



INFORMATION REPORT
Corporate Services Commission, Financial Services

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**JOINT OFFICE OF THE CAO, COMMISSIONERS, CORPORATE SERVICES INFORMATION
REPORT – FINANCIAL SERVICES 2016-31**

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: 2017 Budget Target

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

The purpose of this report is to respond to information requested by Council members prior to the upcoming Committee of the Whole and to provide background information regarding previous budget years and targets.

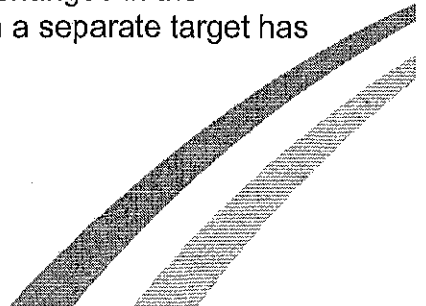
Providing a tax target gives clear direction on expectations.

A target encourages focusing on priorities and consequently can result in the review of non-priority or non-core areas to find savings. A target requires a search for efficiencies.

It is efficient to set the target early as it ensures that the preliminary budget is constructed to meet expectations and therefore it minimizes the workload impact of adjustments made later in the process.

The Town has been generally successful in meeting budget targets.

For the last few years, Council has set budget targets based on limiting tax increases. These have been either based on all-in (including Regional and School Board) residential increases, or Town only levy increases. For target purposes, the Town levy has excluded any changes in the infrastructure levy (contributions to the Asset Replacement Fund) for which a separate target has been set on occasion.

A decorative graphic in the bottom right corner consisting of two parallel, curved lines that sweep upwards and to the right, with a shaded area between them.

2012 Budget

Council on April 19, 2011 directed staff:

... to target a blended tax rate not to exceed the higher of either the Toronto Consumer Price Index (CPI) or 2% in 2012, 2013 and 2014 and Council direct staff to report to Council throughout the year if any significant and unanticipated events emerge that would negatively affect achieving the target.

Finance Report 2011-29 refined how to meet this challenge which involved many shifting and uncontrollable factors. Toronto CPI was pegged as October of the year preceding the budget. The blended rate would be based on the average residential property.

The target was met. Inflation was 2.9% and after all of the tax rates and ratios were accounted for, the all-in increase for the average resident was 1.76%.

2013 Budget

On September 10, 2012, Council added the following to further refine the target:

... that the Town target for the tax rate for the 2013 budget increase be set at a value not to exceed 2% and not to include considerations related to the Asset Replacement Fund.

This target was allocated, based on the previous year's approved budget as 0.54% for CYFS (Fire), 0.14% for the Library and 1.32% for the rest of the Town.

The Town and Library both came in on target (0.87% and 0.14% respectively) but a number of factors drove the fire budget up to 1.85%, for a total of 2.86%. To this total was then added 0.88% for capital financing, and an additional 0.80% for contributions to the Asset Replacement Fund, bringing the total to 4.54%.

The all-in tax increase was 2.58% (target of 2%). Neither target was met in 2013.

2014 Budget

In addition to the 2011 - 2014 all-in target, on September 30, 2013, Council set an additional target:

... for the Town tax increase of less than 2% and for the Asset Replacement fund of less than .75% for a combined target of less than 2.75%.

This was met with a tax increase of 2.72%, which included an additional 0.74% for the Asset Replacement Fund.

The all-in increase was 2.69%, which was less than the CPI of 3.0%

2015 Budget

On December 22, 2014, Council set a target for the 2015 budget:

... that the tax increase be between 2% and 2.5% before any adjustments to contributions to the Asset Replacement Fund (ARF).

The target was met with a 2.50% tax increase, prior to an additional 1.00% for infrastructure.

2016 Budget

On October 20, 2015, Committee of the Whole set the following target:

... that any tax increase (Town portion), not including the Asset Replacement Fund allocation, not exceed 2.5%.

The target was met with a 2.19% tax increase. There was also an additional 0.80% for infrastructure.

2017 Budget

Drivers

The initial review of drivers for 2017 projected a 3.11% tax increase. This does not include an additional infrastructure levy. It is also before any budget reductions.

It should be noted that the 2016 budget was decreased by \$1.5 million through a number of reductions, refinements and manageable risks – with no significant impact on service levels. This was a major undertaking and it is possible that further decreases could result in the softening of service levels.

It should also be noted that the 2017 projection includes 0.66% carried forward from previous years – 0.27% for the phasing of enhancements from 2015 (sidewalk snow clearing, traffic management), 0.23% for the final revenue adjustments from 2016, and 0.16% for annualization of firefighters hired in 2016 but not budgeted for the whole year.

The following specific information has also been requested by members of Council to inform them on setting a budget target for 2017:

- Consumer Price Index – the most recent Toronto CPI numbers (April) showed an annual increase of 2.3%.
- Building Permit revenue – Building permit revenue to the end of May is \$720,643, which is \$165,643 more than budgeted.

Approaches for Council consideration


0.66% has already been committed to fund initiatives from prior years and with the current proposed tax increase target the 2017 provision is actually 1.54%, which is substantially below the current rate of inflation. It will be a challenge to meet a target of 2.2% without impacting service levels.

Assuming that the target is to remain in this range, consideration could be given to the following approach:


- Build the budget to maintain service and risk levels, while addressing council priorities, and provide a list of options available to hit the council target.

CONTACT


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



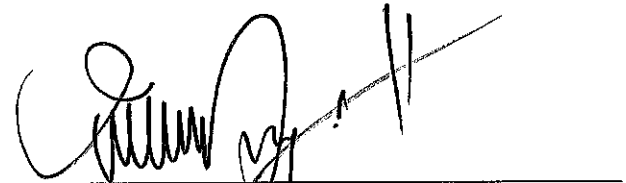
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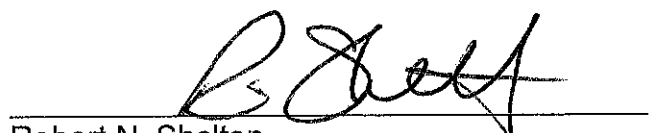
Esther Armchuk, B.A. (Hons.), LL.B., DPA
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Commissioner, Community Services



Robert N. Shelton
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Attachment:

- 2017-19 Outlook (1 pg.)

2017-19 Outlook (excluding Infrastructure Levy)



TAX INCREASE	2016 BUDGET	2017	2018	2019
		Starting point based on known drivers, subject to refinement		
Base budget (Town)	1.49	1.50	1.50	1.50
CYFS – including growth	1.30	1.66	1.50	1.50
Newmarket Public Library	0.22	0.15	0.15	0.15
Phasing of 2015 enhancements	0.33	0.27	0.26	
Growth expenses (excludes CYFS)	0.68	0.30	0.30	0.30
Growth revenue	(1.00)	(1.00)	(1.00)	(1.00)
Enhancements	0.01			
Revenue adjustments	1.59	0.23		
Other one-time adjustments	0.43			
Adjustments to capital financing	(0.42)			
Other reductions	(2.44)	TBD	TBD	TBD
TOTAL - prior to refinement	2.19	3.11	2.71	2.45

