



**Mike Mayes, Director
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March 18, 2015

CORPORATE SERVICES REPORT - FINANCIAL SERVICES-2015-20

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

SUBJECT: Decision Packages and Infrastructure Levy

ORIGIN: Director, Financial Services/Treasurer

RECOMMENDATIONS:

THAT Corporate Services Report - Financial Services – 2015-20 dated March 18, 2015 regarding Decision Packages and Infrastructure Levy be received and the following recommendations be adopted:

- 1. THAT Council give direction on which enhancement options to include in the 2015 budget;**
- 2. AND THAT Council give direction on the amount of the additional infrastructure levy to include in the 2015 budget.**

COMMENTS

Purpose

The purpose of this report is to receive direction from Council on what to include in the draft budget for enhancements and the infrastructure levy. This will facilitate the presentation of a draft budget to the Committee of the Whole on April 13.

Budget Impact

A 3.5% tax increase was proposed to the Committee on February 23, being 2.2% to maintain service levels, 0.3% for service level enhancements and 1% for an additional infrastructure levy. Consolidated with the projected increases for the Region and School Boards, this would result in a 2.46% tax increase for the average resident.

Summary

This report suggests some options for service level enhancements, including applying some of the additional infrastructure levy allocation.

Background

On February 23, the Committee of the Whole was presented with two options for the preliminary draft budget:

1. A 2.2% tax increase (before additional infrastructure levy) which could provide for the base budget, including growth-related items to maintain service levels.
2. A 2.5% tax increase (before additional infrastructure levy) which would also provide for \$153,000 in service level enhancements.

Direction was provided to work towards the second option.

	TOWN	CYFS	LIBRARY	TOTAL
Base	2.55 %	0.50 %	0.13 %	3.18 %
Mandatory items		0.15 %		0.15 %
Growth Revenues	(2.00)%			(2.00)%
Growth Items	0.46 %	0.41 %		0.87 %
SUBTOTAL	1.01 %	1.06 %	0.13 %	2.20 %
Enhancement Items	0.30 %	0 %		0.30 %
Additional Infrastructure levy	1.00 %			1.00 %
TOTAL	2.31 %	1.06 %	0.13 %	3.50 %

At that time, it was projected that the all-in tax increase, including Regional and School Board taxes, would be 2.79% for the average resident.

\$756,720 in enhancements, which had dedicated financing from rates and reserves, were also included – they do not have a tax impact.

A provision of 1% (\$505,000) was made to increase the infrastructure levy. This was based on recommendations from the Capital Financing Sustainability Strategy (aka Hemson report), which had recommended a tax-supported increase in the 0.83% to 1.08% range. Council has adopted additional infrastructure levies in 2013 (0.80%) and 2014 (0.74%).

Analysis and Options

Grouping some of the enhancement requests by theme - community mobility, traffic management, community building, and traffic and sidewalks – options on the service level enhancements were presented for discussion purposes only. Other options are possible.

Additional infrastructure levy

At this time, an additional infrastructure levy of 1% has been included in the preliminary draft budget. This would be a \$505,000 increase in contributions to the Asset Replacement Fund (ARF). Consideration could be given to lowering this amount for 2015.

- 2014 DC Bylaw Update provided \$1.7 million in funding for capital projects, which replaces the previous commitment of ARF. It is not sustainable but substantial.
- Draft Water/Wastewater budget includes \$620,000 in ARF contributions
- A \$250,000 increase in tax-supported ARF contributions would be sufficient to keep pace with a 3% increase in the construction price index.
- If there is a surplus in 2015, priority could be given to a pre-defined portion of it being allocated to the ARF.

As an example, reducing the additional infrastructure levy from 1.0% to 0.5%, could provide a further \$252,000. This could be used to increase the funding for service level enhancements to \$405,000. The Town's tax increase would still be 3.5%.

Council is being asked to give direction on the amount of the additional infrastructure levy to include in the 2015 budget

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

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

CONSULTATION

The enhancement options and funding alternatives were proposed by the Strategic Leadership team (SLT).

HUMAN RESOURCE CONSIDERATIONS

Not applicable to this report.

BUDGET IMPACT

Operating Budget (Current and Future)

A 3.5% tax increase was proposed to Committee of the Whole on February 23, being 2.2% to maintain service levels, 0.3% for service level enhancements and 1% for an additional infrastructure levy.

Consolidated with the projected increases for the Region and School Boards, this would result in a 2.46% tax increase for the average resident.

Council is being asked to give direction on which enhancement options to include in the 2015 budget.

It should be noted that using limited funds (\$153,000) restricts the available options or will require deferring some of the increased costs to 2016 – de-annualization.

Revised all-in tax increase

The tax increase for the Regional Municipality of York has been decreased from 3.79% to 2.97%. Based on historical tax shifting patterns, this should result in a 2.27% increase to the average Newmarket residence. The Education Property Tax Rates have been set and are calculated to be a 0.83% increase for the average residence. (These numbers are based on a house assessed at \$403,079 in 2014.)

	2014	2015	\$ CHANGE	% CHANGE
Town	\$1,592.83	\$1,648.58	\$55.75	3.50%
Region	1,679.76	1,717.89	38.13	2.27%*
Municipal	3,272.59	3,366.47	93.88	2.87%
School Board	818.25	825.04	6.79	0.83%*
TOTAL	\$4,090.84	\$4,191.51	\$100.67	2.46%

This compares to the Toronto Consumer Price Index (CPI) which showed an annual increase of 2.1% at the end of January 2015.

Balancing expectations

As part of a sustainable financial strategy, all new costs have been included in the preliminary draft budget at their annualized cost (i.e. for a full year) even if it is known that they did not come into effect on January 1. This has been done to minimize the impact on future years.

Responding to the community, the base budget (2.2% increase) maintains existing service levels for a growing community. However, service level enhancements have costs in excess of the 0.3% (\$153,000) provision.

Additional requests could be funded by de-annualization – deferring the full impact to 2016. This would then reduce the flexibility to deal with next year's issues. They could also be funded by reducing the allocation for the additional infrastructure levy, or by maintaining the 1% infrastructure levy and adjusting the Town increase. For instance, adding a further 0.5% (\$252,000) would result in a Town increase of 3.0% which with a 1% infrastructure levy, would result in an all-in tax increase of 2.66%.

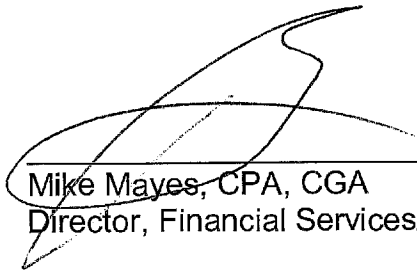
No changes to the preliminary draft water and wastewater operating budgets are proposed at this time.

Capital Budget


No changes to the preliminary draft capital budget are proposed at this time.

CONTACT

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



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