



Town of Newmarket
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2023 Budget Process Staff Report to Council

Report Number: 2022-30

Department(s): Financial Services

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

Meeting Date: May 2, 2022

Recommendations

1. That the report entitled 2023 Budget Process dated May 2, 2022 be received; and,
2. That delegated authority be granted to increase water, wastewater and stormwater rates as identified in their respective financial plans effective January 1, 2023; and,
3. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

This report includes the following information:

- **Budget Process** – outlines the budget deliberation process in an election year
- **Budget Schedule** – provides the tentative schedule that staff is currently working with. A formal recommendation will be tabled at the December 5th, 2022 Committee of the Whole meeting (CoW)
- **Interim Appropriations** – the Town currently has delegated authority to make expenditures at the beginning of 2023 prior to the adoption of the budget by Council. The amount authorized is up to 50% of the 2022 Operating Budget
- **Public Engagement (Consultation)** – outlines plans and considerations for the 2023 budget
- **Budget Structure** – provides an overview on the Town's process of segregating the budget into components, and identifies some of the budget drivers and potential pressures

Fees and Charges – references to [Report 2021-67](#) Delegated Authority for Fees and Charges whereby annual fees and charges increases do not exceed the rate of inflation and/or 2.5% and are in compliance with the Town’s Service Pricing Policy.

Purpose

The purpose of this report is to advise Council the process for the 2023 budget.

Background

The Municipal Election is scheduled to take place on Monday, October 24, 2022. In a non-election year, the annual budget deliberation process usually occurs in October and November, with Council approval of the Town’s budget in December prior to the start of the new fiscal year.

The 2023 budget deliberation process will take place between December 2022 and February 2023 with the goal of budget approval by end of March 2023.

This report outlines the 2023 budget process and provides an overview on each budget component, budget drivers and potential pressures.

Discussion

Budget Process

A report will be tabled to CoW on December 5th, 2022 outlining each budget component and their corresponding targets. Special CoW meetings will be scheduled in January and February 2023 to review and discuss each budget component. The target is to obtain Council approval of the 2023 Budget by end of March 2023.

The Town currently has delegated authority to make expenditures at the beginning of 2023 prior to the adoption of the budget by Council. The amount authorized is up to 50% of the 2022 Operating Budget as outlined in the table below:

Operating Budget	Approved 2022 expenditures	2023 appropriation
Town portion (excluding areas listed below)	\$70,751,406	\$35,375,703
Newmarket Downtown Development Business Area (BIA)	\$30,000	\$15,000
Newmarket Public Library	\$3,757,953	\$1,878,977
Central York Fire Services (Newmarket’s share)	\$17,629,261	\$8,814,631

Water and Wastewater Rate Groups	\$43,975,000	\$21,987,500
Operating Budget	Approved 2022 expenditures	2023 appropriation
Stormwater Management Rate Group	\$2,644,000	\$1,322,000
Building Permit Rate Group	\$2,799,045	\$1,399,523
Total operating budget	\$141,586,665	\$70,793,333

In compliance with Operating and Capital Financial Policy (FIN 2-01):

- The interim expenditures will be included in the 2023 Operating budget request;
- Expenditures will be limited to items that would be included in the base budget;
- There will be no new expenditures, no enhancements or new spending prior to Council approval of the 2023 operating budget, unless specific Council approval is given.

Public Engagement

Public engagement for the 2023 budget will continue to build on the success of previous year's engagement. Last year's online survey garnered over 297 responses, one of the highest amounts the Town has received when compared to previous years.

As always, community engagement will be very important in helping to shape the 2023 budget. The Town will continue to utilize traditional communications tools and tactics (Town page advertisements, media releases, website updates, e-newsletters and more), while continuing to seek out new and creative ways to engage and interact with the community virtually and in-person.

The Corporate Communications department will be preparing a detailed communications plan, with community engagement beginning in December 2022.

Budget Schedule

Below is an overview of the 2023 Budget schedule that Staff are working with at this time.

- **December 5** – a report will be tabled to finalize the schedule, the process, and the targets for the 2023 budget
- **January and February** – the preliminary draft budgets will be presented to CoW. Special CoW meetings will be scheduled for detailed review and discussions on each of the budgets (tax-supported operating budget, rate-supported operating budget and capital budget)
- **March** – target date for approval of the 2023 budget. Council may wish to extend this time for further deliberations.

Budget Structure

The Town's Budget is segregated into the following components:

- Tax-Supported Operating Budget
- Rate-Supported Operating Budget
- Capital Budget

Tax-Supported Operating Budget

The Tax-Supported Operating Budget supports the day-to-day operations and include net costs to maintain infrastructure. Major funding source is property taxes.

Additional property taxes are generated by growth as more properties are added to the Town's tax roll and by tax rate increase required to deliver a balanced budget.

The two major factors impacting the base budget are growth and inflation.

The Town will continue its practice of applying assessment growth dollars to support growth related expenditures only.

An inflationary factor will be applied to the base budget to account for inflation on contracted services, supplies and goods. The Consumer Price Index (CPI) is used as reference when developing the budget. Based on the current trend, inflation may potentially pose a significant pressure on the 2023 budget. The February CPI (Toronto) was at 5.72%; a level that had not been experienced in previous budget years.

The pandemic has led to significant impacts on the production and delivery of materials and goods. This caused supply and demand imbalance that ultimately resulted in high price increases. Efforts such as interest rate increases (further increases are anticipated throughout the year) have been made to curb further inflationary increases; however recent world events generated even more uncertainty and volatility. Staff will continue to monitor the economic forecast and incorporate accordingly in the 2023 Budget.

The 2023 Fees and Charges will be set in accordance with the Report 2021-67 entitled "Delegated Authority for Fees and Charges" whereby annual fees and charges increases do not exceed the rate of inflation and/or 2.5% and are in compliance with the Town's Service Pricing Policy.

As recommended by the Fiscal Strategy and highlighted by the Asset Management Plan, it is the Town's intention to continue to build up the Asset Replacement Fund as part of the 2023 Budget to ensure sufficient funds are available to replace Town's assets.

Rate-Supported Operating Budget

The rate-supported operating budgets for water, wastewater and stormwater will be established based on their respective financial plans. The financial plans will be updated in Q2 2022 and results of the updates will be tabled to CoW in June 2022.

The plans will be updated to include asset replacement requirements identified in the Council approved Asset Management Plans and the Region's water and wastewater rate increases for water and wastewater financial plans.

This report recommends delegated authority be granted to increase water, wastewater and stormwater rates as identified in their respective financial plans effective January 1, 2023 as delays would result in higher increases.

Building permit fees will continue to fund the Building Department. Review of fees and expenditures will be conducted to ensure financial sustainability.

Capital Budget

The capital budget funds the purchase, construction and financing of Tangible Capital Assets (TCA) for infrastructure, land, buildings, machinery, equipment and other assets. It also provides funding source for major corporate studies.

The capital budget will continue to be separated according to major funding sources. Capital requests will be subject to the availability of funding and operational capacity.

Inflationary pressures will have an impact on the 2023 Budget, more so on the capital budget than operating budgets as budgets are defined for each individual capital project based on the project scope. Hence, there is less flexibility in the capital budget.

As identified in the Q4 Financial Update report dated March 21, 2022 ([Report 2022-20](#)), the 2023 capital spending authority is currently at \$33,439,000. Changes to 2022 capital delivery throughout the year may impact the 2023 capital spending authority.

Conclusion

Staff will table a report to CoW in December 2022 that will outline the 2023 Budget schedule and provide an overview on each of the budgets. Budget deliberation process will likely commence in January 2023 with the target to obtain Council approval on the 2023 Budget by end of March 2023.

Business Plan and Strategic Plan Linkages

The budget process aligns with the Council Priority in the Town's continuous journey to strive for Long Term Financial Sustainability by developing budgets that align with budget policies and Fiscal Strategy. There is ongoing improvement and service level analysis for consideration to support effective and efficient long term planning.

Consultation

Corporate Communications was consulted for Public Engagement and Communication Plan.

Human Resource Considerations

N/A

Budget Impact

The Town has delegated authority to make expenditures at the beginning of 2023 prior to the adoption of the budget by Council. The amount authorized is up to 50% of the 2022 Operating Budget at \$70,793,333.

The 2023 Capital Spending Authority is currently at \$33,439,000. Further details on the 2023 Budget will be tabled to CoW in December 2022.

A recommendation is being made to seek delegated authority to increase water, wastewater and stormwater rates as identified in their respective financial plans effective January 1, 2023.

Attachments

None.

Approval

Mike Mayes, CPA, CGA, DPA

Director of Financial Services

Esther Armchuk, LL.B

Commissioner, Corporate Services

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