



**CORPORATE SERVICES COMMISSION**  
Financial Services

TOWN OF NEWMARKET  
395 Mulock Drive  
P.O. Box 328  
Newmarket, ON L3Y 4X7

www.newmarket.ca  
mmayes@newmarket.ca  
905.895.5193 ext 2102

December 16, 2016

**JOINT CAO/COMMISSIONERS - CORPORATE SERVICES INFORMATION REPORT –  
FINANCIAL SERVICES 2016-57**

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: 2017 Preliminary Draft Budget

ORIGIN: Director, Financial Services/Treasurer

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***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.***

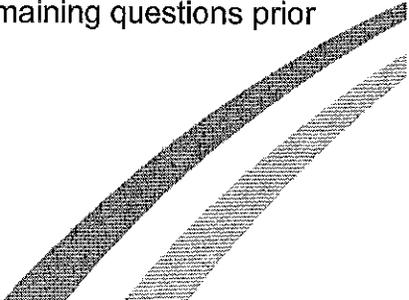
## **BACKGROUND**

The goal of this report is to provide further details on the preliminary draft budgets and to answer some of the questions which arose at the workshops and the Special Committee of the Whole (CoW) meeting.

While preparing the presentation for December 5, there were still some decisions to be made. As such, it was discovered that some of the late changes were not fully reflected in the presentation. The revisions are indicated in this report. The Capital and Rate-supported Budgets have been updated accordingly.

The Tax-supported Operating Budget will be updated for the Committee of the Whole meeting on January 30, 2017. The identified changes are not considered to be material. Past experience has shown that making minor changes during the budget process can lead to confusion when referencing numbers or documents.

Given the time constraint, it has not been possible to answer all of the questions. However, questions arising from the budget workshops and CoW which are directly pertinent to the preliminary budget have been addressed. The intention is to answer the remaining questions prior to January 30.



## 2017 Budget target

Consistent with past practice, Council has set a target for the 2017 budget:

*THAT for the 2017 budget process Council set a tax levy increase target of no more than 2.2% (Town portion), plus not greater than a 0.6% for the infrastructure levy or an overall town increase of not greater than 2.8%.*

## Council priorities for the 2017 budget

The 5 priorities for the 2017 budget are:

1. Revitalizing our Community Centre Lands and addressing downtown parking needs
2. Creating a strategy for vibrant and livable corridors along Davis Drive & Yonge Street
3. Supporting community and neighbourhood projects
4. Ensuring safe streets
5. Organization Ready 2020

Organization Ready 2020 is an Umbrella Program that is based on investing now for the future to ensure sustainability. It is about confirming that high level multi-year strategies are in place to ensure the Town is not only positioned well for today and next year, but for the future. It includes the four pillars: Talent Management, Innovation, Infrastructure and Strategic Alignment.

## Budget Schedule

ACTIVITY	DATE	STATUS
Special CoW Workshop - Operating Budget	Nov 14-1:30 pm	Completed
Special CoW Workshop - Financial	Nov 21-1:30 pm	Completed
CoW – remaining Fees & Charges	Nov 28-1:30 pm	Completed
Special CoW – Preliminary Draft Budget	Dec 5-10:00 am	Completed
Council approval of remaining Fees & Charges	Dec 5-7:00 pm	Completed
Draft budget information available to public and on website	December 12	Review process
<b>2017</b>		
Special CoW – Capital Budget and Asset Replacement Fund	Jan 16-10:00 am	
Special CoW – Operating Budget	Jan 30-1:30 pm	
CoW – Draft Capital and Operating Budgets	Feb 6-1:30 pm	
Council approval of the Budget	Feb 13-7:00 pm	

## Council Workshops

There were two workshops in November to provide supplementary information to Council to assist with their budget deliberations. They will be referenced in this report.

### ***November 14 – The 2017 Budget Challenge***

The workshop focused on the budget drivers and the challenges that they are presenting. It introduced the following concepts:

- *Net Growth* is the difference between Assessment Growth Revenues (property taxes from new development) and Growth Expenses (the cost to service the new development). Growth expenses can be related to operations (increased costs to directly service more households) and to capital (the cost to maintain and replace new growth-related capital infrastructure). Historically, the expenses related to capital have not been accounted for and the artificial growth “surplus”, has been used to subsidize the base budget. This is not a sustainable practice.
- *Extraordinary items* are mandatory and exceptional increases, including policy changes, which are significant and cannot be easily borne within a base budget that is restricted to inflationary-level increases.
- *Manageable Budget reduction strategies:*
  1. Efficiencies – process reviews and doing things more cost effectively
  2. Increased revenues – bringing in more money through existing revenue sources or through new revenue sources and ensuring that our service pricing policy is followed
- *Further reductions:*
  3. Cut costs – reducing or holding the line on inputs
  4. Adjust service levels - re-evaluating business lines – determine if there are services the municipality should not be offering or offering to a lesser extent
- *The concept of a **Budget Policy** was introduced. It suggested some sustainable practices:*
  1. Continued use of the CPI to set a target for the base budget
  2. Matching growth revenues with growth expenses, i.e. no more use of the growth “surplus”
  3. Excluding enhancements and extraordinary items from the base budget.

Questions that arose at this workshop will be addressed at the Special Committee of the Whole (Budget) on January 30, 2017.

### ***November 21 – Financial Sustainability***

Status updates were provided on the 5 pillars of (long-term) financial sustainability – asset management, debt, investment strategy, revenues, and reserves & reserve funds. Reference was made to policies and implementation plans that will be presented in 2017, including a proposal to address the Asset Replacement Fund (ARF) deficit and imbalance.

Questions that arose at this workshop will be addressed at the Special Committee of the Whole (Budget) on January 16, 2017.

### **CAPITAL BUDGET**

The Capital Budget has been amended for four projects as follows:

1. Magna Center Western Entrance - \$120,000 funded from the Asset Replacement Fund.
2. Passive Reactive Barrier for the Gorham Street Fire Hall – this is a health and safety issue requiring \$315,000 from general capital reserves.
3. Riverwalk Commons Lighting Art Project - \$50,000 funded by a donation.
4. Artificial Turf Sports Field – the request was meant to be for an additional \$200,000 (over and above the \$1 million approved in the 2015 budget). \$500,000 in grants has been applied for that will reduce the requirement for use of reserve funds and development charges.

The revised 2017 capital program includes \$30.5 million in expenditures. Subject to unforeseen circumstances, this is believed to be achievable. (See Appendix A for details.)

The majority of the program (\$16.2 million, 53%) is for the replacement of existing assets. The primary funding sources for these projects is the Asset Replacement Fund (ARF). In addition, \$2.1 million of Gas Tax Funds are available for road replacements and \$3.3 million of water meter replacements will be funded from future revenues and savings generated by that project.

The next largest category is growth (\$8.9 million, 29%). Maximum use is made of Development Charges, but in some cases there are other external funding sources available such as grants and contributions; or there is a limit to the amount of DC funding that can be applied.

Application has been made for \$2.6 million in grants to support \$4.3 million in projects. In most instances, if grant funding is not received for a project, the project will be deferred for future consideration and the non-grant funding request will be returned for future purposes. The exception is the Artificial Turf Sports Field which can utilize additional Development Charges if the grant application is denied.

Approval has been given for early allocation in the capital program for the grant portion and two items to be replaced, including a fire truck. The details were provided in Corporate Services Report - Financial Services – 2016-53, Interim Appropriations, approved by Council on December 5, 2016.

Starting in 2017, the preparation of the Capital budget is taking a more pragmatic approach to its impact on Operating budgets. The new capital program will add \$403,000 in additional operating costs:

YEAR IMPACTED	TAX FUNDED	GROWTH FUNDED	RATE FUNDED	TOTAL
2017	\$ 44,000	\$ 53,500	\$ 58,760	\$ 156,260
2018		200,740	46,000	246,740
	<b>\$ 44,000</b>	<b>\$ 254,240</b>	<b>\$ 104,760</b>	<b>\$ 403,000</b>

There is sufficient funding to meet all capital requirements. Subject to any further adjustments, general capital funding requirements will reduce general capital reserves by \$1.4 million and ARF funding will exceed requirements by \$500,000. This provides an opportunity to not increase the ARF contributions in 2017, which will be presented as an Infrastructure Levy option.

\$2.7 million in projects have been deferred for consideration in future years. (See Appendix B for details.)

### RATE-SUPPORTED BUDGETS

A key financial measurement for rate-supported budgets is the adequacy of rate stabilization reserves. The 2017 budgets provide adequate operational and capital (ARF) reserves for rate-supported purposes.

Rate group	Reserve level – target	Reserve level – 2017 budget
Water	5-10% of annual revenues	6% of annual revenues
Wastewater	5-10% of annual revenues	8% of annual revenues
Stormwater	None set yet	Nil
Building permits	100-200% of annual expenses	144% of annual expenses

#### *Water rate-supported budget*

The starting point for this year's budget was the 6-year financial plan. This has been adjusted for proposed rates and the transfer of costs to the new stormwater management charge. Requested enhancements and the operating impact of the 2017 capital programs (\$29,380) have been added but may be subject to further refinement. The enhancements include additional staffing of 2.0 fulltime equivalents (FTE's).

No change is recommended in the water ARF for 2017. As noted at the November 21 Workshop, Newmarket leads the province in this area. Although a small deficit is projected for 2017, reducing reserve levels from 8% to 6% of annual revenue does not entail any risk and maintains consistency with the 6-year plan.

### ***Wastewater rate-supported budget***

Similar to water, the starting point for this year's budget was the 6-year financial plan, which was adjusted for proposed rates and the transfer of costs to the new stormwater management charge. Requested enhancements and the operating impact of the 2017 capital programs (\$29,380) have been added but may be subject to further refinement. The enhancements include additional staffing of 1.0 FTE's.

An increase of 8.5% is recommended for the wastewater ARF. As noted at the November 21 Workshop, wastewater capital reserves are healthy, but are not at the same levels as the water ARF. The small surplus projected for 2017 will maintain reserve fund levels relative to annual revenues.

### ***Stormwater rate-supported budget***

The inaugural stormwater budget is revenue neutral – simply a recovery of the existing costs. A formal 6-year financial plan will be developed and will form the basis for future years' budgets. This will include transition to a reserve target similar to that of the water and wastewater budgets.

### ***Building Permit rate-supported budget***

The budget is essentially the same as last year's, with the addition of a request for two FTE's as an enhancement to service levels by providing specialized expertise and skills.

An external review of our building permit fees has determined that the upper limit for our reserve should be 150% to 200% of annual expenses. On this basis, a reserve target of 100% to 200% of annual expenses would be reasonable. At the end of November, the actual ratio was 164%.

### **Switching to a Separate Stormwater Management Rate**

The establishment of a Stormwater Management Rate will transfer some costs from the tax-supported and the water and wastewater rate-supported budgets.

The transfer of \$227,432 in costs from the water and wastewater budgets has resulted in a 0.7% decrease in their combined revenue requirements. This has been reflected in the new fees and budget projections.

The transfer of \$1,417,569 from the tax-supported budget is equivalent to a 2.6% tax decrease.

From a consolidated point of view, the Town does not gain any additional revenues as a result of this change; however, for the average household, this change will see a 2017 savings of \$15 to \$20.

**TAX-SUPPORTED OPERATING BUDGET**

**Decision Packages**

Requests totaling \$4.3 million in growth and enhancement expenditures were reviewed and prioritized. This included \$150,000 for the 3<sup>rd</sup> phase of enhancements carried forward from 2016. Primacy was given to sustaining existing service levels for a growing community, Council priorities and the availability of funding. On this basis, \$759,113 in requests was set aside for future consideration, and \$1,161,401 was considered important but deferred due to insufficient funding.

Focus Area	Included in Preliminary Draft Budget	Deferred	For future consideration	Total
Community Centre Lands & Parking		\$ 30,000		\$ 30,000
Economic Development - Corridor	\$ 272,141	167,004		439,145
Enhanced Recreational Opportunities	433,108	116,563		549,671
Traffic Safety	182,000	175,000		357,000
Organizational Readiness 2020	515,718	410,834	186,207	1,112,759
N/A	514,473	262,000	572,906	1,349,679
Fire	472,770			472,770
<b>Total</b>	<b>\$ 2,390,510</b>	<b>\$ 1,161,401</b>	<b>\$ 759,113</b>	<b>\$ 4,311,024</b>

Aurora's contribution	- 191,945			- 191,945
Non-tax funding	- 1,758,740			- 1,758,740
<b>Net tax impact</b>	<b>\$ 439,825</b>	<b>\$ 1,161,401</b>	<b>\$ 759,113</b>	<b>\$ 2,360,359</b>

Growth items	\$ 274,735
Enhancements	\$ 165,090

Recommended CYFS requests are 40.6% funded by Aurora. With the exception of an enhancement for \$6,090, these are all growth requests to continue implementation of the Fire Master Plan.

Of the recommended enhancements, only four require tax funding. A complete listing of the Decision Packages is in Appendix D.

**Additional Staff**

Of the requests for 23.25 additional fulltime staff equivalents (FTE's) to sustain service levels and delivers on Council priorities:

- 5.25 are for Central York Fire Services. 40.6% of the funding comes from Aurora's share of the joint operation and the remainder is funded from growth revenues. This is part of the 5 year implementation of the Fire Department Master Plan (FDMP)
- 6 would require tax funding and have been deferred
- 12 are funded from non-tax sources and are included in the budget
  - 1 full-time programmer plus required casual/seasonal/sessional staff (3.5 FTE's) to operate the new Magna Fitness Centre and they will be funded from the revenues that they generate
  - 3 are to support the water and wastewater systems and would be paid from water and wastewater rates
  - 2 are to support the processing of building permits and would be supported by building permit revenue
  - 1.5 will support environmental issues and will be funded by grants (which have been already secured) and fees to developers
  - 1 will support the expanding capital program and will replace the need for external support

Appendix E provides a summary.

**Net Growth**

The following table shows the Tax Impact of Net Growth from 2012 to 2017.

	2012	2013	2014	2015	2016	2017 tax impact	2017 – dollars \$
<b>Assessment revenue</b>	<b>2.00%</b>	<b>1.50%</b>	<b>1.50%</b>	<b>2.00%</b>	<b>1.00%</b>	<b>1.23%</b>	<b>\$680,000</b>
<b>Expenses:</b>							
Decision Packages – Town	1.14	0.72	0.88	0.46	0.68	0.00	0
Decision Packages – Fire	0.00	0.01	0.00	0.56	0.25	0.50	274,735
Annualization of prior years	0.29	0.37	0.66	0.05	0.34	0.16	88,000
Operating impact of the growth-related capital budget	0.50					0.10	53,500
	<b>1.93%</b>	<b>1.10%</b>	<b>1.54%</b>	<b>1.07%</b>	<b>1.27%</b>	<b>0.75%</b>	<b>\$416,235</b>

<b>Net growth – revenue less expenses</b>	<b>0.07%</b>	<b>0.40%</b>	<b>(0.04)%</b>	<b>0.93%</b>	<b>(0.27)%</b>	<b>0.48% *</b>	<b>\$263,765</b>
Estimated impact of growth on services - Public Works	0.15	0.14	0.42	0.11	0.19	0.20	110,000
Estimated additional ARF requirement for growth-related capital	0.05	0.06	0.12	0.10	0.16	0.17	95,000
<b>True net growth position</b>	<b>(0.13)%</b>	<b>0.20%</b>	<b>(0.58)%</b>	<b>0.72%</b>	<b>(0.62)%</b>	<b>0.11%</b>	<b>\$ 58,765</b>

\*This is 0.03% lower than was originally presented

Historically, growth revenue is assessment growth, which is the net increase in property tax revenues due to new construction. Other revenues, such as user fees, can also increase with growth but they are not as significant or reliable.

Traditionally, only immediately identifiable expenses have been included as growth expenses. These are the growth items included in the Decision Packages. Beginning in 2017, we are trying to be proactive and are including the operating budget impact of 2017 capital projects – costs that would otherwise be requested in 2018.

This approach to net growth appears to imply that growth pays for growth, but this is not the case. The growth of the community also puts pressure on Public Works to service the additional households (e.g. Waste management) and additional infrastructure (e.g. roads maintenance). New infrastructure also increases the requirement for ARF. As the table shows in the last row as True Net Growth, growth does not entirely pay for growth.

This expanded definition will meet the new requirement for future Development Charges and will be considered for the Budget Policy to be proposed; however 2017, as a transition year, will continue with the old definition and use growth revenues to support base expenses.

### **Additional Revenues**

At Committee of the Whole on December 5, it was suggested that additional revenue opportunities be investigated. Two items suggested were additional parking enforcement fines and charges for overnight parking. There was also a request for recirculation of the June 2012 report on the Revenue Sourcing Study (RSS), which will be distributed separately.

The Town continually looks for additional revenue sources. Prior to the RSS, there was the *Let's Make It Happen initiative* in 2003. In addition, there have been a number of smaller reviews.

Included in the 2017 fees and charges adopted by Council on December 5, are a number of new items. There is some manageable risk included in the 2017 revenue budget as outlined in the Preliminary Draft Budget presentation. Caution was exercised to avoid adding fees that may be perceived to be a reduction in service levels or "another tax."

The two items suggested, and other recommendations will be reviewed to determine the feasibility, sustainability and risk.

## **Options**

At this time, there are four tax-supported budget options being considered:

Please note that there have been some modifications to the numbers. As the changes are not significant, they will not be presented until Committee of the Whole on January 30, 2017, so as to avoid confusion with previous versions.

### ***A – Meeting the Target***

- 0.2% tax increase (after the 2.6% adjustment for reallocation of stormwater costs)
- achieves Council's target
- defers \$378,167 in expenses to 2018
  - \$262,000 for expansion of the Emerald Ash Borer (EAB) program
  - \$66,167 for the annualization of fire's new hires
  - \$50,000 for the 3<sup>rd</sup> phase of the 2015 Traffic Management initiative
- reduces some service levels and entails a higher level of risk than is normally accepted

### ***A2 – Option A with some enhancements added***

An option presented at Committee of the Whole on December 5:

- 0.39% tax increase (after the 2.6% adjustment for reallocation of stormwater costs)
- exceeds Council's target by 0.19%
- includes the following items excluded from Option A:
  - Traffic Management, 3<sup>rd</sup> phase of 2015 enhancement - \$50,000
  - Sidewalk Snow Clearing growth - \$55,000
- defers \$328,167 in expenses to 2018
  - \$262,000 for expansion of the Emerald Ash Borer (EAB) program
  - \$66,167 for the annualization of fire's new hires
- reduces some service levels and entails a higher level of risk than is normally accepted

### ***B – Sustainable alternative***

Staff's suggestion to be sustainable in terms of finance and service levels:

- 2.28% tax increase (after the 2.6% adjustment for reallocation of stormwater costs)
- exceeds Council's target by 2.08%
- includes the following items excluded from Option A:
  - Traffic Management, 3<sup>rd</sup> phase of 2015 enhancement - \$50,000
  - Provision of \$100,000 for additional enhancements, which could include items such as \$55,000 for Sidewalk Snow Clearing growth
- defers no expenses to 2018
- maintains service levels and includes a manageable level of risk

**C – Meeting the target and sustainable**

An option raised at Committee of the Whole on December 5 to meet the target and be financially sustainable. Detailed plans still need to be established for achieving these goals:

- 0.2% tax increase (after the 2.6% adjustment for reallocation of stormwater costs)
- achieves Council's target
- removes deferral of expenses to 2018
- noticeable reduction in levels of service in some service areas with specific impacts requiring more time to be determined

**Infrastructure levy option**

All of the above options include an infrastructure levy (additional contribution to ARF) of 0.6%. Consideration could be given to not having an additional levy in 2017 and applying the tax room to other items, for example, to offset most of the carryovers into 2018. Given the grant funds that could be received in 2017 and the consolidated projected ARF balance, this could be done.

The target-based budget and the recommended budget include an allowance for an Asset Replacement Fund (ARF) contribution. With the service level reductions and risks, along with the expected flow of grants for various projects, Council will need to consider whether a 2017 increase in ARF is appropriate or needed. Although it is important to build reserves to provide for replacement, it is of equal or greater priority to be able to operate the asset within prescribed service levels.

**2018-2020 OUTLOOK**

The option selected for 2017 will impact the drivers for 2018 – the amount of costs carried forward and the ability to find budget reductions. There is no impact on the anticipated percentage increases for 2019 and 2020.

Some of the concepts that are proposed for a Budget Policy have been used.

**Inflation and the Base Budget**

An assumed inflation rate of 2% has been used for the forecast – please note the actual CPI may vary. Manageable budget reductions (e.g. low risk efficiencies, new revenues, etc.) will be required to maintain a base budget within that target. If there are substantial reductions in 2017, beyond those which are manageable, it may be difficult to attain the reduction target for 2018.

**Net Growth**

Commencing with 2018, growth revenues (assessment growth) are used to fund growth expenditures and not the base budget. The following table projects the tax impact of growth:

	2017	2018	2019	2020
<b>Growth revenue</b>	<b>1.23%</b>	<b>1.24%</b>	<b>1.24%</b>	<b>1.25%</b>
<b>Growth expenses</b>				
Fire Master Plan	0.65	0.50	0.50	0.50
Decision Packages – Town	0.00	0.25	0.25	0.25
Operating impact of the growth-related capital budget	0.10	0.35	0.20	0.20
Impact of growth on services - Public Works	0.20	0.20	0.20	0.20
Additional ARF requirement for growth-related capital	0.17	0.15	0.15	0.15
	<b>1.12%</b>	<b>1.45%</b>	<b>1.30%</b>	<b>1.30%</b>
<b>Surplus / (Deficiency)</b>	<b>0.11%</b>	<b>(0.21)%</b>	<b>(0.06)%</b>	<b>(0.05)%</b>

- Growth revenue is assessment growth. These numbers were developed from our Growth Revenue model and included in the November 14 workshop.
- Growth expenses are based upon historic trends.

Growth revenues are sufficient to meet growth expenditures if additional ARF contributions for new growth-related capital are excluded.

These are preliminary projections and are subject to further refinement.

**Extraordinary items**

The projected extraordinary budget drivers are:

- Waste management – new contract in 2018 costing an additional \$515,000.
- Energy costs – annual increase equal to 15% (this is subject to further review in light of Newmarket–Tay Power’s presentation of December 12). This may be more than is required for hydro, but increases are also expected for natural gas.
- Other – an additional \$100,000 has been set aside as a contingency for 2019 and 2020.

These provisions are conservative but reflect the Town’s need to respond to changes in expenses beyond its control, such as those created by provincial legislation.

**2018-2020 for the Average Household**

Average household’s funding for municipal services projected for the 2016 to 2020 time period using Options A and B, 6-year Water and Wastewater Financial Plans and projected Stormwater Management costs.

<b>Option A</b>				
	<b>Property Taxes</b>	<b>Water and Wastewater</b>	<b>Stormwater</b>	<b>Total</b>
<b>2016</b>	\$ 1,719.46	\$ 1,029.60	-	\$ 2,749.06
<b>2017 increase</b>	3.44	60.20	39.00	102.64
<b>Total</b>	\$ 1,722.90	\$ 1,089.80	\$ 39.00	\$ 2,851.70
<b>2018 increase</b>	83.22	78.68	4.95	166.85
<b>Total</b>	\$ 1,806.11	\$ 1,168.48	\$ 43.95	\$ 3,018.55
<b>2019 increase</b>	71.70	84.36	4.95	161.02
<b>Total</b>	\$ 1,877.82	\$ 1,252.85	\$ 48.90	\$ 3,179.57
<b>2020 increase</b>	79.43	90.46	4.95	174.84
<b>Total</b>	\$ 1,957.25	\$ 1,343.30	\$ 53.85	\$ 3,354.41

<b>Option B</b>				
	<b>Property Taxes</b>	<b>Water and Wastewater</b>	<b>Stormwater</b>	<b>Total</b>
<b>2016</b>	\$ 1,719.46	\$ 1,029.60	-	\$ 2,749.06
<b>2017 increase</b>	39.20	60.20	39.00	138.40
<b>Total</b>	\$ 1,758.66	\$ 1,089.80	\$ 39.00	\$ 2,887.46
<b>2018 increase</b>	84.94	78.68	4.95	168.58
<b>Total</b>	\$ 1,843.61	\$ 1,168.48	\$ 43.95	\$ 3,056.04
<b>2019 increase</b>	73.19	84.36	4.95	162.51
<b>Total</b>	\$ 1,916.80	\$ 1,252.85	\$ 48.90	\$ 3,218.55
<b>2020 increase</b>	81.08	90.46	4.95	176.48
<b>Total</b>	\$ 1,997.88	\$ 1,343.30	\$ 53.85	\$ 3,395.04

**MUNICIPAL COMPARATORS**

A request was made to provide information on 6 years of tax increases with comparable municipalities. There has not been sufficient time to complete this research yet.

## COMMUNITY ENGAGEMENT

For the 2017 budget year, Corporate Communications worked closely with Financial Services in an effort to increase the number of Newmarket residents who participated in the annual budget engagement process. Understanding that communities are “surveyed out,” but wanting to generate the information needed to assist in the development of a budget that is as responsive as possible to the community’s feedback, Corporate Communications and Financial Services implemented the *2017 Budget Game: Put Your Money Where it Matters*.

### ***Phase I of the 2017 Budget Game***

The 2017 Budget Game was rolled out in two phases. The first phase was implemented at two high-profile community events and online. At the Touch-a-Truck and Community Open House in May and at the annual Garlic is Great festival in August, community members were given one Town of Newmarket Budget Buck and were asked to spend it on one of the five areas of focus for the 2017 budget as identified by Council: creating a strategy for vibrant and livable corridors along Davis Drive and Yonge Street, ensuring safe streets, supporting community and neighbourhood projects, organization ready 2020 and revitalizing community centre lands and addressing downtown parking.

Each area of focus had a corresponding ballot box and description, and game facilitators from Corporate Communications, Financial Services and the Town Budget Sub-committee were available to answer questions and hear feedback. Participants also had the option to spend their Budget Buck on a different priority, addressed by a sixth ballot box. Those participants wrote their comments on their Buck and inserted it in the “other” box.

After the success of the 2017 Budget Game at the Touch-a-Truck and Community Open House event, Corporate Communications and Financial Services decided to expand the community’s participation by developing an online version of the Game, available at [newmarket.ca/2017budget](http://newmarket.ca/2017budget). As of November 2016, more than 515 people had participated in either the in-person or online version of the Game. **That number is approximately double the participation from last year’s online budget tool.** For more detailed results, see the PowerPoint presentation appended to this document.

### ***Phase II of the 2017 Budget Game***

Working with Panoptika Inc. – an organization that specializes in civic engagement and who offered its services to the Town free-of-charge – Corporate Communications and Financial Services used the information from Phase I of the Game to assist in the implementation of the second phase. Phase II of the Game included a round-table focus group session with five community leaders and influencers from a variety of diverse backgrounds. Using almost-real financials, those community members were tasked with understanding the five focus areas for the 2017 budget and making decisions as a group regarding which priorities to fund. For information on which projects were funded and an overall snapshot of the session, see the appended PowerPoint presentation.

***General Perceptions of 2017 Budget Engagement***

Corporate Communications and Financial Services worked together to develop a robust communications plan to support successful engagement on the 2017 budget. With approximately double the regular participation, both departments view this year's budget engagement as a success. Community feedback on the process has been very positive and conversations with residents were informative and helpful.

**OTHER SPECIFIC QUESTIONS*****Addressing the replacement of playground equipment***

Staff had prepared a decision package funding request to address playground equipment enhancements in the amount of \$75,000. A question was raised regarding what this was meant for and whether it was a capital or operating budget expenditure. The original request was to address concerns expressed by residents of an area through their Council representative where playground equipment was due for replacement and the new elements did not meet expectations within the community.

The enhancement was meant to improve the ability to accommodate extra features into the playground equipment that would not ordinarily be included as the old equipment was replaced with the current day equivalent. Since the funding source is from the Asset Replacement Fund, it has now been decided that it would be inappropriate to introduce enhanced features on an annual basis using this funding source. However, in order to address the concerns over like-for-like replacements and meeting a reasonable current equivalent standard, the funding for playground equipment will be addressed as an operational adjustment to the expenditure line since it is Asset Replacement Fund based. In other words, the draw from the ARF for replacing the playground equipment with current equivalent elements will be adjusted to match what the current annual costs may be, without enhancing the size or service level provided by the playground. It is an operating budget element and not a capital expense; therefore, with the foregoing clarification, it is no longer necessary to advance this decision package.

***Implementation of hydro savings***

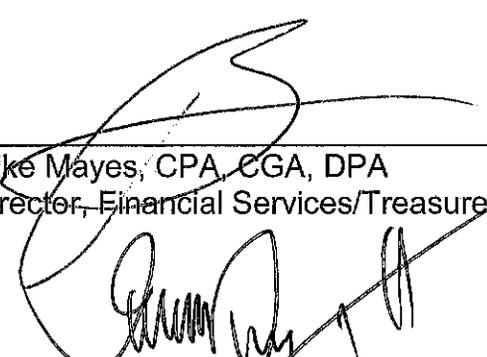
The question was asked at the Budget Committee of the Whole about the plan to achieve the \$137,000 in hydro savings through Town buildings. Through a variety of initiatives, the Town continues to implement energy consumption initiatives. In the 2017 budget, a savings of \$137,000 in energy costs has been identified. The Public Works Department and the Recreation & Culture Department are working collaboratively to achieve this target through the following key initiatives:

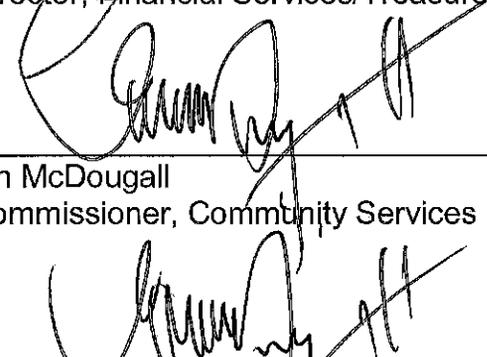
- maximizing scheduling of facilities to ensure that facilities are fully utilized before booking other facilities
- conducting an educational campaign with staff and program participants around energy conservation
- adjust room temperatures up in the summer and down in the winter slightly and ensure program participants are informed and dress appropriately
- Control lighting so as to reduce electrical load when rooms are vacant, and minimize lighting to only essential needs during off hours

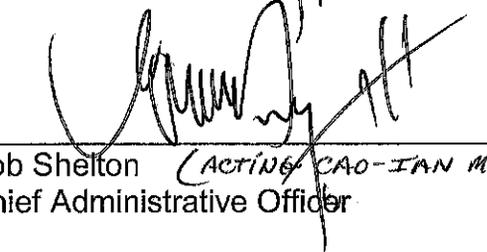
It is believed that these small changes will amount to an overall reduction of at least 5% in energy consumption in 2017. Any potential movement of existing programs, in terms of location or timing, is yet to be finalized and any contemplated changes will be done in consultation with user groups.

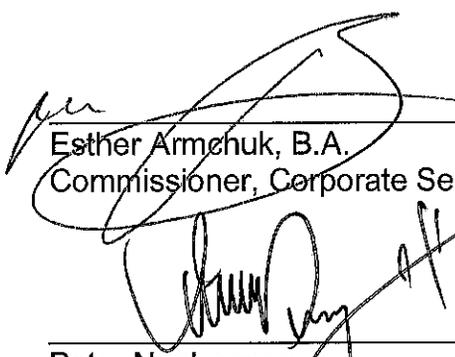
## CONTACT

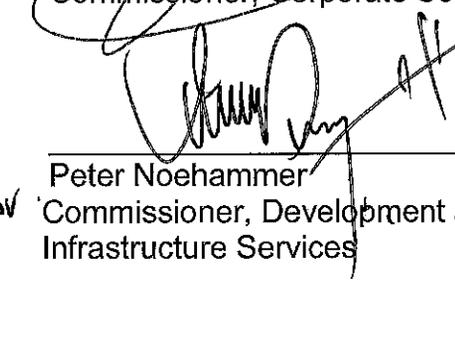
For more information on this report, contact: Mike Mayes at 905-953-5300, ext. 2102 or via e-mail at [mmayes@newmarket.ca](mailto:mmayes@newmarket.ca)

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

  
Ian McDougall  
Commissioner, Community Services

  
for Bob Shelton (ACTING CAO - IAN MCDUGALL)  
Chief Administrative Officer

  
per Esther Armchuk, B.A.  
Commissioner, Corporate Services

  
for Peter Noehammer  
Commissioner, Development and Infrastructure Services

MM/ne

### Attachments:

- Appendix A – 2017 Capital Budget Request List (4 pgs.)
- Appendix B – 2017 Capital Projects Deferred (1 pg.)
- Appendix C – 2017 Rate-supported Budgets (5 pgs.)
- Appendix D – 2017 Decision Packages Summary (3 pgs.)
- Appendix E – Staffing Requests for 2017 (1 pg.)