

April 14, 2016

**JOINT OFFICE OF THE CAO, CORPORATE COMMUNICATIONS, CORPORATE SERVICES -
FINANCIAL SERVICES REPORT – 2016-17**

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: 2017 Budget Process

ORIGIN: Director, Financial Services/Treasurer

RECOMMENDATIONS:

THAT Joint Office of the CAO, Corporate Communications, Corporate Services - Financial Services Report – 2016-17 dated April 14, 2016 be received and the following recommendations be adopted:

- i. That Council endorse the new approach to the budget;
- ii. That the five focus areas outlined in this report be highlighted in the 2017 budget;
- iii. That the Community Engagement Plan for the 2017 budget be commenced;
- iv. That the proposed budget schedule with a budget adoption date of December 5, be approved;
- v. And that Council provide direction on tax targets for the 2017 budget.

COMMENTS

Purpose

The purpose of this report is to secure Council's approval of the 2017 budget process.

Summary

A new approach is recommended for the 2017 budget process. The key change is a focus on deliverables, which are highlighted by five focus areas:

1. Revitalizing our Community Centre Lands & addressing downtown parking needs
2. Creating a strategy for vibrant and livable corridors along Davis Drive & Yonge Street
3. Supporting community and neighbourhood projects
4. Ensuring safe streets
5. Organizational readiness 2020

This new approach is intended to be more effective and efficient.

Next Steps

The Treasurer will meet one-on-one with Members of Council. During the May to October time period, the Community Engagement process will start and Supplementary Information will be provided to Council to inform the budget process.

A preliminary draft budget will be presented on October 31, 2016 at a Special Committee of the Whole meeting. Approval of the operating and capital budgets is targeted for December 5, 2016.

BACKGROUND

The experience of past budgets facilitates continuous improvement.

The 2016 budget process went well. While the targeted date for budget approval in the original schedule was November, actual approval did not occur until February because of challenges that arose. On the positive side, it was good to have that flexibility. The development opportunity identified is to put mechanisms in place to prevent or deal with any issues that may arise, in a more efficient manner.

Council's budget target was met and the final budget was supported unanimously. However, it was not until near the end of the process that the focus turned to what was being delivered in the budget that met Council's priorities. This could have been done more clearly and earlier in the process.

The on-line budget tool is highly regarded but it has been around for a few years and public participation rates are declining. New approaches for engagement should be investigated.

The intention was to transition towards multi-year budgeting for the 2016 budget. This was deferred when revenue right-sizing became a priority.

Purpose of the Budget

The budget has three functions:

1. Support rate setting – it provides the basis for establishing property tax, water and wastewater rates, and other fees and charges, which are necessary to provide funding for Town services.
2. Provide for financial management – it is the formal authorization by Council to make operating and capital expenditures.
3. Address Council's priorities – it ensures that money is spent effectively and in accordance with Council's priorities.

The first two objectives are being met; the third objective could be enhanced. This will be addressed below.

A new approach will focus on effectiveness and be more efficient.

The new approach to the budget is to focus on deliverables and outcomes. Some of the aspects – Council Priorities, Community Engagement, Schedule, Budget Target – are detailed below. In addition, the new approach will include:

- Changing the way we prepare capital budgets – moving towards a multi-year approach which aligns with our replacement and growth strategies as contained in our Asset

- Management Plan (AMP), 6-Year Water and Wastewater Financial Plans, and the Development Charges (DC) Background Study.
- Moving towards a more extensive 4-year operating budget outlook.
- Linking the growth requirements in the operating budget to new capital expenditures (a requirement for future Development Charges)
- Internal improvements to the budget development process.

Council Priorities should be clearly addressed by the budget.

Past budgets have attempted to maintain service levels in the face of challenges, such as growth, and providing enhancements to meet community expectations. Despite the service focus, the

initial budget messages tend to focus on numbers, specifically the tax increase, and appear to be reacting to circumstances.

The new approach will focus on incorporating more proactive planning into the budget process. Council has developed 14 priorities for its current 2014 to 2018 term of office. These are the starting points for the budget. The main flow will be that Council Priorities will drive the development of the Strategic Leadership Team's (SLT) strategies – focus areas for the budget - which will be supported by the Operational Leadership Team's (OLT) implementation plans.

The proposed focus areas for 2017 are:

1. Revitalizing our Community Centre Lands and addressing downtown parking needs
2. Creating a strategy for vibrant and livable corridors along Davis Drive & Yonge Street
3. Supporting community and neighbourhood projects
4. Ensuring safe streets
5. Organizational Readiness 2020

Items one to four are Council priorities: Economic Development/Jobs - C and D, Enhanced Recreational Opportunities - G, and Traffic Safety and Mitigation - I. The last priority is required to provide support and resources for these and other priorities. Organization Readiness 2020 will include:

- Delivering on business imperatives through people
- Planning for the future from a people perspective – leadership, attraction and retention, organizational effectiveness
- Ensuring success by ensuring people, processes and practices are in place to meet future needs. i.e. supports longer term strategies geared to future success
- Investing in how to meet future needs and ensure success

Efforts will continue on all fourteen Council priorities as appropriate, but the aforementioned will be given prominence for 2017.

An engaged community makes for a better budget.

The Community Survey results from 2014 provided the quantitative data to guide and inform Council's Strategic Priorities and staff direction. Community Engagement in the budget qualitatively supplements this data, and more importantly, involves residents in the process and outcomes for the budget year.

Community Engagement on the budget has focused over the past few years on ***How you would like to see your tax dollars invested?*** in our eight key services areas. We developed a strategy, budget-brand and online interactive tool that have had acclaimed success. We did see a decline in budget survey completion last year, after multiple years of increases; however we also saw an increase in views on our budget pages for web. We believe this means we have an engaged and informed audience, but that we need to change the tool.

www.newmarket.ca/budget2016



Our new budget approach concentrates on five key focus areas to achieve Council's Strategic Priorities. This requires a reframing of our community engagement approach.

Our objective is to engage and inform the community in our budget process. Our strategy is to engage residents with the budget on multiple platforms through traditional media, digital and social media and community outreach and events.



Budget engagement tools will be rolled out in two phases:

Phase 1 (May – September)

- May - Tax Insert - Budget Brochure to all addresses in Newmarket to inform and engage in budget process – info on five focus areas, general tax info, more info on performance, efficiencies and value for taxes, info on assessment (a full separate communications plan for MPAC assessment is being rolled out with Finance)
- Council Tool Kit for community engagement
- May 25 Budget Booth at Touch A Truck/Community Open House
- Media Release(s), Advertisement
- Social media, budget web content, online mechanisms for open-ended comments and ideas, to ask questions of Treasurer and share budget info (three-way communications and conversations)
- Social Media (consider short informative budget videos)

- Newmarket Now e-newsletter – featuring Council Highlights – special budget content
- Community Events – i.e. Farmers' Market



Phase 2 (October – November)

- Focus engagement and communications on proposed budget items for five key focus areas
- Consider simple online survey to offer a prioritization mechanism
- Continue engagement through traditional and digital media channels
- Consider Budget focus group/ budget game
- Report findings back to Council

Early approval of the budget is targeted.

It is recommended that the 2017 budget be approved in 2016 prior to the start of the 2017 fiscal year (i.e. December or earlier). Early budget approval has a number of benefits:

- Tenders can be prepared and processed earlier in order to mitigate potential cost increases that could be experienced in a later, busier, and more competitive environment
- Facilitates better coordination with adjustments to fees and charges
- Provides a full year of impact for any budget changes
- Flexibility is available to extend the process if required

Key dates in the schedule are:

April 18	Proposed budget process and community engagement plan presented to Committee of the Whole (CoW))
October 31	Council's first look at the preliminary draft budget
December 5	Adoption of the operating and capital budgets

November will include opportunities for budget deliberations – regular CoW on November 7, and special budget CoW's. Segregating the budget sessions proved successful for 2016 and will be repeated with meetings on November 14 (capital and asset replacement fund) and November 21 (operating budget).

The period from May to October will be an opportunity for Community Engagement and the provision of supplementary information to Council to inform their budget decisions. This information could include growth forecasts and data, municipal comparators, and other metrics.

Providing a tax target gives clear direction on expectations.

For the last few years, Council has set budget tax targets. These have been either all-in (including Regional and School Board increases) or Town only. Further, we have usually shown the infrastructure levy (asset replacement increase) as a separate item. In general, these targets have been achieved.

Having an early target, before the summer when staff have submitted their budget requests, is the most efficient way to ensure that the budget is initially constructed to meet expectations.

Further to this, consideration may be given to changing the date of the CPI that is used for budgetary purposes. If this is pursued, a further report will request a policy change.

The outlook provided as part of the 2016 budget process projected a 3.08% tax increase for 2017, excluding any additional infrastructure levy and before budget reductions. It should be noted that budget reductions made in 2016 were extensive and will make further reductions in 2017 problematic.

Council is being asked to provide direction to staff on their expectations for the 2017 budget so that consideration can be given to the impact on future years.

Next Steps

The Treasurer will meet one-on-one with Members of Council to discuss the budget and present them with their 2017 budget binders.

During the May to October period, staff will compile their budgets which will undergo an internal review. Community Engagement will begin and Supplementary Information will be provided to Council to inform the budget process.

The presentation of a preliminary draft budget will be on October 31, 2016 at a Special Committee of the Whole meeting.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

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

CONSULTATION

This report was prepared in consultation with the Strategic Leadership Team (SLT) and Corporate Communications. It includes input received from the Operational leadership Team (OLT) and the Director, Human Resources.

HUMAN RESOURCE CONSIDERATIONS

Not applicable to this report

BUDGET IMPACT

Not applicable to this report.

CONTACT


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Attachments: Budget Schedule (3 pgs.)

Proposed Schedule

ACTIVITY	DATE	STATUS
Budget process and community engagement presented to Committee of the Whole for approval by Council	April 18	IN PROGRESS
Treasurer meets one-on-one with Members of Council	May and June	
Community Engagement Phase 1	May to September	
Supplementary information provided to inform the budget process	May to October	

continued . . .



Proposed Schedule

Activity	Date	Status
Fees & Charges for early approval – Committee of the Whole Public Meeting	June 20	
Fees & Charges for early approval – Council approval	August 8	
Community Engagement Phase 2	October and November	
Committee of the Whole Presentation – Preliminary draft budget and Community Engagement Phase 1 results	October 31	
Draft budget information available to public and on website	November 4	



Proposed Schedule

Activity	Date	Status
Committee of the Whole – regular meeting	November 7	
Possible Special Committee of the Whole – Capital Budget and Asset Replacement Fund	November 14	
Possible Special Committee of the Whole – Operating Budget	November 21	
Committee of the Whole regular meeting with draft budgets, remaining Fees & Charges, and Community Engagement Phase 2 results	November 28	
Council approval of the Budget and remaining Fees & Charges	December 5	

