

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 24, 2009**

Item 1, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 24, 2009.

**1            CAPITAL PROJECTS QUARTERLY REPORT ENDING SEPTEMBER 30, 2008**

**The Budget Committee recommends approval of the recommendation contained in the following report of the Director of Reserves & Investments, dated February 9, 2009:**

**Recommendation**

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

That this report be received for information purposes.

**Economic Impact**

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

**Communications Plan**

Not Applicable.

**Purpose**

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

**Background - Analysis and Options**

The 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 report provides 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, 2008. 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, 2008 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, 2008 and provides the following analysis:

- there are 394 open capital projects with a capital budget value of \$442 Million
- to date approximately 49% of this capital budget has been spent (payments processed)
- capital work-in-progress to be completed is valued at approximately \$223 Million

Included is the 2009 Capital Budget deliberations, Reserves staff together with the operational departments reviewed all active capital projects listed to determine which capital projects could be closed, if any, in order to free up funding in 2009. A number of capital projects were closed. A complete list of closed capital projects will be provided in the Capital Project Quarterly Report for Q4 ending December 31, 2008.

Attachment 2 provides the Reserves Continuity Schedule as at September 30, 2008. 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 2020

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, 2008

Attachment 2 – Reserves Continuity Schedule as at September 30, 2008

(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. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 24, 2009.

**2                    2009 BUDGET NEXT STEPS - POTENTIAL BUDGET REDUCTIONS**

The Budget Committee recommends:

- 1) That Clause 2 of the recommendation contained in the following report of the City Manager, Deputy City Manager/Commissioner of Finance & Corporate Services, and the Director of Budgeting & Financial Planning, dated February 9, 2009, be approved;
- 2) That the tax rate increase be targeted between 2.5% - 3% as suggested in staff's analysis;
- 3) That accompanying approval of the budget, staff be directed to communicate to the public the care with which the budget was prepared and the high level of services/low tax rate that Vaughan taxpayers receive in comparison to other GTA municipalities;
- 4) That staff report back on revenue decreases and the change in corresponding expenditures in relationship to those revenues; and
- 5) That the memorandum from the Director of Budgeting & Financial Planning, dated February 9, 2009, containing revised 'Attachment 1', be received.

**Recommendation**

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

- 1) That an inflation rate target be determined in order to meet the Budget Committee's targeted 2009 tax rate increase of inflation; and
- 2) That the Budget Committee provide direction with respect to the options to be considered to reduce the Draft 2009 Operating Budget tax rate impact of 5.84% (\$64 a year to the average home) to a targeted rate of inflation.

**Economic Impact**

The following report responds to the request from the Budget Committee on January 12<sup>th</sup>, 2009 to reduce the Draft 2008 Operating Budget from a tax rate impact of 5.84% (\$64 a year to the average home) to a targeted rate of inflation. There are different definitions and indexes for rates of inflation and the appropriate definition and index depends on how the index is to be used. Various options are presented to achieve various inflation thresholds.

The Draft 2009 Operating Budget submitted on Nov. 18<sup>th</sup>, 2008 was based on maintaining service levels and the options to reduce the 2009 Budget listed in this report are premised on maintaining service levels. Depending on the inflation rate targeted the reduction required would be in the range of \$3.5m.

**Communications Plan**

Not required at this point in time. However, a statutory public meeting with appropriate notice is required before adopting the 2009 Budget.

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In addition to the statutory notice a media release will be developed that articulates the policies, strong management practices and oversight that the City currently has in place to manage revenues and expenses and ultimately provides the residents of Vaughan with value for their property tax dollar.

#### **Purpose**

This report responds to Budget Committee's request for staff to provide opportunities to reduce the Draft 2009 Operating Budget tax rate increase of 5.84% to a targeted rate of inflation.

#### **Background**

The 2009 Draft Budget is based on budget guidelines that were adopted by the Budget Committee on May 29<sup>th</sup>, 2008. A founding principle of the budget guidelines was to maintain service levels & support Vaughan's Vision with a minimum impact on taxes. The 2009 Draft Operating Budget, including any recommendations stemming from Budget Committee deliberations, reflects the requirement for a taxation funding increase of \$6.9m. This represents a property tax increase of approximately \$64 a year (or \$5.35 per month) on the average home re-assessed at \$494,000 or a 5.84% tax increase. The tax increase is largely driven by the following:

1. Safety & Security - \$1.6m increase for 20 additional firefighters;
2. Infrastructure Repair - \$1.3m increase for major roads repairs;
3. Significant Increase in Contracted Services - \$1.4m winter control increases;
4. Final Phase-in of 2008 Decisions - \$0.8m;
5. Further Reduction in the use of Reserves to Subsidize the Budget - \$0.5m;
6. Declining Assessment Growth – assessment growth declined from 3.75% to 3.0%

As illustrated above, more than 50% of the increase is directly related to community safety and infrastructure repair. The next significant component is to cover the cost increase for contracted services that were tendered and required to maintain levels of service.

#### **Delivering Value For Your Property Tax Dollar**

Vaughan takes the management and stewardship of public funds seriously. Through Council the City delivers the services the residents of Vaughan expect within the legislative framework established by the Province of Ontario. Within that context, increasing property taxes is the last option. In this regard the City of Vaughan has been very successful. We have consistently had the lowest property rate tax in York Region and one of the lowest property tax rates in the GTA while providing high quality services to the residents of Vaughan.

A low tax rate and high quality services do not occur by chance. For several years the City has had a very rigorous budgetary process that is continually reviewed and refined. That rigorous process includes a number of specific actions such as the following:

#### **Containing Costs and Implementing Best Practices**

- ❖ Freezing many expenses at previous years levels;
- ❖ Reviewing organizational efficiency;
- ❖ Requiring City Manager approval prior to filling vacancies;
- ❖ Utilizing performance measures to track performance;
- ❖ Ensuring growth pays for growth;
- ❖ Establishing a formal Continuous Improvement Program.

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#### **Demonstrating Leadership in Financial Management**

- ❖ Implementing user pay policies where appropriate;
- ❖ Requiring Business Plans from all departments annually;
- ❖ Fiscal policies guiding management and Council decision making;
- ❖ Aligning resources with strategic priorities;
- ❖ Life cycle infrastructure planning;
- ❖ Long range integrated financial planning.

The City of Vaughan has been very progressive in implementing policies and processes to manage the municipality while providing residents with value for their property tax dollar. As noted above Vaughan had one of the lowest property tax rates in the GTA in 2008. In 2008 the average home in Vaughan paid \$1,093 in property taxes for the services they receive at the local level (the City of Vaughan) and the City ranked 3<sup>rd</sup> in the province in terms of its financial position per capita according to an independent research firm.

As a result of the current economic climate and potential for a deep and lasting recession, it has never been more important to remain vigilant over municipal finances to ensure Vaughan continues to offer residents excellent service and value for their property tax dollar.

#### **Budget Committee Direction**

On January 12<sup>th</sup> 2009 the Budget Committee recommended the following:

“that staff be directed to review opportunities to reduce the 2009 budget to achieve a tax increase equivalent to the inflation rate and that the Chair of the Budget Committee in consultation with the Director of Budget and Financial Planning, review such opportunities, including the consideration of Council’s priorities, and report back at the next Budget Committee meeting”.

As a result, staff undertook a review of the City’s Draft 2009 Operating Budget with the objective of responding to the above noted request.

#### **What Is An Appropriate Inflation Rate (Index)?**

Prior to targeting an inflation rate its important to understand what is typically not included in an inflation index. Inflation rates try to capture cost increases, however they do not incorporate other non-cost related factors associated with a municipality such as the following:

- Additional services to meet growth demands;
- Infrastructure repair and replacement;
- New services or initiatives;
- Costs to meet new legislative requirements; and
- Fluctuations in revenues.

These items are in addition to cost increases and would not be included in an inflation rate such as the Consumer Price Index (CPI), much the same way as CPI would not be a reasonable predictor of increasing household expenses if the size of the family is increased, home repairs are required.

#### **The Consumer Price Index (CPI)**

CPI is intended to illustrate cost increases experienced by the typical Canadian household. It includes retail items such as food, clothing, entertainment and other household purchases.

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Municipalities are service providers and unlike an average Canadian household, municipalities expenses are very labour, material and contract intensive. Therefore, there is not a strong relationship between CPI and municipal budget increases.

#### **Inflation Indexes Other than CPI**

CPI is one index. In addition to CPI, there are other indices available, which are specific and better suited to gauge the price increases associated with municipal spending components. Illustrated below is a sample of inflation indexes that are readily available.

Wages – The Ministry of Labour provides quarterly updates on public sector collective bargaining settlement trends. As of Sept. 2008 the Ministry reported average increases in the range of 3%.

Machinery and Equipment Index – This Statistic Canada Index illustrates purchase price changes of various types of machinery and equipment. In the third quarter of 2008 a 2.3% increase over the previous year was posted.

Non-Residential Construction Index – Provides an indication of the changes in new construction costs for the Toronto area. This information is based on general and special trade surveys for various material, labour, equipment, overhead, etc. An 11.6% increase over the previous year was posted in the third quarter of 2008.

MTO Tender Price Index - Tracks the costs of all major items involved in road and bridge construction. The average annual increase for 2008 is 10.24%

#### Various other materials and supplies indices

- ENR Index
- Producer Price Index
- Fuel Cost Index
- Asphalt and Cement Index etc. – Increase in the range of 50%

#### **Determining a Municipal Price Index (MPI)**

As indicated above, many of the indices relevant to municipal operations are increasing at a rate much greater than CPI (i.e. Wages, utilities, road and building construction, equipment, asphalt, etc). Therefore an alternative approach would be using a municipal price index. This is becoming more common in the industry and Brampton, Waterloo, and Ottawa are currently using internal municipal price indexes based on applying relevant indices/indicators to the weighting of major expense categories. Although, indicators will vary depending on cost structure and services provided these Cities reported inflation rates in the range of 3.3% to 4.75%.

Using a similar approach, Vaughan's composite municipal price index, assuming the current expenditure structure, could be as follows:

<u>Component</u>	<u>% of Budget</u>	<u>Cost increase</u>	<u>Weighted Avg</u>
Salaries and Benefits	55.1%	3% Ontario Wage Settlements	1.7%
Contracts	12.4%	7% historical based	0.8%
Materials	5.5%	6% historical/index blend	0.3%
Capital Funding	10.0%	10% Construction & MTO tender Index	1.0%
All Other	16.7%	2% CPI – general	0.4%
<b>Base inflationary increase estimate</b>			<b>4.2%</b>
<b>Base inflationary increase estimate <u>excluding Capital</u></b>			<b>3.2%</b>

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Although the above figure is a preliminary estimate that may require further refinement, it is consistent with the other municipal indices and clearly illustrates Vaughan is facing price increases beyond the Consumer Price Index (CPI).

#### **Other Factors to Consider When Assessing the Budget**

It should be noted that a price index is only one component contributing to budget increases. Other non-price related factors associated with a municipality (i.e. growth, infrastructure repair, new services or initiatives, legislative requirements, revenue fluctuations, etc) can also result in budget increases that differ from an inflationary index. Consideration must be given to all factors when assessing the budget and associated tax increases.

#### **Potential Options to Reduce the Budget**

Notwithstanding the previous comments to achieve the Budget Committee's direction, while maintaining levels of service, the options to amend the draft 2009 Operating Budget are provided as Attachment 1 and submitted for direction. It should be noted that meeting this request has been a very difficult and challenging task and although budget reductions can be achieved, some options include estimates and others will have an impact on future tax increases.

#### **Relationship to Vaughan Vision 2020**

This report is part of the process of Council setting its priorities for the year.

#### **Regional Implications**

None

#### **Conclusion**

The report is provided in response to the Budget Committee direction on January 12, 2009. It meets the Committee's direction; however depending on the options selected there will be an impact on future tax increases.

#### **Attachments**

Attachment 1: Options to Reduce the 2009 Draft Operating Budget

Attachment 2: New Tax Account Fees

#### **Report prepared by:**

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

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Item 3, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 24, 2009.

**3**                            **AMENDMENT TO PLANNING APPLICATION FEES BY-LAW  
AMENDMENT TO COMMITTEE OF ADJUSTMENT FEES BY-LAW  
CITY OF VAUGHAN - FILE 12.13**

**The Budget Committee recommends:**

- 1)     **That the recommendation contained in the following report of the Commissioner of Planning and the Commissioner of Legal & Administrative Services, dated February 9, 2009, be approved; and**
- 2)     **That staff provide a report on alternative methods to deal with fees for minor amendments.**

**Recommendation**

The Commissioner of Planning and the Commissioner of Legal & Administrative Services recommend:

1.     THAT an amending Planning Applications Fee By-law and an amending Committee of Adjustment Application Fees By-law, be brought forward to the Council Meeting of February 24, 2009, for enactment to reflect revised fees outlined in this report, dated February 9, 2009.
2.     THAT the Development Planning Department in conjunction with the Finance Department develop a forecasting model to project future revenues.

**Economic Impact**

There are no requirements for new funding associated with this report. The proposed new application fees for both Planning Applications and Committee of Adjustment Applications are intended to assist in receiving fuller cost recovery.

The Development Planning Department has undertaken an analysis comparing the revenue generated by Planning Applications under the current Tariff of Fees By-law (135-2007) and the proposed fees identified in this report for the highest, median and lowest months in 2008 and January 2009. This review indicates that based on the volume of applications received in 2008, the revenues generated from Planning Applications would increase slightly under the proposed new fees.

The City Clerk's Department has determined that based on an average applications experience, the potential revenue that may be generated based on the proposed increase in Committee of Adjustment fees is \$141,975.

**Communications Plan**

N/A

**Purpose**

To amend the Vaughan Development Planning Department's Planning Application Fees By-law, and the City Clerks Department's Committee of Adjustment Application Fees By-law, respectively.



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#### **Background – Analysis and Options**

##### 1. Planning Act (Section 69) – Planning Application Fees

Section 69 of the Planning Act allows municipalities to impose fees by way of a by-law for the purposes of processing planning applications. The Act requires:

“The Council of a municipality, by by-law, and a planning board, by resolution, may establish a tariff of fees for the processing of applications made in respect of planning matters, which tariff shall be designed to meet only the anticipated cost to the municipality or to a committee of adjustment or land division committee constituted by the council of the municipality or to a planning board in respect of the processing of each type of application provided for in the tariff.”

The Act requires municipalities to have regard for the “anticipated cost” of providing the service, thereby reflecting the estimated costs of processing an application type and not the actual processing costs related to any one specific application. This would suggest that such fees and charges can include direct costs, non-growth capital-related costs, support function costs directly related to the service provided, and general corporate overhead costs apportioned to the service provided. The Act requires that the anticipated costs of such fees should be cost justified by application type (eg. Official Plan, Zoning By-law, Site Plan, etc.), as defined in the tariff of fees. Cross-subsidization of planning fee revenues across application types is not permissible.

Under the Planning Act, there is no notification requirement or direct appeal mechanism in respect to the passing of a fee by-law. However, an applicant may protest an individual Planning Act application fee by paying the prescribed amount, and then subsequently appeal to the Ontario Municipal Board (OMB), against the levying of the fee or the amount of the fee charged by giving written notice to the OMB within 30 days of the fee payment. The OMB will hear such an appeal and determine if the appeal should be dismissed or direct the municipality to refund payment in such an amount as determined by the OMB. Upon individual appeal, the OMB would be looking at cost accountability. Persons may apply to a court for an order quashing the by-law, as with any by-law, on various grounds.

##### 2. Recent Planning Application & Committee of Adjustment Fee Increases

On January 24, 2005, Vaughan Council approved a report from the Commissioner of Planning and the Senior Management Team respecting an across the board increase in Planning Application fees of 279% and 40.6% for Committee of Adjustment Application fees. The respective implementing fee by-laws were enacted at the same Council meeting.

Since January 2005, the Planning Application Fee By-law has been amended to include an Interim Control By-law Amendment Fee; an Administrative Fee for appeals of Planning Applications to the Ontario Municipal Board (OMB); a Site Development Fee for new single-detached dwellings located within the Kleinburg-Nashville Heritage Conservation District (excluding new single-detached dwellings proceeding through the plan of subdivision approval process); and, a Footnote to clarify the calculation of fees for Multi-use developments, and when both Zoning By-law Amendment and Site Development Applications are required to implement a development.

The current Planning Application Fee By-law is 135-2007, and the current Committee of Adjustment Application Fee By-law is 20-2005, which are each proposed to be amended, should Council approve the Staff recommendation to revise the respective Planning and Committee of Adjustment Application fees in accordance with the Watson & Associates Review and Final Report (2008).

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#### 3. Watson & Associates Review (2006-2008)

The Vaughan Development Planning Department and the City Clerk's Department are proposing to amend the Planning Application Fees and Committee of Adjustment Fees, respectively. This will require an amendment to the current Planning Application Fees By-law 135-2007, and to Committee of Adjustment Application Fees By-law 20-2005.

In 2006/2007, Watson & Associates Economists Ltd. in association with Performance Concepts Consulting Inc. was retained by Vaughan to:

- i) update the City's Planning Development Applications Approval Process (DAAP) fees;
- ii) assess the levels of cost recovery; and,
- iii) provide recommendations on Planning and Committee of Adjustment fee structure design.

The consultants completed their review and submitted a final report including draft fees to the City in Spring 2008 (Attachment #1 – Council Only). The Development Planning Department and the City Clerk's Department have completed its respective review of the Watson report and the draft fees that were proposed by the consultant. The following matters within the Watson report are of significance:

#### a) Full Cost Recovery of Individual Applications

The Watson report applies an "Activity Based Costing" (ABC) approach to recover full costs for planning applications in Vaughan. "An ABC methodology attributes processing effort and associated costs from all relevant City business units to the appropriate planning application user fee categories and sub-categories. Direct operating costs, indirect support and corporate overhead costs, and capital replacement costs are all eligible cost flows for fees based recovery."

Watson & Associates identified the planning process structure in Vaughan and collected processing time effort data from City Departments that are directly involved in processing Planning applications, including: Planning, Building Standards, Engineering, Fire, Parks Development, Legal Services, and City Clerk's. Planning application processes directly involve approximately 60 City staff members working within various City Departments, to varying degrees. An effort estimation template set out the specific sequence of typical process steps for each application type for each City Department. Time estimates per process step were provided from all participating City staff, and added together, thereby setting out the complete processing time for a typical planning application. Watson & Associates further compared the planning application effort estimates to peer municipalities to further assess their reasonableness.

The Watson report indicated:

"...there are specific application type revenues that are recovering more than the full costs of processing and as such are subsidizing other application categories that are not recovering sufficient costs. Based on these findings subdivision, condominium, zoning amendment, and other (ie. part lot control, interim control, etc.) applications are over-recovering the costs of processing... Committee of Adjustment (ie. consent and minor variance), official plan amendment and site development are under-recovering the costs of processing... The implication of this analysis is that the City needs to adjust the current fee structure to ensure that at a minimum no fees are over-recovering the anticipated costs of processing applications. To maintain an overall full cost recovery position then fee structures would have to be increased and decreased based on the findings presented."

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The recommended fees in the Watson report reflect user fee adjustments (both increases and decreases) to address overall cost recovery decisions with greater correlation to planning application processes.

b) Vaughan Planners Working at 90-95% Capacity

A highlight of significance in the Watson & Associates report is worthy of note:

“At average historic application levels capacity utilization results for the City’s development planners (those whose jobs are focused primarily on application processing) are utilized at 90%-95% of total available capacity for these positions. This level of utilization is higher than levels witnessed in other GTA municipalities, but not inconsistent with other large GTA centres. The consulting team is of the view that the City’s historic volumes have been processed by a comparatively lean pool of planning professionals and that high utilization may indicate a longer term sustainability challenge to the City if current application volume trends continue.”

Watson & Associates has indicated to the Development Planning Department that planners in other GTA municipalities are generally operating at 65% capacity. To confirm, the Development Planning Department contacted neighbouring GTA municipalities to compare Vaughan’s “Number of Development Planners” and “File Load Per Planner” versus Markham, Richmond Hill, Brampton and Mississauga, as follows:

Number of Development Planners

<b>Vaughan</b>	<b>Markham</b>	<b>Richmond Hill</b>	<b>Brampton</b>	<b>Mississauga</b>
10	8	8	11	18

File Load Per Planner

<b>Vaughan</b>	<b>Markham</b>	<b>Richmond Hill</b>	<b>Brampton</b>	<b>Mississauga</b>
66	40	50	41	25

The above-noted statistics confirms that Vaughan’s Development Planners are carrying a heavier application file load than other GTA comparable municipalities.

Although in 2007, the total number of all planning applications processed by the Development Planning Department declined by 14.6% from 274 in 2006 to 234 in 2007, with a further projected 2.6% decline in the number of applications processed in 2008 to 228 applications, the types of applications received and being processed today and the types of applications anticipated to be submitted by the development community in the future is substantially increasing in complexity and processing time, with increasing Council and City staff involvement and participation in the planning process to complete projects. These application types include high density residential and infill projects, which Watson & Associates has indicated other GTA municipalities (that are moving from greenfields to urban infill development) as citing as time consuming projects in times of declining application numbers.

Over 660 applications are currently in various stages of processing by the Department, which when combined with the application review and report preparation, numerous meetings, public inquiries, data input and OMB Hearings, contributes to a high workload volume per Planner. In addition to the Planner position, the Administrative, GIS and Urban Design Sections of the Department must also perform to meet these challenges and deadlines.

The work performed by all Planning staff and those in the other City Departments that work on development applications, have been costed for each application type and the fees appropriately

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adjusted by Watson & Associates. It is noted that most fees have increased, while fees for some application types have decreased, as identified in the next section. The proposed new fees include a 3% cost of living increase for 2009.

4. Existing and Proposed Planning Application Fees

a) The current and proposed (as suggested by Watson & Associates) Base application fees are as follows:

<u>Application Type</u>	<u>Current Base Application Fee</u>	<u>Proposed Base Application Fee (Includes 3% Cost of Living Increase for 2009)</u>	<u>+ / - Change</u>
Official Plan	\$9,475	\$20,233	+ \$10,758
Block Plan/ Secondary Plan	\$475/ha	\$490/ha	+ \$15/ha
Zoning By-law	\$5,685	\$5,261	- \$424
By-law to Remove Holding Symbol "H"	\$3,790	\$3,562	- \$228
Part Lot Control	\$3,790	\$1,623	- \$2,167
Interim Control By-law Amendment	\$3,790	\$4,016	+ \$226
Site Plan	\$3,790	\$6,217	+ \$2,427
Condominium	\$7,580	\$10,610	+ \$3,030
Subdivision	\$11,370	\$13,232	+ \$1,862

b) The current and proposed Supplementary application fees (ie. \$/unit, \$/m2, \$/ha, and surcharge fees) are as follows:

<u>Supplementary / Surcharge</u>	<u>Current</u>	<u>Proposed (Includes 3% Cost of Living Increase for 2009)</u>	<u>+ / - Ch</u>
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Official Plan:

i) Surcharge, if Application Approved	\$2,845	\$5,104	+ \$2,259
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Zoning By-law:

i) Base Fee, plus:			
• Singles, Semis, Townhouses	\$570/unit	\$433/unit	- \$137/unit
• Multiple Unit Blocks	\$190/unit	\$145/unit	- \$45/unit

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<u>Supplementary / Surcharge</u>	<u>Current</u>	<u>Proposed</u>	<u>+ / - Ch</u>
		<b>(Includes 3% Cost of Living Increase for 2009)</b>	
• Non-Residential or Mixed Use Blocks	\$7,580/ha	\$5,734/ha	- \$1,846/ha
• Private Open Space (golf course, cemetery)	\$3,790/ha	\$2,867/ha	- \$923/ha
- Maximum Fee	\$189,500	\$148,415	- \$41,085
ii) Surcharge, if Application Approved:	\$2,845	\$2,633	- \$212

Site Development:

i) Base Fee, plus:			
• Industrial, Office, Private Institutional	\$1.15/m2	\$1.73/m2	+ \$0.58/m2
- Portion of GFA over 4,500 m2	\$0.40/m2	\$0.60/m2	+ \$0.20/m2
- Maximum Fee	\$11,370	Eliminate	No Max
Commercial (Service, Retail Warehouse)	\$3.80/m2	\$5.71/m2	+ \$1.91/m2
- Portion of GFA over 4,500 m2	\$0.95/m2	\$1.42/m2	+ \$0.47/m2
- Maximum Fee	\$18,950	Eliminate	No Max
Residential			
- Singles, Semis, Townhouses	\$570/unit	\$871/unit	+ \$301/unit
- Or, if Previously Paid in Sub. Applic.	\$380/unit	\$580/unit	+ \$200/unit
- Multiple Units (Apts.)	\$190/unit	\$291/unit	+ \$101/unit
- Or, if Previously Paid in Sub. Applic.	\$125/unit	\$191/unit	+ \$66/unit
• Complex Revision	\$3,790	\$6,218	+ \$2,428
• Simple Revision	\$1,895	\$3,109	+ \$1,214

Condominium: (the Supplementary fee is being eliminated as the Base fee has been substantially increased to cover costs)

i) Base Fee, plus:			
• Industrial	\$190/unit	Eliminate	Base Only
• Commercial	\$190/unit	Eliminate	Base Only
• Residential	\$80/unit	Eliminate	Base Only

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<u>Supplementary / Surcharge</u>	<u>Current</u>	<u>Proposed</u>	<u>+ / - Ch</u>
		<b>(Includes 3% Cost of Living Increase for 2009)</b>	
<u>Subdivision:</u>			
i) Base Fee, plus:			
• Single, Semi, Townhouse Units	\$570/unit	\$221/unit	- \$349/unit
• Multiple Unit Blocks (ie. Apartments)	\$190/unit	\$74/unit	- \$116/unit
• Part Lots for Residential	\$285/part lot	\$111/PtLt	- \$174/PtLt
• Non Residential or Mixed Use Blocks	\$7,580/ha	\$3,072/ha	- \$4,508/ha
• Minus 40% of Block Plan fee from Subdivision fee, if plan of subdivision is within a Block Plan		Eliminate	No Discount
• Revision to Draft Approved Plan, requiring Circulation	\$3,790	\$3,321	- \$469
• Revision to Condition of Draft Approval	\$3,790	\$3,321	- \$469
• Extension of Draft Plan	\$1,895	\$1,661	- \$234
• Registration of Each Additional Phase of Plan	\$2,275	\$1,668	- \$607

5. Existing and Proposed Committee of Adjustment Application Fees

The Planning Applications User Fee Review by Watson & Associates also considered applications to the Committee of Adjustment, which are applications under the Planning Act. The Committee of Adjustment considers two types of applications – Minor Variances and Consents. The current application fees and recommended application fees (adjusted for 2009) are provided below:

<u>Application Type</u>	<u>Current Fee</u>	<u>Recommended Fee (Includes 3% Cost of Living Increase for 2009)</u>	<u>+ / - Change</u>
Consent – all land uses	\$1,410	\$1,740	+ \$330
Consent – Changing of Conditions	\$705	\$870	+ \$165
Consent – Application Recirculation	\$150	\$990	+ \$840
Consent – Certificate of Official	\$285	\$190	- \$95
Minor Variance – residential, agricultural, institutional	\$635	\$875	+ \$240
			.../8

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Minor Variance – industrial, commercial	\$1,055	\$1,750	+ \$695
Minor Variance – Application Recirculation	\$150	\$1,120	+ \$970
Minor Variance & Consent – OMB Appeal Fee	\$150	\$650	+ \$500

The recommended fees represent a significant increase, except for the fee related to the issuance of the Certificate of Official. These increases recognize the amount of work that is involved in the review and processing of Committee of Adjustment applications. Applications must be reviewed by several City Departments, in addition to the administrative work done by the City Clerk's Department staff. The City has been well below full cost recovery on these applications for some time.

It should be noted that the Minor Variance application fee for residential, agricultural and institutional uses, as recommended by Watson & Associates, was \$1,750.00. City Clerk's Staff recognize that a fee of this amount may deter residents from seeking relief from the zoning by-law requirements. In an effort to encourage by-law conformity, and to limit the burden on the residential property owner, City Clerk's Staff is recommending the fee be \$875, being 50% of the total cost recovery established by Watson and Associates.

6. GTA Trend

The Watson & Associates report indicated that the majority of 905 GTA municipalities were previously recovering approximately 25%-33% of their planning application processing costs (ie. direct, indirect and non-growth capital). However, over the past 3 years, the majority of these municipalities have undertaken cost fee reviews and subsequent fee adjustments have resulted.

The proposed fees being recommended by Watson & Associates for Vaughan's Planning and Committee of Adjustment application fees reflect fuller cost recovery for each application type.

7. Indexation/Currency of Fees

The Planning Application fees and Committee of Adjustment fees will be reviewed each year and adjusted accordingly by the Vaughan Development Planning Department and City Clerk's Department, respectively, to reflect the annual cost of living increase.

It will also be necessary to periodically review the respective fee structure every few years, and make any necessary adjustments, in consultation with the Finance Department.

**Relationship to Vaughan Vision 2020 / Strategic Plan**

This report is consistent with the priorities set out in Vaughan Vision 2020, particularly "Ensure Financial Sustainability".

**Regional Implications**

N/A

**Conclusion**

In accordance with the review undertaken by the City's consultants (Watson & Associates Economists Ltd. in association with Performance Concepts Consulting Inc.) during 2006-2008 respecting Vaughan's Planning Application Fees and Committee of Adjustment Fees, the Development Planning Department and City Clerk's Department are respectively proposing to

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amend the Planning Application and Committee of Adjustment Application Fees, which will require an amendment to the current Planning Applications Fee By-law 135-2007 and Committee of Adjustment Fee By-law 20-2005. Should the Budget Committee concur, the implementing Planning Applications Fee By-law and Committee of Adjustment Fee By-law can be forwarded to the Council Meeting on February 24, 2009 for enactment, which will replace the current respective fee by-laws. Also, that the Development Planning Department in conjunction with the Finance Department develop a forecasting model to project future revenues.

**Attachment**

1. Watson & Associates Final Report (Planning Applications Fee Review, April 2008) -  
COUNCIL ONLY

**Report prepared by:**

Grant Uyeyama, Director of Development Planning, ext. 8635  
Todd Coles, Manager of Development Services, and Secretary-Treasurer to Committee of Adjustment, ext. 8332

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



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**EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 24, 2009**

Item 4, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 24, 2009.

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**4    2009 DRAFT OPERATING BUDGET  
DEVELOPMENT PLANNING/BUILDING STANDARDS DEPARTMENTS  
WORK PLAN/MITIGATION PLAN**

**The Budget Committee recommends:**

- 1)        That the confidential recommendation contained in the confidential report of the Commissioner of Planning, dated February 9, 2009, be approved; and**
  
- 2)        That the confidential memorandum from the Commissioner of Planning and the Director of Human Resources, dated February 6, 2009, be received.**

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**EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 24, 2009**

Item 5, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 24, 2009.

**5                    RECREATION AND CULTURE USER FEE AND PRICING POLICY**

**The Budget Committee recommends approval of the recommendation contained in the following report of the Commissioner of Community Services and the Director of Recreation and Culture, dated February 9, 2009:**

**Recommendation**

The Commissioner of Community Services and the Director of Recreation and Culture, in consultation with the Director of Budgeting and Financial Planning, recommend:

1. That the status report on the Recreation and Culture User Fee and Pricing Policy (Attachment 1) and Three Year Fee Schedule, implemented on September 6, 2006 and ending on September 7, 2009, and the Municipal Benchmarking Analysis (Attachment 2), be received;
2. That the Recreation and Culture Department continue to adhere to the Recreation and Culture User Fee and Pricing Policy with the following amendment to Policy Goal #5:

“The Recreation and Culture Department shall strive to recover 95% of its direct operating costs (i.e. costs associated with department staffing, administration, program equipment and supplies) by September 2012 (three years) from the collection of user fees, while ensuring Vaughan residents are provided with affordable access to recreation and cultural services. In order to meet this objective, fee increases will need to include any anticipated annual cost increases anticipated by the City of Vaughan.”;

3. That effective September 2009 an inflation rate, established February 1<sup>st</sup> of each year and determined by the increase in direct recreation costs for program delivery be applied to the fee schedule; and,
4. That staff continue to investigate new sources of potential revenue and work towards mitigating expenses through continuous improvement measures to ensure annual increases are contained.

**Economic Impact**

There is no direct impact as a result of this item. The draft 2009 operating budget submitted by the Recreation and Culture Department includes the third year rates as approved in the Three Year Fee Schedule along with a 2.8% inflationary increase and reflects a 2.2% overall increase in expenses.

Overall, the 2009 draft operating budget submitted includes a 3.5% increase in revenue from \$14,655,235 to \$15,166,815 with an overall 12.8% decrease to the net departmental budget from \$1,256,055 to \$1,095,635. The 2009 draft operating budget results in a 93.26% recovery rate.

**In order to achieve 95% cost recovery, the overriding assumption is that participation rates and all other variables, including new initiatives, remain equal moving forward.**

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### EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 24, 2009

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#### Communications Plan

Council's decision on recreation and culture user fees will be communicated as required through such mediums as the City of Vaughan web site, Recreation and Culture seasonal guides, flyers posters and other notices used to promote programs and services.

#### Purpose

The purpose of this report is to provide Council with the status of the Recreation and Culture User Fee and Pricing Policy and Three Year Fee Schedule implemented on September 6, 2006 and ending on September 7, 2009, to receive approval to make amendments to the Recreation and Culture User Fee and Pricing Policy to reflect a departmental goal to strive towards 95% cost recovery of its department operating costs, and to receive approval to utilize an internal department inflation rate to mitigate the increases in recreation and culture expenses. The overriding assumption on the aforementioned is that participation rates and all other variables remain equal moving forward.

#### Background

As part of the 2006 Budget deliberations, City of Vaughan Council approved the following:

1. The Recreation and Culture User Fee and Pricing Policy;
2. The Three Year Fee Schedule effective September 2006; and,
3. Amendments to By-Law, 396-2002 to reflect the Recreation and Culture User Fee and Pricing Policy and Three Year Fee Schedule.

Note: The fees identified in the approved in the Three Year Fee Schedule will expire on September 7, 2009.

In February 2005, to respond to the needs of its citizens and manage rising costs associated with the provision of recreation and cultural services, the City of Vaughan retained IBI Group to undertake a costing and pricing study, and prepare a User Fee and Pricing Policy and Three Year Fee Schedule.

The User Fee and Pricing Policy was developed to help provide a consistent approach to setting reasonable and equitable user fees and levels of subsidy, and to ensure residents have access to affordable recreation and culture programs and services.

The approved policy classifies programs and services into the following three categories:

1. Basic Services;
2. Value-Added Services; and,
3. Premium Services.

**Basic Services:** Programs and services which are provided by the City in pursuing its mandate of being a significant provider of recreation and culture to the residents of Vaughan (e.g. group swimming lessons and youth and senior fitness centre memberships).

**Value-Added Services:** Programs and services that are part of a series of more progressively advanced activities within a specific facility (e.g. Lit soccer fields used by children and youth and general camps for youth).

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**Premium Services:** Programs and services which are specialty or advanced in nature or which involve access to premium facilities (e.g. fitness membership, artificial soccer fields, private swimming lessons and advanced level pre-school programs).

The approved increases in user fees were recommended to be phased-in over a three-year period and detailed within a Three Year Fee Schedule. The schedule was based on the following principles:

Highest increase in fees for Premium Services;

Lower increases in fees for Value-Added Services;

Lowest increases in fees for Basic Services; and,

Annual adjustments to the user fee schedule to account for inflation as necessary.

It is noted in the policy that while striving to achieve cost recovery of its direct costs from the collection of user fees, it also had to provide Vaughan residents with access to affordable recreation and culture programs and services.

The policy recommended that the Recreation and Culture Department adjust the user fee schedule on an annual basis to account for inflation. Taking into consideration the Consumer Price Index (CPI), the inflation rates for 2006, 2007, and 2008 were set at 2.0%, 3.0%, and 2.8% respectively.

**STATUS OF IMPLEMENTATION**

**1. User Fees**

The following table illustrates the approved % increases applied to the recreation and culture fees. In each year the policy directed an increase as noted in the **Policy** column; additionally a **CPI** was added resulting in an overall **Total** % increase.

<b>Increases to User Fees (as approved in policy and fee schedule)*</b>									
Category	Sept 2006 – Aug 2007			Sept 2007 – Aug 2008			Sept 2008 – Aug 2009		
	Policy	CPI	Total	Policy	CPI	Total	Policy	CPI	Total
Basic	1%	2%	<b>3%</b>	1%	3%	<b>4%</b>	1%	2.8%	<b>3.8%</b>
Value Added	2%	2%	<b>4%</b>	2%	3%	<b>5%</b>	2%	2.8%	<b>4.8%</b>
Premium	3%	2%	<b>5%</b>	3%	3%	<b>6%</b>	3%	2.8%	<b>5.8%</b>

\* +/-rounding adjustments

Note: The above are minimum increases; some programs and services had higher overall increases.

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The following illustrates user fees listed in the fee schedule for selected programs:

Activity Title	Pre-IBI Fee	Year 1 Fee	Year 2 Fee	Year 3 Fee	Total Change
<b>BASIC</b>					
Swim Kids Level 1 (children/youth)	\$64.00	\$67.00	\$69.00	\$71.00	\$7.00
Summer Fun Fest (children)	\$211.00	\$216.25	\$225.00	\$233.50	\$23.50
Tai Chi (older adult)	\$12.00	\$12.50	\$13.00	\$13.50	\$1.50
Special Needs Swim	\$50.00	\$51.50	\$53.00	\$54.50	\$4.50
Rec Swim (adult) – 20% reduction	\$5.00	\$4.00	\$4.00	\$4.00	- \$1.00
Aquafitness (older adult) – 20% reduction	\$4.50	\$3.50	\$3.50	\$3.50	- \$1.00
1 Year Older Adult Fitness Membership	\$348.00	\$358.50	\$373.00	\$387.75	\$39.75
1 Month Student Fitness Membership	\$41.00	\$42.25	\$44.00	\$46.25	\$5.25
<b>VALUE-ADDED</b>					
Fun in the Sun (children)	\$249.00	\$259.00	\$272.00	\$285.25	\$36.25
Funky Jazz (children)	\$75.00	\$80.00	\$83.25	\$86.50	\$11.50
Little Picasso's (children)	\$90.00	\$92.75	\$96.50	\$100.25	\$10.25
Kiddie Kampus (preschool)	\$88.00	\$90.75	\$94.50	\$98.00	\$10.00
Kinderdance (preschool)	\$63.00	\$65.50	\$68.25	\$70.75	\$7.75
Rhythmic Gymnastics (preschool)	\$94.00	\$97.00	\$101.00	\$104.75	\$10.75
<b>PREMIUM</b>					
1 on 1 Swimming Lessons	\$238.00	\$247.50	\$260.00	\$272.75	\$34.75
Teen Adult Aqua A (swimming)	\$68.00	\$69.50	\$72.50	\$76.00	\$8.00
Belly Dancing (adult)	\$100.00	\$107.25	\$114.00	\$122.00	\$22.00
Kripalu Danskinetics (adult)	\$85.00	\$105.25	\$130.00	\$139.00	\$54.00
Camp Corral (children)	\$515.00	\$541.00	\$579.50	\$619.50	\$104.50
1 Year Adult Fitness Membership	\$496.00	\$516.00	\$542.00	\$568.75	\$71.75
1 Month Adult Fitness Membership	\$57.00	\$59.25	\$62.25	\$65.75	\$8.75
Personal Training – 3 sessions	\$118.00	\$122.75	\$129.00	\$138.00	\$20.00
Fitness Day Pass (pay-as-you-go)	\$10.00	\$10.50	\$11.25	\$12.00	\$2.00

**2. Participation Levels**

For the year preceding the Three Year Fee Schedule, the number of program registrations received for the period Sept. 1, 2005 to Aug. 31, 2006 was 51,242.

In the first year of the approved fee schedule, the total number of registrations for Basic, Value-Added, and Premium programs remained relatively stable at 51,896, however declined in the second year with 50,259 total registrations received. Additional details regarding participation levels are included in Attachment 3.

It is important to note that IBI did not include any assessment of Vellore Village Community Centre in their study. Vellore Village Community Centre opened in the Fall of 2005 with positive participation levels. The number of registrations at Vellore Village Community Centre account for approximately 20% of the total registrations received city-wide. Factoring in Vellore Village Community Centre participation numbers, the total number of registrations received City-wide did not increase overall; rather registrations at some centres and/or programs decreased with the remainder of registrations dispersed amongst the total inventory of community centres.

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The third year began in September of 2008 and it is expected that the participation levels will remain relatively stable compared to 2007. With respect to fitness memberships, facility permits and recreational drop in programs, performance has been somewhat stable.

Note: To address the decline in registration, a number of marketing and program measures were implemented to retain current customers and to attract new ones. The following are some examples:

**Preschool Program Promotion:** Flyers; eBlast customer database; and portable signs

**March Break Promo:** posters; website; news release; flyer distribution to schools

**Summer Camps Promo:** eBlast to customer database; flyers to elementary schools; City Page ad; posters; news release; website advertising; print ad in Got My Kids publication; portable signs; and new display banner

**Complimentary Activity Pass:** Inserted with 2008/09 Fall & Winter Recreation Guide

**Registration Promotions:** Contest for online registration; posters; news release; eBlasts throughout the year

**Recreation Guide:** Dedicate inside front cover of Guide to highlight programs, initiatives and events; feature ads for new programs (Steve Nash and Skating Lessons)

**New Events:** Come Out & Play! Week (Jan 3-9, 2009) offering free program trials and free fitness; Special activities for Family Day and PA Days throughout the year

**Youth Engagement:** Vaughan Youth Week activities including new Vaughan Youth Pursuit race; Celebrity Basketball

**School Engagement:** Schools in Bloom; WinterLights; Peace Tree; new Community Spirit Events newsletter

**Brochures & Literature:**

- Party Packages and Corporate Fitness Membership Brochures
- Art Exhibition & Studio Space Program Brochure
- Aquatic Leadership Guide
- City Playhouse Theatre and Learning through the Arts Brochures

**General:** Promote programs and initiatives via advertising on the new TV monitors at community ck on department mailings

**Programs:** Skating Lessons, one week camp options

### **3. Revenues**

The approved revenue targets set by IBI were based on 2004 figures. The User Fee and Pricing Policy Report, Item 4, Report No. 7 of the Budget Committee of December 12, 2005, included the following economic impact of the new fee schedule:

The economic impact to the 2006 operating budget for the September to December portion will be approximately \$50,000. In each of the three years, if participation numbers remain the same, the recreation revenue will be increased by approximately 2.5% (\$200,000) in each of the three years for a total revenue increase of \$600,000.

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The overriding assumption on the aforementioned is that participation rates and all other variables remain equal moving forward. The decline in participation levels affected the projected revenue targets.

The following provides the overall financial summary including revenues, expenses, net and cost recovery figures for the year preceding the new policy and fee schedule and the last three years:

	<b>Sept '05</b>	<b>Sept '06</b>	<b>Sept '07</b>	<b>Budget '09</b>
Revenues	13,090,186	13,626,959	14,349,578	14,715,415
Expenses	14,647,048	14,931,220	15,357,548	15,821,965
Net	1,556,862	1,304,261	1,007,970	1,106,550
Recovery %	89%	91%	93%	93%

Note: The above figures for the first three columns are calendarized **actuals** for September to August to coincide with the periods noted in the fee schedule and for comparative purposes, and because IBI did not include City Playhouse in the Three Year Fee Schedule, City Playhouse financials have been excluded from the figures above. The final column represents the 2009 draft budget submission excluding the City Playhouse.

Between year 1 and 2 (Sept '06 / Sept '07) of the new fee schedule the revenues have increases by: \$722,619. Year 3 ends in Sept '09.

**4. Cost Recovery**

While striving towards cost recovery and in an effort to mitigate increases to fees, expenses are regularly reviewed and monitored and cost containment measures implemented. Recognizing that some increases are uncontrollable, every effort to contain those expenses within the control of the operation is adopted. The following are examples of both types of increases.

Factors Impacting Cost Recovery:

Salaries and benefits account for the largest operational expense. The Collective Bargaining Agreement for both full-time and part-time staff brought about a 3% increase per annum. Staffing costs, and the associated benefits, equate to approximately 75-80% of the department's budget. Compounding a 3% increase on pay rates results in an increase in expenditures of approximately \$900,000 for the term of the Three Year Fee Schedule. Combining Policy and CPI increases, rates used to increase user fees in year 1 averaged between 3% and 5%, between 4% and 6% in year 2, and between 3.8% and 5.8% in year 3.

The department continues to strive towards greater cost recovery and containment of expenses through operational efficiencies and revenue generating initiatives despite challenges such as rising costs, inflationary pressures, and the impact of Council approved items.

- 2006-2009 – Full-time and Part-time Salaries avg. \$300,000/year
- 2007 onwards - Family Day \$21,000/year
- 2008 onwards - Fee Reduction – Older Adult Rec. Bocce Memb. \$7,500/year
- 2008 onwards - Extension of Fitness Centre Hours \$5,100/year
- 2008 onwards - Vaughan Recreation Activity Room \$5,000/year
- 2008 onwards - Tigi Bocce \$8,825/year
- 2009 onwards - Fee Reduction – Older Adult Fitness Memb. \$47,000/year
- 2009 onwards - Fairs & Festivals \$20,000/year
- 2009 onwards - Rate Reduction CSO Services-in-Kind \$4,000/year
- 2009 - Insurance Rate Increase \$6,900

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Not including the staffing components, other approved items total \$125,325 for a grand total of \$425,325 (+/-) the staffing.

#### Control Measures to Improve Recovery:

The department continues to identify operational efficiencies. For example, commodities required for the operation of recreation programs (such as snacks and beverages, arts and crafts, sports equipment, aquatic supplies, and toys) were re-tendered to initiative discount programs from the current rates paid and/or quoted.

Discounts between 5% and 18% were received from vendors, and equates to savings in the tens of thousands of dollars. Examples of other savings are: \$170,000 for PT Salaries (with benefits) since 2007 and \$13,000 for Professional Fees.

Transaction reviews of the department's administration functions has also allowed for staffing efficiencies at customer service desk counters at community centres during off-peak times.

Grants from agencies such as New Horizons and COSTI have been actively pursued, and the department continues to support sponsorship and advertising initiatives to help offset expenses.

It is the intent of the department to work towards mitigating expenses through continuous improvement and performance measures. Performance Concepts Consulting has recently been engaged to execute a third party Best Practices review of the department's performance measurement framework to align with management decision-making and strategic planning.

#### **MUNICIPAL COMPARATORS / BENCHMARKING**

Each municipality offers recreation programming to meet the needs and interest of its residents. Managed directly by municipal staff, the four main types of programs and services are memberships, registered programs (residents register to participate in structured activities such as swimming lessons and dance classes); drop-in programs (residents participate in unstructured sports and recreation activities such as recreational swimming or skating); and permits (residents or community organizations obtain permits for recreation facilities such as sports fields, meeting rooms, and arena ice).

**One of the guiding principles within the approved User Fee and Pricing Policy is that fees should remain competitive with other recreation and culture providers and, as a minimum, the level of subsidy provided by the City does not have an unintended or negative impact on the marketplace.**

Therefore a benchmarking analysis of user fees in four surrounding municipalities was undertaken (Attachment 2). The selection of municipalities was based on the following criteria: reputations for efficient and effective service delivery; similar socio-economic and demographic characteristics; and neighbouring geographic considerations. The municipalities selected for local comparisons are Brampton, Markham, Mississauga, and Richmond Hill.

Based on *2008 published budgets for Recreation*, a benchmarking analysis of cost recovery rates for Brampton, Markham, Mississauga and Richmond Hill was completed (Attachment 2).

The results of the analysis are included in the chart below and compare Recreation costs with Recreation costs. Expenses such as Culture, Building & Facilities, Parks, museums, marinas, and golf courses have been excluded to represent a fair and reasonable comparison to Vaughan's Recreation budget:



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	<b>Vaughan 2008</b>	<b>Vaughan 2009</b>	Brampton	Markham	Mississauga	Richmond Hill
Cost Recovery	92.11%	93.01%	72.91%	69.95%	81.61%	70.00%* *target

The cost recovery rates were gathered as follows:

1. Brampton was taken directly from the 2008 Current Budget Financial Summary for Recreation Products. Information received from Brampton indicates that the only fee increases over the last several years has been the addition of 2.5% per annum for inflation;
2. Markham was taken directly from the Town of Markham 2008 Operating Budget for Recreation Services. This figure was confirmed by a published 2008 Key Performance Indicator: Revenue as % of total Recreation operating expenditures at 70%;
3. Mississauga was extrapolated from the City of Mississauga's 2008 Budget Book; and,
4. Richmond Hill was provided by Richmond Hill's Director of Recreation and Culture.

*Note: All municipalities stated that they primarily use market indicators and municipal benchmarks to establish user fees and set prices. Although there is no official mandate for cost recovery or user fee policy in each of the municipalities contacted for benchmarking, it was a common goal to maintain current cost recovery rates noted above.*

**VARIABLES IMPACTING FUTURE FEE INCREASES**

While the City's internal analysis of cost recovery may justify that fees be set at a certain level, the City should always be cognizant of the cost of similar programs and/or services in neighbouring municipalities. As identified in the benchmarking analysis of user fees, Vaughan's fees are higher than its comparators in most cases. In light of affordability, if the City's fees remain in excess of those charged by neighbouring municipalities, some users will switch to competing facilities due to the price elasticity of demand. In addition, an examination of community profiles and demographics has identified a growing level of competition from the private sector over the last few years, offering residents more alternative choices for their recreation and cultural needs.

Notwithstanding, the department will continue to strive to recover all direct costs associated with the delivery of services through the collection of user fees, and will continue to seek opportunities to create new sources of funding to reduce operating costs associated with the delivery of recreation and cultural facilities, programs, and services.

On October 22, 2008 Performance Concepts Consulting was engaged to execute a third party Best Practices review of the Recreation and Culture performance measurement framework. The performance measurement framework review will address performance indicator selection; data design and population methodologies; alignment with management decision-making; the relationship with fees, pricing and annual budget resourcing decisions; process improvement and master planning/strategic planning.

**Relationship to Vaughan Vision 2020/Strategic Plan**

This report is consistent with the Vaughan Vision 2020 strategic initiatives to:

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- STRATEGIC GOAL:  
Service Excellence – Pursue Excellence in Service Delivery; and Enhance and Ensure Community Safety, Health and Wellness; and,
- STRATEGIC GOAL:  
Management Excellence - Enhance Productivity, Cost Effectiveness, and Innovation.

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

#### **Regional Implications**

There are no regional implications.

#### **Conclusion**

The Recreation and Culture Department recognizes that the delivery and pricing of programs and services must be accessible and done in a fair, consistent and responsive manner. As well, the Department recognizes the constraints to resource allocation as well as the need to prioritize funding of programs and services in order to allocate resources most effectively.

The Recreation and Culture Department continues to strive towards greater cost recovery and containment of expenses through continuous improvement measures, operational efficiencies and revenue initiatives.

The Recreation and Culture Department will continue to comply with the guidelines set out in the User Fee and Pricing Policy, and upon Council approval, will set an annual inflation rate, effective September 2009, to offset increases in recreation and culture costs. Staff will continue to work towards mitigating expenses through continuous improvement measures to ensure annual increases are covered through the established inflation rate.

#### **Attachments**

Attachment 1 - Recreation and Culture User Fee and Pricing Policy  
Attachment 2 - 2008 Municipal Benchmarking Analysis  
Attachment 3 - Participation Levels

#### **Report Prepared By**

Mary Reali, Director of Recreation and Culture, ext 8234  
Sunny Bains, Business Services Manager, ext 8336

(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 FEBRUARY 24, 2009

Item 6, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 24, 2009.

6

#### USER FEE/SERVICE CHARGE REVIEW

The Budget Committee recommends approval of the recommendation contained in the following report of the City Manager, dated February 9, 2009:

##### Recommendation

The City Manager in consultation with the Senior Management Team and the Director of Budgeting and Financial Planning recommend:

That the user fees and service charges outlined in Attachment 1 be approved subject to the required public notice and meeting requirements.

##### Economic Impact

The total proposed economic impact is \$261,545. Based on the original report submitted on November 18, 2008, a general contingency was included in the Draft 2009 Operating Budget to account for anticipated user fee and service charge amendments approximately \$78,545. Since then the Financial Services department recently proposed new user fees, which amount to approximately \$183,000 which will favourably impact the Draft 2009 Operating Budget. Details on these fees are included in another report on the February 9<sup>th</sup>, 2009 agenda.

##### Communications Plan

Before the 2009 operating budget receives final approval, the community will be notified of an opportunity for public input on user fee/service charge adjustments to be received.

##### Purpose

The purpose of this report is to provide the Budget Committee with information on proposed changes to user fees and service charges for 2009.

##### Background - Analysis and Options

Inherent in the 2009 budget guidelines and process is a continued emphasis on maximizing the cost recovered on services provided. In addition to adjusting revenues for anticipated changes in activity volume, departments were requested to:

- Explore and submit new user fee and service charge opportunities for existing non-revenue generating services.
- Increase established service charges and user fees by a similar percentage increase in department costs, excluding any volume related impacts. At minimum departments were expected to increase user fees & service charges by the rate of inflation, unless otherwise specified. Some user fees and service charges may be subject to other regulatory requirements or subject to ongoing studies and may be exempt from this requirement.

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The budget impact associated with the increases noted above are not included in the draft 2009 departmental operating budgets, with exception for Council pre-approved fee increases (i.e. Recreation and Licensing). However, a general contingency is included in the Draft 2009 Operating Budget to account for anticipated user fee and service charge amendments. Once approved, amounts will be transferred from contingency to departmental revenue accounts.

**User Fee/Service Charge Review Results**

The 2009 annual operating budget impact associated with department submitted existing user fee and service charge increases amount to \$54,545 and proposed new fees and service charges total an additional \$207,000. Detailed below is a summary of the proposed increases by Department.

**2009 User Fee/Service Charge Review  
Impact Summary**

<b>Schedule</b>	<b>Department</b>	<b>Changes to Fees/Charges</b>	<b>New Fees/Charges</b>	<b>TOTAL</b>
A & B	Clerk's	\$4,535	\$0	\$4,535
C	Finance	\$590	\$205,500	\$206,090
D	Economic & Technology Development & Corporate Communications	\$0	\$0	\$0
E	Fire & Rescue Services	\$6,936	\$0	\$6,936
F	Building Standards	\$13,350	\$1,500	\$14,850
G	Planning	\$348	\$0	\$348
I	Legal	\$2,100	\$0	\$2,100
I	Enforcement Services	\$10,485	\$0	\$10,485
J	Parks	\$0	\$0	\$0
K	Engineering Services	\$1,017	\$0	\$1,017
K	Development Engineering	\$12,333	\$0	\$12,333
L	Public Works	\$1,601	\$0	\$1,601
M	Encroachments	\$1,250	\$0	\$1,250
	<b>Total</b>	<b>\$54,545</b>	<b>\$207,000</b>	<b>\$261,545</b>

Enclosed in Attachment #1 are the department recommended amendments to the City's user fees and service charges for Budget Committee's review. The explanations related to user fee/service charge amendments are provided by the respective Commissioner and Department.

**Relationship to Vaughan Vision 2020**

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

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 24, 2009**

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**Regional Implications**

There are no Regional implications associated with this report

**Conclusion**

A user fee and service charge review has taken place and results are provided as Attachment #1.

**Attachments**

Attachment 1: Proposed User Fee/Service Charge Amendments

(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 FEBRUARY 24, 2009

#### Item 7, Budget Report No. 2 – Page 2

More than 200 fees and charges are detailed in the User Fee & Service Charge by-law. Based on the information provided by departments roughly half of the fees are above or inline with the average fees charged by neighbouring municipalities, using Richmond Hill, Markham, Mississauga and Brampton as comparables. The municipal average for a fee or charge is calculated on available data and can range from one to four comparables depending on the service. Roughly a third of the fees and charges are incomparable due to different service provision, lack of information, or other challenges mentioned previously. The remaining user fees and service charges, 15-20% falls below the municipal average. In some cases departments cited the following as reasons for being below the municipal average: fees are under review, economics of scale, and some municipalities are able to reduce fees by contracting out services.

#### User Fee and Service Charge Increase Logic

Inherent in the 2009 budget guidelines and process is a continued emphasis on maximizing the cost recovered on services provided. In addition to adjusting revenues for anticipated changes in activity volume, departments were requested to increase established service charges and user fees by a similar percentage increase in department costs, excluding any volume related impacts. At minimum departments were expected to increase user fees & service charges by the rate of inflation, unless otherwise specified. Some user fees and service charges may be subject to other regulatory requirements or subject to ongoing studies and may be exempt from this requirement. Based on the enclosed schedule, roughly 55% of user fees and service charges were increased in relation to or higher than the rate of inflation. The remaining 45% remained unchanged. Explanations provided by departments for not increasing fees were typically related to legislative requirements, fees currently under review, substantial fee increase in 2008, etc..

#### Relationship to Vaughan Vision 2020

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

#### Regional Implications

There are no Regional implications associated with this report

#### Conclusion

A user fee and service charge benchmarking review has taken place and results are provided. Overall, a significant portion of Vaughan's user fees and service charges are above or inline with the average fees charged by neighbouring municipalities, using Richmond Hill, Markham, Mississauga and Brampton as comparables. In general, departments experienced challenges in obtaining complete comparable information resulting in roughly a third of the fees and charges being classified as incomparable due to different service provision, lack of information, or other challenges mentioned previously. Details on specific fees are enclosed as attachment #1.

#### Attachments

Attachment No. 1: Benchmarked User Fees / Service Charges

(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 FEBRUARY 24, 2009**

Item 8, Report No. 2, of the Budget Committee, which was adopted, as amended, by the Council of the City of Vaughan on February 24, 2009, as follows:

***By receiving the memorandum from the Commissioner of Legal and Administrative Services/City Solicitor, dated February 24, 2009, advising that a report will be provided to a future meeting.***

**8 PATRICIA KEMP COMMUNITY CENTRE – WARD 4**

The Budget Committee recommends:

- 1) That staff provide a report to the Council meeting of February 24, 2009, exploring the options available as per the deputations heard and comments by committee and staff;
- 2) That the following report of the Commissioner of Community Services and the Directors of Recreation and Culture and Building and Facilities, dated February 9, 2009, be received;
- 3) That the deputations of Ms. Erlinda Insigne, Filipino-Canadian Association, 7894 Dufferin Street, 2<sup>nd</sup> floor, Vaughan, L4K 1K6, and Mr. Mathew John, Toronto Malayalee Samajam Community, 163 Buttermill Avenue, Unit 3, Concord, L4K 3X8, and written submission dated February 9, 2009, be received; and
- 4) That the written submission from the Glen Shields Soccer Club, Patricia Kemp Community Centre, 7894 Dufferin Street, Concord, L4K 1R6, dated February 9, 2009, be received.

**Recommendation**

The Commissioner of Community Services and the Directors of Recreation and Culture and Building and Facilities, in consultation with the Director of Legal Services and the Senior Manager of Real Estate recommend:

1. That the Patricia Kemp Community Centre (PKCC) be closed effective July 31, 2010;
2. That the current tenants be advised of the closure;
3. That the existing users be accommodated within the surrounding City-owned facilities; and,
4. That this report be received for information.

**Economic Impact**

The closing of the PKCC on July 31, 2010 will result in a net savings of \$31,000 to 2010 Building and Facilities and Recreation and Culture operating budgets. Full year savings for 2011 and beyond will be approximately \$75,000 annually.

**Communications Plan**

Council's decision on this matter will be communicated to the current tenants and permit holders of the PKCC, in writing. As well, the general public will be advised through street signs, web postings, newspaper ads and posters, as required.

**Purpose**

The purpose of this report is to obtain Council's approval to close the PKCC effective July 31, 2010.



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### EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 24, 2009

#### Item 8, Budget Report No. 2 – Page 2

Further, this report will provide Council with information on the current state of the PKCC, consultation with the users, the cost for maintenance, the cost for the expansion as requested by one of its current lessees, the Filipino Canadian Association of Vaughan (FCAV), and the impact of the completion of the new Block 10 community centre and other centres in the area.

#### **Background - Analysis and Options**

The PKCC is located at 7894 Dufferin St, in the City of Vaughan, Lot 6, Concession 3. The community centre is a two storey building, built in 1931 and is made up of a meeting room, a nursery school room with a kitchen and office space. A small gymnasium was added in 1967.

The property is owned by the City (Part 8, 0.619 acres) and a parcel in the rear (Part 9, 0.938 acres) is leased to the City by the Ontario Realty Corporation. The hydro corridor runs on the southwest portion of the land in Part 9, behind the community centre. Driveway exiting proves to be a challenge when heading northbound as the traffic lights are north of the exit at Beverley Glen Blvd.

At the Committee of the Whole meeting of December 1, 2008, a deputation was made by Ms. Erlinda Insigne of the FCAV to request Council's consideration of an expansion of the gymnasium at the PKCC. Council received the deputation; eight letters of support; a petition signed by 477 people (Attachment # 1), and directed staff to:

1. Prepare a report outlining the current state of the PKCC including the cost for maintenance and the cost for expansion as suggested by one of its current lessees;
2. Consult with the FCAV regarding their suggestion for the building;
3. Take into consideration the impact of the completion of the new Block 10 community centre and any other centres in the areas in preparing the report; and,
4. Report to a future Budget Committee meeting.

#### **The Filipino Canadian Association of Vaughan (FCAV):**

The Filipino Canadian Association of Vaughan is a recognized Community Service Organization (CSO) in existence since 1990 and their mandate is to preserve and share Filipino cultural heritage. According to their most recent membership list (submitted January 9, 2009), the group currently has 344 members and 310 (90%) are Vaughan residents. The Vaughan residents are geographically located throughout Vaughan as follows:

- Concord – 80 members (26%);
- Thornhill - 185 members (60%);
- Maple - 36 members (11%); and,
- Woodbridge - 9 members (3%).

The FCAV's current usage of the PKCC includes office space and rental of the small gym for the purposes of basketball, parties and miscellaneous uses such as meetings. The FCAV permitted 125 hours in 2008 representing 18% of the total usage.

Staff met with Ms. Erlinda Insigne of the FCAV on December 17, 2008 and January 9, 2009 to elaborate on their expansion proposal and to review the petition and letters of support. The petition was signed by 477 people of which 178 (37%) are Vaughan residents. The Vaughan residents are geographically located throughout Vaughan as follows:

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### EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 24, 2009

#### Item 8, Budget Report No. 2 – Page 3

- Concord – 12 signatures (7%);
- Thornhill - 121 signatures (68%);
- Maple – 32 signatures (18%);
- Woodbridge – 12 signatures (7%); and,
- Kleinburg – 1 signature (less than 1%).

According to FCAV's proposal (Attachment #2), the expansion is requested in order to better accommodate activities such as basketball, general meetings, caregiver seminars, social, cultural activities, and fundraisers. The FCAV received a grant in December, 2008 from the Trillium Foundation in the amount of \$37,000 in order to expand their activities (basketball) in the next 3 years. FCAV would also like to use the PKCC as a reception area for receiving guests from Baguio City, the City of Vaughan's sister city in the Philippines.

Should a gym expansion of the PKCC be approved the FCAV has committed in writing, to contributing \$30,000 a year for the next 10 years for a total of \$300,000. (Attachment # 3)

Further, The FCAV has advised they would apply for a one time grant of \$250,000 from the Trillium Foundation which, if received would be contributed towards the expansion. Staff confirmed with representatives from the Ontario Trillium Foundation that the Foundation will only approve capital grants for equipment, renovations (*that do not change the footprint of the building*), repairs and land upgrades and that there is a funding cap of \$150,000 on this criteria.

#### **CONSULTATION**

In her deputation Ms. Insigne advised that in addition to the FCAV, there are a number of other groups in support of the expansion including: the Glen Shields Soccer Club, the Thornhill African Caribbean Canadian Association, the Toronto Malayalee Samajam Community Group and the Vaughan Basketball Association. Staff consulted with the groups identified in FCAV's proposal as well as the Philippine Heritage Band who also use the PKCC. Their comments along with a brief profile, as follows:

##### **The Glen Shields Soccer Club:**

The Glen Shields Soccer Club is a registered CSO with the City of Vaughan and has been in existence since 1982. This group offers youth soccer within the Glen Shields area. They currently have 1215 players in their membership. During 2008 the Glen Shields Soccer Club used the gym for 44 hours representing 6% facility usage for 2008.

Staff spoke with Mr. Altaf Sarangi of the Glen Shields Soccer Association and although the group is interested in more space for winter indoor soccer, general meetings and social or fundraising activities, they could not confirm that Block 10 would not meet their future needs nor that PKCC would meet their needs.

##### **Thornhill African Caribbean Canadian Association:**

The Thornhill African Caribbean Canadian Association (TACCA) is a registered CSO group with the City of Vaughan and has been in existence since 2006. They have a membership of 76 people for the purposes of assisting African Canadian members in the Thornhill community with their quality of life through enriching programs and services. Staff was contacted by Mr. Vernon Hendrickson of TACCA who stated that their needs are currently being met at the Dufferin Clark Community Centre and that he has no interest in expansion of the PKCC even though he submitted a letter of support to FCAV. In 2008, the TACCA used the gym for two hours.

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#### **Toronto Malayalee Samajam Association:**

Toronto Malayalee Samajam Association is listed in the expansion proposal as having interest in the expansion for the purposes of basketball, general meetings, and cultural activities. Mr. Matthew John of the Toronto Malayalee Samajam Association verbally confirmed that he would like to see the expansion. Although Mr. John stated he has a large Vaughan membership, as of the date of this report, staff is unable to confirm his membership numbers. In 2008, Toronto Malayalee Samajam Association did not use the PKCC.

#### **Vaughan Basketball Association:**

Vaughan Basketball Association is a CSO group within the City of Vaughan since 2003. They offer basketball opportunities to youth throughout Vaughan and currently hold two offices at the Maple Community Centre. Staff spoke with Mr. Curtiss Weekes of the Vaughan Basketball Association who advised us that since their second office space was granted at Maple Community Centre in the fall 2008 and that Block 10 will be available this year, any additional needs of the Vaughan Basketball Association can be accommodated at that location. They do not require the gym expansion of the PKCC. In 2008, the Vaughan Basketball Association did not use the PKCC.

#### **Philippine Heritage Band:**

Staff spoke with Ms. Aurelia DeLara of the Philippine Heritage Band who is a registered CSO group in existence since 1980. This group focuses on the preservation of the heritage band, and has membership of 273. They regularly use the Baker House for meetings, etc. and they use the PKCC gym for majorettes (baton throwing) practice on Sundays and sporadically other days of the week. In 2008 the Philippine Heritage Band used PKCC for approximately 240 hours which accounts for 35% of the total usage. Ms. DeLara noted that the group has already requested use of gym space (or an activity room with a high ceiling) at the new Block 10 community centre and if approved will not require the use of PKCC.

#### **CURRENT STATE OF PKCC**

In the past two years, anticipating that the PKCC could be closed, capital improvements such as flooring and lighting replacements have not been budgeted. Two capital projects to modify the entrance to align with Beverley Glen Blvd. and install air conditioning in the PKCC were submitted in the 2009 budget but did not make it above the funding line for the reasons identified in this report. Dependent on Council's decision, these projects will be reviewed next year for inclusion or deletion.

#### **Cost for Maintenance:**

The net cost of maintaining the PKCC operational until July 31, 2010 will be approximately \$120,000 including revenue from leases, utilities, maintenance, etc., provided there are no unplanned capital or operating improvements needed in the next 19 months.

The 2009 portion of \$75,000 is included in the base budget of the Building and Facilities 2009 operating budget and the 2010 portion will be included as part of the 2010 operating budget.

#### **Facility Utilization:**

In 2008 the total hours permitted in the gym were 680.5, which represent a 13% utilization of the gym. The Active Together Master Plan identifies a minimum standard utilization of 50% for gyms. The PKCC gym is **37% below** the standard.

The gym had 680.5 permitted hours of usage in 2008. Of those hours, the FCAV permitted 125 hours representing 18%. The total hours, by function were, as follows:

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- Basketball – 123 hours
- Meetings – 41 hours
- Parties – 180 hours
- Miscellaneous – 336.5 hours.

Miscellaneous use of the PKCC includes activities such as karate classes, blood donor clinics, and, band and dance practice.

Note: The Glen Shields Nursery School occupied Meeting Room #4 from September to June annually, however as of December 1, 2008 they have been unable to sustain their membership and have cancelled their permit.

Two leases currently exist at the PKCC offices for the FCAV (375 square feet) and the Glen Shields Soccer Club (1727 square feet). Staff will ensure that both leases coincide with proposed closing date of the PKCC should this recommendation be accepted.

**PROPOSED EXPANSION OF PKCC**

The proposed expansion involves the demolition of the existing gymnasium structure of 2,132 square feet, construction of an enlarged gymnasium of 7,500 square feet and the provision for 50 additional parking facilities. The demolition of the existing structure would be required as the current ceiling height restricts the ability for proper basketball use, space for HVAC equipment, structural limitations and finished floor elevations. To respond to a community request, this project is included for consideration in the 2009 Capital Budget submission.

**Costs of Proposed Expansion:**

Should a gym expansion of the PKCC be approved, along with an annual operating budget of approximately \$95,000, it is estimated that the capital costs will be approximately \$1,902,410. The funding would come from taxation.

The breakdown of the expansion costs are, as follows:

Architects, consultants, permits	\$ 186,000
Demolition, shoring and underpinning	106,000
Parking lot (addition of 50 spaces)	105,000
Mechanical and Electrical	350,000
Construction	1,100,000
Administration – 3%	<u>55,410</u>
<b>Total</b>	<b>\$1,902,410</b>

**Implications for Expansion:**

There are a number of implications that would have to be considered should the expansion be approved, some of which will have financial and or service implications. They are, as follows:

- Addition of life safety / sprinkler systems for the entire building;
- No use of the gym during the expansion;
- Accessibility improvements for the remaining structure including the potential addition of an elevator; and,
- Location of parking facilities which may impact the use of the sports field and / or obtaining clearance from Hydro One to utilize space under the Hydro Corridor for parking.

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### EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 24, 2009

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#### **IMPACT OF BLOCK 10 AND OTHER CENTRES**

In 2008, the Dufferin Clark, Garnet A. Williams and Maple Community Centres had approximately 27 available dates on Saturday evenings and could therefore accommodate the 18 Saturdays that were booked at the PKCC.

For basketball, there was limited availability of two hour slots and not generally on a specific day with the exception of Mondays & Tuesdays beginning at 10pm at the Garnet A. Williams Community Centre. Meetings and miscellaneous activities can be accommodated within the nearby community centres and Block 10.

With the completion of Block 10 in 2010, it is expected that there will be a high demand for use of the gymnasium. As per past practice, the City will make it a priority to attempt to accommodate all groups including the FCAV as per the Facility Allocation Policy. Additionally, there are several high schools in the area that may be used to accommodate the requests for basketball and miscellaneous permits.

With respect to office space, there are two available office spaces at the Dufferin Clark Community Centre that could potentially be used by the FCAV and Glen Shields Soccer Club. Block 10 does not have community office space within the community centre.

#### **ACTIVE TOGETHER MASTER PLAN**

Vaughan has a healthy supply of gyms with one gym per 25,936 residents which is further increased when considering school gyms. With the completion of Block 10 (excluding PKCC and city-school gyms). Vaughan will have four (Dufferin Clark, Garnet A. Williams, Rosemount and Block 10 community centres) gyms in the Thornhill/Concord area, sufficient to address growth until 2021. Future growth for multi-use gyms is slated for Blocks 11 and 40.

Through the public consultation process of the development of the Active Together Master Plan 59% of respondents believe gyms warrant investment and consideration, but it did not identify a significant demand for new gyms.

The Active Together Master Plan recommends that the City employ a service target slightly below the existing level of provision of one municipal gym per 35,000 residents.

#### **Relationship to Vaughan Vision 2020/Strategic Plan**

In consideration of the strategic priorities related to Vaughan Vision 2020, the report will provide:

- STRATEGIC GOAL:  
Service Excellence – Pursue Excellence in Service Delivery; and,
- STRATEGIC GOAL:  
Management Excellence – Maintain Assets and Infrastructure.

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

#### **Regional Implications**

None.

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**Conclusion**

Based on the consultation with the users, analysis of the current state of the PKCC, and the costs and implications for the proposed expansion it is recommended that the centre be closed effective July 31, 2010.

It is anticipated that the existing users can be accommodated within the Thornhill, Concord and Maple Community Centres.

Once the PKCC is closed, Council direction will be sought through the Real Estate Division of the Legal Services Department, for sale of the property pursuant to the City's Disposal of Property By-law.

This report provides Council with information on the current state of the PKCC, consultation with the users, the cost for maintenance, the cost for expansion as suggested by one of its current lessees and the impact of the completion of the new Block 10 community centre and other centres in the area.

**Attachments**

Attachment 1 – Petition to expand the small gym at Patricia Kemp Community Centre and Letters of Support

Attachment 2 – Patricia Kemp Community Centre – Expansion Proposal

Attachment 3 – Letter of Financial Commitment

**Report Prepared By**

Mary Reali, Director of Recreation and Culture, ext 8234

Jeff Peyton, Director of Building and Facilities, ext 6173

Angelo Cioffi, Building Manager, ext 6166

Terri Cosentino, Client Services Supervisor, ext 8078

(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 FEBRUARY 24, 2009**

Item 9, Report No. 2, of the Budget Committee, which was adopted without amendment by the Council of the City of Vaughan on February 24, 2009.

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**UTILITY ASSET DISPOSITION RELATIVE TO THE  
INFRASTRUCTURE FUNDING GAP - PRELIMINARY ANALYSIS**

The Budget Committee recommends approval of the recommendation contained in the following report of the Deputy City Manager/Commissioner of Finance & Corporate Services, dated February 9, 2009:

**Recommendation**

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

That the following report be received for information and discussion purposes.

**Economic Impact**

No financial impact is associated with this report as it is for information purposes only. However, the following report demonstrates various financial impacts associated with a potential future disposition of the municipal utility to fund future infrastructure repair and replacement requirements. Based on available information, the Infrastructure funding gap is estimated to be \$130 million over the next 10 years or roughly \$394 million over the next 20 years. The current value of the City's municipal utility is estimated to be approximately \$325 million (including notes receivable).

**Communications Plan**

N/A

**Purpose**

To inform the Budget Committee as to how a potential future disposition of its interest in its municipal utility might positively impact the long term funding of infrastructure.

**Background - Analysis and Options**

At the December 4<sup>th</sup>, 2008 Budget Committee meeting a report on the infrastructure funding strategy was tabled and discussed. At this meeting staff presented the Infrastructure funding gap estimated to be \$130 million over the next 10 years or roughly \$394 million over the next 20 years. These figures are based on current trends, life-cycle planning, and assuming the current practice of funding the roads program through long-term debt is continued. As a result of this discussion, staff was directed to review opportunities on how the potential sale of its municipal utility asset might positively impact the long term funding of infrastructure. It should be noted that this report is based on very preliminary information and should the Budget Committee be interested in pursuing this option further a much more comprehensive report will be required. As a result, staff accumulated information on the valuation of PowerStream, including the impact of the Barrie merger, and has prepared various models based on certain assumptions and timeframes for disposition and utilization of the proceeds.

**Valuation**

The valuations and assumptions used for the various models are based on KPMG's Pro-Forma Fair Market Value Assessment of PowerStream as at December 31, 2008, for the purpose of the recent utility merger. Their findings were further validated by Crosbie & Company who completed

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a peer review of KPMG's valuation and was in agreement with KPMG's results and methodology. The results of the KPMG report are provided as attachment #1. For the purposes of this report our analysis is based on the discounted cash flow approach utilizing the KPMG's midpoint valuation of \$197 million (Vaughan Holdings Inc.'s 45.315% ownership of \$436.5m.). In addition, it was reported that past comparable local utility transactions received a premium of 20%-30% over the market value and therefore a mid point 25% premium above the \$197 million value, roughly \$50m, is incorporated bringing the amount to \$247m. It is also assumed that 100% of Vaughan Holdings Inc's shares would be sold and no tax implications would occur as a result of a transfer tax holiday. For analysis purposes the sale is assumed to close in 2009 and infrastructure funding would begin immediately.

#### **Notes Receivables & Dividends**

The City of Vaughan has an outstanding note receivable with PowerStream in the amount of \$78 million earning an annual rate of 5.58%. The interest income from PowerStream is approximately \$4.4 million which is currently used to fund the City's operating budget. For the purpose of this analysis, it is assumed that the note would be settled as part of the sale of Vaughan's share in PowerStream, as this is a very common industry occurrence, thus providing approximately \$78 million in additional funding. Including the note increases the total proceeds of the sale to approximately \$325 million.

The City of Vaughan, currently budgets for \$1.75 million in PowerStream dividends annually and for this report the current \$1.75 dividend amount will be used. These dividends are currently used to fund the City's general operations. The disposal of Vaughan's interest in PowerStream would result in the elimination of this funding source roughly equivalent to a 1.5% tax rate increase.

#### **Operating Impacts**

As noted above, the sale of PowerStream would result in a loss of dividend and interest income, approximately \$6.2m, roughly a 5.5% tax increase. In order to mitigate this impact, our analysis assumes that a portion of the proceeds of the disposition or interest earned would be used to offset the loss of dividend and interest income currently used to fund general city operations. It should be noted that if the proceeds of the utility disposition are depleted a permanent source of funding to replace this amount will be required.

#### **Funding Options**

This report considers the following two main options:

Option 1A – Immediate Disposition and utilizing the proceeds plus any interest income to immediately fund the annual infrastructure funding gap.

Option 2A – Immediate Disposition and only utilizing the interest earned on the proceeds to fund annual infrastructure funding gap. Under this option, the investment stays whole and funding continuous.

In addition to the above, options 1B and 2B are analyzed based on the disposition being deferred by 5 and 10 years.

#### **Option 1A – Immediate Disposition and use proceeds to fund the infrastructure gap**

The full amount of the proceeds, approximately \$325m plus interest earned at 3% per annum is used to fund the annual infrastructure funding gap requirements. A portion of interest income earned (approximately \$6.2 million) has been used to offset the loss of dividend and interest income to the operating budget as a result of the sale. Based on the Long Range Financial

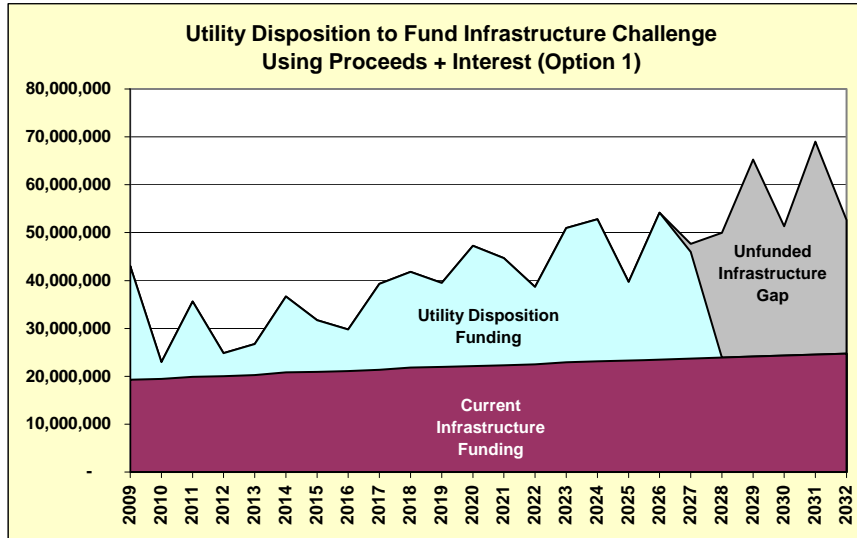


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Planning model, the funds from the sale would eventually be depleted by approximately 2027. At that time a replacement source of funding would be required to continue to fund the infrastructure gap. In 2028 the annual funding shortfall would be in the neighborhood of \$45m. It would be prudent to develop a funding strategy over the 20 year period to address this significant financial challenge, which will be inherited by future generations. The following graph illustrates the impact of this option on the infrastructure funding gap.



For comparison purposes, obtaining an annual interest rate of 5% significantly impacts the results. At a 5% annual interest rate, proceeds from the sale would be extended 5 – 6 years generating an additional \$144 million to fund the infrastructure gap. However, funds would eventually be depleted and continuous funding sources would be required in excess of \$45m per year.

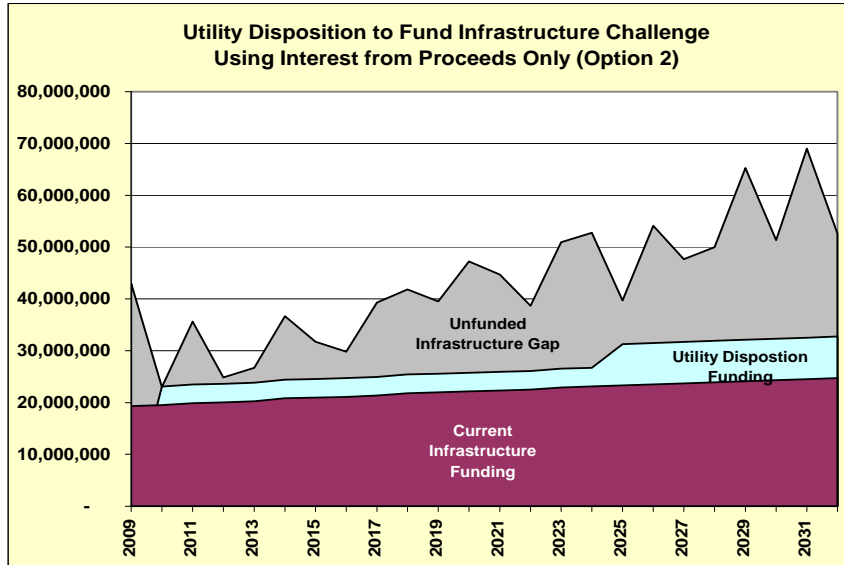
**Option 2A – Immediate Disposition and use interest income to fund the infrastructure gap**

This option assumes that only the interest on the proceeds from the disposition is used to fund the infrastructure gap. It is assumed that these funds would be re-invested and earn approximately 3% per year. Based on these assumptions, the City would earn approximately \$9.8 million per year in interest income. A portion of interest income earned (approximately \$6.2 million) has been used to offset the loss of dividend and interest income to the operating budget as a result of the sale. This would leave approximately \$3.6 million that could be used towards funding infrastructure gap. Our analysis demonstrates that this level of funding would not be sufficient to meet our annual infrastructure funding gap requirements; however the level of funding would be permanent and only fluctuate as a result of interest rates. A funding strategy to address the significant gap would still be required. The following graph illustrates the impact of this option on infrastructure funding gap.

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Note - The term of the outstanding note is 20 yrs, expiring in 2024. A requirement to fund the lost interest component would exist regardless of the disposition and therefore the interest component of funds received is redirected to fund infrastructure after 2025.

For comparison purposes, obtaining an annual interest rate of 5% significantly impacts the results. At 5% the City would earn approximately \$16.2 million per year in interest income. Approximately \$10 million after netting off the portion of interest income used to offset the loss of dividend and interest income as a result of the disposition. Our analysis demonstrates that this level of funding would still not be sufficient to meet our annual infrastructure funding gap, but would be ongoing.

**Deferral of Disposition by 5 and 10 years**

The financial impact of deferring the potential disposition of PowerStream 5 or 10 years was also analyzed. Our analysis assumed that the value of PowerStream would grow by 5% each year. The analysis demonstrates that in either case, the City would not have enough funds to maintain its infrastructure indefinitely. This option also raises the issue of what happens in the meantime (until the disposition occurs) to our infrastructure and service levels? Until funding is received, the infrastructure funding gap will continue to grow as there is insufficient funding to meet our current requirements. The following two scenarios demonstrate the impact of disposing of Vaughan’s interest in PowerStream in 5 or 10 years.

**Scenario 1B – Disposition in 5 years (2013)**

In scenario 1B, it is assumed that PowerStream would be sold in 2013 and that the City of Vaughan would receive approximately \$378 million. That would result in an increase of approximately \$53 million in proceeds from the sale. In relation to Option 1B funds would eventually be depleted by approximately 2031, and annual continuous funding sources would be required in excess of \$35m per year thereafter. In relation to Option 2 investment income would increase by \$1.5m. However, it is necessary to recognize that a funding shortfall of approximately \$54 million between 2009 and 2013 would still exist and require a funding solution. A five year 3% annual tax increase would generate roughly \$45m over a five year period. Failing to address the immediate funding gap need may have a significant impact on the City’s service levels and quality of life.

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##### Scenario 2B – Disposition in 10 years (2018)

In scenario 2B, it is assumed that Vaughan's interest in PowerStream would be disposed of in 2018 and that the City of Vaughan would receive approximately \$461 million. That would result in an increase of approximately \$137 million in proceeds from the sale. In relation to Option 1 funds would eventually be depleted by approximately 2038, and annual continuous funding sources required in excess of \$35m per year. In relation to Option 2 investment income would increase by \$4m, still not enough to meet infrastructure funding gap requirement. However, it is necessary to recognize that a funding shortfall of approximately \$127 million between 2009 and 2018 would still exist and require a funding solution. A 10 year 2% annual tax increase would generate roughly \$110m over a 10 year period, 3% roughly \$165m. Failing to address the immediate funding gap need may have a significant and serious impact on the City's service levels and quality of life.

##### Relationship to Vaughan Vision 2020

The study addresses three main goals identified under management excellence in the Vaughan Vision 2020:

1. Maintain Assets and Infrastructure
2. Ensure Financial Stability

##### Regional Implications

There are no Regional implications associated with this report.

##### Conclusion

As requested, staff reviewed opportunities on how the potential disposition of Vaughan's interest in its municipal utility asset might positively impact the long term funding of infrastructure repair and replacement. As a result, staff have presented two main options 1) using the proceeds of the disposition plus interest earned to fund the infrastructure funding gap and 2) using only the interest earned on the proceeds of the disposition to fund the infrastructure funding gap.

This analysis demonstrates that disposition of the City of Vaughan's investment in its municipal utility under option 1 will not provide a complete solution for the infrastructure funding challenge. Although there would be a large injection of funds initially, it does not provide a permanent funding solution. Eventually the proceeds of the disposition will be depleted only deferring the infrastructure challenge to future generations. Option 2, however does generate an additional continuous funding source, but unfortunately not enough to eliminate the annual infrastructure funding challenge. Therefore an infrastructure funding strategy would be required.

In addition to the above options consideration was given to the deferral of a potential disposition. Although there is also a significant increase in asset value there is also a corresponding immediate unfunded infrastructure gap that may potentially impact service levels and ultimately the quality of life for Vaughan residents. Therefore an infrastructure funding strategy would be required to address the immediate unfunded infrastructure gap.

In conclusion there is no doubt that the City of Vaughan holds a significant investment through its shares in PowerStream. It is also clear that the investment, if disposed of in whole or in part can contribute significantly towards funding Vaughan's infrastructure gap. The impact will differ depending if the full proceeds are used until depleted or only the investment income earned from the proceeds is utilized.

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The challenge is meeting the current infrastructure funding gap that is increasing as the City grows and ages, with the timing of any potential disposal of Vaughan's interest in PowerStream.

**Attachments**

Attachment No. 1 PowerStream Inc. and Barrie Hydro Distribution Inc. – Pro-Forma Assessment of the Relative Fair Market Value of Shares as at December 31, 2008

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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.)