

**PLANNING FOR THE FUTURE**  
**2013-2016 BUDGET & BUSINESS PLANNING GUIDELINES**

**Recommendation**

The Commissioner of Finance & City Treasurer and the Director of Budgeting & Financial Planning:

- 1) That the Budget & Business Planning Guidelines, summarized in this report be approved; and
- 2) That the 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 needs and aspirations of the present without compromising the ability to meet those of the future. The proposed budget approach seeks to minimize the current year funding pressures, while meeting the requirements of sustainability.

**Economic Impact**

The economic impact of the 2013- 2016 Budget will be fully determined after receipt of the City's budget submissions and once the draft budget is developed and presented to the Finance and Administration Committee.

**Communications Plan**

Departments will receive the budget guidelines, instruction packages and timetable in June; shortly after the City's budget guidelines are approved by Council. In addition, department working/training sessions will be offered to departments to assist in preparing their budgets.

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

- ❖ Information posted on the City website
- ❖ Public Finance & Administration 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 migrate into the budget decision making process.

**Purpose**

The purpose of this report is to obtain the Finance & Administration Committee's approval for the City's budget & business planning guidelines and timetable. 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 limited resources.

## **Background - Analysis and Options**

### **Financial Sustainability Always 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. 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, mounting infrastructure renewal costs, 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 and reserve balances to maintain existing service levels. These pressures are permanent and often require continuous funding solutions, typically taxation.

### **Economic Update – Improved Global Back Drop**

Based on TD economics quarterly economic forecast, the Canadian economy looks to be improving. Although, economists are not prepared to abandon the risk-filled environment theme, economic prospects for the near to medium term are positive and have changed for the better. The most important development is the progress made to contain the European Financial Crisis, which has increased market confidence and improved growth expectations. In turn, the outlook for the US economy, which Canada relies heavily on, has improved. With the economy and commodity prices recovering, Canada's export and resource businesses are expected to lead the way in ramping up capital spending. It is also anticipated that interest rates will remain low, until early 2014, to provide additional stimulus to households. This could bode well for lower debt costs, but could be offset by pressure on the City's investment portfolio.

Despite the good news, the growth in the economy will be challenged by economic headwinds. Federal and Provincial levels have been signaling their intent to reduce deficits, making for a difficult government budget season and reduced spending. Its unsure how this could impact on grants and funding the City receives. In addition, slow to recover statistics related to job creation, personal disposable income gains, and household credit pose challenges and may prove to be impediments to domestic spending. Lastly, a supply related spike in oil prices has returned to the stage, which will definitely generate direct and indirect pressures on the City's budget. The above information is relatively global and is intended to provide a general economic context, which may change over time and may not reflect Vaughan's micro economic situation.

### **Planning for the Future**

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, the budget guidelines continue to incorporate a future focus to provide citizens with more certainty about the direction of City services, finances, and tax levels. The budget guidelines consist of the following principles:

### ***The Budget objective***

“To balance the pressures of maintaining existing services and growth requirements against available future funding/City resources necessary to undertake and manage operations and corporate initiatives”

### ***Managing our future***

1. Resourcing our Vision “Corporate Planning Process”
2. Looking to the future with multi-year budgets
3. Managing operations through business planning

### ***Managing tax increases***

4. Specific operating budget policy & guidelines
5. Specific capital budget policy & guidelines
6. A thorough multi-layer review process

In addition to the above, sections are provided regarding the following:

- Budget process highlights
- Continued process improvements
- Budget timetable

Further details with respect to each of the actions are provided in the following sections.

## **1. RESOURCING OUR VISION “The Corporate Planning Process”**

Building on last year’s efforts, the Corporate Planning Process continues to integrate strategic planning and financial planning processes. The primary benefits of this step are numerous:

- ✓ To ensure an achievable and resourced strategic plan
- ✓ To ensure resource allocation is guided by the City’s vision and strategic themes
- ✓ To better communicate the City’s direction and focus

On April 17<sup>th</sup>, 2012, Council reviewed the priority themes and initiatives and agreed the direction which had been set in 2011 is still valid. The rationale was that a number of priority strategic initiatives were not fully implemented and it was important to maintain a focus before adding new priority initiatives to the list. The priority themes and initiatives for this year’s budget process are:

- Undertake a program review  
*Substantially complete and pending further Committee discussion prior to the summer hiatus.*  
Sponsor: Commissioner of Finance/ City Treasurer  
Owner: Director of Budget and Financial Planning
- Additional operational/business reviews  
Sponsor: Commissioner of Strategic and Corporate Services  
Owner: Senior Manager of Strategic Planning
- Further evolve performance indicators  
Sponsor: Commissioner of Strategic and Corporate Services  
Owner: Senior Manager of Strategic Planning
- Develop and implement a corporate-wide asset management system  
Sponsor: Commissioner of Engineering and Public Works  
Owner: Director of Engineering Services
- Develop a plan to build a dynamic Vaughan Metropolitan Centre (VMC)  
Sponsor: City Manager  
Owner: Commissioner of Planning

At the upcoming SMT/Directors meeting in May, assigned sponsors and owners will table detailed business cases and implementation strategies related to their priority themes and initiatives, which will be used in the development and alignment of multi-year operating and capital budgets.

## 2. LOOKING TO THE FUTURE WITH MULTI-YEAR BUDGETS

The City of Vaughan is becoming increasingly more sophisticated with each passing year and there is a need to broaden the budget horizon and unveil the future. This action provides decision makers with added foresight and the ability to proactively grasp future opportunities, address future challenges, and reduce blind spots by understanding the longer-term financial implications of present and past decisions. This is a very strategic approach intended to generate discussion on where the City's future resources should be focused to best support the City's vision, operationalize strategies, generate public value and address pertinent challenges. It is also a critical component of the corporate planning process discussed in the last section.

For this year's process, the City will develop a 4 year operating and capital budget. Departments are well positioned for this task as a result of internal developments in business planning, master planning, long-range forecasting, base budget automation, etc. However, it should be recognized that assumptions, estimates and uncertainties are commonplace when predicting future budgets and these factors may change as new information becomes available. For this reason, it is suggested that Council only approve the current year budget and recognize future budget forecasts. After the initial stages, budget decisions should become easier and flow naturally as future requirements are discussed and adjusted over multiple processes before current year approval. Detailed below are the recognized levy forecasts presented as part of the 2012 budget.

### ***Recognized Forecasts***

	2013	2014	2015	2016
Taxation increase requirement	\$ 7,768,435	\$ 5,621,597		
Tax rate increase	5.16%	3.52%		TBD
Impact on the average household	\$ 62.55	\$ 44.14		

These figures are expected to change as estimates are refined and staff acclimatize to the extended budgeting period.

## 3. MANAGING OPERATIONS THROUGH BUSINESS PLANNING

Business Plans will continue as part of the budget and financial planning process to help establish and reinforce connections between corporate priorities, operational plans and resources. As a result of implementing multi-year budgeting, business plans will need to reflect this timeframe in order to align department objectives, measures and pressures with the 4 year budget horizon. This information is vital to the budget process as it sets the stage to assess the department's requirements and associated resource adequacy. For example, resource gaps might exist to maintain service levels, achieve operational objectives or deliver on corporate initiatives. This information also plays a critical role during budget deliberations by providing a platform to better understand department pressures and an objective basis for allocating funding. Budget department portfolio analysts will lead the business planning process and assist departments with business plan updates and refinements. The Senior Manager of Strategic Planning will provide process input, as required and related to associated strategic initiatives.

#### 4. SPECIFIC OPERATING BUDGET POLICY AND GUIDELINES

- A. Controlling budget pressures
- B. Strict process to evaluate funding requests
- C. User fee reviews to reduce the tax burden
- D. Zero impact adjustments
- E. Exploring opportunities through program review and operational reviews

The objective of these actions is to provide the lowest possible tax increase while maintaining the City's service levels. There is no across the board cost increase for inflation and no automatic increase for new staffing. All new funding requests require business cases and thorough review.

##### **A) Controlling budget pressures**

i. For the 2013-2016 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 base 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;
- Reserve contributions in accordance with approved policy.

Under these actions, departments are only permitted to include very specific increases, typically related to predetermined agreements, contracts or Council approvals.

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

##### **B) 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, capital implications and project references, etc. These are referred to as **Additional Resource Requests (ARR)**. This action separates 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 level, or new initiatives. Requests are limited to items with a gross cost in excess of \$10,000, which can have a net neutral or positive overall 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 exceeds the amount of available limited resources, requests are evaluated and prioritized based on a blend of associated municipal value and risk criteria. The initial prioritization action is performed by a Director's Working Group (DWG) and reviewed by the Senior Management Team (SMT). This action integrates staff's experience and involvement, shares the challenges associated with prioritization and enhances corporate knowledge. A recommendation is provided to Committee and Council for consideration and only Council approved requests are included in the annual budget.

New: As a result of implementing multi-year budgets many requests are currently recognized. To avoid confusion, these requests are to remain at the rating and year previously assigned by Senior Management, unless authorized by the Commissioner of Finance/City Treasurer and the City Manager.

### **C) User fee reviews to reduce the tax burden**

Another opportunity to minimize tax pressures is to maximize revenue generation through user fees and service charges.

New: Most of the City's fees/charges are based on existing studies and multi-year by-laws; therefore prior year budget guidelines focused only on the General User Fee By-law, which captures a variety of minor/miscellaneous items. However with the emergence of multi-year planning and varying by-law intervals/expiry dates, it is of great benefit to coordinate and consolidate the planning of these by-laws for review, update and budget approval under one common process and 4 year term ( i.e. Planning, Engineering, Building standards, Licensing, Recreation, etc. ).

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 base budget revenues for anticipated changes in activity, departments will be required to review user fees and service charges and perform the following:

- ❖ Increase fees and charges in relation to related annual cost increases
- ❖ Incorporate a net full cost benefit in fees set for external inter-municipal services
- ❖ 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 2.2% for the 12 month period ending March 2012. The 5 year historical average is approximately 2.1%. The above actions will be submitted for Senior Management review and Council approval.

### **D) 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/reclassifications will be reported, demonstrating a neutral impact.

### **E) Exploring opportunities through program review and operational reviews**

As the City continues to be challenged with limited resources, it is important to develop creative ways to help mitigate the budget pressures the City is facing. The City currently has many processes in place that encourage and foster improved effectiveness and efficiency (i.e. internal

audit, operational studies, suggestion program, etc). In addition to these processes, a Program Review was presented and Operational Reviews determined.

Using the Program Review Framework:

On a go forward basis, the program review framework will be applied to any new programs or program enhancements to aid in classification, prioritization, and decision making. The process will define the program into the following aspects:

- Is there a community need?
- What type of municipal service? (mandatory, standard, or premium)
- Who should provide the program and at what recovery level?
- How should the program be designed? (contracted, internal, etc.)

Any further refinement resulting from further Council discussion in June will be incorporated, where appropriate, into the budget process.

Operational Reviews:

The next phase in the City's continuous improvement efforts will be Operational Reviews, which focus on process effectiveness and efficiency. These reviews, to be conducted with possible assistance from consultants, will focus on assessing the delivery of service, resource requirements, and potential efficiency opportunities (e.g. outsourcing, technology, partnerships, logistics and alternate delivery models). There are opportunities within the City, but also a need to prioritize them within the context of performance measurement and strategic initiatives. Using the results of the program review along with other informal information, the Senior Management Team selected the initial programs for Operational Review. These programs are:

<u>Department</u>	<u>Program</u>
Accounting & Financial Services	Property Tax Billing and Collections
Building Standards	Non-OBC Permit Application Review (Signs, Pools) O.B.C Building Permit Review & Inspections
City Clerk	Licensing and Permits
Development Planning	Application Examination and Approval
Enforcement Services	Parking and Signs
Fleet Management	All Programs
Parks and Forestry Operations - Non Sports	Boulevard Maintenance
Parks Development	All programs
Public Works - Waste Management	Garbage Blue Box (Recycling) Collection

Operational Reviews are a priority strategic initiative owned by the Senior Manager of Strategic Planning. The results of the above listed reviews will be incorporated into the budget process once complete and budget outcomes determined.

## 5. SPECIFIC CAPITAL BUDGET POLICY AND GUIDELINES

The preparation of the Capital Budget will require a number of issues to be taken into consideration. The pressures of new initiatives, maintaining existing infrastructure, and growth requirements will need to be balanced against available funding, the impact on future operating budgets and the staff resources to undertake and manage the capital projects.

A prevailing theme throughout the years has repeatedly been the need to address the funding component for infrastructure renewal. The challenge of funding the significantly growing costs of infrastructure renewal is a paramount concern for most municipalities across Canada and stems from new construction being primarily funded by the development industry, leaving the municipalities across Ontario to fund future replacement costs from the municipality's limited tax base. The danger of not doing so could create a situation where the funding shortfall will continue to slowly build until a point in the future where a wave of facility, park, fire and other replacement projects come on board without available funding. Currently, there are two infrastructure replacement reserves that are experiencing significant challenges. These are the *Parks Infrastructure and Vehicle Replacement Reserves*.

A recent emerging theme is the mounting pressure associated with a number of value added corporate initiatives i.e. Vaughan Metropolitan Centre, City Hall Public Square, EDMS and a variety of master plan initiatives. All of these initiatives, although valid and warranted, compete for limited capital funding, not only with each other but also with existing requirements to maintain the City's services and assets.

Recognizing the above illustrated challenges, the objective of the guidelines is to build a responsible capital budget that allocates resources in a way that balances needs and aspirations of the present while meeting the requirements of longer term sustainability. The Capital Budget Guideline components are:

- A. Capital project definition
- B. Identifying funding sources
- C. Guiding decisions through policies
- D. Specific actions to manage capital budgets

### **A) Capital Project Definition:**

- A gross cost exceeding \$20,000; and
- For the purpose of constructing, acquiring or improving lands, buildings, engineering services, machinery and equipment or furniture and fixtures. The project must be undertaken for the purpose of providing municipal services, have a lasting benefit beyond one year and/or extend the life of the asset. Projects should incorporate all costs associated with getting the project ready for its intended use (i.e. license costs, survey costs, etc). Expenditures for regular repair or maintenance designed to maintain an asset in its original state are not a capital expenditure; or
- A non-capital expenditure that is related to planning for growth (i.e. planning studies, master plans, etc); or
- In special circumstances, an item of operating nature intended to avoid or smooth significant short-term spikes in the general levy. These items are typically classified as transfers, but can be projects, and authorized by the Commissioner of Finance/City Treasurer.



## **B) Identifying Funding Sources**

Capital projects are funded from the following five main sources:

Development/Special Area Charges Reserves: This funding source is based on legislation which imposes charges on new development in the City to pay for growth related net capital costs of servicing new development. The intent of the legislation is to maintain existing capital service levels and fund hard service growth requirements. Development charge reserve collections are dependent on the economy and therefore future capital plans may require adjustments and could be different from the initial development charge document forecast.

Discretionary Reserves: This funding source is derived from dedicated operating budget contributions or allocations of accumulated net revenue for a particular purpose. The City has established a number of reserves to help manage municipal finances and protect against the potential need to reduce service levels or raise taxes due to temporary shortfalls or unexpected expenditure increases. These reserves are broken into the following categories:

- Sustainability Reserves - to protect against risk (i.e. winter, tax rate stabilization, etc.)
- Infrastructure Reserves - to renew the City's assets
- Corporate Reserves – to fund future operational expense (i.e. election)

Reserve uses and funding contributions are defined by individual policies and by-laws. Efforts are currently underway to review and consolidate this information.

Grants and Other Financing: This source of funding is provided by Federal/Provincial/Regional levels, specific contributions and bequests. Typically these funding sources have very prescribed requirements and criteria.

Debenture Financing: Debenture Funding is primarily utilized for the City's road and bridge replacement program, due to the overall substantial asset value and lengthy life cycles. Budgets are based on the "Pavement & Bridge Management Program Study".

Capital from Taxation: Projects identified from taxation funding are primarily non-growth related projects that have no other source of financing, such as technology replacement, new initiatives etc. In addition, the Development Charges Act 10% co-funding requirement for growth related soft services is also funded from this source.

## **C) Guiding Decisions through Policies**

Over time, the City has developed a series of guiding financial policies and targets to assist in developing the Capital Budget, which have a positive impact on the financial stability of the City. They are listed as follows:

- A. A long standing City practice is "only capital projects with secured available funding sources are accepted", otherwise specific Council approval is required.
- B. Discretionary reserve ratio > 50% own source revenue. Discretionary reserves provide the City with financial flexibility in order to safeguard against economic downturns and finance operations internally. This ratio is a strong indicator of Vaughan's financial health.
- C. Working capital ratio > 10% own source revenue. Working capital funds provide in-year cash flow requirements.
- D. Debt level ratio < 10% own source revenue. The Debt Policy sets limitations on the use of debt in order to retain financial flexibility by avoiding long-term commitments and the high cost of interest. Limited to a maximum of 10% of total own source revenue, which is significantly lower than the Province's 25% maximum.

- E. A 3% administration recovery charge will be applied to capital projects, with the exception of most grant funded projects. These funds are transferred to the operating budget and intended to generally offset internal project administration costs.
- F. The following guidelines relate to Development Charge projects:
- 1) Positive reserve balances should not be placed into a pre-financing position, with exception for management studies incurred in advance of growth;
  - 2) Pre-financing should not be increased;
  - 3) Commit no more than 50% of revenues in the program year for any development charge service area that is pre-financed; and
  - 4) Development charges will be applied to the full extent permitted by legislation.

#### ***D) Specific Actions to Manage Capital Budgets***

##### *Actively Closing Projects*

Continuing with past practice, staff together with departments will review all active projects to determine if projects can be closed. Any remaining project budget balance will be returned to the original funding source and made available during the 2013-2016 budget process.

##### *More Detailed Project Information (New)*

Each capital budget request includes project justification based on appropriate detail and referenced source information. Building on this effort, capital budget project submissions will now incorporate the following additions:

- Project activity timelines *(to better communicate the timing of main project events & high-level est. cash flows)*
- Multi-year capital and operating detail *(to provide better full cost financial visibility)*
- Life-cycle detail *(to assist with asset reporting and the development of asset renewal plans)*
- Implications on other departments *(to generate resource capacity awareness)*
- Connections to related projects *(to highlight capital relationships and dependencies)*
- Illustrating contingency and standardizing the process *(to illustrate project risk)*

##### *Leveraging Grant and Subsidy Funding*

To support local municipal initiatives, Federal, Provincial, Regional and local agencies deliver grant programs, partnerships, and subsidies which focus primarily on the following categories:

- Environmental Sustainability
- Infrastructure
- Economic Development
- Culture

Competition for these resources is high and as such applicants are required to prepare detailed submissions consisting of project plans, budgets, timelines, justification, etc. Successful submissions may also be required to meet strict compliance reporting and conditions. To assist the City in developing external funding opportunities, the City's Grant Specialist will participate in the business planning process and review capital submissions to uncover opportunities and assist departments through the application process.

##### *Forecasting Reserve Balances*

In line with multi-year budgeting, reserve balances will also be forecasted to provide future visibility regarding funding availability and potential challenges. To accomplish this action assumptions will be required regarding reserve revenue streams, especially those that are dependent on external factors i.e. development charges, etc. Therefore, forecasted capital revenue assumptions will be conservatively estimated and future capital plans may require adjustments to account for potential changes in information i.e. upswings or downward trends.

### Capital Project Prioritization

The value of projects approved will not only depend on the amount of funds available in a particular funding source, but also the impact on the City's overall resources i.e. available capital and operating funding, available resourcing capacity, established financial policies, etc.

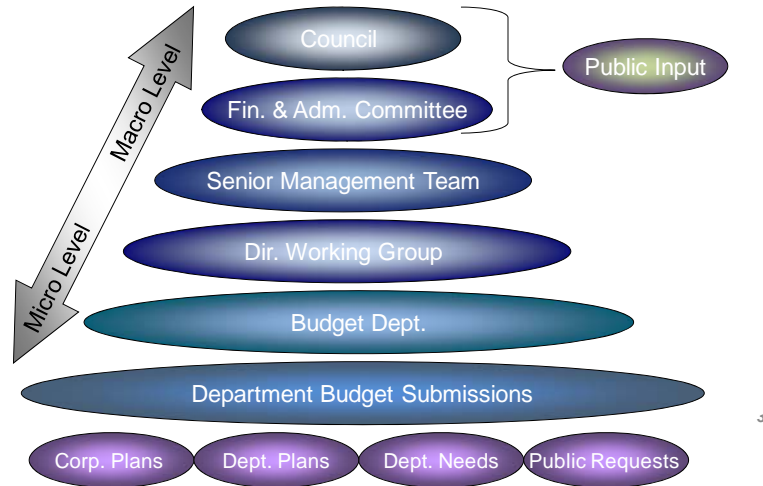
The criteria used to prioritize projects within a funding source include, but are not limited to consideration of the following:

- Pre-Budget approval obtained
- Funds required to complete previously approved projects
- Legal or Regulatory requirements ( including financial commitments)
- Net revenue generating, cost savings or efficiency improvement projects
- Growth related projects
- Infrastructure repair projects
- Equipment replacement projects
- New service levels

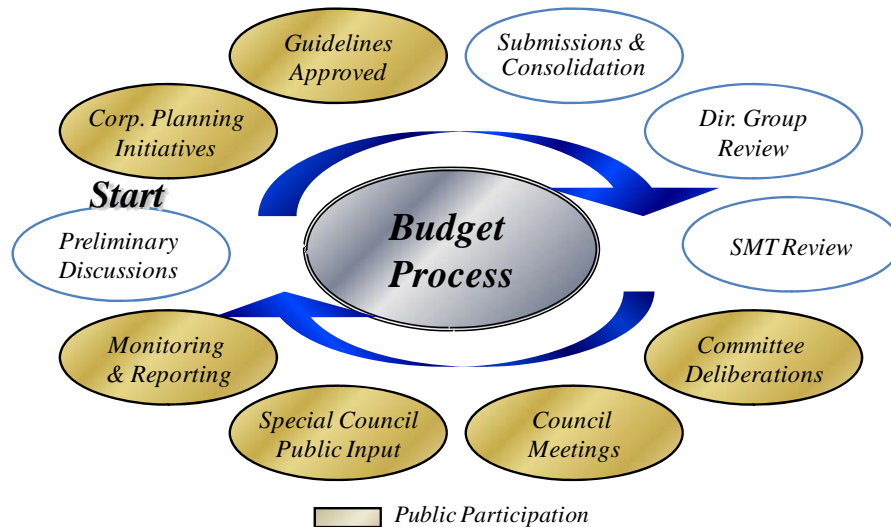
Based on the above endorsed guidelines, each department will prioritize the capital projects within their dedicated funding sources. For funding sources with multiple department stakeholders (i.e. capital from taxation) prioritization will be conducted through the Director's Working Group (DWG). Concurrently, capital budgeting staff will assess funding availability within policy guidelines and establish multi-year funding availability lines for each funding source. As mentioned above, consideration will also be given to operating budget and staff capacity implications, which could result in prioritization adjustments.

## 6. 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 open public sessions. Illustrated below are the various layers of review that occur and areas involved within Vaughan's budget process.



Public involvement throughout the budget process is a key element of building the budget. Illustrated below are the key steps in the budget process and touch points with the public.



## **BUDGET PROCESS HIGHLIGHTS**

The budgeting process is constantly evolving to the needs and requirements of departments, management, Council and residents. Detailed within this section are brief highlights to be aware of:

### **Department Merger**

As of April 17<sup>th</sup>, 2012, the Capital and Asset Management section of the former Reserves and Investments Department merged with the Budgeting and Financial Planning Department. This action was necessary to co-ordinate Capital and Operating planning activities and transition to a more integrated multi-year budget process.

As part of the above reorganization efforts, Capital and Reserve Portfolio groups have been developed to create specialists' responsible for designated departments and assigned a broader range of service activities i.e. capital and reserve planning and forecasting, expense monitoring, PSAB activities, year-end activities, etc. This action complements the current Budgeting and Financial Planning structure and will further strengthen budget portfolio teams in their ability to support departments in providing financial assistance and functional guidance.

### **Insurance Expense**

On April 17<sup>th</sup>, 2012 Council adopted a change in insurance practice by moving from traditional insurance premiums to a reciprocal membership arrangement with OMEX. Although premium savings are evident, retroactive assessments are a factor of this arrangement and introduce a need for reserves to mitigate future retroactive assessment costs. There is also a requirement for additional staff to manage the City's claims. Although there is a planned neutral impact, a reallocation of the insurance premium budget is required along with reporting adjustments. A report regarding insurance activity, experience and reserve levels will be provided on an annual basis beginning in early 2013, which will assist in the following year's budget process.

### **Questica Budgeting Software:**

This year the City will be moving to the latest version of Questica, which integrates operating and capital budgets on the same platform. A site license was purchased and training sessions will be hosted, with the intent of departments using the system for planning and budgeting purposes. In order to ensure the transition is smooth, budget portfolio groups will work closely with departments and rollout specifics will be provided within department budget instructions planned for mid June.

## **CONTINUED PROCESS IMPROVEMENTS**

The Budget Department strives to continuously improve the 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 and reporting, 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 budget process include:

- Consolidated operating, capital, and reserves (integrated single service provider)
- Implemented a reserve contribution policy for tangible capital assets
- Implemented a 4 year operating and capital budget process to improve financial visibility
- Integrated strategy & budgeting through the development of the corporate planning process
- Redesigned the Budget Book, which received the GFOA Budget Presentation Award
- Implemented Questica's Team Budget software solution to enhance reporting and analysis
- Developed prioritization models to assist in decision-making, etc.

## BUDGET TIMETABLE

Staff anticipate bringing forward the first draft of the 2013-2016 Budget to the Finance and Administration Committee in early November with the intention of a Finance and Administration Committee recommendation early January 2013 and Council approval in late January 2013. Every effort will be made to adhere to the timeline, but issues raised during the budget process could potentially impact the presented timeline.

(New) - This year the department submission process will occur in two steps. Departments will first prepare and submit their business plans and base budgets in early August, which will serve as the foundation for submitting capital and ARR requests later that month. The overall intent is to layer the submission process and allocate time to focus on the development and review of specific budget components. Additional justification for this process change is as follows:

- Developing a business plan and validating the base budget are the first steps in the budget process. This activity will identify resourcing gaps and form the basis to support any additional operating and capital requests. Validation and approval of the plan and associated gaps is prudent before proceeding to prepare requests for additional funding.
- With the emergence of multi-year budgeting and the corporate planning process a significant proportion of the business plans and base budget are substantially complete only requiring review and update. In addition, assigned budget portfolio groups will be actively involved with departments to provide greater assistance with budget development.
- Lastly, the submission review and consolidation process is intensive and occurs within a compressed timeframe. Staggering the budget submission process over two dates will provide an opportunity to focus review efforts and provide departments with valued feedback regarding their submissions.

<b>City of Vaughan 2013 - 2016 Budget Process Timetable</b>	
<b>Dates</b>	<b>Activity</b>
May 14th, 2012	Budget Guidelines
June 18th, 2012	Budget Instructions Issued To Departments
Aug. 3rd, 2012	Business Plans and Base Operating Budget Submissions
August 24th, 2012	Capital Project Submissions and Operating ARR's
September, 2012	- Submission Review, Analysis, & Consolidation - Director Working Group (DWG) Prioritization
October, 2012	Senior Management Team (SMT) Deliberations
Early November, 2012	Draft Budget and Presentation Finalization
November & December, 2012	Finance and Administration Committee Deliberations
January, 2013	Public Input Meeting & Council Approval (Public notice requirement is 14 days)

Directors Working Group (DWG), Senior Management Team (SMT), and Finance and Administration Committee meeting dates will be scheduled shortly to accommodate this timeline.

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

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

### **Regional Implications**

N/A

### **Conclusion**

The 2013-2016 Budget Timetable and Guidelines requires the Finance & Administration Committee to provide a recommendation to Council in early January 2013 and a public meeting be held late January 2013, 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**

NA

### **Report prepared by:**

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Respectfully submitted,

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Barbara Cribbett, CMA  
Commissioner of Finance & City Treasurer

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Director of Budgeting & Financial Planning