

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 7, 2007

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

1 THE 2007 WATER & WASTEWATER BUDGETS

The Budget Committee recommends:

- 1) That Clauses 1, 2, 4 and 5 of the recommendation contained in the following report of the City Manager, the Commissioner of Finance & Corporate Services, the Commissioner of Engineering and Public Works, the Director of Public Works, and the Director of Financial Services, dated May 7, 2007, be approved;
- 2) That a total staff complement of 5.5 FTE's be approved for the Water and Wastewater divisions, as identified on Attachment 3 of the subject staff report; and
- 3) That staff provide a report at the earliest opportunity with respect to the August 19th storm and outstanding billing issues between the City and the Region of York.

Recommendation

The City Manager, The Commissioner of Finance & Corporate Services, The Commissioner of Engineering and Public Works, The Director of Public Works and the Director of Financial Services recommends:

- 1) That the following report be received;
- 2) That the consumption rates for Water and Wastewater in Schedule "A" of By-Law 12-74 and 167-73 be amended to reflect the Regional rate increase, City operating and capital requirements, Attachment 1;
 - (a) The City's water rate be increased from 81.7¢ to 88.5¢ per cubic meter effective in June 2007
 - (b) The City wastewater rate be increased from 75.6¢ to 84.0¢ per cubic meter effective in June 2007;
- 3) That the complement in the Water division be increased by 1.25 FTE's, the Wastewater division by 1.0 FTE's and 0.33 FTE in Finance at a cost of \$157,000 in 2007 for Water & Wastewater service positions in Public Works and a Analyst in Finance be approved and;
- 4) That the recommendation from the Budget Committee be forwarded to a Special Council on June 11, 2007 for public input and that deputations be permitted; and
- 5) That the appropriate notification be provided in accordance with By-Law 394-2002.

Economic Impact

The proposed budgets will provide funds for the operation of the Water and Wastewater system and its renewal by generating \$5.2 million to the water reserve and \$2.0 million to the wastewater reserve.

Communications Plan

The approved Water & Wastewater rates will be advertised per City policy in the local newspapers and the City's web site.

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Purpose

To adopt the water and wastewater operating budgets and the corresponding consumption rates. The recommended annual water rate increase is 8.3% and wastewater rate increase is 11.1%. The combined increase in the Water & Wastewater rate is 9.6% with an annual residential impact of \$52 based on 340 cubic meters of water.

Background Analysis and Options

2007 WATER AND WASTEWATER PROPOSED CONSUMPTION RATES

The major source of revenue for water and wastewater operations are consumption rates, totalling \$59.7 million for 2007. The consumption rate revenues net of operating costs are transferred to the respective Water and Wastewater reserves. These funds provide for the delivery of clean potable water and wastewater services and includes administration, financing, maintenance of the water and wastewater infrastructure and a contribution to the reserves.

The proposed 2007 Water and Wastewater budgets are attached including the unaudited 2006 actuals for information purposes. Water and wastewater operations, capital expenditures and reserves form part of the City’s consolidated Financial Statements.

The following is a synopsis of the proposed 2007 water and wastewater budgets including the unaudited 2006 Actuals, Attachment No. 1, and the Municipal Rate Comparison, Attachment No. 2, Full Time Employee Complement Request, Attachment 3.

Annual Residential Impact

The 2007 budget includes an annual rate increase of 8.3% for water and a 11.1% increase for wastewater for a combined increase of 9.6%.

The overall rationale for the rate increases are outlined below:

- To reflect the Regional increase in the cost to purchase potable water 2.5% and increase in the treatment of wastewater, 10.0%. This increase is due to Regional water and wastewater reserve adequacy.
- Increase in funding for the City’s future Capital infrastructure requirements.
- To offset the impact of inflationary pressures.
- Increase in expenditures overall.

2007 COMBINED RATE INCREASE 9.6%

Potable Water & Wastewater Purchased Services	3.9%
Unmetered Water	0.1%
Maintenance	0.7%
Administration	0.1%
Finance	0.4%
Joint Services	(0.3%)
Infrastructure Contribution	4.7%
2007 Increase	9.6%

The impact on a residential customer with a consumption of 340 cubic meters of water per annum will see an impact of \$51.60 or 9.6% per year. The combined increase for Water & Wastewater represents a \$4.30 per month increase.

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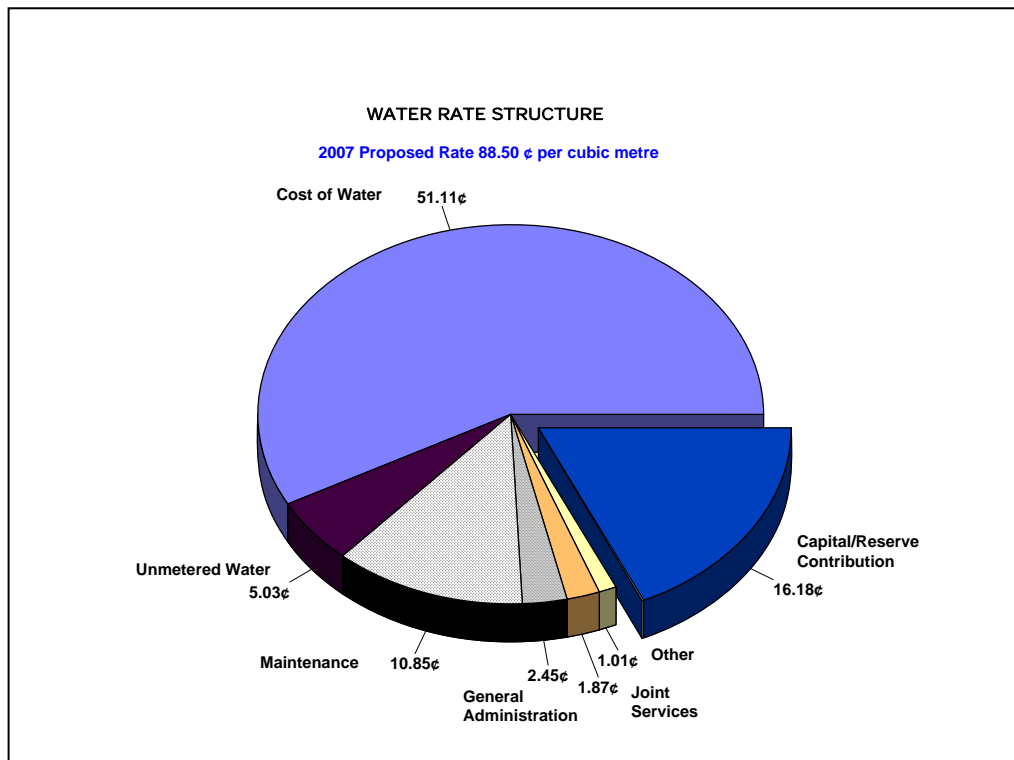
For further details on the proposed rate increases, see the 2007 Budget highlights.

Consumption Rate Component

The proposed water rate for 2007 is 88.5¢ per cubic metre and wastewater 84.0¢ per cubic metre. To assist in understanding the make up of the proposed consumption rates the following chart for water is provided. There are three basic components of the City's rate structure:

- 1) Cost of potable water & wastewater service
- 2) Operational, Administration and Financing costs
- 3) Contribution for Future Capital works

The largest component of the consumption rate is for the purchase of potable water and wastewater services from the Region and is directly related to usage by the consumer. However, the most important component of the Water and Wastewater rate is transferred to the reserve each year entitled above "Contribution for Future Capital Works". This key component of the rate structure which will pay for the City's future infrastructure cost will be developed and substantiated as part of the Bill 175 project referred to in the paragraph below.



The wastewater rate is 84.0¢ per cubic meter and the components are as follows:

Wastewater Services	54.0¢
Maintenance	7.6
Other	8.3
Capital/Contribution to Reserves	14.1
	<u>84.0¢</u>

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Full Cost Recovery - Bill 175 Stage I Consultant Review

The Sustainable Water and Wastewater Act, Bill 175, is comprehensive in its legislative requirements and includes that Water and Wastewater services be provided on a full cost recovery basis. The Act also stipulates the sources of revenue, reporting requirements to the Ministry on financial and infrastructure plans. At this point the framework for the Act or the Regulations is not currently available. It is anticipated that full cost recovery will increase the rates substantially.

The City is about to embark on procurement process for Stage I of a Water and Wastewater consultant's review to conduct a preliminary analysis of current and future infrastructure needs so that the maintenance and estimated replacement costs can be determined. This review will provide staff with the necessary data to arrive at an estimated cost for delivery of Water and Wastewater services. From this data appropriate consumption rates reflecting the City's future requirements will be established. This review will provide the financial data that will establish consumption rates to reflect full cost recovery for the services provided as required by Bill 175.

Conservation Efforts

The Water for Tomorrow program undertaken by the Region of York continues to provide programs and initiatives to reduce the consumption and loss of drinking water. Locally, York Region businesses, industries and institutions account for about 26% of the municipal demand or about 58 million litres of water every day Region wide! Water for Tomorrow provides building owners and managers free comprehensive water audits of their facilities to assist in saving water. Sixty industrial/institutional audits have already been completed identifying potential water savings of over 2.0 million litres per day.

Beginning in May, homeowners are encouraged to contact the Region to provide a landscape advisor to inspect their lawns and gardens and give advice on how to reduce the water demands of their landscaping. Included in this initiative is a "Gardening Design Series" of seminars and workshops throughout York Region to provide professional advice on designing great, water efficient and low maintenance gardens.

Public Works is initiating a water meter calibration program to examine and adjust the City's 2500 Industrial/Commercial water meters. This program will take several years to complete with the goal of ensuring that the large volume users of water are accurately billed for their consumption and the City is not losing revenue through potentially inaccurate meters.

Anti-Tampering Devices

In June of 2005, Council approved a pilot project for anti-tampering devices on fire hydrants. In part, the recommendations included that should the pilot project be deemed successful, the installation of anti-tampering devices for fire hydrants, using plastic banding, become a mandatory requirement in all areas of new construction, with the cost associated with such devices being borne by the developer(s).

The Public Works Department has installed anti-tampering devices in two newer subdivisions. Staff go through these areas to determine if any hydrants have been operated and the devices removed. To date, there seems to be a very high rate of success with these anti-tampering devices. While the original focus for these devices was to reduce water theft, the more important roles they play are in ensuring that the City's infrastructure is not damaged and the hydrants are fully operable for fire fighting, and, that the integrity of the City's water distribution remains uncompromised through unauthorized operation of its valves and appurtenances. Based on the success of the trials taken place to date, all new subdivision agreements will be revised to

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include a clause requiring the developers to supply, install, and maintain hydrant anti-tampering devices (that have been approved by the City), on all hydrants in new subdivisions until the area is fully occupied, or assumed by the City.

2007 Proposed Water and Wastewater Budget – Highlights

Proposed Increase in Staff Complement

Significant legislation governing the delivery of Water & Wastewater services over the past number of years in Ontario has increased the complexity of the delivery of safe potable water. The Ontario government has introduced since Walkerton the Safe Drinking Water Act, 2002, the Sustainable Water and Sewage Systems Act, 2002, the Nutrient Management Act 2002 and the Clean Water Act. Numerous regulations have been passed under each Act, resulting in sweeping changes in the management and operation of drinking water systems, including the operation and maintenance of Vaughan's drinking water systems. Regulations concerning the maintenance, testing, sampling, flushing and reporting, have increased due to these regulations, and with Vaughan's continuing growth, these requirements continue to increase.

In addition to the increasing regulatory requirements concerning the maintenance and operation of the City's drinking water systems, the City's system has increased by almost 150 km of water main since 2001. Not included in the total length of pipe, are the thousands of individual water services and appurtenances (valves, curb boxes, hydrants, etc.) running off these pipes, all of which require maintenance and repair.

The current staffing levels in the Water section needs to be increased in order to ensure that the City meets its regulatory standard of care, and to ensure the residents continue to receive a high quality product. Staff are being requested for 2007 as shown below, however, additional service personnel in 2008 will also be required and will be presented as part of the 2008 Budget process.

As a result of the above, it is now recommended that full time personnel be hired. In 2007, 2.58 FTE's in total; 1.25 FTE for Water, 1.0 FTE for Wastewater and 0.33 FTE for Finance.

The 2007 salary and benefit cost is \$157,000, the annual cost including benefits is \$346,400. In addition vehicle costs related to the hiring of these service positions totals \$160,000 but will be included in the 2008 capital budget.

Unmetered Consumption

Unmetered water usage takes place through: water used for fire suppression and fire training, water used to irrigate sports fields, water used by City staff in water main flushing and maintenance, water used for street sweeping, unmetered water due to water main breaks and service leaks, water used to test and flush new water mains in new developments due to Provincial water regulations, water used by builders in the construction of new homes, etc.

In some instances however, unmetered water is billed through the City's development agreements and in addition water costs are recovered for internal City purposes; such as recreation's swimming pools, and building's and facility throughout the City.

2007 Proposed Budget

The 2007 unmetered water is budgeted at 9.0%, the City's overall average water loss experience. The 2006 actual unmetered water is up from last years 8.9% coming in at 10.1%. The unmetered water over the past number of years has been fairly stable, ranging from 7.5% to 10.1%. The National Drinking Water Clearinghouse in the USA has indicated that unaccounted for water in the 10-20% range is normal, while the National Research Council of Canada reported in 1998, that the range is anywhere from 25-30%.

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Update 2000 Actual

As reported previously to Council, the 2000 actual unmetered water was significantly higher than normal coming in at an adjusted 16.0%. City Engineering and Finance staff have met on several occasions with Regional Engineering staff, and in addition, have had a number of discussions and meetings with staff of the City of Toronto on potential metering issues. The water infrastructure system is large and the metering system is complex. In 2002 the Region hired a consultant with the cost being shared with the City however the resulting report was inclusive in its determination of the cause. At this point discussions are taking place at senior levels of both organizations so as to reach a settlement.

Jane Street & Highway 7 – Watermain, Road & Sewer Repairs

At its meeting of February 13, 2006, Council was advised of the emergency situation at the intersection of Jane Street and Highway 7 and the status of the repairs to the watermain, road and sewers. York Region Police closed the intersection in the morning of February 6, 2006 when a settlement developed on the north west corner. The initial investigation of the site identified the break in the watermain as the cause of the settlement but as work progressed it was determined that the sanitary sewer had also settled.

Council approved the recommendation to retain the contractors and consultants necessary to stabilize the area impacted by the emergency situation associated with the major settlement of the roadway and underground services. To carryout repairs, deep wells were placed to lower the water table and pumps were installed to by pass the sewer. The site was excavated to a depth of 30 feet to allow the subgrade to be stabilized with pressure grout; the unstable and unsuitable soil to be removed and replaced with unshrinkable fill and other suitable material; the watermain, sanitary sewer and storm sewer replaced and the road base, curbs, islands, pavement and traffic signals affected by the repairs were reconstructed.

The cost as at December 31, 2006 is \$8.9 million and was funded from the Water and Wastewater reserves. The total cost of this project is expected to be approximately \$9.8 million. Staff are currently in discussions with the Region of York to finalize their share of this significant project. The estimate of the Region's share is not available at this time.

Water-Revenue & Expenditures Highlights

The budgeted water billings in 2007 are expected to be \$31.2 million with expected water purchases from the Region of \$20.1 million resulting in a gross margin of \$11.0 million or 35%. The budgeted 2007 water billing revenue includes a 3% residential, 2% commercial growth factor. The volumes are based on an estimated average season in terms of weather.

Actual 2006 total Water billings of \$28.1 million are under budget by \$1.0 million as a result of a lower than expected demand by Residential users and Commercial / Industrial users. Residential consumption was lower to a greater extent than expected totalling \$16.7 million, down by 5.2%. Commercial and Industrial actual billings totalled \$11.0 million down by 3.0% compared to a budget of \$11.3 million. The revenue for 2006 was under budget due to a reduced demand for water as a result of heavier rainfall this year during the warmer months.

Budgeted expenditures total \$7.0 million covering general annual maintenance, administration, financing and other costs. The largest component maintenance is budgeted at \$5.1 million. Actual maintenance expenditures come in \$3.8 million and is under budget significantly, this is due to the budgeted amount each year being based on providing extra funds in case of emergency work. The balance of the administration and other costs are coming in at approximately last year budget level. Financing costs are up budgeted at \$200,000 as a result of debenturing various capital projects.

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Reserve Contribution

In 2006 through water operations, \$4.5 million or 16.1% was transferred to the water reserve fund. The 2007-budgeted transfer from water operations to the water reserve is expected to be at \$5.2 million, a rate of 16.8% of water revenue, up by 0.8% over last year.

Budgeted transfers to the Capital Fund in 2007 for water related budgeted infrastructure needs are expected to be \$1.4 million, \$7.7 million has been committed from previous years. The total budgeted and committed cost for water reserve fund projects may not be spent at the end of year 2007.

The water reserve fund including commitments has been decreasing over the past few years due to the increasing need to renew the water infrastructure, however, the project related to Bill 175 will address this issue. The budgeted reserve balance at the end of 2007 is projected to be \$9.4 million after all committed capital projects and operating costs.

Wastewater-Revenue & Expenditures Highlights

Wastewater billings are based on the cubic meters of water used for each property. The wastewater rate is then applied to the amount of water consumed. The volume of wastewater is not metered.

The current wastewater rate is discounted by approximately 5.5% when compared to water so as to reflect that not all water is returned to the wastewater system. The differential between the water rate and wastewater rate has been diminishing over the past few years. This is due to the Regional wastewater rate component that will be increasing starting 2005, increasing over 5 years by 10%, the City has no choice but to flow that cost to the consumer. As a result the current differential between rates currently at 5.5% will disappear altogether next year.

The sanitary wastewater billings in 2007 are expected to reach \$28.7 million. The wastewater increase is a reflection of the increase in water consumption as a result of an estimated 3% residential and 2% commercial growth factor and a normal season of weather. The cost of wastewater disposal service from the Region includes a 10.0% increase and the total 2007 treatment cost is estimated at \$20.9 million. The Region's treatment cost for wastewater is based on potable water purchased by the City. The 2007 local improvement revenue is budgeted at \$80,000 and is offset by the cost of debentures of \$80,000. The balance of the debenture cost is for the financing of other capital projects. Installation and service fees are budgeted at \$137,000, the same level as 2006 budget.

Budgeted expenditures for 2007 are at \$5.8 million, a slight increase of over the 2006 budget. This is due to increased costs associated with lateral repairs, sanitary lateral installations, flushing/cleaning and other general repairs and maintenance. Storm sewer expenditures are budgeted at \$1.9 million similar to last years budget. Balance of the expenditures are budgeted at last years levels.

Reserve Contribution

In 2006, through the operation of the sanitary wastewater operations, \$2.2 million was transferred to the reserve. For 2007 a forecasted transfer to reserve is up to a total of \$2.0 million or 7.2% compared to last year's budget 6.2%.

Budgeted transfers to the 2007 Capital Fund for wastewater infrastructure is proposed to be \$0.8 million. In addition a transfer to the operating fund for overhead cost is \$0.4 million. The total committed cost for wastewater reserve fund capital projects may not be spent at the end of year 2007.

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The sanitary wastewater reserve ending balance for 2007 is forecasted to be \$4.9 million, and reflects all current and previous committed projects.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council under Safeguarding our Environment and the necessary resources are being requested.

Conclusion

Both the Water and Wastewater reserves have been declining, however, Engineering staff and Finance will be undertaking the necessary studies to ensure that the water/wastewater future rate recommendations include an appropriate strategy to fund future operations and infrastructure renewals. These studies will include the requirements of Bill 175 full cost recovery.

The annual impact of the proposed rates on residential users which consume 340 cubic meters per year will be \$51.60 or \$4.30 per month.

It is therefore recommended that the City's water rate be increased to 88.5 cents per cubic meter and that the wastewater rate be increased to 84.0 cents per cubic meter both effective June 2006 as outlined below.

Attachments

- Attachment No. 1: The 2007 Water and Wastewater Budgets including 2006 unaudited Water and Wastewater Actuals
- Attachment No. 2: 2007 Water and Wastewater Municipal Rate Comparison
- Attachment No. 3: Proposed Increase in Staff Complement

Report prepared by:

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Director of Financial 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 2, Report No. 7, of the Budget Committee, which was adopted, as amended, by the Council of the City of Vaughan on May 7, 2007, as follows:

By approving that staff approach the Town of Markham to explore a cooperative approach to the conducting and funding of these studies.

**2 YONGE STREET AREA STUDY (STEELES TO HWY. 407)
FILE: 15.97**

The Budget Committee recommends:

- 1) That the recommendation contained in the following report of the Commissioner of Planning, dated May 7, 2007, be approved;**
- 2) That staff explore cost sharing opportunities with the Region of York with respect to the subject study; and**
- 3) That the Terms of Reference be reviewed in terms of staging it with related studies being undertaken by the Town of Markham.**

Recommendation

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

THAT an amount of \$270,000 (funded \$243,000 CWDC – Management Studies and \$27,000 taxation) be approved and included in the 2007 Capital Budget for the Policy Planning Department to undertake a study of the Yonge Street Area;

THAT Staff prepare a detailed Terms of Reference and Study Budget not exceeding the amount noted above for consideration by Council in May, 2007; and

THAT Staff initiate discussions with Town of Markham staff respecting the coordination of the Study with work being undertaken by Markham on the east side of Yonge Street.

Economic Impact

The budget requirements for this Study have not been previously accounted for in the 2007 budget process. A significant part of the Study costs would be recoverable through future development charges, provided that the Study results in policies permitting redevelopment in the Yonge Street Area.

Communications Plan

Upon Council approval of the Study Terms of Reference and consultant selection, the Study would be initiated with an Open House to which all interested stakeholders would be encouraged to attend. A Stakeholder Consultation Group would be established to provide input throughout the Study process. The process may also include community consultation and design workshops, and would conclude with a Public Hearing to consider amendments to the Official Plan. Further details of the communications and consultation approach will be defined in the Terms of Reference and consultants' workplan.

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Purpose

The purpose of this report is to identify an upset budget limit for the Yonge Street Area Study as part of the 2007 Capital Budget, pending preparation of Terms of Reference and a more detailed budget for Council's consideration later in May.

Background - Analysis and Options

At the Working Session of Committee of the Whole on April 24, 2007, the adopted resolution directed Staff to draft a Terms of Reference and prepare a budget estimate for a Yonge Street Corridor Study from Steeles Avenue north to Highway 407. The Study would include the lands on the west side of Yonge Street north and south of the Thornhill Heritage Conservation District. The Conservation District was recently the subject of a comprehensive land use and urban design study which concluded with the adoption of OPA 669 in June, 2006. The Study Area will be defined in the Terms of Reference.

The review and updating of policies applicable to the Yonge Street area is timely for several reasons:

1. Yonge Street is very important to Vaughan, York Region and the GTA.

Yonge Street is Vaughan's eastern boundary and a gateway. It is Canada's longest street, and one of York Region's highest priorities for higher order transit improvements.

2. Yonge Street is subject to increasing redevelopment pressure.

There are current applications for intensified development on both sides of Yonge Street. A property owner on the Vaughan side within the Thornhill Heritage Conservation District has proposed a high density mixed use residential/retail development just north of Arnold Avenue on the west side of Yonge Street. On the large Hy and Zel's site on the Markham side of Yonge Street, the landowner has proposed a major redevelopment including high density residential, commercial and mixed use development, prompting the Town of Markham to initiate a study of the east side of Yonge Street from Steeles Avenue to the Heritage Conservation District. Markham has requested Vaughan staff participation in their study.

3. Redevelopment of appropriate scale and form may be appropriate.

Given the scale of Yonge Street and its importance as a higher order transit route, it may be appropriate to permit redevelopment to higher densities in some locations, provided that the development is compatible with and sensitive to neighbouring uses, and servicing capacity and the road network can accommodate it.

4. Opportunities to revitalize and strengthen Yonge as a 'Main Street'.

The Thornhill Yonge Street Study recognized the historic role of Yonge Street as the 'Main Street' of the Thornhill community, and introduced new policies to foster its revitalization. This process may be further enhanced by supplementing the existing commercial development, and supported by an enlarged residential community north and south of the Conservation District.

A comprehensive review of the existing policy framework governing development along Yonge Street is needed to enable the City to articulate its position and provide direction respecting the preferred form of future development there. Up-to-date policies will also enable the City to respond to development applications, and ensure that the City's goals, objectives and vision for the area are likely to be achieved.

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In addition, VIVA is currently working on the design of the generic streetscaping requirements for the Yonge Corridor in order to enhance the pedestrian and transit environment and thereby achieve higher levels of transit ridership. The Yonge Street Area Study should provide the opportunity to examine more detailed, site-specific streetscaping requirements beyond the VIVA work.

Given that Markham and Vaughan share an interest in the future evolution of development in the Yonge Street Area, and can benefit from a coordinated response to development pressure there, Staff proposes to consult with Markham staff prior to defining the Study Terms of Reference. The Thornhill Yonge Street Study has already demonstrated the benefits of a coordinated approach along the common municipal boundary. Efficiencies may also be achieved with respect to completing the required work and of consulting costs.

Given that Council is now finalizing the City's 2007 budget, a budget of \$270,000 is proposed in the 2007 Capital Budget, to ensure that sufficient budget is reserved to undertake the required work for the Yonge Street Area Study. The proposed funding source for this study is \$243,000 CWDC Management Studies and \$27,000 taxation. The Study Terms of Reference will be drafted and submitted for Council's consideration later in May, together with the specific budget requirements of the Study.

Relationship to Vaughan Vision 2007

This report is consistent with Vaughan Vision 2007, Section 3 – Transportation and Transit Infrastructure, and Section 4 – Planning and Managing Growth.

This report recommends a change from the priorities previously set by Council and the necessary resources have not been allocated.

Regional Implications

The Yonge Street Area Study would examine the form and scale of future development on Yonge Street north and south of the Thornhill Heritage District. Yonge Street is a Regional Road where York Region is making a major investment in transit infrastructure improvements. The success of higher order transit in the Yonge Corridor is dependent in part upon the presence of transit-supportive development there.

Conclusion

A budget is proposed within the 2007 Capital Budget, pending consultation with Markham, and preparation of a detailed Terms of Reference for the Yonge Street Area Study. Staff proposes to submit a report with the Terms of Reference later in May, with a study budget not exceeding the budget identified in this report.

Should Council concur with this proposed approach, the Recommendation should be supported.

Attachments

Nil

Report prepared by:

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



3

COMPUTER EQUIPMENT INVENTORY

The Budget Committee recommends that the IT Department provide a report with respect to inventory of computer equipment as at December 31, 2005 and December 31, 2006.

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