

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 1, Report No. 5 of the Special Committee of the Whole (Budget), which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

1 PROPOSED 2005 OPERATING AND CAPITAL BUDGETS

The Special Committee of the Whole (Budget) recommends:

- 1) That the recommendation contained in the following report of the Commissioner of Finance and Corporate Services, dated January 24, 2005, be approved;**
- 2) That the written submission from Ms. Adele Freeman, Director, Watershed Management, Toronto and Region Conservation for the Living City, 5 Shoreham Drive, Downsview, M3N 1S4, dated January 24, 2005, be received, and referred to the next Budget Committee for consideration;**
- 3) That the presentation material submitted entitled, "Proposed 2005 Operating and Capital Budget", be received; and**
- 4) That the following deputations and written submission be received:**
 - a) Mr. Paul De Buono, Vaughan Watch, 9983 Keele Street, Suite 105, Vaughan, L6A 3Y5 and written submission, dated January 24, 2005; and**
 - b) Mr. Roman Ostrovsky, 159 Waterside Crescent, Maple, L6A 1V2.**

Recommendation

The Commissioner of Finance & Corporate Services in consultation with the City Manager recommends:

- 1) That the following report and presentation on the Proposed 2005 Operating and Capital Budgets be received; and
- 2) That the deputations from the public be received and forwarded to the next Budget Committee for consideration.

Purpose

The purpose of the public meeting is to obtain public input and to provide the public with an overview of the Proposed 2005 Operating and Capital Budgets; the major issues the municipality is facing and the impact on a household in Vaughan.

The presentation of the Proposed 2005 Operating and Capital Budgets to the Special Committee of the Whole (Budget) continues the City of Vaughan Council's tradition of obtaining public input into the way in which public funds are spent.

Background - Analysis and Options

Factors Impacting the City's Tax Rate

It is not one or two specific factors that impact the city's budget. There are a variety of factors including increased service contract costs for waste and winter control, increased cost for fire protection, community centres and Libraries, insurance costs, interest rates and increased maintenance costs for an aging infrastructure. These factors are accentuated in high growth municipalities like Vaughan and other municipalities within the GTA. All of these factors are reoccurring in nature and therefore require permanent funding sources so that services to the public are sustainable in the long term.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 1, SPCW(Budget) Report No. 5 – Page 2

In any given year, these factors can exert significant cost pressures on the city's operating budget. The City's Operating Budget is funded from two (2) main sources, taxation and user fees. Taxation represents approximately 52% of the funding and is a stable and permanent source of funding. User fees on the other hand are more susceptible to general economic conditions. In 2005, an \$800,000. increase in costs requires a 1% increase in property taxes.

Assessment Growth Does Not Cover All Cost Increases

Each year there is additional residential, commercial and industrial development in the City generating additional tax revenues. However, these additional tax revenues are offset by additional costs incurred to service that associated growth i.e. additional services and new facilities. These additional costs include waste collection, winter control, fire protection, recreation, parks and library services.

The additional assessment growth revenue does not cover the cost increases for a variety of reasons as cited below for the Committee's reference.

- Without a tax rate increase, new homes and business would be billed at the prior years tax rate. The prior years rate has not taken into account the year over year increase in costs. The tax rate must therefore be adjusted to reflect the updated cost of providing services.
- The development industry, through development charges, has funded the initial capital cost of growth infrastructure such as roads, fire halls, libraries and community centres. Since the original infrastructure was not funded from taxation the funding provision required for the major infrastructure repair and replacement of this growth related infrastructure is not built into the existing tax rate and therefore the tax rate must be increased to fund the repair and replacement as the infrastructure ages.
- A further compounding issue is that services are sometimes put in place prior to all the homes and businesses that will eventually be served, being built. This impact is more pronounced in a high growth municipality where the need to put facilities in place in advance is greater. For example, this can be the case with fire and rescue services.
- Taxation funding, including revenues from increased assessment growth historically represents approximately 55% of municipal funding. Therefore additional funding from user fees or an increase in the tax rate is required to cover the full cost of all services.

Assessment growth revenue alone is insufficient to fund the increased cost of providing services to the residents.

Good Value for Your Property Tax Dollar

The City of Vaughan is also responsible for the billing and collection of the property tax requirements for York Region and the School Boards. Based on 2004 assessment only 22% of your residential property tax bill and only 11% of the commercial/industrial property taxes were retained for City of Vaughan purposes. Conversely 78% of your residential property taxes and 89% of your commercial property taxes are forwarded for York Region and Provincial Education purposes.

With that limited share of the total property taxes remaining in Vaughan, Vaughan has achieved the following:

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 1, SPCW(Budget) Report No. 5 – Page 3

- Providing a wide range of services
- Cumulative tax rate increases below inflation
- Cost Effective Services
- Lowest residential tax rate in the GTA (outside of Toronto)
- Annual Operating Budget Surpluses

Based on the Proposed 2005 Operating Budget, a Vaughan home assessed at \$320,000 would remit \$788 to cover the cost of Vaughan services, including services such as fire protection, waste collection, winter control, libraries and recreation facilities.

Cost Per House Hold for Residential Property Assessed at \$319,970

Major City Services

Fire & Rescue & Emergency Management Services	\$209.24
Public Works	\$134.20
Vaughan Public Libraries	\$83.43
Waste Management	\$81.92
Recreation	\$79.06
Parks Design, Maintenance and Construction	\$75.27
Buildings and Facilities	\$69.63
Corporate Infrastructure Reserve	\$20.75
Corporate and Development	<u>\$34.53</u>
Total	<u>\$788.03</u>

The \$788 in property taxes for all the services provided by the City of Vaughan is comparable to the annual cost of hydro, natural gas and cable tv.

Operating and Capital Budget Highlights

The City's Proposed Operating Budget is approximately \$158.4m (Attachment 1) and the Proposed Capital Budget is \$131.7m (Attachment 2). Inherent in these budgets are cost pressures from growth, inflation, repair and replacement of aging infrastructure and the construction of new infrastructure to service growth.

The Operating Budget highlights are as follows:

- Total Operating Budget of \$158.4m
- \$799,272 equals a 1% tax rate increase
- Assessment Growth 5.32% (2004 4.56%)
- \$2.5M Surplus carried forward from 2004
- \$8.8M from Tax Rate Stabilization Reserve
- \$0.5M from the Planning Reserve
- Planning & Committee of Adjustment Fee Increases – Full cost recovery
- Increased Pesticide Free on Public Lands in all Wards
- Increased Recreation User Fees
- Full Firefighter staffing for Station 7-9
- New Vellore CC Opening
- Full year of new Pierre Berton Resource Library
- Increased Blvd. Interlock Repair
- Increased Gravel Resurfacing

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 1, SPCW(Budget) Report No. 5 – Page 4

The following Capital Budget highlights provide an overview of what is contained in the Capital Budget.

- 119 New Capital Projects
- \$103.8M Increase in New infrastructure
- 27.9M allocated to Repairs, Maintenance and Improvements to existing infrastructure
 - Parks
 - 10.5 Hectares of New Parks
 - Avondale District Park
 - 5 Neighborhood Parks and 2 Parkettes
 - Facilities
 - Dufferin Clark Community Centre Expansion & Outdoor Rink
 - City Hall
 - Construction Fire Hall 7-9
 - Engineering Services
 - 31.7 km of Road Construction
 - 11.3 km of Sidewalks
 - 15.2 km of Streetlights
 - 4.6 km of Watermains

Results of the Proposed 2005 Operating and Capital Budgets

The attached Proposed 2005 Operating Budget includes an net increase in the taxation funding requirement of \$5.5m which equates to a 6.9% average tax rate increase or \$51 for a household in Vaughan assessed at \$320,000. The proposed 6.9% average tax rate increase can be broken down as follows:

	% inc	avg \$ impact
Fire & Rescue Services/Emergency Mgmt	2.3%	\$17.20
Vaughan Public Libraries	0.7%	\$5.33
General Municipal Services	3.9%	\$28.33
Total	6.9%	\$50.86

This breakdown reveals that general municipal services which include snow removal, waste collection, recreation facilities, parks, building and facilities maintenance and administration account for 3.9% of the tax rate increase or approximately \$28 of the \$51 increase. The remainder of the tax rate increase is related to fire protection and libraries and accounts for 3.0% of the tax rate increase or \$27. With this \$51 increase, a \$320,000 home in Vaughan will remit \$788 to cover the cost of services provided by Vaughan.

In addition, included in the Proposed 2005 Operating Budget is the continued utilization of one-time subsidies of \$8.8m from the tax rate stabilization reserve and \$0.5m from the Planning Reserve. This level of reserve funding is not sustainable. This is in addition to the \$2.5 carried forward from the 2004 surplus.

Although other municipalities have not finalized their 2005 Budget deliberations, it is expected that Vaughan will continue to have the lowest residential tax rate in the GTA, outside of Toronto.

The Proposed Capital Budget is \$131.7m, with funding sources of \$24.5m from development charges, \$8.2m from Reserves, taxation funded projects of \$7.3m, long term debt of \$12.7m and the City Hall funding plan \$79.0m.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 1, SPCW(Budget) Report No. 5 – Page 5

Relationship to Vaughan Vision

The Proposed 2005 Operating and Capital Budgets provides the funding for the City to deliver the services to the residents and achieve its strategic objectives.

Conclusion

Following the receipt of public input, the Proposed 2005 Operating and Capital Budgets will be brought forward to the Budget Committee for further deliberations prior to final Council approval.

Attachments

Attachment 1 – Proposed 2005 Operating Budget
Attachment 2 – Proposed 2005 Capital Budget

(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.)

(Please also refer to Item 12, Budget Committee, Report No. 2)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 2, Report No. 5 of the Special Committee of the Whole (Budget), which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.



**2 OPERATING BUDGET 2005 – RECREATION FEE INCREASES
 (ITEM 2, SPECIAL COMMITTEE OF THE WHOLE (BUDGET) JANUARY 18, 2005)**

The Special Committee of the Whole (Budget) recommendation was dealt with and adopted at the Special Council Meeting of January 24, 2005 under Minute No. 18.