



2009 Budget

January 26, 2009
General Committee

Agenda

- Proposed 2009 Public Meeting Presentation



2009 Budget

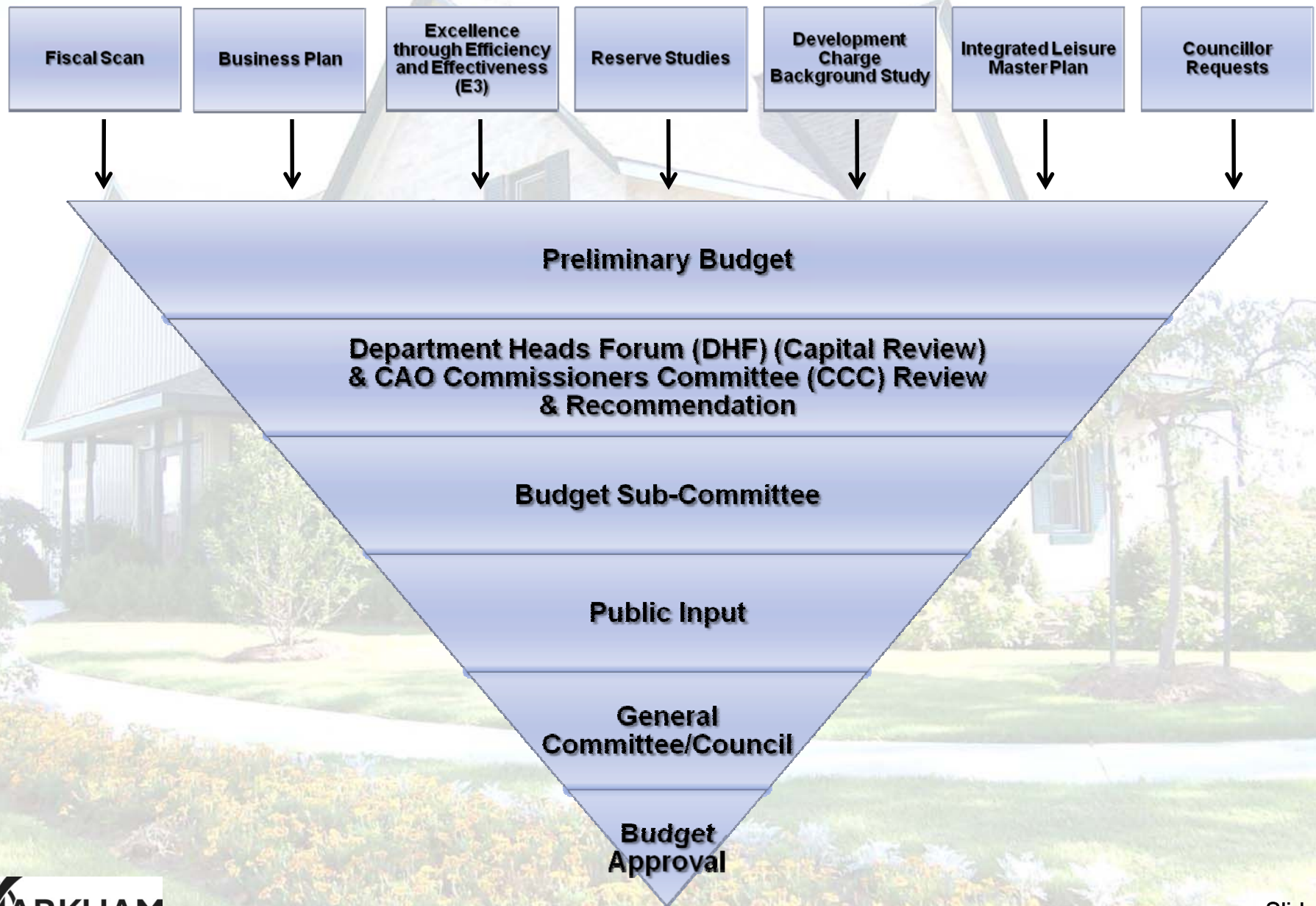
February 4, 2009

Public Information Meeting

Agenda

- Welcome – Mayor & Budget Chief
- Budget Presentation
 - Budget Process, Budget Summary & Fiscal Scan
 - Excellence through Efficiency & Effectiveness (E3)
 - 2009 Proposed Budget
 - Capital
 - Building Services
 - Waterworks
 - Operating
 - Assessment and Property Taxes
 - Tax Rate Comparison to Other Municipalities
 - 2009 Budget Summary Highlights
- Questions

Budget Process



2009 Budget Process

Capital Budget

May	➤ Department Capital submissions to Finance
June	➤ Department Heads Forum (DHF) Capital Project review & prioritization meetings. Provide recommendation to CAO, Commissioners Committee (CCC)
October	➤ CCC review & discussion of proposed Capital

Operating Budget

September	<ul style="list-style-type: none">➤ Business Plan submissions from Departments➤ Department business plan presentation to CCC➤ Finance review of the base Operating Budget➤ CCC review & discussion of business plans and the proposed Operating Budget
October	➤ Final CCC review of the Operating & Capital Budgets & recommendation to present to Budget Sub-Committee

2009 Budget Process (cont'd)

Seven Budget Sub-Committee Meetings held in 2008/2009:

1. October 27, 2008
2. November 3, 2008
3. November 24, 2008
4. December 1, 2008
5. December 8, 2008
6. January 12, 2009
7. January 19, 2009

January 26, 2009

General Committee – Recommended Budget to be presented at the Public Meeting

February 4, 2009

Public Meeting

Next Steps:

February 9, 2009

General Committee – Feedback from the Public Meeting and recommend Budget to Council

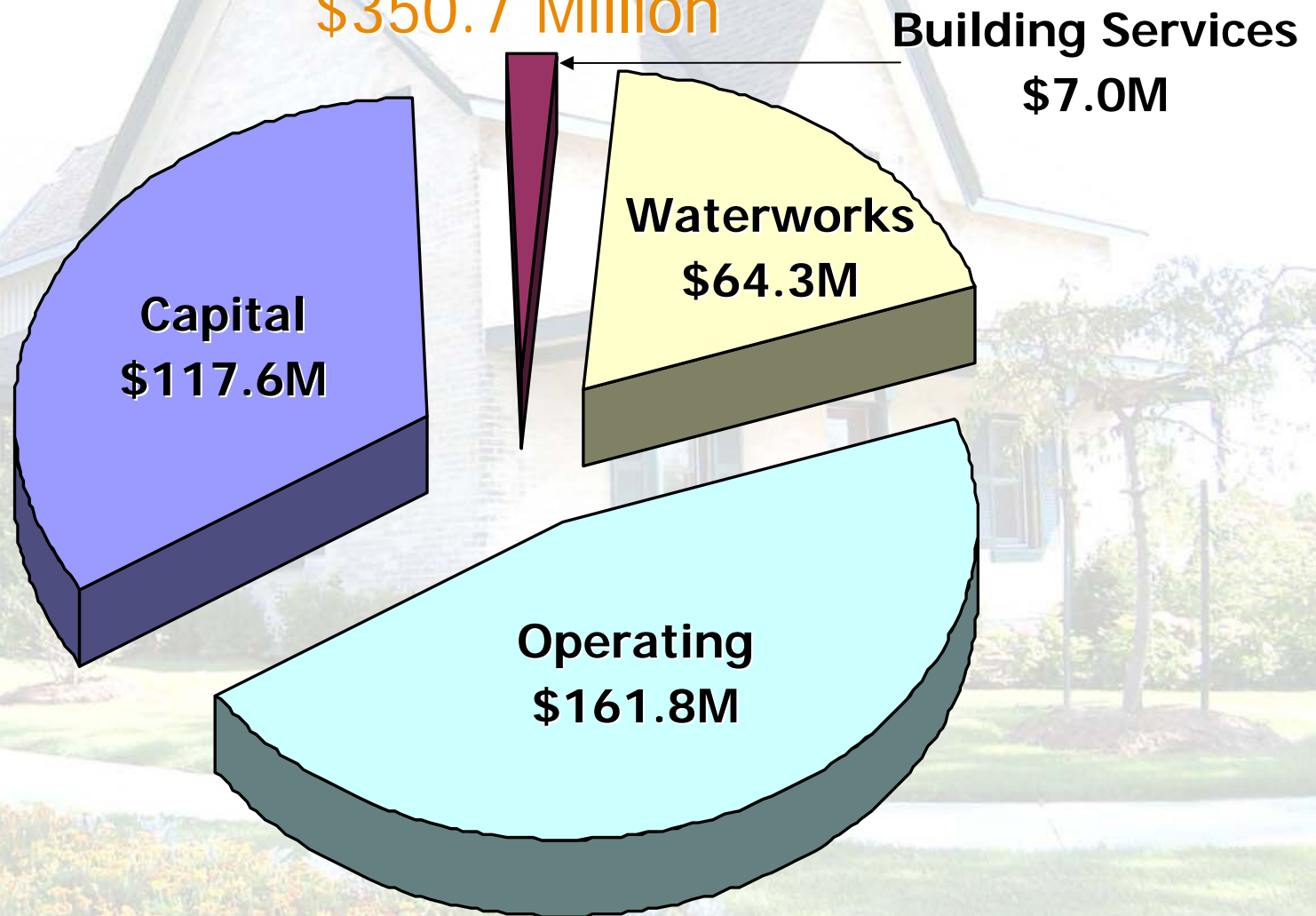
February 10, 2009

Presentation of Budget to Council for approval

2009 Budget Summary

Total Budget Recommended for Approval

\$350.7 Million



Fiscal Scan

**Wage
Settlements**

**Municipal
Service
Contracts**

Infrastructure

Growth

**Provincial
Legislation**

**Economic
Trends**

Fiscal Scan

(\$ in Millions)

Wage
Settlements

Municipal
Service
Contracts

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Legislation

Economic
Trends

- CUPE/COLA approved wage settlement 3.0% (expires March 31, 2010)
- MPFFA (Fire) provision for wage settlement to be negotiated (expired December 31, 2008)
- Grid movements and annualization of salaries

Total: **\$2.9M**

Fiscal Scan

(\$ in Millions)

Wage
Settlements

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Trends

- Price escalations on multi-year contracts and contract renewals – higher costs provided for:
 - Winter maintenance
 - Parks, roads maintenance supplies
 - Fleet – Fuel
 - Waste collection contract linked to Consumer Price Index (CPI) & fuel escalation
 - Electricity & maintenance for existing street lights
- Final phase-in of insurance increase & inflation
- Utilities – Remain at the 2008 level

Total: **\$1.7M**

Fiscal Scan

(\$ in Millions)



- Life Cycle Reserve Study was approved by Council in 2005. Reserve study has since been updated annually to adjust for new assets and price changes. Last update was done in Spring 2008.
- The objective of the Reserve Study is to ensure that there is adequate funding for the rehabilitation and replacement of known assets for the next 25 years. This is updated annually to ensure all assets are accounted for.
- The 2008 Reserve Study Update identified sufficient funding for the next 25 years with the inclusion of storm water management (SWM) ponds maintenance of approximately \$40M.

Fiscal Scan

(\$ in Millions)

Wage
Settlements

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Provincial
Legislation

Economic
Trends

- \$1.4M increase in costs related to:
 - 2% increase in tonnage – waste collection
 - 50 additional km's of road – maintenance, street & catchbasin cleaning
 - 800 new street lights to power, maintain & repair
 - 27 Additional ha's of Parks – park maintenance
 - Maintenance & repair costs associated with Town owned facilities
 - Annual additional \$0.5M contribution to capital program
- \$0.4M Personnel Ramp-up increase related to new facilities
 - Cornell Fire Station (Year 1)
 - Next Library/Recreation Facility (Year 1)
- \$0.2M Ramp-up for the Canadian Sports Institute Ontario – 10% non-growth portion (Year 1)

Total: **\$2.0M**

Fiscal Scan

Wage
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Legislation

Economic
Trends

➤ **Public Sector Accounting Board (PSAB)**

- New reporting requirements on Tangible Capital Assets effective January 1, 2009. Impact of accounting for depreciation on tangible capital assets currently being developed by staff

➤ **Directed Growth Strategy**

- Municipal Official Plans must be brought into conformity with the Provincial Growth Plan for the Greater Golden Horseshoe by June 16, 2009
- With sufficient resources applied, staff anticipate that a comprehensive Growth Management Strategy will be presented to Council for endorsement prior to or very near the deadline

➤ **Development Charges**

- Update of the Soft Services By-Law to be completed by 1st quarter of 2009. The Hard Services By-Law was updated in 2008.

➤ **Accessibility**

- Compliance with the Customer Service Standard Act by January 1, 2010. Audit of Town facilities & staff training to ensure compliance with legislative requirements

➤ **Safe Drinking Water Act**

- Compliance with the requirement to apply for a Municipal Drinking Water License by February 1, 2009. The implementation of the Quality Management System will be continued in 2009. In addition, the submission of a financial plan is required within one year following the issuance of the license.

Fiscal Scan

**Wage
Settlements**

**Municipal
Service
Contracts**

Infrastructure

Growth

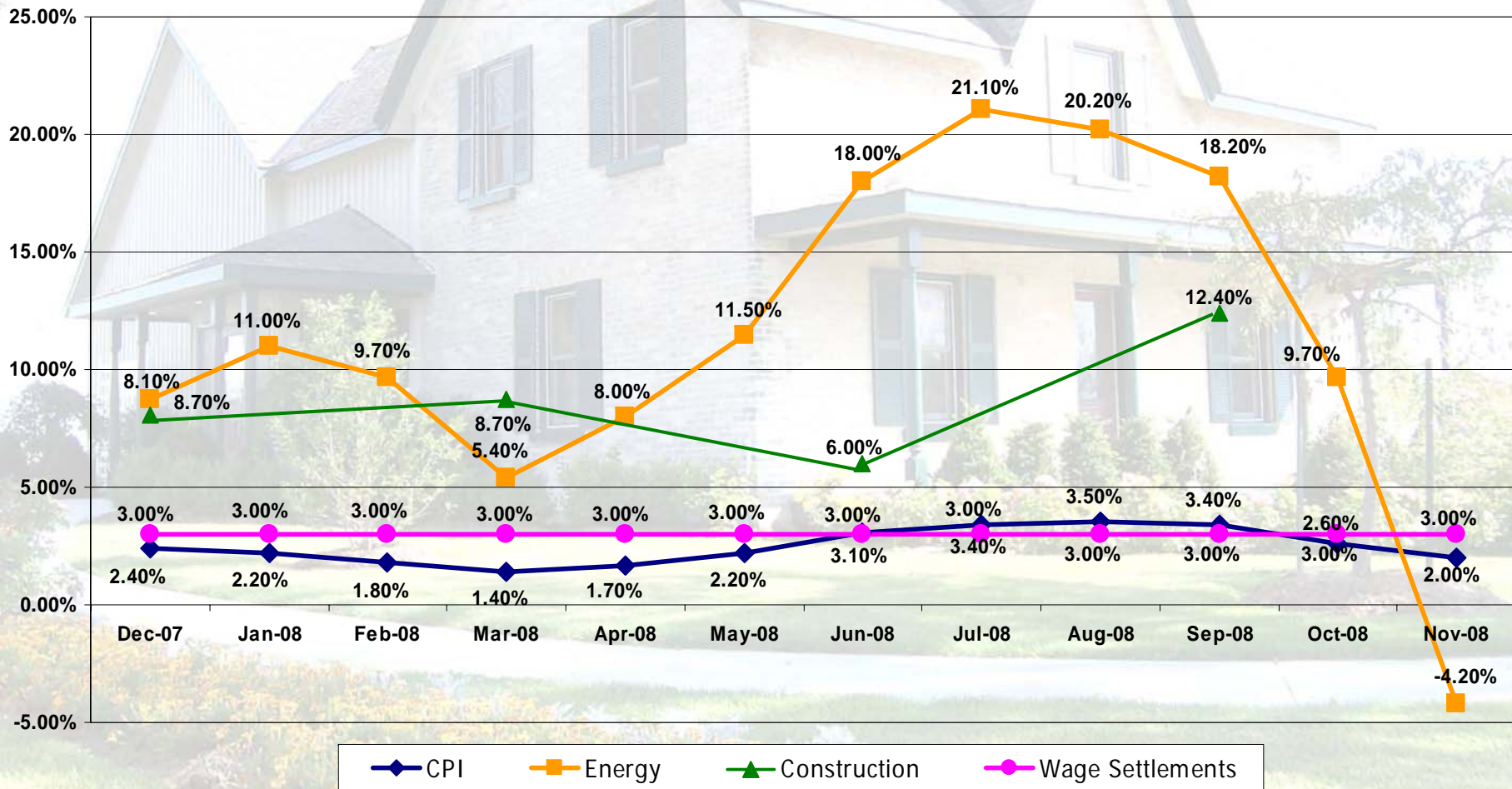
**Provincial
Legislation**

**Economic
Trends**

- Inflation:
 - 2.0% CPI, Canada, All Items (November 07 to November 08)
 - 2.1% CPI, Ontario, All Items (November 07 to November 08)
 - -4.2% Energy Index (November 07 to November 08)
 - 12.4% Construction Index (September 07 to September 08)
- Stock Market indexes continue to drop (over 1 year period – Jan 14)
 - TSX 34.3% decrease
 - Dow 35.0% decrease
- Canadian residential sales are down by 12.8% (over 1 year period - October)
- Job loss in Ontario 7,700 (November 2008 to December 2008) and 51,800 (over 1 year period – December)
- Fluctuating gasoline prices with the record level of surpassing \$1.38/litre in September 2008 and recently trending down to the \$0.75/litre level

Fiscal Scan

Other Indices Impacting the Town



Fiscal Scan

(\$ in Millions)

Wage
Settlements

Municipal
Service
Contracts

Infrastructure

Growth

Provincial
Legislation

Economic
Trends

Operating Impact of Budget Pressures
\$6.6M

Excellence through Efficiency and Effectiveness (E3)

- The Town of Markham is well recognized as a municipal leader in fiscal responsibility and providing excellent service
- With the commitment to demonstrate improvements with a sustained focus on quality and wellness, the Mayor & members of Council championed the idea to look for a sustainable process to deliver the lowest possible tax increases in the years ahead
- This vision was initiated by Council prior to the major economic downturn in the fall of 2008

Excellence through Efficiency and Effectiveness (E3)

- In an effort to achieve this vision, the project “Excellence through Efficiency & Effectiveness” (E3) was launched in March 2008 and endorsed by Council in June 2008
- The E3 project involves a corporate wide business transformation through the review of services to find as many efficiencies as possible, maximize revenue opportunities and minimize tax rate increases
- The E3 continuous improvement methodology will be part of the annual business plan process

Excellence through Efficiency and Effectiveness (E3)



Excellence through Efficiency and Effectiveness (E3)

Process Improvements

- Refresh business unit process mapping to eliminate redundancies and unnecessary tasks
- Review service models and service levels to determine if adjustments can, or should, be made
- Some initiatives include:
 - **Make It Happen Task Force**
 - Review development approval processes, related conditions and agreements, and building permits
 - Benefits include increase in delegated approvals, standardize and codify requirements
 - Review of actual expenditures and adjust budgets accordingly without impact to service levels
 - Defer (where appropriate) and/or identify alternative funding for both the Operating and Capital budgets

Excellence through Efficiency and Effectiveness (E3)

Technology

- Explore opportunities for cost avoidance through the use of technology or other solutions
- Some initiatives include:
 - **Winter Road Guide & Map and the Parks & Pathways Map**
 - Available on-line from the Town of Markham's website to reduce printing and production costs
 - **Portal**
 - Provides e-government services through the implementation of an internet/intranet portal for use by the residents, businesses and Town staff
 - Benefits include reduction of paper-based forms, processes in favour of online interaction and transactions, providing a single point of access to Town's services
 - Awarded the contract for Phase 1 implementation

Excellence through Efficiency and Effectiveness (E3)

Technology (continued)

- **Automatic Vehicle Locators**
 - Assist in monitoring and managing fuel consumption
- **Smart Send** (Pilot project by the Building Standards department)
 - Integrate the scanning functionality from the multi-functional devices with the existing server software
 - Benefits include moving towards a paperless office, higher security of documents, less manual handling of documents and less storage requirement
- **Electronic Reporting**
 - Improve reporting to committee process
 - Electronic signoff of reports

Excellence through Efficiency and Effectiveness (E3)

Conservation

- Promotes the culture of conservation
- Some initiatives include:
 - **Corporate Policy**
 - Development of a corporate energy policy and action plan
 - **Waste Collection**
 - Redesigned a 2-year collection schedule to save printing, production and distribution costs and be environmentally supportive

Excellence through Efficiency and Effectiveness (E3)

Revenue Enhancements

- Some initiatives include:
 - Increase sponsorship/advertising revenues
 - Achieve cost neutrality of the Recreation and Culture guide by increasing advertising revenues
 - User fees - increase by the Consumer Price Index (CPI)
 - New tax account administrative fee increase
 - Recreation user fees increase – strategically align with market rates
 - Fitness initiation fee increase – align with industry standards
 - Library overdue fine increase
 - Parking fine increase
 - Telecommunication facilities on Town owned/managed land
 - Earlier tax installment dates

Excellence through Efficiency and Effectiveness (E3)

Centres of Excellence

- Examined organizational structures both within business units and across commissions to create new synergies
- Increased efficiency by consolidating and reducing reporting levels
- Implemented a new part-time compensation grid to ensure equitable pay practice across the organization

Excellence through Efficiency and Effectiveness (E3)

Process
Improvement

Technology

Conservation

Revenue
Enhancements

Centres of
Excellence

Personnel reductions \$1.4M

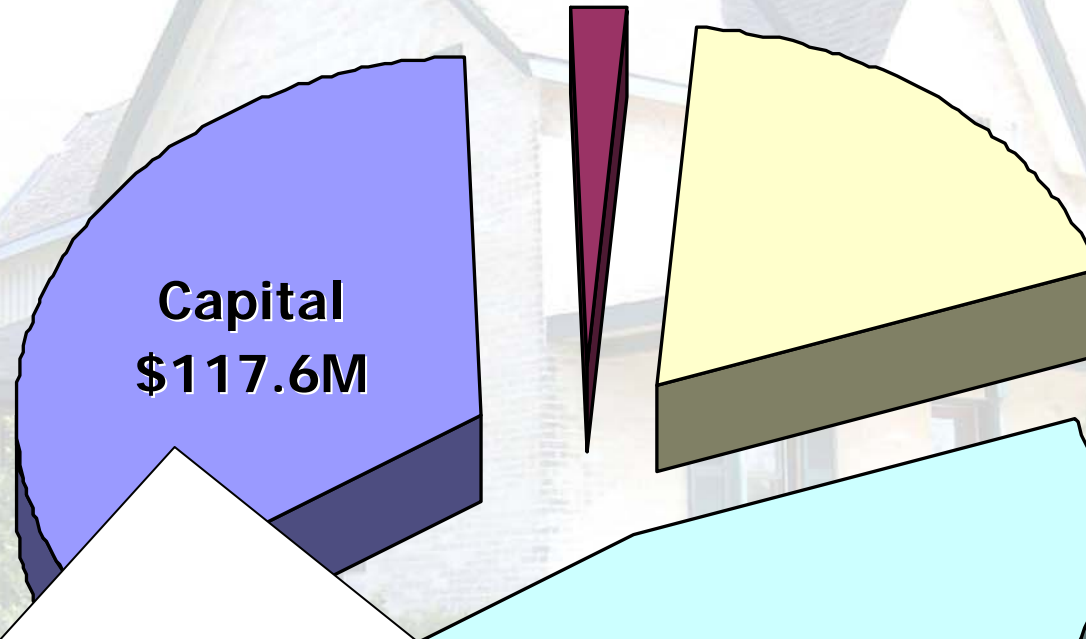
Non-Personnel reductions \$1.5M

Revenue increases \$1.6M

Total \$4.5M

2009 Budget Summary

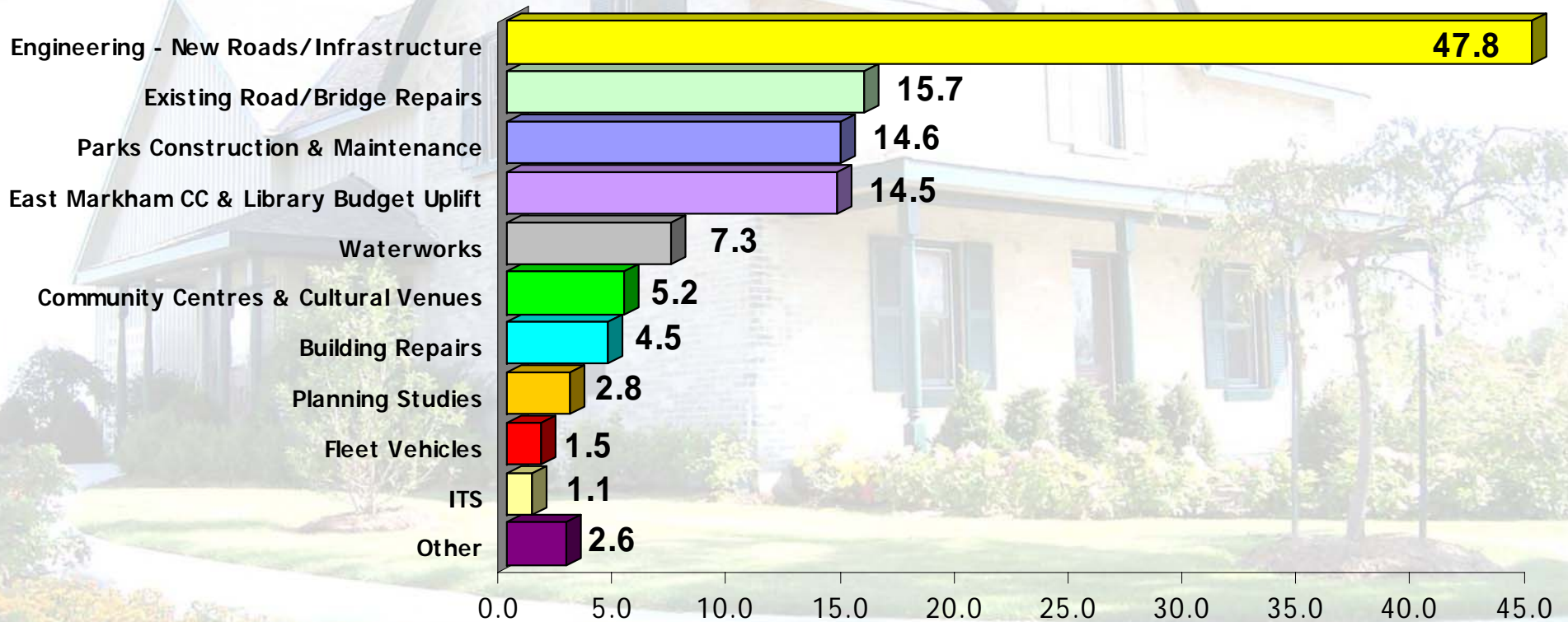
Total Budget Recommended for Approval \$350.7 Million



- Expenditures incurred to purchase, construct, replace, maintain, or upgrade assets such as land, buildings, infrastructures, or machinery and equipment

2009 Proposed Capital Budget

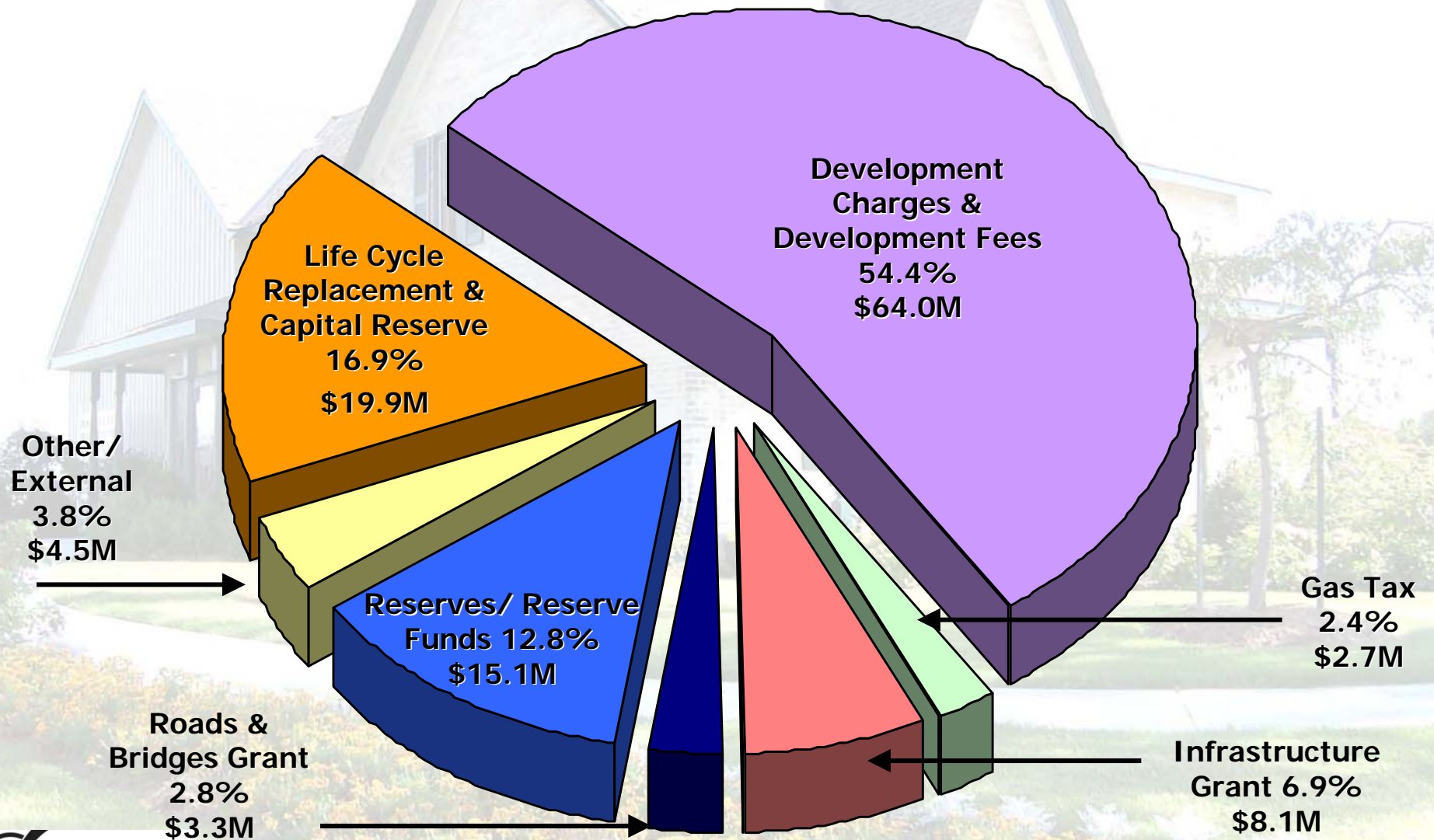
Expenditure Types
Total \$117.6 M (\$ in Millions)



2009 Proposed Capital Budget

Funding Sources

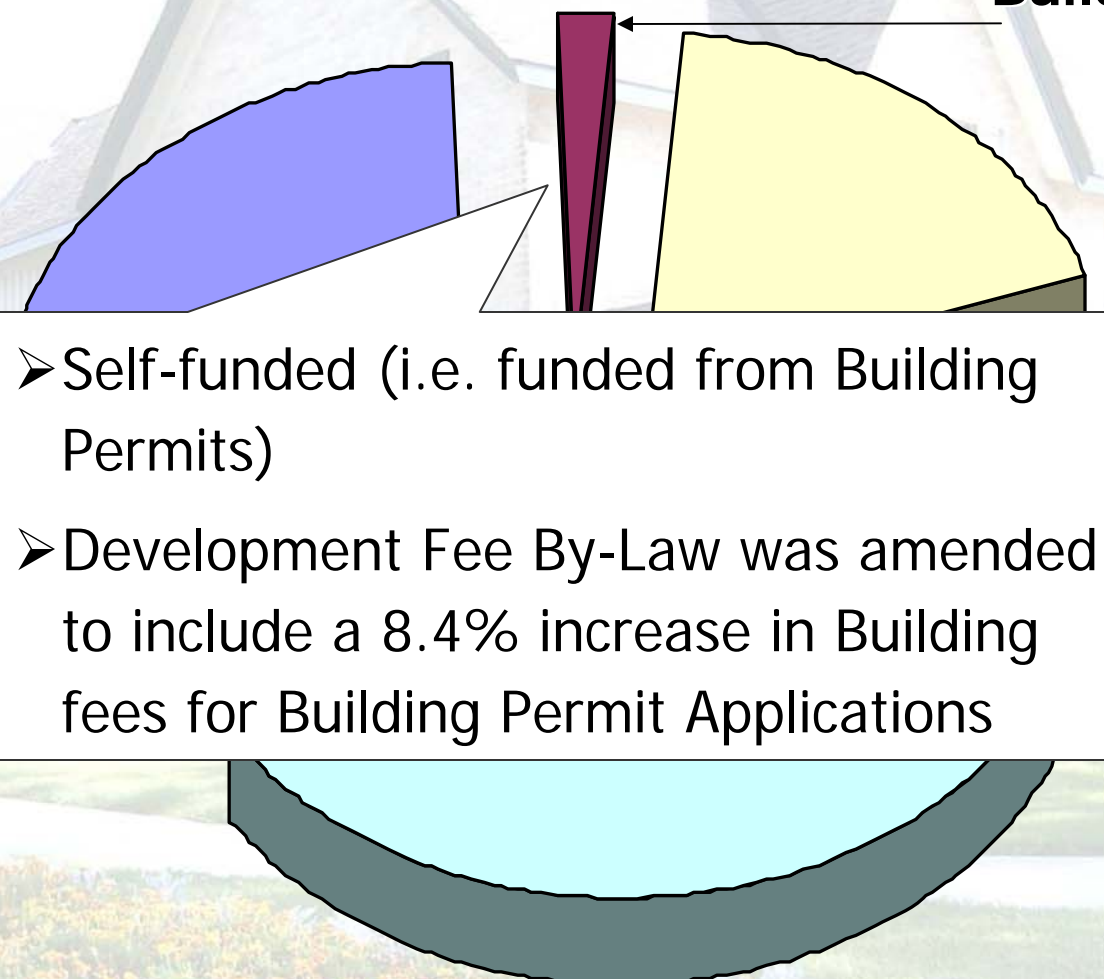
Total \$117.6 M (\$ in Millions)



2009 Budget Summary

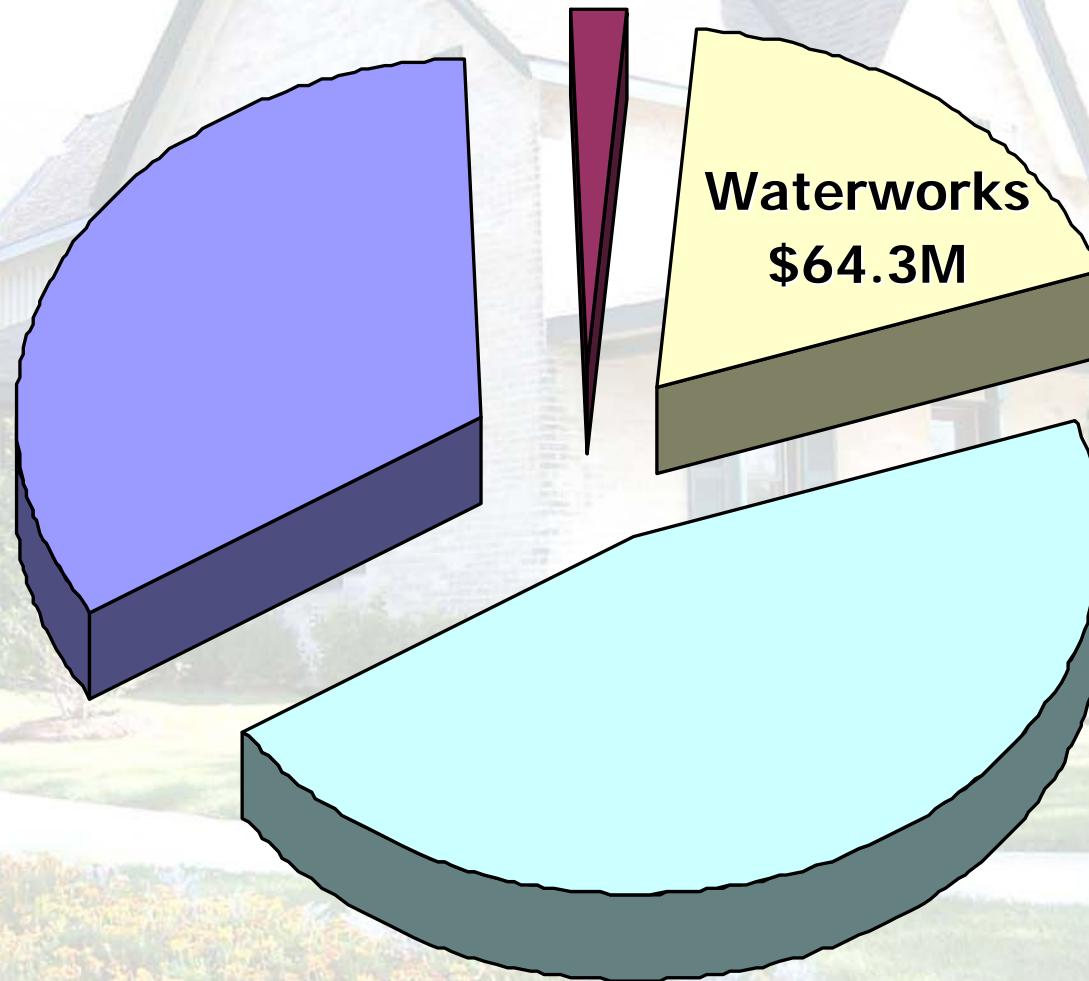
Total Budget Recommended for Approval \$350.7 Million

**Building Services
\$7.0M**

- 
- Self-funded (i.e. funded from Building Permits)
 - Development Fee By-Law was amended to include a 8.4% increase in Building fees for Building Permit Applications

2009 Budget Summary

Total Budget Recommended for Approval
\$350.7 Million



2009 Waterworks Operating Budget

Budget \$64.3M

- Waterworks is funded from water/wastewater revenues
- The Water & Wastewater Reserve Study was implemented in 2007 with the following purposes:
 - To address the ongoing replacement & rehabilitation requirements for the aging water & sewer systems
 - To ensure adequate funding in the Waterworks Reserve to sustain future replacement & rehabilitation requirements
- Effective January 1, 2009, Markham's water and wastewater rate was increased by \$0.2371 from \$1.7671/m³ to \$2.0042/m³
- The increase of \$0.2371 is comprised of two components:
 - \$0.1117/m³ wholesale water rate increase from the Region effective April 1, 2009
 - \$0.1254/m³ increase resulting from the Water/Wastewater Infrastructure Surcharge
- Impact to residential homeowner based on average consumption is \$81.09 in 2009

2009 Budget Summary

Total Budget Recommended for Approval \$350.7 Million

- Expenditures incurred to account for the Town's day-to-day operations (except for Waterworks and Building Services)
- Tax revenue is the major funding source

**Operating
\$161.8M**

2009 Preliminary Operating Budget

Revenues (\$ in Millions) (Excl. Building Standards, and Waterworks)

	2008 \$	2009 \$	Increase/ (Decrease) \$
Total Revenues	158.04	161.80	3.76
Assessment Growth (2%)			2.00
Investment Income			0.50
Hydro revenue allocated to fund the annual additional \$0.5M contribution to capital program			0.50
Rental Income (8100 Warden & Esna Park)			(0.80)
Engineering and Planning Fees			(2.57)
Transfer from Reserves (Engineering and Planning & Design)			2.57
Other			(0.05)
E3 Initiatives			1.61
Total Revenue Increase			3.76

2009 Preliminary Operating Budget

Expenditures (\$ in Millions) (Excl. Building Standards, and Waterworks)

	2008 \$	2009 \$	Increase/ (Decrease) \$
Total Personnel	91.83	93.79	1.96
Existing Staff			2.93
Ramp-up (Cornell Fire Station, next Community Centre/Library)			0.39
E3 Initiatives			(1.36)
Total Personnel Increase			1.96
Total Non-Personnel	66.21	68.01	1.80
Contract Escalations			1.02
Transfer to Capital			0.50
Winter Maintenance			0.46
Insurance Phase-In			0.22
Ramp-Up for the Canadian Sports Institute of Ontario			0.20
Growth related expenses (Roads, Parks, Maintenance & Repair, Waste, Street Lights)			0.87
E3 Initiatives			(1.47)
Total Non-Personnel Increase			1.80
Total Expenditure Increase			3.76

2009 Preliminary Operating Budget

Summary (\$ in Millions)

(Excl. Building Standards, and Waterworks)

	2008 \$	2009 \$	Increase/ (Decrease) \$
Revenues	158.04	161.80	3.76
Expenditures			
Personnel	91.83	93.79	1.96
Non-Personnel	66.21	68.01	1.80
Total Expenditures	158.04	161.80	3.76
Net Shortfall			<u>(0.00)</u>
Tax Rate Increase			0.00%



Assessment and Property Taxes

Changes to Ontario's Assessment System

- Changes to take effect for the 2009 property tax year
- Changes include the following:
 - Introduction of a four-year assessment update cycle
 - Mandatory phase-in of assessment increases
- Market increases in assessed value between 2005 and 2008 will be phased-in over four years in order to provide an additional level of property tax stability
- Phase-in program does not apply to decreases in assessed value
- Full amount of a decrease will be applied during the 2009 tax year
- The change in assessed value and the phased-in assessment values for the 2009 to 2012 property tax years are listed on each property owner's 2008 Property Notice from MPAC

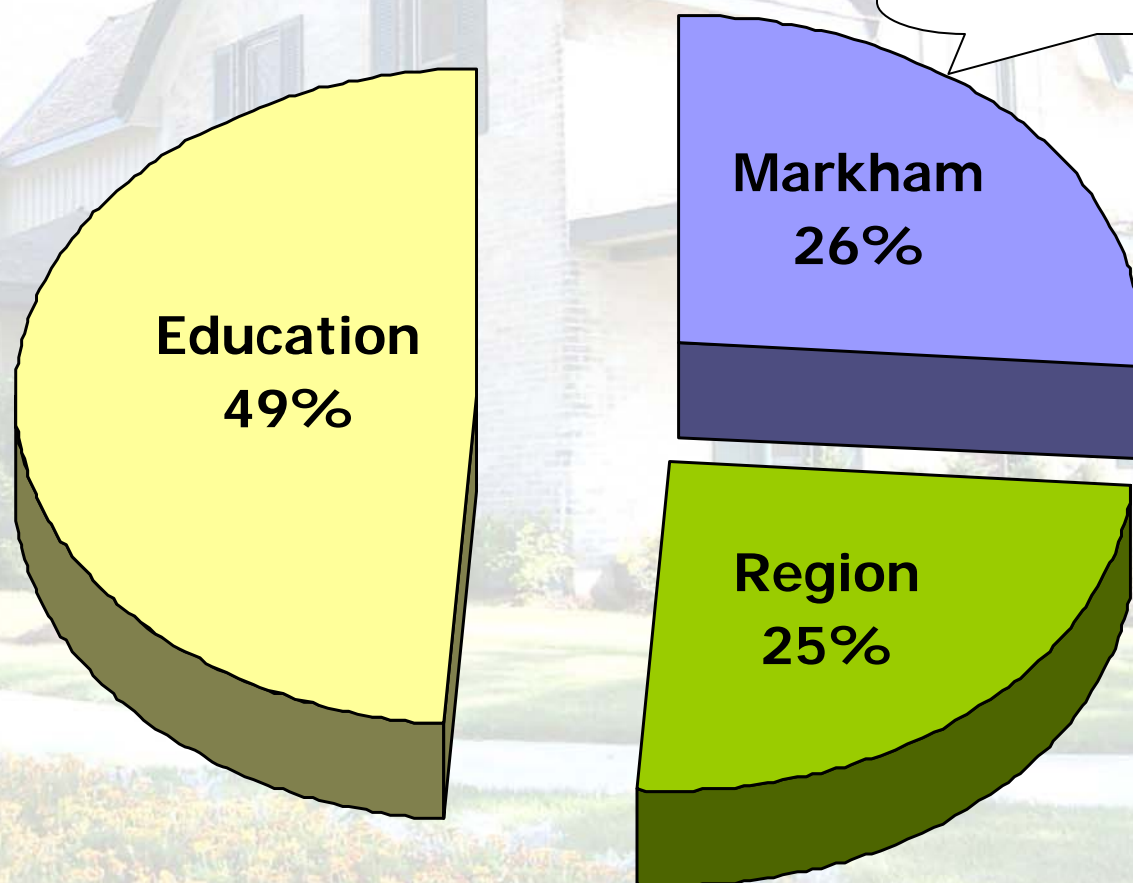
Assessment and Property Taxes

Changes to Ontario's Assessment System

- The average residential increase in assessment for the residential class for 2009 for Markham is 4.65% due to the reassessment
- Markham reduces the 2008 tax rate by 4.65 % to offset for the reassessment to ensure revenue neutrality
- If the reassessed value of a residential property increases by more than 4.65%, then the property will experience a tax increase due to the reassessment
- If the reassessed value of a residential property decreases by less than 4.65%, then the property will experience a tax decrease due to the reassessment

Assessment and Property Taxes

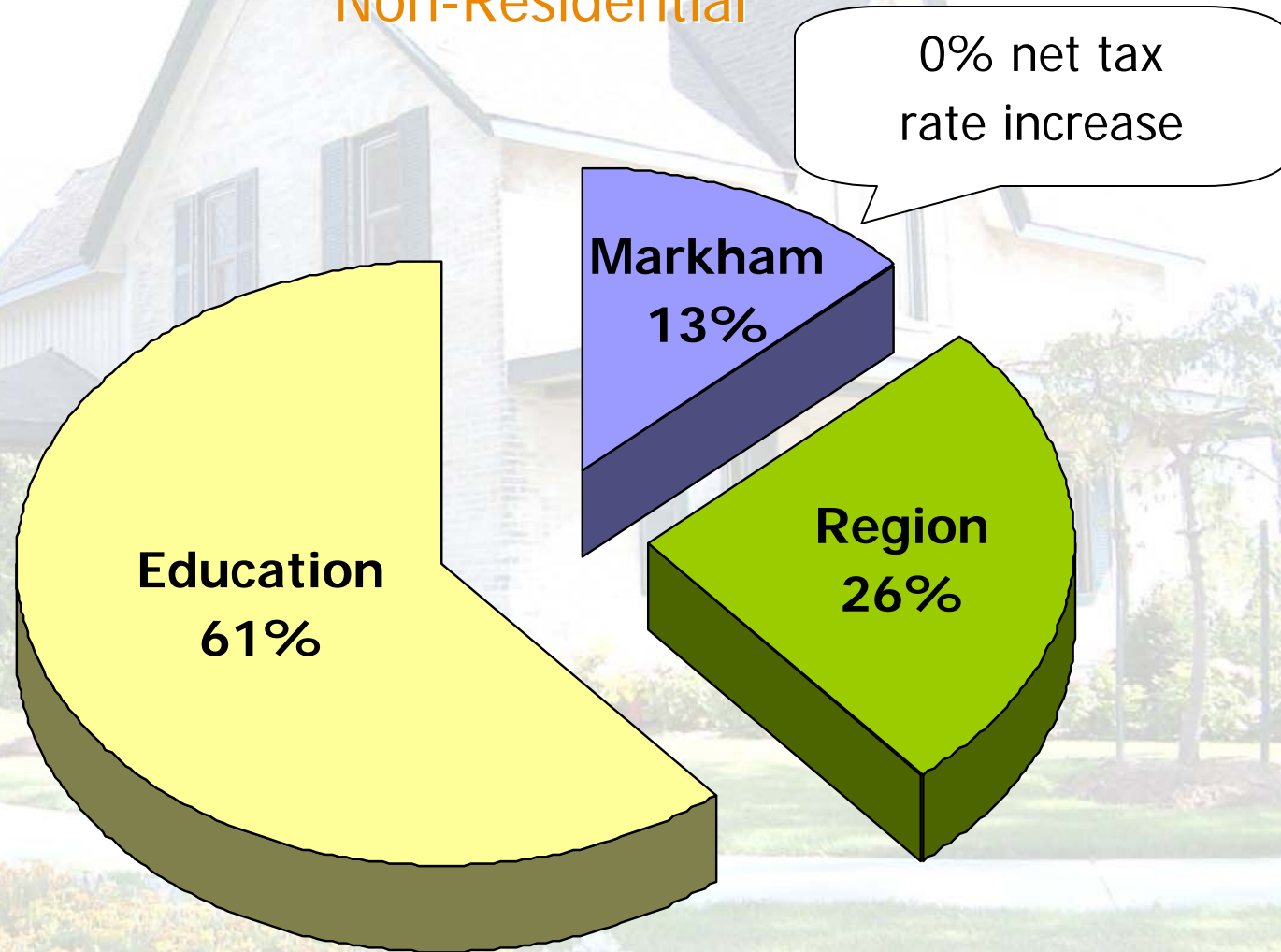
Estimated 2009 Property Tax Distribution Residential



0% net tax
rate increase

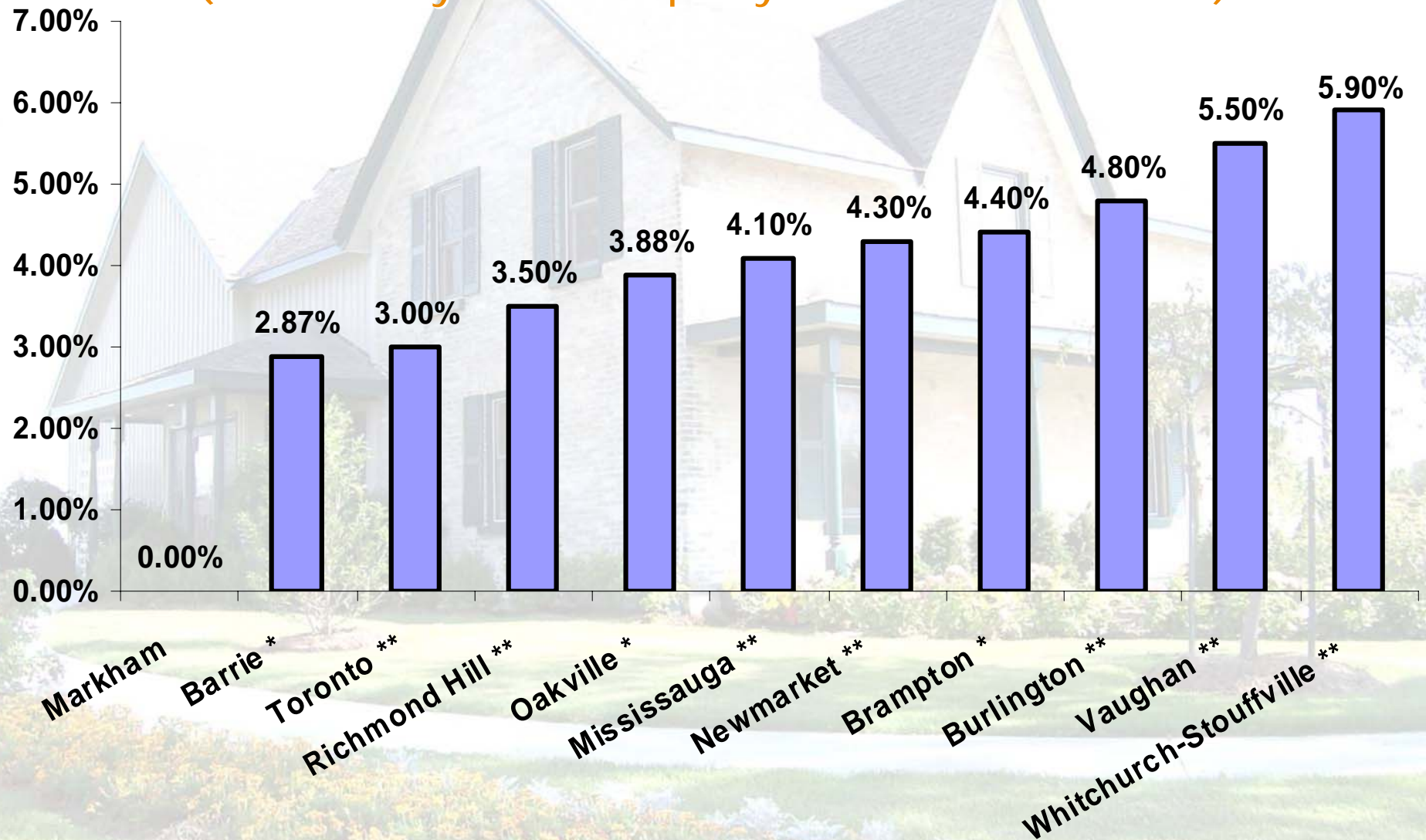
Assessment and Property Taxes

Estimated 2009 Property Tax Distribution Non-Residential



Tax Rate Comparison to Other Municipalities

(Preliminary 2009 Property Tax Rate Increases)



2009 Budget Summary Highlights

- The 2009 budget summary highlights will be presented at the February 4th Public Information Meeting

General Committee Approval

- That the proposed 2009 Budget Presentation be received
- And that Staff be authorized to present the proposed tax rate increase of 0% at the Public Meeting on February 4, 2008
- And that feedback from the Public Meeting be brought forward to the General Committee on February 9, 2008