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January 29, 2015

**JOINT CAO/COMMISSIONER'S COMMUNITY SERVICES/CORPORATE  
SERVICES/DEVELOPMENT & INFRASTRUCTURE SERVICES REPORT - FINANCIAL  
SERVICES - 2015-05**

TO: Mayor Tony Van Bynen and Members of Council  
Committee of the Whole

SUBJECT: Approach for the 2015 Budget

ORIGIN: Director, Financial Services/Treasurer

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**RECOMMENDATION:**

**THAT Joint CAO/Commissioner's Community Services / Corporate Services / Development and Infrastructure Services Report - Financial Services – 2015-05 dated January 23, 2015 regarding the Approach for the 2015 Budget be received and that Committee provide general approval of the recommended approach.**

**COMMENTS**

**Purpose**

The purpose of this report is to outline a general approach taken by staff to determine what to include, and what to exclude, from the preliminary draft budget which will be presented to Committee on February 23, 2015.

**Budget Impact**

On December 22, Council approved a 2015 tax increase target for the Town of 2 to 2.5%, excluding any increase in the levy for infrastructure.

**Summary**

The 2015 budget presents a balancing challenge. This report lists some of the approaches that can be taken to meet this challenge.

## **Background**

The original intention for this report was to provide options on how the 2015 budget, in light of the known drivers, could be reduced to meet the Council-approved tax increase target, and to provide copies of the 2015 budget decision packages. These would be the budget requests for items related to growth, service level enhancements and efficiencies. (A copy of a blank decision package form is attached. The 2014 decision packages, by these three types, can be viewed at: <http://www.newmarket.ca/en/townhall/2014budget.asp>)

There has been insufficient time to fully address the targets set on December 22; however, staff has been able to identify an approach that is geared to meeting the target directives and providing information necessary to make further decisions to accommodate other services which may be desirable. Staff will bring forward the base budget complete with options related to the identified targets for the February 23 Special Budget - Committee of the Whole.

Given the consistent challenge shared by Ontario municipalities of doing more with less, there is ongoing pressure to maintain or enhance the existing levels of service with minimal tax increases. This is made especially difficult due to four factors:

1. Growth – additional revenues generated by growth do not fully offset the additional costs incurred to meet the demands of a growing population.
2. Inflation – the cost increases that impact a municipality are at a rate above that of the Consumer Price Index – it is a different basket of goods and services.
3. Community Expectations - there are community expectations to enhance or expand some services levels. In general, changes in demographics coupled with the increase in expectations, have had an impact on municipal budgets.
4. Emergency Services – ongoing financial pressure related to Central York Fire Services' capital and operating needs in order to respond to the community.

The recommended approach will attempt to balance service level expectations with affordability, in a fiscally responsible manner.

## **Analysis & Options**

### **Cost drivers**

The Town's budget is being impacted by a number of cost increases that are above the rate of inflation when narrowly defined as being the Consumer Price Index (CPI). For instance, we have previously noted increases in our insurance premiums, Emerald Ash Borer program and tax assessment adjustments. These are driven by the expectation of greater responsibility for municipalities and prudent risk management.

Where possible and provided for in policy, cost increases will be kept at the rate of inflation or less.

## **Growth**

Priority will be given to maintaining service levels in a growing community. Growth is measured in terms of the increase in population and/or households. While there can be some economies of scale, there are still additional costs. These additional costs usually come in lump sum expenditures and these costs may either be partially in reaction to previous growth or in anticipation of future growth (e.g. purchase of a fire truck).

In identifying how to address growth, consideration must be given to our restricted financial and operational resources. For this reason, a phased approach will be recommended for items such as the Fire Master Plan Update and restructuring of the Public Works Services department.

## **Responding to the Community**

The next priority will be responding to the community's request for enhanced and expanded service levels. These requests have been communicated formally through tools such as the Community Survey and through informal methods. They include items such as improved public engagement, expanded winter control and resolving traffic issues.

It may not be possible to meet all of these requests within the tax increase target, and a decision may need to be made as to where to focus given available resources.

## **Council Strategic Priorities**

Council is currently working on its priorities for the 2014 to 2018 term. Due to timing, 2015 will be a transition year. Some of these priorities may already be included in the budget request as they meet growth demands or respond to the community. Some of these priorities may have the planning stage included in 2015 with implementation in future years and will be addressed to the extent possible.

## **Items Referred to the 2015 Budget**

An update will be provided on any items referred to the 2015 budget, to account for how they were included or the reason for their deferral. All will be considered but not all can be included.

## **Consistency of Principle**

There are some initiatives that have corresponding funding sources available. That, in itself, will not be sufficient justification to recommend their inclusion in the budget if they do not fit any of the preceding criteria.

## **Investing in our Future**

On the positive side, investments that have been made in previous years will be showing a financial return in 2015. These are non-traditional investments, financed by reserve fund loans and repaid by new revenues or operational savings (as per our Investment Strategy). Adjustments

will be made to align the repayment period with the benefiting period. These projects include investments in solar panels and energy efficiency (the Honeywell retrofit program).

### **Efficiencies**

The 2015 budget will include efficiencies that have been identified. These are predictable and sustainable budgetary savings which are being recognized and have minimal risk.

### **Financial Sustainability**

Financial Sustainability involves a number of tactics that look beyond 2015 and consider the tax impact of 2015 budget decisions on future years.

Opportunities are sought to apply reserves and Development Charges to operational expenses, but only where they are appropriate and sustainable. Expenses that have a limited duration ("one-timers") will be recommended for funding from reserves, as has been our past practice.

As much as possible, costs will be included in the budget for the full year (annualized) as opposed to including only the amount that can be reasonably expected to be expensed during the year (de-annualized). This approach prevents deferring the cost of 2015 decisions to 2016. It is probable that we will not be able to fully realize this principle.

To partially address this, the 2015 budget will include an outlook for 2016. This outlook will include known drivers for the base budget, the continuation of phased growth plans, carryovers (if any), from the 2015 budget and any relevant Council priorities.

### **Infrastructure Levy**

The Capital Financing Sustainability Strategy recommended that there be an annual tax increase of up to 1.8% to ensure that we have an adequate Asset Replacement Fund to meet our future requirements. The consultant, Hemson, suggested that refining our processes and service levels could lower this to 1.08%, and further to 0.83% if we also implemented a stormwater management rate.

Infrastructure levies were added in 2013 (0.80%) and in 2014 (0.74%).

Council direction has not been provided on this for 2015, however, staff will be including options for Council to consider as part of the presentation on February 23, 2015.

### **BUSINESS PLAN AND STRATEGIC PLAN LINKAGES**

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

## **COMMUNITY CONSULTATION POLICY**

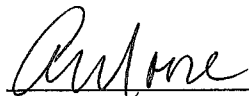
Joint Financial Services – Corporate Communications report 2015-07 provides an update on community engagement and interviews with Members of Council. In addition, there has been significant discussion with the Strategic Leadership Team (SLT).

## **BUDGET IMPACT (Current and Future)**

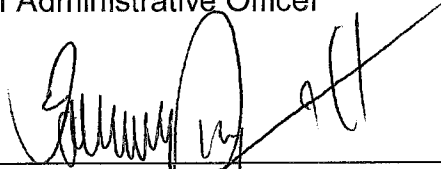
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## **CONTACT**

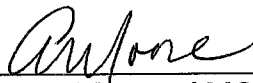
For more information on this report, contact: Mike Mayes at 905-953-5300, ext. 2102 or via e-mail at [mmayes@newmarket.ca](mailto:mmayes@newmarket.ca)



for Bob Shelton  
Chief Administrative Officer



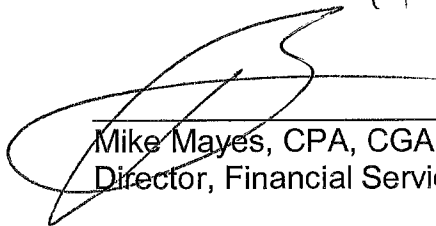
Ian McDougall  
Commissioner, Community Services



Anita Moore, AMCT  
Commissioner, Corporate Services



Peter Noehammer  
Commissioner,  
Development and Infrastructure Services



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

MM/nh  
Attachment

1. 2015 Budget - blank Decision Package Form (1 pg.)

## 2015 BUDGET – (category) Item #x

### Service Bundle

Project /Initiative Title:

Department / Business Unit:

Description:

Status: (Not included) in Draft Budget.

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Community Impact:

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Service Impact:

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Budget Impact:

Operating Costs:

	2015	2016	2017	2018	2019	2020

TOTAL (Annualized):