



Report to: Council

Report Date: November 19, 2012

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**SUBJECT:** 2013 Operating Budget  
**PREPARED BY:** Andrea Tang, Manager of Financial Planning

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**RECOMMENDATION:**

- 1) That the report dated November 19, 2012 entitled, "2013 Operating Budget" be received;
- 2) And that Council approve a 1.0% tax rate increase to the City's tax levy;
- 3) And that Council approve an additional 0.5% tax rate increase for infrastructure to fund an extraordinary item, the Emerald Ash Borer (EAB) infestation;
- 4) And that Council approve the establishment of an interest bearing infrastructure reserve fund for the Emerald Ash Borer program;
- 5) And that Council approve the 2013 Operating budget for City services totalling \$180,795,409 (excluding the 2012 surplus) which includes a 1.5% tax rate increase over 2012 (\$171,553,698) of which the principal components are detailed in Appendix 1;
- 6) And that the gross operating expenditures of \$180,795,409, (excluding the 2012 surplus) be funded from the following sources:

<u>Revenue</u>	<u>2013 Budget \$</u>
Taxation Levies	124,765,727
Grants-in-lieu of Taxes	1,209,007
Grant & Subsidy Revenues	1,546,994
General Revenues (Investment Income, Fines, Permits, Interest & Penalties)	26,393,689
User Fees & Service Charges (User Fees, Rentals, Sales)	22,281,315
Other Income / Recoveries	4,598,677
<b>Total Revenues</b>	<b><u>180,795,409</u></b>

- 7) And that upon finalization of the 2012 audited financial statements, the 2013 Operating budget be adjusted to reflect the 2012 operating results;
- 8) And that a copy of the budget document be made available to the public through the Clerk's Department, the City's website and each of the Markham Public Libraries;
- 9) And further that Staff be authorized and directed to do all things necessary to give effect to this resolution.

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**PURPOSE:**

To obtain Council approval of the City of Markham's 2013 Operating budget which recommends a total 1.5% tax rate increase that is split into a 1.0% tax rate increase to support the day-to-day operations and a 0.5% tax rate increase for infrastructure to address an extraordinary item, EAB infestation.

**BACKGROUND:**

A total of seven Budget Sub-Committee meetings were held in the period from October to November 2012 to discuss, review and finalize the 2013 Operating and Capital budgets. As well, one public consultation meeting was held on October 10<sup>th</sup>.

All budget sub-committee meetings were open to the general public, and the following topics were discussed:

- a fiscal scan including economic trends and budgetary pressures;
- a review of the 2013 operating and capital budgets;
- a review of the 2013 new support staffing requests;
- a review of the 2013 Councillor requests;
- the City's asset lifecycle reserve study.

A report on the proposed Development fee by-law update will be presented to Development Services Committee on November 20, 2012.

In addition, Staff will bring forward a report requesting approval of the 2013 Capital Budget to the December 10<sup>th</sup> General Committee meeting.

The proposed 2013 Water and Wastewater rate will take effect on April 1, 2013 and will be presented to General Committee in January 2013.

**DISCUSSION:**

The following exhibit reconciles the 2012 approved operating budget to the 2013 operating budget from \$171,553,698 to \$180,795,409 (figures exclude Planning & Design, Engineering, Building Services and Waterworks):

<b><u>REVENUES</u></b>	<b><u>2013 Budget \$</u></b>
Approved 2012 Budget Revenues	171,553,698
Assessment Growth (Property taxes from new homes and businesses)	3,127,000
<b>Proposed 1.0% Operating Tax Increase</b>	<b>1,180,398</b>
<b>Proposed 0.5% Tax Increase for Infrastructure</b>	<b>590,000</b>
Cornell Community Centre and Library User and Program Fees	2,110,000
Parking Fines	474,000
CPI Adjustment for User and Program Fees	434,000
Investment Income (increase in portfolio balance/reduction in tax installments from 6 to 4)	605,000
Financial Administrative Fees/Road Occupancy Fee for Tower Cranes	226,000
Other	495,313
Total 2013 Budget Revenues - excluding the 2012 surplus / (deficit)	<b><u>180,795,409</u></b>
<b><u>EXPENDITURES</u></b>	
Approved 2012 Budget Expenditures	171,553,698
Approved existing wage settlements	2,310,084
Growth (roads, waste, parks, streetlights and winter maintenance)	3,724,627
Municipal Service Contracts	1,087,000
Transfer to Emerald Ash Borer reserve fund	590,000
Support Services for Building, Engineering, Planning & Design, Waterworks/Corporate Items/Other	1,530,000
Total 2013 Budget Expenditures - excluding the 2012 surplus / (deficit)	<b><u>180,795,409</u></b>

The 2012 operating results are excluded from the above figures until the City's audited financial statements are finalized and approved by Council. Staff will present the preliminary year-end operating results to General Committee in March 2013. Upon finalization of the 2012 audited financial statements, the 2013 Operating, Planning & Design, Engineering, Building Standards and Waterworks budgets will be adjusted to reflect the surplus/deficit, if any, in revenues and offsetting expenditures.

Markham is the only municipality in Ontario to achieve a zero tax rate increase for three consecutive years from 2009 to 2011, and the lowest 2012 tax rate increase in the GTA of 1.5%, which is below the cost of inflation. These were accomplished through ongoing efforts to find operational efficiencies while maintaining and/or enhancing service levels.

The City of Markham, as with all municipalities, is challenged to deliver a balanced budget with minimal tax rate increases in response to increased operating expenditures resulting from economic and growth pressures. Markham has met the challenge of mitigating the impact of economic and growth pressures in the 2013 Operating budget process through our continuous improvement program, Excellence through Efficiency and Effectiveness (E3), which identified cost reduction initiatives and value for money for the residents of Markham. Opportunities to generate non-tax based revenues have also been explored.

Economic pressures stem from general inflation, third party contract renewals (such as the winter maintenance contract and utility costs) and existing employment contracts.

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Markham is a growing municipality and it continues to add to its inventory of parks, streetlights, and roads each year which require additional resources to maintain and replace assets. Further, Markham has exhibited sound fiscal management by phasing-in future personnel costs related to facility openings for the South East Community Centre, Pan Am Facility, City of Markham Sports Park and Operations Work Yard. Markham continues the policy of allocating the first \$0.5M from new assessment growth revenues to support a sustainable capital program.

Various additional revenues have been identified to offset increased operating expenditures as they relate to economic and growth pressures. Assessment growth has increased by 2.65% resulting in additional property taxes from new homes and businesses. As well, investment income has increased due to a higher portfolio balance and reduction of tax instalments from 6 to 4. Staff identified an opportunity to increase parking fine revenues through benchmarking study with other municipalities.

The opening of the state of the art Cornell Community Centre & Library in December 2012 is expected to generate additional user and program fees. Additional revenues are generated from CPI adjustments on existing user and programs fees.

The pressures and additional revenues result in a net shortfall of \$1.18M, equivalent to a 1.0% tax rate increase to the City's tax levy to maintain and/or enhance service levels.

Periodically, municipalities are faced with extraordinary circumstances such as the Emerald Ash Borer infestation. Staff identified a program of \$13.1M to address this environmental threat and protect homeowner's values. Of the total funding requirement, \$2.0M has been included in the 2013 capital budget, leaving an unfunded balance of \$11.1M. Therefore, a 0.5% tax rate increase is recommended to partially fund the program. This program will address the immediate needs to evaluate the condition of the Ash tree inventory and determine the remediation strategies. An interest bearing infrastructure reserve fund will be established for the Emerald Ash Borer program.

Markham has been recognized for sound fiscal management and stewardship through the receipt of the Government Finance Officers Association Distinguished Budget Presentation Award for best practices in budget presentation for twelve consecutive years. In addition, Markham was identified as one of the top three municipalities in Canada by the CD Howe Institute for fiscal management and transparency.

In summary, the 2013 operating budget has an increase in expenditures of \$9.24M offset by an increase in revenues of \$7.47M resulting in a net shortfall of \$1.77M, equivalent to a total tax rate increase of 1.5%. The 2013 operating budget achieves fiscal sustainability by not using one-time funding to balance the budget.

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**RECOMMENDED BY:**

16/11/2012

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Joel Lustig  
Treasurer

15/11/2012

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Trinela Cane  
Commissioner, Corporate Services

**ATTACHMENTS:**

Appendix 1 – 2013 Operating Budget

**CITY OF MARKHAM - 2013 OPERATING BUDGET**  
**Total Corporation (Excluding Planning, Engineering, Building Standards and Waterworks)**

<u>Description</u>	<u>2012 Budget</u>	<u>2013 Budget</u>	<u>2013 Bud. vs. 2012 Bud.</u>	
			<u>\$ Incr./ (Decr.)</u>	<u>% Change</u>
<u>Revenue</u>				
TAX LEVIES	\$119,868,329	\$122,995,329	\$3,127,000	2.6%
Proposed 1.0% Operating Tax Increase	\$0	\$1,180,398	\$1,180,398	0.0%
Proposed 0.5% Tax Increase for Infrastructure	\$0	\$590,000	\$590,000	0.0%
GRANTS-IN-LIEU OF TAXES	\$1,209,007	\$1,209,007	\$0	0.0%
GRANTS AND SUBSIDIES	\$1,529,273	\$1,546,994	\$17,721	1.2%
LICENCES & PERMITS	\$1,418,394	\$1,418,394	\$0	0.0%
INTEREST & PENALTIES	\$3,375,000	\$3,375,000	\$0	0.0%
INCOME FROM INVESTMENTS	\$18,546,065	\$19,151,065	\$605,000	3.3%
FINES	\$1,970,730	\$2,449,230	\$478,500	24.3%
USER FEES & SERVICE CHARGES	\$12,395,023	\$14,908,403	\$2,513,380	20.3%
RENTALS	\$6,974,859	\$6,797,604	(\$177,255)	-2.5%
SALES	\$559,834	\$575,308	\$15,474	2.8%
RECOVERIES & CONTRIBUTIONS	\$1,487,920	\$1,605,800	\$117,880	7.9%
OTHER INCOME	\$2,219,264	\$2,992,877	\$773,613	34.9%
<b>Total Revenues</b>	<b>\$171,553,698</b>	<b>\$180,795,409</b>	<b>\$9,241,711</b>	<b>5.4%</b>
<u>Expenses</u>				
SALARIES AND BENEFITS	\$101,831,262	\$107,573,175	\$5,741,913	5.6%
PRINTING & OFFICE SUPPLIES	\$612,239	\$617,359	\$5,120	0.8%
PURCHASES FOR RESALE	\$334,536	\$332,336	(\$2,200)	-0.7%
OPERATING MATERIALS & SUPPLIES	\$2,636,500	\$2,906,550	\$270,050	10.2%
VEHICLE SUPPLIES	\$1,598,886	\$1,667,335	\$68,449	4.3%
SMALL EQUIPMENT SUPPLIES	\$15,091	\$15,091	\$0	0.0%
BOTANICAL SUPPLIES	\$267,197	\$267,197	\$0	0.0%
CONSTRUCTION MATERIALS	\$1,392,412	\$1,479,137	\$86,725	6.2%
UTILITIES	\$4,424,625	\$5,154,550	\$729,925	16.5%
COMMUNICATIONS	\$1,402,193	\$1,421,522	\$19,329	1.4%
TRAVEL EXPENSES	\$406,286	\$415,928	\$9,642	2.4%
TRAINING	\$775,471	\$791,686	\$16,215	2.1%
CONTRACTS & SERVICE AGREEMENTS	\$4,949,304	\$5,622,354	\$673,050	13.6%
MAINT. & REPAIR-TIME/MATERIAL	\$3,712,786	\$4,362,055	\$649,269	17.5%
RENTAL/LEASE	\$778,980	\$760,888	(\$18,092)	-2.3%
INSURANCE	\$2,367,919	\$2,267,919	(\$100,000)	-4.2%
PROFESSIONAL SERVICES	\$2,530,784	\$2,559,039	\$28,255	1.1%
LICENCES, PERMITS, FEES	\$615,407	\$619,077	\$3,670	0.6%
CREDIT CARD SERVICE CHARGES	\$218,335	\$219,313	\$978	0.4%
PROMOTION & ADVERTISING	\$1,241,669	\$1,309,788	\$68,119	5.5%
DISCRETIONARY COMMUNICATIONS	\$429,948	\$429,948	\$0	0.0%
CONTRACTED MUNICIPAL SERVICES	\$9,775,129	\$9,905,922	\$130,793	1.3%
OTHER PURCHASED SERVICES	\$1,031,419	\$1,141,421	\$110,002	10.7%
WRITE-OFFS	\$415,141	\$272,100	(\$143,041)	-34.5%
OTHER EXPENDITURES	\$2,080,570	\$2,578,350	\$497,780	23.9%
TRANSFERS TO RESERVES	\$25,709,609	\$26,105,369	\$395,760	1.5%
<b>Total Expenditures</b>	<b>\$171,553,698</b>	<b>\$180,795,409</b>	<b>\$9,241,711</b>	<b>5.4%</b>
<b>Net Expenditure/ (Revenue)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0%</b>