

APPENDIX A - Fiscal Strategy Recommendations

Managing the Capital Plan		Town's Position	Implementation Timeline
1	Council approval of Capital Spending Authority in the budget should constitute the authority to spend on a capital project	Current process	Budget policy
2	In the case of multi-year projects, Capital Spending Authority can extend for the full term of the project. Normally this would involve multi-year contracts	Current process	Budget policy
3	Capital Spending Authority for multi-year projects should automatically be built into the budget if the projects are already in progress	Current process	Budget policy
4	Council should approve both the annual capital budget and Capital Spending Authority each year	Current process	Budget policy
5	Council should publish a ten-year capital plan with complete project-by project funding sources as part of the budget process	Agree	Future budget processes
6	Staff should maintain an internal 20-year capital plan (and longer for asset management purposes)	Agree	Future budget processes
7	Capital carryovers should be eliminated (achieved in the 2020 budget process but needs to be continued). If a project has not been started, it should go through the budget process again	Current process	Budget policy
8	Capital projects should be divided into pre-construction and construction components wherever appropriate (i.e., where environmental assessments, land acquisition, engineering design and so on are required)	Agree	Future budget processes
9	Council should approve pre-construction and construction activities separately for the same project	Agree	Future budget processes
10	Construction of a capital project should only be approved once preconstruction activities and approvals are complete. Both pre-construction and construction can be approved for the same budget year if there is a solid expectation that pre-construction activities will be completed during the year and the project will start construction	Agree	Future budget processes
11	Business cases should be required for projects over \$100,000. These could be incorporated in the Town's decision packages	Agree	Future budget processes
12	The capital budget should include breakdowns of growth versus rehabilitation	Current process	2021 budget process
13	The budget process should include an analysis of the factors affecting capital priority setting and a discussion of the rationale for the capital projects selected for both Capital Spending Authority and the Ten-year Plan	Current process	2021 budget process
14	As part of the budget process, Council should see a "best estimate" of year-end capital spending, showing the portion expected to be delivered by functional area/priority, pre-construction versus construction, growth versus rehabilitation and anything else that would help with priority-setting	Current process	Annual reporting
15	The capital budget overview should include both a departmental and a functional/sectoral breakdown	Current process	2021 budget process
16	The budget and the actuals from the previous year should be presented on a consistent basis	Agree	Annual reporting

Growth Capital		Town's Position	Implementation Timeline
17	Staff should monitor residential versus non-residential development charge collections and compare the results to expected ratios from the Development Charge Background Study	Agree	Annual reporting
18	The annual development charges report should include a breakdown of residential versus non-residential collections and disbursements	Agree	Annual reporting
19	If the results of the residential compared to non-residential analysis show that non-residential development charge collections continue to lag, the Town should shift costs to residential in the next Development Charge Background Study to the extent that is fair and reasonable	Agree	DC update and CBC study
20	Recognizing that non-residential development charge collections may be permanently impaired, the Town should develop a plan to address the tax levy impact of the shortfall, either by constraining the capital program or raising additional revenue to compensate for the shortfall	Agree	Future budget processes
21	Staff should prepare forecasts of development charge collections and present them as part of the budget process	Agree	Future budget processes
22	In the next development charges update, the Town should require a reconciliation of post-period benefits identified in the 2019 Development Charge Background Study with the new development charge to ensure that previously identified post-period benefits are being appropriately captured in the new bylaw	Agree	DC update and CBC study
23	In the next development charges study, the Town should require Townwide engineered services to be calculated separately (roads and associated infrastructure, water, sewer, stormwater)	Current process	DC update and CBC study
24	The Town should monitor growth trends and adjust the capital plan so that it is reasonably commensurate with the rate of growth	Agree	Future budget processes
25	The Town should consider a non-residential development charge structure that parallels the Region's	Maybe	DC update and CBC study
26	As soon as is practicable, Newmarket should revise its development charge bylaw to incorporate the beneficial changes with respect to the elimination of the 10% discount for soft services, adjust the services eligible for DC recovery and introduce a class-based approach to DCs	Agree	DC update and CBC study
27	Staff should prepare a community benefits charge strategy and bylaw for Council's consideration	Agree	DC update and CBC study
Asset Management		Town's Position	Implementation Timeline
28	The Project Management Office should accelerate work on asset management planning so that initial integrated versions of all asset management plans are available for consideration in the 2023 budget cycle (beginning in Fall 2022)	Current process	Asset Management Plans
29	Asset management plans should include level of service considerations and a funding plan from the beginning so that appropriate tradeoffs can be made	Current process	Asset Management Plans
30	The funding strategy embedded in asset management plans should be integrated with the budget process and the next update of the Development Charges Background Study	Agree	Future budget processes
31	Staff should carefully review and update current asset replacement values and the current long-term estimates of funding needs as part of the asset management planning process	Agree	Asset Management Plans
32	The funding plan should include estimates of the asset management costs associated with infrastructure for future growth	Agree	Asset Management Plans
33	The Town should plan to increase future spending on infrastructure rehabilitation and replacement and incorporate steady increases for that purpose in the capital budgeting process	Agree	Future budget processes

Water, Wastewater & Stormwater		Town's Position	Implementation Timeline
34	Set water rates according to Newmarket's needs	Current process	Rate-supported financial plans
35	Commission or carry out a comprehensive rate-setting study that covers water, wastewater and stormwater rates	Current process	Rate-supported financial plans
36	Ensure that the rate-setting study considers long-term asset management funding needs, inter-generational equity, water demand (impact of conservation), the cost of climate change adaptation, increased costs due to intensification, and a contingency factor for yet-to-be identified costs such as regulatory changes	Agree	Rate-supported financial plans
37	Investigate the reasons for Newmarket's historically higher than average rates and address controllable factors	Agree	Rate-supported financial plans
38	Develop 80- to 100-year asset management plans for water, wastewater and stormwater, and firm ten-year capital plans with funding sources identified	Agree	Rate-supported financial plans
39	Integrate the rate plan with the ten-year capital plan and long-term asset management plans	Agree	Rate-supported financial plans
40	Increase rate stabilization reserves to allow for economic as well as weather-related variations in revenues	Agree	Future budget processes
41	Develop a detailed financial plan for water and wastewater that includes an analysis and forecast of capital and operating costs and incorporates the results of the rate-setting study	Agree	Rate-supported financial plans
42	Extend the time horizon of the water and wastewater financial plans to ten years	Agree	Rate-supported financial plans
43	Develop a financial plan for stormwater comparable to the plans for water and wastewater	Agree	Rate-supported financial plans
44	Consider working together with the other "Northern Six" municipalities in York Region to investigate the benefits and costs of transferring local water and wastewater responsibility to the Region or cooperating in other ways	Maybe	TBD

Building Reserves		Town's Position	Implementation Timeline
45	A new Contingency Reserve should be established to provide support for unforeseen and currently unquantifiable needs (e.g., pandemic, climate change, disasters, emergencies, changes in Provincial funding)	Agree	Future budget processes
46	A new Growth Reserve should be established to fund shortfalls in development charge collections and non-DC-eligible growth infrastructure	Current process	Budget policy
47	The new Growth Reserve should be funded by a budgetary allocation each year corresponding to a minimum of the avoided cost of the 10% development charge discount for planned growth projects that year plus an allocation from the annual surplus	Agree	Future budget processes
48	A separate pay-as-you-go reserve should be established for ongoing rehabilitation spending to give the Asset Replacement Reserves time to build	Agree	Future budget processes
49	The pay-as-you-go capital reserve should be funded by allocations in the budget process	Agree	Future budget processes
50	The Asset Replacement Reserve should be restructured according to the estimated needs identified in preliminary asset management plans	Agree	Reserve fund review
51	Future contributions to the various sectors in the Asset Replacement Fund should be based on needs identified in asset management plans	Agree	Reserve fund review
52	The only draws from the Asset Replacement Reserve for the next ten years should be for replacement spending	Agree	Future budget processes
53	The contribution to the Asset Replacement Fund should be increased by a minimum of 1% per year for the next ten years	Current process	Budget policy
54	Each year's incremental contribution should add to the base contribution to the Asset Replacement Fund	Current process	Budget policy
55	The contributions to the Asset Replacement Fund should be in addition to the funding needed for capital rehabilitation projects	Agree	Future budget processes
56	After ten years, the contributions to the Asset Replacement Fund should be reassessed	Agree	Budget policy
57	After ten years, the condition of the Asset Replacement Fund should be evaluated in relation to then current asset management plans with a view to determining whether draws for rehabilitation purposes are feasible	Agree	Budget policy
58	The current internal loan between the rate- and tax-supported portions of the Asset Replacement Fund should be eliminated	Agree	Reserve fund review
59	The policy of pooling rate- and tax-supported Asset Replacement Fund reserves should be dropped, and intra-reserve borrowing between tax and rate-supported reserves should not be permitted	Current process	Reserve fund review
60	Over the next five years, the Hydro dividend should be transitioned to a contribution split 75:25 between the tax-supported Asset Replacement Fund and the new Contingency Reserve	Agree	Budget policy
61	Over the next five years, the annual surplus should be transitioned to a contribution split: <ul style="list-style-type: none"> o 50% to the new tax-supported Growth Reserve o 25% to the new Contingency Reserve o 25% to other reserves that are below target, and if none, to the Asset Replacement Fund 	Agree	Budget policy
62	Finance staff should prepare long-term reserve forecasts and present them to Council as part of the fiscal strategy update during the budget process	Agree	Future budget processes
63	The Town's Reserve Policy should be amended to reflect the recommended changes in this report	Agree	Reserve fund review
64	The Town's Surplus Policy should be updated to reflect the recommended changes in this report	Agree	Budget policy

Managing Debt		Town's Position	Implementation Timeline
65	The Town should stay on its current trajectory to pay off its debt by 2026, save for the Mulock Farm debt	Current process	Debt Policy update
66	The internal borrowing provisions of the debt management policy should be tightened with respect to payback period, interest rate earned, and portion of the reserve fund balance available for internal borrowing	Agree	Debt Policy update
67	Although the 10% limit on debt servicing costs as a share of own source revenue is reasonable, in practice the Town should strive to keep it below 5%	Agree	Debt Policy update
68	The Town should consult with York Region with respect to the potential for refinancing its Mulock Farm debt at a shorter term and a lower rate	Agree	Debt Policy update
Enhancing Revenue		Town's Position	Implementation Timeline
69	The Town should consider moderate increases in property taxes to support infrastructure investment, primarily asset management, after economic conditions have improved	Agree	Future budget processes
70	The current policy governing the use of assessment growth revenue should be retained	Current process	Budget policy
71	Any portion of assessment growth revenue not needed for growth purposes in the budget should be allocated to the new Growth Reserve	Current process	Budget policy
72	The Town should request an analysis of the corporate strategy and financial situation and prospects of both NT Power and Envi Networks from these companies	Agree	TBD
73	Depending on the results of the self-analysis, the Town should consider commissioning independent analyses of both companies with a view towards maximizing the value of NT Power and increasing the dividend it provides and assessing the market positioning of ENVI	Agree	TBD
74	The practice of allocating investment returns above benchmark to subsidize operating should be abandoned. Investment returns on reserves should be entirely allocated to reserves	Agree	2021 budget process
75	The Town should consider allocating a portion of its investments to ONE Investment, either through the Legal List or prudent investor	Agree	Investment Strategy update
76	The Treasurer should provide a stand-alone investment report to Council annually, including both realized and mark-to-market returns	Agree	Annual reporting
Conclusion		Town's Position	Implementation Timeline
77	The Treasurer should provide an annual update of the fiscal strategy to Council as part of the budget process, and a detailed review of the strategy at the beginning of each Council's term	Agree	Future budget processes
78	The budget process should include an introductory overview presentation of the entire budget in an integrated fashion—operating, capital and rates supported	Agree	2021 budget process
79	The Town should extend the time frames for its financial planning—multiyear operating budget, ten-year capital plan, long-term reserve and debt forecasts, DC revenue forecasts, and long-term asset management plans	Current process	Rate-supported financial plans