

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 7, 2007

Item 1, Report No. 5, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on May 7, 2007.

1 BUDGET FORUM RESULTS

The Budget Committee recommends:

- 1) That Clause 1 of the recommendation contained in the following report of the City Manager and the Commissioner of Finance & Corporate Services, dated April 23, 2007, be approved; and**
- 2) That the deputation of Ms. Deb Schulte, 76 Mira Vista Place, Woodbridge, L4H 1K8, be received.**

Recommendation

The City Manager and the Commissioner of Finance & Corporate Services recommend:

- 1) That the following report be received for discussion purposes; and
- 2) That the Budget Committee provide further direction as necessary.

Economic Impact

There are no direct implications of this report.

Communications Plan

Corporate Communications will be issuing a press release regarding the City's efforts to go into the community to increase public input on the 2007 budget and the results.

Purpose

The purpose of this report is to consolidate the input received from the three (3) public Budget Forums and staffs comments for the benefit of the members of the Budget Committee

Background – Analysis & Options

At the February 5, 2007 Committee of the Whole meeting Mayor Jackson introduced an item with respect to obtaining public consultation into the 2007 budget process. Previously as part of the City's budget process a series of public Budget Committee meetings have been held at the Civic Centre. This year the objective of the three (3) Budget Forums was to engage the public, in the community, rather than at the Civic Centre. The three (3) locations were the Al Palladini Community Centre, Garnet A. Williams Community Centre and the Civic Centre. Each of the forums were held in the evening.

To achieve the maximum benefit from the forums the objectives were two-fold as follows:

1. Educate and inform the public; and
2. Solicit input from the public.

In addition to the City, the York Region Separate and Catholic Schools Boards and the Region of York were invited to attend.

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Although the Forums were generally open to all input from the public the intent was to get feedback with respect to the services provided by the City and whether or not residents believe they are getting value for their property tax dollar. Three (3) questions were posed to the audience:

1. Are we providing the right **local** services?
2. Are **local** services provided at the appropriate level?
3. Are you getting value for your **local** property tax dollar?

Generally the forums were well attended and helpful feedback was received. As a general overview residents did not express any concern with the overall services provided or the administration of the City. The comments tended to relate to very specific issues or projects. The comments are summarized in Attachment 1. Included with the public input are staff comments where appropriate.

Relationship to Vaughan Vision 2007

The process of obtaining public input into the budget process is critical. The budget process is where Council allocates resources and establishes priorities to achieve its vision.

Regional Implications

There are no regional implications as a result of this report.

Conclusion

The report on the outcome of the forums should be received for discussion purposes.

Attachments

Attachment 1 – Budget Forum Comments

Report prepared by:

Clayton Harris
Commissioner of Finance & Corporate Services
Ext. 8475

(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.)

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Item 2, Report No. 5, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on May 7, 2007.

**2 ART DRIVE, RUSHWORTH CRESCENT AND CARDISH STREET
REPAVING OPPORTUNITIES**

(Referred from the Budget Committee meeting of April 17, 2007)

The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioner of Engineering and Public Works, dated April 17, 2007:

The Budget Committee, at its meeting of April 17, 2007, recommended the following:

That this matter be referred to the next Budget Committee meeting.

Report of the Commissioner of Engineering and Public Works dated April 17, 2007

Recommendation

The Commissioner of Engineering and Public Works recommends:

That this report be received for information.

Economic Impact

The costs associated with road improvements on any of the three streets under review would be brought forward for Capital Budget consideration in the specific year the improvement(s) are recommended.

Communications Plan

Area residents have provided a petition with respect to road conditions through the Local Councillor for staff to investigate. Council's decision on the matter can be conveyed back to the area residents through the Local Councillor's office.

Purpose

At the Budget Committee Meeting of March 19, 2007, under Item 1, Report No. 3, staff were directed as follows:

- “a) That staff review opportunities for repaving streets in the Historic Kleinburg area, including Art Drive, Rushworth Crescent and Cardish Street; and**
- b) That the petition submitted by Councillor Meffe, be received.”**

Background - Analysis and Options

At the Budget Committee Meeting of March 19, 2007, questions were asked as to the timing and type of road improvements for the subject streets in the Kleinburg Community. (See Attachment No. 1). A petition was also submitted by local residents indicating their displeasure with the state of the roads. (See Attachment No. 2).

The Pavement Management System (PMS), developed by Engineering Services and approved by Council, established a level of service by assigning a pavement condition index rating number

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to all streets within the municipality. The network average Level of Service is presently established at a PCI of 70/100. The PMS tool indicates that all three streets are in the very good to excellent rating, with PCI's ranging from 77 to 86.

Specifically, no road improvements are planned for either Rushworth Crescent or Cardish Street within the five year forecast period (2007-2011). Art Drive on the other hand, is recommended for a surface treatment in 2010. All three streets were last 'road-toured' in 2005 and will next be reinspected in 2008 based on our three-year City-wide inspection cycle. Staff will review the results at that time and adjust the Capital Roads program accordingly should the findings indicate so.

Relationship to Vaughan Vision 2007

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

Regional Implications

Nil.

Conclusion

Based on the findings of PMS and review by Engineering Services staff, road improvement for Art Drive, Cardish Street and Rushworth Crescent are not indicated until at least year 2010, and then only on Art Drive.

Attachments

1. Location Map
2. Residents' Petition

Report prepared by:

Gary P. Carroll, P. Eng., Director of Engineering Services, ext. 3101

GPC:mc

(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.)

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Item 3, Report No. 5, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on May 7, 2007.

3 BLOCK 10 COMMUNITY CENTRE FUNDING

The Budget Committee recommends:

- 1) That the budget in the amount of \$25,974,500 be approved for the construction of the Block 10 Community Centre;**
- 2) That all recreation development charges on hand and to be collected be allocated to fund the construction until the necessary funds (\$23,377,050) have been collected;**
- 3) That the balance of the taxation funding, in the amount of \$1,097,450 be committed from the 2008 operating budget;**
- 4) That the balance of the development charges funds in the amount of \$8,527,000 be collected over the balance of 2007; and**
- 5) That the report of the Commissioner of Finance & Corporate Services, dated April 23, 2007, be received.**

Recommendation

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

That the following report be received for information purposes.

Economic Impact

Fully funding the construction of the Block 10 community centre in 2007 will require an additional \$9,624,450 in funding. This amount would be funded from a combination of DC's \$8,527,000 and taxation \$1,097,450. In addition, if the facility is advanced one year then the operating costs of the facility would also be advanced. Annual operating costs are approximately \$1,250,000.

Communications Plan

Not applicable to this item.

Purpose

The purpose of this report is to respond to the following request from the Budget Committee "staff to review and report back on opportunities for funding the construction of a community centre in Block 10 in 2007".

Background – Analysis and Options

The construction of the North Thornhill Community Centre located in Block 10 (Project BF-8114-07) was scheduled initially for construction over 2004/05 based on the growth forecast in the Development Charge Background Study. It is the next indoor recreation facility to be constructed based on the capital plan in the DC Background Study. Total cost of the project is \$25,974,500 (City Wide Development Charges – Recreation \$23,377,050 and Taxation \$2,597,450). The community centre design funds were approved in 2003. As of December 31, 2006 the uncommitted net balance in the City Wide Development Charges – Recreation account is \$15,544,862.

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The Council policy is that the funds must be on hand prior to a project proceeding. As at the end of 2006, 64% of the DC funds were on hand and the corresponding taxation component is included in the proposed 2007 capital budget. The two sources of funding are DC's and taxation. No other funding sources have been identified.

Previously staff had indicated that in all likelihood, if development continues at the same pace, the balance of the DC revenue required would be collected in 2007. Council policy requires that the funding be on hand prior to approving a project.

Notwithstanding Council policy, for construction to commence in 2007 Council could look at the timing of the cash flow requirements of the project. Consideration could be given to construction commencing in 2007 if cash flows are received within the year, since 64% of the DC funds are collected and the corresponding taxation funding has also been provided for in the 2007 budget. Since the balance of the DC funds (\$8,527,000) is expected to be collected over the balance of 2007, Council would need to commit 2008 taxation funds (\$1,097,450).

Should Council wish to proceed with construction in 2007 the following motion is recommended:

"That the budget in the amount of \$25,974,500 be approved for the construction of the Block 10 Community Centre;

That all recreation development charges on hand and to be collected be allocated to fund the construction until the necessary funds (\$23,377,050) have been collected; and

That the balance of the taxation funding, in the amount of \$1,097,450 be committed from the 2008 operating budget."

The above report and commentary does not include construction of the park next to the community centre.

Relationship to Vaughan Vision 2007

This report is part of the capital budget process that assigns resources to achieve Council's priorities.

Regional Implications

There are none as a result of this report.

Conclusion

Staff recommends that the report be received for information purposes.

Attachments

None

Report prepared by:

Clayton Harris, ext. 8475
Commissioner of Finance & Corporate Services

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Item 4, Report No. 5, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on May 7, 2007.

4 PEDESTRIAN AND BICYCLE MASTER PLAN

The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioners of Engineering & Public Works, Community Services and Finance & Corporate Services, dated April 23, 2007:

Recommendation

The Commissioners of Engineering & Public Works, Community Services, and Finance & Corporate Services, in consultation with the Commissioner of Planning recommend:

1. That the Commissioners of Engineering & Public Works, Community Services, and Finance & Corporate Services, in consultation with the Commissioner of Planning, will jointly prepare a work program and undertake the associated work;
2. That a report with recommendations be brought forward to the last Committee of the Whole meeting in May 2008; and
3. That a bicycle to parking spot ratio be examined as part of the City-wide Parking Standards Review proposed to be undertaken in 2007 by the Commissioner of Planning.

Economic Impact

Not applicable.

Communications Plan

Not applicable.

Purpose

The purpose of this report is to respond to a direction from Council that staff provide a further report to the Budget Committee addressing Members of Council's comments with regard to next steps for implementing the Pedestrian and Bicycle Master Plan.

Background - Analysis and Options

At the Committee of the Whole (Working Session) on March 20, 2007 Council adopted the recommendation contained within the Pedestrian and Bicycle Master Plan report; as outlined in Attachment 1 – Council Extract. Council directed that Clause 4 be referred to the Budget Committee and that staff provide a further report addressing Members of Council's comments. Clause 4 recommended:

“That an amount not to exceed \$35,000 be added to the 2007 Capital Budget to undertake this additional work and that this request be referred to the Budget Committee for consideration;”

The additional work referred to in Clause 4 was to prioritize programs and facilities and to develop a detailed review of the cost estimates and funding sources associated with implementing the proposed programs and required infrastructure improvements. Council further directed that:

- “3) That development charges funding opportunities be identified;**

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- 4) That funding opportunities from other sources be identified and aggressively pursued;
- 5) That the economic aspect and any such modifications to the plan be directly related to the funding;
- 6) That staff provide a report on the feasibility of establishing a Pedestrian and Bicycle Master Plan committee;
- 7) That staff bring forward recommendations to the last meeting in May 2007 regarding related initiatives that can be implemented in the short term, including bicycle to parking spot ratio, integration to existing and future transit facilities, mapping of City facilities illustrating a connecting network of routes and traffic calming measures in subdivisions;”

Council also expressed concern regarding the hiring of a consultant to undertake the work and suggested that the work be done by City staff. This has been reviewed with the City Manager in consultation with the Commissioners of Engineering & Public Works, Community Services, Finance & Corporate Services and Planning and it has been concluded that the work could be undertaken by staff.

However, due to the current staff commitments it will take longer for staff to complete this work. Therefore, it is recommended that a more reasonable timeframe for completion of all the work would be May 2008, thereby allowing staff to undertake the necessary analysis during the winter months. Further, it is recommended that a bicycle to parking spot ratio be looked at in the City-wide Parking Standards Review, proposed to be undertaken by the Planning Department in 2007.

Relationship to Vaughan Vision 2007

The approval of the Pedestrian and Bicycle Master Plan and Technical Appendix is consistent with Vaughan Vision 2007. Specifically, Section 3.2.5 of Vaughan Vision 2007 states it is the City's intention to “Develop and implement bicycle and pedestrian networks.”

This report is consistent with policies previously established by Council. Additional resources will be required to be allocated in order to implement the Plan to its fullest potential.

Regional Implications

The Region is currently undertaking a region wide Pedestrian and Cycling Master Plan Study. The Region's Plan considers and recommends routes and facilities based on items presented in the various municipalities' Pedestrian and Bicycle Plans, including Vaughan's draft Plan. The Study portion of the Master Plan is ongoing at the Region and is expected to be completed in 2007. Section 7.5.1 of the Region's Study indicates that they intend to develop “Regional and local capital works coordination-Partnerships” in order to aid municipalities in the development of pedestrian and bicycle facilities and routes. The implementation of both the Region's and the City's Plan will strengthen the Region's position as a destination for visitors and enhance the environment for citizens.

Conclusion

Council and staff have identified a number of next steps including a review of costs, funding and staffing strategies and a review of design standards to implement the programs and facilities proposed in the Plan. A work program will be prepared and the work associated with it will be

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undertaken by City staff. It is recommended that the bicycle to parking spot ratio be incorporated into the City-wide Parking Standards Review proposed to be undertaken by the Planning Department in 2007.

Attachments

Attachment 1 – Council Extract – Item 2, Report No. 14 – Committee of the Whole (Working Session)

Report prepared by:

Diana Birchall, Director of Policy Planning, ext 8411

(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.)

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5

VAUGHAN BOULEVARD SIDEWALK

The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioner of Engineering & Public Works, dated April 23, 2007:

Recommendation

The Commissioner of Engineering & Public Works in consultation with the Commissioner of Finance and Corporate Services recommends:

That the Vaughan Boulevard Sidewalk works in the amount of \$11,000 be funded from Capital Project 1567-0-05 Sidewalks & Streetlights – Older Areas. As a result no new funding is required to do this work.

Economic Impact

There is no capital economic impact as the funds were previously approved. Annual operating funds totaling \$500 will be required.

Communications Plan

Notifications will be circulated among all affected area residents to confirm by survey the Community acceptance prior to implementation.

Purpose

The purpose of this report is to inform Budget Committee that funding is available in Capital Project 1567-0-05 Sidewalks & Streetlights – Older Areas to do this work and as a result no new funding is required in the 2007 Capital Budget.

Background - Analysis and Options

At its meeting of April 2, 2007 (Item 12, Report No. 15 of the Committee of the Whole) Council directed:

- “1. That Option B contained in the following report of the Commissioner of Engineering and Public Works be referred to the Budget Committee for consideration; and
2. That the following report of the Commissioner of Engineering and Public Works, dated March 26, 2007 be received.”

Relationship to Vaughan Vision 2007

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

3.2.5 “Develop and implement bicycle and pedestrian networks.”

Regional Implications

Regional approval is required with respect to the Centre Street right-of-way.

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Conclusion

That the Vaughan Boulevard Sidewalk works in the amount of \$11,000 be funded from Capital Project 1567-0-05 Sidewalks & Streetlights – Older Areas.

Attachments

1. Location Map
2. Council Extract – Item 12, Report No. 15 of the Committee of the Whole dated March 26, 2007

Report prepared by:

Marjorie Johnson, Manager of Capital
Gary Carroll, Director of Engineering Services

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(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.)

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Item 6, Report No. 5, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on May 7, 2007.

6

RECRUITMENT OF VACANT POSITIONS

The Budget Committee recommends approval of the recommendation contained in the following report of the City Manager and the Commissioner of Legal & Administrative Services, dated April 23, 2007:

Recommendation

The City Manager and the Commissioner of Legal & Administrative Services, in consultation with the Director of Human Resources, recommend:

THAT this report be received.

THAT Staff be required to justify an ongoing vacancy once it has been vacant for beyond eight (8) months.

Economic Impact

There is no economic impact related to this report.

Communications Plan

The direction provided with respect to this report will be communicated to the employees in the Human Resources department as well as to all departmental employees who are responsible for recruitment of vacant or new positions.

Purpose

This report is provided as a result of a request that was made during the Budget Committee meeting of April 17, 2007 wherein the Budget Committee requested a recommendation as to an appropriate timeframe for filling a vacant position after which a department would be required to justify why a position remains vacant.

Background - Analysis and Options

Over the past our analysis indicates that it takes on average four (4) months to fill vacant positions. The positions included in the analysis are full-time, part-time and temporary positions which are both unionized and non-unionized. It can take anywhere from just over one week to up to almost two (2) years to fill a position with the right person.

There are a number of steps which require completion prior to a position being filled. These steps include determining what the needs are of the department given that a position has been approved or vacated; developing or revising a job description; evaluating the new or revised job; obtaining the appropriate authorizations; posting the job; screening resumes; completing testing and interviews, conducting reference checks, the offer and acceptance of the job and finally the actual start date of the successful applicant. This process could take up to eight (8) months to complete if there are significant revisions or development of a job description required.

There are many reasons why jobs remain vacant for an extended period of time. These include the operational needs of the department, a reorganization of the department, changing priorities which may affect the management team and other jobs within the department and the lack of suitable candidates..

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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.

Regional Implications

None

Conclusion

Vacant positions can be filled in as little as one week or can take much longer depending on the level of the job and the steps required to complete before posting can be initiated. It is recommended that staff be required to justify vacancies that continue for longer than eight (8) months.

Report prepared by:

Janet Ashifeld, Director of Human Resources

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Item 7, Report No. 5, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on May 7, 2007.

7

2007 DRAFT CAPITAL BUDGET

The Budget Committee recommends approval of the recommendation contained in the following report of the City Manager and the Commissioner of Finance & Corporate Services, dated April 23, 2007:

Recommendation

The City Manager and the Commissioner of Finance & Corporate Services in consultation with Senior Management Team and the Director of Reserves & Investments recommend:

1. That the Proposed 2007 Capital Budget totaling \$59,581,565 comprised of funding of \$41,159,750 from sources other than taxation and long-term debt (Attachment 2), \$10,969,000 from long-term debt (Attachment 3) and \$7,452,815 from taxation (Attachment 4) for projects identified above the funding line be approved;
2. That the Proposed 2007 Capital Budget be forwarded to the May 7, 2007 Council meeting for receipt and referral to a Special Council meeting to receive public input and;
3. That the appropriate notice be given, as per City By-Law 394-2002, for a Special Council meeting on May 22, 2007.

Economic Impact

The Proposed 2007 Capital Budget is \$59,581,565 and funded from a variety of sources (Attachment 1). The proposed capital budget is in keeping with Council approved policies and recognizes the limited amount of tax dollars available for capital work. The future operating budget impact of the draft capital budget is \$1,856,070 or a 1.8% tax increase.

Purpose

The purpose of this report is to provide the Members of the Budget Committee an opportunity to comment on the Proposed 2007 Capital Budget.

Background - Analysis and Options

In the preparation of the Capital Budget a number of issues were taken into consideration. The continued pressures of pressure of growth, maintaining existing infrastructure and the provision of new services were balanced against available funding, the impact on the Operating budget and the available staff resources to undertake and properly manage the projects.

There have been a couple of changes incorporated into this report since the February 27, 2007 Budget Committee report. These include \$155,000 for the approved City-Wide Sidewalk Infill Program, \$153,855 in additional funding approved for the design and construction of Peak Point and UV1-N15 Parks and the 10% co-funding required for planning studies in the amount of \$34,430.

Total capital funds requested equals \$117,842,730. The Proposed 2007 Capital Budget submission totals \$59,581,565. Capital projects are funded from four main sources: Development Charges, Reserves, Taxation and Long Term Debt. Departments have prioritized the projects within each funding source. Based on previously approved Council policies, Finance staff have assessed the availability of funding and established a funding line within each funding source. The following list summarizes the financial policy areas:

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- 1) Level of Discretionary Reserves
- 2) Level of Working Capital
- 3) Level of Debt
- 4) The requirement of funds to be on hand prior to Project approval

These policies have had a positive impact on the financial stability of the municipality. The following summarizes the key financial information ratios compared to targets approved by Council.

	<u>Projected Dec. 31, 2006</u>	<u>Approved Target</u>
Net Development Charge Balance	\$63.4M	N/A
Discretionary Reserve Ratio	54.7%	50% of own source revenue
Working Capital	11.2%	10% of own source revenue
Debt Level *	5.21%	10% of own source revenue

*Includes Commitments for OSA & Vaughan Sports Complex

Development Charges

In reviewing the projects submitted to be funded from development charges, the following previously approved guidelines endorsed by Council were taken into consideration:

- 1) No service category with a positive balance should be placed into a pre-financing position (requirement of funds to be on hand)
- 2) Service category pre-financing should not be increased; and
- 3) Commit no more than 50% of anticipated revenues for any service category

Each department prioritized the projects within each development charge funding source. Finance staff assessed the funding availability and established a specific funding line for each service. With the exception of Management Studies the Proposed 2007 Capital Budget is within these guidelines.

There is often a requirement to complete growth related studies in order to plan for and proceed with future development. Consequently it can be expected that the growth related Management Studies account will be in a deficit until development build out. Based on the above staff recommend Council amend its policy/guideline and exclude Management Studies account from the Development Charges policy/guidelines to permit the account to be in a deficit position, Overall DC accounts should have a positive balance notwithstanding the deficit in this one DC account.

A key financial policy approved by Council is the requirement of funds to be identified prior to the project being approved.

The construction of the North Thornhill Community Centre located in Block 10 (Project BF-8114-07) was scheduled initially for construction over 2004/05 based on the growth forecast in the Development Charge Background Study. It is the next indoor recreation facility to be constructed based on the capital plan in the DC Background Study. Total cost of the project is \$25,974,500 (City Wide Development Charges – Recreation \$23,377,050 and Taxation \$2,597,450). The community center design funds were approved in 2003. As of December 31, 2006 the uncommitted net balance in the City Wide Development Charges – Recreation account is \$15,544,862. Based on the financial policy on the requirement of funds be on hand prior to project approval, this project is not recommended to proceed at this time. Since, based on the capital plan in the Development Charge Study the Block 10 Community Centre is the next facility

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to be constructed, staff recommend committing \$15M of the City Wide Development Charges – Indoor Recreation funds for the future construction of the North Thornhill Community Centre located in Block 10 and future funds sufficient to construct the facility. If the level of development activity continues throughout 2007 it is anticipated that the additional \$8,377,050 City Wide Development Charges – Recreation funds for the balance of this project will be received during 2007, thus allowing the project to be tendered early 2008 once the project receives final approval during the 2008 Capital Budget deliberations.

On projects such as this there is a requirement to fund 10% from a source other than development charges. The source most often is taxation. An advantage of funding this large project over two (2) years is that the 10% or \$2.5M from taxation is also split over two (2) years.

Long Term Debt

The capital projects identified for long term debt financing are typically large projects (road resurfacing, road reconstruction, road upgrading) that have no other source of funding other than taxation.

Under Ontario Regulation 403/02, a municipality may borrow or undertake financial obligations provided that the annual repayment limit related to the debt and financial obligations do not exceed 25% of net revenue fund revenue. It is recommended that the capital projects identified above the funding line from long term debt totaling \$10,969,000 be approved (Attachment 3).

Once Council approves the long term debt funded capital projects, staff will prepare the tender and request for the approval of the award of tender. When these projects are complete and costs finalized the City requests and authorizes the Region of York to issue the debenture on the City's behalf.

Taking into account the additional debt contemplated by the draft capital budget, the City of Vaughan debt charges are still within the 10% debt ratio policy approved by Council. The annual debt repayment limit calculated pursuant to Ontario Regulation 403/02 for the proposed debt charges and financial obligations is 5.21% of net revenue fund revenue, well within the 25% maximum allowed under the regulation. The issuance of the long term debt will have an estimated future annual operating budget impact of \$1,420,500.

Taxation

Projects identified from taxation funding are smaller non-growth related projects that have no other source of funding such as technology, infrastructure repair, studies, etc.. Also included in the taxation funding request is the 10% co-funding requirement of the Development Charges Act for certain growth related services (Libraries, Recreational Complexes, Parks and Vehicles).

The 2007 Capital requests from Taxation is \$35,006,430. The amount of funding available for taxation funded projects from the Proposed 2007 Operating Budget is \$6,586,815. Staff have also reviewed the list of previously approved taxation funded projects and have identified an additional \$866,000 in available funds. The additional funding has become available as a result of the recent approval of a Green Funds grant and gas tax funding. As a result, the revised total taxation funding available for the proposed 2007 taxation funded capital projects is \$7,452,815. Senior Management Staff reviewed the \$35 M request and prioritized the projects totaling \$7,452,815 (Attachment 4). Of this amount \$2,518,255 relates to development charge co-funding required under the Development Charges Act. Any further approval of the taxation funded capital request in excess of \$7,452,815 would have an additional impact on the 2007 Operating budget and the property tax rate.

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Infrastructure Repair & Replacement

The Long Range Financial Planning Study (LRFP) presented to the February 28, 2006 Committee of the Whole (Working Session) assessed the need for and began to quantify the financial impact of the repair and replacement of the City's major capital assets. The LRFP provides an infrastructure repair and replacement forecast based on the various departments lifecycle forecasting. Assets were scheduled for replacement based on the assets estimated useful life. The results of the LRFP identified that the City infrastructure repair and replacement is significantly under funded. A comprehensive infrastructure funding strategy is required. Several years ago staff recognized the need to direct more funding for infrastructure repair and replacement. In approximately 1998 the City began to provide limited funding to reserves created for the major repair or replacement of building and facilities, parks and roads. Based on Council policy the combined balance in these and other reserves is such that there is an opportunity to now utilize some of these reserve funds. The funds available in each of the Reserves mentioned above is as follows.

	<u>Est. Available Funding</u>
Bldg Infrastructure Pre 99	\$1,047,540
Bldg Infrastructure Post 98	\$838,420
Roads Infrastructure	\$694,150
Parks Infrastructure	\$319,714

With the proposed identified funding available from these reserves for assets beyond their life cycle, the estimated discretionary reserve ratio for 2007 remains above the 50% Council policy. Future expenditure from these and other reserves will depend on the annual reserve contributions, interest earned and whether or not the 50% discretionary reserve ratio can be maintained.

Municipal Gas Tax Funds

Eligible infrastructure under the Municipal Gas Tax Funding agreement are projects that are environmentally sustainable municipal infrastructure projects with the following categories:

- Public Transit
- Water
- Wastewater
- Solid waste
- Local roads, bridges & tunnels
- Active transportation infrastructure (e.g. bike lane)
- Capacity building and community energy systems (e.g. retrofit municipal buildings and infrastructure)

The municipality must also clearly demonstrate that the funding used for a project is incremental and the funding either enabled a project's implementation, enhanced its scope or accelerated its timing. The objective of the Gas Tax Program is to increase the amount of infrastructure repair and replacement and not to simply replace other sources of funding. Therefore the use of the gas tax funds must be incremental.

Under the agreement the calculation for the incremental amount for the City of Vaughan is calculated as follows:

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Average municipal spending on eligible project categories for the period Jan 1, 2000 to Dec 31, 2004	\$56,254,885.00
Plus:	
Municipal Gas Tax Funding Nov. 15, 2005 to Nov. 15, 2009	<u>\$14,786,956.41</u>
Total municipal spending on eligible project categories for The period April 1, 2005 to March 31, 2010	<u>\$71,041,841.41</u>

Reconciliation of funds received and committed is as follows:

Gas Tax Funds received to date – Dec. 31/06	\$3,549,313
Less: Commitment to Green Bin Project	\$1,356,000
Less: Commitment to Storm Ponds Sediment Removal	<u>\$ 284,000</u>
Balance available for Eligible Projects	<u>\$1,909,313</u>

Staff have 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.

The list of projects totaling \$1,544,000 is identified above the Gas Tax Reserve funding line. Further expenditure plans will be provided for the balance and future gas tax revenues.

Reserve Continuity Schedule

The Reserve Continuity Schedule (Attachment 5) identifies all the City's reserves and deferred revenue account (DC's) and illustrates the estimated balance at the end of 2006 and the balances after funding the proposed 2007 Capital budget. The continuity schedule is useful for tracking reserve balances and ensuring funds are on hand prior to project approval.

Operating Budget Implication

The proposed 2007 Capital Budget funding lines have been recommended to Council. Should Council approve the capital projects above the proposed funding line, the estimated future operating cost implication is estimated at \$1,856,070 or approximately 1.8% increase in the property tax when the projects are complete.

Relationship to Vaughan Vision 2007

The budget process links the Vaughan Vision 2007 through the setting of priorities and allocation of resources.

Conclusion

The City Manager with the Senior Management Team and Finance staff have reviewed the Capital budget submission and have established priorities and appropriate funding lines. The Proposed 2007 Draft Capital Budget is \$59,581,565. The Operating budget implication for the Proposed 2007 Capital Budget included in this report is \$1,856,070 or approximately 1.8% property tax increase when the projects are complete.

Attachments

- Attachment 1 - Draft 2007 Capital Budget Funding Summary
- Attachment 2 – Draft 2007 Capital Budget Funded other than Taxation and Long Term Debt
- Attachment 3 – Draft 2007 Capital Budget Funded from Long Term Debt
- Attachment 4 – Draft 2007 Capital Budget Funded from Taxation
- Attachment 5 – Preliminary Continuity Schedule of Capital Reserves and Development Charges

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Report prepared by:

Marjorie Johnson, CGA, Manager of Capital, ext. 8984

Ferrucio Castellarin, CGA, Director of Reserves & Investments, ext. 8271

(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.)

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Item 8, Report No. 5, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on May 7, 2007.

8 2007 DRAFT OPERATING BUDGET

The Budget Committee recommends:

- 1) That staff be directed to provide a report to the next Budget Committee meeting outlining options to reduce the current 2007 draft operating budget, including Vaughan Public Libraries budget, by a total of \$1 million dollars;
- 2) That staff explore opportunities for increasing revenues and provide a report outlining related options to the next Budget Committee meeting; and
- 3) That the following report of the City Manager, the Commissioner of Finance & Corporate Services and the Acting Director of Budgeting & Financial Planning, dated April 23, 2007, be received.

Recommendation

The City Manager, the Commissioner of Finance & Corporate Services and the Acting Director of Budgeting & Financial Planning in consultation with the Senior Management Team recommend:

- 1) That Budget Committee approve the 2007 Draft Operating Budget provided as Attachment 1;
- 2) That the 2007 Draft Operating Budget be forwarded to the May 7, 2007 Council meeting for receipt and referral to a Special Council meeting to receive public input; and
- 3) That the appropriate notice be given, as per City By-law 394-2002, for a Special Council meeting in May 22, 2007.

Economic Impact

The attached 2007 Draft Operating Budget, Attachment 1, reflects the requirement for a taxation funding increase of \$6.3m, which equates to a 6.2% tax increase or approximately a \$62 property tax increase on the average home assessed at \$412,070.

Communications Plan

Once the Budget Committee recommends approval of the 2007 Draft Operating Budget, the appropriate notice will be given, as per City By-law 394-2002, for a Special Council meeting in May 2007 to receive public input.

Following Council approval of the budget, the appropriate press releases will be distributed per the City's policy. Key information will also be provided on the City's WEB site and the fact sheets will be provided to key stakeholders, Ratepayers Associations and the Chamber of Commerce.

Purpose

To provide the Budget Committee with the 2007 Draft Operating Budget incorporating budget recommendations provided since the February 6th, Budget Committee meeting and to recommend that the Budget Committee approve the 2007 Operating Budget and to forward the Budget to a Special Council meeting to receive public input in May 2007.

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Background - Analysis and Options

**2007 Budget Process
Designed to Maintain Service Levels with Minimum Impact on Taxes**

The City of Vaughan continues to be subject to the many factors that put significant pressure 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. The impacts of these pressures are often permanent and therefore require permanent funding solutions to ensure public services are sustainable in the future. The above situation presents significant challenges to achieving a balanced budget while minimizing associated tax rate increases and achieving Council's priorities.

Recognizing the continuation of budgetary challenges, the budget process and guidelines were further refined to incorporate a more comprehensive base budget review. This was accomplished through a combination of the following:

1. Strict Budget Guidelines to limit cost increases
2. Separate review process to assess additional resource requests
3. The incorporation of business planning & associated service reviews
4. Expanded use of Performance Measures
5. Public Information/Consultation Forums

Comments with respect to each of these actions are provided in the following paragraphs.

1. **Strict 2007 Budget Guidelines to Limit Cost Increases**

Strict Operating Budget Guidelines were established by the Budget Committee to minimize the budgetary impact on the tax rate for 2007. These guidelines included freezing most account lines to 2006 levels with the exception of the following:

- Salary and benefits relating to previously approved employment agreements.
- Principal and Interest payments required to repay long-term debt
- Full year impacts of previously opened new facilities
- External contract price and volume increases
- Insurance impacts
- Utilities Increases

In addition to the above expenditure constraints, instructions were also provided that user fee rates are expected to increase if departmental costs for the service provided were increasing. These user fee instructions combined with the above expenditure limitations were designed to minimize the tax rate increase.

As part of the 2007 budget process, staff undertook an analysis of the Operating Budget to assess efficiency and ensure conformity with approved Operating Budget Guidelines. Staff approached this task by analyzing major department increases, specific expenditure types, department user fee recovery ratios, and overall budget reasonability. In addition, the performance measurement exercise initiated last year as part of the budget process has been expanded. It is discussed further under section 4 below.

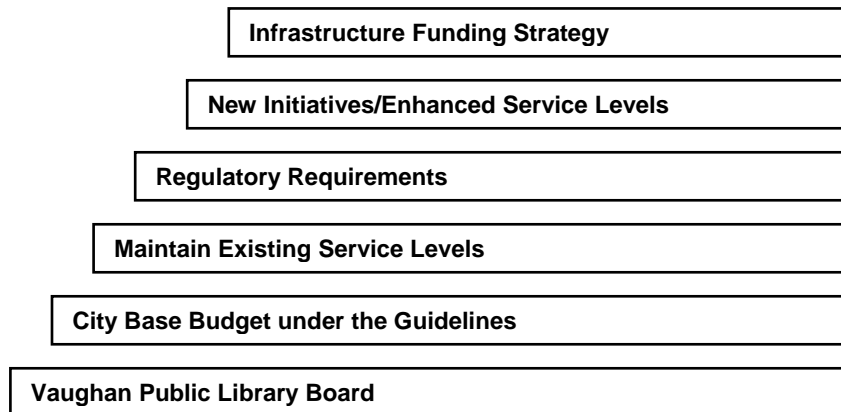
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2. Separate Review Process to Assess Additional Resource Requests

Recognizing that freezing account lines for an extended period of time may potentially prevent departments from maintaining service levels or restrict the efficient operation of a department, the above guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted within the guidelines. Senior Management and/or Council consideration/approval is required with respect to the additional requests. Council approval is specifically required when, new staff resources are requested, there is a change in service levels or new initiatives are brought forward. These requests are not included in the Draft 2007 Base Operating Budget. They are identified separately. The 2007 Operating Budget is presented as a series of building blocks as follows.



- o Additional Resource Requests – Special or unique requirements not accommodated within existing guidelines requiring SMT and/or Council review and approval. Some requests were not approved. The additional resource requests are divided into the following subcategories:
 - Infrastructure Funding Strategy
 - New Initiatives/Enhanced Service levels
 - Regulatory Requirements
 - Maintaining Service Levels
- o Base Budget - Budget submissions based on approved guidelines

Senior Management and Budget Committee have since reviewed the additional resource requests and this topic is further outlined in another section of this report.

3. The Incorporation of Business Planning & Associated Service Reviews

New to the Operating Budget process is the inclusion of Business Plans as required departmental submissions. The 2005–2007 Corporate Business Planning Process complements the Operating Budget process by providing comprehensive department information on work plans, goals, and key performance indicators. In addition, linking Business Plans to the Operating Budget provides a framework to assess and demonstrate the efficiency and effectiveness of business operations and can assist stakeholders, SMT, and Council analyze and evaluate the feasibility of departmental budget increases and base budgets during budget deliberations.

4. Expanded Use of Performance Measures

Prior to assigning additional resources or recommending any increase in user fees or property taxes it is important to determine if the resources currently assigned are being utilized efficiently.

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In early 2005 staff initiated work to formally incorporate performance measurers into the budgeting process. The purpose was to over time build objective comparative data that could be used to assist in evaluating the efficiency of various operations within the City. As part of the 2007 budget process the list of services providing performance measures was expanded.

The results of the performance measurement program are discussed in a separate report which forms part of today's agenda.

5. Public Information/Consultation Forums

New to the Budgeting Process is the addition of public information/consultation forums. With respect to the City's 2007 Budget the objective of these forums is twofold:

1. Educate and inform the public regarding City services, their cost, municipal issues and their relationship with property taxes; and
2. Obtain input and feedback from the public with respect to the range of services offered, service levels, priorities, etc.

Prior to the approval of the budget, evening public consultation meetings were held to obtain public input. Since the primary objective was to obtain public input the meetings focused on listening rather than debating. Three meetings were held at local community centers throughout the City on March 19th, 28th and April 11th. Overall the public information consultation meetings were well received by the residents of Vaughan. The public input from these sessions has been consolidated and form the basis of a separate report on today's agenda.

Quick Facts

The following information is provided for quick reference to assist in providing Budget Committee members with a context within which to assess the budget.

Average residential assessment	\$412,000
Total 2006 Taxes levied on the average assessed home	\$4,045
City of Vaughan portion (25%)	\$1,007
Reduction for qualifying seniors	\$250
A 1% increase in the tax rate equals	\$1,014,073
Impact of a 1% increase on the average home	\$10
Assessment Growth	3.4

2007 Base Budget Under the Guidelines

Based only on the Budget Guidelines the City's Draft Operating Budget is approximately \$175.4M and reflects a \$4.4m funding increase over 2006. This equates to a 4.3% tax rate increase **excluding** the budget impact of Senior Management's recommended additional resource requests and the Committee's decision with respect to an infrastructure funding strategy. The Draft 2007 Operating Budget includes an anticipated \$2.5m surplus carried forward from 2006 and includes \$2.2m from the Tax Rate Stabilization Reserve. This recommendation is consistent with the prior year staff recommendation. To assist the Budget Committee in assessing the Base Operating Budget and the 4.3% tax rate increase resulting from the budget guidelines, the following summary is provided.

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<u>Allowable Department Expenditure Increases</u>	<u>Avg. \$ Impact.</u>	<u>Tax Rate Impact</u>
Salary and benefit increase	\$2.5m	
Service contract price and volume increases	\$1.7m	
Utilities price and volume increases	\$0.6m	
<u>Recoveries and other expenditures</u>	<u>\$0.1m</u>	
Total Department Expenditures Increase	\$4.9m	
<u>Less: Increase in fees & service charges</u>	<u>\$1.9m</u>	
Net Department Impact	\$3.0m	3.0%
Contingency	\$2.5m	2.5%
Long Term Debt	\$1.0m	1.0%
Tax rate stabilization reduction	\$2.1m	2.1%
<u>Other</u>	<u>(\$0.8m)</u>	<u>(0.8%)</u>
Net Impact	\$7.8m	7.8%
<u>Less: Assessment Growth</u>	<u>\$3.5m</u>	<u>3.5%</u>
Total (Includes provisions for labour negotiations)	\$4.3m	4.3%

An integral component of the 2006 Operating Budget Guidelines is the freezing of most account lines outside of the specific areas previously outlined in this report. In order to check adherence to this guideline, budget submissions were verified to ensure that there were no other increases or that any budgetary increases were offset by corresponding decreases in other line items. Through budget staff review of submissions and assurances from Commissioners and Directors, we have a very high level of confidence that approved guidelines are being followed. The Budget Guidelines were designed to limit expenditure increases and this exercise has been successful as demonstrated by a total department expenditures increase of only 3.28%.

Base Budget Revenue Review

Overall revenues decreased \$32,610 from 2006 levels, excluding assessment growth. The primary factors contributing to decline in revenue are as follows.

- The largest reduction in revenue is related to the rolling back of tax rate stabilization funding to the level recommended in 2006. The impact is a reduction from \$4.3m to \$2.2m. A reduction of \$2.1m is necessary to prevent a reliance on unsustainable funding and retain the reserve balance for extraordinary circumstances.
- Some of the departments submitted revenue projections below 2006 budget levels. The most notable is a \$400k reduction in Enforcement Services revenue and a \$178K reduction in Fire and Rescue Services revenue, both of which are department budget adjustments to reflect volume decreases.

The above revenue reductions were almost entirely offset by gains experienced in Planning, Recreation, and Corporate revenue. Further details on these increases are illustrated below.

- The most notable increase in revenues is the \$1.1m increase in planning revenues resulting from returning volumes and Council's direction with respect to cost recovery in the planning process. The additional budgeted revenue will improve the cost recovery ratio increasing it from 74% to 94%, based on 2007 draft budget figures. Staff are preparing a further report to refine the planning fees by type of planning application.

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- Budgeted revenue gains were also experienced in the Recreation Department resulting from continued implementation of Recreation & Cultural User Fee & Pricing Policy. Overall revenues have increased \$1m, which are met with corresponding department expense increases of \$600k, excluding the impact associated with ongoing Labour negotiations. Although the Recreation Department cost recovery ratio has marginally improved, further effort to increase fees and/or reduce costs will be required to achieve 100% cost recovery of direct costs.
- Property tax fines and penalties increased approximately \$500K to keep in line with the growing tax base and to better reflect historical trends.

A concern that revenue might not keep pace was anticipated and as a result, as part of the guidelines, As a result of the departmental submissions not adequately addressing user fees, departments were subsequently directed to increase all user fees by an amount equal to inflation. The only exception to this are user fees that are currently part of a separate user fee study (i.e. Planning fees, building permit fees, recreation fees) or instances where a department recommends that a fee should not be increased and provides a rationale. This exercise reduced the Draft Operating Budget by approximately \$100K.

It is important to recognize, there is an ongoing balance between funding through a user 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 is a requirement to raise the property tax rate.

Base Budget Expenditure Review

Total expenditures increased \$7.8m from 2006 levels. A significant portion of the above increase is associated with labour costs as per recognized agreements (i.e. economic adjustments, progressions for new hires, job evaluation, and benefits impacts). The next major expenditure increase is due to contracted services. These increases are typically the result of increasing demands on public provided services due to volume growth and contractual or industry price increases, and the full year implementation of the Green Bin Organic Collection Program, which contributed \$915K to the overall increase in contracted services. Finally the repayment of long term debt increased \$1m. Debt has previously been issued primarily to fund major roads projects. It is evident that the \$3.5m in assessment growth is insufficient to fully offset these costs.

To assist the Budget Committee in assessing the base budget, the following summary illustrates how the City’s expenses are allocated to major expense types.

<u>Operating Expenditures</u>	<u>2007 Draft Budget</u>	<u>Budget %</u>	<u>Cumulative %</u>
Salaries and Benefits	\$95.6m	54.5%	54.5%
Contracted Services	\$21.1m	12.0%	66.5%
Reserve Contributions	\$11.8m	6.7%	73.3%
Maintenance/Materials	\$8.7m	5.0%	78.2%
Capital from taxation	\$6.6m	3.8%	82.0%
Utilities	\$5.9m	3.4%	85.3%
Long Term Debt	\$5.8m	3.3%	88.7%
Contingency	\$3.0m	1.7%	90.4%
Insurance	\$2.2m	1.3%	91.6%
Professional fees	\$1.7m	1.0%	92.6%
Tax Write-Offs	\$1.3m	0.7%	93.3%
Vaughan Hockey Subsidy	\$1.1m	0.6%	94.0%
All Other	\$10.6m	6.0%	100%
Total Draft 2007 Expenditures	\$175.4m	100.0%	100.0%

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The above summary illustrates that the City has limited flexibility in any given year to significantly alter the City's cost structure. Many of the costs are committed through collective agreements or service contracts. Other reductions will impact the maintenance and repair of the City's infrastructure. The following summary of specific expense lines illustrates that many of the discretionary expense lines are decreasing and not increasing.

<u>Account</u>	<u>2007 Draft Budget</u>	<u>2006 Budget</u>	<u>Variance</u>
Advertising	330,650	326,195	4,455
Comp. Hardware/Software	969,420	994,070	(24,650)
Cellular	202,665	181,835	20,830
Office Equipment	179,060	230,005	(50,945)
Office Supplies	268,865	350,730	(81,865)
Overtime	899,165	993,160	(93,995)
Training & Development	422,160	422,945	(785)
Corporate Training	49,790	49,790	----
Professional fees	1,657,415	1,702,450	(45,035)
Part-time	11,421,775	11,067,360	354,415
<u>Total</u>	<u>16,400,965</u>	<u>16,318,540</u>	<u>82,425</u>

With the exception of advertising, cellular and part-time all other account lines are below 2006 Budget levels. The increase in part-time is primarily attributed to 3 factors, increases in recreation programs that are offset by revenue, part-time increase approved by the Library board, and part-time compensation adjustments as per existing agreements. The increase in advertising and cellular account lines is the result of a reallocation of funds from other expense accounts to more accurately align budgets with actual results. As illustrated by the above table, the net 2007 impact associated with these accounts is an increase of \$82,425 over the prior year.

The above expenditure analysis is intended to demonstrate that expenditures are closely monitored and have met the strict criteria as set out by Council. Resource requests outside the guidelines are discussed below.

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 above guidelines for Senior Management and/or Council further consideration. A business case and/or justification memo were required for all requests and submitted as one of the following classifications.

- o New Compliment Requests
- o Request for Increases in Expenses Other Than Allowable under the Guidelines
- o New Initiatives/Service Level Adjustments
(Request may include associated new complement requests)

As a result, Departments submitted 77 additional resource requests with a total annual cost of approximately \$4.4 million, which translates into an additional tax rate increase of approximately 4.3%.

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Recognizing the challenge of balancing requests for additional resources with limited funding options, SMT initiated a process in which to prioritize and review additional resource requests. The process infuses a high degree of objectivity & transparency and the end result of this process is a recommended listing of additional resource requests prioritized based on a blend of associated municipal risk and the Vaughan Vision goals and objectives. Senior Management reviewed all additional resource requests and proposed the resulting recommendations, which were approved by Budget Committee on April 17th. A summary of the results is provided below for Budget Committee's information.

	<u>Departmental Requests</u>	<u>SMT Recommended</u>	<u>Net Reduction</u>
New Initiatives/Enhanced Service Levels	\$1.5m	\$0.5m	\$1.0m
Regulatory Requirements	\$0.6m	\$0.6m	---
Maintain Service Levels	<u>\$2.3m</u>	<u>\$0.8m</u>	<u>\$1.5m</u>
Total	\$4.1m	\$1.9m	\$2.5m

The above figures represent annual costs, which can be adjusted for new complement gapping. However it should be noted, that although gapping impacts the 2007 Budget favourably, the balance of the costs will impact the 2008 Budget.

On April 23, 2007 Council approved the Budget Committee's recommendation approving the additional resource requests.

Business Planning

As previously indicated, Business Plans are incorporated in the 2007 Budget Process to help establish and reinforce connections between strategic priorities and resource allocation, thus moving the organization closer to realizing Vaughan's Vision and strategic goals. Department Business Plans provide stakeholders with an overview of the department's goals, strategic priorities, as well as demonstrated efficiency and effectiveness through the use of performance measures. This information compliments the Budget Process and can assist in evaluating base budgets and analyzing the feasibility of departmental budget increases and resource allocation. Department Business Plans were provided to Budget Committee by the Department of Strategic Planning on a previous agenda.

Very tight Budget Guidelines, approved by Council were issued to departments. Resource requests over and above the guidelines were scrutinize by Senior Management, the City Manager, and the Budget Committee. Only those determined essential have been put forward. The results of the process described above, including the budget request from the Vaughan Public Library Board is summarized below. What is not yet included is direction with respect to an infrastructure funding strategy. This is discussed in the next section.

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BUILDING THE BUDGET

Infrastructure Funding Strategy Infrastructure repair & replacement requirements	?
New Initiatives/Enhanced Service Levels Additional Resource Request	0.5%
Regulatory Requirements Additional Resource Request	0.6%
Maintain Level of Service Additional Resource Requests	0.8%
City Base Budget under the Guidelines	3.7%
Vaughan Public Library Board	0.6%
Tax Rate Impact	6.2%

Long-Range Financial Planning

On March 20th 2006, staff presented Council with a report on Long-Range Financial Planning. The purpose of this report was to provide Council with an overview of the current Long-Range Financial Planning process and outcomes. The prevailing theme throughout the Long-Range Financial Planning study was that infrastructure repair and replacement is of a paramount concern and Vaughan is currently experiencing the following:

- Significant new infrastructure is being built/assumed annually
- Infrastructure is aging
- Infrastructure spending requirements are significantly under funded
- Infrastructure reserve balances and funding levels will not sustain requirements
- Long-term debt requirements will rise

Over the past two decades the City of Vaughan has grown at an unparalleled pace, adding new facilities, parks, and transportation networks on an annual basis. Vaughan is now entering an era where these assets require significant investment to ensure they are maintained in an acceptable state of repair. This is evident by the recent increase in capital funding requests. As Vaughan ages and continues to transition from a rapidly growing Township to a thriving mature City, infrastructure repair and replacement requirements will begin to accumulate at a pace similar to that when they were constructed. Without further infrastructure investment, Vaughan's infrastructure network will deteriorate potentially compromising community health, safety, and service levels. The condition and state of municipal infrastructure is an important factor in assessing a Community's overall quality of life and economic health. Consequently, it is critical to understand that there is a great need and benefit for further infrastructure investment in order to protect, sustain, and maximize the use of Vaughan's infrastructure assets.

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Infrastructure Funding Strategy

Given the significance and magnitude of the trends and outcomes previously presented, it is recommended and financial responsible for Vaughan to institute a systematic plan to address existing and future infrastructure spending requirements, based on when infrastructure exceeds their life cycle. However, as a result of the sheer size of the investment required it is suggested the Infrastructure funding strategy initially focus on addressing immediate infrastructure spending requirements and then refocus efforts towards building infrastructure reserves in order to meet and smooth future requirements. It was determined that a 4-part plan is best suited for the challenge and consists of the following:

1. Advocating for assistance from other levels of government
2. Rethink infrastructure placement and replacement
3. Controlled infrastructure reserve spending
4. Increasing infrastructure funding

Advocate Assistance from Other Levels of Government

Infrastructure renewal has become a common topic in the media and Provincial and Federal governments are beginning to recognize its importance. The Federal and Provincial government's recent willingness to share a portion of the gas tax demonstrates this fact. Although appreciated by Municipalities, the gas tax funding is dedicated to new environmentally sustainable projects and will only marginally assist in the formulation of a complete infrastructure funding strategy.

In March of this year the Province announced a new plan to phase out GTA pooling by 2013. Through this plan the Region of York will benefit considerably. Although, the Region has yet to determine how the funds will be allocated the opportunity is available for Vaughan to advocate that a portion of these funds be redirected to the Municipal level to assist with infrastructure renewal.

As part of the overall plan, it is necessary that other levels of government assist with funding for infrastructure repair and replacement.

Rethink Infrastructure Placement and Replacement

Since it is evident that funding infrastructure repair and replacement is a significant challenge, it is necessary to rethink the way in which new infrastructure is recommended and in the way that existing infrastructure is eventually replaced. This will potentially reduce the forecasted financial burden that the Municipality is currently facing. Therefore, the City should undertake a review of infrastructure placement and replacement in an effort to provide the same functionality at a more affordable replacement, repair, and maintenance spending level. This may require a need to reexamine infrastructure service levels and consider alternative infrastructure choices.

Controlled Reserve Spending

As a result of the Long-Range Financial Planning policies established in 1996, the Municipality is in a stronger financial position and discretionary reserve balances have improved considerably and are now slightly exceeding the discretionary reserve ratio policy target. Achieving this target required fiscal management and a dedicated focus on building reserve balances. Currently, approximately 30% of the discretionary reserve balance consists of infrastructure reserves. Now that the established target has been maintained and exceeded, infrastructure reserves can begin to fund infrastructure spending requirements to the extent the approved discretionary reserve ratio is maintained and cognizant of other existing and future reserve considerations. This amount will be determined on an annual basis and it is recommended that it be dedicated to reducing the existing infrastructure backlog. This has been addressed as part of the 2007 Capital Budget process.

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Increasing Infrastructure Funding Options

The largest part and most financially significant component of the funding strategy lie in increasing the City's infrastructure funding effort. This poses a complicated challenge as the initial requirements are overwhelming and will prove challenging to overcome immediately. Recognizing this situation, Finance staff undertook an evaluation of different options to begin addressing the infrastructure funding shortfall. The following options were presented to Council:

1. Fund now through tax increases based on life cycle costing
2. Fund over time through fixed annual increases
3. Fund all incremental infrastructure spending requirements through long-term debt
4. Hybrid – fixed tax increases, LTD, and reduced infrastructure spending requirements

It is important to reiterate that any tax rate increases associated with the above options are in addition to normal Operating Budget requirements and focus solely on infrastructure spending requirements. In addition, the above options exclude annual debenture funding requirement associated with the approved roads program as these requirements are established and the funding policy approved.

This important and complex topic was further detailed in a separate report provided to the Budget Committee on February 20th, 2007.

Subsequent to the February 20, 2007 Budget Committee meeting, the Province announced the elimination of GTA Pooling over the next seven (7) years. The annual contribution of the residents and businesses in the City of Vaughan to GTA Pooling is significant. The City will be exploring opportunities to access and utilize a portion of these funds to address infrastructure issues.

Conclusion

The City has followed a very thorough process to minimize any tax increase while maintaining levels of service and meeting regulatory requirements.

As shown in the chart below the increase in the property tax impact of the City's base operating budget has been limited to a 2.6% increase. In addition to the base is an additional tax impact for two (2) main reasons. The largest \$1m or a 1% tax increase is for the repayment of debentures for the repair/reconstruction of roads. The second is \$.8m or a .8% increase to support the City's "Greening Vaughan" environmental initiative, specifically the green bin program.

The above noted increases along with a response to regulatory requirements, new initiatives and increased Library Board funding results in a 6.2% property tax increase, or \$62.00 per year to the average assessed home in Vaughan.

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CITY OF VAUGHAN
2007 DRAFT OPERATING BUDGET
Draft Tax Increase Overview

<i>Major Components</i>	2007 Budget Impact	Res. Tax Rate Increase
Road Debenture Requirements	1,000,000	1.0%
Green Bin Initiative - Full Year Impact	845,510	0.8%
Regulatory Requirements (PSAB, Street Locates, Etc)	580,266	0.6%
New Initiative requests	526,698	0.5%
Sub Total	2,952,474	2.9%
Base Budget	2,691,614	2.7%
2007 City Proposed Tax Increase	5,644,088	5.6%
Library Board	631,490	0.6%
2007 Draft Operating Budget Tax Increase (City & Library Board)	6,275,578	6.2%

Relationship to Vaughan Vision 2007

The 2007 Draft Operating Budget is the process to allocate and approve the resources necessary to continue operations and implement Council's approved plans.

Attachments

Attachment 1 - 2007 Draft Operating Budget Revenue and Expenditure Summary

Report prepared by:

Clayton Harris, CA, ext. 8475
Commissioner of Finance & Corporate Services

John Henry, CMA, ext. 8348
Acting Director of Budgeting & 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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 7, 2007

Item 9, Report No. 5, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on May 7, 2007.

9 **STRATEGIC PLANNING DEPARTMENT BUDGET REVIEW**

The Budget Committee recommends approval of the recommendation contained in the following report of the City Manager, dated April 23, 2007:

Recommendation

The City Manager in consultation with the Senior Manager of Strategic Planning recommends:

- 1) That this report, including Attachment 1. 2007/2006 Strategic Planning Department Budget be received.

Economic Impact

There is no economic impact.

Communications Plan

N/A

Purpose

At the April 17, 2007 Budget Committee meeting staff were asked to provide a report back of the 2006 year-to-date actual expenditures and details of expenditures relating to Professional Fees for the Strategic Planning Budget. This report provides the requested information.

Background - Analysis and Options

At the April 17, 2007 Budget Committee meeting staff were asked to provide a report back of the 2006 year-to-date actual expenditures and details of expenditures relating to Professional Fees for the Strategic Planning Budget.

The mandate of the Strategic Planning department is to manage the strategic planning process as well as work closely with City departments to drive organizational performance measurement and strategic alignment with the Vaughan Vision strategic plan. This focus has been manifested in various projects such as organizing and managing the annual Council/Senior Management strategic planning workshop, providing research support to the Strategic Planning Committee, and collaborating with City departments in the implementation of strategic projects.

Professional Fees line item

\$32,300 was allocated in the 7520 Professional Fees line in the 2006 Strategic Planning Budget. This figure is consistent with the funds allocated in the 2005 Strategic Planning Budget.

The Strategic Planning Department required additional support to meet timelines and complete the workplan of the Strategic Planning process at the City of Vaughan. The Manager of Strategic Planning began a review of the costs for services provided by a consulting firm to undertake the work and noted that the cost would be quite expensive. Consulting firms charge for their consulting time as well as charging for any administrative support as well as an added administration fee for the use of administrative support. The costs associated with obtaining a private consultant would have had a much higher cost component and hiring on a contract basis would provide more value for the funds spent.

CITY OF VAUGHAN

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In late February 2006, a contract person was recruited into the position on a temporary basis. Circa 1,270 hours or \$23,357 for the contract staff came out of the 7015 Part-Time line and not the 7520 professional fees line (as a matter of process). As a comparison, in 2005, \$32,100 was used to pay for a consultant who worked 184 hours to complete phase 1 of the Corporate Performance Measurement project. The overall Strategic Planning Budget was not overspent and had a favourable variance at the end of the year.

Further, the contract employee assisted on the business planning project as well as the development of the “Celebrating Our Successes” report to citizens. Additionally, utilizing the contract employee enabled the department to work on strategic projects in 2006 for the following departments; Public Works, Human Resources, Library, Parks-Forestry, Enforcement Services, and Clerks-Archives and Record Management. These projects focused on developing a strategic vision and goals which are aligned to the Vaughan Vision 2007 and assisting departments in improving performance.

Projects planned for 2007 utilizing the contract employee include the data entry and results analysis for the “Have Your Say” citizen survey, planning and preparation for the March Council Strategic Planning preparation workshop, May Council/SMT Strategic Planning workshop, departmental business plans and working on strategic projects for the following departments; Building and Facilities, Recreation and Culture, Engineering, and Development /Transportation Engineering.

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.

Regional Implications

N/A

Conclusion

That this report be received for information.

Attachments

- 1) Attachment 1. 2007/2006 Strategic Planning Department Budget.

Report prepared by:

Thomas Plant MBA, MPA
Senior Manager of Strategic 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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 7, 2007

Item 10, Report No. 5, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on May 7, 2007.

10 WOODBIDGE DISTRICT HERITAGE STUDY

The Budget Committee recommends:

- 1) That the Commissioner of Planning be directed to meet with the consultants retained by the City with respect to the Kipling Corridor Study;**
- 2) That staff report on how Woodbridge heritage issues might be addressed as a result;**
- 3) That taxation funding in the amount of \$100,000, less any portion that can be funded from voluntary business contributions, donations from individuals, or any other sources be placed in the Heritage Reserve; and**
- 4) That the following deputations be received:
 - a) Mr. Jamie Maynard, 75 William Street, Woodbridge, L4L 2R9;**
 - b) Ms. Deb Schulte, 76 Mira Vista Place, Woodbridge, L4H 1K8; and**
 - c) Mr. Ken Maynard, 8074 Kipling Avenue, Woodbridge, L4L 2A1.****

The foregoing matter was brought to the attention of the Committee by Councillor Carella.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 7, 2007

Item 11, Report No. 5, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on May 7, 2007.

11

GTA POOLING

The Budget Committee recommends that the Commissioner of Finance & Corporate Services make arrangements to have the matter respecting GTA Pooling discussed at a Regional Treasurers meeting.

The foregoing matter was brought to the attention of the Committee by Councillor Meffe.