



Town of Newmarket
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2024 Draft Operating and Capital Budgets Staff Report to Council

Report Number: 2023-85

Department(s): Financial Services

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

Meeting Date: December 4, 2023

Recommendations

1. That the report entitled 2024 Draft Operating and Capital Budgets dated December 4, 2023 be received; and,
2. That the Draft 2024 Operating Budget with expenditures of \$159,388,866 be approved, which is comprised of the following components:
 - a. \$ 76,283,090 for Town purposes; and,
 - b. \$ 18,656,466 for Central York Fire Services (Newmarket's share); and,
 - c. \$ 3,944,435 for the Newmarket Public Library; and,
 - d. \$ 30,000 for the Main Street District Business Improvement Area (BIA); and,
 - e. \$ 22,099,311 for the Water Rate Group; and,
 - f. \$ 25,834,649 for the Wastewater Rate Group; and,
 - g. \$ 9,598,690 for the Stormwater Rate Group; and,
 - h. \$ 2,942,225 for the Building Permit Rate Group; and,
3. That the amended Capital Spending Authority of \$136,224,700 as outlined in the report be established, being \$70,606,000 for 2024 and \$65,618,700 for 2025 and beyond; and,
4. That the draft 2024 Operating and Capital Budgets be forwarded to the Council meeting of December 11, 2023 for final approval; and,
5. That Council authorize the Director of Financial Services/Treasurer to:
 - a. Make any necessary adjustments within the total approved budget to reflect organizational changes and any other reallocation of costs; and
 - b. Accept and adjust the budget for new provincial and/or federal funding provided there is no tax levy impact; and,

6. That staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

The goal of the 2024 budget continues 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 proposed 2024 budget includes a 2.99% tax levy. Increases in water, wastewater and stormwater rates are based on the respective 2023 Water, Wastewater and Stormwater Ten-Year Financial Plans.

Purpose

The purpose of the report is to obtain approval from Committee of the Whole (CoW) on the 2024 Operating and Capital Budgets, followed by Council decision on December 11, 2023 for adoption.

Background

Each year the Town of Newmarket undertakes a detailed budget planning process to ensure the Town is meeting the needs of our community now and in the future.

The 2024 budget process began with Council setting the target for the tax-supported operating budget with a tax levy below 3.0%. Budget deliberation commenced on October 2 with the report [2024 Preliminary Draft Budget](#) providing an overview on the tax-supported operating budget, rate-supported operating budgets and the capital budget. Subsequent reports were provided to further discuss the budgets: [Preliminary Draft Capital and Rate-Supported Operating Budgets](#) on October 23, and [Preliminary Draft Tax-Supported Operating Budget](#) on November 13.

Discussion

The Town's 2024 Budget totals \$230.0 million.

Components	\$ in millions
Tax-supported operating budget	\$98.9
Rate-supported operating budgets	\$60.5
Total Operating Budgets	\$159.4
Capital Budget	\$70.6
2024 Total Budget	\$230.0

Operating Budgets

Operating Budgets support the day-to-day operations to deliver services to the Town’s residents and businesses. There are two sets of operating budgets defined by their funding sources: tax-supported operating budget and rate-supported operating budget.

The 2024 Operating Budget includes a proposed 2.99% tax levy of which 1.49% is for the base budget and 1.5% is for the contribution to the Asset Replacement Fund (ARF). As identified in the Reserve and Reserve Fund Review, it is financially prudent to increase the contribution to ARF to 1.5%. 1% is for the continuation to increase for infrastructure to address the funding gap identified in the Asset Management Plan, and the remaining 0.5% is to address the capital inflation supplement resulted from the significant construction price increases due to supply chain issues in 2021 and 2022.

Similarly, the 2024 operating budgets for water, wastewater and stormwater includes increases to their respective contribution to ARF in order to address the capital supplement inflation. The 2024 rate increases are based on the updated 10-year Financial Plans, and the increases are necessary in order to achieve and maintain stability and sustainability.

The tax-supported and rate-supported operating budgets include the following expenditures:

Area	Expenses based on PSAB	Principal Repayment on Long-term Debt	Transfer to Reserves/ Reserve Fund	Total Expenditures
Town	\$63,498,241	\$4,182,114	\$8,602,735	\$76,283,090
Downtown BIA	\$30,000	\$0	\$0	\$30,000
Library	\$3,699,621	\$0	\$244,814	\$3,944,435
CYFS	\$17,149,240	\$0	\$1,507,226	\$18,656,466
Tax-supported	\$84,377,102	\$4,182,114	\$10,354,775	\$98,913,991
Water	\$17,751,169	\$48,492	\$4,299,650	\$22,099,311
Wastewater	\$19,792,798	\$48,492	\$5,993,359	\$25,834,649
Stormwater	\$1,755,694	\$0	\$7,842,996	\$9,598,690
Building	\$2,942,225	\$0	\$0	\$2,942,225
Rate-supported	\$42,241,866	\$96,984	\$18,136,005	\$60,474,875
Total	\$126,618,988	\$4,279,098	\$28,490,780	\$159,388,866

Expenses based on PSAB are used for financial statement reporting as regulated by the Public Sector Accounting Board (PSAB), but do not include amortization (also known as depreciation).

Principal Repayment on Long-term Debt excludes interest which is included in Expenses.

Transfer to Reserves/Reserve Funds includes contributions to the Asset Replacement Fund.

Total Expenditures are accounted for as an expanded fund-based approach for budgeting and management purposes.

As illustrated in the table below, 77.6% of the funding (equivalent to \$76.7 million) for tax-supported operating expenditures is from property taxes.

	Town	CYFS	Library	Total
\$ in millions				
Expenses	\$67.7	\$17.2	\$3.7	\$88.6
Reserve Transfers	\$8.6	\$1.5	\$0.2	\$10.3
Total Expenses & Transfers	\$76.3	\$18.7	\$3.9	\$98.9
Non-Tax Revenues	(\$21.7)	(\$0.4)	(\$0.1)	(\$22.2)
Tax Levy	\$54.6	\$18.3	\$3.8	\$76.7

Almost all funding for Rate-supported Operating expenditures is from rates (water, wastewater, stormwater and building).

	Water	Wastewater	Stormwater	Building	Total
Expenses	\$17.8	\$19.8	\$1.8	\$2.9	\$42.3
Reserve Transfers	\$4.3	\$6.0	\$7.8	\$0.0	\$18.1
Total Expenses & Transfers	\$22.1	\$25.8	\$9,6	\$2.9	\$60.4
Non-Rate Revenues	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)
Rate Levy	\$22.1	\$25.8	\$9,6	\$2.9	\$60.4

Capital Budget

The Capital Spending Authority is the total of all capital expenditures approved by Council and may span more than one year. Due to the resource capacity and timelines for design and project delivery, some capital projects take longer than one year to be completed. The Capital Spending authority for future years would ensure continuity and financial stability to complete projects that span more than one year. This differs from the Capital Budget which is the annual component and includes the required funding. The Capital Program is the list of projects to be delivered by the Capital Budget.

The 2024 Capital Program is amended to include an additional capital request for “Charging Stations for Electric Vehicles”. The Town is working towards implementing a green fleet strategy to help reduce greenhouse gas emissions. As the Town's fleet is moving towards electric vehicles and equipment, a number of charging stations will need to be installed at key locations in order to support and operate the electric fleet. Incremental operating funds is not required. The 2024 capital spending authority will be increased by \$100,000 from \$70,506,000 to \$70,606,000, and the 2025 capital spending authority will be increased by \$100,000 from \$65,518,700 to \$65,618,700.

2024 Capital Program Funding by Category

Category	ARF	DC	Other Reserve & Reserve Funds	Grants / Other	Total
Replacement	\$16,293,500	\$0	\$5,500,000	\$3,232,000	\$25,025,500
Growth	\$0	\$31,450,000	\$0	\$1,800,000	\$33,250,000
Other	\$0	\$0	\$8,680,500	\$3,650,000	\$12,330,500
Subtotal	\$16,293,500	\$31,450,000	\$14,180,500	\$8,682,000	\$70,606,000

The Development Charges (DC) (\$31.5 million or 44.5%) is the funding source for growth projects, and the Asset Replacement Fund (ARF) (\$16.3 million or 23.1%) is the funding source for asset replacements.

Other funding sources include:

- \$14.2 million from other reserves and reserve funds such as the General Capital Reserve and the Advanced Metering Infrastructure (AMI) Reserve;
- \$ 6.7 million from the Canada Community Building Fund; and
- \$ 1.8 million from the Region of York.

The requested Capital Spending Authority of \$136,224,700 million includes the following funding requirements by year:

Year	\$
2024	\$70,606,000
2025 and beyond	\$65,618,700
Total	\$136,224,700

The 2024 Capital Budget has been prepared, reviewed and prioritized with consideration for both financial and resource capacity to deliver the recommended capital program.

It also takes into consideration the Asset Management Plan and the DC Background Study.

Conclusion

Committee of the Whole (CoW) has been presented with the Draft 2024 Operating and Capital Budgets. The direction provided with respect to the staff recommendations on the

above will be tabled at the December 11, 2023 Council meeting for adoption of the 2024 budgets.

To complete the budget process in 2024:

- The Reserves and Reserve Funds Budget will be presented to Council. It is based on the approved Operating and Capital Budgets. The format on the Reserves and Reserve Funds Budget may change to align with the recommendations from the final phase of the Reserve and Reserve Fund Review; and
- The Budget will be presented in Financial Statement format.

There will be quarterly Financial Updates on the operating results and delivery of the Capital Program.

In summary, the 2024 Budget achieves a balance that promotes affordability while delivering service excellence and building an extraordinary community that is sustainable now and into the future.

Business Plan and Strategic Plan Linkages

The 2024 budget achieves long-term sustainability by continuing the practice of utilizing assessment growth revenues to fund growth-related expenditures only. The tax-supported operating budget does not include any one-time fund to balance the budget.

The capital budget allows for infrastructure investment and asset replacements to keep the Town's assets in a state of good repair.

The 2024 budget takes into consideration recommendations from the Fiscal Strategy:

- continue to increase contributions to reserves to build them to more appropriate levels;
- invest in infrastructure;
- integrate asset management plans with the budget process; and
- water, wastewater and stormwater operating budgets are based on the updated ten-year financial plans.

Consultation

All members of the Operational Leadership Team (OLT) and Strategic Leadership Team (SLT) and their staff participated in the preparation and review of the 2024 draft budgets.

Members of Council provided direction, comments and questions at the CoW meetings on May 29, October 2, October 23 and November 13, 2023.

Joint Council Committee (JCC)

The JCC met on October 3, 2023 to review and make a recommendation on the 2024 Central York Fire Services (CYFS) budget. Aurora Council reviewed the budget on November 20, 2023 and had no formal comments.

Newmarket Public Library Board

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

Other Boards and Committees

There have been no budget requests from any of the boards or committees, including the Newmarket Downtown BIA.

Communications and Public Engagement and for the 2024 Budget

This year, the 2024 budget communications continues to use an education-based approach to encourage participation in the Town's 2024 budget process. A variety of communications tools and tactics (advertisements, media releases, social media posts, Town website, Newmarket Now e-newsletter, and more) have been used to help spread the word in the community about the 2024 budget and opportunities for engagement.

In October, a budget-themed booth was featured at the Newmarket Farmers' Market. Town staff shared information about the 2024 budget and future plans for the community. Those who attended were encouraged to play 'Town Trivia', an interactive game for a chance to win Choose Local gift cards. There were many good conversations with residents through the Farmers' Market engagement with a very positive sentiment overall.

As well, a social media campaign called *Budget Bits and Bites* was also launched as an additional tool to help educate and engage the community on budget-related topics. To encourage participation and engagement in this campaign, there are a number of giveaways for Choose Local gift cards. The first week this series was launched, the Budget Bits and Bites Facebook post had the highest total engagements of all Town posts that week. Overall, the engagement rate on the Facebook posts with the Choose Local giveaways is well above industry standard, demonstrating that Choose Local giveaways are an effective tool to encourage further engagement in the Town's budget, while also helping to support the local business community.

Human Resource Considerations

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

Budget Impact

The annual increases to an average residential property are as follows:

Property taxes – \$72 based on an average residential home with an assessment value of \$709,000 provided by MPAC

Water & Wastewater – \$48 based on an annual water consumption of 200 cubic metres

Stormwater – \$125 based on a 465 square metre lot

Attachments

Appendix A – 2024 and 2025 & beyond Capital Spending Authority Summary

Approval

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

Esther Armchuk, LL.B
Commissioner, Corporate Services

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Contact

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