



INFORMATION REPORT
Corporate Services Commission, Financial Services

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CORPORATE SERVICES INFORMATION REPORT – FINANCIAL SERVICES 2017-09

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: 2017 Draft Operating Budget - additional information

ORIGIN: Director, Financial Services/Treasurer

In accordance with the Procedure By-law, any Member of Council may make a request to the Town Clerk that this Information Report be placed on an upcoming Committee of the Whole agenda for discussion.

COMMENTS

This report will provide additional information related to discussions at the budget meetings to ensure that there is adequate understanding and clarity.

Hydro-electric costs

The budget documents indicated that hydro-electric costs were an extraordinary item – a \$471,592 driver. This driver consists of the increase in rates and operations.

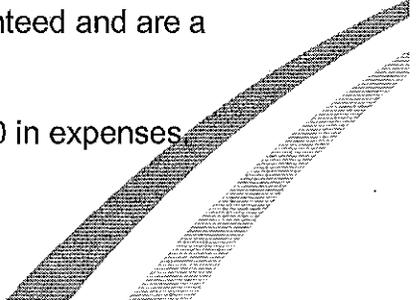
RATES

For the 2017 budget, it was anticipated that the rates will increase by 5%, which would be \$137,204 (2016 budget of \$2,730,000). Staff has committed to offset this rate increase through changes in operations. This was identified as an efficiency and used to reduce the 2017 budget.

Operations

The 2017 budget includes \$20,000 for additional streetlight maintenance costs (paid to Newmarket-Tay Hydro) and a \$314,288 increase in repayments of the reserve fund loan for the Phase 2 Honeywell project – a total of \$334,288. This should be matched with the cost avoidances. The savings for 2017 are \$783,000. These savings are guaranteed and are a combination utility (\$493,000) and operational (\$290,000) savings.

In summary, the \$314,000 loan payment is avoiding an additional \$469,000 in expenses.



REBATE

It is our understanding, that the rebate is meant for residential customers, and municipalities would only benefit if they would have individual small facilities with “residential-type” services. No significant rebates are expected.

Emerald Ash Borer (EAB)

The following table shows the incurred and projected costs of the EAB program – injections, removals and planting.

Year	Expenses
2012	\$ 17,000
2013	\$ 84,000
2014	\$ 149,000
2015	\$ 230,000
2016	\$ 380,000
2017	\$ 500,000
2018	\$ 570,000
2019	\$ 170,000
2020	\$ 100,000
2021	\$ 100,000
Total	\$ 2,300,000

Markham’s program is \$13 million and Richmond Hill’s is \$4.5 million. Both of these municipalities have treated their EAB programs as capital projects and anticipate ongoing operating expenses.

Funding for EAB

The initial stages of the program were funded from reserves. After that, the program has been funded from general / tax revenues. We could have treated EAB as a capital project, but as there are no other funding sources, and no reserve to manage something of this magnitude, taxes would still have been impacted. Use of the Asset Replacement Fund (ARF) would be questionable and would have widened the infrastructure gap.

It has been our practice to fund non-recurring expenses (“one-timers”) from reserves. The amount, length of time, and the risk that the cost may vary, eliminated this as an option.

It should be noted that the cost of the program will peak in 2017 / 2018, and that from 2019 on it will decrease. As such, the base budget is being built up and could be reduced afterwards.

This will be addressed by the upcoming Budget and Asset Replacement Fund Policies and could be an opportunity to address our infrastructure and inter-fund gaps.

Animal Shelter

The Town has a contract for animal shelter services with the Town of Georgina (5 year contract with 10 additional 1-year extensions; we are currently in the 3rd 1-year extension).

An additional \$60,000 has been included in the 2017 budget for animal shelter service as a result of a review undertaken by Georgina in 2014. The review identified the need for new support staff required to sustain a level of service required by animal shelter care regulations, and to more fairly reflect the apportionment of operating costs among partnering municipalities. As a result of the additional costs, the Town of Whitchurch-Stouffville terminated their contract which has resulted in a greater allocation of costs to the remaining partners.

On the direction of the N6 CAO's, a staff review of future animal shelter options was undertaken. The review is still under discussion and will help to inform the direction taken in the next year by the Town. In recent years, the Town has focused its efforts on promoting responsible pet ownership through its licensing program, including a convenient online licensing option and a rewards program which offers discounted products from local retailers for current pet license holders.

Efficiencies

There have been numerous initiatives over the past years that serve to provide cost savings and efficiencies. Initiatives that restructure and realign services or tap into staff's ideas are channels to improve how we do the things to optimize services for all of our customers; and recognize staff for their continuous improvement efforts.

The expected outcomes of these programs are both quantitative and qualitative. The quantitative outcomes result in direct cost savings as noted in the chart below. Values have been consolidated for each program. For some programs, there remain to be anticipated further cost savings due to the status of the project or timing within the current monitoring /reporting cycle and as such, staff are unable to report on the cost savings at this time. In addition, not all cost saving initiatives have been captured as employee time required to record and report out on the cost saving initiative outweighs the return on investment. Typically, only cost savings of over \$5,000 have been included in the summary below.

Corporate Initiative	Cost Savings
Let's Make It Happen (LMIH)	\$ 425,000
*Employee Leaders in Town Excellence (ELITE)	\$ 20,000 +
*Idea\$	\$ 5,000 +
*Revenue, Efficiency and Value (REV)	\$ 10,000 +
*Programs for Excellence, Efficiency & Creativity (PEEC)	\$ 5,000 +
Northern 6 (N6) Review	\$ 280,800 +
*Dear Bob (Builds connections, trust, transparency)	Immeasurable
Department Initiatives - PWS Mundane Tasks	\$ 20,000 +
- PWS Magic Pen	\$ 10,000 +
- HR Templated Job Descriptions	\$ 5,000 +
INNOVATENewmarket	TBD
TOTAL	\$ 770,800 +

Notes: * - includes unquantifiable, immeasurable, qualitative and/or cost savings of less than \$5,000.

The benefit of idea generation programs goes beyond the cost savings. They engage new experienced staff with the opportunity to apply previously acquired knowledge and experience to their new role and younger staff to apply their knowledge of technology and software to improve business processes.

There is also the unquantifiable component that impacts employee culture. Staff want to be a part of "making Newmarket even better". These programs are part of our employee culture and supported by our Strategic and Operational Leadership Teams to create an environment for extraordinary public service. Having idea programs empowers staff to live the Town's core values, to be courageous, creative, accountable, accessible, respectful, and seek excellence all with integrity, and supports a healthy work environment. The numerous ideas implemented over the years that are qualitative in nature have had little or no expenditure required. The outcomes of these have resulted in:

- building capacity, allowing staff to do more with less resources
- enhancing staff performance
- creating a more collaborative environment
- streamlining cross-departmental work processes
- providing knowledge sharing opportunities
- improving business processes by decreasing the number of steps to achieve the desired outcome

Enhancements

Sidewalk Snow Clearing

In 2015, it was estimated that we were plowing 62% of the sidewalks in Newmarket (216 of 349 km.) and that it would cost an additional \$300,000 to plow the remaining 38%. We have added another 32 kilometers of sidewalks and an additional \$55,000 is required.

Per CAO / Commissioners and Financial Services Report 2015-23, the budgets have been and are to be phased in as enhancements.

Program to Expand Sidewalk Snow Clearing			
Year	Enhancement	Growth	Total
2015 Phase 1a	\$ 40,000		\$ 40,000
2016 Phase 1b	\$ 60,000		\$ 60,000
2017 Phase 2	\$ 100,000	\$ 55,000	\$ 155,000
2018 Phase 3	\$ 100,000		\$ 100,000
Total	\$ 300,000	\$ 55,000	\$ 355,000

The enhancement in 2017 is actually the 2nd phase of implementation.

Transportation (Traffic) Initiatives

Per CAO / Commissioners and Financial Services Report 2015-23, the budgets have been and are to be phased in as enhancements.

Program for Transportation (Traffic) Initiatives		
Year	Enhancement	Total
2015 Phase 1	\$ 26,000	\$ 26,000
2016 Phase 2	\$ 38,000	\$ 38,000
2017 Phase 3	\$ 50,000	\$ 50,000
2018 Phase 4	\$ 55,000	\$ 55,000
Total	\$ 169,000	\$ 169,000

The enhancement in 2017 is the 3rd phase of implementation – and there will be a 4th phase in 2018.

These costs are in addition to the hiring of a Manager of Transportation. The wages and benefits expense was phased in over two years - \$62,000 in the 2015 budget and \$75,028 in 2016.

Outlook***Growth Projections***

The projections for population and employment drive the new construction estimates which form the basis for our revenue growth projections – what we expect to receive in Development Charges (DC's), assessment growth and parkland dedication. These numbers will be updated on an annual basis and will be checked against other sources, such as the Region.

As well, the model's assumptions will be checked by reviewing actual experience. This model will be used for our upcoming DC Background Study and will be verified by our external consultants for that project.

Comparators***Share of the Tax Pie***

The AMO has done an analysis which shows a breakdown on taxes paid in Ontario: 47% to the federal government, 44% to the provincial government and 9% to municipal government. On the assumption that school board taxes go to the provincial government, one could infer that **less than 5% of the average Newmarket resident's taxes go to the Town.**

Comparative Service Levels

Part of the challenge in comparing taxes, is that analysis does not account for what you get for your tax dollar. Comparing service levels between municipalities is difficult as there are so many services provided. Deciding on representative services in an objective manner can be a challenge.

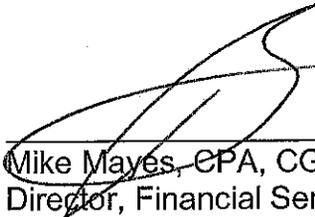
The BMA provides efficiency indicators, but they don't measure service levels.

The Municipal Performance Measurement Program (MPMP) previously provided effectiveness measures and could be used to compare service levels. Unfortunately, 2013 was the last year for MPMP.

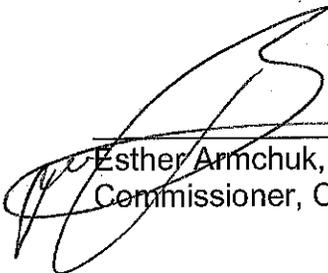
This research would require the allocation of resources.

CONTACT

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