

March 24, 2014

JOINT CAO/CORPORATE SERVICES REPORT – FINANCIAL SERVICES 2014-05

TO: Committee of the Whole

SUBJECT: Capital Financing Sustainability Strategy, Hemson Part 2 Report

ORIGIN: Commissioner, Corporate Services and Director, Financial Services

RECOMMENDATIONS

THAT Joint CAO/Corporate Services Report – Financial Services 2014-05 dated March 24, 2014 regarding Capital Financing Sustainability Strategy, Hemson Part 2 Report be received.

COMMENTS

In September 2012, Council approved a recommendation to award an RFP with respect to the Capital Financing Sustainability Strategy to Hemson Consulting Ltd. The strategy was broken into three interconnected parts as follows:

Part 1 – An initial review of the existing asset replacement fund and associated policies. This part has been completed and reported on (report available upon request).

Part 2 – Development of a Capital Financing Sustainability Strategy taking into account such things as forecasted growth and capital requirements; provide financing alternatives and philosophies and presenting findings.

Part 3 – Preparation of the Development Charges Background Study and by-law.

At a Special Committee of the Whole on November 18, 2013 Hemson presented a Draft Part 2 report for Council's input and based on the comments received have finalized the Part 2 report and are now presenting the finalized comprehensive analysis for consideration (Hemson Report attached).

Next steps

Staff will be reviewing the recommendations contained within the Part 2 report and will report early in the next term of Council on options for consideration including appropriate funding levels (for the Asset Replacement Fund for example) for forecasted capital requirements (including growth related, enhancement and repair and replacement) and the associated tax implications. Where appropriate, the shorter term recommendations will be considered as part of the 2015 budget process and those that are longer term will be examined and prioritized.

Some of the initiatives already underway include:

- the creation of the Utility Transition Task Force that in addition to updating the 6-year financial plan and rate structure, will examine issues like a storm sewer user rate
- investigating the method of implementation of a 10 year capital budget (or forecast) and multi-year operating budgets
- the Service Pricing Policy is being examined in conjunction with the Recreation Master Plan process
- a review of various policies including the Debt Policy, Reserves/Reserve Funds/Asset Replacement Fund policies; finalization of the Donation Policy

In addition, staff are assembling data for an over-arching Asset Management Plan, a strategic document that states how groups of assets are to be managed over a period of time. It will describe the various characteristics and condition of our assets, setting out service levels and providing funding strategies. This is a requirement of the Province.

A timeline for Part 3 of the project, the Development Charges Background Study and by-law approval has been developed with the consultant. Hemson Consulting Ltd. has committed to having the draft DC by-law ready for Council's review in May, with the Statutory Meeting being held early in June and the approval of the finalized by-law by the end of June.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

This report links to Newmarket's key strategic directions in being Well Equipped and Managed by implementing policies and processes that reflect sound and accountable governance and being fiscally responsible.

CONSULTATION

Consultation has taken place with a staff team consisting of the CAO, Commissioners, Fire Chief, Library CEO, Directors of Finance, Engineering and Public Works as well as staff from the various departments.

HUMAN RESOURCE CONSIDERATIONS

This initiative will require considerable staff resources and options for resourcing will be examined and reported on as necessary.

BUDGET IMPACT

Operating Budget (Current and Future)

The consultant has recommended that the Town implement an annual tax rate increase of .85% to 1.08% as part of a long term fiscal sustainability strategy. Staff will examine the implications of this and will report back with options as part of the 2015 budget process.

Capital Budget

One of the Hemson recommendations relates to ten year capital forecasting. Staff are investigating the best method of implementation and will report back during the next budget process.

CONTACT

For more information on this report, contact Anita Moore, Commissioner, Corporate Services at 905-955-5300, ext 2202 or Mike Mayes, Director, Financial Services at 905-955-5300, ext. 2102.

Chief Administrative Officer

Commissioner, Corporate Services

Director, Financial Services