



A G E N D A
BUDGET COMMITTEE
October 10, 2017
9:00 a.m.
Council Chamber
MEETING NO. 2

Chair:	Councillor Logan Kanapathi
Vice-Chair:	Councillor Amanda Collucci
Members:	Regional Councillor Nirmala Armstrong
	Regional Councillor Jim Jones
	Councillor Don Hamilton
	Councillor Karen Rea
	Councillor Alex Chiu
	Mayor Frank Scarpitti (ex-officio)
	Deputy Mayor Heath (ex-officio)

- **2018 BUDGET PRESENTATION** **Slide 1**
- 1. 2018 Budget Process and Communication Plan** **Slide 3**
- 2. 2018 Proposed Capital Budget** **Slide 7**
 - a. Funding Source Slide 10
 - b. Expenditures Slide 11
 - c. Life Cycle Reserve Study Update Slide 12
 - d. Capital Budget Highlights Slide 14
- 3. 2018 Proposed Operating Budget** **Slide 19**
 - a. Economic Scan Slide 20
 - b. City Controlled Slide 21
 - c. Provincial Legislation Slide 36
 - d. Summary Slide 38
- 4. Next Steps** **Slide 43**



BUILDING MARKHAM'S
FUTURE TOGETHER



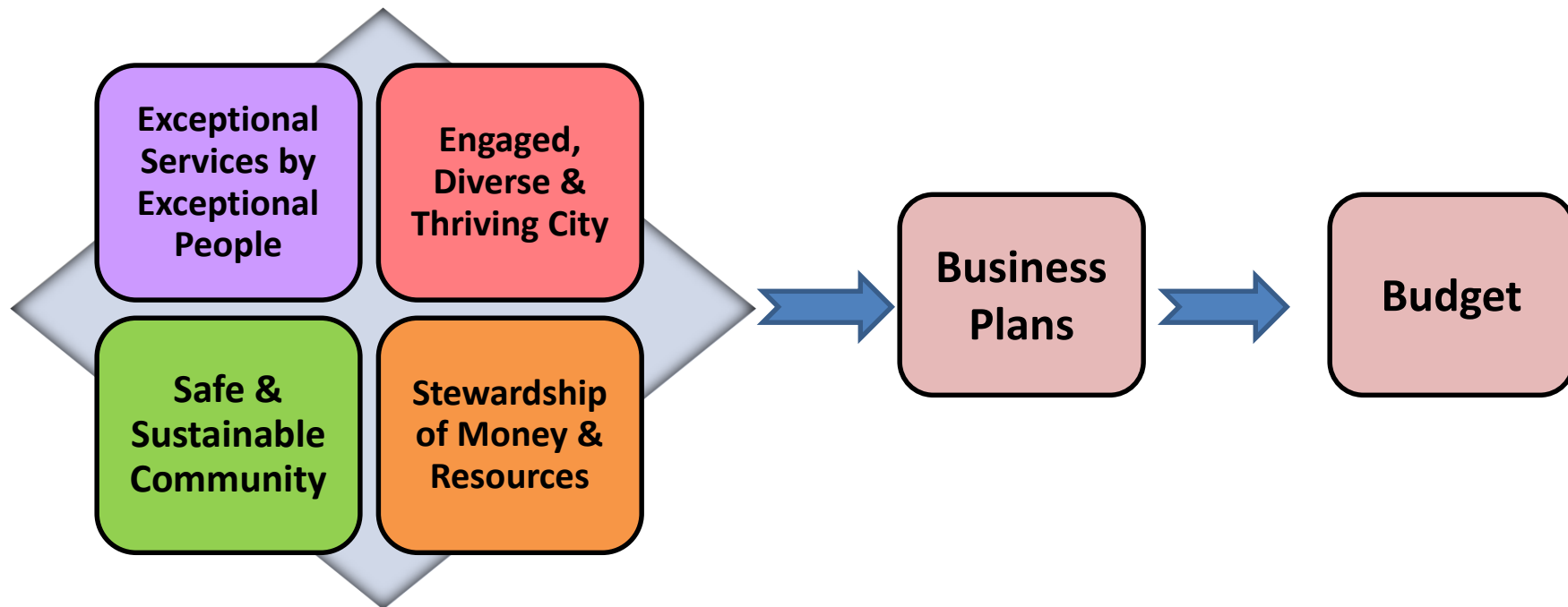
2018 Budget Budget Committee Meeting #2 October 10th, 2017



Agenda

1. 2018 Budget Process and Communications Plan
2. 2018 Proposed Capital Budget
 - a. Funding Sources
 - b. Expenditures
 - c. Life Cycle Reserve Study Update
 - d. Capital Budget Highlights
3. 2018 Proposed Operating Budget
 - a. Economic Scan
 - b. City Controlled
 - c. Provincial Legislation
 - d. Summary
4. Next Steps

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



Budget Process

Planning & Engagement

Economic/Fiscal scan

Community
Engagement

Business Plans

Reserve Studies

Master Plans

Development Charges

Background Study

Official Plan

Markham 2020

Staff Review

Proposed Budget

Staff, Commissioner
& CAO Review

Deliberation & Consultation

Budget Committee
Meetings

Public Consultation
meeting

Approval

General
Committee

Council Decision

March – May

June - Sept

Oct - Nov

Council Decision
December

1. Proposed 2018 Budget Schedule

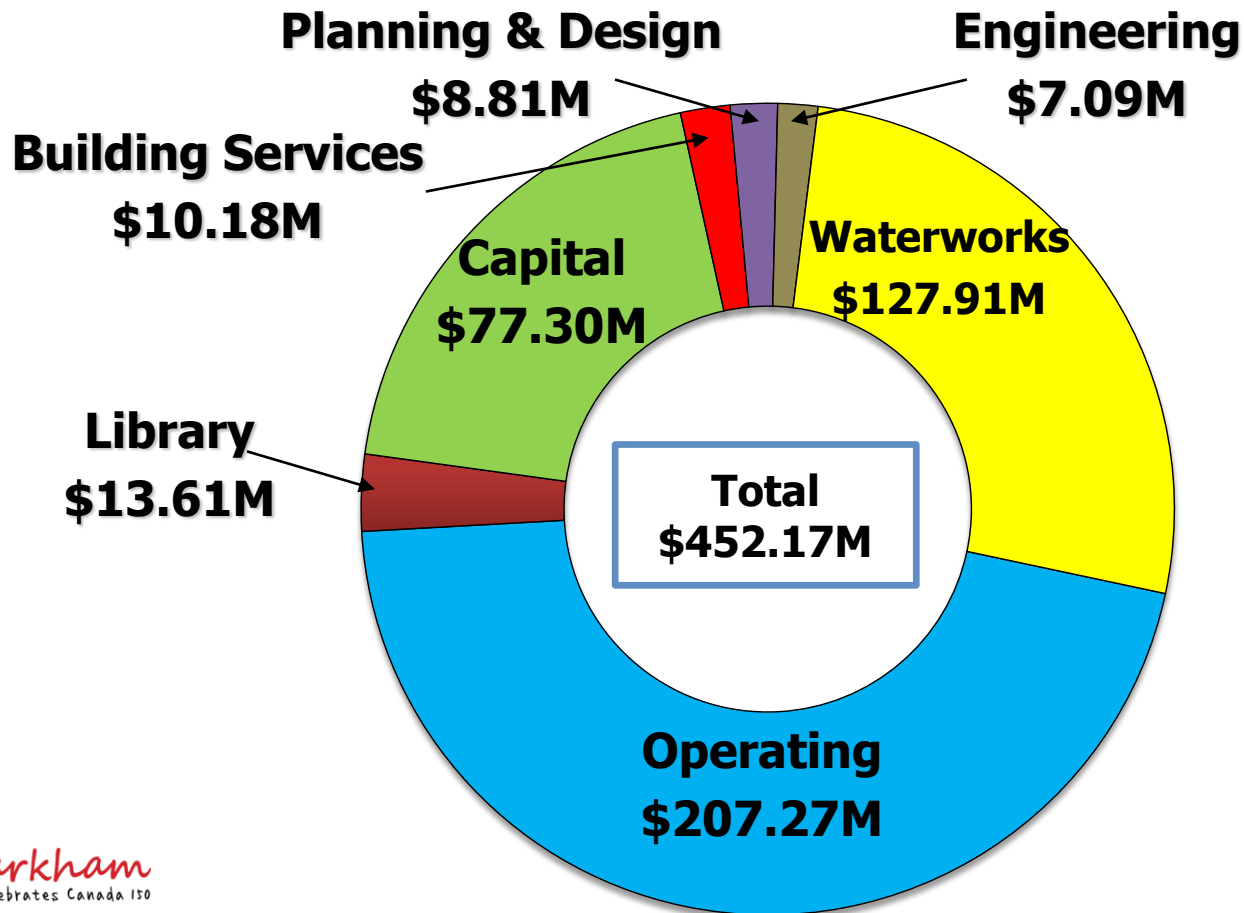
Meeting #2	Tuesday, October 10 th	Economic scan, proposed tax rate increase including infrastructure investment and status on capital budget
Meetings #3, 4, 5	Friday October 13 th , Tuesday October 17 th Thursday October 19 th	Capital Budget review by exception
Meeting #6	Tuesday, October 31 st	Operating Budget
General Committee	Monday, November 6 th	Approval of proposed presentation for the public meeting
Public Meeting	Thursday, November 16 th	Public Budget Consultation meeting
Meeting #7	Tuesday November 21 st	Feedback from the Public Budget Consultation meeting, Operating Budget, Planning & Design, Engineering, Building and Waterworks Operating Budgets
General Committee	Monday, December 4 th	General Committee Decision
Council	Tuesday, December 12th	Council Decision
Press Conference	Wednesday, December 13 th	Press Conference

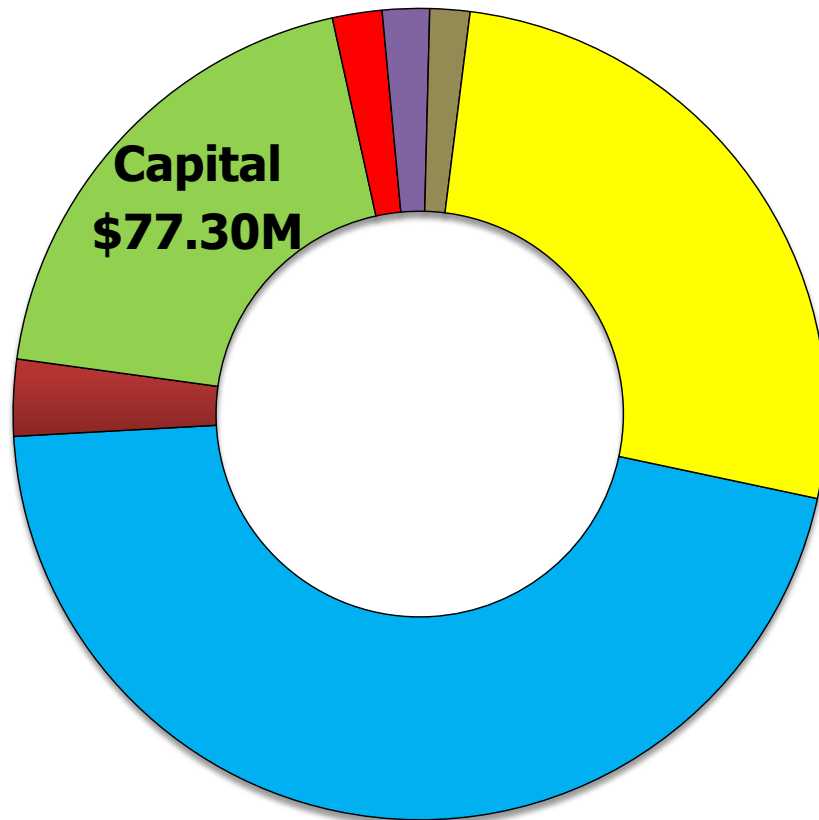


Communication Strategy & Outreach



MARKHAM REVIEW



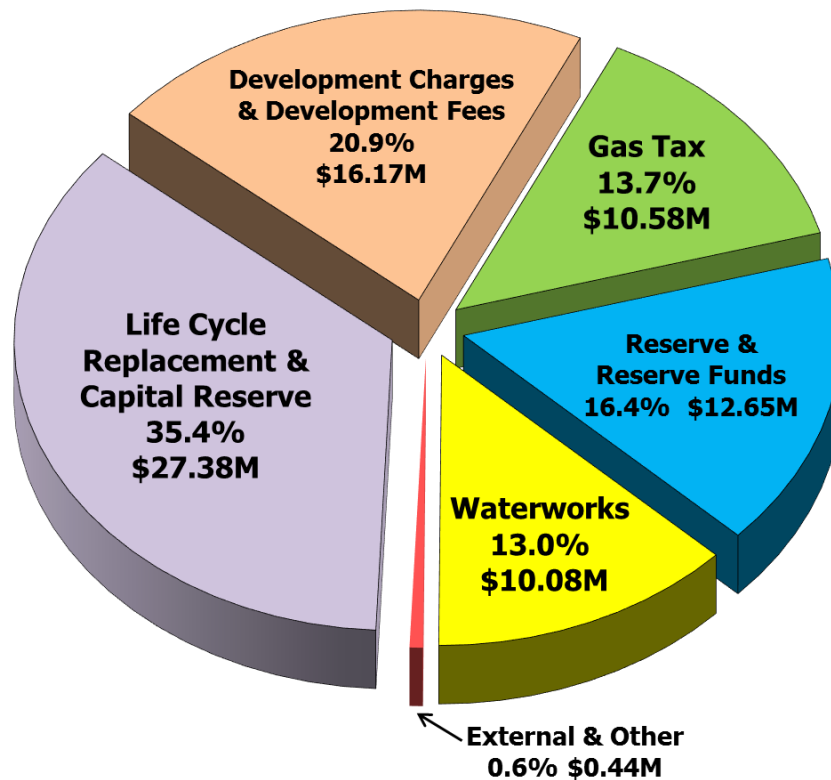


Capital Budget Process

- The Council approved 2017 and prior year's capital budgets has ensured that Markham's assets have been maintained in a state of good repair with no substantial backlog. Approval of the 2018 capital budget will preserve the same high standards.
- The Executive Leadership Team (ELT), Directors Forum (DF) and Staff conducted an extensive review process to bring forward the proposed 2018 Capital budget for review and consideration by Council.
- The budget development and review process was based on the guiding principles outlined in the City's Asset Management Plan (AMP) approved by Council in December 2016.
- 90% of asset replacements/rehabilitation identified in the 2017 Life Cycle Reserve Study update are included in the 2018 Capital Budget. The remaining net 10% are being deferred based on condition assessment.
- Contingency budgets from each project have been consolidated into one capital project

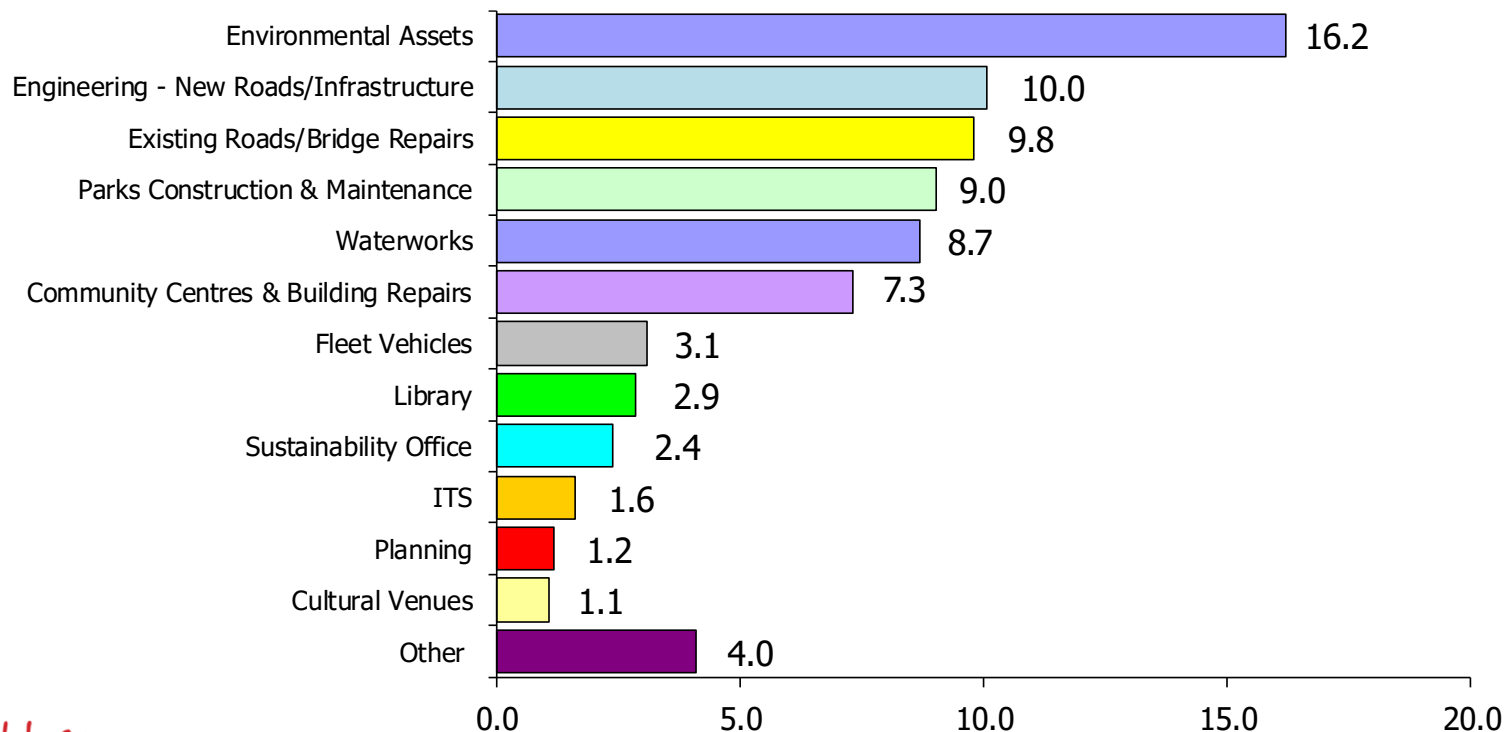
2018 Capital Budget Funding Sources

Total \$77.30M (\$ Millions)



2018 Capital Budget Expenditure Types

Total \$77.30M (\$ Millions)

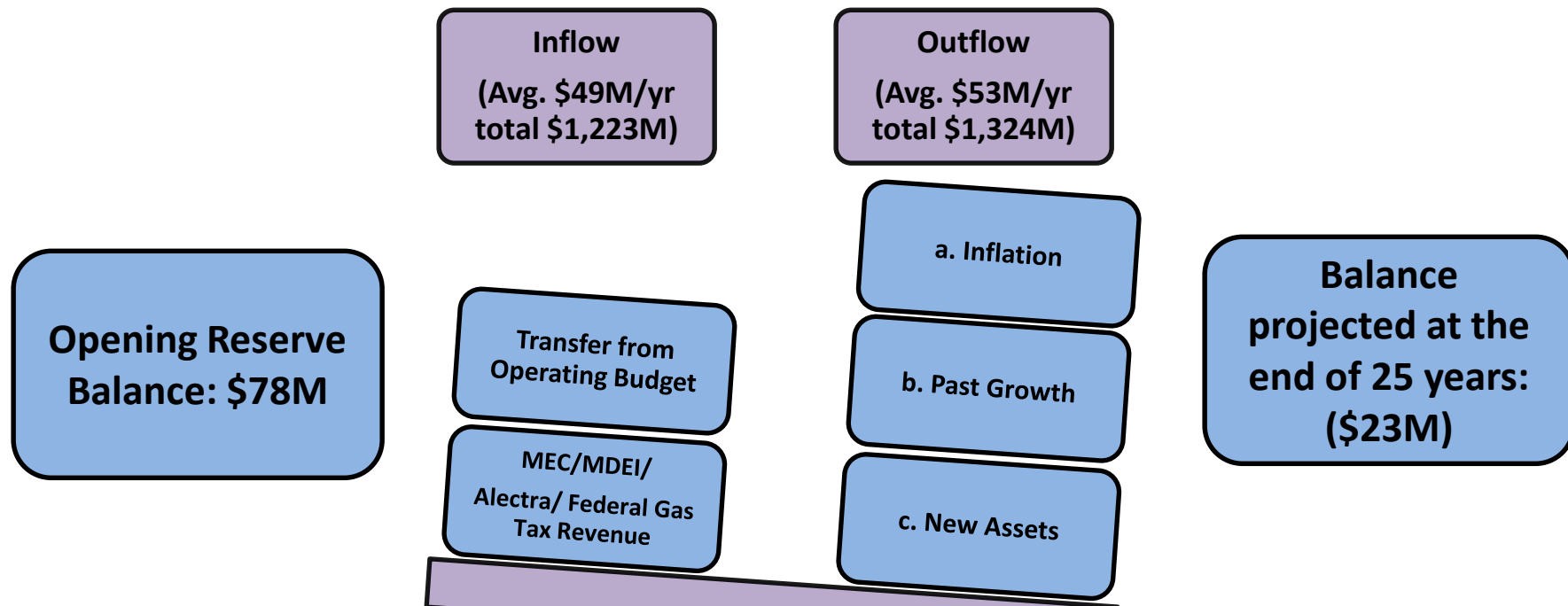


Life Cycle Reserve Study Update

- 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

For the last 12 years, the City has been able to ensure there are sufficient funds in the reserve for the rehabilitation and replacement of infrastructure for the next 25 years based on known inflows and outflows

3b. 2018 Infrastructure Investment Update



The City requires a 2018 infrastructure investment of 0.5% to ensure there is sufficient funds in the life cycle reserve for 25 years based on known inflows and outflows

Engaged, Diverse and Thriving City (\$ in Millions)

Expedited Park Development Program

- Since 2014, the City has expedited the delivery of parks with the goal of providing residents access to parks as soon as possible after they move into a new community
- 39 new parks (totaling 81.9 acres) have been constructed since implementation of this program in 2014

2018 Capital Budget includes:

1. Markham Centre Riverwalk urban park – design & construction (1.56 acres, completion: Spring 2018) \$1.3
2. Wismer Park pavilion and washrooms – design & construction (completion: Fall 2019) \$1.1
3. Box Grove Community Park – bridge construction (completion: March 2019) \$1.1
4. Cornell Park pavilion and washrooms – construction (completion: Winter 2019) \$1.0

McCowan Freeman Parkette



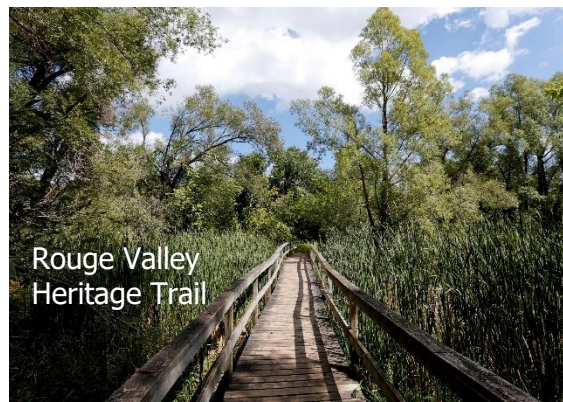
Engaged, Diverse and Thriving City (\$ in Millions)

Multi-use pathways (MUP)

- The City commenced the multi-year Rouge Valley Trail project in 2013 to build over 10km of off-road trail from 16th Avenue and Kennedy Road to Bob Hunter Memorial Park at the gateway of the Rouge National Urban Park.
- To date, the City has built 3 of the 5 phases totaling nearly 6km.

2018 Capital Budget includes:

1. Construction of pedestrian bridge and two trails – Phase 4 \$1.2
 - Includes 1.1km of new trails, a pedestrian/cyclist bridge and property acquisition



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. Current projects are expected to be completed in 2018.
- In response to 2017 flooding in June and July 2017, City staff have advanced the following within the program:
 - West Thornhill Flood Control Implementation: Phase 4 Design from 2019 to 2018 and integrate sanitary sewer upgrades
 - Technical studies for storm and sanitary infrastructure improvements in Markham Village and Unionville areas from 2027 to 2017
 - Initiate sanitary system downspout disconnection program in Markham Village and Unionville areas in 2018

The 2018 Budget includes:

- | | |
|------------------------------------------------------------|--------|
| 1. Continuation of construction in the West Thornhill area | \$12.8 |
| 2. Flood control remediation study | \$ 1.3 |
| 3. Sanitary system downspout disconnection | \$ 0.2 |



Safe and Sustainable Community (\$ in Millions)

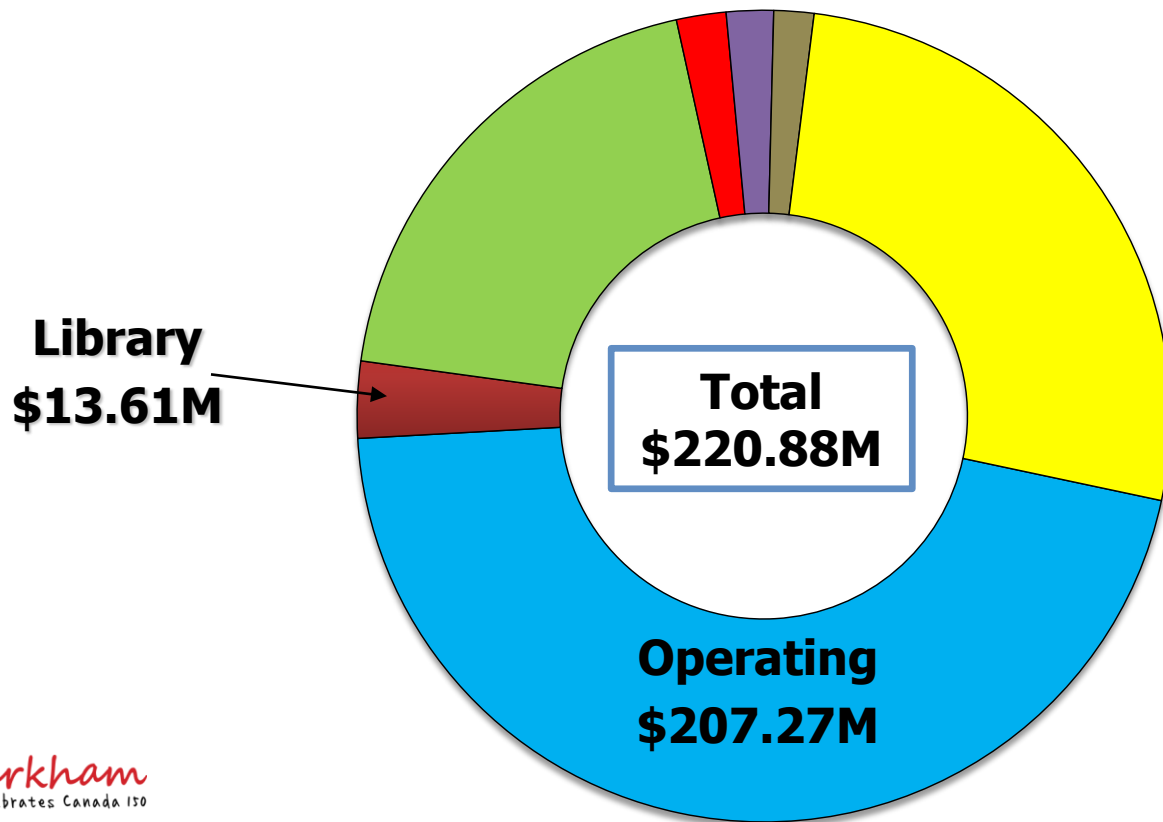
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|----------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 1. Exterior and interior facility improvement program at Community Centres, Libraries, Fire Stations, Civic Centre and other City facilities | \$7.0 |
| 2. Asphalt resurfacing | \$5.9 |
| 3. Water system and water meter replacement/upgrade program | \$5.2 |
| 4. Sanitary sewer and pumping station rehabilitation program | \$2.0 |
| 5. Intersection improvements | \$0.7 |
| 6. Park signage implementation program – Phase 3 of 3 | \$0.2 |
| 7. Traffic operational improvements | \$0.2 |
| 8. Continuation of Trees for Tomorrow initiative | \$0.1 |



Exceptional Services by Exceptional People (\$ in Millions)

- | | |
|-----------------------------------------------------|-------|
| 1. Library Collections & e-resources | \$2.7 |
| 2. Playstructure and Rubberized Surface Replacement | \$1.3 |
| 3. Courts Resurfacing & Reconstruction | \$0.3 |
| 4. Sportsfield Maintenance and Reconstruction | \$0.1 |





Economic Scan

Inflation, CPI – All Items

- August 2017 (compared to August 2016): Canada 1.4%, Ontario 1.5%, Toronto 2.1%

Other Pressures

- Wage Settlements: Canadian Union of Public Employees (CUPE), Markham Professional Fire Fighters Association (MPFFA), cost of living adjustment for Non Union Staff (COLA)
- Winter maintenance, waste collection and other contracts
- Provincial Legislation: Fair Workplace Better Jobs Act (Bill 148), The Strong Communities Through Affordable Housing Act (Bill 140)

Economic Statistics

- Ontario unemployment rate: 5.6% September 2017 vs. 6.6% September 2016
- Markham housing YTD August: sales are down 32.3% with average price up 14.9% in 2017 compared to 2016 ⁽¹⁾

(1) Source: Toronto Real Estate Board – Market Watch August 2016, August 2017



Wage Settlements



Growth



Municipal Contracts



Infrastructure



Federal/Provincial Legislation



Wage Settlements

- Canadian Union of Public Employees (CUPE) collective agreement
- Markham Professional Fire Fighters Association (MPFFA) collective agreement
- Cost of Living Adjustment for Non Union staff
- Full-time, part-time grid movements

Total: \$2.65M



Growth

Personnel ramp-up related to existing and new facilities:

- Aaniin Community Centre and Library
- Cornell Fire Station – 2nd Crew
- Operations Works Yard*
- Markham Centre Fire Station*



*Decision to proceed with the initiatives require Council approval

Total: \$0.69M



Growth

1. Increase in costs related to:
 - a) 12.9 additional kms of road – road maintenance, winter maintenance and street & catchbasin cleaning
 - b) 311 new streetlights – power, maintain & repair
 - c) 11.8 additional hectares of parks – park maintenance
 - d) Waste collection – additional 1,830 residential homes/apartment units for waste pickup
2. Contribution to capital program \$0.52M

Total: \$1.61M



Municipal Service Contracts

Contract Escalations

- Winter maintenance and waste collection (CPI increases)
- Other contracts

Sub-total: \$0.31M

Other Adjustments

- Hwy 7 cycle track maintenance
- Support services to Building, Planning & Design, Engineering & Waterworks
- Department net E3 opportunities

Sub-total: (\$0.50M)

Total: (\$0.19M)



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:

A. Life Cycle Reserve Study

- Replacement of existing and new assets
- Life Cycle Reserve Study identified the need for a 0.5% infrastructure investment to fund the projected shortfall of \$23M

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



Federal/ Provincial Legislation

New Official Plan

Markham Council in December 2013 adopted a new Official Plan (OP) which was approved by the Region of York (ROY) in June 2014 with anticipated final approval by the OMB in the spring of 2018

Accessibility

The goal of the Accessible Customer Service Standard (Accessibility for Ontarians with Disabilities Act) is to make Ontario fully accessible by 2025

Bill 148

Fair Workplaces, Better Jobs Act – the Act proposes changes to the following items: minimum wage, emergency leave, vacation pay, statutory holidays, equal pay for equal work and standby pay (detailed further in the presentation)

Secondary Suites

The Strong Communities Through Affordable Housing Act (Bill 140) amended the Planning Act requiring municipalities to provide provisions and policies within the Official Plan and zoning by-law permitting secondary suites (detailed further in the presentation)



Wage Settlements



Growth



Municipal Contracts



Infrastructure



Federal/Provincial Legislation

(impact included later in the presentation)



**Operating
Expenditures
Impact**

\$4.76M

Excludes Provincial Legislation
impact of Bill 140 and 148

Budget Process

March to May

- Preliminary Operating Budget
- Property tax rate increase (presented at Budget Committee #1): **3.82%**
- Staff were directed to reduce the tax rate increase to below 3%



June to September

- Budget Meetings (Mayor, Budget Chief, Vice Chair)
- Staff Review
- Mitigating Strategies identified



Current status

- Property tax rate increase reduced to **2.56%** (a reduction of \$1.84M)



Major Mitigating Strategies (\$1.84M)

- Department net E3 opportunities based on historical trending and E3 awards (\$0.85M)
- Hydro and streetlight hydro increase removed based on detailed analysis and forecast (\$0.49M)
- Notional tax rate (recovery of in-year property tax adjustments) (\$0.37M)
- Phase-in of property tax adjustments over three years (\$0.25M)

Revenues

(\$ Millions)

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

	2017 \$	2018 \$	Increase/ (Decrease) \$	Tax Rate Reduction %
Total Revenues	215.39	217.14	1.75	
Assessment growth (1.01%)			1.64	
CPI and volume adjustments for user and program fees			0.50	
Adjustment to property tax supplementals			(0.69)	
E3 - Additional revenue			0.06	
Other revenue			0.24	
Total Revenue Increase			1.75	(1.19%)

Expenditures

(\$ Millions)

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

	<u>Increase/ (Decrease) \$</u>	<u>Tax Rate Increase %</u>
Personnel Costs		
Existing staff and benefits	2.65	
Growth		
Future staff and non-personnel ramp-ups related to new facilities	0.69	
Growth (roads & parks including part-time staff, waste, streetlights, winter maintenance)	0.80	
Transfer to capital program	0.52	
Capital induced operating costs	0.29	
	2.30	
Municipal Service Contracts		
Property Tax Adjustments	0.39	
Contract escalations (Asphalt maintenance, building/HVAC maintenance, catchbasin cleaning)	0.20	
Winter maintenance	0.11	
E3 - net savings based on operational review, support services and awards	(1.27)	
Other	0.38	
	(0.19)	
Total Expenditures	4.76	3.25%

Summary

(\$ Millions)

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

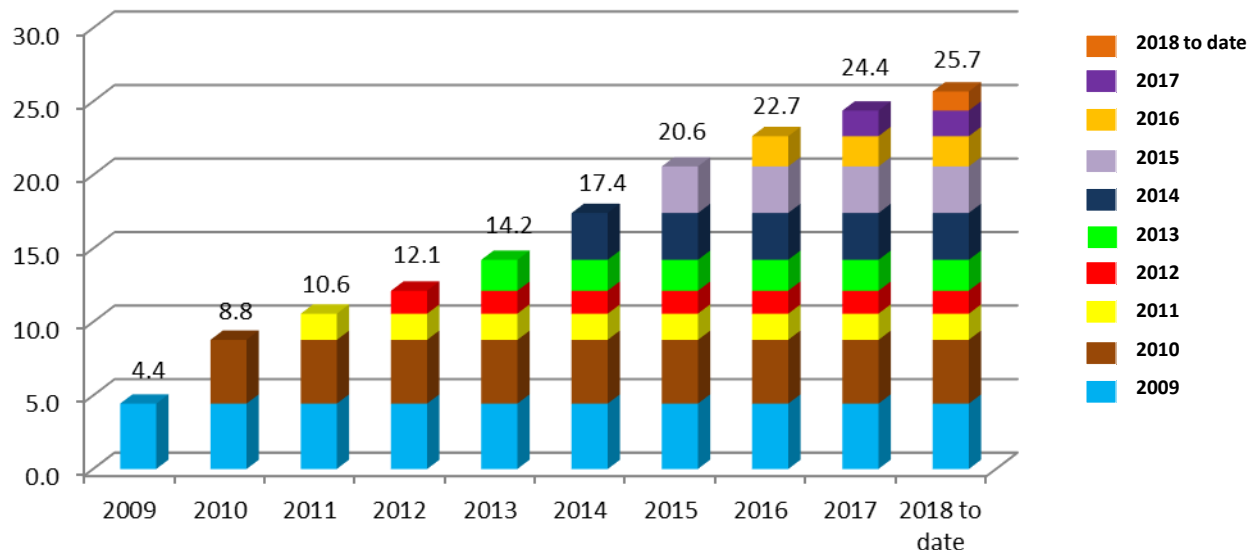
	2017	2018	Increase/ (Decrease)	Tax Rate Increase/ (Decrease)
	\$	\$	\$	%
Revenues	215.39	217.14	1.75	(1.19%)
Expenditures				
Personnel	125.37	128.70	3.33	
Non-Personnel	90.02	91.45	1.43	
Total Expenditures	215.39	220.15	4.76	3.25%
Net Shortfall	-	3.01	3.01	2.06%
Infrastructure Investment	-	0.73	0.73	0.50%
Net Shortfall (City Controlled)	-	3.75	3.75	2.56%

Summary

(\$ Millions)

	A	B	C=A-B	
	Expense	Revenue	Net	%
2017 Base Budget	215.39	215.39	0	0.00%
2018 Budget adjustments:				
Maintain existing service levels	3.73	0.05	3.68	2.51%
Growth	2.30	1.64	0.66	0.46%
E3	(1.27)	0.06	(1.33)	(0.91%)
Total 2018 Budget adjustments	4.76	1.75	3.01	2.06%
Infrastructure Investment	0.73	0.00	0.73	0.50%
2018 Proposed Budget (2017 Base + 2018 Budget adjustments)	220.88	217.14	3.74	2.56%

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



**2018 savings to date
\$1.3M**

**Cumulative
savings to date
\$25.7M**

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

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

1% tax rate increase = \$1.466M

Excludes MEC dividend
adjustments

Revenues

	2017 Approved Budget	% of Total Budget	2018 Proposed Budget	% of Total Budget
Property Tax Revenues	149.9	69.6%	150.8	69.5%
User Fees and Service Charges	17.5	8.1%	18.1	8.3%
Interest and Dividend Income - PowerStream/MEC/MDEI	11.5	5.3%	11.5	5.3%
Income from Investments	10.4	4.8%	10.4	4.8%
Rentals, Licenses and Permits	10.4	4.8%	10.4	4.8%
Fines and Recoveries	4.6	2.1%	4.6	2.1%
Property Tax Interest and Penalties	4.0	1.9%	4.2	1.9%
Grant and Subsidy Revenues	1.6	0.7%	1.6	0.7%
Other Revenues	5.5	2.6%	5.5	2.5%
Total Revenues	215.4	100.0%	217.1	100.0%

92.7% of total revenues

Expenditures

Salaries and Benefits	125.4	58.2%	128.7	58.4%
Transfer to Reserves	22.6	10.5%	23.3	10.6%
Purchased Services	16.3	7.6%	16.4	7.4%
Utilities and Streetlight Hydro	11.9	5.5%	12.0	5.4%
Transfer to Reserves - PowerStream/MEC/MDEI	10.5	4.9%	10.5	4.8%
Waste Management	8.1	3.8%	8.4	3.8%
Winter Maintenance	8.8	4.1%	9.3	4.2%
Materials and Supplies	7.3	3.4%	7.3	3.3%
Insurance	2.4	1.1%	2.4	1.1%
Other Expenditures	2.1	1.0%	1.9	0.9%
Total Expenditures	215.4	100.0%	220.2	100.0%

94.6% of total expenses

Budget Shortfall

- **3.1 2.06%**

Infrastructure Investment

0.7 0.50%

City Controlled Budget Shortfall

- **3.8 2.56%**

Provincial Government Legislation

Bill 148 – Fair Workplaces, Better Jobs Act

- Minimum Wage increase (\$11.60 to \$14.00/hour) – Effective January 1, 2018
- Emergency Leave – Additional 2 days – Effective January 1, 2018
- Vacation Pay – 4% to 6% for employees with > 5 years of services – Effective January 1, 2018
- Statutory Holidays – Revised calculation based on previous pay period – Effective January 1, 2018
- Equal Pay for Equal Work – part-time vs. full-time position pay equality – Effective April 1, 2018
- **Total 2018 Budget impact: \$2.50M**

Future Budget impacts:

- Minimum Wage increase (\$14.00 to \$15.00/hour) – Effective January 1, 2019
- Standby Pay – Increased to 3 hours from 1-2 hours – Effective January 1, 2019 for non-union, January 1, 2020 for union
- **Total future budget impact: \$0.60M**

Provincial Government Legislation – cont'd

Secondary Suites

- The Strong Communities Through Affordable Housing Act (Bill 140) amended the Planning Act requiring municipalities to provide provisions and policies within the Official Plan and zoning by-law permitting secondary suites
- Secondary Suites are second residential units in a detached, semi-detached or row house intended for use as an independent or separate use residence
- 2018 Budget impact:
 - Revenue (\$0.15M): 250 new inspections per year with 50% or 125 proceeding with compliance
 - Expenses (\$0.65M): Requires 1 By-law full-time position and 4 Fire Department full-time positions
 - **Budget impact: \$0.50M in net expenses required (\$0.65M - \$0.15M)**



Summary

(\$ Millions)

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

	2017 \$	2018 \$	Increase/ (Decrease) \$	Tax Rate Increase/ (Decrease) %
Net Shortfall (City Controlled)	<u>-</u>	<u>3.75</u>	<u>3.75</u>	<u>2.56%</u> A
Provincial Government Legislation				
Bill 148	-	2.50	2.50	1.71%
Secondary Suites	<u>-</u>	<u>0.50</u>	<u>0.50</u>	<u>0.34%</u>
Total Provincial Government Legislation		3.00	3.00	<u>2.05%</u> B
Net Shortfall	<u>-</u>	<u>6.75</u>	<u>6.75</u>	<u>4.61%</u> C=A+B

Impact to Average Residential Property

Property Type	2017 Average Current Value	2.56% Tax Rate Incr. (City Controlled)	2.05% Tax Rate Incr. (Provincial Legislation)	Total – 4.61% (2.56% + 2.05%)
Residential Homes* 	\$714,500	\$33.82	\$27.08	\$60.90
Residential Condominiums 	\$364,500	\$17.41	\$13.94	\$31.35
Average (Homes & Condominiums)	\$647,500	\$30.64	\$24.54	\$55.18

Every 1% tax rate increase (local portion only) is equivalent to an increase of \$11.97 in property taxes for an average residential property

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

Impact to Average Residential Property

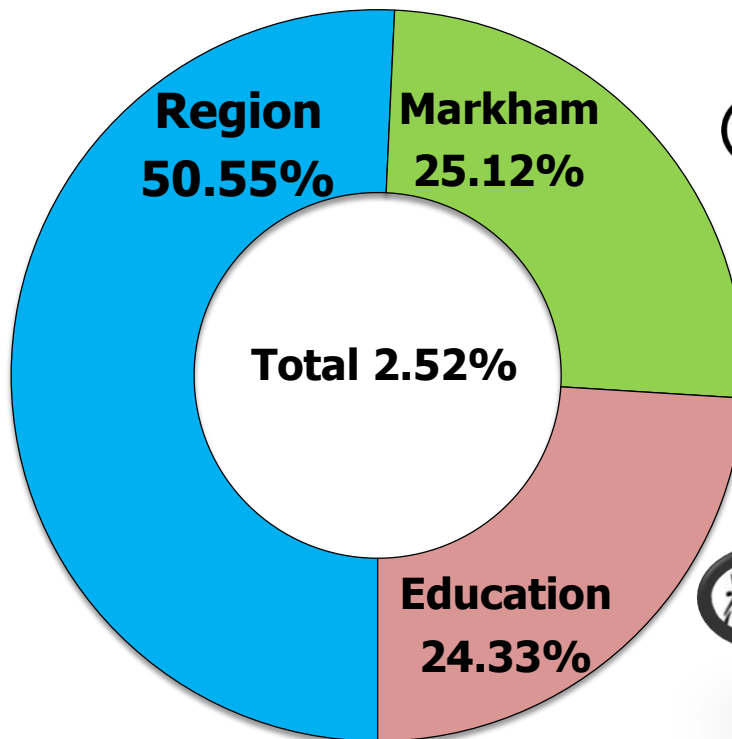
	Proposed increase	Increase \$
Tax rate increase – Markham	4.61%	55
Tax rate increase – Region (2018 forecast in 2017 budget document)	2.65%	<u>61</u>
Total		116

Water & wastewater fee (subject to Council decision)	7.50%	60
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Assessment and Property Taxes

2017 Property Tax Distribution
Residential


Projected 2.65%

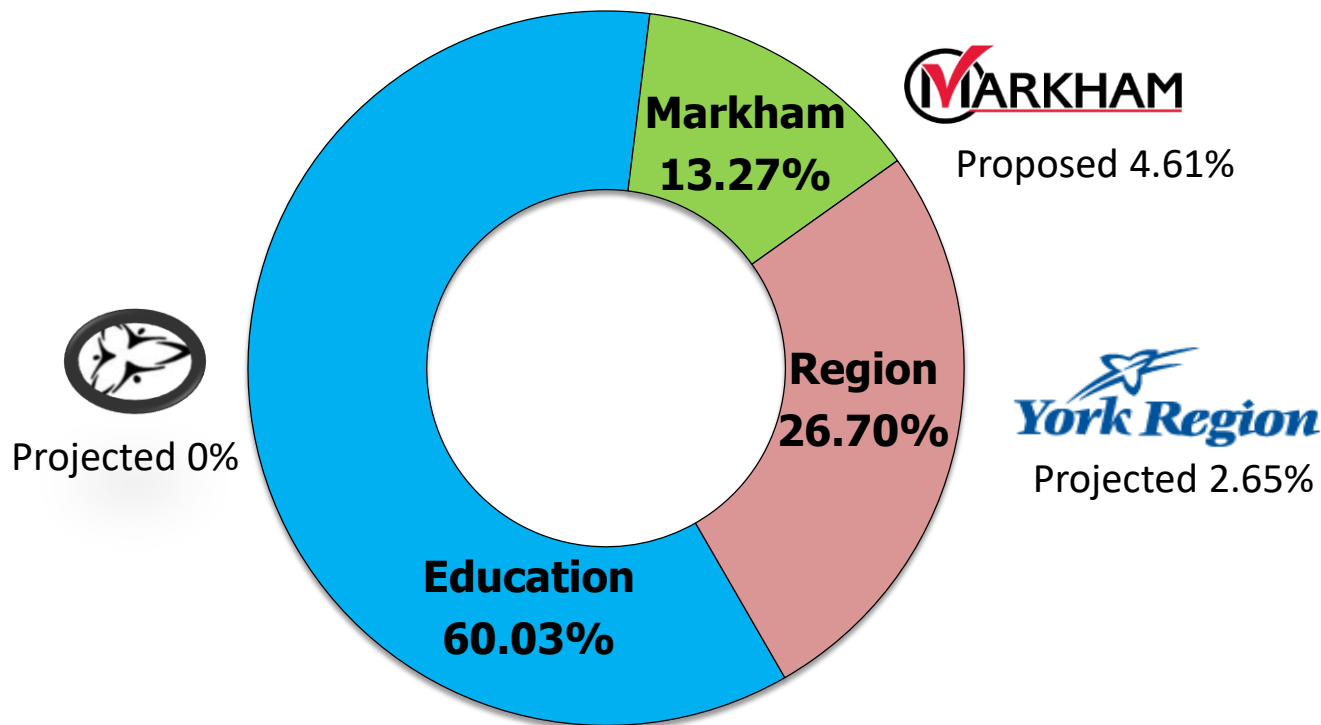



Proposed 4.61%


Projected 0%

Assessment and Property Taxes

2017 Property Tax Distribution Non-Residential



Next Steps

- Review of 2018 Capital Budget (Budget Committee Meetings #3, 4 and 5)
 1. Friday, October 13, 2017 – 9:00 a.m. - 12:00 p.m.
 2. Tuesday, October 17, 2017 – 9:00 a.m. – 12:00 p.m.
 3. Thursday, October 19, 2017 - 9:00 a.m. – 12:00 p.m.
 - Review of the 2018 proposed capital budget by exception
 - Please bring your computer to access the capital budget request forms (e-file)



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THANK YOU FOR ATTENDING

