CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 28, 2008

Item 1, Report No. 10, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on January 28, 2008.

1 CAPITAL PROJECTS QUARTERLY REPORT ENDING SEPTEMBER 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 December 17, 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 September 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 September 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 September 30, 2007 and provides the following analysis:

- there are 434 open capital projects with a capital budget value of $432 Million
- to date approximately 43.8% of this capital budget has been spent (payments processed)
- capital work-in-progress to be completed is valued at approximately $243 Million
- 12 projects were closed (Attachment 2) during the first two quarters of 2007 releasing funding of $857,124 for future projects (funding is returned to the original funding source)

Attachment 3 provides the Reserves and Reserve Funds Continuity Schedule as at September 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 September 30, 2007
Attachment 2 - Closed Projects
Attachment 3 – Reserves and Reserve Funds Continuity Schedule as at September 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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 28, 2008

Item 2, Report No. 10, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on January 28, 2008.

2 **OPERATING BUDGET QUARTERLY REPORT ENDING SEPTEMBER 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 December 17, 2007, be approved;

2) That staff review opportunities to establish incentive budgeting;

3) That staff provide a report with respect to the allocation of corporate revenues of Vaughan Holdings;

4) That staff identify the percentage implication to the budget due to unexpected election costs;

5) That the budget reflect operating results by object; and

6) That staff report on the effects of the 2007 snowfall on the 2007 budget surplus.

Recommendation

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

That the 2007 Third 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 September 30, 2007.

Background - Analysis and Options

The attached third quarter variance report compares the current status of both departmental and corporate expenses and revenues for the nine-month period ending September 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.

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The favourable third quarter budget vs. actual variance position, which includes 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 final quarter of the year, such as winter storms, an economic downturn, or a delay in the timing of expenses and revenues. The last point is highly probable, as the 2007 third quarter variance is impacted by the June 14, 2007 budget approval, which in many cases, delayed departmental spending, contributing to some favourable department variances presented.

Third Quarter Ahead of Budget

At the end of the third quarter, the favourable variance is $5,910,487. This represents approximately 3.35% of the City's 2007 Annual Operating Budget, $176,613,840. This favourable variance is comprised of revenues being $5,007,935 over budget and expenses that are below budget by $902,552. Listed below is a summary of the main areas that contributed to the positive $5,910,487 variance.

Summary:

Revenues		**$M's**
Reserves		(1.0)
Fees & Service Charges		1.7
Corporate Revenues		4.4
Taxation/Grants/ Payment in Lieu / Other		(0.1)
Total		**5.0**
Expenses		
Departmental Expenses:		
City Financial Services	0.2	
Human Resources	0.3	
Recreation	0.6	
Building & Facilities	0.5	
Parks Operations	0.4	
Development Planning	0.3	
Building Standards	0.5	
Comm. Of Economic & Technology Dev	(0.4)	
Economic & technology Development	0.2	
Development & Transportation Engineering	0.3	
Engineering Services	0.5	
Public Works	0.2	
Library	1.1	
Other – (various departments)	1.4	6.1
Corporate Expenses		(5.2)
Total		**0.9**
Year-To-Date Revenues Net of Expenses		**$5.9M**

Specific Departmental Variance Explanations:

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.

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City Manager

Emergency Planning Expenditures Unfavourable ($2,497)

The unfavourable variance is due to a combination of mandatory training expenses that occurred earlier than originally anticipated. The unfavourable variance is expected to correct itself in the fourth quarter.

Deputy City Manager / Commissioner of Finance and Corporate Services

City Financial Services Expenditures Favourable $205,282

The favourable variance is due primarily to salary cost savings as a result of complement vacancies in the first nine months of the year and additional favourable variances in associated miscellaneous accounts. In addition, the department has favourable variances in service contracts and contractor and contract material accounts.

Budgeting & Financial Services Expenditures Favourable $106,678

The favourable variance is due to salary cost savings as a result of complement vacancies in the Department and additional favourable variances in miscellaneous accounts. One vacancy was filled in the third quarter and a subsequent vacancy is currently being actively recruited and is expected to be filled before the end of the year. The favourable variance is not expected to correct itself before the end of the year.

Commissioner of Legal and Administrative Services

Clerks – Fees / Service Charges Unfavourable ($9,643)

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. At this time, it is uncertain that this unfavourable variance will be corrected by year end.

Clerks – Licensing Revenue Favourable $100,791

Licensing revenues are favourable in the first nine months of 2007 as a result of greater than forecasted revenues in the following areas: Eating Establishments, Food Stuffs, Public Garages, Taxi Licenses, and Tow Truck Licenses. It is expected that this favourable revenue variance will be maintained through to the end of 2007.

Clerks – Committee of Adjustment Revenue Favourable $185,766

Committee of Adjustment's projected revenue for the first nine months was $185,766 greater than forecasted, due to a higher than anticipated increase in the number of Committee of Adjustment applications processed to date.

City Clerk Expenditures Unfavourable ($13,379)

The primary reason for an unfavourable expenditure variance is related to both the full-time and part-time labour accounts and related miscellaneous expenditure accounts. These costs are partially offset by savings in printing costs, postal services, equipment leasing fees, and records management supplies.

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Clerks – Insurance Expenditures Unfavourable ($95,132)

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. If the trend continues, the impact on year-end results will need to be determined. It is not anticipated that this unfavourable variance will be reversed before year end.

Legal Services Revenues Unfavourable ($1,658)

Revenues are slightly lower than anticipated, as at the end of the third quarter, but anticipated to correct themselves by year end. Calendarization of revenues for 2008 will be adjusted slightly to reflect actual 2007 receipts of revenues.

Legal Services Expenditures Favourable $102,181

The primary reason for the favourable expenditure variance is a result of a solicitor position that has been vacant for a short period of time and associated savings in miscellaneous accounts related to the vacancy. The position is expected to be filled by the end of 2007.

Enforcement Services Expenditures Favourable $134,351

The favourable expenditure variance is due primarily to savings in salary lines as a result of staffing vacancies. Additional savings were found in cellular telephone costs, computer expenses, and other miscellaneous accounts.

Human Resources Expenditures Favourable $256,344

The current favourable variance is mainly due to savings in professional fees and advertising. The largest portion of the variance, $175k, is related to professional fee costs which are expected to increase in the final quarter of the year as labour negotiations related to an outstanding union agreement proceed and several grievances are expected to continue to the end of the year. The $58k favourable variance in corporate advertising is expected to be reduced by the end of the year as there are several positions that will be posted externally in the last quarter of the year.

Commissioner of Community Services

Communities in Bloom Revenues Unfavourable ($14,200)

Sponsorships have been raised and projected revenues will be fully realized by the end of the year.

Recreation Revenues Unfavourable ($193,922)

The unfavourable revenue variance is primarily a result of a shortfall in registration revenue targets for recreation programmes, including summer camps and general interest programmes. The shortfall in revenues is offset by savings in expenditures, resulting in an overall favourable variance for the Recreation Department budget.

Recreation Expenditures Favourable $628,309

The favourable expenditures variance is primarily due to savings in staffing and material costs related to programs. Overall, the department had a net favourable variance.

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Building and Facilities Expenditures Favourable $483,120

The overall favourable variance is comprised of several factors, including $227k in salaries and benefits savings related to vacancies and $363k in budgeted utilities cost savings. The current vacancies within the department are not expected to continue as the recruitment process just recently commenced. Utility expenses are favourable as a result of lower than forecasted expenses to date. It is expected that actual utility costs and budget calendarization should be on-target by the end of the year. Additional miscellaneous accounts experienced a favourable surplus totalling $80k. These favourable variances are partially offset by unfavourable variances in materials and supplies totalling $117k and $72k in cleaning services.

Fleet Management Expenditures Favourable $114,263

The overall favourable variance is mainly a result of staff vacancies and the resulting reduced expenditures, including salaries and benefits account savings and other miscellaneous savings related to vacancies.

Parks /Forestry Operations Revenues Unfavourable ($1,275)

The minor unfavourable revenue variance is primarily related to timing. It is expected that the variances will correct themselves during the final quarter of 2007 and that any variances at year end will not be material.

Parks /Forestry Operations Expenditures Favourable $444,865

The favourable expenditure variance is related to several factors, the majority of which is attributable to savings in salaries and benefits totalling $487k, as the department had both a Manager and a Supervisor position sitting vacant, and delays in booking outside staff crew card expenses. In addition, favourable variances totalling $142k were realized in charges from other departments. It is expected that these charges will be fully reflected by the end of the year and that this variance will be corrected. In addition, numerous miscellaneous accounts added another $141k to the favourable variance. Offsetting the above favourable variances are unfavourable variances in internal recoverables of $107k and utility costs of $220k. The utility cost variance will not be corrected by year end and an effort will be made to review this account during the 2008 budget process.

Commissioner of Planning

Development Planning Revenues Unfavourable ($1,406,103)

The unfavourable development planning revenue variance is due to the decline in planning application activity, specifically, official plan and zoning amendments, plans of subdivision and condominium, and site plans as part lot control applications. It is anticipated that the drop in applications will continue for the remainder of the year.

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;

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- Devoting more staff to the processing of the backlog of applications;
- 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.

When Development Planning revenues and expenditures are examined, quarter over quarter, the net position has remained relatively stable. In the second quarter report, revenues were unfavourable by $1.3m and expenditures were favourable by $0.2m, for a net unfavourable position of $1.1m. For the third quarter, revenues were unfavourable by $1.4m and expenditures were favourable by $0.3m, for an unchanged net unfavourable position of $1.1m.

Development Planning Expenditures Favourable $272,997

The majority of the favourable variance relates to vacancies in full-time positions. Since the start of 2007, the department has had a minimum of two staff complement positions vacant. Additional favourable variances are anticipated in the salaries, benefits and associated accounts until these positions are filled.

Building Standards Revenues Favourable $3,045,836

The favourable building standards revenue variance is a result of higher than anticipated building permit volumes. While permit volumes in the third quarter were slightly lower than previous quarters, the department is experiencing significantly higher revenues than forecast. All surplus revenues are transferred to the Building Standards Reserve at year end, as per corporate policy resulting from Bill 124. If revenues continue at present levels into 2008, there is a possibility of the Building Standards Service Continuity Reserve Fund exceeding its projected target triggering a need to evaluate current fees. Recent discussions with the building community suggest that the housing market may continue its softening. In addition, the Planning Department is experiencing a decline in 2007 revenues. This is a further indication that Building Department revenues will decline in the future.

Building Standards Expenditures Favourable $541,209

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. In addition, maternity leaves, retirement, and extended illness within the Department have contributed to the favourable variance.

Economic and Technology Development and Corporate Communications

Commissioner of Economic & Technology Development Expenditures Unfavourable ($391,855)

The unfavourable expenditure variance is primarily attributable to a labour severance payment. The variance will not correct itself before the end of the year.

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Economic and Business Development Revenues Unfavourable ($111,535)

The unfavourable revenue variance is primarily attributable to Tourism revenues of $100,000 not collected as a result of the timing of the production of the Discover Vaughan Tourism Guide and the cancellation of the Discover Vaughan Bash in 2007. This unfavourable variance will not be corrected by year end. Additional revenue variances are related to VBEC and the timing of receipts from the Ministry of Small Business & Entrepreneurship totalling $10,750.

Economic and Business Development Expenditures Favourable $230,266

The bulk of the favourable expenditure variance is related to positive variances experienced in grouped expenses and special events, $161k & 73K respectively. Grouped expenses are favourable due to the postponement of the radio advertisement program pending a re-evaluation of the marketing strategy and delays in sign replacement and city promotion due to workload constraints. It is anticipated that the sign replacement will occur in the second quarter of 2008.

In addition, a favourable expenditure variance in Special Events / Public relations is primarily attributable to savings in the Tourism and Environment programs, which cover the costs of organizing and implementing the Discover Vaughan Bash gala. The Bash has been deferred until the spring of 2008 and therefore this favourable variance will not be corrected by year end.

The remaining variance is related to a 23K variance in salaries and benefits due to an open Tourism Coordinator position and other smaller offsetting variances.

Corporate Communications Expenditures Favourable $127,941

The favourable variance is a result of several factors, including $58k in labour savings related to a vacant Communications Specialist position that was not filled until August. In addition, the department is under spent by $70K in its printing and materials and supplies accounts, primarily related to Canada Day, Winter Fest and other events and sponsorships. It is expected that a portion of the printing variance will be reduced by year end due to costs associated with the Annual Report. Additional favourable variances in our professional fees account were experienced but are not expected to continue, as work in this area will be completed by year end.

Commissioner of Engineering and Public Works

Development & Transportation Engineering Revenues Unfavourable ($31,798)

The unfavourable revenue variance is a result of infill lot grading revenues being lower than forecast. The 2007 budget was created based on historical trends from previous years. However, revenues are dependant on developers registering agreements and applying for building permits. The unfavourable variance is partially offset by higher than forecasted miscellaneous revenues within the Department.

Development & Transportation Engineering Expenditures Favourable $259,554

The favourable expenditure variance is primarily a result of labour savings. As at the end of the third quarter, the department had five vacancies that were in various stages of recruitment and expected to be filled by the end of 2007.

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Engineering Services Revenues Unfavourable ($168,190)

The unfavourable revenue variance is likely to remain until year end. The revenue shortfall is due, in part, to the fact that Developers have been more responsive to chargeable conditions in Subdivision Agreements, resulting in less chargeable services. Typically, the fall season is when this account is most productive. In addition, Municipal Consent Fees and Road Occupancy Permits are unfavourable due to seasonal lags in construction activity. 2007 year-end results will see the results of our first year of executed Municipal Access Agreements and reduced revenue levels resulting from the terms and conditions of the agreement.

Engineering Services Expenditures Favourable $473,869

The favourable expenditure variance is mainly a result of two factors. Firstly, staff turnover and delays in hiring staff have resulted in vacancies. As a result, the department experienced $198K in savings in salaries and benefits expenditures. It is anticipated that staff vacancies will be filled by year end. The second factor contributing to the favourable expenditure variance relates to traffic signal maintenance and pavement marking programs, $195K. Both contracts have been awarded and work is progressing. As work progresses, activity should begin to track budget. The remaining balance consists of many smaller account variances.

Public Works - Operations Revenues Favourable $174,020

Approximately, $114K of the above variance is related to higher than anticipate recycling grant funds. Originally, York Region anticipated volume / tonnage declines arising from the recent LCBO Deposit Return legislation, but these declines have not materialized to date.

In addition, the department experienced higher than anticipated revenues from the sale of garbage tags by approximately $47K and higher than forecasted revenues from recoverable expenses related to street lighting repairs due to motor vehicle accidents on Vaughan roadways.

Public Works - Operations Expenditures Favourable $210,054

The majority of the favourable variance relates to vacancies & gapping in full-time positions totalling $344k. This is largely a result of delays in hiring 3 newly approved staff and some gapping related to filling existing staff vacancies. Also contributing to the favourable variance is a $228k savings in materials and supplies, as salt purchases and other anticipated expenses have been deferred to the last quarter or are lower than originally forecast. This is largely offset by a $226k unfavourable variance in contract & contractor material primarily due to the timing of Miller Waster payments, which should correct itself by the last quarter. In addition, there is a $45k unfavourable variance in the promotions and education account due to a delay in cost allocations, which will also be corrected by the last quarter. The remaining unfavourable variance of $90k consists of many smaller variances in multiple accounts.

Vaughan Public Libraries

Library Expenditures Favourable $1,096,532

The third quarter variance is attributable primarily to $767k savings in salary and benefits as a result of high staff turnover rates. Thus far in 2007, VPL has had a significant number of vacancies, including full-time, part-time, and casual employees. Negotiated retroactive salary increases will impact the fourth quarter, however, the trend of favourable variances in salaries and benefits will continue. Remaining non-labour related variances, approximately $330k, are a result of timing and are anticipated to be minimized by year-end.

Corporate Revenues

Corporate revenues are favourable by $4,421,654 for the first nine months of 2007, largely linked to a favourable investment income performance of $3,773,018 as account balances and returns on investments exceeded forecasts, favourable fines and penalties revenues of $381,217, and miscellaneous revenues of $168,358 above forecast. All three revenue sources are ahead of budget and are anticipated to remain favourable for the balance of the year.

Supplemental taxation revenue is unfavourable by $361,999 due to timing and it is expected that by year-end supplemental taxation will exceed the budget amount. Payments in lieu revenues are favourable by $214, 307 and this trend is expected to continue. 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.

Corporate & Election Expenditures

Corporate expenditures were unfavourable by $5,278,891 for the first nine months of 2007. A significant portion of this variance is due to a substantial transfer to the building standards continuity reserve, resulting from higher than anticipated building code permit revenues $3,874,666. 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 remaining variance consists primarily of unfavourable variances in salary gapping, the elections accounts, and professional fees associated with major OMB hearings.

The $750,725 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. Therefore salary savings realized in departments are offset by the unfavourable gapping corporate expenditure variance.

The $650,300 unfavourable variance experienced in the election account is related to unexpected costs associated with the election recount and court awards.

The $128,679 unfavourable variance in professional fees related to major OMB hearings is primarily a result of the OPA 620 (Steeles Avenue Corridor Study). Prehearing sessions were held in the first half of the year and the main hearing was scheduled for four weeks in September. Accordingly, considerable time and effort was required on the part of lawyers and consultants in the areas of planning, transportation, and transit. The variance is expected to continue as the OMB ordered mediation, which took place over eight days. The mediation resulted in a settlement but additional costs were incurred.

The remaining portion of the corporate variance consists of a mixture of various minor miscellaneous corporate expenses, which are expected to correct themselves in the final quarter of 2007.

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Revenue from Reserves

Revenues from reserves were $1,002,768 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 $740,440 under budget as a result of lower than forecasted expenses in Engineering Services and Public Works. The Finance from Capital Reserve transfer is $385,239 under budget as a result of lower than forecasted capital expenditures. The Fleet Management Reserve transfer is $102,763 under budget as a result of lower than forecasted expenses in Fleet Management Services. The Heritage Reserve transfer is $48,459 under budget as a result of lower than budgeted expenses in Cultural Services. These favourable variances are offset by higher than anticipated transfers from the insurance reserve to cover increasing cost of claims related vehicle accidents, vandalism, and theft in the amount of $274,647.

Relationship to Vaughan Vision 2007

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

Regional Implications

Not applicable.

Conclusion

Based on the year-to-date budget for the third quarter of 2007, the favourable variance is $5,910,487. This favourable variance 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 likely that the $2.5m will be available in the 2007 year-end surplus to be utilized for the 2008 Operating Budget; however, this cannot be confirmed at this time.

Attachments

Attachment 1 – 2007 Third Quarter Variance Report

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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 28, 2008

Item 3, Report No. 10, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on January 28, 2008.

3 **2008 BUDGET FORUM RESULTS**

The Budget Committee recommends:

1) That the recommendation contained in the following report of the City Manager and the Deputy City Manager/Commissioner of Finance & Corporate Services, dated December 17, 2007, be approved;

2) That staff provide a report on the costs associated with acquiring a portable public consultation kiosk; and

3) That the Budget Forum only be held at the Civic Centre next year and be taped and presented on the City of Vaughan's website for public accessibility.

Recommendation

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

That the following report be received for discussion purposes.

Economic Impact

There are no direct implications of this report.

Communications Plan

N/A

Purpose

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

Background – Analysis & Options

As part of the City's approved 2008 budget process and consistent with the 2007 process, three (3) Public Information/Consultation Forums were held throughout the community to receive public input into the 2008 budget process and as well educate and inform the public. The three (3) forums were held at the following locations:

- Vellore Village Community Centre – Monday October 22 – 7:00 pm
- Civic Centre – Tuesday November 20 – 7:00 pm
- Garnet A. Williams Community Centre – Monday November 26 – 7:00 pm.

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

1. Obtain input and feedback from the public with respect to the local services provided and their value.

2. Educate and inform the public regarding the budget process, including municipal issues, city services & costs, and their relationship with property taxes.

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In addition to the City, the York Region Separate and Catholic Schools Boards and the Region of York were invited to attend. Mr. Lloyd Russell, Commissioner of Finance and Treasurer from York Region attended the second and third forums. There was no representation from the School Boards.

Although the Forums were open to all input from the public, the intent was to get feedback with respect to the local services provided by the City and whether or not residents believe they are getting value for their property tax dollar. Four (4) questions were posed to the audience:

1. Are we providing the right **local** services?
2. Are **local** services provided at the appropriate level?
3. Are you getting value for your **local** property tax dollar?
4. To cover the costs of running the City, which would you support?
   Tax increases? Fee / Charge increase? Service level reductions?

As a general overview residents did not express any concern with the overall services provided or the administration of the City. The comments tended to relate to very specific issues related to GTA Pooling. The comments are summarized in Attachment 1. Included with the public input are staff comments where appropriate.

Relationship to Vaughan Vision 2020

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

Regional Implications

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

Conclusion

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

Attachments

Attachment 1 – 2008 Budget Forum Public Comment Summary

Report prepared by:

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

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 28, 2008

Item 4, Report No. 10, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on January 28, 2008.

4 2008 DRAFT OPERATING BUDGET

The Budget Committee recommends:

1) That the recommendation contained in the following report of the City Manager, the Deputy City Manager/Commissioner of Finance & Corporate Services and the Director of Budgeting and Financial Planning, dated December 17, 2007, be approved;

2) That staff provide a report addressing the comments and concerns of Members of Council; and

3) That the written submission of Mr. Tony De Palma, President – Vaughan Soccer Club, P.O. Box 852, Maple, L6A 1S8, dated December 7, 2007, be received and referred to the Capital Budget process.

Recommendation

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

That the following report on the 2008 Draft Operating Budget be received for information and discussion purposes.

Economic Impact

The attached 2008 Draft Operating Budget reflects the results of departments following the budget guidelines approved by the Budget Committee. The impact of the submissions based on the guidelines is presented in the following report. It should be noted that this report **excludes** the budget impact related to additional resource requests, user fee & service charge rate increases, and any decision with respect to a long term infrastructure funding strategy. These topics will be presented as separate reports at future budget committee sessions.

Purpose

To inform the Budget Committee as to the budget process followed, the result of that process, provide commentary on the issues and obtain input.

Background - Analysis and Options

2008 Budget Process
Designed to Maintain Service Levels with Minimum Impact on Taxes

The City of Vaughan continues to be subject to the many factors that put significant pressure on the property tax rate. Inherent in the annual operating budget process are the normal pressures of inflation, growth, staffing resources, external contract costs, collective agreements, fluctuating revenues etc., which are further compounded by expanding service requirements and tax funded infrastructure renewal cost impacts experienced by a high growth municipality. The impact of these pressures is often permanent and therefore requires permanent funding solutions to ensure public services are sustainable in the future. This situation presents significant challenges to achieving a balanced budget, maintaining service levels, while minimizing associated tax rate increases and achieving Council's priorities.

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Recognizing that many of the budgetary challenges are ongoing the budget process and guidelines continue to incorporate a very comprehensive base budget review. This was accomplished through a combination of the following:

1. Strict budget guidelines to limit cost increases
2. User fee & service charge reviews
3. Separate review process to assess additional resource requests
4. Business plans, service reviews, & performance measures
5. Public consultation forums

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

1. Strict 2008 Budget Guidelines to Limit Cost Increases

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

Allowable Budget Increases

- Salary and benefits relating to approved employment agreements
- Full year impacts of 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

As a result, departments are expected to absorb any other increases in their respective departmental budgets. This is necessary in order to limit the aggregate 2008 budget increase to the known and approved budget impacts.

As part of the 2008 budget process, staff undertook an analysis of the operating budget to assess efficiency and ensure conformity with approved operating guidelines. Staff approached this task by analyzing major departmental increases, specific expenditure types, department user fee recovery ratios, and overall budget reasonability. The results of this work is provided in the attachment.

2. User Fee & Service Charge Reviews

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 were instructed to increase user fees and service charges in relation to department cost increases and at minimum, by the rate of inflation, unless otherwise specified. Departments are also encouraged to explore and submit new user fee and service charge opportunities. Changes to user fees and service charges require public notice and Council approval and are therefore excluded from the 2008 base budget presented. These requests will be presented in a separate report at a later date.

3. Separate Review Process to Assess Additional Resource Requests

Recognizing that the budget guidelines are very restrictive and understanding that Departments may require funding in excess of base budget guidelines to meet strategic priorities, maintain service levels, adhere to regulatory requirements, or implement initiatives, the base budget guidelines continue to be complimented by a process that provides departments with an

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opportunity to formally submit requests for essential resources not permitted within the base budget guidelines and in excess of $5,000. *These requests are not included in the base operating budget*, but have been identified and will be presented separately to Budget Committee and Council for consideration/approval at a later date. The above process essentially separates the Operating Budget into the following two classifications:

- Base Budget - Budget submissions based on approved guidelines – Minimal tax increase

- Additional Resource Requests – Special or unique requirements not accommodated within existing guidelines requiring Budget Committee and Council review and approval. For illustration purposes requests are divided into the following:

    - Maintain service levels
    - Regulatory requirements
    - New initiatives/enhance service levels
    - Infrastructure Funding Strategy

The Senior Management Team has reviewed all additional resource requests and is now in the process of formulating a recommendation.

The intent of this process is to dissect the budget into manageable components and pinpoint key operating budget pressures to better understand the budget and assess department needs. As such the 2008 operating budget is presented as a series of building blocks:

Infrastructure Funding Strategy

New Initiatives/Enhanced Service Levels

Regulatory Requirements

Maintain Existing Service Levels

City Base Budget under the Guidelines

Vaughan Public Library Board

4. Business Plans, Service Reviews, & Performance Measures

To help establish and reinforce connections between strategic priorities and resource allocation, Business Plans were further incorporated into the Operating Budget Process. This information compliments the budget process by providing comprehensive department information on work plans, goals and key performance metrics. This information can greatly assist the Budget Committee & Council in their budget deliberations by providing additional evidence based information supporting department base budget efficiency, effectiveness, and productivity through goal & performance measures. This information also serves as a platform to better understand department budget pressures and can assist in evaluating department additional resource requests. The Senior Manager of Strategic Planning was intricately involved with this process and oversaw the completion of all business plans.

5. Public Consultation

Continuing with the process established for the 2007 budget, a series of Public Consultation/Information Forums were held throughout the community early in the 2008 budget process. Three meetings were held in the evening at the following locations and dates:

- Vellore Village Community Centre on Oct.22nd
- Civic Centre on Nov. 20th
- Garnet A. Williams Community Centre on Nov. 26th.

To achieve the maximum benefit from the forums the objective was two-fold:

- Educate and inform the public regarding City services, their cost, municipal issues and their relationship with property taxes; and
- 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 School Boards and the Region of York were invited to attend.

Although the Forums were open to all input from the public, the intent was to get feedback with respect to the services provided at the local level by the City and whether or not residents believe they are getting value for their property tax dollar. As a general overview residents did not express any concern with the overall services provided or the administration of the City. Comments tended to relate to very specific issues or projects, which are currently being considered by staff. The issue which had the greatest discussion was the elimination of GTA Pooling and what the Region of York should do with the savings. A report on input received and results from the three forums is separately provided on today's Budget Committee agenda.

Quick Facts

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

Average residential assessment	\$412,070
Total 2007 Taxes levied on the average assessed home	\$4,182
City of Vaughan portion (25%)	\$1,051
Reduction for qualifying seniors	\$250
A 1% increase in the tax rate equals	\$1,090,798
Impact of a 1% increase on the average home	\$10.51
Assessment Growth (Projected)	3.70%

2008 Base Budget Under The Guidelines

Based only on the budget guidelines, the City's Draft Operating Budget is approximately \$182.6m and reflects a \$4.9m funding increase over 2007. This equates to a 4.52% tax rate increase **excluding** the budget impact of additional resource requests that are being recommended by Senior Management and the Committee's decision with respect to an infrastructure funding strategy. The Draft 2008 Operating Budget includes an anticipated \$2.5m surplus carried forward from 2007 and includes \$2.2m from the Tax Rate Stabilization Reserve. These recommendations are consistent with the prior year recommendations and Council direction. To assist the Budget Committee in assessing the Base Operating Budget and the 4.52% tax rate increase resulting from the budget guidelines, the following summary is provided.

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Allowable Department Expenditure Increases	Avg. $ Impact.	Tax Rate Impact
Salary and benefit increase	$1.9m	1.74%
Service contact price and volume increases	$0.9m	0.83%
Utilities price and volume increases	$0.3m	0.27%
Recoveries and other expenditures	($0.1m)	(0.09%)
Total Department Expenditures Increase	$3.0m	2.75%
Add: Decrease in fees & service charges	$2.7m	2.48%
Net Department Impact	$5.7m	5.23%
Contingency	$2.2m	2.02%
Long Term Debt	$1.3m	1.19%
Tax rate stabilization reduction	$1.0m	0.92%
Other	($1.4m)	(1.28%)
Net Impact	$8.8m	8.08%
Less: Assessment Growth Estimate	$3.9m	3.56%
Total	**$4.9m**	**4.52%**
Increase for Avg. Household ($412,000)	**$47.50**	

Note – The Vaughan Public Library increase of $607k or .53% is included in the above

An integral component of the 2008 Operating Budget Guidelines was the freezing of most account lines outside of the specific areas previously outlined in this report. In order to check adherence to this guideline, budget submissions were verified to ensure there were no other increases or that any budgetary increases outside the guidelines were offset by corresponding decreases in other line items. Through budget staff review of submissions and assurances from Commissioners and Directors, there is a very high level of confidence that approved guidelines were followed. The Budget Guidelines were designed to limit expenditure increases and this exercise has been successful as demonstrated by a total department expenditures increase by only $3.0m which represents a 1.9% increase in departmental expenses over 2007.

Although there are many components to the base budget, the associated increase is concentrated in four main areas. In the absence of these pressures the 2008 Base Operating Budget would be $1.9m lower than the 2007 Operating Budget representing a 1.74% tax decrease. These main pressures are illustrated in the following table.

Major Budget Impact Analysis	Avg. $ Impact.	Tax Rate Impact
Draft Base Budget Increase (illustrated above)	$4.9M	4.52%
Less the Following:		
Development Planning revenue decrease	$2.3m	2.13%
Tax Rate Stabilization withdrawal decrease	$1.0m	0.95%
Long Term Debt increase	$1.3m	1.15%
Contingency increase	$2.2m	1.99%
Sub total	$6.8m	6.22%
Base Budget before above Impacts	($1.9m)	(1.70%)

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Base Budget Revenue Review

Overall revenues decreased $2,841,470 from 2007 levels, excluding assessment growth. The primary factors contributing to the decline in revenue are as follows.

- The most notable reduction in revenue is related to a $2.3m decrease in Development Planning revenues as a result of housing allocation constraints and an industry slowdown. This industry trend began mid 2007 and is causing a decline in planning application activity, specifically in official plan and zoning amendments, plans of subdivision and condominium, and site plans as part lot control applications. The decline in budgeted revenue will impact the Development Planning department full cost recovery ratio reducing it from 90% to 41% and drop department direct cost recovery to approximately 85%. On a related note, staff are preparing a further report to refine planning fees by type of planning application.

- The second largest reduction in revenue is related to a reduction in the use of the tax rate stabilization funding. On May 7th, Council adopted a two year phase in plan to reduce the dependence on tax rate stabilization funding to prior year recommended levels. The impact of the final phase is a reduction in tax rate stabilization funding from $3.2m to $2.2m, which is necessary to prevent a reliance on unsustainable funding and retain the reserve balance for extraordinary circumstances.

- On a smaller scale, Building Standards budgeted revenue decreased $500k. This is a lagging response to the decline in Development Planning applications and current industry trends. This revenue budget reduction will have an overall neutral impact on the City budget as the corresponding transfer to reserves for any revenues in excess of full cost will reflect a similar adjustment.

- Some departments submitted revenue projections below 2007 budget levels. $161k reduction in Recreation revenues resulting from a change in program offerings, which is offset by significant expenditure reductions. An additional $109k reduction in Engineering Services revenues primarily related to an internal transfer to Development and Transportation Engineering for external recovery service now handled by that department.

The revenue reductions noted above were partially offset by increases in funding from reserves and corporate revenues. Further details on these increases are illustrated below.

- The largest offset to the above decreases is related to increases in the funding from the Engineering & Parks Development reserves. Funding from these reserves is based on department provided labour and resource allocations. The increase in funding represents the anticipated increase in resource allocations to growth projects based on growth trends for these services.

- Property tax fines and penalties increased $300k and supplemental taxation increased $200k. These adjustments were necessary to better reflect historical trends and keep inline with the growing tax base.

A concern that revenue might not keep pace was anticipated and as a result the guidelines included a requirement for all user fees and service charges to be increased in relation to department cost increases and at minimum by the rate of inflation. The only exception to this process are user fees that are currently part of a separate user fee study (i.e. Planning fees, Building permit fees, Licensing fees, Recreation fees) or instances where a department recommends that a fee should not be increased and provides a rationale. This exercise has the potential to reduce the draft budget by approximately $16k. A report on specific user fee & service charge increase impacts will be presented at a later date.

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It is important to recognize, there is an ongoing balance between funding through a user fee for specific user based services versus funding City services through the general tax rate. To the extent there is a user fee, that fee should be adjusted annually to reflect changes in the cost of delivering the service, otherwise by default there is a requirement to raise the property tax rate.

Base Budget Expenditure Review

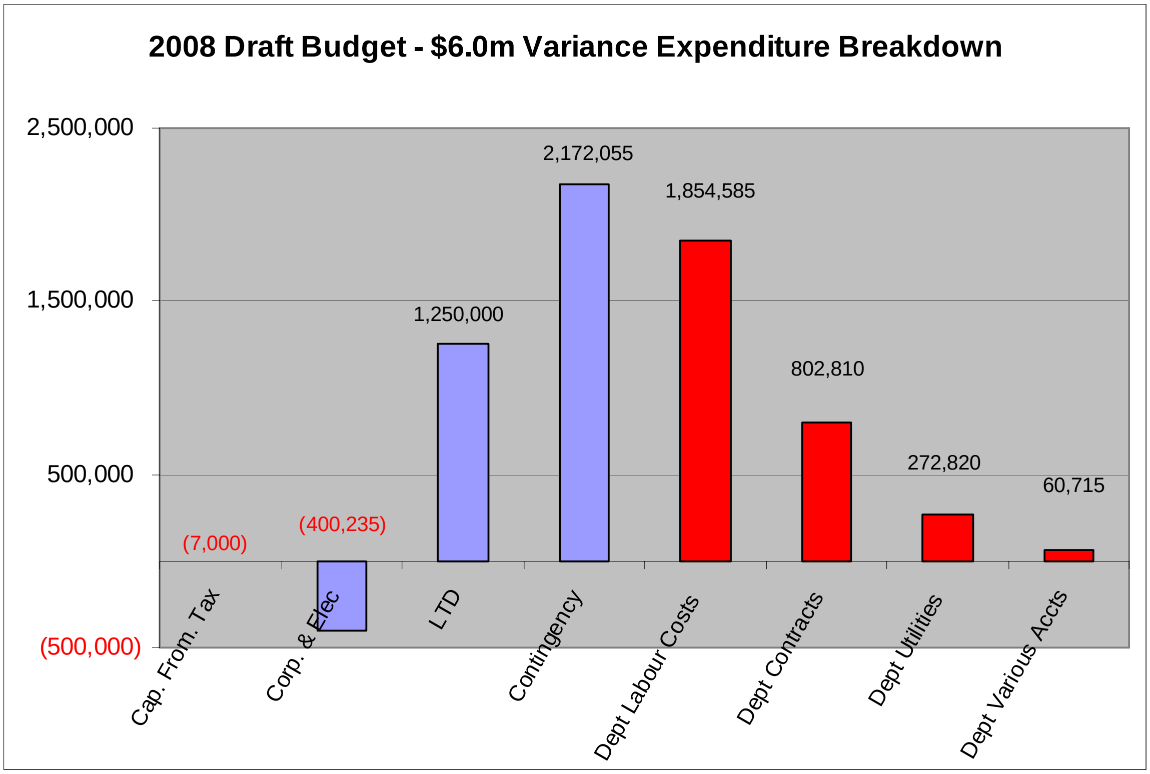
Total expenditures increased $6.0m over 2007 levels. The primary factors contributing to the increase in City expenditures are as follows:

- Approximately $3.0m of the base budget expenditure increase is related to pressures experienced in departmental expenditures, including the $600k Library Board increase. This represents an increase of 1.9% over the 2007 departmental budget and is a clear indication departments are adhering to the approved guidelines. Of the total departmental budget increase approximately 2/3^{rds} is associated with labour costs, as per recognized agreements (i.e. economic adjustments, progressions for new hires, job evaluation, and benefits impacts). The second largest component of the department expenditure budget increase is related to pressures from contract services and utilities. These increases are typically the result of increasing demands on public provided services due to volume growth and contractual or industry price increases. As part of the budget review process, $117.5k in 2007 one time funding increases were identified and removed from various 2008 department base budgets. In addition to the impacts listed above, significant pressure is placed on departments to service new and evolving City needs. As a result, Council pre-approved around $500k in new funding requests throughout 2007 directly impacting 2008 department budgets.

- A $2.2m expenditure increase is also experienced in the City's contingency account and relates to ongoing labour negotiations and certain foreseeable events.

- The repayment of long term debt increased $1.25m. Debt has previously been issued primarily to fund major roads projects.

Based on the above, it is evident that the estimated $3.9m in assessment growth is insufficient to fully offset cost increases even after issuing strict budget guidelines, not to mention the 2008 revenue challenges previously presented.



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

Operating Expenditures	2008 Draft Budget	% of 2008 Draft Budget	Cumulative %
Salaries and Benefits	100.1	54.8	54.8
Contracted Services	22.4	12.3	67.1
Reserve Contributions	10.4	5.7	72.8
Maintenance/Materials	9.9	5.4	78.2
Long Term Debt	7.0	3.8	82.0
Capital from Taxation	6.7	3.6	85.7
Utilities	6.2	3.4	89.1
Contingency	3.7	2.0	91.1
Insurance	2.1	1.2	92.2
Professional Fees	1.8	1.0	93.2
Tax Adjustments	1.3	0.7	93.9
Vaughan Hockey Subsidy	1.1	0.6	94.5
All Other	10.0	5.9	100.0
Total Draft 2008 Expenditures	**182.6**	**100.0**	**100.0**

The above summary illustrates that the City has limited flexibility in any given year to significantly alter the City's cost structure. Many of the costs are committed through collective agreements or service contracts. Other reductions will impact the maintenance and repair of the City's infrastructure.

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The following summary of specific expense lines illustrates that some discretionary expense lines in total are decreasing.

Accounts of Interest	2008 DRAFT BUDGET	2007 BUDGET	VARIANCE	% Change
Advertising	426,340	349,760	76,580	21.9%
Comp. Hdwre/Softwre	745,450	1,050,940	-305,490	-29.1%
Cellular	228,205	218,665	9,540	4.4%
Grouped Expenses	157,950	544,585	-386,635	-71.1%
Office Equipment	198,515	207,130	-8,615	-4.2%
Office Supplies	277,670	268,720	8,950	3.3%
Overtime	934,140	926,685	7,455	0.8%
Part Time	11,148,935	11,360,660	-211,725	-1.9%
Professional Fees	1,784,415	1,672,415	112,000	6.7%
Total	**15,901,620**	**16,599,560**	**-697,940**	**-4.2%**

The majority of the variances illustrated above are caused by either budget reclassifications to better reflect the true nature of the expense or reallocations to more accurately align budgets with actual results. It is important to note that adjustments of this type have a neutral impact on the budget, due to offsetting adjustments. The majority of the variances illustrated in advertising, grouped expenses, and computer hardware software accounts are truly reclassifications. Departments have made substantial efforts to better classify grouped expenses resulting in the variances illustrated in advertising and grouped expenses. Similarly, a significant portion of the computer hardware/software variance is a result of an ITM transfer to contract & professional fees. Increases in cellular and office supplies are relatively minor department reallocations initiated to more accurately align budgets with actual results. The last three accounts illustrated in the above chart impact the budget and are as follows: The overtime budget increased slightly and is related to costs associated with opening on the newly created “Family Day” statutory holiday and salary/rate increases as per recognized agreements. Budget reductions in part-time are largely caused by recreation program changes to reflect demand and department efficiencies. The increase in professional fees is directly related to the phasing in of costs associated with the approval of the City’s Integrity Commissioner. As illustrated by the above table, the net 2008 impact associated with these accounts is a decrease of $697,940 over the previous year.

In addition to the above information, the following analysis and information is provided in the Budget Analysis & Other Information section of the enclosed attachment 1 - 2008 Draft Operating Budget Summary & Business Plan Package.

- FTE schedule
- Major Impact Summary
- Departmental Expenditure Variances in Excess of $100,000
- Major Corporate Expenditure Increases/Decreases
- Summary of Pre-Approved Items & 2007 One-time Funding Costs

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

Business Planning

As previously indicated, Business Plans are incorporated in the 2008 Budget Process to help establish and reinforce connections between strategic priorities and resource allocation, thus moving the organization closer to realizing Vaughan’s Vision and strategic goals. Department

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Business Plans provide stakeholders with an overview of the department's goals, strategic priorities, as well as demonstrated efficiency and effectiveness through the use of performance measures. This information compliments the Budget Process and assists in evaluating base budgets and analyzing the feasibility of departmental budget increases and resource allocation. The Senior Manager of Strategic Planning was intricately involved with this process and oversaw the completion of business plans. Business Plans submitted as part of the 2008 Budget Process are incorporated in attachment #1.

Consideration of Additional Resource Requests

As indicated earlier in this report, the budget guidelines were complimented by a process that allowed departments to formally submit requests for essential resources not permitted by the above guidelines for the Budget Committee and Council consideration. As a result, Departments submitted 48 additional resource requests with a total annual cost of approximately $4.76m, which translates into an additional tax rate increase of approximately 4.36%. Of the total amount 88% or $4.2m is related to new complement requests. Summarized below are the types of requests and corresponding proportion of the total and associated tax rate impact.

Request Type	# of Requests	FTE's	Requested Amount	% of Total	Tax Rate Impact
New Initiatives/Enhanced Service Levels	22	16.63	$1.79m	37.6%	1.64%
Regulatory Requirements	8	5.49	$0.31m	06.5%	0.28%
Maintain Service Levels	18	36.10	$2.66m	55.9%	2.44%
Total	48	58.22	$4.76m	100.0%	4.36%

The above figures represent annual costs, which can be adjusted for new complement gapping. However it should be noted, that although gapping impacts the 2008 Budget favourably, the balance of the costs will impact the 2009 budget. Excluded from the above list are funding requests, which form part of the Library Board's budget submission. These requests totaling $407k have been included in the Base Budget.

Recognizing the challenge of balancing requests for additional resources with limited funding options, SMT initiated a process in which to prioritize and review additional resource requests. The process infuses a high degree of objectivity & transparency and the end result of this process is a recommended list of additional resource requests prioritized based on a blend of associated municipal risk exposure and the Vaughan Vision initiatives. Senior Management has reviewed all additional resource requests and is now in the process of formulating a final recommendation, which will be presented at a future budget committee session.

Long-Range Financial Planning

On February 20th 2007, staff presented to Budget Committee a report and presentation on Long-Range Financial Planning. The purpose was to provide Council with an overview of the current Long-Range Financial Planning process, outcomes and request direction from Council with respect to an infrastructure funding strategy. The prevailing theme throughout the Long-Range Financial Planning study was that infrastructure repair and replacement is of a paramount concern and Vaughan is currently experiencing the following:

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

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The Challenge of Funding the significant costs of infrastructure repair and replacement is a paramount concern for most municipalities across Canada. This is largely caused from new facility construction having been primarily funded through development charges, leaving the municipalities to fund those rapidly aging assets at a later date from the tax base. Over the past two decades the City of Vaughan has grown at an unparalleled pace, adding new facilities, parks, and transportation networks on an annual basis. Vaughan is now entering an era where these assets require significant investment to ensure they are maintained in an acceptable state of repair. This is evident by the recent increase in capital funding requests. As Vaughan ages and continues to transition from a rapidly growing Township to a thriving mature City, infrastructure repair and replacement requirements will begin to accumulate at a pace similar to that when they were constructed. Without further infrastructure investment, Vaughan's infrastructure network will deteriorate potentially compromising community health, safety, and service levels. Consequently, it is critical to understand that there is a great need and benefit for further infrastructure investment in order to protect, sustain, and maximize the use of Vaughan's infrastructure assets.
Infrastructure renewal has become a very common topic in the media today and illustrated below are a few key events in the municipal world, which further validate the seriousness and magnitude of the topic.

- Most notably is Mississauga's proposed 5% infrastructure levy to tackle their infrastructure issues. Mississauga estimates over the next 20 years approximately $1.5 billion in incremental funding will be for infrastructure. This response came soon after the Federal government announced plans to reduce GST rather than adopt David Miller's "One Cent Now" campaign. Following suite the City of Brampton is considering a 2% annual tax levy above the base operating levy for the next 5-10 years to fund infrastructure. This is a very new development in the Municipal World and clearly indicates the urgency of the matter.

- The Infrastructure and Investment Coalition very recently released a report on Ontario's Bridges. The study estimates at least $2 billion will be required over the next 5 years to fund the costly rehabilitation or replacement of aging infrastructure

- The Federal and Provincial government's recent willingness to share a portion of the gas tax demonstrates other levels of government are beginning to recognize the infrastructure pressures municipalities are currently facing.

- The Public Sector Accounting Board (PSAB) introduced a new accounting guideline regarding local government tangible asset reporting. This guideline requires municipalities to report capital assets in their financial statements by 2009, including information on the condition of those assets. The emergence of this requirement clearly indicates a need to gather information on municipal infrastructure to better assess the situation.

Infrastructure Funding Strategy

Given the significance and magnitude of the trends and outcomes previously presented, it is recommended and financially responsible for Vaughan to institute a systematic plan to address existing and future infrastructure spending requirements, based on when infrastructure exceeds their life cycle. However, as a result of the shear size of the investment required it is suggested the Infrastructure funding strategy initially focus on addressing immediate infrastructure spending requirements and then refocus efforts towards building infrastructure reserves in order to meet and smooth future requirements. On February 20th, a 4-part plan was recommended to the Budget Committee consisting of the following:

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

The largest part and most financially significant component of the funding strategy lie in increasing the City's infrastructure funding effort. This poses a complicated challenge as the initial requirements are overwhelming and will prove challenging to overcome immediately. Recognizing this situation, Finance staff proposed different funding options to begin addressing the infrastructure funding shortfall. The funding options associated annual incremental tax rate increases vary between 1 to 3% and in some scenarios leverage additional debt financing. It is important to reiterate that any tax rate increases associated with the above options are in addition to normal Operating Budget requirements and focus solely on infrastructure spending requirements.

This important and complex topic will be more fully explored as a separate report and presentation at a future Budget Committee meeting.

Conclusion

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

Very tight budget guidelines, approved by Council were issued to departments. The results of the process, including the budget request from the Vaughan Public Library is summarized below. What is not yet included is a consideration of additional resource requests, user fees and service charges, and direction with respect to an infrastructure funding strategy.

BUILDING THE BUDGET

Infrastructure Funding Strategy Infrastructure Repair & Replacement Requirements	**?**
New Initiatives/Enhanced Service Levels Additional Resource Request	1**.64%**
Regulatory Requirements Additional Resource Request	**0.28%**
Maintain Level of Service Additional Resource Requests	**2.44%**
Tax Rate Impact	**8.87%**
City Base Budget under the Guidelines	**3.99%**
Vaughan Public Library Board (Net)	**0.53%**

Relationship to Vaughan Vision 2020

The 2008 Draft Operating Budget is the process to allocate and approve the resources necessary to continue operations and implement Council's approved plans.

Attachments

Attachment 1 - 2008 Draft Operating Budget Summary & Business Plan Package
(Copy of Attachment available in the Clerk's Department)

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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.)