



Town of Newmarket
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2023 Preliminary Draft Tax-Supported Operating Budget Staff Report to Council

Report Number: 2023-16

Department(s): Financial Services

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

Meeting Date: March 20, 2023

Recommendations

1. That the report entitled 2023 Preliminary Draft Tax-Supported Operating Budget dated March 20, 2023 be received; and,
2. That subject to any additional direction from Committee, the proposed amendments to the proposed tax-supported operating budget be incorporated into the Draft Budgets to be presented to Committee of the Whole on March 27, 2023; and,
3. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

The Town of Newmarket, like all municipalities, businesses and families, are facing challenges with inflation and higher costs. This is one of the most challenging budget deliberations for Council to ensure the Town continues to balance the needs of the community while ensuring fiscal responsibility.

With the high inflationary budget pressures, the 2023 tax-supported operating budget would require a tax rate increase of 13.0%. Staff identified mitigating strategies that resulted in budget reductions of \$3.7 million to lower the tax rate increase to 7.67%.

Through ongoing budget deliberations, further budget reductions totaling \$232,000 were identified that lowered the tax rate increase further to 7.33%.

At the March 6, 2023 Special Committee of the Whole meeting (CoW), Council directed Staff to prepare a report outlining strategies and items for consideration to reduce the proposed tax rate increase to 5.5%, to be tabled at the March 20, 2023 Special CoW.

Purpose

The purpose of this report is to present additional items for consideration to lower the tax rate increase from 7.67% to 5.5%, to meet the target as directed by Council.

Background

At the January 30, 2023 Special CoW meeting, Staff tabled [Report 2023-09, 2023 Preliminary Draft Budget](#) with a tax levy increase of 7.67%. The report outlined that based on the economic pressures from high inflation, the initial tax rate increase to maintain service levels and financial sustainability would be 13.00%. Staff were able to reduce the budget impact by \$3.7 million (5.33%) to bring down the proposed tax rate increase to 7.67%. At the meeting, Staff were directed to explore service level reduction options for consideration.

Staff presented [Report 2023-12, Service Level Reduction Options](#) at the March 6, 2023 Special CoW with various options identified. Committee approved the following items for incorporation into the 2023 tax-supported operating budget with a total annual savings of \$232,000, equivalent to a tax rate reduction of 0.34%:

- Cleaning/janitorial services adjustment or sharing of facilities staff capacity from the Town Office (annual savings of \$42,000) – this will replace the janitorial contract at the Operations Centre and will involve the implementation of a shared resource model between the two administrative buildings. The potential risk of this change could include delayed response for service requests, reduced frequency of some cleaning activities and prioritization of maintenance tasks. Staff will monitor this change and will strive to maintain consistent service levels at both facilities.
- Playground Maintenance - extend the lifecycle replacement of play structures by 3-5 years based on wear and tear (annual savings of \$60,000). The risk is low and would align the replacement cycle with the condition of play equipment that requires replacement. The longevity of materials has improved significantly over time and has been proven through field experience with the structures the Town has been installing. Based on this data, staff anticipate that the extended replacement cycle will not result in reduced safety, unfavourable user experiences or increased maintenance issues.
- Staffing and reductions in consulting - increase gapping through delay in hiring staff replacement (annual savings of \$130,000). Where possible, hiring managers will delay filling of vacancies to provide salary gapping savings. A short delay where deemed feasible between vacancy to new hire start would have a minimal impact on continuity of work and with multiple jobs throughout the year accumulated gapping savings can be achieved. In addition, reductions in consulting will also be closely reviewed to achieve savings where deemed feasible and sustainable.

After incorporation of the above items, the tax rate increase has been reduced by 0.34% from 7.67% to 7.33%.

Discussion

Staff were directed to bring back a proposed 2023 tax-supported operating budget with a 5.5% tax rate increase while maintaining all current service levels.

Staff identified the following items for consideration that will lower the tax-supported operating budget by \$1,170,000, a further tax rate reduction by 1.70% to 5.63%

Efficiencies

The Town had invested in LED streetlights, and they are providing energy savings. Based on our 2021 and confirmed by our preliminary 2022 results, there are significant hydroelectric savings that appear to be sustainable and can be recognized.

Reductions of \$300,000, equivalent to a 0.44% tax savings

Asset Replacement Funding (ARF) Reductions

The Asset Management Plans for core infrastructure were based on 2020 replacement costs. As was presented to Committee on January 30, the non-residential construction price index has increased by 30% since then. To maintain the value of ARF contributions would require a 3.33% tax increase. The budget proposed phasing this in over 3 years – increases of 1.11% in each of 2023, 2024, and 2025.

This could be deferred to 2024 without any immediate consequences. However, the issue will need to be addressed in the future.

Reductions of \$760,000, equivalent to a 1.11% tax savings

Adjustments to the operating impact from the capital budget

There are two projects in the capital budget, which if approved, would have an impact on the operating budget. As neither of these are growth-related projects, their impact was included in the proposed tax levy increase.

Capital Decision Package 19, Council Chamber Upgrades shows a \$90,000 operating budget impact, which should have been spread over 3 years. Similarly, Capital Decision Package 10, Replace/Upgrade ERP Systems has \$100,000 which should have been spread over 2 years.

Reductions of \$110,000, equivalent to a 0.16% tax savings

Other Changes

The proposed budget currently includes \$500,000 in new revenue. Although the risk of not achieving this is low, Council has expressed concern. Based on this feedback, an

adjustment of \$250,000 is being proposed to lower the provision for revenue opportunities.

With this change, it will increase the tax rate increase by 0.36%.

Summary of Changes

Item	Efficiencies & Service Level Reductions	Gapping, Staffing & Consulting	Asset Replacement Funding Reductions	Other Changes
Cleaning & janitorial services	\$(42,000)			
Playground maintenance	\$(60,000)			
Staffing & reductions in consulting		\$(130,000)		
LED streetlights	\$(300,000)			
Defer capital Inflation supplement			\$(760,000)	
Operating impact from capital budget				\$(110,000)
Mitigation				\$250,000
Total	\$(402,000)	\$(130,000)	\$(760,000)	\$140,000

The above items will provide a net reduction in expenditures by \$1,152,000 (tax rate reduction of 1.67%), lowering the tax rate increase to 5.99%. There still leaves a gap of \$337,000 to reach the 5.5% target.

After undertaking an extensive review of the budget, there is no further reduction that can be identified at this time. As such, it is recommended that a stretch target be set: a provision for the difference in the amount of \$337,000 will be included in the 2023 Budget. Staff will continue to explore strategies to find efficiencies and/or revenue enhancements that are sustainable, and report back to Council as part of the 2024 Budget process.

The following is proposed for the 2023 tax-supported operating budget:

Components	Tax Rate increase Presented on January 30 (%)	Revisions (%)	Revised Proposed Tax Rate Increase (%)
Base – Town	6.00%	(0.93%)	5.07%
CYFS	0.84%	0.00%	0.84%
Library	0.18%	0.00%	0.18%
ARF	1.00%	0.00%	1.00%
Capital Inflation supplement	1.11%	(1.11%)	0.00%
Enhancements	0.00%	(0.00%)	0.00%
Growth	0.00%	0.00%	0.00%
Mitigations	(1.46%)	0.36%	(1.10%)
Provision	0.00%	(0.49%)	(0.49%)
Total	7.67%	(2.17%)	5.50%

The Base Budget is defined to be the net cost to maintain the Town’s service levels for a stable population. The majority of the increases in the base budget is to account for the significant inflationary impact from 2022.

Contributions to ARF will be increased with a 1% tax levy, consistent with prior years.

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. The Town will continue to be fiscally prudent by applying assessment growth revenues to fund growth related expenditures only. Assessment growth for 2023 has been confirmed at 0.76%, generating additional property tax revenues of \$522,000. 2023 growth expenditures total \$75,000 for the Denison synthetic turf field maintenance (refer to Appendix A for more details). The remaining unallocated growth revenues will be transferred to the Growth reserve.

There are no enhancements and no new staffing requests in the proposed 2023 Budget.

The proposed 5.5% tax rate increase is comprised of a 4.5% tax levy for the base budget to address higher inflation, and a 1% tax levy for contribution to ARF that aligns with the

Fiscal Strategy by continuing to increase the Asset Replacement Fund for future asset replacements.

Sustainable Service Delivery

This report seeks to balance the rising costs of services with acceptable levels of property taxation.

Implementation of the recommendations in this report will not directly impact service delivery in 2023. Residents will benefit from a lower tax increase. However, deferring inflationary adjustments to Asset Replacement Fund (ARF) contributions is deferring an eventual tax increase. To do otherwise would impair the delivery of services in the future.

Conclusion

With Committee's approval, these adjustments can be included in the 2023 Draft Budget that will be tabled at the March 27, 2023 CoW.

Business Plan and Strategic Plan Linkages

This supports ensuring ongoing continuous improvement under the strategic pillar of Long-term Financial Sustainability.

Consultation

The Strategic Leadership Team (SLT) and relevant departments were consulted in gathering the data and in preparation of this report.

Human Resource Considerations

Not applicable.

Budget Impact

The proposed 5.5% tax rate increase includes a 4.5% tax levy for the base budget and a 1.0% tax levy for contribution to ARF.

This represents an annual increase of \$125 for an average homeowner with a house assessed at \$706,000. This is a reduction of \$49 from the previously proposed tax rate increase of 7.67%.

The annual impact will be \$159 for a house assessed at \$900,000.

Attachments

Appendix A – 2023 Operating Decision Package - Recommended

Appendix B – 2023 Deferred Operating Decision Package Summary

Approval

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

Esther Armchuk, LL.B
Commissioner, Corporate Services

Contact

Andrea Tang, CPA, CA
Manager, Finance & Accounting / Deputy Treasurer, atang@newmarket.ca (ext. 2104)

**2023 BUDGET
Operating Decision Package Form**

Project / Initiative Name	Denison Synthetic Turf Field Maintenance - Contracted Services						
Net Cost	\$ 75,000	Project Resources Requirements	New Resources	Capital DP required?	No	Decision Package #	16
Commission/Area:	Community Services Commission			Division/ Departments:	Parks		
Legislative Requirement (select one):	No	Quote Legislation:					

Section 1 : Project Scope

1.1 - Project Classification and Overview

Provide comprehensive overview of the project request	Classification (select one):	Replacements, Rehabilitation and/or Maintenance
<p>This request is to hire a contractor to properly maintain the synthetic turf field to ensure safety and longevity. This synthetic turf field has a certain life expectancy and requires very extensive maintenance as set out by the manufacturer. The maintenance work requires proper equipment. Parks do not have the proper equipment for all of the maintenance required to properly maintain the field. Part of the maintenance is to treat the grass with blue light to disinfect the field for any bodily fluids/materials. A qualified professional contractor is needed to perform the maintenance work.</p>		

1.2 - Project Alignment and Justification

Outline justification for need of project request	Corporate Alignment & Opportunity (select one):	Does Not Align
<p>ONLY SELECT FROM PICK LIST IF COUNCIL PRIORITY SELECTED IN CORPORATE ALIGNMENT & OPPORTUNITY SECTION ABOVE</p> <p>As set out by the manufacturer, synthetic turf fields require very extensive maintenance that requires the proper equipment to do the job to meet the high level requirements for warranty. Parks do not have the proper equipment for all of the maintenance required to properly maintain the field. A contractor that is able to perform the proper work is required to ensure the correct level of maintenance is met for the synthetic turf. Without hiring a professional to do the work we will never meet the proper service level for the synthetic turf and may cause health and safety concerns.</p>		

1.3 - Levels of Service

Outline the desired outcome and/or benefits	Levels of Service & Infrastructure Impact (select one):	Increases Service Levels
<p>A qualified professional contractor to carry out the work will ensure all of the proper maintenance is achieved on a yearly basis and meet the high level maintenance requirements for warranty as set out by the manufacturer. Being able to do this will prevent wear and tear on the field, ensure player safety while in use and prolong/meet the life expectancy of our asset.</p>		

1.4 - Community Impact

Outline Community Impact (if applicable)	Community Impact (select one):	Minor Impact - Local Benefit
<p>Proper maintenance will allow the field to be operational for the entire season without having to do major repairs and avoid revenue loss from field booking when closed for longer repairs/maintenance.</p>		

1.5 - Risk

Outline the risks associated with the project both positive and negative	Risk Category (select highest risk area):	Corporate Image
	Timelines for Potential Risk Impacts	Within 1 year
<p>This Synthetic field is not meeting the correct service level maintenance as outlined by the manufacturer which we need to make due to warranty related claims. Without this we will not be able to maintain proper service levels which could lead to injuries and major disruption of play for user groups if the field has to be shut down. Field shutting down will result in revenue loss, public corporate image related issues in social media, and scheduling issues for user groups.</p>		

Section 2 : Financials

Details of Incremental Expenditures, Savings and Revenue

Operating Costs		2023	2024	2025	2026	2027	2028
Account #	Description						
52824.4530	Sport Field Amenities Contracts Gen-M	75,000					
Account #	New Hire Request						
	FTE						
	PTE						
	CONTRACT						
	BENEFITS - FTE	-	-	-	-	-	-
	BENEFITS - PTE	-	-	-	-	-	-

Total Operating Costs 75,000 - - - - -

Cost Recoveries		2023	2024	2025	2026	2027	2028
Account #	Description						

Total Cost Recoveries - - - - -

Total Net Cost 75,000 - - - - -

Section 3 : Sign-off

Collaboration		Consulted With				
Prepared By:		Reviewed By:		Commissioner:		
Jeff Bond		Kristi Carlen		Jeff Payne		

2023 Deferred Operating Decision Packages

DP Sheet #	Status	Decision Package Name	Department	Category	FTE	Operating Costs	Revenue/ Recovery/ Offset	Tax - Growth Net Impact	Tax - Base Net Impact	Rate - Base Net Impact
1	Deferred	Communications Coordinator - FTE	Corporate Communications	Enhance / Growth	1	\$ 84,371	\$ -	\$ -	\$ 84,371	\$ -
2	Deferred	Records Analyst position (Conversion Contract to FT)	Legislative Services	Enhance / Growth	1	\$ 90,467	\$ 25,000	\$ -	\$ 65,467	\$ -
3	Deferred	Records Management Specialist - FTE	Legislative Services	Enhance / Growth	1	\$ 97,281	\$ -	\$ -	\$ 97,281	\$ -
4	Deferred	Fire Prevention Inspector - FTE	CYFS	Enhance / Growth	1	\$ 134,400	\$ 56,018	\$ 78,382	\$ -	\$ -
5	Deferred	8 Additional Firefighters over 2 years - FTE	CYFS	Enhance / Growth	4	\$ 512,000	\$ 213,402	\$ -	\$ 298,598	\$ -
6	Deferred	22 Additional Firefighters over 8 years - FTE	CYFS	Enhance / Growth	2	\$ 256,000	\$ 106,701	\$ 149,299	\$ -	\$ -
7	Deferred	Website Coordinator- FTE	Corporate Communications	Enhance / Growth	1	\$ 77,404	\$ -	\$ -	\$ 77,404	\$ -
8	Deferred	Ensure Capital Projects Delivery Capacity (conversion to FTE)	Engineering Services	Replacements, Rehabilitation and/or Maintenance	1	\$ 125,903	\$ 125,903	\$ -	\$ -	\$ -
9	Deferred	Environment and Sustainability Management and Climate Change Policy - FTE	Engineering Services	Enhance / Growth	1	\$ 282,988	\$ 282,988	\$ -	\$ -	\$ -
10	Deferred	Property Tax Administrator - FTE	Financial Services	Enhance / Growth	1	\$ 84,134	\$ -	\$ -	\$ 84,134	\$ -
11	Deferred	Network Technician - Conversion PT to FT	Information Technology	Enhance / Growth	1	\$ 114,461	\$ 49,458	\$ -	\$ 65,003	\$ -
13	Deferred	IT Service Desk Analyst - Conversion PT to FT	Information Technology	Enhance / Growth	1	\$ 94,917	\$ 58,968	\$ -	\$ 35,949	\$ -
14	Deferred	Conversion of Two Park Attendants to Permanent Full Time - Conversion contract to FT	Parks	Enhance / Growth	2	\$ 137,485	\$ 137,485	\$ -	\$ -	\$ -
17	Deferred	Facility Operations and Maintenance Administration - Conversion from contract to FT	Facilities	Enhance / Growth	1	\$ 93,117	\$ 93,117	\$ -	\$ -	\$ -
19	Deferred	Facilities Various Consulting Services	Facilities	Replacements, Rehabilitation and/or Maintenance	0	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ -
20	Deferred	Health & Safety / Asset Preservation Program (Inspection and Condition Assessment Program)	Facilities	Replacements, Rehabilitation and/or Maintenance	0	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ -
21	Deferred	Streamline Planning Services - FTE	Planning	Enhance / Growth	2	\$ 193,649	\$ 193,649	\$ -	\$ -	\$ -
22	Deferred	Fleet Safety Program	Public Works- Roads	Strategic Projects	0	\$ 60,000	\$ -	\$ -	\$ 60,000	\$ -
23	Deferred	Increased Fleet Service Needs - FTE (Mechanic)	Public Works- Roads	Enhance / Growth	1	\$ 101,943	\$ 35,680	\$ 66,263	\$ -	\$ -
24	Deferred	Water Meter and Backflow Prevention Program Support - FTE	Public Works- Water/Wastewater	Enhance / Growth	1	\$ 92,652	\$ -	\$ -	\$ -	\$ 92,652
25	Deferred	Asset Management and Data Management Implementation Strategy	Public Works- Water/Wastewater	Enhance / Growth	0	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
26	Deferred	Learning & Development Support - FTE	Human Resources	Strategic Projects	1	\$ 83,200	\$ 69,332	\$ -	\$ 13,868	\$ -
27	Deferred	AM Data Specialist - FTE	Financial Services	Replacements, Rehabilitation and/or Maintenance	1	\$ 106,434	\$ 106,434	\$ -	\$ -	\$ -
28	Deferred	Library Growth Related	Library	Enhance / Growth	1	\$ 56,960	\$ 1,200	\$ 55,760	\$ -	\$ -
29	Deferred	Public Works Asset Management Specialist - FTE	Public Works- Water/Wastewater	Enhance / Growth	1	\$ 106,642	\$ -	\$ -	\$ -	\$ 106,642
30	Deferred	Customer Service After Hours Service Delivery - Part time	Customer Services	Enhance / Growth	1	\$ 43,693	\$ 1,200	\$ -	\$ 42,493	\$ -
Total Operating - Deferred					28.0	\$ 3,320,101	\$ 1,556,535	\$ 349,704	\$ 1,174,568	\$ 239,294