

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 22, 2007

Item 1, Report No. 9, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on October 22, 2007.

**1 CAPITAL PROJECTS QUARTERLY REPORT
ENDING JUNE 30, 2007**

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 October 16, 2007:

Recommendation

The Deputy City Manager/Commissioner of Finance & Corporate Services and the Director of Reserves & Investments recommend:

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 Reserves and Investments department is responsible for:

- managing capital processes on an ongoing basis to provide departmental management with the information to ensure that their projects are completed within their approved budgets
- ensuring the appropriate approvals are obtained if circumstances determine additional funding is necessary
- maintaining reserve and reserve fund balances to ensure required funding is available to finance all approved capital projects
- providing financial updates to Budget Committee and Council

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 June 30, 2007. 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 June 30, 2007 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.

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Reserves & Investments has reviewed the Budget to Actual Status report as at June 30, 2007 and provides the following analysis:

- there are 444 open capital projects with a capital budget value of \$435 Million
- to date approximately 42% of this capital budget has been spent (payments processed)
- capital work-in-progress to be completed is valued at approximately \$252 Million
- 34 projects were closed (Attachment 2) during the first two quarters of 2007 releasing funding of \$430,144 for future projects (funding is returned to the original funding source)

Attachment 3 provides the Reserve Continuity Schedule as at June 30, 2007. 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.

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 June 30, 2007

Attachment 2 - Closed Projects

Attachment 3 – Reserves Continuity Schedule as at June 30, 2007

(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. 9, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on October 22, 2007.

**2 OPERATING BUDGET QUARTERLY REPORT
ENDING JUNE 30, 2007**

The Budget Committee recommends:

- 1) That the recommendation contained in the following report of the Deputy City Manager/Commissioner of Finance & Corporate Services and the Director of Budgeting and Financial Planning, dated October 16, 2007, be approved; and
- 2) That staff explore opportunities for financial reporting to include benchmarking, performance measurements and cost centre reporting.

Recommendation

The Deputy City Manager/Commissioner of Finance & Corporate Services, and the Director of Budgeting and Financial Planning, recommend:

That the 2007 Second Quarter Variance Report be received for information purposes.

Economic Impact

Not applicable.

Communications Plan

Not applicable.

Purpose

To report on the year-to-date actual 2007 Operating Budget results versus the calendarized 2007 Operating Budget, as of June 30, 2007.

Background - Analysis and Options

The attached second quarter variance report compares the current status of both departmental and corporate expenses and revenues for the six-month period ending June 30, 2007, relative to the 2007 year-to-date operating budget. The year-to-date operating budget is calendarized based primarily on the spending patterns and trends of previous years, as per departmental submissions. This variance report is prepared on a partial accrual basis, where only major revenue streams or expenditures not booked, but incurred to date, have been estimated and accrued.

The combined excess of revenues over expenses, (balances transferred to reserves as per policy), is not directly indicative of the final year-end surplus; it simply measures the excess at a point in time and may be eroded due to unforeseen events that may occur in the second half of the year, such as winter storms, an economic downturn, or a delay in the timing of expenses. The last point is highly possible, as the 2007 second quarter variance is impacted by the June 14, 2007 budget approval, which in many cases, delayed departmental spending, contributing to some favourable variances presented.

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Second Quarter Ahead of Budget

At the end of the second quarter, the excess of revenues over expenses was \$1,792,662. This favourable variance is comprised of revenues being \$2,295,809 over budget and expenses that are below budget by (\$503,147). The \$1,792,662 is a positive variance. The main areas that contributed to the positive variance are summarized below.

	<u>\$M's</u>
<u>Revenues</u>	
Reserves	(0.6)
Fees & Service Charges	1.9
Corporate Revenues	0.9
Taxation/Grants/ Payment in Lieu / Other	<u>0.1</u>
Total	2.3

Expenses

Departmental Expenses:

Recreation	0.3	
Building & Facilities	0.5	
Parks Operations	0.5	
Development Planning	0.2	
Building Standards	0.4	
Development & Transportation Engineering	0.2	
Engineering and Construction Services	0.4	
Library	0.7	
Other – (various departments)	<u>1.0</u>	4.2
Corporate Expenses		<u>(4.7)</u>
Total		(0.5)

Year-To-Date Revenues Net of Expenses **\$1.8M**

The City's 2007 annual Operating Budget is \$176,613,840. As previously stated the \$1,792,662 represents a variance of 1.02%.

Listed below are explanations for significant revenue and expenditure variances. As per prior practice, department explanations are required for all unfavourable variances and any favourable variances in excess of \$100,000.

Deputy City Manager / Commissioner of Finance and Corporate Services

City Financial Services Expenditures Favourable \$138,743

The favourable variance is due to salary cost savings as a result of complement vacancies in the first half of the year and additional favourable variances in miscellaneous accounts.

Commissioner of Legal and Administrative Services

Clerks – Fees / Service Charges Unfavourable (\$9,835)

The unfavourable variance in various fees and service charges are related primarily to lower than forecasted fees and charges related to the sale of documents and commissioning fees relative to budget calendarization. It is anticipated that revenues will increase over the next two quarters.

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Clerks – Committee of Adjustment Revenue Favourable \$105,204

Committee of Adjustment's projected revenue for the first six months was \$105,204 greater than forecasted, due to a higher than anticipated increase in the number of Committee of Adjustment applications processed to date.

Clerks – Insurance Expenditures Unfavourable (\$113,042)

The primary reason for an unfavourable insurance expenditure relates to the fact that the City has experienced an increase in vandalism, vehicle accident damages, and theft claims which are below the City's deductible. As such, the required funds have been paid out of this account. If the trend continues, the impact on year-end results will need to be determined.

Enforcement Services Revenue Unfavourable (\$70,143)

Fine revenues continue to be generated at close to 2006 levels. Unfortunately, as a result of circumstances beyond the City's control, the rate of payment has declined. The major contributing factor to the decline in payments is a backlog in our Courts. There is a backlog of over 2,500 cases (with the majority of fines ranging from \$100 - \$300 each). As a result of this backlog and the continuing resource shortage of available Justices of the Peace, it is not anticipated, at this time, that this revenue shortfall will be remedied before the end of the year.

Enforcement Services Expenditures Favourable \$119,583

The favourable expenditure variance is due primarily to savings in salary lines as a result of staffing vacancies. Additional savings related to staff vacancies were found in cellular telephone costs, computer expenses, and other miscellaneous accounts. Contributing to the favourable variance is also minor savings related to contract costs in the animal control services contract and enforcement hand-held scan devices.

Human Resources Expenditures Favourable \$137,605

The mid year variance is due primarily to professional fees are favourable to date, as we have settled a number of grievances scheduled for arbitration, minimizing legal and arbitration fees. It is anticipated that as labour negotiations proceed throughout the second half of the year, professional fees will be significant and the favourable variance to date will be corrected.

Commissioner of Community Services

Recreation Revenues Unfavourable (\$249,225)

The unfavourable revenue variance is primarily a result of a shortfall in registration revenue targets for recreation programmes. Unfavourable revenues were found in the City's general programs, aquatics, before and after school programs, and camps. The shortfall in revenues is offset by savings in expenditures, resulting in an overall favourable variance for the Recreation Department budget.

Recreation Expenditures Favourable \$301,321

The favourable expenditures variance is primarily due to savings in staffing and material costs related to programs that did not sell (as noted above in the revenue shortfall explanation). Overall, the department had a net favourable variance.

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Building and Facilities Expenditures Favourable \$508,989

The overall favourable variance is comprised of several factors, including salaries and benefits savings related to vacancies, building maintenance expenses, and utilities. The current vacancies within the department are not expected to continue as the recruitment process has commenced. The building maintenance work is scheduled for the second half of the year as a result of a June 14, 2007 budget approval. Utility expenses are favourable as a result of lower than forecasted expenses to date. It is expected that utility actual costs and budget calendarization should be on-target during the second half of the year.

Parks /Forestry Operations Revenues Unfavourable (\$5,385)

The unfavourable revenues are primarily related to a delay in recoveries from shared facilities. It is expected that the variances will correct themselves during the second half of 2007 and that any variances at year end will not be material.

Cemeteries Revenues Unfavourable (\$1,546)

The minor unfavourable revenue variance is primarily related to lower than forecasted sales of plots.

Parks/Forestry Operations Expenditures Favourable \$499,932

The majority of the favourable expenditures variance is related to savings in salaries and benefits, as a result of a vacant manager and supervisor position, and a delay in back filling full-time and part-time staff positions. In addition, actual recording of crew cards for outside staff requires a slight adjustment to the calendarized budget. It is expected that the timing will be corrected in the second half of the year and that the budget calendarization will be adjusted for 2008. Additional factors contributing to the favourable variance includes timing delays for interdepartmental charges for services. It is expected that these interdepartmental charges and invoice processing delays will be corrected before the end of the year.

Commissioner of Planning

Development Planning Revenues Unfavourable (\$1,286,803)

The unfavourable development planning revenue variance is a result of a drop in planning applications in the first half of 2007, as compared to previous years and it is anticipated that the shortfall in revenues will remain unfavourable for the balance of 2007 and continue to decline from previous highs into 2008. Notwithstanding the drop in new applications, the department has a backlog of over 600 applications that are currently under review and require significant staff time to complete the planning and development approvals process.

In response to the revenue / budget concerns, staff have and will continue to take measures to ensure that the department's staff resources are used in the most efficient and practical manner. Some of the measures already taken include:

- Placing on hold the recruitment of 2 new F/T staff complement positions approved in 2007;
- Devoting more staff to the processing of the backlog of applications;

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- Devoting more staff time to research and data collection (in previous years time spent on this function was minimal as a result of the pressures to deal with application processing); and
- Focus on special projects, such as site plan review processes and reviews of public notification requirements for planning applications, all geared towards achieving process improvements and service delivery standards.

Development Planning Expenditures Favourable \$183,915

The majority of the favourable variance relates to vacancies in full-time positions. The department had two staff complement positions vacant in the first half of 2007. It is anticipated that these two vacancies will be filled before the end of 2007, however, additional favourable variances are anticipated in the salaries and benefits accounts until these positions are filled.

Building Standards Revenues Favourable \$3,241,252

The favourable building standards revenue variance is a result of higher than anticipated building permit volumes. While new home sales appear to be softening, the department experienced significantly higher revenues than forecasted. If revenues continue at present levels into 2008, there is a possibility that the Building Standards Service Continuity Reserve Fund may exceed its projected target triggering a need to review fees. However, discussions with the building community suggest that the housing market may continue it's softening, which is further supported by the recent decline in Planning Department revenues. The above is an indication that future building department revenues will not hold the current pace.

Building Standards Expenditures Favourable \$370,228

The majority of the favourable variance relates to vacancies in full-time positions that were approved by Council as part of the Bill 124 costing process. The vacancies have resulted in savings in the salary, benefits, and associated accounts, including office equipment, computer hardware and software, and training and development. The department is continuing to actively recruit for all vacant positions in a currently very difficult and competitive labour market.

Economic and Technology Development and Corporate Communications

Economic and Business Development Revenues Unfavourable (\$11,130)

The unfavourable revenue variance is primarily attributable to the timing of forecasted revenues related to VBEC. The Ministry of Small Business Enterprises supports the VBEC operations through regular quarterly payments and it is anticipated that the unfavourable variance will be corrected by year end.

Information and Technology Management Expenditures Unfavourable (\$134,771)

The majority of the unfavourable variance can be attributable to contracts being paid in the first half of the year, in advance of what was originally forecasted and calendarized in the 2007 budget. The unfavourable variance will be eliminated in the latter quarters of 2007.

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Commissioner of Engineering and Public Works

Engineering Services Revenues Unfavourable (\$77,807)

The unfavourable revenue variance regarding Municipal Consent Fees and Road Occupancy Permits totalling \$40,842 is due to a seasonal lag in construction activity. 2007 year end will see year-one results of executed Municipal Access Agreements and reduced revenue levels resulting from the terms and conditions of the Agreement.

In addition, external recoverables are tracking behind budget by \$10,724, in part, as a result of Developers being more responsive to chargeable conditions in the Subdivision Agreements. Typically, the fall season (our third quarter), is when this account is most productive.

Also contributing to the unfavourable revenue variance is lower than forecasted engineering fees from Subdivision and Development Agreements totalling \$26,237. The department currently has between 10 – 15 development / subdivision agreements in progress that are expected to be registered by Q4 2007.

Development & Transportation Engineering Services Expenditures Favourable: \$202,321

The primary explanation for the favourable expenditure variance relates to savings in salary and benefit costs as the department continues to deal with five vacancies. It is expected that recruitment activities will be successful and that the department will return to full complement towards the end of 2007 or early 2008.

Engineering & Construction Services Expenditures Favourable \$367,212

The favourable expenditure variance is mainly as a result of two factors. Firstly, delays in hiring staff have resulted in vacancies in the first half of the year and as a result, the department experienced gapping savings in salaries and benefits expenditures. The second factor contributing to the favourable expenditure variance relates to traffic signal maintenance and pavement marking. Both contracts will be awarded in late summer and early fall, and expenses are expected to pick up after that time and begin to track to budget.

Vaughan Public Libraries

Library Expenditures Favourable \$653,367

The majority of the second quarter favourable variance approximately \$529,000 is a result of gapping, as continued vacancies and high turnover rates have resulted in salary and benefits savings. The balance of the favourable variance is primarily a result of timing, as some expenses in the resource books, building maintenance, and other accounts will be booked later than originally forecast. It is expected that the various non-labour expenditure variances will correct themselves throughout the balance of the year.

Corporate Revenues

Corporate revenues are favourable by \$927,030 for the first six months of 2007, largely linked to a favourable investment income performance of \$535,884 as returns on investments exceeded forecasts, favourable fines and penalties revenues of \$151,835, and favourable revenues from the Provincial Offences Act of \$174,577. All three revenue sources are ahead of budget and anticipated to remain favourable for the balance of the year. The balance of the variances in the corporate revenue details include some variances, all minor in nature, and are not expected to be material at year end.

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Corporate & Election Expenditures

Corporate expenditures were unfavourable by \$4,753,213 for the first six months of 2007. A significant portion of this balance is due to a substantial transfer to the building standards continuity reserve resulting from higher than anticipated building code permit revenues \$3,566,610. As of July 1, 2005, Bill 124 imposed cost and price restrictions on the building code permit fees to the extent that revenues cannot exceed reasonable and anticipated costs. For this reason revenue surpluses are transferred to the reserve, as per the City's policy, to provide future service continuity when expenses eventually outpace revenues. The above mentioned trend is anticipated to continue and will result in additional transfers at year-end.

The remaining variance consists primarily of unfavourable variances in salary gapping and the elections accounts. The \$653,586 unfavourable variance in salary gapping was anticipated since savings are budgeted under corporate expenses, but actual salary savings are realized within the respective individual departments. An analysis of salary savings realized in departments offsets the unfavourable gapping variance under corporate expenditures. The \$333,158 unfavourable variance experienced in the election account is related to unexpected costs associated with the election recount. The remaining portion of the variance consists of mixture of various minor miscellaneous corporate expenses, which are expected to correct themselves in the second half of 2007.

Revenue from Reserves

Revenues from reserves were \$612,404 under budget largely as a result of actual spending in departments being lower than budgeted, which in turn reduces the requirement for reserve transfers to the operating budget. The Engineering Reserve transfer is \$382,079 under budget as a result of lower than forecasted expenses in Engineering Services and Public Works. The Finance from Capital Reserve transfer is \$248,139 under budget as a result of lower than forecasted capital expenditures, as of June 30. The Fleet Management Reserve transfer is \$51,919 under budget as a result of lower than forecasted expenses in Fleet management Services. The Heritage Reserve transfer is \$31,749 under budget as a result of lower than budgeted expenses in the Cultural Services administration. These above favourable variances are slightly offset by an \$87,867 higher than anticipated transfers from the insurance reserve to cover increasing cost of claims related vehicle accidents, vandalism, and theft.

Relationship to Vaughan Vision 2007

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

Conclusion

Based on the year-to-date budget for the Second Quarter of 2007, the excess of revenue over expenditures was \$1,792,662. This excess is a point in time measure and may not be indicative of any potential actual year-end surplus. In addition, over the past few years the operating budget has relied on prior year's surplus of \$2.5m to assist in balancing the budget. It is unclear at this time if \$2.5m will be available in the 2007 year-end surplus to be utilized for the 2008 Operating Budget.

Attachments

Attachment 1 – 2007 Second Quarter Variance Report

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Report prepared by:

John Henry, CMA
Director of Budgeting & Financial Planning
Ext 8348

Al Meneses, MBA
Manager, Operating Budget & Activity Costing
Ext. 8401

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

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Regional Implications

Not Applicable

Conclusion

That the seniors grant be increased annually by the percentage increase in property taxes and the City's by-law #171-04 be amended.

Attachments

None

Report prepared by:

Barry E. Jackson, CGA
Director of Financial Services
Ext. 8272

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Item 4, Report No. 9, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on October 22, 2007.

4 COST RECOVERY OF USER FEE/SERVICE CHARGE BASED SERVICES

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 Budgeting and Financial Planning, dated October 16, 2007:

Recommendation

The Deputy City Manager/Commissioner of Finance & Corporate Services and the Director of Budgeting and Financial Planning, in consultation with Director of Legal Services recommend:

- 1) That this report be received for information purposes; and
- 2) That in addition to any statutory reporting requirements variance reporting be included as part of the annual budget process.

Economic Impact

There is no economic impact associated with this report. However, if more detailed reporting is requested on an ongoing basis, additional resources may be required.

Communications Plan

No communications plan is necessary at this time.

Purpose

The purpose of this report is to respond to a Budget Committee request for staff to report on the variances between the full cost of services and the revenues collected where the fee is subject to regulation and the regulations are preventing full cost recovery. Staff were also to report on the resource implications of reporting on this request regularly.

Background - Analysis and Options

On April 23rd, 2007, the Budget Committee recommended the following:

“That beginning with the calendar year 2007 appropriate staff be directed to record the variance between the full cost (both direct and indirect) of each service provided by the City for which a fee subject to regulation is charged and the amount of money collected by way of fee, such variance in each case to be reported in dollars and percentage variance; That reports in respect of this information be provided in September of each calendar year (for the period January 1 to June 30) and in March of subsequent calendar year (for the period July 1 to December 31 of the prior year); and that staff report back on the resource implications of the subject recommendation.”

Fees Subject to Regulation

Based on our research and in consultation with the Director of Legal services, it has been determined that all fees for services provided by the City are authorized by some form of legislation. Although these regulations do not mandate specific fees or charges, they do limit the amounts to be charged. The specific wording varies between the pieces of legislation, however, fee and charge limitations typically speak to the cost of administration, enforcement, and acquisition/replacement of capital. These definitions are not specific and typically require legal

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interpretation. Based on the City's experience with setting Building Standards and Planning fees, the above definition has been interpreted, consistent with other Municipalities, as full cost recovery consisting of all direct and indirect support costs. This would include support costs related to Information Technology, Facility costs, Human Resources, Financial Services, and other departmental costs.

There are currently four Provincial Acts governing user fees and service charges set by the City. For reference purposes the user fee/service charge requirements associated with each piece of legislation are briefly summarized below:

1. The Municipal Act – This Act is the primary or default legislation governing all fees unless covered under another Act. Effective January 1st, 2007, the definition of a fee or charge is entirely new. Under the new legislation fees and charges may not exceed the cost related to administration, enforcement, and to establish, acquire, and replace capital assets. This is a change from the previous Act, which specifically restricted licensing fees to costs directly related to the administration and enforcement of the by-law.
2. Ontario Building Code Act – Effective July 1st, 2005, the Act limited the total amount of fees collected to not exceed the anticipated and reasonable cost to administer and enforce the Act. This legislation is also very open and has been interpreted to allow for full costing, including all direct and indirect costs.
3. Planning Act – This Act requires that planning fees be limited to the anticipated cost to the municipality in respect of the processing of each type of the application. Similar to the above Ontario Building legislation, the Planning Act wording is very open and has been interpreted to allow for full costs, including all direct costs and indirect costs.
4. Telecommunications Act – This Act is similar to the above and also restrict charges and fees to the cost recovery. The fees and charges are based on CRTC decisions, which do not reflect full municipal costing.

Summary of Formal User Fee/Service Charge Studies

As a result of the legislative requirements, staff initiated a number of in-depth studies. Detailed below is a brief synopsis of the user fee/service charge studies in process or performed:

Building Standards – CN Watson was retained to assist staff in the aggregate cost justification for building permit processing. As indicated, Bill 124 requires that municipalities limit total charges for Ontario Building Code related fees to not exceed the cost to administer and enforce the Act. This study was completed and actual results are reported publicly for the calendar year by March 31st of the subsequent year.

Planning / Committee of Adjustment – In conjunction with the costing exercise required for Building Standards, CN Watson's scope of engagement was expanded to assist staff in the determination of total costs for Planning and Committee of Adjustment fees. This study was completed and the outcomes presented to Council. As a result of this study, a subsequent study on individual planning fees by application type is currently in process and a report on those findings is anticipated late 2007.

Licensing – In 2003, the Municipal Act required the total amount of licensing fees to be charged shall not exceed the costs directly related to the administration and enforcement of the by-law. To meet this requirement CN Watson was retained to assist staff in the determination of licensing costs and fees. This study was completed and the resulting 5 year by-law approved.

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This section of the municipal act was recently revised and as of January 1st, 2007 and the definition of the charges and fees is entirely new. As a result, there is a need to review the fees and charges currently illustrated in the licensing by-law and report to Council on the impact of full cost recovery.

Recreation – Recreation staff retained the IBI Group to undertake a costing/pricing study and to prepare a user fee policy that would guide the City's annual fee schedule. On January 24, 2006, staff reported to Council on the results of the study and recommended a three year fee schedule with associated policies. Recreation fees were grouped into service categories with targeted recovery polices for each group. The overall goal is to achieve cost-revenue neutrality at the department level.

Revenue/Full Cost Variance Analysis

It should be noted that approximately 90% of the department user fees and service charges are represented by services provided by Building Standards, Development Planning, Committee of Adjustment, Recreation and Licensing. The fees and charges for these services are based on detailed and extensive studies. With the exception of recreation fees, staff have recommended a process/or fee structures designed to achieve full cost recovery.

Reporting

Council's direction was to identify those areas where regulations, that are beyond Council's control restrict the City's ability to achieve full cost recovery. The reporting of variances, particularly those below full cost recovery would then provide the necessary information with which to approach the Province for further legislative changes.

As noted above, municipalities have interpreted the new Municipal Act, Building Code, and Planning Act as permitting municipalities to achieve full cost recovery. An exception to this is under the Telecommunications Act which is based on CRTC decisions. Consequently reporting of variances will be done annually as part of the budget process. This will be in addition to any statutory reporting requirements.

Relationship to Vaughan Vision 2007

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

Conclusion

A review of the legislation which covers the various services which are provided by the City indicates that full cost recovery is permitted with the exception of services governed by the CRTC. Some of the legislation is relatively new and the approach of full cost recovery is based on a review of the legislation and how the legislation is being applied in other municipalities.

Attachments

None

Report prepared by

John Henry, CMA
Director of Budgeting & Financial Planning, ext. 8348

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Item 5, Report No. 9, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on October 22, 2007.

5 GTA POOLING – STATUS UPDATE

The Budget Committee recommends:

- 1) **That this matter be referred to the Committee of the Whole (Working Session) meeting of October 23, 2007; and**
- 2) **That the deputation of Mr. Richard Lorello, 235 Treelawn Blvd., P.O. Box 927, Kleinburg, L0J 1C0, be received.**

Recommendation

The Deputy City Manager/Commissioner of Finance & Corporate Services recommends:

That the following report be received for information purposes.

Economic Impact

There is no economic impact as a result of this report, however there is a significant impact if the savings in York Region as a result of the phasing out of GTA pooling were shared with all the municipalities within York Region.

Communications Plan

No communications plan is required as part of this report.

Purpose

To update Members of Council with respect to the elimination of GTA pooling and the potential to share the savings in York Region with all the municipalities within York Region.

Background - Analysis and Options

In 2007 the Province announced the phased elimination of GTA pooling. This was welcome news since in excess of \$80m annually was being collected throughout York Region for the benefit of the City of Toronto. In 2007 the Region of York retained 100% of the 2007 savings. Vaughan's representatives on Regional Council introduced a resolution at the Region that was intended to share the savings on a 50/50 basis with the Region and the area municipalities. A copy is provided as Attachment 1. That resolution was not passed, however Regional Council resolved that "The Commissioner of Finance bring forward options for allocating GTA pooling savings in future years to a Regional Council Workshop to be held in September 2007". The September workshop did not occur, however staff understand that the matter is to be discussed at the Region on November 22, 2007.

In anticipation of the Region's workshop Vaughan staff provided to the area Treasurers a preliminary analysis of the annual and total savings to the Region and each municipality based on Vaughan's resolution, see Attachment 2. Further, the City Manager provided a memo and background information with respect to this subject to all CAO's within York Region. A copy of the memo only is provided as Attachment 3.

In May 22, 2007 the Town of Aurora passed the following resolution

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THAT the Town of Aurora send a resolution to the Region of York, strongly objecting to their method of handling the roll back of the GTA pooling money and suggest that the funds be returned to the local municipalities in the form of a grant, if they choose not to return it to the local taxpayers; and

THAT the resolution be circulated to the municipalities within York Region for consideration and endorsement.

The resolution was subsequently endorsed in June by the Town of Georgina and the City of Vaughan. The Town of Newmarket did not endorse Aurora's resolution and passed their own resolution which is provided as Attachment 4. Essentially Newmarket supports the Region retaining 100% of the savings from the elimination of GTA pooling.

Both the local municipalities and the Region have a number of issues such as infrastructure renewal that puts pressure on property taxes. GTA pooling dollars that were collected were never spent by the local municipalities or the Region and therefore Vaughan's position has been that the local municipalities and the Region should all share in the windfall.

Relationship to Vaughan Vision 2007

B-1 Ensure Short-Term and Long-Term Financial Stability

B-2 Expand Revenue and Tax Base

D-2 Develop Internal/External Collaborative Solutions

Regional Implications

The resolution put forward by Vaughan's Regional representatives at Regional Council would share the savings from the elimination of GTA pooling on a 50/50 basis with the Region and the area municipalities. Currently the Region is retaining 100% of the savings.

Conclusion

The elimination of GTA pooling by the Province of Ontario represents a significant victory for GTA municipalities. Its elimination was a result of the collective efforts of local and regional municipalities. Sharing those savings between local and regional levels of government would give recognition to this collective effort and provide the broadest benefit to the residents and businesses who contributed to GTA pooling.

Attachments

Attachment 1 – Resolution introduced by Vaughan representatives on Regional Council

Attachment 2 – Preliminary Analysis

Attachment 3 – Memo provided by City Manager

Attachment 4 – Town of Newmarket Resolution

(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.)