



INFORMATION REPORT
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June 19, 2015

CORPORATE SERVICES INFORMATION REPORT – FINANCIAL SERVICES 2015-25

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: Response to NTAG Presentation

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

The Newmarket Taxpayers Advocacy Group (NTAG) made a presentation to Council on March 30, 2015. They introduced themselves and provided a review of information which they had received from a Freedom of Information (FOI) request.

The motion, adopted by Council, was:

THAT the deputation by Ms. Teena Bogner, Newmarket Taxpayers Advocacy Group Inc., regarding the Newmarket Taxpayers Advocacy Group Inc. be received and referred to staff for further review.

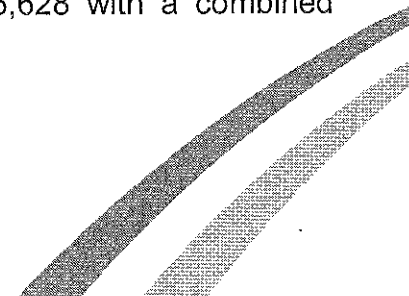
There were three specific requests from NTAG:

1. Eradicate the use of miscellaneous accounts
2. Implement proper accounting controls
3. Reduce these annual expenses by 50%

This report will provide staff's review.

1. Eradicate the use of miscellaneous accounts

Details were requested for the following accounts: 4265 staff appreciation, 4268 sundry expenses, and 4269 miscellaneous expenses. These three accounts totaled \$255,628 with a combined budget of \$145,037.



	2014 actual expense	2014 budget
Staff appreciation	\$ 3,999	\$ 4,500
Sundry expenses	26,695	25,000
Miscellaneous expenses	224,934	116,337
Total	\$ 255,628	\$ 145,837

However, the following items should be reallocated:

- Staff appreciation – clearly labeled and shown as a separate item in budget details.
- Capital costs – some of the miscellaneous accounts are for capital projects. They have designated funding and do not directly impact the operating budget.
- Election costs – many election costs were coded to Miscellaneous expense account in the Municipal Election business unit. These expenses, which included advertising and the purchase of vote tabulation equipment, are fully funded by reserve allocations from previous years.

Based on the above, the following table provides the final status of the miscellaneous accounts.

	2014 actual expense	2014 budget
Total from above	\$ 255,628	\$ 145,837
Less: staff appreciation	- 3,999	- 4,500
Less capital misc.	- 18,624	
Less election misc.	- 102,803	- 10,000
Revised Total	\$ 130,202	\$ 131,337

Both the revised actual expense and the budget represent 0.14% of the \$90 million included in the 2014 budget for operating expenses. In relative terms, these accounts represent an extremely small amount. As there will always be transactions that arise where there is no designated place to allocate them, having miscellaneous accounts makes sense. This is a common business practice.

Staff, in their review, did not find any expenses that were out of the ordinary. In order to enhance transparency, recurring expenses, such as the railway maintenance agreement with Metrolinx should be in a separate account. This will be implemented going forward.

2. Implement proper accounting controls

On this issue, it was also suggested that there should be an audit of these accounts.

On an annual basis, the Town's financial statements and the internal controls are reviewed as part of that audit. Neither our current auditor, BDO Canada, nor our previous auditor, Grant Thornton, have ever indicated that there is a deficiency in our internal accounting controls.

Going forward, Financial Services staff will be making user departments aware of when and how new accounts should be created.

3. Reduce these annual expenses by 50%

This is a subjective evaluation that Council would have to make as part of the budget process going forward and whether Council considers the nature of the expenses to be appropriate or not. It is a common business practice to provide meals for staff that meet or work through their lunch, or to have events that engage staff, encourage team building and improve staff morale. As municipalities find themselves competing over the pool of qualified individuals, such tools and tactics are becoming more important. *"Employee engagement is a key business driver for organizational success. High levels of engagement in domestic and global firms promote retention of talent, foster customer loyalty and improve organizational performance and stakeholder value,"* as cited by SHRM Research. Several other studies, including a report from Towers Watson, state that employers with an engaged workforce tend to have higher productivity and higher profit margins

The implication that there is a hidden tax increase must be addressed. In the NTAG presentation it was stated that the 3.5% is actually 4% - a 2% increase over their term of Council, because of these miscellaneous expenses. This is incorrect on both counts:

1. Council approved a 3.5% levy increase, which included these miscellaneous expenses.
2. The budget for miscellaneous expenses has only had minor increases. For any expense (or revenue), it is only the increase (or decrease) that impacts taxes and not the base amount.

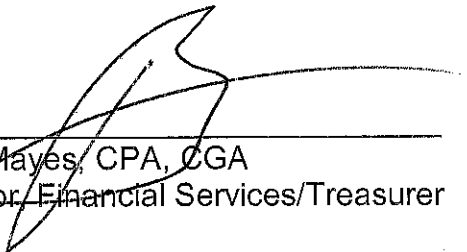
Additional NTAG Requests

In addition to the above three, there were also requests for:

1. An audit of miscellaneous expenses – this was addressed under item 2, Implement proper accounting controls.
2. A link to the NTAG website on the Town website and on the Town page in the local newspaper. The Directors, Corporate Communications and Legislative Services have had separate correspondence to address this issue.

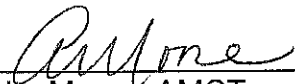
CONTACT

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