



Town of Newmarket
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2024 Budget Process and Target Staff Report to Council

Report Number: 2023-35

Department(s): Financial Services

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Meeting Date: May 29, 2023

Recommendations

1. That the report entitled 2024 Budget Process and Target dated May 29, 2023 be received; and,
2. That the proposed budget schedule with a target budget adoption date of December 11, 2023, be approved; and,
3. That Council confirm the target for tax-supported operating budget; and,
4. That endorsement be given to staff to proceed with preparation of the 2024 budgets employing the structure as outlined in this report; and,
5. That the form and timing of budget submissions for all entities accountable to Council be subject to the process outlined in this report; and,
6. That the proposed community engagement plan for the 2024 budget be adopted; and,
7. That the Treasurer be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

The 2024 budget deliberation process will commence in October 2023 with Special Committee of the Whole (CoW) meetings scheduled in October and November to discuss and review the tax-supported and rate-supported operating budgets and the capital budget.

It is proposed to obtain Council approval on the 2024 Budget by December 2023. There will be public engagement throughout the process to seek residents' input. The proposed 2024 Budget process is consistent with previous non-election years.

Purpose

The purpose of this report is to advise Council the process for the 2024 budget, and to obtain Council's confirmation on the budget target for the tax-supported operating budget.

Background

The primary objective of the 2024 budget is to continue aligning the Town's commitment to service excellence while maintaining fiscal stewardship.

Looking historically at Council's values for service delivery, the 2024 budget will be built upon the following goals:

1. Maintaining service levels
2. Ensuring a balanced approach on inter-generational equity
3. Ensuring Newmarket is one of Canada's best places to live, work and thrive
4. Delivering capital programs rooted with financial support from other levels of government, partnerships, and development related revenues
5. Funding growth with growth dollars to maintain service levels as our population increases
6. Building budgets on the foundation of the Fiscal Strategy

The Town's budget is comprised of operating budgets (tax-supported and rate-supported), capital budget and reserve & reserve fund budget.

Tax-supported operating budget funds the day-to-day Newmarket resident services including emergency and fire services from Central York Fire Services, the operations of the Newmarket Public Library and the Corporation of the Town of Newmarket Business Improvement District BIA.

Rate-supported operating budgets fund the day-to-day utility operations for water, wastewater and stormwater through their respective Council approved rates. Building Services operating budget is funded through building fees as required by legislation.

Capital budget funds major construction projects, replacements and upgrades to the Town's assets and infrastructure.

Reserve & reserve fund budget accounts for the contributions to and from reserve and reserve funds. They include operational surpluses or deficits and transfers embedded in the operating and capital budgets.

Discussion

BUDGET SCHEDULE

The proposed 2024 budget schedule is as follows, subject to change pending progress of the budget deliberation process.

September 11 – CoW – obtain approval of the proposed increases to Recreation user fees and Licensing fees

October 2 – CoW – provide an overview of the preliminary draft budgets

October 23 – Special CoW – review of the capital and rate-supported operating budgets

November 13 - Special CoW – review of the tax-supported operating budget

December 4 – CoW – presentation of the draft budgets and fees & charges

December 11 – Council – obtain Council approval of the 2024 Budget

TAX-SUPPORTED OPERATING BUDGET

During the 2023 Budget deliberation budget, it was discussed that the tax levy increase for the remainder of the Council term should be targeted to be below 3%. This will be challenging due to various budgetary pressures.

The Town is committed to maintaining a balanced inter-generational equity. This is achieved through contributions to reserve to establish a reasonable cost distribution between current and future residents throughout the useful life of the assets. There had been increases to contributions to the Asset Replacement Fund (ARF) through each year's approved budget. The target for 2024 is to increase the contribution in the range of 1% to 1.25% (as suggested in the Asset Management Plan).

Although inflation is trending downwards, it remains high at 4.1% based on the April Toronto Consumer Price Index (CPI). Historically, normalized inflation is around 2%. Since the base year to calculate the year-over-year inflation had already experienced significant increases at this time last year, this will have an impact on the rate of inflation going forward. The base-year effect along with high interest rates are anticipated to lower inflation. Forecast for 2024 inflation is currently at 2.4%.

In addition, the 2024 budget will address the capital inflation supplement resulted from a total 30% increase in non-residential construction price index in 2021 and 2022. Like the trends in CPI, construction price index has been declining, but still not at the normalized level of 4%. Staff will present options to address the capital inflation supplement at the October 2, 2023 CoW as part of the Reserve & Reserve Fund Review.

Once the Fire Master Plan is updated and tabled to Council, there could be potential financial implications to be incorporated in future budgets.

A target below 3% will be challenging. Therefore, any enhancements in the 2024 budget will likely trigger a tax levy increase in excess of the target.

Staff will also address and report back on the means to fulfill the stretch target of \$337,000 that is currently included in the 2023 budget.

As always, Staff will strive to identify efficiencies to deliver the lowest possible tax levy increase.

RATE-SUPPORTED OPERATING BUDGET

The 2024 rate-supported operating budgets (water, wastewater and stormwater) will be established based on their respective financial plans.

The financial plans are being updated to include:

- Region's approved increases of 3.3% for the years from 2022 to 2027
- Replacement costs as per the Asset Management Plan
- Capital inflation supplement to address a total 30% price increase for the years 2021 and 2022

Based on the initial findings, Stormwater rates will require significant increases to support the anticipated Stormwater infrastructure replacements over the 10-year period. Staff continues to explore various funding strategies, and a report on the updated financial plans will be tabled at the June 19, 2023 CoW.

Building permit fees will continue to fund the Building Department. The reserve fund will be targeted to be within the minimum target at 100% of total annual costs. Annual review of fees and expenditures is conducted to ensure financial sustainability. Recommendations from the Development Application Approval Process (DAAP) review, where applicable, will be incorporated in the 2024 budget for consideration.

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.

As part of the 2023 Budget process, Council approved the 2024 Capital Spending Authority (CSA) of \$64.3 million (standard program \$35.6 million, major projects \$28.7 million). The approved 2024 CSA resulted from the 2023 approved capital programs that would take more than one year to complete. This practice ensures continuity and financial stability to complete projects that span more than one year.

Capital programs included in the 2024 CSA will be the starting point for the 2024 capital budget. New 2024 requests, such as enhancements, studies, 2024 asset replacements,

will also be considered. Currently, the CSA for standard program of \$35.6 million exceeds the capacity threshold of \$26 million. Staff will assess and prioritize the capital requests based on the availability of funding and operational capacity.

RESERVE AND RESERVE FUND BUDGET

The Reserve and Reserve Fund Budgets will be compiled following the approval of the operating and capital budgets due to the interdependence on other budgets.

Conclusion

Staff will start preparing the 2024 budget requests based upon the targets set by Council and follow the process as outlined in this report. The goal is to present the preliminary draft budgets on October 2, 2023 and to approve the 2024 budget by the end of 2023.

There will be community engagement throughout the budget process to obtain residents' input.

Interim appropriations should not be required if the 2024 budget is approved on December 11, 2023 as per the proposed schedule.

Business Plan and Strategic Plan Linkages

The 2024 Budget will aim to build upon maintaining service levels, continuing to invest in the Town's Asset Replacement Fund, while staying aligned with [Newmarket's Fiscal Strategy](#).

Consultation

Financial Services consulted with Strategic Leadership Team (SLT) and Operational Leadership Team (OLT) on the 2024 budget process. The Corporate Communications department has also been consulted on public engagement plan.

PUBLIC ENGAGEMENT FOR THE 2024 BUDGET

Public engagement for the 2024 budget will continue to build on the success of previous year's virtual/online engagement. As always, community engagement will be very important in helping to shape the 2024 budget.

The Town will continue to utilize traditional communications tools and tactics (Town page advertisements, media releases, website updates, e-newsletters, social media campaigns and more), while continuing to seek out new and creative ways to engage and interact with the community virtually. This could include a budget-themed Facebook Live event, budget-themed game or survey, virtual or in-person 'drop-ins' for the community, and further interactive elements on HeyNewmarket, the Town's online engagement platform.

The Corporate Communications department will be preparing a detailed communications plan, with community engagement beginning over the summer in advance of the preliminary

draft budget in addition to an engagement tool kit that includes key messages, FAQs and shareable content for Councillors to use on their communication channels.

Human Resource Considerations

Not applicable.

Budget Impact

This report sets out the process for developing the 2024 operating and capital budgets. The target for tax-supported operating budget with a tax levy increase below 3% will be challenging. Targets for rate-supported operating budgets will be based upon their respective financial plans. The capital budget will be within its available funding envelope.

Attachments

None.

Approval

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

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Commissioner, Corporate Services

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