ongoing legal challenges.
- An additional \$200,000 as part of the strategy to deal with *Bill 148, A Plan for Fair Workplaces and Better Jobs Act*, which was developed for the 2018 budget. This will leave \$200,000 unfunded to be dealt with in the 2020 budget.
- \$150,000 is required for Waste Management. The 2018 budget had additional costs of \$429,000 in the 2018 budget for the new waste management contract. Reserves were used to defer \$150,000 to 2019.

- Offset of \$100,000 in savings from the elimination of Vacancy Rebates in 2019. These were tax reductions for businesses with vacant properties. The Town's share of this should result in savings of about \$100,000 per year starting in 2019.

There are risks with the unfunded Bill 148 costs and the potential for higher legal costs. The projected results for 2018 indicate that there should be a sufficient surplus to set aside reserves to mitigate these risks.

Balancing the Tax-supported Budget

The net cost of the extraordinary items and the increased requirement for mandatory items have not resulted in a tax increase – they have been absorbed by savings in other areas of the budget.

	Starting point for increases	Accommodation for extraordinary items	Draft Budget increase
Base budget - Town portion	\$ 1,131,000	\$ -469,000	\$ 662,000
CYFS, base	425,000	-69,000	356,000
Newmarket Public Library	77,000	-2,000	75,000
Mulock Farm levy	0		0
Newmarket Downtown BIA	0		0
Enhancements	0	-1,000	-1,000
Mandatory items	93,000	141,000	234,000
Growth, net	0		0
Extraordinary items		400,000	400,000
	\$ 1,726,000	\$ 0	\$ 1,726,000
Infrastructure levy (ARF)	585,000		585,000
	\$ 2,311,000	\$ 0	\$ 2,311,000
Tax increase	3.95%		3.95%

Rate-Supported Budgets

Rate-supported operating budgets – water, wastewater, stormwater and building permits are all funded 100% from non-tax revenues. All but building permits have 6-year financial plans that were approved by Council on June 26, 2017. These plans formed the foundation for 2019 budget requests. The related fees and charges for 2019 were adopted on December 17, 2018.

Water and Wastewater revenues will include the 3rd phase of the implementation of tiered water rates and a combined 5.1% increase in volumetric rates. The revenues generated provide for increases to costs and for contributions to the Asset Replacement Fund. Newmarket has a financially sustainable water and wastewater system. They have full cost recovery, healthy reserve fund levels, and significantly lower infrastructure gaps than other municipalities.

Newmarket is one of only 12 municipalities in Ontario that have a stormwater charge.

Building Permits do not have a multi-year plan but do have a substantial reserve fund. No budgeting challenges are anticipated in this area and fees remained unchanged for 2019.

Below is a summary of the rate-supported budgets:

	Water	Wastewater	Stormwater	Building Permit
Rate revenue	\$ 18,479,478	\$ 21,344,431	\$ 2,069,804	\$ 1,680,191
Other revenue	491,305	282,155		
	\$ 18,970,783	\$ 21,626,586	\$ 2,069,804	\$ 1,680,191
Region charges	\$ 10,029,359	\$ 13,617,631		
Operations	4,749,000	2,658,204	\$ 1,284,759	\$ 2,176,569
ARF	2,574,449	3,756,246	435,096	
Overhead	1,208,000	1,100,000	340,000	492,084
	\$ 18,560,808	\$ 21,132,081	\$ 2,059,855	\$ 2,668,653
Transfer to reserves	\$ 409,975	\$ 494,505	\$ 9,949	-\$ 988,462

The water and wastewater reserve requirements will be reviewed later this year when their 6-year financial plans are updated. Stormwater's plan will also be updated at that time.

Building's budget is very conservative and shows a draw on their reserve fund, which would still remain at a sufficient level.

Consolidated Operating Budgets

The following table summarizes the proposed expenses and expenditures:

Area	Expenses based on PSAB	Principal Repayment on Long-term Debt	Capital Financing	Transfer to Reserves/ Reserve	Total Expenditures
Town	\$ 53,158,998	\$ 2,767,521	\$ 294,000	\$ 6,753,728	\$ 62,974,247
Mulock Farm	1,245,061	501,962		62,977	1,810,000
Downtown BIA	30,000				30,000
Library	3,335,819			267,640	3,603,459
CYFS	16,221,670			1,321,295	17,542,965
Tax-supported	\$ 73,991,548	\$ 3,269,483	\$ 294,000	\$ 8,405,640	\$ 85,960,671
Water	\$ 15,755,577	\$ 263,282		\$ 2,984,424	\$ 19,003,283
Wastewater	17,155,053	263,282		4,250,751	21,669,086
Stormwater	1,624,759			445,045	2,069,804
Building	2,757,475				2,757,475
Rate-supported	\$ 37,292,864	\$ 526,564	\$ 0	\$ 7,680,220	\$ 45,499,648
Total	\$ 111,284,412	\$ 3,796,047	\$ 294,000	\$ 16,085,860	\$ 131,460,319

Expenses based on PSAB are used for financial statement reporting as regulated by the Public Sector Accounting Board (PSAB), but do not include amortization.

Principal Repayment on Long-term Debt excludes interest which is included in *Expenses*.

Capital Financing is the amount transferred from the Operating to the Capital Budget. It does not include the operating and maintenance costs of new infrastructure, which is included in *Expenses*.

Transfer to Reserves/ Reserve Funds includes contributions to the Asset Replacement Fund.

Total Expenditures are an expanded fund-based approach used for budgeting and management purposes.

Capital Budget

The capital budget is the annual plan for the purchase and financing of the Town's capital assets. Capital assets include infrastructure, lands, buildings, machinery and equipment, significant plans and studies.

The 2019 Capital Budget includes \$27,529,765 in new expenditures. Appendix B provides a list of the capital projects.

Capital requests exceeded \$31 Million. The recommended budget includes projects that have:

1. Funding available;
and
2. Sufficient priority rating – generally speaking a score of at least 20 but some exceptions were made

The funding for the new requests can be summarized as follows:

Category	ARF	DC's	General	Other	Total
Replacement	\$ 13,918,765	\$ 170,000	\$ 215,000	\$ 3,319,000	\$ 17,622,765
Growth	2,099,800	5,786,200	407,200	1,308,800	\$ 9,602,000
Other	52,000	0	213,000	40,000	\$ 305,000
Total	\$ 16,070,565	\$ 5,956,200	\$ 835,200	\$ 4,667,800	\$ 27,529,765

ARF, the Asset Replacement Fund, funds 58% of the capital budget. It is used for the cost of replacing capital assets at the end of their life cycle. This may be determined by condition assessments such as the Roads Needs Study, and is informed by Asset Management Plans. The goal is to maintain existing service levels for the current population.

DC's – Development Charges fund 22% of the capital budget. Their focus is on growth needs as determined by the Development Charges Background Study. The goal is to maintain service levels for a growing population.

General funding is from either the tax-supported operating budget or from general capital reserves – those not designated for a specific purpose. It covers items that do not have a dedicated source of funding.

Others includes the Federal Gas Tax (\$2,555,000), the Town of Aurora's share of CYFS (\$1,105,800), non-ARF reserves and reserve funds (\$673,000), grants (\$304,000) and water rates (\$30,000).

The capital budget will have a \$51,155 impact on future budgets:

- \$30,000 in net growth-related costs, which would be funded from assessment growth revenue
- \$45,000 in stormwater costs for low impact development
- Less \$23,845 in operational savings for building maintenance

Discussion

Committee of the Whole has asked staff to provide alternatives for some items in the draft budgets:

1. Mulock Farm operating costs
2. Reduction options for the tax-supported budget
3. Additional projects for possible inclusion in the capital budget

Background information was provided in Financial Services Reports 2019-03, Supplementary Information 2019 Operating Budget, and 2019-04, Supplementary Information Draft 2019 Capital Budget. The following discussion will provide options.

Mulock Farm operating costs

The draft budget includes an additional \$250,000 for the maintenance of the Mulock Estate - the heritage building and the 12-acre property. This is in addition to \$100,000 for maintenance included in the 2018 budget. These growth-related expenses have been funded from assessment growth and have no impact on the tax increase.

Of the \$350,000 budget, \$250,000 is for ongoing costs (\$227,000 with a 10% contingency) and the rest is for one-time costs of which only \$25,000 are operating costs. As an alternative, the budget could be re-allocated as follows:

- \$250,000 for ongoing operational costs – this sets an appropriate level for the base budget commencing in 2020;
- One-time operating costs in 2019, estimated to be \$25,000, to be funded from the Mulock Farm reserve;
- All costs of a capital nature to be charged to the appropriate capital project;
- \$100,000 originally allocated to the Mulock Farm to be transferred to the Mulock Farm reserve for future use.

Actual operating costs will be monitored and reported to Council.

Reductions options for the tax-supported budget

The targets for the budget were presented to Committee of the Whole on December 10, 2018 and suggested a tax increase of 3.95%. Council directed staff to prepare options to reduce the proposed tax increase. The options were:

1. A total tax rate not to exceed 3.2% (Consumer Price Index less 0.5% plus 1% for infrastructure);
2. A total tax rate not to exceed 3% (inclusive of the infrastructure levy).

This was further refined:

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.

Analysis was provided to Committee of the Whole on February 4, 2019. Based on that, three options are being presented with varying levels of risk.

The table below summarized these reduction options:

	3.50% Option	3.20% Option	2.99% Option
Supplementary Taxes		\$ 100,000	\$150,000
Investment Income	\$ 225,000	\$ 300,000	\$ 325,000
“Gapping”			
Casual wage provision	40,000	40,000	90,000
Total reductions	\$ 265,000	\$ 440,000	\$ 565,000
Tax savings	0.45%	0.75%	0.96%
Risk	No significant risk	Some risk but probably manageable	Higher level of risk – not recommended.

Increase the budget for Supplementary Taxes

Based on the 10-year average the budget for supplementary taxes (revenue) could be increased by \$150,000; however the volatility makes for a short-term risk and the increase may not be sustainable in the long-run, as staff and MPAC become more efficient in identifying and processing new assessments.

As a result, no change is recommended however raising the budget can be done with increasing levels of risk.

Increase the budget for Investment Income

The investment income budget (revenue) has not been increased to reflect the rate hikes that have occurred in 2017 and 2018 or to reflect the anticipated rate hikes in 2019.

Based on current rates, an increase of \$225,000 can be accommodated.

This could be increased to \$300,000 on the assumption that new investments could be made to maintain a reduced margin on active investments.

\$325,000 is achievable if 2019 interest rate hikes are factored in. This is not recommended as it could be seen as speculating on the money market.

Increase the provision for staff vacancies – “gapping”

The period of time that a position is left vacant is known as “gapping.” This might be the time required to recruit for a newly created position approved in the budget or to replace someone who has ended their employment with the Town. There may be some backfilling but there is generally a net savings in wages and benefits.

Increasing this provision could lead to counterproductive management and is not recommended. See report 2014-03 for further details.

Reduce the provision for future casual wage increases

The casual wage scale uses the minimum wage as its base; it is adjusted when the minimum wage increases. No increase is expected in 2019 but a provision of \$120,000 is included in the 2019 budget. This is an inflationary allowance to phase-in the budget impact of the eventual increase in the wage scale.

However, the eventual increase may not be fully synchronized with the Toronto CPI which was used to calculate this provision. As such, a \$40,000 reduction is possible. Going beyond this amount would only defer costs to a future budget.

Additional projects for possible inclusion in the capital budget

Council has asked for reconsideration of eight projects that were deferred and not included in the recommended capital budget.

The following five projects have funding available but were given a low rating by staff:

1. Tree Canopy Increased Planting (PARK2)
2. Riverwalk Commons Lighting Features (PARK19)
3. Kingdale Road Shoulder Rehabilitation (ROAD8)
4. Mobile Water Filling Station - Quench Buggy (WW1)
5. Electric Vehicle Charging Station Network (PLN8)

They could be included in the 2019 budget with no financial impact or operational impact. However, unless Council directs otherwise, they would still be of a lower priority.

The projects for Analytics for Trails & Soofa Benches (IT11) and Paving of Limestone Walkways at Ken Sturgeon Park (PARKS12) require \$12,000 and \$60,000 respectively in general funding. If either or both are included in the capital budget, other recommended projects with similar funding would have to be deferred to ensure that there is no tax impact.

The Sports Hall of Fame Expansion (RCFAC5) requires \$25,000. There is no urgency on this project and it could be deferred for a year. The funding source could be changed to make the project contingent upon achieving sufficient community fundraising and/or sponsorships.

Council direction is required on these options.

Conclusion

Next Steps

Committee of the Whole has been presented with the draft 2019 operating and capital budgets. They have also been presented with options on:

1. Mulock Farm operating costs
2. Reduction options for the tax-supported budget
3. Additional projects for possible inclusion the capital budget

The direction provided with respect to the staff recommendations on the above will go to Council for possible adoption of the 2019 budgets.

Upcoming Budget Reports

Council will be presented with a report reconciling the approved budget to the budget as presented on the financial statements in April. This is in compliance with PSAB standards.

The approved budgets, along with the 2018 Capital Carryovers, will formulate the Reserves and Reserve Funds budget which will also be presented in April.

The final tax rate will be set and the all-in total will be known when we receive the Regional and School Board tax rates and obtain confirmation of the tax ratios. The setting of the Town's tax rates (previously referred to as "mill rates") will be in June, in time for the final tax billing for 2019.

Business Plan and Strategic Plan Linkages

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

Consultation

All members of the Senior and Operational Leadership Teams participated in the preparation of the budgets.

Members of Council provided direction, comments and questions at the Committee of the Whole meetings on December 10, 2018 and January 14, 2019; and the Special Committee of the Whole meetings on January 28 and February 5, 2019. Financial Services Information Reports 2019-03 and 2019-04 distributed electronically, provide supplementary information on the operating and capital budgets.

Joint Council Committee (JCC)

The Joint Council Committee (JCC) approved an Asset Management Plan and 10-year financial outlook at its meeting on June 12, 2018. These documents formed the starting point for CYFS's 2019 operating and capital budget requests.

Newmarket Public Library Board

The Newmarket Public Library Board approved a budget on May 16, 2018.

Water, Wastewater and Stormwater Budgets

The Water, Wastewater and Stormwater budgets are in accordance with their 6-year financial plans, adopted by Council on June 26, 2017. The 2019 rates for water, wastewater, and stormwater were adopted by Council on December 17, 2018. Building permit fees were not changed for 2019.

Community Engagement – Phase II

Phase II of budget engagement began in December 2018 and will continue up until the final budget is approved. The objective of Phase II budget engagement is to encourage residents to learn more about the budget process by visiting the Town's website – newmarket.ca/2019budget and to *Get Involved* by:

- attending or watching budget meetings online (live stream or taped recordings posted on newmarket.ca/meetings)
- reviewing budget related content on our website newmarket.ca/2019budget, including presentations, reports, graphics and information
- providing comments, questions or feedback to Members of Council or Town of Newmarket staff (by email, phone, or social media)

Tools and tactics for Phase II of budget engagement include:

- Budget meeting dates in the Town Page of the Newmarket Era under the Council Meetings section (ongoing weekly from December to February)
- Content and graphics related to Budget engagement in the Town Page of the Newmarket Era from December to February
- “Get Involved” articles including graphics in the December, January and February editions of the Newmarket Now e-newsletter
- Feature article on the 2019 Preliminary Draft Budget Report discussion in the January edition of the Newmarket Now e-newsletter under Council Highlights
- “Get Involved in the 2019 Budget Process” editorial piece in the February edition of *snapd*
- Budget meeting dates and “Get Involved” content/graphics on Twitter and Facebook @TownofNewmarket from December to February
- Budget postcards with website information available at Town facilities
- “Get Involved” messaging and web address newmarket.ca/2019budget on marquees and screens in Town facilities
- Content for Tweeting or Re-Tweeting about the budget to Council
- Media interviews on the budget process with local media outlets and Town staff

From December 2018 to February 13, 2019, there were a total of six news items related to Newmarket's Budget Process (Newmarket Today and Newmarket Era), including one article entitled: "How to Get Involved in the Town's Budget Process" which included content gathered from our Newmarket Now e-newsletter.

Once the final budget is approved, a media release will be issued outlining the direction of the budget and the efficiencies realized to meet the budget target. Graphics will be included to outline the monthly tax impact on the average residential household.

Human Resource Considerations

The budget includes appropriate staffing levels to meet legislated requirements and Council objectives. For 2019, this includes adding 7 full time equivalent (FTE's) positions to the staffing complement. These are:

- 2 municipal enforcement officers funded by the additional revenues that they will generate
- 1 Human Resources generalist funded jointly 60% by Central York Fire Services (growth), 20% by the Newmarket Public Library (reserves) and 20% by Public Works Services (cost reductions)
- 4 firefighters for Central York Fire Services funded from growth. This would result in 16 of the 20 positions being filled for the 7th platoon to be at the new fire station. These costs are shared with the Town of Aurora.

Budget Impact

Operating Budgets

On December 17, 2018 Council set funding limits for the Town's 2019 Budgets. This included options for the tax-supported operating budget and the use of 6-Year Financial Plans for the rate-supported budgets.

The draft tax-supported budget would require a 3.95% tax increase, which includes an additional 1.0% as an infrastructure levy and no additional levy for the Mulock Farm. Options include reducing this to 3.50%, 3.20% and to 2.99%.

The combined water and wastewater increase would increase the cost to the average residential property by 5.1%. The stormwater budget would increase the cost to the average residential property by 11.8%.

Depending upon the tax increase option selected, the annual impact to the average residential property would be \$121 to \$140.

Increase	Draft Budget	3.50% Option	3.20% Option	2.99% Option
Property tax	\$ 77	\$ 68	\$ 62	\$ 58
Water/wastewater	59	59	59	59
Stormwater	4	4	4	4
	\$ 140	\$ 131	\$125	\$121

Combined with the projected Regional tax increase, an average residential property would see the following property tax increases:

	2018	2019	\$ change	% change
Town portion	\$ 1,954	\$ 2,031	\$ 77	3.95%
Regional portion	2,007	2,075	68	3.37%
Municipal subtotal	\$3,961	\$ 4,106	\$ 145	3.66%
School Board portion	974	974	0	0.00%
Total	\$ 4,935	\$ 5,080	\$ 145	2.94%

The recommended draft operating budgets would result in a 2.94% “all-in” (Region, School Board, Town) tax increase to the average residential taxpayer.

Capital Budget

The recommended draft capital budget includes \$27,529,765 in new expenditures, for which there is adequate financing provided.

Attachments

- Appendix A - 2019 Operating Decision Packages
- Appendix B - Summary of Capital Budget Decision Packages

Approval

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Contact

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