



INFORMATION REPORT
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CORPORATE SERVICES INFORMATION REPORT – FINANCIAL SERVICES 2015-26

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: Development Charges and Capital Budgets

ORIGIN: Director, Financial Services/Treasurer

In accordance with the Procedure By-law, any Member of Council may make a request to the Town Clerk that this Information Report be placed on an upcoming Committee of the Whole agenda for discussion.

COMMENTS

During the current budget process, there have been some questions with regard to Development Charges (DC's), the Capital Budget, and the amount of flexibility that Council has with respect to the items they contain. The purpose of this report is to provide additional information.

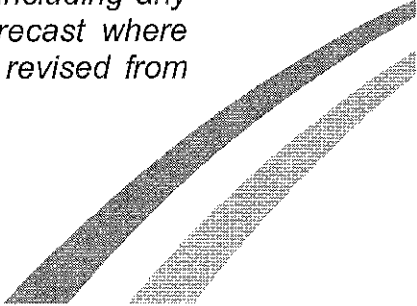
Development Charges Background Study

The inclusion of a project in the Development Charges (DC) Background Study does the following:

1. Provides a funding source from the DC's that will be collected
2. Communicates to the public and the development community an intention to commence the project within the 10-year timeframe

There is some flexibility in how these funds are used. By-law 2014-42 updated our DCs and states (in part):

And whereas by resolution adopted by Council of the Town of Newmarket on July 21, 2014 Council has indicated that it intends to ensure that the increase in the need for services attributable to the anticipated development, including any capital costs, will be met, by updating its capital budget and forecast where appropriate recognizing that projects and timing of same may be revised from time to time at the discretion of Council.



In essence, Council can add or remove projects, and can defer them or advance them. There are two legislated restrictions:

1. Funds can only be applied to projects within the defined service for which they are collected. The defined services are General Government, Library, Fire Services, Recreation (facilities), Outdoor Recreation, Yards & Fleet, Parking and Town-Wide Engineered Services (roads bridges, water and wastewater systems).
2. For any specific project, funding is limited to the cost that is deemed to be growth-related as defined by the *Development Charges Act*.

Newmarket's practice has generally been to not vary significantly from the DC Background Study. The intention was to meet community expectations and minimize potential challenges from developers.

Capital Budget

The inclusion of a project in the Capital Budget does the following:

1. Commits funding to the project – taxes, rates, grants, reserves, etc. – so that funds are readily available when required and are not allocated elsewhere;
2. Communicates to the public an intention to do the project generally within the budget's timeframe;
3. Authorizes staff to proceed with the project, subject to other approvals that may be required.

The *Municipal Act, 2001* paragraph 3 of subsection 290 (2) requires a budget to include "estimated expenses" but does not define the level of detail required. The Town's practice has been to provide a list of projects in the Capital Budget. According to the Operating and Capital Financial Policy, there are only three ways a capital project can be authorized:

1. Budget – current year, supplementary budget or prior year (capital carryover)
2. Council approval outside the budget process
3. CAO approval during an emergency

Budget approval is a formal process which requires public notice in compliance with the Town's policy. This may be done during the regular budget process, or afterwards as a supplementary budget, which revises the previously approved budget.

Council can also approve capital expenditures without going through the formal budget process. This can be done to supplement existing priority projects or for additional projects (e.g. land purchases). Doing so does not contravene the *Municipal Act*.

If an Emergency is declared and additional capital expenditures are required, the Chief Administrative Officer is authorized to approve such expenditures. After the emergency, a subsequent report detailing the emergency and the financing of all additional expenses would be presented to Council.

In summary, Council has some flexibility in its application of Development Charges and the Capital Budget. That being said, community expectations should be considered. If it is contemplated that a project may be changed, then perhaps the project could be labelled in a more general manner, such as a provision or allowance.

For instance, Council could consider in the course of future DC studies or capital budgets, the inclusion of provisional clauses. In the case of a recreation project as an example, which may be subject to change and/or contingent upon the recommendations of the Recreation Master Plan (Recreation Playbook), the provisional clause might describe the project in general terms such as "*provision for implementation of indoor recreation related to the Recreation Master Plan*". Staff will be further reviewing this approach during the next DC update and capital budget process.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

This report links to Newmarket's key strategic directions in being Well Managed through fiscal responsibility.

Proper capital planning and budgeting supports the Council priority of Efficiency / Financial Management. It also fits into Financial Services' priority of Sustainable Financial Strategy.

CONSULTATION

Our DC consultant, Hemson Consulting, provided background information of development charges.

BUDGET IMPACT

The information in this report will help inform the development and presentation of future capital budgets and DC background studies but otherwise has no direct impact on either the operating or capital budgets.

CONTACT

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