



Town of Newmarket
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2022 Preliminary Draft Tax-Supported Operating Budget Staff Report to Council

Report Number: 2021-75

Department(s): Financial Services

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

Meeting Date: November 8, 2021

Recommendations

1. That the report entitled 2021 Preliminary Draft Tax-supported Operating Budget dated November 8, 2021 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 6, 2021, and,
3. That the Treasurer be authorized and directed to do all things necessary to give effect to these recommendations.

Executive Summary

Staff originally suggested a tax rate increase of 2.99% outlined in the report entitled "[2022 Budget Target and Process](#)" tabled at the May 3, 2021 Committee of the Whole (CoW) meeting (Report 2021-32). The following is an excerpt from the adopted motion:

"That endorsement be given to staff to proceed with preparation of the 2022 budgets employing the structure and targets as outlined in this report with a target tax rate increase of 1.99%".

Since the May CoW meeting, staff worked diligently and successfully identified items for consideration, with no changes to existing service levels, to achieve the 1.99% tax rate increase target.

With a 1.99% tax rate increase, an average residential property will see an increase of \$44.09 on their tax bill which represents the local portion only (excludes increases from the Region and Province for school board).

Recommendations from the Fiscal Strategy have been considered and incorporated where applicable.

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 2022 Budget Target and Process was tabled on May 3, 2021 outlining the guiding principles and target for the tax-supported operating budget. At the meeting, Council directed staff to proceed with preparation of 2022 budget with a target tax rate increase of 1.99%.

Report entitled "[Preliminary 2022 Draft Budgets](#)" was tabled at the October 4, 2021 Committee of the Whole (Report 2021-65), a starting point for community consultation and Council consideration. The report outlined savings through efficiencies and reductions to achieve the target tax rate increase of 1.99%.

Central York Fire Services (CYFS) Joint Council Committee (JCC) was held on October 18, 2021 where CYFS budgets were endorsed.

Newmarket Library Board reviewed and recommended the operating decision packages at their board meeting held on June 16, 2021.

Discussion

The 2022 tax-supported operating budget supports the day-to-day operations to continue maintaining the Town's high level of services while also providing and moving forward on a future ready Newmarket. The tax-supported operating budget includes budgetary requirements for Central York Fire Services (CYFS), Newmarket Public Library (Library) and Downtown Business Improvement Area (BIA).

Guiding principles when developing the tax-supported operating budget include:

- Align to Council Priority to maintain and achieve long term financial sustainability
- Incorporate and implement recommendations from the Fiscal Strategy, where applicable
- Align to Asset Management process by allocating assessment growth dollars for the operations and maintenance of growth core assets and infrastructure

- Continue the practice of using growth assessment revenues for growth related expenditures only
- Maintain service levels

For the 2022 tax-supported operating budget, every 1% tax rate increase will generate an additional \$667,000 in property tax revenues.

Breakdown of the 1.99% tax rate increase includes:

Component	Tax Rate Increase
Base	0.99%
Contingency	0.00%
Asset Replacement Fund (ARF)	1.00%
Total	1.99%

Incremental changes to the tax-supported operating budget are outlined below which corresponds to the requirement of a 1.99% tax rate increase:

	Base	Growth	ARF	Total
Town	\$ 299,330	\$ 376,600	\$ 647,000	\$ 1,322,930
CYFS	309,000	23,000	20,000	352,000
Library	52,000	17,400	0	69,400
BIA (net)	0	0	0	0
Mulock Park	0	250,000	0	250,000
Total	\$ 660,330	\$ 667,000	\$ 667,000	\$ 1,994,330

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 3.79%. Although current inflation is at a level higher than past years, it is worth noting that 2020 inflation was 0.21%. The high inflation in 2021 counteracts the 2020 low inflation, normalizing to an average of 2.00% which aligns to the historic inflationary increases.

B. Contingency

Contingency refers to contribution to the Contingency Reserve that was approved by Council as part of the 2021 budget. The purpose of the reserve is to set money aside to address unforeseen events. The current base budget includes \$500,000 which means that there will be a transfer of the budgeted amount to the reserve every fiscal year. Council approval is required to draw funds from the reserve. The base budget of \$500,000 deems to be adequate at this time; therefore there is no 2022 tax rate increase to further increase the contribution.

C. Asset Replacement Fund (ARF)

The 1.00% tax rate increase aligns to 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.

D. 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 1.00% in 2022 appears to be reasonable, generating additional property tax revenues of \$667,000.

Growth expenses are the incremental expenses necessary to maintain service levels for a growing population. The Town continues to utilize the sustainable practice of applying growth revenues to support growth expenditures only. The Town has been successful in limiting growth expenses to the available growth revenues and 2022 Budget is no exception; therefore there is no requirement for a tax levy on growth.

Below outlines the allocation of tax-supported growth revenues:

Allocations (growth operating expenses)	\$
Incremental Growth (Roads & Bridges)	269,130
Winter Maintenance Contract	50,000
Arkinstall Splash Pad - Prior Year Capital	45,000
Mulock Park (endorsed by Council)	250,000
CYFS - Newmarket's Portion	23,000
Library	17,400
Provision for Operating impact from capital	12,470
Assessment Growth	\$667,000

Details on the growth allocations for incremental growth, winter maintenance contract and Arkinstall Splash Pad are outlined on their respective Operating Decision Packages (#31, 19 and 16).

E. Staffing Requests

There are six tax-supported and two rate-supported staffing requests. Details on the rate-supported staffing requests are outlined in the report entitled "[2022 Preliminary Draft Capital and Rate-Supported Operating Budgets](#)" tabled at the October 18, 2021 Special CoW (Report 2021-69).

Tax-supported staffing requests include:

1. Utility Plans Coordinator (Contract to FTE) – fully funded
2. Senior Asset Management Specialist – fully funded
3. Municipal Offices - Convert Janitorial Contract to Staff – fully funded
4. Animal Services Officer – fully funded
5. Enhanced Cyber Security
6. Accounts Administrator for Cost-Recovery Program (Conversion PT to FT) – fully funded

Details of the above staffing requests are outlined on their respective Operating Decision Packages (#1, 10, 13, 29, 30 and 35).

Summary

The 2022 tax-supported operating is \$92.2 million.

	Base	Growth	ARF	Total
Town	\$ 299,330	\$ 376,600	\$ 647,000	\$ 1,322,930
CYFS	309,000	23,000	20,000	352,000
Library	52,000	17,400	0	69,400
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Mulock Park	0	250,000	0	250,000
Total	\$ 660,330	\$ 667,000	\$ 667,000	\$ 1,994,330

The tax levy funds 76% of these budgets. Non-tax, or ancillary revenues fund the remainder, of which user fees and charges are 24% of the budget.

Reserve transfers are net of transfers to and from reserves and reserve funds. The largest component of these transfers is contributions to the Asset Replacement Fund (ARF) - \$5.5 million. This includes the suggested 1.00% tax levy for an additional contribution of \$667,000 to ARF in 2022.

Conclusion

Upcoming dates:

- November 16 – 2022 Budget Facebook Live event
- December 6 – CoW - Presentation of the Draft Budgets and remaining Fees & Charges for approval
- December 13 – this is the target date for approval of the 2022 budget and remaining 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 2022 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 one-time funds to balance the budget.

The 2022 budget takes into consideration the recommendation from the Fiscal Strategy by continuing to increase contributions to ARF. The 1.00% tax levy towards ARF will guide the Town to prepare and move forward to a future ready Newmarket.

Consultation

All members of OLT and SLT and their staff participated in the preparation of the preliminary draft budgets.

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

JCC endorsed the CYFS 2022 Draft Preliminary Budget at the Special JCC meeting on October 18, 2021.

The Library Board endorsed the Library 2022 Draft Preliminary Budget at their June 16, 2021 Board meeting.

The Town is seeking residents' input through an online survey by ranking services that are the most important to them. The survey closes on November 19, 2021.

Human Resource Considerations

The 2022 Preliminary Draft Budget includes eight staffing requests (six tax-supported and two rate-supported).

Budget Impact

The Town's preliminary draft budget proposes a 1.99% tax rate increase for the average household assessed at approximately \$702,400. This equals an additional \$44.09 per year for the average household.

Attachments

Appendix A – 2022 Operating Budget Decision Package Summary

Appendix B – 2022 Operating Decision Packages - Recommended

Appendix C – 2022 Operating Decision Packages - Deferred

Approval

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

Esther Armchuk, LL.B
Commissioner, Corporate Services

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