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## 2022 Draft Operating and Capital Budgets Staff Report to Council

Report Number: 2021-93

Department(s): Financial Services

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

Meeting Date: December 6, 2021

### Recommendations

1. That the report entitled Draft 2022 Operating and Capital Budgets dated December 6, 2021 be received; and,
2. That the Draft 2021 Operating Budget with expenditures of \$141,586,665 be approved, which is comprised of the following components:
  - a. \$70,751,406 for Town purposes
  - b. \$17,629,261 for Central York Fire Services (Newmarket's share)
  - c. \$3,757,953 for the Newmarket Public Library
  - d. \$30,000 for the Main Street District Business Improvement Area (BIA)
  - e. \$20,291,000 for the Water Rate Group
  - f. \$23,684,000 for the Wastewater Rate Group
  - g. \$2,644,000 for the Stormwater Rate Group
  - h. \$2,799,045 for the Building Permit Rate Group
3. That a Capital Spending Authority of \$89,704,000 be established, being \$32,765,000 for 2022 and \$33,039,000 for 2023 and \$23,900,000 for 2024 & beyond; and,
4. That the draft 2022 Operating and Capital Budgets be forwarded to the Council meeting of December 13, 2021 for final approval; and
5. That Council authorize the Director of Financial Services/Treasurer to:
  - a. Make any necessary adjustments within the total approved budget to reflect organizational changes and any other reallocation of costs.
  - b. Accept and adjust the budget for new provincial and/or federal funding provided there is no tax levy impact; and,
6. That staff be authorized and directed to do all things necessary to give effect to this resolution.

## Executive Summary

The Draft 2022 Operating and Capital Budgets achieve fiscal stewardship by:

- addressing today's needs on service excellence and delivery;
- investing in capital to address immediate and future growth;
- increasing contributions to the Asset Replacement Funds to provide funds for asset replacements to maintain Town's assets in a state of good repairs.

The 2022 Budgets provide a balance between affordability and service delivery of today's needs and into the future. It is a sustainable budget that builds upon the Town's vision to continue making Newmarket "Well Beyond the Ordinary".

The proposed budget includes a 1.99% increase in property taxes, a 3.8% increase in the combined water and wastewater rates, and a 10.0% increase in the stormwater charge.

## Purpose

The purpose of the report is to obtain approval from Committee of the Whole (CoW) on the 2022 Operating and Capital Budgets, followed by Council decision on December 13, 2021 for adoption effective January 1, 2022.

## Background

The 2022 Budget process schedule and targets were established on May 3, 2021 with the report to CoW (Report 2021-32) entitled "[2022 Budget Target and Process](#)". At the meeting, Council revised the proposed the target tax rate increase from 2.99% to 1.99%.

Every 1% tax rate increase in the 2022 budget will generate an additional \$667,000 in property tax revenues.

Report entitled "[Preliminary 2022 Draft Budgets](#)" was tabled at the October 4, 2021 CoW (Report 2021-65) which established a starting point for budget deliberation process and community consultation. The report outlined savings through efficiencies and reductions totaling \$667,000 to achieve the target tax rate increase of 1.99%.

Two Special CoW meetings were scheduled to further discuss and review the Capital and Rate-Supported Operating Budgets on October 18, 2021 in report [2021-69](#) and the Tax-Supported Operating Budget on November 8, 2021 in report [2021-75](#) respectively.

The 2022 Budget Facebook Live event on November 16, 2021 provided the opportunity for residents to engage in the process, learn more about the budget, provide feedback and ask questions.

As well, public input was sought through a survey around the theme “2022 Budget Future Ready: What is your vision for Newmarket’s future”. The Survey requested residents to rank eight priorities in the order of importance.

## Discussion

The Town’s 2022 Budget totals \$174.4 million with the following breakdown:

<b>Components</b>	<b>\$ in millions</b>
Tax-supported operating budget	92.20
Rate-supported operating budget	49.40
<b>Total Operating Budgets</b>	<b>141.60</b>
Capital Budget	32.80
<b>2022 Total Budget</b>	<b>174.40</b>

## Operating Budgets

Operating Budgets support the day-to-day operations to deliver services to the Town’s residents and businesses. There are two sets of operating budgets defined by their funding sources: tax-supported operating budget and rate-supported operating budget.

The tax-supported and rate-supported operating budgets include the following expenditures:

Area	Expenses based on PSAB	Principal Repayment on Long-term Debt	Capital Financing	Transfer to Reserves/ Reserve	Total Expenditures
Town	\$57,422,254	\$3,789,251	\$294,000	\$ 9,245,901	\$70,751,406
Downtown BIA	\$30,000	\$0	\$0	\$0	\$30,000
Library	\$3,509,456	\$0	\$0	\$248,497	\$3,757,953
CYFS	\$16,194,661	\$0	\$0	\$1,434,600	\$17,629,261
<b>Tax-supported</b>	<b>\$77,156,371</b>	<b>\$3,789,251</b>	<b>\$294,000</b>	<b>\$10,928,998</b>	<b>\$92,168,620</b>
Water	\$16,864,287	\$45,791	\$0	\$3,380,922	\$20,291,000
Wastewater	\$19,792,196	45,791	\$0	\$3,846,013	\$23,684,000
Stormwater	\$1,530,336	\$0	\$0	\$1,113,664	\$2,644,000
Building	\$2,799,045	\$0	\$0	\$0	\$2,799,045
<b>Rate-supported</b>	<b>\$40,985,864</b>	<b>\$91,582</b>	<b>\$0</b>	<b>\$8,340,599</b>	<b>\$49,418,045</b>
<b>Total</b>	<b>\$118,142,235</b>	<b>\$3,880,833</b>	<b>\$294,000</b>	<b>\$19,269,597</b>	<b>\$141,586,665</b>

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

**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 infrastructure, which are included in Expenses.

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

**Total Expenditures** are accounted for as an expanded fund-based approach for budgeting and management purposes.

The Decision Packages recommended for inclusion in the operating budgets are included in the following appendices:

- Appendix A – Tax-supported Operating Budget Decision Packages, Base
- Appendix B – Tax-supported Operating Budget Decision Packages, Growth
- Appendix C – Rate-supported Operating Budget Decision Packages

76% of the funding, equivalent to \$70.0 million, for tax-supported operating expenditures is from property taxes.

	Town	CYFS	Library	Total
	In \$ millions			
Expenses	\$ 61.3	\$ 16.2	\$ 3.5	\$ 81.0
Reserve transfers	9.5	1.4	0.3	\$ 11.2
	<b>\$ 70.8</b>	<b>\$ 17.6</b>	<b>\$ 3.8</b>	<b>\$ 92.2</b>
Non-Tax revenues	-21.6	-0.4	-0.2	-\$ 22.2
<b>Tax Levy</b>	<b>\$ 49.2</b>	<b>\$ 17.2</b>	<b>\$ 3.6</b>	<b>\$ 70.0</b>

99.8% of funding for Rate-supported Operating expenditures is from rates (water, wastewater, stormwater and building permits).

	Water	Wastewater	Stormwater	Building
	In \$ millions			
Expenses	\$ 16.9	\$ 19.9	\$ 1.5	\$ 2.8
Reserve transfers	3.4	3.8	1.1	0
	<b>\$ 20.3</b>	<b>\$ 23.7</b>	<b>\$ 2.6</b>	<b>\$ 2.8</b>
Non-rate revenues	-0.02	-0.02	-0.1	0.0
<b>Rate Levy</b>	<b>\$ 20.3</b>	<b>\$ 23.7</b>	<b>\$ 2.5</b>	<b>\$ 2.8</b>

## Capital Budget

The Capital Spending Authority is the total of all capital expenditures approved by Council and may span more than one year. This differs from the Capital Budget which is the annual component and includes the required funding. The Capital Program is the list of projects to be delivered by the Capital Budget.

Members of Council provided their feedback on the 2022 capital program at the Special CoW meetings. Since then, Staff met and revised the 2022 capital program to include the

additional 2021 projects totaling \$5.8 million (Standard Program \$3.3 million and Major Projects \$2.5 million) as outlined in the Q3 Financial Update Report [2021-81](#), as well as the following projects after taken into consideration the feedback received at the Special CoW meetings:

- Parkettes and sports pads (scope, public engagement and design) \$50,000
- Goose Management \$25,000
- Northwest Quadrant Trail (design) \$100,000
- Mulock Multi-Use pathway (design) \$370,000
- Library Windows \$30,000
- Water & Wastewater Masterplan Update \$200,000

Changes since October 18, 2021 are summarized below:

	Standard (\$)	Major (\$)	Total (\$)
Capital program (allocated)	\$ 17,978,550	\$ 10,315,000	\$ 28,293,550
Unallocated provision	\$ 2,021,450	\$ -	\$ 2,021,450
<b>Status as at October 18, 2021</b>	<b>\$ 20,000,000</b>	<b>\$ 10,315,000</b>	<b>\$ 30,315,000</b>
Additional 2021 projects (as per Q3 Financial Update report)	3,309,000	2,450,000	5,759,000
Parkettes & Sports Pad- scope, public engagement, design	50,000	0	50,000
NW Quadrant Trails (design)	100,000	0	100,000
Goose Management	25,000	0	25,000
Library Windows	30,000	0	30,000
Mulock MUP (design)	370,000	0	370,000
Water & Wastewater Master Plan Update	200,000	0	200,000
Other adjustments	-4,064,000	0	-4,064,000
<b>Revised 2022 Capital Program</b>	<b>\$ 20,000,000</b>	<b>\$ 12,765,000</b>	<b>\$ 32,765,000</b>

The chart below provides a summary on the 2022 Capital Program:

	Standard	Major	Total
2022 capital program	\$ 14,464,550	\$ 3,615,000	<b>\$18,079,550</b>
2021 commitments for 2022	4,249,000	9,150,000	<b>13,399,000</b>
Unallocated provision	1,286,450	0	<b>1,286,450</b>
	<b>\$ 20,000,000</b>	<b>\$ 12,765,000</b>	<b>\$32,765,000</b>

Details of the 2022 Capital Programs can be found in the Appendix D.

## 2022 Capital Program Funding by Category

	ARF	DC	General	Other	Total
Mandatory	1,105,000	43,785	100,000	31,215	1,280,000
Replacement	12,739,550	0	40,000	2,590,000	15,369,550
Growth	0	11,918,200	1,170,000	1,090,800	14,179,000
Community Planning	115,000	50,000	85,000	0	250,000
Efficiencies	0	0	400,000	0	400,000
<b>Subtotal</b>	<b>\$13,959,550</b>	<b>\$12,011,985</b>	<b>\$ 1,795,000</b>	<b>\$ 3,712,015</b>	<b>\$ 31,478,550</b>
<b>Unallocated Provision</b>					<b>\$ 1,286,450</b>
<b>Total</b>					<b>\$ 32,765,000</b>

## 2022 Capital Program Funding by Category

The Asset Replacement Fund (ARF) is the primary funding source for asset replacements (\$14.0 million or 44%), followed by Development Charges (DC) (\$12.0 million or 38%) for growth.

Other funding sources include:

- \$1.8 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.

The requested Capital Spending Authority of \$89.7 million includes the following funding requirements by year:

Year	\$
2022	32,765,000
2023	33,039,000
2024 & beyond	23,900,000
<b>Total</b>	<b>\$89,704,000</b>

In 2023, capital requirements close to \$15.9 million for various projects in the standard program and \$17.1 million for major projects (\$11,500,000 Mulock Park and \$5,000,000 for RJT Outdoor Skating Rink, \$650,000 Fleet Replacement) which 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 (majority of which is for Mulock Park \$23.0 million).

Overall, the Capital Program has been established, reviewed and prioritized with consideration for both operational and financial capacity to deliver the recommended

Capital Program, as well as alignment to Council Strategic Priorities, the Asset Management Plan and Development Charge (DC) Background Study.

## **Conclusion**

CoW has been presented with the draft 2022 operating and capital budgets. The direction provided with respect to the staff recommendations on the above will be tabled at the December 13, 2021 Council meeting for adoption of the 2022 budgets.

To complete the budget process in 2022:

- The Reserves and Reserve Funds Budget will be presented to Council. It is based on the approved operating and Capital Budgets.
- The Budget will be presented in Financial Statement format
- There will be quarterly Financial Updates on the operating results and delivery of the Capital Program.

In summary, the 2022 Budget achieves a balance that promotes affordability while delivery service excellence and building an extraordinary community that is sustainable now and into the future.

## **Business Plan and Strategic Plan Linkages**

The 2022 budget achieves long term sustainability by continuing the practice of utilizing assessment growth revenues to fund growth related expenditures only. The tax-supported operating budget does not include one-time fund to balance the budget.

The capital budget allows for infrastructure investment and asset replacements to keep the Town's assets in a state of good repair.

The 2022 budget takes into consideration recommendations from the Fiscal Strategy:

- continue to increase contributions to reserves to build them to more appropriate levels;
- integrate asset management plans with the budget process;
- refine the capital budget process; and
- water and wastewater operating budgets are based on the updated six-year financial plans.

## **Consultation**

All members of Operational Leadership Team (OLT) and Senior Leadership Team (SLT) and their staff participated in the preparation and review of the 2022 draft budgets.

Corporate Communications provided valuable support and assistance in the 2022 budget engagement process.



Members of Council provided direction, comments and questions at the CoW meetings on May 3 and October 4, 2021; and at the Special Committee of the Whole meetings on October 18 and November 8, 2020.

### **Joint Council Committee (JCC)**

A special Joint Council Committee (JCC) meeting was held on October 18, 2021 to review and make a recommendation on the 2022 Central York Fire Services (CYFS) budget. Aurora Council reviewed the budget on October 26, 2021 and had no formal comments. The Fire Chief also made a budget presentation to the Aurora Budget Committee on November 15, 2021.

### **Newmarket Public Library Board**

Newmarket Library Board reviewed and recommended the capital and operating decision packages at their board meetings held on May 19 and June 16, 2021 respectively.

### **Other Boards and Committees**

There have been no budget requests from any of the boards or committees, including the Newmarket Downtown BIA.

## **Human Resource Considerations**

Six Tax-supported staffing requests include:

1. Utility Plans Coordinator (Contract to FTE)
2. Senior Asset Management Specialist
3. Municipal Offices - Convert Janitorial Contract to Staff
4. Animal Services Officer
5. Enhanced Cyber Security
6. Accounts Administrator for Cost-Recovery Program (Conversion PT to FT)

Two rate-supported staffing requests include:

1. Water & Wastewater Lead Hand
2. Water & Wastewater Operator

All staffing requests have been reviewed by Human Resources.

## Budget Impact

### Operating Impacts

	<b>% increase</b>	<b>\$ increase</b>
Property Taxes	1.99%	44.09
Water & Wastewater	3.8%	48.09
Stormwater	10.0%	4.63
<b>Total</b>		<b>96.81</b>

The annual increases to an average residential property are based on:

Property taxes – an average detached home with an assessment value of \$702,400

Water & Wastewater – annual water consumption of 200 cubic metres

Stormwater – a 465 square metre lot

### Capital Budget

The recommended draft 2022 capital budget includes \$32,765,000 in expenditures, for which there is adequate financing provided.

## Attachments

Appendix A – Tax-Supported Operating Budget Decision Packages, Base

Appendix B – Tax-Supported Operating Budget Decision Packages, Growth

Appendix C – Rate- Supported Operating Budget Decision Packages

Appendix D – 2022, 2023, 2024 and Future Capital Program Summary

Appendix E – Capital Programs Deferred

## **Approval**

Mike Mayes, CPA, CGA, DPA  
Director of Financial Services

Esther Armchuk, LL.B  
Commissioner, Corporate Services

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