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## **2024 Preliminary Draft Tax-Supported Operating Budget Staff Report to Council**

Report Number: 2023-77

Department(s): Financial Services

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

Meeting Date: November 13, 2023

### **Recommendations**

1. That the report entitled 2024 Preliminary Draft Tax-supported Operating Budget dated November 13, 2023 be received; and,
2. That subject to any additional direction from Committee, that the proposed budgets be incorporated into the Draft Budgets to be presented to Committee of the Whole on December 4, 2023, and,
3. That the Treasurer be authorized and directed to do all things necessary to give effect to these recommendations.

### **Executive Summary**

This report outlines a balanced 2024 tax-supported operating budget with a proposed tax levy increase of 2.99%. Based on an average residential home assessed at \$709,000, the annual increase for the Town's portion is \$72.

### **Purpose**

The purpose of this report is to obtain Council's direction on the Tax-Supported Operating Budget. The report also outlines details of the budget.

### **Background**

A report on [2024 Budget Target and Process](#) was tabled on May 29, 2023 outlining the guiding principles and target for the tax-supported operating budget. At the meeting,

Council directed staff to proceed with preparation of the 2024 budget with a target tax levy increase below 3.0%.

Report entitled [“Preliminary 2024 Draft Budgets”](#) was tabled at the October 2, 2023 Committee of the Whole (“CoW”), a starting point for community consultation and Council consideration. The report outlined Staff were working towards a balanced tax-supported operating budget with a 2.99% tax levy target.

Central York Fire Services (CYFS) Joint Council Committee (JCC) was held on October 3, 2023 where CYFS budgets were endorsed. The 2024 CYFS proposed budget will be tabled at the Town of Aurora November 20, 2023 Council meeting for comments.

Newmarket Library Board reviewed and recommended the operating decision packages at their board meeting held on June 21, 2023.

## **Discussion**

The Town continues to face significant budget pressures including inflation and continued increase to contribution to Asset Replacement Fund (“ARF”) as outlined in the Asset Management Plan and the Reserve and Reserve Fund review. The goal of the 2024 budget is to continue to find the balance between keeping municipal taxes as low as possible, while investing in our assets, planning for the future and maintaining the high level of services.

The tax-supported operating budget supports the day-to-day operations with property taxes as the primary funding source. The tax-supported operating budget includes budgetary requirements for Central York Fire Services (CYFS), Newmarket Public Library (Library) and Downtown Business Improvement Area (BIA).

The 2024 tax-supported operating budget has been developed based upon Council’s core values on service excellence, affordability and financial sustainability. Staff aligned the preliminary draft budget with the following goals:

- maintaining service levels;
- achieving a balanced intergenerational equity;
- ensuring Newmarket is one of Canada’s best places to live, work and thrive;
- funding growth with growth dollars so we can maintain service levels as our population increases; and
- building budget on the foundation of the Fiscal Strategy.

For the 2024 tax-supported operating budget, every 1% tax rate increase will generate an additional \$700,000 in property tax revenues.

2024 is anticipated to be another year with low assessment growth. 2024 assessment growth is assumed to be 0.65%.

The target tax levy of 2.99% is comprised of:

<b>Component</b>	<b>Tax Levy Increase %</b>
Base (day-to-day operations)	1.49%
Contribution to Asset Replacement Fund (ARF)	1.50%
<b>Total Tax Levy Increase</b>	<b>2.99%</b>

Incremental changes to the tax-supported operating budget are outlined below which corresponds to the target of a 2.99% tax levy increase (excluding growth – growth has no impact to the tax levy):

<b>Components</b>	<b>Base \$</b>	<b>Growth \$</b>	<b>ARF \$</b>	<b>Total \$</b>
Town	503,645	181,200	1,028,565	1,713,410
CYFS*	451,255	0	21,435	472,690
Library	88,100	23,800	0	111,900
BIA (net)	0	0	0	0
Mulock Park	0	250,000	0	250,000
<b>Total</b>	<b>1,043,000</b>	<b>455,000</b>	<b>1,050,000</b>	<b>2,548,000</b>

\*Newmarket portion only

Incremental changes account for growth expenditures, increased costs for insurance premium, inflationary increases, Council approved contract position for Diversity, Equity and Inclusion, capital inflation supplement and increased contribution to ARF.

### **A. Base**

The Base Budget is defined to be the net cost to maintain the Town’s service levels for a stable population. Increases in the base budget include consideration for annual inflation. Based on the September Consumer Price Index (Toronto), inflation year-over-year increase is 4.1%. Current forecast on 2024 CPI is 2.4%, higher than the historic inflationary increases of 2.0%.

Council has previously provided delegated authority to Staff to increase annual user fees and charges by the Consumer Price Index (“CPI”) up to a maximum of 2.5% in order to keep up with inflation.

To achieve the target tax levy of 2.99%, Staff proposes the 2024 user fees and charges be increased on average by 3.4% which is 1.0% higher than the current forecast on 2024 CPI increase at 2.4%. The proposed increase is based on the fact that user fee and charges were waived by Council in 2020 and 2021 during the pandemic years. This has

resulted in a greater portion of the full cost of a service being put on the tax base. The proposed higher than CPI increase in 2024 is a way to catch up with recent years' inflationary increases, and moving towards bringing the full cost of a service in better balance between the tax base and the service users. A report on the proposed 2024 User Fee and Charges will be tabled at the December 4, 2023 CoW meeting.

### **B. Asset Replacement Fund (ARF)**

The 1.5% tax levy increase aligns to the recommendation from the Fiscal Strategy which suggested to increase contributions to ARF to build the reserve to more appropriate level in order to fund current and future asset replacements. This is further confirmed by the Asset Management Plan and the Reserve and Reserve Fund Review.

As part of the 2023 budget process, it was identified that a 3.33% tax levy increase was required in order to address the 30% construction price increases over the years 2021 and 2022. The 1.5% tax levy increase addresses the capital inflation supplement.

### **C. Growth**

The tax-supported operating budget also considers the financial impact from a growing population. Growth results in additional property tax revenues from new properties being added to the assessment roll. Assessment growth of 0.65% in 2024 appears to be reasonable, generating additional property tax revenues of \$455,000. In addition, there is an unallocated growth of \$114,000 from the 2023 Budget that will be applied in the 2024 Budget that brings the total available growth dollars to \$569,000.

Growth expenses are the incremental expenses necessary to maintain service levels for a growing population. The Town continues to use the sustainable practice of applying growth revenues to support growth expenditures only. There is no requirement for a tax levy on growth.

An update to the Fire Master Plan is underway. As such, the 2024 CYFS growth components will be deferred until it is fully costed and analyzed by the two Treasurers, further review by the two CAOs, then review by the two Mayors. Following that, the Master Plan Update is to be reviewed and endorsed by JCC and both Councils (Newmarket and Aurora). This approach is consistent with past budgets.

<b>Growth Operating Expenses</b>	<b>\$</b>
Mulock Park Operating Expenses	250,000
Incremental growth – Parks	123,000
Incremental growth – Support costs	74,000
Incremental growth – Public Works	36,000
Library	24,000
Operating growth from capital	60,000
Other provisions	2,000
<b>Total growth allocations</b>	<b>\$569,000</b>

The Corporate Asset Management Office (“CAMO”) has been working with the service delivery departments such as Public Works, Parks and Engineering to identify the in-service growth infrastructure that require incremental growth operating budgets to maintain these new assets. Similarly, starting with the 2024 budget, incremental growth budget for support costs is being allocated.

Reserve transfers are net of transfers to and from reserves and reserve funds. The largest component of these transfers is contributions to ARF at \$6,567,800. This includes the suggested 1.5% tax levy for an additional contribution of \$1,050,000 to ARF in 2024.

## **Conclusion**

It has been challenging to achieve the target of 2.99% tax levy. The 2024 tax-supported operating budget is a status quo budget with no enhancement and no request for additional resources. Staff are exploring alternate ways to maximize budgeted resources to deliver the day-to-day operations and the proposed 2024 capital program.

### **Upcoming dates:**

- December 4 – CoW - Presentation of the Draft Budgets and Fees & Charges for approval
- December 11 – this is the target date for approval of the 2024 budget and Fees & Charges

Council may choose to extend this time for further deliberations.

There will also be opportunities for Councillors to meet with or to obtain additional information from the Treasurer or other Members of Staff.

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

The 2024 tax-supported operating budget has been developed based upon Council's core values on service excellence, affordability and financial sustainability. Staff aligned the preliminary draft budget with the following goals:

- maintaining service levels;
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## **Consultation**

All members of the Strategic Leadership Team ("SLT") and Operational Leadership Team ("OLT") and their staff participated in the preparation of the preliminary draft tax-supported operating budget.

The Corporate Communications department was consulted in the development and implementation of community engagement throughout the budget process.

JCC endorsed the CYFS 2024 Draft Preliminary Budget at the JCC meeting on October 3, 2023. The 2024 CYFS proposed budget will be tabled at the Town of Aurora November 20, 2023 Council meeting for comments.

The Library Board endorsed the Library 2024 Draft Preliminary Budget at their June 21, 2023 Board meeting.

## **Human Resource Considerations**

Incremental changes include Council approved contract position for Diversity, Equity and Inclusion.

## **Budget Impact**

The Town's preliminary draft budget proposes a 2.99% tax levy increase for the average household assessed at approximately \$709,000. This equals to an additional \$72 per year for the average household.

## **Attachments**

None.

## **Approval**

Mike Mayes, CPA, CGA, DPA

2024 Preliminary Draft Tax-Supported Operating Budget

Director of Financial Services / Treasurer

Esther Armchuk, LL.B  
Commissioner, Corporate Services

Ian McDougall  
Chief Administrative Officer, Office of the CAO

## **Contact**

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