CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 1, Report No. 11, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

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1 **2005 OPERATING BUDGET**

The Budget Committee recommends:

1) That the recommendation contained in the following report of the City Manager, the Commissioner of Finance and Corporate Services, the Senior Management Team and the Director of Budgeting and Financial Planning, dated November 2, 2004, be approved;

2) That staff be directed to review and report back on any opportunities relating to the issuance of film permits, including the feasibility of implementing a "per day" charge;

3) That staff be directed to review and report back on opportunities respecting the use of Street Names that are not included in the City's Reserve List of Street Names;

4) That staff be directed to provide a confidential report detailing the monies allocated to Contingency; and

5) That Vaughan Public Library be requested to provide a breakdown of their 2005 budget request in the amount of $9,854,410.

Recommendation

The City Manager, the Commissioner of Finance & Corporate Services and the Senior Management Team and the Director of Budgeting and Financial Planning, recommends:

1) That the following report on the 2004 Operating Budget be received for information purposes; and
2) That the meeting schedule included in the report be approved.

Purpose

To inform the Budget Committee on the current status of the 2005 Operating Budget, highlight issues and obtain input.

Background - Analysis and Options

2005 Operating Budget Process – Revised Guidelines

Across the GTA, municipalities continue to be faced with pressure to increase property taxes. The normal pressures of inflation, resources, contract increases in excess of inflation, etc., are compounded with the significant cost impacts of high growth in municipalities like the City of Vaughan. These significant budget issues coming out of the 2004 budget process continue in 2005 and present major challenges in achieving a balanced budget.

As a result of the budget challenges, staff have taken a more aggressive approach regarding information requirements and the analysis of budget submissions. A list of additional information included in this report is provided below to assist the Budget Committee in their deliberations.

- Further breakdown of departmental expenditures in the budget package.
- Analysis of specific expense lines previously identified by the Budget Committee for scrutiny.

- Commissioners required to submit written rational explaining why the base budget could not be maintained.
- Full-Time Equivalent (FTE) report including incremental analysis.
- Itemization of major new impact increases by specific Expense Category and by Commissioner/Department.
- Detailed Analysis of 90% of User Fees.
- Summary of Expenses by Major Expense Line.
- Revised Budget Process with an approach similar to zero based budgeting.

This additional analysis and scrutiny of budget submissions is described in more detail throughout this report.

Recognizing the continuation of challenges, the budget process and guidelines were revised to incorporate a more comprehensive base budget review similar to a zero-based budgeting approach wherein departments are expected to maintain their 2004 base budget while absorbing any of the previously determined 2005 major new impact increases. Departments that were unable to maintain their 2004 base budget while absorbing any of the major new impacts was required to provide rational in the form of a memo. This information will be part of a future Budget Committee agenda.

Commissioners have submitted their 2005 Operating Budgets. Their submissions represent the minimum funds required to maintain their base existing service levels approved by Council. Some Commissioners indicated they are unable to maintain their 2004 base budget and absorb all of the major new impact increases. In addition, the revised budget process delineated the departmental budget submissions into two major categories as follows:

1) Base Budget Submission

   Departments were instructed to provide a base budget submission that included any of the previously identified major new impact increases they were unable to absorb within their zero based budget review. According to departments, this is the base budget required to maintain the existing service levels. This base budget increase is summarized by Commissioner on the Summary by Commissioner page in the attached document.

   The base budget has been increased to include only the new complement requests required for Vellore and Chancellor Community Centre, new parks, and Fire Station 7-9. Any other new complement and other controllable requests described below would be a further addition to the base budget.

2) Controllable Increase Requests

   i) New Complement Requests
   ii) Strategic Planning Initiative Requests (VV 2007)
   iii) New Initiative Requests
   iv) Other Controllable Requests

Listings of the additional controllable increases referred to above is included in the attached document and are not included in the base budget. These requests require separate approval.

2005 Draft Operating Budget Major New Impact Increases & Summary

The major new impact increases identified in the 2005 budget process are summarized below for the Budget Committee's information. It is evident from the list, that $3.1m in assessment growth (4.57%) is insufficient to cover the cost of these increases.

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Fixed Contract Obligations – Waste, winter, etc.	$1.7m
Vellore CC and expanded CC's – excludes new staff requests	$1.2m
Long Term Debt Repayment	$1.7m
Collective Agreements/By-Laws/Full Year Impact/Progression/etc.	$4.3m
Library Board Approved Budget Increase	$1.2m
Bldg & Fac/Parks Maintenance	$1.9m
Insurance Increase/Great West Life Benefit Increase	$1.0m
Hydro Joint Services Provision	$0.4m
Bill 124-Bldg Permit Budget Impact	$0.2m
Other various major new impacts	$0.4m
Sub-total major new impacts excldg. Controllable requests	$14.0m
Less estimated assessment growth of 4.57%	($3.4m)
Base Budget Increase excluding new full-time complement and other Controllable increase requests	$10.6m
New/Expanded Facilities/Parks/Stn 7-9 new complement	$1.8m
Adjusted Base Budget Including only new complement Requests for New/Expanded Facilities/Parks/Stn7-9	$12.4m
Adjusted Base Budget Tax Rate Increase including only new Complement Requests for New/Expanded Facilities/Parks/Stn7-9	17.5% or $123/avg Household

This impact can be broken down as follows:

Fire & Rescue Services	4.7%	$33.00
New/Expanded Facilities	2.8%	$20.00
Library	1.7%	$12.00
Long Term Debt	2.4%	$17.00
Other City Services	5.9%	$41.00
	17.5%	$123.00

The adjusted base budget increase does not include any of the other new full-time complement requests, and none of the strategic and other initiatives, or any other controllable requests. In addition, the adjusted base budget does not address the continued utilization of one-time funding subsidies from reserves and other sources.

All of these major new impact increases are permanent in nature and require permanent funding sources. The magnitude of the base budget increases and the reasons for their occurrence make clear that assessment growth is insufficient to cover these increases.

The impact above of $123/avg household excludes addressing the issue of utilizing one-time subsidies from reserves and other sources. A total of approximately $12m was used in 2004 to reduce the tax rate impact. It was comprised as follows:

Surplus Carry Forward	$2.5m
Building Permit Reserve	$0.9m
Tax Rate Stabilization Reserve	$2.7m
Hydro Vaughan Excess Working Capital	$5.7m
Total	$11.8m

This level of subsidy is not sustainable.

Factors Impacting the Tax Rate

The City's operating budget is funded from two main sources, user fees and taxation, with taxation making up approximately 55% of the funding. The level of taxation funding is more stable whereas user fees are more susceptible to fluctuations as a result of factors as general economic conditions.

The City's budget can be impacted each year by any combination of the following factors:

1. Inflation and other cost increases (e.g. contracts)
2. Costs to maintain aging infrastructure
3. The impact of servicing new growth
4. Economic slowdown
5. New or enhanced services offered by the City
6. User Fee Revenue not keeping pace with cost increase

In any year, these factors can have a significant impact on operating budget expenditures. To the extent that user fees do not keep pace with cost increases, the legislative requirement to have a balanced budget must be met with property taxes.

Why Assessment Growth Isn't Enough

Historical Analysis

Although the City is experiencing high growth, the cost impacts of servicing that growth exceed the new assessment growth revenue. Over the last few years, the Municipality has experienced assessment growth increases of approximately 5%. In 2004, the assessment growth was 4.56%, the Draft 2005 Operating Budget includes an estimate of 4.57% or approximately $3.5m in additional assessment revenue. This amount is insufficient to cover all of the known major new impact increases summarized later in this report.

In addition, historical analysis indicates that taxation, including assessment growth, accounts for only approximately 55% of the funding source, with the remaining 45% funded from user fees. Therefore, assessment growth, on average, only covers approximately 50% of the cost of servicing that growth.

Development Charges Legislation

The province changed the development charges legislation to require municipalities to cover 10% of the growth related capital costs and for the costs of administrative space and technology. The result is the City must now fund these components from other sources and in a high growth municipality, like Vaughan, these costs are significant when adding facilities at a faster pace.

Facilities Required in Advance of the Full Population to be Serviced

In some instances, it may be prudent to place growth related facilities in advance of the full population to be served. The result is that the operating costs of the new facility are initially collected over a smaller base and therefore the cost to an individual homeowner is greater. This impact is more pronounced in a high growth municipality like Vaughan where the need to put facilities in place in advance is greater.

Facilities With No Significant User Fee Generation

There are facilities built and services provided and incorporated into the operating budget with significant growth related cost increases incurred with little or no additional revenue. Over the past few years, there have been two new fire stations and a new resource library built into the base budget. In the case of fire halls and libraries, with virtually no significant revenue generation, almost all of the funding must then come from taxation.

Assessment Growth Does Not Account for Inflation

Without a tax rate increase, the additional tax dollars generated by additional assessment is determined using last years tax rate. The existing tax rate from last year only reflects last years cost to provide services. It does not take into account inflation and other cost increases or the cost of any new services or changes in existing service levels. Finally, if last years tax rate was not sufficient to fully fund operations on an on-going basis, the shortfall in funding will only increase as the assessment base increases.

Major Infrastructure Repair And Replacement Not In The Tax Rate

The development industry, through development charges, has funded the initial cost of growth infrastructure. This is true for much of the infrastructure in Vaughan. Since the initial funding did not come from property taxes, the funding provision for major repairs and replacement is not reflected in the existing tax rate. The result is that there will be additional pressure on the tax rate to fund these future infrastructure repair and replacements requirements.

2005 Draft Operating Budget Expenditure Overview

To assist the Budget Committee in assessing the impact of reducing expenditures, staff have provided a high level summary of the City's operating expenditures by major expense line. The 2005 Draft Operating Budget high level overview illustrates the difficulty and dilemma in reducing expenditures of any significance without any service level reduction. In addition, in the 2004 Operating Budget staff was directed to reduce expenditures by $10m and many of these reductions were permanent in nature and permanently reduced the base budget. Highlighted below for the Budget Committee's information is the high level overview of expenditures in the 2005 Operating Budget.

Salaries & Benefits(incldg new/exp fac/parks/stn7-9)	$ 85.4m	54.4%
Contracted Services	$ 19.7m	12.6%
Reserves Contributions	$ 8.1m	5.2%
Long Term Debt	$ 4.4m	2.8%
Mtce/Utilities/Mtls	$ 13.6m	8.7%
Capital Projects funded from taxation	$ 6.5m	4.1%
Insurance	$ 2.1m	1.3%
Sub-Total	$139.8m	89.1%

Tax Adjustments	$1.3m	0.8%
Vaughan Hockey Assoc Subsidy	$1.0m	0.6%
Professional Fees	$2.0m	1.3%
Computer Hardware/Software	$1.1m	0.7%
Office Supplies and equipment	$0.5m	0.3%
Other(incldg Library increase of $1.2m)	$11.2m	7.2%
Sub-Total	$17.1m	10.9%
Total Draft 2005 Expenditures (incldg new/exp fac/parks/stn7-9)	$156.9m	100.0%

The above overview illustrates that approximately 89% of the expenditures in the 2005 Draft Operating Budget are committed or cannot be readily reduced without impacting service levels.

Included in Attachment 1 is a preliminary Full-Time Equivalent report comparing the 2005 Budgeted FTE's to the 2004 Budget. An analysis of the increase in FTE's is also provided in Attachment 1. It indicates an increase of 25.9 FTE's primarily due to the full year impact of prior approvals, part-time staff increase for new Parks and Recreation program staff offset by revenue. The FTE report is not yet finalized with some further position details and verification required.

In addition, staff have provided a summary of the specific expense items identified by the Budget Committee in the past for scrutiny. Provided below for the Budget Committee's information is a summary of the specific expense lines excluding the Library.

	2005 Draft Budget	2004 Budget	Variance
Advertising	$362,800	$388,745	$(25,945)
Computer hdw/soft	931,385	940,380	(8,995)
Cellular	164,984	227,694	(62,710)
Office Equipment	155,250	207,490	(52,240)
Office Supplies	241,141	253,126	(10,985)
Overtime	991,460	725,510	265,950
Part time	8,198,368	7,769,698	428,670
Professional fees	1,741,800	1,929,420	(187,620)
Total Excldg. Library	$12,788,188	$12,442,063	$346,125

With the exception of overtime and part-time costs the other expenses lines analyzed are below the 2004 budget. The increase in overtime is primarily attributable to a $185k increase in building standards to assist in addressing the anticipated 30% increase in permit activity and $80k in Fire to address the full staffing per shift due to absences. The increase in part time is primarily attributable to a $450k increase in Recreation programs which is offset by revenue.

Therefore, excluding the overtime for building permits and fire and part time recreational program staff offset by revenue, staff have reduced the overall amount of these specifically identified expense items in the Draft 2005 Operating Budget.

2005 Draft Operating Budget User Fees/Service Charges Revenue Overview

As mentioned earlier in this report, to the extent that user fess and service charges do not keep pace with increased costs, the burden to balance the budget must be met through taxation. To assist the Budget Committee in their deliberations, staff provide below an overview of the areas that represent the great majority of the total user fees and service charges revenue incorporated into the 2005 Draft Operating Budget. 90% of the user fees and service charges revenues in the 2005 Draft Operating Budget reside within the following areas:

• Planning	$1.1m
• Building Permits	$10.0m
• Licensing	$0.7m
• By-Law	$2.0m
• Recreation	$11.9m
	$25.7m

Building Permits/Planning (Development Application Approval Process, DAAP) Revenue

The impact of Bill 124, the Building Code Statute Law Amendment Act, 2002, comes into effect July 1, 2005. Bill 124 imposes requirements on municipalities in establishing fees under the Act, in that the “fee… must not exceed the anticipated reasonable cost…” of providing the service, i.e. building permit issuance. Since the Act does not specify direct costs, it is reasonable to include all indirect costs including costs related to future compliance requirements and reserve fund contributions. Similar to Bill 124, the Planning Act requires regard for the anticipated costs of providing the service. This suggests that indirect costs can also be included when substantiating planning fees.

Finance initiated an activity costing study early in 2004 to respond to Bill 124. The recommendations are being finalized and a complete detailing of the user fee justification study of the DAAP relating to Building Permits and Planning Fees will be the subject of a future report. The report will include options relating to an approved cost recovery percentage for Planning and Building Permit fees. The initial results indicate that Building Permit fees will be reduced to meet the cost recovery mandate, however there is an opportunity to increase planning fees which may more than affect the reduction in Building Permit revenue.

Included in the Draft 2005 Operating Budget and based on the 2004 study is the impact of Bill 124 in building permit revenue:

	2005 Draft Budget
Bldg Permit Revenue Before Bill 124	$12.9m
Bldg Permit Total Cost	$ 7.4m(est)
Revenue in Excess of Costs	$ 5.5m
50% 2005 Impact (Bill 124 effective July 1, 2005)	$2.75m (difference between revenue and cost in 2nd half of 2005)

The estimated impact on the 2005 operating budget as a result of Bill 124 is $2.75m.

In relation to Planning, total planning costs actually exceed revenue by approximately $4m, thereby providing an opportunity to increase Planning fees to offset the impact of Bill 124, with the possibility of raising further revenue and still be in compliance with the Act. Again, the discussion surrounding the appropriate percentage of recovery in the development application approval process (DAAP) will be the subject of a further report.

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Licensing

Section 150 of the New Municipal Act imposes limitations on the fees that can be charged such that"The total amount of the fees…shall not exceed the costs directly related …". This implies certain indirect costs are not allowed to be included in substantiating the licensing fee. The user fee justification and activity costing on the licensing fees is almost complete and full reporting of the new fees is the subject of an upcoming working session. It is anticipated that the outcome of the licensing fee justification analysis will result in almost the same amount of overall revenue. The 2005 Draft Operating Budget reflects this anticipated revenue neutral impact.

By-Law Revenue

The Draft 2005 Operating Budget reflects a $107k reduction in By-Law revenue compared to the 2004 Operating Budget. The rationale behind the revenue projection is included in the previously mentioned requirement of departments substantiating in a memo why they could not maintain the 2004 base budget. These memos will form part of a future Budget Committee agenda.

Recreation

The Recreation program represents the greatest amount of user fees due to the volume of programs and activities that charge a fee and amounts to approximately 43% of the total user fee revenue in the 2005 Draft Operating Budget. To assist the Budget Committee in their deliberations and in understanding the Recreation revenue, Finance staff worked with Recreation staff to provide an overview of the direct recovery ratio for the main areas of the Recreation department.

Recreation Direct Revenue/Cost Recovery Analysis (% Direct Recovery)

	2005 Draft Budget (*)	2004 Budget (*)	Variance
Aquatics	67.9%	69.9%	(2.0%)
Fitness Centres	88.9%	82.2%	6.7%
General Programs	58.6%	63.0%	(4.4%)
Camps	96.5%	99.2%	(2.7%)
Permitting	187.1%	185.5%	1.6%
City Playhouse	85.8%	83.4%	2.4%
Other	98.5%	89.0%	9.5%
Total Recreation	87.7%	88.6%	(0.9%)

(*) Administration costs are allocated based on estimates provided by Recreation

The overall net increase to the department's budget is approximately $104,000. Facing the department in the 2005 operating budget are such issues as Vellore and Chancellor, PT union and insurance increases and a portion of the cost of the reorganization.

Staff have been conducting a review on the numbers noted in the direct recovery chart as well as the overall dollar increase with a goal of reducing the variance through a review of user fees and operating efficiencies. Further refinement to the budget will result in favorable adjustments to the recovery ratios and this will be the subject of a future Budget Committee report.

As a result of the reorganization staff resources will be realigned to deliver additional revenue generating programs. This coupled with the addition of a Business Analyst position, along with the completion of the user fee and master plan projects will enable staff to further refine current business practices.

Budget Committee Tentative Meeting Schedule

November 9, 2004 @ 2:00 pm
November 16, 2004 @ 2:00 pm
November 23, 2004 @ 2:00 pm
No meeting has been scheduled on November 30 due to Council/SMT Retreat
December 7, 2004 @ 2:00 pm
December 14, 2004 @ 2:00 pm

Next Steps in the Budget Process

- Further Budget Committee deliberations
- Review of new complement and other controllable requests to be incorporated
- Report on Building Permit and Planning fees
- Report on Licensing Fees
- Public Consultation

Relationship to Vaughan Vision 2007

The objective of the operating budget report is to allocate the necessary resources and obtain Council approval.

Conclusion

The purpose of this meeting of the Budget Committee is to provide Members of the Budget Committee with an overview and analysis of the 2005 operating budget. Additional analysis has been provided to assist the Committee in addressing the 2005 challenges.

Attachments

Attachment 1 – 2005 Draft Operating Budget, Revenue and Expenditure Summary

Report prepared by:

John Hrajnik, CMA, ext. 8401
Director of Budgeting and Financial Planning

(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 Items 6, 9, and 12, Budget Committee, Report No. 13)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 2, Report No. 11, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

2 2004 SECOND QUARTER REPORT

The Budget Committee recommends approval of the recommendation contained in the following report of the City Manager and the Commissioner of Finance and Corporate Services, the Senior Management Team and the Director of Budgeting and Financial Planning, dated November 2, 2004:

Recommendation

The City Manager and the Commissioner of Finance & Corporate Services, the Senior Management Team and the Director of Budgeting and Financial Planning recommends:

That the 2004 Second Quarter Variance Report be received for information purposes.

Purpose

To report the year-to-date results versus the operating budget as of June 30, 2004.

Background - Analysis and Options

The attached second quarter variance report compares the current status of both departmental and corporate expenses and revenues for the six-month period ending June 30, 2004, relative to the 2004 year-to-date operating budget. The year-to-date operating budget is calendarized based primarily on the spending patterns of last year. This variance report is prepared on a partial accrual basis; only major revenue streams or expenditures not booked, but incurred to date, have been accrued.

The combined excess of revenues over expenses, (balances transferred to reserves as per policy), is not directly indicative of the final year-end surplus; it measures the excess at a point in time and may be eroded due to unforeseen events such as winter storms in the latter part of the year, an economic downturn, or a delay in the expenses to the last half of the year.

Second Quarter Ahead of Budget

At the end of the second quarter, the excess of revenues over expenses is $0.8m. This result is comprised of revenues being $0.2m ahead of budget and expenses that are below budget by $0.6m. The $0.8m represents a 0.6% positive variance from the annual operating budget and the main areas that attribute to the positive variance are summarized below.

		$M's	
Revenues			
Reserves Contributions		(0.4)	
Payments in Lieu (PIL's)			(0.3)
Fees & Service Charges:			
By-Law Enforcement	(0.4)		
Community Planning and Policy	0.7		
Recreation	0.4		
Other	0.6	1.3	
Corporate Revenues		(0.4)	
Total		0.2	

Expenses		
Departmental Expenses:		
Fire	0.5	
Recreation	0.4	
Public Works	(0.2)	
Libraries	0.4	
Other	0.6	1.7
Corporate Expenses (savings realized in departments)		(1.1)
Total		0.6
Year-To-Date Excess of Revenue over Expenses		$0.8M

The City's Operating Budget is $141,093,990. The $0.8M represents a variance of 0.6%.

The following variance explanations for revenues and expenditures variances were received from each Commissioner for their respective areas of responsibility.

City Manager

Expenditures:

The most significant second quarter variance under City Manager is with Fire and Rescue Service, which is $464k favourable and is due mainly to salary gapping as a result of the timing with respect to filling vacant positions.

Commissioner of Finance & Corporate Services

Expenditures:

Purchasing and City Financial Services second quarter variances are $33k favourable and $25k favourable respectively primarily related to salary and benefits savings as a result of timing in the hiring of vacancies.

Operational Audit

Expenditures:

Operational Audit is favourable by $49k due to the timing of hiring for this vacant position.

Commissioner of Legal and Administrative Services

Revenues:

Clerk's unfavourable $(6)k

Revenues projected in the 2004 budget are estimates based on previous year's figures for the provision of services such as document commissioning and certification, copies of Official Plan Amendments, Subdivision Agreements, Subdivision Releases, by-laws, tapes of Committee/Council meetings, issuance of burial permits, freedom of information requests, etc. Unfavourable variance is due to a general reduction of requests received from the public for such services. It is difficult to predict whether there will be an increase in requests over the next few months.

Committee of Adjustment unfavourable $(19)k

Revenue projected in the 2004 budget is an estimate based on previous year's figures for severance and variance applications. Revenue is based on the applications made by the public. It is difficult to predict whether there will be an increase in applications over the next few months.

Licensing unfavourable $(50)k

Monies for various license categories were placed in deferred accounts. A total of $93k will be transferred from the deferred accounts to the appropriate licensing revenue account. This adjustment will result in a favourable variance of approximately $43k.

Enforcement Services unfavourable $(393)k

The Enforcement Services year-to-date billed amount for 22,865 written tickets is $845k. Payment received thus far is $717k. Other fine revenue is approximately $125k, including licensing. Also outstanding is $1.2m in fines that the Enforcement Services Department is trying to collect through several avenues.

The City is at the whim of the courts as to when the Municipality receives fine revenue. The City recently received a cheque for $203k and has deposited same. During the summer months, it is a slower time for revenue, but it is found that revenue picks up in the fall. It is expected that Enforcement Services will meet the revenue projections for 2004.

Expenditures

Human Resources unfavourable $(33)k

The Crossing Guard Budget was calendarized such that the savings that were to be realized $115k were spread out over the 12 reporting periods. The actual savings for the Crossing Guard Budget, as outlined in the original submissions, are not seen until Q3 and Q4 (September – December). It is expected that this issue will sort itself out however, this will not likely happen until Q4.

Legal Services unfavourable $(33)k

Professional fees are used as required by Council and Legal Services. Also, Law Society fees are paid for each lawyer at the beginning of each year for the entire year, as required by the Law Society. Accordingly, calendarization is not applicable, and is therefore not unfavourable.

Commissioner of Community Services

Revenues:

Recreation favourable $436k

The summer camp revenue for the first session of the summer was earned in the last week of June while the associated expenses will come in July. The 3rd quarter will include the offsetting expenses and this favourable variance should therefore be eliminated.

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Expenditures

Recreation favourable $351k

The primary reason for this favourable variance is due to gapping. As an example, savings as a result of unfilled Full Time positions amounts to approximately $100k. Other savings as of June 30th are in the areas of Part Time salaries, equipment, contractor and contract materials that may be offset in the next quarter.

Commissioner of Planning

Revenues:

Building Standards Service Charges unfavourable $(51)k and Plumbing Permits unfavourable $(33)k

The Operating Budget as of June 30th identifies a revenue of $27k for service charges (lawyers letter fees) as compared to a target value of $78k. The volume of letters has been declining and will likely continue as more lawyers rely on “title insurance”. The variance will correct to some extent over the next six months as summer and fall closings are reflected in the year-end data. With respect to plumbing permits, the unfavourable variance is expected to correct by year-end.

Community Planning favourable $691k

The significant increased revenues is related to the significant increase in development activity experienced by the department in the first half of the year (i.e. application fees). By the end of the year we anticipate a quite favourable increase in revenue to offset any increase in expenditures.

Expenditures:

Community Planning unfavourable $(4)k

The Operating Budget as of June 30/04 for the Community Planning department identifies an increase in expenditures of $(4)k that can be attributable to the increase in the Professional Fees Business Unit. This increase is related to the significant increase in development activity experienced by the department in the first half of the year.

Commissioner of Economic and Technology Development and Corporate Communications

Revenues:

Economic & Technology Development unfavourable $(3)k

The unfavourable revenue variance of $(3)k is caused by the lack of sponsorship funding of marketing revenues for the radio ad and Business Newsletter. We do not anticipate the variance to be rectified by year end.

Corporate Communications favourable $54k

The favourable revenue variance of $54k was a result of additional revenue raised through sponsorship support.

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Expenditures:

Office of the Commissioner of ETD & Corporate Communications unfavourable $(7)k

An unfavourable variance of $(7)k is reported in expenditures in such areas as Business Development, Seminars and Transportation. The increase in activities and costs have contributed to an over-expenditure in the allocated 2004 budget. (i.e. attendance to seminars/workshops relating to Smart Vaughan Portal, as well as an increase in business development and Council related meetings. The variance is expected to be offset by the fiscal year end.

Corporate Communications unfavourable $(29)k

Expenditures by the Corporate Communications Department for the six months ending June 30, 2004, have exceeded the allocated budget by $(29)k due to the higher cost of producing expanded City events. However, these expenses will be offset by additional revenue raised through sponsorship support and the Department will be within budget at the fiscal year end.

Commissioner of Engineering and Public Works

Revenues:

Engineering Services favourable $243k

Revenue for service connections (water, sanitary, storm), curb cuts and street light relocation was $243k higher in the first half of 2004 than anticipated. This revenue reflects the high level of redevelopment activity requiring new service connections. It is anticipated that this activity will continue for the balance of the year and revenue may be slightly above that projected for year-end.

Expenditures

Winter Control unfavourable $(357)k

During the January to March 2004 winter operations period, we experienced an unusually high number of weather events requiring salt applications to the City's roadways. As a result of this increased salt use, expenditure was significantly higher than projected for this period. We will be refilling the City's salt domes this Fall in preparation for the upcoming winter. The associated expenditure will be charged to the 2004 Budget and we expect the unfavourable variance to stand at year-end.

Waste Management unfavourable $(107)k

Waste management is unfavourable $(107)k primarily as a result of the decision not to accrue for about $150k at the end of 2003 due to the late timing on the discovery of the issue. Accordingly, the charge went through in 2004 and will result in an unfavourable variance at year end.

Corporate Revenues

Corporate revenues for the first six months of 2004 are unfavourable by $(465)k primarily due to investment income, which is unfavourable by $(421)k. This is a result of lower than anticipated returns and a lower allocation of interest to operating funds of interest versus reserve fund balances.

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Corporate Expenses

Corporate expenses are unfavourable in two areas, OMB professional fees of $81k and unallocated savings in salaries, benefits and the GST rebate of $1m. The unfavourable variance in OMB professional fees will be corrected since $80k of legal bills pertaining to OPA 600 for the Pine Valley link will be transferred to capital accounts. The unfavourble variance of $1m in unallocated savings is offset and realized in the departmental budgets and form a significant part of why the departmental budgets are favourable on a year to date basis.

Payments in Lieu (PIL's)

The PIL's are unfavourable at the end of the second quarter as a result of timing compared to the year-to-date calendarized budget and it is anticipated that the current unfavourable variance of $283k will come in line with the budget by year-end.

Revenues from Reserves

Revenues from Reserves of $1.7m are $(0.4)m lower than budget due to the actual spending levels being lower than budgeted. This in turn, reduces the required reserve transfer.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Conclusion

Based on the year-to-date budget for the Second Quarter of 2004, the excess of revenue over expenditures is $0.8m. This excess is a point in time measure and may not be indicative of any potential actual year-end excess. In addition, over the past few years the operating budget has relied on prior year's surplus of $2.5m to assist in balancing the budget. It is unclear at this time if $2.5m will be available in the 2004 year-end surplus to be utilized in the 2005 Operating Budget.

Attachments

Attachment 1 – 2004 Second Quarter Variance Report

Report prepared by:

John Hrajnik, CMA
Director of Budgeting and Financial Planning, 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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 14, 2005

Item 3, Report No. 11, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 14, 2005.

3 CITY OF VAUGHAN CAPITAL PROJECT WORK PLAN – SECOND QUARTER

The Budget Committee recommends:

1) **That the recommendation contained in the following report of the Director of Reserves and Investments, dated November 2, 2004, be approved;**

2) **That staff be directed to provide the Capital Project Work Plan once a year during the budget process, and further that staff explore opportunities to provide the information on the intranet; and**

3) **That staff provide a condensed summary of projects that extend beyond the projected timeframes and include any applicable budget implications.**

Recommendation

The Director of Reserves & Investments in consultation with the Commissioner of Finance & Corporate Services recommends:

That this report be received for information purposes.

Purpose

The purpose of this report is to provide Council with an updated capital work plan for all currently approved and active capital projects.

Background - Analysis and Options

The attached summary and related departmental work plan status schedules were compiled to provide updated information on the capital work plan by department as of June 30, 2004. For each project within each department, the work plan is represented by a solid bar and the hatched bar provides for status progress as of June 30, 2004. The departmental work plan summaries provide the status of each capital work plan using a percentage completion calculation. This calculation is based on the number of weeks of work scheduled (that is, the estimated number of weeks required to complete the project). The percentage completion is shown to the right of each solid status line.

Attachment 1 provides a summary of approved outstanding capital projects by department. As of June 30th, 2004, there are 270 approved capital projects with a total funding requirement of $114 million outstanding. Included in this total are the 120 capital projects valued at $77.6 million approved by Council May 25, 2004.

The capital project work plan summary and departmental summaries for this second quarter were finalized and reviewed with respective Managers, Directors and/or Commissioners.

Relationship of Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Conclusion

The information is as accurate as possible at this time. These capital work plans are continuously updated and the next report effective September 30, 2004 will be available by the end of November 2004.

Attachments

Attachment 1 – Summary of Outstanding Capital Funding by Department
Attachment 2 – Capital Project Work Plan

(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.)