



**CITY OF VAUGHAN
SPECIAL COUNCIL MINUTES
FEBRUARY 13, 2012**

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CITY OF VAUGHAN
SPECIAL COUNCIL MEETING
MONDAY, FEBRUARY 13, 2012

MINUTES

7:00 P.M.

Council convened in the Municipal Council Chamber in Vaughan, Ontario, at 7:02 p.m.

The following members were present:

Hon. Maurizio Bevilacqua, Mayor
Regional Councillor Gino Rosati
Regional Councillor Michael Di Biase
Regional Councillor Deb Schulte
Councillor Tony Carella
Councillor Rosanna DeFrancesca
Councillor Marilyn Iafrate
Councillor Alan Shefman
Councillor Sandra Yeung Racco

15. CONFIRMATION OF AGENDA

MOVED by Regional Councillor Rosati
seconded by Councillor Carella

THAT the agenda be confirmed with the following related items forwarded from the Finance and Administration Committee meeting of February 13, 2012 (Report No. 2):

4. MEMBER'S RESOLUTION
CITY OF VAUGHAN WATERCOURSE IDENTIFICATION SIGNAGE-
DON AND HUMBER WATERSHED
5. BRIDGE REPLACEMENT AT UPLANDS GOLF AND SKI CENTRE – WARD 5
6. ADDITIONAL INFORMATION – COMMITTEE MEMBER'S INFORMATION
REQUESTS REGARDING ADDITIONAL RESOURCE REQUESTS (ARRS)

CARRIED

16. DISCLOSURE OF INTEREST

There was no disclosure of interest by any member.

17. COMMUNICATIONS

MOVED by Regional Councillor Schulte
seconded by Councillor Racco

THAT Communication C1 be received and referred to Item 3 on the agenda; and

That Communication C2 be received and referred to Item 2 on the agenda.

CARRIED

18. USER FEE/SERVICE CHARGE REVIEW

MOVED by Councillor Iafrate
seconded by Councillor Carella

THAT the following Finance and Administration Committee recommendation of January 16, 2012, be approved; and

That C3, presentation material entitled "*Proposed 2012 Budgets & Operating and Capital Plan*", be received.

CARRIED

Recommendation of the Finance and Administration Committee of January 16, 2012

The Finance and Administration Committee, at its meeting of January 16, 2012 (Item 9, Report No. 1) recommended the following:

1. That the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, dated January 16, 2012, be approved; and
2. That the deputation of Mr. Richard Lorello, 235 Treelawn Boulevard, Kleinburg, L0J 1C0 and communication C4, dated January 16, 2012, be received.

Report of the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, dated January 16, 2012

Recommendation

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

That the user fees and service charges outlined in Attachment 1 be approved subject to the required public notice and meeting requirements.

Contribution to Sustainability

Sustainability seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future. Therefore, to ensure services are adequately funded it is important to sustain or improve revenue/cost relationships. Otherwise, any reduction in a user fee or service charge cost recovery ratio will have a corresponding and direct impact on the City's levy and/or service level funding. As part of the City's 2012-2014 Operating Budget Guidelines, departments are required to review user fees and service charges and make adjustments to sustain or improve revenue/cost relationships.

Economic Adjustment

The proposed economic adjustment will be \$49,609 in 2012, \$62,835 in 2013 and an additional \$33,059 in 2014. A general contingency has been included in the 2012-2014 Draft Operating Budget to account for anticipated user fee and service charge amendments and will be reallocated to accounts once fees have been adopted.

Communications Plan

Before the Draft 2012-2014 Operating Budget receives final approval, the community will be notified in advance of an opportunity for public input on user fee/service charge adjustments to be received, consistent with the City's public notification by-law.

Purpose

The purpose of this report is to provide Finance and Administration Committee with information on proposed changes to user fees and service charges to By-law 396-2002 for 2012-2014.

Background - Analysis and Options

Inherent in the Draft 2012-2014 Operating Budget guidelines and process is a continued emphasis on maximizing the cost recovered on services provided. In addition to adjusting revenues for anticipated changes in activity volume, departments were requested to:

- Explore and submit new user fee and service charge opportunities for existing non-revenue generating services.
- Increase established service charges and user fees by a similar percentage increase in department costs, excluding any volume related adjustments. At minimum departments were expected to increase user fees & service charges by the rate of inflation, unless otherwise specified. Some user fees and service charges may be subject to other regulatory requirements or subject to ongoing studies and may be exempt from this requirement.

The budget adjustments associated with the increases noted above are not included in the 2012-2014 Draft Operating Department Budgets, with exception for Council pre-approved fee increases (i.e. Recreation and Licensing). However, a general contingency is included in the 2012-2014 Draft Operating Budget contingency balance to account for anticipated user fee and service charge amendments. Once approved, amounts will be transferred from contingency to departmental revenue accounts.

User Fee/Service Charge Review Results

The 2012-14 annual operating budget adjustments associated with department submitted user fee and service charge increases related to by-law 396-2002 are \$49,609 in 2012, \$62,835 in 2013 and \$33,059 in 2014.

Most departments followed the Operating Budget Guidelines and increased revenue budgets by the recommended 2%. For 2013, the most significant increase was related to Finance as the department applies a price increase every two years amounting to \$26k.

New user fees are proposed and they are as follows:

- New fees or charges proposed by the Engineering Services to cover costs for demand of engineering prints, documents, drawings and complex road occupancy permits;
- New fees or charges proposed by the Development Transportation Engineering Services to cover costs for demand of engineering prints, documents, drawings and additional grading inspection.
- No new fees were proposed for 2013 and 2014.

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Detailed below is a summary of the proposed increases by Department.

Schedule	Department	2012			2013			2014		
		Changes to Fees/Charges	New Fees/Charges	TOTAL	Changes to Fees/Charges	New Fees/Charges	TOTAL	Changes to Fees/Charges	New Fees/Charges	TOTAL
A & B	Clerk's	3,796		3,796	2,611		2,611	3,461		3,461
C	Finance	0		0	25,740		25,740	0		0
D	Economic & Technology Development	0		0	0		0	0		0
E	Fire & Rescue Services	9,646		9,646	9,827		9,827	10,091		10,091
F	Building Standards	9,800		9,800	11,750		11,750	7,000		7,000
G	Planning	247		247	246		246	250		250
I	Legal	1,356		1,356	1,356		1,356	1,356		1,356
I	Enforcement Services	1,140		1,140	2,045		2,045	1,545		1,545
J	Parks	2,086		2,086	2,373		2,373	2,423		2,423
K	Engineering Services	450	6,800	7,250	306		306	310		310
K	Dev. Trans. Engineering	3,746	6,450	10,196	4,088		4,088	4,130		4,130
L	Public Works	4,093		4,093	2,493		2,493	2,493		2,493
M	Encroachments	0		0	0		0	0		0
	TOTAL	36,359	13,250	49,609	62,835	0	62,835	33,059	0	33,059

Enclosed in Attachment #1 are the department recommended amendments to the City's user fees and service charges for Finance and Administration Committee's review. The explanations related to user fee/service charge amendments are provided by the respective Commissioner and Department.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council.

Regional Implications

There are no Regional implications associated with this report

Conclusion

A review of User Fee By-Law 396-2002 has taken place and results are provided as Attachment #1.

Attachments

Attachment 1 – Proposed User Fee/Service Charge Amendments

Report prepared by

Ursula D'Angelo, CGA
 Manager, Operating Budget & Activity Costing
 Ext 8401

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

19. PROPOSED 2012 CAPITAL BUDGET AND 2013 CAPITAL BUDGET PLAN

MOVED by Councillor Shefman
 seconded by Councillor Racco

THAT the recommendation contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer, and the Director of Budgeting and Financial Planning, dated February 13, 2012, be approved;

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That the following deputations be received:

1. Ms. Martha Bell, 63 Riverside Drive, Woodbridge, L4L 2L2;
2. Mr. Richard Lorello, 235 Treelawn Boulevard, PO Box 927, Kleinburg, L0J 1C0; and
3. Ms. Carrie Liddy; and

That Communication C2, memorandum from the Commissioner of Finance/City Treasurer, dated February 13, 2012 and C3, presentation material entitled “*Proposed 2012 Budgets & Operating and Capital Plan*”, be received.

CARRIED

Recommendation

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

- 1) That deputations from the public be received; and
- 2) That the Proposed 2012 Capital Budget totaling \$49,287,000 comprised of funding of \$42,171,610 from reserves and sources other than taxation and \$7,115,390 from taxation be approved subject to receiving input from the public; and
- 3) That the 2013 Capital Budget Plan totaling \$41,887,900 comprised of funding of \$34,613,850 from reserves and sources other than taxation and \$7,274,050 from taxation be recognized.

Contribution to Sustainability

Sustainability by definition focuses on the ability to maintain a function over a period of time. The capital budget plan contributes to this action by developing a multi-year program that balances the timing and funding of infrastructure and corporate projects, which are essential to build and maintain the City.

The future condition and state of municipal infrastructure is an important factor in maintaining the community’s overall quality of life and economic health. A challenge facing the City is its ability to sustain its large infrastructure and asset network. The City continues to grow at an unparalleled pace, adding new facilities, parks, and transportation networks on an annual basis, which are funded primarily by the development industry, with future renewal funding becoming the responsibility of the City. Almost half of the City’s capital budget is allocated to renewal of existing municipal infrastructure. Consequently, it is vital to secure funding and allocate resources to protect and sustain the foundation of the community. Moving forward, future planning will become increasingly important to assist stakeholders develop sustainable and responsible funding strategies.

Economic Impact

The Proposed 2012 Capital Budget and the 2013 Capital Budget Plan total \$49.3m and \$41.9m, respectively, which are funded from a variety of sources and are within Council approved policies.

Category	2012	2013
Development Charges	16,490,610	15,241,250
Reserves	8,830,450	5,098,000
Taxation	7,115,390	7,274,050
Gas Tax Funding	6,904,300	6,809,600
Debentures	8,413,900	7,171,000
Grants and Other Financing	1,532,350	294,000
Subtotal	49,287,000	41,887,900

Operating Budget Implications:

The Proposed 2012 Capital Budget and Capital Budget Plans estimated future annual incremental operating budget impact is as follows:

<i>Items</i>	2012		2013		2014		2015		2016	
	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate
Operational Funding	150,763	0.11%	1,970,413	1.29%	1,367,229	0.85%	4,030,147	2.40%	2,636,416	1.53%
Add'l Capital Funding	750,929	0.53%	1,049,248	0.69%	397,652	0.25%	500,000+	0.30%	500,000+	0.29%
Subtotal	901,692	0.64%	3,019,661	1.98%	1,764,881	1.10%	4,530,147	2.70%	3,136,416	1.81%

Operational requirements in 2015, 2016 and beyond are expected to be heavy as a result of Fire Station 7-8, Resource Library, Maple Valley Park, and Carville CC openings.

The above balances are incorporated in the Proposed 2012 Operating Budget and 2013-2014 Operating Budget Plans. Should Council approve additional capital projects there could be an additional operating cost implication on the Operating Budget and associated tax rate.

Communication Plan

Public consultation is integral to building the budget

Public consultation and input are important elements of the budget process and essential to validate the needs of the community and balance them within available resources. For this reason, all Finance and Administration Committee meetings are open to the public. Community comments and input regarding the budget are received throughout this process and considered by Members of Council during budget deliberations. In the interest of increasing the community's awareness, these meetings were extensively advertised on the City's website and other media methods. Overall, six Finance and Administration Committee meetings were held, including two evening meetings, which generated a substantial amount of community input that was incorporated into Council's decision making process. All related items and documentation is provided on the City's dedicated budget site.

In addition to the above, the City hosts other committees and consultation activities, which incorporate significant public engagement. Although separate processes, public feedback obtained at these events has also migrated into the budget process.

Final Opportunity for Community Input / Budget Approval Communication

In addition to the above section, a Special Council meeting is scheduled before budget approval to provide the public with a final opportunity to comment on the City's Budget. This meeting was advertised in advance and consistent with the City's public notification by-law.

Following approval of the budget, the appropriate media releases will be distributed per City policy. The media releases will articulate the strong management practices and oversight the City currently has in place to provide residents with value for their property tax dollar.

Purpose

The purpose of the public meeting is to obtain input and provide the public with an overview of the Proposed 2012 Capital Budget and 2013 Capital Budget Plan, and specific projects recommended for approval.

Background – Analysis and Options

Executive Summary

Shaping the Future

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 fuelled by sustained high growth rates and a number of vision-based master plans reflecting important community needs. Therefore, there is a need to broaden the capital budget horizon and unveil the future. Recognizing these challenges and building on the financial planning efforts to date, the capital budget now incorporates a future focus to provide citizens with more certainty about the direction of the City’s corporate and capital projects. This year the concept of multi-year capital budgeting is being introduced, beginning with a two year plan and progressing next year to a four year plan. This action provides decision makers with added foresight and the ability to proactively address future challenges and understand 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 capital resources should be focused to best support corporate initiatives, generate public value, and address pertinent challenges. It should be recognized that assumptions and uncertainty are commonplace when predicting future budgets and these factors may change as new information becomes available. For this reason, it is proposed that Council only approve the first year budget and recognize future capital plans for purpose of shaping future year budgets. This will provide flexibility to review and adjust future budgets before approval. As a result, budget decisions should become easier and flow naturally as future requirements are discussed and adjusted over multiple processes before approval.

In the preparation of the Capital Budget a number of issues were taken into consideration. The pressures of maintaining existing infrastructure and growth requirements are balanced against available funding, the impact on future operating budgets and the staff resources to undertake and manage the capital projects. The total capital requests submitted by departments totaled \$201.7m. Following the initial submissions, Finance staff met with the individual departments to review the submissions and clarify available funding. Departments then prioritized the capital projects within each funding source and the Capital Budget was submitted to the Senior Management team for review. Six Finance and Administration Committee meetings followed including two evening meetings where public input was received. As a result of this process, the Proposed 2012 Capital Budget & 2013 Capital Plan totals \$49.3m for 2012 and \$41.9m for 2013, and are funded from development charges, reserves, taxation, grants, debenture financing, and miscellaneous funding. Highlights regarding capital budget components are provided below with summaries provided at the end of the report.

Guiding Policies

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 strong financial position. 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 of Vaughan. They are listed as follows:

Policy	Estimated at Dec. 31st			Target
	2011	2012	2013	
Discretionary Reserve Ratio	68.1%	59.0%	50.8%	>50% of own source revenue
Working Capital Ratio	12.6%	12.1%	11.3%	>10% of own source revenue
Debt Level Ratio *	4.3%	6.1%	6.6%	<10% of own source revenue

* - Includes Commitments for OSA and Vaughan Sports Complex.

Declining Discretionary Reserve and Working Capital notes:

- Anticipated Revenues are not included in 2012 & 2013. Future revenues will improve ratios
- Ratios are also affected by overall own source revenue budget adjustments e.g. higher values will force ratios down

- 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.
- Working capital funds provide in-year cash flow requirements.

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- 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 City revenue, significantly lower than the Province's 25% maximum.

As illustrated above, the City is meeting or exceeding the above Council approved targets.

Based on the above noted financial policies, Finance staff have assessed the availability of funding and established a funding line within each funding source. It should be noted, that a long standing City practice is only capital projects with secured available funding sources are recommended, otherwise specific Council approval is required.

Development Charge (DC) Reserves - (Development Industry Funded Projects)

Development Charge Reserves are accumulated based on the City's growth and are in place to maintain existing service levels. Stakeholders are cautioned that development charge reserve collections are dependent on the economy and therefore 2013 and future capital plans may require adjustment to account for potential upswings or downward trends.

For projects funded from Development Charges, the following guidelines previously approved by Council were taken into consideration:

- 1) Positive reserve balances should not be placed into a pre-financing position;
- 2) Pre-financing should not be increased; and
- 3) Commit no more than 50% of revenues for any service that is pre-financed.

Each department has prioritized the capital projects within each development charge funding source. Based on the above endorsed guidelines, Finance staff have assessed the funding availability and established a specific funding line for each service. The Proposed 2012 Capital Budget and 2013 Capital Budget Plan for this funding category and major associated capital projects are as follows:

	2012	2013
Proposed Budget Value	16,490,610	15,241,250
Major Projects	Resource Library - Const. & Mat. Station 7-3 - Land/Design Station 7-10 Equipment Lawford/Wardlaw Park (Block 40) Millway/Applewood Park (VMC) 407/Jane - Sidewalk/Street	Resource Library - Materials Station 7-3 Construction/Equip Station 7-5 Pumper North Maple Reg. Park (Phase 1A) Carville CC Design & Construction Maj. Mac Sidewalk (McNaughton/Bath

Note: Projects deferred to 2014+ total \$61.2m, \$50m relates to Carville CC and Maple Valley phases

Negative Reserve Balances

As per policy, the City will only approve capital projects if funds are on hand. However, there are the following two exceptions:

- 1) *Management Studies* - Due to timing of events this reserve is permitted to be in a deficit position. Growth related studies are incurred in advance of growth and recovered through subsequent development charges.
- 2) *Fire DC Reserve* – A Council commitment to move forward with Fire Station 7-10 has temporarily placed this reserve into a negative position, which through future collections and spending constraints is anticipated to recover to a positive balance by 2014

Process Adjustments:

Development Charge Collection Basis - As a result of a recent unfavourable OMB and Divisional Court decision involving the Town of Orangeville, the City's collection methodology has changed. On a go forward basis, development revenue projections will be based on a "net population" basis rather than the "gross population" basis used in the 2008 background study. The affect of this change, is a reduction to the development charge rates and resulting collections for Library, Indoor Recreation, and Park Development categories. Over a 10 year period, "net population" collections are forecasted to be approximately \$31.9m lower than the "gross basis" methodology, allocated between the categories are as follows: Library \$3.3m, Indoor Recreation \$17.2m, Parks \$11.4m. The above change is offset by higher DC collections for the period 2008 to 2011, approximately \$2.4m. This change will not significantly affect the Proposed 2012 Capital Budget and the 2013 Capital Budget Plan as most funds for approved projects have been collected. However, the change in methodology may impact on the timing of capital projects anticipated beyond this timeframe.

Library Build & Material Redistribution – During the capital budget process, it was determined a reallocation of \$2.8m was required from Library Material to Library Building to better reflect the relative cost structures of these components. Future consideration should be given to merging the Library Building and Materials reserves to streamline the process.

Capital Reserves & Reserve Funds

Infrastructure Reserves

A prevailing theme throughout the years has repeatedly been the need to address the funding component for infrastructure renewal. This year's budget includes \$21.7m for 2012 and \$18.2m for 2013 for this purpose, almost half of the City's Capital budget. 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. This picture threatens the community's overall quality of life and the economic health for future generations. As a result, Council recently approved the following policy philosophy:

- 1) When new infrastructure is approved, an annual contribution based on lifecycle replacement principals is added to the operating budget for replacement purposes.
- 2) That an inflationary adjustment be added annually to existing contributions based on historical costs to ensure contributions keep pace with future values.

This action generated \$618k and \$537k in additional funding for 2012 and 2013, respectively. It should be noted, that these figures are based on forecasts and will be adjusted as the City moves forward with multi-year budgeting.

The above philosophy is a step in the right direction, but only focuses on new asset future replacement and additional effort will be required to support the replacement needs of existing infrastructure. In a report tabled on September 19th, 2011, it was estimated the difference between amortization expense and reserve contribution differed by \$17m annually. Currently, there are two infrastructure replacement reserves that are experiencing significant challenges. These are:

Parks Reserve: This reserve is used to fund the replacement of play structures, play fields, courts, water parks, paths, etc. For the most part, the funding for park infrastructure renewal, excluding land, has remained flat at \$275,000, despite annual collections for new infrastructure in the \$6m+ range. In addition, the Parks Reserve, \$300k - \$500k, is substantially lower than the anticipated requirements i.e. annual amortization is approximately \$3 million.

Vehicle Reserve: This reserve is used to fund the replacement of City's vehicles and equipment. Renewal funding for this purpose was discontinued in 2005 and as a result the Vehicle reserve will be

substantially depleted by 2013/2014.

Recognizing the above illustrated challenges, it will be necessary to continue to build on infrastructure policies in future capital budgets. Staff will continue to work on this challenge and plan to bring forward more discussion on this topic later as part of future budget processes.

Other Reserves

In addition to infrastructure reserves, 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 revenue shortfalls or unexpected expenditure increases e.g. Tax rate stabilization, Working Capital, Debenture reserves, etc. Generally, these reserves provide transfer funding to the operating budget when required and typically have very few capital related capital projects. These reserve balances substantially contribute to the achieving the City’s Discretionary Reserve Ratio Policy.

Debenture Funding

Debenture Funding is primarily utilized for the City’s road and bridge replacement program, due to the overall substantial asset value and its lengthy life cycle. Utilizing long-term debt aids in smoothing these costs over time. Based on the “Pavement Management Program” and bridge repair requirements, project values planned for 2012 and 2013 are as follows:

	2012	2013
Debenture Projects	8,413,900	7,171,000

The 2012 figure has been increased from the Draft Capital Budget by \$2,069,300 as a result of a January 16th Finance and Administration Committee recommendation. Taxation funding was initially allocated to the demolition of the old City Hall, however, as a result of a growing need for an artificial turf soccer field in the City, as well as the need to relocate Fire Station 7-3 to improve response times, staff recommended redeploying the available taxation funding from the demolition to these two important community projects, and long term financing the demolition. There was an understanding that any proceeds from the MNR land sale be allocated to the demolition of the old City Hall, the underground parking and Civic Square of the Civic Centre campus. Proceeds from the sale are expected to eliminate the need to finance the demolition from debentures.

As illustrated in a previous section, Debenture funding is well within the 10% policy target.

Taxation

Projects identified from taxation funding are non-growth related projects that have no other source of financing, such as repairs, technology replacement, etc. In addition, included in the funding request is the 10% co-funding requirement of the Development Charges Act for certain growth related services (Libraries, Recreational Complexes, Parks, Vehicles and Growth Related Studies).

The Proposed 2012 Operating Budget and 2013-2014 Operating Budget Plan allocates \$6.9m for 2012 and \$7.4m for each remaining year to taxation funded capital projects. The 2012 contribution is consistent with recent policy, but the 2013 contribution increased an additional \$376k beyond the city’s policy to fund corporate initiatives and growth related projects i.e. Station 7-3, North Maple Regional Park, and EDMS.

It should be noted, 2012 and 2013 taxation funded capital project requests totaled \$57.6m, which is substantially greater than available funds. Staff reviewed previously approved taxation funded projects to determine if surplus funds were available. As a result, staff identified an additional \$200,000 available from previously approved taxation funded capital projects that have been closed. Senior staff reviewed the requests and prioritized projects within the available funding balances. On January

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16th, 2012 The Finance and Administration Committee recommended that the Civic Centre Demolition be funded from debentures freeing \$2,069,300 in taxation funding for the Concord Thornhill Regional Park in the amount of \$1,001,600 and the Relocation of Fire Station 7-3 Land Acquisition in the amount of \$1,067,700. In addition, the Islington Avenue Streetscape design was moved from 2014 to 2012 resulting in a taxation increase of \$26,900. As well, on December 13th, 2011 Council approved a traffic calming project for Summeridge and Autumn Hill funded from taxation in the amount of \$113,000. The revised amount available from taxation for 2012 is \$7,115,390. The table below highlights the project categories.

Category	2012	2013
Legal and Regulatory	381,800	510,500
Financial Commitments	51,500	
Studies	131,200	
Growth Co-Funding	1,837,990	2,742,150
Technology Initiatives	552,000	2,084,700
Annual Replacement Programs	1,708,200	1,768,500
New Initiatives	2,452,700	168,200
Subtotal	7,115,390	7,274,050
Major Projects	Artificial Turf	Elec.Doc. Mgmt System
DC Co-Funded Projects	Resource Library Stn 7-3 Design	Resource Library Stn 7-3 Construction Carville CC Design Maple Valley (Phase 1A)

Municipal Gas Tax Funds (AMO)

This is a Federally supported program, intended to support Ontario municipalities invest in environmentally sustainable municipal infrastructure projects, such as water, wastewater, solid waste, local roads, bridges tunnels, etc. It comes with the expectation that the investments will see Ontarians enjoying cleaner air, cleaner water and reduced greenhouse gas (GHG) emissions. The municipality must clearly demonstrate that the funding used for a project is incremental and the funding enabled a project implementation, enhanced its scope or accelerated its timing.

Staff reviewed the list of capital projects submitted and with concurrence of AMO staff have identified a number of capital projects eligible under the Municipal Gas Tax Funding Agreement totaling \$6.9m in 2012 and \$6.8m in 2013. Highlights are as follows.

- Resource Library - LEED component
- Pedestrian & Bicycle Master Plan implementation
- Storm pond sediment removal
- Road, curb & sidewalk repair
- And other projects

Summary Schedules & Reserve Continuity Schedule

Capital Project Listing and Funding Summaries Schedules

To assist the reader review the Capital Budget a summary of Capital Revenues and Expenses is provided as Attachment #1. In addition, a listing of all projects by year for each Department is provided as Attachment #2. Also provided, in Attachment #3, are capital project summaries by funding source, illustrating projects recommended for 2012 and 2013, as well as items deferred for consideration during future budget processes.

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Reserve Continuity Schedule

A preliminary continuity schedule of capital reserves and development charges is provided in Attachment #4. This schedule identifies all the City reserves and deferred revenue accounts (Development Charges) and illustrates estimated balances at the end of 2011. This document is useful for tracking reserve balances and ensuring funds are on hand prior to project approval.

Relationship to Vaughan Vision 2020/Strategic Plan

The budget process links to the Vaughan Vision 2020 through the setting of priorities and allocation of resources.

Regional Implications

Not applicable

Conclusion

The City Manager with the Senior Management Team and Finance staff reviewed the 2012 and 2013 capital submissions and established priorities and appropriate funding lines. The Finance and Administration Committee followed a very thorough process to review the Proposed 2012 Capital Budget and the 2013 Capital Budget Plan over the course of six Finance and Administration Committee meetings.

The Proposed 2012 Capital Budget is \$49.3m and the 2013 Capital Budget Plan is \$41.9m, funded from various funding sources.

The operating budget implications associated with the above is as follows:

<i>Items</i>	2012		2013		2014		2015		2016	
	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate
Operational Funding	150,763	0.11%	1,970,413	1.29%	1,367,229	0.85%	4,030,147	2.40%	2,636,416	1.53%
Add'l Capital Funding	750,929	0.53%	1,049,248	0.69%	397,652	0.25%	500,000+	0.30%	500,000+	0.29%
Subtotal	901,692	0.64%	3,019,661	1.98%	1,764,881	1.10%	4,530,147	2.70%	3,136,416	1.81%

Operational requirements in 2015, 2016 and beyond are expected to be heavy as a result of Fire Station 7-8, Resource Library, Maple Valley Park, and Carville CC openings.

Attachments

- Attachment 1 - Capital Budget Revenue and Expense Summary
- Attachment 2 - Capital Project Listing by Department
- Attachment 3 - Capital Project Summary Schedules (by funding source)
- Attachment 4 - 2011 Reserve Continuity Schedule

Report prepared by:

John Henry, CMA
Director of Budgeting and Financial Planning, Ext. 8348

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

20. PROPOSED 2012 OPERATING BUDGET AND 2013-2014 OPERATING PLAN

MOVED by Councillor Carella
seconded by Regional Councillor Schulte

SPECIAL COUNCIL MEETING MINUTES – FEBRUARY 13, 2012

That the deputation of Mr. Brian McCran, Woodbridge Village Farmers Market, 18 Colton Crescent South, Woodbridge, L4L 3L7 and Communication C1, dated February 7, 2012, be received and that staff provide a report on how best the deputant's requests will be accommodated, including costs, such report (by way of memorandum) to be provided no later than April 1, 2012.

CARRIED

MOVED by Councillor Shefman
seconded by Councillor Racco

THAT the recommendation contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer, and the Director of Budgeting and Financial Planning, dated February 13, 2012, be approved.

CARRIED

MOVED by Councillor Racco
seconded by Regional Councillor Rosati

That this matter be re-opened.

CARRIED

MOVED by Councillor Shefman
seconded by Councillor Racco

THAT the recommendation contained in the following report of the City Manager, the Commissioner of Finance/City Treasurer, and the Director of Budgeting and Financial Planning, dated February 13, 2012, be approved;

That the deputation of Mr. Brian McCran, Woodbridge Village Farmers Market, 18 Colton Crescent South, Woodbridge, L4L 3L7 and Communication C1, dated February 7, 2012, be received and that staff provide a report on how best the deputant's requests will be accommodated, including costs, such report (by way of memorandum) to be provided no later than April 1, 2012;

That the following deputations be received:

1. Mr. Richard Lorello, 235 Treelawn Boulevard, PO Box 927, Kleinburg, L0J 1C0;
2. Mr. Peter Pallotta, 254 Maria Antonio Road, Woodbridge, L4L 2Z4; and
3. Mr. Nick Pinto, Woodbridge West Homeowners Association, 57 Mapes Avenue, Woodbridge, L4L 8R4; and

That Communication C3, presentation material entitled "*Proposed 2012 Budgets & Operating and Capital Plan*", be received.

CARRIED

Recommendation

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

- 1) That the presentation on the City's Budget be received; and,
- 2) That the deputations from the public be received; and
- 3) That the Proposed 2012 Operating Budget be approved and the 2013-2014 Operating Plan be recognized; and,

- 4) That the tax rate adjustment associated with the Approved Vaughan Hospital Land Financing Strategy amended on April 5th, 2011 be implemented.

Contribution to Sustainability

Sustainability by definition focuses on the ability to maintain a function over a period of time. Responsible budgeting allocates resources in a responsible way to sustain the City's operations and aspirations, balancing both current and future requirements.

The approach to the operating budget seeks to minimize the current year requirements, while meeting the requirements of sustainability. Specific principles included in the Operating Budget Guidelines approved by Council are:

- i) Managing our future, multi-year planning – A Strategic Future Focus
- ii) Managing tax increases through strict guidelines – No “across the board increases”
- iii) Program and operational reviews
- iv) Fostering continuous collaboration and public engagement

Collectively, these principles have aided in developing realistic and responsible financial plans.

Communication Plan

Public consultation is integral to building the budget

Public consultation and input are important elements of the budget process and essential to validate the needs of the community and balance them within available resources. For this reason, all Finance and Administration Committee meetings are open to the public. Community comments and input regarding the budget are received throughout this process and considered by Members of Council during budget deliberations. In the interest of increasing the community's awareness, these meetings were extensively advertised on the City's website and other media methods. Overall, six Finance and Administration Committee meetings were held, including two evening meetings, which generated a substantial amount of community input that was incorporated into Council's decision making process. All related items and documentation is provided on the City's dedicated budget site.

In addition to the above, the City hosts other committees and consultation activities, which incorporate significant public engagement. Although separate processes, public feedback obtained at these events has also migrated into the budget process.

Final Opportunity for Community Input / Budget Approval Communication

In addition to the above section, a Special Council meeting is scheduled before budget approval to provide the public with a final opportunity to comment on the City's Budget. This meeting was advertised in advance and consistent with the City's public notification by-law.

Following approval of the budget, the appropriate media releases will be distributed per City policy. The media releases will articulate the strong management practices and oversight the City currently has in place to provide residents with value for their property tax dollar.

Economic Impact

The City's approach to establishing the annual operating budget is twofold. First, the process begins with Council approving very strict budget guidelines which are issued to departments. The guidelines do not include any “across the board” increases.

Second, a separate justification is required for each resource request not covered under the guidelines. There is a thorough vetting process and only those requests that are supported by management are individually itemized and recommended to the Finance and Administration Committee.

Together, the Base Budget and the Additional Resource Requests (ARR's) form the annual operating budget. Further discussion and the impact of each of these components are detailed within this report. Illustrated below are the combined major elements giving rise to the total budget change for both the base budget and the Additional Resource Request funding recommendation:

Highlights & Major Budget Elements	2012		2013		2014	
	\$	Rate incr.	\$	Rate incr.	\$	Rate incr.
<i>Insurance Premium Increase</i>	1,060,000	0.75%	671,000	0.45%	677,600	0.42%
<i>Community Safety - Station 7-10 (full-year staffing)</i>	633,024	0.45%	-		-	
<i>Infrastructure Renewal Policy Funding</i>	608,849	0.43%	527,610	0.35%	387,768	0.24%
<i>Prior Year Decision Implications (full-year staffing)</i>	302,818	0.21%	-	0.00%	-	0.00%
<i>Capital Funding Requirements</i>	245,580	0.17%	511,948	0.34%	-	0.00%
<i>Roads Program (Net debenture funding)</i>	171,326	0.12%	939,242	0.62%	949,787	0.60%
<i>Hydro Dividends</i>	(1,250,000)	-0.88%	(450,000)	-0.30%	(600,000)	-0.38%
<i>Other Net City Obligations (Workforce, Contracts, Utilities, etc)</i>	(247,623)	-0.17%	2,069,491	1.37%	1,008,574	0.63%
<i>Additional Resource Requests</i>						
- <i>Community Safety</i>	155,961	0.11%	1,916,082	1.27%	-	0.00%
- <i>City Initiatives</i>	679,727	0.48%	501,713	0.33%	1,077,990	0.68%
- <i>New Infrastructure Related</i>	796,305	0.56%	112,750	0.07%	390,839	0.24%
- <i>Operational Requirements</i>	1,041,035	0.73%	968,599	0.64%	1,729,039	1.08%
Total Budget Change	4,197,002	2.95%	7,768,435	5.16%	5,621,597	3.52%
Average Residential Tax Bill Change	\$35		\$62		\$45	

Local Hospital Levy - The City has taken steps to bring a much needed hospital and other health care resources to Vaughan. The Government of Ontario requires local communities to support the development of a hospital through a local financial contribution. It should be noted the financial support and plan for the Vaughan Hospital was approved on June 15th, 2009 and subsequently amended on April 5th, 2011. The approved 2012 & 2013 residential property tax increases associated with the separate Hospital Capital Levy is approximately \$11 or 0.91% in 2012 and 2013 for the average home. This increase is in addition to the tax rate increase illustrated above to support the City's operations.

Purpose

The purpose of the Special Council Meeting is to obtain public input and to provide the public with an overview of the Proposed 2012 Operating Budget and 2013-2014 Operating Plan and the corresponding tax adjustment on an average Vaughan household.

Background – Analysis and Options

Executive Summary

Shaping the Future

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 fuelled by sustained high growth rates, provincially driven intensification, and a number of vision based master plans reflecting important community needs. This transformation will increase the City's level of sophistication, generating pressures beyond the many factors currently placing strain on the property tax rate to maintain existing service levels. 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.

Complementing this process is the implementation of a more holistic corporate planning process, which further integrates the strategic planning and financial planning processes. The benefits of this step are numerous, primarily:

1. To ensure an achievable and resourced strategic plan

2. To ensure resource allocation is guided by the City's vision and strategic themes
3. To better communicate the City's direction and focus

At the beginning of the process, senior management, including directors, actively reviewed the City's strategic plan, discussed opportunities, and developed strategic priority themes and initiatives to guide the development of the 2012-2014 budget process. Although late in the process and optimistic in its timelines, it was necessary to begin focusing staff on important City initiatives and concentrate on aligning resources. Learning from this process, it is anticipated that the next corporate planning cycle, beginning shortly, will be even further integrated.

Recently the concept of multi-year budgeting was successfully introduced. 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. The future oriented focus will also provide citizens with more certainty about the direction of City services, finances, and tax levels. 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 should be recognized that assumptions, estimates and uncertainties are a commonplace when predicting future budgets and these factors may change as new information becomes available. For this reason, it is suggested that Council approve the current year budget and recognize future plans for the purpose of building future budgets.

Economic Outlook

Based on TD's quarterly economic forecast, the Canadian economy will continue to be constrained to a tepid pace into early 2012 due to a lack of consumer and business confidence caused by the European debt crisis and recent US debt downgrade. The evolution of political uncertainty in Europe and the US is critical but difficult to predict. South of the border the economy is expected to avoid a recession, but remain weak. It is expected that confidence will begin to improve later in the year as growth gradually picks up, yet at a slower pace than previous forecasts. The Bank of Canada's interest rates are likely to remain historically low until early 2013 which will keep borrowing costs down providing support to housing activity and other significant purchases. Trends in consumer confidence and the expected slow economic growth have the potential to impact Vaughan's housing market, which is consistent with current building permit trends. Furthermore, it is anticipated that Provincial and Federal agencies will continue with spending restraint and stimulus recovery and it is undetermined how this could impact on grants and funding the City receives. On an optimistic note, the report also states if the U.S. recovery exceeds expectations and the European fiscal problems are addressed, Canadian economic growth could be significantly more robust. The above information is relatively global and is intended to provide a general economic context.

Budget Approach

The City's approach to the annual operating budget is to first develop the Base Budget through the issuance of very strict budget guidelines. Under the guidelines, departments are only permitted to include very specific adjustments in their Base Budget, which are typically related to predetermined agreements, contracts or Council approvals/reductions. The guidelines do not include "across the board" increases for inflation or increases for new staffing.

To the extent that a department requires additional resources, a separate business case must be submitted for consideration. These are referred to as Additional Resource Requests (ARR) and are individually vetted through the Directors Working Group, Senior Management Team, the Finance and Administration Committee and finally Council.

The objective of separating the process into the base budget and additional resource requests is to identify the minimum resources based on agreements etc., and review all other requests on an individual basis. Base Budget and Additional Resource Request highlights are provided below:

SPECIAL COUNCIL MEETING MINUTES – FEBRUARY 13, 2012

Base Budget

The impact of the Base Operating Plan, derived from Council's approved guidelines is as follows:

	2012	2013	2014
Net Taxation Change	\$1.52m	\$4.27m	\$2.42m
Avg. Residential Tax Rate Change	1.07%	2.89%	1.55%
Avg. Residential Tax Bill Change	\$12.64	\$34.37	\$18.95

The above changes are largely driven by staff agreements, contractual obligations, utility needs, and capital funding requirements. Although there are many components to the City's base budget, there are five significant specific adjustments to be highlighted. Technically, in the absence of these adjustments, there would be a significant decrease in the base budget. These items and their affect on the base budget are illustrated in the following table:

Major 2012-14 Base Budget Adjustments	2012		2013		2014	
	\$	Rate incr.	\$	Rate incr.	\$	Rate incr.
Base Budget Change	1,523,975	1.07%	4,275,286	2.89%	2,423,729	1.55%
Less: Major Expenditure Increases						
Insurance Premiums	1,060,000	0.75%	671,000	0.45%	677,600	0.43%
Prior Year Decision Implications	935,842	0.66%	-	0.00%	-	0.00%
Infrastructure Contribution Policy	608,849	0.43%	527,610	0.36%	387,768	0.25%
Capital from Taxation Requirement	245,580	0.17%	511,948	0.35%	-	0.00%
Subtotal	2,850,271	2.01%	1,710,558	1.16%	1,065,368	0.68%
Less: Major Revenue Reductions						
Investment Income Realignment	750,000	0.53%	250,000	0.17%	250,000	0.16%
Subtotal	750,000	0.53%	250,000	0.17%	250,000	0.16%
Base Budget Excluding Major Adjustments	(2,076,296)	-1.46%	2,314,728	1.57%	1,108,361	0.71%

Additional Resource Requests (ARR's)

As previously noted Additional Resource Requests are not permitted under the base operating budget guidelines and are submitted and assessed on their respective merits. Initially, there were requests totalling a combined \$17m, all of which are valued. Reducing this balance to a level was very difficult for decision makers, who were frequently faced with the dilemma of choosing between "building a progressive city" and "keeping tax rates low". The funding recommendation is a blend of both ideals driven by the following:

- Community Safety - fire operations & traffic management
- New Infrastructure Related – Thornhill Woods Library, McMillan Farm, road maintenance, etc.
- Operational Requirements to Continue City Services – zoning by-law review, support and operational requests, etc.
- City Initiatives – operational review, surveys, electronic document management, Vaughan Metropolitan Centre, municipal sponsorship, environment action plans, etc.

Senior Management and the Director's Working Group spent a significant amount of time reviewing and optimizing the requests, which resulted in a number of requests being partially funded internally,

some redistributed within the planned years, and \$8m deferred beyond the 2012-2014 plans without guarantee. In many situations the result is not optimal, potentially compromising service levels, but necessary to minimize tax pressures on the community. This recommendation was then further adjusted to achieve Council's mandate of a 2.95% tax rate increase. The above situation further supports the need to begin planning resources beyond a single year in order to address future opportunities and challenges. A high-level summary of the additional resource request recommendations is provided in a later section of this report. The result of the funding recommendation is as follows:

ARRs & Finance and Administration Committee
Recommendations

	2012	2013	2014
Net Taxation Change	\$2.67m	\$3.55m	\$3.20m
Avg. Residential Tax Rate Change	1.88%	2.32%	2.00%
Avg. Residential Tax Bill Change	\$22.17	\$28.18	\$25.57

Combined Base Budget and Additional Resource Requests

The combined impact of the base budget and the additional resource requests is illustrated below:

	2012	2013	2014
Net Taxation Change	\$4.19m	\$7.77m	\$5.62m
Avg. Residential Tax Rate Change	2.95%	5.16%	3.52%
Avg. Residential Tax Bill Change	\$34.81	\$62.55	\$44.94

Please note: the sum of 2013 & 2014 base + ARR figures will not total to the above combined results. This is due to the exclusion of the ARR impacts on the levy in the base budget calculation.

Budget Reporting and Process Changes

The budgeting process is constantly evolving to the needs and requirements of departments, management, Council, and residents. Illustrated in this section are brief highlights of process and reporting changes incorporated into the budget.

Insurance Expense: Historically the insurance expense was accounted for within the department budgets and this method has created allocation and reporting challenges. It is further complicated by transfers to and from the Insurance reserve for annual operating/reporting purposes. Moving forward, to simplify the process, insurance related expenses will be consolidated under one corporate expense account. Although the reallocation net impact is neutral to the City, annual 2012 budget variances will be present within sections due to the reallocation of department budgets to a corporate account.

Fleet Dept. /Repairs & Maintenance Expense: Currently there are multiple budget treatments for repairs and maintenance i.e. machine time, holding accounts, department budgets, fleet budgets, etc. To simplify this very complex process, repair and maintenance budgets, including machine time, will be allocated to specified fleet department subunits. This will provide a better understanding of this cost and allow for some degree of budget flexibility. Direct department consumables such as gas and leases will remain within the department budgets and be adjusted based on guideline allowable price and volume escalations.

Traditionally, the fleet department has been subsidized through the fleet reserve, approximately \$365k net. To mitigate the fleet department's funding dependency on the reserve, a three year

phase-in approach is being applied. This is necessary to secure a continuous funding source for fleet department operating costs, leaving fleet reserve funds for the purpose of ensuring assets are replaced when needed.

Corporate Structure Review

On November 29th, 2011, Council approved the recommendations contained in report on the Corporate Structure Review. Changes associated with this review are cost neutral and funded without increasing the 2012 Budget. Allocations are now reflected in the proposed operating budget information presented within this report.

Quick Facts

The following information is provided for quick reference to assist in providing the public and Council members with a context within which to assess the Proposed 2012 Operating Budget and 2013-2014 Operating Plan.

Budget (Base + ARRs)

	2011	(Projected)		
		2012	2013	2014
Average residential assessment	\$ 472,368	\$ 485,122	\$ 498,220	\$ 511,672
Total taxes levied on the average assessed home ***	4,497	4,532	4,595	4,638
City of Vaughan portion (26-27%)	1,178	1,213	1,276	1,319
City of Vaughan tax adjustment % on total taxes		0.8%	1.4%	0.9%
Hospital Capital Levy on the avg. home	38	49	60	60
Reduction for qualifying seniors	298	312	320	324
A 1% increase in the tax rate generates	\$1.3m	\$1.420m	\$1.506m	\$1.595m
Impact of a 1% increase on the average home	\$ 11.45	\$ 11.78	\$ 12.13	\$ 12.75
Assessment growth (projected)	3.17%	3.50%	3.00%	3.00%
Tax Rate Increase		2.95%	5.16%	3.52%

***Increase based only on Vaughan increase

Proposed 2012 Operating Budget and 2013-2014 Operating Plan Review

The City of Vaughan continues to be subject to many factors that place significant pressures on the property tax rate. Inherent in the annual operating budget process are the normal pressures of inflation, growth, staffing resources, external contract costs, collective agreements, fluctuating revenues etc., which are further compounded by expanding service requirements and tax funded infrastructure renewal cost impacts experienced by a high growth municipality. This situation presents significant challenges to achieving a balanced budget and maintaining service levels while minimizing associated tax rate increases and achieving Council's priorities. To assist the public and Council Members with understanding the challenges facing the City and to assess the Operating Budget, the remainder of the report is dedicated to reviewing the following:

- A. *Base budget under the guidelines*
- B. *Base budget revenue review*
- C. *Base budget expenditure review*
- D. *Additional resource requests*

The Attachment: Sections

- 1. *Base Budget - Revenue & Expenditure Summary*
- 2. *Base Budget – Major Budget Change Summary*
- 3. *Base Budget – Full-Time Equivalent (FTE) Summary*

4. *Base Budget – Analysis & Other Information*
5. *Additional Resource Request*
6. *Business Plan Performance Measures*
7. *Corporate Budget Guidelines*
8. *Department Information*
 - o *Financial Summaries*
 - o *Business Plans*
 - o *Recommended ARRs*

A) Base Budget Under the Guidelines

Based on the budget guidelines, the City’s Proposed Base Operating plan and associated increases are reflected below:

	2012	2013	2014
City's Expense Budget	\$223m	\$233m	\$244m
Net Taxation Change	\$1.52m	\$4.27m	\$2.42m
Avg. Residential Tax Rate Change	1.07%	2.89%	1.55%

These figures **exclude any** budget changes associated with the recommended additional resource requests. These are discussed later in the report. The above proposed operating budget plan includes \$2.8m subsidization from the Tax Rate Stabilization Reserve and anticipates a \$2.5m surplus carried forward from previous years. This is consistent with prior year Council direction.

For this year’s budget process, all account budgets remained at prior year budget levels with the exception of established commitments and pre-defined external pressures as defined by the approved budget guidelines. In order to check adherence to the guidelines, budget submissions were verified to ensure there were no other increases or that any budgetary increases, outside the guidelines, were offset by corresponding decreases in other line items. Through budget submission reviews and assurances from Commissioners and Directors, there is a very high level of confidence that approved guidelines were followed.

The Budget Guidelines were designed to restrict expenditure increases and this process has been successful as demonstrated by a total increase in City expenditures of 2.8% in 2012, 4.8% in 2013, and 4.5% in 2014.

Considering Factors Other Than CPI When Assessing the Budget

When assessing the Operating Budget, it is very important to put municipal cost increases into perspective. It is very common for stakeholders to gauge a municipality’s performance against the Consumer’s Price Index (CPI), but there are 2 inherent pitfalls with this comparison:

1. Inflation rates capture cost increases and do not incorporate non-cost related factors associated with a municipality such as growth, infrastructure repair, new services or initiatives, legislative requirements, revenue fluctuations, etc. These are in addition to CPI.
2. CPI is intended to measure the cost increases experienced by the typical Canadian household and includes retail items such as food, clothing, entertainment and other household purchases. Unlike an average Canadian household, municipal expenses are very labour, contract, and material intensive. An alternative approach would be to use a ***Municipal Price Index (MPI)*** based on applying relevant indices/indicators to the weighting of major expense categories.

SPECIAL COUNCIL MEETING MINUTES – FEBRUARY 13, 2012

Component	Inflation Figure	Source	Scenario #1		Scenario #2	
			% of Budget	Weighted Average	% of Budget	Weighted Average
Salaries and Benefits	4.0%	CoV settlement agreements	58.5%	2.3%	58.5%	1.2%
	2.2%	Ministry of Labour				
Contracts and Materials	5.1%	5 yr Average Historical Increase	16.0%	0.8%	16.0%	0.8%
Utilities and Fuel	11.2%	Stat's Can. Aug, 2011 - Energy CPI	3.5%	0.4%	3.5%	0.4%
Capital Funding	3.4%	Construction Price Index	3.0%	0.1%	3.0%	0.1%
Insurance	20.8%	AMO Municipal Insurance Survey	2.4%	0.5%	2.4%	0.5%
All Other	1.8%	Core Inflation - Aug 2011	16.6%	0.3%	16.6%	0.3%
Calculated Municipal Price Index			4.5%		3.3%	

As previously noted, the base City expenditures are increasing by 2.8% in 2012, 4.8% in 2013, and 4.5% in 2014. Although, comparable to the MPI, embedded in these figures are non-price related increases associated with contract/utility growth, full implications of prior initiatives, and increases in infrastructure funding. Removing these items from the presented overall expenditure increase would yield approximate increases of 2.0% for 2012, 3.5% for 2013, and 3.4% for 2014. Total City expenditure increases are in-line with the Municipal price index clearly signalling Vaughan is managing its finances within industry ranges.

Major Base Budget & Tax Rate Change

Approximately 55%-65% of the City's expense increase is attributable to changes to support the City's workforce and comply with collective and management agreements. The remaining portion is related to external service contracts, including increases in snow removal, waste management, utilities, and insurance premiums. These services are generally contracted, competitively tendered and awarded to the lowest bidder.

To assist Council assess the Operating Plan resulting from the budget guidelines, the following summary is provided below:

SPECIAL COUNCIL MEETING MINUTES – FEBRUARY 13, 2012

Expenses	2012		2013		2014	
	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate
<i>Labour Costs</i>						
- Gapping	935,842	0.66%		0.00%		0.00%
- Cola, JEV	4,267,960	3.00%	2,618,957	1.77%	1,804,299	1.15%
- Corporate Reorg*	537,000	0.38%	304,286	0.21%	32,468	0.02%
- Prog.	369,875	0.26%	370,000	0.25%	251,000	0.16%
Sub-total	6,110,677	4.30%	3,293,243	2.23%	2,087,767	1.33%
<i>Contingency</i>	858,282	0.60%	2,836,858	1.92%	3,607,055	2.30%
<i>Labour savings</i>	(1,000,000)	-0.70%	(100,000)	-0.07%	(100,000)	-0.06%
Sub-total	5,968,959	4.20%	6,030,101	4.08%	5,594,822	3.57%
<i>Contracts</i>	431,931	0.30%	1,091,600	0.74%	794,725	0.51%
<i>Utilities</i>	(164,500)	-0.12%	309,000	0.21%	466,000	0.30%
<i>Fuel</i>	454,220	0.32%	61,200	0.04%	33,629	0.02%
Sub-total	721,651	0.51%	1,400,600	0.95%	1,260,725	0.80%
<i>Insurance</i>	1,560,000	1.10%	471,000	0.32%	477,000	0.30%
<i>LTD</i>	171,326	0.12%	1,939,242	1.31%	1,749,787	1.12%
<i>Infra.</i>	618,349	0.44%	537,300	0.36%	397,652	0.25%
<i>Cap. Tax</i>	245,580	0.17%	511,948	0.35%	-	0.00%
Sub-total	1,035,255	0.73%	2,988,490	2.02%	2,147,439	1.37%
<i>City Hall funding</i>	(1,000,000)	-0.70%		0.00%		0.00%
<i>Elections</i>		0.00%			1,024,794	0.65%
<i>YRT Ticket Purchases</i>	440,000	0.31%	36,750	0.02%	37,670	0.02%
<i>Reserve trfs</i>	-		(304,286)	-0.21%	104,286	0.07%
<i>Other net</i>	674,427	0.47%	210,290	0.14%	60,874	0.04%
Expense Change	9,400,292	6.62%	10,832,945	7.33%	10,707,610	6.83%

Notes:

- *Corp. reorganization funded internally without impacting the tax rate.*
- *For illustration purposes, the above 2012 figures exclude neutral impact corporate adjustments. These items are also separated in the financial summary included in the attachment.*

The above changes in the City's expenditures are partially offset by limited revenue streams, primarily user fees, reserve funding, assessment growth, and other sources. Any shortfall between City revenues and expenses is funded through taxation increases. Summarized below are the major changes in revenue streams and associated net change on taxation.

SPECIAL COUNCIL MEETING MINUTES – FEBRUARY 13, 2012

Revenues	2012		2013		2014	
	\$	Tax Rate	\$	Tax Rate	\$	Tax Rate
Reductions						
Payment in Lieu	(300,000)	-0.21%	(100,000)	-0.07%	-	
Fines & Penalties	(100,000)	-0.07%	100,000	0.07%	-	
Investment Income	(750,000)	-0.53%	(250,000)	-0.17%	(250,000)	-0.16%
Sub-Total	(1,150,000)	-0.81%	(250,000)	-0.17%	(250,000)	-0.16%
Increases						
Fees & Charges	1,480,564	1.04%	1,020,584	0.69%	1,718,749	1.10%
Hydro Dividends	1,250,000	0.88%	450,000	0.30%	600,000	0.38%
Supplemental tax	950,000	0.67%	-		-	
Debenture Reserve	-		1,000,000	0.68%	800,000	0.51%
Insurance Reserve	500,000		(200,000)		(200,000)	
Election Resv.					1,024,794	0.65%
Other Net	33,611	0.02%	229,987	0.16%	25,779	0.02%
Sub-Total	4,214,175	2.97%	2,500,571	1.69%	3,969,322	2.53%
Total Revenue Change	3,064,175	2.16%	2,250,571	1.52%	3,719,322	2.37%
Assessment Growth	4,812,142	3.50%	4,307,088	3.00%	4,564,559	3.00%
Sub-total	7,876,317	5.54%	6,557,659	4.43%	8,283,881	5.29%
Net	1,523,975	1.07%	4,275,286	2.89%	2,423,729	1.55%
1% tax increase	1,420,456		1,478,767		1,567,165	

Note: For illustration purposes the above 2012 figures exclude neutral impact corporate adjustments. These items are also separated in the financial summary included in the attachment.

B) Base Budget Revenue Review

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Base Budget Revenues	\$ 76,520,464	\$ (292,470)	\$ 78,771,035	\$ 2,250,571	\$ 82,490,357	\$ 3,719,322

The above figures exclude any impact associated with assessment growth and reflect percentage increases in the 3-5% range. 2012 is unique and presented as a reduction due to the removal of fleet and insurance reserve transfers, which are met by similar offsetting reductions in expenses. This is a result of a process change and the overall impact is neutral. Without these masking adjustments the true 2012 increase is \$3m or a 4% increase. Further information regarding specific revenue adjustments are provided below:

Supplemental Taxation

Supplemental taxation is generated from additional assessment forwarded to the City from Municipal Property Assessment Corporation (MPAC), over the course of the year, and is primarily a result of new construction. Historically, supplemental revenue figures achieved have been greater than the budget and therefore a conservative \$950k revenue increase is included. It should be noted, supplemental taxation is based on growth levels and occupancy timing, which is extremely difficult to

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predict. Given the current uncertain economic climate, Council is cautioned on associated risks and advised to delay any further adjustment until the economy stabilizes and more analysis is conducted.

Funding from Reserves:

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Funding from Reserves	\$ 16,139,251	\$(2,809,813)	\$ 17,066,438	\$ 927,187	\$ 18,712,139	\$ 1,645,701

2012 decrease of \$2.81m:

- The largest budget adjustment in funding from reserves is related to insurance and fleet budget process changes. These changes have an overall neutral impact on the total budget, but result in many budget reallocations. For illustration purposes, the attached financial summary separates these reallocations, which balance to zero. The impact on the reported funding from reserves balance is a reduction of \$3.4m.
- The finance from capital budget increased by \$150k to better reflect the historical trend in the City’s actual position
- There is also a \$91k increase in the Building Standards reserve, which is actually neutralized by a reduction in Building Standards revenue and increase in associated expenses.
- An in-house study was conducted in 2009 on the cost sharing of administration activities between the City and Water/Waste Water services. As a result, the increases in cost recovery are being phased in conservatively over time.
- Adjustments occurred in the recreation land reserves as a result of activity, departmental cost changes, and anticipated growth trends.
- The above increases were offset by the following:
 - Decrease in funding from the engineering reserve of \$93k due to a change in allocation of department based activity.
 - Removal of \$78k from the roads infrastructure reserve related to a prior year initiative.

2013 increase of \$927K & 2014 Increase of \$1.65m:

- The largest component of the budget increases are related to additional funding from the debenture reserve to smooth increases in future debenture payments. Budget increases of \$1m and \$800k are required for 2013 and 2014, respectively.
- Budget increases in Engineering, Building Standards, and Water/WasteWater recoveries services were a result of activity, departmental cost changes, and anticipated growth trends. These adjustments amounted to \$248k in 2013 and \$142k in 2014.
- An election is slated for 2014 and a corresponding withdrawal in the amount of \$1.024m, based on the past election, is budgeted in 2014.
- The above budget increases were slightly offset by the phase-out of the funding from the fleet reserve and insurance reserve in both 2013 & 2014. For Fleet, it is necessary to transition the remaining reserve subsidy to a more secure continuous funding source, leaving reserved funds for the purpose of assets renewal. For Insurance, reserve funds are being used to mitigate tax increases as a result of recent insurance premium increases.

User Fees / Service Charges

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Fees/Charges/Recoveries	\$ 36,034,435	\$ 1,480,564	\$ 37,055,019	\$ 1,020,584	\$ 38,773,868	\$ 1,718,849

Major Budget Adjustments

- The largest component of the budget increases are related to recreation due to the climbing demand for services, general price increases, York Region transit ticket sales, and the anticipation of the Carville Block 11 community centre in 2014/2015. It should be noted that these increases are largely offset by similar expenditure value increases. Revenue increases related to Recreation revenues are \$745k for 2012, \$565k in 2013, and \$1.3m in 2014.
- The second largest component of the budget increases are related to an anticipated increase in planning activity. The majority of the 2012 increase is related to an increase in site plan agreements, which better reflect past performance. In addition, development activity is anticipated within the Vaughan Metropolitan Centre, Carville, Concord, and Thornhill development areas. Planning revenues are slightly lower in future years as the fee by-law expires in 2012 and price increases for 2013 and 2014 are not determined. Based on the above, planning revenues are anticipated to increase \$767k for 2012, \$328k in 2013, and \$346k in 2014.
- Licensing revenues also increased to reflect general price and volume estimates. The 2012 budget increase is larger than future years to reflect historical performance. Budget increases are \$110k for 2012, \$43k in 2013, and \$48k in 2014.
- The above 2012 budget increases were slightly offset by the following:
 - A \$143k decrease in Development Transportation Recoveries, due to a provincial decision to supply support to coordinate the subway extension project. This reduction is offset by a related reduction in contract expenses.
 - A \$18k decrease in Public Works revenues resulting from a correction to actual performance as it relates to recoveries from York Region for winter road maintenance duties.
 - A \$20k decrease in Enforcement Services revenues to reflect historical signage fee volumes.
- The remaining budget adjustments are relatively minor in nature.

User Fees and Cost Recovery

It is important to recognize there is an ongoing balance between funding through a fee for specific user based services versus funding City services through the general tax rate. To the extent there is a user fee, that fee should be adjusted annually to reflect changes in the cost of delivering the service; otherwise, by default, there would be a requirement to fund cost increases through the property tax rate.

Approximately 90% of the City's user fees are generated by the following 5 areas:

- Recreation
- Building Standards
- Planning and Committee of Adjustment (COA)
- Enforcement Services
- Licensing

As a result, the majority of the above departments have conducted various fee studies. Some studies resulted from legislative requirements and others were staff-initiated in-depth studies, resulting in the

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development of cost recovery policies, principals, and targets endorsed by Council. In addition, various benchmarking comparisons have been performed by departments and external consultants indicating Vaughan's recovery targets are on-par or better than neighbouring municipalities. Detailed below is a summary of department and estimated full cost recovery ratios for these areas:

2012 Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	Enforc. Services	Planning	COA	Building Standards (OBC)	Building Standards (Non-OBC)
Revenues	\$ 17,728	\$ 1,077	\$ 2,227	\$ 3,199	\$ 410	* \$ 8,486	\$ 451
Expenditures	19,246	629	5,095	2,968	566	5,762	615
Subsidy/(Surplus)	1,519	(449)	2,868	(231)	156	(2,724)	164
2012 Dept Budget Recovery Ratio	92%	171%	44%	108%	72%	147%	73%
2013 Dept Budget Recovery Ratio	93%	157%	43%	100%	71%	140%	71%
2014 Dept Budget Recovery Ratio	96%	163%	42%	110%	71%	141%	70%
Memo: 2011 Dept. Budget Recovery Ratio	95%	162%	46%	88%	74%	158%	65%
Full Cost Estimate (ABC Model)	** \$ 40,792	\$ 1,539	\$ 4,783	\$ 5,440	\$ 1,100	\$ 8,549	1,629
Subsidy/(Surplus)	23,064	462	2,556	2,240	690	62	1,178
2012 Full Cost Recovery Ratio	43%	70%	47%	59%	37%	99%	28%
2013 Full Cost Budget Recovery Ratio	44%	68%	45%	58%	35%	97%	29%
2014 Full Cost Budget Recovery Ratio	45%	68%	44%	62%	33%	96%	28%
Memo: 2011 Full Cost Budget Recovery Ratio	44%	66%	50%	49%	43%	100%	32%
Policy Recovery Goal	95% Dept. Cost	100% Full Cost		100% Full Cost	100% Full Cost	100% Full Cost	

* Building Standards revenues include a \$0.8M draw from Building Standards Continuity Reserve in 2011 and \$1.0M in 2012.

** Recreation B & F costs approximately \$15.3M in 2012

As illustrated above, most areas are recovering more than 70% of their department budgets. Overall, recovery targets are remaining stable with some isolated exceptions. It should be noted, most labour agreements expire in early 2012 or 2013 and costs associated with contract renewals are not incorporated in the above department expenses making planned recovery targets mildly optimistic. Illustrated below are brief comments related to each of the above sections.

- Building Standards continues to maintain close to a 100% building code full cost recovery target with a draw from the Building Standards Service Continuity Reserve in anticipation of lower volumes created by the slow economic recovery.
- Licensing also continues to achieve their target of recovering business licensing full costs. It should be noted, the department full cost recovery illustrated is lower than 100% due to a portion of the department being devoted to risk management and some licensing fee restrictions are applied to lottery, livestock, and other licenses. Planned recovery targets are not anticipated to fall below 2012 projections, despite the lack of post 2012 labour agreement impacts.
- Recreation is planning to recover 96% of their departmental costs by 2014. Presented targets are mildly optimistic as future cost increases associated with labour agreement renewals are not included and could reduce the planned recovery to a figure slightly below their policy target of 95%.
- Enforcement Services recovery is planned to steadily drop from 50% to 44% between 2011 & 2014. It should be noted that a recovery policy is not in place for enforcement services, as this service is driven by compliance. However, in prior budgets it was anticipated the recovery would improve with the implementation of the Administration Monetary Penalties initiative intended to streamline the process and improve City collection efforts, but this has not yet materialized.
- Planning full cost recovery is steadily climbing from 49% in 2011 to a planned 62% in 2014, which is a great improvement over past budgets. COA recovery targets are decreasing from 43% of full cost in 2011 to 33% by 2014.

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Other Fees

A concern that revenue might not keep pace was anticipated and as a result the guidelines included a requirement for all user fees and service charges to be increased in relation to department cost increases and at minimum by the rate of inflation. Most of the fees discussed above are based on existing studies and multi-year bylaws, which expire at varying intervals and therefore the above guidelines are focused on the General User Fee By-law, which captures a variety of minor/miscellaneous fees. For future budget processes, it would be of a great benefit to coordinate and consolidate the planning of these by-laws for review, update, and budget approval under one process. A report regarding the General User Fee By-law adjustments was provided to the Finance and Administration Committee on January 16th, and subsequently recommended to the February 13th Special Council. Associated fee adjustments reported are included in the 2012-2014 Operating Plans, approximately \$49k in 2012, \$62k in 2013, and \$33k in 2014.

Corporate Revenues

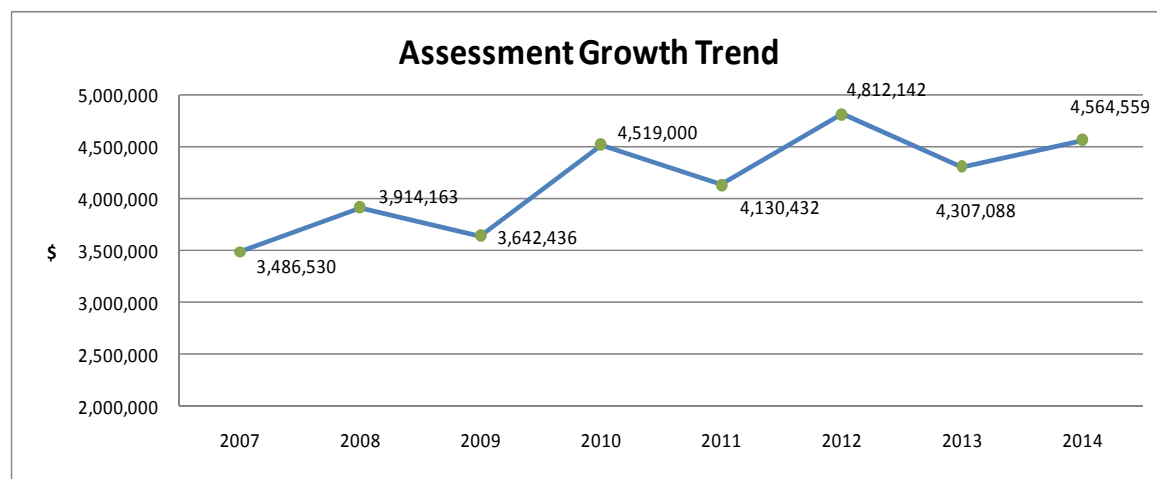
	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Corporate Revenues	\$ 17,701,578	\$ 386,819	\$ 18,004,378	\$ 302,800	\$ 18,359,150	\$ 354,772

Major Budget Adjustments

- PowerStream Dividends – Based on financial forecasts this corporate revenue source is anticipated to increase in 2012 by \$1.25m, 2013 by \$450k, and 2014 by \$600k.
- Investment Income – As discussed last year, there is a need to change the methodology used to allocate investment income between the operating budget and reserve accounts. As a result, investment income allocated to the operating budget is phased down in 2012 by \$750k, 2013 by \$250k, and 2014 by \$250k.
- Fines and Penalties – The corporate fines and penalty budget was reduced by \$100k in 2012 to better reflect actual historical trends experienced. This budget is expected to increase by \$100k in 2013 due to the positive future economic outlook and stabilize through 2014.
- The remaining budget year differences consist of relatively minor budgets and changes.

Assessment Growth

For 2012–2014 assessment growth is estimated to remain stable at 3% and relatively consistent with prior year values. This is consistent with the economic outlook that growth will be gradual.



Although not specifically allocated, these funds help offset the increasing service costs associated with community growth. To illustrate this point, each year city additions are made:

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- Roads
- Sidewalks
- Waste/recycling stops
- Streetlights
- Parkland
- Trails
- Library's
- Fire operations, etc.

All the above additions require funds to operate and maintain service levels. Included in the Draft 2012- 2014 Operating Plan are estimates for staffing, contracts, utilities and associated renewal costs supporting growth. Below are a few items that are indirectly funded through assessment growth:

- Prior year impacts
 - In 2012 \$935k is required for station 7-10, Vellore fitness centre expansion, and other growth related items.
- Contract and utility volume increases
 - On average the City's budget increases by \$400k -\$600k for this purpose.
- Infrastructure renewal
 - As a City grows, infrastructure is added, which is initially funded by the development industry, with replacement costs borne by the City at a later date. Additional funding associated with these costs is estimated to be between \$800k to \$2.5m annually.
- Additional Resource Requests
 - Typically \$2m+ is approved each year to service growth i.e. fire engines, community centers, parks, new initiatives, etc.

C) Base Budget Expenditure Review

Overall the City's base expenditure budget changed as follows:

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Base Budget Expenditures	\$ 222,590,069	\$ 6,043,647	\$ 233,423,014	\$ 10,832,945	\$ 244,130,724	\$ 10,707,710

2012 is presented lower than future years due to process adjustments in fleet and insurance, which are met by similar offsetting reductions in revenues. Overall the impact is neutral. Without these masking adjustments, the true 2012 increase is \$9.4m or a 4.3% increase, which is more consistent with 2013 and 2014 projections. Further information regarding specific expense budget adjustments are provided below.

Departmental Expenditures

2012 increase of \$5.5m, including the \$536k Library Board increase:

This represents an increase of 2.8% over the 2011 departmental budget, and largely due to the following items:

- Of the total departmental budget increase, \$6.1m is related to changes to support the City's workforce consisting of the following:
 - \$2.6m in economic adjustments, as per established agreements, excluding associated benefits.
 - \$1.3m increase in benefits due to additional complement, economic adjustments, and benefit rate increases caused by increasing OMERS contributions and EI/ CPP thresholds.

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- \$805k related to prior year budget gapping (Station 7-10 firefighters, Vellore Village Fitness Centre staffing, and other compliments).
- \$537k related to the Council's approved corporate reorganization, which is full offset by transfers from other City budgets.
- The remaining balance is related to progressions, job-evaluations, part-time surveys, 3/6/9 fire retention phase in, market adjustments etc. Approximately \$100k is related to increases in the Library due to a 2010 management market survey.
- Insurance expense premiums and planned claims expenses increased by \$1.6m or 50% as a result of a recent insurance contract award. A detailed report on this topic was provided at the November 21st, 2011 Finance and Administration Committee.
- \$432k relates to pressures from contracted services. These increases are the result of growth demands and industry price obligations. Overall, contract service lines increased by 0.2% and relate to winter control, ITM services, waste management etc. This figure is lower than historical trends due to savings found in contract street lighting in the amount of \$241k which were reallocated to the contingency account for future corporate initiatives.
- A \$454k increase in gas/diesel fuel due to rising prices and more vehicles as permitted in the approved budget guidelines.
- A \$440k increase in YRT ticket purchases to match historical trends. The revenue was increased the same and the net effect is neutral.
- The remaining increases are minor and in various other accounts:
- The above department increases were partially reduced by \$3.8m for the following corporate reallocations and adjustments.
 - Infrastructure contributions embedded within the Fire, Heritage, & City Playhouse departments were transferred and consolidated with like contributions in the corporate section, approximately \$1.4m.
 - A process change to isolate insurance to one account resulted in the removal of various arbitrary allocations to departments, approximately \$2.3m. This action is neutral and met with similar reductions in insurance reserve transfers.
 - In addition to the above, On November 29th, 2011, Council approved the recommendations contained in report on the Corporate Structure Review. Changes associated with this review are cost neutral, but will result in a shifting department and corporate budgets. These changes are now reflected in the 2012-2014 Consolidated Operating Budget Financial Summary.

2013 & 2014 increases of \$5.0m and \$3.9m, respectively

The City's Workforce: Consistent with 2012, the largest pressure for 2013 and 2014 are requirements to fund the City's workforce estimated at \$2.5m and \$1.8m, respectively. The 2013 and 2014 plan steadily drops due to expiring labour contracts and the timing out of staff progressions. Post agreement labour estimates are planned for in corporate contingency along with other uncertain events. Also incorporated in these figures are benefit rate increases from 26% to 26.7% to 27.4% caused by increasing OMERS contributions and EI/ CPP thresholds.

Contracts: The second largest component of the 2013-2014 department expenditure increases is related to pressures from contract services, \$1.1m and \$700k, respectively. These increases are typically the result of increasing demands on services due to growth and industry price obligations. Overall contract service lines increased 3.5% and 2.2%, respectively, and mainly relating to waste management, streetlight maintenance, winter control, ITM services, etc.

Utilities: The third largest component of the 2013-2014 department expenditure increases is related to utilities, \$490k and \$628k, respectively. These increases are typically the result of increasing volumes and industry price expectations as permitted in the guidelines.

Insurance - Premiums and planned claim expenses are anticipated to rise by 10% per year, based on industry trends and projections, translating to a \$471k increase for 2013 and a \$478k increase for 2014.

The remaining balance consists of relatively minor increases in multiple accounts.

Corporate Expenditures

Corporate expenditures contributed to the remaining City expenditures, which required the following adjustments:

	2012		2013		2014	
	Budget	Change	Budget	Change	Budget	Change
Corporate Expenditures	\$ 25,693,700	\$ 567,681	\$ 31,542,603	\$ 5,848,903	\$ 38,246,011	\$ 6,703,408

Explanations for the budget increases are as follows:

2012 Increase of \$0.6m:

- The City’s contingency budget increased by \$858k and relates to future labour agreement negotiations and certain foreseeable events. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets.
- Corporate Expenditures decreased by \$707k and are attributable to the following:
 - Removal of City Hall reserve \$1m funding as the project is completed and funding is secure for debenture allocation.
 - A process change to isolate insurance to one account resulted in the removal of the arbitrary corporate insurance allocation, approximately \$900k. This action is neutral and met with similar reductions in insurance reserve transfers.
 - The above was partially offset, by a \$1m adjustment in anticipated labour savings. This figure is planned for corporately and is used to offset department gapping and vacancy savings that occur through-out the year. Third quarter results confirm trends in the 3 -3.5% range. As a result, the City’s anticipated labour savings budget reflects this trend. It should be noted there are various unpredictable factors driving anticipated labour savings and estimates are conservatively trended.
 - The balance of the increase in corporate expenditures is associated with projected cost increases for tax adjustments, joint services and bank charges.
 - Reserve contributions increase by \$1.8m, mainly caused the following:
 - \$608k in additional reserve contributions, resulting from the recent policy approval.
 - \$1.3m reallocation from Fire, Heritage and City Playhouse departments in order to consolidate these types of transfers. As mentioned earlier, this action has a neutral impact and is met with decreases in department areas.
 - A reduction in the roads infrastructure reserve to better align savings obtained through the 2011 budget process.
- Capital from taxation increased by \$246k as result of the recently adopted infrastructure policy and a December 13th Council approval to fund \$113k in additional traffic calming measures.

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- An increase on \$171K was experienced in long-term debt.

<u>Guideline Expenditure Increase</u>		<u>2012</u>	<u>%</u>	<u>Tax Rate</u>
<u>Corporate Expenditures</u>		<u>\$ Impact</u>	<u>Incr.</u>	<u>% Impact</u>
Long Term Debt		171,326	1.4%	0.1%
Contingency		858,282	79.9%	0.6%
Reserve Contributions				
-Fire & Rescue Contribution	1,174,726			
-Streetscape	323,328			
-Roads Infrastructure	(71,012)			
-Heritage and City Playhouse	219,000			
-Other	202,945	1,848,987	51.4%	1.3%
Capital from taxation		245,580	2.0%	0.2%
Corporate Expenses				
Corporate Insurance	(866,345)			
Tax Adjustments	200,000			
Anticipated Labour Savings	(1,000,000)			
City Hall Funding	(1,000,000)			
Other	109,851	(2,556,494)	-119.3%	-1.8%
Total Corporate Expenditure Change		567,681	5.6%	0.4%

2013 & 2014 increases of \$5.8m and \$6.7m, respectively

City Contingency - The City's contingency account relates to future labour agreement negotiations and certain foreseeable events. Once the outcomes of these events are determined, balances will be reallocated to the appropriate department budgets. 2013 and 2014 budget increases are estimated at \$2.8m and \$3.6m, respectively.

Long-term Debt - The repayment of long term debt in 2013 and 2014 is planned to increase by \$1.9m and \$1.7m, respectively, primarily to fund major road projects, as per the road program. Debenture reserve funding increased by \$1m and \$800k, respectively to smooth this cost. When combined, the net impact is \$900k per year.

Corporate Expenditures – There are no major budget changes for 2013, but an election is slated for 2014 and the corresponding estimated expense at \$1.024m is planned, based on the past election costs. This cost is fully offset by revenues from the election reserve. The above cost is offset by minor adjustments in other accounts.

Reserve Contributions - Based on the recently adopted infrastructure funding policy, infrastructure reserve contributions are anticipated to increase in relation to the addition and cost escalation of assets. As a result, the 2013 and 2014 budgets are anticipated to increase by \$537k and \$397k.

Capital from Taxation - Based on the recently adopted infrastructure funding policy, Capital from Taxation is anticipated to increase by an inflationary component in order to maintain pace with market values. However, the number of projects for this funding source is escalating and based on capital plan additional funds will be required in 2013, approximately \$512k. It should be noted this budget has remained relatively unchanged for the past decade.

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Guideline Expenditure Increase	2013			2014		
	\$ Impact	% Incr.	Tax Rate % Impact	\$ Impact	% Incr.	Tax Rate % Impact
Corporate Expenditures						
Long Term Debt	1,939,242	15.8%	1.3%	1,749,787	12.3%	1.1%
Contingency	2,836,858	90.3%	1.9%	3,607,055	61.0%	2.3%
Reserve Contributions						
-Fire & Rescue Contribution	22,361			22,809		
-Streetscape	289,250			144,920		
-Parks Infrastructure	135,322			150,403		
Other	113,922	560,855	11.0%	103,640	421,772	7.4%
Capital from taxation	511,948	7.6%	0.3%	0	0	0.0%
Corporate Expenses						
Elections				1,024,794		0.7%
Anticipated Labour Savings				(100,000)		
Total Corporate Expenditure Change	5,848,903	17.6%	4.0%	6,703,408	17.1%	4.3%

Expenditure Review – Degree of Flexibility

To assist Council in assessing the base budget, the following summary illustrates how the City's expenses are allocated to major expense types:

Operating Expenditures	2012			2013			2014		
	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)	Base Budget (\$)	% of Total Budget	Cumulative (%)
Salaries and Benefits	126,968,190	57.0%	57.04%	129,486,339	55.5%	55.47%	131,220,859	53.8%	53.75%
Service Contracts	31,515,058	14.2%	71.2%	32,606,658	14.0%	69.4%	33,307,832	13.6%	67.4%
Long Term Debt	12,259,188	5.5%	76.7%	14,198,430	6.1%	75.5%	15,948,217	6.5%	73.9%
Maint./Materials	9,977,612	4.5%	83.4%	10,016,057	4.3%	82.2%	10,176,099	4.2%	80.5%
Utilities & Fuel	8,742,193	3.9%	87.4%	9,232,331	4.0%	86.1%	9,860,021	4.0%	84.6%
Capital from Taxation	6,875,102	3.1%	90.4%	7,387,050	3.2%	89.3%	7,387,050	3.0%	87.6%
Reserve Contributions	4,982,987	2.2%	78.9%	5,520,287	2.4%	77.9%	5,917,939	2.4%	76.4%
Insurance Expenses	4,727,000	2.1%	92.6%	5,198,000	2.2%	91.5%	5,675,600	2.3%	89.9%
Contingency	2,576,280	1.2%	94.8%	5,413,588	2.3%	94.8%	9,020,543	3.7%	94.5%
Prof. Fees	2,289,552	1.0%	93.6%	2,291,032	1.0%	92.5%	2,292,572	0.9%	90.8%
Tax Adj.	1,600,000	0.7%	95.5%	1,600,000	0.7%	95.5%	1,600,000	0.7%	95.2%
All Other	10,076,907	4.5%	100.0%	10,473,242	4.5%	100.0%	11,723,992	4.8%	100.0%
Total Draft Expenditures	222,590,069	100.0%	--	233,423,014	100.0%	--	244,130,724	100.0%	--

The summary above illustrates that the City has limited flexibility in any given year to significantly alter the City's cost structure in the short term. More than 75% of the costs are committed through collective agreements, service contracts, and financing arrangements. Other reductions will impact the maintenance and repair of the City's infrastructure.

D) Consideration of Additional Resource Requests

As indicated earlier in this report, the budget guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted by the budget guidelines for Finance and Administration Committee and Council consideration. As a result, departments submitted over 136 additional resource requests with a total cost of over \$16.7m, all of which are valued by the submitting departments. It should be noted \$1.7m in requests are fully or partially self funded, which demonstrates staff's willingness to redirect existing resources and manage their finances in a prudent manner.

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Consistent with prior years and demonstrating respect for the tax payer's dollar, the Senior Management Team and the Director's Working Group reviewed, evaluated, and prioritized all additional resource requests based on their merits and the following criteria:

- Vaughan's Vision and the Corporate Planning process linkages
- Value Proposition
- Regulatory Requirements
- Risk Management
- Internal Operational Requirements
- Capital Timing and Funding Availability

The process infuses a high degree of objectivity and transparency, of which the end result is a more realistic and responsible list of additional resource requests. Reducing the initial submission balance to a more manageable level was *very difficult for decision makers, who were frequently faced with the dilemma of choosing between "building a progressive city" and "keeping tax rates low"*. Senior Management and the Directors Working Group spent a significant amount of time reviewing and optimizing the requests, which resulted in a number of requests being partially funded internally, some redistributed within the planned years, and 53 requests or approximately \$7.8m deferred beyond the 2012-2014 plan for future budget consideration. In many situations the result is not optimal, potentially compromising service levels, but necessary to minimize tax pressures on the community. The above situation further supports the need to begin planning resources beyond a single year in order to address future opportunities and funding challenges.

In addition to the above recommendation, there were Finance and Administration Committee funding requests added to staff's Additional Resource Request recommendation. To accommodate these items and achieve Council's adopted tax rate increase of 2.95%, some of staff's recommended requests were either reduced or deferred to future budget deliberations. As previously stated, the result is not optimal but minimizes tax pressures on the community.

Overall the additional resource request recommendation is a blend of both ideals driven by:

- Community Safety - fire operations, community enforcement & traffic management
- Essential Resources to Continue City Services – Thornhill Woods library, parks and forestry, support services, etc.
- City initiatives – zoning by-law review, operational review, electronic document management, Vaughan Metropolitan Centre, municipal sponsorship, environment action plans, etc.

	2012	2013	2014
Net Taxation Change	\$2.67m	\$3.55m	\$3.20m
Avg. Residential Tax Rate Change	1.88%	2.32%	2.00%
Avg. Residential Tax Bill Change	\$22.17	\$28.18	\$25.57

This information is important, as it provides added visibility to our community stakeholders and decision makers on the timing and resourcing of city services and initiatives. The result of the additional resource request funding recommendation for 2012-2014 is as follows:

SPECIAL COUNCIL MEETING MINUTES – FEBRUARY 13, 2012

2012 Additional Resource Requests

#	Note 1	Note 2	Department	Description	# of Positions	2012 Net FTE	2012 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.	
2012 Base Budget Increase								1,523,974	1.07%	1.07%	
Zero Budget Impact ARRs											
A1		✓	Dev/Trans. Eng	Manager of Transportation Engineering	1	1.00	-	1,523,974	0.00%	1.07%	
A2	✓		Dev/Trans. Eng	TTC/YRRT - Construction Liaison/Inspector	1	1.00	-	1,523,974	0.00%	1.07%	
A3	✓		PW - Roads	Maintenance of New Pedestrian Walkway	-	-	-	1,523,974	0.00%	1.07%	
A4		✓	HR	Learning & Dev. Specialist	1	1.00	-	1,523,974	0.00%	1.07%	
A5		✓	Corporate Comm.	Public Relations Strategic and Media Mgmt	1	1.00	-	1,523,974	0.00%	1.07%	
A6			Commissioner, Eng & PW	Manager, Special Projects	1	1.00	-	1,523,974	0.00%	1.07%	
A7			PW - Roads	Roads Foreperson	1	1.00	-	1,523,974	0.00%	1.07%	
A8		✓	Corporate Comm.	Comm. Specialist, Client/Issue Mgmt (FTE Conversion)	1	-	-	1,523,974	0.00%	1.07%	
A9			Fleet	Mechanic II (FTE Conversion)	1	-	-	1,523,974	0.00%	1.07%	
A10	✓		Cultural Services	PT Graphics Services Tech. (FTE in lieu of Prof fees)	1	0.59	-	1,523,974	0.00%	1.07%	
A11	✓	✓	Eco. Development	VBEC Transfer of 2 Contract Positions to FTEs (FTE Conversion)	2	-	-	1,523,974	0.00%	1.07%	
A12			Reserves & Investments	Investment Software	-	-	-	1,523,974	0.00%	1.07%	
A13			Policy Planning	Permanent P/T Clerk Typist	1	0.69	-	1,523,974	0.00%	1.07%	
A14			ITM	Tech. Specialist DBA (FTE in lieu of Prof Fees/Conversion)	1	1.00	-	1,523,974	0.00%	1.07%	
A15			Dev/Trans. Eng	Lot Grading Application Expediter	1	1.00	-	1,523,974	0.00%	1.07%	
A16			Eng. Serv.	Utility Inspector	1	1.00	-	1,523,974	0.00%	1.07%	
A17			ITM	Sys. Analyst/Proj. Leader (VOL) (FTE Conversion)	1	-	-	1,523,974	0.00%	1.07%	
A18			ITM	Web Architect (FTE Conversion)	1	-	-	1,523,974	0.00%	1.07%	
A19			Accounting Services	PT Accounting Clerk (Partial FTE Conversion)	1	0.19	-	1,523,974	0.00%	1.07%	
Budget Impact ARRs											
1	✓	✓	Building Standards	Zoning By-law Review	4	4.23	359,395	1,883,369	0.25%	1.33%	
2		✓	Strategic Planning	Operational/Business review Consulting Support	-	-	130,000	2,013,369	0.09%	1.42%	
3		✓	Development Planning	Urban Designer - VMC	1	1.00	92,856	2,106,225	0.07%	1.48%	
4	✓		B&F	McMillan Farm Building Maintenance	-	-	35,000	2,141,225	0.02%	1.51%	
5	✓		Parks & Forestry Ops.	McMillan Farm Land Maintenance	-	-	25,000	2,166,225	0.02%	1.53%	
6	✓	✓	Policy Planning	Senior Policy Planner (2 yr contract) OP/OMB	1	1.00	94,879	2,261,104	0.07%	1.59%	
7		✓	HR	Professional Fees - Engagement Survey	-	-	50,000	2,311,104	0.04%	1.63%	
8	✓		Library	Thornhill Woods Neighb. Library - Operations	-	-	148,500	2,459,604	0.10%	1.73%	
9	✓		Library	Thornhill Woods Neighb. Library - Staffing	9	9.02	531,946	2,991,550	0.37%	2.11%	
10		✓	Access Vaughan	2 Permanent P/T Staff Access Vaughan	1	1.38	81,552	3,073,102	0.06%	2.16%	
11		✓	Budgeting/Financial Plan.	Special Projects Analyst	1	1.00	95,221	3,168,323	0.07%	2.23%	
12			Eco. Development	Strategy to Implement a Municipal Sponsorship Program	-	-	55,000	3,223,323	0.04%	2.27%	
13		✓	HR	Administrative Coordinator	1	1.00	81,992	3,305,315	0.06%	2.33%	
14		✓	Fire-Training	Training Officer (Priority swapped with #23)	ITEM DEFERRED			3,305,315		2.33%	
15			Recreation	Client Serv. Supervisor R&C - CSD (FTE Conversion)	1	-	19,750	3,325,065	0.01%	2.34%	
16	✓		Parks & Forestry Ops.	Temporary Seasonal Employees (2012X2, 2013X2)	1	1.38	63,019	3,388,084	0.04%	2.39%	
17			Enforcement Services	Property Standards Officer	2	2.00	150,211	3,538,295	0.11%	2.49%	
18			Parks & Forestry Ops.	10 Month Forestry Temps (Emerald Ash Borer) X2	1	1.38	49,244	3,587,539	0.03%	2.53%	
19	✓		Parks & Forestry Ops.	Tree Pruning (routine street pruning)	PARTLY DEFERRED			20,000	3,607,539	0.01%	2.54%
20		✓	Library	VPL Citizen Telephone Survey	Reduced			10,000	3,617,539	0.01%	2.55%
21			B&F	Facility Operator I - New City Hall	1	1.00	55,859	3,673,398	0.04%	2.59%	
22	✓		B&F	Facility Operator I - Vellore Vill. CC Expansion	ITEM DEFERRED			3,673,398		2.59%	
23	✓	✓	Fire Communications	Communication Operators (Priority swapped with #14)	2	2.00	155,961	3,829,359	0.11%	2.70%	
24	✓		Purchasing Services	Senior Technical Clerk	ITEM DEFERRED			3,829,359		2.70%	
25			Emergency Planning	Emergency Planner (Partial FTE Conversion)	ITEM DEFERRED			3,829,359		2.70%	
Total of ARRs Recommended by Senior Management Team					44	36.86	\$ 2,305,385		1.62%		

F&A Committee Resource Requests

#	Description	# of Positions	2012 Net FTE	2012 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
A	Council Budget Increases (Jan 16th Item #4)			46,907	3,876,266	0.03%	2.73%
B	Civic Centre Demolition LTD (Jan 16th Item #5)			169,750	4,046,016	0.12%	2.85%
C	Election Contribution Increase (Jan 16th Item #6)			50,000	4,096,016	0.04%	2.88%
D	HR Coordinator Position (Jan 16th Item #7)	1	1.00	74,086	4,170,102	0.05%	2.94%
E	Islington Avenue Streetscape Design (Jan 16th Item #11)			26,900	4,197,002	0.02%	2.95%
Total of F&A Committee Resource Requests		1	1.00	\$ 367,643		0.26%	

Total Tax Increase (1%=\$1,420,456)

2012 Base Budget Increase

Tax Increase due to ARRs Recommended by Senior Management Team and F&A Committee

2.95%
1.07%
1.88%

Note 1: Indicates a minimum requirement.

Note 2: Indicates ARR has link to Vaughan Vision, strategy or master plan.

SPECIAL COUNCIL MEETING MINUTES – FEBRUARY 13, 2012

2013 Additional Resource Requests

#	Note 1	Note 2	Department	Description	# of Positions	2013 Net FTE	2013 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2013 Base Budget Increase									2.84%	2.84%
Impact of 2012 ARR's & F&A Items on 2013								(46,509)	-0.03%	2.81%
Zero Budget Impact										
A1	✓	✓	Dev/Trans. Eng	Transportation Engineer	1	1.00	-	(46,509)	0.00%	2.81%
Budget Impact										
1	✓	✓	Building Standards	Zoning By-law Review	5	5.00	633,929	587,420	0.42%	3.23%
2		✓	Environmental Sustainability	Local action plan for reducing GHG emissions	-	-	22,500	609,920	0.01%	3.24%
3		✓	Strategic Planning	PM Software Maintenance Costs	-	-	10,000	619,920	0.01%	3.25%
4		✓	City Clerk	EDMS Business Analyst	1	1.00	118,791	738,711	0.08%	3.33%
5		✓	City Clerk	EDMS Technical SME	1	1.00	118,791	857,502	0.08%	3.41%
6		✓	Strategic Planning	On-Line Citizen Public Engagement Survey	-	-	75,000	932,502	0.05%	3.46%
7		✓	Eco. Development	Employment Zone, VMC Marketing	-	-	50,000	982,502	0.03%	3.49%
8	✓	✓	Development Planning	Senior Planner/Project Mgr (Contract) Hospital	1	1.00	106,631	1,089,133	0.07%	3.56%
9		✓	HR	Learning & Development Specialist	1	1.00	100,462	1,189,595	0.07%	3.63%
10	✓		Fire & Rescue Operations	STN 75 - 16 Firefighters & 4 Captains	20	20.00	1,703,727	2,893,322	1.13%	4.76%
11	✓		B&F	Facility Operator I - Fr. Ermanno CC Expansion	1	1.00	56,581	2,949,903	0.04%	4.80%
12		✓	City Clerk	Claims Analyst	1	1.00	77,319	3,027,222	0.05%	4.85%
Budget Impact ARR's Deferred from 2012										
13	✓		Fire Training	Training Officer	-	-	133,228	3,160,450	0.09%	4.94%
14	✓		Parks & Forestry Ops.	Tree Pruning (routine street pruning)	-	-	130,000	3,290,450	0.09%	5.02%
15	✓		B&F	Facility Operator I - Vellore Vill. CC Expansion	1	1.00	56,169	3,346,619	0.04%	5.06%
16	✓		Purchasing Services	Senior Technical Clerk	1	1.00	73,398	3,420,017	0.05%	5.11%
17			Emergency Planning	Emergency Planner (Partial FTE Conversion)	1	0.69	79,127	3,499,144	0.05%	5.16%
Total of ARR's Recognized by Senior Management Team					35	34.69	3,545,653		2.35%	

Total Tax Increase (1%=\$1,506,299)

2013 Base Budget Increase

Tax Increase due to ARR's Recommended by Senior Management Team and F&A Committee

5.16%
2.84%
2.32%

Note 1: Indicates a minimum requirement.

Note 2: Indicates ARR has link to Vaughan Vision, strategy or master plan.

SPECIAL COUNCIL MEETING MINUTES – FEBRUARY 13, 2012

2014 Additional Resource Requests

#	Note 1	Note 2	Department	Description	# of Positions	2014 Net FTE	2014 Budget Change	Cum \$ Net Change	Tax Rate % Incr.	Cum Tax Rate % Incr.
2014 Base Budget Increase									1.52%	1.52%
Impact of 2012-13 ARRs and F&A Items on 2014								58,712	0.04%	1.56%
Budget Impact										
1		✓	HR	HR Specialist, Workplace Health and Safety	1	1.00	120,997	179,709	0.08%	1.63%
2			B&F	Assistant Foreperson	1	1.00	62,687	242,396	0.04%	1.67%
3			Enforcement Services	Property Standards Officer	1	1.00	73,499	315,895	0.05%	1.72%
4			Enforcement Services	Property Standards Officer	1	1.00	73,499	389,394	0.05%	1.76%
5		✓	Parks & Forestry Operations	Community Services Asset Management Coord	1	1.00	106,365	495,759	0.07%	1.83%
6			Parks & Forestry Operations	Emerald Ash Borer (EAB) Tree Removals	-	-	460,000	955,759	0.29%	2.12%
7			Parks & Forestry Operations	Emerald Ash Borer (EAB) Tree Stump Removal	-	-	50,000	1,005,759	0.03%	2.15%
8			Parks & Forestry Operations	Forestry Arborist	1	1.00	69,889	1,075,648	0.04%	2.19%
9		✓	HR	HR Specialist, Absence and Disability Managem	1	1.00	92,420	1,168,068	0.06%	2.25%
10		✓	Fire & Rescue Operations	4 District Chiefs	4	4.00	538,995	1,707,063	0.34%	2.59%
11		✓	Fire & Rescue Operations	4 District Chiefs	4	4.00	538,995	2,246,058	0.34%	2.93%
12		✓	PW - Admin	Operations Review Analyst	1	1.00	94,479	2,340,537	0.06%	2.99%
13		✓	Economic & Business Devel	Business Development Officer - Advanced Good	1	1.00	90,046	2,430,583	0.06%	3.04%
14		✓	Corporate Comm.	Communications Specialist, Website Content M	1	1.00	89,320	2,519,903	0.06%	3.10%
15		✓	Corporate Comm.	Communications Specialist, Client Services	1	1.00	89,320	2,609,223	0.06%	3.15%
16	✓		PW - Roads	Roads Labourer	1	1.00	53,468	2,662,691	0.03%	3.19%
17	✓		PW - Roads	Equipment Operator II - Heavy Equipment Opera	2	2.00	138,559	2,801,250	0.09%	3.28%
18	✓		PW - Roads	Equipment Operator I	2	2.00	136,125	2,937,375	0.09%	3.36%
19			Library	eMarketing & Communications Specialist - Pilot	1	1.00	77,026	3,014,401	0.05%	3.41%
20			Parks & Forestry Operations	Additional GPS Units	-	-	30,000	3,044,401	0.02%	3.43%
21	✓		Parks & Forestry Operations	Temporary Seasonal Employees (2012X2, 2013	1	1.38	63,467	3,107,868	0.04%	3.47%
22		✓	HR	Awards Budget Increase	-	-	15,000	3,122,868	0.01%	3.48%
23			Cultural Services	Diversity & Inclusivity Signage and Communicat	-	-	75,000	3,197,868	0.05%	3.52%
Total of ARRs Recognized by Senior Management Team					27	27.38	3,139,156		1.97%	

Total Tax Increase (1%=\$1,595,524)

2014 Base Budget Increase

Tax Increase due to ARRs Recommended by Senior Management Team and F&A Committee

3.52%

1.52%

2.00%

Note 1: Indicates a minimum requirement.

Note 2: Indicates ARR has link to Vaughan Vision, strategy or master plan.

Relationship to Vaughan Vision 2020

Budgeting is the process to allocate and approve the resources necessary to continue operations and implement Council’s approved plans.

Regional Implications

There are no Regional implications associated with this report.

Conclusion

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. The implementation of multi-year budgets will provide decision makers with added foresight and 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 plan where the City’s future resources should be focused to best support the City and generate public value.

The City has followed a very thorough process to minimize any tax increase while maintaining levels of service and meeting regulatory requirements. Very tight budget guidelines, approved by Council, were issued to all departments limiting increases to established commitments and pre-defined external pressures. In addition to the strict base budget guidelines, a number of additional resource requests were put forward to maintain service levels, comply with regulatory requirements, and implement new initiatives. The Directors’ Working Group, Senior Management, and the Finance and Administration Committee spent a considerable amount of time reviewing the operating base budget and resource requests in order to develop a realistic and responsible financial plan. The resulting outcome of above efforts is illustrated below in the building the budget diagram.

BUILDING THE BUDGET

Components	2012			2013			2014		
	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.	Rate Incr.	\$ (m)	Bill Incr.
Base Budget	1.07%	1.52	12.64	2.84% <i>(see note)</i>	4.27	34.37	1.52% <i>(see note)</i>	2.42	19.37
ARR	1.88%	2.67	22.17	2.32%	3.50	28.18	2.00%	3.20	25.57
Subtotal	2.95%	4.19	34.81	5.16%	7.77	62.55	3.52%	5.62	44.94
Hospital Levy	0.91%	1.29	10.72	0.91%	1.38	11.04	0.00%	-	-
Grand Total	3.86%	5.48	45.53	6.07%	9.15	73.59	3.52%	5.62	44.94

Please note: The 2013 & 2014 base budget rate increase is adjusted down as a result of the inclusion of prior year ARR requests.

Attachments

Attachment: 2012-2014 Consolidated Operating Budget Financial Summary

Report prepared by:

Clayton Harris, CA
City Manager Ext. 8290

Barbara Cribbett, CMA
Commissioner of Finance/City Treasurer Ext. 8475

John Henry, CMA
Director of Budgeting & Financial Planning Ext. 8348

Ursula D'Angelo, CGA
Manager, Operating Budget & Activity Costing Ext 8401

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

**21. MEMBER'S RESOLUTION
CITY OF VAUGHAN WATERCOURSE IDENTIFICATION SIGNAGE-
DON AND HUMBER WATERSHED**

MOVED by Regional Councillor Di Biase
seconded by Councillor Racco

THAT the following Finance and Administration Committee recommendation of February 13, 2012, be approved:

CARRIED

The Finance and Administration Committee, at its meeting of February 13, 2012 (Item 7, Report No. 2) recommended the following:

The Finance and Administration Committee recommends :

- 1) That the recommendation contained in the following resolution submitted by Regional Councillor Di Biase, dated February 13, 2012, be approved; and
- 2) That \$5,120 be added to the 2012 budget and that this resolution be forwarded to the February 13, 2012 Special Council meeting for consideration.

Resolution of Regional Councillor Michael Di Biase, dated February 13, 2012.

Member's Resolution

Submitted by Regional Councillor Michael Di Biase

Whereas, there has been a request to the City of Vaughan by the Toronto and Region Conservation Authority (TRCA) to participate in the Watercourse Identification Signage program that would see watercourse identification signs installed on City and Regional roadways within the Don and Humber Watersheds; and,

Whereas, Region of York Council and Town of Markham Council have approved their own respective participation in the Watercourse Identification Signage program and approved funding to install watercourse signage on all Region of York right of ways and Town of Markham right of way signage; and,

Whereas, the costs of the Don Watershed identification signage has been paid for by TRCA through its fundraising activities; and,

Whereas, the installation costs for the Don Watershed signage is estimated to be \$5,120; and,

Whereas, signing watercourses is good stewardship, heightens awareness of this natural resource

and reinforces the interconnectedness of our natural environment within local communities;

It is therefore recommended that the City of Vaughan participate in the Watercourse Identification Signage program including confirming and developing the names of watercourses for the Don and Humber Watershed located within its municipal boundary; and,

That the City install the Don Watershed signage located within the City's right of ways in 2012; and

That costs to produce and install the 164 Humber Watershed signage be brought forward in the 2013 Budget deliberations; and,

That the Region of York be requested to produce, install and fund the Humber Watershed signage located within its regional right of ways.

Attachments

1. Watercourse Signage Mapping & TRCA Briefing Notes on Program

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

22. BRIDGE REPLACEMENT AT UPLANDS GOLF AND SKI CENTRE – WARD 5

MOVED by Councillor Shefman
seconded by Regional Councillor Rosati

THAT the following Finance and Administration Committee recommendation of February 13, 2012, be approved:

CARRIED

The Finance and Administration Committee, at its meeting of February 13, 2012 (Item 9, Report No. 2) recommended the following:

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Community Services, dated February 13, 2012:

Report of the Commissioner of Community Services, dated February 13, 2012.

Recommendation

The Commissioner of Community Services, in consultation with the Commissioner of Finance/City Treasurer and the Director of Budgeting & Financial Planning, recommends:

1. That the 2012 Capital Budget includes the required bridge replacement works for the pedestrian bridge system located within Uplands Golf and Ski Centre for \$65,000.00 and funded from AMO Federal Gas Tax.
2. That this report be forwarded to the February 13th, 2012 Special Council Meeting for approval and inclusion with the Proposed Capital Budget.

Contribution to Sustainability

This report is consistent with the priorities previously set by Council in the Green Directions Vaughan, Community Sustainability Environmental Master Plan Goal 2, Objective 2.2:

- To develop Vaughan as a City with maximum green space and an urban form that supports our expected population growth.

Economic Impact

The total estimated budget of \$65,000 for the bridge replacement work is to be funded from Federal Gas Tax funding. Proceeding with the above recommendation will require an adjustment to the Proposed 2012 Capital Budget, but will not impact the Proposed 2012 Operating Budget, currently reflecting a 2.95% tax rate increase.

Communications Plan

N/A

Purpose

The purpose of this report is to seek approval to add the pedestrian bridge replacement work at the Uplands Golf and Ski Centre to the 2012 Capital Budget, which will be funded from AMO Federal Gas Tax.

Background - Analysis and Options

Bridges throughout the City are inspected by Engineering Consultants commissioned under Engineering Services and a summary of the recommendations and maintenance needs is established on a priority basis. Engineering Services develops a rehabilitation/replacement plan and schedule for bridges that are typically within the City of Vaughan road right of way. Although, Engineering Services is tasked with inspecting of all bridges owned by the City of Vaughan, the on going maintenance and replacement for parks bridges remains the responsibility of Parks. The inspection reports are developed strictly for use by Parks and Forestry as a tool to monitor this asset class.

Bridge 1014 is located within the Uplands Golf Course and Ski Centre not only provides a crossing for golfers, it forms part of the existing footpath and hiking trail, which is a Class 4 trail facility forming part of the Tertiary System (TS) of the Vaughan Pedestrian and Bicycle Network as per the Pedestrian and Bicycle Master Plan Study. These trails are not only for passive or special uses in the Neighborhood systems, they form an important part of the footpaths and hiking trails in the tertiary system. The bridge system allows trail users an accessible route and is a means of connectivity for the surrounding neighbourhoods.

AECOM's Bridge inspection report was completed in 2010 for Bridge 1014 and was reviewed using the Ontario Structure Inspection Manual (OSIM). During the time of the inspection, no major maintenance or repairs had been identified. The report only noted minor repair/rehabilitation to the existing concrete bridge abutment walls. These repairs had been noted and prioritized for repair/rehabilitation in 1-3 years at an estimated cost of \$6,000.00. The municipal structural report also noted light to moderate corrosion on the floor beams, stringers and bottom cords with no immediate repair and rehabilitation recommended.

During the month of December 2011, it was brought to Parks and Forestry staff's attention that the soffit and floor beams of the bridge has corroded drastically and may require repair works as soon as possible. Parks staff had requested a further review and Engineering Services staff contacted Isaak Finkelsteyn, I&F Engineering, to undertake an immediate review of bridge 1014, located within Uplands Golf and Ski Centre.

Following the inspection of the bridge system, the bridge was deemed unsafe for use due to severe corrosion of the steel elements located under the wood deck and immediately closed for public use. The engineer who inspected the bridge believes that the main reason for corrosion is due to the application of snow melting salt. The current operators at Uplands noted that this trail system was used heavily during the 2010 and 2011 season by hikers and was kept open during the winter season.. In addition, if this bridge is not repaired/replaced, not only will it have an impact on the

revenues received from the golf operations, it may also affect the management agreement with Smirnoff Golf Management Ltd.

In several discussions with the inspection engineer parks staff had developed two options in dealing with the repair or replacement of the bridge system as follows:

Option 1 (Repair):

- Bridge super structure repair = \$24,100.00.
- TRCA permit = \$3,600.00;
- Abutment Patch and Repair = \$6,000.00
- Localized Slope Modification = \$3,500.00
- Associated Engineering Costs = \$5,450.00

Estimated cost for Option 1 = \$42,650.00
+ 10% Construction Contingency = \$4,265.00

Total Estimated Cost for Option 1 = \$ 46,915.00

Estimated timeline for the repair work to be completed based on the inspection engineer's recommendation for repair works is approximately 2 - 3 weeks from date of approval, weather permitting. The estimated life span of the repair work to the bridge is estimated to be +/- 15 years, pending on going care and maintenance of bridge system. The value of the proposed repair works amortized over the estimated life cycle of a repaired bridge is estimated to be \$3,128.00 per year. A winter maintenance schedule will also be developed and provided to the operators of the Uplands facility.

Option 2 (Replacement):

- Manufacturing, delivery and supply of new bridge system = \$ 33,190.00;
- TRCA permit = \$3,600.00;
- Abutment Patch and Repair = \$6,000.00;
- Localized Slope Modification = \$3,500.00; and
- Removal and reinstallation of existing electrical and irrigation conduit, tree pruning, removals, site restoration to accommodate crane and site works = \$12,800.00.

Estimated cost for Option 2 = \$59,090.00
+ 10% Construction Contingency = \$5,910.00

Total Estimated cost for Option 2 = \$65,000.00

Estimated timeline for delivery of new bridge is 4 - 5 weeks from date of approved drawing submission. The installation of new bridge system would take approximately 1 day, weather permitting. The inspection engineer indicated that the useful life cycle for a new bridge system is estimated to be +/- 50 years, pending ongoing care and maintenance of the bridge system. The value of the replacement works amortized over the estimated life cycle of a new bridge system is estimated to be \$1,300.00 per year. Furthermore, the inspection engineer had advised that the approximate life span of the existing concrete abutments is estimated to be approximately +/- 40 years, pending ongoing care and maintenance. Recalculating the cost over the remaining life of the abutments provides an annual amortized cost of \$1,625, which is substantially lower than option 1. Although option 2 requires a larger initial upfront investment, the benefit of a new bridge, extended life and lower annual amortized cost indicates this is the preferred option.

Based on the available options, staff recommends the bridge system be replaced (Option 2) and the total value illustrated below for the removal and replacement of the bridge system be added to the 2012 capital budget and funded through Federal gas tax. In order to ensure that these works are completed in a timely manner, it is recommended that these works be added to the current scope of

work that is being completed to the Uplands Trail systems, under Quote 11-098 to the awarded general contractor.

Recommended Option #2 - Estimated Cost of Bridge Replacement Works	
Item Summary	Estimated Totals
Replacement Cost	\$55,490.00
TRCA Permits	\$3,600.00
Sub-Total	\$59,090.00
Contingency Allowance	\$5,910.00
Sub-Total	\$65,000.00
HST (1.76%) *	Full HST Rebate
Sub-Total	\$65,000.00
Administration Fees (3%) not permitted on Gas Tax Funded Projects	0
Total Cost	\$ 65,000.00

The Uplands Golf and Ski Centre receive a full HST rebate and therefore HST is not included in this summary.

Relationship to Vaughan Vision 2020 / Strategic Plan

In consideration of the strategic priorities related to Vaughan Vision 2020, the project will provide:

- STRATEGIC GOAL:
Service Excellence - Providing service excellence to citizens.
- STRATEGIC OBJECTIVES:
Pursue Excellence in Service Delivery;
Enhance and Ensure Community Safety, Health and Wellness; and,
To deliver high quality services and to promote health and wellness through design and program.

This report is consistent with the priorities previously set by Council.

Regional Implications

N/A

Conclusion

Funding is required in the 2012 Capital Budget to complete the bridge replacement works to the pedestrian bridge system within the Uplands Golf and Ski Centre. The funding source for these works is Federal Gas Tax funding. Including the Capital funding for this bridge replacement will ensure that the golf operations and the public hiking and trail will remain accessible and safe for use and the existing system is maintained. If the bridge repairs/replacement is not completed, it will impact the golf operations as previously noted, but also reduce the revenues received from the golf operations impacting the management agreement with the operators.

Should Council concur with this funding request of \$65,000, the permit submission to TRCA would commence immediately, and this work will be added to an existing contract currently underway at the site to repair and replace pathways and trails to ensure the bridge system is replaced in a timely manner.

Attachments

N/A

Report prepared by:

Martin Tavares, Construction Coordinator, Ext. 8882

23. ADDITIONAL INFORMATION – COMMITTEE MEMBER'S INFORMATION REQUESTS REGARDING ADDITIONAL RESOURCES REQUESTS (ARRS)

MOVED by Councillor Racco
seconded by Councillor Iafrate

THAT the following Finance and Administration Committee recommendation of February 13, 2012, be approved:

CARRIED

The Finance and Administration Committee, at its meeting of February 13, 2012 (Item 10, Report No. 2) recommended the following:

The Finance and Administration Committee recommends:

- 1) That funds for the two (2) Permanent P/T positions in Access Vaughan and an Administrative Co-ordinator position in Human Resources be held in the 2012 budget until the new Commissioner of Corporate and Strategic Services undertakes a review of the positions;
- 2) That this report be forwarded for consideration to the February 13, 2012 Special Council meeting; and
- 3) That the following report of the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, dated February 13, 2012, be received.

Report of the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, dated February 13, 2012.

Recommendation

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

- 1) That the report be received for information and discussion purposes; and
- 2) That any further adjustments by the Finance and Administration Committee be forwarded for consideration to the February 13th, 2012 Special Council Meeting.

Contribution to Sustainability

Sustainability by definition focuses on the ability to maintain a function over a period of time. Responsible budgeting allocates resources in a responsible way to sustain the City's operations and aspirations, balancing both current and future requirements.

Communication Plan

A Special Council meeting is scheduled on February 13th, 2012 at 7:00 pm before budget approval to provide the public with a final opportunity to comment on the City's Budget. This meeting was

advertised in advance and is consistent with the City's public notification by-law.

Following approval of the budget, the appropriate media releases will be distributed per City policy. The media releases will articulate the strong management practices and oversight the City currently has in place to provide residents with value for their property tax dollar.

Economic Impact

The Proposed 2012 Operating Budget currently reflects a 2.95% tax rate increase, approximately \$35 a year for the average home. The economic impact associated with this report is dependent on the direction provided by the Finance and Administration Committee and Council.

Purpose

The purpose of this report is to provide the Finance and Administration Committee with information requested by committee members regarding specific additional resource requests (ARRs).

Background – Analysis and Options

On January 13th, 2012, staff presented a report titled "Final 2012 Draft Operating Budget", which generated discussion regarding the recommended additional resource requests. As a result, Members of the Committee requested additional information regarding specific additional resource requests (ARRs). Since that time, associated Commissioners and Directors have corresponded with the requesting Committee Member to better understand requests in order to prepare responses. Due to the number of requests, responses have been consolidated and addressed within this report. Provided below is a high level list of the ARR's for which additional information was requested:

- *Building Standards - Zoning By-Law Review*
- *Policy Planning - Senior Policy Planner (2 yr contract) OP/OMB*
- *Enforcement Services - Property Standards Officers*
- *Library - Citizen Telephone Survey*
- *Human Resources – All ARRs*
- *Access Vaughan - 2 permanent P/T staff*
- *In addition to the above requests, a deputation was brought forward regarding funding for the Canadian National Bantam Boys Championship. Additional Information regarding this deputation was requested from staff.*

Department responses to the above information requests are included as attachments 1 to 7.

Relationship to Vaughan Vision 2020

Budgeting is the process to allocate and approve the resources necessary to continue operations and implement Council's approved plans.

Regional Implications

There are no Regional implications associated with this report.

Conclusion

This report is provided in response to the Finance and Administration Committee members request for additional information on January 16th, 2012.

Attachments

- Attachment #1: *Building Standards - Zoning By-Law Review*

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- Attachment #2: *Policy Planning - Senior Policy Planner (2 yr contract) OP/OMB*
- Attachment #3: *Enforcement Service - Property Standards Officers*
- Attachment #4: *Library - Citizen Telephone Survey*
- Attachment #5: *Human Resources – All ARRs*
- Attachment #6: *Access Vaughan - 2 permanent P/T staff*
- Attachment #7: *Canadian National Bantam Boys Championship Deputation*

Report prepared by:

Barbara Cribbett, CMA
Commissioner of Finance/City Treasurer Ext. 8475

John Henry, CMA
Director of Budgeting & Financial Planning Ext. 8348

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

24. BY-LAWS

MOVED by Councillor Carella
seconded by Councillor Shefman

THAT the following by-law be enacted:

By-Law Number 13-2012 A By-law to amend By-law Number 396-2002, as amended, to provide for fees and charges by amending Schedules "A", "B", "C", "D", "E", "F", "G", "I", "J", "K", "L", and "M". (User Fees and Charges By-law 396-2002) (Council, January 31, 2012, Item 9, Finance and Administration Committee, Report No. 1)

CARRIED

25. CONFIRMING BY-LAW

MOVED by Regional Councillor Rosati
seconded by Regional Councillor Di Biase

THAT By-law Number 14-2012, being a by-law to confirm the proceedings of Council at its meeting on February 13, 2012, be enacted.

CARRIED

26. ADJOURNMENT

MOVED by Councillor Carella
seconded by Councillor DeFrancesca

THAT the meeting adjourn at 8:22 p.m.

CARRIED

Hon. Maurizio Bevilacqua, Mayor

Jeffrey A. Abrams, City Clerk