



## CENTRAL YORK FIRE SERVICES

May 30, 2016

### JOINT CENTRAL YORK FIRE SERVICES AND CORPORATE SERVICES REPORT - FINANCE 2016-25

TO: Joint Council Committee

SUBJECT: 2017 Budget Schedule and Drivers

ORIGIN: Central York Fire Services – Fire Chief  
Director, Financial Services/Treasurer

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#### RECOMMENDATIONS

**THAT Joint CYFS / Corporate Services Report – Financial Services – 2016-25 dated May 30, 2016 regarding the 2017 Budget Schedule and Drivers be received and the following recommendations be adopted:**

- 1. THAT the proposed schedule be adopted;**
- 2. AND THAT JCC endorse the US exchange strategy.**

#### COMMENTS

##### **Purpose**

The purpose of this report is to outline the process for the 2017 budget and outline some of the known drivers. Endorsement of the US exchange strategy is being sought.

##### **Budget Impact**

Aurora Council has set a 1.3% tax increase target for Fire Services. Newmarket Council has been presented with an outlook projecting a 1.66% increase but has not yet set a target.

##### **Summary**

The 2017 budget will strive to continue to address implementation of the Fire Master Plan Update over a 5-year period, but may be constrained by funding restrictions imposed by the two Councils.

## BACKGROUND

On January 12, 2016 the Joint Council Committee (JCC) received Fire Services Report 2015-09 Fire Master Plan Staffing Strategy and recommended option 4, which is implementation over a five year period beginning in 2016.

At that time, it was projected that the tax impact (including the base budget) for the two municipalities (assuming no change in the allocations), would be as follows:

	2017	2018	2019	2020
Newmarket	1.48%	1.81%	1.38%	1.29%
Aurora	1.41%	1.72%	1.32%	1.23%

(The difference in increases is attributable to the differences in fire costs as a proportion of the tax base.)

The Town of Aurora has established a funding envelope based on the average increase over the 5 year implementation. This was set as equal to a 1.3% tax increase, with any difference to be transferred to or from reserves, as required.

The Town of Newmarket has not yet established a funding target. As part of the 2016 budget process, Council was provided with an outlook which projected a fire-related tax increase of 1.5% with an additional 0.16% in 2017 for annualization of the 2016 hires. For the draft budget, senior staff has given CYFS an administrative target of 1.4%.

## ANALYSIS & OPTIONS

At this time, we should review some cost drivers that may challenge us:

### *Wages and benefits*

In general, it appears that sufficient provision has been included in the projection; however, with contract negotiations currently underway, it is possible that revisions may be required.

### *Overtime*

Since 2008, there has been a substantial decrease in overtime costs. As a result, the budget has been reduced. However, 2014 saw this trend reverse and in 2015 the budget was exceeded. As of January 2016, we are doing a 4-year trial of 24-hours shifts. At the end of the first quarter of 2016, we are slightly over budget.

### *Annualization of new hires*

4 new firefighters were budgeted to be hired in May of 2016, with a corresponding provision for 2/3<sup>rd</sup> of their annual salary. The remaining 1/3<sup>rd</sup> needs to be included in 2017.

### *Fleet Maintenance*

The majority of the cost of fleet maintenance is an hourly charge by Newmarket staff (2016 budget - \$175,000). These rates will be increasing by 23% in 2017 to reflect full cost recovery. As well, staff turnover may result in the temporary need to send vehicles to outside vendors for service and repairs.

### *Support costs*

The Town of Newmarket allocates a proportional share of its overhead costs to CYFS. This includes a share of human resources, payroll, accounting, procurement, legal, insurance, and communications. Increases in these costs have been factored into the projection.

### *Implementation of the Fire Master Plan*

The implementation option selected by JCC includes the creation of an additional 4 firefighter positions and the hiring of an HR consultant in 2017. This is included in the projection.

### *Dispatch Service*

The cost of dispatch services have been significantly under budget the past two years. The cost sharing for the York Region radio infrastructure upgrade has been delayed, but is expected to be in place for 2017.

### *Infrastructure Levy / Asset Replacement Fund (ARF)*

Major capital purchases tend to be from US suppliers. As such, the increase in the exchange rate for US dollars has had a significant impact on our capital costs and reserves.

The 2017 budget process will include an update of our 10-year capital program and required contributions to the ARF.

### *US Exchange Strategy*

To buy US dollars at the spot rate, as required, is a risk, and is in essence speculation. To eliminate this risk, our strategy is to lock in the exchange rate as soon as the budget (and

US dollar requirement) is known. This would occur after Newmarket Council approves the capital budget.

Locking in the exchange rate would be either done by purchasing the US dollars in advance or by entering into a forward exchange contract.

It is possible, that the locked in rate may be higher than the actual rate at the time of purchase, but this is balanced by the fact that we would not be impacted if it is higher. This is risk reduction.

This is the Town of Newmarket's strategy and JCC is being asked to acknowledge and endorse it for CYFS.

### *PROPOSED SCHEDULE*

The Town of Newmarket has a proposed 2017 budget schedule. It includes first presentation of the preliminary draft budget to Committee of the Whole on October 31 and Council approval on December 5, 2016.

A similar timeline is planned for the Town of Aurora. They will go forward with capital budgets in September and October; and operating budgets in October and November. Council approval is proposed for December 2016.

The Joint Services Agreement requires that the budget recommendation be sent to Aurora Council for review and then to Newmarket Council for approval.

On this basis, the following schedule is proposed:

<b>June 7</b>	Approval of schedule and report on drivers
<b>September 6</b>	Presentation of the draft budget to JCC
<b>October 4</b>	JCC recommendation of the draft budget to Aurora Council
<b>October 18</b>	Presentation of the CYFS draft budget to Aurora General Committee
<b>October 25</b>	Comments on the draft budget by Aurora Council
<b>October 31</b>	Presentation of CYFS draft budget to Newmarket Committee of the Whole
<b>December 5</b>	Adoption of CYFS budget by Newmarket Council

## IMPACT ON THE MASTER FIRE PLAN

This report is consistent with the budget methodology set out in the 2008 Master Fire Plan and it includes certain staffing recommendations from the 2014 Fire Department Master Plan Update (FDMPU) and sets the foundation for the needs of the Fire Service.

## CONSULTATION

This report has been prepared by the Treasurer for the Town of Newmarket in consultation with the Fire Chief. The Treasurer for the Town of Aurora has reviewed this report.

## BUDGET IMPACT

### *Operating Budget (Current and Future)*

Aurora Council has set a 1.3% tax increase target for Fire Services. Newmarket Council has been presented with an outlook projecting a 1.66% increase but has not yet set a target.

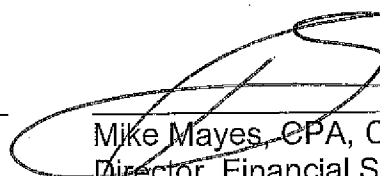
The administrative target would result in a 1.4% tax increase for Newmarket and approximately a 1.34% tax increase for Aurora, prior to any reserve fund adjustments by either of the municipalities.

### *Capital Budget*

The capital budget will be within the funding envelope. A review of future funding requirements will be undertaken as part of the 2017 budget process.

## CONTACT

For more information on this report, contact: Mike Mayes at 905-953-5300, ext. 2102 or via e-mail at [mmayes@newmarket.ca](mailto:mmayes@newmarket.ca)

  
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