

**PLANNING FOR THE FUTURE**  
**2011-12 OPERATING BUDGET & BUSINESS PLANNING GUIDELINES****Recommendation**

The City Manager, the Commissioner of Finance/City Treasurer, and the Director of Budgeting & Financial Planning recommend:

- 1) That the Operating Budget & Business Planning Guidelines, summarized in this report be approved; and
- 2) That Attachment #1 – Operating Budget Timetable, be approved.

**Contribution to Sustainability**

Sustainability by definition focuses on the ability to maintain an activity over an extended time horizon. Budgeting is the process of allocating limited resources to achieve the City's objectives and established priorities. Responsible budgeting allocates resources in a way that balances current needs and aspirations of the present without compromising the ability to meet those of the future. The proposed operating budget process approach seeks to minimize the current year funding pressures, while meeting the requirements of sustainability.

**Economic Impact**

The economic impact of the Operating Budget will be fully determined after receipt of the departmental operating budgets.

**Communications Plan**

Departments will receive the budget guidelines, instruction package and timetable shortly after the operating budget guidelines are approved by Council. In addition, a kick-off meeting and working sessions will be offered to assist departments in preparing their departmental budgets.

As part of the budget process and integral to building the budget, opportunities for public engagement, consultation and input will be available, and appropriate notice provided. These opportunities consist of the following:

- ❖ Information posted on the City Website
- ❖ A Public Budget Forum and an online presence to obtain community input
- ❖ Business community engagement through a Vaughan Chamber of Commerce event
- ❖ Public Budget Committee/Council meetings held throughout the process
- ❖ A public input meeting prior to final budget approval

In addition to the above, the City of Vaughan is undertaking a number of strategic initiatives which incorporate significant public engagement. Although separate processes, public feedback obtained at these events will migrate into the budget decision making process.

## **Purpose**

The purpose of this report is to obtain the Budget Committee's approval for the operating budget & business planning timetable and guidelines. The approach, guidelines and actions recommended represent prudent management practices and are appropriate given the demand for services is increasing, while at the same time the City has very limited resources.

## **Background - Analysis and Options**

### **Financial Sustainability a Key Priority**

As a result of the City's long standing dedication to financial management through progressive best practices and prudent policies, the City is in a very strong financial position. The City has always considered increasing taxes as a last resort and through prudent policies, tight budget guidelines and strong leadership the City has provided residents tremendous value by offering some of the lowest property tax rates in York Region and the Greater Toronto Area, while providing high quality services to the community.

As the City moves forward, financial sustainability must continue as one of Vaughan's key priorities. Over the next decade, the City of Vaughan is expected to undergo a tremendous transformation fueled by sustained high growth rates, provincially driven intensification, increasing legislative requirements, and a number of vision based master plans reflecting important community needs. As the City becomes increasingly more sophisticated it will also face increasing financial pressure beyond the many factors currently placing significant strain on the property tax rate to maintain existing service levels (e.g. inflation, growth, collective agreements, contract escalation costs, fluctuating revenues, etc.). These pressures are permanent and often require continuous funding solutions, typically taxation.

### **Planning for the Future**

Vaughan has always taken the management and stewardship of public funds very seriously and continues to demonstrate financial leadership and discipline ensuring residents receive value for their tax dollars. For several years, the City's rigorous budgetary process has focused on containing costs and implementing best practices, with the goal of developing realistic and responsible financial plans. This year's Budget guidelines continue to build on those core values and successful business practices. Recognizing the challenges that lay ahead, and building on the financial planning efforts to date the budget guidelines now incorporate a future focus to provide citizens with more certainty about the direction of City services, finances, and tax levels. The operating budget guidelines consist of the following actions:

#### **Managing Our Future**

1. Looking to the future with multi-year budgets
2. Reinforce strategic priorities through business planning and measures

#### **Managing Tax Increases**

3. Controlling budget pressures
4. User Fee Reviews to Reduce the tax burden
5. Strict process to evaluate funding requests
6. Zero impact adjustments
7. Exploring opportunities & continuous improvement

The objective of these actions is to provide the lowest possible tax increase while maintaining the City's service levels. Under these actions, departments are only permitted to include very specific increases, typically related to predetermined agreements, contracts or Council approvals. There is no across the board increase for inflation and no automatic increase for new staffing.

8. Early and continuous public participation
9. Thorough multi-layered review process

## 1. Looking to the future with multi-year budgets

Recognizing this is a new process and given there is a learning curve and added workload involved, a phased in approach is planned. The goal is to achieve a four year rolling budget, starting with a two year rolling budget for this year's budget process i.e. (2011 & 2012) and adding an additional year to each future budget process. This will provide an opportunity to review the process and augment it as required. Over the next 3 years, departments will need to develop two new annual budgets a year and review current and future budgets developed in prior years. For example:

Although there is an additional initial workload associated with multi-year budgeting, preliminary discussions with departments indicate support for this initiative and information. In addition, departments are well positioned as a result of recent internal developments in business planning, master planning, long-range forecasting, etc. Furthermore, base budgets are largely automated allowing departments to focus their efforts on forecasting, and determining if there are future additional resource requirements.

## 2. Reinforce Strategic Priorities Through Business Planning and Measures

As a result of implementing multi-year budgeting, business plans will need to reflect this timeframe in order to align department objectives, measures, pressures etc. with the budget horizon. This information compliments the budget process and plays an important role in evaluating department efficiency, effectiveness and productivity through the use of objective

tracking and performance measures. This information plays a critical role in budget deliberations by providing a platform to better understand department pressures and an objective basis for allocating funding. This is an important step towards aligning budgets with Vaughan Vision strategic goals, objectives, and priorities. The Senior Manager of Strategic Planning will be intricately involved with this process and assist with updates and refinements.

### **3. Controlling Budget Pressures**

For the 2011-12 Budget process, all account budgets will remain at prior year budget levels with the exception of established commitments and pre-defined external pressures. This action will limit the budget increase to the following items:

- Council approved employment agreements;
- Full year impact of prior year decisions;
- Council authorized recommendations;
- Supported external service contract commitments;
- Established utility & insurance increases, where justified;
- Debenture obligations;
- Defined corporate contingency items;
- Adjustments related to new harmonized sales tax (HST) rules;
- Reclassifications required supporting new tangible capital asset (TCA) rules.

Additional flexibility in preparing the Recreation budget is required due to fluctuating enrollment numbers, program selections, and community needs. The Recreation budget will be prepared in accordance with established policies and aim to maintain or improve the Recreation department's overall net position and category thresholds.

To ensure that all financial requests are captured and assessed within the approved operating budget process, all items containing an economic impact during the annual budget process are to be submitted to the Budget Committee for review and recommendation before Council consideration.

### **4. User Fee Reviews to Reduce the Tax Burden**

Another opportunity to minimize a tax increase is to maximize revenue generation through user fees and service charges. It is important to emphasize that any reduction in a user fee or service charge cost recovery ratio will have a corresponding direct impact on the City's levy. Therefore, to minimize any impact on the City's tax rate it is important to sustain or improve revenue/cost relationships. In addition to adjusting revenues for anticipated changes in activity, departments will be required to review user fees and service charges and perform the following:

- ❖ Increase user fees and charges in relation to related department annual cost increases
- ❖ Submit new user fee and service charge opportunities

As a default, it is anticipated that department user fees & service charges will increase at minimum, by the rate of inflation, in scheduled increments, unless justification for no increase is otherwise specified. The Statistics Canada Ontario core inflation rate increased 1.6% for the 12 month period ending March 2010. The 5 year historical average is approximately 1.9%. The above actions will be submitted for Senior Management review and Council approval.

## 5. **Strict Process to Evaluate Funding Requests**

Under the above guidelines, departments are only permitted to include very specific predetermined increases in their budget. To the extent a department requires additional resources, a separate business case must be submitted detailing strategic links, costs & benefits, implications & consequences, success indicators, timelines, etc. These are referred to as **Additional Resource Requests (ARR)**. The process will separate the Operating Budget into the following two classifications:

- Base Budget – Budget based on approved guidelines – Minimal tax increase.
- Additional Resource Requests – Essential funding requests not permitted through the base budget guidelines requiring Council review and approval. Council approval is specifically required for new staff resources, a change in service levels, or new initiatives. Requests are limited to items in excess of \$10,000 or having a net neutral or positive impact.

The objective of the above action is to separate basic operating obligations from items that may require further discussion and decisions.

Determining which resource requests move forward is a very difficult and challenging task as all departments are experiencing challenges associated with maintaining service levels, meeting legislative requirements, and implementing initiatives to move the City forward. Recognizing the value of requests greatly exceed the amount of available limited resources, a prioritization process to evaluate each request based on a blend of associated municipal value and risk criteria is performed. New for this budget process is the implementation of a Director based working group, consisting of representatives from across the City's departments, to evaluate and prioritize additional resource requests for SMT, Budget Committee, and Council consideration. This action is intended to integrate staff experience and involvement, share the challenges associated with prioritization, and enhance corporate knowledge. Only requests approved by Council will be included in the annual budget.

## 6. **Zero Impact Adjustments**

Reclassifications and reallocations in non-labour related accounts are only permitted if they result in a zero impact on the budget. Furthermore, these adjustments are limited to better reflecting the true nature of the expense or more accurately aligning account budgets. There are no impacts associated with these adjustments and the intent is to refine departmental budgets. As part of the budget process reallocations/reclassification will be reported, demonstrating a neutral impact.

## 7. **Explore Opportunities & Continuous Improvement**

As the City continues to be challenged with limited resources, it is important to develop creative ways to reduce costs, improve efficiencies, and explore revenue opportunities. Taking these steps will help to mitigate the budget pressures the City is facing. This corporate action consists of two separate and unique processes:

### ❖ Department Suggestion Program

Through the annual budgeting and business planning process, departments are requested to submit ideas and suggestions to reduce costs, improve efficiencies, eliminate duplication, generate revenues, etc. Any suggestions submitted are provided to the Senior Management Team to be further explored and considered.

#### ❖ Continuous Improvement & Service Reviews

The Audit and Operational Review Committee's mandate includes the following:

- Departmental reviews;
- Structural, functionality, and efficiency reviews; and
- Overall management review

As part of this mandate, a Continuous Improvement Program (CIP) was initiated, which is a process the City uses to drive process improvement and identify opportunities.

### **8. Early and Continuous Public Participation**

Public involvement throughout the budget process is a key element of building the budget and consists of the following:

Early Consultation - Public Consultation will be held early in the budget process to gather community input, which will assist in building the budget. The framework & subject matter of the forum will be relatively consistent with what was offered in the past and focus on the following:

- ❖ Educate and inform the public regarding city services, the cost of those services, municipal issues and their relationship with property taxes; and
- ❖ Obtain input and feedback from the public with respect to the local services provided, community priorities, and options to address the challenge.

Two events will be held, a general public forum and a business community event. These events will be recorded and made available on the City's website for viewing. To obtain additional feedback, a questionnaire will be developed and provided at both the forum and on the City's website. These events will be heavily promoted in various media sources at least three weeks in advance.

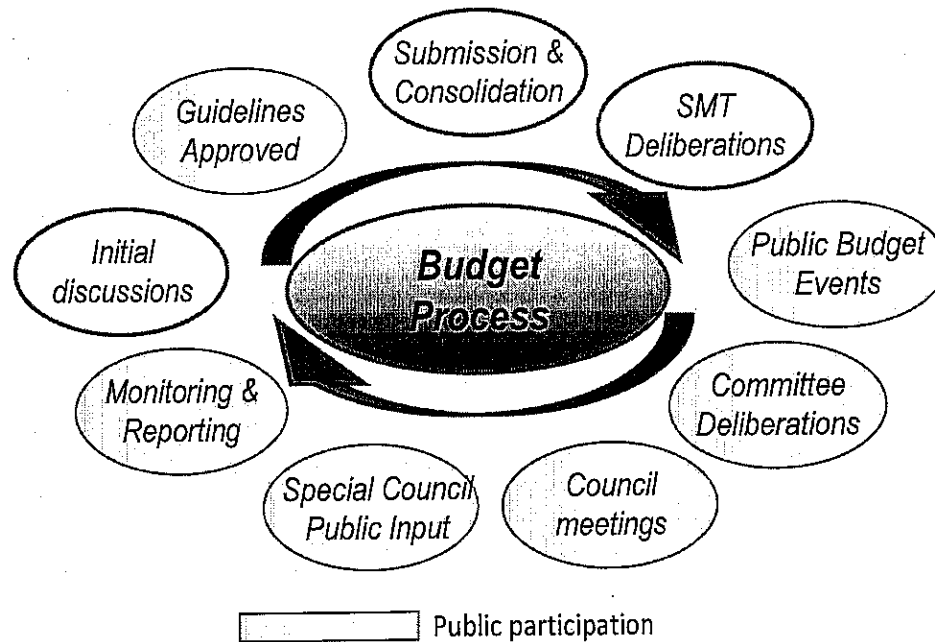
Consistent with last year the initial setup and promotion will require support from Information Technology Management and Corporate Communications department. Responding to public input will require an involvement and collaboration from all City departments. Event results will be reported to Budget Committee during the budget process.

Continuous Opportunity for Input - In addition to the Budget Forum, Budget Committee meetings will begin in January and continue throughout the process. These meetings are open to the public and offer an opportunity for the community to provide input. All Budget Committee meeting recommendations are forwarded to Council meetings, which are also open to the public offering another opportunity to provide input into the decision making process.

In addition to the above, the City of Vaughan is undertaking a number of strategic initiatives which incorporate significant public engagement. Although separate processes, public feedback obtained at these events will migrate into the budget decision making process.

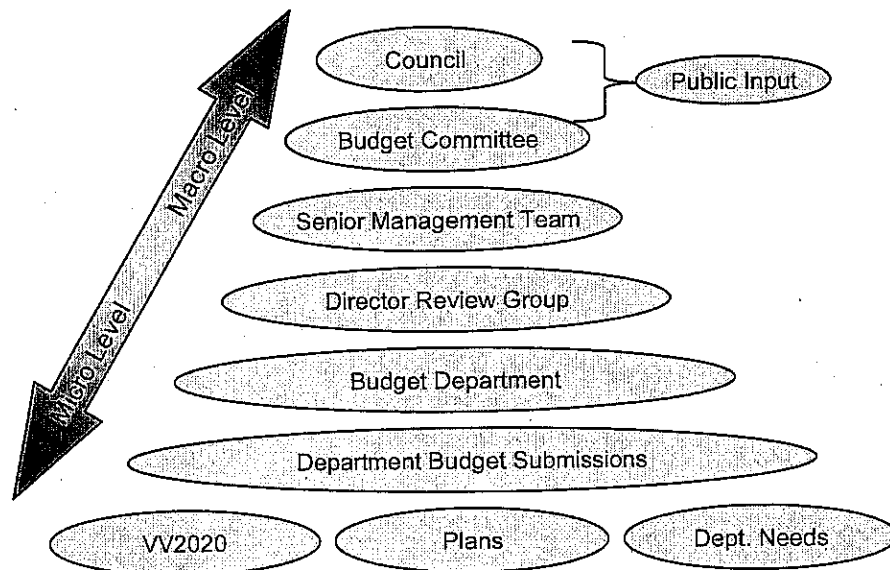
Final Approval – In addition to these meetings, a Special Council meeting will be held to provide the public a final opportunity to comment on the Proposed Operating Budget.

Illustrated below are the steps in the budget process that involve the public.



## 9. Thorough Multi-layer Review Process

The Budget Process has a very thorough review process and the final budget will consist of many decisions resulting from a variety of review sessions and public input sessions. Illustrated below are the various layers of review that occur and areas involved within Vaughan's budget process.



### **Operating Budget Timetable**

Staff anticipate bringing forward the first draft of the 2011/12 Operating Budget to the Budget Committee in early January with the intention of a Budget Committee recommendation late February and Council approval in March 2011. This timeline starts later and is slightly longer than usual to accommodate the fall municipal election. Every effort will be made to adhere to the timeline, but issues raised during the budget process could potentially impact the presented timeline. A timetable is enclosed as Attachment #1. Senior Management Team and Budget Committee meeting dates will be scheduled shortly to accommodate this timeline.

### **Future Outlook**

As mentioned in the opening paragraph, the City of Vaughan continues to be subject to the many factors that put significant pressure on the property tax rate. The impacts of these pressures are often permanent and therefore require long-term funding solutions to ensure public services are sustainable in the future. To illustrate these pressures, a preliminary basic 3 year outlook will be provided to the Budget Committee in January 2011. The preliminary outlook will be based on general assumptions and trends and excludes impacts associated with future master plan recommendations, much needed additional infrastructure funding, etc.

### **Continued Budget Process Improvements**

The Budget Department strives to continuously improve the operating budget process. A strong emphasis is placed on reviewing processes and creating refinements that add value by making the process easier and more informative. Many of these improvements lead to greater efficiencies, thereby allowing management and front line staff to focus more on core operations, planning, budget review and decision making. To that end, some of the more recent significant process improvements for the operating budget process include:

- Received the GFOA Distinguished Budget Presentation Award in 2010.
- Moving to a multi-year budget process to improve financial visibility and provide adequate time to plan for future events
- Greater emphasis on future financial planning rather than administering the budget process;
- Implementing Questica's Team Budget software solution to enhance reporting and analysis
- Developing prioritization models to assist in decision-making & initiating a Directors Working Group to assess and prioritize funding requests, in order to enhance staff involvement and leverage staff knowledge.
- Initiating performance measurement estimates and a performance level standard/best practice to align the measures with the budget year and provide a reference point for stakeholders to better understand the department's situation.

### **Relationship to Vaughan Vision 2020**

This report is consistent with Vaughan Vision 2020's long term goal of financial stability through the design of operating budget guidelines intended to produce a responsible budget. The necessary resources have not yet been approved and will be addressed throughout operating budget deliberations.



### **Regional Implications**

N/A

### **Conclusion**

The 2011-12 Operating Budget Timetable and Guidelines requires Budget Committee to provide a recommendation to Council in late February 2011 and a public meeting be held in March 2011, followed by Council approval. The enclosed guidelines are presented to provide the lowest possible tax rate increase while maintaining service levels and supporting Vaughan's vision.

### **Attachments**

Attachment No. 1 – Operating Budget Timetable

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Barbara Cribbett, CMA  
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Respectfully submitted,

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**City of Vaughan**  
**2011/2012 Operating Budget Process Timetable**

<b>Date</b>	<b>Activity</b>
July 6, 2010	Budget instruction packages & workbooks issued to depts.
Aug. 27, 2010	Department submissions due (including funding requests, business plans & performance measures)
Sept.– Mid Oct. 2010	Submission review, analysis, & consolidation ( including working group ARR prioritization)
Mid Oct. - Nov. 2010	Senior Management deliberations
Dec. 2010	Finalizing the draft budget for Budget Committee presentation
Jan. 2011 – Feb. 2011	Budget Committee deliberations
Jan. 2011	Public Information/Consultation Forum Business Community Event
March 2011	Public input meeting & Council approval (Public notice requirement is 14 days)