



August 26, 2016

**JOINT CENTRAL YORK FIRE SERVICES AND CORPORATE SERVICES REPORT
- FINANCE 2016-39**

TO: Joint Council Committee

SUBJECT: Draft 2017 Operating and Capital Budgets

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

RECOMMENDATIONS

THAT Joint CYFS / Corporate Services Report – Financial Services – 2016-39 dated August 26, 2016 regarding the Draft 2017 Operating and Capital Budgets be received and the following recommendations be adopted:

- 1. THAT the Joint Council Committee (JCC) receive and review the draft budgets;**
- 2. AND THAT the October 4 JCC meeting be used to finalize a recommendation to be sent to Aurora Council for review and then to Newmarket Council for approval.**

COMMENTS

Purpose

The purpose of this report is to provide an overview of the Operating and Capital Budget requests for 2017.

Budget Impact

The proposed budgets are within the funding envelopes for the operating budget – tax impact established by both municipalities. Adjustments are recommended for capital financing.

Summary

The 2017 budget continues to address implementation of the 2014 Fire Department Master Plan Update (FDMPU) over a 5-year period.

BACKGROUND

On June 7, 2016 the Joint Council Committee (JCC) agreed to the following budget schedule:

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

DRAFT BUDGETS

Operating Budget

Wages and benefits

Sufficient provision has been included; however, with contract negotiations currently underway, it is possible that revisions may be required.

Overtime

Since 2011, there has been a substantial sustained decrease in overtime costs due to the staffing model employed. As a result, the budget has been significantly reduced from the amount previously allocated to overtime. However, in 2015 the budget allocation was exceeded. As of January 2016, CYFS are undertaking a 4-year trial of 24-hour shifts. At the end of the second quarter of 2016, CYFS are within \$8,000 of the year to date budget. The 2017 budget request has retained overtime budget funding at the 2016 level of \$220,000.

New hires

4 new firefighter positions were budgeted to be hired in May of 2016, with a corresponding provision for 2/3rd of their annual salary. The remaining 1/3rd (\$150,220) needs to be included in 2017 and will cause a budget increase.

The 2017 draft budget includes the hiring of 4 additional firefighters and a Fire Prevention Inspector. These costs (\$445,570) have been fully annualized. The FDMPU contemplated the hiring of additional staff this year – Network and Communications Coordinator, Human Resources Consultant, and Fire & Life Safety Coordinator which have been deferred for future consideration.

Fleet Maintenance

The majority of the cost of fleet maintenance is an hourly charge by Newmarket staff (2016 budget - \$178,500). These rates will be increasing by 23% to \$218,960 in 2017 to reflect full cost recovery. As well, due to staff turnover, there will be a temporary need to send vehicles to outside vendors for service and repairs which may result in increased operating costs. .

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. These costs have been increased by 2.8% to align with the 10-year forecast.

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. The budget has been revised accordingly.

Infrastructure Levy / Asset Replacement Fund (ARF)

The contributions to the Asset Replacement Fund have been increased by \$225,000 to meet the requirements as set out in the capital budget.

Cost Allocation

The 2017 budget reflects a 0.4% change in the cost allocation – Newmarket's share being decreased to 59.4% (2016 - 59.8%) and Aurora's share increasing to 40.6% (2016 -40.2%). This is a shift of \$100,000 in annual operating costs.

Capital Budget

Replacement

Capital replacements are funded by the Asset Replacement Fund (ARF). This includes the following for 2017:

- Replacement of 2 support Vehicles - \$60,000
- Replacement of 1999 Fire Engine - \$946,000
- Replacement of 8 Thermal Imaging Cameras - \$96,000
- Replacement of Personal Protective Equipment - \$37,178
- Replacement of Fire Equipment - \$65,000
- Replacement of 4 Mobile Data Terminals - \$40,000

A 10-year projection of future replacement requirements indicates that there will be a funding deficiency. As a result, the ARF contributions have been increased by \$225,000 for 2017.

Growth

The 2017 budget includes the 2nd phase for the construction of a 5th fire station (\$2,500,000), as well as bunker gear for the new recruits \$16,000. Development Charges (DC's) are the funding source.

Other

A station security system to work in conjunction with the existing key fob security system (\$30,000) will ensure the safety of all staff members, as identified in the results of the Employee Engagement Survey.

US Exchange

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. This is the major reason for the increase in our capital funding requirements.

To reduce the risk of fluctuations, exchange rates are based on current values and will be locked in as soon as the budget is approved.

Reserves

Financial Services report 2015-46 recommended a target level for the CYFS reserve fund. This was adopted by JCC. The three components are:

1. 50% of CYFS' total annual budget for the most volatile expenditure items such as overtime, fuel, vehicle repairs, utility costs, and legal costs. This provision would be about \$500,000;
2. Net contributions for light vehicle purchases, which will be \$276,000 at the end of 2016;
3. Other contingency amounts defined by JCC from time to time. At this time there is no requirement.

The target for the CYFS Reserve would be \$806,000. Before any adjustments for 2016 operating results, the projected balance is \$945,000.

At a future meeting, a proposal will be made to consolidate the light vehicle program into the asset replacement fund.

Next Steps

JCC should use the time between now and the next meeting on October 4 to seek clarification on any questions or concerns they may have. Making these known in advance to the Chief or either of the municipal Treasurers would facilitate a more efficient meeting on October 4.

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.

Implementation of the Fire Master Plan

The implementation staffing option selected by JCC was a phased approach over 5 years. This included hiring four firefighters on an annual basis and additional support staff – fire prevention, etc. The draft 2017 budget defers some of these hirings for future consideration.

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)

The draft operating budget, as presented, would result in a 1.01% tax increase for Newmarket and approximately a 1.34% tax increase for Aurora, prior to any reserve fund adjustments by either of the municipalities.

The difference in taxation bases and change in the allocation, account for the discrepancy in the increases.

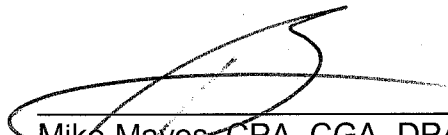
Capital Budget

The capital budget will be within the funding envelope. A review of future funding requirements indicates that increases in contributions towards the Asset Replacement Fund (ARF) will be required.

CONTACT

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



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Reviewed by:



Dan Elliott, Director Financial Services
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Town of Aurora

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Attachments:

- 2017 CYFS Draft Operating Budget
- 2017 CYFS Capital Budget Summary
- 10 Year Forecast-Capital Request vs. ARF Contribution
- 10 Year Forecast-Capital Request vs. ARF Contribution with \$225K Increase

**CENTRAL YORK FIRE SERVICES
2017 DRAFT OPERATING BUDGET**

Updated: August 24, 2016

OBJECT ACCOUNTS	2016		2017 Budget			Increase/(Decrease)	
	Budget	Actual	Base	G & E	Total	\$	%
Expenses							
4011 Management Salaries	615,201	262,065	627,788		627,788	12,587	2.0%
4021 Regular Salaries & Wages	14,191,054	6,292,601	14,449,677	345,403	14,795,080	604,026	4.3%
4024 Standby/Callback	86,000	509	86,000		86,000	-	0.0%
4025 Overtime	220,000	102,058	220,000		220,000	-	0.0%
4026 Lieu Time Paid	617,000	9,325	617,000		617,000	-	0.0%
4031 Casual/Seasonal Wage	12,000	4,201	12,000	8,000	20,000	8,000	66.7%
4106 Workers' Compensation	93,500	46,752	93,500		93,500	-	0.0%
4109 Direct Payroll Benefits	4,553,930	1,929,389	4,632,375	100,167	4,732,542	178,612	3.9%
Sub Total Salaries and Benefits	20,388,685	8,646,898	20,738,340	453,570	21,191,910	803,225	3.9%
4216 Stationery & Office Supplies	15,000	8,964	15,000		15,000	-	0.0%
4217 Photocopier Lease & Supplies	5,000	3,216	5,000		5,000	-	0.0%
4219 Emergency Mgmt. Materials	4,000	543	4,000		4,000	-	0.0%
4229 Janitorial Supplies	22,000	7,904	20,000		20,000	(2,000)	-9.1%
4232 Fuel for Vehicles	120,000	35,843	110,000		110,000	(10,000)	-8.3%
4261 Uniforms, Clothing	125,000	115,217	130,000	2,000	132,000	7,000	5.6%
4269 Misc.	9,500	7,890	11,000		11,000	1,500	15.8%
4272 Vehicle Repairs & Maintenance	130,000	52,717	130,000		130,000	-	0.0%
4273 Building Repairs & Maintenance	90,000	40,739	120,000		120,000	30,000	33.3%
4274 Electrical Repairs	7,200	7,355	-		-	(7,200)	-100.0%
4276 HVAC Repairs	3,000	473	-		-	(3,000)	-100.0%
4277 Plumbing Repairs	1,500	9,920	-		-	(1,500)	-100.0%
Total	101,700	58,487	120,000		120,000	18,300	18.0%
4278 Equipment Repairs & Maintenance	95,500	45,746	95,500		95,500	-	0.0%
4278.01 Medical Equipment	15,000	5,287	15,000		15,000	-	0.0%
4278.02 Firefighter Equipment	3000	41	3,000		3,000	-	0.0%
4278.04 Radio Costs	25,000	-	35000		35000	10,000	40.0%
Total	138,500	51,074	148,500		148,500	10,000	7.2%
4299 Capital Acquisitions	67,000	30,629	67,000	800	67,800	800	1.2%
4303 Cell Phone	18,000	9,424	20,250	1,400	21,650	3,650	20.3%
4311 Hydro	92,000	49,602	90,000		90,000	(2,000)	-2.2%
4321 Heat	55,000	14,449	50,000		50,000	(5,000)	-9.1%
4331 Water	17,000	6,520	15,000		15,000	(2,000)	-11.8%
4404 Consulting Services	60,000	-	60,000		60,000	-	0.0%
4425 Education/Corporate Tuition Assist.	11,000	-	11,000		11,000	-	0.0%
4462 Fire Prevention	25,000	1,742	28,000		28,000	3,000	12.0%
4463 Fire Investigation	2,500	-	2,500		2,500	-	0.0%
4464 Association Allowance	3,000	3,000	3,000		3,000	-	0.0%
4465 Dispatch Service	505,000	-	460,000		460,000	(45,000)	-8.9%
4466 Wellness Program	145,000	17,032	145,000		145,000	-	0.0%
4471 Mileage/Parking/Tolls	3,800	691	4,000		4,000	200	5.3%
4472 Memberships & Subscriptions	4,500	2,344	7,500		7,500	3,000	66.7%
4474 Training	97,000	19,648	100,000	15,000	115,000	18,000	18.6%
4478 Conferences & Seminar Fees	17,500	14,916	20,000		20,000	2,500	14.3%
4511 Street Snowploughing Contract	11,275	4,448	10,000		10,000	(1,275)	-11.3%
4662 Contingency Account	45,000	49,187	45,000		45,000	-	0.0%
5105-5109 Work Order Charges	178,500	119,299	218,960		218,960	40,460	22.7%
5151- 5162 Support Cost Allocation	886,407	171,905	911,482		911,482	25,075	2.8%
4911 Transfer to Capital	6,600	3,300	6,600		6,600	-	0.0%
4936 Asset Replacement Fund	850,000	425,000	850,000	225,000	1,075,000	225,000	26.5%
Total Expenses	24,160,467	9,931,890	24,557,132	697,770	25,254,902	1,094,435	4.5%
Revenues							
7431 Fire Dept. Recoveries	258,530	34,994	260,000		260,000	1,470	0.6%
7471 Misc. Charges	15,000	6,233	10,000		10,000	(5,000)	-33.3%
Total Revenues	273,530	41,227	270,000	-	270,000	(3,530)	-1.3%
Net Expenditure Before Transfers	23,886,937	9,890,663	24,287,132	697,770	24,984,902	1,097,965	4.6%
Transfers to/(from) Reserve Fund							
4922 Transfer to Reserve Fund	55,000	27,500	55,000		55,000	-	0.0%
7542 From Reserve Fund	(12,000)	-	(12,000)		(12,000)	-	0.0%
Net Expenditure	23,929,937	9,918,162	24,330,132	697,770	25,027,902	1,097,965	4.6%
Newmarket's share(2017-59.40%; 2016-59.80%)	14,310,102	5,928,086	14,452,098	414,475	14,866,574	556,471	3.9%
Aurora's share(2017-40.60%; 2016-40.20%)	9,619,835	3,990,077	9,878,033	283,295	10,161,328	541,493	5.6%
	23,929,937	9,918,162	24,330,132	697,770	25,027,902	1,097,965	4.6%

2017 CAPITAL BUDGET

FIRE SERVICES

Project Description	G/L Account No.
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Central York Fire Services

Bunker Gear for New Recruits	
Implementation of Station Security System	
Replacement of 2 Light Vehicles	
1999 Freightliner Fire Truck Replacement	
Replacement of Thermal Imaging Cameras	
Life Cycle Replacement of Bunker Gear	
Replacement of Equipment	
Replacement of Mobile Data Terminals, Modems & Antennas	
Station 4-5 Construction	

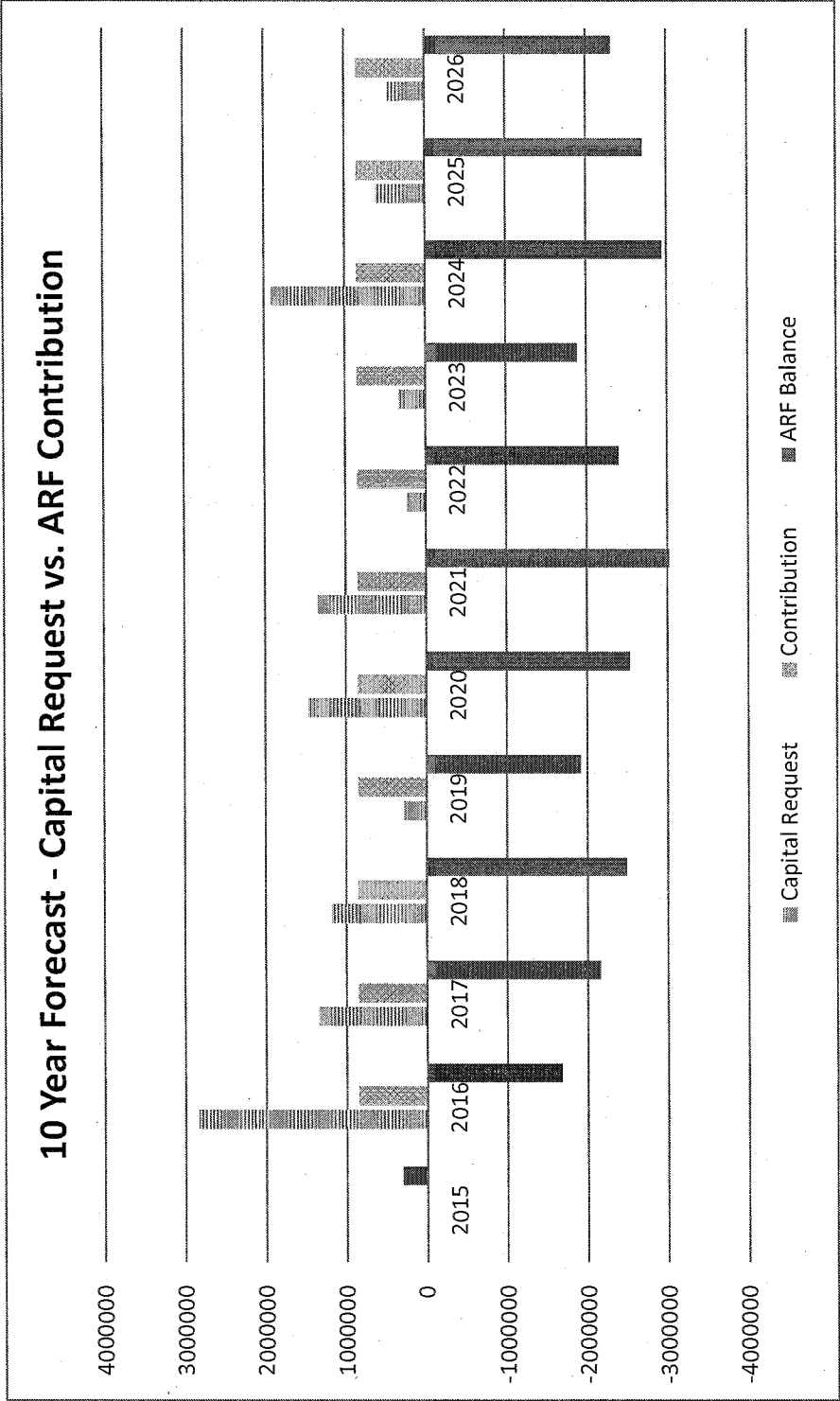
EXPENDITURES	FINANCING					Remarks
	Total Cost	Asset Replace. Fund	Develop. Charges	Reserves & Reserve Funds	Operating Fund	Other

16,000			16,000			
30,000				30,000		
60,000		60,000				
946,000		946,000				
96,000		96,000				
37,178		37,178				
65,000		65,000				
40,000		40,000				
2,500,000			1,500,000			1,000,000 Aurora's share

TOTAL - FIRE SERVICES	
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\$ 3,790,178	\$ 1,244,178	\$ 1,516,000	\$ 30,000	\$ 1,000,000
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Year	Capital Request	Contribution	ARF Balance
2015			307,469
2016	2,834,000	850,000	-1,676,531
2017	1,332,820	850,000	-2,159,351
2018	1,177,599	850,000	-2,486,950
2019	281,377	850,000	-1,918,327
2020	1,465,412	850,000	-2,533,740
2021	1,338,962	850,000	-3,022,701
2022	225,676	850,000	-2,398,377
2023	338,215	850,000	-1,886,592
2024	1,903,955	850,000	-2,940,548
2025	609,329	850,000	-2,699,877
2026	465,667	850,000	-2,315,544



Year	Capital Request	Contribution	ARF Balance
2015			307,469
2016	2,834,000	850,000	-1,676,531
2017	1,332,820	1,075,000	-1,934,351
2018	1,177,599	1,075,000	-2,036,950
2019	281,377	1,075,000	-1,243,327
2020	1,465,412	1,075,000	-1,633,740
2021	1,338,962	1,075,000	-1,897,701
2022	225,676	1,075,000	-1,048,377
2023	338,215	1,075,000	-311,592
2024	1,903,955	1,075,000	-1,140,548
2025	609,329	1,075,000	-674,877
2026	465,667	1,075,000	-65,544

