



**BUILDING MARKHAM'S
FUTURE TOGETHER**
2015-2019 Strategic Plan



MARKHAM BUDGET OVERVIEW

**General Committee
December 10, 2018**

Introduction

- On an annual basis, Staff commence the budget process in March
- In a non-election year, Budget Committee meetings begin in October followed by budget approval in December prior to the start of the new year
- Due to the election in 2018, Budget Committee meetings will commence in January 2019 with the goal of budget approval in March 2019
- Staff developed the following presentation to assist new Members of Council and prepare them for the upcoming budget meetings

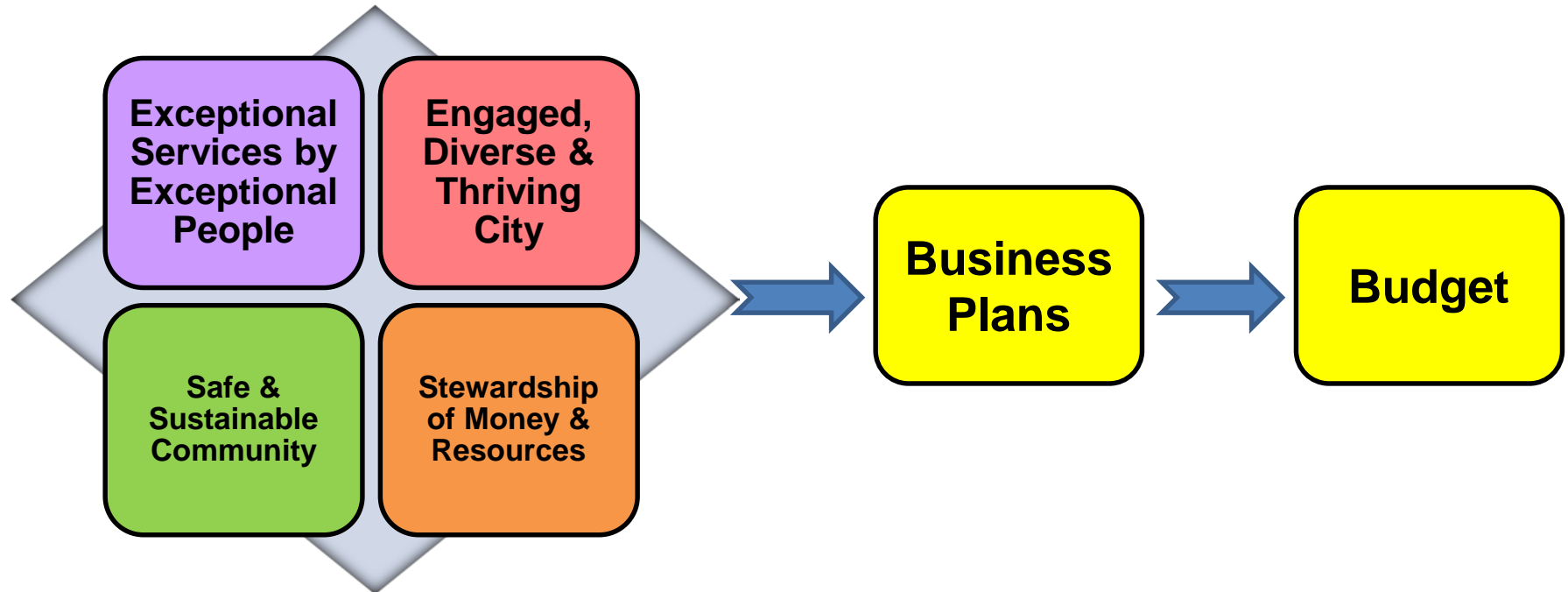
Agenda

2019 Budget

- 1) Budget Process
- 2) Major Revenue Sources
- 3) Tax Funded Operating Budget
- 4) Property Tax Distribution
- 5) Capital Budget
- 6) Reserves
- 7) Development Charges
- 8) Next Steps

1. Budget Process

Building Markham's Future Together: 2015 – 2019 Strategic Plan





1. 2019 Budget Process

Schedule

Planning & Engagement

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

Staff Review

Proposed 2019 Budget
Staff, Commissioner & CAO Review

Deliberation & Consultation

Budget Committee Meetings
Public Consultation meeting

Approval

General Committee
Council Decision

March - June

July - December

January - February

**Council Decision
March**


2020 Budget is scheduled to be approved in December 2019 (approval of 2 budgets in 2019)

1. Budget Process

Communication Plan



2019 Budget &
Meeting Schedule



Communication
Strategy &
Outreach



MARKHAM
Live Webcast



Video
Online



MARKHAM REVIEW

105.9
The Region

2. Major Revenue Sources

- The City collects revenues from the following major sources:
 1. Tax Funded Operating Budget
 - a. Property taxes
 - b. User fees and service charges
 - c. Rentals, licences and permits
 2. Development Charges

3. Tax Funded Operating Budget

(\$ Millions) (Excl. Capital, Planning & Design, Engineering, Building Standards and Waterworks)

	2018 Approved Budget	% of Total Budget
<u>Revenues</u>		
Property Tax Revenues	156.3	71.5%
User Fees and Service Charges	19.1	8.7%
Rentals, Licences and Permits	11.5	5.3%
Fines and Recoveries	4.9	2.2%
Property Tax Penalty & Interest	4.2	1.9%
Income from Investments	10.4	4.8%
Interest and Dividend Income - Alectra/MEC/MDEI	5.8	2.7%
Grant and Subsidy Revenues	2.0	0.9%
Other Revenues	4.3	2.0%
Total Revenues	218.5	100.0%
<u>Expenditures</u>		
Salaries and Benefits	131.8	60.3%
Transfer to Reserves (incl. Alectra/MEC/MDEI transfer)	28.8	13.2%
Purchased Services	16.5	7.6%
Utilities and Streetlight Hydro	11.8	5.4%
Winter Maintenance	9.5	4.3%
Waste Management	8.4	3.8%
Materials and Supplies	5.5	2.5%
Insurance	2.4	1.1%
Other Expenditures	3.8	1.7%
Total Expenditures	218.5	100.0%

89.6% of total revenues

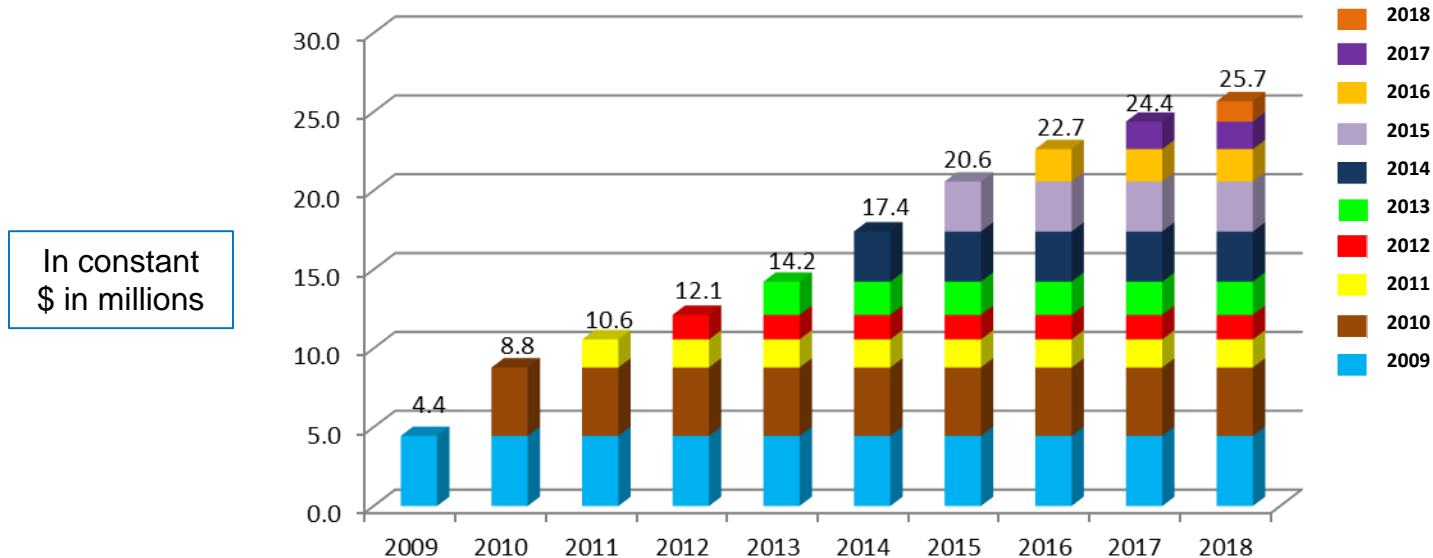
3. Tax Funded Operating Budget

Excellence Through Efficiency and Effectiveness (E3)

- In an effort to develop and implement a sustainable process to deliver the lowest possible tax rate increase on an annual basis, the project “Excellence through Efficiency & Effectiveness” (E3) was endorsed by Council in June 2008
- The goal of E3 is to find as many efficiencies as possible, maximize revenue opportunities and minimize tax rate increases
- The E3 project is embedded into the day-to-day operations of the City

3. Tax Funded Operating Budget

Excellence Through Efficiency and Effectiveness (E3)



**Total savings
\$25.7M – equates to
tax rate increase
avoidance of 21.9%**



3. Tax Funded Operating Budget

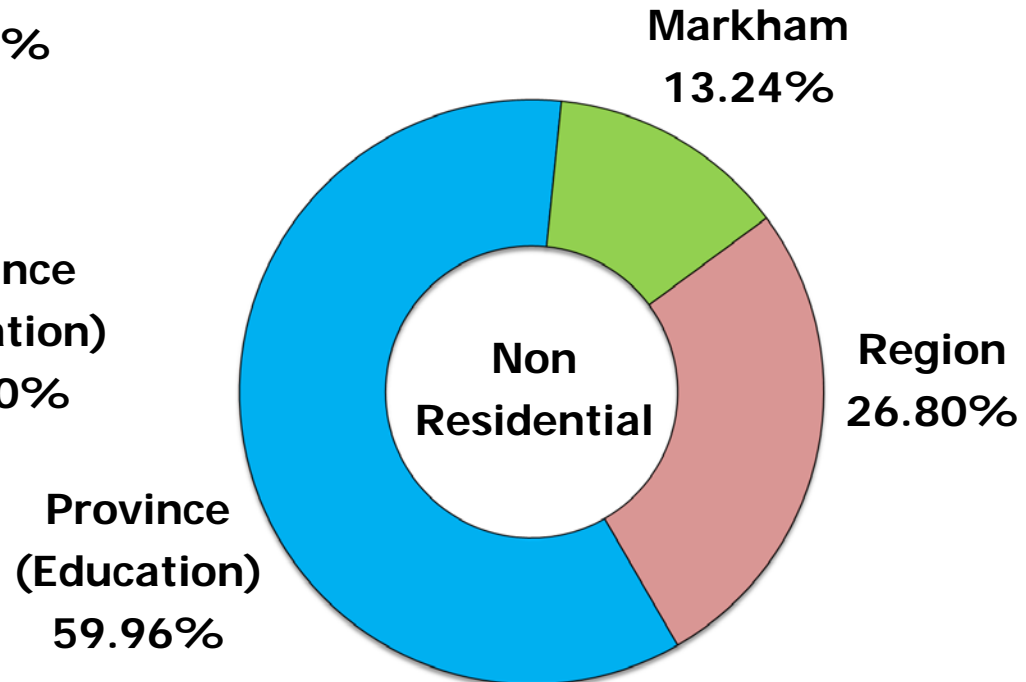
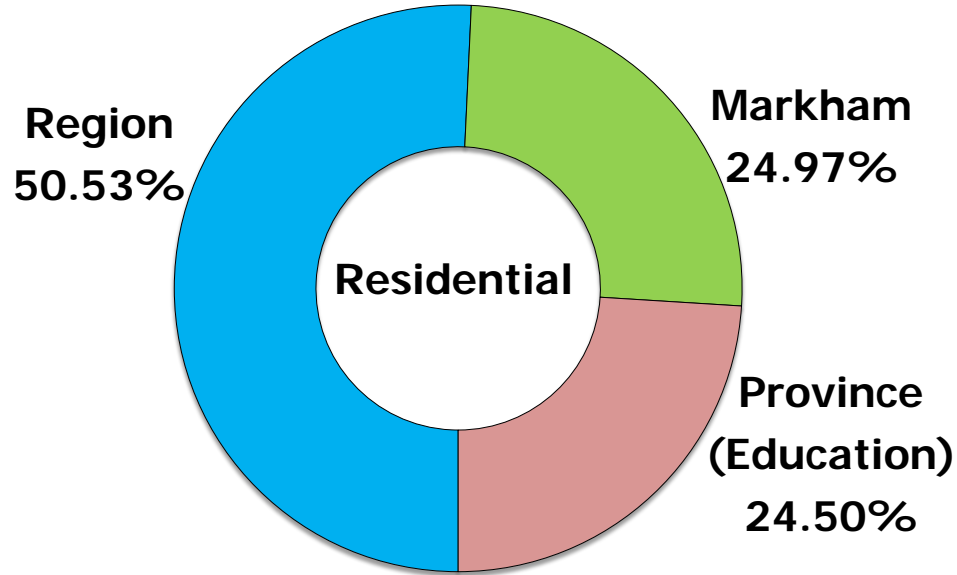
Impact to Average Residential Property

	2018 Increase	Increase \$
Tax rate increase – Markham (includes 0.5% Infrastructure Investment)	2.90%	35
Tax rate increase – York Region	2.77%	65
Water & wastewater fee	7.50%	65
Total		165

- Excludes continuation of the \$47 stormwater fee



4. Property Tax Distribution

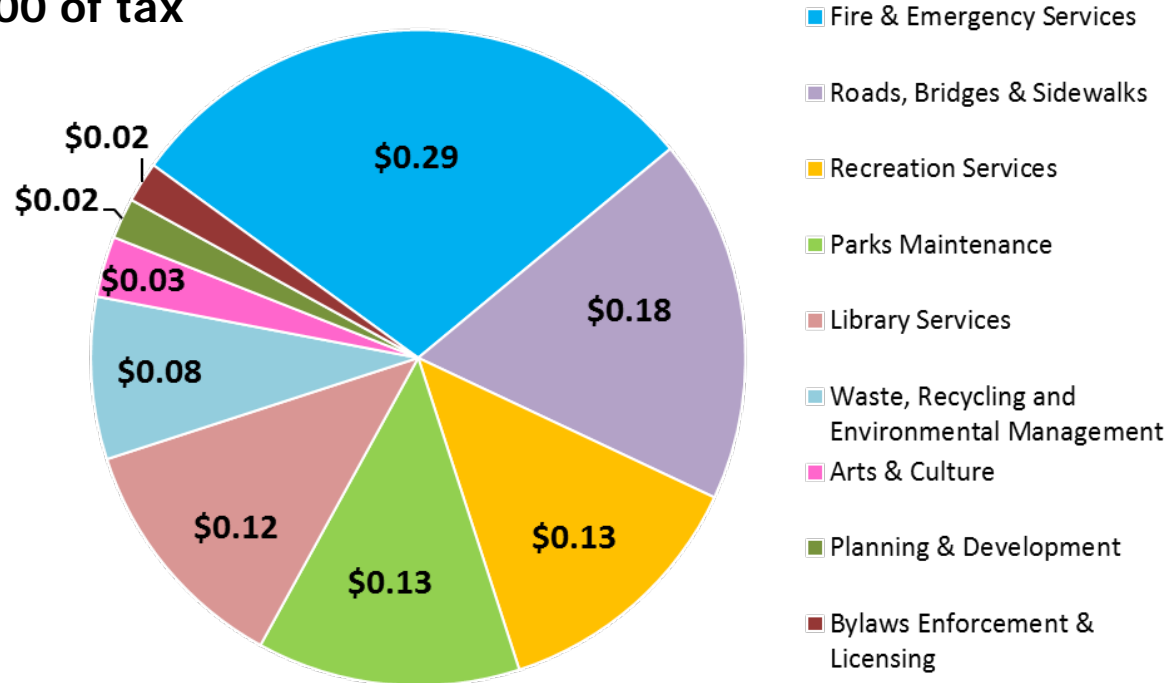


4. Property Tax Distribution

Where Does Your Tax Dollar Go?

Markham's Portion Only

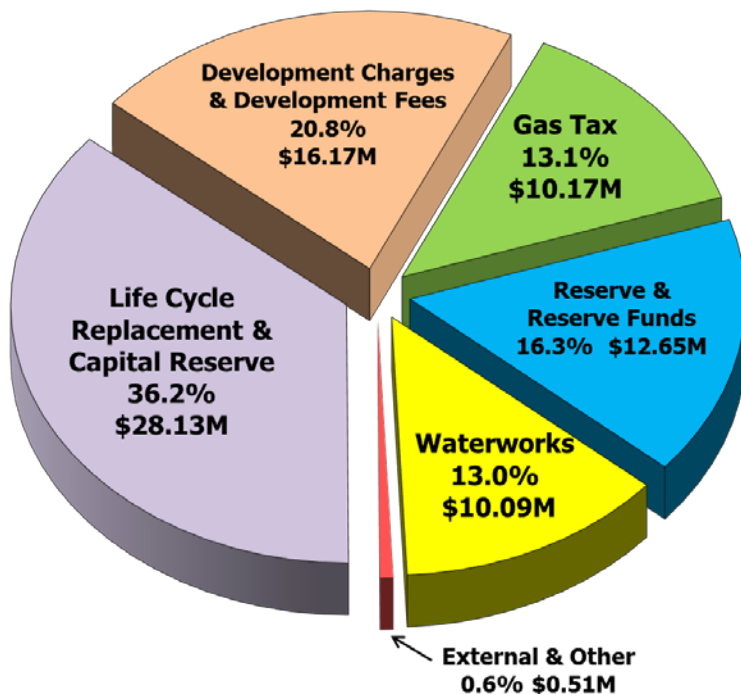
For every \$1.00 of tax revenue...



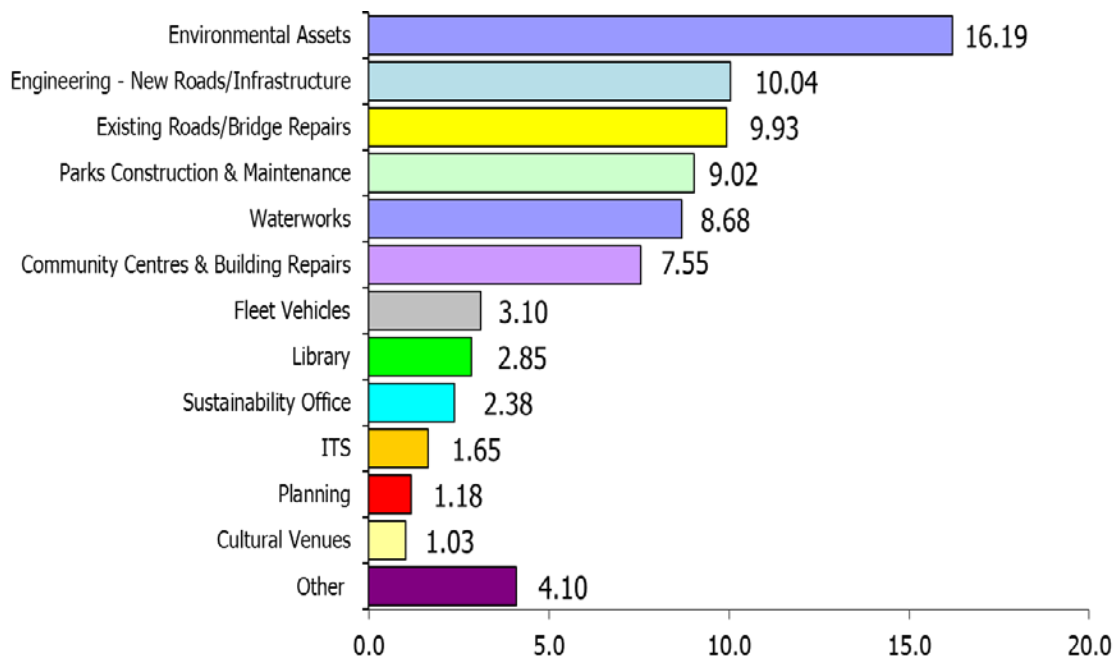
5. Capital Budget - 2018

Total \$77.72M

Funding Sources



Expenditure Types



6. Reserves

Life Cycle Reserve Study

- Markham formally established the Lifecycle Replacement and Capital Reserve in 2004 to address the on-going capital replacements and preventative maintenance of capital assets
- The adequacy of the Lifecycle Reserve is reviewed annually using a 25-year rolling planning horizon
- As a comparison, the minimum requirement of municipalities in the Provincial Government's Asset Management Plan is 10 years
- Annual updates of the reserve study have identified funding shortfalls over the 25 year outlook which staff have been successful in mitigating through various strategies (eg. Lifecycle E3 opportunities, allocation of Federal Gas tax funding towards incremental lifecycle expenditures, increase projected Alectra and MDEI dividends)
- Due to inflation, past growth and new assets, Staff identified the need to for an infrastructure investment on an annual basis in 2017

Council approved a 0.5% infrastructure investment in 2017 and 2018 to ensure there were sufficient funds in the reserve for the rehabilitation and replacement of infrastructure for the next 25 years based on known inflows and outflows

6. Reserves

- It is essential that governments maintain appropriate levels of reserves to mitigate both current and future risks
- By maintaining reserves the City, over time, accumulates funds for future known or contingent liabilities
- This is a key component of a sound long-term financial planning practice
- Reserves are established by Council, governed by policy, and represent the means by which the City keeps track of the financial resources set aside for future purposes
- The inflows into the reserves are generally allocated from the operating budget, development agreements and fees, while the outflows are to fund capital and other initiatives as directed by Council

6. Reserves

- Reserves can be arranged into groups, depending on the purpose or intended use of the resources:
 - operating stabilization and contingent liabilities (Corporate Rate Stabilization, Facility Ramp Up for community centres, libraries, fire stations)
 - capital acquisition, repair and replacement (Life Cycle)
 - statutory or defined purpose (Development Charges, Waterworks)
 - employee future benefit liabilities (Long Term Disability, Post-Employment Benefits)
- Although all municipalities report on reserves, not all choose to fully fund the balance requirements. Markham's reserves are fully funded. Funds are set aside each year in an effort to fully meet the estimated reserve requirements
- The balance in the reserves at the end of 2017 was \$281.7M including land acquired for future municipal purposes

7. Development Charges

- A development charge (DC) is a fee charged to new development to finance the cost of new growth-related capital facilities and infrastructure (e.g. roads, community centres, fire stations, libraries and parks)
- Governed by the *Development Charges Act, 1997, as amended* and its accompanying Regulation, O. Reg. 82/98
- A DC Background Study is prepared in tandem with new DC By-laws and identifies infrastructure requirements (and costs) to support growth; DC rates are calculated through this process
- The goal is for growth to pay for growth, however, based on legislation there is a gap that the City strives to find strategic ways to mitigate

7. Development Charges

- Residential development charges are charged on new housing units by type (e.g. single/semi-detached, townhouses and apartments)
- Current DC rate for a single or semi-detached dwelling is \$100,629 per unit:
 - City of Markham: \$35,102
 - Region of York: \$59,120
 - School Boards: \$6,407
 - Total per Unit: \$100,629
- Non-residential development charges are charged on the total gross floor area (per m²), based on the use of the structure (e.g. retail, industrial, office and institutional)
- Annual revenues from 2013 through 2018 ranged between \$19.2M and \$49.6M
- The maintenance and replacement of facilities and infrastructure are funded through tax dollars and not DCs

8. Next Steps

2019 Budget Schedule

Budget Committee Meetings:

- Meeting #1: Friday, January 18th
- Meeting #2: Tuesday, January 22nd
- Meeting #3: Friday, January 25th
- Meeting #4: Tuesday, January 29th
- Meeting #5: Tuesday, February 5th
- Meeting #6: Friday, February 8th

General Committee: Tuesday, February 19th

Public Meeting: Thursday, February 21st

Council Decision: Tuesday, March 19th

Press Conference: Wednesday, March 20th