



2023 Budget Committee Meeting #4
Operating Budget Details
February 17, 2023

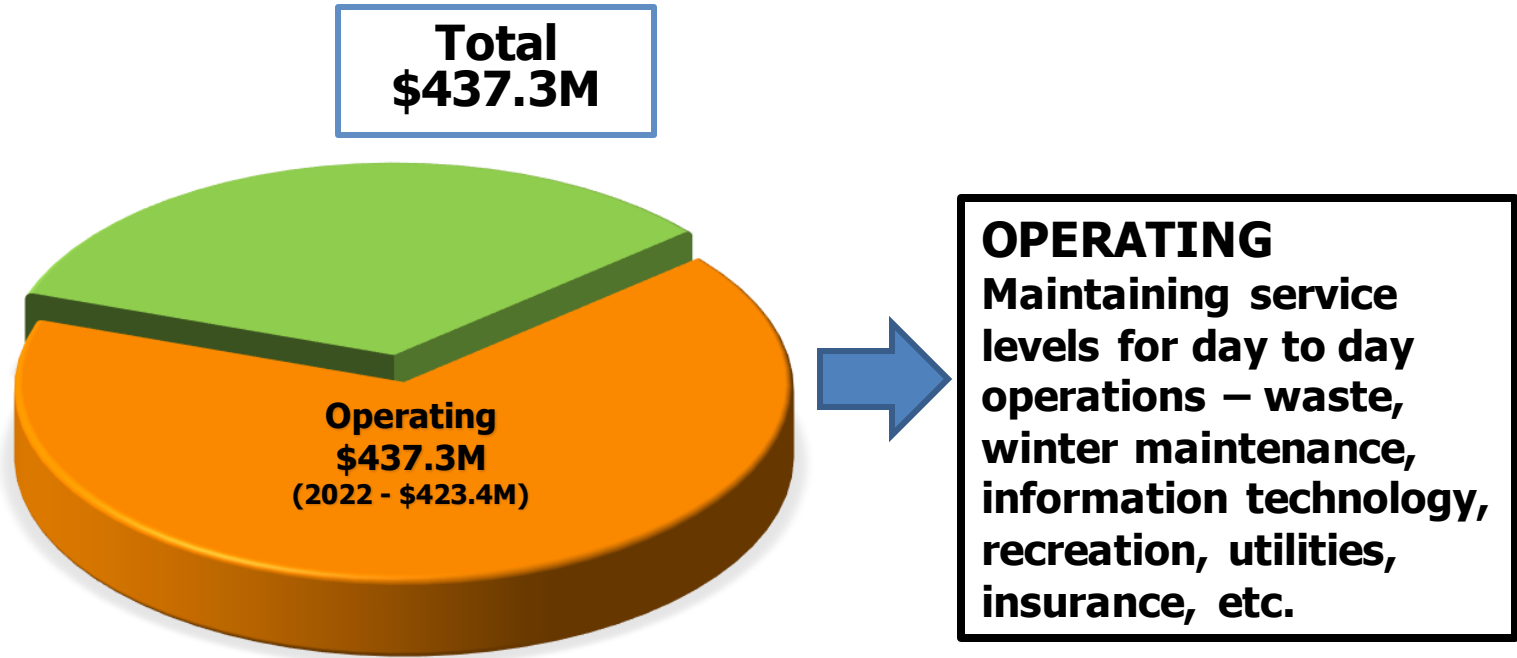


Agenda

1. 2023 Preliminary Operating Budget
 - a. Funding Sources
2. 2023 Primary Operating Budget
 - a. Property Tax Distribution
 - b. Highlights of the Primary Operating Budget
 - c. Recap of 2023 Proposed Tax Rate
 - d. Operating Budget P&Ls
 - e. Excellence Through Efficiency and Effectiveness (E3) 2023 update
 - f. New Staffing Requests and Conversions
 - g. 2022 In-Year Staffing
 - h. Payback of Corporate Rate Stabilization
 - i. Bill 23 Impacts
3. Property Tax Implications
 - a. Non-Residents
 - b. Residents
 - c. Municipal Tax Comparison
4. Non-Tax Divisions Operating Budgets
 - a. Building Operating Budget
 - b. Planning and Design Operating Budget
 - c. Engineering Operating Budget
 - d. Waterworks Operating Budget
5. Recommendation
6. Next Steps

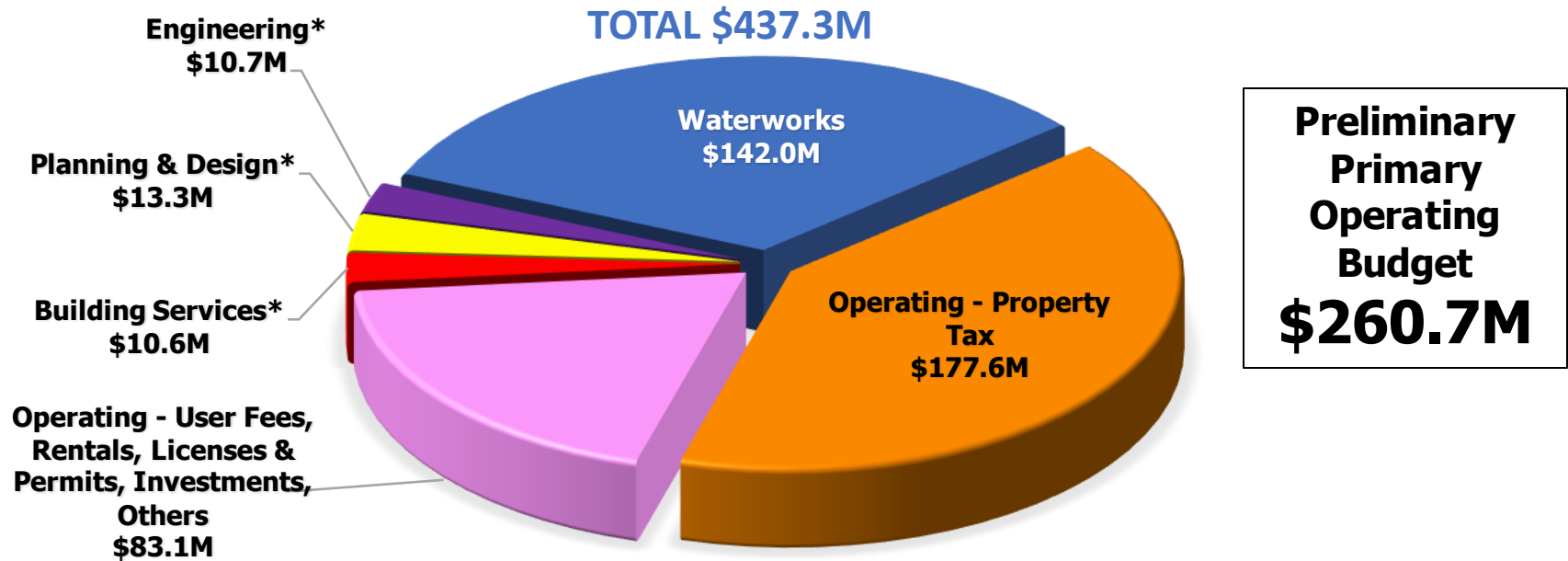


1. 2023 Preliminary Operating Budget





1a. 2023 Preliminary Operating Budget Funding Sources



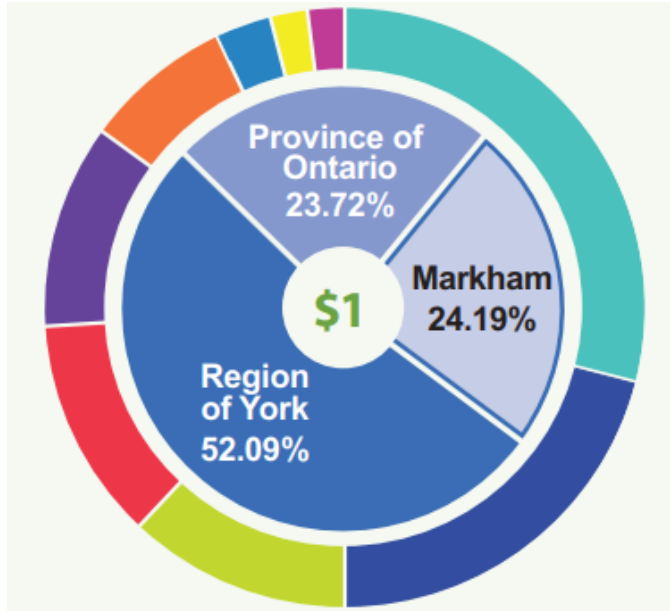
*Engineering, Planning Design, and Building Services are self funded through developer fees



2a. Property Tax Distribution

Where Does Your Current City Tax Dollar Go? Markham's Portion Only (2022)

**For every \$1.00 of tax
revenue Markham collects...**



- Fire & Emergency Services | \$0.30
- Roads, Bridges & Sidewalks | \$0.21
- Library Services | \$0.12
- Parks Maintenance | \$0.11
- Waste, Recycling & Environmental Management | \$0.10
- Recreation Services | \$0.09
- Arts & Culture | \$0.03
- Traffic Operations | \$0.02
- Bylaw Enforcement & Licensing | \$0.02



2b. Highlights of the Primary Operating Budget Expenditures

Fire and Emergency Services



Roads, Bridges and Sidewalks



Library Services



Parks Maintenance



Waste, Recycling and Environmental Management



Recreation Services



Arts and Culture



Winter Maintenance



By-law Enforcement and Licensing



2c. Recap of the 2023 Proposed Tax Rate New Legislative Impacts

Bill 23 – More Homes Built Faster (2022)

- Reduction in Development Charge (DC) Collections
- Reduction in Parkland Dedication/Cash In Lieu
- Reduction in DC funding for staffing related to studies

Bill 109 - More Homes for Everyone Act (2022)

- Risk of refunding fees for applications if timelines are not met
- Potential requirement for new staff to meet timelines

Bill 93 - Getting Ontario Connected Act/Ontario Underground Infrastructure Notification System

- Administrative Monetary Penalties (AMPs) on non-compliance in meeting timelines for locate requests, effective April 1, 2023



2c. Recap of the 2023 Proposed Tax Rate

Day-to-Day Budget Pressures



Personnel

- CUPE & Markham Professional Firefighters Association Settlements (MPFFA), Non-Union Cost of Living Adjustments (COLA)
- New Staffing Requests
- Full Time/Part Time Grid Movements



Growth

- Additional 7.9km of roads, 15.8km of sidewalks, 1.1km of rear lanes
- Additional 5.75 hectares of parks, 25 hectares of Storm Water Maintenance Ponds/natural areas
- Additional streetlights and households for waste collections
- Infrastructure investment



Other

- Corporate Rate Payback (Year 2 of 5)
- Winter maintenance and waste contract escalations
- Insurance
- Diminishing opportunities for Excellence Through Efficiency and Effectiveness (E3) Savings



2c. Recap of the 2023 Proposed Tax Rate Additional New Budget Items

1% Tax Rate Increase = \$1.695M



Personnel

- 2022 In-Year resourcing for major ITS projects EAM and CLASS replacement \$0.7M or 0.4% Tax Rate Impact
- 2022 In-Year resourcing for HR strategic reorganization \$0.7M or 0.4% Tax Rate impact
- Reduction of DC funded salary recoveries \$1.7M or 1.0% Tax Rate impact



Other

- Full payback to the Corporate Rate Stabilization Reserve draw from 2021 Budget \$3.15M or 1.9% tax rate impact
- 1% provision for future Bill 23 Parkland, Growth Studies, and reduced DC Collection impacts





2c. Recap of the 2023 Proposed Tax Rate Long-term Forecast Budget Pressures



Personnel

- MPFFA (Fire) settlement set to expire Dec 2023
- CUPE settlement set to expire Mar 2024
- Phase out of DC funding for studies
- Changing staffing needs to meet new legislative targets (e.g. Bill 109, Bill 23)



Other

- Bill 23 impacts on DC Funded Projects and Parkland Acquisitions
- Inflationary pressures on existing and future contracts
- Life Cycle Reserve requires additional funding
- Provision for Seniors Tax Grant





2c. Recap of the 2023 Proposed Tax Rate

1% Tax Rate Increase = \$1.695M

Long-Term Forecast (2023-2026)	2023	2024-26	TOTAL
Day-to-Day Operations	2.9%	9.0%	11.9%
New Staffing, CUPE/MPFFA Settlement, COLA	0.1%	4.4%	4.5%
In-Year Staffing (ITS and People Services)	0.9%		0.9%
Investment Income	(2.0%)		(2.0%)
Payback of Corporate Rate Stabilization (Yr 2 of 5)	0.5%		0.5%
Infrastructure Investment	0.6%	2.4%	3.0%
Sub-total Tax Increase from Day-to-Day Operations	3.0%	15.8%	18.8%
Payback of Remaining Corporate Rate Stabilization	1.4%		1.4%
Bill 23 Salary Recoveries Impact	1.0%		1.0%
Bill 23 Impact on Parkland, DC Collection, Growth Studies	1.0%		1.0%
Sub-total Tax Rate Increase excl. Future Impacts & Provisions	6.4%	15.8%	22.2%
Bill 23 Future Impacts Provision		78.0%	78.0%
Transition of Blue Box Program to Producers		(1.0%)	(1.0%)
Seniors' Tax Grant Provision		0.5%	0.5%
Tax Rate Increase incl. Future Provisions	6.4%	93.3%	99.7%



2d. Operating P&L - Expenditures



Personnel



Growth



Rising Inflation



Legislative Trends (Bill 23, Bill 109)

**Operating
Expenditures
Impact**

\$10.65M

Equivalent to a gross
tax rate increase of
6.29%





2d. Operating P&Ls

(\$ Millions)	2022 \$	2023 \$	Increase/ (Decrease) \$	Tax Rate Increase %
Total Expenditures	249.90	260.55	10.65	
Personnel Costs				
Existing staff and benefits (Wage Settlements, Ramp ups, Min. wage increase)			\$4.02	
New staff requests (In-Year Staffing, Capital Induced)			2.39	
			6.41	
Growth				
Growth (roads & parks including part-time staff, waste, winter maintenance)			1.46	
Transfer to capital program			0.58	
Capital induced operating costs			0.60	
			2.63	
Municipal Service Contracts				
Contract escalations (waste and winter maintenance)			2.13	
Service level increases (winter maintenance - senior windrows snow removal from 8 to 4 hours)			0.14	
			2.26	
Net E3 savings on operational reviews and awards, and support services			(\$0.65)	
Total Expenditure Increases			10.65	6.29%



2d. Operating P&Ls

(\$ Millions)	2022 \$	2023 \$	Increase/ (Decrease) \$	Tax Rate Increase/ (Decrease) %
Total Revenues	249.90	257.20	7.30	(4.31%)
Assessment and supplemental growth			1.97	
Investment Income			3.42	
User Fees and Service Charges			1.32	
Property tax penalties & interest and lease revenues			0.47	
Other			0.13	
Total Revenue Increases			7.30	(4.31%)



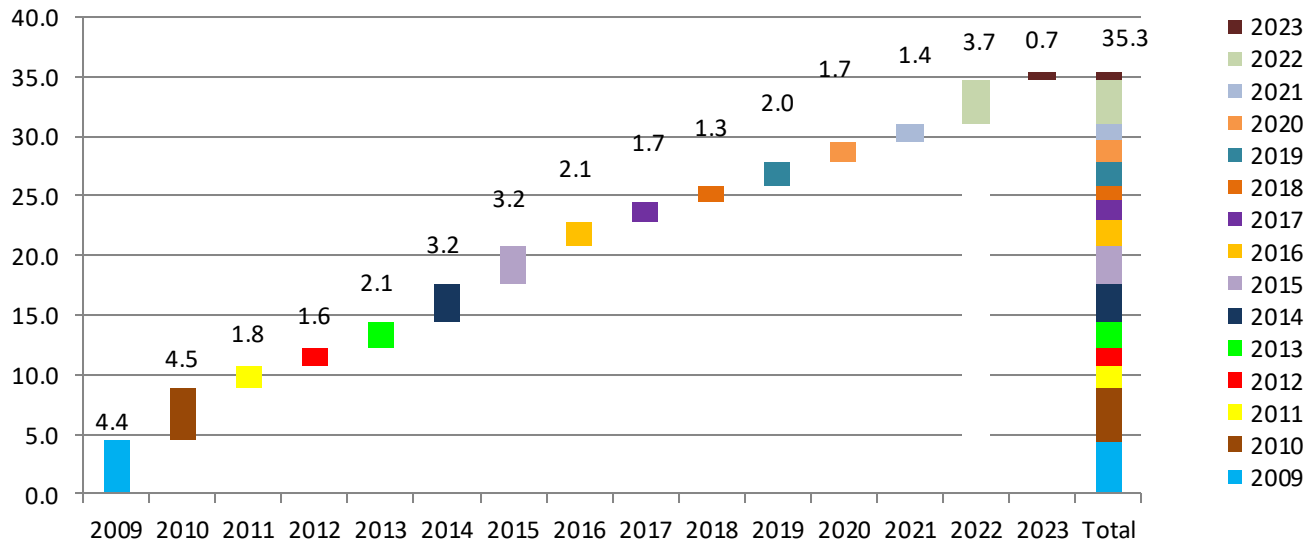
2d. Operating P&Ls

(\$ Millions)	2022 \$	2023 \$	Increase/ (Decrease) \$	Tax Rate Increase/ (Decrease) %
Revenues	249.90	257.20	7.30	(4.31%)
Expenditures				
Personnel	144.94	151.70	6.76	
Non-Personnel	104.96	108.85	3.89	
Total Expenditures	249.90	260.55	10.65	6.29%
Shortfall: Day-to-day operations	-	3.34	3.34	1.98%
Infrastructure Investment		1.02	1.02	0.60%
Payback of Corp Rate Stabilization (Yr 2 of 5)		0.79	0.79	0.46%
Shortfall: Day-to-day operations - City Controlled	-	5.15	5.15	3.04%



2e. Excellence Through Efficiency and Effectiveness (E3)

Cumulative Savings and Revenue enhancements to date: \$35.3M



2023 Savings and Revenue enhancements to date
\$0.7M

Cumulative Savings of \$23.6M and Revenue enhancements of \$11.7M = Total to date \$35.3M

Total Savings and Revenue enhancements of \$35.3M – equates to tax rate increase avoidance of 27.98%



2f. New Staffing Requests

		A	B	C = A - B
		No. of	Salary	Expense /
		Positions	for 2023	Revenue Offset
				Net Tax Funded Impact
Tax Funded Budget - 2023 Request				
Dept	<u>New Position Requests - Full-Time</u>			
OPS	Parks General Maintenance	1	61,818	61,818
OPS	Locates Operator	1	67,995	67,995
BYL	By-Law Officers	3	249,939	249,939
FIN	Financial Analyst (Reporting)	1	93,210	93,210
FIN	Cash Control Analyst	1	85,358	85,358
LEG	Manager - Administrative Monetary Penalty Service Centre	1	137,810	137,810
LEG	Administrative Monetary Penalty Analyst	1	93,210	93,210
BLD	Supervisor, Special Investigations	1	116,765	116,765
BLD	Process Management Administrator	1	86,637	86,637
BLD	Manager, Customer Engagement & Administration	1	137,810	137,810
BLD	Technical & Regulatory Specialist	1	92,694	92,694
BLD	Zoning Administrator	1	70,912	70,912
ENG	Project Engineer - Active Transportation	1	116,765	75,897
P&R	Planner II	1	93,210	93,210
Total New Position Requests - Full-Time		16	1,504,133	1,401,447
Benefits (27.75%)			417,397	388,902
Total New Position Requests Including Benefits		16	1,921,530	1,790,349



2f. New Staffing Requests – Capital Induced

		A	B	C = A - B	
		No. of	Salary	Expense /	Net Tax Funded
		Positions	for 2023	Revenue Offset	Impact
Tax Funded Budget - 2023 Request					
Dept	New Position Requests - Capital Induced				
ITS	Microsoft 365 Cyber Security Support	1	97,554		97,554
ITS	Administrative Monetary Penalty (AMP) Expansion Resource	1	124,625		124,625
SAM	Corporate Asset Management Coordinator	1	97,720		97,720
ENG	Project Manager - Markham Transportation Strategic Plan (MTSP)	1	114,500	114,500	-
Total Capital Induced - Full-Time		4	434,398	114,500	319,898
Benefits (27.75%)			120,546	31,774	88,772
Total New Position Capital Induced Requests Including Benefits		4	554,944	146,274	408,670



2f. New Staffing Requests - Conversions

Tax Funded Budget - 2023 Request		A	B	C = A - B	
Dept	Conversion Requests	No. of Positions	Salary for 2023	Expense / Revenue Offset	Net Tax Funded Impact
ES	Environmental Engineer	1	17,807	17,807	-
OPS	Administrative Accounting	1	23,604	23,604	-
OPS	Utility Coordinator/Inspector	1	10,814	10,814	-
OPS	Streetlight/Utility Technical Coordinator	1	14,215		14,215
OPS	Fleet Clerk Conversion to Permanent	1	21,633	21,633	-
OPS	Labourer to Operator (OU3 to OU4B) (In-House Locates Model)	2	20,035	20,035	-
REC	Facility Operator 1	2	83,943		83,943
LEG	MLEO Conversion (Business Licensing Standards)	2	26,424	26,424	-
SAM	Facility Engineer	1	15,616	15,616	-
SAM	Manager, Facility Maintenance	1	21,016	21,016	-
BLD	Application Administrator	1	3,468	3,468	-
BLD	Zoning Examiner	1	13,212	13,212	-
BLD	Building Engineer	1	5,975	5,975	-
Total Conversion Requests Including Benefits		16	277,763	277,763	98,158



2g. 2023 Proposed Operating Budget – 2022 In-Year Staffing

		A	B	C = A - B	
Tax Funded Budget - Approved In-Year 2022		No. of Positions	Salary for 2023	Expense / Revenue Offset	Net Tax Funded Impact
Dept	New Position Requests - Full-Time				
ITS	Enterprise Asset Management Coordinator	1	102,230	20,446	81,784
ITS	PerfectMind Quality Assurance	1	87,365	17,473	69,892
ITS	PerfectMind Business Analyst	1	102,230	20,446	81,784
ITS	PerfectMind Coordinator	1	102,230		102,230
ITS	Enterprise Asset Management Geographic Information System Technologist	2	174,730	87,365	87,365
PS	HR Business Partner	3	413,430	82,686	330,744
PS	Organizational Development Specialist	2	233,530	46,706	186,824
OPS	Manager, Utility Inspection & Right-of-Way	1	125,448		125,448
Total New Position Requests - Full-Time		12	1,341,193	275,122	1,066,071
Benefits (27.75%)			372,181	76,346	295,835
Total New Position Requests Includ Benefits		12	1,713,374	351,468	1,361,906



2h. Payback of Corp Rate Stabilization

1% Tax Rate Increase = \$1.695M

1. Options to payback Corp Rate Stabilization

(\$ Millions)	Tax Rate Increase	
	\$	%
Payback of Corp Rate Stabilization (Yr 2 of 5)	0.79	0.46%
Payback of Corp Rate Stabilization (Yr 3 of 5)	0.79	0.47%
Payback of Corp Rate Stabilization (Yr 4 of 5)	0.79	0.47%
Payback of Corp Rate Stabilization (Yr 5 of 5)	0.79	0.46%
Total Payback of Corp Rate Stabilization	3.15	1.86%



2i. Recap of Bill 23

More Homes Built Faster Act, Bill 23



Development
Charges (DC)
Reduction



Parkland
dedication/cash in
lieu reduction

Key Issues:

- Affordable, inclusionary zoning and select attainable housing units development will be exempt from development charges, parkland dedication fees, and community benefit charges
- Discount of DC rates, beginning with 20% in the first year and subsequently decreasing by 5% each year until year five
- Reduction in DC funding for staffing related to studies
- A cap on the maximum amount of land that can be conveyed or paid for in lieu by developers



2i. Bill 23 Operating Budget Impacts

1% Tax Rate Increase = \$1.695M

1. DC Salary Recovery Impacts from Bill 23

Tax Rate
Increase

<i>Department</i>	FTE	\$	%
Planning & Urban Design		1,207,214	0.71%
Engineering (and Traffic)*		(454,571)	-0.26%
Commissioner's Office, Dev Svcs		731,149	0.43%
Finance		157,000	0.09%
Total	8	1,640,792	0.98%

**Engineering impact is negative due to reassessed tax funded salaries eligible for Developer Fees funding upon further review*

2. Provision for future Bill 23 Parkland, Growth Studies, and reduced DC Collection impacts = 1%

Total 2023 Operating Impact from Bill 23 ~2% Tax Rate increase



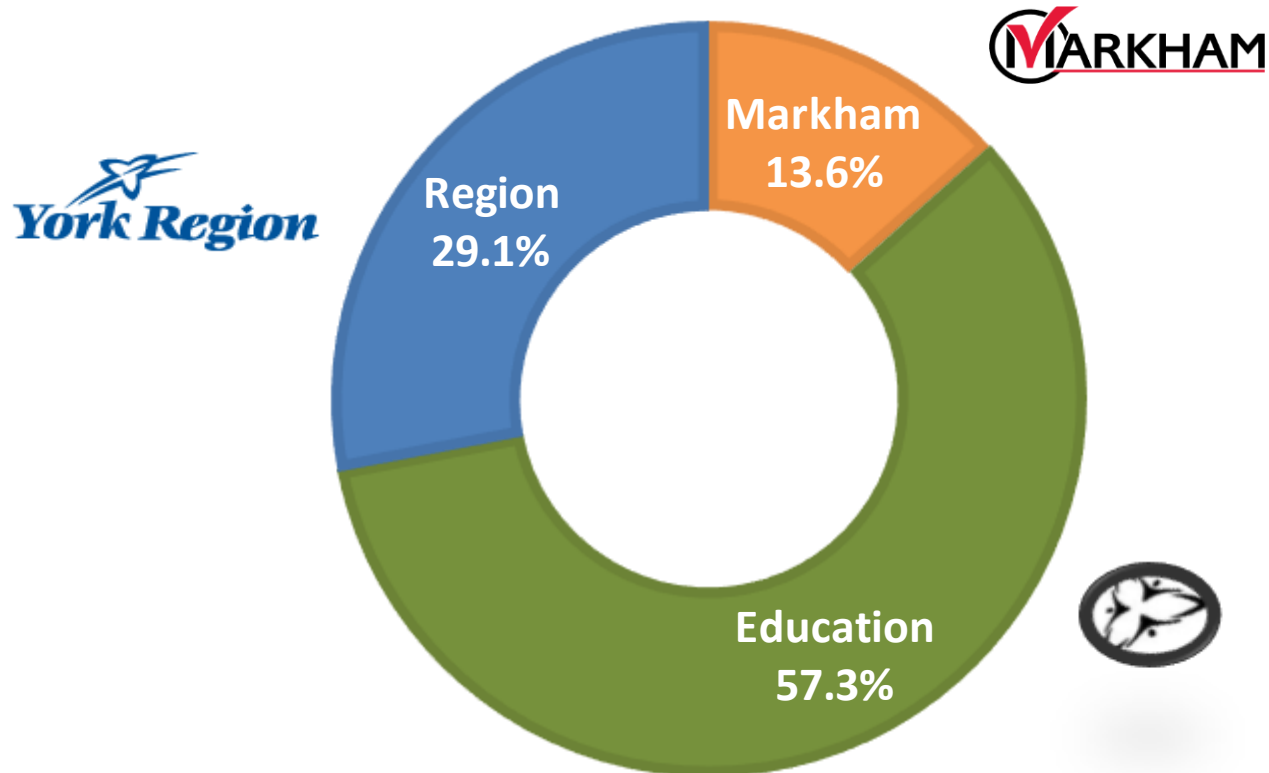
2i. Operating P&Ls

(\$ Millions)	2022 \$	2023 \$	Increase/ (Decrease) \$	Tax Rate Increase/ (Decrease) %
Revenues	249.90	257.20	7.30	(4.31%)
Expenditures				
Personnel	144.94	151.70	6.76	
Non-Personnel	104.96	108.85	3.89	
Total Expenditures	249.90	260.55	10.65	6.29%
Shortfall: Day-to-day operations	-	3.34	3.34	1.98%
Infrastructure Investment		1.02	1.02	0.60%
Payback of Corp Rate Stabilization (Yr 2 of 5)		0.79	0.79	0.46%
Shortfall: Day-to-day operations - City Controlled	-	5.15	5.15	3.04%
Payback of Remaining Corporate Rate Stabilization		2.36	2.36	1.39%
Bill 23 Salary Recoveries Impact		1.64	1.64	0.97%
Bill 23 Impact on Parkland, DC Collection, Growth Studies		1.70	1.70	1.00%
Additional Pressures		5.70	5.70	3.36%
Net Shortfall		10.84	10.84	6.40%



3a. Impact to Non-Residential Property

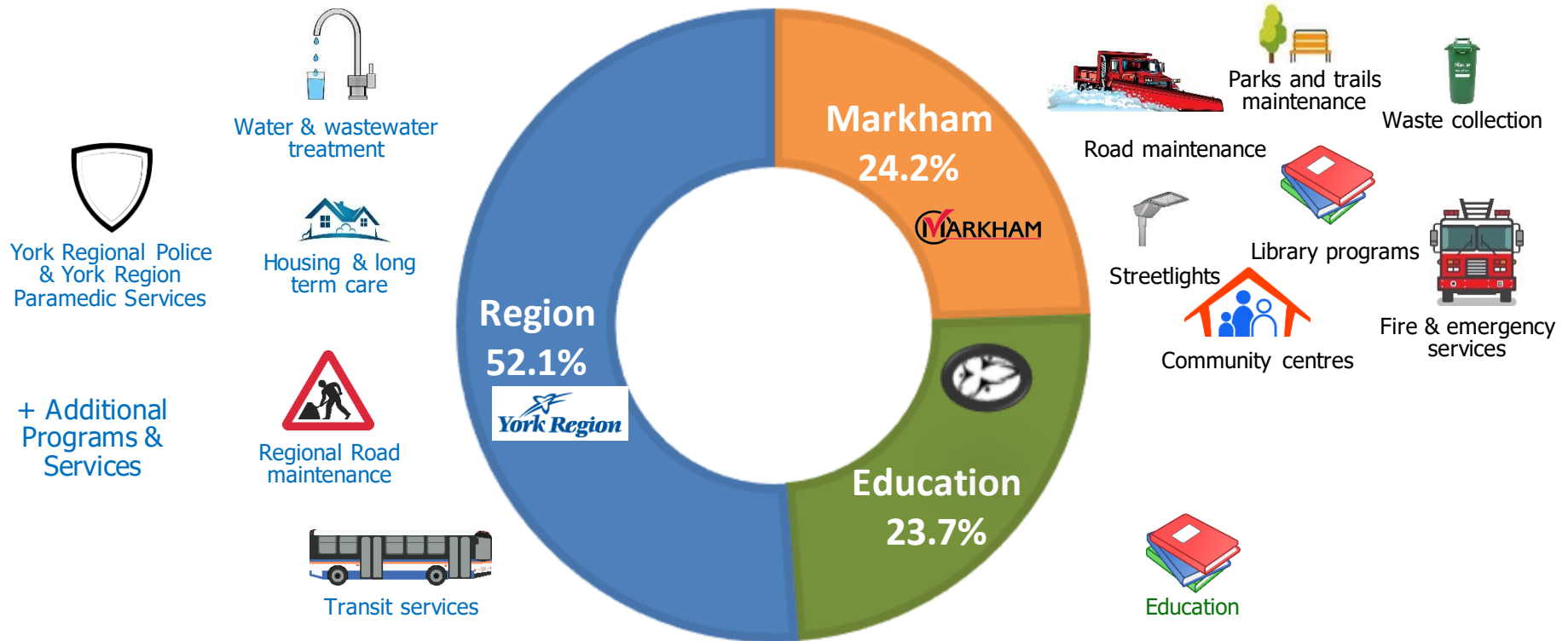
Assessment and Property Taxes, 2022 Non-Residential Property Tax Distribution







3b. Impact to Residents

Assessment and Property Taxes, 2023 Residential Property Tax Distribution





3b. Impact to Average Residential Property




Property Type	2022 Average Current Value	6.40% Tax Rate Increase
Residential Homes* 	\$947,457	\$94.65
Residential Condominiums 	\$421,000	\$42.00
Average (Homes and Condominiums)	\$829,995	\$82.89

Every 1% tax rate increase (local portion only) is equivalent to an increase of \$12.95 in property taxes for an average residential property

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



3b. Impact to Average Residential Property

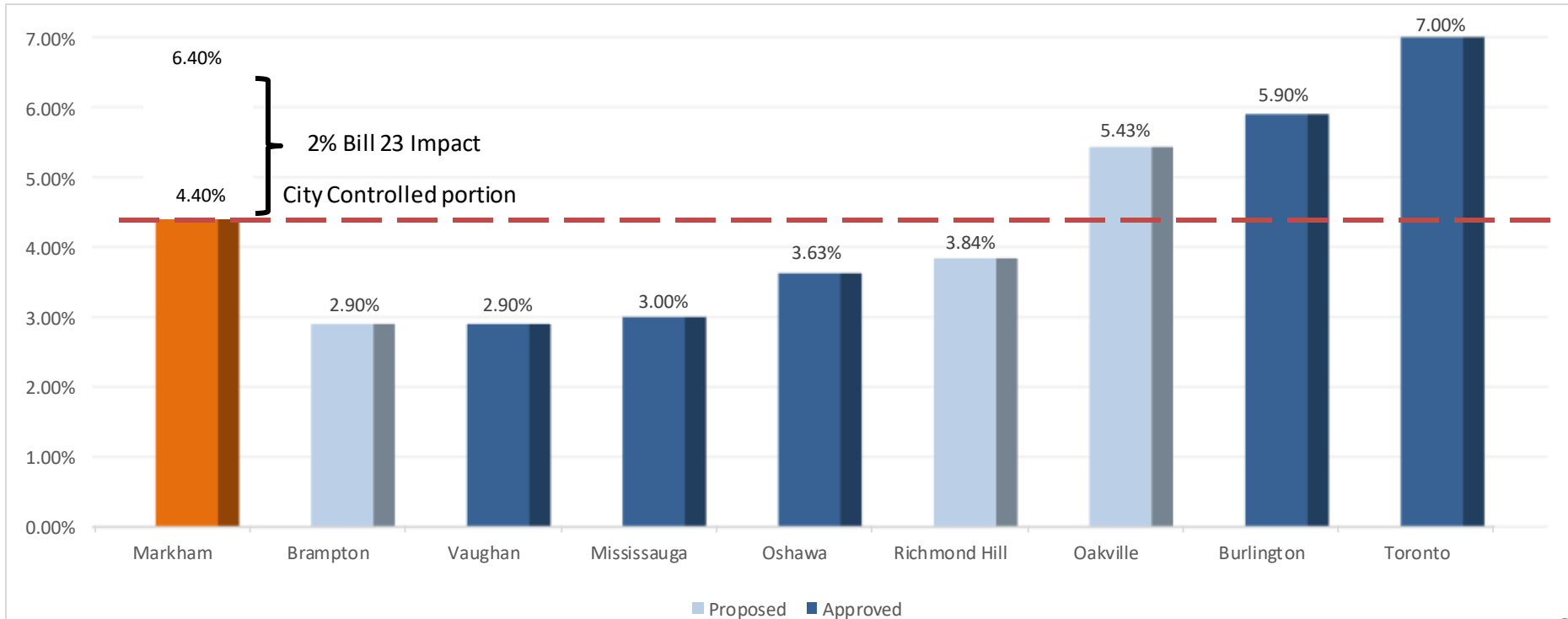
		2023 Increase	Increase
Tax rate increase – Markham (includes 0.6% Infrastructure Investment)		6.40%	\$82.89
Tax rate increase – York Region		3.9% (outlook)	\$108.13
Water & wastewater fee		3.8%	\$36.94
Total			\$227.96

Excludes the 2023 Stormwater Management fee increase of \$1



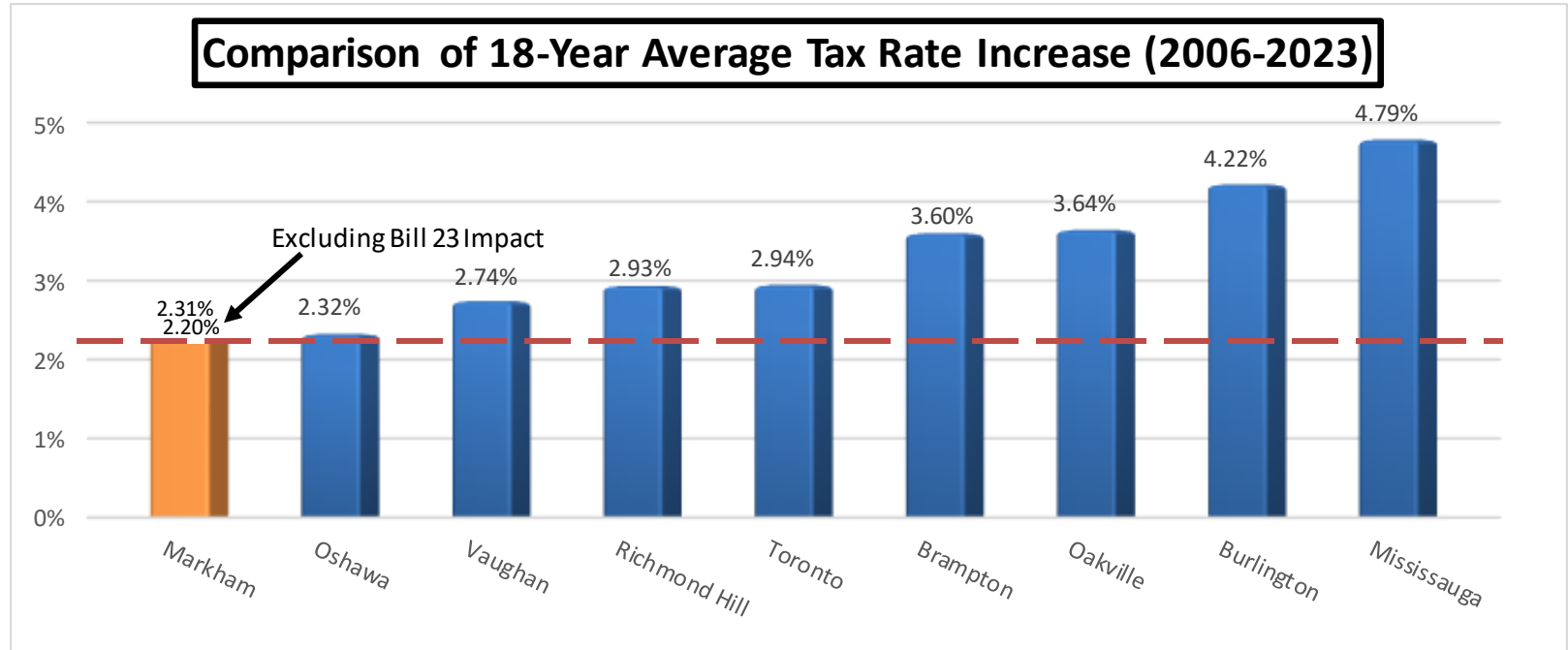
3c. Municipal Tax Comparison 2023

Comparison of 2023 Tax Rate Increase





3c. Municipal Tax Comparison





4a. 2023 Building Operating Budget

\$ in millions

			Budget 2023 vs. 2022	
	2022 Budget	2023 Budget	Increase/ (Decrease)	Change
	\$	\$	\$	%
Revenue	9.63	10.55	0.92	9.6%
Personnel*	6.53	7.13	0.60	9.2%
Non-Personnel	<u>3.35</u>	<u>3.34</u>	<u>(0.01)</u>	<u>-0.3%</u>
Total Expenses	9.88	10.47	0.59	6.0%
Surplus/(Deficit) Before Transfer to/Draw (from) Reserve*	(0.25)	0.08	0.33	(131.0%)
Transfer to/Draw (from) Reserve	(0.25)	0.08		
Surplus After Transfer to/(from) Reserve	-	-		

*Includes a \$0.6M contingency allocation (total of \$1.6M for Development Services) for Bill 109/23 Staffing requirements



4b. 2023 Planning & Design Operating Budget \$ in millions

	2022 Budget \$	2023 Budget \$	Budget 2023 vs. 2022	
			Increase/ (Decrease) \$	Change %
Revenue	12.83	11.41	(1.42)	(11.1%)
Personnel*	7.32	9.45	2.12	29.0%
Non-Personnel	<u>4.17</u>	<u>3.83</u>	<u>(0.34)</u>	<u>-8.1%</u>
Total Expenses	11.49	13.28	1.79	15.5%
Surplus/(Deficit) Before Transfer to/Draw (from) Reserve*	1.33	(1.87)	(3.21)	(240.3%)
Transfer to/Draw (from) Reserve	1.33	(1.87)		
Surplus After Transfer to/(from) Reserve	-	-		

*Includes a \$0.5M contingency allocation (total of \$1.6M for Development Services) for Bill 109/23 Staffing requirements



4c. 2023 Engineering Operating Budget

\$ in millions

			Budget 2023 vs. 2022	
	2022 Budget	2023 Budget	Increase/ (Decrease)	Change
	\$	\$	\$	%
Revenue	10.16	9.85	(0.31)	(3.0%)
Personnel*	6.08	7.25	1.17	19.3%
Non-Personnel	<u>3.13</u>	<u>3.46</u>	<u>0.33</u>	<u>10.6%</u>
Total Expenses	9.21	10.71	1.50	16.3%
Surplus/(Deficit) Before Transfer to/Draw (from) Reserve*	0.95	(0.86)	(1.81)	(190.1%)
Transfer to/Draw (from) Reserve	0.95	(0.86)		
Surplus After Transfer to/(from) Reserve	-	-		

*Includes a \$0.5M contingency allocation (total of \$1.6M for Development Services) for Bill 109/23 Staffing requirements



4d. 2023 Waterworks Operating Budget

\$ in millions

	2022 Budget \$	2023 Budget \$	Budget 2023 vs. 2022	
			Increase/ (Decrease) \$	Change %
<u>Sales & Purchases of Water</u>				
Sales	135.91	141.34	5.43	3.8%
Purchases	<u>105.45</u>	<u>109.03</u>	<u>3.58</u>	<u>3.3%</u>
Water/Wastewater Sale Net of Purchase	30.46	32.31	1.86	5.7%
<u>Operations</u>				
Other Revenues	1.53	1.53	0.01	0.5%
Other Expenditures				
Personnel	8.33	8.65	0.32	3.7%
Non-personnel	<u>7.67</u>	<u>7.85</u>	<u>0.18</u>	<u>2.3%</u>
Total Other Expenditures	16.00	16.50	0.50	3.0%
Net Revenues Before Reserve Contributions	15.99	17.35	1.36	7.9%
Contributions to Reserve	<u>(15.99)</u>	<u>(17.35)</u>	<u>(1.36)</u>	<u>7.9%</u>
Net Revenues/Expenditures	-	-	-	-



5. Recommendation

The following recommendations are presented for Council approval:

1. That the presentation dated February 17, 2023 “2023 Operating Budget” be received; and
2. That Council approve a 6.40% property tax rate increase to the City’s tax levy as follows:
 - 1.98% for day-to-day operations
 - 0.60% infrastructure investment
 - 1.85% to fund the remaining 2022 Budget shortfall which was funded from the Corporate Rate Stabilization Reserve
 - 1.97% for provisions related to Bill 23
3. That Council approve the 2023 Primary Operating Budget totalling \$260,818,514; and
4. That Council approve the 2023 Building Standards Operating Budget totalling \$10,551,409; and
5. That Council approve the 2023 Planning & Design Operating Budget totalling \$13,279,631; and
6. That Council approve the 2023 Engineering Budget totalling \$10,711,278; and
7. That Council approve the 2023 Waterworks Operating Budget totalling \$142,027,575



6. Next Steps

	Date	Description
Special GC Meeting	Monday, January 23	Budget process, economic scan, overview of the Operating and Capital budgets
Meetings #1 - 2	Friday, January 27 Monday, January 30	Capital Budget and funding overview, highlights of proposed budget, and Capital Budget project review by exception
Meeting #3	Monday, February 6	Presentation of Water Rate; Approval of Presentation for Public Meeting
General Committee	Tuesday, February 7	GC endorsement of Water rate and public meeting
Public Meeting	Monday, February 13	Water Presentation to the Public
Meeting #4	Friday, February 17	Primary Operating Budget, Building, Planning, Engineering and Waterworks Operating Budgets
Council	Wednesday, February 22	Council decision on 2023 Water/Wastewater Rate
Meeting #5	Monday, February 27	Additional meeting as required
General Committee	Tuesday, March 7	Budget presentation for the Public Meeting
Public Meeting	Thursday, March 9	7pm to 9pm – open to the public by Zoom
Council	Wednesday, March 22	Council decision on 2023 Consolidated Budget
Budget Press Conference	Friday, March 24	