

2016 Budget

Public Budget Consultation Meeting

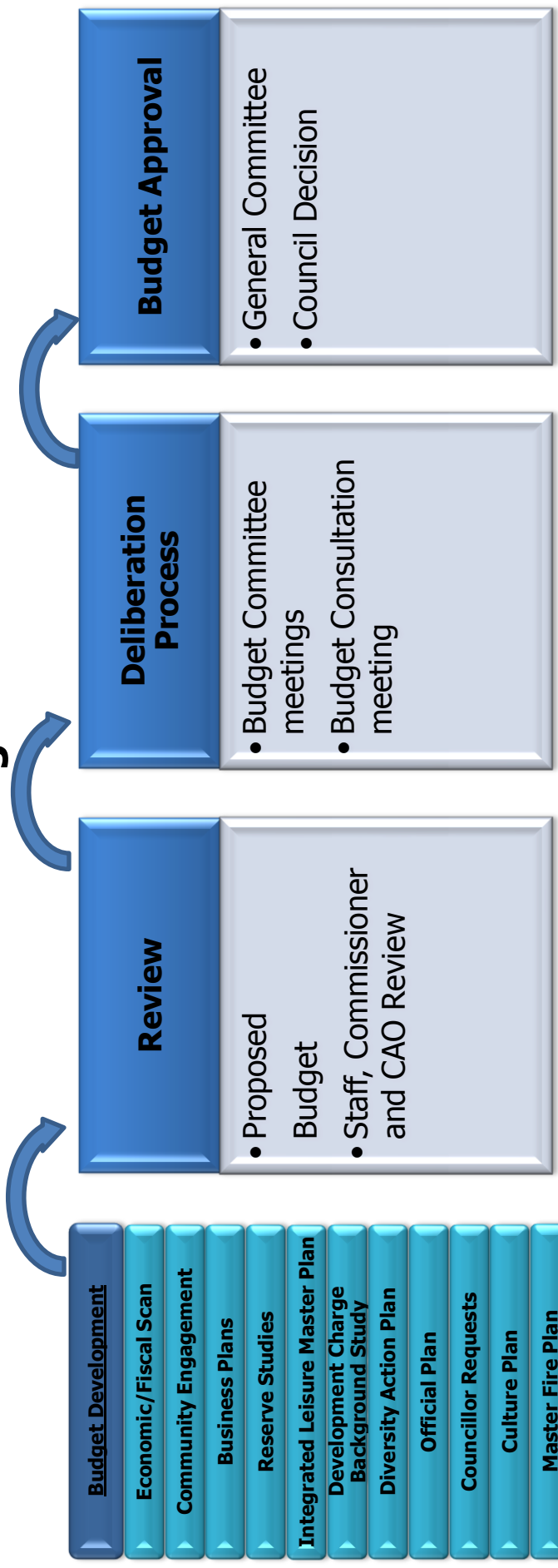
December 7th, 2015



Agenda

1. 2016 Budget Process and Communications Plan
2. Economic Scan and Markham Financial Condition Assessment
3. 2016 Proposed Budget Overview
 - a. Primary Operating Budget
 - b. Capital and Life Cycle Reserve Study Update
4. 2016 Capital Budget Highlights
5. Next Steps

1. 2016 Budget Process



- Budget Development
- Economic/Fiscal Scan
- Community Engagement
- Business Plans
- Reserve Studies
- Integrated Leisure Master Plan
- Development Charge Background Study
- Diversity Action Plan
- Official Plan
- Councillor Requests
- Culture Plan
- Master Fire Plan
- Markham 2020
- Cycling, Pathways and Trails Master Plan
- Master Transportation Plan

1. 2016 Budget Process (cont'd)

Nine Budget Committee meetings have been held prior to the Public Consultation Meeting. At these meetings, the following items were discussed:

- Economic Scan
- Life Cycle Reserve Study Update and Development Charges Cash Flow
- Primary Operating Budget
- Capital Budget
- Councillor Requests
- Waterworks Operating Budget
- Planning & Design, Engineering, and Building Operating Budgets

Once the Budget Committee and Budget Consultation meetings are complete, the following process will take place to finalize the 2016 budget:

- Special General Committee – Tuesday, December 15th
- Council Decision: Tuesday, December 15th
- Press Conference: Wednesday, December 16th

1. 2016 Budget Process (cont'd)

Communications Plan

1. All Budget Committee meetings were open to the public, and were audio streamed with the presentations shown on video with full audio recording available on the City's web portal.
2. Notices of the Budget Committee meetings were placed in the Economist & Sun, Thornhill Liberal, SNAPd, Markham Review, Markham's electronic information boards, on social media, and on the City's website.

2. Economic Scan

Inflation	June 2015	July 2015	August 2015	September 2015	October 2015
Canada CPI, all items	1.0%	1.3%	1.3%	1.0%	1.0%
Ontario CPI, all items	1.0%	1.5%	1.2%	0.9%	0.9%
Toronto CPI, all items	1.1%	1.8%	1.4%	1.4%	1.3%

Other Pressures

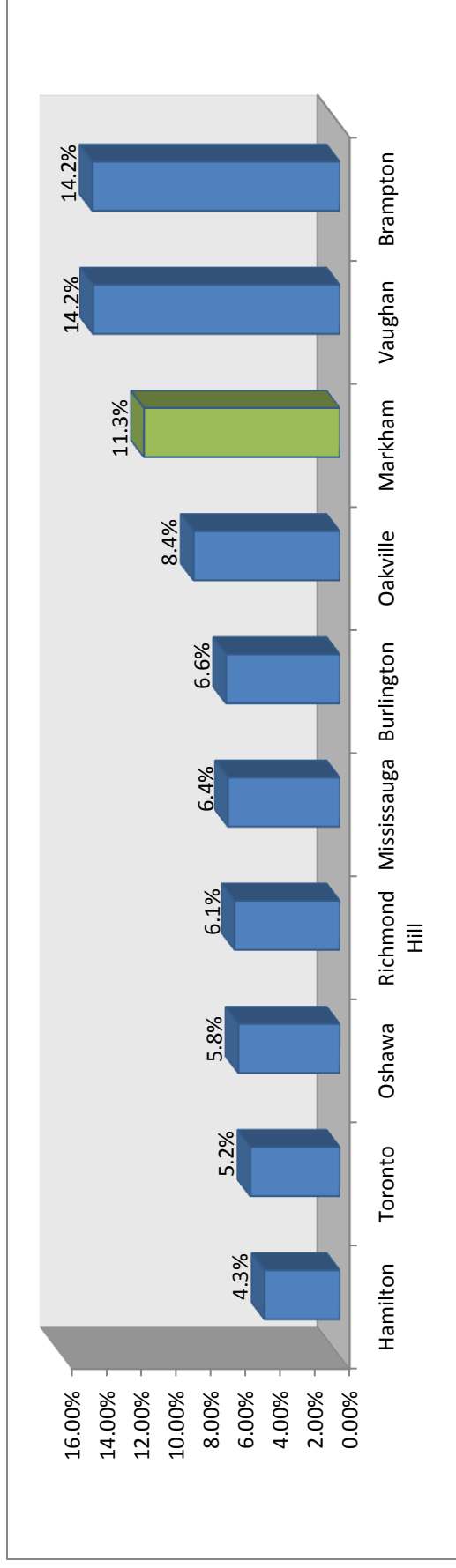
1. Wage Settlements:
 - Canadian Union of Public Employees (CUPE) collective agreement expires on March 31, 2016
 - Markham Professional Fire Fighters Association (MPFFA) collective agreement expired on December 31, 2012
 - Cost of living adjustment for Non-Union Staff
2. 9.8% rate increase for hydro and streetlight hydro
3. Winter maintenance and waste collection price increases based on CPI
4. Unemployment rate in Ontario is 7.0% for October 2015 as compared to 6.5% in October 2014

2. Markham Financial Condition Assessment

- Various metrics are used to compare Markham's financial position relative to other municipalities
- Municipal comparators are Greater Toronto and Hamilton Area (GTHA) municipalities with populations greater than 150,000 for the years 2011-2014:
 - Brampton, Burlington, Hamilton, Mississauga, Oshawa, Oakville, Richmond Hill, Toronto, Vaughan

2. Markham Financial Condition Assessment cont'd

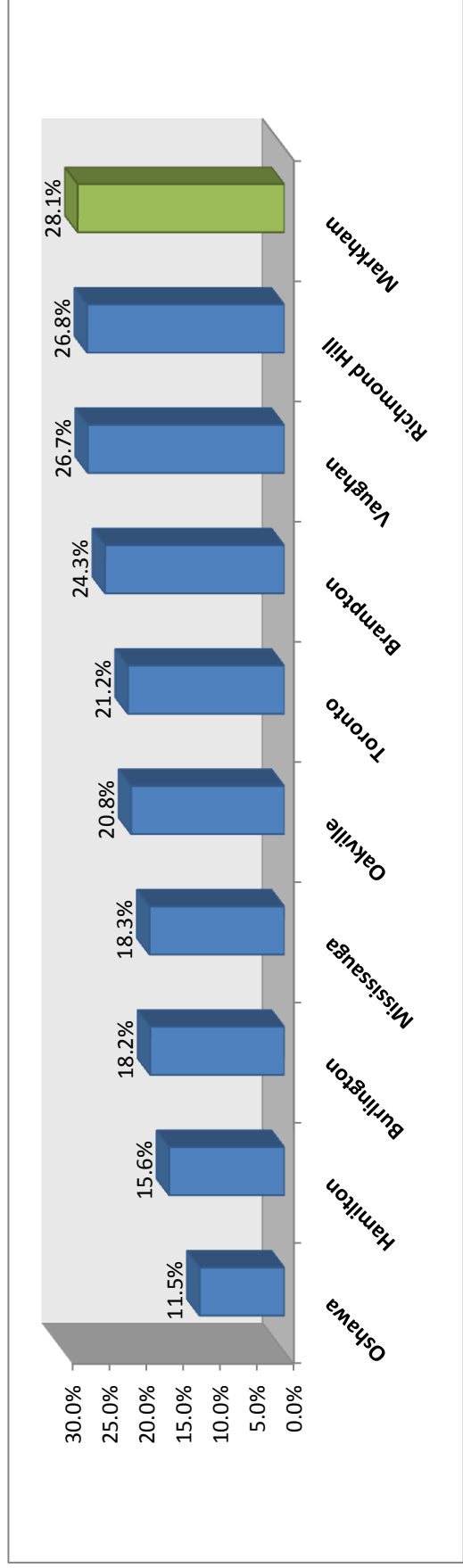
Population Growth (2011-2014)



Markham continues to experience growth as one of the fastest growing municipalities amongst comparator municipalities within the GTHA. Population growth is accompanied by an increase in assets to service the new population. The new assets will require maintenance, periodic rehabilitation, and eventual replacement.

2. Markham Financial Condition Assessment cont'd

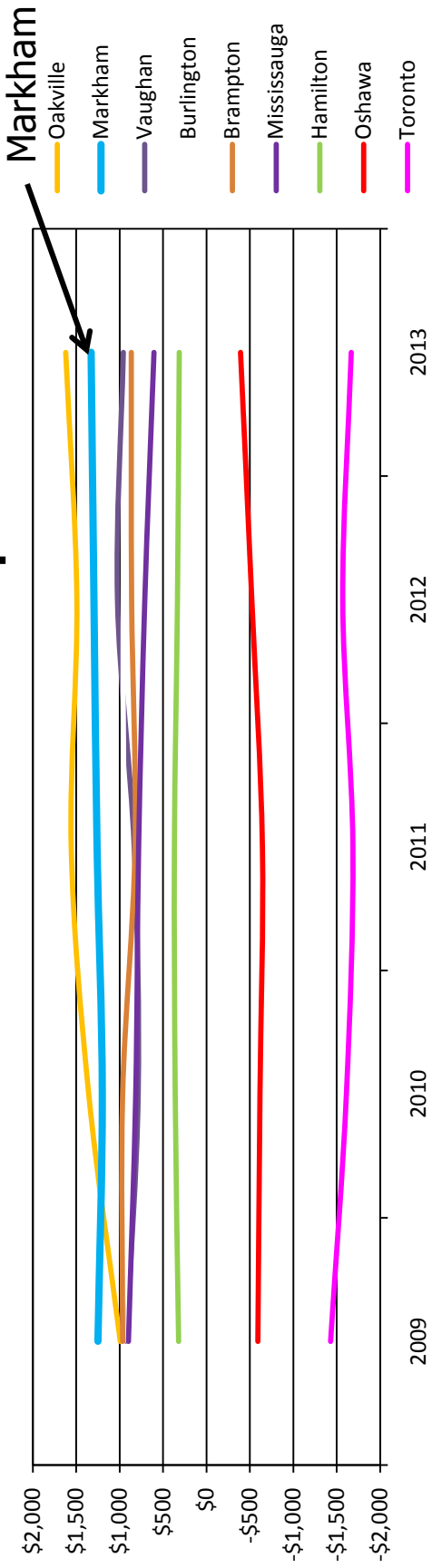
Growth in Total CVA (2011-2014)



Markham's total Current Value Assessment (CVA) has experienced the largest increase among GTHA municipalities. A strong assessment base makes the municipality a desirable place to locate.

2. Markham Financial Condition Assessment cont'd

Financial Position Per Capita



- Markham's relative financial position per capita has been steady over the past 5 years. Markham is amongst the highest while having the lowest commercial, industrial, and multi-residential and 3rd lowest residential tax rates amongst the 27 GTHA municipalities.
- Financial Position per Capita = (financial assets – liabilities) ÷ population
Markham 2014: $(\$664.8\text{M} - \$233.5\text{M}) \div 335,724 = \$1,285$

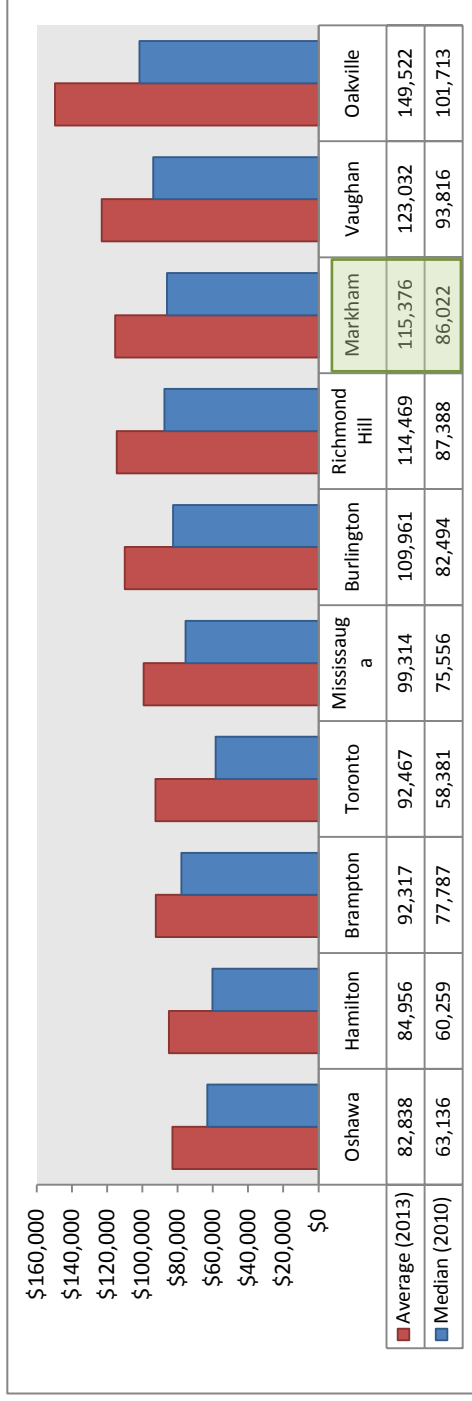
2. Markham Financial Condition Assessment ^{cont'd}

Debt per \$100,000 of Assessment



- A debt to assessment ratio provides a broader measure of a municipality's indebtedness and its ability to service debt through taxation. Markham is positioned well for the future in respect to debenture financing.
- 2014 debt: \$14.2M (facilitated debt financing for MDEI Birchmount energy plant, and obtained a low interest loan for the Cornell Community Centre and Library)

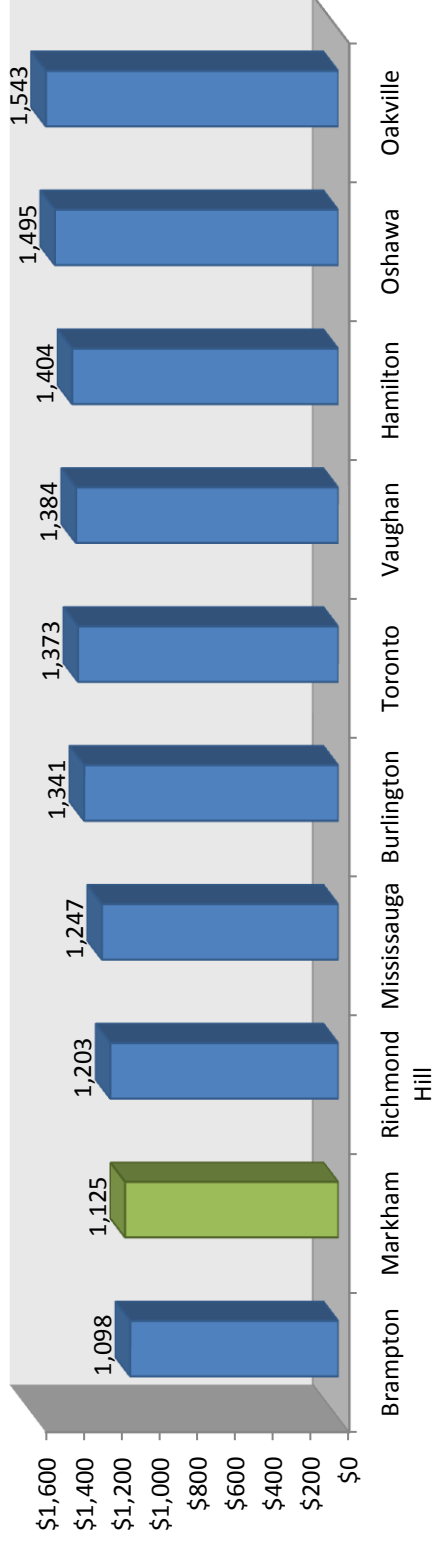
2. Markham Financial Condition Assessment ^{cont'd} Household Income (2013)



- Household income is a measure of the community's ability to pay for services in a municipality. A higher relative income indicates a stronger overall local economy. However, it may also lead to a greater expectation for quality programs, resulting in additional challenges in balancing desired service levels.
- Markham ranks 3rd highest based on average household income, and 4th highest based on median household income.

2. Markham Financial Condition Assessment cont'd

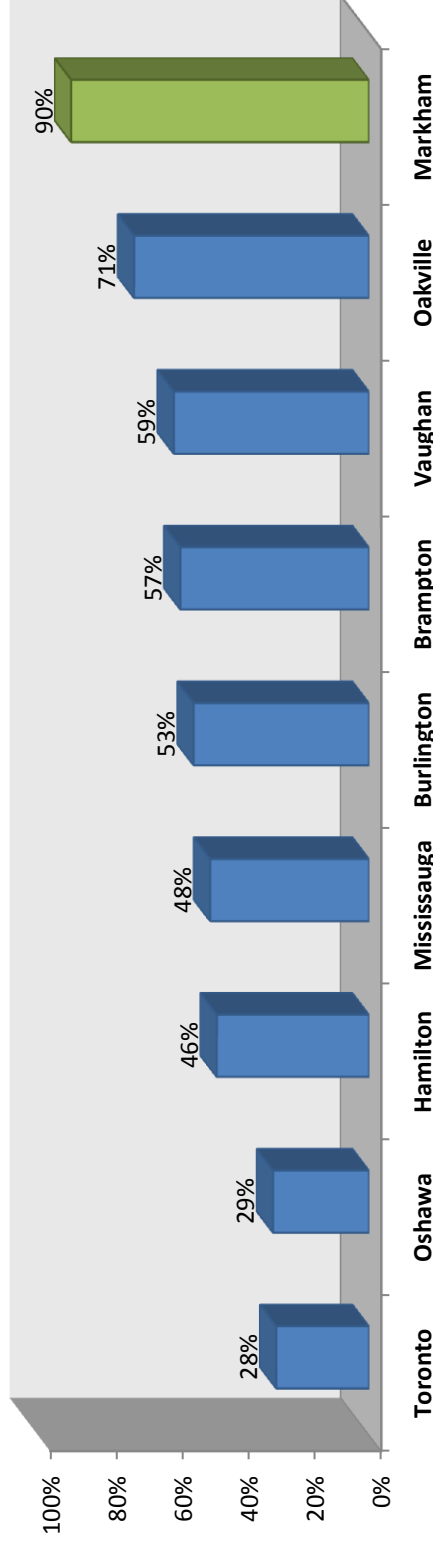
Total Property Tax Per Capita (2014)



- Total tax levy (incl. upper tier, excl. school boards) per capita when contrasted against average household income provides a good representation of the “affordability” of living in Markham. Markham is on the lower end of tax levy per capita and on the higher end of average household income.
- (Region \$244.7M+ Markham \$132.8M) ÷ population 335,724 = \$1,125

2. Markham Financial Condition Assessment cont'd

Reserves as a % of Revenues (2013) excl. Waterworks and DC Reserves



- Reserves provide a contingency against unforeseen circumstances, and provide for the sustainable rehabilitation and replacement of assets that are currently in service. Life-cycle reserves equal one third of the total reserves and reserve funds balance.

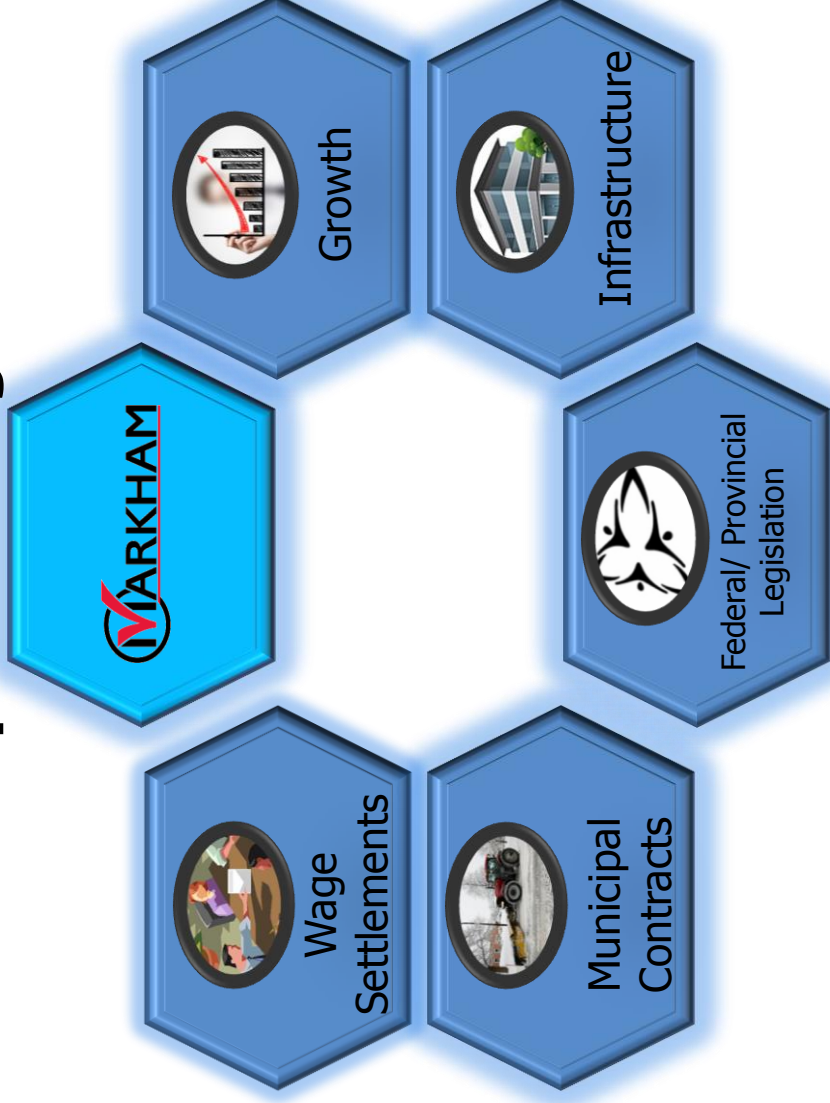
$$2013: \$198M \div \$220M = 90\%$$

2. Markham Financial Condition Assessment ^{cont'd}

Summary of Key Metrics

- Based on the key metrics, Markham is in a strong financial position relative to comparator municipalities
- This is due to a strong focus on policy-based initiatives that support Markham's fiscal sustainability
- Steps need to be taken in order to maintain existing levels of financial performance

3. 2016 Proposed Budget Overview



3a. Primary Operating Budget (cont'd)



Wage Settlements

1. Canadian Union of Public Employees (CUPE) collective agreement
2. Markham Professional Fire Fighters Association (MPFFA) collective agreement
3. Cost of Living Adjustment for Non-Union staff
4. Full-time, part-time grid movements
5. Provincial mandated minimum wage increases

Net Total: \$3.51M

3a. Primary Operating Budget (cont'd)



Growth

Personnel ramp-up related to existing and new facilities:

1. Cornell Fire Station
 2. Markham Pan Am Centre
 3. Southeast Community Centre and Library
 4. 2nd crew at the Cornell Fire Station*
 5. Markham Sports Park*
 6. Operations Works Yard*
 7. Milliken Mills Library Expansion*
 8. Markham Centre Fire Station*
- *Require Council approval

3a. Primary Operating Budget (cont'd)



Growth

1. Increase in costs related to:
 - a) 19 additional kms of road – maintenance, street & catchbasin cleaning
 - b) 865 new streetlights – power, maintain & repair
 - c) 28 additional hectares of parks – park maintenance
 - d) Winter maintenance – 19 additional kms of roads
2. Annual contribution to capital program \$0.50M
3. Non-personnel cost ramp-up for Operations Works Yard

Total: \$2.71M

3a. Primary Operating Budget (cont'd)

Municipal Service Contracts



Contract Escalations

1. Utilities rate increases (facility and streetlight hydro and water)
2. Winter Maintenance and waste collection (CPI increases)

Sub-total: \$1.76M

Other Adjustments

1. Support services to Building, Planning & Design, Engineering & Waterworks (\$0.60M)

Total: \$1.16M

3a. Primary Operating Budget (cont'd)



Infrastructure

The 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:

A. Life Cycle Reserve Study

- Replacement of existing and new assets

B. Development Charges Background Study

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

C. Water and Wastewater Reserve Study

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

3a. Primary Operating Budget (cont'd)



Federal/ Provincial Legislation

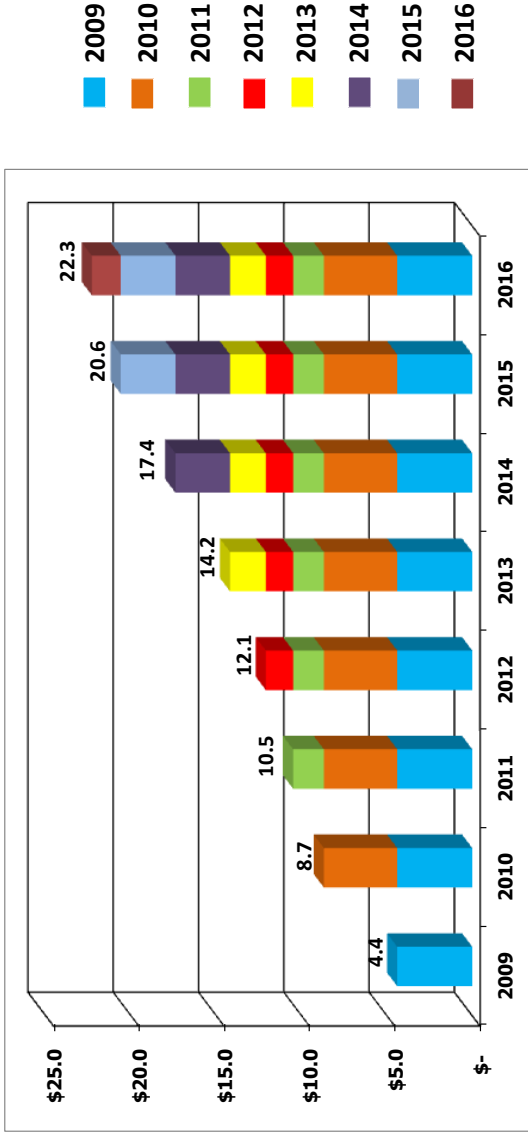
- New Official Plan
- Region of York Municipal Comprehensive Review and Official Plan to 2041
- Proposed Federal Airport at Pickering
- Province of Ontario:
 - Accessible Customer Service Standard (Accessibility for Ontarians with Disabilities Act)
 - Advisory Council on Government Assets
 - Asset Management Plan & Strategy
 - Bill 73 – Proposed Amendments to the Development Charges Act and the Planning Act
 - Coordinated Review of the Growth Plan for the Greater Golden Horseshoe, Greenbelt Plan, Oak Ridges Moraine Conservation Plan and Niagara Escarpment Plan
 - Review of Municipal Act, City of Toronto Act and Municipal Conflict of Interest Act

3a. Primary Operating Budget (cont'd)



3a. Primary Operating Budget (cont'd)

Excellence through Efficiency & Effectiveness (E3) (\$ in Millions)



- From 2009 – 2016, over \$22M of revenue enhancements and expenditure reductions have been implemented to offset potential tax increases
- Without E3 there would have been a need for a property tax increase of approximately 20%; this increase would have been built into the base each year on a cumulative basis
- In addition, other initiatives were implemented that strengthened the organization's ability to serve customers, support staff engagement, avoid future costs, and improve quality of services

3. 2016 Proposed Budget Overview

Planning & Design Engineering

\$8.19M

\$6.97M

Building Services

\$8.64M

Waterworks

\$115.29M

Capital

\$122.82M

Library

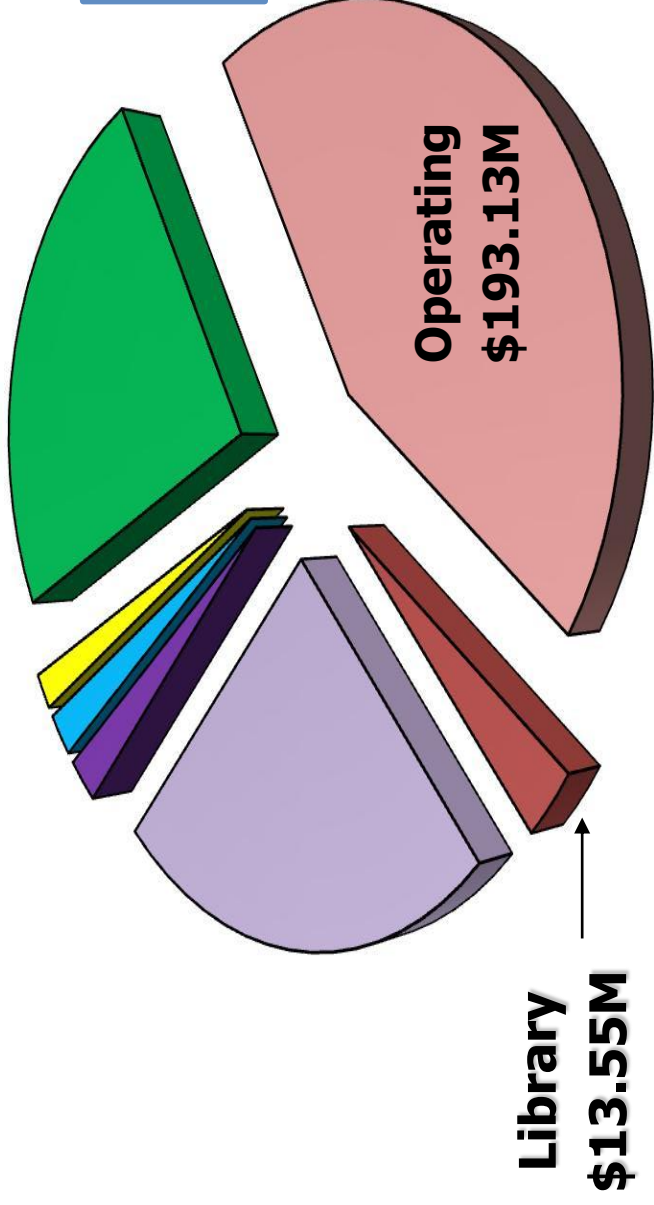
\$13.55M

Operating

\$193.13M

Total
\$468.59M

3a. 2016 Primary Operating Budget



3a. 2016 Primary Operating Budget

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

1% tax rate increase = \$1.335M

Revenues

Property Tax Revenues	138.0	69.2%	140.6	69.0%
User Fees and Service Charges	16.0	8.0%	16.8	8.3%
Income from Investments	10.4	5.2%	10.4	5.1%
Rentals, Licenses and Permits	9.4	4.7%	9.4	4.6%
Fines and Recoveries	4.2	2.1%	4.7	2.3%
Property Tax Interest and Penalties	3.5	1.8%	3.8	1.9%
Grant and Subsidy Revenues	1.5	0.8%	1.6	0.8%
Other Revenues	3.9	2.0%	3.9	1.9%
Interest and Dividend Income - PowerStream/MEC/MDEI	12.4	6.2%	12.4	6.1%
Total Revenues	199.3	100.0%	203.7	100.0%

Excludes Markham Enterprise
Corporation dividend adjustments

87.0% of total revenues

Expenditures

Salaries and Benefits	116.6	58.5%	121.1	58.6%
Transfer to Reserves	20.4	10.2%	20.9	10.1%
Purchased Services	14.3	7.2%	14.4	7.0%
Waste Management	8.2	4.1%	8.2	4.0%
Utilities and Streetlight Hydro	9.0	4.5%	10.6	5.1%
Winter Maintenance	7.5	3.7%	8.1	3.9%
Materials and Supplies	5.7	2.9%	5.6	2.7%
Insurance	2.3	1.2%	2.3	1.1%
Other Expenditures	4.0	2.0%	4.1	2.0%
Transfer to Reserves - PowerStream/MEC/MDEI	11.4	5.7%	11.4	5.5%
Total Expenditures	199.3	100.0%	206.7	100.0%

88.7% of total expenses

Ice Storm (Year 3 of 3)

0.2

Budget Shortfall

- 3.2 2.41%

3a. 2016 Primary Operating Budget Summary

(\$ Millions)

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

	2015 \$	2016 \$	Increase/ (Decrease) \$	Tax Rate Increase %
Revenues	199.30	203.69	4.39	
Expenditures				
Personnel	116.55	121.05	4.50	
Non-Personnel	82.75	85.63	2.88	
Total Expenditures	199.30	206.68	7.38	
Net Shortfall	-	2.99	2.99	2.25%
Ice Storm (Year 3 of 3)	-	0.22	0.22	0.16%
Net Shortfall	-	3.21	3.21	2.41%

3a. 2016 Primary Operating Budget - Revenues

(\$ Millions)

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

	2015 \$	2016 \$	Increase/ (Decrease) \$
Total Revenues	199.30	203.69	4.39
Assessment growth (1.98%)			2.64
Annualization of Administrative Monetary Penalties			0.52
CPI, volume adjustments & credit card charges recovery for user & prog. fees			0.49
Penalty to be charged 4th day after property tax instalment due date			0.30
Annualization of Pan Am Centre			0.27
Additional Waste Diversion Ontario Grant			0.10
Other revenue			0.07
Total Revenue Increase			4.39

3a. 2016 Primary Operating Budget - Expenditures

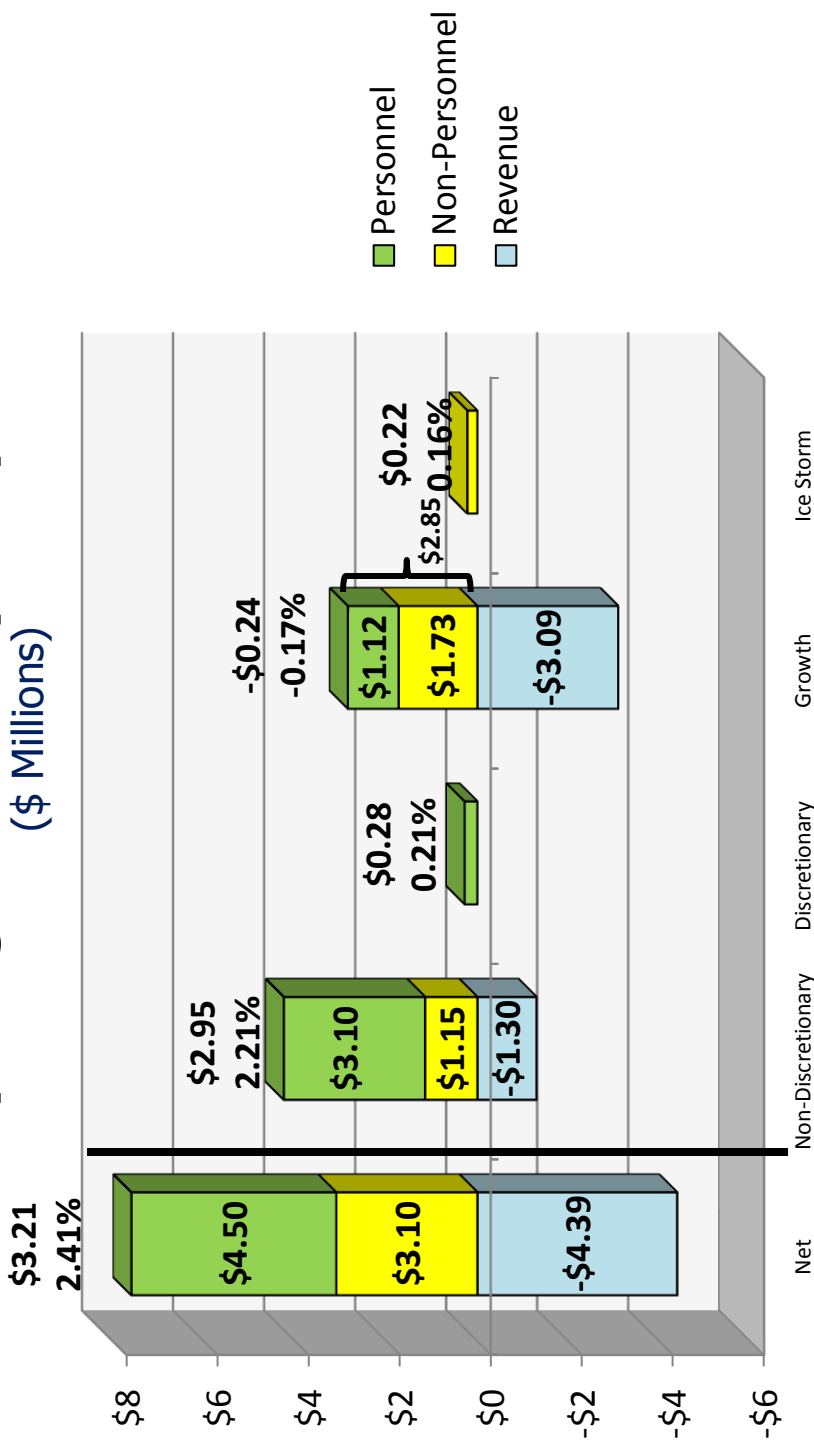
(\$ Millions)

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

	Increase/ (Decrease) \$
Personnel Costs	
Existing staff and benefits	3.51
	3.51
Growth	
Future staff and non-personnel ramp-up related to new facilities	1.04
Growth (roads, parks, waste, streetlights, winter maintenance)	1.08
Transfer to capital program	0.50
Capital induced operating costs	0.09
	2.71
Municipal Service Contracts	
Utilities	1.15
Streetlight Hydro	0.49
Winter maintenance	0.12
Support services for Building, Engineering, Planning & Design, Waterworks	(0.60)
	1.16
Total Expenditures	7.38

3a. 2016 Primary Budget Summary – Expenditure Pressures

(\$ Millions)



3a. Multi-Year Budget (2016-2019)

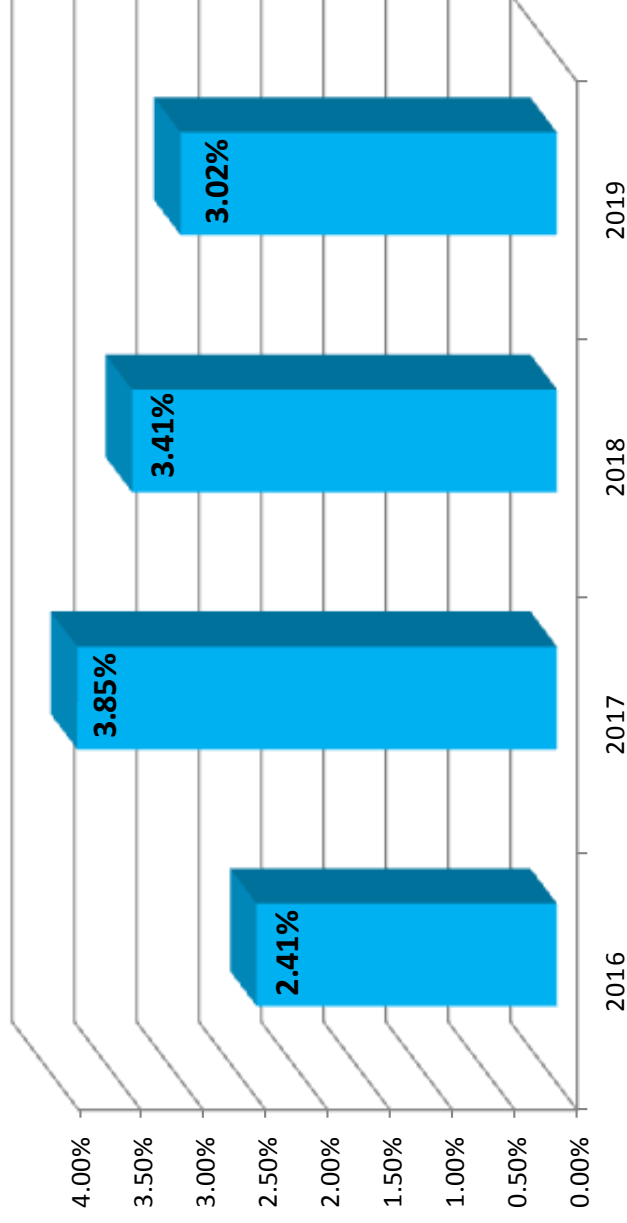
- A draft multi-year budget for 2016-2019 has been developed which aligns to the corporate goal “Stewardship of Money and Resources”
- In this process, the first year of the four year budget will be approved by Council, accompanied by a three-year forecast for years two, three and four
- The multi-year budget process will allow the City to be more proactive in capitalizing on opportunities, and mitigating challenges

3a. Multi-Year Budget (2016-2019) ^{cont'd}

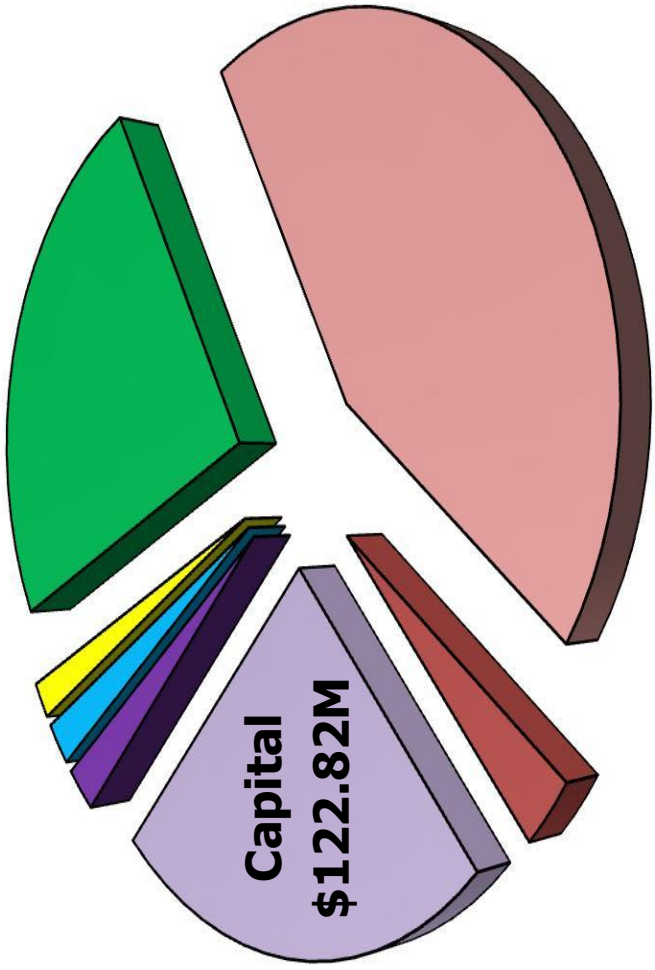
(\$ Millions)

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

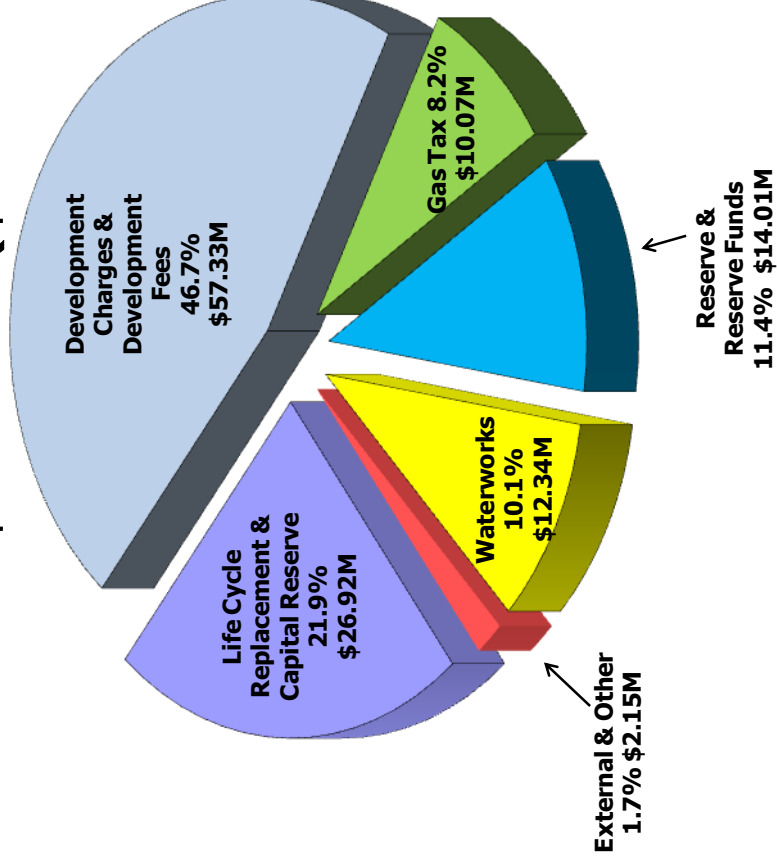
Proposed Tax Rate Increases



3b. 2016 Capital Budget

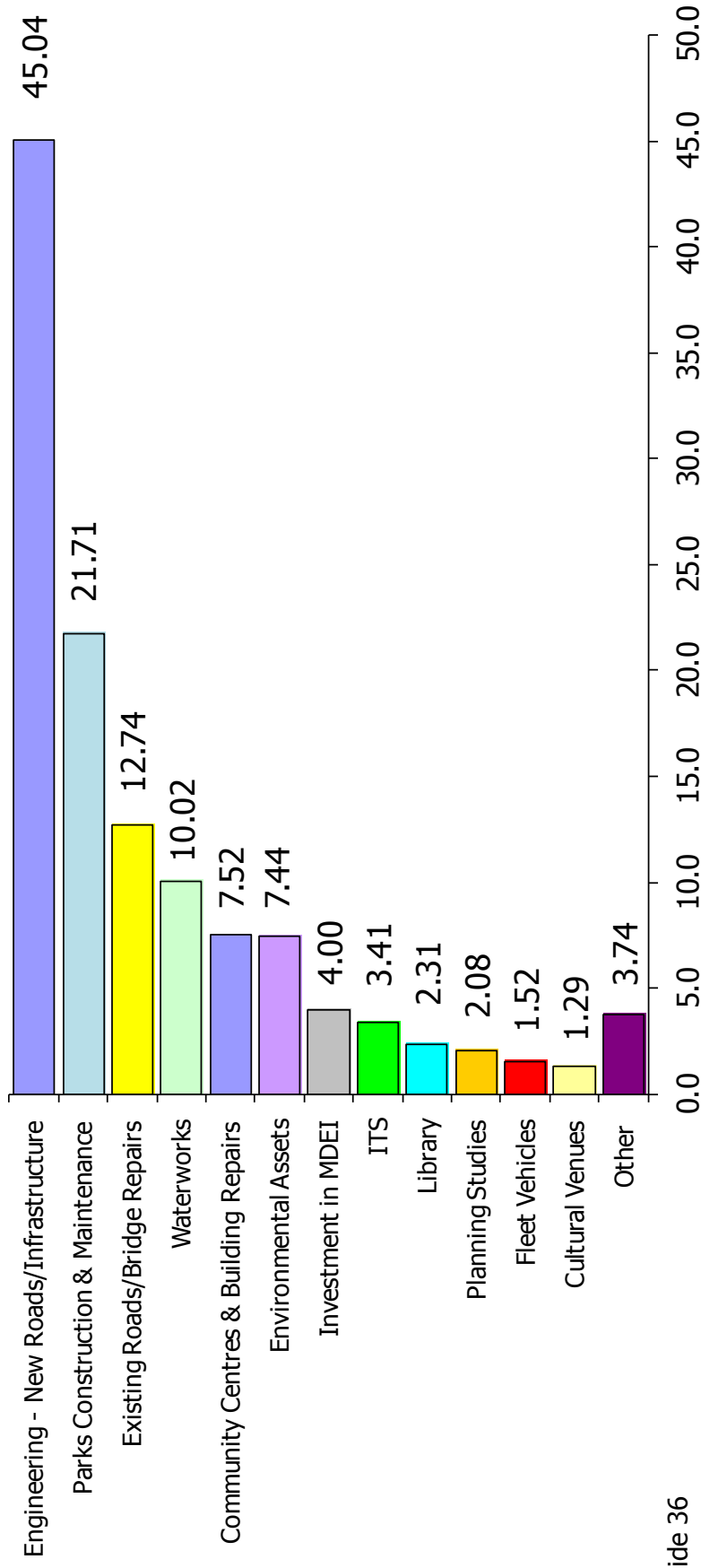


3b. 2016 Capital Budget Funding Sources Total \$122.82M (\$ Millions)



3b. 2016 Capital Budget Expenditure Types

Total \$122.82M (\$ Millions)



3b. Life-Cycle Replacement and Capital Reserve

- In 1998, Council recognized the need to set aside funds for the rehabilitation and eventual replacement of aging assets, and approved an 8% property tax increase for this purpose
- 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, based on projected inflows to sustain future rehabilitation and replacement requirements for the City's existing assets, over the next 25 years

3b. Life-Cycle Reserve Model

A rolling 25-year model is an effective method to ensure funding adequacy but it should be recognized that annual updates continually identify a need for increased inflows due to:

A. Existing Assets

1. Replacement of assets within the 25 year period (Current practice)
 - there are sufficient funds to sustain the future replacement and rehabilitation requirements for the following 25 years based on known inflows and outflows)
2. Replacement of assets outside the 25 year period

B. New Assets

1. Developer initiated subdivision internal works
2. City initiated capital projects

3b. Life-Cycle Reserve Model

- At the 1st Budget Committee meeting, Staff identified that the City's asset base will grow by approximately \$78 million per year through capital projects and the assumption of subdivision internal works
- The anticipated growth in assets will require an incremental \$1.5 million per year to fund the periodic rehabilitation and eventual replacement of these assets
- Staff proposed **an incremental 1% infrastructure surcharge per year**, starting with the 2016 budget

Staff were directed to report back in Spring 2016 to address:

1. Replacement of assets outside the 25 year period (Item A2 from previous slide)
2. New assets being added to the City's inventory from 2016 to 2031, and the need for an incremental 1% infrastructure surcharge per year (Items B1 and B2 from previous slide)

3. Impact of Markham Proposed Tax Rate Increase on an Average Residential Property

Property Type	2015 Average Current Value	1% Tax Rate Increase	2.41% Tax Rate Increase
Residential Homes*	\$597,000	\$12.20	\$29.40
Residential Condominiums	\$333,000	\$6.80	\$16.39
Average (Homes & Condominiums)	\$552,000	\$11.28	\$27.18

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

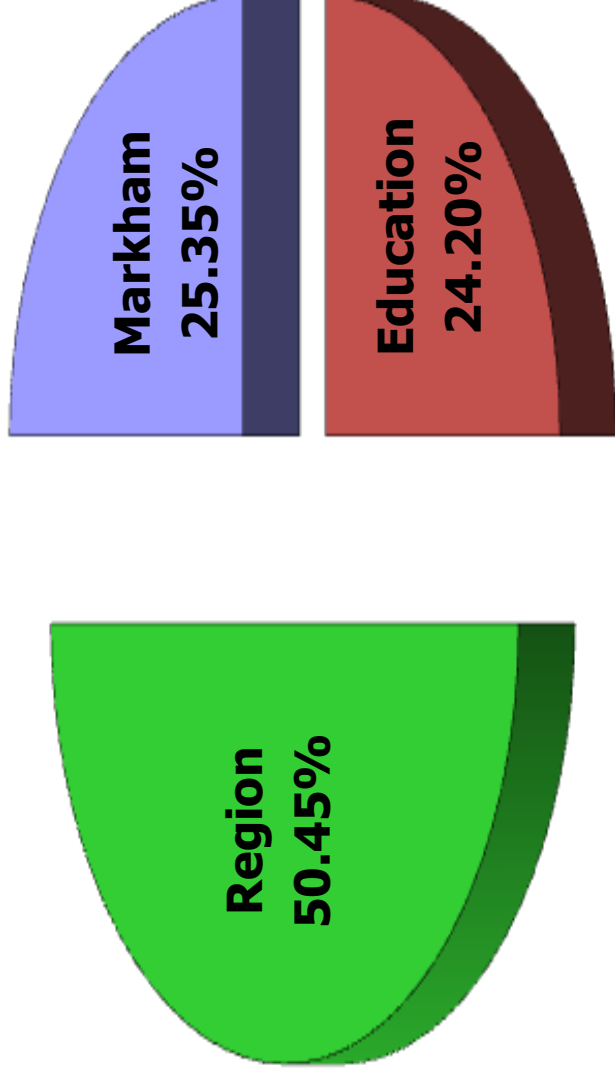
4. Primary Operating Budget

Impact to an Average Residential Property

	<u>Proposed increase</u>	<u>Increase \$</u>
Tax rate increase – Markham	2.41%	27
Tax rate increase – Region	2.85%	64
Residential Stormwater fee		47
Water & wastewater fee	7.80%	<u>56</u>
Total		194

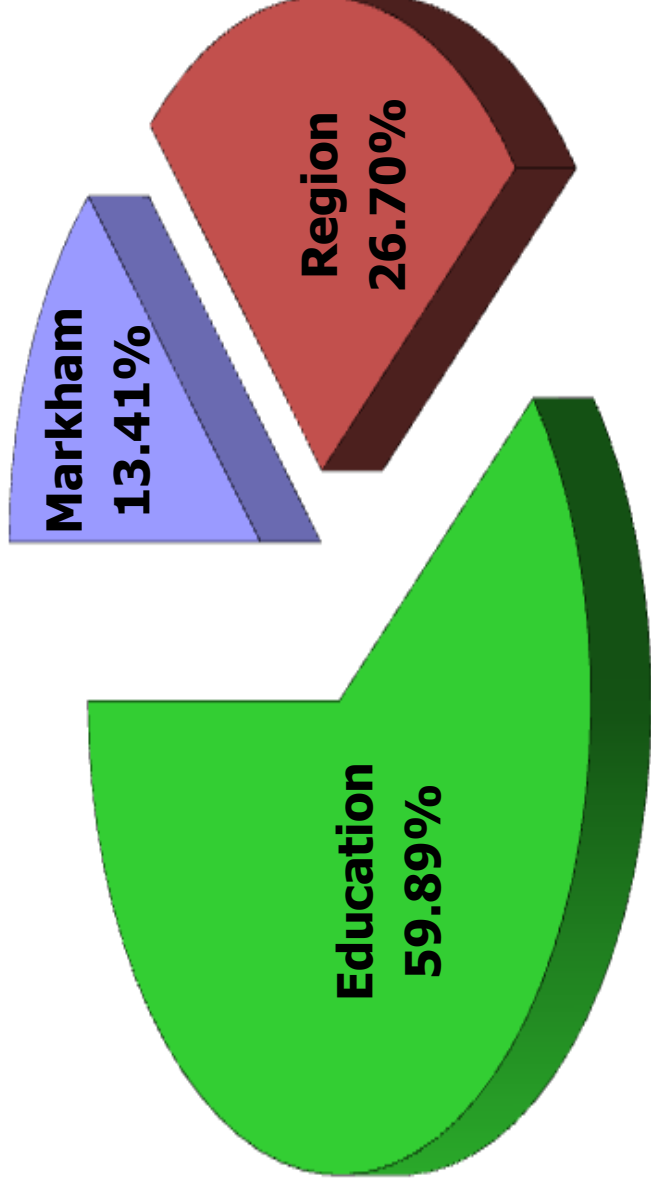
3. Assessment and Property Taxes

2015 Property Tax Distribution
Residential

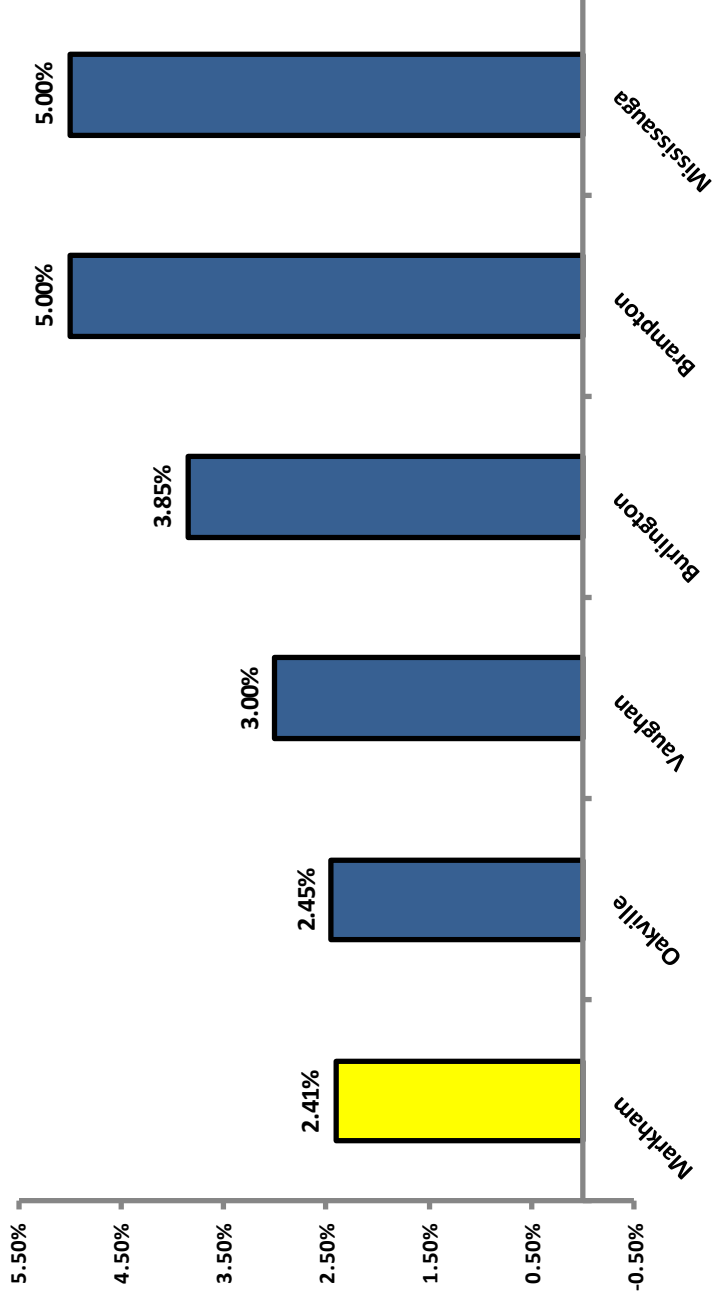


3. Assessment and Property Taxes

2015 Property Tax Distribution Non-Residential



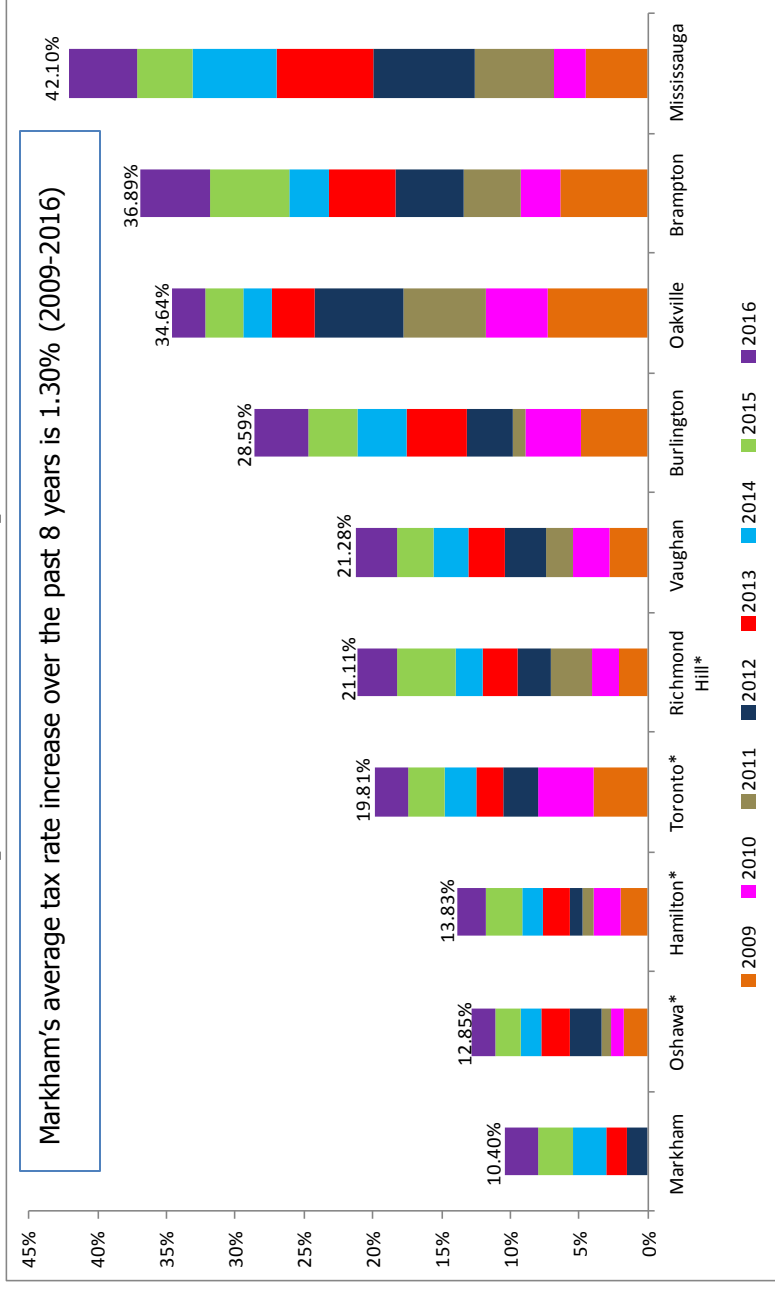
3. 2016 Primary Operating Budget Comparison of Proposed Tax Rate Increases



Oshawa, Hamilton, Toronto and Richmond Hill 2016 tax rate increase information is not yet available

3. 2016 Primary Operating Budget

8 Year Comparison of Proposed Tax Rate Increases



* Information on 2016 tax rate increases is not available, a 3 year avg. (2013-2015) has been used for 2016, for comparative purposes

4. Highlights of 2016 Proposed Capital Budget

Environment (\$ in Millions)

1. West Thornhill Flood Control Implementation *	\$6.58
2. Emerald Ash Borer Program – Year 4 of 5	\$4.13
3. Investment in Markham District Energy Inc. (MDEI)	\$4.00
4. Waste Management Initiatives (includes Textile Recycling*)	\$0.19
5. PowerStream Embedded Energy Projects	\$0.15
6. Continuation of the Trees for Tomorrow Initiative and Replacement of Trees*	\$0.12

* - service level enhancement



4. Highlights of 2016 Proposed Capital Budget

Growth (\$ in Millions)

New Parks Design and Construction (66.9 acres)

\$ 12.55

1. Berczy Beckett East Parkette - Design & Construction (0.7 acres, completion: Fall 2016)
2. Berczy Beckett NE Parkette - Design & Construction (0.4 acres, completion: Fall 2016)
3. Berczy Beckett Neighborhood Park - Design & Construction (1.5 acres, completion: Summer 2017)
4. Berczy Beckett NW Park (Next to School) - Design (2.0 acres)
5. Berczy Beckett NW Parkette - Design & Construction (0.5 acres, completion: Fall 2016)
6. Box Grove Community Park East (Phase 1) - Construction (8.0 acres, completion: Fall 2017)
7. Box Grove Hill S. E. Park - Construction (1.5 acres, completion: Spring 2017)
8. Box Grove Rizal Avenue Neighborhood Park - Design & Construction (6.0 acres, completion: Fall 2017)
9. Carlton Park Master Plan (18.1 acres)
10. Cornell Madison Rouge / Riverlands - Construction (3.6 acres, completion: Fall 2016)



4. Highlights of 2016 Proposed Capital Budget

Growth (\$ in Millions)

New Parks Design and Construction (cont'd)

11. Cornell Madison Rouge Blvd. Park North - Design & Construction (1.2 acres, completion: Spring 2017)
12. Cornell Madison Rouge Blvd. Park South - Design & Construction (1.4 acres, completion: Spring 2017)
13. Greensborough Williamson Road Neighborhood Park - Design (5.4 acres, completion: Fall 2017)
14. Leitchcroft Community Park Phase 2 - Design (2.2 acres)
15. Main Street Milliken NW Parkette (Design and Construction) (0.3 acres, completion: Fall 2016)
16. Markham Centre Rouge Valley Drive West N. P. - Design (3.7 acres)
17. Markham Village Library Square -Phase 1 Construction (5.2 acres, completion: Spring 2017)
18. Park Signage Implementation Program - Phase 1 of 3
19. Upper Greensborough Fimco Cres. Park - Design & Construction (0.8 acres, completion: Fall 2016)
20. Upper Greensborough Parkway Park - Design (4.4 acres)



4. Highlights of 2016 Proposed Capital Budget

Transportation and Transit (\$ in Millions)

1.	Hwy 404 Ramp Extension, North of Hwy 7	\$12.35
2.	Verclair Crossing at Rouge River (Construction)	\$9.55
3.	Miller Avenue – Woodbine Avenue to Rodick (Construction)	\$8.63
4.	Multi-use Pathways – Phase 3 of 5 - Construction	\$3.24
5.	Miller Avenue – Warden to Birchmount – Phase 1 (Property)	\$1.86
6.	Hwy 404 Bridge North of Hwy 7 – Additional Funding for Construction (Overall cost: \$38.44, Markham's share including this request: \$12.5)	\$0.93
7.	Traffic Control Signals & Traffic Operational Improvements (also included in Integrated Leisure Master Plan/Public Safety)	\$0.41



4. Highlights of 2016 Proposed Capital Budget

Service Levels (\$ in Millions)

1. Exterior and interior facility improvement program at Community Centres, Libraries, Fire Stations and Civic Centre	\$7.82
2. Watermain and Sanitary Sewer construction and replacement program	\$6.62
3. Roads rehabilitation program	\$5.44
4. Library Collections	\$2.14
5. Water System and Water Meter replacement/upgrade program	\$0.97
6. Courts Resurfacing & Reconstruction	\$0.40
7. Sportsfield Maintenance and Reconstruction	\$0.12



4. Highlights of 2016 Proposed Capital Budget

Integrated Leisure Master Plan/Public Safety (\$ in Millions)

1. Fire and Emergency Services Capital Program	\$1.57
2. Civic Centre Site Safety & Accessibility Improvement – Phase 2 (also included in Diversity)	\$0.47
3. Traffic Control Signals and Traffic Operational Improvements (also included in Transportation and Transit)	\$0.41
4. Play Structure and Waterplay Replacements	\$0.66
5. Fire Services Vehicle Replacements	\$0.10
6. Integrated Leisure Master Plan	\$0.05



4. Highlights of 2016 Proposed Capital Budget

Diversity (\$ in Millions)

- | | |
|--|--------|
| 1. Civic Centre Site Safety & Accessibility Improvement – Phase 2
(also included in Integrated Leisure Master Plan/Public Safety) | \$0.47 |
| 2. Accessibility Retrofit Program | \$0.18 |
| 3. Audible Pedestrian Accessibility Improvements – Phase 6 of 8* | \$0.12 |

4. Language Line Service

5. Career Bridge/Ability Edge Program

* - service level enhancement



5. Next Steps

- General Committee – December 15th, 2015 at 6:00pm in the Canada Room
- Council Decision – December 15th, 2015 at 7:00pm in the Council Chamber
- Press Conference – December 16th, 2015 at 10:00am in the Canada Room

THANK YOU FOR ATTENDING MARKHAM'S PUBLIC MEETING