

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 25, 2007

Item 1, Report No. 8, of the Budget Committee, which was adopted, as amended, by the Council of the City of Vaughan on June 25, 2007, as follows:

By approving the following:

That the correspondence from the Town of Aurora submitted by Councillor Meffe, containing Aurora Council's resolution regarding GTA Pooling, be supported by the City of Vaughan; and

That the Town of Aurora be so advised, as well as all municipalities within the Region of York, and the Region of York.

**1 CITY OF VAUGHAN CAPITAL & RESERVES QUARTERLY REPORTS
FOR THE FOURTH QUARTER ENDING DECEMBER 31ST, 2006**

The Budget Committee recommends approval of the recommendation contained in the following report of the Director of Reserves & Investments, dated June 18, 2007:

Recommendation

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

That this report be received for information purposes.

Economic Impact

There is no economic impact as all capital projects have been previously approved by Council and the reserve continuity schedule is for information purposes only.

Communications Plan

Not Applicable

Purpose

The purpose of this report is to provide Budget Committee with a quarterly update on the financial status of all approved capital projects and reserve balances.

Background - Analysis and Options

The attached quarterly reports provide an update on the financial status of all approved and active capital projects and reserve balances.

Attachment 1 provides the Budget to Actual Status for all currently approved and active capital projects as at December 31st, 2006. It is important to note that while a capital work plan may be complete (the road done or the park built) the project is still considered active until all invoices are paid and all funding completed. It should also be noted that this report is a financial representation of payments made to December 31st, 2006 and is not an indication of the percentage completion of capital work-in-progress. This information is compiled at a point in time and as capital work plan information is continuously changing current information may vary from this report.

Reserves & Investments has reviewed the Budget to Actual Status report as at December 31st, 2006 and provides the following analysis:

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- there are 324 open capital projects with a capital budget value of \$378 Million
- to date approximately 51% of this capital budget has been spent (payments processed)
- capital work-in-progress to be completed is valued at approximately \$186 Million
- 3 projects require additional funding which has been requested through the 2007 capital budget process
- 18 projects were closed during the quarter releasing funding of \$410,439 for future projects (funding is returned to the original source)

Attachment 2 provides the Reserve Continuity Schedule as at December 31st, 2006. This schedule provides information on the individual and aggregate reserve balances and the outstanding financial commitments required to fund approved projects. These commitments also include any payments required in future years where approved multi-year payment agreements exist. The balance available after commitments is compiled at a point in time and as reserve activity is ongoing the current available balances may vary from this report.

Reserves & Investments has reviewed the Reserve Continuity Schedule as at December 31st, 2006 and provides the following analysis:

- the net increase in reserves and deferred revenues for the quarter was approximately \$37 M
- approximately \$14 M in development charges were collected during the quarter
- approximately \$3 M in interest was earned during the quarter
- \$6.5 M was transferred from reserves to capital to fund work-in-progress for the quarter

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

Not Applicable.

Conclusion

The capital and reserves quarterly reports provide Budget Committee with the financial status of all approved capital projects and reserve balances. The Budget to Actual Status Report and Reserves Continuity Schedule provide point in time information to provide assurance of ongoing management of approved capital projects and the reserves required to fund them.

Attachments

Attachment 1 – Budget to Actual Status Report by Department as at December 31st, 2006
Attachment 2 – Reserves Continuity Schedule as at December 31st, 2006

Report prepared by:

Marjorie Johnson, CGA
Manager of Capital Ext. 8984

(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. 8, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on June 25, 2007.

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2008 CAPITAL BUDGET TIMETABLE

The Budget Committee recommends approval of the recommendation contained in the following report of the Deputy City Manager/Commissioner of Finance & Corporate Services and the Director of Reserves & Investments, dated June 18, 2007:

Recommendation

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

That the attached 2008 Capital Budget Guidelines & Procedures and the 2008 Capital Budget Timetable be approved.

Economic Impact

There is no economic impact as this is an information item.

Communications Plan

Public Notice of the November Community Input Meetings will be required in October to inform the public of the dates, times and locations. The Region of York and School Boards will also need to be notified in advance of these dates in order to participate in the presentations.

Purpose

The purpose of this report is to inform the Budget Committee of the 2008 Capital Budget Timetable.

Background - Analysis and Options

The City of Vaughan Capital Budget process provides a forum for long-term planning and establishing construction and service priorities for the future. The proposed guidelines provide stability and balances the need for service with affordability and the requirement to meet the changing economic conditions.

In preparing the 2008 Capital Budget, departments should focus on projects that maintain a standard of repair and maintenance, general efficiency, generate cost savings and the availability of staff resources to complete their capital plan. The objective is to receive public input through Community Budget Forums in October and November followed by a report to the Budget Committee in December for Council approval early in the New Year. The purpose of the Community Budget Forums is two-fold: to educate and inform the public and to solicit input from the public into the budgets by engaging them in the community. The benefit of this timeline is to allow the tendering and construction process to commence early in 2008 to obtain lower bid prices.

The 2008 Capital Budget Guidelines & Procedures (Attachment 1) and the 2008 Proposed Capital Budget Timetable (Attachment 2) have been prepared with the objective of an early 2008 approval. All capital projects will be reviewed within the applicable funding source(s) based on the criteria outlined in the 2008 Capital Budget Guidelines & Procedures, corresponding reserve by-laws where applicable and all City of Vaughan financial policies.

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Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council in Vaughan Vision 2008 particularly: 2.1 Ensure long term financial stability.

Regional Implications

See Communications Plan.

Conclusion

Budget Committee review and approve the proposed 2008 Capital Budget Timetable.

Attachments

Attachment 1 – 2008 Capital Budget Guidelines & Procedures
Attachment 2 – 2008 Capital Budget Timetable

Report prepared by:

Marjorie Johnson, CGA
Manager of Capital Ext. 8984

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Item 3, Report No. 8, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on June 25, 2007.

3 2008 OPERATING BUDGET & BUSINESS PLANNING – TIMETABLE, GUIDELINES AND OVERVIEW

The Budget Committee recommends approval of the recommendation contained in the following report of the City Manager, the Deputy City Manager/Commissioner of Finance & Corporate Services, the Acting Director of Budgeting and Financial Planning, and the Senior Manager of Strategic Planning, dated June 18, 2007:

Recommendation

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

- 1) That the 2008 Operating Budget Guidelines, summarized in this report be approved; and
- 2) That the revised Additional Resource Request and Departmental Business Plan templates be approved substantially in the form attached and included as part of the 2008 Operating Budget Guidelines instruction package issued to departments, and
- 3) That Attachment 3 – 2008 Operating Budget Timetable be approved.

Economic Impact

The economic impact of the 2008 Operating Budget will be fully determined upon receipt of the departmental operating budgets in September 2007.

Communications Plan

N/A

Purpose

The purpose of this report is to obtain the Budget Committee's approval for the 2008 Operating Budget & Business Planning Timetable and Guidelines.

Background - Analysis and Options

The 2008 Operating Budget Challenge

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, which are further compounded by expanding service requirements, tax funded infrastructure renewal cost impacts experienced by a high growth municipality, and increasing environmental initiatives. 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.

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Guidelines Designed to Maintain Service Levels & Support Vaughan's Vision with a Minimum Impact on Taxes

As illustrated, the 2008 Operating Budget will present a significant challenge in achieving a balanced budget while minimizing any tax increase. Accordingly, the 2008 Operating Budget Process will address this challenge by building on the processes and successes experienced during the 2007 Operating Budget Process. The Operating Budget Guidelines are further refined to incorporate a more comprehensive budget review through a combination of the following actions:

1. Strict base budget guidelines to limit the size of the budgetary increases
2. Separate review process to assess additional resource requests
3. User fee reviews with increases in relation to department costs & cost increases
4. Business planning and performance measures/benchmarks.
5. Public information/consultation sessions
6. Continued budget/tax rate analysis

Further details with respect to each of the above actions are provided in the following paragraphs.

1. Strict 2008 Base Budget Guidelines to Limit Cost Increases

Continued strict Operating Budget Guidelines are recommended to minimize the budgetary impact on the tax rate for 2008. These guidelines focus on external pressures and established commitments limiting base budget increases to only the following areas:

- Salary and benefits relating to previously approved employment agreements
- Full year impacts of previously opened new facilities
- Full year impacts of prior Council approved initiatives
- Supported external contract price and volume increases
- Supported utility Increases (Hydro, Water, Natural Gas, & Fuel)
- Insurance adjustments
- Required long term debt principal and interest payments

In addition, all items containing an economic impact during the Annual Budget Process are to be submitted to the Budget Committee for review & recommendation before Council consideration. This will ensure that all financial requests are captured and assessed within the approved Operating Budget Process.

2. Separate Review Process to Assess Additional Resource Requests

Recognizing the above guidelines are very restrictive and understanding that Departments may require funding in excess of base budget guidelines to perform the following:

- Meet strategic priorities
- Maintain service levels
- Adhere to regulatory requirements
- Implement initiatives, etc.

The above guidelines continue to be complimented by a process that provides departments with an opportunity to formally submit requests for essential resources not permitted within the base budget guidelines, in excess of \$5,000. Council approval is specifically required when, new staff resources, a change in service levels, or new initiatives are brought forward. These requests will not be included in the base operating budget, but identified and presented separately to Senior Management and/or Council for consideration/approval. The above process will separate the Operating Budget into the following 2 classifications:

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- o Base Budget - Budget submissions based on approved guidelines – Minimal tax increase
- o Additional Resource Requests – Special or unique requirements not accommodated within existing guidelines requiring SMT and/or Council review and approval.

The intent is to aid key decision makers assess the Operating Budget by pinpointing key operating budget pressures and breaking up the budget into more manageable components.

A single standardized Additional Resource Request Template, enclosed as Attachment 1, will be provided to departments to communicate their requests and business case. The template includes sections to illustrate strategic links, costs & benefits, implications & consequences, success indicators, and timelines. This process will provide a consistent step by step approach to assist Senior Management and the Budget Committee in evaluating requests and aligning available resources.

3. User Fee reviews with increases in relation to department costs & cost increases

Inherent in the 2008 Budget Process is a continued emphasis on maximizing the cost recovered on services provided. In addition to adjusting revenues for anticipated changes in activity, departments are expected to increase use fees and service charges in relation to department cost increases and are encouraged to explore and submit new user fee and service charge opportunities for Senior Management review and Council approval.

It is anticipated that department user fees & service charges will increase at minimum, by the rate to inflation, in 10 cent increments, unless otherwise specified i.e. fees & charges currently part of ongoing studies, etc. The Statistics Canada Toronto/GTA inflation rate increased 1.9%, from 131.1 to 133.6, for the 12 month period ending April 2007. The 5 year historical average is approximately 2%.

4. Business Plans, Service Reviews, and Performance Measures

To help establish and reinforce connections between strategic priorities and resource allocation Business Plans were incorporated into the 2007 Operating Budget Process. This information complimented the budget process and played an important role in evaluating department base budget efficiency, effectiveness and productivity through the use of performance measures, as well as provided a platform to better understand department objectives, pressures and the basis for additional resource requests.

Business Plans will continue to be integrated as part of the 2008 Operating Budget Process. This process will focus on the next stage of the 2005 -2007 Corporate Business Planning Process, which entails developing business plans for departments not included in the initial phases, reporting on objectives/accomplishments, refining/updating established business plans, and expanding performance measures. To accomplish these goals a revised business plan template was designed, Attachment 2, which expands on the business planning objectives section of the original template.

As illustrated above, this information will greatly assist Senior Management and the Budget Committee in their budget deliberations by providing additional evidence based information that demonstrates department base budget efficiency, effectiveness, and productivity through performance measures and further merge budget requests to strategic goals, objectives, and priorities.

The Senior Manager of Strategic Planning will be intricately involved with this process and will oversee the completion of business plans and supporting documentation.

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5. Public Information/Consultation Forums

Continuing with the process established in 2007, Public Consultation/Information Forums will be held throughout the community early in the budget process to gather community input, which will assist in building the budget. Although a framework has not yet been determined the subject matter of the forums will focus on the following:

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 local services provided and their value.

In addition to the City, the York Region Separate and Catholic Schools Boards and the Region of York will be invited to attend. Forum results will be reported to Budget Committee in December.

6. Continued Budget/Tax Rate Analysis

As part of the standard process staff will undertake various tasks to analyze the Operating Budget to assess efficiency and ensure conformity with approved Operating Budget Guidelines. For example analyzing major department increases, guideline compliance, specific expenditure types, department user fee recovery ratios, SMT/Council adhoc requests, tax rate implications, and overall budget reasonability.

Operating Budget Timetable

Staff anticipate bringing forward the first draft of the 2008 Operating Budget to the Budget Committee in December with the intention of a Budget Committee recommendation in early February and Council approval in late February 2008. A timetable is enclosed as Attachment 3. Any issues raised during the 2008 Operating Budget Process could potentially impact the above illustrated timing.

Relationship to Vaughan Vision 2007

This report is consistent with the Vaughan Vision of long term financial stability through the design of operating budget guidelines intended to produce a responsible budget in line with Vaughan's vision, goals, and objectives. The necessary resources have not yet been approved and will be addressed throughout the 2008 Operating Budget deliberations.

Regional Implications

N/A

Conclusion

The 2008 Operating Budget Timetable reflects that the Budget Committee provide a recommendation to Council by early February 2008 and a public meeting be held in late February 2008, followed by Council approval. The enclosed guidelines are presented to maintain service levels and support Vaughan's vision with a minimum impact on taxes.

Attachments

- Attachment 1 – Additional Resource Request Template
- Attachment 2 – Business Plan Template
- Attachment 3 – 2008 Operating Budget Timetable

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Report prepared by:

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Deputy City Manager/Commissioner of Finance & Corporate Services

John Henry, CMA
Acting Director of Budgeting and Financial Planning

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