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2022 Preliminary Draft Capital and Rate-Supported Operating Budgets Staff Report to Council

Report Number: 2021-69

Department(s): Financial Services

Author(s): Andrea Tang, Manager of Finance & Accounting / Deputy Treasurer

Meeting Date: October 18, 2021

Recommendations

1. That the report entitled 2022 Preliminary Draft Capital and Rate-Supported Operating Budgets dated October 18, 2021 be received; and
2. That subject to any additional direction from Committee, that the proposed Capital Budget be incorporated into the Draft Budgets to be presented to Committee of the Whole on December 6, 2021; and
3. That the proposed list of Capital Projects be included in the Capital Program for 2022, subject to changes that may be made by Council during the year; and
4. That subject to any additional direction from Committee, that the proposed Rate-Supported Operating Budgets be incorporated into the Draft Budgets to be presented to Committee of the Whole on December 6, 2021; and
5. That the Treasurer be authorized and directed to do all things necessary to give effect to these recommendations.

Executive Summary

The Capital Budget provides for \$30.3 million in expenditures in 2022. This consists of a \$28.3 million Capital Program - projects to be delivered in 2022, and a \$2.0 million provision for additional projects to be added.

The preliminary draft capital budget is developed with consideration for both operational and financial capacity to deliver the recommended Capital Program. Furthermore, the Asset Management Plan and Development Charge (DC) Background Study are referenced when establishing the Capital Budget.

Water & Wastewater rate will increase by 3.8% and Stormwater rate will increase by 10.0% as outlined in their respective financial plans.

Building fees are sufficient to cover their expenditures in 2022. A separate report will be brought forward to request increases to Building fees and charges.

Recommendations from the Fiscal Strategy have been implemented where feasible.

Purpose

The purpose of this report is to obtain Council's direction on the overall Capital Budget, including specific projects in the Capital program, and Rate-Supported Operating Budgets for Water, Wastewater, Stormwater and Building. The report also outlines details of the budgets and rationale on the recommendations.

Background

A report on 2022 Budget Target and Process was tabled on May 3, 2021 outlining the guiding principles and structure for the Capital Budget and Program, and the Rate-Supported Operating Budgets.

The Preliminary 2022 Draft Budgets were presented on October 4, 2021, a starting point for community consultation and Council consideration.

Central York Fire Services (CYFS) Joint Council Committee (JCC) will be held in the morning of October 18, 2021 to review and make recommendations on the CYFS budgets, followed by a review and comments by the Aurora Council on October 26, 2021. Any changes will be incorporated in the Draft Budgets to be presented to Committee of the Whole on December 6, 2021.

Newmarket Library Board endorsed the capital decision packages being brought forward for consideration at their board meeting held on May 19, 2021.

Discussion

1. Capital Budget

The 2022 draft capital budget and capital program of \$30.3 million is within the Town's funding capacity. Further, consideration was made recognizing the Town's dedicated capital project staff capacity to reasonably manage and deliver in a year. As such, a limit of \$20.0 million has been applied to the Standard portion of the Capital Program which is consistent with past practice.

The standard program includes \$1.3 million for bridges and culverts replacement that was identified to be included in 2022 through the 2021 budget process. 2022 capital program includes new capital requests totaling \$15.1 million. As well, there are 2021 projects totaling \$1.6 million being deferred to 2022 based on revised project delivery timelines.

During the year, as projects are delayed, priorities change, or opportunities arise where Council may add or remove projects from the Program. The unallocated provision of \$2.0 million allows flexibility for Council to add Standard projects during the year while remaining within the Operational Capacity.

Major items require minimal effort from dedicated capital project staff. They either involve other staff (such as Fire Station 4-5 being managed by Aurora staff) or have a very high expenditure to staff effort ratio (such as Mulock Park). These projects do not impede delivery of the standard Capital Program.

Prioritization of Capital Decision Packages

All capital decision package submissions have their own merits; however operational capacity limits the number of capital decision packages to be included in the 2022 budget. Priority has been given to projects that are in alignment with the Asset Management Plan for core assets, asset management process for non-core assets and Development Charge Background Study.

As well, decision packages are evaluated and prioritized based on:

- Project category
- Corporate alignment and opportunity
- Levels of service and infrastructure impact
- Community impact
- Risk assessment

The 2022 Capital Budget and Capital Program

Based on the evaluation and prioritization criteria, table below provides an overview of the 2022 Capital Budget and Capital Program. Details of the capital projects are outlined in the individual decision packages.

	Standard (\$)	Major (\$)	Total (\$)
2021 commitments for 2022	1,300,000	3,200,000	4,500,000
2022 capital program	15,064,550	-	15,064,550
	16,364,550	3,200,000	19,564,550
Allocated provision (2021 program)	1,614,000	-	1,614,000
Unallocated provision	2,021,450	-	2,021,450
Mulock Park (Council approved)	-	3,500,000	3,500,000
Subtotal	20,000,000	6,700,000	26,700,000
Recreation Playbook Implementation (RJT outdoor skating rink - 2022 DP)	-	2,000,000	2,000,000
Fleet & equipment replacement (2022 DP)	-	1,615,000	1,615,000
Subtotal	20,000,000	10,315,000	30,315,000

Capital Program by Department

Department	Standard (\$)	Major (\$)	Total (\$)
Building	100,000	-	100,000
CYFS	750,000	2,700,000	3,450,000
Engineering	11,594,000	5,500,000	17,094,000
IT	870,000	-	870,000
Library	534,550	-	534,550
Public Works - Parks	360,000	-	360,000
Public Works - Facilities	2,550,000	-	2,550,000
Public Works - Fleet	140,000	2,115,000	2,255,000
Stormwater	780,000	-	780,000
Water & Wastewater	300,000	-	300,000
Unallocated Provision	2,021,450	-	2,021,450
Total	20,000,000	10,315,000	30,315,000

Capital Program Funding by Category

Category	ARF	DC	General	Other	Total
Mandatory	1,525,000	43,785	100,000	31,215	1,700,000
Replacement	11,654,550	-	40,000	2,590,000	14,284,550
Growth		9,483,200	1,170,000	1,090,800	11,744,000
Community Planning	115,000	50,000			165,000
Efficiencies			400,000		400,000
Subtotal	13,294,550	9,576,985	1,710,000	3,712,015	28,293,550
Unallocated Provision					2,021,450
Total					30,315,000

The Asset Replacement Fund (ARF) is the primary funding source for asset replacements (\$12.8 million or 45%), followed by Development Charges (DC) (\$10.1 million or 36%) for growth.

Other funding sources include:

- \$1.7 million from other reserves and reserve funds; and
- \$2.6 million from the 2022 Federal Gas Tax allocation and other grant funding; and
- \$1.1 million from the Town of Aurora – mainly for their share of DC's for Fire Station 4-5.

Capital requirements close to \$8.0 million for various projects in the standard program and \$16.5 million for major projects (\$11,500,000 Mulock Park and \$5,000,000 for RJT Outdoor Skating Rink) are to be continued into 2023. They will be included as part of the 2023 capital program. Additional funds of \$23.9 million have been identified for 2024 and beyond to complete various projects (\$23.0 million for Mulock Park).

Capital Spending Authority

Year	\$
2022	30,315,000
2023	24,450,000
2024 & beyond	23,900,000
Total	78,665,000

2. Rate-Supported Operating Budgets

A. Water & Wastewater

The 2022 Water & Wastewater rate will be increased by 3.8% as per the Six-Year Water & Wastewater Financial Plan updated in March 2021.

The 2022 rate accounts for the following:

- Region's increase of 3.3%; and
- Requirements to support day-to-day operations; and
- Contribution to ARF for future asset replacements totaling \$8,060,654.

The draft operating budgets also include two staffing requests due to growth:

- Water & Wastewater Lead Hand; and
- Water & Wastewater Operator.

Below outlines the preliminary draft 2022 Water & Wastewater Operating Budget (including 2 staffing requests):

	Water (\$)	Wastewater (\$)	Total (\$)
Revenues	20,291,000	23,684,000	43,975,000
Expenditures			
Regional Costs	10,870,000	16,434,000	27,304,000
Expenditures	4,946,273	2,230,633	7,176,906
Support Costs	1,279,033	1,173,367	2,452,400
ARF	4,037,366	4,023,288	8,060,654
Reserves	- 841,672	- 177,288	- 1,018,960
Total Expenditures	20,291,000	23,684,000	43,975,000
Net	-	-	-

Based on an annual consumption of 200 cubic metres, the 2022 annual increase is \$48.09.

B. Stormwater

The 2022 Stormwater rate will be increased by 10% as per the Ten-Year Stormwater Financial Plan.

The 2022 rate accounts for expenditures such as wages and benefits, CCTV program (includes an increase of \$50,000 due to growth), catch basin cleaning and maintenance on stormwater ponds.

Below outlines the preliminary draft 2022 Stormwater Operating Budget:

	Total (\$)
Revenues	2,644,000
Expenditures	
Expenditures	1,319,480
Support Costs	210,856
ARF	993,435
Reserves	120,229
Total Expenditures	2,644,000
Net	-

Based on a 465 square metre lot, the 2022 annual increase is \$4.63.

C. Building

Building fees are sufficient to cover their expenditures in 2022. A separate report will be brought forward to request increases to Building fees and charges.

Below outlines the preliminary draft 2022 Stormwater Operating Budget:

	Total (\$)
Revenues	1,680,191
Expenditures	
Expenditures	2,173,239
Support Costs	625,806
ARF	-
Reserves	- 1,118,854
Total Expenditures	1,680,191
Net	-

Conclusion

Upcoming dates:

- November 8 – Special Committee of the Whole meeting dedicated to review the Tax-Supported Operating Budget; and
- December 6 – Committee of the Whole - Presentation of the Draft Budgets and remaining fees & charges for approval; and
- December 13 – this is the target date for approval of the 2022 budget and remaining fees & charges.

Council may choose to extend this time for further deliberations. There will also be opportunities for Councillors to meet with or to obtain additional information from the Treasurer or other Members of Staff.

Business Plan and Strategic Plan Linkages

Consideration has been given to the recommendations of the Fiscal Strategy:

- Council approval of Capital Spending Authority in the budget should constitute the authority to spend on a capital project, and approval of both the annual capital budget and Capital Spending Authority each year;
- Capital carryovers have been eliminated since the 2020 budget process;
- The capital budget includes breakdown of growth versus replacement;
- 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;
- The capital budget overview includes both a departmental and a functional/sectoral breakdown;
- Capital Budget was developed with consideration and reference to the Asset Management Plan and DC Background Study;
- Continuation of additional contribution to ARF in the Water & Wastewater and Stormwater Operating Budgets.

Consultation

This report builds on the presentation of the Preliminary Draft Budgets to Committee of the Whole on October 4, 2021.

SLT and OLT have been consulted throughout the process.

Human Resource Considerations

The draft Water and Wastewater operating budgets include two staffing requests due to growth (subject to Council approval):

- Water & Wastewater Lead Hand; and
- Water & Wastewater Operator.

Budget Impact

The Capital Budget of \$30.3 million includes an unallocated provision of \$2.0 million which provides flexibility for Council to add Standard projects during the year while remaining within the Operational Capacity.

Capital requirements close to \$8.0 million for various projects in the standard program and \$16.5 million for major projects (\$11.5 million for Mulock Park and \$5.0 million for RJT Outdoor Skating Rink) have been identified to be included in the 2023 Capital Program. Total capital spending authority is \$78.7 million.

The proposed Capital Program will impact the Operating budget with additional net annual expenditures of \$0.02 million. These will be included in the Tax-Supported Operating Budget to be presented at the November 8, 2021 Special Committee of the Whole meeting.

Attachments

Appendix A – 2022 Capital Program Summary

Appendix B – 2022 Capital Decision Packages - Recommended

Appendix C – 2022 Water, Wastewater, Stormwater Decision Packages - Recommended

Approval

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Director of Financial Services

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Contact

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