



# Budget Committee Agenda

Meeting Number 1

November 3, 2020, 9:00 AM - 12:00 PM

Live streamed

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## Pages

1. CALL TO ORDER

2. DISCLOSURE OF PECUNIARY INTEREST

3. BUDGET PRESENTATION

3.1. 2021 Budget Overview

2

THAT the 2021 Budget Overview presentation be received.

4. NEW BUSINESS

5. NEXT MEETING DATE

The next meeting of the Budget Committee will be held on November 6, 2020 at 9:00 AM.

6. ADJOURNMENT



**2021 Budget**  
**Budget Committee Meeting #1**  
**November 3, 2020**



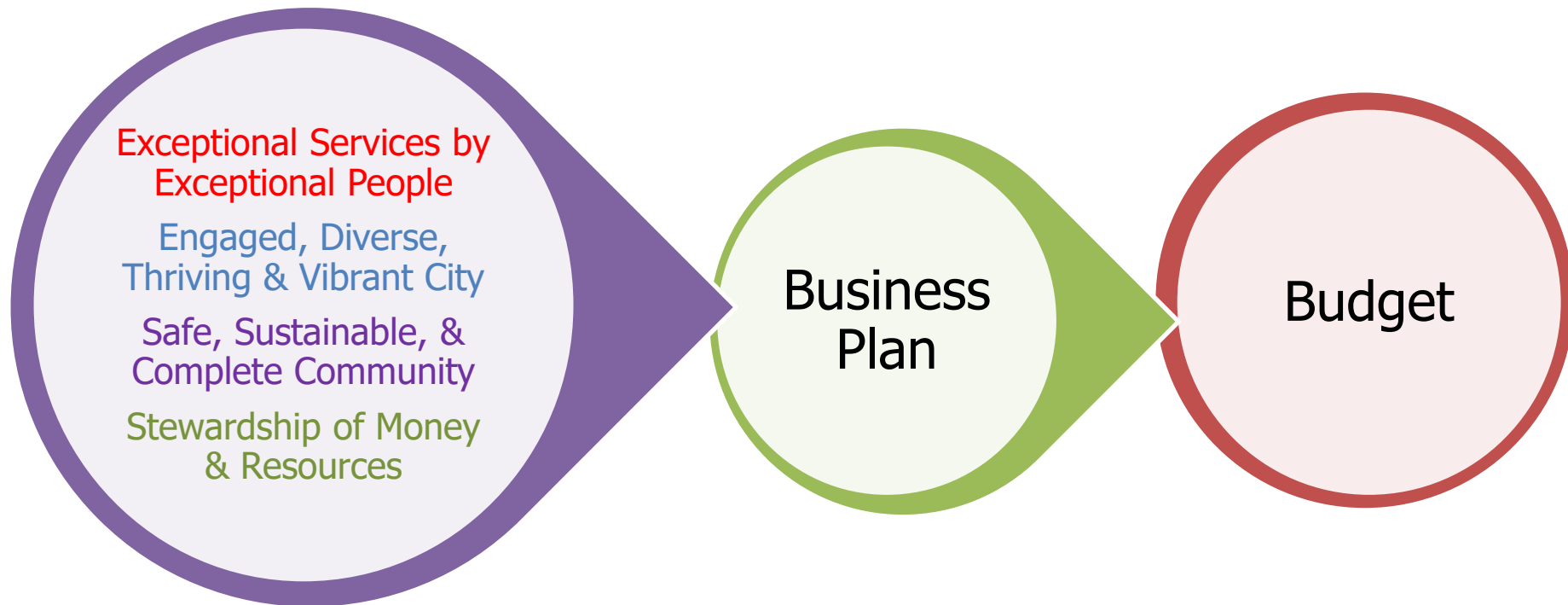
## Agenda

1. 2021 Budget Process and Communication Plan
2. Economic Scan and Legislative Impacts
3. 2021 Proposed Capital Budget
  - a. Expenditures
  - b. Funding Sources
  - c. Life Cycle Reserve Update
  - d. Capital Budget Highlights
4. 2021 Proposed Operating Budget
  - a. Markham Pressures
  - b. Operating Budget
  - c. COVID-19 Potential Impacts
  - d. Impact to Residents and Non-Residents
5. Next Steps



## 1. 2021 Budget Process and Communication Plan

### Building Markham's Future Together: 2020 – 2023 Strategic Plan





## 1. 2021 Budget Process and Communication Plan

### Planning & Engagement

Economic/Fiscal scan  
Community Engagement  
Business Plans  
Reserve Studies  
Master Plans  
Development Charges  
Background Study  
Official Plan  
Markham 2020

March - June 2020

### Staff Review

Proposed 2021  
Budget  
Staff, Commissioner  
& CAO Review

July – September 2020

### Deliberation & Consultation

Budget Committee  
Meetings  
Public Consultation  
meeting

November 2020

### Approval

General Committee  
Council Decision

December 2020





## 1. 2021 Budget Process and Communication Plan

### Fiscal Stewardship: Government Finance Officers Association Awards

- 2020 Budget: Submitted documents for the Distinguished Budget Presentation Award – 20th consecutive year
- 2019 Year-end Annual Report: Submitted documents for the Canadian Award for Financial Reporting Program – 19th consecutive year



*Distinguished  
Budget  
PRESENTATION  
Award*





## 1. 2021 Budget Process and Communication Plan

	Date	Description
Meeting #1	Tuesday, November 3	Budget process, economic scan, overview of the Operating and Capital budgets, Life Cycle reserve study update
Meetings #2 - 4	Friday, November 6 Tuesday, November 10 Friday, November 13	Department presentations and Capital Budget review by exception
General Committee	Monday, November 16	Budget presentation for the public meeting
Meeting #5	Tuesday, November 17	Department presentations and Capital Budget review by exception
Meeting #6	Friday, November 20	Primary Operating Budget, Building, Planning, Engineering and Waterworks Operating Budgets
Public Meeting	Wednesday, November 25	7pm to 9pm – Open to the public
Meeting (if required)	Friday, November 27	
<b>Council</b>	<b>Tuesday, December 9</b>	<b>Council decision</b>
Press Conference	Wednesday, December 10	



## 1. 2021 Budget Process and Communication Plan







## 2. Economic Trends and Legislative Impacts

1. Inflation, CPI – All Items
  - a) Pre-COVID-19: February 2020 (compared to February 2019): Toronto 1.4%
  - b) September 2020 (compared to September 2019): Toronto 0.2%
2. Ontario unemployment rate decreased from August 2020, but increased to 9.5% compared to 5.3% in September 2019
3. Markham housing: sales were down 1% with average price up 14.0% year-to-date September 2020 compared to 2019
4. US exchange rate within the last 12 months – highest on March 18, 2020 at \$1.4496, current rate is \$1.314
5. Bank of Canada forecast: 0.25% interest until 2023, inflation at 1.0% (2021) and 1.7% (2022)

### Sources

1. Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted
2. Statistics Canada. Table 14-10-0287-01 Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months
3. Toronto Real Estate Board – Market Watch September 2020, September 2019
4. Bank of Canada – Daily Exchange Rates Lookup
5. <https://www.cbc.ca/amp/1.5779813>



## 2. Economic Trends and Legislative Impacts

### TSX Composite Index compared to Dow Jones Index – 1 Year History



#### Legend

- **TSX Composite Index**

- Dow Jones Index

■ TSX weekly increases

■ TSX weekly decreases

Source: Globe and Mail, one year history as of October 23, 2020



## 2. Economic Trends and Legislative Impacts

### **Proposed Provincial Blue Box Program Changes**

The Ministry of Environment Conservation and Parks released the new Blue Box recycling regulations on October 19, 2020. The proposed regulation would transfer up to 100% of eligible municipal Blue Box program costs to product producers, and:

- increase the range of items in the Blue Box
- municipalities will transition to the new system between 2023 – 2025
- Markham report to GC November 16, comments to be provided to the Province by December 3

### **Official Plan 2014**

Markham Council in December 2013 adopted a new Official Plan which was approved by the York Region of York in June 2014. The majority of the City-wide policies are in effect, with work continuing to resolve the remaining appeals. The Official Plan requires the preparation or update of a number of secondary plans and two are included in the 2021 Capital Budget.

### **Reopening Ontario (A Flexible Response to COVID-19) Act**

July 24, 2020, Act came into force to ensure health and safety measures remained in place after declared emergency ended. Measures include social distancing limits, facility or program closures and directly impact municipal operations



## 2. Economic Trends and Legislative Impacts

### **Bill 197**

COVID-19 Economic Recovery Act passed July 2020 aims to create jobs and stimulate economic activity. Municipalities can:

- Recover 100% soft services development charges and collect up to 4% of a development's land value through a Community Benefits Charge to fund growth related costs
- Reinstated ability to collect up to the alternate rates for parkland dedication, justified through a parkland study
- Completion of a DC background study, parkland study, parkland dedication by-law and a new community benefits charge by-law within 2 years

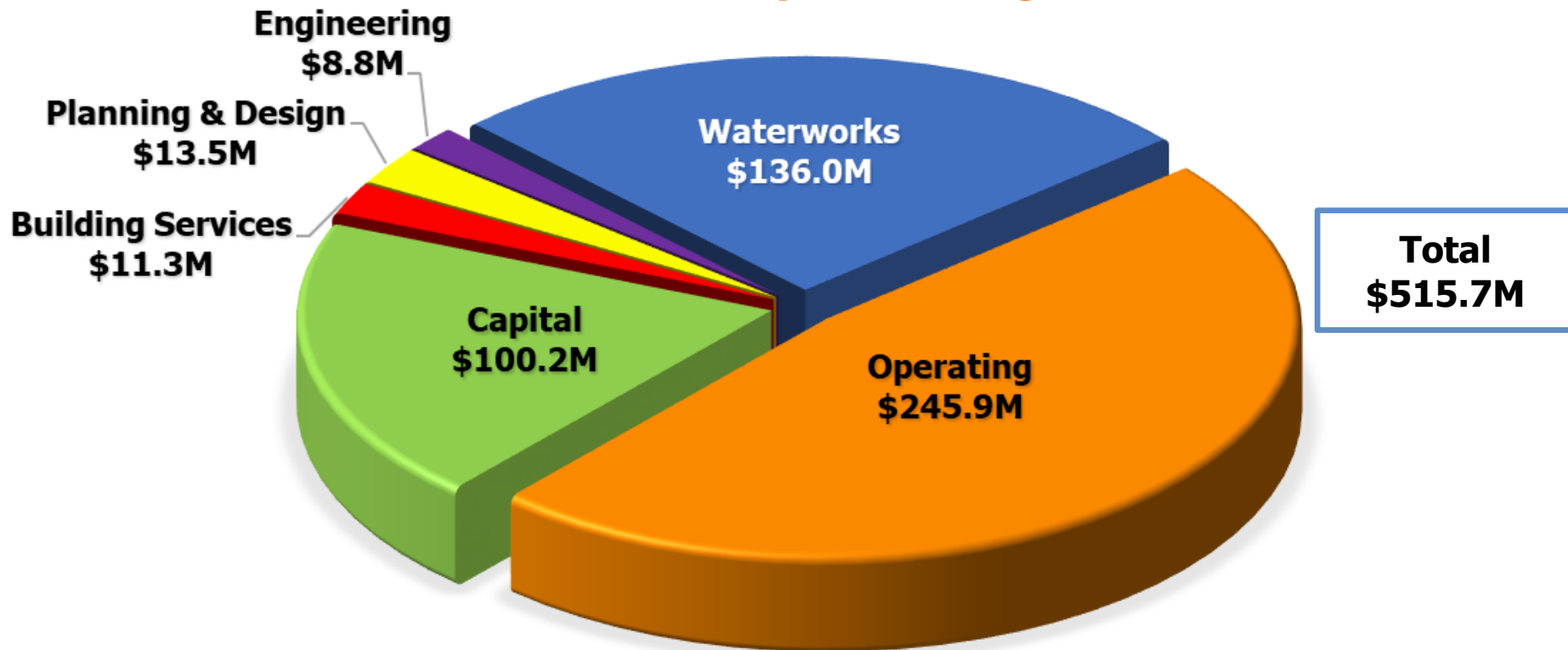
### **Accessibility**

The goal of the Accessibility for Ontarians with Disabilities Act is to make Ontario fully accessible. The City has submitted all required guidelines and reports based on compliance milestones and is on target for overall compliance by 2025.

- **Underway** – information and communication initiative to update public websites to meet Web Content Accessibility Guidelines (WCAG) 2.0 Level AA (January 1, 2021)
- **Ongoing** – design of public spaces according to the City's Accessibility Design Guidelines
  - development applications
  - new and retrofit facilities and buildings operated by the City

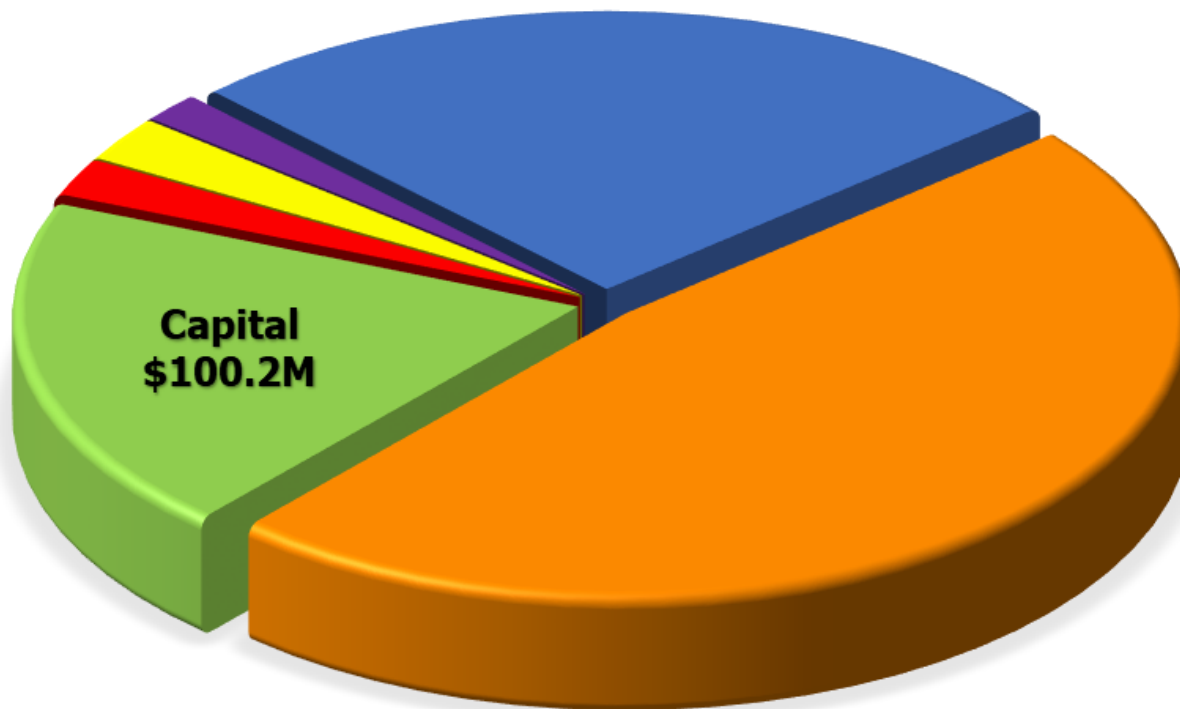


### 3. 2021 Proposed Budget





### 3. 2021 Proposed Capital Budget

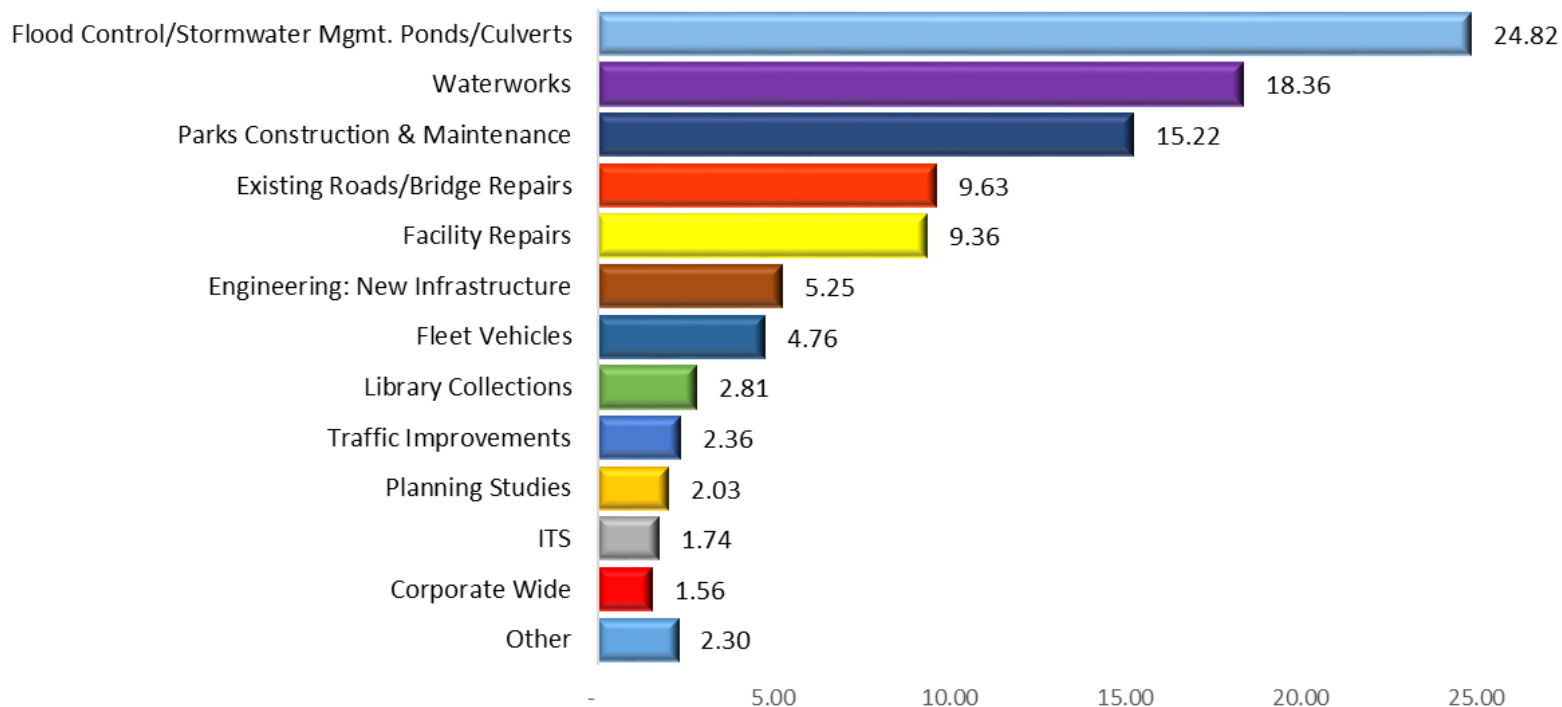






## 3a. 2021 Proposed Capital Budget Expenditure Types

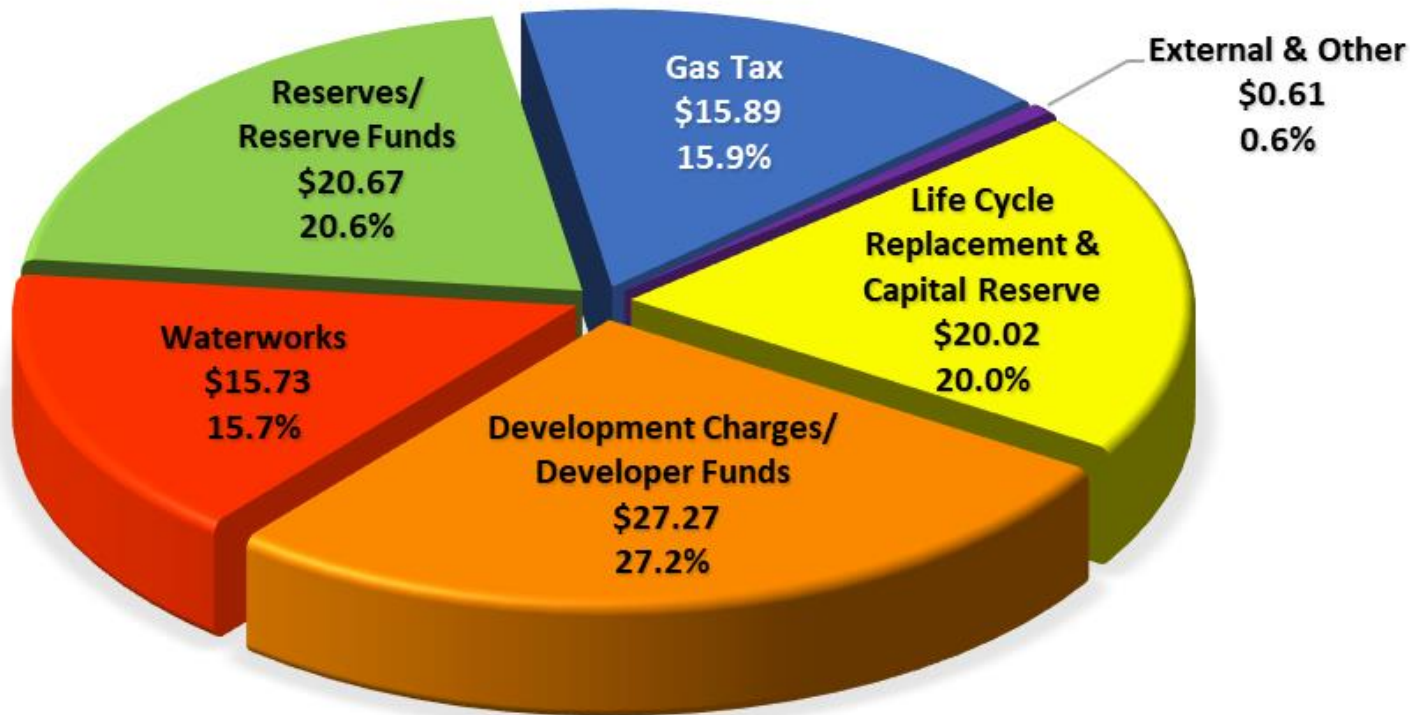
**Total \$100.2M (\$ millions)**





### 3b. 2021 Proposed Capital Budget Funding Sources

**Total \$100.2M** (\$ millions)





### 3c. Life Cycle Reserve Update

- Markham formally established the Life Cycle Replacement and Capital Reserve in 2004 to address the on-going capital replacements and preventative maintenance of capital assets
- The adequacy of the Life Cycle Reserve is reviewed annually using a 25-year rolling planning horizon (The current study ends 2046, 25 years from the end of the current Council term)
- Annual updates of the reserve study have identified funding shortfalls over the 25 year outlook due to inflation, past growth and new assets
- Since 2017, Council has committed to a 0.5% infrastructure investment annually to ensure there are sufficient funds in the reserve for the rehabilitation and replacement of infrastructure over the next 25 years based on known inflows and outflows



## 3c. Life Cycle Reserve Update

### **2021 Inflow Assumptions:**

- Increase in earned reserve interest
- Increase in Gas Tax assumption based on Federal Government's 2019-2023 payment schedule
- Incremental one-time transfer of 2019 investment income surplus and operating surplus
- Incremental returns from staff awards and closed projects
- Increase in Municipal Accommodation Tax beginning in 2022
- Change to Alectra forecast



## 3c. Life Cycle Reserve Update

### 2021 Outflow Assumptions:

- Department projected expenditures reflect known assets in inventory, using a combination of the following pricing methodologies:
  - historical trending
  - 3-year average
  - most recent awarded price or vendor quote
  - industry standard
- Department projected asset replacement cycles based on the following methodologies:
  - condition assessment
  - industry standard useful life



### 3c. Life Cycle Reserve Update

The 2021 Life Cycle Study Update resulted in a higher than usual shortfall. In collaboration with all departments, this shortfall was mitigated through the following strategies:

- Extending life cycle
- Revising scope of replacement
- Updating pricing of asset replacements
- Changes proposed were deemed as acceptable or low risk

**With the Council approved incremental 0.5% infrastructure investment, there will be sufficient funds in the life cycle reserve over the next 25 years based on known inflows and outflows**





### 3d. Proposed 2021 Capital Budget

	# of Projects	\$ Millions
2020 Capital Budget	264	111.5
2021 Capital Budget	177	100.2
2021 Decrease vs. 2020 Capital Budget	-87	-11.3
% Change	-33.0%	-10.1%

**The 2021 capital budget focuses on priority projects that can be undertaken in 2021**



## 3d. Proposed 2021 Capital Budget Highlights - \$100.2M

**\$22.0M**

Flood control and  
stormwater management



**\$18.4M**

Water and wastewater system  
replacement/upgrade program



**\$11.7M**

New parks/trails design  
and construction



**\$10.6M**

Road construction,  
repairs and  
rehabilitation



**\$9.4M**

Exterior and interior  
facility improvement  
program



**\$4.8M**

Fleet replacement and  
repairs



**\$4.3M**

Park Maintenance and Tree  
Pruning Program



**\$2.8M**

Library collections and  
e-resources





## **3d. Proposed Capital Budget Highlights** **Engaged, Diverse and Thriving City (\$ in Millions)**

- |  |       |
|--|-------|
| 1. Celebration Park – construction<br>(Ward 7, completion: Q3 2023, 10.3 ha.)                | \$7.6 |
| 2. Blodwen Davies Park – construction<br>Ward 5, completion: Q3 2022, 6.4 ha.)               | 1.7   |
| 3. Yonge & Grandview Park – design & construction<br>(Ward 1, completion: Q3 2022, 0.29 ha.) | 0.6   |
| 4. Green Lane Park – design & construction<br>(Ward 1, completion: Q4 2022, 0.32 ha.)        | 0.5   |
| 5. Berczy Beckett Park – design & construction<br>(Ward 6, completion: Q2 2022, 0.17 ha.)    | 0.5   |
| 6. Markham Centre Trail Phase 1B – construction<br>(Ward 3, completion: Q4 2021)             | 0.8   |

**Nettie Raymer  
Koch Park**



**Cornell Woodlot Park**





### 3d. Proposed 2021 Capital Budget - Highlights

#### Safe and Sustainable Community (\$ in Millions)

##### **Flood Control Program**

- A 30 year, City-wide initiative to improve draining capacity to help protect public and private properties, and make critical infrastructure more resilient to climate change.
- Storm sewer capacity upgrades have progressed in several West Thornhill priority areas including the Bayview Glen neighbourhood and the Grandview neighbourhood.
- As of September 2020, Phase 1 (Bayview Glen area) and Phase 2 (Grandview area) have been substantially completed. Construction is underway in Phase 3A (Morgan Ave. area).
- Phase 3B (John St, Vanwood Rd) and Phase 4A (Royal Orchard) construction is planned for 2021.
- Markham Village and Unionville Environmental Assessment to be presented to Council in Q2 2021.
- Private Plumbing Protection Program, initiated in 2018, has been extended through 2022.

##### **2021 Capital Budget includes:**

- |  |        |
|--|--------|
| 1. Continuation of construction in the West Thornhill area (Phase 3B & 4A) | \$19.7 |
| 2. Don Mills Channel Flood Control Pond Design                             | 1.2    |
| 3. Don Mills Channel Site Assessments                                      | 0.1    |





## 3d. Proposed Capital Budget Highlights

### Safe and Sustainable Community (\$ in Millions)

1. Water system and water meter replacement/upgrade program	\$13.4
2. Exterior and interior facility improvement program at Community Centres, Libraries, Fire Stations, Civic Centre and other City facilities	9.4
3. Asphalt resurfacing	6.8
4. Sanitary sewer and pumping station rehabilitation program	5.0
5. New roads and sidewalks	2.0
6. Tree pruning, Year 2 of 3	1.0
7. Streetlights – design and construction of new, repair and replacements	0.6
8. Intersection improvements	0.1
9. Traffic operational improvements	0.1
10. Continuation of Trees for Tomorrow initiative	0.1







## 3d. Proposed Capital Budget Highlights

### Exceptional Services by Exceptional People (\$ in Millions)

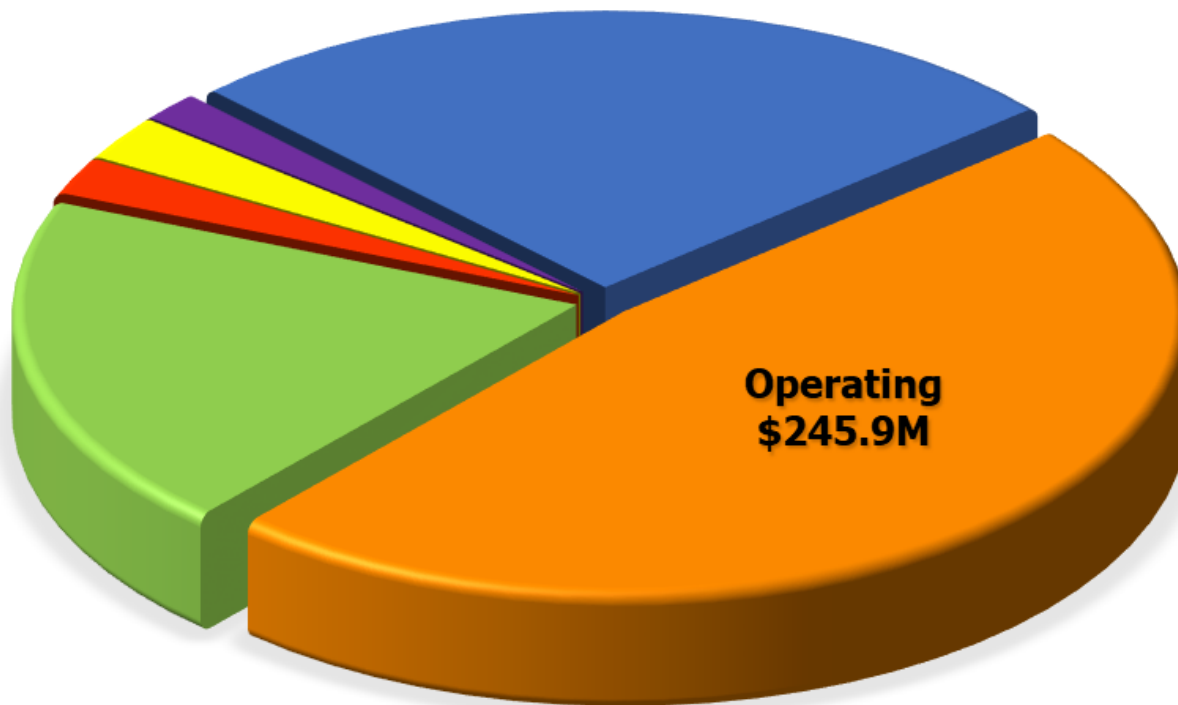
- |   |       |
|---|-------|
| 1. Library Collections & e-resources          | \$2.8 |
| 2. Playstructure Replacement                  | 0.4   |
| 3. Courts Resurfacing & Reconstruction        | 0.2   |
| 4. Sportsfield Maintenance and Reconstruction | 0.1   |







## 4. 2021 Proposed Operating Budget





## 4a. Markham Pressures





## 4a. Markham Pressures



### Personnel

1. Canadian Union of Public Employees (CUPE) collective agreement (contract ended March 31, 2020)
2. Markham Professional Fire Fighters Association (MPFFA) collective agreement (contract ended December 31, 2019)

**Total: \$1.04M**





## 4a. Markham Pressures



### Growth

1. Increase in costs related to:



a) 4.7 additional kms of road, 9.4km of sidewalks, 5.9km of rear lanes – road maintenance, winter maintenance and street & catch basin cleaning



b) 21 additional hectares of parks, 25 hectares of storm water management ponds and natural areas – park maintenance



c) 350 streetlights – power, maintenance and repair



d) 1,339 additional households – waste collection services

2. Contribution to capital program

3. Capital induced operating expenses

**Total: \$1.51M**





## 4a. Markham Pressures



### Municipal Contracts

#### Contract Escalations

1. Waste management
2. Catch basin cleaning services
3. Information technology
4. Insurance

**Total: \$3.75M**

#### Excellence Through Efficiency and Effectiveness (E3)

1. LED Streetlight project payback and others
2. Support services to Building, Planning & Design, Engineering & Waterworks

**Total: (\$1.36M)**





## 4a. Markham Pressures



### Infrastructure

Life Cycle and Water & Wastewater reserve studies are updated annually to determine the adequacy of the reserves for future replacement of existing assets against projected inflows. There are infrastructure pressures identified in the following areas:

#### 1. **Life Cycle Reserve Study**

- Replacement of existing and new assets
- Life Cycle Reserve Study identified the need for a 0.5% infrastructure investment in 2021

#### 2. **Development Charges Background Study**

- Non-growth portion of City-wide hard and soft services

#### 3. **Water and Wastewater Reserve Study**

- Increases from the Region of York
- Sustainability of future water rates







## 4a. Markham Pressures



Personnel



Growth



Municipal Contracts



Infrastructure

**Operating  
Expenditures  
Impact**

**\$4.9M**

Equivalent to a gross  
tax rate increase of  
3.03%





## 4b. Proposed Operating Budget - Expenditures

(Excl. Planning & Design, Engineering, Building Standards and Waterworks)

(\$ Millions)	2020 \$	2021 \$	Increase/ (Decrease) \$	Tax Rate Increase %
<b>Total Expenditures</b>	<b>240.17</b>	<b>245.10</b>	<b>4.93</b>	
<b>Personnel Costs</b>				
Existing staff and benefits			1.04	
			<b>1.04</b>	
<b>Growth</b>				
Growth (roads & parks including part-time staff, waste, winter maintenance)			0.67	
Transfer to capital program			0.55	
Capital induced operating costs			0.28	
			<b>1.51</b>	
<b>Municipal Service Contracts</b>				
Contract escalations (Waste contract renewal, Catchbasin cleaning, IT software)			3.59	
Other			0.15	
			<b>3.75</b>	
<b>E3 - net savings based on operational review, support services and awards</b>			<b>(1.36)</b>	
<b>Total Expenditure Increases</b>			<b>4.93</b>	<b>3.03%</b>



## 4b. Proposed Operating Budget - Revenues

(Excl. Planning & Design, Engineering, Building Standards and Waterworks)

(\$ Millions)	2020 \$	2021 \$	Increase/ (Decrease) \$	Tax Rate Increase/ (Decrease) %
<b>Total Revenues</b>	<b>237.88</b>	<b>240.94</b>	<b>3.06</b>	
Assessment and supplemental growth (1.20%)			1.95	
Lease revenue (7100 Birchmount)			0.83	
E3 - net revenue based on operational review			0.33	
Other			(0.05)	
<b>Total Revenue Increases</b>			<b>3.06</b>	<b>(1.88%)</b>



## 4b. Proposed 2021 Operating Budget

(Excl. Planning & Design, Engineering, Building Standards and Waterworks)

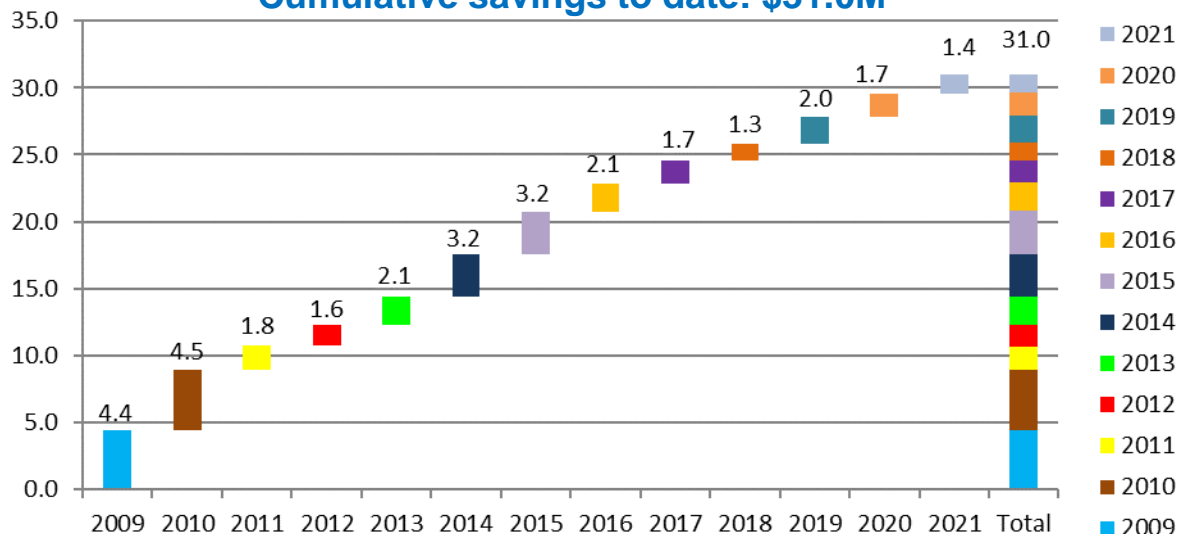
(\$ Millions)	2020 \$	2021 \$	Increase/ (Decrease) \$	Tax Rate Increase/ (Decrease) %
<b>Revenues</b>	<b>237.88</b>	<b>240.94</b>	<b>3.06</b>	<b>(1.88%)</b>
<b>Expenditures</b>				
Personnel	141.34	142.38	1.04	
Non-Personnel	98.83	102.72	3.89	
<b>Total Expenditures</b>	<b>240.17</b>	<b>245.10</b>	<b>4.93</b>	<b>3.03%</b>
<b>Shortfall: Day-to-day operations</b>	<b>2.29</b>	<b>4.16</b>	<b>1.87</b>	<b>1.15%</b>
<b>Infrastructure Investment</b>	<b>0.79</b>	<b>0.82</b>	<b>0.03</b>	<b>0.50%</b>
<b>Net Shortfall</b>	<b>3.08</b>	<b>4.97</b>	<b>1.90</b>	<b>1.65%</b>



## 4b. Proposed 2021 Operating Budget

### Excellence Through Efficiency and Effectiveness (E3)

Cumulative savings to date: \$31.0M



2021 savings to date  
\$1.4M

Cumulative  
savings to date  
\$31.0M

Total savings  
\$31.0M – equates to  
tax rate increase  
avoidance of 25.30%



## 4b. Proposed 2021 Operating Budget

(Excl. Planning & Design, Engineering, Building Standards and Waterworks)

1% tax rate increase = \$1.63M

(\$ Millions)	2020 Approved Budget	% of Total Budget	2021 Proposed Budget	% of Total Budget
<b><u>Expenditures</u></b>				
Salaries and Benefits	\$141.3	58.9%	\$142.4	58.1%
Transfer to Reserves (incl. Alectra/MEC/MDEI transfer)	38.4	16.0%	39.0	15.9%
Purchased Services (1)	16.6	6.9%	16.6	6.8%
Utilities and Streetlight Hydro	11.3	4.7%	11.3	4.6%
Winter Maintenance	10.3	4.3%	10.7	4.4%
Waste Management	9.4	3.9%	12.3	5.0%
Materials and Supplies (2)	5.8	2.4%	5.8	2.4%
Insurance	2.7	1.1%	2.9	1.2%
Other Expenditures	4.2	1.7%	4.2	1.7%
<b>Total Expenditures</b>	<b>\$240.2</b>	<b>100.0%</b>	<b>\$245.1</b>	<b>100.0%</b>

(1) Purchased Services includes: Facility/equipment maintenance, computer hardware/software agreements, asphalt repairs, pavement markings

(2) Materials and Supplies includes: Building, program and safety supplies, vehicle fuel and parts



## 4b. Proposed 2021 Operating Budget

(Excl. Planning & Design, Engineering, Building Standards and Waterworks)

1% tax rate increase = \$1.63M

(\$ Millions)

### **Revenues**

	<b>2020 Approved Budget</b>	<b>% of Total Budget</b>	<b>2021 Proposed Budget</b>	<b>% of Total Budget</b>
Property Tax Revenues	\$163.6	68.8%	\$165.5	68.7%
User Fees and Services Charges	21.3	9.0%	21.3	8.9%
Rentals, Licences and Permits	13.0	5.5%	14.2	5.9%
Interest and Dividend Income - Alectra/MEC/MDEI	13.7	5.7%	13.7	5.7%
Income from Investments	11.0	4.6%	11.0	4.6%
Fines and Recoveries	5.1	2.2%	5.1	2.1%
Property Tax Penalty & Interest	4.3	1.8%	4.3	1.8%
Grant and Subsidy Revenues	1.9	0.8%	1.9	0.8%
Other Revenues	3.9	1.6%	3.9	1.6%
<b>Total Revenues</b>	<b>\$237.9</b>	<b>100.0%</b>	<b>\$240.9</b>	<b>100.0%</b>



## 4d. COVID-19 Potential Impacts



(\$ millions) <b>Business Area</b>	<b>Change Fav/(Unfav)</b>
Recreation	(\$0.45)
Culture	(0.13)
Library	2.49
Legislative Services	(1.23)
Supplemental Taxes	0.92
Assessment Growth	(0.49)
COVID-19 related costs	(1.10)
<b>Net Impact</b>	<b>\$0.0</b>

**COVID-19 impacts expected to be neutral and will be monitored and reported throughout 2021**





## 4c. Impact to Average Residential Property




Property Type	2020 Average Current Value	1.65% Tax Rate Increase
Residential Homes* 	\$943,231	\$23.90
Residential Condominiums 	\$418,281	\$10.60
<b>Average</b> (Homes and Condominiums)	<b>\$831,448</b>	<b>\$21.07</b>

Every 1% tax rate increase (local portion only) is equivalent to an increase of \$12.77 in property taxes for an average residential property

\* Residential Homes include single family detached, linked homes, freehold townhouses, and semi-detached.



## 4c. Impact to Average Residential Property

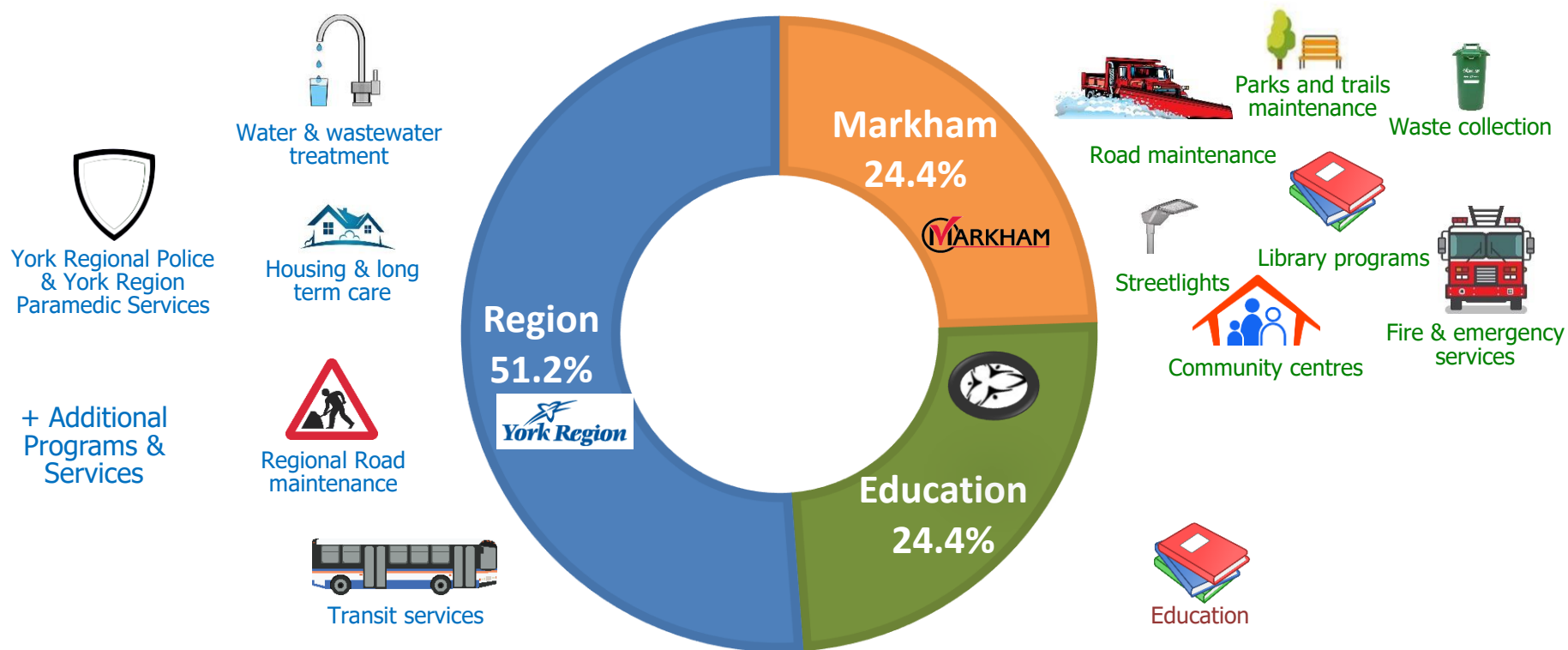
		2021 Increase	Increase \$
Tax rate increase – Markham (includes 0.5% Infrastructure Investment)		1.65%	21
Tax rate increase – York Region		2.96%	79
Water & wastewater fee		0% to 2.9%	0 to \$27
<b>Total</b>			<b>\$100 to \$127</b>

Note: Excludes continuation of the \$51 stormwater fee



## 4c. Impact to Residents

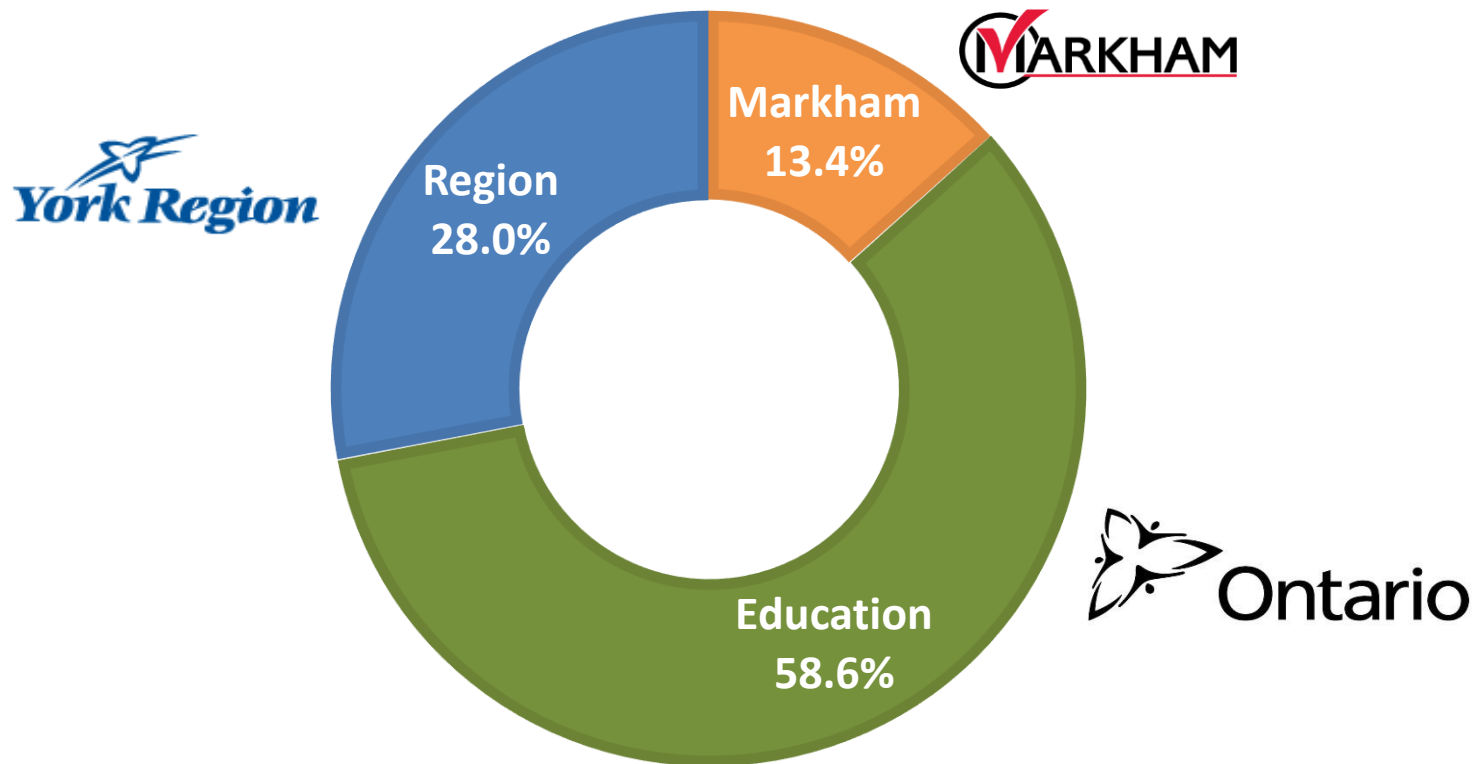
### Assessment and Property Taxes, 2020 Residential Property Tax Distribution





## 4c. Impact to Non-Residents

### Assessment and Property Taxes, 2020 Non-Residential Property Tax Distribution





## 5. Next Steps

- ✓ Review of 2021 Capital Budget by exception (Budget Committee Meetings #2 – 5)
  1. Friday, November 6, 2020 – 9:00 a.m. - 12:00 p.m.
  2. Tuesday, November 10, 2020 – 9:00 a.m. – 12:00 p.m.
  3. Friday, November 13, 2020 – 9:00 a.m. – 12:00 p.m.
  4. Tuesday, November 17, 2020 – 9:00 a.m. – 12:00 p.m.





## Discussion

**2021 Budget**  
**Budget Committee Meeting #1**  
**November 3, 2020**